

IDLC MONTHLY

BUSINESS

REVIEW



বিকাশ অ্যাপ দিয়ে
আইডিএলসি-তে
টাকা
জমেছে,
বেড়েছে
নিরাপদে

অভিনন্দন আপনাদের,
যারা ২ বছর মেয়াদী ডিপিএস
সম্পন্ন করেছেন

আইডিএলসি আপনাদের টাকা
পৌঁছে দিয়েছে আপনার বিকাশ-এ



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Bridging the Financing Gap for the Marginalised: Microfinance Uplifting Bangladesh's Social Fabric and Economy

Microfinance has established itself as one of the bedrocks of financial inclusion in Bangladesh. In general, Bangladesh is widely recognised as the pioneer of microfinance and currently ranks as one of the largest microfinance sectors in the world. While formal banking channels shied away from lending to marginalised communities, microfinance institutions (MFIs) have leapt ahead by catering to the unbanked and rural households of Bangladesh. The current advancement of financial inclusion in Bangladesh can be attributed to non-governmental organisations, microfinance institutions, or NGO MFIs. Their innovation and expansion of services in serving the underserved population and marginalised communities of Bangladesh, especially those living in rural and isolated locations with little access to traditional financial services, has aided in alleviating poverty and strengthening the socio-economic status of Bangladesh. Their continuous strides towards women's empowerment, financial inclusion, literacy, and development programmes have uplifted the socio-economic state while curbing the poverty rate in rural households and marginalised communities in Bangladesh.



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Capital Market Review



Bridging the Financing Gap for the Marginalised : Microfinance Uplifting Bangladesh's Social Fabric and Economy

Microfinance has played an instrumental role in enhancing financial inclusion, employment opportunities, and poverty alleviation in Bangladesh. The significant presence of CMSMEs in Bangladesh prompted a rapid rise of microfinance institutions (MFIs) across the country, with 739 MFIs and 23543 branches currently operating under the licence of the Microcredit Regulatory Authority (MRA). During the fiscal year 2021–22, loan disbursements of microfinance reached staggering figures of BDT 226,007 crore, while customer savings stood at BDT 85,036 crore.

The continuous innovation and expansion of microfinance services have facilitated the availability of microcredit and microenterprise loans to the unserved and underserved marginalised community of Bangladesh. The MFIs have flourished in that regard, with

annual turnover figures reaching BDT 1.60 trillion while maintaining a near-perfect 98% loan recovery rate, of which 91% of the borrowers are women.

The microfinance sector is met with a fair share of challenges, with high-interest rates and economic shocks largely affecting the financial sustainability of MFIs. Nevertheless, the massive contribution of MFIs towards women's empowerment, financial inclusion, and poverty reduction has elevated the socio-economic status of Bangladesh and reinforced the belief in the future success of microfinance.

Md. Shah Jalal

Editor

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INDUSTRY & EQUITY ANALYSIS TEAM

ASIF SAAD BIN SHAMS

Email: shams@idlc.com

DEBAJIT DATTA

Email: debajit@idlc.com

MD. SHAH JALAL

Email: mjalal@idlc.com

AKHLAQR RAHMAN SACHEE

Email: akhlaqr@idlc.com

SYED MD. RAKEEN

Email: rakeen@idlc.com

MD. MUNTASIR SAKIB

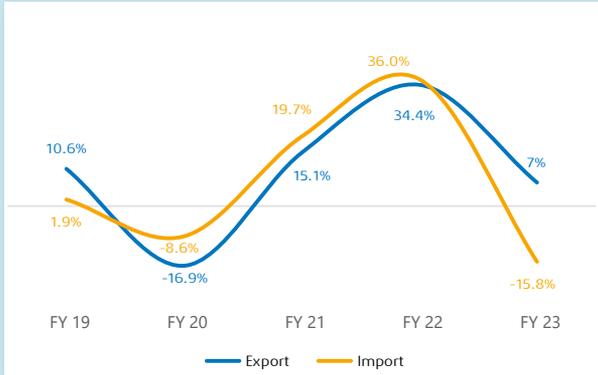
Email: smuntasir@idlc.com

ECONOMY AT A GLANCE

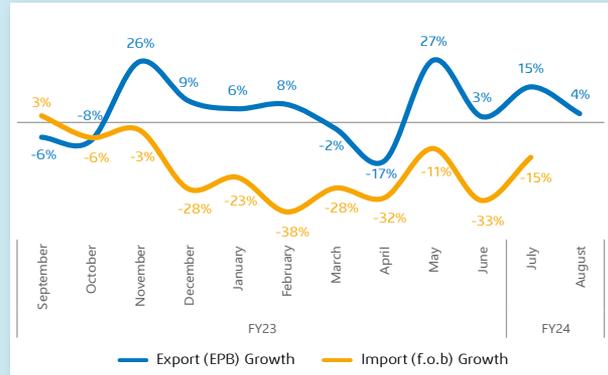
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EXPORT-IMPORT

Growth in Export-Import Trade (Last 5 Years)

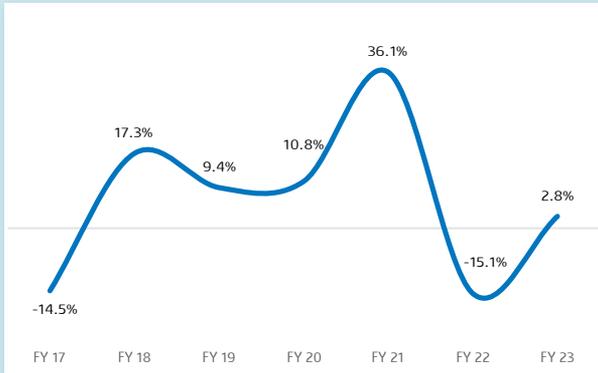


Export and Import Growth (Last 12 Months)

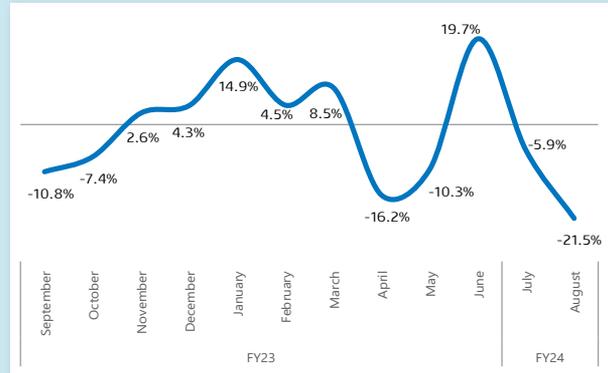


REMITTANCE

Remittance Growth (Last 5 Years)

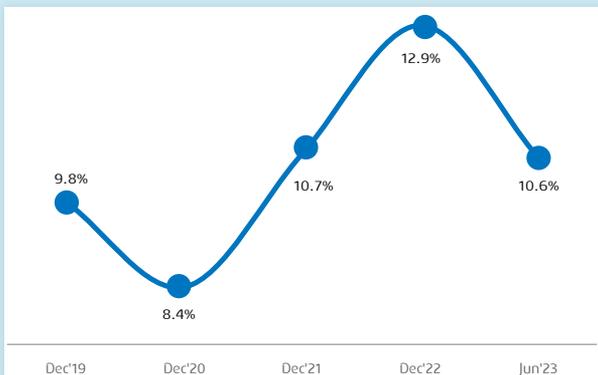


Remittance Growth (Last 12 Months)

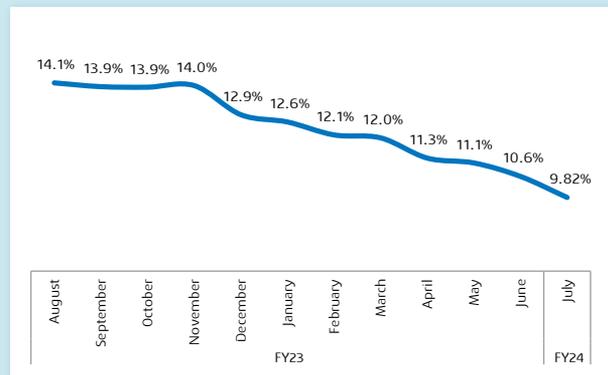


PRIVATE SECTOR CREDIT GROWTH

Private Sector Credit Growth (Last 5 Years)



Private Sector Credit Growth (Last 12 Months)



● **52 domestic and foreign companies applied for digital banking licences to the central bank, while 10 private sector banks formed a consortium to launch a digital bank named DG10 Bank PLC.**

● As per an announcement on August 10, 2023, **Bangladesh Bank has partnered with Fime to facilitate the launch of Taka Pay, which will be similar to MasterCard or Visa cards.**

● As per the central bank data, Mobile Financial Service (MFS) providers facilitated transactions of **BDT 1,321 billion in June 2023, which is the highest to date. Also, it was the fourth consecutive month with transactions exceeding the BDT 1,000 billion mark.**

● In accordance with the guidelines of the International Monetary Fund (IMF), Bangladesh Bank is planning to shorten the overdue period for classification of long-term loans from **six months to three months to combat the rise in non-performing loans and inefficiencies in the system.**

● At a meeting held on August 08, 2023, between the United Kingdom delegation and the Bangladesh delegation, it was announced that **Bangladesh will continue to enjoy duty-free export facilities for 92% of the manufactured goods, including ready-made garments, for three years after graduation from Least Developed Country (LDC) status in 2026.**

● **Sri Lanka paid back the first installment of the USD 200 million loan from Bangladesh, amounting to USD 50 million, on August 17, 2023.** Bangladesh provided the loan to Sri Lanka under a currency swap agreement to help the country combat its foreign exchange crisis.

● The volume of foreign currencies held by the commercial banks in the country expanded further in July 2023, owing to increasing remittances, exports, and import restrictions. **In July 2023, the gross foreign currency balance with the banks increased to USD 5,900 million from USD 5,530 million in June 2023.**

● Disbursement of loans facilitated via the banks' agent banking outlets experienced a substantial increase of 70% in June 2022 in comparison to the corresponding month of the previous year. **Based on the data provided by the Bangladesh Bank, the agents exhibited a notable increase in disbursement, with a total of BDT 13,041 crore disbursed in June 2023 compared to BDT 7,645 crore disbursed in June 2022.**

● According to a circular published on August 24, 2023, by the central bank, the government will offer cash incentives at a rate of **1% to 20% for the export of 43 products in the financial year 2023–24.**

● At a programme held on August 23, 2023, the Asian Development Bank suggested that the establishment of an economic corridor encompassing **14 northeast and southwest districts could make the region's economic output surge to USD 286 billion by 2050.**

● For the Record

TAKING THE IMPORTANCE OF THE PRIVATE SECTOR AS THE LIFELINE OF THE ECONOMY INTO ACCOUNT, WE NEED TO EXERT SHARED AND STRATEGIC EFFORTS TO ENHANCE THE PRIVATE SECTOR CREDIT FLOW IN ORDER TO STEER THE ECONOMY TOWARDS A HIGHER AND INCLUSIVE GROWTH REGIME AS WELL AS MUCH-NEEDED ECONOMIC GRADUATION IN THE DAYS TO COME.

Barrister Md Sameer Sattar, President of Dhaka Chamber of Commerce & Industry (DCCI), on enhancing the business environment of Bangladesh and reversing the trend of low private sector credit flow. (August 10, 2023. United News of Bangladesh.)

The country's agrifood businesses need significant investment to meet increased demand in Bangladesh but also to capitalize on export opportunities. As the country continues to develop and its economy grows, the country will become more attractive to a wider range of investors.

Robert D Simpson, Representative of Food and Agriculture Organization (FAO) in Bangladesh, on strengthening Bangladesh's agricultural competitiveness and another on financing for agrifood systems transformation. (August 27, 2023. The Business Standard.)

We have a significant potential to further penetrate this market. With the GPT+ ahead, we should aim for a bigger pie and focus our efforts and resources to maximise this potential. As the GPT scheme is being renewed every 10 years, the existing version of GPT is going to expire at the end of 2024.

Faruque Hassan, President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), on Canada extending duty-free access under the General Preferential Tariff (GPT) scheme for Bangladesh till 2034. (August 27, 2023. The Business Standard.)

Fifty-two companies have applied for digital banking licenses. Approximately 15 of them are banks, while the remaining applicants consist of mobile financing services, IT companies, and foreign entities. We will now proceed with the verification of all applications.

Mezbaul Haque, Executive Director of Bangladesh Bank, on 52 companies applying for obtaining a digital banking service. (August 20, 2023. The Business Post.)

At the policy level, it would be possible to prepare an action plan for reducing plastic pollution if all stakeholders are involved in the planning process. Since plastic is a recyclable material, our priority should be to establish circularity through design innovation.

Zaved Akhtar, Chief Executive Officer of Unilever Bangladesh, on the need to build an infrastructure to adopt a circular economy by collecting, storing and recycling plastic products. (August 27, 2023. The Daily Star.)

There is an average of 12 million transactions carried out through bKash daily. Of it, 8 million transactions are settlements, such as mobile recharges and utility bill payments. So, I think the digital adoption rate in Bangladesh is good in general.

Kamal Quadir, Chief Executive Officer at bKash, on the huge rise in digital financial inclusion and digital services over the years. (August 27, 2023. The Daily Star.)

For instance, we buy denim fabrics locally. The sellers may import yarn or dyeing chemicals from outside the country to make these fabrics. They added significant value. Due to this, our raw material import costs decreased slightly.

Syed Nazrul Islam, First Vice President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), on net RMG export ratio reaching an all-time high of 71.5%. (August 11, 2023. The Business Standard.)

Fime is pleased to be playing such an integral role in the creation of Bangladesh's domestic payment scheme. This initiative will be fundamental in increasing the penetration of digital payments and boosting financial inclusion in the region. Our experts in South Asia will deliver global expertise at a local level, tailoring the domestic scheme and its digital payments architecture to the unique requirements of the Bangladeshi market.

Angaj Bhandari, Vice President of MEA (India and South Asia) at Fime, on partnering with Bangladesh Bank to introduce Mastercard-like local payment card scheme. (August 10, 2023. The Business Standard.)

Country	Nominal GDP: 2022 (USD in Billion)	Real GDP Growth: 2022 (Yearly % Change)	Inflation Point to Point (%)		Current Account Balance: (% of GDP)	Interest Rates (%), Ten years Treasury Bond	Currency Units (Per USD)
Frontier Markets							
Sri Lanka	75.30	-8.66	4.00	August-23	-1.94	13.36	322.37
Vietnam	406.45	8.02	2.96	August-23	-0.88	2.70	24,057.50
Kenya	115.99	5.37	6.70	August-23	-4.72	16.61	144.55
Nigeria	477.38	3.25	24.08	July-23	-0.72	14.44	789.50
Bangladesh	453.85	7.10	9.92	August-23	-0.70	9.20	110.00
Emerging Markets							
Brazil	1,924.13	2.90	3.99	July-23	-2.91	11.33	4.97
Saudi Arabia	1,108.15	8.74	2.30	July-23	13.79	N/A	3.75
India	3,386.40	6.83	7.44	July-23	-2.61	7.20	83.12
Indonesia	1,318.81	5.31	3.27	August-23	1.00	6.65	15,381.70
Malaysia	407.92	8.69	2.00	July-23	2.64	3.91	4.68
Philippines	404.26	7.60	5.30	August-23	-4.41	6.57	56.67
Turkey	905.53	5.57	58.94	August-23	-5.38	21.77	26.85
Thailand	536.16	2.64	0.88	August-23	-3.26	2.73	34.96
China	18,100.04	2.99	0.10	August-23	2.31	2.68	7.34
Russia	2,215.29	-2.05	5.20	August-23	10.27	12.62	97.75
Developed Markets							
France	2,784.02	2.61	4.80	August-23	-1.71	3.14	0.93
Germany	4,075.40	1.78	6.10	August-23	4.20	2.61	0.93
Italy	2,012.01	3.68	5.53	August-23	-0.73	4.35	0.93
Spain	1,400.52	5.48	2.60	August-23	1.06	3.65	0.93
Hong Kong	360.98	-3.51	1.80	July-23	10.73	3.99	7.84
Singapore	466.79	3.65	4.10	July-23	19.33	3.23	1.36
United States	25,464.48	2.07	3.20	July-23	-3.64	4.26	1.00
Denmark	390.68	3.62	3.10	July-23	12.82	2.85	6.77
Netherlands	993.68	4.52	3.00	August-23	5.49	2.94	0.93
Australia	1,701.89	3.66	6.00	June-23	1.20	4.12	1.57
Switzerland	807.23	1.70	1.60	August-23	9.84	1.00	0.89
United Kingdom	3,070.60	4.05	6.80	July-23	-5.55	4.47	0.80

Bangladesh Data: The new GDP size (FY23) is as per the provisional estimate of Bangladesh Bureau of Statistics and real GDP growth (FY22) is as per new base year. Calculation Method of CA balance (% of GDP) = CA balance of FY23 /Provisional Estimate for GDP of FY23 Interest rate (%) 10 years TB as per August 2023, Inflation as per August 2023 and Currency Unit (per USD) as per 5th September are sourced from Bangladesh Bank

Nominal GDP: Data of all countries apart from Bangladesh is sourced from IMF estimates of 2023 data (April, 2023 Outlook)

Real GDP Growth and Current Account Balance: Data of all countries apart from Bangladesh is sourced from IMF estimates of April, 2023 data (World Economic Outlook, April 2023)

Inflation: Data of all countries apart from Bangladesh is sourced from tradingeconomics.com

Interest rates 10 years TB and Currency Unit : Data of all countries apart from Bangladesh is sourced from Investing.com

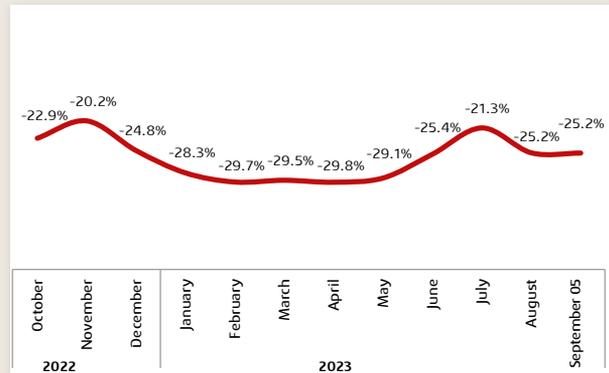
BANKING DATA CORNER

Prepared by IDLCSL Research Team

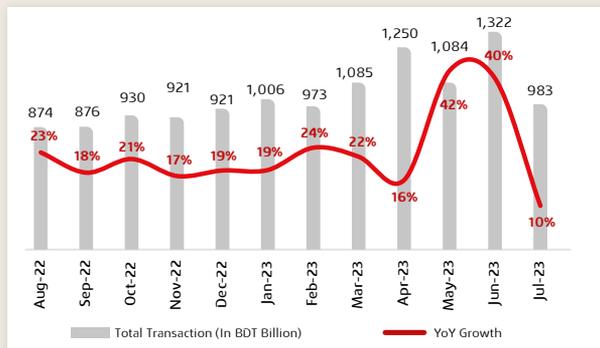
Gross Foreign Exchange Reserve
(In USD Billion and Last 5 Years)



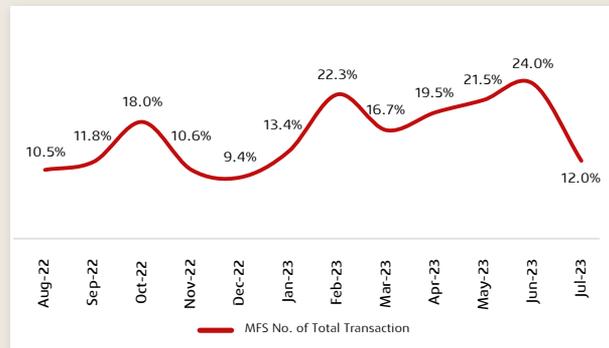
Gross Foreign Exchange Reserve
(Last 12 Months Trend)



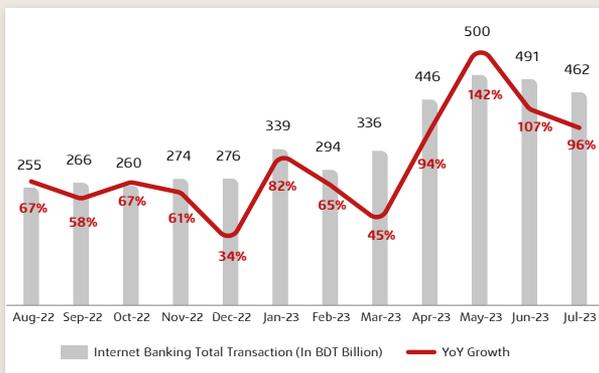
MFS Monthly Transaction
(BDT Billion and YoY Growth)



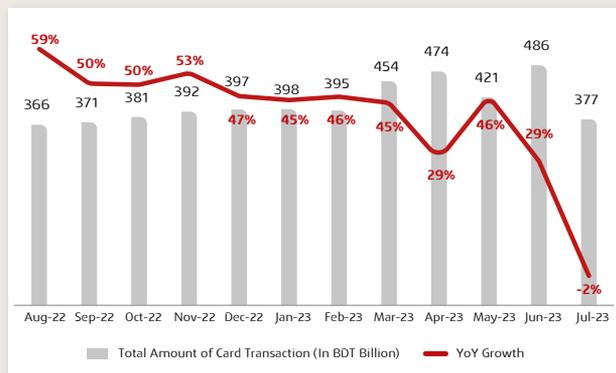
MFS No. of Total Transaction
(YoY Growth)



Total Amount of Internet Banking Transaction
(BDT Billion and YoY Growth)



Total Amount of Card Transaction
(BDT Billion and YoY Growth)



Source: Bangladesh Bank

EcoVia Ltd.



Rashik Hassan

CEO & Managing Director, EcoVia Ltd.

Interviewed By

Syed Md. Rakeen, Team MBR

EcoVia is a clean-tech startup that specialises in compostable packaging solutions with its unique and revolutionary technology using clothing waste. This ground-breaking solution not only solves plastic pollution but also ensures the best reuse of clothing waste, which no one has done before. EcoVia can save the planet by putting an end to plastic pollution with its unique patented recipe. Team MBR was in conversation with Mr. Rashik Hassan and had an insightful discussion regarding his vision of reducing plastic pollution through his unique eco-friendly solutions.

Syed Md. Rakeen: Since the inception of EcoVia in 2020, it has made remarkable progress in terms of addressing concerns regarding the growing use of plastic bags in Bangladesh. Would you kindly share with us what inspired you to form a startup like EcoVia?

Rashik Hassan: The plastic pollution in Dhaka city was so severe that it felt like it was suffocating us, and that's what initially drove us to start EcoVia. Right from the beginning of our journey, we were committed to finding eco-friendly solutions. One of the pressing environmental issues in our country is plastic pollution, and that's why we decided to tackle it as our first priority. The main reason for choosing this problem is its silent yet devastating impact. Numerous studies have highlighted that microplastics contaminate water, food, and even plants, leading to hormonal disruptions and even serious illnesses like cancer. Unfortunately, this issue

often goes unnoticed and is rarely addressed. That's why EcoVia has made a promise to the world – we aim to eliminate plastic pollution by introducing alternatives to conventional plastics.

Syed Md. Rakeen: The process of converting cotton-based waste from the ready-made garment (RMG) industry to biodegradable bags must have required a lot of trial and error and testing. Would you please walk us through the journey of experimentation, starting with the first trial?

Rashik Hassan: The start of the journey was rather unexpected. We were experimenting with cotton fabric waste to chemically recycle it to form viscose yarn. Accidentally, we produced some cellulose powder, which was of no use back then. However, we used those powders and converted them into polymers, which could be used to make bags. On our first trial, there were issues with strength and



heat stability. The bags we made were mostly soluble in water, causing them to lose strength in humid and freezing temperatures. However, after a lot of research and development, we were successful in producing an ideal polymer sheet that was heat-sealable as well as durable. In our second trial, we had this one variation of bags that were opaque in consistency with a matte finish on their surface. Then again, in order to meet the needs of our current customers, we had to go through a third trial in order to produce translucent and transparent versions of our products. For such a significant shift in product quality, we needed new machines. After receiving the seed fund, we bought new machines in a facility of our own, producing various kinds of polymers using cellulose. Now, we have eight commercially available polymers that are being sold to various companies. We also have customisation options for the various needs of buyers. R&D is a continuous journey where our core USPs are aligned.

Syed Md. Rakeen: The Daily Star reported that Bangladesh can save USD 500 million annually if the cotton waste from RMG factories can be recycled efficiently. How does EcoVia collaborate with the aforementioned industry to source cotton waste, which is the raw material for EcoVia to produce biodegradable bags?

Rashik Hassan: The cotton waste generated by the ready-made garment (RMG) industry in Bangladesh is typically exported to neighbouring countries, where it is recycled and transformed from a byproduct into a principal product. Unfortunately, the recycling infrastructure within Bangladesh is not yet well-equipped to handle RMG waste efficiently, resulting in mismanagement and exportation by influential groups or syndicates. This situation limits the opportunities for regular recyclers to access these waste materials.

Nonetheless, there is a shift towards adopting modern recycling technologies within the local landscape. Several companies in Bangladesh are now engaged in recycling cotton-based fabric

scraps into blends of recycled cotton. During this process, cotton dust, a well-recognised waste product generated when converting fabric scraps into cotton blends, is collected by EcoVia. Our sustainability partners, including a Spanish venture named Recover, contribute to the collection of this cotton dust.

In addition to collaborating with sustainability partners, the majority of our buyers send us their cotton waste. Our company then processes this waste to create compostable polymers, which are subsequently sold back to the buyers. On occasion, we also acquire cotton waste from secondary markets known as “Jhut Polli.”

Syed Md. Rakeen: Clothing stores, restaurant chains, brick-and-mortar shops, and supermarkets use large volumes of bags on a daily basis, similar to what EcoVia currently offers. Have you developed any distribution channels yet to increase the availability of biodegradable bags?

Rashik Hassan: The go-to-market for EcoVia is the European and North American fashion brands which are having their garments manufactured in Bangladesh. These brands are the frontrunners in sustainability, so our products are wholeheartedly welcomed there. Apart from the global fashion industry, the global e-commerce, super shops, and logistics industries are also shifting to sustainable packaging due to strong regulations against conventional plastics. Our development is also going on in these domains because of the higher potential for collaboration there. However, for local clothing stores, restaurants, and supermarkets, we do have distributor networks that work for us on a commission basis. We are also actively recruiting distributors who want to export our products abroad.

Syed Md. Rakeen: EcoVia has won a whole host of competitions, two of them being Climate Launchpad back in 2020 (South Asian Regional Final) and the Youth Entrepreneurship Challenge organised by BYLC in the same year. Apart from the prize

money received from the competitions, has EcoVia looked for any fund-raising so far in its journey?

Rashik Hassan: Our team has participated in various clean-tech and startup competitions both nationally and internationally and received commendable results in those. From being a global finalist of Climate Launchpad and the IDEO Beyond the Bag Challenge to being Champion of Youth Entrepreneurship Challenge, Megapreneurs 2.0 EcoVia has a proven record of success in startup competitions. EcoVia obtained pre-seed funding from BYLC in 2020, and in the subsequent year, the company successfully secured a seed funding round from a well-known local conglomerate. These rounds of funding enabled EcoVia to effectively execute its pilot project and subsequently launch its commercial operations. Despite these achievements, EcoVia is working towards a bigger plan for launching internationally while introducing a range of innovative new products.

Syed Md. Rakeen: Adopting biodegradable bags as opposed to non-biodegradable bags depends a lot on some key factors, such as cost, convenience, and availability. How is EcoVia strategising to compete with non-biodegradable bag manufacturers?

Rashik Hassan: EcoVia is a clean-tech company specialising in bio-polymer innovation. Our technology has a major edge over any other non-biodegradable product. Our latest recipes have helped us produce biobags, which are almost equal in price to non-degradable bags. The biobags we make can be equated with non-biodegradable bags in terms of strength and functionality. Through this commitment to quality, we can ensure that the buyers can get good-quality bags at an affordable price while keeping our promise to conserve the environment. Apart from that, the opportunity of getting green accreditation and saving the environment comes with a value that is not measurable in money.

Syed Md. Rakeen: As the RMG sector continues to experience an upturn in its

exports, evident by a 6.67% YoY growth in FY2022-23, more cotton waste is likely to be produced from the RMG factories. How is EcoVia preparing itself to collect the increasing volume of cotton waste more efficiently?

Rashik Hassan: EcoVia plans on going through two major approaches to collect pre-consumer apparel waste and cotton fly from the market. Firstly, we plan on collaborating with major brands so that they can provide us with the waste from their value chain so that we can convert it into packaging materials for their use, thus ensuring circularity. Secondly, we plan to collaborate with circularity platforms like reverse resources, which specialise in tracking and distributing waste generated in the apparel value chain. This will allow us to efficiently manage our supplier portfolio as well as share the traceability of our packaging materials with our consumers, thus ensuring transparency in our supply chain.

Syed Md. Rakeen: The increased amount of RMG waste due to the large volume of RMG production has already created environmental concerns among the masses. From your perspective, how should environmental awareness be raised among consumers in a bid to increase the gradual acceptance of biodegradable bags?

Rashik Hassan: Consumers should be the ultimate target for branding and marketing efforts. If consumers can be given information on how EcoVia packaging can turn into organic fertiliser just like bananas or other fruit peels, they will be able to relate easily. Biodegradable material is also made from plant-based resources, which allows it to be more responsible. Already, there is worldwide awareness among the younger generations regarding global warming and climate change. We plan to raise awareness among consumers by first educating them about the plastic pollution problem. Once the target groups are concerned about the pollution, we get an organic pull from the customer side; this is when the conversion generally happens.

Non-biodegradable bags don't only add to the plastic pollution problem; they also contribute significantly to carbon emissions, water pollution, and soil pollution. This is now being attested by several researchers worldwide. In this regard, the 'educate' part of the campaign is being done

organically by researchers and policymakers. We only let the market know about EcoVia's product as an alternative to conventional plastic, which is compostable and causes no harm; rather, it preserves the ecosystem by being converted into biofertilisers.



Bridging the Financing Gap for the Marginalised: Microfinance Uplifting Bangladesh's Social Fabric and Economy

Written By
Syed Md. Rakeen



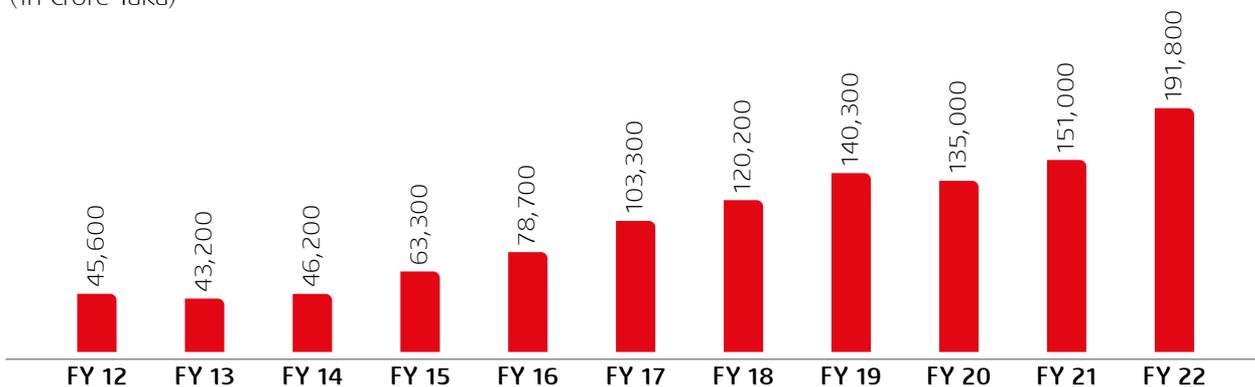
Microfinance has established itself as one of the bedrocks of financial inclusion in Bangladesh. While formal banking channels shied away from lending to marginalised communities, microfinance institutions have leapt ahead by catering to the unbanked and rural households of Bangladesh. The current advancement of financial inclusion in Bangladesh can be highly attributed to microfinance institutions or MFIs. Their innovation and expansion of services in serving the underserved population and marginalised communities of Bangladesh, especially those living in rural and isolated locations with little access to traditional financial services, has aided in alleviating

poverty and strengthening the socio-economic status of Bangladesh. NGO MFIs have connected financial services to the communities by opening branches and field offices across all districts, facilitating people's access to loans, savings accounts, insurance, remittances, and other financial goods. NGO MFIs have created and provided tailored financial solutions to meet the unique requirements and conditions of low-income people and communities. They have created microloans that have adjustable payback periods, are sensitive to changes in seasonal revenue, and are in line with the cash flow patterns of borrowers who work in seasonal jobs like agriculture.

Figure 1: Microfinance Loan Disbursement from FY2011-12 to FY2021-22

Microfinance Loan Disbursement in the last decade(FY 11-12 to FY 21-22)

(in Crore Taka)



Source: Microcredit Regulatory Authority

According to the Microcredit Regulatory Authority, the loan disbursements of microfinance rose from BDT 45,600 crore in FY12 to BDT 191,800 crore in FY22. In the fiscal year 2021–22, Microfinance institutions demonstrated commendable performance by disbursing a staggering BDT 226,007 crore in loans while receiving BDT 85,036 crore in customer savings. The implementation of government stimulus packages to offset the

adverse effects of COVID-19 has helped borrowers keep their businesses upright during difficult times.

Existence of MFIs across Bangladesh

The microfinance institutions have spread their wings across various outskirts of the country, with a total of 739 MFIs and 23,543 branches currently operating under the licence of the Microcredit

Regulatory Authority (MRA) as recorded until June 30, 2022. The huge successes of these organisations led them to open a further 2,588 branches in both rural and urban areas during FY2021–2022, widening their net and reaching

every underserved community in Bangladesh. A comprehensive division and district-wise distribution of branches, members, borrowers, loan outstanding, and total savings are given below:

Table 1: Division and District-wise Branches, Members, Borrowers, Loan Outstanding, and Savings

Division	District	No. of Branches	% of Total Branches	Total Members	% of Total Members	Total Borrowers	% of Total Borrowers	Loan Outstanding (Billion BDT)	% of Total Loan Outstanding	Total Savings (Billion BDT)	% of Total Savings
Barisal	Barguna	144	0.61	229,052	0.60	168,349	0.57	6.10	0.49	3.33	0.67
	Barisal	353	1.50	538,549	1.41	395,103	1.33	15.42	1.24	7.43	1.50
	Bhola	212	0.90	388,890	1.02	301,187	1.01	34.73	2.80	4.93	0.99
	Jhalokati	84	0.36	144,669	0.38	106,975	0.36	3.89	0.31	2.08	0.42
	Patuakhali	249	1.06	416,366	1.09	567,870	1.91	11.75	0.95	6.21	1.25
	Pirojpur	155	0.66	185,131	0.48	128,552	0.43	7.39	0.60	3.76	0.76
Total		1,197	5.08	1,902,657	4.97	1,668,036	5.61	79.29	6.39	27.74	5.59
Chittagong	Bandarban	36	0.15	55,149	0.14	40,582	0.14	1.48	0.12	0.71	0.14
	Brahmanbaria	459	1.95	677,143	1.77	512,375	1.72	30.67	2.47	11.04	2.22
	Chandpur	397	1.69	641,278	1.68	485,237	1.63	24.65	1.99	9.70	1.96
	Chittagong	1,123	4.77	1,628,932	4.26	1,232,568	4.14	56.29	4.53	26.74	5.39
	Comilla	1,056	4.49	1,563,633	4.09	1,105,569	3.72	68.11	5.49	24.77	4.99
	Cox's Bazar	278	1.18	569,552	1.49	424,568	1.43	15.50	1.25	7.66	1.54
	Feni	277	1.18	382,651	1.00	279,186	0.94	16.42	1.32	5.43	1.09
	Khagrachhari	69	0.29	110,677	0.29	86,395	0.29	3.46	0.28	1.75	0.35
	Lakshmipur	279	1.19	409,970	1.07	310,213	1.04	17.21	1.39	5.83	1.17
	Noakhali	469	1.99	771,947	2.02	571,504	1.92	26.09	2.10	9.28	1.87
Rangamati	57	0.24	79,119	0.21	59,867	0.20	2.23	0.18	1.09	0.22	
Total		4,500	19.11	6,890,051	18.01	5,108,064	17.18	262.13	21.11	104.00	20.96
Dhaka	Dhaka	1,365	5.80	2,038,778	5.33	1,543,108	5.19	86.42	6.96	29.68	5.98
	Faridpur	415	1.76	671,198	1.75	476,481	1.60	21.80	1.76	9.95	2.00
	Gazipur	771	3.27	1,126,553	2.94	852,664	2.87	46.50	3.75	16.37	3.30
	Gopalganj	204	0.87	319,909	0.84	234,301	0.79	10.13	0.82	5.11	1.03
	Kishoreganj	386	1.64	725,365	1.90	549,021	1.85	21.03	1.69	9.00	1.81
	Madaripur	236	1.00	369,258	0.96	263,378	0.89	14.84	1.20	5.40	1.09
	Manikganj	339	1.44	492,928	1.29	692,236	2.33	16.78	1.35	9.92	2.00
	Munshiganj	319	1.35	443,393	1.16	332,458	1.12	22.01	1.77	7.86	1.58
	Narayanganj	531	2.26	695,544	1.82	526,442	1.77	41.52	3.34	11.92	2.40
	Narsingdi	414	1.76	644,385	1.68	487,721	1.64	22.89	1.84	8.54	1.72
	Rajbari	225	0.96	380,316	0.99	367,694	1.24	11.49	0.93	6.25	1.26
	Shariatpur	233	0.99	380,670	0.99	280,052	0.94	15.55	1.25	4.38	0.88
	Tangail	787	3.34	1,229,166	3.21	817,651	2.75	33.92	2.73	20.60	4.15
Total		6,225	26.44	9,517,463	24.87	7,423,207	24.96	364.88	29.39	144.98	29.21
Khulna	Bagerhat	259	1.10	411,633	1.08	304,302	1.02	9.10	0.73	4.06	0.82
	Chuadanga	325	1.38	509,938	1.33	425,203	1.43	14.56	1.17	4.39	0.89
	Jessore	588	2.50	872,698	2.28	726,340	2.44	25.91	2.09	9.66	1.95
	Jhenaidah	442	1.88	681,020	1.78	608,557	2.05	20.37	1.64	7.62	1.54
	Khulna	460	1.95	742,269	1.94	570,563	1.92	18.78	1.51	7.13	1.44
	Kushtia	440	1.87	742,291	1.94	559,303	1.88	20.45	1.65	7.84	1.58
	Magura	189	0.80	303,147	0.79	226,305	0.76	8.42	0.68	4.20	0.85
	Meherpur	151	0.64	240,739	0.63	200,853	0.68	7.94	0.64	2.17	0.44
	Narail	111	0.47	180,263	0.47	151,272	0.51	5.32	0.43	2.57	0.52
	Satkhira	369	1.57	622,797	1.63	472,126	1.59	13.53	1.09	6.62	1.33
Total		3,334	14.16	5,306,795	13.87	4,244,824	14.27	144.37	11.63	56.26	11.34

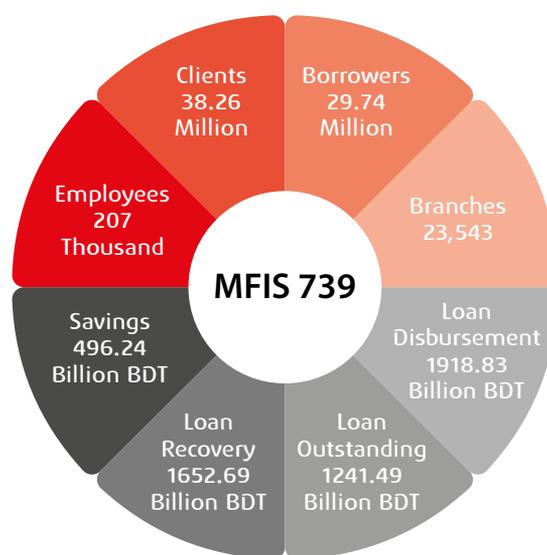
Division	District	No. of Branches	% of Total Branches	Total Members	% of Total Members	Total Borrowers	% of Total Borrowers	Loan Outstanding (Billion BDT)	% of Total Loan Outstanding	Total Savings (Billion BDT)	% of Total Savings
Rajshahi	Bogra	698	2.96	1,101,944	2.88	835,919	2.81	33.91	2.73	12.27	2.47
	Chapai Nababganj	358	1.52	456,781	1.19	350,889	1.18	12.12	0.98	4.47	0.90
	Joypurhat	225	0.96	351,841	0.92	287,231	0.97	9.68	0.78	3.82	0.77
	Naogaon	623	2.65	923,442	2.41	700,506	2.36	27.43	2.21	10.05	2.03
	Natore	376	1.60	598,104	1.56	453,711	1.53	18.82	1.52	8.36	1.68
	Pabna	593	2.52	931,939	2.44	723,815	2.43	29.09	2.34	11.93	2.40
	Rajshahi	662	2.81	827,478	2.16	627,710	2.11	27.03	2.18	10.18	2.05
	Sirajganj	469	1.99	1,521,885	3.98	1,154,475	3.88	20.57	1.66	8.98	1.81
Total		4,004	17.01	6,713,414	17.54	5,134,256	17.26	178.65	14.39	70.06	14.12
Rangpur	Dinajpur	654	2.78	1,093,541	2.86	827,031	2.78	27.37	2.20	12.01	2.42
	Gaibandha	334	1.42	606,211	1.58	458,467	1.54	17.26	1.39	8.66	1.74
	Kurigram	242	1.03	497,613	1.30	376,336	1.27	11.75	0.95	5.67	1.14
	Lalmonirhat	170	0.72	338,590	0.88	287,316	0.97	9.17	0.74	3.59	0.72
	Nilphamari	292	1.24	554,052	1.45	445,734	1.50	14.79	1.19	5.63	1.13
	Panchagarh	173	0.73	311,408	0.81	254,899	0.86	7.93	0.64	3.20	0.64
	Rangpur	421	1.79	809,776	2.12	655,593	2.20	20.56	1.66	8.22	1.66
	Thakurgaon	184	0.78	353,562	0.92	283,731	0.95	9.84	0.79	4.71	0.95
Total		2,470	10.49	4,564,753	11.93	3,589,107	12.07	118.67	9.56	51.68	10.41
Sylhet	Habiganj	226	0.96	432,203	1.13	314,919	1.06	11.80	0.95	5.01	1.01
	Maulvibazar	191	0.81	376,298	0.98	283,913	0.95	9.26	0.75	4.10	0.83
	Sunamganj	148	0.63	312,352	0.82	236,871	0.80	7.85	0.63	3.74	0.75
	Sylhet	213	0.90	371,705	0.97	295,593	0.99	11.62	0.94	4.48	0.90
Total		778	3.30	1,492,558	3.90	1,131,296	3.80	40.53	3.26	17.32	3.49
Mymensingh	Mymensingh	494	2.10	812,267	2.12	630,357	2.12	26.73	2.15	10.83	2.18
	Sherpur	113	0.48	214,002	0.56	171,757	0.58	5.74	0.46	2.36	0.47
	Netrakona	215	0.91	442,641	1.16	333,896	1.12	10.41	0.84	4.61	0.93
	Jamalpur	213	0.90	410,022	1.07	305,233	1.03	10.09	0.81	6.42	1.29
Total		1,035	4.40	1,878,932	4.91	1,441,243	4.85	52.97	4.27	24.21	4.88
All Districts		23,543	100.00	38,266,623	100.00	29,740,033	100.00	1,241.49	100.00	496.24	100.00

Source: Microcredit Regulatory Authority

Contribution of MFIs in Bangladesh

Several microfinance institutions have popped up in Bangladesh ever since the inception of Grameen Bank in 1983. Apart from Grameen Bank, the top 10 performing microfinance institutions are BRAC, ASA, Bureau Bangladesh, TMSS, Society for Social Service, Jagorani Chakra Foundation, Padakhep Manabik Unnayan Kendra, United Development Initiatives for Programmed Actions, Sajida Foundation, and Palli Mongal Karmosuchi. These institutions have demonstrated significant impact and effectiveness in providing financial services to underserved populations, particularly in the field of microfinance. Their contributions have been widely recognised, and they continue to play a crucial role in promoting financial inclusion and reducing poverty-stricken households.

Figure 2: Licenced Microfinance Institutions in Bangladesh (Till June 30, 2022)



Source: Microcredit Regulatory Authority National Database- June 2022

In general, microfinance institutions operating in Bangladesh provide financing and microfinance support in six distinct categories of loans: microcredit for self-employed activities, microenterprise loans, loans for the ultra-poor, agricultural loans, seasonal loans, and loans for disaster management. Microcredit is often defined as loans reaching up to a maximum of BDT 50,000; loans beyond BDT 50,000 but less than BDT 1 million are classified as microenterprise loans.

Despite several microfinance institutions partaking in microcredit programmes, only ten significant microfinance institutions and Grameen Bank account for 87% of the sector’s total deposits and 81% of its total outstanding loans, as reported by Bangladesh Bank. Approximately 30 million impoverished people directly benefit from microcredit programs. Through the financial services of microcredit, low-income households are engaging in various income-generating activities.

Enhancing the Socio-Economic Status through Microfinance

While microfinance helps to avail financing support from MFIs, its contribution has a deeper underlying impact on the marginalised community of Bangladesh. The business development of rural regions can largely be attributed to MFIs’ disbursement of loans while ensuring financial

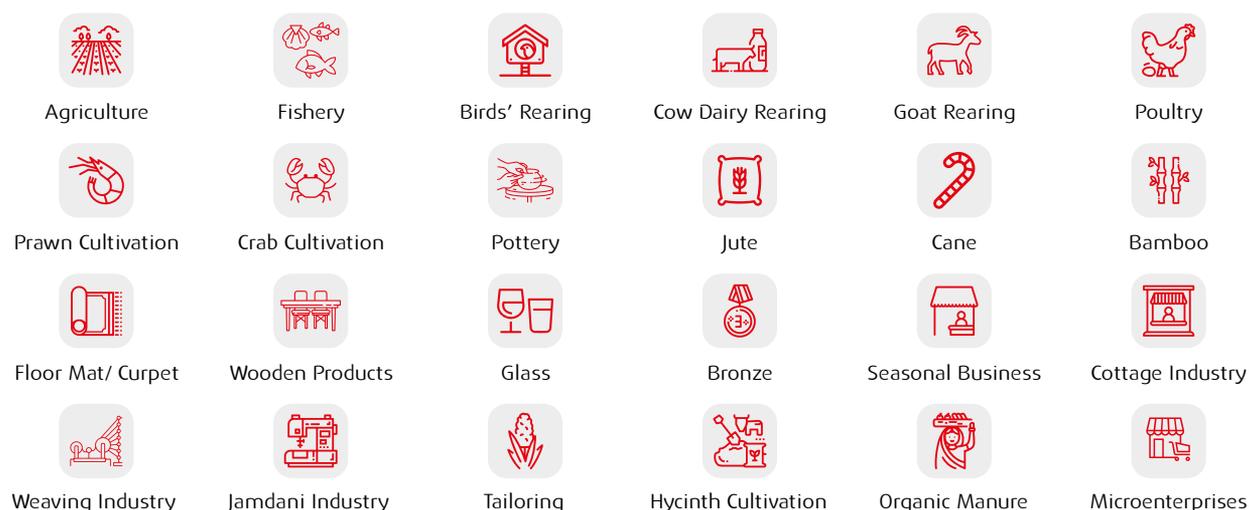
sustainability in the process. Poverty alleviation and empowering marginalised communities have radically transformed the economies of rural regions, with MFIs increasing their attempts to expand their microfinance portfolio. Their successes have exceeded the performances of formal banking channels in many parameters, with the Microcredit Regulatory Authority (MRA) reporting that the annual turnover of this sector is estimated to be around BDT 1.60 trillion while the loan recovery rate stands at an astonishing 98%, of which 91% of the borrowers are women.

Moreover, the activities of these MFIs also contributed to the generation of employment opportunities for around 207 thousand individuals. In the fiscal year under consideration, microfinance institutions distributed a total of BDT 1,918.8 billion to their clients throughout the country. This enormous disbursement played a crucial role in bolstering the overall growth of the country’s gross domestic product (GDP) and furthering financial inclusion efforts.

Microfinance Areas of MFIs

Microfinance institutions are actively contributing to the socio-economic development of the country by disbursing microloans in the cottage, micro, small, and medium enterprise (CMSME) sector. The CMSME sector primarily consists of the following subsectors:

Figure 3: CMSME Industries Financed by Microfinance



Loan Disbursements and Outstanding of MFIs

In the year 2022, a total of BDT 468 billion was disbursed by the top 20 microfinance institutions in a bid to support microenterprises. Among these MFIs, BRAC contributed 49.26% of the disbursed amount, while ASA contributed 13.61%. In the year 2022, the total loan outstanding of the top 10 microfinance institutions amounted

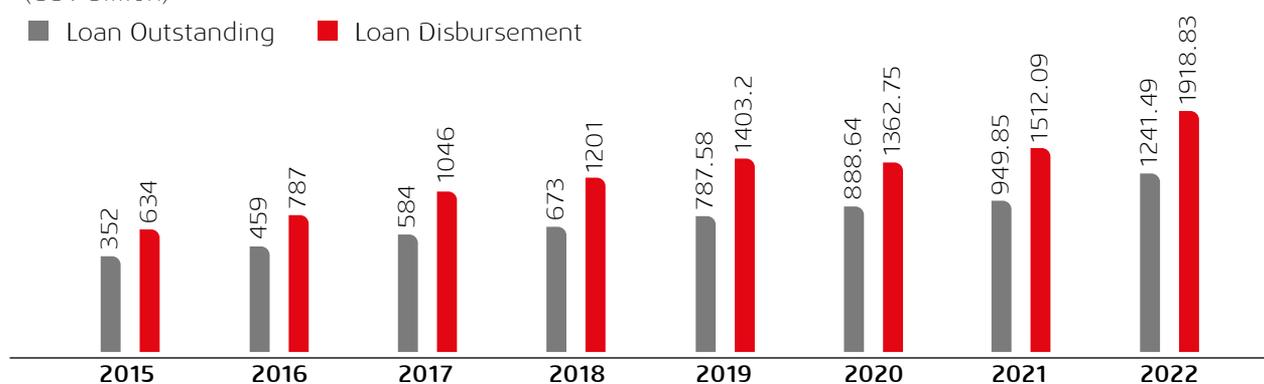
to BDT 953.33 billion. Among these, the Micro Enterprise (ME) sector accounted for BDT 350.95 billion. In the fiscal year 2021–22, it was observed that licenced microfinance institutions played a significant role in extending financial services to about 38.26 million individuals belonging to marginalised segments of the population. This outreach was made possible through the operation of 23,543 branches across the country.

Figure 4: Loan Disbursement and Loan Outstanding from 2015 to 2022

Year-Wise Loan Disbursement and Loan Outstanding (2015-2022)

(BDT Billion)

■ Loan Outstanding ■ Loan Disbursement



Source: Microcredit Regulatory Authority

Mobilisation of Savings for Depositors

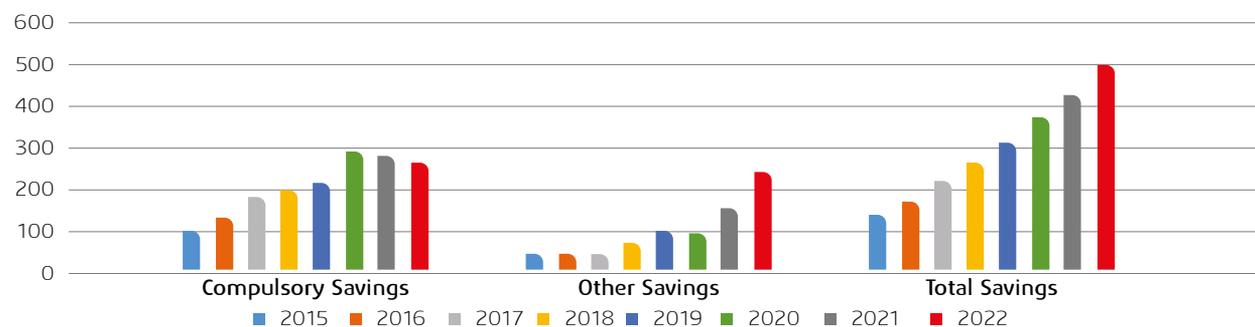
Apart from microfinance loans, savings collected from clients are one of the leading microfinance products from MFIs. Mobilising savings can assist MFIs in broadening and improving their outreach. The poorest households, in particular,

could depend on savings before they possess a legitimate claim for credit. Furthermore, public deposits are a more stable source of funding than other options like donor organisations or lines from the central bank. This steady financial source can increase lending operations, helping the underprivileged in the process.

Figure 5: Mobilisation of Savings in Microfinance

Trend of Savings (2015-2022) of MFIs

(BDT Billion)



Source: Microcredit Regulatory Authority

Microenterprise (ME) Loans of MFIs

The threshold for qualifying as a microenterprise loan lies between BDT 50,000 and BDT 1 million. These businesses were categorised and reorganised according to the 2016 Industrial Policy set by the Ministry of Industries (MOI) and the Government of Bangladesh. Businesses were broken down into many groups, which included controlled, high-priority, large, medium, small, micro, handicrafts, high-tech, and creative research industries. MFIs played an immense role

in microbusiness segmentation due to their strong relationships with their clients. The current rule of MRA states that MFIs are permitted to disburse up to 50% of their loans to microenterprises. Recently, the Asian Development Bank (ADB) approved a USD 200 million loan to help microenterprises thrive in Bangladesh, especially the ones led by women, along with the regions with high exposure to climate disasters. Table 2 represents the microenterprise landscape of the top 20 MFIs in Bangladesh in terms of their borrowers, loan disbursements, and loan outstanding.

Table 2: Top 20 MFIs for Microenterprise Loans

Name of Institutions	Number of ME Borrowers	ME Loan Disbursed (million BDT)	ME Loan Outstanding (million BDT)	Loan Outstanding (million BDT)
BRAC	914,486	230,539.00	152,387.00	304,008.23
ASA	485,244	63,674.70	57,417.00	250,885.38
Basic Unit for Resource and Opportunities of Bangladesh (Buro Bangladesh)	243,417	24,620.37	26,401.49	85,113.95
TMSS	192,885	25,004.53	17,090.72	44,215.60
Society for Social Service (SSS)	166,474	11,398.79	12,584.48	35,944.08
Jagorani Chakra Foundation	146,533	15,705.38	14,991.17	30,237.07
Padakkhep Manabik Unnayan Kendra	61,538	17,637.98	10,880.19	24,762.71
United Development Initiatives for Programmed Actions - UDDIPAN	85,039	7,981.46	7,782.23	23,172.00
Sajida Foundation	22,623	16,501.96	6,865.96	18,056.62
Palli Mongal Karmosuchi	41,765	8,342.65	6,853.97	17,649.78
Shakt Foundation for Disadvantaged women	45,470	8,285.15	5,272.97	17,532.45
Gram Unnayan Karma (GUK)	112,006	7,224.80	5,967.62	13,705.63
Rural Reconstruction Foundation	33,982	2,826.69	3,654.06	12,745.72
Centre for Development Innovation and Practices	69,246	8,624.50	6,646.44	12,567.81
Bangladesh Extension Education Service (BEES)	86,567	8,037.87	6,014.25	12,378.38
Resource Integration Centre (RIC)	26,491	2,325.65	2,019.14	11,658.38
Peoples Oriented Program Implementation (POPI)	43,388	5,465.17	4,679.71	11,319.44
RDRS Bangladesh	165,539	2,733.55	2,625.11	11,193.97
Dushtha Shasthya Kendra (DSK)	22,246	668.40	533.82	8,536.03
Christian Service Society (CSS)	4,589	404.81	287.98	7,649.40
Total (Top 20 MFIs)	2,969,528	468,003.41	350,955.31	953,332.63
Total MFIs (approximately)	3,867,111	609,464.28	457,036.68	1,241,491.35

Source: Microcredit Regulatory Authority

The Central Bank's Role in Fostering Microfinance Growth

Bangladesh Bank has stepped up its efforts to enhance financial inclusion in Bangladesh by facilitating access to microcredit through a digital loan scheme. The allocation for the digital loan scheme targeting the underprivileged population has been augmented to BDT 500 crore. The

surge in loan uptake can be attributed to an escalation in demand for such financial products, primarily driven by the aim to enhance digital banking services within the socioeconomically disadvantaged and marginalised segments of the population within the nation. As per the circular issued by the central bank, it has been stipulated that scheduled banks shall have the authority to extend loans through digital channels, including

but not limited to internet banking, mobile applications, mobile financial services (MFS), and electronic wallets. The duration of the loan shall not exceed six months, as stipulated by both the financial institution and the borrower.

In pursuit of the objective of establishing Digital Bangladesh, the central bank has introduced a refinancing scheme. This scheme has been devised to facilitate the provision of digital microcredits at a reduced interest rate. Its primary goal is to ensure the accessibility of small loans, incentivise banks to participate, and mitigate their funding expenses.

Access to Nano Loans through Digital Means

The advent of mobile financial technology has facilitated the initiation of commercial lending to the informal sector. This service has facilitated Bangladesh's foray into the realm of digital microfinance. The loan programme offered by bKash is available to eligible users who meet the specified criteria. These individuals have the opportunity to borrow at an interest rate of 9%, with the amount ranging from BDT 500 to BDT 20,000. The loan's maximum repayment duration has been determined to be three months. Besides, the loan allocation process is facilitated by an artificial intelligence system that employs a comprehensive analysis of individuals' historical bKash transactions to ascertain their eligibility. The bKash application offers the option to "re-register" individuals who have previously completed the traditional know-your-customer (KYC) registration process and have subsequently become users of bKash. The acquisition of this loan does not necessitate the submission of any documentation, the identification of a nominee, or the provision of a guarantor.

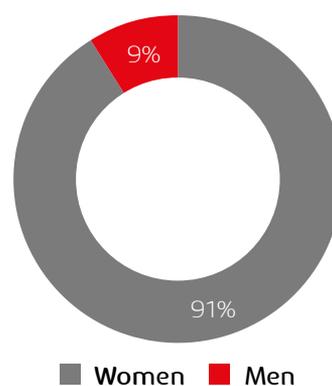
Women's Empowerment through Microfinance

As mentioned earlier, microfinance loans boast a near-perfect 98% loan recovery rate, of which 91% are women. This underlines the importance of microfinance in empowering women to build their own businesses and gain financial independence. The emergence of women's entrepreneurship in Bangladesh can be

attributed to the proactive measures taken by the government, including the implementation of various initiatives like microfinance programmes and skill development training. Women have displayed an enhanced capacity to initiate and establish their own entrepreneurial ventures, secure steady employment opportunities, and contribute significantly to the overall growth and development of the national economy. Improving financial literacy holds the key to helping build on the continued success of women's involvement in banking, savings, and investment opportunities. This, in turn, may lead to improved accessibility and utilisation of financial services in Bangladesh.

Figure 6: Proportion of Gender-wise Microfinance Borrowers

Microfinance Borrowers by Gender



Source: Microcredit Regulatory Authority

Tackling Challenges for Microfinance Growth

The attainment of financial sustainability poses a significant hurdle for numerous non-governmental microfinance institutions (NGO MFIs). High-interest rates present a challenge when providing affordable financial services to low-income people, especially in remote areas. The perpetual challenge faced by non-governmental microfinance institutions revolves around striking a delicate balance between ensuring the affordability of interest rates for their clients while simultaneously covering operational expenses and sustaining financial viability. Besides, digitalisation, unskilled workers, the fund shortage of small and medium MFIs, and financial literacy contribute to the challenges as well.

Instances of over-indebtedness among borrowers, where borrowers avail loans with the intention of fulfilling their repayment obligations, can lead to financial distress and subsequently diminish the positive outcomes associated with microfinance interventions. The mitigation of this challenge necessitates the implementation of responsible lending practices, the establishment of adequate client protection mechanisms, and the provision of effective credit counselling.

According to the Financial Stability Report 2022 published by the Bangladesh Bank, the non-performing loans (NPL) of the microfinance sector experienced a significant increase from BDT 4,528 crore in the fiscal year 2020-2021 to BDT 8,370 crore in 2021-22, witnessing an alarming 85% year-on-year rise in NPLs in 2021-22. Rural households are more vulnerable to this economic turmoil; hence, certain measures are needed to shield the marginalised community during economic shocks.

Microfinance institutions have played an instrumental role in alleviating poverty,

increasing employment opportunities, and developing CMSME businesses in Bangladesh. In general, Bangladesh is widely recognised as the pioneer of microfinance and currently ranks as one of the largest microfinance sectors in the world. According to the Daily Star, microfinance institutes in Bangladesh disbursed around BDT 900 crore each day and BDT 2 lakh crore each year in 2022. However, persistent problems such as economic shocks, high-interest rates, and limited employment opportunities in rural areas lead to struggles in the repayment of loans. The adoption of digital microfinance has the potential to eliminate the aforementioned problems through faster disbursements. This, in turn, will lead to lower operational costs and interest rates, resulting in attracting more clients. Then again, NGO MFIs can be credited for their massive contribution to ensuring financial inclusion and catering to the underserved population. Their continuous strides towards women's empowerment, financial inclusion, literacy, and development programmes have uplifted the socio-economic state while curbing the poverty rate in rural households and marginalised communities in Bangladesh.





Arefin Ahammed Diner

Manager, Business Development Unit- Microfinance
SAJIDA Foundation

Interviewed by
Syed Md. Rakeen, Team MBR

With over ten years of experience in the microfinance division of NGOs, Arefin Ahammed Diner has positioned himself as one of the more experienced heads at the SAJIDA Foundation. After completing his undergraduate studies, he has worked in multiple senior roles in finance and accounts at another leading NGO, Brac. In 2018, he completed his Masters of Science in Development Economics & Policy from the University of Manchester as a Chevening Scholar (the UK government's global scholarships programme for future leaders, decision-makers and opinion formers). Team MBR was in conversation with Mr. Arefin Ahammed Diner and was fortunate enough to receive his take on microfinance institutions and their successes in Bangladesh.

Syed Md. Rakeen: According to the Microcredit Regulatory Authority (MRA), the disbursements of MRA-licenced microfinance institutions went incrementally higher in every fiscal year: BDT 1.36 lakh crore in FY20, BDT 1.51 lakh crore in FY21, and BDT 1.91 lakh crore in FY22. In your opinion, which key factors have been playing an instrumental role in the growth of microcredit financing?

Arefin Ahammed Diner: Asian Development Bank's (ADB) report on Gender Equality and Social Inclusion Diagnostic for the Finance Sector of Bangladesh in Dec 2022 states that 65% of men in Bangladesh have bank accounts. On the other hand, only 35.8% of women have bank accounts. Then again, having a bank account and having access to formal financing are two different matters. In addition, out of the 7.8 million businesses in Bangladesh, 99.93% are CMSMEs, as per the Economic Census of Bangladesh Bureau

of Statistics in 2013. Most of these CMSMEs don't have access to formal financing. Microfinance institutions, different non-formal co-operatives or local non-formal credit means are the options these CMSME entrepreneurs avail for financing, creating a huge demand for non-formal financing. Nevertheless, MFIs require less paperwork, can process a loan within three working days, and MFIs have lower interest rates compared to any other non-formal financing methods. Finally, MFIs have the structure of a government regulatory body on their activities, which creates trust in the CMSME sector for non-formal financing through MFIs. Hence, the rapid growth of MFIs has been observed in Bangladesh.

Syed Md. Rakeen: The microfinance sector bounced back in spectacular fashion after two years, with a rise in microcredit services for agriculture, fisheries, cattle farming, and household-owned workshops. Would you

kindly share the untapped industries that the microfinance sector can currently capitalise on?

Arefin Ahammed Diner: Rather than focusing on new or untapped industries, MFIs should work on creating new scientific solutions for the current methods. For example, climate-adaptive agriculture practices and products, loan products with agricultural insurance, wage-backed loans for factory workers, digital inclusion of MFI clients, and digital products through MFS wallets or other methods.

Syed Md. Rakeen: The availability of microfinance has enhanced financial inclusion, especially for women, with almost 90% of the clients of microfinance institutions being women. Despite impeding factors such as societal norms and cultural barriers, how did microcredit facilities manage to increase women's participation in availing loans?

Arefin Ahammed Diner: Bangladesh is the pioneer in microfinance, and the model of group loans (especially for female groups) worked great for loans. There are a few reasons behind it. Firstly, female groups worked as social collateral in forms of respect and honour. A person not repaying the loan in the group was pushed by the group members themselves as the next disbursement of the group depended on the current loan repayment. Secondly, though the loan was provided to the female members but it was utilised by the income-generating person in most cases, which was a male (Husband or son of the borrower). In times of repayment, these females played a vital role in enforcing payment of the instalments. Females pursued the males to ensure that they saved money to repay the instalment payment in time. Finally, culturally, the females of Bangladesh are inclined to save. So, females being the group members ensured member savings and increased the savings propensity of our clients. So, due to the model of the Microfinance program, females became the core of the sustainability of the model.

On the other hand, only confirming over 90% of females in the client mix will not ensure the financial inclusion of females. There is a gender gap of 14% in mobile usage and a gap of 47% in smartphone usage, according to the report of Global System for Mobile Communication (GSMA) (Global System for Mobile Communications. 2020. Connected Women: The Mobile Gender Gap Report 2020). The report also says the gender gap in mobile internet use is 52%, and the gender gap in financial literacy is 27%. In addition, providing loans to females does have an impact on females' influence, voice or control in financial decision-making in the household but cannot solely ensure it. MFIs are working on these factors now through different approaches. For example, catering loan products for females to purchase smartphones, female-centric savings schemes and so on.

SyedMd.Rakeen: Technological advancements in the financial services industry have massively facilitated the availability of loans in Bangladesh. From your perspective, how can microfinance loan channels be digitalised in a bid to offer more convenient, cost-friendly, and faster microcredit services?

Arefin Ahammed Diner: MFIs' operation is being digitised nationally. There are now various core loan management software available in the market, field officers are collecting instalments through collection apps, and various software exists nowadays to present data through a visual presentation for data-based decision making and so on. But digitisation on the customer end is still in the adaptation phase. Providing a service does not always ensure its use. Access to a smartphone is still very low to implement digitisation on the customer end or to propose digital products. MFIs are working on AI-based call centre solutions to make clients adapt to digital information and its use. In addition, MFIs are also working on digital passbooks. Initiatives like this will pave the way to cost-friendly, faster and convenient microfinance services.

Syed Md. Rakeen: Environmental hazards in recent years have prompted the dire need to incorporate green microfinance among the microcredit facilities with a view towards a

more sustainable and low-carbon economy. In your opinion, which initiatives can help expedite the green microfinance initiatives in Bangladesh?

Arefin Ahammed Diner: Sajida is now working with partners to provide financing for EV bikes, replacing acid batteries with green and durable batteries. Currently, 3 million EV bikes are running on the roads in Bangladesh, which use acid batteries. Such batteries are not environmentally friendly, and the life cycle of such batteries is below one year. Replacing these batteries with green and durable lithium-ion batteries will reduce the emission of 1.5 kg of carbon per bike daily. This has the potential to reduce the emission of 1.6 million tons of carbon in a year.

Syed Md. Rakeen: Despite having a phenomenal impact on financial inclusion, MFIs generally charge a higher interest rate compared to formal banks and NBFIs. In your opinion, what measures can be taken to curb the interest rate, which is commensurate with the rate that is usually charged by the formal banks and NBFIs?

Arefin Ahammed Diner: As per the MRA guidelines, the maximum interest rate for a loan of MFIs is 24% declining or around 13.5% in the straight-line method. This is already very close to the rates of the banks or NBFIs. In addition, there are other costs (yearly service charge on outstanding, surcharges, account maintenance cost and so on) related to the disbursement of loans in banks, but in comparison, MFIs have no other costs.

Bank funding has become very expensive nowadays, which impacts the MFIs' funding cost, and the operation cost has always been very high for MFIs as MFIs require a higher number of field staff. Surely, with digital transformation, this operation cost will go down; hence, there will be room to reduce the interest rates too. The rates can also go down if MFIs can have access to alternate funding sources with more affordable pricing.

Syed Md. Rakeen: Non-performing loans (NPL) experienced an 85% YoY growth in microfinance institutions (MFIs) during the fiscal year 2021–22 owing to the detrimental effects of COVID-19, floods, the Russia–Ukraine war, and other economic shocks. From your perspective, what steps are required to shield the marginalised community from economic downturns?

Arefin Ahammed Diner: The best way to shield marginalised communities is to increase their resilience to economic shocks. Some steps are listed below:

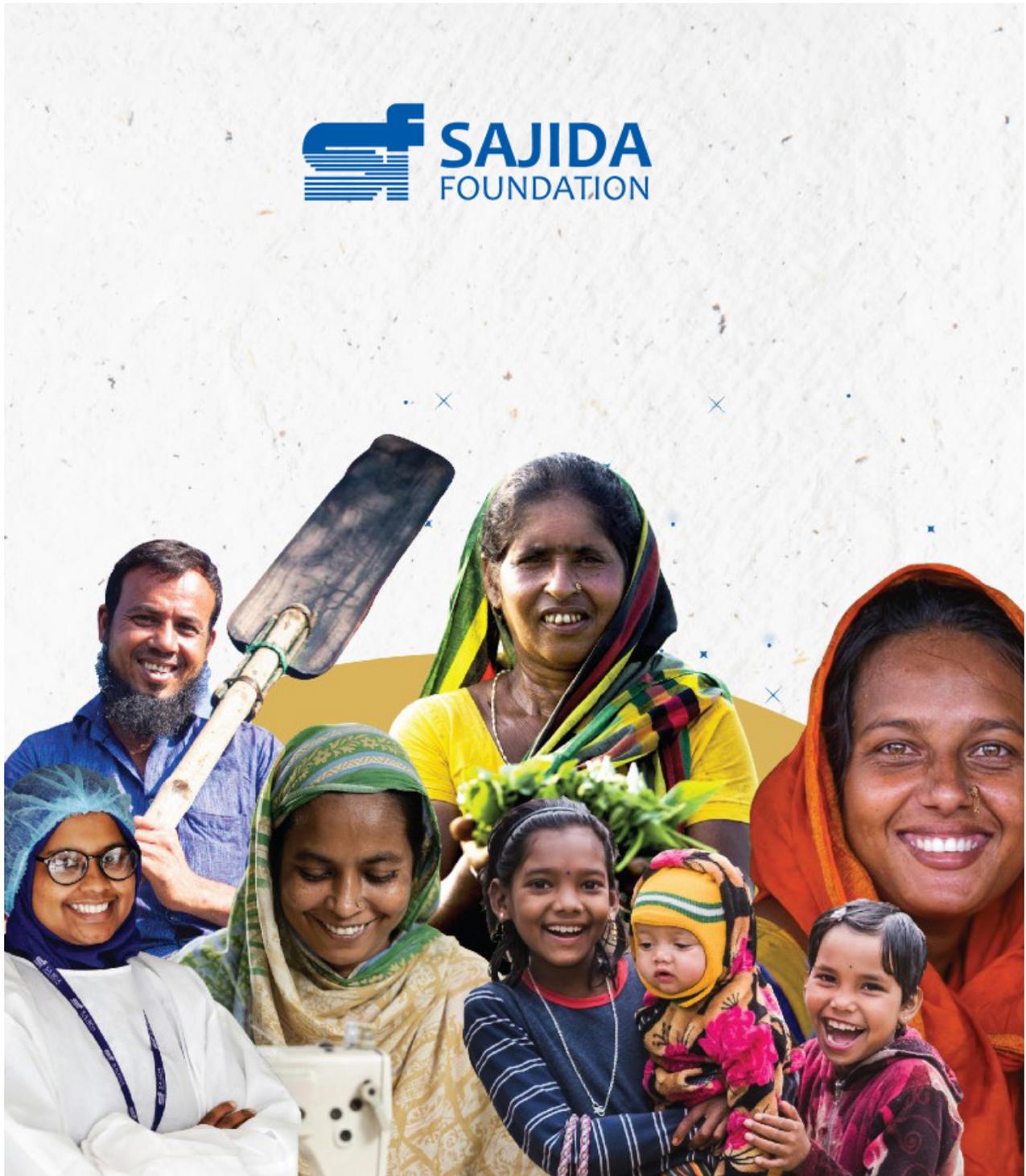
1. Increase the resilience of marginalised communities by providing them with financial literacy so that they understand the power of savings in hard times.
2. Motivate them to diversify their income by being involved in various income-generating activities.
3. Train them with climate adaptive technologies and ensure investment in such technologies.
4. Cater Agri loan products with Agri-insurance.
5. Tailor development programs to increase the resilience of such communities.

Syed Md. Rakeen: According to the Daily Star, microfinance institutes in Bangladesh disbursed around BDT 900 crore each day and BDT 2 lakh crore each year in 2022, surpassing even the banks and NBFIs of Bangladesh. From your perspective, how can NGO MFIs continue the growing trend of the volume of microfinance activities in the future?

Arefin Ahammed Diner: As per MRA guidelines, MFIs can lend almost for all purposes, but MFIs are required to provide loans with innovative products that will serve the same purpose but in a modern way. Surely, digitising the loan process is the first step, which will result in a faster disbursement process and higher access. This will also reduce borrowing

costs due to lower interest rates, resulting in more client onboarding. Secondly, tailoring products with current market demands, trends and issues. For example, investing in climate adaptive Agri loan products with Agri insurance will ensure growth for the agriculture portfolio

and will also ensure a shield against natural calamities to farmers. Simple formation of loan products will not ensure growth; products that will address social issues along with the demand for financing of the marginalised communities will ensure growth.



Unveiling the SaaS Boom: A Burgeoning Landscape of the Software Industry in Bangladesh

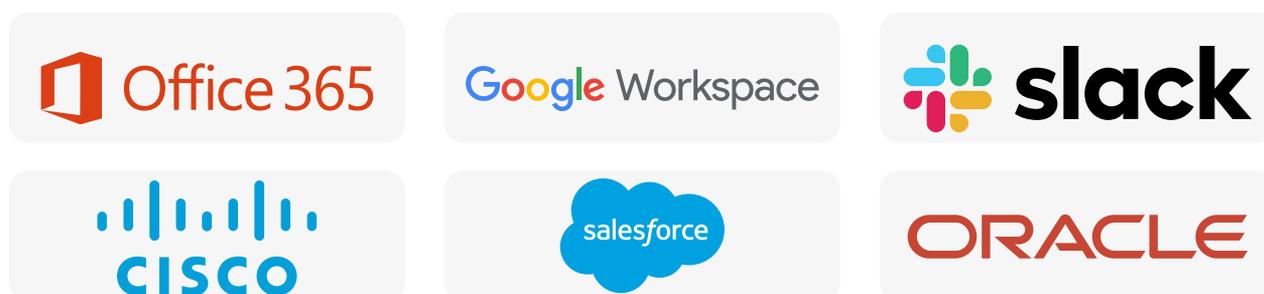
Written By
Syed Md. Rakeen



A rapidly changing business environment has thrust forward the efforts of businesses to adopt disruptive measures and improve operations in their respective fields to stay ahead of the growing competition. This led to the need for digital transformation in organisations, which was largely met owing to the growing number of software-as-a-service (SaaS) companies. SaaS is a cloud-based software revolving around the

distribution of software by a third-party provider who assumes the responsibility of hosting applications and granting customers access to them via the internet. Its lucrateness resides in its subscription-based services, which prompt more users to avail these services. Google Workspace, Microsoft Office 365, Salesforce, Oracle, Cisco, and Slack are just a few of the many examples where SaaS models are deployed.

Figure 1: Commonly Used SaaS Services in the World

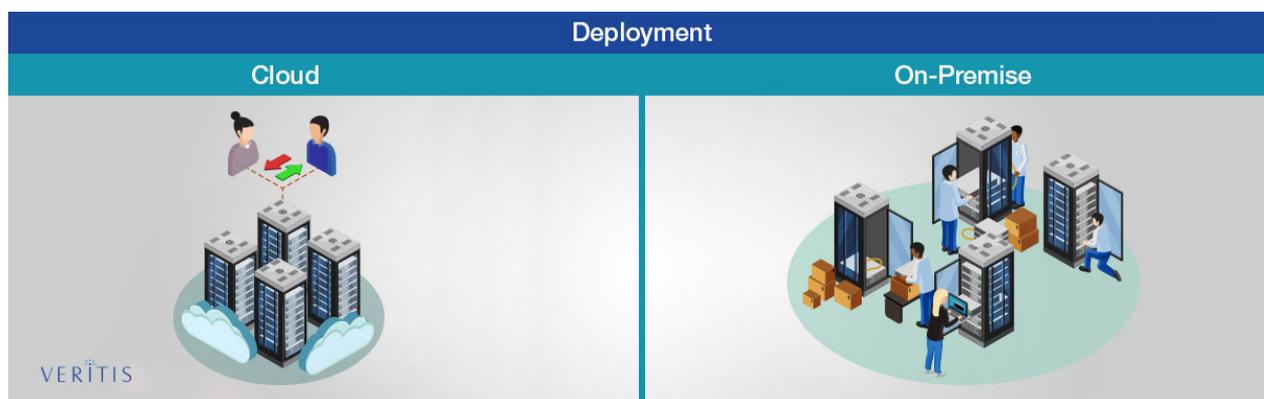


Although Bangladesh is at a nascent stage in the software industry, local organisations are gradually delving into this industry, particularly in the export segment, in a bid to exploit its full potential. The usage of SaaS services has spilled into crucial sectors of Bangladesh, such as ICT, pharmaceuticals, RMG, food, education, e-commerce, etc., and is largely expediting the growth of the aforementioned sectors through automation.

On-Premise Software Models vs. Software-as-a-Service Platforms

There are two distinct approaches that organisations adopt in order to deploy and utilise the necessary software for their business operations: on-premises and software-as-a-service.

Figure 2: Deployment of the On-Premise Software Model and the SaaS Model



Source: Veritis

In the on-premises model, the organisation procures and deploys the software within dedicated data centres located on its premises. The internal IT deployment of an organisation is responsible for overseeing and maintaining the necessary infrastructure to ensure the secure and efficient utilisation of your software on a large scale. The acquisition and subsequent upkeep of server hardware would be undertaken by the user. In addition to the development and maintenance of software, configuration, installation, and upgrading of any necessary add-ons and plugins and regular updating of the underlying operating systems on which the software operates are also required.

In contrast, software-as-a-service is a software delivery model that operates on cloud infrastructure, enabling the provision of applications to end users via an internet browser. SaaS vendors play a crucial role in the modern digital landscape by providing a platform for organisations to access and utilise various services and applications. These vendors act as hosts, offering the necessary infrastructure and resources to enable on-demand access to these software solutions. By leveraging the SaaS model, organisations can conveniently access and utilise these services without the need for extensive on-premises infrastructure or software installations. This approach offers flexibility, scalability, and cost-effectiveness, making it an attractive option for businesses of all sizes. In the context of software-as-a-service, users are relieved of the burden of considering the intricacies of service maintenance and the management of the underlying infrastructure. The primary consideration revolves around the utilisation of the software.

Figure 3: Global SaaS Revenue in the Last 7 Years and Expected Revenue for the Next 5 Years



Source: Statista

The Current State of the Software Industry in Bangladesh

Bangladesh is emerging as a crucial player in the Information Technology (IT) industry, with a huge IT market in South Asia. According to the latest report of the Global Location Service Index, Bangladesh currently ranks 21 in IT outsourcing, while it is also the second largest producer of IT freelancers in the world. However, software exports account for a small portion of the growing IT industry, with the figures rising to USD 60 million in 2021–22 from USD 51 million in 2020–21, as reported by the Export Promotion Bureau (EPB). The Bangladesh Association of Software and Information Services (BASIS) reported that 34% of the software created domestically was exported to the United States, 13% to the UK, and a mere 4-5% to European countries.

Figure 4: Top 10 Software Firms in Terms of Export Volume in the Last 5 Years for Bangladesh



Source: The Business Standard

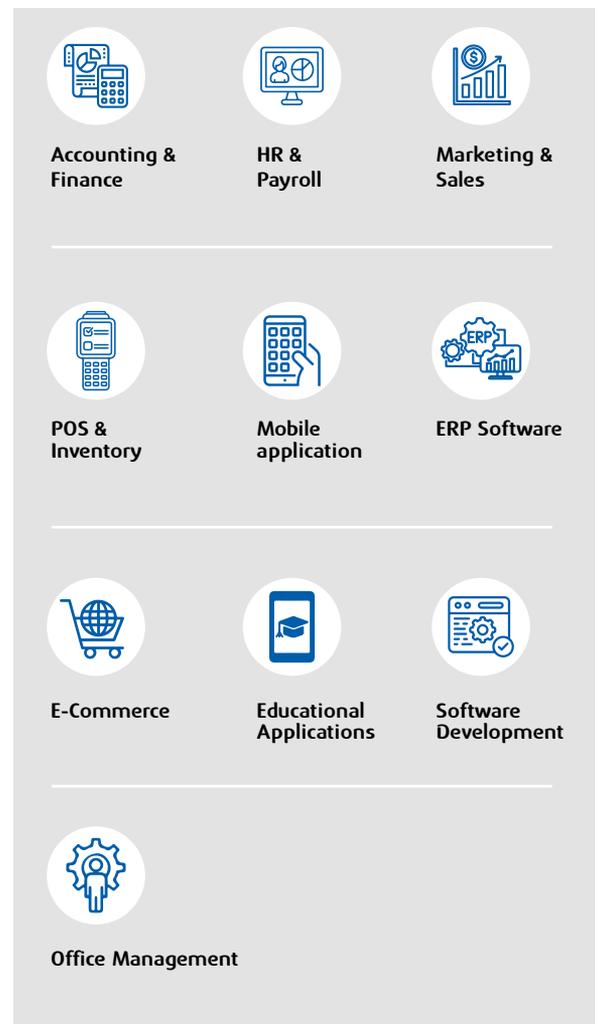
According to the Business Standard, ten firms operating in Bangladesh led the way in terms of export volume in the last five years, namely Secure Link Services (SELISE), Taskeater, Cefalo Bangladesh, Kaz Software, Golden Harvest Infotech, ServEngine, BJIT, Graphic People, Therap (BD), and Brain Station 23. The export volume by the firms during the 2018–2022 period stood at around USD 170 million, and their exports amounted to USD 35.54 million alone in FY22.

Factors contributing to the growth of SaaS in Bangladesh

The local firms in Bangladesh now possess abundant human capital due to a huge influx of Computer Science and Engineering (CSE) graduates from myriads of local universities. Several programming contests are held every year to help aspiring software engineers showcase their coding skills on global platforms. This translates to the development of coding skills through the practice of solving real-life problems effectively and efficiently. Due to increasing demand for ERP software both locally and internationally, Bangladesh, with its resources, is now in a prime position to capitalise on building software-as-a-service solutions. The demand for hiring software engineers from Bangladesh is experiencing an upward trend owing to the cost advantage coupled with the skilled employees available for overseas companies when hiring from Bangladesh.

The increasing presence of local software and ITES companies that offer SaaS solutions across various product categories is now building Bangladesh’s competitiveness. The local companies offer a range of software-as-a-service solutions, encompassing various areas such as accounting and financial software, POS and inventory, HR and payroll, marketing and sales, integrated business applications and ERP, e-commerce and web portals, customised software development, office management, mobile applications, and education institute management applications. These SaaS offerings cater to the diverse needs of businesses, providing them with efficient and integrated solutions for their operations.

Figure 5: Currently Deployed SaaS Solutions in Bangladesh



Source: Bangladesh Association of Software and Information Services (BASIS)

Existing Obstacles Hampering SaaS Growth

The cost of failure is the strongest obstacle to progress and innovation. It makes sense that risk aversion is encoded into so many organisations; the upfront costs associated with digital transformations may be sky-high, and failure can be financially devastating, especially for small and medium-sized businesses. According to BASIS, Bangladesh currently imports software services worth around USD 1.5 billion to USD 2 billion annually while exporting only USD 60 million worth of software services. This increased reliance on imported software by local organisations

has hindered the growth of local SaaS services, leading SaaS companies to focus on exporting their services to generate revenues.

According to BASIS, the export earnings from IT services surpass the figures reported by the Export Promotion Bureau (EPB). This disparity arises because the government's official figures do not encompass the earnings of freelancers and service providers who bring their export proceeds through unofficial channels.

Some Prominent SaaS Startups in Bangladesh

Availing project management services from internationally known project management solutions such as Asana, Trello, Microsoft Teams, etc., can prove to be expensive for firms, especially for SMEs, which may not possess the luxury to afford these solutions owing to the exorbitant monthly subscription fees.



OneThread, the first project management software startup based in Bangladesh, seeks to address the aforementioned issues by offering a smooth multi-team project management tool for effective team collaboration while being cost-friendly to local companies. The software encompasses a range of notable attributes, such as dashboards, Gantt charts (widely employed in project management as a highly preferred and effective method for visually representing tasks or events in relation to time), a scheduling system, timesheets, project baselines, a communication plan, data analytics, real-time reporting, and invoicing features, among others.



Alice is a software-as-a-service platform that utilises omni-channel conversational artificial intelligence (AI) technology. Its primary objectives are to enhance sales performance,

automate customer support processes, and minimise operational expenses. Through its diverse subscription-based customer service plans, the organisation collaborates with over 50 e-commerce stores and enterprises across the region. Some of the renowned entities include Unilever, Coca-Cola, Giordano, and Maybelline, among several others.



Nuport is a cloud-based supply chain platform that caters specifically to the needs of distributors and e-commerce brands. It is observed that prominent manufacturing enterprises allocate a significant portion of their time, approximately five to six hours, towards formulating comprehensive delivery strategies for substantial sales orders. Through Nuport's supply chain automation, companies can optimise operational efficiency and eliminate the need for labour-intensive manual processes. The implementation of this solution has the potential to significantly reduce the time allocated to distribution planning by nearly 85%.

International Collaborations and Expansion

US-based global tech giants and some IT-led countries are switching their attention from India to other countries in the Asian region for accessing IT-related services. This opens a window of opportunity for Bangladesh to capitalise on the growing software-as-a-service industry. The stakeholders, which currently involve the government, industries, and academia, can form a coalition of initiatives to promote IT and IT training to boost software exports and enhance the industry's promising growth.

So far, over 30 companies are availing of the software services of Bangladesh, which is expanding its horizons by exporting to countries like Egypt and Vietnam. DataSoft, Dohatec, eGeneration, REVE Systems, TigerIT, and Southtech currently have offices in Nepal, Bhutan, Malaysia, India, Japan, the UK, the US, and various African countries.

The widespread usage of software solutions in Bangladesh has accelerated the growth of software companies and their diverse product offerings, both local and foreign. Its profitability and scalability have created a symbiotic relationship between local and foreign companies, giving rise to huge IT exports abroad. By 2025, Bangladesh plans to export USD 5 billion worth of software products and services. Local software companies have repeatedly demonstrated their ability to handle complex international projects, yet the majority of public and commercial organisations still rely on imported software. However, reliance on software imports is gradually declining as 25 local software companies are now developing integrated business applications and enterprise resource planning (ERP) software, both of which used to be imported in the past. This increasing local market demand for software-

as-a-service offerings has facilitated a greater opportunity for enterprises to automate existing processes, experiment with minimal financial risk, iterate their approaches, and seamlessly expand their operations. Software-as-a-service has the potential to significantly mitigate the financial implications of failure and expedite the process of organisational transformation. Local companies have already ventured into offering SaaS services like supply chain automation, project management software, cloud-based ERP solutions for SMEs, and web development. The increasing presence of SaaS solutions in local companies is a strong indication of Bangladesh's growing promise in the software industry and will undoubtedly propel the companies to expand their operations and craft building blocks for achieving the Smart Bangladesh Vision by 2041.



Shombhob Health Ltd.



Azra Salim

Founder & CEO, Shombhob Health Ltd.

Interviewed By

Syed Md. Rakeen, Team MBR

Shombhob is an online pharmacy and healthcare products shop. Their e-commerce platform provides a convenient delivery service for regular and emergency medicines and healthcare products round the clock. They deliver monthly prescription refills regularly for the customers who depend on them for authentic and pharmacist-supervised prescription refill services. They also offer female customers a comfortable platform to order their feminine hygiene and reproductive health products. Shombhob's main focus is to enable and empower women of Bangladesh to easily and comfortably access their medicines, feminine hygiene products, and reproductive health products without having to depend on others. They are also exclusive distributors of some imported healthcare products. Team MBR was in conversation with Ms. Azra Salim and was fortunate enough to learn about Shombhob Health and its growing presence in the online pharmacy industry.

Syed Md. Rakeen: Since the inception of Shombhob Health in the year 2021, the online pharmacy and healthcare shop has been delivering medicines, healthcare products, toiletries, baby care products, and pet care products to its customers' doorsteps. Would you kindly share with us the story of how you came up with this idea?

Azra Salim: The idea for an online pharmacy has been in my head for many years. I tried to start one when I was working for my family business, Jayson

Pharmaceuticals Ltd. However, e-commerce needs full-time attention, and I could never concentrate on the new project when I was at Jayson since the pharmaceutical business always took priority.

During COVID, I felt the importance of this business. I felt that the people of Bangladesh, in Dhaka and other cities in Bangladesh, are ready for this model. More people were shopping online for everyday essentials, preferring the convenience of shopping online. COVID accelerated the trend, creating a massive



opportunity for e-commerce businesses. Of course, Shombhob wasn't founded then. A year later, in 2021, I decided to take this forward full-time. I strongly believed in the concept. The more I learned about pharmaceutical and healthcare services, the more I could see myself being involved in it long-term. So, in 2021, I took the plunge and started Shombhob in October.

Syed Md. Rakeen: You are one of the directors of Jayson Pharmaceuticals, and you have been involved in the company for over 15 years. Did the experience you have received from Jayson Pharmaceuticals facilitate the development process of Shombhob Health?

Azra Salim: Absolutely, yes. I learned a lot about the local pharmaceutical market while working in Jayson. I got to know about the products, the regulatory requirements, the supply chain, and the marketing strategies in the healthcare sector. All of this contributed a great deal to my confidence and knowledge base to start Shombhob. Having over 15 years of working experience in the industry also gave me credibility as a founder. I have included other pharma industry professionals in my team at Shombhob because our collective experience has made it easier for Shombhob to gain traction.

Syed Md. Rakeen: During the COVID-19 pandemic, a good number of online pharmacies have come into operation. How does Shombhob Health differentiate itself in terms of product offerings, marketing, and pricing strategies from other online pharmacies?

Azra Salim: Our service and our customer-focused approach are two things that differentiate us from others. We don't offer deep discounts on medicines; we only offer an 8 per cent discount on medicines, and we offer discounts on other products, such as feminine hygiene products, diapers, etc., as a customer acquisition strategy. But we try to retain customers through our service quality. The hope is that someone who buys one type of product will eventually go on to buy other types of products.

We have pharmacists to supervise customer service and answer questions. Our customers have an open

channel to have a conversation with our pharmacists about medicines. We do 24/7 deliveries of medicines if needed. We have often delivered medicines late at night and to hospital patients as well.

Another differentiator is that we target to serve women best. We want Shombhob to be a safe and discrete place for women to order their feminine hygiene and reproductive healthcare products. Our customer service executives are all female, and we offer discrete packaging of products that women are not usually comfortable when buying from any physical pharmacy.

Our supply chain is also very strong as a result of our pharmaceutical industry network, and we can ensure authentic and timely product sourcing.

Syed Md. Rakeen: Shombhob Health offers monthly medicine subscription services based on doctors' prescriptions. Would you kindly share with us the feedback Shombhob Health is receiving regarding this service?

Azra Salim: Yes, we deliver monthly prescription refills to our customers. This is a very popular service, and we have found that urban people, especially elderly people who depend on others to get their regular medications, really appreciate this service. We give a discount on products and also answer any of their questions about their medicines.

Syed Md. Rakeen: There are some medicines that are strictly prohibited from being sold without a doctor's recommendation, and physical drug stores have often been found to sell those medicines without prescriptions. How does Shombhob Health respond to such requests from its customers?

Azra Salim: We are careful to screen orders for medicines that are strictly prohibited from being sold without prescriptions. We check the prescription and do not fulfil the order if there is any suspicion of abuse of medication. Our pharmacists screen each medicine order to ensure safety.

Syed Md. Rakeen: Though drug manufacturers have introduced various safety measures to

prevent the counterfeiting of medicines, it has been found that counterfeit medicines are widely available on the market. What safety measures are there to ensure that there are no counterfeit medicines at Shombhob Health?

Azra Salim: Shombhob purchases all medicines directly from the manufacturers and authorised distributors (in the case of foreign medicines). We do not risk purchasing medicines from the wholesale market as we are aware of the safety risks involved.

Syed Md. Rakeen: As per a report published by The Business Standard in July 2023, online pharmacies occupy less than 1% of the market. What suggestions do you have for online pharmacies so that they can gain a sizable market share?

Azra Salim: Ensuring the authenticity of products and the reliability of service will result in people having more faith in online pharmacies over time. As people get more used to shopping online, the percentage market share of online pharmacies will increase automatically.

Syed Md. Rakeen: Has Shombhob Health attempted to raise funds yet? If yes, how is it planning to raise the next round of funds? If not, does it have any plans to raise funds very soon?

Azra Salim: Yes, Shombhob Health has raised funds and is raising its second round of funds at the moment. We are raising funds as we have plans to increase our online and offline promotions and market coverage. We also want to improve our technology and expand our team as we scale up.

Shombhob online pharmacy is laying the groundwork for my future goals in healthcare. E-commerce is fascinating and competitive, but with the customer database that we are building as a result of selling medicines and healthcare products to the people of Dhaka and other cities in Bangladesh, we're learning about the healthcare needs of people and their needs for medicine and healthcare products for various diseases, including sudden illnesses, chronic care diseases, etc. We are building the base for a special kind of healthcare service we want to provide in the future.



CAPITAL MARKET REVIEW

Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market closed the month of August in negative territory. During the month, the broad index DSEX decreased by -0.4%. Even though blue chip index DS30 declined by -0.7%, Shariah index DSES was up by 0.1% in August.

Among the regional peers, Vietnam reported a positive return of 0.1%. On the other hand, Pakistan (-6.1%) and Sri Lanka (-2.4%) ended the month in negative. MSCI Frontier Markets Index performance was positive by 0.3% in August. Over 5-year horizon, Sri Lanka (+82.8%) yielded the most encouraging return.

Table 1: Equity market performance of Bangladesh and peer countries

Indices	Index Points, August 2023	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	6,299.5	-0.4%	-0.6%	1.5%	-2.4%	29.1%	12.5%
DS30	2,141.6	-0.7%	-2.6%	-2.4%	-6.2%	26.0%	9.2%
DSES	1,372.5	0.1%	-0.3%	1.0%	-1.9%	21.2%	N/A
Peer Countries							
Pakistan (KSE 100)	45,081.3	-6.1%	8.4%	11.5%	6.4%	9.7%	8.0%
Sri Lanka (CSE - All Share)	11,114.2	-2.4%	19.5%	30.7%	22.5%	108.5%	82.8%
Vietnam (VNI)	1,224.1	0.1%	19.5%	21.5%	-4.4%	38.8%	23.7%
MSCI Frontier Markets Index	751.0	0.3%	10.1%	11.5%	-0.3%	11.9%	6.7%

*All returns are Holding Period Return.

Source: Investing.com, MSCI, DSE

Liquidity Condition in Equity Market of Bangladesh

During August, the total market capitalization decreased by 0.7%. The daily average turnover of August was BDT 4.4 bn (USD 39.9 mn), down by 43.6% from that of the last month. Turnover velocity which represents overall liquidity of the market stood at 14.9% in August compared to 26.3% of last month. In 2022, turnover velocity of Bangladesh equity market was 30.7%, in comparison to 65.3% in 2021.

Table 2: Market capitalization and turnover statistics

Particulars	31-Aug-23	31-Jul-23	% change
Total market capitalization (USD* mn)	70,551	71,025	-0.7%
Total equity market capitalization (USD mn)	40,802	40,868	-0.2%
Total free float market capitalization (USD mn)	15,823	15,899	-0.5%
Daily Avg. Turnover (USD mn)	39.9	70.8	-43.6%
Turnover Velocity~	14.9%	26.3%	N/A

*All USD figures are converted using an exchange rate of 110.00 as of September 04, 2023 as per Bangladesh Bank website.

~Turnover velocity is calculated by dividing monthly total turnover with month-end market capitalization. The figures are annualized.

Historical Index Points and Market Participation Data

Since its inception on February 27, 2013, DSEX yielded a holding period return of 55.3% till August 2023. During this period, daily average turnover of the market amounted to BDT 6.8 bn (USD 62.0 mn) (Figure 1).

Figure 1: DSEX since inception along with market turnover



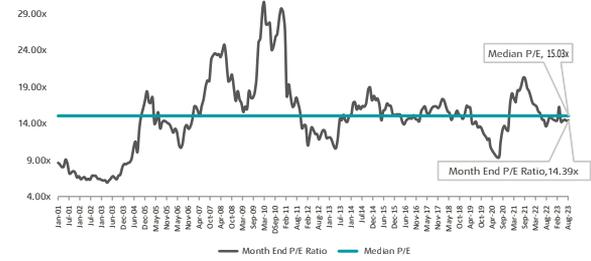
Source: DSE

Market Valuation Level - P/E Ratio

The market P/E fell to 14.39x in August compared to July's 14.42x. It is slightly lower than the 23 years' median market P/E of 15.03x (Figure 2).

Figure 2: Historical market P/E* and its median

Current Market P/E* in Context of History



*Price Earnings (P/E) Ratio is calculated by dividing total market capitalization of all profit making listed companies with their total audited annual earnings.

Source: CEIC, DSE

Sector Performance

Large cap sectors posted mixed performance in August 2023. Pharmaceuticals & Chemicals sector posted the highest positive return of 1.1% among the major sectors. On the other hand, Non-Life Insurance faced the most price correction by -5.8%, followed by Life Insurance (-4.9%) etc.

Telecommunication sector has the highest dividend yield of 5.9% among all sectors.



Table 3: Sector performance snapshot

Sector	Market Capitalization (USD mn)		Return*						P/E (x)**	P/BV (x)^	Dividend Yield~
	Total	Free Float	1M	3M	YTD	12M	3Y	5Y			
Pharmaceuticals & Chemicals	6,574	3,525	1.1%	1.0%	-0.7%	-0.4%	34.6%	55.0%	17.0	3.2	2.4%
Bank	6,211	3,391	-0.1%	1.1%	5.4%	2.5%	32.6%	24.4%	6.6	0.7	4.1%
Telecommunication	5,275	581	0.0%	0.0%	3.0%	2.7%	11.2%	5.1%	13.4	6.0	5.9%
Engineering	4,799	1,043	0.4%	-0.3%	0.7%	-2.6%	88.8%	34.8%	57.8	2.5	1.6%
Fuel & Power	4,082	1,175	0.2%	-0.2%	1.1%	1.1%	12.4%	13.3%	13.6	1.4	4.9%
Food & Allied	3,644	1,177	0.6%	0.2%	5.8%	6.4%	57.4%	73.5%	17.7	9.0	3.1%
Miscellaneous	2,074	843	1.5%	2.1%	4.4%	1.8%	94.9%	116.4%	13.2	2.5	2.2%
NBFI	1,701	554	-0.1%	-0.2%	0.8%	-9.7%	14.2%	-6.3%	50.7	2.0	1.6%
Textile	1,554	895	-0.6%	0.8%	-0.9%	-11.0%	42.5%	4.2%	22.0	1.1	2.4%
Cement	1,127	443	0.3%	-0.9%	14.3%	0.6%	56.6%	17.6%	15.0	3.3	4.8%
Non-Life Insurance	914	520	-5.8%	-1.9%	10.7%	3.4%	56.4%	165.3%	17.1	1.9	2.9%
Life Insurance	677	398	-4.9%	-8.0%	5.9%	-0.5%	24.0%	46.2%	113.2	7.4	1.8%
Tannery	310	165	-0.5%	-0.3%	5.1%	2.4%	71.4%	17.9%	23.9	3.0	2.1%
IT	377	234	1.5%	-5.7%	7.0%	30.5%	83.5%	68.0%	23.9	3.3	1.2%
Ceramics	286	114	-0.3%	-1.2%	-1.1%	-5.0%	53.5%	25.3%	44.2	2.0	1.7%
Travel & Leisure	406	213	-9.0%	-15.3%	4.0%	37.4%	90.8%	88.6%	12.6	1.6	1.5%
Paper & Printing	385	134	2.9%	-1.9%	7.5%	5.0%	121.2%	11.6%	27.0	3.0	0.8%
Services & Real Estate	255	133	1.1%	-8.1%	3.9%	-8.8%	91.1%	52.6%	21.5	1.6	3.5%
Jute	36	19	-0.5%	0.3%	8.5%	91.4%	71.5%	135.8%	307.2	11.7	0.0%
Market	41,357	15,823	-0.4%	-0.6%	1.5%	-2.4%	29.1%	12.5%	14.3	1.9	3.4%

*All returns are Holding Period Return.

**Price Earnings (P/E) Ratio is calculated by dividing total market capitalization of all profit making listed companies with their annualized earnings.

^P/BV is calculated by dividing total market capitalization of listed companies with their respective total book values, excluding companies with negative book values.

~Dividend yield is calculated by dividing last year's declared cash dividend with market capitalization

Cap Class Performance

During the month of August, all cap classes showed mixed performance. Micro cap (+0.7%) class and Large cap (+0.2) class managed to close the month in positive territory. On the other hand, Small cap posted the highest negative return of -1.0%.

Table 4: Performance of different market cap classes

Cap Class	Definition based on market capitalization (USD mn)	% of total equity Mcap	Return*						P/E (x)	P/BV (x)	Dividend Yield
			1M	3M	YTD	12M	3Y	5Y			
Large	≥92	76.8%	0.2%	0.3%	3.1%	1.6%	58.6%	58.6%	12.7	1.8	3.9%
Mid	28-91	12.0%	-0.7%	-1.9%	1.4%	-1.9%	-26.2%	-30.9%	20.2	1.6	2.4%
Small	9-27	8.0%	-1.0%	-3.4%	1.6%	-5.3%	78.2%	61.4%	28.6	1.1	2.4%
Micro	<9	3.2%	0.7%	6.7%	19.3%	11.4%	-79.9%	-83.1%	35.0	1.1	1.6%
Market		100.0%	-0.4%	-0.6%	1.5%	-2.4%	29.1%	12.5%	14.3	1.9	3.4%

*All returns are Holding Period Return

Performance of 20 Largest Listed Companies in Bangladesh

Among the 20 largest listed companies in terms of market capitalization, MARICO advanced by 5.7%, followed by BERGERPBL (+3.3%), LHBL (+1.9%), SQURPHARMA (+0.6%) and UNILEVERCL (+0.4%). All the other stocks of this list remained unchanged.

Majority of these companies yielded outstanding return over longer time horizon (5 years) such as BEACONPHARMA (+1363.8%), BEXIMCO (+420.8%), UNILEVERCL (+196.4%), MARICO (+174.2%), BXPBARMA (+90.8%) and DUTCHBANGL (+86.3%).

Among the scripts, GP, UPGDCL, LHBL, SQURPHARMA and BATBC recorded higher dividend yield compared to that of market.

Table 5: Snapshot of 20 largest companies in terms of market capitalization

DSE Code	Sector	Market Capitalization (USD mn)		Daily Avg. Turnover (USD mn)	Return*						P/E (x)	P/ BV (X)	Dividend Yield
		Total	Free Float		1M	3M	YTD	12M	3Y	5Y			
GP	Telecommunication	3,518	352	0.16	0.0%	0.0%	3.3%	2.9%	-0.3%	-6.6%	9.8	13.3	7.7%
WALTONHIL^	Engineering	2,885	29	0.00	0.0%	0.0%	0.0%	1.4%	N/A	N/A	95.2	4.0	1.4%
BATBC	Food & Allied	2,546	674	0.12	0.0%	0.0%	1.9%	3.8%	62.6%	65.1%	14.7	8.5	3.9%
SQURPHARMA	Pharmaceuticals & Chemicals	1,701	1,111	0.48	0.6%	0.6%	0.6%	4.8%	11.3%	3.5%	9.4	2.6	4.7%
ROBI^	Telecommunication	1,429	143	0.03	0.0%	0.0%	2.3%	2.3%	N/A	N/A	115.4	2.6	2.3%
RENATA	Pharmaceuticals & Chemicals	1,270	619	0.05	0.0%	0.0%	0.0%	0.5%	36.9%	71.1%	38.9	7.1	1.1%
UPGDCL	Fuel & Power	1,232	123	0.02	0.0%	0.0%	0.0%	-1.6%	5.8%	-0.9%	12.4	5.1	7.3%
BEXIMCO	Miscellaneous	921	615	0.05	0.0%	0.0%	0.0%	0.3%	362.8%	420.8%	10.1	1.7	2.6%
BERGERPBL	Miscellaneous	784	39	0.08	3.3%	3.3%	7.9%	3.8%	32.8%	58.2%	22.2	11.8	2.2%
LHBL	Cement	738	265	0.63	1.9%	-1.5%	10.4%	-7.4%	74.7%	52.2%	11.2	5.2	6.9%
MARICO	Pharmaceuticals & Chemicals	733	73	0.08	5.7%	5.7%	7.0%	4.8%	40.2%	174.2%	15.2	43.8	2.9%
ICB	NBFI	674	24	0.00	0.0%	0.0%	0.0%	-4.6%	-3.9%	-16.6%	113.3	7.8	0.5%
BXPBARMA	Pharmaceuticals & Chemicals	593	414	0.02	0.0%	0.0%	0.0%	-11.6%	42.8%	90.8%	13.5	2.1	2.4%
BRACBANK	Bank	524	281	0.10	0.0%	0.0%	1.8%	1.5%	15.5%	-24.8%	9.3	1.5	1.9%
BEACONPHAR	Pharmaceuticals & Chemicals	515	360	0.04	0.0%	0.0%	-14.3%	-4.6%	231.6%	1363.8%	71.5	19.2	0.7%
ISLAMIBANK	Bank	477	272	0.00	0.0%	0.0%	1.8%	1.5%	39.4%	43.9%	7.7	0.9	3.1%
DUTCHBANGL	Bank	402	52	0.00	0.0%	0.0%	4.3%	0.4%	33.6%	86.3%	9.2	1.7	2.8%
TITASGAS	Fuel & Power	368	92	0.00	0.0%	0.0%	0.0%	-1.2%	34.6%	35.9%	383.4	0.6	2.4%
UNILEVERCL	Food & Allied	358	51	0.05	0.4%	-0.9%	15.6%	12.7%	47.2%	196.4%	53.7	34.9	0.7%
POWERGRID	Fuel & Power	340	85	0.00	0.0%	0.0%	0.0%	-2.4%	11.8%	21.8%	(8.4)	0.7	1.9%
Market		41,357	15,823	39.89	-0.4%	-0.6%	1.5%	-2.4%	29.1%	12.5%	14.3	1.9	3.4%

*All returns are Holding Period Return.

^WALTONHIL got listed on Sep 23, 2020. ROBI got listed on Dec 24, 2020.

Top Performing Mutual Funds

The top ten open end mutual funds based on 5Y year CAGR outperformed the market, during the same period. Among them, Zenith Annual Income Fund (+21.8%) yielded the highest return. On YTD basis, Vanguard AML Growth Fund and Second ICB Unit Fund outperformed the market.

Table 6: Top ten open end funds based on 5Y return (CAGR) performance

Name	Asset Management Company	Fund Size (USD mn)	NAV Return		
			YTD 2023*	2022	2018-22
Zenith Annual Income Fund	ZENITH	0.9	1.9%	-1.0%	21.8%
Shanta First Income Unit Fund	SHANTA	9.5	0.5%	-5.3%	13.5%
Vanguard AML Growth Fund	VANGUARD	1.3	5.8%	-0.3%	12.1%
CAPM Unit Fund**	CAPM	1.1	0.1%	5.6%	12.0%
Credence First Shariah Unit Fund	CREDENCE	1.1	1.2%	3.2%	11.5%
HFAML-ACME Employees' Unit Fund	HFAML	1.8	-5.4%	-0.9%	11.3%
Second ICB Unit Fund	ICB AMCL	2.2	4.0%	-1.6%	9.4%
IDLC Growth Fund	IDLC	5.6	2.7%	-3.8%	9.1%
EDGE Bangladesh Mutual Fund	EDGE	2.4	2.2%	-4.2%	9.0%
Capitec Padma P.F. Shariah Unit Fund	CAPITEC	3.5	-4.3%	10.2%	8.3%
Market (Broad Index) Return (%)			1.5%	-8.1%	-0.1%

*Based on published NAV and DSEX point of August 31, 2023

All the top ten closed end mutual funds on the basis of 5 years (2018-2022) outperformed the market during the same horizon. Among them 1STPRIMFMF (+8.8%) and CAPMIBBLMF (+8.9%) posted the highest return. On the YTD basis, PF1STMF (+9.0%), ICBAGRANI1 (+8.2%) and ICBEPMF1S1 (+7.2%) were the top performers.

Table 7: Top ten close end funds based on 5Y return (CAGR) performance

DSE Code	Fund Size (BDT mn)	Fund Size (USD mn)	Price ¹ (BDT)	NAV ¹ (BDT)	Price/NAV	Dividend Yield ² (%)	NAV Return ³				Redemption Year ⁴
							YTD 2023	2022	2020-22	2018-22	
1STPRIMFMF	269.8	2.5	14.9	13.5	110.5%	7.4%	3.0%	0.5%	23.6%	8.8%	2029
CAPMIBBLMF	763.5	6.9	11.9	11.4	104.2%	5.0%	-3.1%	0.0%	14.9%	8.9%	2027
CAPMBDBLMF	580.5	5.3	9.9	11.6	85.5%	6.1%	-4.1%	4.7%	17.7%	8.1%	2027
ICBEPMF1S1	722.3	6.6	7.1	9.6	73.7%	4.2%	7.2%	0.8%	25.0%	7.8%	2030
PRIME1ICBA	990.0	9.0	7.7	9.9	77.8%	3.9%	5.6%	-2.3%	20.8%	7.6%	2030
ICB3RDNRB	928.0	8.4	6.5	9.3	70.0%	4.6%	6.9%	-1.1%	22.7%	7.0%	2030
PF1STMF	584.4	5.3	9.9	9.7	101.6%	3.0%	9.0%	-4.1%	21.4%	6.6%	2030
ICBAMCL2ND	518.5	4.7	8.7	10.4	83.9%	3.4%	6.2%	-0.8%	22.2%	6.4%	2029
ICBSONALI1	1,026.0	9.3	7.8	10.3	76.0%	3.2%	6.6%	-1.1%	17.1%	6.1%	2023
ICBAGRANI1	1,064.0	9.7	9.2	10.8	84.9%	5.4%	8.2%	-1.6%	17.2%	5.6%	2027
Market							1.5%	-8.1%	12.0%	-0.1%	

¹Price as on September 04, 2023 and index value as on August 31, 2023.

²On last cash dividend declared.

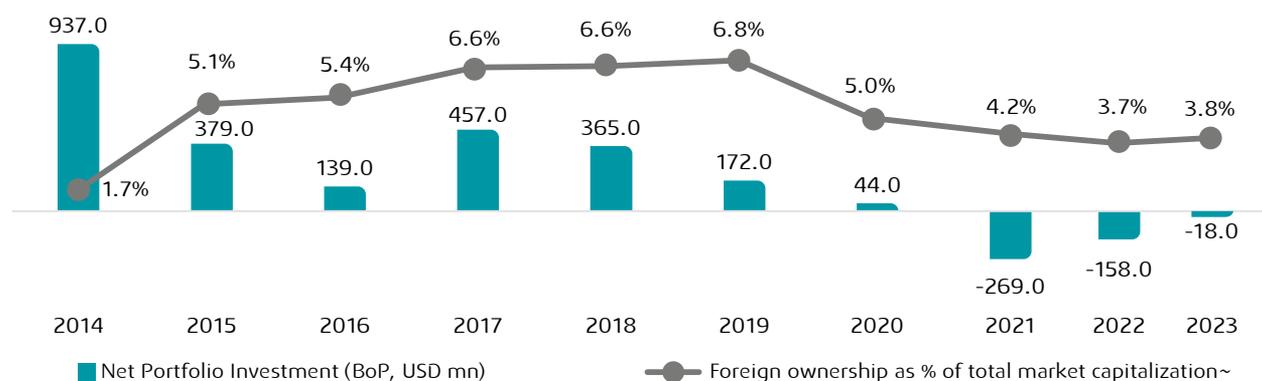
³CAGR computed for respected periods, except for 2021 and 2022 YTD, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year.

⁴In reference to BSEC Press Release বিএসইবিএস/সুখপাত্র (৩য় খণ্ড)/২০১১/২৫ published on Sep 16, 2018, tenure of existing listed closed end mutual funds can be extended by another tenure equal to maximum 10 years, provided that the full tenure of the subject fund does not exceed 20 years in total. However, the mutual funds those are not willing to extend their tenure will still have the option to convert or wind up as per rules and regulations.

Foreign Participation in Equity Market of Bangladesh

Over last 5 years, Bangladesh equity market has seen a fall of foreign investment. As of July 2023, total foreign ownership stood at 3.8% of the total equity market capitalization, which was only 1.7% in February 2014.

Figure 3: Net foreign portfolio investment and foreign ownership as % of total equity market capitalization



Source: DSE and Bangladesh Bank

Note:

1. % of foreign ownership of equity market capitalization as of December and net portfolio investment as of June of the respective years.

2. 2023 net portfolio investment as of June 2023.

Among all the companies with foreign ownership, ISLAMIBANK had the highest foreign shareholding of 34.5% as of July 2023, followed by BRACBANK with 32.9%.

Table 8: Top ten companies with highest foreign shareholding as of June 2023

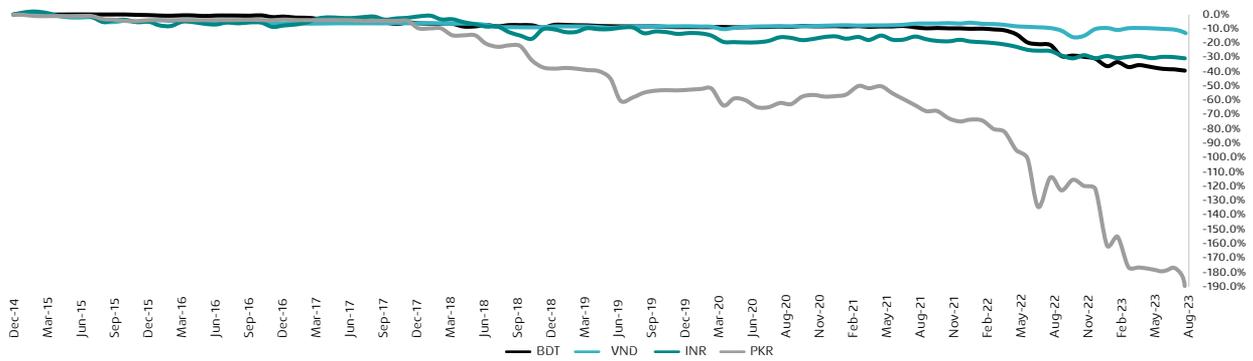
Ticker	Sector	Foreign Shareholding*
ISLAMIBANK	Bank	34.5%
BRACBANK	Bank	32.9%
BXPHERMA	Pharmaceuticals & Chemicals	28.9%
NAVANAPHAR	Pharmaceuticals & Chemicals	27.7%
OLYMPIC	Food & Allied	24.3%
RENATA	Pharmaceuticals & Chemicals	22.7%
DBH	NBFI	18.2%
BSRMLTD	Engineering	17.3%
SQURPHARMA	Pharmaceuticals & Chemicals	13.4%
SHEPHERD	Textile	9.5%

Source: DSE

Performance of BDT and Currencies of Peer Countries against USD

BDT depreciated by 39.9% against US Dollar while other currencies of neighbor countries like Vietnamese Dong (VND), Indian Rupee (INR) and Pakistani Rupee (PKR) also lost value against US Dollar by 12.5%, 31.2% and 203.6% respectively, since December 2014.

Figure 4: Nine year's relative performance of BDT and peer currencies



Source: Investing.com

Major Commodity Price Movement

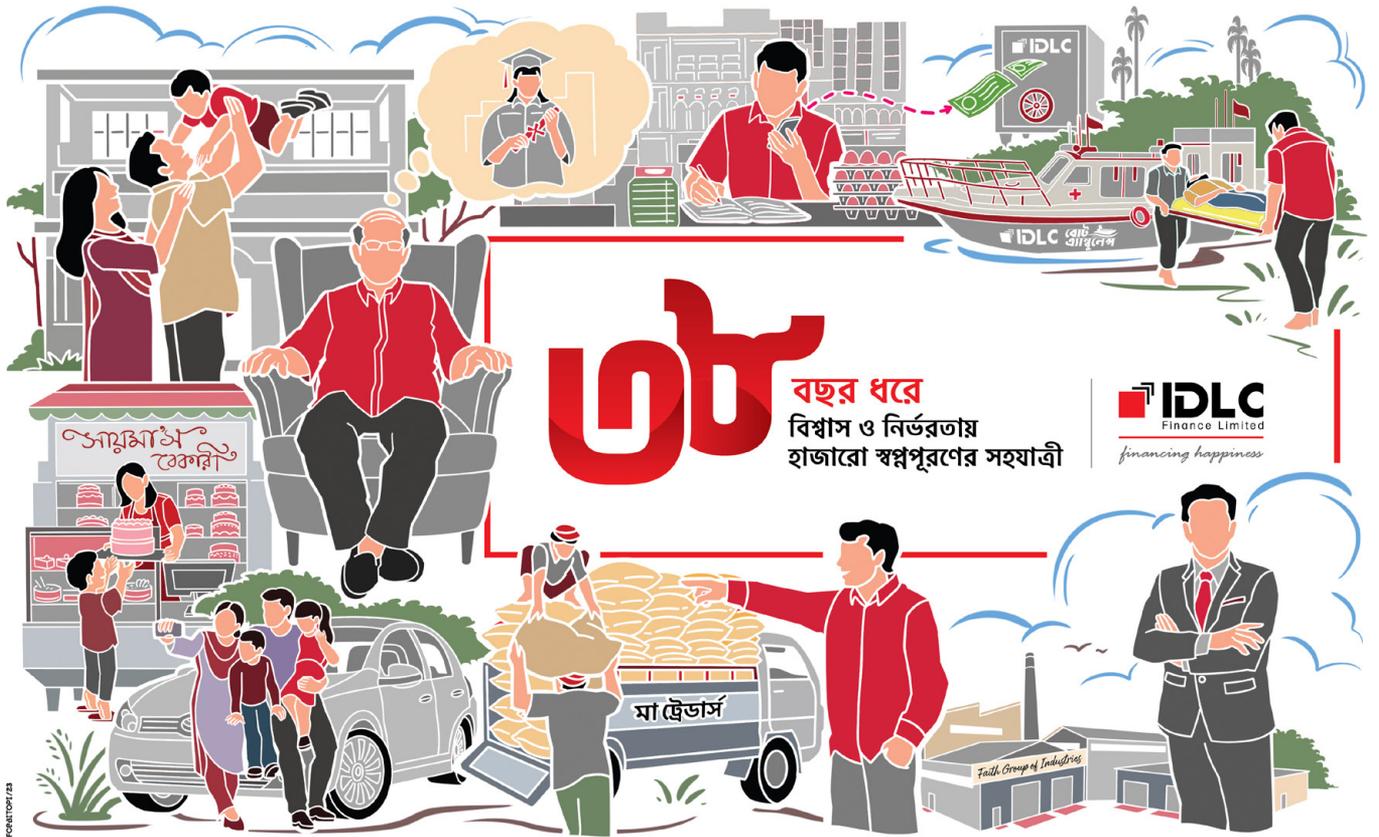
Among the major commodities, Crude Oil gained by 7.3% in August followed by Cotton (+3.0%). On the other hand, Wheat witnessed the most correction of 8.6% followed by Aluminum (-1.1%). Over last 5 years, wheat price hiked the most by 33.5%.

Table 9: Major Commodity Price Movement

	Price Change (%)					
	1M	3M	YTD	12M	3Y	5Y
Crude oil (Average)	7.3%	14.3%	8.5%	-11.7%	95.0%	19.2%
Wheat (US HRW)	-8.6%	-14.1%	-18.3%	-17.5%	41.6%	33.5%
Cotton (A Index)	3.0%	2.0%	-4.9%	-22.9%	37.2%	1.5%
Aluminum	-1.1%	-5.8%	-11.0%	-12.1%	23.0%	4.1%

Source: World Bank Pink Sheet





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