



SAMN
South Asia Micro-entrepreneurs Network

MONTHLY NEWSLETTER

FINANCIAL INCLUSION &
MICROFINANCE UPDATES
FROM THE REGION

**JUNE
2023**



Issue 104

www.thesamn.com

Bangladesh

BB Approves Digital Bank Guidelines

The Bangladesh Bank (BB) Wednesday approved digital bank guidelines for virtual banking aimed at accelerating “financial inclusion”.

The Bangladesh Bank board of directors at its 428th meeting put the seal of approval on the guidelines.

Entrepreneurs will have to secure a digital-bank licence from the central bank under section 31 of the Bank Company Act 1991 and have to follow instructions of the Bangladesh Payment and Settlement System Regulation 2014 to operate its payment service.

A digital bank shall commence with the paid-up capital of minimum Tk125 crore or as determined by the Bangladesh Bank under section 13 of the Bank Company Act 1991.

The paid-up capital shall only comprise ordinary shares.

The minimum shareholding stake of each sponsor shall be Tk50 lakh and the maximum shareholding stake can be relaxed, if necessary, in consultation with the government, said a top central bank official, seeking anonymity.

A digital bank will have only a registered head office that will host the offices of management and support staff.

Read more at: <https://www.dhakatribune.com/business/banks/285333/bb-approves-digital-bank-guidelines>

ADB Supports Bangladesh's Economic Recovery

The Asian Development Bank (ADB) today approved a \$400 million loan to Bangladesh to advance reforms in domestic resource mobilization, improve efficiency and productivity of public spending, and help small businesses, especially women-led businesses to access low-cost innovative bank financing.

This loan is ADB’s second subprogram of the Sustainable Economic Recovery Program that was launched in October 2021 to support economic recovery after the COVID-19 pandemic.

“This subprogram enables Bangladesh to enhance revenues, promote efficiency and transparency in public spending and public procurement, deepen the reforms of state-owned enterprises, and help small businesses and microentrepreneurs to access low-interest affordable credits from the banking sector,” said ADB Principal Public Management Economist for South Asia Aminur Rahman. “The subprogram, with a strong focus on gender, climate change, and digitization, enables the government to strengthen its efforts to support income generation for the poor and vulnerable.”

The program will enhance income tax collection through the adoption of the new Income Tax Act, reduce tax loopholes, strengthen compliance and enforcement measures, and broaden the country’s tax net. Transparency and efficiency in public procurement will be enhanced through strengthening electronic procurement and

electronic payment systems, while approval of public projects will be facilitated through the newly launched digital system of public project appraisal and approval process.

Read more at: <https://www.adb.org/news/adb-supports-bangladesh-economic-recovery>

India

World Bank Approves \$300 Million to Improve Quality of School Education in Chhattisgarh

The World Bank's Board of Executive Directors today approved a \$300 million loan to help expand and improve the quality of education in government-run schools in the central Indian state of Chhattisgarh. The project aims to benefit about 4 million students, mostly from poor and vulnerable communities in the state.

Almost 86 percent of schools in the state are run by the government. While enrolment at the elementary school level is 95 percent, it is only 57.6 percent at the senior secondary level and the enrolment for boys is 10.8 percent lower than that for girls. This is due to the non-availability of science and commerce education across many senior secondary schools, a shortage of trained science and mathematics teachers, and the lack of necessary infrastructure like laboratories and facilities. Students from remote locations also face a problem with accommodation. While girls have residential school facilities under the centrally sponsored Samagra Shiksha program, there is no such scheme for boys.

Read more at: <https://www.worldbank.org/en/news/press-release/2023/06/26/india-world-bank-approves-300-million-to-improve-quality-of-school-education-in-chhattisgarh>

Sidbi's India Microfinance Equity Fund Doesn't Find Many Takers

The Rs 300-crore India Microfinance Equity Fund (IMEF), which the Small Industries Development Bank of India (Sidbi) re-launched in November last year, does not seem to have many takers yet even as the small and medium sized microfinance lenders are longing for institutional funding support.

Several NBFC-MFIs found the clauses attached for taking the funding support from Sidbi quite stringent. They believe the clauses may create roadblocks in raising fresh equity from new investors.

One of the clauses says that NBFC-MFIs cannot take fresh equity capital at terms more favorable than those offered to Sidbi, unless such terms are approved by it.

Read more at: <https://economictimes.indiatimes.com/news/economy/finance/sidbis-india-microfinance-equity-fund-doesnt-find-many-takers/articleshow/100771785.cms>

FMO and Finnfund Back SATYA MicroCapital With \$35M to Make Formal Finance More Accessible to Women in India

FMO, the Dutch entrepreneurial development bank, and Finnfund, the Finnish development financier and impact investor, have announced a \$35 million debt funding to SATYA MicroCapital Ltd, a Delhi-based RBI registered NBFC-MFI which provides affordable microcredit to women from low-income households across the rural areas of India. Finnfund invested in a \$10 million ECB facility, with FMO providing a \$25 million debt facility in the local currency. The company contributes to women empowerment by generating additional income earning opportunities and providing a more affordable alternative to informal finance with high interest rates.

Labelled as 100 percent Reducing Inequalities and 20 percent Green, the funds have been earmarked to fund women and youth financing, thereby promoting gender equality and female empowerment. By empowering aspiring women entrepreneurs with increased credit access and digital literacy trainings, SATYA clearly exemplifies the importance of providing both financial and non-financial support to improve the livelihoods of the underbanked across India.

Read more at: <https://www.fmo.nl/news-detail/05cb6321-f99d-4214-b7d6-faa5531b0a54/fmo-and-finnfund-back-satya-microcapital-with-usd-35-million-to-make-formal-finance-more-accessible-to-women-in-india>

Nepal

ADB Approves Support for Strengthening of Customs and Logistics Sector in Nepal

The Asian Development Bank (ADB) has approved a \$50 million loan to support the implementation of policy reforms by the Government of Nepal to help improve its domestic and international trade.

In fiscal year 2022, trade and industry contributed 14.1% to Nepal's gross domestic product (GDP). The government is pushing to increase the contribution of trade to GDP by improving the trade and export promotion environment and strengthening the supply chain of primary products. Essential to this is the improvement of customs and logistics systems and services such as efficient transport, transit arrangements, and border procedures.

"The development of the trade and industry sector will boost competitiveness and help steer the country toward sustainable economic growth," said ADB South Asia Department's Director of Regional Cooperation and Operations Coordination Thiam Hee Ng. "Furthermore, improved trade facilitation can boost exports and help address Nepal's balance of payment."

The program will help implement the current Customs Reform and Modernization Plan by improving customs processes through the introduction of digital technologies, such as electronic payments of customs duties and fees, and electronic submission of export documents. It will establish an online customs valuation database and reduce export documentation to facilitate customs clearance.

Read more at: <https://www.adb.org/news/adb-approves-support-strengthening-customs-and-logistics-sector-nepal>

Pakistan

The Microfinance Sector in Pakistan Needs to Be Taken to Scale to Create Real Impact: President & CEO, U Bank

“Pakistan has a lack of brick-and-mortar bank branches, especially at the last mile locations and we need to focus more on scaling geographically if we wish to create a larger impact as a microfinance bank,” stated Mr. Kabeer Naqvi – President & CEO, U Microfinance Bank (U Bank), recently in an interview.

During the conversation on the current state of the microfinance sector in Pakistan, its potential, growth, and impact, Mr. Naqvi spoke about the differences between microfinance banks and commercial banks in Pakistan. “On the liability side, we are just like any other bank, since we do deposit mobilization. However, on the asset side, we remain mission-oriented. As a mission-driven bank, we cater to those segments of the society which have been excluded from financial services for decades.”

Financial inclusion through banking plays a critical role in uplifting communities and empowering people to achieve economic growth. It also is a means to bring the unbanked into the banking net and have an efficient, documented economy. Microfinance banks (MFBs), through an ordinance in 2001, were established to bring financial services to more of the Pakistani population, especially those that are not usually catered to by commercial banks due to various reasons.

To Download the Report: <https://profit.pakistantoday.com.pk/2023/06/16/the-microfinance-sector-in-pakistan-needs-to-be-taken-to-scale-to-create-real-impact-president-ceo-u-bank/>

Sri Lanka

World Bank Group Adopts Country Partnership Framework for Sri Lanka to Help Reset the Economy, Protect the Poor

The World Bank Group's Board of Executive Directors today discussed the new Country Partnership Framework for Sri Lanka, which aims to help restore economic and financial sector stability and build a strong foundation for a green, resilient, and inclusive recovery.

This CPF comes at a time when the country is navigating a severe economic crisis that is having devastating impacts on people's lives and livelihoods and which demands deep reforms to stabilize the economy and protect the poor and vulnerable. Sri Lanka's poverty rate is estimated to have doubled from 13.1 to 25 percent between 2021 and 2022 — an addition of 2.5 million poor people—and is projected to increase by another 2.4 percentage points in 2023.

"The extent of the crisis in Sri Lanka is unprecedented, but offers a historic opportunity for deep reforms to reset the country's economic storyline," said Faris H. Hadad-Zervos, World Bank Country Director for Sri Lanka. "The CPF supports this shift. Through a phased approach, the World Bank Group strategy focuses on early economic stabilization, structural reforms, and protection of the poor and vulnerable. If sustained, these reforms can put the country back on the path towards a green, resilient and inclusive development."

Read More At: <https://pressroom.ifc.org/All/Pages/PressDetail.aspx?ID=27640>

Over 50 Sri Lankan Companies Experience Business Benefits by Promoting Diversity and Inclusion in the Workplace

Two partnerships by the International Finance Corporation (IFC) has led to over 50 private sector companies in Sri Lanka advancing gender equality as well as working towards the economic inclusion of persons with disabilities and sexual orientation and gender identity minorities.

As part of the 'Together We Can (TWC)' partnership, 44 companies with over 30,000 employees participated in a series of online training sessions led by IFC in collaboration with the Federation Chamber of Commerce Sri Lanka (FCCISL), under the IFC Women in Work program in partnership with the Government of Australia. The initiative provided gender intelligence training, workshops, and peer learning opportunities in areas including increasing women in leadership, promotion of women in non-traditional roles, creating respectful and family-friendly workplaces, supporting employee mental health as well as supporting diversity in the value chains.

The TWC partnership, which includes companies representing multiple sectors including banking, finance, food and beverages, healthcare, information technology, manufacturing, services and trading, offered an opportunity for businesses to learn, share knowledge, and act on promoting more inclusive workplaces. Based on the results from 22 companies, the partnership has led to 636 more women in the workforce, a 55 percent increase in the share of women in management, and a 17 percent increase in the share of women on boards. Three-quarters of companies said employees felt safer at work and reported increased employee satisfaction levels, while half of the companies reported productivity improvements.

Read More At: <https://pressroom.ifc.org/All/Pages/PressDetail.aspx?ID=27601>

In Focus

A New Program Supported by Australia and IFC to Mobilise \$50 Million to Support Post-COVID Inclusive Growth in Bangladesh

The IFC and the Australian High Commission in Dhaka have partnered together on a new project to help create more opportunities for inclusive and sustainable private investment flows in Bangladesh. The Bangladesh Economic Engagement Program–Private Sector Development Partnership (BEEP-PSDP) project will support emerging needs after the COVID-19 pandemic and promote economic growth, resilience, and inclusivity by aiming to mobilize over \$50 million of investment in key growth sectors.

The collaboration aligns with the Bangladesh's development plans and the partners' strategic priorities, with a focus on revitalizing the private sector and facilitating a sustainable recovery from the COVID-19 pandemic.

"This project will build upon our strong track record in Bangladesh, while adapting to the new requirements that have arisen since the COVID-19 pandemic," said Martin Holtmann, IFC Country Manager for Bangladesh, Bhutan, and Nepal. "We are excited about the opportunities this project will generate for enhancing the business environment and encouraging financial access and inclusion, particularly for women."

Bangladesh aims to become an upper-middle-income nation by 2031 and recognises the necessity of private sector creativity, technology education, and foreign direct investment (FDI). The BEEP-PSDP project, which is expected to run from 2023 to 2027, is intended to improve competitiveness and diversification, enhance access and inclusion, and promote sustainability and resilience in key economic areas, such as energy, agribusiness, and housing.

The project will work closely with the Government of Bangladesh, relevant ministries, and other development partners to promote public-private dialogue and collaboration for shared objectives under three pillars.

The first pillar will focus on reforming laws and regulations to improve the business environment to attract more inclusive private investment, especially in sectors affected by COVID-19. One of its goals is to create opportunities for women entrepreneurs.

The second pillar will improve access and inclusion in the financial sector. The project will work closely with financial institutions to promote financial inclusion and speed up the transition to a greener financial sector. This will include introducing new and inclusive financial products to increase access to finance, with a special focus on women borrowers and those who have limited access to banking services. The third pillar adapts and seizes strategic opportunities that fall outside the scope of the first two pillars.

"The partnership demonstrates our dedication to supporting economic policies, strengthening institutions, and promoting inclusive private sector development in Bangladesh," said Jeremy Bruer, the Australian High Commissioner to Bangladesh. "By working together, we can achieve a sustainable and fair recovery from the impacts of COVID-19."

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The CPF, which covers the years 2024-2027, lays out a two-phased approach that starts with a focus on urgent macro-fiscal and structural reforms and support to protect the human capital and most vulnerable population. After the first 18-24 months, and subject to successful implementation of the reform program and international debt relief and financial support, the CPF focus will gradually shift to investments in longer-term development needs that will help promote private sector job creation—particularly for women and youth—and boost resilience to climate and external shocks.

"A strong and engaged private sector is crucial for Sri Lanka, especially in overcoming the economic crisis. Sri Lankans urgently need jobs and livelihood opportunities to rebuild lives affected by the crisis," said Shalabh Tandon, Acting Regional Director for IFC South Asia. "Promoting private sector-led growth is therefore critical in revitalizing the economy. IFC's focus for Sri Lanka will be on supporting export-oriented sectors, promoting climate financing, and enabling digitization – all of which will foster inclusive, resilient, and sustainable growth."

To prepare the CPF, the World Bank Group held extensive countrywide and online consultations with key stakeholder groups, including the government, the private sector, civil society, think tanks, academia, media, and other development partners.

The World Bank Board of Directors also approved \$700 million in financing for two operations to help Sri Lanka implement foundational reforms that restore macroeconomic stability and sustainability, mitigate the impact of current and future shocks on the poor and vulnerable, and support an inclusive and private-sector-led recovery and growth path.

The Sri Lanka Resilience, Stability and Economic Turnaround (RESET) Development Policy Operation (\$500 million) will support reforms that help improve economic governance, enhance growth and competitiveness, and protect the poor and vulnerable. It will provide budget support in two equal tranches against agreed prior actions.

The Social Protection Project (\$200 million) seeks to support Sri Lanka in providing better-targeted income and livelihood opportunities to the poor and vulnerable and improving the responsiveness of the social protection system.

The active World Bank portfolio as of June 26 is composed of IBRD financing worth \$1.09 billion and IDA financing worth \$1.17 billion. Sri Lanka lost IBRD creditworthiness and cannot access additional IBRD financing. Upon the Government's request, a reverse graduation to regain access to IDA concessional financing was approved. Until IBRD creditworthiness is re-established, Sri Lanka will have access only to IDA resources.

The CPF will leverage the close cooperation across the World Bank, IFC, and MIGA and with development partners.

As the largest global development institution focused on the private sector in developing countries, IFC has invested close to \$1 billion in Sri Lanka since the onset of the COVID-19 pandemic, helping businesses and sustaining jobs. Recently, IFC provided a cross-currency swap facility to three of the country's leading national banks that deal with over 30 percent of Sri Lanka's remittances and exports. The facility intends to support the private sector with critical financing, contributing to the country's urgent need to stabilize the economy. IFC will continue its efforts to promote private sector led growth by supporting innovation, product diversification, growth-enabling sustainable infrastructure as well as in deepening social and financial inclusion.

MIGA will continue to explore opportunities to support cross-border investment and lending. MIGA does not currently have any projects in Sri Lanka but will continue to work together with the World Bank and IFC to promote FDI. Sri Lanka is included in the list of target countries where MIGA can implement its Trade Finance Guarantees Program (in collaboration with IFC). MIGA will also look for opportunities to apply its Gender Strategy Implementation Plan in the projects it supports.

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)

