Small bank accounts come as remittance booster

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Online Desk: Innovative small bank accounts designed for have-nots turn out as as remittance booster and accumulator of umpteen schoolchildren’s savings that help heal liquidity ills, bankers say.

The number of NFAs or no-frill accounts grew by 1.81 per cent to over 31 million with a total deposit of over Tk 64.89 billion during the April-June period over its previous quarter, official data show.

The central bank’s move is to ensure financial services for people of all segments in society, including those having no or little cash in hand.

The Bangladesh Bank has permitted the opening of bank account by marginalised people with an initial peanut deposit of Tk 10, 50 or 100.

On a macroeconomic scale also such accounts play a role-channelling inward remittances that used to take time and travails. Deposits from students under school banking also fall under NFAs, and fill bank coffers.

These accounts require neither a minimum balance nor any service charge.

On the contrary, relatively higher interest rates than the existing savings rates are offered in these accounts, referred to as NFAs, to augment welfare of the low-income people.

The bank accounts in the unorthodox category–No Frill Account– contribute significantly to bringing the financially excluded people under the umbrella of formal financial services.

This report presents a quarterly review of the no-frill accounts which include the accounts opened with an initial deposit of Tk 10/50/100 by low-income people, school students under 18 years of age and street urchins or working children.

The number of Tk 10/50/100 accounts–excluding School Banking, Street Urchin and Working Children Accounts–and the cumulative deposits in these accounts stand over Tk 27.0 billion and Tk 41.31 billion respectively, as of the period under review, according to the Bangladesh Bank data.

These no-frill accounts play a significant role in the distribution of foreign inward remittances. In the June 2023 quarter, these accounts received Tk 367.05 million worth of foreign remittances.

The cumulative amount of foreign currencies received through these accounts by the end of the reporting quarter reached over Tk 6.15 billion. The amount is 6.34 per cent higher than the cumulative amount received in the quarter to end of March 2023.

The number of Tk 10 accounts for the farmers remains the largest component to the NFAs, contributing 38.06 per cent to the total Tk 10/50/100 accounts.

On the other hand, the number of accounts for the beneficiaries of the Social Safety Net (SSN) programmes constituted 37.10 per cent of the total NFAs in the reporting quarter, in an increase of 0.76 per cent over the previous quarter.

As on June 2023, individuals with Tk 10/50/100 accounts received over Tk 5.92 billion as credits from both the Tk 2.0 billion-and Tk 5.0-billion refinance schemes for the no-frill accounts. The increased demand for such credits could be attributed to a rebound of economic activities upended by the COVID-19 pandemic.

As of last June, top banks opened 80.14 per cent of Tk 10/50/100 accounts, with Sonali Bank PLC accounting for 25.35 per cent. Agrani Bank Limited and Janata Bank PLC opened 15.38 per cent and 10.39 per cent respectively. Bangladesh Krishi Bank (BKB) holds 16.48 per cent of total accounts.

Top five banks also possess 79.73 per cent of total deposits, including Bank Asia Limited, Islami Bank Bangladesh PLC, and Southeast Bank Limited, alongside Sonali Bank PLC and Agrani Bank Limited, the BB data showed.

The number of school-banking accounts increased 2.36 per cent over the previous quarter.

This increase is due to the resumption of school-banking conferences across the country. Scheduled banks have resumed School Banking Conferences since November 2022.

Street Urchin and Working Children accounts also had increased 5.89 per cent over the last quarter. Nineteen banks have opened 33,806 such accounts.