BANGLADESH BUSINESS CLIMATE INDEX (BBX) 2024-25

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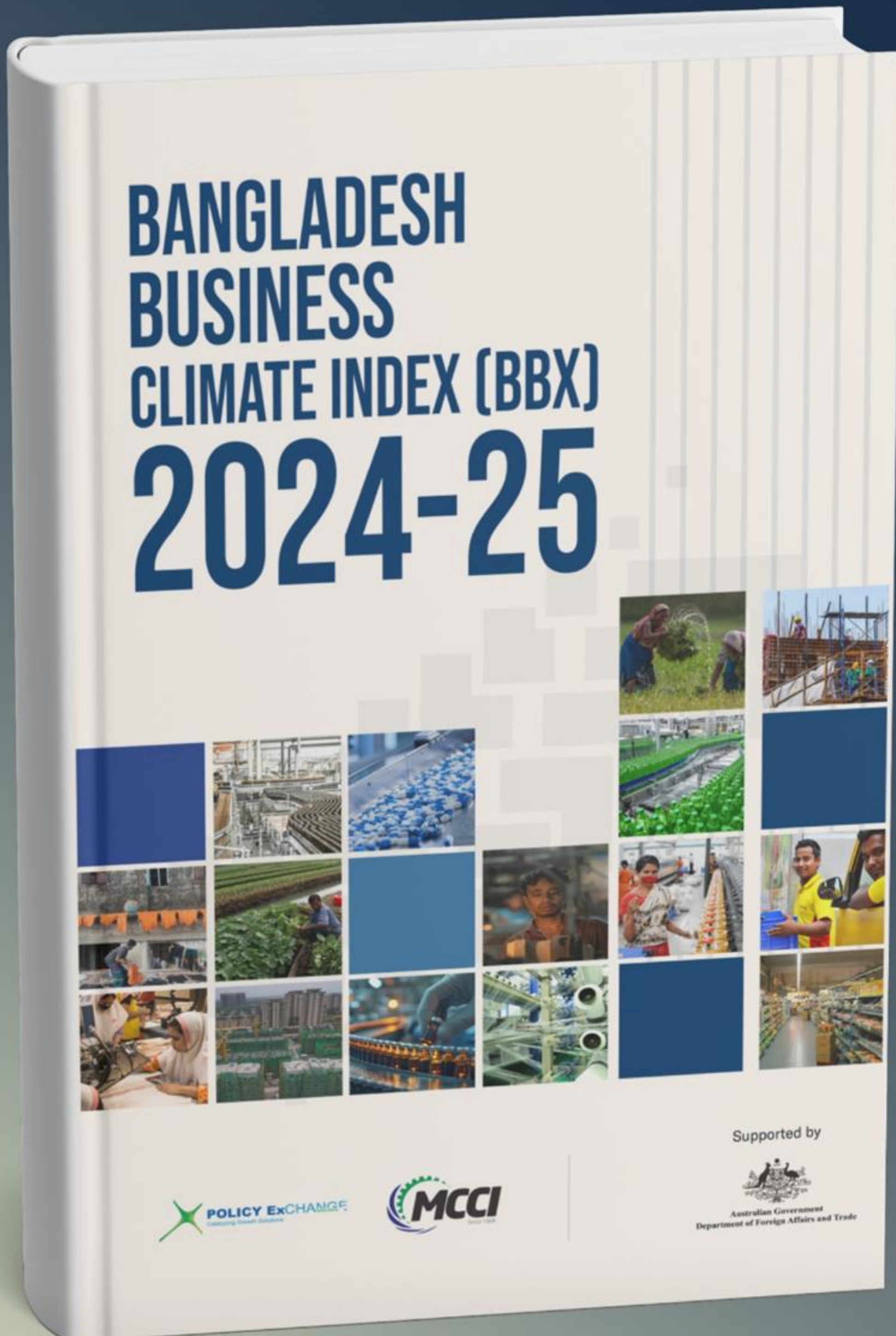

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About MCCI

Founded in 1904, the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) is the oldest and the pre-eminent trade organization of Bangladesh. Its membership roll encompasses leading commercial and large industrial organizations of the country, including public sector corporations and local as well as multinational companies. Presently, almost all major enterprises of the manufacturing and service sector are among its members. The Chamber provides a wide range of professional services to its members.

The Chamber's services, developed over a long period, are comprehensive and cover specialized areas such taxation, import-export, tariff and non-tariff measures, investment, WTO matters and other national and international economic and commercial concerns. The Chamber maintains a secretariat manned by professional staff. It offers secretarial services to the Bangladesh Employers' Federation (BEF), the lone national level organization of employers in the country dealing with industrial relations, occupational safety and health, workplace cooperation, skills development, labor law and other labor-related issues.

About Policy Exchange Bangladesh

Policy Exchange Bangladesh (PEB), established in August 2020, is a private sector economic policy and investment advisory platform, dedicated to analytics, policy dialogue, and investments/market advisory, with focus on trade, investment, sector competitiveness, industrial/trade infrastructure, financial markets, digital economy, technology and green growth. We are the premier platform in Bangladesh bringing together rigorous applied policy orientation and pragmatic, market-oriented sector/market solutions which help Bangladesh tackle major economic and market challenges.

PEB has in a short time gained good repute among the government and private sector. Policy Exchange serves as a premier forum for thought leaders of Bangladesh’s economy, facilitating the exchange of diverse views, opinions, and knowledge, and thereby acts as a catalyst for innovation in ideas and solutions critical for economic growth and market creation. PEB has strong influence on and access to government institutions who seldom seek guidance on policy challenges and reforms.

Acknowledgment

The Bangladesh Business Climate Index (BBX) marks its fourth consecutive year of updates with the publication of this report. Introduced in 2021, BBX has continued to provide comprehensive insights into the regulatory and business landscape of Bangladesh with its annual update. The BBX is a context-specific indicator for Bangladesh that focuses on regional and sector-specific factors, departing from the standardized, one-size-fits-all approach of the global reports. This country-specific customization of the index along with its regular update equips both private investors and government agencies with accurate, timely, and detailed data to navigate the evolving business climate of Bangladesh.

The report covers an in-depth analysis of the country's evolving macroeconomic and political dynamics to provide stakeholders with insights into the current and future impacts of these factors on the business environment. The report employs a Stratified Multistage Cluster Sampling Approach, drawing input from 558 business owners and intermediaries through questionnaires and interviews to ensure that the insights are robust and accurately reflect Bangladesh's business landscape.

The BBX represents a joint initiative led by the Metropolitan Chamber of Commerce and Industry (MCCI), with Policy Exchange Bangladesh serving as its core collaborator and knowledge lead. The overall supervision and strategic direction of the study were provided by MCCI under the leadership of its President, Mr. Kamran T. Rahman, and the guidance of the core group comprising Mr. Habibullah Karim, Barrister Nihad Kabir, Mr. Syed Nasim Manzur, and Mr. Farooq Ahmed. The analytical and technical components of the research were undertaken by the team at Policy Exchange Bangladesh, under the direction of Dr. M. Masrur Reaz, with critical contributions from S.M. Hasibul Karim (Statistical and Survey Expert), Pinaky Shankar Rahul Bhowmik (Senior Research Analyst), Md. Ziaur Rahman (Senior Policy Analyst), Sadia Sultana (Analyst and Programme Coordinator), and Md. Hassib Hassan (Analyst and Programme Coordinator). They were ably supported by Rodoshee Tahsin (Senior Associate), Saad Ibne Sarwar (Business Analyst), Tasfia Binte Rabbi (Research Analyst), Raihana Rashid (Research Assistant), Tabassum Akter (Research Assistant), Nawshad Bhuiyan (Creative Lead), and Manzair Reaz (Data Support Assistant) in developing this comprehensive report. The collective contributions of both teams have strengthened the analytical depth, quality, and credibility of the BBX initiative.

Finally, MCCI and Policy Exchange extend its sincere gratitude to the Department of Foreign Affairs and Trade (DFAT) of the Australian Government for their support to BBX initiative. We are also thankful to various private sector firms, chambers, and associations for their invaluable support, active participation, and expert input that refined the depth and accuracy of the study.

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Acronyms

ACC – Anti-Corruption Commission
ADB – Asian Development Bank
AEO – Authorized Economic Operator
ADR – Alternative Dispute Resolution
AQR – Asset Quality Review
BAPI – Bangladesh Association of Pharmaceutical Industries
BB – Bangladesh Bank
BBX – Bangladesh Business Climate Index
BBS – Bangladesh Bureau of Statistics
BCI – Bangladesh Chamber of Industries
BES – Bangladesh Economic Census
BEZA – Bangladesh Economic Zones Authority
BICIP – Bangladesh Investment Climate Improvement Program
BIDA – Bangladesh Investment Development Authority
BLF – Bangladesh Labour Force
BoP – Balance of Payments
BPM6 – Balance of Payments and International Investment Position Manual, Sixth Edition
BRO – Bank Resolution Ordinance
BSMSN – Bangladesh Specialized Multi-Tenant Strategic Node
BSR-TF – Banking Sector Reforms Task Force
BSW – Bangladesh Single Window
CPA – Chittagong Port Authority
CPI – Consumer Price Index
CRAR – Capital to Risk-Weighted Asset Ratio
CSR – Corporate Social Responsibility
CY – Calendar Year
COVID-19 – Coronavirus Disease 2019
DFQF – Duty-Free Quota-Free
DoE – Department of Environment
DOJ – Department of Justice (US)
DTAs – Double Taxation Avoidance Agreements
EBA – Everything But Arms
ECL – Expected Credit Loss
ELA – Emergency Liquidity Assistance
ESG – Environmental, Social and Governance
ETP – Effluent Treatment Plant
EU – European Union
PSP – Payment Service Provider
PPI – Producer Price Index
PPP – Public–Private Partnership
REER – Real Effective Exchange Rate
RMG – Ready-Made Garments
RJSC – Registrar of Joint Stock Companies
RR – Reference Rate
RWA – Risk-Weighted Asset
SAIDI – System Average Interruption Duration Index
SAIFI – System Average Interruption Frequency Index
SCADA – Supervisory Control and Data Acquisition
SEZ – Special Economic Zone

SLA – Service Level Agreement
SME – Small and Medium Enterprise
SOP – Standard Operating Procedure
SRG – Sustainability Reporting Guidelines
STP – Sewage Treatment Plant
STS – Smooth Transition Strategy
StAR – Stolen Asset Recovery Initiative
TRIPS – Trade-Related Aspects of Intellectual Property Rights
TVET – Technical and Vocational Education and Training
UK – United Kingdom
UMIC – Upper Middle-Income Countries
UN – United Nations
US – United States
USD – United States USD
VAT – Value Added Tax
WJP – World Justice Project
WTO – World Trade Organization
EY – Ernst & Young
FCDO – Foreign, Commonwealth & Development Office (UK)
FDI – Foreign Direct Investment
FICCI – Foreign Investors' Chamber of Commerce and Industry
FX – Foreign Exchange
FY – Fiscal Year
G2G – Government-to-Government
GCI – Global Competitiveness Index
GDP – Gross Domestic Product
ICAR – International Centre for Asset Recovery
ICD – Inland Container Depot
ICT – Information and Communication Technology
IEP – Institute for Economics & Peace
IFRS – International Financial Reporting Standards
IGM – Import General Manifest
IMF – International Monetary Fund
IP – Intellectual Property
IT – Information Technology
IACCC – International Anti-Corruption Coordination Centre
JIT – Joint Investigation Team
LC – Letter of Credit
LDC – Least Developed Country / Least Developed Countries
LLP – Limited Liability Partnership
LNG – Liquefied Natural Gas
LPI – Logistics Performance Index
MLAT – Mutual Legal Assistance Treaty
MoU – Memorandum of Understanding
MCCI – Metropolitan Chamber of Commerce and Industry
MFS – Mobile Financial Services
MSME – Micro, Small and Medium Enterprise
NBFI – Non-Bank Financial Institution
NBR – National Board of Revenue
NEER – Nominal Effective Exchange Rate
NGO – Non-Governmental Organization

NLDCC – National Logistics Development Coordination Committee
NPL – Non-Performing Loan
OECD – Organisation for Economic Co-operation and Development
OPC – One Person Company
OSS – One Stop Service / One-Stop Service

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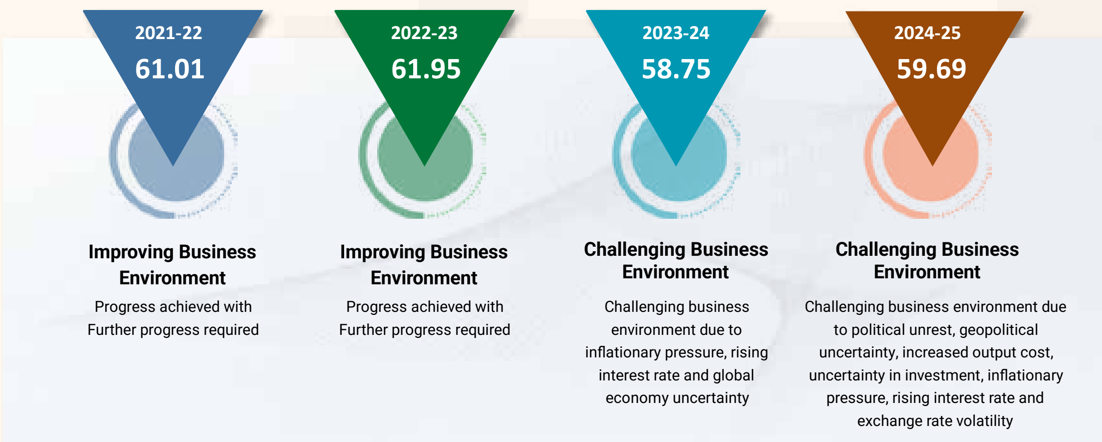
Executive Summary

BBX 2024-25: Coverage at a Glance

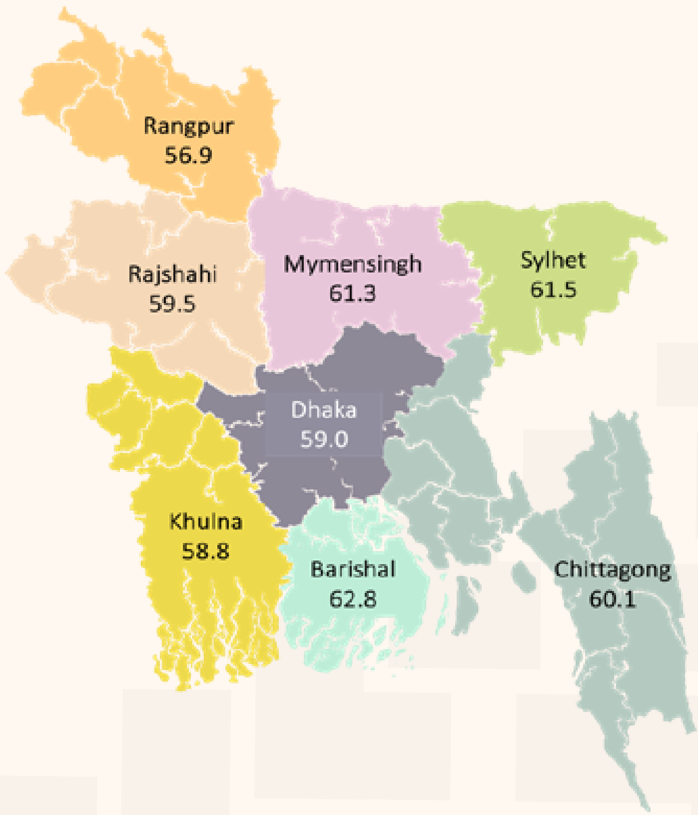
Bangladesh Business Climate Index Results 2024-25



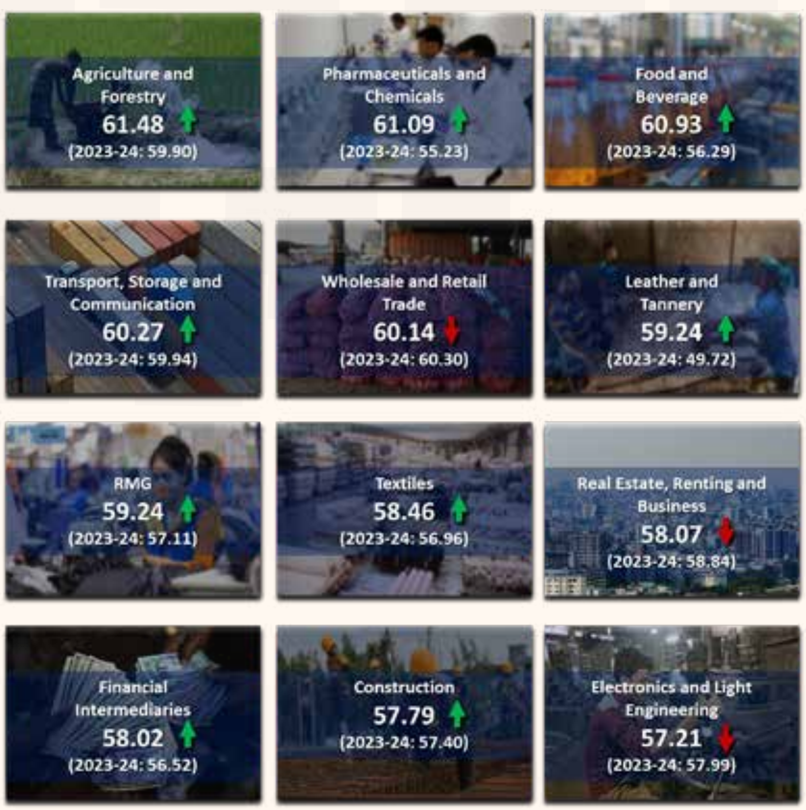
The BBX Overall Score Distribution

Score	*Description of Business Climate*
0-40	***Difficult Environment for Business:*** *Kick start needed*
41-60	***Several Bottlenecks remain for Business:*** *Significant efforts required*
61-80	***Improving Business Environment:*** *Progress made however more needs to be done*
80-100	***Business Friendly Environment:*** *Continue the momentum*

D. BBX 2024-25 Score by Divisions



E. Business Environment Score: Where Do the Sectors Stand



F. Bangladesh Business Climate Index- Performance by Pillar

Bangladesh Composite Score 2024-2025- ----→ 59.69

Pillar Area	2023-24	2024-25
Starting a Business	62.74	64.72 ↑
Access to Land	53.11	54.10 ↑
Availability of Regulatory Information	68.04	67.70 ↓
Business Infrastructure	71.08	68.82 ↓
Labour Regulation	70.04	68.92 ↓
Dispute Resolution	62.38	64.73 ↑
Trade Facilitation	60.87	59.56 ↓
Paying Taxes	54.74	55.38 ↑
Technology Adoption	63.50	62.46 ↓
Access to Finance	28.11	40.07 ↑
Environmental Regulations and Standards	51.59	50.18 ↓

G. Implications of Index Scores- Dhaka vs. Chattogram as Growth Centers

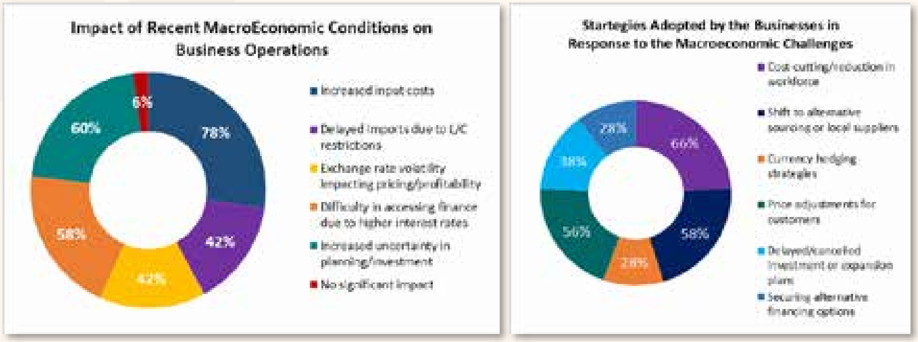
Pillar Area	Position of Dhaka		Change	Position of Chittagong		Change	Best Performer
	2023-24	2024-25		2023-24	2024-25		
Starting a Business	8	8	↔	5	7	↓	Sylhet
Access to Land	5	6	↓	3	3	↔	Sylhet
Availability of Regulatory Information	4	4	↔	1	5	↓	Rajshahi
Business Infrastructure	7	4	↑	8	3	↑	Mymensingh
Labour Regulation	3	4	↓	7	3	↑	Barishal
Dispute Resolution	2	2	↔	6	7	↓	Rajshahi
Trade Facilitation	5	3	↑	4	4	↔	Barishal
Paying Taxes	7	5	↑	5	7	↓	Sylhet
Technology Adoption	6	2	↑	7	4	↑	Sylhet
Access to Finance	6	4	↑	7	2	↑	Khulna
Environment Regulations and Standard	1	8	↓	6	4	↑	Barishal

H. Top and Bottom 3 Pillars Across Sectors

Name of Sector	Top 3 Pillar Areas	Bottom 3 Pillar Areas
Wholesale and Retail Trade	Labor Regulation Starting a Business Availability of Regulatory Information	Access to land Environmental Regulations and Standards Access to Finance
Transport, Storage and Communication	Starting a Business Availability of Regulatory Information Labor Regulation	Paying Taxes Environmental Regulations and Standards Access to Finance
Constructions	Availability of Regulatory Information Dispute Resolution Labor Regulation	Environmental Regulations and Standards Access to Land Access to Finance
Electronics and Light Engineering	Dispute Resolution Access to Land Starting a Business	Trade Facilitation Access to Finance Environmental Regulations and Standards
Leather and Tannery	Technology Adoption Infrastructure Starting a Business	Environmental Regulations and Standards Paying Taxes Access to Finance
Agriculture and Forestry	Infrastructure Labor Regulation Starting a Business	Paying Taxes Environmental Regulations and Standards Access to Finance
Real Estate, Renting and Business	Infrastructure Labor Regulation Availability of Regulatory Information	Trade Facilitation Access to Land Access to Finance
Food and Beverage	Availability of Regulatory Information Dispute Resolution Infrastructure	Access to Land Paying Taxes Access to Finance
Pharmaceuticals and Chemicals	Labor Regulation Technology Adoption Infrastructure	Access to Land Access to Finance Environmental Regulations and Standards
RMG	Infrastructure Dispute Resolution Labor Regulation	Access to Land Environmental Regulations and Standards Access to Finance
Textiles	Infrastructure Labor Regulation Technology Adoption	Access to Land Environmental Regulations and Standards Access to Finance
Financial Intermediaries	Labor Regulation Availability of Regulatory Information Starting a Business	Access to Land Access to Finance Trade Facilitation

I. Foreign Firms- BBX Score by Pillar

J. Macroeconomic Impact on Businesses



K. Journey Since 2021: BBX Gained Strong Credibility, Outreach, and Data

01

A database of **7,000** businesses established since **2021** across all **8 divisions**

02

Approximately **3,600 businesses** were contacted and informed about the purpose of BBX

03

A total of **1,553 businesses** responded to the BBX survey since **2021**

04

Each responding **business entity** answered around **111** questions, which were used for index building and result interpretation

Sustained Momentum	Successfully implemented for three consecutive years (2022–2024), now advancing toward its 4th edition in 2025.
Recognized by Development Partners	Cited in Flagship Global ADB-OECD report: "Road Map for Investment Policy Reforms and Sustainable Development in Bangladesh" (April 2025), reinforcing BBX's credibility as a policy reference.
Strong Media Engagement	Each BBX launch has received wide media coverage and positive reception, positioning it as a trusted source for investment climate updates.
Stakeholder Trust and Engagement	Gained the confidence of business chambers (such as published on MCCI, FICCI website), industry leaders, and policymakers, who regularly engage with BBX findings to guide investment and strategic decisions.
Data-Driven Insights	Established as a benchmark index, offering granular, division and sector level insights that support evidence-based decision-making in the public and private sectors.
Expanding Scope and Relevance	BBX continues to evolve with enhanced methodologies, broader outreach, and deeper analysis, ensuring its relevance to emerging business and regulatory challenges.
Informing Government Programs	Bangladesh Investment Climate Improvement Program (BICIP) Program of BIDA uses BBX as a key reference to design its annual reform plan

Key Highlights-BBX 2024-25

1. Sectoral disparities influence business competitiveness. Industries such as construction, textiles, and agriculture face higher operational constraints due to infrastructure, labour, and regulatory challenges, whereas technology-intensive sectors like electronics, pharmaceuticals, and leather demonstrate faster adoption of reforms and technology, enhancing their relative competitiveness.

2. Stronger institutional linkages and compliance requirements benefit regulated industries and large firms, while smaller enterprises and certain service-oriented sectors remain disadvantaged by inconsistent access and limited reform outreach.

3. Informal practices remain a structural constraint. Despite reform efforts, informal payments for land, utilities, and tax processing persist across multiple sectors, raising costs, creating inequities, and weakening overall investor confidence.

4. Policy implementation gaps limit reform impact. Although multiple reforms exist across taxation, trade, labour, and environmental regulations, inconsistent implementation, poor monitoring, and limited outreach reduce effectiveness and limit business confidence in the regulatory system.

5. Primary growth centers stagnating with regard to facilitative capacity for businesses. The primary growth centers, Dhaka and Chattogram, both divisions in the second lowest tier of the business environment. Neither of these divisions appear as the top divisional performer in any of the 11 pillar areas. This clearly points to need for strengthening new/secondary growth centers as well de-congesting the overreliance of economic activities on Dhaka and Chattogram. Both Dhaka and Chittagong city have also seen frequent and major disruptions to economic activities and supply chain operations due to frequent protests, processions, sit-ins in the past 12 months, diminishing the ease of doing business in these important geographies. About 16% of respondents reported substantial difficulty in accessing utilities in Dhaka which is high compared to other divisions.

6. Last mile service delivery improves as interference/prevalence of politically affiliated intermediaries disappears. The results report improvement of services at regulatory delivery points with regard to several pillar areas such as Access to Land Access to technology etc. While no notable reforms have been initiated in such areas, one positive development that has perhaps improved the experience in the said areas is absence since political changes in August 2024 of predatory behavior of politically-linked intermediaries who earlier created complex environment with objective to induce reliance on intermediaries.

7

Reform Initiatives, even if incremental, renders positive impact on investment climate. BBX 2025 has posted improvements for Paying Taxes, Access to Finance and Dispute Resolution among other pillars. There have been several reforms/improvement initiatives in these areas which include: deferment of audit of businesses and effort to develop clear criterion for audit file selection; reversal of VAT increasing food products in the middle of fiscal year; Bangladesh Bank undertaking easing of import compression and out of court workouts for large loan repayments; several governance restoration initiatives by Supreme Court etc.

8

The pillar scores reveal important insights for sectors. Access to Finance (A2F) pillar tops the list of most critical concern with nine out of eleven sectors hinting that the finance issue is their most critical concern. A2F is followed by infrastructure, a top concern for four sectors, and Labour Regulation, topping the challenges for three sectors.

9

All eight geographic divisions require significant and immediate attention with regard to business environment strengthening. The latest BBX scores denote that five out of the eight divisions fall within the second lowest category of the business environment while the remaining three belongs to a category higher that require major policy and regulatory simplification as well.

10

Simplification and streamlining of certain entry and operations related approvals demand priority attention. Sectors and firms requiring specialized licenses (e.g. bonded warehouse for RMG), complex utility (e.g gas supply in textiles), and multiple permits (e.g. real estate) face greater challenges with regard to entry and operations in businesses.

11

Business registration bottlenecks persist despite digitalization. While digital platforms have streamlined some registration processes, fragmented agency coordination, multiple approval requirements, and sectoral disparities continue to slow incorporation and increase procedural complexity for entrepreneurs.

12

Land access and registration more complex for sectors that have large land intensity (e.g., RMG, construction) as well service sector with large warehouse requirements.

13

Governance and administrative gaps constrain land acquisition. Businesses face delays, high registration costs, unclear pricing, and frequent informal payments, limiting land availability and slowing expansion, particularly for infrastructure-heavy sectors.

14

Regional parity and central government step-up required for better regulatory transparency. Local Government institutions ahead of the central agencies with regard to facilitating better access to regulatory information. Mymensingh and Rajshahi for instance have respectively 100% and 99% respondents indicating they have regular and helpful access to regulatory information. The issue may have exacerbated at the central level agencies due to disruption and uncertainties that impacted smooth operations at many ministries/divisions/agencies dissemination and update of regulatory information and changes took a backseat.

15

Civil service stability critical for clarity and Availability of Regulatory Information. The pillar score for Access to Regulatory Information has deteriorated largely due to uncertainties, frequent changes that gripped various government offices in the months after the July uprising making.

16

Larger size firms fall prey to informal payments due to their higher ability to pay. In terms of firm size, micro and small enterprises fared relatively better in accessing utilities (47.9% easy) and avoiding informal payments (60.6% reported none). Larger firms, however, faced moderate utility constraints (50.9%) and made higher informal payment, with the largest average payment amounts (Tk 101,534). For tax, and for large firms the expense rises to about 36,000 BDT. Around 57% of respondents admitted to making such payments, with medium and large firms more frequently targeted due to their higher financial capacity.

17

Infrastructure deficiencies undermine their operational reliability. Frequent power outages, unreliable transport and logistics, and informal payment requirements increase operational costs and reduce business efficiency, particularly in sectors dependent on continuous utility and connectivity services.

18

Labour compliance and skill shortages impede productivity. Statutory obligations, workforce scarcity, and insufficient technical training create operational and financial burdens, disproportionately affecting smaller firms and sectors requiring specialized skills.

19

Weaker compliance standards, and perception about high cost of compliance limit labour compliance improvement. The national compliance level of Bangladesh is low compared to India and other ASEAN countries which shows the gaps in labour regulation in the country. BBX survey for firms indicate that most businesses had moderate difficulty in complying with labour regulations for businesses, especially the micro and small firms, particularly the electronics and light engineering sectors. This implies that businesses view statutory requirements, such as maternity welfare benefits, casual leave, and festival holidays, as compliance challenges, since they entail additional financial costs, workforce.

20

Businesses are increasingly relying on alternative dispute resolution (ADR) processes to resolve disputes more efficiently. The stronger leaning of large firms towards ADR may be attributed to their greater financial capacity, which allows them to access and bear the costs of such mechanisms more easily, as well as their stronger institutional awareness and preference for faster, less disruptive solutions compared to prolonged court proceedings.

21

Judicial delays limit efficient dispute resolution. High case backlogs, shortage of judges, procedural delays, and limited technology adoption in courts hinder timely dispute resolution, prompting larger firms to rely more on alternative dispute resolution mechanisms.

22

Trade Facilitation pillar results highlight that administrative efficiency and local implementation remain highly uneven across the country. These differences underscore the importance of region-specific interventions to address localized bottlenecks.

23

Industries with time sensitive trade needs face greater regulatory harassment. survey results indicate that pharmaceuticals facing comparatively lower expenses, while textiles and leather report significantly higher clearance costs.

24

Trade Facilitation hampered by administrative bottlenecks. Inefficient customs procedures, inconsistent valuation, informal payments, and uneven regional implementation reduce trade competitiveness and complicate export-import operations.

25

LDC graduation creates heightened trade and policy uncertainty. The impending graduation from Least Developed Country status introduces concerns over reduced preferential trade access, higher tariffs in key markets, and potential shifts in sourcing and competitiveness, necessitating proactive strategies and policy support to maintain trade resilience.

26

Complex tax system elevates compliance burden. Businesses face high compliance costs, unpredictable regulatory changes, procedural complexity, and persistent informal payments, undermining investment confidence despite partial digitalization.

27 **Technology Adoption among businesses is uneven across regions and sectors.** Urban enterprises leverage digital platforms effectively, but rural businesses and smaller firms lag due to limited digital infrastructure, lack of skilled personnel, and inadequate adoption of e-commerce and online business solutions.

28 **Digital transformation drives efficiency but requires policy support.** While businesses increasingly adopt cloud solutions, enterprise software, and online platforms, sustained digital growth requires strengthened policy support, capacity-building, and infrastructure investments to reduce regional disparities and SME lag.

29 **Access to Finance remains limited by structural barriers.** Heavy reliance on bank loans, high collateral requirements, bureaucratic delays, and uneven availability of non-bank financing restrict investment opportunities, particularly for SMEs and businesses in less developed regions.

30 **Non-bank financial institutions, microfinance, and self-financing play a much smaller role in capital formation.** The BBX 2025 survey shows that, on average, around 72% of respondents financed the purchase of fixed assets or capital through bank loans. This statistic demonstrates businesses' overwhelming dependence on banks as the primary source of investment funding.

31 **The Access to Finance (A2F) issue is more pronounced for sectors that are less formalized such as wholesale, agriculture, and transport.** Lack of long-term capital, more diversified financial products also disproportionately affect high-capital intensity and global value chain sensitive sectors such as textiles, construction, RMG, leather etc.

32 **Consolidating gains from early reforms in financial sector is a must to sustain improvement momentum.** Access to Finance while still weakest pillar in the business environment, has posted the largest single improvement. This confirms that reform initiatives, when strategically prioritized, can deliver measurable outcomes; however, consolidating these gains and addressing remaining structural bottlenecks in access to finance will be critical to sustaining business environment improvements.

33 **Overall, this points to a recovery, with the most severe phase of financing constraints, owing largely to poor governance in the past decade, perhaps easing.** However, the uneven nature of recovery across divisions highlights differences in financial infrastructure, institutional support, and business reliance on external financing. While confidence has improved, sustaining this momentum will require continued reforms in credit

34 **Environmental compliance raises operational costs and complexity.** Stricter enforcement of environmental regulations, limited technical support, inadequate waste management infrastructure, and sector-specific constraints increase compliance costs and operational complexity, especially for SMEs.

35

Environmental compliance appears as a key weakness in sectors with high environmental risk and for sector that are likely to go through greater global scrutiny with regard to their environmental compliance. The pillar appears as the second most critical concern for both RMG and textiles both of which will be required to step up with regard to their environmental standards and green growth. The issue is also among the top two concerns for high-risk sectors such as transport, light manufacturing and electronics, chemicals, agriculture and forestry etc.

36

Waste management easier in sectors/firms where simpler production processes, modern technology use, and material recyclability is important/in use. For instance, in Electronics and Light Engineering, 100% of respondents reported that waste reduction is easy, likely. Intensity of resource required and associate cost incentivies firms to use resource efficiency tech: In RMG and tannery industries, water use is essential, creating pressure to implement water-saving or recycling technologies.

37

Regional context and firm size determine ability and intent for environmental compliance. In Rangpur, lower scores are linked to limited industrialization, low investment, and infrastructural gaps in waste management. Many SMEs are still unable to implement waste segregation or recycling processes. Costs, lack of training, and weak coordination by local authorities exacerbate the issue. Addressing these disparities requires regional awareness campaigns, technical support, and incentives, alongside stronger partnerships between local governments and industry associations.

Bangladesh Business Climate Index- Performance by Pillar

Bangladesh Composite Score 2024-2025- ----→ 59.69		
Pillar Area	**2023-24**	**2024-25**
Starting a Business	62.74	64.72 ↑
Access to Land	53.11	54.10 ↑
Availability of Regulatory Information	68.04	67.70 ↓
Business Infrastructure	71.08	68.82 ↓
Labour Regulation	70.04	68.92 ↓
Dispute Resolution	62.38	64.73 ↑
Trade Facilitation	60.87	59.56 ↓
Paying Taxes	54.74	55.38 ↑
Technology Adoption	63.50	62.46 ↓
Access to Finance	28.11	40.07 ↑
Environmental Regulations and Standards	51.59	50.18 ↓

BBX 2024-2025 Score by Divisions

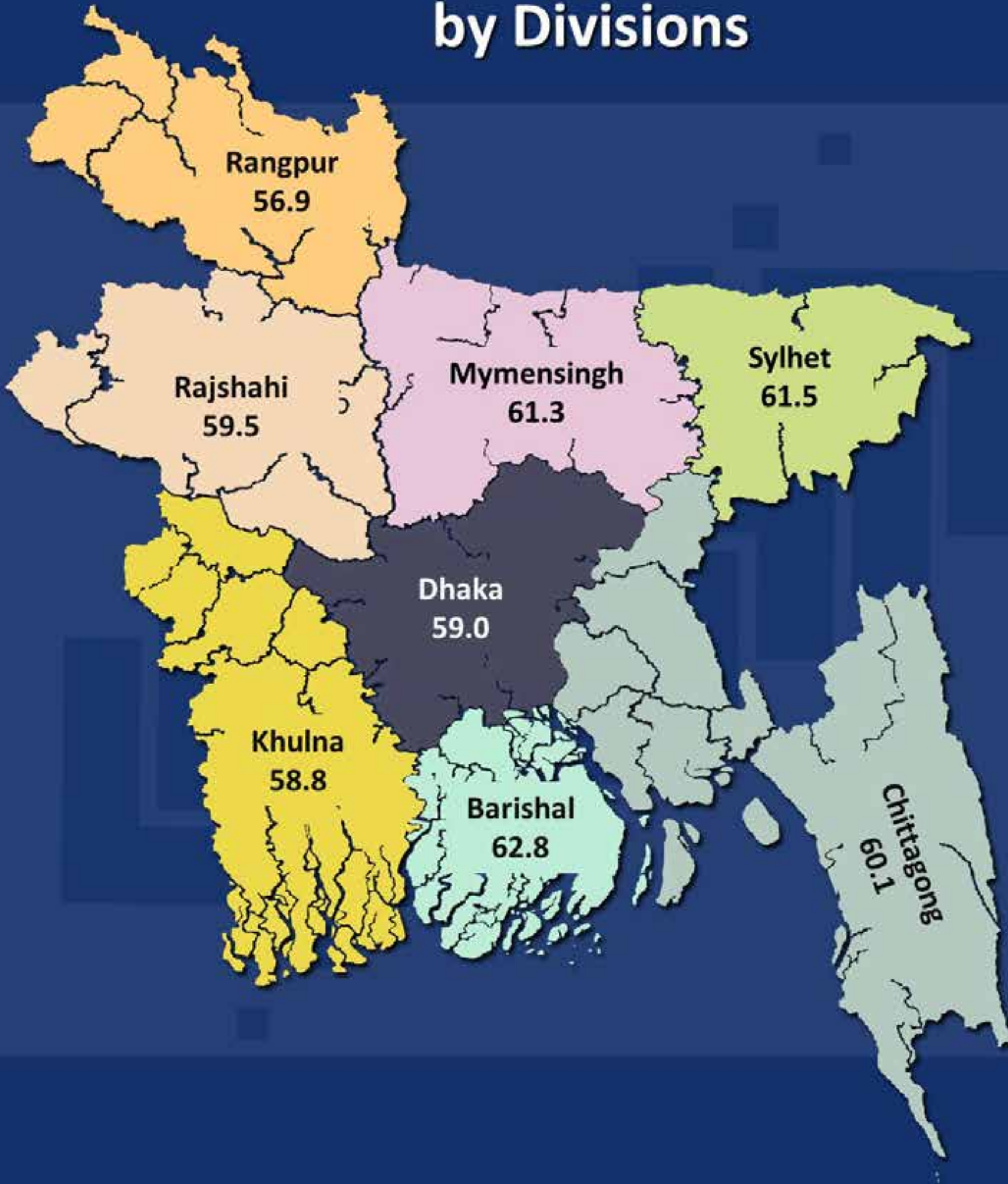


Figure 1: Persistent Barriers Faced by Businesses Per Pillar Category (2024-25)

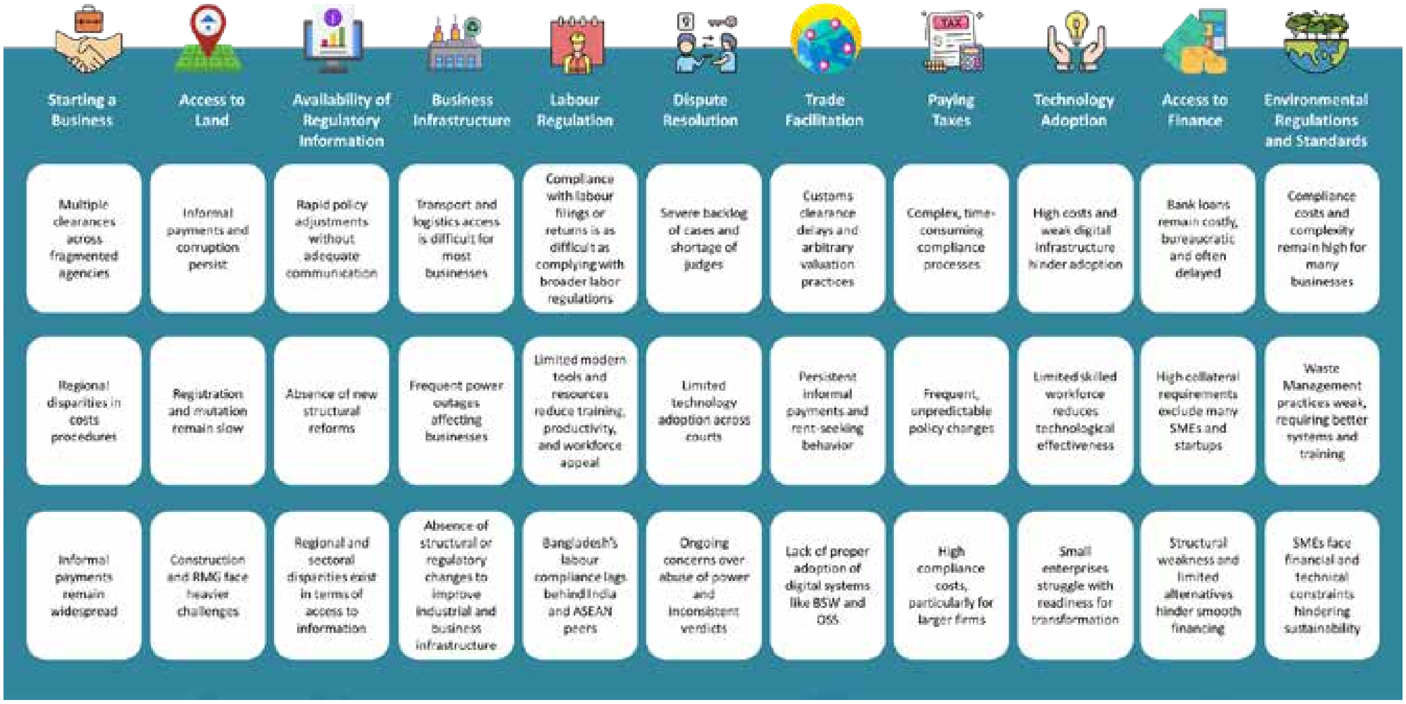
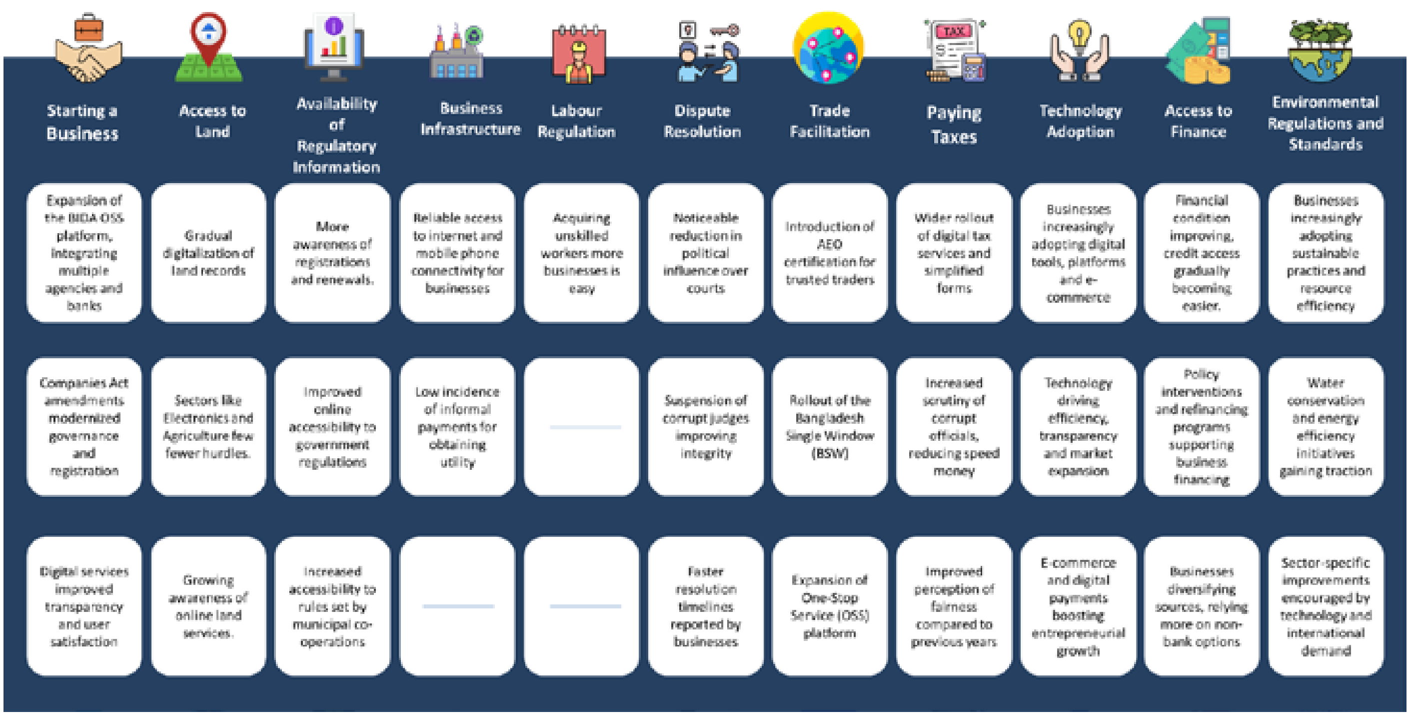


Figure 2: Improvements Observed by Businesses Per Pillar Category (2024-25)



Snapshot of BBX Pillars for 2024-25

Pillar 1: Starting a Business

Pillar Score

2021-22	2022-23	2023-24	2024-25
68.91	70.78	62.74	64.72

Key Findings

The overall score for the 'Starting a Business' pillar registered a modest recovery in 2024–25, reflecting progress from digital reforms but still falling short of earlier highs. Entrepreneurs continue to encounter barriers, such as procedural delays, overlapping requirements across multiple agencies, and the persistence of informal payments, during registration and renewal processes.

Regional disparities remain evident, with businesses in some divisions facing higher costs and more complex approval procedures than others, directly affecting divisional competitiveness.

The Electronics and Light Engineering and Financial Intermediaries sectors benefited from relatively smoother processes, whereas Construction, and Pharmaceuticals and Chemicals continue to struggle with regulatory complexity and license renewals.

Although digital platforms such as the BIDA One-Stop Service have expanded and improved transparency, partial reversion to manual processes has slowed momentum. This underscores the need for consistent and uniform implementation of reforms.

Pillar 2: Access to Land

Pillar Score

2021-22	2022-23	2023-24	2024-25
58.90	53.07	53.11	54.10

Key Findings

The 'Access to Land' pillar recorded only a marginal improvement in 2024–25, with land acquisition remaining a significant barrier to business expansion. Businesses continue to face corruption, high registration fees, slow mutation processes, etc. Additionally, informal payments are widespread across key regions such as Dhaka, Chattogram, Khulna, and Sylhet, impeding access to land for businesses.

Divisional disparities are evident. Rajshahi and Rangpur faced the greatest obstacles with the lowest score among other regions, while Rajshahi, Mymensingh and Dhaka witnessed declines in their scores compared to the previous year.

Sectoral differences persist, with Agriculture and Forestry, Electronics, and Light Engineering performing better than the Construction and RMG sectors, which struggle with excessive transaction requirements and high costs.

Limited progress on reforms is evident, with over three-quarters of respondents reporting no visible regulatory changes in land services. This perpetuates the most critical bottlenecks for businesses, including registration delays, corruption, and unclear pricing.

Pillar 3: Availability of Regulatory Information

Pillar Score

2021-22	2022-23	2023-24	2024-25
59.83	72.85	68.04	67.70

Key Findings

The 'Availability of Regulatory Information' pillar saw a marginal decline in its score compared to last year, reflecting a slowdown in reform momentum despite earlier progress. Inconsistency and poor dissemination of regulatory information remain a major challenge, with most firms reporting limited prior notification of regulatory changes and few new efforts to improve access to information.

Regional disparities are significant: Mymensingh and Rajshahi performed strongly with nearly universal online access to government rules, while Rangpur, Sylhet, Dhaka, and Chattogram lagged behind due to weak communication, frequent regulatory shifts, and lack of institutional responsiveness.

Sectoral and firm-size differences are also evident. Leather, and Pharmaceuticals and Chemicals along with other large firms, benefited from better access and awareness. Contrarily, Textiles, smaller firms, and service-oriented businesses struggled with uncertainty and poor access to regulatory guidance. Overall, inconsistent reforms hinders progress in digital access and awareness.

Pillar 4: Business Infrastructure

Pillar Score

2021-22	2022-23	2023-24	2024-25
72.02	74.49	71.08	68.82

Key Findings

The 'Business Infrastructure' pillar registered a decline in 2024–25, reflecting limited structural reforms and persistent unevenness in the quality and reliability of utilities, transport, and internet services. Power outages remain a critical issue across sectors, with unstable electricity supply. On top of that, informal payments for utility connections continue to add governance-related costs for businesses.

Regional disparities are pronounced. Chattogram and Mymensingh recorded improvements due to better access and reduced informality, while Barishal, Rajshahi, Khulna, Rangpur, Sylhet, and even Dhaka faced declining or stagnant scores driven by utility, transport, and internet constraints.

Sectoral differences are also evident. Leather and Tannery benefited from easier utility access and fewer informal payments. Contrarily, three sectors, Pharmaceuticals and Chemicals, Electronics and Light Engineering, and Financial Intermediaries, experienced steep declines due to power instability, transport bottlenecks, and broader insecurity.

Firm-size variations reveal fewer burdens for micro and small enterprises and higher costs and greater exposure to informal practices for medium and large firms, underscoring uneven impacts across the business landscape.

Pillar 5: Labour Regulation

Pillar Score

2021-22	2022-23	2023-24	2024-25
66.35	74.40	70.04	68.92

Key Findings

The 'Labor Regulation' pillar has continued its downward trend, reflecting persistent compliance challenges, weak reform momentum, and gaps in workforce readiness. Businesses, particularly micro and small firms in Electronics and Light Engineering, reported moderate difficulty in meeting statutory requirements, such as welfare benefits, leave provisions, and safety standards, which increase costs and disrupt productivity.

Compliance burdens extend to procedural filings and record-keeping, where smaller enterprises face acute difficulties due to limited administrative and technical capacity.

Skilled labor shortages remain widespread, as divisions including Dhaka and Chattogram struggle to attract qualified workers despite high graduate inflows, owing to limited access to modern tools, training, and technical resources.

Overall, labor regulations remain a regulatory and operational burden, with weak institutional support and outdated practices constraining both compliance and competitiveness

Pillar 6: Dispute Resolution

Pillar Score

2021-22	2022-23	2023-24	2024-25
57.48	64.24	62.38	64.73

Key Findings

Systemic barriers, such as lengthy judicial processes, high litigation costs, corruption, inconsistent verdicts, and inadequate use of technology, have perpetuated inefficiency. These issues not only erode public trust but also create uncertainty for businesses, making legal redress slow, costly, and unpredictable.

Recent improvements are visible, with reduced political interference and the suspension of corrupt judges which led to incremental gains in transparency and institutional accountability. Divisional performance shows variation, with Rajshahi demonstrating notable progress in judicial oversight and monitoring, while Dhaka experiencing a slight decline from earlier improvements, reflecting persisting systemic bottlenecks.

Survey results highlight encouraging trends, as nearly two-thirds of respondents reported a reduction in the time taken to resolve commercial disputes. Larger firms indicated a stronger reliance on Alternative Dispute Resolution (ADR) mechanisms, recognizing them as faster, less disruptive, and more efficient compared to prolonged court processes. This shift underscores a growing private sector preference for institutionalized ADR as a viable complement to the formal judiciary system.

Pillar 7: Trade Facilitation

Pillar Score

2021-22	2022-23	2023-24	2024-25
49.43	58.61	60.87	59.56

Key Findings

Bangladesh's 'Trade Facilitation' performance has slightly declined this year, with persistent regional disparities. While Barishal showed remarkable improvement, Rangpur and Sylhet recorded setbacks, revealing an uneven administrative efficiency. Customs clearance delays, particularly for imports, remain a major challenge. This is compounded by informal payments, arbitrary valuation, and high port fees. Sectoral variations show minimal barriers for the Pharmaceutical sector and higher costs for Textiles, and Leather and Tannery.

Reforms, such as AEO certification, the Bangladesh Single Window, and OSS, indicate progress. However, adoption remains partial, making the impact limited for smaller firms. Structural weaknesses, outdated customs laws, inefficient port management, and inadequate laboratory facilities, continue to constrain competitiveness.

Private sector concern over Bangladesh's upcoming LDC graduation in 2026 is growing, with 40% of firms, especially exporters, anticipating tariff hikes and loss of competitiveness. Yet, 94% of businesses have taken no preparatory steps. Such a major readiness gap demands urgent policy and institutional support.

Pillar 8: Paying Taxes

Pillar Score

2021-22	2022-23	2023-24	2024-25
68.72	55.21	54.74	55.38

Key Findings

The 'Paying Tax' pillar saw a marginal improvement in 2025, reflecting wider rollout of digital tax services and simplified forms. However the overall tax environment in Bangladesh erodes investor confidence and remains burdensome for businesses.

While most firms are able to obtain or renew VAT and income tax registrations, barriers like high costs, and divisional disparities, particularly for large firms and sectors such as Pharmaceuticals and Chemicals.

Filing and payment processes remain complex and time-consuming, with unpredictability in laws, arbitrary official decisions, and inadequate notification mechanisms undermining business confidence and long-term planning.

Informal payments continue to affect over half of businesses, with medium and large firms more frequently targeted, adding to the effective tax burden and discouraging investment.

Pillar 9: Technology Adoption

Pillar Score

2021-22	2022-23	2023-24	2024-25
57.70	60.60	63.50	62.46

Key Findings

The 'Technology Adoption' pillar score witnessed a slight decline in 2024–25 despite widespread availability of internet. High internet costs, unreliable electricity, limited rural connectivity, and shortages of skilled personnel constrain businesses (particularly for small and medium enterprises) from fully adopting advanced technologies and e-commerce solutions.

Urban centers like Dhaka and Chattogram lead in digital adoption, improving business administration, online marketing, and operational efficiency, while regions such as Rangpur, Mymensingh, and Rajshahi lag behind, show low investment in digital tools. Sectors, such as Leather and Tannery, and Pharmaceuticals and Chemicals are at the forefront in Technology Adoption, demonstrating efficiency, customer engagement, and competitiveness.

Overall, 'Technology Adoption' is reshaping business operations, enhancing transparency, reducing transaction costs, and creating new employment opportunities, but uneven regional adoption highlights the need for inclusive digital infrastructure and workforce capacity building.

Pillar 10: Access to Finance

Pillar Score

2021-22	2022-23	2023-24	2024-25
50.78	35.22	28.11	40.07

Key Findings

Access to Finance in Bangladesh has shown massive signs of recovery in 2024–25 after several years of financial stress, reflecting gradual improvement in bank credit availability, refinancing programs, and diversified financing options However, the score is substantially low compared to other pillars.

High collateral requirements, lengthy approval processes, rising interest rates, and constricted liquidity prevent timely and inclusive access, especially for SMEs, startups, and businesses in regions like Sylhet.

Policy interventions by Bangladesh Bank, including targeted refinancing for SMEs, exporters, and green finance projects, as well as improved foreign currency management, have eased some financing constraints and restored partial business confidence.

Despite these improvements, access to finance remains uneven across divisions and sectors, emphasizing the need for continued reforms in credit allocation, digital banking, regional financial inclusion, and alternative financing mechanisms to ensure sustainable growth and support private sector investment.

Pillar 11: Environmental Regulations and Standards

Pillar Score

2021-22	2022-23	2023-24	2024-25
-	-	51.59	50.18

Key Findings

'Environmental Regulations and Standards' are exerting slightly higher compliance pressures on businesses, reflected in a modest decline in the pillar score for 2024–25. Stricter enforcement, increased inspections, and rising compliance costs, particularly for SMEs, have made managing effluent treatment, waste, and emissions more challenging.

Dhaka and Sylhet remain the most efficient in waste reduction and resource efficiency, while Rangpur lags behind due to limited industrialization, weak infrastructure, and low technical capacity. Sectoral performance also varies: technology-driven and export-oriented industries, such as Electronics and Light Engineering, Pharmaceuticals and Chemicals, RMG, and Leather and Tannery, are better positioned to comply, whereas Construction, Agriculture, and Textiles face greater hurdles. Strengthening technical support, green finance, and local government–industry partnerships will be critical to ensure more equitable compliance and foster long-term environmental sustainability.

Figure 3: How Do the Pillars Fare for Different Sectors

Pillar Area	Most Conducive in	Most Difficult in
Starting a Business	Transport, Storage and Communication	RMG
Access to Land	Electronics and Light Engineering	Construction
Availability of Regulatory Information	Food and Beverage	Textile
Infrastructure	RMG	Electronics and Light Engineering
Labour Regulation	Financial Intermediaries	Leather and Tannery
Dispute Resolution	Electronics and Light Engineering	Leather and Tannery
Trade Facilitation	Pharmaceuticals and Chemicals	Financial Intermediaries
Paying Taxes	Transport, Storage and Communication	Electronics and Light Engineering
Technology Adoption	Leather and Tannery	Food and Beverage
Access to Finance	Pharmaceuticals and Chemicals	Leather and Tannery
Environmental Regulations and Standards	Food and Beverage	Pharmaceuticals and Chemicals

Figure 4: Business Environment Score: Where Do the Sectors Stand (Sectors' Perception of Respective Business Environment)

Table 1: Implications of Index Scores- Dhaka vs. Chattogram as Growth Centers

Pillar Area	Position of Dhaka		Change	Position of Chittagong		Change	Best Performer
	2023-24	2024-25		2023-24	2024-25		
Starting a Business	8	8	↔	5	7	↓	Sylhet
Access to Land	5	6	↓	3	3	↔	Sylhet
Availability of Regulatory Information	4	4	↔	1	5	↓	Rajshahi
Business Infrastructure	7	4	↑	8	3	↑	Mymensingh
Labour Regulation	3	4	↓	7	3	↑	Barishal
Dispute Resolution	2	2	↔	6	7	↓	Rajshahi
Trade Facilitation	5	3	↑	4	4	↔	Barishal
Paying Taxes	7	5	↑	5	7	↓	Sylhet
Technology Adoption	6	2	↑	7	4	↑	Sylhet
Access to Finance	6	4	↑	7	2	↑	Khulna
Environment Regulations and Standard	1	8	↓	6	4	↑	Barishal

Table 2: Top and Bottom 3 Pillars Across Sectors

Name of Sector	Top 3 Pillar Areas	Bottom 3 Pillar Areas
Wholesale and Retail Trade	Labor Regulation Starting a Business Availability of Regulatory Information	Access to land Environmental Regulations and Standards Access to Finance
Transport, Storage and Communication	Starting a Business Availability of Regulatory Information Labor Regulation	Paying Taxes Environmental Regulations and Standards Access to Finance
Constructions	Availability of Regulatory Information Dispute Resolution Labor Regulation	Environmental Regulations and Standards Access to Land Access to Finance
Electronics and Light Engineering	Dispute Resolution Access to Land Starting a Business	Trade Facilitation Access to Finance Environmental Regulations and Standards
Leather and Tannery	Technology Adoption Infrastructure Starting a Business	Environmental Regulations and Standards Paying Taxes Access to Finance
Agriculture and Forestry	Infrastructure Labor Regulation Starting a Business	Paying Taxes Environmental Regulations and Standards Access to Finance
Real Estate, Renting and Business	Infrastructure Labor Regulation Availability of Regulatory Information	Trade Facilitation Access to Land Access to Finance
Food and Beverage	Availability of Regulatory Information Dispute Resolution Infrastructure	Access to Land Paying Taxes Access to Finance
Pharmaceuticals and Chemicals	Labor Regulation Technology Adoption Infrastructure	Access to Land Access to Finance Environmental Regulations and Standards
RMG	Infrastructure Dispute Resolution Labor Regulation	Access to Land Environmental Regulations and Standards Access to Finance
Textiles	Infrastructure Labor Regulation Technology Adoption	Access to Land Environmental Regulations and Standards Access to Finance
Financial Intermediaries	Labor Regulation Availability of Regulatory Information Starting a Business	Access to Land Access to Finance Trade Facilitation

CHAPTER 1

Introduction:
Understanding the Context Shaping Economic and Governance Priorities in Bangladesh

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Since August 2024, Bangladesh has moved from a state of post-uprising uncertainty toward a period of relative stability, achieving several economic, political, and diplomatic milestones. Bangladesh entered a phase of heightened macroeconomic stress in mid-2022. Slower growth, questionable output data, persistent inflation, weak revenue mobilization, falling reserves, lower remittances, stagnant investment, and a fragile banking sector have become mainstream. With the economy under enormous strain, employment creation turned finite, and inequalities deepened, revealing the rudimentary structural fragility of the economy that existed beneath and transcended temporary market shocks. Eventually, public discontent with systemic governance failures manifested as the July–August mass uprising in 2024.

In the wake of this crisis, the responsibility of stabilizing the macroeconomy, revitalizing investment and thereby job creation efforts, and restoring public confidence emerged as key priorities for Bangladesh. Therefore, a number of commissions and task forces were constituted to address wider governance and institutional shortcomings with initial measures centered on the banking sector and financial stability. From the formation of reform commissions to the conclusion of landmark tariff negotiations, these steps reflect an effort to strengthen institutions and support economic recovery. Additionally, maritime development has expanded port capacity, and a shift toward multipolar diplomacy indicates a focus on improving connectivity and diversifying international partnerships for the future. Despite moderate growth rate, these efforts eventually yielded progress in selected areas of the economy.

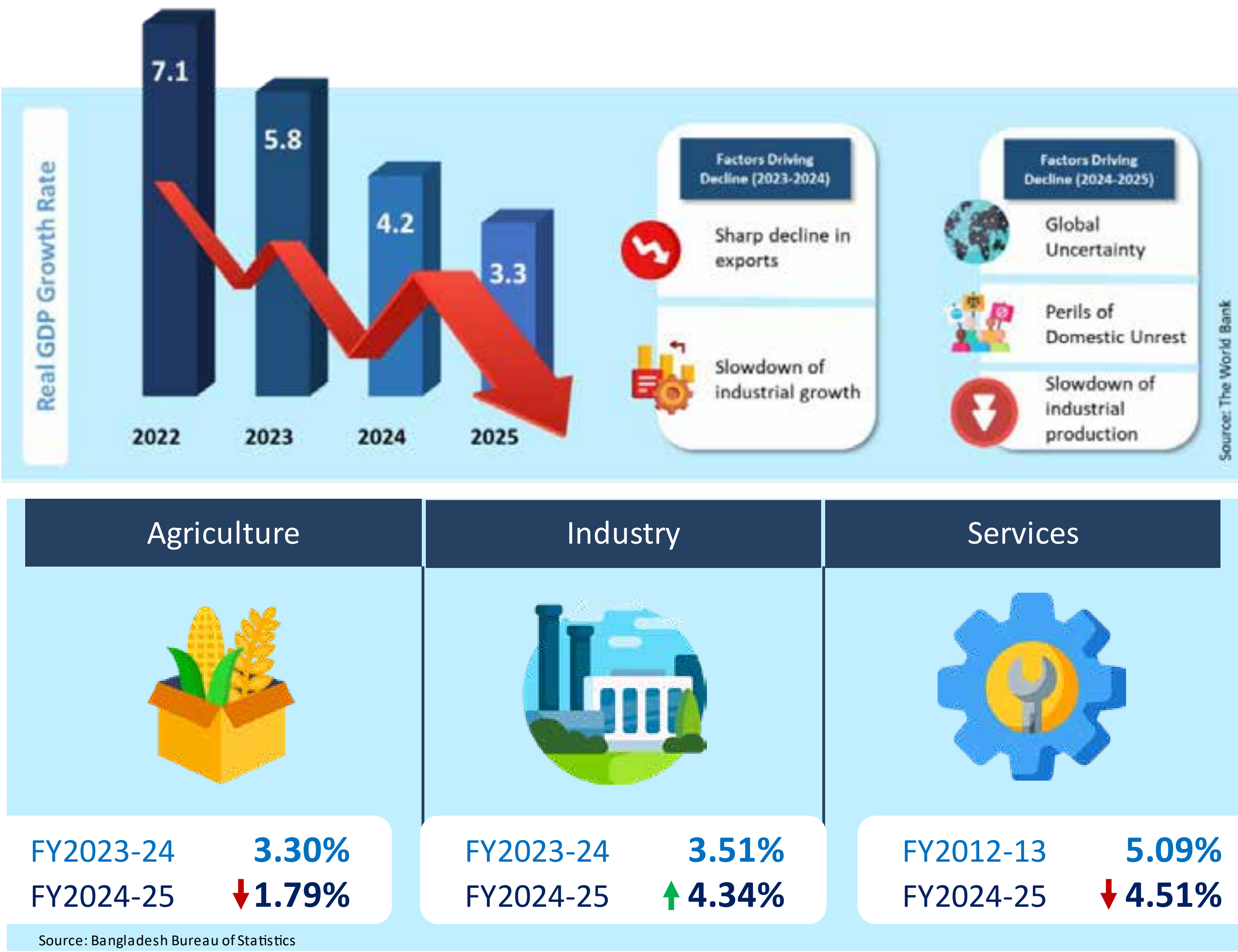
External sector pressure, for instance, eased as robust remittance inflows and export growth strengthened the current account balance, while the financial account benefited from budget support disbursements by development partners. As a result, balance of payments deficits narrowed, and the pace of foreign exchange reserve depletion moderated. Inflation, though still elevated, showed signs of gradual decline, and both interest and exchange rates became increasingly market determined. Meanwhile, Bangladesh Bank’s interventions, including targeted liquidity support, contributed to the stabilization of weaker banks and facilitated the implementation of critical sectoral reforms. In the first half of 2025, Bangladesh attracted $1.25 billion in investment proposals, indicating growing foreign and domestic interest in the country’s market.

However, several critical challenges persist in the economy, as key reforms proposed by these bodies have yet to be fully implemented. Inflation remains elevated, and vulnerabilities in the financial sector continue to pose risks. Both private and public investments have stagnated, contributing to a moderation in industrial growth, while pace of economic, trade, and investment reforms remained sluggish. The law-and-order situation remains unsettled, while political uncertainty endures despite the announcement of the election period between December 2025 and June 2026. Hence, addressing these persistent challenges remains essential for sustaining recovery and building long-term economic stability.

1.1 Snapshot of the Macroeconomic Landscape in Bangladesh

Economic Growth Under Pressure Amid Domestic and External Challenge: Bangladesh's economic growth is forecasted to have plummeted to 3.3 % compared to the estimated 4.2% in the previous year, marking the lowest since 2022. The political developments in 2024 combined with the supply-chain interruptions, and persistently low private investment dragged the real GDP growth far below the government target of 6.75 %. While increased uncertainty and elevated input costs have slowed private investment, issues such as energy supply disruptions, banking sector vulnerability, persistent inflationary pressure and forex reserve shortage have compromised the overall business climate of the country. Moreover, the recent levy of the reciprocal tariff by the United States further increased the risk of causing global supply chain disruptions, compounding financial market turbulence and eroding export competitiveness.

Figure 5: Real GDP Growth



Box 1: Sectoral Growth Divergence in Bangladesh Economy

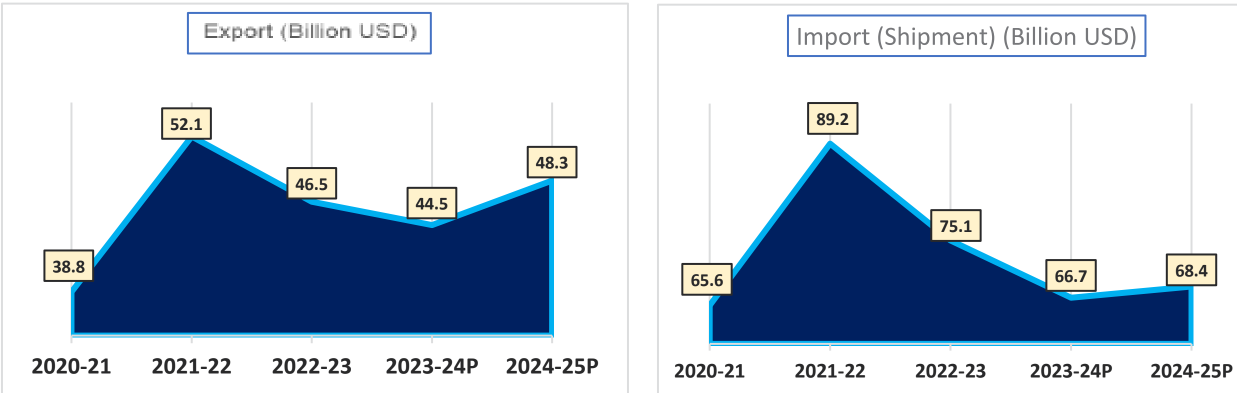
Divergent Sectoral Performance Shapes Overall Economic Growth. In the past year, sectoral expansion differed across key sectors, namely agriculture, industry and services. The agriculture sector is estimated to have contracted to **1.79** % because of flood and supply-side constraints. Contrarily, manufacturing and service sectors witnessed an estimated growth. Recovery in manufacturing sector, particularly the RMG sector, enabled the expansion of industry to **4.34** %, while trade, transport and communications bolstered the service sector, leading to an estimated increase of **4.51** %.

External Sector Stability Supports Macroeconomic Resilience: Through impressive growth in exports and remittances with decline in imports, rebound in foreign exchange reserves and increase in FDI, the external sector has demonstrated stability in FY 25, strengthening external balance and boosting domestic demand.

Sustaining RMG-Led Export Growth Requires Government Support Amid Global Competition and Supply Constraints: In FY25, Bangladesh's export earnings reached $48.28 billion, marking an 8.6 % increase from $44.47 billion in FY24. The growth was largely driven by the ready-made garment (RMG) sector, which contributed $39.35 billion. The United States remained the largest export destination, accounting for around 18% of total earnings, with RMG alone representing nearly 90 % of exports to the US. Other key markets included Germany ($5.29 billion), the United Kingdom ($4.62 billion), Spain ($3.55 billion), and France ($2.42 billion), each showing moderate growth. However, this continued growth would require active government support given the increasing global competition, frequently changing price of raw materials and bottlenecks in logistics that impede port operations.

Rebound in Imports Calls for Balanced Growth in Exports and Remittances: In FY22, soaring global commodity prices driven by the Russia-Ukraine war, along with higher demand for intermediate goods and capital machinery, pushed Bangladesh's imports to a record high of USD 89.2 billion. However, a liquidity crisis and LC restrictions caused imports to decline in FY23. The downward trend continued in FY24 as high inflation and a prolonged USD crisis further weakened demand. Eventually, imports recovered, rising from USD 66.7 billion to USD 68.6 billion due to economic recovery, an improved USD situation, increased demand for intermediate goods, and the removal of LC margins. Nevertheless, this growth in imports must be accompanied by a rise in exports and remittances to ensure a positive current account balance.

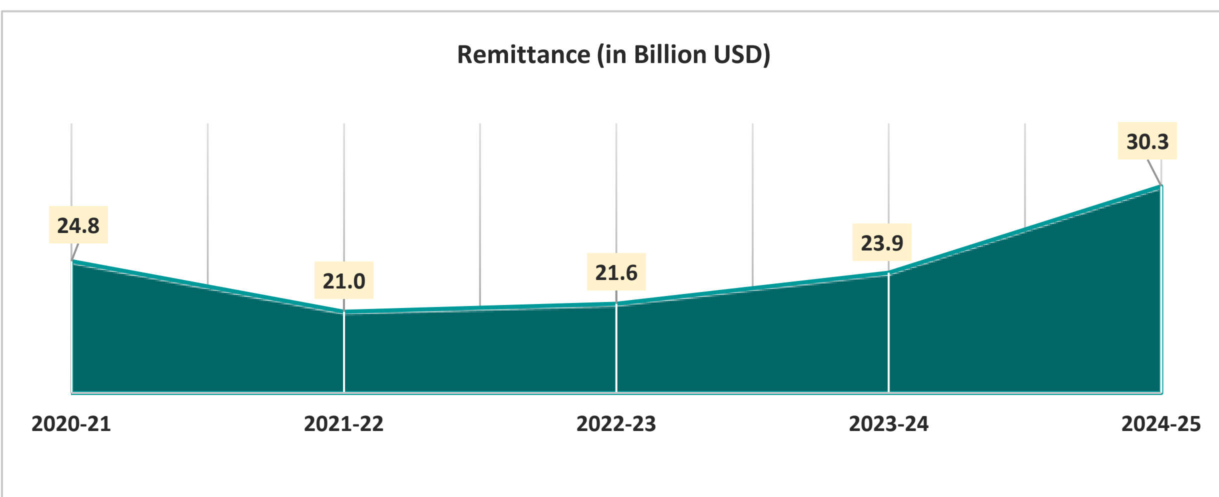
Figure 6: Export and Import Trend between 2020 to 2025



Source: Export Promotion Bureau (EPB), Bangladesh Bank

Transition from Informal to Formal Channels Reinforces Remittances, Supporting External Sector Resilience: Between FY21 and FY24, remittance inflows to Bangladesh declined by 3.6% due to high bank fees, uncompetitive exchange rates, and excessive paperwork, which discouraged migrant workers from using formal channels. As a result, many resorted to informal hundi networks that offered better rates and faster delivery without the perceived hassle of formal banking. This stagnation was particularly frustrating because the potential for higher remittance inflows remained significant. The issue was not a lack of earnings abroad but rather leakage to informal systems and the absence of a competitive, user-friendly formal mechanism. In FY25, however, remittances rebounded by USD 6.4 billion to reach USD 30 billion, driven by narrower exchange rate gaps, stricter anti-money laundering measures, and a renewed sense of patriotism among Bangladeshis abroad. This increase made a substantial contribution to external sector growth and supported a positive current account balance.

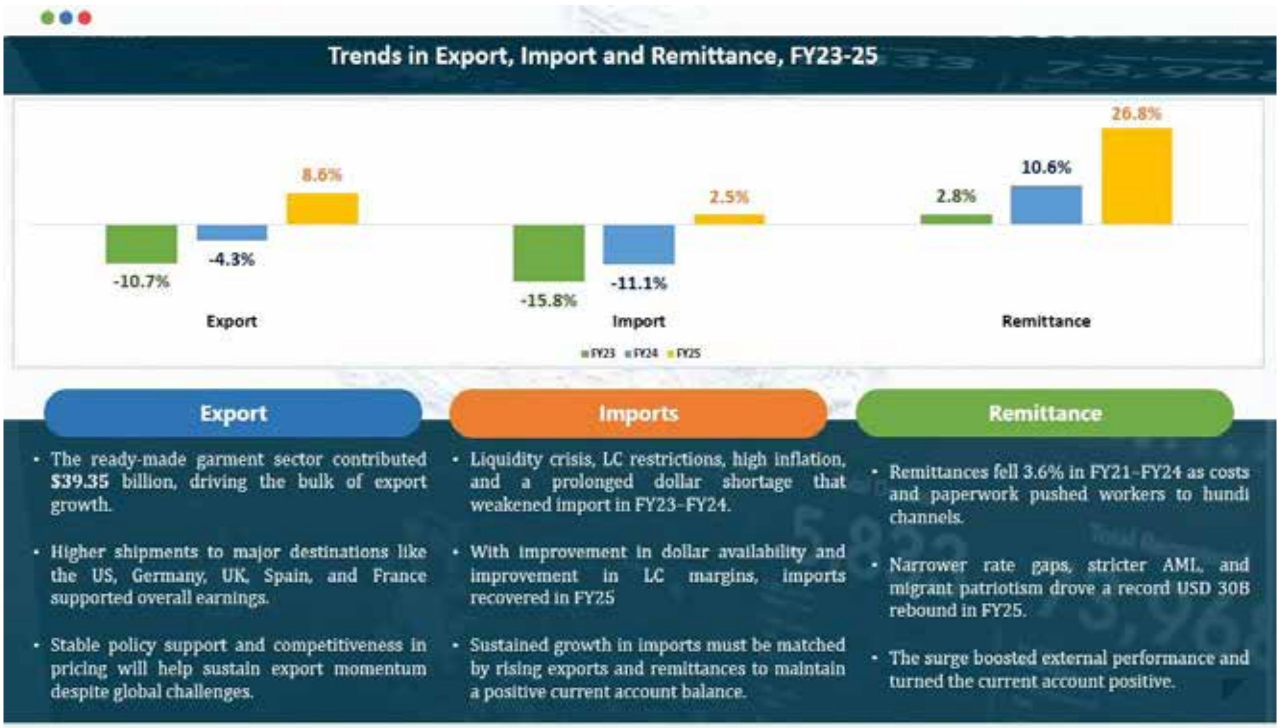
Figure 7: Remittance Trend (in Billion USD)



Source: Bangladesh Bank

Improvement in BoP Signals External Stability but Highlights Need to Address Informal Outflows: High remittance inflow, steady growth in export earnings and slower imports and support from multilateral agencies caused the improvement in BoP in FY25, which recorded a surplus of around $3.4 billion after three consecutive years of deficits. The positive outcome was further supported by tighter monetary-policy measures that stabilized the foreign-exchange market, reduced reserve losses, and curtailed undocumented outflows. With the current account, financial account, and overall balance returning to positive territory, the improvement signals a stabilizing external sector, though weak import-driven investment suggests that sustaining the surplus will require continued vigilance to circumvent illegal hundi operations and money laundering.

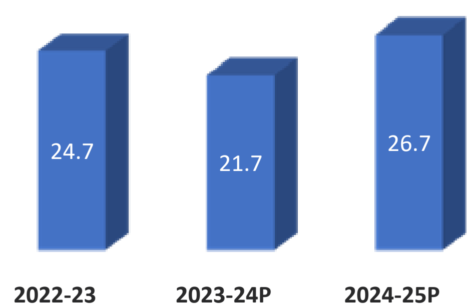
Figure 8: Growth of Export, Import and Remittance



Source: Bangladesh Bank

Exchange Rate and Forex Market Stabilized Through Improved Policy Actions: Improvement in the balance of payments, coupled with a contractionary monetary policy, helped stabilize Bangladesh's foreign exchange market in the second half of FY25. A policy shift allowing the exchange rate to move freely led to a brief depreciation of the BDT-USD rate in late May before stabilizing in June, with the nominal exchange rate closing at 122.77, reflecting a 3.89% depreciation over the year. To enhance transparency, BB began publishing the Foreign Exchange Market Spot Reference Rate (RR) twice daily from January 2025, closely tracking interbank movements.

Figure 9: Foreign Exchange Reserves (as per BPM6, in Billion USD)



Source: Bangladesh Bank

The nominal effective exchange rate (NEER) declined by 7.31% to 67.02, while the real effective exchange rate (REER) fell only 0.45% due to relatively higher domestic inflation. Interbank activity increased as market confidence improved, with average daily spot transactions rising to USD 68.3 million in June from USD 7.5 million in March–April, and the share of spot deals reaching nearly 38 % of total trades, though swap transactions remained dominant. BB gradually withdrew from active intervention between May 15 and June 30, 2025, while net sales of USD 508.38 million covered government import bills. Despite these outflows, foreign exchange reserves rose sharply from USD 21.7 billion to USD 26.7 billion by June 2025, supported mainly by strong foreign assistance inflows and improved external sector performance.

Inflation Moderates Following Coordinated Policy and Supply-Side Measures: Inflation in Bangladesh showed signs of easing during the second half of FY25 after reaching a decade-high point-to-point rate of 11.66 % in July 2024. By June 2025, headline inflation had declined to 8.48 %, marking the first time in over two years that it fell below 9 %. Food inflation fell sharply to 7.39 % from 14.10 % in July 2024, while non-food inflation remained relatively stable at 9.37 %. The moderation in inflation reflects the impact of coordinated policy measures, including the Bangladesh Bank's tight monetary stance, with the policy rate held at 10 % since October 2024, and stabilization in the exchange rate following the adoption of the Crawling Peg Exchange Rate System and enhanced flexibility. On the supply side, targeted interventions, such as rationalizing import duties, removing Letter of Credit margin requirements for key imports, improving commodity stock monitoring, and favorable harvests of vegetable and boro crops, helped ease food price pressures.

Banking Sector Under Strain Amid Broader Economic Gains: Bangladesh's banking sector experienced pronounced stress in FY25, driven by rising non-performing loans, constrained liquidity, and muted credit growth. Private sector credit expanded by only 6.5 % by June 2025, which was the lowest on record and well below projections. This reflected weak demand from non-bank financial institutions, higher borrowing costs under contractionary monetary policy, and persistent liquidity pressures. In contrast, public sector credit grew by 13.5 %, largely to finance government spending amid shortfalls in revenue collection. The resulting divergence limited overall domestic credit growth, restricting private sector investment and economic activity.

On the other hand, liquidity challenges were intensified by loan irregularities, fraud, and depositor withdrawals, particularly affecting some Shariah-based banks, while the discontinuation of the 28-day repo facility further constrained funding. In response, Bangladesh Bank provided targeted liquidity support and lowered the cash reserve requirement from 3.5 % to 3.0 %. Nevertheless, money market stress persisted, with the weighted average call money rate rising from 9.08 % in June 2024 to 10.14 % in June 2025, and the interbank repo rate climbing from 8.56 % to 10.37 %, underscoring the sector's ongoing vulnerabilities.

FDI Growth Signals Recovery, but Long-Term Gains Depend on Policy and Sectoral Expansion. Foreign Direct Investment (FDI) in Bangladesh has historically been low, both in absolute terms and as a share of GDP, lagging regional peers. After plunging from USD 3.89 billion in 2019 to USD 1.21 billion during the pandemic, inflows struggled to recover to the pre-pandemic level. In FY24-25, the FDI rebounded to USD 1.71 billion, a nearly 16 % increase. While the rise signals renewed investor confidence, sustained growth requires attracting fresh investment, particularly in export-oriented and emerging sectors, supported by reliable infrastructure, energy, logistics, and consistent investor-friendly policies. Bangladesh must continue reforms and sectoral diversification to make FDI a meaningful driver of long-term growth.

Figure 11: Bangladesh's Net FDI Inflow Trend

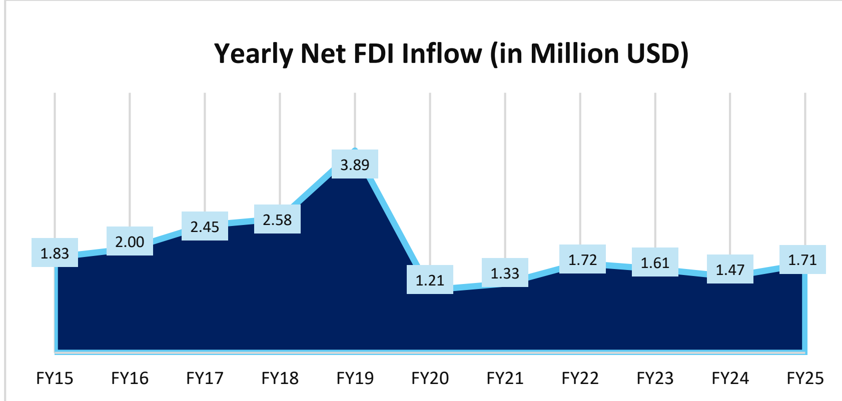
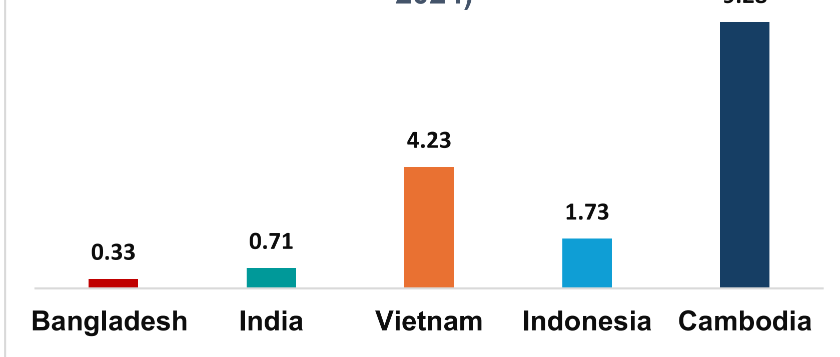


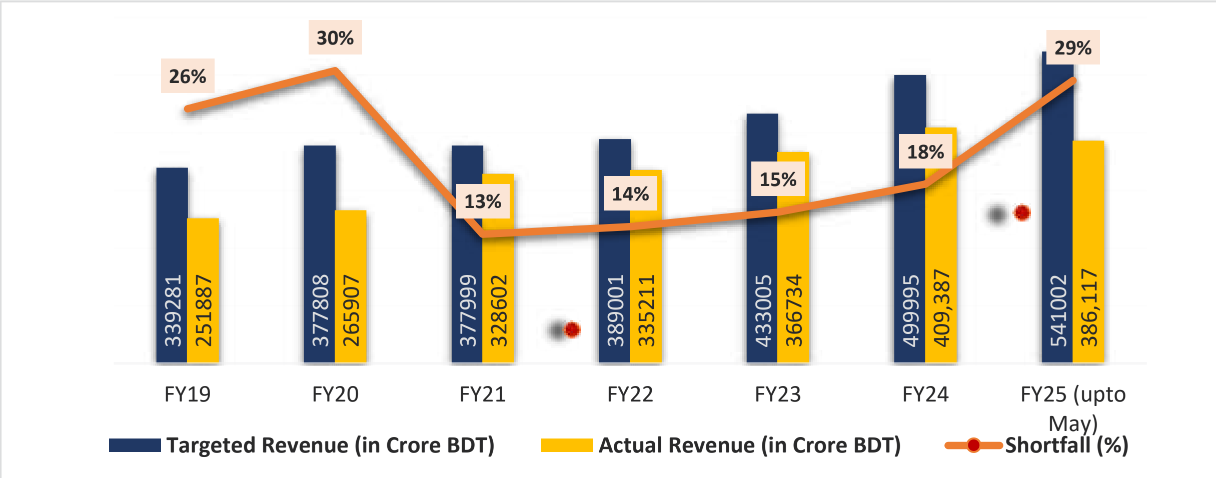
Figure 10: Country Comparison for FDI Inflow (% of GDP, 2024)



Source: Bangladesh Bank, World Bank

Revenue Mobilization Improves, but Structural Inefficiencies and Unrealistic Targets Limit Performance: There has been a steady increase in both targeted and actual revenue over the years, reflecting an expanding revenue base. However, actual collections consistently fall short of the targets, highlighting ongoing challenges in achieving ambitious revenue goals. This pattern suggests that while Bangladesh's revenue mobilization capacity is gradually improving, issues such as unrealistic target setting, gaps in compliance, and structural inefficiencies continue to constrain full performance. Overall, the trend points to progress in revenue growth but underscores the need for more effective planning and implementation to close the persistent shortfall.

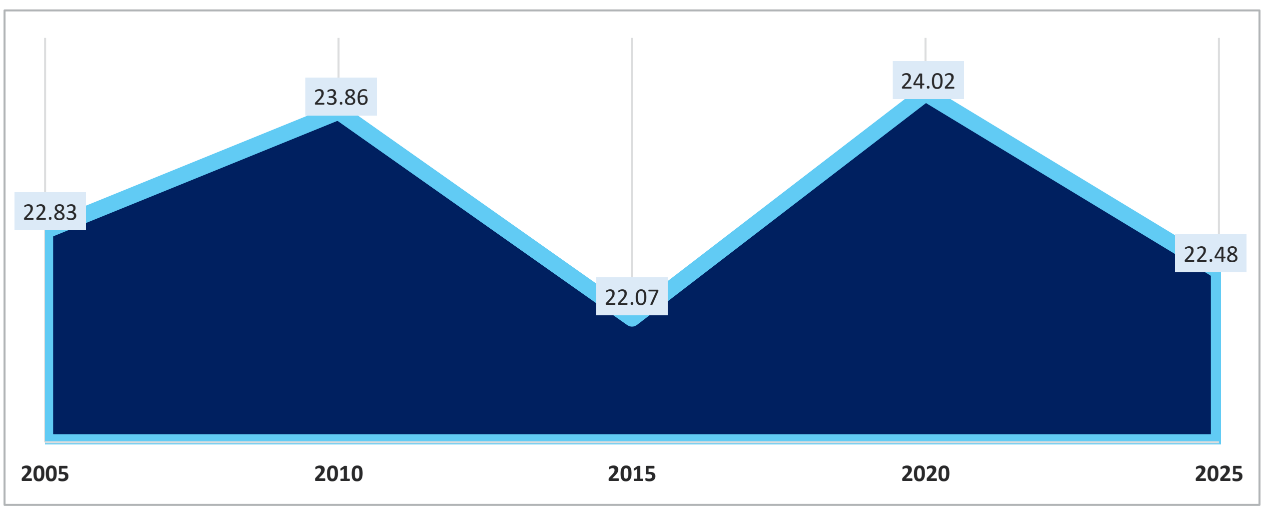
Figure 12: Trends in Actual Vs. Target Revenue (in Crore BDT)



Source: Ministry of Finance

Private Sector Investment Slumps Due to Political, Financial, and Infrastructure Constraints: Private investment in Bangladesh has fallen to its lowest level in five years, dropping to 22.48 % of GDP in FY24-25 from 23.96 % the previous year, signaling a sharp decline in business confidence. This slump can be attributed to political instability, high borrowing costs, inconsistent energy supply, foreign exchange constraints, and slow structural reforms, particularly in logistics and trade facilitation. The downturn has stalled expansion in export-oriented and import-substituting industries, reduced imports of capital machinery, and limited the private sector's contribution to GDP growth. Rising uncertainty around policy continuity and the election timeline is further dampening investor sentiment, risking not only domestic investment but also the inflow of foreign direct investment needed to support industrialization, economic diversification and employment.

Figure 13: Private Investment as % of GDP



Source: Bangladesh Bureau of Statistics

Employment Trends: Shrinking* Labour *Force and Weak Job Creation. Since 2023, 23 million and the unemployment rate rising from 3.4 to 3.7 %, particularly among urban women. Urban, formal, and skill-based jobs for women remain limited, constrained by inadequate childcare, restricted access to capital, and poor market connectivity. Employment growth has been sluggish across all major sectors, reflecting weak sectoral expansion and insufficient job creation, which is further evidenced by a graduate unemployment rate of 13.5 %. With stagnant private investment, elevated interest rates, and ongoing political and economic uncertainty, labour absorption is likely to remain constrained, posing risks to industrialization, youth employment, and sustained economic growth.

1.2 Priorities Going Forward: Policy Imperatives and Structural Reforms to Strengthen Stability and Growth

Going forward, the government's foremost priority must be to maintain economic stability through effective inflation management, job creation, and stronger investment mobilization. This requires coordinated monetary and fiscal measures to contain price pressures, while also addressing supply-side bottlenecks in food and energy. At the same time, targeted support for labor-intensive industries and SMEs, along with expanded skills development programs, can create productive employment opportunities for a growing workforce and strengthen the foundations for inclusive growth.

Equally important will be advancing structural reforms that broaden the country's economic base. Diversifying exports beyond RMG into sectors such as agro-processing, ICT, pharmaceuticals, and light engineering is essential for reducing external vulnerabilities. Parallel efforts to strengthen the financial sector, lower non-performing loans, and deepen capital markets will help channel investment into productive areas. Embedding sustainability and inclusivity through renewable energy, climate-resilient agriculture, and programs that empower women, youth, and rural entrepreneurs will ensure that growth is both resilient and widely shared.

Assuming minimal supply-side disruptions, a positive real policy rate and stable international commodity prices are expected to strengthen anti-inflationary measures and support exchange rate stability, with inflation likely to ease to 6.5–7% by December 2025. Moreover, the global price outlook remains favorable, with international commodity prices expected to stay relatively stable, helping to contain imported inflation. Nevertheless, risks persist. Weather-related disruptions could affect agricultural production and create logistical bottlenecks, triggering temporary spikes in food prices and reigniting inflationary pressures. Additionally, renewed global supply chain shocks or heightened geopolitical tensions could push up import costs.

In case of external sector developments, the balance of payments is expected to improve, supported by strong remittance inflows and export earnings, maintaining a favorable current account balance in the coming year. However, limited room exists for further improvement in the current account balance. A potential rise in imports due to a downward revision of the policy rate, and a growing primary income deficit, mean that overall balance of payment progress will depend on developments in the financial account. Eventually, the remarkable growth in remittance is likely to reach a saturation point given that the growth is only supported by the shift from informal to formal channels and not by increase in wage. Downside risks such as the new US tariffs on Bangladeshi products (particularly RMG) and domestic political uncertainties could dampen FDI and export growth. Domestically, challenges such as persistent inflation, slow GDP growth, stagnant private investment, and high non-performing loans may continue to weigh on the economy in the first half of next year.

Box 2: Bangladesh's Economy: Recovery, Risks, and Prospects

a. Inherited Economic Crisis and Reform Initiatives

- *The interim government inherited a weak economy with high inflation, low FX reserves, a fragile banking sector, and limited fiscal space.*
- *Comprehensive reforms have been launched to address legal, institutional, structural, and regulatory weaknesses.*

b. Early Economic Recoveries

- *Economic activity is rebounding, signaling a turnaround from the business cycle trough.*
- *Inflation has moderated due to monetary tightening, steady commodity supply, and exchange rate stability though it remains above the target level.*
- *Hawkish policy measures have curbed inflationary expectations.*

c. FY26 Economic Outlook: Moderate Growth with Lingering Risks

- *Bangladesh's economy is projected to grow moderately in FY26, led by industrial momentum, rebound in services and improvement in agriculture.*
- *Near-term recovery depends on stable domestic conditions, easing election uncertainties, and prudent monetary and fiscal management.*
- *Inflation has eased but remains uncertain due to cost pressures, including effects from U.S. tariff-related depreciation of Taka.*
- *Favorable factors such as eased geopolitical tensions, stable global prices, a strong harvest, and calibrated monetary policy continue to ease inflationary pressures.*
- *The external sector shows resilience, with rising export earnings and remittances supporting exchange rate stability and strengthening foreign exchange reserves.*

1.3 Objectives of the Bangladesh Business Climate Index

The Bangladesh Business Climate Index (BBX) is established to evaluate the country's business environment, pinpoint areas for improvement, and provide actionable insights for informed investment decisions. It aims to create a locally relevant index grounded in private sector perspectives, reflecting the challenges businesses face throughout the business cycle. The main objective of the BBX is to supply evidence-based guidance to both local and national government agencies to improve service delivery and formulate practical policy measures that support business growth. Furthermore, the BBX seeks to benchmark performance within the country, recognize top performers, highlight best practices, and encourage dialogue between the government and the private sector to drive policy reforms.

The BBX employs a Stratified Multistage Cluster Sampling approach, with industry-specific weights assigned according to each sector's contribution to GDP and employment. This ensures a comprehensive and representative assessment of Bangladesh's business environment. By integrating private sector insights, the BBX captures a broad range of perspectives, enabling a more accurate understanding of challenges and opportunities across different industries.

The BBX 2024 provides an overview of Bangladesh's current business climate. Chapter 1 outlines the country's development journey and highlights key challenges needing attention. Chapter 2 discusses the importance of evaluating the business environment and its relevance to Bangladesh. Chapter 3 explains the methodology used for the assessment, while Chapter 4 identifies major development challenges and priority focus areas. Chapter 5 presents the survey findings in detail, and Chapter 6 offers in-depth insights and policy recommendations based on the analysis

CHAPTER 2

The Role of Business Indices in Measuring the Business Environment

Chapter 2: The Role of Business Indices in Measuring the Business Environment

2.1 From Progress to Peril: A Difficult Business Environment Facing Private Sector in Bangladesh

The significance of the private sector in propelling Bangladesh's economic advancement remains undeniable. Providing an avenue for the brewing entrepreneurial spirit in the country, the private sector led to increased employment opportunities, attracted investment and induced innovation, especially through the Ready-Made Garments (RMG) sector. Innovation is discernible in the all-pervading mobile financial services, telecommunication, and internet, all owing to the burgeoning of the private sector.

Despite its importance, an unfavorable business environment continues to threaten the competitiveness of the private sector. Stringent regulatory framework governing the economy often curbs the latitude of operation of businesses which increases informal activities beyond the control of regulatory and tax authorities. Obstructions in the business climate as such not only disrupt operations of running businesses but also limit the market entry of potential businesses and staunches both domestic and foreign private sector investment. For instance, private investment stood at 23.51% of total investment in 2024, continuing a downward trend from 24.18% in 2023 and 24.52% in 2022.

Time and again, global assessments have revealed the frailty of Bangladesh's business climate. The lower rank of Bangladesh at 105th out of 141 economies in the Global Competitiveness Index (GCI) 2019 reflects struggles in different pillars relevant to the business environment, such as enabling environment, human capital, market and innovation system. Published in 2020, the Ease of Doing Business graded the country 168th of 190 countries, accentuating the highest obstructions caused by enforcing contracts, registering property, trading across borders, and access to electricity.

Remarkably, more contemporary rankings varied less in outcome regarding business environment, demonstrating the persisting weakness in its nature. According to the recently published Business Ready Report 2024, Bangladesh struggles most with regulatory framework (56.99 points) and moderately with public services (41.64 points) and dragged these pillars down to the bottom and fourth quintile respectively. Lack of digital services with respect to liquidation and reorganization proceedings, organization structure of courts and digitalization of intellectual property services dispersed struggles in business solvency, dispute resolution and market competition.

Further corroborating the complexities in the business climate is the Global Innovation Index 2024. A minimal score of 38.6 for the business environment sub-topic of the index attributes the low score to the country's political instability for doing business. Despite differences in pillars, and sub-pillars of each of the measures with exceptions in methodology, two things are certain: (i) Bangladesh's business climate is fraught with barriers; (ii) The country's competitiveness is at high stake.

Generally, a non-conducive and inefficient business environment is correlated with rent-seeking behavior. Countries with excessive red tape and extensive interactions between the private sector and the government tend to offer significant opportunities for exploitation. For instance, the countries ranked in the bottom 20 in Transparency International's Corruption Perceptions Index typically require an average of 8 procedures to initiate a business and 15 procedures to secure a building permit. In contrast, the top 20 countries complete the same processes with 4 and 11 procedures, respectively. Not to mention, the introduction of electronic

Disadvantages of Inefficient Business Environment

- An inefficient business environment is correlated with rent-seeking behavior
- Countries with heavy red tape and frequent public-private interactions often create opportunities for exploitation.

A robust business environment for reducing corrupt practices and streamlining business processes.

Corruption Perceptions Index

Top 20 Countries	VS	Bottom 20 countries
✓ 4 procedures on average to initiate a business ✓ 11 procedures on average to secure a building permit		✓ 8 procedures on average to initiate a business ✓ 15 procedures on average to secure a building permit

What are the top countries doing right?

- The introduction of electronic compliance measures is linked to a reduction in informal payments.

compliance measures is linked to a reduction in informal payments. This underscores the significance of a robust business environment for reducing corrupt practices and streamlining business processes.

2.2 Departing from One Size Fits All Approach of Multi-Country Business Environment Assessments

For all the numerous benefits of the multi-country indexes, there exists limitations. That is not to mention that global indices are not useful. Business indices play a crucial role in identifying successful practices that can be replicated across the entire business environment. For instance, according to the Doing Business report, the top-performing countries, utilizing electronic systems, such as online business incorporation processes, electronic tax filing platforms, and online procedures for property transfers, exhibit sound business regulation and a high level of transparency. Research indicates that countries excelling in the Doing Business report experience increased entrepreneurial activity, leading to enhanced employment opportunities, higher government tax revenues, and improved personal incomes. Furthermore, business indices enable policymakers to objectively measure the impact of their interventions and communicate the rationale for reforms to a wider audience, including the country's citizens.

However, these indices generally do not offer a comprehensive assessment of the overall business climate for targeted sector-wise improvements. Multi-country indexes often assess different countries with diverse characteristics on a unified scale that might not be applicable for these countries all the same. Therefore, certain countries receive favorable ratings while others do not, particularly on matters that are not universally applicable or are of varying importance across nations.

Furthermore, the complex, evolving, multi-dimensional, and uncertain nature of any business environment requires its constant evaluation. Firstly, global indexes are not always updated regularly or are discontinued. For instance, The Global Competitiveness Index was not updated after 2019. Since then, the business climate of many countries has not been static. Similarly, the discontinuation of the Doing Business report after 2021 also poses similar challenges of not being able to assess the countries based on the same pillars in different years to understand the underlying trends.

Secondly, different indexes assess countries with different objectives, metrics and target areas and do not cover all aspects that might be relevant to a country. The B-ready index, unlike the World Bank's Global Economic Prospects, does not cover macroeconomic conditions. While the Doing Business project prioritizes assessing the business environment for small and medium enterprises, the B-READY project targets private sector development as a whole.

Lastly, the business environment is interdependent on other factors such as global policy and not all global policy leaves a uniform impact on all countries. For instance, the reciprocal tariff rates of the United States are 37% for Bangladesh, while it is 14% for Nigeria, leaving a disproportionate impact on the business environment of the countries, requiring different actions to address this.

In this regard, single-country indexes emerge as a valuable guiding measure in improving the business environment of the country. The unique problems and variables of a country requires a customized measure taking into account the cultural context. The concept of formulating a homegrown index is not novel. Previously, many countries including Bangladesh have adopted a single-country index, choosing intensive over extensive study to focus on the unique characteristics of the country.

CANADA-BUSINESS OUTLOOK SURVEY INDICATOR: It is a key measure of business sentiment and economic outlook compiled by the Bank of Canada. It provides valuable insights into the business climate, including factors such as production, new orders, sales, and employment. Each quarter, the Business Outlook Survey (BOS) results are based on interviews with senior management of about 100 firms. The BOS indicator was -3.51 in 2023 Q3, down from -2.31 in 2023 Q2. This is the indicator's lowest level in over a decade, except for a brief period early in the COVID 19 pandemic.

CHINA-BUSINESS CLIMATE INDEX: The index is a major gauge of the country's macroeconomic outlook based on a survey of various enterprises. It is scaled from 0 to 200 points, with 100 being the critical value. A reading of more than 100 indicates a sound and optimistic climate, while a reading below 100 is a sign of a pessimistic business environment. The index provides valuable insights into the state of the Chinese economy and is closely monitored by investors and policymakers.

FRANCE-BUSINESS CLIMATE COMPOSITE INDICATOR: It is a significant measure that summarizes information from surveys conducted in the manufacturing, services, trade (retail and wholesale), and building construction sectors. The indicator is closely monitored by investors, policymakers, and analysts to gauge the economic outlook and make informed decisions. The indicator averaged 100.08 points from 1977 until 2023.

GERMANY-IFO BUSINESS CLIMATE INDEX: The IFO Business Climate Index is the most important leading indicator for the development of the economy in Germany. The index is calculated based on the responses of manufacturers, service providers, trade, and construction companies, and is published every month. It is an important tool for assessing the economic climate in Germany and is closely monitored by investors, policymakers, and economists. It measures the business perceptions of both current and future German business conditions.

JAPAN-SHOKO CHUKIN BUSINESS CONDITIONS DIFFUSION INDEX (DI): The Shoko Chukin Business Conditions DI is a key economic indicator produced by the Shoko Chukin Research; a Japanese organization affiliated with the Shoko Chukin Bank. The index is used to gauge the economic conditions in Japan. It measures the diffusion of business conditions, reflecting the percentage of companies reporting an improvement minus those reporting a deterioration. The index is an important tool for assessing the overall business climate and economic outlook in Japan.

VIETNAM-PROVINCIAL COMPETITIVENESS INDEX (PCI): Vietnam's Provincial Competitiveness Index (PCI) is a annual assessment that evaluates and ranks the quality of economic governance by provincial authorities in fostering a favorable business environment for private sector development. The PCI is built on ten sub-indices that capture critical aspects of local governance influencing enterprise growth.

SOUTH KOREA-BUSINESS SURVEY INDEX (BSI): BSI is the country's key measure of business confidence, compiled monthly by the Bank of Korea through a survey of around 2,800 firms across manufacturing and non-manufacturing sectors. The BSI is a diffusion index that captures firms' assessments of current business conditions and their outlook for the near future, based on factors such as production, sales, orders, inventories, profitability, investment, and employment.

2.3 Inception of BBX: A Homegrown Response to Global Ranking Gaps

In 2021, the first ever Bangladesh Business Climate Index (BBX) came into existence. It departs from global indexes in terms of offering the flexibility of defining parameters that are highly relevant to the country's business climate. This index is useful for policymakers, investors, and researchers in terms of obtaining valuable insights to evaluate Bangladesh's performance across various economic and social aspects. This includes assessing the regulatory environment for local businesses, understanding the impact of laws and regulations on business activity, making well-informed decisions regarding policy reform and private investment, and identifying successful practices in regulatory reform. The data also supports research on institutions and regulation, providing a comprehensive understanding of the business landscape in Bangladesh.

With the objective of providing an understanding of the quality of the business environment in the country, the index identifies strengths, barriers and improvement areas for investment and private sector development. This identification facilitates the prioritization of interventions needed to enhance economic productivity and growth. In reality, BBX not only recognizes but expounds impeding factors in the current regulatory environment surrounding the business landscape. Identification of bottlenecks responsible for bureaucratic delays and higher cost of compliance helps government agencies prioritize and formulate reforms targeted to address these obstacles for greater investment, efficiency and development.

BBX encompasses a pragmatic view of the existing investment climate and relevant hindrances in different sectors of the country. Not only does the index capture differences in the regulatory environment of the regulations and the level of enforcement across locations and sectors within the country, it provides data on each selected location and sector, along with recommendations to improve performance. By incorporating perspectives of the entrepreneurs, it helps in the formulation of evidence-based micro-policies to enhance the business climate of the country. It can also open space for policy discussions to identify good practices. This tool is exceedingly relevant for the government of Bangladesh, especially in creating sensible corporate regulating laws.

A homegrown index, BBX aligns with Bangladesh's development aspirations and can help build robust institutions. This analysis helps understand the scale of the informal economy and impact of different legislations on factors such as poverty, corruption, employment, and credit accessibility which aid informed decision-making. An empirical benchmarking that allows policymakers to gauge constraints per industry and region.

Recognizing the evolving nature of the business climate and uncertainty of policy landscape, BBX is updated annually. This annual update enables decision-makers to understand the advancement, evaluate the impacts of policy changes and share insights on successful policies. Such regular assessment helps craft practical policy recommendations that can not only be updated but also adjusted and enhanced to build a positive business environment within the nation.

The Bangladesh Business Climate Index (BBX) is of Significant Relevance for Several Key Reasons:

Development Priorities

The BBX is in line with Bangladesh's development priorities, aiming to become a middle-income country with diversified export industries and a more productive industrial and service sector. The country is now ready to embrace a new growth model supported by an updated policy framework, building on the achievements of its initial economic expansion.

Economic Challenges

It reflects the various business and economic obstacles faced by Bangladesh as it strives to address competitiveness challenges, particularly as it modernizes its key sectors such as the ready-made garment (RMG) industry and aims for substantial growth in exports. The BBX can provide tailored insights for different high-growth sectors, aiding in the country's advancement.

Institutional Strengthening

As Bangladesh aims to transition to an upper middle-income economy, there is a pressing need to strengthen its institutions, particularly in terms of government policy responsiveness and coordination. This is crucial, as institutional factors are a major distinguishing element between middle-income and higher-income countries. The experience of East Asian economies highlights the significance of strong institutions and a meritocratic bureaucracy in guiding nations toward prosperity. Therefore, as Bangladesh addresses its economic challenges and pursues its development goals, the focus on institutional strengthening is paramount.

Empirical Benchmarking

It offers practical and specific benchmarks based on empirical data, enabling policymakers to assess the challenges within each industry and region. The BBX provides quantitative measurements that are comparable to other indicators, delving deeper into various aspects. This allows for a detailed analysis of industries and activities, benefiting from a large sample size and methodological rigor. Unlike global indices that use a uniform scale to measure over a hundred countries, the BBX focuses on tailored assessments, providing a more nuanced understanding of the economic landscape.

Figure 14: What Makes a Home-Grown Business Index Critical for Bangladesh

A regular evaluation of the business climate offers a systematic overview of an otherwise uncertain policy landscape. This process enables decision-makers to assess their advancements, evaluate the impacts of policy changes, and share insights on successful policies. The assessment furnishes practical policy recommendations that can be implemented, adjusted, or enhanced to foster a positive business environment within the nation. It equips policymakers with a prioritized roster of actions required to bolster economic efficiency and expansion. Additionally, it presents a framework for identifying the strengths and weaknesses in Bangladesh's business environment.

Business indices play a crucial role in identifying successful practices that can be replicated across the entire business environment. According to the Doing Business report, the top-performing countries commonly utilize electronic systems, such as online business incorporation processes, electronic tax filing platforms, and online procedures for property transfers. These countries also exhibit sound business regulation and a high level of transparency. Research indicates that countries excelling in the Doing Business report experience increased entrepreneurial activity, leading to enhanced employment opportunities, higher government tax revenues, and improved personal incomes. Furthermore, business indices enable policymakers to objectively measure the impact of their interventions and communicate the rationale for reforms to a wider audience, including the country's citizens.

Business climate data and analysis provide valuable insights for policymakers, investors, and researchers to evaluate Bangladesh's performance across various economic and social aspects. This includes assessing the regulatory environment for local businesses, understanding the impact of laws and regulations on business activity, making well-informed decisions regarding policy reform and private investment, and identifying successful practices in regulatory reform. The data also supports research on institutions and regulation, providing a comprehensive understanding of the business landscape in Bangladesh.

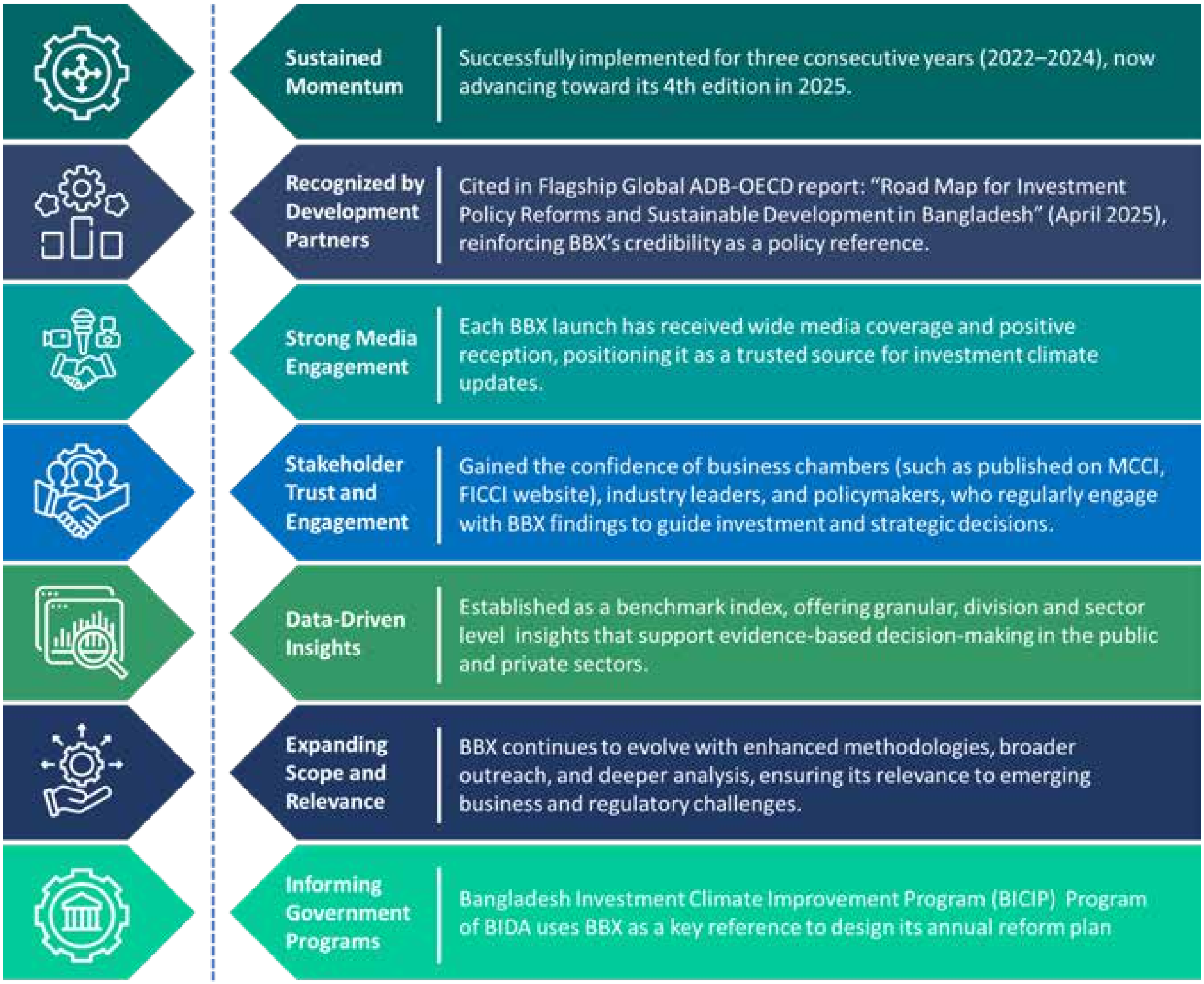
The presence of a non-conductive and inefficient business environment is often associated with rent-seeking behavior. Countries with excessive red tape and extensive interactions between the private sector and the government tend to offer significant opportunities for exploitation. For instance, the countries ranked in the bottom 20 in Transparency International's Corruption Perceptions Index typically require an average of 8 procedures to initiate business and 15 procedures to secure a building permit. In contrast, the top 20 countries complete the same processes with 4 and 11 procedures, respectively. Not to mention, the introduction of electronic compliance measures is linked to a reduction in informal payments. This underscores the impact of business environment efficiency on reducing corrupt practices and streamlining business processes.

2.3 From Inception to a National Benchmark: BBX Guiding Business and Policy Actions

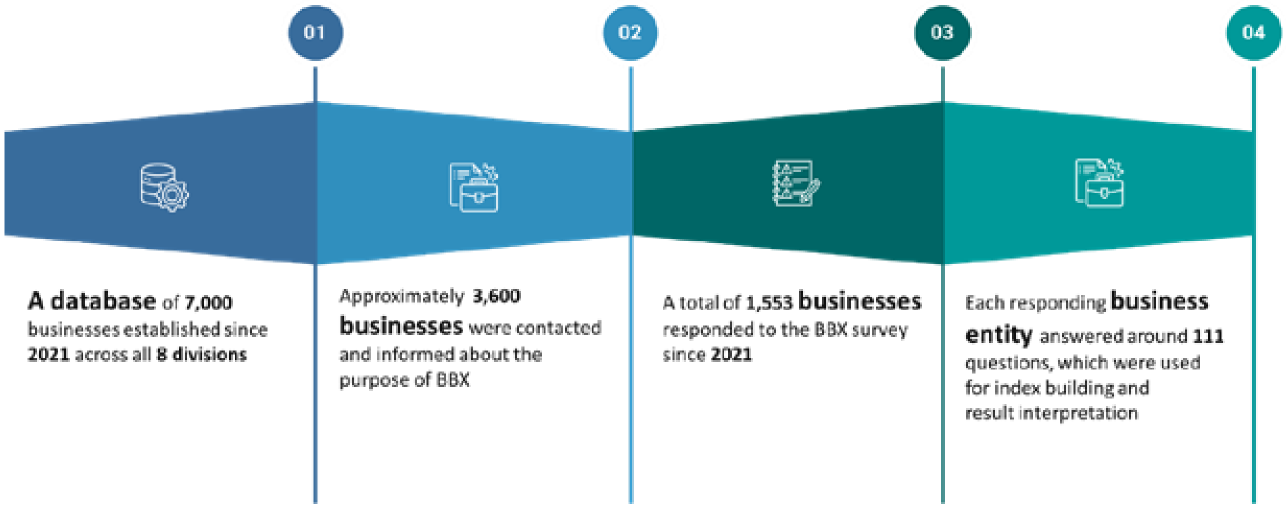
Since its inception in 2021, BBX has steadily evolved into a credible and influential benchmark of Bangladesh’s investment climate. Successfully implemented for three consecutive years (2022–2024), it now moves toward its fourth edition in 2025 with sustained momentum. Its credibility has been further reinforced by global recognition, being cited in the flagship ADB-OECD report ‘Road Map for Investment Policy Reforms and Sustainable Development in Bangladesh’ (April 2025). Each launch has drawn wide media coverage and positive reception, positioning BBX as a trusted voice in investment discourse. At the same time, business chambers such as MCCI and FICCI, alongside policymakers and industry leaders, have engaged with BBX findings to guide both investment decisions and strategic planning. With its robust methodologies, broader outreach, and deeper analysis, BBX continues to extend its scope and relevance to meet emerging business and regulatory challenges.

The impact of BBX has been visible across multiple fronts data-driven insights, stakeholder trust, and government engagement. By establishing itself as a granular benchmark index, BBX has provided sectoral and divisional analysis that supports evidence-based decision-making in both public and private sectors. Its influence has also reached into policymaking, with the Bangladesh Investment Climate Improvement Program (BICIP) of BIDA relying on BBX as a key reference in designing its annual reform plan. On the intelligence-building front, BBX has created a database of 7,000 businesses across all divisions, engaged around 3,600 businesses about its purpose, and collected responses from 1,553 firms since 2021. Each respondent answered an average of 111 questions, creating a rich foundation for index building and interpretation. This consistent process of outreach, feedback, and application has not only strengthened the trust of businesses and policymakers but also cemented BBX's role as a reliable source for shaping Bangladesh's investment landscape.

Figure 15: Journey Since 2021: BBX Gained Strong Credibility, Outreach, and Data



Building a Robust Business Intelligence Base



BBX is well positioned to play an even more critical role amid the ongoing uncertainties in both global and domestic business environments. With rising geopolitical tensions, supply chain disruptions, and local economic challenges shaping investment decisions, the need for credible, data-driven insights has never been greater. By maintaining its analytical rigor and fostering dialogue among policymakers, investors, and businesses, BBX can continue to serve as a stabilizing reference point- helping stakeholders navigate volatility, identify opportunities, and build resilience in Bangladesh’s evolving investment climate.

CHAPTER 3

Methodology

Chapter 3: Methodology

The Bangladesh Business Climate Index (BBX) is an index that seeks to measure the business environment in the country and provide a comparative picture of the regulatory landscape across 8 Bibhags or Divisions across Bangladesh. The BBX is composed of 11 indicators or pillars modified from academic literature, to suit the local context of Bangladesh. These sub-indices aim to capture elements of the local business environment, and the issues businesses and intermediaries face in engaging with regulations. The BBX comprises the following 11 pillars – Starting a Business; Access to Land; Availability of Regulatory Information; Business Infrastructure; Labour Regulations; Dispute Resolution; Trade Facilitation; Paying Taxes; Technology Adoption, Access to Finance; and Environmental Regulations and Standards.

Figure 16: The 11 Pillars of the Bangladesh Business Climate (BBX) Index

**Each of the 11 pillars comprises a total of 35 sub-indicators which are shown below.*

Pillar 1: Starting a Business

This pillar measures the ease of incorporation of a new business in Bangladesh and the associated registration regime, focusing on the overall time taken by a business to register and receive approval to start a business, the official costs of licensing, and the ease of engaging in these regulatory processes.

S. No.	Indicator
1.	Time and cost to obtain Incorporation certificate
2.	Time and cost to obtain VAT Registration
3.	Time and cost to obtain Trade License
4.	Time and cost to obtain e-TIN Certificate

Pillar 2: Access to Land

This pillar measures the ease of access to formal ownership of land, and the security of tenure of legally registered land title.

S. No.	Indicator
1.	Ease of dealing with land related agencies
2.	Ease of access to land ownership details and associated encumbrances
3.	Time and cost to transfer land title

Pillar 3: Availability of Regulatory Information

This pillar measures the ease of access to regulatory information and documentation required to set up and run a business and the extent to which new regulatory and policy changes are predictably communicated to businesses.

S. No.	Indicator
1.	Access to existing regulatory information regarding setting up and operating business
2.	Certainty of business regulations impacting business
3.	Online access to regulatory information
4.	Information regarding new regulatory policies

Pillar 4: Business Infrastructure

This pillar measures the extent of availability of quality infrastructure and industrial utility services.

S. No.	Indicator
1.	Access to utility services (electricity & water)
2.	Access to transport & logistic services
3.	Access to internet and mobile connectivity
4.	Transparency of formation of new regulatory policies

Pillar 5: Labour Regulations

This pillar measures the ease of hiring skilled and unskilled labour and the ease of engaging in the formal labour regulation system.

S. No.	Indicator
1.	Ease of compliance with labour regulations
2.	Ease of labour returns and filings
3.	Access to skilled labour
4.	Access to skill development resources for labour

Pillar 6: Dispute Resolution

This pillar measures the efficiency of the judicial system and access to alternate dispute resolution mechanisms.

S. No.	Indicator
1.	Confidence in judicial system to uphold contracts and property rights
2.	Improvement in resolution of commercial disputes
3.	Access to alternative dispute resolution mechanisms

Pillar 7: Trade Facilitation

This pillar measures the ease of dealing with the trade regulatory agencies during export and import of goods and services.

S. No.	Indicator
1.	Time and cost to obtain customs clearances for exports
2.	Time and cost to obtain customs clearances for exports
3.	Ease of dealing with government agencies at the port

Pillar 8: Paying Taxes

This pillar measures the ease of paying taxes in Bangladesh

S. No.	Indicator
1.	Time to file and pay VAT
2.	Time to file and pay Income Tax
3.	Ease of filing returns for VAT and Income Tax
4.	Stability of tax environment

Pillar 9: Technology Adoption

This pillar provides an assessment of the access to and the use of technology to conduct business activities.

S. No.	Indicator
1.	Ease of access to sell products or services online
2.	Level of technology adoption for business functions
3.	Procurement of new technology equipment for business

Pillar 10: Access to Finance

This pillar measures the avenues and efficiency of access to finance for firms in Bangladesh.

S. No.	Indicator
1.	Access to credit
2.	Key source of financing for businesses
3.	Access to Non-Banking Financial Institutions

Pillar 11: Environmental Regulations, and Standards

This pillar measures the efforts given and investments undertaken to maintain environmental standards.

S. No.	Indicator
1.	Efforts to reduce waste
2.	Difficulty in water conservation
3.	Investment in energy-efficient business operations
4.	Investment in green building designs and operations

3.1 Data Collection

Based on a review of literature and prior experience with enterprise surveys, an interview length of more than 45 minutes leads to respondent fatigue, places a burden on the respondent, and affects the quality of response.

The questionnaire for this exercise has been developed keeping these considerations in mind. We have developed a bespoke strategy for data collection, responding to the limitations posed by the COVID-19 pandemic, which has allowed us to capture data through various mechanisms, and prioritize both the quality and the coverage of the interviews. Following are the methods we have deployed:

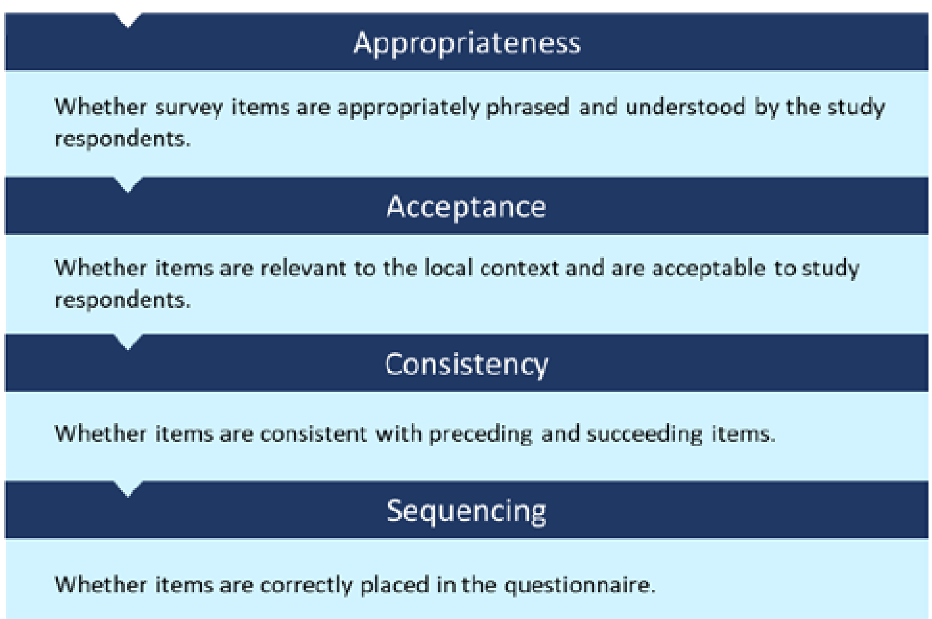
1. Face to face interviews
2. Phone interviews
3. Online questionnaires

3.1.1 Questionnaire

Regardless of the mode of data collection, the base questionnaire remains common across methods to ensure consistency in the data that is collected.

The team has developed robust questionnaires which cover all 39 sub-indices, capturing both objective yes/no responses, and more subjective interpretations from businesses and intermediaries. Our experts have ensured that all relevant indicators for the study are captured and that the wording, logic and flow are appropriate. The questionnaires were translated into Bangla by our qualified professional translators.

The questionnaires have undergone a robust pre-test to ensure that the logic is accurate. The pre-test checked the questionnaires for the following:



3.1.2 Training

The questionnaire has a set of questions at the beginning of the interview that aims to capture basic firm-level data for each interviewed firm. This includes the size of the investment, the number of employees, and the sector the firm operates.

3.1.3 Quality Assurance

Intensive training has been undertaken for interviewers and supervisors for the interviews, which have included both classroom training and mock sessions. The training has been led by the team leader, business environment lead, survey manager, and survey specialists along with review by and inputs from MCCI.

Our survey implementation focuses on collecting high-quality data through efficient resource utilization, following three main principles:

1. **Quality control**: Quality assurance at every stage (starting from study design, sampling, tool development, translation to final data delivery)

2. **Risk managemen**t: We have worked closely with the project stakeholders for the entire duration of the project through careful and extensive planning to avoid unforeseen events or mitigate challenges, that may have disrupted data collection

3.1.4 Data Analysis

Effective stakeholder dialogue: To ensure all the steps of data collection reflect the needs of the stakeholders, we have engaged in continuous and effective dialogue through every phase of the project.

The final index score is constructed using the following key steps:

1. Data is analysed by Divisions, and the first step is to prepare the absolute scores across 39 indicators for each Division. This gives 39 x 8 = 312 data points to begin with.

$$B_i = \sum_{i=1}^{n} x_{j,k}$$

   Where, B is the value of the indicator; i is the sub sector and k is the sub indicator; Xjk is the score of the ith term in j sub sector and k indicator and n is the total number of firms surveyed

2. The next step is to calculate an aggregate score for Bangladesh, for each of the 39 indicators. This is a simple average calculated by adding up the score for any particular indicator across the 8 Divisions and dividing by 8. This gives us the average performance across all 39 indicators for Bangladesh.

$$B_i = \frac{\sum_{i=1}^{n} x_{j,k}}{8}$$

   Where, B is the value of the indicator; i is the sub sector and k is the sub indicator; Xjk is the score of the ith term in j sub sector and k indicator and n is the total number of firms surveyed

3. Next, each of the 39 individual indicators is compared across each Division and standardised as a score on a scale of 1 to 10. The best performing score (highest or lowest depending on the specific case) is given 10 points, and the other Divisions get a relative score from 0 to 10 considering the value associated with 10 as a benchmark for each indicator. This step assigns a score between 0 and 10 to each indicator in each Division.

4. The next step is to calculate absolute scores across the 11 sub-indices and determine the best performing Divisions across each sub-index. This is a simple arithmetic total of the scores assigned to the five indicators in each sub-index for each Division. This step gives us sub-index wise best performing Divisions.

5. The last step is to calculate a combined overall score. This score is calculated using absolute scores for each sub-index for each Division, with each indicator carrying equal weight. This step gives us a final aggregate score for each Division.

$$I = \sum_{j=1}^{n} \sum_{k=1}^{n} w_i x_{j,k}$$

Table 3: Weights of the Pillars

Number	Pillar Area	Weight
1	Starting a Business	9.09%
2	Access to Land	9.09%
3	Availability of Regulatory Information	9.09%
4	Business Infrastructure	9.09%
5	Labour Regulations	9.09%
6	Dispute Resolution	9.09%
7	Trade Facilitation	9.09%
8	Paying Taxes	9.09%
9	Technology Adoption	9.09%
10	Access to Finance	9.09%
11	Environmental Regulations and Standards	9.09%
	Total	**100%**

3.2 Survey Respondents

The final metric is an aggregate score for Bangladesh that provides a sense of the overall quality of the business environment in Bangladesh. This has been developed by compiling all the sub-indicators of the index.

The BBX is based on the survey inputs obtained from Bangladesh business owners and business intermediaries such as lawyers and chartered accountants. Business owners responded to the survey questions with the following indicators – Starting a Business, Access to Land, Availability of Regulatory Information, Business Infrastructure, Labour Regulations, Trade Facilitation, Technology Adoption, Paying Taxes and Access to Finance. For the purpose of this survey, respondents were from the top management of businesses or 'the most knowledgeable employees' of the respective businesses. When feasible, priority was given to the representative who has the most knowledge of the firm approved by the business owners.

Figure 16: Respondent type and Pillars covered in BBX 2024-25

Business Owner	Business Executives/ Managers
Pillar Covered	**Pillar Covered**
Starting a Business	Starting a Business
Access to Land	Paying Taxes
Availability of Regulatory Information	Dispute Resolution
Infrastructure	
Labour Regulations	
Trade Facilitation	
Paying Taxes	
Access to Finance	
Dispute Resolution	

Business intermediaries such as lawyers and chartered accountants are usually engaged by business owners for incorporation of new business, complying with tax regulations, and resolution of legal disputes. Therefore, inputs from such intermediaries were undertaken for the following indicators – Starting a Business, Paying Taxes, and Dispute Resolution.

3.3 Sampling Design and Sample Size

The Bangladesh Business Climate Index (BBX) will be an annual index that reflects a multitude of challenges present in the business environment in which firms operate. BBX aims to select a representative national sample by delving into all eight Divisions of the country. The following key principles will guide you to draw a rigorous sampling unit from the sampling frame:

- **Statistical robustness**: Ensure that data reliability and consistency satisfy all statistical significance test criteria and that the survey data provides unbiased and consistent estimates. As a measure of precision, we also calculate survey weights.

- **Diversity of population group**: The survey is administered on the industries that have significant contributions to GDP and employment in the economy. To capture the diversity, we form Strata which are internally homogeneous by nature; consequently, clusters are formed to capture heterogeneity arising from confounding factors.

3.4 Study Design

The Bangladesh Business Climate Index (BBX) will follow a cross-sectional study design that aims to select nationally representative samples across the country.

3.5 Sampling Design

To ensure a comprehensive and accurate representation of diverse industries across the nation, we propose employing a Stratified Cluster Sampling Approach to determine the final sample size for the study. According to this approach, strata should be non-overlapping and exhaustive, guaranteeing a precise representation of the entire population.

At the first stage, the broad sectors identified by the Bangladesh Bureau of Statistics (BBS) would be used as stratification unit and the following reasons support our rationale for stratification in this study:

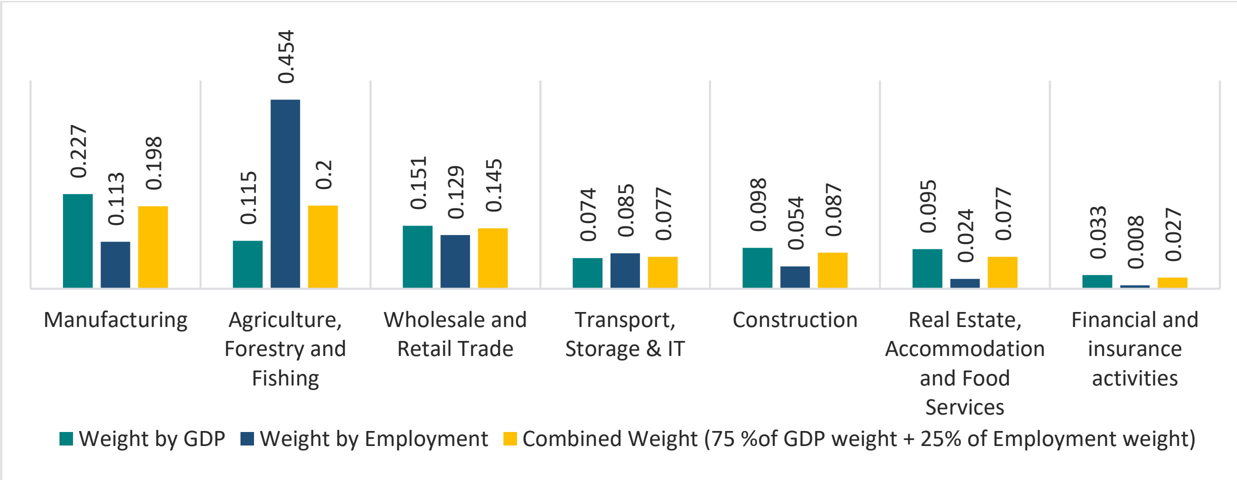
- Businesses within each broad sector are internally similar in terms of their mode of operation.
- The allocation of samples among the strata will be proportional, based on their respective contributions to the country's GDP and employment.

In the second stage, the administrative divisions will be treated as clusters. These clusters are selected to ensure that each one is a representative subset of the entire population. Within each division, a diverse range of sectors exists, each containing numerous businesses/firms. Weights have been assigned to the clusters based on the proportion of total establishments per division, as derived from the Bangladesh Economic Census of 2024.

Manufacturing industries will be divided into sub-sectors based on their contributions to Gross Value Addition and Employment, using the latest Labour Force Survey and Manufacturing sector data. Industry size will be factored in, with a sample ratio of 80:20 for SMEs and Large industries (Statistics of Bangladesh Manufacturing Industry, 2023). Randomization will be employed for sample selection in the final stage.

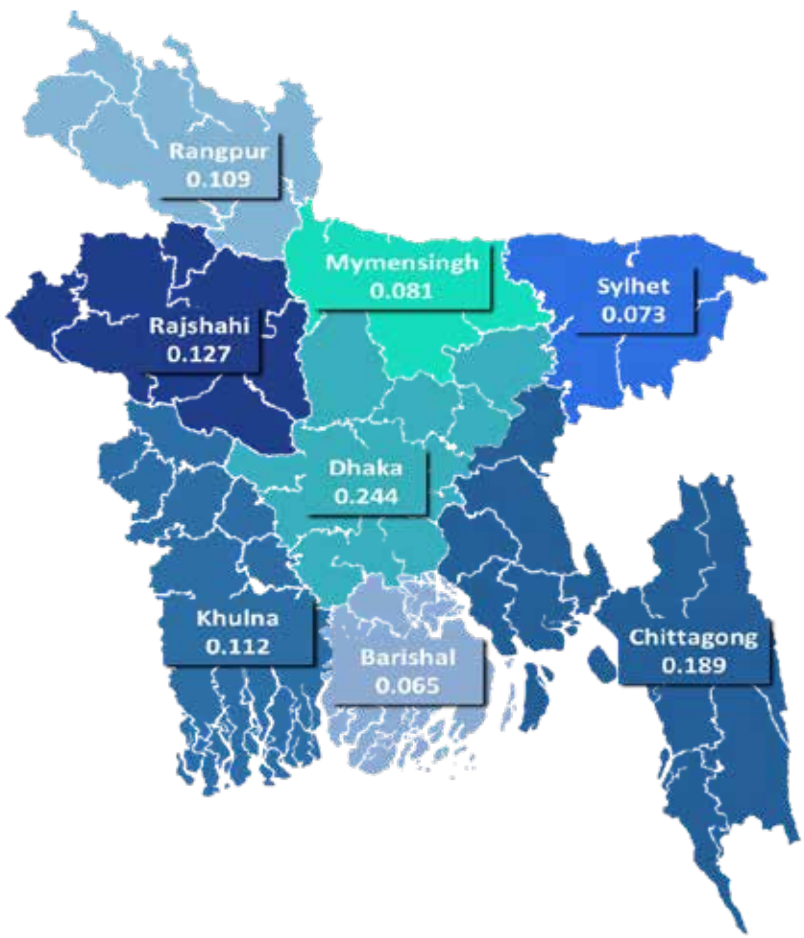
Notes on sector selection: We've considered sectors that collectively contribute to a minimum of 75% of the total GDP and employment. Subsequently, a weighted average/mean value has been computed for the sectors' contributions to GDP and employment. In this calculation, 75% of the weight is assigned to GDP contribution, while the remaining 25% pertains to employment. These weights have been determined based on expert opinions in this field.

Figure 17: Weight of Sectors (BBX 2024-25)



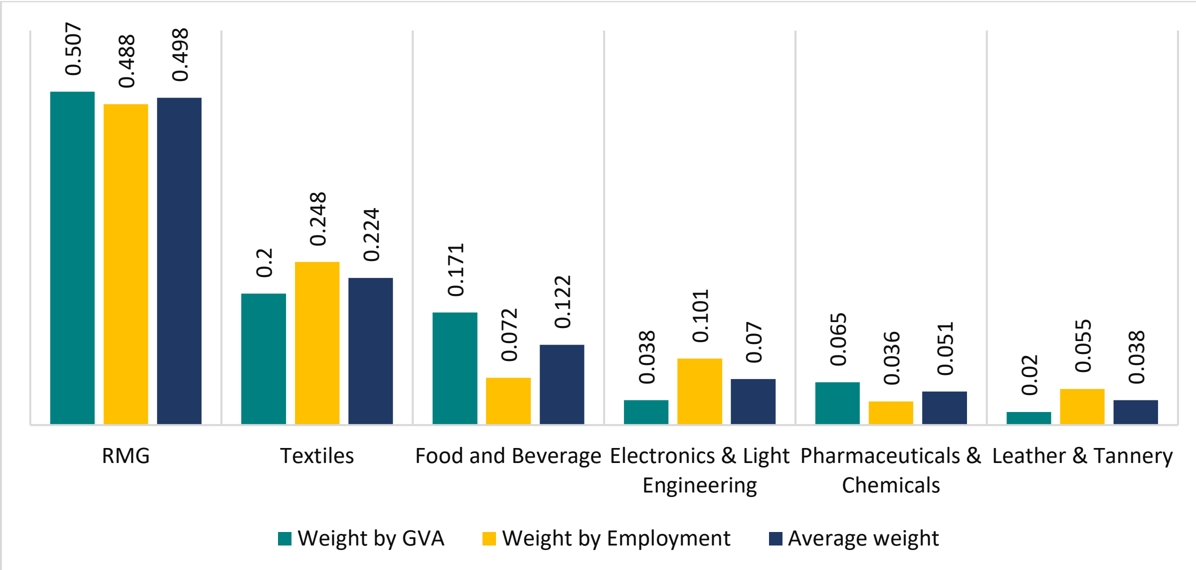
**GDP weights were according to BBS 2023-24 data and employment weights were from BLF, 2022*

Figure 18: Cluster Weight of Each Selected Division by the Proportion of Establishments



Source: Economic census, 2023

Figure 19: Distribution of Manufacturing Industries by Sub-Sectors



Source: BAPI, BCI

3.6 Estimation of Sample Size

Sampling Frame

We will consider the database for Bangladesh Economic Census 2023 as the sampling frame for the study. From the database we will only consider permanent establishments as our ultimate target and exclude the data of temporary and household economic units.

Estimation of Sample Size

In accordance with the suggested design, we've employed the subsequent sample size determination formula to attain an optimal number of samples, essential for robust statistical estimates. Importantly, we've made an adjustment to account for the precision loss stemming from clustering. This adjustment involves applying a moderate design effect of 1.30, signifying the inclusion of an additional 30% of sampling units compared to a single-stage sampling approach.

$$N = \frac{Z^2 p(1-p)}{\epsilon^2} \times de$$

N = Sample size

Z = 1.96, Z value at 5% level of significance

p = population proportion = 0.5, as it provided maximum sample size

q = 1 – p

ϵ^2 = Maximum error consideration = 5% or 0.05

de = Design effect = 1.30

$$N = \frac{1.96^2 p(1-0.5)}{0.05^2} \times 1.30 \approx 499$$

Please note that this represents the minimum required number of samples for achieving statistical precision. Since we've taken into account sectors contributing to 80% of the weighted average of GDP and employment, this approach yields 405 samples. The additional 94 samples will be gathered from sectors that were not factored into the weighted average calculation.

Allocation of Samples

As described, we will follow a proportional allocation method according to available nationally representative weights. The allocation is depicted in the following tables (table 4 and 5). Furthermore, we will allocate samples for Manufacturing according to the weight of table 3.

Table 4: Allocation of Samples by Administrative Divisions Across Sectors

Sectors	Allocation of Samples by Administrative Divisions								
	Samples per Strata	Dhaka	Chottogram	Rajshahi	Rangpur	Khulna	Sylhet	Barishal	Mymensingh
Manufacturing	99	24	19	13	11	11	7	6	8
Agriculture and Forestry	100	24	19	13	11	11	7	6	8
Wholesale and Retail Trade	73	18	14	9	8	8	5	5	6
Transport, Storage and Communication	38	9	7	5	4	4	3	2	3
Construction	43	11	8	6	5	5	3	3	3
Real Estate, Renting and Business	38	9	7	5	4	4	3	3	3
Financial Intermediaries	13	3	3	2	1	2	1	1	1

Note: During the survey if we don't get the calculated number of establishments for each administrative Divisions, it will be substituted by available industry from nearby Division.

Table 5: Distribution of Samples in Manufacturing Industry

Manufacturing industry	Allocation of samples by administrative Divisions								
	Samples per Strata	Dhaka	Chottogram	Rajshahi	Rangpur	Khulna	Sylhet	Barishal	Mymensingh
RMG	49	12	9	6	5	6	4	3	4
Textiles	22	5	4	3	2	2	2	1	2
Food and Beverage	12	3	2	2	1	1	1	1	1
Electronics and Light Engineering	7	2	1	1	1	1	0	0	1
Pharmaceuticals & Chemicals	5	1	1	1	1	1	0	0	0
Leather and Tannery	4	1	1	0	0	0	0	0	0

3.7 Survey Administration

A team of 10 skilled research assistants with prior relevant experience will be selected and employed for data collection. This team will undergo comprehensive training on the survey's objectives, terminology, and data collection techniques. The questionnaire will be digitally programmed using the Kobo Toolbox platform, ensuring real-time data entry. Prior to the final data collection phase, each enumerator will test 5 questionnaires in a pilot study.

Given that BBX is moving into its 4th iteration, we intend to re-interview approximately 5% of the respondents from the past couple of years. This approach will enable us to gauge changes in impressions within a specific cohort. Notably, the positive response from Foreign Direct Investors (FDIs) in 2022 and 2023 prompts us to expand our focus on FDIs in 2024 as well, aiming to include around 15 to 20 FDIs in the study.

Furthermore, this year's survey aims to introduce a distinct pillar dedicated to Environmental/Green Growth, along with the inclusion of additional questions within the Access to Finance pillar. Drawing from our experience in the previous three iterations, we have observed that landlords are better positioned to provide accurate responses in the Access to Land section. As a result, we will endeavor to engage landlords within firms whenever feasible and appropriate.

CHAPTER 4

Building A Conducive Business Environment:

An Imperative for Bangladesh's Future Economic Growth

Chapter 4: Building A Conducive Business Environment: An Imperative for Bangladesh's Future Economic Growth

For several decades, private investment reinforced by the strength of garments and remittances has driven Bangladesh's rise, but sustaining this momentum now demands a more diversified, and vibrant investment landscape. This in turn requires a far stronger business environment. The trajectory since late 1970s lifted millions out of poverty, created a growing middle class, and supported average annual GDP growth of more than 6 %. Yet the growth model built on RMG exports and remittances is under strain.

Tariff preferences will erode after the country's graduation from Least Developed Country (LDC) status in 2026, and global trade disruptions are heightening external risks. Domestic vulnerabilities including inflation, frequent protests and disruptions, high interest rates, energy bottlenecks, and financial sector fragilities are constraining economic competitiveness. The quality of a sound business environment determines a nation's ability to provide entrepreneurs with predictable rules, efficient institutions, and low transaction costs. Conversely, weak governance, corruption, and bureaucratic red tape discourage investment and innovation challenges Bangladesh continues to face despite repeated pledges of reform.

Strengthening the business climate is central to Bangladesh's next phase of transformation. A transparent and predictable regulatory environment is needed to rebuild investor confidence in the aftermath of recent political and economic turbulence. Improved competitiveness in logistics, finance, and infrastructure will determine whether Bangladesh can keep pace with regional peers such as Vietnam and India. At the same time, a more open and rules-based ecosystem is vital to unlock the potential of SMEs, expand employment opportunities, and align with global compliance.

4.1 Efforts Towards Economic Recovery and the Developments in Business Environment

In the backdrop of social and political unrest globally, Bangladesh embraced 2024–25 with heightened vulnerabilities. The country recorded the steepest decline in peacefulness worldwide on the 2025 Global Peace Index, falling to 123rd place as political violence, student protests, and communal attacks escalated. Internal conflict deaths rose from just 12 a year earlier to 436, while clashes involving security forces and political groups claimed about 1,400 lives[1]. The ousting of the Prime Minister and the formation of an interim government under Dr. Muhammad Yunus added further uncertainty. Investor confidence eroded, private investment stalled, and long-standing structural weaknesses foreign exchange shortages, inflation, energy

[1] *IEP Global Peace Index Report 2025*

bottlenecks, and financial sector fragilities intensified. While exports and remittances remained resilient, political instability and weak governance cast doubt on Bangladesh's ability to sustain its past growth momentum.

Table 6: IEP Global Peace Index Ranking 2025

REGIONAL RANK	*COUNTRY*	*OVERALL SCORE*	*CHANGE IN SCORE*	*OVERALL RANK*
1	*Bhutan*	*1.536*	*0.011*	*21*
2	*Nepal*	*1.987*	*-0.034*	*76*
3	*Sri Lanka*	*2.075*	*-0.029*	*97*
4	*India*	*2.229*	*-0.013*	*115*
5	*Bangladesh*	*2.318*	*0.271*	*123*
6	*Pakistan*	*2.797*	*0.092*	*144*
7	*Afghanistan*	*3.229*	*0.009*	*158*
	REGIONAL AVERAGE	*2.31*	***0.044***	

Source: Institute for Economics & Peace 2025

In this turbulent environment, the interim government assumed power in August 2024 with a mandate: restore law and order while laying the groundwork for economic stabilization and political transition. Early measures included recruitment of 60,000 new police officers, reform commitments by the Rapid Action Battalion, and targeted dismissals or transfers of over 70,000 public servants linked to corruption or partisan abuse. On the economic front, banking sector governance improved, unnecessary harassment of businesses was curtailed, and international institutions such as the IMF and World Bank expressed cautious confidence in the government's transparency.

The interim government sought to diversify partnerships with the US, EU, and China, while carefully managing relations with India. The EU expanded visa processing in Dhaka, East Asian investors showed renewed interest in textiles and manufacturing, and domestic reforms advanced in women's rights, inclusion, and digital governance, including the removal of police verification for passports. Still, shortcomings remain victims of the 2024 uprising have received limited support, extortion networks tied to political groups continue to disrupt supply chains, lawsuit abuse persists, and weak international communication has allowed misinformation to spread.

Notable Achievements Since August 2024

- **Economic stabilization:** Inflation dropped, the taka stable, remittances reached record highs, and exports grew despite political turbulence.
- **Trade and investment breakthroughs:** Bangladesh's FDI bounced back in FY25Q1, rising nearly 20% to $1.71 billion, signaling renewed investor confidence

after a three-year low. Merchandise exports also rose 15.26% YoY to $4.59 billion in July, driven largely by apparel shipments accounting for over 86% of total earnings.

- **Democratic and institutional reforms:** Over 30 parties contributed to the July Charter, election reforms expanded voter inclusiveness, trials for unrest-related crimes began, and reforms in judiciary and police enhanced accountability.
- **Media and rights expansion:** The Cyber Security Act was repealed, cases against journalists were dropped, and internet access was declared a fundamental right marking a significant step toward openness.
- **Labour and global integration:** Labour migration routes widened to Japan, Italy, South Korea, and the Gulf; at the same time, foreign policy diversified, and maritime resources were prioritized for long-term growth.

The broader transition was anchored in the July Declaration and July Charter of 2025, which recognized the 2024 uprising as a democratic milestone, outlined reform principles, and set elections for February 2026. Yet structural vulnerabilities endure high inflation, a fragile banking system, weak fiscal capacity, and dependence on garments exports as LDC graduation nears. Whether the interim government is remembered as a stabilizer will depend less on resolving these challenges outright than on restoring investor confidence, building credibility, and laying durable foundations for diversification and resilience in Bangladesh next political phase.

4.1.1 Shielding Bangladesh's Growth Against Uncertainties: The Role of Short-Term Measures and Long-Term Structural and Policy Initiatives

Bangladesh has made significant progress in poverty reduction, achieving lower-middle income status in 2015 and remaining on track to graduate from the UN's Least Developed Countries (LDC) list in 2026. This transformation has been supported by a robust demographic dividend, strong ready-made garment (RMG) exports, resilient remittance inflows, and generally stable macroeconomic conditions. However, in the face of global policy uncertainty and recent domestic regime change, short-term measures are critical to safeguard growth momentum. Creating a competitive business environment, enhancing human capital, building efficient infrastructure, and attracting both domestic and foreign investment remain essential for sustaining inclusive development.

Table 7: Bangladesh Economic Performance Across Key Indicators

Indicator	*2021-22*	*2022-23*	*2023-24*	*2024-25(p)*
GDP Growth at constant prices (%)	*7.1*	*5.78*	*4.22*	*3.97*
Investment as % of GDP	*32.05*	*30.95*	*30.7*	*29.38*
Private Investment as % of GDP	*24.52*	*24.28*	*23.96*	*22.48*

Indicator	2021-22	2022-23	2023-24	2024-25(p)
Tax as % of GDP	7.54	7.3	7.39	8.61
Current account balance / GDP	-3.89	-0.48	-1.4	0.45
Producer Price Index (PPI) (base: 2015-16)	127.34	135.33	142.62	147.83[/a]
Consumer Price Index (CPI) (base index 2021-22=100)	100	109.02	119.63	131[/b]
Foreign Exchange Rate (Taka per US$)	86.3	99.46	111.06	120.29[/c]

Note: [/a]July-Mar 2024-25, Average, [/b]July-Mar 2024-25, Average, [/c]July-Mar 2024-25, Average. "p" denotes provisional estimates
Source: National Accounts Statistics, BBS

Economic Growth Slows, Yet Certain Sectors Show Strength:

The economy has experienced a gradual slowdown in recent years. GDP growth has been on a steady downward trajectory since FY22, slipping below 4 % by FY25. Provisional estimates suggest growth of only 3.97% in FY25, reflecting structural bottlenecks and subdued private investment sentiment. Alongside slowing growth, poverty has surged to 27.93% (from 18.7% in 2022), with extreme poverty rising to 9.35% and nearly one in five families at risk of falling into poverty. An employment emergency has also emerged, marked by high disguised unemployment (38%), low female participation (26%), and widespread self-employment (45%) that underscores fragile livelihoods[2]. Despite these challenges, certain sectors have shown resilience: manufacturing expanded by 5.68% in FY25, compared to 3.16% in the previous year, alongside growth in electricity and gas distribution, financial services, public administration, education, and recreation activities[3].

Sluggish and Skewed Investment Patterns Constrain Growth and Productivity.

The investment-to-GDP ratio has been on a steady decline, falling from 32.05% in FY22 to a provisional 29.38% in FY25. Within this, private investment decreased from 24.52% of GDP in FY22 to just 22.48% in FY25, underscoring weak business confidence. Public investment has remained relatively steady, rising slightly from 6.74 % to 6.90 % of GDP over the same period. Investment composition remains heavily tilted toward construction about 84% of total investment while allocations to plant and machinery (8%) and transport equipment (3.7%) remain insufficient to drive productivity-enhancing growth.

[2] *PPRC National Study on the State of the Real Economy, Mid 2025*
[3] *National Accounts Statistics 2025, Bangladesh Bureau of Statistics*

Rising Inflation and Exchange Rate Volatility Strain Macroeconomic Stability, Erode Purchasing Power, and Constraint Domestic Demand

Macroeconomic stability has come under increasing pressure in recent years, driven by persistent inflationary trends and exchange rate volatility. Consumer prices, using FY22 as the base year, climbed from 100 to 131 by FY25, while the producer price index rose from 127.34 to 147.83 over the same period. Inflation averaged 9.73 % in FY24, eroding household purchasing power and constraining domestic demand[4]. At the same time, the Taka depreciated from Tk.86.3 per US USD in FY22 to Tk.120.29 in FY25, a sharp adjustment that has supported export competitiveness but also raised import costs and added to domestic price pressures[5].

External and Fiscal Adjustments Show Mixed Signals

The external and fiscal sectors show a complex picture of gradual adjustment and underlying vulnerability. The current account deficit of (–3.89) % of GDP in FY22 steadily narrowed and shifted to a small surplus of 0.45% in FY25, driven largely by resilient remittance inflows, which rose by 10.65% in FY24. However, export and import volumes contracted, and foreign direct investment fell by 11.83% in FY25, underscoring weak investor sentiment amid global and domestic uncertainties. On the fiscal side, tax revenues, though still among the lowest in the region, improved modestly from 7.3 % of GDP in FY23 to 8.61% in FY25[6]. The fiscal deficit has been kept below 5% of GDP, but largely through compression of public investment, which slowed infrastructure expansion.

Economic Rebound Expected as Inflation Eases and Investment Expected to Rise

Economic growth of Bangladesh projected to moderate to 3.3% in 2025 before rebounding to 4.9% in 2026 as the economy gradually recovers from the shocks of 2020–24 and political turbulence in 2024. The slowdown in 2025 reflects subdued external demand, rising global input costs, and persistent inflationary pressures, with headline inflation recorded 10.0%. The current account deficit is projected to remain manageable at –0.9% of GDP, supported by resilient remittances and export recovery[7]. Easing inflation and increasing remittance inflows are likely to boost private consumption and investment.

Table 8: GDP, CPI and Current Account Balance- Actual vs. Projections

Indicator	Actual			Projection	
	2022	2023	2024	2025	2026
GDP	7.1	5.8	4.2	3.3	4.9
Consumer Price Index (Annual % change)	6.1	9.0	9.7	10.0	5.2
Current Account Balance (as % of GDP)	–4.0	–2.6	–1.4	–0.9	–0.9

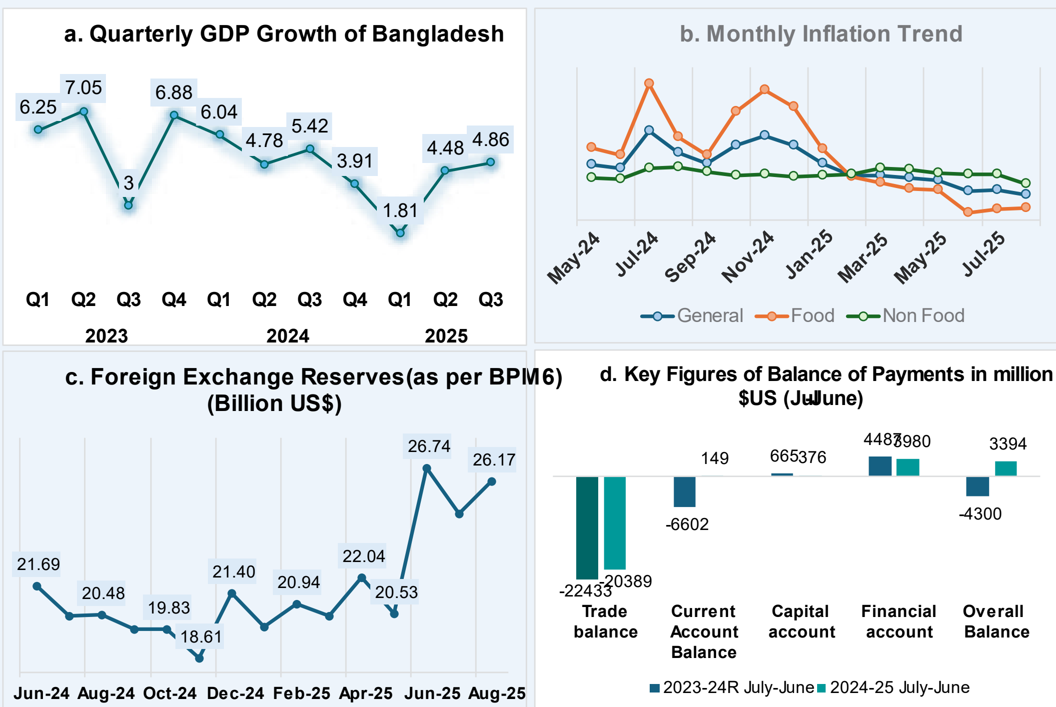
Source: World Bank

[4] *National Accounts Statistics 2025, Bangladesh Bureau of Statistics*
[5] *Bangladesh Bank Database*
[6] *Monthly Economic Trends, Bangladesh Bank*
[7] *World Economic Prospect 2025, World Bank*

On the supply side, recovery is expected to be driven by industry and services. Industrial output is likely to expand as investor confidence improves, bolstered by the interim government's reform program ahead of elections scheduled between December 2025 and June 2026. Reforms recommended by the task force on restructuring the Economy aim to enhance the business environment through greater transparency in public procurement, streamlined regulations, and targeted policies addressing food and energy security. Improved household purchasing power, higher election-related spending, and normal weather conditions supporting marginal agriculture growth are expected to strengthen service and agricultural output, collectively contributing to a stronger and more resilient economic recovery in 2026, with inflation easing to 5.2%.

Box 3: From Slump to Stability: Navigating a Slow Economic Recovery After Political Transition

The economy of Bangladesh is gradually turning the corner after the July 2024 political transition, showing early signs of resilience. Inflation, which peaked at 11.66% in July 2024, eased to 8.29% by August 2025, with food prices falling from over 14% to under 8%, easing pressure on households and monetary policy. Foreign exchange reserves rose from below USD 20 billion in late 2024 to over USD 26 billion by mid-2025, supported by remittances, external aid, and disciplined exchange-rate management. The current account shifted from deficit to surplus in FY25, and the overall balance of payments turned positive at USD 3.4 billion.



Source: Bangladesh Bank

GDP growth has been uneven but recovering: quarterly growth dropped to 1.8% in Q1 2025 after the upheaval but rebounded to 4.9% by Q3. Manufacturing and export-oriented sectors led the recovery, supported by compliance improvements, energy efficiency, and logistics reforms. Rising remittances and investor interest in energy, logistics, textiles, and halal food processing signal renewed economic confidence.

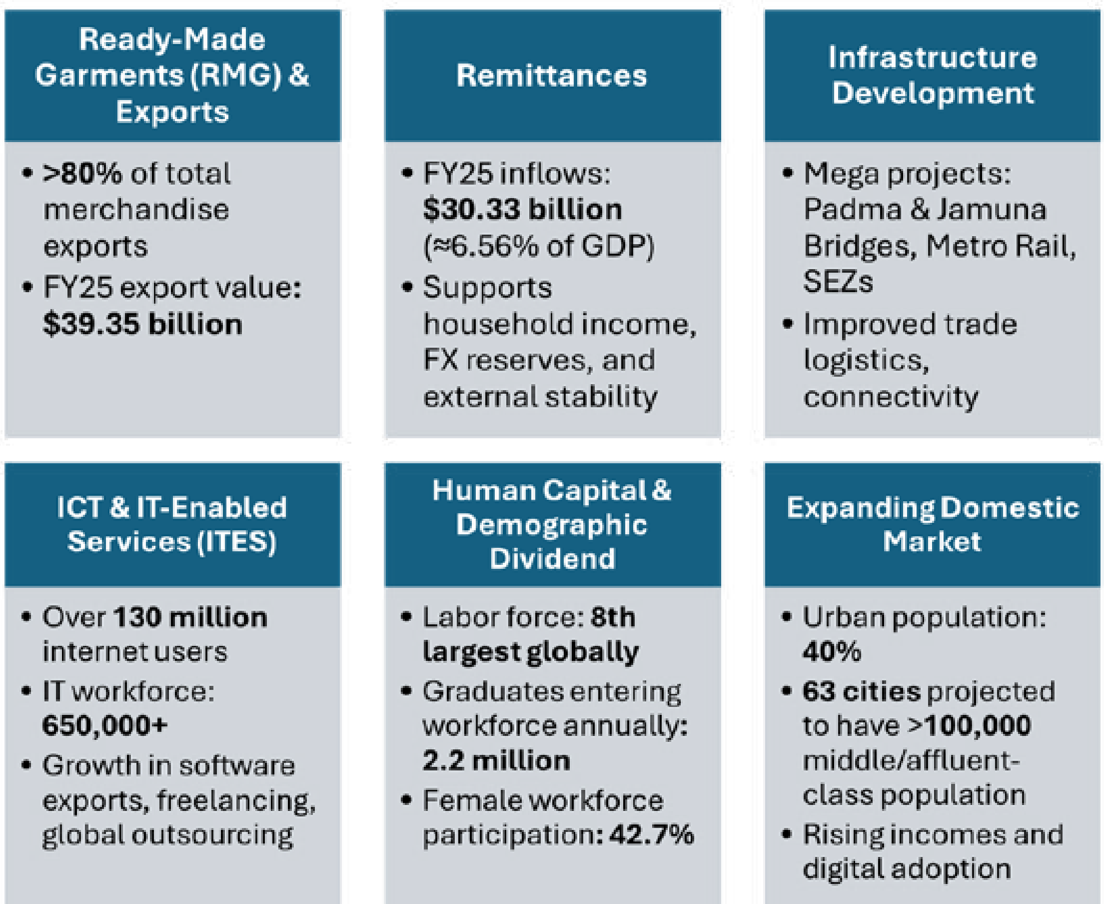
Challenges remain. The banking sector faces high non-performing loans, inflation remains elevated, and investor caution persists. Sustaining recovery will require reforms in financial governance, tax administration, and infrastructure to consolidate stability and boost competitiveness. With cautious macroeconomic improvement and re-engagement from international partners, Bangladesh is shifting from crisis management toward resilience and reform-driven growth.

4.1.2 Driving Bangladesh's Economic Growth: The Role of Ready-Made Garments and Remittances

Emerging Growth Drivers for Shaping Bangladesh Economy

Economic success of Bangladesh has long been anchored by the Ready-Made Garments (RMG) sector and remittances, yet the country's growth story is increasingly being shaped by dynamic drivers. Infrastructure megaprojects such as the Padma and Jamuna bridges, metro rail networks, and the expansion of Special Economic Zones (SEZs) are improving connectivity, lowering transaction costs, and unlocking new industrial opportunities. At the same time, the rapid expansion of the ICT and IT-enabled services sector, government incentives, and more than 130 million internet users is positioning Bangladesh as an emerging hub for outsourcing, freelancing, and digital commerce. These developments are reshaping the growth landscape and reducing the economy's dependence on traditional drivers.

Figure 20: Key Economic Drivers of Bangladesh

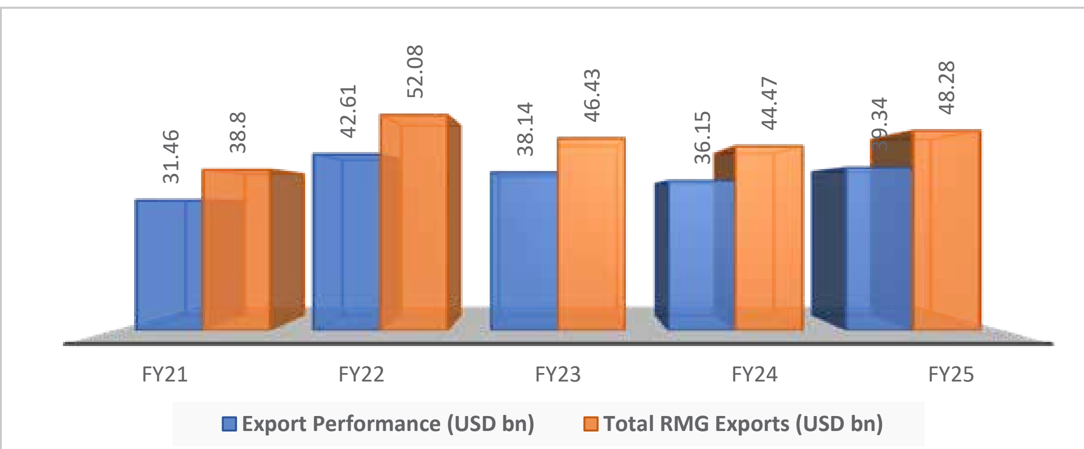


Human capital and the expanding domestic market further reinforce this transition. With the world's eighth-largest labour force, a median age of just 26, and over 2.2 million graduates entering the job market each year, Bangladesh benefits from a young and increasingly skilled workforce, including rising female participation at 42.7%. Rising incomes, rapid urbanization, and digital adoption are fueling consumer demand beyond major cities, with 63 urban centers projected to host middle- and affluent-class populations exceeding 100,000[8]. Taken together, these dynamics suggest that while RMG and remittances will remain central in the near term, long-term growth will depend on leveraging infrastructure, technology, human capital, and domestic demand to diversify the economy and build resilience against external shocks.

Rebounding Exports Highlight Need for Diversification and Competitiveness

The ready-made garments (RMG) industry remains the backbone of Bangladesh economy, contributing over four-fifths of total export earnings and serving as a critical driver of GDP growth. Yet, the sector has also experienced notable volatility in recent years. After a strong post-pandemic rebound in FY22, when total exports reached a record $52.08 billion, momentum slowed in FY23 and FY24 amid weakening global demand, persistent inflationary pressures, policy uncertainty, geopolitical tensions, and domestic unrest. During this period, RMG exports fell to $46.43 billion and $44.47 billion, respectively, mirroring the sharper contraction seen during the COVID-19 outbreak when Bangladesh's export decline outpaced the global average. Nevertheless, the industry has demonstrated resilience, with export receipts rebounding to $48.28 billion in FY25, driven by product diversification and steady demand from emerging markets. Of this, the RMG sector contributed $39.35 billion, marking an 8.84% year-on-year increase, underscoring its central role in sustaining Bangladesh's trade balance and anchoring the country's overall export growth trajectory[9].

Figure 21: Export Performance of Bangladesh



Source: Bangladesh Export Promotion Bureau

Export basket in Bangladesh remains heavily reliant on garments, with modest diversification across other sectors. In FY25, leather products rose 10.19% to $1.15 billion, light engineering grew 10.03% to $536 million, and agriculture and home textiles posted smaller gains. By contrast, jute and jute goods contracted 4.1% to $820 million. Export markets remain concentrated, with nearly 70% of earnings ($33.63 billion) from just 10 countries. The US is the largest destination, absorbing $8.69 billion (18%), including $7.54 billion in RMG shipments, followed by Germany, the UK, Spain, and France. Exports to the US and EU grew 14.38% and

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[8] *Bangladesh Invest Development Authority (BIDA)*
[9] *Bangladesh Export Promotion Bureau Database*

9.11% year-on-year, but heavy reliance on these markets leaves Bangladesh exposed to policy shocks. The recent US reciprocal tariff highlights the urgency of market diversification and policy-driven competitiveness to ensure long-term resilience.

Table 9: Export Performance for Specific Items

Products	Export Performance FY 2024-25 (Million USD)	% Change of Export Performance FY 2024-25 vs FY 2023-24	% of Total Export of Goods FY 2024-25
Agricultural Products	1006.93	2.65	2.09
Leather & Leather Products	1145.07	10.19	2.37
Jute & Jute Goods	820.16	-4.1	1.7
Ready-Made Garments (RMG)	39,347.00	8.84	81.5
Home Textile	871.57	2.42	1.81
Pharmaceuticals	213.16	3.74	0.44
Light Engineering	535.56	10.03	1.11

Source: Bangladesh Export Promotion Bureau

Export growth in FY25 continues to be heavily skewed toward a handful of products and markets, revealing a structural fragility in its trade landscape. About 70% of earnings roughly $33.6 billion came from just 10 destinations, with the United States ($8.7 billion), Germany ($5.3 billion), the United Kingdom, Spain, and France at the forefront, and RMG dominating the mix[10]. Even as exports to the US and EU surged in double digits, the country's heavy dependence on a narrow set of markets leaves it vulnerable to shocks, a risk starkly illustrated by Trump reciprocal tariff. The episode highlights the pressing need for Bangladesh to broaden both its product offerings and market reach, while investing in infrastructure, cutting production costs, and forging new trade agreements to safeguard competitiveness in an unpredictable global economy.

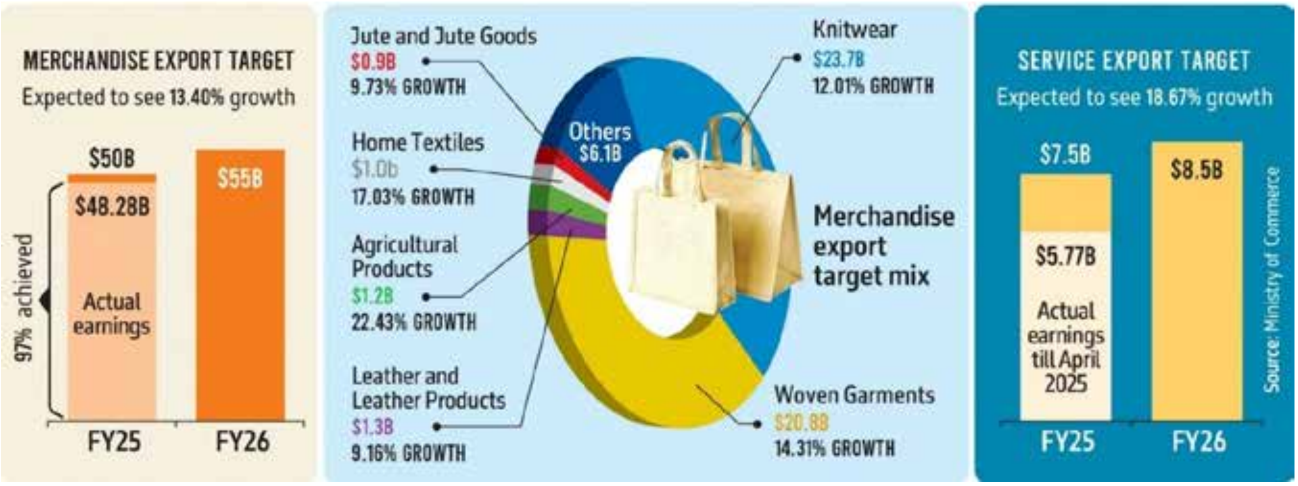
> Export portfolio in Bangladesh exhibits a high market concentration, with the top 10 destinations accounting for nearly 70% of total earnings, underscoring the economy's vulnerability to external shocks.

In response, the government has set an ambitious target of $63.5 billion in export earnings for FY2025–26, comprising $55 billion from goods and $8.5 billion from services, a 16.5% increase over the previous year. Projected goods exports include woven garments ($20.8 billion), knitwear ($23.7 billion), leather products ($1.25 billion), jute goods ($0.9 billion), and agricultural products ($1.21 billion)[11]. The targets reflect a strategy to diversify both products and markets, with efforts underway to resolve sectoral bottlenecks, expand duty-free market access, and negotiate favorable trade agreements with new partners. However, achieving these targets

[10] *Bangladesh Export Promotion Bureau Database*
[11] *Ministry of Commerce, Bangladesh*

will require addressing domestic challenges including energy supply constraints, banking sector inefficiencies, customs delays, and law-and-order issues while enhancing competitiveness through improved infrastructure, lower production costs, and strategic engagement in global trade negotiations.

Figure 22: Government's Target for Exports in FY26



Source: Ministry of Commerce

Remittances Surge, Easing External Pressures but Exposing Structural Risks

Remittance inflows to Bangladesh have surged in FY24–25, providing crucial support to the economy and helping stabilize foreign currency reserves. In the first ten months of the fiscal year, remittances totaled $24.39 billion, already surpassing FY24's full-year receipts. The rise reflects a narrower gap between official and informal exchange rates, stricter enforcement against illicit channels, and renewed confidence in formal banking. Following the political transition in August 2024, flows shifted from informal channels like hundi to formal banking, raising monthly receipts from about $2 billion to $3 billion, peaking at $3.29 billion in March 2025 and helping stabilize foreign reserves above $22 billion. FY25 remittance inflows stood at $30.33 billion, reflecting a 26.85% increase over the previous year and raising their share of GDP to 6.56%

Table 10: Trend of Remittance Inflow in Bangladesh

	Total Remittance (Billion USD)	Growth (%) of Remittance	Remittance (%) of GDP	Remittance (%) of Export Earnings	Remittance (%) of Import Payment
FY16	14.93	-2.51	5.63	43.59	37.42
FY17	12.77	-14.48	5.11	37.54	29.36
FY18	14.98	17.32	4.66	41.29	27.51
FY19	16.42	9.6	4.67	41.46	29.62
FY20	18.21	10.87	4.87	56.68	35.91
FY21	25.78	36.1	5.95	67.14	40.83
FY22	21.03	-15.12	4.57	42.71	25.49
FY23	21.61	2.75	4.79	49.84	30.55
FY24	23.91	10.65	5.21	58.59	37.81
FY25	30.33	26.85	6.56	10.45	

Source: Bangladesh Bureau of Statistics, Bangladesh

Reliance on remittances in Bangladesh remains significant, reflecting the important role of its expatriate workforce in sustaining household incomes and foreign exchange reserves. In FY25, remittances accounted for 6.56% of GDP, well above the South Asian average of 4.1%, though far below Nepal's 33%. The largest shares came from the USA (15.6%), Saudi Arabia (14.1%), the UAE (13.7%), and the UK (10.5%), reflecting Bangladesh's strong economic links with key migration destinations in the Middle East and Western economies.

The recent surge in remittances has provided a critical lifeline to Bangladesh's macroeconomic stability, helping to shore up foreign exchange reserves and ease short-term external pressures. However, economists note that while remittances temporarily support the external account, they do not address deeper structural challenges such as the persistent trade deficit, low export diversification, and reliance on imported energy and intermediate goods. Remittance inflows are also sensitive to global labour markets and host-country policies, making them a volatile source of foreign currency. Sustainable stability requires complementing remittances with strategies to boost exports, diversify trade partners, and manage imports, alongside investments in skills, labour productivity, and digital financial infrastructure to strengthen formal channels.

Figure 23: Remittances as a Share of GDP in South Asia (2024)

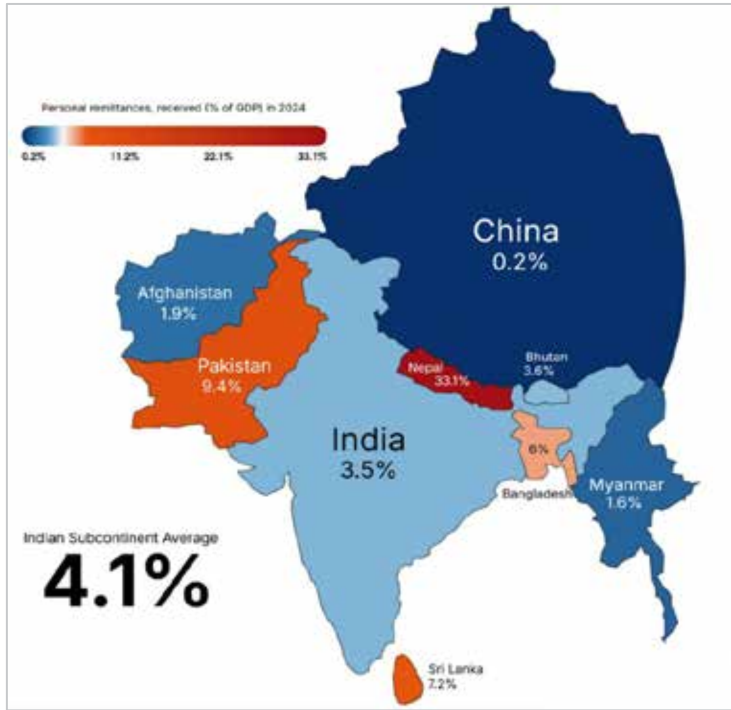
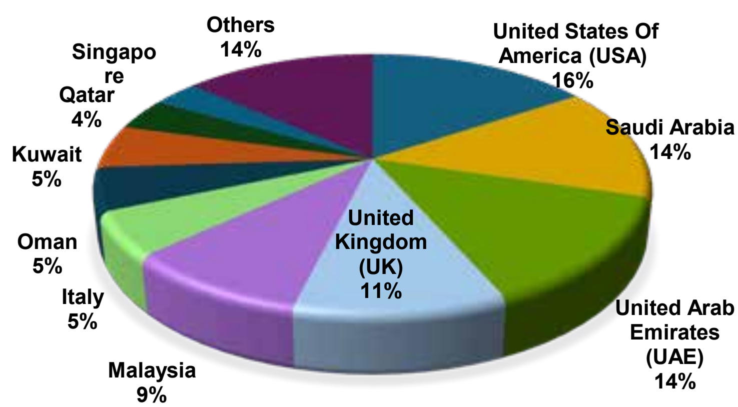


Figure 24: Country-Wise Share (%) of Remittance Inflows for Bangladesh (FY 2025)



Source: Bangladesh Bank, World Bank

4.2 Global and Local Developments Affecting Business Environment in Bangladesh

After a series of adverse shocks over 2020–24, the global economy faces persistent headwinds in 2024-26, with world GDP projected to expand at a modest 2.3% in 2025 before recovering slightly to 2.4% in 2026 the slowest pace outside global recessions since 2008[12]. Growth in advanced economies is particularly subdued, with the United States expected to grow at 1.4% in 2025 and 1.6% in 2026, the Euro area at 0.7% and 0.8%, and Japan at 0.7% and 0.8%, reflecting muted domestic demand and policy constraints. Emerging markets and developing economies are projected to outperform, expanding at 3.8% in both 2025 and 2026, while South Asia, led by India, continues to surpass the global average with growth of 5.8% and 6.1%, respectively. The global outlook remains highly vulnerable to trade disruptions, geopolitical tensions, and elevated policy uncertainty. Persistently high tariff rates, particularly from the United States, weigh on trade and investment, while rising input costs, slowing industrial output, and heightened uncertainty could further constrain growth, underscoring the need for decisive policy interventions to support recovery in global trade and investment.

Table 11: Overview of Global Economic Growth as of June 2025

Region				Projection		
	2022	2023	2024e	2025f	2026f	2027f
World	**3.3**	**2.8**	**2.8**	**2.3**	**2.4**	**2.6**
Advanced economies	**2.9**	**1.7**	**1.7**	**1.2**	**1.4**	**1.5**
United States	2.5	2.9	2.8	1.4	1.6	1.9
Euro area	3.5	0.4	0.9	0.7	0.8	1.0
Japan	0.9	1.4	0.2	0.7	0.8	0.8
Emerging market and developing economies	**3.8**	**4.4**	**4.2**	**3.8**	**3.8**	**3.9**
China	3.1	5.4	5.0	4.5	4.0	3.9
Indonesia	5.3	5.0	5.0	4.7	4.8	5.0
Thailand	2.6	2.0	2.5	1.8	1.7	2.3
South Asia	6.0	7.4	6.0	5.8	6.1	6.2
India	7.6	9.2	6.5	6.3	6.5	6.7
Bangladesh	7.1	5.8	4.2	3.3	4.9	5.7
Pakistan	6.2	-0.2	2.5	2.7	3.1	3.4

Source: World Bank

4.2.1 Global Geopolitical Factors Shaping International Trade and Investment Dynamics

The era of globalization that once promised seamless integration of markets and interdependence of nations has given way to a world increasingly shaped by geopolitical fracture and strategic rivalry. What was once a system governed by efficiency and open trade was now overshadowed by conflict, protectionism, and the weaponization of resources and

[12] *World Economic Prospect 2025, World Bank*

technology. From the Russia-Ukraine war to instability in the Middle East, and from escalating U.S.–China competition to the scramble for critical minerals, the architecture of global trade and investment is being fundamentally reshaped. Energy security, food systems, and digital infrastructure have become contested arenas, while cyber warfare and supply-chain vulnerabilities reveal the fragility of interdependence. This shift marks a decisive break from the assumptions of globalization, where integration drove growth, to an era where geopolitical risk sets the boundaries of economic opportunity.

However, global economic engagement has not disappeared it has become more conditional, fragmented, and politically constrained. Businesses and investors remain eager to participate in cross-border markets, but their strategies are increasingly filtered through the lens of resilience, security, and national interest. The rise of tariffs, industrial policies, and regional blocs reflects not only protectionist impulses but also a wider recalibration of globalization itself: from efficiency-driven integration to risk-managed fragmentation. In this environment, growth trajectories, trade flows, and investment patterns are being rewritten, with advanced economies struggling to sustain momentum while emerging markets navigate both new opportunities and heightened vulnerabilities.

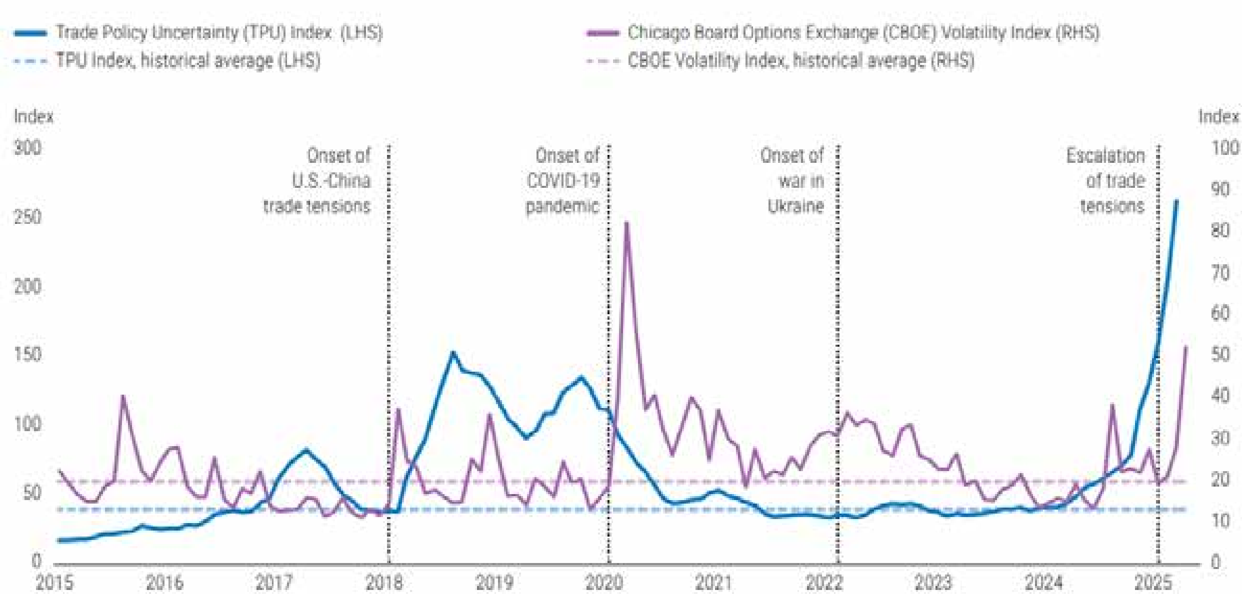
Figure 25: Likelihood and Impact of Top 2025 Geopolitical Risks

Source: S&P Global

The intensification of geopolitical fractures, particularly in the form of tariff escalations and retaliatory measures, has become a defining drag on global trade and investment. Sweeping tariff hikes by the United States matched by countermeasures from China, the European Union, and Canada have disrupted supply chains, amplified market volatility, and dampened both consumer and business confidence. With effective U.S. import tariffs surging from

2.5% in early 2025 to nearly 14% within months, price shocks are spilling across borders, reigniting inflationary pressures, curbing consumption, and raising business costs[13]. Investment flows, already subdued by debt overhangs and sluggish productivity growth, now face additional headwinds as firms delay or scale down cross-border commitments amid heightened policy uncertainty. This fracturing of trade regimes not only erodes the efficiency gains of globalization but also complicates monetary policymaking, constraining governments' ability particularly in developing economies with limited fiscal space to respond effectively to shocks.

Figure 26: Trade Policy Uncertainty and Equity Market Volatility

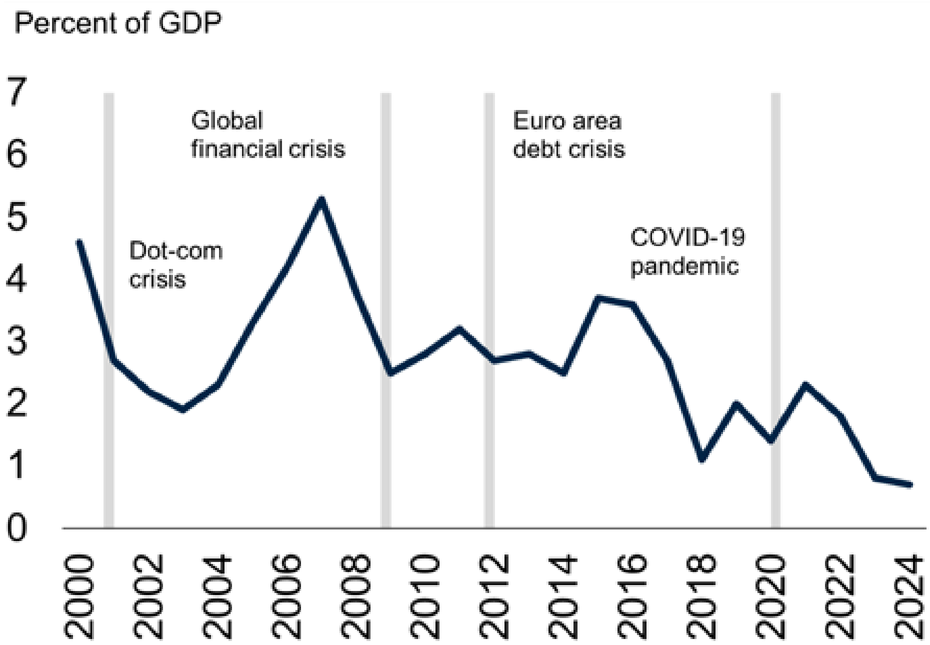


Source: UN DESA, based on data from Trade Policy Uncertainty Index, and Federal Reserve Economic Data (FRED)

The impact of this protectionist turn is uneven but far-reaching. Export-oriented economies in East Asia and Latin America are among the hardest hit, given their dependence on U.S. markets, while small and vulnerable countries including LDCs, SIDS, and LLDCs risk disproportionate setbacks from reciprocal tariffs and declining trade revenues. China faces pressure from weakening export-driven manufacturing and a fragile property sector, while Mexico is weighed down by weaker U.S. demand and collapsing investment. In Africa, ongoing conflicts and falling commodity prices compound the strain from trade tensions, leaving little room for growth momentum. Even where resilience persists such as India's domestic demand-led expansion the broader investment climate remains fragile. In this fragmented environment, global trade, which accounted for more than one-fifth of output in 2024, risks a structural slowdown, reducing prospects for job creation, sustainable development, and global economic convergence. The shift from globalization to fragmentation is thus reshaping not only growth trajectories but also the pathways through which trade and investment can support long-term prosperity.

[13] *World Economic Situation and Prospects as of mid-2025*

Figure 27: Global FDI Inflows



Source: World Bank

Global FDI Under Strain with Limited Greenfield Momentum

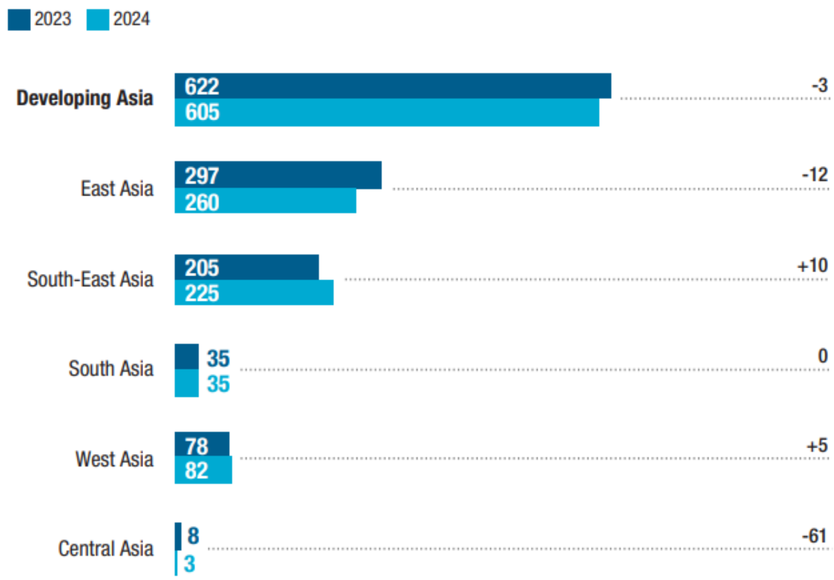
Global investment flows are increasingly caught in the crossfire of weakening macroeconomic conditions and escalating geopolitical fractures. Once a central driver of globalization, FDI steadily declined from its 2007 peak of over 5% of global GDP to below 1% in 2024, the lowest in two decades[14]. This collapse reflects not only cyclical downturns but also structural headwinds: weakening growth in advanced economies, persistent debt overhangs, rising sovereign risks, and an erosion of investor confidence amid protectionist trade policies and geopolitical instability. Emerging markets and developing economies (EMDEs), which depend heavily on greenfield investments for industrial upgrading and job creation, have been especially vulnerable facing sharper contractions in FDI inflows during global recessions. With global supply chains under strain and capital increasingly diverted into shorter-term or less risky assets, the decline in long-term investment risks entrenching slower productivity growth, widening inequality, and delaying the green and digital transitions that FDI has historically helped to finance.

Global FDI flows remained fragile in 2024, reported at USD 1.5 trillion but effectively down 11% once conduit economies were excluded marking a second year of decline[15]. Investor sentiment stayed subdued, with the 2025 outlook clouded by uncertainty. However, Developing Asia is the largest global recipient, attracted USD 605 billion 70% of flows to developing economies despite a modest 3% contraction. China saw inflows fall by 29%. South Asia held steady, with India absorbing most inflows, while Pakistan and Sri Lanka registered gains. Bangladesh's inflows fell 13% to about USD 1.3 billion but it remained among the top LDC recipients. Greenfield project announcements highlighted the divergence: project numbers in Asia

[14] *World Economic Prospect 2025, World Bank*
[15] *World Investment Report 2025*

rose 5%, but their value fell 23%, underscoring weaker appetite for large-scale commitments. Bangladesh attracted limited new greenfield activity, signaling the need to diversify beyond garments, banking, and low-value manufacturing.

Figure 28: Growth in Foreign Direct Investment Inflows by Region and Sub-Region (in Billion USD and % Change)

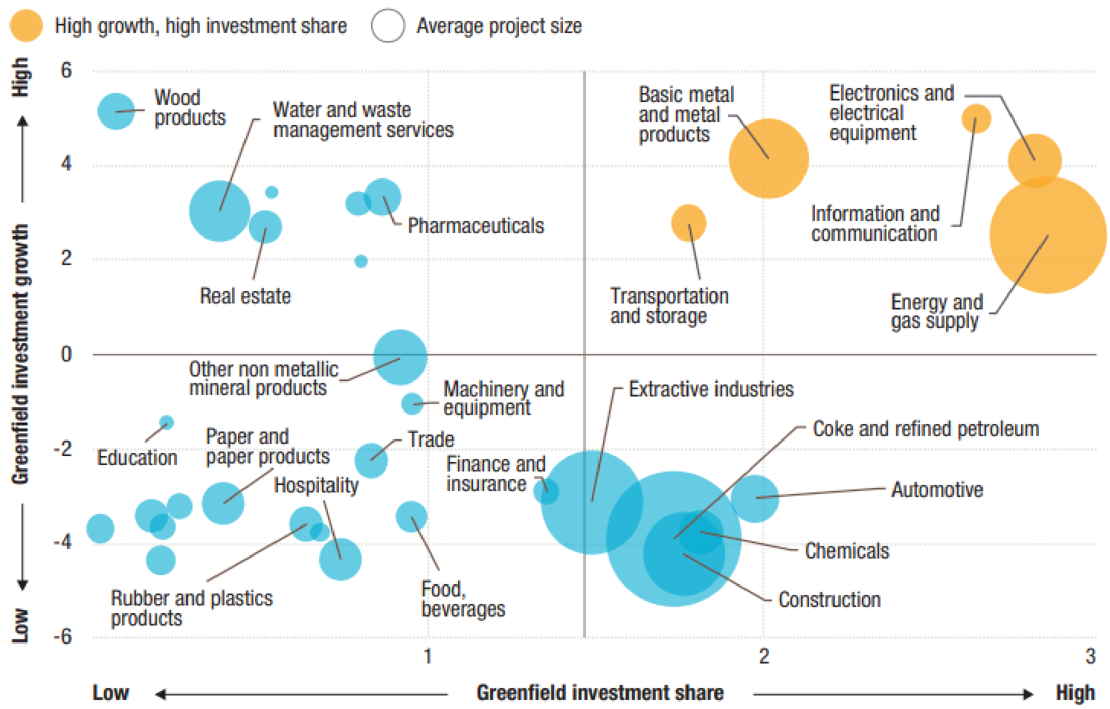


Source: World Investment Report 2025

Bangladesh Risks Missing Out on Investment Opportunities as Asia Shifts Toward Digital and High-Tech Investments

The sectoral composition of investment in Asia reflects shifting global priorities. Growth was concentrated in the digital economy and metals, while energy and petroleum projects contracted, dragging down overall greenfield values. India stood out, attracting USD 110 billion in projected capital expenditure nearly a third of Asia's total on the back of advanced manufacturing and digital infrastructure. By contrast, Bangladesh's inflows remain narrowly concentrated in textiles, leather, and banking, leaving it vulnerable to external shocks. The surge of digital investments in Asia data centres, fintech, and cloud infrastructure highlights missed opportunities for Bangladesh, which has yet to establish itself as a credible digital hub despite a growing ICT workforce. Similarly, booming metals and semiconductor-related inflows into Viet Nam and Malaysia show the importance of proactive industrial policy. Without reforms, Bangladesh risks being bypassed in these emerging value chains, limiting its integration into next-generation global supply networks.

Figure 29: Asia's Growing Industry Share in Greenfield Projects, Growth Rate and Average Project Size, 2020–2024



Source: World Investment Report 2025

Cross-Border Investments Under Pressure from Global Policy Shocks and Trade Protectionism

Global trade tensions have intensified over the past year, reshaping the global investment landscape. The United States' introduction of baseline tariffs of 10 per cent on imports from 59 countries, alongside targeted measures against China, has added new layers of uncertainty to global trade dynamics. These policies, combined with domestic industrial strategies such as the Inflation Reduction Act and the CHIPS and Science Act, are accelerating supply chain restructuring and prompting firms to rethink international investment strategies. Multinational enterprises are delaying greenfield projects, exercising caution in cross-border mergers and acquisitions, and increasingly diversifying or localizing production to mitigate risk. While some emerging economies may benefit from supply chain realignments, the overall impact of heightened policy uncertainty and protectionist measures is expected to depress global FDI flows in the near term.

Table 12: Foreign Direct Investment Prospects Across Key Indicators

Indicator	2024	2025 (January)	2025 (April)	Implications for FDI Prospects in 2025
Gross domestic product growth (%)	3.3	3.2	2.8	Negative
Gross fixed capital formation (%)	3.7	3.7	3.1	Negative
Trade volume (%)	3.8	3.4	1.7	Negative
Inflation outlook (%)	5.8	4.2	4.3	Neutral
Foreign exchange volatility	7.5	8.7	9.4	Negative
Stock market volatility index	13.8	18.7	25	Negative
Commodity/energy price index	105.1	99	92.1	Negative
Purchasing managers' index	48.8	48.3	49.4	Neutral
Global economic policy uncertainty index	229.7	339.4	549	Negative

Source: World Investment Report 2025

Recent macroeconomic and financial indicators reinforce this negative outlook for 2025. Forecasts for GDP growth, trade volumes, and gross fixed capital formation have been revised downward, while volatility in foreign exchange and stock markets has risen sharply. The global economic policy uncertainty index surged to record highs, reflecting weakened investor confidence and fragile sentiment across capital-exporting countries. Commodity price declines and persistent debt vulnerabilities in several economies further constrain investment appetite. Together, these dynamics point to a subdued year for FDI, with risks of longer-term fragmentation in international investment patterns if trade tensions persist.

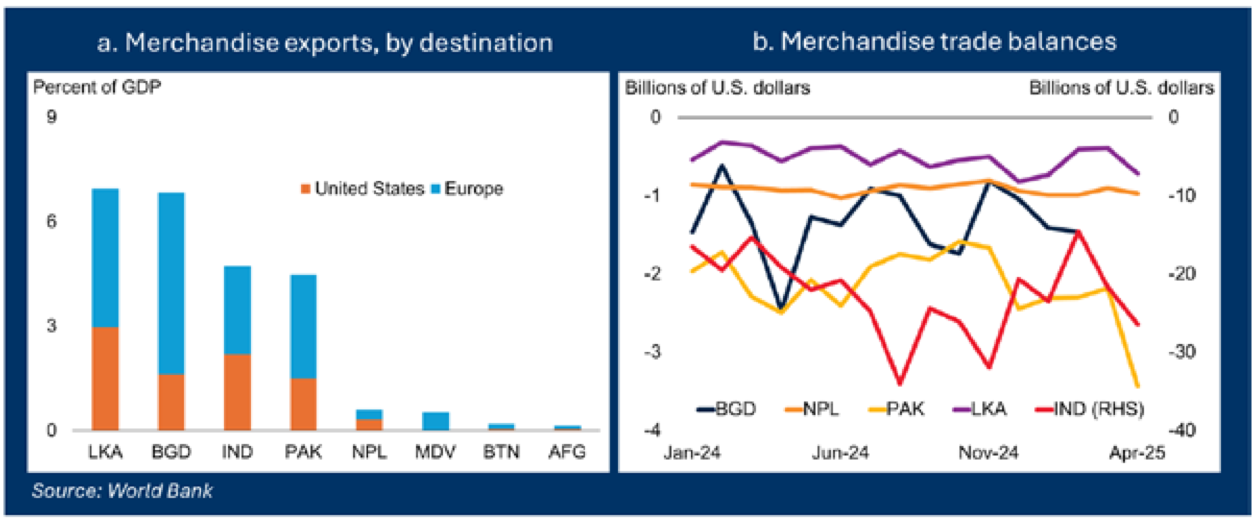
4.2.2 Emerging Global Shocks and Implications for Bangladesh

South Asia grew by 6.0% in 2024, but momentum is slowing in 2025 due to rising trade barriers, policy uncertainty, and financial volatility. India's expansion moderated with weaker investment and industry, though construction, services, and agriculture provided support. Elsewhere, growth firmed slightly, with Pakistan improving modestly and tourism-led economies (Maldives, Bhutan, Sri Lanka) strengthening in early 2025. Growth in Bangladesh also fell to 3.3% in FY25, driven by political turmoil, higher input costs, and reduced capital goods imports that curbed industrial output. Persistent inflation and weak credit growth further constrained private investment and dampened recovery prospects.

Rising Tariffs and Persistent Deficits Challenge Bangladesh in a Volatile Trade Order

The outlook for global trade has deteriorated sharply amid rising tariffs and escalating trade policy uncertainty. The suspension of the US "reciprocal tariff" briefly supported optimism, but by April 2025 forecasts shifted downward, with world merchandise trade now projected to contract by 0.2% in 2025 before a modest 2.5% recovery in 2026[16]. If reciprocal tariffs are implemented, global trade growth could fall by a further 0.6 %age points, while broader trade policy uncertainty could subtract another 0.8 points. Taken together, world merchandise trade could shrink by 1.5% in 2025. For developing and least-developed countries, this poses significant risks, especially in sectors such as textiles, apparel, and light manufacturing. At the same time, disruptions in US-China trade are spurring diversion effects, with Chinese exports redirected to third markets and new opportunities emerging for other suppliers to the US. While this opens some room for countries like Bangladesh, it also intensifies competition, making the global trading environment more volatile and uncertain.

Figure 30: Export Destinations and Trade Balance Dynamics in South Asia



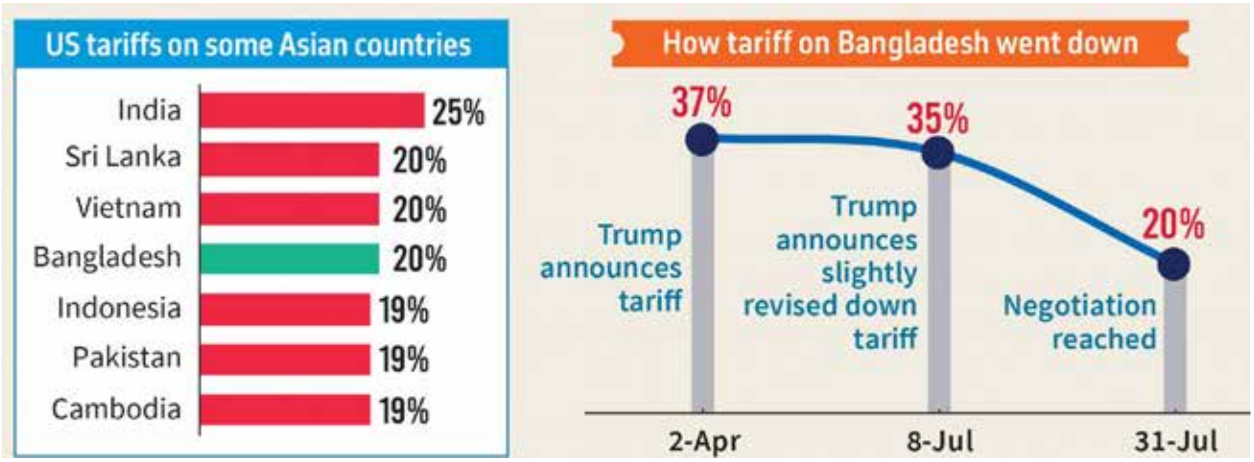
Note: AFG = Afghanistan; BGD = Bangladesh; BTN = Bhutan; IND = India; LKA = Sri Lanka; MDV = Maldives; NPL = Nepal; PAK = Pakistan

Striking contrasts define South Asia's trade vulnerabilities, with Bangladesh standing out for its heavy reliance on Europe, where exports equal 5.2% of GDP compared to just 1.6% to the United States, leaving it highly exposed to European demand shocks and compliance barriers. India's export distribution is more balanced, while Pakistan and Sri Lanka also rely significantly on Europe but with smaller export bases. At the same time, persistent trade deficits weigh on regional economies. Bangladesh averaged a monthly merchandise deficit of about $1.3 billion in 2024, widening to $1.4–1.5 billion in early 2025, reflecting structural dependence on imported inputs, fuel, and capital goods. Similar pressures are evident in Pakistan and Sri Lanka, though India's deficits are far larger in absolute terms. For Bangladesh, efforts to

[16] *World Trade Organization statistics 2025*

compress imports particularly capital goods eased inflation but dampened industrial activity and investment, leaving the economy exposed to external shocks such as falling remittances or tighter global liquidity that could strain reserves and growth further.

Figure 31: US Reciprocal Tariffs on Bangladesh Compared to Competitors



For Bangladesh, the US reciprocal tariff negotiations became a defining challenge in 2025. After initially facing a steep 35% tariff one of the highest among developing economies Bangladesh mounted a strong diplomatic and commercial effort[17]. A detailed position paper submitted to the USTR in late July, backed by coordinated government and private-sector initiatives, eventually secured in-person negotiations. Dhaka offered a comprehensive package, including commitments to import US wheat, soybeans, cotton, and even 25 Boeing aircraft, while private firms signed contracts worth over $130 million. In return, the US reduced tariffs on Bangladeshi goods to 20%, providing a competitive reprieve for the country's export sector.

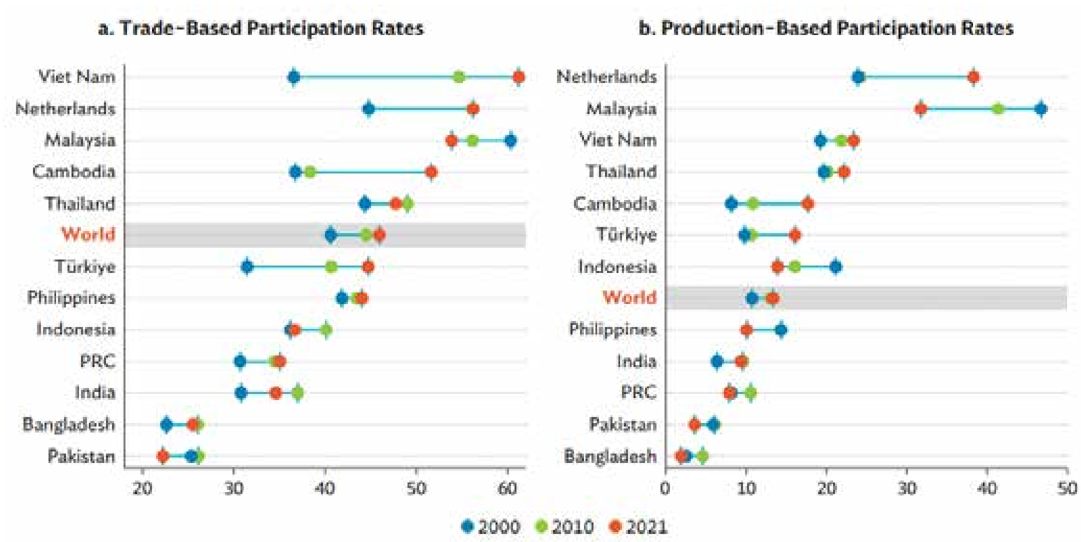
The broader picture, however, remains mixed. High duties still weigh heavily on RMG, leather, and footwear, while Bangladesh's reliance on Europe leaves its export base vulnerable to shocks outside the US. Even with relative advantages over rivals such as Vietnam, Cambodia, and Sri Lanka, the global demand slowdown could offset any gains. Ultimately, the tariff deal highlights both the promise and limits of trade diplomacy. It provides breathing space but does not address Bangladesh's structural challenges of export concentration, persistent trade deficits, and limited value-chain integration. Without diversification and reforms to lower trade costs, tariff concessions risk remaining a short-term reprieve rather than a lasting competitive edge.

Structural position of Bangladesh in global value chains underscores these vulnerabilities. The country's trade-based GVC participation rate ranging from 22.6% to 26% is well below the global average of 40–46% and far behind Vietnam's 60%+. Production-based participation is even weaker, reflecting limited backward linkages, inadequate integration into high-value segments, and continued reliance on basic assembly operations[18]. This shallow integration constrains Bangladesh's ability to capture value from trade diversion opportunities arising out of the tariff war. Strengthening GVC participation will require diversifying the export base beyond garments,

[17] *The White House Fact Sheet*
[18] *Transforming Bangladesh's Participation in Trade and Global Value chain 2023, ADB*

upgrading domestic supply chains, and improving infrastructure, skills, and compliance standards. Without these, Bangladesh risks remaining on the margins of global trade realignment, vulnerable to shocks rather than positioned to seize new opportunities.

Figure 32: Bangladesh Global Value Chain Participation Rates, 2000, 2007–2021 (%)



Source: Asian Development Bank 2023

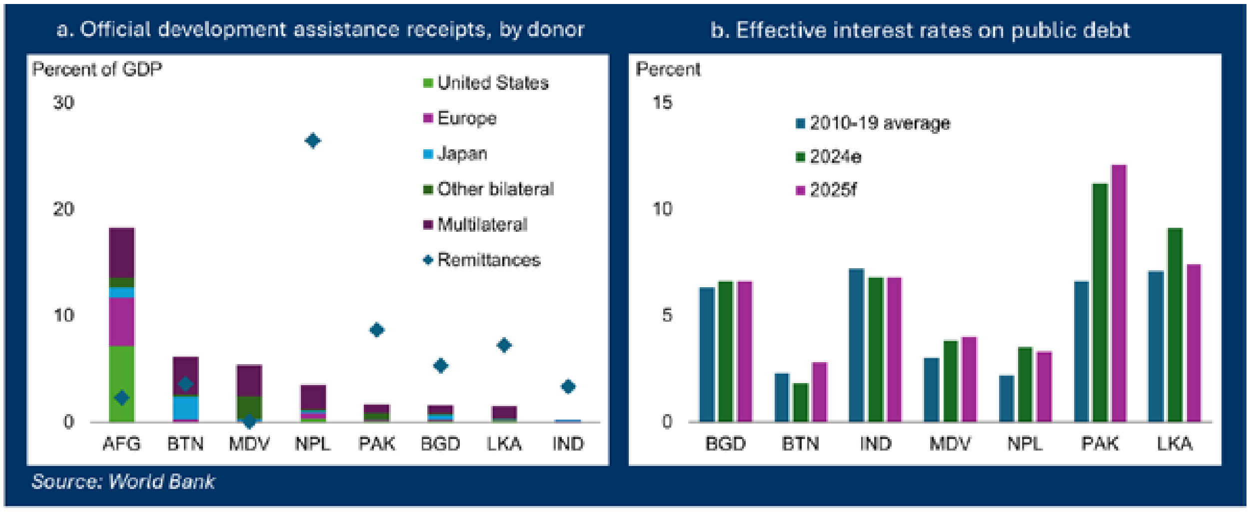
Bangladesh Facing Pressure from Global Demand and Capital Shifts

Bangladesh's external buffer relies far more on remittances than on aid, with inflows equal to 5.3% of GDP compared to just 0.8% from multilateral and 0.5% from Japan. This composition provides resilience during global downturns, as remittances are steadier than private capital flows, but it also limits access to concessional finance for large infrastructure or balance-of-payments support. In contrast, Afghanistan is heavily aid-dependent, while Nepal's economy is highly remittance-driven at 26.5% of GDP. Bangladesh thus occupies a middle position benefiting from steady remittances but constrained in mobilizing countercyclical fiscal resources. Strengthening remittance channels while expanding concessional financing options will be critical to protect external stability.

How Global Turbulence Ripples Through Bangladesh Economy

- **External demand channel:** weaker import demand from major markets such as the US and EU reduces garment and textile exports, with export concentration to Europe (≈5.2% of GDP) and the US (≈1.6% of GDP) raising vulnerability to demand and tariff shocks.
- **Investment/import channel:** reduced imports of capital goods, as observed in 2024, lower the formation of productive capacity, slowing industrial output and constraining future export supply.
- **Financial/monetary channel:** higher global uncertainty triggers domestic rate hikes and tighter lending, contributing to falling private credit (latest −1.6%) and depressing working-capital financing for exporters and investment financing for firms.

Figure 33: Official Development Assistance and Interest Rates on Public Debt



Note: e = estimate; f = forecast. AFG = Afghanistan; BGD = Bangladesh; BTN = Bhutan; IND = India; LKA = Sri Lanka; MDV = Maldives; NPL = Nepal; PAK = Pakistan

On the fiscal side, Bangladesh's effective interest rate on public debt has remained stable at around 6.6% in 2024–25, lower than India's 6.8% and well below the stress levels seen in Pakistan 12.1% projected and Sri Lanka 7.4%. This stability is an advantage, but slowing growth, compressed private credit, and persistent trade deficits mean investor confidence could weaken quickly, pushing borrowing costs higher. Safeguarding this stability requires preserving fiscal discipline, mobilizing concessional resources for growth-enhancing projects, and communicating a clear fiscal strategy to avoid the costly refinancing risks now afflicting regional peers. Moreover, as financial and monetary channels amplify global shocks domestically, proactive countercyclical measures through both external financing and domestic fiscal management will be essential to sustain macroeconomic resilience.

Economic Headwinds and Downside Risks for Bangladesh

The World Bank's regional outlook for South Asia (SAR) was downgraded, with SAR growth expected to slow to 5.8% in 2025, a 0.4%-point downgrade from prior forecasts, before modestly recovering in 2026–27. For Bangladesh, weak domestic demand, external headwinds, and financing constraints suggest only a slow rebound unless policy measures restore investment confidence and address trade bottlenecks. The projection assumes that tariffs in place as of late May 2025 persist, keeping global trade and investment growth subdued. With GDP growth already at 3.3% in FY25, any intensification of trade barriers, tighter financing, or domestic instability could push growth below potential, worsening unemployment and fiscal pressures.

Box 3: Downside risks for Bangladesh

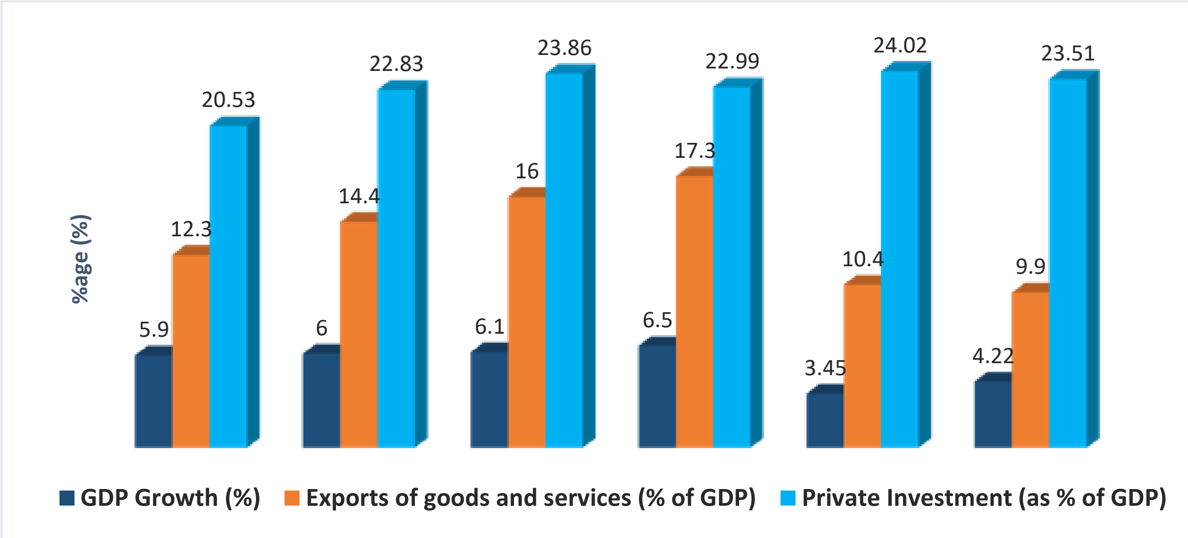
- **Escalation of trade barriers:** Further protectionist measures by major partners could reduce external demand for exports and raise costs for imported inputs.
- **Policy uncertainty and lower investor confidence:** Heightened uncertainty may delay investment and reduce FDI and greenfield projects, especially amid capital-goods import slowdowns.
- **Tighter global financial conditions:** Global tightening could raise borrowing costs, trigger capital outflows from vulnerable emerging markets, and strain the banking sector.
- **Domestic political and social instability:** Episodes of unrest can damage investor confidence and physical capital, compounding economic losses.
- **Climate and disaster risk:** More frequent extreme weather events could harm agricultural output, raise food inflation, and disproportionately impact vulnerable households in densely populated, climate-exposed areas.

4.2.3 Business Dynamics in Bangladesh: Credit, Private Investment, and Sectoral Insights

Private investment has long been a critical engine of Bangladesh economic transformation. Accounting for nearly 76% of total investment, the private sector has driven structural diversification, shifting the economy from an agrarian base toward industry and services. Over the past two decades, private investment rose from around 20% to over 23% of GDP, supporting resilient growth, exports, and job creation even in the face of global shocks. Its role in leveraging trade integration has been particularly significant, with manufacturing exports especially garments anchoring Bangladesh's integration into the $33 trillion global economy[19]. By channeling capital into productive sectors, private investment has not only boosted output but also underpinned employment generation, poverty reduction, and steady gains in living standards. Sustaining this trajectory will be vital as the country confronts new challenges of LDC graduation, demographic pressures, and the need for higher-value industrial upgrading.

[19] *UN Trade and Development database*

Figure 34: Private Investment, GDP Growth and Exports in the Last Decade

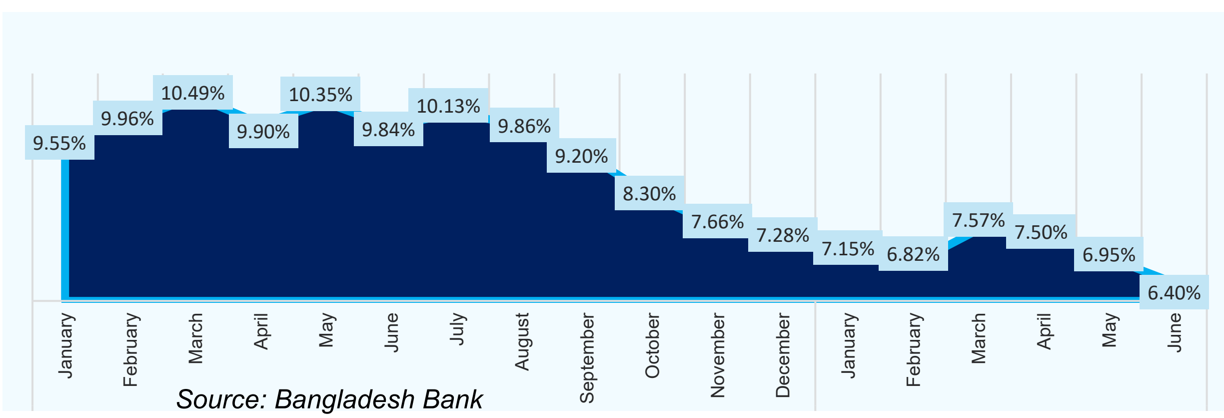


Source: Bangladesh Bank, World Bank, BBS

Rising interest Rates Have Led to Softer Credit Growth in Bangladesh

Private sector credit growth in Bangladesh has recently mirrored the broader slowdown in business dynamics, weakening from nearly 10% in mid-2024 to just 6.4% by June 2025[20]. This decline underscores how monetary tightening, trade disruptions, and reduced capital inflows are interacting with domestic fragilities to constrain investment. Liquidity stress in banks, rising non-performing loans, and increased government borrowing have crowded out private lending, while political uncertainty and stalled project implementation have further undermined investor confidence. At the same time, soaring energy costs, currency depreciation, and a persistent USD shortage have raised production costs and limited the opening of import LCs, directly hitting industries dependent on imported inputs. Consequently, pressure have weakened industrial momentum, particularly in export-oriented sectors, reflecting how financial constraints are amplifying the headwinds already facing business environment in Bangladesh.

Figure 35: Private Sector Credit Growth (Y-o-Y)



Source: Bangladesh Bank

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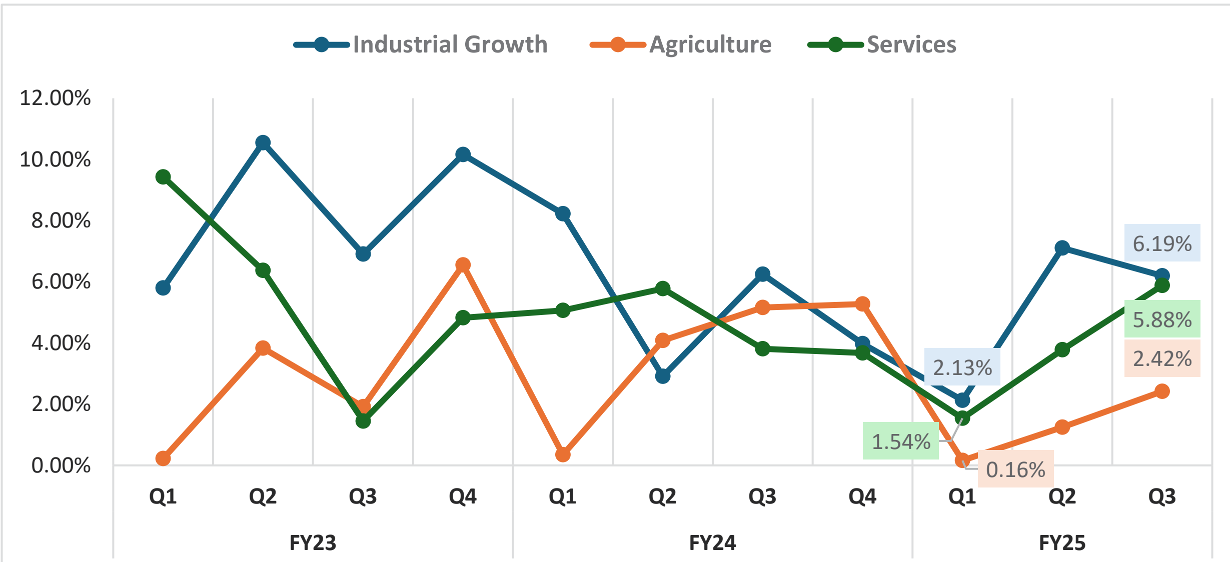
[20] Bangladesh Bank Database

Bangladesh's Industry, Agriculture, and Services: Navigating Shocks and Rebound

Growth momentum across industry, agriculture, and services in Bangladesh has shown sharp fluctuations in recent years, reflecting both domestic and external shocks. Industrial growth, which peaked at 10.55 % in FY23 Q2, experienced its steepest drop to just 2.13 % in FY25 Q1 amid inflationary pressures, higher energy costs, a prolonged USD crisis, political turmoil, and tighter monetary policy that slowed export expansion. Agriculture and services also faced uneven performance, though less volatile. The subsequent rebound in industry to 7.10 % in FY25 Q2 and 6.19 % in Q3 signals a gradual recovery, suggesting that the sector is regaining resilience despite persistent structural challenges[21]. This uneven trajectory highlights the economy's vulnerability to shocks while also showing early signs of adjustment and stabilization.

Figure 36: Quarterly Growth Rates of the Three Major Sectors



Source: BBS

Manufacturing at the Core of Transformation

The industrial sector of Bangladesh, comprising manufacturing, mining, and electricity, has exhibited sustained growth over the past eight fiscal years, reflecting both structural transformation and rising domestic demand. Manufacturing remains the dominant driver, with the Index of All Manufacturing Enterprises including large, small and medium-sized enterprises (SMMEs), and cottage industries rising from 126.66 in FY18 to 217.86 in FY25. Growth has been notable across all scales: large industries expanded from 127.68 to 213.58, SMMEs from 129.41 to 227.17, and cottage industries from 118.60 to 214.33. This trajectory underscores the sector's

The W-shaped recovery in industrial growth over the short term is propelled by domestic political transformation, global policy uncertainty, and widespread social unrest, generating multiple cycles of decline and rebound.

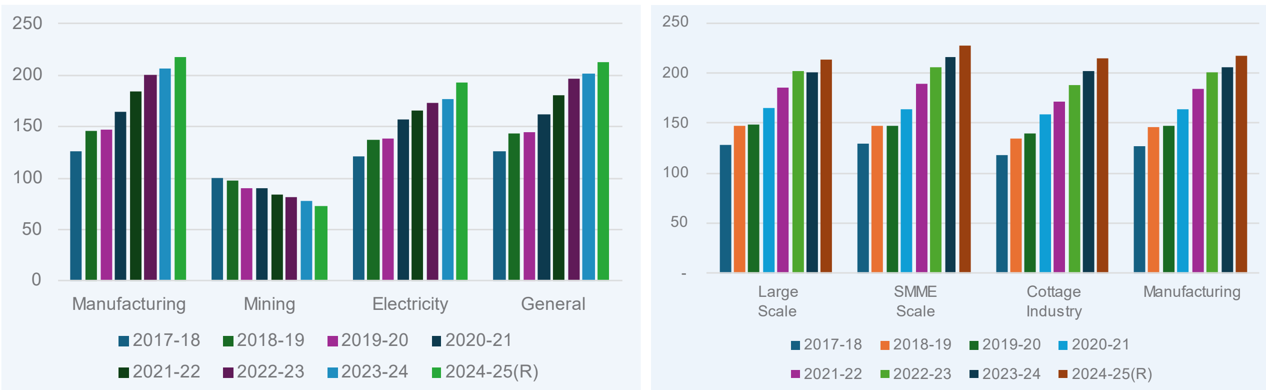
[21] *Bangladesh Bureau of Statistics database*

resilience, fueled by targeted policy support, technological adoption, and increasing domestic consumption, while highlighting the critical role of smaller enterprises in fostering inclusive industrial development.

Figure 37: Trends in Industrial Production- Index by Sectors and Enterprises

a. Index of Industrial Production by Sector

b. Industrial Production Index by Enterprise Scale

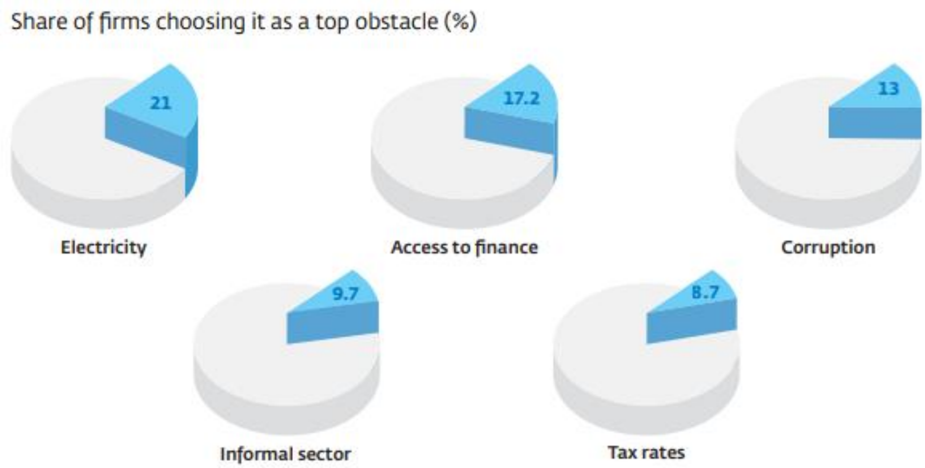


Source: Bangladesh Bureau of Statistics (BBS)

When broader industrial activity is considered, the general Index of Industrial Production including manufacturing, mining, and electricity rose from 125.72 in FY2018 to 212.99 in FY25, reflecting a compound and steady growth pattern. Manufacturing contributed the largest share of expansion, while electricity production also grew consistently, from 121.12 to 193.32. Mining, by contrast, recorded a gradual decline, from 99.92 to 73.26, signaling persistent structural challenges in resource extraction and energy supply. The divergence across sub-sectors emphasizes the need for strategic interventions to improve mining efficiency, diversify industrial inputs, and strengthen energy infrastructure. Overall, these trends highlight the centrality of manufacturing to Bangladesh's industrial resilience, with implications for employment generation, export competitiveness, and long-term economic sustainability in the face of domestic and global uncertainties.

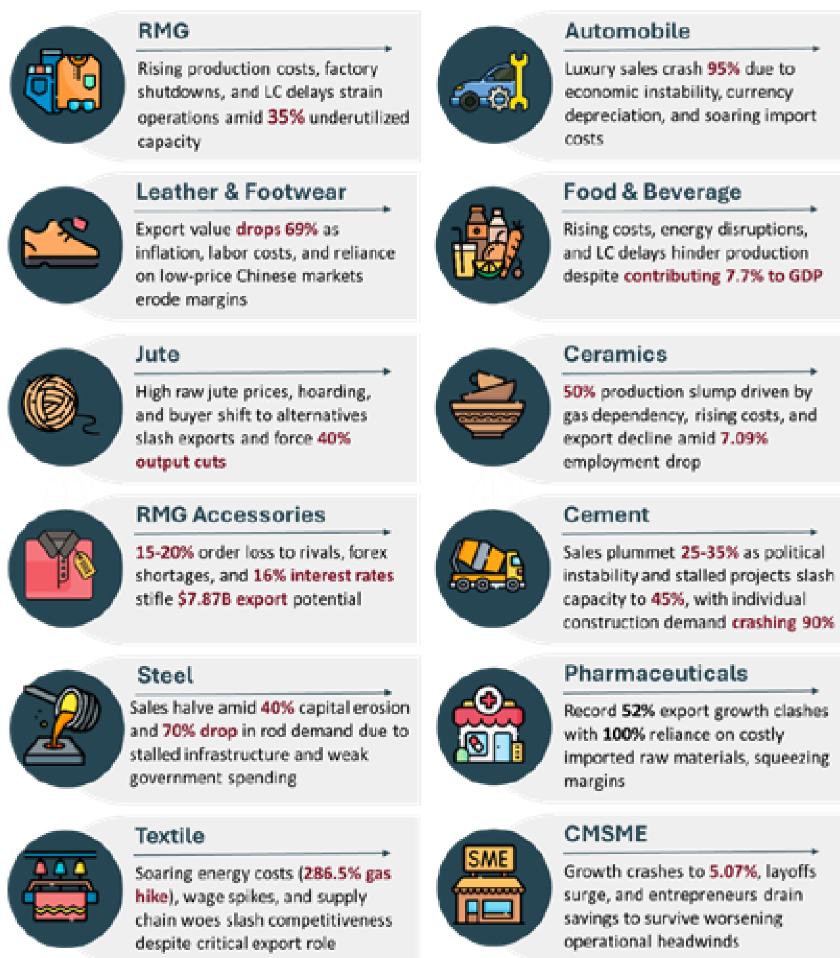
To sustain growth and unlock private sector potential, Bangladesh must address long-standing obstacles in its business environment, including electricity shortages, limited access to finance, corruption, competition from the informal sector, and high tax burdens. These challenges weigh heavily on small and medium enterprises, while inefficient large firms dominate many sectors. Costly self-generation of power and weak enforcement of anti-corruption measures further constrain competitiveness. With the interim government's pledge to improve governance and transparency, reforms in energy and finance will be critical to attract investment, boost competitiveness, and sustain industrial recovery.

Figure 38: Top Five Business Environment Obstacles Identified by World Bank



Source: Bangladesh Country Private Sector Diagnostic 2025, World Bank

Figure 39: Several Export and Domestic Sectors Hit Hard in Last Year

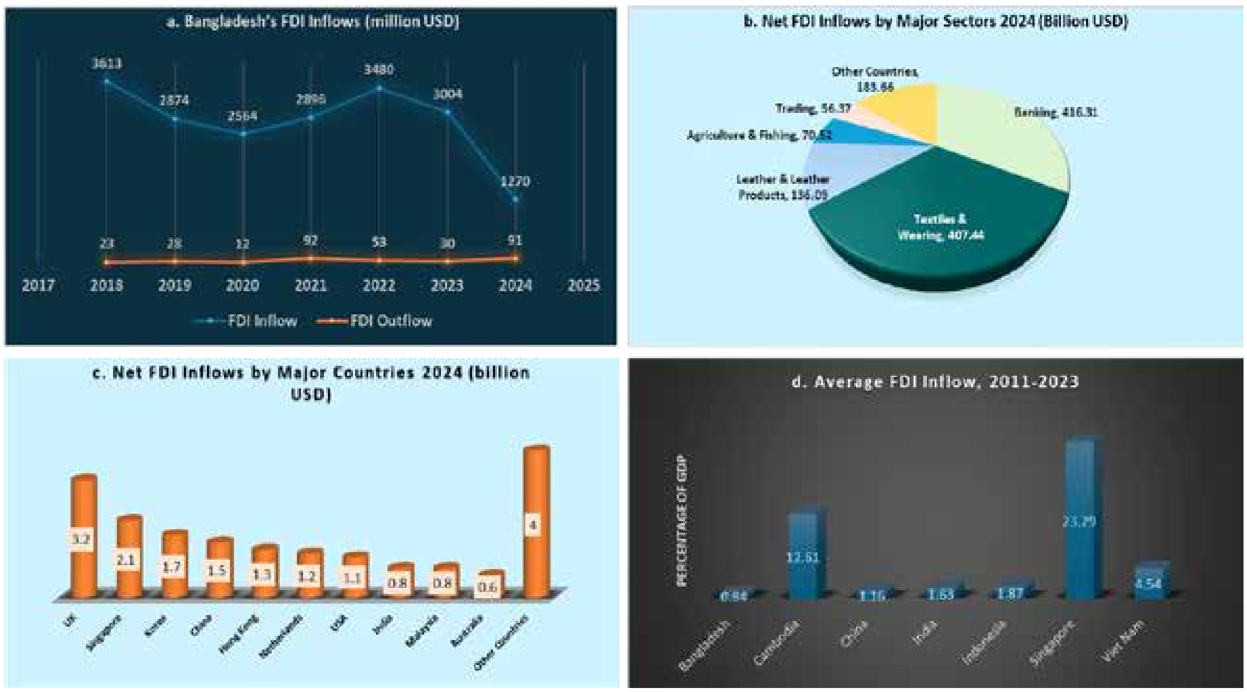


Source: Policy Exchange Bangladesh, based on key informant interviews with business associations and industry leaders, as of February 2025

From Sharp Decline to Early Recovery: Foreign Investment Dynamics

Bangladesh experienced a sharp decline in FDI inflows from USD 3.00 billion in calendar year (CY) 2023 to USD 1.27 billion in CY 2024, a reduction of approximately 57.7%, reflecting both global headwinds and domestic investment constraints.[22] Key sectors such as Banking, Textiles, and Leather continued to attract most inflows, while major investors included the United Kingdom, South Korea, China, India, and Singapore. Despite these inflows, Bangladesh's FDI has remained low relative to regional peers, averaging only 0.84% of GDP between 2011 and 2023. With graduation from least-developed-country status in November 2026, addressing longstanding policy inconsistencies and the complex regulatory environment is essential. Streamlining regulations and improving the business climate will be critical to enhance Bangladesh's attractiveness for sustainable and diversified FDI.

Figure 40: Foreign Direct Investment Trends and Position in Bangladesh



Source: World Investment Report 2025, Bangladesh Bank

However, Bangladesh saw a remarkable surge in net FDI in the first quarter of 2025, with inflows reaching $865 million up 114% from $403 million in the same period of 2024 and 76% higher than the previous quarter. The increase was driven primarily by a sharp rise in intra-company loans, which climbed to $629 million, and strong equity investments, which more than doubled to $304 million, despite a 24% decline in reinvested earnings. Officials at the Bangladesh Investment Development Authority (BIDA) noted that the rise reflects multinational companies' growing reliance on debt financing to support expansion and operational needs. Outflows also increased slightly to $711 million, indicating relatively lower net equity inflows. While

[22] Foreign Direct Investment and External Debt, 2024

many investment decisions were made prior to 2025, faster approvals by BIDA and Bangladesh Bank helped sustain momentum.

Opportunities for Bangladesh in attracting foreign direct investment (FDI) across emerging and high-potential sectors

Rapid growth of the **digital economy** in Asia (data centres, fintech, cloud infrastructure) offers entry points for Bangladesh, given its expanding ICT workforce.

Rising FDI in **advanced manufacturing and semiconductors** in Viet Nam, Malaysia, and India highlights potential for Bangladesh to diversify beyond textiles.

Regional focus on **renewable energy and green infrastructure** creates space for Bangladesh to attract projects in solar, wind, and LNG as it addresses energy security needs.

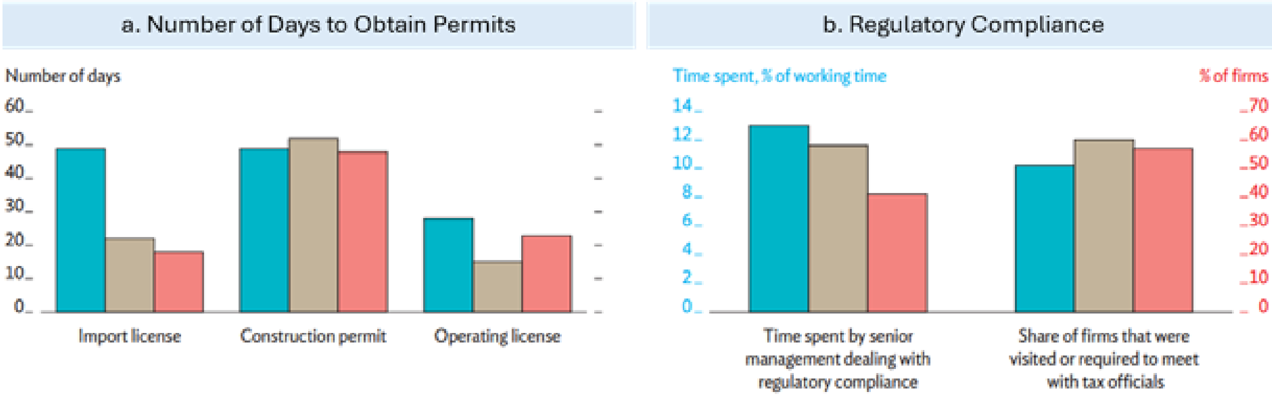
Expanding investment in **logistics and connectivity** could support Bangladesh's export diversification if matched with policy reforms.

Systemic Barriers Undermining Investment in Bangladesh

Bangladesh faces a wide range of investment challenges that undermine its attractiveness for both domestic and foreign investors. While the RMG sector has historically driven growth, other sectors particularly SMEs, non-RMG industries, and FDI-intensive areas—struggle with systemic bottlenecks such as trade facilitation inefficiencies, regulatory opacity, infrastructure gaps, limited financial access, skills shortages, burdensome taxation, weak dispute resolution, and institutional coordination failures. A fragmented regulatory environment remains a major barrier, with around 70% of medium and large firms engaging with more than five agencies to secure approvals due to the lack of a fully integrated digital system. These inefficiencies, coupled with capital controls, restrictive trade policies, inconsistent incentives, and a political economy favoring select groups, further constrain FDI inflows. Weak public services in company registration, utilities, and tax compliance add to costs and uncertainty, discouraging investment and expansion.

Complex and fragmented regulatory environment remains a major barrier to attracting FDI in Bangladesh. Investors face lengthy and burdensome procedures to obtain business licenses and sector approvals, often requiring navigation through multiple government agencies and repeated submission of the same documents due to the absence of a fully integrated digital system. Around 70% of medium and large firms report dealing with more than five agencies to secure necessary approvals, adding uncertainty and additional costs. Beyond regulatory hurdles, FDI inflows are constrained by capital controls, restrictive trade policies, inconsistent investment incentives, and a political economy favoring certain business groups. Inefficiencies in public services such as company registration, access to utilities, and tax compliance further undermine operational efficiency, discouraging foreign investors from entering or expanding in the country.

Figure 41: Policy and Regulatory Compliance Hamper Investment in Bangladesh



Note: Data are based on a survey with business owners and top managers in 998 firms, interviewed from March to October 2022. Source: World Bank Enterprise Survey

Change High Inflation and Rising Production Costs to: Persistent Inflation Raises Costs and Erodes Demand, Challenging Businesses and SMEs. Persistent inflation has been a major challenge for businesses, reaching an average of 11.38% in November 2024 and remaining elevated at 9.9% in January 2025. Inflation increases the cost of raw materials, fuels, and other production inputs, putting pressure on profit margins. Imported essentials such as edible oils and sugar have experienced significant year-on-year price increases due to depreciation of the taka and global commodity shocks. High inflation not only raises production costs but also erodes consumer purchasing power, dampening domestic demand and reducing market opportunities for businesses. Small and medium enterprises (SMEs), which operate on tighter margins, are particularly vulnerable to these pressures.

Energy Shortages and Infrastructure Constraints to: Bangladesh's Industrial Production Hindered by Energy Instability and Infrastructure Gaps. Industrial production in Bangladesh is heavily reliant on a stable supply of electricity and gas. Frequent outages, underdeveloped grid infrastructure, and low-pressure gas supply have constrained factory operations, leading to underutilization of installed capacity. These energy shortages, coupled with rising global energy prices due to geopolitical tensions, have increased operational costs and delayed production timelines. Weak transport and logistics infrastructure, including roads, ports, and internal supply networks, further exacerbate these challenges, affecting timely delivery of goods, increasing inventory costs, and reducing overall competitiveness.

Political Instability and Law and Order Concerns: Strikes, Labour Unrest, and Lawlessness Disrupt Industry and Commerce in Bangladesh. Political uncertainty and instability have a profound impact on business confidence. The industrial and commercial sectors have been affected by strikes, labour unrest, and periods of civil unrest, disrupting production, transport, and trade. Industrial zones are sometimes subject to informal local power structures, including musclemen influence, which undermines operational security and compliance. Unstable law and order conditions create risk for both domestic entrepreneurs and foreign investors, delaying investment decisions, increasing insurance and security costs, and slowing project implementation.

Implications of LDC Graduation: Ensuring Competitiveness Post-LDC Graduation: Productivity and Market Adaptation Imperatives. Bangladesh is scheduled to graduate from Least Developed Country (LDC) status in 2026. While this is a sign of economic progress, it also entails the loss of preferential trade access, reduced concessional financing options, and higher exposure to global competition. Export-oriented sectors, particularly textiles and apparel, may face additional challenges in maintaining competitiveness in international markets. Businesses will need to adapt to these changes by improving productivity, diversifying products, and seeking alternative markets and financing solutions.

Inefficient Trade Facilitation: Port Delays, Informal Payments, and Financing Gaps Limit Bangladesh's Trade Efficiency. Trade facilitation remains one of Bangladesh's weakest links. Chattogram Port, ranked 337th out of 405 in the World Bank's Container Port Performance Index, suffers from long clearance times three days for exports and eleven for imports. Border compliance takes up to 72 hours, nearly double the regional average. Over 90% of firms report making informal payments to expedite customs clearance. Poor port mechanization and excessive ship turnaround time (3.23 days versus Colombo's 0.86 days) further weaken competitiveness. High tariffs and para-tariffs on intermediate goods inflate production costs, while non-RMG sectors lack supportive trade financing mechanisms, such as back-to-back letters of credit.

Regulatory Complexity and Predictability: Regulatory and Institutional Challenges Constrain Business Diversification and FDI. A predictable and transparent regulatory framework is central to investment confidence, but Bangladesh's regulatory environment is widely viewed as opaque, inconsistent, and discretionary. The OECD FDI Regulatory Restrictiveness Index (0.12) and a regulatory quality score of –0.9 (compared to India –0.1, Vietnam –0.4) underscore weaknesses. Protectionist trade policies protect domestic industries but raise input costs, discouraging diversification beyond RMG. Bangladesh also ranks poorly in governance and institutional effectiveness: 149th out of 180 in the Corruption Perceptions Index 2024 and 123rd in the 2023 Index of Economic Freedom. Efforts such as the Right to Information Act (2009) and the Open Government Data Strategy (2016) remain underutilized, limiting transparency.

Infrastructure Deficiencies: Critical Infrastructure Deficits Hinder Investment, Trade, and Municipal Service Delivery. Despite some progress in logistics, infrastructure inadequacy is a critical barrier. Bangladesh ranked 108th out of 139 in the World Bank's LPI Infrastructure subindex, far behind regional peers. Power sector inefficiencies add fiscal burdens: overcapacity in rental and independent power plants leads to billions in idle capacity payments. Land administration challenges including unclear land titles, cumbersome legal disputes, and corruption complicate infrastructure development and investment projects. Weak trade connectivity (176th out of 190 in "Trading Across Borders") and limited digital infrastructure further constrain integration into global value chains. Municipalities, in particular, lack digital capacity to deliver efficient public services.

Productivity and Skills Gaps: Informal Employment, Limited Human Capital, and Stagnant Job Creation Challenge Development. Bangladesh struggles with low productivity across agriculture and manufacturing, with value-added per worker at only 80% of Vietnam's and one-quarter of upper-middle-income economies. Nearly 90% of employment remains informal, limiting income security and social protection. Job creation has stagnated in the RMG sector, with female labour force participation stuck at 35% and almost 30% of youth not in employment, education, or training. Underinvestment in education and healthcare (2.5% of GDP versus 10% in UMICs) undermines human capital. Bangladesh ranks 94th out of 109 in the Global Skills Report 2024, with limited training in data science, technology, and business skills, leaving industries ill-prepared for technological upgrading.

Limited Financial Access and Weak Institutions: Outdated Insolvency Laws and Credit Restrictions Undermine Entrepreneurship and Investment. Access to finance is a significant obstacle, particularly for MSMEs, which contribute 23% of GDP and employ 25% of the labour force. Strict collateral requirements, rigid credit appraisals, and weak insolvency laws discourage entrepreneurship. Many firms turn to NBFIs for credit under more lenient terms. Large firms also face barriers: external commercial borrowing requires approval from multiple agencies, often taking over a year. Bangladesh's Bankruptcy Act of 1997 is outdated and rarely used, with the Money Loan Courts Act (2003) dominating instead. Weak insolvency frameworks reduce investor confidence.

Burdensome Taxation: Administrative Inefficiencies and High Corporate Taxes Constrain Investment. The taxation system is widely seen as complex, unpredictable, and corruption-prone. Over 70% of firms report dissatisfaction, citing income tax and VAT compliance burdens. Informal payments are frequent, especially in real estate, electronics, light engineering, and construction. A 32.5% corporate tax rate makes Bangladesh less competitive than regional peers. While tax revenue is only 8.8% of GDP, administrative inefficiencies and weak enforcement deter investment.

Dispute Resolution and Institutional Weaknesses: Fragmented Institutions, and Policy Gaps Hinder FDI and Business Confidence. Judicial inefficiency remains a major obstacle. The absence of specialized commercial courts and shortages of judges contribute to long backlogs—over 16,000 civil cases were pending in the Appellate Division in 2021. The WJP Rule of Law Index ranks Bangladesh 127th of 140, with particularly low scores in judicial delays and enforcement. Beyond judicial inefficiency, institutional weaknesses also constrain investment. The OECD Road Map for Investment Policy Reforms in Bangladesh highlights limited inter-agency coordination, outdated legal frameworks, and weak institutional capacity. Fragmented responsibilities across ministries and agencies create policy incoherence, reducing the effectiveness of investment reforms and deterring FDI.

Government Initiatives to Improve Investment in Bangladesh

The Government of Bangladesh has launched a series of reforms to improve the investment climate and enhance global competitiveness. Led by the Bangladesh Investment Development Authority (BIDA) in coordination with agencies such as the National Board of Revenue (NBR), Ministry of Land, and Ministry of Home Affairs, these efforts focus on streamlining regulations, expanding digital platforms, and providing targeted policy support. Key initiatives include expanding the One Stop Service (OSS) platform, automating bond facilities, digitizing security clearance and visa services, introducing a data-driven FDI Heatmap, and rolling out the Bangladesh Investment Climate Improvement Program (BICIP). Together, these reforms aim to cut bureaucratic bottlenecks, boost transparency, and create a more predictable environment that fosters diversification and sustainable growth.

Expansion of BIDA's One Stop Service (OSS) Platform

Bond Facility for Partial Exporters and Bond Service Automation

Launch of the FDI Heatmap

Digitization of Security Clearance for Foreign Investors and Expatriates

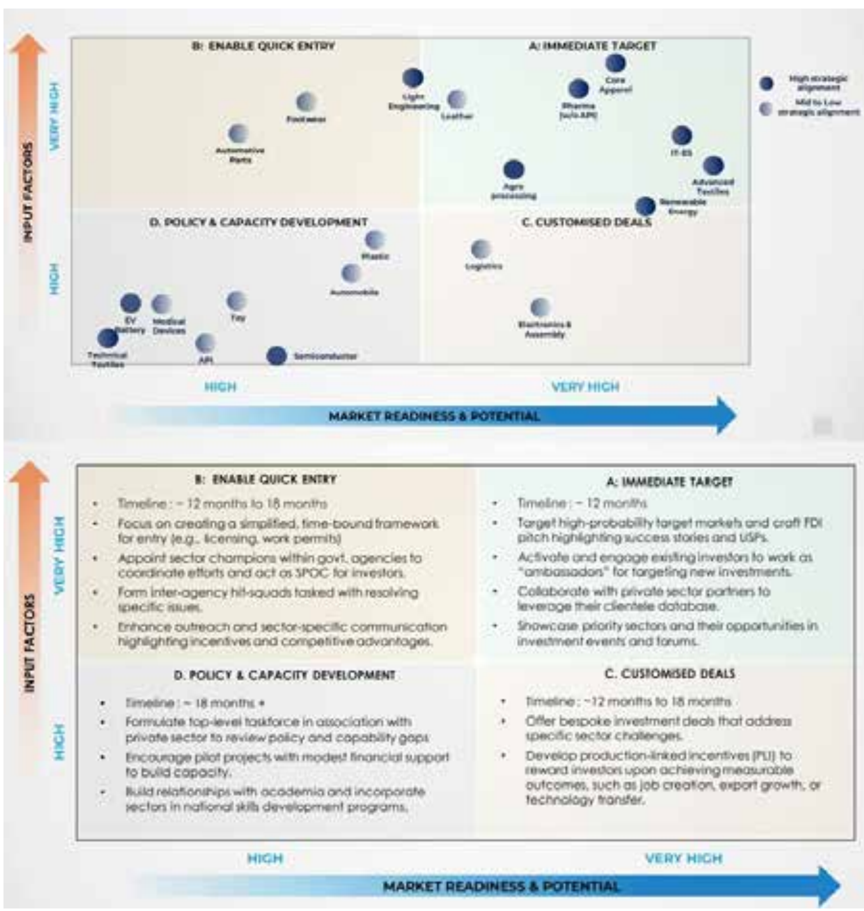
Bangladesh Investment Climate Improvement Program (BICIP)

Expansion of BIDA's One Stop Service (OSS) Platform: The Bangladesh Investment Development Authority (BIDA) has steadily expanded its Online One Stop Service (OSS) platform to make investment procedures more efficient and investor friendly. Recently, five new services from the Directorate of Registration covering land purchase deeds, lease deeds, agreement deeds, advance (Bayna) deeds, power of attorney deeds, and certified copies were integrated into the system. With these additions, the OSS now provides 142 services across 47 agencies, compared to 137 services from 46 agencies previously. From December 2025, these services will only be available online, eliminating manual processes. This expansion reflects the government's broader vision of building a unified single-window platform that integrates services from all Investment Promotion Agencies (IPAs), including BIDA and BEZA, ensuring greater efficiency, transparency, and predictability for investors.

Bond Facility for Partial Exporters and Bond Service Automation: To diversify exports and enhance competitiveness, the government has decided to provide temporary duty-free bonded warehouse facilities to partial exporters against bank guarantees. This reform will allow industries that rely on imported raw materials to export products at globally competitive prices, helping diversify beyond the RMG sector. Simultaneously, the National Board of Revenue (NBR) is working with investment promotion agencies to fully automate bond-related services, phasing out manual processes. Additional measures include conditional relaxation of Utilization Declaration (UD) requirements for enterprises in EPZs and Economic Zones, as well as streamlined customs clearance even in cases of HS Code mismatches, provided the first four digits are consistent. These initiatives collectively aim to reduce costs, simplify trade procedures, and strengthen Bangladesh's position in global value chains.

Launch of the FDI Heatmap: To attract more foreign direct investment (FDI), BIDA has developed and launched Bangladesh's first-ever FDI Heatmap. This data-driven framework identifies 19 high-potential sectors, categorized by market readiness, input availability, and alignment with national goals, including SDG and ESG priorities. Sectors such as core apparel, pharmaceuticals, agro-processing, IT-enabled services, and renewable energy have been identified as immediate targets, while areas like automotive parts, footwear, and leather require streamlined entry processes. Others, including logistics, electronics, EV batteries, and medical devices, need long-term policy and ecosystem development. The Heatmap serves as a strategic blueprint for investment promotion activities, guiding roadshows, investment treaties, and sector-specific reforms. Reviewed annually, it ensures adaptability to changing market dynamics while aligning with Bangladesh's economic transformation goals.

Figure 42: FDI Heatmap of Bangladesh



Source: Bangladesh Investment Development Authority (BIDA)

The FDI Heatmap is also designed to address Bangladesh's declining FDI trend, which has slipped from 0.5% of GDP in FY22 to just 0.3% in FY24. By strategically prioritizing 19 sectors including advanced textiles, semiconductors, EV batteries, and medical devices BIDA seeks to highlight areas where Bangladesh possesses both comparative advantages and untapped growth potential. The Heatmap will be regularly updated through consultations with investors, industry leaders, and international partners to ensure it remains responsive to global market dynamics. Beyond identifying priority sectors, the initiative aims to strengthen collabouration between government bodies and the private sector, ensuring that regulatory reforms, infrastructure development, and policy incentives are aligned to attract higher-quality and more sustainable FDI inflows.

Digitization of Security Clearance for Foreign Investors and Expatriates: Recognizing the importance of easing entry procedures for foreign investors and skilled expatriates, the government has moved to fully digitize the process of obtaining security clearance for work permits through BIDA's OSS platform. Documentation requirements have been simplified, and applications not resolved within 21 working days will automatically be deemed cleared. Visa extensions and related fee payments will also be processed online, removing the need for hard-copy submissions. Furthermore, a new visa policy and digitalized Visa on Arrival (VOA) system are in the pipeline, supported by the development of an interoperable inter-agency database to improve coordination and monitoring. These reforms are expected to bring greater transparency, speed, and predictability to one of the most critical investor services, while also reducing opportunities for harassment and third-party interference.

Bangladesh Investment Climate Improvement Program (BICIP): As a comprehensive reform agenda, BIDA has also launched the Bangladesh Investment Climate Improvement Program (BICIP), focusing on seven critical domains: business entry and exit, industrial infrastructure, cross-border trade, dispute resolution, taxation, investment incentives, and access to finance. The program seeks to simplify licensing and permits, streamline regulatory procedures, and strengthen inter-agency coordination. Backed by strong political commitment, BICIP aims to build

Box 4: Strategic Pathways for Sustainable Business Environment

Bangladesh faces a critical juncture as it approaches graduation from LDC status, requiring a shift toward a more productive, investment-driven private sector. Sustainable growth will depend on strengthening the business environment, deepening financial markets, and enhancing regulatory frameworks to support private investment.

Key priorities include improving fiscal and monetary stability, addressing vulnerabilities in state-owned banks, and expanding access to long-term financing through more liquid equity and bond markets. Leveraging its demographic advantage, the country can create jobs and foster inclusive growth by aligning workforce skills with evolving labour market demands and expanding export-oriented manufacturing beyond traditional sectors. Strategic reforms to boost competitiveness, attract foreign and domestic investment, and support innovation will be essential to sustain economic momentum and ensure that Bangladesh fully capitalizes on its emerging middle-income status.

a predictable, transparent, and investor-friendly business environment that supports both domestic and foreign investment. By addressing systemic bottlenecks in policy and institutional frameworks, the program is designed to complement sector-specific strategies like the FDI Heatmap, reinforcing Bangladesh's aspiration to become a more competitive investment destination and achieve sustainable long-term growth.

4.3 Priority Areas for Supporting Business in Bangladesh: Modernizing Infrastructure, Banking, and Sustainability Remain Critical for Economic Transformation

4.3.1 Modernizing Trade and Logistics: Unlocking Bangladesh's Global Competitiveness

Bangladesh, despite its relatively young age, has made notable progress in reducing poverty and promoting shared prosperity. However, as it transitions to a developing nation, it faces significant challenges in logistics and trade competitiveness. The country lacks efficient inland freight transport systems, has high logistical costs, and has yet to establish a National Logistics Policy. According to the World Bank (2020) report Moving Forward: Connectivity and Logistics to Sustain Bangladesh's Success, logistics costs in Bangladesh range from 4.5% to 47.9% of sales, with transportation and inventory carrying costs forming a substantial portion of total production costs. Major ports, including Chittagong and Mongla, are constrained by shallowness, equipment shortages, and congestion, reducing their global competitiveness.

Table 13: Cross-Country Benchmarking of Trade and Logistics Performance

	India	Vietnam	Bangladesh
Logistics Performance Index (LPI) (2023) (Rank)	38	43	88
Trading Across Borders (Rank)	68	104	176
Agility Emerging Markets Logistics Index (2022) (Rank)	2	10	35
Container Port Performance Index (CPPI) 2023	Mundra: 27 Jawaharlal Nehru Port: 96 Chennai: 80	Haiphong:70	Chittagong: 334
Liner Shipping Connectivity Index (2021) (Index Value=100)	58.9	77.5	14.7
Trade Freedom 2024 (Rank)	139	24	138
Trade Openness 2023 (Rank)	127	13	146

Source: World Bank, Heritage Foundation, The Global Economy, Agility Market Index

Comparative data with regional peers highlights Bangladesh's persistent underperformance in trade and logistics. It ranks 88th on the 2023 World Bank Logistics Performance Index, 176th on Trading Across Borders, and 35th on the 2022 Agility Emerging Markets Logistics Index, well below India and Vietnam. Chittagong port ranks 334th on the 2023 Container Port Performance Index, and Liner Shipping Connectivity is only 14.7, reflecting infrastructure bottlenecks and inefficient customs procedures. These constraints result in high export and import times and costs 315 hours and USD 633 to export, 360 hours and USD 1,270 to import limiting integration into global value chains. Coupled with a low Economic Complexity Index (128th) and limited trade openness, these challenges hinder Bangladesh's potential for higher-value production.

Figure 43: Key Drivers of Higher Logistics Costs in Bangladesh

INFRASTRUCTURE AND SERVICES IMBALANCE	The demand for infrastructure and services has exceeded supply, leading to congestion, especially on roads and highways. This imbalance has resulted in inadequate capacity and poor reliability of services, increasing costs for private firms and affecting the country's overall logistics performance.
DOMINANCE OF ROAD TRANSPORT AND CONGESTION	The dominant role of road transport in Bangladesh's logistics system has led to pervasive congestion and delays, significantly increasing logistics costs. For instance, congestion on roads alone doubles standard trucking costs; if roads were uncongested, logistics costs would decrease by at least 7–35 percent, depending on the specific sector. Moreover, the average dwell times at Chattogram Port are 4 days for an export container and 11 days for an import container. Reducing these dwell times would result in a significant reduction in logistics costs (Matías Herrera Dappe, 2020. World Bank). Furthermore, the country is not fully utilizing the potential benefits of rail and inland water transport, relying predominantly on road transport.
UNSOPHISTICATED LOGISTICS SYSTEM	Bangladesh's logistics system is characterized as unsophisticated, with limited use of multimodal transport, fragmented service providers, and low adoption of information technology tools. This lack of sophistication contributes to inefficiencies and high costs in the logistics sector.
INEFFECTIVE GOVERNANCE AND OUTDATED POLICIES	The governance of the logistics sector is fragmented, with a lack of coordination and integration among different stakeholders. Outdated policies and regulations, as well as market failures, have led to a non-competitive logistics service market and hindered the sector's efficiency and innovation.

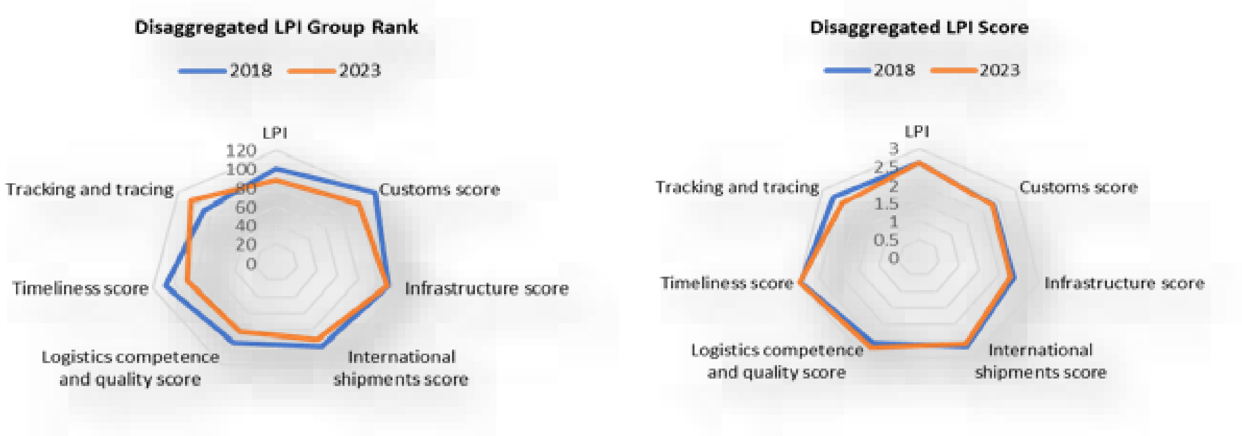
Source: Matías Herrera Dappe, 2020. Moving Forward- Connectivity and Logistics to Sustain Bangladesh's Success. DC: The World Bank

High logistics costs in Bangladesh have a significant impact on productivity and reduce the global competitiveness of goods and services. Many industries maintain large inventories of raw materials and finished products, with carrying costs accounting for a substantial portion of total logistics expenses. These costs are exacerbated by inconsistent deliveries and congestion at ports, forcing export-oriented and import-dependent industries to hold higher inventories as a buffer. The resulting inefficiencies increase production costs, delay exports, and hinder economic diversification. Enhancing logistics performance is therefore critical to lowering costs, reducing delays, expediting imports, and boosting overall productivity and competitiveness.

Bangladesh has established the National Logistics Development Coordination Committee (NLDCC), which plays a central role in guiding the development of the National Logistics Policy. The NLDCC aims to integrate policies across sectors, reduce governance fragmentation, and modernize the logistics system. Its establishment reflects a recognition of the need for a comprehensive strategic vision and effective coordination to overcome institutional weaknesses, improve sectoral efficiency, and create a more reliable and competitive logistics environment for the country.

Bangladesh has already made significant progress in the World Bank's Logistics Performance Index (LPI) 2023, managing a score of 2.6 on a 5-point scale. The country climbed in ranks by 12 places compared to 2018, which indicates an improvement in the country's trade and business skills. The LPI is based on six components, and Bangladesh's performance has improved in four of them: customs, international shipment, logistics competence and quality, and timeliness. Specifically, the country's ranking in the customs category has improved by 20 notches, indicating enhanced efficiency in customs management and goods clearance. Furthermore, Bangladesh's performance in logistics competence and quality has risen to 81st from 102nd, and in the international shipment category, it has improved to 91st from 104th.

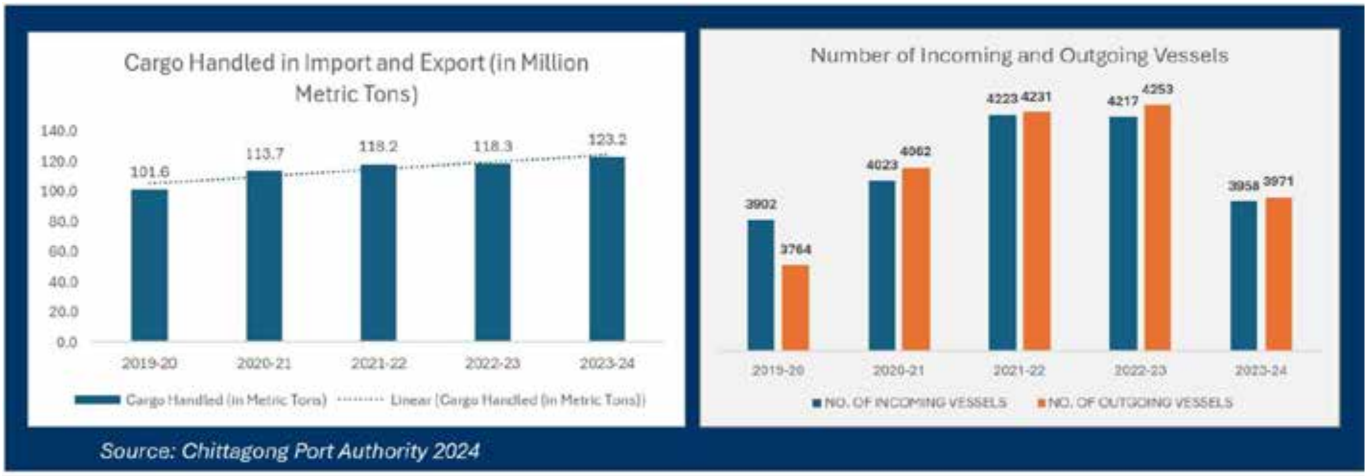
Figure 44: Logistics Performance Index (LPI), 2023



Source: The Logistics Performance Index and Its Indicators, World Bank

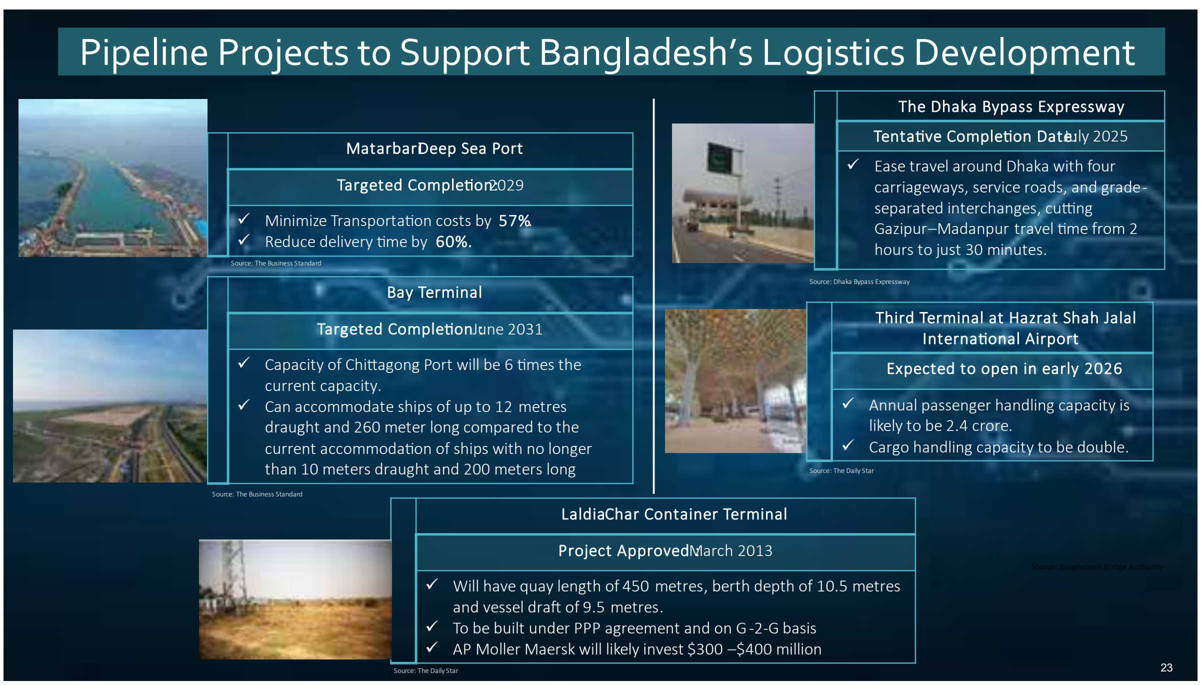
Bangladesh's recent improvement in the Logistics Performance Index (LPI) reflects its efforts to address logistical challenges and enhance the trade and business environment. Continued focus is needed on infrastructure, tracking, and tracing to further strengthen logistics performance, attract foreign direct investment, and support export diversification. The government has demonstrated strong commitment through strategic infrastructure projects, including the Elevated Expressway and Terminal 3 at Hazrat Shahjalal International Airport, which are expected to improve connectivity, reduce travel time, and bolster trade. Additionally, initiatives like the Bay Terminal project at Chattogram Port aim to modernize the port-led logistics network, lower costs, and create opportunities for businesses, supporting Bangladesh's broader goal of sustainable economic growth and enhanced global competitiveness.

Figure 45: Past Years Have Seen Increase in Capacity of Ports in Bangladesh



Bangladesh's ports have witnessed significant growth in capacity, supporting the country's expanding trade activities. Total cargo volumes for both imports and exports have steadily increased, reflecting not only higher trade demand but also more efficient port operations. Vessel traffic has grown gradually, indicating better utilization of port infrastructure and smoother logistics processes. Export handling has become more efficient, with all container stuffing now carried out at private depots near the ports, while streamlined documentation through one-stop service centers has further simplified trade procedures, contributing to faster turnaround times and enhanced competitiveness in international trade.

Figure 46: Pipeline Projects to Support Bangladesh's Logistics Development

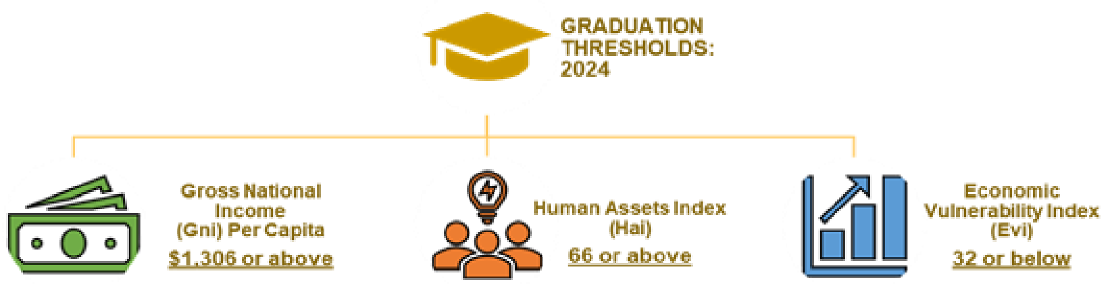


Bangladesh is undertaking a series of transformative logistics projects aimed at modernizing its transport and trade infrastructure. Key initiatives include the Matarbari Deep

Sea Port, expected to cut transportation costs by 57% and delivery times by 60% by 2029; the Bay Terminal, which will expand Chittagong Port's capacity sixfold and accommodate larger vessels by 2031; and the Laldia Char Container Terminal and Dhaka Bypass Expressway, which will drastically reduce travel times around Dhaka. Additionally, the third terminal at Hazrat Shah Jalal International Airport, opening in 2026, will double cargo capacity and handle 2.4 crore passengers annually. Together, these projects are set to strengthen connectivity, improve trade efficiency, reduce logistical bottlenecks, and support sustained economic growth, while attracting investment and enhancing Bangladesh's competitiveness in regional and global markets.

4.3.2 Economic Transformation Post-LDC Graduation: Strengthening Competitiveness and Global Integration

Bangladesh's graduation from the Least Developed Countries (LDCs) category, scheduled for November 24, 2026, marks a major milestone in the country's economic progress and resilience. The graduation reflects Bangladesh meeting at least two of the three criteria income



per capita, human assets, and economic and environmental vulnerability and in fact, the country met all three in 2018 and 2021. Although the original recommendation for 2024 was extended due to the pandemic, this achievement underscores Bangladesh's strengthened economic capacity and its ability to withstand financial and climate-related shocks.

To meet the LDC graduation criteria, Bangladesh has received the final recommendation from the United Nations Committee for Development Policy to graduate from LDC status. This milestone reflects the country's resilience and capacity to sustain development amid economic and environmental challenges. Graduation is expected to bring numerous benefits, including greater access to international markets, enhanced credibility, and stronger investment prospects. As a non-LDC, Bangladesh can leverage preferential trade agreements, face fewer trade restrictions, and attract increased foreign investment, fostering a more diversified and robust economy. The country is also likely to gain improved access to financial resources, technology, and knowledge transfer, further supporting sustainable growth. Overall, LDC graduation positions Bangladesh more prominently in global partnerships and negotiations, signaling its economic strength and increasingly capable human capital.

The upcoming graduation from Least Developed Country (LDC) status is a strong impetus for Bangladesh to modernize its policymaking and strengthen international partnerships. Despite being one of the least regionally integrated countries in Asia, Bangladesh recognizes the need to build strategic trade networks and leverage regional integration as it prepares for graduation. Sustaining growth will require revamping an economic model that has relied heavily on price competitiveness, addressing the dual industrial structure of an export-oriented Ready-Made Garments (RMG) sector alongside highly protected domestic industries. Key priorities include diversifying exports, fostering innovation- and quality-driven industrial development, and establishing strategic international partnerships.

The graduation of Bangladesh from the LDC category will significantly alter its access to international support measures (ISMs). Most notably, the country will lose LDC-specific duty-free quota-free (DFQF) schemes, which have provided preferential market access to support trade for vulnerable economies. Graduation will also affect access to official development assistance (ODA); between 2018 and 2021, approximately 32% of ODA to Bangladesh targeted economic transformation programs, making it one of the highest recipients in this area. Post-graduation, Bangladesh will need to adapt to potential shifts in ODA flows. Additionally, access to climate finance is critical for addressing socio-economic impacts of climate change may change, requiring careful planning. According to the OECD's Production Transformation Policy Review of Bangladesh, the key areas affected by LDC graduation will include preferential trade arrangements, World Trade Organization agreements, and development cooperation.

Impact on Export and Competitiveness

- With LDC graduation, **74%** of Bangladesh's exports will face changes in market access. (The Daily Star, March 2025)
- Post-LDC graduation tariff hikes could cause a **14%** drop in Bangladesh's exports. (WTO, 2025)
- Post-graduation, exporters may face **11.5%** EU duties without GSP Plus. (The Financial Express, March 2025)
- Countries like Vietnam are securing **Free Trade Agreements (FTAs)** with major markets, enhancing their competitiveness.

Table 14: LDC Graduation Impact on Bangladesh

Preferential Trading Arrangements	▪ Graduation from the LDC category will lead to the loss of preferential market access, including the LDC-specific duty-free quota-free (DFQF) schemes in key markets like the EU, Canada, and Japan, which were specifically designed to support the trade of poor and vulnerable economies. ▪ The RMG sector, particularly benefiting from the 'Everything But Arms (EBA)' initiative, will face significant changes as EU exports transition to the Generalised System of Preferences (GSP), GSP+, or alternative arrangements after a three-year transition period until 2029.

World Trade Organization Agreements	▪ Bangladesh, upon graduation, will lose special and differential treatment under WTO agreements, including the extension for LDCs in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). ▪ Intellectual property rights and sectoral regulations for the pharmaceutical industry will need to align with the TRIPS agreement. ▪ Bangladesh will no longer enjoy the general transition period for LDCs under TRIPs, necessitating a review of subsidies to comply with the Agreements on Agriculture and Subsidies and Countervailing Measures. ▪ Bangladesh will lose certain facilities for dispute settlement, and various LDC-specific provisions in other WTO agreements will expire, affecting the country's benefits in regional agreements and future trade negotiations, as well as access to training and capacity-building opportunities.
Development Co-Operation	▪ The loss of access to certain international support measures will affect the official development assistance (ODA). Bangladesh has been a significant recipient of ODA, with around 32% of total ODA between 2018 and 2021 focusing on economic transformation programs. The country will need to adapt to potential changes in ODA flows post-graduation. ▪ Some partners, such as Japan, may offer slightly less favorable terms on ODA loans, and there could be a gradual shift from grants to loans, notably from Germany. ▪ Bangladesh will lose access to specific mechanisms reserved for LDCs, like the LDC Fund for climate change, and will experience higher contributions to the United Nations system, estimated at USD 5 to 5.5 million per year. Support for travel to meetings will also be discontinued.

Source: OECD/UNCTAD (2023), Production Transformation Policy Review of Bangladesh: Investing in the Future of a Trading Nation, OECD Development Pathways, OECD Publishing, Paris

Graduation also raises concerns about maintaining and developing industrial capabilities, policy compliance, and the potential discontinuation of certain exemptions by 2026, including the Trade-Related Aspects of Intellectual Property Rights (TRIPS) waiver. To navigate these challenges, Bangladesh aims to upgrade industries, improve linkages, enhance productivity, diversify production, and explore new markets, treating LDC graduation not as a hurdle but as an opportunity for the next phase of development through resilience and strategic planning.

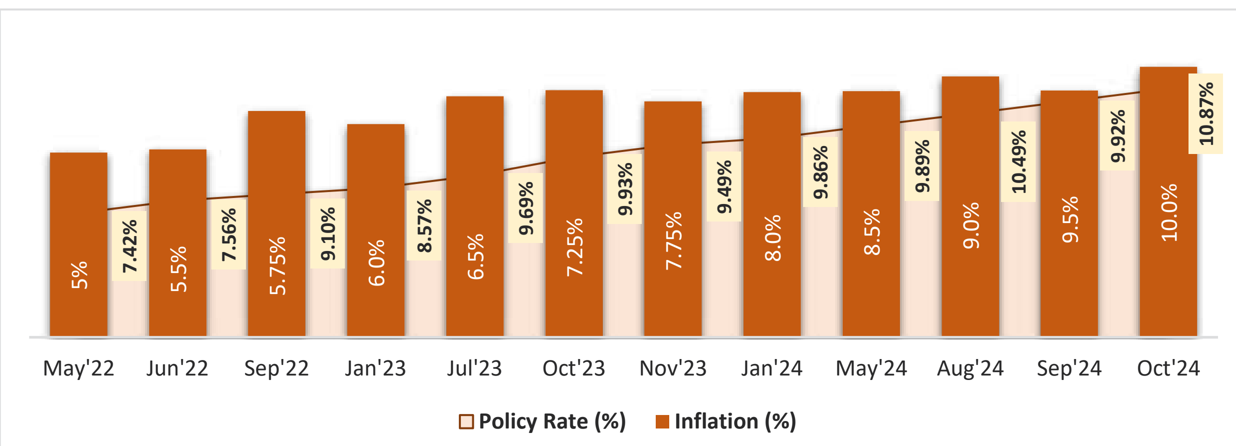
Bangladesh also possesses untapped export potential in ASEAN, South Asia, and East Asia, underscoring the need for a strategy that combines LDC graduation with proactive regional integration. Following bilateral agreements and regional partnerships, such as ASEAN and RCEP taking lessons from Vietnam will be crucial, while gradually transitioning from preferential to reciprocal trade. This requires updated policies, as many exports currently benefit from LDC tariff preferences that will be lost post-graduation, potentially affecting export incentives and employment. Sectors like pharmaceuticals, with strong industrial interconnections and global networks, can drive innovation and socioeconomic transformation, provided the country strengthens its foundation in science, research, and development.

4.3.3 Rising Non-Performing Loans and Reform Imperatives in Bangladesh's Banking Sector

Rising Non-Performing Loans Challenge Stability of Bangladesh Banking Sector

Bangladesh's banking sector stands at the forefront of current macro-financial challenges, shaped by persistently high inflation, liquidity pressures, and structural weaknesses such as elevated non-performing loans (NPLs) and weak governance. Although Bangladesh Bank (BB) has pursued a tighter monetary stance with successive policy rate hikes, the impact of these measures has been diluted by inefficiencies in financial intermediation and poor transmission of policy signals. The gap between deposit and lending rates capped at 12% and 16% respectively continues to constrain deposit mobilization while distorting credit flows. Against this backdrop, BB's half-yearly Monetary Policy Statement (MPS) for H1FY26 outlines a clear roadmap to anchor inflation expectations, stabilize the exchange rate, and rebuild financial stability, particularly in light of alarming NPL levels across banks and non-bank financial institutions. The continued divergence between policy rates and inflation as shown in the accompanying graph highlights the challenges of restoring monetary credibility and sustaining confidence in the financial system.

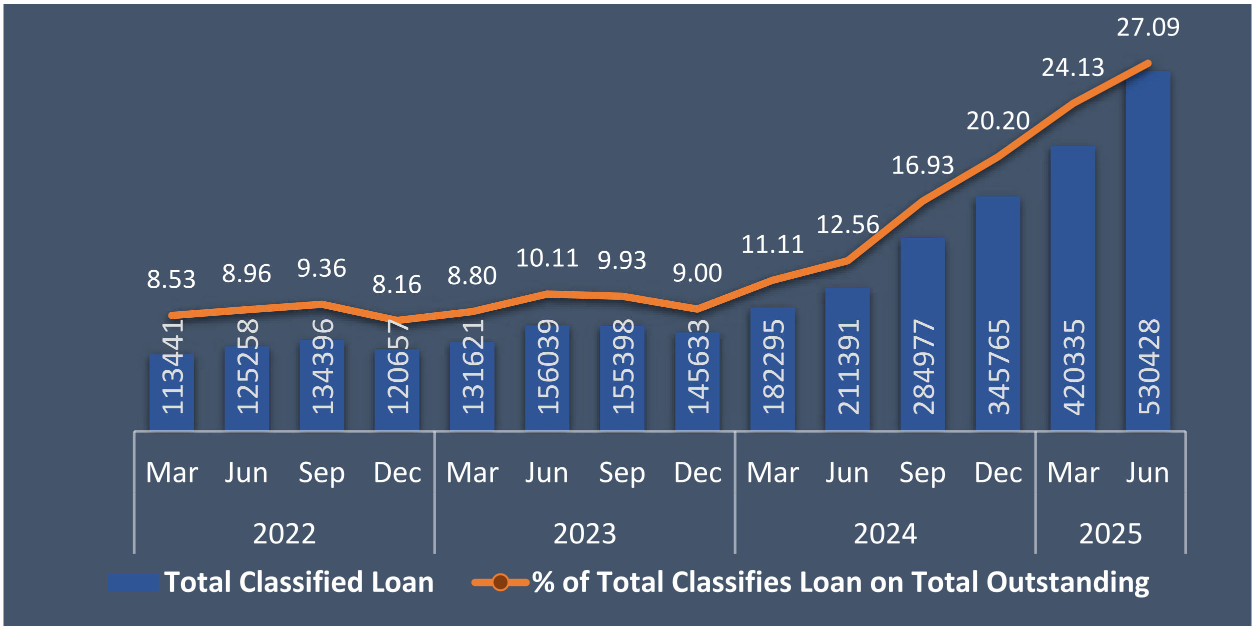
Figure 47: Policy Rate vs Inflation Rate of Bangladesh



Source: Bangladesh Bank

NPLs in Bangladesh banking sector have reached unprecedented levels, exposing deep structural weaknesses and decades of mismanagement. By the end of 2024, NPLs were estimated to exceed Tk7.5 lakh crore, with Bangladesh Bank's Q1 2025 data confirming a staggering surge of Tk74,570 crore in just three months, bringing the official figure to Tk4.20 lakh crore. This sharp increase followed the adoption of stricter loan classification standards, which reclassified many previously concealed accounts. As a result, classified loans now account for 24.13% of total outstanding loans, of which Tk3.42 lakh crore—or more than 81%—are “bad loans” deemed unrecoverable. This hidden rot, long masked by political influence under the previous administration, has now been laid bare, severely constraining banks’ capacity to extend fresh credit and eroding financial stability.

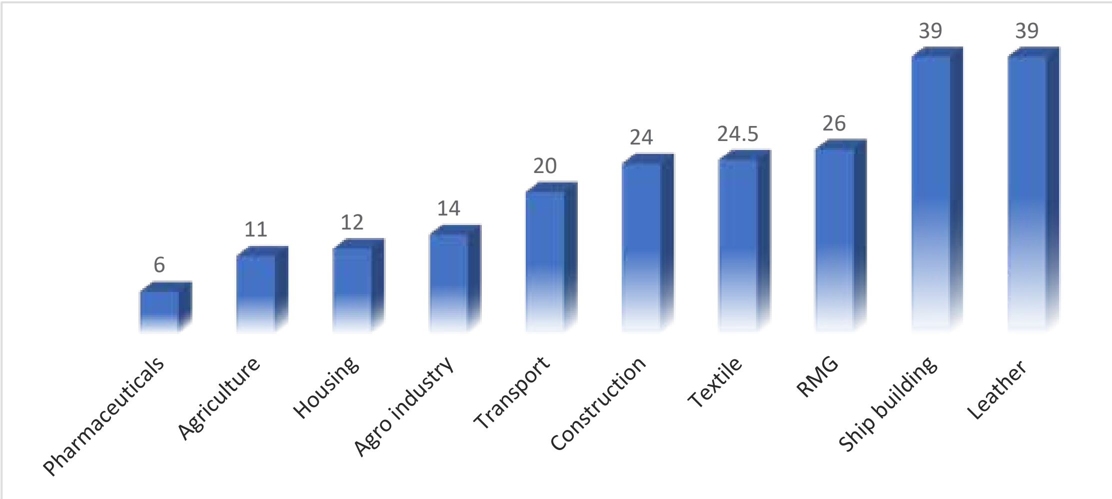
Figure 48: Trend of Classified Loans in Banking Sector



Source: Bangladesh Bank

Sectoral data reveal that the repayment crisis extends well beyond small borrowers, affecting some of Bangladesh’s largest export industries. The readymade garment (RMG) and textile sectors together contributing over $39 billion in exports and employing nearly 40 lakh workers recorded gross NPL ratios of 26% and 25% respectively in 2024. Shipbuilding and leather fared even worse, with default ratios approaching 40%. Economists note that smaller firms, particularly in RMG and textiles, are most vulnerable to energy shortages, high borrowing costs, and global demand shocks. These firms often lack bargaining power in financing and logistics, making them disproportionately exposed to loan defaults. With over 70% of textile and garment firms listed on the Dhaka Stock Exchange already performing poorly, the mounting debt distress threatens to spill over into both employment and export earnings, raising broader concerns about industrial resilience.

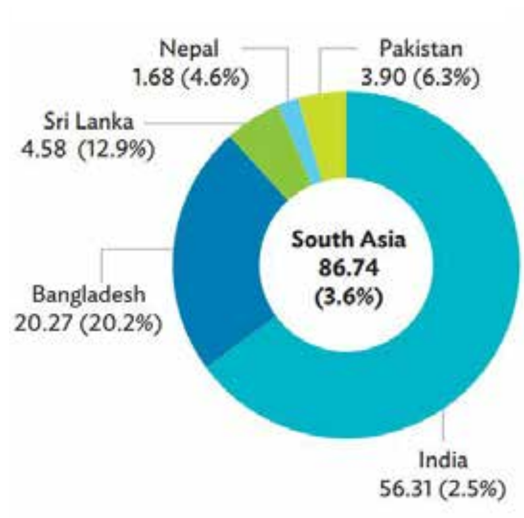
Figure 49: Gross Non-Performing Loans by Sectors (in %)



Source: Bangladesh Bank

Bangladesh has rapidly become the region's banking outlier, standing as South Asia's most distressed financial system. While the region overall managed to cut NPL volumes by 8.1% in 2024 to $86.74 billion, Bangladesh bucked the trend dramatically its NPL stock jumped from $15.8 billion in 2023 to $20.27 billion in 2024, pushing the ratio to a staggering 20.2% of total loans, more than double the 9.0% recorded just a year earlier. This explosive deterioration stands in sharp contrast to India, where the NPL ratio eased to just 2.5%, and Pakistan at 6.3%. Bangladesh's runaway defaults lay bare deep-rooted structural rot: decades of political patronage in loan classification, weak credit risk management, and the near absence of an effective resolution mechanism. Without an urgent and credible long-term strategy anchored in governance reform, transparency, and institutional integrity, the NPL crisis risks snowballing into a full-blown financial implosion threatening not only banking sector stability but the very foundations of the country's economic recovery.

Figure 50: NPL Volume (USD billion) and Loans Ratio (%) in South Asia



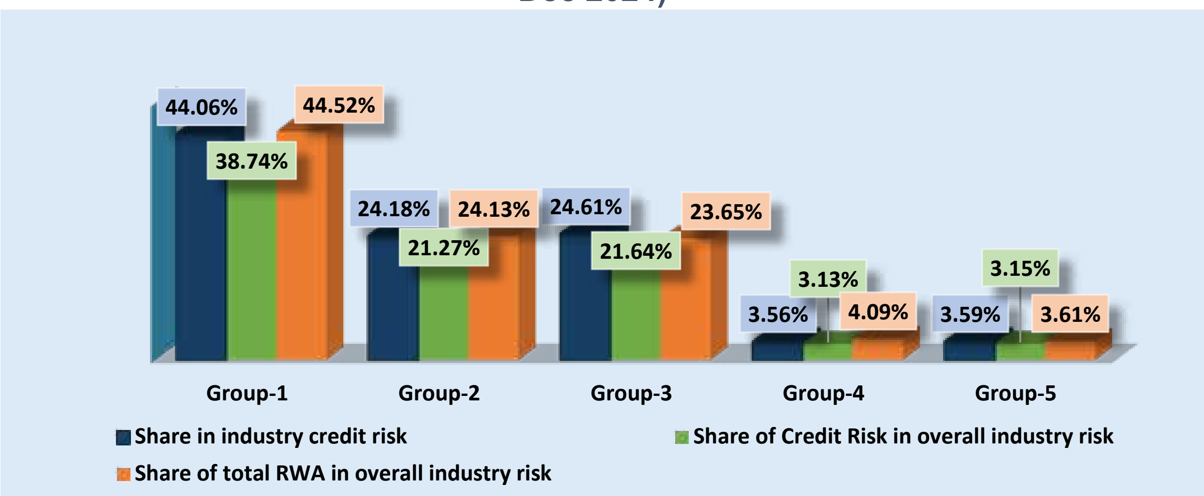
Source: Nonperforming Loans Watch in Asia

Banking Sector Vulnerabilities and Risk Assessment

In 2024, Bangladesh's banking sector faced increased vulnerability, reflected in the rise of the overall Risk-Weighted Assets (RWA) density ratio from 59.31% in 2023 to 62.61%. This trend indicates greater exposure of banks to risky assets and the need for higher capital buffers. The sector's Capital to Risk-Weighted Asset Ratio (CRAR) declined sharply to 3.08%, falling below the regulatory minimum of 10 %, underscoring pressures on capital adequacy. Banks' risk exposures remained concentrated in a few large institutions, while sectoral lending patterns revealed significant allocations to the corporate sector, Retail, and SMEs, which carry relatively higher risk weights.

1. **Credit Risk:** Credit risk remained the dominant source of vulnerability, comprising 87.93% of total RWA at end-2024. The top 5 and top 10 banks accounted for 26.76% and 42.96% of the sector's credit risk, respectively. Group 1 banks, holding 43.72 % of total assets, contained about half of the industry's credit risk, while Group 3 (Islamic banks) and Group 2 (state-owned and special attention banks) together held significant portions as well. Sectoral exposures showed high-risk concentrations in the Retail and SME segment, with an RWA density of 73.65%t. Although rated exposures to corporate clients and banks increased for the highest rating category (BB Rating 1), the share of rated exposures overall declined, raising potential vulnerability to defaults.

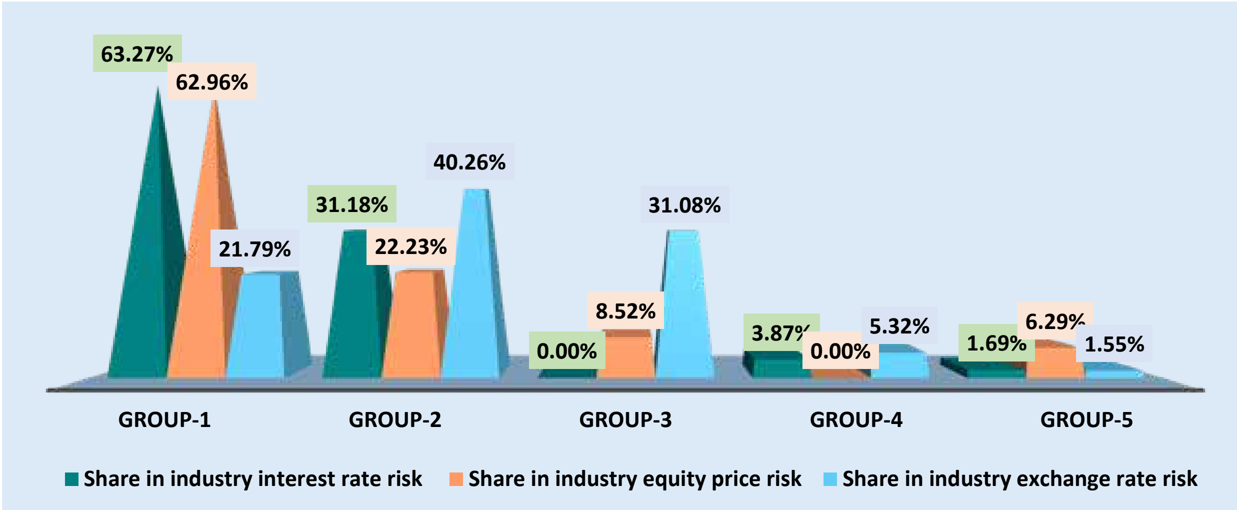
Figure 51: Category-Wise Dissection of Credit Risk in the Banking System (End of Dec 2024)



Source: Financial Stability Report 2024, Bangladesh

2. **Market Risk:** Market risk accounted for 3.62% of total industry risk but rose sharply in nominal terms by 35.37% in 2024. The increase was driven primarily by interest rate risk, which surged by 186.86% and constituted 31.77% of market RWA, while equity price risk and foreign exchange risk contributed 36.11 % and 32.12 %, respectively. Banks in Groups 1 and 2 were most exposed, together holding over 94% of interest rate risk and 85 % of equity price risk. Islamic banks (Group 3) showed rising exposure to exchange rate risk, highlighting shifting market risk dynamics across bank categories.

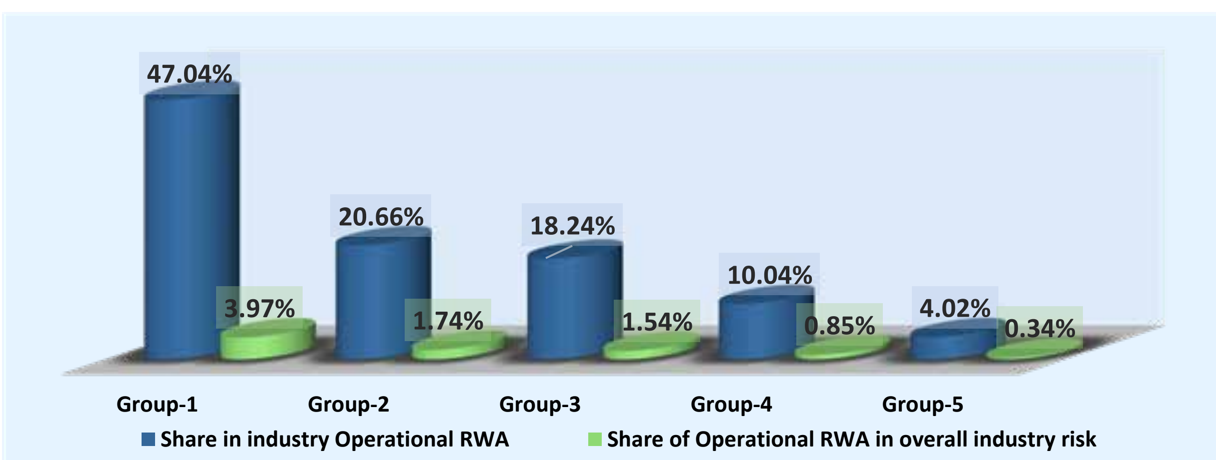
Figure 52: Category-Wise Dissection of Market Risk in the Banking System (End of Dec 2024)



Source: Financial Stability Report 2024, Bangladesh

3. **Operational Risk:** Operational risk, representing 8.45 % of total RWA, also increased in 2024, with the required capital charge reaching BDT 139.07 billion, a 13.93% rise over the previous year. The top 5 and top 10 banks accounted for 26.81% and 45.29% of operational risk, respectively. Category-wise, Groups 1 and 2 jointly bore 67.70% of operational risk, reflecting the concentration of exposures in long-standing private and state-owned banks. While operational risk's share in overall industry risk marginally declined, the rise in associated capital requirements underscores the need for strengthened internal controls, compliance, and risk management practices.

Figure 53: Category-Wise Dissection of Operational Risk in the Banking System (End of Dec 2024)



Source: Financial Stability Report 2024, Bangladesh

Policy Initiatives for Banking Sector Reforms

The government and Bangladesh Bank (BB) have launched a sweeping set of reforms to restore confidence in the country's financial system, tackle rising vulnerabilities, and lay the foundation for a more resilient banking sector. These measures reflect both the urgency of addressing governance failures and the broader commitment to building transparency, accountability, and institutional strength.

- **Upholding Good Governance:** Bangladesh Bank has dissolved and restructured the boards of 15 banks to restore effective governance and accountability. This action reduces conflicts of interest and promotes transparency in decision-making. Banks must now provide daily monitoring indicators to BB, enabling closer oversight and early detection of risks. Additionally, the "Transactions with Bank-Related Persons or Institutions" circular (May 8, 2025) strictly limits lending to directors, CEOs, significant shareholders, their families, and affiliates, ensuring insider transactions are transparent and compliant with regulations.

- **Comprehensive Banking Sector Reforms:** The interim government has formed three specialized task forces to drive reforms. The Banking Sector Reforms Task Force (BSR-TF) introduced the Asset Quality Review (AQR) framework and signed an MoU with Deloitte LLP, supported by the UK FCDO, to enhance oversight. The Institutional Strengthening Task Force drafted the Bangladesh Bank Order 2025 to boost BB's capacity and compliance. Meanwhile, the Asset Recovery Task Force was created to trace, investigate, and repatriate siphoned assets through stronger inter-agency and international cooperation.

- **Strengthening Anti-Corruption and Asset Recovery:** To combat financial crimes, Joint Investigation Teams (JITs) led by the ACC, with CID, CIC, and CIID, are investigating 11 high-profile money laundering cases. So far, they have frozen over 6,500 suspicious accounts and shared 100+ financial intelligence reports with law enforcement. Amendments to the Money Laundering Prevention Act, 2012, and Rules, 2019, are underway to close legal loopholes. Bangladesh is also deepening cooperation with StAR, the US DOJ, IACCC, and ICAR, while negotiating MLATs to strengthen cross-border asset recovery.

- **Managing Non-Performing Loans (NPLs):** To address rising defaults, BB has enforced stricter loan classification and provisioning rules since September 2024 and April 2025, in line with global standards. Reporting formats have been updated for better sector-wise supervision, and Core Risk Guidelines are being revised to prepare for Risk-Based Supervision (RBS). A roadmap for Expected Credit Loss (ECL)-based provisioning under IFRS 9 by 2027 will enable earlier risk recognition and greater transparency. BB is also developing an Emergency Liquidity Assistance (ELA) Framework to support banks during sudden liquidity crises.

- **Promoting Financial Inclusion and Cashless Economy:** Bangladesh Bank has made financial inclusion a priority, focusing on underserved communities. Digital microcredit at low interest rates has been introduced for marginalized groups, alongside initiatives promoting women's financial empowerment. The School Banking Policy has been revised, with a new manual to improve financial literacy among students. Supporting the shift to a cashless economy, BB launched Bangla QR, a national interoperable standard for retail payments now adopted by 42 banks, 7 MFS providers, and 3 PSPs.

- **Asset Quality Review (AQR) and Bank Restructuring:** The AQR framework is strengthening oversight of loan portfolios and asset quality. Seventeen banks are under review in three phases, with the first six assessed by KPMG and Ernst & Young (EY) Sri Lanka. Governance is supported by a three-tier structure Implementation, Project Management, and Steering Committees along with Special Inspection Teams for root cause analysis. With support from the World Bank and ADB, the next phases of AQR are being expanded to the remaining banks.

- **Bank Resolution Ordinance, 2025:** The Bank Resolution Ordinance (BRO) 2025 gives BB authority to resolve failing banks quickly and systematically. It established the Banking Sector Crisis Management Council to coordinate responses during crises. Resolution tools include bridge banks, bail-in mechanisms, purchase and assumption, temporary public ownership, and asset transfers to management companies. Clear criteria for classifying banks by financial health allow regulators to apply graduated measures, from closer supervision to full resolution.

4.3.4 Integrating ESG for Sustainable Growth and Global Competitiveness in Bangladesh

The integration of environmental, social, and governance (ESG) factors into corporate strategy has become increasingly important for driving sustainable business performance, cost efficiency, and long-term value creation. ESG provides a framework for assessing an organization's sustainability, ethical practices, and governance, helping to identify risks and opportunities beyond traditional financial metrics. Integrating ESG into business strategies allows companies to align with stakeholder values, reduce risks, lower costs, and unlock new market opportunities. This can be achieved by embedding ESG initiatives into core operations, leveraging technology for accurate reporting, and adhering to standards on carbon offsetting and net-zero commitments.

While ESG is often linked to investment, its relevance extends to a broad range of stakeholders, including customers, suppliers, and employees, who are increasingly attentive to organizational sustainability. This underscores the growing importance of responsible business practices across all stakeholder groups. As global momentum builds around mandatory ESG disclosures and assurance, Bangladesh is recognizing the need to adopt robust ESG reporting frameworks to remain competitive internationally and align with emerging global standards.

Figure 54: ESG Framework

In Bangladesh, several initiatives have emerged to promote Environmental, Social, and Governance (ESG) practices, enhancing sustainability, transparency, and accountability in the business sector. Key examples include:

1. **Regulatory Interventions:** The Bangladesh Bank has emphasized ESG reporting through its circular "Mainstreaming Corporate Social Responsibility in Banks and Financial Institutions in Bangladesh" and, in 2020, issued a Sustainable Finance Policy to integrate ESG considerations into the operations of banks and financial institutions.

2. **Mandatory ESG Reporting:** The Bangladesh Securities and Exchange Commission (BSEC) requires listed companies to include ESG disclosures in their annual reports under the Sustainability Reporting Guidelines (SRG).

3. **NGO Initiatives:** Non-governmental organizations are voluntarily reporting on ESG performance, responding to growing demands for transparency and accountability from donors, beneficiaries, and partners.

4. **Corporate ESG Reports:** Companies such as BAT Bangladesh are publishing ESG reports to highlight their efforts in addressing environmental, social, and governance priorities.

These developments reflect a global shift toward integrating ESG disclosures into financial reporting, particularly in advanced economies. Bangladesh must closely monitor and adapt to ESG regulations in key markets such as the EU and the US to remain competitive. If companies in these jurisdictions become subject to mandatory ESG disclosure requirements, they may extend these expectations to their suppliers in Bangladesh. Failure by Bangladeshi suppliers to meet such standards could result in lost business opportunities, as foreign buyers may turn to suppliers capable of providing transparent ESG reporting and assurances.

Bangladesh can also draw lessons from successful ESG reporting practices in other countries. In India, the Securities and Exchange Board of India (SEBI) mandates ESG reporting for the top 1,000 companies through the Business Responsibility and Sustainability Report (BRSR). Similarly, Malaysia requires all publicly listed companies to report on ESG factors, including equity, diversity, human rights, and sustainable development practices. These examples provide valuable models that Bangladesh can consider while developing and strengthening its own ESG reporting framework.

Figure 55: Best Practices for ESG Reporting

ESG reporting offers Bangladesh a strategic avenue to attract foreign investment by enhancing transparency, accountability, and sustainability. While many companies engage in CSR activities, reporting quality is often inconsistent and sometimes influenced by political considerations. By disclosing environmental, social, and governance performance, Bangladeshi firms can appeal to investors increasingly prioritizing ESG factors, signaling long-term risk management and sustainable practices. Effective ESG reporting can boost corporate credibility, attract responsible investors, and contribute to long-term financial success. Although still in its early stages in Bangladesh, learning from international best practices can help the country align with global standards, strengthen corporate sustainability, and enhance investor confidence.

CHAPTER 5

Bangladesh Business Climate Index Score 2024-25:

Implications on Private Sector

Chapter 5: Bangladesh Business Climate Index Score 2024-25: Implications on Private Sector

The Bangladesh Business Index 2023-24 offers an evaluation of the current business environment in Bangladesh. This assessment compares Bangladesh against the best regulatory practices in the country, showcasing how close the business environment is to achieving optimal regulatory performance across various business pillars.

The score was calculated based on two key steps:

In the first phase, data is analyzed by Division, and it was achieved by preparing the absolute scores across 39 indicators for each Division. As the total number of Divisions is 8, this gave us, 39 x 8 = 312 data points to begin with.

$$B_i = \sum_{i=1}^{n} x_{j,k}$$

Where B is the value of the pillar; i is the sub-sector and k is the sub-indicator; Xjk is the score of the ith term in j sub-sector and k indicator and n is the total number of firms surveyed.

The next phase comprises calculating absolute scores across the 11 pillars to determine the best-performing Divisions across each sub-index. This is a simple arithmetic total of the scores assigned to the five indicators in each sub-index for each Division.

The last phase is to calculate the combined overall score. This score was calculated using absolute scores for each pillar for each Division, with each pillar carrying equal weight.

$$I = \sum_{j=1}^{n} \sum_{k=1}^{n} w_i x_{j,k}$$

Where I represent the index; w is the weight assigned, i is the sub-sector and k is the sub-indicator; xjk is the score of the ith term in j sub-sector and k indicator and n is the total number of firms surveyed.

The Bangladesh Competitive Index employs a straightforward calculation method: assigning equal weight to all pillars and, within each pillar, evenly distributing weight among its subfactors or components. **Scores are rated on a scale from 1 to 10, where 0 signifies the worst performance and 10 denotes the best performance.** When compared across years, the score will highlight how much the business environment for local entrepreneurs in an economy has changed over time in absolute terms.

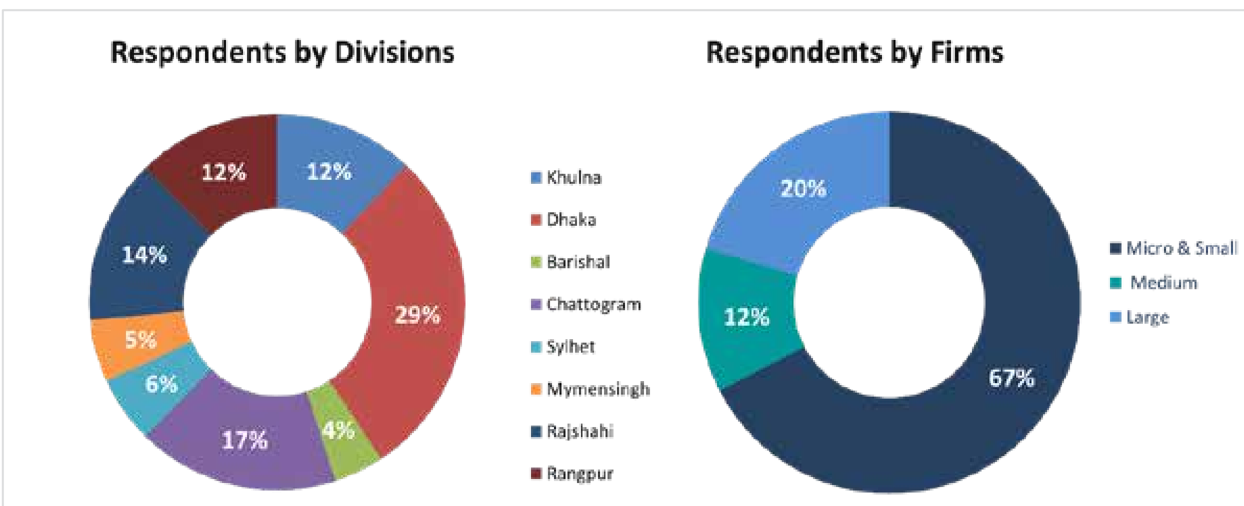
The overall score distribution was categorized into four categories as shown below:

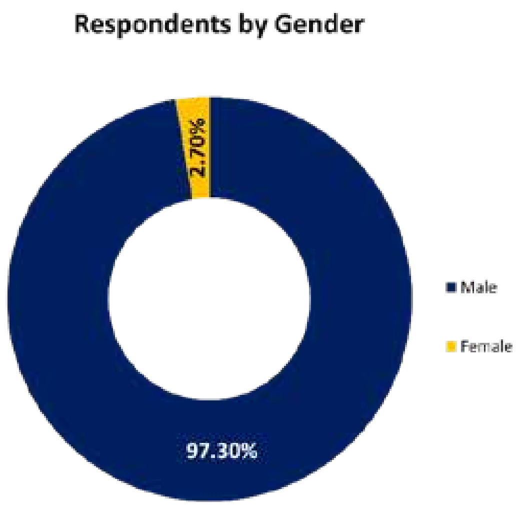
Score	***Description of Business Climate***
0-40	***Difficult Environment for Business:*** *Kick start needed*
41-60	***Several Bottlenecks remain for Business:*** *Significant efforts required*
61-80	***Improving Business Environment:*** *Progress made however more needs to be done*
80-100	***Business Friendly Environment:*** *Continue the momentum*

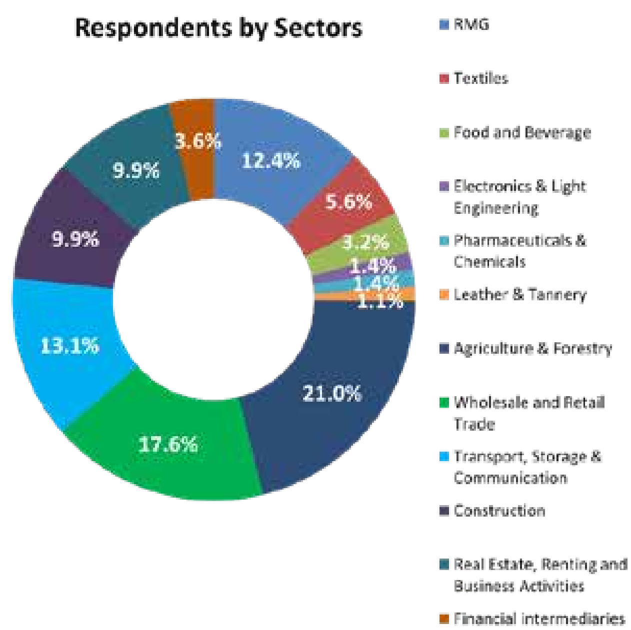
5.1 Respondent Profile

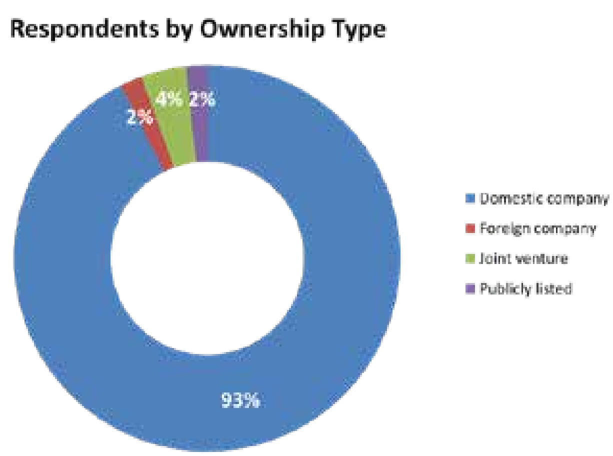
A total of 558 respondents participated in the survey. The largest share came from the Agriculture and Forestry sectors (21%), followed by Wholesale and Retail Trade (18%), Transport, storage and communication (13%), and RMG (12%). Other notable contributions included Construction, Real Estate, Renting and Business Activities (10% each), Textiles (6%), and Financial Intermediaries (4%), with smaller sectors such as Food and Beverage, Electronics and Light Engineering, Pharmaceuticals and Chemicals, and Leather and Tannery together making up less than 10 %. By location, Dhaka accounted for 29% of all respondents, followed by Chattogram (17%) and Rajshahi (14%), while the rest were spread across other divisions. The sample was predominantly made up of domestic firms (93%), with limited representation from foreign companies (2%), joint ventures (4%), and publicly listed entities (2%). In terms of size, micro and small enterprises formed the majority (67%), alongside medium firms (12%) and large companies (21%). Participation dynamics show that nearly three-quarters of respondents (73%) took part for the first time, while just over one-quarter (27%) had also participated in the previous year.

Figure 56: BBX 2024-25- Key Coverage at a Glance




Respondents by Gender
2.70%
97.30%
Male
Female

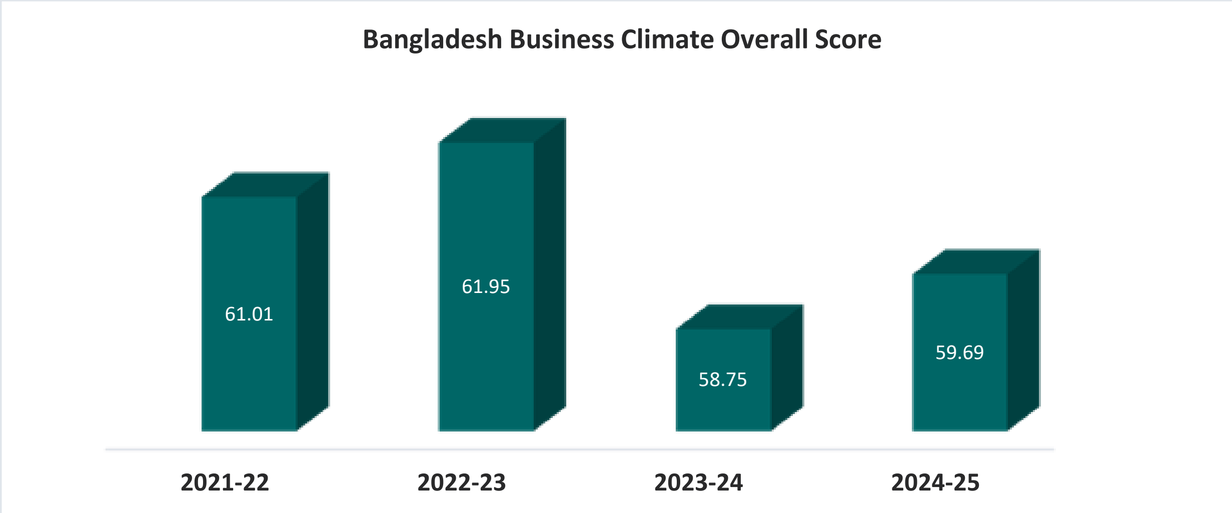

Respondents by Sectors
3.6%
12.4%
9.9%
5.6%
9.9%
3.2%
1.4%
1.4%
1.1%
13.1%
21.0%
17.6%
RMG
Textiles
Food and Beverage
Electronics & Light Engineering
Pharmaceuticals & Chemicals
Leather & Tannery
Agriculture & Forestry
Wholesale and Retail Trade
Transport, Storage & Communication
Construction
Real Estate, Renting and Business Activities
Financial intermediaries


Respondents by Ownership Type
2%
4%
2%
93%
Domestic company
Foreign company
Joint venture
Publicly listed

5.2 Bangladesh Business Climate Index Results 2024-25: Insignificant Improvement in Overall Index Score since BBX 2023-24

Bangladesh Business Climate Index- Performance by Pillar

Bangladesh Composite Score 2024-2025- ----→ 59.69		
Pillar Area	**2023-24**	**2024-25**
Starting a Business	62.74	64.72
Access to Land	53.11	54.10
Availability of Regulatory Information	68.04	67.70
Business Infrastructure	71.08	68.82
Labour Regulation	70.04	68.92
Dispute Resolution	62.38	64.73
Trade Facilitation	60.87	59.56
Paying Taxes	54.74	55.38
Technology Adoption	63.50	62.46
Access to Finance	28.11	40.07
Environmental Regulations and Standards	51.59	50.18

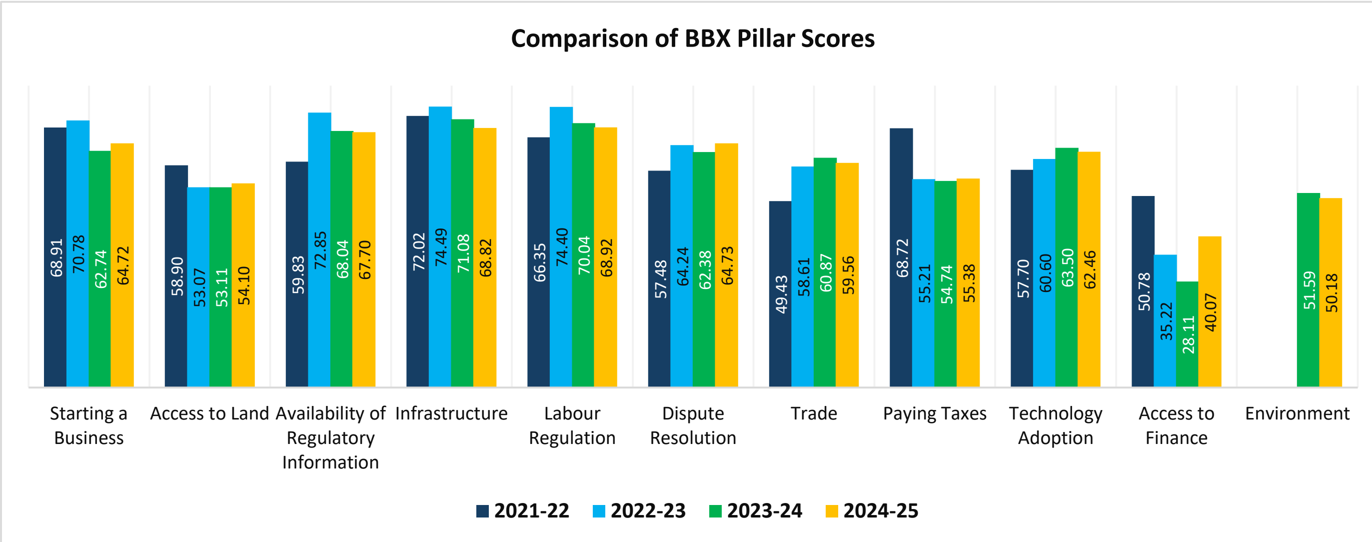


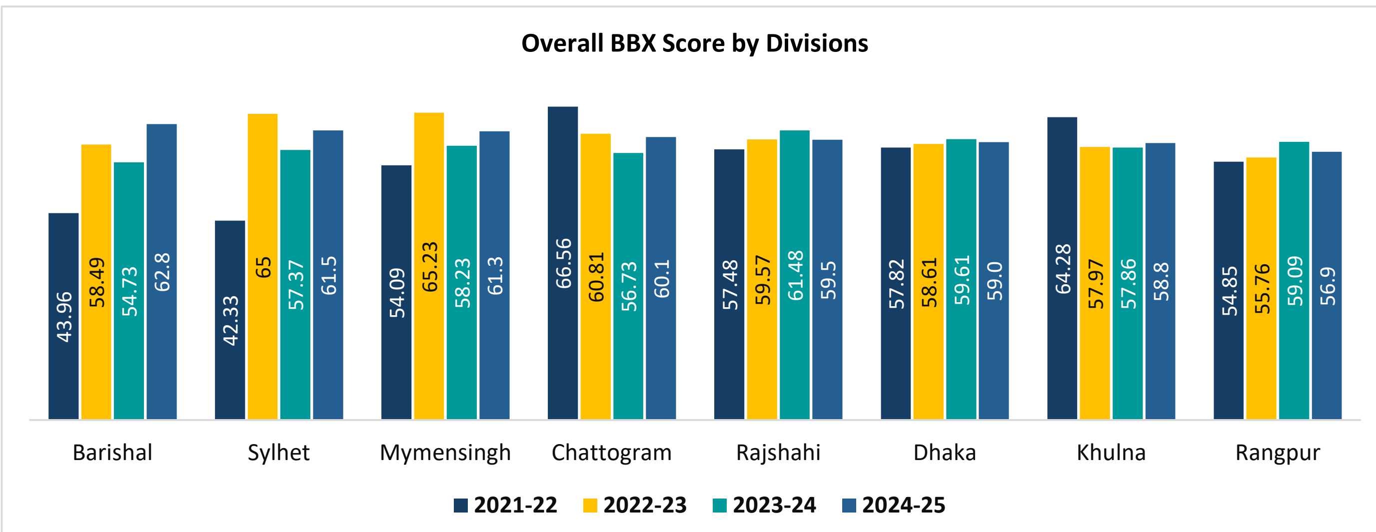
The Bangladesh Business Climate Index (BBX) score reached 59.69 in 2024–25, reflecting an insignificant change from 58.75 in the previous year. This slight rebound indicates some stabilization in the broader business environment including in supporting macro foundations, yet the overall climate for business remains fragile. The improvement can be linked to incremental policy measures and firm-level adjustments, but the slow pace of reform has not been sufficient to restore business confidence to necessary standards. Structural bottlenecks such as limited access to finance, bureaucratic hurdles in land registration and ownership transfer, informal payments, and rising utility costs continue to constrain growth. Additionally, businesses face mounting macroeconomic headwinds, including persistent inflation, electoral uncertainty, elevated borrowing costs, and heightened global policy risks.

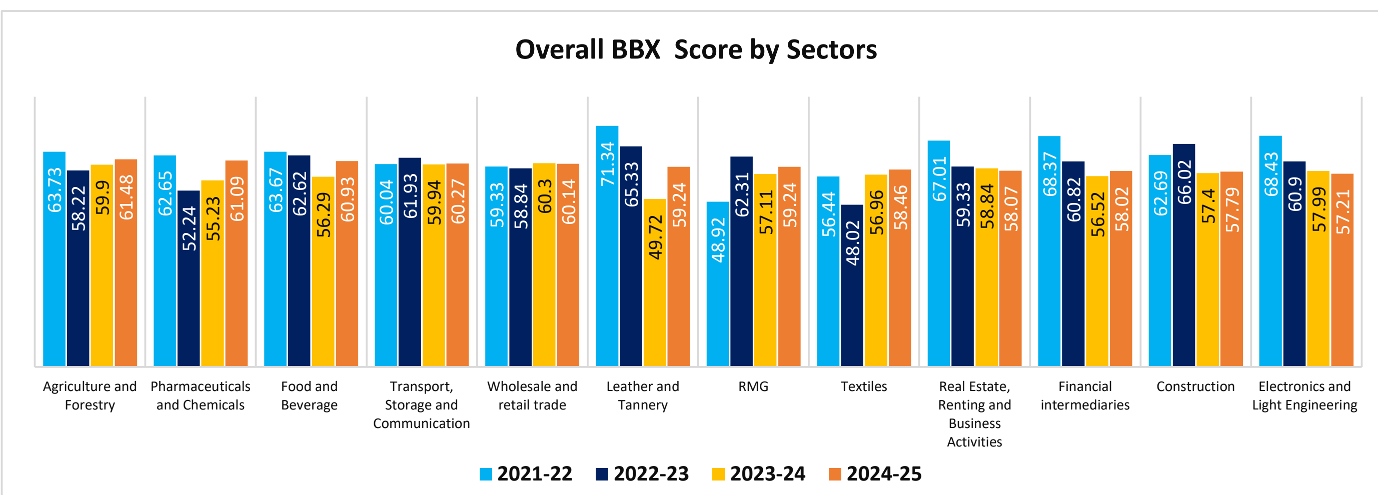
Regarding specific pillar scores, the highest-performing pillars in 2024–25 were Infrastructure and Labour Regulation, indicating relatively strong support systems for businesses. Both the pilar areas have, however, have seen a drop in comparison to previous year. Signs of improvement were also observed in Starting a Business, Access to Land, Dispute Resolution, Paying Taxes, and notably Access to Finance, which rebounded from the previous year, reflecting a slight/partial recovery in financial support for enterprises. However, scores declined for several other pillars, including Availability of Regulatory Information, Infrastructure, Labour Regulation, Trade Facilitation, Technology Adoption, and Environmental Regulations and Standards. These highlight persistent gaps in the business environment and underscores the uneven conditions across the private sector, with Infrastructure remaining the highest-performing pillar and Environmental Regulations and Standards among the lowest.

Table 15: Detailed Comparison of BBX Pillar Scores

Pillars	2023-24	2024-25	% Change in Scores	Improvement/ Deterioration
Starting a Business	62.74	64.72	3%	Improvement
Access to Land	53.11	54.10	2%	Improvement
Availability of Regulatory Information	68.04	67.70	-1%	Deterioration
Business Infrastructure	71.08	68.82	-3%	Deterioration
Labour Regulation	70.04	68.92	-2%	Deterioration
Dispute Resolution	62.38	64.73	4%	Improvement
Trade Facilitation	60.87	59.56	-2%	Deterioration
Paying Taxes	54.74	55.38	1%	Improvement
Technology Adoption	63.50	62.46	-2%	Deterioration
Access to Finance	28.11	40.07	43%	Improvement
Environment Regulations and Standard	51.59	50.18	-3%	Deterioration


Comparison of BBX Pillar Scores
68.91
70.78
62.74
64.72
58.90
53.07
53.11
54.10
59.83
72.85
68.04
67.70
72.02
74.49
71.08
68.82
66.35
74.40
70.04
68.92
57.48
64.24
62.38
64.73
49.43
58.61
60.87
59.56
68.72
55.21
54.74
55.38
57.70
60.60
63.50
62.46
50.78
35.22
28.11
40.07
51.59
50.18
Starting a Business
Access to Land
Availability of Regulatory Information
Infrastructure
Labour Regulation
Dispute Resolution
Trade
Paying Taxes
Technology Adoption
Access to Finance
Environment
2021-22
2022-23
2023-24
2024-25


Overall BBX Score by Divisions
43.96
58.49
54.73
62.8
42.33
65
57.37
61.5
54.09
65.23
58.23
61.3
66.56
60.81
56.73
60.1
57.48
59.57
61.48
59.5
57.82
58.61
59.61
59.0
64.28
57.97
57.86
58.8
54.85
55.76
59.09
56.9
Barishal
Sylhet
Mymensingh
Chattogram
Rajshahi
Dhaka
Khulna
Rangpur
2021-22
2022-23
2023-24
2024-25


Overall BBX Score by Sectors
63.73
58.22
59.9
61.48
62.65
52.24
55.23
61.09
63.67
62.62
56.29
60.93
60.04
61.93
59.94
60.27
59.33
58.84
60.3
60.14
71.34
65.33
49.72
59.24
48.92
62.31
57.11
59.24
56.44
48.02
56.96
58.46
67.01
59.33
58.84
58.07
68.37
60.82
56.52
58.02
62.69
66.02
57.4
57.79
68.43
60.9
57.99
57.21
Agriculture and Forestry
Pharmaceuticals and Chemicals
Food and Beverage
Transport, Storage and Communication
Wholesale and retail trade
Leather and Tannery
RMG
Textiles
Real Estate, Renting and Business Activities
Financial intermediaries
Construction
Electronics and Light Engineering
2021-22
2022-23
2023-24
2024-25

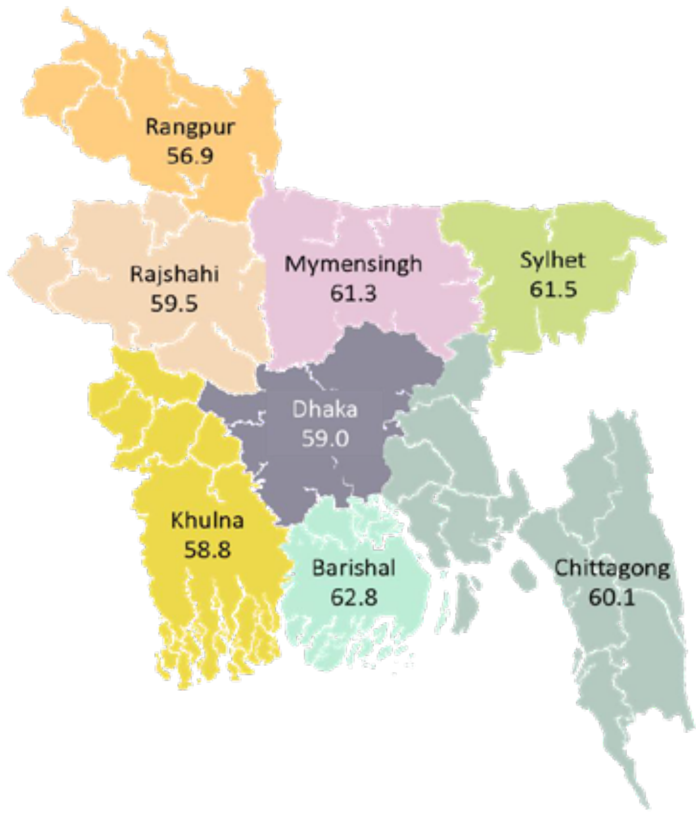
BBX Pillar Areas and Corresponding Outcomes

Pillar Area	Outcome
Starting a Business	Mixed Result
Access to Land	Mixed Result
Availability of Regulatory Information	Mixed Result
Infrastructure	Mixed Result
Labour Regulation	Mixed Result
Dispute Resolution	Improvement
Trade Facilitation	Mixed Result
Paying Taxes	Mixed Result
Technology Adoption	Mixed Result
Access to Finance	Mixed Result
Environmental Regulations and Standards	Continuous Deterioration

Performance in the latest year in the six out of eleven pillars exhibit deterioration, underscoring persistent structural weaknesses in Bangladesh's business environment. Although the slight increase in the overall BBX score points to some improvement, the progress remains uneven, with critical areas such as technology adoption, trade facilitation, and regulatory transparency lagging behind. The macro-financial and political context of 2024–25 has heavily influenced these outcomes. National elections and subsequent political unrest, labour strikes, and industrial disruptions particularly in apparel and pharmaceuticals led to up to 10% business losses in some sectors. High inflation, and elevated bank interest rates (up to 14% for long-term credit) further constrained investment and domestic demand.

Addressing these issues requires comprehensive reforms aimed at improving access to finance, enhancing regulatory clarity, modernizing production/trade/digital infrastructure, and promoting technology adoption. Targeted policy measures, coupled with a stable political and macroeconomic environment, are essential to foster a conducive business climate, attract investments, and support sustainable economic growth in Bangladesh.

Figure 57: BBX 2024-2025 Score by Divisions



Small and Medium Enterprises (SMEs) remain particularly vulnerable to financing constraints, operational bottlenecks, and regulatory inefficiencies. Large firms and foreign investors have largely adopted a cautious stance, delayed fresh investments and contributed to sluggish growth in some sectors. A number of major infrastructure projects, including the Dhaka Metro Rail, Hazrat Shahjalal International Airport Terminal 3, Chattogram's elevated expressway the Patenga Container Terminal have seen progress in the past years yet businesses continue to face energy shortages, labour disputes, rising input costs, and logistical challenges, limiting the impact of these initiatives.

The BBX 2024–25 also highlights regional variations in the business climate. Divisions such as Barishal, Sylhet, and Mymensingh recorded relatively higher scores, reflecting stronger business conditions, whereas Rangpur, Dhaka, and Rajshahi show more constrained environments. Even Dhaka and Chattogram, the country's leading GDP contributors, remain within a moderate score range, indicating persistent challenges such as complex regulatory procedures, limited institutional support, and high operational costs.

Notably, businesses in Dhaka and Chattogram have made progress in accessing regulatory information, with over 80% of respondents successfully obtaining essential online information. However, declines in most pillar scores signal that, factors like power outages, transport and logistics hurdles, and concentrated competition continue to hinder business growth, particularly for SMEs struggling in access finance. Analysis emphasizes that political will and effective implementation are critical for these measures to have impact, stressing that advisory inputs alone are insufficient without accountability and robust execution.

Experts and business leaders emphasize the need for **coordinated policy interventions**

- Strengthening law and order and ensuring energy security
- Promoting transparent and equitable tax administration
- Enhancing access to finance and digital regulatory tools
- Providing targeted support for SMEs and labour welfare programs

Overall, while the BBX 2024–25 indicates a near stagnant scenario in business environment which continues to be fraught with structural and cyclical challenges. Creating a more favorable environment will require **synchronized action** from government, regulators, and the private sector to bridge financing gaps, streamline regulatory processes, and improve infrastructure efficiency. Without decisive measures, investor confidence may remain subdued, and business expansion could face further delays, especially amid international economic uncertainties and the forthcoming challenges of LDC graduation.

Table 16: Summary of Bangladesh Business Climate Index (BBX) 2024-25 Pillars

Pillar	Indicator	Score	Implications	Observations
1	**Starting a Business**	64.72	Improving Business Environment	Digital reforms ease business registration, but sectoral disparities, procedural hurdles, and informal payments still challenge entrepreneurs in Bangladesh
2	**Access to Land**	54.10	Several Bottlenecks remain for Business	Governance issues, informal payment, and delays keep land acquisition a key barrier to business expansion in Bangladesh

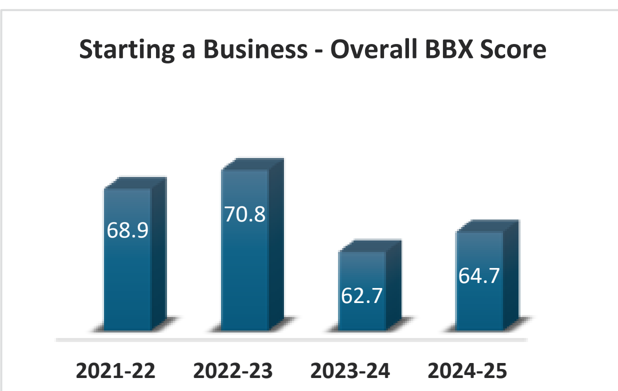
3	**Availability of Regulatory Information**	67.70	Improving Business Environment	Availability of regulatory information remains constrained by overlapping institutions, scattered sources, and inconsistent guidance, making compliance more difficult and slowing business reforms
4	**Infrastructure**	68.82	Improving Business Environment	While access to utilities and connectivity has expanded, quality and reliability remain uneven, reflecting a lack of capacity and structural upgrades.
5	**Labour Regulation**	68.92	Improving Business Environment	Continuous challenges pervade in the areas of compliance, availability of skilled and unskilled workforce including management, and lack of technology, training and technical materials for upskilling employees.
6	**Dispute Resolution**	64.73	Improving Business Environment	The judiciary is grappling with a mounting crisis as the backlog of pending cases continues to escalate, driven largely by a critical capacity shortage
7	**Trade Facilitation**	59.56	Several Bottlenecks remain for Business	Recent reforms like AEO and BSW show progress, but regional disparities and procedural inefficiencies continue to burden trade.
8	**Paying Taxes**	55.38	Several Bottlenecks remain for Business	Tax compliance processes remain burdensome, complex, and costly, with only limited improvements resulting from recent digitalization and rationalization of audit processes.
9	**Technology Adoption**	62.46	Improving Business Environment	Adequate availability of internet connectivity and mobile networks has helped in providing a strong foundation for increasing digital inclusion in business operations. However, businesses are still

				not fully capable of adopting and using new technologies.
10	**Access to Finance**	40.07	Several Bottlenecks Remain for Business	The pillar remains one of the most critical factors shaping the business environment in Bangladesh. Survey results underscore both the importance of bank loans in business investment decisions and the persistent challenges companies face when transacting with the banking sector.
11	**Environment Regulations and Standard**	50.18	Several Bottlenecks remain for Business	Businesses are gradually moving toward sustainable practices, though differences across sectors and business sizes remain pronounced. Large, technology-driven enterprises adapt more easily, while SMEs continue to lag due to limited resources, technical skills, and cost constraints.

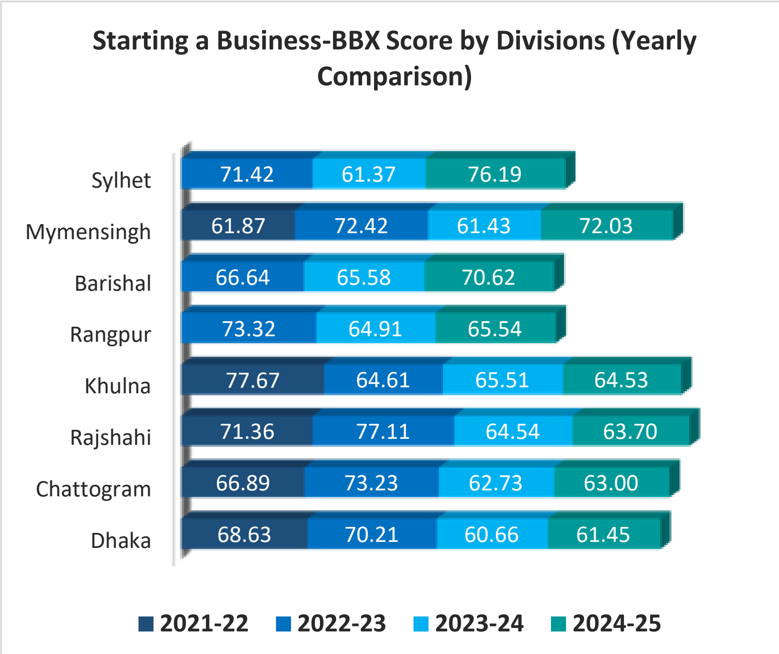
5.2.1 Starting a Business

Digital reforms ease business registration, but sectoral disparities, procedural hurdles, and informal payments still challenge entrepreneurs in Bangladesh.

Starting a business in Bangladesh today tells a story of both promise and persistence. On one hand, reform initiatives, most notably the digitalization of services, are reshaping the way entrepreneurs engage with regulators. On the other, entrenched bureaucratic hurdles continue to slow momentum. The 'Starting a Business' pillar captures this dual reality: after falling to 62.7 in 2023–24, the score improved modestly to 64.7 in 2024–25, signaling a partial recovery but still short of earlier highs.



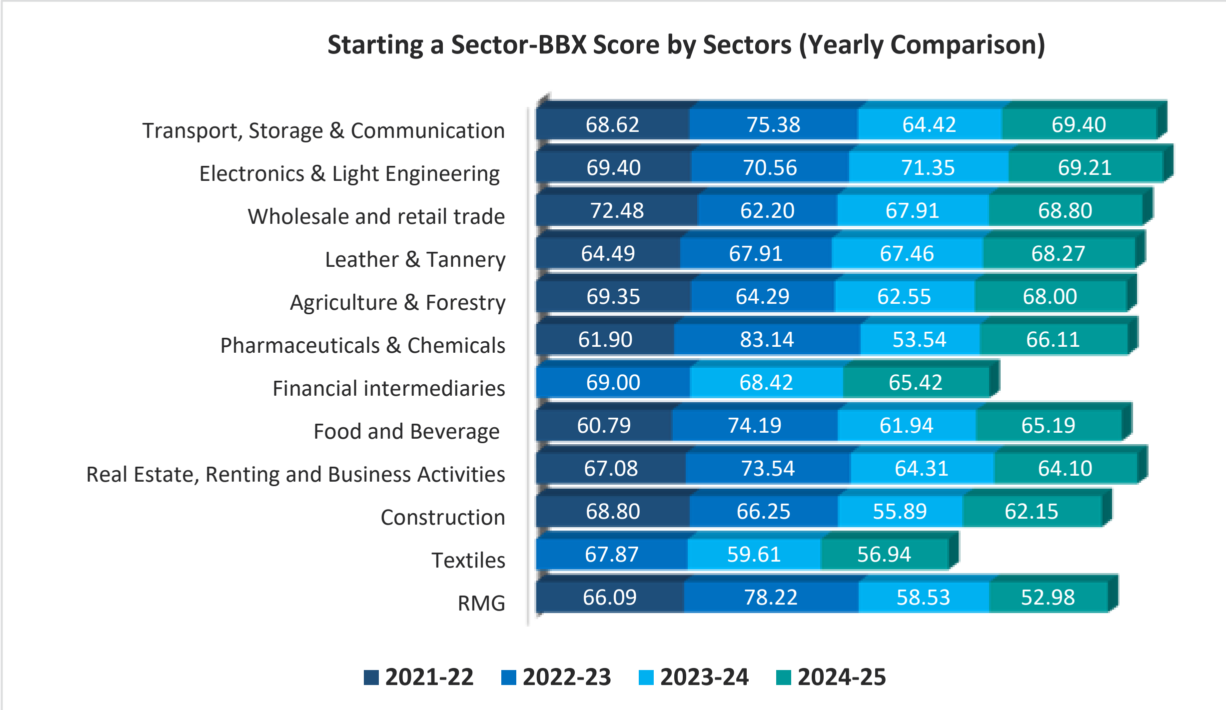
Behind these fluctuations remain familiar challenges cumbersome paperwork, lengthy approval times, and the need to secure clearances from as many as 23 different agencies, including BIDA, RJSC, NBR, DoE, Bangladesh Bank, City Corporations/Municipalities, and other development authorities. Weak coordination among these bodies often forces investors to resubmit the same documents repeatedly, driving up both cost and time. Against this backdrop, the government has expanded the BIDA One-Stop Service (OSS) platform, now positioned as the central gateway for business registration. The platform integrates services from 35 agencies, 12 banks, and 5 chamber associations, offering more than 133 services through a single digital interface. As of December 2024, it had already facilitated over 170,390 services for 14,810 organizations, and with a 4.5/5 rating from 75,000 feedback submissions, it stands out as a credible step toward a more transparent, efficient, and investor-friendly business environment in Bangladesh.



The Companies Act in Bangladesh has long faced criticism for being outdated, ambiguous, and difficult to enforce. Its provisions often result in prolonged court cases, weak protection for minority shareholders, and cumbersome procedures for resolving trade and company disputes, discouraging investment and hindering corporate governance. Significant reforms through the Companies Act Amendments, the 1st Amendment abolished the mandatory common seal, allowed companies to authorize agents domestically and internationally, and digitalized company records. The 2nd Amendment introduced the One Person Company (OPC) concept, clarified share transfer procedures, streamlined registration and management, and strengthened creditor rights. These changes reduce procedural delays, increase transparency, and provide clarity for entrepreneurs formalizing their businesses.

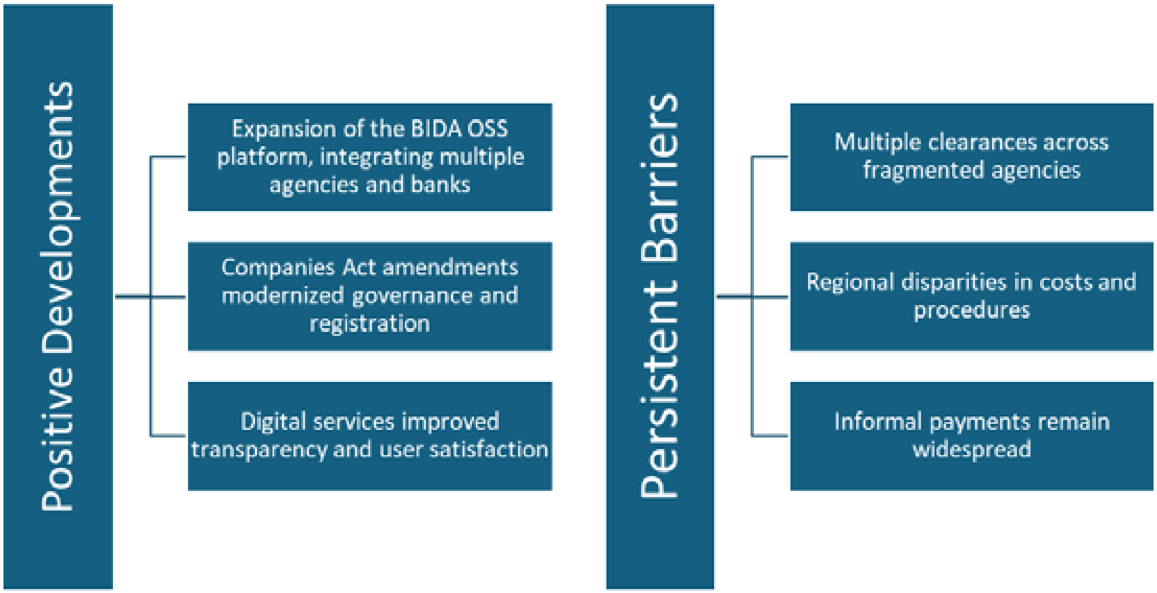
Despite these reforms, regional disparities persist. Companies in Barisal and Khulna encounter fewer challenges due to lower average trade license costs (Tk. 9,250–10,254) and minimal visits to government agencies, with over 40% of respondents requiring visit to fewer than three agencies. In contrast, Dhaka, Sylhet, Mymensingh, and Chattogram face higher trade license costs (Tk. 12,000–19,217) and more complex procedures, often requiring visits to three or more agencies, contributing to slower business registration and lower divisional BBX scores. Incorporation costs also vary significantly: Barisal averages Tk. 45,000, while Mymensingh reaches Tk. 65,000, reflecting administrative and regulatory differences across divisions. The digitalization of records is expected to ease entrepreneurs' burden, improve formalization of businesses, and foster a more professional corporate environment. Nevertheless, addressing divisional disparities in costs, procedural complexity, and regulatory burden remains critical for improving the ease of doing business uniformly across the country.

Around **42%** of respondents reported moderate difficulty in obtaining general licenses or permits to start a business, while **26.8%** experienced substantial difficulty, highlighting persistent procedural hurdles in business registration.



A sectoral perspective highlights notable disparities in the ease of starting a business across industries in Bangladesh. In 2024–25, Electronics and Light Engineering and Financial Intermediaries continued to experience smoother start-up processes, with 100% of respondents reporting relatively hassle-free operations and benefiting from shorter timelines for trade licenses and VAT registration. In contrast, Construction, and Pharmaceuticals and Chemicals remain among the most challenging sectors, with entrepreneurs citing cumbersome license renewals, complex regulatory compliance, and the physical burden of tax and VAT payments.

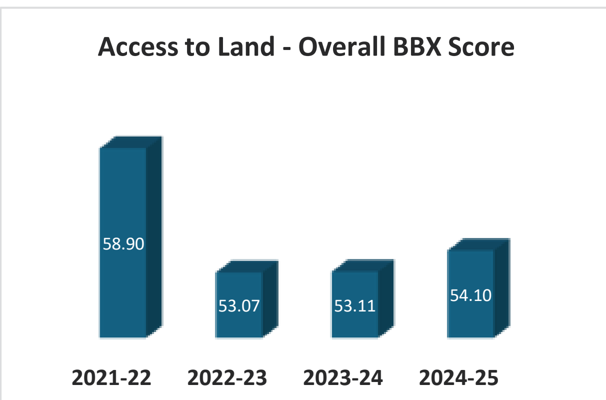
Although post-pandemic digitalization initially eased documentation and approvals, a gradual return to manual processes has increased procedural friction for certain sectors. Around 42% of respondents reported moderate difficulty in obtaining general licenses or permits to start a business, while 26.8% experienced substantial difficulty, highlighting persistent procedural hurdles in business registration. Informal payments remain a significant concern, with 48% of respondents indicating they “often” encounter additional payments during registration or renewal, underscoring the continuing impact of unofficial costs on business ease. Medium and large enterprises face higher compliance complexity, emphasizing the need for targeted reforms that standardize procedures across all sectors. Streamlined processes, consistent digitalization, and curbing informal payments are essential to fostering equitable growth and enhancing Bangladesh’s overall business climate.



5.2.2 Access to Land

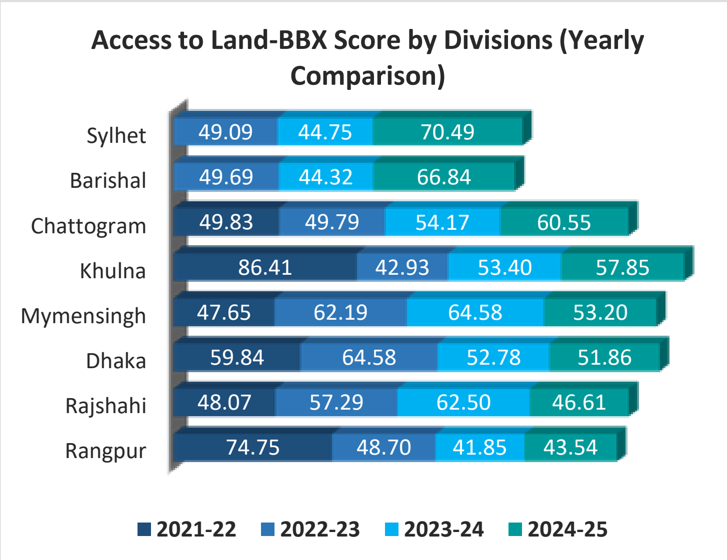
Despite slight improvements, governance issues, informal payment, and delays keep land acquisition a key barrier to business expansion in Bangladesh

Securing land for business in Bangladesh continues to be a daunting challenge, despite slight improvements in recent years. The overall score for access to land in 2024–25 stood at 54.10, up slightly from 53.11 in 2023–24, highlighting persistent structural obstacles. 'Access to Land' remains a major bottleneck for businesses and infrastructure projects, with only 9.3% of firms purchasing or leasing new land in 2024–25, while 90.7% reported no acquisition. Navigating government agencies continues to be challenging, as over 86% of respondents faced moderate to substantial difficulties, citing corruption, high registration fees, slow mutation processes, and poorly maintained land records, with registration-related issues reported by nearly 29%. Additional concerns include unclear land pricing, excessive documentation, and disputes among land heirs. Despite the availability of online systems, manual inefficiencies and procedural hurdles continue to complicate land acquisition for businesses.

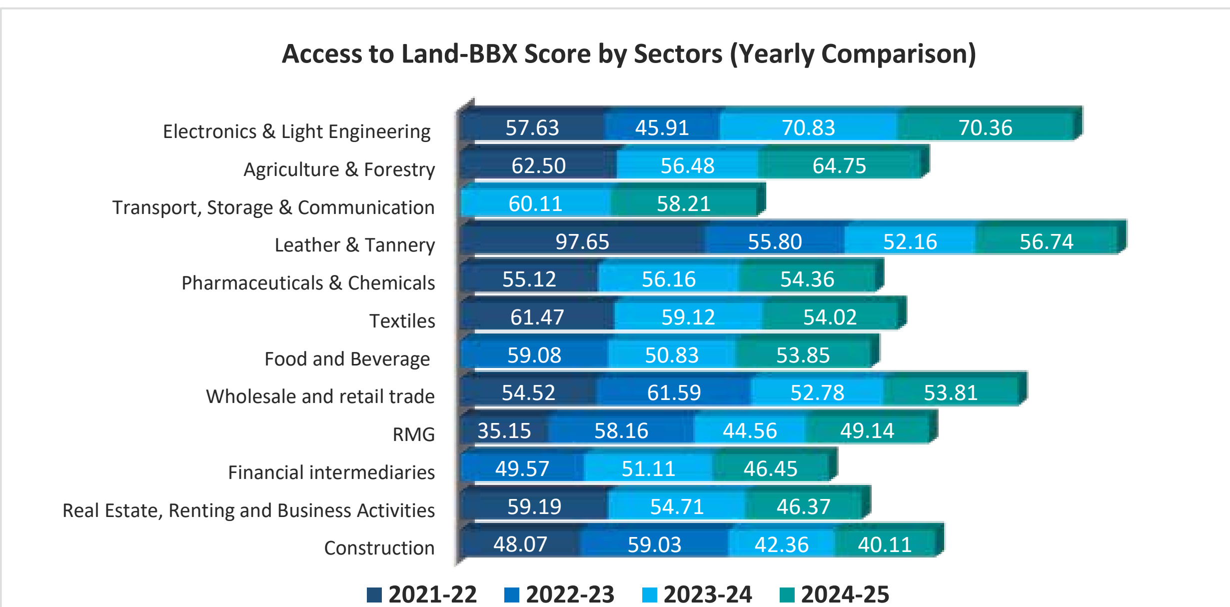


Over **86%** of respondents reported facing moderate to substantial difficulties when dealing with government agencies during land procurement.

Over half of participants (65.1%) reported that informal payments were necessary to secure land in Bangladesh over the past 24 months, with this practice most prevalent in Dhaka, Chattogram, Khulna, and Sylhet. Division-level trends show that Chattogram (60.55) and Khulna (57.85) made notable improvements, while Sylhet (70.49) and Barishal (66.84) remained stable at high levels. Rajshahi (46.61) and Mymensingh (53.20) saw the sharpest declines, Dhaka (51.86) registered a slight drop, and Rangpur (43.54) stayed the weakest performer despite a small gain. Businesses frequently resorted to informal payments and experienced prolonged timelines for transferring land titles at the land records office, often complicated by disputes among land heirs, unclear pricing, and excessive documentation requirements.

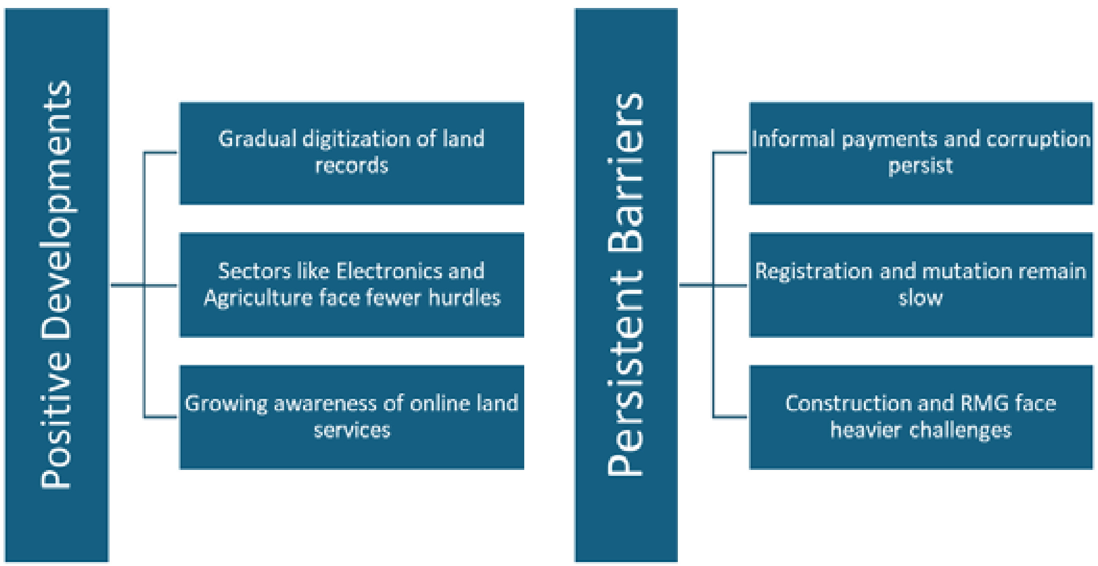


The challenges are further reflected in survey results on government interactions, where only 13.5% of respondents found dealings with government agencies easy, while 40.4% and 46.2% faced moderate to substantial difficulties, highlighting persistent bureaucratic inefficiencies. These delays and procedural hurdles not only increase transaction costs but also deter investment and slow business expansion, particularly in land-intensive sectors. Survey shows that despite some improvements, systemic issues in land administration continue to hinder equitable access to land, highlighting the need for reforms in record-keeping, pricing, and regulatory processes.



The Construction and RMG sector continue to face the greatest challenges in accessing land. In 2024–25, construction posted the lowest BBX score hindered by excessive bank draft requirements and slow transactions, while RMG weighed down by high title transfer and registration costs. By contrast, sectors like Electronics and Light Engineering and Agriculture and Forestry fared better, reflecting smoother processes.

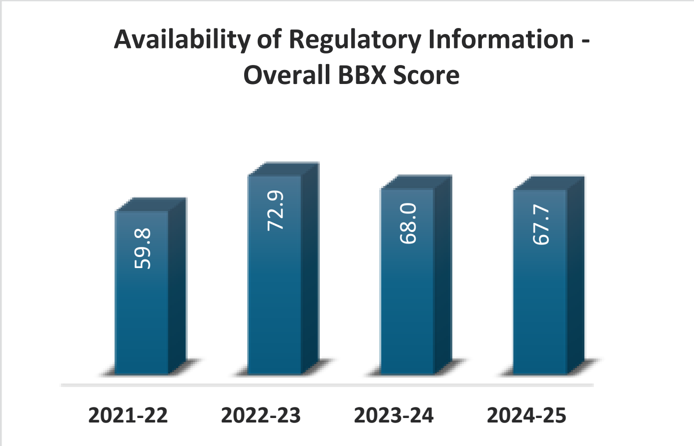
Survey findings show that 76.9% of participants observed no regulatory reforms in land services during 2024–25, underscoring limited progress. Registration emerged as the most critical bottleneck, followed by corruption, high fees, unclear pricing, and slow mutation processes. Sector-specific challenges were also pronounced: 37.5% of RMG firms, and 42.9% of Real Estate, Renting and Business Activities flagged registration delays, while half of Food and Beverage firms reported corruption-related issues. Overall, systemic inefficiencies and sector-specific hurdles continue to complicate land acquisition, especially for infrastructure-heavy industries. Without reforms in land administration, record-keeping, and cost structures, these barriers will persist, constraining business expansion and investment in Bangladesh.



5.2.3 Availability of Regulatory Information

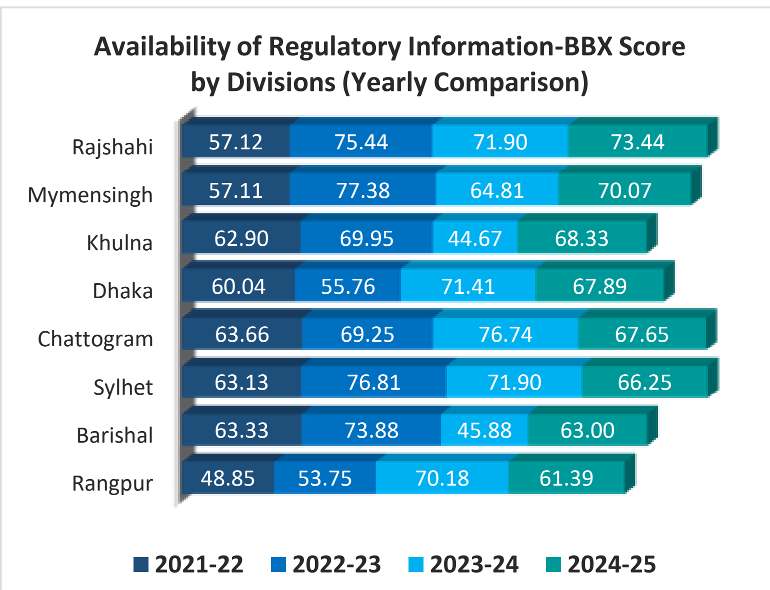
The availability of regulatory information in Bangladesh remains constrained by overlapping institutions, scattered sources, and often irregular and inconsistent guidance, making compliance more difficult and slowing business reforms.

The drop in score for the pillar Availability of Regulatory Information corroborates these challenges. Even though the score has advanced substantially since 2021–2022 (59.8), it has slightly fallen compared to the previous year (68). This marginal decline signals the slowness of the momentum of reforms, and also perhaps a lack of attention in the last months to fine details of regulatory framework such as access to regulatory information. Few indicators that highlight notable achievements are awareness of registrations and renewals, improved online accessibility to government regulations, and accessibility to rules set by municipal corporations.



In contrast, the regulatory environment continues to lack consistency/predictability. Around 33.5 % of respondents reported no government regulatory changes, 50 % observed occasional modifications, and 16 % experienced frequent changes in regulations. Furthermore, a majority (53.6 %) were not informed of regulatory changes in advance, and only 6.8 % were regularly notified. This limited transparency is compounded by the fact that just 18.1 % observed new efforts to improve regulatory information, while 81.9 % reported none.

Division-wise results highlight distinct groupings. Regions such as Mymensingh and Rajshahi performed strongly, with nearly all respondents having online access to local government regulations (100 % in Mymensingh; 99 % in Rajshahi) and full accessibility to government rules and regulations in Rajshahi (100 %). These outcomes suggest stronger institutional presence and better communication channels in these divisions. Khulna and Barishal also improved overall scores, though Khulna revealed weaknesses in business awareness, with only 73.1 % aware of registrations and renewals, the lowest among divisions.



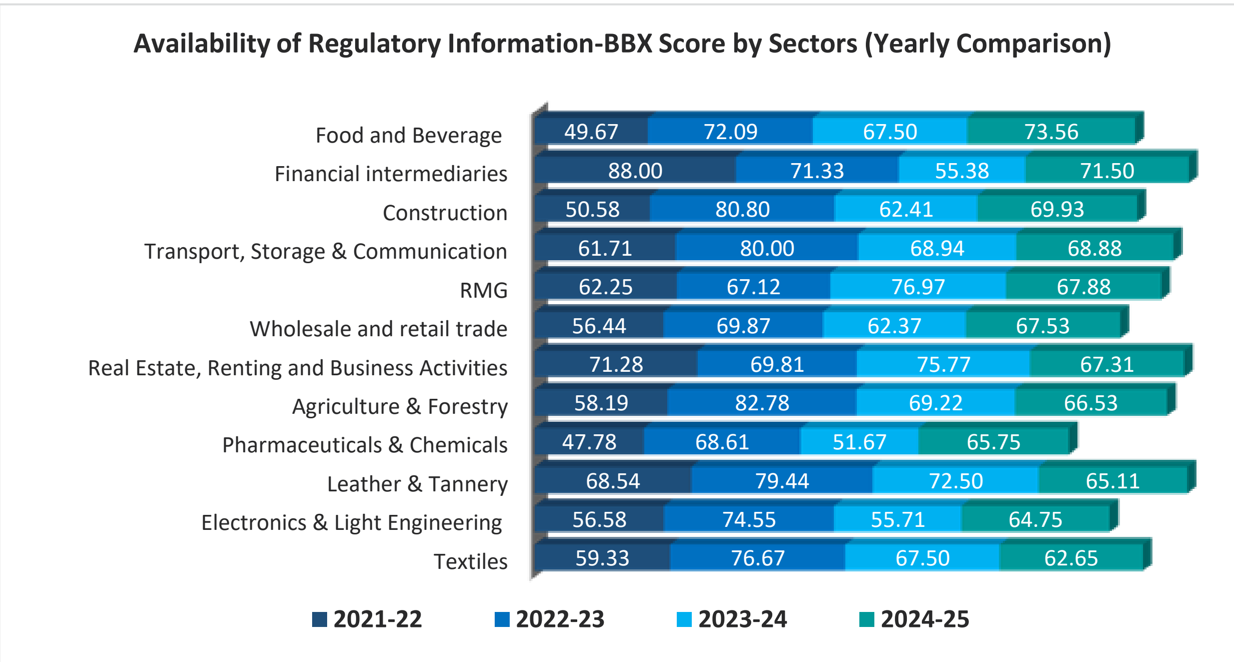
In contrast, Rangpur and Sylhet form the lowest-performing group. Rangpur had just 60.9 % online access to government rules and only 49.3 % access to local regulations, the lowest across all divisions. Sylhet also struggled with local-level access (68.8 %), although it recorded the highest awareness of registrations and renewals for setting up or operating business (96.9 %).

Dhaka and Chattogram, despite being economic hubs, saw declining scores. Dhaka reported the most frequent regulatory changes, suggesting that rapid policy adjustments without adequate communication may have undermined perceptions of stability. On the other hand, no respondents from Chattogram reported any structural or regulatory efforts made towards improving regulatory information available, suggesting a continued lack of institutional responsiveness that may hinder business confidence and regulatory compliance in the region. These regional differences indicate that stronger administrative coordination improves outcomes, while regulatory inconsistency or weak dissemination mechanisms contribute to lower performance.

Sectoral and firm-size variations show a similar split between stronger and weaker performers. On the higher end, sectors such as Pharmaceuticals and Chemicals, and Leather and Tannery achieved full online access to government regulations (100 %), while Pharmaceuticals and Chemicals also led in local access (100 %). Awareness was highest in Leather and Tannery (100 %), pointing to well-structured compliance mechanisms in regulated industries. In terms of frequency of government regulatory changes, Food and Beverages faced the least regulatory changes (55.6 %), indicating relative stability.

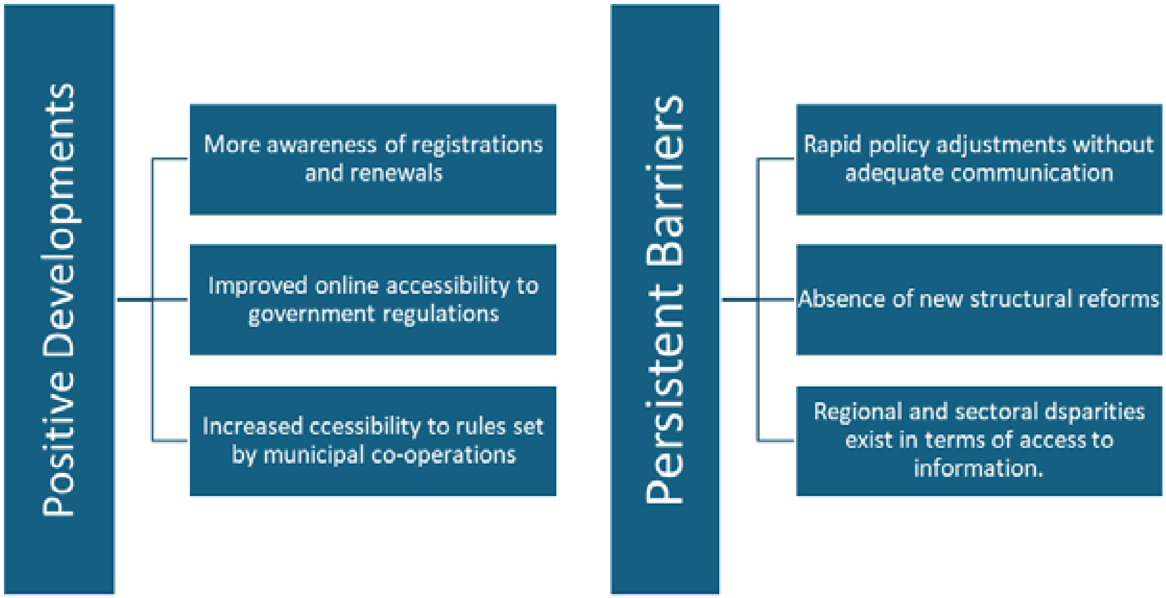
53.6% of businesses were not informed of regulatory changes in advance highlighting limited transparency.

By contrast, weaker groups continue to face significant gaps. Sectors like Leather and Tannery's overall score declined compared to the previous year, suggesting that while awareness of all applicable registrations and renewals for setting up business is strong, moderate regulatory modifications and lack of regular/predictable reforms are undermining sectoral performance. Among the weaker groups, textiles saw the highest incidence of occasional changes (68 %), pointing to greater uncertainty.



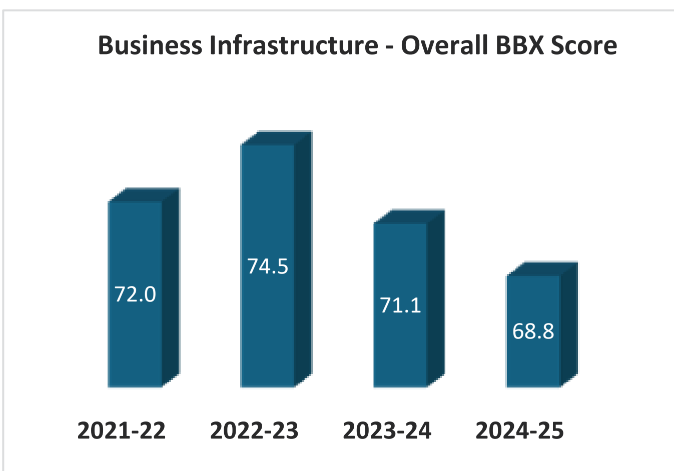
Firm-size differences mirror these dynamics: **large firms consistently outperformed medium and smaller ones** in awareness (**88.6** %) of all applicable registrations and renewals for operating business, government-rule access (**96.5** %), and local-rule access (**93** %). On the other hand, micro and small firms lagged in awareness, access to government and local rules.

Medium firms performed relatively well in accessing government and local rules but faced the highest incidence of frequent regulatory changes. These firms also observed no new structural reforms. Overall, the evidence suggests that stronger institutional linkages and compliance requirements benefit regulated industries and large firms, while smaller enterprises and certain service-oriented sectors remain disadvantaged by inconsistent access and limited reform outreach.



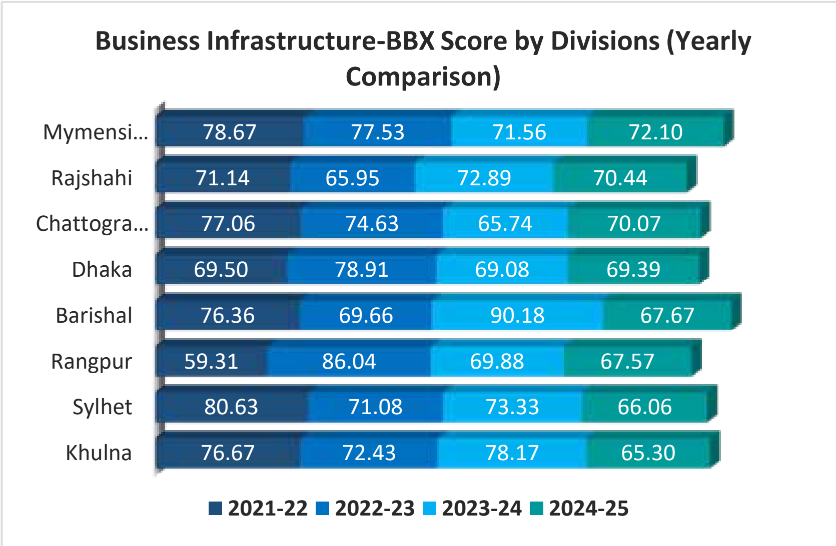
5.2.4 Business Infrastructure

The BBX score for Infrastructure is following a downward trend, falling from 71.1 in 2023–2024 to 68.8 in 2024–2025.



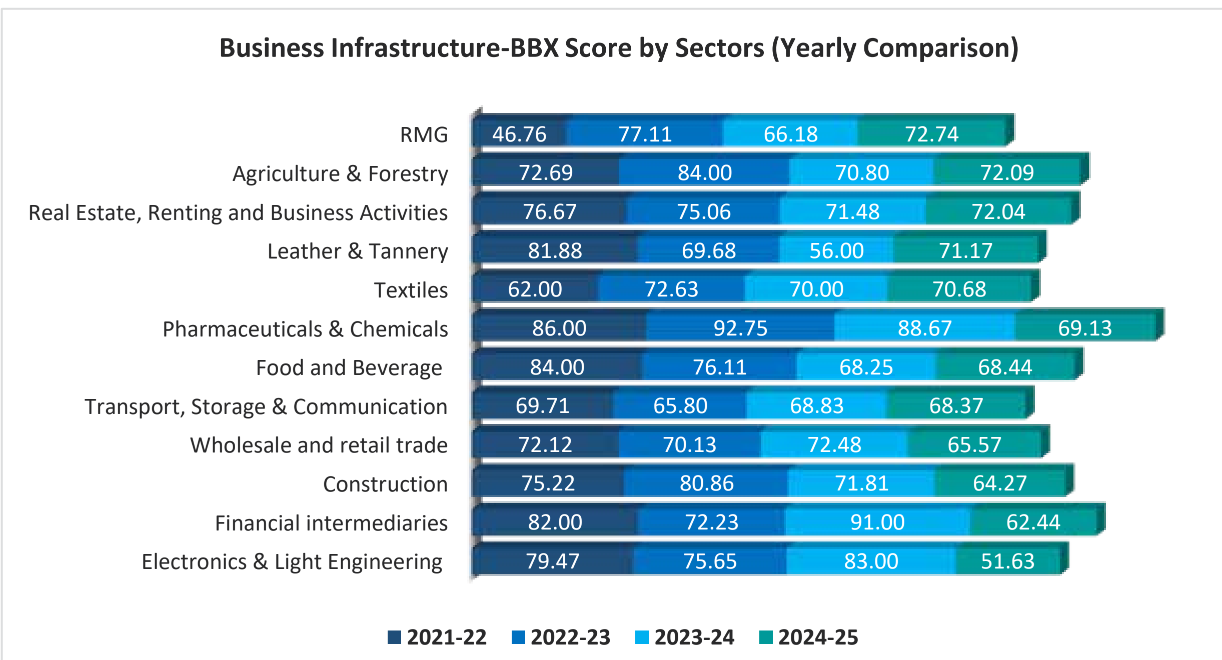
The drop is perhaps due to challenges in uninterrupted power and energy supply to industrial units, and to services. Supporting indicators reinforce this concern: most firms could access utility, transport, and internet services without extreme difficulty, the quality and reliability of these services remain uneven. Notably, 74.2 % of respondents reported experiencing power outages sometimes, and almost one in five firms (19 %) had to make informal payments often to obtain utility connections. Moreover, only 20.1 % observed structural or regulatory efforts to improve infrastructure, underlining the limited pace of reform in this domain.

At the divisional level, outcomes varied, revealing distinct clusters of stronger and weaker performers. Chattogram and Mymensingh were the only divisions to record score improvements, while Dhaka remained largely unchanged. The improvements in these regions can be attributed to comparatively better access to key infrastructures, as evidenced by the fact that most respondents in Chattogram reported not having to make informal payments to secure utility services.



By contrast, Barishal, Rajshahi, Khulna, Rangpur, and Sylhet saw declining scores overall. Barishal emerged as a critical weak spot with highest drop in pillar score compared to the previous year. Most respondents are facing moderate difficulty in accessing utilities (58.3 %) and around 21 % citing severe transport challenges. Dhaka, despite stability in its score, also showed strain: 16 % of respondents reported substantial difficulty in accessing utilities which is high compared to other divisions, 9.4 % cited severe internet issues, and 30 % reported often having to make informal payments, signaling governance-related bottlenecks.

Sectoral differences further illustrate the uneven distribution of infrastructure outcomes. Overall pillar scores improved for leather and tannery, agriculture and forestry, RMG and real estate-related activities, remained similar in transport, storage and communication, food and



beverage, and textiles, but declined across wholesale and retail trade, construction, electronics, light engineering, pharmaceuticals and chemicals and other sectors.

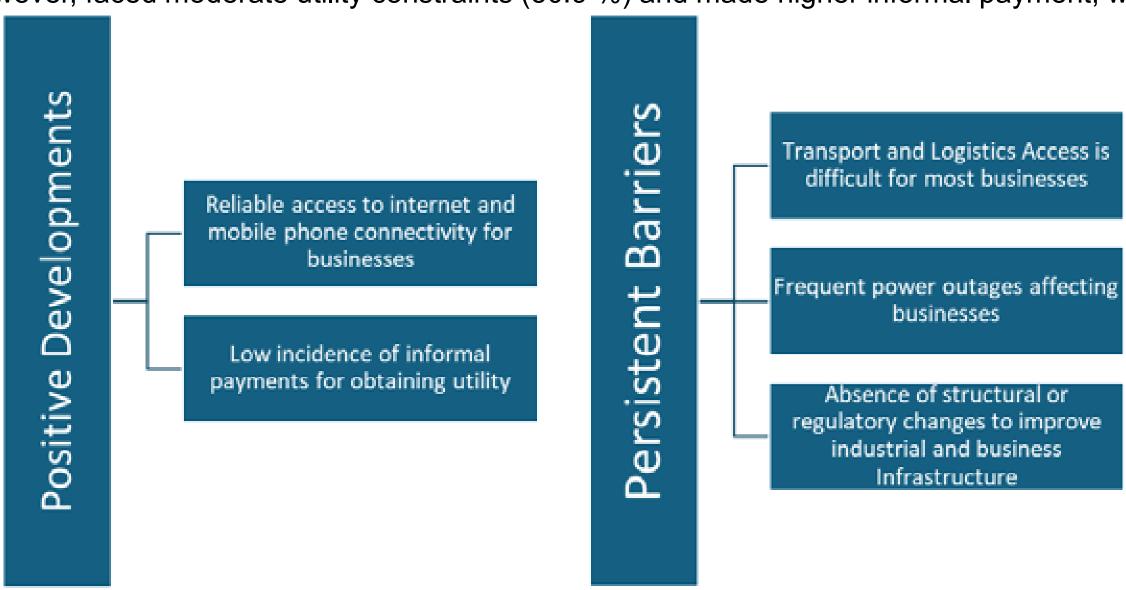
The significant drop in pillar scores for financial intermediaries, pharmaceuticals and chemicals, and electronics and light engineering can be traced to sector-specific constraints reflected in the survey data. The drop in the pillar score for the pharmaceuticals and chemicals sector is driven largely by infrastructure related operational challenges. 75% of respondents reported power outages ranging from moderate to frequent, emphasizing how an unstable electricity supply increases operational costs and affects productivity. In addition, 62% of respondents indicated that difficulty in accessing transport and logistics services is moderate to substantial.

74% of respondents reported experiencing power outages sometimes, and almost one in five firms had to make informal payments often to obtain utility connections.

Electronics and light engineering faced challenges across multiple fronts: 61.3% of respondents reported moderate difficulty in accessing transport and logistics, and an overwhelming 87.5% indicated recurring power outages (and cost of per unit electricity is high), all contributing to reduced efficiency. Financial intermediaries, on the other hand faced declining scores largely due to challenges in business security, economic and financial instability, and an uncertain political environment, which were further exacerbated

By contrast, leather and tannery registered significant improvement in scores, supported by relatively easier access to basic infrastructure and reduced informal payments, with 66.7% of respondents indicating they did not need to pay informally for utility connections. Together, these findings highlight that, sectors facing frequent outages, weak connectivity, and limited regulatory reforms experienced declining competitiveness, while those with reduced informality and better utility access, like leather and tannery, benefited from more stable infrastructure support.

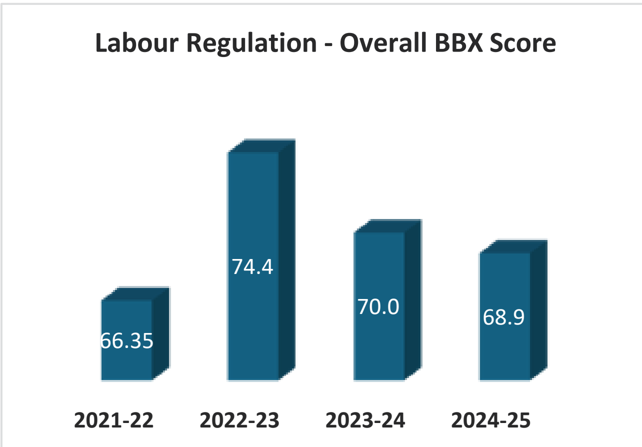
In terms of firm size, micro and small enterprises fared relatively better in accessing utilities (47.9 % easy) and avoiding informal payments (60.6 % reported none). Larger firms, however, faced moderate utility constraints (50.9 %) and made higher informal payment, with the



largest average payment amounts (Tk 101,534). Medium-sized firms emerged as the most vulnerable, with 32.4 % facing substantial utility difficulties, 19.1 % reporting frequent outages, and some of the highest burdens from informal payments.

5.2.5 Labour Regulation

Labour regulation has persistently been challenging for businesses in Bangladesh as corroborated by the declining trend in the BBX score over the last two years. Continuous challenges persist in the areas of compliance, availability of skilled and unskilled workforce including management, and lack of technology, training and technical materials for upskilling employees.



Businesses view statutory requirements, such as maternity welfare benefits, casual leave, and festival holidays, as compliance challenges, since they entail additional financial costs.

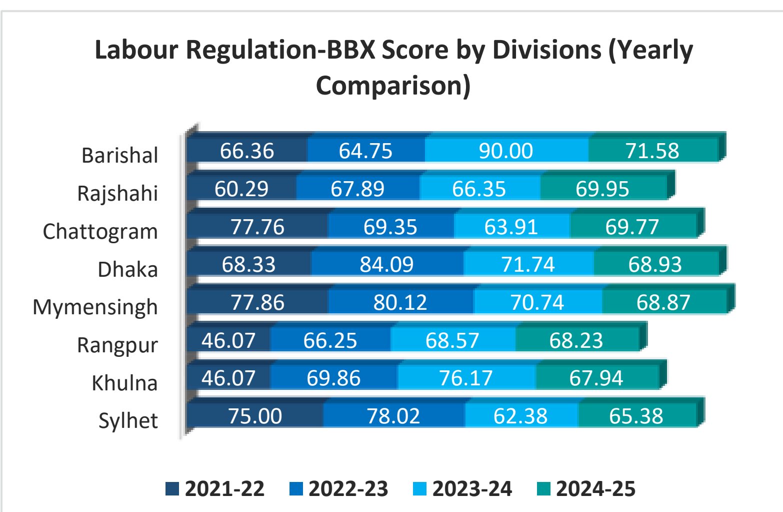
Table 16: Level of National Compliance with Labour Rights among Bangladesh and Neighboring Countries

Country	Value
ASEAN	4.3
Bangladesh	7.5
India	3.3

Note: The value ranges from 0 to 10, with 0 being the best possible score (indicating higher levels of compliance with freedom of association and collective bargaining (FACB) rights) and 10 the worst (indicating lower levels of compliance with FACB rights based on ILO textual sources and national legislation.
Sources: International Labour Organization, Key Indicators of the Labour Market (KILM).

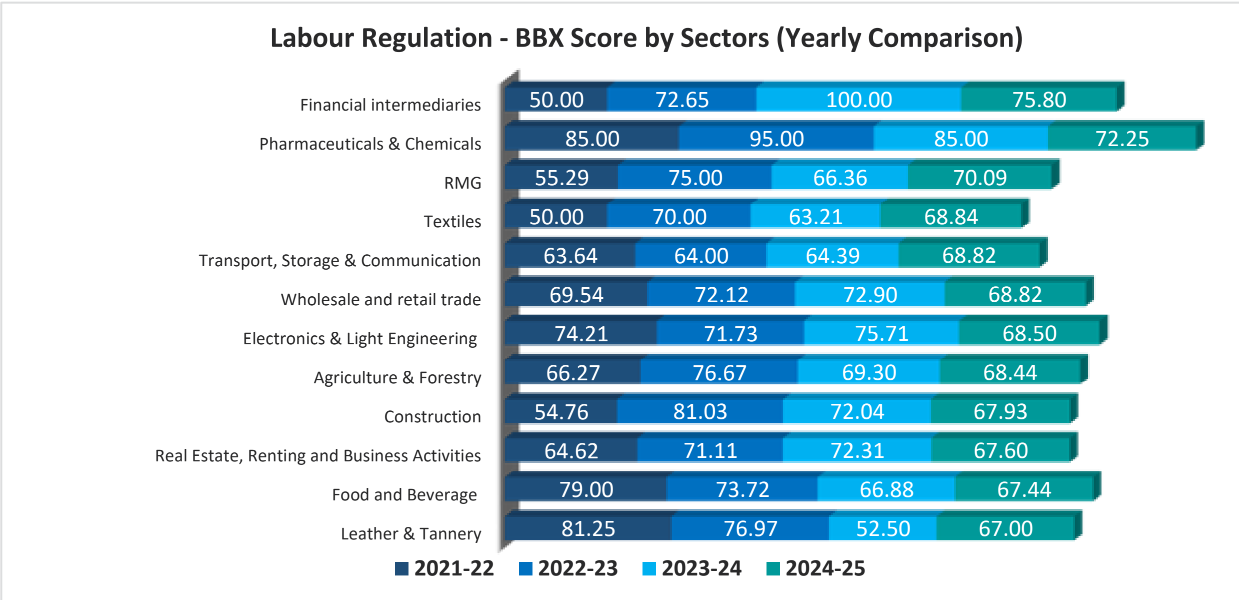
Furthermore, most businesses witnessed no substantial reform in this pillar area, explaining the lower score.

The national compliance level of Bangladesh is low compared to India and other ASEAN countries which shows the gaps in labour *regulation in the country*[23]. According to our survey, most businesses had moderate difficulty in complying with labour regulations for businesses, especially the micro and small firms, particularly the electronics and light engineering sectors. This implies that businesses view statutory requirements, such as maternity welfare benefits, casual leave, and festival holidays, as compliance challenges, since they entail additional financial costs, workforce disruptions, and

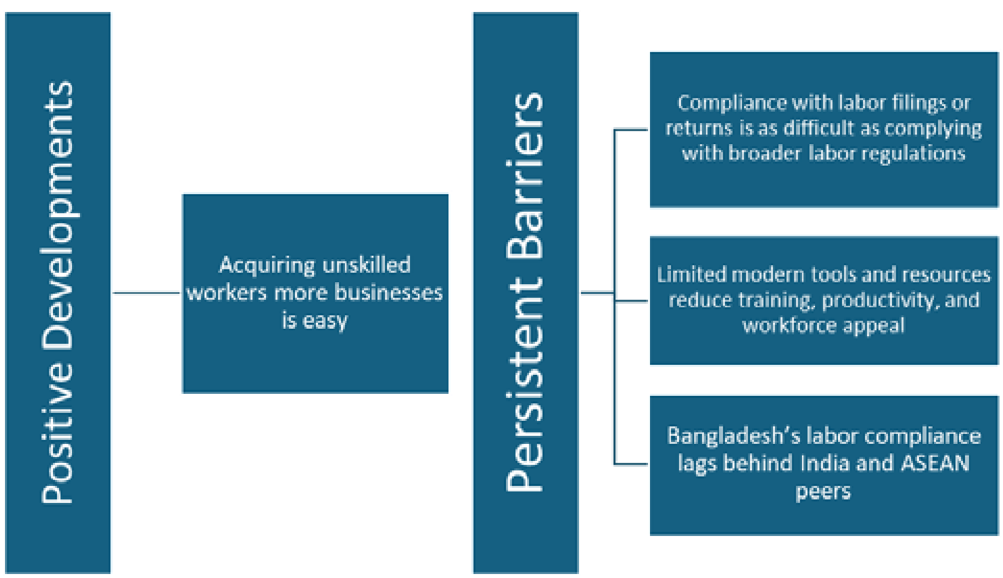


[23] https://www.ulandssekretariatet.dk/wp-content/uploads/2024/03/LMP-Bangladesh-2024-final.pdf

productivity losses that are often difficult to manage, particularly for smaller firms with limited resources.



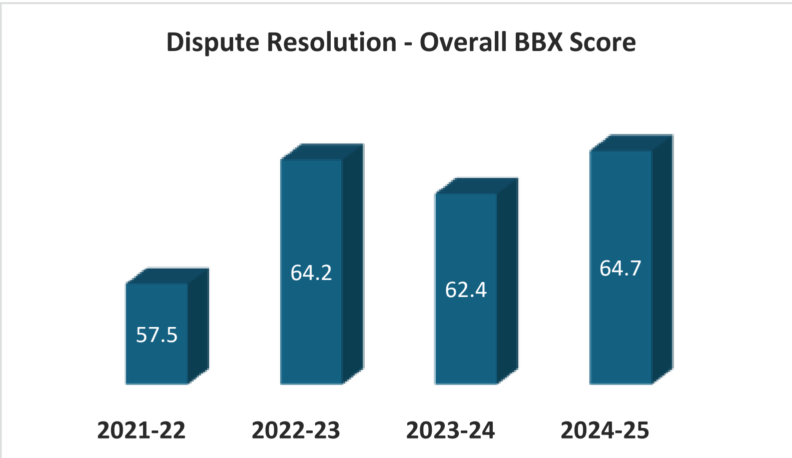
Additionally, compliance with labour filings or returns is as difficult as complying with broader labour regulations as per BBX findings. The difficulties primarily arise from procedural and record-keeping requirements, such as reconciling working hours with statutory notices and registers, accurately calculating and disbursing wages during holidays or periods of closure and maintaining updated safety record books. These obligations demand meticulous documentation and administrative oversight, which smaller enterprises like light and engineering sectors with limited human resources capacity struggle to manage effectively. Consequently, compliance becomes not only a regulatory burden but also a source of operational inefficiency for businesses.



Access to technology and technical materials remains moderately difficult in certain divisions, which directly impacts their ability to attract skilled workers. Despite the annual influx of graduates and internal migration to urban centers such as Dhaka and Chattogram, these regions continue to struggle in drawing qualified labour, particularly in specialized sectors like electronics, light engineering, and pharmaceuticals and chemicals. Limited availability of up-to-date tools, equipment, and technical resources constrains both training and productivity, making these divisions less appealing for skilled workers and exacerbating workforce shortages in technically demanding industries.

5.2.6 Dispute Resolution

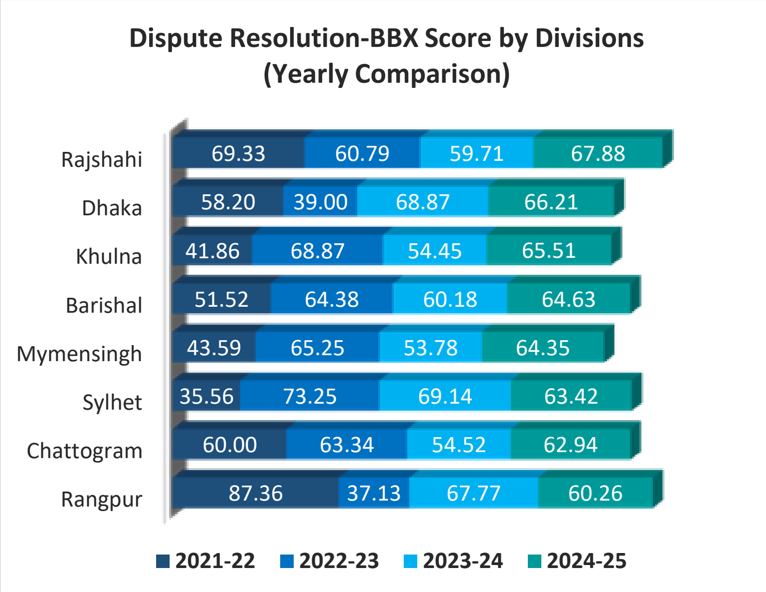
The judiciary is grappling with a mounting crisis as the backlog of pending cases continues to escalate, driven largely by a critical capacity shortage.



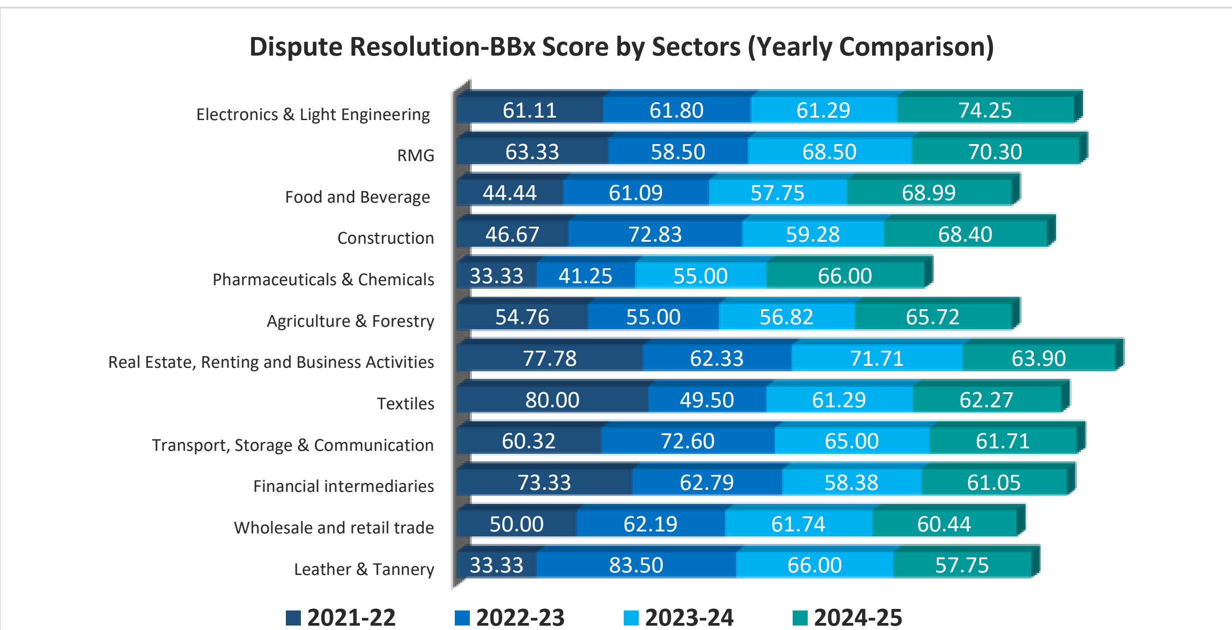
Supreme Court statistics reveal that as of December 31, 2024, a total of 31,120 cases were pending in the Appellate Division and 580,000 cases in the High Court Division. With only five judges in the Appellate Division and 81 in the High Court, the judicial workload has become overwhelming, averaging more than 6,200 cases per Appellate Division judge and 7,200 cases per High Court judge. This acute imbalance between caseload and judicial capacity severely undermines the timely delivery of justice and highlights the urgent need for capacity strengthening and institutional reforms.

Among larger firms, an impressive **87%** confirmed the availability of effective out-of-court dispute resolution mechanisms.

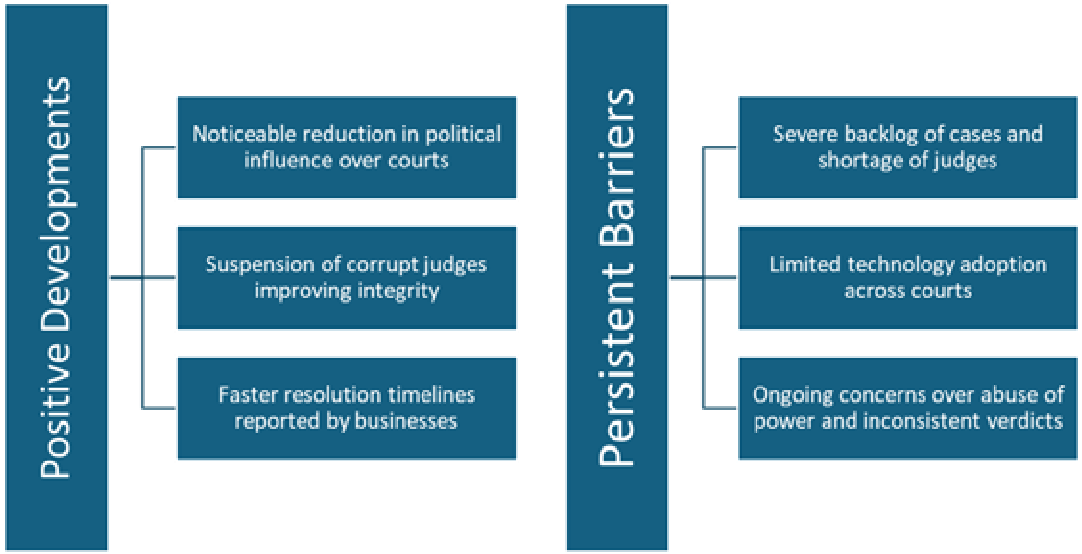
Judiciary in Bangladesh faces systemic challenges including lengthy delays, high costs, and transparency. The limited and unplanned use of technology further exacerbates inefficiency, leaving justice-seekers with a slow, costly, and often unreliable system. These shortcomings undermine public trust, prolong justice delivery, and perpetuate inequality before the law. Findings from BBX related survey highlight that abuse of power, lack of information dissemination, and political interference remain major concerns. However, encouragingly, in recent times—following the political change in 2024—political influence over the courts has reduced, and the suspension of corrupt judges has contributed to modest but positive improvements of confidence in judiciary.



Dhaka secured the second-highest position in the Dispute Resolution pillar among the eight divisions, with a score of 66.21. While the division experienced a significant improvement in the previous assessment year, registering a remarkable 30-point increase compared to 2022–23, this year's score reflects a slight decline of 2 points. This marginal drop may be attributed to persisting systemic challenges such as case backlogs, delays in judicial processes, and limited institutional capacity, which continue to hinder the efficiency and consistency of dispute resolution despite earlier progress. By contrast, Rajshahi emerged as the top performer in this pillar, scoring 67.88—an impressive 7-point increase from the previous year—indicating more consistent improvements in its dispute resolution mechanisms. The appointment of Monitoring Committees for Subordinate Courts, including a designated High Court judge for Rajshahi's jurisdiction, might have led to improved oversight and compliance in judicial processes.

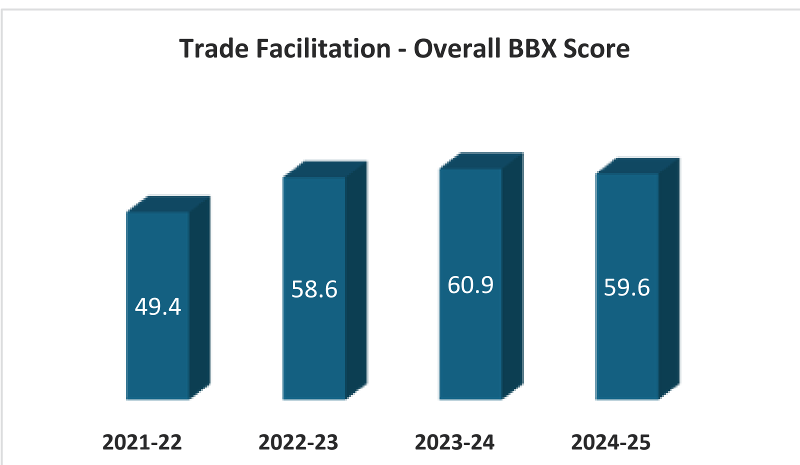


Survey findings reveal encouraging signs of progress in Bangladesh's dispute resolution environment. Around 66% of respondents noted a reduction in the time required to resolve commercial disputes, while among larger firms, an impressive 87% confirmed the availability of effective out-of-court dispute resolution mechanisms. This suggests that businesses are increasingly relying on alternative dispute resolution (ADR) processes to resolve disputes more efficiently. The stronger leaning of large firms towards ADR may be attributed to their greater financial capacity, which allows them to access and bear the costs of such mechanisms more easily, as well as their stronger institutional awareness and preference for faster, less disruptive solutions compared to prolonged court proceedings.

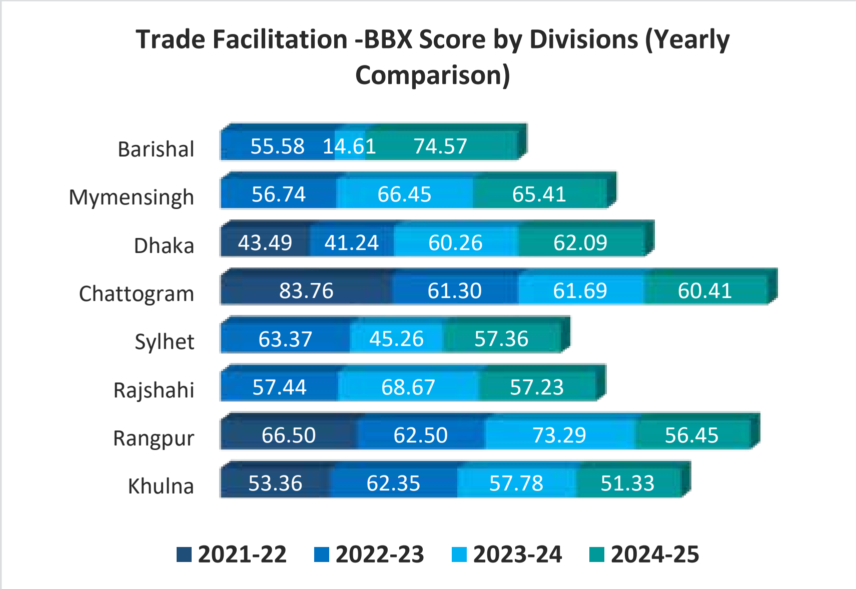


5.2.7 Trade Facilitation

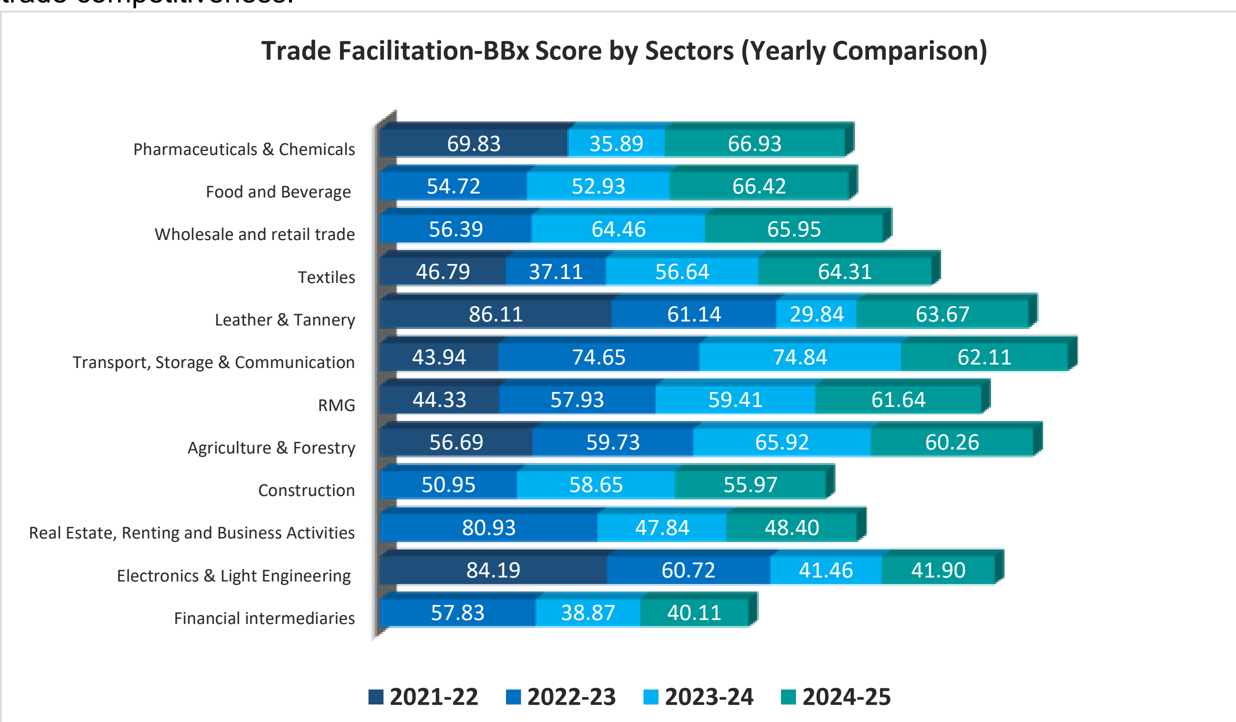
Bangladesh's trade facilitation environment reflects a mixed performance, with moderate national-level progress but persistent regional disparities.



The overall score this year stands at 59.56, slightly below last year's 60.87, indicating a marginal decline in ease of trade. However, division-level trends vary significantly: Barishal has shown a remarkable improvement from a score of 14 last year to over 74 this year, while Rangpur's score dropped from 73 to 56, highlighting that administrative efficiency and local implementation remain highly uneven across the country. These differences underscore the importance of region-specific interventions to address localized bottlenecks.



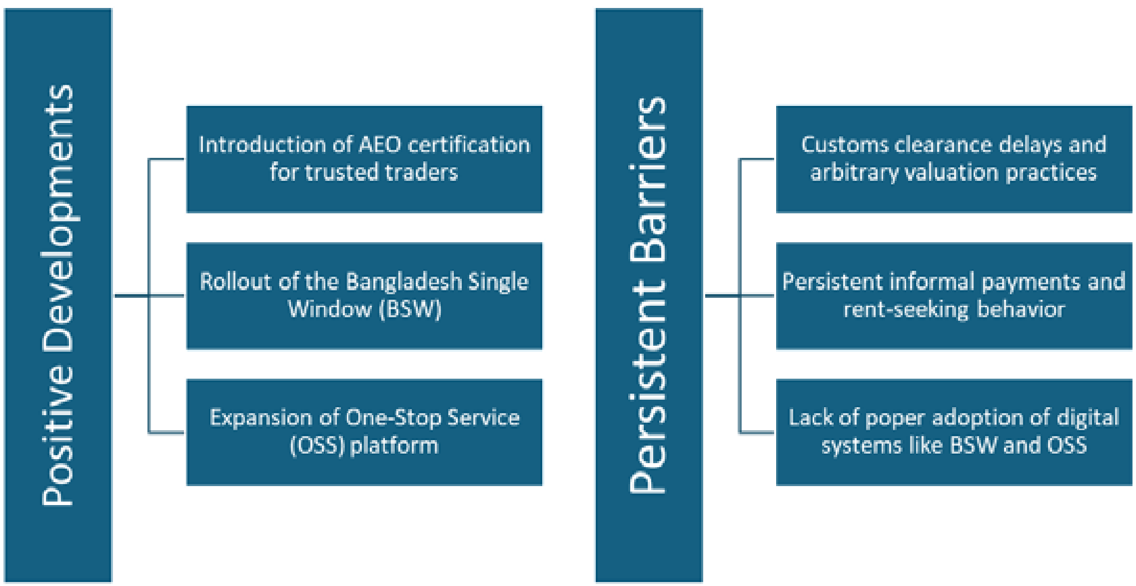
Customs clearance remains a key challenge for both exports and imports. On average, exporters experience moderate delays, while importers face even longer processing times, particularly in regions like Khulna, Rangpur, and Sylhet. Costs are also highly variable depending on the division and industry, with sectors like pharmaceuticals facing comparatively lower expenses, while textiles and leather report significantly higher clearance costs. Beyond time and cost, informal payments remain a persistent issue, reflecting structural inefficiencies and entrenched rent-seeking behavior within the trade facilitation ecosystem. These operational challenges not only increase transaction costs for businesses but also undermine transparency and predictability, which are crucial for trade competitiveness.



That said, reform efforts have been undertaken to address these challenges, including the introduction and expansion of Authorized Economic Operator (AEO) certification, the Bangladesh Single Window (BSW) system, and the One-Stop Service (OSS) platform. The AEO certification has expedited clearance for large corporate taxpayers, while BSW aims to streamline procedures and reduce reliance on paper-based processes. OSS, intended to simplify investment-related approvals, currently integrates 38 services across 18 agencies, though incomplete adoption requires many investors to still engage with agencies manually. While these reforms signal progress toward modernization and transparency, their full potential remains unrealized due to implementation gaps, awareness, and outreach limitations.

Beyond time and cost, informal payments remain a persistent issue, reflecting structural inefficiencies and entrenched rent-seeking behavior within the trade facilitation ecosystem.

Structural and operational barriers continue to constrain trade facilitation. Arbitrary valuation decisions, excessive port demurrage fees, inefficient port management, and insufficient labouratory facilities collectively undermine efficiency. Even as some divisions experience substantial improvement, persistent bureaucratic hurdles and rent-seeking practices reduce predictability and raise costs for businesses.

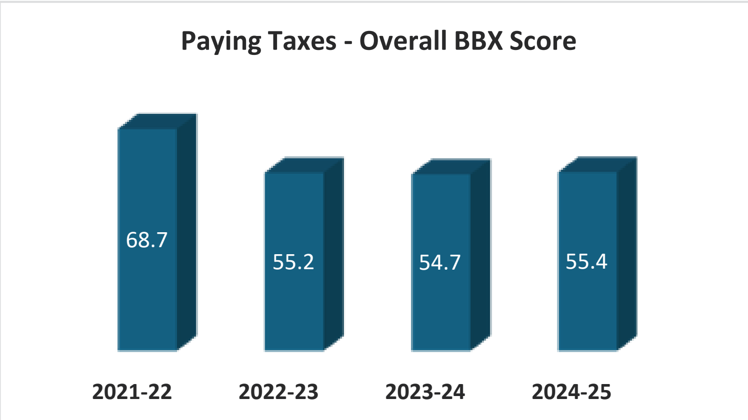


The upcoming LDC graduation in 2026 is generating significant concern among businesses, with around 40% of respondents reporting high levels of apprehension. This concern is especially pronounced among sectors directly linked to exports. Large and medium-sized enterprises also expressed heightened concern, reflecting the potential impact on trade-dependent operations. Businesses anticipate challenges such as reduced price competitiveness, shifts in buyer preferences and sourcing strategies, and higher tariffs in key markets. Despite these concerns, the majority—approximately 94%—are yet to take any preparatory measures, including those in export-driven sectors, indicating a notable gap between awareness of potential risks and proactive strategic action. This underscores the urgent need for targeted policy guidance and sector-specific support to help firms navigate the post-LDC landscape.

5.2.8 Paying Taxes

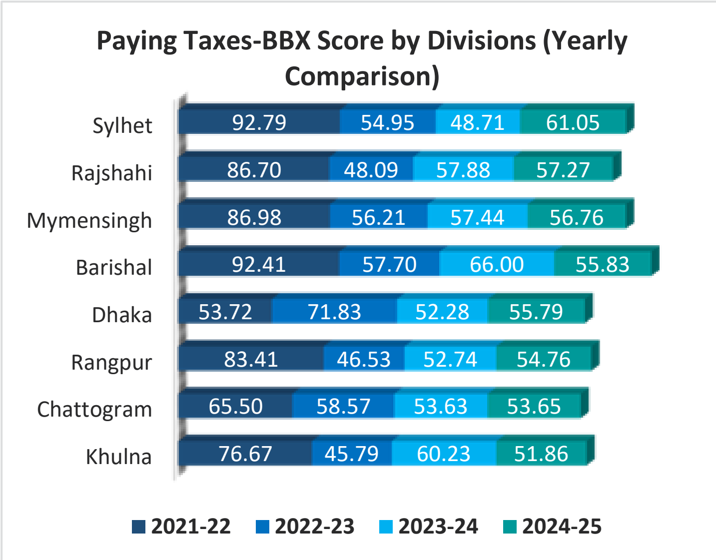
Tax compliance processes remain burdensome, complex, and costly, with only limited improvements resulting from recent digitalization and administrative reforms.

The Paying Taxes pillar has seen a marginal improvement in 2025, with the score increasing from **54.74** last year to **55.38**. While this reflects some progress such as suspension of audit until clear criterion is developed, the overall tax environment in Bangladesh continues to present significant challenges that adversely affect businesses and investor confidence. Survey findings indicate that tax compliance processes remain burdensome, complex, and costly, with only limited improvements resulting from recent digitalization and administrative reforms.

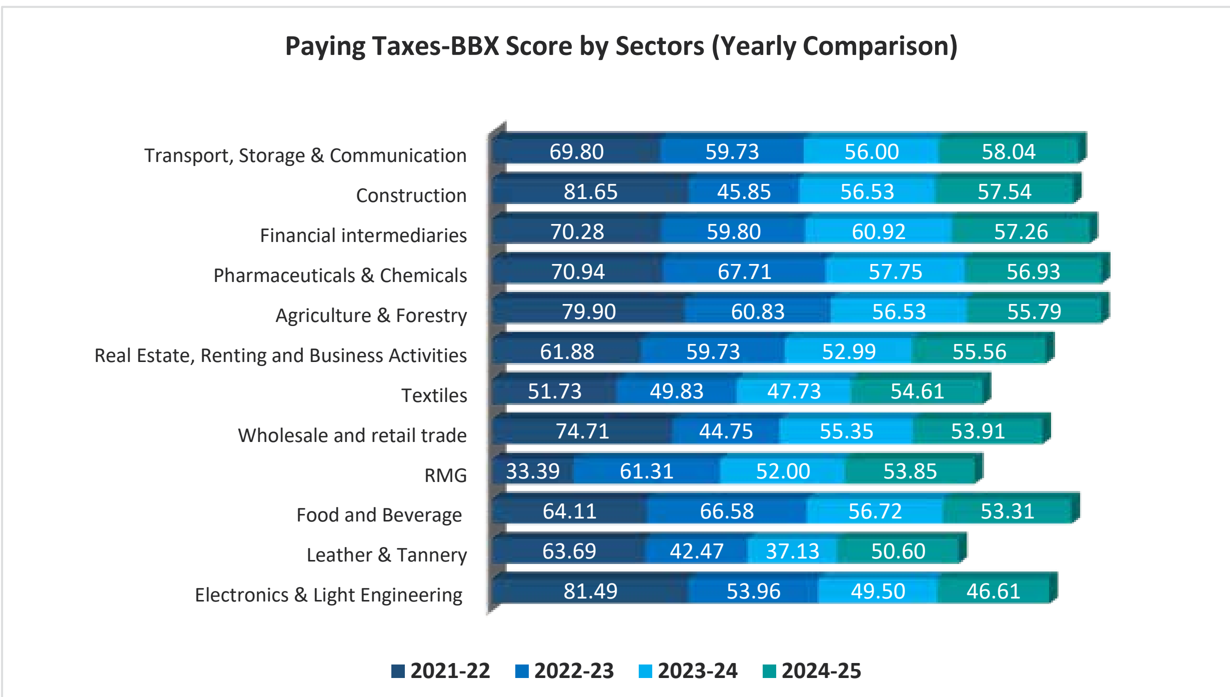


Despite the rollout of several digital services, businesses continue to face difficulty in filing and paying taxes. It takes an average of 6 days complete the filing process, and nearly **73%** of businesses reported moderate to substantial difficulty in doing so.

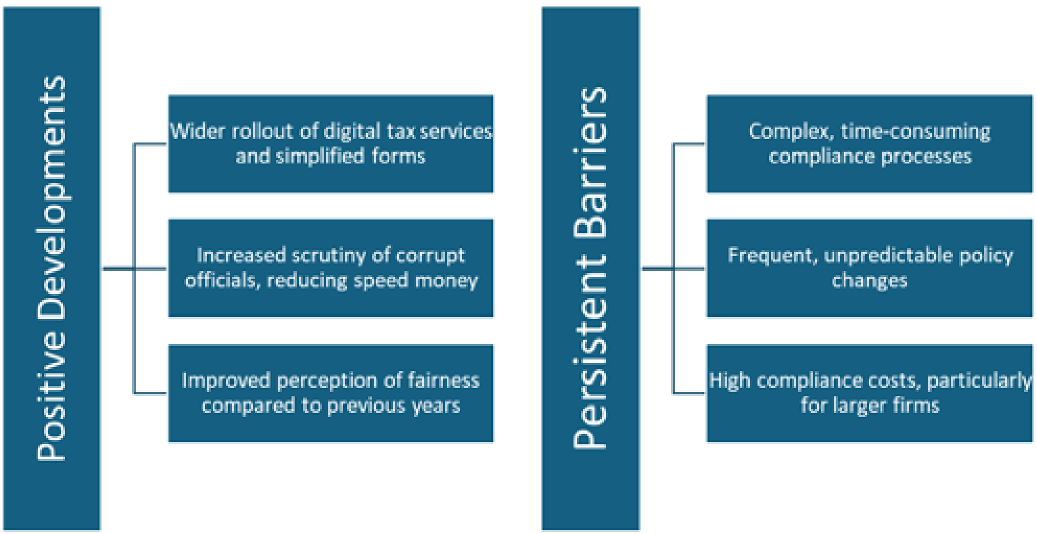
Most businesses—around 97% of respondents—reported being able to obtain or renew VAT and income tax registrations. However, difficulties remain in certain sectors, as seen in pharmaceuticals, where 12% of firms indicated negative experiences. The registration process on average takes over a week and is costly, with significant discrepancies across divisions and firm sizes. For instance, the average cost is around 19,000 BDT, but in Dhaka and Barishal it exceeds 25,000 BDT, and for large firms the expense rises to about 36,000 BDT. These costs, combined with delays, add to the compliance burden, particularly for firms that already operate within tight margins.



Despite the rollout of several digital services, businesses continue to face difficulty in filing and paying taxes. It takes an average of 6 days complete the filing process, and nearly 73% of businesses reported moderate to substantial difficulty in doing so. This suggests that the benefits of digitalization have not fully materialized and that taxpayers—especially compliant, larger firms—are disproportionately burdened compared to informal businesses. Respondents also highlighted the unpredictability of the tax system, with frequent and unannounced changes in laws, arbitrary decisions by tax officials, and a lack of adequate notification mechanisms. Such unpredictability erodes business confidence and makes long-term planning more difficult.



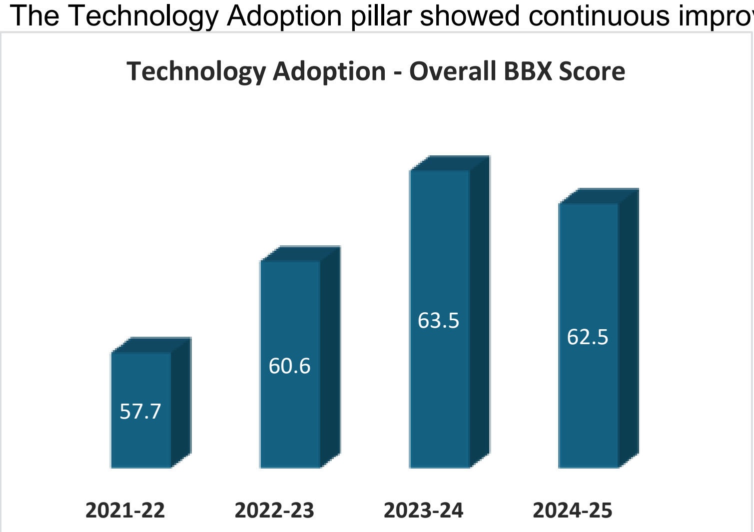
Another critical issue is the persistence of informal payments. Around 57% of respondents admitted to making such payments, with medium and large firms more frequently targeted due to their higher financial capacity. This rent-seeking behavior, combined with a complex and opaque tax structure, contributes to a high effective tax burden that discourages investment. Nevertheless, some positive developments are worth noting. The political change has placed greater scrutiny on potential corruption risks, reducing the prevalence of speed money compared to past few years. Additionally, new online tax services and the simplification of tax forms have provided incremental relief to taxpayers. These improvements, while modest, explain the slight upward movement in the pillar score but also highlight that far more comprehensive reforms are needed to create a predictable and business-friendly tax environment.



5.2.9 Technology Adoption

The widespread availability of technology and the internet, primarily through mobile phones, has enabled businesses in Bangladesh to adopt new solutions more effectively than before.

The Technology Adoption pillar showed continuous improvement from 2021-22 to 2023-24, but a slight decline was observed in 2024-25. Since the pandemic, businesses became more active online, which increased digital communication and virtual presence, further driving technology adoption.

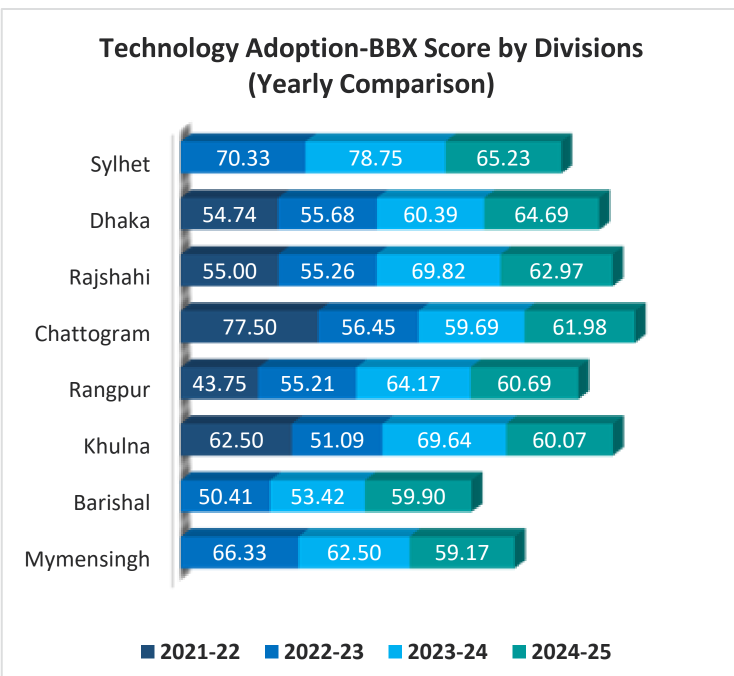


Limited business readiness for investing in new technologies and using various technological platforms has prevented the full effectiveness of digital transformation.

However, in 2024-25, the index fell slightly to 62.5, reflecting a 1-point decrease compared to the previous year. Several constraints contributed to this minor decline. The pace of policy reforms and digital infrastructure expansion slowed somewhat in 2024-25, making it difficult to maintain continuous growth. Additionally, high internet costs, unreliable electricity supply, and limited network coverage in rural areas created obstacles to technology adoption. A shortage of skilled personnel limited digital and technological capacity in businesses, and gaps in e-commerce activities and training prevented many enterprises, particularly small and medium-sized ones, from effectively adopting advanced technologies.

As a result, the decline in the score for 2024-25 does not indicate a setback but rather reflects a slowdown in the pace of progress. This highlights that to ensure continuous improvement in the Technology Adoption pillar, Bangladesh needs to strengthen policy support, increase investment in new technologies and digital infrastructure, and focus more on developing digital skills and awareness.

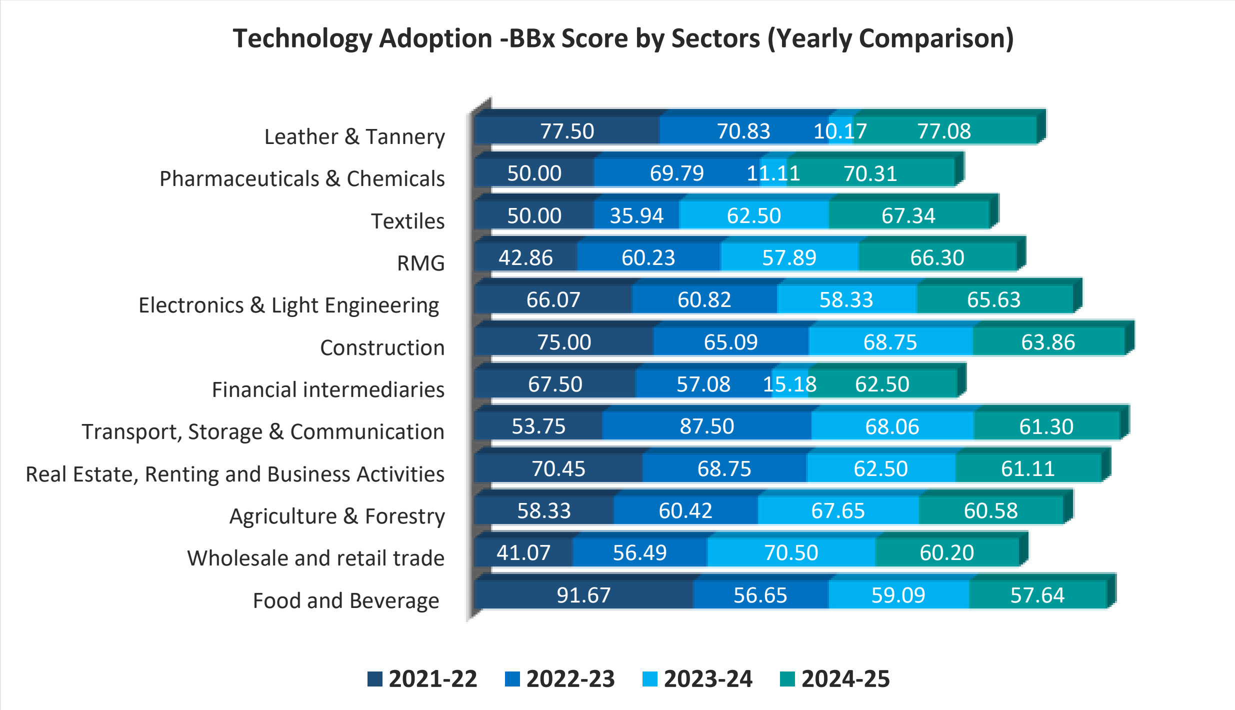
Adequate availability of internet connectivity and mobile networks has been observed, providing a strong foundation for increasing digital inclusion in business operations. However, businesses are still not fully capable of adopting and using new technologies. In particular, they lag in e-commerce and website-based sales of products and services, limiting the potential of online marketing. Additionally, limited business readiness for investing in new technologies and using various technological platforms has prevented the full effectiveness of digital transformation.



The extensive coverage of internet and mobile networks in Dhaka and Chittagong has increased customer engagement, leading to rapid expansion of e-commerce and reflecting a strategic focus on revenue generation. In Dhaka, approximately 51 % of respondents prioritize the use of digital platforms for business administration, emphasizing operational efficiency and organizational management. In contrast, in Chittagong, around 42 % of businesses focus on online marketing of products and services, facilitating market expansion and easier access for customers. This trend is driving local entrepreneurship, employment, and regional economic activity.

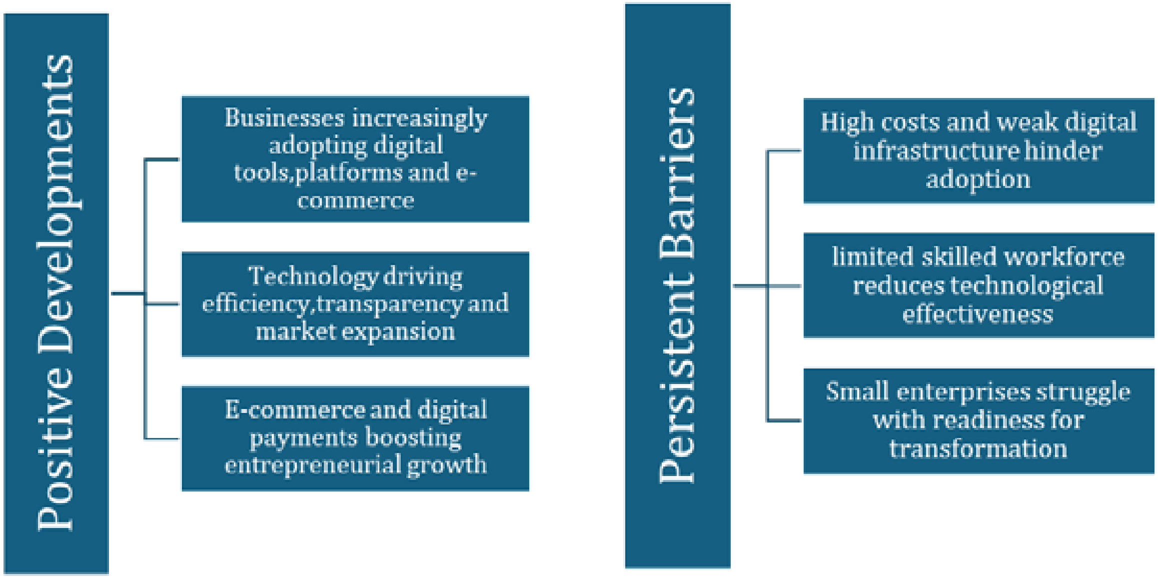
These patterns highlight how different regions in Bangladesh use digital tools to improve various aspects of their business operations while aligning their strategies with specific local needs and priorities. In Rangpur, Mymensingh, and Rajshahi, investment in new technologies and digital solutions remains very low-approximately13%,13%, and 27%

respectively-leaving their online business capabilities lagging behind. As a result, the overall scores for these regions have declined.



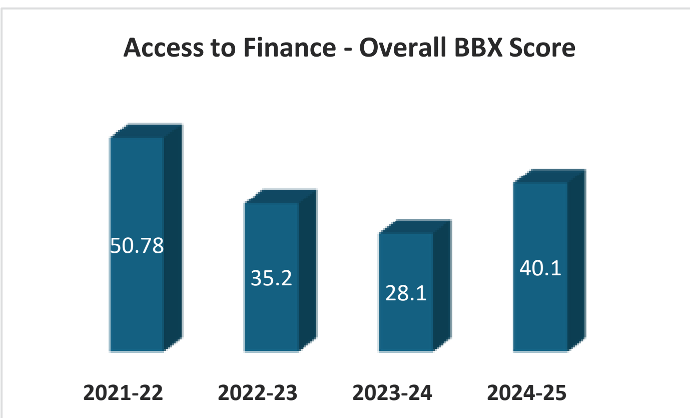
Technology adoption is increasing transparency, reducing transaction costs, and creating new employment opportunities in digital services and delivery systems. Overall, technology has become a key driver of competitiveness in Bangladesh's business environment. Urban centers like Dhaka and Chittagong are leading this transformation, but slower adoption in other regions highlights the need for more inclusive digital infrastructure and capacity building to sustain nationwide growth. Survey data shows that only 12.7% of respondents consider marketing or selling products and services online to be difficult. At the same time, only 4.8% find accessing or leveraging the technology solutions or platforms they use to be challenging. This indicates that online marketing and technology adoption in Bangladesh face relatively few obstacles, and most businesses are able to utilize these tools with ease.

The scores for the Leather and Tannery and Pharmaceuticals and Chemicals sectors show that the Leather and Tannery sector has made the most significant improvement, with a score of **77.08**, highlighting notable progress in business capabilities and technology adoption. The Pharmaceuticals and Chemicals sector scored 70.31, reflecting solid performance, though slightly lower than Leather and Technology. This indicates that both sectors are experiencing strong growth within Bangladesh's industrial landscape, with Leather and Technology advancing at the fastest pace.



5.2.10 Access to Finance

Access to Finance trajectory over the past four years reflects severe weaknesses despite 12 points improvements in this year's ranking

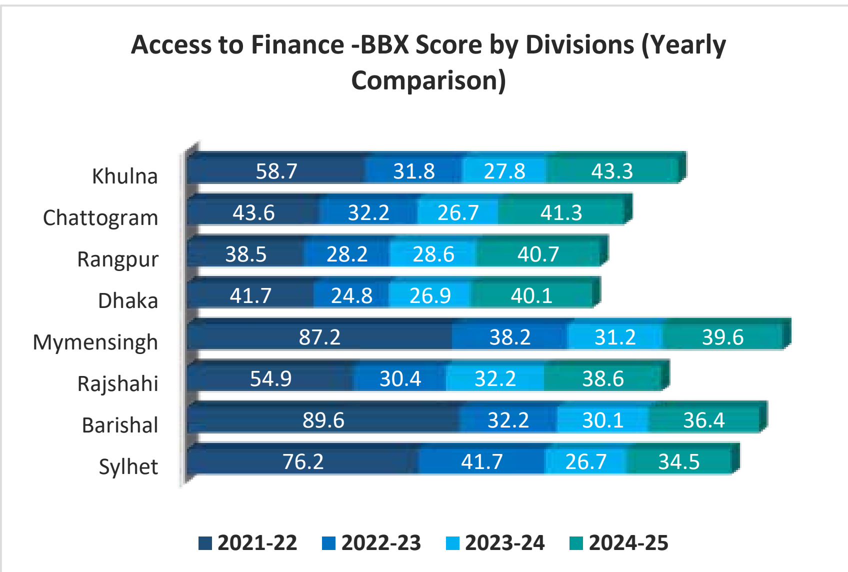


In 2024-25, the score for the pillar increased to 40.1 from that of 28.1 in 2023-24, indicating a relative improvement in the financial access facing businesses. The steep decline up to 2023–24 reflected a period of financial stress, constrained trade and private sector credit, characterized by liquidity shortages in the banking sector, rising non-performing loans, and increasing foreign currency constraints. Businesses found it increasingly difficult to access loans, secure open letters of credit (LCs), and obtain affordable non-bank financing options. Despite the notable improvement, the pillar, with a score of 40.1 continues to remain in severe business environment bottleneck category of the index.

Around **72%** of respondents financed the purchase of fixed assets or capital through bank loans. This statistic demonstrates businesses' overwhelming dependence on banks as the primary source of investment funding.

The improvement in 2024–25 suggests that the worst phase of the crisis may have passed, and policymakers needs to build on the governance restoration, confidence boost, and easing of import compression. Policy interventions by Bangladesh Bank, including refinancing programs for exporters, and green finance projects, helped ease access to credit. Improvements in foreign currency management and prioritization of sectors for LC approvals also contributed to some stabilization in trade-related financial services. At the same time, businesses reported diversifying their sources of finance, relying more on non-bank financial institutions, microfinance, and venture financing, which helped reduce the burden of excessive dependence on banks.

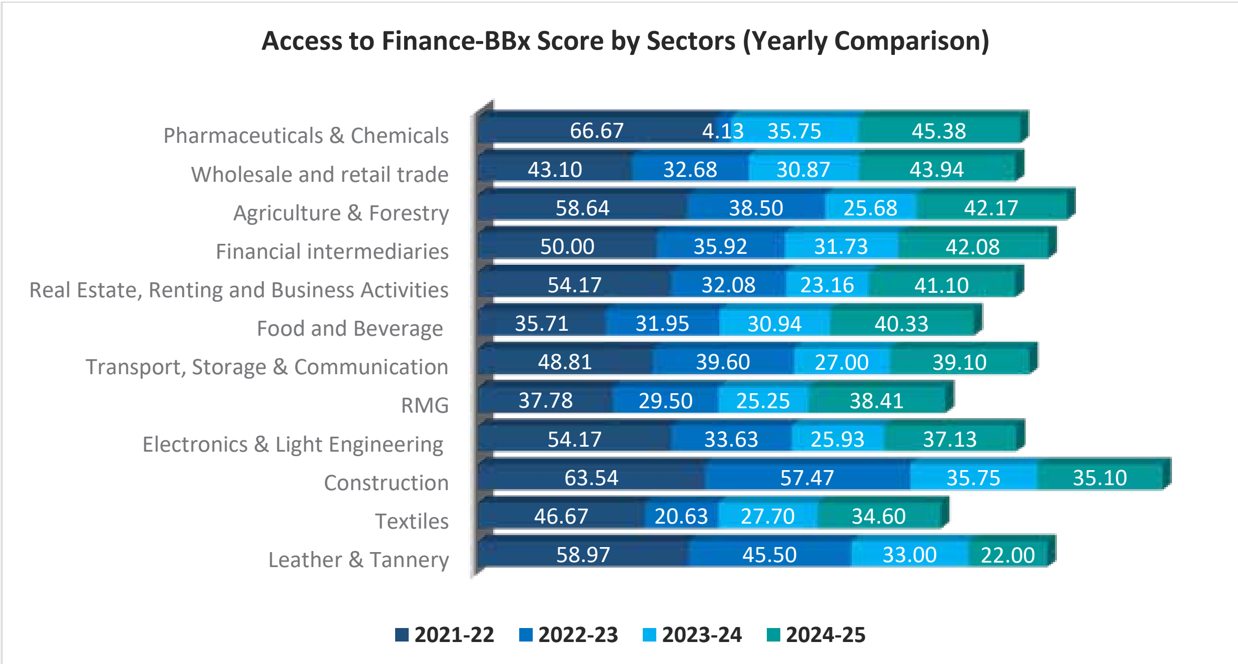
For Dhaka, Chattogram, and Khulna, which are heavily dependent on trade financing and working capital loans, the pillar posted higher scores compared to the previous year. These improvements were primarily driven by better access to bank credit, gradual relaxation of restrictions on promissory notes, and targeted refinancing programs introduced by Bangladesh Bank for SMEs and exporters. Rangpur has also shown a strong recovery, with its score rising from 28.6 to 40.7, as small businesses reported better utilization of microfinance and non-bank financial institutions. Rajshahi and Mymensingh followed with moderate improvements, indicating that while conditions have not yet fully normalized, confidence is gradually being restored.



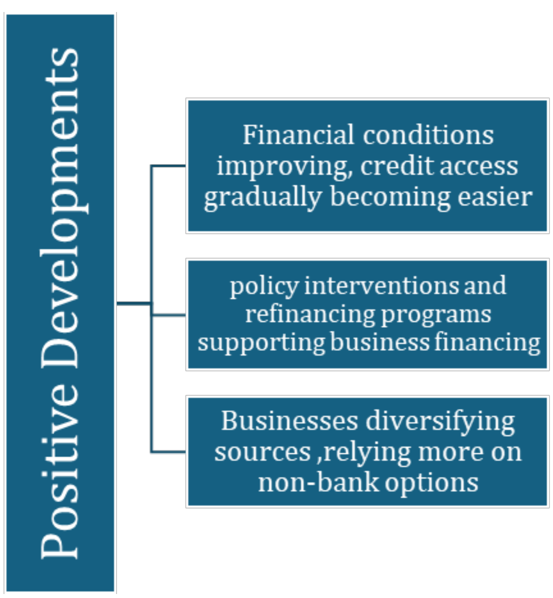
Overall, this points to a recovery, with the most severe phase of financing constraints perhaps easing. However, the uneven nature of recovery across divisions highlights differences in financial infrastructure, institutional support, and business reliance on external financing. While confidence has improved, sustaining this momentum will require continued reforms in credit allocation, digital banking, and regional financial inclusion.

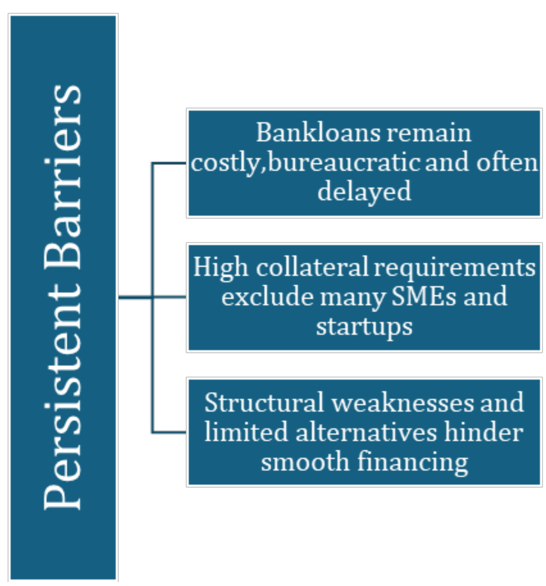
Access to finance remains one of the most critical factors shaping the business environment in Bangladesh. Survey results underscore both the importance of bank loans in business investment decisions and the persistent challenges companies face when transacting with the banking sector. The survey shows that, on average, around 72 % of respondents financed the purchase of fixed assets or capital through bank loans. This statistic demonstrates businesses' overwhelming dependence on banks as the primary source of investment funding. Non-bank financial institutions, microfinance, and self-financing play a much smaller role in capital formation. Among the divisions, Chattogram recorded the highest dependence on bank loans, reflecting its status as a major commercial center with significant demand for working capital, and trade financing. Strong levels of bank financing were also reported in Dhaka, Khulna, and Rajshahi, indicating that businesses in these regions are relatively well integrated into the formal financial system. In contrast, Sylhet continues to face a challenging environment for business financing, with limited access to bank credit and ongoing reliance on informal channels or remittances.

Despite this heavy dependence on banks, nearly 41 % of respondents reported 'considerable difficulty' in obtaining bank loans. This clear contradiction highlights structural challenges in the financial sector. While businesses turn to banks due to limited alternatives, the process is often costly, bureaucratic, and uncertain. Respondents consistently pointed to high collateral requirements, usually linked to land or property, which exclude many SMEs and startups from the formal credit market. Additionally, rising interest rates following the removal of interest rate caps, combined with inflationary pressures, have increased the cost of borrowing. Even when loans are obtained, they are often considered inadequate.



Other obstacles include delays in processing and inconsistent lending procedures. Loan approvals can take several months, with extensive documentation requirements that discourage smaller enterprises. Moreover, vulnerabilities in the banking system—liquidity shortages and high levels of non-performing loans—limit banks' willingness to extend new credit, resulting in rationing of loans.



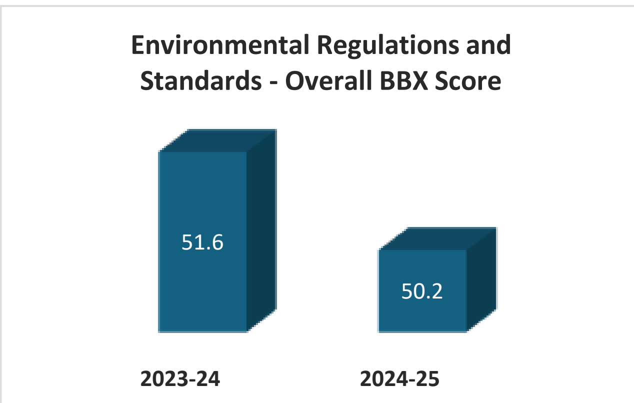


Overall, the findings indicate a dual reality. On one hand, bank loans remain essential for businesses across Bangladesh, especially in Chattogram, Dhaka, Khulna, and Rajshahi, where dependence is highest. On the other hand, access is not smooth, with nearly 41 % of respondents experiencing considerable difficulty. In regions like Sylhet, where financial infrastructure is weaker, challenges are more acute. This suggests that meaningful improvements in the business environment require not only increased loan supply but also structural reforms to make financial support more affordable, inclusive, and timely.

5.2.11 Environmental Regulations and Standards

In 2023–24, Environmental Regulations and Standards, added as the 11th pillar, had an overall BBX score of 51.6, which slightly declined to 50.2 in 2024–25, a decrease of about 1.4 points. This is not a significant deterioration; rather, however it does indicate that this pillar, critical going forward in light of global regulatory requirements, need major policy/reform/sector level boost.

In recent years, businesses have faced rising challenges in meeting environmental standards. What was once seen as a routine compliance requirement has now become a more demanding process, largely due to heightened monitoring and accountability measures.



Compliance-related expenses have risen, SMEs, in particular, face higher burdens in operating effluent treatment plants (ETPs) or sewage treatment plants (STPs), conducting air and water quality testing, audits, and managing hazardous waste. Challenges are compounded by the limited geographical availability of approved labouratories, recycling chains, and license renewal services. Outside Dhaka, these facilities remain weak, increasing both time and cost for businesses. Waste management remains another significant challenge. Most businesses do not regularly separate dry and organic waste. Limited space, insufficient dedicated staff or units, lack of awareness, and a tendency to avoid extra effort have weakened waste management in the SME sector, negatively affecting the overall score.

The slight drop in score does not indicate a fall in environmental standards; rather, it reflects lack of policy and other support that facilitate transition to higher compliance. As the depth of compliance increases, costs and complexity rise initially, creating a temporary negative perception among businesses. This is a normal part of the process.

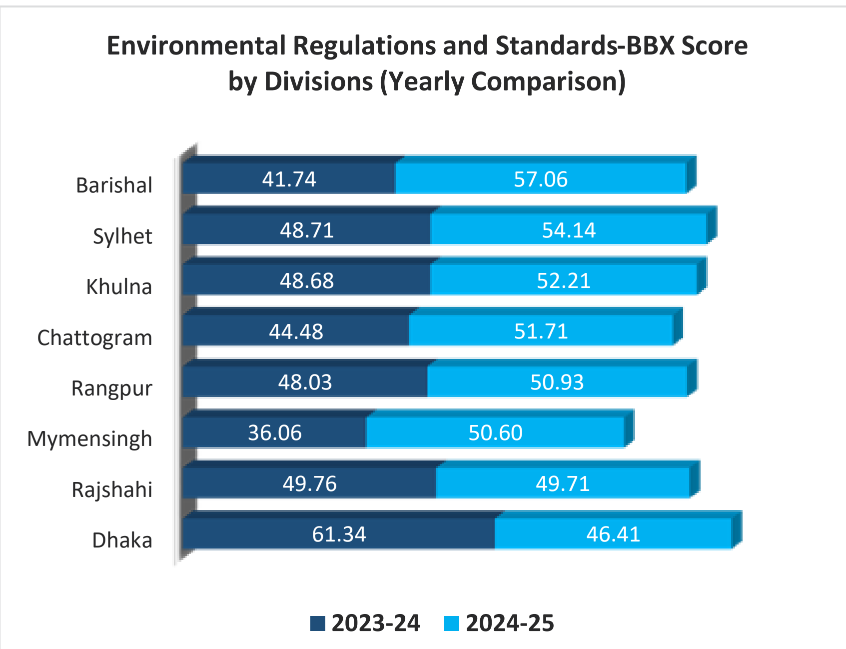
> Sustainable business practices are gradually becoming more important in Bangladesh although adoption and challenges vary across sectors and business sizes.

Future improvements will require sector-specific compliance roadmaps, green finance funds, integrated digital portal, and stronger municipality-industry partnerships. High-performing businesses could also be incentivized through faster license renewals or fee rebates.

Regionally, Dhaka recorded the highest BBX score in 2023-24 (61.34) but experienced a significant decline to 46.41 in 2024-25, indicating a sharp performance drop. In contrast, Chattogram improved from 44.48 to 51.71, reflecting steady progress. Mymensingh, which had the lowest score in 2023-24 (36.06), showed remarkable improvement, reaching 50.60 in 2024-25. These shifts highlight a closing gap in performance across divisions, with some underperforming regions making notable gains while previously leading areas, like Dhaka, saw setbacks.

Regionally, Dhaka has made the most progress in waste reduction, at 61.9%, followed by Sylhet at 46.9%. Rangpur has shown the least effort, at only 26.1%. That highlights regional disparities in waste reduction, with awareness and effective initiatives not evenly implemented. Businesses in Dhaka are relatively ahead due to stricter enforcement, higher market competition, and apparel/textiles hubs in Gazipur and Narayanganj responding to pressure from participation in international supply chains. In Sylhet, the development of tourism and some export-oriented industries has fostered awareness about waste management.

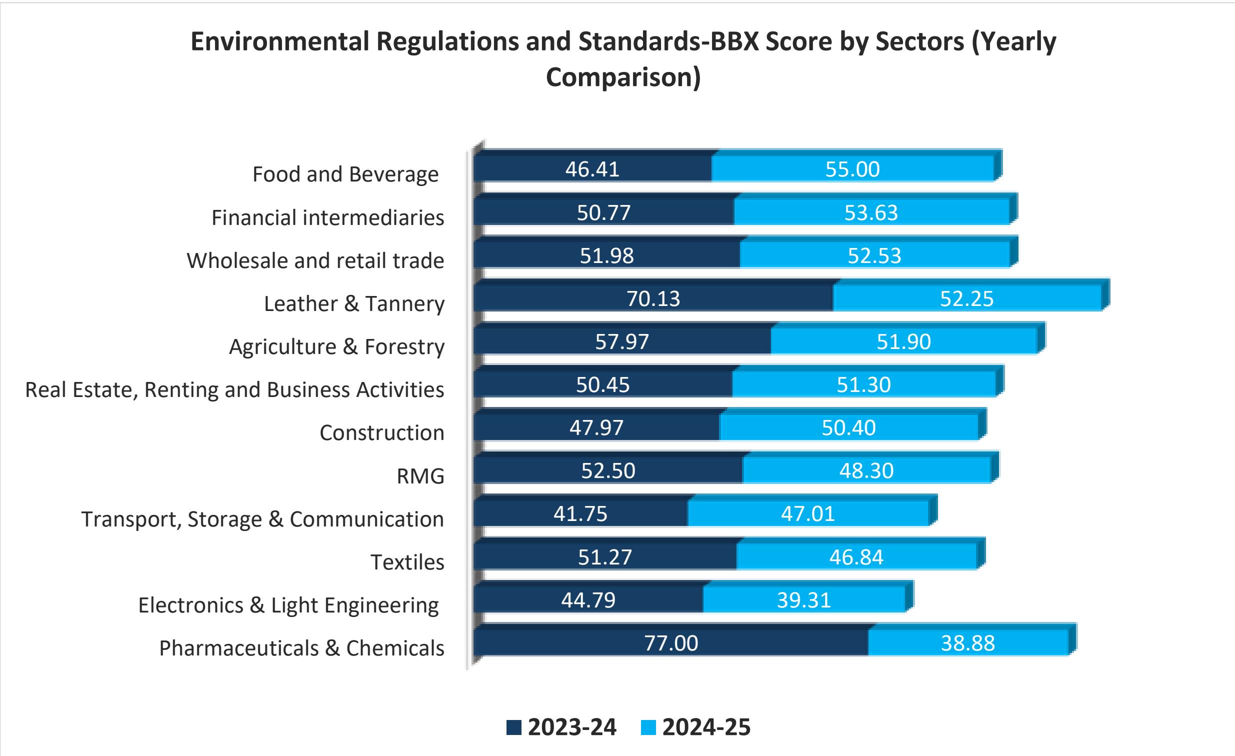
In Rangpur, lower scores are linked to limited industrialization, low investment, and infrastructural gaps in waste management. Many SMEs are still unable to implement waste segregation or recycling processes. Costs, lack of training, and weak coordination by local authorities exacerbate the issue. Addressing these disparities requires regional awareness campaigns, technical support, and incentives, alongside stronger partnerships between local governments and industry associations.



Sustainable business practices are gradually becoming more important in Bangladesh although adoption and challenges vary across sectors and business sizes. Responses to BBX environmental questions show that experiences in waste reduction, water conservation, and energy efficiency are diverse. About 45.8% of respondents reported that reducing waste is “moderately” difficult.

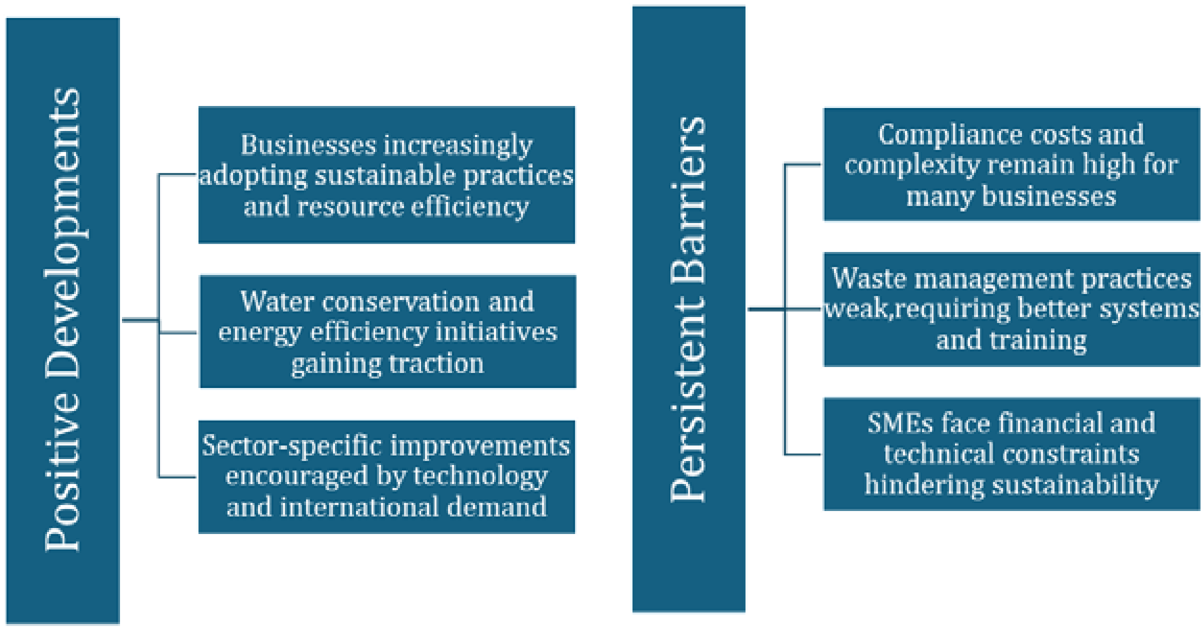
Sector-specific differences are notable. For instance, in Electronics and Light Engineering, 100% of respondents reported that waste reduction is easy, likely due to simpler production processes, modern technology use, and material recyclability. Similarly, Pharmaceuticals and Chemicals, Food and Beverage, Wholesale and Retail Trade, Leather and Tannery, and Financial Intermediaries performed relatively well, indicating greater awareness and resource allocation for waste management. Conversely, Construction, Agriculture and Forestry, and Textiles found these initiatives more challenging, primarily due to procedural constraints, complex raw material use, limited technological advancement, and high costs of environmentally friendly practices. Medium-sized enterprises reported greater difficulty, reflecting constraints in financial and technical capacity.

Some positive trends were observed in water conservation efforts. Most respondents in RMG, Food and Beverage, Transport, Storage and Communication, and Leather and Tannery reported proactive measures. This is largely due to water-dependent production processes. In RMG and tannery industries, water use is essential, creating pressure to implement water-saving or recycling technologies. Similarly, in the food and beverage industry, water quality directly affects product quality, encouraging more attention to water management.



In energy efficiency, Dhaka-based businesses reported the most positive responses (42.5%), reflecting higher electricity and fuel costs and greater technical and financial capacity of large enterprises. Sector-wise, Transport, Storage and Communication, Food and Beverage, and RMG industries invested the most, driven by the need to reduce production costs and meet international demand for environmentally friendly production. Sustainable production has become particularly crucial for RMG competitiveness in international markets.

Overall, Bangladesh's business sectors are gradually moving toward sustainable practices, though differences across sectors and business sizes remain pronounced. Large, technology-driven enterprises adapt more easily, while SMEs continue to lag due to limited resources, technical skills, and cost constraints. In the future, these gaps can be reduced through the implementation of sustainable policies, financial support, and technology transfer.



5.3 Business Environment for Foreign Firms and Macroeconomic Dynamics

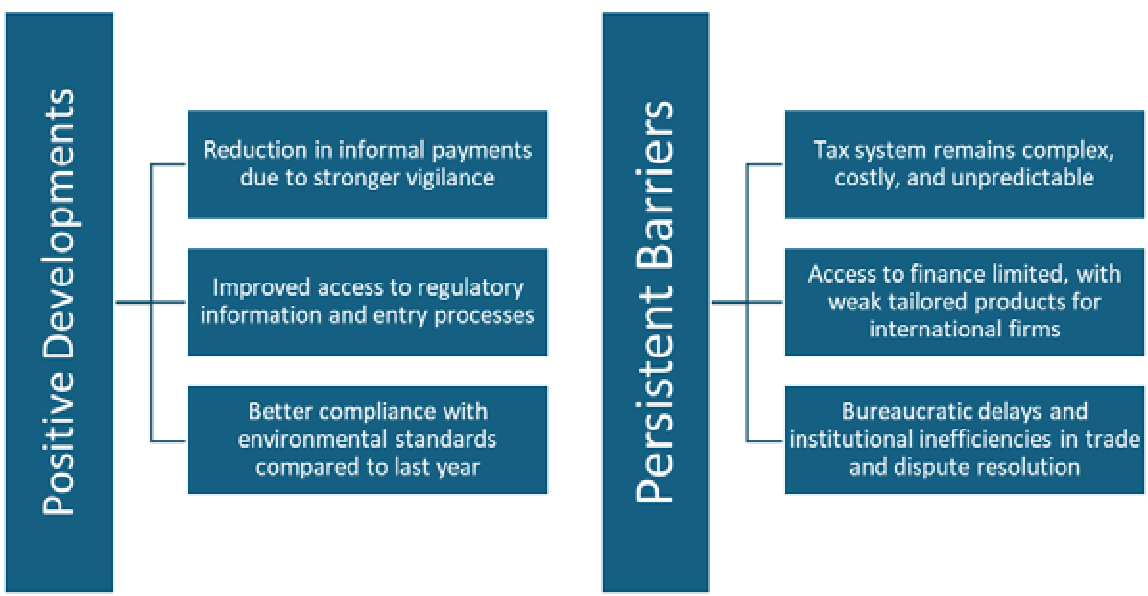
5.3.1 Foreign Firms

Foreign firms in Bangladesh experienced a modest improvement in the overall business environment this year, with the composite score rising to 57.66 from 53.55 in the previous year. This slight progress can be attributed largely to the regime change, which has increased vigilance among officials and reduced the frequency of informal payments. Additionally, a renewed sense of trust in the business environment has provided foreign investors with some confidence, though systemic challenges remain. Despite these improvements, the overall score suggests that Bangladesh's operating environment for foreign firms continues to face deep structural constraints that limit competitiveness and attractiveness

for long-term investment. Looking across the pillars, areas such as **Starting a Business (66.12)** and **Availability of Regulatory Information (65.42)** remain relatively favorable. Foreign firms are often resource-rich, which eases entry barriers, while government efforts to attract FDI have made regulatory information more accessible. **Infrastructure (62.71)** and **Technology Adoption (63.50)** also reflect moderate improvement, linked to recent investments in connectivity, digital trade platforms, and private sector-driven adoption of technology. However, scores for **Labour Regulation (57.12), Trade (60.56)** and **Dispute Resolution (60.73)** reveal persistent inefficiencies. While some progress is visible due to stricter monitoring of officials, bureaucratic delays and limited institutional capacity continue to create friction for foreign investors.

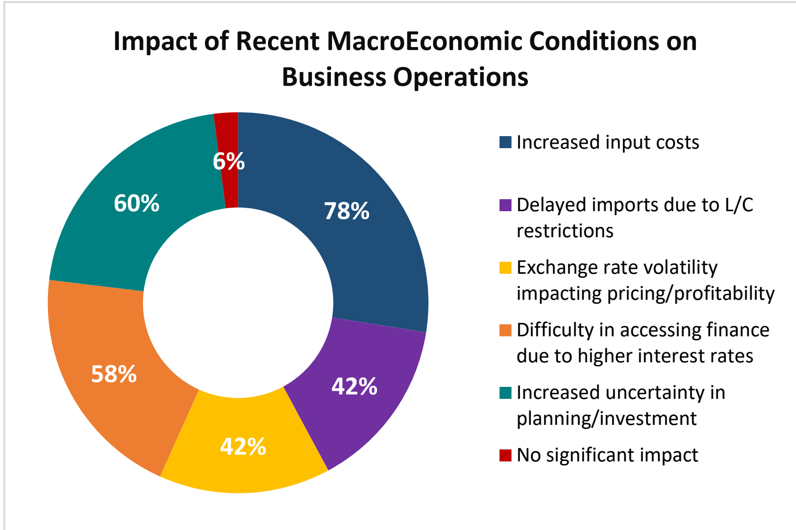
Critical weaknesses persist in Paying Taxes (45.33) and Access to Finance (43.12), both of which continue to undermine foreign firms' ability to operate seamlessly. The tax system remains overly complex and burdensome, with high compliance costs, frequent regulatory changes, and lingering informal practices, even if reduced. Access to finance is less of a need for capital-rich foreign firms but highlights the lack of tailored financial products and the broader weakness of Bangladesh's financial sector in supporting international business. The newly measured **Environment pillar (52.00)** shows some improvement compared to last year's 33.00, reflecting stronger compliance and government push on sustainability standards. However, weak enforcement, poor waste management infrastructure, and inconsistent environmental regulations continue to challenge firms. Overall, while the marginal improvement in scores reflects reduced harassment and greater policy vigilance, the broader investment climate still requires systemic reforms in taxation, dispute resolution, and regulatory predictability to make Bangladesh a more competitive destination for foreign investment.

Access to finance is less of a need for capital-rich foreign firms but highlights the lack of tailored financial products and the broader weakness of Bangladesh's financial sector in supporting international business.

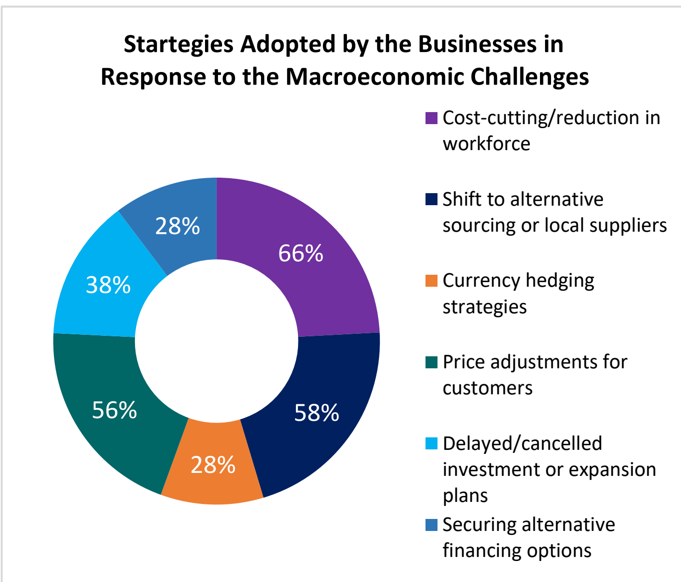


5.3.2 Macroeconomic Environment

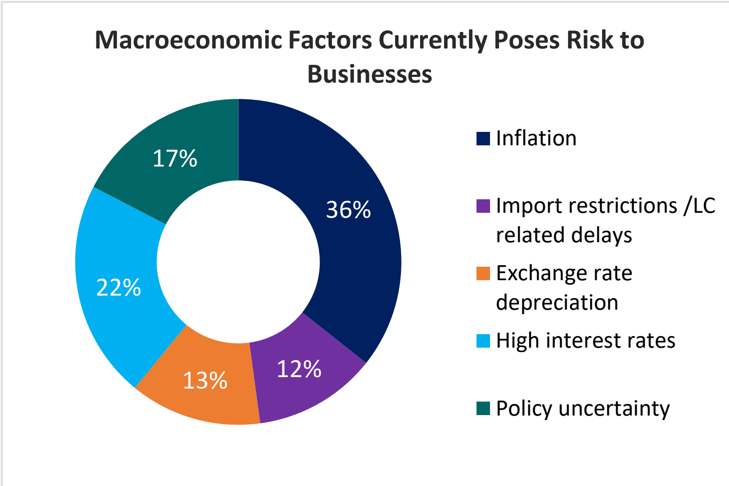
The macroeconomic environment in 2024 and into 2025 has placed significant pressure on businesses across Bangladesh, with rising input costs emerging as the most widespread challenge. Nearly **78%** of respondents indicated that higher costs of raw materials, energy, and imported goods have strained their operations, with the impact most pronounced in Rajshahi (**92%**) and other industrial hubs such as Dhaka, Mymensingh, and Rangpur. Sector-specific analysis shows that cost pressures are particularly acute in **RMG, pharmaceuticals, and wholesale trade**, where more than 80% of firms reported being affected. Larger and medium-sized firms, which depend heavily on imported inputs and formal financing channels, have been disproportionately hit, further compounding operational stress.



Uncertainty in business planning and investment decisions has also increased, with around 60% of firms citing difficulty in making long-term commitments. This reflects the broader volatility of the economy, where firms struggle to anticipate future demand, exchange rate movements, or the trajectory of inflation. The tightening of monetary policy to curb inflation has led to **higher interest rates**, and nearly **58%** of respondents highlighted difficulties in accessing finance as a direct result. This financing squeeze has been especially burdensome for capital-intensive sectors and firms seeking to expand operations, leading to stalled or cancelled investment plans.



In response to these macroeconomic pressures, firms have adopted a range of coping strategies, though many of them are defensive rather than growth-oriented. **Cost-cutting, including workforce reduction, was the most common strategy**, reported by two-thirds of respondents and nearly **87%** in the electronics and light engineering sector. Others shifted toward **alternative sourcing or local suppliers** to mitigate import-related costs, with this approach most prevalent in the **food and beverage sector (72%)** and among larger firms. Additionally, firms adjusted pricing strategies, passing some costs onto consumers, and a notable share—particularly in RMG and textiles—chose to **delay or cancel expansion plans**. Looking ahead, firms view **inflation as the single largest risk (36%)**, followed by high interest rates (21%). These findings underscore that while businesses are adapting, persistent inflationary pressures and tight credit conditions remain critical constraints on investment, growth, and competitiveness.



While macroeconomic pressures have been largely driven by rising costs and tight financing conditions, the political transition over the past year has had a noticeable influence on the business environment. The regime change has reduced informal payments and curtailed entrenched rent-seeking attitudes among officials, offering businesses some relief and a modest improvement in trust. At the same time, the transition has also brought policy uncertainty, with firms struggling to anticipate inflation management, exchange rate stability, and future regulatory direction. As a result, while reduced political interference has created space for more transparent practices,

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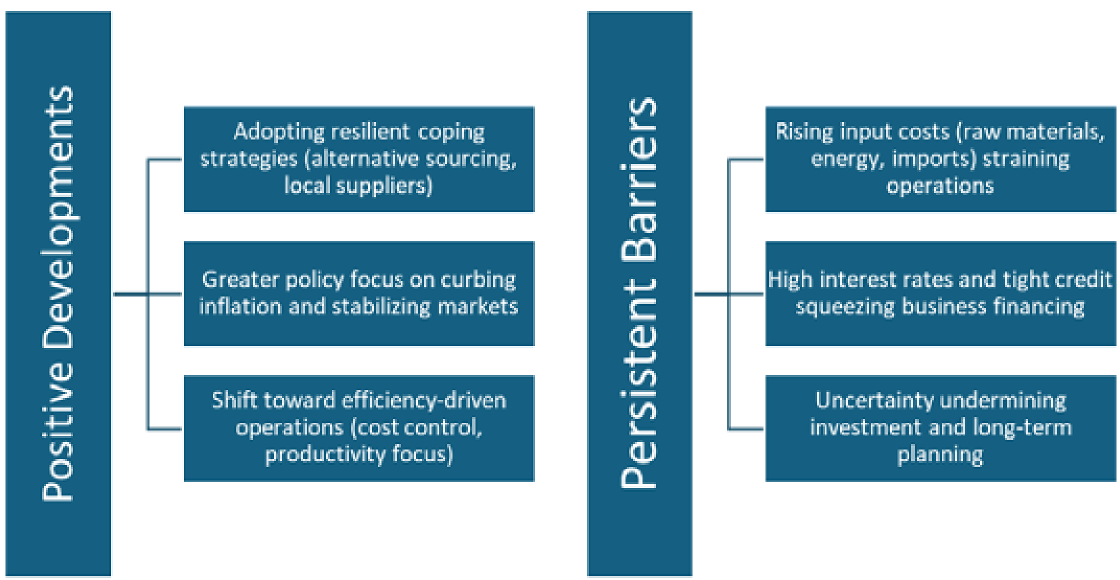


businesses remain cautious, facing an environment that is less burdened by harassment yet still unpredictable for long-term planning and investment.

Implications of Index Scores- Dhaka vs. Chattogram as Growth Centers

Pillar Area	Position of Dhaka		Change	Position of Chittagong		Change	Best Performer
	2023-24	2024-25		2023-24	2024-25		
Starting a Business	8	8	↔	5	7	↓	Sylhet
Access to Land	5	6	↓	3	3	↔	Sylhet
Availability of Regulatory Information	4	4	↔	1	5	↓	Rajshahi
Business Infrastructure	7	4	↑	8	3	↑	Mymensingh
Labour Regulation	3	4	↓	7	3	↑	Barishal
Dispute Resolution	2	2	↔	6	7	↓	Rajshahi
Trade Facilitation	5	3	↑	4	4	↔	Barishal
Paying Taxes	7	5	↑	5	7	↓	Sylhet
Technology Adoption	6	2	↑	7	4	↑	Sylhet
Access to Finance	6	4	↑	7	2	↑	Khulna
Environment Regulations and Standard	1	8	↓	6	4	↑	Barishal

Persistent Barriers Faced by Businesses Per Pillar Category (2024-25)

Starting a Business	Access to Land	Availability of Regulatory Information	Business Infrastructure	Labour Regulation	Dispute Resolution	Trade Facilitation	Paying Taxes	Technology Adoption	Access to Finance	Environmental Regulations and Standards
Multiple clearances across fragmented agencies	Informal payments and corruption persist	Rapid policy adjustments without adequate communication	Transport and logistics access is difficult for most businesses	Compliance with labour filings or returns is as difficult as complying with broader labor regulations	Severe backlog of cases and shortage of judges	Customs clearance delays and arbitrary valuation practices	Complex, time-consuming compliance processes	High costs and weak digital infrastructure hinder adoption	Bank loans remain costly, bureaucratic and often delayed	Compliance costs and complexity remain high for many businesses
Regional disparities in costs procedures	Registration and mutation remain slow	Absence of new structural reforms	Frequent power outages affecting businesses	Limited modern tools and resources reduce training, productivity, and workforce appeal	Limited technology adoption across courts	Persistent informal payments and rent-seeking behavior	Frequent, unpredictable policy changes	Limited skilled workforce reduces technological effectiveness	High collateral requirements exclude many SMEs and startups	Waste Management practices weak, requiring better systems and training
Informal payments remain widespread	Construction and RMG face heavier challenges	Regional and sectoral disparities exist in terms of access to information	Absence of structural or regulatory changes to improve industrial and business infrastructure	Bangladesh's labour compliance lags behind India and ASEAN peers	Ongoing concerns over abuse of power and inconsistent verdicts	Lack of proper adoption of digital systems like BSW and OSS	High compliance costs, particularly for larger firms	Small enterprises struggle with readiness for transformation	Structural weakness and limited alternatives hinder smooth financing	SMEs face financial and technical constraints hindering sustainability

Improvements Observed by Businesses Per Pillar Category (2024-25)

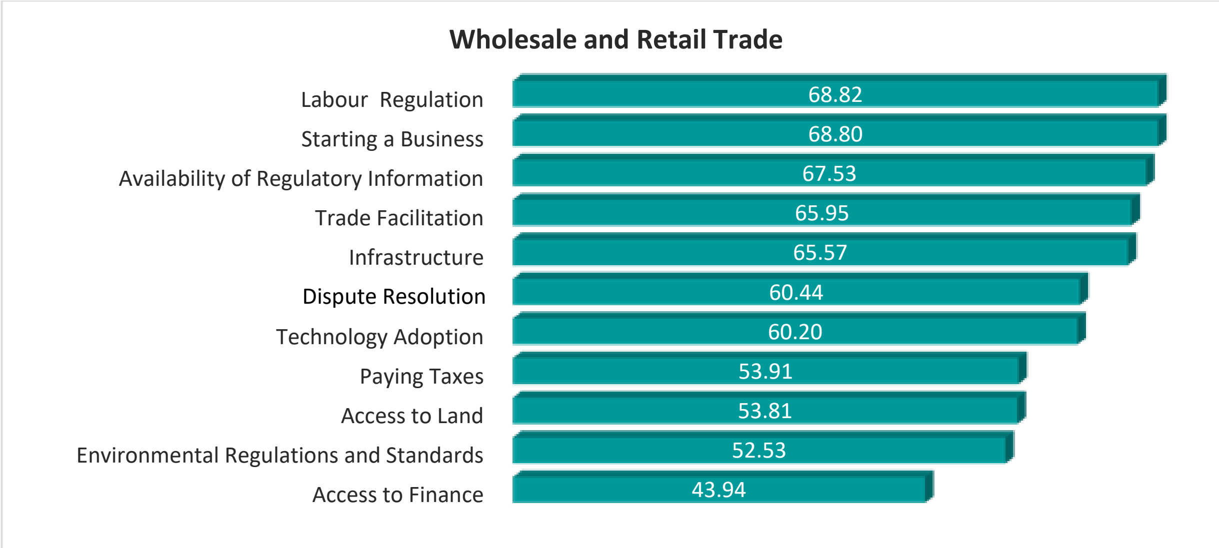
Starting a Business	Access to Land	Availability of Regulatory Information	Business Infrastructure	Labour Regulation	Dispute Resolution	Trade Facilitation	Paying Taxes	Technology Adoption	Access to Finance	Environmental Regulations and Standards
Expansion of the BIDA OSS platforms, integrating multiple agencies and banks	Gradual digitalization of land records	More awareness of registrations and renewals.	Reliable access to internet and mobile phone connectivity for businesses	Acquiring unskilled workers more businesses is easy	Noticeable reduction in political influence over courts	Introduction of AEO certification for trusted traders	Wider rollout of digital tax services and simplified forms	Businesses increasingly adopting digital tools, platforms and e-commerce	Financial condition improving, credit access gradually becoming easier.	Businesses increasingly adopting sustainable practices and resource efficiency
Companies Act amendments modernized governance and registration	Sectors like Electronics and Agriculture few fewer hurdles.	Improved online accessibility to government regulations	Low incidence of informal payments for obtaining utility		Suspension of corrupt judges improving integrity	Rollout of the Bangladesh Single Window (BSW)	Increased scrutiny of corrupt officials, reducing speed money	Technology driving efficiency, transparency and market expansion	Policy interventions and refinancing programs supporting business financing	Water conservation and energy efficiency initiatives gaining traction
Digital services improved transparency and user satisfaction	Growing awareness of online land services.	Increased accessibility to rules set by municipal co-operations			Faster resolution timelines reported by businesses	Expansion of One-Stop Service (OSS) platform	Improved perception of fairness compared to previous years	E-commerce and digital payments boosting entrepreneurial growth	Businesses diversifying sources, relying more on non-bank options	Sector-specific improvements encouraged by technology and international demand

5.4 Sectoral Performance

Sectoral performance highlights several advantages across key business pillars. The RMG sector performs strongest in infrastructure, reflecting its ability to leverage existing facilities for efficient production and export operations. Labour regulations are most conducive in financial intermediaries, supporting smoother workforce management. The transport, storage, and communication sectors show strong results in business entry and tax compliance, signaling a favorable regulatory environment and efficient administrative processes. Electronics and light engineering benefit from relatively smooth land acquisition and effective dispute resolution, creating a supportive setting for new investment. The food and beverage industry stands out for its clear regulatory information and compliance with environmental standards, enabling market expansion. Similarly, the pharmaceuticals and chemicals sector excel in trade facilitation and access to finance, demonstrating effective policy support for high-value, export-oriented manufacturing. Together, these strengths indicate that targeted reforms and infrastructure investments are beginning to deliver measurable improvements in the ease of doing business across multiple growth sectors.

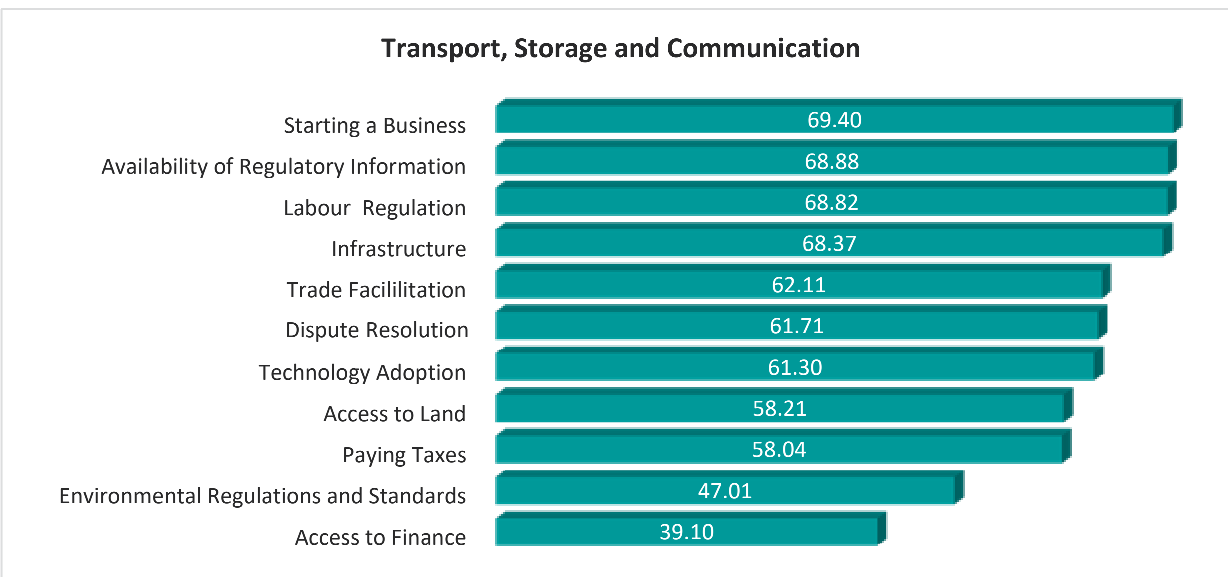
At the same time, structural bottlenecks remain, signaling areas for urgent policy attention. The RMG sector, despite its dominance in export earnings, faces difficulties in business start-up procedures, limiting the entry of new firms. Construction activities are slowed by land access challenges, while the textile industry continues to struggle with limited availability of regulatory information, delaying compliance and investment decisions. The leather and tannery sector is particularly constrained, reporting challenges across multiple pillars, including labour regulations, dispute resolution, and access to finance, collectively undermining its competitiveness. Meanwhile, electronics and light engineering face infrastructure gaps and a relatively high tax burden, and financial intermediaries report difficulties in dispute resolution and trade facilitation, which can stifle sectoral development. Food and beverage face difficulty in technology adoption. These weaknesses highlight the need for targeted reforms to streamline procedures, modernize infrastructure, and strengthen regulatory coherence across underperforming sectors.

5.4.1 Wholesale and Retail Trade



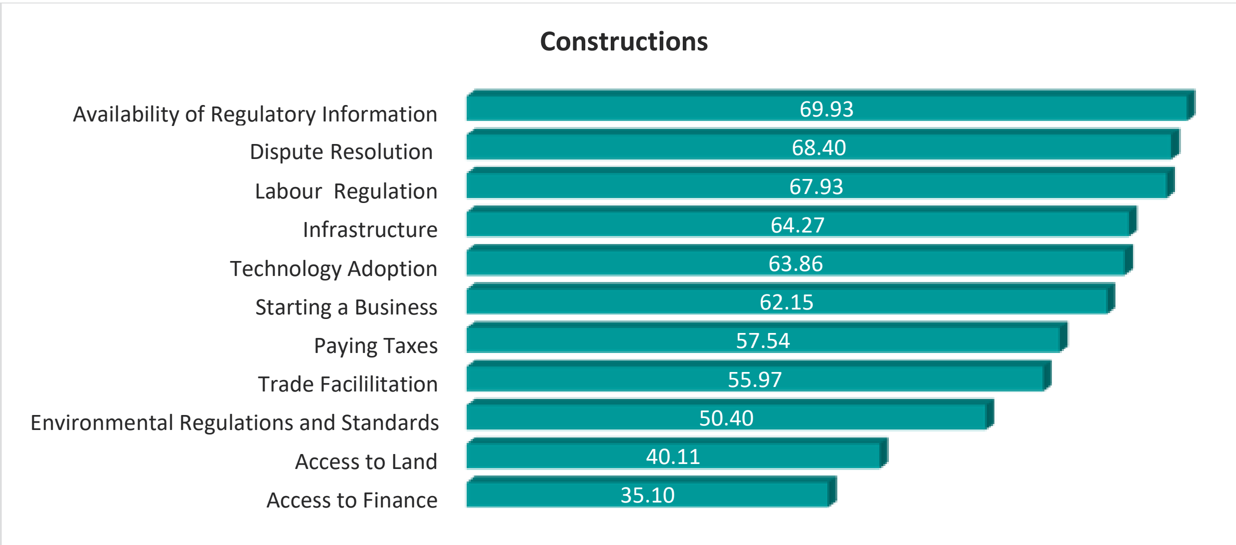
The wholesale and retail trade sector showed mixed dynamics. While incremental improvements were visible in areas such as starting a business, access to land, and regulatory information, businesses faced setbacks in infrastructure reliability, labour regulation, and the ease of paying taxes. Technology adoption weakened compared to the previous year, but access to finance recorded notable progress, and environmental compliance remained relatively stable. Overall, the sector reflects cautious progress in some aspects but continued stress in some of the pillars.

5.4.2 Transport, Storage and Communication



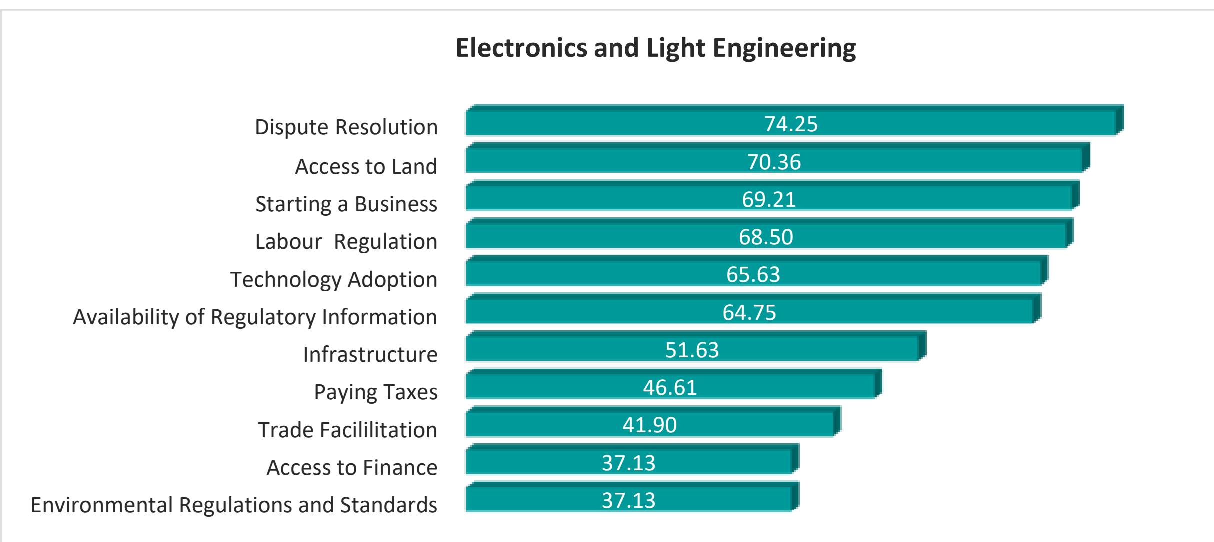
The transport and communication sector experienced modest gains in starting a business, labour regulation, and taxation, but these were offset by declines in access to land, dispute resolution efficiency, and trade facilitation performance. Technology adoption and infrastructure support weakened compared to the previous year, reflecting persistent bottlenecks in digital readiness and logistics. Environmental performance, however, showed signs of improvement, suggesting gradual responsiveness to sustainability requirements. The overall picture is one of uneven performance, with progress in some compliance areas but erosion in trade and operational competitiveness.

5.4.3 Construction



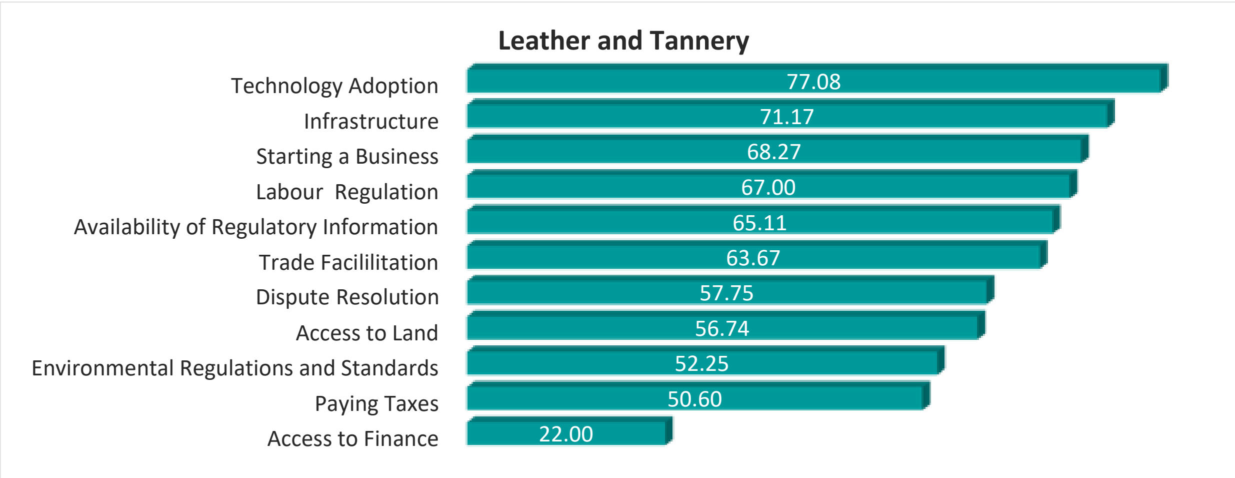
The construction sector demonstrated stronger improvements in business entry and dispute resolution, while also registering progress in regulatory information availability and environmental performance. However, setbacks were evident in infrastructure reliability, labour regulation, and trade facilitation, which continue to weigh heavily on cost structures and project execution. Access to finance remained virtually stagnant, with ongoing constraints on credit and collateral requirements. Despite advances in dispute resolution and transparency, the sector remains constrained by structural inefficiencies in key operational enablers.

5.4.4 Electronics and Light Engineering



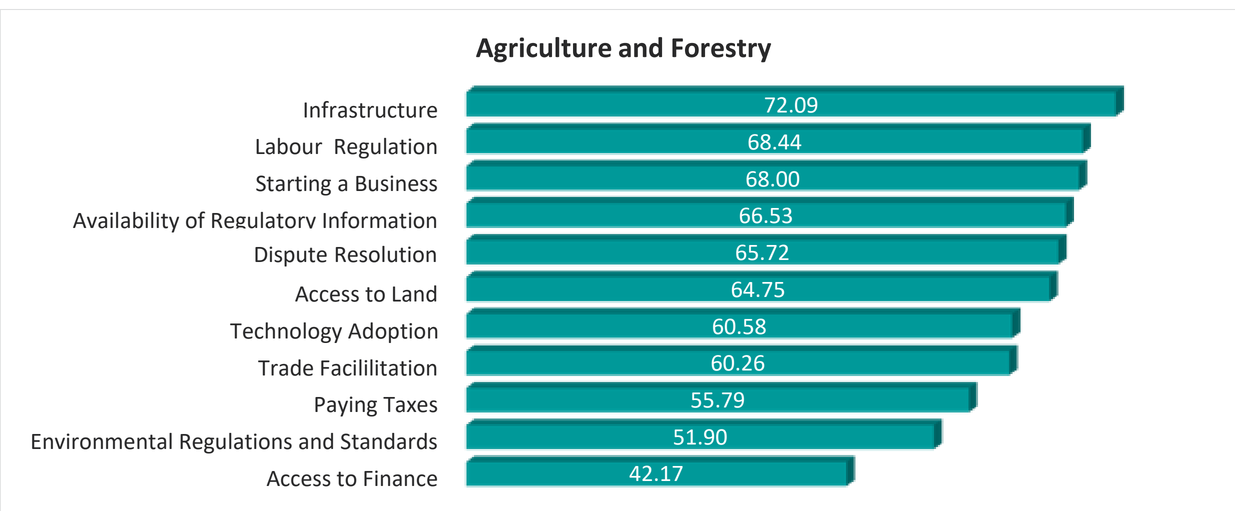
Last year, the electronics and light engineering sector reported relatively few infrastructure-related challenges, achieving a high score of 83. However, this year the score dropped sharply to 51, highlighting a significant deterioration in infrastructure conditions or rising perception of constraints in this area. This decline is consistent with the severe energy crisis Bangladesh has been facing, characterized by extended load shedding, gas shortages, and fuel price hikes, which have disrupted production schedules and increased operational costs.

5.4.5 Leather and Tannery



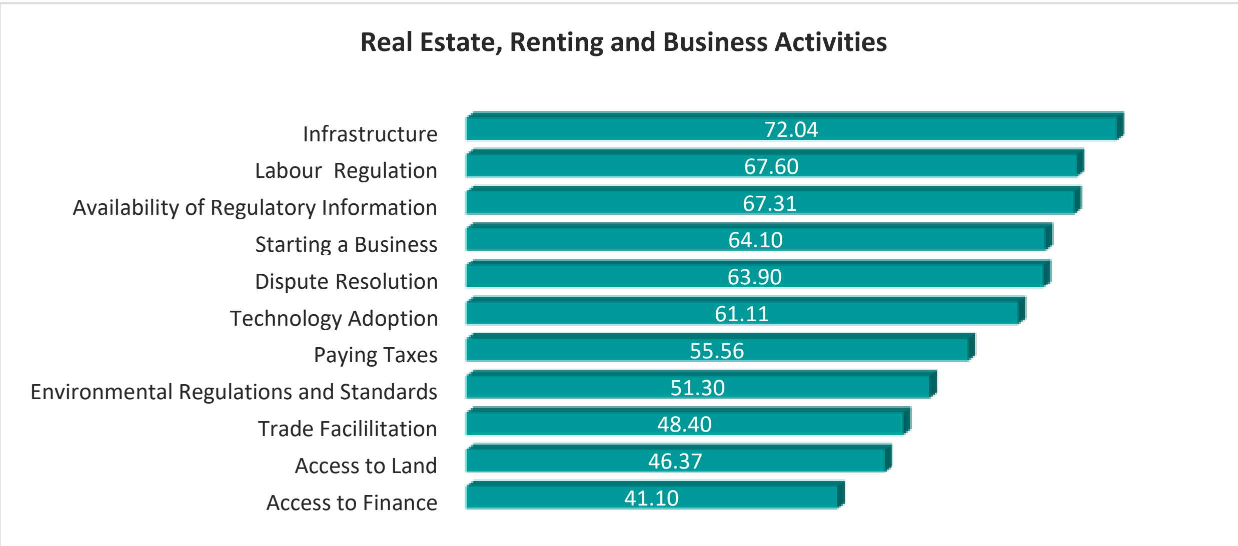
The survey findings indicate that the sector has experienced reduced challenges in technology adoption, marking an improvement from the previous year when this pillar registered the lowest scores, while challenges related to access to finance have become pronounced. Limited access to affordable credit restricts firms' ability to invest in capacity expansion, quality upgrades, and compliance with international standards. Without targeted interventions to ease financing constraints, the sector risks losing competitiveness in both domestic and export markets. For the last ten years, the export of this sector has been stuck at only USD1 billion instead of its estimated USD 5 billion potential.

5.4.6 Agriculture and Forestry



Consistent with the result of the previous year, survey results this year demonstrated that infrastructure remains as an area of strength, while access to finance consistently proves to contain bigger hurdles for businesses especially for the small ones. This lack of access to finance stems from the constraints that the lending institutions face in extending credit, including high operational costs, insufficient information about borrowers, limited financial literacy among clients, and risks stemming from unpredictable weather conditions. Addressing these constraints requires developing tailored credit products, simplifying and streamlining lending procedures, adopting digitized systems for credit assessment and disbursement, and enhancing coordination between regulators and financial institutions to ensure wider and more efficient access to finance.

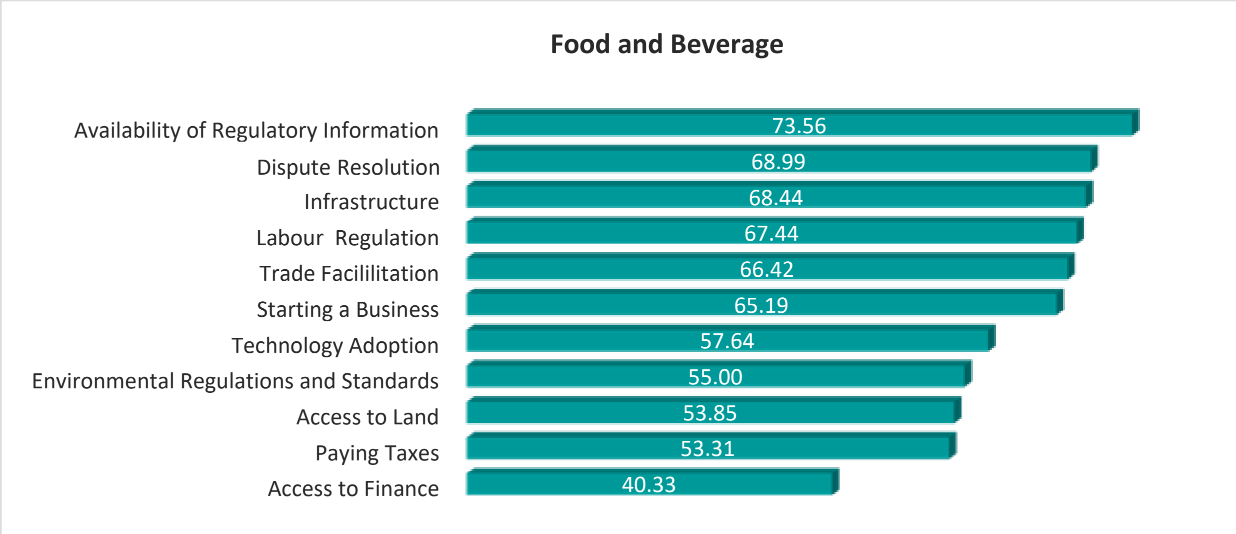
5.4.7 Real Estate, Renting and Business Activities



The sector showed some progress compared to the previous year, particularly in infrastructure, trade facilitation, paying taxes, and environment. These improvements suggest better regulatory coordination and stronger institutional support. However, there were moderate declines in starting a business, dispute resolution, availability of regulatory information, and technology adoption, while access to finance remained weak, signaling persistent structural challenges in mobilizing investment. Overall, financial bottlenecks continue to hold back their potential.

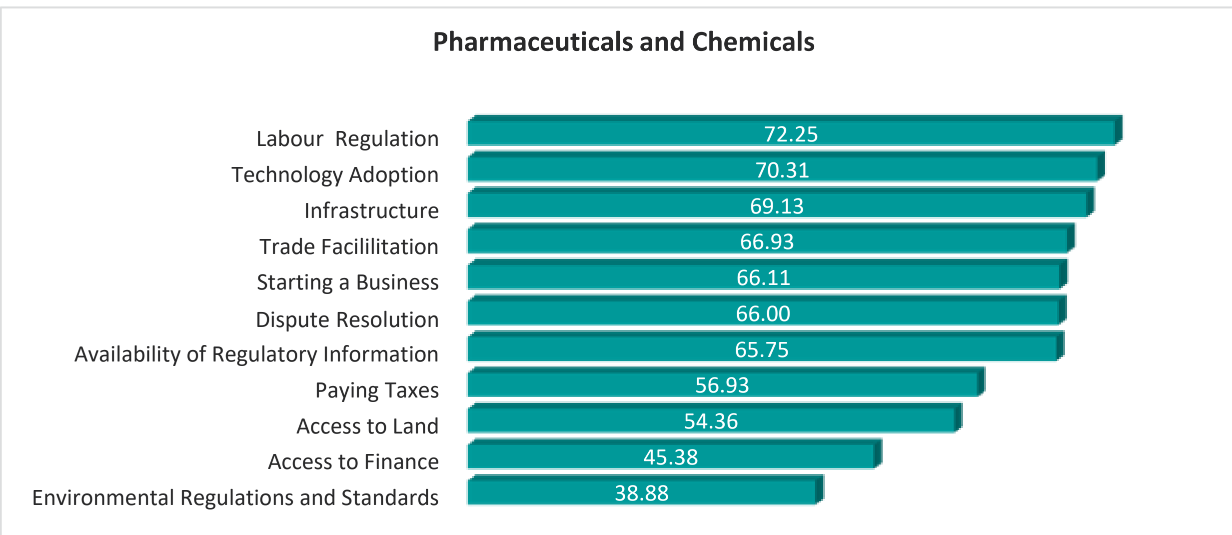
Access to finance emerged as the most consistent bottleneck for the sector, with its score rising from 25.93 to 37, suggesting that financing constraints have become even more pressing. With the energy and gas shortage, businesses in this sector. struggle to fund backup power solutions, absorb rising energy costs, or maintain liquidity amid declining output. While the sector faced fewer challenges in dispute resolution this year, it reported greater difficulty complying with environmental regulations and standards, as reflected in the drop in scores in that category.

5.4.8 Food and Beverage



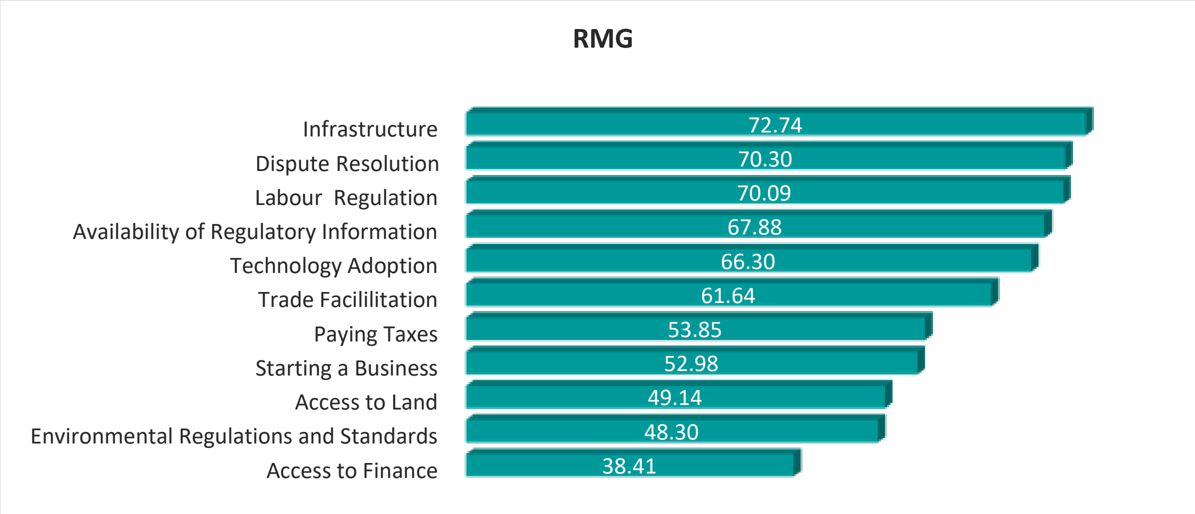
Food and Beverage performed better across most pillars in 2024-25, registering gains in starting a business, access to land, trade facilitation, and environmental practices. These improvements reflect a sector that is increasingly adapting to the business environment. Nonetheless, scores dipped in paying taxes, while access to finance remained one of the weakest areas.

5.4.9 Pharmaceuticals and Chemicals



The pharmaceuticals and chemicals sector demonstrated strong improvements in 2024-25, with higher scores in starting a business, availability of regulatory information, trade, and technology adoption. These advances underscore growing competitiveness and efficiency in the sector. Though access to finance situation is also better than previous year but still the score is very low, highlighting a critical vulnerability for capital-intensive operations. Labour regulation also slipped slightly, suggesting ongoing rigidity in workforce-related issues. Despite these, the sector recorded some of the most consistent gains across the board, reinforcing its position as one of the stronger-performing industries this year.

5.4.10 Readymade Garments



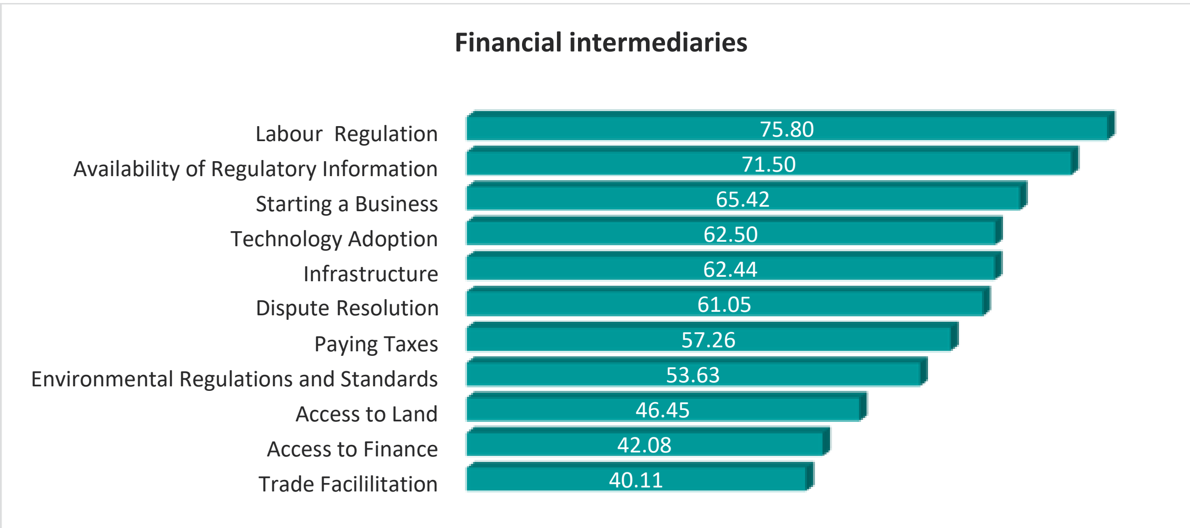
Readymade Garments sector recorded notable progress across most pillars in 2024–25, particularly in Access to Land, Business Infrastructure, Labour Regulation, Dispute Resolution, Trade Facilitation, Paying Taxes, Technology Adoption, and Access to Finance. These improvements reflect the sector's growing ability to adapt to the business environment and remain competitive. Yet, weaknesses persist in Starting a Business, Availability of Regulatory Information, and Environment Regulations and Standard. Complex procedures, limited regulatory information, and weak environmental standards pose long-term risks. Sustainable growth will require targeted policy reforms and stronger institutional support.

5.4.11 Textiles

Textile sector has shown positive progress in several areas, with improvements in Business Infrastructure, Labour Regulation, Dispute Resolution, Trade Facilitation, Paying Taxes, Technology Adoption, and Access to Finance enhancing the sector's ability to

remain competitive. However, Access to Land, Starting a Business, Availability of Regulatory Information, and Environment Regulations and Standard continue to pose significant constraints. Complexities in land acquisition, obstacles in starting businesses, and limited access to policy-related information are creating risks for the sector.

5.4.12 Financial Intermediaries



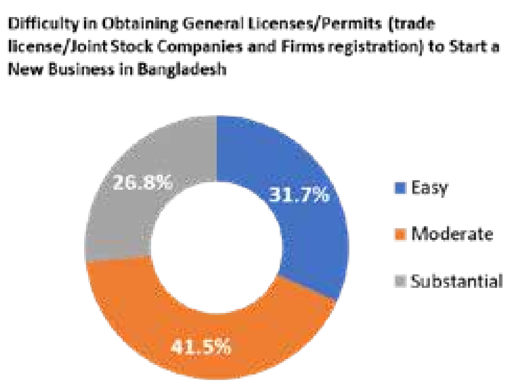
The Financial Intermediaries sector has shown positive progress in several key areas, particularly in Availability of Regulatory Information, Dispute Resolution, Trade Facilitation, Technology Adoption, Environment Regulations and Standard, and Access to Finance, enhancing the sector's ability to remain competitive. However, declines have been observed in Access to Land, Starting a Business, and Business Infrastructure, the situation in Labour Regulation has worsened, and Paying Taxes remains a major challenge. Complexities in land acquisition, obstacles in starting businesses, and limited access to policy-related information are creating long-term risks for the sector. Addressing these limitations requires policy reforms and strengthened institutional capacity. For sustainable growth, structural support and effective management practices need to be implemented.

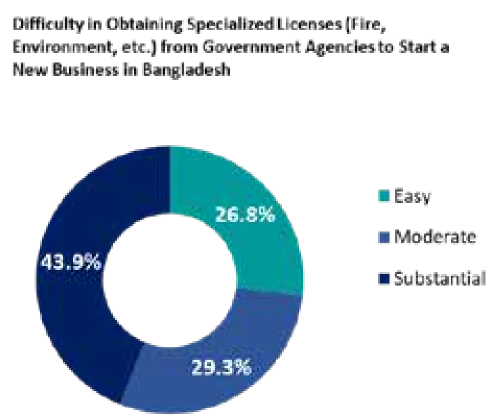
5.5 Navigating the Key Constraints in Business Landscape

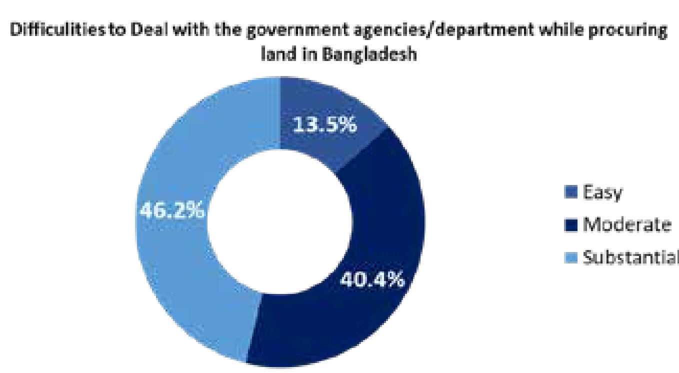
5.5.1 Regulatory Complexity in Starting a Business

The BBX findings reveal that starting a business in Bangladesh remains a challenging journey, with cumbersome licensing procedures and regulatory inefficiencies posing major obstacles, especially when it comes to specialized approvals. Obtaining general business licenses and permits, such as trade license, joint stock companies and firms registration, etc., remains a significant hurdle for many entrepreneurs, with 41.5% of respondents reporting moderate difficulty and 26.8% facing substantial difficulty, while only 31.7% reporting ease of the process. The challenge is substantial for obtaining specialized licenses such as fire and environmental clearances from various government agencies and departments as reported by majority of the respondents (43.9%), reflecting inefficiencies in regulatory coordination.

The start-up environment in Bangladesh is fraught with bureaucratic hurdles, widespread informal payments, and difficult sectoral approvals, creating barriers that can discourage entrepreneurship, stifle innovation, and deter investment. Informal payments for obtaining or renewing business registration further complicate the business start-up process, underscoring governance and transparency concerns. Similarly, sector-specific licenses, including export/import and pharmaceutical permits, are viewed as difficult to obtain by the majority, with 42.7% citing moderate and 41.5% citing substantial difficulty. Taken together, these figures illustrate that starting a business in Bangladesh continues to be encumbered by complex procedures, rent-seeking practices, and particularly challenging specialized and sectoral approval processes.

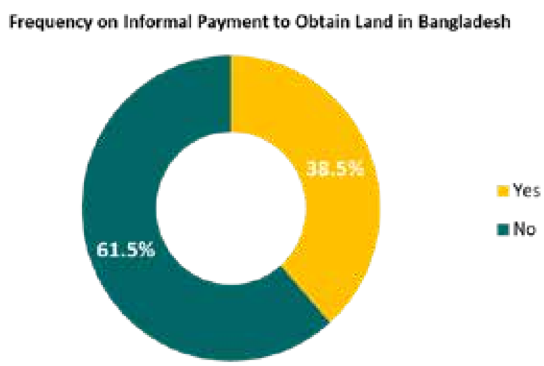


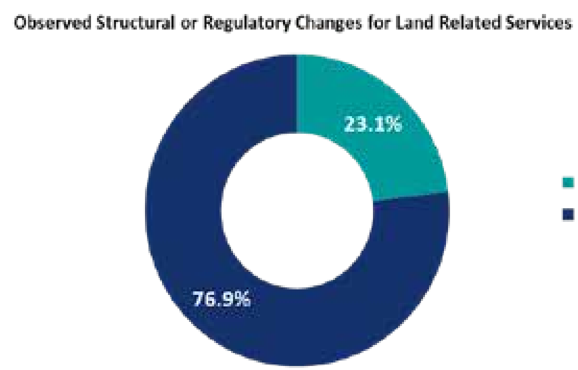




5.5.2 Procedural and Governance Challenges Hinder Access to Land

Despite minimal informal payment requirements to obtain land, accessing it in Bangladesh remains a complex and time-consuming process due to entrenched bureaucratic procedures and inefficiencies. Nearly half of the respondents (46.2%) reported facing substantial difficulty and 40.4% reported moderate difficulty when dealing with government agencies and departments during the procurement process. While fair access is evident, with 61.5% of respondents reporting no informal payments, the persistence of procedural hurdles, coupled with limited institutional progress, no structural or regulatory changes in land-related services over the past year reflects that the main barriers are administrative rather than issues of rent-seeking practices. Collectively, these findings highlight that improving regulatory efficiency and streamlining bureaucratic processes are critical to making land acquisition more accessible, efficient, and conducive to business growth.

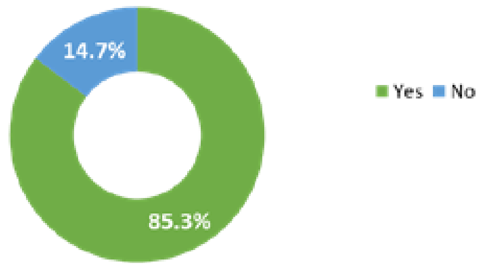




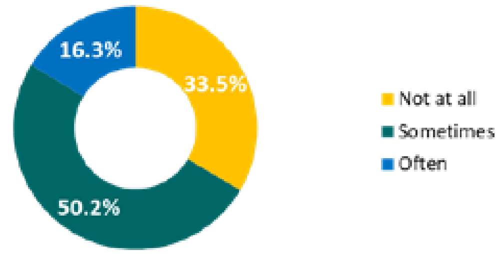
5.5.3 Access and Transparency Challenges in Availability of Regulatory Information

The BBX findings indicate that basic access to information is relatively strong but the unpredictability of regulatory changes, lack of timely updates, and limited institutional reforms undermine regulatory transparency and predictability. Access to regulatory information in Bangladesh is relatively high, with 85.3% of respondents reporting that they can access online information about government rules and regulations affecting their business. Despite this accessibility, regulatory stability remains a concern. Advance notice of such regulatory changes from government agencies impacting businesses is limited, as 53.6% of respondents reported receiving no advance information over the past 24 months, and only 6.8% indicated that they often received such updates. Furthermore, efforts to improve the availability of regulatory information appear minimal, with 81.9% of respondents observing no structural or regulatory changes in this area, and just 18.1% reporting improvements. Together, these challenges hinder business planning and compliance in Bangladesh.

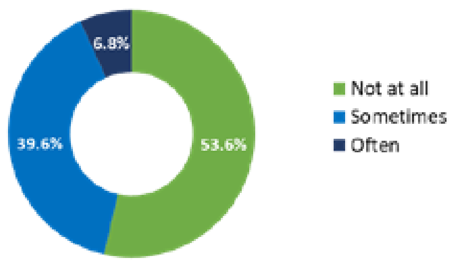
Online Accessability to Information About All Rules and Regulations by the Government that Impact Businesses



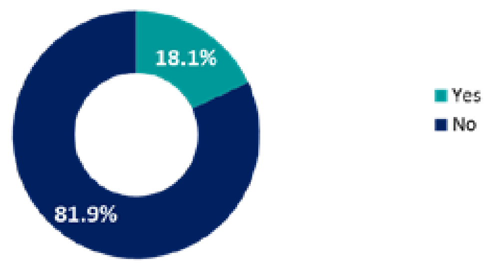
Frequency of Government Regulatory Changes Affecting Businesses in Bangladesh (2024–2025)



Advance Information from Government Agencies on Regulatory Changes Affecting Businesses (Past 24 Months)



Observed Structural or Regulatory Changes to Improve Availability of Regulatory Information in Bangladesh (2024–2025)

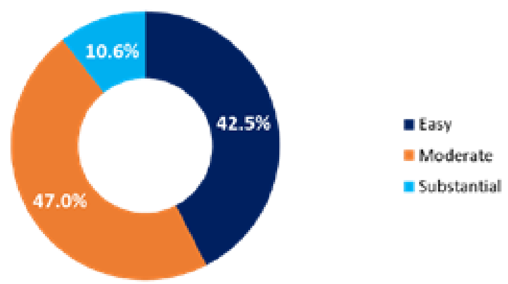


5.5.4 Business Infrastructure Faces Operational and Infrastructure Constraints

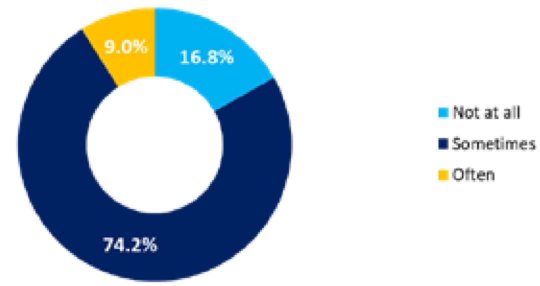
Access to essential utility services such as electricity, water, and sewerage remains a reveal a mixed result. While 42.5% of respondents reported finding utility services easy to access, 47.0% experienced moderate difficulty and 10.6% faced substantial difficulty, highlighting that service provision is uneven and often challenging for firms. Power reliability remains a particular concern, with 74.2% of respondents experiencing occasional outages and 9.0% facing frequent outages that affected their operations, while only 16.8% reported no disruptions, underscoring operational vulnerabilities.

Informal payments for obtaining utility connections remain less prevalent among most of the respondents. However, 19 % of the respondents often made informal payments to obtain utility connection, with the average amount varying widely across regions from as low as BDT 5,300 in Sylhet to BDT 88,740 in Rajshahi. This indicates regional disparities in both access and cost burdens. Structural or regulatory reforms to improve industrial and business infrastructure appear limited, with 79.9% of respondents observing no changes and only 20.1% reporting improvements. The results show that while basic utility access is generally available, frequent outages, informal costs, and limited infrastructure reforms continue to pose challenges, affecting business efficiency, operational continuity, and investment attractiveness in Bangladesh.

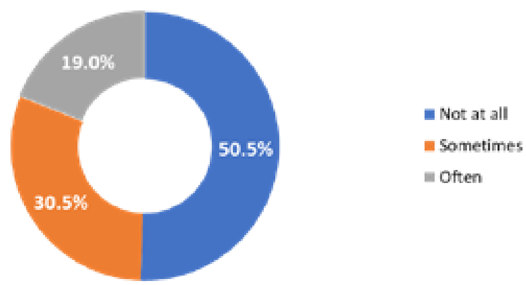
Difficulty in Availability of Utility Services (Electricity, Water & Sewerage) for Businesses in Bangladesh (2024–2025)



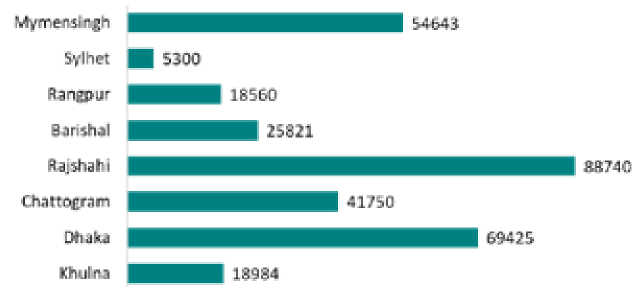
Frequency of Power Outages Affecting Businesses in Bangladesh (2024–2025)



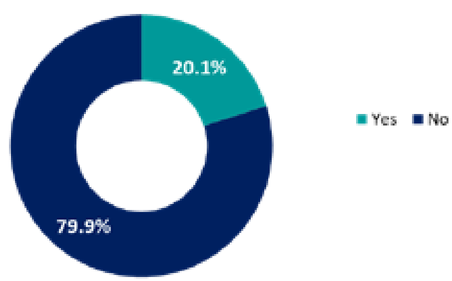
Frequency of Informal Payments to Obtain Utility Connections in Bangladesh (2024–2025)



Average Amount of Informal Payments for Utility Connections in Bangladesh



Observed Structural or Regulatory Changes to Improve Industrial and Business Infrastructure in Bangladesh (2024–2025)

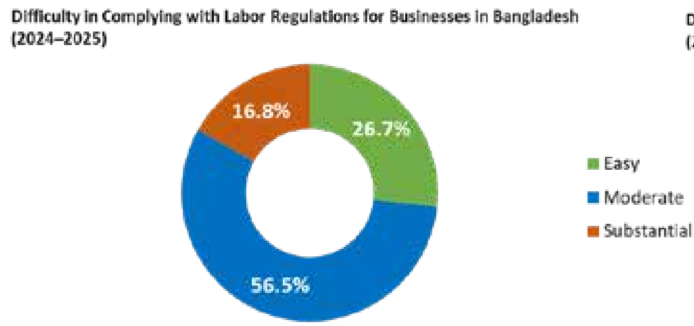


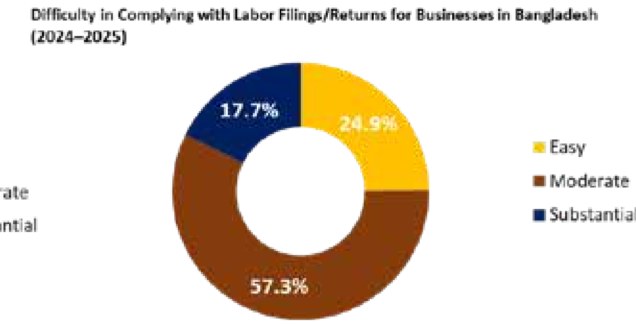
5.5.5 Compliance and Capacity Challenges in Labour Regulation

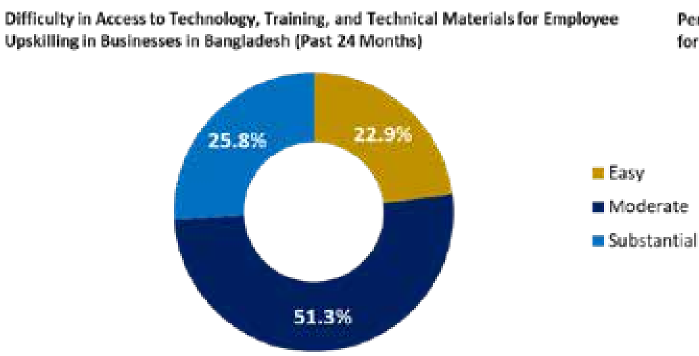
Compliance with labour regulations in Bangladesh remains a moderate to substantial challenge for most businesses. In the past 24 months, 56.5% of respondents reported moderate difficulty and 16.8% reported substantial difficulty in adhering to labour regulations, while only 26.7% found compliance easy. Similarly, compliance with labour filings and returns poses consistent challenges, with 57.3% experiencing moderate difficulty, 17.7% substantial difficulty, and just 24.9% reporting ease in meeting these obligations. These findings imply that a majority of businesses struggle with meeting labour regulatory requirements, indicating that current frameworks may be overly complex, time-consuming, or resource-intensive for effective compliance.

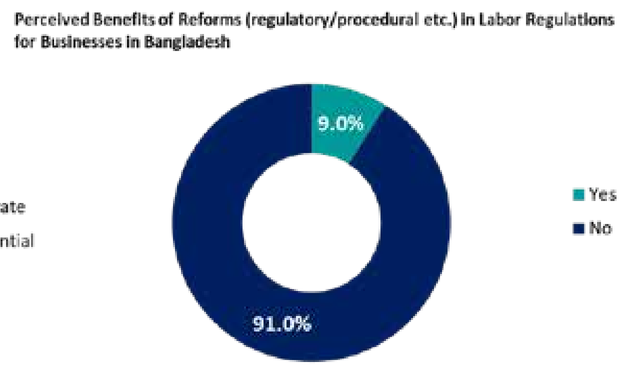
Access to technology, training, and technical materials for employee upskilling also remains limited, with 51.3% of respondents reporting moderate difficulty, 25.8% facing

substantial difficulty, and only 22.9% finding it easy to provide workforce development opportunities. The perceived impact of reforms in labour regulations is minimal, as 91% of respondents reported no noticeable benefits, while only 9% observed positive effects. Collectively, these findings indicate that while regulatory compliance is manageable for a minority, maximum businesses continue to face significant challenges in labour regulation and workforce development, highlighting the need for more effective reforms and capacity-building measures to support business operations.





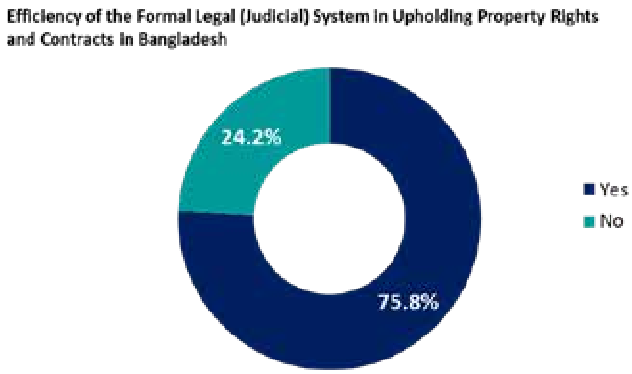


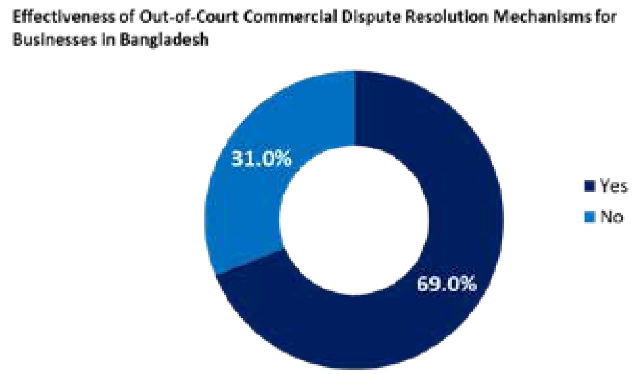


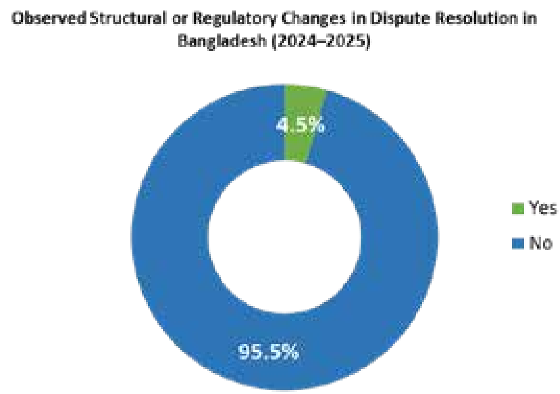
5.5.6 Efficiency in Legal System but Limited Regulatory Changes in Dispute Resolution

The formal legal system in Bangladesh is perceived as largely effective by businesses, with 75.8% of respondents reporting that it is useful for upholding property rights and enforcing contracts, while 24.2% found it inefficient. Out-of-court commercial dispute resolution mechanisms also receive a positive assessment, with 69.0% of respondents considering them effective, indicating that alternative dispute resolution channels provide meaningful support for business operations.

Despite these positive perceptions, structural and regulatory reforms in dispute resolution appear extremely limited, as 95.5% of respondents reported observing no changes in the past year, and only 4.5% noted any improvements. These findings suggest that while existing judicial and alternative mechanisms are generally functional, there is minimal institutional progress to further strengthen dispute resolution frameworks, pointing to opportunities for targeted reforms to enhance efficiency, accessibility, and predictability for businesses.

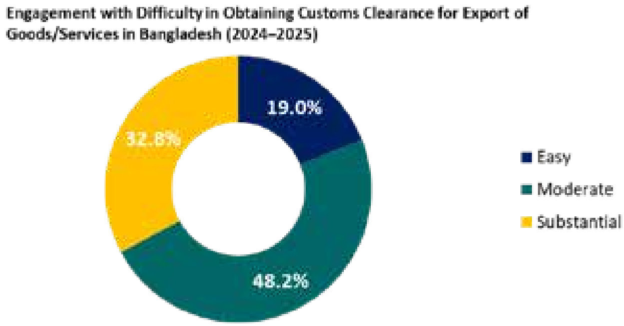


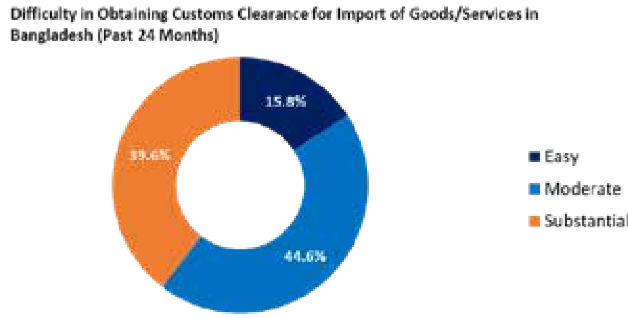


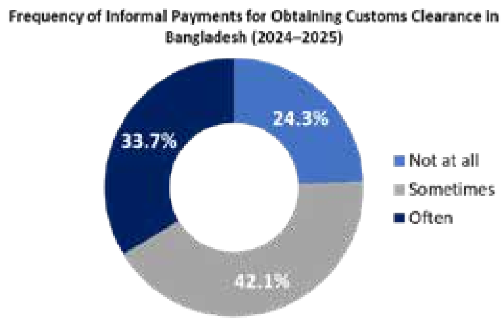


5.5.7 Customs Clearance Remains a Key Challenge in Trade Facilitation

Businesses in Bangladesh face significant challenges in obtaining customs clearance for both exports and imports. For exports, most respondents (81%) experienced moderate to substantial difficulty. Import procedures are even more demanding, with only 15.8% finding them easy, reflecting the complexity and inefficiency of customs operations. Informal payments for obtaining customs clearance remain prevalent, with 33.7% of respondents frequently making such payments and 42.1% making them occasionally. These results indicate that procedural hurdles and informal practices continue to hinder trade efficiency, increasing costs and delays for businesses. Strengthening transparency, simplifying customs procedures, and reducing informal payments could substantially improve trade facilitation and enhance the competitiveness of Bangladeshi businesses.







5.5.8 Tax Compliance: Inefficiency, Informal Payments, and Limited Reform Benefits

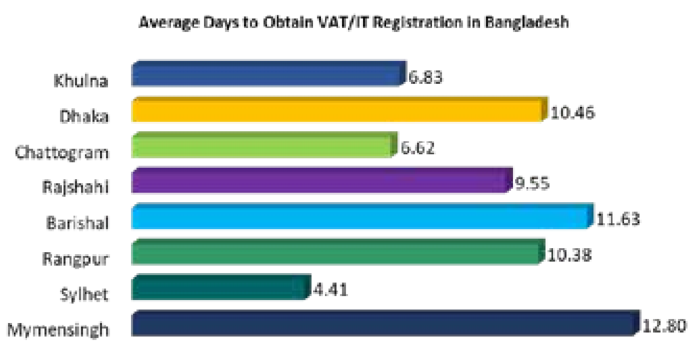
The process of obtaining VAT and income tax registration in Bangladesh varies across regions, with average registration times ranging from 4.41 days in Sylhet to 12.80 days in Mymensingh. Filing and paying VAT and income tax also show regional variation, with average processing times between 2.84 days in Sylhet and 7.50 days in Barishal, suggesting that procedural efficiency is uneven across the country. This regional disparities in VAT and income tax registration and payment times indicate systemic inefficiencies in tax administration, suggesting that procedural bottlenecks and uneven resource allocation may disproportionately impact businesses depending on their location.

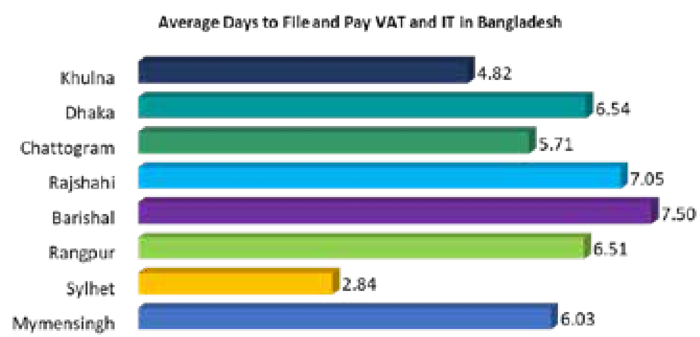
Informal payments continue to be a notable concern, with 57% of respondents reporting occasional to frequent payments. Procedural and regulatory reforms in paying taxes generated benefits for only 5.5% of respondents, implying that recent procedural and regulatory changes have been largely ineffective in improving compliance efficiency, reducing administrative burdens, or enhancing the overall business environment.

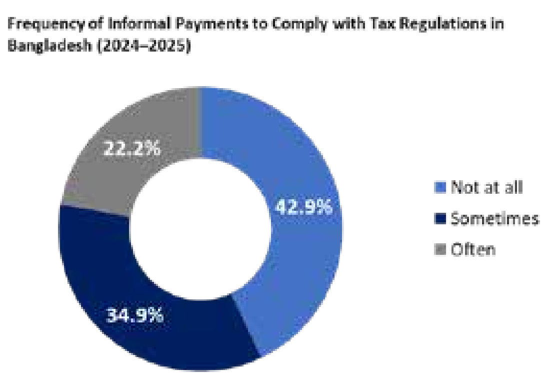
5.5.9 Strong Internet Connectivity, Weak Digital Marketing, and Investment Barriers in Technology Adoption

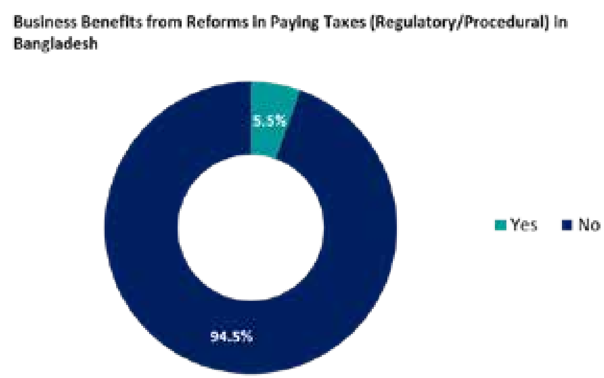
Access to internet connectivity for businesses is relatively strong, with 65.4% of respondents reporting it as easy, 29.2% experiencing moderate difficulty, and only 5.4% facing substantial difficulty. However, digital engagement through online marketing and sales remains more challenging, with 53.5% of respondents reporting moderate difficulty, 12.7% substantial difficulty, and just 33.8% finding it easy, indicating that while basic connectivity is available, leveraging digital channels effectively is still a hurdle for many businesses.

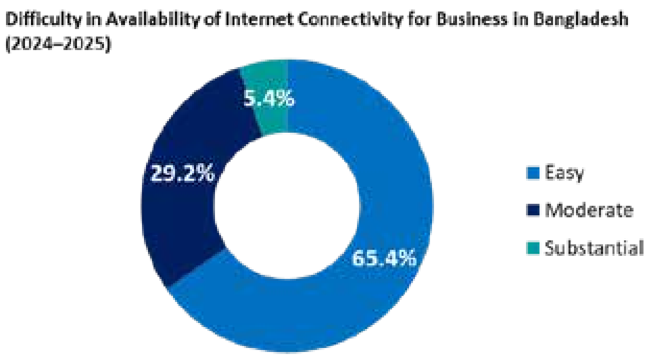
Investment in new technology, equipment, software, or digital solutions has been limited over the past 24 months, with only 26.9% of businesses making such investments, suggesting constraints related to financial capacity, awareness, or strategic prioritization. These findings imply that although foundational digital infrastructure exists, businesses face barriers in fully utilizing digital tools for growth, and limited investment in technology adoption may hinder competitiveness, productivity, and innovation in the longer term.

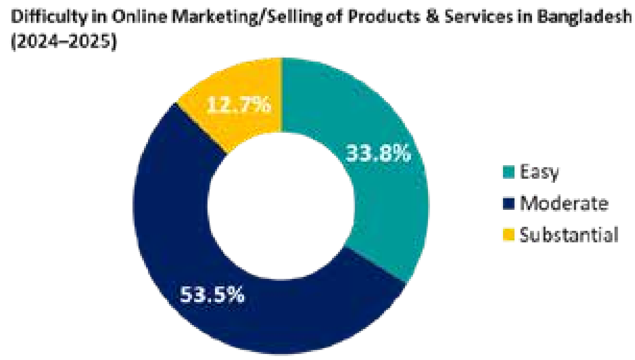


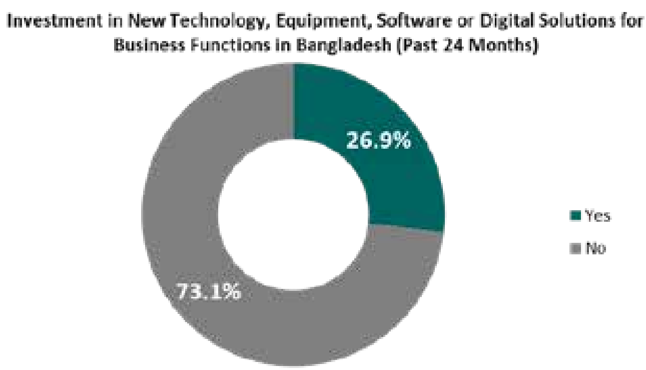








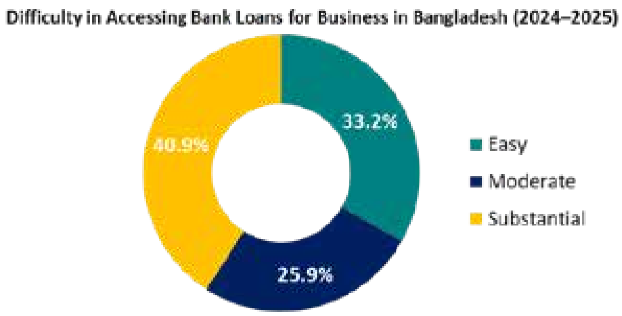


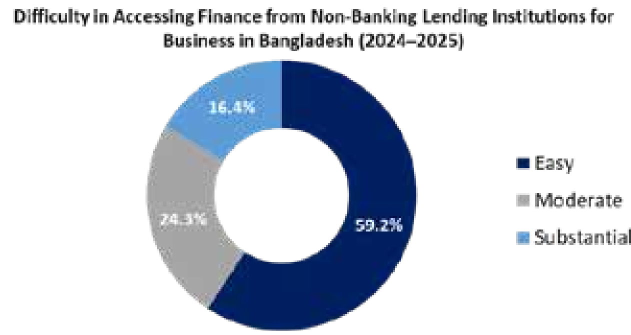


5.5.10 Access to Finance Challenging for Banks but Smooth for Non-Banking Lending Institutions

Access to finance in Bangladesh presents a mixed picture for businesses. Obtaining bank loans remains particularly challenging, with 40.9% of respondents reporting substantial difficulty, 25.9% moderate difficulty, and only 33.2% finding it easy. In contrast, access to finance from non-banking lending institutions is relatively smoother, with 59.2% of respondents finding it easy, 24.3% moderate, and 16.4% substantial, indicating that alternative financing channels are more accessible to businesses.

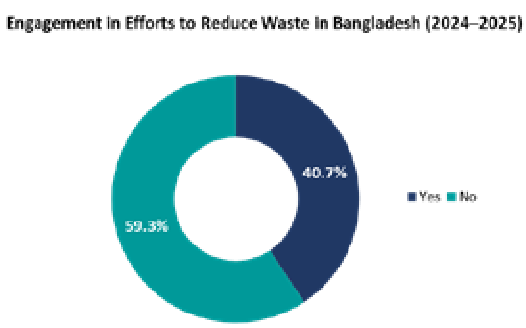
These findings imply that traditional banking channels may be constrained by stringent eligibility criteria, documentation requirements, or limited outreach, which could restrict business expansion and investment. Meanwhile, the greater ease of access to non-banking institutions highlights the potential for alternative financing solutions to support business growth, though reliance on such sources may come with higher costs or different risk profiles. Strengthening formal banking accessibility and promoting diverse, transparent financial options could enhance overall financial inclusion for businesses in Bangladesh.

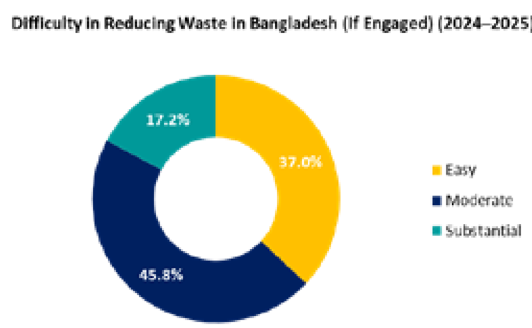


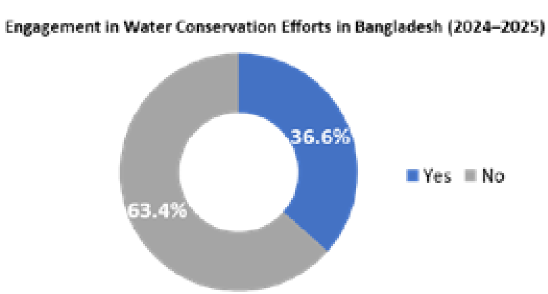


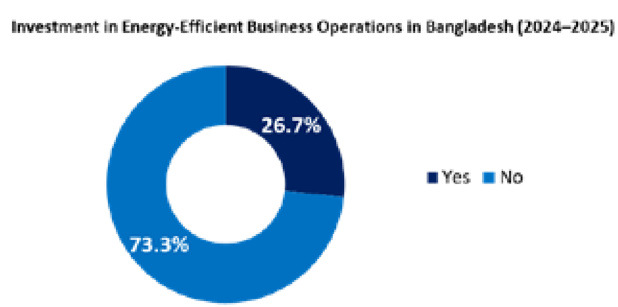
5.5.11 Modest Progress and Systematic Barriers Exist in Environmental Regulations and Standards

Business engagement in environmental sustainability in Bangladesh remains modest, with only 41% participating in waste reduction and 37% in water conservation efforts. Among those reducing waste, nearly 63% faced moderate to substantial difficulty, highlighting operational and technical challenges. Investment in energy-efficient operations is similarly low at 26.7%, and structural or regulatory reforms to support environmental initiatives are minimal, with 92.1% of respondents observing no changes. These findings suggest that while some businesses are taking steps toward sustainability, systemic barriers, limited incentives, and weak regulatory support continue to constrain widespread adoption, limiting the potential impact on long-term environmental outcomes.









CHAPTER 6

Conclusion and Recommendations

Chapter 6: Conclusion and Recommendations

Bangladesh has made significant progress in strengthening its economy and institutions in the past year. Reforms in the banking and financial sectors enhanced stability, while robust remittances and export growth eased external pressures. Inflation showed early signs of moderation, and market-determined interest and exchange rates improved economic signals. Infrastructure and trade developments, along with diversified international partnerships, strengthened connectivity and investor confidence.

Bangladesh's economy is poised to face several challenges with its upcoming graduation from least developed country (LDC) status in 2026, compounded by its heavy dependence on the RMG sector and the potential imposition of tariffs on goods exported to the United States. While LDC graduation marks a significant achievement, it also entails the possible loss of preferential market access, certain WTO trade exemptions, and concessional financing. This transition is expected to affect exports significantly, as around 75% of Bangladesh's shipments currently benefit from duty-free and quota-free access due to its LDC status. The RMG sector, which accounted for nearly 84% of total exports in 2023, is particularly vulnerable, with rising tariffs in the European Union likely to reduce overall export volumes.

Enhancing the business climate is crucial for Bangladesh to sustain recent economic gains and mitigate the challenges posed by LDC graduation, overreliance on the RMG sector, and potential trade barriers in key markets. Improvements across key business factors, such as simplifying procedures for starting a business, ensuring access to land, increasing availability of regulatory information, strengthening infrastructure, enforcing labour regulations, streamlining dispute resolution, facilitating trade, easing tax compliance, promoting technology adoption, expanding access to finance, and enforcing environmental standards, can collectively bolster competitiveness, productivity, and investment. Strengthening these areas will enable firms to better withstand external shocks, diversify their operations beyond RMG dependence, maintain export performance under changing trade regimes, attract domestic and foreign investment, and enhance resilience in energy-constrained and resource-limited settings. In essence, a supportive and predictable business environment is fundamental to sustaining economic growth, inducing industrial expansion, attracting FDI and preparing Bangladesh for the post-LDC landscape.

Addressing these challenges requires a deep understanding of the business environment across sectors, yet Bangladesh currently lacks sufficient structured data to guide policy effectively. In this context, the Bangladesh Business Climate Index (BBX) emerges as a critical tool, offering detailed insights into the obstacles faced by the private sector and enabling policymakers to design targeted reforms that enhance competitiveness, attract investment, and support sustainable economic growth in the post-LDC era. By systematically assessing factors such as ease of starting a business, access to land, availability of regulatory information, the BBX provides a comprehensive picture of were businesses face constraints.

This evidence-based approach allows reforms to be prioritized according to sector-specific needs, addressing bottlenecks that hinder productivity, reduce investment confidence, or limit export potential. Moreover, the BBX helps track progress over time, offering policymakers the ability to evaluate the effectiveness of interventions, strengthen institutional coordination, and promote a business environment that is resilient, transparent, and conducive to long-term economic growth. In the context of Bangladesh's LDC graduation and evolving global trade dynamics, leveraging such structured insights is essential to ensure that the private sector remains competitive, diversified, and capable of driving inclusive development.

6.1 Overarching Recommendations

A. Regulatory and Infrastructure Improvements

1. Strengthening Logistics Infrastructure and Connectivity

Given Bangladesh's current challenges, including high transport costs, poor connectivity, and limited diversification in agriculture and exports, improving the logistics ecosystem is critical. Efficient logistics can reduce operational bottlenecks, lower production and transport costs, and enable greater export diversification beyond the RMG sector. For example, better connectivity would allow farmers and firms to invest in high-value agriculture and other sectors, mitigating the overreliance on RMG, while improving resource allocation across regions and industries. By addressing these structural inefficiencies, enhanced logistics can support productivity-driven growth and improve total factor productivity.

2. Develop Integrated Economic Corridors

To overcome fragmented infrastructure and weak supply chain coordination, Bangladesh should promote economic corridor development (ECD) to aid both domestic and international trade. Combining physical infrastructure (roads, railways, ports) with regulatory and digital systems can reduce transit times, logistics costs, and uncertainties in trade operations. Well-coordinated corridors can strengthen regional integration, attract investment, and enhance export competitiveness. By addressing these logistics and connectivity challenges, ECD can transform Bangladesh's fragmented transport system into a cohesive network that supports industrial diversification, efficient resource use, and global market access.

3. Strengthening Logistics Infrastructure and Services

Enhancing Bangladesh's logistics infrastructure and services is essential to support efficient trade and export growth. Key initiatives include establishing multimodal air logistics hubs at major airports, developing temperature-controlled and cold chain facilities at ports, and creating off-dock and SME-focused bonded facilities. Operational improvements such as reducing air freight charges, allowing ICDs to handle Less Container Load shipments, expanding importable product categories at ICDs, implementing electronic tracking for bonded goods, and speeding up IGM amendments will streamline cargo movement and reduce delays. Encouraging private sector participation and foreign investment through Public-Private Partnerships, full foreign ownership in depots and warehousing, and higher foreign shareholding will enhance capacity and efficiency. Investing in skilled logistics manpower will further strengthen the sector, supporting broader export diversification and improved competitiveness.

B. LDC Graduation

4. Ensure a Controlled and Strategic Transition for LDC Graduation

Bangladesh should prioritize a carefully managed transition to LDC graduation to safeguard economic stability and competitiveness. This requires full commitment to implementing the Smooth Transition Strategy (STS), engaging proactively with key trade partners like the EU to secure favourable post-LDC terms, and pursuing trade policy reforms that support export diversification. Strengthening trade negotiation capacity and strategically pursuing free trade agreements, while maintaining duty-free access with markets such as China, will be critical to protecting exports. The government must also focus on attracting foreign direct investment to develop backward linkages and enhance competitiveness across sectors, ensuring that graduation leads to productivity-driven growth rather than abrupt shocks to the economy.

5. ***Increase Private Sector's Readiness and Institutional Support***

To prepare the private sector for post-LDC realities, Bangladesh must address critical infrastructure, financial, and regulatory constraints. Ensuring macroeconomic stability, improving energy supply, modernizing port operations, and streamlining trade facilitation, including the expansion of the Export Development Fund, are essential to reduce operational costs and enhance efficiency. Additionally, continued reforms at institutions such as the National Board of Revenue and the implementation of one-stop service centres and digital trade licences will help improve regulatory compliance and ease of doing business. Close collabouration between government and private sector stakeholders, along with targeted dialogues on tax, credit, and energy policies, will allow industries, particularly SMEs, to adjust, strengthen competitiveness, and manage the impacts of tariff impositions and the gradual withdrawal of trade preferences.

6. ***Promoting Export Diversification to Strengthen Economic Resilience***

Promoting export diversification is critical to maintain competitiveness and reduce vulnerability to trade shocks. Key measures include providing complete online issuance of bonded warehouse licenses to simplify export procedures, removing barriers to the growth of high-potential sectors, and introducing duty-free clearance for low-value shipments by SMEs and export units. These reforms will facilitate broader participation in international markets, enable the private sector to explore new high-value products, and reduce dependence on a narrow set of exports, helping Bangladesh sustain growth in a post-LDC environment.

6.2 Pillar-specific Recommendations

6.2.1 Starting a Business

Expansion and Full Integration of the One Stop Service (OSS): While the OSS platform has grown to cover 133 services across 35 agencies, it still does not fully eliminate the need for multiple visits and repeated submissions. Bangladesh should move toward a comprehensive and interoperable OSS that integrates all relevant approvals such as trade licenses, VAT, and sector-specific clearances into a single streamlined process. Ensuring real-time data sharing among agencies would significantly reduce duplication, save time, and lower costs for entrepreneurs. Bangladesh should expand OSS coverage to include all regulatory agencies, enforce strict adherence to Service Level Agreements (SLAs), and mandate interoperability of digital records across institutions. This will create a truly seamless, end-to-end platform that eliminates duplication, minimizes costs, and strengthens investor confidence.

Standardization of Costs and Procedures Across Divisions: Persistent regional disparities in trade license and incorporation costs highlight the need for harmonized fee structures and standardized processes. Introducing uniform guidelines and digital payment systems nationwide would reduce cost variations, enhance predictability, and ensure equitable access to business registration regardless of location.

Strengthening Legal and Regulatory Framework through the Companies Act: Although amendments to the Companies Act have addressed some bottlenecks, gaps in enforcement and corporate governance remain. Further reforms should focus on simplifying dispute resolution mechanisms, protecting minority shareholders, and ensuring faster implementation of digital records to improve investor confidence and the ease of formalization.

Curbing Informal Payments through Digitalization and Monitoring: With nearly half of respondents reporting exposure to informal payments, expanding end-to-end digital processing for registrations, renewals, and tax compliance is essential. Introducing a digital grievance redress system and independent monitoring of service delivery can help minimize unofficial costs, improving transparency and accountability.

Sector-Specific Simplification of Licensing and Compliance: Sectors such as Construction and Pharmaceuticals face disproportionate hurdles due to complex renewals and regulatory burdens. Streamlined, risk-based licensing tailored to sectoral needs especially for highly regulated industries can ease compliance without compromising oversight, enabling faster business growth.

Consistent Implementation of Digital Reforms: The rollback from digital to manual processes has increased friction for many businesses. To prevent backsliding, the government should mandate consistent digital workflows across agencies, backed by capacity-building for officials and strict monitoring of implementation. Sustained digitalization will reduce delays, enhance service quality, and foster investor trust.

6.2.2 Access to Land

Full Digitization and Integration of Land Records: While some online systems exist, manual inefficiencies and delays persist. Bangladesh should accelerate the phased computerization of all land records, property titles, and historical archives, ensuring interoperability across Land Offices, Sub-Registry Offices (SROs), and other regulatory agencies. Real-time digital access, automated updates, and integration with other government systems will reduce transaction delays, prevent duplicate submissions, and minimize the need for informal payments.

Enhanced Transparency in Procedures and Fees: Clear, publicly available information on registration procedures, expected timelines, fees, and required documentation is critical. Standardizing property transfer costs, including stamp duties and local taxes, will reduce regional disparities and prevent arbitrary charges, fostering investor confidence. Publishing detailed statistics on property transactions and land disputes at both administrative and judicial levels will further promote accountability.

Streamlined Registration Processes and Service Level Agreements (SLAs): Registration-related challenges remain the top bottleneck. Enforcing SLAs for processing applications, mutations, and title transfers can ensure timely service delivery. Simplifying approval steps, reducing redundant documentation, and introducing risk-based prioritization for high-volume or low-risk transactions will help sectors like Construction and RMG access land more efficiently.

Targeted Sectoral Support: Infrastructure-heavy sectors and high-value transactions face disproportionate hurdles. Introducing specialized service desks or fast-track channels for these industries, combined with advisory support on regulatory compliance, can reduce delays and lower transaction costs, particularly for land-intensive businesses.

Curbing Informal Payments and Improving Governance: With 65.1% of businesses reporting informal payments, stricter anti-corruption measures are essential. Strengthening oversight, auditing, and grievance mechanisms, along with transparent online payment systems for fees and taxes, will limit discretionary practices and foster trust in the land administration system.

Public Awareness and Capacity Building: Investors often struggle with unclear procedures and disputes among land heirs. Conducting regular workshops, publishing step-by-step guides, and offering helplines or digital advisory platforms will educate businesses and reduce procedural errors, ultimately lowering delays and costs.

6.2.3 Availability of Regulatory Information

Enhance Access to Regulatory Information: Clear, accessible, and user-friendly regulatory information is the foundation of compliance. While many respondents acknowledge awareness of rules, inconsistencies in presentation and gaps in guidance continue to raise barriers for businesses, especially new entrants. Developing a consolidated online portal with comprehensive details, covering procedures, fees, required documents, and sector-specific guidelines, would improve transparency and lower compliance costs. This must go beyond digitizing forms by ensuring plain-language explanations and regularly updated instructions. Greater clarity will reduce procedural delays caused by incomplete submissions and strengthen predictability for both domestic and foreign investors.

Centralize and Streamline Regulatory Processes: The fragmentation of authority across multiple ministries and agencies leads to overlaps, delays, and bureaucratic burdens. Establishing a unified regulatory hub with a one-stop center for licenses, renewals, and compliance support would help address this inefficiency. Such a hub can serve as a single point of contact, reducing the time and administrative costs businesses face when navigating multiple institutions. Centralization would also improve accountability, as duplication of regulations and discretionary practices would be easier to identify and eliminate. To manage risks of rigidity, the system should retain sector-specific windows operated by specialized experts. This balance between integration and tailored oversight can ensure the system remains both efficient and responsive to diverse industry needs.

Improve Efficiency of Digital Services: Despite progress in digitization, many processes in practice still rely on in-person interactions, undermining the promise of e-governance. Businesses frequently report that online submissions are followed by manual verifications, often involving unofficial payments. To resolve this, Bangladesh requires a deeper shift towards fully automated, real-time digital services. A reengineered digital platform should cover the full spectrum of services (applications, status tracking, payments, and communication) to reduce physical contact with officials and the scope for rent-seeking. Phased implementation, starting with high-volume services such as trade license renewals and import-export registrations, can demonstrate efficiency gains early. Stronger digital infrastructure combined with awareness campaigns will also ensure broader uptake, especially among smaller enterprises.

6.2.4 Business Infrastructure

Secure and Diversify Power Supply: Frequent electricity disruptions and high unit costs undermine productivity across several sectors. Addressing this requires investing in resilient power infrastructure, expanding grid reliability, and incentivizing renewable and alternative energy sources to reduce overdependence on conventional supply. Periodic policy reviews should be institutionalized to ensure infrastructure regulations remain relevant, efficient, and adaptive to emerging technologies. A consistent power supply will not only stabilize industrial production but also lower operational costs for firms, particularly in high-energy industries like pharmaceuticals, chemicals, and light engineering.

Strengthen Institutional Capacities through PPPs: Given fiscal constraints, public resources alone cannot meet the scale of investment required. Expanding Public-Private Partnerships (PPPs) can bridge this gap. Strengthening the PPP Authority and related ministries with deeper structuring expertise, clear risk-sharing frameworks, and transparent G2G agreements will enhance confidence among investors. Well-designed PPPs in utilities, transport, and industrial infrastructure can accelerate project execution, reduce informality, and provide businesses with more reliable services. This approach ensures that private sector efficiency complements public oversight in addressing infrastructure bottlenecks.

Expand Financing Options for Infrastructure: The financing gap for infrastructure can be narrowed by leveraging both international and domestic capital markets. Sovereign bond issuance in global markets, potentially backed by state-owned enterprises, can establish benchmarks for sovereign risk pricing while creating avenues for domestic firms to access offshore financing. Simultaneously, developing local capital markets by promoting private bonds and offshore local-currency instruments will diversify funding sources and reduce currency-related risks. This dual approach ensures long-term sustainability by balancing external borrowing with domestic financial market deepening.

Enhance Efficiency in the Power Sector: Beyond investment, reforms in the power sector should aim for structural dynamism. Encouraging private sector participation in transmission, promoting pilot PPPs in grid projects, and enabling cross-border electricity trade with neighboring countries can help stabilize supply while lowering costs. Introducing cost-reflective tariffs and gradually corporatizing public utilities will create efficiency incentives while maintaining service accountability. These reforms will directly address the sector-specific constraints reported by industries facing frequent outages and high operational costs.

Accelerate and Optimize Economic Zones: Weaknesses in transport and logistics, as well as land constraints, highlight the need to scale up planned Economic Zones. Accelerating the development of multi-tenant zones, integrating secondary cities with strong infrastructure links, and building self-contained industrial hubs like BSMSN will allow businesses to operate in environments with reliable utilities, reduced informal payments, and efficient logistics. Coordinating agencies, conducting feasibility studies for zone locations, and fostering private participation in industrial zone development will ensure that zones are not just real estate projects but strategic engines of industrial competitiveness and export diversification.

6.2.5 Labour Regulation

Preparing Bangladesh's Workforce for Emerging Global Skill Demands: Bangladesh's migration has long been dominated by low-skilled workers, but global labour markets are increasingly prioritizing roles with strong technological capabilities. To remain competitive, Bangladesh needs to recalibrate its workforce development approach. A comprehensive study of global labour demand should inform the design of training curricula aligned with international standards, emphasizing high-growth areas such as AI, big data, networks and cybersecurity, and environmental stewardship. Introducing sector-specific certification programs will give workers portable credentials valued abroad, while partnerships between training institutes and international employers can ensure direct relevance of acquired skills. This transition will not only strengthen Bangladesh's reputation in competitive overseas markets but also raise remittance inflows and reduce the country's reliance on low-wage migration.

Strengthening Green Skills Development for a Future-Ready Workforce: Bangladesh should prioritize integrating green skills into Technical and Vocational Education and Training (TVET) programs to prepare its workforce for the fast-growing green economy. Specialized curricula in renewable energy, energy-efficient construction, and sustainable agriculture can equip students with practical expertise in areas such as solar and wind system installation, passive solar design, advanced insulation, energy-efficient HVAC systems, soil health management, and water-conserving hydroponic and aquaponic techniques.

To ensure market relevance, training must be developed through structured collabouration among TVET institutions, industry, and government. Industry partners, especially renewable energy firms, can help design hands-on modules that reflect real-world applications, while government agencies can provide the regulatory framework, funding, and resources needed for program development. Creating apprenticeship schemes and internships within green industries will further enable learners to gain practical, work-based experience. Lessons from Malaysia's Green Technology Master Plan highlight how multi-stakeholder partnerships can accelerate workforce readiness for green transitions.

Expanding Industry-Integrated Training Models: Bangladesh should strengthen industry-based internships within TVET to better align education with labour market needs. Global examples, such as Siemens' dual education system in manufacturing, precision agriculture internships, and Malaysia's National Dual Training System, show how structured partnerships between companies and educational institutions improve employability. By embedding practical, hands-on training into curricula, supported by industry collabouration in sectors like advanced manufacturing, ICT, healthcare, and agriculture, students gain market-relevant skills while employers benefit from a more job-ready workforce. Building such models in Bangladesh would enhance technical capacity, build stronger industry–education linkages, and accelerate economic competitiveness.

6.2.6 Dispute Resolution

Strengthen Alternative Dispute Resolution (ADR) Mechanisms: Expanding the use of arbitration, mediation, and settlement forums can help reduce the overwhelming burden on formal courts. Making ADR mechanisms more affordable and accessible for SMEs will be critical.

Establishing standardized ADR centers in major business hubs and ensuring trained mediators are available would make dispute resolution faster, cheaper, and more efficient.

Enhance Judicial Capacity and Case Management: The acute shortage of judges remains a core bottleneck, leading to massive backlogs. Increasing judicial appointments in proportion to caseloads is essential, but equally important is adopting structured case management systems. Introducing stricter limits on adjournments, clear timelines for key stages of proceedings, and assigning judicial clerks to assist judges can improve efficiency and predictability in commercial case resolution.

Promote Digitalization and Court Automation: Limited and unplanned use of technology remains a barrier to efficiency. Expanding digital platforms for filing cases, tracking progress, and accessing judgments can reduce delays and costs. A more robust electronic case management system, coupled with virtual hearings where possible, would improve transparency and accessibility for businesses across regions, especially in municipalities outside Dhaka.

Establish Specialized Commercial Benches: Creating dedicated commercial benches at both the High Court and lower court levels, staffed with judges trained in commercial and financial matters, can significantly enhance the speed and consistency of dispute resolution. Specialized courts not only reduce congestion in general courts but also provide businesses with greater confidence that disputes will be handled by experts familiar with commercial complexities.

Improve Coordination and Oversight in Lower Courts: Strengthening coordination and accountability across lower courts is essential to reduce delays and enhance the quality of judicial outcomes. Establishing monitoring mechanisms, supported by regular performance reviews and capacity-building programs for judges and court staff, would improve compliance, streamline case handling, and increase trust in the dispute resolution process.

6.2.7 Trade Facilitation

Streamline Customs Processes and Reduce Informal Payments: Customs clearance remains one of the biggest bottlenecks, with delays, inconsistent valuation practices, and widespread informal payments undermining transparency. Introducing strict oversight on valuation procedures, digitizing all customs interactions, and deploying independent monitoring units can reduce discretionary practices. Building accountability through regular audits and grievance redress mechanisms will help curb rent-seeking behavior.

Fully Operationalize the Bangladesh Single Window (BSW): While BSW has been launched, incomplete adoption across agencies limits its effectiveness. A priority should be to integrate all trade-related agencies and ensure paperless clearance for both exports and imports. Full automation will cut clearance times, reduce redundancy, and minimize discretionary delays. Ensuring interoperability with the Authorized Economic Operator (AEO) program can further accelerate clearance for compliant businesses.

Enhance Regional and Sector-Specific Efficiency: The wide disparity in trade facilitation performance across divisions, such as Barishal's rapid improvement versus Rangpur's decline, highlights uneven implementation. Region-specific trade facilitation task forces should be established to address localized bottlenecks, particularly in customs, port handling, and labouratory services. Additionally, targeted reforms for high-cost sectors like textiles and leather can improve competitiveness by reducing clearance-related expenses.

Modernize Port and Logistics Infrastructure: Structural issues such as excessive port detention fees, outdated infrastructure, and poor inland connectivity significantly raise costs. Accelerating capacity expansion projects, including the Bay Container Terminal and Patenga Terminal, improving inland waterway usage through dredging, and developing multimodal transport links (rail, road, river) between Dhaka and Chattogram can enhance trade efficiency. Modern labouratory facilities at ports should also be established to reduce testing delays.

Expand Access and Awareness of Trade Facilitation Tools: Large firms benefit from AEO certification and OSS services, but smaller firms are often left behind due to lack of awareness or access. Expanding outreach and training for SMEs on how to use AEO, OSS, and digital platforms is essential. Simplifying eligibility criteria and reducing compliance burdens for smaller traders will make trade facilitation reforms more inclusive and impactful.

Strengthen Coordination Among Agencies: Fragmented institutional responsibilities continue to hinder smooth trade facilitation. Strengthening coordination between the National Board of Revenue (NBR), Chittagong Port Authority (CPA), and other relevant agencies through joint task forces can help resolve operational bottlenecks more effectively. Clear accountability frameworks and periodic joint performance reviews will ensure consistent progress across regions and agencies.

Strengthen Preparedness for LDC Graduation: Businesses should proactively assess and adapt their strategies to mitigate post-LDC challenges, particularly in export-oriented sectors. Policymakers and trade bodies can support firms by providing guidance on market diversification, enhancing competitiveness, and navigating potential tariff and regulatory changes, ensuring a smoother transition and sustained growth after graduation.

6.2.8 Paying Taxes

***Streamline Registration and Filing*:** Businesses face delays and high costs in obtaining VAT and income tax registrations, often taking over a week, with larger firms particularly burdened. Standardizing requirements across divisions, eliminating redundant steps, and moving to a single-window registration system would reduce time and expense. Integration with digitized tax and customs systems, along with automated verification and harmonized procedures, would enhance predictability and efficiency, particularly benefiting SMEs, while ensuring consistency across regions.

Optimize Digital Platforms: Despite online filing and payment systems, technical glitches, poor integration, and limited support continue to hinder compliance. Upgrading platforms to ensure full integration between VAT, income tax, and customs, automating input tax credit and rebate processing (including Mushak-4.3 and Mushak-6.1), and providing dedicated helpdesks would reduce errors and compliance costs. A more reliable and interconnected digital infrastructure would simplify processes, facilitate transparency, and encourage wider adoption of electronic tax services.

Enhance Policy Stability: Frequent, unannounced changes to tax rules and arbitrary decisions undermine business confidence. Introducing a transparent framework for announcing changes, developing a yearly tax roadmap with stakeholder consultations, and consistently respecting Double Taxation Avoidance Agreements (DTAs) would improve predictability. Clear guidance on tariff determination, classification, and cross-border taxation would further strengthen investor confidence and align Bangladesh's tax system with global best practices.

Address Informal Payments: Informal or "speed money" payments remain a widespread issue, particularly affecting medium and large firms. Expanding digital filing and payment systems, increasing oversight of tax officials, and implementing anonymous grievance mechanisms would reduce opportunities for rent-seeking. Streamlining tax and customs procedures, including through the Bangladesh Single Window (BSW), would enhance transparency, restore trust in the system, and create a fairer business environment.

Lower the Effective Tax Burden: Despite reductions in statutory corporate rates, businesses face high effective taxation due to multiple levies, minimum taxes, and restrictive expense rules. Measures such as eliminating double taxation on employment benefits, rationalizing promotional and royalty/technical service expenses, lowering withholding tax rates, removing minimum tax provisions, and implementing a single VAT rate with simplified input credit would align tax obligations with actual business profitability, enhance competitiveness, and incentivize reinvestment.

Build Administrative Capacity: Capacity gaps and inefficiencies in the tax administration contribute to delays, inconsistent decisions, and discretionary enforcement. Strengthening institutional capacity through regular training on DTAs, automated systems, and international best practices, standardizing operating procedures, adopting modern case management tools, and improving coordination across VAT, income tax, and customs wings would enhance service delivery, accountability, and compliance, ultimately creating a more predictable and business-friendly tax environment.

6.2.9 Technology Adoption

Expand and Improve Digital Infrastructure: Despite notable progress in technology adoption, SMEs in Bangladesh continue to face significant barriers due to limited network coverage, high internet costs, and unreliable electricity in rural and semi-urban areas. To overcome these challenges, the country should prioritize expanding high-speed internet to underserved regions, ensuring stable power supply, encouraging telecom providers to offer affordable, high-quality data packages, and upgrading mobile networks to support seamless digital transactions. Such measures would help bridge the urban–rural divide, enabling businesses across the country to leverage digital tools, participate in online markets, and foster inclusive economic growth.

Strengthen Skills and Capacity Building: Technology adoption in Bangladesh is constrained by persistent gaps in workforce skills and technical expertise, particularly among SMEs and non-urban businesses. Many enterprises struggle to use digital tools, e-commerce platforms, and cloud-based solutions due to limited training. To overcome this, Bangladesh should launch nationwide digital literacy and technical skills programs in areas such as e-commerce, data analytics, cloud platforms, and digital financial tools. Partnerships with universities, vocational institutes, and private organizations can make these initiatives practical and business-oriented, while targeted upskilling for SMEs would help owners and employees manage digital platforms and online operations more effectively. Such measures would enable broader and more effective technology adoption across regions.

Support SMEs and Promote Regional Inclusion*:* Regional disparities in technology adoption remain stark, as businesses in Rangpur, Mymensingh, and Rajshahi continue to lag behind urban centers like Dhaka and Chittagong. SMEs in these regions face difficulties in leveraging online platforms and digital tools, which limit their competitiveness. To address this, Bangladesh should provide financial incentives, low-interest loans, or grants to support digital adoption among SMEs. Establishing regional digital hubs or shared service centers can offer affordable access to technology, expert guidance, and training, while promoting mobile-friendly e-commerce platforms will make online operations more accessible for smaller enterprises. These measures would help bridge regional gaps and foster more inclusive growth in digital adoption nationwide.

Promote E-Commerce and Sector-Specific Growth: Although technology adoption in Bangladesh has advanced, many businesses outside urban centers still lag in e-commerce and online sales due to limited investment in professional websites, digital marketing, and payment systems. To close this gap, firms should be encouraged to strengthen their digital presence through well-designed websites, targeted marketing, and online payment gateways that enhance visibility and sales. Sector-specific support programs can further help dynamic industries such as Leather and Technology and Pharmaceuticals and Chemicals replicate their success across other sectors. Sharing best practices from these leading industries will inspire innovation, improve efficiency, and enable businesses nationwide to use digital tools more effectively, fostering sectoral growth and competitiveness.

Enhance Policy Support and Public-Private Collabouration: Although Bangladesh has made significant progress in technology adoption, growth has been uneven due to slow policy reforms and limited collabouration between public and private stakeholders. The pace of digital infrastructure expansion and regulatory support has not kept up with business needs, creating obstacles for SMEs and enterprises outside major urban centers. To close this gap, the government should accelerate policy reforms that encourage digital investment and foster a more business-friendly environment. Stronger partnerships between the government, industry associations, and technology providers can help design scalable, user-friendly solutions tailored to business needs. In addition, introducing transparent, annual monitoring of technology adoption with clear metrics would guide future investments and reforms, ensuring that support is effectively targeted and that digital capabilities grow sustainably across the country.

6.2.10 Access to Finance

Strengthen Policy Support for SMEs: Access to finance in Bangladesh has shown signs of recovery in 2024–25, yet structural gaps in the financial system continue to constrain businesses. High collateral requirements, lengthy approval processes, and inconsistent lending practices—particularly in regions with weaker financial infrastructure such as Sylhet—limit firms' ability to secure credit. Addressing these challenges requires policy reforms that expand access to bank loans and financial services through government-backed guarantees or subsidized loan schemes, while also standardizing lending procedures and reducing bureaucratic delays. At the same time, strengthening regional financial infrastructure will support more balanced growth. Together, these measures can create a more inclusive and efficient financial environment, enabling businesses across the country to invest, expand, and operate with greater confidence.

Improve Foreign Currency Management: Despite improvements in access to finance in 2024–25, foreign currency management remains a major challenge for Bangladeshi businesses, particularly those engaged in international trade. Many enterprises struggle to secure reliable access to foreign currency for imports, exports, and cross-border transactions, which limits operational efficiency and growth. To address these challenges, systems must be developed to guarantee consistent access to foreign exchange, while practical guidance and tools on managing exchange rate risks can help businesses navigate volatility. Banks and financial institutions should also simplify and expand solutions for foreign transactions, reducing bureaucratic hurdles and delays. Strengthening these mechanisms will enable smoother trade operations and enhance the competitiveness of businesses across the country.

Promote Diversification of Financing Sources: While access to traditional bank financing remains critical for businesses in Bangladesh, heavy reliance on banks has exposed structural vulnerabilities such as high collateral requirements, bureaucratic delays, and limited loan availability during periods of financial stress. To overcome these challenges, businesses should be encouraged to diversify their funding sources by exploring alternatives like microfinance, non-bank financial institutions, leasing, and crowdfunding. Partnerships between private investors and financial institutions can further expand available funding channels, while targeted guidance and incentives can help firms balance bank loans with alternative financing. Building a more diversified financial ecosystem will enhance resilience, reduce dependency on any single channel, and improve overall access to finance across regions and sectors.

Ease Collateral and Lending Requirements: Access to finance in Bangladesh remains constrained by rigid collateral requirements, lengthy approval processes, and risk-averse lending practices, which delay timely credit for many businesses. To address these challenges, lending procedures should be simplified and the heavy reliance on land or property as collateral reduced. Asset-based lending using movable assets and digital verification can expand access to credit, while risk-based approaches that evaluate a business's growth potential—rather than just its existing assets—would enable banks and non-bank institutions to extend financing more effectively. These reforms would enhance the efficiency, inclusivity, and responsiveness of the financial system, ensuring that businesses across regions can secure funding without facing excessive bureaucratic or financial barriers.

Implement Targeted Financial Literacy Programs: Challenges in accessing finance in Bangladesh go beyond loan availability, encompassing significant knowledge gaps in navigating financial systems. Many businesses, especially in regions with weaker financial infrastructure, struggle to understand loan options, interest rates, repayment terms, and basic financial planning. Preparing applications and interacting with banks or financial institutions can be complex and time-consuming, discouraging timely use of available support. To address these issues, targeted financial literacy programs should guide businesses through loan processes, clarify financial products, and provide step-by-step assistance with applications and repayment planning. Prioritizing regions with limited banking access will enable smaller enterprises to effectively utilize both traditional and alternative financing options, enhancing financial inclusion, investment capacity, and the overall business environment

6.2.11 Environmental Regulations and Standards

Develop Sector-Specific Compliance Roadmaps: The slight decline in Bangladesh's score for 'Environmental Regulations and Standards' in 2024-25 underscores the growing challenges businesses face in meeting environmental requirements. While enforcement has become stricter, compliance costs and procedural complexity especially for SMEs and medium-sized enterprises remain significant barriers. High costs for effluent and sewage treatment, limited access to approved labouratories and recycling facilities outside major cities, and weak municipal coordination make environmental management more difficult. Practices such as waste segregation, water conservation, and energy efficiency vary across sectors, with technologically advanced industries like Electronics, Pharmaceuticals, and RMG performing better, while Construction, Agriculture, and Textiles face challenges due to high resource use, technological gaps, and procedural constraints.

To address these disparities, sector-specific compliance roadmaps should be developed, providing clear, practical guidelines with step-by-step measures, simplified procedures, recommended technologies, and timelines. Drawing on examples from high-performing sectors can serve as benchmarks, while regional awareness campaigns, technical assistance, and stronger partnerships between municipalities and industry associations can reduce compliance burdens, encourage sustainable practices, and narrow performance gaps across regions and sectors

Expand Access to Green Finance and Incentives: The slight decline in Bangladesh's score for 'Environmental Regulations and Standards' highlights that businesses are facing higher costs and complexity in meeting compliance requirements. Rising expenses for operating effluent or sewage treatment plants, conducting audits, and managing hazardous waste—combined with limited access to approved labouratories, recycling chains, and license renewal services outside Dhaka—pose significant challenges, particularly for medium-sized enterprises. These financial and technical constraints can slow the adoption of sustainable practices such as waste management, water conservation, and energy efficiency.

To address these gaps, expanding access to green finance and targeted incentives is crucial. Establishing dedicated funds or subsidized loan programs can support investments in waste treatment, energy-saving technologies, and water conservation measures. Complementary financial incentives, including fee reductions, tax rebates, or faster license renewals for high-performing businesses, can encourage proactive compliance and sustainable operations. Prioritizing support for medium-sized enterprises and those in regions with weaker infrastructure will help bridge capacity gaps, reduce compliance burdens, and accelerate the transition toward environmentally sustainable business practices across sectors.

Strengthen Technical Support and Training: The analysis of Bangladesh's environmental regulations shows that while businesses are gradually adopting sustainable practices, significant gaps remain in technical capacity and regional support. Medium-sized enterprises, in particular, face challenges in operating effluent and sewage treatment plants and conducting environmental audits due to high costs, limited technical skills, and weak local infrastructure. Regional disparities exacerbate these difficulties, with Dhaka performing relatively well, Sylhet moderately, and Rangpur lagging in waste management and resource efficiency.

Strengthening technical support and training is essential to address these gaps. Regional awareness campaigns combined with hands-on training can equip businesses with practical knowledge on waste segregation, recycling, and sustainable water and energy use, while guidance on operating treatment plants and conducting audits can reduce compliance costs and improve efficiency. Partnerships between local governments, industry associations, and technical experts can ensure consistent support and capacity building across regions, helping bridge knowledge gaps, enhance environmental performance, and foster a more equitable and sustainable business environment nationwide

Develop Integrated Digital Platforms for Compliance: Bangladesh's environmental compliance landscape shows that while businesses are increasingly adapting to stricter enforcement, gaps persist in accessibility, transparency, and efficiency of regulatory processes. SMEs, in particular, face high costs and delays due to limited availability of approved labouratories, recycling facilities, and license renewal services, especially outside Dhaka. These challenges increase both time and compliance expenses, discouraging full adherence to regulations. Developing integrated digital platforms is crucial to address these gaps. A single digital portal could provide businesses with easy access to regulatory guidelines, enable submission of compliance documents, scheduling of inspections, and tracking of permits.

Making information on approved labouratories, recycling chains, and license services widely accessible would reduce operational burdens and costs for SMEs. Furthermore, such a portal could facilitate monitoring and feedback mechanisms, allowing authorities to identify regional disparities and target support effectively. By centralizing information and streamlining interactions with regulatory bodies, this approach would enhance compliance efficiency, promote equitable access to environmental support, and strengthen the overall business climate.

Promote Regional Equity and Inclusive Implementation: Regional disparities in environmental compliance remain a major gap in Bangladesh's business climate, as reflected in low waste management and compliance scores in areas like Rangpur. SMEs in these regions face higher costs, limited technical capacity, and weak institutional support, which hinder effective implementation of waste segregation, recycling, and water or energy management practices.

Targeted regional initiatives are essential to address these challenges, including technical assistance, awareness campaigns, and hands-on training tailored to underperforming areas. Local municipalities should actively coordinate with businesses to establish waste management systems, encourage resource-sharing arrangements, and facilitate smoother implementation of environmental regulations. Regular surveys to track progress, coupled with recognition or incentives for improvements, can foster healthy competition and motivate continued compliance. Prioritizing regional equity and inclusive implementation will help ensure that environmental standards are met uniformly across the country, supporting both sustainability goals and SME growth.

6.3 Action Plan

6.3.1 Broader Policy Support for Sustained Competitiveness and Capacity

Type of Indicator	Recommendations	Leading Institutions	Time Required
Broader Policy Support for Sustained Competitiveness and Capacity	Strengthen logistics infrastructure and connectivity to reduce costs and enable diversification	Ministry of Shipping, Roads and Highways Division, Civil Aviation Authority, PPP Authority	Medium Term
	Develop integrated economic corridors combining physical and regulatory systems	Ministry of Commerce, Ministry of Finance, Bangladesh Bank, BIDA	Long Term
	Ensure controlled and strategic transition for LDC graduation through FTAs, and trade negotiations	Ministry of Commerce, ERD, WTO Cell, Bangladesh Bank	Medium Term
	Increase private sector readiness with improved energy, trade facilitation, and institutional reforms	Ministry of Finance, NBR, BIDA, Bangladesh Bank	Short Term
	Enhance access to finance via green bonds, NPL resolution, and flexible FX policies	Bangladesh Bank, Ministry of Finance	Medium Term
	Modernize taxation and regulatory frameworks, accelerate tax refunds, expand OSS	NBR, BIDA, Ministry of Commerce	Short Term
	Promote export diversification beyond RMG with bonded warehouse reforms and SME facilitation	Ministry of Commerce, Export Promotion Bureau, NBR	Medium Term
	Invest in industrial infrastructure with reliable utilities and streamlined permits	Ministry of Industries, Power Division, BEZA, PPP Authority	Long Term

6.3.2 Pillar Specific Action Plan

1. Starting a Business

Type of Indicator	Recommendations	Leading Institutions	Time Required
Starting a Business	Expand and fully integrate OSS across all agencies with strict SLAs	BIDA, Ministry of Commerce, NBR	Medium Term
	Standardize costs and procedures across divisions with digital payments	Ministry of Local Government, NBR, Ministry of Commerce	Short Term
	Strengthen Companies Act implementation and corporate governance	Ministry of Commerce, Registrar of Joint Stock Companies	Medium Term
	Curb informal payments through end-to-end digitalization and grievance systems	BIDA, Anti-Corruption Commission, ICT Division	Short Term
	Consistent implementation of digital reforms across agencies	ICT Division, BIDA, Cabinet Division	Medium Term
	Sector-specific simplification of licensing and compliance (e.g., Pharmaceuticals, Construction)	BIDA, BEPZA, BEZA, BSTI, Ministry of Commerce, Ministry of Industry	Medium Term

2. Access to Land

Type of Indicator	Recommendations	Leading Institutions	Time Required
Access to Land	Digitize and integrate all land records with interoperability	Ministry of Land, Sub-Registry Offices	Medium Term
	Enforce transparent procedures and standardized costs	Ministry of Land, NBR, Local Government Division	Short Term
	Introduce SLAs and simplified registration/mutation	Ministry of Land, Sub-Registry Offices	Medium Term

	Establish specialized desks/fast-track channels for high-value sectors	Ministry of Land, BEZA, BEPZA	Medium Term
	Strengthen governance to curb informal payments	Ministry of Land, ACC, Cabinet Division	Short Term
	Conduct investor awareness and training programs on land procedures	Ministry of Land, BEZA, BIDA, BEPZA	Short Term

3. Availability of Regulatory Information

Type of Indicator	Recommendations	Leading Institutions	Time Required
Availability of Regulatory Information	Develop a consolidated, user-friendly online portal with plain-language guidelines	Ministry of Commerce, BIDA, ICT Division	Short Term
	Establish unified regulatory hub with one-stop compliance support	BIDA, Cabinet Division, Ministry of Commerce	Medium Term
	Fully automate digital services (applications, payments, status tracking)	ICT Division, BIDA, NBR	Medium Term
	Introduce regular updates and awareness campaigns on regulatory reforms	Ministry of Commerce, Industry Associations	Short Term

4. Business Infrastructure

Type of Indicator	Recommendations	Leading Institutions	Time Required
Infrastructure	Secure and diversify power supply with renewable investments	Power Division, SREDA, Ministry of Energy	Long Term
	Expand PPPs in utilities, transport, and industrial zones	PPP Authority, Ministry of Finance, BEZA	Long Term

	Develop financing options via sovereign/local bonds and markets	Ministry of Finance, Bangladesh Bank, SEC, Banks	Medium Term
	Accelerate and optimize economic zones with feasibility-based selection	BEZA, BEPZA, BIDA, Ministry of Industries	Medium Term
	Improve efficiency of power sector with SCADA, cross-border trade, and tariff reforms	Power Division, Bangladesh Power Development Board	Medium Term

5. Labour Regulation

Type of Indicator	Recommendations	Leading Institutions	Time Required
Labour Regulation	Align training with global skills demand in AI, ICT, and green economy	Ministry of Education, BMET, TVET Institutions	Medium Term
	Integrate green skills into vocational and technical training	Ministry of Education, SREDA, Industry Associations	Medium Term
	Promote industry-integrated training models and apprenticeships	Ministry of Education, Industry Associations, BMET	Short Term
	Strengthen international labour migration strategy with certification programs	BMET, Ministry of Expatriates' Welfare	Medium Term

6. Dispute Resolution

Type of Indicator	Recommendations	Leading Institutions	Time Required
Dispute Resolution	Expand ADR mechanisms and set up standardized centers	Ministry of Law, Supreme Court, Bangladesh Bar Council	Medium Term
	Enhance judicial capacity with more judges and case	Ministry of Law, Supreme Court	Long Term

	management systems		
	Digitalize case filing, tracking, and hearings	Ministry of Law, Supreme Court, ICT Division	Medium Term
	Establish specialized commercial benches	Supreme Court, Ministry of Law	Short Term
	Improve coordination and oversight in lower courts	Ministry of Law, Supreme Court	Medium Term

7. Trade Facilitation

Type of Indicator	Recommendations	Leading Institutions	Time Required
Trade Facilitation	Streamline customs and reduce informal payments through oversight and automation	NBR (Customs), ACC, Ministry of Commerce	Short Term
	Fully operationalize Bangladesh Single Window across agencies	NBR, Ministry of Commerce, BIDA	Medium Term
	Strengthen coordination among trade-related agencies with joint task forces	NBR, CPA, Ministry of Commerce	Short Term
	Modernize port and logistics infrastructure (terminals, multimodal links)	CPA, Ministry of Shipping, Roads Division, BEZA	Long Term
	Expand SME access to trade facilitation tools (AEO, OSS)	NBR, SME Foundation, Ministry of Commerce	Medium Term
	Conduct sector-specific risk assessment and develop mitigation strategies for export-oriented firms in light of LDC graduation	Ministry of Commerce, Export Promotion Bureau (EPB), Private Sector Associations/Chambers	Short-term
	Support market diversification and	Ministry of Commerce, Bangladesh Investment	Medium-term

	competitiveness enhancement programs to address challenges arising from LDC graduation	Development Authority (BIDA), Export Promotion Bureau (EPB), Private sector	
	Provide guidance on navigating post-LDC graduation tariffs, trade rules, and regulatory changes.	Ministry of Finance. NBR, Ministry of Commerce, Private Sector Associations/Chambers	Short-term

8. Paying Taxes

Type of Indicator	Recommendations	Leading Institutions	Time Required
Paying Taxes	Streamline registration and filing with a single-window system	NBR, BIDA, Ministry of Commerce	Short Term
	Upgrade and integrate digital platforms for VAT, income tax, and customs	NBR, ICT Division, Ministry of Finance	Medium Term
	Introduce transparent yearly tax roadmap and stable policy framework	Ministry of Finance, NBR	Short Term
	Lower effective tax burden by rationalizing multiple levies	Ministry of Finance, NBR	Medium Term
	Strengthen administrative capacity with training and modern case management tools	NBR, Ministry of Finance	Medium Term

9. Technology Adoption

Type of Indicator	Recommendations	Leading Institutions	Time Required
Technology Adoption	Expand digital infrastructure (high-speed internet, power reliability)	ICT Division, BTRC, Power Division	Medium Term

	Launch nationwide digital literacy and technical skills programs	ICT Division, Ministry of Education, Industry Associations/Chambers	Medium Term
	Provide SME incentives and establish regional digital hubs	Ministry of Industries, ICT Division, SME Foundation	Medium Term
	Promote e-commerce with targeted sector support	ICT Division, Ministry of Commerce, Industry Associations/Chambers	Short Term
	Enhance policy reforms and public-private collabouration for digital growth	ICT Division, Ministry of Commerce, Industry Associations/Chambers	Medium Term

10. Access to Finance

Type of Indicator	Recommendations	Leading Institutions	Time Required
Access to Finance	Expand SME credit via guarantees and subsidized schemes	Bangladesh Bank, Ministry of Finance, SME Foundation	Short Term
	Improve FX management and risk tools for businesses	Bangladesh Bank, Ministry of Finance	Medium Term
	Diversify financing sources (NBFIs, leasing, crowdfunding)	Bangladesh Bank, SEC, Ministry of Finance, Banks	Medium Term
	Ease collateral requirements through asset-based lending	Bangladesh Bank, Ministry of Finance	Medium Term
	Implement targeted financial literacy programs	Bangladesh Bank, SME Foundation, Ministry of Education	Short Term

11. Environmental Regulations and Standards

Type of Indicator	Recommendations	Leading Institutions	Time Required
	Develop sector-specific compliance	Department of Environment,	Medium Term

Environmental Regulations and Standards	roadmaps and guidelines	Industry Associations	
	Expand green finance and incentive schemes	Bangladesh Bank, Ministry of Finance, DoE	Short Term
	Strengthen technical support and training for SMEs	DoE, Industry Associations, SME Foundation	Medium Term
	Develop integrated digital platforms for compliance tracking	DoE, ICT Division, Ministry of Environment	Medium Term
	Promote regional equity in compliance with targeted initiatives	DoE, Local Government Division, Municipalities	Long Term

NOTES

A Brief Profile of MCCI, Dhaka

Founded in 1904, the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) is the oldest and the pre-eminent trade organization of Bangladesh. Its membership roll encompasses leading commercial and large industrial organizations of the country, including public sector corporations and local as well as multinational companies. Presently, almost all major enterprises of the manufacturing and service sector are among its members. The Chamber provides a wide range of professional services to its members.

The Chamber's services, developed over a long period, are comprehensive and cover specialized areas such as taxation, import-export, tariff and non-tariff measures, investment, WTO matters and other national and international economic and commercial concerns. The Chamber maintains a secretariat manned by professional staff. It offers secretarial services to the Bangladesh Employers' Federation (BEF), the lone national level organization of employers in the country dealing with industrial relations, occupational safety and health, workplace cooperation, skills development, labor law and other labor-related issues.

The Chamber's policy recommendations and inputs related to ongoing reforms have gained wide acceptance amongst government and policy makers. MCCI has earned recognition at home and abroad by offering services such as issuing certificates of origin, and, through conducting economic research and sector surveys, offering trade and investment facilitation services, legal services, information management and dissemination, and publications related to trade and commerce.

The Chamber is represented in many Advisory Councils as well as Committees formed by various ministries of the government of Bangladesh. MCCI also maintains effective working relations with development partners, e.g., the World Bank Group, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Asian Development Bank (ADB), Japan External Trade Organization (JETRO), Japan International Cooperation Agency (JICA), the Asia Foundation, etc. MCCI has a long history of joint collaboration. It interacts regularly with major international trade bodies and many private sector organizations located all over the world.

BANGLADESH BUSINESS CLIMATE INDEX (BBX) 2024-25

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Since 1904

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