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SAMN
South Asia Micro-entrepreneurs Network



MONTHLY NEWSLETTER

THIS DOCUMENT CONTAINS LATEST NEWS AND
PUBLICATIONS FROM SAMN MEMBER COUNTRIES.

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Bangladesh

Act Fast to Straighten Up the Financial Sector

Looking back on our achievements after 50 years of Bangladesh's independence, we can say that the country has reached a satisfactory level in overall development indicators. But the main goal will be to move forward by consolidating what we have achieved and taking pragmatic actions.

Bangladesh is a small land. But a country with a large population. Many said it would not be a developing state. It can't thrive, it's a "bottomless basket". Someone else said, a "test case of development". That was in the context of that time. They could not judge the capabilities and aspirations of the people of Bangladesh. We have gone through many ups and downs to reach this stage.

Now we have stepped into the new year of 2023. In this context, let's look at the year 2022. So far, we have dealt with the pandemic satisfactorily. The economy slowed down. By mid-2021, we overcame the slowdown and accelerated the economy. But after the start of the Russia-Ukraine war in February 2022, Bangladesh, like the whole world, has had a negative impact. So, in 2022, we could not move forward satisfactorily because our risks were manifold.

Read more at: <https://www.tbsnews.net/supplement/act-fast-straighten-financial-sector-572418>

Bangladesh Becoming More Financially Inclusive, But Still More Work to be Done

South Asia appears to be trailing behind other regions in the world in terms of the number of people who are becoming financially inclusive.

Since approximately 75% of males have an account with a bank, microfinance institution, or mobile banking, the gender gap is a problem, according to research from the BRAC Institute of Governance and Development (BIGD).

Prior to 2017, Bangladesh had one of the widest gaps in the world, but it is now progressively closing. India, China, Latin America, and other regions of Asia contributed to the rise at that time.

BIGD, in partnership with The World Bank, organized the launch of the Findex 2021 Bangladesh findings. An event titled: "The Future of Financial Inclusion: Presenting the Findex 2021 Bangladesh Findings" was held on January 15 at the BRAC Centre in the capital.

Read more at: <https://www.dhakatribune.com/business/281147/%E2%80%98bangladesh-becoming-more-financially-inclusive>

India

RBI Plans to Expand Applications of Digital Rupee in Future Pilot Projects

The Reserve Bank of India is considering expanding the use cases of the digital rupee after it completes the ongoing pilot project with the virtual version of the currency. The regulator is also looking to add more banks to the e-rupee project to test a wider gamut of use cases.

"Based on the learnings from the current pilot, other features and applications of e-rupee token and architecture may be tested in future pilots," the central bank said as part of its financial stability report. ""The first phase has begun with four banks, and more banks will join this pilot subsequently."

The first pilot e-rupee in the retail segment was launched on December 1, in select locations in a closed user group comprising merchants and customers.

Read more at: <https://economictimes.indiatimes.com/news/economy/policy/rbi-plans-to-expand-applications-of-digital-rupee-in-future-pilot-projects/articleshow/96667528.cms>

Outstanding Microfinance Loan Portfolio to Rise 20.3 Pc in FY23 In India: MFIN

Outstanding loan portfolio of the micro-finance institution (MFI) sector across India will increase around 20.3 per cent at Rs 3.25 lakh crore in 2022-23 compared to the previous fiscal, said the MFIN, a self-regulatory organization (SRO) recognized by RBI. During the last fiscal, the total outstanding of the MFI sector was Rs 2.7 lakh crore, and the sector had created around 1.32 crore jobs in the country since 2000, Micro-Finance Institution Network (MFIN) CEO Alok Misra said on Tuesday.

"The MFI sector's outstanding for the current fiscal will be around Rs 3.25 lakh crore. There will be a 20.3 per cent rise over the previous fiscal year," Misra told reporters here on Tuesday.

Read more at: <https://economictimes.indiatimes.com/industry/banking/finance/outstanding-microfinance-loan-portfolio-to-rise-20-3-pc-in-fy23-in-india-mfin/articleshow/96714313.cms>

MFIs to Play Leading Role in India's Economic Growth: Study

Microfinance institutions, which have acted as a financial support system to low-income households by offering credit access to six crore borrowers in the last few years, will play a leading role in the growth process of India, according to a study.

From February 2017 to June 2022, the MFI sector underwent several transformations in terms of inclusivity and expansion, said the joint study conducted by consultancy major PricewaterhouseCoopers (PwC) and the Association of Microfinance Institutions of India.

According to the report, the global market size of the MFI industry is expected to grow by USD122.46 billion from 2021 to 2026 at a compound annual growth rate of 11.61 per cent.

Read more at: <https://economictimes.indiatimes.com/industry/banking/finance/mfis-to-play-leading-role-in-indias-economic-growth-study/articleshow/96990049.cms>

Budget 2023: Microfinance Lenders Pitch for Flexibility in Inclusion Schemes, Tax Relaxations and Lower Borrowing Costs

Microfinance institutions (MFIs) are hopeful that Budget 2023 will offer certain relaxation in tax rules, help the industry lower borrowing costs and ease rules on operations.

MFIs are institutions that source money from banks to lend to smaller clients at a margin. These lenders typically cater to the low-income borrower group including micro, small and medium enterprises (MSMEs) and retail borrowers.

Rising cost of funds

MFIs have been witnessing an increase in borrowing costs in recent months. The Reserve Bank of India's (RBI) Financial Stability Report for December 2022 showed that alongside stable credit and loan growth, the microfinance sector experienced an increase in the stress level of the loan portfolio.

Read more at: <https://www.moneycontrol.com/news/business/budget-2023-microfinance-lenders-pitch-for-flexibility-in-inclusion-schemes-tax-relaxations-and-lower-borrowing-costs-9882391.html>

Pakistan

USAID to Launch New Fund to Tap into Private Sector's Competitive Edge to Solve Global Challenges

At the World Economic Forum today, Administrator Samantha Power announced USAID will launch the Enterprises for Development, Growth, and Empowerment (EDGE) Fund, an innovative new fund designed to unlock and unleash outsized private sector impacts on global development challenges. USAID will work with Congress to provide \$50 million for the fund, the first-of-its kind private sector partnership fund dedicated to launching partnerships that leverage business capabilities and influence commercial operations to advance development objectives.

The significant scale of today's global challenges – recovering from the economic and human cost of the COVID-19 pandemic, unprecedented humanitarian disasters in the Horn of Africa and elsewhere, a global food security crisis that has been exacerbated by Putin's war against Ukraine that has taken an enormous share of the world's agriculture exports offline, and dangerous threats to democratic progress – cannot be solved by traditional development resources alone. This new fund will be dedicated to accelerating development and humanitarian progress through partnerships with the private sector.

Read more at: <https://www.usaid.gov/news-information/press-releases/jan-18-2023-usaid-launch-new-fund-tap-private-sectors-competitive-edge-solve-global-challenges>

Digital Revolution Starting to Shape in Pakistan; Online Bank Accounts Tripled In 3 Years

The last couple of years have seen a massive increase in the national digital payments ecosystem and the number of digital accounts have tripled over the last 3 years, according to the State Bank of Pakistan's (SBP) Annual Payment Systems Review. The report says that mobile phone banking increased by 148.4% to 387.5 million, while internet banking grew by 51.7% to 141.7 million during the previous year.

The drastic increase in the numbers was influenced by the launch of SBP backed Raast getting traction, and electronic money institutions (EMIs) gaining popularity among customers, the signs are pointing towards money quickly becoming digital. On the contrary, the Cash transactions have also gained more popularity with increasing ATM networks and cash withdrawals from ATMs also posting double digit growth over last year.

Read more at: <https://www.techjuice.pk/digital-revolution-starting-to-shape-in-pakistan-online-bank-accounts-tripled-in-3-years/>

Updates from Members

INDIA

MFIN: Events & Workshops:

Second batch of LeadEdge - an MFIN-XIMB Management & Leadership Training Programme Organised in January 2023

The second batch of LeadEdge' – MFIN-XIMB University Management & Leadership Training Programme for medium to senior level microfinance professionals was held from 19th – 21st January 2023. The enriching sessions by the faculty of XIM University on various topics included - Communication skills, Team management, Leadership, Time Management, Personality types, Crisis Management, handling ethical issues at work, etc. Dr Alok Misra, CEO & Director of MFIN took sessions on the Microfinance sector perspective and leadership essentials while Ms. Achla Savyasaachi, National Head - State Initiatives, shared her insights on dealing with public officials with the participants.



PAKISTAN

PMN: U Microfinance Bank, Pathfinder Group Join Hands to Extend Digital Financial Services to Customers

U Microfinance Bank (U Bank) and Pathfinder Group have entered into a strategic collaboration to utilize organizational strengths to offer digital financial services and other banking-related services to customers.

The signing ceremony took place at the Pakistan Pavilion, held on the sidelines of World Economic Forum 2023 in Davos – Switzerland, where the Memorandum of Understanding (MoU) was signed by Mr. Kabeer Naqvi, President & CEO – U Microfinance Bank and Mr. Zarrar Sehgal, Chairman – Pathfinder Group, in the presence of Mr. Ikram Sehgal, Co-Chairman – Pathfinder Group, and other senior management members from both the organizations.

Speaking at the occasion, Mr. Kabeer Naqvi, President & CEO – U Microfinance Bank stated, “As a mission-driven bank with financial inclusion for citizens across all societal segments as our objective, we are glad to have entered into this collaboration with Pathfinder Group. This gives us an opportunity to expand our digital outreach and bring the unbanked population into the financial ecosystem in an efficient manner.”

Mr. Zarrar Sehgal, Chairman – Pathfinder Group, shared his views on the importance of this strategic partnership agreement. He stated that such partnerships will help economically empower the masses and have a long-lasting impact on digital financial inclusion in Pakistan. Pathfinder group looks forward to working closely with U Bank to create impact and bring inclusion.



In Focus

Microfinance Survived the Pandemic but Challenges Lie Ahead

The right actions by microfinance institutions and governments can ensure a promising outlook for microfinance in Asia this year.

After a sharp contraction during the pandemic, the microfinance sector rebounded well in 2022. The initial concerns, which raised existential issues about the future of this financing activity, which relies on extensive physical interaction and group processes in small communities, have been put to rest.

Microfinancing has become stronger post-pandemic, and the ability of the sector to handle uncertainties has been amply demonstrated. All the ingredients for the sector's robust performance in 2023 are on the table. However, its growth, access to capital and, most critically, the ability of micro borrowers to repay these small loans will depend on many factors, some from faraway shores and some closer to home. These include:

The Russian invasion of Ukraine: Though it is distant from microfinancing activities in Asia's developing countries, the uncertainties related to the Russian invasion of Ukraine will shape the sector's outlook. Increased energy and food prices have triggered record-high inflation, which impacts the income and the repayment ability of micro borrowers. For example, a sharp increase in fertilizer prices, linked to energy prices, has burdened micro borrowers, nearly 80% of whom are dependent on farm-based income.

The global response to inflationary pressures: Central banks have raised interest rates across developing countries to counter inflationary pressures. This will increase borrowing costs for microfinance institutions, most of which would have difficulty passing these increased costs on to their borrowers. This will impact their profitability. The US dollar and other currencies have strengthened with the rising interest rates, which will limit the ability of microfinance institutions to seek overseas private investment, as foreign investors raise their perceived risk and return thresholds. This will also limit the borrowing options of microfinance institutions from overseas lenders. Rising prices, reduced spending and recessionary conditions in the US and Europe also hurt the ability of overseas migrants to remit their savings back to their families. This is essential cash inflow for low-income rural households, particularly in countries like Bangladesh, Indonesia, Nepal, and the Philippines.

To Access Full Article: <https://blogs.adb.org/blog/microfinance-survived-pandemic-challenges-lie-ahead>

Payments Giants Come Together to Drive Financial Inclusion ACI Worldwide and India1 Payments to Expand ATM access in Rural India

ACI Worldwide, a global leader in mission-critical, real-time payments software, has announced it has completed an installation upgrade with India1 Payments Ltd, India's largest white label ATM operator, to accelerate and increase last mile delivery of payments and financial services to India's financially excluded. The implementation has enhanced India1 Payments current 11,000 ATMs with ACI's latest technology, which has created capacity for expanding the ATM network in the coming years. The primary focus for the payments giants is to ensure that semi-urban and rural (SURU)

markets benefit from India's rapid digitalisation and real-time payments explosion. In rural India, the biggest challenge for many consumers and households is physical access to the formal financial sector. Access to financial institutions is often limited or non-existent: branches are scarce and internet connectivity intermittent and unreliable. ATMs help overcome this and are seen as providing the first step to formal access to basic financial services. They are a critical first step in driving financial inclusion by allowing customers to set up bank accounts and access a wide range of financial services, without the need to ever visit a bank branch or go online. ATMs also promote financial literacy while recirculating cash quickly, cheaply, reliably, and safely – facilitating access to financial services by the un-banked and under-banked.

To Access Full Story: <https://www.cxotoday.com/press-release/payments-giants-come-together-to-drive-financial-inclusion-aci-worldwide-and-india1-payments-to-expand-atm-access-in-rural-india/>

China Mobile Showcases PayMax, Its First Digital Payments Solution

China Mobile, the Parent company of Pakistan's leading telecommunications network, Zong 4G, showcased its first digital payments solution 'PayMax,' during an exclusive product showcasing event at Zong HQ in Islamabad.

This strategic venture aims to empower the people of Pakistan with a financial solution that is secure, unique and ensures inclusion in the unbanked sector of Pakistan.

China Mobile Pakistan (CMPAK) and Electronic Commerce Company Limited (ECCL), a 100% owned subsidiary of CMPAK ventured into the market of Digital Financial Services after getting the Electronic Money Institution (EMI) License in Pakistan from SBP in March 2022.

After acquiring the license, CMPAK ECCL went on to launch its commercial digital payments solution under the brand name "PayMax" which furthers CMPAK's vision and drive of a more digitally and financially inclusive Pakistan.

Speaking at the occasion, CEO CMPAK & Zong4G, said, "Our mission is 'to provide a trustworthy digital payments system through a collaborative ecosystem for cashless payments.'" He concluded by wishing PayMax success in the future.

As a developing country, a significant segment of the economy in Pakistan is still undocumented and operating through traditional transaction channels which rely heavily on the use of cash, limiting business opportunities and growth. With over 60% of the adult population is unbanked, Paymax aims to provide seamless digital payment solutions to them.

A robust digital payments solution makes financial management a lot easier, and that too with added security. PayMax - a Digital Wallet Account also plans to partner with financial institutions and solution providers from across the sectors to offer innovative financial products that solve consumer pain points, such as Nano Loans, Handset Financing, Cross Border Payments, Insurance, Channel Interoperability, and Merchant Financing.

Intending to provide a solution that empowers and enables every Pakistani across the country, with PayMax you can register your mobile account by providing a simple KYC, you can carry out Cash Deposits & Cash Withdrawals, transfer money to or from any bank or wallet in Pakistan, pay more than 1700+ online Billers with this number rapidly growing.

Adding on, CEO of ECCL, Syed Naveed Akhtar, said, “Our objective is to turn PayMax into a financially sustainable organization by gaining customers’ trust through offering best value use cases, convenience, reliability & great customer experience. Our target market and focus in the first phase are approximately 34 million Zong 4G tech-savvy super data users followed by the rest of the potential digital payment customer base in the country.”

PayMax is determined to become one of the leading digital payment solutions providers in the Digital Financial Services Industry, utilizing CMPAK - Zong4G’s 45 million subscribers base and an agent network of more than 43,000 BVS retailers all across Pakistan

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)

