

IDLC MONTHLY

BUSINESS

REVIEW

THE NEXT LEVEL OF
FINANCIAL INCLUSION:
ENTERING THE DIGITAL
BANKING ERA



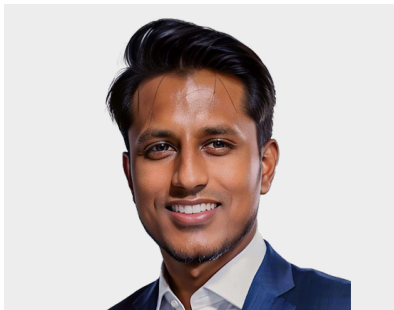
বিকাশ অ্যাপ দিয়ে
আইডিএলসি-তে
**টাকা
জমেছে,
বেড়েছে
নিরাপদে**

অভিনন্দন আপনাদের,
যারা ২ বছর মেয়াদী ডিপিএস
সম্পন্ন করেছেন

আইডিএলসি আপনাদের টাকা
পৌঁছে দিয়েছে আপনার বিকাশ-এ



contents



03

Economy at a Glance

04

Month in Brief

05

For the Record

06

World Economic Indicator

07

Banking Data Corner

08-10

Spotlight on Startup

- Reinforz AI



11-15

Cover Story

**The Next Level of Financial Inclusion:
Entering the Digital Banking Era**

The dream of creating a cashless economy has taken another gigantic step with the formulation of 'Guidelines to Establish Digital Bank' by Bangladesh Bank to help guide opening up digital banks in the financial systems of the country. With the deadline extension for applications for digital banks, several financial institutions have entered the fray and lined up to make headway towards digitising banking services and bringing the unbanked population under the banked population umbrella. Digital banking refers to the execution of all online activities pertaining to conventional banks, with the head office being the only physical presence of that particular financial institution. Services, including payments, transfers, savings, credits, insurance, and even securities, are all predicted to go online, offering competitive fees and favourable interest rates for borrowers. The increasing adoption of Mobile Financial Services (MFS) and internet banking services is a promising blueprint for the potential of digital banks' success. With 47% of the population in Bangladesh remaining unbanked, digital banks can help foster financial inclusion and are expected to play a pivotal role in serving the unserved and underserved population.



16-18

Expert Opinion on
Cover Story

- Syed Ibrahim Saajid
Vice President and Head of
Citytouch Digital Banking,
The City Bank Ltd.
-

19-22

Exclusive Feature

- **Tales of Beans: The Rising
Coffee Craze in Bangladesh**
-

29-31

Womentrepreneur

- ShareTrip
-

32-38

Capital Market Review



The Next Level of Financial Inclusion: Entering the Digital Banking Era

A revolution in the financial services industry of Bangladesh is in the offing with every passing day, with several banks, MFS, and telecom companies gearing up to invest in digital banks through both individual investments and a consortium. The extension of the digital banking application deadline has prompted almost 20% of the traditional banks in Bangladesh to apply for a digital banking licence in a bid to increase their market penetration and bring the unbanked population under the banking umbrella. With an unbanked population of 47% in Bangladesh, digital banks hold the key to enhancing financial inclusion and extending digital banking services to the underserved and unserved population.

The rapid adoption of MFS and internet banking services has laid the groundwork for digital banks to potentially thrive, as evident by the MFS transactions, which registered a year-on-year growth of 19.5% for April 2023 relative to April 2022. The ease of availing MFS services facilitated the financial inclusion of the unbanked demographic, which mostly

consisted of low-income households. The unserved and underserved populations were the biggest beneficiaries of such services, owing to convenience, cost and time savings.

Undeniably, the exponential adoption of MFS among low-income households in the last decade serves as evidence for the potential success of digital banking services. These services can effectively replace conventional banking services, which could lead to more competitive rates and reduced operating costs. This, in turn, can help create a conducive business environment for both banked and unbanked communities where digital banks can accelerate financial inclusion and economic growth of Bangladesh with the vision of bringing the majority of the population under a cashless economy.

Md. Shah Jalal

Editor

IDLC Monthly Business Review

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: akhlaqur@idlc.com

SYED MD. RAKEEN

Email: rakeen@idlc.com

MD. MUNTASIR SAKIB

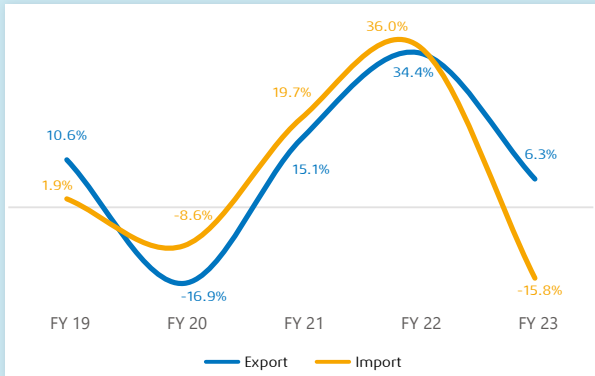
Email: smuntasir@idlc.com

ECONOMY AT A GLANCE

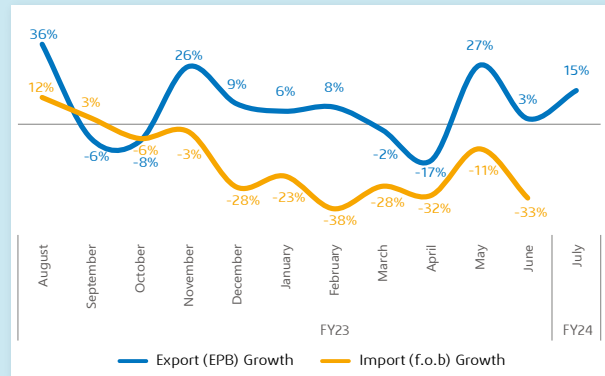
Prepared by IDLCSL Research Team

EXPORT-IMPORT

Growth in Export-Import Trade (Last 5 Years)

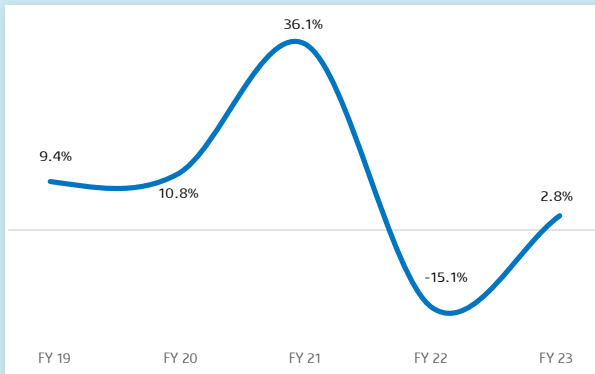


Export and Import Growth (Last 12 Months)

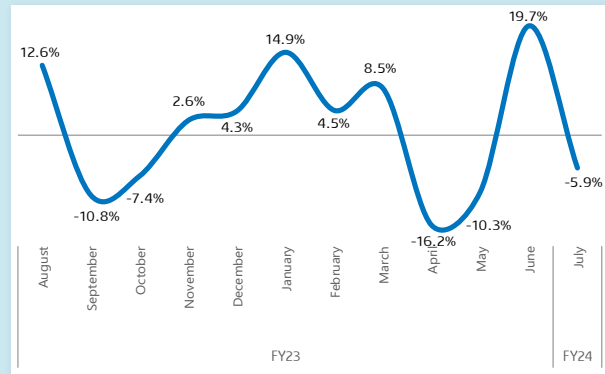


REMITTANCE

Remittance Growth (Last 5 Years)



Remittance Growth (Last 12 Months)

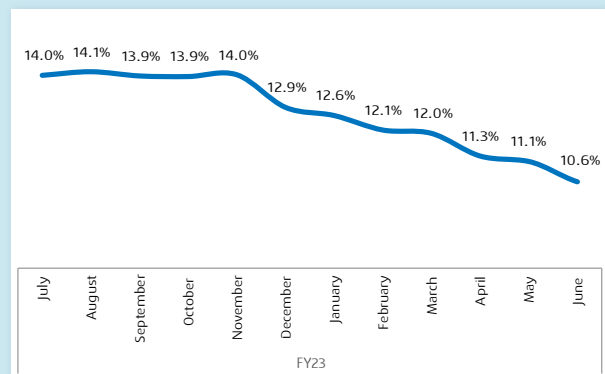


PRIVATE SECTOR CREDIT GROWTH

Private Sector Credit Growth (Last 5 Years)



Private Sector Credit Growth (Last 12 Months)



● **The Asian Development Bank (ADB) kept its growth projection of Bangladesh's Gross Domestic Product (GDP) unchanged at 6.5%** for the fiscal year 2023–24 owing to high domestic demand coupled with a favourable trend in fuel and food prices.

● As per a circular published on July 16, 2023, Bangladesh Bank has increased the digital refinance scheme from **BDT 100 crore to BDT 500 crore with the intention of making the digital nano loan widely available for marginalised people.**

● **The country's gross foreign exchange reserves have decreased by USD 6.44 billion, leaving a total reserve of USD 23.56 billion,** according to the most recent calculation of reserves made by the Bangladesh Bank and published on July 13, 2023. This calculation is aligned with the Balance of Payments and International Investment Position Manual (BPM6) formula recommended by the International Monetary Fund (IMF).

● As per the data of the Export Promotion Bureau (EPB), RMG exports to non-traditional markets registered 31.38% YoY growth, **reaching USD 8.37 billion in FY2022-23, compared to USD 6.37 billion in FY2021-22. The non-traditional markets accounted for 17.82% of the total RMG export earnings.**

● **Internet banking hit a record number of transactions worth nearly BDT 50,000 crore in May 2023,** indicating a surge in preference for time savings, cost reduction, and convenience as opposed to conducting transactions conventionally through brick-and-mortar branches.

● The paper and allied industries have flourished in international markets in the recently concluded fiscal year, registering over **84% YoY growth in export earnings from heavily used merchandise.**

● **At a press conference held on July 12, 2023, the Ministry of Commerce announced an export target of USD 72 billion, with 11.52% growth expected in FY2023–24 over FY2022–23.** Export targets have been fixed at USD 62 billion for goods, while USD 10 billion has been put aside for the service sector.

● **Secured Transactions (Movable Property) Bill 2023 was placed in parliament on June 20, 2023.** This will allow movable assets like vehicles, machinery, furniture, electronic appliances, software, agricultural products, etc. to act as collateral for loans.

● **The weighted average rate on deposits offered by banks reached 4.41% in May 2023, which was the highest in the previous twelve months.** The interest rate on deposits is being raised by the banks to invite more depositors and strengthen the liquidity position amidst growing fears of fewer deposits due to high inflation.

● As per the circular of the central bank published on July 26, 2023, banks and financial institutions are advised to offer the **1% interest rate incentive to women entrepreneurs upon the renewal of their cash credits and overdrafts within the specified period.**

● For the Record

NOW WE SHOULD FOCUS ON NON-TRADITIONAL MARKETS AS BUYERS AND BRANDS ARE ALSO INTERESTED IN INCREASING BUSINESS WITH BANGLADESH. WE HAVE TAKEN SEVERAL INITIATIVES FOR THE TARGET COUNTRIES LIKE JAPAN, AUSTRALIA, KOREA, INDIA, THE MIDDLE EAST AND THE AFRICAN CONTINENT. WE ARE CONDUCTING RESEARCH ON THEIR CLOTHING TRENDS AND DEMANDS. MOREOVER, TO BOOST EXPORTS, WE ARE PLANNING TO ORGANIZE MULTIPLE ROADSHOWS IN THESE MARKETS.

Faruque Hassan, President of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), on the diversification of RMG exports to non-traditional markets. (July 19, 2023. Dhaka Tribune.)

Efficient financial resource allocation with an effective banking sector would help accelerate the recovery and restore the robust growth momentum. Addressing financial sector vulnerabilities, particularly NPLs in state-owned commercial banks (SOCBs), and to increase private sector credit allocation remain a priority.

Krishna Srinivasan, IMF Director for the Asia and Pacific Department (APD), on Bangladesh requiring a more efficient financial sector to enhance credit allocation. (July 26, 2023. The Business Standard.)

The government should facilitate the private sector to widen and diversify the pharmaceutical market through offering more policy and fiscal support with the aim of boosting the country's overall foreign-exchange earnings.

Dr Arifur Rahman, Market Analyst and Honorary Fellow at K2W Communications & Research, on Bangladesh's huge potential to expand its pharmaceuticals market to Southeast Asian, African, CIA, Central Asian and Latin American countries. (July 27, 2023. The Financial Express.)

We have a target to grab a significant share of the global market. We hope the higher growth trend will be going on in the coming days and will facilitate fulfilling our target. If the government extends its policy and some fiscal supports to the local paper industry, we will be able to achieve our targets.

Nawsherul Alam, General Secretary at Bangladesh Paper Mills Association (BPMA), on viewing the paper-allied industries as a potential area for major exports. (July 15, 2023. The Financial Express.)

We are very pleased to take this collaboration with BSEC forward with the overall goal of supporting Bangladesh in mobilising new finance to advance Agenda 2030 and Bangladesh's climate change-related aspirations and commitments.

Stefan Liller, Bangladesh Resident Representative at UNDP, on pairing with Bangladesh Securities and Exchange Commission (BSEC) to develop SDG thematic bonds. (July 03, 2023. The Financial Express.)

We are promoting digital transactions and banks are also showing interest as going electronic is cheaper than conducting transactions through ATMs. Many banks did not have any mobile app. Now more than 40 banks have apps to facilitate customers in carrying out banking digitally.

Md Mezbaul Haque, Executive Director at Bangladesh Bank, on internet banking transactions reaching nearly BDT 50,000 crore. (Jul 18, 2023. The Daily Star.)

The biggest change that will come in the mobile financial services sector is digital payments. As we have reviewed, people are gradually getting used to making digital payments. They are now making payments through mobile financial services like bKash instead of paying in cash. We can see a big jump here in a year.

Shamsuddin Haider Dalim, Head of Corporate Communications at bKash, on MFS transactions exceeding BDT 1 lakh crore for 3 consecutive months. (12 July, 2023. The Business Standard.)

There is a significant population that lacks land or immovable property, such as houses, to offer as collateral. By enabling loans to be secured against movable property, new pathways for financial inclusion can be established.

Dr. Zahid Hussain, Former Lead Economist at World Bank, on the acceptance of movable assets as collaterals to increase financial inclusion. (06 July, 2023. The Business Standard.)

Safe migration and sustainable reintegration directly contribute to improving people's lives, as well as supporting Bangladesh's economic growth. The work done by the government, the EU and partners in Prottasha I in ensuring timely and holistic access to services and improving migration governance returned real impact for returnee migrants and their communities.

Asif Saleh, Executive Director at BRAC, on the European Union granting EUR 20 million for migration and reintegration in Bangladesh. (July 30, 2023. The Business Post.)

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 Market							
Sri Lanka	75.30	-8.66	6.30	July-23	-1.94	14.03	323.47
Vietnam	406.45	8.02	2.06	July-23	-0.88	2.52	23,735.00
Kenya	115.99	5.37	7.30	July-23	-4.72	15.92	143.15
Nigeria	477.38	3.25	22.79	June-23	-0.72	13.22	786.15
Bangladesh	453.85	6.03	9.69	July-23	-0.70	8.91	109.50
Emerging Markets							
Brazil	1,924.13	2.90	3.16	June-23	-2.91	10.87	4.90
Saudi Arabia	1,108.15	8.74	2.70	June-23	13.79	N/A	3.75
India	3,386.40	6.83	4.81	June-23	-2.61	7.18	82.79
Indonesia	1,318.81	5.31	3.08	July-23	1.00	6.44	15,224.00
Malaysia	407.92	8.69	2.40	June-23	2.64	3.92	4.57
Philippines	404.26	7.60	4.70	July-23	-4.41	6.66	56.23
Turkey	905.53	5.57	47.83	July-23	-5.38	17.65	27.02
Thailand	536.16	2.64	0.38	July-23	-3.26	2.58	34.96
China	18,100.04	2.99	0.00	June-23	2.31	2.67	7.21
Russia	2,215.29	-2.05	3.20	June-23	10.27	11.61	95.58
Developed Markets							
France	2,784.02	2.61	4.30	July-23	-1.71	3.07	0.91
Germany	4,075.40	1.78	6.17	July-23	4.20	2.51	0.91
Italy	2,012.01	3.68	6.02	July-23	-0.73	4.20	0.91
Spain	1,400.52	5.48	2.30	July-23	1.06	3.57	0.91
Hong Kong	360.98	-3.51	1.90	June-23	10.73	3.95	7.81
Singapore	466.79	3.65	4.50	June-23	19.33	3.05	1.34
United States	25,464.48	2.07	3.00	June-23	-3.64	4.02	1.00
Denmark	390.68	3.62	2.50	June-23	12.82	2.84	6.77
Netherlands	993.68	4.52	4.60	July-23	5.49	2.87	0.91
Australia	1,701.89	3.66	6.00	June-23	1.20	4.03	1.53
Switzerland	807.23	1.70	1.60	July-23	9.84	1.03	0.87
United Kingdom	3,070.60	4.05	7.90	June-23	-5.55	4.49	0.78

Bangladesh Data: The new GDP size (FY23) is as per the provisional estimate of Bangladesh Bureau of Statistics and real GDP growth (FY23) 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 July 2023 and Currency Unit (per USD) as per 2nd August 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)

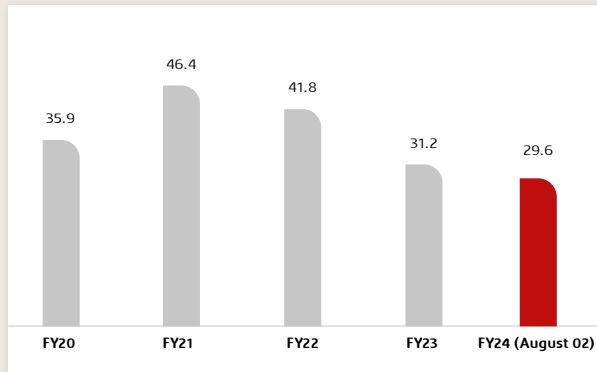
Inflation : Data of all countries apart from Bangladesh is sourced from tradingeconomics.com

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

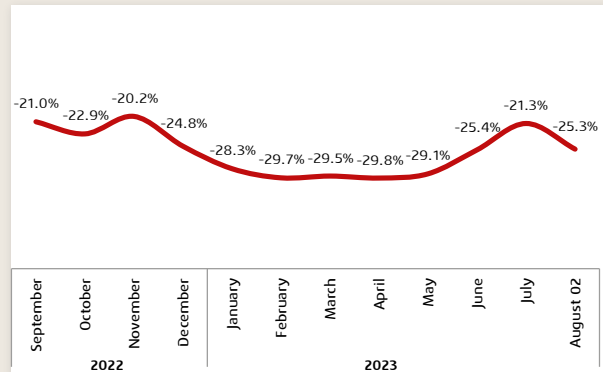
BANKING DATA CORNER

Prepared by IDLCSL Research Team

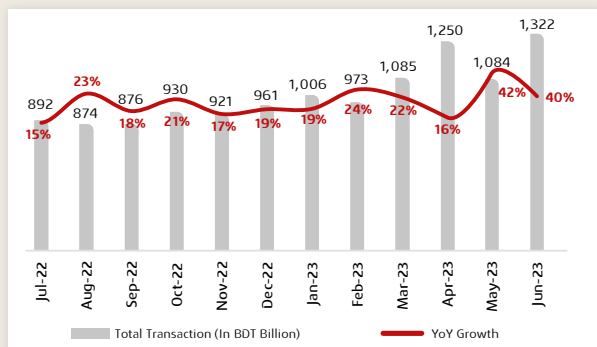
Foreign Exchange Reserve
(In USD Billion and Last 5 Years)



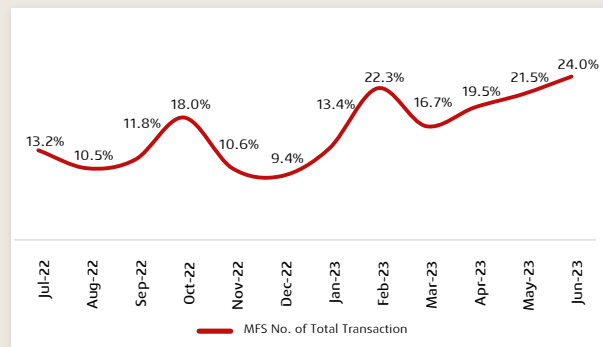
Foreign Exchange Reserve
(Last 12 Months Trend)



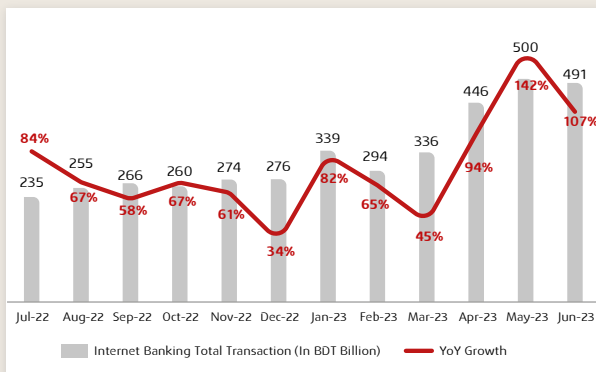
MFS Monthly Transaction
(BDT Billion and YoY Growth)



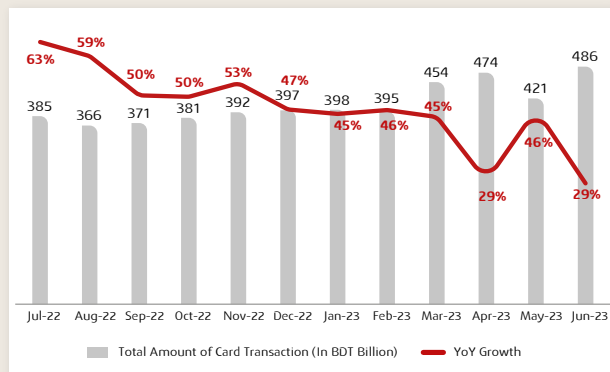
MFS No. of Total Transaction
(YoY Growth)



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



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



Source: Bangladesh Bank

Reinforz AI



Yaseen Nur

Co-Founder and CTO, Reinforz AI

Interviewed By

Syed Md. Rakeen, Team MBR

As the co-founder and Chief Technology Officer (CTO) of Reinforz AI, Yaseen Nur's journey has been rooted in full-stack development and AI engineering. He has had the privilege of serving as a remote software engineer for esteemed companies across Singapore, the USA, and the UK. Currently, he is in the final semester of his Computer Science degree at BRAC University, adding a formal academic foundation to his practical experience in the software industry. Team MBR was in conversation with Mr. Yaseen Nur to learn about Reinforz AI and its role in the automation of academic tasks.

Syed Md. Rakeen: The EdTech industry has experienced a meteoric rise in the last decade, with more and more startups emerging in this sector. Would you kindly share your inspiration behind building an AI-powered EdTech learning platform?

Yaseen Nur: Our personal experiences as students and educators shaped our journey into the EdTech realm. As students, we consistently needed more comprehensive practice materials when preparing for exams. Even when we did find questions, receiving timely and constructive feedback was a challenge unless we sought the help of a teacher or engaged a private tutor.

Later, as we transitioned into roles as home tutors and coaching centre educators, we witnessed firsthand the intricate challenges of crafting test questions and the time-consuming nature of grading student answers. During our time in university,

we recognised AI's potential to bridge these gaps. This realisation became the catalyst for our AI-powered EdTech learning platform, designed to streamline the educational experience for both learners and educators.

Syed Md. Rakeen: Reinforz AI is a cross between EdTech and AI designed to facilitate learning by automating academic tasks for both students and teachers. Would you kindly share the features of your platform, along with its pricing models and subscriptions?



Yaseen Nur: Reinforz AI is an innovative platform at the intersection of EdTech and AI, designed to provide customised

solutions for educators and students. Our platform boasts a myriad of features that cater to a wide spectrum of academic needs. Our key features are as follows:

Question Generation: This tool is at the heart of our platform. Users can effortlessly generate questions from a variety of sources, be it a textual passage from a book, uploads in formats like PDF or DOCX, or even YouTube videos. Impressively, we support content generation in 50+ languages.

Interactive Examinations: Once you have curated your questions, you can simulate an exam environment. This allows users to gauge their strengths and areas for improvement. Coupled with our 'replay' feature, students can revisit questions, reinforcing their understanding and mastery of topics.

Community Engagement: We have fostered a community-driven approach. Users can invite peers to attempt their quizzes, vie for top positions on leaderboards, and even explore quizzes curated by fellow learners.

Auto-Grading: In our pipeline is an exciting feature that uses AI to automatically grade subjective answers. This promises to reduce the manual effort for educators and provide timely feedback to students.

Our commitment is to offer premium features at an accessible price point. We currently offer a singular pricing tier at \$12/month for a yearly plan and \$15/month for a monthly plan. Recognising the unique needs of different markets, we are in the process of introducing tailored pricing for our Bangladeshi audience.

Syed Md. Rakeen: Generally, EdTech platforms are more inclined towards catering to the needs of B2C customers as opposed to B2B customers. Would you kindly specify the current and future target markets for Reinforz AI?

Yaseen Nur: Reinforz AI is gearing up for its B2C launch, with the target release date set for September 1. While our initial focus is on individual consumers, we are expanding our vision beyond just the B2C sector. Post-launch, we are poised to explore the B2B landscape as well. We have already initiated conversations with several institutions and businesses to understand how

Reinforz AI can address their unique challenges and requirements.

Syed Md. Rakeen: Exams, assignments, and quizzes vary depending on the different educational levels and subjects. How does Reinforz AI design personalised questionnaires depending on the diverse range of educational curriculum, levels, and subjects?

Yaseen Nur: Currently, we are not following any particular curriculum and are a more generic platform where educators and learners can generate questions. We are in a more distributed market where each educator and learner might have preferences. But we do have plans to allow the educators to generate assessments catered to their curriculum of choice, whether primary, high school, college, or university.

Syed Md. Rakeen: The quality of questions generated can be enhanced by vetting by subject matter experts and experienced teachers or faculty members. Have you collaborated with any experienced teachers or subject-matter experts to ensure the appropriateness of the questions generated?

Yaseen Nur: Absolutely. Ensuring the quality of the questions generated is paramount to us. To that end, we have collaborated with seasoned educators domestically and internationally. We invite them to engage with our platform with the specific aim of garnering their invaluable feedback. This feedback loop is integral to refining Reinforz AI before its official launch.

Syed Md. Rakeen: Reinforz AI possesses the ability to revolutionise the future of standardised testing and assessment in schools, universities, and job placement centres. Do you plan to partner with educational institutions given the sheer volume of questions needed during exams, quizzes, and assignments by the aforementioned institutions?

Yaseen Nur: Most definitely. While our immediate goal post-launch is to cater to the B2C market, we are keenly aware of the transformative potential of Reinforz AI for educational institutions. Our vision extends to partnering with schools, universities, colleges, coaching centres, and

other learning entities. The capacity of Reinforz AI to assist these institutions in generating vast amounts of quality questions for exams, quizzes, and assignments is a compelling proposition. We have already been approached by several institutions expressing interest in leveraging our platform for their benefit.

Syed Md. Rakeen: Reinforz AI has already made waves by garnering interest from students at different universities. Have you gone on any fund-raising rounds for Reinforz AI till now? If not, are you planning to raise funds in the near future?

Yaseen Nur: Reinforz AI has been developed with a bootstrapped approach. Since we are software engineers, we had the advantage of building the platform from the ground up, significantly reducing our costs. As a result, we could bootstrap the startup, reducing our financial burn rate. While we have yet to initiate any fundraising rounds to

date, we are certainly considering it as a strategic move for the near future.

Syed Md. Rakeen: As per a report by UNESCO, the global market size for AI in education is expected to reach USD 6 billion by 2024. Do you plan to take your services global and include foreign investors in the mix?

Yaseen Nur: Certainly. From its inception, we designed Reinforz AI with a global audience in mind. About 65% of our current user base hails from countries outside of Bangladesh. Our vision extends beyond being successful. We aim for Reinforz AI to firmly place Bangladesh's name on the global startup map. As we look to the future, we are certainly open to collaborating with foreign investors and venture capitalists during our upcoming fundraising rounds. We aspire to become the first unicorn from Bangladesh with a significant international client base, and our strategies are directly aligned with this vision.



The Next Level of Financial Inclusion:

Entering the Digital Banking Era

Written By
Syed Md. Rakeen



The dream of creating a cashless economy has taken another gigantic step with the formulation of 'Guidelines to Establish Digital Bank' by Bangladesh Bank to help guide opening up digital banks in the financial systems of the country. With the deadline extension for applications for digital banks, several financial institutions have entered the fray and lined up to make headway towards digitising banking services and bringing the unbanked population under the banked population umbrella. Digital banking refers to the execution of all online activities pertaining to conventional banks, with the head office being the only physical presence of that particular financial institution. Services, including payments, transfers, savings, credits, insurance, and even securities, are all predicted to go online, offering competitive fees and favourable interest rates for borrowers. The increasing adoption of Mobile Financial Services (MFS) and internet banking services is a promising blueprint for the potential of digital banks' success. With 47% of the population in Bangladesh remaining unbanked, digital banks can help foster financial inclusion and are expected to play a pivotal role in serving the unserved and underserved population.

The Global Landscape of Digital Banks

COVID-19 acted as a catalyst for the increasing adoption of digital banking services, with banks of different sizes experiencing a massive spike in digital transactions. Wells Fargo, an American multinational financial services company operating in 35 countries and serving over 70 million customers worldwide, oversaw a 35% increase in remote check deposits and a mammoth 50% growth in online wire transfers during the pandemic, as per a report by Deloitte. According to Statista, a leading statistics portal based in Germany, India registered the highest

number of digital banking users globally in 2022, with an incredible 295.5 million users, over 70 million more than the US, which sat second on the list. Germany ranked first among the European countries with 51.4 million digital banking users. So far, digital financial services have been successfully implemented in over 80 nations, achieving significant levels of adoption and utilisation. Consequently, many previously marginalised and neglected individuals from low-income backgrounds are transitioning from relying solely on cash-based transactions to engaging with formal financial services.

Eligibility to Establish Digital Banks

Bangladesh Bank has put forward guidelines to set the minimum capital requirement for a digital bank at BDT 125 crore, while for conventional banks, it has been set at BDT 500 crore. As per the guidelines, an individual sponsor of a digital bank is required to hold at least BDT 50 lakhs in shares. Some important features of digital banks include the use of agents of traditional banks or MFS providers as well as the existing ATM, CDM, and CRM networks to facilitate transactions. They are allowed to offer innovative payment solutions such as virtual cards, QR codes, or other technologically advanced products to streamline customer transactions. They will refrain from offering over-the-counter (OTC) services and will not possess any physical branches, sub-branches, windows, agents, automated teller machines (ATMs), cash deposit machines (CDMs), or cash recycling machines (CRMs) under their ownership. Automated artificial intelligence (AI)-driven dispute resolution mechanisms will be there to resolve everyday disputes arising from transactions. They will implement AI-based credit scoring systems to extend loans to various sectors.

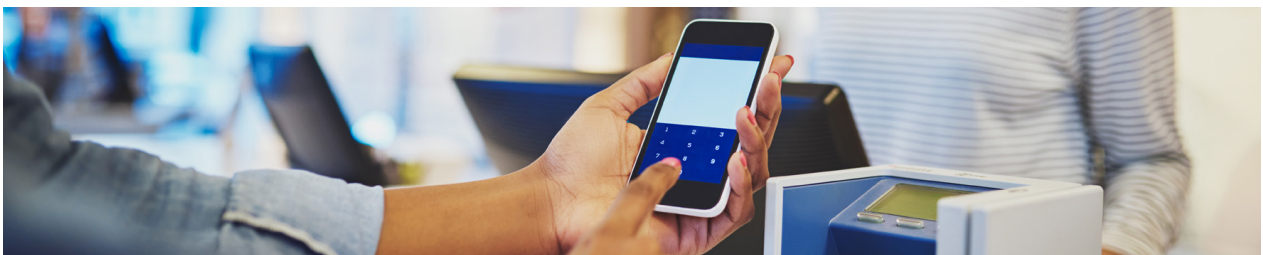
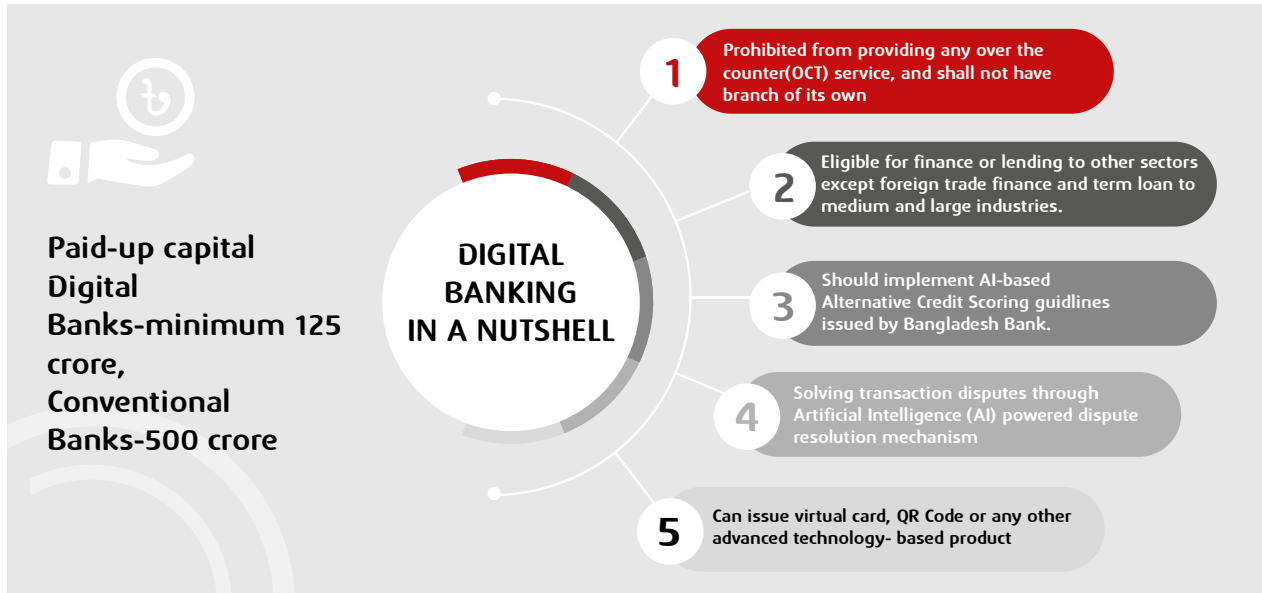


Figure 1: Certain Features of Digital Banks as Per Bangladesh Bank's Guidelines



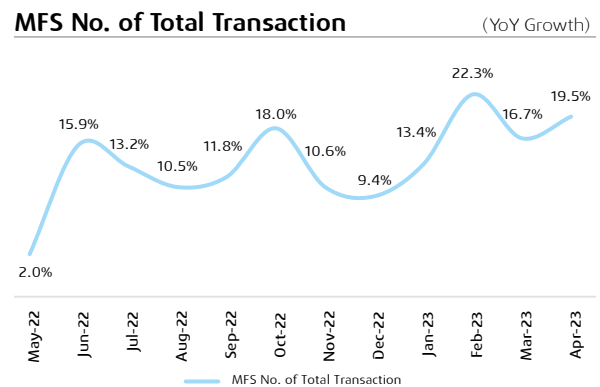
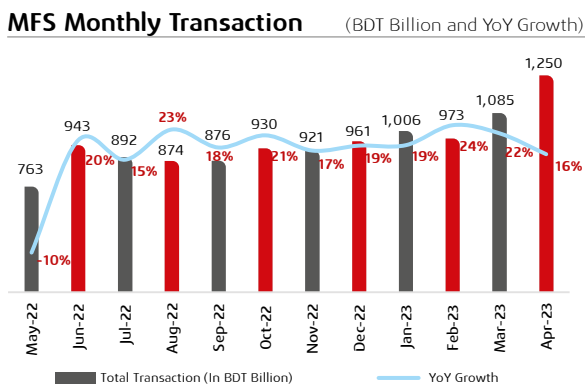
Source: Guidelines of the Bangladesh Bank

Digital Banking Services in Bangladesh

The availability of smartphones and MFS have acted as the most significant enablers of digital banking services in Bangladesh. This has altered the landscape by facilitating the integration of previously excluded and underserved demographics, particularly those from low-income households, into financial services. The introduction of bKash in Bangladesh has radically transformed how people transfer money and reshaped conventional forms of fund transfers.

Numerous banks followed suit with their digital banking services, facilitating transactions and speeding up the transfer of funds. The latest report by Bangladesh Bank stated that the daily average transactions of Mobile Financial Services (MFS) exceeded BDT 32 billion, and the figures indicate a growing trend, with MFS transactions registering a year-on-year growth of 19.5% in April 2023 compared to April 2022. Internet banking transactions registered a year-on-year increase of 16% in April 2023.

Figure 2: MFS Monthly Transactions and Total Transactions



Source: Bangladesh Bank

A recent uprising of fintech startups has led to the arrival of numerous digital banking services in Bangladesh in a bid to seize at least a small piece of the massive untapped market.

Promoting Financial Inclusion through Digital Banking

While the widespread adoption of branch banking, agent banking, and MFS has significantly enhanced economic activities, a large population remains unbanked due to the lower internet penetration rate in Bangladesh, which is currently only 38.9%, as reported by Datareportal. Data from the World Bank revealed that only 53% of the individuals in Bangladesh are part of the formal financial infrastructure. Taking bank accounts and credit cards only into account, the figure stands at around 20%, while the rest belong to MFS. Through digital financial inclusion, Bangladesh can mitigate expenses and vulnerabilities associated with cash-based transactions, including but not limited to losses, thefts, and various financial crimes. The transition from mere account access to active account utilisation represents the subsequent phase for economies where a significant portion of the populace possesses accounts. This phenomenon is observed in countries such as China, Kenya, India, and Thailand, among various others. The economic growth of these nations was driven by implementing reforms, fostering private sector innovation, and promoting the accessibility of affordable accounts, such as mobile and digitally-enabled payment options.

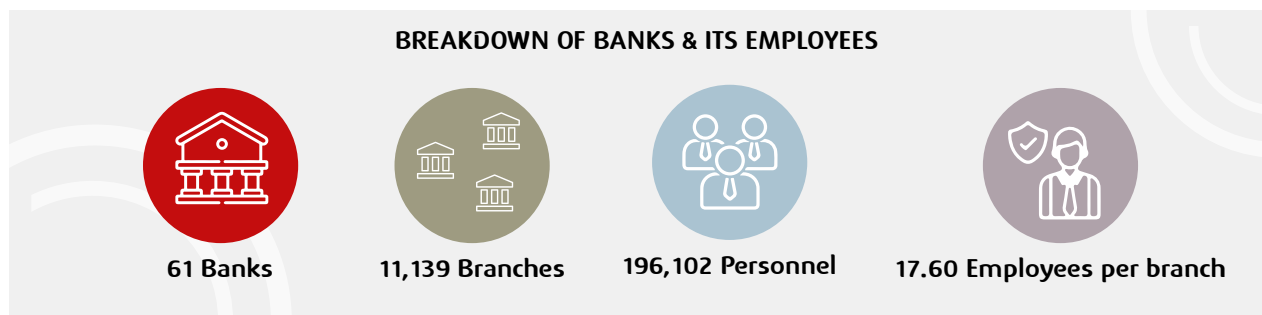
Besides, the United Nations Sustainable Development Goals (SDGs) identify and the World

Bank (WB) confirm financial inclusion as a key driver of a country's sustainable economic growth as it ensures access to useful and affordable financial products and services for individual and organisational entities in the form of transactions, payments, savings, credits, and insurances.

Potential Entrants to the Digital Bank Ecosystem

Upon the introduction of digital banking policy guidelines by the central bank, approximately 20% of traditional banks in Bangladesh are poised to establish digital banks in order to enhance their market penetration across the entire nation, effectively attracting and retaining technologically inclined customers without the need for physical infrastructure. A total of 10 banks have formed a coalition of strategic initiatives to form a consortium named Digi10 Bank PLC, while Bank Asia and Brac Bank have expressed their interest in becoming sponsors for two digital banks. Out of the 10 banks, The City Bank, Eastern Bank, Mutual Trust Bank, Mercantile Bank, National Credit and Commerce Bank, and Pubali Bank are planning to allocate capital towards the establishment of a digital bank. Additionally, Dutch-Bangla Bank and Trust Bank are expected to join this consortium. Moreover, bKash, Nagad, and Banglalink are also preparing to launch digital banks, with their applications for digital banks looming large with every passing day.

Figure 3: Total Number of Banks and Their Employees in Bangladesh



Source: The Business Standard

Bringing CMSMEs under the Banking Umbrella

Within traditional banking, around 6.94 million enterprises can be classified as unbanked or

underbanked. Based on the Financial Stability Report 2022 released by the Bangladesh Bank, the net outstanding investment in the CMSME sector of both the Banks' and NBFIs' amounted to BDT

2,093.92 billion as of June 2021, in comparison to the total outstanding advances of BDT 11,514.71 billion. This figure represents 18.18% of the total outstanding financing that banks and NBFIs have allocated to the CMSME sectors. The impending arrival of digital banks can bring forward changes that can foster financial inclusion for the underserved and unserved populations, and its successes can translate to the flourishing of financial institutions, which, in turn, can increase economic activities in Bangladesh.

Leapfrogging through Challenges for Financial Inclusion

Despite the immense prospects of digital banking, it comes with a lot of challenges for both banked and unbanked populations. The digital literacy of Bangladesh remains significantly low, and it may be proven to be a barrier to exploiting the full potential of digital banks. But the upward trajectory of digital literacy among individuals is currently experiencing a notable expansion. The insufficiency of digital infrastructure constitutes an additional detrimental factor in this particular instance. A robust internet connection is a prerequisite for facilitating seamless digital transactions. In order to facilitate the transition towards a cashless or digital society, the cost of producing digital products such as smartphones must be reduced to foster financial inclusion.

The declining proportion of conventional banks can threaten the employment of currently employed and aspirant bankers. Traditional banks incur higher operating costs due to their need to maintain physical branches and employ a substantial workforce. Conversely, digital banks typically enjoy lower overhead expenses, potentially enabling them to offer more competitive fees and superior interest rates. Furthermore, digital banking customers can acquire virtual debit cards, which are a secure and convenient means for engaging in e-commerce transactions. Digital banking institutions can offer numerous personal loan services by harnessing technological advancements to optimise loan approval and disbursement procedures.

However, even with the convenience of self-service options, many customers may place importance on personalised interactions and seek guidance from physical confrontation when dealing with intricate financial decisions. In that case, conventional bank employees can play an advisory role by engaging in the tasks of cultivating and sustaining customer relationships, providing personalised financial guidance, and facilitating complex transactions.

Over time, the banking industry in Bangladesh has undergone significant changes as a result of new technologies and innovations. Although the widespread adoption of traditional banks is still visible, digital banks are expected to make up the ground and can gradually push conventional banking towards obsolescence by presenting customers with a more convenient and accessible banking alternative. Additionally, serving the unbanked population can experience a much-needed boost owing to the convenience, time savings, and cost savings of availing the services of digital banks. In the grand scheme of things, bringing the unbanked population under the banking umbrella can lead to flourishing economic growth amidst economic uncertainties. By implementing various economic instruments such as credit guarantees, first-loss capital, tax incentives, or refinancing schemes, the government can effectively introduce incentivization mechanisms within targeted sectors. This approach entails accessing sectors with the aim of mobilising supplementary capital, such as health, climate, education, food security, alternative energy, and circularity. Additionally, it involves facilitating financial accessibility for underserved enterprises and communities. The establishment of a fund of funds aimed at providing financial support to micro-entrepreneurs and underserved communities, coupled with the development of a standardised verification and monitoring system for these investments, will contribute positively to the overall trajectory of financial inclusion and make giant strides towards a 'Smart Bangladesh'.



Syed Ibrahim Saajid

Vice President and Head of Citytouch Digital Banking,
The City Bank Ltd.

Interviewed By

Akhlaqur Rahman Sachee, Team MBR

Syed Ibrahim Saajid is a tech-savvy banker with over 10 years of experience stretched across the telecom, fintech, and banking industries. He is a graduate of the Institute of Business Administration, University of Dhaka, and Cranfield University, and is currently working as the Vice President and Head of Citytouch Digital Banking at City Bank. He is passionate about public speaking and helping young professionals grow in their careers. Team MBR was in conversation with Mr. Syed Ibrahim Saajid and was fortunate enough to receive his take on the prospects of digital banks in Bangladesh.

Akhlaqur Rahman Sachee: The banking sector of Bangladesh is entering a new era with the introduction of digital banks, which will not require any physical branches to operate. Would you kindly share with us the changes you are expecting to take place in the banking landscape of the country with this revolutionary step?

Syed Ibrahim Saajid: This monumental and timely decision from Bangladesh Bank will take our banking industry miles ahead in terms of the 'Smart Bangladesh' vision of the government. This will ensure that banking services will become very convenient for general customers and that a significant portion of the unbanked population will come under the banking umbrella. Interestingly, now even conventional banks will have to digitalize all their services in order to stay competitive with the newly launched fully digital banks.

Akhlaqur Rahman Sachee: The funds that banks lend out are mostly collected from the market in the form of deposits, and the trust of depositors plays a big role here. Do you think that digital banks will be able to collect deposits smoothly without having any physical existence, which may create difficulties in gaining the trust of the depositors?

Syed Ibrahim Saajid: I believe the consumer trust factor will not be an issue for digital banks. Bangladeshi customers have been doing mobile banking through MFS companies for over a decade now. There are over 10 crore MFS account holders in the country, meaning they are doing financial transactions mostly digitally and without any significant physical presence like a branch, ATM, etc. Besides, major retail banks have also increased their digital banking capabilities in recent years, resulting in more and more customers adopting internet-based banking. For example, Citytouch, the digital banking platform of The City Bank, has

over 5 lakhs customers and handles more than BDT 200 crore worth of transactions every day. So, I believe that customers are quite used to experiencing financial transactions digitally, and the trust factor will not be an issue here.

Akhlaqur Rahman Sachee: Account ownership in Bangladesh, a major indicator of financial inclusion, now stands at 53% as per The Global Findex Database 2021, which is far behind the neighbouring country of India (78%). What role do you expect the upcoming digital banks to play to ensure better financial inclusion?

Syed Ibrahim Saajid: As I said above, digital banks will make banking services extremely convenient for customers. Currently, the Bangladeshi digital financial landscape does not offer a full-fledged digital user experience to customers. For example, banks still require customers to visit their branches for certain account maintenance and other services, which requires time and costs from the customer. On the other hand, MFS operators cannot offer the full suite of banking services as they have limitations in their licence. Now, the new digital banks will have the mandate to offer full-fledged banking services while being totally digital. So, now that 53% number is definitely going to increase to a great extent.

Akhlaqur Rahman Sachee: Digital banks will implement AI-driven credit scoring systems in the loan disbursement process. Would you kindly share your thoughts on the readiness of the market to implement such systems, considering credit assessment in Bangladesh involves numerous subjective factors alongside objective ones?

Syed Ibrahim Saajid: Well, there are already a few AI-driven credit scoring-based loan products in the market. The City Bank and bKash have been offering digital nano loans up to BDT 20,000 to customers for over 1.5 years now and have already disbursed over BDT 200 crore through this product. Other banks are also coming up with similar product propositions. However, I do agree that there is a shortage of skilled human

resources in Bangladesh in regards to machine learning and AI development. So, initially, there might be dependence on international service providers for this part. But with many digital banks coming and creating job opportunities in this sector, I believe more and more bright young talents will be motivated to learn and practise these skills to become prepared for the industry requirements.

Akhlaqur Rahman Sachee: The NPL ratio of the overall banking sector stood at approximately 9% by the end of June 2022, as per the Annual Report 2021-2022 of Bangladesh Bank, which clearly indicates the necessity for enhanced monitoring. As digital banks will not have branch operations, what suggestions do you have for digital banks to address this issue?

Syed Ibrahim Saajid: If you look more closely at the NPL situation in the country, you will see that it is primarily caused by the defaults of large corporate borrowers. Small retail loans typically do not have a high NPL ratio. Also, if you look at the microfinance industry, it also enjoys a much lower default rate. So, I believe NPL would not be a major concern for digital banks, as long as the AI-based credit scoring is done with the proper algorithms and with experienced resources.

Akhlaqur Rahman Sachee: The banking sector of Bangladesh is often called oversaturated, with 61 scheduled banks operating in the country. Do you think that the entry of digital banks into this sector will make it even more crowded, which may promote unhealthy competition?

Syed Ibrahim Saajid: Bangladesh still has a huge unbanked population, and the primary vision with digital banks is to bring these unbanked masses under the banking umbrella. So, I believe the primary target segments of conventional and digital banks would be different, and both types of organisations can operate within their own niche.

Akhlaqur Rahman Sachee: The banking sector has created nearly 200,000 employment

opportunities in Bangladesh, and the requirement for human resources will surely decline with the introduction of digital banks. What skills do aspirant bankers need to equip themselves with so that their skillsets remain relevant to the changing employment scenario?

Syed Ibrahim Saajid: Be it a digital bank or a conventional bank, students and young professionals who are aspiring to become bankers must level up their skillset. The banking industry of today's world demands more tech-savvy and digitally native human resources. Technical resources must have a good grasp of machine learning, artificial intelligence, data-driven automation, IoT, etc. At the same time, soft skills like problem-solving, critical thinking, and emotional intelligence will be key differentiators across all divisions of the bank.

Akhlaqur Rahman Sachee: Digital banks will have some limitations, such as not being able to offer foreign trade finance, term loans to medium and large industries, and so on. Do you think that the guidelines are adequate to ensure the sustainable

growth of the upcoming digital banks? Is there any other concern to be addressed?

Syed Ibrahim Saajid: Globally, digital banks are primarily focused on retail banking. Similarly, policymakers expect this new industry to mainly serve retail customers, especially the unbanked population. So, the guidelines are quite adequate in terms of the range of products and services that digital banks can offer. However, some critical factors need further clarity and elaboration from the central bank. For example, it is mentioned that digital banks cannot have their own physical channels. To date, no country in the world has been able to become 100% cashless. That means digital banks will eventually depend on other organisations like conventional banks, telecoms, or MFS operators for cash conversion purposes. This is where a clear guideline is required regarding who can be a partner for this service and what the commercial framework of this partnership would be.

The views, thoughts, and opinions expressed in the interview belong solely to the interviewee and not necessarily to his employer.



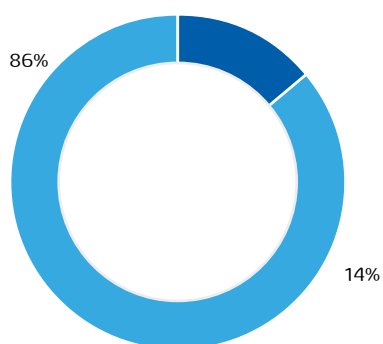


Tales of Beans: The Rising Coffee Craze in Bangladesh

Written By
Syed Md. Rakeen

Sipping a cup of freshly brewed coffee while enjoying its aroma serves as fuel to start off a day’s work. Engaging in friendly gatherings or pulling off an all-nighter, coffee wears many hats for different people in different stages of their lives. Such has been the love of coffee in Bangladesh that coffee shops are now starting to appear in numerous places in Dhaka. The soothing ambience, coupled with serene music in the background, adds to an already pleasant experience in a wonderfully lit room. The cultural presence of coffee has emanated across Bangladesh in the past decade amidst a tea-dominating culture present in the country. To put it into context, the market size of tea is currently worth BDT 3,500 crore annually as per The Business Standard in 2021, while the market size of coffee is around BDT 600 crore as reported by the Department of Agricultural Extension (DAE). Despite the wide gap in market size, the coffee industry is experiencing gradual growth owing to the economic growth of the country, which leads to an increase in the disposable income of individuals. This is evident with various coffee shops and cafe chains popping up in different areas of Dhaka, with the likes of North End Coffee Roasters, Tabaq, Crimson Cup Coffee, and Gloria Jean’s establishing a dominant presence in the country. The industry has been thriving in recent times with a whole host of consumers, especially the younger demographic, propelling the industry to new heights every year.

Figure 1: Coffee Imports of Different Varieties



● Coffee Bean ● Instant Coffee

Source: Department of Agricultural Extension

However, Bangladesh is heavily reliant on the import of raw coffee beans to meet local demands. According to The Financial Express, the local demand for raw coffee in Bangladesh is currently 2700–3000 metric tonnes annually, while only 70–80 metric tonnes are domestically produced per year. Currently, Bangladesh imports coffee beans from almost 30 countries, including the United States, Italy, China, India, Myanmar, Brazil, Vietnam, Colombia, Malaysia, Nicaragua, Indonesia, Guatemala, Costa Rica, and Australia.

Effects of Urbanisation on the Industry

As per Statista, a leading statistics portal based in Germany, Bangladesh currently possesses an urban population of 39.71% as of 2022. From 2012 to 2022, the urbanisation rate increased from 31.99% to 39.71%, right around the same period when the number of coffee shops started growing in huge numbers. Urban people are closely associated with having a higher per capita income than an individual’s average per capita income. This translates to increased spending on restaurants, coffee shops, and cafe chains, particularly for the young demographic. With the economy flourishing in the last decade, apart from a few blips in recent years, the consumption of coffee is showing no signs of slowing down currently.

Coffee Shops as Recreational Spaces for the Young Population

A significant reason behind the flourishing of coffee shops in Bangladesh is their usage as recreational spaces by the increasing young demographic in the country, which currently accounts for 28% of the total population. The primary reason for visiting coffee shops has evolved from consuming coffee to conducting personal office work, company meetings, and study discussions. North End Coffee Roasters and Tabaq, for example, are often perceived as places to not only engage in recreational work but also complete office tasks as well.

The diverse coffee options available at coffee shops have helped to attract consumers with different

taste buds as well as coffee aficionados. Most coffee shops generally tend to have numerous coffee options, namely Espresso, Americano, Cappuccino, Cafe Latte, and Cafe Mocha.

Local Production of Coffee Beans

Currently, Bangladesh cultivates two variants of coffee locally, namely Coffee Arabica and Robusta, where the plant Coffee Canephora of African origin is responsible for the production of Robusta coffee beans. So far, coffee beans are produced on large scales in Bandarban, Khagrachari, and Rangamati and on an experimental basis at Tangail, Rangpur, and Nilphamari.

Figure 2: Local Production of Non-Roasted Coffee Beans (In Tonnes)



Source: Department of Agricultural Extension

Coffee production and cultivation are carried out through scientific methods all around the world and are always being updated and modified. To foster the growth of this industry, coffee farmers will be required to keep up with evolving trends. Farmers must be provided with the necessary seeds, plant-care tools, coffee-processing supplies, and specific instructions on growing high-quality coffee beans. The officials who are taking part in this initiative also need to expand their knowledge. The most crucial step in this scenario is to choose the type or variety of coffee that is most suited to the climate and environment of the plains or hilly regions and to plant it there after carrying out a suitable trial. This tree-planting technique will produce a high yield of quality coffee.

Exorbitant Duties and Economic Turmoil

Coffee consumption is relatively low in Bangladesh compared to other countries. Bangladesh ranks 111th out of 140 countries in terms of coffee consumption, according to a study by the Bangladesh Coffee and Tea Development Board. The poor competitive positioning of Bangladesh can be attributed to a few factors. An analysis of the data pertaining to the production and import of tea and coffee reveals a consistent upward trajectory in the demand for tea within Bangladesh, exhibiting an annual growth rate of 5% over the course of the last decade. The coffee market has experienced a notable expansion, with a growth rate of 56%. The rate of growth in coffee demand surpasses that of tea by a factor of 11. Nevertheless, such is the preference and the potential of the tea market that it surpasses the coffee market with a huge difference.

Bangladesh maintains substantially higher coffee import tariffs than its South Asian neighbours, especially India, Sri Lanka, and Pakistan, which impose import charges on coffee processing and instant coffee of roughly 54%, 45%, and 30%, respectively. Additionally, the economic turmoil has led to slower demand for coffee consumption recently, inevitably leading to fewer sales than usual.

Future Outlook of the Coffee Industry

Based on the projected compound annual growth rate (CAGR) for the period of 2023–2028, the coffee market is expected to experience a yearly expansion of 12.30%, as reported by Statista. The prospective outlook for the coffee sector in Bangladesh appears highly promising. The projected trajectory of the industry indicates a substantial expansion in the forthcoming years. Bangladesh exhibits a remarkable pace of urbanisation, positioning itself among the most rapidly urbanising nations globally. The recent trend suggests that there will be a rising influx of individuals towards urban areas in the coming years, where their financial resources available for spending are greater. The upward trajectory of disposable income in Bangladesh is exhibiting a consistent and noteworthy progression. This implies that individuals possess a greater disposable income, thereby enabling them to allocate additional funds towards non-essential goods, such as coffee. The burgeoning trend of coffee shops in Bangladesh is witnessing a rapid surge in numbers. This development

enhances the convenience and accessibility of coffee consumption for consumers.

Coffee is a commodity of major economic significance all around the world. The annual revenue generated in the international market amounts to USD 30 billion, and Vietnam itself contributes to the industry's strong economic performance, yielding an impressive USD 4 to 5 billion. With Bangladesh's growing ability to satisfy domestic demand, import liabilities will significantly reduce, enhancing the growth of the coffee industry. With a rise in the disposable income of individuals, more and more consumers are expected to show up at different coffee shops and cafe chains. As per The Business Post, Bangladesh engages in the importation of coffee from foreign sources, amounting to an estimated value ranging from BDT 400 to 500 crore on an annual basis. If the country undertakes a project with an estimated cost ranging from BDT 150 to 200 crore, the domestic capital will be retained within the borders of the nation. If there exists the potential to augment production levels, an opportunity to engage in international trade by exporting coffee beans to foreign markets is always on the cards, provided the local demands are met.



ShareTrip



Sadia Haque

Co-Founder and CEO, ShareTrip

Interviewed By

Syed Md. Rakeen, Team MBR

Incepted in 2019, ShareTrip has been revolutionising the travel industry through top-notch innovation, simplifying all travel-related nitty-gritty with only a few taps. To make travel more accessible and enjoyable, the travel tech company has introduced an array of innovative and exciting features. An easy-to-use app and web platform with a crisp UI, ShareTrip has won the hearts of travellers all over the country. Spearheaded by the leadership of the co-founder and CEO, Sadia Haque, the platform aims to take the country's travel sector to greater heights going forward. Team MBR was in conversation with Ms. Sadia Haque and learned about her vision and inspirations behind ShareTrip.

Syed Md. Rakeen: You have an excellent track record as a corporate personality, with experiences at renowned companies like Grameenphone, Nokia, Banglalink, and so on. Would you kindly share with us your motivations to leave a successful corporate career and form ShareTrip?

Sadia Haque: As an avid traveller, I firmly believe that travelling can have a powerful impact on people's outlook on life. My husband, Kashef Rahman, and I share this love for travelling and exploring. Hence, we have always made regular trips ever since we got married. Planning and executing so many trips from scratch over the years made us very comfortable with the process, following which the idea of ShareTrip struck our minds. We were

aware of the complex nature of travel planning and had the desire to simplify this rather complex process. This very aim, coupled with our existing passion for innovating and transforming the travel industry, acted as my primary motivation to shift from a successful corporate life to founding ShareTrip.



Syed Md. Rakeen: Pulling off a trip involves planning regarding visa applications, hotel bookings, flight bookings, sightseeing, meals, recreational activities, and many more. What are the services ShareTrip is currently offering to ease the difficulties travellers go through while planning trips?

Sadia Haque: Planning a trip can indeed be a juggle, with all the visa applications, hotel

bookings, flights, sightseeing, meal planning, and more. Keeping that in mind, ShareTrip aims to simplify these for travellers. Our platform offers a comprehensive array of services, ranging from hassle-free visa applications to seamless hotel and flight bookings and bespoke holiday packages both domestically and internationally. We also tailor the packages according to what our customers want. Our aim is to ensure that everyone's travel experience is smooth and exciting. With ShareTrip as a travel partner, we aim to remove the daunting travel to-do list, enabling travellers to fully enjoy their vacation.

Syed Md. Rakeen: ShareTrip has been in operation for slightly less than four years, and within this short period of time, its app has been downloaded more than half a million times, and it is currently serving more than two million customers. What are the factors that have helped ShareTrip grow in the travel tech industry at such an outstanding pace?

Sadia Haque: Firstly, we are all about our users! By putting their needs and experiences at the forefront, we have built an incredible community of travellers who appreciate the ease and convenience ShareTrip offers. We are always investing in the latest technology to ensure booking experiences are as seamless as possible. Plus, our strategic partnerships with key players in the travel industry have allowed us to create a comprehensive platform that covers all aspects of any trip.

Our keen insights into travel trends and changing behaviours help us stay ahead of the curve as we work to set new standards by introducing features that make travel smoother than ever. And let us not forget our pioneering spirit. We take pride in being trailblazers, introducing initiatives that set the stage for the future of the travel industry. It is not just about booking trips. It is about making memories, and we are here to make that happen.

Syed Md. Rakeen: ShareTrip has built a reputation for being innovative and customer-centric with its services in the travel tech industry, with loyalty programmes, discount offers in partnership with financial service providers, and so on. How does the company

foster an environment of innovation and service excellence throughout its operations?

Sadia Haque: At ShareTrip, we have cultivated an environment that thrives on creative thinking and pushing the boundaries of possibilities. It was the only way we could have changed what was once an offline industry. Our team had to explore out-of-the-box solutions, looking for fresh perspectives to meaningfully enhance travel experiences.

Then again our users are at the heart of everything we do. Our decisions are driven by prioritising their needs and preferences. We do not just want to offer services. We are here to provide value that goes beyond expectations. This customer-centric approach is what fuels our constant drive for service excellence. Our passion for innovation and dedication to putting the user first is what sets us apart in the travel tech industry.

Syed Md. Rakeen: It is highly likely for smartphone users to explore travel apps while planning trips and not use the apps frequently, like ten other daily-use apps. How does ShareTrip ensure the engagement of its app users throughout the year?

Sadia Haque: Travel is seen as a luxury in the country, so we anticipate an ebb and flow of app usage. That is why we have injected innovation and fun into the journey. Our 'Spin to Win' feature adds a dash of excitement, through which users can receive free coins daily. Moreover, there are also TripCoins that can be earned daily and can be used within the app—a little thank-you for being part of the ShareTrip family. Recently, we have also introduced 'Travel Trivia', making our app a bit more exciting and rewarding for our customers.

Syed Md. Rakeen: Bookings can be made to over 2.50 million international hotels, over 1,500 domestic hotels, and numerous airlines with countless combinations of flights via ShareTrip. Would you kindly share with us the revenue-sharing model between ShareTrip and its partner hotels and airlines?

Sadia Haque: Absolutely. When it comes to our partnerships with hotels and airlines, it is all about

creating a win-win scenario. We believe in mutual collaboration that generates business growth for both ShareTrip and our valued partners. It is a harmonious relationship where we work together to bring travellers unparalleled options and convenience. So, whether it is international hotels, domestic accommodations, or flights, our partnerships are rooted in mutual success and a shared commitment to enhancing travel experiences for all.

Syed Md. Rakeen: Startup Bangladesh invested BDT 5 crore in ShareTrip in 2022 to help strengthen the platform's positioning in the travel tech sector. How instrumental was the funding from Startup Bangladesh in supporting its growth back then?

Sadia Haque: Startup Bangladesh's investment was not just about the funds. It was a clear vote of confidence in our vision and potential. Such support has allowed us to amplify our efforts to simplify and enhance travel experiences. It allowed us to catalyse positive changes across the entire industry. It is a true testament to the power of collaboration and shared growth. Our partnership with Startup Bangladesh played a pivotal role in shaping the landscape of travel technology and driving our journey of innovation and excellence.

Syed Md. Rakeen: Despite being a country of natural beauty, the number of foreign tourists visiting Bangladesh every year is not up to par.

What initiatives has ShareTrip taken to attract international travellers and help inbound tourism flourish?

Sadia Haque: There is no denying the beauty of our country. We are working to highlight that. We also understand modern travellers' need for convenience. That is why we have created an extensive inventory of domestic hotels and resorts—the largest in the country. This allows visitors to effortlessly book their preferred accommodations, allowing them to see through their needs and preferences and make travel decisions with just a tap. To ensure travellers have all the information they need, we are developing comprehensive travel blogs and guides. These resources provide insights and recommendations, making it easier for inbound tourists to plan their itineraries and confidently dive into the adventure.

Global accessibility is key, and that is where ShareTrip's online presence comes in. Our platform is designed to be user-friendly and accessible to travellers from all corners of the world. This convenience encourages international visitors to explore what Bangladesh has to offer with just a few clicks.

Lastly, collaboration is at the heart of our efforts. By partnering with government authorities, we are actively contributing insights and recommendations to enhance the ease of service availability for foreign tourists.



CAPITAL MARKET REVIEW

Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market closed the month of July in negative territory. During the month, the broad index DSEX decreased by -0.3%. Blue chip index DS30 declined by -1.6% and Shariah index DSES also fell by -0.4%, respectively in the month of July.

Among the regional peers, Sri Lanka reported the highest positive return of 20.6% followed by Pakistan (+16.2%) and Vietnam (+9.2%). MSCI Frontier Markets Index performance was positive by 9.2% in July. Over 5-year horizon, Sri Lanka (+85.2%) yielded the most encouraging return.

Table 1: Equity market performance of Bangladesh and peer countries

Indices	Index Points, June 2023	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	6,324.8	-0.3%	1.0%	1.9%	3.1%	50.1%	19.3%
DS30	2,157.4	-1.6%	-2.0%	-1.7%	-1.6%	51.9%	14.7%
DSES	1,370.9	-0.4%	0.8%	0.9%	2.3%	40.4%	N/A
Peer Countries							
Pakistan (KSE 100)	48,034.6	16.2%	20.1%	18.8%	19.6%	22.4%	12.5%
Sri Lanka (CSE - All Share)	11,386.7	20.6%	23.9%	33.9%	47.3%	122.2%	85.2%
Vietnam (VNI)	1,222.9	9.2%	10.1%	21.4%	1.4%	53.2%	27.9%
MSCI Frontier Markets Index	748.5	5.6%	9.4%	11.2%	1.8%	20.0%	0.8%

*All returns are Holding Period Return.

Source: Investing.com, MSCI, DSE

Liquidity Condition in Equity Market of Bangladesh

During July, the total market capitalization increased by 1.2%. The daily average turnover of July was BDT 7.8 bn (USD 71.4 mn), down by 4.5% from that of the last month. Turnover velocity which represents overall liquidity of the market stood at 26.3% in July compared to 22.8% 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-Jul-23	30-Jun-23	% change
Total market capitalization (USD* mn)	71,677	70,833	1.2%
Total equity market capitalization (USD mn)	41,243	41,323	-0.2%
Total free float market capitalization (USD mn)	16,044	16,153	-0.7%
Daily Avg. Turnover (USD mn)	71.4	74.8	-4.5%
Turnover Velocity~	26.3%	22.8%	N/A

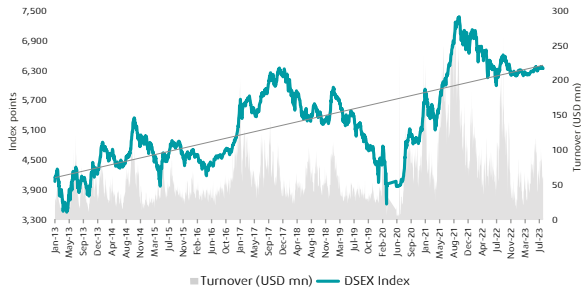
*All USD figures are converted using an exchange rate of 109.00 as of August 01, 2023 as per Bangladesh Bank website.

~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 55.9% till July 2023. During this period, daily average turnover of the market amounted to BDT 6.8 bn (USD 62.7 mn) (Figure 1).

Figure 1: DSEX since inception along with market turnover



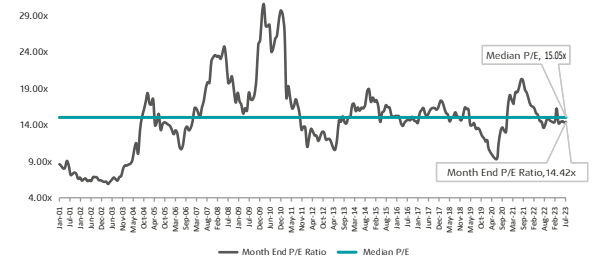
Source: DSE

Market Valuation Level - P/E Ratio

The market P/E rose to 14.42x in July compared to June's 14.35x. It is slightly lower than the 23 years' median market P/E of 15.05x (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 July 2023. Non-life Insurance posted the highest positive return of 8.3%. On the other hand, Life Insurance sector faced the most price correction by -7.1%, followed by NBFI (-1.6%), Engineering (-1.0%) and Food & Allied (-0.5%) 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	6,590	3,553	-0.1%	0.3%	-1.7%	2.6%	55.9%	54.5%	16.8	3.1	2.4%
Bank	6,292	3,423	0.4%	3.5%	5.5%	5.2%	54.7%	44.5%	6.7	0.7	4.1%
Telecommunication	5,323	586	0.0%	0.0%	3.0%	0.9%	43.6%	7.5%	13.3	6.0	5.9%
Engineering	4,857	1,061	-1.0%	0.1%	0.2%	-0.2%	113.3%	32.9%	57.9	2.5	1.6%
Fuel & Power	4,109	1,182	-0.4%	-0.3%	0.8%	3.3%	27.4%	17.5%	13.6	1.4	4.9%
Food & Allied	3,647	1,176	-0.5%	-0.2%	5.2%	6.0%	81.4%	73.8%	17.5	9.0	3.1%
Miscellaneous	2,074	853	0.3%	2.9%	2.9%	3.9%	134.7%	113.3%	13.0	2.5	2.2%
NBFI	1,718	559	-1.6%	-0.5%	-0.5%	-1.0%	43.5%	1.3%	52.1	2.0	1.6%
Textile	1,579	911	-0.4%	2.7%	-0.2%	-4.6%	53.5%	1.8%	22.1	1.1	2.4%
Cement	1,131	445	0.4%	2.3%	14.0%	13.6%	81.1%	15.3%	14.9	3.2	4.8%
Non-life Insurance	982	554	8.3%	20.0%	17.4%	9.7%	78.5%	201.1%	19.1	2.1	2.7%
Life Insurance	727	429	-7.1%	7.7%	11.3%	12.5%	29.2%	54.0%	99.7	7.9	1.7%
Tannery	314	168	-1.8%	2.5%	5.6%	4.0%	81.9%	17.2%	32.6	3.1	2.1%
IT	378	236	-4.4%	-4.0%	5.4%	36.4%	96.9%	62.3%	23.2	3.3	1.1%
Ceramics	290	116	-1.0%	0.1%	-0.7%	0.1%	72.2%	18.3%	44.4	2.0	1.7%
Travel & Leisure	454	239	-2.6%	-17.4%	14.3%	81.9%	109.9%	107.2%	14.1	1.7	1.3%
Paper & Printing	376	132	-3.3%	-1.5%	4.5%	22.0%	139.6%	-0.3%	26.0	2.9	0.8%
Services & Real Estate	255	133	-6.3%	-13.7%	2.7%	21.9%	104.7%	53.0%	22.8	1.6	3.3%
Jute	36	19	6.6%	6.7%	9.0%	99.6%	118.5%	160.6%	301.0	11.7	0.0%
Market	41,812	16,044	-0.3%	1.0%	1.9%	3.1%	50.1%	19.3%	14.3	1.9	3.3%

*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 July, all cap classes showed mixed performance. Only Micro cap (+2.4%) class managed to close the month in positive territory. On the other hand, Small cap posted highest negative return of -3.3%.

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	≥94	76.5%	0.0%	0.6%	2.9%	3.2%	88.6%	64.2%	12.6	1.8	4.0%
Mid	28-93	12.1%	-0.6%	-1.4%	2.1%	8.2%	-18.6%	-25.2%	21.2	1.6	2.4%
Small	9-27	8.2%	-3.3%	4.5%	1.9%	4.1%	96.8%	68.7%	28.9	1.1	2.7%
Micro	<9	3.1%	2.4%	15.2%	18.5%	19.0%	-75.4%	-83.3%	33.8	1.0	2.1%
Market	-	100.0%	-0.3%	1.0%	1.9%	3.1%	50.1%	19.3%	14.3	1.9	3.3%

*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, BERGERPBL advanced by 0.3% while UNILEVERCL and LHBL faced correction of 2.6% and 1.3% respectively. 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 (+441.4%), UNILEVERCL (+205.8%), MARICO (+160.1%), DUTCHBANGL (+106.4%) and BXPHERMA (+92.3%).

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	Telecommuni- cation	3,550	355	0.18	0.0%	0.0%	3.3%	0.6%	28.8%	-4.4%	9.8	13.3	7.7%
WALTONHIL^	Engineering	2,912	29	0.00	0.0%	0.0%	0.0%	1.2%	N/A	N/A	95.2	4.0	1.4%
BATBC	Food & Allied	2,570	680	0.10	0.0%	0.0%	1.9%	2.1%	92.7%	67.4%	14.7	8.5	3.9%
SQURPHARMA	Pharmaceuti- cals & Chemi- cals	1,706	1,115	0.57	0.0%	0.0%	0.0%	3.9%	33.7%	6.6%	9.4	2.6	4.8%
ROBI^	Telecommuni- cation	1,442	144	0.05	0.0%	0.0%	2.3%	2.3%	N/A	N/A	115.4	2.6	2.3%
RENATA	Pharmaceuti- cals & Chemi- cals	1,282	624	0.05	0.0%	0.0%	0.0%	1.0%	47.9%	67.0%	38.9	7.1	1.1%
UPGDCL	Fuel & Power	1,243	124	0.00	0.0%	0.0%	0.0%	-0.5%	29.5%	2.7%	12.4	5.1	7.3%
BEXIMCO	Miscellaneous	929	621	0.06	0.0%	0.0%	0.0%	1.5%	822.2%	441.4%	10.1	1.7	2.6%
BERGERPBL	Miscellaneous	766	38	0.02	0.3%	3.6%	4.5%	5.0%	42.7%	53.4%	21.5	11.5	2.2%
LHBL	Cement	731	262	0.84	-1.3%	5.9%	8.3%	8.9%	110.6%	45.0%	11.0	5.1	7.0%
MARICO	Pharmaceuti- cals & Chemi- cals	700	70	0.04	0.0%	1.2%	1.2%	0.1%	57.2%	160.1%	14.4	41.4	3.1%
ICB	NBFI	680	24	0.01	0.0%	0.0%	0.0%	-1.6%	37.6%	-16.3%	113.3	7.8	0.5%
BXPBARMA	Pharmaceuti- cals & Chemi- cals	598	418	0.05	0.0%	0.0%	0.0%	-1.5%	104.4%	92.3%	13.5	2.1	2.4%
BRACBANK	Bank	528	284	0.06	0.0%	1.8%	1.8%	1.5%	43.8%	-11.8%	9.3	1.5	1.9%
BEACONPHAR	Pharmaceuti- cals & Chemi- cals	519	363	0.02	0.0%	0.0%	-14.3%	-0.1%	220.5%	1363.8%	71.5	19.2	0.7%
ISLAMIBANK	Bank	482	280	0.69	0.0%	2.4%	1.8%	3.1%	91.8%	66.0%	7.7	0.9	3.1%
DUTCHBANGL	Bank	406	53	0.02	0.0%	4.3%	4.3%	4.0%	51.4%	106.4%	9.2	1.7	2.8%
TITASGAS	Fuel & Power	371	93	0.00	0.0%	0.0%	0.0%	2.2%	53.2%	41.9%	383.4	0.6	2.4%
UNILEVERCL	Food & Allied	360	60	0.01	-2.6%	-2.0%	15.1%	15.0%	56.3%	205.8%	48.7	34.7	0.7%
POWERGRID	Fuel & Power	343	86	0.00	0.0%	0.0%	0.0%	0.9%	24.1%	32.1%	(8.4)	0.7	1.9%
Market		41,812	16,044	71.42	-0.3%	1.0%	1.9%	3.1%	50.1%	19.3%	14.3	1.9	3.3%

*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	9.6	-4.7%	-5.3%	13.5%
Vanguard AML Growth Fund	VANGUARD	1.3	5.6%	-0.3%	12.1%
CAPM Unit Fund**	CAPM	1.1	-10.4%	5.6%	12.0%
Credence First Shariah Unit Fund	CREDENCE	1.1	N/A	3.2%	11.5%
HFAML-ACME Employees' Unit Fund	HFAML	1.7	-5.0%	-0.9%	11.3%
Second ICB Unit Fund	ICB AMCL	2.2	4.5%	-1.6%	9.4%
IDLC Growth Fund	IDLC	5.0	2.0%	-3.8%	9.1%
EDGE Bangladesh Mutual Fund	EDGE	2.4	1.4%	-4.2%	9.0%
Capitec Padma P.F. Shariah Unit Fund	CAPITEC	3.6	-2.9%	10.2%	8.3%
Market (Broad Index) Return (%)			2.1%	-8.1%	-0.1%

*Based on published NAV and DSEX point of July 27, 2023

** Kept provision but did not declare dividend

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 (+6.3%), ICBSONALI1 (+4.7%) and ICBEPMF1S1 (+4.3%) were the top performers.

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

DSE Code	Fund Manager	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	271.2	2.5	15.2	13.6	112.1%	7.2%	3.5%	0.5%	23.6%	8.8%	2029
CAPMIBBLMF	760.1	7.0	13.8	11.4	121.4%	5.8%	-3.5%	0.0%	14.9%	8.9%	2027
CAPMBDBLMF	576.5	5.3	9.9	11.5	86.1%	8.1%	-4.8%	4.7%	17.7%	8.1%	2027
ICBEPMF1S1	724.5	6.6	7.1	9.7	73.5%	7.0%	4.3%	0.8%	25.0%	7.8%	2030
PRIME1ICBA	996.0	9.1	7.7	10.0	77.3%	6.5%	3.1%	-2.3%	20.8%	7.6%	2030
ICB3RDNRB	932.0	8.6	6.5	9.3	69.7%	7.7%	4.0%	-1.1%	22.7%	7.0%	2030
PF1STMF	587.4	5.4	9.9	9.8	101.1%	5.1%	6.3%	-4.1%	21.4%	6.6%	2030
ICBAMCL2ND	519.5	4.8	8.7	10.4	83.7%	6.9%	3.4%	-0.8%	22.2%	6.4%	2029
ICBSONALI1	1,032.0	9.5	7.8	10.3	75.6%	6.4%	4.7%	-1.1%	17.1%	6.1%	2023
ICBAGRANI1	1,065.9	9.8	9.2	10.9	84.7%	9.8%	3.6%	-1.6%	17.2%	5.6%	2027
Market							2.1%	-8.1%	12.0%	-0.1%	

¹Price as on July 31, 2023 and index value as on July 27, 2023.

²On last cash dividend declared.

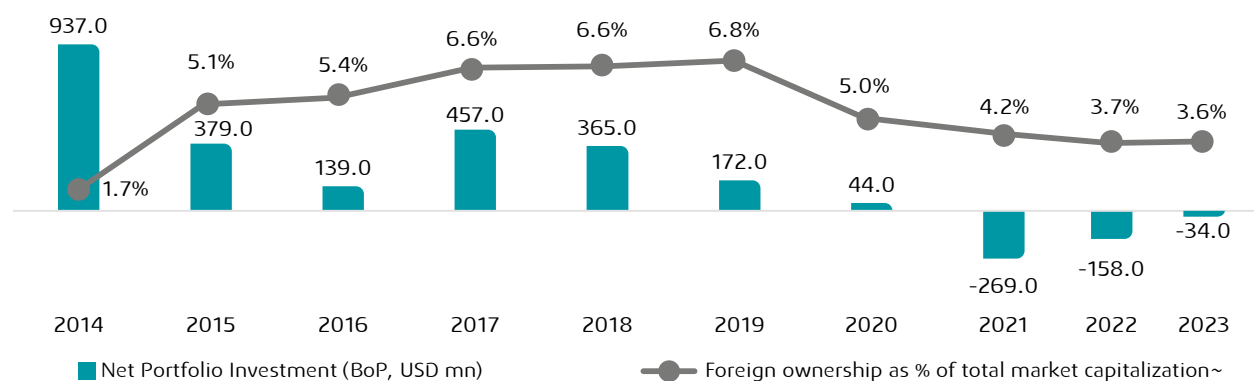
³CAGR computed for respected periods, except for 2021 and 2022 YTD, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year.

⁴In reference to BSEC Press Release বিএসইবিস/মুখপাত্র (৩য় খণ্ড)/২০১১/২৫ নং 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 June 2023, total foreign ownership stood at 3.6% 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 May 2023.

Among all the companies with foreign ownership, BRACBANK had the highest foreign shareholding of 33.0% as of June 2023, followed by BXPHARMA with 28.9%.

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

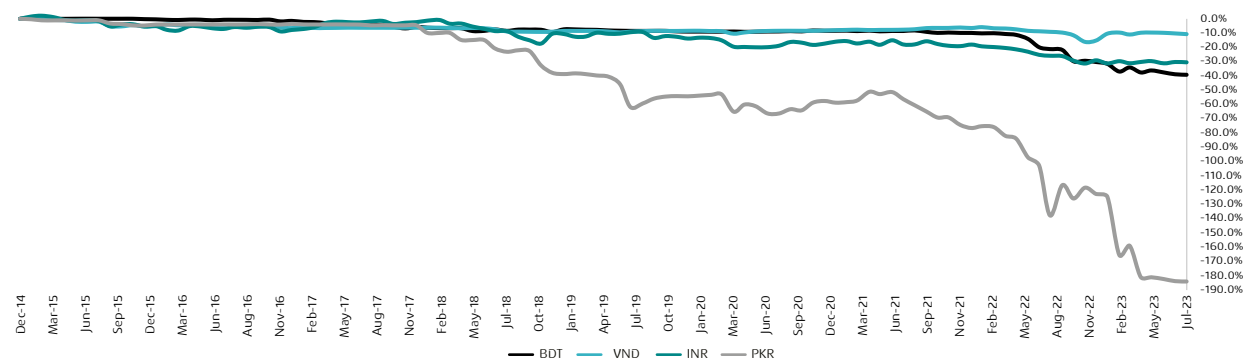
Ticker	Sector	Foreign Shareholding*
BRACBANK	Bank	33.0%
BXPHARMA	Pharmaceuticals & Chemicals	28.9%
NAVANAPHAR	Pharmaceuticals & Chemicals	27.7%
ISLAMIBANK	Bank	24.5%
OLYMPIC	Food & Allied	24.0%
RENATA	Pharmaceuticals & Chemicals	22.7%
DBH	NBFI	18.2%
BSRMLTD	Engineering	17.3%
SQURPHARMA	Pharmaceuticals & Chemicals	13.2%
SHEPHERD	Textile	9.5%

Source: DSE

Performance of BDT and Currencies of Peer Countries against USD

BDT depreciated by 39.2% 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 10.7%, 30.5% and 184.0% respectively, since December 2014.

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



Major Commodity Price Movement

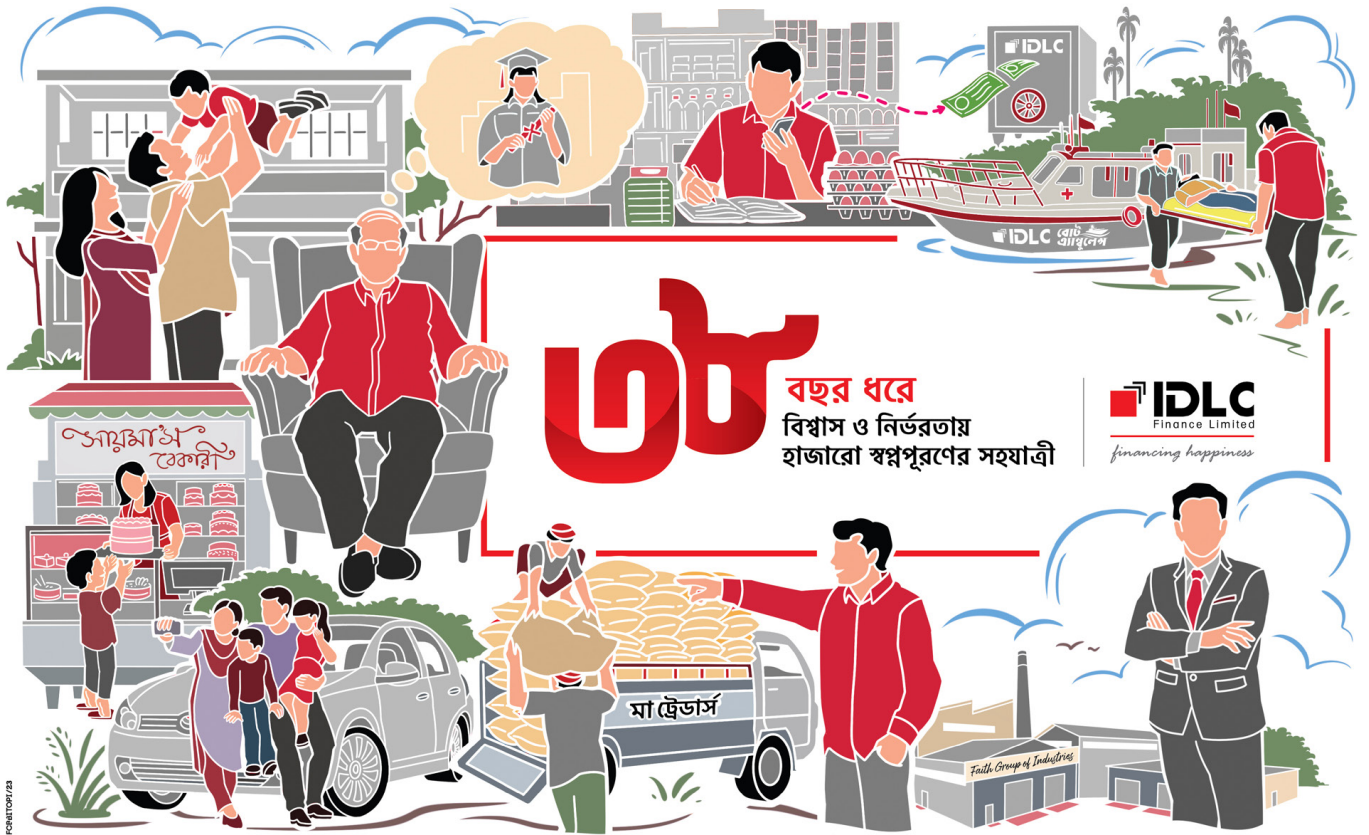
Among the major commodities, Crude Oil gained by 7.8% in July followed by Cotton (+0.8%), while Aluminum witnessed correction of 1.1%. However, Wheat remained flat. Over last 5 years, wheat price hiked the most by 58.3%.

Table 9: Major Commodity Price Movement

	Price Change (%)					
	1M	3M	YTD	12M	3Y	5Y
Crude oil (Average)	7.8%	-4.2%	1.2%	-24.8%	87.8%	8.7%
Wheat (US HRW)	0.0%	-8.6%	-10.6%	-9.7%	55.5%	58.3%
Cotton (A Index)	0.8%	-2.1%	-7.6%	-28.9%	36.0%	-3.1%
Aluminum	-1.1%	-7.8%	-10.1%	-10.3%	31.4%	3.7%

Source: World Bank Pink Sheet





৩৮

বছর ধরে
বিশ্বাস ও নির্ভরতায়
হাজারো স্বপ্নপূরণের সহযাত্রী

IDLC
Finance Limited
financing happiness

**IDLC Receives
ASIAMONEY Award
for the
5TH Consecutive Year**

