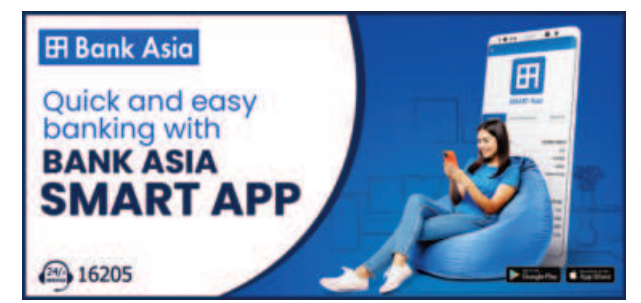


Star BUSINESS



Investment climate hinges on post-poll political reset

JAGARAN CHAKMA

After a difficult year marked by macroeconomic stress, high borrowing costs and prolonged political uncertainty, Bangladesh has entered 2026 with watchful anticipation that a post-election political reset could begin to revive the investment climate.

While some indicators stabilised toward the end of last year, most notably the exchange rate and foreign exchange reserves, investor confidence remained weak, and the effects are expected to linger into 2026.

Economists and business leaders warn that recovery will depend heavily on the elected government's ability to set out a clear and credible economic direction.

Private investment lost momentum throughout 2025, with central bank data showing sectoral credit growth stood at 6.58 percent in November, compared to 7.66 percent a year earlier.

Fresh foreign investment in company shares and ownership stakes, known as foreign equity inflows, dropped nearly 17 percent year-on-year to \$554.77 million in fiscal year 2024-25 (FY25).

Total net foreign investment, however, rose to \$1.69 billion from \$1.42 billion, driven mainly by reinvested earnings rather than new capital entering the economy.

"Without a credible medium- to long-term roadmap, investment will remain in low gear well into 2026," said M Masrur Reaz, chairman and CEO of Policy Exchange Bangladesh.

ANALYSIS

He described 2025 as a year of missed opportunities, noting that while some progress was made in exchange rate stability and banking oversight, targeted policies to support small and medium enterprises (SMEs), exports and job creation were largely absent.

He added that limited government engagement with the business community further weakened confidence, which should be addressed in 2026. "The slowdown was not just due to the election cycle. It reflected deeper weaknesses in investment facilitation and policymaking."

Economists say the easing of political uncertainty following the national election could help unlock delayed investment decisions this year, but only if accompanied by policy reforms.

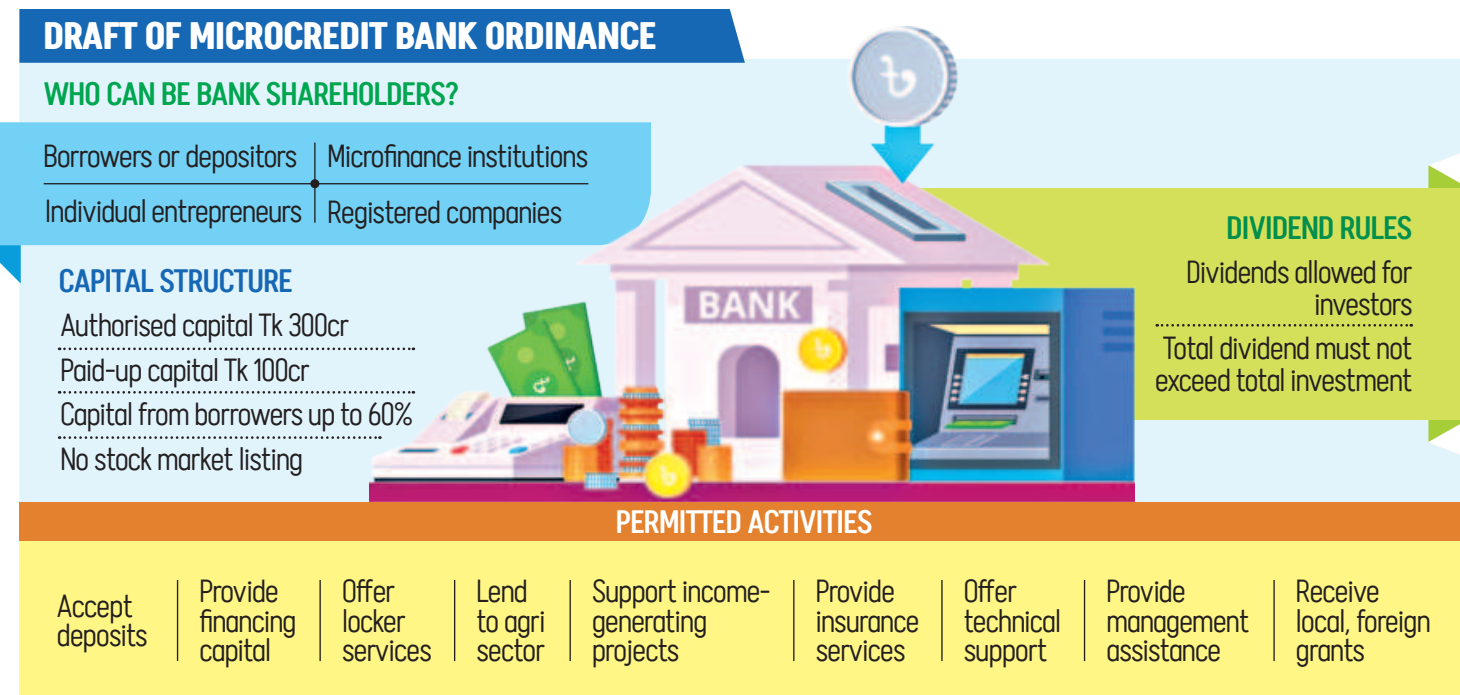
"Bangladesh's investment environment remained fragile throughout the year, and that fragility will take time to mend," said Mustafizur Rahman, distinguished fellow at the Centre for Policy Dialogue.

He attributed last year's sluggish investment to elevated interest rates, which hovered at around 10 percent, alongside policy inefficiencies and high business costs, despite initiatives such as the One Stop Service.

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Microcredit bank plan stirs debate over profit vs social goals

Sector leaders question capital rules, dual regulation and investor influence, while authorities say review is underway for clarity



REJAU KARIM BYRON and AHSAN HABIB

Bangladesh gave the world the model of modern microfinance, proving that poor people are creditworthy. The success of the Grameen Bank reshaped development finance globally. Now, the interim government led by Muhammad Yunus, founder of the Grameen Bank, is seeking to push the sector into the next phase.

The target is to reach the 45 percent of adults who remain outside the formal banking system. To that end, the Financial Institutions Division (FID) has unveiled the draft Microcredit Bank Ordinance 2025, proposing a new tier of lenders called microfinance banks.

These institutions would combine the outreach of microcredit organisations with the services of commercial banks, offering products ranging from savings accounts to agricultural support, without collateral.

Zahid Hussain, a former lead economist at the World Bank's Dhaka office, described the proposed banks as a "progressive step".

"If they follow a social-business model and reinvest their profits, I don't see any problem,"

Hussain said.

At its core, the proposed banks would change how microfinance operates in Bangladesh. By allowing these new banks to accept shareholder investment and distribute dividends, the draft introduces profit incentives into a sector long designed around reinvestment and social outreach.

This shift has triggered strong resistance from the very institutions the model seeks to emulate. In a joint statement issued on Sunday, leaders of big microfinance institutions, including BRAC and ASA, warned that the draft ignores the "realities" of microfinance in Bangladesh.

A key point of contention is the distinction between "surplus" and "profit".

Microfinance institutions (MFIs) are not charities. They charge interest to cover operating costs and generate surplus income. Under the existing NGO-based framework, however, that surplus cannot be distributed. It must be reinvested to expand outreach or strengthen capital buffers.

The draft ordinance would alter this structure by introducing shareholder profit. As microfinance banks would operate on a

commercial footing, investors would expect dividends.

Critics argue this creates an inherent tension. To maximise returns, management could face pressure to move away from lending to the "ultra-poor", who are costly and risky to serve, and instead focus on wealthier and safer borrowers. This potential "mission drift" is what sector leaders fear most.

The proposed capital structure has further unsettled institutions.

The draft requires each microfinance bank to have at least Tk 100 crore in paid-up capital. Up to 60 percent of this could be raised from borrower shareholders, with the remainder coming from other investors.

This presents a fundamental dilemma. Many microfinance institutions hold large asset bases but have no formal ownership structure capable of injecting equity.

To meet the capital threshold, they may be forced to sell stakes to individuals or corporate investors. Sector leaders fear this could shift control away from social objectives and expose the institutions to the same governance failures that have long plagued commercial banks.

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700MHZ AUCTION BTRC lowers cap for spectrum acquisition

MAHMUDUL HASAN

The Bangladesh Telecommunication Regulatory Commission (BTRC) has revised its rules for the upcoming 700-megahertz (MHz) band auction, reducing the maximum spectrum a single operator can acquire from 15MHz to 10MHz.

The change comes less than two weeks after the regulator amended the auction guidelines to allow one operator to acquire up to 15MHz. The original auction guidelines did not set a clear maximum acquisition limit.

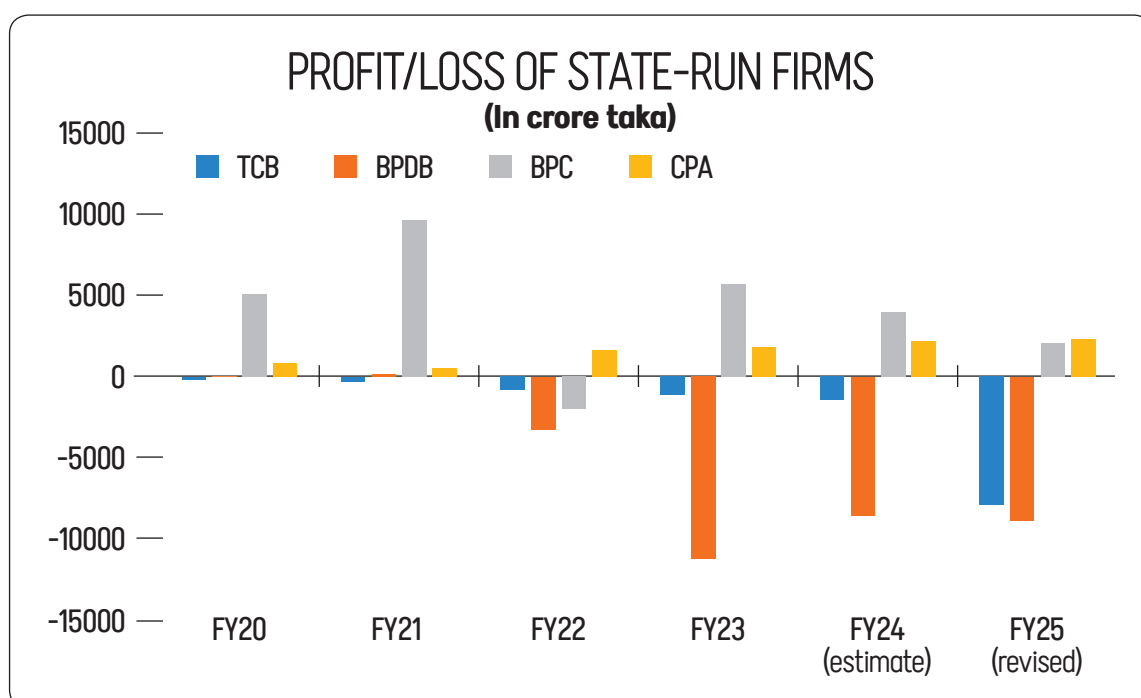
"We suspect that only one operator might participate in the auction. If there is a single bidder, that operator could acquire a significant amount of spectrum without competition," said Md Emdad Ul Bari, chairman of the BTRC.

"To protect the interests of smaller operators and ensure fair competition, we have introduced this change," he added.

Earlier, the country's largest mobile operator, Grameenphone, and the second-largest, Robi Axiata, applied to take part in the auction scheduled for January 14. However, Robi has requested a one-month extension of the timeline. Banglalink, the third-largest operator, and state-owned Teletalk have not yet applied.

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TCB's income deficit rises 460% amid expanded food support



REJAU KARIM BYRON and AHSAN HABIB

The Trading Corporation of Bangladesh (TCB) recorded around a 460 percent rise in its income deficit in the last fiscal year, due mainly to expanded distribution of essential goods to low-income households amid high inflation.

TCB's deficit reached Tk 7,876 crore on a revised basis at the end of FY2024-25, nearly six times higher than the Tk 1,406 crore a year earlier, according to the Bangladesh Economic Review.

The finance ministry usually

publishes the review in June. But the ministry released it recently this time to reflect full-year data rather than six-month figures.

The review also changed its terminology, referring to surplus and deficit instead of profit and loss for state-owned enterprises. According to the review, many of the enterprises do not run solely for profit.

Among all state-run entities, TCB posted the second-highest deficit in the last fiscal year.

The Bangladesh Power Development Board (BPDB) topped the list with a deficit of Tk

8,803 crore, up about 4 percent from the previous year, although still below the Tk 11,163 crore shortfall recorded in FY2022-23.

Md Shahadot Hossain, spokesperson of TCB, said the corporation received subsidies of around Tk 2,800 crore last fiscal year, an amount that rose after the agency expanded its coverage to 1 crore families.

In 2022, TCB moved away from truck sales and began distributing food essentials at subsidised prices to 1 crore households through family cards.

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Short circuits still cause one in three fires despite warnings

STAR BUSINESS REPORT

Short circuits continue to be the leading cause of fire incidents in Bangladesh, accounting for more than one-third of all cases, official data shows, pointing to long-standing failures in electrical safety and infrastructure oversight.

According to the Department of Fire Service and Civil Defence (FSCD), the country recorded 26,659 fire incidents in 2024, of which short circuits were still responsible for 9,069 incidents, or 34 percent.

In 2023, fire incidents rose to 27,624, while electrical faults accounted for 9,813 cases, or 36 percent. The year before, 24,102 fire incidents were logged across the country, of which 9,275, or 38 percent, were caused by short circuits.

The human toll has been increasing every year. According to Fire Service records, short circuit-related fires killed 85 people in 2022, followed by 102 deaths in 2023, and 140 in 2024.

"These are not just statistics. They represent families shattered and futures lost due to preventable causes," said Md Shahjahan Sikder, officer-in-charge of the FSCD media cell.

The financial damage caused by these fires has fluctuated sharply. Losses linked to short circuit-related incidents stood at Tk 134 crore in 2022 before massively surging to Tk 436 crore in 2023. Although losses declined to Tk 280 crore in 2024, DFSCD officials described the trend as unstable and worrying.

Sikder said investigations consistently point to poor-quality wiring, overloaded circuits and substandard installation practices as the main causes of such fires.

Many buildings, particularly in urban and semi-urban areas, continue to operate with outdated electrical systems installed without professional supervision, he added.

He further stated that electrical inspections remain rare, while compliance with fire safety codes is weak, especially in older structures and informal settlements.

Industry experts also point to substandard electrical materials as a major factor.

"Many cables lack three-layer insulation, which is designed to prevent overheating," said Akhteruzzaman,

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NBR split may be completed before Feb 12 election

Says finance adviser

STAR BUSINESS REPORT

The interim government expects to complete the long-delayed bifurcation of the National Board of Revenue before the February 12 general election, Finance Adviser Salehuddin Ahmed said yesterday.

"There is still time. It hasn't happened yet, but you will see whether it is completed by January or February 12," he said.

Ahmed made the comments while replying to a question from reporters at the Secretariat.

The adviser had earlier assured that the split would be completed by the end of last December.

He, however, acknowledged that despite earlier assurances, the separation could not be finalised by the end of 2025, but said the process was still very much on track and awaiting completion of some remaining formalities.

The reform aims to divide the NBR into two separate bodies: one for tax policy and another for revenue collection and administration.

This reform is highly anticipated by development partners, economists, and business leaders to enhance efficiency, transparency, and revenue mobilisation.

The move has, however, triggered prolonged unrest within the revenue authority, leading to protests, administrative disruptions, and suspension orders that continue to affect the country's fiscal administration.

The dispute initially began on May 12, 2025, when the interim government issued the Revenue Policy and Revenue Management Ordinance, 2025, dissolving the

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