

BUSINESS REVIEW

Digital Financial Services



Contactless Payment



KYC
(Know Your Customers)



Blockchain
and API

Disruptive Forces
of Digital Transformation
Reshaping Banking Experience



AI/ ML for Customer
Servicing



Emergence of FinTech
ecosystem



Customer
Relationship
Management

ফিক্সড ডিপোজিট করতে খুব খেয়াল . . .

ফিউচার প্ল্যান ফিক্সড করে নেয়ার জন্যই ফিক্সড ডিপোজিট। ভবিষ্যতের সঞ্চয় যেন অঙ্গীকৃত হাতে নিশ্চিন্ত থাকে, সেই লক্ষ্যে ফিক্সড ডিপোজিট করার আগে ব্যাংক অথবা আর্থিক প্রতিষ্ঠানটির যে বিষয়গুলোর প্রতি বিশেষভাবে খেয়াল রাখবেন-

- ব্যাংক বা আর্থিক প্রতিষ্ঠানের মোট মন্দাধণের হার
- সুশাসন ও স্বচ্ছ আর্থিক প্রতিবেদন প্রকাশের জন্য জাতীয় ও আন্তর্জাতিক স্বীকৃতি
- দেশজুড়ে আন্তরিক সেবাসহ শাখা অফিসের সহজলভ্যতা

বিস্তারিত জানতে কল 16409 ভিজিট www.idlc.com

৩৩ বছরের অঙ্গীকৃত
নিয়ে আপনার পাশে



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Disruptive forces of digital transformation reshaping banking experience

Banking sector is sitting on the cusp of disruption with the largest tech firms being in the best position to impact legacy banks of all sizes. Banking sector is sitting on the cusp of disruption with the largest tech firms being in the best position to impact legacy banks of all sizes. Banks who adopted digital measures to improve their efficiency reflected high satisfaction in customer experience. Not until recently, the banking industry started realizing the importance of data. Banks need considerable time to streamline their wealth of unstructured data.

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- Mir Tariquzzaman**
Chief Technology Officer (CTO), IDLC
- Shyamol B. Das**
Chief Digital Officer, BRAC Bank Limited

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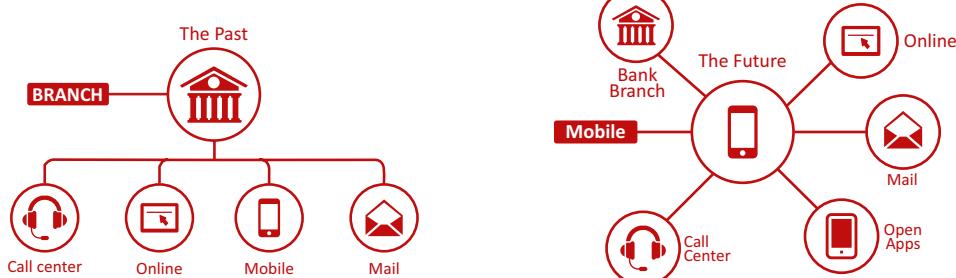
- IDLC Establishes Primary School for Bede Community in Malkhanagar, Munshiganj
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FROM THE **EDITOR**



Source: Deloitte, December 2017

In pursuit of "Digital Moment"

The global banking sector faced a new wave of change when the news of AntFinancial, Tencent and Xiaomi Corp. won virtual banking license in Hong Kong. Mobile cash is catching on in the world's less advanced economies, in some cases, leapfrogging traditional banking. M-Pesa (Kenya) and Telenor Microfinance Bank (Pakistan) have set example of how unbanked citizens increasingly use phones to connect to the digital economy.

Modern digital technology has disrupted this legacy banking model on all levels, starting from enhancing customer experience to bring agility in the credit operation to streamlining back-office related activities, by simply leveraging on customer data. In a world where "data is king", the cutting-edge technological inventions transformed the aura of banking services in the past two-three years. In India, ICICI Bank, HDFC Bank, Axis Bank and SBI are now deploying big data to customer profiling, collaborating with e-wallets to make the payment system more convenient, putting analytics into play in creating loan scorecards and gradually

partnering with fintechs to leverage their technology for superior customer experience.

Bangladesh, albeit trailing far behind from neighboring India when innovation in banking service is in question, however, started making strides. The top banks of Bangladesh are showing an interesting trend in the commitment of organizational leadership for offering digital banking services. Few initiatives by local banks for instance, coming up with paperless e-loan for individual purpose, implementing blockchain technology (pilot basis) for trade finance, partnering with e-wallet (iPay and bKash) and so forth. Although regulatory challenge, for instance, eKYC is still there, the good news is it is being addressed from policy level. It is time regulators should undertake more "digital-friendly" initiatives so that local banks start putting data and technology into play to provide one-stop, paperless and on-the-go banking solution to its customers.

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ECONOMY AT A GLANCE

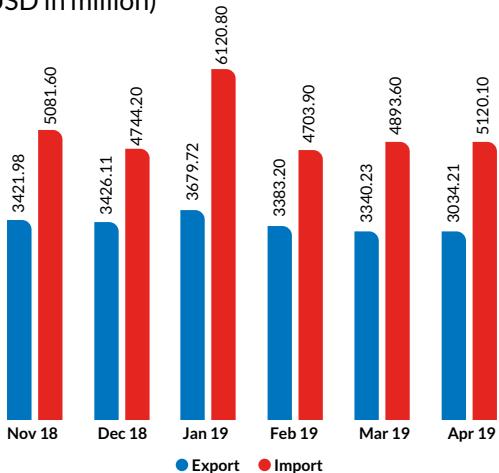
Private credit growth recorded
12.07%
in April 2019

Remittance inflow up
10.75%
15.06 billion
July-May 2019

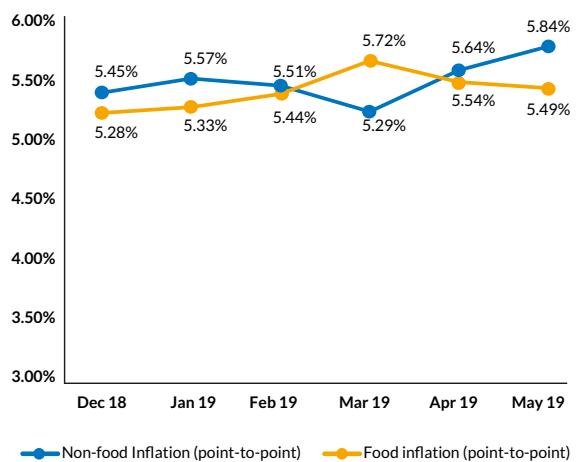
Inflation Rate Down
General inflation
5.48% in May 2019

EXPORT-IMPORT

(USD in million)

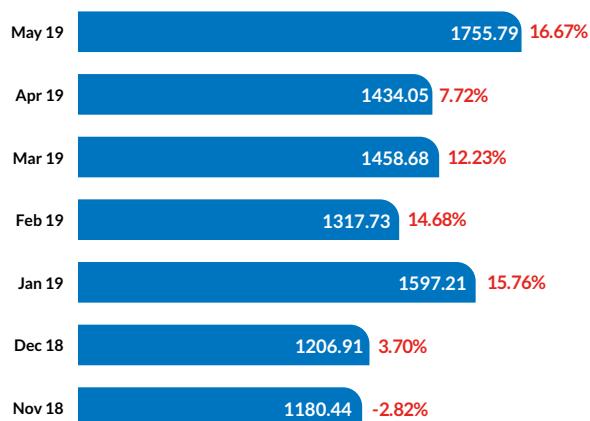


INFLATION

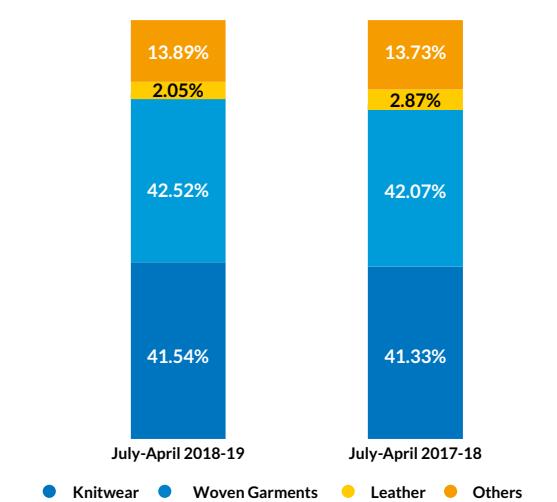


REMITTANCE

USD in million, Y-O-Y % Growth



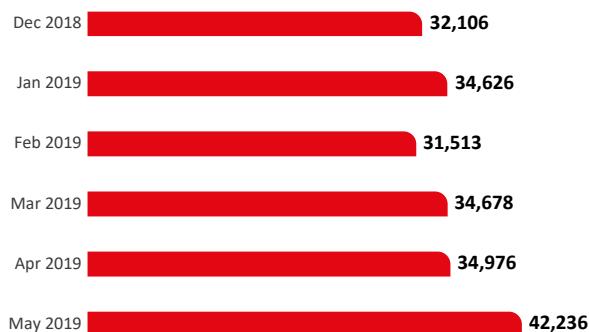
SECTOR-WISE EXPORT



MONTH IN BRIEF

● MFS Transactions hit record high

Transaction through MFS (in crore taka)



● VAT on commission and service charge of online sales of products had been reduced following the demand of e-commerce entrepreneurs.

● 5 % AIT imposed on all types of import by the government.

● The weighted average gas tariff will rise by 32.8% for all users, including households, industries and businesses.

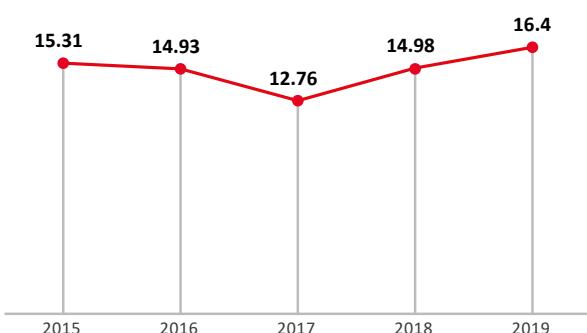
● The average revenue collection growth was 14% in previous five years while the growth rate was the lowest in recent years.

● The government's subsidy expenditure has soared 29.36% to BDT 46,385 crore this fiscal year largely due to its concessions on demands from pressure groups.

● The current account is deficit by 40% with the help of a massive decline in import and an inflow of record remittance in the first 11 months of the just concluded fiscal year.

● Remittance hits all time high in June 2019 by USD 16.4 billion

Remittance inflow (USD in billion)



● Merchandise export earnings grew by 10.55% year-on-year to USD 40.53 billion in the immediate past fiscal year riding on a high volume of garment shipment in a favorable external business environment.

● The National Board of Revenue (NBR) is going to launch a 'mobile app' for increasing the number of taxpayers and preventing tax evasion.

● For the Record

"WE ARE TRYING TO ESTABLISH A STARTUP CULTURE IN BANGLADESH AND TO ACHIEVE THAT GOAL THIS COMPANY CAN PLAY A HUGE ROLE."

Zunaid Ahmed Palak, State Minister of the ICT division, on government initiatives to fund startups.

"The government hiked gas price by 44% for captive power generation and good number of textile mills will not sustain as they could not bear the cost of the high jump in gas price."

Mohammad Ali Khokon, President of the Bangladesh Textile Mills Association, on how gas price hike to hit manufacturing sector hard.

"Local currency taka against the US dollar are the main reasons behind the record receipts."

Kazi Sayedur Rahman, Executive Director of the Bangladesh Bank, on how the central bank is maintaining the exchange rate.

"WE ARE HOPING THE PROCESS OF FINANCIAL INCLUSION WILL ACCELERATE AND WE WOULD WITNESS FURTHER INCREASE IN TRANSACTIONS IN THE COMING DAYS."

SHEIKH MD MONIRUL ISLAM, Chief External and Corporate Affairs Officer at bKash, on how customers can make a direct transfer from their bank account.

"Reforming the banking sector is highly important or else businesses will not get their desired fund."

Ahsan H Mansur, Executive Director of Policy Research Institute, on the credit growth of the private sector of Bangladesh.

"WHILE WE HAVE TO BE MINDFUL OF THE POLITICAL MANAGEMENT COMPULSIONS THAT GOVERNMENTS IN ALL COUNTRIES HAVE TO CEDE TO MORE OR LESS, THE ECONOMIC RATIONALE MUST ALSO BE AT LEAST CONGRUENT TO SUCH ALLOCATIONS TO BE IN NATIONAL INTEREST AND SUSTAINABLE."

Zahid Hussain, former World Bank economist, on government's subsidy expenditure.

WORLD ECONOMIC INDICATOR-AUGUST 2019

Country	Inflation (%)	Current Account Balance (% of GDP 2019)	Gross Domestic Product (yearly % Change)	Interest Rates (%), Ten years treasury bond	Currency Units (per USD)
Frontier Market					
Sri Lanka	3.3	-3	3.7	7.5	177.00
Vietnam	2.4	3	6.7	6.2	23,215.0
Kenya	6.3	-5.2	5.6	9.0	103.00
Bangladesh	5.5	-3.6	8.2	6	84.2
Emerging Markets					
Brazil	3.4	-1	0.5	5.5	3.85
Egypt	9.4	-1.2	5.7	-	16.6
Saudi Arabia	-1.4	3.8	2.4	-	3.75
India	3.2	-1.8	5.8	6.4	69
Indonesia	3.3	-2.6	5.1	7.2	13,995
Malaysia	1.5	2.6	4.5	3.6	4.12
Phillipines	2.7	-2.1	5.6	4.8	51.2
South Africa	4.5	-3.7	-	8.1	13.9
Turkey	15.7	-0.7	-2.6	16.4	5.71
Thailand	0.9	7.8	2.8	1.7	30.9
China	2.7	0.2	6.2	3	6.87
Russia	4.7	6.9	0.5	7.3	63
Developed Markets					
France	1.2	-0.9	1.2	-0.1	0.9
Germany	1.6	6.5	0.7	-0.4	0.9
Italy	0.7	2	-0.1	1.5	0.9
Spain	0.4	0.5	2.4	0.4	0.9
Hong Kong	3.2	4.6	0.6	1.6	7.81
Singapore	0.6	15.3	0.1	1.9	1.36
United States	1.6	-2.4	3.2	2	-
Denmark	0.6	6.8	2.4	-0.3	6.7
Netherlands	2.7	10.1	1.7	-0.2	0.9
Australia	1.3	-1.4	1.8	1.3	1.43
Switzerland	0.6	9.6	1.7	-0.6	0.99
Britain	2	-4.1	1.8	0.8	0.8

DIGITAL DOESN'T HAVE TO BE DISRUPTIVE

Digital transformation simply implies adapting the strategy and structure of an organization to capture digital technology possibilities. Digital technology is no longer in ITs' cordoned-off domain; it is applied to nearly every aspect of the value chain of a company. Managers expect a radical disruption of the company's digital transformation Not surprisingly, many executives expect digital transformation to involve radical company disturbance, enormous new

technology investments, a full change from physical to virtual channels, and the acquisition of technology start-ups.

There are some critical myths about digital transformation according to senior leaders of several companies. We missed something is the inevitable result of something good, the ability to find value in many walks of life.

Myth: Digital requires radical disruption of the value proposition.

Some executives think they have to dramatically change the value proposition of their company or risk experiencing a tidal wave of disturbance in order to achieve a digital transformation. Digital technology is now being enforced to nearly every aspect of the value chain of a company. Global trade barriers and inefficiency in international supply chains affect transport expenses of the shipping container company Maersk. There is also a lack of transparency in the industry. Digital tools allow the company partnered with IBM and government to deploy Blockchain technology from a single

Reality: It usually means using digital tools to better serve the known customer need.

source for fast and efficient access to end-to-end supply chain data. Understanding that digital transformation does not reverse the reason your company is going to assist you identify the technologies that you should be focusing on. Managers who think digital disturbance needs the core company to be wholesale reinvented end up running in a thousand directions. However, if the challenge is simply to better tackle the work of their clients, they will most probably concentrate on the technologies that have the biggest impact on their clients.

Myth: Digital will replace physical.

There is no doubt that digital often allows inefficient intermediaries and expensive physical infrastructure to be eliminated. But that doesn't imply that the physical is completely gone. In the energy industry, we see something

Reality: It's a "both/and."

comparable. In their linked home systems, which contain intelligent thermostats and a range of sensors and detectors, several European electrical utilities businesses have efficiently mixed the benefits of physical and digital.

Myth: Digital is about technology.

Managers often believe that technology change is mainly about digital transformation. There is, of course, technological change but intelligent businesses understand

Reality: It's about the customer.

that eventually transformation is about better serving client requirements, whether through more efficient activities, mass customization or new offerings.

Myth: Digital requires overhauling legacy systems.

Ultimately, digital transformation may involve radically changing back-end legacy systems, but there are excellent dangers beginning with a sweeping IT overhaul. Smart

Reality: It's more often about incremental bridging.

businesses can create front-end apps rapidly while slowly replacing their legacy systems in a modular, agile manner.

It is about both transforming the core with digital instruments and finding and capturing new digital possibilities. Every company we've identified has integrated various digital aspects into its business model, and not all of the modifications have been disruptive or intrusive. The key to success was a focus on client requirements, organisational flexibility, regard for incremental change and understanding

that new abilities and technology need to be obtained and to be protected



ABOUT THE RESEARCH

'Facing Your Mid-Career Crisis'- is an article by Kieran Setiya published on Harvard Business Review, which describes the psychological dilemma about life and decision taken in life at the mid of their career.

How the Digital Economy is shaping a new Bangladesh

RESEARCH IN FOCUS

Digitalization is the keyword for Bangladesh to achieve sustainable development in our economy. Globally service industry adapted innovation in their process which lowers the cost and risk of the operation and one of those innovation is IT outsourcing. The benefit is realized mostly in Asian region as many unemployed are getting opportunity to change their condition through freelancing.

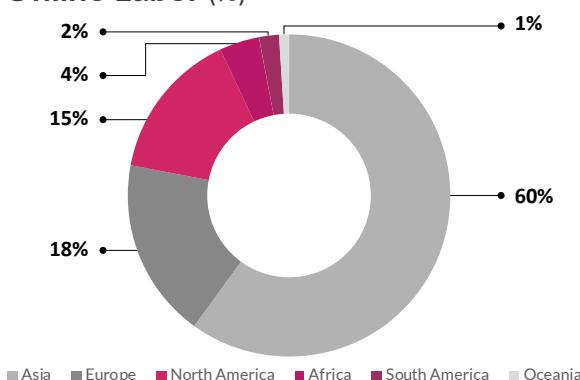
Growing fast in digital world

Asia is the number one region for providing outsourcing services over the world and the job includes computer programming, tax preparation, web designing, search engine optimization etc. The new trend of outsourcing job online created a new market for people with a wide range of opportunities which previously never existed. The wide range of work is categorized into some major type-

- Software development and technologies
- Creative and Multimedia
- Sales and marketing support
- Writing and translation
- Clerical and data entry
- Professional services

Bangladesh is number 2 in the ranking of the country in online labor index, India is in the top accommodating 24% of global online labor services. Bangladesh is covering 16% of online outsourced works and there is a huge prospect in this sector for Bangladesh. The figure shows the percentage of world's online labor distribution among regions were Asia captured the majority of the pie.

Online Labor (%)



Highlights on Digitalization

- There are **one (01) unemployed** young people among ten (10) in Bangladesh
- Bangladesh is the **second largest** supplier of online labor
- There are **650,000 registered** freelancers in Bangladesh
- **500,000 active freelancers** are working regularly
- These worker are generating **USD 100 million** annually

Benefiting the economy of Bangladesh

According to the research article published in World Economic Forum on digitalization, freelancing can be the solution for unemployment problem of our country. Young people can start their career in freelancing by taking some IT training and earn. By freelancing they are just not earning for themselves, they are also contributing to the country's economy. Freelancing is broadening the scope for women to work and contribute more to the economy. Traditionally they sacrifice career to take care of the family, but freelancing will allow them to work.

What is waiting?

If Bangladesh can transform its human resource to a tech savvy workers training them properly and supporting them to take advantage of the opportunities offered by the online labor market, then it can be the solution of unemployment in Bangladesh.

ABOUT THE RESEARCH

"How the Digital Economy is shaping a new Bangladesh"- is an article published on World Economic Forums Publication, is a research work focusing on the freelancers contribution to the economy of Bangladesh.

Why banks in emerging market are providing non-financial services to SMEs?

A report by International Finance Corporation (IFC)

RESEARCH IN FOCUS

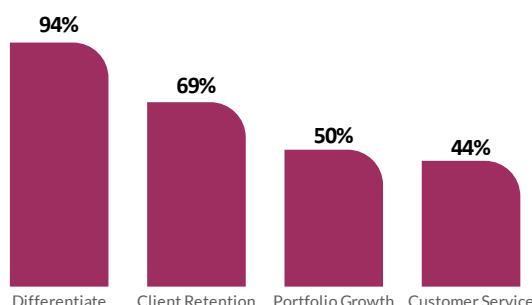
International Finance Corporation (IFC), McKinsey & Company, and the G-201 conduct a research where they generate important data about the market size of the small and medium enterprise (SME) sector and the financing that SMEs need. Commercial banks started understanding the profitability of serving SMEs and prioritizing the needs and preferences of their SME clients, according to IFC. In fact, several banks not only provide financial products to their clients but also other nonfinancial tools and services that help SMEs in many ways like improving their business practice, increasing the ability to pay loans and make them more bankable. These also boost SME customers' loyalty towards banks and help them to acquire new SME clients.

Bank Objectives and Motives Providing Non-financial Services to Small and Medium Enterprises

Most of the banks stated their main objective behind providing SMEs non-financial services is to differentiate themselves from the competition. Competition has intensified as many commercial banks enter the market to facilitate SME sector. So they need to differentiate their services from the services that other banks offer to survive in the long run. Other bank objectives including improve client retention, Improve portfolio growth, Improve customer service.

This study generated interesting insights about the 21 banks interviewed, about their different objectives behind involving in SME sector.

Banks' Objectives for Offering Non-financial Services to SMEs



The main motive for these banks to engage in non-financial service is that they want to be profitable in SME sector. Several banks also admitted that, they have reported higher returns on assets with their SME clients than with traditional clients. According to the IFC's study, a majority of these non-financial services are managed by SME account managers.

The recent rise in SME bank lending in developing markets highly correlated with the fact that, banks are very much interested with engaging in these activity. For designing these activities analysis is required.

Understanding Trend of Financial Services

- The majority of the non-financial services offered by banks to SMEs **are free** or offered at a **reduced rate**.
- **90% of the 21 banks** provide direct support to their SME clientele through their account managers.
- Approximately **85% of SMEs** in the developing world suffer from credit constraints.
- Access Bank in Nigeria provides the Access **SME Toolkit**, which is a free financial tool in CD format.
- Most of the banks started to offer non-financial services to SMEs in the past **one to five years**.



ABOUT THE RESEARCH

"Why banks in emerging market are providing non-financial services to SMEs?" - is a report published by International Finance Corporation on the relatively new banking practice of providing non-financial services to SMEs.



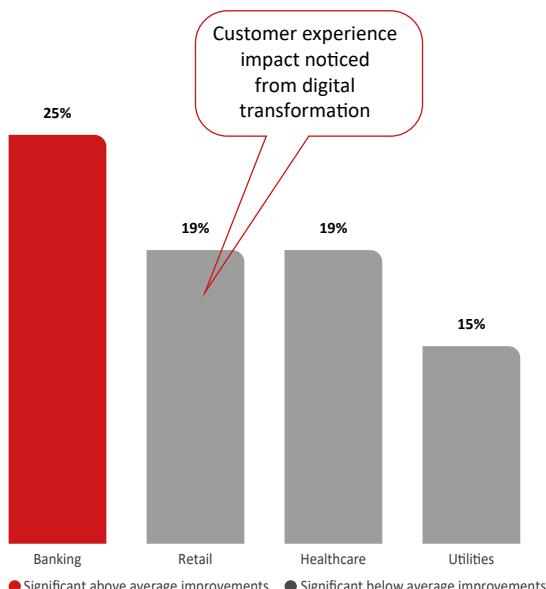
DISRUPTIVE FORCES OF DIGITAL TRANSFORMATION RESHAPING BANKING EXPERIENCE

The banking industry faced the heat of digital disruption when AntFinancial, Tencent join Hong Kong virtual banking race.

As Bloomberg reported, bringing major players in the virtual banking race shook up the city's traditional banking sector. Virtual banks are estimated to snare as much as 30% of revenues from Hong Kong's traditional lenders.

Banking sector is sitting on the cusp of disruption with the largest tech firms being in the best position to impact legacy banks of all sizes. Traditionally, consumers compared their banking providers with other Financial Institutions, but today's customers want their banking service to be much like deeply personalized, digital experiences as they enjoy from Amazon. Research continues to show that people would switch to Amazon if the ecommerce giant offered banking solutions.

Banking sector is one of the realms fully based on trust. Trust and loyalty in banking represent the foundation of current and future financial relationships. Bain & Company's November '18 survey of 151,894 consumers in 29 countries reflect that technology firms, such as PayPal and Amazon garner a level of trust with consumers almost as high as banks in general. 29% of respondents trust at least one tech company more than their primary bank. As the number of challenger banks and technology firms grow, traditional banks find their interactions and engagement with customers diminishing.



Source: Kony Inc. Customer Experience Survey

If the digital giants are going to invade the bank's turf, banks must start to act more like digital giants

Banks who adopted digital measures to improve their efficiency reflected high satisfaction in customer experience. According to a survey conducted in July 2019, banking industry is found to be the most successful industry vertical, with 25% of banking customers reporting a significant improvement in the level of customer experience. But still, this is not enough.

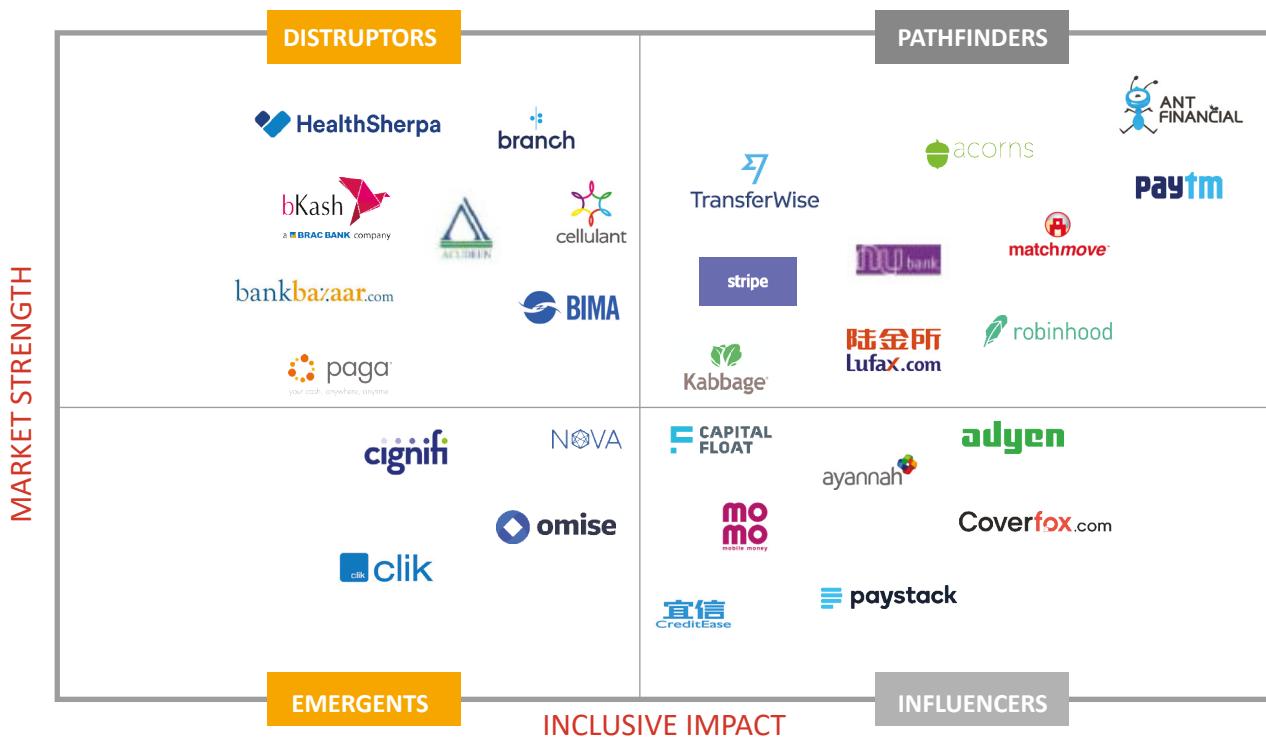
Prior venturing into the digital experience, banks must understand why they should ponder in exploring the digital transformation:

- Profitability is strong and relatively consistent over time
- Offerings are easy to replicate and there is only modest differentiation
- Inefficiency can be reduced by digital transformation
- Consumers and/or segments are underserved
- Innovation has been slow or non-existent

The list not only defines why Amazon or another large tech company may find the banking industry enticing for entry, but why hundreds of fintech firms globally have already entered financial services.



Inclusive FinTechs focus on providing convenient and affordable access to suitable financial services to the un(der)served population



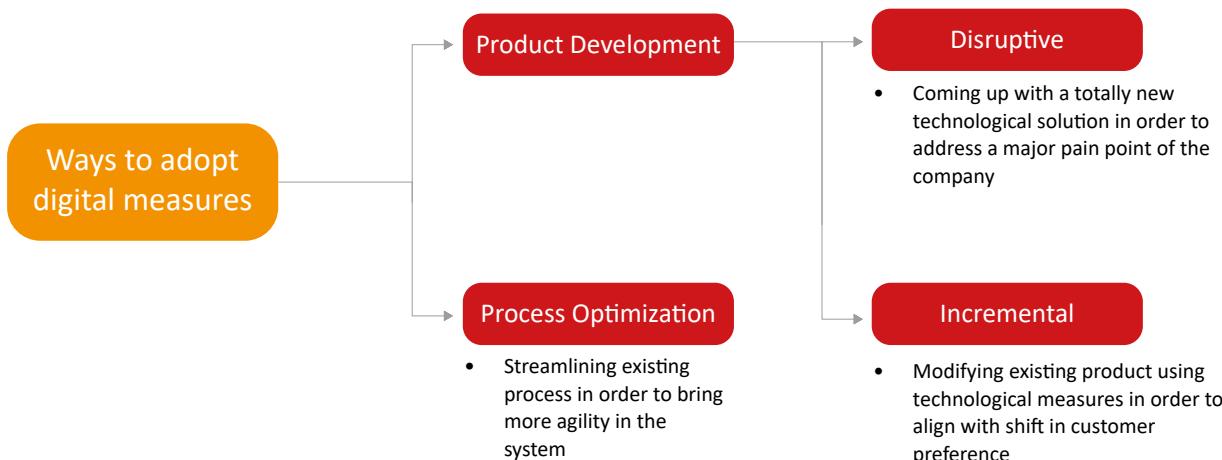
Inclusive FinTech Quadrant

About Inclusive FinTech Quadrant

- 30 FinTechs are selected out of 100 across various geographies
- Selection based on “Inclusive Impact” and “Market Strength”
- Inclusive Impact includes: Types of customers served (millennials, women), Inclusive Technology, Accessibility and availability of products and

services, Product mix (number and kind of products offered), Affordability of products and services

- Market Strength includes: Customer growth rate, Licenses and approvals, Funding Stage, Types of Relationships, Strength of founders, Total employee strength
- bKash, MFS of Bangladesh made its place in Disruptor quadrant demonstrating high market strength and moderate inclusive impact



Organizations are building digital account opening, loan application and new customer onboarding processes, but the majority of these processes still require the consumer to come into the branch or have way too many steps similar to the paper-based processes of the past. And, while almost all organizations know the benefits of expanded data, advanced analytics and AI, very few have used these tools to personalize experiences or proactively offer solutions in real time.

Digitization involves disciplined adoption of appropriate standardized business processes to ensure reliability, predictability, security, and visibility into customer interactions. But identifying viable digital offerings-solutions that customers will be willing to pay for requires experimentation.

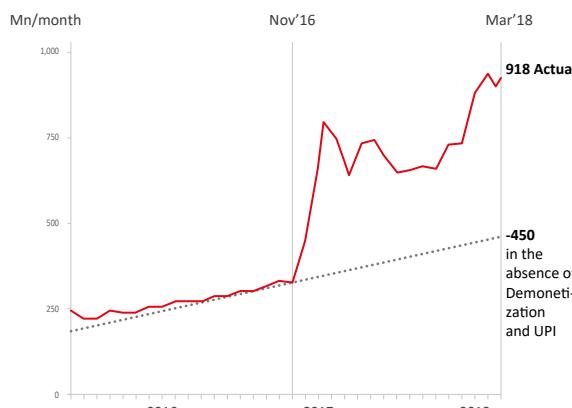
India ramping up on digital innovation

Indian banking and finance sector has long been at the forefront of innovation. From making payments to walking towards a cashless economy- banks have been opening the doors to innovation. Partnering and acquiring start-ups have become a popular method of creating an alliance with the sector. Corporates are also setting up tech labs to foster innovation. However, how India have transformed their MSME sector to become digital, is truly interesting. Currently, 85% of Indian MSMEs have smartphones. This increased access to and consumption of digital data is poised to have a significant impact on overall levels of digitization and business productivity among MSMEs in the country. As a result, in India, the cost of data has fallen by 95% in the last three years, making it the cheapest globally.

The entry of global players such as WhatsApp and Google has the potential to catalyze a step change in digital payment adoption, with small-ticket merchant

Total Digital Transactions of India

India has leapfrogged 2.5 years ahead on the digital payment curve post-demonetization in 2016



Source: RBI database, NPCI, BCG analysis

payments likely to migrate to these platforms in large numbers. In a survey conducted by Boston Consulting Group (BCG) on more than 1,500 MSME owners with annual business revenue between INR 3 Lakh and INR 75 Cr, close to 50% of the MSMEs surveyed said they would use WhatsApp payments once available.

Integrating analytics with social media

State Bank of India (SBI) structured over 60 models that will help them decide on lending, setting up branches/ ATMs, launching new schemes and more. They studied over 120 branches' data, identified trends and then used the power of social media to contact their customers directly. For instance, if a student is congratulated by his family and friends over clearing an entrance exam, SBI congratulates and makes an offer of education loan.

Partnering With E-wallets

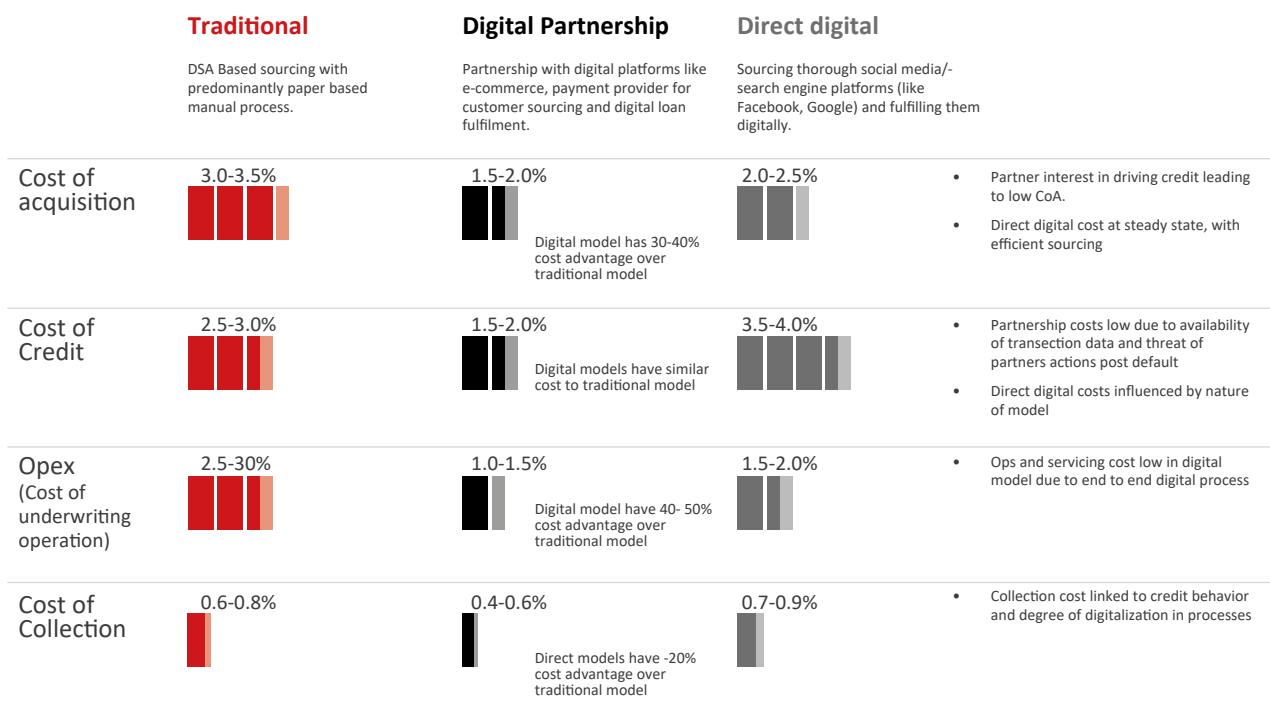
Riding on the back of cashless economy initiatives, most of the top banks in the country have partnered with or acquired start-ups, to adapt their e-wallets and make them accessible to customers. The partnership with startups allowed the banks to grasp the advanced payment mechanism in exchange of banks' database with the former. HDFC bank was first of its kind offering customized service collaborating with Fintech Company, MobMe in 2014. The bank's first digital solution was 'Missed Call Banking' which enabled account holders to check their account balance, giving requisition for cheque book and so on without visiting the bank, which graduated to mobile banking later. Also, HDFC has partnered with PayZapp, a complete payment solutions app where the bank offers digital savings bank accounts, credit cards and instant loan to the 14 million users of PayZapp. Other banks like Yes Bank have partnered with FreeCharge and PhonePe. The alliance gives the banks easy access to technology while also providing start-ups an access to the banks' database.

Smarter Services for Faster Growth

Another way of attracting more customers through innovation has been the launch of services by a bank that promises faster processes to a consumer. YES Bank has rolled out an initiative like SIMsePay, a service that allows a consumer to transfer money, pay bills and use other bank services, without access to the internet. Similarly, ICICI Bank's visa-powered e-wallet Pocket eliminates the need to visit a bank. Apart from mobile recharge, bill purchase, ticket purchase and the like options, a customer can touch and pay without carrying the card at the time of purchase. Also, the app lets the user to open savings accounts anytime from the app. This feature is known as tab banking facility.

Unit Cost Estimate for INR 10 Lacs, 1 –year Unsecured Business Loan

Park aside the traditional measure, there can be two potential ways to adopt holistic digital measures for a Financial Institutions: Digital Partnership and Direct Digital. It shows that digital partnerships offer the best steady state unit economics today



Source: Boston Consulting Group (BCG)

Banking in Bangladesh: Hanging back innovation

In comparison to the Indian landscape, Bangladesh is trailing behind adopting the new streams of disruption in the banking process and combating with coming out of the conservative shell. The lukewarm-responsiveness to digital means of banking ascribes to mindset of the stakeholders, unavailability and unstructured condition of data and dearth of technology-based financial service providers, mostly commonly known as Fintech. An interesting trend is discerned across the globe when innovations in banking sector comes in question, Fintechs work as the driving force behind banks' pulling out their conventional shells.

Alternate Lending Model (BRAC)

BRAC is conducting an alternate lending model with ShopUp, though at nascent stage. ShopUp provides business development support to F-Commerce entrepreneurs, who have credit requirement, however, cannot access to finance via formal means. ShopUp provides business development support to these F-Commerce entrepreneurs and conduct their credit scoring through their algorithm based credit scoring

model. The loan amount is determined through the model and BRAC provides them digital credit. BRAC receives repayment through the startup from the sale proceeds of these borrowers and collection is also conducted by ShopUp.

New Digital Initiatives

Dhaka bank has recently launched a product named "Dhaka Bank e-Loan", a first in Bangladesh, which will help clients get personal loans without any physical contact with the bank's officials. Everything- from submitting loan applications to processing relevant works -- will be done through the digital platform. Initially, the loans will be available for clients with payroll accounts with the bank. For the SME sector, the lender has rolled out three digital platforms - i-Khata , i-Samadhan and Dhaka Bank MSME Bazar - to facilitate entrepreneurs.

App-based mobile banking

Banking without a mobile screen is hard to imagine in this age. Although, internet banking facility is offered by about 40 out of 57 banks in Bangladesh, only 6 banks (5 local and 1 foreign) took online banking service to

the next level- The City Bank, Eastern Bank Limited, BRAC Bank Limited, United Commercial Bank Limited, Mutual Trust Bank Limited and Standard Chartered Bank. These banks rolled out downloadable apps which enable customers access their bank accounts securely from their smartphones. Services offered in these internet banking app include account to account fund transfer (including RTGS, BEFTN), utility bill and internet bill payment, mobile phone recharge, service requests such as re-issue of debit card if lost, cheque-book issue, bank statement request, loan information and the like. Fund transfer leads the internet banking transactions, accounting for 38% of the total transactions made in 2017.

Of late, City Bank and bKash, the country's largest mobile financial services provider went into an agreement that allow Citytouch users make their credit card bill payment from their bKash wallets, Customers of bKash will be able to withdraw cash from any of the 350 City cash machines across the country, with a charge for the transactions. This is the first of its kind in the payment system in Bangladesh. In this way, a customer doesn't have to walk to the City Bank branch to make credit card payment and bKash customers, who are out of banking reach, can enjoy banking services without having a bank account.

Digital Interactive Agent (DIA): Artificial Intelligence (AI) based chatbot

In December 2017, Eastern Bank Limited introduced an Artificial Intelligence (AI) based chatbot, called Digital Interactive Agent (DIA), which communicates with customers via Facebook Messenger and skybanking apps, providing information about their accounts, credit and prepaid cards, and general information about EBL's products and services.

Implementing Blockchain technology

Of late, Dhaka Bank introduced blockchain technology, the first of its kind in Bangladesh, on a pilot basis to help exporters and importers carry out banking from offices or homes. The move is allowing clients to submit all export and import-related documents digitally. The businesses are being allowed to carry out trade-related procedures just by turning up at a branch once.

Microfinance Institutions jumping on digital bandwagon

- 75% MFIs use web-based, real-time, centralized database loan management system
- 81% MFIs use a **third-party service provider's** loan management system
- BRAC introduced **Digital Field Application (DFA)** credit repayment module across most of its branches
- Rollout of Loan Origination module via **Digital Field Application (DFA)** by BRAC, Rural Reconstruction Foundation and Sajida Foundation
- Rollout of **Loan Repayment Module** via DFA by BRAC
- Rollout of **cashless loan disbursement** (pilot-based) in two ways: Mobile Wallet (bKash, Rocket) and Bank Account by MFIs like Sajida Foundation, Shakti Foundation
- Rollout of **cashless loan repayment** (pilot-based) by BURO, BRAC, Sajida Foundation
- **Saving collection through mobile wallets** by BRAC and Sajida Foundation
- Exploration of **usage of data analytics** and big data to develop credit-scoring and **financial advisory model** by BRAC and Sajida Foundation

Challenges for banking sector to catch the “Digital Moment”

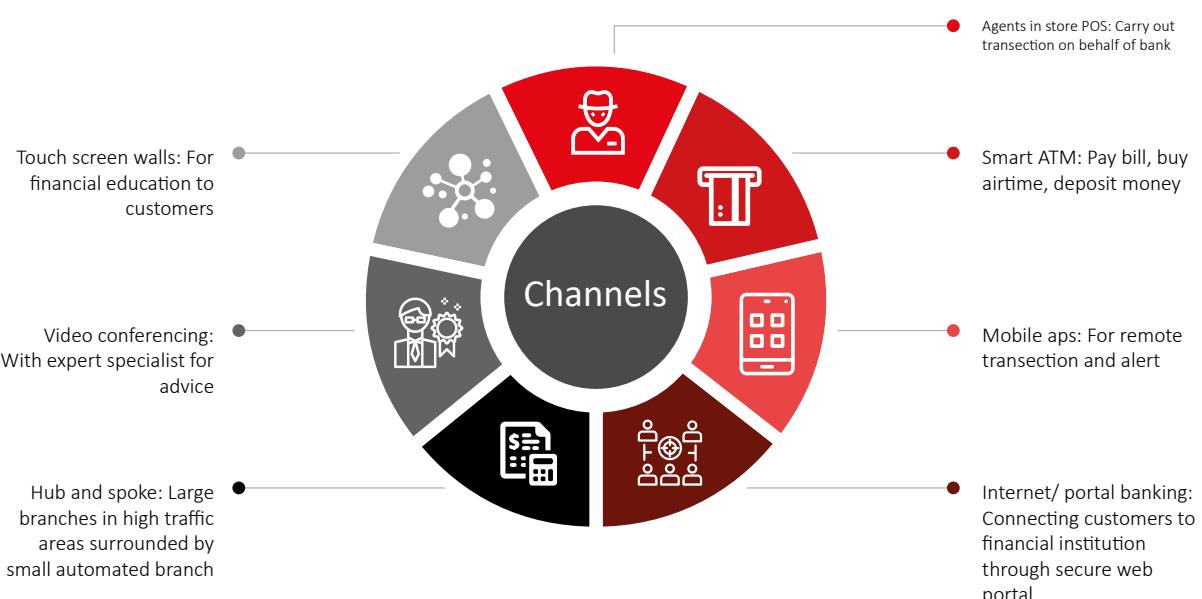
Rolling out of eKYC

The most crucial problem our banking sector is struggling with while offering digital services is, absence of eKYC in Bangladesh. Although eKYC was supposed to be rolled out by June, 2019, it got postponed. However, there are talks in the government level regarding introduction of eKYC, which is prone to roll out soon.

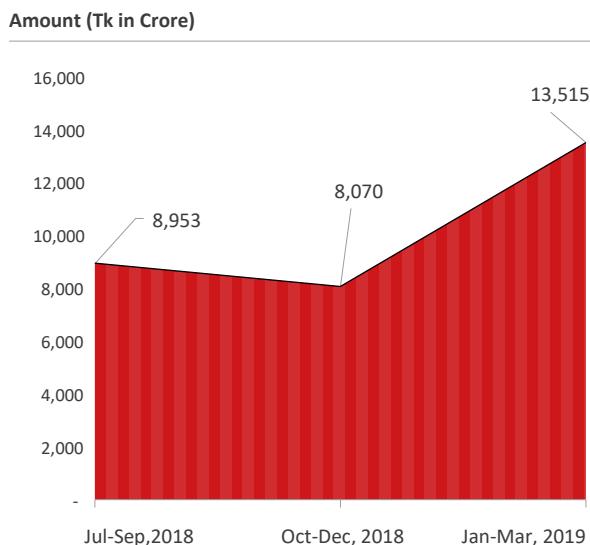
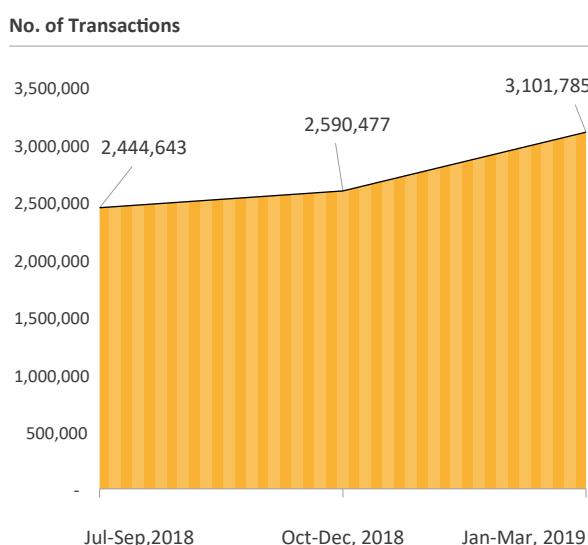
Dealing with unstructured data

Not until recently, the banking industry started realizing the importance of data. Banks need considerable time to streamline their wealth of unstructured data. Also, banks only keep information related to the credit behavior of customers. No such information pertaining to social /behavioral aspect of customers are recorded, which make it difficult for banks to go for alternative scorecard for lending.

Ways customers may connect with the institution



Internet banking leading the way





Mr. Mir Tariquzzaman is the Chief Technology Officer (CTO) of IDLC Finance Limited. He joined IDLC in April 1995 as Management Trainee. He has been in his current role since July 2007. Responsible for establishing and managing a dynamic IT Infrastructure of IDLC Group. Master of Business Administration (MBA) from the Institute of Business Administration (IBA) under the University of Dhaka.

Mir Tariquzzaman

Chief Technology Officer (CTO), IDLC

MBR: What is your strategy for digitalization of your banking services?

Our digitalization strategy evolved with concept of Customer Centricity in the middle. We have a two pronged approach to achieve this; one is to automate back-office processes to shorten turnaround time, make most of the activities (if not all) traceable, and make relevant areas accessible from anywhere and any device. The second is to empower our customers through digitalization. Customers can access related information and request services from his/her mobile device. Thus, our customers will become independent and will be able to take decision and/or act from anywhere.

MBR: What new initiatives your organization is taking for product development and process optimization using new technologies?

We have introduced workflow-based solution to automate our back office processes. The physical processes are replaced with this software-driven digital processing engine. Some of key features of this platform are rule based processing, parallel activities, digitized document, etc. This platform has reduced processing time drastically and our customers are already starting to get benefits from this initiative. This, also, has increased our processing capacity as a result we are now able to design smaller

ticket products, e.g. affordable housing scheme. We are also taking advantage of mobile apps integrated with this platform.

MBR: How technology can be used to enhancing the customer experience of your bank? What is your approach in this regards?

As I have said before, our objective is to empower our clients through mobile apps, portals, websites, etc. This will ensure that we are always at the side of our customers. Customer will “pull” information as and when they require and at the same time “push” activity and service request whenever necessary. We also have FAQ kind of post service. We are also working along with our Marketing & Communication team to

implement chat-bot, (preferably, in Bangla) in Internet space. We are confident to reach and serve a maximum number of people with these solutions.

MBR: Security has always been an Achilles Heel in the discussion of Digital Banking Service. How you are safeguarding your client's data and interest from the threat of cybercrime?

Security has to be designed grounds up and has to be an integral part of all technology implementations and



should be well documented. We have security policy in place which is reviewed and updated periodically to keep abreast of today's dynamic technology world. Every implementation whether it is a simple hardware or large software, must comply with this security policy. Our approach to managing technology security is both inside-out and outside-in. Access level review and monitoring, inbound and outbound Internet traffic monitoring, database access monitoring etc. are some of the tasks of our dedicated technology security team.

Inbound data traffic passes through intelligent firewalls, IDS, and multiple scanners before it can reach the core network. Thus, probability of someone or something hacking into the core network is very low. Moreover, the data center is in another protected layer to ensure further safety of customer data.

MBR: Blockchain, AI Machine Learning in CRM have been the buzzword whenever we google anything regarding digital banking, However these are fairly new concept in Bangladesh. What is your view on adapting these technologies in Banking and how this can impact our local banking industry?

Blockchain could be an important technology to consider for financial institutions of Bangladesh. The level of data integrity offered will be the key point of attraction, benefit of which can be passed on to the customer. If implemented properly, blockchain will boost up customer confidence in digital transaction.

AI and Machine Language will take up large portion of processing and thus will allow us to be more efficient and nimble. If you notice, most of the AI solutions are cloud based. This is because AI requires huge computing power as well data both of

which are available in the Internet space. On premise implementation of AI may take care of small tasks but will not be able to deliver on large scale. Cloud computing needs to be opened up in Bangladesh and regulator should take care of this issue of cloud computing as early as possible.

MBR: The role of regulators is key in unblocking the potential of digital banking in any country. In your opinion what regulatory initiative is necessary for flourishing the digital banking services in Bangladesh?

Regulators must open up more towards technology. We have some robust databases, e.g., CIB, NID, etc. under our regulators but data retrieval process from these databases is archaic. These platforms should have API interfaces available so that financial institutions can directly connect their systems. This kind of initiatives will lead to solutions like eKYC & CIB Score.

Opening up cloud computing for the financial institutions is another issue that regulators must look into. Setting up relevant and compliant policy for availing these services should be in place. This will enable organizations to get access to technology that may otherwise be not possible.

Regulators should also consider Tax rule, offshore payment issues, etc., related with technology import. These should be aligned and/or simplified with the technology vision of Bangladesh. On the other hand, we also should extend our hand to our regulators



Mr. Shyamol B. Das, is the Chief Digital Officer of BRAC Bank Limited from January 1, 2019. Prior to this new role, he was Chief Technology Officer of the bank. Mr. Shyamol has contributed his skills on technological innovations and developments in multifarious environment starting from Telecom, IT Training to logistics, Airlines and then Banking.

Shyamol B. Das

Chief Digital Officer , BRAC Bank Limited

MBR: What is your strategy towards digitalizing your banking service?

Shyamol B. Das: This is very important that, we digitize our services as the customer propensity and market dynamics are changing every day. There was a time when digitization was more like “fashionista”, but now it is a requirement. The world is moving into certain way which makes it immensely important to have certain presence digitally as the customer does not want to come to the bank. They want to do everything on mobile while they are doing every chores. So, it is becoming vital importance for any bank to go into digital platform and BRAC Bank is aligned to this way of thinking. Even though BRAC Bank has been quite a pioneer in IT sector in terms of all kinds of solution since 2007. They were the first to bring the foreign top class core banking system. However, these function are core based functions. For customers to enjoy top-notch banking experience, which is efficient service in lesser time, digitization is very important. So, we are moving towards that direction. We have the platform in terms of core functions and now we are developing a complete digital strategy based on which we have planned the next 10 years. Anything we will come up with, will be based on how the customer will interact on the mobile phone.

MBR: What are the new initiatives of BRAC Bank to address product development and process optimization using new technology?

Shyamol B. Das: First of all, going into digital technology is not about “technology”. That’s the misconception most of the people have in their thought process. Here, we need to think something innovative. When we think about digital, we have to change the mindset of people. So, there is lot of change management, lot of behavioral aspects and of course process re-engineering and process improvement. If you do not do that, all these will fail. So, the first initiative we have taken is coming up with “BRAC Bank Innovation Lab”.

We are probably the first bank or company in this industry to open an innovation lab, where we encourage people to come and give ideas and then we create prototypes of those ideas. Once the prototype is accepted by the business unit and aligned with the regulatory frame work, we go for production.

Then again, in order to do that we have to change the mindset of people by bringing Human Centric Design (HCD) concept. What the customers want is more important than what products should we offer them. We targeted about 400-500 young people of BRAC Bank who will think how to design a product by going to customers, understanding their needs and then designing the product in such a way that fits into the system.

When we try to build or create product, we have to go with the regulatory framework. The biggest challenge is when we abide by the regulatory framework, we cannot go into the market quickly. However, the customer wants instant service- kind of like reward system, where you will always go for better cashback offers. Therefore, if we don't go for quick facilities, quick and better offers, in short, if we do not become "agile", the customer will never come to us. In order to bring the agility and still be in the regulatory framework, a lot of quick process re-engineering needs to be done. These all require lot of change management, shift in behavioral aspects and then product innovation and process re-engineering will take place. Otherwise, it will be just like "Garbage In Garbage Out".

MBR: How technology can be used to enhancing the customer experience of BRAC Bank? What is your approach in this regards?

Shyamol B. Das: Earlier, we used to build products first and sell in the market. Now, we first go to the market and then design products. Our target is to design "customer-centric" product or services. The features of the products and services will all be decided by them. We will just understand their needs and design accordingly. We do customer profiling and create a

"customer journey". When we create the journey for the customer, we define their experience in each stage of the journey. For instance, what should be a customer's experience when s/he is coming out of university, after getting married, having kids, retirement and even

after death, how can we serve his/her family members. Therefore, to design the entire customer journey, we have to come up with lot of solutions, lot of features, lot of rewards and lot of plans.

Our target is to go with students who are just graduating from universities. Because that person is at the age of 24 and can bank with us for next 24 to 25 years. It is exhilarating to think of the experience if we can map his journey, and that level of experience can only be brought with service improvement.

If a customer feels BRAC Bank's products give them what they want, s/he will have a good experience and will use our app. Otherwise, there are thousands of apps and solutions in market.

MBR: Security has always been an Achilles Heel in the discussion of Digital Banking Service. How you are safeguarding your client's data and interest from the threat of cybercrime?

Shyamol B. Das:
The biggest mistake we make in our country is first we develop a product

and then think about security. Our approach is different. From the first of developing any idea, we keep security next to us. In every stage we assess what should be the security steps, how we should carry forward it. Once we design the product and the product goes into



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the market, by default it has a security circle by itself. Remember that, it is not the responsibility of bank itself, it's the responsibility of the customers as well. So, we also educate our customers about their responsibilities to ensure their security.

We say that the other side of the technology are smarter than you. They can be always two steps ahead. No bank or company can be 100% secured. But still, we must be aware and planned so that the problems can be mitigated. We always see this as a partnership or coordination of different departments come together to make sure that the customer is secure, the bank is secure and the customer has better experience.

MBR: Blockchain, AI Machine Learning in CRM have been the buzzword whenever we google anything regarding digital banking, However these are fairly new concept in Bangladesh. What is your view on adapting these technologies in Banking and how this can impact our local banking industry?

Shyamol B. Das: If you see, these AI, machine learning were always indirectly there at a very minimum stage. For example, data was always there but we never played with data and came up with insights. Now, in the digital, we just started putting these technology ideas. AI is basically cognitive science. How we think, how the customers are thinking, how was the customer journey- to plan all these things we need to put the technologies in a place that gives us superior abilities and output.

The question is that, are they matured in Bangladesh? Yet not. Are these matured in other countries?- Getting matured. So, we need to do a lot of partnership with the companies, fintechs who are doing these jobs, bring them on top of our platform and then use their solutions bit by bit. So, maturity is a question but it will help the local banking industry because it is much smarter.

These technologies are nothing but customer experiences. But people forget about one important concept that is, data analytics. If you do not do proper data analytics, bringing all these technologies will not help. So we should make sure that we have a proper data mart and only then we can rip the real value out of these technologies.

In the last few years, BRAC Bank grew exponentially and quickly, so we could never structure the data. Now

that we are venturing into digital era, it is of utmost importance to structure the data by putting a data mart, putting segmentation and analytics in place. If you are doing good business now, you will do 30-40% more with the help of data and technology. And when your data mart is in place and you put AI and robotics, you will do 70% -80% more business. At the time, you do not need more people, you just to relocate the existing resource in order to bring out the best productivity.

MBR: The role of regulators is key in unblocking the potential of digital banking in any country. In your opinion what regulatory initiative is necessary for flourishing the digital banking services in Bangladesh?

Shyamol B. Das: eKYC is the most important. It should be opened in a graded manner. For instance, for mobile banking, it can be open up to BDT 1 Lac to 3lac, for banking only, from BDT 5 Lac to 10 lacs etc. It is like a prototype. Once the eKYC is well established and on the run, most of the problems will be solved.

Lastly, most of the regulatory bodies are not automated with their platforms. They have to become automated and mostly digital, need to take initiatives and be aligned with the government initiatives. Once they are aligned and their platforms are synchronized, the private sectors will come forward to make it a better digital financial eco system rather than having silo systems.

IDLC Establishes Primary School for Bede Community in Malkhanagar, Munshiganj



IDLC Finance Limited built a primary school for Bede Community in Malkhanagar - a remote village in Munshiganj where there has not been any educational institution until now for the Bede Community. In partnership with Alokito Shishu, a voluntary organization dedicated to educating all the underprivileged children of Bangladesh, IDLC financed to build the primary school and also made arrangements for the provision of essential educational tools and stationaries for 45 students in the school.

The school was officially inaugurated on 11th July, 2019. Present in the inauguration ceremony were Arif Khan, Managing Director & CEO of IDLC Finance Limited, Md. Farid Mia, assistant headmaster of the Malkhanagar High School and Media Personality Shabnam Faria.

Mithun Das Kabbo, Founder & CEO of Alokito School was also present in the school opening ceremony.

This campaign is a part of IDLC's CSR initiative "Khushir Kheya".

"Quality education is a basic right for every children. IDLC will keep working to ensure even the minority of the society gets their rights even in remote areas."

- Arif Khan
CEO & MD
IDLC Finance Limited

IDCOL & IDLC to jointly finance PSF project of Debonair Group



M. Jamal Uddin, Deputy Managing Director, IDLC Finance Ltd; Nazmul Haque, Director (Investment) & Head of Advisory, Infrastructure Development Company Ltd; and Mr. Mohammed Ayub Khan, Managing Director of Debonair Synthetic Fiber Ltd, exchanging documents after signing a term-sheet on Green Financing at the Corporate Head Office of IDLC on July 11, 2019

Infrastructure Development Company limited (IDCOL) and IDLC Finance Limited (IDLC) signed a MoU on promoting Sustainable Financing held at a ceremony at the IDLC Head Office on May 22, 2019, and this is the first transaction under the MoU.

The purpose of the MoU was to jointly promote low-cost long-term financing to eligible borrowers of IDCOL & IDLC, having strong credit standing, for their eligible projects i.e. Renewable Energy, Energy Efficient Technology, Waste Management, Recycling, Environment-friendly Brick Production, Green Industry/Building, Workplace Safety, etc.

The new environment-friendly project of Debonair Synthetic Fiber Ltd will set up a Polyester Staple Fiber

(PSF) industry producing both recycled and virgin grade polyester staple fibers from the PET flakes and chips of recycling, Virgin and Semi-Virgin quality. The project is the backward integration of their existing export-oriented outerwear & homeware manufacturing units.

M. Jamal Uddin, Deputy Managing Director, IDLC Finance Ltd; Nazmul Haque, Director (Investment) & Head of Advisory, Infrastructure Development Company Ltd; and Mr. Mohammed Ayub Khan, Managing Director of Debonair Synthetic Fiber Ltd, signed the term-sheet on behalf of their respective organizations. Senior officials of the three organization were present during the signing ceremony.

CRAMSTACK



Mr. Mir Sakib is the CEO of the Cramstack. He is working in data analytics for more than 4 years. His research and development in NLP and Big Data mining is helping him to lead Cramstack on building technologically sustainable Data products for its clients.

Mir Sakib
CEO, Cramstack

The formative stage

Mr. Mir Sakib graduated from North South University in Computer Science and Engineering department in the year 2015. Later on, he started his journey as a management trainee officer at Incepta and during that time he talked with his manager and joined (Election hackathon of Asia foundation) as he was bored working in a structured organization. There he made an analytic product which was bit unique. He won there and got an offer to start a team. So, after a few months he quite Incepta and also joined somewhere else to learn how cloud software were made. His vision was to start a Deep Tech company, later he founded Cramstack in April 1st, 2016. Cramstack was registered on September, 2016. But that time they were working with the idea of using data. They also tried to figure out what we can do with data. They were working in two aspects. They came up with a product that was user friendly so that a user can easily search for any kind of data from a database in plain English. Sakib used to build reporting modules so that management at 4pm can find data and use that in their excel work. That time an innovative idea came to his mind that why they do not build a system where a user can ask any question like we search in google about data and according to that the system itself bring the data.



Product and service portfolio

Cramstack has two parts. One is product which is the Natural Language Query Search Platform for Enterprise database, the other part consists of services which includes Data transformation & storage, Insight extraction, Data Visualization and Analytical scenario generators. In Bangladesh they focus on giving full solution services required for the analytical part in a digital transformation process. Cramstack has gained experience over the years on building processes consisting of image recognition,

text analyzers and insight recommendation systems which helps their client to fully utilize data. Cramstack worked alongside BCG to develop a Data Analytics platform for the Ministry of Power. We collect all the data sources from their multiple pdf files, excels and images. They have all the data scattered but at the time to access they cannot utilize that. So, we collect all the data of the Power utilities and through this, we brought all the power station live that can be beneficial for the management team as well as for stakeholders. They use the platform to arrange meetings and other daily operational work for the both operations and finance department of the organization. It is a kind of data analytical platform where Cramstack provided the Analytical Dashboards and the Scorecard to optimize the collected data. Cramstack is also providing similar kind of product to National bank where they are providing Bank Statements scoring system and

Consumer Profiling Analytics. They also do data exertions and build intelligence data stream lining through which they collected data from pdf or excel and bring them in a common platform that is more usable for users and for the system as well. After that, they transform the data, exert insights and then predict and forecast. In custom segmentation for credit transaction they use credit card statements and do transaction profiling. After that, they do the segmentation and also recommend which user is more suitable. Generally, banks do not get the information about your salaries and income unless you do not update it. However, with this system they go through with the users transactions.

Scalability driven Business model is the key

Cramstack focuses mainly on cost based revenue model for the initial years. They are now going for B2B contracts. But in the near future, they are focusing on the data analytics service as a service which will provide solution to users on a monthly/annual basis. In terms of scalability Cramstack. Instead of having numbers of clients, they prefer to improve the quality of the work. They believe, if they provide quality people will appreciate.

Cramstack, through its innovative product was selected for the GP Accelerator batch 02. This was only one of the many achievements that Cramstack was able to get, as they won the Digital Winners award for 2017 in Bangladesh and Echelon top 100 prize from Bangladesh. Aside from national accolades, Cramstack won many awards abroad notably being in the top 15 of the prestigious Startup

Grind Silicon Valley 2018. In the same year, Cramstack got selected for the Nvidia Inception program 2018 and was also selected as a Portfolio company in the Rockstart Artificial Intelligence Accelerator Batch 2 which is the premier Artificial intelligence accelerator in Europe.

Roadblocks for Cramstack

The main challenge for Cramstack is cash flow. They need to rely on firms to sustain as they go for B2B contracts. For B2B business, it is tough to get funds as most of the investors want to see results in daily basis. But they maintain a time frame.

Surfing the world of data analytics

Digital transformation is a billion dollar industry for Bangladesh. Our population density is very high that means we have huge pools of database. When the data is automated for the business then comes analysis through which people can optimize more. In future, they want to serve both Bangladesh and foreign countries. For Bangladesh they want to be a 360 degree data analytics company. They want to build a predictive and recommending system for the user within Bangladesh. They also want to build a natural language for all through which people do not need any kind of technical skill to have access to data or analysis data. Cramstack's main goal is to cut down time and technical knowledge requirements for people to access data and their main vision is to bring out a certain range of product through which with one search, anyone can analysis data.



HOW TO BATTLE IDENTITY THEFT AND ENSURING SAFETY OF FINANCIAL PRODUCTS?

Financial identity theft refers to the abuse of user information by stealing personally identifiable information for financial gain. Financial identity theft has been an alarming issue in Bangladesh for last few years, as several incidents of identity theft came to light. Fraud occurs when variety of fraudulent accounts like new loans, credit cards and lines of credit will be cloned against your original accounts.

Identity theft, with fraudsters taking advantage of weaknesses in the cards, ATMs, POS and banks, is on the rise in Bangladesh. So financial service users of Bangladesh should be cautious to ensure safety of their financial assets. There were many cases of fraud occurred due to identity theft in Bangladesh. In 2017 BDT 25 lacs were stolen using 40 clone cards. Exploiting weaknesses in credit and debit card security systems, fraudsters attacking ATMs, point-of-sales (POS) and banks, which is alarming. So to stay secure from these fraudsters, everyone who uses financial products, should follow some measures.

Target information

Purse, wallet, mailbox, briefcase, and home are places thieves can steal personal information. Personal computer is a big target for the hacker because computers hold information which is more than enough for hackers to do a mischief. Information passed through internet is another option for hackers to steal the information. Social media, different online gateways for financial transaction are places which can be traps for the financial services users.

What to do when you suspect a case of identity theft

- **Reporting to concerned FI**

As soon as you understand that there is a fraud committed using your information, you should notify the FIs quickly so that they can halt the transaction occurred and save you from financial losses.

Things to remember

- PIN should not be kept with anyone unless any intention of using it for a specific purpose.
- Someone should provide PIN number only when it's necessary to do so.
- All the financial statements and other documents containing important personal data should be shredded before discarding.
- Use a locking mailbox or secure mail slot to help protect important mail and new credit and debit cards from identity thieves.
- Limiting shares on social media is necessary because information like place of birth or dog's name could be an answer to an online security question.
- Frequently changing passwords for credit cards, debit cards and any online transaction portals.

- **Change all affected account passwords**

Change all of your passwords on any account that was affected by fraud. If one of your existing accounts doesn't have a password, now is the time to create one.

- **Replace your stolen cards**

If any of the cards you use is stolen, immediately you should inform the issuing bank and replace the old one.

- **Reporting fraud to police**

For any fraud case it is wise to inform police about the fraud. It will help the law enforcement agencies to find out the fraudsters easily so that that group cannot commit any further crime.

CAPITAL MARKET REVIEW

Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market closed the month of July in negative territory. During the month, the broad index DSEX declined by 5.2%, losing 282.8 points. Blue chip index DS30 and Shariah index DSES also slumped by 5.2% and 5.1%, respectively.

Among the regional peers, Pakistan (-5.8%) also closed the month in red, while Sri Lanka (+10.5%)

and Vietnam (+4.4%) yielded positive return during the month. Meanwhile, MSCI Frontier Markets Index gained 2.9%. Vietnam showed the most encouraging longer term track record with a 5 years' return of 66.4%, while Bangladesh yielded 16.1% return during the same period. In the meantime MSCI Frontier Markets Index yielded -3.8% return.

Table 1: Equity market performance in Bangladesh and peer countries

Indices	Index Points, July, 2018	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	5,138.8	-5.2%	-1.2%	-4.6%	-3.1%	13.6%	16.1%
DS30	1,827.9	-5.2%	-1.0%	-2.8%	-2.8%	3.3%	12.4%
DSES	1,181.2	-5.1%	-2.0%	-4.2%	-5.6%	6.5%	N/A
Peer Countries							
Pakistan (KSE 100)	31,938.5	-5.8%	-13.2%	-13.8%	-25.2%	-19.2%	5.4%
Sri Lanka (CSE - All Share)	5,935.3	10.5%	8.3%	-1.9%	-3.4%	-7.2%	-12.9%
Vietnam (VNI)	991.7	4.4%	1.2%	11.1%	3.7%	52.0%	66.4%
MSCI Frontier Markets Index	752.1	2.9%	5.8%	11.6%	1.2%	19.1%	-3.8%

* All returns are Holding Period Return

Source: Investing.com, MSCI, DSE

Liquidity Condition in Equity Market of Bangladesh

During July, the total market capitalization decreased by 4.1%, while free float market capitalization decreased by 5.6% as well. Meanwhile, average turnover of July 2019 was BDT 4.1 bn (USD 48.1 mn), decreasing by 14.9% from that of last month. Accordingly, turnover velocity which represents overall liquidity of the market increased to 28.0% in July compared to 23.0% of last month. In 2018, turnover velocity of Bangladesh equity market was 37.7%, whereas it was 5.4% in India, 6.9% in Sri Lanka, 34.8% in Vietnam and 70.7% in Thailand.

Table 2: Market capitalization and turnover statistics

Particulars	31-Jul-19	30-Jun-19	% change
Total market capitalization (USD* mn)	45,382	47,316	-4.1%
Total equity market capitalization (USD mn)	38,410	40,361	-4.8%
Total free float market capitalization (USD mn)	15,481	16,401	-5.6%
Daily Avg. Turnover (USD mn)	48.1	56.6	-14.9%
Turnover Velocity~	28.0%	23.0%	N/A

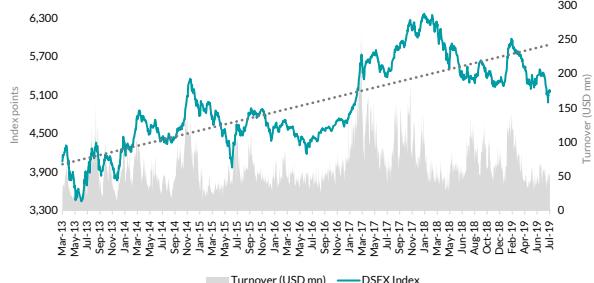
**All USD figures are converted using an exchange rate of 84.5 as of July 31, 2018 as per Bangladesh Bank website.

~Turnover velocity is calculated by dividing monthly total turnover with month-end market capitalization. The figures are annualized.

Historical Index Points and Market Participation Data

Since its inception on January 27, 2013, DSEX yielded a holding period return of 26.7% till July, 2019. During the same period, daily average turnover of the market amounted to BDT 5.5 bn (USD 65.1 mn) (Figure 1).

Figure 1: DSEX since inception along with market turnover



Market Valuation Level - P/E Ratio

The market P/E decreased to 13.48x in July, 2019 which is lower than 18 years' median market P/E of 15.16x (Figure 2). In terms of trailing 12 month P/E ratio equity market of Bangladesh is cheaper than most of its regional peers. (Figure 3).

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

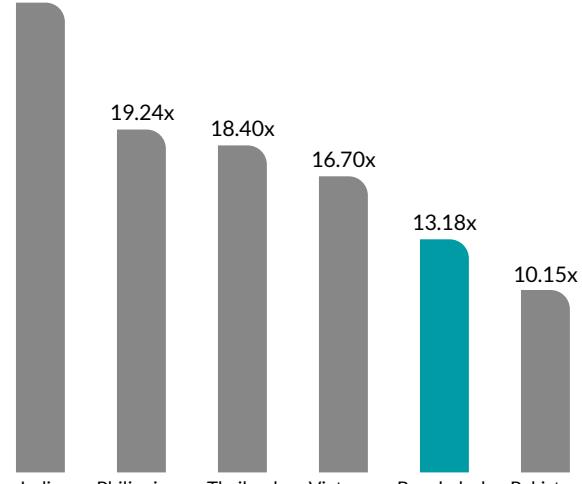
Current Market P/E in Context of History



*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



The largest sector in terms of market capitalization, Bank is relatively undervalued in terms of P/E ratio. On the other hand, Telecommunication sector has the highest dividend yield of 8.1% among all sectors.

Table 3: Sector performance snapshot

Sector	Market capitalization (USD mn)		Return*						P/E (x)**	P/BV (x)^	Dividend Yield~
	Total	Free Float	1M	3M	YTD	12M	3Y	5Y			
Bank	6,922	3,905	-2.6%	6.8%	3.2%	13.3%	51.5%	77.2%	8.4	0.9	2.1%
Pharmaceuticals & Chemicals	6,126	3,295	-1.5%	-1.5%	3.1%	6.1%	21.5%	83.2%	12.8	11.9	1.8%
Telecommunication	5,544	592	-8.9%	-7.6%	-5.3%	-7.8%	39.1%	35.2%	16.7	2.5	8.1%
Fuel & Power	5,550	1,426	-2.3%	-1.1%	7.6%	11.8%	37.8%	68.2%	12.8	1.6	3.9%
Food & Allied	3,377	1,220	-9.4%	-0.2%	4.3%	12.1%	31.1%	62.8%	28.2	8.1	1.4%
Engineering	2,246	1,128	-5.3%	-2.1%	-7.6%	-11.7%	14.6%	90.3%	14.1	1.6	1.0%
NBFI	1,938	573	-9.7%	3.1%	-10.7%	-11.6%	25.2%	21.8%	17.5	1.6	3.4%
Textile	1,483	829	-10.8%	-2.7%	-12.3%	-9.2%	43.4%	53.2%	14.4	0.9	2.1%
Miscellaneous	1,303	355	-3.1%	-5.2%	1.6%	1.0%	22.3%	110.7%	22.7	1.2	1.9%
Cement	998	405	-8.3%	0.4%	-17.2%	-25.6%	-37.0%	-40.3%	28.2	2.3	2.4%
Life Insurance	731	314	4.4%	3.6%	-1.6%	27.2%	53.2%	17.8%	15.7	6.0	1.8%
Non Life Insurance	592	334	-0.7%	2.6%	28.4%	41.6%	95.5%	49.7%	13.1	1.1	2.7%
Ceramics	291	115	-6.7%	-1.1%	-10.4%	-18.2%	1.8%	44.2%	22.0	1.7	1.6%
Tannery	307	149	-2.9%	0.6%	-6.4%	-7.7%	14.1%	39.9%	24.3	2.4	2.3%
Travel & Leisure	271	145	-5.0%	0.8%	-7.0%	-6.0%	33.4%	-13.9%	23.0	0.6	3.1%
IT	237	154	-3.4%	-2.5%	-9.5%	-13.2%	83.9%	296.2%	31.3	1.4	1.2%
Services & Real Estate	190	98	-9.3%	-0.1%	-9.3%	-15.6%	-11.5%	42.0%	15.7	0.9	4.6%
Paper & Printing	156	51	-8.1%	-3.1%	-28.3%	-19.0%	22.3%	309.3%	21.1	2.3	2.7%
Jute	43	30	-8.3%	-6.3%	-22.4%	147.2%	272.4%	487.8%	42.1	13.2	0.1%
Market	38,140	15,015	-5.2%	-1.2%	-4.6%	-3.1%	13.6%	16.1%	13.6	1.7	3.2%

*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.ox.

^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 July, All Cap Classes yielded negative return, amid which Micro Cap Class (-7.5%) was the worst performer. The Large Cap was the highest dividend yielding (3.6%) 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	≥120	81.8%	-5.4%	0.8%	1.6%	3.9%	36.4%	56.0%	13.5	1.9	3.6%
Mid	36-119	11.5%	-3.0%	3.3%	-2.1%	3.3%	15.8%	39.6%	12.6	1.0	1.8%
Small	12-35	5.3%	-6.2%	2.3%	-10.2%	-2.2%	29.4%	63.2%	19.2	0.9	1.7%
Micro	<12	1.4%	-7.5%	0.9%	-5.3%	-9.0%	34.6%	44.4%	18.9	0.9	1.7%
Market	-	-	-5.2%	-1.2%	-4.6%	-3.1%	13.6%	16.1%	13.6	1.7	3.2%

* All returns are Holding Period Return

Performance of 20 Largest Listed Companies in Bangladesh

Among the 20 largest listed companies in terms of market capitalization, NATLIFEINS (+20.5%) advanced the most in July, followed by MARICO (+11.9%). On the contrary, BATBC (-10.1%), GP (-8.9%) and OLYMPIC (-5.8%) faced the highest selling pressure during the month.

Majority of these companies yielded outstanding return over longer time horizon (5 years) such as BRACBANK (+369.1%), BERGERPBL (+205.5%), CITYBANK (+177.0%), RENATA (+143.2%), EBL (+131.4%), DUTCHBANGL (127.9%) and BXPHARMA (+126.5%).

Among the scrips GP, SUMITPOWER , TITASGAS, EBL, MJLBD, and ISLAMIBANK recorded a higher dividend yield compared to that of market.

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

DSE Code	Sector	Market capitalization (USD mn)		Daily Avg. Turnover (USD mn)	Return*						P/E (x)	P/ BV (X)	Dividend Yield
		Total	Free Float		1M	3M	YTD	12M	3Y	5Y			
GP	Telecommunication	5,312	531	0.63	-8.9%	-1.4%	-5.9%	-8.5%	39.9%	38.4%	12.4	13.4	8.4%
BATBC	Food & Allied	2,621	693	0.74	-10.1%	-0.6%	5.3%	13.8%	47.2%	65.0%	29.1	8.1	1.4%
SQURPHARMA	Pharmaceuticals & Chemicals	2,343	1,536	2.18	-5.1%	-0.4%	-1.3%	1.6%	23.6%	71.0%	15.8	3.2	1.3%
UPGDCL	Fuel & Power	2,158	216	1.72	1.5%	-0.8%	31.0%	37.1%	295.3%	#DIV/0!	22.2	6.7	2.0%
RENATA	Pharmaceuticals & Chemicals	1,116	545	0.06	-2.3%	-0.8%	2.5%	8.7%	40.2%	143.2%	28.0	5.9	0.7%
BRACBANK	Bank	918	511	0.39	-4.8%	0.3%	-0.5%	10.1%	71.9%	369.0%	15.3	2.4	0.0%
ICB	NBFI	877	28	0.01	-8.4%	-0.1%	-8.6%	-18.0%	19.7%	-0.7%	80.1	2.1	2.7%
BERGERPBL	Miscellaneous	797	40	0.13	0.2%	-1.3%	9.9%	16.6%	42.2%	205.5%	32.6	10.8	1.7%
MARICO	Pharmaceuticals & Chemicals	633	63	0.21	11.9%	-1.9%	41.9%	54.0%	52.1%	94.4%	15.7	30.7	3.8%
LHBL	Cement	548	194	0.44	0.5%	0.5%	-6.1%	-25.5%	-39.8%	-50.1%	29.3	3.1	2.5%
OLYMPIC	Food & Allied	526	380	1.06	-5.8%	-0.4%	2.9%	10.1%	-26.3%	69.7%	23.9	6.6	2.2%
SUMITPOWER	Fuel & Power	498	183	0.12	-5.5%	-0.5%	0.0%	10.0%	41.5%	65.7%	8.3	1.0	7.6%
TITASGAS	Fuel & Power	440	110	0.02	-5.5%	0.3%	3.3%	5.2%	-9.7%	-37.2%	9.8	0.5	6.6%
ISLAMIBANK	Bank	433	226	0.06	-3.8%	4.1%	-2.4%	3.6%	-21.9%	10.8%	5.5	0.7	4.4%
DUTCHBANGL	Bank	401	52	0.52	-1.7%	-0.7%	17.2%	44.0%	67.1%	127.9%	8.8	1.6	0.0%
BXPHARMA	Pharmaceuticals & Chemicals	395	343	0.39	-1.3%	-1.0%	4.2%	-5.1%	-1.4%	126.5%	11.2	1.2	1.5%
EBL	Bank	356	244	0.07	-1.9%	14.5%	19.3%	35.9%	78.7%	131.4%	9.5	1.3	4.9%
CITYBANK	Bank	333	232	0.24	-0.4%	7.1%	-1.4%	-0.4%	52.9%	177.4%	9.2	1.0	2.1%
NATLIFEINS	Life Insurance	331	57	0.34	20.5%	2.6%	19.1%	97.8%	115.7%	78.8%		29.6	0.7%
MJLBD	Fuel & Power	329	94	0.05	-3.4%	-1.3%	-11.4%	-3.5%	-0.9%	65.9%	15.3	2.3	4.9%
Market		38,140	15,015	48.13	-5.2%	-1.2%	-4.6%	-3.1%	13.6%	16.1%	13.6	1.7	3.2%

* All returns are Holding Period Return.

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

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 VIPB Accelerated Income Unit Fund (+12.3%) and Third ICB Unit Fund (+11.2%) made significant return. However, on YTD 2019 basis, Sixth ICB Unit Fund (+11.0%) and Seventh ICB Unit Fund (+11.0%) yielded the highest return.

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

Name	Asset Management Company	Fund Size (USD mn)	Return		
			2019 YTD*	2018	2016-2018
VIPB Accelerated Income Unit Fund~	VIPB	12.1	8.1%	-7.8%	12.3%
Third ICB Unit Fund	ICB	3.6	10.0%	-7.0%	11.2%
Seventh ICB Unit Fund	ICB	4.9	11.0%	-11.9%	10.7%
LankaBangla 1st Balanced Unit Fund	LankaBangla	5.0	5.0%	-2.0%	10.7%
Fifth ICB Unit Fund	ICB	4.0	10.0%	-7.0%	10.4%
UFS-Popular Life Unit Fund~	UFS	9.2	3.0%	-4.6%	10.2%
Sixth ICB Unit Fund	ICB	3.4	11.0%	-9.3%	9.5%
MTB Unit Fund	Alliance	9.1	0.0%	-4.2%	9.2%
Second ICB Unit Fund	ICB	1.5	10.0%	-7.1%	8.7%
Peninsula AMCL BDBL Unit Fund One	Peninsula	2.5	0.0%	-14.3%	7.7%
Market			-4.7%	-13.8%	5.2%

*Based on published NAV and DSEX point of July 29, 2019

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

The top ten closed end mutual funds on the basis of 5 years (2014-2018) performance yielded mixed return on YTD basis. NLI1STMF (+5.3%) and SEBL1STMF (5.3%) yielded the highest return on YTD basis. All these funds are traded at a lucrative discount compared to their NAV. Besides, all the funds also offered higher dividend yields compared to market except for EBL1STMF. (Table 7)

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

DSE Code	Fund Manager	Fund Size (USD mn)	Price ¹ (BDT)	NAV ¹ (BDT)	Price/NAV	Dividend Yield ² (%)	NAV Return ³				Redemption Year ⁴
							2019 YTD	2018	2016-18	2014-18	
NLI1STMF	VIPB	9.1	13.8	15.3	90.4%	10.1%	5.3%	-8.0%	13.3%	14.6%	2022
SEBL1STMF	VIPB	16.8	12.0	14.3	84.2%	10.8%	5.3%	-8.3%	12.8%	13.7%	2021
GRAMEENS2	AIMS	41.2	13.6	19.1	71.2%	8.8%	2.7%	-1.6%	12.2%	12.4%	2023
IJANATAMF	RACE	36.8	5.3	10.7	49.4%	3.8%	-0.6%	-4.5%	7.1%	10.3%	2020
RELIANCE1	AIMS	9.5	10.0	13.3	75.2%	11.0%	1.3%	-1.1%	12.0%	10.2%	2021
PHPMF1	RACE	35.4	5.4	10.6	50.9%	5.6%	-0.1%	-4.9%	8.5%	10.2%	2020
EBL1STMF	VIPB	18.1	7.5	10.5	71.2%	2.7%	-2.2%	-3.5%	9.5%	10.0%	2019
POPULAR1MF	RACE	38.0	5.0	10.7	46.6%	4.0%	-1.2%	-4.4%	8.3%	10.0%	2020
PRIME1ICBA	ICB AMCL	9.4	7.2	7.9	90.9%	9.7%	-1.0%	-8.6%	7.6%	9.4%	2020
ABB1STMF	RACE	30.8	5.1	10.9	46.9%	3.9%	-3.6%	-5.0%	8.5%	9.2%	2022
Market					3.2%	-4.7%	-13.8%	5.2%	4.8%		

¹ Price and NAV published on July 29, 2019.

² On last cash dividend declared.

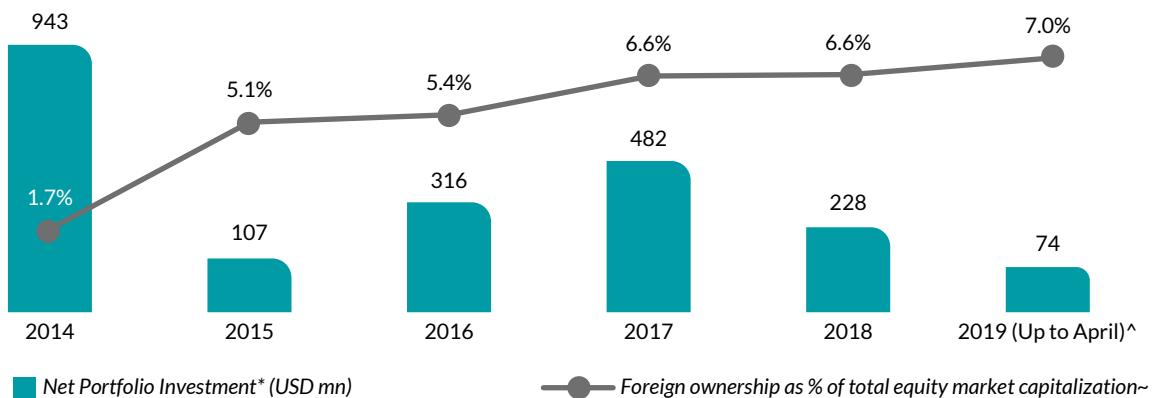
³ CAGR computed for respected periods, except for 2018 and 2019 YTD, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year.

⁴ In reference to BSEC Press Release বিএসইসি/নুথপাত্র (ওয়ার্ক)।১০।১।১৫ published on September 16, 2018, tenure of existing listed closed end mutual funds can be extended by another tenure equal to maximum 10 years, provided that the full tenure of the subject fund does not exceed 20 years in total. However, the mutual funds those are not willing to extend their tenure will still have the option to convert or wind up as per rules and regulations.

Foreign Participation in Equity Market of Bangladesh

Over last 5 years, Bangladesh equity market has seen a surge of foreign investment. As of July, 2019 total foreign ownership stood at 7.0% 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.

~% of foreign ownership of equity market capitalization data are as of December of the respective years except for 2019

Among all the companies with foreign ownership, DBH had the highest foreign shareholding of 42.8% as of July 2018, followed by BRACBANK with 42.5%.

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

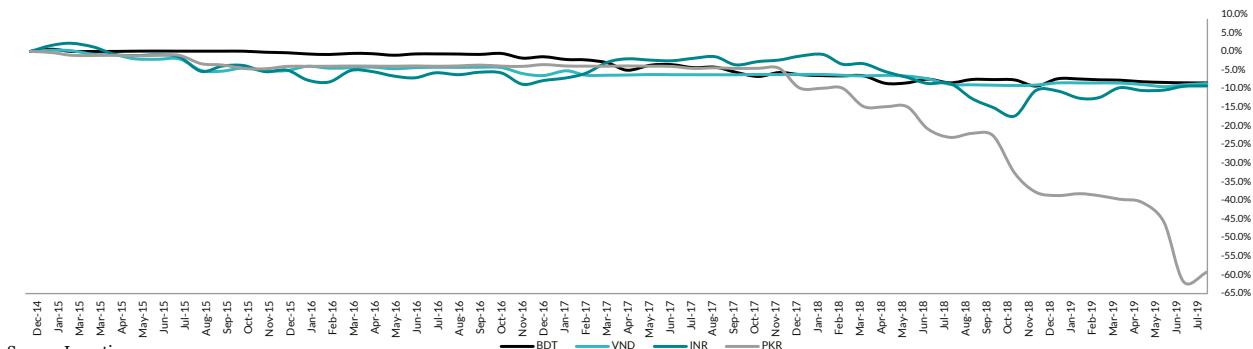
Ticker	Sector	Foreign Shareholding
DBH	NBFI	42.8%
BRACBANK	Bank	42.5%
OLYMPIC	Food & Allied	40.2%
BXPHERMA	Pharmaceuticals & Chemicals	37.2%
ISLAMIBANK	Bank	24.1%
RENATA	Pharmaceuticals & Chemicals	22.3%
MLDYEING	Textile	21.9%
SQURPHARMA	Pharmaceuticals & Chemicals	20.4%
SHEPHERD	Textile	20.3%
VFSTDL	Textile	18.3%

*Source: DSE

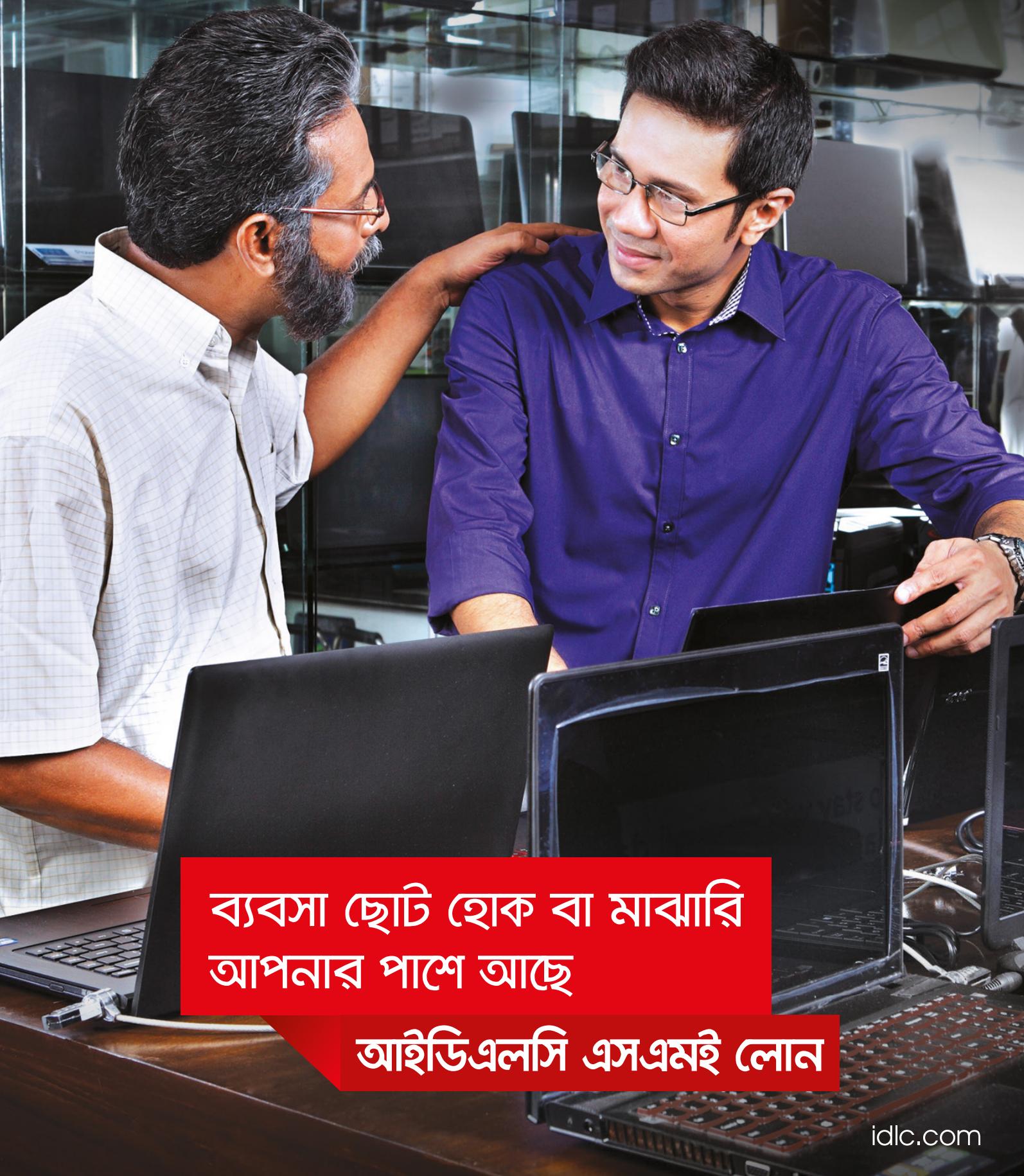
Performance of BDT and Currencies of Peer Countries against USD

Since 2015, BDT retained its value better than the currencies of peer countries. While BDT depreciated by 8.5% against US Dollar, other currencies of neighbor countries like Vietnamese Dong (VND), Indian Rupee (INR) and Pakistani Rupee (PKR) lost 8.6%, 9.3% and 59.3%, respectively.

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



Source: Investing.com



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আপনার পাশে আছে

আইডিএলসি এসএমই লোন



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