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Public Debt in Bangladesh: An Analysis of External Debt and Its Impact on Economy

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Abstract

This study attempts to investigate the impact of different types of debts on Bangladesh's economy using time series data spanning from 2011-12 to 2021-22(as at end June). The impact of debt is analyzed in various ways including source of financing, debt portfolio and current situation etc. Bangladesh government takes loan from two sources-internal and external sources. The quantity of external debt is large in amount debt and it plays a crucial role in our economy. These debts are taken for financing and developing projects. But the impacts of these debts are not very good in most cases. In this paper tried to show the impact of external debt, whether it is good or bad or has a positive or negative effect in our economy. Then the suggested some initiatives to make this debt more useful and effective. According to the analysis at the end of the FY 2021-2022*(as at end of June), Bangladesh's external debt stood at $60.15 billion. It has grown a lot between 2018-19 and 2020-21, an increase of $ 9.02 billion in last fiscal year alone. At the end of fiscal year 2020-2021, Bangladesh's revenue-GDP ratio stood at 9.4 percent, the lowest among South Asian countries. No one needs to panic at the moment when it comes to repayment of Bangladesh's debts.*

Keywords: Debt Portfolio, Debt Financing, Debt Sustainability, Budget Deficit

1. Introduction

The 2021 update of the IMF's Global debt database documents the largest one year increases in debt since World War. As countries were hyped by the pandemic global debt rise $226 trillion or 25.6 percent of GDP in 2020. Borrowing by governments accounted for slightly more than half of this increase, as global public debt increased by 20%. The share of public debt in global debt reached new highs not seen in more than 50 years reflecting one of the biggest incremental

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increases since the global financial crisis. Personal loans rise 10% in 2020 party reflecting support from the central bank and the government. Credit growth has varied significantly across countries due to the highly uneven ability to governments and central banks to support households and business during pandemics and deep economy downturns.

The uniqueness of public debt lies in fact that it has revenue implications as well as expenditure implications. As at first effect, government debt affects overall public spending in the economy.

Sustainability of public debt is very important for an economy like Bangladesh as it not only boosts the confidence of foreign investors in the economy, but also helps in reducing its adverse effects on the external debt position as well as preventing potential debt crisis. Debt sustainability analysis can be conducted by analyzing country's external performance, fiscal strength and shock absorption capacity, among others.Central bank statistics shows that the country's external debt is gross domestic product ratio rise to 21.8% in the last calendar year or 2021. in 2020 the ratio was 19.5% .external debt to growth national income reached 24.1% at the end of 2021 as against 21.50% in 2020.The total outstanding stock of external debt at the end of the previous calendar year raised US$90.79 billion, recording as increases of 24.50% over the same period of the previous year or 2020.Of The total external debt long-term debt was 80.10% or US$72 .7 billion and short-term debt was 19.90%or US$18.09billion. About 75% of the total foreign debt in the public sector and the remaining 25% in the private sector. The ratio of total foreign debt to foreign reserves declined to 50.8% last year from 59.2% in 2020.Per capita external debt in Bangladesh increased to$536.24 last year from $435.31 in 2020.

While Bangladesh's rising external debt is not part of the causes for concern among policy makers as it has a manageable level of foreign debt stock in Bangladesh exchange reserves, the former World Bank chief economist, told EEC that it is still there. Tolerable but can be burdensome if not used properly. In 2020 Bangladesh's foreign exchange reserve by 62.5% compared to foreign debt reserves was the third highest in South Asia followed by Nepal at 140.1% and India at 97.3%.

Bangladesh has always had to depend on foreign loan to meet the budget deficit .And the ability revenue income and internal resources acquisition is low and for various developmental activities of the government including the implementation of major project of the country. The government mainly takes loan from foreign development partners. Similarly while, in power of the heart

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consecutive term, the government has taken the amount of loans to implement several big projects.

To this end, this paper attempts to examine whether Bangladesh's debt situation shows long-term sustainability and whether there is still scope for increasing Bangladesh's external debt ratio for the sake of economic development. The paper reviews the trend and composition of Bangladesh's external debt and investigates whether the trend in the external debt situation shows long-term sustainability. The paper also examines trends in private sector external debt positions of creditor countries, including loans and multilateral development institutions, to understand the concentration of debt by country or institution for Bangladesh. This study aims to draw empirical evidence whether excessive reliance on public debt in annual budget is hampering the economic growth of the country.

Another aspect of this paper is to review the external debt position of selected exporting South Asian countries to understand the external borrowing capacity of Bangladesh economy. Today's public debt will create a future debt for the country. The study aims to specifically explore the following:

- To explore the portfolio, trend and impact of public debt in Bangladesh economy.
- To find out external debt sustainability and whether external debt is a burden for Bangladesh.
- Draw a specific recommendation for further improvement.

2. Research Gap

In the international research arena, there is a large body of literature on public debt that emphasizes various aspects of debt management including structure, impact on economic growth, impact on investment, debt sustainability. But, literature in the context of Bangladesh is not very much in number. A gap of research on the impact of external debt on the economy Bangladesh is the lack of comprehensive studies that examine that long-term effects of external debt on economy growth, poverty reduction and other economic indicators .Additionally, there is a need for more research on the impact of external debt on the country's financial sector, including the banking sector and the impact of external debt on the country macroeconomic stability. Finally, this paper will present an assessment of the current external debt impact on the economy of Bangladesh and whether the rate at which the debt level is increasing day by day will make sense for Bangladesh. A literature review of external debt in Bangladesh found that high levels of external debt can create a high debt service burden that can divert resources away from important government spending priorities. It was also found that the country's ability to manage and service its debt, as well as the terms of loan (such as interest rate and maturity) is important factors in determining the impact of external debt on the economy of Bangladesh. Overall, the literature suggests that foreign debt can be used to finance important development projects and boost economic growth, but it is important for Bangladesh to maintain sustainable debt levels and implement effective debt management polices to mitigate negative impacts on the economy

3. Literature Review

A general literature review will be presented in this paper**. Faioz (2012)** argues that the developing countries are not available to finance all its development ,so they borrow from external sources. Developing countries' cost and expenditure 'savings, investment, foreign loan impact on monetary policy. This is why many countries face many problems. This crisis has deeply influenced the developing countries. But now many underdeveloped countries are trying to get rid of this problem. Researchers in developed countries are also suggesting that developing countries need to help grow the beer economy. **Unnayan Unneshan (2017)** highlighted that the loan can be recognized as a financial in financial growth that has multiple effects on economic growth if it is used for it intended products .otherwise it creates a long-term burden for the economy.

MTDS (2014), according to the loan durability point of view, the loan portfolio in Bangladesh does not slow any significant uncertainty or risks in the medium term where CPD 2018 has identified that Bangladesh remains comfortable in the contest of debt because the GDP ratio with its debt over the past few years is 35% below is registered but internal debt was higher than the external loan. **IMF-WB (2020),** the loan portfolio is the main financial portfolio of a country that produces a multi-faceted structure, a significant balance sheet risk. Furthermore, economy bush and weakness can be estimated by weekly organized and hugh debt portfolio.**Arone et.a.l(2005**), mentioned a disincentive effect model where A large shock of debt reduces economic performance to debt . Overhang effects that can have a chilling effect on macro economy stability. Discouragement can be related to various factors among others actions rates

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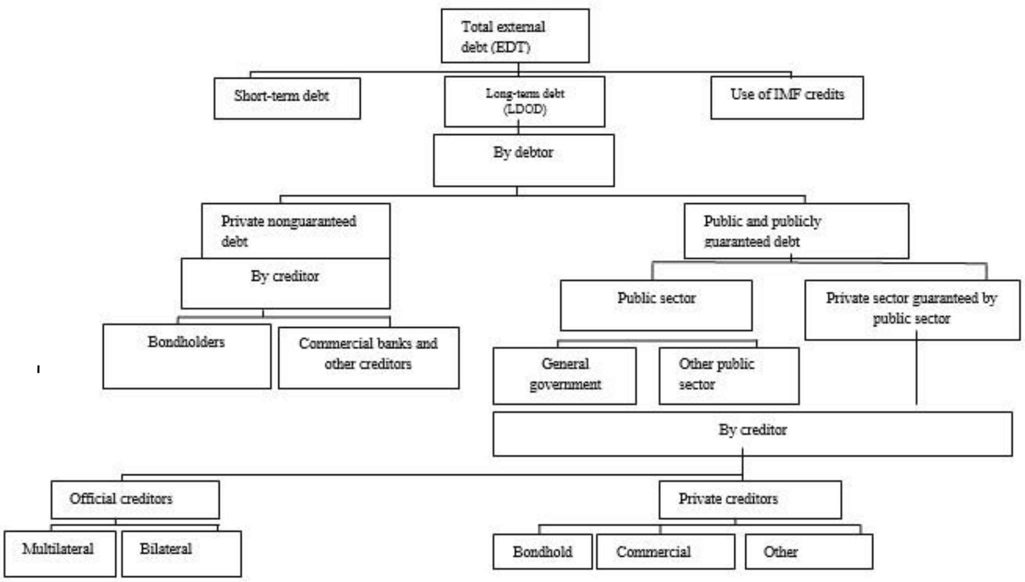
devaluation increases in financial burden and inflation. Since independence Bangladesh has relied heavily on internal and external sources of debt **(Hasan and Akter (2016)** .It has long concerned both financial and monetary sectors in Bangladesh. So efficient public debt management is important and important for the country. However, deficit financing can be managed either through various instruments from domestic or external sources with the help of different instruments.

4. Public debt:

Government loans are accepted by the government or the central authority of the state, many times the government also has to accept loans like individuals. Government tries to collect money through debt if the expenditure cannot be met from the revenue income of the government. The government has to spend a lot of money for various reasons such as the economic development of the country, dealing with natural disasters and other emergencies, war expenditure etc. If this expenditure is more than the income of the government, then the government has taken loans to meet this deficit, when the government sells bonds or borrows in some other way from within the country and from abroad, it is called public debt.

5. Sources of debt financing and instruments in Bangladesh

Table 1: External Debt and Its Components



Source: WB and IMF staffs study

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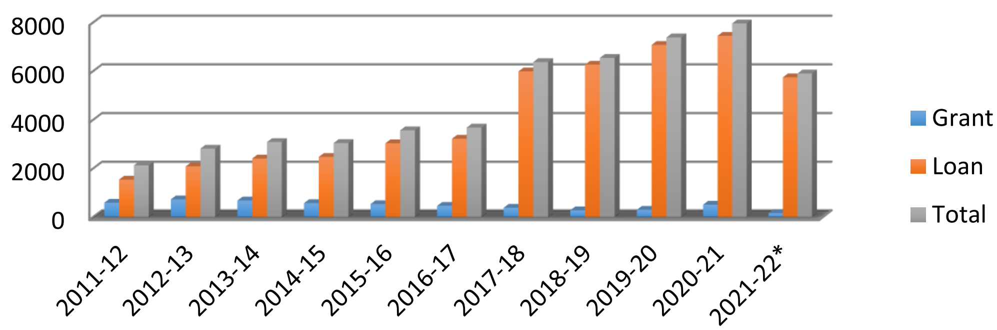
6. Government Borrowing from External Resources

Government Borrowing from External Sources, in FY 2020-21, the disbursement amount has surpassed the landmark of almost US$ 8 billion (actual US$ 7,957.75 million) which registered the highest disbursement in a single financial year since independence, while the committed amount is US$ 9.44 billion in FY 2020-21. FY 2019-20 foreign grants and loans notification flow increase. The inflow of foreign grants and loans for the first eight months of the fiscal year 2021-22(February 2020) was reported at US$ 5,899 million, a rate of 6.6 3% higher than the same year. The external debt outstanding of the 2021 largest countries was US $5, 5826 million 123% of GDP. Figure 1 show the government borrowing from the external sector during FY 2015-16 to FY 2021-22 (up to February, 2022) below:

Figure 1: Flow of External Resources



7. Analysis of debt portfolio and debt trend in Bangladesh

Before analyzing the debt portfolio debt situation or impact on the Bangladesh economy, it is essential to understand the methods and instruments of debt financing in Bangladesh (Table 1).

7.1. Debt portfolio in Bangladesh

Bangladesh borders both from multilateral and bilateral sources the majority of these loans are because of the development status of the country total external death as of June 2021 is 37% of the total outstanding debt.

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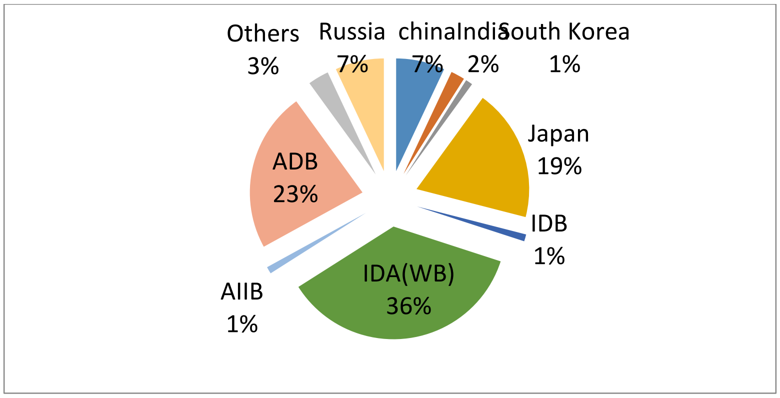
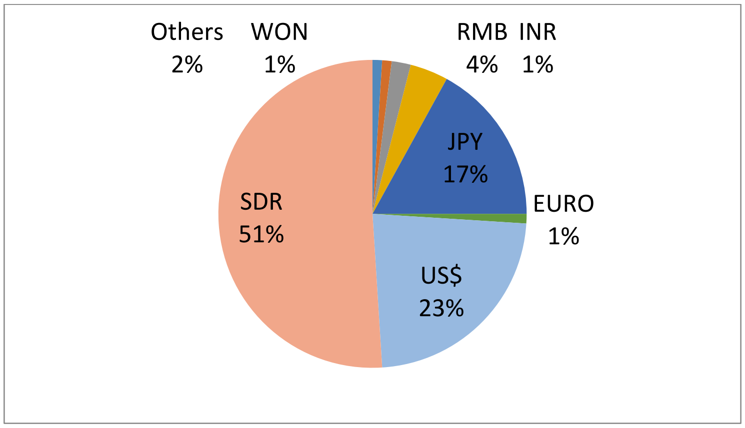
Figure 2: External debt portfolio by development partners DPs



The external date portfolio is dominated by the IDA loans amounting to 38% of total external outstanding debt, followed by ADB 25% and Japan 17%. The borrowing from China and Russia has increased significantly in recent years and outstanding amounts are 7% and 6% respectively, which are non-concessional.

Figure 3: External debt portfolio by currency



Primarily SDR, USD, JPY, RMB and Euro represent the currency composition of Bangladesh external debt. In terms of currency, external debt is dominated by the SDR followed by USD, Japan's yen and Chinese RMB. Currency vs. remains low sense almost 74% of the external debt is compressed of relatively stable currencies like the SDR and the USD 51% and 23% respectively a significant amount of Bangladesh external debt is also in JPY 17%.Russia is not traditional source of financing in Bangladesh .Bangladesh received a buyer's credit for the Ruppur project, and as a result, external financing from Russia has become prominent and it will remain so for the project duration.

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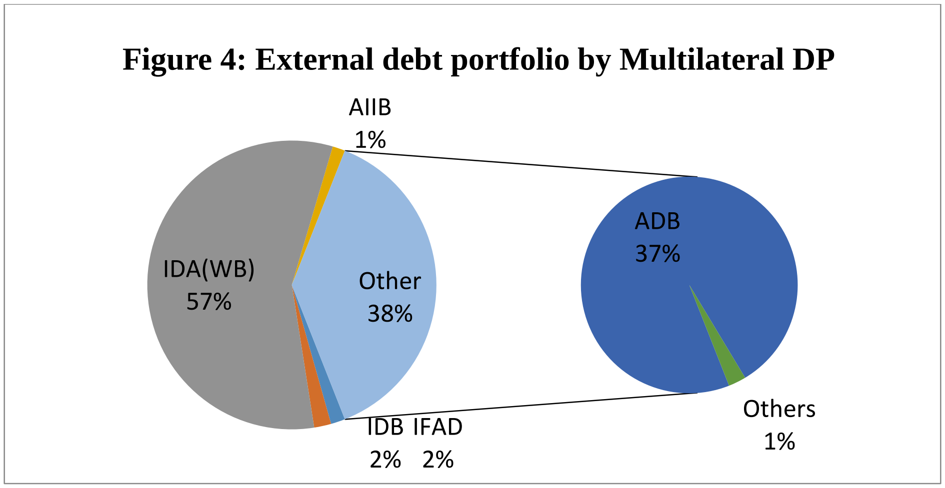
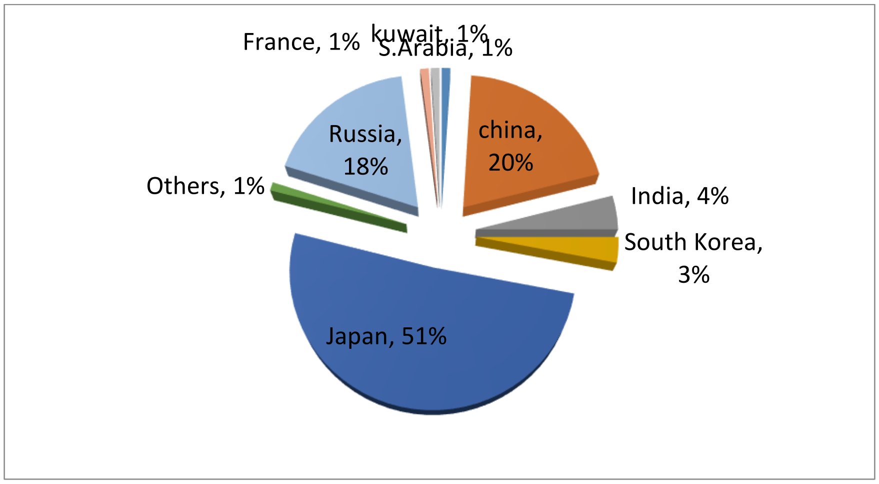


IDA is the top multilateral sources of external finance of Bangladesh, with 57% of total multilateral outstanding debt .ADB is the second largest 37% multilateral Partner. The contribution of the rest of the multilateral development partners is much lower but the scenario may change in the future due to the graduation from LDC to a developing country

Figure 5: External debt portfolio by Bilateral



Japan is the highest contributor to the military and external credit 50% of the total most of the Japanese law are concierge panel involving mostly mega infrastructure projects in the communication board and power sector of the country Japan is followed by China Russia India and South Korea. Source FABA, ERD.

7.2 Bangladesh public external debt and it present trend

External public debt in Bangladesh refers to the debt the government of Bangladesh owes to foreign creditors. The government sometimes takes loans from various sources outside the

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country. These foreign or external sources are as follows: one, foreign government .two, foreign private organizations .three, international financial institutions. The government sometimes borrows from various sources outside of the country. These foreign external sources are one, foreign government. Two, foreign private organizations. Third, International finance institutions. Currently the developed countries of the world provide loans to the underdeveloped and developing countries on easy terms. developing countries like USA ,UK, France, Japan, Germany ,Australia ,Sweden ,Denmark etc .developing countries like Bangladesh provide short term ,medium term and long term loans to easy terms .it is one of the most important sources of external debt take by governments of under developed countries. Governments of underdeveloped countries often take loans from private multinational companies or organizations in developed country .These multinational company usually provide project-based loan to the government or participate in joint venue project with the government. However, since these loans are attached to difficult condition in most cases, the government rarely takes loans from these sources except for special needs. After the second world war, several International Financial institutions or organizations have been established to provide financial and technical assistant to the governments of the developed and developing countries of the world, including the reconstruction of war- tone Europe .particularly notable among them are the World bank, IMF, International development organization, Asia Development Bank,etc.

The eternal debt - to -GDP ratio was 17.6% in 2011-12. it fell to 12.8% in 2016-17 but then climbed steadily to 16% in 2020-21.This update trend will continue against the backdrop of increased external debt for development needs.

In 2011-12 and 2014-15, foreign aid to Bangladesh was USD 2.1 billion and USD 3 million respectively .By 2020 -foreign aid has more than doubled to USD 8 million. By 2022-23 in just one year, it will impressed by 50% to USD 12 billion. The increase in Bangladesh public sector date is reflected in the economy in the countries outstanding foreign date external figures for June 2021 and June 2022 show a two year 1 year increase from USD 62.9 billion to USD 68.25 billion standing in 2023 the USD 50 Billion principle PP line of an increase in external debt over the next three to five years.

This recorded an increase from the previous figure of 11.70% in 2020 .Figure 6 indicates that Bangladesh's outstanding foreign debt as a percentage of GDP data is updated annually, with an

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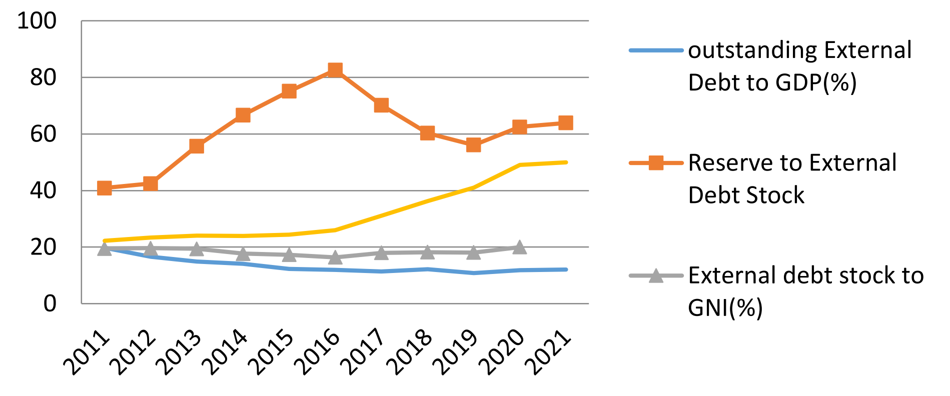
average of 23.300% with 11 observations from 2011 to 2021. The data reached a high of 19.70% in 2011 and a record low of 10.770% in 2019.

Figure 6: Outstanding External Debt to GDP(%)



The outstanding external debt to Gross Domestic Product (GDP) was 18 percent in 2012 which has decreased dramatically in 2021 and stood at 13.40 percent which proves that the country's external debt is still at a manageable level. However, the loan proceeds should be allocated to economically viable profitable projects so that Sri Lanka-like situations do not arise. In 2011, the stock of external debt to GNI (Gross Domestic Income) was 19.5 percent in FY2011 and increased to 20 percent in FY2021. The stock of external debt to GNI was 20 percent, the stock of external debt to exports was 101.9 percent and the stock of short-term foreign debt was 42.5 percent.The external debt both short and long run, includes public and publicly graduated (PPC) loans ,Central Bank loans, state owned enterprise loans, nationalized commercial bank loans and private non graduate loans. In the private sector foreign credit includes short-term trade credit (buyer's credit ,differential payment ,export bill concessions, foreign back to back LCs, term loans with short term offshore banking unit ,loan term with private commercial bank and private private sector and enterprise.

Figure 7 indicates that long term external debt has followed an uptrend from USD 24480 million in 2012 to USD 666 million in 2021 which is an average growth of 8.3% per year. On the other hand, short run foreign loans also followed an uptrend with some fluctuations, increasing from USD 1651 million in 2011 to USD 14186 million in 2021. Here, long term debt holds a large

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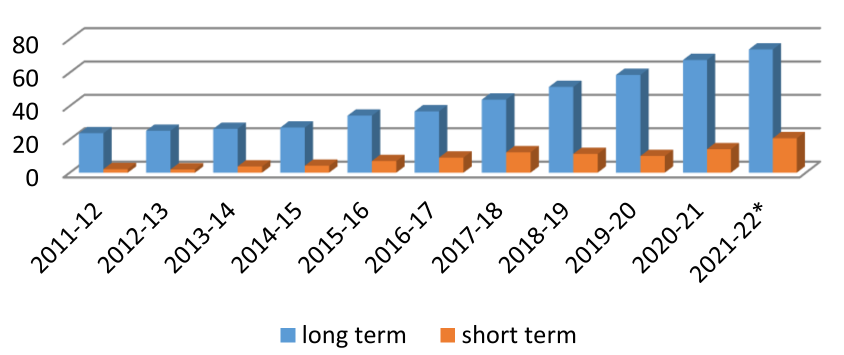
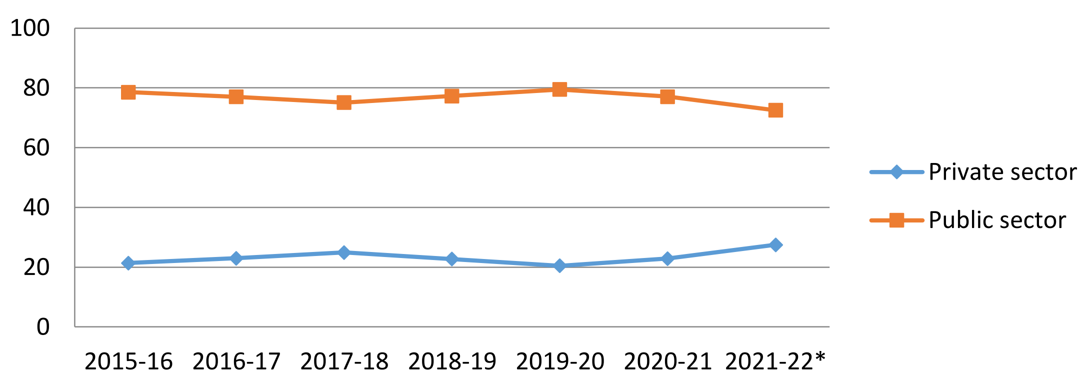
Figure 7 External debt:Long term vs. short term



share of 82% at the end of 2021. Trends indicate that the message of the external debt of the sector is gradually 2 USD 61 million from USD 19499 million in 2021, growing at an annual average of 6.8%. On the other hand the private sector extern the short term loans cover all loans with principal tenure of 1 year and less and interest arrears on long term loans when long term loans mature more than 1 year. Figure 8 external trend of external debt classified debt between public and private. The trend indicates that private sector external debt raise gradually from 21.4percent in 2015 to 22.0 percent in FY2021.On the other hand, the public external debt is all though it has dropped from 78.6% to72% over the period shown in the figure

Figure 8 : External Debt Public vs Private



Sector wise private sector external debt indicates major sector as shown in table II economic motives for foreign loans. The table shows that foreign debt against electricity, gas and petroleum has risen significantly by more than 70% over the past two years (end of September 2020 and the end of September 2021.)

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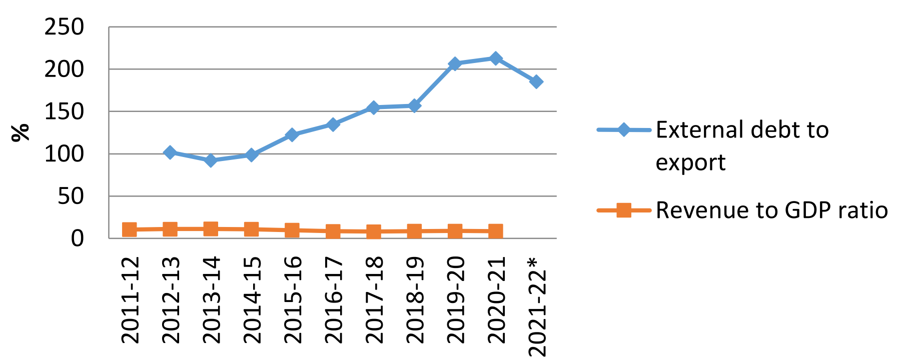
Table II: Private Sector External Debt (Medium and Long Term) in Sector Wise

Sector	Sep-19	Sep-20	Sep-21	End June'22
Power	982.13	1708.58	2925.87	4331
Manufacturing	1298.27	1395.76	1455.29	1466.58
Construction	28.2	96.32	125.25	304.32
Trade & Commerce	2136.35	1701.32	2033.73	1649.47
Transport,Storage&Communication	441.26	351.17	424.70	404.90
Services	18.15	18.25	65.35	38.52
Total	4904.36	5271.40	7030.19	8195.24

Source: Bangladesh Bank

Figure 9 shows export to GDP ratio and revenue has declined over the time. And finds external debt in recent years especially after FY 19 when the exploration has increased significantly the income to GDP ratio remains stable at around 10 to 12% consideration.

Figure 9: External debt to Export and Revenue to GDP ratio



The stock of external debt exports was 173.7 % and short-term stock of foreign debt was62.5%.Thus we see Bangladesh's external debt stock in foreign exports and short –term foreign debt over the years.The budget is formulated in the context of a national strategy for accelerated economic growth and poverty reduction. Due to resource constrains, there is gap between government revenue and expenditure. Figure-10 shows the data on budget deficit and its method during the last decade. The government is very concerned about maintaining the budget deficit within 5 percent of GDP by improving efficiency in fiscal management. However, the

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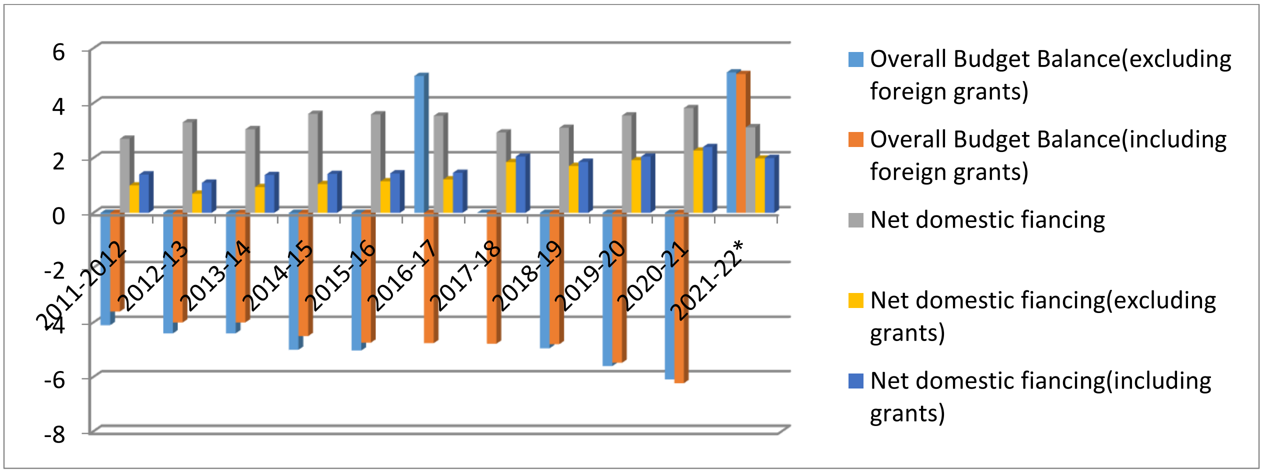
budget deficit target for the current fiscal year has been set at 5.1 percent due to increased government spending due to the Covid-19 pandemic. The actual budget deficit for FY 2019-20 and FY 2020-21 stood at 4.7 percent and 4.3 percent of GDP, respectively. Figure 10 shows the overall budget balance and financing data for the last few years

Figure 10: Overall Budget Balance and Financing



8. Impact of public debt in Bangladesh economy

The impact of this debt on the economy can both positive and negative .on the positive side ,external public debt can help finance development project and stimulate economic growth .However, if the debt becomes to large or not manage properly ,it can also lead to negative effect such as inflation , currency evolution, and a balance of payments crisis .additionally, the debt service burden can also consume a large portion of the government budget, leaving less money available for other important spending priorities. Overall the impact of external debt on the Bangladesh economy will depend on a variety of factors, including the size of the debt, the terms of loans, and the governments available to manage and repay the debt. It can affect the country's ability to finance development projects, trade and investment, and overall economic growth. If not managed properly, external debt can lead to a burden on the economy on the country's finances and limit its ability to respond to economic shocks or emergencies .On the other hand if managed effectively, the debt can be a useful tool for financing development and promoting economic growth.

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Positive aspect for Bangladesh relates to the external debt structure. In the 50 years (ie 1971 to 2021) after independence in 1971, Bangladesh received a total of USD 101 billion in external debt. The overwhelming share (82%, or USD 84 billion) was in project-focused loans, such as for infrastructure and capacity-building. The share of food and commodity aid was relatively low (7% and 11% respectively). This pattern has become more skewed since the late 2010s. For example, in 2020-2021, the share of project loans in total loans was 99.8%! As of 2022, loans in the pipeline, amounting to USD 50 billion, are almost all geared towards project assistance. Note that the interest rate of foreign loans is increasing. Meanwhile, the grant component of Bangladesh's debt portfolio is on the decline. In 2011-2012, the position was 28% versus 72%. The loan-grant divide became more skewed by 2020-2021, 94% vs. 6%.

This overall assessment of Bangladesh's foreign aid and debt management indicates a comfortable situation for the country. But challenges remain. Bangladesh should take proper precautions in moving forward from 2022. There are several reasons for this. The economy of Bangladesh is not like that of Sri Lanka .However Sri Lanka's experience as a regional economy serves as a learning opportunity for Bangladesh. For example Bangladesh two main indicators, the external debt- to -GDP ratio and the debt service ratio are strong. In recent years foreign debt- related costs have raised significantly both in terms of volume and debt service obligations

It has increased two and a half time in 10 years:

The amount of foreign loans taken in the last 39 years since the inception of Bangladesh has increased two and half times in the last 10 years. Analysts fear that the debt burden will increase in the future due to the current rate of increases .Starting that there should not be so much dependence on foreign loans; they say that these days can become a big problem for the country in the future.

According to report titled International Date Statistics FY2022 of the World Bank, Bangladesh foreign debt status until 2011 was 26.572billionUS$. Then at the end of 2016 it increased to $10 million dollars, as the same way, the debt status increased to 90 million in 2017. The status is increasing your backyard and new loans are interest free on previous loans. Additional financing in several countries including Russia ,China and India have large loan proposals .If these are adopted ,foreign debt will increase further in the days to come.

Per capita debt has increased almost 6 times in 10 years:

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The countries foreign data status is currently 49.458billionUS$ .According to this the per capita foreign debt of the people of Bangladesh currently stands at 292.11 US $.Accordingly foreign debt capital has increased more than six times in the last decade. And increased by more than 7 and a half thousand taka in one yard .Last year the per capita debt was 17 thousand 136 taka.(source: GOB, Ministry of finance).

Finally, we can say that the impact of foreign debt creates an adverse effect on our economy. It reduces our economic strength and self-reliance. The terms of these loans are not our choice, if the government fails to meet any of these terms, the leaders refuse to pay the remaining trenchers, which slow down or stops the projects. So, either we have you withdraw from this campaign, within 10 years or revise the policy setting agenda. It is not that easy but we can do it by increasing domestic revenue which will reduce dependence on foreign debt.

Growing public debt can have a direct impact on the following areas:

The Uniqueness of public debt lies in the fact that it has revenue implications as well as expenditure implications as its first effect, government debt affects overall public spending in the economy .Second, and the benefits given to the people by spending of money raised through have other effects on the economy.

- Effects on borrowing upon conjunction
- Effect on borrowing on savings and investment
- Effect on borrowing on production
- Impact on cost and investment
- Aggregate impact on national income
- Effect on debt on income distribution
- Impact on resource allocation bars it buys it credibility remains a challenge
- Decreased ability to respond to problems
- Greater risk of a financial crisis.

9. Problems

There are several potential problems associated with foreign debt in Bangladesh some notable challenges include:

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First, Bangladesh public debt which includes both external and internal debt is currently around 55.5% of its GDP. Although this level is not necessarily sustainable in the short term, it is important for the government to carefully manage its debt to ensure that it is not unsustainable in the future.

Second, Repayment of external debt can be expensive, as it often involves regular principal and interest payments to foreign lenders. These payments can put pressure on government budgets, leaving funding available for other priorities.

Third, If Bangladesh's currency depreciates against the currency of its creditors, servicing the country's foreign debt may become more expensive. This can put pressure on the government's finances and make debt repayment more difficult.

Fourth, If Bangladesh becomes too dependent on external debt to finance its development projects; it may be vulnerable to change in the global economic environment, such as changes in interest rates and availability of credit. This could further destabilize the country's economy and potentially hinder its ability to achieve long term economic growth.

Fifth, If Bangladesh external debt increases too rapidly, it may put pressure on the country's balance of payments and lead to a possible exchange crisis. This can happen if the country's exports are not sufficient to cover its debt servicing costs.

Finally, the External debt of Bangladesh has had a significant impact on the country's economy .It has caused a decreases in the country’s foreign exchange reserves, and an increase in the cost of borrowing, and a decreases in the availability of credit. This has lead to a decrease in investment, a decrease in economic growth, and increases unemployment. Additionally the external debt has caused an increase in inflation, a decrease in the purchasing power of the local currency, and an increase in the cost of living.

10. Burden of public debt

From the previous analysis it can be said that, Is there any burden of government debt? Different economists have answered these questions in different ways. According to classical Economist, the government has a debt in burden .because the government borrows from the people, the people cannot spend in the productive sector .but often government debt is spent unproductive sectors. So there is a public debt burden. Keynesian economist considered government borrowing as an instrument of development .According to them when the government borrows

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and spends in the productive sector the countries' investment increases, production increases and employment increases. In short, whether public debt is unencumbered depends on government expenditure. If any government loan is spent on productive sector it will be economic improvement for the country. It will play a helpful role in alleviating the poverty of the country. Again if public debt is in an unproductive sector it will be harmful for the economy and will be a burden to the people. The paper estimates debt burden forecasts according to IMF guidelines.

IMF (2007) also provides a framework of four types of risk signals based on forecasts. Four debt burden indicators .The risk signals are as follows.

- Low risk: if none of the debt burden forecasts exceed the threshold level baseline and stress test scenarios, then the country is termed as low risk of debt stress.
- Moderate risk: if at least one debt burden forecast exceeds the threshold level under test scenarios, the DSF would be at moderate risk for the debt sustainability.
- High risk: if at least one baseline forecast exceeds the corresponding threshold level, the DSF would signal a high risk.
- Debt distress: continued breach of that result labels are sustained existence of arrears would generally signal that a country is in a debt distress.

Table: Compare of Bangladesh's external Debt Risk sustainability with Selected South Asian Countries

Country	Risk of external debt distress	Risk of overall debt distress	Date period
Cambodia	low	low	2022
Bangladesh	low	low	2022
Afghanistan	High	High	2021
Nepal	Low	low	2022
Benin	Moderate	Moderate	2020
Myanmar	Low	Low	2022

Source: external debt sustainability analyses low income countries, IMF

Table III shows that Bangladesh is much better than better South Asian countries. Bangladesh's public debt stands at 41% of its GDP, far below the 70% risk threshold estimated by the

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International Monetary Fund (IMF). The country's external debt service revenue ratio has reached 10% in 2020, but it is still below the threshold of 23%. All external debt indicators in Bangladesh are below their respective risk thresholds under the most extreme shock scenario, and their risk of debt crisis is low. Government reserves at 41% of its GDP are lower than many thresholds set by the International Monetary Fund at 70%. The 2020 pre-country outlier brings you to 10% of missing revenue, but that's still a 23% risk factor. The overarching response message is that they fear most threats, and that their threats are less threatening.

11.Conclusion

Public debt is an essential and integral part of our economy but its effective management is even more important. The analysis shows that due to lack of foresight and proper legislation in our country, proper use of foreign loans is not possible. Our debt burden continues to grow. While Bangladesh's external debt situation and debt servicing track record has been impressive, there are reasons to be cautious going forward .External debt is increasing rapidly, the share of grants and concessional loans is declining and loan conditions are becoming more stringent. Debt servicing liabilities will increase as the grace period ends on some large loans. In short, the landscape will change in an unprecedented way .Bangladesh needs to adopt a forward-looking debt sustainability strategy to maintain its strong track record as a 'Strong Debt Borrower'.

12.Recommendation

From the above analysis we can say that excessive debt burden is one of the main problems of Bangladesh. Because of this, we cannot stimulate the development process and this leads to a decrease in the standard of living of the people. Below are some steps to minimize this problem.

First, Bangladesh will surely try not to take any new grants and loans and if the government needs new grants and loans for financing it should be careful about that condition before accepting it because it will not go against the people.

Second, Bangladesh should not borrow more from the IMF, World Bank and such financial institutions, as their conditions are too stringent and their policies hit the heart of development efforts by disproportionately the low and middle income groups.

Third, the interest rate of loans should be reduced.

Fourth, Bangladesh should try to take loans in taka instead of dollars to stop devolution of taka.

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Fifth, in the long run Bangladesh should gradually try to restructure the entire international trading and financial system.

Sixth, Foreign debt should not increase so much. Because the burden of this debt falls on the common people. And it depends on future generations. It should be limited as much as possible.

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