

BANKING ILLS Budget offers scant cure

MD MEHEDI HASAN

The proposed FY2026-27 budget presents a stark assessment of the financial sector's long-running weaknesses but offers limited detail on how the BNP-led government plans to reform it.

Finance Minister Amir Khosru Mahmud Chowdhury yesterday placed his maiden national budget, proposing a Tk 9.38 lakh crore outlay for FY2026-27.

In his budget speech, the minister described a financial sector weakened by years of irregularities, politically influenced lending, weak oversight, opaque lending practices, misuse of loan rescheduling facilities, and the concealment of bad loans.

"The financial sector we have inherited is a matter of serious national concern," he said.

According to the minister, the banking sector's non-performing loan (NPL) ratio stood at 13.6 percent of total loans in December 2005 but surged to 35.73 percent by the first quarter of FY2025-26, equivalent to more than Tk 6.44 lakh crore.

He said the deterioration has left several banks facing acute liquidity shortages, eroded public confidence, and, in some cases, required emergency intervention and institutional consolidation.

The minister also highlighted weakening capital strength, noting that the capital adequacy ratio (CAR), which stood at 7.3 percent in 2005, had fallen to negative 2.64 percent by the end of 2025.

He said these developments have undermined trust in the banking system and made it difficult for ordinary depositors to access their savings on time.

After the fall of the Awami League-led government in August 2024 through a mass uprising, the full extent of the sector's problems became visible.

The interim government and Bangladesh Bank subsequently launched a series of reform initiatives, including amendments to financial sector laws.

These included enactment of the Bank Resolution Ordinance and the Deposit Insurance Ordinance, alongside efforts to amend the Bangladesh Bank Order, 1972, the Bank Company Act, and the Money Loan Court Act. Other measures included removing the Financial Institutions Division from the finance ministry.

However, those initiatives were largely absent from the current budget speech.

Instead, the finance minister said the government is spending around

SEE PAGE 12 COL 1



Prime Minister Tarique Rahman and Finance Minister Amir Khosru Mahmud Chowdhury entering the Jatiya Sangsad Bhaban in Dhaka yesterday to place the proposed national budget for FY2026-27.

PHOTO: PID

Agri share falls amid rising costs, climate shocks

SUKANTA HALDER

The allocation for agriculture in the proposed FY2026-27 budget has increased marginally in nominal terms.

However, the sector's share of total spending has dropped to its lowest level in at least a decade, raising concerns at a time of rising production costs, climate shocks, persistent food inflation, and slowing agricultural growth.

Economists and experts say the modest increase in allocation, coupled with unchanged subsidy and incentive support, could make it harder for the BNP government to contain production costs, boost output, and ease food inflation.

The proposed budget allocates Tk 46,821 crore for agriculture and food security, including livestock, environment, climate change, land, and water -- up 2.3 percent from the revised FY2025-26 allocation of Tk 45,789 crore.

But as the overall national budget expands 19 percent to Tk 9.38 lakh crore, agriculture's share has fallen to 5.0 percent from 8.7 percent in FY2023-24, continuing a sharp decline since FY2024 25.

The reduced share comes as the sector continues to lose momentum.

According to the latest Bangladesh Bureau of Statistics data, agriculture grew by only 2.42 percent in FY2024-25 -- the slowest rate in more than a decade. Provisional estimates suggest a slight recovery to 2.78 percent in FY2025-26.

Agriculture's contribution to GDP has also steadily narrowed, falling from more than 38 percent in the early 1970s to around a provisional 10.93 percent in the outgoing fiscal year.

In his budget speech, Finance Minister Amir Khosru Mahmud Chowdhury said the government aims to build a self-reliant, climate-resilient and technology-driven agriculture sector.

To support that goal, the budget prioritises affordable inputs -- including fertilisers, seeds and irrigation -- to lower production costs, expand mechanisation, introduce agricultural insurance against natural disasters, diversify agricultural products, and expand cold storage and cold chain facilities.

Under its blue economy agenda, the government also plans to deploy commercial vessels to harvest tuna and pelagic fish in deep seas, expand seaweed cultivation, and increase fisheries export earnings to \$1 billion by 2030.

The budget further proposes a series of tax and tariff measures to reduce costs and support domestic production. These include full exemption of VAT and advance tax at the import stage for fertilisers and pesticides, removal of the existing 7.5 percent VAT at the business stage on fertilisers and 7.5 percent advance tax on pesticide imports, and zero VAT on 36 raw materials used in domestic pesticide manufacturing.

Other measures include reducing import duty on zinc ash -- used in local zinc sulphate fertiliser production -- to 5 percent; extending zero-duty concessional treatment for veterinary medicine imports under generic categories; imposing import duties of 5 percent and 25 percent respectively on unprocessed and processed cashew nuts; levying a 20 percent supplementary duty on imported pangasius fillets; and adding three raw materials for poultry, dairy and fish feed production, along with selected machinery inputs, to the zero-duty concessional list.

MOUNTING PRESSURE

Abu Saleh Md Shamim Alam Shibly, senior research associate at the Centre for Policy Dialogue, said the shrinking budget share

SEE PAGE 12 COL 5

Budget lacks dedicated plan for LDC graduation Say experts

REFAYET ULLAH MIRDHA

Although the proposed budget for fiscal year 2026-27 offers some measures that are aligned with the government's Smooth Transition Strategy (STS) for LDC graduation, it lacks a dedicated framework with preparations for this watershed moment, which is due in November, experts said.

They added that the government should calculate how much money Bangladesh stands to lose after graduation and spell out concrete steps to compensate for those losses through measures like trade deals, export diversification, and competitiveness reforms.

According to official data, Bangladesh risks losing \$17.5 billion in annual exports, as 73 percent of its shipments rely on LDC trade perks. Among all 44 LDCs, Bangladesh enjoys the highest proportion (67 percent) of the benefits extended under the scheme.

As per the budget, policy and financial support for pharmaceuticals, including investment in the API (active pharmaceutical ingredients) Industrial Park, are specific to LDC graduation.

Initiatives to create an investment-friendly environment, accelerate industrialisation, attract foreign direct investment (FDI), promote region-based industrial development, expand

SEE PAGE 12 COL 1

Transport relief for senior citizens Govt proposes free train rides, discounted metro fares for people aged 65 and above

STAFF CORRESPONDENT

Finance Minister Amir Khosru Mahmud Chowdhury yesterday proposed a range of transport benefits for senior citizens, including free travel on government-operated trains and discounted fares on metro rail services, as part of the national budget for FY2026-27.

Placing the budget, the finance minister said the government remained committed to recognising the contributions of senior citizens and improving their quality of life.

"The role of senior citizens in nation building is invaluable, and our government remains steadfast in its commitment to their welfare," he said.

Under the proposal, citizens aged 65 and above will be entitled to free travel on government-owned railway services. They will also receive a 25 percent discount on metro rail fares.

The initiative is part of the government's broader effort to strengthen social protection and promote inclusive development.

The proportion of the population aged 65 and above was 6.14 percent in 2023, up from 5.67 percent a year earlier, according to key findings from the Sample Vital Registration System 2023 of the Bangladesh Bureau of Statistics.

SEE PAGE 12 COL 1

Health gets biggest boost

FROM PAGE 2

increase in the health budget," Shimul added.

The eventual benefit to citizens of the big block allocation will depend on how quickly and effectively projects are selected, approved and implemented, analysts said.

The budget also proposes several tax benefits for imported medicine raw materials, medical equipment and healthcare-related products, which would help reduce out-of-pocket expenditure, the main source to fund healthcare in Bangladesh.

The tax concessions have the potential to reduce the cost of medicines, diagnostic tests and healthcare services for patients.

But the benefits will reach consumers only if manufacturers, importers and healthcare providers pass on the reduced costs, supported by effective monitoring from the health authorities, sector insiders said.

A complete withdrawal of the existing 15 percent VAT and 5 percent advance income tax on imported dialysis filters has been proposed. The measure is expected to reduce the cost of each dialysis session by around Tk 800 for kidney patients.

The finance minister also proposed a full exemption from the 10 percent supplier-level VAT on imported cardiac stents and intraocular lenses used in eye surgeries. As a result, the price

of each cardiac stent could fall by up to Tk 20,000, while the cost of each intraocular lens may decrease by around Tk 5,000.

In another relief measure for kidney patients, the government proposed waiving the 7.5 percent advance tax on imports of blood tubing sets used in haemodialysis, which is expected to further reduce dialysis costs.

To support the domestic pharmaceutical industry, the budget proposes duty- and VAT-free imports of nine additional raw materials used in the production of cancer medicines.

The government also proposed removing import duties on 51 new raw materials used to manufacture active pharmaceutical ingredients (APIs) locally and granting zero-duty facilities for 17 additional pharmaceutical raw materials to help sustain export growth.

The budget further proposes concessional duty facilities for manufacturers of medical equipment and components.

Shimul welcomed the initiatives but said past experience suggests that only a small portion of the benefits reach consumers.

"The government lacks the capacity to accurately assess how much benefit producers receive from tax rebates and how much of that benefit should be passed on to consumers -- the government has to ensure that people actually benefit from these initiatives."

other countries with sanctions if they came to Cuba's rescue.

Since then, only one oil tanker -- from Russia -- has made it through.

Cuba's Foreign Minister Bruno Rodriguez said that 170 containers of UN aid worth \$6.3 million "is not reaching beneficiaries due to the fuel shortage."

Writing on X, he stressed that the blockade was "not only hampering the performance of the Cuban economy" but also affecting the work of international organizations.

Plan to curb inflation riddled with holes

FROM PAGE 2

According to economists, this increase in spending could add to demand at a time when inflation remains stubbornly high.

They also said the proposed budget does not adequately address the recent rise in prices driven by higher fuel and electricity costs and increases in cooking gas prices.

Nor does it provide sufficient measures to tackle supply chain weaknesses, which the Centre for Policy Dialogue (CPD) recently identified as a key driver of inflation.

On the positive side, economists point to several measures that could ease pressure on households.

The proposed FY27 budget expands the social safety net, increases monthly allocations under welfare programmes and reduces source tax rates on around 60 essential products, including rice, wheat, potatoes, livestock, poultry and fish.

It also proposes raising the tax-free income threshold to Tk 375,000 from Tk 350,000.

Annual average inflation has been above 9 percent for around three years, gradually eroding the purchasing power of households across income groups, according to the Bangladesh Bureau of Statistics (BBS).

Overall inflation rose to a 16-month high of 9.42 percent in May, driven largely by food prices.

Economists warn that the full impact of recent upward adjustments in fuel, electricity and cooking gas prices has yet to be reflected in inflation data,

suggesting that price pressures may continue in the coming months.

One of the few areas of the new budget offering some relief is the expansion of social safety net programmes. The government proposes a Tk 144,000 crore allocation to social safety net schemes in the next fiscal year, a 14.3 percent increase from the current year.

Under the social safety net, family cards will be issued to 41 lakh women in FY27, each of whom will receive Tk 2,500 a month.

The budget also proposes increasing both the number of beneficiaries and monthly allowances under several schemes.

The allocation for social safety nets amounts to about 2.1 percent of GDP and around 15 percent of the proposed budget.

While significant, it may not be enough to offset the erosion of real incomes experienced over recent years, according to Mustafa K Mujeri, executive director of Institute for Inclusive Finance and Development (InM).

He said that instead of offering small sums through safety net programmes, the government should focus on helping marginalised people take part in income-generating activities.

In an effort to ease consumer burdens, the government has also reduced source tax rates on around 60 essential products. The source tax on paddy, rice, wheat, potatoes, livestock, poultry, fish, onions, garlic, salt, sugar, edible oil and seeds has been lowered to 0.5 percent from a range of 1 percent to

5 percent.

Mujeri said the measure will help consumers only if the tax reductions are passed on through lower market prices. Without effective market monitoring, the benefits may not reach households.

He said the government should first assess why inflation remains stubbornly high and then take appropriate policy measures.

Another relief measure is the proposed increase in the tax-free income threshold to Tk 375,000 from Tk 350,000 for the next two fiscal years.

In his budget reaction, Ashikur Rahman, principal economist at the Policy Research Institute of Bangladesh (PRI), said that the country can no longer be considered to be pursuing a genuinely contractionary policy stance.

"To bring inflation under control, a tight monetary environment is necessary, accompanied by a correspondingly tight fiscal stance. Unfortunately, we are moving in the opposite direction on both fronts," he said.

Citing IMF research, he said that although inflation may originate from supply-side shocks, controlling it effectively requires a combination of supply-side measures and coordinated contractionary monetary and fiscal policies.

The government, in its medium-term economic framework, aims to reduce inflation to 5 percent by FY2030 31. It also plans to strengthen external sector stability and improve foreign exchange reserves to reduce imported inflation risks.

US oil blockade preventing UN aid distribution: Cuba

AFP, Havana

Cuba's government said Wednesday that the US oil blockade that has crippled the island is preventing the United Nations from distributing 170 containers of humanitarian aid.

US President Donald Trump has set his sights on ending more than six decades of communist rule in Cuba.

In January, he cut off oil supplies to Washington's arch-foe from its main supplier Venezuela and threatened

employment generation commitments as "unrealistic".

Citing Jamaat's alternative budget proposal, he said the party had suggested a people-oriented budget with expenditure reduced by around Tk 1 lakh crore, but the government had not considered the recommendations.

He reiterated Jamaat's proposals to raise the tax-free income threshold and revise the fiscal year calendar.

Concluding his speech, Hamidur

said the party would continue street protests until transparency and accountability were ensured and public interests were adequately addressed.

Meanwhile, according to a statement issued by Jamaat's central publicity department, the party is scheduled to formally present its reaction to the proposed budget at a press briefing in Maghbazar, Dhaka, this morning.

Banking on digital

FROM PAGE 4

The significance of these measures extends beyond tax relief.

For years, start-up founders complained that Bangladesh's tax structure penalised young companies before they achieved profitability.

Turnover tax, in particular, required businesses to pay taxes on revenue regardless of whether they were making money.

Removing that burden could improve survival rates among early-stage companies, allowing founders to invest scarce resources into product development, talent acquisition and expansion.

The government appears to be making a broader strategic calculation as well.

Artificial intelligence is rapidly redrawing the global technology landscape. Countries such as India and Vietnam have aggressively positioned themselves to attract technology investments, AI research and digital service exports.

Bangladesh now appears determined to join that competition.

At the centre of this policy shift is Rehan Asad, the prime minister's adviser on ICT and telecommunications, who left a C-suite position at a US technology giant to join the government.

According to officials familiar with the process, much of the past month was spent in intensive negotiations between the ICT division, the National Board of Revenue and the finance ministry to craft a package capable of fundamentally changing the country's digital competitiveness.

"Our goal is simple. For citizens, we want connectivity that is affordable, reliable and world-class. For telecom operators and investors, we want predictable, globally competitive tax policies. For start-ups, technology companies and manufacturers, we want to remove every major regulatory and financial barrier."

Bangladesh must become one of the world's leading destinations for digital innovation, technology manufacturing and AI investment, Rehan told The Daily Star.

Whether Bangladesh can translate that vision into reality will depend on execution. But the message sent by this budget is clear: the country intends to compete for a place among the leading digital economies of Asia.