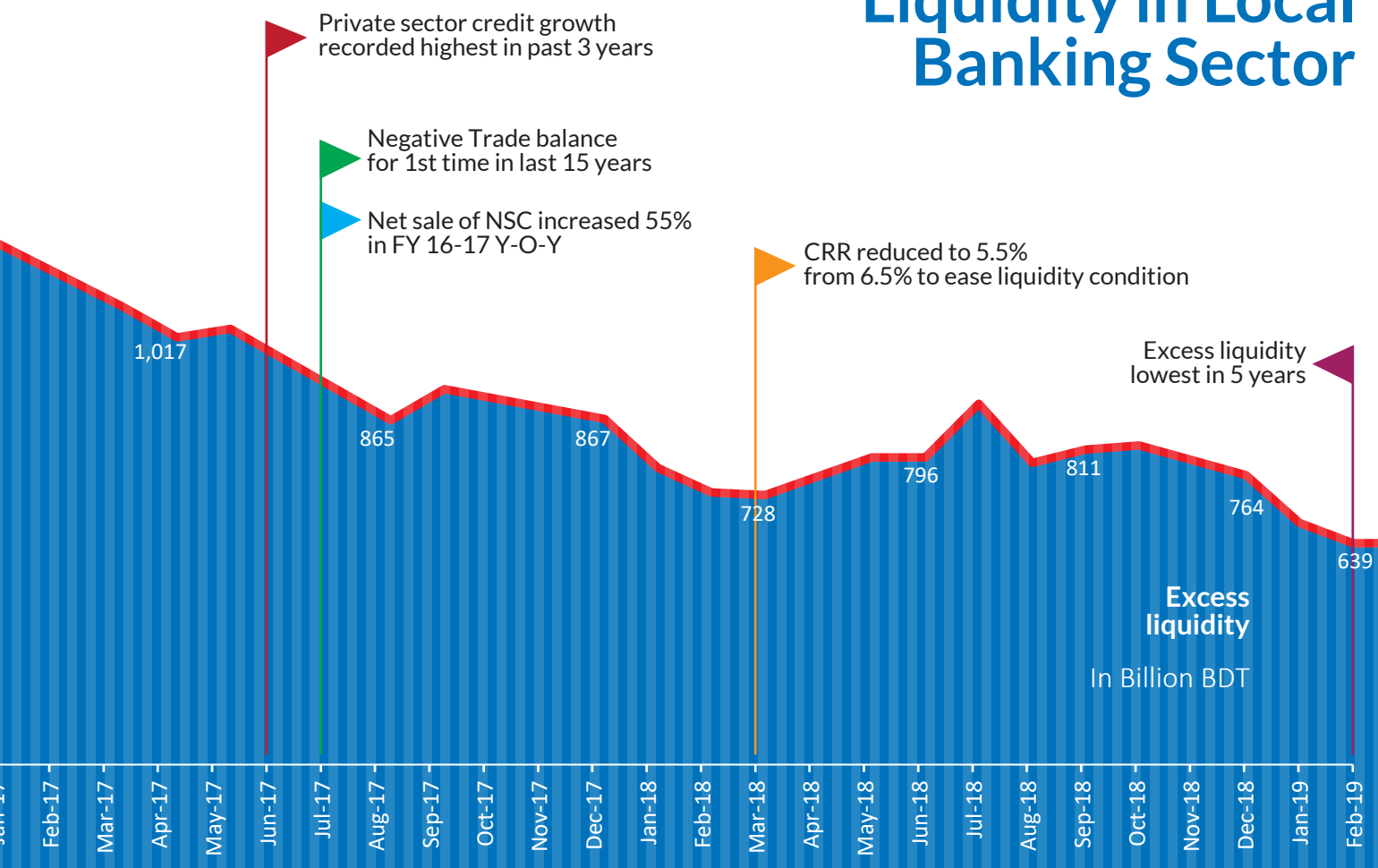
Volume 15 | Issue 5 | May 2019

IDLC MONTHLY

BUSINESS REVIEW

Liquidity in Local Banking Sector



IDLC Finance Limited

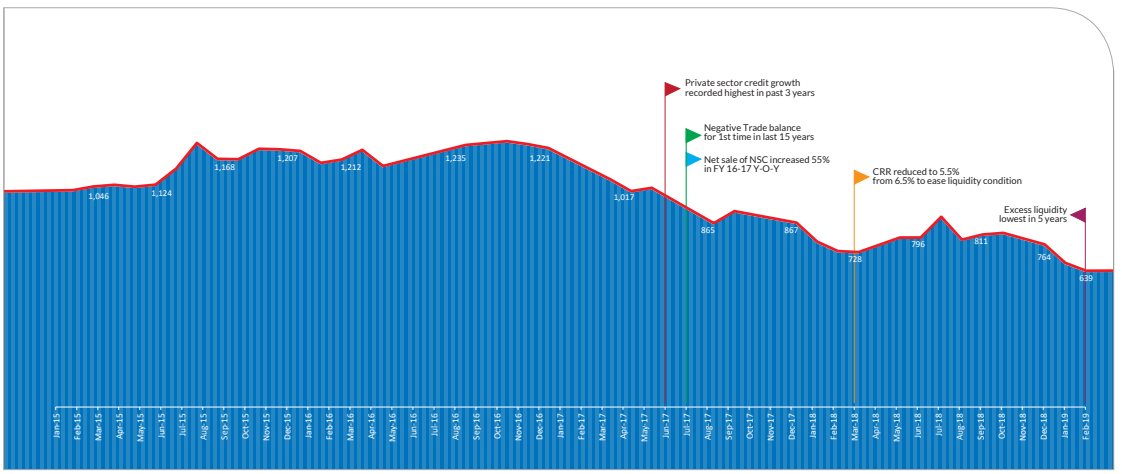
financing happiness

contents




Design & Printing: nymphea I www.nymphea-bd.com

FROM THE EDITOR



Combating the Liquidity Gap

Local banking sector is much plagued with a tight liquidity condition. This is not an overnight phenomenon, the situation is triggered by a series of events. The mounting net sale of National Savings Certificates absorbing the room for money flow into traditional banking channel, private sector credit growth eclipsing that of deposit growth during FY 17-18, high import growth resulting into high L/C settlements followed by Bangladesh Bank selling USD to private commercial banks to stabilize currency market are namely some of the reasons ascribing to present liquidity context. However, the soaring sale of NSCs and Central Bank selling USD to banks to stabilize exchange rate- stand out to be the core reasons of current liquidity situation.

During July-February of FY 2018-19, the net sale of National Savings Certificate (NSC) exceeded the target for the entire fiscal by 35%, already BDT 35,602.49 crore worth of NSCs sold against the target of BDT 26,197 crore. Deposit mobilization for the same period registered only 9.6% average growth. On the other hand, according to media reports, USD sale by Central Bank increased to a greater extent, to the tune of USD 1.87 billion in July to March of FY2018-19, whereas BDT 84 for USD 1 sale is being withdrawn from banking system.

Central Bank already took measures to address the liquidity situation, for instance, reducing the Cash Reserve Ratio (CRR) to 5.5%. However, sale of NSCs can only be ensured to those in need of social safety net. Also, it is high time Government should focus on money market (banking system) and capital market (bond) as alternative source of funding.

Adnan Rashid
Assistant General Manager
IDLC Finance Limited

INDUSTRY & EQUITY ANALYSIS TEAM

ASIF SAAD BIN SHAMS
Email: shams@idlc.com

ADNAN RASHID
Email: adnan@idlc.com

MD. KAMRUL ISLAM
Email: ikamrul@idlc.com

SUSHMITA SAHA
Email: sushmita@idlc.com

FAHIM FAISAL
Email: ffaisal@idlc.com

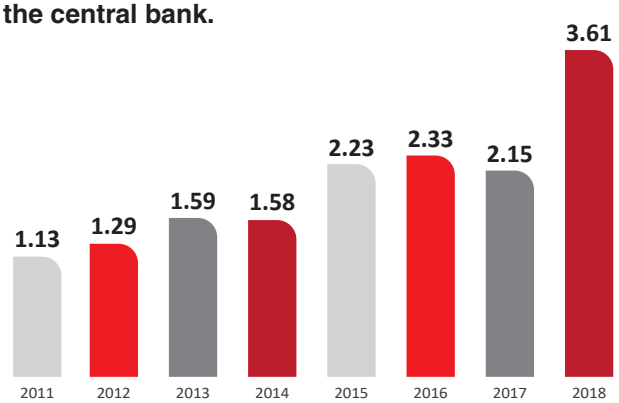
TAMJID YAMEEN
Email: Tamjid@IDLC.com

WORLD ECONOMIC INDICATOR-APRIL 2019

Country	Inflation (%)	Current Account Balance (% of GDP 2018)	Gross Domestic Product (yearly % Change)	Interest Rates (%), Ten years treasury bond	Currency Units (per USD)
Frontier Market					
Sri Lanka	4.5	-3	3.9	11.2	177.4
Vietnam	2.9	3	6.9	4.8	23,184.6
Kenya	6.6	-5.2	5.7	12.2	101.1
Bangladesh	5.6	-3.6	7.9	7.74	84.1
Emerging Markets					
Brazil	4.6	-1.3	1.5	7.1	3.95
Egypt	14.2	-0.1	5.1	14.8	17.1
Saudi Arabia	-2.1	3.6	1.9	-	3.75
India	2.9	-1.6	7.2	7.4	69.5
Indonesia	2.5	-2.7	5.2	7.8	14,250
Malaysia	0.2	2.4	4.5	3.8	4.13
Phillipines	3.3	-2.2	5.9	6	52.1
South Africa	4.5	-3.2	1.5	8.6	14.4
Turkey	19.7	-0.6	-1.7	19.9	5.95
Thailand	1.2	8.8	3.5	2.2	31.9
China	2.3	0.2	6.3	3.2	6.74
Russia	5.3	6.5	1.5	8.2	64.8
Thailand	0.7	1	6.8	2.2	31.9
Russia	5.2	4.9	5.6	8.4	66.9
Developed Markets					
France	1.2	-0.6	1.2	0.3	0.89
Germany	2	6.6	1	0.1	0.89
Italy	1.1	2.1	0.1	2.6	0.89
Spain	1.5	0.8	2.1	0.9	0.89
Hong Kong	2.1	4.5	2.2	1.7	7.85
Singapore	0.6	17	2.4	2.2	1.36
United States	1.9	-2.6	2.2	2.5	-
Denmark	1.2	6.3	1.9	0.1	6.64
Netherlands	2.8	9.9	1.5	0.2	0.89
Australia	1.3	-2.4	2.5	1.8	1.42
Switzerland	0.7	9.7	1.8	-0.3	1.01
Britain	1.9	-4.1	1.4	1.2	-2.6

MONTH IN BRIEF

- **The net inflow of foreign direct investment (FDI) in Bangladesh stood at USD3.61 billion on a final count, according to the latest statistics of the central bank.**



- **Cheap labor and high profitability** is attracting Japanese companies operating in Bangladesh to expand business.

- **Private sector credit growth stood at 12.54%** which is the lowest since October 2014 opposed to the target 16.5%.

- **Imports grew by more than 9.0%** in the first eight months of this fiscal year (FY), 2018-19.

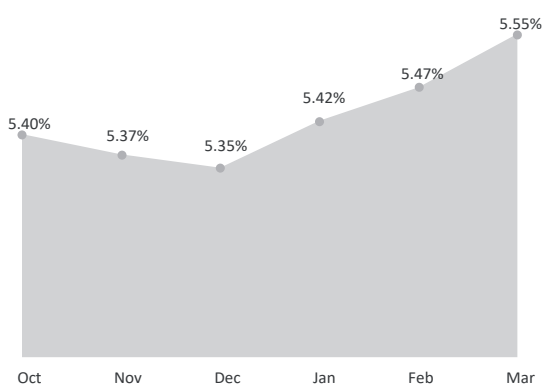
- **8% growth is projected** by Asian Development Bank about Bangladesh economy for current fiscal year 2018-2019.

- **Country's merchandise exports grew by 13%** in the first nine months of the current fiscal year increased to USD 30.90 billion.

- **Trade deficit squeezed by 8.42%** in the first eight months of 2018-19 to USD 10.69 billion from USD 11.67 billion

- **Inflation stood at 5.55% in March, up 7 basis points from a month earlier.**

Inflation Rate



- **Income taxpayers will get cash refund of up to BDT 25,000** within seven days of making application seeking refund of excess income tax paid by them.

- **Bangladesh economy will be second** fastest growing economies as per the IMF report 'World Economic Outlook'.

ECONOMY AT A GLANCE

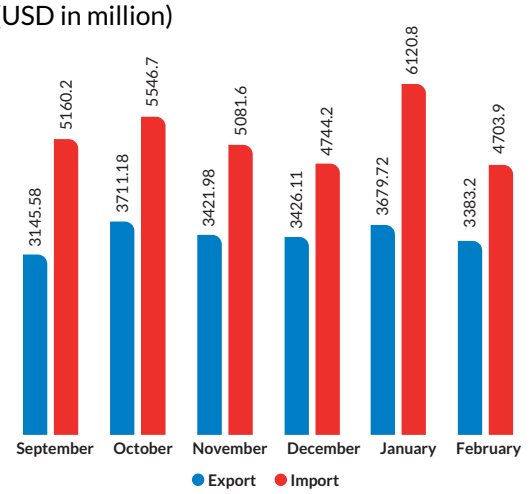
Private credit growth recorded at
12.54%
in February 2019

Remittance inflow up
10.30%
in July-March 2019

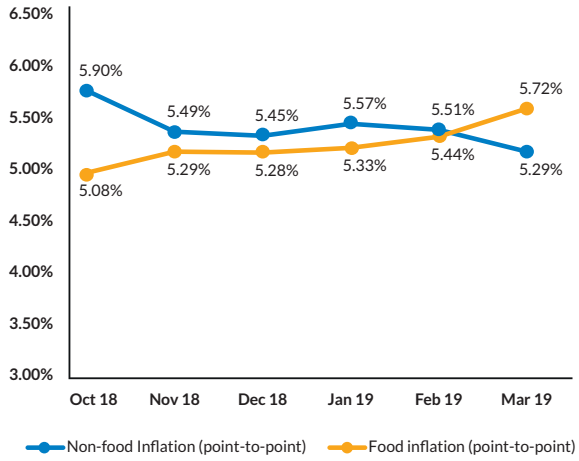
Inflation Rate Down
General inflation
5.48% in March 2019

EXPORT-IMPORT

(USD in million)

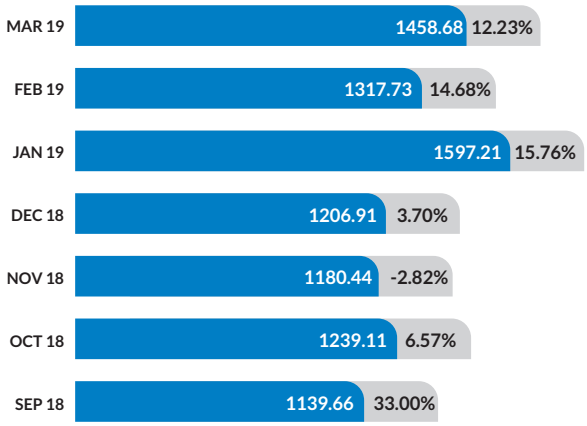


INFLATION

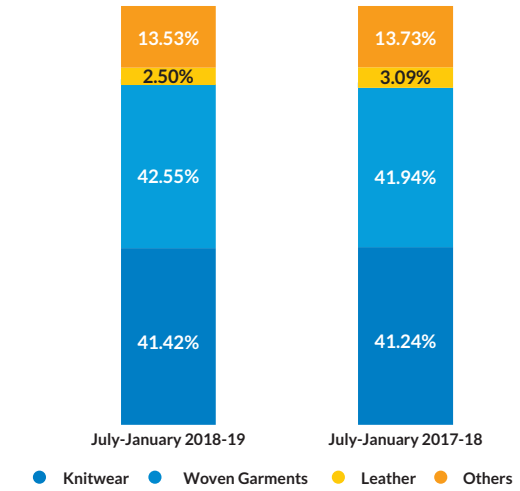


REMITTANCE

(USD in million, Y-O-Y % Growth)



SECTOR-WISE EXPORT



"THE GROWTH WILL BE ON THE DECLINE IN THE MONTHS TO COME IF THE EXISTING UNPLEASANT SITUATION PERSISTS"

AHSAN H MANSUR, Executive Director of the Policy Research Institute on decline of private sector credit growth

"We put our best efforts to manufacture quality products. We already have exported our products to seven countries"

Kamruzzaman Kamal, Director (Marketing) of PRAN-RFL Group, on exporting its toiletries to seven countries across the world.

"Then we have our certain method through which we make the GDP growth forecast. And our outcome was 7.3 per cent expected growth this year"

Dr Zahid Hussain, World Bank's lead economist on World Bank's forecast on growth of Bangladesh Economy

"The cement sector has witnessed a decline in earnings following increased cost of raw materials. It may be the reason behind the decline in the amounts of dividends"

Masud Khan, the chief executive officer (CEO) of Crown Cement Group on the event of decline in dividend for overall cement industry

"WE EXPECT THAT THE LOAN AMOUNT, TO BE PROVIDED THROUGH THE 40TH ODA LOAN AGREEMENT, WILL EXCEED THE AMOUNT GIVEN UNDER THE LAST ODA"

Shahidul Islam, Additional Secretary, Economic Relations Division (ERD), on Japan giving largest-ever loan to BD for five ongoing projects

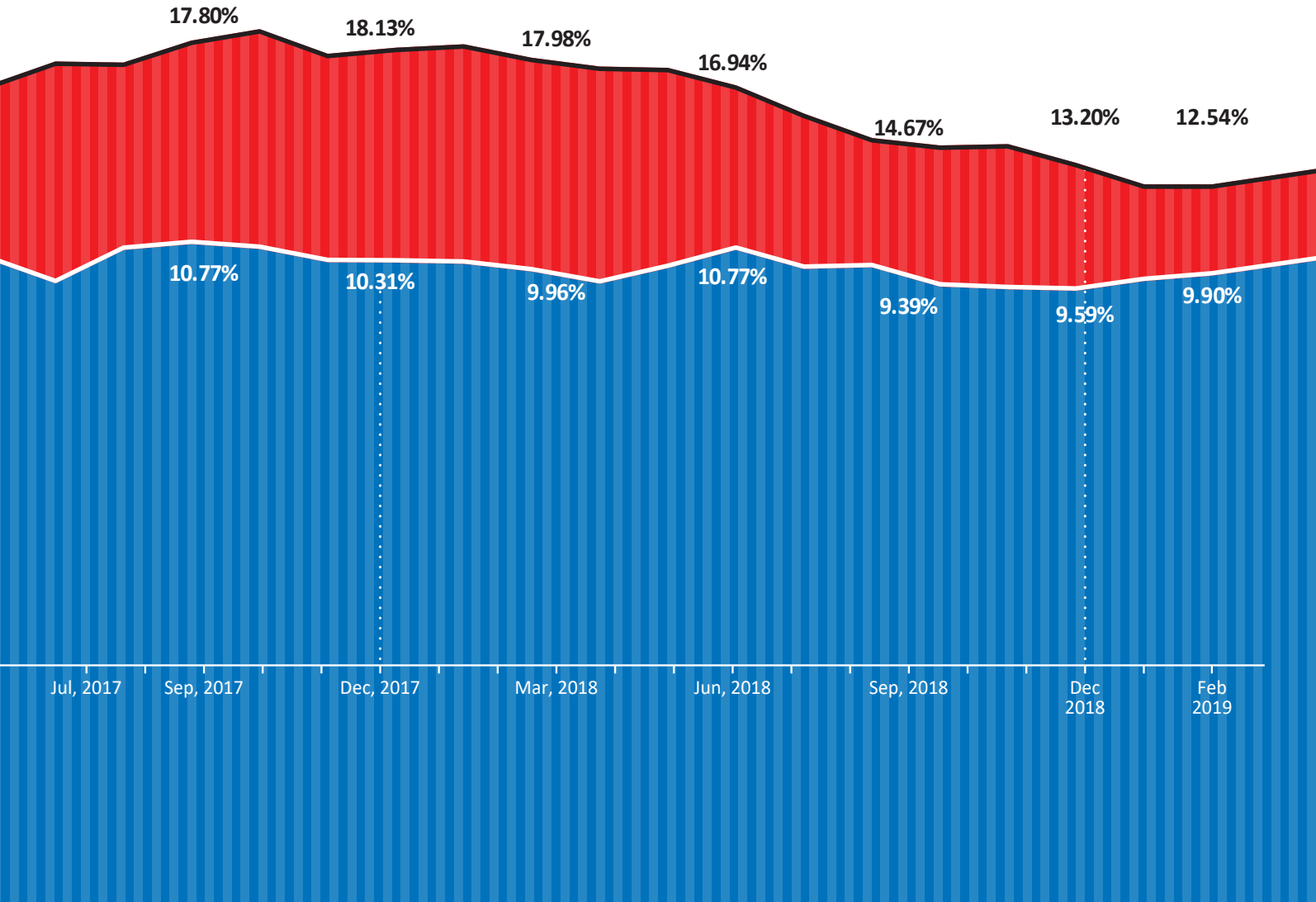
"FORMULATION OF A POLICY IS UNDERWAY TO ENCOURAGE CAR MANUFACTURING IN THE COUNTRY"

Md Mosharraf Hossain Bhuiyan, Chairman, NBR, on the event of NBR providing necessary support to the car manufacturing units investors in Bangladesh

▶ Deposit Growth, Y-O-Y

▶ Private Sector Credit Growth, Y-O-Y

Liquidity in Local Banking Sector



LIQUIDITY IN LOCAL BANKING SECTOR

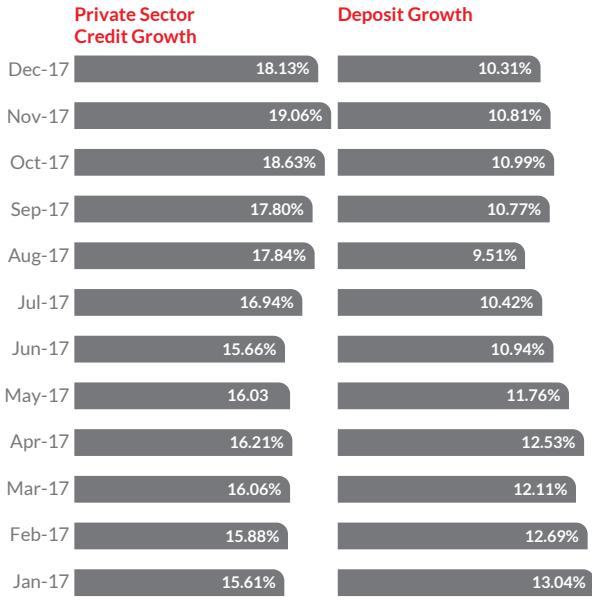
The banking sector is currently going through a phase where, such instances where banks are not being able to disburse credit even after sanction of proposals, are evident now.

Private commercial banks are combating a tight liquidity condition at this moment. Excess liquidity dropped as low as BDT 63,921 crore in February'19, a slump of BDT 3,721 crore from January'19 and the lowest in last 37 months. As a resulting impact, frequent interest rate hike on loan products are evident in banking sector. The excess liquidity in banking sector crossed BDT 1-lac crore mark in 2015 and after May 2017, it never moved to the 1-lakh crore territory. The upward and downward movement of excess liquidity has been a cyclic phenomenon over these years. Spiraling net sale of National Saving Certificate (NSC) is a reason that a significant portion of money could have otherwise been channeled into traditional banking sector. The high interest rate offered on NSC lured the depositors to choose it as their most preferred method of investment, compelling banks to be left with a sloth in deposit growth. On another note, high import growth intensified the liquidity situation, as Central Bank is selling US Dollars to the private commercial banks so that the banks don't fail payments on Letter of Credits. Alongside, both export and remittance portrayed a depressing picture for a long time, which further widened the Balance of Payment (BoP).

Liquidity Scenario explained

Over the last two years, the liquidity scenario of banking sector took a U-turn. Banking sector was sitting on excess liquidity worth of BDT 1.23 lakh crore in December 2016, at a time when private sector credit growth stood at 15.5%, below than its 16.6% target. The problem was exacerbated by the fact that investors did not see attractive growth for private sector investments.

Surplus liquidity of banking sector amounted to BDT 1.26 lakh crore in January 2017. In a bid to make effective utilization of the excess money and achieve the private sector credit growth target given by the Central Bank, banks started disbursing loans at a high volume. The year 2017 started with a private sector credit growth at 15.61% level and ended at 18.13% level. November 2017 marked the highest private sector credit growth of 19.06%. SME market also got a significant drive in 2017, marking the highest SME loan disbursement amounting to BDT 161,811 crore.

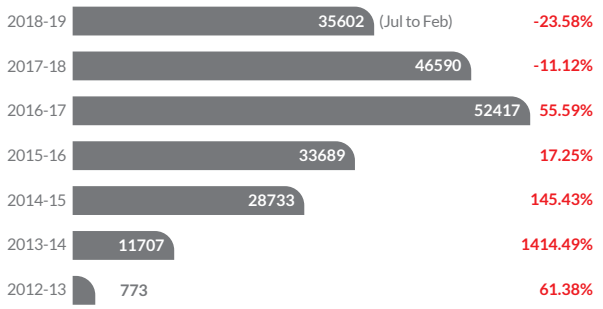


**November 2017 marked the highest private sector credit growth in the past 3 years*

However, on the other hand, deposit growth in 2017 registered a steady growth. During 2017, banks have received a total deposit of around BDT 85,000 crore, while they disbursed loans around BDT 1,25,000 crore. The weighted average interest rate on deposit was 4.95% in 2017 and it was as low as 4.84% in June 2017. Because of the low interest rates offered by the banks, investors took interest in National Savings Certificate, which is comparatively safer and lucrative investment option to commoners.

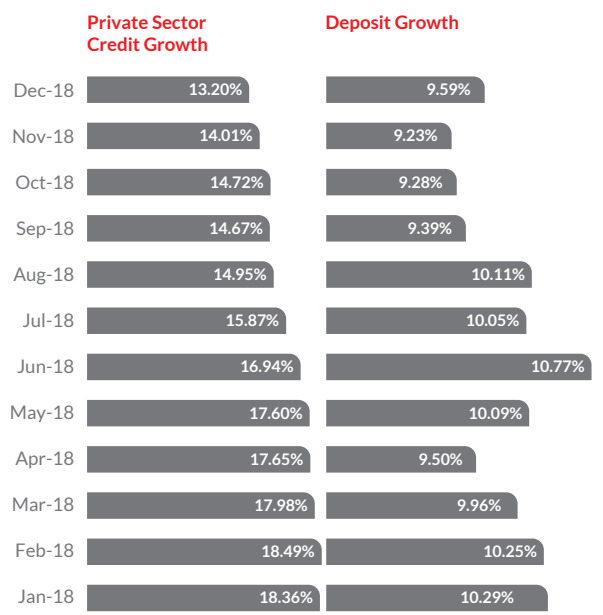
Heavy sale of National Savings Certificate significantly attributed to the current liquidity scenario. Outstanding stock of NSCs increased 2.2 times to BDT 2.4 trillion in FY 2017-18 from BDT 1.05 trillion in FY 2014-15.

Net Sales of Saving Certificates (In Crore)



The government's net sales of NSCs stood at BDT 35,602.49 crore in July-February of FY19, up BDT 6,405 crore on the government's BDT 26,197 crore budgetary target for the entire fiscal year.

Not only excessive credit disbursement, soaring demand for import from businesses were the main reasons for plummeting excess liquidity. The trade deficit stood at USD 8.62 billion at the end of December 2017, with current account deficit registering USD 4.34 billion in FY 2017-18. The import of capital machinery and industrial raw materials has registered a significant growth in the first half of 2017-18. In July'17, trade balance went into negative territory for the first time in the past 15 years and current account balance registered deficit for the first time since FY'13. The sudden increase of import payment has led to a 2.5% depreciation of the local currency against the dollar in the July-December period of FY 2017-18. Current account deficit plunged into deficit zone, ascribing to a moderate growth in export and remittance.

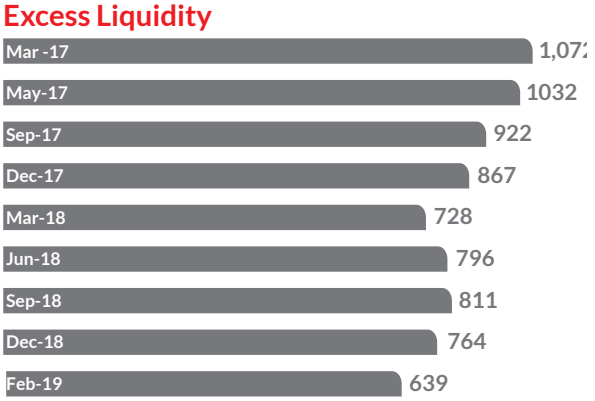


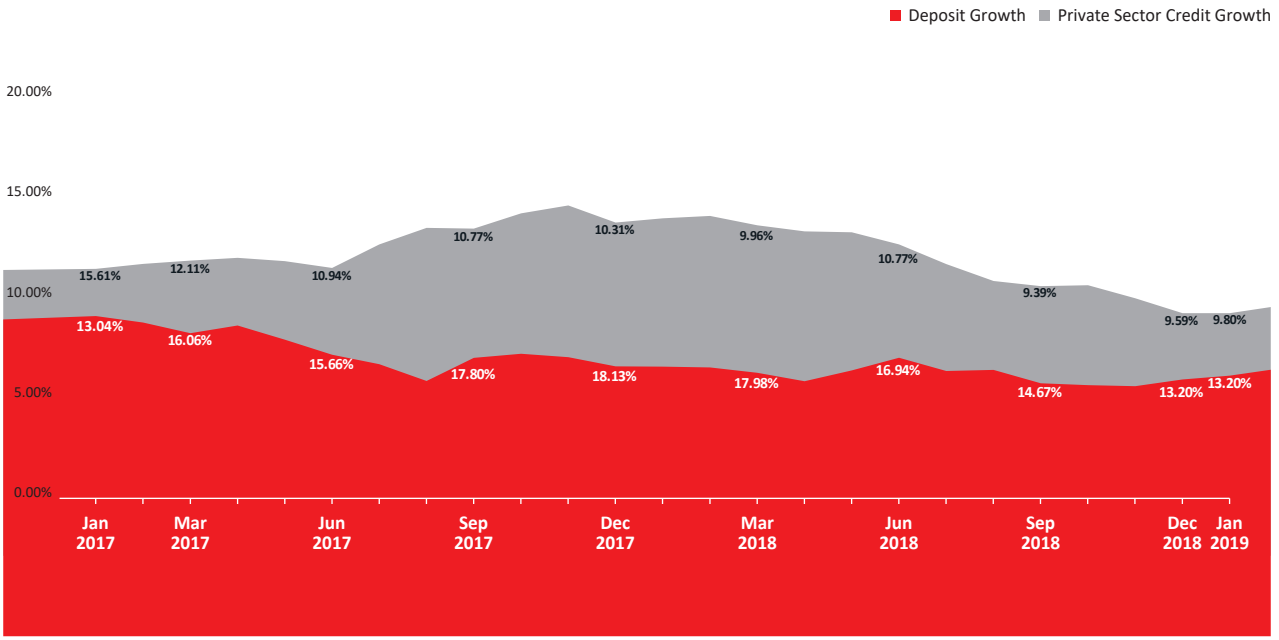
CURRENT LIQUIDITY SITUATION FACTS

- Excess Liquidity at **BDT 63,921 crore** in Feb'19, dropped by **12.71%** y-o-y
- Private sector credit growth dipped 54- months low at **12.5%**
- Trade deficit eased by 8.4% at **USD 10.7 billion** in July-Feb'19
- Uptick in export growth **(12.4%)** and subdued import growth **(5.6%)** narrowed trade gap
- Call money rate hovering around **4.53% - 4.59%** in last two months, up from as low as **2.7%** in Jun'18
- Call money volume dropped **BDT 2,768 crore** in April 17, 2019, the lowest in 2019
- Banks borrowed **BDT 13,475 crore** through REPO, which was **BDT 572.8** in FY 17-18

The year 2018 started with the Central Bank's regulation of lowering the ceiling of Advance-Deposit Ratio (ADR) by 1.5 percentage points to 83.5% in order to put a check on banks' heavy credit disbursement. Although, the deadline of new ADR limit was extended upto December 31, 2018, banks started focusing on attracting investors to opt for deposit products by increasing the deposit rate. Also, in an effort to keeping the ADR below the target, the private sector credit growth also started plummeting.

Excess Liquidity



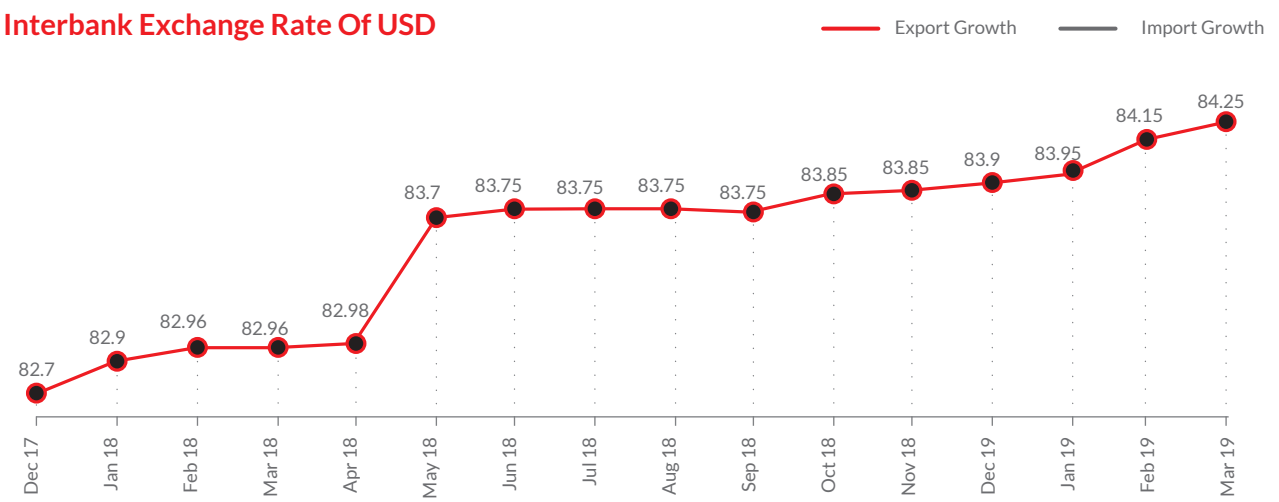


To provide for further cushion, on April 2018, the Central Bank reduced the Cash Reserve Ratio (CRR) by one percentage point to 5.5% to ease the liquidity condition. The reduction of the CRR eased the liquidity condition. The resulting impact of these measures reflected on increasing liquidity base from March'18, at BDT 72750.03 Crore to BDT 79649.69 crore at Jun'18.

However, again the liquidity base started eroding since September 2018. Between July 2018 and January 2019, the government's bank borrowing stood at BDT 4,451 crore. In contrast, a year earlier it did not borrow any fund but repaid BDT 15,030 crore to adjust its previous lending.

High import expenditure and low export earnings made the currency market volatile by widening demand-supply gap of US Dollars. Since 2017, foreign currency payments has been a challenging task as the dollar price is on the rise. In 2017, USD 46,345 million import LCs were settled, whereas, the same grew at 17% level to USD 54,189 million in 2018. Export earnings and remittances have not kept pace with imports and this resulted in a shortage of dollars. In order to ensure stability in the currency market, Bangladesh Bank sold USD 1.87 billion in July to March of FY2018-19 according to media reports.

Interbank Exchange Rate Of USD



The rising demand for dollar compelled Bangladesh Bank to devalue the local currency gradually, which stood at BDT 84.25 in March 31, 2019. The devaluation of local currency, ascribing to higher import growth, put pressure on the liquidity market as well.

Trade deficit narrowed down at 8.4% level y-o-y in FY 19 for July-Feb period

According to Bangladesh Bank's latest data of January 2019, banking sector is sitting on BDT 67,642 crore excess liquidity, a 12.9% reduction y-o-y. **Riding on higher demand for liquidity, call money rate increased to 4.53% in April 2019, which was 2.77% in June 2018. The call money rate hovered around 4.53% - 4.59% in the last two months. Alongside, the call money volume dropped as low as BDT 2,768 crore in April 17, 2019, the lowest in 2019.**

Banks borrowed BDT 13,475.8 crore from the central bank through repurchase agreement (REPO) in the period between July, 2018 and March 5, 2019, while the entities borrowed BDT 572.86 crore in the entire FY 2017-2018. In FY 2016-2017, banks' borrowing through REPO was BDT 115.67 crore.

How to win over the tight liquidity condition

The Central Bank took some policy measures in order to ease the liquidity condition. Also, another move by the government to address the current liquidity situation is, allowing the State-owned Enterprises (SoEs) to deposit 50% of their funds with the Private Commercial Banks (PCBs), up from 25%. However, some core areas need to be worked on if liquidity condition is actually to be addressed:

- **For FY 18-19, the target of net sale of NSC has already been achieved and exceeded by 35%.** Unless Government takes measures to control the sale of NSCs, traditional banking sector may always have a potential loss of substantial cash flow. If Government can ensure the sale of NSCs to those in need of social safety net, naturally the overall sale will have a decreasing impact.
- **Bond market needs to play a strong role as an alternative source of raising fund.**
- **Our export basket is heavily dependent on RMG, which has been the case for decades.** It is high time Government should take adequate measures to diversify the export basket so that trade balance and exchange rate remain within control.

IDLC organizes pre-Boishakh festivities with underprivileged children

On the eve of Boishakh 1426 dated April 12, 2019, IDLC has arranged a pre-Boishakh celebration "Anondomela Sharabela" at Jahangirnagar University Campus, Savar, in association with IBA-JU Social Welfare Club. In the event, more than 200 underprivileged children enrolled under various education projects of four organizations - Jaago Foundation, Obhizatrik Foundation, Spreeha Bangladesh Foundation and Tori greeted the Bengali New Year where they were facilitated by IDLC to raise fund from guests, employees and external parties.

Among many other festivities, the children participated in an art competition judged by renowned media personality Shampa Reza, concept designer & illustrator Sabyasachi Mistry, renowned cartoonist Morshed Mishu and, M M Maizuddin, Associate Professor and former Chairman of the Department of Fine Arts at Jahangirnagar University. The children also enjoyed rides and a cultural event together with volunteers from the organizations and IDLC team.

IDLC envisions this event will set examples among other corporates and benevolent donor community whereby more such fundraising activities will be replicated in future.

On this occasion Arif Khan, CEO & Managing Director of IDLC Finance Limited said "As a progressive and socially responsible organization, it is our duty to instill a sense of responsibility among the society to ensure a brighter future of our children. Hence, we are pleased to initiate this meet and greet opportunity and hope others will come forward and take such noble initiatives so donations are directed towards the right beneficiaries through the right channels."

Mohammad Jobayer Alam is the Head of Treasury and Strategic Planning at IDLC Finance Limited. As the Head of Treasury and the convener of the Asset Liability Management Committee (ALCO), he is responsible for the Liquidity and Interest Rate risk management of the company. In a career spanning more than 13 years, he has also gained expertise in strategy, corporate finance, and financial planning functions with the exposure of working in global companies in different industries.

Mohammad Jobayer Alam

Head of Treasury & Strategic Planning, IDLC Finance Limited

MBR: What is your take on the current liquidity scenario in the banking system? What, in your opinion, are the reasons behind this?

Mohammad Jobayer Alam: Currently, most of the banks and financial institutions are experiencing comparatively tight liquidity situation and have started accepting deposits with double digit interest rates. Imbalance in key money market factors have played a key role behind this phenomenon. However, even a couple of years back, banks were riding on excess liquidity. At the backdrop of political certainty, the credit demand gradually went up. While the economy saw record-high credit growth, deposits have failed to keep pace. As such, the excess liquidity was quickly mopped up.

Overall, there were numerous factors that contributed to the tightened liquidity scenario that the financial system is facing today. Among other things; slow deposit growth compared to credit growth, rising NPLs, growth in sale of National Savings Certificate and the selling of USD by Bangladesh Bank - to avoid a dollar shortage and to maintain exchange rate stability - have been some of the reasons.

The origination of the existing scenario dates back a couple of years as private sector credit growth consistently outpaced deposit growth. In the meantime, rising Non-Performing Loans (NPLs) meant that large quantities of funds expected to be recovered and funneled back into lending operations never came through.

Meanwhile, sale of National Savings Certificates (NSCs) has kept growing. In calendar year 2018, growth in NSCs was over BDT 47,000 crore. As compared to this, the gap arising from the excess of credit growth over deposit growth in the period was roughly BDT 17,000 crore only. Of course, it wouldn't be fair to assume that all the funds invested in the NSCs would have found their way into the banking system as deposits. However, its high interest rate definitely makes it a significant alternative and the growth in NSC sales did put added burden on the liquidity scenario.

On top of these, current account deficits that resulted in negative growth in Net Foreign Assets (NFA) led the central bank to extend support for the exchange rate through selling foreign currency to the banks. These operations resulted in the extraction of over BDT 30,000 crore out of the market over the last one and half years.

MBR: How will the ongoing liquidity situation impact the country's gross economic performance in terms of growth, employment, inflation, exchange rate and savings?

Mohammad Jobayer Alam: Bangladesh has emerged as one of the fastest growing economies of the world. According to latest government forecast, GDP growth is set to cross 8.00% in the current fiscal year. Such growth requires both private and public sector investments to play a vital role.

Although both credit growth and deposit growth have slowed in the past few months, given the strong demographic drivers and bottom-up growth in national incomes, the current liquidity scenario is not expected to significantly suppress the country's economic growth and employment prospects.

The impact on inflation would depend, among other things, on the leverage levels of organizations that command the markets for commodities and other items in the inflation basket. Whether their debt is from the formal banking system is a relevant factor as well. Given the reality of our country, the overall impact in this case, should not be too significant.

Since BDT liquidity gets further restricted when releasing foreign currency reserves to the banking channel, it may be difficult to support the exchange rate on a continuous basis. However, central bank's policies will ultimately dictate how the financial sector's stakeholders would navigate through these challenges.

Theoretically, savings should increase on the back of higher interest rates. However, an overall rise in savings tendency would depend on savers confidence on the financial sector's performance and comparative returns on other investment vehicles such as National Savings Certificates and Equities.

MBR: What may be the impact on private sector credit growth in the backdrop of some big projects undertaken by the government?

Mohammad Jobayer Alam: On the backdrop of the liquidity issues discussed here, banks and FIs have less money to lend, and subsequently, private sector credit growth will decelerate. This is only natural and we have already seen this happen in the last few months. Having said that, I do think the big projects undertaken by the government will actually boost the private sector credit growth rather than hampering it. In the last couple of years, government borrowing from the banking system has been below the budgeted level, especially on account of increased sales of National Savings Certificates. Also, most of the large infrastructure projects are expected to be undertaken with soft loans from multilateral institutions and other forms of foreign borrowing. As such, there should be little concern of funds being mopped up by government projects. On the contrary, work orders given out to private companies during the implementation phase may in fact boost private sector credit growth to some extent.

MBR: How is the external sector performing in Bangladesh at present? Is there any impact on the local currency's liquidity in such context?

Mohammad Jobayer Alam: External sector has been showing signs of improvement owing to strong growth in remittance and exports after registering a record deficit of around USD 10.0 billion in the Current Account during the last fiscal year. However, the current account balance is still running a deficit while Bangladesh Bank has been injecting US Dollars into the banking system in order to support the local currency's value, as mentioned previously. This has in fact, put an additional strain on the liquidity scenario.

MBR: According to media reports, Banks and FIs have been offering high interest rates to attract depositors in recent times. What would be the resulting impact on and likely expectations from the capital market?

Mohammad Jobayer Alam: As interest rates rise, many investors tend to shift some of their exposure from equity to fixed income instruments. That being said, other than companies with extremely high leverage, these cyclical impacts are not expected to shake the foundations of the fundamentally stronger companies. Also, interest rate cycles are an ongoing phenomenon and the existing high rates are expected to be moderated gradually, while the market of loanable funds normally corrects itself over a period of time. Therefore, any impact on the capital market as a result of this are expected to be merely temporary.

MBR: What measures should the Government, Banks/FIs and Regulators undertake to address the present liquidity situation?

Mohammad Jobayer Alam: In respect to the primary drivers of the current liquidity scenario, government needs to consider market-reflective interest rate setting of National Savings Certificates (NSCs) to avoid excessive sales. In addition to that, policies need to be adopted to ensure that NSCs are only sold to those in need of a social safety net. Primary focus of Banks and FIs should be to reduce existing classified loans and ensure credit quality of new loans. NBFIs, in particular, need to avoid over-reliance on bank borrowing and increase the concentration of core customer deposits and bonds in their funding basket. To complement these efforts, Central Bank needs to set a growth conducive target for interest rates and set monetary policy to adjust money supply accordingly. To increase money supply in the short term, repos with various maturities can be introduced. Meanwhile, as a medium to long term solution, refinancing schemes for 3 to 5 years tenor can be launched. Regulators also need to undertake policy measures to develop the bond market so that raising funds from alternative sources becomes cost effective and less time-consuming for Banks and NBFIs.

Md. Shaheen Iqbal is currently serving as the Head of Treasury and Financial Institutions of BRAC Bank Limited. He joined BRAC Bank Limited in March 2004 and prior to his current role, he performed the role of Head of Asset Liability Management and Banking Institutions in BRAC Bank Limited. MBR had the opportunity to have an interview session with him on the current liquidity scenario of Bangladesh.

MD. Shaheen Iqbal

Head of Treasury, BRAC Bank Ltd.

MBR: Please opine on the current liquidity scenario in Bangladesh?

MD. Shaheen Iqbal: If we look at the major indicators like deposit growth and credit growth, there is a huge gap between them. Right now in Bangladesh, credit growth is much higher than the deposit growth, which should be ideally the other way around or at least matching each other creating an equilibrium. When deposit growth is smaller than credit growth, it is natural to feel the liquidity pressure. Last year when the liquidity pressure was building up , Central Bank reduced the CRR to minimize the liquidity pressure in the banking sector. The effect of that policy decision has come to an end and now again the Banking sector is facing the current liquidity situation. Furthermore, we can see that M2 over private sector credit growth is at a multi period high. This is another sign which indicates there is liquidity –pressure right now in the market.

MBR: What are the reasons of liquidity crisis?

MD. Shaheen Iqbal: As I said there are two key factors here: credit growth and deposit growth. The main ways by which savings is channeled can be either through bank deposit or through the national saving certificate. Now a significant portion of the fund is channeled through national savings certificate due to higher interest rate which makes the bank deposits unattractive. This is the reason for the current situation.

MBR: What can be the impact of this situation on the private sector credit growth?

MD. Shaheen Iqbal: The impact is that the private sector is being crowded out. Since, banks are getting less deposits compared to the demand for credit,banks right now have less money to lend, which either leads to less availability of funds to lend to the private sector or makes the interest rate higher.

> **"The reserve grew significantly from 2012 to 2017, which injected lot of liquidity in the market. Since then we have used up the excess liquidity and some liquidity was wiped out due to reduction of reserve from 2017 to now."**

MBR: How current liquidity situation will impact on the major economic indicators like growth, inflation, savings, etc.?

MD. Shaheen Iqbal: As a result of this situation, savings will be encouraged as interest is getting higher. But if we consider the private sector, with such high interest rates, fewer projects will be viable for the companies to carry on as a result of the requirement of higher IRR. Export will become less competitive as exporters cost of doing business will be higher due to the higher interest rate. It might curb inflation a little bit, but the other indicators are showing that inflation will not be much of a challenge at this point of time. A In the end, the current liquidity situation will heavily impact the overall growth, cutting down the growth rate and overall demand.

MBR: According to the media report, banks are now offering higher interest rates to attract the depositors, how this situation is likely to impact the capital market?

MD. Shaheen Iqbal: If the risk-free rate is high, or in other word if the fixed income earnings for the depositors become high, they will obviously move away from capital market. This is even backed by a fundamental theory of finance that, if long term bond offers a better return, than people will move out of the capital market. This is applicable even for any short term security. If the rate is high, why will the average investors take risk of the capital market when they can get assured return from these securities? An average individual will always prefer the less risky path, and avoid the high-risk options.

MBR: What is the expectation from the capital market if this scenario continues down the line?

MD. Shaheen Iqbal: What we sorely lack in our capital market is that there are very few fundamentally driven stock investors in our market. We need more AMCs, professional investors, and money managers in our capital market. Only that can ensure the proper behavior of the capital market. The current price level of stocks is logical and attractive for the investors. Thus, it should attract more investors gradually.

MBR: How is the external sector of Bangladesh is performing now?

MD. Shaheen Iqbal: Compared to last year, the external sector of Bangladesh is performing really well. All the indicators are reflecting this. We have achieved a better balance this year. The negative figure in the current account is improving gradually andwe have reduced the export-import gap significantly. Import growth is now negative, export & remittance growth is positive, and FDI has increased. Altogether I can say external sector has improved significantly.

MBR: How do you think the local liquidity scenario will create an impact on the external sector?

MD. Shaheen Iqbal: A major challenge which will arise from the issue is for the exporters, as the interest rate is increasing the cost of borrowing for the exporters is increasing along with it. But if we can adjust the effect of higher interest rate with flexibility in exchange rate, we can overcome or nullify the impact of liquidity pressure.

MBR: What should be the steps for the regulators or stakeholders to address the scenario of liquidity scenario?

MD. Shaheen Iqbal: Regulatory bodies first need to set the target about what the interest rate will be. Then they might inject money in the market accordingly to achieve the target. They can offer term REPO, and again cut down CRR and SLR to address this scenario. The regulators can inject liquidity by buying long term securities as well. Furthermore, as inflation is not an issue now, the tools that are available for the regulators are enough to keep the rate in control.

> **"Bangladesh might consider issuing sovereign debt and attract financing from external parties rather than internal sources. The economy moves in a cycle, and with different phases of this cycle the liquidity situation will be automatically corrected, albeit, with some economic consequences."**

However, with proper policy implementation, it is possible to make the transition smoother.

Mehdi Zaman is the Head of Treasury of Eastern bank limited. Mehdi Zaman started his career with EBL and working there for 20 years. He was exposed to branch banking and International division before working as a Foreign Exchange Dealer in the Treasury Department.

Mehdi Zaman

Head of Treasury, Eastern Bank Limited

MBR: What is your take on the current liquidity scenario in the banking system? What, in your opinion, are the reasons behind this?

Mehdi Zaman: It is natural to face liquidity pressure for the banking sector of any country when they are continuously having a significant amount of growth in the economy. Bangladesh is maintaining a handsome growth for a few years. To sustain the current growth trend it is quite natural for the economy of Bangladesh to get exposed to the current liquidity situation. The liquidity issue is an absolute macro phenomenon which is not possible to be controlled easily. But from all indicators it is apparent that this pressure of liquidity as something has to be borne to continue the growth trend of our economy. We all know that liquidity situation arises in two ways; one is excess liquidity and the other is shortage of liquidity. But normally what we understand from the liquidity crisis is when there is a shortage of fund in the market, whereas we faced excess liquidity situation back in 2016 which was less highlighted as a crisis can also be a concern. But to curb excess liquidity bank had to reduce the interest rate below the real interest rate. Many other policies were then implemented to get out of that scenario, the effect of which is still visible. But that scenario is passed and now we have a shortfall of the fund.

Now among the investment option available in Bangladesh, public banks are getting most of the investments consisting 50- 60% of the total fund. Major investment option for anyone is government bonds. If we consider the overall liquidity, government do have fund which is acquired through issuing bond that can be easily injected by issuing repo. But whether the government will issue repo and pacify the liquidity pressure is the decision of debt management body of Bangladesh Government. Hopefully, they will decide what is best for the country's economy. But to mitigate the public concern, I can say that with the tool available to the regulator, liquidity pressure can be adjusted very easily. So, to be brief about the overall liquidity scenario- it is a natural phenomenon. Those who really need money right now will take the money and get the best out of the business even if there is a liquidity pressure. And ultimately this issue will be solved. Now it might need the help of the central bank, but as the current account balance is improving, in the near future it will be solved naturally.

State owned banks are having the lowest Advance-Deposit ratio around 55.00%, which means they have a large portfolio of Govt. securities. These securities or the govt. bonds are eligible for Repo with Bangladesh Bank. In current situation I think they can enter into repo transaction and lend the money to bank who are in need for liquidity. This process can pacify the current market shortage to a great extent. But whether the government will accept repo and allow govt. banks to lend in money market is the decision of debt management body of Bangladesh Government. Hopefully, they will decide what is best for the country's economy.

MBR: How will the ongoing liquidity situation impact the country's gross economic performance in terms of growth, employment, inflation, exchange rate, and savings?

Mehdi Zaman: Current forecast of the growth rate for Bangladesh is around 8% and the growth rate for the last financial year was around 7.5%. When the growth rate is climbing up in such a high rate, it is natural for inflation that the exchange rate and the interest rate increase together with the growth rate. But there is nothing wrong with it because the growth of our country will be achieved in this process and there will be a sustainable growth for our country. The economy will absorb this pressure in the process of development with sustainable growth.

MBR: What may be the impact on private sector credit growth in the backdrop of some big projects undertaken by the government?

Mehdi Zaman: Government is purchasing supplies from the private sector to run the big projects. So obviously these projects are going to boost the private sector suppliers of these projects. Local currency growth is smooth with all the elements supporting it. If Government can assure utility to the private sector, growth will continue. Those who are not supplier of government projects will face difficulty now to get fund because of higher interest rate, but in future the issue will be resolved. But overall credit growth will not be affected much because of the liquidity scenario. Because credit growth can be in two ways, one is supply driven and another is demand driven. For a long time, the market was more of a supply driven market. But now the market has become demand driven, those who require fund now will get that even if it is at a higher rate. So considering every aspect, credit growth should not be affected because of the liquidity pressure.

MBR: How is the external sector performing in Bangladesh at present? Is there any impact on the local currency's liquidity in such a context?

Mehdi Zaman: Our external sector is doing really well. This requires an analysis of the huge amount of data to determine the probable impact of the liquidity situation. But the current situation is something that requires thinking but not of concern. Because as I said earlier, the central bank is ready to support the market with any amount of injection of the fund through repo.

MBR: According to media reports, Banks and FIs have been offering high interest rates to attract depositors in recent times. What would be the resulting impact on and likely expectations from the capital market?

Mehdi Zaman: Capital market investment is popular among people because regular deposit does not offer a high return. If there is a high return in deposit, people will invest in the deposit. But if we consider the case of 2015, the market interest rate was low during that time. However, it did not improve the stock market performance. So I think there is no correlation between the deposit rate and capital market, at least in Bangladesh. Bangladesh's capital market requires market development as it does not have all the necessary components of a complete capital market. For the size of our economy, the capital market will be incomplete as long as it does not have any bond market. It is actually a requirement of a basic financial market. Without ensuring these facilities, introducing the components and spreading education among the participant of the market, the capital market will not grow.

MBR: What measures should the Government, Banks/FIs and Regulators undertake to address the present liquidity situation?

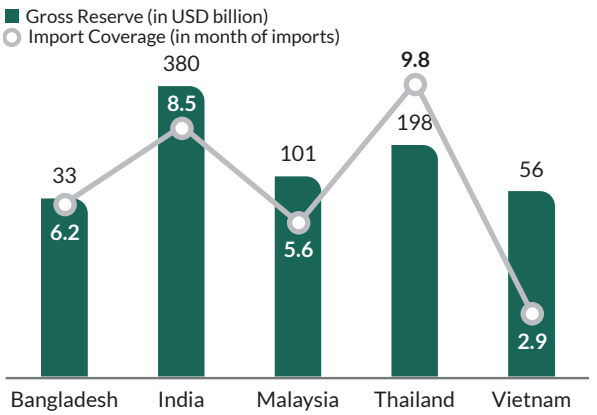
Mehdi Zaman: Government is ready to provide any support to manage the liquidity situation. However, one thing that should be addressed is the interest rate of government bond which is comparatively lower than that of saving certificates- that is also issued by the government. We need to invest in government bond to fulfill the SLR requirement. When financial institutions invest in bonds with a lower rate and at the same time savings certificate offers a higher rate, it creates some mismatch in equilibrium. Besides, taking a deposit at a higher rate than the government bond and then investing it in government bond will make a negative interest margin. The cost of the negative interest is ultimately borne by the people who are availing the loan. If the rate of both instruments offered by the government maintains similar rate, it would result a proper translation of the financial market. The pricing imperfection should be addressed by the government to maintain stability in the economy.

MBR had the privilege to get the insight from Dr. Ahsan H. Mansur, Executive Director at the Policy Research Institute, and a former Economist of International Monetary Fund (IMF), regarding the recently liquidity situation in Banking sector of Bangladesh.

Dr. Ahsan H. Mansur

Executive Director, Policy Research Institute

The Bangladesh Bank announced its Monetary Policy Statement for the second half of FY2019 on January 30, 2019. The statement reflects the commitment of the Central Bank to coordinate its policies in line with the government's agenda to sustain real economic growth with ongoing macroeconomic stability. However, Bangladesh Bank faces a number of challenges in a number of fronts in executing its announced MPS. One such area is managing the balance of payments (BOP). In the early months of FY2019, the condition improved slightly in the provisional figures for the current account balance (CAB), although it still recorded a $4.3 billion deficit in the seven months of FY2019 and may approach $8 billion by the end of the fiscal year. The BOP's weakening has contributed to instability in the exchange market. During FY2019, Bangladesh Taka's exchange rate against the US dollar depreciated slightly. By intervening in the foreign currency market, BB had attempted to stabilize the exchange rate by selling $1.3 billion by January 27, 2019. However, it is not possible to intervene indefinitely. In addition, some banks refuse to open LCs at the rates dictated by the BB on behalf of their customers due to a shortage of foreign exchange in the interbank market. The gross official reserve has not increased in dollar terms in the last four years, whereas imports have increased significantly. Thus, the reserve coverage for import payments has dropped significantly and is likely to fall further. The reserve level is still comfortable at six months of reserve coverage and compares well relative to its regional peers. Since Bangladesh Banks' reserve coverage has already declined by two months, this type of rapid fall cannot continue for long, flexible and market based exchange rate management is the way forward.



Deviation of MPS in Policy Operation

Obviously there is a wide gap between what BB said about exchange market operations in the MPS and what it still practices. Since the statement in the MPS with regard to market-based exchange rate determination is widely supported, an actual change in BB's operational-level exchange rate policy was expected, especially after the national elections. But that's still to be done. Such a move would certainly lead to Taka's further depreciation against the US dollar, but that would be consistent with the dollar's appreciation against all major currencies in the global exchange markets. This type of adjustment would also help boost exports and contain pressures for excessive import growth, thereby helping to restore BOP's balance and a resumption of BB's foreign reserve growth. Bangladesh needs to increase or at least maintain its current level of reserve coverage and also increase money market liquidity.

The emergence of the liquidity issue in 2018 pushed up the banks ' interest rate structure and this has not happened overnight. The increased inflow of NFA since FY12, which lasted through FY16, was a major source of injection of liquidity into the banking system. Simply put, the domestic liquidity / broad money expanded by about BDT 80 or more for every US dollar of NFA growth. Furthermore, BB's significant intervention in the foreign exchange market also reduced liquidity in the banking system. It effectively withdrew BDT 83 for every US dollar that the Central Bank sold.

The manner in which Bangladesh banking system is expanding—characterized by rapid accumulation of non-performing assets and increasing number of new banks—is also contributing to further tightening of liquidity in the banking system. Many banks, especially the new ones, were engaged in excessive lending beyond the limits established by BB's macro prudential conditions. As BB started to focus on this issue and started to exert pressures on banks to comply with the macro-prudential conditions, this resulted in a general tightening of lending, pushing up the interest rate structure in early 2018. This increase, however, should not be blamed on the Central Bank's intervention in terms of enforcing macro-prudential conditions as it must do. Against this background, the banking system's deposit growth rate slowed from a healthy rate of about 20 percent to less than 10 percent in FY2019 contributing to further tightening of liquidity.

Roadblocks in Achieving Market Based Lower Interest Rate

BB and the government must address the fundamentals—not superficially, but at the core issues— that contributed to the decline in liquidity and to higher interest rates. To improve liquidity, one dimension is to manage the exchange rate and export diversification policy proactively to restore BOP equilibrium with positive impact on BB's gross and net official foreign exchange reserves. Addressing loan loss can help inject liquidity in the banking system. The diversion of funds towards the National savings certificated, as described below, also must stop to retain liquidity in the banking system.

In addition to increased liquidity in the banking system, lowering the domestic interest rate structure would also require a number other positive developments, such as, improving the efficiency of the banking system and its intermediation role and a deceleration of the rate of inflation. . For example, if the inflation rate is 2.5 percent, banks can offer 3 percent deposit rate, providing depositors with positive real interest rates. This essentially implies that BB / government should not be complacent about Bangladesh's inflation performance and should continue to aim for a lower inflation target. Countries with lower interest rate structures generally also enjoy lower inflation rates.

The other way to help reduce the lending rate is to lower the spread between lending and deposit rates. This lowering of spread will require measures on multiple fronts. Large number of banks essentially means very large overhead cost for the banking system as a whole. The overhead costs include head office costs and high cost of qualified top management in an environment of increasing shortage of qualified senior bank staff. Cost of automation and putting in place cyber security systems are very costly and more so for smaller banks with lower asset base. The only way these major overheads can be contained or reduced to generate savings is reducing the number of banks by consolidating the banking system through mergers and acquisitions of weaker banks with stronger ones as it is often done in other countries.

Savings Certificates issued by the National Savings Directorate (NSD) is a major stumbling block in achieving market-based interest rate structure. As seen from the Table below, the outstanding stock of NSD instruments increased from a little over Tk. 1 trillion in FY15 (accumulated over the last 45 years since independence in 1971), to almost Tk. 2,4 trillion within a 3-year period through FY18. This massive diversion of funds away from the banking system contributed to the serious liquidity problem in the banking system and limited the balance sheet expansion of commercial banks and their profitability.

Outstanding NSD Certificates over the last few years

Financial Year	Stock of Outstanding NSD (in Billion USD)	Flow of Outstanding NSD (in Billion TK)
2014-15	1050.7	
2015-16	1387.6	336.9
2016-17	1911.8	524.2
2017-18	2377.5	465.9

In order to achieve a level of lending rate structure that will enhance Bangladesh's competitiveness and promote investment and growth objectives, market based interest rates will require a far deeper level of policy undertakings as described above. Banks can not expand lending without a commensurate increase in deposit base while adhering to BB's macro prudential requirements.

"If the current anemic deposit growth rate is sustained due to the factors discussed above, there is no way that private sector credit will expand by 16.5 percent as envisaged in the MPS in support of the government's growth target."

In the Near Term, Limiting Government Borrowing from the Banking System will Support Private Sector Lending

A new development in FY 19 is that the government has renewed its borrowing from the banking system after several years giving rise to the potential crowding out of the private sector credit by the government, Until FY2019, government borrowings from the banking system were negative indicating that the government paid back the banking system on a net basis because of much larger borrowings through the issuance of NSD instruments. This situation has changed, and despite continuing heavy NSD borrowing, in the financial year 2019 the government borrowed heavily from the banking system. The increasing recourse to government bank finance is attributable to the very weak revenue performance of the National Revenue Board. The fiscal revenues of the NBR only increased by less than 7% over the first seven months of FY 19, compared to the budget target of 43%. The huge deficit in projected government revenue is likely to result in crowding out of the already diminishing private credit. Such an outcome that is currently unfolding will not support real GDP growth at an above 8 percent rate.

Government Borrowing from the Banking System

Fiscal Year	Total credit to government by the banking system	Stock of net claims on the government (in crore tk)	Flow of net claims on the government (in crore tk)
FY 2016	180479.9	114219.6	3962.3
FY 2017	168446.8	97333.5	-16886.1
FY 2018	178092.9	94894.9	-2438.6
FY 2019 Q 2	183823	98152.1	10875.6

DECIBEL LTD.
TURNING VOICE INTO MEANINGFUL DATA

Tanvir Hassan Sourov is a Tech Entrepreneur who has been working in the Startup Ecosystem for the last 8 years. He started his Company Technolive which later helped in forming Socian Ltd which is an Artificial Intelligence based Actionable Intelligence Company with his friend Tareq Al Muntasir. Tareq Al Muntasir is a Technology Enthusiast who has been working with Cutting Edge Technology for the last 7 years. They are currently working on speech technology through Socian which has transformed to a new entity, Decibel Ltd.

The Background Story

Two friends, Tanvir Sourov and Tareq Al Muntasir form Ahsanullah University of Science and Technology (AUST) started their startup journey through Technolive back in 2015. The company used to provide traditional services to local and global clients by offering different apps, websites, systems, software and other technological support. They participated and won the Telenor Digital Winner Best App in Asia in Bangladesh, BRAC-a-thon and numerous other competitions. And during the process, they got closed door mentorship from Startup Dhaka and few other Industry Experts for a good amount of time. From that time onward, they learned a lot and regarding how to run an organization, performing accordingly to make it grow. On August, 2016, Socian Ltd was formed and was a graduate of Grameenphone Accelerator Batch – 2.

Back then Socian was working on Sentiment analysis on Digital Contents. Sentiment analysis is the recognition of emotion from a sentence, analyzing its structure, whether the statement is positive, neutral or negative. Starting with this facility Socian first joined the world of Artificial Intelligence. Back in June 2017, they got another round of investment at a Valuation of Half Million USD. The investment required to make change in their service portfolio, getting into pure Artificial Intelligence based products and services. They worked on Voice Analysis, Computer Vision (Visual Analysis) and Textual Analysis domain. They were 1 of the 2 Big Data Companies of eFounders Fellowship Class 4 organized by UNCTAD and Alibaba Group (https://markets.businessinsider.com/news/stocks/38-asian-entrepreneurs-graduate-from-unctad-and-alibaba-business-school-s-efounders-fellowship-1027761817). The Company also holds lots of local and global awards into its portfolio. Most of the works of Socian Ltd was on Speech Technology. This technology includes conversion of speech to text, text to speech and other Voice related analytics. They prepared a solution to convert speech to text for Bengali which took more than a year. The product is available from 2019.

With the progress of their Voice Technology, Socian got another round of investment with a valuation of USD 5 million for their voice-based products. But the new Investment Terms required to form a New Company which only works with Voice Technology (All the Voice IPs and Products are being transferred in the New Company). The New company is called Decibel Ltd.

The New Era Begins

With the pure determination of enriching our mother language Bengali and eradicating poverty in the rural areas, Decibel Ltd. has started providing an interface to any company which wants to have an interactive voice interface in their website or app with Decibel's API. There is a General API as well as customized APIs and services for Businesses based on their particular needs.

Suppose you want to use any ride sharing Platform, or buy any product from any Ecommerce Website. What if you would have just spoken your Destination name or the product you want to buy and the processes would have been done! Or the Website or App starts talking with you to make your journey much easier! Or think of a Voice Assistant who is always with you whenever you need any service, it interacts with you over Voice (An AI supporting your needs) understanding your preference. Imagine you get to know what is being talked by your Call Center Agents, what are your Customer's Demand, Complain, Feedback – you get all of them in a Well-organized Dashboard. Or think of automating all of your call centers with AI, instead of human agents – how much beneficial it will be for your Business and how much you can actually increase your reach; Customers will call, their Voice Query will be analyzed, ChatBot will find relevant

Tareq Al Muntasir
Driector & CTO, Decibel

Tanvir Sourov
Managing Director & CEO, Decibel

answers, the Answers will again be spoken to the Users in real time – wouldn't that be really amazing! It would increase the reach of customers, increase efficiency and save a lot of money! All of this is possible and Decibel can give you all these services based on your Industry and particular requirements.

End user or ultimate beneficiary of this speech technologies will be the rural, illiterate people who cannot use smartphone properly, don't have internet access (no internet or active internet) and face challenge to operate in any interface in English. Even some of them does not understand the interface well. So, it becomes very easy for them if the interface is in Bengali and they can communicate with voice in the interface and do their task through voice command. And most amazingly, the rural users can also use their Feature Phones to do all these operations in minimal time by calling a Short Code (App and Web based solutions are also available). And talking is way easier than typing and takes 5x – 10x lesser time!

Motto of Decibel Ltd. is to digitalize the illiterate people of the rural area of Bangladesh and increase the market reach in the whole country. People can buy talk time from the Telecom Operators and use the talk time for this operation at a very cheap rate.

Many of the companies around the world offers similar kind of technologies but none support Bengali to that extent in their interface which is the advantage of Decibel to capture the market in Bangladesh. There are many other languages besides Bengali that are not covered with the existing facilities. One key thing about the Artificial Intelligence and Analytics industry is that, the more usable data a Company has, the more enriched and developed the company's system is. The pricing of their solution is customized based on the clients. It can be for per 300 minutes ranging from BDT 30 to BDT 150 based on the requirements. The concept can be described as volume licensing. The more usage a company has, the less the pricing gets. Decibel Ltd. is developing similar speech technologies for other languages too. Recently they had a POC and right now working on an agreement with a Telco of Myanmar for their product on Mobile Financial Service domain.

"Currently Decibel Ltd. is working on providing solution to three major sectors in FinTech Industry – MFI (Micro Finance Institutes), MSME (Micro Small and Medium Enterprises) and MFS (Mobile Financial Services)."

Decibel is working on empowering the Industry by offering their speech technologies to get loan information, customer details, recording every day's transactions etc.

Marketing Strategy

Decibel will open its service offerings to different organizations. The website of Decibel can be accessed at www.decibel.com.bd. And the APIs can be accessed at developers.decibel.com.bd. The recent Investor of Decibel is also a Big Customer of Decibel and they will do a big part of Marketing and Branding for Decibel. At the same time, Decibel will follow both ATL and in some cases BTL marketing strategy to ensure awareness and users. Decibel is currently running an Initiative called Amar Bangla which is a campaign for Enriching Bangla language. There are many gifts such as Macbook Air, Samsung Galaxy S8 and others. Also, people will get Cashback in their bKash or Rocket Wallet for participating in this contest. People can just go to amarbangla.decibel.com.bd and use the Website or App to give their Voice Data. The process is very simple, Open the App, Read out the Bengali Sentence, Press Submit, Keep Repeating. There are different levels to make this process much more interactive.

Roadblocks

When the Company started their journey, Bangladesh market was not ready for the concept of Artificial Intelligence. Now we can say that finally Bangladesh is ready for AI. Many of the investors are also showing interest in this sector and actively investing for the research and development of these technologies. Global Investors were not much interested to enter into Bangladeshi market due to many obstacles. But now they are being interested! Local investors are not much tech oriented, and do not show any tendency to finance a new concept as they don't have enough resources to understand the depth of the concepts. The Market still doesn't have the proper realization of the value and blessings about artificial intelligence. They had to educate the market that there is something called AI and customer will get many facilities applying the AI solutions into their existing system. Manpower is the biggest challenge for AI industry because very few people are experienced with Industry Level AI. The curriculum that is taught in the Universities of Bangladesh are not enough and backdated in most of the cases. The knowledge base is not being developed among the freshers unless they self-learn.

But we cannot expect that a fresh graduate from university can work on Industry Level AI. So, the strategy we follow here is to train them and make them ready. Students can train themselves and make themselves ready for the actual projects. And anyone wants to do collaborative research with us, we have the facilities to make that happen as we are also doing several researches continuously. We always want to improve ourselves with the cutting-edge trends and technologies through these researches. Government should be much more approachable to the Startups, because in many cases, Startups have the necessary expertise for Executing things better, way better, but cannot get the government projects because the Company is not of 3 or 5 years and doesn't have enough Liquid Asset. They should be more liberal to startups so that they can get the government project and demonstrate their capabilities.

WHY CORPORATE TRAINING IS GETTING INCREASINGLY POPULAR IN FINANCIAL INSTITUTIONS AND LOCAL CORPORATE BODIES?

Employees need more training, more than they have ever needed before because of the changed in process and technologies in the workplace. Now without proper training organization will be facing skill gap. And the situation isn't going to get any better in future. Because of advances in technology and increasing complexity in organizations, the jobs now a day requires employee changing their way of working quickly because jobs are getting more specialized.

Corporate training has become really essential for the corporates worldwide and these companies are spending handsome amount of money to train their workforce. Modern Human resource management is also highly concerned about how they will develop the employees of the organization. Though training is popular worldwide but in Bangladesh it is neglected by the local corporate except for the MNCs those who are concerned about the development of workforce. Spending on employee development is required for every organization because of several reasons. Local corporates are not aligned with the idea till now but with time many organization is showing their interest in corporate training.

Why training & learning is so important for any business

- Well trained employees are better workers because It is important for the employees to know how to do their jobs correctly.
- Well trained employees often are better at customer service.
- To keep employees on top of trends in the field of business they need to know what is going on and be able to stay up to date, especially in fields that change constantly.
- Employees who are trained feel like they matter. They often are more satisfied with their jobs. They will often stay at their jobs longer because they realize that they really are important to the company.
- When employees realize that continuing learning is available, they realize that there is room for growth in your company. This allows them to work harder so that they can achieve higher standards to get better pay and rank in your company.

Key insight of Training Globally

- Global spending on corporate training is USD **366.2** Billion in 2018.
- Growth rate of spending on corporate training globally is **1.2%**.
- More than two billion working-age adults are not equipped enough for the job they are doing.
- Less than **25%** of companies feel comfortable with today's digital learning environment.

- Employee continuing learning is a benefit and can be treated as such. It may be a reason that someone chooses one job over another.

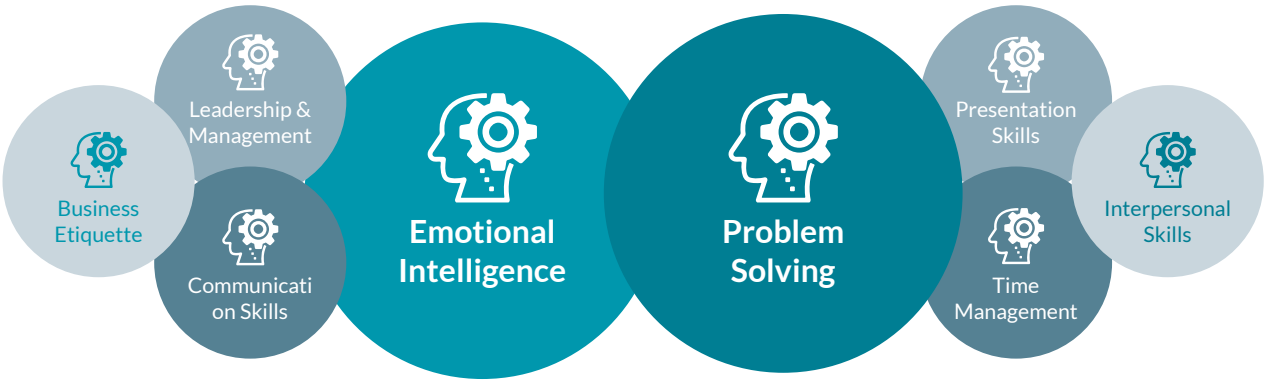
Soft Skill Training

Soft skills, or interpersonal skills, relate to employees' ability to get along well with others, social graces and communication abilities. Soft skills training for managers and employees is vital to successful collaboration in the workplace. HR managers may interview candidates for a specific job, but emotional intelligence and other types of skills related to getting along with people should always be considered. Some new employees may need soft skills training in particular areas like presentation or communication skills.

What is so great about Soft Skill?

Soft skills are an essential part of finding, attracting, and retaining clients. Highly-developed presentation skills, networking abilities, and etiquette awareness can help you win new clients and gain more work from existing clients.

Soft Skills Training Topic Areas



It is something which improves employees' abilities to resolve conflicts, solve problems, and provide excellent customer service can lead to stronger relationships with colleagues, vendors, and other professional contacts. Ultimately, strong soft skills can help anyone to gain confidence.

Soft Skill Development in Bangladesh

There are several organizations that host events that range from one-day workshops to three-month long interactive programs to help people develop these skills so they can lead better and more successful lives. BYLC arranges workshops and programs that help its participants develop soft skills associated with leadership. They do this by a range of different methods such as imparting related knowledge in classrooms, simulating problem-solving scenarios, having the participants practice specific skills like public speaking, even actually having them go out into the real world to launch a venture that solves a social problem.

Don Sumdany Facilitation also offer wide range of training facility specially focusing on the soft skill training. He trained more than 2,500 people with his innovative training module and each month on average he trains more than 300 people from different corporates. They have 180 videos on YouTube on different topics mostly on the feedbacks from corporates about the training programs offered by Don Sumdany Facilitation.

Another organization which is working on corporate development in Bangladesh is Sapien. They design and deliver the most advanced level training programs. Their training programs are customized and exclusive for each industry. Their programs & solutions designed around specific business goals using a foundation of research and insights across technologies, management, and industries as well as expertise across practice areas that span strategy, finance, sales & marketing, business measurement, management and innovation.

Many of the corporates are reluctant about development of employee. Specially the local corporates. To increase the efficiency level of the employee, corporate should be focused on enriching the knowledge and skillset of the employees. Because without having proper resource for each function, it is not possible for any organization to ensure efficiency. Though training culture is limited in Bangladesh, good thing is multinational companies are training their employee and gradually many of the local corporates are also following that trend. To provide a better insight about the training and development sector of Bangladesh MBR team took interview of Golam Sumdani Don of Don Sumdany Facilitation and Mohammad Saif Noman Khan from Sapien.

DONSUMDANY Facilitation & Consultancy

SAPiEN STRATEGY CONSULTING & RESEARCH

Gulam Samdany don is the pioneer behind the soft skill training programs of Bangladesh, started his career with ADCOMM and Philip Morris International before starting his own venture- Don Sumdany Facilitation and Consultancy. He is the only certified trainer in Bangladesh, completing "Facilitation and Training Skills" with certified Master-trainer Sarah Krasker at the Master Trainer Institute (France). He has over 100 clients right now. Don Sumdany Facilitation is the nation's largest soft skill training facilitator based on audience reach.

Ghulam Sumdany Don

Chief Inspirational Officer at Don Sumdany Facilitation

The Start-

Gulam Samdany don is the founder and Chief Inspirational Officer of Sumdany Facilitation and Consultancy which is the biggest name of the country, training up 1200+ full-time employees of Grameenphone, Chevron, Perfetti, Holcim, Berger, financial institutions- EBL, Prime bank, Dhaka bank. Don Sumdany Facilitation has an unparalleled reach among audience compared to any other training facilitator because of their active presence in Facebook and other social media, newspapers, publications, etc. Back in 2013 when he was in Phillip Morris International, he was shot and robbed by a burglar, it was a trauma of life for him. After the incident, he used to be haunted by the incident and his performance started to decline. So he felt that his career is in danger and started something by himself. He used to take sessions in universities which he felt that an area to work on. So, he started the facilitation leaving job from PMI. Before starting it, he took some time to design the facilitation. He launched the business on his birthday so that his legacy continues even after his death throughout his facility.

He trained more than 2,500 people with his innovative training module and each month on average he trains more than 300 people from different corporates. He has a show on ABC radio called, look who is talking where politicians, corporate people, movie stars come and discuss different issues. He also writes for Daily Star, Ice Today, etc. They have 180 videos on YouTube on different topics mostly on the feedbacks from corporates about the training programs offered by Don Sumdany Facilitation.

Initial Challenges

Tons of challenges were faced by Don when he pursued his career as freelance training facilitator:

Starting from the scratch: The beginning of Don Sumdany Facilitation was from his home and the only asset of the company was a laptop. Continuing the business from home for 6 months, he started getting popularity and after a while, he took a co-working space in Hub-Dhaka. The business started from zero and it earned and grew. The growth process was organic and the business was never in debt or never taken fund from any investor.

Too Young to be taken seriously: As he is young, many underestimated his capacity delaying the desired response at the beginning. People were not confident enough to offer jobs to Don, because they felt Don is young and lacks experience.

Background: Another stumbling block for him was his educational background. He completed his study from ULAB, so people underestimated him because he was not from any reputed business school. He dealt with the negative perception of people during the initial days due to these issues.

Lack of consciousness on training: The largest blockade was the consciousness of training. Many of the large corporates never arranged a training program for the development of employee as they ignore the importance of training and development programs. Some of these corporates are getting out of the box and are arranging different training programs now but it is not sufficient enough. But good thing is, after attaining programs and modules offered by the trainers they understood how important corporate training is. One mysterious thing is some companies communicate with the trainers for training but they don't proceed further with the training for some reason.

Limited Understanding: People mix up between corporate trainer and motivational speaker. Mostly corporate training and motivation speech are treated as the same. But in reality, they are not the same thing. Corporate training focuses on self-development of an employee by improving the soft skill set required to perform the job. Motivation speaker shows career path and removes hesitation and depression by making speeches intended to motivate or inspire an audience. They need to understand the difference.

Need for training

Training is necessary for everyone, especially for people hailing from corporate sectors. Corporate leaders are understanding the necessity of training seeing foreign trainers in social media. Many of these leaders getting interested to arrange training programs. The organization is updating its process by integrating advanced technologies and using all the recognized methods for process efficiency. But all companies will be stuck in some places because there will be no room for additional improvement in infrastructure or process. So only way to improve efficiency is to develop employee soft skills. The organization which understands the importance of soft skill training has already taken initiatives to develop their employees.

Employees of a financial institution need to deal with clients. So they need to be on top of his performance in case of delivery of service. But the employees of financial institutions do not have the highest level of skillset required to provide excellent service quality, as they don't think out of the box, never challenge the status quo, lacks etiquette grooming. He trains these people from Financial Institution how to think out of the box, how to deal with the customer maintaining etiquette etc.

ROI of corporate training

There should be a pre-monitoring and post-monitoring process in every organization including financial institution when they are scheduling a training program. Organizations can find out what is ROI on any particular training program. For example, if Human Resource arranges a sales training program, they might want to compare the sales before the training with after training and easily find out what will be the outcome of these programs. For any training program, if Human Resource can establish a proper pre-monitoring and post-monitoring process, they can easily present what the actual benefit of the training program is. No financial institution conducts this kind of analysis on their participants of the training. But this is really necessary to understand what the outcome of a training program is. Some of the large MNCs of Bangladesh do this sort of analysis, for example, Don Samduny received more than 96% satisfaction from a pre and post analysis by Grameenphone's Human Resource Management for a particular training program.

Teambuilding in Financial Institution

Teambuilding is crucial for corporate because in corporate arena there can be no one man show. There is no exception for Financial Institution. Employees need to work on the team building to get the desired output for the organization. Don Sumdany Facilitation and Consultancy works on team building in the corporate sector. In the corporate sector, there is a gap between different departments. For example, there is a gap in the mindset of head office employees and field level employees. Head office employees think that field people are not up to the standard and the field executives feel that they bring revenue for the company and head office people just sit and work. Team building sessions are designed to make people understand how important team building is and how to work with a team. The trainer encourages teambuilding through arranging games and events in a teambuilding session.

Plans down the line

The vision is to be the country's largest training facilitation company which includes planning of having a 360-degree product portfolio, keeping their footprint in all format of media existing now and might evolve in future. He believes that there is no end of learning, learning is the only truth. And Don Sumdany Facilitation wants to be the learning platform for people. Don is working on an online learning platform. Though the market is not ready for online learning platform in Bangladesh he is hopeful that in a few years market will be ready for this platform.

Mr. Noman is a double MBA. He completed his first MBA from Institute of Business Administration, University of Dhaka. The most prestigious business school in Bangladesh for the last 53 years. A gold medalist he graduated as the valedictorian of his batch with record CGPA. He completed his second full time MBA program from Canada, Schulich School of Business. Schulich has been consistently the number 1 business school in Canada. Mr. Noman also holds a bachelors and masters degree in English Literature from University of Dhaka. He started his career with IDLC itself and later on went to work for Citibank N.A. the global financial giant. He worked for both Citi Bangladesh and Hong Kong. Eventually he ended up in Academia and also established Sapien; the premium strategy consulting & training organization.

Mohammad Saif Noman Khan

Chairman & Chief Trainer, Sapien Strategy Consulting & Research
Assistant Professor, IBA, University of Dhaka

A Strategy & Innovation Consultant and Management Development Expert

Mr. Noman has undertaken numerous strategy and business consultancy projects both in the public as well as private sector at home and abroad through Sapien. He headed consultancy projects with The World Bank and The United Nations. A strategy consultant, Mr. Noman has assisted national institutions like Bangladesh Police and the Micro Credit Regulatory Authority, Bangladesh to develop the respective organization's strategic plans. He has undertaken research as well as published in the areas of Micro, Small and Medium Enterprises (MSMEs) in Bangladesh and the Banking sector. He has provided strategy consulting services to numerous leading local & multinational business organizations. Mr. Noman is by far the only expert in Bangladesh now in the areas of Complexity Strategy & Design Thinking. Mr. Noman has arranged/ conducted training programs for leading organizations both in the public (as well as private sector. He primarily focuses on management development programs in the areas of Business Strategy, Leadership, Managerial Communication, Sales, Customer Service and Innovation. He is a pioneer in the area of Strategic & Design Thinking in Bangladesh.

SAPiEN
STRATEGY CONSULTING & RESEARCH

Why Sapien?: Ensuring quality in an underserved Sector

Sapien is primarily engaged in providing Strategy consulting and advanced level training programs for the Bangladesh corporate sector. There has always been a need for quality strategy consulting services here. But the sector is mostly crowded with development sector consultants who understands little of the business sector. I have been engaged as a strategy consultant for many years now. This motivated me to offer my services in a more scalable model and hence Sapien was born. I am a management development professional with global exposure and certainly my exposure can be utilized to support the local business community to reach global standard. This definitely has been a key driver.

The local training industry has always been underserved. Specially by trainers whose education background is terrifyingly weak. They were mostly based on Google search. As a result, they were failing to make any impact on the participants apart from delivering useless motivational quotations. This made me come forward to design and deliver knowledge based programs that would make an impact. The industry was also feeling the heat of intense competition and wanted impactful programs. Consequently, I decided to blend my academic exposure and work experiences to design and deliver programs that would actually make an impact.

Modality of the product portfolio

Sapien provides various management and strategy consulting services as well as customized management development programs. Specially for financial institutions Sapien delivers premium programs in the areas of Selling Financial Services, Customer Service, Communication & Leadership series as well as advanced level innovation programs. Sapien also provides specific functional programs like Business Negotiation, Presentation Skills, Collection Techniques & Sales programs. FIs traditionally has been focused on technical programs but

with rising competition these capacity building programs that Sapien provides will certainly enhance the employees' managerial skills.

Evolution of Corporate training

The corporate training culture is excellent at the moment. Many organizations are getting themselves involved in the process. entrepreneurs and top management are quite aware about the emerging competition and quite interested to develop their human resources. However, our managers are still not engaged enough to retrain themselves to face the challenges of the new millennia. Individual managers must come forward with aggressive learning intention to upgrade themselves. Otherwise they will lose their jobs as well as upward movement opportunities to regional managers coming from neighboring countries.

Some of the largest and oldest FIs have been great in investing in developing their people. Though Sapien has always been a premium service provider this has not been a factor at all. FIs have been very enthusiastic to pay premium for a quality program. This shows how eager the top management is. However, the middle managers who are supposed to facilitate the communication are not yet that eager. The bottleneck has never been the top management; it has always been the middle level. They need to come forward more aggressively to pursue learning and development and present the case to the top management.

Calculating ROI of training

It is not possible. It has never been possible. It is one of the biggest misconceptions. It is never possible to calculate ROI on education in the short term. They will only see the value in the long term as the workforce becomes increasingly capable, motivated and engaged. It is also a great misconception that one or two programs will bring any visible changes. It is a ongoing process. Organizations must keep the training as a regular activity to see any changes in the long term. Consequently organizations must develop long term partnership with trainers who have very strong global educational background as well as global work experiences.

Teambuilding is the Key: Right Methodology is a must

Training programs certainly helps teambuilding capacity of any organization. It primarily comes as groups engage with each other in a neutral context. Also as they discuss simulated business cases it helps them to think together without any conflict. This also makes sure everyone develops some common vocabulary. However, organizations must be careful not to hire activity based low cost trainers. Such meaningless activities actually harm mutual congeniality and may also irritate some employees. Putting activities in a business skill development program is tantamount to fraud and does nothing other than waste trainees' invaluable training time. Undereducated trainers also use activity to just pass time rather than deliver high end knowledge. As a result teams of trainees go back with an illusion of learning and soon becomes disillusioned as no real impact is experienced. This only frustrates them.

Stumbling Blocks for Sapien

Actually I faced no difficulty at all. The need for quality strategy consulting and training program was so strong I quickly established Sapien as the premium service provider. Within just two years of operation Sapien became number 1 by a distance. My vision is to make it scalable at a national level so that Sapien can cater to the entire country. I am envisioning some international collaboration to make it happen.

EVERYTHING YOU NEED TO KNOW ABOUT INSURANCE

The world is a risky place and various catastrophes can befall an individual. Insurance can minimize financial liability in the case of a disaster or accident and give peace of mind.

Insurance Defined

Insurance is a tool to reduce financial loss or hardship. It is a contract between the insured and an insurance provider under which the insured can be paid for certain losses. It helps to cover the cost of unexpected events such as theft, illness, property damage, or death. The protection or coverage received can be for a limited period of time or throughout lifetime.

In return for the protection, the insured pays a premium. Premiums are the amount paid periodically, depending on the type of insurance and policy. The amount of premiums paid are based on the probability that one will suffer a claimable loss. Other factors that are considered in computing premiums can be the insured's age, health, lifestyle or family history. For health, home, and auto insurance policies, the amount of premiums also depends on the deductible. This is the amount of one's claim one agrees to pay before the insurer pays the rest. Choosing a higher deductible will lessen premiums because one is agreeing to pay for a larger part of the loss.

How insurance works

When a hardship or loss occurs, a claim is made. This is an official request for the insurer to pay for a covered loss. Supporting documents will be required, depending on the type of loss (for example, photographs of an injury or property damage for an accident or property insurance claim, or a death certificate for a life insurance claim) during claims investigation.

Different types of insurance

- **Life insurance:** Life insurance provides payment to the insured's family and loved ones after the insured's death. The insured names a person or persons (beneficiary/beneficiaries) who will receive the death benefit as stated in the policy.
- **Health insurance**: Some types can supplement income if one suffers a major illness or injury. Other types can pay for medical expenses if one becomes ill while on vacation.
- **Property and Casualty (General) Insurance:** Property insurance covers losses or damage to one's home or personal possessions, car or business. Casualty insurance shields the insured from legal liability for losses caused by injury to other people or damage to property of others.

Key terms

- **Policy:** a legal contract between the insured and the insurer. It details what risks are covered, under what circumstances the insurer will make a payment to the insured, how much money and what type of benefit one will receive if he or she makes a claim.
- **Policyholder:** the insured or the person covered under the policy.
- **Coverage:** the amount of protection the insured has bought. It is also the maximum amount the insurance company will pay if one makes a claim for loss or event covered by the policy.
- **Benefit:** the amount the insurer will pay the insured if the insurer accepts the claim.
- **Premium:** periodic payment by insured to insurer to cover future claims.
- **Claim:** the official notice to the insurer to pay for a loss or event covered by insurance policy.
- **Beneficiary:** this is the person or entity the insured names or assigns to receive the proceeds of the policy. A beneficiary can be revocable or irrevocable.
- **Deductible:** amount the insured must pay before the insurer pays out the rest.
- **Term:** the time period one is covered by the policy.

It is important to read the policy thoroughly to check what it covers and what it does not cover so that there will be no surprises when the time to claim comes. If one withholds important information or lies on the application, it can be the basis for cancelling the policy, or worse, refusing one's claim in the future.

Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market faced further correction during April, continuing the down streak of March. During the month the broad index DSEX declined by 5.3%, losing 289.1 points. Blue chip index DS30 lost 6.1%, while Shariah index DSES dropped by 3.4%.

Among the regional peers, Pakistan and Sri Lanka lost 4.8% and 1.4%, respectively during the month, while Vietnam remained almost flat. Meanwhile, MSCI Frontier Markets Index lost 1.0%. Vietnam showed the most encouraging longer term track record with a 5 years' return of 69.5%, while Bangladesh yielded 13.9% return during the same period. In the meantime MSCI Frontier Markets Index yielded -2.3% return.

Table 1: Equity market performance in Bangladesh and peer countries

Indices	Index Points, April, 2018	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	5,202.9	-5.3%	-10.6%	-3.4%	-9.3%	24.0%	13.9%
DS30	1,846.7	-6.1%	-8.0%	-1.8%	-13.8%	14.5%	10.5%
DSES	1,205.1	-5.5%	-8.0%	-2.2%	-9.0%	17.6%	N/A
Peer Countries							
Pakistan (KSE 100)	36,784.4	-4.8%	-9.8%	-0.8%	-19.1%	5.9%	27.2%
Sri Lanka (CSE - All Share)	5,478.4	-1.4%	-8.5%	-9.5%	-16.1%	-15.9%	-12.0%
Vietnam (VNI)	979.6	-0.1%	7.6%	9.8%	-6.7%	63.7%	69.5%
MSCI Frontier Markets Index	**710.9**	**-1.0%**	**0.8%**	**5.5%**	**-13.2%**	**15.8%**	**-2.3%**

* All returns are Holding Period Return

Source: Investing.com, MSCI, DSE

Liquidity Condition in Equity Market of Bangladesh

During April, the total market capitalization decreased by 6.8%, while free float market capitalization decreased by 5.0% as well. Meanwhile, average turnover of April 2019 was BDT 3.5 bn (USD 41.3 mn), decreasing by 29.4% from that of last month. Accordingly, turnover velocity which represents overall liquidity of the market decreased to 21.8% in April compared to 27.4% of last month. In 2018, turnover velocity of Bangladesh equity market was 37.7%, whereas it was 5.4% in India, 6.9% in Sri Lanka, 34.8% in Vietnam and 70.7% in Thailand.

Table 2: Market capitalization and turnover statistics

Particulars	30-Apr-19	31-Mar-19	% change
Total market capitalization (USD* mn)	45,469	48,782	-6.8%
Total equity market capitalization (USD mn)	38,521	41,832	-7.9%
Total free float market capitalization (USD mn)	15,602	16,415	-5.0%
Daily Avg. Turnover (USD mn)	41.3	58.5	-29.4%
Turnover Velocity~	21.8%	27.4%	N/A

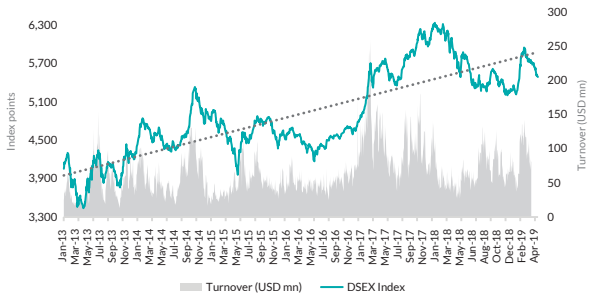
*All USD figures are converted using an exchange rate of 84.45 as of April 31, 2018 as per Bangladesh Bank website.

~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 January 27, 2013, DSEX yielded a holding period return of 28.3% till April, 2019. During the same period, daily average turnover of the market amounted to BDT 5.5 bn (USD 65.5 mn) (Figure 1).

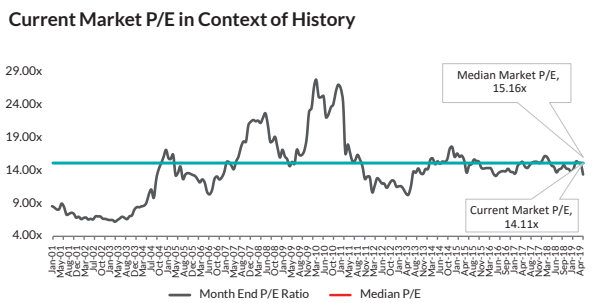
Figure 1: DSEX since inception along with market turnover



Market Valuation Level - P/E Ratio:

The market P/E decreased to 14.11x in April, 2019 which is lower than 18 years' median market P/E of 15.16x (Figure 2). In terms of trailing 12 month P/E ratio equity market of Bangladesh is the cheaper than most of its regional peers. (Figure 3).

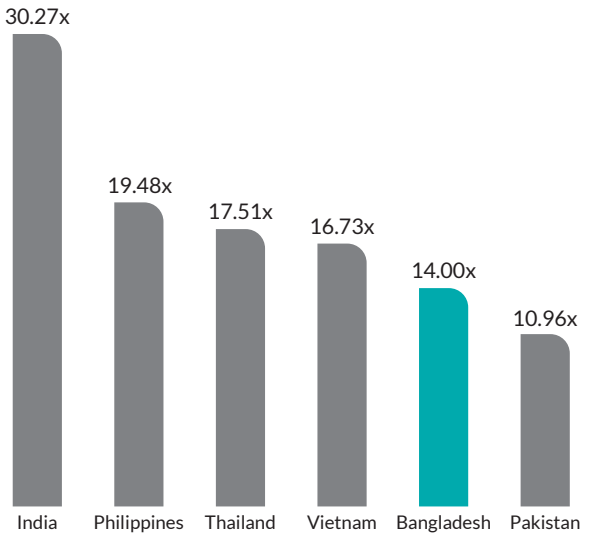
Figure 2: Historical market P/E* and it's median



*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

Figure 3: Current market P/E* of Bangladesh and peer countries



**Trailing 12 month P/E as of April 31, 2019. Source: IDLC, Bloomberg

Sector Performance

During April all the sectors ended in negative territory. Among the major sectors, Miscellaneous posted the highest lost, declining by 14.6% in April. Telecommunication and Fuel & Power followed next, losing 12.2% and 12.1%, respectively during the month. Apart from that, Cement, NBFI and Food & Allied were down by 11.8%, 9.0% and 7.8%, respectively.

The largest sector in terms of market capitalization, Bank is relatively undervalued in terms of P/E ratio. On the other hand, Telecommunication sector has the highest dividend yield of 7.4% 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			
Bank	6,827	3,827	-2.8%	-8.8%	0.2%	-5.7%	76.1%	62.4%	8.3	0.9	3.0%
Pharmaceuticals & Chemicals	6,063	3,329	-3.9%	-1.7%	1.4%	-4.1%	31.5%	69.0%	14.0	12.9	1.8%
Telecommunication	6,023	649	-12.2%	-6.1%	2.5%	-16.9%	68.7%	66.3%	18.8	2.5	7.4%
Fuel & Power	5,129	1,400	-12.2%	-14.1%	0.2%	16.0%	34.8%	48.5%	12.1	1.5	4.2%
Food & Allied	3,696	1,313	-7.8%	11.7%	14.5%	15.4%	46.0%	77.3%	29.2	8.8	1.3%
Engineering	2,041	633	-9.0%	-15.8%	-8.0%	-12.1%	41.3%	18.8%	19.5	1.7	3.3%
NBFI	2,182	1,108	-5.7%	-10.7%	-6.7%	-4.4%	25.6%	95.5%	14.2	1.6	1.0%
Textile	1,543	849	-5.5%	-14.2%	-5.4%	15.4%	64.4%	64.5%	15.2	0.9	2.1%
Miscellaneous	1,323	377	-14.6%	-4.7%	3.1%	13.9%	31.6%	117.4%	25.2	1.2	1.2%
Cement	1,067	436	-11.8%	-14.1%	-10.9%	-23.6%	-24.1%	-30.8%	30.0	2.5	2.2%
Life Insurance	523	304	-7.6%	-20.9%	10.8%	14.9%	75.6%	18.8%	12.5	1.0	3.1%
Non Life Insurance	310	125	-13.5%	-15.4%	-5.0%	-3.1%	4.5%	41.8%	17.4	1.8	1.5%
Ceramics	299	144	-9.7%	-10.3%	-9.6%	-2.6%	17.3%	13.0%	31.9	2.3	2.4%
Tannery	236	132	-5.8%	-9.2%	-9.1%	-7.7%	34.2%	1.0%	19.8	0.6	3.5%
Travel & Leisure	205	106	-4.2%	-14.7%	-3.7%	-9.6%	-11.6%	66.3%	16.6	1.0	4.3%
IT	158	53	-0.5%	-18.3%	-16.5%	22.3%	71.1%	341.4%	18.8	2.2	2.6%
Services & Real Estate	229	150	-1.6%	-12.0%	-7.5%	4.8%	78.5%	285.4%	24.0	1.4	1.2%
Paper & Printing	625	293	-4.6%	-15.0%	-16.0%	4.5%	28.6%	-16.3%	13.3	5.1	2.0%
Jute	45	33	-13.5%	-18.8%	-18.9%	113.6%	376.2%	461.4%	67.6	13.7	0.1%
Market	**37,211**	**15,602**	**-5.3%**	**-10.6%**	**-3.4%**	**-9.3%**	**24.0%**	**13.9%**	**14.1**	**1.7**	**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 excluding companies trading at an annualized P/E greater than 80.0x.

^P/BV is calculated by dividing total market capitalization of listed companies with their 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 March, all the cap classes faced correction except for Large Cap Class (+3.0%). Despite the appreciation, the Large Cap was the highest dividend yielding (3.3%) class with the second lowest PE ratio (15.6x).

Table 4: Performance of different market cap classes

Cap Class	Market Capitalization of Constituent Companies (USD mn)	% of Total Equity Market Capitalization	Return*						P/E (x)	P/BV (x)	Dividend Yield^
			1M	3M	YTD	12M	3Y	5Y			
Large	≥120	81.6%	-9.7%	-4.7%	3.0%	-2.3%	50.6%	64.4%	14.1	2.0	3.7%
Mid	36-119	11.8%	-4.9%	-10.6%	-3.7%	-7.3%	28.9%	28.1%	12.4	1.0	1.8%
Small	12-35	5.2%	-5.5%	-13.9%	-7.2%	1.7%	37.7%	57.4%	18.5	0.9	1.8%
Micro	<12	1.4%	-5.6%	-15.0%	-3.6%	0.0%	45.9%	56.6%	20.2	0.9	1.8%
Market	**-**	**-**	**-5.3%**	**-10.6%**	**-3.4%**	**-9.3%**	**24.0%**	**13.9%**	**14.1**	**1.7**	**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 only EBL (+10.0%), POWERGRID (+5.5%) and PUBALIBANK (+0.8%) posted positive return. On the contrary, UPGDCL (28.1%), BERGERPBL (-19.2%), GP (-12.3%) and DUTCHBANGL (-12.2%) faced high selling pressure during the month.

Majority of these companies yielded outstanding return over longer time horizon (5 years) such as BRACBANK (+372.7%), BERGERPBL (+146.6%), EBL (+140.0%), DUTCHBANGL (137.8%), BXPHARMA (+133.8%) and RENATA (+125.0%).

Among the scrips GP, SUMITPOWER , TITASGAS, EBL, MJLBD, MARICO and ISLAMIBANK recorded a 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	5,735	574	1.23	-12.3%	-6.3%	1.5%	-17.9%	69.3%	70.8%	13.6	14.5	7.8%
BATBC	Food & Allied	2,922	773	1.45	-8.6%	16.5%	17.3%	21.8%	61.7%	82.1%	30.0	9.0	1.2%
SQURPHARMA	Pharmaceuticals & Chemicals	2,428	1,592	0.70	-2.6%	-1.3%	2.2%	-8.2%	34.9%	60.5%	16.3	3.4	1.3%
UPGDCL	Fuel & Power	1,674	167	2.49	-28.1%	-24.6%	1.5%	79.5%	181.8%	N/A	18.8	5.2	2.5%
RENATA	Pharmaceuticals & Chemicals	1,122	548	0.11	-1.0%	3.3%	3.1%	8.0%	47.9%	125.0%	85.7	5.9	0.7%
BRACBANK	Bank	901	502	0.83	-8.8%	-9.6%	-2.4%	-19.1%	174.4%	372.7%	12.6	2.3	0.0%
ICB	NBFI	868	28	0.03	-9.9%	-14.4%	-9.6%	-13.1%	36.3%	-2.5%	79.6	2.1	2.7%
BERGERPBL	Miscellaneous	797	40	0.15	-19.2%	-1.4%	8.0%	41.0%	46.5%	146.6%	40.9	10.8	0.7%
OLYMPIC	Food & Allied	531	383	0.18	-3.4%	-6.8%	3.7%	-13.2%	-17.1%	72.6%	24.1	6.6	2.1%
LHBL	Cement	528	187	0.14	-6.6%	-10.9%	-9.6%	-33.4%	-30.1%	-39.4%	40.0	3.0	2.6%
MARICO	Pharmaceuticals & Chemicals	526	53	0.19	-1.9%	13.8%	17.4%	21.0%	28.8%	35.1%	21.9	25.5	4.6%
SUMITPOWER	Fuel & Power	502	185	0.20	-1.7%	-5.7%	0.8%	14.4%	35.8%	68.8%	8.4	1.0	7.6%
ISLAMIBANK	Bank	475	248	0.15	-4.2%	-8.5%	2.9%	1.8%	31.6%	10.6%	6.4	0.8	4.0%
DUTCHBANGL	Bank	443	65	0.30	-12.2%	25.4%	29.5%	51.3%	90.3%	138.7%	8.9	1.7	0.0%
TITASGAS	Fuel & Power	443	111	0.03	-1.0%	-7.1%	3.8%	0.2%	-0.7%	-39.7%	9.9	0.6	6.6%
BXPHARMA	Pharmaceuticals & Chemicals	388	337	0.21	-4.0%	-7.1%	2.1%	-22.2%	10.0%	133.8%	11.0	1.2	1.5%
EBL	Bank	357	244	0.11	10.0%	3.3%	13.3%	11.9%	89.3%	140.0%	9.7	1.3	4.9%
MJLBD	Fuel & Power	336	96	0.08	-6.7%	-10.4%	-9.6%	-2.3%	19.0%	80.0%	15.5	2.3	4.8%
POWERGRID	Fuel & Power	333	79	0.23	5.5%	8.3%	27.1%	30.2%	15.7%	42.3%	7.9	0.5	2.8%
PUBALIBANK	Bank	310	213	0.04	0.8%	-5.8%	0.8%	15.9%	86.9%	17.2%	7.3	1.0	1.8%
Market		**37,211**	**15,602**	**41.34**	**-5.3%**	**-10.6%**	**-3.4%**	**-9.3%**	**24.0%**	**13.9%**	**14.1**	**1.7**	**3.3%**

* All returns are Holding Period Return.

^ Five years' return is not available for UPGDCL as they were not listed then.

Top Performing Mutual Funds:

Among the Top ten open end mutual funds based on 3 year CAGR outperformed the market during the same period. Among them VIPB Accelerated Income Unit Fund (+12.3%) and Third ICB Unit Fund (+11.2%) made significant return. However, on YTD 2019 basis, Sixth ICB Unit Fund (+3.6%) and VIPB Accelerated Income Unit Fund (+2.9%) yileded the highest return.

Table 6: Top ten open end funds based on 3Y return (CAGR) performance

Name	Asset Management Company	Fund Size (USD mn)	Return		
			2019 YTD	2018	2016-2018
VIPB Accelerated Income Unit Fund~	VIPB	12.8	2.9%	-7.8%	12.3%
Third ICB Unit Fund	ICB	3.9	0.8%	-7.0%	11.2%
Seventh ICB Unit Fund	ICB	5.2	1.6%	-11.9%	10.7%
LankaBangla 1st Balanced Unit Fund	LankaBangla	5.1	-1.4%	-2.0%	10.7%
Fifth ICB Unit Fund	ICB	4.4	1.3%	-7.0%	10.4%
UFS-Popular Life Unit Fund~	UFS	9.3	0.3%	-4.6%	10.2%
Sixth ICB Unit Fund	ICB	3.8	3.6%	-9.3%	9.5%
MTB Unit Fund	Alliance	8.6	-7.3%	-4.2%	9.2%
Second ICB Unit Fund	ICB	1.6	1.8%	-7.1%	8.7%
Peninsula AMCL BDBL Unit Fund One	Peninsula	2.5	-3.2%	-14.3%	7.7%
Market			**-2.2%**	**-13.8%**	**5.2%**

~ 2016-18 returns are calculated from inception date in 2016.

The top ten closed end mutual funds on the basis of 5 years (2014-2018) performance yielded positive return on YTD basis except for RELIANCE1 (-2.2%) and GRAMEENS2 (-1.6%).

All these funds are traded at a lucrative discount compared to their NAV. Besides, all the funds also offered higher dividend yields compared to market except for EBL1STMF. (Table 7)

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]
							2019 YTD	2018	2016-18	2014-18	
NLI1STMF	VIPB	753	12.9	14.96	86.2%	10.9%	3.2%	-8.0%	13.3%	14.6%	2019
SEBL1STMF	VIPB	1,392	11.2	13.95	80.3%	11.6%	3.1%	-8.3%	12.8%	13.7%	2023
GRAMEENS2	AIMS	3,334	12.9	18.28	70.6%	9.3%	-1.6%	-1.6%	12.2%	12.4%	2023
1JANATAMF	RACE	3,151	4.3	10.87	39.6%	4.7%	0.6%	-4.5%	7.1%	10.3%	2020
RELIANCE1	AIMS	776	9.3	12.83	72.5%	11.8%	-2.2%	-1.1%	12.0%	10.2%	2020
PHPMF1	RACE	3,019	4.4	10.71	41.1%	6.8%	0.8%	-4.9%	8.5%	10.2%	2027
EBL1STMF	VIPB	1,600	6.2	11.05	56.1%	3.2%	2.5%	-3.5%	9.5%	10.0%	2021
POPULAR1MF	RACE	3,275	4.2	10.95	38.4%	4.8%	0.8%	-4.4%	8.3%	10.0%	2021
PRIME1ICBA	ICB AMCL	804	6.0	8.04	74.6%	11.7%	0.5%	-8.6%	7.6%	9.4%	2020
ABB1STMF	RACE	2,735	4.4	11.44	38.5%	4.5%	1.4%	-5.0%	8.5%	9.2%	2021
Market						**3.3%**	**-2.2%**	**-13.8%**	**5.2%**	**4.8%**	

1 Price and NAV published on April 25, 2019.

2 On last cash dividend declared.

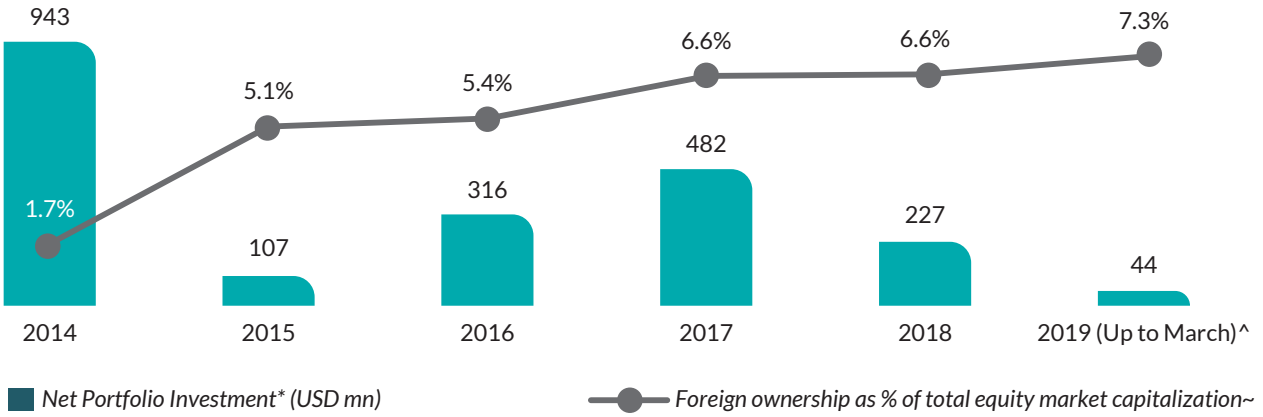
3 CAGR computed for respected periods, except for 2018 and 2019 YTD, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year.

4 In reference to BSEC Press Release বিএসইসি/মুখপাত্র (৩য় খন্ড)/২০১১/২৫ published on September 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 surge of foreign investment. As of March, 2019 total foreign ownership stood at 7.3% of the total equity market capitalization, which was only 1.7% in 2014.

Figure 4: Net foreign portfolio investment and foreign ownership as % of total equity market capitalization~



Source: DSE and Bangladesh Bank
^The Daily Star
*Net portfolio investment data are as of December of the respective years.
~% of foreign ownership of equity market capitalization data are as of December of the respective years except for 2019

Among all the companies with foreign ownership, DBH had the highest foreign shareholding of 42.9% as of April 2018, followed by BRACBANK with 42.7%.

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

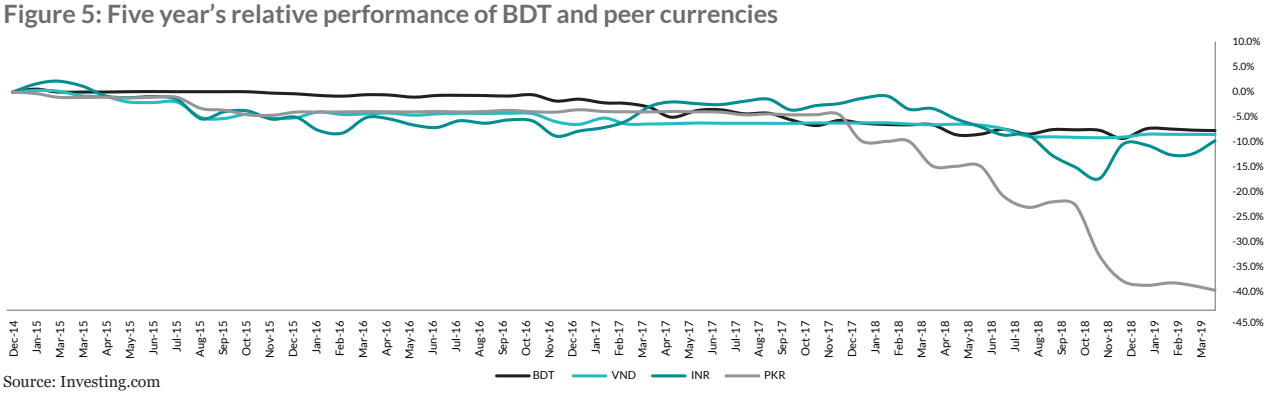
Ticker	Sector	Foreign Shareholding
DBH	NBFI	42.9%
BRACBANK	Bank	42.7%
OLYMPIC	Food & Allied	39.8%
BXPHARMA	Pharmaceuticals & Chemicals	38.6%
ISLAMIBANK	Bank	24.2%
RENATA	Pharmaceuticals & Chemicals	22.4%
MLDYEING	Textile	21.9%
SHEPHERD	Textile	20.5%
SQURPHARMA	Pharmaceuticals & Chemicals	20.3%
VFSTDL	Textile	18.3%

*Source: DSE

Performance of BDT and Currencies of Peer Countries against USD

Since 2015, BDT retained its value better than the currencies of peer countries. While BDT depreciated by 8.1% against US Dollar, other currencies of neighbor countries like Vietnamese Dong (VND), Indian Rupee (INR) and Pakistani Rupee (PKR) lost 8.9%, 10.5% and 40.5%, respectively.

Figure 5: Five year's relative performance of BDT and peer currencies



Source: Investing.com


IDLC
Finance Limited
financing happiness
ব্যবসা ছোট হোক বা মাঝারি
আপনার পাশে আছে
আইডিএলসি এসএমই লোন
idlc.com

Excess Liquidity is the amount of liquid Cash and cash equivalents that commercial banks hold with the Central Bank in excess of minimum reserve requirements (CRR and SLR). It also includes the funds that banks invest in government bonds.