Business

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Private sector credit growth slips to lowest on record

Weak borrowing means weak investment, and economists warn that means fewer jobs and slower growth

MD MEHEDI HASAN

Private sector credit growth has fallen to a historic low as businesses lose their appetite for borrowing, shelve investment plans and banks stay cautious about lending amid mounting economic pressures.

Credit to the private sector grew by just 4.17 percent in September, down from 4.75 percent in August, according to provisional Bangladesh Bank (BB) data.

Senior central bank officials say they cannot recall such a slump. By their account, growth has not been this weak since at least 1993. The latest figure also missed the BB's projection of 6.8 percent growth through December this year.

Bankers say the sluggish lending reflects the poor state of business and the wider economy.

In its recent quarterly monetary policy statement, the BB said weak credit demand points to subdued investment, elevated borrower risk, uncertain returns and the impaired balance sheets of several banks.

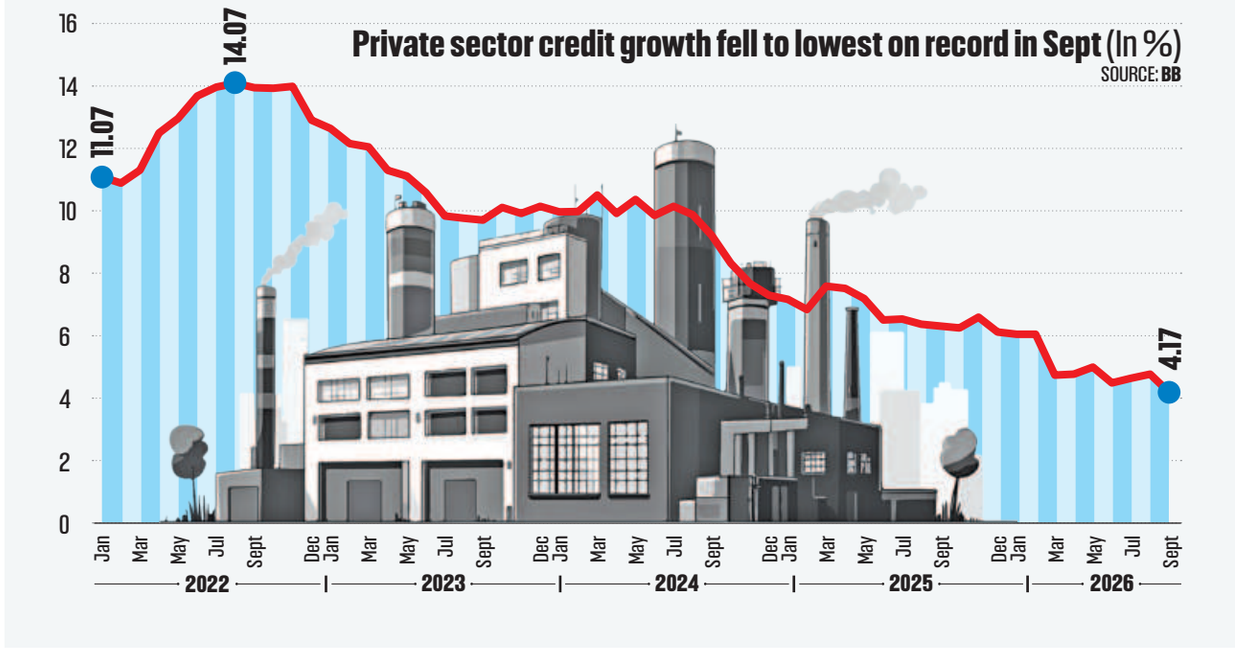
The central bank noted that commercial banks' total liquid assets have increased markedly.

"However, their distribution remains uneven; stronger banks possess substantial liquidity, while some weaker banks continue to encounter funding and liquidity pressures," it said.

Syed Mahbubur Rahman, managing director and CEO of Mutual Trust Bank, said the slowdown mirrors the state of the economy.

"The global situation is not good, there is no energy security, and oil prices keep rising," said Mahbubur, also a former chairman of the Association of Bankers, Bangladesh (ABB).

He said inflation has eroded people's purchasing power, domestic trade and commerce are weak, and freight charges have gone up.



Inflation eased slightly to 8.34 percent in September from a year earlier, according to the Bangladesh Bureau of Statistics (BBS), though it was higher than August's 8.26 percent.

The International Monetary Fund (IMF) recently projected average inflation to rise to 10.9 percent in the current fiscal year, reversing the easing seen in fiscal year 2025-26.

Mahbubur said even money from the business stimulus packages is barely being disbursed because there is no demand for it, so weak credit growth is only to be expected.

"Those who borrow will have to repay the money, after all. We are worried too about when this situation will improve," he said.

Speaking on condition of anonymity, a senior official of a private bank said there are no major investment projects in the pipeline. Many banks also have limited capacity to extend fresh loans because of the growing burden of non-performing loans (NPLs).

At the end of June this year, bad loans in the banking sector stood at Tk 6,06,555 crore, or 32.78 percent of total disbursed loans, according to BB data.

Fahmida Khatun, distinguished fellow at the Centre for Policy Dialogue (CPD), a local think tank, said the fall is not a good sign for the economy.

"Without investment there will be no employment generation. This could lead to reduced welfare for a large number of people," said the economist.

She said high borrowing costs, subdued domestic demand, uncertainty over the economic outlook and energy supply, and low confidence in future returns are making firms cautious about expansion. Many are focusing on managing existing operations and debt rather than starting new projects.

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Money market rates fell in Sept as liquidity eased

STAR BUSINESS REPORT

Short-term borrowing costs in the banking sector fell in September, with call money and repo rates reaching their lowest levels of the month, indicating improved liquidity conditions.

The weighted average interest rate in the call money market fell to 8.48 percent at the end of September from 9.25 percent at the beginning of the month, according to the Bangladesh Bank's latest Money Market Dynamics report.

The monthly average rate stood at 8.86 percent, down from 9.68 percent in July and 118 basis points lower than in September last year.

The call money market allows banks to borrow and lend funds, usually overnight, to meet immediate cash requirements

The call money market allows banks to borrow and lend funds, usually overnight, to meet immediate cash requirements. When banks have sufficient funds to meet their needs, demand for such borrowing tends to ease, putting downward pressure on interest rates.

A similar trend was seen in the market for repurchase agreements, commonly known as repos, through which banks borrow money for short periods by temporarily selling securities, such as government bonds, with an agreement to buy them back later.

The weighted average repo rate fell by 97 basis points during September. Its monthly average stood at around 8.90 percent, compared with around 9.70 percent in July, and was about 105 basis points lower than in September 2025.

Banks also increasingly opted for longer borrowing periods rather than overnight funds. The share of transactions with a seven-day maturity rose to around 50 percent in September from around 9 percent in May, overtaking overnight transactions.

Meanwhile, the share of overnight transactions fell to around 27 percent.

BTRC seeks Tk 21,250cr for spectrum renewal

Revised proposal recommends 20-year spectrum licences

MAHMUDUL HASAN

The telecom regulator is seeking to raise the spectrum renewal bill for Grameenphone, Robi and Banglalink to around Tk 21,250 crore under a revised plan to extend their licence period to 20 years.

The move comes as the operators' existing licences are due to expire on November 10.

The revised bill, sent to the Posts and Telecommunications Division for approval last month, is 62 percent higher than the amount recommended in an earlier proposal for a licence period of 12 years and four months. The Daily Star has obtained copies of the proposals.

In its earlier proposal made on October 15, the regulator had recommended cutting spectrum prices by 10-30 percent, bringing the total renewal cost to around Tk 13,100 crore.

The latest proposal extends the tenure while retaining the earlier



proposed annual rates, raising the overall bill. The extension follows operators' calls for longer licence periods, arguing that greater regulatory certainty would support long-term investment and network expansion.

The proposal covers 79.2 megahertz (MHz) of spectrum in the 900MHz, 1800MHz and 2100MHz bands held by the three operators.

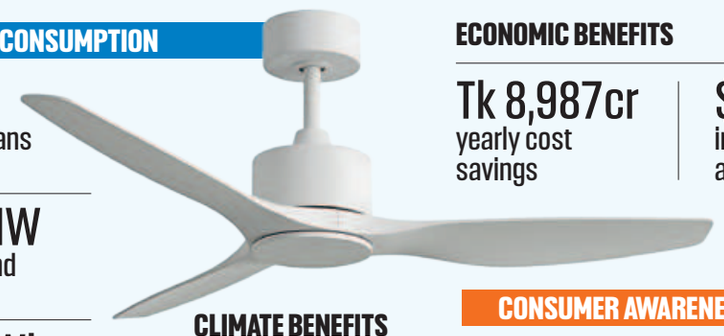
Mobile operators use spectrum to carry calls and internet data between mobile phones and their networks. Spectrum is allocated in different frequency bands.

Lower-frequency bands, such as 900MHz, generally provide wider coverage and better indoor connectivity, while higher-frequency bands, such as 2100MHz, can support greater data capacity in areas with heavy network traffic.

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Efficient fans could cut peak power demand by 2,590MW

Study finds fan switch could save Tk 8,987cr yearly, avert $4b in investments



ASIFUR RAHMAN

Imagine replacing the conventional ceiling fans in your home with energy-efficient models. They would provide the same cooling while using almost half as much electricity, reducing your household's power consumption and monthly bills.

A conventional ceiling fan typically consumes around 70 watts of electricity, while an energy-efficient brushless direct-current (BLDC) fan uses about 35 watts. For a household with two fans, switching to BLDC models could halve the electricity consumed by them. The actual savings, however, would depend on how many hours the fans run each day.

Now imagine making the same change across the country.

Replacing nearly 98.6 million energy-inefficient household fans with BLDC models could reduce Bangladesh's summer peak electricity demand by up to 2,590 megawatts (MW) and save 6,913 gigawatt-hours (GWh) of electricity annually, according to a new study by the Institute for Energy Economics and Financial Analysis (IEEFA).

The projected reduction in peak demand is equivalent to nearly 69 percent of the country's highest recorded electricity shortfall of 3,757MW in August this year.

The shift could also save an estimated Tk 8,987 crore in electricity costs annually through lower consumption. In addition, reducing peak demand could help Bangladesh avoid more than $4 billion in future investment in coal-fired power plants, the study says.

"That means if we plan to build power plants worth $4 billion, we may not need to. Instead, we could use that money, or even less, to replace all the inefficient fans in the country," Shafiqul Alam, IEEFA's lead energy analyst for Bangladesh, told The Daily Star.

He authored the study, titled "Household space cooling in Bangladesh: Role of energy-efficient fans", which draws on a survey of 435 households across 26 districts.

The findings come as Bangladesh struggles to meet growing electricity demand despite having an installed generation capacity of more than 29,000MW. Peak demand reached 19,027MW on August 27 this year, while load shedding frequently exceeded 2,000MW during the summer.

Household fans alone account for up to 5,212MW of the country's summer electricity demand, with usage peaking at around 9:00pm, the study estimates. Yet BLDC models make up only 1.4 percent of household fans in use. The remaining 98.6 percent are conventional, less energy-efficient models.

The survey found that 75 percent of households were unaware that BLDC fans were available in the market. However, after learning about their energy-saving potential, 96 percent of respondents said they were willing to switch to the more efficient models.

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SPOTLIGHT

Saif Powertec to run CCT for 3 more weeks

DWAIPAYAN BARUA, *Ctg*

The Chittagong Port Authority (CPA) has extended its contract with local operator Saif Powertec Limited by three weeks to run the Chittagong Container Terminal (CCT), after the existing six-year agreement expired yesterday.

The authority's traffic department issued a circular on Sunday extending the contract by three weeks, CPA Secretary Syed Refayet Hamim told The Daily Star.

The authority would assess the situation during this period before deciding on the next course of action, he said.

The extension is intended to keep container handling and other operations running smoothly while the authority finalises the process of appointing a new operator, sources said.

The development comes as the shipping ministry last month initiated a review of a proposal by Saudi firm Red Sea Gateway Terminal International (RSGTI) to operate the terminal.

On October 19, the CPA had asked Saif Powertec to remove its machinery, equipment and structures

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Capital Alliance to acquire 51% stake in HK fund manager

STAR BUSINESS REPORT

Capital Alliance Holdings PLC (CAL), parent of CAL Bangladesh, has signed an agreement to acquire a 51 percent stake in Hong Kong-based fund manager Asia Frontier Capital Ltd (AFC), subject to regulatory approvals.

The deal, signed through subsidiary CAL Global Pte Ltd, requires approval from regulators including the Securities and Futures Commission of Hong Kong, according to a press release.

AFC, founded in 2013, manages about $125 million in assets for investors across Europe, Asia and North America. It runs dedicated funds for Vietnam, Iraq and Uzbekistan, and has long invested in Bangladeshi and Sri Lankan equities.

CAL Group CEO Kanishke Mannakkara said the deal would take CAL into Hong Kong and three more frontier markets. "Together with AFC, we will serve as a conduit for international capital to access frontier markets and, just as importantly, for investors in our markets to access opportunities across the frontier and beyond," he said.

AFC Founder and CEO Thomas Hugger said

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