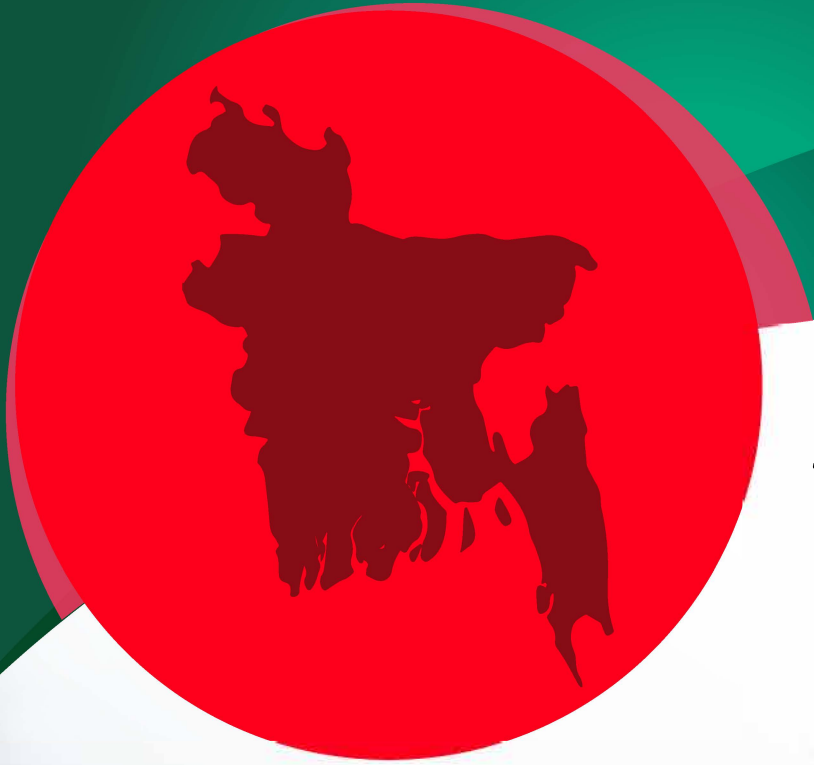


Volume 19  
Number 1 & 2  
Year 2017  
ISSN 1529-0905



Journal of  
**BANGLADESH  
STUDIES**



# Structure of Credit Markets and Government Budget Financing in Bangladesh

Khan H. Zahid

Department of Economics, Phillips School of Business, High Point University, USA

## Abstract

This paper looks at the structure of financial markets in Bangladesh, particularly the credit side, the structure and instruments of government borrowing from the credit markets, and then considers whether the government uses money creation (“monetization”) to finance the deficit. The results suggest that some degree of monetization does occur in the country, but its magnitude is not very large.

## 1 Introduction

The relationship between fiscal and monetary policy in emerging countries like Bangladesh has not been studied in depth. A key question is whether emerging market governments use money creation/policy (“print” money) to finance their fiscal deficit. Such temptations may exist because they allow political governments to make financial promises to the electorate and then “print” money to fulfil those promises. Such “monetization” of the budget deficit can eventually lead to inflation and erode the value of the financial promises.

### 1.1 Literature Review

There is an extensive literature on the nexus between fiscal and monetary policy, deficit monetization and inflation. See for example, Hamburger & Zwick (1982), Gupta (2006), Sikken, and de Haan, (1998), Zahid (1985), and Zahid (1988). Most of these studies the issue in developed countries, where “monetization” works indirectly through the impact of the deficit on interest rates. Hamburger and Zwick (1982), for example, say that the deficit (increased government debt) will tend to increase interest rates in the country as per standard macroeconomic theory. If the central bank follows an interest rate targeting policy, then it will have to increase money supply in order to bring the interest rates back to its target levels. Zahid (1988) conducted an empirical study of the impact of the deficit on interest rates and found the relationship to be statistically significant but minor in magnitude. The literature on developing countries are few and far between. Financial markets in developing countries are not as well developed and hence the relationship between government deficit and interest rates may not be strong, particularly when interest rates are not determined by market forces. This

can be either because financial institutions and markets are not well-developed, or deficit financing is done through non-market instruments (e.g., selling fixed rate, non-marketable savings bonds to the retail consumers). Secondly, interest rates in developing countries are often set by fiat (government controls on interest rates) and not through change in money supply/monetary policy. Thus, it is important to understand the structure of financial markets and the methods of deficit financing used in developing countries.

### 1.2 The Structure of Financial Markets in Bangladesh<sup>1</sup>

Financial markets, particularly the credit and debt capital market side, in Bangladesh are still not well developed. The most developed part of this system is the commercial banking system. The government has encouraged the development of a non-bank debt capital market system but it is still in a nascent state.

In this paper we analyze the credit markets from a number of angles – demand, supply, the institutional structure of the credit market (i.e., financial intermediaries and the structure of credit), and whether the system is market-based or non-market based.<sup>2</sup>

### 1.3 Demand side of the credit market

On the demand side, there are two major sectors that borrow funds: the government and the private business sector. Table 1 shows the types of loans available in Bangladesh credit markets. Consumers still form a small (but growing) segment on the demand side, but the bulk of the demand comes from government and businesses. Most of consumer credit consists of housing loans and credit card loans, both of which are supplied primarily

by the commercial banks. We do not have data on the breakdown of debt between consumer and business, but Table 1, which shows the interest rates on various types of lending in Bangladesh by the banking sector, is indicative of the fact that consumer credit is not a big part of their lending: only two out of the nine categories of lending listed in Table 1 are consumer loans, the remaining seven being all business-related. Moreover, as the table shows, consumer (as well as other) lending rates are very high (reflecting the high credit risk of lending in a highly underdeveloped lending market), suggesting that the demand for consumer loans is not likely to be high.

#### 1.4 Supply side

On the supply side, the main source of credit are savings from the household, business and government sectors. However, emerging countries like Bangladesh often have an extra source of savings – foreign grants and aid – that can also be a significant source of funds.

Financial institutions exist, of course, in order to intermediate between the ultimate savers and the borrowers. In Bangladesh, commercial banks and a limited number of non-bank financial institutions (NBFIs) form the main category of financial intermediaries in existence. NBFIs cannot create money, but banks can under the standard money multiplier process. According to Bangladesh Bank<sup>3</sup>,

Banks in Bangladesh are primarily of two types:

- **Scheduled Banks:** The banks which get license to operate under Bank Company Act, 1991 (Amended up to 2013) are termed as Scheduled Banks.

**Non-Scheduled Banks:** The banks which are established for special and definite objective and operate under the acts that are enacted for meeting those objectives, are termed as Non-Scheduled Banks. These banks cannot perform all functions of scheduled banks. There are now 5 non-scheduled banks in Bangladesh:

There are 58 scheduled banks in Bangladesh who operate under full control and supervision of Bangladesh Bank which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991. Scheduled Banks are classified into following types:

- **State Owned Commercial Banks (SOCBs):** There are 6 SOCBs which are fully or majority-owned by the Government of Bangladesh.
- **Specialized Banks (SDBs):** 3 specialized banks are now operating which were established for specific objectives like agricultural or industrial development. These banks are also fully or majority-owned by the Government of Bangladesh.

- **Private Commercial Banks (PCBs):** There are 40 private commercial banks which are majorly owned by the private entities. PCBs can be categorized into two groups:
- **Conventional PCBs:** 32 conventional PCBs are now operating in the industry. They perform the banking functions in conventional fashion i.e. interest based operations.
- **Islami Shariah based PCBs:** There are 8 Islami Shariah based PCBs in Bangladesh and they execute banking activities according to Islami Shariah based principles i.e. Profit-Loss Sharing (PLS) mode.
- **Foreign Commercial Banks (FCBs):** 9 FCBs are operating in Bangladesh as the branches of the banks which are incorporated abroad.

## 2 Non-Bank FIs (NBFIs)

Non-Bank Financial Institutions (NBFIs) are those types of financial institutions which are regulated under Financial Institution Act, 1993 and controlled by Bangladesh Bank. Now, 34 FIs are operating in Bangladesh. Out of the total, 2 are fully government owned, 1 is the subsidiary of a SOCB, 15 were initiated by private domestic initiative and 15 were initiated by joint venture initiative.

The major difference between banks and NBFIs are as follows<sup>4</sup>:

- NBFIs cannot issue cheques, pay-orders or demand drafts.
- NBFIs cannot receive demand deposits.
- NBFIs cannot be involved in foreign exchange financing. They can conduct their business operations with diversified financing modes like syndicated financing, bridge financing, lease financing, securitization instruments, private placement of equity etc.

The credit products offered by these NBFIs include:

- **Financial/Capital Lease:** Provide a long-term solution that allows customers to free up working capital
- **Operational Lease:** An operational lease entails the client renting an asset over a time period that is substantially less than the asset's economic life. It offers short-term flexibility, which may allow the customer to take advantage of off-balance sheet accounting treatment.
- **Hire-purchase:** A hire purchase is an alternative to a lending transaction for the equipment purchase. It is usually employed for retail or individual financing of smaller items, such as consumer products. However, hire purchase option is also

suitable for business houses depending on tax practices.

- Sale & lease back: Ideal for customers looking to generate liquidity from their existing equipment and reinvest the proceeds back into the business.
- Home loan & real estate financing: House loan and real estate financing is extended for purchase of apartment and house, construction of residential house, purchase of chamber and office space for professionals, purchase of office space and display center, purchase and construction of commercial building, real estate developer for construction of apartment project. Mostly mid to long term in nature.
- Factoring of Accounts Receivables: Financing against invoices raised by the supplier after asking the delivery successfully. Major Features are evolving Short Term Facility, Permanent Assignment of Payment, Financing against invoices, Post-delivery financing
- Work-order Financing: Finance against the assignment of bill arising out of work orders on a revolving basis. The company shall take assignment of suitable work orders and / or invoices and finance the client against those.
- Syndication of large loan: Making available a large financing for a corporate client. Arrange syndicated financing in the mode of loan, lease, equity, working capital, or any combination thereof. Particularly useful for large projects requiring large scale investment and no single financier wants to take the whole risk. Example: Greenfield project.
- Advisory Services: Advisory services are comprehensive financial, economic and strategic advice to companies for growth, profitability, and sustainability. This includes providing wide range of services, such as corporate counselling, project counselling, capital restructuring, financial engineering, diagnosing financial problems.
- Securitization: Securitization is the issuance of financial instruments backed by assets and/or cash flows. This is one of the modern financial services, which solves specific type of financial needs of business organizations.
- Merchant Banking: Issue Management, underwriting, Portfolio Management & Corporate advising.
- Securities Services: Brokerage Services and as full-service Depository Participant (DP) Apart from the brokerage services, securities services also provide the services like BO (Beneficial Owner accounts opening and maintenance, Dematerialization, Re-materialization, Transfers and multiple accounts movement, Lending and borrowing etc.

Although Bangladesh Bank mentions securitization and other new forms of financing here, these are new innovations in Bangladesh credit markets in their infancy, and, in any case, data on them are not available.

Bangladesh Bank credit is available only to financial institutions (banks and NBFIs) and the government, while for the general public (businesses or consumers), banks and NBFIs are the primary source of credit.

## 2.1 Structure of Credit

There are three major types of formal credit instruments in Bangladesh – government securities, Bangladesh Bank securities and direct loans from commercial banks.<sup>5</sup> Government securities are issued mainly to finance government spending, while Bangladesh Bank securities are issued for monetary policy purposes. Besides these two items, almost the entire formal credit market consists of bank loans.

Finally, most of the commercial bank credit instruments, as they are loans to borrowers directly, are non-marketable. Only the government and BB securities are marketable, i.e., there exists a limited secondary market for these instruments among banks and a few other financial institutions.

Thus, the credit market in Bangladesh works mostly like this<sup>6</sup>: whenever anyone other than the government needs funds to finance their excess spending (or dissaving), they will have to get a loan from a commercial bank. This is a direct loan to the borrower and it is non-marketable (i.e., the borrower has to hold it until maturity and pay off the whole loan itself). It is also non-marketable in the sense that the banks also cannot sell off this asset from their balance sheet in a secondary market. It must be said that Bangladesh, like many other emerging countries, is trying to develop its secondary markets to give it more depth and extent.

Table 2 shows the financial markets data on credit from the demand side (by the public and the private sector) and from the supply side (Banking sector, Non-Bank Depository Corporation and the National Savings Directorate).<sup>7</sup> For the latest year of data available, in FY2018 (i.e., 2017-18), total domestic credit outstanding was Tk. 13,118,620 mill. (approx. \$159,983 mill.).<sup>8</sup> Out of this amount, the public sector totalled Tk. 3,295,210 mill. (\$40,185 mill.; 26%), and the private sector accounted for Tk. 9,702,150 mill. (\$118,319 mill.; 74%). Government credit came from banking sector (29%), and for the total public sector, 31% came from the banking sector.

Two significant trends are evident in the period shown in Table 2:

1. The share of the public sector has declined significantly as a percent of total credit



outstanding, while the share of the private sector has increased significantly over the period. This is primarily due to the growth of the private sector in the country.<sup>9</sup> This is shown in Figure 1.

2. The second trend observable in Table 2 is the significant drop in the banking sector's share in total public sector credit over the period. Starting at 54% in FY2007, it reached a peak of 65% in FY2013 before dropping dramatically to 31% by FY2018. This is shown in Figure 2. This suggests that since FY2013, the government has significantly reduced its financing of the budget from the banking sector.

## 2.2 Structure of Government Budget Financing

The government borrows through the government securities market, using two types of financial instruments: (1) selling Treasury Bills (T-Bills) & Bonds to the *banking system*, including the central bank, and (2) selling various savings certificates/instruments to the *non-bank public* through the National Savings Directorate (NSD). These instruments include, for example, Savings Certificates, Post Office Savings Accounts, Wage Earners' Development Bonds, and US dollar bonds. There is a limited secondary market for T-bills and bonds, where the main participants are the commercial banks and BB. Most of the savings instruments for the non-bank public are non-marketable; interest is paid to the certificate holders by the government on a regular basis until maturity. Most of these savings instruments are either short- or medium-term (ranging from 3-month to 5 years).

According to Bangladesh Bank overview of the government securities market in Bangladesh<sup>10</sup>

Government securities market of Bangladesh consists of tradable and non-tradable securities. Non-tradable securities include National Savings Certificates i.e. Sanchayapatras and Sanchayabonds which are only for retail investors. The tradable securities include Treasury Bills (T-Bills) of 91, 182 and 364 days maturities and Bangladesh Government Treasury Bonds (BGTB) of 2, 5, 10, 15 and 20 years maturities. T-Bills and BGTBs are issued through auctions. Only Primary Dealers (PD) can submit bids in the auctions. Other institutions and individuals can submit bids in auction but through the PDs. At present 20 banks are performing as Primary Dealer. T-Bills and BGTBs can be sold in the secondary market.

Non-resident individual and institutional investors are also eligible to buy BGTBs through a Non-Resident Foreign Currency Account and Non-Resident Investor's Taka Account maintained with commercial banks of Bangladesh.

Unlike most advanced countries, in emerging countries like Bangladesh, government financing of the budget also includes foreign financing. There is a certain amount of financing from foreign grants, which goes primarily into "poverty alleviation-type" expenditures (e.g., food aid). Second, the government also relies significantly on foreign aid.<sup>11</sup> Another difference is in the non-bank financing category, where the reliance is mainly on non-marketable financing (e.g., savings bonds sold directly to the individual public at high interest rates). Lack of marketable credit instruments is mainly due to the lack of a developed financial market, and hence, a historical reliance on the banking system (including, the fact that many banks are state-owned or state-sponsored).

Table 3 provides data on government budget financing from FY2010 to FY2018. The data show that financing from the banking sector is quite variable over the period, including some years where it was significantly negative (i.e., paying down the debt owed to the banking sector), while, in some years borrowing from the banking sector was very high.

## 2.3 Does the Government "Print" Money to Finance Its Deficit?

We call this "direct monetization" of the deficit. When the government borrows from the central bank (Bangladesh Bank) by selling T-bills and bonds, the central bank pays for it by creating new money. When the government borrows from commercial banks, they pay for the securities from their vault cash which is then injected into the economy through government spending. Thus, direct monetization is the part borrowed directly from Bangladesh Bank and the commercial banks. From Table 3, we can see that on average, financing of the deficit from the banking sector was 9%. Borrowing from the non-bank public averaged 52%.

## 2.4 Indirect Monetization

But, there is also indirect monetization, which includes the standard money multiplier process plus foreign financing. We know from basic money and banking courses that both the central bank and the commercial banks are the only sectors in the economy that have the power to create money in their normal course of business.

When the government borrows from Bangladesh Bank or the commercial banks, the money creation process is known as the money multiplier process – which creates additional money in the economy.<sup>12</sup> Foreign financing also leads to money creation because, all foreign exchange coming into the country (except what banks need for L/C financing and for sale to customers), has to

be surrendered to Bangladesh Bank by law. This also adds to the monetary base of the country's central bank and leads to money creation through the money multiplier process and hence is also part of indirect monetization. Table 3 shows that foreign financing was 38.7% of the total budget financing on average for the period covered.

Direct monetization has been small (9%) compared to the other sources of financing (91%) from non-bank sources and foreign financing.

### 3 Conclusion

Credit markets in Bangladesh are still underdeveloped and evolving. On the demand side, there are two major sectors that borrow funds: the government and the private business sector. Consumers still form a small segment on the demand side, but the bulk of the demand comes from government and businesses.

On the supply side, the main source of credit are savings from households, businesses and government, supplied through financial intermediaries. However, emerging countries like Bangladesh often have an extra source of savings – foreign grants and aid – that has also been a significant source of funds.

We found two observable trends in the country's credit markets: (1) The share of the public sector has declined while and the share of the private sector has increased significantly as a percent of total credit outstanding in recent years. (2) There has been a significant drop in the banking sector's share in total credit supplied to the public sector in recent years.

A look at the government budget financing data shows that, on average, financing of the deficit from the banking sector (Bangladesh bank plus the commercial banking system) was 9% in the last 10 years.

From a policy perspective, this speaks volumes for the independence of the country's central bank (Bangladesh Bank) – it has not been a check-writing entity for the government, but has used its independence in a judicial way; and, the government has been reducing its reliance on the banking system to finance its expenditures.<sup>13</sup>

### Endnotes

1. In this paper, we focus on the bank credit market and the debt capital market side of the financial market system in Bangladesh. We do not look at the stock market, or equity capital market side of the financial system.

2. Market-based means primarily if there exists a secondary market for the trading of credit instruments and if a derivatives market exist.
3. Source: <https://www.bb.org.bd/fnansys/bankfi.php>.
4. Source: <http://www.assignmentpoint.com/business/banking/department-of-financial-institutions-and-markets-bangladesh-bank.html>.
5. Private sector debt instruments like corporate bills and bonds are almost non-existent.
6. This discussion relates only to the lending or credit markets, not equity markets. Thus, businesses in Bangladesh can also raise funds in the equity market through IPOs, secondary offerings, etc. Issuance of marketable bonds by the private sector – which is a part of the credit markets – is still not a big item in Bangladesh.
7. Non-Bank Depository Corporations (NBDCs) are not defined in this table, but presumably they are NBFIs.
8. The local currency of Bangladesh is called Taka, abbreviated as 'Tk', and its value is around Tk 82/ dollar. 1 crore = 10 million. We use these figures to convert the Taka 'crores' data into \$ million here.
9. While we do not show the corresponding figures for earlier years, the public-private sector shares would have been more skewed towards the public sector due to the even smaller size of the private sector in formal credit markets in earlier years.
10. Source: <https://www.bb.org.bd/fnansys/govsecmrkt/index.php>.
11. Foreign grants are cash gifts that require no payback, while foreign aid is foreign loans that have to be paid back.
12. The third channel, government borrowing from the non-bank public is not part of direct monetization because the non-bank public cannot create money (only the Bangladesh Bank and commercial banks can do so).
13. However, indirect monetization may also exist and be significant. Further study is required to quantify the amount of direct and indirect monetization and its inflationary effects. This is currently work-in-progress by the author.
14. Source: Data from the Bangladesh Bank Monthly Economic Trends publication, *Statisticaltable.xlsx*, <https://www.bb.org.bd/econdata/index.php>, T. XIII. The table is only partially reproduced here.
15. Source: Data from the Bangladesh Bank Monthly Economic Trends publication, *Statisticaltable.xlsx*, <https://www.bb.org.bd/econdata/index.php>, T. IIE. The table is partially reproduced here.
16. Includes two non-bank financing items not shown in the table (6 and 7).
17. Includes non-bank financing not shown (item 10).
18. Source: Major Economic Indicators: Monthly Update, Volume 08/2018, , p.23 Budget Financing

Table. <https://www.bb.org.bd/econdata/openpdf.php?i=6>. <sup>1</sup>Excludes interest. <sup>2</sup>Includes treasury bills & bonds held by the non-bank financial institutions through secondary auctions, T. bills & bonds have been taken at face value. <sup>3</sup>Total foreign aid disbursement less amortization payment.

19. Unfortunately, we do not have data for earlier years. The Bangladesh Bank website shows only the latest monthly update (a pdf report) in the website mentioned above. It does not have data for previous years.
20. The last two columns of Table 2.
21. The eighth column of Table 2.

## References

- Bangladesh Bank, <http://www.assignmentpoint.com/business/banking/department-of-financial-institutions-and-markets-bangladesh-bank.html>.
- Bangladesh Bank, <https://www.bb.org.bd/fnansys/govsecmrkt/index.php>.
- Bangladesh Bank, Major Economic Indicators: Monthly Update, Volume 08/2018, p.23 Budget Financing Table. <https://www.bb.org.bd/econdata/openpdf.php?i=6>.
- Bangladesh Bank, Monthly Economic Trends. [Statisticaltable.xlsx](https://www.bb.org.bd/econdata/Statisticaltable.xlsx), <https://www.bb.org.bd/econdata/index.php>.
- Hamburger, M. & Zwick, B. (1982). Deficits, Money & Inflation, *Journal of Monetary Economics*, 7 (1), 141-150.
- Gupta, K. (2006). *Business & Economics-Budget Deficits and Economic Activity in Asia*, Routledge. [https://books.google.com/books?id=w\\_iJAgAAQBAJ&dq=deficit+monetization&source=gbs\\_navlinks\\_s](https://books.google.com/books?id=w_iJAgAAQBAJ&dq=deficit+monetization&source=gbs_navlinks_s).
- Sikken, Bernd Jan & de Haan, Jakob (1998). Budget deficits, monetization, and central bank independence in developing countries. *Oxford Economic Papers*, 50 (3), July, 493–511. <https://doi.org/10.1093/oxfordjournals.oep.a028658>.
- Zahid, K. (1985). Monetary Accommodation of Government Budget Deficits, and Sterilization Policies: An Empirical Analysis of Nine OECD Countries, *unpublished Ph.D. dissertation*, Columbia University.
- Zahid, K. (1988). Government Budget Deficits and Interest Rates: The Evidence since 1971, Using Alternative Deficit Measures. *Southern Economic Journal*, 54(3), 725-731. doi:10.2307/1059015.

**Table 1: Bank Wise Interest Rate Structure, August 2018<sup>14</sup>**

Interest Rates on	State Owned Commercial Banks										Private Banks				
	Sonali	Agrani	Janata	Rupali	BASIC	BDBL	The City	UCBL	ABBL	IFC	NBL	Uttara	Pobali		
<b>Lending Rates:</b>	1	2	3	4	5	6	9	10	11	12	13	14	15		
<b>Agri-culture</b>															
Sub-Category-1	4.00-9.00	4.00-9.00	4.00-9.00	4.00-9.00	9.00	9.00	7.50	9.00	9.00	9.00	9.00	9.00	4.00-9.00		
Sub-Category-2	-	-	-	-	-	-	-	-	-	9.00	-	-	-		
<b>Term Loan to Large &amp; Medium Scale Industry</b>															
Sub-Category-1	9.00	9.00	9.00	9.00	9.00	9.00	10.50-14.50	9.00-12.00	-	9.00	9.00	9.00-12.00	9.00-14.00		
Sub-Category-2	-	-	-	-	-	-	-	14.00-17.00	-	9.00	-	-	-		
<b>Term Loan to Small Industry</b>															
Sub-Category-1	9.00	9.00	9.00	9.00	9.00	9.00	17.00	12.50-15.50	-	9.00-12.00	12.00-15.00	9.00-12.00	13.50-14.00		
Sub-Category-2	-	-	-	-	-	-	-	14.00-17.00	-	9.00-12.00	-	-	-		
<b>Working Capital to Industry</b>															
<b>i) Working Capital to Large &amp; Medium Scale Industry</b>															
Sub-Category-1	9.00	9.00	9.00	9.00	9.00	9.00	10.50	9.00-12.00	-	9.00	9.00	9.00	9.00		
Sub-Category-2	-	-	-	-	-	-	-	14.00-17.00	-	9.00	-	9.00-12.00	-		
<b>ii) Working Capital to Small Industry</b>															
Sub-Category-1	9.00	9.00	9.00	9.00	9.00	9.00	14.50	12.50-15.50	-	9.00-12.00	12.00-15.00	9.00	9.00		
Sub-Category-2	-	-	-	-	-	-	-	14.00-17.00	-	7.00	-	11.00-14.00	-		
<b>Exports</b>															
Sub-Category-1	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00		
Sub-Category-2	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Trade Financing</b>															
Sub-Category-1	9.00	12.00	9.00	9.00	9.00	9.00	14.00	9.00-12.00	9.00-15.50	9.00	12.00-15.00	11.00-14.00	13.50		
Sub-Category-2	-	-	-	-	-	-	14.00	11.50-14.50	9.00-16.00	9.00	-	-	-		
<b>Housing Loan</b>															
Sub-Category-1	9.00	10.00-11.00	9.00	9.00-10.00	9.00	9.00	13.50	12.50-15.50	12.00-15.00	9.50-12.50	12.00-15.00	9.00-12.00	12.50		
Sub-Category-2	-	10.00-11.00	-	-	9.00	-	11.25	-	-	9.00-12.00	-	-	-		
<b>Consumer Credit</b>															
Sub-Category-1	13.00	12.00	9.00	13.00	10.00-11.50	-	13.00	10.00-13.00	16.00-19.00	11.50-14.50	12.00-15.00	9.00-14.00	12.00-16.50		
Sub-Category-2	-	-	-	-	-	12.00	14.00	11.50-14.50	-	11.50-14.50	-	-	-		
<b>Others</b>															
Sub-Category-1	-	9.00-13.00	5.00-9.00	7.00-14.00	11.00-12.00	12.00	20.50	8.50-11.50	9.00-10.00	9.00	12.00-15.00	10.00-14.00	13.50		
Sub-Category-2	9.00	-	-	-	-	-	10.50	18.50-21.50	14.00-17.00	-	-	-	-		

Source : Banking Regulation & Policy Department, Bangladesh Bank  
 - =Not applicable

BANK WISE ANNOUNCED INTEREST RATE STRUCTURE IN BANGLADESH (EXCEPT ISLAMIC BANKS), August 2018



**Table 2:** Structure of Credit in Bangladesh<sup>15</sup> (in Taka Crores)

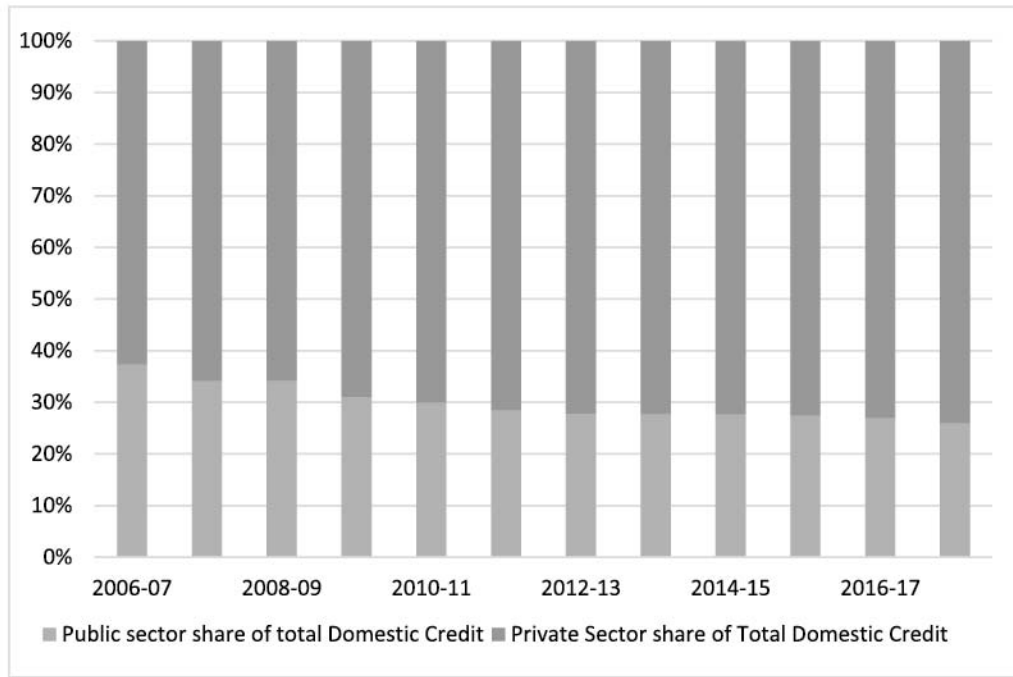
End of Period	Domestic Credit										
	Public Sector						Banking sector as % of Public sector total	Private Sector Total	Total Domestic Credit (8+11+14)	Ratios	
	Government (Net)		Other Public Sector		Total	Private Sector as % of Total Domestic Credit				Public sector as % of total Domestic Credit	
	Banking Sector	Total <sup>16</sup> (5+6+7)	Banking sector as % of govt. total	Banking Sector	Total <sup>17</sup> (9+10)	Total Public Sector	14	15	14/15	(8+11)/15	
5	8	5/8	9	11	8+11	(5+9)/(8+11)	14	15	14/15	(8+11)/15	
2006-07	35910	79579	45%	15760	15801	95379	54%	160284	255664	63%	37%
2007-08	46721	92944	50%	10114	10141	103085	55%	199242	302327	66%	34%
2008-09	57982	107829	54%	10884	10955	118785	58%	229115	347899	66%	34%
2009-10	54225	115782	47%	12763	12857	128639	52%	285393	414032	69%	31%
2010-11	73201	137012	53%	16901	17009	154021	58%	359510	513531	70%	30%
2011-12	91701	155824	59%	15284	15330	171154	63%	429486	600640	72%	28%
2012-13	110095	174978	63%	9377	9421	184399	65%	477442	661841	72%	28%
2013-14	117498	194107	61%	12613	12654	206760	63%	537771	744531	72%	28%
2014-15	110225	215482	51%	16449	16529	232011	55%	607143	839155	72%	28%
2015-16	114189	252863	45%	15573	15681	268544	48%	711423	979967	73%	27%
2016-17	97308	288378	34%	16744	16887	305264	37%	824384	1129648	73%	27%
2017-18	94868	329521	29%	11338	12126	341647	31%	970215	1311862	74%	26%
Period Average	83660	178691	47%	13650	13783	192474	51%	482617	675091	71%	29%

Source: Bangladesh Bank

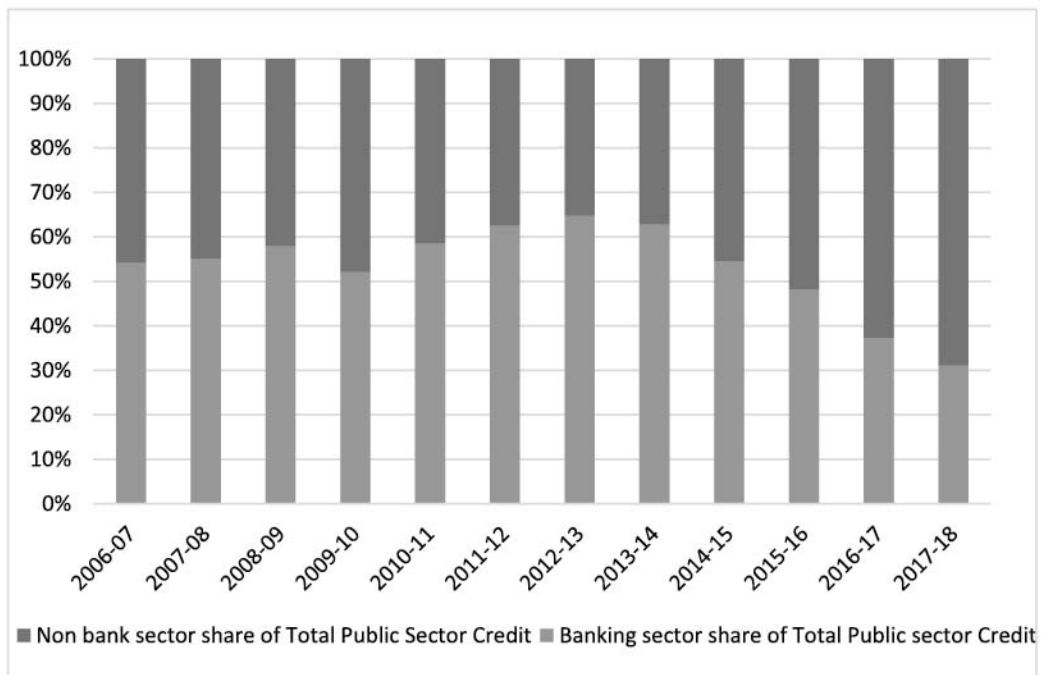
**Table 3:**<sup>18</sup> Government borrowing (net) from the monetary (BB and banks) and non-monetary sector<sup>19</sup> (Tk. Crores)

Year	Net borrowing of the Govt. from the banking system <sup>1</sup>	Net non-bank borrowing of the Govt. from the public <sup>2</sup>	Total domestic financing	Net foreign financing <sup>3</sup>	Total financing	Direct Monetization (%)
1	2	3	4=(2+3)	5	6=(4+5)	7=(2/6)
2009-10	-4376	12256	7880	10219	18099	-24.2%
2010-11	19176	3013	22189	7470	29659	64.7%
2011-12	18784	2241	21025	9714	30740	61.1%
2012-13	17873	7725	25598	15080	40678	43.9%
2013-14	6628	15352	21980	14224	36204	18.3%
2014-15	-7371	34724	27353	17068	44420	-16.6%
2015-16	4327	34167	38493	20214	58707	7.4%
2016-17	-17465	53685	36221	20863	57084	-30.6%
2017-18	-1127	47493	46366	41158	87523	-1.3%
Average	4050	23406	27456	17334	44790	9%

Source: Calculated from Bangladesh Bank data.



**Figure 1:** Share of Public and Private Sector in the Credit Markets, FY 2007 – FY 2018<sup>20</sup>



**Figure 2:** Banking vs. Non-bank sector share of Public Sector Credit, FY 2007-FY2018<sup>21</sup>