

## **Recent Government Borrowing from the Banking System and Its Implications for the National Budget: 2008-09**

Mohammad Yunus

Despite a spurt in revenue collection due, *inter alia*, to anti-corruption drive, deficit financing increased significantly during the first half of the current fiscal year. Total deficit financing by the government during July-December 2007 was Tk. 137.85 billion. Around Tk. 88 billion of this deficit was met by borrowing from the banking system. Initially the prime source of financing was the commercial banks. When the mayhem was complete with the commercial banking system, the government turned to the Bangladesh Bank since beginning of the second quarter. While it does not appear that government borrowing from the scheduled banks crowd out private investment, it is a cause of concern in view of the fact that growth of deposits is lagging behind growth of private sector credit and the downward trend of the ratio of excess reserves to statutory reserves.