

ISSUE # 102

2023



SAMN
South Asia Micro-entrepreneurs Network



MONTHLY NEWSLETTER

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PUBLICATIONS FROM SAMN MEMBER COUNTRIES.

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Bangladesh

Bangladesh Economy to Grow Moderately Amid Global Economic Slowdown

Bangladesh's gross domestic product (GDP) is expected to grow by 5.3% in fiscal year (FY) 2023, according to the latest Asian Development Bank (ADB) report, Asian Development Outlook (ADO) April 2023, released today.

The slower growth forecast reflects subdued domestic demand and weaker export expansion due to slow global growth following the Russian invasion of Ukraine. Inflation is forecast to accelerate from 6.2% in FY2022 to 8.7% in FY2023. The current account deficit is anticipated to narrow from 4.1% of GDP in FY2022 to 1.6% of GDP in FY2023 as imports loosen and remittances grow. The main risk to this growth projection is a greater economic slowdown in Bangladesh's major export destinations driven by global uncertainty over the prolonged political tensions.

"The government is managing relatively well against the impact of external adversities and has embarked on the reform programs as precautionary measures," said ADB Country Director for Bangladesh Edimon Ginting. "Accelerating key reforms during these difficult times would help the country sustain higher growth in the medium term. These reforms include strengthening public financial management and domestic resource mobilization, deepening the financial sector, and enhancing competitiveness to promote the creation of productive jobs in the private sector," Mr. Ginting said. "This is also a high time for enhancing resilience against the global energy market volatility by creating an enabling environment for rapid expansion of domestic renewable energy supply to reduce dependence on fossil fuels in line with the country's climate agenda."

Read more at: <https://www.adb.org/news/bangladesh-economy-grow-moderately-amid-global-economic-slowdown>

Strong Structural Reforms Can Help Bangladesh Sustain Growth

Bangladesh made a rapid recovery from the COVID-19 pandemic supported by prudent macroeconomic policies, but the economy now faces considerable challenges with global economic uncertainty, rising inflationary pressure, energy shortages, a balance-of-payments deficit, and a revenue shortfall, says the World Bank in its twice-year-update.

Released today, the Bangladesh Development Update April 2023 entitled Trade Reform: An Urgent Agenda says that accelerating the implementation of structural reforms, including trade reforms and export diversification, will help Bangladesh navigate the current challenges and sustain growth momentum.

Growth in Bangladesh is expected to accelerate over the medium term, as inflationary pressure eases, external conditions improve, and reform implementation gains momentum.

Read more at: <https://www.worldbank.org/en/news/press-release/2023/04/04/strong-structural-reforms-can-help-bangladesh-sustain-growth>

Huawei, bKash Sign MoU to Strengthen Partnership and Improve Financial Inclusion in Bangladesh

Huawei, a leading global technology solutions provider, recently reaffirmed its commitment to bKash, the leader in mobile payments and financial services in Bangladesh, through a Memorandum of Understanding (MoU) that will plot the way towards financial inclusion for the Bangladeshi people.

Pan Junfeng, President, Huawei South Asia Region and CEO at Huawei Bangladesh, and Kamal Quadir, Founder of and CEO at bKash, led the signing of the MoU last week, which was called “Smart Fintech: Inclusive. Innovative. Inspiring Bangladesh.” Also gracing the ceremony were Susan Vize, Officer-in-Charge at the United Nations Educational, Scientific and Cultural Organization (UNESCO) Dhaka Office, and Sarder M. Asaduzzaman, Assistant Resident Representative and Head of Programme Management and Partnership Unit at the United Nations Development Programme.

Read more at: <https://www.datastorageasean.com/daily-news/huawei-bkash-sign-mou-strengthen-partnership-and-improve-financial-inclusion-bangladesh>

India

Satin Creditcare Network's net profit jumps 59% year-on-year in March quarter

Microfinance company Satin Creditcare Network on Saturday said net profit jumped 59% year-on-year to Rs 94 crore in the quarter to March 2023.

The rise in net profit was buoyed by improvement in asset quality and business expansion. Net interest income rose 39% at Rs 251 crore.

Read more at: <https://economictimes.indiatimes.com/jobs/mid-career/what-is-data-analytics-complete-guide-for-beginners/articleshow/102772575.cms>

MicroVest Invests \$10 Million in Annapurna to Support Financial Inclusion for Women in India

MicroVest has announced an investment in Annapurna, a leading microfinance institution located in Odisha, India. The \$10 million investment aims to promote economic inclusion in underserved rural communities, with a specific emphasis on empowering women in the country. Additionally, the investment will help Annapurna expand its services to reach more individuals in rural areas and grow its loan portfolio.

A recent IFC study estimates that 90 percent of female entrepreneurs in India do not receive financing from formal institutions, with respondents stating that personal resources are their most preferred option for finance. Furthermore, women entrepreneurs seeking to scale-up their businesses must also grapple with challenges such as limited product awareness and/or financial literacy.

Read more at: <https://microvestfund.com/microvest-invests-10-million-in-annapurna-to-support-financial-inclusion-for-women-in-india/>

Nepal

World Bank Approves \$100 Million to Strengthen Nepal's Healthcare System

The World Bank's Board of Executive Directors today approved \$100 million in financing for the Nepal Quality Health Systems Program operation.

The Program will improve the quality of healthcare services and increase the coverage of health insurance and enhance the capacity of the healthcare system to prepare for and respond to health emergencies in Koshi and Gandaki provinces.

"By prioritizing and investing in health, Nepal can reap multiple benefits including improved health outcomes, increased productivity, and economic growth," said Faris Hadad-Zervos, World Bank Country Director for Maldives, Nepal, and Sri Lanka. "The World Bank supports Nepal's goal to put quality at the core of health system policy and planning and service delivery."

The Program will be implemented by the Ministry of Health and Population with the coordination of the Health Insurance Board at the federal level, and provincial and local governments in Koshi and Gandaki provinces to help achieve the strategic objectives of Nepal's Health Sector Strategic Plan, 2022-2030. These include enhancing efficiency and responsiveness of the health system, promoting sustainable financing and social protection in health, and promoting equitable access to quality health services.

Read more at: <https://www.worldbank.org/en/news/press-release/2023/04/28/world-bank-approves-100-million-to-strengthen-nepal-s-healthcare-system>

ADB Estimates Nepal's Economy to Moderate in FY2023

Nepal's economic growth is estimated to moderate to 4.1% in fiscal year (FY) 2023, down from an estimated growth of 5.8% in FY2022, says the Asian Development Outlook (ADO) April 2023, the latest edition of the Asian Development Bank's (ADB) flagship economic publication.

Nepal's gross domestic product (GDP) growth is projected to slow largely due to tight monetary policy, slackened domestic demand, the unwinding of COVID-19 stimulus, and persistent global headwinds.

"There are downside risks to the outlook such as a global downturn hitting Nepal's tourism and remittance receipts," said ADB Country Director for Nepal Arnaud Cauchois. "Accelerating capital budget spending through focused investment planning, financial management, and project readiness will help spur Nepal's economic growth over the years."

Read more at: <https://www.adb.org/news/adb-estimates-nepal-economy-moderate-fy2023>

Pakistan

Pakistan Development Update: Knowledge Products

The Pakistan Development Update (PDU) is the World Bank Pakistan flagship report that discusses the latest macroeconomic developments and policy issues that are critical to the country's long-term economic development.

The World Bank Pakistan Development Update (PDU) provides an update on the Pakistani economy, its economic outlook, together with the development challenges it faces and the structural reforms that should be considered.

The findings, interpretations, and conclusions expressed in this report do not necessarily reflect the views of the Executive Directors of the World Bank or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. The data cut-off date for this report was March 22, 2023. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of the World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

To Download the Report: <https://thedocs.worldbank.org/en/doc/5ee854aff2b120cb30ef910f4e7421f9-0310012023/pakistan-development-update-report-april-2023>

Sri Lanka

Sri Lanka's Journey to Recovery Has Just Started

The Asian Development Bank's (ADB) annual flagship economic publication, the Asian Development Outlook (ADO) April 2023, forecasts Sri Lanka's economy to contract further in 2023 before it begins a gradual recovery in 2024, as the country navigates an unprecedented economic crisis. The economy contracted by 7.8% in 2022 and is forecast to contract by 3% in 2023 as it continues to grapple with the challenge of debt restructuring and balance of payments difficulties. Reform measures, such as the reversal of the tax cuts of 2019, and the recent approval of the International Monetary Fund's (IMF) Extended Fund Facility arrangement will support the country's efforts to stabilize its economy. Sri Lanka's recovery from the crisis hinges on timely progress on debt relief and steadfast implementation of reforms.

Sri Lanka entered the crisis on a weak footing as pre-pandemic macroeconomic vulnerabilities, policy missteps, and shocks left the country with thin buffers on the eve of the pandemic. In 2022, foreign currency scarcity led to shortages of essentials and triggered an acute energy crisis with prolonged power cuts and transport bottlenecks due to lack of fuel, which Sri Lanka needs to import. Inflation soared and eroded living standards, pushing many into poverty. The economic crisis has impacted the poor and vulnerable disproportionately.

"Sri Lanka has a long road to recovery, and it will be critical to ensure the poor and vulnerable are protected," said Deputy Country Director for Sri Lanka Utsav Kumar. "It is imperative that the country address the root causes of internal and external imbalances, for which an unwavering commitment to reforms is essential."

Read More At: <https://www.adb.org/news/sri-lanka-journey-recovery-has-just-started>

In Focus

South Asia Economic Focus | Spring 2023

The current economic landscape of South Asia is an intricate interplay of positive and negative developments, both on the domestic front and within the global economy. This juxtaposition of forces paints a picture of opportunities and challenges that the region must navigate. The economies of South Asia, while benefiting from factors such as lower commodity prices and a resilient services sector, are simultaneously facing headwinds driven by rising interest rates and financial market uncertainties. In this context, countries in South Asia are grappling with complex decisions as they respond to these divergent pressures. As they make these choices, it becomes evident that the growth outlook for the region has lost some of its shine, with substantial downside risks looming in most countries. This is compounded by limited fiscal space and the gradual depletion of foreign reserves, accentuating the urgency for comprehensive reform initiatives to establish South Asia on a trajectory of robust and inclusive growth.

A salient concern that deserves immediate attention is the pronounced inequality of opportunity that persists within South Asia, distinguishing it from other global regions. This inequality, both unjust and economically inefficient, has far-reaching implications. By addressing this disparity and fostering greater economic mobility, the countries of South Asia can not only broaden their tax bases but also garner support from their populations for vital reforms. Consequently, reshaping the region's fiscal landscape becomes a matter of fundamental importance.

In the first quarter of 2023, the macroeconomic outlook for South Asia is a tapestry woven with contrasting threads. On the optimistic side, the decline in global energy and fertilizer prices offers a reprieve from inflationary pressures, facilitating import cost reductions and ameliorating the terms of trade that were adversely impacted over the past year. The reopening of China's economy has effectively smoothed the global value chain disruptions, bolstering global production capacity. This is mirrored in the recovery of services exports, encompassing both tourism and business services. Countries like the Maldives are experiencing a resurgence in tourism that surpasses pre-pandemic levels, thanks in part to an influx of Chinese tourists. India, too, is witnessing growth in the services and construction sectors, propelled by renewed governmental focus. Encouragingly, many South Asian nations are undertaking fiscal consolidation efforts, curtailing ineffective subsidies, bolstering tax revenues, and tightening expenditures. Programs with the International Monetary Fund (IMF) are aiding this process in countries like Bangladesh and Sri Lanka, while Pakistan engages in ongoing negotiations.

Nevertheless, these positive strides do not overshadow the strain exerted by intensified pressures on the balance of payments and financial sectors. Escalating global interest rates have incited capital outflows from South Asia, applying downward pressure on their currencies. Concurrently, the uncertainty looming over global financial markets, as evidenced by recent bank runs in the United States and Europe, threatens to exacerbate imbalances within South Asia's financial realm. Countries in the region that harbored latent non-performing loans, resulting from forbearance measures adopted during the COVID-19 pandemic, are particularly susceptible to spillovers from the turbulence in global financial markets. Loan moratoriums have deferred the recognition of distressed assets, but non-performing loan ratios are mounting in nations such as Bangladesh and Sri Lanka, where import costs, weak regulatory enforcement, rising rates, and heightened macroeconomic uncertainties are straining financial systems.

Policy makers in South Asia, particularly those saddled with substantial external debt, are faced with a complex balancing act as they grapple with currency pressures. Allowing currencies to depreciate might seem unappealing, as it drives up foreign debt-to-GDP ratios, escalates local currency debt-servicing obligations, and stokes domestic inflation. Consequently, some countries have tapped into foreign exchange reserves to shore up their currencies. However, this strategy encounters its limits as reserves approach perilously low levels. Furthermore, countering pressures by raising domestic interest rates often proves insufficient. For instance, the State Bank of Pakistan has escalated its policy rate considerably, from 7 to 20 percent, yet the currency has still depreciated by 27 percent since June 2022. This spiral of depreciation and inflation has held Pakistan's real interest rates in negative territory. A comparable scenario is unfolding in Sri Lanka. Here, despite an 11-percentage-point uptick in the official interest rate, the real interest rate remains negative. Import restrictions and capital controls have also been resorted to as a means of stabilizing currencies, but analysis warns that these measures can be circumvented and even backfire, particularly in countries receiving substantial remittances.

Amidst these challenges, the growth forecast for South Asia in 2023 is tempered by a blend of favorable terms of trade and adverse financial market developments. With the exception of Bhutan, growth projections for the current fiscal year have been revised downward across the board. Maldives and Pakistan face the most significant downward adjustments, with a projected 1.6 percent contraction. Sri Lanka's economic contraction is expected to persist, projecting a negative GDP growth of 4.3 percent. Similarly, India's growth expectations have been scaled back by 0.7 percentage points to 6.3 percent due to rising borrowing costs and fiscal consolidation dampening consumption. Bangladesh's real GDP growth is projected to decelerate to 5.2 percent, reflecting a downward adjustment of 0.9 percentage points since the previous forecast. Cumulatively, South Asia is anticipated to grow by 5.6 percent in 2023, a slowdown of 0.5 percentage points from six months prior. Both private and government consumption exhibit vulnerability, with government consumption shrinking due to expenditure consolidation and private consumption hindered by persistently elevated food prices.

In this intricate economic landscape, the imperative for comprehensive reform programs to fortify South Asia's growth trajectory becomes ever more apparent. The crux of these reforms lies in cultivating a sustainable fiscal outlook, despite the mounting challenges posed by recurrent disasters. Achieving fiscal sustainability necessitates a holistic approach that extends beyond merely slashing subsidies or raising taxes. The bedrock of fiscal resilience is a broadened tax base, demanding increased participation of individuals in the productive economy. South Asia's longstanding obstacles to mobility, exemplified by the low female labor force participation and the prevalence of an unproductive informal sector, have undermined the region's tax base. This is where initiatives to reduce inequality of opportunity and boost economic mobility come into play. Not only do these measures engender fairness, but they also optimize resource allocation and production capacity utilization. Importantly, these pursuits resonate with the population, fostering support for the vital reforms that the region urgently requires.

To Access Full Report: <https://www.worldbank.org/en/region/sar/publication/south-asia-economic-focus-spring2023>

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)

