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The BICM Financial Market Review provides analytical insights about the performance of the financial market in Bangladesh on a monthly basis.



"Bangladeshi Expats Set New Remittance Record of \$2.64 Billion in December 2024 amid Lower Inflation Compared to November"



— Imran Mahmud, Lecturer, BICM & Md. Adnan Ahmed, Lecturer, BICM



Economy of Bangladesh

Bangladesh's foreign exchange reserves rose to \$21.36 billion at the end of December 2024, marking a recovery from \$18.61 billion in November, though still below the \$48 billion peak of August 2021. [Fig-01].

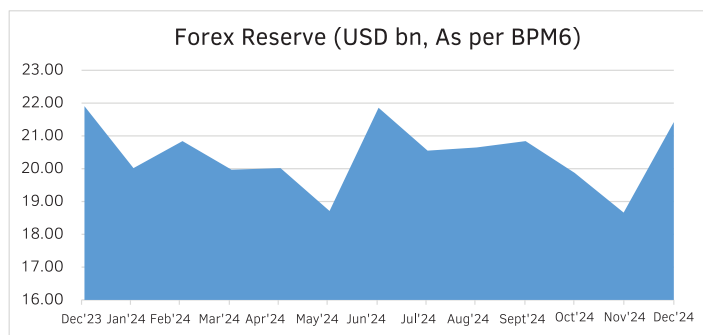


Figure-01 Forex Reserve

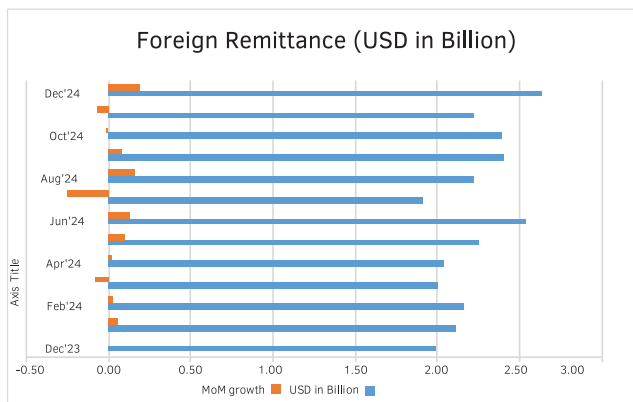


Figure-02 Foreign Remittance

Bangladesh received \$2.64 billion in foreign remittances in December 2024, marking an 18.92% month-on-month increase and a 32.5% year-on-year growth. This contributed to a total of \$13.77 billion in remittances during July-December 2024, a 27.6% increase compared to the same period in 2023. [Fig-02].

Inflation rate declined to 10.89% in December 2024 from 11.38% in November, driven by lower prices of essential commodities like fresh vegetables. However, inflation remains well above the government's target of 7%, with annual average inflation rising to 10.22% in November continuing to strain the purchasing power of fixed and low-income households [Fig-03].

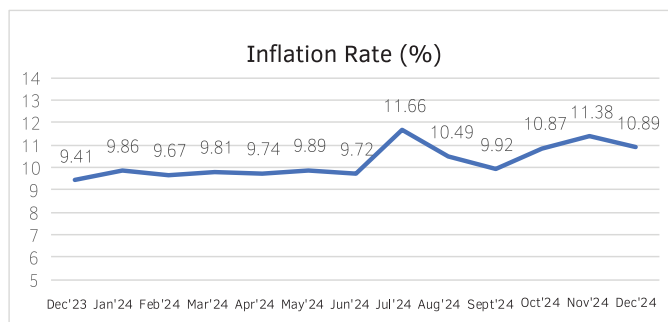


Figure-03 Inflation Rate

A Visual Tour of the Key Statistics

As of 3rd December, yields of government securities stood at 11.43%, 11.80%, 11.95%, 12.30%, 12.38%, 12.53%, 12.64%, and 12.68% for the tenures of 91-day, 182-day, 364-day, 2-year, 5-year, 10-year, 15-year, and 20-year, respectively. [Fig-04].

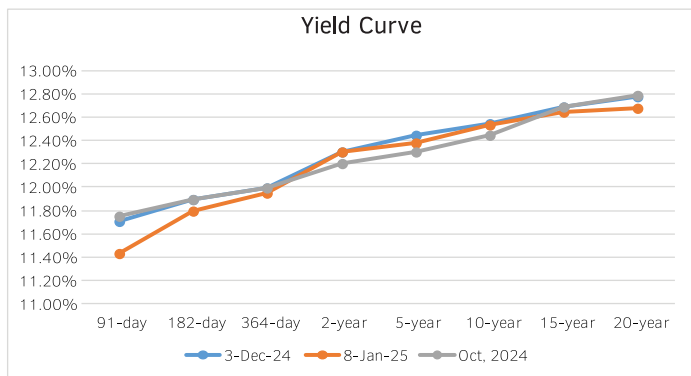


Figure-04 Yield Curve

The average call money rate reached 10.23% on 1st January, 2025, compared to 10.05% on 1st December, 2024. [Fig-05].

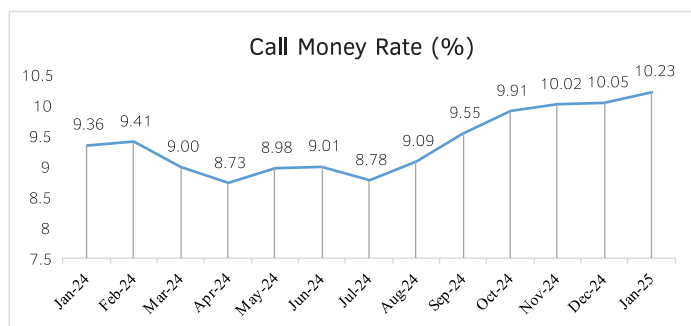


Figure-05 Call Money Rates

Government debt has steadily increased, with domestic debt reaching Tk 1,020,205 crore and external debt Tk 812,077 crore as of June 30, 2024, while their shares of GDP are 20.21% and 16.09%, respectively.

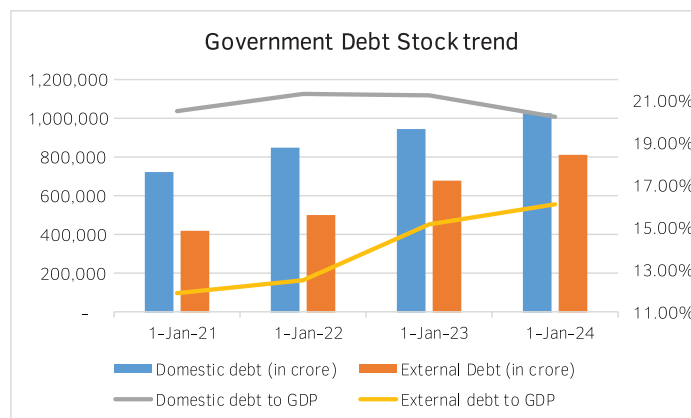


Figure-06 Government Debt Stock Trend

As per the following table, Bangladesh's fiscal data for FY 2025 shows a significant shortfall in achieving its deficit financing target of Tk 251,600 crore, with only Tk 4,107 crore realized by September. Foreign borrowing stands at a deficit of Tk 3,102 crore, while domestic borrowing lags behind by Tk 1,005 crore, with minimal progress in banking system borrowing (-Tk 1,064 crore) and a marginal surplus in non-bank borrowing (Tk 59 crore) [Table -01].

Particulars	Target for FY 2025 (BDT crore)	Upto September (BDT crore)
Deficit Financing	251600	-4107
Foreign Borrowing	90700	-3102
Domestic Borrowing	160900	-1005
Borrowing from Banking System	137500	-1064
Non-Bank Borrowing	23400	59

Table-01 Debt Financing Under Interim Government

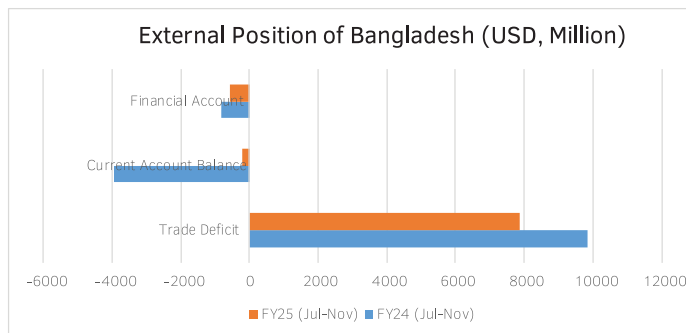


Figure-07 External position of Bangladesh

Insights from Numbers

- ▶ Based on the data trend, Bangladesh's foreign exchange reserves saw a notable recovery, increasing from 18.61 billion dollars in November 2024 to 21.34 billion dollars in December 2024. This uptick marks a reversal from the previous months' decline, signaling some stabilization in reserves, though they remain lower than the peak levels of 48 billion dollars in August 2021. With the current reserves, Bangladesh can cover about four months of import bills, below the ideal six months' coverage for a growing economy.
- ▶ Bangladesh experienced a significant surge in foreign remittances in December 2024, with a record-breaking \$2.64 billion received, reflecting an 18.92% month-on-month growth. This spike, along with a 32.5% year-on-year increase in December, highlights a positive trend in remittance inflows, which grew by 27.6% in the first half of 2024 compared to the same period in 2023, signaling a robust recovery and the effectiveness of measures to encourage remittances.
- ▶ The yields on government treasury securities showed a slight downward trend for shorter tenures, with the 91-day yield decreasing from 11.71% on December 3, 2024, to 11.43% on January 8, 2025. Meanwhile, longer-tenure securities, such as the 10-year and 20-year bonds, experienced marginal declines, with the 10-year yield falling from 12.55% to 12.53% and the 20-year yield from 12.78% to 12.68% over the same period, indicating stability in the long-term rates.
- ▶ The trend in inflation rate highlights persistent price pressures. While the drop is attributed to lower prices of essential goods like vegetables, inflation continues to remain well above the government's target of 7%, signaling ongoing challenges in controlling inflation despite small improvements.
- ▶ There has been a consistent rise in both domestic and external debt, with external debt increasing at a faster pace. From June 2023 to June 2024, external debt grew by 20.6%, while domestic debt saw an 8% increase. As of FY 2025, the government's foreign borrowing target stands at BDT 90,700 crore, but only BDT 3,102 crore has been borrowed by September 2024, showing a delay in borrowing. Domestic borrowing is expected to reach BDT 1,60,900 crore, with BDT 1,064 crore already sourced from the banking system. If this trend continues, the debt-to-GDP ratio is likely to rise further, particularly external debt, which increased from 15.12% to 16.09% of GDP in the past year.
- ▶ External position of Bangladesh indicates a significant improvement in external sector dynamics in FY25 (Jul-Nov) compared to FY24. The trade deficit narrowed, the current account balance moved closer to equilibrium, and the financial account narrowed, reflecting improved trade performance and increased foreign financial inflows. This suggests strengthening external stability and possibly better policy management or favorable external conditions.

Steady Gains amid Mixed Sentiment in December 2024



Capital Market

Between December 1 and December 30, 2024, capital market indices showed overall positive performance. The DS30 and CDSET indices led the gains with 1.50% and 1.40% increases, respectively, while DSEX rose by 0.61%, DSES by 0.29%, and DSMEX saw a marginal rise of 0.05%.

Faima Akter [Lecturer, BICM] &
Gourav Roy [Lecturer, BICM]

The following table provides detailed information about the performance of the four major indices of the Bangladesh capital market—DSEX, DSES, DS30, and CDSET—between December 01, 2024, and December 30, 2024. Over the period, the DSEX, the broad market index, increased from 5,185.05 to 5,216.44, registering a change of 31.39 points, equivalent to a 0.61% rise. The DSES, representing Shariah-compliant stocks, showed a modest increase from 1,165.54 to 1,168.90, marking a gain of 3.36 points or 0.29%. The DS30, which tracks the top 30 companies by market capitalization and liquidity, exhibited the most significant growth in percentage terms, climbing from 1,911.04 to 1,939.73, an increase of 28.70 points or 1.50%. The CDSET, another key index, rose from 1,051.38 to 1,066.09, gaining 14.71 points or 1.40%. Lastly, the DSMEX index, reflecting the performance of mutual funds, showed a negligible increase from 1,090.48 to 1,091.06, with a minimal change of 0.58 points or 0.05%. These figures collectively indicate a stable yet positive movement across most indices, reflecting investor confidence and a steady market environment during this period.

Index Name	1-Nov-24	30-Nov-24	Change	% Change
DSEX	5,185.05	5,216.44	31.39473	0.61%
DSES	1,165.54	1,168.90	3.36	0.29%
DS30	1,911.04	1,939.73	28.69563	1.50%
CDSET	1,051.38	1,066.09	14.71	1.40%
DSMEX	1,090.48	1,091.06	0.58	0.05%

Table 01: Performance of Capital Market Indices in December, 2024

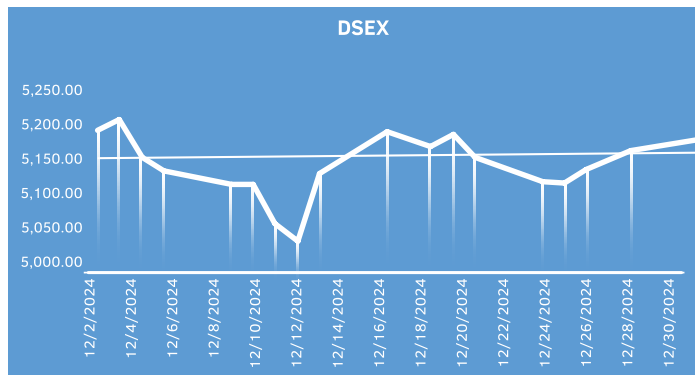


Figure 2: DSEX in December, 2024

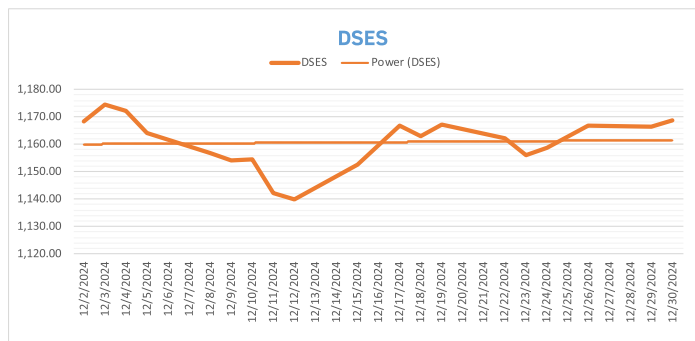


Figure-02 DSES

The Figure 3 represents the Advance-Decline (AD) ratio for shares traded on the stock market from December 1 to December 30, 2024. The AD ratio is a measure of market breadth, calculated by dividing the number of advancing

stocks by the number of declining stocks. It provides insights into the overall market sentiment. Throughout this period, the market experienced fluctuations in the AD ratio, reflecting varying investor sentiments. A high AD ratio, such as on December 15 (2.61) and December 2 (2.43), indicates a strong bullish trend with significantly more advancing stocks than declining ones. Conversely, a low AD ratio, such as on December 5 (0.14) and December 18 (0.31), signifies bearish market conditions, where declines dominated advances. The average AD ratio over the month shows a balanced sentiment, with 185 stocks declining, 141 advancing, and 70 remaining unchanged daily on average. Changes in the AD ratio, whether positive or negative, highlight shifts in market dynamics, reflecting investor reactions to various economic and market developments during this time.

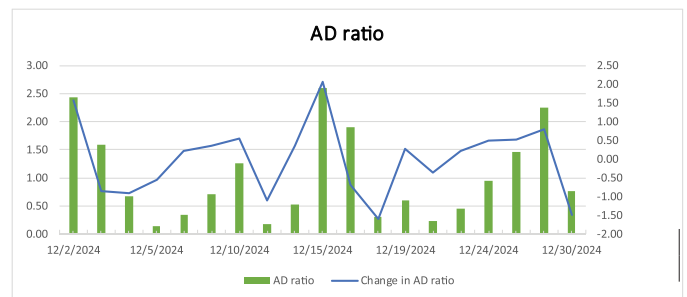


Figure 03: Advance Decline Ratio in December, 2024

Market aggregates as per Table 02 highlights a significant decline in market activity between November 28, 2024, and December 30, 2024, across key metrics. Average market capitalization decreased slightly by 0.71%, reflecting a marginal reduction in overall market value. However, there were sharp declines in trading activity, with the average traded value dropping by 27% (TK 1,340.2 million), the number of trades falling by 24.60% (39,525.3 trades), and the trade volume decreasing by 21.18% (36,957,539.9 shares). These figures indicate reduced investor participation and lower market liquidity, suggesting a period of diminished confidence or subdued market sentiment despite the stability in market capitalization.

	31 October 2024	28 November 2024	Change	% Change
Average Market Capital (TK Million)	6683581.2	6,636,286.1	-47,295.1	-0.71%
Average Traded Value (TK Million)	4963.9	3,623.7	-1,340.2	-27.00%
Average Number of Trades	160691.6	121,166.4	-39,525.3	-24.60%
Average Trade Volume	174517094.7	137,559,554.8	-36,957,539.9	-21.18%

Table: 02 Market Aggregates

In December 2024, Bangladesh's capital market faced significant challenges due to persistent inflation and liquidity constraints. The inflation rate decreased slightly to 10.89% in December from 11.38% in November. This high inflation, coupled with rising bank interest rates, tightened liquidity, making borrowing more expensive for businesses and reducing corporate profits, thereby eroding investor confidence. Additionally, the taka's depreciation against major currencies and declining foreign currency reserves discouraged foreign investments, contributing to market volatility. The Bangladesh Securities and Exchange Commission (BSEC) took proactive steps to mitigate these challenges. As part of its strategy to increase market participation, the BSEC proposed a range of reforms, including the extension of a Tk 200 crore fund designed to support stock market liquidity, urging the central bank to extend its duration and increase the loan amount to Tk 300 crore. The aim was to encourage more banks to invest in the stock market, providing much-needed capital to boost market activity.

Currently, there are 15 Initial Public Offerings (IPOs) in the pipeline awaiting approval from BSEC. Out of these, 7 IPOs are applying for the SME board, while the remaining 8 companies are applying for the main board.

On average, the market PE ratio of the Dhaka Stock Exchange Limited this month was 18.14 [Figure-04]. ORIONINFU and EMERALDOIL emerged as the top companies with the highest turnover and return respectively, over the month. On the other hand, SALAMCRST was the top loser [Table-03]. In terms of sector return, maximum sectors showed negative returns except for telecommunication, food and allied, bank and sectors [Figure-05]. In terms of sectoral turnover, bank, pharmaceuticals, textile, engineering and food sectors have higher contributions [Figure-06].

Turnover			Gainer			Loser		
SI	Stock	Turn Over	SI	Stock	Return (%)	SI	Stock	Return (%)
1	ORIONINFU	753.15	1	SHARPIND	16.93%	1	SALAMCRST	-15.65%
2	BSC	413.11	2	RENWICKJA	16.43%	2	MONNOAGML	-14.62%
3	OIMEX	296.82	3	GHAIL	10.68%	3	PLFSL	-11.54%
4	KBPPWBIL	284.61	4	KBPPWBIL	-10.08%	4	BIFC	-11.24%
5	ROBI	264.11	5	FARCHEM	9.79%	5	JAMUNAOIL	-10.27%

Table-03 Top Five Turnover, Gainer, and Loser

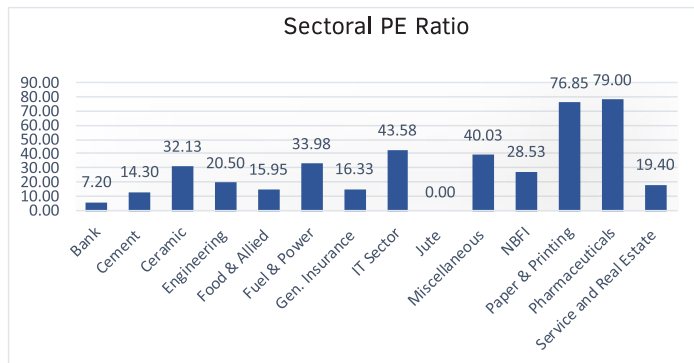


Figure-04: Market PE Ratios

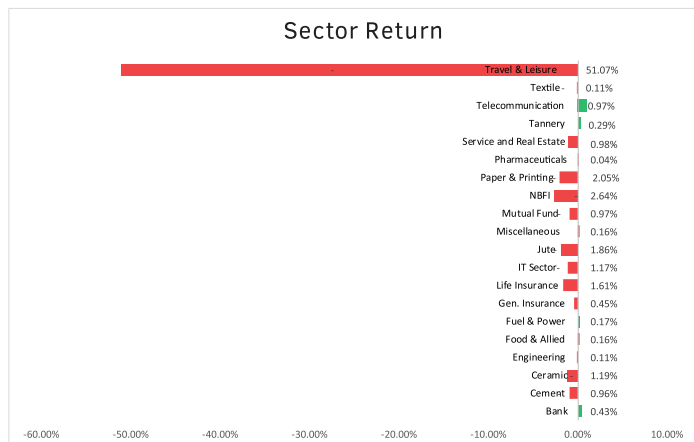


Figure-05: Sector-wise Market Return

Sector Wise Contribution In Turnover

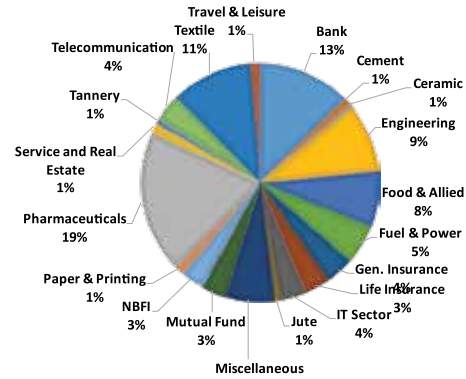


Figure-06: Sectoral Contribution in Turnover

Performance comparison of major global stock indices shows varying results, reflecting diverse economic and market conditions. Pakistan's Karachi 100 led global indices with a 13.51% return, followed by Japan's Nikkei 225 at 3.59% and China's China A50 at 1.82%, reflecting strong growth [Table-04].

Performance Comparison of the World's Major Index		
Country	Index Name	Return
India	BSESENSEX	-2.09%
China	China A50	1.82%
Japan	Nikkei 225	3.59%
Pakistan	Karachi 100	13.51%
Bangladesh	DSEX	0.03%

Table 04 Performance Comparison of the World's Major Index

Performance comparison of commodity futures shows mixed returns. Natural Gas led with a 13.07% gain, reflecting strong demand, while Crude Oil followed at 5.32%, with prices reaching \$71.72/barrel. Soybean posted a modest 1.32% increase at \$998.25/bu, while Gold declined slightly by -0.67% to \$2,624.38/t.oz. Cotton and Sugar saw larger drops of -3.68% and -8.63%, priced at \$68.38/lbs and \$19.29/lbs, respectively, indicating varying market dynamics across commodities [Table-05].

Performance comparison of commodity futures			
Commodity name	Return	Price (USD)	Parameter
SUGAR	-8.63%	19.29	Lbs
NATURAL GAS	13.07%	3.633	MMBtu
COTTON	-3.68%	68.38	Lbs
SOYBEAN	1.32%	998.25	Bu
GOLD	-0.67%	2624.38	t.oz
CRUDEOIL	5.32%	71.720	Barrel

Table 05 Performance Comparison of Commodity Futures

In summary, capital market remained relatively static this month, with the DSEX earning a minimum return of 0.03%, reflecting cautious investor attitude. The flat performance reflects a mix between modest improvements in specific industries and broader market limits. Limited trade volumes, low international investor engagement, and ongoing macroeconomic issues are all likely to have contributed to the lack of market momentum. This emphasizes the importance of policy assistance and investor confidence in driving sustainable growth in the coming months.

Data Source: Dhaka Stock Exchange



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Municipal Bonds in Bangladesh – Unlocking Potential for Development & Economic Growth



Insights

The municipal bond market plays a crucial role in financing public projects, offering governments a way to fund infrastructure while providing investors with relatively stable returns. Beyond its financial dynamics, the market has profound socioeconomic implications, influencing urban development, job creation, and income inequality. It is often referred to as "munis," is basically a debt security issued by local governments, states, municipalities, or their agencies to finance public projects like schools, roads, water systems, and other infrastructure. These bonds are an essential mechanism for funding community development while offering investors an opportunity to earn interest income, often with favorable tax treatment.

Types of Municipal Bonds

Understanding the types of municipal bonds is crucial for investors seeking to balance risk and return within their portfolios. The primary categories of municipal bonds are general obligation bonds, revenue bonds, and special types such as taxable municipal bonds and conduit bonds. Each type has distinct features, benefits, and risks.

1. General Obligation Bonds

General obligation (GO) bonds are secured by the full faith and credit of the issuing municipality, which pledges its taxing power to repay the debt. These bonds are not tied to the revenue of any specific project but rely on the issuer's ability to collect taxes, such as property taxes or sales taxes. Investors can expect consistent interest payments and timely principal repayment. As repayment is backed by the municipality's taxing power, GO bonds are considered relatively safe investments. GO bonds are subject to the financial strength of the issuing entity, which may face economic downturns or fiscal mismanagement. Municipalities may face legal or political constraints on raising taxes to meet obligations.

2. Revenue Bonds

Revenue bonds are secured by the income generated from specific projects or sources, such as toll roads, bridges, airports, utilities, or sports facilities. Unlike GO bonds, these bonds do not rely on the general taxing authority of the issuer. Revenue bonds are ideal for financing self-sustaining projects. Repayment depends on user fees or other committed revenues, not general taxes. Evaluating the creditworthiness of revenue bonds often requires detailed knowledge of the specific project and its revenue-generating potential. If the project fails to generate expected revenue, bondholders may face delayed or reduced payments.

3. Taxable Municipal Bonds

Although most municipal bonds offer tax-exempt interest income, taxable municipal bonds are an exception. These bonds are issued for purposes that do not qualify for tax-exempt status under federal law, such as pension funding or stadium construction. These bonds attract institutional and international investors who may not benefit from tax-exempt status. Taxable bonds typically offer higher interest rates to compensate for their taxable status. Investors must pay federal income taxes on interest earned, reducing after-tax returns.

4. Conduit Bonds

Conduit bonds are issued by municipalities on behalf of private entities, such as hospitals, universities, or non-profit organizations. The private entity is liable for repaying the bond, and the municipality's role is limited to serving as an intermediary. Non-profit entities may benefit from lower borrowing costs due to the tax-exempt status of many conduit bonds. These bonds enable financing for projects that benefit the public but are managed privately. The issuing municipality does not back the bond with

its taxing power. As repayment relies solely on the private borrower's ability to meet its obligations, these bonds carry higher risk.

How Do Municipal Bonds Work?

Issuance

- Municipalities issue bonds to borrow money.
- Investors purchase the bonds, essentially lending money to the issuer.

Interest Payments (Coupon)

- The issuer agrees to pay periodic interest (usually semi-annually) to bondholders. This is termed as the "coupon rate."
- For example, if you invest BDT 100,000 in a municipal bond with an 8% coupon rate, you'd receive BDT 8000 annually in interest payments.

Maturity

- Bonds have a set maturity date, at which point the issuer repays the bondholder the original amount borrowed (the principal).
- Maturities can range from short-term (a few months to 3 years) to long-term (over 10 years).

Investor Base

- Individual investors seeking tax-exempt income.
- Mutual funds and institutional investors diversifying their portfolios.

Credit Ratings and Risk

- Credit rating agencies (like Moody's, S&P) assess the creditworthiness of municipal bonds.
- Highly rated bonds (e.g., AAA) are less risky but offer lower yields. Lower-rated or unrated bonds might offer higher returns but carry more risk.

Tax Advantages

- One of the key features of municipal bonds is that the interest income earned by investors is often exempt from income tax and sometimes from state and local taxes as well, making them attractive to investors in higher tax brackets.

Municipal Bond Market in the USA

The municipal bond market in the U.S. is a cornerstone of public financing, offering stable returns alongside significant social impact. It has grown into a major component of the broader fixed-income market, characterized by substantial activity and robust growth over the years. With a market size of \$4 trillion and high annual issuance rates, municipal bonds play a significant role in funding the nation's infrastructure and public service needs. As economic conditions evolve, these bonds remain a reliable option for both issuers and investors, reinforcing their importance in the broader financial ecosystem.

Overview of the Market Size

As of 2023, the municipal bond market in the United States was valued at approximately \$4 trillion, with over 1 million individual securities outstanding. Around \$440 billion in new issuances are recorded annually, showcasing its role as a consistent source of funding for state and local governments. Daily trading in the market averages \$13 billion, emphasizing its liquidity and the active involvement of both institutional and retail investors. In 2023, the total issuance of municipal securities was \$389 billion, reflecting the continuous demand for capital in public projects.

States such as California, Texas, and New York lead in terms of issuance, driven by large populations and extensive infrastructure needs. For instance, Texas issued \$57.9 billion in bonds, while California and New York contributed \$55.9 billion and \$49.9 billion, respectively. The municipal bond markets in the UK and EU remain smaller compared to global counterparts like the US but show encouraging growth potential, especially in sustainability-focused projects. With continued emphasis on green initiatives and innovative financial frameworks, these regions are set to leverage municipal bonds as vital tools for funding their public infrastructure and climate goals. Despite this, some notable initiatives have emerged to improve access to capital for local governments. One example is the UK Municipal Bonds Agency, established in 2014, which pools resources from local councils to issue bonds collectively. This approach has reduced borrowing costs and improved market access for smaller municipalities. As of recent years, the UK municipal bonds have largely focused on sustainable and green finance initiatives. Cities and counties have leveraged bonds to fund energy-efficient buildings, renewable energy projects, and clean transportation. For example, green municipal bonds in the UK are growing as local governments increasingly prioritize environmental sustainability in their investment strategies. The EU presents a more assorted and slightly larger municipal bond market, though still smaller in comparison to the US. In 2023, municipal entities were responsible for about 0.8% of the total European sustainable bond issuance, amounting to \$7.4 billion. These bonds have primarily funded projects such as green buildings, clean transport, and renewable energy. Nations like Sweden, Germany, and Finland lead in municipal bond issuance, focusing on sustainability goals like reducing carbon emissions and enhancing energy efficiency. The Nordic countries, in particular, stand out for their structured approaches. Kommunalbanken in Norway and MuniFin in Finland provide green finances to local governments, funded through their respective green bond issuances. These institutions ensure alignment with international standards like the Green Bond Principles and simplify access to green finance for local authorities.

Investor Base and Performance

Municipal bonds are primarily held by individual investors, either directly or through mutual funds, comprising over two-thirds of the market. The attractiveness of munis lies in their tax advantages, low default rates (0.09% compared to 2.23% for corporate bonds), and stable returns. Despite a challenging start in 2024, with the Bloomberg Municipal Bond Index down by 0.6% in the first half of the year, historical data shows that the munis market typically recovers to post positive annual returns.

Comparison with Other Fixed-Income Securities

When compared to corporate bonds, the municipal bond market is smaller but more diverse. The corporate bond market is valued at \$10.6 trillion, but the municipal bond market's one million securities contrast sharply with only about 47,000 in the corporate bond sector. This diversity provides tailored opportunities for investors seeking specific risk profiles and maturity horizons.

Future Prospects

The municipal bond market is expected to remain resilient despite challenges such as interest rate volatility. Key drivers include ongoing infrastructure investment needs and the relatively strong credit quality of municipal issuers. Tax-equivalent yields for munis remain attractive for investors in high tax brackets, with yields averaging around 3.8% in early 2024. As sustainable finance becomes increasingly pivotal, municipal bonds in both the UK and EU are likely to gain traction. Investments in green infrastructure, spurred by policy support and investor demand, could lead to the expansion of this market segment.

Municipal Bond Market Prospect in Emerging Economies

Emerging economies face massive infrastructure deficits that require substantial investment. The World Bank estimates that low- and middle-income countries need to invest trillions of dollars per annum to meet their infrastructure needs by 2030. Municipal bonds present a practicable mechanism for local governments to raise funds for these projects, reducing their reliance on central government allocations or international aid. Moreover, municipal bonds can help diversify the financial sector in emerging markets. By offering an alternative to traditional banking channels, they enable local governments to tap into national and global capital markets. This not only magnifies financial inclusion but also provides institutional and retail investors with opportunities to diversify their portfolios. The rise of green bonds also highlights a significant opportunity. Many municipalities in emerging economies face environmental challenges such as pollution, waste management, and climate change. Issuing green municipal bonds to finance sustainable projects can attract environmentally conscious investors and align with global sustainability goals.

Key Figures and Trends

Market Growth: Over the years, municipal bonds in emerging economies have experienced steady growth, driven by increasing urbanization, infrastructure needs, and evolving financial markets. Though not as developed as those in the U.S. or EU, this market is expanding quickly due to the interest of governments and institutional investors in sustainable development financing. Emerging market bonds, including municipal debt, represent a significant segment of the \$26 trillion global emerging market fixed-income space. In 2023, these bonds yielded impressive returns, averaging over 11% for dollar-denominated bonds, signaling robust investor interest despite higher risk profiles.

Regional Insights

- In Asia, countries like India and China lead in local municipal issuances for urban and infrastructure development. Local-currency municipal bonds are gaining popularity as they help mitigate currency risks.
- In Latin America, municipal bond issuances are driven by urban infrastructure projects, with Brazil and Mexico being prominent players.
- In Africa, even though relatively nascent, countries like South Africa are exploring municipal debt markets for sustainable growth financing.

Municipal Bonds in Bangladesh: Opportunities, Socioeconomic Implications, Challenges, and Strategies for Growth

Municipal bonds in Bangladesh hold immense potential to bridge the infrastructure funding gap and promote inclusive development. However, realizing this potential necessitates addressing regulatory shortcomings, enhancing financial transparency, and building market trust. As Bangladesh explores innovative financing mechanisms, municipal bonds could become a foundational tool for sustainable development, strengthening both economic resilience and social advancement.

Opportunities

Infrastructure Financing: Municipal bonds can serve as a critical tool to finance urban infrastructure, including roads, public transit, water supply, and sanitation systems. With Bangladesh requiring \$608 billion in infrastructure investment by 2040, bonds could provide a sustainable financing solution.

Market Diversification: The introduction of municipal bonds will assist in diversifying and expanding Bangladesh's financial market, which is heavily reliant on banking. This would deepen capital markets and attract regional, and international investments.

Local Government Empowerment: Municipal bonds provide local governments with direct access to capital markets, reducing dependency on central government bequests and international donors. This autonomy can lead to more efficient project execution.

Climate Resilience: Initiatives like "Orange Bonds" aim to mobilize resources for climate adaptation and mitigation, focusing on inclusive and sustainable development. These bonds can attract investments from global capital markets and the Bangladeshi diaspora for climate-resilient infrastructure and gender equity projects.

At present, Bangladesh's urbanization rate, at 38% in 2023, is accelerating, with cities like Dhaka and Chittagong facing enormous pressure on infrastructure and services. The country's infrastructure gap stands at over \$608 billion by 2040, requiring innovative financing solutions. While the government extensively subsidizes local infrastructure through direct grants and international development loans, introducing municipal bonds could empower local governments to generate their own capital, thereby promoting decentralization and reducing dependence on centralized funding.

Key Socioeconomic Implications

Municipal bonds could catalyze infrastructure development, fostering economic growth:

Job Creation: Large-scale projects financed by municipal bonds, such as roads, bridges, and water treatment facilities, generate employment opportunities. For instance, a BDT 50 million infrastructure project can directly and indirectly employ hundreds of workers.

Local Business Development: Improved infrastructure attracts investments in local businesses and enhances trade efficiency.

Climate Adaptation: 'Green municipal bonds' could support projects like flood defenses, renewable energy, and sustainable transport. With Bangladesh being highly vulnerable to climate hazards, such initiatives are crucial.

Improved Living Standards: Investments in water supply, waste management, and sanitation could significantly improve urban living conditions, particularly in underserved areas.

Inclusive Financing: Mechanisms like Orange Bonds could focus on gender equity and inclusivity, ensuring underserved communities benefit from development projects.

Community Engagement: 'Citizen Participation' in local bond initiatives fosters a sense of ownership in public projects.

Fiscal Accountability: To issue municipal bonds, municipalities will be required to meet specific financial standards, which could lead to improved fiscal management and governance practices.

Enhanced Autonomy: By raising funds independently, municipalities can prioritize projects based on local needs rather than waiting for central government approval.

Challenges

Regulatory and Institutional Gaps: Bangladesh lacks a robust legal and institutional framework for issuing and managing municipal bonds. Establishing this framework is critical for their success.

Credit Ratings and Risk: Municipalities may struggle to secure favorable credit ratings due to limited revenue streams and financial unpredictability, increasing the cost of borrowing.

Market Awareness and Confidence: Public and institutional investors in Bangladesh have limited knowledge about municipal bonds, which could hamper initial adoption and liquidity in the market. Accordingly, weak financial oversight and high default risks could undermine market confidence.

Economic and Fiscal Challenges: Bangladesh's non-performing loan (NPL) ratio, exceeding 12% in the banking sector, highlights broader fiscal management challenges. Accordingly, high inflation, interest rates, and fiscal deficits thwart bond market development.

Disparity: Municipal bonds could exacerbate socioeconomic disparities if projects inexplicably benefit urban elites while sidelining marginalized communities.

The municipal bond market serves as a critical pillar in addressing infrastructure needs, fostering socioeconomic development, and promoting sustainable finance. Its varied applications—ranging from funding public services in developed economies like the U.S. and the EU to bridging infrastructure gaps in emerging markets such as Bangladesh—highlight its global significance. Despite challenges such as regulatory gaps, credit risks, and limited market awareness, municipal bonds possess transformative potential for economic growth, urban resilience, and environmental sustainability. By fostering investor confidence, strengthening regulatory frameworks, and embracing innovative financing models, the Bangladesh government can unlock the full potential of this financial instrument to drive inclusive and sustainable development.

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BICM has been organizing **Investors' Education Program** for current and prospective investors in the capital market. The schedule for Jan-Feb 2025 **free programs** is as follows. All these programs will be held **online** using zoom platform. Participants from any corner of the country, having access to internet can easily register and participate in these programs.

There will be 'end of session' quizzes for the participants and **top performers** in these quizzes will be **awarded with training vouchers** which they can redeem in the paid courses offered by the BICM. **Certificate of participation** may also be collected from BICM Office upon payment of a nominal fee. However, participants have to produce proof of attendance and registration in the specific program they wish to get certified for and must have attended the 'end of session' quiz for that particular topic.

Investors' Education Program (General)

6:30 PM - 9:30 PM

15, 16, 22, 23, 29, and 30 January 2025, and
5, 6, 12, 13, 19, 20, 26, and 27 February 2025

Specialized (topic based) programs

6:30 PM - 8:30 PM on given days

Statistical Measures Every Investor Should Know

12 January 2025, 2, and 23 February 2025

Using Regression Analysis to Predict Stock Prices

19 January 2025, and 9 February 2025

Bringing Statistics to Life with Python for Financial Markets

26 January 2025, and 16 February 2025

Multiple Time Frame Analysis

21 January 2025

Understanding Chart Patterns

11 February 2025

Candlestick Analysis

18 February 2025

Fundamental Analysis

28 January 2025

Statement of Financial Position: A Snapshot of Business Stability

3 February 2025

Understanding Profit and Comprehensive Income: A Guide to Financial Performance

10 February 2025

Ratio Analysis: Unveiling Business Health Through Key Metrics

17 February 2025

DuPont Analysis: A Comprehensive Tool for Measuring Financial Performance

24 February 2025

News Analysis and Rumor Management

25 February 2025

Corporate Governance: What Investors Should Know

20 January 2025

Ethics and Governance: Twin Pillars of Corporate Sustainability

27 January 2025

Market Makers in Bangladesh Capital Market

14 January 2025

Risk Management for Capital Market Investors

4 February 2025

Leveraging FinTech for Making Investment Decisions

13 January 2025

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