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IDLC MONTHLY

BUSINESS REVIEW

CASHLESS ECONOMY

THE NEXT STEP OF DIGITAL BANGLADESH

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SME পুরস্কার ২০২২

অভিনন্দন

বিজয়ের পথে স্বীকৃতির আলো জ্বালিয়েছেন যারা

মোহাম্মদ ইমরুল হাসান
অর্গানিক চিকেন
ক্যাটাগরি: কৃষি

আয়মান সাদিক
টেন মিনিট স্কুল
ক্যাটাগরি: শিক্ষা

মোসাম্মাৎ বিউটি বেগম
ইজি লাইফ ফর বাংলাদেশ
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আল-মামুন ও নাসিমুল হক
মাস্টার র‍্যাকস অ্যান্ড ফার্নিচার
ক্যাটাগরি: উৎপাদনশিল্প

মাকসুদা খাতুন
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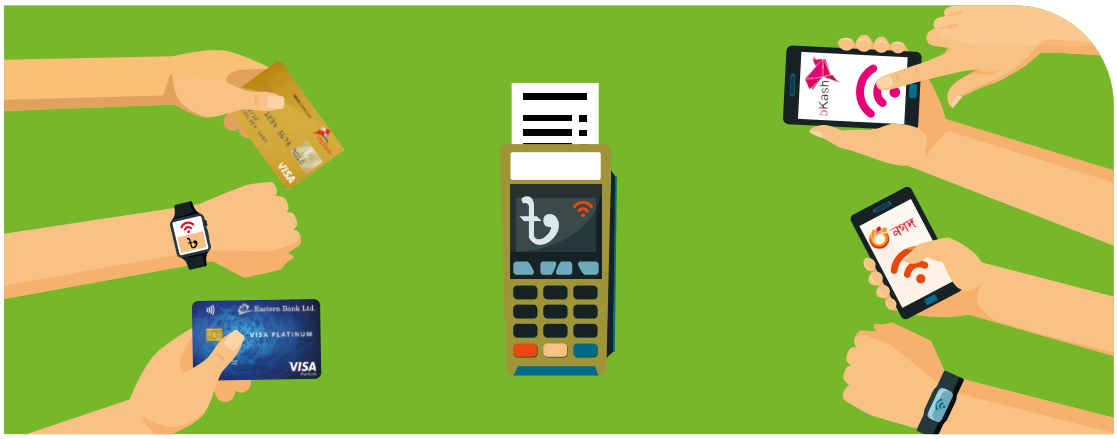
EDITOR



Cashless Economy: The Next Step of Digital Bangladesh

Bangladesh is undergoing an unprecedented transformation in the way it conducts its financial transactions. With the rapid digitisation of the economy, cashless transactions are becoming increasingly popular. Recent data from Bangladesh Bank (BB) states that more than BDT 3,000 crore is being transacted through mobile financial services (MFS). Even the use of plastic money has increased exponentially, as is evident by the 24% rise in credit card debt over previous years.

This shift towards cashless or digital payments is driven by several factors, including the government's goal of becoming a "Digital Bangladesh," the increasing availability of digital banking services, and the growth of mobile money and e-commerce platforms. The FinTech industry is venturing more and more into cashless payment and transaction integration systems. As a result, the number of cashless transactions in Bangladesh is rapidly growing, and the country is on track to become a leader in digital payments in the region. Nevertheless, some critical issues need to be addressed to transform the country into a cashless economy.

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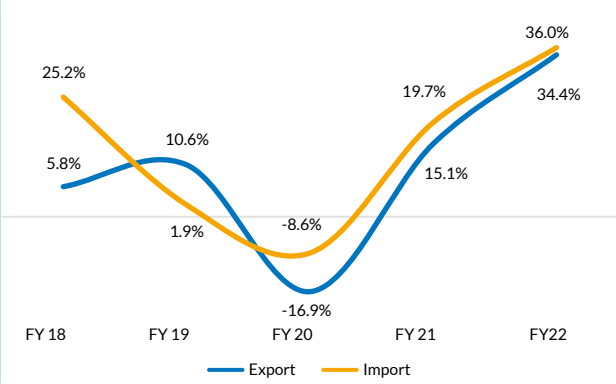
ECONOMY AT A GLANCE

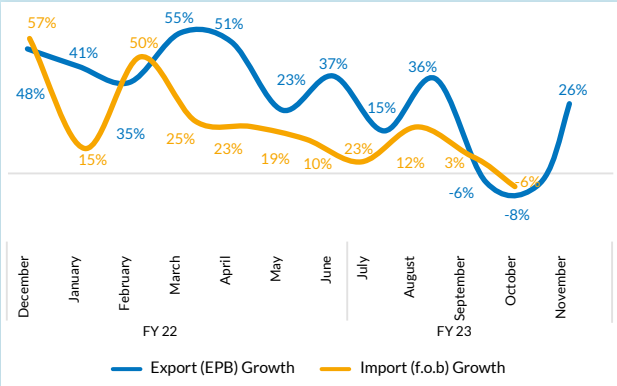
Prepared by IDLCSL Research Team

EXPORT-IMPORT

Growth in Export-Import Trade (Last 5 Years)

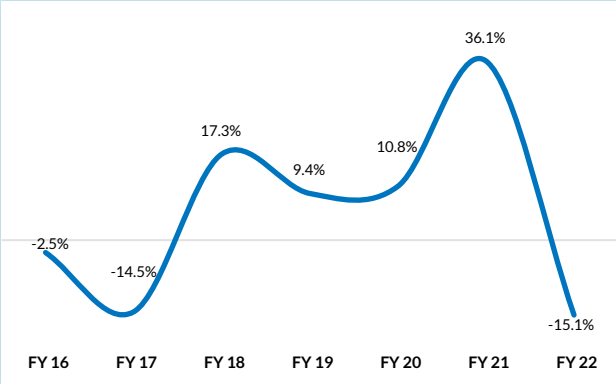


Export and Import Growth (Last 12 Months)

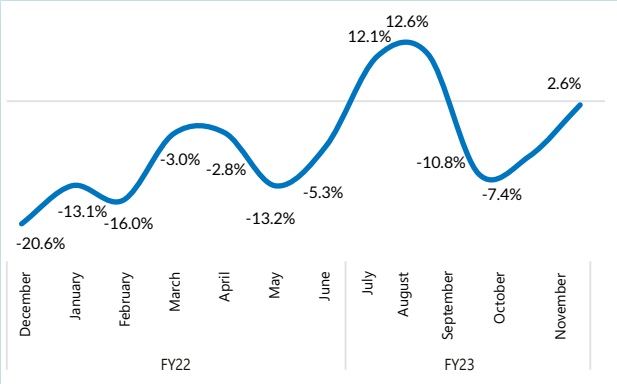


REMITTANCE

Remittance Growth (Last 7 Years)

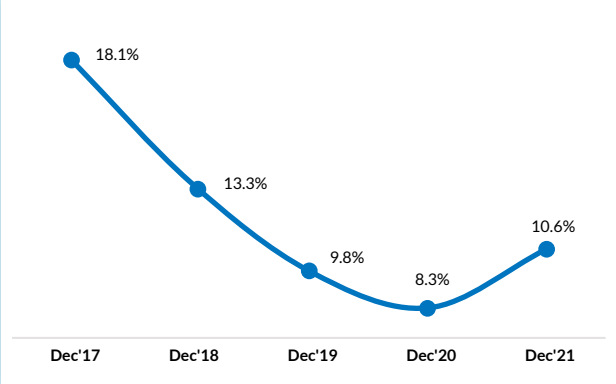


Remittance Growth (Last 12 Months)

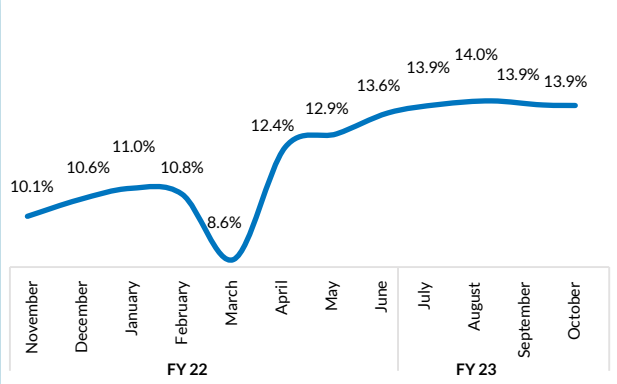


PRIVATE SECTOR CREDIT GROWTH

Private Sector Credit Growth (Last 5 Years)



Private Sector Credit Growth (Last 12 Months)



MONTH IN BRIEF

- **To ease the burden of import payments, Bangladesh Bank has offered an additional six months to the relaxed usance period facility for imports of industrial raw materials, including back-to-back imports, agricultural machinery, and chemical fertilisers** under the supplier's or buyer's credit, according to a circular issued by the central bank on November 15, 2022.

- According to Bangladesh Bank, the total amount of remittances received through the agent banking channel in **the country has surpassed the BDT 1.00 trillion mark in September 2022, since its inception in 2013.**

- According to data from the central bank, remittances to Bangladesh decreased by **more than 7.00% in October 2022 from a year earlier, and it was 1.00% lower than the month of September 2022.**

- Due to multiple restrictions placed on the import of goods to protect the country's foreign reserves, **the number of LCs opened in the country has decreased by half over the last six months.**

- **In the light of increasing demand for natural gas in industries, Bangladesh will increase imports of Liquefied Natural Gas (LNG)** by around 25% in December 2022 in comparison to November 2022 and October 2022 imports, respectively.

- **The Bangladesh Energy Regulatory Commission surprisingly dismissed the proposal to** increase bulk electricity prices on October 13, 2022.

- Due to a crisis of dollars in the country's financial market, usage of cards for **foreign currency transactions grew three times in the first quarter of the financial year 2022-23.**

- According to a statement from the chairman of the Association of Bankers Bangladesh (ABB) released on **November 20, 2022, the banking sector has a surplus liquidity of BDT 1.60 trillion.**

- Most of the income tax that is collected from all over the country comes from Dhaka and Chattogram, **which account for 90% of the total.**

THE GOVERNMENT IS WORKING TO REBASE THE BASE YEAR TO CALCULATE THE GDP EVERY THREE MONTHS, FOR WHICH THE IMF IS PROVIDING TECHNICAL ASSISTANCE.

Matiar Rahman, Director General of Bangladesh Bureau of Statistics, on IMF Pushing for Releasing Quarterly Report on GDP. (November 01, 2022. The Business Standard.)

Fortunately, it seems the inflow of work orders will continue to grow gradually as western people missed three consecutive Christmas amid the COVID-19 pandemic.

Kutubuddin Ahmed, Chairman of Envoy Textiles, on RMG Orders Picking Up as US Retail Sales Spike. (November 30, 2022. The Daily Star.)

We would like to draw the attention of our respected customers to the recent Bangladesh Bank communication - confirming that the banking sector has surplus liquidity of BDT 1.60 trillion.

Selim R. F. Hussain, Chairman of Association of Bankers Bangladesh, on Banks Having No Cash Crunch. (November 21, 2022. The Financial Express.)

We have squeezed natural gas supplies to power plants so that industrial consumers get more gas.

Nazmul Ahsan, Chairman of PetroBangla, on LNG Imports to Go Up 25% in December. (November 20, 2022. The Financial Express.)

The Bangladesh Bank should have imposed conditions on imports earlier. Our trade deficit was the highest in the last fiscal year. During that time many unnecessary products were imported.

Salehuddin Ahmed, Former Governor of Bangladesh Bank, on LC Opening Becoming Half in Six Months. (November 17, 2022. The Business Standard.)

Although the global economy is still in a downturn, data suggests a positive trend in the coming days.

Dr Ahsan H Mansur, Executive Director of Policy Research Institute, on Apparel Orders Picking Up after Three Dull Months. (November 22, 2022. The Daily Star.)

Bank loans to the private sector increased rapidly with the reopening after the Covid-induced restrictions. The global price hikes also contributed to the spiked flow of the loans. The private sector credit growth, however, has now been slowed down as the lenders are now suffering a liquidity crisis.

Syed Mahbubur Rahman, Managing Director and Chief Executive Officer of Mutual Trust Bank, on Private Sector Credit Growth Slowing Down amid Liquidity Crunch. (November 29, 2022. The Business Standard.)

We hope this initiative taken by Bangladesh Bank will further facilitate the wage earners to send remittance in a secure and faster way through digital platforms of the licensed MFS providers. All the necessary steps will be taken to implement the instructions of the regulator.

Shamsuddin Haider Dalim, Head of Corporate Communications of bKash, Cenbank Deciding to Permit MFS Providers to Bring Remittances Directly. (November 29, 2022. The Business Standard.)

If the tax at source is made at 0.5% for the next five years, it would be possible to maintain export competitiveness.

Faruque Hassan, President of Bangladesh Garment Manufacturers and Exporters Association, on BGMEA Demanding to Make Tax at Source at Previous 0.50%. (November 28, 2022. The Business Standard.)

WORLD ECONOMIC INDICATOR

PREPARED BY IDLCSL RESEARCH TEAM

Country	Nominal GDP: 2021 (USD in Billion)	Real GDP Growth: 2021 (Yearly % Change)	Inflation Point to Point (%)		Current Account Balance: (% of GDP)	Interest Rates (%), Ten Years Treasury Bond	Currency Units (Per USD)
Frontier Market							
Sri Lanka	88.98	3.58	61.00	November-22	-3.76	29.75	367.76
Vietnam	366.20	2.58	4.37	November-22	-1.96	5.09	23,575.00
Kenya	110.52	7.23	9.50	November-22	-5.20	14.26	122.94
Nigeria	441.54	3.65	21.09	October-22	-0.42	14.60	444.97
Bangladesh	465.00	7.25	8.91	October-22	-4.02	8.26	105.13
Emerging Markets							
Brazil	1,608.00	4.62	5.90	November-22	-1.74	12.98	5.24
Saudi Arabia	833.54	3.24	3.00	October-22	5.32	N/A	3.76
India	3,176.30	8.95	6.77	October-22	-1.22	7.30	82.42
Indonesia	1,187.32	3.69	5.42	November-22	0.28	7.05	15,603.00
Malaysia	373.03	3.13	4.00	October-22	3.80	4.11	4.40
Philippines	394.09	5.60	8.00	November-22	-1.76	6.81	55.38
Turkey	817.51	10.99	84.39	November-22	-1.66	10.99	18.65
Thailand	505.90	1.57	5.55	November-22	-2.18	2.43	34.67
China	17,744.00	8.08	1.60	November-22	1.79	2.94	6.96
Russia	1,778.53	4.70	12.00	November-22	6.88	10.11	62.52
Developed Markets							
France	2,957.43	6.98	6.20	November-22	0.36	2.39	0.95
Germany	426.77	2.79	10.00	November-22	7.36	1.93	0.95
Italy	2,101.28	6.64	11.80	November-22	2.44	3.83	0.95
Spain	1,426.22	5.13	6.80	November-22	0.92	2.95	0.95
Hong Kong	369.16	6.42	1.80	October-22	11.27	3.26	7.79
Singapore	396.99	7.61	6.70	October-22	18.12	2.97	1.36
United States	22,996.08	5.68	7.70	October-22	-3.68	3.59	1.00
Denmark	398.30	4.13	10.10	October-22	8.75	N/A	7.06
Netherlands	1,013.52	5.04	9.90	November-22	9.04	2.22	0.95
Australia	1,635.26	4.69	7.30	September-22	3.15	3.37	1.47
Switzerland	799.80	3.72	3.00	November-22	9.45	1.12	0.94
United Kingdom	3,187.63	7.44	11.10	October-22	-2.59	3.21	0.82

Bangladesh Data: The new GDP size (FY22 provisional estimate) and real GDP growth (FY22) are as per new base year. Calculation Method of CA balance (% of GDP) = CA balance of FY22 /Provisional GDP of FY22

Interest rate (%) 10 years TB as per November 2022, Inflation as per October 2022 and Currency Unit (per USD) as per 7th December are sourced from Bangladesh Bank

Nominal GDP: Data of all countries apart from Bangladesh is sourced from IMF estimates of 2022 data (October, 2022 Outlook)

Real GDP Growth and Current Account Balance: Data of all countries apart from Bangladesh is sourced from IMF estimates of October, 2022 data (World Economic Outlook, October 2022)

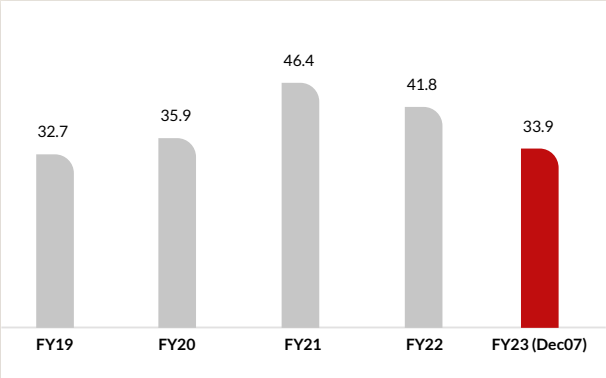
Inflation: Data of all countries apart from Bangladesh is sourced from tradingeconomics.com

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

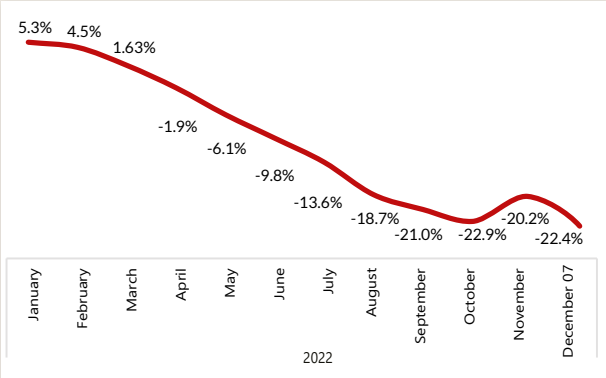
BANKING DATA CORNER

Prepared by IDLCSL Research Team

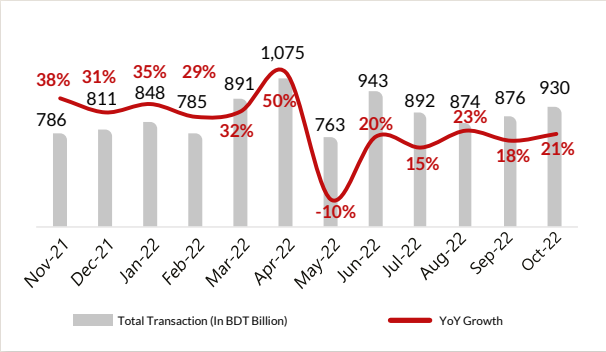
Foreign Exchange Reserve
(In USD Billion, Last 5 Years)



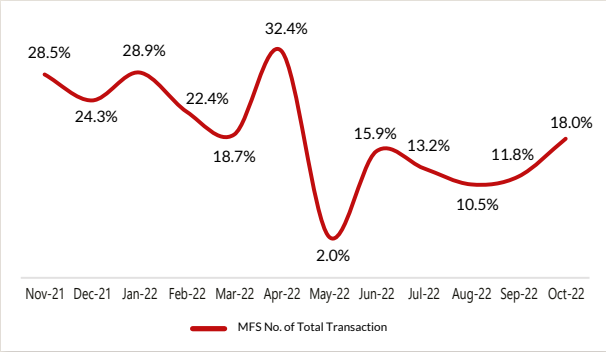
Foreign Exchange Reserve
(Last 12 months Trend)



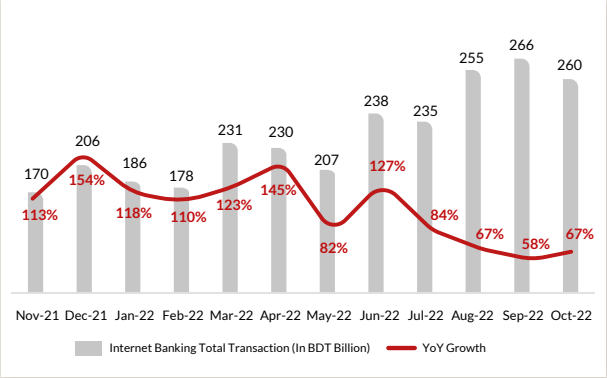
MFS Monthly Transaction
(BDT Billion and YoY Growth)



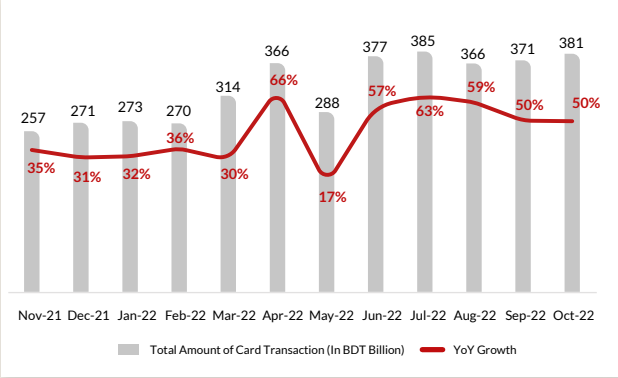
MFS No. of Total Transaction
(YoY Growth)



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



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



Source: Bangladesh Bank

WeGro

Md Mahmudur Rahman
Co-Founder and CEO, WeGro

Interviewed by
Raiyan Rabbani, Team MBR

WeGro is a tech-based agri start-up that is working towards revolutionising the archaic agriculture industry by integrating the latest technology into all aspects of the agri supply chain. Through the integration of technology, WeGro is ensuring that farmers have access to the required finance and end market, and incorporate quality consumable inputs and modern agriculture knowledge into their farming practices. Team MBR was in a conversation with Mr. Md Mahmudur Rahman, Co-Founder and CEO, WeGro, to learn about his inspirations and vision behind WeGro.

Raiyan Rabbani: WeGro has only been in operation for about a year and a half. What was your motivation behind starting this successful venture?

Md Mahmudur Rahman: The agriculture industry is worth USD 30 billion. Among the 16.50 million farmers in the country, more than 9.90 million (roughly 60%) do not have access to any formal financing. As a result, the majority of this population has to ensure funding from informal lenders and loan sharks at a charge of up to 40% interest which is often accompanied by unfavourable repayment terms. Every year, farmers require USD 14.50 billion in the financing, of which less than USD 1.00 billion is provided by formal institutions.

While we initially set out to solve the problem of formal financing for farmers, we realised there were other challenges faced by farmers across the agricultural value chain. With the intention to solve problems by designing innovative solutions, we have developed a sustainable and viable business model driven by purpose.

Raiyan Rabbani: Would you please share with us a brief overview of your business and its various operations spread throughout the country?

Md Mahmudur Rahman: WeGro, at its core, is an agri-FinTech venture connecting individuals and institutional financiers with farmers and their agricultural projects. Our motto is 'Investing in Agriculture, simplified'. WeGro provides a mobile app platform (both for Android and iOS) where users can facilitate financing for agricultural projects, such as cattle, poultry, fisheries, vegetables, etc., located at

Sirajganj, Pabna, Natore, Keraniganj, Kishoreganj, and many other districts. WeGro is working with over 1,000 farmers across 18 zones in the country.

With hopes of addressing the financing issues faced by farmers, WeGro provides investment and guidance to smallholder farmers who are otherwise unable to access formal financing elsewhere. Additionally, farmers can also avail access to agricultural inputs and access to markets. All of the projects are insured, monitored, scrutinised, and available for the financiers to visit. After the output is produced, we sell the products to their partners (Chaldal, Parmeeda, Khaas Food, etc.), thus ensuring fair prices for the farmers. We take pride in being Shariah-compliant, so the financiers receive a share of the profit, and the ROI is higher compared to other financial instruments.

Raiyan Rabbani: WeGro usually collects funds from various sources to support the farmers' agri production. How does this process generate revenues for your business?

Md Mahmudur Rahman: WeGro follows a Shariah-based (Mudarabah or Murabaha) investment model. Our revenue model includes profit sharing based on investment in projects, or profit is determined based on repurchase agreements. Profit from financed agri-projects is shared between farmer-financier-WeGro in the ratio 40-40-20. The sales of agri products generate a trade margin of 10%-15%.

Raiyan Rabbani: The economy is currently under stress due to the low levels of aggregate demand. At the same time, inflation is at record highs. How has WeGro prepared itself to deal with the current market scenario, and how well is WeGro faring under current market conditions?

Md Mahmudur Rahman: Despite the current economic conditions and the looming threat of a global recession, food production will always remain a crucial driver of the economy. We at WeGro are invariably vigilant and active when it comes to learning about and pursuing new business opportunities in agriculture. We have already outlined our road map for agri investments and ventures we will undertake over the next two years. We are conducting feasibility analyses on various crops and agri projects that will yield good returns for both our farmers and investors.

Currently, our model is gaining traction, and we hope to sustain this momentum as more and more individuals explore new means to make impactful investments.

Raiyan Rabbani: Several agri-tech companies have already proven their potential. How does WeGro differ from these established agri- tech start-ups in terms of product and service offerings, as well as business operations?

Md Mahmudur Rahman: WeGro views agriculture as a space for investment instead of debt lending. We distinguish ourselves from other agri-tech start-ups by focusing on farmers' profitability and being a partner in the entire journey. We explore all opportunities to generate maximum profits for the farmers, ranging from buying inputs, ensuring vaccinations, implementing insurance, and providing guidance until projects mature. Additional support systems are also ensured, such as storage facilities, transportation systems, access to markets, and other facilities after the outputs are produced. We are constantly collaborating and researching ways to impact the entire agricultural value chain through our efforts.

Raiyan Rabbani: The stakeholders' main concern in this sector is reliability, i.e., assurance that investors would get their predetermined return. What is WeGro doing to address these concerns?

Md Mahmudur Rahman: Our three key verticals—access to finance, input, and market—have been designed to ensure success and maximise profitability for the farmers and investors. We are constantly checking the pulse of our farmers and their projects and relentlessly solving any bottlenecks they might come across. This also means empathising with, listening to, and learning from farmers as well as policymakers, development organisations, and other stakeholders within the agriculture community.

Raiyan Rabbani: WeGro's operations include collecting funds from the surplus units and mobilising them for the deficit agro units in the industry. In what ways do you think this part of the process is similar to a bank?

Md Mahmudur Rahman: In very simple terms, a bank collects funds from the surplus units (savings instruments) and disburses them as loans for the deficit units.

However, WeGro provides a tech platform where the financiers get direct visibility into agricultural projects and make an impact on the lives of the farmers. Moreover, the responsibility of WeGro only starts after initiating the investment in the form of participation across the overall value chain.

Raiyan Rabbani: There seems to be a lot of potential for WeGro in the future. What plans does WeGro have for future expansions?

Md Mahmudur Rahman: WeGro is currently focused on expanding its reach with new operational zones across Bangladesh. We want to build our 'Farmer Care Centre' across all districts and even the remotest areas of the country. This will help us reach more farmers and explore new opportunities in agriculture. Someday, we hope to harness our learnings and expand our brand to other countries, especially in Asia and Africa.

CASHLESS ECONOMY:
THE NEXT STEP OF DIGITAL BANGLADESH

Written by
Rahman Nahian

In Bangladesh, a digital economic system has long been in place. Electronic money transfers have become very popular and are now a common way of life for many, thanks to the support of FinTechs like Bkash and Rocket. The system has a wide range of applications, from finance for businesses to personal usage. The workflow was made easier, and a variety of security measures were established to protect the movement of money as a result of the economic system being digitalised. However, by merely using digital means to transmit money from one place to another, the economy is only partially digitised and secured. True digitisation is only possible with the development of a cashless economy, thanks to modernisation and technological innovation.

In Bangladesh, paper money or hard cash is the most common form of payment. This approach stands in the way of the development of a fully digital economic system. The conventional approach not only has some inherent hazards, but it is also so out of date that it cannot adequately keep up with other computerised economic systems. A "cashless economy" is a concept or reality in which all financial transactions are carried out digitally rather than utilising actual cash like coins or banknotes. Cashless societies have existed since the dawn of human civilization, as may be seen by looking back in time. There were many different kinds of trade, including several effective barter systems. In the modern world, credit and debit cards, points of sale (PoS), mobile banking, internet banking, etc. are the most common forms of cashless transactions.

The Impact of FinTech, Especially MFS, on the Development of a Cashless Economy

FinTech is basically computer programmes and other technology used to support or enable banking and financial services. Currently, there are 186 FinTech startups in Bangladesh. While banks have huge deposits and a robust regulatory environment, FinTech has innovative technology and artificial intelligence. Surprisingly, FinTech is changing the financial landscape of the country with its innovative product offerings catered to different industries. The most popular and widely used service among them is Mobile Financial Services (MFS). They have been well integrated into the domestic economy.

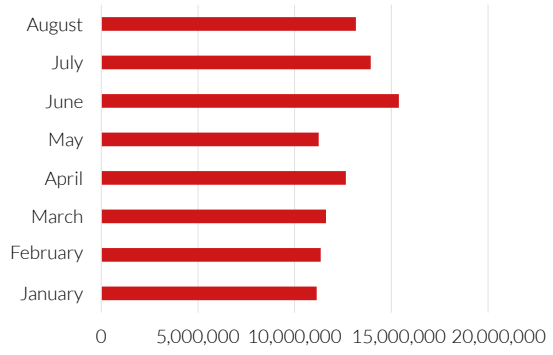
Since the COVID-19 outbreak, more consumers are choosing cashless forms of purchases, which has resulted in a surge in MFS activity and transaction volume nationwide. The most recent data from the Bangladesh Bank (BB), the central bank of the country, demonstrate that, on average, MFS, like bKash, Rocket, and others,

facilitates daily transactions worth more than BDT 3,000 crore. BB also postulates that customers made BDT 89,167 crore in mobile banking transactions in July, the first month of the current fiscal year.

Industry sources claim that additional services are being added as a result of the convenience of rapidly moving money anywhere through mobile banking, including shopping, employee salaries and benefits, bill payment, and loan disbursement. People are becoming more interested in and dependent on mobile financial services such as bKash, Rocket, and Nagad. Additionally, there are more consumer transactions. There are currently over 18 crore mobile banking users.

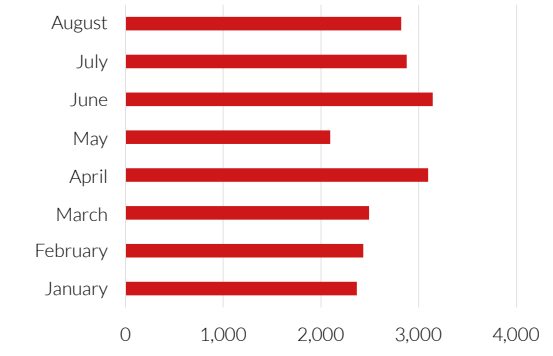
Currently, 13 banks in the nation offer mobile banking services under various brand names, such as bKash, Rocket, UCash, MyCash, and SureCash. Over 18.11 crore people had registered for mobile banking by the end of July 2022. At the same period, there were 14.77 lakh mobile banking agents.

Figure 1: No. of Daily Average Transaction through MFS



Source: Bangladesh Bank

Figure 2: Average Daily Transaction through MFS (In Crore BDT)



Source: Bangladesh Bank

According to the MasterCard Economic Outlook Report, which was released in December 2021, e-commerce has been at the centre of digital agility's role in driving higher revenue across the pandemic. Online transactions "grew more in countries with higher pre-pandemic levels of digital maturity," according to the survey. Digital payments are expanding as a result of a number of factors, including the growing acceptance of contactless credit cards, QR codes, and mobile financial services that cater to unbanked consumers and small businesses, as well as interoperability across MFS providers.

Banks' Role in a Cashless Society

Although plastic money has been around for more than 25 years, the trend toward cashless transactions has just recently gained traction. According to a report that appeared on The Daily Star last year, the pandemic has greatly boosted these technology-based transactions because customers now prefer to settle transactions on digital platforms while lounging at home to reduce virus exposure. Since the COVID-19 epidemic, carrying out transactions without visiting a branch has been typical among the middle class. In the light of this, the issue of how close we are to a cashless economy naturally emerges. Since the central bank lacks precise statistics to this effect, it is challenging to determine what percentage of total transactions are resolved through the various digital platforms. But according to analysts, 30% to 35% of all financial transactions are now completed without the use of cash. In the middle of the first decade of the 2000s, ATMs and debit cards started to gain popularity, but this had a minimal effect on cashless transactions.

In order to decrease the use of cash, the central bank implemented One Time Passwords (OTPs) or two-factor authentication for debit and credit cards in 2010. Through encouraging cardholders to use plastic money to pay for products and services, this campaign assisted in the growth of E-Commerce. In recent years, the actions of the central bank have also made customers more likely to accept plastic money.

In February, lenders held a total of BDT 1,509 crore in credit card debt, a 24% rise over the previous year, while BDT 14,776 crore was spent on debit cards, a 22% increase. The central bank launched the Bangladesh Automated Cheque Processing System (BACPS) in 2010 to replace the regional clearing houses, which were run manually, in the light of the potential of electronic ways of payment. Banks settle interbank cheques using this technology within one business day, as opposed to the two to three days required by the manual procedure.

The Bangladesh Electronic Fund Transfer Network (BEFTN), which allows corporate companies to pay personnel salaries and wages in bulk, was launched by the central bank in 2011. The programme also allows users to pay their insurance premiums, loan payments, and energy bills. According to information from the central bank, customers usually settle BDT 13,000 crore each day using BEFTN and interbank cheques.

The National Payment Switch Bangladesh (NPSB) was established in 2012 by the central bank with the goal of achieving interoperability across banks for card-based and internet retail transactions. Currently, the NPSB processes interbank money transfer transactions through internet banking, POS machines, and ATMs. In a significant step, the central bank introduced the Real-time Gross Settlement System (RTGS) in 2015, enabling a digitally-based, safe, and effective interbank payment system. The method enables banks to transfer money instantly and in full from one bank's account to another. The RTGS is intended to settle high-value local currency and foreign currency transactions that have a BDT 1 lakh or above in value in real time. Agent banking, another digital banking channel, has been in use in rural regions since 2016 and now assists lenders in simultaneously disbursing loans and mobilising deposits.

Key Points

- OTP and Two Factor Authentication for Debit and Credit Cards - 2010
- Bangladesh Automated Cheque Processing System (BACPS) – 2010
- Bangladesh Electronic Fund Transfer Network (BEFTN) – 2011
- National Payment Switch Bangladesh (NPSB) - 2012
- Real-time Gross Settlement System (RTGS) - 2015
- Agent Banking - 2016

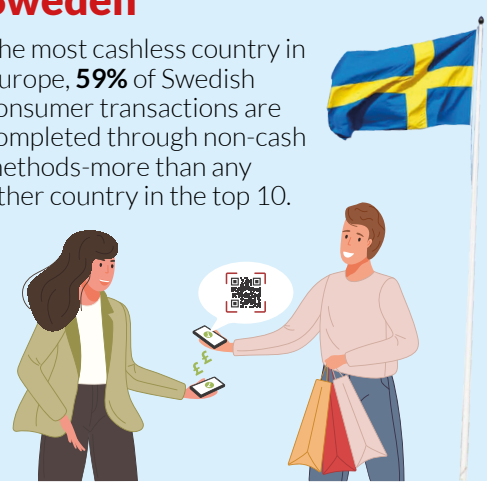
A Cashless Society's Success Tale

Bangladesh has only just begun the process of becoming cashless, while other nations have already made significant progress. Sweden is a good example. The country is leading the way toward a cashless society. In Sweden, all you need is a smartphone and a number to send money in a couple of seconds. In Sweden, a lot of cafes, stores, and supermarkets have started to display QR codes that customers can scan to make mobile payments instantly. The Swish app, along with numerous other significant and little advancements, contributes to Sweden's reputation as a nation that is becoming increasingly cashless.

Utilising BankID is becoming a key component of integrating into Swedish society. Anyone with a Swedish personal identity number and bank account can use this smartphone app to access all online banking services, sign contracts, and access all digital public services. The cashless experience goes beyond the surface for some people. They have a microchip inserted in their hand that can hold a variety of information, including ID, bank card information, train tickets, and door-opening blips. This enables payment with a simple hand motion. Though it may sound like science fiction, more than 4,000 Swedes have already incorporated this useful biohacking tool into their way of life. They no longer need to lug along their keys, membership cards, bank cards, and IDs.

Sweden

The most cashless country in Europe, **59%** of Swedish consumer transactions are completed through non-cash methods-more than any other country in the top 10.



According to the latest recent statistics from Sweden's national bank, the Riksbank, the percentage of Swedes using cash decreased from 39% to 9% between 2010 and 2020. In Sweden, only small transactions are typically made in cash. The signs "Card only" or "Cash free" are significantly more frequent in stores and cafes than "Cash only" is in many other nations.

Issues and Difficulties

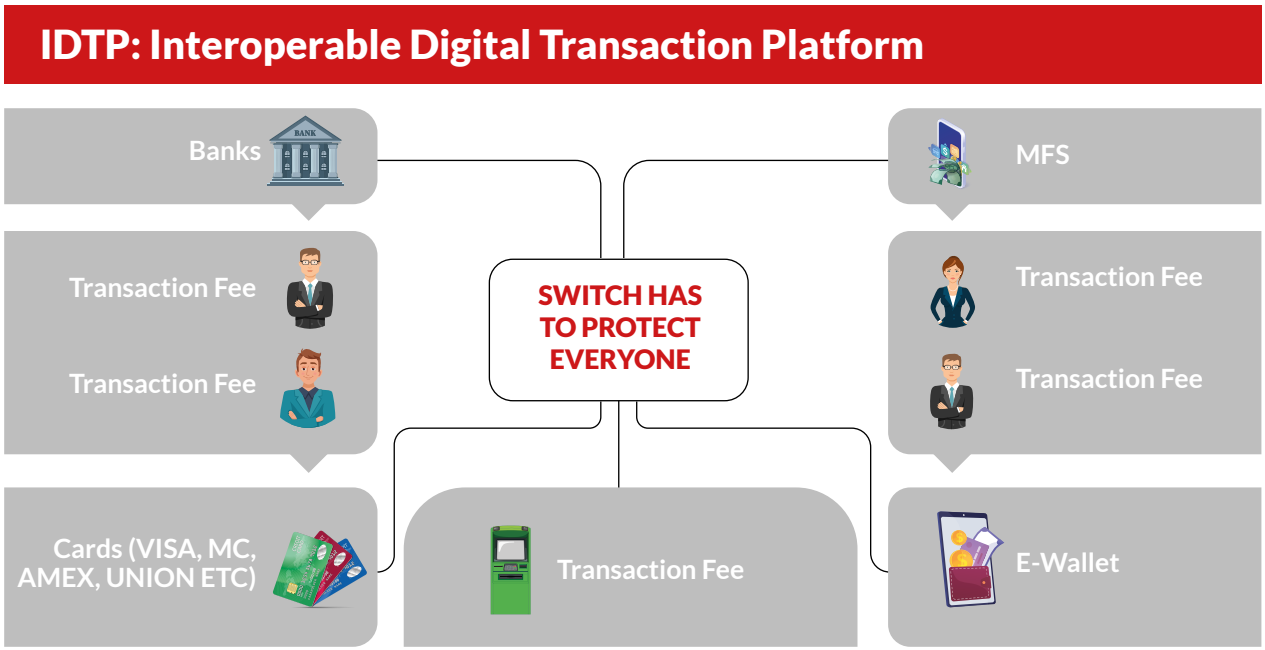
The cash-based monetary system has historically been vulnerable to corruption and unfair benefits, and Bangladesh is no exception. According to a study in The United News of Bangladesh, cash is the most common way that money is laundered because the tracking method is not only ineffective but also nearly impossible to use. In retrospect, compared to a cash system, digital currency provides superior security and traceability options for currencies.

It was claimed that the use of digital currency could lessen corruption and increase unbanked people's access to banking. However, because computer literacy is still in its infancy in Bangladesh, individuals may be vulnerable to online fraud. It is clear from bKash's extensive anti-fraud campaign across the nation. Lower tech literacy necessitates educating an entire generation about the peculiarities and procedures of digital transactions. Even if an increasing number of companies and organisations now accept digital payments, the paradigm has not yet changed. It is not possible to buy food from your neighbourhood store using digital transactions. Supermarkets are now accepting digital payments, but this brings us back to the accessibility issue.

Way Forward

To address these problems, the MFS can use blockchain technology to trace each and every transaction once any amount of money enters the ecosystem. Blockchain is a decentralised network that tracks and records transactions in a digital format. It is a distributed ledger, which means there is no central authority over the network and no one or entity in control with the ability to corrupt the network. The blockchain comprises individual blocks of data, each containing a record of information, that are linked together in chronological order. These links cannot be changed, which is what instils confidence in the network. This revolutionary technology manages transactions of information by securing them as they occur. The purpose of blockchain is to lower the cost of transactions and make them more efficient and faster. Blockchain can make the financial industry more transparent since users are performing activities on a public ledger. This transparency can expose inefficiencies like fraud, leading to problem-solving that could reduce risk for financial institutions.

Another barrier preventing the economy from going digital is a lack of interoperability. Despite being provided in other countries, Bangladesh had not previously had access to this service. Remarkably, the government recently introduced a transaction platform called Binimoy. It enables real-time, secure, and cost-effective digital transactions between two or more parties. Binimoy, which is administered by the BB, is one example of how the platform makes use of the country's pre-existing financial infrastructure. It is a web-based platform that is being offered as an extra service for banks, mobile financial services, and payment system operators' apps.



It provides a straightforward way to send and receive money from friends and family. It can also be used to pay bills, shop online, and buy airtime or internet data. It is linked to all of the major banks in Bangladesh, making it simple to transfer money between your bank account, MFS, and wallet. Because of Binimoy, one is constantly in control of their finances.

The platform is creating a stir in the Bangladeshi financial sector by opening up access to digital banking services to the general people. This innovative platform has the power to transform the lives of millions of Bangladeshis through financial inclusion. Financial transactions become easier, more transparent, and more affordable while using Binimoy. Paying bills, taxes, employee salaries, remittances, and taxes/VAT are all made simple with the help of Binimoy. One account may be utilised for all fund mobilisation activities across providers, which is the platform's key advantage. One only needs an account on any platform, like a bank or MFS, to perform transactions with any bank, NBFI, MFS, or PSO without any limitations. Thanks to interoperability, all financial transfers and transactions for Binimoy may now be accomplished with a single account ID. However, there are transaction fees associated with sending money in addition to the cash-out fees levied by the MFS providers. As a result, whether or not users are ready to pay the additional cost will be a key factor in this web-based platform's success.

According to specialists in the field, a cashless economy is essential to achieving continued economic growth, and access to digital financial services and the expansion of digital financial inclusion will contribute to this progress. There is optimism for a better future thanks to the steps the government and businesses have already taken towards digital financial inclusion and digital finance. This will help us reach our next two goals, which are to have an upper-middle-income nation by 2031 and a developed nation by 2041.

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Shahadat Khan, Ph.D.
Founder & CEO, TallyKhata, Bangladesh
Co-Chairman, Standing Committee on FinTech & Digital Payment, BASIS

Interviewed by
Raiyan Rabbani, Team MBR

FinTech enthusiast and practitioner Dr. Shahadat Khan is the founder and CEO of TallyKhata. He is the Co-Chairman of the BASIS Standing Committee on FinTech & Digital Payment. Dr. Khan has more than 31 years of experience, including university teaching, research and innovation, product development, and building IT-based solutions for social development. Dr. Khan started his career as a faculty member of the Computer Science and Engineering department, BUET. He is a Canadian Commonwealth Scholar and received his Ph.D. degree from the University of Victoria, Canada. He is a frequent speaker at industry conferences and panels, holds 16 patents, and has published many articles in journals and technical magazines. He has traveled to more than 40 countries and is a hobbyist wildlife photographer. Team MBR was in a conversation with Mr. Shahadat Khan and was fortunate enough to receive his take on the cashless economy.

Raiyan Rabbani: How important is it for a thriving economy like Bangladesh to go cashless? Does the use of cashless transactions boost overall economic activity?

Shahadat Khan: Bangladesh is mostly a cash-based economy. More than 95% retail transactions are done using cash. There are several drawbacks to using hard cash, including the costs associated with carrying and minting it. Cashless transactions would mean that money could circulate within the various layers of the economy at a fast pace, leading to high levels of transactions and increased financial activities and improved efficiency. For example, government can disburse safety net payments to millions of people using online services. Transactions among government, companies and people can happen instantly anytime anywhere. Moreover, cashless transactions would lead to a higher availability of data, which would enable access to finance for those economic sectors that were previously deprived of it.

Raiyan Rabbani: Steady growth in card transactions, MFS transactions, and internet banking transactions clearly indicates the rapid trend of the market moving towards a cashless economy. What factors, in your opinion, are driving this rapidly changing trend?

Shahadat Khan: You are correct in your observation. There are multiple factors that led to this impressive growth. Some of the key drivers include wide availability of mobile phones, especially smartphones, government policy support, favourable regulation and platform support from Bangladesh Bank, initiatives by banks and FinTechs to introduce new digital payment products and services, growth of GDP and per capita income, and popularity of E-Commerce.

Raiyan Rabbani: What is your perception regarding the potential of Bangladesh to become a cashless society in comparison to

its regional peers? What are the additional measures we need to undertake?

Shahadat Khan: In the last few years, we have made a lot of progress towards digital financial services. It is not possible to shift from a cash-based economy to a cashless one overnight. Initially, the transformation should be from a cash-based to a less-cash society, and shifting to a fully cashless society finally.

We introduced the electronic KYC (eKYC) system where a person can open a bank account or digital wallet using NID card and biometric verification. Mobile financial services became popular for cash-in/out facilities, local remittance, mobile recharge and bill payments with 67 million active users. However, we are lagging behind in some areas such as retail transactions and shop payments compared to neighbouring countries such as India and China.

In order to build a cashless society, a well-functioning interoperable digital transaction system is a prerequisite. For example, consider the mobile phone interoperability in the country. We do not need to worry whether the callee uses GP or Robi connection before making a call. Interoperable digital payments should also work like that. To pay at a shop, a user should just scan the merchant QR code using the app and enter his/her PIN to make the payment.

We need encouragement and push from the government for adoption of digital payments. Government has introduced tax benefits for companies using digital payments. We also need to increase public awareness and provide incentives to users and merchants for digital transactions. For example, in India, the government has offered lottery-based prizes for digital payments. Pricing and business model is also important. For consumers, we must ensure that to purchase a 1,000 taka product, they do not have to pay more than 1,000 taka.

Raiyan Rabbani: The government has recently launched Binimoy, an Interoperable Digital Transaction Platform (IDTP), with the aim of bringing banks, PSPs, and MFSs under one umbrella. Would you kindly share your thoughts regarding this initiative's potential to build a cashless society and ensure financial inclusion?

Shahadat Khan: Binimoy, launched on November 13, is a great initiative from Bangladesh Bank and the government to facilitate real-time interoperable payments among all banks and payment services providers. It has the potential to make the biggest contribution in the adoption of digital payments and in turn revolutionize the financial system in the country. Payment service is fundamental to any economy, and improved payment service can help in all areas of financial services including retail transactions, savings, credit and insurance. BB has also published the BanglaQR code standard that can be used for simplifying retail and merchant experience.

India launched the UPI interoperable payment platform in 2016. It has been extremely successful in a few years, and facilitated more than 6 billion transactions in July 2022 in participation of 338 banks. Singapore, Malaysia, and Thailand launched interoperable payment platforms in the last few years.

Raiyan Rabbani: Traditional banks and non-bank financial institutions are now partnering with mobile financial service providers to provide loans and savings products digitally. How successful are these collaborations in bringing marginalised populations under the banking umbrella?

Shahadat Khan: This is very encouraging to see that banks/NBFIs are working with Mobile Financial Service providers (MFSs) and Payment Service Providers (PSPs) to expand financial services to underserved people. The City Bank and IDLC Finance are working with bKash for credit and savings products. Mutual Trust Bank recently launched the country's first end-to-end digital credit product for small businesses in collaboration with TallyKhata.

It is too early to assess the success of these new initiatives. But, we know digital financial services are the real future of banking going forward, and we need more bank-FinTech collaboration in order to provide quality financial services to all people.

Raiyan Rabbani: What barriers are we facing, in your opinion, for the entire financial system to go digital? How can we overcome these?

Shahadat Khan: We observe 3 barriers for expansion of digital financial services, (a) Absence of a well-functioning interoperable payment system at reasonable price, (b) Lack of credit data for people and businesses including credit scoring, and (c) Insufficient bank-FinTech collaboration.

We hope Binimoy will address (a) in a few months. Users should be able to use it as seamlessly as possible and with no extra cost than cash payment. For (b), we need a comprehensive credit information bureau with live credit data from all lenders including banks, NBFIs, MFIs, cooperatives, and FinTechs. This may be implemented by separate credit bureaus with license from BB, as was done in more than hundred countries in the world including India. For (c), we need more collaboration among traditional bankers and FinTech minds. We should be able to take advantage of new tools such as big data, artificial intelligence and open API for banks/FIs with proper compliance and risk assessment in place.

Raiyan Rabbani: Going cashless also involves risks associated with money laundering and terrorism financing. What safety measures should be in place to suppress these unwanted transactions?

Shahadat Khan: Actually, I beg to differ with you on this. Going cashless will provide us better protection against money laundering and terrorism financing subject to having proper checks and balance in place. For example, all bank accounts and digital accounts are opened using eKYC checking including biometric verification. Digital transactions always leave a lot of traces and footprints while flowing, and therefore enable us to use modern data analytics and artificial intelligence tools to automatically detect and manage money laundering and terrorism financing threats. We may also introduce a layered risk-based KYC system along with current transaction limit mechanisms for this.

PACKAGED DRINKING WATER INDUSTRY IN BANGLADESH: FROM LUXURY TO NECESSITY

Written by
Raiyan Rabbani

We all know that "water is life," and we cannot fathom plants and animals existing without this element. But to live a healthy life, we must have access to clean and safe water, and having access to clean water is frequently a major problem in cities. As a result, we rely heavily on bottled or canned water. In addition, we frequently use mineral water bottles when we dine out or travel. In a nearby store, you might find bottled water from several brands. Nearly 30 bottled water brands operate in Bangladesh. The bottled water market in Bangladesh was worth USD 760 million (calculated in retail prices) in 2015. By 2025, the bottled water market in Bangladesh is forecast to reach USD 2.52 billion (in retail prices), thus increasing at a CAGR of 9.87% per annum for the period 2020–2025.

Market Scenario: Local and Global

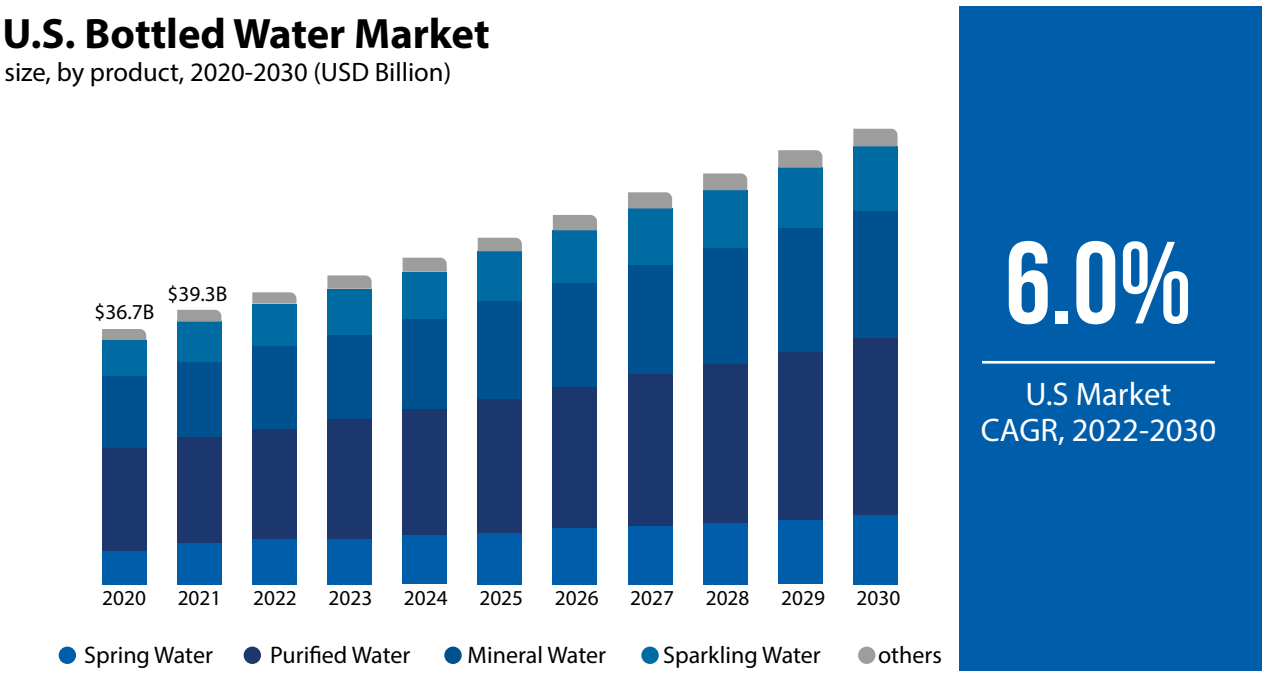
Before the epidemic hit, 35–40 crore litres of bottled water worth around BDT 950 crore were sold nationwide, according to those involved in the industry. As a result of the COVID-19 pandemic-related closures of businesses, schools, universities, hotels, restaurants, and various social gatherings, the bottled water industry decreased by more than 50% in 2020. However, it began to increase once the nationwide shutdown was over.

According to industry insiders, Bangladesh is where the bottled water industry first emerged in the 1990s. The consumption of bottled water was widespread at the time among the wealthy.

Bangladesh is seen by investors as a promising market for the sale of bottled water. International corporations like PepsiCo and Coca-Cola entered the local bottled water market in 2014 and 2016, respectively, with their respective brands Aquafina and Kinley. There are more than 30 water brands available in the country, such as Mum by Partex Group, Fresh by Meghna Group, Shanti by Dhaka Wasa, Jibon by Citi Group, and Acme Premium Drinking Water by Acme Group.

Worldwide, the bottled water market is expanding quickly, not just locally. 437 billion litres of water worth USD 238 billion were sold in 2017, according to a survey by The Business Research Company, a research centre that examines numerous industries in Asia, Europe, and America. The study predicted that the bottled water industry would rise by roughly 10%. Several of the best-known bottled water brands may be found all over the world, including Nestlé, PepsiCo, The Coca-Cola Company, Danone, Primo Water Corporation, Voss Water, Nongfu, and Spring.

Figure 2: Average Daily Transaction through MFS (In Crore BDT)



Source: Grand View Research

The bottled water sector faced logistical difficulties as a result of the extensive regulations put in place by governments around the world to combat COVID-19. The International Bottled Water Association (IBWA) reports that bottled water companies increased their production capacities in 2020 to meet the spike in demand. This entails raising the capacity for bottling, acquiring more supplies for production and packaging, and speaking with retailers to gauge demand.

Because customers place more value on health and wellness, nutrient-fortified water is becoming more popular. The demand among business travellers, professionals who are in the workforce, and domestic consumption has been rising.

Bottled Water: An Analysis of the Brands

Mum

Mum from Partex Beverage was Bangladesh's first bottled water brand. Through its 350+ distributors, the company bottles mineral water and distributes it throughout Bangladesh. Because there was no real substitute at the time, "Mum" has become synonymous with bottled water since its inception. Mum is produced using the best raw materials to maintain the water's quality while retaining all necessary components. In addition, the corporation produces water using cutting-edge technology. There have not been any unfavourable reports concerning Mum in recent years. It is, therefore, obvious that they strictly uphold quality. Mum is available in three different sizes, 500 ml, 1.5 litres, and 5 litres. However, due to their portability, 500 ml and 1.5 litres are the most popular sizes.

Kinley

The Coca-Cola Company, which sells its beverages in numerous Asian and European nations, is the owner of Kinley. However, Kinley entered the Bangladeshi market in 2016 and quickly seized the market. Along with mineral water, the company also sells a variety of carbonated drinks, including ginger ale, tonic, lemonade, soda, fruit-flavoured drinks, and more. Although it comes in various sizes and packaging in other nations, 500 ml is a common size in Bangladesh. Kinley has emerged as one of the major rivals to Mum and other regional brands during the past five years. Despite not dominating the market, many consumers of mineral water were drawn to them because of the water's purity and flavour.

Fresh

One of the most popular bottled water brands in Bangladesh is Fresh mineral water from Meghna Group of Industries. In addition, the Meghna Group offers products in a variety of other industries, including chemicals, cement, real estate, consumer goods, stocks, insurance, and more. The Fresh water brand is well known for its flavour and large bottles. It is sturdy and readily fits in hand, whether it is a small or large bottle. There are no microorganisms of any kind in the water, which is clear and translucent. It is produced using a seven-stage purification process that includes ozonation, softening, reverse osmosis, ultraviolet treatment, de-ironing, de-odorizing, and pre-ozonation. It is available in bottles of 500 ml, 1 litre, 2 litres, and 5 litres. However, the business has introduced a different brand of water called No. 1 Drinking Water.

Mukta

The government of Bangladesh operates the water brand Mukta. The prime minister's office, secretariat, all ministries, Bangladesh Parjatan Corporation, and numerous other independent institutions have all used it as their official water bottle. Mukta commenced business in 2004. Since the company's establishment in 2004, it has assured excellence. The fact that 75 out of Mukta's 81 employees are disabled is one of its best features. This state-owned business has been helping people with disabilities by giving them jobs in production facilities. The Sharirik Pratibandhi Surakkha Trust is in charge of running the plant. In 2019, Mukta began distributing it around the country and making it accessible to the general public.

Acme

The ACME Group's sister company is ACME bottled water. Through ACME Agrovet and Beverages Ltd., they manage the production. The company first began selling juice as part of its array of liquid items before launching ACME mineral water. Research from 2019 states that ACME has a 9% market share, which is considerably less than the 45% held by market leader Mum. Bottle sizes range from 500 ml to 2 litres.

Spa

Spa is another well-known bottled water brand in Bangladesh that is produced and promoted by the reputed Akij Food and Beverage Limited. The local market is where it is primarily sold. Spa, on the other hand, became well-known for the size and quality of its bottles. Spa water tastes a little bit different when compared to other regional brands. 500 ml, 1 litre, and 2 litre bottles are available from Spa.

PRAN

Although the brand name is PRAN, it is manufactured by Mymensingh Agro Limited. PRAN drinking water is claimed to be produced through 13 purification steps with reverse osmosis technology, which ensures water quality while maintaining mineral levels. PRAN water bottles come in six different sizes, 250 ml, 500 ml, 1 litre, 1.5 litres, 2 litres, and 5 litres. None of the brands in Bangladesh has such bottle variation. Hence, it grabs the attention of all types of consumers, from officials to homemakers.

Opportunities in the Sector

Bangladesh is heavily dependent on its domestic producers for bottled water. As a result, the majority of brands in the market are from local conglomerates. Imports of water bottles are limited to a specific number of brands. Hence, there are opportunities for foreign companies to enter with a different market proposition. In addition, local companies can focus on exporting locally produced bottled water to foreign markets to increase their share of the market. Opportunities also exist in the form of consumer perceptions and preferences toward these brands. It is observed in a study that, as people get older, their preferences for bottled water increase. This may be because adults are more aware of the health risks posed by soft drinks and other forms of carbonated products. Moreover, the reason may be that, as people in the city begin to eat out more, their consumption demand for bottled water goes up. This means that mineral water companies have to concentrate on restaurants and fast food chains as important sources of business.

The bottled water industry is saturated with local brands. Thus, it can be assumed that there are variations in consumer preferences towards these bottled brands. New opportunities should be carved out by focusing on the similarities and differences simultaneously. New companies can initiate product differentiation with innovative strategies to bring changes to their product lines. With most consumers loyal to brands such as Mum, future players can take advantage of the market gaps by offering unique value propositions.

Syed Iqbal Karim

Director, Sales & Marketing,
Partex Beverage Limited

Interviewed By
Raiyan Rabbani, Team MBR

Mr. Syed Iqbal Karim is the Director, Sales & Marketing of Partex Beverage Limited. He is a renowned sales expert with 32 years of experience working in multicultural situations and with various corporations and industry organisations. He specialises in FMCG sales, marketing, and company growth (food, electric, and electronics). Team MBR was in a conversation with Mr. Syed and was fortunate enough to receive his take on the packaged drinking water industry in Bangladesh.

Raiyan Rabbani: According to a recent study, demand for bottled drinking water in Bangladesh is increasing at an annual rate of 15% to 20%. What are the factors that are, in your opinion, driving this phenomenal growth?

Syed Iqbal Karim: This rise can be attributed to people becoming more health-conscious, as well as the increased movement of people these days. Another reason for this growth is the rising income of consumers, and now they have the ability to gain easy access to reliable sources of drinking water while they are on the go.

Raiyan Rabbani: Most drinking water bottlers have increased the prices of their products in recent times. What are the factors responsible for this price hike?

Syed Iqbal Karim: Although there has been a price hike, it is not applicable to every bottle size. Prices have been hiked for larger bottle sizes. The factors that contributed to the rise in prices can be attributed to the rise in the price of resin, an essential ingredient required for making plastic bottles. Record high freight costs due to the unavailability of ships are also another factor that led to the price hike. However, Partex is trying not to impose the whole burden on the consumers, as it can be seen that the prices of smaller-sized bottles (330 ml and 500 ml) have remained unchanged. Moreover, Partex Daily's drinking water trade price is lower than Mum.

Raiyan Rabbani: Several foreign players have entered the market and have very strong distribution channels. In your opinion, how is this dynamic affecting the competition and the overall market?

Syed Iqbal Karim: These foreign brands come with a very strong brand image, and they also provide other beverages as well, so they have good leverage. They have been able to capture significant market share due to their distribution channels and associated products, as well as by providing higher margins to the retailers, which has not been possible for the local

brands. This has been possible on their part because of large-scale CSD brand sales, which enabled them to set up factories in different locations.

Local brands, on the other hand, are increasing their market share through product differentiation and niche marketing strategies. For instance, Mum uses state-of-the-art German machinery that produces high-quality bottles and has a strong distribution network nationally.

Raiyan Rabbani: The majority of the consumers of bottled drinking water are from urban areas. However, there are opportunities in the rural areas as well, especially where the residents are facing a scarcity of drinking water due to salinity and drought. What are your recommendations for drinking water bottlers to capitalise on this opportunity?

Syed Iqbal Karim: Any form of bottled water involves high levels of transportation costs when it has to be moved from one district to another. In addition, bottles of drinking water are fast-moving consumer goods (FMCG) and thus have to be stored in regional depots. This creates added cost pressure and damage during transit. As a result, freight costs and profitability serve as impediments to capitalising on such an opportunity. However, to overcome this phenomenon, it is recommended to go to area-wise distribution and set up plants in different parts of the country where consumption volume allows, which would then lead to lower levels of distribution cost. If such infrastructure can be developed, people in remote areas and regions that are adversely affected by climate change would be greatly benefited since they would gain access to safe drinking water by paying a reasonable price.

Raiyan Rabbani: From the perspective of common people, there is not much scope to differentiate the bottled drinking water brands. How can drinking water bottlers differentiate their products to beat the growing market competition?

Syed Iqbal Karim: There are several ways bottled water can be differentiated, including taste and pricing. Pricing is an important mechanism in providing a differentiated product which can be achieved by giving a dynamic margin set to the retailers. Taste is also another important factor. Mum differentiates in taste through a slow process of water extraction that enables the water to obtain various minerals and thus give it a unique taste. Another form of differentiation that can be done is changing the experience altogether, i.e., introducing a premium line in the current segment. Partex has now added two lines of products, regular and premium. Daily's drinking water is now the regular line, and Mum (the trusted brand for years) has been elevated to the premium line. Thus, such differentiation would lead to catering to different segments of the same market.

Raiyan Rabbani: The bottled drinking water industry generates huge amounts of plastic waste every year. What are your recommendations for combating plastic pollution and recycling plastic waste?

Syed Iqbal Karim: Environmental stewardship is essential for any sustainable business module. And, we are not exceptions in this regard, as we do believe in sustainability. Partex has already taken the necessary steps in this regard by lowering the plastic content of the bottle by using new technology. However, for effective recycling to take place, the government must create effective policies to reduce pollution. In addition, public awareness should be created for consumers to recycle and reuse and not create any pollution by discarding plastics in the open.

Raiyan Rabbani: Though Bangladesh is a riverine country, sources of safe drinking water are not abundant. The scenario may

even deteriorate in the future, and this will pose a problem of resource deficiency and provide an opportunity for growth for the drinking water bottles at the same time. How should drinking water bottlers address this issue?

Syed Iqbal Karim: This has already created an opportunity because demand for 2 and 5-litre bottles has skyrocketed during the hot season. However, larger-size bottles are very costly for consumers, but there is a plan in place to address this issue. In the future, the problem of water scarcity may exacerbate, and thus the technology used in the Middle East for extracting mineral water from the sea could be used, as could other surfaces like canals and river sources.

Raiyan Rabbani: During the COVID-19 pandemic, the drinking water bottlers' businesses shrank by more than 50%. How is the industry performing now? Is the industry already back to its pre-pandemic state?

Syed Iqbal Karim: Like other industries, the usual business operations of the related businesses have been disrupted during the COVID-19 pandemic outbreak. However, the industry has recovered from the fallout of the pandemic and returned to the pre-pandemic phase. However, in the current situation, the situation is better than ideal. The growth is not up to the mark when compared to the pre-pandemic phase. During different festivals in 2021, the industry could not meet the demand, and there were shortages in the market since the industry was not expecting the demand to rise to such an extent. Had the industry been able to cater to that high demand, business would have been more vibrant.

IDLC Donates BDT 1 Crore to Chattogram Maa-O-Shishu Hospital to Transform Cancer Care in Chattogram

IDLC Finance Limited, the country's largest Non-Banking Financial Institution, signed a Memorandum of Understanding (MoU) with Chattogram Maa-O-Shishu Hospital on November 21, 2022, to donate BDT 1 Crore in support of establishing the first-ever dedicated chemotherapy facility in Chattogram. The contribution is made to support underprivileged cancer patients to have access to expensive treatments at a low cost.

Chattogram Maa-O-Shishu, a non-profit, semi-charitable hospital, has taken the initiative to establish a 100-bed cancer hospital and research institute in Chattogram in 2020 with the support from its 9,000 life members, general people of the society, and donations from corporates. IDLC's contribution will support the establishment of a 20-bed Chemotherapy Day Care Facility at Chattogram Maa-O-Shishu Cancer Hospital and Research Institute. The chemotherapy unit will include a Chemotherapy mixture, Infusion pump, Beds, Air Conditioner, Humidifier, Suction, Defibrillator, Monitor, Syringe pump, etc. The Head of IDLC's Agrabad Branch, A N M Zahid Hossain, and the General Secretary of the Chattogram Maa-O-Shishu Hospital, Mohammad Rezaul Karim Azad signed the MoU on behalf of their respective organizations.

'We are very grateful to IDLC Finance for their outstanding support, and we are pleased to announce that the Chemotherapy Unit will be named after IDLC' said Mohammad Rezaul Karim Azad, General Secretary of the Chattogram Maa-O-Shishu Hospital. 'The donation will help us to elevate the level of cancer treatment for the cancer patients in Chattogram,' he added.

Being a responsible corporate citizen, IDLC recognizes its responsibility towards the community and has always made proactive contributions to address critical national issues. As part of IDLC's CSR contribution to the health sector in 2022, IDLC has donated BDT 1 crore to Chattogram Maa-O-Shishu Hospital to establish its chemotherapy unit.

Studio Bunon

Rakiba Ahmed
Founder, Studio Bunon

Interviewed by
Rahman Nahian, Team MBR

Studio Bunon started its journey in July 2020 with Jamdani and Tangail saree weavers. Studio Bunon features Jamdani sarees, salwar-kameez, Tangail sarees, and shawls and takes orders for embroidery on Muslin sarees. The founder is an avid fashion designer who wants to support the families of traditional weavers. She hopes to expand this venture and bring our traditional Jamdani and Muslin clothing to the global market. She has been known to support traditional weavers and help them during their financial crisis, especially in 2020. Team MBR was in a conversation with Ms. Rakiba Ahmed to learn about her inspirations and vision behind Studio Bunon.

Rahman Nahian: Studio Bunnon is in the business of making traditional wear. What were the motivations for you to get involved in this business in the first place?

Rakiba Ahmed: The COVID-19 outbreak caused many people to experience financial hardship. Local artists were also impacted by this catastrophe. This inspired me to launch this business in order to support the preservation and promotion of the traditional Jamdani and Tangail weavers' arts. I was able to accomplish my idea for the craft with the aid of the web-business platform. These two elements led me to choose to start this business, which has been profitable thus far.

Rahman Nahian: What aspects of the culture of our country are you currently focusing on, apart from local handicraft clothing?

Rakiba Ahmed: As my business evolved, I brought in new goods that promoted our culture, which was always part of my initial business strategy. Handcrafted apparel is just one component of our culture. In addition to apparel, I'm concentrating on handmade bags and other items. Bengali handicrafts and clothes exhibit the imprint of our tradition-rich culture. Because of this, I was primarily concerned with showing those clothes, but I had plans to add other items as our company expanded. We intend to start selling locally made bags in the near future in addition to clothes.

Rahman Nahian: Nowadays, a good number of clothing brands are in the business of making traditional outfits. How are you differentiating your brand, Bunnon, from others?

Rakiba Ahmed: Despite the fact that there are many online shops, few of them ship their goods outside of Bangladesh. In nations like India, the UK, the USA, Australia, and others, I have shipped my goods internationally. It has helped my brand reach more people and build a group of loyal customers outside of our region.

Rahman Nahian: Studio Bunnon often works with marginalised people involved in traditional wear. How does this improve their living standards while also allowing them to excel in the traditional clothing business in general?

Rakiba Ahmed: Studio Bunon believes in sustainable business. Due to this belief, Bunon not only promoted traditional wear but also ensured that the hands who were behind this rich culture lead a better lifestyle. It can be seen that people are leaving this profession because they cannot provide for their families, so Studio Bunon made sure those associated with Bunon were compensated properly.

Rahman Nahian: Women face various obstacles when they try to come up with something new, especially when it's a business in its very early stages. Would you kindly share with us the challenges you faced when you took the initiative to launch Studio Bunnon and how you overcame them?

Rakiba Ahmed: Sure, the primary challenge that I faced was sourcing my product. I had to visit a lot of places to find a reliable supplier to purchase my product. But I had to visit many places to find reliable sources to purchase my products. I am lucky to have a supportive family. I think many women suffer as they might not get permission from their families to visit unknown places.

Rahman Nahian: Studio Bunnon only makes sales by selling products at fairs. What are the other channels it uses to promote its products, and how is it planning to expand its business in the coming days?

Rakiba Ahmed: The Facebook page of Studio Bunon is used for marketing and product sales. Additionally, we are establishing an online store where our goods will be sold. First off, we now use Facebook for the digital promotion of our goods. When someone wishes to purchase one of our products, they send us a message with the essential details, and we get in touch with them. But our future goals differ from yours. To make the process easier for the clients and us, we are establishing an e-commerce platform.

Rahman Nahian: How does your business serve the saree weavers from whom you source your product? Please share some weaver stories with us.

Rakiba Ahmed: COVID-19 had a devastating impact on many families. One of those families was the family, where the breadwinner was a weaver. The family was facing a financial crisis due to the expensive treatment they had to do for the Coronavirus. The weaver was so sick that it was not possible for him to work, even the normal physical movement. So he used to sell sarees made by others in twos and threes and somehow manage his family life. Bunon was with the distressed weaver throughout that difficult time.

Rahman Nahian: What advice do you have for aspiring women entrepreneurs who would want to follow in your footsteps? What should they focus on to succeed in their positions, and what would they do differently from you so that they would not face the same problems you did?

Rakiba Ahmed: The most important suggestion I have for aspiring women entrepreneurs is to have patience. Success would not fall on your doorstep, so there is no substitute for patience in entrepreneurship. So be patient, follow your dreams, and success is yours.

Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market closed the month of November in negative territory. During the month, the broad index DSEX went down by 1.1%. Blue chip index DS30 and Shariah index DSES fell by 0.6% and 0.5%, respectively in the month of November.

Among the regional peers, Pakistan reported the highest positive return of 2.6% followed by Vietnam (+2.0%) and Sri Lanka (+0.6%). MSCI Frontier Markets Index performance was positive by 3.7% in November. Over 5-year horizon, Sri Lanka (+34.9%) booked the most encouraging return.

Table 1: Equity market performance of Bangladesh and peer countries

Indices	Index Points, November 2022	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	6,235.9	-1.1%	-3.4%	-7.7%	-7.0%	31.8%	-1.1%
DS30	2,214.3	-0.6%	-3.0%	-12.6%	-12.0%	34.4%	-2.5%
DSES	1,370.2	-0.5%	-2.0%	-4.3%	-2.5%	26.6%	N/A
Peer Countries							
Pakistan (KSE 100)	42,348.6	2.6%	0.0%	-5.0%	-6.0%	7.8%	5.8%
Sri Lanka (CSE - All Share)	8,651.2	0.6%	-4.6%	-29.2%	-24.4%	39.3%	34.9%
Vietnam (VNI)	1,048.4	2.0%	-18.1%	-30.0%	-29.1%	8.0%	10.4%
MSCI Frontier Markets Index	**697.9**	**3.7%**	**-7.3%**	**-21.6%**	**-20.5%**	**-5.5%**	**-12.5%**

*All returns are Holding Period Return

Source: Investing.com, MSCI, DSE

Liquidity Condition in Equity Market of Bangladesh

During November, the total market capitalization decreased by 0.3%. The daily average turnover of November was BDT 7.4 bn (USD 70.4 mn), decreasing by 29.6% from that of the last month. Turnover velocity which represents overall liquidity of the market stood at 25.6% in November compared to 33.0% of last month. In 2021, turnover velocity of Bangladesh equity market was 65.3%, in comparison to 30.1% in 2020.

Table 2: Market capitalization and turnover statistics

Particulars	30-Nov-22	31-Oct-22	% change
Total market capitalization (USD* mn)	72,509	72,763	-0.3%
Total equity market capitalization (USD mn)	41,818	42,043	-0.5%
Total free float market capitalization (USD mn)	16,284	16,369	-0.5%
Daily Avg. Turnover (USD mn)	70.4	100.1	-29.6%
Turnover Velocity~	25.6%	33.0%	N/A

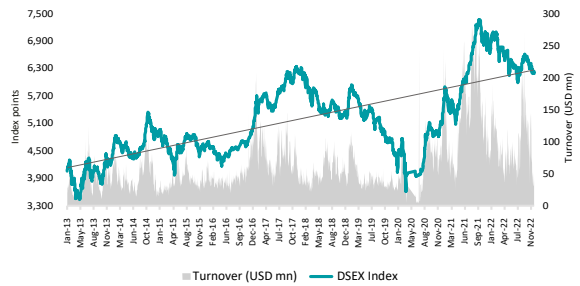
*All USD figures are converted using an exchange rate of 105.40 as of December 04, 2022 as per Bangladesh Bank website.

~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 53.7% till November, 2022. During this period, daily average turnover of the market amounted to BDT 6.9 bn (USD 65.4 mn) (Figure 1).

Figure 1: DSEX since inception along with market turnover

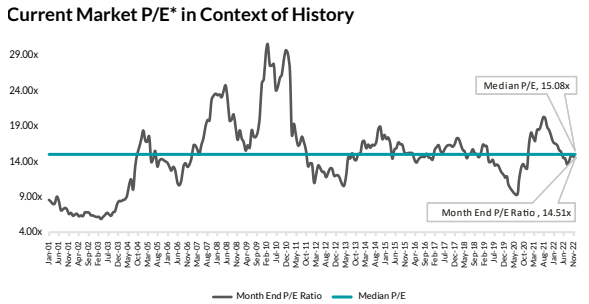


Source: DSE

Market Valuation Level - P/E Ratio

The market P/E decreased to 14.51x in November compared to last month's 14.72x. It is slightly lower than the 22 years' median market P/E of 15.08x (Figure 2). In terms of trailing 12 month P/E ratio, the equity market of Bangladesh is the cheapest among its regional peers after Vietnam. (Figure 3).

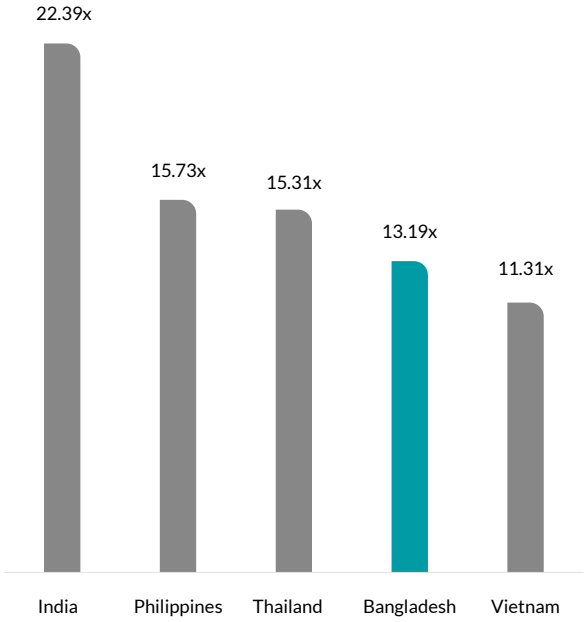
Figure 2: Historical market P/E* and it's median



*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 December 05, 2022. Source: IDLC, Bloomberg

Sector Performance

Large cap sectors posted mixed performance in November 2022. Fuel & Power posted the highest positive return of 0.8% followed by Miscellaneous (+0.7%), Telecommunication (+0.1%) and Food & Allied (+0.1%). Conversely, Banks reported negative return of 0.5% followed by Engineering (-1.2%), Textile (-3.3%) and Pharmaceuticals (-5.2%).

Telecommunication sector has the highest dividend yield of 6.1% among all sectors.

Table 3: Sector performance snapshot

Sector	Market Capitalization (USD mn)		Return*						P/E (x)**	P/BV (x)^	Dividend Yield~
	Total	Free Float	1M	3M	YTD	12M	3Y	5Y			
Pharmaceuticals & Chemicals	6,979	3,776	-5.2%	-1.2%	0.2%	0.7%	53.1%	44.7%	15.9	3.2	2.4%
Bank	6,320	3,410	-0.5%	-2.5%	-6.2%	-9.7%	30.1%	-0.3%	6.5	0.7	3.9%
Telecommunication	5,505	606	0.1%	-0.4%	-13.8%	-17.3%	14.8%	-11.5%	15.0	6.0	6.1%
Engineering	5,001	1,076	-1.2%	-2.6%	-5.7%	-3.8%	82.2%	26.9%	24.9	2.5	1.7%
Fuel & Power	4,247	1,223	0.8%	-0.8%	-1.2%	0.6%	14.9%	27.6%	11.7	1.4	5.0%
Food & Allied	3,653	1,144	0.1%	-1.4%	-12.7%	-11.4%	55.3%	56.3%	17.7	8.7	1.8%
Miscellaneous	2,174	917	0.7%	-3.2%	-12.5%	-15.6%	115.5%	130.4%	11.5	2.5	2.2%
NBFI	1,784	581	0.0%	-10.5%	-15.0%	-15.7%	24.7%	-21.7%	30.3	2.0	1.7%
Textile	1,630	935	-3.3%	-11.8%	2.4%	2.6%	36.2%	12.6%	18.7	1.1	2.4%
Cement	1,071	419	-0.8%	-9.9%	-11.6%	-15.2%	57.5%	-6.9%	19.6	3.0	0.5%
Non-Life Insurance	884	503	-2.4%	-3.6%	-32.5%	-25.6%	78.2%	124.8%	16.0	1.8	3.1%
Life Insurance	661	401	2.1%	-3.9%	-10.8%	-8.4%	14.2%	37.1%	98.6	7.2	1.9%
Tannery	314	169	1.3%	-2.1%	-1.2%	1.7%	58.6%	17.1%	23.9	3.0	1.7%
IT	386	238	5.9%	23.1%	31.5%	33.1%	93.8%	72.0%	25.7	3.2	1.1%
Ceramics	305	121	-0.4%	-4.7%	6.8%	4.4%	42.1%	18.5%	37.5	2.1	2.0%
Travel & Leisure	416	219	0.2%	35.1%	63.4%	58.2%	94.6%	79.9%	32.7	1.5	1.1%
Paper & Printing	330	117	-17.3%	1.9%	-0.5%	40.6%	132.5%	5.5%	31.1	2.5	0.8%
Services & Real Estate	263	136	-8.1%	-9.5%	17.6%	12.5%	92.6%	28.3%	20.9	1.6	3.4%
Jute	29	15	-0.7%	40.2%	38.1%	54.0%	0.4%	46.1%	200.3	9.0	0.0%
Market	**42,836**	**16,369**	**-1.1%**	**-3.4%**	**-7.7%**	**-10.9%**	**33.2%**	**3.6%**	**12.1**	**1.8**	**3.6%**

*All returns are Holding Period Return.

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

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

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

Cap Class Performance

During the month of November, all cap classes faced downturn. Small cap classes faced the highest correction of 5.8% followed by Micro cap class (-3.7%), Mid cap class (-2.4%) and Large cap class (-0.5%). Large Cap was the highest dividend yielding (4.0%) class.

Table 4: Performance of different market cap classes

Cap Class	Definition based on market capitalization (USD mn)	% of total equity Mcap	Return*						P/E (x)	P/BV (x)	Dividend Yield
			1M	3M	YTD	12M	3Y	5Y			
Large	≥96	77.0%	-0.5%	-2.3%	-9.2%	-8.9%	63.4%	44.1%	12.1	1.9	4.0%
Mid	29-95	12.0%	-2.4%	-3.6%	3.9%	4.6%	-24.2%	-40.8%	8.6	1.7	2.2%
Small	9-28	8.2%	-5.8%	-6.9%	-5.9%	-0.5%	88.5%	46.5%	23.2	1.2	2.9%
Micro	<9	2.8%	-3.7%	-6.9%	-3.9%	14.5%	-79.6%	-86.1%	30.6	0.9	2.6%
Market	**-**	**100.0%**	**-1.1%**	**-3.4%**	**-7.7%**	**-10.9%**	**33.2%**	**3.6%**	**12.1**	**1.8**	**3.6%**

*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, SQURPHARMA (+4.8%) advanced the most, followed by BXPHARMA (+4.0%). On the other hand, RENATA (-6.5%) faced the highest correction.

Majority of these companies yielded outstanding return over longer time horizon (5 years) such as BEACONPHARMA (+1420.3%), BEXIMCO (+434.2%), MARICO (+179.3%), UPGDCL (+118.8%), RENATA (+90.5%) and BXPHARMA (+73.2%).

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

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

DSE Code	Sector	Market Capitalization (USD mn)		Daily Avg. Turnover (USD mn)	Return*						P/E (x)	P/ BV (X)	Dividend Yield
		Total	Free Float		1M	3M	YTD	12M	3Y	5Y			
GP	Telecommunication	3,672	367	3,671.69	0.0%	-0.4%	-15.0%	-14.7%	2.8%	-21.9%	11.0	13.3	8.7%
WALTONHIL^	Engineering	3,011	30	3,011.18	0.0%	1.4%	-7.5%	-3.6%	N/A	N/A	(172.3)	4.0	1.4%
BATBC	Food & Allied	2,657	703	2,657.48	0.0%	-0.1%	-14.6%	-12.5%	63.5%	62.8%	15.9	8.5	1.9%
SQURPHARMA	Pharmaceuticals & Chemicals	1,764	1,153	1,769.73	4.8%	4.1%	2.6%	3.8%	16.2%	-5.5%	8.5	2.6	4.8%
ROBI^	Telecommunication	1,491	149	1,490.87	0.0%	0.0%	-13.0%	-21.1%	N/A	N/A	204.5	2.6	0.7%
RENATA	Pharmaceuticals & Chemicals	1,418	691	1,427.14	-6.5%	0.5%	0.3%	2.0%	39.3%	90.5%	26.2	7.6	1.1%
UPGDCL	Fuel & Power	1,285	129	1,285.41	0.0%	-1.6%	-4.3%	-4.7%	8.6%	118.8%	11.7	5.1	7.3%
BEXIMCO	Miscellaneous	961	635	961.73	2.6%	0.3%	-20.1%	-22.0%	702.4%	434.2%	7.5	1.7	2.6%
BERGERPBL	Miscellaneous	753	38	753.14	0.0%	-4.4%	-1.4%	-1.1%	28.7%	72.2%	29.1	10.9	2.3%
LHBL	Cement	727	257	726.89	1.9%	-16.5%	-4.0%	-7.2%	85.6%	32.5%	17.4	4.9	0.0%
MARICO	Pharmaceuticals & Chemicals	724	72	723.69	0.0%	-2.1%	8.8%	9.8%	59.9%	179.3%	19.1	41.4	3.3%
ICB	NBFI	703	25	703.37	0.0%	-5.1%	-25.7%	-19.2%	19.1%	-30.7%	88.5	7.8	0.5%
BEACONPHAR	Pharmaceuticals & Chemicals	664	465	620.00	-2.6%	17.9%	25.2%	36.3%	768.2%	1420.3%	76.5	23.7	0.5%
BXPHARMA	Pharmaceuticals & Chemicals	656	459	645.39	4.0%	-6.2%	-19.5%	-19.4%	118.2%	73.2%	12.0	2.3	2.3%
BRACBANK	Bank	547	294	546.67	0.0%	-0.3%	-24.0%	-22.5%	-14.6%	-35.2%	11.4	1.5	1.8%
ISLAMIBANK	Bank	499	224	503.80	-0.9%	-1.2%	2.2%	4.5%	92.6%	13.7%	9.0	0.9	3.1%
DUTCHBANGL	Bank	413	54	413.26	0.0%	-3.7%	-9.8%	-13.2%	29.8%	56.7%	8.2	1.6	2.5%
TITASGAS	Fuel & Power	384	96	383.86	2.4%	-1.2%	15.4%	18.0%	44.8%	23.2%	31.0	0.6	2.4%
POWERGRID	Fuel & Power	354	89	354.33	0.0%	-4.2%	-12.1%	1.5%	8.6%	15.4%	9.0	0.7	1.9%
SUMITPOWER	Fuel & Power	344	127	344.48	0.0%	2.3%	-7.5%	-7.5%	8.7%	29.5%	10.5	1.1	5.9%
Market		**42,667**	**16,369**	**70.41**	**-1.1%**	**-3.4%**	**-7.7%**	**-10.9%**	**33.2%**	**3.6%**	**12.1**	**1.8**	**3.6%**

*All returns are Holding Period Return.

^WALTONHIL got listed on November 23, 2020. ROBI got listed on February 24, 2020.

Top Performing Mutual Funds

The top ten open end mutual funds based on 5Y year CAGR outperformed the market, during the same period. Among them, CAPM unit Fund (+14.8%) yielded the highest return. On YTD basis, all these funds outperformed compared to market except UFS-Pragati Life Unit Fund, Fourth ICB Unit Fund and Peninsula AMCL BDBL Unit Fund One.

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

Name	Asset Management Company	Fund Size (USD mn)	NAV Return		
			2022 YTD*	2021	2017-2021
CAPM Unit Fund	CAPM	1.4	4.8%	29.6%	14.8%
Seventh ICB Unit Fund	ICB	3.9	-4.9%	34.2%	14.3%
Second ICB Unit Fund	ICB	2.1	-2.4%	41.5%	14.2%
UFS-Pragati Life Unit Fund	UFS	N/A	-10.9%	27.3%	13.3%
Peninsula AMCL BDBL Unit Fund One	IDLC	2.2	-8.5%	25.7%	11.8%
Sixth ICB Unit Fund	ICB	2.6	-3.0%	29.6%	11.6%
Third ICB Unit Fund	VIPB	3.1	-4.9%	26.0%	11.6%
Fourth ICB Unit Fund	ICB	2.0	-8.8%	36.1%	11.4%
LankaBangla 1st Balanced Unit Fund	ATC	4.2	-4.4%	21.9%	11.2%
ICB AMCL Pension Holders' Unit Fund	ICB	4.0	-3.8%	27.5%	10.7%
Market (Broad Index) Return (%)			**-8.0%**	**25.1%**	**6.1%**

*Based on published NAV and DSEX point of November 27, 2022

All the top ten closed end mutual funds on the basis of 5 years (2017-2021) outperformed the market during the same horizon. Among them PRIME1ICBA (+12.4%) posted the highest return. On the YTD basis, CAPMBDBLMF (+3.4%) and ICBEPMF1S1 (+0.5%) were the top performers.

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

DSE Code	Fund Manager	Fund Size (USD mn)	Price[1] (BDT)	NAV[1] (BDT)	Price/ NAV	Dividend Yield[2] (%)	NAV Return[3]				Redemption Year[4]
							2022 YTD	2021	2019-2021	2017-21	
PRIME1ICBA	964.0	9.1	7.7	9.6	79.9%	6.5%	-2.5%	35.8%	17.3%	12.4%	2030
1STPRIMFMF	283.0	2.7	17.0	14.2	120.1%	5.9%	0.4%	38.5%	17.3%	12.0%	2029
ICBSONALI1	968.0	9.2	7.8	9.7	80.6%	6.4%	-2.9%	26.6%	13.7%	10.9%	2023
PF1STMF	547.8	5.2	10.6	9.1	116.1%	4.7%	-4.8%	39.6%	16.9%	10.9%	2030
ICBEPMF1S1	692.3	6.6	7.1	9.2	76.9%	7.0%	0.5%	38.2%	17.7%	10.6%	2030
ICBAMCL2ND	499.5	4.7	8.7	10.0	87.1%	6.9%	-1.4%	36.2%	16.1%	10.5%	2029
ICB3RDNRB	894.0	8.5	6.5	8.9	72.7%	7.7%	-1.4%	36.2%	16.8%	10.4%	2030
GRAMEENS2	3,410.8	32.4	15.2	18.7	81.3%	9.9%	-2.9%	18.2%	9.2%	9.8%	2028
CAPMBDBLMF	597.6	5.7	10.1	11.9	84.7%	7.9%	3.4%	29.9%	12.4%	9.3%	2027
RELIANCE1	814.3	7.7	10.8	13.5	80.2%	9.3%	0.1%	19.2%	8.7%	9.0%	2031
Market							**-5.6%**	**25.1%**	**7.9%**	**6.1%**	

1 Price as on December 04, 2022 and index value as on December 01, 2022.

2 On last cash dividend declared.

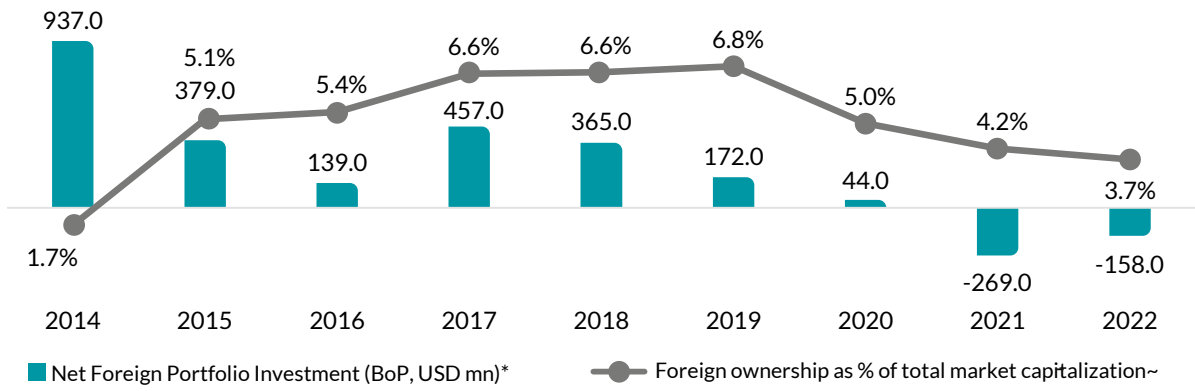
3 CAGR computed for respected periods, except for 2021 and 2022 YTD, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year.

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

Foreign Participation in Equity Market of Bangladesh

Over last 5 years, Bangladesh equity market has seen a fall of foreign investment. As of October 2022, total foreign ownership stood at 3.7% of the total equity market capitalization, which was only 1.7% in December 2014.

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



Source: DSE and Bangladesh Bank

~% of foreign ownership of equity market capitalization data are as of December of the respective years except 2022. 2022 foreign ownership % is as of October 2022.

Among all the companies with foreign ownership, BRACBANK had the highest foreign shareholding of 34.1% as of October 2022, followed by BXPHARMA with 28.6%.

Table 8: Top ten companies with highest foreign shareholding as of October 2022

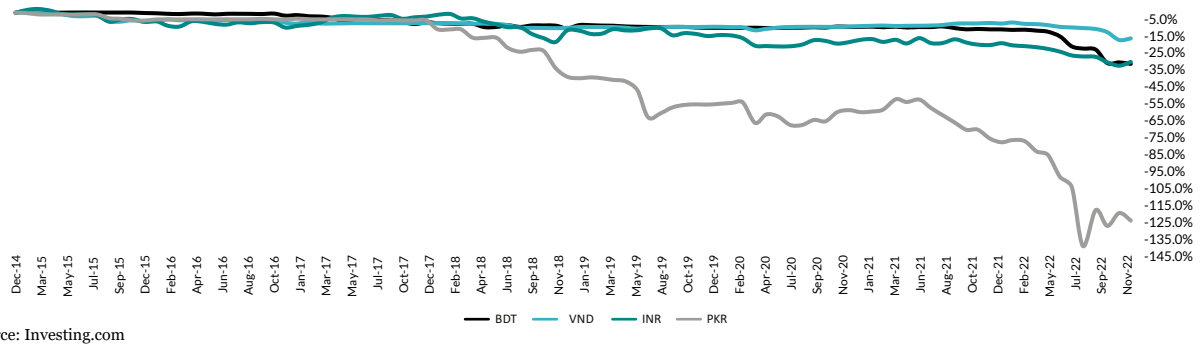
Ticker	Sector	Foreign Shareholding*
BRACBANK	Bank	34.1%
BXPHARMA	Pharmaceuticals & Chemicals	28.6%
NAVANAPHAR	Pharmaceuticals & Chemicals	28.3%
RENATA	Pharmaceuticals & Chemicals	22.8%
OLYMPIC	Food & Allied	20.6%
ISLAMIBANK	Bank	20.6%
DBH	NBFI	18.3%
BSRMLTD	Engineering	17.5%
SQURPHARMA	Pharmaceuticals & Chemicals	13.3%
SHEPHERD	Textile	9.5%

Source: DSE

Performance of BDT and Currencies of Peer Countries against USD

Since 2015, BDT retained its value better than majority of the currencies of peer countries. While BDT depreciated by 30.3% against US Dollar, other currencies of neighbor countries like Vietnamese Dong (VND), Indian Rupee (INR) and Pakistani Rupee (PKR) lost 15.2%, 29.1% and 122.7%, respectively.

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



Source: Investing.com

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