
 <p><b>IBTRA Bulletin</b> Issue: 2024/1 (January-March'2024)</p>	
<p align="center"><b>Islami Bank Training and Research Academy</b> Mohammadpur, Dhaka</p>		

**Major Economic Indicators** [Source: BBS & BB Statistics Department]

Sl	Parameter	Value
1	GDP Growth	Gross : 5.80% and Average: 6.50%
2	Foreign Exchange Reserve	USD 25.23 billion (gross) and USD 19.91 billion (net) at the end of March'2024.
3	Wage Earners Remittance	USD 1997 million in March 2024 (1.27% neg. growth over last month)
4	Excess Liquidity	Tk 1,54,000 crore (5.38% neg. growth over December 2023)
5	Import (C&F)	USD 5247 million (13.47% growth over last Month)
6	Export (EPB)	USD 5102 million (9.88 % growth over last Month)
7	Currency Exchange Rate (BDT/USD)	109.53: 1
8	Call Money Rate	9.00%
9	Percentage Share of Classified Loan	9.00%
10	CPI (Consumer Price Index)	9.81 % (Point-to-point) 9.69 % (12-Months Avg. basis)
11	Gold Reserves	USD 931.96 million (14.05 Tons)
12	FDI	USD 2.92 billion (5 years Average)
13	Inflation	Point-to-point: 9.86% 12-Months Avg. basis: 9.69%

**Section A : Global Economy**



- WB is looking to issue \$1 billion in a debut hybrid note on capital markets in 2024 to give new ways to development banks to boost their lending.
- The G20 group has urged multilateral lenders to explore hybrid financing structures to maximise balance sheets and help developing economies
- Biden Admin allowed \$8.5 billion in CHIPS Act grants for the company's semiconductor manufacturing business, the impact on production timeline, and more.
- The U.K. economy endured two years of stagnation, following a huge gas supply shock in the wake of Russia's invasion of Ukraine.
- 2024 data shows a weaker picture across all labor market metrics, with wage growth slowing, unemployment rising and vacancy numbers.
- In 2024, there has Lower probability of recession but there are lingering risks in global market.
- The Gaza-Israel conflict, if escalated to the wider region, impact will be huge as the region produces about 35% of the world's oil exports and 14% of gas exports.



- Continued attacks in the Red Sea and war in Ukraine made adverse supply shocks to global recovery, with spikes in food, energy, and transportation costs.
- In February 2024, global services activity continued to grow while shrinking manufacturing activity and restrictive monetary policy could ease inflation.



- IMF forecasts that the global economy will grow by 3.10% in the Year 2024.
- Moderating inflation and steady growth will open path to a soft landing but its forecast remains below historical average
- Growth in Asia could be slowed by rising debt levels which has affected in 'seemingly healthy' economies.



A member of MUFG  
a global financial group

- Eurozone narrowly avoids a recession, but the economy is at risk of Stagnation, dragged by high credit cost, weak exports, and unwinding of fiscal stimulus
- Upcoming wage hike in Japan remains key factor to ending negative interest rate policy by mid-year 2024
- China Economy showed a sign of mild recovery and possibly easing deflation, but recovery remains vulnerable
- Thailand revised down 2024 economic forecast due to Discouraging Q-4, 2023 GDP data and weaker-than-expected growth momentum



- Tourism remains a key economic driver in global economy arrived at new highs since the pandemic but tourist spending per trip is disappointing



- Rising geopolitical risks could lead to higher transportation cost, trade diversion, inflationary pressure, and even global supply chain disruption
- The year 2024 is anticipated a mild improvement in industrial production driven by improving exports and private investment amid the global economic recovery

## Section B : Global Finance and Banking

- After another year of deceleration in 2023, global activity showed some signs of stabilization at the beginning of 2024
- Swiss banking giant UBS to launch share buyback of up to \$2 billion in 2024
- JP Morgan explained why the Wall Street giant is raising its U.S. economic growth forecasts and discussed how immigration is affecting the outlook.
- The [Bank of England](#) is widely expected to keep interest rates unchanged at 5.25%, but economists are divided on when the first cut will come.



- Headline inflation fell than expected to an annual 3.4% in February 2024, its lowest level since September 2021.



- As more Americans are now than ever turned at 65, experts say it should not be any longer the traditional retirement age.

- Gold prices have rallied to record highs in context of the world situation

- ‘Money Movers’ expressed that Gold has rallied as much as it has and geopolitical concerns impacted largely the price of Gold.
- The big companies are urging for generative AI (Artificial Intelligence) push while customers’ reactions to company’s AI products also matter.
- In ‘The Exchange’ to discuss the customer reactions to the company’s AI products, industries have been adopting generative AI, and more.
- U.S. housing prices are likely to enter a long period of decline
- Intel Foundry operating losses is expected to peak in 2024
- The Cos like PVH, UnitedHealth, CVS Health, ChampionX, Stocks are making the biggest moves in pre-market:
- Employers are ushering in the age of AI while nearly half, 45% of high level executives say they are actively upskilling and training their workforces in AI,
- According to a recent report by job search site, tech skills make the biggest difference in salary showing salary increase up to 47% higher
- January 2024 labor market data showed a weaker picture across all key metrics, with wage growth slowing, unemployment rising and vacancy numbers slipping.
- Commercial Real Estate Markets in certain regions, has faced major setbacks, with expected related losses to emerge over the coming year
- Governments and public authorities are expected to continue playing a key role, especially in providing liquidity support.
- The global composite PMI rose to 51.8 in January, the highest reading since June 2023.
- The UN climate Change estimates over \$3 to 6 trillion of investment every year up to 2050 to limit temperature increase of 1.5°C for meeting the goal of the Paris Agreement.
- Effective carbon pricing could raise trillions to help tackle climate change.
- China is going to cost-efficient locations for manufacturing across the world which may weaken its national growth.
- Key risks may increase, especially if economic conditions in Europe, the United States, and China deteriorate in conjunction with persistent high inflation.
- For adequate capitalization, profitability, and relatively sound asset quality, Global Banking Outlook seemed resilient and stable based on 79% of banks’ rating.
- The weak economic outlook for 2024 will test banking business volumes, asset quality, and financing conditions.





- US Securities & Exchange Commission has approved bitcoin ETFs which is a proof of viability of the concept.
- Global reinsurers have begun inserting cancellation provisions (get out clause) into policies to protect Middle East conflict.



- The Bank of England uses AI to review the risks that pose to financial stability.
- Germany's renowned Bank Commerzbank can use crypto currency as they got license
- The global leaders demanded vigorous drive towards establishing global cooperative frameworks to ensure a transparent, trusted, and accountable financial landscape.



- ADB has emphasized to be involved under Green Finance facility through issuance sustainable bonds.



- e-commerce spending by 2028 will surpass USD 3 trillion, 1/3<sup>rd</sup> of that is likely to be international and cross-border and to grow and develop more revenue streams abroad.



- 84% of Chinese consumers hold and use e-wallets which has been fundamental to decrease use of cash



- Bank of America, the largest Bank of US spent more than \$11 billion on technology in recent years.

### Section C : National Economy



- Bangladesh to post sixth highest GDP growth in Asia in FY24
- The excess liquidity in the country's banking sector saw a decrease, falling by 5.38% to Tk 1.54 lakh crore at the end of January compared to December 2023.
- Fiscal risks include a revenue shortfall, potential financial sector fiscal liabilities, and deficit monetization.



- BB has tightened the monetary policy but its transmission has been hindered by the SMART lending rate cap since it slows pass-through to lending rates.
- The World Bank said forced bank mergers may be counterproductive without a thorough assessment of asset quality



- Bangladesh can raise three times more VAT if policy and compliance gaps addressed: World Bank
- The country's gross domestic product expansion is forecast to slow to 5.6% in 2023-24.
- Tighter liquidity conditions could exacerbate vulnerabilities in the banking sector.
- The recently updated Income Tax Act is an opportunity to increase income tax collection by expanding the tax base through improved compliance
- Critical public investments in energy, transportation, municipal infrastructure, and human capital development are constrained for low government revenues.
- Bangladesh's revenue as a share of GDP is currently 8.2% of GDP, among the lowest in the world and significantly below peers.

- The government of Bangladesh has set aside Tk 94,376 crore to service interest payments for FY24.
- Expediting structural reforms are needed to promote economic diversification and integration into Global Value Chains (GVCs) and strengthen resilience
- The country's quarterly GDP growth mostly varies for domestic and global factors,
- Industrial sector, accounts for around 33% of the GDP, services sector, which makes up 53 percent of the GDP, agriculture sector
- Bangladesh will face more than 18 percent duty on the export of goods after 2026 if the EPA is not signed,
- Bangladesh should make the most of the LDC-linked trade benefits during the extended 03 year period agreed by World Trade Organization (WTO) members.



- NBR has lifted Advance Tax (AT), which was 3%, on import of parts and accessories for computers to be made locally



- Currently, about 40% of the national budget and 80% of the Annual Development Programme (ADP) are spent on public procurement.



- Country's credit rating & long-term outlook to be remained stable, measures need for its graduation from LDC to developed country category in 2026.
- Certain measures are needed to boost the economy in light of Bangladesh's graduation from the least-developed country category in 2026.



- BBS's is now publishing quarterly GDP data to meet conditions laid out by the IMF for securing a \$4.7 billion concessional loan
- GoB has planned to set up two fertiliser factories for the country to become self-sufficient in fertiliser production, one in Ashuganj and the other in Bhola.
- Bangladesh's RMG industry boasts the highest number of Leed-certified green factories in the world, which has reached over 200.



- BGMEA will provide comprehensive eye care services to all garments workers under a MOU with Manabik Sahajjo Sangstha (MSS).
- Training on human rights and responsible business conduct are expected to boost up under MoU between Bangladesh Employers' Federation and BRAC

## Section D : National Finance & Banking



- The ratio of NPLs to total loans stood at 9.93 percent in Q1 FY24 as per Bangladesh bank data.
- Defaulted loans amounted to Tk 225 bn in 2009, Tk 502 bn in 2014, Tk 943 bn in 2019, Tk 887 bn in 2020, and surprisingly as high as Tk 1,560 bn in 2023.
- An efficient resolution framework for non-performing loans (NPLs) is urgently needed.
- Digital innovation is reshaping the financial landscape as internet banking users soared to higher percentages over the years
- Before initiating any merger processes, detailed guidelines on mergers and acquisitions need to be issued, allowing banks a clear idea about the process
- Forced bank mergers may be counterproductive without a thorough assessment of asset quality.
- An assessment of the asset quality of weak banks will be required as said in its Bangladesh Development Update.
- Bank mergers will require evaluation of internal systems, networks, staffing, adequacy of management, impacts on cross-border business, and risk ratings.
- The number game in the banking sector is complicated because of the mismatch between the timeliness of data and its mischievous quality.
- BB often finds some banks hiding their real data to show a lower amount of NPL and less amount of capital provisioning to show higher profits.
- NCC Bank and DU signed an agreement under which the bank will provide financial assistance of Tk 95 lakh to a "jute retting" research project
- Southeast Bank distributed financial assistance among farmers from the bank's special corporate social responsibility (CSR) fund
- bKash now offers payments on credit through City Bank
- Cotton growers to get government incentive for the first time
- Subject to eligibility, customers can instantly borrow Tk 500 to Tk 30,000 to directly buy a product or service.
- For Digital Bank ownership, a person, organisation, company, or member of the same family can't hold more than 10% share, directly or indirectly.
- DCCI is expecting to a sharp increase in revenue collection of the country due to automation in taxation system.
- 80% of country's export-laden containers, sent off to ports in the EU, US East Coast and Canada, crosses the Suez Canal.

## Section E : Foreign Exchange Market



- NBR issued a gazette notification stipulating that imports have to be declared well in advance for notifying arrival, to reduce false declarations, enable quick releases.
- It has been decided that banks are not required to maintain any Cash Reserve Ratio (CRR) with Bangladesh Bank for offshore banking operations.
- Export volume in last July 2023 to February 2024 was USD 36265 million which bears 3.76% growth over last corresponding period.
- Bangladesh Jute Goods Exporters Association has been included in BB for giving certificate for export subsidy.
- BB issued certificate for Export subsidy/Cash incentive against export of Betel leaf under agriculture products.
- BB has expanded scope in operations of Resident Foreign Currency Deposit (RFCD) accounts with wider range of facilities and services.
- Import volume in last July 2023 to February 2024 was USD 40889 million bearing 15.36% negative growth over last corresponding period .
- The country's FDI volume in last July 2023 to February 2024 was USD 3140 million bearing 1.55% growth over last corresponding period.
- SWAP deal shall be executed within the counterparty limit to be set by Forex Reserve and Treasury Management Department of Bangladesh Bank.
- For the FY 2023-24, Government of Bangladesh has been providing Cash Incentives facilities against exporting items .
- Bangladesh Bank has set up Interest rate ceiling for short term permissible trade finance in foreign exchange.
- Among the three sources (banking system, non-bank and foreign) of government deficit financing, the largest share was from the foreign sources during July December of FY-2023.
- Businesses are looking to enhance their capacity in order to grab a bigger slice of the \$64.5 billion global denim market.
- Local exporters currently supply denim products worth nearly \$5 billion worldwide.

The Daily Star

## Section F : Islamic Banking (Global)



Arab news



- After two decades, Uganda has finally approved to introduce Islamic Banking operations since establishment of the country.
- Islamic finance has emerged as an effective tool for financing economic activities worldwide.
- Newly established Financial Services Authority (FSA) of Oman has called for innovations for SUKUK market and product development in the country
- The Republic of Mauritius has been emerged as an attractive homeland for Shariah compliant fund center and also Offshore banking and financial center
- The recent past months saw a spate of SUKUK issuance come out from GCC countries, mainly from real estate sector and property sector in UAE
- Islamic finance sector will retain strong momentum in 2024 as expected by IFN Fintech Landscape data.

## Section G : Islamic Banking (Domestic)



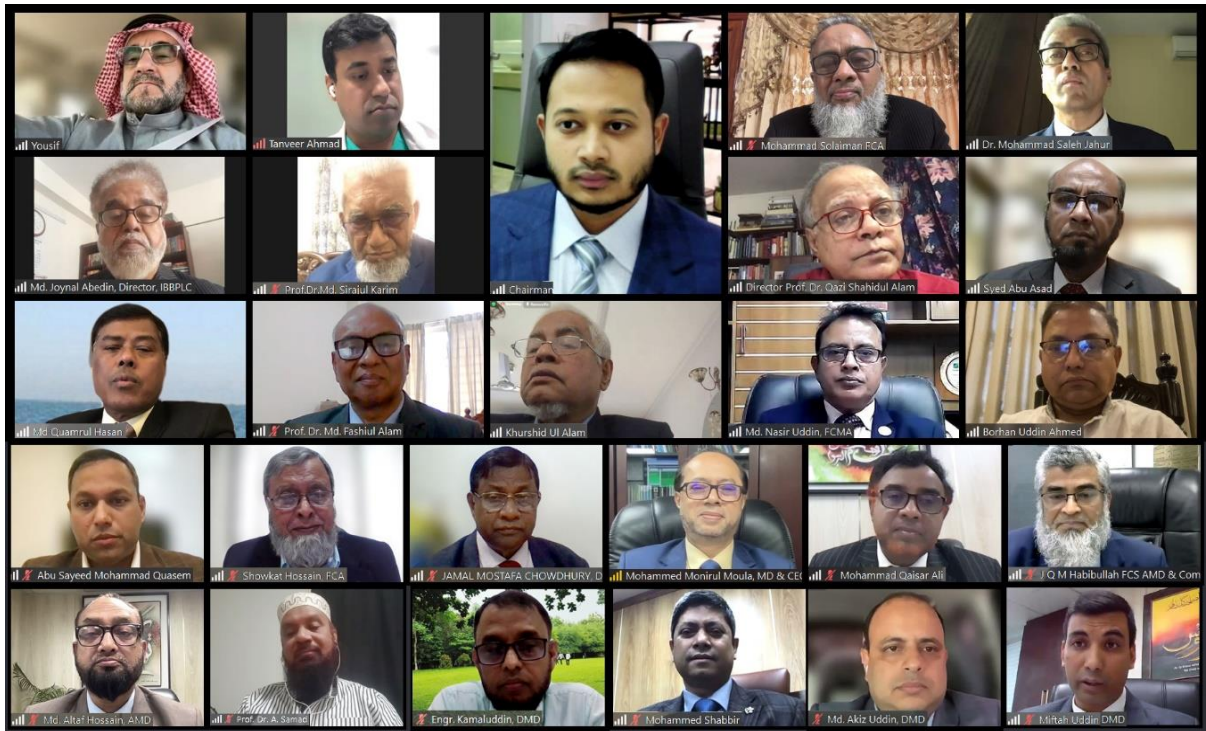
The Daily Star

- Exim Bank agreed to take over Padma Bank as part of BB plan to runaway defaulted loans to a reasonable level and bring good governance to the banking sector.
  - AB Bank has launched an Islamic banking service, named 'Ahlan'.
  - Conventional banks' Islamic banking branches and windows from now will offer term avail short-term loans under an "Islamic Bank Liquidity Facility" (IBLF) of Bangladesh Bank.
  - The revised guidelines said the tenures of the liquidity facility would be 7 days, previously it was only 14 days.
  - Salam Sukuk, as a commodity murabaha, may be used in forward contract to generate long term investments (usually 03 months).
  - Cyber security in Islamic Banks & FIs have been recognized as one of fundamental pillars for trust & stability where protection of personal & financial information is a must.
  - Islamic banks of the country represents 26.61% share in terms of deposits and 28% share in terms of investments in the total banking industry.
  - A meeting of the Board of Directors of Islami Bank Bangladesh PLC was held on 27 February, 2024 at virtual platform.
  - Currently, a total of 10 full-fledged Islamic banks are operating in Bangladesh, with more than 1,650 branches, while the entire banking system had a total of more than 11,000 branches.





- Additionally, 23 Islamic banking branches of 11 conventional commercial banks and 535 Islamic banking windows of 13 conventional commercial banks are also providing Islamic financial services in Bangladesh.
- In the country, the total employment engaged in the Islamic banks stood at nearby 50,000.
- The market share of Shariah-based banking in the country possesses 26% in deposits, 26% in imports, 24% in exports, 39% in remittances, 27% in industrial finance, 17% in agriculture investment, and 38% in CMSME (Cottage, Micro, Small, and Medium Enterprises) investment.
- Islamic banking has generated employment opportunities for approximately 1.20 crore people whereas IBBPLC alone has contributed \$12 billion to the country's reserves since its inception, he added.
- Shariah-based banking holds a 50% market share of Corporate Social Responsibility (CSR) in the banking sector, with IBBL alone contributing around 29%.
- Islamic banks in Bangladesh have made a significant contribution to the country's economy, accounting for approximately 1/3<sup>rd</sup> of the total market share." said by Bank Management (BIBM).



A meeting of the Board of Directors of Islami Bank Bangladesh PLC was held on February 27, 2024 Tuesday at virtual platform. Ahsanul Alam, Chairman of the bank presided over the meeting. Yousif Abdullah Al-Rajhi and Dr. Tanveer Ahmad, Vice Chairmen, other directors, Mohammed Monirul Moula, Managing Director & CEO and J.Q.M. Habibullah, FCS, Additional Managing Director & Company Secretary of the bank attended the meeting.

## Section H : Events of IBTRA



IBTRA organized an Executive Development Program on “Islamic Banking Liquidity Management & Fintech” on 28 February 2024, at Islami Bank Tower. Janab Mohammed Monirul Moula, Managing Director & CEO of the Bank addressed the program as the session chair while Dr. Obiyathulla Ismath Bacha, Professor of School of Graduate & Professional Studies, INCEIF University, Malaysia discussed on Islamic Banking Liquidity Management and Dr. Ali Zhang, Assistant Professor, discussed on Islamic Fintech. Mohammad Qaisar Ali, Additional Managing Director, addressed the welcome speech. J Q M Habibullah, FCS and Md Altaf Hossain, Additional Managing Directors, Mohammed Shabbir and Kazi Md Rezaul Karim, Deputy Managing Directors along with senior executives of Head Office participated the program. Head of all Zones and Branches participated the program through Zoom platform.



IBTRA held the Opening Program of 157<sup>th</sup> Two Months Long Internship Program for the University students dated 14.01.2024. Janab Mohammed Monirul Moula, hon’ble MD & CEO of IBBPLC graced the program as Chief Guest and Janab Md. Nazrul Islam, Principal of IBTRA was in the Chair. Janab K.M. Munirul Alam-Al-Mamun, SEVP & Head of Training of IBTRA delivered the welcoming speech.



IBTRA held a Training Program titled “Professional Awareness Program for Trainers” with Agent Banking Trainers dated December 12, 2023 through virtual platform. Janab Muhammad Qaisar Ali, Additional Managing Director of the Bank was present in the Program as chief guest. Dr. Md. Shafiqul Haq, former Director of BPATC was the lead trainer. Janab Md. Nazrul Islam, Principal of IBTRA, was in the Chair. Md. Maksudur Rahman, SEVP, Mohammad Neyamotullah, EVP and AKM Mahub Morshed, EVP of the Bank delivered their valuable speeches as Special Guests. Total 350 number of Manager (Operations) from different branches of the Bank attended the Training Program.

## Section I : Knowledge Corner

### Venture Capital : Getting popularity in Bangladesh

The concept of venture capital as a guardian for a creative young entrepreneur is yet to become established in our country. Venture capital is a financial investment firm that invests in startups or small companies that may be profitable in the future. It is usually made up of large investors, banks and financial institutions. The investment is not always in the form of finance, and it could also be management or technical experience. In short, venture capital is an alternative source of investment. Innovation does not necessarily have to be scientific – it can be a new type of product or service, or meeting a new need.

The USA is the cradle of venture capital. The United States started the venture capital business in 1958 by enacting the 'Small Business Investment Act'. Venture Capital's contribution to Silicon Valley's revolution is undeniable.

Venture capital was a helping hand behind the growth of many world-famous companies like Microsoft, Starbucks, Apple, Intel, Facebook, Google, EBay, Amazon etc. Our neighbouring country India enacted the Venture Capital Act in 1996 and Pakistan in 2001. Bangladesh Securities and Exchange Commission (BSEC) passed the "Alternative Investment Rules" in 2015. Various venture capital and private equity companies have been established under this Act. These venture capital and private equity companies formed the "Venture Capital and Private Equity Association of Bangladesh" in 2016 with an aim of advancing this sector to work on building a local smart-up ecosystem.

**How it works** Venture capital firms or companies raise 'venture capital funds' formed for specific purposes (eg IT, ITES, Biomedical etc.). Large corporations or wealthy individuals invest in these venture capital funds.

The average tenure of a venture fund is 5 to 15 years. Those who invest in venture funds are called Limited Partners or LP's, and those who manage and invest these funds are called General Partners or GP's.

Venture capital funds at various stages of a venture. The first stage is "seed" ie, when the business is in the form of an idea in the mind of an entrepreneur.

The second stage is called the "early stage" – where the entrepreneur has started working on the business, but sales have not started. The next stage is "expansion" – where sales have started but the company is not making profits.

Finally "rising" means where the idea is tested, earnings are heading to break even or are close to it. From the idea of an entrepreneur to the end, venture capital continues its cooperation at all stages, as required.

**Illustration:** A new entrepreneur does not have any of these qualifications. Therefore, bank loans are not available. On the other hand, there is no such complication in venture capital. Again, banks start charging interest from the time the loan is taken. But losses are normal in the initial stage of a business. There is no such pressure on the venture capital. Rather, venture capital will also take its share of loss. Venture capital is called smart money. It is not just about money, it is also about things like brainstorming, networking etc.

**How to make venture capital popular in Bangladesh** The concept of venture capital as a guardian for a creative young entrepreneur is yet to be established in our country. Some initiatives can be taken to make venture capital more popular and its services people-friendly:

Firstly, stamp duty should be levied on venture capital entrepreneurs. The internal resources department of the finance ministry has reduced the stamp duty on registration of venture capital trust deeds to 0.2 percent from the previous 2%. The maximum stamp duty on the total value of a document has been fixed at Tk10 lakh, and the minimum at Tk5,000.

In the case of venture capital, the maximum stamp duty can be set at Tk5 lakh.

Secondly, new entrepreneurs should be given income tax exemption or lower tax rates. In this case, an alternative tax system can be introduced for this sector. But there should be a rule that once the business is established or profitable, it will come under regular taxation.

Thirdly, foreign investors who are currently interested in investing in the country should be allowed to easily remit their money. If any non-resident Bangladeshi businessman or individual residing abroad wants to invest in venture funds in the country, they should be able to do it quickly and without hassle. In this case, incentives or special concessions can be arranged to attract foreign investors. Islamic Banks may think of the product to capitalize it, specially for the entry level young entrepreneurs in Shariah compliant way.

Courtesy: Rokibul Huda Majumder, a freelance contributor.