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Importance of Housing Finance Companies in Development of Financial Markets of Bangladesh

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1. Abstract

Money market is the market for short-term loans and securities (i.e., for one year or less). The strong presence of money market can boost the economic development of a country. The main purpose of money market is to provide the liquidity need of financial institutions, non-bank financial institutions and other participants in the market. The average borrowing rate in the call money market in 2009 was at 1.7% compares to 9.7% in the year 2008. The main concern in this study is Housing Finance Companies (HFCs). At present, there are three Housing Finance Companies (HFCs) in Bangladesh, which are an integral part of Non-Bank Financial Institutions (NBFIs). The objective of this study is to highlights the present scenario of HFCs, and its role in the development of money market. The study shows that the HFCs are not active participants in the money market like other financial institutions (like banks). In spite of this, they can play a significant role in the development of money market through active participation directly; issuing different money market securities to collect short term fund for new loan sanction and innovate new short-term financial products like securitization of the mortgage loan.

Key words: Housing Finance Companies (HFCs), Non-Bank Financial Institutions (NBFIs), Repurchase of Agreement (Repo), and Bangladesh Government Treasury Bonds **(**BGTBs)

2. Objectives of the Study

The broad objective of this study is to find the importance of Housing Finance Companies in the development of money market of Bangladesh. There are also some other objectives of the study which will help us to achieve our ultimate objectives. These are:

1) To understand the concept of money market;

2) To define present money market operations in Bangladesh;

3) To evaluate the financial conditions of Housing Finance Companies;

4) To identify the key relationship between HFCs and money market.

3. Overview of the Money Market/ Literature Review

To finance their activities, governments, government agencies, financial institutions, and non-financial business enterprises need to obtain funds from the financial markets. These groups can obtain funds in any of a number of places within this broad marketplace. Such as, they may offer participation or ownership shares (equities) for sales in the equity market, they may procure these funds through direct loans or through the issue of debt securities in the bond market, or they may acquire funds through the issue of debt instruments in the money market. *(Babbbel & Santomero, 2001)*

The money market, like all financial markets, provides a channel for the exchange of financial assets for money. However, it differs from other parts of the financial system in its emphasis on loans to meet purely short-term cash needs (i.e., current account, rather capital account transaction).

The money market is the mechanism through which holders of temporary cash surpluses meet holders of temporary cash deficits. It is designed, on the one hand, to meet the short term cash requirements of corporations, financial institutions, and governments, providing a mechanism for granting loans as short as overnight and as long as one year to maturity. At the same time, the money market provides an investment outlet for those spending units (also principally corporations, financial institutions, and governments) that hold surplus cash for short periods of time and wish to earn at least some return on temporary idle funds. The essential function of the money market is to bring these two groups into contract to make borrowing and lending possible. *(Rose, 2003)*

The money market has both a primary and secondary market. In the primary market, short term funds are obtained quickly and easily at interest rates that vary according to the credit standing of the borrower, the nature of the borrowing instrument, the source of funds, and so forth. For most money market instruments, a secondary market also exists where claims are traded at interest rates that result from the interplay of supply and demand for those instruments. *(Babbbel & Santomero, 2001)*

I can identify some common characteristics or features of money market in Bangladesh by analyzing the above scenario: Money market is a market where – i) short-term securities and loans are traded ii) investors get short-term return iii) safety and liquidity is the main principal of money market iv) most money market loans are utilized to meet the working capital need v) the central bank or Bangladesh Bank control the market.

4. Methodology of the study

The research study is conducted on the secondary data as well as interview of respective persons in the HFCs. However, Primary data are collected through primary methods at the same time secondary data from 2003 to 2006 are used extensively to evaluate the financial trend of HFCs. Of these 28 NBFIs, there are three housing finance companies namely: House Building Finance Corporation, Delta BRAC Housing Finance and National Housing Finance.

5. Money Market Participants

It is usually well known that in money market there are two main participants: supplier and demander of money market securities. It is quite natural that participants in the money market acts both supplier and demander of loans and securities. Generally, the participants in money market are: i) individual ii) Business and iii) Government;

More specifically, we can identify different participants as:

1) Government Treasury Department – They are the only demander of fund.
2) Central Bank – They are both supplier and demander of fund.
3) Commercial Bank – They are both supplier and demander of fund.
4) Business – They are also both supplier and demander of fund.
5) Investment and Securities Firm
    a. Investment Companies/Bank
    b. Finance Companies
    c. Insurance Companies
    d. Pension Fund etc
6) Individuals ;

6. Present Scenario of Money Market Operations in Bangladesh

A sound and well-functioning financial system helps mobilize savings, allocate resources, exert corporate control, facilitate risk management and ease trades and contracts by solving market frictions. Efforts have been continued in FY06 to establish a sound financial system in the country. Despite the stronger growth of some major macroeconomic indicators, Bangladesh economy faced some challenges originating from price hike of oil and petroleum products and some major imported commodities in the international market causing fluctuations in real sector and foreign exchange market in FY06. As a result, the financial market was a little bit volatile in the second half of FY06.

Except this temporary fluctuation in the financial market, the overall market was sound functioning during FY06. With a view to establishing a healthy, sound, well functioning and dynamically evolving financial system, a series of reform measures were initiated in FY06.

6.1 Call Money Market

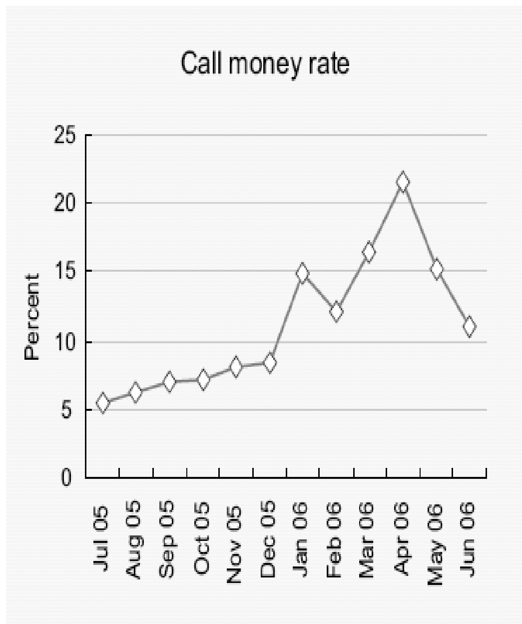
The volume of transactions and weighted average interest rates in the call money market showed mixed trend during FY06 (Table 1) reflecting some noise in the activities of money market. The call money rates witnessed some degree of fluctuations in the last two quarters of FY06 resulting from the recent pressure in the foreign exchange market and tight liquidity situation in the money market. This stemmed mainly due to the increased demand of Government's credit that was met up from NCBs to finance the cost of imported petroleum products. Until the second quarter of FY06, the call money rates remained mostly stable but became somewhat volatile in the third quarter. At the beginning of the last quarter of FY06, the weighted average call money rate stood at 21.5 percent, substantially higher than 5.4 percent recorded in the beginning of the first quarter.

Table 1 Volume of trade and weighted average interest rates in call money market in FY06

Period	Volume of trade (billion taka)	Weighted average interest rate (%)
Jul 05	331.4	5.4
Aug 05	469.8	6.3
Sep 05	420.8	6.9
Oct 05	426.4	7.2
Nov 05	393.9	8.2
Dec 05	492.4	8.4
Jan 06	469.6	14.9
Feb 06	496.0	12.1
Mar 06	538.6	16.4
Apr 06	470.4	21.5
May 06	492.6	15.2
Jun 06	394.8	11.1
FY06	5396.7	11.5

Source : Forex Reserve & Treasury Management Department, Bangladesh Bank.

Chart 1



6.2 Repo Auctions - FY06

With a view to inject the required money in the economy the daily repo auctions were continued in FY06. This facilitated liquidity management within a short period by enabling the banks to place bids for funds collateralized by T-bills. Bangladesh Bank provided the banks with the needed funds against the repo facility thus maintaining the market liquidity at desired level. A total of 77 repo auctions were held during FY06. In all, 148 bids for Taka 341.9 billion were received in these auctions, of which 25 bids for a total of Taka 53.4 billion were accepted. The weighted average interest rates against the accepted bids ranged from 8.5 to 8.0 percent per annum in FY06 (Table 2) as against 10.0 to 4.5 percent per annum in FY05.

Table 2 Repo auctions - FY06

Total No. of auctions held during the year	Tenor	Bids received		Bids accepted		Range of the weighted average interest rates of the accepted bids (%)
		No. of bids	Face value (billion Taka)	No. of bids	Face value (billion Taka)	
77	1-Day/2-Day	91	201.5	10	15.0	8.5 – 8.0
	3-Day/9-Day	57	140.4	15	38.4	8.3 – 8.0
	Total	**148**	**341.9**	**25**	**53.4**	**8.5 – 8.0***

Source : Monetary Policy Department, Bangladesh Bank.
* Overall range of the rates of different tenors.

6.3 Reverse Repo Auctions - FY06

As a counterpart of repo auctions, to mop-up excess liquidity form the money market, the reverse repo auctions are being used as an instrument that continued in FY06. Bangladesh Bank maintained the intended level of liquidity in FY06. The reverse repo auctions were used as a fine-tuning supplement to the weekly T-bills auctions to contain the credit growth and to keep the monetary aggregates on track during FY06. A total of 224 daily reverse repo auctions were held in FY06. In all, 1304 bids of 1-2 day and 3-9 day tenors for a total of Taka 964.2 billion were received in these auctions, of which 1299 bids amounting to Taka 962.1 billion were accepted. The weighted average interest rates against the accepted bids ranged from 4.5 to 6.5 percent per annum in FY06 (Table 3)

Table 3 Reverse repo auctions - FY06

Total No. of auctions held during the year	Tenor	Bids received		Bids accepted		Range of the weighted average interest rates of the accepted bids (%)
		No. of bids	Face value (billion Taka)	No. of bids	Face value (billion Taka)	
224	1-Day/2 Day	517	285.0	512	283.0	4.5 - 6.1
	3-Day/9 Day	787	679.2	787	679.1	4.7 - 6.5
	Total	**1304**	**964.2**	**1299**	**962.1**	**4.5 - 6.5***

Source : Monetary Policy Department, Bangladesh Bank.
* Overall range of the rates of different tenors.

7. Government Securities Market

7.1 Government Treasury Bills Auctions

Weekly auctions of 28-day, 91-day, 182-day, 364-day and 2-year Government Treasury bills (T-bills) continued to be the main instruments for monetary policy management during the year under report. Bangladesh Bank actively used Treasury bill sales to mop up excess liquidity linked to large inflow of export earnings and remittances as well as huge government borrowing.

Treasury bills auction results of FY06 are summarized at Table 4. The bidders' preference of T-bills remained unchanged during the year under report because of its suitability as a stable base for banks and financial institutions in meeting their SLR requirements. The market-based yield rates of long term T-bills also made suitable for investment by the Provident Funds. The outstanding amount of Taka 104.4 billion holding of long term (2-Year and 5-Year) T-bills by banks and other investors as of end June 2006 is, of course not large when seen against Taka 1380.2billion time deposits in banks and financial institutions. A shift in the bidders' preference to the shortest (28-day) tenor bill from the 364-dayand 2-year tenor bills in FY06 is observed in Table 4. It may be mentioned here that the weekly auctions of 5-year T-bills were discontinuing since 10 March 2004.

The yields of T-bills of different tenors varied within wide ranges, depending on the prevailing liquidity conditions in the money market. The yields for various tenors as of end June 2006 (Table 4) depicted narrower range than the yields as of end June 2005. Overall, yields on T bills of all maturities depicted a gradual increasing trend during the year under report as compared to the previous year owing partly to tight monetary policy stance in FY06. The weighted average annual yield rate of the accepted bids ranged from 6.6 percent to 9.0 percent in FY06, which were 4.0 percent to 7.2 percent in FY05.

Table 4 Auctions of government treasury bills - FY06

Tenor of bills	Bids offered		Bids accepted		Outstanding bills as of end June 2006 (billion Taka)	Yield range* (%)
	No. of bids	Face value (billion Taka)	No. of bids	Face value (billion Taka)		
28-Day	882	398.8	871	396.8	14.6	6.6 - 7.1
91-Day	48	6.1	21	5.3	1.1	6.9 - 7.5
182-Day	61	3.3	18	2.1	1.1	6.8 - 7.8
364-Day	81	5.1	69	4. 5	4.5	7.0 - 8.8
2-Year	68	6.6	52	6.2	19.5	7.2 - 9.0
5-Year	-	-	-	-	84.9	-
Total	**1140**	**419.9**	**1031**	**414.9**	**125.7**	**6.6 - 9.0***

Source : Monetary Policy Department, Bangladesh Bank.
* Range of the weighted average annual yield of the accepted bids.

7.2 Bangladesh Government Treasury Bonds (BGTBs) Auctions

Bi-monthly auctions for 5-year and 10-year maturity Bangladesh Government Treasury Bonds (BGTBs) bearing half-yearly interest coupons have been used as the secondary instruments for government's debt and monetary policy management. Four auctions of these instruments were held in FY06. A total of 146 bids for Taka 17.8 billion were received in these auctions, of which 80 bids for a total of Taka 12.4 billion were accepted. The weighted average annual yield ranged from 10.5 to 12.1 percent (Table 5). The amount of outstanding bonds stood at Taka 26.6 billion at the end of June 2006 as against Taka 14.3 billion at the end of June 2005.

Table 5 Auctions of Bangladesh government treasury bonds - FY06

Tenor of bonds	Bids offered		Bids accepted		Outstanding bonds as of end June 2006 (billion Taka)	Yield range* (%)
	Number	Face value (billion Taka)	Number	Face value (billion Taka)		
5-Year	48	7.1	22	4.9	13.8	10.5 - 10.7
10-Year	98	10.7	58	7.5	12.8	11.7 - 12.1
Total	**146**	**17.8**	**80**	**12.4**	**26.6**	**10.5 - 12.1@**

Source : Monetary Policy Department, Bangladesh Bank.
* Range of the weighted average annual yield of the accepted bids.
@ Overall range of treasury bonds of different terms.

7.3. Bangladesh Government Islamic Investment Bond (Islamic Bond)

The Government of the People's Republic of Bangladesh introduced a bond namely the Bangladesh Government Islamic Investment Bond (Islamic Bond) in accordance with the rules of Islami Shariah on 2 September 2004 (sale started from 14 October 2004) for 6- month, 1-year and 2-year maturity. As per the rules, Bangladeshi institutions and individuals who will agree to share profit or loss in accordance with Islamic Shariah, may buy this bond. Any non-resident Bangladeshi will also be eligible for buying the bond. As on June 2006 the total sale against this bond amounted to Taka 6.4 billion while balance of total financing stood at Taka 6.3 billion and the net outstanding against the bond stood at Taka 0.03 billion. As of end June 2005 the total sale against this bond was Taka 5.4 billion against the balance of
total financing of Taka 4.4 billion and the net outstanding of Taka 1.0 billion.

(Bangladesh Bank Annual Report, 2005-2006, pp. 46-49)

8. Non-Bank Financial Institutions in Bangladesh

There are many non-bank financial institutions (NBFIs) operating in Bangladesh beside the traditional banking sectors and it plays an important role in industrialization, trade, housing, transportation, infrastructural development of ICT and so on. According to the statistics of Bangladesh Bank till 31, March of FY 2005–2006 Bangladesh Bank provides license to 28 non-bank financial institutions for operating in Bangladesh. The total paid up capital and reserve of these 28 NBFIs amount to BDT 12461.745 million in the year 2005 compare to BDT 11973.50 million in 2004. Total investment made by these NBFIs stood up to BDT 57931.99 million in the year 2006. Bangladesh Bank regulates the activities of NBFIs as a central bank of the country.

(MOF, 2006, *Bank O Arthik Pratishthaner Karjabali* 2005-2006 (*Functions of Banks and Financial Institutions 2005-2006, Dhaka:MOF, GOB*)

8.1 Housing Finance

Total housing loans from banks and financial institutions as of end June 2006 amounted to Taka 96.1 billion (Table 6), which was 7.6 percent of total credit to the private sector.

The state owned House Building Finance Corporation (HBFC) has the largest share of Taka 26.8[P] billion in outstanding housing loans as of end June FY06. Not a deposit taker, the HBFC in the past funded its housing loans by issuance of low interest debentures bought by the NCBs and the Bangladesh Bank. This funding mode has been unavailable in recent years; the HBFC has been constrained to rely on recoveries of past loans for new lending after defraying operating and debt servicing costs. Consequently, its new lending has been small. Taka 0.41 billion and Taka 0.42 billion in FY05 and FY06 were disbursed out of recoveries of Taka 3.42 and Taka 3.64 billion respectively.

The NCBs and private sector banks with ample deposit resources have been expanding their housing loan portfolios, attaining dominant market position (Table 6).

Two newer private sector specialized housing finance providers are also slowly gaining ground, they fund their operations with long term deposits including some contractual deposit schemes.

The Grameen Bank provides housing loans for basic shelter housing in rural areas to its micro-credit borrower members. Some micro-credit NGOs also have small involvements in lending for basic shelter housing, financed from a *Grihayan Tahbil* created by the government. In FY05 and FY06, the *Tahbil* has recovered Taka 0.07 billion and Taka 0.08 billion respectively as against of disbursed Taka 0.15 billion and Taka 0.09 billion through NGOs for this purpose. The *Tahbil* also disbursed Taka 1.04 billion since its beginning from FY98 to end June 2006. Besides, to provide safe, healthy and cheap housing facilities for the women labourers working in the garments and other industries, 2000-seated hostels have been constructed by BRAC at Askona, Uttara, Dhaka with worth of Taka 0.1 billion financing facility from the *Tahbil*.

Table 6 Outstanding housing loans

(billion Taka)

Lenders	Outstanding as of end June		
	FY04	FY05	FY06[P]
a. Specialized housing finance providers			
i) HBFC	28.9	27.8	26.8
ii) Delta-BRAC Housing Finance	3.4	4.4	5.5
iii) National Housing Finance	1.3	1.8	1.9
b. Banks			
i) NCBs	23.6	24.1	25.7
ii) Other banks	22.9	26.2	32.9
c. Other financial institutions	1.0	1.6	2.9
d. Microcredit lenders			
Grameen Bank	1.3	0.9	0.4
Total	**82.4**	**86.8**	**96.1**

P = provisional.

(Bangladesh Bank Annual Report, 2005-2006, pp. 51-52)

(figure in million)

Items	HBFC				DBH				NHF				Average	Total
	2003	2004	2005	2006*	2003	2004	2005	2006*	2003	2004	2005	2006*		(2006)
1) Authorized Capital	1100	1100	1100	1100	500	500	500	500	2000	2000	2000	2000	3600	***3600***
2) Paid-up Capital	973	973	973	973	200	200	200	200	400	400	400	400	1573	***1573***
3) Reserve Fund	8918	9536	9963	11002	-	225	281	361	69	75	98	135	10238	***11498***
4) Deposit	879	1249	1731	1578	2000	3116	4184	5063	604	512	2272	2486	6418.5	***9127***
a) Short-term Deposit	-				-				4				-	**-**
b) Long-term Deposit	879	1249	1731	1578	2000	3116	4184	5063	600	512	2272	2486	6417.5	***9127***
5) Loan and Advance	29210	28945	27846	26848	2919	3375	4394	5199	1112	1791	2566	3331	34384	***35378***
6) Investment	-				70				-				-	**-**
7) Total Assets	30713	30745	30486	30528	4087	5452	5762	6449	18	20	21	21	36075.5	***36998***
8) Total Income	1931	1865	2007	2058	436	649	716	816	177	350	497	331	2958.25	***3205***
9) Total Expenditure	1025	1002	1031	1019	309	490	529	612	101	238	397	239	1748	***1870***

9. Financial Structure of Housing Industry in Bangladesh

9.1 Interest Rate on Deposit and Lending for Housing Finance Companies:

		2003	2004	2005	2006*
HBFC	Deposit	11.75%	10.99%	9.64%	12%
	Lending	15.12%	14.25%	14.5%	15.02%
DBH	Deposit	11.83%	11.05%	10.49%	11.1%
	Lending	16.37%	15.12%	14.07%	14.6%
NHF	Deposit	-	-	-	-
	Lending	11.69%	11.75%	11.32%	11.66%

	2003	2004	2005	2006*
Average Deposit Interest Rate	11.79	11.02	10.07	11.55
Average Lending Interest Rate	14.39	13.71	13.30	13.76

(MOF, 2006, *Bank O Arthik Pratishthaner Karjabali* 2005-2006 (*Functions of Banks and Financial Institutions 2005-2006, Dhaka:MOF, GOB*)

9.2 Total Funding Surplus/Deficit of Housing Industry

(figure in million)

	2003	2004	2005	2006*
HBFC	-18440	-17187	-15179	-13295
DBH	-719	166	271	425
NHF	-39	-804	204	-310
Industry	-19198	-17825	-14704	-13180

MOF, 2006, Bangladesh Economic Review

10. Analysis of Housing Finance Industry of Bangladesh and Impact in Money Market:

From the analysis of the financial structure of the three housing finance companies (HFCs) it is clear that almost all of them face the problem of fund shortage. Most of the time what we have observed is that, HFCs are providing loan for 15-20 years or even more than that but very small proportion of total loan disbursement is collected through deposits. If we consider the loan-deposit ratio it will be clear that they are providing more loan than their collection of deposits. This is because, like other commercial banks, HFCs cannot collect short term deposit/demand deposit as they do not have the authority from the central bank. In that case, the HFCs required maintaining a huge portion of fund as reserve as well as especial arrangement with other commercial banks for loan within short period of time so that they can disburse new mortgage loan when required. What happen in this situation is that the banks are charging interest rate well above money market rate, as at that time HFCs do not have the bargaining power.

HBFC is leading the housing finance industry with 76% of total loan and advances disbursement, while DBH cover only 15% and NHF still remain as laggard with only 9%. From the year 2003 to 2006, HBFC provides about BDT 112,849 million as loan and advances. On the other hand, they are able to collect only BDT 5437 million as deposits from public. It indicates how important for a NBFIs especially HFCs to manage short term fund to provide mortgage loan.

Chart 2 **Loan and Advance of Housing Finance Industry**

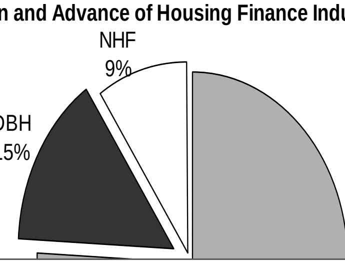
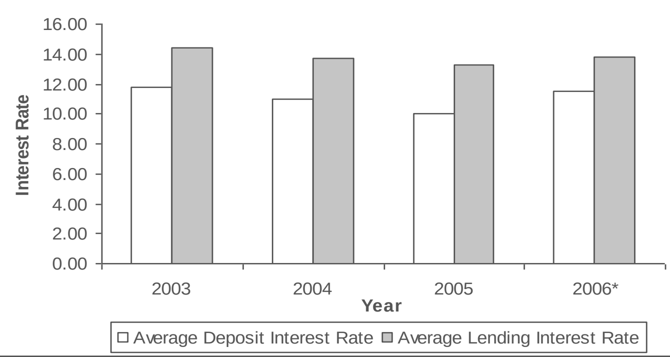


Chart 3 **Average Deposit and Lending Rate for Housing Finance Industry**

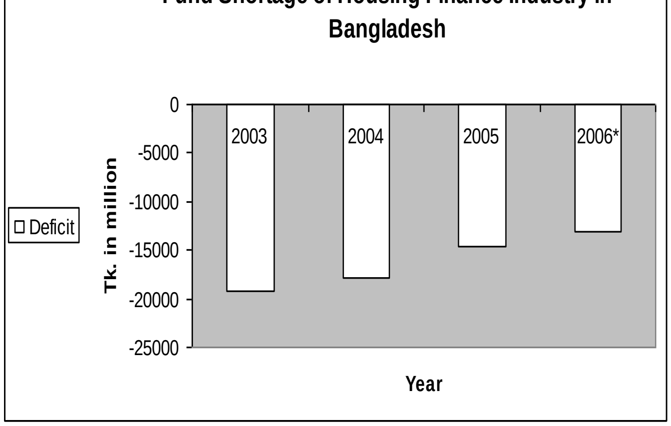


It is quite interesting to note that the average lending and deposit rate of housing industry remain constant since last four years in spite of volatile money market.

As we know that HFCs are providing loan and advances for a long period of time that's why they have to determine the rate of lending by considering all potential economic condition in the future.

It is mentioned earlier that the industry is facing serious fund crisis as they cannot collect short term.

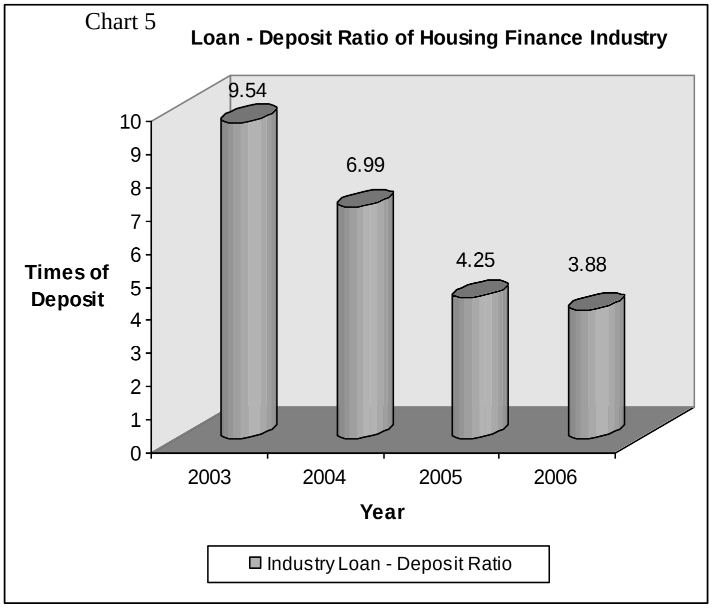
Chart 4



The fund/demand deposit from general public. Because of this, HFCs has to arrange especial arrangement with other commercial banks or NBFIs so that they may not face the liquidity crisis when demand for loan is in high. From the chart-4 , it can be clearly reveal that deficit fund is declining significantly in the year 2003 to 2006 but still it is over BDT 1,000 million. The main reason behind the significant decrease in fund shortage is aggressive deposits collection by both private HFCs. In the year 2006, the deposits collection by this two companies stood up to BDT 7,549 million which was only BDT 2,604 million in the year 2003.

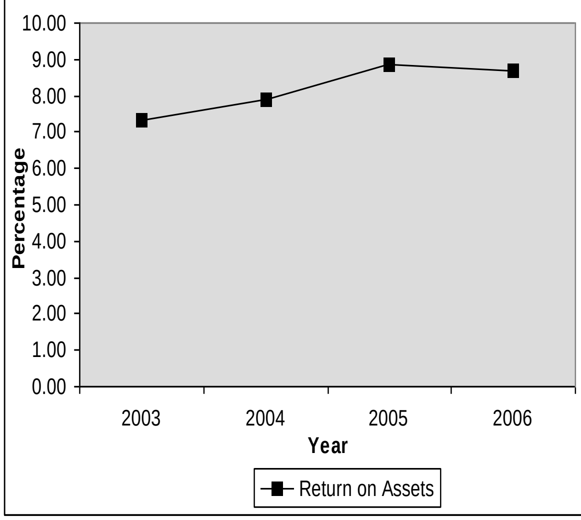
As we have been observing a tremendous growth in deposits collection by HFCs especially DBH and NHF for last four years, the loan-deposit ratio decline to 3.88 from 9.54 times. This indicates that HFCs are satisfying the demand for loan by collection of deposits from customer rather than borrowing from other banks that ultimately help to increase their return on assets.

Chart 5



In the year 2005, the return on assets of HFCs reaches nearly 9% and it remain stable afterwards which was well below 8% in the year 2003. This increase in ROA indicates that they are earning more by utilizing the asset. If we consider the ROA of DBH, they has achieved 12.66% ROA in the year 2006 which is industry's best.

Chart 6 **Return on Assets of Housing Finance Industry**



11. Suggestions

NBFIs play an important role in the money market development of Bangladesh. As far we discussed that, they are not dominant player in the money market, as they do not directly participate in the money market. In spite of this, the industry has potential to further develop the base of money market in Bangladesh. We suggest the following strategies and guidelines so that Housing Finance Companies can play significant role in development of financial market of Bangladesh.

Bangladesh Bank may provide limited authority to HFCs to collect short-term/demand deposits from the public so that they can compete directly with other commercial banks. In that case, they may not need to go to commercial banks for fund collection during fund crisis; as a result, this will give them the opportunity to provide more mortgage loans to the general public.

The study suggests that still the housing industry suffer huge deficit in deposit collection in respect to other commercial banks. As we have observed DBH have already covered the total loan and advances with its capital base, reserve and deposits but other two institutions mainly, HBFC needs to come forward with aggressive strategy for deposit collection so that they can also cover funding gap.

HFCs can try to invent new instruments in the money market; in that case we can suggest a strategy. It will be really interesting invention for HFCs to utilize the concept of securitization. *Securitization is the issuance of a debt instrument in which the promised payments are derived from revenue generated by a defined pool of loans*. (Gup & Kolari, 2005) What will happen with this is that the HFCs will issue a debt instrument against their mortgage loan in the secondary market to collect the fund for granting new loan. In this way, HFCs can realize more fund to disburse more loan to the general public to solve the housing problems as well as they do not need to go to the commercial banks for borrowing short term fund with higher interest rate.

As the study shows there were consistency in spread between interest rate on deposits and loans, the HFCs should try to maintain this trend in the future so that people will be interested to take housing loan.

Though the HFCs earn very standard *return on assets*, but HBFC should try to be more effective in utilizing their assets to generate income.

HFCs will really be able to implement the previous strategy if there is a strong secondary market for those instruments. If all the NBFIs come up with new idea and same attitude it will be possible to develop a strong secondary money market.

12. Conclusion:

It has been rightly said that the capital market indicates how developed a nation's economy is but without efficient money market it is impossible to sustain a strong and vibrant capital market in the long run. The NBFIs will play more important role in the upcoming future and with the advancement of time they will also face problems like fund shortage and so on but if they can develop some efficient instrument in the money market with the help of central bank where they can participate more appropriately, this will ultimately enrich both money market and HFCs of Bangladesh.

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