





Internship Report on  
**“Liquidity Crisis: An Empirical Evidence from the Financial Sector in Bangladesh”**

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November 29, 2018

## LETTER OF TRANSMITTAL

November 29, 2018

Mr Riyashad Ahmed  
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Subject: Submission of Internship Report on " Liquidity Crisis: An Empirical Evidence from the Financial Sector in Bangladesh".

Sir,

It is my pleasure to submit the internship report on " Liquidity Crisis: An Empirical Evidence from the Financial Sector in Bangladesh". to you which is a requirement of BUS 400.

I have prepared my report as per instruction and tried my level best to make it as informative as I can. I have gathered information from previously done research works available at Bloomberg and ARX in context of Bangladesh along with some of my colleagues' interviews. Apart from it, I have utilized my analytical abilities to interpret the data and represented them with visuals.

I have done my Internship at IDLC Finance Limited. Being a part of the industry, it helped me a lot to generate the report. I sincerely hope it will meet your expectation. However, the report is not free from flaws, I urge you accept it with thoughtful considerations.

Sincerely Yours,

Sara Fatema Chowdhury  
ID-15304029  
BRAC Business School  
BRAC University

## LETTER OF ENDORSEMENT

This to certify that Sara Fatema Chowdhury, bearing ID – 15304029, is a regular student of BRAC Business School, BRAC University and has completed the internship report titled "Liquidity Crisis: An Empirical Evidence from the Financial Sector in Bangladesh". under my supervision. Her internship placement was at IDLC Finance Limited. I am pleased to state that she has worked hard during her internship tenure and preparing this report as well. She has been able to present a good picture of the report. The data and findings presented in the report seemed to be authentic. Though it has some minor slip-ups, it is of a kind which can be used by others for any further researchers want to work on this particular topic.

I wish her every success in life.

With regards,

Riyashad Ahmed

Assistant Professor of Finance &

Co-Ordinator, Executive MBA Program

BRAC Business School

BRAC University

## ACKNOWLEDGEMENT

Before everything else I would like to express my deepest appreciation to the Almighty Creator for allowing me reach such state where I can complete my internship report after these four years of Undergrad life at BRAC University.

A special gratitude and indebtedness to my supervisor faculty, Mr. Riyashad Ahmed, Assistant Professor of Finance and Coordinator Executive MBA Program, BRAC Business School, BRAC University for his endless and constant support, guidance, encouragement and suggestion during the preparation of my internship report. I cordially thank him for sparing his valuable time to read my paper.

Last but not the least I would like to convey my sincere gratitude to Mr. Kazi Farhan Zakir, Head of Structure Finance Department, IDLC Finance Limited; for his guidance, constants support and supervision. Without his help, I would not have ended up being an intern at IDLC. Moreover, upon his guidance I have worked with the Corporate Finance team where I got the opportunity to have a clear vision of how organization like IDLC with such rigid projects and manage their operation effectively.

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## EXECUTIVE SUMMARY

Liquidity crisis is a very important topic for the financial industry of the world and recently in 2017-2018 fiscal year Bangladesh has faced this crisis. Even though the signs were visible from mid-2017, but by the end of 4th quarter, the crisis became visible as the financial institutions were unable to lend and also there were some incidents where the banks could not honor the cheques.

The crisis was caused by a few factors. The reasons include, increasing non-performing loans due to aggressive lending, bad governance, and decreased remittance, increased import against export, government borrowing and increased investment on national saving certificate.

The crisis also had huge impact on the financial sector of the country. Due to the crisis, the deposit rate, call money rate increased significantly which in turn increased the lending rates.

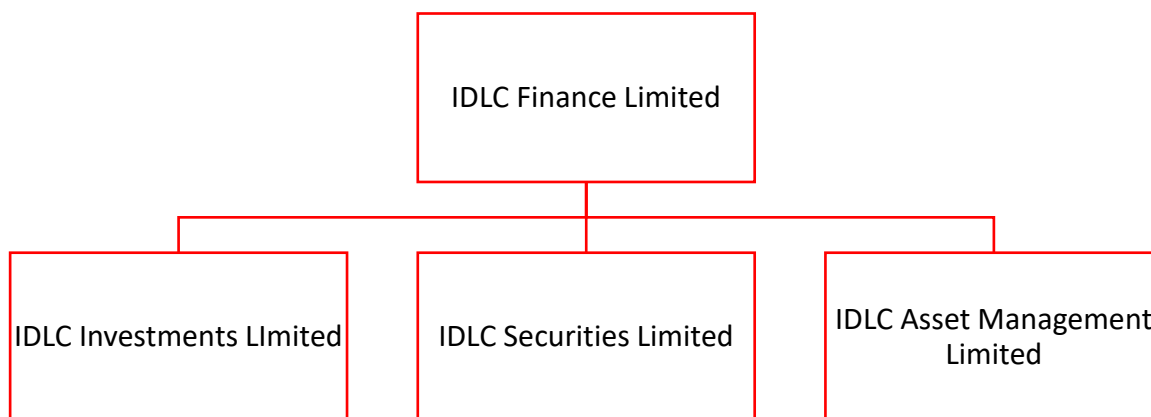
The Bangladesh Bank also took necessary steps so that the crisis is not prolonged. Bangladesh Bank, reduced the CRR, restructured the ADR, instructed the state-owned banks to put money in private financial institutions.

Right now, the sector is crisis free but the impact the last crisis has on the economy is visible. The current situation is not sustaining long as after a certain political situation changes, people might find their way back to investment rather than saving money in the bank in a low interest rate.

## ORGANIZATIONAL OVERVIEW

Valuing Integrity, creating equal opportunities for every individual customer along with enforcing eco-friendly investment opportunities with adequate trust and respect – the only organization ensuring these saying “financing happiness” is IDLC Finance Limited. It is the largest Non-Banking Financial Institution in the country offering world class services in 24 cities. IDLC serves over fifty thousand customers through 41 major touch points. More than 1,300 people put their efforts together every day to deliver to our diverse customer base through varied products in Corporate Finance, SME Finance, Consumer Finance and Capital Market segments.

It has kicked off its journey as an industrial leasing development company focusing on the development on the industrial leasing sector. In order to accelerate it they had inaugurated their second branch at Chattogram, the port city of Bangladesh. Then gradually IDLC got enlisted in both exchanges- DSE and CSE by 1996. The economy was making headway, so do IDLC. On the eve of 21<sup>st</sup> century IDLC had started offering retail services from their new branch at Dhanmondi. Meantime they had successfully launched their merchant banking, also kicked off a wholly owned subsidiary named IDLC Securities Limited. At present IDLC Finance Ltd has three in house wholly owned subsidiaries:



### ***Vision***

“We will be the best financial brand in the country.”

### ***Mission***

“We will focus on quality growth, superior customer experiences and sustainable business practices.”

### ***Values***

- Integrity
- Customer Focus
- Equal Opportunity
- Trust and Respect
- Passion
- Simplicity
- Eco-friendly

### ***My role at IDLC***

I have completed my internship from IDLC Finance Limited under Structured Finance Department. During my internship period I have learnt quite a good number of things the most important thing I have learnt is the valuation of a company. I did industry analysis and company analysis as well. I have learnt to make CIB summary. I created a database for this department. Maintaining the files for one of their current projects was my responsibility too. The most important thing I have learnt from my internship in ILDC Finance Limited is that how to adapt in an organizations culture. I have learnt professionalism and how to behave with everyone. I really enjoyed working in IDLC Finance Limited which has such a wonderful working environment.

## INTRODUCTION

Financial sector is one of the most significant sectors of Bangladeshi economy. This sector has a lot of interesting and important incidents going on daily which have impact on the economy of Bangladesh. Bangladesh's financial industry was having a not so sooth situation in the recent time with great volatility in it. As I am doing my internship in IDLC Finance Limited one of the largest financial institutions in the structured finance department, for my report I decided to work on this sector. The topic I have selected is Liquidity crisis which is one of the most discussed and important one that created a havoc in the sector this year. My report mainly focuses on the reasons behind liquidity crisis and its impact.

### *Statement of the problem*

The problem addressed in the paper is liquidity crisis. This study mainly focuses on the proper and accurate reasons behind this and the impacts of it.

### *Scope and Limitation*

This topic is one of the burning issues of 2018 so there is a lot of work going around but not a complete paper where the reasons are clearly identified and the impacts were clearly mentioned.

There were some limitations. One of those was time constraint. This kind of paper needs a great deal of in-depth studies and a lot of time to go through all the secondary sources available. Further, the availability and accuracy of data collected was another challenge. But the most challenging one was to gather information from the organization as they don't want to disclose much of the internal information so this was kind of a tough job to acquire information.

### *Objective of the study*

My objective is to address the reasons behind it, analyze those problems in order to understand the situation better, realize the effect the crisis has on the economy and come up with proper steps to ignore this sort of negative situations in the future.

## LITERATURE REVIEW

As liquidity crisis is a very important topic for the financial industry of the world there is a good number of papers related to this. Most of these papers are based on the secondary data. In a study named “*Corporate Governance-Its Problems & Prospects in Banking Industry in Bangladesh*” the writer has identified some major problems in Corporate Governance practice of Bangladesh’s Banking Industry” (Huq & Bhuiyan, March 2012). The absence of proper accountability, transparency and good governance are one of the reasons for the deterioration of the banking sector’s health (Rahman & Rana, April. 2018). In a report ‘A Report on Banking Sector of Bangladesh’ Mr. Ahmed states the problem of banking sector in Bangladesh is widespread and is not solely related to banking system only (Ahamed, 2014). Mustafa stated in his study about the ‘unhealthy competition’ among new banks to win over loans from experienced ones and also mentioned that the motives working behind it is not good in most of the cases (Mustafa, 2017). In ‘A brief study over the Liquidity Crisis of the banking sector of Bangladesh’ it was said that the regulation of bank affected the faith of depositors and investors and due to this the entire system has on the verge of losing their reputation (Tahera, 2014).

According to the article of The Daily Star named ‘Finance ministry can’t avoid responsibility for banking sector woes’ (2018) in Bangladesh the default loan account for in state-owned commercial banks 32% of their total outstanding loan (Alo, 2017). It was stated by Khondkhar Ibrahim Khaled, former deputy governor of Bangladesh Bank, to daily star- “This is highly unusual -- no country can run the banking sector with 32 percent bad loans.” (Alo, 2017). To a daily the BB governor said indicating the case of cash-strapped Farmers Bank, many government organizations are now scrambling to withdraw their deposits, including those for development programs, from private banks (Don’t pull out funds from private banks, 2018). In 2013, the financial industry of China has seen a massive rise in money market rates which took place twice in the same year- First one in June and the second one in December (Fontevicchia, 2013)

Nepal faced a major liquidity crisis in 2016 which has continued for a long period of time. Credit growth and shortage of loanable fund was the major reason behind the crisis. Between August of 2016 and January of 2017, the contribution of commercial loan grew by 1.5% and other loans grew by almost 6% (The World Bank, 2017). The interest rates also jumped from 5 to 8 percent to 10-12%. Moreover, weak regulatory supervision of Nepal Rasta Bank (NRB), central bank of Nepal, played a major role in the credit crunch.

The greatest financial crisis of century named The Great Recession started in 2007 in the banking sector and then spread most all over the world. The deregulation in the financial industry enabled the financial institutions to engage in hedge fund trading with derivatives. the banks and hedge funds huge demands sold so much of mortgage backed securities which caused bubble formation, this resulted in mortgage lenders to lower their rates and standards for new borrowers at the same time, Soon, the demand was way higher than the supply and as a result, the housing prices started falling. To add to the burden, the interest rate also started shooting up (Keating, 2008)

From the papers related to liquidity crisis which are mentioned in the literature review came out some of the major reasons behind the crisis and some previous incident related to it.

## **BANKS AND NBFIS OF BANGLADESH:**

Financial sector of any country is one of the most important indicators of how the country's economy is doing and how developed the country is. Like most other country the financial sector of Bangladesh is one of the major sectors that has a great contribution in the economy of the country. This sector includes good number of banks and Non-banking financial institutes.

### ***Banks***

After the independence of Bangladesh, the banking industry started its journey. At the beginning it had just 6 nationalized commercialized banks, 9 foreign banks and 3 state owned specialized banks until 1980. The Banking system was reformed in due to the serious weaknesses that threatened to destabilize the banking system, including weak asset quality and capitalization (Jahan & Muhiuddin, 2014) . The private banks which entered the sector on this time horizon are also known as the first-generation banks. The banks of Bangladesh are primarily of 2 types-

- Scheduled banks are the banks those get license to operate under Bank Company Act, 1991(Amended in 2003) and there are 58 scheduled banks in Bangladesh which operate under full control and supervision of Bangladesh Bank. (Source: Bangladesh Bank). There are 6 state Owned Commercial Banks, 3 specialized banks, 40 private commercial banks, 32 conventional PCBs, 8 Islami Shariah based PCBs, 9 Foreign Commercial Banks (Source: Bangladesh Bank)
- Nonscheduled banks are those banks established for special reason and definite purpose and regulated under the acts that are enacted for meeting up those objectives. List of non-scheduled banks are:
  1. Karmashangosthan Bank
  2. Grameen Bank
  3. Jubilee Bank
  4. Probashi Kollyan Bank
  5. Palli Sanchay Ban
  6. Ansar VDP Unnayan Bank

(Source: Bangladesh Bank)

### ***Non-Banking Financial Institutes***

This part of the financial sector is regulated under Financial Institution Act, 1993 and controlled by Bangladesh Bank. The 1<sup>st</sup> NBFIs was established in 1981 and now there are in total 34 NBFIs in Bangladesh among which 2 are fully government owned, 1 is subsidiary of a state-owned commercial bank, 15 are owned by private domestic initiative and 15 are owned by joint venture initiative. The major sources of the fund for the NBFIs are- Term Deposit (at least three months tenure), Credit Facility from Banks and other financial institutes, Call Money and Bond and Securitization. (Jahan & Muhiuddin, 2014).

Main differences of the activities of the NBFIs with that of banks are as followed:

- NBFIs are not allowed to issue cheques, pay-orders or demand drafts.
- FIs are not allowed to receive demand deposits,
- FIs are not allowed to be involved in foreign exchange financing,
- FIs are allowed to conduct their business operations with diversified financing modes like syndicated financing, bridge financing, lease financing, securitization instruments, private placement of equity etc (Source: Bangladesh Bank)

The thing that is common between the NBFIs and banks is that the general services which are provided by the banks and NBFIs are receiving deposits and advancing loans. However, there are variations in ways the banks and NBFIs cater the services.

## **LIQUIDITY CRISIS**

Liquidity crisis is a financial situation in which financial Institute or banks lack liquid assets necessary to meet the short-term obligations. In simple words the financial sectors couldn't disburse loans and on a more serious note they failed to pay back the people on the maturity period who have deposited money in the banks or NBFIs. For the economy, liquidity crisis is when the two main sources of liquidity for the economy decrease the number of loans they make or stop making loans altogether (Tahera, 2014)

### ***Cause of the Recent Liquidity Crisis***

In June 2017, the Bangladesh's financial sector started facing a problem- over surplus liquidity. One of the reasons behind this could be the fact that the investors did not see alluring investment in the private sector and might be due to the proximity to the election year. The problem pushed some banks to decrease their deposits as they did not want to increase their surplus liquid burden further. But the situation changed in September when the banks and NBFIs of the country started assuming the present crisis. The reasons behind their prediction were the decline in liquidity surplus and significant growth in the private sector loan

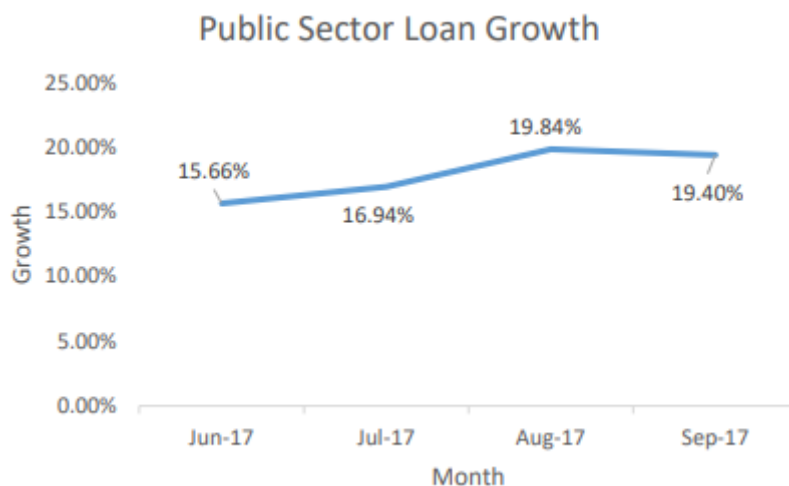


Figure 1 Public sector loan growth leading up to the crisis (Source BB)

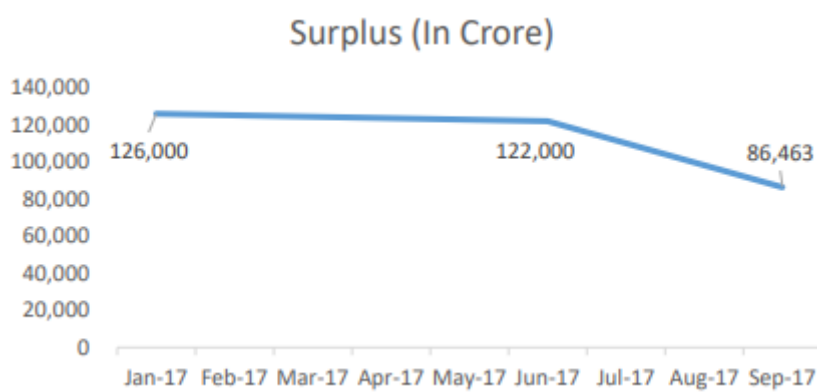


Figure 2 Surplus Liquidity leading up to the crisis (Source BB)

One the other hand, some other reasons behind this sharp liquidity crisis can be the political interventions in various levels, corrupted & unethical practices, and unhealthy competition among banks. (Rahman & Rana, 2018). Furthermore, initial signs of this situation were clear from the growth of credit and deposit. According to BIBM, the year on growth of credit and deposit were 12.7 and 12.6 respectively, however, the gap widened significantly at the end of the year. In December 2017, the credit growth was 18% compared to 10.6% growth of deposit.

(Retrieved from <https://www.bibm.org.bd/publication.php?category=9> )

The current liquidity crisis was not caused by one or two reasons; rather, it was caused by a culmination of different reasons. After a good amount of secondary research and talking with the treasury department of IDLC Finance Limited the following reasons were found –





Figure 3 Primary cause of the liquidity crisis

### **Increased Non-Performing Loans**

The quality of the loan is one of the most significant reasons that caused the current liquidity crisis. Due to sluggish financial sector and excess liquidity in mid-2017, the financial institutions went for aggressive lending. As a result, the NPL grew by 19% last year and NPL amount has reached a record high at the end of 2017 and the trend continued in the first quarter of 2018.

(Retrieved from [https://www.bb.org.bd/pub/research/sp\\_research\\_work/srw1702.pdf](https://www.bb.org.bd/pub/research/sp_research_work/srw1702.pdf))

The situation aggravated the lending strategy of the financial institutions. They chose to disburse huge amount of loans to large corporate organization and not to the SME sector. BB’s information shows, 55 banks provided Tk3.5 lakhs crore to big businesses, which is 36% of the total loans given. If a loan amount is more than 10% of a bank’s paid-up capital, then it is considered as a big loan (Source: Bangladesh Bank)



Figure 4 Amount of non-performing loan (Source BB)

Without the permission of BB Commercial Banks are not allowed to give more than 15% loan of the paid-up capital to a single client. According to the banking law, a single client cannot get more than 25% loan of the bank’s paid-up capital but banks gave more than 25% loan to powerful individual clients, breaking the banking rules (Roy, 2018).

In 2017, the state-owned banks disbursed 40% of their credit to big borrowers, while the number for private commercial banks was 40%, specialized banks was 65% and foreign commercial was banks 73% (Islam, 2018). The NPL situation for the state-owned banks are worse. The six-state owned contributed to 49% of total NPL in the first quarter of 2018 (Islam, 2018).

**NPL Distribution among banks**

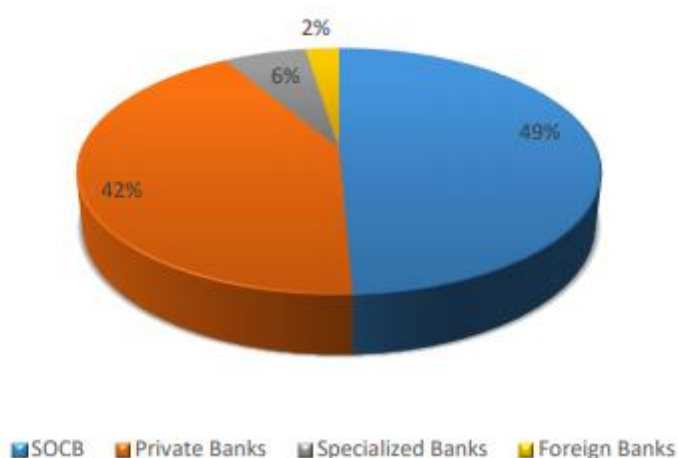


Figure 5 Non-performing loan distribution among banks

***Increased investment in National Saving Certificate***

Increased investment in National Saving Certificate’s is another significant reason that greatly contributed to the recent liquidity crisis. In 2017 there was a jump in number of increase in the national saving certificate investment.

Table 1 Net investment in national saving certificates (Source BB)

| Fiscal Year                    | Net Investment in NSC (Tk in Crore) |
|--------------------------------|-------------------------------------|
| 2012-2013                      | 773                                 |
| 2013-2014                      | 11,707                              |
| 2014-2015                      | 28,733                              |
| 2015-2016                      | 33,688                              |
| 2016-2017                      | 52,327                              |
| 2017-2018*(Up to January 2018) | 51,000                              |

The high interest rates increased investment in the NSC. As no other the financial institutions can match with the risk-free interest rates of the NSC provided by Bangladesh Bank, people

took money out of the bank accounts and invested in the riskless NSC and this step taken by the people resulted in transfer of funds out of the financial institutions, instigating the liquidity crisis.

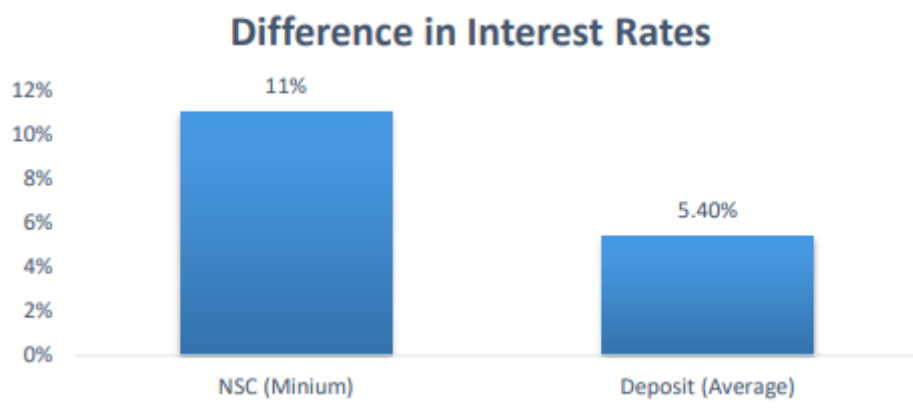


Figure 6 Difference in interest rate (Source BB)

### ***Restructuring of Advance Deposit Ratio***

Because of as the continuous aggressive lending most of the financial institutions crossed the advanced deposit ratio (ADR) imposed on them. The ADR for conventional banks was 85% and for Shariah based banks, it was 90%. ADR means the amount of money financial institutions can lend against the amount deposited (Islam, 2018). 85% ADR means that an institution can lend 85 taka only if it receives 100 taka. In term of earning profit and taking aggressive lending strategy, many banks crossed their ADR limit and among them, some of the conventional banks even reached 90% (Islam, 2018). That brings the situation of January of 2018, when the Central Bank of Bangladesh had to put halt in the aggressive lending by reducing the ADR. For conventional banks, the ratio was reduced to 83.5% and for the Shariah based banks; the ratio was reduced to 89% (Islam, 2018). Furthermore, the banks were instructed to fall within the limit by June 2018. However, this strategy kind of back fired and had a negative effect on the liquidity crisis and further deteriorated the situation. Many institutions were well above the limit, further decrease made their situation even worse as they could not further lend money as they used to. This caused the borrowers not get the money that they required.

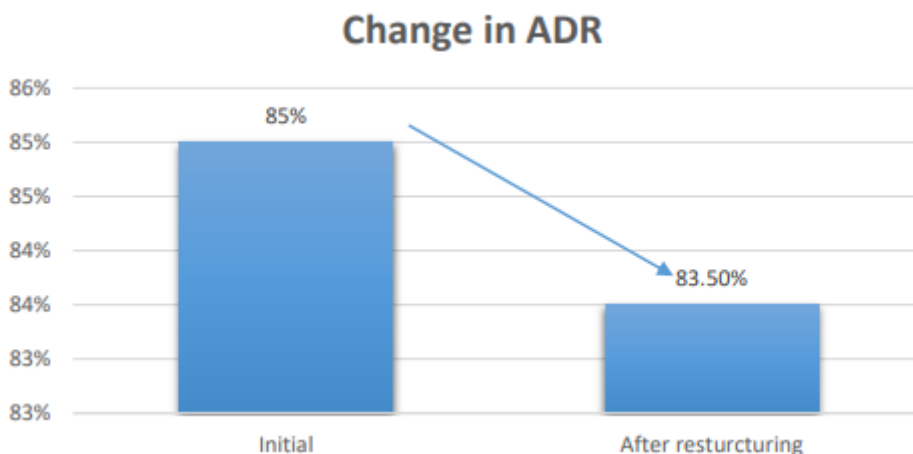


Figure 7 Change in ADR causing liquidity crisis

**Increased Import**

In January of 2018, Bangladesh experienced the highest ever import in the history which accounted for approximately 410 billion BDT. (Source: World Bank Data)



Figure 8 Money spent on imports (Source: Trading economics)

The increase in import was result of various factors. In the 2nd half of 2017, the country faced an acute flood which proceeded with shortage of staple items. This phenomenon resulted in an increased food import. As of December 2017, the food import increased by a staggering 247% from July. Moreover, Bangladesh is in a developing phase that requires a significant amount of infrastructure construction. During the aforementioned period, import of infrastructure machinery and construction materials grew by 40% and 18% respectively. Additionally, the increase in oil price in the international market and increased oil import caused the oil import to go up 35%.

Due to the effect of all these factors, in the first half of the current fiscal year, the deficit increased 4.76 billion dollars which is 8 times more than the deficit in July 2017. So the pressure on dollar has increased, it has become pricier which forces the importers to let go of more cash to buy dollar for the same amount of commodity and banks being their source of money are under pressure to supply more money (Ahmed & Alo, 2018).

**Decreased Remittance**

As 2017 had the lowest remittance inflow in last 6 years, this was another major reason behind the recent liquidity crisis.

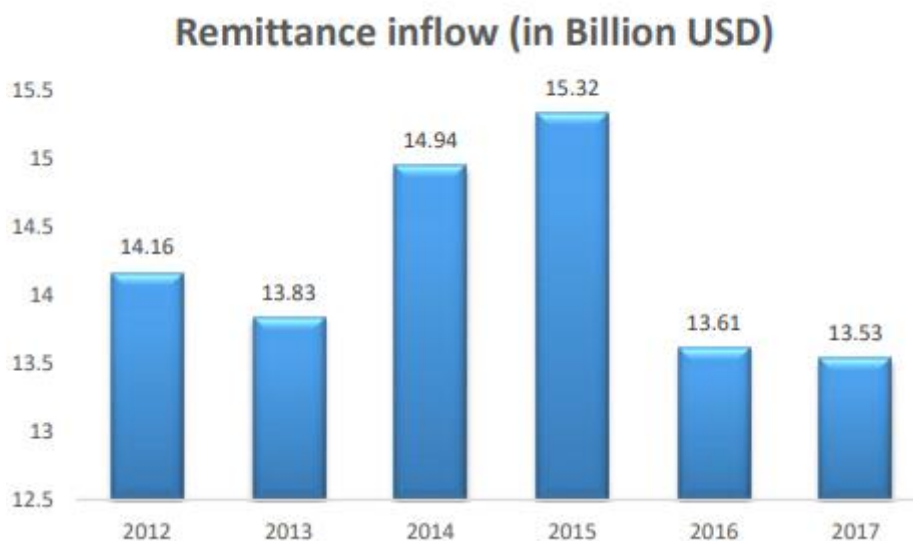


Figure 9 Remittance inflow leading up to the crisis (Source: BB)

The reason behind this could be the use of illegal channel for sending the money back to Bangladesh as it is cheaper than the banks. It resulted in decrease in the amount of remittance through formal channel and at the same time reduction of the foreign currency reserve of the banks. The reduced remittance together with the increased imports posed a significant impact on the liquidity of the banks. In the situation of liquidity crisis, banks are supposed to sell dollars for local currency. But in this case banks are faced with shortage of foreign currency due to decreased remittance and increased imports, so the financial institutions are unable to do so and therefore playing a crucial role in the liquidity crisis of the country. Moreover, low remittance and export growth compared to high import growth have put a pressure on the foreign exchange rate. The BB injected about \$1.5 billion in the foreign currency market to keep the exchange rate stable and as a result, more than BDT 12,000 crore flowed to the central bank from banks putting more bricks on the wall of liquidity crisis (Don't pull out funds from private banks, 2018).

### ***Government Borrowings***

The government's gross borrowing from the banking system has also increased to finance budget deficit partly for the current fiscal year. (Source Bangladesh Bank) The government's net bank borrowing is Tk 216.69 billion as on April 26 which is at a negative level, mainly due to higher growth in the savings certificate sales, (Source central bank's report). The government's bank-borrowing target of Tk 282.03 billion for the FY 2017-18 has to partly finance the budget deficit (Islam S. , 2018). This means that to finance the budget deficit there could be more borrowings by the Government. The government plans to borrow Tk 208.87 billion through issuing long-term bonds and the remaining Tk 73.16 billion through T-bills (Islam S. , 2018).

### ***Bad Governance***

The epicenter of the current liquidity crunch was the mess surrounding The Farmer's Bank's situation. There were other 4th generation bank such as NRB and some state banks faced and played a major role in spreading the crisis throughout the financial sector due to bad governance. It is also said that Bangladesh Bank, the banking sector regulatory authority, is unable to work independently and cannot exercise its power. According to Dr. Zahid Hussain, eligible borrowers are denied loans as the board sanctions loan on the basis of political consideration or family connections, most banks suffer from a liquidity crisis (Chakma, 2017). Sometimes even a depositor's cheque bounces because of disbursement of bad loans and ultimately depositors are losing their trust in banks Former governor of Bangladesh Bank, Dr. Saleh Uddin Ahmed indicated that lack of governance in the financial institutions as many banks are not run by skillful bankers (Ahmed D. S.). Furthermore, the central bank is also unable to control many banks as they are run by powerful people.

## IMPACTS ON THE SHORT RUN

Even though the liquidity crisis is still ongoing, it already had a few impacts on the financial industry and the development of the country. The impacts are as follows:

- Increase Deposit rate
- Increased interest rate
- Increased money market rate
- Halted Expansion of MFIs

The mentioned impacts are cascaded impacts of one another.

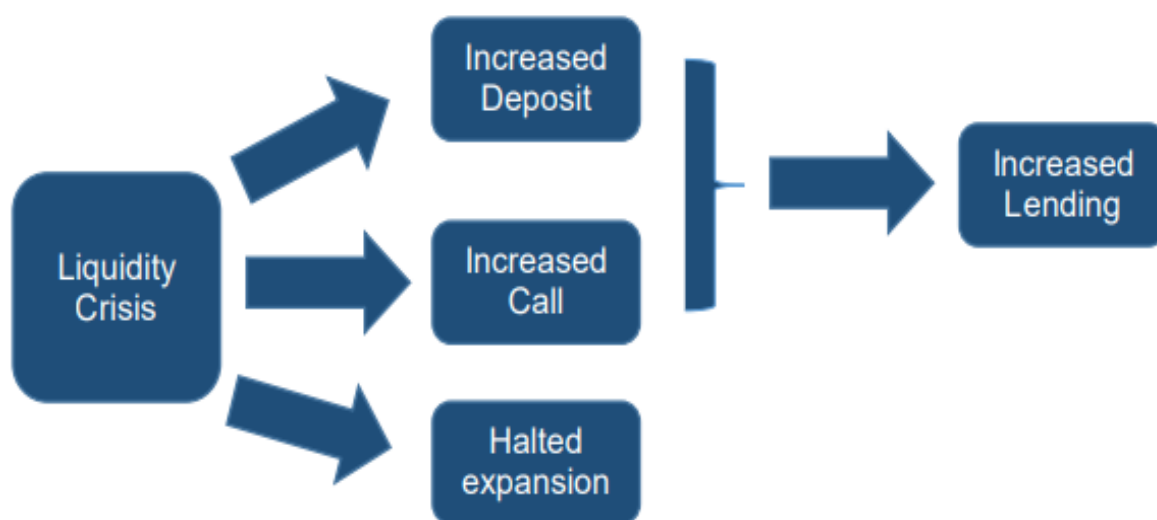


Figure 10 Impacts of the liquidity crisis

### ***Increase in Deposit Rate***

One of the major effects of the liquidity crisis on the financial sector of Bangladesh is that it drove the deposit rate high.

As the liquidity crisis started growing, many financial institutions were unable to honor checks from their clients and due to shortage of money; they were also unable to disburse loans. It impacted their profitability as loans are the main source of income for many financial institutions. Therefore, to continue their services properly, the financial institutions had to raise money and one of the major sources of money for them is deposit. Furthermore, in a circular in January of 2018, Bangladesh Bank slashed by the advance to-deposit ratio (ADR) to 83.5% from existing 85% (89% from 90% for Shariah based banks) by June of 2018 (Islam S. , 2018).

This was done to hold back excessive lending, but the decision also pressurized the banks to collect more deposit to meet the ADR as they had already crossed the previous ADR (Islam S., 2018).

For raising money through deposits, the financial institutions had to compete with the attractive rate of the national saving tools. As the national saving tools were already providing very high return and that too without any risk, the financial institutions had to raise their interest rate more than the national saving tools. As a result, they had to increase the returns to the customers for deposits. The average 1-year deposit rate in mid-2017 was 5.4% where currently (As of 23rd May 2018), the average 1-year deposit rate is 9% with highest of 13%. (Source: Bangladesh Bank) The details are attached in Appendix B.

Table 2 Deposit rate as of 23rd May, 2018. (Source Bankcomparebd)

|         | 1 month | 3 month | 6 month | 1 year | 2 year | 3 year |
|---------|---------|---------|---------|--------|--------|--------|
| Average | 5       | 8       | 8       | 9      | 9      | 9      |
| Minimum | 3       | 3       | 4       | 5      | 6      | 6      |
| Maximum | 9       | 12      | 12      | 13     | 13     | 13     |

### ***Increased Call Money Rate***

The liquidity crisis also had a major impact on the call money rate in the financial industry of Bangladesh. Call money rate is the rate of overnight borrowing of money by a bank or non-banking financial institution from the banking system to meet up the urgent demand of funds. In a financial institution, the treasury department handles the call money borrowing. When the liquidity crisis struck hard, the financial institutions were in dire need of money to meet their urgent demands on a regular basis. This prompted Bangladesh Bank to raise the limit of the call money borrowing rate. As a result, the call money borrowing rate also increased.



## WEIGHTED AVERAGE OF CALL MONEY RATE

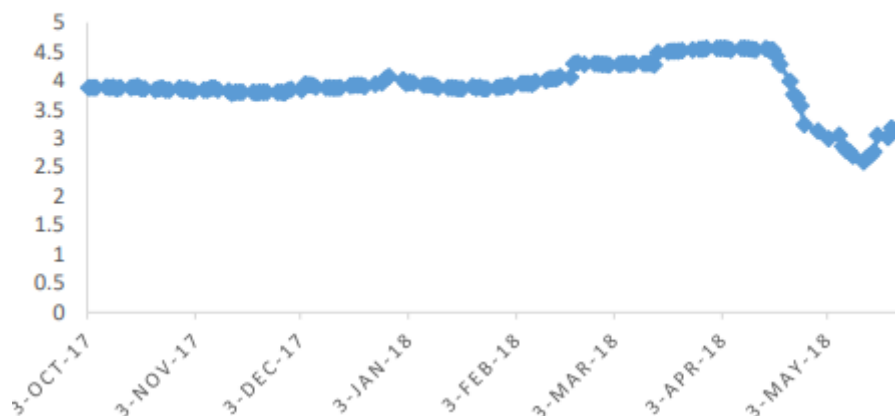


Figure 11 Weighted average of call money rate (Source: BB)

The money market of Bangladesh saw a rise in the call money rate from January of 2018 when the crisis got intensified. The rate reached a record high of 4.56% in April 2018. However, in the later part of the month, the call money rate started decreasing. According to the industry insiders, the dip in call money rate was caused by the injection of 10,000 cr BDT in the banking system by the Bangladesh bank. However, they also stated that this will not have any impact on the lending rate and termed it as a “temporary phenomenon”. The details of call money rate can be found in Appendix A.

### ***Increased Lending Rate***

The increased deposit rate, mentioned earlier, had a great impact on the lending rate industry of Bangladesh. Major sources of fund management are deposits and lending for the financial institutions. For lending, the financial institutions calculate the rate as:

$$\text{Lending Rate} = \text{Cost of Fund} + \text{Operational Expense} + \text{Profit Margin}$$

For lenders, such as banks and non-banking financial institutions, cost of funds is determined by the interest rate paid to depositors on financial products, including savings accounts and time deposits, call money rate, effect of CRR and SLR. During the crisis the financial institutions are required to spend more to acquire fund, the cost of the fund is increasing. Thus, this increasing cost of fund is having a direct impact on the lending rate.

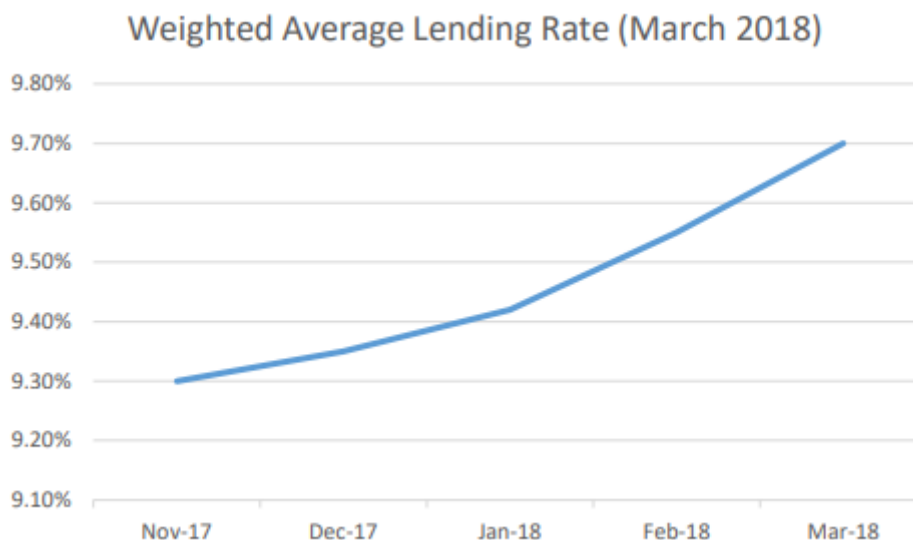


Figure 12 Weighted Average of lending rate (Source BB)

As the interest rates while disbursing the loans are high, the weighted average of the lending rate is increasing gradually. The interest rates, however, differ from the type of loans and also the industry. As a result, there is no specific lending rate that can be quoted. According to Bangladesh Bank data, currently the interest highest documented interest rate is as high as 17% to small enterprise segment. (Source: Bangladesh Bank) The available lending rates attached in the appendix.

***Halted Expansion on MFIs***

The ongoing liquidity crisis has not only hit the large banks and clients but also the micro financial institutions and entrepreneurs. The crisis has posed a question over the smooth credit flow in favor of the micro entrepreneurs. The effect is more felt in the agriculture and micro loans segment.

Due to the liquidity crisis, the expansion of the micro finance institutions is hampered significantly as they are not able to cope up with the demand. The reason for this is that the MFIs rely on the conventional financial institutions for the source of fund. As the sector is facing a liquidity crunch, they are unable to lend money to the MFIs causing the demand of micro loans to surpass the supply.

### ***Government Steps***

The financial sector in Bangladesh has been facing a liquidity crisis and as a result, the interest rates are one the rise. In order to solve the problem, the authorities have taken two major decisions to control the situation. The first decision is, 50% of government organizations funds will be kept in private banks which was previously 25% only as the government organizations had to keep 75% of their funds in state owned banks (Mowla, 2018).

The second step was, the Cash Reserve Ratio (CRR) in private banks will be decrease to 1%. 5.5% from existing 6.5%. The change in CRR means that 10,000 crore BDT has been injected to the banking system. Injection of such amount of money can enable the financial institutions to lend money and may stop further increase of interest rates (Mowla, 2018).

Furthermore, the ADR has been reverted back to 85% and the financial institutions are asked to bring their advance to deposit ratio within the prescribed limit which increased after the change of ADR limit to mitigate the crisis.

Apart from this, the policy system of central bank has increased the duration of repurchase agreement (repo) in order to control the skyrocketing interest rates. According to the current law, if banks borrow money from the central bank, they can keep the money for seven days at highest. There have been discussions about extending the duration to 28 days. The decision has been made to bring down the repo rate of interest to 6% instead of 6.75% as well (Mowla, 2018).

To tackle the lending rates, The BB reduced the interest rate spread, the difference between interest rates on borrowing and lending, to 4 percentage points from 5 27 percentage points on 31st May 2018. The BB noticed that a number of banks increased lending rates frequently, thus creating additional payment burden. For the benefit of the customers, the central bank ordered banks to keep the interest rates fixed on those loans for which interest rates are already 'fixed'. But floating rate loans can be increased once in a year subject to three months prior notice to the clients (Mowla, 2018).

## POTENTIAL LONG RUN IMPACTS ON THE ECONOMY OF BANGLADESH

Currently, the ongoing liquidity crisis is having its impact in the in the short run. The government of Bangladesh is taking steps so that the crisis is not prolonged. However, if the crisis goes on for a longer period of time, it could have significant impacts on the economy. The impacts could be as follows:

- Reduced GDP growth
- Increased price of commodity

### ***Reduced GDP Growth***

If the crisis goes on for a longer period of time, it can reduce the GDP growth of the country. As mentioned in the earlier parts, the lending rate went up due to the crisis. Due to the increase in lending rate, the business owners are unable to take their desired amount of loans as it would cost them more. As a result, the expansion projects of different businesses are halted. Thus, this can constrain a country from producing more and therefore the rate of growth of domestic product slows down. This will ultimately have impact on the GDP growth of the country and can cause the GDP growth rate to decrease.

### ***Increased Price of Commodity***

The liquidity crisis also has a significant impact on the price of the commodity in the marketplace. This effect also comes down to the effect of increased lending rate. If the lending rate continues to be high, then the cost of production of a certain item increase. As the primary target of a business is to make as much profit as possible, they will set higher price to obtain profit. Therefore, the prolonged crisis can increase the prices of commodity on the market.

## FINDINGS

### *Major reasons behind the recent liquidity crisis*

- Increased Non-performing Loans
- Investing in National Saving certificate
- Restructuring of Advance Deposit Ratio
- Increased Import
- Decreased Remittance
- Bad Governance
- Government borrowing

### *Impact of this liquidity crisis*

- Increase Deposit rate
- Increased interest rate
- Increased money market rate
- Halted Expansion of MFIs
- Reduced GDP growth
- Increased price of commodity

### *In general*

Right now, there is no liquidity crisis in Bangladesh. They are assuming that the financial sector is liquidity crisis free but this might not be the actual situation. The crisis is not eradicated but it has been paused because of the current political situation. Due to the election on December 30 2018, people are concerned about investing in the stock market or any sort of big projects. Hence, they prefer to save their money in the bank for the time being. Once the election is done and the situation gets normal people will start investing their money again and this might bring back the crisis back.

## CONCLUSIONS

The recent liquidity crisis created havoc in the already distressed industry. Due to the effect of the liquidity crunch, the lending rate reached double digit. Such high lending rate, in the long run, will restrict Bangladesh from reaching its expected growth and therefore we won't be able to expand our economy. As a result, it is of paramount importance that the government of Bangladesh and the central bank of Bangladesh take some fruitful steps so that the crisis is not prolonged. In pursuit of tackling this kind of crisis, they should formulate short, medium, and long-term strategies. At the same time, the policy makers should be careful that the policies are not contradicting of each other and should one policy should support others. Moreover, the policy makers should take stern actions whenever there are incidents of bad governance in the financial institutions. For further development of the economy and continue the sustainable growth, it is important that the government of Bangladesh and the Bangladesh central bank nurture the financial sector of Bangladesh.

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## **APPENDIX**

### *Call Money Rate*



| Sl no. | Date              | Rate of Interest |        |                  | Lending<br>(Crore Taka) | Volume |
|--------|-------------------|------------------|--------|------------------|-------------------------|--------|
|        |                   | Highest          | Lowest | Weighted average |                         |        |
| 1      | 26 November, 2018 | 5.00             | 1.25   | 3.65             | 6,866.88                |        |
| 2      | 25 November, 2018 | 5.00             | 1.25   | 3.76             | 7,137.04                |        |
| 3      | 22 November, 2018 | 5.00             | 1.25   | 3.72             | 7,440.15                |        |
| 4      | 20 November, 2018 | 5.00             | 1.25   | 3.67             | 7,836.39                |        |
| 5      | 19 November, 2018 | 5.00             | 1.25   | 3.69             | 8,054.53                |        |
| 6      | 18 November, 2018 | 5.00             | 1.25   | 3.60             | 7,686.77                |        |
| 7      | 15 November, 2018 | 5.00             | 1.25   | 3.50             | 7,516.96                |        |
| 8      | 14 November, 2018 | 5.00             | 1.25   | 3.52             | 7,645.20                |        |
| 9      | 13 November, 2018 | 5.00             | 1.20   | 3.39             | 7,993.27                |        |
| 10     | 12 November, 2018 | 5.00             | 1.25   | 3.23             | 7,709.44                |        |

|    |                   |      |      |      |          |  |
|----|-------------------|------|------|------|----------|--|
| 11 | 11 November, 2018 | 5.00 | 1.20 | 3.24 | 7,096.58 |  |
| 12 | 08 November, 2018 | 5.00 | 1.20 | 3.25 | 6,580.87 |  |
| 13 | 07 November, 2018 | 5.00 | 1.20 | 3.21 | 6,797.96 |  |
| 14 | 06 November, 2018 | 5.00 | 1.15 | 3.32 | 6,332.20 |  |
| 15 | 05 November, 2018 | 5.00 | 1.15 | 3.37 | 5,786.34 |  |
| 16 | 04 November, 2018 | 5.00 | 1.25 | 3.43 | 5,253.83 |  |
| 17 | 01 November, 2018 | 5.00 | 1.25 | 3.46 | 5,363.06 |  |
| 18 | 31 October, 2018  | 5.00 | 1.25 | 3.32 | 5,174.39 |  |
| 19 | 30 October, 2018  | 5.00 | 1.50 | 3.37 | 4,997.15 |  |
| 20 | 29 October, 2018  | 5.00 | 1.25 | 3.32 | 5,100.31 |  |
| 21 | 28 October, 2018  | 5.00 | 1.50 | 3.30 | 5,260.52 |  |
| 22 | 25 October, 2018  | 5.00 | 1.50 | 3.49 | 5,006.67 |  |
| 23 | 24 October, 2018  | 5.00 | 1.50 | 3.51 | 5,160.72 |  |
| 24 | 23 October, 2018  | 5.00 | 1.50 | 3.54 | 5,241.07 |  |
| 25 | 22 October, 2018  | 5.00 | 1.50 | 3.48 | 5,656.37 |  |

|    |    |               |      |      |      |          |  |
|----|----|---------------|------|------|------|----------|--|
| 6  | 21 | October, 2018 | 5.00 | 1.50 | 3.48 | 5,671.52 |  |
| 27 | 18 | October, 2018 | 5.00 | 1.50 | 3.62 | 5,731.67 |  |
| 28 | 17 | October, 2018 | 5.00 | 1.50 | 3.64 | 6,404.82 |  |
| 29 | 16 | October, 2018 | 5.00 | 1.50 | 3.67 | 6,814.22 |  |
| 30 | 15 | October, 2018 | 5.00 | 1.50 | 3.71 | 6,688.57 |  |
| 31 | 14 | October, 2018 | 5.00 | 1.50 | 3.63 | 6,855.82 |  |
| 32 | 11 | October, 2018 | 5.00 | 1.75 | 3.57 | 7,171.19 |  |
| 33 | 10 | October, 2018 | 5.00 | 1.75 | 3.70 | 6,966.59 |  |
| 34 | 09 | October, 2018 | 5.00 | 1.75 | 3.74 | 7,514.07 |  |
| 35 | 08 | October, 2018 | 5.00 | 1.75 | 3.78 | 7,539.54 |  |
| 36 | 07 | October, 2018 | 5.00 | 1.75 | 3.86 | 7,342.69 |  |
| 37 | 04 | October, 2018 | 5.00 | 2.00 | 3.93 | 6,943.16 |  |
| 38 | 03 | October, 2018 | 5.00 | 1.75 | 3.80 | 7,050.93 |  |
| 39 | 02 | October, 2018 | 5.00 | 2.00 | 3.93 | 6,706.75 |  |
| 40 | 01 | October, 2018 | 5.00 | 2.00 | 3.93 | 7,135.52 |  |

|    |                    |      |      |      |          |  |
|----|--------------------|------|------|------|----------|--|
| 41 | 30 September, 2018 | 5.00 | 2.00 | 4.02 | 6,611.29 |  |
| 42 | 27 September, 2018 | 5.00 | 2.00 | 4.05 | 6,425.23 |  |
| 43 | 26 September, 2018 | 5.00 | 2.25 | 4.12 | 6,737.37 |  |
| 44 | 25 September, 2018 | 5.00 | 2.25 | 4.14 | 6,768.11 |  |
| 45 | 24 September, 2018 | 5.00 | 2.00 | 4.16 | 7,298.00 |  |
| 46 | 23 September, 2018 | 5.00 | 2.00 | 4.20 | 7,185.64 |  |
| 47 | 20 September, 2018 | 5.00 | 2.00 | 4.20 | 7,222.53 |  |
| 48 | 19 September, 2018 | 5.00 | 2.00 | 4.27 | 7,100.02 |  |
| 49 | 18 September, 2018 | 5.00 | 2.25 | 4.27 | 7,861.61 |  |
| 50 | 17 September, 2018 | 5.00 | 2.25 | 4.25 | 7,972.85 |  |
| 51 | 16 September, 2018 | 5.00 | 2.00 | 4.25 | 8,398.39 |  |
| 52 | 13 September, 2018 | 5.00 | 2.00 | 4.26 | 7,821.95 |  |
| 53 | 12 September, 2018 | 5.00 | 2.25 | 4.27 | 8,239.19 |  |
| 54 | 11 September, 2018 | 5.00 | 2.00 | 4.24 | 8,060.33 |  |
| 55 | 10 September, 2018 | 5.00 | 2.00 | 4.25 | 9,138.62 |  |

|    |                    |      |      |      |           |  |
|----|--------------------|------|------|------|-----------|--|
| 56 | 09 September, 2018 | 5.00 | 2.50 | 4.25 | 9,699.54  |  |
| 57 | 06 September, 2018 | 5.00 | 0.50 | 4.24 | 9,590.21  |  |
| 58 | 05 September, 2018 | 5.00 | 2.50 | 4.28 | 10,079.93 |  |
| 59 | 04 September, 2018 | 5.00 | 2.00 | 4.25 | 10,475.35 |  |
| 60 | 03 September, 2018 | 5.00 | 2.00 | 4.26 | 9,639.77  |  |
| 61 | 30 August, 2018    | 5.00 | 2.50 | 4.34 | 9,811.18  |  |
| 62 | 29 August, 2018    | 5.00 | 2.50 | 4.43 | 10,482.59 |  |
| 63 | 28 August, 2018    | 5.00 | 2.75 | 4.52 | 9,895.05  |  |
| 64 | 27 August, 2018    | 5.00 | 4.00 | 4.54 | 10,203.55 |  |
| 65 | 26 August, 2018    | 5.50 | 4.00 | 4.58 | 10,601.95 |  |
| 66 | 20 August, 2018    | 5.50 | 4.50 | 5.04 | 8,378.35  |  |
| 67 | 19 August, 2018    | 5.00 | 4.00 | 4.52 | 10,430.75 |  |
| 68 | 16 August, 2018    | 5.00 | 2.50 | 4.37 | 11,598.40 |  |
| 69 | 14 August, 2018    | 5.00 | 0.70 | 3.29 | 10,307.05 |  |
| 70 | 13 August, 2018    | 5.00 | 0.50 | 2.68 | 8,978.70  |  |

|    |    |              |      |      |      |          |  |
|----|----|--------------|------|------|------|----------|--|
| 71 | 12 | August, 2018 | 5.00 | 0.25 | 2.17 | 8,489.35 |  |
| 72 | 09 | August, 2018 | 5.00 | 0.15 | 1.87 | 8,070.00 |  |
| 73 | 08 | August, 2018 | 5.00 | 0.15 | 1.76 | 7,430.65 |  |
| 74 | 07 | August, 2018 | 5.00 | 0.10 | 1.58 | 6,877.30 |  |
| 75 | 06 | August, 2018 | 5.00 | 0.10 | 1.44 | 6,950.95 |  |
| 76 | 05 | August, 2018 | 5.00 | 0.10 | 1.49 | 6,615.60 |  |
| 77 | 02 | August, 2018 | 5.00 | 0.10 | 1.52 | 6,478.25 |  |
| 78 | 01 | August, 2018 | 5.00 | 0.10 | 1.50 | 6,694.85 |  |
| 79 | 31 | July, 2018   | 5.00 | 0.10 | 1.65 | 5,770.50 |  |
| 80 | 30 | July, 2018   | 5.00 | 0.10 | 1.76 | 5,572.15 |  |
| 81 | 29 | July, 2018   | 5.00 | 0.10 | 1.78 | 6,281.30 |  |
| 82 | 26 | July, 2018   | 5.00 | 0.10 | 1.78 | 6,000.95 |  |
| 83 | 25 | July, 2018   | 5.00 | 0.15 | 1.68 | 6,510.85 |  |
| 84 | 24 | July, 2018   | 5.00 | 0.10 | 1.95 | 5,749.55 |  |
| 85 | 23 | July, 2018   | 5.00 | 0.15 | 1.95 | 5,926.45 |  |
| 86 | 22 | July, 2018   | 5.00 | 0.20 | 2.02 | 5,761.35 |  |
| 87 | 19 | July, 2018   | 5.00 | 0.25 | 2.11 | 5,564.25 |  |
| 88 | 18 | July, 2018   | 5.00 | 0.25 | 2.04 | 5,954.15 |  |
| 89 | 17 | July, 2018   | 5.00 | 0.25 | 2.00 | 6,262.30 |  |

|     |               |      |      |      |          |  |
|-----|---------------|------|------|------|----------|--|
| 90  | 16 July, 2018 | 5.00 | 0.25 | 1.99 | 6,394.55 |  |
| 91  | 15 July, 2018 | 5.00 | 0.25 | 2.17 | 6,061.40 |  |
| 92  | 12 July, 2018 | 5.00 | 0.25 | 2.39 | 5,773.25 |  |
| 93  | 11 July, 2018 | 5.00 | 0.40 | 2.58 | 5,801.10 |  |
| 94  | 10 July, 2018 | 5.00 | 0.40 | 2.55 | 5,985.20 |  |
| 95  | 09 July, 2018 | 5.00 | 0.40 | 2.45 | 6,504.35 |  |
| 96  | 08 July, 2018 | 5.00 | 0.40 | 2.61 | 5,378.50 |  |
| 97  | 05 July, 2018 | 5.00 | 0.40 | 2.63 | 5,201.65 |  |
| 98  | 04 July, 2018 | 5.00 | 0.75 | 2.65 | 5,510.05 |  |
| 99  | 03 July, 2018 | 5.00 | 0.50 | 2.63 | 6,139.15 |  |
| 100 | 02 July, 2018 | 5.00 | 0.75 | 2.54 | 6,511.80 |  |
| 101 | 28 June, 2018 | 5.00 | 0.75 | 2.77 | 6,065.95 |  |
| 102 | 27 June, 2018 | 5.00 | 0.75 | 2.82 | 6,497.10 |  |
| 103 | 26 June, 2018 | 5.00 | 1.00 | 3.07 | 5,697.85 |  |
| 104 | 25 June, 2018 | 5.00 | 1.00 | 3.22 | 5,652.85 |  |
| 105 | 24 June, 2018 | 5.00 | 1.00 | 3.41 | 5,156.85 |  |
| 106 | 21 June, 2018 | 5.00 | 1.50 | 3.54 | 5,192.90 |  |
| 107 | 20 June, 2018 | 5.00 | 1.75 | 3.67 | 5,664.70 |  |
| 108 | 19 June, 2018 | 5.00 | 1.80 | 3.74 | 6,306.45 |  |
| 109 | 18 June, 2018 | 5.00 | 1.50 | 3.73 | 6,200.60 |  |
| 110 | 14 June, 2018 | 5.00 | 2.00 | 3.85 | 6,494.35 |  |
| 111 | 12 June, 2018 | 5.00 | 1.80 | 3.73 | 6,512.25 |  |
| 112 | 11 June, 2018 | 5.00 | 1.75 | 3.59 | 7,029.00 |  |

|     |               |      |      |      |          |  |
|-----|---------------|------|------|------|----------|--|
| 113 | 10 June, 2018 | 5.00 | 1.00 | 3.52 | 6,498.05 |  |
| 114 | 07 June, 2018 | 5.00 | 1.00 | 3.44 | 6,826.20 |  |
| 115 | 06 June, 2018 | 5.00 | 0.75 | 3.44 | 6,661.40 |  |
| 116 | 05 June, 2018 | 5.00 | 0.50 | 3.23 | 6,667.30 |  |
| 117 | 04 June, 2018 | 5.00 | 0.50 | 3.30 | 6,875.25 |  |
| 118 | 03 June, 2018 | 5.00 | 0.50 | 3.35 | 6,579.20 |  |
| 119 | 31 May, 2018  | 5.00 | 0.50 | 3.19 | 5,699.20 |  |
| 120 | 30 May, 2018  | 5.00 | 0.50 | 3.01 | 6,514.05 |  |
| 121 | 29 May, 2018  | 5.00 | 0.50 | 3.04 | 6,315.00 |  |
| 122 | 28 May, 2018  | 5.00 | 0.50 | 3.00 | 6,143.95 |  |
| 123 | 27 May, 2018  | 5.00 | 0.50 | 3.03 | 5,782.15 |  |
| 124 | 24 May, 2018  | 5.00 | 0.60 | 3.13 | 5,829.35 |  |
| 125 | 23 May, 2018  | 5.00 | 0.60 | 3.16 | 6,186.25 |  |



**Deposit Rate**  
(PERCENTAGE PER ANNUM)

| Name of the Banks      | Savings Deposit | Special Notice Deposit (SND) Deposit |                             |                              |                               |                        | Fixed Deposit          |                      |                     |                      |                   |
|------------------------|-----------------|--------------------------------------|-----------------------------|------------------------------|-------------------------------|------------------------|------------------------|----------------------|---------------------|----------------------|-------------------|
|                        |                 | < 1.00 crore                         | 1.00 crore but <25.00 crore | 25.00 crore but <50.00 crore | 50.00 crore but <100.00 crore | 100.00 crore and above | 3 months but <6 months | 6 months but <1 year | 1 year but <2 years | 2 years but <3 years | 3 years and above |
| <b>September, 2018</b> |                 |                                      |                             |                              |                               |                        |                        |                      |                     |                      |                   |
| <b>SCBs</b>            |                 |                                      |                             |                              |                               |                        |                        |                      |                     |                      |                   |
| AGRANI                 | 3.50            | 3.50                                 | 3.50                        | 3.50                         | 3.75                          | 4.00                   | 5.75                   | 5.85                 | 6.00                | 0.00                 | 0.00              |
| BASIC                  | 4.00            | 4.00                                 | 4.00                        | 4.00                         | 4.00                          | 4.00                   | 5.50                   | 5.75                 | 6.00                | 6.00                 | 6.00              |
| BDBL                   | 4.00            | 3.50                                 | 3.50                        | 3.50                         | 3.50                          | 3.50                   | 6.00                   | 6.00                 | 6.00                | 0.00                 | 0.00              |
| JANATA                 | 3.50            | 3.75                                 | 3.75                        | 3.75                         | 3.75                          | 3.75                   | 5.25                   | 5.50                 | 6.00                | 0.00                 | 0.00              |
| RUPALI                 | 3.00-3.50       | 4.00                                 | 4.00                        | 4.00                         | 4.00                          | 4.00                   | 5.25                   | 5.50                 | 6.00                | 6.00                 | 6.00              |
| SONALI                 | 3.50            | 3.50                                 | 3.50                        | 3.50                         | 3.75                          | 4.00                   | 5.00-5.25              | 5.25-5.50            | 5.50-5.75           | 5.50-5.75            | 0.00              |
| <b>DFIs</b>            |                 |                                      |                             |                              |                               |                        |                        |                      |                     |                      |                   |
| BKB                    | 3.50            | 4.00                                 | 4.00                        | 4.00                         | 4.00                          | 4.00                   | 5.50                   | 5.75                 | 6.00                | 0.00                 | 0.00              |
| RAKUB                  | 5.00-7.00       | 3.50                                 | 3.50                        | 3.50                         | 3.50                          | 3.50                   | 4.50-7.00              | 6.00-7.00            | 6.25-7.00           | 6.50-7.00            | 6.50-9.00         |
| <b>PCBs</b>            |                 |                                      |                             |                              |                               |                        |                        |                      |                     |                      |                   |
| AB-BANK                | 3.50            | 2.50                                 | 3.25                        | 4.25                         | 5.00                          | 5.50                   | 6.00                   | 8.50                 | 9.50                | 9.50                 | 0.00              |
| AL-ARAFAH              | 4.00            | 2.00                                 | 2.00                        | 2.00                         | 2.00                          | 2.00                   | 4.00-6.00              | 6.50-7.00            | 7.00                | 7.00                 | 7.00              |
| BANK ASIA              | 3.50-5.50       | 2.50                                 | 4.00                        | 6.00                         | 6.00                          | 6.00                   | 6.00                   | 6.00                 | 6.00                | 6.00                 | 6.00              |
| BCBL                   | 3.25-3.50       | 2.50                                 | 3.00                        | 2.50                         | 2.50                          | 3.00                   | 6.00                   | 7.00                 | 8.00                | 0.00                 | 0.00              |
| BRAC                   | 1.00-4.50       | 1.00                                 | 1.50                        | 2.00                         | 3.00                          | 4.00                   | 4.00-7.00              | 4.50-7.50            | 5.00-8.00           | 6.00-8.00            | 6.00-8.00         |
| DHAKA                  | 1.00-3.50       | 3.00                                 | 3.00                        | 3.50                         | 4.00                          | 4.00                   | 5.50-6.00              | 5.50-6.00            | 6.00                | 6.00                 | 9.35              |
| DUTCH-BANGLA           | 4.00            | 2.00                                 | 3.00                        | 3.50                         | 3.50                          | 3.50                   | 4.00-4.50              | 4.50-5.00            | 5.00-5.50           | 5.00-5.50            | 5.00-5.50         |
| EBL                    | 2.00-5.00       | 1.00                                 | 2.00                        | 2.50                         | 3.00                          | 3.00                   | 3.50-6.00              | 3.50-6.00            | 4.00-6.00           | 5.00                 | 5.00              |
| EXIM                   | 4.00            | 4.00                                 | 4.00                        | 4.00                         | 4.00                          | 5.00                   | 6.00                   | 6.00                 | 6.00                | 6.00                 | 6.00              |
| FBL                    | 5.00            | 5.00                                 | 5.25                        | 5.50                         | 5.75                          | 6.00                   | 8.50                   | 8.75                 | 9.00                | 0.00                 | 0.00              |
| FIRST SECU             | 3.50            | 3.00                                 | 3.00                        | 3.00                         | 3.00                          | 3.00                   | 6.00                   | 6.50                 | 7.00                | 0.00                 | 0.00              |
| ICB                    | 4.50            | 3.00                                 | 4.00                        | 4.00                         | 4.00                          | 4.00                   | 6.00                   | 7.00                 | 7.50                | 7.50                 | 7.50              |
| IFIC                   | 3.00-7.00       | 2.00                                 | 3.00                        | 3.00                         | 3.00                          | 6.00                   | 6.00                   | 7.00                 | 7.50                | 7.50                 | 7.50              |
| ISLAMI                 | 2.50-3.25       | 2.50                                 | 2.50                        | 2.50                         | 2.50                          | 2.50                   | 6.00                   | 6.50                 | 6.70                | 6.90                 | 7.00              |
| JAMUNA                 | 3.00            | 2.00                                 | 2.50                        | 3.00                         | 3.50                          | 5.50                   | 5.50-6.00              | 5.50-6.00            | 5.50-6.00           | 0.00                 | 0.00              |

|               |           |      |      |      |      |      |           |           |           |           |            |
|---------------|-----------|------|------|------|------|------|-----------|-----------|-----------|-----------|------------|
| MDBL          | 4.00-5.00 | 4.25 | 5.50 | 5.50 | 5.75 | 5.75 | 6.00-7.00 | 7.25-8.00 | 7.75-8.50 | 0.00      | 0.00       |
| MERCANTILE    | 2.50      | 2.50 | 3.00 | 3.50 | 5.00 | 6.00 | 3.00-6.00 | 6.50-6.75 | 7.00      | 0.00      | 0.00       |
| MGBL          | 4.00-6.00 | 4.50 | 5.00 | 5.50 | 5.75 | 6.00 | 5.00-6.00 | 5.50-6.00 | 5.75-6.00 | 0.00      | 0.00       |
| MMBL          | 4.00-9.25 | 3.00 | 3.00 | 3.00 | 3.50 | 4.00 | 6.00      | 8.00-9.00 | 9.00      | 0.00      | 0.00       |
| MUTUAL TRUST  | 3.50      | 2.50 | 2.75 | 3.00 | 3.25 | 3.50 | 6.00      | 6.50-6.75 | 7.00      | 7.50      | 8.00       |
| NBL           | 3.00      | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 6.00-8.50 | 8.50      | 8.50      | 8.50      | 8.50       |
| NCCBL         | 3.50      | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 6.00      | 7.00      | 7.00-7.50 | 0.00      | 0.00       |
| NRBBL         | 3.00-4.50 | 3.00 | 4.00 | 5.00 | 5.00 | 5.50 | 6.00      | 7.00-7.50 | 7.00-7.75 | 7.00-7.75 | 0.00       |
| NRBCBL        | 5.00-5.75 | 2.00 | 3.00 | 3.00 | 3.50 | 3.50 | 6.00      | 7.50-8.00 | 8.50-9.00 | 8.75-9.25 | 9.00-9.50  |
| NRGBL         | 4.00      | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 6.00-6.50 | 8.50-9.00 | 9.00-9.50 | 9.00-9.50 | 9.00-9.50  |
| ONE BANK      | 3.55-6.00 | 3.50 | 3.50 | 4.00 | 5.00 | 6.00 | 6.00      | 6.00      | 6.00      | 6.00      | 6.00       |
| PREMIER       | 3.00-3.50 | 2.50 | 3.00 | 3.50 | 3.50 | 4.00 | 6.00-7.50 | 7.50      | 8.00-8.25 | 8.50      | 5.50       |
| PRIME         | 2.50-4.50 | 2.00 | 2.50 | 3.25 | 3.25 | 4.00 | 3.50-6.00 | 5.50-6.00 | 5.50-6.00 | 0.00      | 0.00       |
| PUBALI        | 2.75      | 4.00 | 4.50 | 5.50 | 6.00 | 6.00 | 5.50-6.50 | 7.00-7.50 | 8.00      | 9.50      | 8.50-9.50  |
| SBACBL        | 4.00      | 4.00 | 4.50 | 5.00 | 5.50 | 6.00 | 5.50-8.50 | 5.50-8.50 | 5.50-8.50 | 5.50-8.50 | 5.50-8.50  |
| SHAHJALAL     | 3.00      | 3.00 | 3.25 | 3.50 | 3.75 | 4.00 | 5.00-6.00 | 5.00-6.00 | 5.00-6.00 | 6.00      | 6.00       |
| SHIMANTO      | 3.15-7.00 | 3.25 | 3.25 | 3.50 | 3.50 | 4.00 | 6.00      | 6.00-7.50 | 6.00-7.50 | 6.00      | 6.00       |
| SIBL          | 4.00      | 3.50 | 4.00 | 4.50 | 5.00 | 5.50 | 6.00      | 7.00      | 8.00      | 0.00      | 0.00       |
| SOUTHEAST     | 2.75-3.75 | 2.50 | 2.75 | 3.50 | 3.75 | 4.00 | 6.00      | 6.50-7.00 | 7.00-7.50 | 7.00-7.50 | 0.00       |
| STANDARD      | 3.00      | 3.00 | 4.00 | 5.00 | 6.00 | 6.00 | 6.00      | 6.00      | 6.00      | 6.00      | 0.00       |
| THE CITY      | 2.50-4.00 | 2.25 | 3.00 | 3.50 | 3.50 | 3.50 | 6.00      | 6.00      | 5.75-6.00 | 5.75-7.00 | 4.75-7.75  |
| TRUST BANK    | 4.00      | 1.50 | 1.65 | 1.75 | 1.90 | 2.00 | 5.00-7.00 | 7.50      | 7.50      | 7.50      | 7.50       |
| UCBL          | 1.50-4.00 | 2.50 | 2.50 | 2.50 | 3.50 | 3.50 | 4.00-4.75 | 4.50-6.00 | 5.50-6.00 | 6.00      | 6.00       |
| UNBL          | 4.00      | 4.00 | 5.00 | 5.00 | 5.00 | 5.00 | 4.00-6.00 | 4.00-8.00 | 4.00-8.00 | 4.00-8.00 | 4.00-8.00  |
| UTTARA        | 3.50-4.50 | 3.50 | 3.75 | 4.00 | 7.50 | 7.50 | 5.75-5.80 | 5.90-5.95 | 6.00      | 6.00      | 0.00       |
| <b>FBs</b>    |           |      |      |      |      |      |           |           |           |           |            |
| AL FALAH      | 3.00-7.00 | 1.00 | 2.00 | 2.00 | 2.00 | 2.00 | 5.25-6.40 | 5.50-7.25 | 6.50-7.75 | 6.00      | 6.00       |
| CITI N.A.     | 0.40      | 0.10 | 0.20 | 0.30 | 2.00 | 1.00 | 2.30-2.80 | 2.30-2.80 | 2.30      | 0.00      | 0.00       |
| COMMERCIAL B. | 2.00-5.50 | 2.00 | 2.00 | 2.25 | 2.50 | 4.00 | 4.00-5.00 | 6.00-7.00 | 5.75-7.70 | 7.00-8.50 | 7.50-10.00 |
| HABIB         | 4.00      | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 6.00-7.50 | 6.25-7.75 | 6.50-8.25 | 4.50      | 4.50       |

|            |           |      |      |      |      |      |           |           |           |           |           |
|------------|-----------|------|------|------|------|------|-----------|-----------|-----------|-----------|-----------|
| HSBC       | 0.75-8.00 | 1.00 | 1.15 | 1.25 | 2.00 | 2.75 | 1.50-8.00 | 2.50-8.50 | 2.50-8.50 | 2.50-8.50 | 2.50-8.50 |
| NBP        | 5.00      | 2.00 | 2.25 | 2.50 | 3.00 | 3.50 | 6.00      | 6.00      | 9.50      | 10.00     | 10.00     |
| SBI        | 3.50      | 1.00 | 1.50 | 1.50 | 1.50 | 1.50 | 4.00-7.50 | 4.00-7.50 | 5.00-7.50 | 4.00-7.50 | 4.00-7.00 |
| STAN.CHART | 0.75-5.00 | 0.75 | 0.75 | 1.25 | 2.00 | 2.00 | 2.00-6.00 | 2.25-8.75 | 3.00-9.00 | 3.50-6.00 | 4.00-5.75 |
| WOORI      | 3.50      | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 4.25-4.50 | 4.75-5.00 | 5.25-5.50 | 5.75-6.00 | 6.25-6.50 |