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Letter of Transmittal

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Subject: Term paper on overview of the financial sector of Bangladesh.

Dear Sir,

It gives us immense pleasure to submit to you the report on an Overview of the Financial Sector of Bangladesh under our preparation. While preparing the report, we closely focused on the topic & tried to assimilate and provide the most complete information available. We believe that it will provide you with a clear scenario. We thank you for allowing us to do a term paper on a new idea. This will definitely give us an experience which we can use in our professional life. We will always be available for any further queries and to answer any questions on this report.

Sincerely,
On behalf of the Group

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Executive Summary

With a thriving banking industry, regulation by the Bangladesh Bank, a network of non-bank financial institutions, a vibrant capital market, and a rapidly expanding insurance industry, Bangladesh's financial sector is essential to the country's economic growth. Regulatory agencies work hard to maintain openness and compliance, which promotes stability.

In order to improve financial inclusion, the industry is actively adopting digital innovation and using technology to reach disadvantaged communities. Notwithstanding these encouraging developments, there are still problems, like problems with non-performing loans and the constant risk of cybersecurity attacks.

But despite these difficulties, there are also a lot of chances. The banking industry in Bangladesh is investigating sustainable finance, following worldwide tendencies toward ecologically and socially conscious investing strategies. Creating global alliances also offers opportunities for development and heightened resilience.

Continuous banking sector reforms and a commitment to innovation put Bangladesh in a strong position for future growth. In response to the demands of a constantly shifting global economy, the nation's financial landscape is altering, demonstrating a dedication to flexibility and long-term success.

Introduction

- **Objective of the Study:**

The financial sector in Bangladesh can be broadly divided into three categories: the banking sector, policy interventions, and private sector credit. The banking sector comprises 90% of the total financial sector assets in Bangladesh. As of 2021, a total of 61 banking institutions, including 43 domestic private commercial banks, operate in the country with assets equivalent to 67% of GDP.

The objective of Bangladesh's financial sector is to ensure sustainable economic growth by providing financial services to all segments of society, including the poor and underprivileged. The government has taken several initiatives to promote financial inclusion, such as the establishment of a credit information bureau, the introduction of mobile banking services, and the development of a national payment switch.

- **Scope of the Study:**

A study of Bangladesh's financial sector involves examining the structure and performance of its banking and non-banking institutions, analyzing the capital market, understanding the regulatory framework, and assessing initiatives for financial inclusion. Key areas of focus include challenges, opportunities, international relations, and the role of finance in sustainable development.

- **Limitation of the Study:**

The study of Bangladesh's financial sector is limited by challenges such as data quality, dynamic regulatory environments, technological advancements, governance issues, and external economic factors. Additionally, socioeconomic variables, environmental considerations, and the scope of financial inclusion may pose constraints, impacting the comprehensiveness of the research.

Literature Review:

Part A: An Overview of the Capital Market

- **Financial Sector of Bangladesh**

Bangladesh's financial system is divided into three main, disjointed sectors:

1. Formal Sector
2. Semi-Formal Sector
3. Informal Sector

1. Formal Sector: The formal sector comprises institutions that operate under strict regulatory frameworks. This sector includes entities like Banks, Non-Bank Financial Institutions (NBFI), Insurance Companies, and intermediaries within the Capital Market, such as Brokerage Houses and Merchant Banks. Additionally, Microfinance Institutions (MFIs) are also part of this sector. The formal financial sector in Bangladesh includes (a) Bangladesh Bank as the central bank, (b) commercial banks, including Government-owned commercial banks, domestic private banks (PCBs) (of which some banks are operating under Islamic Shariah), foreign banks (FCBs) (of which 1 bank is operating as Islamic bank); and government-owned specialized banks (DFIs); (c) non-bank financial institutions (NBFIs) licensed by the Bangladesh Bank; (d) large government-owned insurance companies (life and general) and privately owned (life and general) insurance companies; (e) 2 stock exchanges and, (f) some co-operative banks. These institutions adhere to regulatory guidelines set forth by financial regulators like the Central Bank and other relevant authorities.

2. Semi-Formal Sector: The semi-formal sector encompasses institutions that, while subject to some regulations, do not fall directly under the jurisdiction of major financial regulators like the Central Bank, the Insurance Authority, or the Securities and Exchange Commission. This sector includes Specialized Financial Institutions such as the House Building Finance Corporation (HBFC), Palli Karma Sahayak Foundation (PKSF), Samabay Bank, Grameen Bank, as well as select Non-Governmental Organizations (NGOs) and discrete government programs. The level of regulatory oversight for these institutions is not as comprehensive as in the formal sector.

3. Informal Sector: The informal sector is characterized by private intermediaries that operate without any regulatory supervision. These entities function independently from formal

oversight mechanisms and may include various private financial activities that are not subject to official regulations.

Source: [Bangladesh Bank](#).

- **Capital Market and Financial instruments of the capital market**

The capital market is a financial market where long-term securities such as stocks, bonds, and other financial instruments are traded. It is a platform for companies and governments to raise funds for their long-term projects. The capital market can be divided into two categories:

1. Primary market
2. Secondary market.

The primary market is where new securities are issued for the first time, while the secondary market is where existing securities are traded.

Financial instruments are securities that are traded on the capital market to help companies and governments raise long-term funds. They can be divided into two categories: debt instruments and equity instruments. Debt instruments include bonds and debentures, while equity instruments include preference and ordinary shares.

Source: <https://activelyshare.com/capital-market-instruments/>

- **Capital Markets around the globe**

There are many capital markets around the world where long-term securities such as stocks, bonds, and other financial instruments are traded. Some of the major stock exchanges in the world by market capitalization are:

1. New York Stock Exchange: Located in New York City, United States, it has a market capitalization of \$27.69 trillion.
2. Nasdaq: Located in New York City, United States, it has a market capitalization of \$24.56 trillion.
3. Shanghai Stock Exchange: Located in Shanghai, China, it has a market capitalization of \$8.15 trillion.
4. Euronext: Located in Amsterdam, Brussels, Dublin, Lisbon, Milan, Oslo, and Paris, it has a market capitalization of \$7.33 trillion.
5. Japan Exchange Group: Located in Tokyo, Japan, it has a market capitalization of \$6.54 trillion.
6. Shenzhen Stock Exchange: Located in Shenzhen, China, it has a market capitalization of \$6.22 trillion.

7. Hong Kong Stock Exchange: Located in Hong Kong, it has a market capitalization of \$5.43 trillion.
8. Bombay Stock Exchange: Located in Mumbai, India, it has a market capitalization of \$3.80 trillion.
9. National Stock Exchange: Located in Mumbai, India, it has a market capitalization of \$3.27 trillion.
10. Toronto Stock Exchange: Located in Toronto, Canada, it has a market capitalization of \$3.26 trillion.

Source:

1. List of stock exchanges - Wikipedia.
https://en.wikipedia.org/wiki/List_of_stock_exchanges.
2. World Stock Markets - CNNMoney - CNN Business.
https://money.cnn.com/data/world_markets/
3. Global Market Indices | International Markets | Markets Insider.
<https://markets.businessinsider.com/indices>.

- **An overview of the Capital Market of Bangladesh**

The creation of the Dhaka Stock Exchange (previously the East Pakistan Stock Exchange) following independence marked the beginning of Bangladesh's capital market intermediary industry. The establishment of the Investment Corporation of Bangladesh in 1976 marked the beginning of institutionalized professional portfolio management. Numerous institutional and regulatory developments have occurred in the capital market during the past 20 years, leading to a diverse range of capital market intermediaries. Currently, there are three categories of capital market intermediaries:

Stock Exchanges: Chittagong Stock Exchange was founded in 1995 and is the other stock exchange in Bangladesh in addition to the Dhaka Stock Exchange.

Central Depository: Established in 2000, Central Depository Bangladesh Ltd (CDBL) is the sole depository system for the settlement and transaction of financial securities. It operates in accordance with the Depositories Act 1999, Depositories Regulations 2000, Depository (User) Regulations 2003, and CDBL bylaws.

Stock Dealer/Sock Broker: These entities are required to hold a license and be a member of one of the two stock exchanges in accordance with the SEC (Stock Dealer, Stock Broker & Authorized Representative) Rules 2000. Currently, there are 238 members of DSE and 136 members of CSE.

Merchant Banker & Portfolio Manager: These organizations hold operating licenses under the SEC's 1996 Merchant Banker & Portfolio Manager Rules; to date, the SEC has granted licenses to 45 organizations in accordance with these regulations.

Asset Management Companies (AMCs): Under the SEC (Mutual Fund) Rules of 2001, AMCs are permitted to serve as issuers and portfolio managers of mutual funds. Currently, Bangladesh has fifteen AMCs.

Credit Rating Companies (CRCs): As of right now, five CRCs have received SEC accreditation. CRCs in Bangladesh are licensed under the Credit Rating Companies Rules, 1996.

Trustees/Custodians: As per regulations, a certified trusty and security custodian is required for all asset-backed securitizations and mutual funds. SEC has licensed nine institutions as trustees and nine institutions as custodians for that reason.

Investment Corporation of Bangladesh (ICB): The Investment Corporation of Bangladesh Ordinance of 1976 established the ICB, a specialized capital market intermediary, in 1976.

Source: [Bangladesh Bank](#).

- **Regulatory Institutions of capital market**

The Bangladesh Securities and Exchange Commission (BSEC) is the regulatory authority of the capital market in Bangladesh ¹. It is a statutory body attached to the Ministry of Finance ¹. The BSEC regulates the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE).

Bangladesh Securities and Exchange Commissions (BSEC):

Securities and Exchange Commission is the government agency that regulates the issuance and trading of stocks and bonds. Bangladesh Securities and Exchange Commission (BSEC) was established as the regulator of the country's capital market under the provision of the Bangladesh Securities and Exchange Commission Act 1993. Currently, BSEC has 15 divisions such as the admin & Finance division, Enforcement Division, R&D Division, Market Intelligence, and Investigation Division.

The mission of the commission is:

- 1) Preserving the interests of securities investors;
- 2) Developing the securities market;
- 3) Implementing regulations on subjects relating to securities or those covered by them.

The BSEC's responsibilities include:

- 1) Regulating securities markets, including stock exchanges.
- 2) Monitoring and regulating collective investment schemes, including mutual funds.
- 3) Overseeing self-regulatory organizations in the securities market.
- 4) Conducting investigations, inspections, inquiries, and audits of issuers, dealers, stock exchanges and intermediaries.
- 5) Prohibiting insider trading in securities.
- 6) Conducting research and publishing information related to the securities market.

Among the investment options that Bangladeshi investors find appealing is the stock market. The Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE) are the two stock exchanges.

Source: Bangladesh Securities and Exchange Commission - Wikipedia.

https://en.wikipedia.org/wiki/Bangladesh_Securities_and_Exchange_Commission.

- **Dhaka stock exchange (DSE):**

Dhaka Stock Exchange Ltd. is one of the barometers and economic metrics of Bangladesh's Economy.



Brief History: The East Pakistan Stock Exchange Association Ltd. founded the Dhaka Stock Exchange (DSE) in Bangladesh in 1954. It was established in response to the demand for an independent stock exchange following the Calcutta Stock Exchange's ban on transactions involving shares and securities from Pakistan. The DSE started conducting official trading in Narayanganj in 1956 before moving to Dhaka in 1958. The DSE purchased the site on which it now stands in Motijheel C/A, Dhaka, in 1959. The DSE, Bangladesh's main stock exchange, promotes the trading of a variety of securities, aiding in capital formation by giving businesses a platform to raise money and investors a place to trade securities.

The Dhaka Stock Exchange (DSE) is a publicly traded company that is registered, and as such, its operations are governed by its by-laws, rules & regulations, and articles of association, as well as the regulations, orders, and notifications of the Bangladesh Securities and Exchange Commission (BSEC).

Market Sector of DSE: Such as banks, Mutual Funds, Engineering, Food and Allied Products, Fuel & power, Jute, Ceramic Industry, Tannery Industry, Textile, Pharmaceuticals & Chemicals, services & Real estate, Insurance, Telecommunication, Paper & printing, Corporate Bond etc.

Divisions: DSE performs its functions through four divisions with 26 departments. The divisions are:

- A. Administration Division
- B. Operation Division
- C. Finance Division
- D. Information and Communication Division.

General Function of DSE:

- 1) Companies are listed on the exchange according to listing regulations.
- 2) Market surveillance is conducted to ensure fair and transparent trading.
- 3) According to listing regulations, listed firms' operations are investigated.
- 4) Online announcements are made for price-sensitive or other information regarding listed companies.
- 5) A monthly review is published.
- 6) Market control and management are preserved.
- 7) The exchange allows for automated screen-based trading of listed stocks or securities.
- 8) According to Listing Regulations 47, authorization is given for share transfers outside of the exchange's trading platform.

The Dhaka Stock Exchange, which offers a venue for businesses to obtain capital and for investors to trade securities, is important to the development of the Bangladeshi capital market. By facilitating capital formation, promoting investments, and opening doors for both domestic and foreign market participants, aids in the economic expansion of the nation.

Source: Dhaka stock exchange (DSE) <https://www.dsebd.org/>

- **Investment Banks in Bangladesh**

Investment banks in Bangladesh provide a range of financial services, including underwriting, advisory services, mergers and acquisitions, and other investment-related activities. Keep in mind that the status and details of financial institutions can change, so it's advisable to verify the latest information from official sources. Here are some of the notable investment banks in Bangladesh:

BRAC EPL Investments Limited: Provides a range of financial services, including investment banking, portfolio management, and merchant banking.

City Bank Capital Resources Limited: The investment banking arm of City Bank Limited, offering services such as underwriting, portfolio management, and advisory services.

Prime Finance Capital Management Limited: Offers investment banking services, including portfolio management, underwriting, and advisory services.

IDLC Investments Limited: The investment banking subsidiary of IDLC Finance Limited, providing services like underwriting, corporate advisory, and asset management.

Dhaka Bank Securities Limited: The subsidiary of Dhaka Bank Limited, offering various financial services, including investment banking.

Shahjalal Islami Bank Limited - Investment Banking Wing: Provides investment banking services, including underwriting, portfolio management, and advisory services.

IFIC Bank Limited - Investment Banking Division: Offers investment banking services, including underwriting, advisory, and portfolio management.

LankaBangla Investments Limited: A subsidiary of LankaBangla Finance Limited, providing investment banking and financial advisory services.

Eastern Bank Limited - Investment Banking: Offers a range of investment banking services, including underwriting and advisory services.

Midland Bank Limited - Investment Banking: Provides investment banking services, including underwriting and advisory services.

Source: List Of Investment Banks In Bangladesh - Global Banking & Finance Review.
<https://www.globalbankingandfinance.com/list-of-investment-banks-in-bangladesh/>

- **Limitations of Capital Market in Bangladesh**

The capital market in Bangladesh faces several limitations and challenges. These challenges may have evolved, so it's important to verify the latest information. Here are some common limitations of the capital market in Bangladesh:

Market Size and Capitalization: The size of the capital market in Bangladesh is relatively small compared to other global markets. This can limit the diversity and depth of investment opportunities.

Lack of Diversification: The market is heavily weighted towards a few sectors, such as banking and textiles, which can lead to a lack of diversification for investors.

Limited Public Awareness: There is a lack of awareness among the general public about the benefits and risks of investing in the capital market. This hinders the participation of retail investors.

Low Market Liquidity: The liquidity of the market is often lower than desired, making it challenging for investors to buy or sell securities easily.

Volatility and Speculation: The market has experienced periods of volatility and speculation, which can deter long-term investors and affect market stability.

Regulatory Challenges: The regulatory framework may face challenges in terms of enforcement, transparency, and adapting to evolving market conditions.

Limited Products and Instruments: The variety of financial instruments and products available in the market is limited, which can restrict the options for investors.

Infrastructure and Technology: Inadequate technological infrastructure can hinder the efficiency of trading and settlement processes.

Corporate Governance Issues: Corporate governance standards may vary, and issues related to transparency and accountability in listed companies can be a concern for investors.

Foreign Investment Restrictions: Restrictions on foreign investment in certain sectors may limit the inflow of foreign capital and hinder market growth.

Limited Institutional Investors: The presence of institutional investors, such as pension funds and mutual funds, is relatively limited compared to more developed markets.

Global Economic Factors: Bangladesh's capital market is influenced by global economic conditions, and external factors can impact market performance.

Risk Management Practices: Robust risk management practices may be lacking in certain market segments, exposing investors to higher risks.

Source: <https://www.lightcastlebd.com/insights/2019/09/capital-markets-bangladesh/>

Part B: An Overview of the Banking Industry and Non-Banking Industry

- **Financial Sector 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 entrepreneurs 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

Source: [Bangladesh Bank](#).

- **Bank and Classifications of Bank**

A bank is a financial institution that accepts deposits from the public, creates credit, and provides loans. It acts as an intermediary between depositors and borrowers

Functions of Banks:

Accepting deposits

Providing loans and advances

Facilitating payments

Offering investment and advisory services

Creating credit through the lending process

Classifications of Banks:

1. Commercial Banks:

Primary Function: Mobilize savings and provide loans to individuals and businesses.

Customer Base: General public, businesses, and corporations.

Services: Checking and savings accounts, loans, credit cards, and other financial services.

Examples: JPMorgan Chase, Bank of America, HSBC.

2. Central Banks:

Role: Regulate and control the money supply, implement monetary policy, and ensure financial stability.

Functions: Issuing currency, acting as a banker to the government, and overseeing other banks.

Example: The Federal Reserve (USA), European Central Bank (ECB).

3. Development Banks:

Objective: Promote economic development by providing long-term finance for industrial projects.

Focus: Infrastructure, industry, and other priority sectors.

Examples: World Bank, Asian Development Bank.

4. Cooperative Banks:

Ownership: Owned and operated by their members, who are also customers.

Purpose: Serve the financial needs of a specific group or community.

Examples: Credit unions, cooperative credit banks.

5. Investment Banks:

Function: Facilitate capital raising for businesses through underwriting and advisory services.

Activities: Mergers and acquisitions, securities trading, and investment banking.

Examples: Goldman Sachs, Morgan Stanley.

6. Islamic Banks:

Principle: Operate based on Islamic principles, avoiding interest (usury) and engaging in Sharia-compliant financial activities.

Products: Islamic savings accounts, Islamic mortgages, and other Sharia-compliant financial products.

Examples: Qatar Islamic Bank, Dubai Islamic Bank.

7. Merchant Banks:

Focus: Provide financial services to corporations and high-net-worth individuals.

Activities: Investment advisory, corporate finance, and project financing.

Examples: Rothschild, Lazard.

8. Savings Banks:

Purpose: Encourage saving by offering deposit accounts with interest.

Customer Base: Individuals and small savers.

Examples: Savings and loan associations, mutual savings banks.

9. Foreign Banks:

Origin: Headquartered in a foreign country.

Operations: Have branches or subsidiaries in other countries.

Examples: Standard Chartered, Deutsche Bank.

Regulatory Authorities:

Bank Regulatory Authorities:

Governments establish regulatory authorities (e.g., Federal Reserve, European Banking Authority) to oversee and regulate banks, ensuring financial stability and protecting the interests of depositors.

Source: [Bangladesh Bank](#).

- **Central Bank of Bangladesh**

Bangladesh Bank: Bangladesh Bank plays a role in Bangladesh's landscape. As the institution and regulator of the banking sector it has been responsible for shaping and executing monetary policies since its establishment in 1972. In addition to overseeing and regulating institutions Bangladesh Bank manages currency reserves promotes financial inclusivity and ensures stability. Its presence is essential for maintaining a system and fostering sustainable economic growth in the long run.

Objectives:

The main objectives of monetary policy of Bangladesh Bank are:

1. Price stability both internal & external
2. Sustainable growth & development
3. High employment
4. Economic and efficient use of resources
5. Stability of financial & payment system

Roles and Functions of Bangladesh Bank:

Monetary Policy Formulation: Bangladesh Bank is given the important task of creating and executing financial strategies. These guidelines seek to achieve an equilibrium, between maintaining prices and fostering sustainable long-term economic growth. The central bank endeavors to manage inflation and stabilize the economy. Ensure financial stability through the regulation of available money supply, interest rates, and other monetary measures.

1) Bank Supervision and Regulation: Bangladesh Bank functions as the main governing body for banks and financial establishments functioning in the nation. It oversees their actions to guarantee they work in a secure manner, maintain enough financial resources, handle risks proficiently, and follow all appropriate laws and rules. This supervision aims to preserve the honesty of the financial system and defend the concerns of depositors and stakeholders.

2) Currency Issuance: Bangladesh Bank has a crucial role in ensuring the honesty and stability of the nation's monetary system as the only authority responsible for issuing currency. It produces and distributes paper money and coins while guaranteeing their safety attributes to deter counterfeiting. The main bank also controls the distribution of money to fulfill the needs of the economy and the goals of monetary policy.

3) Foreign Exchange Management: Overseeing the country's overseas currency savings is an essential duty of Bangladesh Bank. It creates and executes rules regarding currency exchanges to uphold steadiness in the nation's international industry. The main goal of the central bank is to guarantee suitable amount of reserves, control changes in exchange rates and support global trade and investments.

4) Promotion of Financial Inclusion: Bangladesh Bank is dedicated to improving financial inclusivity and lessening the difference among various groups in obtaining financial services. It promotes banks and financial organizations to expand their services to areas with limited access and individuals facing economic challenges. This initiative supports disadvantaged communities, promotes the act of setting aside money, and enhances financial growth in isolated and countryside areas.

Payment Systems Oversight: Another important duty of the Bangladesh Bank is to guarantee the effectiveness, security, and dependability of payment systems. It governs different modes of payment, which include online money transfers, card transactions, and virtual purses. The central bank helps create a smooth and safe payment system in the country by establishing rules and recommendations.

5) Economic Research and Data Analysis: Bangladesh Bank carries out comprehensive economic studies, gathers pertinent information, and examines patterns to offer valuable perspectives for policy formulation. The investigation helps make choices regarding the management of money, stability in finances, and progress in the economy. By staying well-informed about the state of the economy, the central bank can make knowledgeable and fact-based decisions.

6) Consumer Protection: To make sure that practices in the financial industry are fair and that consumers' rights are safeguarded, Bangladesh Bank creates and enforces rules that encourage openness and moral conduct. It also deals with customer complaints and conflicts, encouraging trust in the economic system.

7) Financial Sector Development: Bangladesh Bank plays an active role in promoting the expansion and progress of the financial industry. It helps create financial markets, introduces new and creative financial offerings, and promotes competition among financial organizations. These initiatives help in establishing a strong and varied financial environment that can more effectively meet the requirements of the economy.

Overall, Bangladesh Bank has a diverse role in influencing the economic and financial environment of the nation. Its roles include managing money policies and supervising regulations, as well as encouraging financial access and conducting economic studies. By means of its activities, the main bank strives to guarantee steadiness, expansion, and inclusiveness in the financial industry of Bangladesh.

Source: [Bangladesh Bank](#).

- **Scheduled Banks of Bangladesh**

Scheduled Banks: Banks that operate under the guidance and supervision of the country's central bank or monetary authority are called scheduled banks or simply banks. These banks follow guidelines and requirements established by organizations because they are an essential part of the banking industry.

The main responsibilities of scheduled banks encompass receiving deposits from the public providing loans and credit facilities facilitating money transfers, issuing credit and debit cards offering a range of products and services and acting as intermediaries in the system. Their role is crucial in mobilizing savings and channeling funds into activities.

In Bangladesh scheduled banks comprise types of institutions such as nationalized banks, private sector banks, foreign banks and specialized banks. The list of scheduled banks is. Regulated by the Bangladesh Bank.

Some examples of scheduled banks in Bangladesh:

Sonali Bank: Sonali Bank is a really big and really old bank that belongs to the country of Bangladesh. This is a very important bank in the country that helps people and businesses with their money needs. It offers different kinds of services to help them manage their money better. Sonali Bank has many branches in cities and the countryside. They assist individuals without bank access by delivering financial services to them. This business assists individuals in cutting costs, obtaining loans, transferring funds abroad, backing enterprises, and overseeing funds for major endeavors. Sonali Bank is a government-owned bank. It helps the government with different money-related things and gives important banking help to the government and people who work for the government.

BRAC Bank: At BRAC Bank, they're all about giving a helping hand through loans and various services to make sure people thrive and reach their goals. This bank stands out for being super creative and always having their customers' wishes in mind. BRAC Bank offers a bunch of money-related options that suit both small businesses and everyday folks. They're there to lend a hand to businesses with loans, assist people in stashing away savings, offer personal loans, and even hand out credit cards. They've got their eyes on the future by embracing technology and digital banking, which means things are smoother and more convenient for the people who bank with them.

HSBC Bangladesh: HSBC is a big bank that helps people and companies in Bangladesh with their money and finances. HSBC Bangladesh is able to help with things like buying and selling things between different countries, managing different types of money, and helping big businesses with their banking needs because they are really good at this stuff and have operations all around the world. HSBC also helps people with their money. They offer different types of bank accounts for saving and spending, and they can also lend money to people who need it. They even have special cards for buying things with credit. They also help people manage their money and make it grow. Because it can connect with other countries, businesses that do business with other countries like to use it.

Janata Bank Limited: Janata Bank is a special bank that helps different parts of our country's economy, like farming, making things, buying and selling things, and business. This company has many different things they offer to help people with their money. They have things for lots of different people with different needs. Janata Bank helps the economy grow by giving money to different businesses and projects. This company helps people with things like saving money, borrowing money, trading and sending money to other countries, and managing money for businesses.

Bangladesh Krishi Bank: Bangladesh Agriculture Bank (BKB) is a unique bank that supports farmers and individuals residing in rural areas with their financial and agricultural requirements. BKB is like a helping hand for farmers, folks working with plants and animals, and residents of small towns. They give out grants to back up these hardworking people and make their communities better. When it comes to those who are into farming, taking care of animals, and anything related, BKB steps in to lend a hand. Even for folks living in the countryside, they offer financial services that not only boost their neighborhoods but also offer a helping hand to those who might be facing

resource shortages. Bangladesh Agricultural Bank aids the farmers and individuals engaged in farming activities.

These various banks in Bangladesh have distinct objectives and assist diverse individuals with their financial requirements. When individuals collaborate and engage in diverse activities, such as providing financial assistance and facilitating trade, it contributes to the development and durability of the nation's economy.

Source: [Bangladesh Bank](#).

- **Insurance Sector of Bangladesh**

Following independence, the insurance industry in Bangladesh was born, with one foreign insurance company and two nationalized insurance companies—one each for life and general. The industry began to grow when private insurance companies entered it in the middle of the 1980s. 62 businesses are currently functioning under the 2010 Insurance Act. Among them:

There are 44 general insurance companies, including 1 state-owned company, and 18 life insurance companies, including 1 foreign company.

Bangladeshi insurance providers offer the following services:

1. Life insurance,
2. General Insurance,
3. Reinsurance,
4. Micro-insurance,
5. Takaful or Islami insurance.

Life Insurance: Definition: Life insurance is a contract between an individual and an insurance company, where the insured pays premiums in exchange for a lump-sum payment to beneficiaries upon the insured's death or after a specified period.

General Insurance: Definition: General insurance, also known as non-life insurance, provides coverage for a wide range of risks and events other than death. It includes insurance for property, health, liability, travel, and more.

Reinsurance: Definition: Reinsurance is a practice where an insurance company transfers a portion of its risk to another insurance company or multiple insurers. It helps primary insurers manage their exposure to large or catastrophic losses.

Micro-Insurance: Definition: Micro-insurance provides insurance coverage to low-income individuals or communities, often in developing countries. It offers basic and affordable insurance products tailored to the specific needs of the economically vulnerable.

Takaful or Islami Insurance: Definition: Takaful is a type of Islamic insurance that operates in compliance with Islamic principles (Sharia). It involves a risk-sharing mechanism where participants contribute premiums to a common pool, and payouts are made based on mutual assistance in times of need.

Source: [Bangladesh Bank](#).

- **Mobile Financial Services of Bangladesh**

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 antimoney 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.



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.



Source: <http://rtn.bcc.net.bd/index.php/information-on-mobile-banking>

- **Limitations of Banking industry**

The banking industry, while playing a crucial role in the economy, is subject to various limitations and challenges. These limitations can stem from factors such as regulatory environments, economic conditions, technological changes, and internal operational issues. Here are some common limitations of the banking industry:

Regulatory Compliance:

Stringent regulatory requirements can pose challenges for banks in terms of compliance costs, reporting obligations, and adapting to changing regulations.

Interest Rate Risk:

Banks are exposed to interest rate fluctuations, which can affect their net interest margins. Sudden changes in interest rates can impact profitability.

Credit Risk:

Credit risk arises from the possibility of borrowers defaulting on loans. Economic downturns or unforeseen events can lead to an increase in non-performing loans.

Operational Risk:

Banks face operational risks related to internal processes, systems, and human errors. Cybersecurity threats also contribute to operational risk.

Liquidity Risk:

Inadequate liquidity can arise if a bank cannot meet its short-term obligations. This risk can be exacerbated during financial crises or sudden withdrawals by depositors.

Market Risk:

Banks are exposed to market risk due to fluctuations in interest rates, exchange rates, and asset prices. This can impact the value of their investments and portfolios.

Technological Challenges:

Rapid technological advancements require banks to continually invest in updating and securing their technology infrastructure. Failure to keep up can lead to operational inefficiencies and vulnerabilities.

Competition from Non-Banking Financial Institutions:

Fintech companies and other non-banking entities are increasingly providing financial services, posing competition to traditional banks and pressuring them to innovate.

Cybersecurity Threats:

The increasing reliance on digital technology makes banks susceptible to cyberattacks, fraud, and data breaches. Protecting customer information and maintaining cybersecurity is a significant challenge.

Global Economic Conditions:

Banks are influenced by global economic conditions, and uncertainties in the international economic environment can impact their operations and performance.

Customer Expectations:

Meeting evolving customer expectations for digital services and personalized experiences requires continual investment in technology and innovation.

Geopolitical Risks:

Geopolitical events, such as political instability, trade tensions, or conflicts, can impact the stability of financial markets and affect the banking industry.

Capital Adequacy:

Maintaining adequate capital levels is essential for banks to absorb potential losses. Striking a balance between profitability and regulatory capital requirements can be challenging.

Demands for Social Responsibility:

Increasing societal expectations for banks to engage in socially responsible practices and sustainability initiatives add another layer of consideration and operational complexity.

Source: <https://thefinancialexpress.com.bd/>

Part C: Industry and Company Analysis

- **Overview of the given industry**

Golden Harvest Agro Industries Ltd.

Golden Harvest Agro Industries Ltd is a publicly held company that was founded in 2004 and is headquartered in Dhaka, Bangladesh. The company is involved in growing, procuring, purchasing, processing, packaging, warehousing, transporting, exporting, importing, distributing, and selling frozen food products of vegetables, ready-to-eat foods, finger foods, and other products, as well as ice cream and milk. Some of its brands include Golden Harvest, Bloop, 2GO, and Happy Cow.

Performance: As of Sunday closing, the stock price of Golden Harvest Agro Industries Ltd was \$0.16 per share, with a market cap of \$33.7M and 216M shares outstanding¹. The company's revenue for the trailing twelve months ending March 31, 2023, was \$9,467,000, with an EBITDA of \$1,170,000.

Growth prospects: Golden Harvest Agro Industries Ltd's growth prospects are not available in the sources I have access to. However, the company's sales growth rate was 52.81% as of the fiscal year ending June 2023.

Main players:

Kazi Farms kitchen:

A range of frozen food products are sold under the brand name Kazi Farms Kitchen. These are all guaranteed to not contain any antibiotic residues, as chickens are not fed any antibiotics within 7 days of slaughter, as per international practice. The meat is also guaranteed to be produced from chickens raised on feed not containing MBM (meat and bone meal) as per European standards. The meat products are also guaranteed to be MSG and nitrate-free, as we do not use any of these chemicals during food preparation.

C.P. Bangladesh Co. Ltd:

In the year 1998 CP Group started its business in Bangladesh under the name of CP Bangladesh Co., Ltd. (CPB) with a vision of the “kitchen of Bangladesh.” Right now CP in Bangladesh is multifaceted with three major components of business: feed, farm, and food. It has all the following business units: Feed Business, Breeder Farm Business, Hatchery Business, Broiler Farm Business, Layer Farm Business, Contract farming Business, Aquaculture Business & Food Business.

Source:

(1) Golden Harvest Agro Industries Company Profile: Stock Performance

<https://pitchbook.com/profiles/company/164457-46>.

(2) GOLDEN HARVEST AGRO INDUSTRIES LTD. - Dun & Bradstreet.

<https://www.dnb.com/business-directory/company-profiles/golden-harvest-agro-industries>.

(3) Golden Harvest Agro Industries Ltd (GOLD) Financial Ratios - Investing.com.

<https://www.investing.com/equities/golden-harvest-agro-industries-ltd-ratios>.

- **Company overview (History, Performances, Products, etc.):**

Golden Harvest Agro Industries Ltd. takes pride in its food processing plant & supply chain. For its production and supply chain facilities the company has received many certifications including ISO 22000:2005, 9001:2008 & HACCP. The company's supply process is linked with over 100,000 Bangladeshi agricultural partners who supply 95% of the company's raw materials. The food processing plant is situated in Gazipur which is equipped with state of the art machineries and is maintained by a team of industry's best professionals. Once production is completed and quality is assured, the frozen products are distributed through an extensive network of temperature controlled transportation system. The company distributes nationwide and exports to USA, Canada, Australia,

Middle East and the European countries, maintaining a temperature of -18° C through its cold chain network. All these ensures top quality products, farm to fork!

Golden Harvest Agro Industries Ltd offers a wide range of frozen food products of vegetables, ready-to-eat foods, finger foods, and other products, as well as ice cream and milk. Some of its brands include Golden Harvest, Bloop, 2GO, and Happy Cow. The company offers approximately 75 varieties of frozen food products of vegetables, ready to eat foods, finger foods like; chicken nuggets, chicken sausage, fish fingers, French fries, spring rolls, paratha and samosa.

Source:

(1) Golden Harvest Agro Industries Ltd. – Golden Harvest.

<https://www.goldenharvestbd.com/agro/>.

(2) Golden Harvest Agro Industries Ltd (GOLD) - Investing.com.

<https://www.investing.com/equities/golden-harvest-agro-industries-ltd>.

(3) Golden Harvest Agro Industries - PitchBook.

<https://pitchbook.com/profiles/company/164457-46>.

Conclusion:

In conclusion, the financial sector of Bangladesh stands as a critical pillar supporting the country's economic development and growth. The sector encompasses a diverse range of institutions, including banks, non-bank financial institutions, capital markets, and insurance providers. Bangladesh Bank, as the central bank, plays a pivotal role in ensuring monetary stability, regulating financial entities, and fostering an environment conducive to economic prosperity.

The banking sector, comprising both traditional and Islamic banking, serves as the primary channel for mobilizing savings, providing credit, and facilitating economic transactions. Despite facing challenges such as regulatory compliance, credit risks, and global economic uncertainties, the sector has demonstrated resilience and adaptability.

The capital market, represented by stock exchanges like Dhaka Stock Exchange and Chittagong Stock Exchange, contributes to capital formation and investment opportunities. Efforts to enhance transparency, governance, and technological infrastructure are underway to attract more investors and deepen market participation.

The insurance industry, covering life and general insurance, plays a crucial role in risk management for individuals and businesses. Initiatives to promote micro-insurance aim to extend financial protection to underserved populations.

Challenges, including regulatory complexities, the need for technological advancements, and global economic dependencies, require continuous attention. However, ongoing reforms, financial

inclusion initiatives, and a commitment to sustainable practices indicate a positive trajectory for the sector.

As Bangladesh continues to pursue economic development, the financial sector will likely play an increasingly integral role. Government policies, regulatory frameworks, and industry collaboration will be crucial in addressing challenges and unlocking the sector's full potential for the benefit of the country and its citizens. Keeping abreast of global financial trends and embracing innovation will be key in positioning the financial sector of Bangladesh on a robust and sustainable path forward.

Contribution:

Name	ID	Contribution	Signature
B M Shahria Alam	2021-3-60-016	Part A	
Golam Kibria	2021-3-60-215	Part B	
Rafsun Islam Taskin	2021-3-60-024	Mobile Financial Services of Bangladesh (Part B), Limitations of Banking Industry (Part B), Part C	
Victor Dhrubo	2021-3-60-226	Letter of Transmittal, Introduction, Table of content, Executive Summary, Conclusion.	

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