

**CHALLENGES**

- Fund shortage at small and medium MFIs
- Rising operating cost
- Shortage of skilled manpower
- Lack of compliance
- Dearth of financial literacy among clients

**MFIs AT A GLANCE**

As of June 2022

- Number of MFIs in Bangladesh: **739**
- Branches: **23,543**
- Employees: **206,713**
- Clients: **3.82cr**
- Borrowers: **2.97cr**
- Savings: **Tk 49,624cr**

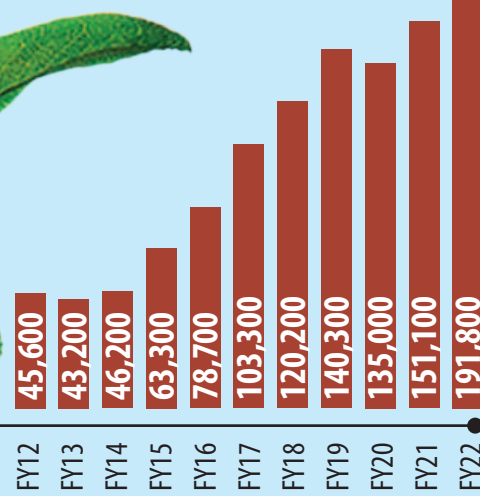
**LOANS**

Outstanding: Tk **124,149cr**  
Disbursement: Tk **191,800cr**  
Agriculture credit: **54pc**

**DIVISION WISE COVERAGE**

**HIGHEST:**  
Dhaka: **78.93 lakh**  
Chattogram: **69.67 lakh**  
**LOWEST:**  
Sylhet: **15.09 lakh**  
Mymensingh: **19.09 lakh**

**LOAN DISBURSEMENT TRENDS** (In crore taka) SOURCE: MRA



**MICROFINANCE INSTITUTIONS**

**Loan disbursement sees brisk growth**

BB governor calls for lower interest rates for poor

**STAR BUSINESS REPORT**

Loan disbursements by microfinance institutions (MFIs) in Bangladesh witnessed brisk growth in fiscal 2021-22 thanks to the expansion of economic activities in the post-pandemic era.

MFIs disbursed Tk 191,883 crore in FY 2021-22, up 27 per cent from Tk 151,209 crore the previous year, according to a paper by Mohammad Yakub Hossain, director of the Microcredit Regulatory Authority (MRA).

Hossain yesterday disclosed these findings during a workshop on the publication of "Microfinance in Bangladesh (Annual Statistics)," organised by the MRA at the Centre on Integrated Rural Development for Asia and the Pacific

auditorium in Dhaka. "Some four crore marginal people have come under the services of 739 MFIs across the country that are licensed by the MRA," he said.

Hossain then said that MFIs collectively disbursed Tk 226,007 crore as loans in fiscal 2021-22 while receiving customer savings to the tune of Tk 85,036 crore at the same time.

Besides, the government's stimulus packages aimed at helping businesses ride out Covid-19 helped the microfinance sector quickly bounce back from the pandemic fallout.

As a result, opportunities have been created for increasing access to the financial sector for marginalised people in the country, he added.

Abdur Rouf Talukder,

governor of Bangladesh Bank, urged local microfinance institutes to reduce interest rates on loans for the poor.

"We are charging higher interest from the poorest people, which is not logical, equitable or moral. Instead, the interest rate should be cut significantly for their sake," he added.

At present, microfinance institutes in Bangladesh disburse around Tk 900 crore each day and Tk 2 lakh crore each year.

The interest rate for microfinance loans should be reduced now as the amount of such loans will increase significantly in the days to come, Talukder said.

The central bank governor went on to say that microfinance institutes should take more steps to ensure faster implementation

of cashless transactions.

"We want to create a cashless society in the next five years and use mobile phones as both credit cards and banks," said Talukder, also the chairman of the board of directors of the MRA.

"We now have to reduce the use of cash. Binimoy, an interoperable digital transaction platform launched on Sunday, can facilitate transfers among mobile financial service providers," he added.

Sheikh Mohammad Salim Ullah, secretary of the Financial Institutions Division, said microfinance institutes must cut their interest rates, but only if given the opportunity.

Md Fashiullah, executive vice chairman of the MRA, said they started publishing yearly publications containing the

overall data of the microcredit sector under the name "Microfinance in Bangladesh (Annual Statistics)" last year.

"Along with microfinance, we have also included information related to microfinance provided by different government bodies, non-government organisations, Grameen Bank and commercial banks," he added.

At the event, Bangladesh Bank Governor Talukder launched four e-services of the MRA to ease the process for providing clients with loan and savings related services.

The e-services are: MRA Info, e-clipping, e-archiving and MRA Library Automation.

Laxman Chandra Debnath, executive director of the MRA, delivered a welcome speech at the event.

**Stocks' floor price for block market eased**

**STAR BUSINESS REPORT**

Bangladesh Securities and Exchange Commission (BSEC) has eased floor price for the block market, which will allow shares to be traded at 10 per cent lower price than the open market.

The floor price is the lowest price at which a stock can be traded.

In July, the stock market regulator set the floor price for each stock to halt the free fall of the market indices amidst global economic uncertainties.

The floor price was fixed on the basis of the average of the closing prices on July 28 and the preceding four days.

Now, the price of shares can be traded in the block market at 10 per cent lower rates than the open market, the BSEC said.

The new rule will be effective immediately, according to the order issued by the regulator yesterday.

Considering the current market situation, the exchanges may allow the clients of block market to transact at up to 10 per cent lower rate than the floor price on the existing circuit breaker system, it said.

The block market is a platform of an exchange where a large number of stocks are traded in a single transaction at a negotiated price without affecting the index.

**India's retail inflation eases**

**REUTERS, New Delhi**

India's annual retail inflation eased to a three-month low of 6.77 per cent in October, helped by a slower rise in food prices and a higher base effect, strengthening bets of smaller rate hikes by the country's central bank at its meeting next month.

The October reading was higher than the 6.73 per cent forecast by economists in a Reuters poll and above the central bank's tolerance limit, data released by the National Statistics Office on Monday showed. The annual retail inflation was 7.41 per cent in September.

Food prices, which account for nearly 40 per cent of the CPI basket, rose 7.01 per cent in October, compared with 8.60 per cent in September.

Month-on-month retail inflation rose 0.80 per cent in October, compared with the previous month, while retail food inflation rose 1.08 per cent — reflecting inflationary pressures in the economy.

Some economists said that although inflation had peaked in India, the easing process was likely to remain slow, and it could take up to two years before the inflation rate eased to 4 per cent — the middle level of the Reserve Bank of India's (RBI) target.

Madan Sabnavis, chief economist at state-run Bank of Baroda, said inflation still faced threats in the food segment, as vegetables and cereal prices did not show signs of a moderation.

"We do expect the RBI to continue to increase the repo rate, albeit by a smaller quantity of 25 bps to 35 bps in the coming policy to be in tune with what other central banks are doing," he said.

**Retailers in tight spot**

**FROM PAGE B1**

In Dhaka's Mirpur-10, Fashion Gallery, an outlet in Shah Ali Plaza, used to sell children's clothes and other apparel items worth Tk 20,000 a day at the beginning of 2022 whereas it has come down to Tk 8,000-Tk 10,000.

"People are buying fewer clothes," said Mohammad Zakaria, manager of the shop.

He said the price of products has increased by 30 to 50 per cent in the past six months due to a hike in raw material costs and fuel prices.

"Sales are declining day by day," said Sakhawat Hossain, manager of Ekushey Paper Stationery Shop at the Mukto Bangla Shopping Complex in Mirpur-1.

Before the current cost-of-crisis kicked in, he would sell products worth Tk 35,000-Tk 40,000 a day. Now, the sales have fallen to Tk 20,000.

The parents, who used to buy 12 exercise books for their children in the past, are now buying six, he said, giving an example.

"Now, customers are buying only what is necessary."

**PROFIT MARGINS HIT**

The profit margin of retailers has taken a hit due to the higher cost of production. Some are even running the business by taking loans.

"Earlier, I used to make 25-30 per cent profit on any product. Now it has come down to 5-10 per cent. In some cases, I sell products without making any profit," said Zakaria of Fashion Gallery.

The profit margin has slumped a lot and the price of stationery products has gone up by 40-50 per cent in the last six months, said Sakhawat of Ekushey Paper Stationery Shop.

Sirajganj's Azad says he has had to employ more capital to run the business. "But the profit has dropped."

Retailer Abdul Hai Liton says he is getting less commission from dealers,

resulting in lower profits for them.

"Earlier, if I sold a product worth Tk 500, I could offer a discount of Tk 20. But now I can't do so since the commission has decreased."

**BLEAK PROSPECT**

Retailers were mixed when they spoke about the recovery from the current situation.

Sakhawat Hossain is hopeful that the business will rebound in January.

But Abhi Kumar Das, manager of Dreamland Bedding store in the Mouchak area, does not think that the business situation will improve overnight.

His worry stems from the dragging war, the energy crisis, the higher inflation, and the supply disruption.

He says it is not possible to pay the rent of the shop and the salary of the employees with the money that is earned. So, he is currently meeting the rest of the expenses from his savings.

Harun Ur Rashid, owner of Molla Crockery in the Chandrima Super Market in New Market, says people are worried about the overall situation.

After paying the shop's rent and employees' salaries, he is finding it tough to pay for his family's expenses and the educational expenditures of his three children, he said.

Pabna's Mukul said: "If the same business condition persists for a few months, I will have to close my business or borrow money from the market to keep it up and running."

Helal Uddin, president of the Bangladesh Dokan Malik Samity, said several businessmen from various parts of the country called him and said that due to reduced sales, many don't even have the money to purchase essential commodities for their families.

"Owing to the sales slump, retailers are unable to pay back wholesalers and dealers. All in all, the businessmen are in hot water."

The business leader even warned that retailers might lay off workers if

the situation does not improve.

Selim Raihan, a professor of economics at the University of Dhaka, says as people's real incomes have fallen and the cost of producing goods has risen, many in the low-to-middle class are finding it difficult to afford.

"So, they are cutting costs in various ways. When spending shrinks, it has an impact on businesses that affects the livelihood of those involved in the businesses. This will affect the workforce as well."

Raihan, also the executive director of the South Asian Network on Economic Modeling, says as production costs have risen, manufacturers are also shrinking the benefits they provide to dealers and retailers.

"These all are a reflection of the current crisis the country is in. This means our economy is shrinking. It will be reflected in growth."

The economist does not see any indication of a revival from the ongoing situation anytime soon.

"The next two to three months are crucial," he said, calling for policy support other than social protection to address the current situation.

**Underwear**

**FROM PAGE B1**

required for their manufacture.

Last fiscal earnings from underwear shipments grew 31.46 per cent year-on-year to \$2.34 billion, according to the Export Promotion Bureau's data compiled by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

The export earnings from underwear accounts for 5.49 per cent of the \$42.61 billion-worth garments exported last fiscal year.

From this region, Sri Lanka is still famous for producing underwear meant for women as this South Asian country started exporting it many years ago. However, recently they have been steadily losing their market share to Bangladesh.

**State-run fuel, power**

**FROM PAGE B1**

Profits of Dhaka Electric Supply Company (DESCO), a state-run electricity supplier, more than doubled to Tk 11.50 crore, according to the company's financial reports.

Jamuna Oil Company, a government-owned fuel supplier, saw a staggering 62 per cent jump in its profits to Tk 66 crore.

Another petroleum product seller, Meghna Petroleum, logged 44 per cent higher profits to Tk 94 crore.

Profits of Padma Oil Company increased 28 per cent to Tk 68 crore.

However, the Titas Gas Transmission and Power Grid Company saw lower profits.

Though the state-run companies made more money in the period, most listed private sector energy companies struggled to continue their profit growths due to the depreciation of local currency against the US dollar, which increased their costs.

Among the listed 23 fuel and power companies, 19 disclosed their data for the first quarter.

Of the 19, nine companies saw lower profits, three higher losses and the profit of one remained the same.

Most listed private energy companies informed significant changes in profits due to significant increases in losses from foreign currency transactions.

**Only plastic**

**FROM PAGE B4**

conditions of BSCIC, we will definitely give them loans on easy terms," he said.

Hoque then informed that BSCIC officials have been meeting with trade bodies in Lalmonirhat to encourage the establishment of factories in the industrial area.

"Some trade bodies have assured the authorities in this regard and so, we hope some new some factories will be set up next year," he added.

Yeasin Ahmed, company secretary of Shahjibazar Power Company, told

The Daily Star that almost all energy companies saw lower profits this year mainly for the same reason and that was the depreciation of the local currency against the greenback.

Bangladesh Bank's data shows that the exchange rate stood at Tk 107.5 per dollar on September 29, down 25.7 per cent year-on-year.

"When we opened LCs (letters of credit) to import HFO, then the dollar rate was Tk 85 to Tk 86 but at the mature period in the quarter, adequate dollar was unavailable and price was close to Tk 120," said Ahmed.

As a result, the costs rose and the profits of power companies fell, he added.

**Air Astra to start**

**FROM PAGE B1**

data, the number of passengers on domestic routes was around 45 lakh in 2019.

However, after the Covid-19 pandemic arose, the number of passengers on domestic routes decreased by more than half in 2020.

Their numbers then increased as the pandemic waned and in 2021, there were about 5 million passengers travelling on all domestic routes.

Air Astra's primary parking station will be the Hazrat Shahjalal International Airport with Sylhet Osmani International Airport acting as an alternative station. If necessary, Air Astra's aircraft will be kept at Sylhet airport at night.

The first private airline, Aero Bengal, started operating in the country in 1997. After that, a total of 12 private airlines were introduced. Of them, only two survived till now.

**China's economy loses pace amid Covid curbs**

**REUTERS, Beijing**

China's economy suffered a broad slowdown in October as factory output grew more slowly than expected and retail sales fell for the first time in five months, underscoring faltering demand at home and abroad.

The world's second-largest economy is facing a series of headwinds including protracted Covid-19 curbs, global recession risks and a property downturn. In a sign of persistent weakness in sector, data on Tuesday also showed property investment falling at its fastest pace since early 2020 in October.

The downbeat data poses a challenge for Chinese policymakers as they steer the \$17 trillion dollar economy through choppy waters, following recent moves to ease some Covid curbs and give financial support to the struggling property sector.

"October activity growth broadly slowed and missed market expectations, pointing to a weak start to Q4 as a worsening Covid situation, prolonged property downturn and slower export growth more than offset continued policy stimulus," analysts at Goldman Sachs said in a note.

Industrial output rose 5.0 per cent in October from a year earlier, missing expectations for a 5.2 per cent gain in a Reuters poll and slowing from the 6.3 per cent growth seen in September, data from the National Bureau of Statistics (NBS) showed on Tuesday.

Retail sales, a gauge of consumption, fell for the first time since May, when Shanghai was under a city-wide lockdown. Sales dropped 0.5 per cent, against expectations for a 1.0 per cent rise and compared with a 2.5 per cent gain in September.