

Mutual Fund vs FDR vs Sanchayapatra vs DPS: The Complete Guide for Bangladesh Investors

If you have money to invest in Bangladesh, you have probably faced the same four options that most people face: a bank fixed deposit (FDR), a Sanchayapatra, a Deposit Pension Scheme (DPS), or a [mutual fund](#).

Your parents may have recommended Sanchayapatra. Your bank manager is probably pushing the FDR. And you may have heard that mutual funds offer better returns — but also more risk.

This guide cuts through the noise. We compare all four options across five criteria that actually matter — returns, liquidity, tax treatment, minimum investment, and risk — so you can make an informed decision for your specific situation.

The Four Options at a Glance

Before diving into the details, here is a side-by-side summary of where each instrument stands in 2026.

	EDGE Mutual Fund	Bank FDR	Sanchayapatra	DPS
Minimum investment	BDT 5,000 (lump sum) or BDT 1,000/month via SIP	Varies — typically BDT 10,000+	BDT 500 (some schemes)	BDT 500/month
Indicative return*	10–20%+ per year (equity); 9–10% (fixed income)	7.0–9.0% per year	9.0–10.0% per year	8–9% per year
Lock-in period	None — redeem any time at NAV**	Fixed tenure; penalty for early exit	3 or 5 years; some penalty if broken	Monthly commitment; penalty to stop
Liquidity	High — daily redemption at NAV	Low — penalty for early withdrawal	Low — locked for full term	Low — penalty to stop early
Tax on returns	Capital gains tax-free up to BDT 50 lakh; dividends taxed at flat 15%	Interest taxed at marginal rate (up to 30%)	Interest taxed at marginal rate	Interest taxed at marginal rate
Tax rebate eligible	Yes — up to BDT 75 lakh investment	No	Yes — up to BDT 5 lakh/year	Yes — up to BDT 1.2 lakh/year
Regulation	BSEC-licensed, independent trustee and custodian	Bangladesh Bank regulated	Government of Bangladesh	Bangladesh Bank / individual banks
Risk level***	Low to medium (depends on fund type)	Low to medium (bank credit risk)	Very low (sovereign)	Low to medium (bank credit risk)

*Indicative returns are not guaranteed. Mutual fund returns vary with market conditions. Past performance is not indicative of future results. Returns for all categories change over time.

**2% exit load if redeemed within 2 months of investment.

***Risk levels can vary considerably across various banks for FDR and DPS.

Note: This guide reflects the Finance Act 2026. Tax rules change annually. Consult a tax adviser for guidance specific to your income level.

1. Returns: Which Investment Has Grown Wealth the Fastest?

Returns vary significantly depending on the instrument, the time period, and — for mutual funds — the specific fund you choose.

Bank FDR

In 2026, private commercial banks are offering 7% to 9% per year on fixed deposits, driven by Bangladesh Bank's tight monetary policy. This sounds attractive — but there is a problem. FDR interest is taxed at your marginal income tax rate. If you are in the 30% tax bracket, your net return on a 9% FDR is actually closer to 6.3%. And with inflation running at around 8.3%, your real return is barely positive.

Sanchayapatra

The 5-year Bangladesh Sanchayapatra currently offers around 11.28% per year before tax. However, this is the simple interest rate quoted by the government and compounded returns are actually much lower. In addition, return is also connected with investment amounts where higher amount reduces the returns. Like FDR interest, these returns are taxed at your marginal rate, reducing the effective return. There are also strict investment ceilings — individuals can invest up to BDT 50 lakh across all Sanchayapatra schemes — and the 5-year lock-up means your capital is illiquid for the full term.

DPS

A Deposit Pension Scheme is a recurring savings product, not an investment. Banks typically offer 8% to 9% per year on DPS accounts. The tax rebate benefit (up to BDT 1.2 lakh per year) is useful, but the rebate ceiling is very low compared to what mutual funds now allow under the Finance Act 2026. DPS returns are fully taxable.

Mutual Funds

Returns depend on the type of fund. [EDGE AMC's fixed income fund \(EDGEHQIF\)](#) has returned approximately 10% per year on a consistent basis — slightly higher than FDR, but with superior tax treatment. EDGE's equity-oriented funds have delivered significantly higher returns since inception, though with greater year-to-year variability.

Critically, capital gains from mutual funds are tax-free up to BDT 50 lakh per year under the Finance Act 2026. This means the after-tax return on a mutual fund is substantially higher than the headline FDR rate at equivalent pre-tax returns.

Key insight: A 9% FDR and a 9% fixed income mutual fund are not equivalent. At a 30% tax rate, the FDR nets you 6.3%. The mutual fund's capital gain is tax-free up to BDT 50 lakh — the full 9% is yours to keep.

2. Liquidity: What Happens When You Need Your Money Back?

This is where mutual funds have a clear structural advantage over every other option on this list.

With an open-end mutual fund, you can submit a redemption request on any working day and receive your money — at the prevailing [NAV](#) — within a few business days. There is no penalty for early exit beyond a small exit load in the first couple of months for EDGE managed mutual funds.

With an FDR, breaking the deposit before maturity typically means forfeiting a significant portion of the accrued interest. With Sanchayapatra, early encashment is allowed after the first year but at a reduced rate — and in

practice, the process involves considerable paperwork and delay. With a DPS, stopping early usually means losing some of the profit accumulated to that point.

If there is any possibility you will need access to your capital before the investment matures, mutual funds are the only option among the four that gives you that flexibility without penalty.

3. Tax Treatment: The Biggest Hidden Advantage of Mutual Funds

The Finance Act 2026 made mutual funds significantly more attractive from a tax perspective. Here is what changed and what it means for you.

Tax rebate on investment

Under the current rules, investments in BSEC-approved mutual funds are eligible for a 10% tax rebate on the invested amount, up to BDT 75 lakh per year. This is fifteen times the BDT 5 lakh ceiling that applied to mutual funds under the previous rules — and equal to the ceiling for direct equity investment.

By comparison, DPS contributions are eligible for the same 10% rebate but only up to BDT 1.2 lakh per year. Sanchayapatra purchases are eligible up to a much lower ceiling. Bank FDRs do not qualify for any tax rebate.

Take a look at our [article](#) on how you can maximize your tax rebate in 2026.

Tax on returns

Capital gains from mutual fund redemptions are tax-free up to BDT 50 lakh per year for individual investors. Interest income from FDRs, Sanchayapatra, and DPS accounts is taxed at the investor's applicable marginal tax rate — as high as 30% for higher-income individuals. This difference can be very significant in practice.

4. Risk: Understanding What You Are Actually Taking On

No investment is risk-free. But the risks are different across instruments.

- FDR and DPS carry bank credit risk. Your deposit is insured up to BDT 2 lakh per bank under the Deposit Protection Act 2026. Anything above that ceiling is an unsecured claim on the bank. Given that Bangladesh Bank's September 2025 stability assessment found 21 of 61 banks failing to meet minimum capital requirements, the choice of bank matters significantly for larger deposits.
- Sanchayapatra carries sovereign risk only — essentially zero. It is the safest investment available to Bangladeshi investors.
- Mutual funds carry market risk. The NAV of an equity fund can and will decline in periods of market weakness. However, a fixed income mutual fund (such as EDGEHQIF) invests in government securities, bonds, and high-quality FDRs — providing a risk profile much closer to Sanchayapatra than to the stock market, while offering better liquidity.

A common misconception is that all mutual funds are equity funds. EDGE's fixed income fund (EDGEHQIF) invests primarily in government bonds and fixed deposits from high-quality banks — it is a conservative investment with daily liquidity and superior tax treatment compared to a direct FDR.

Which Investment Is Right For You?

There is no single correct answer — the right choice depends on your time horizon, income level, need for liquidity, and risk tolerance. But here are some general principles.

Choose a fixed income mutual fund if:

- You currently use FDRs and want better tax efficiency without taking more risk
- You want daily liquidity without an early-exit penalty
- Your FDR balance is above BDT 2 lakh and you are concerned about bank risk concentration
- You want to invest regularly via SIP rather than a lump sum

Choose an equity mutual fund if:

- You have a 3–5 year investment horizon and can accept year-to-year variability
- You want exposure to Bangladesh's equity market without selecting individual stocks
- You are a salaried professional looking to build long-term wealth through a monthly SIP

Sanchayapatra still makes sense if:

- You are a retiree or near-retiree who needs guaranteed income and has no need for liquidity
- You are in a low or zero income tax bracket, so the tax advantage of mutual funds is minimal
- You have not yet reached the Sanchayapatra investment ceiling

DPS makes sense if:

- You don't want to build a new relationship with an AMC and are happy with your bank
- You want to build a forced savings habit with a small amount monthly
- You are unlikely to ever need to stop contributions early

The Bottom Line

For most salaried professionals and middle-income investors in Bangladesh, a combination of instruments makes the most sense — but mutual funds deserve a larger allocation than most people currently give them, particularly given the Finance Act 2026's expansion of the tax rebate ceiling.

If you currently have money sitting in a bank FDR earning 10–12%, taxed at your marginal rate, consider comparing that after-tax return against a fixed income mutual fund offering similar pre-tax returns but with capital gains that are tax-free up to BDT 50 lakh. The difference, over time, is material.

Links

- [SIP Calculator](#)
- [Tax Rebate Calculator](#)
- [EDGE High Quality Income Fund \(EDGEHQIF\)](#)
- [Compare the EDGE Mutual Funds](#)

Disclaimer: Mutual fund investments are subject to market risk. Past performance is not indicative of future results. Tax rules described reflect the Finance Act 2026 and are for general information only — consult a tax adviser for guidance specific to your situation. EDGE AMC Limited is licensed by BSEC.