

BUSINESS

REVIEW





আইডিএলসি ফিক্সড ডিপোজিট

আস্থা থাক বিশ্বস্ত হাতে

আইডিএলসি'র কাছে আপনার প্রতিটি টাকা বিশ্বাসের আমানত। তাই, গত ৩৪ বছর ধরে স্বচ্ছতা, সর্বোচ্চ সুশাসন ও ফাইন্যান্সিয়াল সেক্টরের অভিজ্ঞতাকে দক্ষতার সাথে কাজে লাগিয়ে ব্যবসা পরিচালনা করছি আমরা। যেনো আপনার টাকা নিশ্চিতভাবে বাড়তে থাকে নিরাপদে।

- দেশজুড়ে ২০টি জেলা শহরে ৪০টি শাখা
- আপনার সেবায় ১৪০০ জন নিয়োজিত কর্মী
- শ্রেণিকৃত ঋণের পরিমাণ মাত্র ২.৯৪%
- সর্বোচ্চ সুশাসনের জন্য একাধিক আন্তর্জাতিক স্বীকৃতি ও পুরস্কার প্রাপ্তি
- ৩ মাস থেকে শুরু করে বিভিন্ন সুবিধাজনক মেয়াদে ডিপোজিট করার সুবিধা
- AAA ক্রেডিট রেটিং প্রাপ্ত

 16409  idlc.com

contents



03
Economy at a Glance

04
Month In Brief

05
For the Record

06
World Economic
Indicator

07
Idea Watch
Covid-19 provides banks with a unique
opportunity to reframe their customer
relationships

08-09
Research in Focus
Banking models after covid-19: taking
model-risk management to the next level

10-14
Cover Story
**MFS sector of Bangladesh
safeguarding currency
mobility during pandemic**

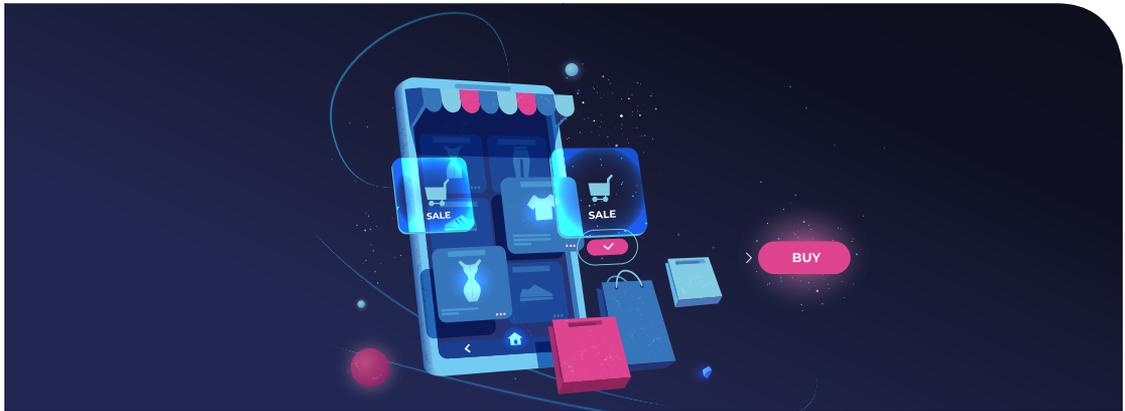
MFS has been a significant and successful part of BB's financial inclusion program which is one of our key pathways towards Digital Bangladesh. The necessity of which was strongly realized during the countrywide lock down period when banks could hardly run their financial activities in both urban and rural areas. From general payment, salary disbursement to financial aid distribution, mobile financial service providers were saviors. However, till now given the need for social distancing, MFS is playing a vital role by including almost all necessary payments inside one screen and one touch away.

16-17
New Idea!
• Moner Bondhu

18-19
IDLC News
• IDLC Finance Limited won the
"Asiamoney Best Bank for SMEs
Award 2020"

20-26
Capital Market Review

FROM THE EDITOR



The flying MFS Sector of Bangladesh

Growth can only be sustainable when the whole population is benefitted from that.

The value addition of Mobile Financial Services (MFS) in a pandemic-hit vibrant economy like Bangladesh has been remarkable. Till March 2020, the scope of MFS was only confined in cash-in, cash-out, bill and other payments, remittance and some other ancillary services. However, the great pandemic broadened the horizon of MFS service, starting from disbursing wage to 4,000 RMG workers to disbursing government cash support to 50 Lac families. MFS is discerned to be the game-changer in payment landscape, with players like Nagad, bKash, Rocket and Surecash.

Banks are seeing immense possibilities of mobile money for financial inclusion. In a time when cash transactions pose near life-threatening risk due to containment of deadly virus, mobile money is acting like

a life-savior. Not all banks have a strong infrastructure to facilitate MFS. Aside from balance transfer, banks now must work on managing payment mechanism on mass scale, for loan or deposit products. It is high time, banks should collaborate with MFS providers and reap the most benefit out of their payment infrastructure. Rocket by Dutch Bangla Bank Limited, uCash by United Commercial Bank Limited and many more have jumped on the MFS bandwagon sensing the breakneck growth opportunity. In the “new-normal” era, digital payments will take the lead and reaching mass population is only possible with the help of MFS.

Sushmita Saha

Assistant Manager
IDLC Finance Limited

INDUSTRY & EQUITY ANALYSIS TEAM

ASIF SAAD BIN SHAMS
Email: shams@idlc.com

ADNAN RASHID
Email: adnan@idlc.com

SUSHMITA SAHA
Email: sushmita@idlc.com

BONNISHIKHA CHOWDHURY
Email: shikha@idlc.com

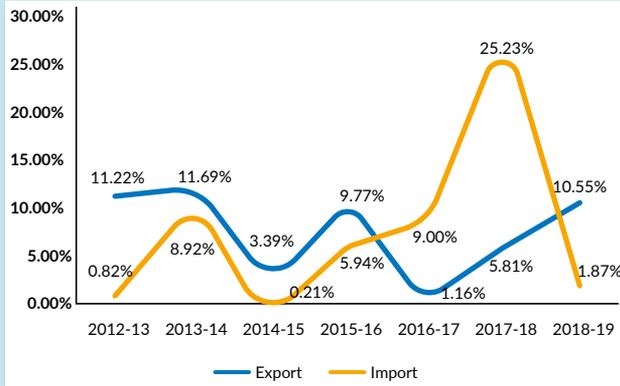
MD. DELOWAR HOSSAIN
Email: mdelowar@idlc.com

ECONOMY AT A GLANCE

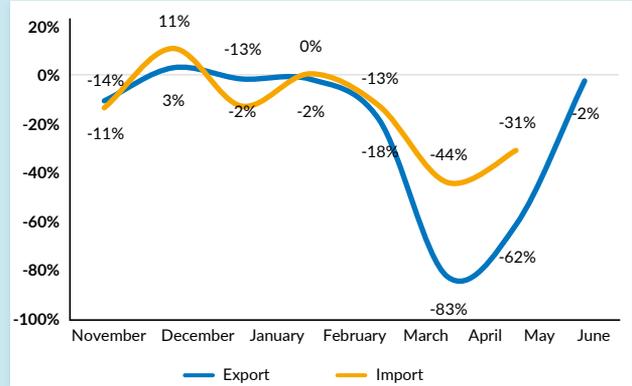
Prepared by IDLCSL Research Team

EXPORT-IMPORT

Growth in Export Import Trade (Last 7 Years)

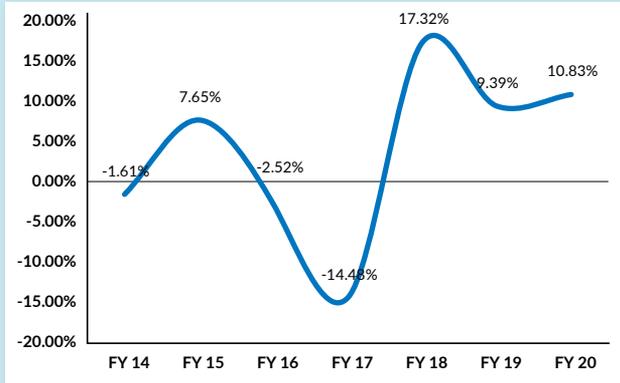


Export-Import Growth- 2019-20 (Y-O-Y)

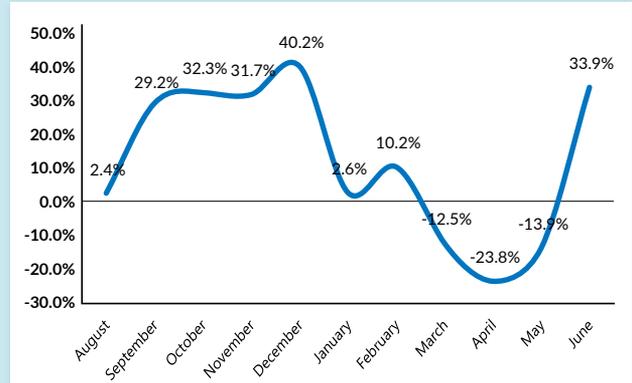


REMITTANCE

Remittance Growth of Last 7 years

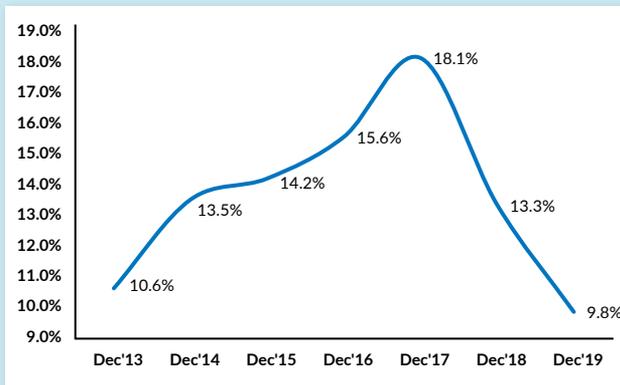


Remittance Growth-2019-20 (Y-O-Y)

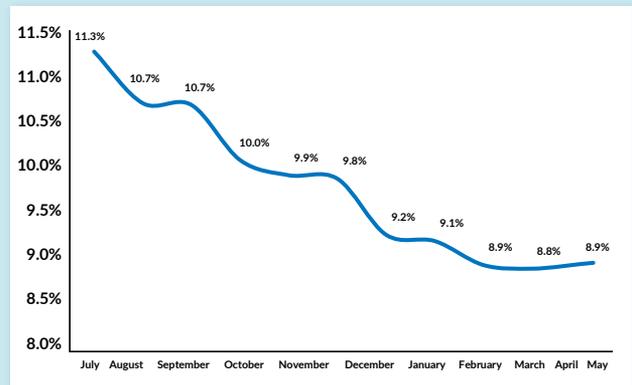


PRIVATE SECTOR CREDIT GROWTH

Private credit growth of last 7 years



Private sector credit growth -2019-20



■ MONTH IN BRIEF

● **Money transactions through mobile financial services dropped by 27%** in April compared with that of the previous month.

● **75 companies, including some large groups, have secured approval** from the central bank to receive low-cost loans under the stimulus package dedicated to big borrowers in the industrial and service sector

● CRR drops 100 basis points for NBFIs but SLR remains unchanged

● The Bangladesh Bank has drafted a Credit Guarantee Scheme Manual to support small and medium enterprises that lack adequate assets to pledge for bank loans

● **World Bank forecasts 1.6% GDP growth** for Bangladesh in FY'20 and 1% in FY'21

● **5,161 more Bangladeshi products** will get zero tariff facility in the Chinese market from July

● Bangladesh received USD 2.87bn in Foreign Direct Investment (FDI) in 2019, down by 20.46% on last year's overseas investment inflows as per Bangladesh Bank

● **The net sales of national savings certificates turned negative BDT 6.21 bln** in April this year against BDT. 37.4 bln in the same month last year.

● Foreign e-commerce entities now **can invest alone, won't have to form joint venture**

● The overall trade gap narrowed by \$123 mln, or 1.01% **in July-March period of FY20 from \$12.20 bln** in the same period of the last fiscal year

“BANKS HAD STARTED DISBURSING LOANS AND OPENING AND SETTLING THE LETTERS OF CREDIT ON A LIMITED SCALE SINCE MAY, WHICH ALSO HELPED PUSH THE CREDIT GROWTH”

MA Halim Chowdhury, Managing Director of Pubali Bank on private sector credit growth

“A significant number of migrant workers will lose their job and return to the country because of the stress of Covid-19 pandemic in the near future”

Ahsan H Mansur, Executive Director of the Policy Research Institute on increasing the forex reserves.

“As banks did not remain fully operational during the government-declared general holidays, it became very difficult for us to prepare the balance of payment data”

Md Serajul Islam, Executive Director of the Bangladesh Bank on raising trade deficit.

“Without fiscal incentives for issuers, investors and the groups engaged in making bonds tradable, a vibrant bond market would be impossible”

Ershad Hossain, Managing Director of City Bank Capital Resources Limited on fiscal incentive in zero coupon bonds

“CHINA USED TO PROVIDE US DUTY FREE ACCESS FOR 60% ITEMS OF ALL THE TARIFF LINES UNDER ITS LDC SCHEME THROUGH WTO NOTIFICATION, AND I THINK THIS HAS BEEN EXTENDED TO 98% SINCE THE FORMALITIES WERE GOING ON FOR QUITE SOME TIME”

Rubana Huq, President of Bangladesh Garment Manufacturers and Exporters Association on new export potential in Chinese market

“AFTER A ROBUST PERFORMANCE IN THE FIRST NINE MONTHS OF FY20, BANGLADESH ECONOMY WOULD SLOW DOWN IN NEAR TERM DUE TO COVID-19 PANDEMIC BUT IT IS LIKELY TO RECOVER IN FY21”

Manmohan Parkash, Country Director, Bangladesh, Asian Development Bank (ADB) on GDP growth of Bangladesh

Country	Nominal GDP: October, 2019 (USD in billion)	Real GDP Growth: April 2020 (yearly % Change)	Inflation Point to point (%)	Inflation (%) As of	Current Account Balance: (% of GDP)	Interest Rates (%), Ten years treasury bond	Currency Units (per USD)
Frontier Market							
Sri Lanka	86.57	-0.50	3.90	June,2020	-3.60	7.23	185.85
Vietnam	261.64	2.70	3.17	June,2020	0.70	2.93	23,201.00
Kenya	98.61	1.00	4.59	June,2020	-4.60	12.40	106.55
Nigeria	446.54	-3.40	12.40	May,2020	-3.30	8.93	360.50
Bangladesh	302.5	8.15	5.35	May,2020	-2.00	8.66	84.83
Emerging Markets							
Brazil	1,847.02	-5.30	1.88	May,2020	-1.80	6.47	5.32
Saudi Arabia	779.29	-2.30	1.10	May,2020	-3.10	n/a	3.75
India	2,935.57	1.90	5.84	March,2020	-0.60	5.85	74.64
Indonesia	1,111.71	0.50	1.96	June,2020	-3.20	7.33	14,510.00
Malaysia	365.3	-1.70	-2.90	May,2020	-0.10	2.95	4.29
Philippines	356.81	0.60	2.10	May,2020	-2.30	2.79	49.54
Turkey	743.71	-5.00	12.62	June,2020	0.40	12.19	6.86
Thailand	529.18	-6.70	-1.57	June,2020	5.20	1.27	31.11
China	14,140.16	1.20	2.40	May,2020	0.50	2.93	7.07
Russia	1,637.89	-5.50	3.00	May,2020	0.70	6.04	71.40
Developed Markets							
France	2,707.07	-7.20	0.10	June,2020	-0.70	-0.12	0.89
Germany	3,863.34	-7.00	0.90	June,2020	6.60	-0.44	0.89
Italy	1,988.64	-9.10	-0.20	June,2020	3.10	1.32	0.89
Spain	1,397.87	-8.00	-0.30	June,2020	2.20	0.44	0.89
Hong Kong	372.99	-4.80	1.50	May,2020	6.00	0.63	7.75
Singapore	362.82	-3.50	-0.80	May,2020	14.80	0.88	1.40
United States	21,439.45	-5.90	0.10	May,2020	-2.60	0.67	n/a
Denmark	347.18	-6.50	0.00	May,2020	4.80	-0.34	6.63
Netherlands	902.36	-7.50	1.20	May,2020	9.00	-0.29	0.89
Australia	1,376.26	-6.70	2.20	March,2020	0.91	0.91	1.44
Switzerland	715.36	-6.00	-1.30	June,2020	7.20	-0.41	0.95
Britain	2,743.59	-6.50	0.50	May,2020	-4.40	0.19	0.80

Bangladesh Data: GDP size and real GDP are sourced from Bangladesh Bureau of Statistics as per 2018-19 data. Calculation Method of CA Balance (% of GDP): CA balance of FY18-19 / GDP of FY18-19. Interest rate (%) 10 years TB as per March,2020, Inflation as per May,2020 and Currency Unit (per USD) as per 2nd June, 2020 are sourced from Bangladesh Bank

Nominal GDP: Data of all countries apart from Bangladesh is sourced from IMF estimates of 2019 data (October, 2019 Outlook)

Real GDP Growth and Current Account Balance: Data of all countries apart from Bangladesh is sourced from IMF estimates of April, 2020 data (World Economic Outlook, April 2020)

Inflation: Data of all countries apart from Bangladesh is sourced from tradingeconomics.com as per 5th July, 2020

Interest rates 10 years TB and Currency Unit: Data of all countries apart from Bangladesh is sourced from Investing.com as per 5th July, 2020

COVID-19 PROVIDES BANKS WITH A UNIQUE OPPORTUNITY TO REFRAME THEIR CUSTOMER RELATIONSHIPS

The world is dynamic. Because of the pandemic, the financial service sector is changing for exercising better customer satisfaction. Banks are playing vital roles to catch up with the economic fallout during the Covid-19 pandemic. Besides this, it has a critical transmission apparatus to provide government initiative grants and loans to the affected business. Moreover, the banks are also initiating voluntary activities like fee relief for their community or clients.

In the current situation, the banks need to fundamentally alter their relationship with customers. They should choose to go for either purpose-driven banking or business-driven banking which will affect both short term and long term business prospects. In the pre-pandemic world, the customers enjoyed a high level of trust in data security and transaction which had been helped by large technology companies. However, in the current situation, the high level of transaction trust obscured by a low level of advisory trust.

Different Fintech startups like Dave, Monzo, and N26 have the issues of lack of advisory trust. Where they can communicate with their customers and realize the customer's difficulties to manage their financial lives. By approaching digitally, they make it easier to get, send, and spend money. In some extend, they eliminate cross -border transactions fee, providing insights like retirement planning which help the customer to engage with banks more effectively.

As the economic crisis happened, the traditional banks are adopting the new approach as like these fintechs. Becoming more supportive and helpful rather than taking advantage of this situation. Different financial banks like Lloyds in the U.K, DBS in Singapore and ING in Poland are coming up with innovative ways to support their customers during Covid-19.

However, the banks need to decide either to stay on the traditional banking or to move in the fin-tech. Here, banks can earn a lot of revenue from overdraft and transaction fees. In this case, there are high risks associated with this revenue stream. Research articulated by Accenture discloses that if the banks get back on their traditional approach, the trust gap may cost 5% of their retail revenues in the long term as customers are shifting to the fintech.

Here, the question is what if the bank decides to shift in the fintech where the customers will experience a more trustworthy relationship. The research indicates that the revenue growth would be 9% if the banks act as advisory rather than a transaction processor.

The customer's mindset cannot be changed over the night. It will take time. Whatever it can adopt a two-part strategy to create the purpose-driven model. In the short term, the banks can extend their digital offerings and reduce the fees. In the Accenture survey, 62% of the customers welcome to analyze their financial behavior based on information. Two third of SMEs provide information for the purpose of liquidity forecasting and cash flow optimization.

Traditional banking orthodoxy is that advice can't be profitable if offered to all customers. If bankers take any lesson from the market shifts of recent years and the pandemic's upheavals, it's that the traditional orthodoxy needs to be challenged. Advice can't be profitable if offered to all customers which is the traditional banking orthodoxy. Whatever, if the banks take the learning from the current pandemic, the traditional orthodoxy should be changed.



ABOUT THE RESEARCH

Covid-19 Provides Banks with a Unique Opportunity to Reframe Their Customer Relationships is a Forbes article by Alan McIntyre on how banks can give their customer relationship a new dimension.

BANKING MODELS AFTER COVID-19: TAKING MODEL-RISK MANAGEMENT TO THE NEXT LEVEL

RESEARCH IN FOCUS

The livelihood and human life are on crisis because of the COVID-19 pandemic. As the virus is spreading drastically, people and institutions are struggling to prevent it. It causes a major economic disruption. Along with the banking industry, every industry has been affected in this pandemic. Financial position, capital structure, and cash flow position have been hit. The traditional model run by banks is no longer working that has been interrupted.

Although few business leaders could predict the global economic shutdown, most of the financial institutions could not account for the crisis. As the financial institutions design their models based on a stable future, unfortunately, it does not work anymore. The fact that it is not the failure of the bank to use the model rather it is the fallback of bank not to have the plan to manage the current situation.

There are some reasons for such failure. First, the assumption and strategies were designed with the mind of the pre-COVID-19 world. Second, the model was developed based on historical data where high-frequency data might affect. Finally, the alternative data which is only possible theoretically, not practically, the model cannot integrate the new information. Therefore, the infrastructure is developed in a lack of flexible manner.

As the banks are fronting the failures of their model and the new issues are expected to experience over time, they urgently need to review their model strategies. They need to progress the infrastructure and apply both short term and long term actions by accessing its resilience. In the short time horizon, the bank needs to coordinate and review the model with development and in the long term, it needs to redevelop and upgrade the model-risk-development (MRM) frameworks.

Covid-19 has affected the reliability of the function and operation of all the banks' models. Models are not confined within one business or function rather it impacts on every aspect of a bank's operation. The effect is widespread, for instance:

- i) Rating models are inaccurate as they cannot update their credit scores rapidly
- ii) Early warning system (EWS) indicators are presenting the misleading number of signals causing the loss of predict power

- iii) Liquidity models are failing to foresee the outflow where it puts the liquidity position is a risk
- iv) Model-based market risk systems are overreacting to stressed price and credit,
- v) Regulatory models are systematically increasing capital and liquidity needs and provisioning because of pro-cyclicality.

Like other sectors, the financial institutions were unprepared for the current crisis and were trying to adjust to the situation. Recently, they are initiating the model-mitigation strategies although uncoordinated ways may affect. The rapid actions include replacing models with only expert review, restructuring the model with recent data, adjusting the outcome based on expert analysis, and developing the alternative model only to fit banks' current needs.

The mitigation actions have been vulnerable for the short term implication because of its lack of access to alternative data sources as well as the absence of an underlying agile operation model. The last obstacle is that the arising changes needed to adjust on the ongoing basis. Therefore, the mitigation action themselves are building new risks.

First, model failure – the speed at which the model is developed and adjusted, there is a high risk to underframe and failure of the model. The inefficiency of information may lead to legal and reputational risk as an inappropriate solution may arrive. Second, contradictory message and decision – adjustment and underlying assumption may create inconsistency over the model. Finally, the inability to launch effective redevelopment – redevelopment may be impeded because of a new situation and challenges in the business. Therefore, the banks need to be more efficient to develop the infrastructure in the short term and long term crisis. They should develop and set back a coherent and resilient model strategy.

ABOUT THE RESEARCH

Banking models after COVID-19: Taking model-risk management to the next level is a McKinsey & Company article by Marie-Paule Laurent, Olivier Plantefève, Maribel Tejada, and Frédéric van Weyenbergh on how the COVID-19 pandemic has revealed unexpected flaws in the business models that banks rely upon.

What strategies should financial institutions now be putting in place?

To address the challenges and fix up the solution, the banks need to develop the strategy in two phases. The first strategy is based on short term crisis – operating model for MRM and the second strategy is based on long term comprehensive enhancement of MRM strategy to increase its resilience.

PHASE ONE: MOVING TO A CRISIS-OPERATING MODE FOR MODEL-RISK MANAGEMENT

Here, the banks highlight adjusting the model to fit with the purpose and reduce the risk of poor decision making. The adjustment should be developed quickly but also efficiently and consistently to avoid the undue readjustment cost. In the recommendation, an enthusiastic taskforce should be developed to lead the crisis-operating model. To run the MRM effectively and efficiently, the team should have clear governance, a disciplined operating model, and effective MRM tools. Using clear methodologies and its MRM tools, it can create a well-organized crisis response plan. The following recommendation consists of four parts:

- 1. Inventory of model adjustment and models at risk** – the inventory needs to identify the failure objectives or will likely to be a failure shortly. Then it should identify all model adjustments.
- 2. Consistent model-mitigation actions** – the model adjustment should be executed consistently over the functions and operations. The MRM team should ensure cross-checking and prevent contradictory messages and decisions.
- 3. Timely review of model adjustment** – the assigned team should perform quickly and adjust and underlie the adjustment planned.
- 4. Short term and long term redevelopment plan** – model adjustment and redevelopment need to be prioritized based on the importance of the model and probability of failure. Once complete, banks need to review the applied model and redevelop the model whenever needed.

PHASE TWO: MOVING TO THE NEXT LEVEL OF THE MODEL-RISK-MANAGEMENT JOURNEY

Create transparency

As the banks are moving more proactively to manage their portfolios, they need to use MRM in more strategic and fundamental role. It should be resilient to business efficiency and management decision making. To use MRM effectively, banks need to develop a solid framework. While MRM starts to add value in the current salutation, the following core elements can be considered:

- 1. Overview of models at risk and model contagion** – Banks should identify the models at the risk where and how it is essential for business and banking operation. The interdependence of the model can also be overviewed.
- 2. Model Contingency Plan** – the bank should review the risk statement and enhance the model limitation with a clear tolerance level. The fallback solution should be enhanced at a zero or low tolerance in case of failure.

RISK



- 3. Dynamic MRM dashboard** – The dashboard, a tool of MRM, should be configured to alert the banks of emerging models at risk. Both the business-wide model redevelopment and MRM enhancement should be integrated tools which will enable to track the process.
- 4. Flexible and versatile talent pool** – banks need energetic people with essential expertise who are capable to identify the model risk from a different angle. The team should work under clear governance, ensure visibility and accountability of business-critical activities.

As the financial institutions did not anticipate the scenario of Covid-19, many of the issues that the banks are facing could be managed with more proactive MRM. However, it is not too late to initiate the strategy. MRM now can be a strategic partner that will create value to the entire organization. Therefore, the banks need to take care of their MRM to the next level of the journey.

MFS SECTOR OF BANGLADESH

SAFEGUARDING CURRENCY
MOBILITY DURING PANDEMIC

Sushmita Saha, Assistant Manager, Credit-SME
and

Bonishikha Chowdhury, Executive Officer, Credit-SME



In every payment eco system, a new service can only be successful if it has significant demand. On the other hand, necessity is the mother of invention.

It all started when researchers funded by the UK's Department for International Development (DFID), the foreign aid arm of the British government, observed that Kenyans were transferring mobile airtime as a proxy for money. On the other hand, Vodafone was looking for ways to support microfinance through its mobile platform, as access to banking and credit was limited in Kenya and transporting cash was both risky and slow. Such demand of easily accessible method of payment system paved the way of developing M-Pesa. Since its launch in 2007, M-pesa is still going strong by reshaping Kenya's banking and telecom sector and extending financial inclusion. M-pesa has been especially successful in creating small businesses by reaching low-income Kenyans. Its impact in Kenya put

mobile money services on the map, and the subsequent proliferation of similar services can be credited to this success.

In a country like Bangladesh where the financial literacy rate is really low and a great part of the population is not under formal banking system, Mobile Financial Services is a must in order to ensure currency mobility. Thus, as a part of Bangladesh Bank's Financial Inclusion Program, MFS was introduced. According to 'The Global Findex Database 2017, in Bangladesh the percentage of 15-plus people having an account is 50% and only 35% of them are woman. However, as per The Financial Express January 2020 data, MFS is certainly proved successful by playing a big role in adding 48% of adult population under formal financial services umbrella which was only 20% in 2013. Moreover, about BDT 10 billion is transacted daily through this platform on an average.



No. of Banks currently
providing MFS
15



No. of agents
995,265



No. of registered
clients in Lac
851.29



No. of active
accounts in Lac*
281.70

*Account in which transaction made in last 3 (Three) Months.

Source: Bangladesh Bank as of April, 2020.

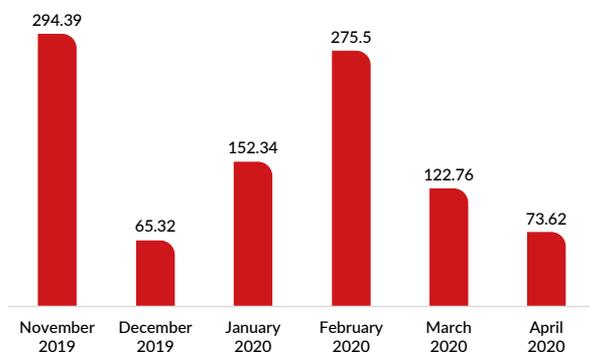
Models of MFS in Bangladesh

As of June 2018, eighteen banks and one subsidiary have been permitted to provide MFS, whereas fifteen are in operation. Bangladesh Bank permits only bank-led MFS providers to operate in the country. Bank-led MFS is a model where a bank may run the MFS as a product of the bank or a bank may form an MFS providing subsidiary with at least 51% of the share held by the bank with control of the board. There can also be Non-Bank/Telco-led MFS Model which is not available in Bangladesh. Even though there are some advantages in non-bank / Telco led model but for regulatory purpose most of the countries prefer bank lead model over non-bank/Telco led. However, around the globe telco led models are more successful as telecom industries has access to more information and an already built infrastructure.

Available services:

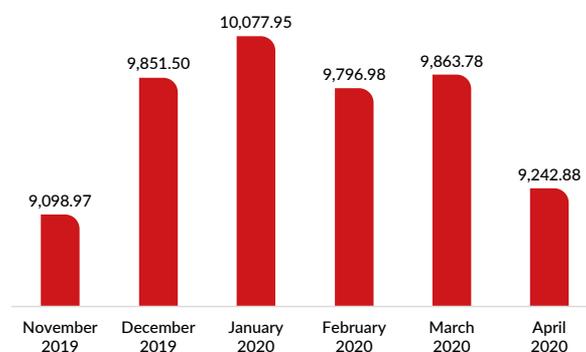
- Cash-in and cash-out using mobile accounts through agents, bank branches and ATMs
- Disbursement of inward foreign remittances: only the domestic part of transaction, no cross border transaction is permitted
- Person to business payments (P2B): utility bills, merchant payments
- Business to person payments (B2P): salary disbursement, dividend / interest and refund payments,
- Government to person payments (G2P): elderly allowances, social safety net
- Person to government payments (P2G): tax, levy payments,
- Person to person payments (P2P): one registered mobile account to another registered mobile account
- Other Payments: microfinance, overdrawn facility, insurance premium, DPS, etc.

Government Payment (In Crore BDT)



Source: Bangladesh Bank

P2P transaction (In Crore BDT)



Source: Bangladesh Bank

Key market leaders

Even though Bangladesh Bank has permitted 18 banks to provide MFS but currently 15 banks are providing MFS. In this sector, both pioneer and market leader is bKash Ltd. However, Rocket, SureCash, Nagad are also considered as key market players.

Service	Objective	Institutional Backing	Advantage
bKash	Mobile Financial Service	BRAC Bank Ltd.	Largest Market Share & Network of Agents
Nagad	Digital Financial Service	Post Office	Larger Transaction Limit; Regulatory Advantage
Rocket	Mobile Banking	Dutch Bangla Bank Ltd.	Banking Facilities
SureCash	Mobile Financial Service	Several local Banks	Focused on government education programs, utilities, etc.

bKash

bKash started their MFS program in 2011. At that point it was only a USSD application. It is considered to be the market leader of Bangladesh in this sector. Backed by BRAC Bank, currently, bKash is running a network of more than 180,000 agents throughout urban and rural areas of Bangladesh with over 30 million registered accounts and holding 80% of the market share. They offer cash-in, cash out, ATM money withdrawal, bill payments, mobile recharge, remittance, donation, purchasing movie ticket etc. These can be availed through the prominent telecommunication networks in Bangladesh. In addition, bKash offers up to 4% Interest (annual rate) on the savings of bKash mobile account.

Interest on Savings of bKash:

Balance/Slab	Rate p.a.*
BDT 1,000 - BDT 5,000.99	1.5%
BDT 5,001 - BDT 15,000.99	2%
BDT 15,001 - BDT 50,000.99	3%
BDT 50,001 and more	4%

*At least 2 transactions monthly and keeping an average day end balance at least BDT 1000 is mandatory. VAT & AIT will be deducted as per Govt.rules

Source: bKash website

Rocket

After bKash, Rocket has second largest market share in this sector. Dutch Bangla Bank Limited (DBBL) launched banking services and financial facilities using the mobile communication network in 2012. DBBL provided bank-led mobile banking services were re-branded as 'Rocket'. Customers can easily avail the DBBL provided mobile banking services via 'Rocket' app. As of April 2018, has 218,818 agents. Moreover, Nexus Pay is also an app provided to DBBL account holders with the goal of providing advanced banking services and integrating cards of customers. Unlike other vendors, all services through Nexus Pay are completely free and does not require any additional commissions.

Nagad

Nagad is a Bangladesh Post Office (BPO) initiative and it is not under Bangladesh Bank's jurisdiction. It was launched in November 2018. This MFS platform covers money transactions via Cash-In, Cash-Out, and Send Money. These MFS also include popular services like, mobile recharge. The upcoming services include utility bills payment, and e-commerce payment gateway.

Interest on Savings of Nagad:

Slab for Profit	Profit Rate (Per Annum)*
BDT. 5001 to BDT. 500000	7.5%
BDT. 1001 to BDT. 5000.99	5.0%
BDT. 0 to BDT. 1000.99	0.0%
BDT 50,001 and more	4%

* Conditions applied

Source: Nagad Website

SureCash

SureCash is another potential MFS platform launched by Progoti Systems Ltd in 2015. SureCash represents an open network of payment in corporation with several local banks, with above 1,000 payment partners. SureCash developed their exclusive mechanism focusing on government education programs, schools, colleges, utilities, etc.

Basic Services and charges at a glance*:

Details	bKash	Rocket		Nagad	SureCash
		General Consumer Product*	Salary and Stipend Product*		
Cash in	Free	At Agent : Free	0.9%	Free	Free
		At DBBL Branches/Fast Track : Free	BDT 10 per transaction		
Send Money via USSD	BDT 5.00 on every Send Money transaction	BDT 5 per Transaction (Except General Consumer Product to Salary & Stipend Product charge 0.9% on transaction amount in USSD & Apps)	BDT 5 per Transaction	BDT 4 Per Transaction	Per transaction charge is BDT. 4
Send Money Via App	BDT 5.00 on every transaction of BDT 501 and above	For Apps Free (Except General Consumer Product to Salary & Stipend Product charge 0.9% on transaction amount in USSD & Apps)	Free	Free	
Cash out from agent	BDT 1.85 for BDT 100	1.8%	0.9%	BDT 1.5 for BDT 100	1.8% service charge of the cash-out amount. Minimum charge is BDT. 5
Cash out from agent with app	BDT 1.75 for BDT 100	At DBBL Branches: 0.9% BDT.	At DBBL Branches: 10 per transaction	BDT 1.5 for BDT 100	
Cash out from ATM	BDT 30.00 for BDT 2,000	0.9%	Free	-	-
Payment of Bill (Merchant)/ Receive international remittance etc.	Free	Bills: BDT. 2 to BDT. 20 or 1%	Bills: BDT 2 to BDT. 20 or 1%	-	Varies institution to institution. Minimum charge is BDT. 4

*Subject to change

Source: Websites.

Limits of Basic Services*:

Services	bKash	SureCash	Rocket
Cash in	BDT 30,000 and 5 transactions	BDT 30,000 and 5 transactions	Valid Minimum amount BDT 10 for agent/Branch and BDT. 30000 for Fast Track. Maximum 5 daily transactions
Send Money via USSD	BDT 10 to BDT 25,000	Valid amount BDT. 10 to BDT. 25,000	Valid amount BDT. 10 to BDT. 25,000. Maximum 100 transactions
Send Money Via App	BDT 10 to BDT 25,000 and 50 transactions		
Cash out from agent	Valid amount BDT 50 to BDT 25,000 and 5 transactions	Valid amount BDT 50 to BDT 25,000 and 5 transactions	Valid amount BDT 50 to BDT 25,000 and 5 transactions
Cash out from agent with app	Valid amount BDT 50 to BDT 25,000 and 5 transactions		
Cash out from ATM	Valid amount BDT 2,000 to BDT 25,000		Valid amount BDT 50 to BDT 25,000 and 5 transactions
Transfer Money (MFS to Bank)	Valid amount BDT 10 to BDT 25,000		
Payment (Merchant)/ Receive international remittance etc.	BDT 125,000 and 10 transactions		Minimum 20 to any amount. Maximum daily transaction 5

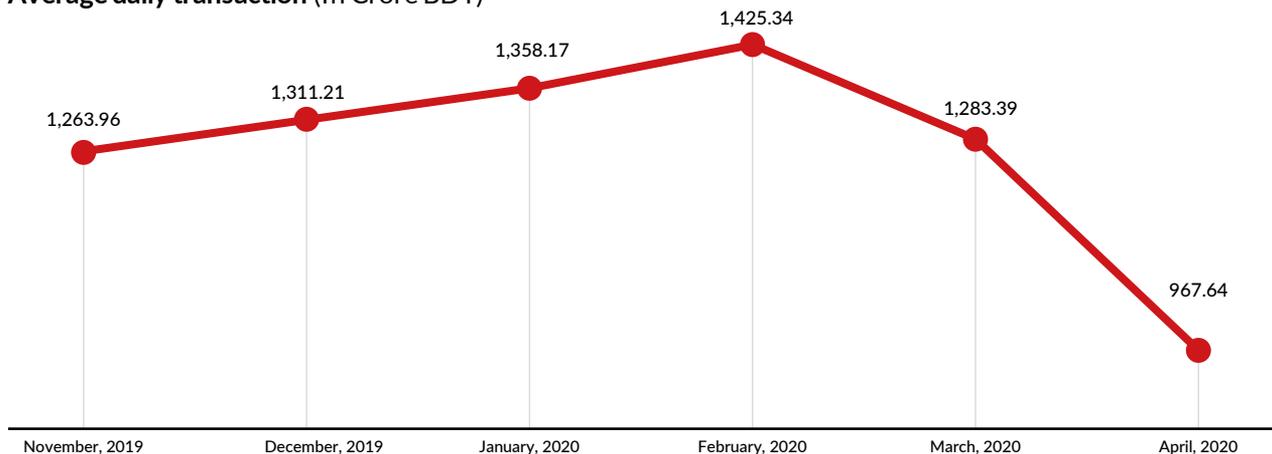
*Subject to change

Source: Websites.

The role of mobile financing sector in this ongoing pandemic

The year 2020 has been all about the global coronavirus pandemic, which catapulted MFS to an essential service for ensuring the regular money flow between urban and rural economies during the countrywide shutdown. It was assumed that considering the need for social distancing and the push towards digital transactions to prevent the spread of the highly contagious coronavirus this sector might flourish well. However, as per the April, 2020 data there was a negative growth in both average daily transaction and number of daily average transactions compared to March, 2020. It caused due to countrywide shut down declared for covid situation which lead to closure of economic activities from March 26,2020. Thus, the average daily transaction stood -24.6% and number of daily average transaction was -4.7% in April, 2020 compared to March, 2020. On the other hand, in April 2020, number of agents, number of registered clients and number of active accounts showed a positive growth of 0.3%, 3.1% and 4.9% respectively compared to March 2020 as per BB data. During the lock down period even though the use of mobile money has increased among the middle-class or the upper-middle-class but the lower income class did not transact money regularly. The outbreak impacted the overall economy and the MFS industry as well. However, considering Eid the situation got slightly better in May. As per the Daily Star data, average daily transaction of bKash in March was BDT 985 crore and it came down to BDT 800 crore in April and then again the daily average transaction volume rose to BDT 1,200 crore in May.

Average daily transaction (In Crore BDT)

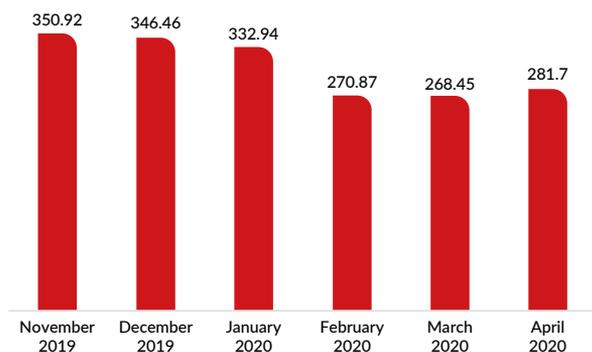


Source: Bangladesh Bank

However, the role of MFS sector was praiseworthy in pandemic.

- In April, 2020 Bangladesh Bank instructed the factories to open free of cost MFS accounts for the workers in order to disburse their March salary from the BDT. 5,000 crore stimulus package. More than half of the 4.1 million workers in the garment sector, which accounts for about 84 per cent of the country's total exports, did not have MFS or bank accounts till then. As per BGMEA report some 970,000 new MFS accounts were opened with bKash, 550,000 with Rocket and 400,000 with Nagad till April 18, 2020. Such decision was very praiseworthy as most of the workers left for their villages after lock down declaration and it would have made the covid situation worse if they had to travel back to their work stations in order to collect salary.

No. of active accounts in Lac*



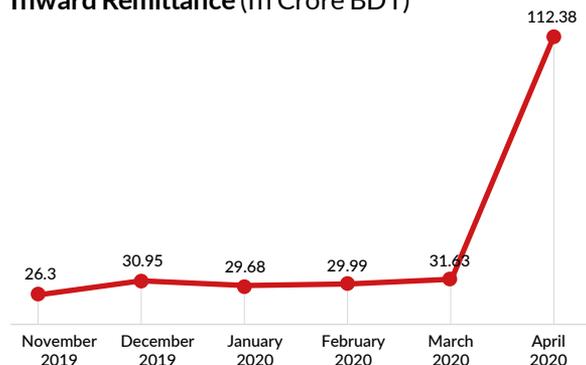
*Account in which transaction made in last 3 (Three) Months.
Source: Bangladesh Bank

- 14 lac families received PM's BDT 2,500 cash aid each via MFS in May, 2020. Out of those 50 lac families, Nagad was entitled to disburse the highest amount of BDT 425 crore to 17 lac families, bKash BDT 375 crore to 15 lac families, Rocket BDT 250 crore to 10 lac families, Surecash BDT 200 crore to 8 lac families. To be added, the government was only charged BDT 15 for each disbursement even though the cash out charges are higher, all the operators sent full cash out value to the beneficiary family.
- The Prisoner's Cash fund, which receives money in cash, has historically been used by detainees to pay for various services while imprisoned. In order to curb the spread of the novel coronavirus

receiving the fund through Nagad and bkash is also introduced. Inmates will not be permitted to receive more than BDT 2,000 per month and the money even can't be sent in one go. This means friends or family members can only transfer a maximum BDT 1,000 at any given time within a month.

- Bangladeshi expatriates are now sending more money to home using MFS compared to pre covid days. Compared to March 2020, in April,2020 inward remittance through MFS observed a growth of 255.3%.
- Considering the covid situation, bKash has rolled out a new facility that allows people to transfer funds to non-account holders, in a move that may cut reliance on cash and increase the mobile financial services accessibility. On the other hand, credit card bills can also be paid via MFS now.

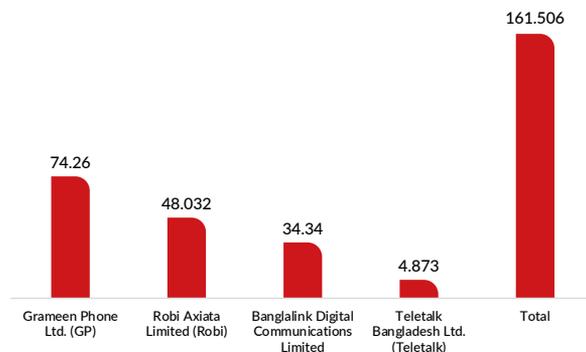
Inward Remittance (In Crore BDT)



Source: Bangladesh Bank

Limitations to be recovered for better service and way outs

Subscriber (In Millions)



Source: BTRC, For the month of May 2020

*Subscriber means the biometric verified subscribers/subscriptions who have any activity (voice, data, sms etc.) at least once in the preceding 90 days.

- There is no doubt that the number of mobile phone users are increasing rapidly in Bangladesh. However, still the biggest difficulty towards flourishing MFS sector is low penetration rate of cell phones. The reason behind this is cell phone penetration is higher in urban areas but not in rural areas. Moreover, in urban areas even in slums a wide number of MFS agents are visible which is not the same in rural areas. Thus, if the first barrier can be resolved more currency mobilization will be assured.
- The development sector has more access in the financial activities of the rural area inhabitants which banks do not have. Thus, the development organizations can play and have been playing in

financial inclusion by disbursing micro finance credits through MFS.

- In order to broaden the horizon of MFS, it has to be included more and more aspects of banking activities. For example, till now direct transaction between bank and MFS is very limited. As a matter of fact, not all the banks of the country are even included. Such transactions have to be taken in to consideration.
- However, in order to access both cell phone subscription and MFS account some regulatory documents are required for example NID Card. Thus, the availability of such documents should also be considered.



নিজের বাড়ি মানে স্বপ্ন আঁকার ক্যানভাস আইডিএলসি হোম লোন



MONER BONDHU



Ms. Tawhida Shiropa, Founder and CEO of Moner Bondhu in an insightful conversation discussed her journey, current activities and future plans with Bonnishikha Chowdhury of MBR Team.

Tawhida Shiropa

Founder and CEO, Moner Bondhu

MBR: How did the idea of Moner Bondhu come into being?

Tawhida Shiropa: Before I started Moner Bondhu, I worked as a journalist in The Daily Prothom Alo for 13 years. I was in charge of the lifestyle supplement, Adhuna, which had a confession box, where thousands of people wrote about their inner struggles. These people mostly suffered in silence due to issues of mental health which needed professional help. Reading these letters, I gained an elaborate insight about the dire need of mental healthcare in our society.

In addition to my experience as a journalist, a personal experience propelled me further to start Moner Bondhu. A few years ago, my mother suffered from severe depression. Seeing her suffer up close and going through that struggle as a family made me determined that I have to do something for the mental health sector of our country and thus came the idea of Moner Bondhu.

MBR: What is Moner Bondhu's business model?

Tawhida Shiropa: Moner Bondhu earns revenue through paid television, online and in person counseling, paid workshops and events, webinars and online group sessions and various projects. Moner Bondhu's motto is to provide accessible and affordable mental healthcare and well-being services to everyone

all over Bangladesh. For that reason, our counseling sessions are reasonably priced and we give concessions to those who are unable to pay the full session fees. We do not deny anyone our service due to financial reasons.

MBR: How the response was in the initial stage and do you think our country people are enough aware about mental wellbeing?

Tawhida Shiropa: Generally speaking, there is not enough awareness about mental health and wellbeing in our country.

Beside the lack of awareness, there is a lot of stigma and misinformation about mental health. People suffer in silence, because they fear that if people know about their mental health struggles, they will be judged and labelled as "Pagol". But since we started in 2016, we have conducted numerous awareness events and campaigns to raise awareness. Our radio show has been on air since 2016 and has had over 400 episodes. In January 2020, we launched our weekly live TV show where people can call and speak to our counselor directly. With all these efforts put in, we have seen an increase in people's awareness and willingness to take professional help for mental health and well-being. The level of awareness and knowledge about mental wellbeing in our country is far from ideal, but we see a change in the positive direction.



MBR: In an age of technological advancement and increasing internet accessibility, how do you intend to make the services of Moner Bondhu more available to the general people?

Tawhida Shiropa: We are providing tele and video counseling all over Bangladesh. We have served people from at least 30 districts, in both urban and rural areas. And this has been possible due to technological advancement and access to the internet. We are also holding online live sessions on important mental health topics regularly, where our counselors talk about these important issues and interact with the people watching these sessions. We are also regularly publishing video contents, write ups, tips for mental wellbeing and social media posts which are helping the general people to know more about mental health and Moner Bondhu's services.

MBR: How many subscribers does Moner Bondhu have currently?

Tawhida Shiropa: So far, we have reached 10 lac people through our online platforms, 1 lac people through our events, workshops and group sessions and we have served over 4000 people.

MBR: What challenges does Moner Bondhu face in general?

Tawhida Shiropa: The biggest challenge that Moner Bondhu faces is the lack of people's awareness about mental health and the need for professional counseling. To tackle this challenge, a big portion of our effort goes into awareness raising through our online platforms, events, Radio and TV shows.

MBR: Considering the Covid -19 situation, what kind of support services are more in demand?

Tawhida Shiropa: During this COVID-19 outbreak, many people are staying at home and minimizing their face-to-face social interaction. This has caused a lot of stress, panic, anxiety and depression among people. So people are availing our tele and video counseling sessions, as face-to-face counseling is not always

KEY POINTS

- Served over **4000** people.
- Reached **10 lac** people through our online platforms
- Reached **1 lac** people through events
- The radio show has been on air since 2016 and has had over **400** episodes
- Lack of people's awareness about mental health and the need for professional counseling is the biggest challenge.
- Concessions is provided to those who are unable to pay the full session fees.

possible in this circumstance. We have also released some free guided Bangla meditations on our social media platforms and website, which have become very popular. Our clients are now requesting live online mediation sessions.

MBR: What are the future plans for Moner Bondhu?

Tawhida Shiropa: First and foremost, Moner Bondhu wants to reach more and more people all over Bangladesh. We do not want anyone to suffer in silence, we want them to know that we are here to help. We are currently developing the first ever mental health App in Bangladesh exclusively for COVID-19. We are also creating online courses for personal and professional development of individuals, which will soon be launched. All of our work is based in research, so we want to continue our research and publish important research articles for all.

IDLC Finance Limited won the “Asiamoney Best Bank for SMEs Award 2020”



Continuing the winning streak from last year, IDLC Finance Limited won the highly coveted “Asiamoney Best Bank for SMEs Award” in 2020. According to insiders, this token of recognition from such distinguished institution is expected to inspire them to move forward with increased vigor in the pursuit of excellence.

Asiamoney evaluated various factors before awarding IDLC this award. Even in the midst of declining private sector credit growth, IDLC SME, in 2019, delivered a robust year-on-year portfolio growth of 8.3%. In total, the SME portfolio amounted to USD 448 million (USD 410 million in 2018). In 2019, SME division disbursed a total of USD 306 million and witnessed the highest ever monthly disbursement of USD 27.6 million in

November, 2019. The client base grew by 10.3% and the average ticket size dropped to USD 34,901 (USD 35,560 in 2018), staying in line with its vision of financial inclusion.

Again, sustainable growth in this sector can only be achieved through continued efficiency enhancements and good asset quality. At IDLC, the cost-to-income ratio till 2019 was 43.33% whereas the industry average was 49.2% over the period. Its NPL was 3.07%, compared to an industry average of 11.9%. These data helps to differentiate the asset quality of IDLC-SME from its peers.

IDLC-SME has always worked for greater financial inclusion and has strategically prioritized its focus on smaller ticket loans in order to penetrate into comparatively untapped segments. Because of this strategic priority, it has decided to venture into the VSE (very small enterprise) segment where the organization is offering small loans from USD 2,500 to USD 17,000. While most financial institutions in the country have refrained from going into very small ticket loans due to the intricate credit risk management requirement and inherent resource intensiveness, IDLC has decided to take advantage of its innovative business model and higher efficiency to serve the underserved. “IDLC Unnati,” a first of its kind product in the formal financial market of Bangladesh, was also launched in 2019 to finance the kitchen market vendors in the country and farther the cause of financial inclusion. The technology driven NBFi also rolled-out its in-house built scorecard based financing model. Tab was also provided to every Relationship Manager to utilize modern technology.

After years of operation in the conventional SME business, IDLC-SME has now set its goal to work towards serving even more granular segments, adhering to the vision of boosting financial inclusion in the country. Asiamoney subscribed to this vision of IDLC and recognized the effort.

Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market closed the month of June in negative territory. Some of the other global indices recovered from the worsening situation of the global pandemic and closed in positive territory in June. During the month, the broad index DSEX fell by -1.8%, losing about 71.4 points. The blue chip index DS30 and the Shariah index DSES also declined by -1.8% and -2.8%, respectively.

Among the regional peers, Vietnam's index also closed in red, declining by -4.6%, whereas Pakistan and Sri Lanka's index rose by 1.4% and 6.2% respectively. Additionally, the MSCI Frontier Markets Index also increased by 1.2%. Over the long term, only Vietnam showed the most encouraging track record with a 5 years' return of 39.1%.

Table 1: Equity market performance in Bangladesh and peer countries

Indices	Index Points, June, 2020	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	3,989.1	-1.8%	-0.5%	-10.4%	-26.4%	-29.5%	-13.0%
DS30	1,341.0	-1.8%	0.8%	-11.4%	-30.5%	-35.6%	-24.2%
DSES	925.1	-2.8%	0.5%	-7.5%	-25.7%	-28.7%	N/A
Peer Countries							
Pakistan (KSE 100)	34,421.9	1.4%	17.8%	-15.5%	1.5%	-26.1%	0.1%
Sri Lanka (CSE - All Share)	5,149.6	6.2%	12.6%	-16.0%	-4.1%	-23.7%	-26.7%
Vietnam (VNI)	825.1	-4.6%	24.5%	-14.1%	-13.1%	6.3%	39.1%
MSCI Frontier Markets Index	639.0	1.2%	11.7%	-16.7%	-12.6%	-11.4%	-8.6%

*All returns are Holding Period Return

Source: Investing.com, MSCI, DSE

Liquidity Condition in Equity Market of Bangladesh

During June, the total market capitalization decreased by 0.1% as compared to March after which the market remained closed due to the general holidays of the pandemic. Free float market capitalization also decreased by 0.1%. The daily average turnover of June 2019 was BDT 2.2 bn (USD 25.6 mn), decreasing by 41.1% from that of March. Accordingly, turnover velocity which represents overall liquidity of the market decreased to 18.4% in June compared to 25.5% in March. In 2019, turnover velocity of Bangladesh equity market was 33.5%, in comparison to 34.4% in 2018.

Table 2: Market capitalization and turnover statistics

Particulars	30-Jun-20	25-Mar-20	% change
Total market capitalization (USD* mn)	36,767	36,799	-0.1%
Total equity market capitalization (USD mn)	29,901	29,933	-0.1%
Total free float market capitalization (USD mn)	12,202	12,195	0.1%
Daily Avg. Turnover (USD mn)	25.6	43.5	-41.1%
Turnover Velocity~	18.4%	25.5%	N/A

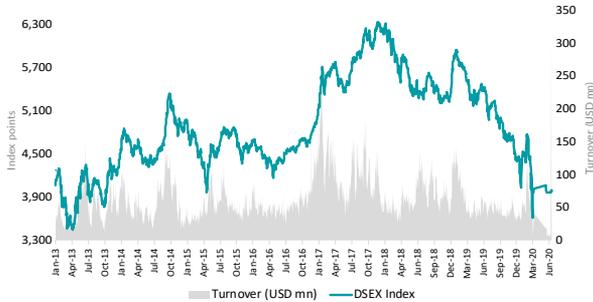
* All USD figures are converted using an exchange rate of 84.85 as of June 30, 2020 as per Bangladesh Bank website.

~ 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 -1.6% till June, 2020. During the same period, daily average turnover of the market amounted to BDT 5.3 bn (USD 62.5 mn) (Figure 1).

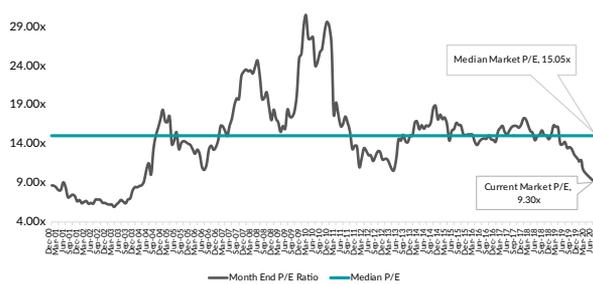
Figure 1: DSEX since inception along with market turnover



Market Valuation Level - P/E Ratio

The market P/E decreased to 9.30x in June compared to 10.58x in March. It is also way lower than the 19 years' median market P/E of 15.05x (Figure 2). In terms of trailing 12 month P/E ratio, the equity market of Bangladesh is the cheapest among its regional peers. (Figure 3).

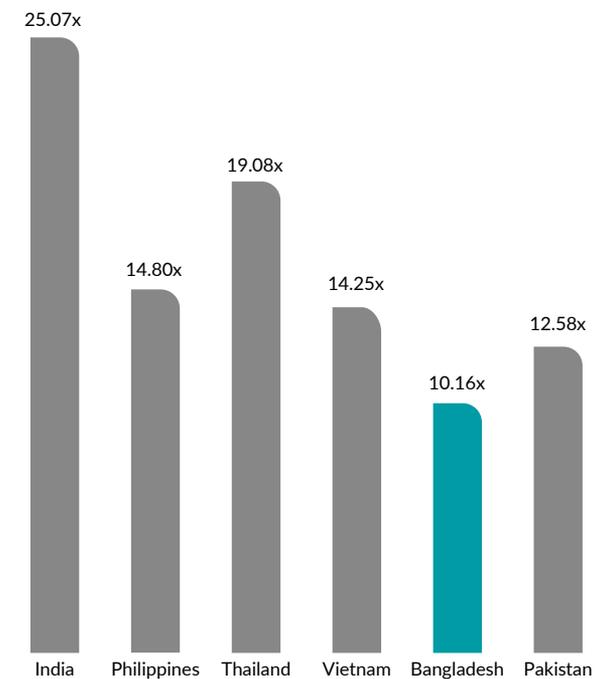
Figure 2: Historical market P/E* and its median Current Market P/E in Context of History



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

Source: CEIC, DSE

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



* Trailing 12 month P/E as of June 30, 2020.

Source: IDLC, Bloomberg

Sector Performance

During June, all the sectors yielded mixed returns. Among the major sectors Bank, Fuel & Power and NBFIs yielded the most positive returns of 2.3%, 0.5% and 0.2%, while Telecommunication and Pharmaceuticals & Chemicals yielded the most negative returns of -6.4% and -2.7% respectively.

The largest sector in terms of market capitalization, Bank is relatively undervalued in terms of P/E ratio. On the other hand, Fuel & Power sector has the highest dividend yield of 6.5% 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	5,278	2,989	2.3%	0.0%	-14.3%	-23.3%	-16.1%	44.9%	5.3	0.5	5.2%
Pharmaceuticals & Chemicals	5,473	2,838	-2.7%	2.6%	0.0%	-8.5%	0.3%	33.2%	7.7	9.5	2.4%
Telecommunication	3,969	424	-6.4%	0.2%	-15.0%	-31.7%	-20.8%	-8.6%	14.3	2.1	5.3%
Fuel & Power	4,177	1,118	0.5%	0.7%	-4.1%	-21.7%	-3.0%	9.7%	10.8	1.2	6.5%
Food & Allied	2,439	868	0.1%	0.1%	-3.3%	-31.1%	-6.0%	-2.4%	17.2	5.0	4.0%
Engineering	1,550	803	0.1%	0.0%	-10.3%	-32.0%	-25.4%	4.2%	13.8	1.0	3.0%
NBFI	1,450	441	0.2%	-0.2%	-11.4%	-30.2%	-41.2%	-4.2%	11.9	1.3	2.6%
Textile	1,122	644	-0.1%	-0.1%	-10.2%	-31.5%	-17.6%	25.3%	12.3	0.7	2.8%
Miscellaneous	1,087	272	-1.2%	0.0%	-5.0%	-16.3%	-1.3%	39.5%	19.0	1.0	2.4%
Cement	847	347	1.0%	-0.9%	4.8%	-21.4%	-44.0%	-58.4%	20.0	1.9	2.1%
Life Insurance	587	257	-1.9%	0.6%	-18.6%	-14.9%	11.0%	19.0%	11.0	6.1	1.9%
Non-Life Insurance	473	274	-0.2%	0.2%	-18.8%	-16.3%	11.7%	60.4%	10.1	0.9	3.6%
Ceramics	233	93	-0.3%	-1.1%	-12.1%	-21.6%	-24.9%	-28.5%	22.1	1.3	3.5%
Tannery	210	102	0.0%	-0.1%	-8.0%	-32.2%	-32.1%	-19.8%	26.3	1.6	3.7%
Travel & Leisure	293	151	-0.5%	-0.7%	10.5%	19.0%	19.1%	35.0%	25.9	0.7	2.7%
IT	230	144	-0.6%	-0.6%	-12.3%	-17.7%	16.2%	205.7%	29.6	1.1	1.5%
Services & Real Estate	154	79	0.0%	-0.1%	-3.4%	-24.4%	-46.0%	-44.8%	11.4	0.7	3.6%
Paper & Printing	113	41	0.0%	0.0%	-2.2%	-30.1%	366.3%	273.9%	17.0	1.7	2.8%
Jute	21	13	2.6%	2.6%	-29.8%	-55.3%	16.3%	156.3%	42.4	5.3	1.3%
Market	29,682	11,887	-1.8%	-0.5%	-10.4%	-26.4%	-29.5%	-13.0%	9.7	1.1	4.1%

*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 June, large and small cap classes yielded negative returns while mid cap class yield positive returns. Among them, the large cap was the highest dividend yielding (4.8%) class.

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	≥119	79.0%	-2.2%	0.5%	-9.9%	-27.2%	-13.5%	3.9%	9.3	1.2	4.8%
Mid	36-118	12.1%	1.3%	1.3%	-4.5%	-13.0%	-12.0%	14.8%	10.8	0.9	2.7%
Small	12-35	7.2%	-0.8%	-1.7%	-4.6%	-22.7%	-23.4%	8.8%	14.4	0.7	3.1%
Micro	<12	1.6%	0.0%	0.2%	-9.5%	-24.9%	-24.3%	6.8%	16.2	0.3	1.3%
Market	-	-	-1.8%	-0.5%	-10.4%	-26.4%	-29.5%	-13.0%	9.7	1.1	4.1%

*All returns are Holding Period Returns

Performance of 20 Largest Listed Companies in Bangladesh

Among the 20 largest listed companies in terms of market capitalization, BRACBANK (+9.9%) and EBL (+8.1%), advanced the most in June due to dividend declaration, followed by GLAXOSMITH (6.9%), while SQRPHARMA (-9.0%) and GP (-6.7%) faced the highest selling pressure during the month.

Majority of these companies yielded outstanding return over longer time horizon (5 years) such as EBL (+114.7%), NATLIFEINS (+101.6%), RENATA (+77.5%), and DUTCHBANGL (+74.4%).

Among the scrips, SUMITPOWER, TITASGAS, EBL, MARICO, ISLAMIBANK, GP, UPGDCL, DUTCHBANGL, PUBALIBANK, BATBC 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	3,800	380	0.26	-6.7%	0.0%	-15.2%	-31.7%	-20.7%	-7.8%	7.5	11.1	5.4%
BATBC	Food & Allied	1,925	509	0.02	0.0%	0.0%	-2.3%	-30.7%	3.3%	-1.7%	17.7	5.0	4.4%
SQURPHARMA	Pharmaceuticals & Chemicals	1,716	1,123	0.90	-9.0%	0.0%	-9.2%	-28.9%	-23.6%	7.3%	10.4	2.1	2.3%
UPGDCL	Fuel & Power	1,368	137	25.96	0.0%	0.0%	-10.2%	-41.3%	68.8%	N/A	18.5	4.4	5.4%
RENATA	Pharmaceuticals & Chemicals	1,071	523	1.75	-3.5%	0.0%	-6.4%	-5.1%	31.9%	77.5%	22.3	4.6	0.9%
BERGERPBL	Miscellaneous	715	36	0.07	0.0%	0.0%	-5.2%	-9.6%	27.7%	72.6%	25.1	8.3	2.3%
ICB	NBFI	619	20	0.00	0.0%	0.0%	-10.9%	-35.1%	-50.5%	-26.8%	(82.7)	5.5	0.0%
MARICO	Pharmaceuticals & Chemicals	580	58	0.06	1.3%	1.3%	-3.7%	8.9%	76.9%	44.5%	18.6	26.7	6.1%
BRACBANK~	Bank	498	278	0.19	9.9%	9.9%	-38.6%	-47.0%	-37.6%	64.2%	12.1	1.1	2.2%
LHBL	Cement	491	174	0.03	2.8%	-0.3%	9.8%	-7.1%	-39.4%	-66.9%	19.9	2.7	2.8%
SUMITPOWER	Fuel & Power	442	163	0.06	-3.8%	-2.0%	0.3%	-4.7%	13.0%	23.4%	6.5	1.1	10.0%
OLYMPIC	Food & Allied	354	256	0.09	0.0%	0.0%	-9.0%	-34.6%	-41.4%	-10.4%	14.6	4.1	3.2%
TITASGAS	Fuel & Power	346	87	0.00	-1.0%	-0.7%	-3.9%	-19.9%	-29.4%	-45.2%	10.6	0.4	8.8%
DUTCHBANGL	Bank	335	44	0.00	0.0%	-3.2%	-20.2%	-17.4%	43.1%	74.4%	9.4	1.1	5.3%
ISLAMIBANK	Bank	332	170	0.09	4.8%	3.6%	-8.4%	-25.8%	-41.0%	23.7%	5.1	0.5	5.7%
BXPBARMA	Pharmaceuticals & Chemicals	331	287	1.67	3.7%	14.0%	-0.3%	-15.6%	-35.4%	24.2%	8.0	0.9	2.2%
GLAXOSMITH	Pharmaceuticals & Chemicals	310	56	20.96	6.9%	6.9%	27.9%	56.9%	62.7%	27.0%	36.5	23.3	2.4%
EBL~	Bank	296	202	0.00	8.1%	7.4%	0.6%	-11.6%	16.6%	114.7%	7.5	1.0	8.1%
NATLIFEINS	Life Insurance	294	67	0.04	-3.0%	1.3%	-17.7%	9.0%	81.5%	101.6%		18.9	0.8%
PUBALIBANK	Bank	252	176	0.01	1.5%	0.5%	-13.3%	-20.9%	-0.5%	55.8%	6.0	0.1	4.8%
Market		29,682	11,887	25.61	-1.8%	-0.5%	-10.4%	-26.4%	-29.5%	-13.0%	9.7	1.1	4.1%

*All returns are Holding Period Return.

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

~ 1M Return is positive for the stock, due to dividend declaration in June.

Top Performing Mutual Funds

The top ten open end mutual funds based on 3 year CAGR outperformed the market, during the same period. Among them, CAPM Unit Fund (+5.7%) yielded the highest return. On YTD 2020 basis, all the funds generated negative returns. Third ICB Unit Fund (-0.1%) generated the least negative returns.

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

Name	Asset Management Company	Fund Size (USD mn)	Return		
			2020 YTD*	2019	2017-2019
CAPM Unit Fund	CAPM	1.4	-0.4%	-7.3%	5.7%
VIPB Accelerated Income Unit Fund	VIPB	8.1	-9.9%	-4.6%	5.4%
Seventh ICB Unit Fund	ICB	3.6	-9.6%	-7.8%	3.8%
ATC Shariah Unit Fund	ATCP AML	1.5	-6.1%	-10.8%	3.2%
LankaBangla 1st Balanced Unit Fund	LankaBangla	4.7	-3.4%	-8.0%	2.6%
Sixth ICB Unit Fund	ICB	2.4	-8.9%	-8.4%	2.4%
MTB Unit Fund	Alliance	8.9	-2.5%	-0.9%	1.7%
UFS-Popular Life Unit Fund	UFS	8.1	-7.9%	-9.0%	1.6%
Third ICB Unit Fund	ICB	3.1	-0.1%	-8.2%	1.1%
Peninsula AMCL BDBL Unit Fund One	Peninsula	2.3	-6.2%	-7.7%	0.9%
Market (Broad Index) Return (%)			-10.2%	-18.0%	-4.3%

*Based on published NAV and DSEX point of June 25, 2020

The top ten closed end mutual funds on the basis of 5 years (2015-2019) performance yielded negative returns on YTD basis. AIBL1STIMF (-3.4%), RELIANCE1 (-5.1%), and GRAMEENS2 (-6.0%) yielded the least negative returns. 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 (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
							2020 YTD	2019	2017-19	2015-19	
NLI1STMF	VIPB	6.6	9.6	11.2	85.9%	13.5%	-10.9%	-4.5%	5.0%	9.7%	2020
SEBL1STMF	VIPB	12.3	9.3	10.5	88.8%	12.9%	-10.7%	-4.4%	4.7%	8.7%	2023
ATCSLGF	ATC AML	7.3	6.8	10.0	67.9%	11.0%	-7.1%	-8.1%	4.1%	7.5%	2020
EBL1STMF	RACE	15.6	4.1	9.2	44.8%	7.3%	-7.8%	-5.0%	4.4%	6.8%	2029
PHPMF1	RACE	30.5	4.2	9.2	45.7%	7.1%	-7.6%	-3.5%	4.7%	6.2%	2030
RELIANCE1	AIMS	7.6	8.1	10.7	75.8%	12.3%	-5.1%	-6.6%	3.8%	6.2%	2029
GRAMEENS2	AIMS	33.1	11.1	15.4	72.1%	8.1%	-6.0%	-7.1%	4.5%	6.0%	2031
IJANATAMF	RACE	31.8	4.1	9.3	44.0%	7.3%	-7.5%	-4.0%	3.5%	5.8%	2031
POPULAR1MF	RACE	32.8	4.2	9.3	45.2%	7.1%	-7.6%	-4.6%	3.8%	5.8%	2030
AIBL1STIMF	RACE	10.7	6.9	9.1	75.7%	11.6%	-3.4%	-6.4%	2.1%	5.3%	2030
Market						3.8%	10.0%	-18.0%	-4.3%	-1.9%	

1 Price as of June 28, 2020, and NAV published on June 25, 2020.

2 On last cash dividend declared.

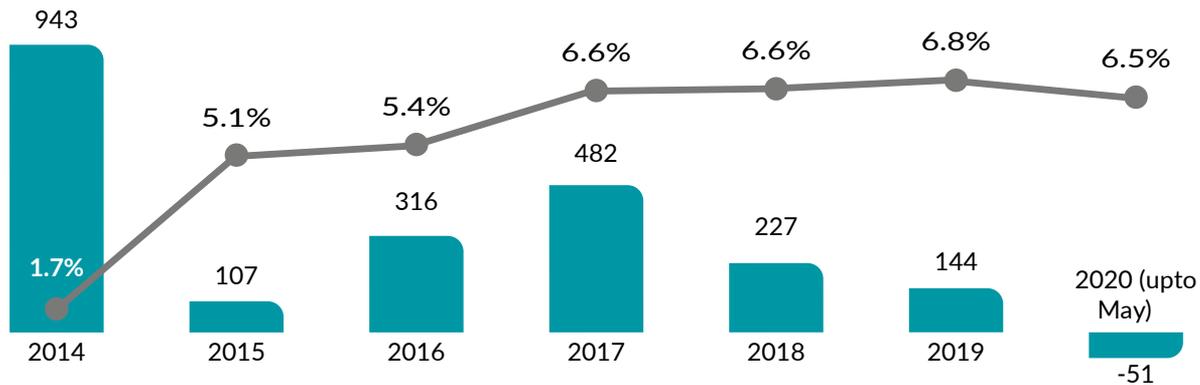
3 CAGR computed for respected periods, except for 2019 and 2020 YTD, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year.

4 In reference to BSEC Press Release বিএসইবিএস/মুশপাঠ (৩য় খণ্ড)/১০১১/১৫ 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 surge of foreign investment. As of February, 2020 total foreign ownership stood at 6.5% 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

* Net portfolio investment data are as of December of the respective years, except 2020.

~ % of foreign ownership of equity market capitalization data are as of December of the respective years, except 2020 (as of February).

Among all the companies with foreign ownership, BRACBANK had the highest foreign shareholding of 43.2% as of February 2020, followed by DBH with 41.2%.

Table 8: Top ten companies with highest foreign shareholding as of February 2020

Ticker	Sector	Foreign Shareholding
BRACBANK	Bank	43.2%
DBH	NBFI	41.2%
OLYMPIC	Food & Allied	40.0%
BXPHERMA	Pharmaceuticals & Chemicals	36.3%
ISLAMIBANK	Bank	23.5%
RENATA	Pharmaceuticals & Chemicals	22.8%
MLDYEING	Textile	21.9%
SHEPHERD	Textile	19.5%
SQURPHARMA	Pharmaceuticals & Chemicals	19.5%
VFSTDL	Textile	18.3%

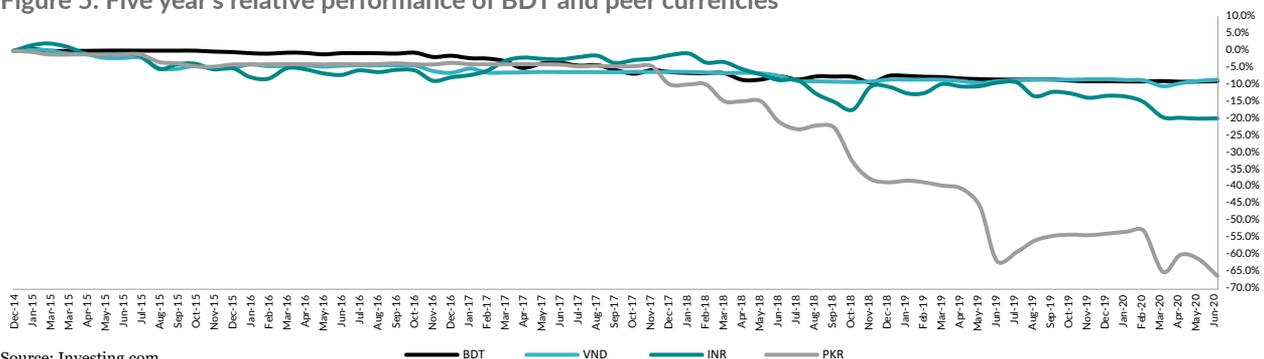
Source: DSE

*Latest Data for Foreign shareholding available on DSE are as of February 2020.

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 8.9% against US Dollar, other currencies of neighbor countries like Vietnamese Dong (VND), Indian Rupee (INR) and Pakistani Rupee (PKR) lost 8.5%, 19.9% and 66.3%, respectively.

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



Source: Investing.com

ব্যবসা ছোট হোক বা মাঝারি
আপনার পাশে আছে

আইডিএলসি এসএমই লোন

