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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.

Bangladesh's Current Economic Landscape: Managing Inflation, Declining Forex Reserves, and Financial Account Deficits

— Gourav Roy, Lecturer, BICM

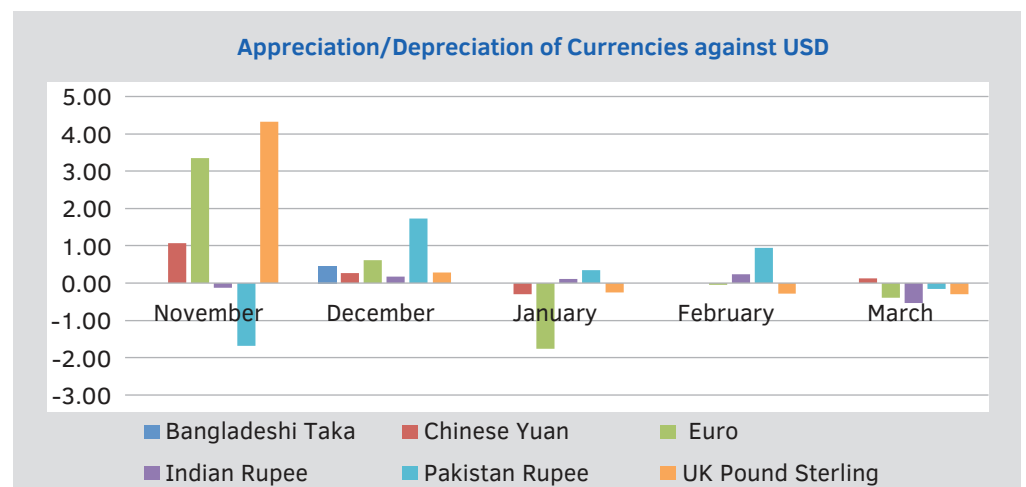


Economy
of Bangladesh

Key Economic Indicators at a Glance

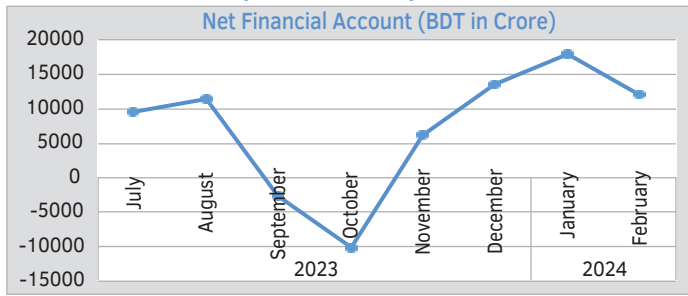
	GDP at Current Price (USD in Billion)	Real GDP Growth	Inflation Point to Point (As of Apr'24)	Currency Appreciation/Depreciation against USD	Reserve (USD in Billion)	Currency Exchange Rates (Per USD)
Bangladesh	426.85	6.03%	9.81%	0.00%	19.91	109.97
Emerging Economies						
India	3,750.00	7.20%	4.85%	-0.53%	642.63	83.5
China	19,373.00	4.50%	0.10%	0.12%	3,245.70	7.22
Developed Economies						
USA	23,618.00	2.90%	3.48%	-	243.80	1
UK	3,080.00	1.90%	3.20%	-0.30%	186.40	0.8

Appreciation or Depreciation of Different Currencies against USD (In Percentage)

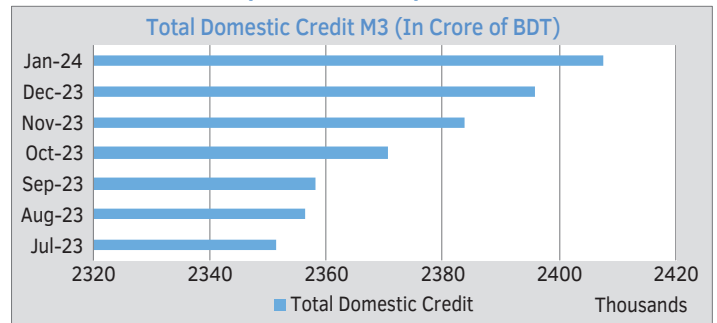


A Visual Tour of the Key Statistics

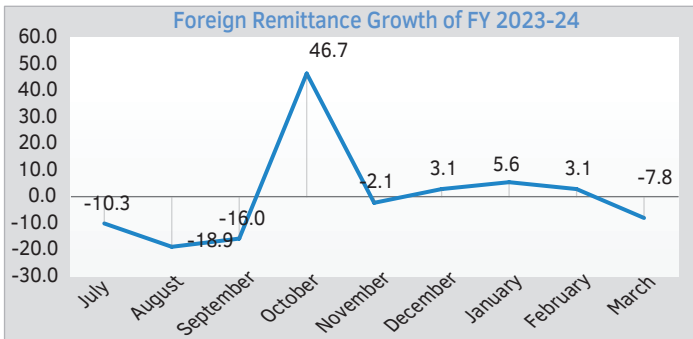
Net Financial Account (In Crore of BDT)



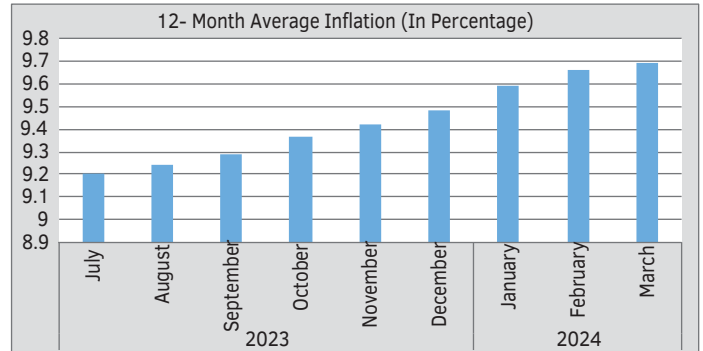
Total Domestic Credit (In Crore of BDT)



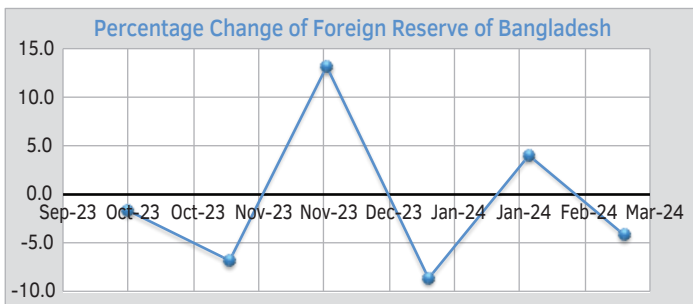
Foreign Remittance Growth of FY 2023-24 (In Percentage)



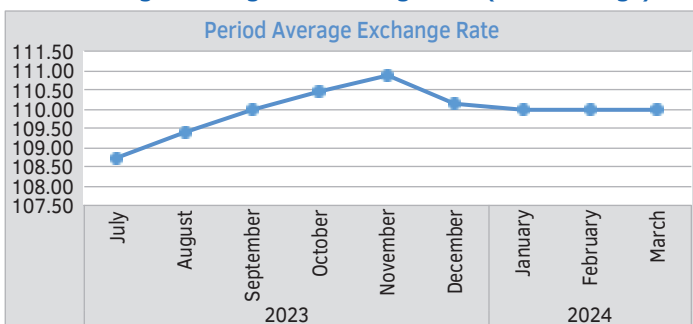
Twelve Month Average Inflation (In Percentage)



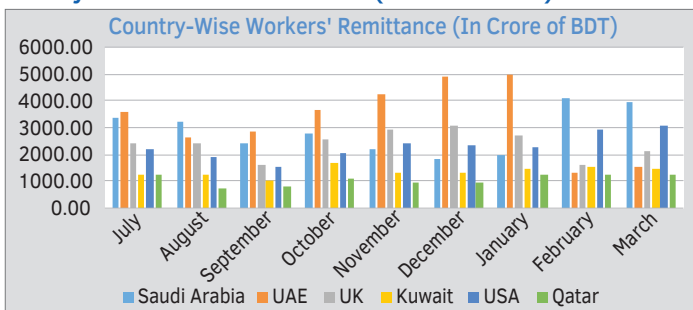
Percent Change of Foreign Exchange Reserve of Bangladesh



Period Average Exchange Rate of Bangladesh (In Percentage)



Country-Wise Workers' Remittance (In Crore of BDT)



Salient Statistics

1. BDT has remained unchanged against USD during first quarter of 2024, which is a good sign of currency stability.
2. Net Financial Account (NFA) of Bangladesh had a sharp decrease of 32% in February, 2024.
3. Remittances experienced a 7.8% decrease in March, 2024.
4. The forex reserve was 20.78 billion USD in February, 2024, but it decreased to 19.91 billion USD in March 2024.
5. The debt-to-GDP percentage in 2023 is 38%, up from 37.5% in the previous year.
6. The 12-month average inflation rate was 9.66% in February, 2024, which is 9.69% in March 2024.

Economic Challenges Ahead

1. Managing the Net Financial Account (NFA) for improving the Balance of Payments (BOP) of Bangladesh is an emerging challenge.
2. Addressing the probable negative impact on the country's economy in the face of an economic downturn due to wars and international conflicts.
3. Ensuring sustainable growth of the economy in the face of increasing debt burden.
4. Controlling inflation still remains one of the biggest challenges to overcome.
5. Decreasing remittances may put a pressure on the forex reserves of the country.

[Data Source: Bangladesh Bank, IMF, WB & BBS]

Market Rollercoaster

Capital Market Index Sees Second Consecutive Decline, Drops 3.07 Percentage in April



Imran Mahmud, Lecturer, BICM
& Faima Akter, Lecturer, BICM

In April, the benchmark equity index briefly dipped below 5,600 points for the first time in three years. Regulatory efforts aimed at stability persisted amidst investor concerns over macroeconomic uncertainties and geopolitical tensions, leading to higher selling pressure.

After analyzing the stock market snapshot for April 2024, it is evident that all DSE market indices have demonstrated negative changes from previous month. DSMEEX has dropped the most with an 8.55% decline. The number of scripts with a price fall is higher than the number of scripts that had prices up when compared to the previous month [Table-01 and Figure-01 & 02].

DSE Market Indices

Index Name	1-Apr24	30-Apr24	Change	% Change
DSEX	5,761.38	5,584.65	-176.73	-3.07%
DSES	1,251.65	1,227.51	-24.14	-1.93%
DS30	2,007.34	1,995.31	-12.03	-0.60%
CDSET	1,092.15	1,059.75	-32.4	-2.97%
DSMEEX	1,705.84	1,559.95	-145.89	-8.55%
Scripts Movement (Monthly Average)	Advanced 139	Declined 213	Unchanged 43	

Table: 01 DSE Market Indices

DSEX

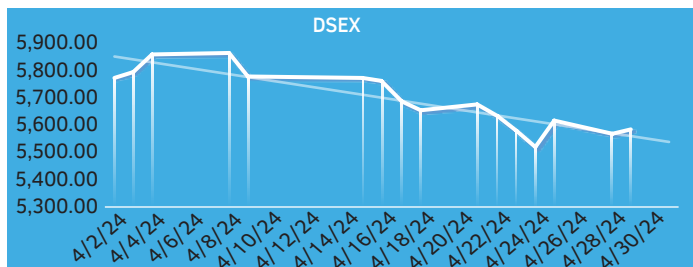


Figure-01 DSEX

DSES

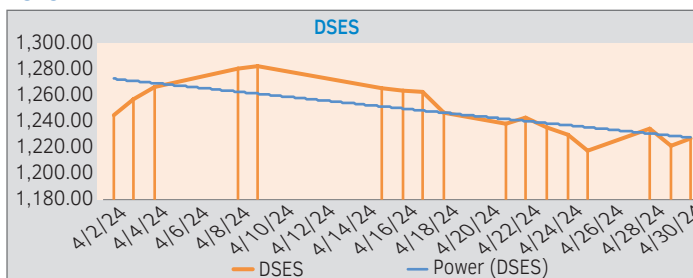


Figure-02 DSES

During April, on average, only 139 issues advanced, 213 issues declined, and the remaining 43 issues closed unchanged. Based on the Advance-Decline (AD) ratio, which compares the number of stocks that increased in value to the number of stocks that decreased in value, it is clear that April's 18 trading days represented a significant pullback-correction cycle throughout the month, with the AD ratio peaking at around 6 during the first and last week of the month [Figure-03].

Advance Decline Ratio

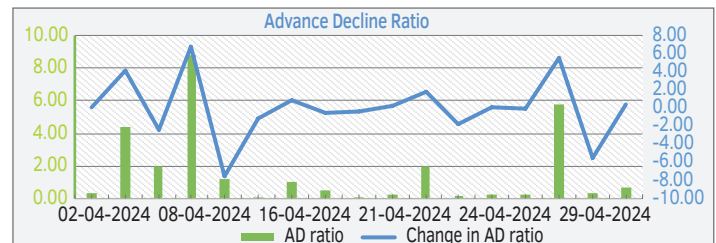


Figure-03 Advance Decline Ratio

While the stock market started the month on a positive note, unfortunately, the trend took a turn for the worse as the month progressed. The decline was particularly sharp in the major indices of the country. In a similar vein, the total traded value decreased by 12.40%, with the average number of trades and trade volume seeing a decline of 16.90% and 14.91%, respectively [Table-02]. It is worth noting that this decline is lower than the previous month's fall in trade volume and number of trades. The average market capitalization decreased by 3.20% in April. Despite the regulatory move limiting stocks' daily allowable correction to 3 per cent from 10 per cent on the last week of the month, the Dhaka bourse failed to break out of losing streak as investors negatively reacted to the regulator's effort to stop the market's decline.

Market Aggregates

	30 April 2024	31 March 2024	Change	% Change
Average Market Capital (TK Million)	6,937,703.66	7,167,320.27	-229,616.62	-3.20%
Average Traded Value (TK Million)	5,198.44	5,934.13	-735.69	-12.40%
Average Number of Trades	141,115.44	169,804.95	-28,689.50	-16.90%
Average Trade Volume	156,278,651.56	183,670,980.89	-27,392,329.34	-14.91%

Table: 02 Market Aggregates

There were several factors contributing to the lower investment in the market, such as higher inflationary pressure, volatile exchange rate, currency devaluation, and risk aversion of investors. The IMF has projected a double-digit revenue to GDP ratio of 10% for Bangladesh by FY2027. Despite a decline in industrial output and a fall in the service sector due to a dollar crunch, the agricultural sector has held steady and supported the GDP. The foreign exchange reserve had also exceeded USD20 billion again as of April 8, thanks to increased export earnings and flow of inward remittances due to Eid-ul-Fitr. Additionally, the private sector's short-term foreign debt continues to decrease, with a decline of USD 180 million in the month.

There are a few concerns that we need to address, however. The IMF has requested clarification on the utility of SMART rate instead of a market-based lending rate, which was discussed in the last week of the month. Moreover, there were discussions about the right to transfer stocks to the 'Z' category by DSE rather than waiting for

regulatory approval, which was a concern raised several times during the month.

An urgent meeting was held in the last week of April among BSEC, DSE, BMBA, DBA, and other key stakeholders of the market to discuss several issues. There was a request to uplift regulatory intervention in the management of margin loans. Additionally, concerns were raised regarding the importance of listing fundamentally-strong companies, including multinational companies (MNCs). A proposal was put forth to make the listing of MNCs mandatory. Moreover, there was even a suggestion that MNCs should go public if their annual profit crossed a certain level, for example, Tk 2 billion.

Currently, there are 13 Initial Public Offerings (IPOs) in the pipeline awaiting approval from BSEC. Out of these, 5 IPOs are applying for the SME board, while the remaining 8 companies are applying for the main board. In addition, Techno Drugs Ltd. is conducting its bidding to penetrate the market, which is expected to bring a positive impact on the capital market of Bangladesh.

On average, the market PE ratio of the Dhaka Stock Exchange Limited this month was 13.27 [Figure-04]. ASIATICLAB emerged as the top company with the highest turnover, while LOVELLO was the top gainer with a substantially 50.09% increase in price over the month. On the other hand, RUPALIBANK was the top loser [Table-03]. In terms of sector return, almost all sectors showed negative return except IT and Jute sector with slightly positive return [Figure-05]. In terms of sectoral turnover, the engineering, pharmaceuticals, textile, and food sectors have higher contributions [Figure-06].

Top Five Turnover, Gainer and Loser

Turnover			Gainer		Loser				
Sl	Stock	Turnover Total (%)	Sl	Stock	Return(%)	Sl	Stock	Return(%)	
1	ASIATICLAB	442.8	41.06%	1	LOVELLO	50.09%	1	RUPALIBANK	-26.35%
2	LOVELLO	372.34	50.27%	2	ASIATICLAB	41.28%	2	HRTEX	-24.17%
3	MALEKSPIN	352.56	7.92%	3	SALVOCHEM	34.72%	3	UTTARAFIN	-22.89%
4	ORIONINFU	293.94	30.64%	4	KOHINOOR	36.31%	4	ISLAMICFIN	-22.05%
5	AIL	279.45	23.33%	5	ORIONINFU	30.64%	5	ACMEPL	-21.70%

Table-03 Top Five Turnover, Gainer and Loser

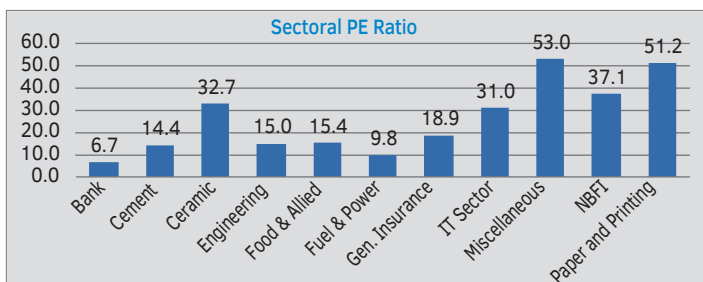


Figure-04 Sectoral PE Ratio

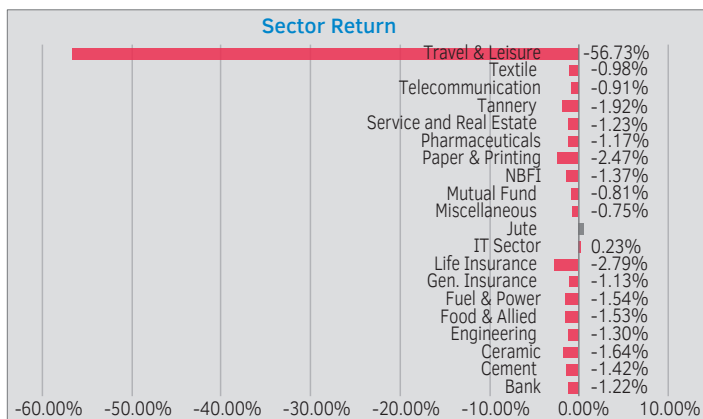


Figure-05 Sector Return

Sector wise Contribution in Turnover

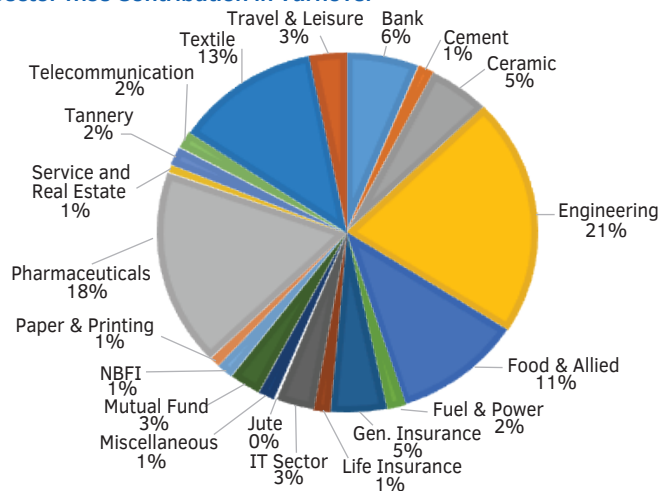


Figure-06 Sectoral Contribution in Turnover

Analyzing the returns of the world's major indices it is apparent that the major indexes of Japan and the USA showed a negative return in April compared to that of the UK and India. Among those, the BSESENSEX index of India had a positive return of only 1.13% greater than any other country in comparison. Japan's Nikkei 225 index experienced the greatest fall of 4.86% in April compared to the previous month [Table-04]. With regards to the global commodity futures market, only natural gas and gold saw positive trends in April. Gold increased in value by 2.87%, while natural gas saw the highest increase of 13.14%. On the other hand, every other major commodity future showed a negative trend during the same period. Cotton lost the maximum value of 13.96%, while sugar, soybean, and crude oil prices decreased by 13.64%, 10.03%, and 1.62% respectively [Table-05].

Performance Comparison of World's Major Index		
Country	Index Name	Return
India	BSESENSEX	1.13%
USA	DOWJONES	-4.69%
Japan	Nikkei 225	-4.86%
UK	FTSE 250	0.41%
Bangladesh	DSEX	-3.07%

Table-04 Performance Comparison of World's Major Index

Performance Comparison of Commodity Futures	
Commodity name	Return
SUGAR	-13.64%
NATURAL GAS	13.14%
COTTON	-13.96%
SOYBEAN	-10.03%
GOLD	2.87%
CRUDEOIL	-1.62%

Table-05 Performance Comparison of Commodity Futures

The capital market of Bangladesh is set to receive a boost with some reformations. To ensure market stability, new regulations have been introduced, including a daily price limit of 3%. Several other regulations and acts are also being implemented to revitalize the capital market amidst challenges posed by the COVID-19 pandemic and geo-political instability.

The persistent growth in both lending and deposit witnesses that agent banking has been playing pivotal role in disseminating banking services to marginal people.

— Md Adnan Ahmed, Lecturer, BICM



Scheduled banks' YoY deposits increased by 10.43%, with demand and time deposits contributing 6.22% and 10.99%, respectively. As of February 2024, bank credits have increased by 11.44%. Bills fell by 4.4 percent, while Advances and Investments increased by 10.35 and 17.75 percentage points, respectively. [Table-01]

Scheduled Banks' Deposits and Credits

Items	Deposits held in DMBs			(Taka in Millions)	
	Feb, 2024	Jan, 2023	Feb, 2023	Percentage Changes	
				Feb, 2024 over Jan, 2023	Feb, 2024 over Feb, 2023
Demand Deposits	1,901,677	1,857,361	1,790,335	2.39	6.22
Time Deposits	14,714,816	14,593,114	13,257,336	0.83	10.99
Total Deposits	16,616,493	16,450,475	15,047,671	1.01	10.43

Items	Banks' Credit			(Taka in Millions)	
	Jan, 2024	Dec, 2023	Jan, 2023	Percentage Changes	
				Jan, 2024 over Dec, 2023	Jan, 2024 over Jan, 2023
Advances	15,632,754	15,558,544	14,166,038	0.48	10.35
Bills (Import & Inland)	327,390	315,040	342,590	3.92	-4.44
Investments	3,871,832	3,722,212	3,288,167	4.02	17.75
Total Credits	19,831,976	19,595,796	17,796,795	1.21	11.44

Table 01: Deposits held in DMBs and Bank Credit

Notes: 1. Deposits exclude Interbank Deposits and Government Deposits, 2. Advances include Loans & Advance, Money at Call, Balances & R. Repo with NBFIs & Accrued Interest, 3. Investments include Treasury Bills, Treasury Bonds, Share & Securities with accrued interest.

Average call money rate in April has been Aaround 8.81 percent whereas it was 8.76 percentage in March. [Figure-01]. Average lending and deposit rates in February 2024 stood at 10.05 and 5.01 percentages respectively. [Figure-02]

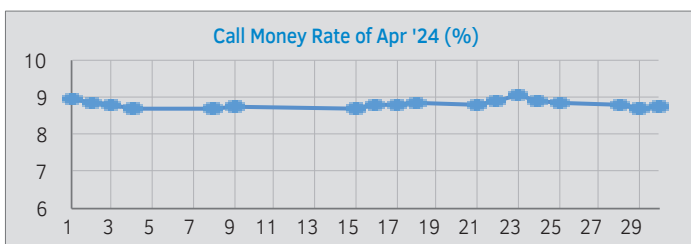


Fig 01: Call Money Rate of April

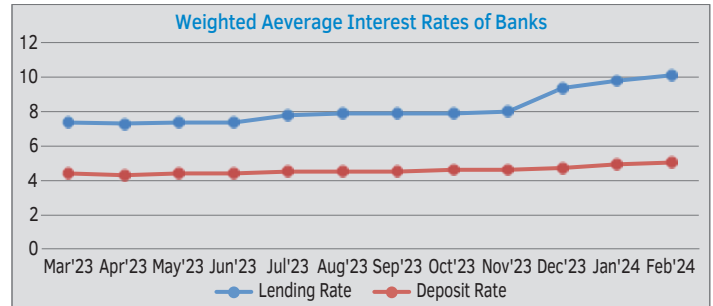


Fig 02: Weighted Average Interest Rates of Banks

Government net borrowing from the banking system stood at BDT45,557 crores as of April of FY24 [Figure-03]. Private sector credit growth remained sluggish at 9.96 percentage as of February 2024 [Figure-04].

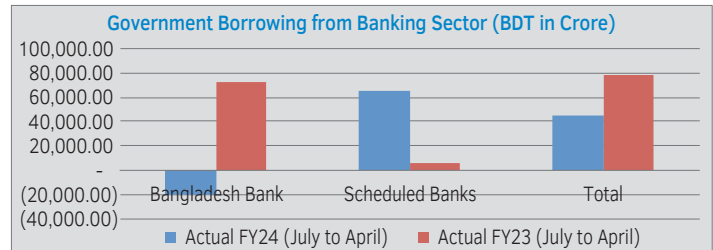


Fig 03: Govt. Borrowing from Banking Sector



Fig 04: Private Sector Credit Growth (%)

Rates of Both T-bills and T-bonds have increased compared to previous month. T-bills of 91-day, 182-day, and 364-day became 11.35, 11.40 and 11.50 percentages respectively. T-bonds of 2-year, 5-year, 10-year, 15-year, and 20-year became 12.00, 12.10, 12.15, 12.20 and 12.25 percentage respectively. [Figure 5]

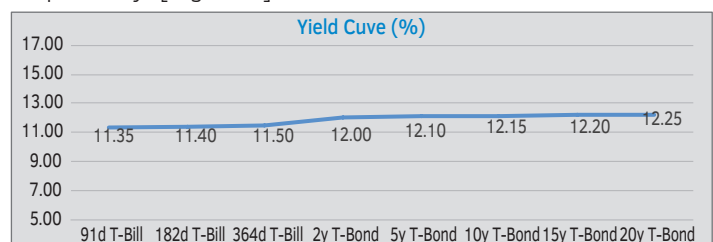


Fig 05: Yield Curve (%)

Trends in Financial Inclusion and Digital Finance Statistics

Internet banking was used by 8.91 million people as of February 2024, a YoY increase of about 35.62 percent. [Figure-06]. The male and female ratio of MFS users are 58 and 42 percentage respectively [Figure-07]. Transactions through POS, CRM, and e-commerce increased by 24.82, 136.97 and 30.60 percentages respectively whereas transactions through ATM decreased by 6.65 percent. [Figure-08].

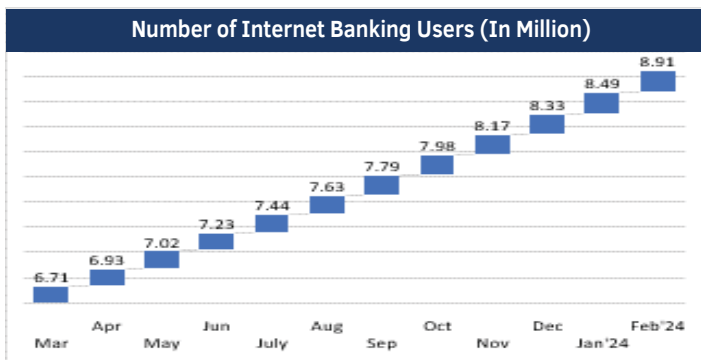


Fig 06: Number of Internet Banking Users

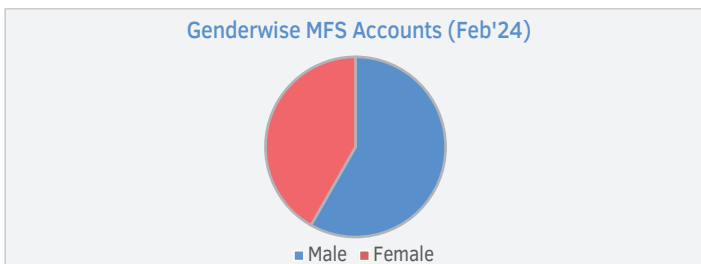


Fig 07: Gender wise MFS Accounts

Transactions through agent banking such as utility bill payments declined by 3.56 percentage whereas deposit balance, loan disbursements, and inward foreign remittances have increased by 18.68, 15.63 and 10.42 percentages respectively [Figure-09].

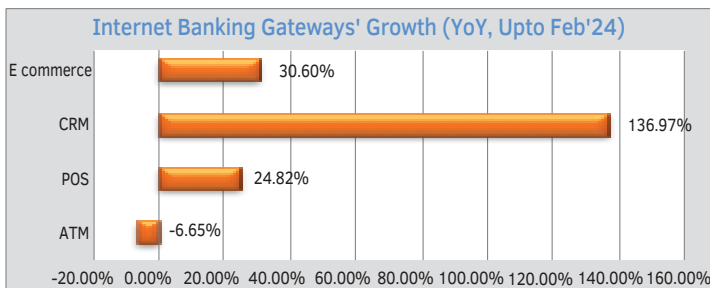


Fig 08: Internet Banking Gateways' Growth

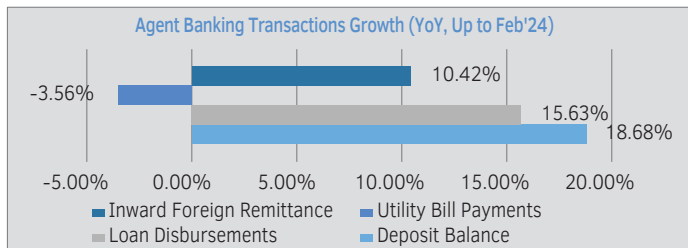


Figure 09: Growth of Agent Banking Transaction

Key Takeaways

- > Banks' deposits continue to rise as most of the banks are offering lucrative deposit rates. However, because of an ongoing liquidity crisis, the impact on banks' deposit holdings was less noticeable.
- > Call money rate, one of the indicators of banking sector's liquidity, remained high in April.
- > Bangladesh Bank kept up its foreign exchange sales, which acted as an automatic quantitative tightening mechanism in the money market and substantially depleted the system's liquidity.
- > While the banking industry battles to manage an ongoing liquidity crisis despite slowing private sector credit growth, the government continues to borrow from scheduled banks and repay the central bank. The government borrowed Tk 65,431 crore from scheduled banks between July 1 and April 22, FY24, and paid back Tk 19,874 crore to Bangladesh Bank during the same period.
- > The increase in the treasury yields shows that there is a dearth of liquidity in the market. Therefore, banks are inclined to invest more in treasury securities rather than lending money to private sectors.
- > The ease and flexibility of internet banking is one of its main benefits; it allows users to conduct financial transactions whenever and wherever they have internet access, eliminating the need to go to a physical bank branch. These have boosted the internet banking growth.
- > Both male and female share almost same proportion in using mobile financial services. Users can easily conduct transactions between their bank accounts and mobile devices with the help of mobile financial services, which is contributing to its increasing popularity irrespective of gender.
- > The persistent growth in both lending and deposit witnesses that agent banking has been playing pivotal role in disseminating banking services to marginal people.

Data Source: Bangladesh Bank Website

POS: Point of Sale
 ATM: Automated Teller Machine
 MFS: Mobile Financial Service
 CRM: Cash Recycling Machine
 YoY: Year on Year



Md. Farid Hossain Monir

Opportunities and Challenges of Bank Mergers in Bangladesh



A Bank merger is a situation where two banks combine their liabilities and assets to become one bank. Merging helps a financial institution to grow faster and enhance credibility in the market. One of the significant benefits of bank mergers is that they reduce the weakness and give the market's competitive edge. In the merger process, the merging banks share information related to technology, cash, resources, data, etc. with each other.

Historical Perspective on Trends in Bank Merger Activity

Bank mergers are not a new or recent phenomenon. These strategic steps were taken by two American banks namely North American Trust Company and International Banking and Trust Company back in the early 1900's. Bank mergers were occurring at the rate of 150 to 350 per year (White, Eugene Nelson. "The Merger Movement in Banking, 1919-1933"). With a population of banks totaling above 25,000, the Bank Merger Rate was in the range of 0.6% to 1.4% in the early 1900s. To put it in perspective, the Bank Merger Rate was 2.3% with 107 bank mergers in 2023.

Bank Merger:

- 16,000 mergers : over 40 years
- Annual Average : 400 bank mergers
- Highest : 725 bank mergers (1997)
- Lowest : 107 bank mergers (2023)

Bank Merger Rates:

- Annual Average : 4.4%
- Highest : 6.3% (1997)
- Lowest : 1.0% (1980)

The metric- **Bank Merger Rate**- is calculated by dividing the number of banks that merged during the year by the number of banks in existence at the beginning of the year.

National Bank of Pakistan, Bank of Bahawalpur, and Premier Bank branches located in East Pakistan until the 1971 Bangladesh Liberation War. Janata Bank was formed in 1972 by combining the erstwhile United Bank Limited and Union Bank Limited. Rupali Bank was constituted with the merger of three commercial banks, Muslim Commercial Bank, Australasia Bank, and Standard Bank, operated in the then Pakistan. Agrani Bank emerged as a nationalized commercial bank following a merger of the former Habib Bank and Commerce Bank. After independence, Eastern Banking Corporation was nationalized and renamed Uttara Bank. The bank was initially transformed from Eastern Mercantile Bank which was initiated by some Bangali entrepreneurs in the year 1959. The Bangladesh Bank reconstructed and merged three private commercial banks – Eastern Bank Limited, ICB Islamic Bank, and Bangladesh Development Bank Limited. In 1991, the Bank of Credit and Commerce International (Overseas) Limited (BCCI) in Bangladesh was reconstructed and renamed Eastern Bank Limited and the Oriental Bank was reconstructed and renamed ICB Islamic Bank in the year 2007. In 2010, Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS) were merged and commenced operation as Bangladesh BDBL after obtaining fresh registration under the Companies Act, of 1994.

Recent Merger Proposal in Bangladesh

Bank Names	Decision of mergers
Exim - Padma	14 March
Sonali - BDBL	3 April
Krishi Bank - RAKUB	3 April
City - Basic	8 April
UCB - National	9 April

Source: www.en.ptothomalo.com

Roadmap for Banking Sector Reform

Bangladesh Bank has recently unveiled a roadmap for banking sector reform. The roadmap aims at ensuring good governance, maintaining public confidence, and eventually promoting stability in the financial sector. The comprehensive plan targets seventeen key issues to resolve, of which eleven are for recovery of defaulted loans and six for ensuring good governance. Five of the issues are considered specifically significant. They are (i) reduction of defaulted loans, (ii) prevention of anonymous loans and fraudulent activities, (iii) appointment of competent directors, (iv) appointment of independent directors, and (v) consolidation of weak banks through merger. To identify weak banks, Bangladesh Bank has issued a framework known as PCA (Prompt Corrective Action). As per the PCA framework banks will be categorized into four groups based on four indicators - Capital Adequacy, Common Equity tier-1 capital, Net NPL, and Corporate Governance. Besides, the Banking Companies (Amendment) Act-2023 added a new section 77(A) giving power to the Bangladesh Bank to merge banks compulsorily.

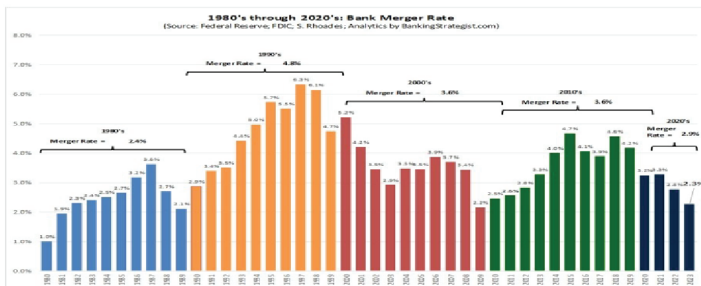


Fig-01: Bank Merger Rate and Banking Industry Consolidation Rate. Source: www.bankingstrategist.com

History of Bank Merger and Reconstruction in Bangladesh

The inception of the country's banking history was marked by mergers, leading to the emergence of six national banks following independence. These banks are Sonali, Janata, Agrani, Rupali, Uttara, and Pubali. Later two of those, Uttara and Pubali, were privatised. Sonali Bank was established in 1972 under the Bangladesh Bank's (Nationalisation) Order, through the amalgamation and nationalization of the branches of the erstwhile

Policy Support for Bank Merger

The Bangladesh Bank will offer incentives including regulatory relaxation regarding Minimum Capital Requirement (MCR), provisioning, Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) requirements, Liquidity Coverage Ratio (LCR), etc. Such incentives will be offered to encourage bidder banks, which will be also called transferee banks, to bid for the transferor bank which is placed under moratorium and decided to be merged with another bank, according to the draft policy. Other incentives suggested in the draft guideline are liquidity support, foreign exchange assistance, the option of Bangladesh Bank buying long-term bonds/debentures from the transferee bank at low rates, issuance of shares to raise capital, permission for subordinated bonds, tax incentives and goodwill as an asset. According to the draft guideline, the board and management of the transferor bank will be disbanded while regular employees will be retained for the next three years by the transferee bank. After this period, the transferee bank will have the discretion to decide whether to continue employing them based on their performance and quality. No suit or other legal proceedings shall be brought against the government, the Bangladesh Bank, the transferee bank, or the transferor bank for any decision or transaction which was done in good faith or intended to be done in pursuance of the scheme. A state-owned Asset Management Company will be formed to acquire the non-performing loans of weak banks.

HOW BANKS WILL BE FORCED INTO MERGER 3

<div style="display: flex; flex-direction: column; gap: 10px;"> <div style="display: flex; align-items: center;"> <p>BB identifies 8-10 weak banks that could be forced towards mergers</p> </div> <div style="display: flex; align-items: center;"> <p>A weak bank will be asked for voluntary merger with a strong bank before being forced</p> </div> <div style="display: flex; align-items: center;"> <p>BB will assess banks' strength for mergers</p> </div> <div style="display: flex; align-items: center;"> <p>Deposits of bank employees will be fully paid back with interest</p> </div> </div>	<div style="background-color: #008000; color: white; padding: 5px; text-align: center; font-weight: bold;"> TO ENCOURAGE MERGER, BB WILL OFFER INCENTIVES </div> <ul style="list-style-type: none"> <li style="background-color: #e6f2e6; padding: 5px; margin-bottom: 5px;">▶ RELAXATION ON LOAN PROVISIONING, CRR, SLR <li style="background-color: #e6f2e6; padding: 5px; margin-bottom: 5px;">▶ TAX BENEFITS <li style="background-color: #e6f2e6; padding: 5px; margin-bottom: 5px;">▶ LIQUIDITY SUPPORT <li style="background-color: #e6f2e6; padding: 5px; margin-bottom: 5px;">▶ FOREX SUPPORT <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 45%; padding: 5px;"> <p>Employees of bank will not lose jobs till three years after a merger</p> </div> <div style="width: 45%; padding: 5px;"> <p>Employees of banks will not lose jobs till three years after a merger</p> </div> </div>
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Source:www.tbsnews.net

Things to be Considered Before Bank Merger

- **Non-Performing Loans (NPLs):** Merging banks need to carefully assess the NPLs of the weaker banks and develop strategies to address them effectively.
- **Financial Misconduct:** Acquiring banks must evaluate the weaker bank's history of financial misconduct and take appropriate measures to mitigate any potential risks associated with such issues.
- **Employee Integration:** Merging banks need to consider the integration of employees from both entities, ensuring a smooth transition and minimizing any negative impact on the workforce.
- **Capital Adequacy Ratio:** The capital adequacy ratio of the merged entity should be carefully evaluated to ensure compliance with regulatory requirements and maintain financial stability.
- **Dilution of Earnings:** Shareholders of the acquiring bank may experience diluted earnings after the merger, which could lead to potential legal issues.
- **Liquidity and Resource Management:** Merging banks must carefully manage liquidity and resources to ensure the smooth functioning of the merged entity and avoid any adverse effects on

customers and stakeholders.

Opportunities for Bank Mergers

- **Facilitating Financial Inclusion:** By merging with stronger banks with broader outreach capabilities, making banking services more accessible to underserved and remote areas.
- **Enhancing Operational Efficiency:** Merging banks can achieve economies of scale, leading to reduced operational costs.
- **Leveraging Synergies:** Mergers offer a platform for leveraging synergies that can create value beyond what individual banks can achieve independently.
- **Scale for Innovation:** Merged banks can leverage their increased scale to invest in innovative financial products and services.
- **Strengthening Financial Stability:** Bangladesh, like many emerging economies, grapples with issues such as non-performing loans, liquidity constraints, and governance deficiencies within its banking sector.
- **Access to Capital Markets:** Merged banks with stronger balance sheets and expanded operations may find it easier to access capital markets for fundraising.

Challenges To Be Addressed for Successful Bank Merger

- **Restore Financial Sector Stabilities:** At the heart of bank mergers lies the issue of stability. By integrating weaker banks with their stronger counterparts, the overarching goal is to reinforce the financial sector's foundation, making it more robust and resilient in the face of market volatility.
- **Cultural Clash and Employee Morale:** One of the most formidable challenges in bank mergers is cultural integration. Each bank boasts its unique organizational culture, shaped by its history, values, and operating principles. Merging these distinct cultures requires finesse, empathy, and effective communication to bridge gaps and foster a sense of unity and purpose within the combined entity.
- **Regulatory Supervision:** Regulatory bodies must enforce compliance with guidelines and regulations governing mergers to safeguard the interests of stakeholders. This entails conducting thorough due diligence assessments to identify potential risks and issues and implementing legal provisions to hold accountable those responsible for past misconduct, including defaulters and unethical bank employees.
- **Job Displacement and Workforce Integration:** The Biggest challenge among these is the threat of job losses, as mergers often result in workforce rationalization and redundancies.

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