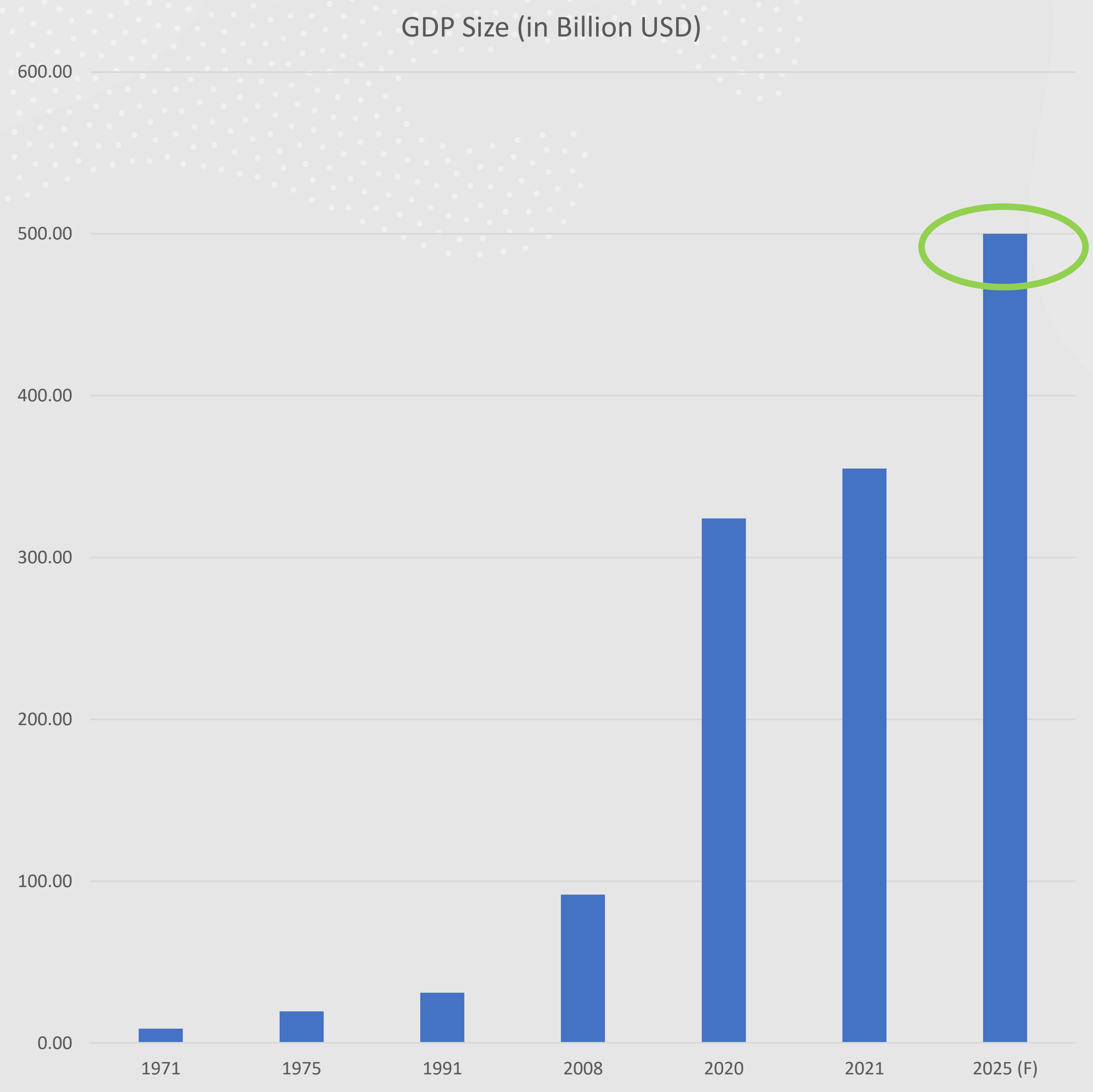
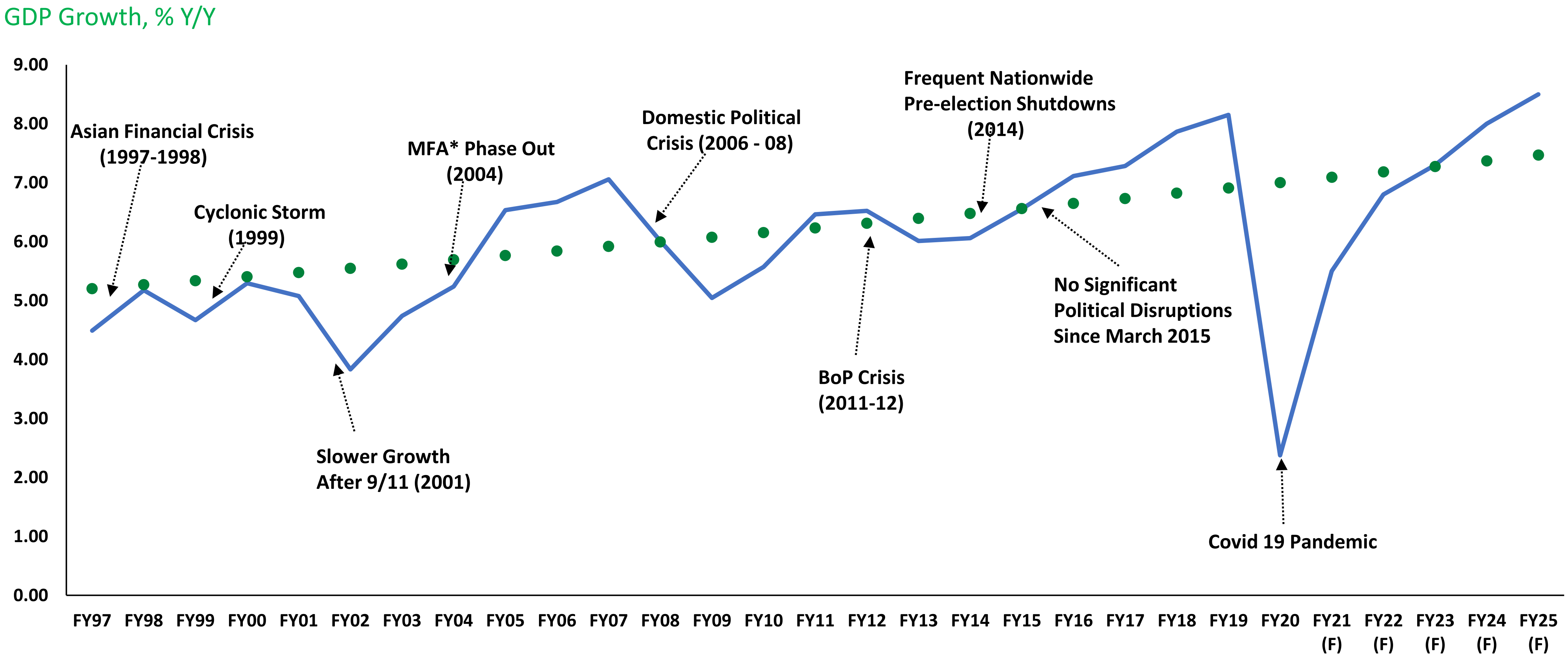
Addressing Few Critical Aspects for Economic Development of Bangladesh

Staller Growth of GDP




GDP Growth, % Y/Y
9.00
8.00
7.00
6.00
5.00
4.00
3.00
2.00
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Asian Financial Crisis (1997-1998)
Cyclonic Storm (1999)
Slower Growth After 9/11 (2001)
MFA* Phase Out (2004)
Domestic Political Crisis (2006 - 08)
BoP Crisis (2011-12)
Frequent Nationwide Pre-election Shutdowns (2014)
No Significant Political Disruptions Since March 2015
Covid 19 Pandemic
FY97
FY98
FY99
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FY18
FY19
FY20
FY21 (F)
FY22 (F)
FY23 (F)
FY24 (F)
FY25 (F)

Visionary Leadership

Focus on-

- Infrastructure Development
- Reduction of Poverty & Equitable growth
- Self Reliance
- Maintaining Strategic Relationship

“Bottomless Basket" to “The Test Case for Development"

2018

Bangladesh achieved Middle Income Country status

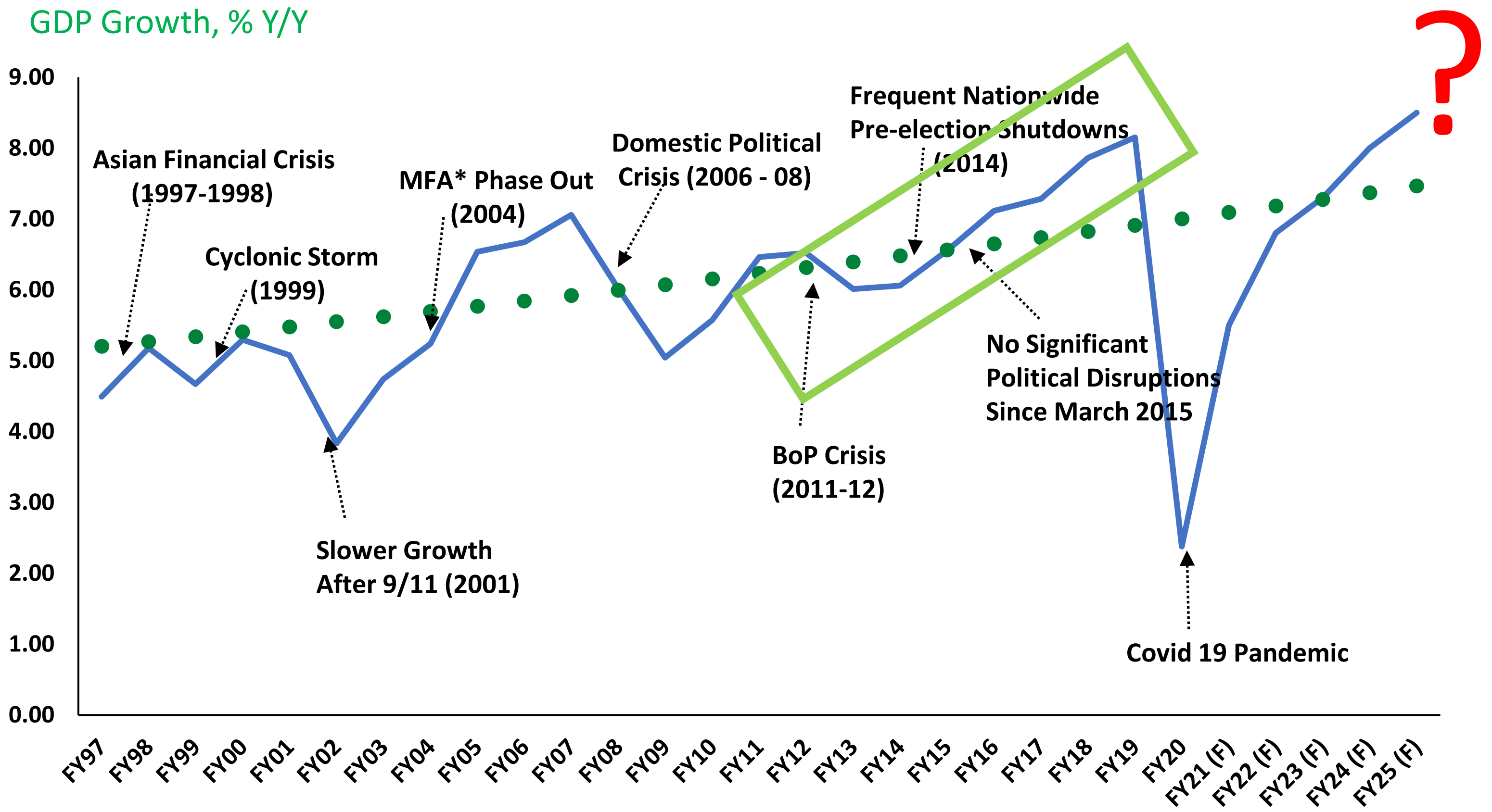
2021

Previously Projected timeline to qualify for graduation from LDC

2026

Will finally graduate from LDC [delayed by 2 years due to Covid Pandemic]

What Next?



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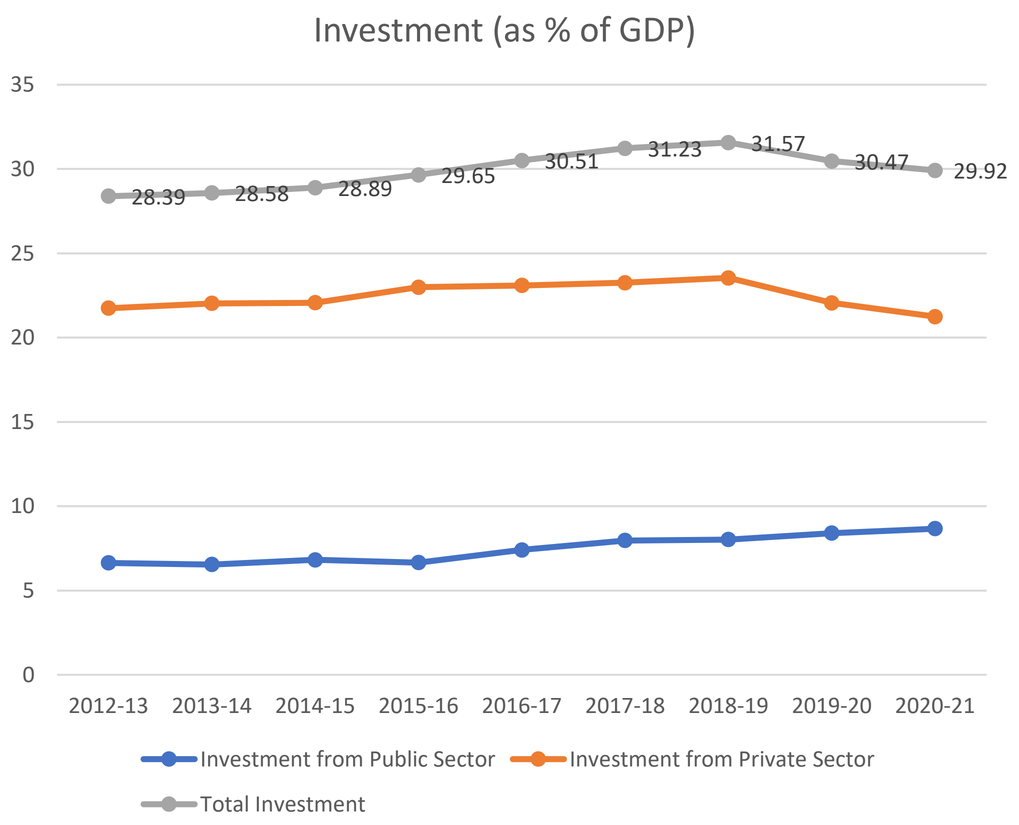
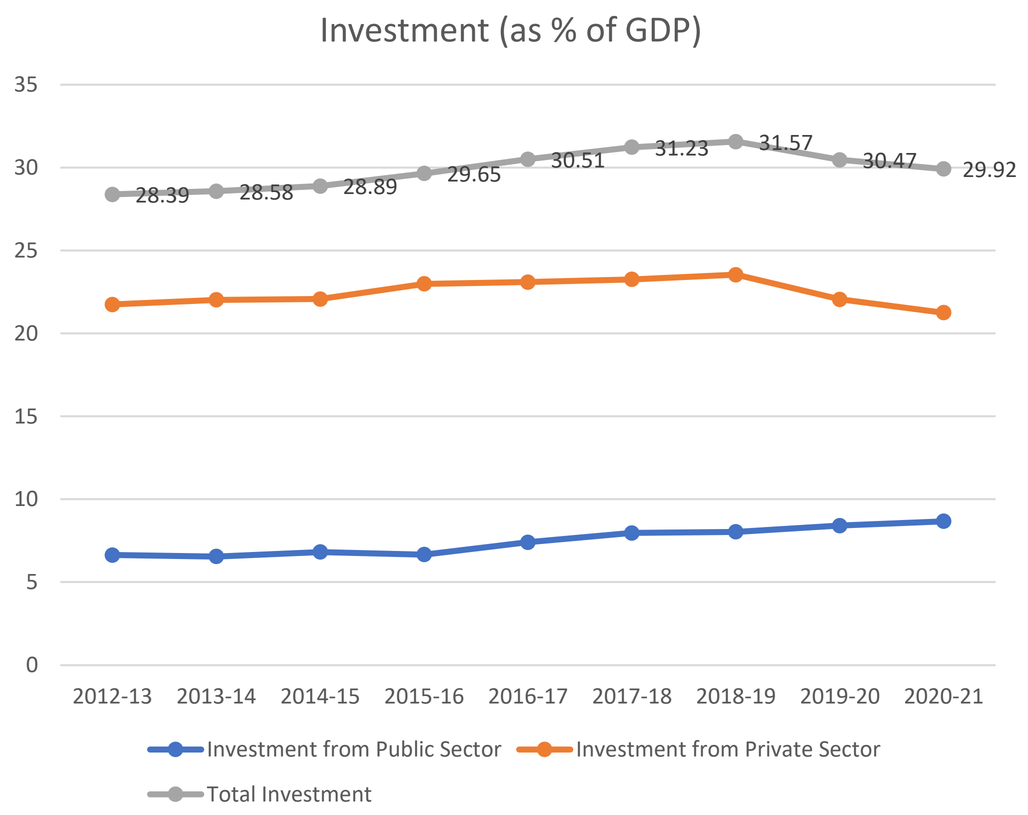
Challenging Future



- After 2025, required investment to retain the projected GDP growth is 40%, far higher than the current level
- After 2030, contribution from public sector supposed to be low

Challenging Future (Cont.)

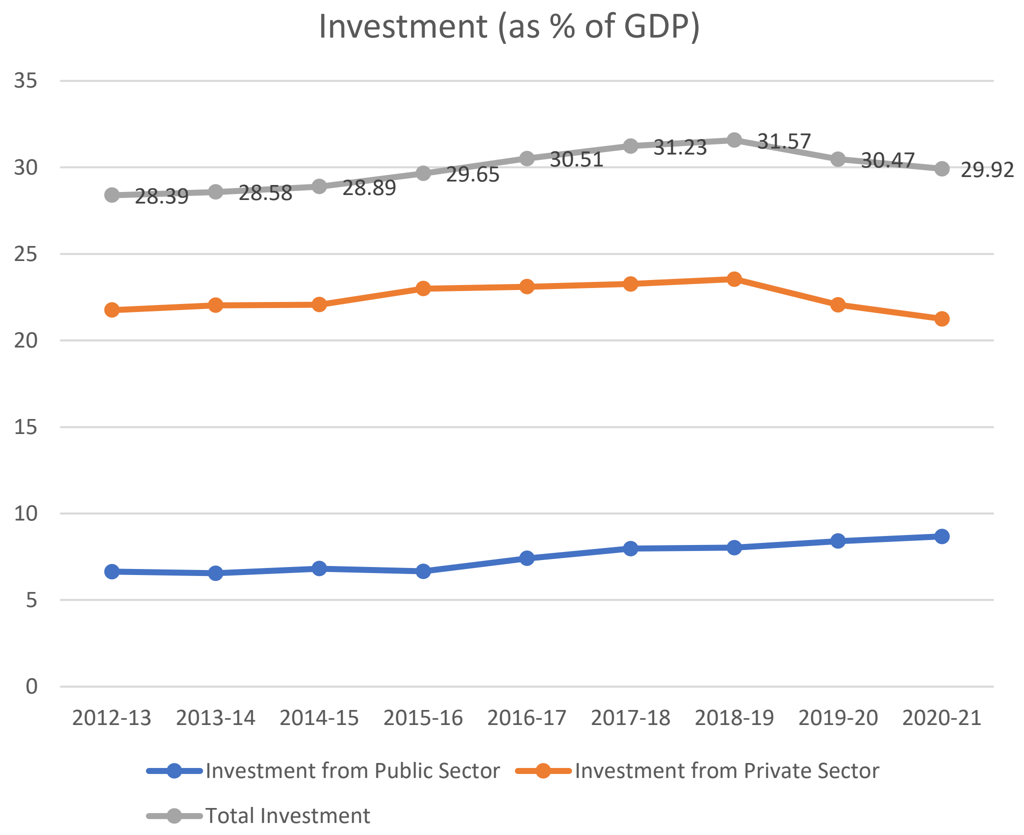


Next Targets:

- SDG by 2030
- High Income Country Status by 2041

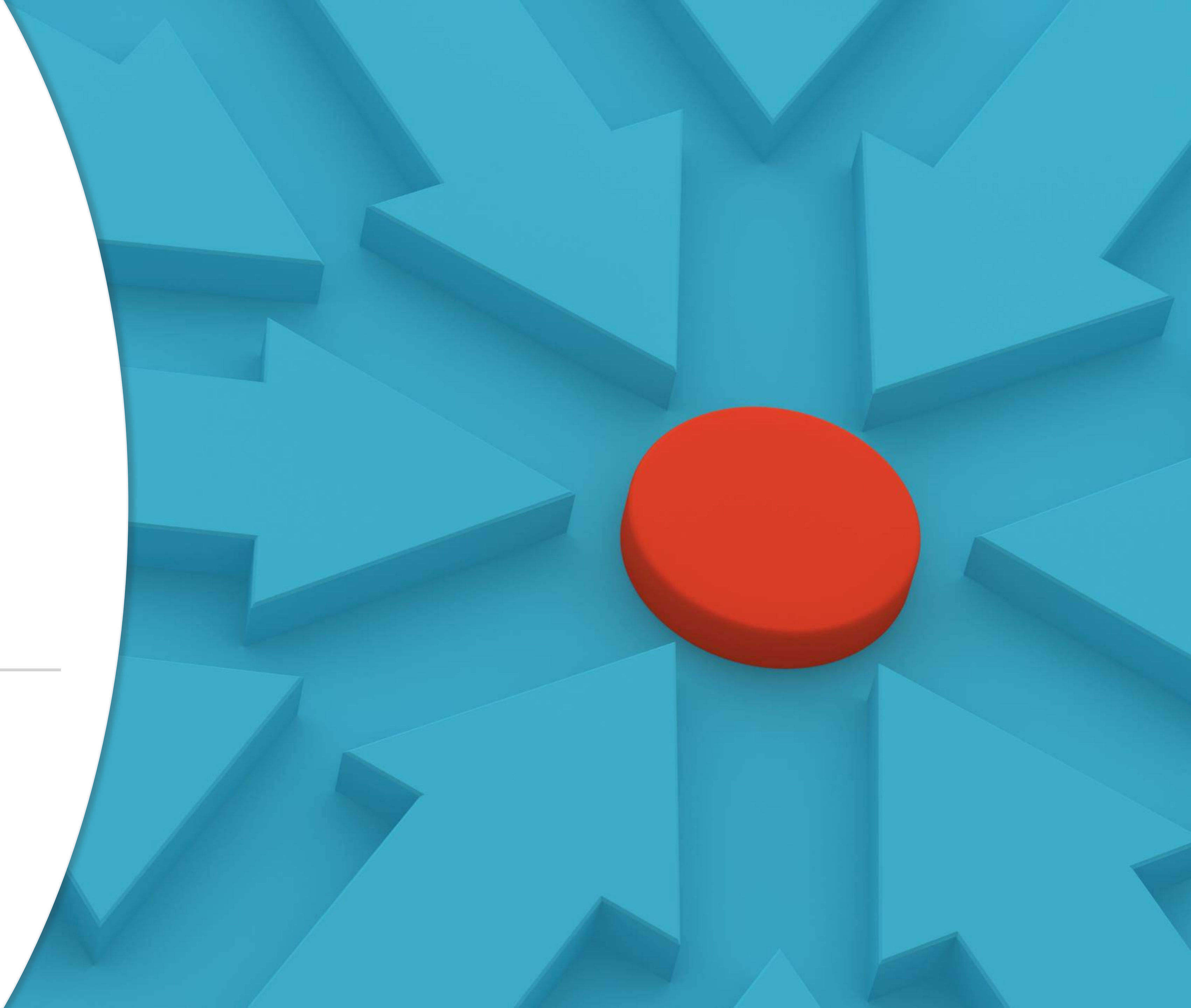
What is out strategy?

Challenging Future (Cont.)



- Higher growth in private sector is a must to harness the maximum benefit from the ongoing projects
- Growth in FDI can be the X- Factor in this journey
- 2 Critical Factor in this regard-
    - Financing the growth
    - Growth in Human Capital

Financing the Growth of Bangladesh



Investment Requirement for Desired GDP Growth

Current

- Current Investment- USD 106.24 Billion

  - Private Sector- 75.45

  - Public- 30.79 Billion

By 2030

- Required Investment will be USD 120.00 Billion to maintain 7% GDP Growth

Urgent Need of Private Sector Growth

Investing in infrastructure projects to stimulate economic development has been one of the most popular policy instruments

Bangladesh did the job very nicely

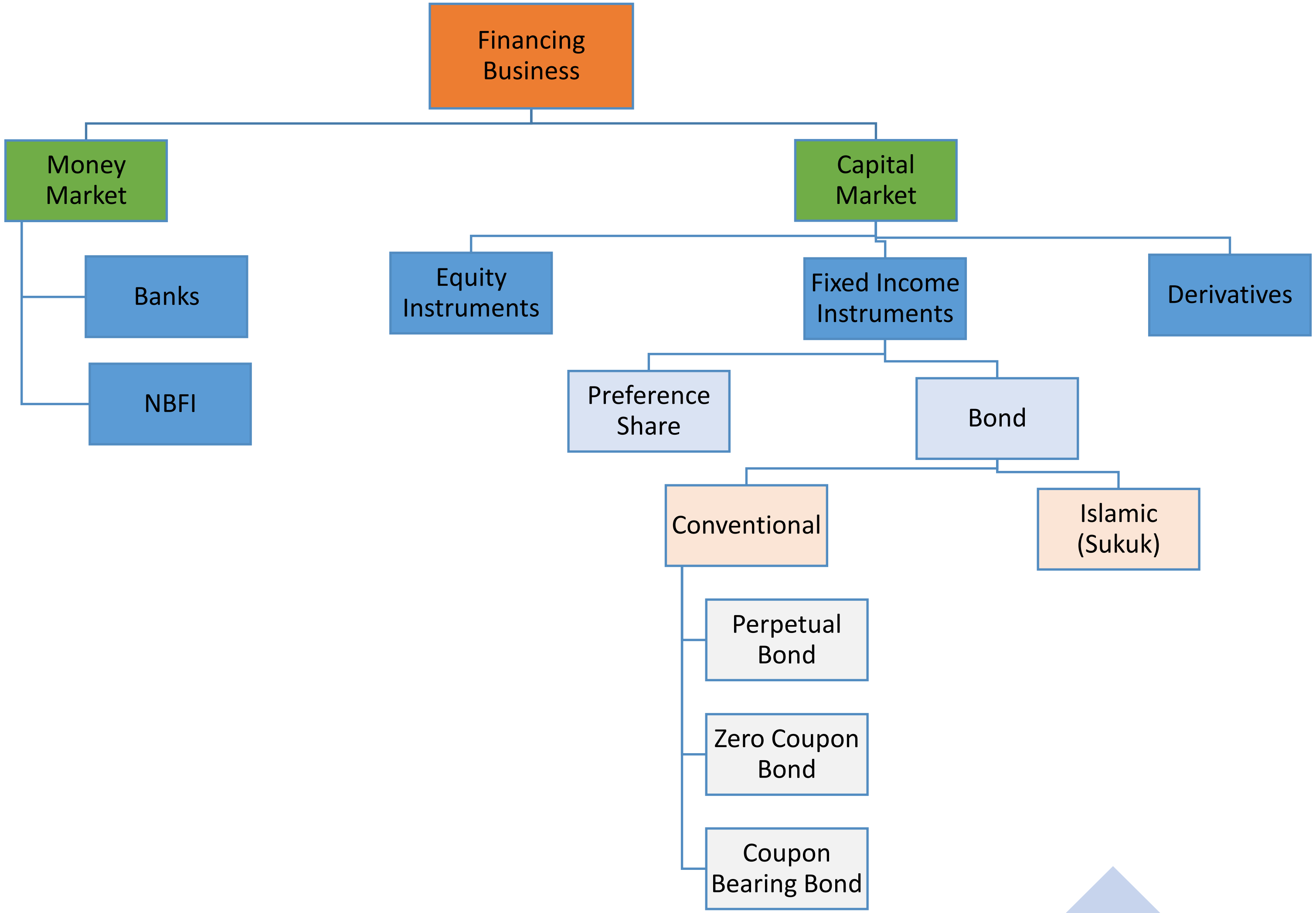
Now development of private sector is must to harness the real benefit of Government Investments

But Private Sector Development is Stymied. Why?

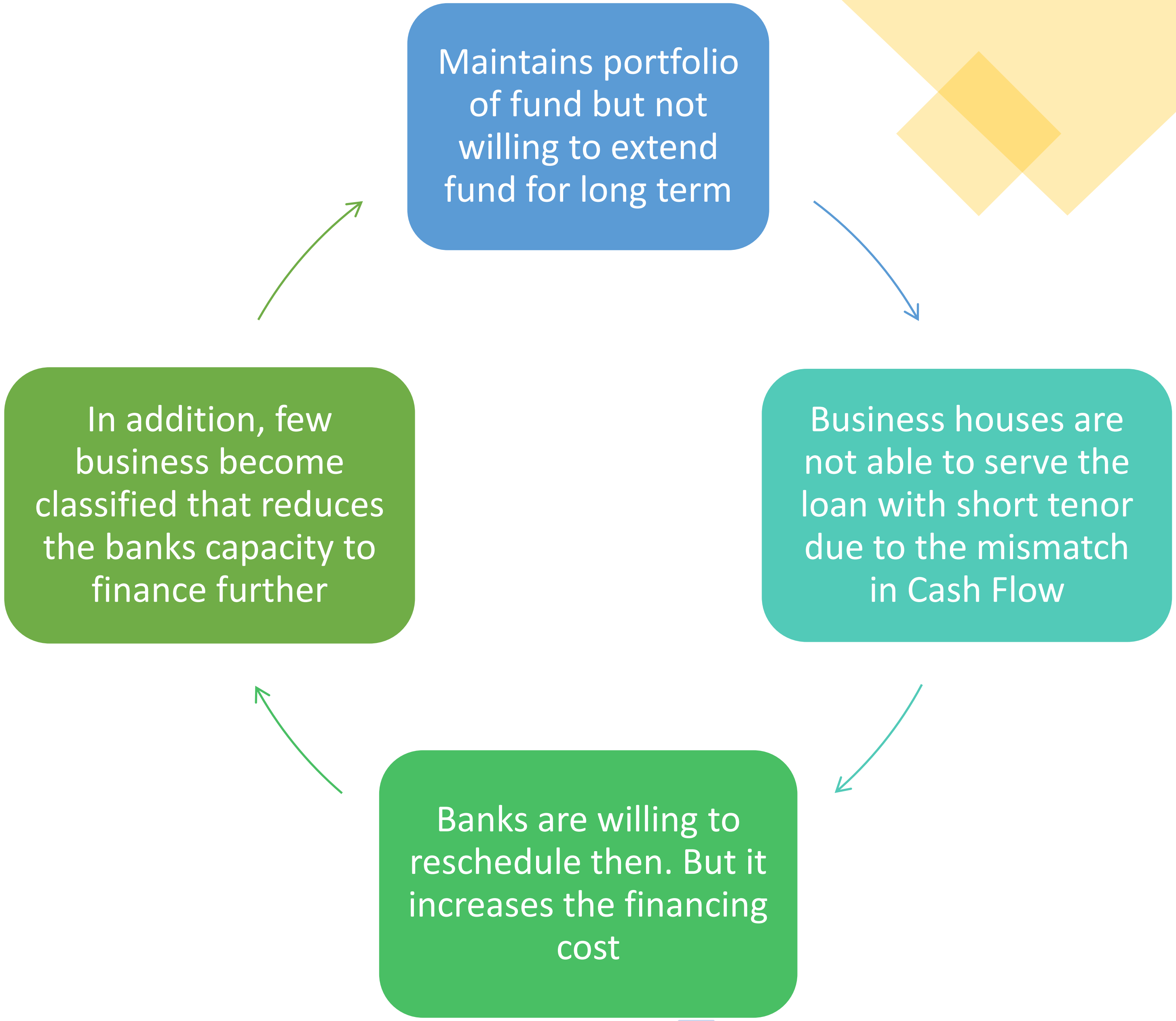
Problem for Investor

- Cost of Financing.
- Short term Financing.
- Equity participation.
- CIB Report.
- Bankruptcy Act (Exist policy).

Major Sources of Financing



Vicious Cycle of Bank Financing for Business Houses



Reasons behind Bank's Reluctance to Long Term Financing

Tools use for deposit are short term basis.

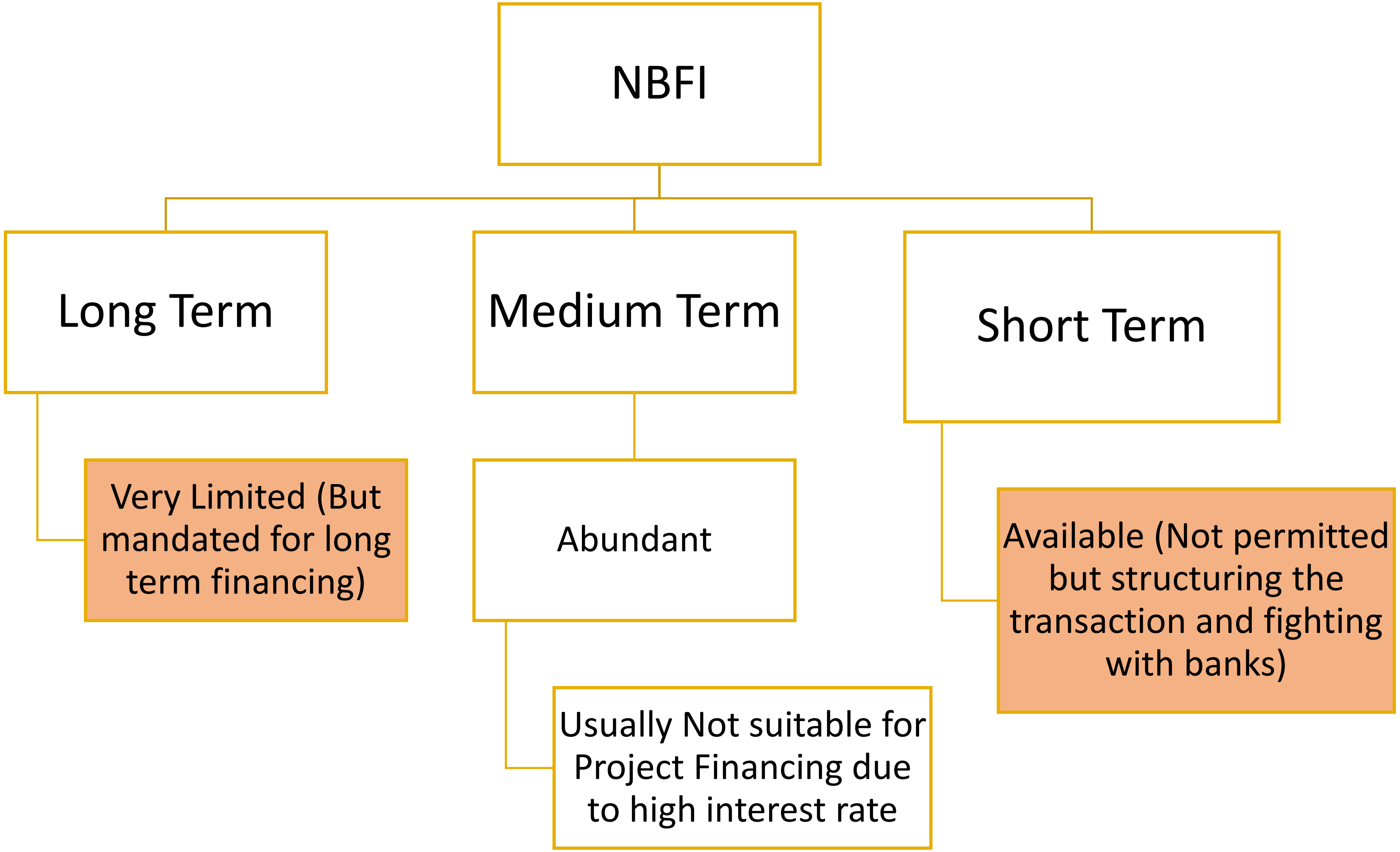
Bank have no tools to convert into Asset for secure the long- term financing which can be convertible.

Depreciation are changed for 5 – 10 years and hence book value becoming Zero. That's why Bank can not address liabilities more then 10 years.

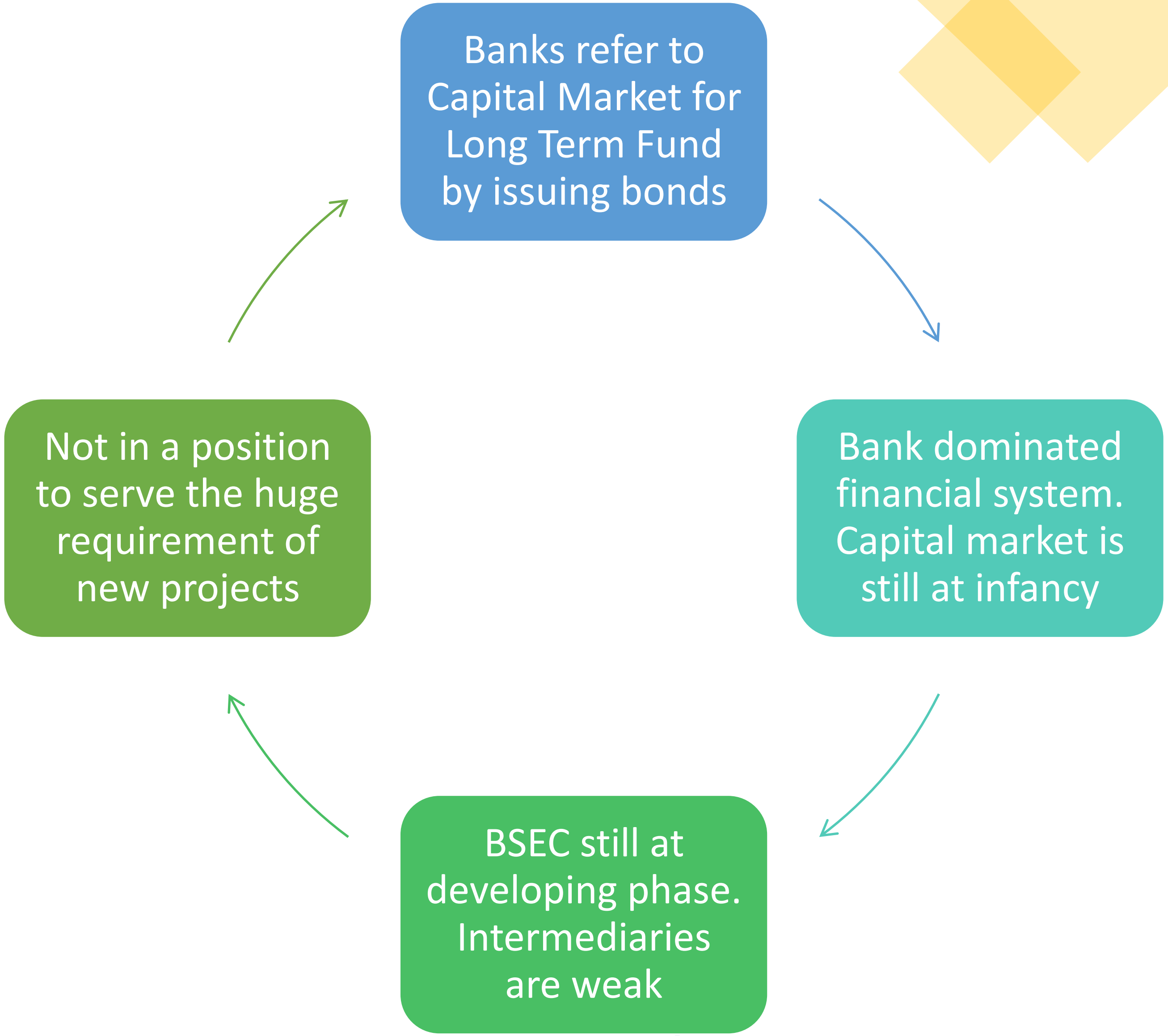
Bank are not in a position to forecast risk management for company more then 10 years. Though worldwide developed country can do.

Net stable Funding Ratio (Vessel-3) are in practice. Hence most banks are restricted for lending their money in long term.

Major Source of Financing- NBFI



Immature Capital Market for Growth Financing



Major Source of Financing- Capital Market

- Capital Market
  - Bond/ Debenture
    - Close to Zero (2 issuers) [Gov. Security recently added]
  - Equity
    - Only Product of the market
  - Derivative
    - Absent

Bond Market

Bank can only invest 25% of their capital to acquire listed securities (both equity & bond). So, equities always get the priority in a hope of capital gain.

Absence of listed bonds is another reason behind the banks' interest in investment inbonds

Privat placed bonds did not get popularity due to liquidity

SEC has a lot of role to paly to activate the Bond market

Transaction of Government Bonds through exchange is the 1st step to develop a proper bond market

Tax benefit for bond issuer and investor for a finite period would be very helpful

Types of Bonds

Zero Coupon Bond	Coupon Bearing Bond	Perpetual Bond	Sukuk (Islamic Bond)
• Raises fund at discounted value and pays back at face value • Offer 100% tax waiver on the profit (discount) amount for Corporate & HNI (but not for Banks, NBFI and Insurance companies) • Individuals & corporates do not have enough idea about this product and not willing to invest	• Raises fund at face value and pays coupon • No tax advantages is offered for investors • Only few precedence of coupon bearing bond issuance in our country	• Bonds with all the features of Equity • Popular for raising Tier- 1 Capital of Banks • Can be issued by only top-level institutions/ banks • Suitable for Institutions/ Banks, but not suitable for Individuals and Corporates • Will be listed into the main board	• Complies with Shariah rules and avoid any kind of Riba • Asset based/ Asset Backed • Very suitable for project financing • Potential market is very high in our country

Required Steps for Bond Market Development

- Initiation of trading of Government bond in the secondary market at DSE and CSE
- Tax advantage for Bond Issuing Companies to reduce the heavy reliance on banks
- Launching Government backed Credit Guarantee Schemes to facilitate the investors
- Reducing the cost of trading of bonds at DSE and CSE
- Encourage banks to raise funds through bonds as an alternative to FDR

Preference Share

Quasi fixed income security

It can be convertible, partially convertible or fully redeemable

Doesn’t require SEC approval for Non- Listed Companies

In Balance sheet it should preference share & once paid off the equity part, share automatically transfer to the company

Though long term in nature, but bank can invest maximum for 5 years due to BB Circulation

Systematic Problem

No Bankruptcy Act

CIB is adversely affecting the business

No Credit Guarantee Scheme for Small & Medium Enterprises

Recommended Way Forward

Policy support on Bank's long-term financing

Activate the project financing part at capital market and help it to grow to a considerable size

Formation of a Guarantee Scheme by government to increase the investors confidence on long term products

Incentive on investment diversification

Development of capital market intermediaries

Challenging Future Ahead

4^{th} industrial revolution is on the sight. We could not yet streamline very old regulations. Addressing continuously evolving business practices will be challenging

How will our system tackle AI, Machine Learning and Big data issues?

How financial power of big corporates and increased presence of expatriates would be tackled maintaining favorable business environment for business?


Thank You!