Internship Report On

Effect of Interest Rate on Stock Market Performance in Bangladesh

By:

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Student ID - 22304127

An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration (BBA)

BRAC Business School
Brac University
May, 2026

Declaration

I, Anika Shikder, hereby declare that this internship report submitted by me is originally written by me for the compulsory requirement of my academic degree and written based on self-gained knowledge during the internship period.

Any information that has been collected from third party involvement or previously published papers is appropriately cited in the report. None of the part of this report has been published by me for an earlier course.

Supervisor's Name and Signature-

Abu Saad Md. Masnun Al Mahi, Phd

Associate Professor & Director, Quality Assurance and Accreditation

BRAC Business School, BRAC University

Student's Full Name and Signature-

Anika Shikder

ID- 22304127

Letter of Transmittal

May 20, 2026

Abu Saad Md. Masnun Al Mahi, PhD

Associate Professor & Director, Quality Assurance and Accreditation

BRAC Business School , BRAC University

Kha-224 Merul Badda, Dhaka 1212

Subject: Submission of Internship Report on “Effect of Interest Rate on Stock Market Performance in Bangladesh”

Dear sir,

With respect, I would like to share with you that I, Anika Shikder, ID: 22304127 have completed my internship report titled “Effect of Interest Rate on Stock Market Performance in Bangladesh”.

The report is a blend of academic knowledge and learning acquired throughout the BBA program at BRAC Business School and the learning and practical exposure I got during the internship at Community Bank Investment Limited as a Research and Investment intern.

I hope this report meets all the requirements and is a true reflection of my professional experience and studies. Thank you to everyone for all your assistance and help in this process.

Regards,

Anika Shikder

ID: 22304127

BRAC Business School , BRAC University

Non-Disclosure Agreement

This contract is made by Anika Shikder, Intern-Spring26, to testify that this report does not contain any confidential or sensitive information from Community Bank Investment Limited. This contract is made between the Community Bank Investment Limited and the undersigned student of BRAC University, Anika Shikder.

On-Site Supervisor's Name and Signature-

Rahat-Ul-Amin, CFA

Head Of Portfolio, Community Bank Investment Limited.

Student's Full Name and Signature-

Anika Shikder

ID- 22304127

Acknowledgement

First and foremost, I would like to thank my supervisor, Abu Saad Md. Masnun Al Mahi, PhD, Professor and Associate Professor & Director, Quality Assurance and Accreditation BRAC Business School, BRAC University for his invaluable advice and assistance in the process of preparing this report.

Furthermore, I would also like to express my heartfelt gratitude to my supervisor Mr. Rahat-Ul-Amin, CFA the Head of Portfolio Community Bank Investment Limited (CBIL), for giving me the guidance and never-ending support which makes this internship so meaningful. Last but not the least, I am greatly thankful to all the members of Community Bank Investment Limited (CBIL) for their cooperation and for the positive and supportive environment during my internship.

Executive Summary

This report consist three chapter explaining my experience, company overview and capital market analysis. The first chapter is about the general internship experience and other information. I had an internship in Research and Investment Division at CBIL, where I participated in gathering market data, analysing companies, monitoring portfolios, observing macro economic data and in operational activities dealing with the capital market.

The second chapter covers the background, services of Community Bank Investment Limited. Based on the financial data of the company in the past five years, the ratio analysis, trend analysis and cash flow analysis have been carried out to analyze the financial performance. Analytical tools used for the evaluation of the competitive position of CBIL in the capital market industry.

In the last chapter the relationship between stock market return and interest rate change in Bangladesh is measured through regression analysis. It is a study of the relationship between macroeconomic variables, namely the change in interest rates and the performance of the stock market and investors' behaviour. Studies have been conducted by me on the relationship between interest rates and the DSEX index to measure the performance through various statistical and financial interpretations.

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List of Acronyms

CBIL	Community Bank Investment Limited
CBB	Community Bank Bangladesh
BSEC	Bangladesh Securities and Exchange Commission
CDBL	Central Depository Bangladesh Limited
CFA	Chartered Financial Analyst
DSE	Dhaka Stock Exchange
CSE	Chittagong Stock Exchange
DSEX	Dhaka Stock Exchange Broad Index
PMS	Portfolio Management Services
BO	Beneficial Owner

Chapter 1: Overview of Internship

1.1 Student Information

Name: Anika Shikder

ID: 22304127

Programme: Bachelor of Business Administration (BBA)

Major: Finance

1.2 Internship Information

1.2.1 Period, Company Name, Department, Address

Period: 12 Weeks (1st February – 30th April)

Company Name: Community Bank Investment Limited

Department: Research and Investment Division

Being a Finance student, one of my main interests was to have some hands-on experience in the capital market. While searching for internship opportunity I secured my internship at Community Bank Investment Limited. Here I had the opportunity to get a first-hand perspective and engage in the actual financial operations at stock market. During this period, I gained hands-on experience in stock market analysis and client servicing processes. My place of work was at Police Plaza Concord, 12th floor, Tower 2, Plot 2, Road 144, Gulshan 1, Dhaka 1212, Bangladesh where Community Bank Investment's core operation team is situated (CBB. n.d.).

1.2.2 Company Supervisor Information

Name: Rahat-Ul-Amin, CFA

Designation: Head of Portfolio

From the first day of my internship, I was working under the supervision of Mr. Rahat-Ul-Amin, CFA who is also the Head of Portfolio of the organization. He explained to me various aspects of the investment process, how the markets work and how to optimize all these investment goals.

1.2.3 Job Scope

As an intern in the Research and Investment Division, I was actively involved in both analytical and operational tasks that was used to make investment decisions, partially I also took part in client portfolio servicing.

The one of the key responsibility was to get the real time market data from the Dhaka Stock Exchange (DSEX). This covered the movements of prices on a day to day basis as well as the EPS announced and the performance of sectors. Then collected data were organized and maintained by me in structured Microsoft Excel spreadsheets using functions. This database supported internal analysis and facilitated timely investment decisions.

I also did a detailed fundamental analysis of the some of the listed company in DSEX. The analysis includes evaluation of financial indicators like Earning Per Share (EPS) to measure profitability, Price-to-Earnings ratio (P/E ratio) measuring market valuation and Dividend Yield. I got to know about trailing P/ E and Forward P/E, whereas between these two, trailing P/E is used in market to analyze a stock. When I compared these ratios on various company differing from industries i got a clear and in depth understanding of relative valuation and trend analysis of the market.

Furthermore in any market apart from the market variables we also need to take a good understating on the macroeconomic variables and trend. In capital market the macroeconomic variables especially interest rate, inflation, exchange rate trend and overall economic condition influence a lot. I handled and monitored these macroeconomic variable data for these three month and got to link between the factors and stock price in real world. How changes in one or multiple factor can influence investors sentiment and decision-making.

Apart from these my role was assisting in the preparation of client portfolio reports cheking. This job role recquired a daily thorough checking of all the clients portfolio who ever is trading using loan. For this i need to study margin and non-margin stock and their functionality. While doing this job I gained insight into portfolio evaluation techniques and client reporting standards also.

I came to learn a totally new thing which is CDBL (Central Depository Bangladesh Limited) used in operational side. I learn how to do pay-in in CDBL from one of the employees. This work gave me a hands on experience about how does post trade settlement system works. Here I learned the execution of electronic share transfer in the capital market of Bangladesh from Tania apu, a CDBL & Settlement Officer.

I made some informative video to discuss financial data and research findings which had been posted in CBIL's social media handle. I tried my best to break down the technical, financial terms into easy explanations so that potential investors could better understand the theoretical concept. I learned using a balanced approach of technical analysis, market observation and being involved in operational aspects helps a lot to shine in this sector. These three month's got me interested in working in the capital market and pursuing a career there.

1.3 Internship Outcome

1.3.1 My Contribution to the Company

During the three month of working here my first task was to update the data in their internal excel datasheet from DSEX, as keeping a track of Trailing P/E, Forward P/E, EPS etc analysis needed everyday updated data. Many investment decision was made based on this sheet. I also helped to track if any margin client was buying any non-margin share using margin.
Also in the absence of CDBL officer i took over some of the operational task including pay-in operation which reduced the burden on other employees and reduced operational delays.

1.3.2 Benefits to the Student

For me Community Bank Investment Limited worked as strong learning platform to connect my bookish knowledge to real life implication in the financial sector. Through this internship my understanding of stock market operations and investment analysis got clearer.

I improved my technical skills as my most of the task was in Microsoft Excel and financial data analysis. I also learned about financial ratios like EPS, P/E ratio, dividend yield and how these are applied in real-life decision making. Additionally, I got an understanding of the role macro-economic factors play in market trends. Which eventually became my internship topic. In general, I was well equipped for future financial and investment careers.

1.3.3 Problems

Although my internship was a great experience, I still experienced challenges while doing my internship. From being in academic learning environment for four year it was challenging for me to get used to the professional environment where even one mistake comes with a heavy loss.
Later on the team is pretty small thus many core task such as data analysis, reporting and operational tasks has been assigned to me which at the same time helped me to learn how to do multitasking and also very tiring. I also admit these difficulties did helped me to develop my adaptability and time management and to learn how to learn well in a corporate environment.

1.3.4 Recommendations

Undoubtedly I would recommend Community Bank Investment Limited to those student looking forward to start their journey in capital market, the people here were their best in welcoming a newbie. But a few things can be revised for better experience when it expands its team.
The first thing would be every intern who is endevouring in a new journey expects a structured orientation program at the very first of the internship which introduces a the team and role better. Though its understandable for such small team and continuous work maybe the reason behind not able to do so.

What I enjoyed most was the research work so more research-focused work would further enhance the internship experience. At the end I would prefer more frequent feedback sessions which actually let a intern to monitor their progress and enhance their performance also helps to realise the gap between booking knowledge and practical world.

Chapter 2: Organization Part

2.1 Introduction of Community Bank Investment Limited (CBIL)

2.1.1 Objective

This chapter aims to examine the background, management and strategic positioning of Community Bank Investment Limited (CBIL). It also seeks to understand the corporate strengths and weaknesses of the company as observed in practice and the financial results. Additionally, this chapter seeks to make a justifiable recommendation to improve the efficiency and competitiveness of the company.

2.1.2 Scope of the Study

The study will be focused on Community Bank Investment Limited (CBIL), which is a subsidiary of Community Bank Bangladesh PLC. The study mainly aims to present an overall assessment of the company's organizational and financial performance based on three-month internship.

This study includes the profile of CBIL, such as background, mission, vision and services. It also provides an assessment of its management practices, including workflow, communication and its operations as observed during the internship. The study also uses ratio analysis on financial statements of CBIL obtained from the parent company's website over a five-year period to evaluate its financial status. Liquidity, profitability and capital structure are among the factors considered.

Furthermore, the study considers the company's competitive advantage and environment using various analyses including SWOT analysis. However, this report is not intended to capture the whole investment banking or financial services sector, but instead to focus on CBIL as an individual company.

2.1.3 Methodology

This report is based on a descriptive research design that incorporates both qualitative and quantitative (to a certain extent) approaches to assess the corporate and financial performance of Community Bank Investment Limited.

Both primary and secondary data sources have been used for this report.

Primary sources include observations, practical experience and informal interviews with employees during the internship at CBIL. The practice of managing client portfolios, communication, and process management played a substantial role in getting a glimpse of the operational process of the bank.

The data have been collected from published financial statements, annual reports and other pertinent information from the website of Community Bank Bangladesh PLC. Other internal documents, if available, were also used.

In terms of financial analysis, ratio analysis has been performed using data from the last few years to measure the performance of the company in terms of liquidity, profitability and efficiency. Also, the SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis has been conducted to assess the internal and external environment of the company.

This has led to the development of recommendations that suit the company's strategic objectives and business environment.

2.1.4 Study's Relevance

This research is grounded on a 12-week internship project and it is beneficial to various parties such as students, the organisation and the academic field.

For students, this report offers valuable insights on the structure, work culture and work practices of an investment company such as CBIL. It can be a valuable resource for future graduates looking for jobs in the financial service industry.

For the company, this report identifies its strengths, weaknesses and opportunities for improvement in its operations, especially in the financial and service dimensions.

For the academicians, the report of mine provides a more of a case study that translates theoretical knowledge into practice. It deepens knowledge of a merchant bank’s practices, financial analysis and the issues in the capital industry and its operation in Bangladesh.

2.1.5 Limitations

This study had some constraints during its internship and research experience. The internship time was limited to 12 weeks only, so it was not enough to gain enough practical knowledge regarding all activities and operations of CBIL. Access to certain confidential financial and operational information was limited due to CBIL's operation in the financial services industry, resulting in some areas of analysis being limited. Furthermore, detailed standalone information for CBIL was not always readily available and some analyses were therefore based on information from secondary sources and parent companies. Also, as an intern, there were limits on the involvement in high level managerial and strategic decision making processes. In spite of these limitations, the information used in this study was made accurate, relevant and reliable.

Furthermore, the research was limited in time scope and relied primarily on the organizational records, published reports and hands-on observations during the internship period. Some findings and analysis may therefore not be a complete reflection of the long term operational and financial performance of the organization. But the report gives a realistic picture, bearing in mind the information available and what was learned from the experience during the internship.

2.2 About Community Bank Investment Limited (CBIL)

2.2.1 Community Bank Investment Limited: a brief history

Community Bank Investment Limited (CBIL) is a wholly-owned subsidiary of Community Bank Bangladesh PLC (CBB) , a fourth-generation private commercial bank in Bangladesh, which was set up to promote financial inclusion, discipline and technological innovation in banking. Community bank was established with a unique objective—to primarily serve the members of Bangladesh Police and their families, while also providing banking services to the general public.

As a part of its long-term roadmap for capital market, Community Bank Bangladesh PLC set up CBIL as a merchant bank and investment bank. The aim was to expand financial services beyond banking and to engage in the emerging capital market in Bangladesh.

Since its establishment, CBIL has been involved in a variety of investment services, such as portfolio management, investment advisory and capital market transactions. With the strong institutional support of its parent firm, CBIL has been able to build trust and gradually grow in the investment industry. In the face of a highly dynamic and competitive capital market, CBIL is striving to improve its service delivery, efficiency and client relationship through technology-based solutions and processes.

2.2.2 Mission

"**Investing in Your Financial Future, Together.**".

The mission of Community Bank Investing Limited clearly focuses on their strong intention of providing quality financial products and services at the same time upholding the highest standards of professionalism and integrity.

2.2.3 Vision

"Get on the way- The Promising Merchant Bank of Bangladesh"

This vision of Community Bank Investing Limited is showing their urge on becoming a major capital market institution which promises to operate in the long term through it's delivery of quality services, embracing modernity and maintain client trust.

2.2.4 Core Values

Having a strong set of core values Community Bank Investment Limited (CBIL) exposes itself as one of the promising merchant bank in terms of best service and management. And these values are practiced regularly in their daily operations.

Integrity: Trust is a critical human trait in the financial industry, if the client can't trust a financial organization with their money then there won't be any business that's why CBIL is committed to ensure transparency, honesty, and integrity in all its operations. In all the step of their operation they tries to be transparent whether its interaction with client or following BSEC's regulation .

Customer Centricity: As every client has different goals in investing and varying degrees of tolerance to risk, CBIL ensures that its services suit everyone. It means that rather than offering standard services, CBIL designs customised investment strategies for each of its customers for example for prime customer the team the relationship manager is always kept standby for services. Through continuous contact and quick response, CBIL tries to develop long-term relationships with its customers through focusing on trust and satisfaction.

Innovation: In addition, innovation plays an important role in the value system of CBIL. Being aware of the ever-changing world of finance, CBIL looks for ways to improve its performance using innovative technologies such as electronic reporting and its back office systems. Such a strategy allows CBIL to ensure speed, accuracy and customer satisfaction.

Professional excellence: The last of the values that are discussed here is professional excellence. CBIL always tries to offer its customers the best quality service in whatever it does. It includes the possession of highly qualified people working there, development of their skills, and appropriate procedures. CBIL encourages its employees to add to their competence while performing their jobs diligently.

Accountability: In the end, Accountability is an important component of CBIL. CBIL has a sense of accountability in what it does either alone or as a group. It operates according to regulatory guidelines and the firm's internal guidelines. The sense of accountability enables CBIL to improve its governance structures. The above principles form the basis of the operations of CBIL as the firm strives for excellence in the investment industry.

2.2.5 Community Bank Investment Limited – Milestones

In a very short span of time, Community Bank Investment Limited (CBIL) has grown significantly and is emerging as a future player in investments and capital markets. One of the initial steps for CBIL was to set up organised operations. From the outset, it has emphasised the importance of structured portfolio management, client services and co-ordination. Despite current growth in numbers of new client the team was able to operate very efficiently and deliver consistent services to clients only because of this.

One particular success has been the expansion of its Portfolio Management Services (PMS). In last 5 years CBIL has been able to manage and grow client portfolios through prudent investment strategies and market analysis. This has been critical in boosting investor trust and client acquisition. In fact, in less than five years of its establishment, CBIL has established a client book of almost 400 regular clients, demonstrating consistent growth and client retention.

Now the world runs around technology, all the trade happens totally online, thus CBIL made significant strides in technology despite their relatively short time in operation. They understood the market demand so instead of relying on renting another system it has developed its own back-office system for portfolio management, regulation, reporting and communication. Though it might not be in its most mature form but the IT team is working tirelessly and improving it regularly. With efficiency and accuracy it also has created transparency and data protection, renting a system would meant sharing the client information being shared. According to the CFO its one of the significant financial achievements is its early profitability and dividend payments. Notably only after three years of establishment, it started paying dividends which promises shareholder value creation.

2.2.6 Services Offered by CBIL

CBIL is essential to connect the investment community with the capital market and offers a wide array of services that helps investors invest more easily, safely and efficiently. CBIL can help the individual save and invest his or her money or an enterprise get capital to run its operations.
For a newcomer, the initial measure is to sign up for a “Beneficiary Owner (BO)” account using Portfolio Management Services (PMS). CBIL will make this easier by assisting clients in opening and running the BO accounts with CDBL, which will hold the securities electronically. This is the first step towards the stock market investment.

BO Account Services: After the account has been set up, many investors may want to know how to invest. Here, CBIL offers Investment Advisory Services. CBIL provides market actions, economic indicators and company fundamentals insights and advices. This way, clients can make decisions on knowledge and not speculation.

Portfolio Management Services (PMS): CBIL also offers Portfolio Management Services (PMS) to clients who wish to entrust their investments to the experts. In this situation, qualified managers manage the client's portfolios. They keep track of market trends, make strategic investment decisions, and seek to generate optimal returns while managing risks, so that clients can invest with confidence and peace of mind.

Issue Management: CBIL is not only about assisting individual investors - it is about assisting businesses grow. However, when a company desires to mobilize the public for financing, through a public issue, Issue Management services are provided with assistance from CBIL. CBIL prepares a prospectus and interacts with pertinent government bodies to issue a range of issues like Initial Public Offerings (IPOs).

Underwriting Services: To further assure companies that are issuing shares, the CBIL offers Underwriting Services. If the public is not able to subscribe to all the shares, CBIL takes on the responsibility of buying the balance shares. This reduces the risk to the issuing companies, and gives them assurance to issue securities.

Margin Loan Facilities: Margin Loan Facilities is one of the important services provided by CBIL. Under this service, investors can borrow money from their investment portfolio to buy more investments. Margin loans increase investors' purchasing power and allow them to take advantage of market opportunities. However, the margin finance is a risky activity and CBIL has strict supervision and monitoring of such activities. Generally, loan applications and decisions to approve loans are handled by the senior management so as to maintain good risk management practices and adhere to the regulatory requirements.

Secondary Market Services: Lastly, after securities are listed, CBIL provides clients with Secondary Market Services. This includes the purchase and sale of shares to enable investors to react to market opportunities. CBIL informs clients promptly with timely execution of trades and updates on market information.

To sum up, CBIL is a complete financial advisor for investors, who will be helped on every step and who will be part of the growth of the capital market as a whole.

2.2.7 Organizational Structure

CBIL's seamless and efficient functioning is facilitated by a strong organizational structure with each department responsible for a specific function and each other department contributing to the others.

As a merchant bank CBIL's core operation runs around the Portfolio Management Department here client get the service from a portfolio manager to manage their portfolio including ensuring the right use of margin loan. Tremendous research on the company, financial indcato's of market, political situation and economical factor is done only after that a decision is made by a professional to make the profit optimize and minize the risk. They collaborate with the Operations Department, which takes care of all operations. The function of this department is to make transactions, the management of BO accounts and record keeping to assure all instructions are executed smoothly basically can be called The "engine room" of CBIL.

The Compliance Department is responsible for assuring that all operations remain compliant with the law and ethics. The responsibility of this department is crucial in a well-regulated financial market as they monitor activities, establish internal policies and ensure adherence with regulatory requirements. They help increase transparency and the firm's reputation. The Accounts & Finance Department is responsible for the business's financial operations. Basically

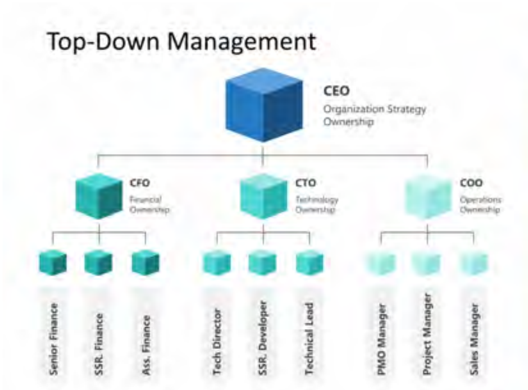
from budgeting, financial reporting and financial accounting and assists with keeping the financial information up to date and accurate is done by this department.
The power house is IT Department because a system failure foe even 5 minute can become the reason of huge loss. The IT handles creating, maintaining and securing the back-office software for smooth and uninterrupted trading, account processing and data processing. Having the responsibility for upgrades, security and troubleshooting IT workss effortlessly.

The relationship manager primarily handles customer service department which provide the service of the support for clients. This department helps building and keeping customer trust and satisfaction through out their journey with CBIL simply by helping to keeping customer accounts open to answering questions. All The department depend on each other because of their small team thus internal ongoing communication and coordination of their is pretty strong and understanding. Client's expectation is met by their continuous effort and friendly nature.

2.3 Management Practices of Community Bank Investment Limited (CBIL)

2.3.1 Management Style

Based on my three-month internship at Community Bank Investment Limited (CBIL), it's apparent that the management structure of the company is hierarchical with a top-down approach. This is due to the nature of the organisation being a small subsidiary of Community Bank Bangladesh Limited (CBBDL) where control, discipline and accuracy is the key.



CBIL has a small workforce of about 10 people under the oversight of an 11-member Board of Directors. At the operational level, power is vested mainly in the CEO, CFO (who also heads

SPO), and the Head of Portfolio. They are involved in making all key strategic, financial and operational decisions.

CBIL has a very centralised decision-making system, and operational-level staff are not usually included in the decision-making process. Rather, they are expected to carry out tasks in accordance with their managers' directives. This establishes a hierarchical structure of decision-making, with decisions made at the higher level and executed at the lower level.
The small size of the organisation also means that employees are expected to perform multiple tasks from various functional domains. But this does not mean freedom; employees carry out their work under supervision and guidance of management. Regular and irregular tasks are tracked to meet the company's policies and regulatory obligations.

CBIL is also committed to providing employees with regular ongoing training and development to enhance their performance and deliver quality services as they need to adapt the rules, regulations, and technology of Central Depository Bangladesh Limited (CDBL) and Bangladesh Securities and Exchange Commission (BSEC). Training is provided to keep employees abreast of market trends, procedures, and regulations. Along with training programs, employees learn through continuous monitoring and practice.

Also, interns assist the CBIL operations. CBIL has a small workforce, so interns help employees in research projects and other minor tasks. But interns are always supervised in the execution of their tasks.

In summary, the management style of CBIL is centralised, control-oriented and supervised, which guarantees intensive supervision and control, low risk and effective task accomplishment. This management style favours centralised decision-making and provides limited involvement of employees in the decision-making process, but it is effective for achieving stability and compliance in a financial institution.

2.3.2 Human Resource Planning of CBIL

CBIL adopts a pragmatic approach to human resource planning based on its needs and size.

It has a minimal number of employees, which includes the CEO, CFO, Head of Portfolio, IT Senior Officer, CDBL & Settlement Officer, Relationship Advisors and other staff. With this small workforce, a high degree of multitasking is required of each employee.

CBIL also employs interns to assist with various activities, particularly research and support tasks. This alleviates the pressure and increases efficiency levels. Thus, CBIL HR planning is more about efficiency, flexibility and learning, than staffing. This allows for efficient functioning, and ensures long-term sustainability.

2.3.3 Compensation System

CBIL has a structured, yet simple, compensation system, suitable for its scale and capacity. CBIL pays its employees a fixed monthly salary, determined by job title, experience and responsibility. Moreover, the company offers bonuses on festivals, usually two Eids, which are usually equal to the basic salary.CBIL provides annual increments in salary, which are based on the performance of the employees, and the performance of the company. While the pay system is not excessively complicated, it is fair and equitable.

Other allowable expenses, such as mobile phone bills and other operational expenses, are reimbursed to employees based on their roles. There are regular office hours and the company offers leave benefits. The small team and the culture of multi-tasking also means employees may have to manage multiple tasks. Salary levels are average relative to other banks and financial institutions, but employees have the opportunity to learn and gain experience in various merchant banking activities.

2.3.4 Organizational Hierarchy

CBIL has a hierarchical but straightforward organisational structure, appropriate for a small merchant banking firm. The CEO is at the head of the hierarchy, followed by the CFO (also serving as SPO) and Head of Portfolio. Other key roles include:

1. IT Senior Officer
2. CDBL & Settlement Officer
3. Relationship Advisors

4. Office support staff

While the organisation is structured hierarchically, there are few levels because of the small number of staff. There is a clear line of authority, with all decisions made by senior staff. CBIL's structure is more functional and integrated, with employees often cross-trained in multiple functions.

2.3.5 Performance Appraisal System

Here the decision makers are the CEO, CFO and Head of Portfolio thus performance is closely tracked by the management team in daily operation. Rather than a highly structured KPI-based approach like big organization, appraisal is based on:

- Work efficiency
- Accuracy in task execution
- Multitasking skills
- Discipline and reliability

They are assessed informally throughout the day based on their work and given regular feedback. Through this, employees are able to see what they are doing well and where they can improve. Promotions, rewards, salary adjustments and opportunities for training are determined by top management according to their assessment of the overall performance and the needs of the organization.

While the appraisal system may not involve much paperwork, it provides continuous monitoring, timely feedback and direct evaluation, which is appropriate for a small organisation such as CBIL.

2.4 Marketing Practices of Community Bank Investment Limited (CBIL)

2.4.1 Marketing Strategy

The company, CBIL, is not an entity operating multiple SBUs like conglomerate firms. Instead, the company operates within the capital and financial market sector that demands for an intensive and relationship based approach for marketing. Unlike conglomerate companies, CBIL develops its marketing strategy in relation to the creation of trust, experience and relationships.

For better understanding of the general marketing strategy of CBIL, the following model can be applied to evaluate the marketing practices of the company:

Product: CBIL provides several financial products and services targeted at the investment and corporate customers. The services provided include:

1. PMS
2. BO account services
3. Investment Advisory Services
4. Issue Management
5. Underwriting Services
6. Secondary Market Services
7. Margin Loan

These are intangible products that generate value based on the expertise, performance and reliability of the service. The focus in the development of these products by CBIL is therefore on quality and risk.

From a simplified portfolio perspective of the products:

Star: PMS (Because of its high demand and growth)
Cash Cows: Margin Loan and Secondary market services (consistent and steady demand)
Question mark: Investment advisory service (Growth completely depends on awareness)

Price: The company adopts a price strategy that is both competitive and based on value. As financial services are very dependent on trust and efficiency, prices are usually pegged to the value that the client gains.

1. **Portfolio Management Fees:** Dependent on the portfolio's size and performance
2. **Brokerage Charges:** Competitive with the industry average
3. **Advisory Fees:** Usually negotiable

CBIL's pricing strategy is not strict, rather discounts are offered to customers to some extend so that it can be profitable also which is their strategy to reten the clients.

Place: Community Band Investment Limited solely works on a central office model but it also reaches out through online and banking systems.

1. Corporate Office
2. Online platforms
3. Banking systems for back-office reports

These facilities enable CBIL to provide their services to the clients efficiently without necessarily expanding physical distribution centers.

Promotion: CBIL emphasizes relationship-oriented and trust-based promotion tactics rather than aggressive marketing campaigns.

Main types of promotion used are:

1. **Direct Marketing:** Communication with customers personally
2. **Corporate Networking:** Making use of relationships with corporate customers
3. **Online Communication:** Communicating via email, providing portfolio reports, etc.
4. **Credibility Building:** A strong connection to Community Bank Bangladesh PLC

The key focus of the promotion campaign is on credibility and trust building.

2.4.2 Marketing Channels

The company adopts a selective and relational approach in its choice of marketing channels since CBIL targets specific markets that are different from mass markets and belongs to the investments industry. A summary of its marketing channels is provided below:

Segment	Target Clients	Marketing Channels	Reasons
Retail clients	Individual Investors	Direct communication, referrals	Personalized service and trust building
Institutional Clients	Corporates, high-net-worth individuals	B2B relationship marketing	Large investment volume and long-term engagement
General Market	Potential investors	Digital platforms, online presence	Awareness and information sharing

CBIL heavily relies on referrals and relationship marketing, as trust and reputation play a major role in client acquisition in the financial sector.

2.4.3 Developing Financial Services

CBIL is steadily shifting its attention towards innovation and technology in order to stay relevant in the dynamic financial industry.CBIL creates new financial services and innovations. One of the key areas of innovation involves:

1. Enhancing portfolio management services
2. Creating digital reporting systems and customer interfaces
3. Upgrading the back-end software to improve efficiency
4. Developing more data analysis tools for advisory purposes

The IT Department at CBIL is instrumental in developing financial services as it manages all the technology used internally.

2.5 Financial Performance Evaluation of Community Bank Investment Limited (CBIL)

As a subsidiary of Community Bank Bangladesh, Community Bank Investment Limited do not have any separate annual report. But in the Bank's annual report, Community Bank Investment Limited's Financial report can be found. Along with that, CBIL started its journey in the capital market in 2021, right after a massive business disruption due to the covid pandemic. For these reasons, there can be seen a loss in the first two years of operation. That's the reason I was able to collect only five years of data from 2021 to 2025. Based on these financial reports, let us dive into and evaluate CBIL's financial health during their operational years.

2.5.1 Balance Sheet & Income Statement Analysis

1) **Liquidity Ratio**

(a) Current Ratio (Current Assets / Current Liabilities)

Year	2021	2022	2023	2024	2025
Current Asset	193,883,939	221,490,929	308,287,454	404,432,121	405,419,757
Current Liabilities	4,229,125	21,871,570	88,953,632	145,288,897	117,421,727
Current Ratio	**45.84**	**10.13**	**3.47**	**2.78**	**3.45**

Table: Current Ratio Comparison over the Years

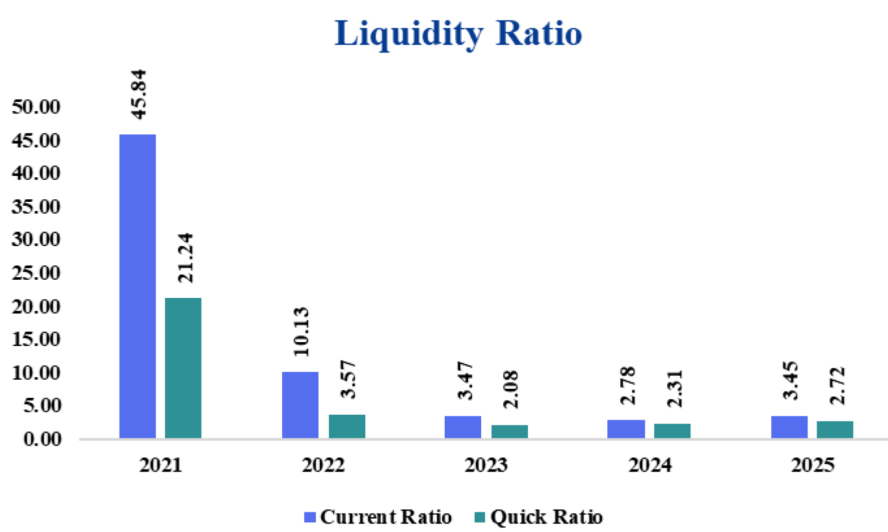
The current ratio shows a steep decline from 45.84 in 2021 to 2.78 in 2024, followed by a recovery to 3.45 in 2025. The ratio being unusually high in 2021 indicates that CBIL had excess current assets as compared to liabilities, because the business was still in its early stages. The ratio decreases over the period due to an increase in the liabilities and active utilization of funds, which means a higher operational efficiency. The small increase in 2025 is an indication of rebalancing of the liquidity.

(b) Quick Ratio (Cash and Cash Equivalent / Current Liabilities)

Year	2021	2022	2023	2024	2025
Cash and Cash Equivalent	89,840,729	77,993,909	184,603,466	335,730,393	319,956,950
Current Liabilities	4,229,125	21,871,570	88,953,632	145,288,897	117,421,727
Quick Ratio	**21.24**	**3.57**	**2.08**	**2.31**	**2.72**

Table: Quick Ratio Comparison over the Years

The quick ratio declines sharply from 21.24 in 2021 to 2.08 in 2023, then gradually increases to 2.72 in 2025. The very high initial value means there is a lot of idle cash at the initial stage. The resultant downward trend indicates improved investment of funds in investments and operations. The recovery phase indicates that CBIL is enhancing its liquidity buffer and is still operating.



This large distance between the two ratios in 2021 indicates there are excessive overall current assets, not just cash. Between 2022 and 2024, the two ratios decrease sharply, as CBIL increased the use of its assets and the growth of its current liabilities as it expanded its operations. It is worth noting that, the difference between the current and quick ratios decreases during this period, which is an indicator that the composition of current assets became more liquidity-oriented and the proportion of the current assets held as cash had an increase in percentage. Both ratios show a moderate recovery (Current: 3.45; Quick: 2.72) by 2025, and a smaller difference between them implies a more balanced and efficient liquidity structure.

The liquidity position of CBIL has been improving over the years, as the levels of the liquidity position are moving towards a more balanced and controlled position. The coincidence of the current and quick ratios reflects the increased use of liquid assets and better management of liquidity.

(c) Working Capital Analysis (Current Assets - Current Liabilities)

Year	2021	2022	2023	2024	2025
Current Asset	193,883,939	221,490,929	308,287,454	404,432,121	405,419,757
Current Liabilities	4,229,125	21,871,570	88,953,632	145,288,897	117,421,727
Working Capital	**189,654,814**	**199,619,359**	**219,333,822**	**259,143,224**	**287,998,030**

Table: Working Capital Comparison over the Years

The working capital of CBIL is also steadily growing, and it is estimated that by 2025 it will increase to 287.99 million. This gradual increase shows that though the current liabilities have been escalating over time, the current assets have been on a higher rate of increase. It indicates a better working capacity and a better liquidity buffer. Contrary to the normalized ratios, the absolute working capital kept growing which is an indicator of overall financial growth.

2) **Solvency Ratio**

(a) Debt to Equity Ratio (Debt / Equity)

Year	2021	2022	2023	2024	2025
Total Liabilities/Debt	4,250,707	21,871,570	88,953,632	147,685,869	119,525,973
Total Equity	247,781,581	243,141,368	248,886,177	263,899,167	291,495,661
Debt to Equity Ratio	**1.72%**	**9.00%**	**35.74%**	**55.96%**	**41.00%**

Table: Debt-Equity Ratio Comparison over the Years

The ratio increases sharply from 1.72% in 2021 to 55.96% in 2024, then declines to 41.00% in 2025. This can be seen to indicate that CBIL initially depended nearly wholly on equity but overtime, its reliance on debt to finance growth has been progressively increasing. The decline in 2025 implies a partial decrease in leverage or enhancement of equity.

(b) Debt Ratio (Total Liabilities / Total Assets)

Year	2021	2022	2023	2024	2025
Total Assets	252,032,288	265,012,938	337,839,809	411,585,036	411,021,634
Total Liabilities/Debt	4,250,707	21,871,570	88,953,632	147,685,869	119,525,973
Debt Ratio	**1.69%**	**8.25%**	**26.33%**	**35.88%**	**29.08%**

Table: Debt Ratio Comparison over the Years

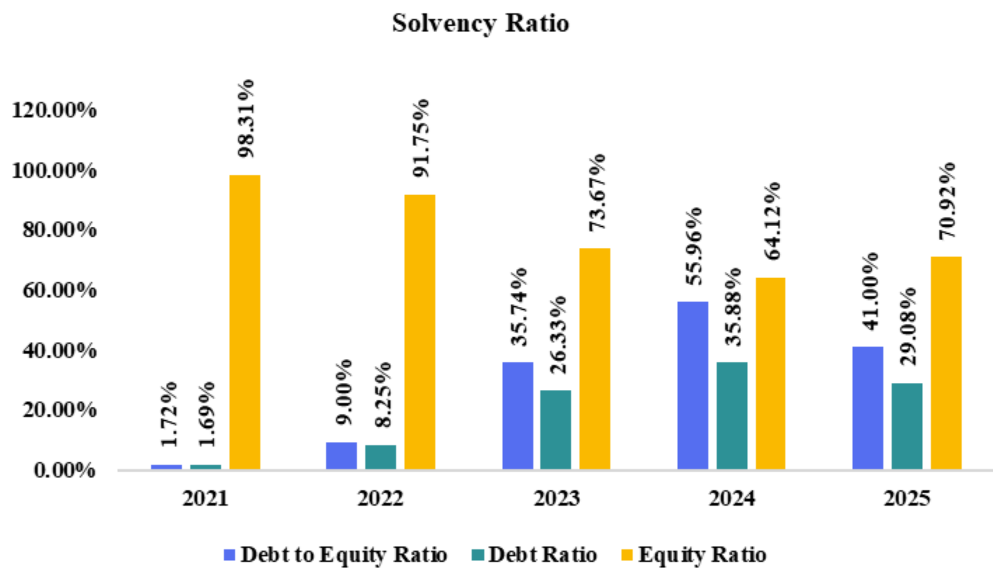
The debt ratio rises from 1.69% in 2021 to 35.88% in 2024, before declining to 29.08% in 2025. This indicates that there is an increasing dependence on external financing in the growth, which is followed by a small gain in financial stability.

(c) Equity Ratio (Total Equity / Total Assets)

Year	2021	2022	2023	2024	2025
Total Assets	252,032,288	265,012,938	337,839,809	411,585,036	411,021,634
Total Equity	247,781,581	243,141,368	248,886,177	263,899,167	291,495,661
Equity Ratio	**98.31%**	**91.75%**	**73.67%**	**64.12%**	**70.92%**

Table: Equity Ratio Comparison over the Years

This ratio declines from 98.31% in 2021 to 64.12% in 2024, then increases to 70.92% in 2025. However, in the early stages, CBIL was nearly 100 percent financed by equity, although over time the proportion of equity financing declined as debt financing rose. The 2025 recovery brings with it an improvement of the equity base.



The chart graphically shows that there is indeed a change in the capital structure of CBIL over time. In 2021 the business is virtually all equity funded as indicated by the very low debt ratios and very high equity ratio. The graph also indicates that as the years advance, both graph lines of debt-to-equity and debt ratio are steadily increasing up towards 2024, signaling the increased dependence on borrowed funds to support business expansion.

Meanwhile, the line of equity ratios is going down, which is the indication of the decreasing share of equity in overall financing. This negative correlation between the debt ratios and equity ratio is quite evident in the graph and demonstrates the shifting financing policy. The graph indicates that in 2025, the trend is towards correction-debt ratios fall and the equity ratio rises. This implies that CBIL is shifting to a more balanced and sustainable capital structure, with reduction in financial risk after a spell of aggressive expansion.

In general, the solvency position of CBIL can be characterized as a shift in the highly conservative, equity-based structure towards a more leveraged financing structure in the course of its growth followed by a partial stabilization. The net change of the debt and equity ratios shows that the financial risk increased until 2024, however, since 2025, the company has begun to balance the capital structure, which is a positive indication of financial maturity.

3) Profitability Ratio

(a) Return on Assets (ROA) (Net Income / Average Total Assets)

ROA shows the level of efficiency with which Community Bank Investment Limited (CBIL) is converting its total asset base to net profit. It shows the efficiency of the management in turning the investments in the assets into earnings. This is particularly critical to a financial institution because assets are the major source of income generation.

Year	2021	2022	2023	2024	2025
Net Income	(2,218,419)	(4,640,213)	5,744,809	15,012,989	27,596,495
Total Assets	252,032,288	265,012,938	337,839,809	411,585,036	411,021,634
Return On Assets		**-1.79%**	**1.91%**	**4.01%**	**6.71%**

Table: Return On Assets Comparison over the Years

The upward trend of ROA is strong and consistent since it begins with negative in 2021 (-1.79%) because of the initial losses, then turns positive and steadily increases to reach 6.71% in 2025. This development indicates that CBIL has slowly turned into a loss-making organization in its early stages to the creation of a more efficient and profitable institution. The perpetual growth also indicates enhanced use of assets, improved investment choices, and enhanced stability of operations over time.

(b) Return on Equity (ROE) (Net Income / Average Total Equity)

ROE is a measure of how efficiently CBIL is utilizing the equity of its shareholders to make profits. It also denotes the amount of money re-earned on the money invested by the shareholders and is an important indicator of financial performance in the perspective of the shareholders.

Year	2021	2022	2023	2024	2025
Net Income	(2,218,419)	(4,640,213)	5,744,809	15,012,989	27,596,495
Total Equity	247,781,581	243,141,368	248,886,177	263,899,167	291,495,661
Return on Equity		**-1.89%**	**2.34%**	**5.86%**	**9.94%**

Table: Debt Ratio Comparison over the Years

The improvement made to ROE is steady and significant, as it is moving from negative in 2021 (-1.89%) to 9.94% in 2025. The steady increase denotes the fact that CBIL is continuously bringing more returns to its shareholders. This is due to its increasing net income, and a better use of equity capital as financial performance and an increase in the value of the investors over the years.

(c) Net Profit Margin (Net Income / Total Operating Income)

Net profit margin is used to indicate the percentage of profit CBIL makes on its total operating income to reflect cost efficiency overall, pricing strategy and profitability.

Year	2021	2022	2023	2024	2025
Net Income	(2,218,419)	(4,640,213)	5,744,809	15,012,989	27,596,495
Total Operating Income	1,662,887	19,552,189	21,377,904	63,283,586	73,076,731
Net Profit Margin	**-133.41%**	**-23.73%**	**26.87%**	**23.72%**	**37.76%**

Table: Net Profit Margin Comparison over the Years

The trend is indicating a dramatic turnaround, starting with a high negative margin in 2021 (-133.41%), and improving in 2022, and turning positive in 2023. As much as there is a minor fluctuation in 2024, there is a significant increase in the margin to 37.76% in 2025. This means that CBIL has been able to manage its expenses and increase its revenue base thus increasing its profitability in the long run.

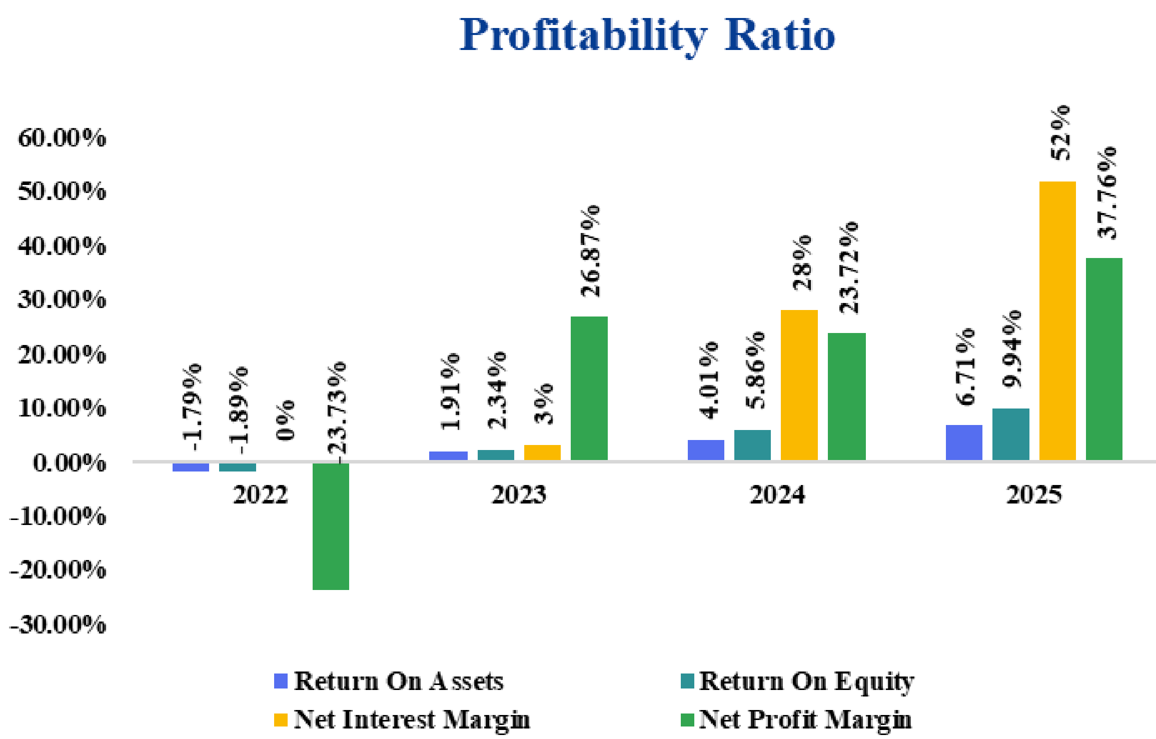
(d) Net Interest Margin (NIM) ({Investment Income - Interest Expense} / Average Earning Assets)

NIM is a ratio of how effectively CBIL generates income on its earning assets to the interest it pays, in terms of the efficiency of its core financial activities.

Year	2021	2022	2023	2024	2025
Investment Income	0	0	6,596,341	43,342,660	48,942,930
Interest Expense	0	0	1,306,517	12,373,262	8,070,406
Earning Assets	162,191,559	183,985,629	146783419	70908579	87,058,307
Net Interest Margin		**0%**	**3%**	**28%**	**52%**

Table: Net Interest Margin Comparison over the Years

NIM shows a rapid and sharp increase, starting from 0% in 2021–2022, then rising to 28% in 2024 and 52% in 2025. This shows that CBIL is slowly increasing its investment operations and is making its core operations more effective in the generation of income. Nonetheless, the excessive increase can also be an indicator of changes in earning assets and can even normalise over time.



The graph as a whole indicates a clear shift of CBIL out of a loss making position to a profitable and stable financial institution within the five-year period. The negative ROA, ROE, and profit margin in the first years reveal the inefficiencies of the startups and low income generation. But as of 2023 all profitability indicators shift in the same direction showing that the better the asset utilization (ROA), the higher the shareholder returns (ROE), and the higher the cost efficiency (Net Profit Margin).

Simultaneously, the significant increase in Net Interest Margin (NIM) supports the former by indicating that core income-generating activities at CBIL have been reinforced, which significantly contributes to the overall increase in the profitability ratios. The overall trend of this combination of ratios in the graph indicates that profitability is not a result of one single factor but rather a result of coordinated enhancement of operations, cost management, and investment performance.

4) Efficiency Ratio (Operating Expenses/ Operating Income)

Year	2021	2022	2023	2024	2025
Operating Expenses	5,265,868	9,976,240	14,211,721	22,480,688	22,696,468
Operating Income	1,662,887	19,552,189	21,377,904	63,283,586	73,076,731
Efficiency Ratio	**3.17**	**0.51**	**0.66**	**0.36**	**0.31**

Table: Efficiency Ratio Comparison over the Years

The efficiency ratio of CBIL demonstrates that over the five-year period, the efficiency ratio of CBIL has improved significantly and steadily, decreasing in the five-year period, but the magnitude of this decrease remains insignificant. Increased ratio in the first year suggests that the operating expenses were very high compared to the operating income, which is normal during the initial years of operation. In the long run, the constant decrease in the ratio indicates that CBIL has been in a position to maintain its operating costs and increase its income at a higher rate. This is an indication of an enhanced operational management and enhanced resource utilization.

2.5.2 Cash Flow Analysis

a) Cash Flow from operating activities

Year	2021	2022	2023	2024	2025
Net cashFlow from operating activities	(143,215,233)	2,848,411	14,630,422	43,009,249	50,968,086
Net cashflow from investing activities	(58,249,295)	17,481,052	(137,078,212)	(54,011,198)	26,499,347
Net Cashflow from financing Activities	250,000,000	0	57,062,657	19,246,217	(45,044,695)

Table: Cash Flow Comparison over the Years

The cash flow position of CBIL indicates a shift to less reliance externality to increased internal cash generation. The company demonstrates negative operating cash flow and high financing inflow in 2021, which implies that the company depends on external funding in its initial stage. Since 2022, operating cash flow is positive and growing steadily, indicating that core business operations are providing adequate cash. The cash flow of investing fluctuates over the years, indicating some years of growth and investment of assets, and in 2025, the financing cash flow grows at a negative rate indicating reduced reliance on external financing and possible repayments. The trend in general shows that CBIL is increasingly becoming financially viable and independent through its operations.

2.5.3 Accounting Practices of Community Bank Investment Ltd. (CBIL)

The following section discusses the accounting practices of Community Bank Investment Ltd. (CBIL), especially the application of accounting fundamentals, accounting methods, depreciation practices, and disclosure methods. Since CBIL is a financial institution, it uses a formal accounting practice as required by laws and regulations. The following analysis is based on the reports, records, statements, and practical observation during the intern period.

Accounting Fundamentals of CBIL

CBIL complies with the basic accounting principles based on the International Financial Reporting Standard (IFRS). These principles are formulated under the guidance of the Institute of Chartered Accountants of Bangladesh (ICAB).

Accrual Accounting: Community Bank Investment Limited uses the accrual accounting approach for recording financial transactions and events. The revenues and expenses are being recognized by the finance officer whenever they were earned or incurred. One example is when the interest income is received from a client on investment like fixed deposit, bond, or margin loan, it is accounted at an accrued rate. At the same way expenses such as salary and other operational expenses are recognized as incurred.

Depreciation Approach:

In CBIL's accounting system, the company adopts the reducing balance approach (sometimes called the diminishing balance method) of depreciating its assets, as provided under IAS 16: Property, Plant and Equipment. This involves applying a fixed rate on the book value of the asset every year, thereby CBIL leads to higher depreciation expenses in the early time of years and lower expenses in subsequent years. This particular approach is ideal for the application in CBIL since it takes into account the increased use and benefits associated with the asset in the early years of acquisition.

2.6 Operations Management and Information System Practices of CBIL

Community Bank Investment Limited (CBIL) has a variety of information systems and software that are used to assist with its operations and services to its clients. The company keeps digital records of the client portfolios, BO accounts and transaction data via its own back-office system and CDBL. Microsoft Excel is a highly popular software and is used for data analysis, reporting and monitoring portfolios.

2.7 Industry and Competitive Analysis on Community Bank Investment Limited (CBIL)

2.7.1 SWOT Analysis on Community Bank Investment Limited (CBIL)

The SWOT analysis is done to assess the strength, weakness, future opportunity and threat of Community Bank Investment Limited (CBIL). In the capital market environment of Bangladesh where does CBIL stands and its importance in industry can be judge by this. It will be an internal organizational based analysis.

Strengths

One of the biggest advantages of CBIL is experienced workforce in the capital market. This allows it to monitor, analyze, and react to the market and investor sentiment as they happen, which is crucial for portfolio management. This is because CBIL is put into a real-world market environment, and therefore is more reactive to market conditions than theoretical investment companies.

Another client-focused strategy CBIL has is its timely portfolio update, which helps build long term relationships. This is important to the success in a competitive brokerage market for building trust and retaining rates. In the operation side, it is efficient to make transactions in CDBL systems particularly in the pay-in operation. This helps in the proper settlement of transactions and in keeping the operations efficient, an important role in providing quality services.

But while these capabilities lay down a solid foundation, they are primarily operational and client-centric, rather than technology based, which hampers growth.

Weaknesses

There are a couple of drawbacks to CBIL. Although CBIL analyzes data in Microsoft Excel, a spreadsheet application, it still has its limitations, especially in terms of the scope and timeliness of the data analysis it can conduct, as opposed to data analysis conducted by automated trading platforms with AI-powered tools.

Another drawback is its restricted digital marketing strategy. CBIL primarily market their business through the word of mouth marketing method. In an age where online trading and mobile investment platforms are becoming commonplace, it makes it difficult for the firm to appeal to tech-savvy and younger investors.

Further, there is some reliance on manual processes, especially in data management and reporting. This makes the firm vulnerable to mistakes, and reduces the efficiency of the firm, especially in larger firms.

Opportunities

There are multiple opportunities in the external environment for CBIL. One of the biggest is the increasing participation of retail investors in the securities market of Bangladesh. As the investors become more knowledgeable and exchanges are more accessible, more retail investors are playing a role in the capital market, resulting in a greater need for brokerage and portfolio management services.

The second shot opportunity as per me is.CBIL is able to leverage modern technologies like online trading platforms, mobile applications, and automated portfolio management systems to boost their efficiency and expand their reach to a larger audience. Moreover, with the rising emphasis on financial literacy and investor education in Bangladesh, CBIL could also leverage this opportunity by generating research and educational publications and materials as an advisory service provider.

Threats

CBIL is exposed to a number of risks from outside sources. The first risk to be taken into account is the market risk since the trading volume is related to the volatility of stock prices resulting in changes in the level of revenues received. If there is a bearish market, the firm will experience losses.Another hazard is the amount of competition in this area. There are many companies that offered similar services, so to get competitive advantage the company should have to innovate.

The third type of risks are related to the regulation. The BSEC is able to modify the regulations, policies, or trading rules, which could affect the firm's financial losses. Last but not least, macroeconomic risks, such as inflation, interest rate and exchange rate may influence the participation of investors in the stock market.

2.7.2 Porter’s Five Forces Analysis on Community Bank Investment Limited

The Porter's Five Forces model is used for analyzing the competitive intensity and attractiveness of the industry where CBIL is operating.

Threat of Entry (Moderate)

There is a moderate threat of new entrants into the investment sector. On one side, there is the requirement set by BSEC regarding regulatory issues, as well as capital and technology. On the other side, the emergence of financial technology (fintech) firms and digital brokerage platforms has reduced entry barriers. Therefore, CBIL will need to upgrade its services and technology to compete effectively.

Bargaining Power Of The Buyers (High)

The buyer bargaining power is high in the industry. The investors have many brokerage firms at their disposal and they can easily switch from one to another. Low switching costs prompt clients to select companies providing high returns, low fees, and excellent service quality. Hence, CBIL needs to compete in terms of prices and customer service.

Bargaining Power Of The Suppliers (Low - Moderate)

The supplier bargaining power is low to moderate. Suppliers in this case refer to organizations such as DSE, CDBL, and regulatory authorities. CBIL needs the assistance of these institutions in accessing the market and conducting transactions, but they function as central organizations. Thus, they do not pose any competitive threat as rules are to be followed and applicable for all participating in this industry.

Substitute Threat (Moderate)

A relatively moderate substitute threat can be noticed. Alternative of CBIL would be other investment like fixed deposit, bond offered by government, real estate and golds. When the market is uncertain or unpredictable investor tend to pull all their investment to less riskieer securities. Substitute threat can't be ignored by CBIL as it is performing its operation in a market like DSEX which is affeted by economy, political and other factors.

Industry Rivalry (High)

Industry rivalry is high as of now almost 50 registered merchant bank is registered in Bangladesh (BSEX, n.d.). This falls under the red Ocean Theory where market gap doesn't exist at all. One need to be competitive in the factors like fees, research, infrastructure, and customer service. Its all a game of who can provide with better technology and offer great customer experience, only then one company can stand out from the crowd of many and more. And its the very core reason why CBIL offers discount in their fees, its relational officer always tries to be in touch with key investor and a continuous research is done on the market.

The whole Porter Five force analyze explain the current industry situation which is highly competitive industry. And in such industry no scope of mistake is allowed. Continuous adaptability, innovation and service quality needs to be the market leader in this particular market.

2.8 Summary and Conclusions

The Community Bank Investment Limited (CBIL) with its strategy, efficient and effective management, and disciplined operations has proved its stand as a rising name in the investment market. In 2.5 number clause of this report it can be noticed the company's financial performance has steadily improved over the years, especially in the area of profitability, liquidity and efficiency. In an extremely competitive capital market environment, CBIL has continued to demonstrate good growth under the wing of its parent company and under good management. After all the judgement I can say that the organization has a good potential to grow in the future in the investment and merchant banking industry of Bangladesh.

2.9 Recommendations for Community Bank Investment Limited (CBIL)

Though Community Bank Investment Limited is creating effect with its effective and efficient operation its technology is yet to be matured to give a tough competition in this matured and crowded industry. It has a great scope in offering more automated analytical tools, enabling digital marketing campaigns, and awareness programs inclusively for investors. Till now they depend on checking non-compliance issue manually with such a small team. They should aggressively delve into the market for this they would be in need of manpower so they should recruit more professionals who can add value to the organization. By changing with market condition CBIL can ensure their sustainable growth in long run.

Chapter-3: Effect of Interest Rate on Stock Market Performance in Bangladesh

3.1 Introduction

An important role of the stock market is to mobilize savings and allocate funds to productive investments, which contributes to the economic development of a country. The capital market has witnessed substantial fluctuation in recent years in Bangladesh with reference to different macroeconomic and financial aspects. These include the rise and fall of interest rates, which is a factor that is regarded as one of the most important determinants that can impact the performance of the stock market. Interest rates have direct impact on investment, loan interest rates, corporate profits and investor expectations.

Using the monthly data on DSEX index, interest rate, this chapter tries to analyze the impact of interest rate on the performance of the stock market in Bangladesh. The study tries to determine the relationship between the interest rate and the movement of the stock market in the period of study from July 2016 to December 2025.

3.1.1 Background and Problem Statement

During working in the Community Bank Investment Limited I got to know how much stock markets are integral to the growth of modern economies as they support capital formation, increase market liquidity, and promote efficient allocation of resources. I personally witnessed it affects investment decisions of households and institutions while interacting to clients thus it constitutes a vital barometer of the economy. One of the key monetary policy tools of Bangladesh Bank for regulating the inflation, stabilizing the economy through encouraging savings is interest rate. When interest rate fluctuate it creates an impact on individual and institutional investment decisions. Many investor here moves their money from stock market when interest rate increases because they can get higher gain now in less riskier investment more predictable returns of fixed income generating investments. However, lower interest rates also drive investors to invest more in the stock market appealing to be more income generating investment.

The capital market of Bangladesh has been volatile in the past and many investors are not convinced of the fact that macroeconomic variables on affects the market. Working for a merchant bank for three months, I regularly got to monitor the stock market and this made me interested in knowing which factors are impacting this market and when one can optimise their gain. Some studies have been conducted on the determinants of the stock market in developed countries but there is limited research in Bangladesh in this context. For this purpose, this study has been written by me which tries to investigate if the interest rate has any significant impact on the performance of the stock market in Bangladesh.

3.1.2 Objectives

Specific objectives are:

RO-1: To determine the general trend of the stock market over the period of the study.

RO-2: To examine how interest rates affect the performance of the stock market.

3.1.3 Significance

This study is important for investors, policymakers, financial institutions and researchers. The results could be useful for investors to grasp the impact of changes in interest rates on the returns from the stock market and investment decisions. Policymakers and regulation committee can take the result into consideration while formulating the monetary policy and capital market regulation. Financial Institution can take this paper into consideration as the relationship between macroeconomic factor and capital market performance is an essential study for them to make investment decisions and risk analysis. This research examines the impact of interest rate on the performance of the stock market in Bangladesh on monthly data from July 2015 to December 2025. This becomes particularly relevant in the current context of the transition in the stance of monetary policy and the increasing importance of the capital market in the economy.

3.1.4 Scope of the Study

In this study I tried to related and define the impact of the interest rate on stock market performance in Bangladesh. The data used for the analysis is from July 2015 to December 2025 taken monthly data as average of the traded days of a month. The study mainly considers the

DSEX index as a measure of stock market performance. Deposit rate and lending rate are used as explanatory variables. The analysis is conducted with secondary data that was taken from published materials.

3.2. Literature Review

Interest rates and equity returns have received a great deal of attention in financial economics, especially in the context of the effects of macro-economic conditions on equity valuation and investor behavior. Overall, previous studies indicate that interest rate and stock price have an inverse relationship, that is, as the interest rate rises, stock market returns fall. This connection is particularly important in emerging economies, where increased structural inefficiencies, speculations and institutional constraints can boost the impact of macroeconomic shocks on outcomes of the stock market. The volatility, inefficiency of the Dhaka Stock Exchange (DSE) and its high retail investors dependency makes the case of Dhaka Stock Exchange an important one in the context of Bangladesh market, which might affect the relationship between the interest rate changes and the performance of the stock market (Alam & Hosen, 2026).

Another stream of research tries to explain the mechanism by which the interest rate influences the stock market, through the lens of the macroeconomic transmission process, interest rate-stock market relationship. Interest rates impact the cost of capital and allocation decision of investors making an impact on stock markets. Alam & Hosen (2026) identified interest rates as one of the most significant variables that impact the stock markets in Bangladesh through its impact on the stock prices.

They show that changes in interest rates have considerable impact on the DSE index. By analyzing monthly data collected from 2015 to 2024, Alam & Hosen (2026) prove that interest rates have a considerable long-run negative impact on the DSE index. In other words, higher interest rates lead to increasing borrowing expenses, reducing profits of businesses and consequently lowering expectations regarding future earnings in stocks, which affects the price negatively.

It is also reported in literature that macroeconomic determinants do not provide a sufficient understanding of the dynamics in the stock market of Bangladesh. Though bank interest rates have been recognized as an important factor, there are various other factors involved in DSE trading which may mitigate or slow down the impact of the macroeconomic indicators. According to Mamun and Arifuzzaman (2025), stock market choices in Bangladesh are not made only on the basis of rational considerations but also on the psychological aspects and sentiment of the investors. The results of their research conducted among traders in DSE reveal that there are many different considerations which influence the decision to buy stocks such as political stability, reputation, financial ratios, regulations, and confidence level. Even if investors take into account macroeconomic variables like interest rate, these variables are not necessarily considered as the most significant determinants of investment decision.

The insights provided by the theory of behavioral finance presented by Mamun and Arifuzzaman (2025) can help one understand why the connection between the two variables under consideration – interest rates and stock returns – in the case of Bangladesh may not be immediate or direct. The researchers stress the fact that the behavior of the DSE depends on several non-rational factors, including overconfidence, herding, speculative tendencies, and emotional reaction to the state of the market. In such circumstances, it is natural that the reaction of investors in the DSE will not always be rational. As a result, their responses can lag behind the change in interest rates and may even be distorted. Therefore, interest rates and stock returns can have a significant long-term correlation, while there can be no short-term correlation due to market volatility.

The literature also highlights how structural factors unique to the DSE differentiate Bangladesh from other markets. According to Alam and Hosen (2026), some of the structural aspects of the DSE include low liquidity, poor market depth, inefficiency, and information lags. These aspects hinder the speed and effectiveness with which macro information is reflected in the stock prices of firms listed at the DSE. This means that changes in interest rate levels might not necessarily reflect in the stock prices of DSE-listed companies promptly, meaning that there will be either a lagged or an inaccurate reaction to such information. Moreover, since most of the retail investors are relatively inexperienced in making trading decisions, the level of inefficiency might be even higher in such a case.

3.2.1 Theoretical Framework

1. **Theoretical Foundations**

The link between interest rates and stock market returns is based on several important financial theories which provide explanations of how macroeconomic variables affect asset prices. One of the most relevant theoretical perspectives is the Efficient Market Hypothesis (EMH) that stock prices reflect all information, both macroeconomic and other, and that they reflect it fully, and quickly. Within the context of this approach, if interest rates change, it should be immediately reflected in the price of stocks by a rational market adjustment. Alam and Hosen (2026), however, state that the DSE is an imperfect market. Because of delayed information processing, low market efficiency and structural imperfections, interest rate changes might not have immediate impact on stock prices in Bangladesh, which might lead to a stronger and more lasting effect of macroeconomic variables on market returns.

The Arbitrage Pricing Theory (APT) explains that a stock return depends on many factors of systematic risk mainly including macro-economic factors like interest rates. Based on this interest rate is one of the broad-based risk factor which directly creat impact to all the company operating in that particular economy. A sudden change in interest rate affect a companies financing expense, expected return and also discounting in some cases. Drawing on this multi factor reasoning, Alam and Hosen (2026) argue in their paper that interest rates are one of the important macroeconomic variables affecting the performance of DSE as a whole, especially in a market where the macroeconomic shocks can have a significant impact on investor sentiments and market prices.

It offers one of the most straightforward theoretical interpretations of the negative interest rate-stock price relationship given by the discounted cash flow model. This model states that a stock's value can be calculated by by discounting all of its future cash flows. If interest rates increase, so will the discount rate will decrease applied to calculate those future cash flows to determine their present value. Furthermore, a rise in interest rates also ensures that companies' borrowing expenses are higher, their profits are lower and their projected earnings are lower, which decreases the value of their stocks. This framework directly enhances the expectation that the rate of fall in interest rates will be associated with a rise in stock market returns and is also very consistent with the empirical evidence presented by Alam and Hosen (2026).

It can also be argued that the opportunity cost theory is also the reason why stock market returns might decrease with increasing interest rates. When the interest rates rise, fixed income gaining securities like bank deposits and other interest-bearing securities are more appealing compared to stocks. Thus the risk averse investors common practice is to move their money out of the stock market and into a safer, more predictable and less riskier source of income. This reallocation pushes down the demand for stocks and brings down the prices of the stocks. This is especially relevant in Bangladesh, where many retail investors tend to be very price-sensitive about guaranteed returns and bank deposits are still popular as an alternative investment option. It is a possibility that this opportunity cost channel is stronger in the context of Bangladesh as the DSE is not efficient and investors are quick to shift their investments when they get safer returns. (Alam & Hosen, 2026)

2. **Empirical Evidence**

According to the theory, the inverse relationship between interest rates and stock market returns is expected, which is generally found in empirical studies in Bangladesh, but the strength and the timing of this relationship is different. Alam and Hosen (2026) give good evidence to show that, in the long-run, there is a statistically significant relationship between interest rates and DSE index which are time-cointegrable. Their results indicate that interest rate continues to be an important macroeconomic factor affecting stock prices in Bangladesh, specifically in the long run.

Nevertheless, the influence of interest rates could be dampened by macroeconomic influences that are not represented by sentiment, psychology, and firm-level perceptions (Mamun and Arifuzzaman 2025). The results show that macro-economic variables play a role, but not the most significant one compared to political stability, company reputation, financial information and trader confidence in the decision-making process of the investors daily. It indicates that interest rates are not the only influencing factor in the stock market of Bangladesh (Mamun & Arifuzzaman, 2025).

3.3 Methodology

3.3.1 Research Design

The present study is focused to investigate the relationship between interest rates and stock market performance in Bangladesh by following quantitative research design.

3.3.2 Sources of Data

This paper only uses secondary data. The data were gathered from different published sources such as Bangladesh Bank website, Dhaka Stock Exchange (DSE) website, Community Banks Investment Limited central data spurce etc.

3.3.3 Variables of the Study

To analyze the dependent variable of the study which is Stock market performance, DSEX Index (Value has been taken as Monthly closing price) has been considered. The independent variables is interest rate (Taken as an average of deposit rate and lending rate. As The average lending and deposit rates give a complete picture of the overall conditions of interest rates. The latter is also helpful in analyzing the data and in determining the general correlation between the interest rates and the performance of the stock market).

Since the regression coefficients and results were not considered statistically sound in the original DSEX index, the index was transformed to a logarithmic value for the regression analysis. The use of the logarithm normalized the data, reduced the variance, and enhanced the interpretability and reliability of the regression model. The study period is July 2015 – December 2025 (monthly data).

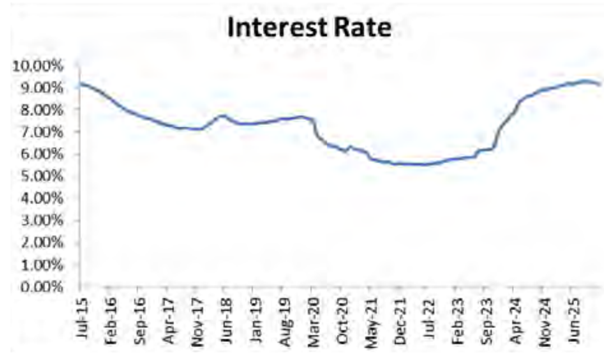
3.3.4 Hypothesis of the Study

H_{01}: There is no significant relationship between the interest rate and stock market performance in Bangladesh.

H_{11}: There is a significant relationship between the interest rate and stock market performance in Bangladesh.

3.4 Findings and Analysis

3.4.1 Trend Analysis of DSEX Index, Lending Rate & Deposit Rate



DSEX index had a dramatic up-down movement in the study period. The market has also seen fluctuations due to various factors, such as changes in the economy, fluctuations in interest rates, and monetary policy shifts. The market has been volatile in certain years, driven by fluctuations in interest rates, economic uncertainty, and other factors, such as changes in monetary policy.

The interest rate also saw a decreasing trend, ranging from around 9 % in 2015 to almost 7% in 2021-2022. Lower rates usually promote borrowing, as well as investment, since firms and investors are able to obtain money at a lower cost. This, in turn, boosts liquidity in the economy directly affecting the participation of the stock market.

The data show that the stock market overall did better when interest rates were relatively low. But, in years of increasing rates of interest, the market grew unstable and investors had decreased involvement.

3.4.2 Descriptive statistics of DSEX Index, Lending Rate & Deposit Rate

Particulars	DSEX INDEX (Monthly Average)	Interest Rate %
Mean	5486.582	7.29%
Standard Error	67.15338	0.11%
Median	5410.625	7.42%
Mode	4008.28	7.58%
Standard Deviation	753.7948	1.18%
Sample Variance	568206.6	0.01%
Kurtosis	9.85	-1.09%
Range	3339.95	3.76%
Minimum	3989.08	5.53%
Maximum	7329.03	9.29%

The descriptive statistics reveal that the overall mean value of DSEX Index for the study period was 5486.582 points with a standard deviation of 753.7948 points, suggesting that there were sudden changes in the performance of the stock market throughout the study period. The index also has negative skewness (-1.69) indicating that the distribution was slightly skewed to lower values. The high value of the kurtosis (9.85) suggests that the stock market exhibits extreme fluctuations or volatility during some periods.

Likewise, the mean interest rate rate was 7.29%, and the standard deviation was 1.18%, suggesting moderate variation in the interest rate rates. During the study period, the interest rate varied between 5.53% and 9.29%. Whereas the negative value of the kurtosis (-1.09) indicates that the number of extreme changes of interest rates was relatively less as compared to the stock market index.

3.4.3 Relationship between Interest rate and stock market performance Overall (Regression Analysis)

The regression statistics show a weak positive relationship between lending rate, deposit rate and stock market index (DSEX index). The R-squared value is 0.353924854 clearly portraying 35.39% of the variation in the stock market performance can be explained by the interest rate.

Regression Statistics	
Multiple R	**0.594915838**
R Square	**0.353924854**
Adjusted R-Square	**0.348714571**
Standard Error	**0.048736673**
Observations	**126**

The relatively small R-squared (35.39%) value shows that only a small percentage of the variation in the DSEX Index is explained by the interest rate. The possible explanation of this result is based on the theory of behavioral finance. Mamun and Arifuzzaman (2025) suggest that a number of irrational factors, including political situation, overconfidence, herd mentality, speculation, and emotional responses, affect investor actions on the Dhaka Stock Exchange. Consequently, investors tend not to react immediately or rationally to interest rate changes. In the short run, therefore, the stock market performance in Bangladesh is influenced by many psychological and stock market-specific factors other than the interest rate.

	Coefficients	P-value
Intercept	**3.956968378**	**0.000000000000000**
Interest Rate %	**-3.043342922**	**0.000000000000205**

Regression line-

$$\text{Log}\,(DSEX_t) = 3.957 - 3.043\, IR_t + \varepsilon t$$

The result of the study suggests that there is a significant relation between the Interest rate in the situation of Bangladesh stock market. This regression analysis of DSEX Index (Monthly closing price) reveals that the interest rates affects the investors and market activity.

The coefficient from regression analysis of interest rate is -3.043 with a p-value of 0.0000000000002. The coefficient of the interest rate is negative, suggesting that the interest rate is inversely related to DSEX Index Monthly closing price. In other words, a rise in deposit rate has the effect of reducing the performance of the stock market. The p-value is significantly smaller than 0.05 clearly indicating a statistically significant relationship. Thus, the deposit rate has a significant impact on the performance of the stock market in Bangladesh.

With rising the interest rates, investors will of course choose to put their money in banks rather than the stock market (a risky option), since the interest they get on their money in bank is safer and more stable. Even the business tends to expand less when the interest is high. Where as when the interest rate is declining investors will invest in capital market rather than keeping their money in bank for greater gain.

Since the p-value of interest rate in the regression result conducted is less than the significance level of 0.05, we reject the null hypothesis (H_{01}) and the alternate hypothesis (H_{11}) is accepted. These results show that there is a statistically significant relationship between the interest rate and the performance of the stock market in Bangladesh.

From the overall point of view, the results indicate that the rates of interest and performance of the stock market in Bangladesh are negatively associated. A higher interest rate had a negative impact on the sentiment of investors, and the interest rate had a negative impact on the prices of the stock.

3.5 Summary and Conclusions

The impact of interest rates on stock markets in Bangladesh has been studied in this paper on monthly data from July 2015 to December 2025. The study examined the relationship between the DSEX Index and interest rate.

The results show that the stock market performance in Bangladesh is significantly affected by interest rate. The higher interest rates on deposits and credit tended to deter investment in the stock market, and the lower rates were conducive to stock market investment. The market performance was also impacted by exchange rate change and inflation in the study period.

The study ends with the conclusion that the changes in interest rate are important determinant of the stock market behaviour in Bangladesh. Thus stable and balanced monetary policies will be necessary to keep the investors' confidence and the sustainable development of the capital market.

Reference:

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<u>Appendix</u>

Community Bank Investment Limited

Balance Sheet

Particulars	2021	2022	2023	2024	2025
Assets					
Non-current assets					
Property, plant and equipment	936,783	986,175	1176569	1120105	879,754
Right of use assets	0	0	0	2609885	2,186,660
Intangible assets	0	0	1457746	1086746	715,746
Investments in bond	57,211,566	39,502,434	20465116	0	0
Deferred tax assets	0	3,033,400	6452924	2336179	1,819,717
Total non-current assets	**58,148,349**	**43,522,009**	**29552355**	**7152915**	**5,601,877**
Current assets					
Investment in shares	104,043,210	143,497,020	123683988	68701728	85,462,807
Margin loan	0	0	174474253	303699756	260,366,811
Balance with brokerage house for own portfolio	38,031,731	3,297,763	0	0	0
Accounts receivable	1,506,637	3,339,416	2364372	13651023	6,581,273
Advances, deposits and prepayments	1,766,890	2,491,796	4284979	6655484	8,861,998
Cash and bank balance	48,535,471	68,864,934	3479862	11724130	44,146,868
Total current assets	**193,883,939**	**221,490,929**	**308287454**	**404432121**	**405,419,757**
Total assets	**252,032,288**	**265,012,938**	**337839809**	**411585036**	**411,021,634**
Equity and liabilities					
Equity					
Share capital	250,000,000	250,000,000	250,000,000	250,000,000	250,000,000
				574,481	2,075,779
Retained earnings / (accumulated losses)	-2,218,419	-6,858,632	-1113823	13,324,686	39,419,882
Total equity	**247,781,581**	**243,141,368**	**248,886,177**	**263,899,167**	**291,495,661**
Liabilities					

Non-current liabilities					
Deferred tax liabilities	21,582	0	0	0	0
Lease liability (Premises)- non-current portion	0	0	0	2396972	2,104,246
Total non-current liabilities	**21,582**	**0**	**0**	**2396972**	**2,104,246**
Current liabilities and provisions					
Bank overdraft	0	0	57062657	76308874	31,264,179
Liability for expenses	176,272	115,311	729290	2708407	1,713,761
Other liabilities	56,552	40,715	5467727	34096243	44,895,370
Lease liability (premises)- current portion	0	0	0	251352	292,727
Provision for diminution in value of investments	3,302,411	20,114,165	20075322	15525022	11,609,429
General provision on margin loan	0	0	1744743	6073995	13,018,340
Provision for taxation	693,890	1,601,379	3873893	10325004	14,627,921
Total current liabilities and provisions	**4229125**	**21871570**	**88953632**	**145288897**	**117,421,727**
Total equity and liabilities	**252,032,288**	**265,012,938**	**337,839,809**	**411,585,036**	**411,021,634**
Net asset value per share of Tk. 10 each	9.91	9.73	9.96	10.56	11.66

Community Bank Investment Limited

Income Statement

Particulars	2021	2022	2023	2024	2025
Operating income	0	0			
Interest income	0	0	6,596,341	43,342,660	48,942,930
Income from investment	1,662,887	19,552,189	10,332,990	(862,586)	2,364,438
Service income	0	0	4,448,573	20,803,512	21,769,363
Total operating income	**1,662,887**	**19,552,189**	**21,377,904**	**63,283,586**	**73,076,731**
Other income	5,402,445	448,099	510,143	154,692	619,578
Total income	**7,065,332**	**20,000,288**	**21,888,047**	**63,438,278**	**73,696,309**
Operating expenses					
Salaries and allowances	2,402,581	7,774,118	8,997,743	15,609,803	15,167,134
Rent, taxes, insurance, utilities, etc.	552,167	674,649	725,548	813,283	999,778
Depreciation and amortization	100,947	178,688	409,919	660,536	683,869
Stationery, printing and advertising	2,115	13,648	124,650	99,790	60,935
Postage, stamp and telecommunication	15,115	14,949	122,451	118,568	79,684
CDBL settlement fee	0	0	321,984	1,702,286	2,082,206
Auditors' fee	28,750	31,625	31,625	34,500	34,500
Legal and professional fees	143,073	0	151,500	201,250	184,000
Directors' fees	276,000	152,800	461,324	391,000	333,500
Other expenses	1,745,120	1,135,763	2,864,977	2,849,672	3,070,862
Total operating expenses	**5,265,868**	**9,976,240**	**14,211,721**	**22,480,688**	**22,696,468**
Operating profit	**1,799,464**	**10,024,049**	**7,676,327**	**40,957,590**	**50,999,841**
Finance expense	0	0	1,306,517	12,373,262	8,070,406
Profit before provision and taxes	**1,799,464**	**10,024,049**	**6,369,810**	**28,584,328**	**42,929,435**
Provision/(writeback) for diminution value of investments	3,302,411	16,811,755	(38,843)	(4,550,300)	(3,915,594)
Provision for margin loan	0	0	1,744,743	4,329,253	6,944,345
Profit / (loss) before tax	**(1,502,947)**	**(6,787,706)**	**4,663,910**	**28,805,375**	**39,900,684**
Income tax expense					
Current tax expenses	693,890	907,489	2,338,625	9,675,641	11,787,727
Deferred tax expenses / (credit)	21,582	(3,054,982)	(3,419,524)	4,116,745	516,462

Profit for the year	**(2,218,419)**	**(4,640,213)**	**5,744,809**	**15,012,989**	**27,596,495**
Other comprehensive income	0	0	0	0	0
Total comprehensive income	(2,218,419)	(4,640,213)	5,744,809	15,012,989	27,596,495
Earnings per share (EPS)	(0.09)	(0.19)	0.23	0.60	1.10