

BGMEA seeks French dev assistance for SMEs

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The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has urged Proparco, a subsidiary of the French AFD Group focused on private sector development, to provide low-cost funds to small Bangladeshi enterprises.

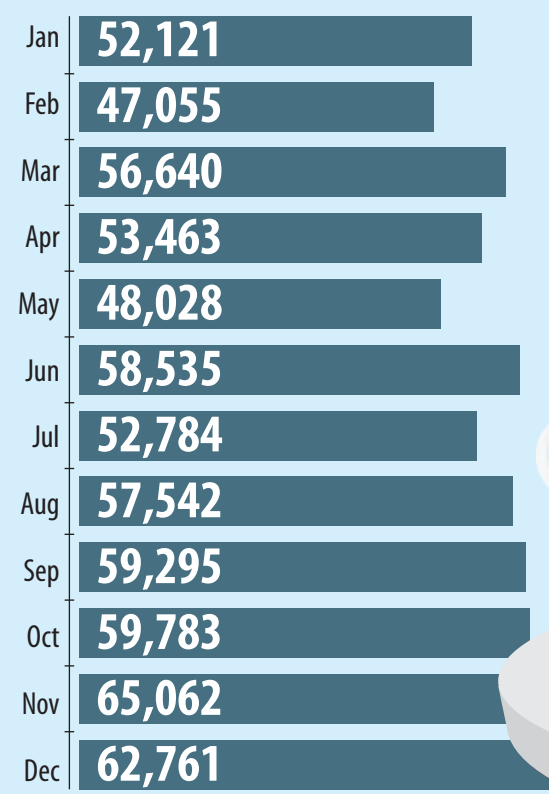
Small-scale firms struggle to secure financing from the usual sources for failing to fulfil some mandatory conditions which sometimes require going through tedious processes and bureaucratic tangles, it said.

BGMEA President Faruque Hassan made the call in a meeting with a delegation of Proparco in Paris on February 18 to discuss possible collaboration to support the sustainable development of Bangladesh's garment industry.

The BGMEA president apprised the Proparco team of the progress made by Bangladesh's garment industry in areas of workplace safety, social and environmental sustainability and workers' wellbeing.

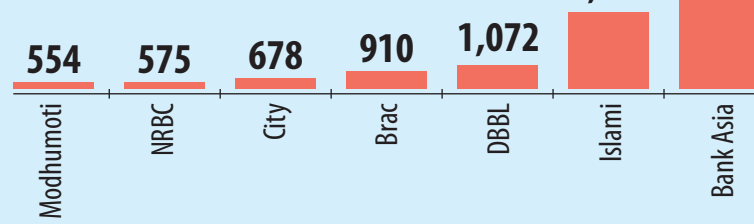
TRANSACTIONS IN 2022

In crore taka; SOURCE: BB



NUMBER OF AGENTS OF BANKS

As of Dec 2022; SOURCE: BB



Agent banking transactions climb over 46% in 2022

MD FAZLUR RAHMAN

Transactions through agent banking accounts rose more than 46 per cent to Tk 673,069 crore in 2022 in Bangladesh riding on the increased use of the fast-expanding banking window, official figures showed.

It was Tk 460,981 crore in 2021, according to data from the e-banking and e-commerce statistics unit of the central bank.

Transactions jumped 27 per cent year-on-year to Tk 62,761 crore alone in December.

In 2013, the central bank introduced agent banking to provide banking services to underprivileged people in rural areas, especially those in remote areas.

Since then it has been booming as it is less costly compared to the traditional banking system and allows customers to receive various banking services in real time through an agent. At present, 31 banks are running agent banking activities.

There were about 1.75 crore agent banking accounts in Bangladesh at the end of 2022, up 25 per cent from 1.40 crore a year earlier.

The number of women account-holders rose more than 26 per cent to 84.22 lakh. Male account numbers stood

at 87.96 lakh, an increase of 27.31 per cent from 69.09 lakh in 2021.

Of the total account-holders, 24.10 lakh are in urban centres and 1.51 crore are in rural areas.

The number of agents reached 15,226 at the end of 2022, up from 13,951 in 2021, BB data showed. Of them, 2,316 are in urban areas and 12,910 are in rural areas.

The Dhaka division has a maximum of 3,822 agents, which is 25 per cent of the total. The Mymensingh division has the lowest number of agents at 851, or 6 per cent of the total.

The top five banks in terms of agents are Bank Asia, Islami Bank Bangladesh Limited, Dutch Bangla Bank Limited, Brac Bank, and The City Bank, accounting for 70 per cent of the total agents.

The number of agent outlets stood at 20,836 in December, an increase of 8.25 per cent from 19,247 in the same month in the previous year.

The Dhaka division has the highest number of outlets at 25 per cent, followed by the Chattogram division, which has 22 per cent of the outlets.

The number of rural agents is 5.6 times higher than that of urban agents and the number of rural outlets is about six times higher than that of urban.

This means rural areas are quite covered by banking facilities through agent banking, said the central bank in its monthly report on agent banking.

In December, Tk 727 crore was disbursed in loans, up from Tk 552 crore in the same month a year earlier.

"Microcredit loans are disbursed more preferably through agent banking outlets compared to the traditional banking system," said the report.

Apart from cash deposit and withdrawal as well as securing loans, account-holders use the agent banking system to receive remittances, transfer funds and make utility bill payments.

Utility bill payments through the agent banking system stood at Tk 98 crore in December. This was, however, down from Tk 143 crore in the last month of 2021.

Migrant workers sent Tk 2,890 crore in remittance to their beneficiaries in December, a rise of more than 30 per cent from Tk 2,208 crore in the identical month of 2021.

Agent banking is getting popular as it provides financial services to people in areas where conventional banking facilities are largely absent.

Moreover, the participation of women in financial activities is encouraging.

Higher activities of agent banking in rural areas point to the financial inclusion of marginal people, said the BB report.

Jahirul Islam began running an agent banking outlet of Bank Asia Ltd in Patukhali village under Marichbunia union of Patuakhali sadar upazila towards the end of 2018. Still, this has been the lone agent banking outlet in the union of the southern coastal district.

"Agent banking has brought banking services to the doorsteps of the people. Now, people don't require travelling to the nearest town and spend money and time to receive financial services. People are also receiving remittances," the 31-year-old told The Daily Star over the phone on Friday.

Had there been no agent banking outlet, the residents of the union, which consists of eight villages, will have to travel about 17 kilometres to access banking services, said Md Rasel Mahmud, who works at the outlet.

The outlet, which serves about 5,000 clients, began disbursing loans in 2021 and three loans have been disbursed so far.

"The borrowers are paying installments regularly," Islam said, adding that the outlet would soon start the disbursement of farm loans.

Rising rubber production

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major consumers of rubber in the country.

Meghna Innova Rubber needs 300 tonnes of semi-processed rubber a day to make tyres for bicycles, motorcycles and light commercial vehicles under the brand MTF, which is marketed at both local and export markets.

The company buys raw rubber mainly from state-run Bangladesh Forest Industries Development Corporation (BFIDC).

Bari said local manufacturers are capable of meeting 100 per cent demand for tyres used in bicycles, motorcycles, three-wheelers, easy bikes and light commercial vehicles. The country was dependent on the import of tyres for these segments only 12 years ago.

"Local manufacturers are producing world-class tyres as they have adopted sophisticated technologies at their manufacturing facilities."

Bangladesh still needs to buy tyres of trucks, buses and passenger cars from external markets.

Meghna Innova Rubber is going to start the manufacturing of tyres for commercial and passenger vehicles within a short time as its factory is ready to go into operation.

Bari also does not think that rubber farmers are not getting the expected price, saying the rate is determined on the basis of the prices in the international markets.

The BFIDC fixes the price twice a month.

He sought policy support from the government to develop and protect the local industry, citing the example of India.

"In India, tyre imports are prohibited as local manufacturers are capable of producing high-quality tyres. Global companies have also invested in the tyre industry in the neighbouring country."

UK seeks level-playing field for investment

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But the country managed to bring in less than \$10 billion.

The UK is the second biggest country after the US in terms of sources of gross FDI flowing into Bangladesh. Gross foreign investment from the UK stood at \$2.5 billion at the end of September 2022, according to Bangladesh Bank data.

The UK is also Bangladesh's third largest export market after the US and Germany. Bangladesh shipped goods worth \$3.5 billion to the country in fiscal 2021-22, up from \$2.8 billion a year ago.

"Foreign direct investment builds the foundation to provide jobs, transfer skills, generate revenue, create competition and drive standards higher," said Gemmill.

A conducive business climate and removal of market access barriers will benefit both countries and underline the great opportunities for UK businesses, he said.

The relationship between the UK and Bangladesh is underpinned by the potential of trade and investment that will help both economies grow, he added.

Bangladesh is very keen to take this relationship to a new height through enhanced trade and economic cooperation, said Ghosh.

Continuation of the dialogue will contribute to increasing trade and investment in both countries, he added.

Both countries agreed to arrange the dialogue annually and a Joint Working Group (JWG) regularly.

The JWG would cover a broad range of trade and investment issues, including mutual barriers to market access and trade, with an agenda agreed between the UK and Bangladesh in advance.

Both the countries agreed to enhance the bilateral trading partnership to increase mutual

prosperity ahead of and after Bangladesh's graduation from least developed country (LDC) status.

The UK recognised Bangladesh's economic growth and resilience, despite the widespread impact of the global pandemic and ongoing global economic crisis.

Bangladesh welcomed the UK's generous Developing Countries Trading Scheme (DCTS) and acknowledged its role in integrating Bangladesh into the global economy, creating stronger trade and investment opportunities.

The DCTS provides duty-free, quota-free trade to LDCs on everything but arms.

The UK reflected commitments under the DCTS to international conventions on labour standards and human rights, anti-corruption, climate change and the environment.

The UK and Bangladesh discussed cooperation in areas such as LDC graduation, investment cooperation, pharmaceuticals, ease of doing business, financial sector development, higher education provision, taxation issues and intellectual property protection.

The UK encouraged Bangladesh to explore investment opportunities for the UK services sector, including financial and professional services.

Bangladesh reiterated the importance of the garments sector. Both countries recognised the importance of high-quality education and agreed to further deepen and widen the scope of collaboration in the area of higher education for mutual benefit.

The UK stressed the importance of Bangladesh putting in place economic policies and systems to achieve its ambition of rapid, sustainable and green economic development; and pledged its ongoing cooperation.

Relaxed rules can't tame default loans

FROM PAGE B1 with global standards in order to strengthen the banking sector.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, welcomed the reduction in default loans.

"This is definitely a positive development for the banking sector." He thinks that the relaxation on loan repayment helped lenders decrease their default loans in the October-December quarter.

"Although cash recovery from default loans has increased to some extent in recent months, the trend is still lower compared to the pre-pandemic level. So, we should gear up our loan recovery programme for the betterment of the banking sector," he said.

In December, borrowers were allowed to avoid being classified as a defaulter subject to the clearing of 50 per cent of installments payable in the final quarter instead of 75 per cent previously.

Trade bodies and chambers,

including the Federation of Bangladesh Chambers of Commerce and Industry, have frequently pressed for a relaxed loan classification policy in recent times.

In fact, the central bank followed a relaxed loan repayment policy from the early day of the coronavirus pandemic in 2020 to 2022.

Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, said there was no genuine reason for the default loan to go down in the fourth quarter.

He urged the central bank to move away from relaxing its policies on loan classification and rescheduling. "At the same time, banks should identify habitual defaulters to improve their financial health."

Prof Rahman said the economy was going through stresses.

"So, if we fail to address the issue of default loans appropriately, the ongoing volatility will deepen," he warned.

BB data showed that NPLs in the state-run banks rose 25 per cent year-

on-year to Tk 61,169 crore last year.

Forty-one private commercial banks held defaulted loans of Tk 56,439 crore, up 9 per cent from a year ago. The NPLs in nine foreign banks increased to Tk 3,048 crore in contrast to Tk 2,785 crore.

Recently, the IMF said elevated NPLs could dampen growth prospects.

A holistic and time-bound NPL resolution strategy would help address bank balance sheet weaknesses, it said.

According to an IMF document, the BB has committed to developing bank-specific NPL resolution and capital restoration strategies and establishing effective monitoring and enforcement framework, underpinned by memorandums of understanding (MoUs), to oversee concrete actions adopted by banks.

These MoUs will target a reduction of the average NPL ratios to

below 10 per cent for state-owned commercial banks and below 5 per cent for private commercial banks by 2026, said the document.

US remains top source of remittance

FROM PAGE B1 cent from \$834 million a year ago.

As such, remittance from the USA accounted for 20.06 per cent of the total remittance inflow of \$4,820 million in the October-December period of last year, according to the Quarterly Report on Remittance Inflows in Bangladesh released by the central bank yesterday.

However, migrants from Saudi Arabia sent a lower amount of remittance in the second quarter of fiscal year (FY) 2022-23 compared to the same period a year ago.

Migrants working in Saudi Arabia sent home \$910 million in the October-December period of FY23, down 19.5 per cent from the same quarter a year ago, according to the Bangladesh Bank report.

The central bank report showed that overall remittance inflow declined 0.22 per cent year-on-year to \$4,820 million in the October-December period from a year ago.

The inflow of remittance, one of the key pillars of Bangladesh's economy, also fell 15 per cent on a quarter-to-quarter basis as migrants sent home a lower amount of money.

"Amid the global price hike that adversely affected migrants' real income, their remittance fell as well," the report said.

The United Arab Emirates (UAE) and United Kingdom were the third and fourth biggest sources of remittance for Bangladesh during the October-December quarter followed by Kuwait, Qatar, Malaysia and Oman. The Bangladesh Bank report said

the KSA was the biggest destination for workers during the quarter as the Middle Eastern country hired 98,765 Bangladeshis, which was 37.8 per cent of the roughly 261,134 workers who left the country for jobs.

Malaysia, Oman, the UAE and Singapore were the other top employing countries of Bangladeshi migrant workers during the quarter.

Islami Bank Bangladesh received the largest amount of remittance with \$1,246 million, which was 25.86 per cent of the total remittance inflow during the quarter.

The state-run Agrani Bank and private Dutch Bangla Bank were the second and third largest recipients of remittance during October-December period, according to the report.

Invest in agro-processing, share knowledge

Bida urges US

STAR BUSINESS REPORT

Bangladesh Investment Development Authority (Bida) has invited the US to invest in Bangladesh's agriculture sector and share its knowledge in agro-processing.

"We want investment in post-harvest infrastructure and management, food processing, cold chain logistics, organic fertiliser, agri-communication etc," said Lokman Hossain Miah, executive chairman of Bida.

He was addressing a luncheon meeting organised by the American Chamber of Commerce in Bangladesh (AmCham) at Sheraton Dhaka yesterday.

Enhancing agricultural productivity is also very critical for a climate-vulnerable country like Bangladesh which is why agricultural machinery manufacturing industry has been high prioritised in Bangladesh's industrial policy, he said.

"We are promoting mechanisation and the use of smart technology in agricultural operations like planting, weeding, application of fertiliser, harvesting, drying and storage," said Miah.

According to him, the US accounts for the highest amount of foreign investment in Bangladesh or 20 per cent of all coming in from around the world.

The country has traditionally invested in energy, power, banking and insurance sectors, he said.

"We also want US investments to bring smart technologies in healthcare, medical devices, automobile and hospitality. I will also add blue economy sub sectors, including deep sea fishing, biotechnology and tourism," said the Bida executive chairman.

Making Bangladesh investment-friendly is a top priority, Miah said, adding that Bangladesh was building better infrastructure, using different technologies and creating friendlier policies.

As an apex investment promotion agency of Bangladesh, Bida is the highest authority for ensuring all necessary facilities, including sustainable policies, he noted.

He also claimed that 99 per cent of Bida's services were online. Investors can get 63 services of 23 service providers, including Bida, and the system is paperless, he said.

Syed Ershad Ahmed, president of AmCham, said the government should invest in improving infrastructure, especially logistics facilities, and human capital.

These are key factors that influence investors' decision to mobilise their hard-earned resources in a country like Bangladesh, he said.

The investors are contributing to the country's economic growth by creating job opportunities and bringing new technologies, he said.

"We would appreciate if these investors are cared much, especially the foreign investors, as they are already here in contrast to the new entrants," said Ahmed.

"...so that they may go for further reinvestment and of course play the role of brand ambassadors for Bangladesh to bring new FDI and innovations," he added.

Good policies in paper and verbal assurance of support by policymakers will not allure foreign investors, said the AmCham president.

Proper implementation of the favourable policies and friendly rules for FDI matters the most, he said.