IDLC MONTHLY

BUSINESS
REVIEW

EMPOWERING THE SMEs:
THE INSTRUMENTAL ROLE OF
**LENDERS IN BRIDGING
THE FINANCING GAP**

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Finance PLC

financing happiness

contents

Empowering the SMEs:
The Instrumental Role of Lenders in Bridging the Financing Gap

In Bangladesh, small and medium-sized enterprises (SMEs) contribute only 25% of the country's GDP. However, this sector represents more than 90 percent of total business entities in Bangladesh and generates employment for 24.50 million people. According to a World Bank estimate, there is a USD 2.8 billion financing gap in this sector in Bangladesh, which is a major impediment to the country's growth potential.

Banks and other financial institutions have an enormous opportunity to offer innovative financial products and services to SMEs. However, there are several critical factors that are working as deterrents to SME financing: lack of collateral, lack of authenticity of financial data, informal borrowing, absence of documentation, narrow market access, and lower shock absorption capacity of the SMEs.

In the challenging terrain of SME financing, innovative initiatives such as the introduction of electronic KYC, providing transaction-based financing, and the adoption of financial technologies are crucial. Moreover, fostering a collaborative and responsive lending ecosystem is essential for unlocking the full potential of Bangladesh's SME landscape. By catering to the specific financing needs of SMEs, lenders can unlock new avenues for growth, innovation, and employment generation, ultimately contributing to the country's economic prosperity and social well-being.

Md. Shah Jalal
Editor
IDLC Monthly Business Review

INDUSTRY & EQUITY ANALYSIS TEAM

ASIF SAAD BIN SHAMS
Email: shams@idlc.com

MD. ARIFUR RAHMAN
Email: rarifur@idlc.com

MD. SHAH JALAL
Email: mjalal@idlc.com

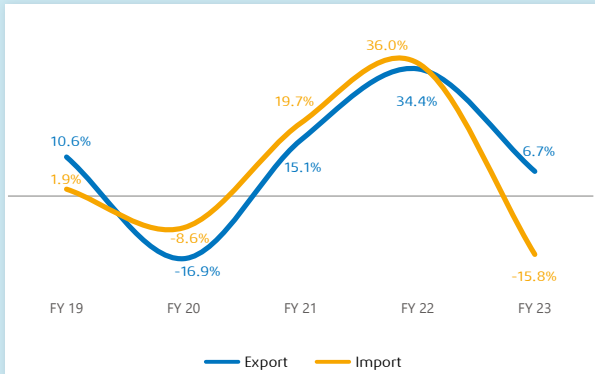**AKHLAQUR RAHMAN SACHEE**
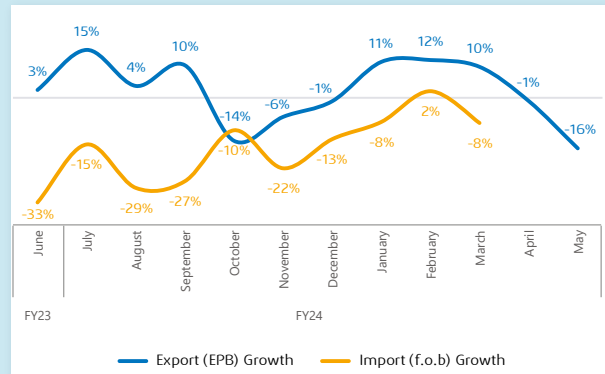Email: akhlaqur@idlc.com

Humaira Tabassum
Email: humairat@idlc.com

ECONOMY AT A GLANCE
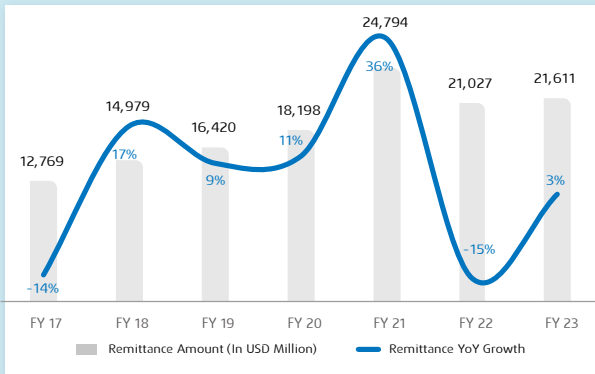
EXPORT-IMPORT

Growth in Export-Import Trade (Last 5 Years)

Export: FY 19: 10.6%, FY 20: -16.9%, FY 21: 15.1%, FY 22: 34.4%, FY 23: 6.7%
Import: FY 19: 1.9%, FY 20: -8.6%, FY 21: 19.7%, FY 22: 36.0%, FY 23: -15.8%

— Export   — Import

Export and Import Growth (Last 12 Months)

Export (EPB) Growth: June 3%, July 15%, August 4%, September 10%, October -14%, November -6%, December -1%, January 11%, February 12%, March 10%, April -1%, May -16%
Import (f.o.b) Growth: June -33%, July -15%, August -29%, September -27%, October -10%, November -22%, December -13%, January -8%, February 2%, March -8%

FY23 | FY24

— Export (EPB) Growth   — Import (f.o.b) Growth

REMITTANCE

Remittance Amount (In USD Million and YoY Growth)

FY 17: 12,769 (-14%)
FY 18: 14,979 (17%)
FY 19: 16,420 (9%)
FY 20: 18,198 (11%)
FY 21: 24,794 (36%)
FY 22: 21,027 (-15%)
FY 23: 21,611 (3%)

Remittance Amount (In USD Million)   — Remittance YoY Growth

Monthly Remittances (In USD Million and YoY Growth)

June: 2,199 (19.7%)
July: 1,973 (-5.9%)
August: 1,599 (-21.5%)
September: 1,344 (-12.7%)
October: 1,978 (29.6%)
November: 1,930 (21.0%)
December: 1,990 (17.1%)
January: 2,101 (7.3%)
February: 2,166 (38.7%)
March: 1,997 (-1.0%)
April: 2,043 (21.4%)
May: 2,254 (33.2%)

FY23 | FY24

Monthly Remittance (In USD Million)   — YoY Growth
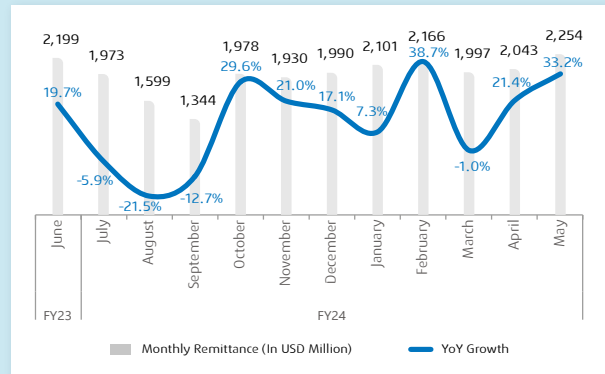
PRIVATE SECTOR CREDIT GROWTH

Private Sector Credit Growth (Last 5 Years)

Dec'19: 9.83%
Dec'20: 8.37%
Dec'21: 10.68%
Dec'22: 12.89%
Dec'23: 10.13%

Private Sector Credit Growth (Last 12 Months)

May: 11.1%, June: 10.6%, July: 9.8%, August: 9.8%, September: 9.7%, October: 10.1%, November: 9.9%, December: 10.1%, January: 10.0%, February: 10.0%, March: 10.5%, April: 9.9%

FY23 | FY24
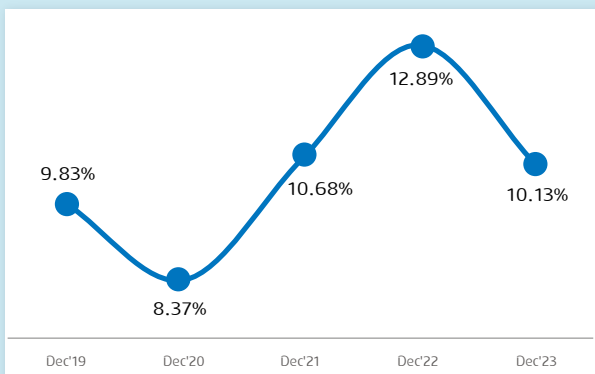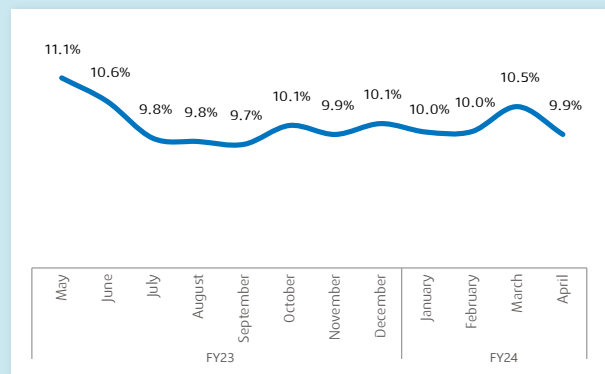
● **The central bank declared withdrawal of the SMART-based interest rate determination system in a circular published on May 08, 2024.** The full-fledged market-based interest rate system came into effect with the suspension of SMART.

● According to a circular published by the central bank on May 12, 2024, all the banks have been instructed to recover at least **1% of their respective non-performing loans through alternative dispute resolution mechanisms by June 30, 2026.**

● **Only 0.30% of the GDP was spent as gross research and development expenditure in FY2020–21,** which is one of the lowest figures in the world, as per a survey report published by the Bangladesh Bureau of Statistics on May 27, 2024.

● According to a gazette notification by the Energy and Mineral Resources Division on May 30, 2024, diesel and kerosene will be sold for **BDT 107.75 per litre, petrol will be sold for BDT 127 per litre, and octane will be sold for BDT 131** at the consumer level from June 01, 2024.

● **The plan of the government to increase the price of electricity four times a year for the next three years and withdraw all subsidies was placed before the meeting** between the visiting International Monetary Fund mission and the officials of the Power and Energy Division held on May 02, 2024.

● According to the provisional estimate of the Bangladesh Bureau of Statistics, the per capita income of the country is expected to rise to **USD 2,784 in FY2023–24 from USD 2,749 in FY2022-23.**

● **The net foreign aid dropped to USD 3,725 million in the July 2023–February 2024 period** in comparison to USD 3,869 million in the same period of the previous fiscal year, as per the data of the central bank.

● **Disbursement of agriculture credit grew by 12.46% year-on-year to BDT 23,690 crore in the July 2023–February 2024 period of FY2023–24.** The loan disbursement target for the period set by the government is BDT 355,000.

● **According to the data from the Economic Relations Division, the government spent USD 2.81 billion** to repay foreign loans in the July 2023–April 2024 period, compared to USD 1.95 billion in the same period of the previous fiscal year.

THE FREQUENT RESCHEDULING OF CLASSIFIED LOANS HAS LED TO A GROWING SHORTAGE OF MONEY, PROMPTING THE CENTRAL BANK TO PRINT MORE CURRENCY. THIS IS WHY INFLATION IS NOT COOLING DOWN.

Mohammed Farashuddin, Former Governor of the Bangladesh Bank, on the impact of rescheduling classified loans on inflation. (May 02, 2024. The Business Standard.)

The apparel exports fell to about USD 1 billion in April compared to March this year. While some orders are coming in, manufacturers are facing challenges in meeting their lead times due to the lack of uninterrupted electricity supply.

Shovon Islam, Director of the Bangladesh Garment Manufacturers and Exporters Association and Managing Director of Sparrow Group, on the drop in apparel exports and the challenges posed by the shortage of electricity supply. (May 02, 2024. The Business Standard.)

The primary issue with FDI in Bangladesh is that investors encounter challenges when repatriating their profits. Also, a complicated tax regime adds to the hurdles.

Professor Dr. Selim Raihan, Executive Director of the South Asian Network on Economic Modeling, on the difficulties faced by foreign direct investors in Bangladesh. (May 04, 2024. The Business Standard.)

The local manufacturers are now making world-class plastic items. This is encouraging the foreigners to buy plastic items from Bangladesh. Newer markets are being created for this sector which is helping to expand its export market.

Shamim Ahmed, President of the Bangladesh Plastic Goods Manufacturers and Exporters Association, on the exports of plastic products experiencing around 18% year-on-year growth during July 2023–April 2024. (May 04, 2024. The Business Standard.)

Because the foreign loans we are taking are very cheap. On the other hand internal financing has become very expensive. It is necessary to increase the share of foreign loans with emphasis on foreign financing projects. This will reduce the pressure on internal financing.

Zahid Hussain, Former Lead Economist at the World Bank, on the proportions of internal financing and foreign financing in the proposed Annual Development Programme for FY2024–25. (May 07, 2024. The Business Standard.)

Even if you start from today, and do everything from now on, as we have already lost some time, we will be able to achieve at best 18% of GDP by 2041 and that would take Bangladesh to the level where India is today.

Dr. Ahsan H. Mansur, Executive Director of the Policy Research Institute, on the government's target to achieve a 21.6% tax-to-GDP ratio by 2041. (May 09, 2024. The Business Standard.)

Both overall and private investments are down, causing macroeconomic instability influenced by factors like balance of payments and currency exchange rates.

Monzur Hossain, Research Director of the Bangladesh Institute of Development Studies, on the slight increase of 5.78% in GDP in FY2023–24 from 5.78% in FY2022-23. (May 20, 2024. The Business Standard.)

Establishment of direct banking channels, exploring alternative currency arrangements, and simplifying trade procedures can significantly boost trade flows between Dhaka and Moscow.

Mahbubul Alam, President of the Federation of Bangladesh Chambers of Commerce & Industries, on exports to Russia still being less than half a billion. (May 27, 2024. The Business Standard.)

It is important also to recognize that the ageing population is also increasing rapidly with estimates that the country will transform into an ageing society in 2048.

Tuomo Poutiainen, Country Director of the International Labour Organization, on the importance of investments in the development of the care economy and social protection systems. (May 28, 2024. The Business Standard.)

WORLD ECONOMIC INDICATOR

Country	Nominal GDP: 2022 (In USD Billion)	Real GDP Growth: 2022 (Yearly % Change)	Inflation Point to Point (%)		Current Account Balance: (% of GDP)	Interest Rates (%), Ten Years Treasury Bond	Currency Units (Per USD)
Frontier Markets							
Sri Lanka	75.30	-8.66	0.90	May-24	-1.94	13.12	303.44
Vietnam	406.45	8.02	4.44	May-24	-0.88	2.86	25,446.00
Kenya	115.99	5.37	5.10	May-24	-4.72	17.92	129.00
Nigeria	477.38	3.25	33.69	April-24	-0.72	19.62	1,505.00
Bangladesh	453.85	6.03	9.89	May-24	-0.70	12.54	117.95
Emerging Markets							
Brazil	1,924.13	2.90	3.93	May-24	-2.91	11.94	5.37
Saudi Arabia	1,108.15	8.74	1.60	April-24	13.79	N/A	3.75
India	3,386.40	6.83	4.83	April-24	-2.61	7.01	83.56
Indonesia	1,318.81	5.31	2.84	May-24	1.00	7.13	16,296.65
Malaysia	407.92	8.69	1.80	April-24	2.64	3.91	4.72
Philippines	404.26	7.60	3.90	May-24	-4.41	6.83	58.70
Turkey	905.53	5.57	75.45	May-24	-5.38	28.27	32.38
Thailand	536.16	2.64	1.54	May-24	-3.26	2.78	36.73
China	18,100.04	2.99	0.30	May-24	2.31	2.32	7.27
Russia	2,215.29	-2.05	7.80	April-24	10.27	14.99	89.24
Developed Markets							
France	2,784.02	2.61	2.20	May-24	-1.71	3.24	0.93
Germany	4,075.40	1.78	2.40	May-24	4.20	2.61	0.93
Italy	2,012.01	3.68	0.80	May-24	-0.73	4.08	0.93
Spain	1,400.52	5.48	3.60	May-24	1.06	3.45	0.93
Hong Kong	360.98	-3.51	1.10	April-24	10.73	3.66	7.81
Singapore	466.79	3.65	2.70	April-24	19.33	3.29	1.35
United States	25,464.48	2.07	3.40	April-24	-3.64	4.41	1.00
Denmark	390.68	3.62	2.20	May-24	12.82	2.70	6.95
Netherlands	993.68	4.52	2.70	May-24	5.49	2.95	0.93
Australia	1,701.89	3.66	3.60	March-24	1.20	4.36	1.51
Switzerland	807.23	1.70	1.40	May-24	9.84	0.84	0.90
United Kingdom	3,070.60	4.05	2.30	April-24	-5.55	4.31	0.78

Bangladesh Data: The new GDP size (FY23) is as per the provisional estimate of Bangladesh Bureau of Statistics and real GDP growth (FY23) is as per new base year. Calculation Method of CA balance (% of GDP) = CA balance of FY23 /Provisional Estimate for GDP of FY23.

Interest rate (%) 10 years TB as per May 2024, Inflation as per May 2024 and Currency Unit (per USD) as per 5th June 2024 are sourced from Bangladesh Bank.

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

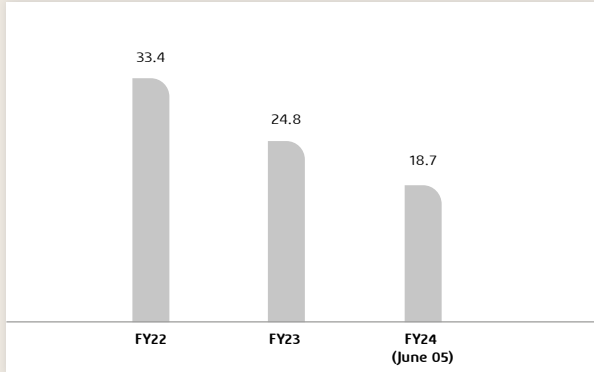**Real GDP Growth and Current Account Balance:** Data of all countries apart from Bangladesh is sourced from IMF estimates of April, 2023 data (World Economic Outlook, April 2023).

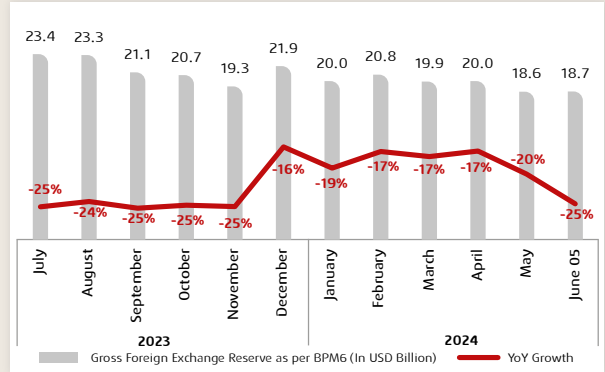**Inflation:** Data of all countries apart from Bangladesh is sourced from tradingeconomics.com.

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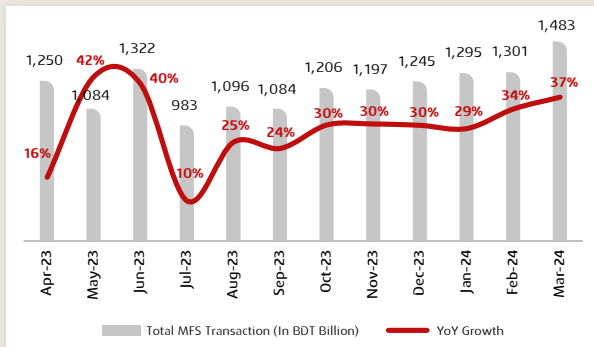
BANKING DATA CORNER

Gross Foreign Exchange Reserve as per BPM6
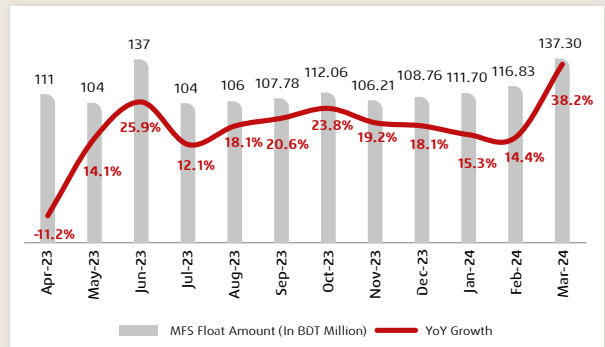(In Billion USD and Last 2 Years)

	Value
FY22	33.4
FY23	24.8
FY24 (June 05)	18.7

Gross Foreign Exchange Reserve as per BPM6
(In USD Billion and Last 12 Months Trend)

Values: July 23.4 (-25%), August 23.3 (-24%), September 21.1 (-25%), October 20.7 (-25%), November 19.3 (-25%), December 21.9 (-16%), January 20.0 (-19%), February 20.8 (-17%), March 19.9 (-17%), April 20.0 (-17%), May 18.6 (-20%), June 05 18.7 (-25%)

2023 | 2024

Gross Foreign Exchange Reserve as per BPM6 (In USD Billion) — YoY Growth

MFS Total Transaction Value
(In BDT Billion and YoY Growth)

Values: Apr-23 1,250 (16%), May-23 1,084 (42%), Jun-23 1,322 (40%), Jul-23 983 (10%), Aug-23 1,096 (25%), Sep-23 1,084 (24%), Oct-23 1,206 (30%), Nov-23 1,197 (30%), Dec-23 1,245 (30%), Jan-24 1,295 (29%), Feb-24 1,301 (34%), Mar-24 1,483 (37%)

Total MFS Transaction (In BDT Billion) — YoY Growth

MFS Float Amount
(In BDT Billion and YoY Growth)

Values: Apr-23 111 (-11.2%), May-23 104 (14.1%), Jun-23 137 (25.9%), Jul-23 104 (12.1%), Aug-23 106 (18.1%), Sep-23 107.78 (20.6%), Oct-23 112.06 (23.8%), Nov-23 106.21 (19.2%), Dec-23 108.76 (18.1%), Jan-24 111.70 (15.3%), Feb-24 116.83 (14.4%), Mar-24 137.30 (38.2%)
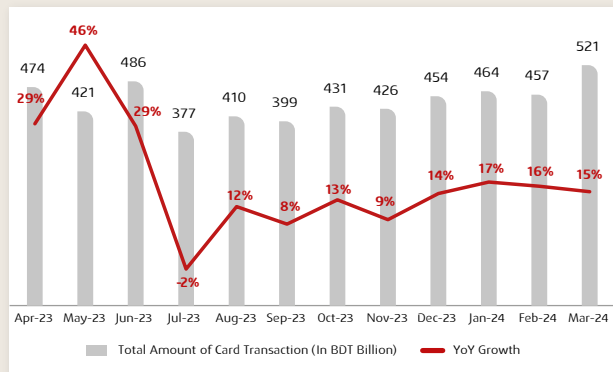
MFS Float Amount (In BDT Million) — YoY Growth

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

Values: Apr-23 446 (94%), May-23 500 (142%), Jun-23 491 (107%), Jul-23 462 (96%), Aug-23 521 (104%), Sep-23 487 (83%), Oct-23 789 (204%), Nov-23 829 (202%), Dec-23 816 (196%), Jan-24 962 (184%), Feb-24 938 (219%), Mar-24 995 (197%)

Internet Banking Total Transaction (In BDT Billion) — YoY Growth

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

Values: Apr-23 474 (29%), May-23 421 (46%), Jun-23 486 (29%), Jul-23 377 (-2%), Aug-23 410 (12%), Sep-23 399 (8%), Oct-23 431 (13%), Nov-23 426 (9%), Dec-23 454 (14%), Jan-24 464 (17%), Feb-24 457 (16%), Mar-24 521 (15%)
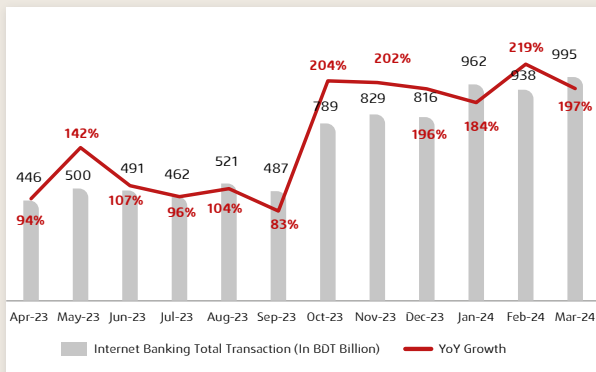
Total Amount of Card Transaction (In BDT Billion) — YoY Growth

Source: Bangladesh Bank

Hishab

Zubair Ahmed
Founder and CEO, Hishab

Interviewed By
Akhlaqur Rahman Sachee, Team MBR

Hishab is a telephony network-based conversational AI startup that is currently offering diversified services under the umbrellas of voice pay, customer engagement, and AI-driven call centre connectivity. Its services are being used by some renowned microfinance institutions, banks, and telecom operators in Bangladesh. The startup aims to make it easier for the impoverished, less educated, or even uneducated population in Bangladesh to receive various services over telephony networks with the help of conversational AI. Team MBR was in a conversation with the founder and CEO of Hishab, Mr. Zubair Ahmed, and had the opportunity to learn about his inspirations behind forming the startup and his future aspirations surrounding Hishab.

Akhlaqur Rahman Sachee: Founded in 2017, Hishab is a telephony network-based conversational AI startup led by a team consisting of professionals from diverse countries. Would you kindly share with us how you came up with the idea to form Hishab?

Zubair Ahmed: Before forming Hishab, I worked as an investment banker, and my job was mostly to invest in the US and European companies. Back then, I invested in one of the companies called API.AI which used to build dialogue engines that work from mobile apps or web interfaces. It was very similar to Siri or Google Assistant. The company got bought out by Google back in 2013. Later, after Google bought it, they changed the name to Dialogflow, which eventually controlled close to 90% of the conversational AI market around the world. The problem with the product that we sold to Google was that it only focused on conversational AI that works from the web or

smartphones. But it was not able to do it over a telephony network. With the help of telephony network-based conversational AI, you can talk over a phone and run the conversational AI over the phone. But the aforementioned product was not able to do that. Hence, I decided to work exactly on that. My initial plan was to launch my product in Indonesia and experiment with it there. But, then, I guess the love for my country kicked in, and I decided to do that in Bangladesh first. There were a lot of challenges because the speech recognition engine for Bengali was not available, the text-to-speech engine was not available, and natural language processing was in the infant stage back then. So, we had to do a lot of R&D over the course of eight years to come up with the technology and also wait for the world to catch up to provide us with the platform that we actually needed to build that technology. Finally, about one and a half to two years ago, we were able to build the product that we planned. Now, one of the reasons for which I wanted to build

a conversational AI over a telephony network was to do something that makes technology accessible to anyone regardless of digital literacy, thereby making the use of a product like Dialogflow available to everyone, which I had built before. The only way to do that was to build a conversational AI over telephony networks. So, this was the primary motivation for building Hishab.

Akhlaqur Rahman Sachee: Hishab has surely made it easier for the clients to enjoy the services of microfinance institutions, mobile financial services providers, banks, non-bank financial institutions, telecom operators, and so on. May we know how Hishab is playing its role in promoting financial inclusion?

Zubair Ahmed: The main obstacle to promoting financial inclusion, especially in emerging countries, is a lack of digital literacy and financial literacy. Both are low in the case of Bangladesh. In Bangladesh, our digital literacy stands at 6.1%. Though all the numbers by the government say that about 23% of the people are digitally literate, around 6% of the people are actually digitally literate, and the rest, 17%, are being assisted by them. For instance, when we studied the user base of some of the MFS players, such as bKash or Rocket, we found that 23% of the user base is able to send or receive money by using either apps or kiosks. Kiosks are basically small mom-and-pop shops that send or receive money on their behalf. Only 6% of the user base of bKash or Rocket are able to send or receive money on their own, but the rest, 17%, need help from those shops to send or receive money. Now, our technology has the ability to improve the scenario because it makes bKash or Rocket-like services accessible to everyone. Anyone can now just talk and perform transactions. The users do not need to know how that works. They just need to talk, and it just magically happens. This is one of the main reasons why our technology has been doing so well, especially among the microfinance institutions in Bangladesh. 95% of their clients are digitally illiterate without any financial knowledge. Even those people are able to perform financial transactions with the help of our system. So, we believe this could play a pivotal role in promoting financial inclusion. You do not need to come up with new technologies to promote financial inclusion. You can rather make the existing technologies available for everyone, such as performing transactions simply by talking.

Akhlaqur Rahman Sachee: Hishab's services are being used by some renowned microfinance institutions, banks, and telecom operators in Bangladesh to provide customer services. Would you kindly share with us the scope of applications of telephony-based conversational AI technology other than the ones Hishab has already explored?

Zubair Ahmed: There are currently three areas of focus. The first one is support, the second one is sales, and the third one is finance. When we say support, it essentially means a customer support area where users are actually able to ask any question and get it answered, which we generally call the FAQ. They can know about the product or service information and recommendations about the products or services. On top of that, they are able to lodge complaints or give feedback about products or services. Then, our AI is able to segregate those andmadd those to the back-end customer relationship management tools, or CRMs, that the end users use to manage customer queries and satisfaction levels. Companies can utilise our generative AI to survey as well. Traditionally, we send brochures or questionnaires to the target groups or ask them the questions and put tick marks on the answer sheets so that we can analyse those. But our AI can hear and gather the voices of respondents, which enables categorization in the right manner.

When it comes to sales, our product is also able to sell products or services for you. For instance, the distribution houses send sales representatives to different routes. Usually, one sales representative covers one route in a day and works around six days a week. They cover six routes in a week, and each route generally has about 70 to 90 shops that they have to visit. Of course, it is quite difficult because most of the time, the shops do not respond in the right manner. So, sometimes they effectively cannot cover that many shops in order to generate sales. But our AI can generate sales from probably 50% of those shops because those sales are repetitive. The shops that the

sales representatives visit and are able to generate sales from would buy the products either way. This is the task our AI can take over so that sales representatives can focus more on the shops from which it is difficult to generate sales. Thus, AI can increase sales for distribution houses or manufacturing companies. We are about to run a pilot on this service in collaboration with one of the largest FMCG groups in Bangladesh.

When it comes to finance, users can top up their balances from their MFS accounts just by talking over their phones. They can also make payments on their utility bills, such as electricity, water, gas, and so on. Also, they can make payments to their educational institutions, offices, and other places just by talking. On the other hand, our AI can help regarding the stock market, where less than 1% of our population is active. This is where our AI can play an important role in educating people, teaching them about the benefits, and helping them to invest, including the purchase of stocks. Our AI can do a great job of convincing investors on how and why a certain stock is beneficial for them to invest in. So, that is the innovation our product can bring to the finance industry.

Akhlaqur Rahman Sachee: Because handheld devices are susceptible to loss or theft, unauthorised individuals may take wrongful advantage of conversational AI technology to carry out fraudulent transactions. Would you kindly share with us what safety measures Hishab employs to identify such individuals and prevent fraudulent transactions?

Zubair Ahmed: We ensure safety and security in three effective ways. There could be theft, or people could wrongly use the conversational AI in order to perform fraudulent transactions. The first layer of security that we offer is biometrics. It is a combination. Your voice is your password. Secondly, you can set a certain password, which can be a phrase or a sentence as opposed to a four-digit pin number. For example, you can set 'I am not feeling good today.' as your password. The third security measure is security questions. We offer the option to ask the end users random two or three questions. All these indicate that the voice security system is actually much more robust than the conventional security system.

If you lose your credit card or phone, anyone can perform unauthorised transactions using those. The NFC has made it even easier. But our system offers three layers of security. If the voice matches, there is a password-protected second layer. You can also deploy the third layer, which requires answering security questions. So, it is much more difficult to breach the security system when it comes to conversational AI than on mobile apps or web pages.

Akhlaqur Rahman Sachee: Bengali is a language that has been enriched by different accents and dialects. May we know the level of accuracy of Hishab in interpreting the voice commands from clients of different accents and dialects?

Zubair Ahmed: In terms of the accuracy of our speech recognition engine, it is currently the best in the world. It performs at least 30% better than Google's speech recognition engine. In the case of speech recognition engines over telephony networks or non-telephony networks, we perform the best in the world when it comes to Bengali, and we are continuously improving it by training our speech recognition engine with different local accents and dialects as our product is being used. Our speech recognition engine is far better than any speech recognition engine in the world, especially in Bengali, and, of course, as we move on, we currently cover almost all major dialects in Bengali. However, we still face some difficulties in recognising the accents of Chittagong, Sylhet, and Noakhali. As our system is being used every day by those users, we collect that data, and I am sure that the accuracy in those dialects will improve.

Akhlaqur Rahman Sachee: Hishab holds more than 35 approved patents and more than 20 patents under process in 23 countries. Would you kindly share with us some noteworthy cross-border business opportunities that Hishab has explored so far?

Zubair Ahmed: Hishab currently holds more than 35 patents in 23 countries around the world, and some of these countries include India, Indonesia, the Philippines, Bangladesh, and so on. More than 2.80 billion people are under our patent coverage. Our vision is that we would like to license our technology to some system integrators around the world who are the best players or the biggest players in their countries. We are currently having discussions with some system integrators, and we

would like them to sell our service all around the world. In other words, it is going to be probably the first time a high-tech fifth-generation technology from Bangladesh is going worldwide. We already initiated that process by doing that in Japan. In Japan, we currently have two system integrator partners who will be aggressively selling our product throughout Japan, and thereby, we are showing the world that Bangladesh can produce world-class generative AI technology too, and we are not far behind. In fact, we are the ones who are leading the world in generative AI with more than 35 patents and more than 20 patents under process. We are a major force to reckon with right now in the field of generative AI.

Akhlaqur Rahman Sachee: Hishab is currently offering diversified services under the umbrellas of voice pay, customer engagement, and AI-driven call centre connectivity. Would you kindly share the details about the revenue drivers of Hishab?

Zubair Ahmed: We earn revenues basically from two areas. Our model is pay as you go. As you use the service, you just pay us for the period that you use it. For example, if our AI speaks for five minutes, we charge a certain fee per minute. There is no surcharge, there is no additional fee, there is no hidden fee, there is no upfront fee, there is no fixed fee, and there is no SaaS fee. You pay for what you use. The second area is sales or marketing. For example, you want our AI to call millions of people and gather data on your behalf. In those cases, we have three options. The first one is called an impression. When users just hear the messages, you pay a certain fee. When users speak about certain things for sustained periods of time over the phone and show interest, we call those leads. We charge a certain fee for generating leads. Finally, when users request downloadable links or payment links to avail

certain services from certain companies, we call those hot leads. We also charge a success fee. So, basically, there are two payment models. One is pay as you go, and the other is success-based. A success-based model is only applicable for finance or sales-based solutions.

Akhlaqur Rahman Sachee: Hishab has recently received an investment of BDT 2 crore from Startup Bangladesh Limited. May we know something about Hishab's business expansion efforts in the near future?

Zubair Ahmed: As you know, it costs lots of money to actually keep yourself updated with R&D to stay on top of the game in the field of generative AI. BDT 2 Core is nowhere near enough to actually fund that kind of research. We continuously raise money from international corporations, venture capital funds, and large corporations to fund our research. Our plan is to raise about USD 30 million over the course of the next six months, and we have already received a commitment for around USD 25 million. We want to use that money to further enhance our capability in generative AI technology and build the best one for Bengali. We currently have the best generative AI for Bengali in the world. We call it the PIA Large Language Model (LLM). That is our current version, and we will continue to work on it. The next plan is to create a multi-model LLM, which means that you will not need an additional speech recognition engine or text-to-speech engine. Everything will be on the LLM. Our LLM would be able to see things and talk to you just as you are talking to a human. If you show it something or certain things, it will be able to recognise it right away and generate a conversation with you on that particular topic. So that is our next goal by the end of the next year. For that, we are continuously raising money in order to conduct those research projects.

EMPOWERING THE SMES:
THE INSTRUMENTAL ROLE OF LENDERS IN BRIDGING THE FINANCING GAP

Written By
Akhlaqur Rahman Sachee

There was a time when formal lenders such as banks and non-bank financial institutions (NBFIs) were not willing to lend to cottage, micro, small, and medium enterprises (CMSMEs). The CMSMEs had to rely on self-arranged funds or informal lenders. However, the scenario has changed a lot since targets for loan disbursement for CMSMEs were set for banks and NBFIs in 2010. Many banks and NBFIs now have a special focus on the CMSME sector, and the changed scenario has enabled CMSMEs to access much-needed finance from formal lenders. As per a report published by the United Nations in October 2023, the CMSME sector contributes 25% of the country's gross domestic product (GDP). As per the latest economic census published by the Bangladesh Bureau of Statistics in 2013, there were 7.82 million enterprises in the CMSME sector. As of 2013, the enterprises in the CMSME sector generated employment for 24.50 million people.
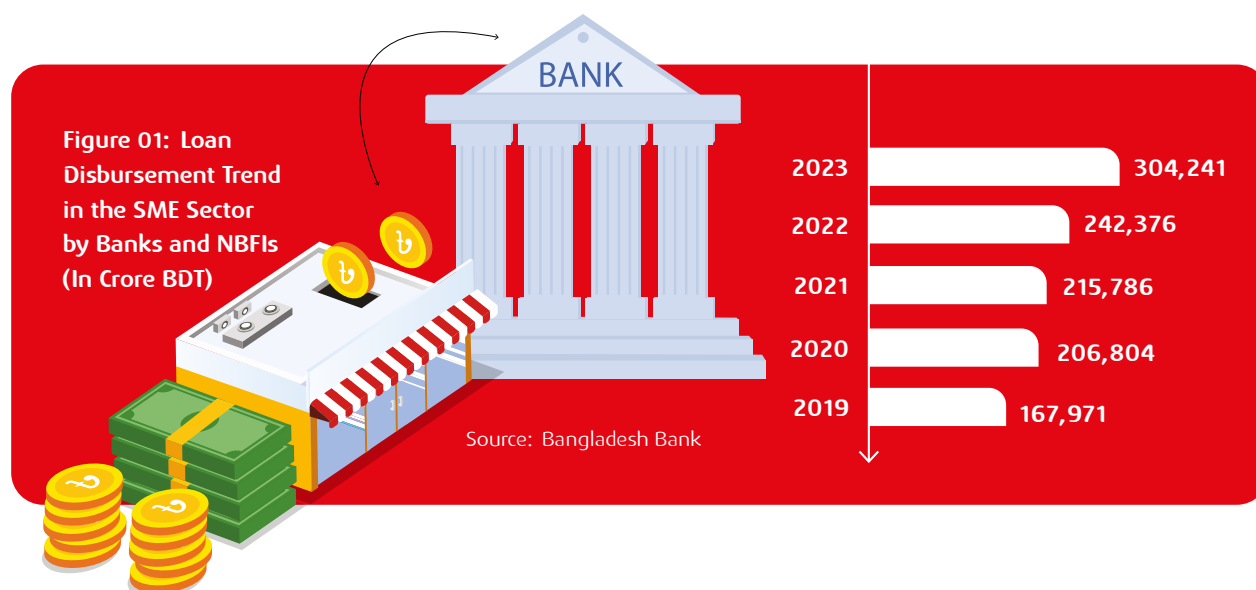
Formal lenders in SME financing

As per the central bank data, loan disbursement in the CMSME sector amounted to BDT 224,103.87 crore in FY2022-23. In the October 2023–December 2023 quarter, 369,016 enterprises were financed, and the total disbursement amounted to BDT 64,841.99 crore. By the end of December 2023, total outstanding in the CMSME sector stood at BDT 304,241.45 crore, which experienced 7.55% year-on-year growth from the outstanding by the end of December 2022, which amounted to BDT 282,896.54 crore. However, one of the biggest challenges in financing SMEs is a lack of collateral, which formal lenders are attempting to address. The central bank data demonstrates that 121,017 out of the 369,016 enterprises were financed without collateral in the October 2023–December 2023 quarter, which is approximately 32.80%.

Table 01: Loan Disbursement by Banks and NBFIs in the Last Five Years (In Crore BDT)

Year	Target	Trading	Manufacturing	Service	Total	Women Entrepreneur	Target Achievement (%)
2019	176,902	72,522	58,715	36,733	167,971	6,109	94.95%
2020	229,153	83,456	80,843	42,505	206,804	8,244	90.25%
2021	252,761	87,934	83,007	44,845	215,786	8,802	85.37%
2022	285,566	98,548	95,517	48,312	242,376	13,745	84.88%
2023	345,819	127,201	111,821	65,219	304,241	19,613	87.98%

Source: Bangladesh Bank

Figure 01: Loan Disbursement Trend in the SME Sector by Banks and NBFIs (In Crore BDT)

BANK

| Year	Value
2023	304,241
2022	242,376
2021	215,786
2020	206,804
2019	167,971

Source: Bangladesh Bank

As per the ADB Asia SME Monitor 2023, 14.2% of the total MSME loans disbursed by the banking sector in 2022 were non-performing loans. A report published by the World Bank in 2019 stated that a financing gap of USD 2.8 billion exists in the MSME sector in Bangladesh, and 60% of the woman-led MSME lack access to finance. The report stated the absence of collateral as one of the key reasons for banks and NBFIs to stay away from the SME sector.

MFIs in SME Financing

Microfinance institutions (MFIs) in Bangladesh have played a crucial role in bridging the financing gap in the SME sector. As per the annual statistics of the Microcredit Regulatory Authority published in June 2023, microfinance institutions licensed by the Microcredit Regulatory Authority disbursed loans amounting to BDT 249,302 crore in FY2022-23.

Figure 02: Loan Disbursement Trend in the SME Sector by MFIs (In Crore BDT)

Source: Microcredit Regulatory Authority
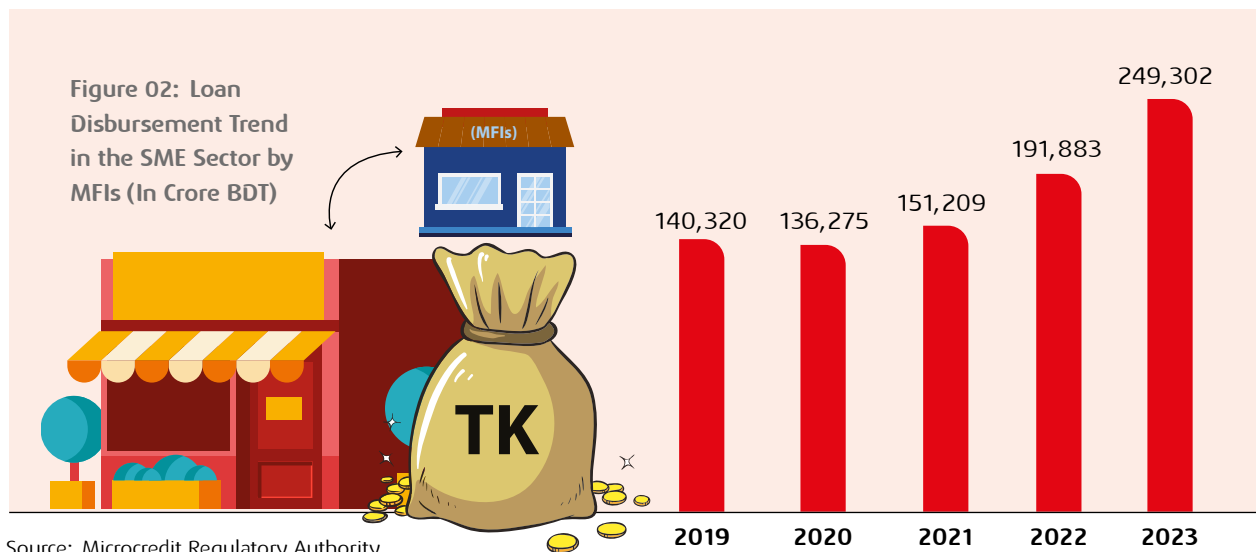
As of June 2023, 5.15% of the total loans disbursed by microfinance institutions were non-performing loans.

Challenges Faced by Formal Lenders in Financing the SME Sector

There are a set of unique challenges that banks and NBFIs face while financing in the SME sector. The challenges have been discussed below.

Lack of Collateral

SME owners usually do not have much valuable land that they can offer to banks and NBFIs as mortgages. On the other hand, as banks and NBFIs deal with the money of the depositors, the securities of the loans they disburse are of their primary concern. If SMEs do not offer mortgages, settlements of the default accounts become complicated and time-consuming in cases of

default. From a risk management perspective, banks and NBFIs find it more comforting when they receive mortgages as securities.

Lack of Authenticity of Financial Data

Banks and NBFIs seek the financial data of SMEs when they appraise them for offering credits. Credit assessment is a data-driven process that requires authentic data as input. But the bookkeeping of SMEs is not that organized. When it comes to SMEs, there is hardly any way to validate the data regarding sales, receivables, inventories, payables, expenditures, and so on. As a result, it becomes difficult for banks and NBFIs to appraise SMEs.

Informal Borrowing

If any individual enjoys any financing facility from any bank or NBFI, it is reported in the Credit

Information Bureau (CIB) report. However, a large portion of the SMEs are unbanked, and they avail loans from microfinance institutions. Loans from the microfinance institutions are not reported in the CIB report. Hence, there is a risk of burdening the SMEs with liabilities, as officials of banks and NBFIs are unable to trace the facilities to microfinance institutions.

Absence of Documentation

Applying for the licenses and keeping the licenses updated involve time-consuming and costly processes. Hence, SME clients are not that motivated to apply for all the licenses that have been declared mandatory by designated authorities to apply for loans from banks and NBFIs. As SMEs usually do not have the licenses ready, banks and NBFIs face many difficulties while financing them.

Narrow Market Access

SMEs usually cover small geographical areas. Their suppliers and customers are located in closer proximity. Lack of efficient logistics does not allow them to leverage business opportunities at remote locations or abroad. Due to narrow market access, it is difficult for SMEs to grow their revenues and cut their costs.

Lower Shock Absorption Capacity

SMEs have lower shock absorption capacity. In cases of macroeconomic instability, SMEs are not able to absorb the shocks like large businesses can. Hence, SME portfolios become impacted in the event of economic shocks.

Challenges Faced by SMEs

SMEs lack access to finance because of the aforementioned challenges that banks and NBFIs face in financing them. Apart from lack of access to finance, there are quite a lot of other challenges that SMEs face.

Higher Interest Rate

According to a circular published by the central bank in May 2024, SMART has been suspended and interest rates have been made market-driven. Since October 2023, the weighted average interest rate of scheduled banks has kept rising. Apart from the facilities under the refinancing schemes, the cost of financing has become very expensive for SMEs.

Poor Logistical Support

SMEs operate in small geographical areas. They cannot expand their businesses beyond their territories because of poor logistical support. Maintaining fleets of their own is very expensive for SMEs. On the other hand, rented transportation adds to costs. Often, SMEs fail to generate cross-district revenues, let alone cross-border revenues.

Lack of One-Stop Services

Often, the SMEs that are manufacturing in nature require lots of licenses, such as trade licenses, environmental clearance certificates, fire licenses, and so on. For these licenses, they have to pay visits to different desks. Licensing would have been much easier if there were one-stop services.

Lack of Forward and Backward Integration

SMEs rely on other business for sourcing and distribution. They cannot ensure forward integration and backward integration. Often they fail to select the right suppliers and the right distribution channels. Inefficiencies are found throughout the supply chain.

Lack of Technological Literacy

SMEs do not leverage technologies primarily because of a lack of digital literacy. Technologies can get the same job done at lower costs and with fewer efforts. SMEs fail to take advantage of technologies and never catch up with the large businesses that employ all the state-of-the-art technologies.

Lack of Skilled Human Resources

SMEs usually do not have the capacity to hire skilled manpower. Skilled workers cost more, but they offer higher productivity and efficiency. SMEs fail to reap the benefits of hiring skilled manpower.

Solutions to Address the Challenges

To address the challenges faced by the formal lenders and the SMEs, the solutions provided below may turn out to be effective.

Scorecard-Based Assessment:

As formal lenders face difficulties financing SMEs due to the insufficiency of documents, robust scorecards can be developed to assess the creditworthiness of the borrowers. Banks and NBFIs may examine their respective SME portfolios and identify the factors because of which SME accounts become non-performing. Based on the identified factors, scorecards can be developed to make credit decisions. The documents that do not impact the creditworthiness of the borrowers can be omitted from the documentation process.

Cash-flow-Based Financing

As SME borrowers often fail to offer collateral to formal lenders, formal lenders need to reengineer their assessment processes. Determining the loan amount based on the market value of collateral is not going to work for SME borrowers. Rather, proposals to finance SME businesses should be assessed based on their cash flows.

Hub and Spoke Model

As SME businesses require close monitoring, the banks and NBFIs may follow the hub and spoke model to closely monitor the SME clients. Decentralised sourcing and credit operations will help to ensure efficient sourcing, faster credit decision-making, and better customer service.

Electronic Know-Your-Customer (KYC) Process

Electronic KYC can now be performed by ensuring the national IDs, photos, and fingerprints of the clients. Electronic KYC is faster, more authentic, and verifiable.

App-based Bookkeeping

SME borrowers should be encouraged by formal lenders to ensure a structured bookkeeping process. Apps can be very useful in this regard. Transactions and bookkeeping via the app will help the formal lenders verify the authenticity of the financial data.

B2B Marketplace for SMEs

SMEs prefer to operate within a specific geographic area. There may be suppliers in distant locations, sourcing from which may be more efficient. However, SMEs often fail to connect with suppliers located at distant locations. Hence, a B2B marketplace may be helpful in this regard.

Training

Formal lenders may organise trainings for their SME clients to raise awareness among them and equip them with the necessary expertise. It will enhance their brand images and help create a potential SME client base.

Technologies SMEs Can Leverage for Better Creditworthiness

There are multiple startups in the country offering solutions that SMEs can leverage to make themselves more creditworthy.

TallyKhata

Since it was launched in 2020, TallyKhata has been providing an app-based digital platform for bookkeeping solutions for SMEs in Bangladesh. TallyKhata provides digital wallets and QR codes for SMEs, allowing their customers to make payments from any bank or mobile banking app. It has more than one million active users. TallyKhata plans to offer digital credit solutions for SMEs in partnership with banks and NBFIs. To help assess the creditworthiness of SMEs, TallyKhata will generate credit scores based on transactions and activities on the app.

SMEVai

SMEVai Technologies Limited is a cloud-based platform offering one-stop business solutions to make SMEs bankable in Bangladesh. The company adopts a 'tech and touch' approach, where it leverages technology with a hint of human expertise. It provides solutions to the primary business requirements of SMEs, namely accounting, marketing, legal, and training

services. It envisions empowering 100,000 SMEs within the next five years.

The instrumental role of lenders in bridging the financing gap for SMEs in Bangladesh cannot be overstated. Lenders have the power to unlock the full potential of SMEs, driving economic growth, job creation, and poverty alleviation. By recognizing the unique needs and challenges faced by SMEs and actively working to address them, lenders can not only empower individual businesses but also contribute to the overall resilience and dynamism of Bangladesh's economy. Thus, fostering a symbiotic relationship between lenders and SMEs is not just a financial imperative but a moral imperative, ensuring inclusive and sustainable development for all stakeholders involved.

EMERGENCE OF
IOT IN BANGLADESH:
## APPLICATIONS, PROSPECTS, AND
CHALLENGES

Written By
Humaira Tabassum

The integration of the Internet of Things (IoT) into business operations represents a transformative shift in how companies operate, innovate, and compete. The IoT connects several sensors, devices, and systems that used to operate in isolation. Combined with the internet, these components can offer various benefits to businesses, such as increased efficiency and the development of fundamentally new services. IoT presents opportunities for businesses to capture more value and expand the scale of their operations in order to stand out against the competition. By enabling devices to communicate and interact seamlessly over the internet, IoT provides businesses with unprecedented opportunities for automation, data collection, and real-time analytics.

The number of IoT connections worldwide is expected to double from about 15.90 billion in 2023 to 32.10 billion in 2030, according to Statista. China will have the largest number of IoT devices by 2033, which amounts to almost 8 billion consumer devices. IoT devices are used across all industries, and the consumer segment will account for approximately 60% of the use of IoT devices in 2023. This proportion is anticipated to remain at the same level for the next ten years.

Figure 01: Forecast of the Number of IoT Connections Worldwide (In Billion)
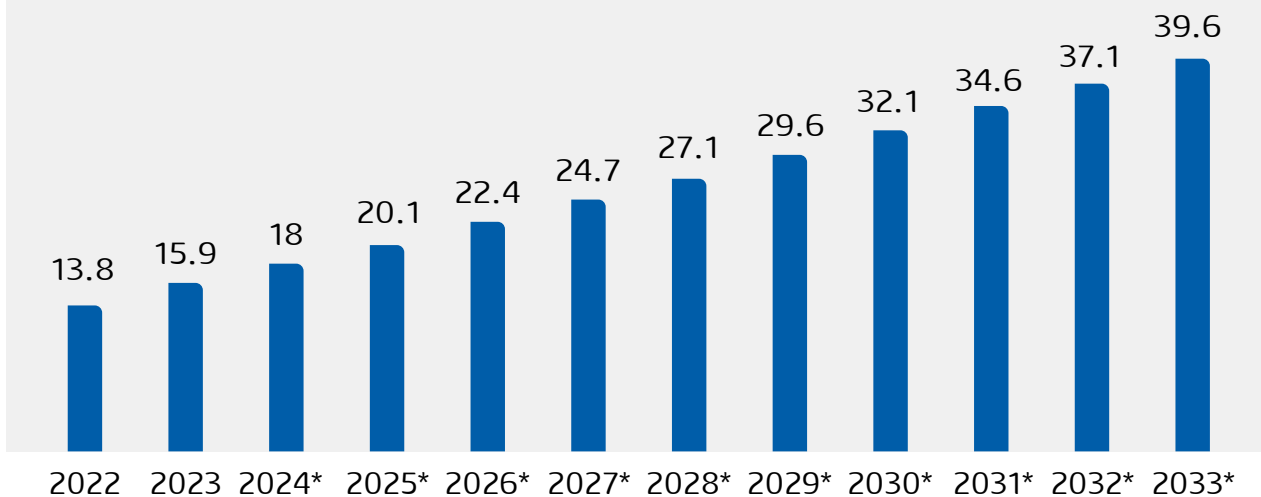
Source: Statista

A Brief History of the IoT

According to Global Defence Technology, the IoT came into being between 2008 and 2009, marking the point when the number of connected devices surpassed the global human population. While IoT-related concepts have been in development for many years, 2009 is often cited as a significant milestone. Today, billions of devices such as cars, refrigerators, speakers, watches, and heart monitors leverage IoT.

The table below outlines the key milestones in the history of the IoT.

Figure 02: Timeline of Development in the Field of IoT

Year	Milestone in the History
1995	Siemens funded the development of M1, a GSM data module for machine-to-machine (M2M) applications.
1999	Procter & Gamble's Kevin Ashton coined the term 'Internet of Things'.
2000	LG announced the world's first internet-connected fridge.
2003	BigBelly Solar launched a solar-powered trash bin that could send notifications over the internet when it was full.
2005	The UN published its first report on the IoT via the ITU.
2008	The IPSO Alliance was founded to promote the use of IP in connected devices.
2009	The number of connected devices exceeded the number of people on Earth.
2011	Nest Labs launched the Nest Learning Thermostat.
2013	Qualcomm founded the AllSeen Alliance, and Intel set up the Open Internet Consortium.
2014	Google acquired Nest Labs and launched Google Glass. Apple launched the Apple Watch and the Apple HomeKit.
2016	GE announced its Predix IoT platform.
2017	Narrowband IoT (NB-IoT) and long-range low-power wireless platforms began to gain traction.
2018	The rollout of 5G began alongside national LPWAN initiatives.

Year	Milestone in the History
2020	Covid-19 disrupted the IoT ecosystem. IoT-based tools supported workplace distancing and contact tracing. The US IoT Cybersecurity Improvement Act was signed into law. Cisco discontinued its smart city offering.
2021	IoT with advanced analytics became prominent in healthcare and advanced manufacturing. IoT security became a top priority among vendors.
2022	Intelligent edge went mainstream and became a primary accelerator for IoT.
2023	IoT-related supply chain and chip manufacturing became more flexible and robust.

Source: Global Defence Technology

Emergence of IoT in Bangladesh

The advent of IoT in the context of Bangladesh played an important role in the technological transformation of the country. It has fostered innovation on many fronts, gearing the transition towards digitalization across different fields. Though Bangladesh has started utilising IoT comparatively late in contrast to many other countries, its adoption is stepping up very quickly in recent years owing to the growing awareness of the country's authorities regarding the opportunities IoT can offer to address existing problems. The Bangladesh Telecommunication Regulatory Commission (BTRC) has indeed played a crucial role by legalising IoT in 2018 to explore versatile sectors including smart building, industry automation, smart grids, water management, waste management, smart agriculture, telecare, intelligent transport systems, environment management, smart urban lighting, and smart parking.

The government's a2i programme is highly proactive in promoting the usage of IoT in the agriculture sector. a2i has proposed an IoT-enabled livestock management system where a wearable collar or tag can be used to monitor the location, temperature, blood pressure, and heart rate of animals and wirelessly send the data to farmers' devices with the help of battery-powered sensors. IoT-enabled soil condition monitoring for crop farming and IoT-enabled water quality monitoring for fish farming have also been proposed.

In the private sector, Bondstein offers real-time monitoring of harsh acceleration, harsh braking, rough cornering, lane changes, excessive honking, seatbelt tracking, and so on under its flagship solution, DriveMark. Bondstein also offers a remote power generator monitoring solution that provides load analytics, voltage parameters, and current flow status to the users.

Robi has been offering 24 types of IoT-related products and services since September 2020. Robi has introduced an IoT-based smart factory management solution for the country's RMG sector in association with nCinga, a start-up company based in Singapore. Grameenphone has introduced an IoT product line with the dedicated app 'Alo'. Banglalink offers an IoT-based vehicle tracking solution.

Challenges

While IoT appears to provide us access to the promised digital world, it also faces several challenges to unlocking its full potential in the country.

Secure and uninterrupted internet connectivity is a prerequisite for deploying IoT systems or devices. High-speed, uninterrupted internet connectivity needs to be available in all parts of the country outside the metropolitan cities.

One of the functional imperative challenges that the country is facing is a lack of technologically

skilled personnel. Bangladesh does not have sufficient experience in the field of IoT. However, there are some efforts to train personnel on IoT by various institutions, such as BRAC University and Grameenphone, in collaboration with the Institute of Electrical and Electronics Engineers, Datasoft, Bangladesh Skill Development Institute, Global Skills Development Agency, etc.

The lack of availability of IoT devices and their compatible services poses challenges too. Smart home services are built based on IoT. Home assistants such as Google Home, Alexa, etc. are not fully operational in the country. Furthermore, there is a lack of IoT-enabled appliances like lights, speakers, locks, thermostats, and sensors to install smart home systems in Bangladesh. Nevertheless, limited numbers of electronic retail shops currently sell smart lights and locks, most originating from China, although they are relatively pricey to customers.

Forward Outlook

To advance the concepts of IoT for improved lifestyles in Bangladesh, the country needs to address the hurdles that are tied to the usage of IoT solutions. This involves educating the top management personnel, whether in the public or private domain, and fostering sufficient partnerships between industry and academia to equip the workforce with technological advancements.

The Internet of Things is revolutionising the business world by offering unprecedented opportunities for innovation, efficiency, and customer engagement. This technological evolution is driving significant changes across various industries, allowing businesses to harness the power of connected devices to streamline operations, reduce costs, and enhance product offerings. The adoption of IoT enables real-time data collection and analysis, which

is crucial for informed decision-making and predictive maintenance, leading to increased operational efficiency and reduced downtime.

One of the most profound impacts of the IoT is its ability to transform customer experiences. By leveraging IoT technologies, businesses can offer more personalised and responsive services, enhancing customer satisfaction and loyalty. For instance, in retail, IoT can be used to track inventory in real-time, personalise marketing efforts based on consumer behaviour, and improve supply chain transparency. In healthcare, IoT devices enable continuous patient monitoring, which can lead to better patient outcomes and more efficient healthcare delivery.

Despite its transformative potential, IoT adoption is not without challenges. Security remains a significant concern, as the proliferation of connected devices increases the risk of cyberattacks. Ensuring robust encryption, regular updates, and secure default settings is essential to protecting sensitive data and maintaining trust. Additionally, the lack of standardisation across IoT devices and platforms can hinder interoperability and integration efforts, posing another barrier to widespread adoption.

Looking ahead, the prospects for the IoT in business are exceptionally bright. As technological advancements continue and businesses increasingly recognise the value of connected solutions, the adoption of IoT is expected to accelerate. This will pave the way for a smarter, more connected future where businesses can achieve new levels of productivity and value. By addressing the challenges and embracing the opportunities presented by IoT, businesses can unlock significant competitive advantages and drive sustained growth in an ever-evolving digital landscape.

Leatherina

Taslima Miji
Founder and Managing Director, Leatherina

Interviewed By
Akhlaqur Rahman Sachee, Team MBR

Ms. Taslima Miji is the founder of Leatherina, a sustainable leather goods manufacturer and exporter. She embarked on her journey in the leather industry back in 2016 out of her passion for crafting artisanal lifestyle products. Her collaboration with the sustainable Dutch brand MYoMY served as a catalyst for her career to evolve as a sustainable manufacturer in the fashion industry. This partnership influenced her to dive into an enduring journey to a sustainable fashion industry ecosystem. Ms. Miji is a passionate advocate for a more responsible and accountable fashion industry, with a deep focus on gender equity and social inclusion. Her pioneering 'Mission Zero Waste' project within her business exemplifies her commitment to promoting responsible consumption throughout the production process. Her startup, Leatherina, is a member of Leathergoods and Footwear Manufacturers & Exporters Association of Bangladesh. Team MBR was in a conversation with the founder and managing director of Leatherina, Ms. Miji, and learned about the inspirations behind Leatherina and her aspirations for the startup.

Akhlaqur Rahman Sachee: Established in 2016, Leatherina is a sustainable leather goods manufacturer that prioritises SDG 5, SDG 10, and SDG 12. Would you kindly share with us how you came up with the idea to form Leatherina?

Taslima Miji: It is no secret that the fashion industry contributes significantly to global environmental pollution. As a part of addressing this issue, Leatherina puts emphasis on building a responsible supply chain. Growing up as a woman, I faced patriarchal obstacles, and I see similar discrimination against women in the fashion industry. It developed a sense of responsibility in me to be a changemaker in the industry by taking action through my work. My company, Leatherina, is dedicated to adhering to the United Nations Sustainable Development Goals. As a sustainable company, we attempt to make meaningful contributions to these goals.

Akhlaqur Rahman Sachee: You have academic qualifications in print media, media studies, and sociology. Later on, you pursued a career in journalism, formed and wound up Techmania, and finally founded Leatherina. Would you kindly share with us how your experience in diverse fields played an instrumental role in Leatherina's success?

Taslima Miji: My previous business was not a success. In reality, I struggled to keep it afloat. The business was highly capital-intensive and required offering a significant amount of credit to the market, and I never found satisfaction in it. The trading nature of the business, which involved importing goods from abroad and reselling them, did not hold my interest. I was constantly looking for a way to move on. Finally, in 2016, I decided to make a change. The leather industry caught my interest, and I wanted to create my own brand while also working for other brands. That is how I started my current business.

Shifting from the computer hardware business to leather goods manufacturing was a massive transition, as there are vast differences between these two. However, I gained valuable insights from my previous business, especially from the failures. I owe a great deal to those setbacks, because those experiences taught me invaluable lessons. I made many poor decisions and encountered numerous challenges, but those experiences were like attending a business school.

The process of manufacturing leather goods captivated me, inspiring me with various designs and concepts. I found it fascinating to create my own collections aligned with the local market. This journey has been quite extensive and incredibly rewarding, allowing me to turn my vision into reality.

Akhlaqur Rahman Sachee: Leatherina has already set its footprint in some North American and European countries. May we know a little more about the future plans for further global expansion?

Taslima Miji: Our leather goods are exported to global markets under different labels. We do not sell or export under the brand name Gootipa. Essentially, we operate as a white-label manufacturer. However, we often hear from our customers, especially those from Bangladesh living abroad, expressing interest in owning Gootipa bags. However, we do not have the facility for global shipping right now. They sometimes place orders online, particularly for their relatives living in various parts of the country. To honour their interest in Gootipa, we hope to eventually ship Gootipa bags worldwide. This is an active dream of mine, and I am dedicated to making it a reality in the future.

Akhlaqur Rahman Sachee: Leather goods with 'Made in Bangladesh' tags being exported to foreign countries is surely a matter of pride for us. May we know some details about the distinctive features that have made the goods Leatherina manufactures so dear in foreign countries?

Taslima Miji: Our bags are cherished by our customers not only for their exceptional craftsmanship but also for the inspiring behind-the-scenes stories. People are drawn to our bags because of our meticulous manufacturing process, ethical supply chain management, positive social impact, solid business principles, and captivating designs. All of these concerns have made the bags we manufacture so dear to the countries we export them to.

Akhlaqur Rahman Sachee: Sustainability is at the core of the operations of Leatherina. Would you kindly share with us the best practices that Leatherina follows in sourcing, manufacturing, marketing, distribution, and other processes?

Taslima Miji: Leatherina's commitment to promoting sustainability flows through our supply chain. We source our leather from certified tanneries that put emphasis on environmentally friendly practices throughout the tanning and finishing processes. Our commitment extends

beyond our own production facility as we attempt to maintain an ethical supply chain. Our partners uphold the highest ethical principles and industry standards, ensuring their raw materials are also sourced responsibly. We prioritise the use of natural and eco-conscious materials throughout our manufacturing process. We meticulously optimise material usage to minimise waste and actively seek opportunities to recycle, upcycle, and repurpose the materials. These efforts collectively contribute to a reduced carbon footprint.

Akhlaqur Rahman Sachee: You have been recently awarded the SME Small Entrepreneur (Female) of the Year 2023 by the SME Foundation, which is surely a great recognition of your entrepreneurial effort. May we know the challenges you had to face as a female entrepreneur and how you overcame those challenges?

Taslima Miji: In our male-dominated society, the female members face quite a lot of challenges in every endeavour, let alone doing business. Family members often do not support them in getting involved in businesses. They get the least priority from the key stakeholders, which include

suppliers and customers. In comparison to male entrepreneurs, the barriers to entry into the market are much higher for female entrepreneurs. Furthermore, female entrepreneurs do not get access to finance like male entrepreneurs do. I myself faced all these challenges, but I was always committed to chasing my dreams. Being driven by the ideas I firmly believed in, I overcame all the challenges and kept making my dreams a reality.

Akhlaqur Rahman Sachee: There are lots of aspirant women entrepreneurs who want to follow in your footsteps and receive the honour like you did. What suggestions do you have for them?

Taslima Miji: While picking the businesses they want to explore, they should pick the businesses they are absolutely passionate about instead of blindly following successful entrepreneurs. They must do a lot of research regarding their choices of businesses and gather market information as much as possible. Insights and data regarding the markets must be combined with every decision. Also, they should always keep in mind that leveraging technology is the key.

CAPITAL MARKET REVIEW

Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market closed the month of May in negative territory. During the month, the broad index DSEX, blue chip index DS30 and Shariah index DSES declined by -6.0%, -6.0% and -6.8% respectively.

Table 1: Equity market performance of Bangladesh and peer countries

Indices	Index Points, May 2024	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	5,252.0	-6.0%	-16.0%	-15.9%	-17.2%	-12.3%	-2.3%
DS30	1,874.8	-6.0%	-11.8%	-10.5%	-14.7%	-15.0%	-0.1%
DSES	1,143.7	-6.8%	-15.9%	-16.2%	-16.9%	-11.1%	-5.8%
Peer Countries							
Pakistan (KSE100)	75,878.5	6.7%	22.4%	21.5%	83.6%	58.4%	110.9%
Sri Lanka (CSE - All Share)	12,170.1	-1.6%	14.2%	14.2%	42.3%	64.4%	129.2%
Vietnam (VNI)	1,261.7	4.3%	15.3%	11.7%	17.4%	-5.0%	31.4%
MSCI Frontier Markets Index	**799.8**	**2.0%**	**3.1%**	**6.9%**	**17.2%**	**-2.7%**	**10.6%**

*All returns are Holding Period Return

Source: Investing.com, MSCI, DSE

Liquidity Condition in Equity Market of Bangladesh

Particulars	31-May-24	30-Apr-24	%change
Total market capitalization (USD* mn)	55,227	59,873	-7.8%
Total equity market capitalization (USD mn)	29,418	34,246	-14.1%
Total free float market capitalization (USD mn)	15,974	12,545	27.3%
Daily Avg. Turnover (USD mn)	56.8	44.2	28.5%
Turnover Velocity~	24.7%	16.0%	N/A

*All USD figures are converted using an exchange rate of 117.5 as of May 31, 2024 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

Figure 1: DSEX since inception along with market turnover
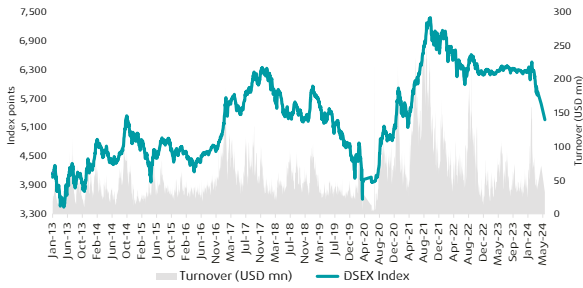
Source: DSE

Market Valuation Level - P/E Ratio

The market P/E decreased to 9.71x in May, 2024 compared to 10.99x in April, 2024. It is lower than the 23 years' median market P/E of 15.00x (Figure 2).

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

Current Market P/E in Context of History
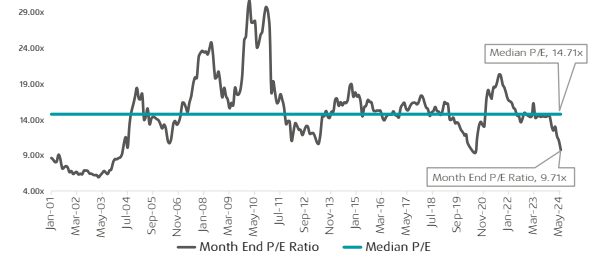
Median P/E, 14.71x

Month End P/E Ratio, 9.71x

— Month End P/E Ratio   — Median P/E

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

Source: CEIC, DSE

Sector Performance

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	4,935	2,638	-8.1%	-16.9%	-20.5%	-18.0%	-3.2%	26.9%	12.9	2.5	2.6%
Bank	5,303	2,913	-9.3%	-15.1%	-14.1%	-13.1%	-12.4%	6.0%	6.0	0.6	5.3%
Telecommunication	3,708	394	-6.2%	-22.8%	-23.7%	-23.6%	-33.9%	-16.8%	7.3	4.5	5.3%
Engineering	2,676	727	-11.9%	-24.8%	-40.3%	-38.9%	-42.8%	-9.4%	13.1	1.5	4.0%
Fuel & Power	2,608	779	-2.9%	-15.2%	-28.3%	-26.7%	-22.0%	-21.5%	8.6	1.0	5.0%
Food & Allied	2,406	780	-8.2%	-30.7%	-30.1%	-30.7%	-25.0%	-3.6%	13.4	6.4	2.6%
Miscellaneous	1,927	834	-2.2%	-7.3%	-1.8%	1.3%	18.2%	107.8%	30.0	2.5	1.5%
NBFI	901	285	-2.5%	-26.6%	-44.1%	-44.1%	-46.3%	-42.1%	15.0	1.1	2.5%
Textile	1,104	629	-4.0%	-14.9%	-24.0%	-21.3%	8.7%	-16.5%	14.7	0.9	2.4%
Cement	875	345	-9.5%	-20.6%	-15.8%	-18.0%	-11.9%	18.8%	10.0	2.7	6.2%
Non-Life Insurance	727	411	-9.4%	-24.1%	-19.4%	-19.6%	-36.1%	66.2%	14.3	1.6	3.3%
Life Insurance	453	262	1.5%	-19.9%	-30.3%	-36.1%	-25.0%	-17.8%	34.1	5.3	2.7%
Tannery	199	94	-8.1%	-16.9%	-23.9%	-25.4%	29.4%	-5.3%	19.5	2.1	1.2%
IT	265	166	-14.3%	-20.7%	-16.8%	-26.8%	32.3%	43.9%	19.8	2.5	2.0%
Ceramics	191	83	-11.4%	-24.8%	-32.7%	-32.4%	-13.1%	-8.4%	76.2	1.5	2.4%
Travel & Leisure	547	233	-5.4%	-11.8%	-10.7%	-42.0%	43.5%	36.3%	16.7	1.2	1.2%
Paper & Printing	217	78	-17.3%	-33.6%	-33.9%	-40.7%	47.1%	11.1%	18.3	1.8	1.4%
Services & Real Estate	191	98	-2.3%	-15.9%	-15.8%	-23.0%	21.4%	43.3%	17.1	1.3	4.0%
Jute	56	29	-46.2%	-48.5%	-44.8%	-43.5%	1.3%	-43.8%	25.8	19.5	0.0%
Market	**29,418**	**15,974**	**-6.0%**	**-16.0%**	**-15.9%**	**-17.2%**	**-12.3%**	**-2.3%**	**9.8**	**1.4**	**3.8%**

*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

Table 4: Performance of different market cap classes

Cap Class	Definition based on market capitalization (USD mn)	% of total equity Mcap	Return*						P/E (x)	P/BV (x)	Dividend Yield
			1M	3M	YTD	12M	3Y	5Y			
Large	≥92	76.5%	-6.8%	-19.2%	-22.3%	-21.6%	2.1%	20.9%	8.8	1.3	4.5%
Mid	28-91	11.2%	-5.4%	-17.1%	-26.8%	-29.7%	-56.4%	-50.5%	14.3	1.2	3.0%
Small	9-27	8.8%	-7.3%	-19.8%	-20.2%	-19.4%	16.3%	34.2%	21.1	0.9	2.7%
Micro	<9	3.6%	-11.1%	-25.6%	-22.6%	-18.4%	-89.6%	-85.6%	23.6	0.7	2.4%
Market		**100.0%**	**-6.0%**	**-16.0%**	**-15.9%**	**-17.2%**	**-12.3%**	**-2.3%**	**9.8**	**1.4**	**3.8%**

*All returns are Holding Period Return

Performance of 20 Largest Listed Companies in Bangladesh

Among the scripts, LHBL, UPGDCL, WALTONHIL, GP 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	2,568	257	0.25	-5.2%	-22.0%	-22.0%	-22.0%	-28.5%	-23.8%	5.6	10.4	5.6%
BATBC	Food & Allied	1,573	1,015	0.40	-1.1%	-3.8%	-0.9%	4.4%	10.6%	7.8%	8.6	2.6	5.0%
SQURPHARMA	Pharmaceuticals & Chemicals	1,511	400	0.63	-10.6%	-36.6%	-36.6%	-36.6%	-34.2%	-12.9%	10.7	5.4	3.0%
WALTONHIL	Engineering	1,326	15	0.17	-15.8%	-31.0%	-50.9%	-49.5%	-57.9%	N/A	15.3	2.0	5.8%
ROBI	Telecommunication	994	99	0.25	-9.0%	-25.7%	-25.7%	-25.7%	-52.2%	N/A	27.9	1.9	4.5%
BEXIMCO	Miscellaneous	862	577	0.21	0.0%	0.0%	0.0%	0.9%	38.0%	460.0%	97.4	1.7	0.9%
RENATA	Pharmaceuticals & Chemicals	659	33	0.03	-3.4%	-10.2%	-5.9%	-7.2%	-1.8%	26.2%	25.4	10.6	2.4%
BERGERPBL	Miscellaneous	625	62	0.03	3.0%	-24.7%	-45.8%	-44.0%	-50.6%	-53.5%	7.2	2.8	6.3%
LHBL	Cement	619	302	0.11	-17.5%	-32.8%	-47.9%	-47.7%	-39.9%	-19.6%	20.7	3.7	1.0%
MARICO	Pharmaceuticals & Chemicals	579	208	0.28	-9.8%	-21.3%	-15.4%	-17.5%	1.9%	65.9%	10.5	4.4	8.5%
UPGDCL	Fuel & Power	538	54	0.08	-13.8%	-20.2%	-18.4%	-17.1%	1.4%	65.8%	13.7	34.3	1.0%
BRACBANK	Bank	508	273	0.19	-12.9%	-21.1%	-5.9%	-5.9%	-22.1%	-26.6%	5.0	1.5	2.7%
BXPHARMA	Pharmaceuticals & Chemicals	447	286	0.00	0.0%	0.0%	0.0%	0.0%	15.5%	47.5%	26.3	0.9	3.1%
ISLAMIBANK	Bank	414	289	0.14	-8.3%	-18.0%	-25.4%	-23.6%	-33.9%	64.4%	8.4	1.6	3.2%
DUTCHBANGL	Bank	382	13	0.05	6.1%	-21.3%	-39.4%	-39.2%	-46.2%	-44.4%	(12.6)	4.7	0.5%
ICB	NBFI	361	47	0.08	-21.5%	-15.4%	-18.4%	-18.4%	-21.4%	13.7%	8.3	1.6	3.1%
BEACONPHAR	Pharmaceuticals & Chemicals	337	48	0.89	8.2%	-8.0%	1.8%	-0.3%	21.1%	151.7%	44.3	35.1	1.5%
UNILEVERCL	Food & Allied	296	205	0.10	-1.9%	-15.2%	-12.9%	-12.9%	-7.4%	22.6%	5.3	1.4	4.3%
EBL	Bank	279	168	0.46	-21.6%	-40.0%	-42.1%	-41.7%	25.0%	634.0%	44.7	11.1	1.1%
PUBALIBANK	Bank	262	51	0.07	3.3%	-8.9%	-17.6%	-16.0%	0.7%	-15.0%	19.3	0.6	2.3%
Market		**29,418**	**15,974**	**56.83**	**-6.0%**	**-16.0%**	**-15.9%**	**-17.2%**	**-12.3%**	**-2.3%**	**9.8**	**1.4**	**3.8%**

*All returns are Holding Period Return.

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

Top Performing Mutual Funds

The top ten open end mutual funds are selected based on the latest published fund size. SEML PBSL Fixed Income Fund, Sandhani AML SLIC Fixed Income Fund and Grameen Bank-Aims First Unit Fund yield positive return.

Table 6: Top ten open end funds based on Fund Size

Name	Asset Management Company	Fund Category	Fund Size (USD mn)^	NAV Return		
				YTD	2023	2021-23
Bangladesh Fund	ICBAMCL	General	160.9	-22.5%	3.9%	8.0%
ICB AMCL Unit Fund	ICBAMCL	General	80.3	-19.6%	3.7%	8.4%
Grameen Bank-Aims First Unit Fund	AIMS	General	14.3	0.3%	7.1%	N/A
ICB AMCL Second NRB Unit Fund	ICBAMCL	General	12.6	-17.3%	3.9%	7.2%
SEML PBSL Fixed Income Fund	SEML	Fixed Income	9.3	2.8%	1.8%	N/A
VIPB SEBL 1st Unit Fund	VIPB	General	9.1	-12.2%	2.8%	N/A
Shanta First Income Unit Fund	Shanta	General	8.5	-22.8%	1.4%	9.1%
MTB Unit Fund	Alliance	General	8.2	N/A	2.2%	7.8%
Sandhani AML SLIC Fixed Income Fund	Sandhani	Fixed Income	7.9	1.3%	6.3%	N/A
First ICB Unit Fund	ICBAMCL	General	7.7	-23.4%	6.3%	10.1%
Market (Broad Index) Return (%)				**-15.9%**	**0.6%**	**5.0%**

*Based on published NAV and DSEX point of June 4, 2024 and May 30, 2024 respectively
^Fund Size based on December 2023

All the top ten closed end mutual funds on the basis of 3 years (2021-2023) outperformed the market during the same horizon. Among them ICBEPMF1S1 (+13.3%) posted the highest return.

Table 7: Top ten close end funds based on 3Y return (CAGR) performance

DSE Code	Fund Size (BDT mn)	Fund Size (USD mn)	Price[1] (BDT)	NAV[1] (BDT)	Price/ NAV	Dividend Yield[2] (%)	NAV Return[3]			Redemption Year[4]
							YTD	2023	2021-23	
ICBEPMF1S1	565.5	4.8	6.1	7.5	82.2%	4.9%	-19.6%	4.5%	13.3%	2030
1STPRIMFMF	192.4	1.6	34.6	9.62	412.7%	2.9%	-29.3%	3.7%	13.0%	2029
PF1STMF	447.0	3.8	6.8	7.5	102.0%	4.4%	-21.8%	6.7%	12.6%	2030
ICBAMCL2ND	410.5	3.5	7.7	8.2	90.1%	3.9%	-19.4%	4.4%	12.1%	2029
ICB3RDNRB	731.0	6.2	5.5	7.3	69.8%	5.5%	-19.1%	4.2%	12.0%	2030
PRIME1ICBA	786.0	6.7	6.2	7.9	85.2%	4.8%	-18.5%	3.0%	11.0%	2030
ICBSONALI1	813.0	6.9	10.4	8.1	120.5%	2.4%	-19.7%	5.2%	9.6%	2033
IFILISLMF1	714.0	6.1	5.6	7.1	77.0%	5.4%	-23.7%	4.7%	9.4%	2030
CAPMBDBLMF	436.1	3.7	8.3	8.7	94.3%	7.2%	-20.8%	-4.1%	9.2%	2027
ICBAGRANI1	818.6	7.0	8.5	8.3	98.3%	5.9%	-20.3%	4.7%	9.2%	2027
Market							**-15.9%**	**0.6%**	**5.0%**	

[1]Price as on May 30, 2024 and index value as on May 30, 2024.

[2]On last cash dividend declared.

[3]CAGR computed for 2021-2023, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year..

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

Foreign Participation in Equity Market of Bangladesh

In the month of April 2024, Bangladesh equity market has seen decline in foreign investment. As of April 2024, total foreign ownership stood at 3.4% of the total equity market capitalization, which was only 1.7% in February 2014.

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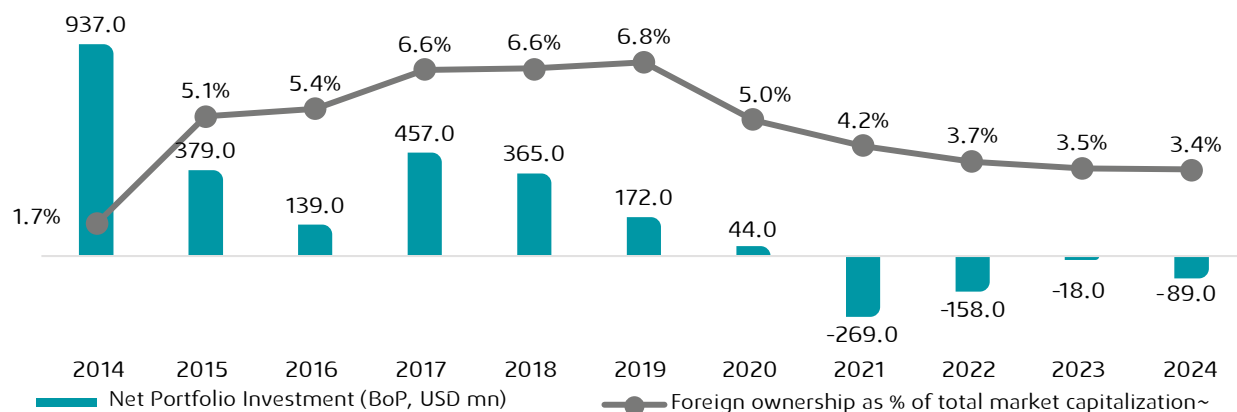
Source: DSE and Bangladesh Bank

Note:
1. % of foreign ownership of equity market capitalization as of April 2024 and net portfolio investment as of June of the respective years.
2. Net portfolio investment of FY'24 includes Jul-Feb, 2024.

Table 8: Top ten companies with highest foreign shareholding as of March 2024

Ticker	Sector	Foreign Shareholding*
BRACBANK	Bank	30.8%
BXPHARMA	Pharmaceuticals & Chemicals	27.9%
NAVANAPHAR	Pharmaceuticals & Chemicals	27.7%
OLYMPIC	Food & Allied	24.2%
RENATA	Pharmaceuticals & Chemicals	22.4%
BSRMLTD	Engineering	17.0%
SQURPHARMA	Pharmaceuticals & Chemicals	13.9%
ISLAMIBANK	Bank	13.0%
DBH	NBFI	11.4%
SHEPHERD	Textile	9.5%

Source: DSE

Performance of BDT and Currencies of Peer Countries against USD

Figure 4: Nine year's relative performance of BDT and peer currencies
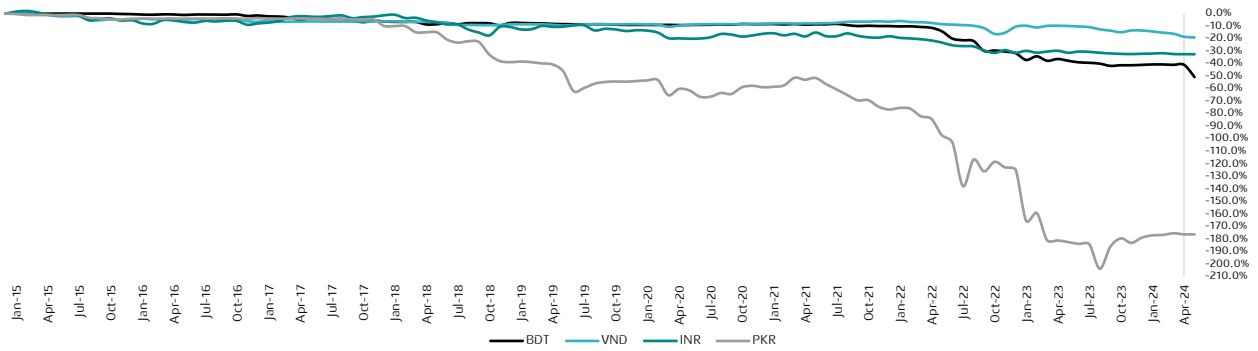
Source: Investing.com

Major Commodity Price Movement

Table 8: Major Commodity Price Movement

Particulars	Price Change					
	1M	3M	YTD	12M	3Y	5Y
Crude oil (Average)	-7.5%	1.1%	7.6%	9.9%	22.7%	21.9%
Wheat (US HRW)	6.3%	3.9%	-0.6%	-21.3%	-2.6%	45.1%
Cotton (A Index)	-4.2%	-12.8%	-4.4%	-8.0%	-4.8%	7.9%
Aluminum	2.3%	17.7%	17.5%	13.0%	5.4%	44.0%

Source: World Bank Pink Sheet
*Average of Crude oil (Brent), Crude oil (Dubai), Crude oil (WTI)