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GREENWASHED

Tk 10,000cr fund for cleaner and greener factories eludes SMEs, while influential conglomerates capture financing and default on repayments

MD ASADUZ ZAMAN

Two years ago, Humayun Kabir Salim decided to follow the government's long-standing call for factory owners: going green.

Salim, managing director of Khantex Composite Textiles Ltd, planned to install a 1-megawatt rooftop solar system, enough to power around 200 homes annually, at his factory in Dhaka. The project, estimated to cost around Tk 6 crore, was meant to cut rising energy costs and improve efficiency.

The technology was available. The policy support existed. And the money, on paper, was there.

What Salim could not get was a bank willing to say yes, or no.

The spinner approached four to five banks and financial institutions. None rejected the proposal outright. Instead, the process dragged on, with repeated demands for documents and compliance papers.

"There was no outright rejection, but the process kept getting delayed with repeated documentation requirements," Salim said.

Over time, the delays took their toll. "People eventually stop chasing these projects," he added.

The entrepreneur believes the problem is not with the banks alone, but with a system that allows them to avoid accountability.

"The government has set big renewable energy targets, but there is no follow-up or obligation for banks to finance a fixed share or explain why they do not," he said.

Salim's case was not an isolated one.

Across the country, many small and medium-sized entrepreneurs planning green factory projects have run into the same wall. Funds exist, demand is there, but disbursement has been painfully slow. In some cases, it is stalled altogether.

At the same time, some of the country's most influential and politically connected business groups have had no such trouble accessing the Tk 10,000 crore refinancing fund. Its official name is the Green Transformation

GREEN FUND NOT ACCESSIBLE TO ALL INDUSTRIES

GREEN TRANSFORMATION FUND

Launched: 2016

Total size: Over Tk 10,000cr (including dollar, euro and taka components)

Purpose: Promote sustainable, eco-friendly industrial growth

WHERE THE MONEY WENT

- Over 60 factories received funding
- Politically connected firms had easier access
- Genuine small and mid-sized factories struggled

CURRENT STATUS

Some big borrowers stopped repaying

Politically linked owners reportedly left the country

Banks had to absorb losses

COMMON BARRIERS FACED BY SMEs

- 30% equity requirement
- Lengthy documentation
- Environmental certification issues

Fund (GTF), operated through the Bangladesh Bank (BB).

STRAIGHTFORWARD ON PAPER, SLOW IN PRACTICE

The GTF was launched by the BB in January 2016 as a long-term refinancing facility of \$200 million, or Tk 2,443 crore. Its goal was to promote sustainable growth in export-oriented textile and leather sectors and support the country's transition to a green economy.

In September 2019, the

scope of the fund was expanded to include all manufacturer exporters, regardless of sector, for importing capital machinery and accessories for approved green and environmentally friendly initiatives.

Later, an additional C200 million, nearly Tk 3,000 crore, was added. In December 2022, another Tk 5,000 crore refinance fund was introduced to serve the same purpose.

Under the model, commercial

banks lend to eligible factories or companies. The BB later reimburses the banks under the refinancing scheme.

According to central bank data, 30 banks signed participation agreements for the dollar component, and 26 did so for the euro component. Yet only 15 commercial banks have actually disbursed funds.

So far, more than 60 factories have received \$140.94 million, or Tk 1,720 crore, and €71.21 million, or Tk 1,041 crore, representing 70 percent of the dollar allocation but only 36 percent of the euro allocation.

From the Tk 5,000 crore domestic currency fund, Tk 1,832 crore was disbursed to 68 clients through 20 banks as of June last year, about 37 percent of the total allocation.

Bankers say the lending process under the fund has become complicated because of its multiple components and other requirements.

Mercantile Bank, for example, distributed \$8.9 million and €0.6 million to five recipients.

"The amount is affected because the higher formalities for GTF are stricter," said a senior official of Mercantile Bank, who spoke on condition of anonymity.

Earlier, GTF funds were disbursed directly in dollars and euros, which he said was simpler. Now that the funds are provided in taka, customers must provide at least 30 percent equity, while banks can finance a maximum of 70 percent.

"Sometimes factories say they cannot provide more than 10 percent equity at the moment, so the bank's fund cannot be fully disbursed," the official said.

He added that environmental certification requirements have also reduced uptake, making compliance more challenging for factories.

NOT ALL CLIENTS ARE THE SAME

While small and mid-sized firms struggled with equity requirements, paperwork and delays, some politically connected companies got large sums with ease, according to bankers.

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Govt to sign trade deals with US, Japan before polls

STAR BUSINESS REPORT

The interim government is preparing to finalise two significant trade agreements with the United States and Japan before the national polls, aimed at securing greater market access and protecting export revenue following its upcoming graduation from least developed country (LDC) status.

Speaking to The Daily Star yesterday, Commerce Secretary Mahbubur Rahman confirmed that the Economic Partnership Agreement (EPA) with Japan will be signed on February 6 in Tokyo, while discussions continue regarding the format of the US trade deal originally scheduled for February 9 in Washington.

Given that the 13th general election is set for February 12, leaving minimal working days, the US agreement may proceed virtually instead.

The anticipated US deal centres on duty-free market access for Bangladeshi garments manufactured using American cotton. Under the proposed terms, garment exporters who can demonstrate that 60-70 percent of their products are made with US-sourced materials such as cotton will be exempt from the 20 percent tariff on those components.

Secretary Rahman also suggested that the Donald Trump administration is considering reducing the reciprocal tariff rate from its current 20 percent level, though the exact reduction percentage remains undetermined. This concession follows months of bilateral negotiations.

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Banks asked to submit data on farm loans up to Tk 10,000

STAR BUSINESS REPORT

The Bangladesh Bank (BB) has asked banks to submit detailed information on agricultural and rural loans of up to Tk 10,000 so the data can be kept ready "for the next government".

In a recent email from the central bank's agriculture credit department, banks were instructed to provide comprehensive loan data following what officials described as an urgent directive from a BB board member.

"You are requested to send via email the data -- as of December 31, 2025 -- on agricultural and rural loans up to a maximum of Tk 10,000, including total principal, interest/profit,"

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MFS transaction cap likely during polls

STAR BUSINESS REPORT

The transaction limit for mobile financial services (MFS) may be reduced ahead of the upcoming national parliamentary election.

As a result, customers of mobile banking platforms such as bKash, Rocket, and Nagad may be allowed to transact up to Tk 10,000 per day, with a maximum per-transaction limit of Tk 1,000.

Arief Hossain Khan, executive director and spokesperson of Bangladesh Bank, said yesterday that the transaction limit for MFS may be lowered in view of the election.

"Before every election, we usually receive such instructions from the Election Commission. However, we have not received any directive yet this time. We will take initiatives once we receive an official letter," he said.

He added that discussions are ongoing to allow a maximum of 10 transactions per day, with each transaction capped at Tk 1,000.

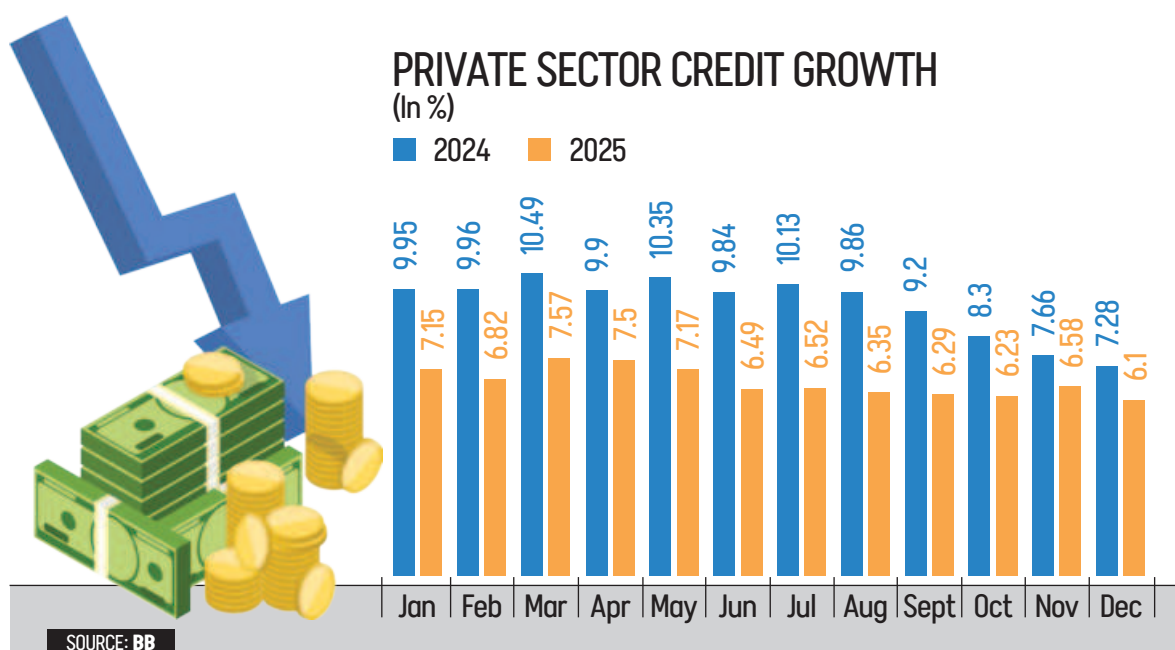
"No final decision has been made yet," he said, adding that stricter measures may also be imposed on mobile banking services.

The limited cap will remain in effect for one week, covering both the period before and after the election, according to BB officials.

Currently, MFS account holders can deposit up to Tk 50,000 daily through agents. For cash withdrawals through agents, the daily transaction limit is Tk 30,000.

For person-to-person transactions, users can transfer up to Tk 50,000 per day.

Private sector credit growth hits record low



STAR BUSINESS REPORT

Private sector credit growth fell to a record low in December 2025 due to political uncertainty and an economic slowdown, signalling stagnant investment.

Last month, business credit growth dropped to 6.10 percent, the lowest in at least four years, down from 6.58 percent in November, according to Bangladesh Bank data.

The central bank had set a credit growth target of 7.2 percent for private businesses in December 2025 in its July-December 2025 monetary policy, after growth reached 6.5 percent by the end of June 2025.

Two leading bankers said loan demand remains weak because entrepreneurs are hesitant to make new investments or expand their businesses.

"All are waiting for a peaceful political transition. A free and fair election is needed for credit demand to pick up," said Mati Ul Hasan, managing director of Mercantile Bank PLC.

He added that the weak loan demand has led to rising liquidity in the banking sector.

Ashikur Rahman, principal economist at the Policy Research Institute (PRI) of Bangladesh, said private credit growth has slowed as economic agents factor in the uncertainty surrounding the national elections scheduled for February 12.

"Since the political climate strongly affects investment decisions, entrepreneurs are delaying investments to see who will take power after the election and whether the process is seen as credible enough to bring political

stability," he added.

Mohammad Ali, managing director and CEO of Pubali Bank PLC, one of the oldest private banks, said private sector investment remains stagnant.

He added that the slow implementation of public development projects is another reason.

"All attention is on the election," he said, adding that demand for long-term loans and capital machinery may increase in May-June after the election.

Bangladesh Bank said in its July-December 2025 policy that several factors may have slowed credit demand, including weaker borrowing from non-bank deposit corporations and other financial sectors amid ongoing uncertainties in the country, as well as the impact of a contractionary monetary policy.

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Total Deposit Customers	19,20,982
Total Customer Transactions (2025)	16,721,248
Total Remittance Business Through NBL Exchange Houses	USD 730 Million
NBL Remittance (2025)	USD 359.57 Million
Agriculture Finance (Own Channel)	150% Target Achieved
Cost Saving (YOY)	BDT 172 Cr.

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Disclaimer: All data presented are based on the Bank's internal management reports and provisional unaudited figures as of 31 December 2025, and are subject to regulatory review and approval.

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