



EAST WEST UNIVERSITY

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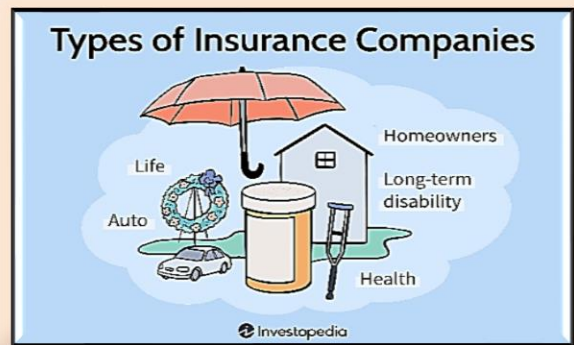
Chapter 1: Overview of the Financial System of Bangladesh

The financial system of Bangladesh is a complex network of institutions, markets, and regulations that facilitate the flow of funds and financial transactions within the country. It plays a crucial role in supporting economic growth, promoting savings and investments, and facilitating efficient allocation of resources. Here's a brief overview of the financial system of Bangladesh:

- ✓ **Banking Sector:** The banking sector is the backbone of Bangladesh's financial system. It comprises various types of banks, including commercial banks, specialized banks, and Islamic banks. The central bank of Bangladesh is the Bangladesh Bank, which regulates and supervises all the banks in the country. Commercial banks are the major players, offering a wide range of services to individuals, businesses, and government entities.
- ✓ **Non-Banking Financial Institutions (NBFIs):** NBFIs complement the banking sector by providing specialized financial services. These institutions include leasing companies, insurance companies, investment banks, mutual funds, and microfinance institutions. They cater to specific financial needs and contribute to financial inclusion, particularly in rural areas.
- ✓ **Capital Market:** Bangladesh has a developing capital market that consists of the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). The capital market provides a platform for companies to raise capital by issuing shares and for investors to buy and sell securities. However, the capital market is relatively small compared to the banking sector.
- ✓ **Microfinance:** Bangladesh is renowned for its successful microfinance initiatives. Microfinance institutions (MFIs) offer small loans and financial services to low-income individuals and micro-entrepreneur empowering them to start and grow businesses. Grameen Bank, founded by Nobel laureate Muhammad Yunus, is one of the most famous microfinance institutions in the country.



- ✓ **Insurance Sector:** The insurance sector provides various types of insurance coverage, including life insurance, general insurance, and health insurance. It helps individuals and businesses manage risks and uncertainties.



- ✓ **Government Securities Market:** The government issues treasury bills and bonds to finance its budget deficits. These securities are traded in the money market and play a crucial role in the overall financial system.

- ✓ **Regulatory Framework:** The financial sector in Bangladesh operates under the supervision and regulation of various regulatory authorities. The Bangladesh Bank is responsible for overseeing banks and monetary policy, while other entities oversee different segments of the financial system.



- ✓ **Financial Inclusion Efforts:** Bangladesh has made significant strides in enhancing financial inclusion, particularly through microfinance and digital financial services. Efforts are being made to extend financial services to underserved and rural populations.

Chapter 2: Financial Markets of Bangladesh

The financial markets of Bangladesh provide a platform for buying and selling various financial instruments, allowing individuals, businesses, and the government to raise capital, invest funds, and manage risks.

- ✓ **Stock Market:** The stock market in Bangladesh is represented by two major stock exchanges: the Dhaka Stock Exchange (**DSE**) and the Chittagong Stock Exchange (**CSE**). These exchanges facilitate the trading of shares of publicly listed companies. The stock market is an essential avenue for companies to raise capital by issuing shares to the public. Investors can buy and sell these shares, making it a vehicle for wealth creation and investment.

- ✓ **Bond Market:** The bond market in Bangladesh provides a platform for the issuance and trading of government bonds and corporate bonds. Government bonds are issued by the government to finance its budget deficits and other development projects. Corporate bonds are debt securities issued by companies to raise capital. Investors who purchase bonds become creditors to the issuing entity and receive periodic interest payments.



- ✓ **Money Market:** The money market deals with short-term debt securities and financial instruments with maturities typically ranging from overnight to one year. Participants in the money market include banks, financial institutions, and the central bank. Treasury bills, certificates of deposits, and repurchase agreements (repos) are some of the commonly traded instruments in the money market.

- ✓ **Foreign Exchange Market:** The foreign exchange market facilitates the buying and selling of foreign currencies. Bangladesh Bank, the central bank, plays a significant role in regulating and intervening in the foreign exchange market to maintain exchange rate stability. Exporters, importers, financial institutions, and foreign investors participate in this market to meet their currency needs.

Currency		Bank Buys Notes	Bank Sells Notes
	US Dollar USA	34.60	36.02
	Singapore Dollar Singapore	24.76	25.85
	日本円 (100) Japan	28.18	30.70
	人民币 China	5.08	5.92
	港元 Hong Kong	4.44	4.75
	Malaysian Ringgit Malaysia	7.47	8.75

- ✓ **Commodity Market:** The commodity market in Bangladesh is relatively small and is primarily centered on agricultural products, such as jute, rice, tea, and spices. Commodity exchanges play a limited role in the overall financial landscape.



- ✓ **Islamic Finance Market:** Islamic finance has been growing in popularity in Bangladesh. It operates in compliance with Shariah principles, which prohibit certain financial practices, such as charging or paying interest. Islamic banks and financial institutions offer Shariah-compliant products, such as Islamic bonds (Sukuk) and Islamic investment funds.



Chapter 3: Capital Market

The capital market of Bangladesh is a vital component of its financial system, facilitating the issuance, buying, and selling of long-term financial instruments, primarily stocks and bonds.

- ✓ **Stock Trading:** The capital market enables the buying and selling of shares of publicly listed companies. Investors can purchase shares through brokerage firms that are members of the stock exchanges. Shares are traded in both the primary market (initial public offerings) and the secondary market (trading of existing shares). The market is regulated by the Bangladesh Securities and Exchange Commission (BSEC).



- ✓ **Initial Public Offerings (IPOs):** Companies seeking to raise capital from the public for the first time can do so through an IPO. In an IPO, shares of the company are offered to the public, allowing individuals and institutional investors to become shareholders of the company. The IPO process involves a detailed prospectus outlining the company's financials, business model, and plans.



- ✓ **Bond Market:** The bond market is a part of the capital market where government bonds and corporate bonds are issued and traded. Government bonds are typically considered safe investments, while corporate bonds carry varying levels of risk depending on the issuing company's financial health.



COUPON	NAME	YIELD		
0.10 %	3 Month	0.18 %	▲	+12
2.30 %	6 Month	0.42 %	▲	+26
.40 %	1 Year	0.58 %	▲	+36
50 %	2 Year	0.80 %	▲	+48
0 %	5 Year	1.15 %	▲	+51
	10 Year	1.48 %	▲	+47

- ✓ **Regulatory Framework:** The capital market in Bangladesh is regulated by the Bangladesh Securities and Exchange Commission (BSEC). Its role includes overseeing stock exchanges, protecting investors' interests, ensuring transparency, and maintaining the integrity of the capital market.
- ✓ **Market Development:** The capital market in Bangladesh has been growing, and efforts are being made to develop a more vibrant and transparent market. Measures like introducing online trading, dematerialization of securities and increasing market awareness have been taken to enhance market efficiency and accessibility.

3.1 Bangladesh Securities and Exchange Commissions (BSEC):

The Bangladesh Securities and Exchange Commission (BSEC) is a regulatory body established by the government of Bangladesh to oversee and regulate the country's securities market. Its primary role is to ensure transparency, fairness, and efficiency in the capital market, as well as to protect the interests of investors.



The commission plays a crucial role in monitoring listed companies to ensure compliance with reporting requirements and disclosure norms. By doing so, it enhances the flow of information to

investors, enabling them to make informed decisions. BSEC also supervises market intermediaries such as brokerage firms, ensuring they adhere to ethical and professional standards.

Additionally, BSEC works to develop and implement investor education programs, promoting financial literacy and awareness among the public. This empowers investors to understand the risks and rewards of investing in the capital market.

3.2 Dhaka Stock Exchange (DSE):

The Dhaka Stock Exchange is one of the two main stock exchanges in Bangladesh, the other being the Chittagong Stock Exchange (CSE).

The primary function of the DSE is to provide a regulated and transparent marketplace where investors can trade shares of publicly listed companies. It operates as a secondary market where investors can buy and sell securities based on prevailing market prices.



The DSE is governed by the rules and regulations set forth by the Bangladesh Securities and Exchange Commission (BSEC), which is the regulatory authority responsible for overseeing the entire capital market in Bangladesh.

As a stock exchange, the DSE also ensures fair and efficient trading by maintaining an electronic trading platform where securities are traded in a secure and orderly manner. It operates during specified trading hours and allows various types of orders to be placed, such as market orders and limit orders.

3.3 Chittagong Stock Exchange (CSE):

The Chittagong Stock Exchange (CSE) is one of the two main stock exchanges in Bangladesh, with its headquarters located in the city of Chittagong. Its primary purpose is to facilitate the buying and selling of securities, such as stocks and bonds, for investors and companies.



As a secondary market platform, the CSE provides a regulated and transparent marketplace where investors can trade shares of publicly listed companies. It operates under the supervision and regulations set forth by the Bangladesh Securities and Exchange Commission (BSEC), which is the regulatory authority responsible for overseeing the capital market in Bangladesh.

The CSE serves as an essential component of the country's financial system, enabling companies to raise capital by issuing shares to the public and providing investors with opportunities to invest in these securities.

Furthermore, the Chittagong Stock Exchange actively monitors market activities to prevent illegal practices such as market manipulation and insider trading, safeguarding the integrity of the market and protecting investors' interests.

The exchange also provides real-time market data, indices, and other financial information to help investors make informed decisions and stay updated about market trends and movements.

Chapter 4: Banks and Financial Institutions

Banks and financial institutions play a crucial role in the global economy and people's daily lives. They serve as intermediaries that facilitate the flow of funds between individuals, businesses, and governments, ensuring efficient allocation of capital and resources. Some key points are given below:

- ❖ **Deposit-taking and lending:** One of the primary functions of banks is to accept deposits from customers, which are then used to provide loans and credit to individuals and businesses. This process allows banks to generate interest income on loans while providing a safe place for people to store their money.
- ❖ **Payment Processing:** Banks facilitate payments and transactions, enabling people to transfer funds to one another or make purchases using various methods like checks, debit cards, credit cards, and electronic transfers.
- ❖ **Investment Services:** Financial institutions often offer investment services, such as brokerage accounts and investment advisory services. They help individuals and institutional investors manage their portfolios and make informed decisions about their investments.
- ❖ **Risk Management:** Banks and financial institutions provide various risk management products, including insurance, hedging tools, and derivatives, which help individuals and businesses mitigate financial risks.
- ❖ **Capital Formation:** Financial institutions participate in capital markets, where they help companies raise capital through offerings of stocks and bonds. This capital formation is essential for companies to finance their expansion and growth.



- ❖ **Central Banks:** Central banks, which are a specific type of financial institution, have a unique role in monetary policy and regulating the country's currency and money supply. They often act as lenders of last resort to stabilize financial systems during crises.
- ❖ **Regulation and Oversight:** Governments and regulatory authorities closely monitor banks and financial institutions to ensure they adhere to laws, maintain financial stability, and protect consumers' interests.
- ❖ **Technological Advancements:** Over the years, banks and financial institutions have embraced technology, leading to the rise of online banking, mobile payment apps, and digital currencies. These innovations have transformed the way people manage their finances and conduct transactions.
- ❖ **Financial Inclusion:** Many financial institutions are actively working to improve financial inclusion by providing services to underserved populations, encouraging financial literacy, and promoting access to banking in remote or marginalized areas.
- ❖ **Global Impact:** The interconnectedness of financial institutions means that events in one part of the world can have far-reaching consequences on the global financial system.



4.1 Bangladesh Bank:

Intro: It is the central bank of Bangladesh and a member of the Asian Clearing Union. It is wholly owned by the Government of Bangladesh.

The bank actively develops policies for green banking and financial inclusion and is a senior member of the Alliance for Financial Inclusion.



Objectives: The main objectives of monetary policy of Bangladesh Bank are:

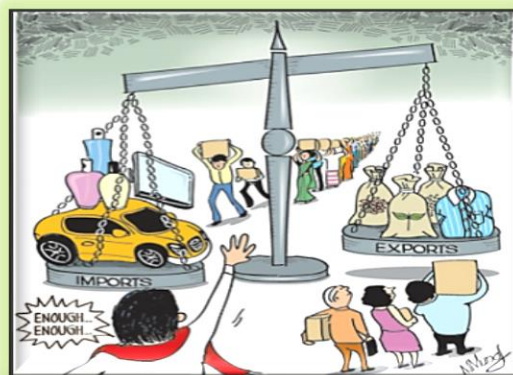
- Price stability both internal & external
- Sustainable growth & development
- High employment
- Economic and efficient use of resources
- Stability of financial & payment system

Along with the objectives there are some core policies of Bangladesh Bank which are:

- ❖ **Monetary Policy:** Monetary policy is a set of tools that a country's central bank uses to control the overall money supply, promote economic growth, and implement strategies such as adjusting interest rates and changing banks' reserve requirements.

- ❖ **Media Press & Release:** It includes press releases, circulars, announcements etc. uploaded by Bangladesh Bank. Various Departments such as the dissemination of guidelines and rules are included in order to regulate the sector of financial department.
- ❖ **Investment Facility:** An investment facility refers to a financial product or service offered by financial institutions such as banks, investment firms etc. which allows individuals or entities to invest their money in various assets or financial instruments.
- ❖ **Government Securities:** Government securities, bonds or sovereign bonds, are debt instruments issued by a government to raise capital from the public or financial institutions.
- ❖ **Service:** There are many services according to Bangladesh Bank which includes: E-services, customer complain, BB forms and claim your money.

- ❖ **Economic Data:** Economic data refers to a collection of statistical information and indicators that provide insights into the performance and trends of an economy. It includes BOP (Balance of payments), imports, exports & NSDP (National Summary Data Page)



- ❖ **National Integrity Strategy:** The National Integrity Strategy (NIS) is an action plan developed and implemented by governments to promote and strengthen integrity, transparency, and accountability in the public sector and society at large. The goal of the NIS is to combat corruption, foster good governance, and build public trust in institutions.

- ❖ **Citizen Charter:** A Citizen's Charter, also known as a Service Charter or a Client's Charter, is a written document or public declaration issued by a government agency, public sector organization, or service provider. Its primary purpose is to communicate the organization's commitment to provide specific services to citizens, businesses, or clients in a transparent, efficient, and accountable manner.
- ❖ **National ICT Policy:** It refers to a strategic and comprehensive framework adopted by a country to guide the development, regulation, and implementation of Information and Communication Technology (ICT) initiatives at the national level.

4.2 Scheduled Bank: A scheduled bank refers to a bank that is listed in the Second Schedule of the Banking Companies Act, 1991 of Bangladesh. This act empowers the Bangladesh Bank (the central bank of Bangladesh) to classify banks as scheduled banks based on certain criteria and requirements. A total of 61 Scheduled Banks of Bangladesh conduct financial operations in Bangladesh. These banks were established to meet the different needs of the people of Bangladesh. All commercial banks listed are licensed under the Banking Companies Act 1991.



4.3 Financial Institution: A financial institution is an entity that provides various financial services, products, and intermediation between different parties in the financial system. Financial institutions can be classified into different categories based on their primary functions and the services they offer. Some common types of financial institutions are: banks, insurance companies, credit unions, pension funds and so on. Some examples of financial institutions of Bangladesh are: Agrani SME Financing Company Limited, Aviva Finance Limited, Bangladesh Finance Limited, Bangladesh Industrial Finance Company Limited (BIFC) and so on.



Bangladesh Finance

Chapter 5 : Mobile Financial Services

Intro: The use of a mobile phone to access financial services and execute financial transactions.

It enables customers to access banking services easily, quickly, and conveniently anytime, anywhere. Customers utilize mobile banking to view and monitor account details, transfer funds, apply or repay a loan, make investments, lodge complaints, deposit checks, etc.

Key features and components of mobile financial services include:

- ❖ **Mobile Banking:** Mobile banking allows users to access their bank accounts, check balances, transfer funds, pay bills, and perform various banking transactions using their mobile devices.

- ❖ **Mobile Payments:** Mobile payment services enable users to make payments for goods and services directly from their mobile phones, using mobile wallets or mobile banking apps. It can include person-to-person (P2P) transfers, merchant payments, and online shopping.



- ❖ **Mobile Wallets:** Mobile wallets are digital wallets that store payment card information, bank account details, and other payment methods securely on mobile devices. They facilitate seamless and secure transactions, eliminating the need to carry physical cash or cards.
- ❖ **Mobile Money Transfer:** Mobile money transfer services allow users to send and receive money domestically or internationally, often with lower transaction costs compared to traditional remittance channels.
- ❖ **Microfinance and Microloans:** Mobile financial services have also been instrumental in expanding microfinance opportunities, providing access to small loans and financial products to underserved and low-income individuals and businesses.

- ❖ **Security Measures:** To ensure the safety of transactions, mobile financial services use various security measures, including PIN codes, biometric authentication, and encryption protocols.

- ❖ **Regulation and Compliance:** Given the sensitive nature of financial transactions, mobile financial services are often subject to strict regulatory oversight to ensure consumer protection, data security, and compliance with anti-money laundering (AML) and know-your-customer (KYC) regulations.



Mobile Financial services in Bangladesh: A Digital Wallet/Money is an Electronic Prepaid Card with M-Banking Facilities that utilizes ATM and all kinds of electronic Communication Technologies including mobile phone. The most well-known mobile financial service provider in Bangladesh is bKash. Launched in 2011, bKash is a mobile financial service offered by BRAC Bank in partnership with other organizations. It enables users to perform a range of financial transactions, including sending and receiving money, paying bills, purchasing airtime top-ups, making online purchases, and accessing other financial services, all through their mobile phones. Apart from bKash, there are other mobile financial service providers in Bangladesh, such as Nagad, Rocket, Upay, and many others, each with its own set of features and offerings.

Importance: Through mobile banking, you can always keep a check on your finance. You can monitor your expenditure and prevent overspending. This can be a part of your budget planning. Over time, you will become better at financial management and save more money. Mobile banking finance revolutionizes the way people manage their money and conduct financial transactions. Its accessibility, convenience, and security contribute to financial inclusion, economic growth, and enhanced financial well-being for individuals and businesses alike.

Mobile Banking Service in Bangladesh: Mobile banking services such as, cash in, cash out, money transfer, business to individual money transfer, bill payments among others have been helping the unbanked people of Bangladesh in getting the banking services for the last few years. The most common banking services in Bangladesh are given below:

- ❑ **Bkash:** Bkash is one of the largest and most popular mobile financial service providers in Bangladesh. Launched in 2011 as a joint venture between BRAC Bank Limited, International Finance Corporation (IFC), and Money in Motion LLC, bKash offers a wide array of services, including sending and receiving money, mobile recharge, utility bill payments, merchant payments, and online purchases.



- ❑ **Nagad:** Nagad is another significant player in Bangladesh's mobile banking sector. Launched in 2018 as a digital financial service of the Bangladesh Post Office, Nagad provides services such as money transfer, mobile top-ups, bill payments, and merchant payments.



- ❑ **Rocket:** Rocket is a mobile banking service provided by Dutch-Bangla Bank Limited. Launched in 2011, Rocket offers a range of financial services, including person-to-person fund transfer, bill payment, airtime top-up, and more.



- ❑ **SureCash (now known as SureCash Mobile Banking):** SureCash is a mobile banking platform that offers services such as mobile money transfer, utility bill payments, merchant payments, and online shopping.



- ❑ **Mcash:** Mcash is a mobile banking service operated by Islami Bank Bangladesh Limited, focusing on providing mobile financial services to underserved and rural communities. It allows users to conduct transactions such as person-to-person fund transfers and bill payments.



- ❑ **MyCash:** MyCash is a mobile financial service offered by City Bank Limited, providing a variety of banking and financial services through mobile phones.



- ❑ **Upay:** Upay is the digital financial service brand of UCB Fintech Company Limited, a subsidiary of the United Commercial Bank. Upon receiving the license from Bangladesh Bank,



- ❑ **UCash:** UCash is a mobile financial service offered by United Commercial Bank Limited (UCBL). In addition to core mobile financial services like cash-in, cash-out, and person to person transfers, UCash offers various kinds of value-added services including rail ticket purchases, internet bill payments, merchant payments, cash collection, salary disbursements, international remittances, and school fee payments.



Chapter 6: Your experiences regarding financial services

- **Experience 01:** I recently had a bank transaction experience at Brac Bank, and I must say it was incredibly smooth and efficient. The digital platform was easy to navigate, and I could quickly access my account details. The transfer process was seamless, and the transaction was completed within seconds. What impressed me the most was the level of security provided throughout the process, giving me peace of mind. Additionally, the customer support team was responsive and helpful when I had a minor query. Brac Bank's user-friendly interface and excellent service have made my banking experience truly enjoyable and hassle-free. I highly recommend their services to anyone looking for a reliable and customer-centric bank. **(Md Tashen Al Shahriar Rifat)**
- **Experience 02:** I had my first banking experience when I went to MTB for opening my first student account. From there, I get to know the procedures of opening an account and the process of payments and others such as debit cards, issuing a check book etc. **(Aaditya Das)**
- **Collective Experience:** One more daily experience as students with the banking service is that we have to use specified banks to pay our tuition fees. Since banking is required to pay our university tuitions fees, so most of the time we go to one of the aforementioned banks in our print slips to pay our tuition fees. In this way this remains a gap of communication between the university administration and ourselves. As the banks work as an intermediary between the two, so when we pay our tuition fees, the bank initially keeps one copy as a proof. On top of that, they provide the students one extra student copy and delivers the print slip payment to the university directly.