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Star BUSINESS

Govt's bank borrowing crosses annual target in nine months

AHSAN HABIB

The government's net borrowing from the banking sector in the first nine months of the current fiscal year has crossed the full-year target by more than Tk 22,000 crore, due mainly to weak revenue collection.

For fiscal year 2025-26, the government set a target of borrowing Tk 104,000 crore from banks. But between July 2025 and March 2026, it borrowed Tk 126,102 crore, according to Bangladesh Bank data.

The amount is nearly four times higher than the Tk 27,403 crore borrowed during the same period a year earlier.

Professor Mustafizur Rahman, a distinguished fellow at local think tank Centre for Policy Dialogue (CPD), said lower-than-expected revenue collection forced the government to rely more heavily on bank borrowing to meet expenditure needs.

"Government borrowing is linked to the revenue collection," he said.

When the government borrows from banks, it reduces the amount of loanable funds available in the banking sector, creating a crowding-out effect for private sector borrowers.

Rahman said as the private sector showed lower demand for loans, government borrowing did not heavily crowd out private players. But continued borrowing would increase future debt servicing obligations.

"This is not a sustainable way," he said.

Rahman added that the government should focus on revenue mobilisation, reduce leakages and expand the use of technology to improve tax collection.

According to provisional revenue data released yesterday, the tax authority collected Tk 3.27 lakh crore in the first 10 months of FY26, missing the July-April target by Tk 1.04 lakh crore.

Falling foreign financing also pushed the government to borrow more from banks to finance the budget deficit.

Central bank data showed that net foreign financing nearly halved to Tk 19,296 crore during July-March of FY26, down from Tk 32,992 crore in the same period of the previous fiscal year.

Total net deficit financing stood at Tk 144,109 crore during the nine-month period, compared with Tk 88,003 crore a year earlier.

Mohammad Abdur Razzaque, chairman of Research and Policy Integration for Development (RAPID), said the sharp rise in government borrowing is having a severe impact on the economy, including historically low private sector credit growth.

Private sector credit growth fell to a record low of 4.72 percent in March, according to Bangladesh Bank data.

Razzaque said banks were under pressure to reduce non-performing loans and narrow provisioning gaps, prompting them to lend more to the government because returns were higher and risks were lower.

"At the same time, the government was turning to banks because of inadequate revenue collection."

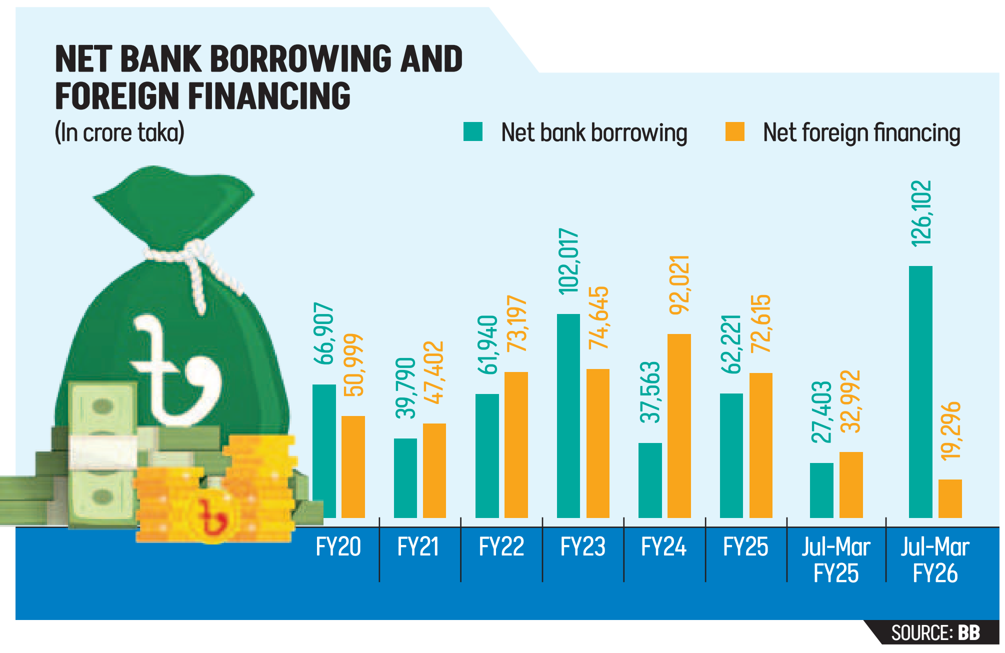
According to the economist, it is creating a "most alarming vicious cycle" in the economy. He said that if the cycle cannot be broken, private sector-led growth will not be possible.

He said the interim government initially focused on controlling inflation through contractionary monetary policy and supportive fiscal measures, including lower public spending.

But he said the government now appeared to be shifting towards a growth-oriented approach with higher spending to solve economic issues.

"It is not a good sign for controlling inflation," he said, adding that the government should be cautious about expenditure.

Razzaque suggested the government can seek foreign borrowing if favourable conditions are available.



EU to assess Bangladesh's proposal for FTA

Without a deal, exporters may lose zero-duty access by 2029

REFAYET ULLAH MIRDHA

The European Union is set to begin an internal assessment of Bangladesh's proposal for a free trade agreement (FTA) with the bloc, nearly a year after the proposal was first placed.

Md Abdur Rahim Khan, additional secretary (export) at the commerce ministry, said the EU sent a letter in this regard to the ministry in the first week of this month.

The bloc, however, did not mention a specific date to start the negotiations, he added.

At present, Bangladesh enjoys zero-duty benefits to the trade bloc but may lose the privilege after 2029 if a trade deal is not secured, and Bangladeshi exporters will face a 10 percent duty from that year.

Considering the importance of zero-duty benefits, Bangladesh sent a proposal to the EU seeking negotiations on an FTA in August last year, aiming to retain preferential market access to the EU after the country graduates from least developed country (LDC) status.

Bangladesh is scheduled to graduate from LDC status on November 24 this year if the process is not deferred.

BALANCING LDC DELAY AND EU ACCESS

Khan said Bangladesh's immediate priority is delaying its graduation from the LDC category. The government applied to the UN Committee for Development Policy (UN CDP) in February this year seeking a three-year deferment until 2029, and the proposal is currently under review by relevant UN bodies.

At the same time, securing continued preferential

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Over 95% of apparel factories pay April salaries

As per Industrial Police

SHARIFUL ISLAM *and* REFAYET ULLAH MIRDHA

More than 95 percent of factories across garment and textile associations paid April salaries ahead of Eid-ul-Azha as of yesterday evening, according to Industrial Police (IP) data.

Of 1,790 member factories of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), some 1,740 (97.37 percent) had cleared April wages as of 6:00pm, shows IP data.

Of 708 member factories of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), 680 (96.05 percent) had paid the salaries as of 4:30pm.

In the textile sector, of 382 mills affiliated with the Bangladesh Textile Mills Association (BTMA), 367 (96.07 percent) have paid the April salaries. Of the 390 factories under the Bangladesh Export Processing Zones Authority (Bepza), 388 mills have also paid salaries for the last month.

The IP data also said some 75 out of 76 jute mills paid the April salary. Some 6,823 out of 6,892 industrial units in

other categories paid the salary for the last month.

Bonus payments were somewhat behind wages.

Some 1,570 of 1,790 BGMEA factories had disbursed the festival allowance, alongside 582 of 708 BKMEA units, 325 of 382 BTMA mills, 384 of 390 BEPZA factories, 70 of 76 jute mills, and 5,807 units in other categories.

Meanwhile, BGMEA separately claimed that 99.48 percent of its 2,123 active factories had cleared April wages, with 96.49 percent paying the Eid bonus and 58.25 percent disbursing May salaries in advance.

BGMEA president Mahmud Hasan Khan said only two member factories – one with 1,800 workers and another with 1,200 – had yet to pay bonuses to their workers.

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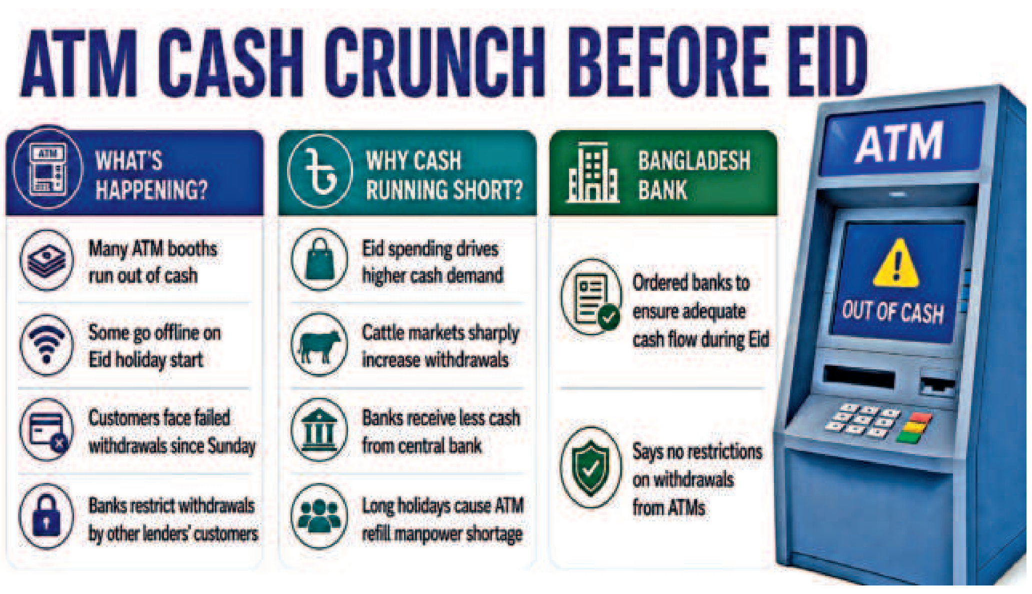

AI-ASSISTED INFOGRAPHIC

ATM booths run dry on first day of weeklong holiday

People fear acute cash crunch during Eid

MD MEHEDI HASAN

Many ATM (Automated Teller Machine) booths in Dhaka either ran out of cash or went out of service yesterday, the first day of the weeklong Eid holiday, raising fears of a worsening cash crunch during the festival period.

Several customers said the shortage began to emerge on Sunday, while many ATMs of specific banks were refusing cash withdrawals by customers of other commercial lenders.

Bankers said the restrictions came ahead of Eid-ul-Azha, when transactions rise sharply at cattle markets, as banks prioritised their own customers.

They also claimed that they had not received enough cash from the Bangladesh Bank, which tightened the situation further.

Demand for cash rises sharply every year before Eid, as customers withdraw larger amounts for shopping, buying sacrificial animals and travelling to their village homes.

At the same time, prolonged holidays leave many banks unable to replenish ATM booths because of manpower shortages. Security and transport issues also make cash replenishment difficult. As a result, many booths run out of money quickly.

Earlier, the central bank instructed all commercial banks to ensure adequate cash supply at their ATM booths during the Eid holiday.

However, customers in several parts of Dhaka said ATM services of many banks, especially weaker and troubled lenders, were unavailable. They also said some financially stronger banks had imposed withdrawal limits.

Rukaiya Islam, a resident of Shantinagar, visited several booths on Sunday to withdraw cash but failed. She eventually withdrew money from a bank branch.

Aminul Islam, a resident of Basabo, tried to withdraw cash using a Standard Chartered card at an Islami Bank Bangladesh PLC booth in his area but failed.

He then tried several other booths without success and eventually searched for a Standard Chartered ATM, which has become harder to find after the bank shut down most of its ATMs in recent years.

He finally found one in Karwan Bazar and managed to withdraw cash.

Contacted, Standard Chartered Bangladesh said that its ATMs were positioned at strategic locations across the city.

"During the Eid holidays, our ATM network will maintain sufficient cash in its machines so that our account holders can withdraw as much cash as they need," it said in a written statement.

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LPG market slows as price hikes hit demand

JAGARAN CHAKMA

The country's liquefied petroleum gas (LPG) market is seeing a sharp fall in demand as steep price increases, driven by higher import costs and supply disruptions in the Middle East, continue to strain household budgets and force consumers to cut back on usage.

Industry operators and distributors say LPG cylinder sales have fallen significantly in both urban and rural areas this month, as many consumers are shifting to alternative cooking methods to manage rising living costs.

The retail price of a 12kg LPG cylinder now stands at Tk 1,940 after the Bangladesh Energy Regulatory Commission (BERC) raised it by Tk 212 on April 19. The regulator cited higher import costs and supply shortages linked to tensions in the Middle East.

Subrata Saha, proprietor of Brahmanbaria Fuel Corner and a distributor of Bashundhara LP Gas, said demand dropped sharply following the latest price hike. Before the increase, he sold around 60 units of 12kg cylinders per day, but sales have now fallen to about 35 units per day.

He said many consumers are now switching to induction and infrared stoves as cooking costs have become almost equal to those of LPG. "Electric stoves are also more convenient and help households avoid extra costs such as transporting and carrying gas cylinders," he added.

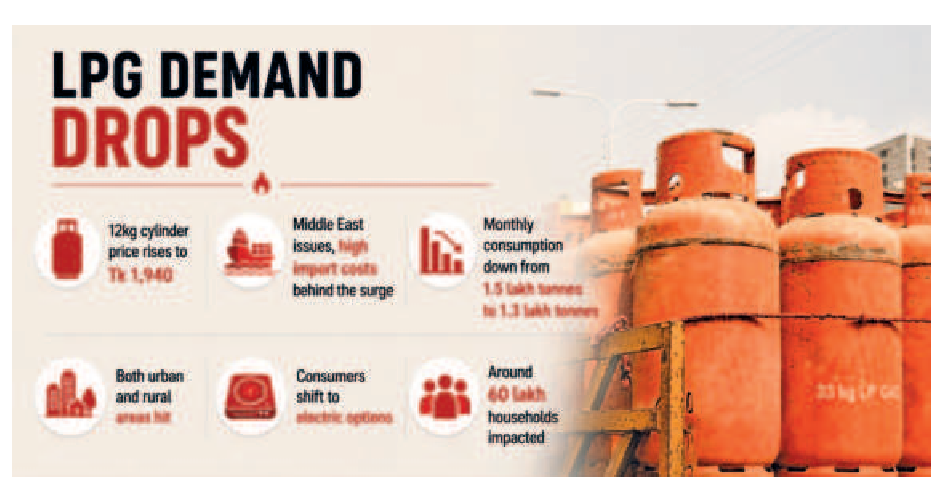
A top official of Petromax LPG said the market has shrunk sharply over the past one and a half months due to repeated price increases. "Within just one month of the latest price increase, the country's monthly LPG demand fell from nearly 1.5 lakh tonnes to around 1.3 lakh tonnes," he said.

According to him, the retail price of a 12kg cylinder rose from about Tk 1,400 in January to Tk 1,940 by mid-April, an increase of nearly 40 percent in four months.

"How can consumers suddenly bear such a sharp rise in cooking costs?" he said, adding that inflation and rising living expenses have further reduced purchasing power.

He also said many urban consumers are switching to electric cooking appliances to reduce monthly expenses.

Although the government-fixed price is Tk 1,940, he added that many companies are offering discounts of up to Tk 150 below the official rate to retain customers amid weak demand.



AI-ASSISTED INFOGRAPHIC

Abu Sayed Raza, chief marketing officer of Fresh LPG, a concern of Meghna Group of Industries, said geopolitical instability in the Middle East has disrupted global LPG supply chains and raised costs across the sector.

He said the resulting affordability crisis has temporarily affected around 6 lakh households, with some consumers returning to traditional cooking fuels.

"We are starting to see a market correction. Lower demand has prompted retailers to comply with government-mandated pricing, improving transparency and restoring buyer confidence," he said.

"As a result, sales volumes are gradually recovering," he added.

He also said Meghna Group of

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