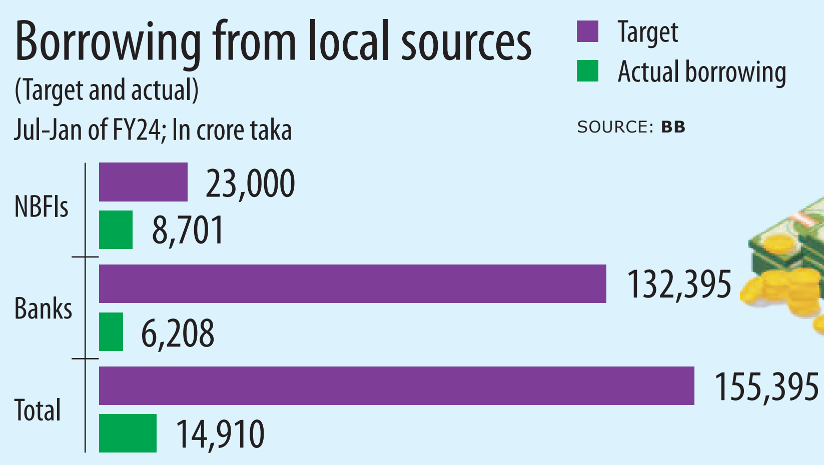
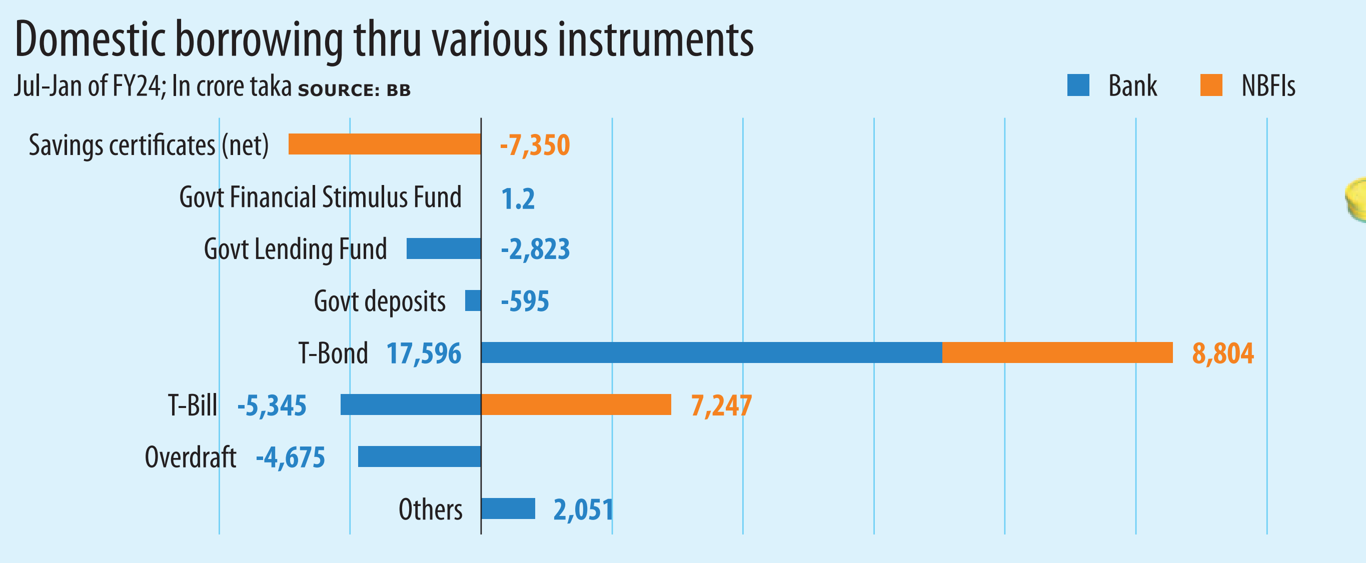
GOVT'S DOMESTIC BORROWING IN INFOGRAPHIC

The government relies on both the banking system and the non-banking sector to finance a portion of its budget. It borrows from banks through advances, overdrafts, and treasury bills (T-bills) and bonds (T-bonds). Borrowing from non-banking sources is made through the sales of national savings certificates and others.





BORROWING IN JUL-JAN OF FY24

- Borrowing from banks stood at Tk **6,208**cr, down **84%** from Tk **39,000**cr year-on-year
- Borrowing from non-banks surged **134%** to Tk **8,701**cr. It was Tk **3,716**cr in July-January of FY23
- Net borrowing was at Tk **14,910**cr, marking a year-on-year decline of **65%** from Tk **42,717**cr in FY23
- Net repayment of national savings schemes amounted to Tk **7,350**cr against the targeted net sales of Tk **18,000**cr

BORROWING TARGET FOR FY24

Tk **155,395**cr

Tk **132,395**cr to come from banks

Tk **23,000**cr from non-banks

Three out of four people still unbanked in Bangladesh

BBS study finds

AKANDA MUHAMMAD JAHID

Despite the continuous push for financial inclusion, nearly three out of four people in Bangladesh still do not have an account with a bank or non-bank financial institution (NBFI), according to a new survey.

The data from the Bangladesh Bureau of Statistics (BBS) survey titled "Bangladesh Sample Vital Statistics" showed that nearly 72 percent of those aged over 15 did not avail of such services in 2023.

Only 28.3 percent had an account with a bank or NBFI last year, it showed, increasing from 26.2 percent the year prior.

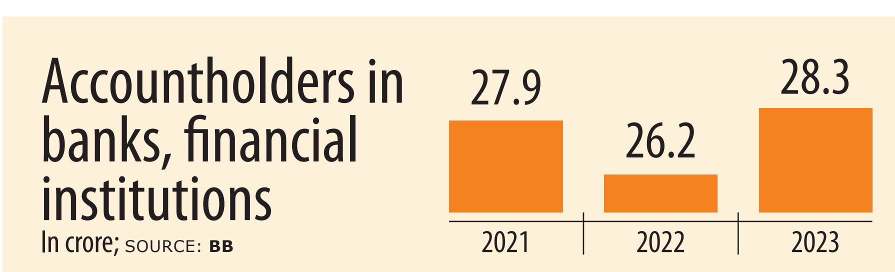
Among men, 32 percent took financial services from banks and financial entities in 2023 while the number was 24.8 percent for women. The figure for men stood at 30.9 percent in 2022 while it was 21.6 percent for women.

Although the number of people availing banking services is increasing gradually, the pace is insufficient. As a result, nearly three-fourths of those aged over 15 are unbanked.

According to experts, this is because the services offered by banks and NBFIs are not oriented to the needs and requirements of the low-income population.

The BBS's findings are close to the results of the World Bank's Global Findex Database 2021, said MK Mujeri, a former chief economist of the central bank.

"This financial sector's major services are savings, payments, credit, and insurance. But the kind of services and products that our banks provide are not aligned with the needs of the larger population of the country whose income is low."



He said banks and financial institutions were unable to provide services in accordance with the needs of the people, especially those living in the rural parts of the country.

"Therefore, they are not interested in banking services."

He added that it is difficult and, in many cases, impossible for a less educated or illiterate person to provide all the documents and information required to open a bank account.

This prompts many of them to borrow from microfinance institutions (MFIs) because of their simple approval and disbursement procedures even though they charge higher interest rate.

"Above all, services in the banking sector should be customer-centric. Financial inclusion in this sector will not accelerate unless adequate services are provided to this large group of population."

According to the World Bank's Global Findex Database 2021, Bangladesh is among the top seven countries that have a sizeable unbanked population.

A total of 1.4 billion population across the world is unbanked. Of them, more than half come from seven countries, including China, India, Pakistan and Bangladesh, the report said.

In Bangladesh, about 30 million people do not have an account with a financial institution or mobile financial service, it said.

Atiur Rahman, a former governor of the Bangladesh Bank, said that other than banks and financial institutions, there are other popular choices for people such as mobile financial services, agent banking, and MFIs.

"If these are considered, the overall financial inclusion rate will increase a lot."

For example, there are now 22 crore mobile banking accounts, he said.

"I think the proportion of financial inclusion will rise to 70-80 percent if these accounts are considered."

Prof Rahman says digital finance will be the key in the future. "We have to go towards digital banking."

The BB has permitted Nagad Digital Bank and Kori Digital Bank to set up digital banks in Bangladesh.

"Banks should also do more digital banking," Rahman said.

The noted economist cited that cashless transactions are being done and cards are being used to a large extent.

"We are now gradually moving towards digital banking from conventional banking. Conventional banks will have to provide services digitally too."

He said that there are some regulatory challenges standing in the way of traditional banks shifting towards digital banking.

"We will have to make banking services inter-operable."

Is Bangladesh's economy showing signs of recovery?

MAMUN RASHID

As Bangladesh concluded 2023, it faced a series of macroeconomic challenges, including soaring inflation, dwindling foreign currency reserves, a weakened taka against the US dollar, slowing exports, lower-than-expected remittance inflows, and a troubled banking sector. These factors converged, presenting a significant economic turbulence exacerbated by political uncertainties surrounding impending national elections.

However, as we transitioned into the second quarter of 2024, it appears that Bangladesh has managed to evade the immediate crisis, buoyed by policy interventions and improvements in the external environment. Nevertheless, the imperative for structural reforms remains paramount to diversify the economy and foster resilience in the medium to long term.

Urgent monetary reforms, including the implementation of a single exchange rate regime, are critical to bolster foreign exchange reserves and mitigate inflationary pressures. Concurrently, measures aimed at enhancing government revenues to facilitate investments in infrastructure and human capital are essential for sustainable long-term growth.

Following the national elections, there has been a discernible realignment and easing of geopolitical tensions, particularly with Western nations, assuaging concerns regarding Bangladesh's international relations. Moreover, major multilateral and bilateral development partners have reaffirmed their commitment to supporting Bangladesh's development endeavours as domestic consumption as well as private sector entrepreneurship are holding up.

Efforts to address the persistent dollar-taka crisis have yielded some progress, thanks to initiatives by the Bangladesh Bank and commercial banks targeting both demand and supply dynamics in the foreign exchange market. Import restrictions imposed by regulators have curbed the outflow of foreign currencies, leading to a notable decrease in import payments in the first half of the fiscal year.

Remittance inflows have witnessed an uptick, attributable to a surge in manpower exports and a convergence of foreign exchange rates between official banking channels and the informal market. This convergence, coupled with stabilised expectations of further exchange rate fluctuations, has incentivised higher remittance flows.

Furthermore, initiatives such as offering competitive interest rates on dollar deposits and facilitating the use of resident foreign currency deposit accounts have spurred the return of foreign currency holdings to the banking system, augmenting the dollar reserves and alleviating challenges in opening letters of credit for imports to an extent.

Meanwhile, liquidity conditions in the banking sector have improved, owing to measures such as loan rescheduling and restructuring, alongside initiatives by the Bangladesh Bank to inject liquidity through the dollar-taka swaps. These efforts have mitigated the taka crisis and enabled banks to access liquidity facilities as needed.

Despite these positive developments, the World Bank's latest macroeconomic update projects relatively subdued real GDP growth for Bangladesh, highlighting the need for sustained policy and structural reforms. With a projected growth rate of 5.6 percent in the current fiscal year and 5.7 percent in the subsequent year, emphasis on bolstering private consumption amid moderate inflation remains crucial.

While Bangladesh has somehow demonstrated resilience in navigating immediate economic challenges, the focus must now shift towards implementing comprehensive reforms to foster sustainable growth and resilience in the face of evolving global dynamics.

Increased focus is expected on improving the supply side economics, be it commodities or foreign currencies. Official remittance must increase, government revenues must go up, and taking up not-so-worthy projects must reduce. The market must be allowed to behave like other comparable and similar markets.

The author is an economic analyst.

Oil slips as risk premium eases after Iran attack

REUTERS, *London*

Oil prices slipped by about 1 percent on Monday, with the market downplaying the risk of broader regional conflagration after Iran's weekend attack on Israel.

Brent futures for June delivery fell 99 cents, or about 1 percent, to $89.46 a barrel by 0933 GMT while West Texas Intermediate (WTI) futures for May delivery were down $1.05, or about 1.2 percent, at $84.61.

Oil benchmarks had risen on Friday in anticipation of Iran's retaliatory attack, with prices touching their highest since October. Iran's attack involved more than 300 missiles and drones, and was the first on Israel by another country in more than three decades, raising fears of a broader regional conflict affecting oil traffic through the Middle East.

Iran saying it considers its retaliation to be over has lowered the geopolitical temperature, said Kpler analyst Viktor Katona, while John Evans at oil broker PVM said the Iranian drone and missile attack was "about as telegraphed a world event that people can remember".

"They might as well have had big disco lights on them and towed banners with 'come on ladies and gentlemen, please shoot me down'."

The attack, which Iran called retaliation for an air strike on its Damascus consulate, caused only modest damage, with missiles shot down by Israel's Iron Dome defence system.

Fresh Middle East tensions add to airline troubles

REUTERS, *Singapore*

Global airlines faced disruptions to flights on Monday after Iran's missile and drone attacks on Israel further narrowed options for planes navigating between Europe and Asia.

Iran's attack on Israel by more than 300 missiles and drones, which were mostly shot down by Israel's US-backed missile defence system, caused chaos in the aviation industry.

At least a dozen airlines have had to cancel or reroute flights over the last two days, including Qantas, opens new tab, Germany's Lufthansa, opens new tab, United Airlines, opens new tab and Air India.

This was the biggest single disruption to air travel since the attack on the World Trade Centre on September 11, 2001, according to Mark Zee, founder of OPSGROUP, which monitors airspace and airports.

"Not since then have we had a situation with that many different air spaces closed down in that quick succession, and that creates chaos," Zee told Reuters, adding that disruptions were likely to last a couple more days.

The latest routing problems are a blow to an industry already facing a host of restrictions due to conflicts between Israel and Hamas, and Russia and Ukraine.

Major Middle East airlines, including Emirates Airlines, Qatar Airways and Etihad Airways, said they would resume operation in the region after cancelling or rerouting some flights.

PHOTO: AFP/FILE

Iran's airspace is used by airlines travelling between Europe and Asia and those carriers will be restricted to two viable alternative routes, either through Turkey or via Egypt and Saudi Arabia, Zee said.

Israel closed its airspace on Saturday, before reopening them on Sunday morning. Jordan, Iraq and Lebanon also resumed flights over their territories.

Major Middle East airlines, including Emirates Airlines, Qatar Airways and Etihad Airways, said on Sunday they would resume operation in the region after cancelling or rerouting some flights.

It was not yet clear if the latest unrest would impact passenger demand, which has remained robust despite ongoing conflicts in Ukraine and Gaza, said Brendan Sobie, independent aviation analyst.

"If the political situation and the conflicts continue to escalate then at some point people will be concerned about travelling, but so far that hasn't happened," Sobie said.