



# The Significance of the National Budget 2024-25 for the Economic Development of Bangladesh: A Critical Analysis

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## Abstract:

The objective of the study is to evaluate the proposed national budget for FY 2024-25 in Bangladesh. Budgeting is a continuum process that allocates and adjusts expenditures and revenues to achieve a steady state of development in a country. The proposed national budget size for FY 2024-25 is BDT 797,000 crore, with revenue of BDT 541,000 crore and a budget deficit of BDT 256,000 crore, showing that the budget-to-GDP ratio is 14%. The study examines the current budget for the FY 2024-25 with prior budgets to identify the discrepancies with respect to social and economic justifications. It is revealed that the current budget (FY 2024-25) size is 11.56% bigger than the prior budget FY 2023-24, along with the increase of budget deficit by 8.3%. The red flag for the government is the increasing foreign borrowing, as high as 18.88%, which is a sign of high financing risk. The proposed budget struggled to take the macroeconomic challenges, packaged with political agendas for the recent national election. Moreover, the increasing cost of imports, lower exports, and consistent decrease in reserve balance eventually led to the devaluation of the BDT in the international market.

**Keywords:** National Budget, Budget Deficit, ADP, Bangladesh.

**Reference:**

Sharif, M.J. and Sarker, N. (2024), "The Significance of the National Budget 2024-25 for the Economic Development of Bangladesh: A Critical Analysis", *The Cost and Management*, 52 (3), pp. 4-16.

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## 1.0 Introduction

Bangladesh has experienced a remarkable economic transformation over the past two decades, and its economic growth has been hailed as a success story in the South Asian region (Bhuiyan, 2021). Despite facing challenges such as natural disasters, political instability, and economic fluctuations, the country has emerged as one of the fastest-growing economies globally. This impressive growth can be attributed mainly to the government's strategic budgetary policies, which are meticulously crafted by the Ministry of Finance and

require parliamentary approval. As a vital tool, the budget outlines revenue sources, expenditures, and fiscal goals and plays a crucial role in stimulating the economy, promoting social welfare, and maintaining fiscal discipline. This aspect of the budget, particularly the need for fiscal discipline, should instill a sense of optimism and hope for the future of Bangladesh's economy.

The country's economic system is a blend of free-market capitalism and state intervention, with the government playing a significant role in shaping economic policies and priorities (Zaman & Basak, 2011). One of the key drivers of Bangladesh's economic growth has been the influx of foreign direct investment (Mujeri et al., 2021). While the country has faced some challenges, such as infrastructure deficiencies and bureaucratic hurdles, it has demonstrated a remarkable ability to adapt and overcome these obstacles (Mujeri et al., 2021; Zaman & Basak, 2011).

Bangladesh's economy is also diversifying into new areas, with a shift from heavy industry to consumer goods production and actively embracing technological advancements, with initiatives to enhance the skill sets of its workforce to meet the demands of the evolving global market (Dhar, 2021). Overall, the economic system of Bangladesh is a dynamic and evolving landscape characterized by a combination of state-led initiatives and market-driven forces. As the country continues to pace in various sectors, it is poised to become a significant player in the global economy (Alam, 2014; Mujeri et al., 2021).

As Bangladesh strives towards becoming an "Asian Tiger" economy, the 2024-25 budget should be instrumental in providing the necessary policy framework and financial resources to sustain this impressive growth trajectory. The budget should address a range of critical issues, including infrastructure development, social welfare, education, and healthcare, to ensure that the benefits of economic growth are evenly distributed and that the country's development is inclusive and sustainable. One of the key areas that the 2024-25 budget must address is the continued improvement of the business environment in Bangladesh. The budget should also prioritize the development of the country's human capital, as this will be crucial for sustained economic growth. Investments in technical and vocational education and training will be essential in improving the skills and productivity of the workforce, which in turn will enhance the country's ability to attract high-value-added manufacturing and services (Ullah

& Parveen, 2018). Additionally, the budget should allocate resources towards improving access to quality education and healthcare, as these are fundamental to the well-being and development of the population.

To address the above issues, the new Finance Minister Abul Hassan Mahmood Ali placed the national FY 2024-25 budget in the Parliament on 6th June 2024 with the slogan "March Towards Smart Bangladesh Following the Path of Sustainable Development." The Parliament passed the proposed national budget amounting to BDT. 797,000 crore on 30th June 2024 to achieve a 6.75 percent GDP growth rate and keep annual inflation at around six percent. According to this Budget, total revenue will be collected amounting BDT. 541,000, which is only 14.24% of GDP.

Bangladesh is experiencing a notable discrepancy this year between its expenditure and revenue, with a revenue target of BDT 5,41,000 crore, or 9.7% of GDP. Traditionally, a budget deficit of 3-4% of GDP is considered typical, but the current budget sets the deficit at 4.6%, slightly lower than the 4.7% in the previous revised budget. This deficit will be covered by 2.9% from domestic sources and 1.7% from international sources. As a result, the CPD (2024) has criticized the national budget for reducing fiscal space, overly depending on government borrowing from commercial banks, constraining liquidity in scheduled banks, high prices for essential goods, and a worsening external sector balance and foreign exchange reserves.

So, this paper tries to identify the pros and cons of the proposed budget by the Bangladesh government for the FY 2024-25. Therefore, in this paper, the objectives have been set as to i) analyze the overall budget for the FY 2024-25 in comparison with FY 2023-24; ii) Revenue, expenditure, and financing structure of the budget; iii) sector-wise allocation of budget including operating and development budget; and iv) critically evaluate the current national budget in terms of issues regarding the economy's critical situation involving the dollar crisis, forex reserve depletion, high inflation, and massive unemployment.

This paper has been structured as follows: the first section presents the introduction and objective of this study; the second section presents a brief summary of our current economic situation. The third section discusses the overall budget in terms of revenue, expenditure, and financing structure, as well

as the sector-wise allocation of the budget, including the operating and development budget. The fourth section presents the challenges and critics about the current budget, and the fifth section presents the conclusion of the study.

## 2.0 Bangladesh Economy

Bangladesh, a South Asian country, has experienced remarkable economic growth in recent years, with its GDP exceeding \$300 billion in 2019 (Senan et al., 2022). This growth has been attributed to various factors, including an increase in foreign direct investment and a shift towards the manufacturing sector, particularly in ready-made garments, which has significantly altered the export landscape of the nation (Senan et al., 2022). In addition, the country has shown a consistent annual growth rate of 6-7% over the past few years despite facing challenges such as inadequate infrastructure and bureaucratic hurdles, which have hindered some aspects of development and budget allocation (Mujeri et al., 2021). Moreover, the economic performance has been characterized by a notable shift from reliance on traditional agricultural exports to a diverse range of manufactured goods, reflecting a broader trend of industrialization and a more dynamic economy that has made significant strides in reducing poverty levels and improving living standards.

Bangladesh moved up to a lower-middle income level in 2015, having been among the world's poorest countries when it was founded in 1971. It is expected to leave the UN's Least Developed Countries (LDCs) list by 2026. Based on the international poverty line of \$2.15 per day (using the 2017 Purchasing Power Parity and a comparable welfare series), the poverty percentage decreased from 11.8 percent in 2010 to 5.0 percent in 2022. Comparably, depending on the international poverty level of \$3.65 per day (using 2017 PPP), moderate poverty decreased from 49.6 percent in 2010 to 30.0 percent in 2022. Human development results improved in several areas, including access to electricity, literacy rates, and a decline in infant mortality and stunting.

Bangladesh continues to encounter challenges in its post-pandemic recovery. From 7.1 percent the year before, real GDP growth dropped to 5.8 percent in FY23. Foreign exchange inflows were deterred by implementing a multiple exchange rate regime in September 2022, resulting in a financial account

deficit. Measures to restrict imports, such as foreign exchange rationing, led to shortages of oil, gas, essential intermediate products, and capital items.

Despite progress, Bangladesh continues to face significant challenges, such as poor infrastructure, internal corruption, and insufficient resources, which have limited economic development and undermined the effectiveness of budgetary allocations. These challenges impede the implementation of essential public policies and exacerbate inequalities within the population, particularly affecting vulnerable groups who lack access to basic services and opportunities for socio-economic advancement. To address these disparities and foster inclusive growth, the government must implement targeted interventions aimed at strengthening governance, enhancing transparency in budgetary processes, and facilitating access to education and technology for marginalized communities, ensuring that economic development benefits reach all segments of the population. Table I below shows Bangladesh's economic data for the last five years.

**Table I: Bangladesh Economic Data**

Particulars	2019	2020	2021	2022	2023
Population (million)	163	165	167	169	170
GDP (USD bn)	351	374	416	460	436
GDP per capita (USD)	2,153	2,269	2,499	2,729	2,558
GDP (BDT bn)	29,514	31,705	35,302	39,717	44,908
Economic Growth (Nominal GDP, In %)	11.8	7.4	11.3	12.5	13.1
Economic Growth (GDP, In %)	7.9	3.4	6.9	7.1	5.8
Unemployment (% of active population)	4.7	5.8	5.8	5.2	5.1
Public Debt (% of GDP)	32.0	34.5	35.6	37.9	39.8
Exchange Rate (BDT per USD)	84.95	84.72	84.86	103.02	109.75
Current Account Balance (USD bn)	-4.5	-5.4	-4.6	-18.6	-3.3
Foreign Direct Investment (USD bn)	2.9	2.6	2.9	3.5	3.0
International Reserves (USD bn)	32.7	43.2	46.2	33.7	27.1

Source: <https://www.focus-economics.com/countries/bangladesh/>

Bangladesh's economic condition has witnessed significant progress in recent years, driven by the growth of the manufacturing sector, particularly the ready-made garment industry, as well as strategic investments in infrastructure, education, and sustainable development. Although substantial advancements have been made, ongoing efforts are essential to navigate the complex landscape of economic development, ensuring that the achievements of the past are preserved and built upon through effective policy measures that address both current challenges and future opportunities for growth.

### 3.0 Analysis of National Budget for the FY 2024-25

The national budget of Bangladesh is a critical component of the country's economic and fiscal landscape, serving as a roadmap for government spending, revenue generation, and overall macroeconomic performance. In recent years, the government has sought to expand the budget significantly to bolster economic growth and address pressing social and infrastructural challenges, reflecting an ambition to elevate the nation amid both regional and global economic pressures. This trend is evident in the projected budget for FY 2024-25 also, which shows an increase in both total size and total revenue earnings compared to previous years, thereby indicating a proactive approach to enhancing fiscal health and economic resilience in the face of both domestic and external factors.

### 3.1 Comparison of National Budgets over the years

The total budget size for the fiscal year 2024-25 is amounting BDT. 797,000 crore which is 11.56% higher of the revised budget of the previous year and 14.24% of total GDP. The budget data reveals several noteworthy trends. The increase in total revenue earnings by 13.18% and the substantial rise in NBR tax revenue by 17.07% suggest a concerted effort by the government to improve tax compliance and broaden the tax base, which is essential for sustaining long-term economic development.

Despite being lower than last year's deficit, the current budget deficit underscores the ongoing difficulty of balancing fiscal responsibility with the need for substantial public investment, especially in crucial areas like infrastructure and social welfare, which are essential for sustained GDP growth amid challenges such as the lingering effects of the COVID-19 pandemic. The deficit for this year totals BDT 256,000 crore, representing 4.6% of the country's GDP. Compared to the previous year, the overall budget deficit has increased by 8.28%.

**Table 2: National Budget Comparison (Amount in crore BDT)**

Particulars	FY 2024-25 (Proposed)	FY 2023-24 (Revised)	Change in %	FY 2023-24 (Proposed)	FY 2022-23 (Actual)	FY 2021-22 (Actual)
Total size of the budget	797,000	714,418	11.56%	761,785	573,857	518,188
Total Revenue earnings	541,000	478,000	13.18%	500,000	366,658	334,642
NBR Tax Revenue	480,000	410,000	17.07%	430,000	319,731	292,881
Budget Deficit (Excluding grants)	256,000	236,418	8.28%	261,785	204,447	183,546
GDP growth	6.75%	5.82%			6.00%	6.15%
Inflation	6.50%	8.00%			7.50%	7.10%
Overall Deficit in % of GDP	4.60%	4.70%		5.20%	4.70%	4.60%
Budget size in terms of GDP	14.24%	14.15%		15.22%	12.93%	13.05%
Revenue in terms of GDP	9.67%	9.47%		9.99%	8.26%	8.43%
GDP	5,597,414	5,048,027		5,006,782	4,439,273	3,971,716

**Source: Ministry of Finance, Bangladesh**

The provided budget data presented in Table-2 showcases the government's revenue sources and expenditure patterns for the fiscal years 2024-25, 2023-24, 2022-23, and 2021-22 respectively. The data indicates that the government's total revenue, which includes both tax and non-tax sources, has experienced a steady increase over the years, from BDT. 334,641 crore in 2021-22 to a projected BDT. 541,000 crore in 2024-25. This upward trend in revenue suggests an improvement in the government's capacity to mobilize financial resources, which is crucial for sustaining development expenditures and addressing the increasing demands on public services and infrastructure.

### 3.2 Expenditures and Revenues under the current national budget:

The Table-3 represents the main sources of revenues and amount of expenditures under the current budget along with the revised and actual budget information of the previous years. Bangladesh Government mainly collects the necessary revenue to bear its expenditures from Tax and Non-tax revenue sources. The major dependency is on the tax revenue collected mainly by the NBR which comprises 88.72% of the targeted revenue collection of the government. Only 8.50% of total revenue will be collected from the Non-tax revenue sources and 2.77% from the Non-NBR Tax revenue sources. Total annual expenditures comprise mainly operating expenditures and development expenditures. This year, government assumes that total operating expenditures will comprise BDT. 506,971 crore which is 63.61% of the total expenditures. As part of these operating expenditures, government has allocated BDT 112,655 crore (14.13%) to bear the interest expenses on its borrowed amount. This year, total BDT. 281,453 crore has been sanctioned for the development expenditures where BDT. 265,000 has been allocated for the Annual Development Programs. The amount allocated for ADP comprises 33.25% of the total expenditures and has been surged by BDT. 20,000 crore from the revised budget of the last FY 2023-24.

**Table 3: Source and Allocation of Budget (Amount in crore BDT)**

Particulars	FY 2024-25 (Proposed)	FY 2023-24 (Revised)	FY 2023-24 (Proposed)	FY 2022-23 (Actual)	FY 2021-22 (Actual)
<b>Revenue sources:</b>					
NBR Tax Revenue	480,000	410,000	430,000	319,731	292,881
Non-NBR Tax Revenue	15,000	19,000	20,000	7,994	6,704
<b>Total Tax Revenue</b>	<b>495,000</b>	<b>429,000</b>	<b>450,000</b>	<b>327,725</b>	<b>299,585</b>
Non-tax Revenue	46,000	49,000	50,000	38,933	35,056
<b>Total Revenues</b>	<b>541,000</b>	<b>478,000</b>	<b>500,000</b>	<b>366,658</b>	<b>334,641</b>
Foreign Grant	4,400	3,500	3,900	2,752	2,322
<b>Expenditures:</b>					
Operating Expenditures	506,971	453,228	475,281	369,864	325,682
Total Interest	112,655	105,300	93,531	92,107	77,779
Net Outlay for Food Account operation	119	(1,234)	502	1,013	2,437
Loans and Advances	8,457	2,417	8,420	(2,178)	(5,104)
Development Expenditures	281,453	260,007	277,582	205,158	195,173
Annual Development Program	265,000	245,000	263,000	191,927	186,060
Total Expenditures	797,000	714,418	761,785	573,857	518,188
Budget Deficit (Excluding Grants)	256,000	236,418	261,785	207,199	183,546

Source: Ministry of Finance, Bangladesh

However, the data also reveals a persistent and widening budget deficit, which has grown from BDT. 183,546 in 2021-22 to a projected BDT. 256,000 in 2024-25. This trend underscores the need for a comprehensive review of expenditure patterns and the identification of potential areas for optimization, as highlighted in previous research on managing public financial resources in a changing world.

### 3.3 Revenue structure of the current national Budget

As already mentioned earlier, Bangladesh Government will collect 88.72% revenue through Tax by NBR, 8.50% from Non-tax revenue and only 2.77% from Non-NBR tax. In case of collecting revenue through Tax, government mainly depends on indirect tax (VAT) rather than direct tax. This is a general trend in case of collecting revenue by the Bangladesh Government over the years. From Table-4, it can be observed that total BDT. 182,783 crore revenue will be collected from VAT, BDT. 175,620 crore from Income Tax and BDT. 113,742 crore from supplementary and import duty aggregately.

**Tale-4 Comparison of NBR Tax Revenue (Amount in crore Tk.)**

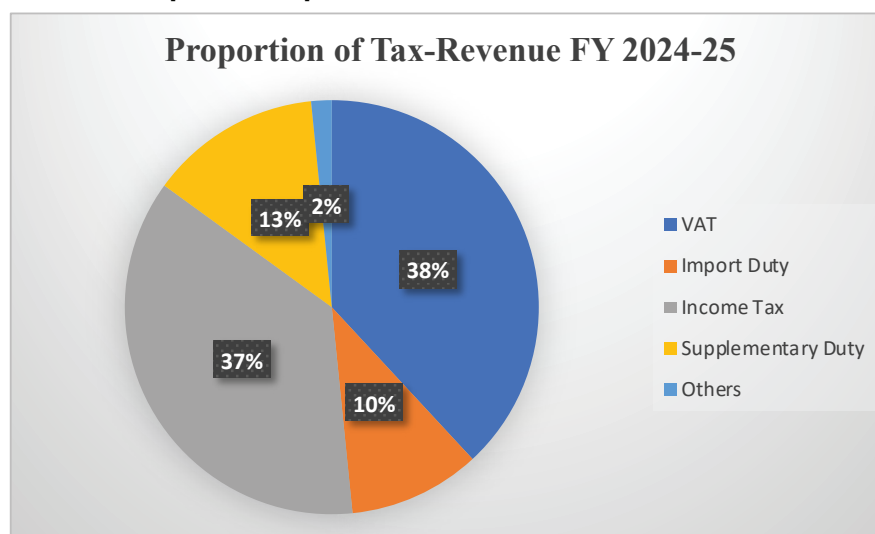
Particulars	FY 2024-25 (Proposed)	In %	FY 2023-24 (Revised)	In %
<b>NBR Tax:</b>				
Income Tax	175,620	36.59%	145,865	35.58%
VAT	182,783	38.08%	158,066	38.55%
Supplementary Duty	64,278	13.39%	55,437	13.52%
Import Duty	49,464	10.31%	43,876	10.70%
Export Duty	70	0.01%	62	0.02%
Excise Duty	5,805	1.21%	4,958	1.21%
Other taxes	1,980	0.41%	1,736	0.42%
<b>Total NBR collected Tax</b>	<b>480,000</b>	<b>88.72%</b>	<b>410,000</b>	<b>85.77%</b>
<b>Non-NBR Tax:</b>				
Narcotics and Liquor Duty	500	3.33%	1,000	5.26%

Motor Vehicle Taxes	1,500	10.00%	2,550	13.42%
Land Development Taxes	2,250	15.00%	2,500	13.16%
Sale of Stamps	10,000	66.67%	12,076	63.56%
Surcharge	750	5.00%	874	4.60%
<b>Total Non-NBR Tax</b>	<b>15,000</b>	<b>2.77%</b>	<b>19,000</b>	<b>3.97%</b>
<b>Non-tax Revenue:</b>				
Dividend and profits	7,676	16.69%	8,741	17.84%
Interest	6,114	13.29%	12,055	24.60%
Administrative fees	5,802	12.61%	5,093	10.39%
Fines and penalties	643	1.40%	1,250	2.55%
Service fees	9,126	19.84%	6,781	13.84%
Rent and leases	726	1.58%	1,481	3.02%
Tolls	1,915	4.16%	1,231	2.51%
Non-commercial sales	3,460	7.52%	2,842	5.80%
Other receipts	10,433	22.68%	9,220	18.82%
Capital receipts	105	0.23%	306	0.62%
<b>Total Non-Tax Revenue</b>	<b>46,000</b>	<b>8.50%</b>	<b>49,000</b>	<b>10.25%</b>
<b>Total Revenues</b>	<b>541,000</b>		<b>478,000</b>	

Source: Ministry of Finance, Bangladesh

In case of Non-NBR tax Revenue, major portion of revenue in the fiscal year will be collected through selling the stamps. Total BDT. 10,000 crore will be collected from selling of stamps, BDT. 2,250 crore from land development taxes and BDT. 1,500 crore from motor vehicle taxes. From the presented data, it can be concluded that government has reduced its dependency on Non-NBR tax in this year in comparison to the previous year.

Grpah-I: Proportion of Tax revenue from NBR



Source: Ministry of Finance, Bangladesh

The significant portion of revenue collection from Non-Tax revenue sources include Dividend and profits, Interest, administrative fees, service fees and so on. Among these sources, the significant portion will be collected from service fees. Bangladesh government assumes to collect BDT. 9,126 crore from this source which comprises 19.84% of the total Non-tax revenue. The second and third highest amount will be collected from dividend & profits and interest income which represent 16.69% and 13.29% of the total Non-Tax revenue respectively.

### 3.4 Financing structure for the deficit amount:

The analysis of domestic borrowings within the fiscal year 2024-25 reveals a multifaceted approach to debt management, focusing on maintaining a healthy balance between short-term and long-term debt instruments. This strategy is crucial for mitigating risks associated with refinancing and interest rate fluctuations while simultaneously ensuring adequate liquidity for immediate funding needs. The substantial allocation towards short-term debt highlights the government's responsiveness to immediate financial obligations. In contrast, the commitment to long-term debt reflects a strategy aimed at fostering stability and predictability in fiscal planning, crucial for sustaining economic growth in an environment marked by uncertainty and varying macroeconomic conditions.

**Table 5: Sources of Financing for Deficit budget (Amount in crore BDT)**

Particulars	FY 2024-25 (Proposed)	FY 2023-24 (Revised)	FY 2023-24 (Proposed)	FY 2022-23 (Actual)	FY 2021-22 (Actual)
Foreign Borrowings (Net)	90,700	76,293	102,490	79,156	65,021
Domestic Borrowings	160,900	156,625	155,395	124,361	115,216
Borrowing from Banking system (Net)	137,500	155,935	132,395	124,361	75,533
Non-Bank Borrowings (Net)	23,400	690	23,000	6,336	39,683
Total Financing excluding non-bank borrowings	251,600	232,918	257,885	203,517	180,237
GDP	5,597,414	5,048,027	5,006,782	4,439,273	3,971,716

Source: Ministry of Finance, Bangladesh

The current year budget shows that total deficit amount excluding non-banking borrowings is BDT. 251,600 crore for the FY 2024-25. This deficit will be financed through borrowing from both foreign sources and domestic sources. Table 5 presents that borrowings from both the foreign and domestic sources will increase this year. Total BDT. 90,700 crore (net) will be financed from the foreign sources which is 18.88% higher from the revised budget of the previous year. On the other hand, dependence on domestic borrowings has also increased this year. Total BDT. 160,900 crore (net) will be borrowed from the domestic sources which is BDT. 4275 crore higher from the previous year. The data also reveals data dependency has significantly increased on financing from Non-Bank borrowing sources in this year.

**Table 6: Borrowings from the Domestic Sources (Amount in crore BDT)**

	FY 2024-25 (Proposed)	FY 2023-24 (Revised)	FY 2023-24 (Proposed)	FY 2022-23 (Actual)
Domestic Borrowings	FY 2024-25 (Proposed)	FY 2023-24 (Revised)	FY 2023-24 (Proposed)	FY 2022-23 (Actual)
Borrowings from the Banking system				
Short Term Debt	390,548	327,686	314,308	359,748
Long Term Debt	127,900	127,923	117,760	84,261
Non-Banking Borrowings				
National Savings Scheme	83,340	90,000	117,800	80,959
Others	54,872	47,708	35,272	1,796,939
Total	656,660	593,317	585,140	2,321,907

Source: Ministry of Finance, Bangladesh

The report further delves into the diversification of domestic borrowing sources, with a notable increase in National Savings Scheme instruments and other non-banking borrowing channels. This diversification not only expands the government's financial toolkit but also reduces dependence on traditional banking sources, thereby promoting a more resilient financial system that can better withstand economic shocks. Additionally, the emphasis on non-banking borrowings, particularly through National Savings Schemes, points to a proactive engagement with the public to foster a culture of savings and investment, which is essential for long-term economic stability.



and growth. Moreover, the careful management of this diverse borrowing strategy not only enhances liquidity and financial market functionality but also positions the government to better address both current and future fiscal challenges, thereby ensuring that public funds are utilized effectively and sustainably in alignment with broader economic objectives.

From the Table-6, it can be concluded that government will be highly dependent on borrowing from the banking sector, especially on short-term basis. It will create pressure on the overall banking sector of Bangladesh and cause higher inflation. Dependence on National Savings Scheme will be slightly lower in comparison to the previous year but more dependence is observed on the other sources, on contrary.

### 3.5 Sources of Revenues for Operating and Development Budget

The data presented in Table-4 indicates that the total tax revenue for the fiscal year 2024-25 is projected to reach BDT. 480,000 crore, a significant increase from the revised figure of BDT. 409,999 crore for 2023-24. This increase reflects a concerted effort by the government to enhance tax compliance and broaden the tax base, which are critical components in achieving sustainable economic growth and fiscal stability in the region. Furthermore, the specific contributions from various tax categories reveal that VAT remains the dominant source of revenue, despite a slight percentage decrease from 38.55% in 2023-24 to 38.08% in 2024-25, underscoring the importance of this indirect tax in the country's overall tax structure.

**Table 7: Sources of Resources for Operating and Development Budget**

	FY 2024-25 (Proposed)	FY 2023-24
(Proposed)		
Tax Revenue: NBR	60.20%	56.40%
Tax Revenue: Non-NBR	1.90%	2.60%
Non-Tax Revenue	5.80%	6.60%
Domestic Loan	20.20%	20.40%
Foreign Loan	11.40%	13.50%
Foreign Grants	0.50%	0.50%

Source: Ministry of Finance, Bangladesh

Table-7 indicates the total sources of funds in percentage that will be utilized for the operating and development expenditures of the Government. Major portion of the funds will be generated from the Tax Revenues by NBR and Domestic loan. According to the information presented in the above table, 60.20% revenue will be collected from tax revenues and 20.20% from the domestic loans. This year for financing purpose, government has focused largely on Tax revenue (NBR) and condensed its dependency on foreign loans to bear the operating and development expenditures.

### 3.6 Sector-wise Resource Distribution for Operating and Development Budget

The proposed fiscal year 2024-25 budget shows a significant shift in the allocation of resources across different sectors. This adjustment reflects the shifting priorities of government spending, emphasizing a growing focus on public administration and education, which are critical for achieving broader developmental goals and enhancing overall socio-economic performance within the region. Furthermore, the increase in allocations for public administration is essential for improving governance and the efficiency of service delivery, while the emphasis on education and technology is key to fostering innovation and sustainable economic growth, which are vital for raising living standards and addressing social inequalities within the population.

It has also been observed here that total interest expenditure of the government has increased by 7.76% this year in comparison to the last year. Another important change that has been observed is the allocation of fund for Education and Technology sector. In this year, around BDT. 22,144 crore (24.88%) has been allocated more in this sector in comparison to the previous year and it comprises 13.95% of the total expenditures of the Bangladesh Government.

**Table 8: Sector-wise Resource Distribution for Operating and Development Budget including Subsidies, Incentives and Pensions (Amount in crore BDT)**

	<b>FY 2024-25 (Proposed)</b>	<b>% in Change</b>	<b>FY 2023-24 (Revised)</b>	<b>% in Change</b>
Public Administration	183,888	23.07%	153,407	21.47%
Interest	113,500	14.24%	105,324	14.74%
Education and Technology	111,156	13.95%	89,012	12.46%
Transport and Communication	82,919	10.40%	75,242	10.53%
Local Government and Rural Dev.	47,952	6.02%	51,253	7.17%
Health	41,408	5.20%	29,783	4.17%
Agriculture	47,331	5.94%	56,005	7.84%
Defense	42,361	5.32%	38,211	5.35%
Social security and welfare	43,325	5.44%	39,323	5.50%
Public order and security	33,519	4.21%	30,956	4.33%
Energy and Power	30,316	3.80%	28,318	3.96%
Housing	6,929	0.87%	7,025	0.98%
Recreation, culture and religious affairs	6,701	0.84%	5,920	0.83%
Industrial and Economic services	5,695	0.71%	4,639	0.65%

**Source: Ministry of Finance, Bangladesh**

The proposed budget also emphasizes transport and communication infrastructure, which is crucial for facilitating the movement of goods, services, and people, thereby supporting economic development and integration. In addition, Health sector has also got priority in terms of expenditure. This year, total BDT. 41,408 crore has been allocated in this sector which is BDT. 11,625 crore higher (39.03%) in comparison to the previous year. Though industrial and economic services comprise only .71% of the total expenditures in this year, BDT. 1,056 crore more has been allocated in this sector in comparison to the previous year.

In the current fiscal year, the allocation has been reduced for only three sectors. These three sectors are Agriculture, LGRD and Housing sector where 15.49%, 6.44% and 1.37% fund have been reduced from the previous year respectively.

### 3.7 Sector-wise Resource Distribution for Operating Budget

The data presented in Table-9 regarding sector wise budget allocation for the fiscal years 2023-24 and 2024-25 indicates a shift in the distribution of resources across different sectors. For example, while the allocation for subsidies and incentives remains relatively stable, a notable increase in the interest segment reflects a growing recognition of the need to manage the public debt more effectively, illustrating the government's evolving fiscal strategy in response to economic challenges. The slight decrease in allocations for health and public administration suggests a potential reallocation of resources to sectors deemed more critical for immediate recovery and growth, thereby emphasizing the necessity for ongoing adjustments in public financial management to ensure that fiscal policies remain aligned with national priorities.

Besides, 20% of the total expenditure budget has been kept for subsidy and incentives activities and 11.80% for Education and Technology sector. In comparison to the previous year, no significant change has been observed in the budget allocation for the operating expenditures under the 15 different sectors mentioned in this current year budget.

**Table 9: Sector-wise Resource Distribution for Operating Budget (Amount in crore BDT)**

	<b>FY 2024-25 (Proposed)</b>	<b>FY 2023-24 (Proposed)</b>
Interest	22.00%	19.50%
Subsidy and incentives	20.00%	20.50%
Education and Technology	11.80%	11.90%
Public Administration	9.00%	9.80%
Pension	7.20%	6.80%
Defense	6.30%	6.80%
Public order and security	5.60%	5.70%
Social security and welfare	5.40%	5.40%
Health	4.10%	4.70%
Transport and Communication	2.20%	2.20%
Agriculture	2.00%	2.10%
Housing	0.40%	0.40%
Recreation, culture and religious affairs	0.50%	0.50%
Industrial and Economic services	0.30%	0.30%
Local Government and Rural Dev.	1.50%	1.50%
Miscellaneous expenditures	1.70%	1.90%

**Source: Ministry of Finance, Bangladesh**

### 3.8 Sector-wise resource Distribution for Development Budget

The sector-wise allocation of the development budget for FY 2024-25 and FY 2023-24 provides valuable insights into the government's priorities and the expected impact on economic growth and social welfare. Table-10 shows the sector-wise allocation of the development budget for the FY 2024-25 in Bangladesh.

According to the provided data, the sector-wise distribution of the development budget for the fiscal years 2023-24 and 2024-25 reveals several notable trends. For instance, the percentage allocation for Transport and Communication has decreased from 28.90% to 25.10%, indicating a potential shift in government priorities. In particular, this decrease may reflect a strategic realignment aimed at enhancing investment in areas such as Power & Energy, Health and Education sector, which have both seen increased allocations, thus emphasizing the government's focus on addressing social determinants essential for inclusive development. This shift in resource distribution underscores the government's commitment to addressing long-term developmental challenges and improving the overall well-being of its citizens, particularly in low and middle-income contexts, where targeted investments in critical sectors like health and education can have a significant impact on reducing disparities and promoting sustainable growth.

The prominent increase in the health sector's budget share, from 5.90% to 7.30%, highlights the government's recognition of the critical role of healthcare in promoting overall well-being and productivity, which is particularly vital in light of the growing burden of diseases and the necessity for robust healthcare systems to support population health. In addition, the increase in funding for education and technology by 1.2 percentage points suggests a recognition of the critical role that these sectors play in fostering innovation and improving workforce skills, which are vital for enhancing overall productivity and economic resilience in an evolving global landscape.

**Table 10: Sector-wise Resource Distribution for the Development Budget (Amount in crore BDT)**

	FY 2024-25 (Proposed)	FY 2023-24 (Proposed)
Transport and Communication	25.10%	28.90%
Local Government and Rural Dev.	7.50%	8%
Health	7.30%	5.90%
Agriculture	4.70%	6%
Defense	0.30%	0.90%
Public order and security	1.20%	1.40%
Recreation, culture, and religious affairs	1.30%	1.30%
Industrial and Economic services	3.20%	2.40%
Power and Energy	15.10%	11.40%
Environment, climate change, and water resources	3.90%	3.40%
Housing and Community Amenities	9.60%	5%
Education	12.80%	11.70%
Science and Information Technology	1.70%	5.20%
Social Protection	2.40%	3.20%
General Public Services	3.90%	5.30%

**Source: Ministry of Finance, Bangladesh**

On the other hand, the reduction in the budget allocation for Agriculture, from 6% to 4.70%, may suggest a need for a more targeted and strategic approach to rural development, as the literature highlights the importance of aligning budgetary allocations with specific local needs and capacities to ensure effective utilization of resources and maximize the impact on rural communities.

## 4.0 Critical Evaluation about the National Budget for the FY 2024-25

The budget has several positive aspects, including the extension of the social safety net, higher tax rates for wealthier taxpayers, the emphasis on science and technology, rural development, job-generating initiatives, upgrades to healthcare facilities, the construction of roads and bridges, investments in research and education, and, most importantly, the budget's appalling lack of urgency in reducing inflation. The revised budget for FY2023–24 is 11.6% smaller than the projected budget for FY2024–25. The financial industry, which is already struggling on one leg, must provide funds due to the 8.3% increase in the budget deficit and 18.88% increase in foreign borrowing will indicate a rising finance risk.

However, a few topics in the proposed 2024–2025 budget cause contention. These are listed below:

- The lowest tax-free amount is still the same as last year. The 10% tax bracket threshold was raised from BDT 750,000 to BDT 850,000 under the new tax structure, which does offer some relief for persons with higher incomes but not for the poor people.
- The budget also raises the top tax rate for affluent incomes from 25% to 30% to redistribute wealth. It has been declared that no inquiries about the source of black money would be made. This suggests that the money would not be examined even if obtained unlawfully, undermining the rule of law.
- Although a flat 15% tax is suggested to legalize black money, people or organizations that make money honestly must pay up to 30% in taxes. This is unethical as well as discriminatory.
- The new budget has lowered the corporate tax, which could inspire industrial enterprises.
- Even though private stakeholders control over 80% of the economy, stronger growth would require more credit expansion from the banking sector, which frequently experiences dehydration from a lack of liquidity. The objective of controlling inflation is at odds with the pursuit of stronger growth, which leads to a demand for Tk 1,37,500 crore from the banking sector to close the deficit.

- Interest rates are already soaring, and if the government continues to seize funds, interest rates will rise even more, driving up manufacturing costs. Cost-push inflation will rekindle, which is far more difficult to reduce than demand-pull inflation.
- The implementation status of the top projects under ADP is not satisfactory. As a result, cost of implementing those projects increase and citizens deprives to get benefit from those projects in time. Again, Roopur Nuclear Power Plant and Matarbari Coal Fire power project account for 15.2% of the total ADP budget in the FY 2024-25 (CPD, 2024). These two projects consume the major part of ADP budget.

## 5.0 Conclusions

Bangladesh has experienced remarkable economic progress in recent decades, emerging as one of the fastest-growing economies in the world (Alam, 2014). The country's per capita income has more than doubled since 2000, successfully reducing poverty and extreme poverty (Bhuiyan, 2021). However, Bangladesh still faces significant challenges, including high population density, frequent natural disasters, and underdeveloped infrastructure. (Metcalf, 2003)

This budget is the last budget of the Eight five-year plan of Bangladesh. The 2024-25 budget should focus on several key policy recommendations to address these challenges and further accelerate economic development.

First, the government should continue to prioritize investment in human capital development, mainly through expanding access to quality education and vocational training. The country's Sixth Five-Year Plan has rightly highlighted the importance of increasing the proportion of higher value-added manufacturing, which requires a skilled workforce. Investing in technical and vocational education and training can help bridge the skills gap and improve labor productivity, thereby supporting the country's industrialization efforts.

Second, the budget should allocate more resources to improving infrastructure, particularly in transportation, energy, and communication. Inadequate infrastructure has been a significant bottleneck for Bangladesh's economic growth, and addressing these gaps can attract more foreign direct investment and enhance the country's export competitiveness.

Third, the government should continue to promote

private sector development and create a more conducive business environment. This can be achieved by reducing bureaucratic red tape, improving access to finance, and strengthening the rule of law.

By implementing these policy recommendations, the 2024-25 budget can contribute to the country's long-term economic development and help Bangladesh become a middle-income country.

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