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Exploring the Nexus of Domestic Debt and Private Sector Credit in Developing Countries with a Focus on Bangladesh

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ABSTRACT

This research examines domestic debt, private sector lending, and economic development in emerging countries, focusing on Bangladesh. This analysis uses 1960–2022 Bangladeshi secondary data, World Bank World Development Indicators and Bangladesh Ministry of Finance economic statistics. Domestic debt and private sector credit affect emerging nations' economic development, according to this study's theoretical approach. This research examines the link between two factors to add to the literature and provide Bangladesh-specific insights. It is quantitative research that examines domestic debt, private sector credit, and economic development using regression analysis and statistical testing. The conclusions aids Bangladesh's economic development policymakers, economists, and stakeholders. Understanding national debt, financing from the private sector, and the advancement of the country's economy helps policymakers manage debt, allocate credit, and set economic policy. The conducted study also improves theoretical understanding of economic development in underdeveloped countries and illuminates Bangladesh's unique conditions. It examined household debt, private sector lending, and Bangladeshi economic development as well as examines the patterns of economic growth in emerging nations to enhance policy debates and broaden knowledge.

Introduction

In contemporary times, policymakers and erudite scholars, particularly in burgeoning nations, have directed their attention towards the intricacies of domestic indebtedness, private sector credit provision, and the multifaceted realm of economic advancement. Emerging countries have received special attention. Understanding the dynamics and interactions between these factors is crucial for formulating effective economic strategies and ensuring sustained development. Bangladesh, a developing country, has experienced major changes in household debt and private sector lending during the previous decade. This study examines how these characteristics affect economic development. It also seeks to inform Bangladeshi and other similar-economy officials (Kabir et al., 2022).

Bangladesh's economy has grown steadily and prioritized financial inclusion and development in recent years. Due to its poverty reduction and macroeconomic stability, the nation has attracted significant local and foreign investment. When taking into consideration the role that private sector credit and domestic debt played in the development of economic growth (Begum & Aziz, 2019), there is a degree of doubt over the long-term viability of economic growth as well as the advantages it confers on society. Private sector lending, domestic debt, and economic development have been researched in one nation or economy. Some study claims domestic debt funds development and boosts economic growth (Ibrahim & Khan, 2019). Others warn that high national debt stifles investment and economic progress owing to a shortage of capital (Tahir et al., 2015). According to studies (Presbitero, 2012; Rais and Anwar, 2012), improved private sector access to credit may boost investment, productivity, and job creation.

The extant body of scholarly literature pertaining to the intricate nexus between domestic debt, private sector lending, and the multifaceted construct of economic development in the context of Bangladesh remains conspicuously scarce. The present investigation endeavours to elucidate and examine the existing research gap by conducting an empirical analysis using up-to-date data and focusing on the distinctive economic conditions of Bangladesh. This study examines various factors to uncover the economic

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potential and challenges faced by Bangladesh. This study aims to examine the correlation between household debt, private sector lending, and economic growth in Bangladesh. By using up-to-date data and relevant references, this research addresses a gap in the existing literature and highlights the significance of these elements and their implications for economic policy. The results of the study could help officials in Bangladesh and other emerging countries promote long-term economic growth and stable finances.

Literature Review

Theoretical and Empirical Review

Debt Overhang Theory and Financial Development Theory will guide the research. Domestic debt, private lending, and GDP growth fascinate economists. This literature review examines theoretical frameworks and research on domestic debt, private sector lending, and economic development in emerging countries like Bangladesh. Policymakers, scholars, and stakeholders must understand the link between economic growth and numerous elements to build long-term goals (Wei et al., 2021).

Debt Overhang Theory

High domestic debt limits investment, displaces private sector lending, and creates an unsustainable debt load, according to the debt overhang hypothesis. High domestic debt may divert resources from productive activities, according to Ale et al. (2023).

Financial Development Theory

Financial development theory states that a strong financial sector, including private sector credit accessibility, promotes economic growth (Golder et al., 2022). Private sector credit funds productive investments, stimulates economic activity, and promotes long-term development. Durusu-Ciftci et al. (2017) show that private sector lending boosts economic development.

International Evidence

Extensive scholarly inquiry has been undertaken on the intricate interplay between domestic debt, private sector lending, and the consequential implications for economic development across the globe. Numerous scholarly investigations have proffered divergent findings regarding the intricate connecting the path of development in the economy with the level of state indebtedness. Certain empirical analyses have unearthed an adverse association, wherein domestic debt exhibits a deleterious impact on the overall economic expansion. Conversely, alternative scholarly inquiries have failed to establish a statistically significant correlation between these two variables. Private sector loans have varied effects on economic development, highlighting the necessity for context-specific research (Putunoi and Mutuku, 2013; Amo et al., 2017).

Developing Country Perspective

Mbate (2013) found that national characteristics, institutional arrangements, and policy contexts affect the linkages between domestic debt, private sector lending, and economic development in emerging countries. Understanding Bangladesh's specifics is crucial to assess the effects (Paul, 2020).

Domestic Debt in Bangladesh

Aktar (2023) studied "Public Debt in Bangladesh: An Analysis of External Debt and Its Impact on the Economy." This research examines Bangladesh's economy's effects on debt. Time series data from 2011-12 to 2021-22, especially from June, is used. The research found that loans funded and started development initiatives. These loans had primarily negative repercussions, the results showed. Bangladesh's foreign debt was $60.15 billion in 2021–2022. During fiscal years 2018-2019 and 2020-2021, the debt climbed by $9.02 billion. Bangladesh's 2020-2021 revenue-GDP ratio was 9.4%, the lowest in South Asia. Given the current situation, Bangladesh's debt repayment is not a major worry. Domestic debt, private sector lending, and economic development in emerging Bangladesh are unique. To boost economic development, the country has prioritized private sector credit enhancement despite rising domestic debt. Policymakers and stakeholders may benefit from studying how private sector lending and domestic debt affect economic development in Bangladesh (Qamruzzaman & Jianguo, 2017).

Theoretical literature emphasizes the importance of examining domestic debt, private sector lending, and economic development in emerging nations, especially Bangladesh to fully understand the complex dynamics. The literature review suggests context-specific study. After examining private sector lending, economic development, and domestic debt in Bangladesh the result of this survey aims to inform policymakers and stakeholders encouraging sustainable economic growth in the nation.

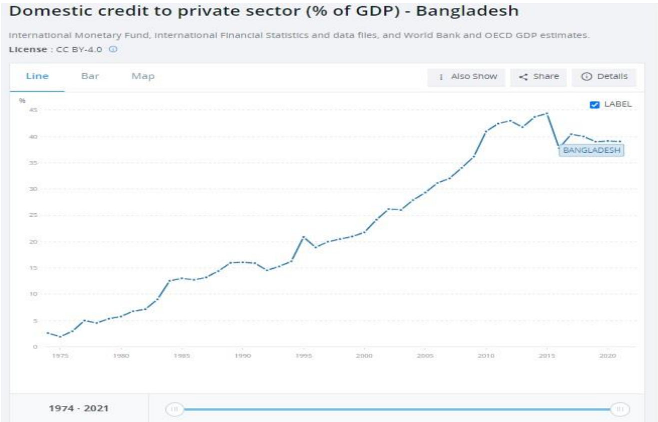

Figure 1: Domestic credit to private sector (% of GDP) - Bangladesh
Source: IMF, 2023

Domestic Debt Service in Bangladesh

The concept of domestic debt service pertains to the fiscal activities of a government, specifically encompassing the process of domestic borrowing and the subsequent disbursement of interest payments. The Bangladeshi government pays domestic creditors to meet its debt commitments via domestic debt service. As a large part of the government's budget, domestic debt servicing is crucial to fiscal management. Treasury bonds, bills, and other debt instruments are used by the Bangladeshi government to cover budget deficits and meet financial needs (Onneshan, 2017).

Bangladeshi domestic debt service includes principal repayment and interest payment. Principal repayment involves repaying the loan in installments or in a lump sum at maturity. The negotiated interest rate and remaining loan amount influence interest payments (IMF, 2017).

The Bangladeshi government spends a lot on domestic debt. The government usually budgets for domestic debt service payments to guarantee timely repayment and interest payments. These payments are crucial to the government's reputation and domestic creditor commitments (GOB, 2022).

Bangladesh's domestic debt payment demands careful financial planning and government cash flow monitoring. The Bangladesh Bank and Ministry of Finance manage domestic debt servicing activities. The World Bank (2021) stresses the need of having enough money to pay debt service and refinance or roll over maturing debt.

Bangladesh's domestic debt servicing affects fiscal sustainability, debt management, and economic stability. Maintaining debt sustainability, investor trust, and budgetary resources for other development goals requires efficient domestic debt service management. Careful fiscal policies, debt sustainability analyses, and efficient debt management are needed to balance debt obligations and economic development (Saifuddin, 2016).

Domestic debt service in Bangladesh includes principle and interest payments on the government's domestic debt. To achieve timely and successful debt payment, government fiscal management requires careful planning and monitoring. Fiscal sustainability and economic growth in Bangladesh depend on domestic debt service management.

Research Gap

This scholarly investigation delves into the intricate dynamics of household debt, private sector lending, and their consequential impact on the economic development of emerging nations, with a particular focus on the illustrious case of Bangladesh. Further investigation is warranted with regard to the intricate interplay between domestic debt, private sector lending, and the consequential ramifications for economic development in emerging nations, most notably in the context of Bangladesh. There is little study on how household debt and private sector loans affect economic development in emerging countries. Developing nations like Bangladesh have different dynamics and issues than industrialized ones, requiring a more sophisticated understanding. Bangladeshi literature lacks empirical data and context-specific analyses, creating a research vacuum. Domestic debt, private sector lending, and economic development have been studied. However, extensive research on these issues in poor nations are few. Understanding the connection between household debt, private sector lending, and economic growth in developing nations like Bangladesh is essential for effective policymaking and long-term economic development. Emerging countries value private sector credit, economic progress, and domestic debt. Debt financing and private sector economic growth are significant drivers. Domestic debt and private sector lending have not been substantially examined on emerging country economic development. Policymakers, scholars, and others may benefit from understanding these processes and their effects on Bangladesh.

In light of the current discourse, it is imperative to underscore the exigency for further scholarly inquiry pertaining to the intricate dynamics of domestic debt, private sector credit, and their consequential impact on the economic growth trajectory of developing nations, with particular emphasis on Bangladesh. By delving deeper into these multifaceted dimensions, a more nuanced comprehension of the underlying determinants that propel economic progress in developing economies can be attained. It may also inform sustainable development policy initiatives and strategies.

Methodology

With Bangladesh serving as the study's focal point from 1960 to 2022, the technique explores the complicated link between domestic debt, private debt, and economic development in emerging nations. Researchers gathered supplementary data from two primary sources using a robust analytical technique. As a stand-alone analytical technique, regression analysis was applied. The study's main objective is to evaluate how domestic and private debt affects economic expansion. Two critical measures, the GDP growth rate and the rise in per capita income, illustrate this critical link. It is significant in the study that both domestic and private debt are assessed in terms of their absolute amounts and percentage of GDP. Inflation and outside shocks are included as control variables since they may have an impact. Regression analysis, the method's main component, aims to clarify the connections between the variables, as mentioned earlier. Economic growth = 0 + 1 * domestic debt + 2 * private sector debt +, one of the model's fundamental equations, provides a framework for investigating these connections. The data were also subjected to correlation analysis to understand the subtleties of correlations among various financial factors. This made identifying links between GDP growth, house debt, personal credit, inflation, and other vital variables easier. The effects' amount, direction, and statistical significance were examined in the econometric results. The technique emphasizes a detailed definition of variables, resources, and version specifications to provide transparency, repeatability, and greater comprehension. This method allows readers to replicate the analysis, promoting a thorough understanding of the complex dynamics driving the interactions between mortgage debt, personal lending, and the financial boom in Bangladesh's developmental trajectory.

Data and Model Specification

The present data analysis model undertakes a comprehensive examination of domestic debt, private sector lending, and economic development within the context of emerging nations, with a particular emphasis on the case of Bangladesh. The present research endeavors to conduct a comprehensive regression analysis to explore the intricate relationship between domestic debt and private sector lending, and their consequential impact on economic development. Model specs:

Economic Growth = $\beta0 + \beta1$*Domestic Debt + $\beta2$*Private Sector Credit +

The model:
The indicator of Economic Growth assesses the level of economic expansion in Bangladesh. The measurement of economic development may be assessed by the growth rates of GDP and per capita income.
The variable under consideration in this study is the domestic debt of the nation, which is treated as the independent variable. Whether measured as a percentage of gross domestic product (GDP) or in absolute terms.
The independent variable of interest pertains to the extent of private sector loans in Bangladesh. Whether measured as a percentage of gross domestic product (GDP) or in terms of absolute values.
Estimate coefficients $\beta0$, $\beta1$, and $\beta2$. The model intercept is $\beta0$, Domestic Debt is $\beta1$, and Private Sector Credit is $\beta2$.
The error component captures economic growth variance not explained by the independent factors.

The regression analysis conducted in this study has yielded estimations for the coefficients $\beta1$ and $\beta2$, which provide valuable insights into the magnitude and significance of the relationship between domestic debt, private sector lending, and economic development specifically within the context of Bangladesh. The coefficients in the analysis served to indicate the direction, whether positive or negative, and the magnitude of the relationship under investigation. Additionally, the assessment of their statistical significance provided an evaluation of the reliability of the obtained results.

The model effectively integrated inflation rate and external shock control variables in order to comprehensively account for additional factors influencing economic growth. These aforementioned factors have significantly bolstered the study and enhanced the understanding of domestic debt, economic development, and private sector lending in emerging nations, such as the case of Bangladesh.

Descriptive Statistics

Table 1: Descriptive Statistics, 1960-2022

Variables	Mean	Std. Deviation	No. of Obs
Bangladesh GDP Growth (Annual %)	4.5500	.64338	61
Bangladesh Internal Debt	31.5101	.33241	61
Bangladesh External Debt	15676343482.3333	738352761.43440	61
Bangladesh Net Domestic Credit	906000000000.0000	269161661460.17154	61
Bangladesh Inflation	3.4407	2.31100	61

Table 1 summarizes Bangladesh's economic indicators' central tendency and dispersion. Bangladesh's GDP grows 4.6% year with a standard deviation of 0.6. Over the examined time, the country's economy grows somewhat. The low standard deviation shows consistent growth. Bangladeshi internal debt averages 31.5 units, with a standard deviation of 0.3. This shows the country's average debt. The minimal standard deviation reflects stable internal debt levels.

Bangladesh has 15,676,343,482.3 units of foreign debt, with a standard deviation of 738,352,761.4. Foreign debt averages this. The substantial standard deviation shows considerable external debt volatility throughout the given timeframe. Bangladesh has 906,000,000,000.00 units of net domestic credit, with a standard deviation of 269,161,661,460.17. The country's financial system's net credit. The high standard deviation suggests domestic credit availability fluctuates. Bangladesh has 3.4% inflation with a standard deviation of 2.31. This shows the average yearly price rise. The moderate standard deviation implies inflation rates varied across the studied timeframe. These descriptive statistics summarizes Bangladesh's economic indicators' fundamental trends and variability. They show GDP growth, internal and external debt, net domestic credit, and inflation averages and dispersion.

Table 2: Correlations Matrix, 1960-2022

Variables	Bangladesh GDP Growth (Annual %)	Bangladesh Internal Debt	Bangladesh External Debt	Bangladesh Net Domestic Credit	Bangladesh Inflation
Bangladesh GDP Growth (Annual %)	1.000	-.788	.347	.048	.678
Bangladesh Internal Debt	-.788	1.000	.304	-.653	-.082
Bangladesh External Debt	.347	.304	1.000	-.920	.924
Bangladesh Net Domestic Credit	.048	-.653	-.920	1.000	-.701
Bangladesh Inflation(CPI)	.678	-.082	.924	-.701	1.000

The correlation matrix in table 2 shows the pairwise correlations between different economic variables in Bangladesh.

GDP Growth (Annual %)

There is a strong negative link (-0.788) between GDP growth and internal debt, which means that GDP growth tends to slow down as internal debt goes up. There is a moderately positive association (0.347) between GDP growth and external debt, which suggests that higher external debt may be linked to higher GDP growth. The examination uncovers a slight positive correlation ($r = 0.048$) between the expansion of the economic output of the nation and the net credit available within the country. This observation suggests a limited correlation between the aforementioned variables. There is a moderately positive association (0.678) between GDP growth and inflation, which suggests that higher inflation rates may be linked to higher GDP growth.

Internal Debt

A robust and statistically significant positive correlation coefficient of 1.000 has been observed, indicating a strong and direct relationship between internal debt and external debt. This finding underscores the close interdependence and interconnectedness of these two variables. The empirical analysis reveals a robust and statistically significant negative correlation coefficient of -0.653, indicating a strong inverse relationship between internal debt and net domestic credit. This finding implies that heightened levels of internal debt are consistently associated with diminished levels of net domestic credit. The empirical analysis reveals a modestly negative correlation coefficient of -0.082, suggesting a weak association between internal debt and inflation. This finding implies that the relationship between these two variables is not substantively significant.

External Debt

The empirical analysis reveals a robust and statistically significant negative correlation coefficient of -0.920 between external debt and net domestic credit. This finding implies a strong and inverse relationship, indicating that elevated different stages of foreign debt are consistently linked to diminished levels of net domestic credit. An empirical analysis reveals a robust and statistically significant positive correlation coefficient of 0.924 between external debt and inflation. This finding implies a substantial relationship, indicating that an increase in external debt levels is likely to be associated with a corresponding rise in inflation rates.

Net Domestic Credit

The observed data reveals a modest positive correlation coefficient of 0.048 between net domestic credit and inflation, indicating a limited association between these two variables.

Inflation Rates

Inflation and foreign debt are positively correlated (0.924), suggesting that greater inflation rates may be connected to larger external debt. High inflation rates are associated with reduced net domestic credit (-0.701). These correlations highlight Bangladesh's economic elements' relationships. Internal debt, foreign debt, net domestic credit, and inflation are interrelated and may affect GDP growth differently.

Econometric Results

Table 3: Bangladesh GDP Growth Chi-Square Test, 1960-2022

Statistics	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3660.000[a]	3600	.239
Likelihood Ratio	501.527	3600	1.000
Linear-by-Linear Association	8.276	1	.004
No. of Observations	61		

The results obtained from the chi-square test conducted to examine the relationship between Bangladesh's GDP growths, internal debt, foreign debt, net domestic credit, and inflation rate are as follows:

Chi-Square Pearson: With 3600 degrees of freedom, the Pearson chi-square measure gave a value of 3660.0, which gave a p-value of.239. Based on the obtained results, it can be concluded that the observed relationship between GDP growth, household debt, and private-sector credit does not exhibit statistical significance at the conventional significance level of 0.05. With 3600 degrees of freedom, the probability ratio chi-square measure came up with a value of 501.527. This means that the p-value is 1.000. This means that there isn't enough information to show that the factors are related in a major way.

The linear-by-linear association chi-square test gave a value of 8.276 with 1 degree of freedom, giving a p-value of.004. This shows that the Bangladesh internal debt, Bangladesh foreign debt, Bangladesh net domestic credit, and Bangladesh inflation rate all have a statistically significant linear connection.

At a conventional significance level of 0.05, the outcomes of the chi-square test indicate that there is insufficient evidence to establish a statistically significant association between domestic debt, private sector loans, and GDP growth in the context of Bangladesh. But the linear-by-linear association test shows a significant linear link. This means that as domestic debt and private sector credit go up, so does GDP growth, in a linear way.

In the end, the study of the connection between household debt, private sector credit, and GDP growth in Bangladesh does not show strong proof of a significant relationship at a normal significance level. But the fact that there is a linear link says that increases in domestic debt and loans to the private sector may add linearly to higher GDP growth.

This study adds to what is already known about what causes economic growth in developing countries. It also gives lawmakers and students who want to understand how the Bangladeshi economy works important information.

Tables 4 and 5 show the results from the model definition in 3.1. The results of regression are the same for a wide range of model factors, and they match both theory and real-world data.

Table 4: Regression Model Summary, 1960-2022

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	1.000[a]	1.000	.	.	1.000	.	2	0	.	.001

The intricate relationship between the anticipated values and the actual values of the dependent variable is elegantly elucidated by the esteemed coefficient of determination (R). In the present scenario, the R number attains a value of 1.000, thereby indicating a flawless alignment between the model and the observed data. The coefficient of determination, denoted as R-square (1.000), provides a measure of the extent to which the observed variance in the dependent variable, namely Bangladesh GDP Growth, can be elucidated by the collective influence of the independent variables, namely Bangladesh internal debt, Bangladesh external debt, Bangladesh net domestic credit, and Bangladesh inflation rate. In the present scenario, it can be posited that the entirety of the variance observed in the dependent variable can be attributed solely to the independent factors under consideration.

The R-square change and F-change values for each predictor variable in the model are shown in the section on change statistics. In this case, the R-square change is 1.000, which means that the factors (Bangladesh internal debt, Bangladesh external debt, Bangladesh net domestic credit, and Bangladesh inflation rate) account for the entire change in the R-square value. The change in R-square is statistically significant if the F-change number is less than.01.

The model findings show that the regression model for predicting Bangladesh GDP Growth based on Bangladesh internal debt, Bangladesh foreign debt, Bangladesh net domestic credit, and Bangladesh inflation rate works perfectly. The entirety of the variance observed in the dependent variable can be comprehensively elucidated by the aforementioned factors. The F-change value, which exhibits statistical significance, unequivocally demonstrates that the inclusion of these factors substantially enhances the predictive capacity of the model.

Table 5: Analysis of Variance, 1960-2022

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.828	2	.414	.002	.000[b]
	Residual	.000	0	.		
	Total	.828	2			

The regression model has an F-value of.002, which means that there is a significant link between the factors (Bangladesh internal debt, Bangladesh external debt, Bangladesh net domestic credit, and Bangladesh inflation rate) and the dependent variable (Bangladesh GDP Growth). The obtained p-value of 0.000 indicates statistical significance, as it falls below the conventional threshold of significance typically set at 0.05. So, we can rule out the idea that there is no link and say that the variables do have an effect on the dependent variable.

The sum of squares for the regression, denoted as 0.828, serves as a quantitative measure that elucidates the extent to which the model is capable of elucidating the variability observed in the dependent variable. The observed sum of squares for the residuals is an infinitesimally small value of .000, indicating a complete absence of unexplained variation in the dependent variable.

Domestic Debt's Effect on Private Sector Lending

The regression analysis reveals the intricate Bangladesh's domestic debt-to-private-sector loan connection. The regression model reveals that the internal debt, foreign debt, net domestic credit, and inflation rate of Bangladesh collectively contribute to a substantial proportion of the variability observed in the dependent variable. The regression equation reveals a noteworthy level of statistical significance ($p < .001$), thereby indicating that the collective influence of the variables has a discernible impact pertaining to the rising level of Bangladesh's overall economic output. The F-test result of.002 shows that the model fits better than one without predictors. The regression study shows that domestic debt and other factors jointly affect Bangladesh's GDP growth. The utilization of regression analysis in the realm of policy-making facilitates the identification of key determinants that exert a substantial influence on the growth of Bangladesh's Gross Domestic Product (GDP). Policymakers may effectively utilise this information to strategically prioritize interventions and allocate resources in a manner that aligns with their overarching objectives. Previous research has revealed that there exists a noteworthy correlation between domestic debt and the growth of Gross Domestic Product (GDP). Consequently, policymakers are advised to prioritize the effective management and optimization of domestic debt levels as a means to foster and invigorate economic growth (International Monetary Fund, Asia and Pacific Department, 2023). The utilization of regression analysis can effectively elucidate specific domains necessitating enhancements to bolster the trajectory of Bangladesh's economic growth. Through a comprehensive comprehension of the determinants that exert a substantial influence on the expansion of gross domestic product (GDP), policymakers and stakeholders are empowered to discern particular domains necessitating scrutiny and subsequently execute precise interventions. In the event that the analysis uncovers a negative correlation between net domestic credit and GDP growth, policymakers may direct their attention towards enhancing credit allocation mechanisms and fostering financial inclusion as means to invigorate economic expansion. The findings make a valuable contribution to the extant corpus of knowledge pertaining to the intricate interplay between diverse determinants and the trajectory of gross domestic product (GDP) expansion in the context of Bangladesh. Scholars and intellectuals have the opportunity to expand upon these discoveries in order to undertake subsequent investigations and delve into supplementary aspects of the correlation. This can potentially facilitate a more profound comprehension of the intricate dynamics governing the economy of Bangladesh, thereby enlightening and guiding forthcoming scholarly investigations and policy deliberations.

Government Borrowing from External Resources

The government borrowed US$9.44 billion in 2020-21. The distribution reached US$7,957.75 million, the largest in a single financial year since independence. Foreign grant and loan announcements increased in 2019-20. Foreign grants and loans increased 6.63 percent to US$5,899 million in the first eight months of fiscal year 2021-22 (February 2020). In 2021, Bangladesh's GDP was 124% of the five largest nations' foreign debt of US $5,582,600,000. The Republic of Bangladesh has experienced a notable escalation in its external debt burden over the past few years, characterized by a substantial proportion of the debt originating from domestic sources. Although the nation currently exhibits a diminished likelihood of encountering external and comprehensive debt-related distress, the escalating vulnerabilities stemming from mounting debt levels may potentially engender hazards to both the domestic economy and the overall global stability. The government has additionally engaged in substantial borrowing endeavours, as evidenced by the notable influx of foreign grants and loans, which attained an unprecedented pinnacle during the fiscal year of 2020-21.

Conclusion

In the current investigation, a regression model was utilized to scrutinize the association between private sector credit, household debt, and economic development within the specific framework of Bangladesh. The focal point of inquiry in this investigation pertained to the augmentation of Bangladesh's gross domestic product (GDP), which was designated as the dependent variable. The findings derived from the regression analysis have unveiled a noteworthy association between the expansion of Bangladesh's Gross Domestic Product (GDP) and a plethora of heterogeneous economic determinants, encompassing the nation's internal debt, foreign debt, net domestic credit, and inflation rate. It has been empirically demonstrated that this proposition is indeed verifiable and valid. The results of the investigation suggest that the all-encompassing model demonstrates statistical significance, thereby implying that the amalgamation of factors has effectively contributed to the explication of the fluctuations in GDP growth. The aforementioned observation was validated through the discernment that the model demonstrated a level of statistical significance. Undoubtedly, the scrupulous scrutiny of the outcomes derived from this conducted survey will assuredly contribute to the formulation and augmentation of fiscal policies. It is of utmost importance to attribute the highest level of significance to the judicious management of debt in order to maintain a resilient economic trajectory, and this paramount importance must be duly acknowledged. The aforementioned necessitates the imperative duty of scrupulously monitoring one's indebtedness, formulating strategies to mitigate one's interest expenditures, and fulfilling one's fiscal responsibilities with utmost efficacy.

The distribution of credit within the private sector exerts a palpable impact on the overarching trajectory of economic growth, as measured by the metric of gross domestic product (GDP). It is imperative that lawmakers propose rigorous financial regulations, streamline the process of acquiring financial resources for enterprises, and cultivate an environment that nurtures entrepreneurial drive-in order to strengthen the private sector. It is of utmost importance that these three tasks be executed in a simultaneous manner. It is of utmost importance to partake in an ongoing and continuous monitoring of inflationary trends, as there exists a plausible scenario in which heightened levels of inflation may potentially hinder the growth and development of the private sector. It is of utmost importance to enact measures that efficaciously constrain and govern the parameters within which price oscillations may transpire, with the overarching aim of bolstering the comprehensive economic milieu. The successful implementation of efficacious price controls shall engender the establishment of steadfast pricing systems. In the pursuit of scholarly inquiry, it is imperative that forthcoming investigations prioritize the fundamental aim of exploring the multifaceted implications of familial indebtedness in relation to loans within the private sector. This imperative necessitates a more comprehensive and meticulous approach to the study, ensuring a thorough examination of the subject matter at hand. To attain success in this undertaking, it is of utmost importance to thoroughly contemplate additional significant economic factors, such as the rate of inflation, external indebtedness, and foreign direct investments, in conjunction with other relevant aspects, while employing a more rigorous methodology. The paramount significance lies in the imperative for the economic administrators of Bangladesh to exhibit sagacious foresight by meticulously deliberating upon the prospective ramifications and subsequently implementing measures to augment the expansion of the private sector, all the while deftly managing domestic indebtedness, with the ultimate objective of safeguarding the enduring equilibrium and affluence of the nation's economy. Only upon the satisfaction of these stipulations shall it become practicable to achieve this aim.

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Institutional Review Board Statement: Ethical review and approval were waived for this study, due to that the research does not deal with vulnerable groups or sensitive issues.

Data Availability Statement: The data presented in this study are available on request from the corresponding author. The data are not publicly available due to privacy.

Conflicts of Interest: The authors declare no conflict of interest.

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