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# Govt's heavy bank borrowing crowds out private investment

### GED report says

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The government's heavy reliance on the banking system to cover its fiscal deficit continues to effectively crowd out the private sector, leaving little room for productive private investment, said a report by the General Economics Division (GED) released yesterday.

The GED, a division under the Planning Ministry, said that while private sector credit growth decelerated to a historic low of 6.35 percent in August this year, net credit to the public sector increased by 16.59 percent in the same month.

The report stated that the slowing growth of private credit signals a deep-seated reluctance among businesses to invest and expand owing to high interest rates, cautious lending, and political and economic uncertainty.

On the other hand, the expansion of credit to the public sector was driven primarily by the government's need to finance its fiscal deficit and expenditures, exacerbated by a shortfall in tax revenue collection, it said.

The August-October 2025 period demonstrated the persistent trade-off inherent in Bangladesh Bank's policies, according to the October issue of the Economic Update and Outlook.

"While the central bank's tight monetary stance contributed to a gradual easing of point-to-point inflation, it came at a significant cost to growth," said the report.

It noted that inflation, while still elevated, has shown signs of stability in recent months.

After falling to 8.48 percent in June from 9.05 percent in May, inflation rose slightly to 8.36 percent in September from 8.29 percent a month earlier.

However, falling private sector credit "directly translates into reduced investment and job creation."

"The historic low in private sector credit growth signals a serious challenge to future economic activity, and the continued high reliance of the government on bank borrowing further complicates the situation," it said.

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# BB's lost autonomy has a hefty price

### Economists blame rising bad debt, soaring prices and illicit fund flows on central bank's waning independence

The PRI said that the Bangladesh Bank Order-1972 is outdated and unsuited to the needs of a modern central bank. PHOTO: STAR/FILE

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The rise in non-performing loans, red-hot inflation, illicit fund flows and lately an uptick in the poverty rate are the direct outcomes of the Bangladesh Bank (BB) losing its autonomy, according to economists.

In its paper, local think tank Policy Research Institute (PRI) says regulatory forbearance had allowed bad debts to balloon to Tk 420,335 crore by March this year.

Besides, inflation reached 11.66 percent in July last year and has stayed high compared to neighbouring countries, eroding real incomes, said PRI's Principal Economist Ashikur Rahman while presenting the paper at a roundtable.

The programme, titled "The Imperative for Central Bank Independence", was organised by PRI with support from the UK International Development (UKID) in Dhaka yesterday.

According to the paper, widespread money laundering and capital flight have deepened liquidity shortages and weakened public trust in the financial system. Meanwhile, persistent inflation and financial instability have reversed the poverty reduction progress.

PRI recommended insulating monetary policy, bank licensing, regulation, supervision and government debt financing from political or executive interference.

The paper also said that the Bangladesh Bank Order-1972, despite its 2003 amendments, is outdated and unsuited to the needs of a modern central bank tasked with ensuring price and financial stability and encouraging sectoral development.

"The establishment of the Financial Institutions Division under the Ministry of Finance and weak central bank leadership over the past decade have severely curtailed Bangladesh Bank's operational independence," says the paper.

Amir Khosru Mahmud Chowdhury, standing committee member of BNP and also a former minister, attended the event as the chief guest.

Khosru said the BNP believes in central bank autonomy, but he argued that independence alone will not work unless other financial institutions are also strengthened.

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# Govt to install solar panels at 46,000 schools, hospitals

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The government has initiated the installation of solar power systems on the rooftops of around 46,000 educational institutions and hospital complexes.

The Power Division signed memorandums of understanding (MoUs) with five other government divisions under three ministries yesterday to implement the project.

Under the initiative, the institutions are expected to collectively generate about 1,454 megawatts (MW) of electricity from sunlight using a total rooftop area of 308 lakh square feet.

All the generated power will be connected to the national grid. As a result, the institutions will be able to generate their own electricity and also supply it to the national grid if they produce more than their requirement.

Joining the signing ceremony at Bidyut Bhaban, Fouzul Kabir Khan, adviser to the Ministry of Power, Energy and Mineral Resources, instructed the authorities concerned to complete all procedures by next February.

"Solar items have become cheaper, and their installation process is like plug and play," he said, adding that the tender processes for the projects should be completed by December 10.

These projects will be implemented under the supervision of six power distribution companies across the country.

Representatives attending the programme informed the adviser that most of them have already floated tender notices, which will close between late November and early December.

The adviser said there is no other option but to move towards renewable energy amid the shortage of primary energy supply.

"We are trying to import more LNG (liquefied natural gas) as well as emphasising gas exploration. But we have structural limitations in imports, and the results of exploration are not hopeful," he said.

"Renewables are our way out of the situation. They will not only help save the institutions' electricity costs but also reduce the overall power generation costs for the government," he added.

Power Division Secretary Farzana Mamtaz signed the MoUs on behalf of the division, while the secretaries to the

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# BSEC bars mutual fund investment in bank bonds. Will it deprive investors?

AHSAN HABIB

The Bangladesh Securities and Exchange Commission (BSEC) is restricting mutual funds and individual investors from investing in banks' subordinated bonds, a move that market insiders say contradicts the regulator's stated goal of developing a vibrant bond market.

Recently, the commission approved a Tk 500 crore subordinated bond for Trust Bank with the condition that "mutual funds and individual investors shall not be eligible to subscribe to the bond." The same condition has been imposed on similar bonds issued by BRAC Bank, United Commercial Bank (UCB), Pubali Bank, and Jamuna Bank.

While the restriction is not a permanent rule, it raises questions as to why investors will be deprived of the chance to invest in the lucrative securities.

A mid-level BSEC official, speaking on condition of anonymity, said the regulator imposed the restriction mainly to avoid potential liquidity problems for open-ended mutual funds and to protect individual investors who may not fully understand the risks of these long-term securities.

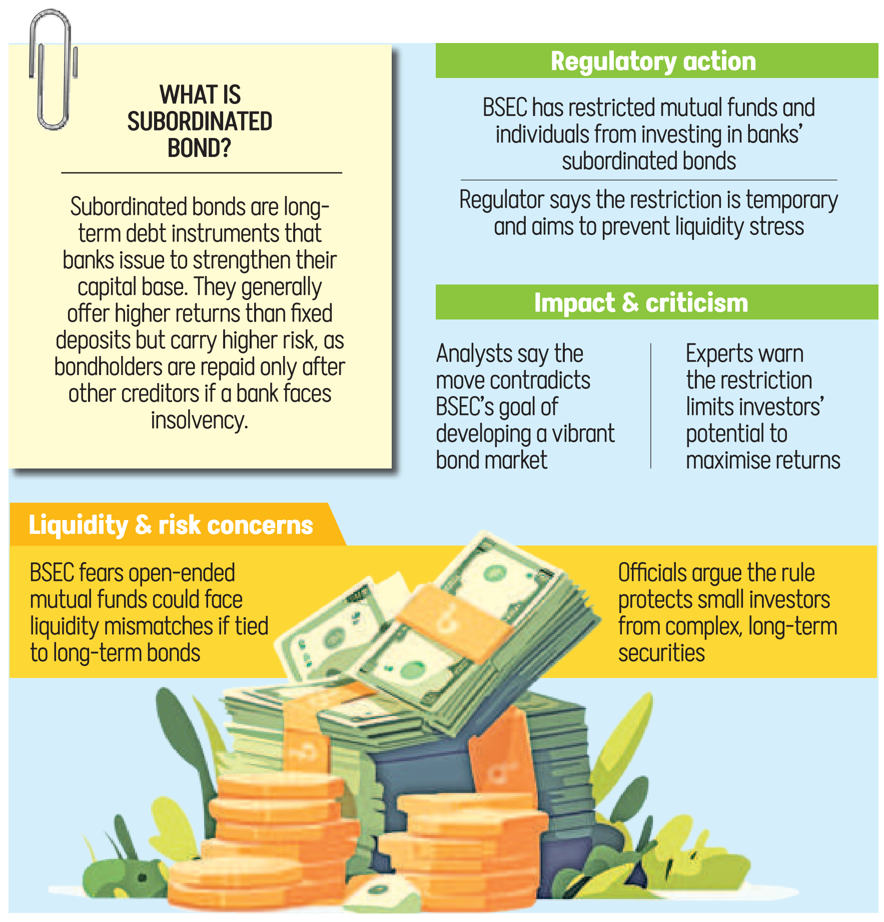
Most mutual funds in Bangladesh are open-ended, meaning investors can withdraw money at any time. If these funds hold large volumes of long-term instruments like subordinated bonds, the regulator fears a liquidity mismatch, where fund managers might struggle to meet withdrawal requests because their money is tied up for years.

Subordinated bonds are long-term debt instruments that banks issue to strengthen their capital base. They generally offer higher returns than fixed deposits but carry higher risk, as bondholders are repaid only after other creditors if a bank faces insolvency.

Senior bankers say the regulator's move hinders the potential to maximise the wealth of their investors.

Tanzim Alamgir, managing director and CEO of UCB Investment Ltd, said mutual funds should have the freedom to make investment decisions based on proper liquidity analysis instead of being restricted outright.

"Mutual funds should have the flexibility to invest in high-yielding bank bonds where the fundamentals and liquidity profiles justify such exposure," Alamgir told The Daily Star.




He pointed out that the restrictions are being imposed at a time when government treasury bond yields have dipped below the central bank's 10 percent policy rate for the first time in two years, while bank bonds are offering around 13 percent returns.

"Preventing mutual funds from accessing these opportunities ultimately hinders the wealth-maximisation potential of their unitholders," he stated.

Regarding individual investors, Alamgir added, "If individuals can keep fixed deposits with banks at around 9 percent interest, it is worth considering why they shouldn't be allowed to invest part of that money in the same banks' bonds that offer higher yields, roughly three percentage points above a six-month FDR."

He said instead of limiting mutual fund investments in bonds due to exit constraints, policymakers should focus on strengthening the secondary bond market to enable smoother transactions and more liquidity. He also recommended that policymakers consider introducing a formal yield curve to enhance price discovery.

"To make the bond market truly functional, mutual fund participation is essential," he said, noting that in India, mutual funds account for nearly 20 percent of total bond market participation, which has helped improve liquidity and market depth there.

Also speaking on the matter, Ershad Hossain, senior director of Lion City Advisory Ltd, said the liquidity issue regarding subordinated bonds mostly stems from the fact that these bonds are not traded in the secondary market.

"The government should focus on making them tradable there. Public interest is strong because of their

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# Is there any redress for airport fire victims?

MD ASADUZ ZAMAN *and* SUKANTA HALDER

The massive fire that engulfed the cargo complex at Hazrat Shahjalal International Airport on Saturday has left importers grappling with the loss of consignments worth crores of taka. They now face a painful question: is there any legal or financial redress for their losses?

There are two issues to consider — the refund of duties already paid and compensation through insurance coverage.

Take the case of Pacific International Trade Point Limited, a clearing and forwarding agent, which lost around $233,500 worth of imported medical equipment. It had already paid Tk 19 lakh in customs duties for a $67,000 shipment. The goods were scheduled for release on Sunday. Three other shipments, valued at $95,000, $68,000, and $3,500, were still under customs processing when the fire struck.

"The entire consignment was destroyed, leaving no opportunity for retrieval," said Zakir Hossain, managing director of Pacific International Trade Point Limited. "There has been no decision on refunds or compensation yet. We are still waiting."

**As of now, neither the government, Biman Bangladesh Airlines, nor the Civil Aviation Authority has made any statement on compensation or refunds**

As of now, neither the government nor Biman Bangladesh Airlines nor the Civil Aviation Authority has made any statement on compensation or refunds. "Only representatives of the Bangladesh Garment Manufacturers and Exporters Association provided a partial list of goods that survived the fire," Hossain said.

He added, "I have all the evidence — three to four key documents. Everything is strong and properly recorded. Once the government gives the directive, we'll file our refund claims with all necessary documents."

He said that the Dhaka Customs Agents Association is collecting details of pending bills of entry, ownership, and types of goods lost in the fire. "They asked for all those details, and I'll submit them tomorrow [Wednesday] morning."

**WHAT THE LAW SAYS**

The Customs Act 2023 provides a clear legal pathway for refunding duties or taxes on goods destroyed before being released for domestic use.

Under Section 28 of the law, if imported goods are damaged, lost, or destroyed in an accident or natural disaster after importation but before release, importers may apply to the customs commissioner for reassessment and refund.

Several officials of the National Board of Revenue (NBR) told The Daily Star that legal provisions will be thoroughly reviewed in this regard, with necessary measures taken in accordance with the law.

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