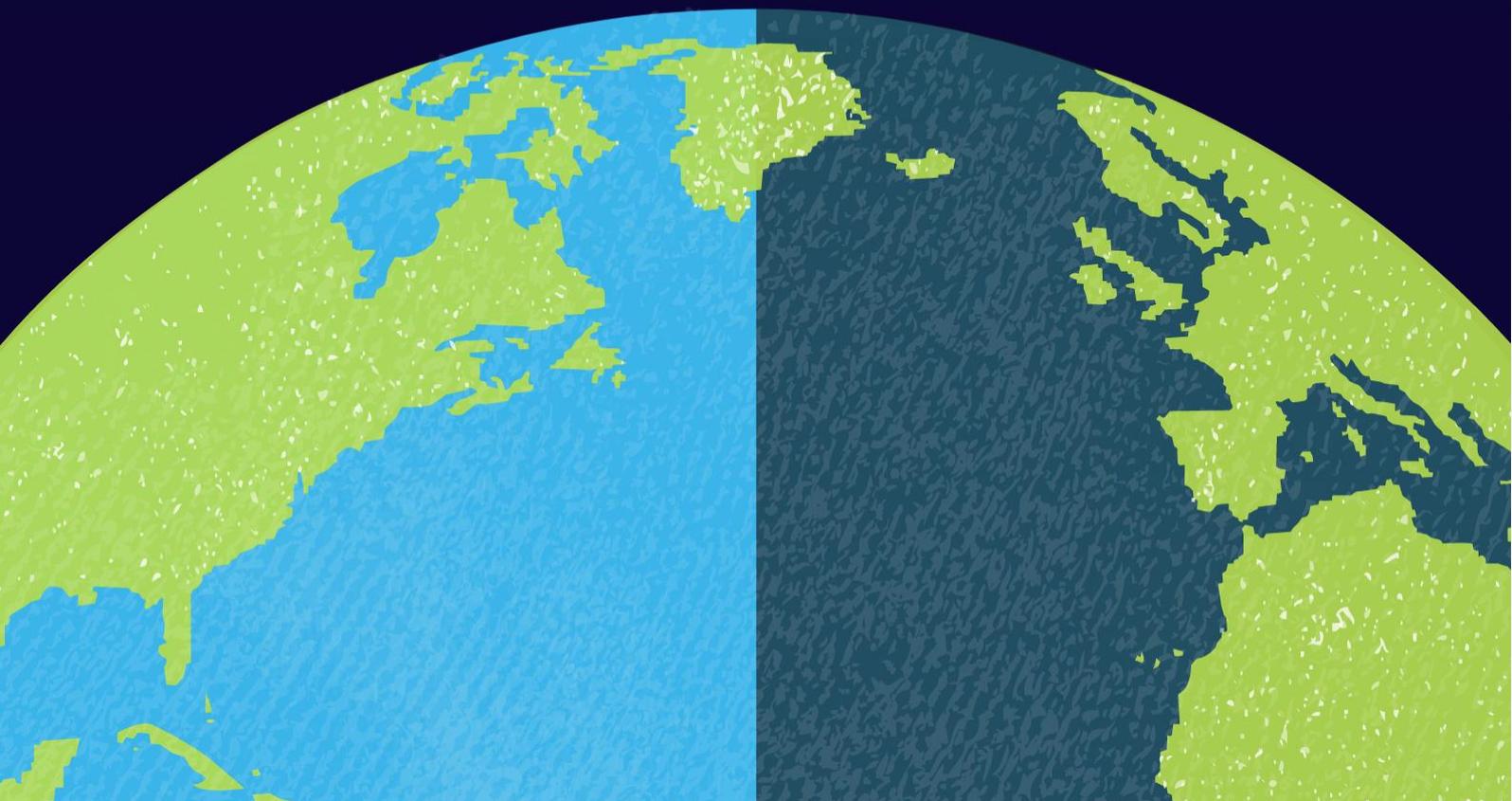


ISSUE # 89

# MONTHLY NEWSLETTER

**THIS DOCUMENT CONTAINS THE LATEST NEWS AND  
PUBLICATIONS FROM SAMN MEMBER COUNTRIES**



# Bangladesh

## **Are Middlemen the Biggest Obstacle in Bangladesh's Food Chain?**

Agriculture is the economic backbone of Bangladesh, but farmers say that numerous revolutionary reforms introduced in the sector over the past two decades have failed to bring any major change in their economic condition.

One reason being profiteering middlemen who buy fruits and vegetables at extremely low rates directly from farms but jack up prices in further sales -- from distribution to retailing through commission agents and wholesalers.

And as this nexus takes a substantial chunk of profit from their produce, farmers are left with very little revenue in the agricultural market hierarchy in the country. Of course, consumers are also a casualty as they pay a higher value for the cheaper farm produce.

Market analysts also blame the nexus of multi-layered middlemen involved in the distribution process for the huge gap in the prices of agricultural produce at farm and retail levels.

**Read more at:** <https://www.dhakatribune.com/business/2021/11/16/are-middlemen-the-biggest-obstacle-in-bangladesh-s-food-chain>

## **E-database for the SME will help in Accessing Benefits for Recovery**

The SME Foundation is about to form an electronic database of businesses in the sector with the help of the Access to Information (A2i) Program and the World Bank to ensure the development of small and medium entrepreneurs.

According to stakeholders and policymakers, a database can help to formulate targeted policies, specifically for the informal sector and its marginalised demographics by identifying obstacles or barriers from diverse data sets that will be collected from the entrepreneurs.

A recent survey done by the Centre for Policy Dialogue (CPD) showed that medium-sized enterprises and urban area demographics could easily avail the government's stimulus package to sustain the economic shock from the pandemic, in contrast to the large informal sector of micro-small enterprises and marginalized demographic such as women entrepreneurs.

Experts say a lack of updated data has left small and micro-cottage businesses to miss out on incentives specifically targeted to sustain the shock of the pandemic as the policies were formulated in a top to bottom approach rather than bottom to top.

**Read more at:** <https://www.dhakatribune.com/business/2021/11/14/e-database-for-the-sme-will-help-in-accessing-benefits-for-recovery>

### **OP-ED: Digital Learning**

A well thought out digital learning strategy can be an advantage to everyone, and digital learning is as effective.

Technology has become an integral part of our lives and a distinct feature of the modern world. Nowadays, people are entirely dependent on technology and the internet to fulfill daily activities, which has further led to the entrance of digitalization in all fields and sectors of the economy.

The Covid-19 pandemic emphasized the crucial role of technology in our daily lives— especially for teaching and learning.

Traditionally, Digital learning has been viewed as an alternative pathway that was predominantly well suited to adult learners seeking higher education opportunities.

Nevertheless, the crisis forced educational institutions and learners across all levels to adapt to virtual classes speedily.

Adding to that, the continuous evolution of touch-screen technology has enabled almost every student to engage in technology-aided instruction.

**Read more at:** <https://www.dhakatribune.com/business/2021/11/23/op-ed-digital-learning>

### **Agribusiness, Digital Economy and Green Finance Key Agents of Success for Bangladesh**

The three growth drivers — agribusiness, digital economy, and green finance — will be the key agents of success for the future Bangladesh, Planning Minister MA Mannan said on Sunday.

He also said that the roadmap presentation and the three growth drivers, marked by the Foreign Investors' Chamber of Commerce and Industry (FICCI), will be a good reference for development planning.

“It will also impact the influx of foreign direct investment [FDI] to aid our economy and for all sectors to flourish,” he added while speaking as the chief guest at the launching ceremony of a report, titled Somriddhir Ogrojatra – Accelerating Bangladesh, organized by the FICCI at the capital.

Both the event and the research report commemorate the 50th year of Independence of Bangladesh and the Birth Centenary of the Father of the Nation Bangabandhu Sheikh Mujibur Rahman.

The planning minister said this initiative will also focus on a host of small yet strategically important sectors.

**Read more at:** <https://www.dhakatribune.com/business/2021/11/21/agribusiness-digital-economy-and-green-finance-key-agents-of-success-for-bangladesh>

# India

## **The Reserve Bank of India (RBI) Extends On-Tap Liquidity Facility for Small Finance Banks by Two Months**

The Reserve Bank of India (RBI) has extended the Rs 10,000-crore on tap liquidity facility for small finance banks until December 31.

A three-year special long term repo operations (SLTRO) facility was announced in May to ensure fund flow down the line to small businesses, which have been suffering from cash flow tightness ever since the pandemic hit the country.

Before the announcement, the facility was valid until October 31. It has now been extended as the situation on ground needs further support, RBI Governor Shaktikanta Das said.

“Small finance banks have been playing a prominent role in providing last mile credit to individuals and small businesses. Recognising the persisting uneven impact of the pandemic on small business units, micro and small industries, and other unorganised sector entities, it has been decided to extend this facility till December 31, 2021. Further, this will now be available on tap to ensure extended support to these entities,” Das said.

### **Read more at:**

[https://economictimes.indiatimes.com/news/economy/policy/rbi-extends-on-tap-liquidity-facility-for-small-finance-banks/articleshow/86859750.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/news/economy/policy/rbi-extends-on-tap-liquidity-facility-for-small-finance-banks/articleshow/86859750.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

## **How International Factoring Licenses to FinTechs are Likely to Ease MSME Liquidity Issues, Boost Exports**

Credit and Finance for MSMEs: The invoice discounting, factoring, or trade financing is an overwhelmingly big market globally – over \$3 trillion and is likely to be worth around \$6-9 trillion in the coming four-seven years, according to multiple studies. Now, where does the Indian market stand? It is a paltry size of around \$6 billion or 0.2 per cent of the country’s gross domestic product (GDP), according to a report by the Standing Committee on Finance laid in Rajya Sabha in February this year on the factoring bill. In fact, the factoring credit has only a 2.6 per cent share in the overall formal credit to India’s micro, small and medium enterprises (MSMEs).

More interestingly, of India’s total receivable market, only 10 per cent is currently covered under the formal bill discounting system while the rest 90 per cent is through the conventional cash, credit, or overdraft arrangement with banks. So, the opportunity is massive for the Modi government – to leverage trade financing for MSME exporters and importers, and others by enabling easy alternate access to working capital – to help India gain market share in the global factoring space.

**Read more at:** <https://www.financialexpress.com/industry/sme/msme-fin-explained-how-ifscas-move-to-help-india-tap-into-3t-global-factoring-market-will-benefit-msmes/2348033/>

## **Digital Literacy Making Way for India's Financial Inclusion**

Digitalisation in India is no longer a luxury existing as an add-on feature to functions like banking, shopping, traveling and others. It has now percolated to almost all walks of life, transforming businesses and governments to become a new way of life. Be it paying a vegetable vendor through a United Payment Interface (UPI) or filing taxes online, New India is adapting to a digital lifestyle at a rapid pace. The country currently has over 45 per cent of its population online. This is well reflected in the 53.9 ratings of the Reserve Bank of India's Financial Inclusion Index for March 2021. This indicates that over half of the country's 1.3 billion population is online and has ease of access, usage of online services, and receives quality services. This large-scale digital onboarding has naturally put increased focus on doing business online, belying the importance of digital literacy in New India's digital financial inclusion.

Successive attempts by the government through programs like Digital India programme, have empowered a large part of the population with basic digital literacy skills. However, there now exists a need to channelise this acquired literacy into economic activities for the whole population to come under the ambit of digital financial inclusion. It would enable them to become a part of the larger digital economy. Imagine a second-generation cloth trader in a metropolitan selling his wares to consumers in different parts of the country. He is now able to securely receive digital payments and display his wares virtually due to this working knowledge of the internet. His business is now empowered to transcend borders.

Read more at: <https://www.financialexpress.com/money/digital-literacy-making-way-for-indias-financial-inclusion/2356008/>

## **Average Base Rate Charged by NBFC-MFIs Is 7.95% Now: The Reserve Bank of India (RBI)**

The Reserve Bank, on Thursday, said that it has fixed the average base rate for NBFC-MFIs to 7.95 per cent for the quarter beginning October 1, 2021, from 7.98 per cent for the September quarter.

The Reserve Bank additionally informs the average base rates of the five biggest business or commercial banks on the last working day of each quarter.

This is done to conclude the loan rates to be charged by NBFC-MFIs from their borrowers in the upcoming quarter.

The RBI, earlier said the loan interest rates charged by an NBFC-MFI will be the lower of the expense of assets notwithstanding the margin or the average base rate of the five biggest commercial banks by resources multiplied by 2.75.

Read more at: <http://www.businessworld.in/article/Average-Base-Rate-Charged-By-NBFC-MFIs-Is-7-95-Now-RBI-/30-09-2021-406747/>

# *Nepal*

## **Services-led Growth Key to Nepal's Green, Resilient, and Inclusive Development**

A gradual recovery is underway in Nepal, boosted by the lifting of containment measures as vaccination picks up and tourism and migrant worker flow recover. The economy is expected to grow by 3.9 percent in FY22, an improvement over 1.8 percent growth in FY21, but still below pre-pandemic growth averages, according to World Bank's latest South Asia Economic Focus.

In South Asia, recovery continues as global demand rebounded and targeted containment measures helped minimize the economic impacts of the recent waves of COVID-19. But the recovery remains fragile and uneven, and most countries are far from pre-pandemic trend levels, states the World Bank's twice-yearly regional update. In Nepal, recovery is vulnerable to risks, and will rely on the continued gradual resumption of economic activities alongside social distancing and an effective vaccination rollout this year.

The latest South Asia Economic Focus titled *Shifting Gears: Digitization and Services-Led Development* projects the region to grow by 7.1 percent in 2021 and 2022. While the year-on-year growth remains strong in the region, albeit from a very low base in 2020, the recovery has been uneven across countries and sectors. South Asia's average annual growth is forecast to be 3.4 percent over 2020-23, which is 3 percentage points less than it was in the four years preceding the pandemic.

**Read more at:** <https://www.worldbank.org/en/news/press-release/2021/10/06/services-led-growth-key-to-nepal-s-green-resilient-and-inclusive-development>

# Pakistan

## **Strengthening Exports is Critical for Pakistan's Sustained Economic Growth**

Pakistan's economy recovered in Fiscal Year 2021, in part due to the government's effective use of targeted lockdowns to manage the spread of COVID-19, while also permitting economic activity to largely continue, according to a new World Bank report released today.

The October 2021 Pakistan Development Update: Reviving Exports shows that the country's real GDP growth rebounded to 3.5 percent in FY2021, after contracting by 0.5 percent in FY2020 with the onset of the global pandemic. In addition, inflation eased, the fiscal deficit improved to 7.3 percent of GDP, and the current account deficit shrunk to 0.6 percent of GDP – the lowest in a decade.

“With effective micro-lockdowns, record-high remittance inflows and a supportive monetary policy, Pakistan's economic growth rebounded in FY2021,” said Najy Benhassine, World Bank Country Director for Pakistan. “These measures, together with the expansion of the Ehsaas program and support to businesses, were key to strengthening the economy and recovering from the economic fallout associated with COVID-19.”

**Read more at:** <https://www.worldbank.org/en/news/press-release/2021/10/28/strengthening-exports-is-critical-for-pakistan-s-sustained-economic-growth>

## **Mobilink Bank Puts Forth Policy Recommendations to Foster Financial Inclusion in Pakistan**

Pakistan's largest digital Bank, Mobilink Microfinance Bank Limited (MMBL) has put forth 9-point agenda for the future of financial inclusion covering far-reaching and research-based recommendations in the areas of diversity & inclusion, microfinance, SME finance, housing finance, agriculture finance, digital lending, payments, savings, and insurance.

The 9-point agenda was formally launched by President & CEO, Mobilink Microfinance Bank, Ghazanfar Azzam, in the presence of dignitaries from State Bank of Pakistan (SBP), Securities and Exchange Commission of Pakistan (SECP), Pakistan Microfinance Network (PMN), Jazz Pakistan, VEON and the media.

Speaking at the event, President & CEO, MMBL, Ghazanfar Azzam said: “The COVID-19 pandemic has made it indispensable for Pakistan to fully embrace digital transformation on a sustainable basis for wholesome socio-economic growth and development. Being an industry leader of financial inclusion in the country and as the largest digital bank, MMBL has identified key strategic areas that need immediate interventions to bring every Pakistani into the fold of financial inclusion. The development of these areas through access to finance will prove to be a game-changer for the national economy. We are committed to playing our part for the uplift of Pakistan”.

**Read more at:** <https://nation.com.pk/06-Oct-2021/mobilink-bank-puts-forth-policy-recommendations-to-foster-financial-inclusion-in-pakistan>

### **Private Sector Must Explore Economic Potential of Digitisation**

Chairman UK-Pakistan Business Council Mian Kashif Ashfaq on Sunday urged the private sector to fully explore economic potential of digitisation for boosting export by timely overcoming global multi-dimensional challenges. Talking to a delegation of faculty of Institute of Fashion and Design led by Ms Fauzia which called on him here on Saturday he said world needed to work on these lines as it had changed the working of the global system due to its multi-dimensional impacts including time efficiency and accuracy, said a press release. He said digitisation and artificial intelligence (AI) had changed the world pattern of working and it was more importance of using technology for people to create a fair and competitive economy as well as an open, democratic and sustainable society. Mian Kashif who is also member senate of this institute said digital transformation for economic growth and recovery required close collaboration, shared learning and exploring to work together on areas such as health, governance, and satellite mapping.

**Read more at:** <https://nation.com.pk/08-Nov-2021/private-sector-must-explore-economic-potential-of-digitisation>

### **SECP Registered 2,017 New Companies in October**

The Securities and Exchange Commission of Pakistan (SECP) registered 2,017 new companies in October 2021, raising the total number of registered companies to 154,093.

Total capitalization (paid-up-capital) of the new companies stood at Rs2.7 billion. Around 99 percent companies were registered online, while 140 foreign users were also registered from overseas. The October incorporation consist of 63% private limited companies, 33% single member companies and three percent public unlisted companies, not for profit associations, and limited liability partnership (LLP).

The construction & real estate sector took the lead with the incorporation of 369, trading with 302, and information technology with 270 companies. These segments were followed closely by services sector with 173 companies, ecommerce with 98, food & beverages with 76, and education with 67 companies.

**Read more at:** <https://nation.com.pk/06-Nov-2021/secp-registered-2-017-new-companies-in-october>

# *Sri Lanka*

## **World Bank Supports Safe, Climate-Resilient Transport Connectivity to Strengthen Agricultural Supply Chains in Sri Lanka**

The World Bank's Board of Executive Directors today approved \$500 million in financing for Sri Lanka to provide safe, climate-resilient roads to connect agricultural supply chains through the Inclusive Connectivity and Development Project. This project is expected to benefit around 16 million people living in rural communities in selected districts of Sri Lanka.

In Sri Lanka, roads carry around 95 percent of passengers and 98 percent of cargo. While nearly all national roads are paved, only 67 percent of provincial roads, and 13 percent of rural roads are in good condition. Sri Lanka also has the highest rate of road fatalities in South Asia with around 3,000 deaths per year. An uninterrupted road network is crucial to link rural communities to health and education services and other economic opportunities, and to connect small-holder farmers to domestic and international markets.

"Improving access to basic services and economic opportunities in rural areas, and reducing regional disparities in economic development, is critical for promoting inclusion and opportunities for all," said Faris Hadad-Zervos, Country Director of the World Bank for Maldives, Nepal, and Sri Lanka. "The project will also create many short-term employment opportunities, which will help advance the post-pandemic recovery."

**Read more at:** <https://www.worldbank.org/en/news/press-release/2021/09/30/world-bank-supports-safe-climate-resilient-transport-connectivity-to-strengthen-agricultural-supply-chains-in-sri-lanka>

## **Sri Lanka Commits to Boosting Investments in People and Joins the World Bank's Human Capital Project**

The Government of Sri Lanka committed to accelerate more and better investments in human capital – health, education, and social protection – becoming the 82nd country to join the World Bank's Human Capital Project.

At a high-level Human Capital Summit held today, at least 12 Ministers and State Ministers, Secretaries and State Secretaries, and several high-ranking officials including the Director General of the Ministry of Finance came together in person to discuss priorities to accelerate investments in human capital for increased future productivity and economic growth, and enable green, resilient, and inclusive development. The event also attracted around 200 virtual observers connecting from around the world and based in Sri Lanka.

"Investing in people is at the center of our government strategy and is key to ensure a successful post COVID-19 recovery. We will continue to prioritize investments in human capital, to improve early childhood education, achieve universal primary and secondary education, increase access to and quality of higher education, as well as technical and vocational education, enhance quality of the health care system to face future health care challenges, and support vulnerable individuals and families through Samurdhi and other safety nets and employment programs," said Hon. Basil Rajapaksa, Minister of Finance.

**Read more at:** <https://www.worldbank.org/en/news/press-release/2021/11/03/sri-lanka-commits-to-boosting-investments-in-people-and-joins-the-world-bank-s-human-capital-project>

### **Sri Lanka Projected to Grow by 3.3 Percent Amidst Uncertainties**

Sri Lanka's economy is projected to grow by 3.3 percent in 2021, but the medium-term outlook is clouded by pre-existing macroeconomic weaknesses and the economic scarring from the COVID-19 pandemic.

A gradual recovery will likely lead to corresponding improvements in labor market conditions. Most countries in South Asia are far from pre-pandemic trend levels, says the World Bank in its twice-yearly regional update.

The latest South Asia Economic Focus titled Shifting Gears: Digitization and Services-Led Development projects the region to grow by 7.1 percent in 2021 and 2022. While the year-on-year growth remains strong in the region, albeit from a very low base in 2020, the recovery has been uneven across countries and sectors. South Asia's average annual growth is forecast to be 3.4 percent over 2020-23, which is 3 percentage points less than it was in the four years preceding the pandemic.

COVID-19 has left long-term scars on the region's economy, the impacts of which can last well into the recovery. Many countries experienced lower investment flows, disruptions in supply chains, and setbacks to human capital accumulation, as well as substantial increases in debt levels. The pandemic is estimated to have caused 48 to 59 million people to become or remain poor in 2021 in South Asia. Sri Lanka's poverty at \$3.20 per day poverty line is projected to fall to 10.9 percent in 2021, which is still significantly above the 2019 level of 9.2 percent.

**Read more at:** <https://www.worldbank.org/en/news/press-release/2021/10/06/sri-lanka-projected-to-grow-by-3-3-percent-amidst-uncertainties-shifting-gears-to-services-led-growth-can-help-build-bac>

### **How can Sri Lanka recover from COVID-19? By Promoting Integrated Rural Development - Kenichi Yokoyama**

The COVID-19 pandemic has wreaked havoc around the world. Since early 2020, the Sri Lankan economy has suffered significant losses in foreign exchange earnings; revenue from tourism alone dropped by \$3 billion over the first eight months of 2021, compared with the same period in 2018.

The domestic service sector has also been hard hit, with a 40% drop in accommodation and restaurant earnings year-on-year (2019-20). Over 200,000 people have lost their livelihood in the travel and tourism sectors alone, according to the World Travel and Tourism Council. Tens of thousands of overseas workers have returned home. But amid this economic disruption, there has been a ray of hope for those who have found alternative sources of livelihood.

Take for instance, the experience of Kingsley, a financial auditor who worked for a travel agency in Colombo before the pandemic struck. By mid-2020, Kingsley's travel firm was literally out of business. With no job openings in his field, Kingsley turned to agriculture. Partnering with a colleague and with some financial assistance from his travel company, Kingsley invested in a micro irrigation system and started growing chilies on two acres near Habarana. Since then, he has had three profitable harvests. He is now planning to produce export-quality chilies.

**Read more at:** <https://www.adb.org/news/op-ed/how-can-sri-lanka-recover-covid-19-promoting-integrated-rural-development-kenichi>

## *Updates from Members*

### **BANGLADESH**

#### **CDF: bKash Relaunches Digital Payroll Solution to Build a Sustainable Ecosystem in RMG**

With this new automated system, factory authorities now can disburse salary to the workers directly in a faster and effective way which will make the salary disbursement easier, safer and more transparent.

bKash has relaunched its digital payroll solution to facilitate automated, easy, fast and affordable salary disbursement along with building a sustainable financial ecosystem for RMG workers. With this new automated system, factory authorities now can disburse salary to the workers directly in a faster and effective way which will make the salary disbursement easier, safer and more transparent, according to a press release. Not only disbursing salary, bKash is also working on building a sustainable ecosystem for the RMG sector. As a result, workers will be able to better manage their finances digitally by utilizing the salary received through bKash.

As part of it, bKash has already set up a fair price shop 'Sulov Bazar' at the factory premises where workers can buy daily essentials through bKash payment as well as avail special discounts. It is also working on installing sanitary napkin vending machines for the female workers in the factories. bKash has been conducting researches and training programs in association with Business for Social Responsibility (BSR) to make the workers aware of their financial management.

bKash is also developing its merchant network in and around the labour-intensive areas to facilitate bKash payment for purchasing daily essentials. In addition, bKash provides special care to the workers by setting up customer care centres in labour-intensive areas and also facilitates services like instant digital loans and savings from banks and NBFI for the customers who are currently registered through e-KYC. Recently, Kamal Quadir, CEO of bKash and KM Rezaul Hasanat, chairman and CEO of Viyellatex Group inaugurated the relaunch of the Digital Payroll Solution of bKash at a city hotel in presence of the leading RMG entrepreneurs. On the occasion, bKash also honoured Viyellatex, a globally recognized Bangladeshi apparel manufacturer, for using its digital payroll solution as the first factory in 2015. Major General Sheikh Md Monirul Islam (retired), chief external and corporate affairs officer; Ali Ahmed, the chief commercial officer of bKash and Shwapna Bhowmick, country manager of Marks and Spencer, among others, were also present at the event.

#### **CDF: IFC, BFIU to Build Infrastructure to Fast-Track Financial Inclusion**

The International Finance Corporation (IFC) and Bangladesh Financial Intelligence Unit (BFIU) will work together to develop an electronic know your customer (eKYC) infrastructure to fast-track financial inclusion.

The eKYC is a foundational regulatory arrangement for conducting customer due diligence during new client onboarding process for collecting and verifying customer data electronically. This is required during opening of new accounts at banks, non-bank financial institutions, mobile financial service providers, insurance companies, and capital market intermediaries, BFIU said in a statement today. Once in place, the eKYC infrastructure will not only cut time and cost of client onboarding, but it will help reach more customers digitally, thus, reducing the number of unbanked

people, according to the statement. The project will contribute to the financial inclusion agenda of the government of Bangladesh as well as IFC's target of including an additional 30 million unbanked adults in the country by 2030.

BFIU, an independent government agency charged with investigating suspicious transactions and money laundering, is also the central agency for ensuring KYC/eKYC compliance. BFIU is expected to issue a comprehensive eKYC regulatory guideline for the financial sector by December 2024. Along with establishing a regulatory infrastructure, the eKYC project will also deliver data analytics, case studies, knowledge creation and dissemination and awareness building in the financial market. IFC estimates that 500,000 people will be covered by the e-KYC system by end of the project implementation period in 2025.

"Financial sector especially financial institutions are experiencing a drastic process of digitalization. This digital transformation enables easy access of customer, even from the remote location, into the financial services," said Md Masud Biswas, executive director and deputy head of BFIU.

"This may pose some underlying risk of money laundering, terrorism financing and related criminal activities by abusing financial institutions and its services. To minimise such risk of financial sector e-KYC can be one of the most optimal solutions."

"Promoting financial inclusion is one of the priorities for IFC's work in Bangladesh," said Qamar Saleem, IFC's regional manager advisory services for financial institutions group in Asia and Pacific.

"The implementation of eKYC infrastructure will offer seamless experience for end users and support the financial sector to reach out to last mile customers in Bangladesh, significantly increasing access to financial services."

## **INDIA**

### **MFIN: Key Interactions of Dr. Alok Misra, CEO & Director**

Spoke at the Business Standard BFSI Insight Summit Session on "Small Finance Banks: Can they make it Big?" held on 27th October 2021.

**Click the Link to Watch the Video:** <https://www.youtube.com/watch?v=E1-k7nQ5BbQ&t=4s>

### **MFIN: Microfinance Sector Advocacy:**

- Ministry of External Affairs (MEA) had approached MFIN to organize a series of webinar for foreign civil servants, policy makers and working professionals on the topic "financial inclusion/poverty alleviation" in the context of the microfinance growth story in India. A structure of the proposed webinar was shared with MEA, which includes 15 modules/sessions, each of 1.5 Hrs. covering a range of topics including financial systems in India, response to the challenges of exclusion, evolution of microfinance and regulatory landscape. Feedback is awaited from MEA on the proposed modules and the next steps.
- A Letter was sent to the Governor, Reserve Bank of India highlighting critical aspects for proposed harmonized microfinance regulation which will define the future of microfinance industry. This

includes (a) daily reporting to Credit Bureaus, (b) revision of household income level so that needy households do not get excluded, (c) need for relaxing the 85% qualifying assets criteria for NBFC-MFIs with change to IndAs and (d) need for an SRO for all regulated entities.

- The Current Account issue was taken up again with the Governor during the Pre-Policy meeting and later followed-up with a letter. MFIN was advised on issues which banks are unable to resolve, will be escalated by the banks to Indian Banks' Association (IBA) for appropriate guidance. In the last circular on "Opening of current accounts by banks – need for discipline" dated 29th October 2021, RBI taking cognizance of the feedback from IBA, has provided clarity. Borrowers with exposure from banking system with less than Rs 5 Cr, there is no restriction on opening of current accounts or on provision of CC/OD facility from banks subject to providing an undertaking to inform banks as and when the exposure reaches Rs 5 Cr or more. However, borrowers with exposure of Rs 5 Cr or more from banking system
  - Can maintain current accounts with any one bank having at least 10% exposure to that borrower and in which it has CC/OD facility.
  - In case none of the lenders have at least 10% exposure, then bank with the highest exposure may open current accounts.
  - Other lending banks can open only collection accounts with the condition that funds deposited in such accounts will be remitted to CC/OD account with the chosen bank maintaining current accounts within 2 working days of receiving the funds in the collection accounts.
  - Banks maintaining collection accounts are permitted to debit fee/charges from such accounts before transferring the funds to escrow account/CC OD account of the borrower
  - Non-lenders not permitted to open current accounts.

#### **MFIN: Sector Developments Initiatives:**

- Information Sharing Platform "Impetus": Impetus, an online information sharing platform, exclusively for the Small and Medium sized NBFC-MFI Members of MFIN, will enable them to showcase their financial strength and operational performance and interact with various Investors & Lenders for obtaining funds. The platform will enable the members to host curated information, initiate funding transactions, facilitate underwriting decisions, track transaction status, etc. The onboarding of Small and Medium NBFC-MFI Members on Impetus has commenced which will be followed by a market launch event with lenders/investors.
- NatCat Insurance pilot: IRDAI has approved the NatCat Insurance product for microfinance borrowers for a limited-scale and limited-period trial (from Nov'21 to May'22), under regulatory sandbox. It is expected that after the trial is complete, IRDAI would provide approval for the product filed under "file and use" and at stage a full-scale pilot would be undertaken. The limited-scale trial would be undertaken in three districts of Odisha in partnership with 2-3 NBFC-MFIs and the trial plan is being finalized by MFIN.
- Scaling-up of payment solutions for enabling microfinance borrowers repay digitally: A detailed proposal was submitted to HSBC CSR Team

### **MFIN: Capacity Building:**

- A knowledge sharing webinar on Digital Payments was organized on 12th October 2021.
- The pilot phase of assessment/certification for micro-credit officers based on the [training program](#) is ongoing. Till date, around 4000 loan officers have completed the assessment.
- In the background of several districts being affected due to floods, MFIN organized 43 health camps in 22 districts in association with Doctors for You. The camps were supported by 16 institutions and reached out to more than 10,000 beneficiaries.

## **PAKISTAN**

### **PMN: Embracing New Milestones: Navigating Inclusive Finance in a Post Pandemic Era**

“Embracing New Milestones: Navigating Inclusive Finance in a Post Pandemic Era” conference was held at Serena Hotel from 5th and 7th October 2021. Mr. Shaukat Tarin, Federal Minister for Finance and Revenue inaugurated the two-day Microfinance Conference on Navigating Inclusive Finance, with leaders of the sector in attendance. The conference was hosted by Pakistan Microfinance Network (PMN), where industry stakeholders came together to share experiences, engaged in dialogue on the latest developments globally and locally and formulate directions for the future of microfinance in Pakistan.

The primary objective of this conference was to initiate a dialogue for concerted efforts among all relevant stakeholders, to identify the possible bottlenecks that exist in the industry that can possibly hinder the financial inclusion process and propose ideas to overcome it. The conference also discussed how the microfinance sector is placing an emphasis on responsible financing by focusing on social as well as the climate side of financing particularly in reducing the carbon footprint.

Additionally, the conference provided the opportunity to create space for presentation of current results amidst the Global Health Crisis caused due to COVID-19 in the financial inclusion ecosystem and its impact on social and regional policy. It also helped creating collaborative links between Financial Service Providers, Investors/Donors, Multi-lateral companies, and all other relevant stakeholders, aiming at long-term sharing of knowledge and discussions of highly current issues. During the conference, special awards were also presented to the industry leaders for their tireless efforts in bringing the industry to where it stands today.

The Annual Microfinance Conference (AMC - 5) in its fifth year, connected regulators with the practitioners and brought forward meaningful, actionable discussions on the front. On the policy level, experts agreed that the pandemic has pushed practitioners into out-of-the-box thinking and the policy makers too have been challenged to adjust long standing processes.

Over 400 policy makers, microfinance professionals, trainers, practitioners, donors, regulators and other members attended the conference both onsite and virtually. This was an astounding attendance especially during these difficult

times. The conference presented a unique opportunity to engage in a dialogue and think of ways to innovate in the current scenario.

### **PMN: Quarterly Bulletin on Microfinance Industry – MicroWatch 60**

The second quarter of year 2021 portrayed a positive outlook in terms of all microfinance outreach indicators.

By the end of June, micro-credit outreach witnessed an increase of 6% compared to the first quarter of 2021 and 17% compared to the same period in 2020 and has surpassed 8 million borrowers with the GLP of PKR 355 billion, an increase of 4.5% compared to Q1 2021. The growth in active borrowers and GLP continues to be driven by the MFB peer group, however, the NBMFCs also contributed a significant share to the growth in credit.

Active Savers had increased to 70 million showcasing an increase of 4% compared to Q1 and an increase of 33% compared to the same period under review in 2020. Accordingly, savings grew to PKR 379 billion with an increase of 29% compared to a year ago. The heave in active savers was led by M-Wallet activities of microfinance banks.

Looking at the Microinsurance front, Policy Holders exceeded the mark of 8.5 million, portraying a growth of 11% compared to the previous quarter and 10% compared to the same period last year. Similarly, the Sum Insured surged by 20% and recorded at PKR 315 billion.

**To Access Full Report:** <https://pmn.org.pk/wp-content/uploads/2021/08/Microwatch-Issue-60.pdf>

## **SRI LANKA**

### **ADB, LOMC Sign \$25 Million Loan to Boost Credit Access, Support Sri Lankan Micro Business**

The Asian Development Bank (ADB) and LOMC, one of Sri Lanka's leading non-bank microfinance institutions, today signed a \$25 million loan agreement to boost access to credit for individuals and micro enterprises.

“Greater financial inclusion is of critical importance for Sri Lanka to increase economic opportunities and job creation,” said Monisha Hermans, Investment Specialist with ADB's Private Sector Operations Department. “This loan will enable LOLC Micro Credit, the fastest-growing microfinance institution in the country, to better target the needs of individuals and micro enterprises that exhibit growth potential.”

Under the terms of the agreement signed by Ms. Hermans and LOMC CEO Ravi Tissera, LOMC will use the funds for onlending to individuals and microbusinesses. The loan will also help LOMC improve financial products and increase outreach to remote villages and farmers. Mobile banking will be further developed to serve the unbanked especially in rural areas, and financial literacy programs will be introduced to improve reach and address over indebtedness of household borrowers.

Although Sri Lanka has a large number of banks and nonbank financial institutions, financial inclusion remains low and an estimated 70% of the population does not have access to any banking services or micro credits. Nonbank financing institutions in Sri Lanka typically find it difficult to source long term funds for their needs, so ADB's 5 year tenor loan provides a valuable source of finance for LOMC to serve the unbanked population and micro enterprises.

The \$25 million loan signing comes three weeks after ADB and LOLC Finance, which together with LOMC is part of the LOLC Group, sealed another agreement for additional loans worth a total \$69 million to help expand funding for small- and medium-sized enterprises in Sri Lanka.

Alpen Capital ME Limited acted as the financial arranger for the B-loan tranche from Middle Eastern banks in Dubai, United Arab Emirates.

ADB, based in Manila, is dedicated to reducing poverty in Asia and the Pacific through inclusive economic growth, environmentally sustainable growth, and regional integration. Established in 1966, it is owned by 67 members – 48 from the region.

## *In Focus*

### **South Asia Climate Roadmap**

South Asia is one of the most vulnerable regions to climate shocks. The region is living through a “new climate normal” in which intensifying heat waves, cyclones, droughts, and floods are testing the limits of government, businesses, and citizens to adapt. More than half of all South Asians, or 750 million people in the 8 countries — Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka — were affected by one or more climate-related disasters in the last two decades.

Accelerating climate adaptation is critical to building resilience to the rapidly warming climate in the region. South Asia is pioneering many climate-smart solutions, including innovative community approaches to coastal resilience, scaling up renewable energy and regenerative forestry.

The World Bank Group’s South Asia Climate Roadmap will help the region ramp up its climate action in key transitions:

- The Agriculture, Food, Water, and Land Systems Transition
- The Energy and Transport Transition
- The Urban Transition

The WBG will also work to achieve systemic resilience across sectors and mobilize financing and investment.

Recovery from the COVID-19 pandemic offers South Asian countries a unique opportunity to adapt to and mitigate climate change by massively investing in resilient infrastructure, re-skilling their populations for high-productivity jobs, and rebuilding their economies around cleaner energy.

The World Bank Group is committed to this agenda and helping the countries of South Asia tackle the impacts of climate change. The South Asia Climate Roadmap builds on the World Bank Group’s Climate Change Action Plan and commitment to boosting climate action at the country level by directing 35 percent of its lending portfolio in South Asia to climate-related actions, on average, over the next five years.

The South Asia Climate Roadmap will also support the development of key cutting-edge analytical tools to inform country climate planning and development strategies in South Asia.

**Full Story Can Be Accessed Through:** <https://www.worldbank.org/en/region/sar/publication/south-asia-climate-roadmap>

## **South Asian Economies Recover Amidst Uncertainties**

South Asia's recovery continues as global demand rebounded and targeted containment measures helped minimize the economic impacts of the recent waves of COVID-19. But the recovery remains fragile and uneven, and most countries are far from pre-pandemic trend levels, says the World Bank in its twice-yearly regional update.

The latest South Asia Economic Focus titled Shifting Gears: Digitization and Services-Led Development projects the region to grow by 7.1 percent in 2021 and 2022. While the year-on-year growth remains strong in the region, albeit from a very low base in 2020, the recovery has been uneven across countries and sectors. South Asia's average annual growth is forecast to be 3.4 percent over 2020-23, which is 3 percentage points less than it was in the four years preceding the pandemic.

India's economy, South Asia's largest, is expected to grow by 8.3 percent in the fiscal year 2021-22, aided by an increase in public investment and incentives to boost manufacturing. In Bangladesh, continued recovery in exports and consumption will help growth rates pick up to 6.4 percent in fiscal year 2021-22. In Maldives, GDP is projected to grow by 22.3 percent in 2021, as tourism numbers recover.

"The pandemic has had profound impacts on South Asia's economy. Going forward, much will depend on the speed of vaccination, the possible emergence of new COVID variants, as well as any major slowdown in the momentum of global growth," said Hartwig Schafer, World Bank Vice President for the South Asia Region. "While short-term recovery is important, policymakers should also seize the opportunity to address deep-rooted challenges and pursue a development path that is green, resilient and inclusive."

COVID-19 has left long-term scars on the region's economy, the impacts of which can last well into the recovery. Many countries experienced lower investment flows, disruptions in supply chains, and setbacks to human capital accumulation, as well as substantial increases in debt levels. The pandemic is estimated to have caused 48 to 59 million people to become or remain poor in 2021 in South Asia.

As countries build back, they have a chance to rethink their long-term development models. With the emergence of new digital technologies, South Asia has an opportunity to shift gears from a traditional manufacturing-led growth model and capitalize on the potential of its services sector.

The role of services in the region's economy has been increasing amid rapid technological change and the accelerated structural transformation of global economic activity in response to the pandemic. The adoption of digital technologies makes services more tradable, enables services to increase productivity of other sectors—including manufacturing—and creates new markets. Some South Asian countries are increasingly providing business and professional services that add value to manufacturing and play a key role in global value chains.

**Full Story Can Be Accessed Through:** <https://www.worldbank.org/en/news/press-release/2021/10/07/south-asian-economies-recover-amidst-uncertainties>

## **Climate Change is Affecting Health and Mental Wellbeing**

In Bangladesh, climate change is leading to an increase in the spread of infectious diseases and affecting the mental health of people, says a new World Bank Report.

The Climate Afflictions Report finds a link between the shifting climatic conditions and the increase in respiratory, waterborne, and mosquito-borne diseases as well as mental health issues. With further climate change predicted, more physical and mental health issues are likely to emerge. The most vulnerable are children and the elderly, and those living in large cities like Dhaka and Chattogram.

“Bangladesh has remarkably tackled climate change challenges, despite being among the most vulnerable countries. It has built resilience against natural disasters and introduced homegrown solutions to improve agricultural productivity,” said Mercy Tembon, World Bank Country Director for Bangladesh and Bhutan. “With more evidence showing a pronounced impact of climate change on physical and mental health, Bangladesh needs to build on its success in adaptations to ensure a stronger health system that averts outbreaks of emerging climate-sensitive diseases.”

Over the past 44 years, Bangladesh experienced a 0.5°C temperature increase. The summers are getting hotter and longer, winters are warmer, and the monsoon seasons are being extended from February to October. With these patterns, the country’s distinct seasonal variations are becoming blurred. By 2050, the temperatures are predicted to rise by 1.4°C in Bangladesh.

Erratic weather conditions played a key role in the 2019 dengue outbreak in Dhaka city, where 77 percent of the country’s total dengue-related deaths occurred. That year, Dhaka recorded more than three times the average February rainfall followed by high temperature and humidity between March and July.

Compared to monsoon, the likelihood of contracting an infectious disease is about 20 percentage points lower in the dry season. Respiratory illness rises with the increase in temperature and humidity. For a 1°C rise in temperature, people are more likely to suffer from respiratory illnesses by 5.7 percentage points; for a 1 percent increase in humidity, the chances of catching a respiratory infection rise by 1.5 percentage points.

The weather pattern also affects mental health. More people suffer from depression during winter while the level of anxiety disorders increases with temperature and humidity. Further, women are at higher risk than men for depression, while men are more susceptible to anxiety.

“Going forward, by ensuring stronger data collection, Bangladesh can better track the evolution of climate-sensitive diseases,” said Iffat Mahmud, World Bank Senior Operations Officer and co-author of the report. “Particularly by recording accurate weather data at local levels and linking it with health data, it will be possible to predict potential disease outbreaks and to establish a climate-based dengue early warning system”.

The report further suggests that by strengthening health systems, Bangladesh can deal outbreaks of infectious and other climate-sensitive diseases. Further, awareness building, and community mobilization through creation of self-help groups, will help the country address mental health issues more effectively.

## *About SAMN*

The South Asian Micro-Entrepreneurs Network (SAMN) is a regional microfinance industry association working to enhance financial inclusion among low-income population in South Asia. SAMN achieves this by improving knowledge, business environment and capital flows for the microfinance industry. SAMN, through its members, who national networks from the countries of the region, is the representative and collective voice of the industry reaching more than 50 million low-income customers in the region.

SAMN was established in late 2008 with a vision to improve quality and scale of financial services among low-income population in the countries of South Asia. The early foundation of SAMN was laid by ACTED, a French INGO along with a number of regional and global microfinance stakeholders.

Today, SAMN membership consists of the leading national networks in six countries of the region representing over thousand microfinance providers and other industry players. The current SAMN members, each represented by Executive Head on the Board of Directors, are:

- **In Afghanistan:** Afghanistan Microfinance Association (AMA)
- **In Bangladesh:** Credit and Development Forum (CDF)
- **In India:** Microfinance Institutions Network (MFIN)
- **In Nepal:** Centre for Microfinance (CMF)
- **In Pakistan:** Pakistan Microfinance Network (PMN)
- **In Sri Lanka:** Lanka Microfinance Practitioner's Association (LMFPA)

