ANNUAL REPORT

1978-79

BANGLADESH BANK

BOARD OF DIRECTORS

1.	Mr.	M. Nurul Islam	Governor and Chairman
2.	,,	A. K. Gangopadhyay	Deputy Governor and Director
3.	,,	Hafizur Rahman	Director
4.	,,	Mahfuzul Huq	Director
5.	,,	Syed Mohsen Ali	Director
6.	,,	Habibur Rahman Bhandari	Director
7.	,,	A.M.A. Muhith	Director
8.	,,	A.F.M. Ehasanul Kabir	Director
9.	,,	M.S.H. Chishty	Director
	,,	M.A. Khan	Secretary

Board of Directors Consists of Nine Persons :- one Governor, one Dy. Governor along with his Dy. Governorship and seven Directors out side The Bank.

GOVERNOR

Mr. M. Nurul Islam

DEPUTY GOVERNOR

Mr. A. K. Gangopadhyay

OFFICER ON SPECIAL DUTY

Mr. Hemayetuddin Ahmed

EXECUTIVE DIRECTORS

Mr. M. Khalid Khan
Mr. S. A. Kabir
Mr. M. Ijadur Rahman

ECONOMIC ADVISER

Kazi Badrul Alam

HEADS OF DEPARTMENTS

Mr. A.T.M. Amin	..	Banking Control Department
Mr. M.A. Khan	..	Secretary's Department
Mr. A.R. Chowdhury	..	Personnel Department
Mr. M.A. Haque-II	..	Accounts Department
Mr. M.A. Haque-I	..	Audit & Inspection Department
Mr. B.B. Debnath	..	Exchange Control Department
Mr. M.A. Majid Molla	..	Agricultural Credit Department
Mr. M. Atiqul Haque	..	Deptt. of Public Relations & Publications
Mr. A.S.M. Fakhrul Ahsan	..	Research Department
Mr. A.K.M.Shah Alam Chowdhury	..	Administration & Expenditure Deptt.
Mr. Amir Ali Mondal	..	Engineering Department
Mr. A.K.M. Nazmul Haque	..	Statistics Department

HEADS OF BRANCH OFFICES

Mr. B.M. Ahmed	..	Dacca Office
Mr. A.K.M. Khalilur Rahman	..	Chittagong Office
Mr. A.T.M.I. Mridha	..	Khulna Office
Mr. M. Maidul Islam	..	Bogra Office
Mr. M. A. Quasem	..	Rajshahi Office
Mr. A.T. Ahmed Chowdhury	..	Sylhet Office

LETTER OF TRANSMITTAL

BANGLADESH BANK

DACCA :
December 31, 1979

The Secretary,
Ministry of Finance,
Banking and Investment Division,
Government of the People's
Republic of Bangladesh,
DACCA.

Dear Sir,

In terms of the provision contained in Clause (2) of Article 40 of the Bangladesh Bank Order, 1972, I have the honour to submit to the Government of the People's Republic of Bangladesh the enclosed Annual Report and the audited accounts of the Bank for the year ended June 30, 1979.

Yours faithfully,

M. Nurul Islam
Governor

CONTENTS

CHAPTER I

TRENDS IN THE ECONOMY

TRENDS IN THE ECONOMY

The price pressure which the economy was subjected to in 1976-77 and the following year led to the intensification of efforts in 1978-79 towards stabilizing the economy. In order to relieve the price strains measures were initiated both on the demand and supply sides from the very beginning of 1978-79. Efforts to boost agricultural production through increased use of fertilizers, high-yielding variety seeds and other inputs were significantly stepped up. With a view to providing an inducement to farmers to increase production the procurement prices for paddy and rice were also increased by 7.5 and 4.6 per cent respectively in May, 1979. To augment supplies of industrial products through better utilisation of capacity, the import policy was further liberalised. The imports during 1978-79 were programmed at Tk.1500 crores as against Tk.1214 crores provided for in the policy for 1977-78, with a substantially larger provision for imported raw materials and spare parts. In order to maintain the continuity in the flow of imported raw materials, to allow greater flexibility and better planning in the procurement of materials and also to facilitate the coordination of import policy with other aspects of economic management the import policy was framed and announced on a yearly basis. To provide support to the enlarged import programme, a significant increase in exports was programmed for 1978-79. The export target for the year was fixed at Tk.900 crores as against the actual of Tk.740.61 crores in the preceding year. In order that no difficulty is experienced to achieve the target, incentives to non-traditional exports were strengthened by broadening the coverage of the Export Performance Licensing Scheme to include 11 more items. Additionally, the entitlement rates under the Scheme were raised in the case of seven items. Apart from this, the exchange rate policy was pursued in such a flexible manner as to gradually enhance incentives to exports in general by reducing the disparity between domestic cost and international prices. The refixation of the exchange rate made from time to time during the year under report resulted in depreciation of Taka from Tk.28.53 to Tk.33.00 per pound. On the demand side, with a view to containing monetary demand the Government eschewed deficit financing during 1978-79. In order to strengthen the public finance position the Government raised the fertilizer prices by an average of 16 per cent from July, 1978 and the ration prices of rice and wheat by 20 per cent and 12.5 per cent respectively from May, 19, 1979. For adequate demand management a cautious approach was adopted in framing the monetary and credit programme for the year under report. Apart from this, since December, 1978 the Bangladesh Bank restricted refinance facilities to the commercial banks and directed the banks to accelerate the rate of retirement of credit. At the same time, the banks were asked not to sanction any new credit limit, except to the priority sectors, and also to scan their entire credit portfolio to identify areas where credit contraction was possible without affecting the productive activity and to take measures to reduce credit in those areas. The banks were also instructed to charge a penal rate of interest on unsatisfactory lending accounts which would go up by 1 per cent a month upto an overall interest rate ceiling of 20 per cent per annum including the penal interest.

2. Despite the stabilisation efforts the price pressure intensified during 1978-79. The Cost of Living Index for the Middle Class People at Dacca (1969-70 = 100) rose from 457.27 at the end of June, 1978 to 522.85 by June, 1979 indicating an increase of 14.34 per cent over the year under report as compared with the rise of 12.23 per cent over the preceding year. The price increases were recorded by all the sub-indices and were particularly pronounced in the case of food, fuel and lighting and housing and house-hold requisites. To some extent the inflation during the year was an imported one. Prices of petroleum and oil products, cotton, billet, edible oil, capital goods etc. significantly increased during the year. The continuance of the two-digit inflation, however, reflected mainly the imbalance between demand and supply created by a much slower growth of G.D.P. than envisaged and a relatively fast expansion in liquidity.

3. There was considerable slowing down of the growth of the economy. G.D.P. rose only by 4 per cent during 1978-79 as against the targetted growth rate of 5.5 per cent for the year and the actual increase of 7.9 per cent in 1977-78. The deceleration in growth was mainly due to the unsatisfactory performance of the agricultural sector. Agricultural output showed an increase of only 1.3 per cent during 1978-79 as against the targetted increase of 4.3 per cent for the year and the actual growth of 7.4 per cent in the preceding year. The reduced growth in agricultural production was primarily due to a decline in foodgrains production from 131.06 lakh tons in 1977-78 to 129.80 lakh tons in 1978-79 which was the combined result of prolonged drought, early floods and pest attacks causing heavy damage, particularly to the Aman crop. The performance of the industrial sector was, however, better than expected with total output in this sector increasing by 8.7 per cent during 1978-79 as against the target of 7.2 per cent. Particularly encouraging was the growth of 17.4 per cent in construction which, inter alia, reflected liberal credit facilities and adequate supply of building materials. The growth in other sectors during the year under report was estimated at 6 per cent.

4. Even though growth of the economy slowed down during the year, the expectations regarding growth in coming years were significantly raised by an acceleration in development activity. The Annual Development Programme for 1978-79 which was originally envisaged at Tk.1390 crores on a net basis was later revised substantially upward to Tk. 1602.62 crores, representing an increase of about 33 per cent over the actual development expenditure of 1977-78. It is encouraging that the share of domestic resources (excluding the Government's recourse to the banking system) in the total resources available for development increased from 19 per cent in 1977-78 to 25 per cent in 1978-79. This indicated that efforts to mobilise greater domestic resources for development met with some success. Prospects for investment in the private sector also improved with the announcement of a revised investment policy which virtually waived the ceiling on private investment, and also because of the substantial provision of Tk. 468 crores

in the Industrial Investment Schedule for 1978-80. A sum of Tk.218 crores with foreign exchange component of Tk. 93 crores has already been sanctioned for 749 industrial units during the year 1978-79.

5. As against the G.D.P. growth of 4 per cent, total liquidity (broad money) expanded by 24 per cent during 1978-79. While this warranted a price increase of 20 per cent over the year, prices actually increased by 14 per cent, implying either that the income velocity of broad money declined or that because of the lag-effect the impact of excess liquidity creation was not fully reflected in prices during the year. It is very difficult to say with precision whether income velocity of broad money declined during the year under report although preliminary estimates indicate a decline. However, an analysis as to whether there was a decline in the relative importance of non-monetised subsistence sector, lengthening of income-expenditure period or reversal of the role of price expectations during the year under report could provide a rough indication. With the growth of the agricultural sector being not more than nominal and foodgrains production actually declining during the year it can be said with certainty that the relative importance of the subsistence sector declined during 1978-79. While it is difficult to infer whether there has been any change in income expenditure period during the year, with the rate of price increase significantly slowing down in the first nine months of 1978-79 when the cost of living index for Dacca Middle Class rose by not more than 5.2 per cent as against the increase of 8.6 per cent in the corresponding period of the preceding year there might have been some reversal of the role of price expectations. The marked acceleration in growth of time deposits in the final quarter of the year presumably reflected its lagged effect. The rate of increase in time deposits which did not exceed 11.98 per cent in the first six months of 1978-79 and was not more than 14.57 per cent in the first nine months of the year, turned out to be much higher at 27.55 per cent taking the year as a whole. Thus the year ended with a proportionately larger increase in time deposits than in overall broad money, suggesting that the income velocity of broad money might have declined to some extent with the result that the overall liquidity created during the year was not fully

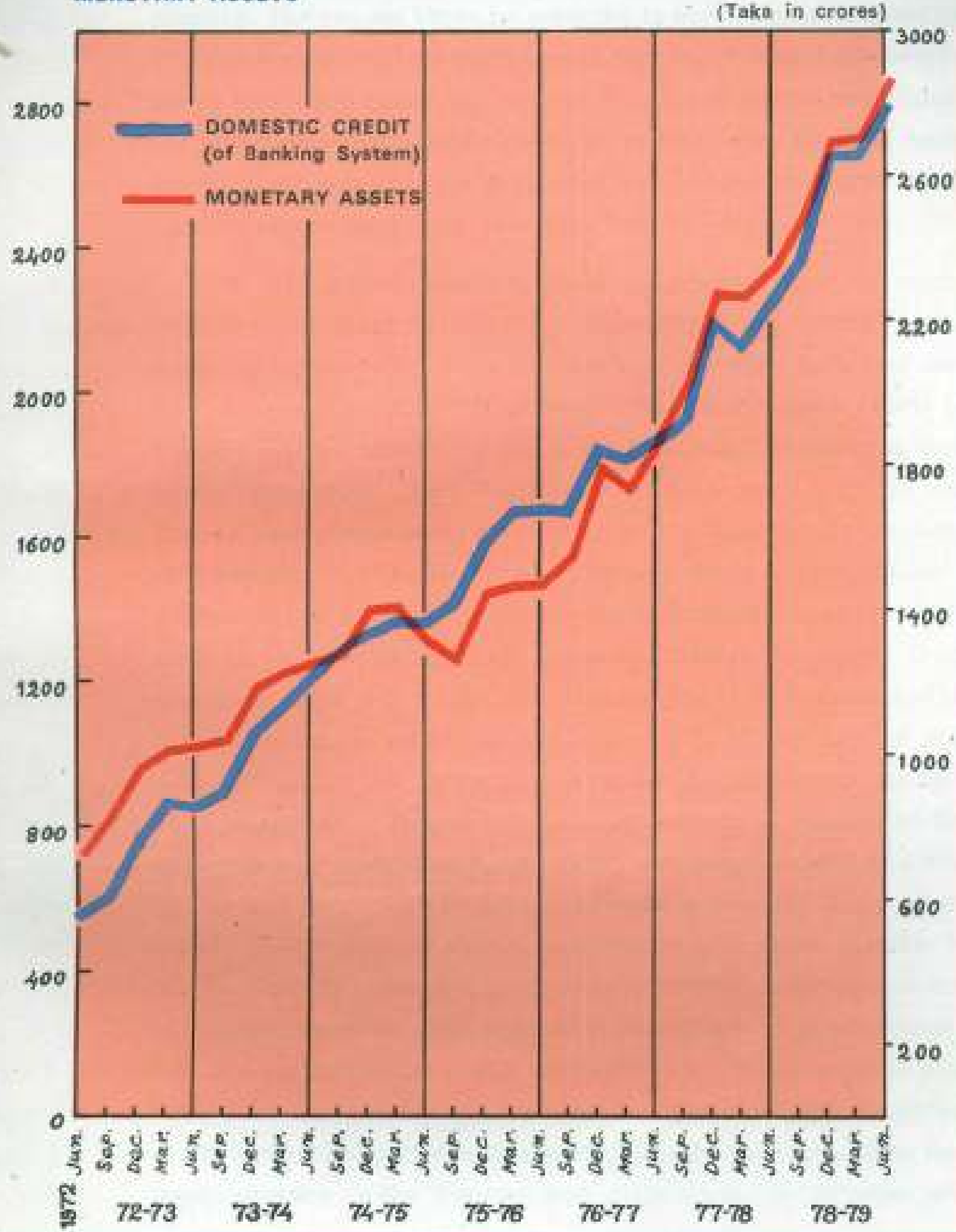
reflected in price increase. However, another hypothesis that can be made is that as substantial additional liquidity was created in the last month of the year it was also quite possible that excess liquidity created during the year could not have its full impact on the price increase during the year under report.

6. But for a sizable surplus of Tk.110.95 crores in international accounts the rate of expansion in liquidity would have been notably less during 1978-79 than in the preceding year. In fact, domestic credit (as per IMF definition) expanded at a much slower pace in 1978-79 than in the preceding year although in absolute magnitude the expansion was slightly larger than in the preceding year. Total domestic credit recorded an expansion of Tk.495.98 crores or 21 per cent during 1978-79 as compared with the rise of Tk.486.39 crores or 26 per cent during the preceding year. The slower rate of expansion in domestic credit was mainly attributable to strict discipline enforced in the fiscal operations of the Government as reflected in a Government surplus of Tk. 25.63 crores during the year as against a deficit of Tk. 114.08 crores in 1977-78. The rate of expansion in credit to the public sector also declined to some extent. Credit to this sector recorded an expansion of 22.33 per cent during the year as compared with 24.18 per cent in the preceding year. In absolute terms, however, credit expansion to the public sector at Tk.205.60 crores during 1978-79 was Tk.26.34 crores more than in the preceding year, reflecting higher average prices of jute, slower than expected export movement of jute, increased advances against imported commodities and larger debenture financing. The rate of expansion in credit to the private sector markedly increased during the year under report. Credit to this sector recorded an expansion of Tk.316.01 crores or 42 per cent as compared with Tk.193.05 crores or 34.51 per cent in the preceding year. This was primarily attributable to the substantial seasonal expansion in the jute credit because of the high prices of jute and much slower than scheduled retirement in this credit in the off-season, probably because of certain speculative activity and diversion of funds by the jute traders. Another contributory factor for larger expansion in credit to the private sector was an increase of Tk.12.54 crores

in disbursement of credit to the agricultural sector over the previous year. Furthermore, export bills discounted in the case of the private sector recorded sharp expansion of Tk.45.28 crores in 1978-79 as against a decline of Tk.6.10 crores in the preceding year.

7. While the deceleration of the growth of the economy pointed to the need for bringing down the rate of expansion in domestic credit to keep the liquidity expansion within the safe limit, the substantial expansion in activity in the foreign trade sector which accounts for not less than 50 per cent of total bank financing set a limit to the efforts which could be made in this direction. Exports rose by as much as 24 per cent in 1978-79. The growth in imports in the first nine months of the year under report as compared to the corresponding period of the preceding year was also not less than 30 per cent. When a further substantial increase is envisaged both in exports and imports during 1979-80 with the target fixed at Tk.1100 crores for exports and Tk. 900 crores for cash imports and a big push to development activity is being attempted through a provision of as much as Tk. 2070 crores for the Annual Development Programme representing an increase of 29 per cent over the revised Annual Development Programme of 1978-79, it might be difficult to bring down the rate of expansion in domestic credit to a significant extent unless the pace of retirement of credit significantly improves. While it is as much the responsibility of the priority sectors to stick to repayment schedules as it is incumbent on the part of banks to extend credit to these sectors as liberally as possible, the repayment performances of the major priority sectors, namely, export and agriculture have not been happy during 1978-79. In the export sector the pace of retirement has been particularly slow in the case of jute. Repayment of credit against jute trade both in the private and public sectors were Tk.88.43 crores and Tk.53.04 crores less than scheduled. It is not at all healthy that traders should hold the commodities they purchase with bank finance till the time prices attain a level at which only sale of their products becomes adequately remunerative by their own standard. Nor can any justification be found for delaying the repayment of credit on the ground that the prices at which they purchased goods were higher than

DOMESTIC CREDIT AND MONETARY ASSETS



the prices at which they contracted for sales. Banks cannot be expected to take any responsibility for the lack of foresight which the traders might evince or for the imperfections which might creep into their business and export planning. Nor can the banks be expected to finance losses incurred by them. While extending credit the banks cannot remain oblivious of the discipline they should exercise in employing their funds to guard against any illiquidity and the need to ensure the maximization of the use of their loanable funds particularly to accommodate the expanding needs of the productive and priority sectors as far as practicable with their limited resources.

8. The thinking that repayment performance would be much better when credit is linked to production than when it is extended for financing trade did not get much credence from the repayment behaviour under the Special Agricultural Credit Programme. Despite increased efforts towards stepping up the recovery of loans the repayment performance under the Special Agricultural Credit Programme has been much less than expected. The low pace of repayment of credit under the Scheme not only endangered the development of a disciplined agricultural credit system but also added substantially to the current inflationary pressure in the country. Recoveries made by the participating banks under the Special Agricultural Credit Programme upto the end of May, 1979 amounted to Tk.42.54 crores and Tk.17.44 crores constituting 64.45 per cent and only 32.62 per cent of the amounts due against the disbursements under the programme for 1977 and 1978 respectively. Despite a substantial increase in the use of fertilizers and other agricultural inputs agricultural production showed only a nominal growth and foodgrains production suffered a set-back in the year under report. This experience clearly demonstrates that unless a stable basis is laid for a steady increase in production repayment performance is not likely to improve even when credit is linked to production. This also brings to the fore that our agriculture is still substantially left to the vagaries of nature. While it is clearly recognised that uncertainty with which the performance of the agricultural sector is shrouded cannot be removed unless there is a large expansion in the irrigated area accompanied by stronger efforts to

improve flood protection and drainage, no significant progress has yet been made in this direction. The irrigated area at 9 per cent of total cultivable land in 1978-79 shows only a nominal increase as compared to the pre-liberation period. The consequence is that while the climatic conditions with adequate irrigation facilities should permit three crops in almost all cultivable lands in the country the cropping intensity averages not more than 150 per cent. Since the development of water resources has been slow in the past, a large additional effort is needed in this sphere.

9. One of the main intentions for introducing the Special Agricultural Credit Programme was to significantly improve the access of the small farmers and share-croppers to the institutional credit. However, despite the opening of a large number of bank branches in rural areas in the past two years the share of small farmers and share-croppers in total disbursement under the Special Agricultural Credit Programme remains below the level desired. Two different explanations are provided in this regard. One group feels that substantial stepping up of loans to small farmers will mean a large increase in the number of loan accounts which will involve too high an administrative cost to be covered by the existing relatively low lending rate. The existing lending rate cannot also adequately take care of the default risk which in the absence of the adequate knowledge of the banks about the credit worthiness of the small farmers and share-croppers is considered to be greater in their cases than in the case of large farmers. It was, therefore, natural on the part of banks to allocate their funds to a few large affluent farmers than making small loans to numerous small farmers. A large part of the credit under the Special Agricultural Credit Programme was preempted by the affluent farmers also because of the fact that they found any easy way of making substantial profit in availing of funds under the Special Agricultural Credit Programme much more than their requirements at relatively low interest rate and lending the excess amount to small farmers at exorbitant rates in the unorganised market. This group, therefore, holds the view that the increase in the existing lending rate will remove one of the main bottlenecks to significantly enhancing the share of small farmers and share-croppers in the total

disbursement under the Special Agricultural Credit Programme. The increase in lending rate would not only remove the banks' hesitancy to extend credit to the small farmers to a substantial extent but would also make more funds available for the small farmers and share-croppers by reducing the margin between lending rates in the organised and unorganised markets and thereby discouraging the affluent farmers to obtain credit under the Special Agricultural Credit Programme more than their genuine requirements. The availability of funds might actually be still larger if the increase in lending rate is transmitted to deposit rate and as a result deposit mobilisation in rural areas would gain momentum. Despite the increase in lending rate the small farmers and share-croppers would benefit from the Special Agricultural Credit Programme in as much as even after the increase the lending rate will remain notably less than that of the unorganised market which is still meeting a large part of their credit needs. Another group feels that it is the deficiency of the existing organisational structure which is mainly responsible for the inadequate flow of funds to the small farmers and share-croppers under the Special Agricultural Credit Programme. The rural poor can hardly feel secure in the power structure of an organisation which embraces both small and affluent farmers. If they are to have fuller participation in the country's economic development programme and if they are to have their due share of the benefits of economic progress they would need to build up an organisation of their own which should also have a close link with financial institutions.

10. In order to test the above hypotheses the Bangladesh Bank has launched two experimental projects. The first project which is known as Rural Finance Experimental Project and which was undertaken in November, 1978 under an agreement signed earlier between the Government of Bangladesh and the United States of America is being implemented by all the six nationalised banks, BKB, BSBL and IRDP in some 80 selected outlets throughout the country under 8 different models. The endeavour which is being made under the Project is to ascertain whether flexible interest rates can help build up an effective system for delivery of credit and savings services to the target group. The second experimental project is known as Grameen Bank

Project. Its basic objective is to develop the rural poor people through appropriate systems and institutions in general and to build up in particular an organizational framework for the weaker sections of the rural community which will have a close link with the banking institutions.

11. In the context of the need for substantially stepping up the turnover of credit it also needs to be reviewed as to what extent the banks should undertake long-term financing. In view of substantial growth in time deposits in 1976-77 and on the basis of expectation that the high rate of expansion in these deposits would be maintained in 1977-78 the Government budget for 1977-78 made some provision for debenture financing by scheduled banks for the Annual Development Plan. The year 1977-78, however, witnessed a substantial deceleration in growth in time deposits. Despite this, debenture financing by banks was maintained in 1978-79. In fact, debenture financing by scheduled banks at Tk. 58.48 crores (including those for the House Building Finance Corporation) during 1978-79 was about Tk.10.90 crores more than in 1977-78. Although the growth in time deposit at 27.55 per cent during 1978-79 was higher than in 1977-78 it was substantially less as compared to the increase of 48.98 per cent in 1976-77. It is also not certain if time deposits would pick up further in 1979-80. The possibility is that the expansion rate of these deposits may slow down due to inflationary expectations. Even if the growth in time deposits accelerates the deposits which may be termed long-term in the truest sense of the term may not constitute a significant portion of the total deposits. In this situation and also in view of the tight resource position of banks substantial long-term fanancing may prove a difficult task for them. In this context it is welcome that the Government budget for 1979-80 has made no provision for debenture financing for the Annual Development Plan.

12. Even if the repayment performance improves it may not be possible to bring down the rate of domestic credit expansion to a significant extent in an expanding economy particularly with a buoyant foreign sector as credit-

rationing beyond a limit in such an economy may prove counter-productive. On the other hand, the fact of the situation is that despite a big push to development activity through a substantial increase in the size of development programme the achievement in real terms may be much below the desired level if the development programme is not implemented within the frame-work of price stability. The search for a solution to the problem which this perplexing situation may create would dictate that the attack on inflation in the country should be two-pronged and not one-sided. To be more explicit, it should not be dealt through monetary management alone, but supply management should also play an active role. The supply management efforts would need to be particularly directed at augmenting supplies of goods in the case of which substantial profit margins are currently being reaped. In an effort to provide incentives to food production and to improve the financial position of the public sector industries the Government procurement price of rice and the prices of some important goods produced by the public sector industries have been raised. The procurement prices for the 1979 Aman crop will be higher by 19 per cent for paddy and by 17 per cent for rice than in 1978. As for the goods produced by the public sector industries, prices of petroleum products, paper and sugar outside the ration system were increased by 23 per cent, 19 per cent, and 50 per cent respectively in April, 1979. In order to ensure that despite these price increases the general price level does not come under significant pressure it is essential that prices of the commodities, the short supply of and speculative trading in which resulted in substantial scarcity premiums should be significantly brought down through appropriate supply management.

13. On the external front, our exports at Tk.917.31 crores during 1978-79 exceeded the target fixed for the year by Tk. 17.31 crores and were about Tk. 176.70 crores higher than the level of the preceding year, while our foreign exchange reserves rose from Tk. 404.77 crores at the end of June, 1978 to Tk. 592.14 crores (excluding Saudi Grant) at the end of June, 1979. This should not, however, leave room for any complacency. It should not be overlooked that the volume of our major exports was much less than

programmed and the increase in export receipts was largely due to better prices. The marked rise in export prices of raw jute and jute goods which occurred during the year might be helpful for swelling our foreign exchange earnings in the short-run but might not be sustainable in the long run. It also needs to be borne in mind that the slower utilisation of cash licenses which was important among the factors which contributed to the improvement in the foreign exchange reserves resulted in a much larger than expected carry-forward of import commitments into 1979-80. Apart from heavy payments against import commitments of 1978-79, the supply management will need a substantial liberalization of imports for augmenting supplies of essential imported consumer goods, for enabling a significant increase in the utilization of our industrial capacity and also for building up stocks to a comfortable position. Substantial payments would also need to be made in 1979-80 for food imports which had to be arranged from our own resources in addition to those arranged under aid and loans to meet the large increase in food deficit which resulted from the set-back in foodgrains production in 1978-79. Furthermore, due to considerable increase in the price of oil by the oil exporting countries the import bill for oil will also substantially increase. Finally, in order to ensure a steady flow of agricultural inputs which will be necessary for augmenting agricultural production to the programmed levels the stocks of fertilizers and other agricultural inputs would need to be maintained at adequate levels. For this purpose also some payments from own resources may be needed. The year 1979-80 is thus likely to witness a massive increase in our import payments from own resources. This combined with substantial repurchases in respect of drawings made in the past from the International Monetary Fund may entail a strain on our payments and reserve position. Although in order to meet this balance of payments need we entered into a new Standby Arrangement for SDR 85 million with the International Monetary Fund in July, 1979, we should not remain content with this short-run expedient. Imports financed by foreign aid and loans now constitute a very high percentage of total annual imports. This state of affairs cannot be allowed to continue for long if our debt service ratio is to remain within a tolerable limit. Although some of our donor countries were good enough to convert portions of past loans into grants it would be too much to expect that this process would be repeated to a significant extent. It is, therefore, essential that our development strategy should seek a basic solution to the imbalance on the external front. The pertinent question in this context is whether the imbalance should be retrieved through export promotion on import substitution. Excessive import substitution in certain countries made them inward looking and resulted in their heavy and continued dependence on wide-spread controls on imports and foreign exchange. The liberalization of trade which is the key objective of every country was delayed for years in their cases. The experiences of the countries using a liberal trade approach together with export promotion and countries which were mainly inward looking and had controlled and protective system presented a striking contrast. It is not only that the liberal export oriented economies had more efficient industrial sectors than the economies with the proliferation and prolongation of controls on imports and foreign exchange but also that they had a better record of growth than the latter. This, however, is not to say that reduced weight should be given to import substitution in our development programme. An ideal strategy should aim at achieving a system of resource allocation which optimises social profitability for all sectors. The basic consideration of social profitability is the provision of equal incentives to exports and to imports substitution. Foreign exchange saved is as valuable as foreign exchange earned. What is needed to be ensured is that the industry set up, whether it be an export industry or be an import substituting one, should be viable and efficient in the long run. Some protection may no doubt need to be extended to infant industries in both exporting and import substituting activities, but our ultimate objective should be to liberalized trade as far as practicable. It is, therefore, imperative that the industries set up should be able to stand on their own feet when the controls are removed and the protective duties are reduced gradually.

14. Another pertinent question is whether in an effort to reduce the imbalance on the external front we should pay as much importance to the

export of manpower as we are paying to the export of goods and services. The export of manpower has raised a number of controversies. Although whether the export of manpower is entailing a heavy brain drain in our case or is likely to create acute shortage of technical and other expertise in our development process in later years needs an indepth study and is being attempted in some quarters, there is no sound basis for the thinking that the Wage Earners' Scheme is accentuating the inflationary pressure in the country. Viewed realistically the Scheme is contributing to the reduction of the inflationary pressure to a significant extent. The mechanism of channelling the inflow of remittances is such that it does not lead to the creation of additional money supply even for a short and limited period. This is because the funds remitted do not form part of our reserves. Even taking into account the domestic credit extended against Advance Import Permits the expansion in liquidity will be quite modest judged by the size of total Advance Import Permits utilised. On the other hand, being utilised within the shortest possible time for the importation of goods these remittances are helping to bring about a substantial improvement in the availability of goods in the country. Even though substantial additional income is generated for the dependants and beneficiaries of Bangladeshis living and earning abroad this is essentially brought about by an income transfer within the country. The distinct advantage which the Wage Earners' Scheme has in relieving the acute shortage of imported goods at the time of substantial payments and reserve strain and also in acting as a safety valve in a period of serious price pressure should not, however, blur the fact that by allowing imports of all kinds of goods including non-essential and luxury items the Scheme provides the possible encouragement to the diversion of funds from productive investment to conspicuous consumption. Again, the income transfer within the country which the generation of additional income for the dependants or beneficiaries of Bangladeshis living abroad entails might mean the transfer of income from the group whose propensity to save is relatively high or whose surplus funds are employed mainly for productive investment to the group whose propensity to save is relatively low or whose savings mainly flow into some unproductive investment like acquisition of real estate, purchase of gold etc. It is essential that some effective ways and means should be devised to guard against such unhealthy possibilities so that the social cost of pursuing such a scheme remains minimal as compared to the gains the economy derives from this Scheme.

CHAPTER II

DEVELOPMENTS IN MAJOR SECTORS

DEVELOPMENTS IN MAJOR SECTORS

15. According to the preliminary estimate of the Planning Commission, the Gross Domestic Product (GDP) of Bangladesh rose by 4 per cent in 1978-79 as against the projected growth of 5.5 per cent for the year and the actual growth of 7.9 per cent during 1977-78. The decelerated growth rate during the year was primarily attributable to the marked slowing down in the growth of agricultural production. Agricultural output in the country increased by only 1.3 per cent during 1978-79 as against the targetted growth of 4.3 per cent for the year and the rise of 7.4 per cent during 1977-78. The performance of the industrial sector was, however, better than envisaged with total output in this sector increasing by 8.7 per cent during 1978-79 as against the targetted growth of 7.2 per cent. Still more encouraging was the performance in the construction sector which showed a growth rate as high as 17.4 per cent during the year under report. The growth in other sectors during 1978-79 was estimated at 6 per cent. As a result of much slower growth in agriculture than in the aggregate GDP the share of agriculture in GDP declined to 55 per cent in 1978-79 from 57 per cent during 1977-78. On the other hand, the contribution of the industrial sector to the GDP increased to 8.8 per cent during 1978-79 from 8.43 per cent during 1977-78. The share of the construction and the transport sectors in the GDP also increased from 4.37 per cent and 5.31 per cent in 1977-78 to 4.97 per cent and 5.37 per cent respectively in 1978-79.

Agricultural Production

16. The poor performance in the agricultural sector during the year was mainly due to a decline in rice production because of unfavourable weather conditions. Production of rice at 125.00 lakh tons in 1978-79 was 2.06 per cent lower than the actual production of 127.63 lakh tons in 1977-78. While the output of Aus rice increased by 6.35 per cent to 33.00 lakh tons, the total production of Aman and Boro rice declined by 4.76 per cent to 92.00

lakh tons during the year. Production of Aman rice decreased by 5.67 per cent to 70.00 lakh tons while the output of Boro rice came down by 1.74 per cent to 22.00 lakh tons during the year. The output of wheat on the other hand, is estimated to have increased by 40.00 per cent to 4.80 lakh tons as compared to 3.43 lakh tons produced during 1977-78. Raw jute production increased by 23 per cent to 67.73 lakh bales during the year. Production of tea came down by 2 per cent to 79.43 million pounds during 1978-79.

Industrial Production

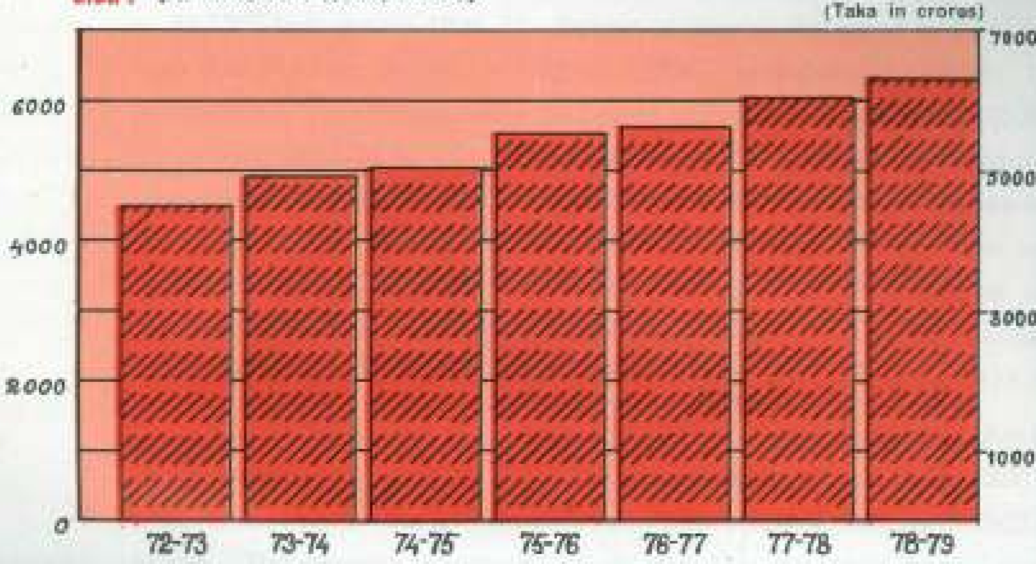
17. The increase in industrial production during 1978-79 was widespread and occurred in the case of cotton yarn, cotton cloth, newsprint, cigarettes, matches, steel, fertilizer, chemicals and natural gas. The output of jute goods, paper and board, cement, sugar, tea and vegetable products, however, declined during the year under report.

18. Production of cotton yarn and cotton cloth rose by 8 per cent and 3 per cent to 965.79 lakh lbs. and 850.66 lakh yds. respectively during 1978-79 from 897.66 lakh lbs. and 825.52 lakh yds. during 1977-78. The output of newsprint increased by 22 per cent to 23,606 tons during the year under report from 27,632 tons during 1977-78. Cigarettes and matches production also rose by about 13 per cent each to 13,531 million sticks and 9,120 thousand gross boxes respectively during the year under report from the levels of 11,974 million sticks and 8,045 thousand gross boxes during 1977-78. Production of steel improved by about 27 per cent to 3,31,173 tons during 1978-79 as compared with 2,60,881 tons produced during the previous year. The output of fertilizers and chemicals rose markedly by about 38 per cent and 53 per cent to 3,52,431 tons and 23,810^p tons respectively during the year under report. Fertilizer production increased following the resumption of Ghorasal Fertilizer Factory after special overhauling. Natural gas extraction rose by 15 per cent to 39,265 million cft. during 1978-79 from 34,294 million cft. during the previous year.

19. On the other hand, the production of jute goods declined by about 8 per cent to 5.01 lakh tons during 1978-79 from 5.46 lakh tons during

p = Provisional.

G.D.P. (AT CONSTANT 1972-73 PRICES)



MONEY AND QUASI-MONEY

ber, 1978 waving the maximum ceiling on private investment while introducing some other measures for attracting foreign investment. A new Industrial Investment Schedule with a provision of Tk. 468.00 crores was also announced for 1978-80. During the year 1978-79, a total of Tk. 218.00 crores with a provision of Tk. 93.00 crores in foreign exchange was sanctioned for 749 industrial undertakings as against Tk. 209.00 crores sanctioned during 1977-78. The major sectors which shared the above sanctions were Food and Allied Products (Tk. 60.90 crores), Engineering Industries (Tk. 60.00 crores), Specialised Textiles and Handlooms (Tk. 38.00 crores), and Acquisition of Ships and Coasters (Tk. 22.00 crores). During this period the Government also sanctioned 6 foreign private investment proposals involving a total of Tk. 27.00 crores as compared with Tk. 16.96 crores sanctioned during 1977-78.

Private Investment

22. The overall food situation in the country showed considerable deterioration during 1978-79 due mainly to the reduced availability of foodgrains in the country on account of lower domestic production of rice and substantially smaller imports. Reflecting the arrival of Aus rice in the market the country average price of coarse rice, however, declined from Tk. 135.75 per maund at the end of June, 1978 to Tk. 128.07 per maund at the end of July, 1978. Thereafter, the price gradually increased and by end-September, 1978 reached the level of Tk. 139.51 per maund. The price of rice recorded declines during October and November, 1978 and the country average price of coarse rice fell to Tk. 130.41 per maund at the end of November, 1978 due mainly to the arrival of new Aman crop in the market. Thereafter, the country average price of rice showed an increasing trend and by end-December, 1978 rose to Tk. 134.12 per maund and further to Tk. 175.69 per maund by April, 1979. The price of rice again came down to Tk. 170.87 per maund at the end of May, 1979 due mainly to the arrival of Boro rice in the market. The average price of coarse rice rose again in June, 1979 and closed the year at Tk. 207.23 per maund. The country average price of coarse rice thus showed an increase of Tk. 71.48 per maund or 53 per cent over the year.

Food Situation

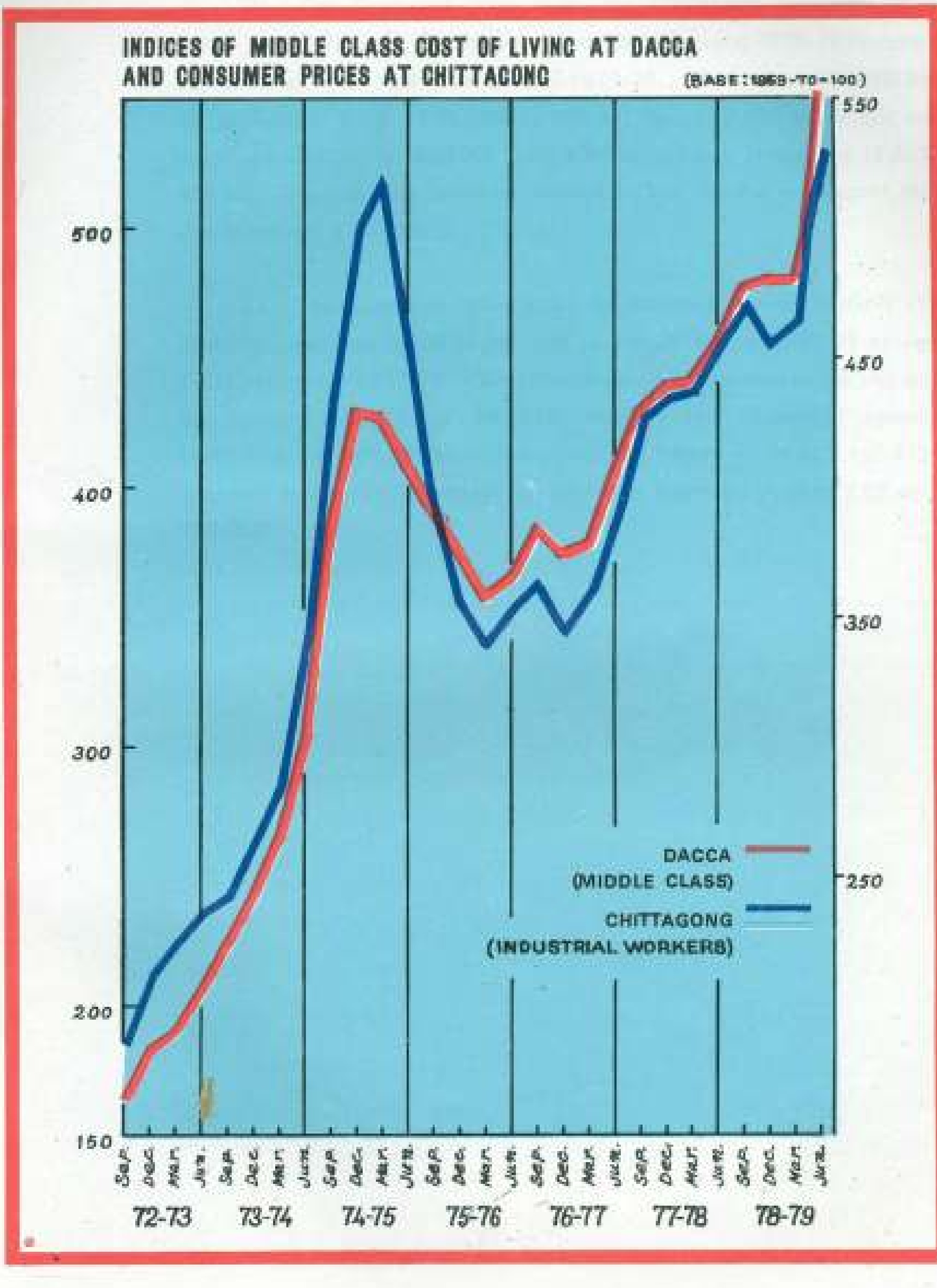
23. The country average price of medium rice also rose from Tk. 154.90 per maund at the end of June, 1978 to Tk. 242.11 per maund at the end of June, 1979, showing an increase of Tk. 87.21 per maund or 56 per cent over the year.

24. Import of foodgrains into the country during 1978-79 amounted to 11.81 lakh tons (0.59 lakh ton of rice and 11.22 lakh tons of wheat) showing a decline of 31 per cent from the level of 17.09 lakh tons (rice: 3.19 lakh tons and wheat: 13.90 lakh tons) in the preceding year.

25. Internal procurement of rice and paddy during 1978-79 under the Government's Internal Procurement Scheme stood lower at 3.01 lakh tons in terms of rice as compared to 5.40 lakh tons procured during 1977-78. Total procurement of wheat stood substantially higher at 50,209 tons in 1978-79 as against 11,033 tons in 1977-78. With a view to meeting the increased cost of production, the internal procurement price of rice and wheat was enhanced by the Government at a flat rate of Tk. 6.00 per maund to Tk. 86.00 per maund for paddy, Tk. 136.00 per maund for rice with effect from 2nd May, 1979 and Tk. 86.00 per maund for wheat with effect from 5th April, 1979. In order to induce the growers for increased production of rice the procurement price of rice and paddy has been further enhanced to Tk. 158.00 and Tk. 100.00 per maund respectively (including transport bonus of Tk. 4.00 per maund) effective from the next Aman season.

Price Situation

26. The overall price situation in the country continued to provide a cause for concern during 1978-79. Prices of a large number of essential consumer goods recorded substantial increases. Reduced availability of a number of essential consumer goods due to setback in the domestic production of rice as also smaller than expected harvest in the case of a number of crops in the face of substantial expansion in liquidity contributed largely to the general increase in the price level. Substantially reduced imports of foodgrains in the face of a larger than anticipated food-gap due to fall in domestic production of rice resulted in sharp rise in the price of rice over the year. The enhancement of the Government issue prices of rice and wheat by


INDICES OF MIDDLE CLASS COST OF LIVING AT DACCA
AND CONSUMER PRICES AT CHITTAGONG
(BASE: 1969-70=100)
550
500
450
400
350
300
250
200
150
DACCA
(MIDDLE CLASS)
CHITTAGONG
(INDUSTRIAL WORKERS)
72-73
73-74
74-75
75-76
76-77
77-78
78-79

30. The Consumer Price Index for Chittagong Industrial Workers (1969-70=100) rose by 23.00 per cent to 552.42 during 1978-79 as compared to the increase of 16.97 per cent in 1977-78. The rise was shared by the sub-indices for 'food' (+31.05% to 570.63), 'housing and household operations' (+13.73% to 620.00) and 'miscellaneous items' (+12.10% to 409.33). The rise was partly neutralized by the decline in 'apparel, textiles and footwear' (−5.49% to 513.87).

31. The Consumer Price Index for Khulna Industrial Workers (1969-70=100) went up by 20.69 per cent to 496.25 during 1978-79 as against 11.33 per cent in 1977-78. The rise represented increases in the sub-indices for 'food' (+25.88% to 498.29), 'housing and household operations' (+19.77% to 606.52) and 'miscellaneous items' (+14.68% to 412.19). "Apparel, textiles and footwear', on the other hand, declined by 2.62 per cent to 468.21.

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CHAPTER III

MONETARY AND BANKING DEVELOPMENTS

MONETARY AND BANKING DEVELOPMENTS

32. The monetary and credit situation during 1978-79 was characterised by substantial expansion in money supply, sharp increase in credit to both private and public sectors, increased accretion in deposit resources and a sizable surplus in the country's international account. Money supply (M_1=narrow money) recorded an increase of Tk. 258.37 crores or 21 per cent to Tk.1515.05 crores during 1978-79 as compared with the increase of Tk. 225.96 crores or 22 per cent to Tk.1256.68 crores in the preceding year. During the first half of 1978-79 money supply recorded a steady increase. During this period money supply increased by Tk.281.70 crores to Tk.1538.38 crores. However, during the second half of the year money supply came down by Tk. 23.33 crores to Tk. 1515.05 crores at the end of June, 1979.

Money Supply

33. The increase in money supply during 1978-79 was brought about largely by the credit expansion of Tk. 270.73 crores in private sector and of Tk.199.31 crores in public sector. Another contributory factor was the sizable surplus of Tk. 129.44 crores in the country's international account. These expansionary influances were partly neutralised by the accretion of Tk.265.74 crores in time deposits and surplus of Tk.25.63 crores in the fiscal operation of Government. Miscellaneous factors also imparted contractionary influence to the tune of Tk. 49.74 crores.

34. An analysis of the causative factors of the change in money supply during 1978-79 is given below :

CAUSATIVE FACTORS OF THE CHANGE IN MONEY SUPPLY

(Taka in crores)

	30.6.78	29.6.79	Changes
1. Currency outside banks	521.47	631.97	+110.50
2. Demand deposits	735.21	883.08	+147.87
			+258.37
Change in Money Supply			

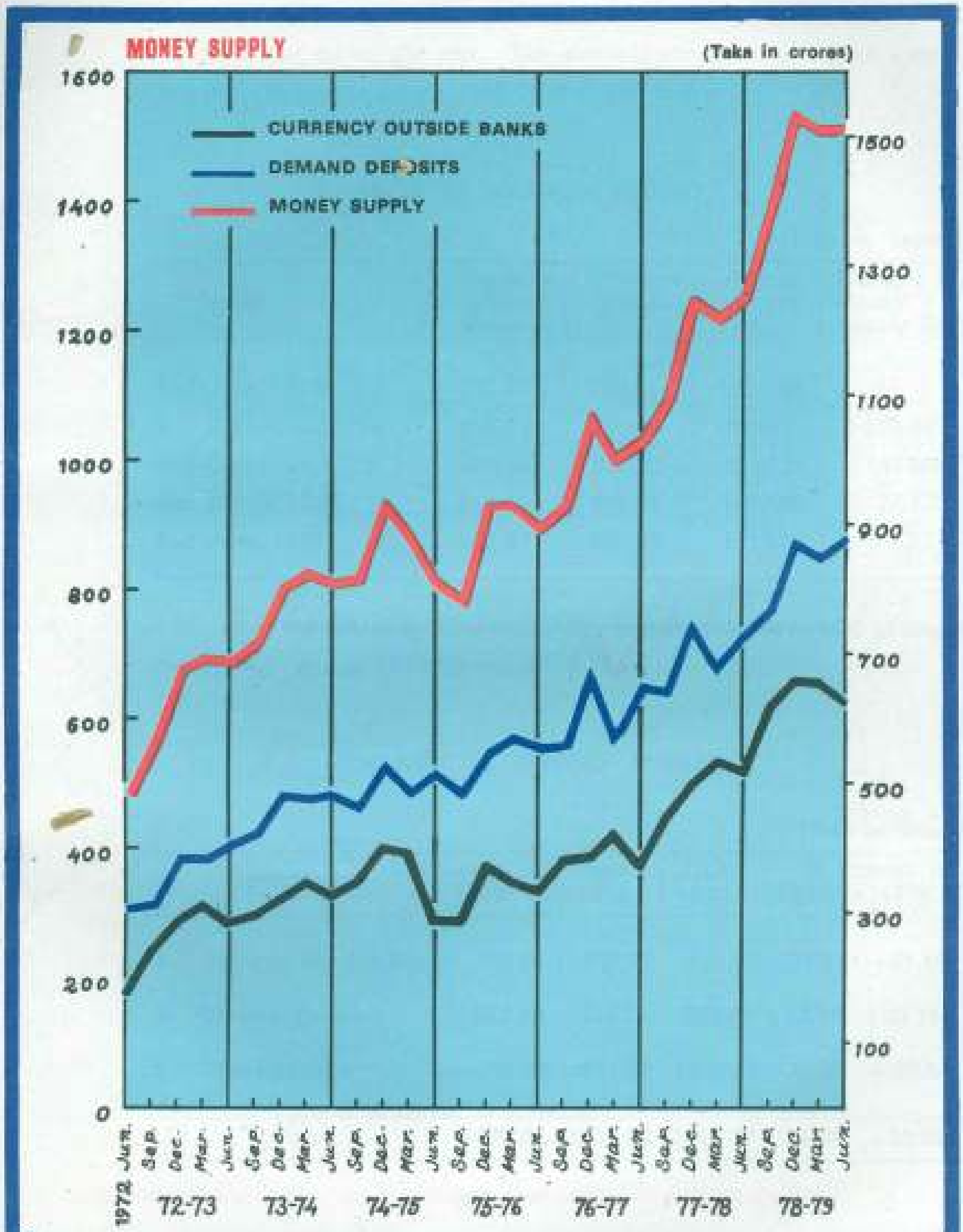
CAUSATIVE FACTORS

Expansion (+)

Contraction (—)

A. Government fiscal operation	— 25.63
B. Public sector	+ 199.31
i) Credit to public sector	+ 102.68
ii) Investment in public sector	+ 96.63
C. Private sector	+ 270.73
D. Time deposit with scheduled banks (increase –)	—265.74
E. Foreign sector	+129.44
F. Residual items (miscellaneous factors)	— 49.74
Total :	+**258.37***

* Provisional.


MONEY SUPPLY
(Taka in crores)
CURRENCY OUTSIDE BANKS
DEMAND DEPOSITS
MONEY SUPPLY
1600
1400
1200
1000
800
600
400
200
0
1500
1300
1100
900
700
500
300
100
1972
72-73
73-74
74-75
75-76
76-77
77-78
78-79

35. Of the components of money supply, demand deposits recorded a net increase of Tk.147.87 crores or 20 per cent to Tk.883.08 crores, while currency outside banks went up by Tk. 110.10 crores or 21 per cent to Tk. 631.97 crores during the year. The quarterly movement of money supply and its components during 1978-79 is shown below :—

CHANGE IN NARROW MONEY

(Taka in crores)

Period	Currency outside Banks	Demand Deposits	Money Supply (M_1)	Changes in Money Supply (M_1)
End-June, 1978	521.47	735.21	1256.68	—
End-September, 1978	620.87	769.61	1390.48	+133.80
End-December, 1978	660.85	877.53	1538.38	+147.90
End-March, 1979	658.43	855.25	1513.68	— 24.70
End-June, 1979	631.97	883.08	1515.05	+ 1.37

36. The following table shows the comparative movement of broad money(M_2) during 1978-79 and 1977-78 :—

CHANGE IN BROAD MONEY

(Taka in crores)

Items/Period	June, 1977	June, 1978	June, 1979	% Change in 1977-78	1978-79
1. Currency Outside Banks	378.66	521.47	631.97	+37.71	+21.19
2. Demand Deposits	652.06	735.21	883.08	+12.75	+20.11
3. Time Deposits	799.89	964.58	1230.32	+20.58	+27.54
Total :	**1830.61**	**2221.26**	**2745.37**	**+21.34**	**+23.59**

5—

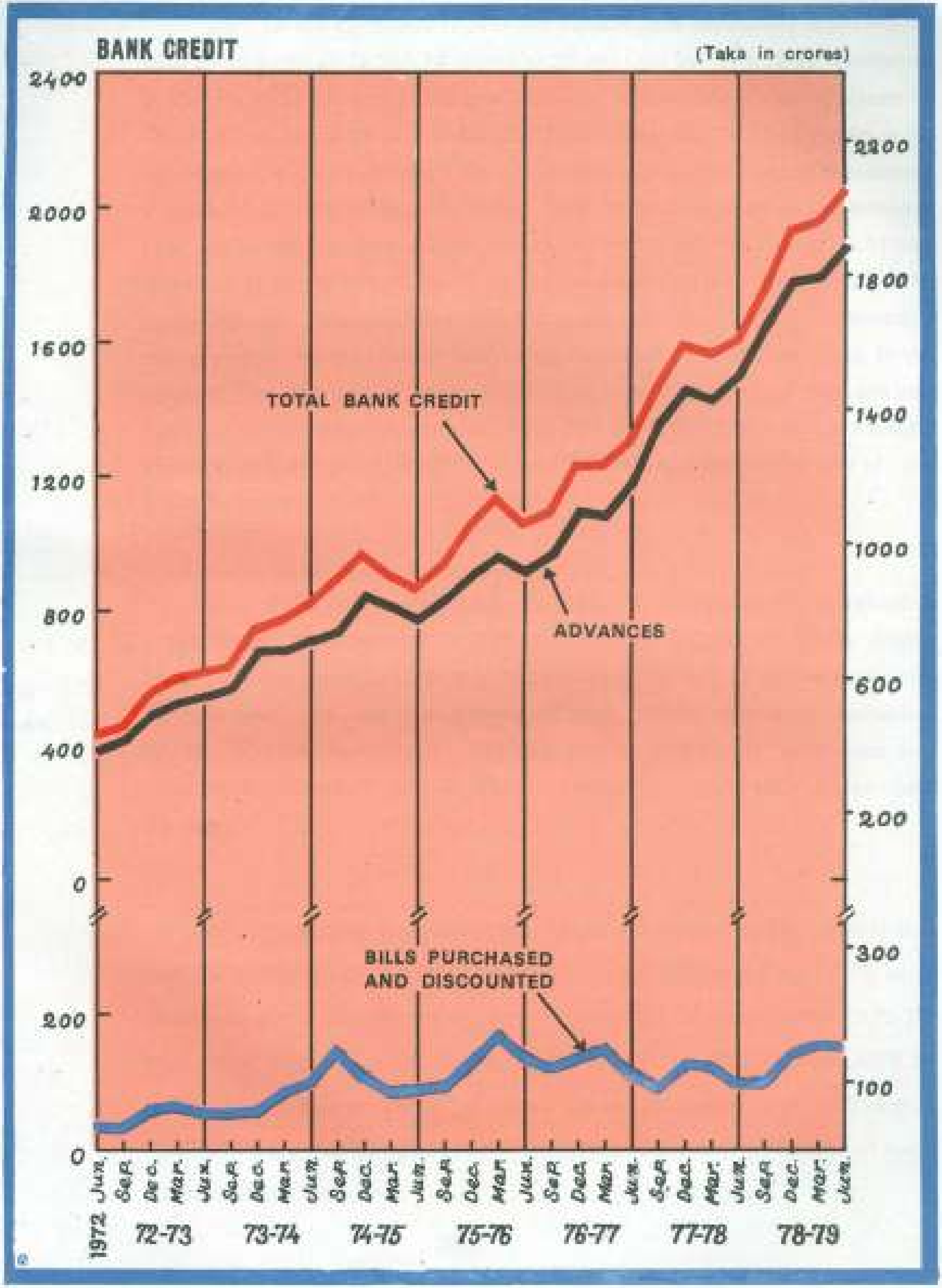
37. As will be seen from the above table, the total broad money increased by Tk.524.11 crores to Tk. 2745.37 crores in 1978-79 as compared to Tk.390.65 crores in 1977-78. Percentage-wise, the increase was higher at 24 per cent during the year, as against 21 per cent in the previous year.

38. The rate of expansion in broad money was much larger than warranted by a growth of 4 per cent in G.D.P. The impact of excess liquidity creation on prices was, however, partly neutralized by a decline in the income velocity of broad money. Preliminary estimates indicate that the income velocity of money recorded a fall to 5.4 in 1978-79 from 5.9 in the previous year. The trend of income velocity of money since 1974-75 is shown below :—

INCOME VELOCITY OF MONEY

Year	GDP at current Prices* (Crore Taka)	Broad Money (Crore Taka)	Income Velocity of Money (Col. 2 ÷ Col. 3)
1	2	3	4
1974-75	12,455.10	1,287.70	9.68
1975-76	10,712.90	1,438.04	7.45
1976-77	10,494.20	1,830.61	5.73
1977-78	13,029.00	2,221.26	5.87
1978-79	14,803.20	2,745.37	5.39

*Source : Bangladesh Bureau of Statistics



BANK CREDIT
(Taka in crores)
TOTAL BANK CREDIT
ADVANCES
BILLS PURCHASED
AND DISCOUNTED
2400
2000
1600
1200
800
400
0
200
0
2200
1800
1400
1000
600
200
300
100
Jun. Sep. Dec. Mar.
1972
72-73
73-74
74-75
75-76
76-77
77-78
78-79

39. Of the components of broad money, time deposits or quasi money rose by as much as Tk.265.74 crores or 28 per cent in 1978-79 as compared to the rise of 21 per cent in the previous year, while demand deposits rose by Tk.147.87 crores or 20 per cent in 1978-79 as against Tk.83.15 crores or 13 per cent in the previous year. Thus both time and demand deposits recorded a much faster rate of growth during 1978-79 as compared to the previous year, while the currency outside banks showed a smaller rise of Tk.110.50 crores or 21 per cent in 1978-79 as against a sharp rise of 38 per cent in the preceding year. This could be attributed to the increased financial intermediation provided by the rapidly expanding net-work of bank branches in the country. At the end of June, 1979, time deposits, demand deposits and currency outside banks constituted 45%, 32% and 23% respectively of the total broad money as against 43%, 33% and 24% respectively at the end of the previous year.

Bank Credit

40. Outstanding credit extended by the scheduled banks recorded a substantial expansion of Tk.439.70 crores to Tk.2042.87 crores during 1978-79 as compared with the expansion of Tk. 300.92 crores during the previous year. Of the components of bank credit, advances increased by Tk. 383.95 crores to Tk. 1888.02 crores, while bills purchased and discounted increased by Tk. 55.75 crores to Tk. 154.85 crores over the year.

41. A detailed analysis of the movement of bank credit reveals that with the exception of a small decline in July, 1978 and April, 1979, bank credit recorded a steadily rising trend during the financial year 1978-79. Bank credit increased from Tk. 1603.17 crores at the end of June, 1978 to Tk. 2042.87 crores at the end of June, 1979, indicating a net increase of Tk.439.70 crores or 27 per cent over the year. Quarterly movement of bank credit is shown below :-

CHANGE IN BANK CREDIT

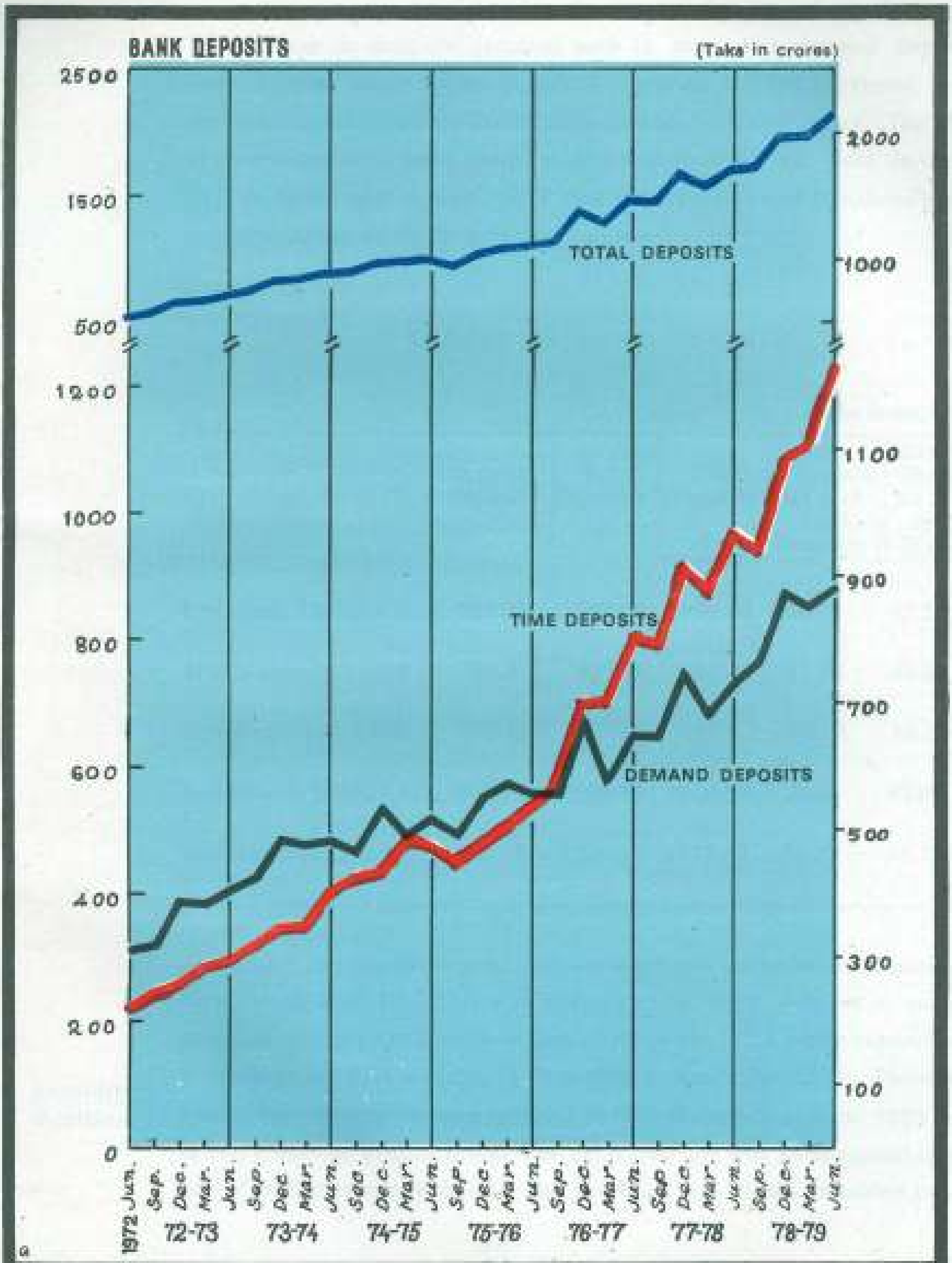
(Taka in crores)

Period	Advances	Bills	Total Credit	Advances as % of total Credit	Bill as % of total Credit
End-June, 1978	1504.07	99.10	1603.17	93.81	6.19
End-September, 1978	1651.30	101.03	1752.33	94.23	5.77
End-December, 1978	1785.97	144.90	1930.87	92.49	7.51
End-March, 1979	1799.41	158.90	1958.31	91.88	8.12
End-June, 1979	1888.02	154.85	2042.87	92.42	7.58

42. The major items against which advances registered increases were: raw jute (+Tk. 115.92 crores), agricultural loans of BKB and industrial loans of BSB (+Tk.64.79 crores), other secured advances and advances secured by guarantee (+Tk.59.68 crores), foreign bills (+Tk.51.57 crores), minerals and other imported goods (+Tk.45.73 crores), advances to the Ministry of Food (+Tk.25.75 crores), chemical Dyes etc. (+Tk.14.65 crores), other merchandise (+Tk.12.99 crores), cotton textiles and other textiles (+Tk.10.74 crores) and real estates (+Tk.10.46 crores). The items against which advances recorded declines were: jute manufactures (—Tk.9.30 crores), cotton yarn (—Tk. 5.88 crores) and industrial machinery (—Tk.1.22 crores).

Bank Deposits

43. Scheduled banks' deposits (excluding inter-bank items) recorded a sharp expansion of Tk.413.61 crores to Tk.2113.40 crores during 1978-79 as compared with the increase of Tk.247.84 crores during the previous year. The larger deposit growth during the year reflects sustained efforts to intensify deposit mobilisation in rural areas and the reduced rate of growth


BANK DEPOSITS
(Taka in crores)
TOTAL DEPOSITS
TIME DEPOSITS
DEMAND DEPOSITS
2500
1500
500
1200
1000
800
600
400
200
0
2000
1000
1100
900
700
500
300
100
1972 Jun.
Sep.
Dec.
Mar.
Jun.
72-73
73-74
74-75
75-76
76-77
77-78
78-79

of currency outside banks during the year as compared to last year. The increase in deposits occurred both in time and demand deposits. Time deposits increased by Tk.265.74 crores to Tk.1230.32 crores, while demand deposits rose by Tk.117.87 crores to Tk.883.08 crores. The share of time deposits in total deposits increased from 57 per cent in June, 1978 to 58 per cent in June, 1979. Quarterly movement of scheduled banks' deposits during 1978-79 is shown below :-

CHANGE IN BANK DEPOSITS

(Taka in crores)

Period	Demand Deposits	Time Deposits	Total Deposits	Time Deposits as % of total Deposits	Demand Deposits as % of total Deposits
End-June, 1978	735.21	964.58	1699.79	56.74	43.26
End-September, 1978	769.61	937.76	1707.37	54.92	45.08
End-December, 1978	877.53	1080.09	1957.62	55.18	44.82
End-March, 1979	855.25	1105.14	1960.39	56.38	43.62
End-June, 1979	883.08	1230.32	2113.40	58.22	41.78

Liquidity Position

44. The liquidity position of the scheduled banks remained generally tight during 1978-79. This was mainly due to larger increase in earning assets as compared to the rise in deposit resources. The credit/deposit ratio increased from 0.83 in June, 1978 to 0.93 in November, 1978. Thereafter, amidst fluctuations, the ratio declined to 0.85 at the end of June, 1979 indicating a net rise of 0.02 percentage point over the year as compared to the rise of 0.05 percentage point in the previous year. The scheduled banks'

borrowings from the Bangladesh Bank declined from Tk.227.77 crores in June, 1978 to Tk. 184.84 crores in July, 1978. Thereafter, their borrowings increased gradually and by end-February, 1979 reached the level of Tk. 356.90 crores. However, during March-May, 1979 their borrowings from the Bangladesh Bank declined by Tk. 14.74 crores. Borrowings from the Bangladesh Bank rose again in June, 1979 to Tk. 352. 10 crores indicating a net increase of Tk. 124.33 crores over the year.

45. The scheduled banks' balances with the Bangladesh Bank and cash in their tills increased by Tk. 45.38 crores and Tk. 7.46 crores to Tk. 154.32 crores and Tk. 56.68 crores respectively over the year.

Bank Rate

46. The Bank Rate which was raised from 5% to 8% per annum with effect from the 21st June, 1974 remained unchanged at 8% during 1978-79.

Cash Reserve Requirement

47. The statutory cash reserve requirement of the scheduled banks continued at 5% of their total demand and time liabilities during the year.

Liquidity Ratio

48. The prescribed liquidity ratio of the scheduled banks also remained unchanged during 1978-79 at 25% of their total demand and time liabilities.

Interest rate Structure

49. The drive for increased mobilization of deposits of short term nature from the rural areas was intensified. The rates of interest on the following types of deposits made by individuals on or after the Ist October, 1978 with the rural branches of the nationalized banks were enhanced :

Type of Deposit	Previous rate	Enhanced rate
a) Savings bank account without chequing facility	7%	7.75% per annum
b) Fixed deposits for 3 months and above but less than 6 months	7%	8.50% ,,
c) Fixed deposits for 6 months and above but less than 1 year	8.50%	9% ,,

50. Interest rates on all other types of deposits and advances remained unchanged during 1978-79.

Credit Policy and Measures

51. The credit policy pursued by the Bangladesh Bank during 1978-79 continued to be aimed at utilizing the available resources in the banking system to meet the genuine credit requirements of the economy, particularly the preferred sectors, retarded areas and weaker sections of the people including self-employed person of small means. The important measures taken during the year were as under :-

(1) With a view to reducing the dependence of industrial enterprises on bank borrowing, banks were advised that while allowing periodical reneal of credit limits for an industrial concern they should look into its cash flow position over the past years and should, on that basis, make gradual reduction in the credit availability through increased margin requirements.

(2) Unlike the previous year, no credit target was fixed during the year for the housing and transport sectors. These sectors, however, continued to be treated as priority sectors and banks were required to extend adequate credit facilities to these sectors.

(3) Effective from the 20th July, 1978, banks were allowed to provide credit facilities to oil mills against finished products subject to 50% mergin requirement and adjustment within 20 days from the date of advance. The period of adjustment was raised from 20 days to 30 days with effect from the 15th March, 1979. Credit facility to oil mills against locally produced oil seeds continued to be subject to 50% margin requirement and adjustment of loan within 30 days from the date of advance, which was relaxed to 45 days with effect from the 15th March, 1979.

(4) Credit facility to oil mills for import of oil seeds from abroad continued. However, with effect from the 12th August, 1978, the

margin requirement was relaxed from a minimum of 25% to a maximum of 25%, but the date of adjustment was reduced from 45 days to 30 days. The margin for opening letter of credit for import of oil seeds continued at not more than 15%.

(5) Effective from the 17th July, 1978, margin requirement on advances against all kinds of general merchandise for the purpose of internal trading except in the case of raw jute was raised from 50% to 60%. Margin requirement on such advances under small loans scheme, however, continued at 50%.

(6) With a view to reducing the rate of monetary and credit expansion and bringing about an improvement in the liquidity position of banks the Bangladesh Bank had advised the banks in February, 1979 not to sanction any new credit limit except to the priority sectors. Banks were also asked to scan their entire credit portfolio to identify areas where credit contraction was possible without affecting the productive activity and to take measures to reduce the credit in those areas. Banks were at the same time directed to charge penal interest rate for unsatisfactorily conducted accounts at the rate of 1 per cent in the first month. Thereafter, the rate would increase by 1 per cent in each following month subject to an interest rate ceiling of 20 per cent per annum including penal interest.

Small Loans

(7) Small loan targets were fixed for each of the nationalised banks equivalent to half of 2% of their total demand and time liabilities as on the last Friday of June, 1978 and December, 1978 to be disbursed during July-December, 1978 and January-June, 1979 respectively. The maximum limit of small loans per borrower continued to be Tk. 50,000.00 in the case of small traders/self-employed persons and Tk.1,00,000.00 in the case of small and cottage industries.

The share of various categories of borrowers within the overall small loans target continued to remain as under :-

Categories of borrowers		Share
i)	Small scale/Cottage industries	50%
ii)	Retail trade	25%
iii)	Other self-employed persons	20%
iv)	Rural electrification	5%

The sectoral disbursement of small loans during 1978-79 is as follows :-

(Taka in crores)

Categories of borrowers		Amount disbursed
i)	Small scale/Cottage industries	3.70
ii)	Retail trade	20.88
iii)	Other self-employed persons	1.63
iv)	Rural electrification	0.08

(8) The banks were allowed to make advances to members of the Stock Exchange against funds in foreign currency accounts/ AIPs under Wage Earners' Scheme upto the full Taka value thereof at official rate of exchange subject to adjustment within 30 days of the date of relative advances.

(9) The banks were advised to accept savings certificates like Bangladesh Sanchayapatra, Protirakkha Sanchayapatra etc. issued by the Government as tender money for security deposit against their various contracts. They were also allowed to accept such securities as collaterals against loans extended by them whenever offered. Margin requirement for such security continued at 50%.

(10) Banks were allowed to extend credit facility to any party against the pledge of lizard/reptile skins meant for export only on the basis of (i) stock verification certificate issued by Government,

(ii) payment of royalty at the prescribed rate and (iii) banker-customer relationship.

(11) Banks were allowed to extend credit facilities to the salt growers as per prescribed norms under the salt procurement programme of the Government.

(12) An additional allocation of Tk. 2.40 crores was made under the special credit programme for small and cottage industries raising the total allocation from Tk. 6.00 crores to Tk. 8.40 crores.

(13) An entrepreneurship training and credit programme aimed at self-employment of educated unemployed youths was launched by the Bangladesh Bank during the year in cooperation with the nationalised banks, BSCIC and the Bangladesh Management Development/ Centre (BMDC). Under this programme entrepreneurship training is provided to the educated unemployed youths by the Bangladesh Management Development Centre and on completion of training, they are given bank finance under small loan schemes for setting up of small industries in their respective areas. During the year 126 youths have been trained under this programme.

(14) In view of the importance attached to the development of the rural economy the nationalized banks were advised to continue their efforts to increase the flow of bank credit to the rural/under-developed areas during 1978-79 with the objective of increasing the credit/ deposit ratio in the rural areas to not less than 55% by the end of 1978-79. It is satisfactory to note that the loans almost reached this target during the year the credit/deposit ratio in the rural areas stood at 50 per cent as on 30th December, 1978.

Credit Guarantee Scheme

52. A credit guarantee scheme was introduced with effect from the 15th September, 1978, to provide guarantee to cover 50% of bonafide loss sustained by the financing banks viz., Sonali Bank and Janata Bank

against their lending to small scale industries under the IDA Credit. This is in addition to the general credit guarantee scheme introduced by the Bank in the previous year covering upto 30% of the small loans given by the banks.

Basic Refinance Limit/Cost of Finance

53. The commercial banks were entitled to basic refinance facility from the Bangladesh Bank upto 5% of their total demand and time liabilities as on the last Friday of June, 1978 at the Bank Rate. With a view to reducing the dependence of the scheduled banks on refinance facilities from the Bangladesh Bank, a system was introduced with effect from the 15th November, 1975 under which the scheduled banks (excluding the BKB and BSB) were charged interest on their borrowings from the Bangladesh Bank beyond a certain limit at higher rate on a graduated scale (ranging from 1% to 3% above the Bank Rate) depending on the position of net liquidity of the bank concerned. Banks having net liquidity of 20% or above were allowed to borrow at the Bank Rate.

CHAPTER IV

DEVELOPMENT OF BANKING FACILITIES AND FINANCE

DEVELOPMENT OF BANKING FACILITIES AND FINANCE

Branch Expansion

54. During the year 1978-79 the six nationalised commercial banks opened 447 branches raising the total number of their branches to 2,979 as against 666 branches opened during the previous year. In keeping with the priority given to the expansion of bank branches in the rural areas, out of 447 new branches of the six nationalised banks, as many as 348 branches were opened in the rural areas. The Bangladesh Krishi Bank and the Bangladesh Shilpa Bank also opened 55 and 3 branches during 1978-79 raising their total number of branches to 252 and 10 respectively. Thus, the total number of scheduled bank branches operating in Bangladesh including 20 branches of foreign banks stood at 3,261 as on the 30th June, 1979 of which 1996 branches were in rural areas.

Foreign Banks

55. During the period under report the Sonali Bank opened 1 branch abroad. As one of their branches in London was merged with another branch there the total number of nationalised bank branches functioning abroad remained unchanged at 13, while 6 foreign banks operated in Bangladesh with the number of their branches remaining unchanged at 20.

Regional Distribution of Bank Deposits

56. Substantial expansion of bank branches in the rural areas during the year led to a significant increase in deposits in those areas. Deposit mobilization in those areas might have also been helped by an increase in the interest rates on savings bank account without chequing facility and certain categories of fixed deposits for rural areas. Break-up of deposits between urban and rural areas as available upto December, 1978 indicates that the amount of rural deposits which had stood at Tk. 231.62 crores at the end of June, 1978 increased to Tk. 307.86 crores at the end of December, 1978 showing a rise of Tk. 76.24 crores or 32.91 per cent during the first half of

1978-79. The urban deposits during the same period increased by Tk. 292.51 crores or 19.29 per cent to Tk. 1808.58 crores. As a result of the higher rate of increase in rural deposits, the share of rural deposits in total deposits increased from 13.25 per cent at the end of June, 1978 to 14.54 per cent at the end of December, 1978.

Sectoral Distribution of Bank Deposits

57. Break-up of deposits between public and private sectors indicates that the public sector deposits increased by Tk. 122.62 crores or 18.60 per cent to Tk.781.67 crores during the first half of 1978-79 while the private sector deposits went up by Tk. 246.13 crores or 22.60 per cent to Tk. 1334.77 crores during the same period. The rate of increase in the private sector deposits both in absolute as well as in percentage terms during the first half of 1978-79 was considerably larger than the increases in deposits of Tk. 75.15 crores or 12.44 per cent in the public sector and of Tk. 166.51 crores or 19.79 per cent in the private sector during the comparable period of 1977-78.

Average Deposits per Bank Branch

58. The average deposit per urban branch which had stood at Tk. 136.00 lakhs at the end of December, 1977 increased to Tk. 143.00 lakhs at the end of December, 1978. The average deposit per rural branch also increased from Tk. 15.00 lakhs to Tk. 17.00 lakhs during the same period. The relatively smaller rate of rise in deposits per rural branch might be attributable mainly to substantial expansion of btanches in rural areas with comparatively low deposit potential. Inadequate facilities available to conduct deposit mobilisation campaigns in remote and inaccessible rural areas for the newly opened branches were also responsible for the lower rate of increase in deposits per rural branch.

Regional Distribution of Bank Advances

59. Break-up of advances between urban and rural areas as available upto December, 1978 shows that the advances in urban areas expanded by Tk. 307.11 crores or 22.70 per cent to Tk. 1660.22 crores during the first half of 1978-79 while that for the rural areas increased by Tk. 16.18 crores or 11.84 per cent only to Tk. 152.87 crores during the same period. As a result of the relatively lower rate of growth of rural advances, the share of

rural advances to total advances came down from 9.17 per cent at the end of June, 1978 to 8.44 per cent at the end of December, 1978.

60. As indicated in the foregoing paragraphs rural deposits as at the end of December, 1978 amounted to Tk. 307.86 crores while rural advances during the same period totalled Tk. 152.87 crores. Apparently this difference will indicate a transfer of resources from the rural to the urban areas through the banking system. However, this imbalance would seem to be more than offset if we take into account the fact that a substantial part of bank credit for jute, food procurement, fertilizer, tobacco and sugarcane etc. which is accounted for in urban areas is actually utilised in the rural areas of the country.

Sectoral Distribution of Bank Advances

61. Sectoral break up of advances indicates that the public sector advances during the first half of 1978-79 increased by Tk. 179.88 crores or 23.96 per cent to Tk. 930.46 crores as against the rise of Tk. 91.76 crores or 14.35 per cent during the same period of 1977-78. The advances to the private sector during the same period expanded by Tk. 143.41 crores or 19.40 per cent to Tk. 882.63 crores as compared to the increase of Tk. 203.22 crores or 39.49 per cent during the first half of 1977-78.

Average Advances per Bank Branch

62. Average advances per urban bank branch which had stood at Tk. 124.00 lakhs at the end of December, 1977 increased to Tk. 131.00 lakhs at the end of December, 1978 while the average advances per rural bank branch expanded from Tk. 6.00 lakhs to Tk. 8.00 lakhs during the same period.

Inspection of Banks

63. Inspection reports of Sonali Bank, Agrani Bank, Habib Bank Ltd., Janata Bank, Rupali Bank, Grindlays Bank, Bangladesh Shilpa Bank, B.C.C.I. and American Express International Banking Corporation were completed and forwarded to the banks concerned for their compliance during the year ended 30th June, 1979. The comprehensive inspection of Pubali Bank and Uttara Bank was in progress.

64. Foreign exchange business of Janata Bank, Habib Bank Ltd., B.C.C.I. and American Express International Banking Corporation was also inspected and reports thereon have been forwarded to management of the concerned banks for necessary action while reports in respect of Uttara Bank and Grindlays Bank Ltd. were in the process of compilation. During the year under review a special inspection on the affairs of Wage Earners' Scheme of Sonali Bank was also conducted.

Jute Finance

65. As in the past years, adequate finance from the banking system was arranged for jute trade and jute mills during the 1978-79 jute season. The commercial banks sanctioned a total cash credit and packing credit limit of Tk. 462.21 crores as against Tk. 374.84 crores in the preceding year for financing movement of raw jute as well as meeting the working capital requirements of the jute mills. Peak level utilisation of bank credit by the jute sector stood at Tk. 426.68 crores as on the 12th January, 1979 against which refinance provided by the Bangladesh Bank was of the order of Tk. 148.50 crores.

Counter-Finance for Food and Fertilizers

66. For financing procurement and distribution of foodgrains by the Government a sum of Tk. 90.00 crores was made available by the nationalised banks and a refinance limit of the same amount was allowed by the Bangladesh Bank during 1978-79 to the nationalised banks.

67. Counter-finance extended by the Bangladesh Bank to the nationalised banks for financing procurement and distribution of fertilizer by the B.A.D.C. during 1978-79 amounted to Tk. 50.00 crores.

Finance for Sugar Mills

68. A credit limit of Tk. 37.00 crores was arranged from the commercial banks for the Bangladesh Sugar and Food Industries Corporation for financing production of sugar during 1978-79. The Bangladesh Bank provided refinance to the extent of Tk. 14.31 crores for supplementing the commercial banks' resources for financing the Sugar Mills.

Other Refinance Facilities

69. Refinance was extended to the commercial banks against fresh small loans disbursed by them in 1978-79 as also against the increase in their outstanding small loans as on the 30th June, 1978 over the outstanding as on the 30th June, 1977. The peak level utilisation was Tk. 15.36 crores.

70. Refinance was also made available to commercial banks against their disbursement of loans under Special Agricultural Credit Programme to the extent of Tk.8.90 crores.

CHAPTER V

DEVELOPMENT OF CAPITAL MARKET AND INDUSTRIAL FINANCE

DEVELOPMENT OF CAPITAL MARKET AND INDUSTRIAL FINANCE

Stock Exchange

71. With the adoption of the policy for encouraging the establishment of industries in the private sector, the Government took a number of measures to develop a sound capital market in the country. To that end the Dacca Stock Exchange which had remained defunct since liberation was re-opened and reactivated from the middle of 1976. Since then efforts were made to enlarge its scope of activities. The number of public companies listed with Dacca Stock Exchange increased to 17 by June, 1979 from 14 at the end of June, 1978. Besides, Advance Import Permits (AIP) in terms of dollar and pound sterling are also regularly quoted in the Dacca Stock Exchange. However, transactions in the Stock Exchange continued to remain limited.

Investment Corporation of Bangladesh

72. The Investment Corporation of Bangladesh was set up in October, 1976 with the main objective of encouraging and broadening the base of investment, developing the capital market and mobilizing savings. Since its inception the Corporation in consortium arrangement with other financial institutions has been providing under-writing/debenture finance support to industrial projects of public limited companies. During the year ending June, 1979, the ICB committed Tk. 13.97 crores which included Tk.12.35 crores worth of under-writing/bridge finance, the balance being debenture finance. This compared with Tk.13.43 crores committed by the ICB during the preceding year. Besides, investment committed by other financial institutions was estimated to be Tk. 9.34 crores during the year under report as compared with Tk.10.56 crores committed during 1977-78. Thus total amount committed by ICB and consortium came to Tk.23.31 crores during 1978-79 as compared with Tk.23.99 crores during 1977-78.

73. The International Finance and Investment Company Ltd. which was established in October, 1976 obtained certificate of commencement of business on 28th February, 1977. The company was established mainly to carry on banking and other financial business outside Bangladesh either singly or in collaboration with other companies, financial institutions and banks with the main objective of developing and strengthening financial relationship between Bangladesh and the world outside, specially the oil-rich Middle-East Countries. The company has not, however, so far been able to make any progress in this regard. Of late, the company has obtained permission from Bangladesh Bank for opening L/C covering imports under Wage Earners' Scheme and also for providing pre and post-import finance under this scheme, to maintain F/C account and taka deposits emanating from Wage Earners' remittances for channelising them to productive investment. It has also been authorized to offer full range merchant banking services in Bangladesh. It earned a gross profit of Tk.39.29 lakhs during the year ended December, 1978 as compared with Tk.40.19 lakhs earned during the previous year.

International Finance and Investment Company

74. Bangladesh Shilpa Bank (BSB) was set up in 1972 to take over the functions of the erstwhile Industrial Development Bank of Pakistan and since then it has been providing credit facilities and equity support to industrial concerns in Bangladesh. The main objectives of the BSB are to mobilize resources from within and outside the country for investment in industry and to stimulate industrial development by extending advisory services to facilitate setting up of new projects and for balancing, modernisation, replacement and expansion of the existing industrial establishments.

Bangladesh Shilpa Bank

75. During 1978-79 the bank received 312 loan applications as against 201 in 1977-78 indicating a 55.22 per cent increase over the year. During this period the bank sanctioned a total amount of Tk.50.19 crores as term loans which included Tk.23.81 crores in foreign currency and Tk. 26.38 crores in local currency. Of the loans sanctioned, private sector accounted for Tk. 49.38 crores or 98.39%. During the previous year total loans sanctioned

amounted to Tk.39.83 crores of which Tk.26.84 crores were in foreign currency and Tk.12.99 crores were in local currency. Of the total loans of Tk.39.83 crores private sector accounted for Tk.34.52 crores or 86.67%. In addition, the bank sanctioned some short-term loans to meet the working capital requirements in the private sector.

76. Total disbursements of loans during 1978-79 amounted to Tk.28.12 crores of which Tk. 15.52 crores were in foreign currency and the remaining amount in local currency. Private sector received Tk. 27.99 crores representing 99.54 per cent of the total loans disbursed during 1978-79. Total disbursements were Tk.11.57 crores in 1977-78 of which foreign currency loans amounted to Tk. 4.57 crores. Of the total disbursement of Tk.11.57 crores private sector accounted for Tk.9.86 crores which represented 85.22 per cent of the total.

77. The total amount of outstanding loans as on June 30, 1979 was Tk. 170.58 crores as against outstanding loans of Tk. 114.63 crores as on June 30, 1978.

Bangladesh Shilpa Rin Sangstha

78. Bangladesh Shilpa Rin Sangstha (BSRS) was established in 1972 to inherit the erstwhile Pakistan Industrial Credit and Investment Corporation for providing credit facilities and other assistance to industrial concerns to broader the base of industrial investment in Bangladesh. It provides medium and long-term loans to projects with fixed costs of Tk. 20.00 lakhs and above in the private sector and to any projects of the public sector. It also provides underwriting, bridge financing, and debenture financing assistance to public limited companies. In addition, it undertakes industrial promotional activities and provides professional counselling to entrepreneurs regarding investments.

79. During 1978-79 the BSRS received a total number of 148 applications for financial assistance compared to 48 applications in the previous year. The total loans sanctioned during 1978-79 amounted to Tk. 48.82 crores as compared to Tk.44.37 crores sanctioned during the previous year.

8—

Of the total loans sanctioned in 1978-79 foreign currency and local currency loans constituted Tk.34.10 crores or 69.85 per cent and Tk. 14.72 crores or 30.15% respectively as compared to Tk. 41.66 crores or 93.89% and Tk. 2.71 crores or 6.11% during the preceding year. The private sector accounted for Tk. 47.99 crores or 98.30% of the total loans sanctioned while the public sector accounted for Tk.0.83 crore or 1.70% as compared to Tk.37.53 crores or 84.58% in private sector and Tk.6.84 crores or 15.42% in public sector during the preceding year.

80. During 1978-79 an amount of Tk.21.31 crores was disbursed as against Tk.10.96 crores of the previous year representing an increase of 94.43 per cent over the year. Of the total disbursement, foreign currency and local currency components accounted for Tk.19.66 crores or 92.26% and Tk.1.65 crores or 7.74% respectively as compared to Tk.6.71 crores or 61.22% and Tk.4.25 crores or 38.78% during 1977-78. The share of private sector in 1978-79 was 57.63% of the total disbursements as compared to 32.03% in the previous year.

81. The total outstanding loan as on June 30, 1979 were Tk. 172.51 crores as compared to the outstanding loans of Tk.151.99 crores as on June 30, 1978.

CHAPTER VI

AGRICULTURAL FINANCE

AGRICULTURAL FINANCE

82. Agricultural credit has a critically important role to play in our circumstances to promote output growth and at the same time welfare of the farmers. Without a sound agricultural credit programme it is not possible for poor rural farmers to make adequate investments in their farms and thereby increase agricultural output.

Institutional Finance

83. In the above context serious thoughts were given about expansion of agricultural credit. Till the end of 1976 delivery agencies for agricultural credit were Bangladesh Krishi Bank (BKB) and the Cooperatives. The Nationalised Commercial Banks (NCBs) played a marginal role in this area even though decision about inducting them in the field was taken as early as 1973. Despite this decision, commercial banks could not play any significant role in the field of agricultural credit beyond making some limited experiments. However, commercial banks' financing of Integrated Rural Development Programme (IRDP) was a meaningful expansion in the area of agricultural credit. This evidently demonstrated that though the commercial banks developed a taste for supply of agricultural credit through intermediation of the Cooperatives they were as yet unwilling to do credit retailing at the farmers' level, despite their having branches in the rural areas down to the thana level.

84. Through lack of adequate institutional support at the grass-root level and inadequacy of financial resources of the traditional agricultural credit institutions like the BKB and Cooperatives it was not possible to expand agricultural credit with sufficient vigour. Any such expansion would have needed sizable refinance from the Central Bank with obvious adverse monetary implications. The level of agricultural credit was stagnant for a fairly long period or even decreased upto June, 1976 but thereafter it increased

quite rapidly because of the special attention of the Government in this area, as the following table will demonstrate :

TOTAL OUTSTANDINGS OF AGRICULTURAL CREDIT OF ALL BANKS

(Taka in crores)

Period	Scheduled Banks including BKB	Cooperative Banks	Total
End-June			
1973	108.75	35.98	144.73
1974	111.03	35.82	146.85
1975	87.38	37.55	124.93
1976	101.13	34.46	135.59
1977	130.48	36.19	166.67
1978	210.52	38.14	248.66

The increase in credit took place mainly through expansion in the operations of commercial banks and BKB.

85. Anxiety of the Government to involve the NCBs in a big way in agricultural credit was logical, given the fact that they had enough resources available to them and that they were gradually developing branch net-work in the rural areas. Moreover, it was felt that they had adequate latent capacity to rapidly expand their branch net-work. Therefore, it was reasonable that the Government will desire a greater participation by the NCBs. It may, however, be mentioned that emphasis on supporting the traditional credit institutions in the field of agricultural credit remained as great as ever, if not more even after inducting the NCBs in the field of farm credit. That in

the above context agricultural credit by the NCBs expanded quite sharply will be evident from the following table :

TOTAL OUTSTANDINGS OF AGRICULTURAL CREDIT OF ALL NATIONALISED COMMERCIAL BANKS

(Taka in crore)

Period	Amount
End-June	
1973	9.99
1974	11.41
1975	13.21
1976	26.70
1977	39.38
1978	92.16

86. One of the declared objectives in the new context was to give greater attention to the credit needs of the small farmers. However, there is a general impression that enough of credit has not gone to the small/marginal/landless farmers. Though it is true that the landless farmers, i.e., share-croppers and tenant farmers have not got adequate credit support, there is no evidence that the small and marginal farmers did not got a fair share of agricultural credit. All the agricultural credit programmes that we are undertaking had a thrust towards adoption of seed-water-fertilizer based technology. As long as the new technologies were made available to the farmers, there was no unwillingness on the part of the credit agencies to support their adoption by the small/marginal farmers.

87. In the above background, we can now review the agricultural credit programme for the year 1978-79. As in the previous year, the credit programme for 1978-79 had also two components : (a) normal programmes

of the BKB, cooperatives and nationalised commercial banks and (b) a Special Agricultural Credit Programme (SACP) run by the BKB and nationalised commercial banks with emphasis on simplified loaning procedure and softer collateral requirement.

Normal Agricultural Credit Programme

88. Under the normal agricultural credit programme of all agencies including the nationalised commercial banks a total target of Tk.157.17 crores was fixed for 1978-79 as against Tk.112.37 crores fixed in the previous year. The agency-wise allocation of the target fixed was as under :

(Taka in crores)

Agencies	1977-78	1978-79
Bangladesh Krishi Bank (BKB)	43.23	65.88
Bangladesh Samabaya Bank Ltd. (BSBL)	22.00	24.75
Nationalised Commercial Banks (NCBs)	47.14	66.54
Total :	**112.37**	**157.17**

89. Total amount of credit disbursed by all credit agencies including the nationalised commercial banks under their normal credit programme during the year 1978-79 amounted to Tk.125.97 crores as against Tk.90.88 crores disbursed during the previous year. In addition, a total amount of Tk.41.37 crores was disbursed by all the participating NCBs and BKB under the Special Agricultural Credit Programme (SACP) upto the 30th June, 1979.

90. Thus, the aggregate disbursement of agricultural credit by all the agencies during the year amounted to Tk. 167.34 crores recording an

increase of 4.07% over the disbursement of Tk. 160.80 crores in the previous year as shown in the following Table :

(Taka in crores)

Agency	1977-78 Normal Programme	1977-78 Special Programme	1977-78 Total	1978-79 Normal Programme	1978-79 Special Programme	1978-79 Total	% Change over previous year Increase(+) & Decrease (−)
BSBL	17.05	—	17.05	19.89	—	19.89	+16.65
BKB	37.29	17.84	55.13	62.00	14.50	76.50	+39.76
NCBs	36.54	52.08	88.62	44.08	26.87	70.95	−19.94
Total :	**90.88**	**69.92**	**160.80**	**125.97**	**41.37**	**167.34**	**+ 4.07**

91. In addition to the above a credit programme was launched for a Government sponsored scheme for development of **Pond Fishery** throughout the country. The total amount of credit disbursed by all the credit institutions under this programme amounted Tk. to 6.00 crores as on the 30th June, 1979.

Special Agricultural Credit Programme (SACP)

92. As will be seen from our past reports, SACP was introduced to increase the participation of the NCBs in agricultural financing and also to expand the credit operations of the BKB. This programme was launched in mid-February, 1977 with a target of Tk.100 crores. The programme was run on calendar year basis during 1977 and 1978. As against the target of Tk. 100 crores the participating banks could disburse a total amount of Tk. 60.78 crores during the calendar year 1977 and Tk.53.47 crores during the calendar year 1978. It was subsequently decided to change the programme to fiscal year basis (July-June) and therefore, in 1979 a half-yearly programme from January to June, 1979 (that is, the second half of the fiscal year 1978-79) was launched. During this period, only Tk. 23.67 crores could be disbursed against an allocation of Tk. 57.15 crores. As mentioned earlier, for the

whole fiscal year 1978-79 the total disbursement under SACP amounted to Tk. 41.37 crores.

93. Against the above disbursements during the calendar years 1977 and 1978, amounts of Tk. 66.00 crores (including interest of Tk. 5.22 crores) and Tk. 53.47 crores respectively, fell due for recovery upto June, 1979. Actual recoveries made by the participating banks upto the end of May, 1979 amounted to Tk. 42.54 crores and Tk.17.44 crores respectively, constituting 64.45% and 32.62% of the amounts due.

94. To make good the damages caused to last year's Aman crop and current year's Aus and Boro crops due to prolonged droughts a revised special Intensive Transplanted Aman Production (ITAP) Programme was drawn up by the Ministry of Agriculture. Credit requirement for the programme has been fixed at Tk.47.36 crores to be provided by NCBs and BKB under the Special Agricultural Credit Programme like the previous year.

95. To improve the recovery position senior level officers of Bangladesh Bank as well as officials of the NCBs visited different district headquarters during July, 1978.

Counter-Finance by Bangladesh Bank

96. Bangladesh Bank continued its policy of providing concessionary credit and counter-finance facility to the specialised agricultural credit institutions, namely, Bangladesh Krishi Bank (BKB) and Bangladesh Samabaya Bank Ltd. (BSBL) during 1978-79 to enable them to extend credit to the farmers at reasonable interest rates. The amounts of credit sanctioned and disbursed by the Bank to these two institutions during the year 1977-78 and 1978-79 were as under ;

(Taka in crores)

Credit/Agencies	1977-78		1978-79	
	Sanction	Disbursement	Sanction	Disbursement
Bangladesh Krishi Bank	64.03	47.90	67.07	66.28
Bangladesh Samabaya Bank Ltd.	24.82	15.57	20.27	19.89
Total :	**88.85**	**63.47**	**87.34**	**86.17**

97. Outstanding borrowings of these two agencies with Bangladesh Bank stood at Tk.106.90 crores at the end of 1978-79 as compared to Tk.73.64 crores at the end of 1977-78 showing an increase of Tk. 33.26 crores over the year. The institution-wise break-up of the outstandings was as under:

(Taka in crores)

Credit/Agencies	1977-78	1978-79
Bangladesh Krishi Bank	56.11	83.96
Bangladesh Samabaya Bank Ltd.	17.53	22.94
Total :	**73.64**	**106.90**

Experimental Projects

98. It has been observed that even after induction of NCBs in the field of agricultural financing and introduction of Tk. 100 crores Special Agricultural Credit Programme with its simplified loaning procedures with a view to reaching the benefit of institutional credit facilities to the disadvantaged section of rural people, the landless farmers, that is, the share croppers and tenant farmers are not getting their due share. Therefore, in order to find an appropriate institutional arrangement by which credit facilities can be made available to this disadvantaged group a few innovative programmes have been undertaken for implementation on experimental basis. The emphasis of these approaches has been markedly on the accessibility of the landless, marginal and small farmers to institutional sources of credit and inputs. The two such experiments undertaken by the Bank are as follows :

99. Under an Agreement signed between the Government of Bangladesh and the United States of America on August 31, 1977, a **Rural Finance Experimental Project** has been undertaken since November, 1978 for a two-year period to be implemented by all the six Nationalised Commercial Banks (NCBs), Krishi Bank, Samabaya Bank Ltd. and IRDP cooperatives in some 80 selected outlets throughout the country under 8 different models. As the Chief implementing agency, Bangladesh Bank has been monitoring, supervising and managing the entire project through an experienced

US-Bangladesh joint venture consultancy firm. Total financial involvement in the Project is US $ 7.44 million of which $ 7.00 million is a grant from the United States and $ 0.44 million is Bangladesh Government's contribution. An amount of $ 4.00 million out of the Grant Fund would be utilised for reimbursement of 1/3 of lending and 1/3 of recovery from the project target group by the participating agencies. The Experimental Project aims at testing different ways to deliver credit to and mobilise savings from small farmers and other rural producers not presently serviced by lending agencies. It is also intended to provide an opportunity to the participating agencies to cover their operational costs through higher interest and financial charges ranging between 12% and 36% and make them self-reliant. Higher interest on deposits from 11% to 15% will be allowed to act as an incentive for rural deposit mobilisation. The basic hypothesis being tested by the Project is that flexible interest rates, efficient administration, effective supervision and organisational innovations would make it possible to overcome major constraints to the delivery of credit and provision of savings incentives to the target group of small and marginal farmers.

Rural Finance Experimental Project

Grameen Bank Project

100. After having successfully carried out an experimental project called Grameen (Rural) Bank Project in Jobra village and a few more adjoining villages in Hathazari Thana of Chittagong District, the project was undertaken for replication on a limited scale in a few thanas of Tangail District and remaining part of Hathazari Thana with the support from the Bangladesh Bank. Guided by the basic objective to develop the rural poor through appropriate systems and institutions, the project aims at (1) extending organisational support to the weaker section of the rural community to form groups through which credit agencies can extend credit without collateral, (2) providing minimum subsistence through quick yielding income—raising activities, (3) creating part-time job opportunities for the women of landless and other poor families and (4) developing a new version of cooperative structure which will hopefully eliminate the major weaknesses of the traditional cooperatives. The Bank has already set up a Project Office at Tangail

Standing Rural Credit Advisory Committee

107. As decided in the meeting of the Standing Rural Credit Advisory Committee (SRCAC), Bangladesh Agricultural University carried out an independent sample survey during the period July to October, 1978 for evaluating performance of the Village Food Production Committees (VFPCs) with regard to disbursement and recovery of loan under the Special Agricultural Credit Programme.

108. As per decisions of the Standing Rural Credit Advisory Committee, Bangladesh Agricultural University, Mymensingh was also entrusted with the responsibility of undertaking a study on the problems of production as well as marketing of rural cottage industries products with special reference to the Bangladesh Mahila Samabaya Samity.

Agricultural Credit Study Project

109. It will be recalled that in 1977 an Agricultural Credit Study Project was undertaken by the Bangladesh Bank with assistance from IDA and a foreign consultants firm namely, Messrs. Robert R. Nathan Associates were appointed for this project. The consultants have submitted their report along with certain specific credit projects covering irrigation, aquaculture etc. These are under examination.

CHAPTER VII

HOUSE BUILDING FINANCE

HOUSE BUILDING FINANCE

110. The Bangladesh House Building Finance Corporation was established in 1973 and has been engaged in the development of housing sector since then. The main objective of the Corporation is to provide financial assistance for the construction, repair and remodelling of residential houses in the cities, towns and thana headquarters.

House Building Finance Corporation

111. Normal loans amounting to Tk.1.70 lakhs for each self-contained unit of a house are advanced for a maximum period of 20 years at 11% interest (simple) per annum, while loans of Tk.1.70 lakhs for each self-contained unit of a house for multistoried buildings are advanced for a maximum period of 25 years at 5% interest (simple) per annum with a total ceiling of Tk. 8.46 lakhs. In order to ease the housing shortage particularly in the cities and towns, the Government approved a special housing programme for the middle and low income people. The housing programme is for construction of four-to six-storied multi-family apartment buildings in Dacca, Narayanganj, Chittagong and Khulna and minimum three-storied apartment buildings in other urban areas.

112. During the financial year 1978-79, the loans sanctioned, disbursed, recovered by the Corporation amounted to Tk. 141.44 crores, Tk.55.88 crores and Tk.7.40 crores respectively as compared to sanction, disbursement and recovery figures of Tk.47.17 crores, Tk.21.42 crores and Tk.6.03 crores respectively of the previous year, which represented substantial increases of 199.85%, 160.87% and 22.72% respectively. During 1978-79 the Corporation sanctioned and disbursed Tk.90.69 crores and Tk.40.40 crores respectively against 1585 applications for multi-storied buildings.

113. The amount of outstanding loans as on June 30, 1979 was Tk.118.44 crores (including interest for 1978-79) as against the outstanding amount of Tk.63.17 crores as on June 30, 1978.

Commercial Banks

114. In order to increase the availability of credit for housing construction the commercial banks were required to extend credit facilities to this sector upto 1% of their demand and time liabilities since 1977. However, no target was fixed for 1978-79. The banks provided credit to the housing sector within the prescribed ceiling of Tk.3.00 lakhs per party against mortgage of real estates and repayable over a maximum period of 7 years. The total amount disbursed by the nationalised commercial banks on this account during the year ending June, 1979 stood at Tk.5.62 crores and compared with Tk.6.94 crores disbursed during the preceding year. This brought the total amount of outstanding housing loans provided by the nationalised commercial banks upto June, 1979 to Tk.18.47 crores. This is in addition to Tk.0.11 crore of housing loans provided during 1978-79 by the foreign banks scheduled in Bangladesh. Besides, a rural housing scheme was introduced in 1977-78 in order to finance construction of low-cost houses in villages under Swanirvar programme/IRDP as also villages which have been electrified. Under this scheme a maximum amount of Tk. 8,000.00 per borrower is provided at 11% interest against mortgage of houses built and other household land. These loans are repayable over a period of 20 years.

Bangladesh Bank

115. With a view to augmenting the resources of the House Building Finance Corporation, Bangladesh Bank invested substantial amounts in debentures of the HBFC. The value of such debenture-holding, which stood at only Tk.1.50 crores at the end of June, 1978, increased sharply to Tk.38.50 crores at the end of June, 1979, representing investment worth Tk.37.00 crores during 1978-79. In addition, nationalised commercial banks' debenture financing to the HBFC during the year amounted to Tk.20.00 crores.

CHAPTER VIII

GOVERNMENT FINANCE

GOVERNMENT FINANCE

116. The Bangladesh Government Budget for 1978-79 envisaged revenue receipts at Tk.1405.93 crores and revenue expenditure (non-development) at Tk.1053.09 crores, thus showing a surplus of Tk.352.84 crores. The budget estimates for the year were subsequently revised placing the revenue receipts and expenditures at Tk. 1502.68 crores and Tk. 1129.03 crores respectively, leaving a surplus of Tk.373.65 crores. The combined Revised Budget (Revenue plus Development) estimated an overall surplus of Tk.0.12 crore reflecting an increase of Tk.92.49 crores in domestic financing and decrease of Tk.11.42 crores in expenditures under the Food for Works Programme.

Budget for 1978-79 (Revised)

117. The revised budget estimates for 1978-79 showed increases in the following major heads of receipts over their original estimates: Sales Tax (+Tk.40.69 crores), interests (+Tk.35.85 crores), stamp, forest and registration (+Tk.7.85 crores), income tax, corporation and agricultural income tax (+Tk.5.31 crores) and railway (+Tk.4.28 crores). However, increases in almost all the major heads were slightly offset by declines in nationalised industries (–Tk.5.00 crores) and land revenue (–Tk.2.70 crores). The overall increase in the revenue receipts in the revised budget estimates stood at Tk.96.75 crores over the original estimates. The increase of about Tk.49.30 crores under tax receipts in the revised budget was due to rise in revenue from sales, income and corporation tax, excise duties, customs and several other small taxes resulting from an upward trend in imports as well as exports and improved climate for industry and trade as well as a continuous improvement in tax administration. The overall increase of Tk.47.45 crores in the revised estimate of non-tax revenue as compared to the original budget estimates represented substantial increases in the interest receipts and revenue

from railway, stamp, forest and registration and modest revenue increase in the nationalised banks and other receipts, partly offset by lower receipts from nationalised industries and a deterioration in the net financial position of the Post Office Department and Telegraph and Telephone Depatment. Arrear payments of salary and wages made after the announcement of National Pay and Services Commission Report might have partly contributed to the decline in the above receipts.

118. The revenue expenditures under the revised budget for 1978-79 increased by Tk. 75.94 crores to Tk. 1129·03 crores or by 7 per cent over the original budget estimates. Increased expenditures were incurred mainly to improve the Railway Services, strengthen the general administration, defence and other public services. Besides, larger cash subsidy on food and the jute industry and increased spending on foreign affairs were also responsible for the upward revision of total revenue expenditures during 1978-79. The amount of food subsidy went up because the estimated sales from stocks purchased in cash were higher than those projected earlier. Subsidy payments to the Jute Mills Corporation increased on account of arrear payments of salary and wage increases. Expenditures on 'Defence Services', 'Education', 'Health Services and Family Planning', and subsidy on account of 'Food' and Jute Mills Corporation increased by Tk.31.33 crores, Tk.14.56 crores, Tk.7.96 crores and Tk.23.03 crores and Tk.13.75 crores respectively in the revised estimates.

119. The size of the Annual Development Programme for 1978-79 was originally placed at Tk.1390.03 crores on net basis but subsequently the allocation was raised to Tk. 1602.62 crores. The revised Annual Development Programme of Tk. 1602.62 crores showed in real terms an increase of 33% over the development expenditure of 1977-78. In the revised budget, receipts from project aid and counter-part funds on non-project assistance available for financing the Annual Development Programme were estimated at Tk.523.63 crores and Tk.475.00 crores respectively, while the net receipts from sale proceeds of food stuff received through foreign assistance were

placed at Tk. 189.58 crores. This brought the estimate of total external resources available for financing the Annual Development Programme, to Tk.1188.09 crores which together with Tk.414.53 crores of internal resources gave an amount of Tk. 1602.62 crores.

Budget Estimate for 1979-80

120. The budget estimate for 1979-80 envisages revenue receipts on the basis of existing rates at Tk. 1802.02 crores and non-development expenditure at Tk. 1193.96 crores thus showing a revenue surplus of Tk.608.06 crores. Of the total revenue receipts, customs is estimated to yield Tk.655.00 crores, excise Tk.285.00 crores, income tax, corporation and agricultural income tax Tk. 170.00 crores and sales tax Tk. 265.00 crores. Of the total expenditures, defence service accounts for Tk. 220.00 crores, while the estimate for education stands at Tk.162.01 crores. Other important allocations include Railways (Tk.86.38 crores), Police (Tk.64.13 crores), General Administration (Tk. 42.10 crores), Health and Family Planning (Tk.62.85 crores) and other expenditure (Tk. 121.46 crores). The size of unexpected expenditure in the budget has been estimated at Tk. 55.00 crores.

121. The size of the Annual Development Programme for 1979-80 has been estimated at Tk.2070.00 crores. Out of the total expenditure of Tk.2070.00 crores, an amount of Tk. 262.29 crores (13%) has been allocated to Agriculture, Tk.212.29 crores (10.59%) to Flood Control and Water Resources, Tk.342.00 crores (16.52%) to Industries, Tk. 346.66 crores (16.74%) to Transport and Tk.216.69 crores (10.45%) to power. The allocations for Housing and Physical Planning, Education and Training and Health are estimated at Tk. 137.55 crores, Tk. 61.41 crores and Tk. 67.23 crores or 6.64%, 2.95%, 3.24%, respectively. Rural Development sector with an allocation of Tk. 85.79 crores represents about 4.14% of the total outlay.

122. The development budget for 1979-80 envisages a net foreign assistance at Tk. 1564.76 crores or 74% of the total outlay as against 76% in the preceding year.

123. The main fiscal measures of the budget for 1979-80 are summarised below :

Fiscal Measures for 1979-80

A. Customs Duty :

1. Duty on one band radios, built-up and kit for assembly has been proposed to be reduced from 50% and 20% to 25% and 10% respectively (– Tk. 15.00 lakhs).

2. Duty on spectacles, spectacle frames and their parts has been proposed to be reduced from 110% and 175% to 75% and 125% respectively (—Tk. 3.00 lakhs).

3. Duty on corrugated iron sheets has been proposed to be reduced from 45% to 35% (—Tk. 1.65 crores).

4. Duty on billets and scrap of iron or steel has been proposed to be reduced from 35% and 20% to 25% and 12½% respectively (—Tk. 2.00 crores).

5. Duty on certain chemicals has been proposed to be reduced from 115% and 65% and made uniform at 50% (—Tk.95.00 lakhs).

6. Duty on video cassette recoder and cassette tape has been proposed to be enhanced from 100% to 300%.

7. Duty on perfumery and cosmetics has been proposed to be enhance from 150% to 200% (+Tk.50.00 lakhs).

8. Duty on synthetic, mixed and fine and superfine cotton fabrics has been propose to be enhanced from 225%, 175% and 100% to 250%, 200% and 125% respectively (+Tk.3.00 crores).

9. Duty on motor cars with engine capacity over 1000 c.c. has been proposed to be enhanced from 90%, 120%, 150% and 200% to 110%, 150%, 200% and 300% respectively depending on the engine capacity (+Tk.1.00 crore).

10. Duty on plastic materials has been proposed to be enhanced from 75% to 100% (+Tk.60.00 lakhs).

11. Duty on alcoholic beverages has been proposed to be changed from specific rates to ad valorem rates and fixed at 75%, 100% and 200% depending on the alcoholic content in the beverages.

12. Duty on gold and silver coins, bullions, bars and plates has been proposed to be changed from specific rates of Tk.35.00 per tola and Tk.1.00 per ounce to ad valorem rates and fixed at 100% and 50% respectively.

B. Excise Duties :

13. Existing duty of Tk.1.50 per pound on unmanufactured tobacco has been proposed to be exempted and its incidence transferred to manufactured products.

14. Sales tax on gold, silver and products thereof has been proposed to be merged with excise duty and exemption of excise duty partially withdrawn (+Tk.75.00 lakhs).

15. Rate of duty on gas has been proposed to be enhanced from Tk.2.40 to Tk.3.00 per 1000 cft.

16. Duty on cement has been proposed to be enhanced from Tk.203.00 to Tk.360.00 per metric ton (+Tk. 5.89 crores).

C. Income Tax :

17. The minimum taxable limit of income liable to income tax has been proposed to be raised from Tk. 10,000.00 to Tk.12,000.00 (—Tk. 20.00 lakhs).

18. Dividend from tax-holiday companies has been proposed to be made liable to income tax (+Tk.8.00 lakhs).

19. Exemption of tax on capital gains of property acquired by public authorities has been proposed to be withdrawn and the tax liability has been proposed to be made a charge on the property trans-

ferred in collusive manner without obtaining clearance certificate (+Tk.50.00 lakhs).

20. A surcharge on income tax has been proposed.

D. Wealth Tax :

21. Total exemption on owner occupied house has been proposed to be limited up to Tk.10.00 lakhs (+Tk.1.00 lakh).

E. Estate Duty :

22. Exemption limit on residential houses used by the successors of the deceased has been proposed to be raised from Tk.5.00 lakhs to Tk.10.00 lakhs (—Tk.1.00 lakh).

Railway Budget for 1979-80

124. The Railway Budget for the year 1979-80 envisages total revenue receipts at Tk. 84.61 crores and revenue expenditure at Tk. 86.38 crores thus showing a nominal deficit of Tk. 1.77 crores. This compares with the revised revenue receipts of Tk. 81.10 crores, expenditure of Tk. 83.64 crores and deficit of Tk. 2.54 crores during 1978-79. The following are the highlights of the Railway Budget :

1. The revenue expenditure of Tk. 86.38 crores includes Tk.76.84 crores for general administration, Tk. 1.05 crores for appropriation to different funds, Tk. 3.30 crores for repayment of principal of foreign loans and Tk. 2.16 crores for interest on foreign loans.

2. In the Annual Development Programme for 1979-80 an amount of Tk. 97.93 crores has been provided for 31 on going and new schemes while an amount of Tk. 35.00 crores has been provided for payment of arrear customs duty and sales tax thus raising the provision to Tk. 132.93 crores.

3. The new budget proposes no increase in the rates of fare and freight of the Railway despite recent rise in prices of diesel by 23 per cent and of furnace oil by 30 per cent.

4. Under the three-year Hard Core Plan and Two-Year Plan, provision was made for procurement of 233 metre guage (MG) and 153 broad guage (BG) passenger carriages. Out of this 199 and 131 carriages have already been procured. The rest are being procured from South Korea, Japan, West Germany, Pakistan and Denmark.

5. Four hundred and nineteen covered wagons and 81 special types of wagons for BG and 406 covered wagons and 31 special types of wagons for MG are being imported from the United Kingdom under a British grant.

6. Arrangement for procurement of 108 special type of wagons for BG and 210 special type of wagons for MG are being finalised under a loan from the Saudi Fund for Development.

7. Under the Hard Core and Two-Year Plans, measures have been taken to rehabilitate track and bridges as well as signalling and telecommunication system of the Railway.

8. The number of passengers carried during 1978-79 are estimated at nine crore two lacs as against nine crore sixty two lacs in the preceding year. The quantum of freight traffic during 1978-79 has been estimated at 31 lakh 57 thousand tons as compared to 35 lac 10 thousand tons last year.

9. The Railway provided additional communication facilities during 1978-79 by providing 6 new long distance trains and by opening 5 new 'D' Class stations.

10. The budget has allocated funds for survey of a number of projects including 4 new schemes and a circular railway line around Dacca city.

Government Borrowings

125. No new Public Loan was floated by the Government of Bangladesh during the year ended 30th June, 1979. The only outstanding Govern-

ment Loan is the 5½% Loan — 1982 floated in October, 1972 amounted to Tk. 63,75,01,000.00.

126. Three months Government Treasury Bills @7% discount per annum stood as on 30.6.1979 at the same level of Tk.57.03 crores as on 30.6.1978. These Bills were re-issued every 90 days.

127. The 6% Special Treasury Bills created to replenish the cash balance of the Government decreased from Tk. 444.00 crores as on 30th June, 1978 to Tk. 407.00 crores on the 30th June, 1979. The Ways and Means Advances of the Bank to the Government as on 30th June, 1979 remained unchanged at Tk.20.00 crores. In addition to the above borrowings, Government debtor balance stood at Tk. 9,12,69,000.00 as on 30th June, 1979 against Tk. 9,39,73,000.00 on 30th June, 1978.

128. Special Treasury Bills @ 6% discount per annum offered with effect from 21.6.1976 for Sale to Non-Banking Institutions stood at Tk. 5,46,50,000.00 as on 30.6.1979 as against Tk. 7,62,65,000.00 as on 30.6.1978.

129. 5% Income Tax Bonds of the erstwhile Pakistan Government held by Bangladesh Nationals/Institutions liabilities for revalidation of which have been accepted by the Government of Bangladesh have been revalidated for face value of Tk. 6.78 lacs during the year ended 30th June, 1979 as against Tk. 23.52 lacs as on 30.6.1978.

130. The amounts of G.P. Notes/Stock Certificate of the erstwhile Pakistan and its provincial Governments Loans and 5% Defence Bonds held by Bangladesh Nationals/Institutions liabilities for redemption/revalidation of which have been accepted by the Government of Bangladesh stood at Tk. 9,89,63,600.00 as on 30.6.1979 as against Tk. 12,14,79,400.00 as on 30.6.1978.

131. The amounts of 5% Non-Negotiable Bonds issued by the Government of the People's Republic of Bangladesh to the Shareholders of

Nationalised Industries as compensation stood at Tk. 7.56 crores as on 30.6.1979 as against Tk. 3.60 crores as on 30.6.1978.

132. Issuing of 8% Bonds against 100 Taka demonetised Notes has been started during the year and the balance stood at Tk.46.94 lacs as on 30th June, 1979.

Bangladesh Savings Certificate and Sanchaya Patras

133. The net outstanding of both Bangladesh Saving Certificate and Bangladesh Sanchaya Patras stood at Tk. 8,66,81,745.00 as on 30th June, 1979 in the Banking Sector against Tk. 9,17,26,970.00 as reported for the year ended 30th June, 1978.

Pratirakkha Sanchaya Patra

134. The net sale of Pratirakkha Sanchaya Patra in the Banking Sector stood at Tk. 29,65,27,300.00 as on 30th June, 1979 against Tk. 22,80, 35,920.00 as on 30th June, 1978. Sales and encashments of Pratirakkha Sanchaya Patra during the year under report were Tk.8,47,71,105.00 and Tk. 1,62,79,725.00 respectively.

Bonus Sanchaya Patra

135. The net sale of Bonus Sanchaya Patra in the Banking Sector stood at Tk.1,03,70,590.00 as on 30th June, 1979 against Tk. 24,27,950.00 as on 30th June, 1978. Sale and encashments of Bonus Sanchaya Patra during the year under report were Tk. 85,64,920.00 and Tk. 3,22,250.00 respectively.

5-year Bangladesh Sanchaya Patra

136. The net sale of 5-year Bangladesh Sanchaya Patras in the banking sector stood at Tk. 2,47,56,380.00 as on 30th June, 1979 against Tk. 89,99,650.00 as on 30th June, 1978. Sales and encashments of 5-year Bangladesh Sanchaya Patras during the year under report were Tk. 1,61,74,580.00 and Tk.4,20,850.00 respectively.

Bangladesh Prize Bonds

137. The 10-Taka Bangladesh Prize Bonds Scheme introduced in June, 1974 continued during the year. Progressive net sales of Prize Bonds amounted to Tk. 6,88,01,740.00 as on 30th June, 1979 against Tk. 6,27,11,670.00 as on 30th June, 1978. Sixteen series of Bonds namely English A, B, C, D, E, F, G, H, J, K, L, M, N, P, Q, R and Bengali Series Ka and Kha have been put on sale upto 30th June, 1979. 26 Prize draws have since been held. Draws are held bimonthly.

CHAPTER IX

BALANCE OF TRADE AND PAYMENTS

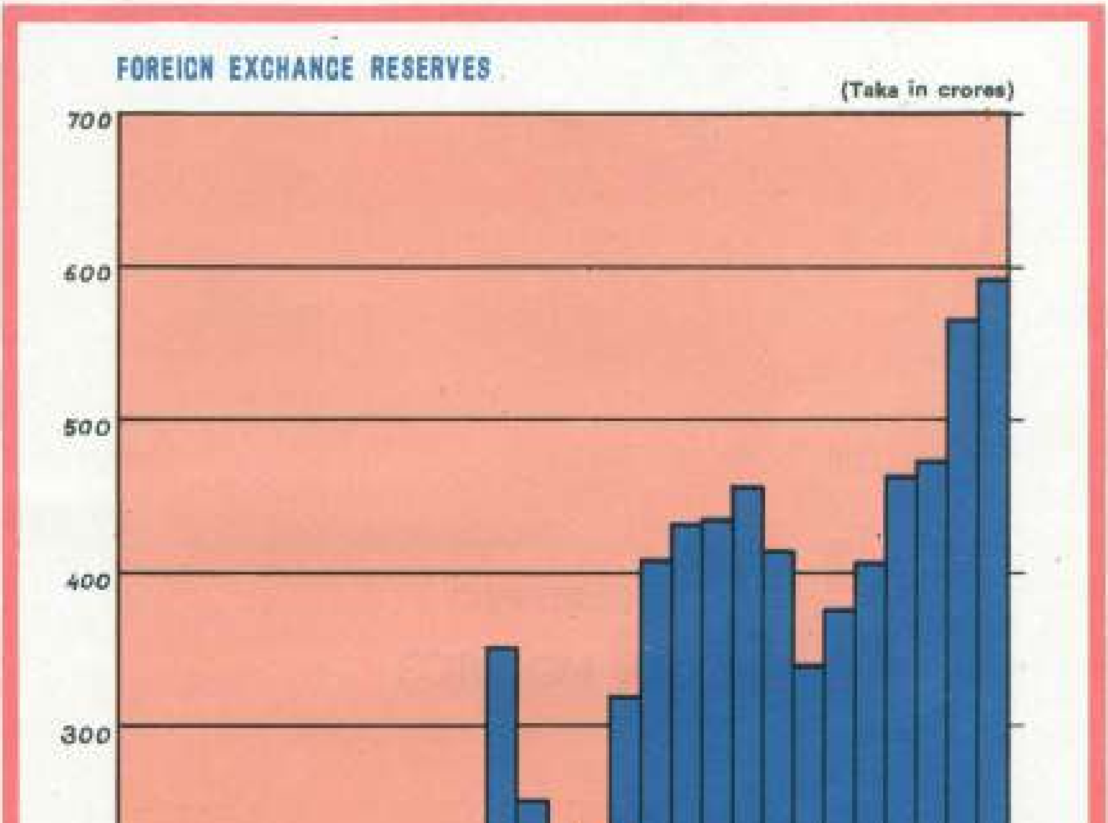
BALANCE OF TRADE AND PAYMENTS

138. The balance of trade (F.O.B. basis) of the country showed some deterioration during July, 1978—March, 1979 as compared to the same period of 1977-78. The deficit on the merchandise account (i.e. visible exports less visible imports) rose to Tk.979.80 crores during the first nine months of 1978-79 from Tk.726.83 crores during the same period of 1977-78. The increase in deficit on merchandise account reflected a sharper rise in imports than in exports. Imports during the period July, 1978 —March, 1979 stood at Tk. 1614.22 crores which was Tk.340.03 crores or 26.69 per cent higher than in the corresponding period of the preceding year. Of the total imports, imports financed by Cash, Barter and Special Trade, Wage Earners' Scheme, Loans/ Credits and Grants amounted to Tk.431.00 crores (26.70%), Tk.72.45 crores (4.49%), Tk.116.65 crores (7.23%), Tk.477.14 crores (29.56%) and Tk.516.98 crores (32.02%) respectively. Long term loans/credits received from foreign Governments/Institutions etc., were utilized for import of food (Tk.19.08 crores), non-food project (Tk.233.90 crores), non-food non-project (Tk.224.16 crores), while food and non-food imports under grants stood at Tk.204.77 crores and Tk.312.22 crores respectively. Export earnings rose from Tk.547.37 crores during July, 1977—March, 1978 to Tk.634.42 crores during July, 1978—March, 1979 denoting an increase of Tk.87.05 crores or 15.90%. This increase reflected in part higher export prices. The services account (i.e. invisible receipts less invisible payments) showed a larger deficit of Tk.215.07 crores during the first nine months of 1978-79 as compared to the deficit of Tk.192.27 crores during the same period of preceding year. The deterioration in the services account was the result of an increase in payments (Tk.79.82 crores) partly offset by an increase in receipts (+ Tk.57.02 crores). The increase in payments occurred under 'shipment' (+ Tk.41.04 crores), 'other transportation' (+ Tk.8.76 crores), 'Travel'

(+ Tk.6.76 crores), 'Investment income' (+ Tk.5.30 crores), and 'Other services and income' (+ Tk.17.96 crores), while receipts were higher under 'Other transportation' (+ Tk. 7.74 crores), 'Travel' (+ Tk.1.44 crores), 'Investment income' (+ Tk.17.17 crores), and 'Other services and Income' (+ Tk.30.67 crores).

139. The overall balance of payments, however, recorded an improvement showing a surplus of Tk.50.77 crores during the first nine months of 1978-79 in contrast to a deficit of Tk.113.19 crores in the corresponding period of 1977-78. The reversal in payments position from a deficit to a surplus was mainly attributable to a marked rise in 'Unrequited Transfers' and net inflow under Capital Transactions partly neutralized by an increase in the deficit under Goods, Services and Income Account. Unrequited transfers recorded a net inflow of Tk.805.31 crores during July, 1978-March, 1979 as compared with Tk.488.68 crores during July, 1977-March, 1978. Of the total unrequited transfers net receipts under "Official Transfers" and "Private Transfers" stood at Tk.648.18 crores and Tk.157.13 crores respectively. Net capital inflow during the period July, 1978—March, 1979 stood at Tk.440.33 crores as compared with Tk.317.23 crores during the corresponding period of the last year. The increase in net inflow of capital was mainly due to increase in net inflow under long-term capital.

140. Foreign Exchange reserves (convertible) increased by Tk.187.37 crores to Tk.592.14 crores (excluding Saudi Grant of Tk.80.00 crores) at the end of June, 1979 from the end of June, 1978 level of Tk. 404.77 crores due partly to receipt of Tk.57.00 crores from IMF under Trust Fund Facility and Special Drawing Rights allocation of Tk.31.28 crores. The other factors which led to the increase in foreign exchange reserves were slower utilization of cash import licences and higher prices of major exports.


FOREIGN EXCHANGE RESERVES
(Taka in crores)
700
600
500
400
300
200
100
0
Jun. Sep. Dec. Mar. Jun. Sep. Dec. Mar. Jun. Sep. Dec. Mar. Jun. Sep. Dec. Mar. Jun. Sep. Dec. Mar. Jun. Sep. Dec. Mar. Jun. Sep. Dec. Mar. Jun.
1972
72-73
73-74
74-75
75-76
76-77
77-78
78-79

CHAPTER X

FOREIGN AID

FOREIGN AID

141. The estimated foreign aid disbursement at $ 1014 million during 1978-79 recorded a considerable increase of 27.4 per cent from the level of $ 796 million in 1977-78. A much larger amount of $ 459 million was disbursed as commodity aid during 1978-79 as compared with $ 329 million of the previous year. Significant improvement also took place in the disbursement of project aid reflecting acceleration in the pace of implementation of aided projects. However, a slight decrease in food aid was recorded for 1978-79 as compared with the previous year. The estimated disbursement of foreign aid in 1978-79 alongwith the comparative figures of previous years is shown in the table below :

DISBURSEMENT OF FOREIGN AID

(Million dollar)

Category	1974-75	1975-76	1976-77	1977-78	1978-79
Food Aid	375	306	107	190	187
Commodity Aid	299	348	187	329	459
Project Aid	145	129	147	254	356
Cash	100	30	61	23	12
Total :	**919**	**813**	**502**	**796**	**1014**

The figures in the above table refer to gross foreign aid disbursement. The repayment of foreign aid (excluding repurchases in respect of drawings from IMF) was estimated to be $ 48 million in addition to interest payment of $ 39 million. Thus, the net inflow of foreign capital amounted to $ 927 million in 1978-79.

External Debt

142. Aid commitment during 1978-79 amounted to $ 1867 million which was 61 per cent higher as compared to $ 1160 million in 1977-78. The total aid commitment since independence till the end of June, 1979 was estimated at $ 8007 million of which $ 3688 million represented grants. Total disbursement during the same period had been $ 5328 million. The total outstanding debt as on December 31, 1978 was $ 4104 million inclusive of an undisbursed amount of $ 1452 million.

CHAPTER XI

TRANSACTIONS WITH IMF

TRANSACTIONS WITH IMF

143. Bangladesh received SDR 30.18 million under the Trust Fund Facilities on July 31, 1979.

144. Bangladesh made the following repurchases in respect of earlier purchases during the year 1978-79.

(Million SDR)

Type of the Fund's Facilities	Year of Purchase	Amount of Repurchase
First Credit Tranche	1973-74	10.90
Second and Third Credit Tranche	1975-76	6.85
Oil Facilities	1974-75	16.09
Total :		**33.84**

145. Outstanding drawings of Bangladesh from the International Monetary Fund stood lower at SDR 207.72 million at the end of June, 1979 as against SDR 211.38 million at the end of June, 1978.

146. Bangladesh received SDR 15.80 million as the first instalment under the Third Basic Period of SDR allocation on January 1, 1979. She also received 26,745 troy ounces of gold worth SDR 0.93 million (valued at SDR 35 per ounce) from the Fund under its Gold Restitution operation during the month of December, 1978.

CHAPTER XII

TRADE POLICY

TRADE POLICY

147. Sustained efforts were made during 1978-79 for boosting the volume of exports of both traditional and non-traditional exportables through expansion of the existing facilities and introduction of some new measures. The Export Policy for 1978-79 provided for extension of special assistance to the establishment and expansion of export-oriented industries (specially those based on indigenous raw materials and having greater processing and value adding potentialities), more assistance in setting up of import-substitution industries intensification of efforts directed to help exporters to market their exportables through dissemination of information, participation in foreign trade fairs, business visits abroad, extension of assistance in quality control of export products etc.

Export Policy and Target

148. While some of the export facilities introduced earlier viz., Export Credit Guarantee Scheme (ECGS), Rebate on Import Duty, Excise and Sales Tax, Selection of an export product having earning potentials as "Export Product of the Year", entitlement of foreign exchange for exporters for travelling abroad etc. continued unchanged, the Export Performance Licence Scheme (XPL) was broadened by adding 11 new items and by enhancement of entitlements in respect of 7 items. The total number of items under this Scheme stood at 74 during 1978-79 as compared to 63 in the preceding year. The Government selected 'Finished Leather and Leather Products' as the Export Product of the Year 1978-79 instead of 'Deep Sea Fishing and Marine Products' of last year.

149. The new export promotional measures included the formation of a Task Force under the Export Coordination Unit (ECU) to monitor progress of the promotional measures. Besides, arrangements were made for participation in trade fairs abroad, observance of Bangladesh Commodity

Weeks in some countries, and opening of display/display-cum-sales centres in the premises of selected Missions abroad.

150. Export target for 1978-79 was fixed at Tk. 900 crores. Actual export earnings during 1978-79 stood at Tk. 917.31 crores which was Tk. 17.31 crores more than the target and was Tk. 176.70 crores higher than the actual earnings of Tk. 740.61 crores during 1977-78. The encouraging performance of the export sector was attributable mainly to favourable price situation of our jute, jute goods and leather in the international market.

151. As regards the export earnings from our major export items, jute goods figures as the largest export item fetching Tk. 415.89 crores (45 per cent of total earnings) followed by raw jute which earned Tk. 216.01 crores (24 per cent) during the year as compared to Tk. 373.50 crores (50 per cent) and Tk. 145.40 crores (20 per cent) respectively during 1977-78. Despite considerable decline in the volume of exports, the export earnings from jute goods increased, reflecting higher international prices. Earnings from non-jute items excepting tea during 1978-79 amounted to Tk. 223.36 crores during the year showing an increase of Tk. 69.57 crores or 45 per cent as compared to the preceding year. The export earnings from tea during 1978-79, however, stood lower at Tk. 62.05 crores (7 per cent) as compared to Tk. 67.91 crores (9 per cent) during last year. Earnings from tanned/semi-tanned leather including leather goods at Tk. 115.84 crores and frozen food at Tk. 53.20 crores respectively during the year under report registered growth of 70 per cent and 82 per cent respectively. Besides, packet tea, M.S. plates, copper wire and household linen were exported from Bangladesh for the first time.

152. With a view to enabling the importers to make better import planning of and thereby ensuring smooth and regular supply of raw materials and other imported commodities throughout the year, the import Policy for 1978-79 was announced for the first time on annual basis, instead of half-yearly basis. Besides, the allocations made under the Policy aimed at augmenting the supply of consumer goods and ensuring adequate supply of

industrial raw materials and spares for boosting industrial production with emphasis on export-oriented industries. The allocations for the raw materials and spares for industrial sector were about 78 per cent of the total import allocation in 1978-79 as against 79 per cent in the preceding year. The shares of private and public sector in the import programme for industrial raw materials and spares were 30 per cent and 48 per cent respectively as against 29 per cent and 50 per cent during 1977-78. Allocations under the Open General Licence (OGL) scheme were raised by 50 per cent to Tk. 60.00 crores over 1977-78. Similarly, the allocations for cement, C.I. sheets, billets, edible oil etc. were raised in view of the importance of these commodities in the national economy. The share of the Trading Corporation of Bangladesh in the total import trade remained at 5 per cent as in the previous year. Separate allocations of Tk. 10.00 crores and Tk. 3.00 crores were made for the import of raw materials and spares for the export-oriented industries, and for small industries in the less developed areas of the country respectively. Commercial importers and industrial units were allowed to import spares and raw materials under the Wage Earners' Scheme (WES).

Import Policy

Import Target and Performance

153. Total allocation of Tk. 1450 crores (subsequently raised to Tk. 1500 crores) for merchandise imports excluding food, defence goods and imports under project aid and also imports of fertilizer, part of edible oil and commodities required for development projects was 20.83 per cent higher than the actual utilization during 1977-78. Actual utilization under the import policy during 1978-79 has been estimated at Tk. 1393.00 crores of which Tk. 680.00 crores (48.82 per cent) were from own cash foreign exchange resources; Tk. 453.00 crores (32.52 per cent) were from external loans and grants; Tk. 100.00 crores (7.17 per cent) were from barter and Tk. 160.00 crores (11.47 per cent) were from the Wage Earners' Scheme. Of the total import under the Wage Earners' Scheme, which was 33.33 per cent higher than in the previous year, industrial raw materials, clothes, old garments and other goods constituted about 32 per cent, 21 per cent, 9 per cent and 38 per cent respectively.

TRADE AND PAYMENTS AGREEMENTS

154. Bangladesh entered into seven new trade agreements with different countries during 1978-79. All of them were barter trade agreements.

155. Bangladesh entered into a barter trade agreement with the Socialist Republic of Vietnam on July 21, 1978. Under the agreement, Bangladesh will export jute yarn and jute bags, rayon yarn and copper wire against the import of coal, rubber and rubber products, edible oil etc. from Vietnam.

156. Bangladesh-Poland barter trade protocol which was concluded on September 14, 1978 provides for exports of raw jute, jute goods, tea, hides and skins, specialised textiles, readymade garments, canned pineapples, spices, tobacco, timber, paper and paper products, handicrafts, cellophane, soap and detergents etc. against the imports of corrugated iron sheets, dyes and chemicals, rape-seed oil, ball and ballbearings, refractory materials, electrical equipments and spare parts, tube-well materials, construction and building meterials, tools and workshop equipments etc. from Poland.

157. Another barter trade protocol was concluded with Czechoslovakia on November 6, 1978. The protocol provides for exports of raw jute and jute manufactures, tea, tanned and semi-tanned leather, specialised textiles, spices, readymade garments, tobacco, handicrafts, soap and detergents etc. from Bangladesh and imports of electrical equipments, diesel engines, cold-storage plants and equipments, hospital/laboratory and scientific equipments and accessories and spare parts thereof, raw films, auxiliary materials for ceramic industry, fertilizers and C.I. sheets etc. from Czechoslovakia.

158. Bangladesh-Romania barter trade protocol signed on October 30, 1978 provides for the exports of raw jute, jute yarn, jute goods, tea, hides and skins, newsprint, handicrafts, coir products and other miscellaneous items such as timber, rice, tobacco, drugs and chemicals etc. from Bangladesh against the imports of mineral oils, soda ash, spare parts for ambulance, diesel engines, ball and ball-bearings, fertilizers, spare parts for diesel locomotives etc. from Romania.

159. A barter trade agreement was signed between Bangladesh and North Korea on November 28, 1978. Under the agreement Bangladesh will export to Korea jute and jute products, hides and leather, paper and newsprint, soap and detergents, enamelled copper wire, glycerine and chemicals. Bangladesh in turn will import from Korea cement, magnesia clinker, pig iron, steell billet, coal, machinery and tools, chemicals etc.

160. Bangladesh and China entered into a barter trade protocol on December 10, 1978. The protocol provides for exports from Bangladesh of raw jute and jute goods, hides and skins, sugar, newsprint, paper pulp, timber particle and hard board, rayon and cellophane etc. against the imports of M. S. billets, pig iron, cement, coal, refractory materials, dyes and chemicals, light industrial prducts, machinery and equipments etc. from China.

161. Another barter trade protocol was signed with the U.S.S.R. on December 28, 1978 for a period of one year. Under the protocol, the exportable items from Bangladesh are raw jute, jute manufactures, tea, goat skins, cables, footwear, coir fibre, specialized textiles, readymade garments, tobacco, timber, handicrafts, books and periodicals, cinematographic films etc. The imports from Russia include machinery equipment and their spare parts, ball bearings, ingot moulds, pig iron, steel billets, cotton, kerosene, cinematographic films, books and periodicals etc.

CHAPTER XIV

TRENDS IN EXPORT COMMODITIES

TRENDS IN EXPORT COMMODITIES

Jute

162. The raw jute supply situation in the country during 1978-79 recorded considerable improvement following the increase in production over the level of last year. Production of raw jute during 1978-79 stood higher at 67.73 lakh bales as compared to the actual production of 55.08 lakh bales in the previous year. This increase in production was due mainly to higher coverage of jute land by about 11 per cent to 20 lakh acres during the year following the favourable movement of jute/rice price ratio. As a result, the total availability of raw jute, including the carryover of 6.92 lakh bales, stood higher at 74.65 lakh bales as compared to the actual availability of 57.53 lakh bales in the preceding year.

163. With the increase in production of raw jute, prices in internal market recorded declines during 1978-79. The annual average price of unassorted loose jute in primary markets during 1978-79 stood lower at Tk. 134.57 per maund as compared to Tk. 159.28 per maund last year.

164. Arrivals of raw jute in the country's secondary markets during 1978-79 stood higher at 57.40 lakh bales as compared to 54.08[R] lakh bales during 1977-78.

165. Export sales registration of raw jute during 1978-79 stood substantially higher at 32.01 lakh bales as compared to 14.29 lakh bales in the preceding year. The sales registration of raw jute sharply increased by 13.44 lakh bales during the month of June, 1979 in apprehension of a shorter than anticipated jute crop during 1979-80 following a long spell of unprecedented drought. Actual shipments of raw jute during 1978-79 also stood higher at 19.67 lakh bales as compared to 16.67 lakh bales during 1977-78.

R = Revised

However, slower movement of raw jute exports as compared to the volume of sales registration was due mainly to the fact that sales commitments mostly commenced in the last month of the year. Total foreign exchange earnings from export of raw jute during 1978-79 stood higher at Tk. 216.01 crores as compared to Tk. 145.40[R] crores during last year.

166. Raw jute price in the terminal market at Narayanganj for white X-Bottom grade which stood at Tk. 195.00 per maund on the 1st July, 1978 declined to Tk. 175.00 per maund on the 10th July, 1978 and further to Tk. 130.00 per maund on the 24th April, 1979. Thereafter, the price tended to increase from the 25th May, 1979 and finally reached the closing level of Tk. 155.00 per maund on the 25th June, 1979. In the pucca bale section, the price of B.W.D. grade which stood at Tk. 1080.00 per bale on the 1st July, 1978 declined sharply to Tk. 980.00 per bale on the 10th July, 1978 and to Tk. 930.00 per bale on the 17th July, 1978. The price further declined to Tk. 800.00 per bale on the 24th April, 1979. Thereafter, the price started rising from the 25th May, 1979 and reached the closing level of Tk. 985.00 per maund on the 25th June, 1979.

167. The export price of B.W.D. grade which stood at £ 220 per ton on the 1st July, 1978 declined to £ 208 per ton on the 5th January, 1979 and further to £ 194 per ton on the 23rd May, 1979. The quotation thereafter, increased to £ 200 on the 18th June, 1979 to close the year at the same level.

Jute Goods

168. Production of jute goods in the country's jute mills during 1978-79 had been considerably lower as compared to the previous year due mainly to power stoppages, prolonged clossure of mills owing to the labour unrest and production of lighter fabrics (wool packs, light hessian etc.) to meet the overseas demand. As a result, the cumulative production of jute manufactures during 1978-79 stood substantially lower at 5.01 lakh tons as compared to 5.46 lakh tons in the preceding year. There were, on an average, 25,903 installed looms of which 23,076 looms or 89% operated during the year under report.

R=Revised

169. Export sales of jute goods registered with the Bangladesh Bank during the year stood at 5.23 lakh tons as compared to 5.06 lakh tons during 1977-78. The cumulative exports of jute goods during the year stood substantially lower at 4.59 lakh tons as compared to 5.22 lakh tons in the preceding year. Lower shipments of jute goods during the year were mainly due to lower production of jute goods during 1978-79. Total foreign exchange earnings from the export of jute goods, however, stood higher at Tk. 415.89 crores as compared to Tk. 373.50[R] crores in the preceding year mainly due to the substantial increase in export prices of jute goods and successive depreciations of the value of Taka vis-a-vis pound sterling during the year.

170. Stock of jute goods (including sold, unsold and stock-in-transit) as on June 30, 1979 stood lower at 0.49 lakh tons as compared to 0.60 lakh tons on the corresponding date of the preceding year.

Tea*

171. The production of tea during 1978-79 at 79.43 million lbs. declined by 1.75 million lbs. as compared to production during 1977-78. The lower production of tea during the season 1978-79 was mainly due to unfavourable weather conditions which prevailed during the most part of the year. Total availability of tea during the 1978-79 season with a carryover of 26.26 million lbs. stood at 105.69 million lbs. as against 105.54 million lbs. which included a carryover of 24.36 million lbs. during the previous season.

172. The Chittagong tea market depicted a mixed trend during 1978-79. Prices of most of the varieties of tea remained lower at the beginning of the year but thereafter registered sharp increases following a keen competition between exporters and internal buyers. However, with the exception of few best varieties prices of tea showed a declining trend from the end of

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* According to the Bangladesh Tea Board, tea season will henceforth begin from the month of July instead of April in keeping with the import and export policies and fiscal year of the country.

R = Revised.

November, 1978, mainly due to the influence of India's reduction in export duty on tea. In all, 23 auctions were held during the season 1978-79 in which a total quantity of 74.78 million lbs. of tea was sold at an average price of Tk. 8.49 per lb. This compared with 66.26 million lbs. sold at an average price of Tk. 7.64 per lb.

173. Due to absence of some important buyers from abroad for most of the year under report as well as poorer varieties on offer export of tea both in terms of value and volume recorded a decline. The quantity of tea exported during 1978-79 stood at 59.99 million lbs. valued at Tk.62.08 crores as against an export of 63.11 million lbs. valued at Tk.67.91 crores during 1977-78. The decrease in foreign exchange earning from export of tea during 1978-79 by about 5% as compared to previous year's level was due to a decrease of about 11% in price of tea in the world market.

Hides and Skins

174. The hides and skins market generally depicted an uptrend during 1978-79. The prices of cow-hides (wet salted heavy) which opened at Tk. 14,000—Tk. 14,500 per hundred pieces gradually declined to Tk. 9,500—Tk. 13,000 per hundred pieces on the 28th August, 1978. Thereafter, the prices steadily increased to Tk. 21,000—Tk. 23,000 per hundred pieces on the 12th March, 1979 but finally closed the year at Tk. 20,000—Tk. 25,000 per hundred pieces. The price of buffalo hides opening at Tk. 15,000—Tk. 20,000 per hundred pieces increased to Tk. 17,500—Tk. 22,500 per hundred pieces on the 16th October, 1978 and after ruling unchanged at that level for sometime the price increased further to Tk. 20,000—Tk. 25,000 per hundred pieces by the 15th December, 1978. Thereafter, amidst fluctuations the price increased to Tk. 22,000—Tk. 25,000 per hundred pieces but finally declined to Tk. 20,000—Tk. 25,000 per hundred pieces on the 11th June, 1979 and remained at that level till the close of the year. The price of sheep skins which stood at Tk. 1,500—Tk. 1,600 per hundred pieces on the 1st July, 1978 gradually declined to Tk. 1,100—Tk. 1,200 per hundred pieces by the 18th September, 1978. Thereafter, the price amidst fluctuations reached the peak level of Tk. 3,400—Tk. 3,600 per hundred pieces on the 24th April 1979 but finally declined to close the year at

Tk. 2,700—Tk. 3,000 per hundred pieces. The price of goat skins which opened at Tk. 4,200—Tk. 5,000 per hundred pieces decline to Tk. 3,500—Tk. 4,500 per hundred pieces on the 7th August, 1978. Thereafter, the price steadily increased over the remainder of the year to reach the closing level of Tk. 7,000—Tk. 11,000 per hundred pieces by the 11th June, 1979. The steep uptrend in hides and skins market during 1978-79 may be attributed to the facts that while the international price of this commodity increased, the Government took various measures to augment export of this item, which included (a) declaration of finished leather and leather products as the Export product of the year, (b) enhancement of XPL entitlement to 30 per cent and (c) extension of liberal credit facilities.

175. Bulk of the exports of hides and skins during the year was in the form of tanned and semi-tanned leather. The earnings from exports of leather (including hides and skins) during 1978-79 stood at Tk. 121.07 crores as compared to the export target of Tk. 70.25 crores. The export earnings from hides and skins had stood at Tk. 70.00 crores during 1977-78.

Frozen Food

176. Frozen food which includes shrimps, frog legs and fish showed a rise in export of about 82 per cent over the preceding year to Tk. 53.20 crores in 1978-79. This, however, was about 11 per cent lower than the target of Tk. 60.00 crores set for the year. Out of the total exports under this group export of shrimps and prawns alone accounted for Tk. 43.77 crores or 82.3 per cent.

Handicrafts

177. Export earnings from handicrafts have been increasing steadily over the years and in 1978-79 export earnings amounted to Tk. 3.89 crores compared to Tk. 2.64 crores in 1977-78. This, however, was about 3% lower than the target of Tk. 4.00 crores set for the year 1978-79.

Spices, fresh fruits and vegetables

178. Export earnings from spices and fresh-fruits and vegetables amounted to Tk.1.97 crores and Tk. 0.57 crore respectively against the target of Tk. 3.00 crores for both these products. The shortfall has been partly due to the temporary restrictions imposed by government on the export of these items due to shortages in domestic supplies.

CHAPTER XV

EXCHANGE RATE POLICY AND DEVELOPMENTS IN EXCHANGE CONTROL

EXCHANGE RATE POLICY

179. The practice of making suitable adjustments from time to time in the external value of Taka, keeping in view the fluctuations in the exchange rate of pound sterling vis-a-vis other currencies especially U.S. dollar in the major international markets, continued during 1978-79. Consequent on the changes in the exchange rate relationship between the pound sterling and the U.S. dollar, the official exchange rate of Taka in relation to its intervention currency—the pound sterling were refixed on the following dates during the year 1978-79, in order to maintain a relatively stable cross rate of Bangladesh currency in relation to the U.S. dollar.

TAKA/£ STERLING MIDDLE RATES

Period			Rate		
August	22,	1978	Tk. 28.525	=	£ 1.00
September	18,	1978	Tk. 29.525	=	£ 1.00
October	23,	1978	Tk. 30.525	=	£ 1.00
January	15,	1979	Tk. 31.125	=	£ 1.00
April	16,	1979	Tk. 32.025	=	£ 1.00
May	28,	1979	Tk. 33.00	=	£ 1.00

180. The spot and forward buying and selling rates of the Bangladesh

Bank were also adjusted on the above mentioned dates with usual margins around the middle rates. These rates were as follows :—

BUYING AND SELLING RATES

(In Taka)

Date			Buying per £ sterling		Selling per £ sterling	
			Spot	Forward upto 6 months	Spot	Forward upto 6 months
August	22,	1978	28.50	28.50	28.55	28.6571
September	18,	1978	29.50	29.50	29.55	29.6608
October	23,	1978	30.50	30.50	30.55	30.6645
January	15,	1979	31.10	31.10	31.15	31.2668
April	16,	1979	32.00	32.00	32.0500	32.1701
May	28,	1979	32.9750	32.9750	33.0250	33.1488

Free Market for Wage Earners' Remittances from abroad

181. A daily auction system for disposal of the Wage Earners' remittances received in the country has been developed. The rates of major currencies like U.S. dollars and pound sterling are determined in the auctions on free play of market forces of demand and supply. The idea for developing a free market for funds received through the Wage Earners' Scheme is to keep the rate for such funds in terms of Taka as attractive as possible to the Wage Earners. The auction sale accounts for about 20/25 per cent of the total Wage Earners' remittances received from abroad. The balance of the remittances is disposed of through bilateral deals between the sellers and buyers in the market. However, the rates in these bilateral deals are substantially influenced by the auction

rates. The auction rates for U.S. dollar and pound sterling during the year 1978-89 are given below :

AUCTION RATES

(In Taka)

Rate for	As on 30.6.78	30.9.78	31.12.78	31.3.79	30.6.79
US $	18.98	20.40	19.50	20.07	19.92
£ Sterling	35.00	40.07	38.70	41.10	42.50

DEVELOPMENTS IN EXCHANGE CONTROL

182. The following important measures were taken in the field of exchange control and management during 1978-79.

I. Amendment/Modifications of Export Regulations :

(a) With effect from the 23rd August, 1978 all export transactions under barter, Special Trade Agreements (STAs) and special credits having barter components were to be conducted at the rate of exchange prevailing on the date of contract between the buyers and sellers irrespective of the date of shipment or negotiation of export documents.

(b) All contracts for export of raw jute under barter, STA/special credits having barter component were to be registered with the Bangladesh Bank on EPC forms in the currency of contract provided the price quoted is at least equivalent to the minimum export price worked out by conversion of the currency at the ruling rate of exchange.

(c) The limit for taking out of personal jewellery from Bangladesh by outgoing passengers was revised as follows : (i) An adult female person permanently residing in Bangladesh could carry personal jewellery worth Tk. 20,000.00 of which value of gold contents does not exceed Tk. 15,000.00 while travelling to countries other than the six neighbouring countries viz. India, Pakistan, Srilanka, Nepal, Bhutan and Burma. The permissible limit for taking out of such jewellery for the six neighbouring countries is Tk. 3,000.00 provided that the value of the gold content does not exceed Tk. 2,000.00; (ii) An adult male person or a minor permanently residing in Bangladesh could carry personal jewellery valuing Tk. 5,000.00 of which value of gold contents does not exceed Tk. 3,500.00 while travelling to 15 countries other than the aforesaid neighbouring countries for which the limit is Tk. 1,000.00 with gold content not exceeding Tk. 700.00 and (iii) Persons not ordinarily resident in Bangladesh may take out precious stones and jewellery other than articles made wholly or mainly of gold purchased in Bangladesh upto Tk. 10,000.00 in value in addition to those previously brought in by them with the permission of the customs authority.

(d) Beginning from the 1st January, 1977 all foreign controlled tea companies including the Sterling Tea Estate Companies which used to prepare accounts in pound sterling, would prepare their accounts in Taka and apply to the Bangladesh Bank for profit remittance/payment of dividend through the Authorised Dealers after getting their accounts audited by the local auditors.

II. Import Trade :

(a) General authority was given to Authorised Dealers to make remittance of bank charges upto Tk. 1,000.00 against any particular Letter of Credit, Authorization Form/Import Licence without prior approval of the Bangladesh Bank. Previously the limit was Tk. 500.00 or 1% of the licence value whichever was less.

(b) Instructions were also issued to Authorised Dealers to ensure that regardless of the source of financing, all import bills drawn under Letters of Credit are lodged on the day of receipt, if they are otherwise in order. In respect of discrepant bills sent on collection basis lodgements were to be made on the day of acceptance by the drawees.

III. Amendment/Modification of Rules of Operation of Funds under the Wage Earners' Scheme:

(a) In order to overcome the problem arising from delay which occurs quite frequently in collection of foreign currency proceeds of drafts etc. under the Wage Earners' Scheme Authorised Dealers were advised that in case they were satisfied about the genuineness of the instruments they would themselves purchase such drafts and similar instruments upto U.S. $ 2000 and £ 1000 without any formal request from the account holders or their nominees for crediting the proceeds to the relative foreign currency accounts. In such cases Authorised Dealers are allowed to charge a commission of Tk. 0.10 per U. S. dollar and Tk. 0.15 per pound sterling in foreign currency by debit to the respective Foreign Currency Account.

(b) With a view to facilitating imports under the Wage Earners' Scheme all remittances from Bangladesh for imports were subject to opening of irrevocable documentary Letter of Credit against balances in F. C. Accounts or Import Licences issued under the Wage Earners' Scheme or inward remittance under the Scheme. Authorised Dealers were, however, allowed to make remittance against imports under the Wage Earners' Scheme on D. P. basis provided all requisite import documents were received by them direct from supplier's bank abroad. Authorised Dealers were also advised to allow conversion of pound sterling into U.S. dollar and vice versa covering genuine trade transactions under the Wage Earners' Scheme on realisation of charges from the customers at the following rates :

(i) Commission @ $\frac{1}{16}$ of 1%;

(ii) Telex/cable charges @Tk. 100 per conversion.

(c) The banks were authorised to open Letters of Credit covering imports of goods from India under the Wage Earners' Scheme by land route without prior approval of the Bangladesh Bank subject to the condition that the negotiation of document would be made on production of the following documents :

(i) Indian application for export duly passed by Indian customs.

(ii) Exchange control copy of import application/certified invoice duly passed by the Bangladesh customs.

Payments under such Letter of Credit were, however, not to exceed the amount certified by the Bangladesh customs.

(d) It was decided that the foreign industrial concerns registered/ incorporated in Bangladesh and engaged in manufacturing would be allowed to import the following items under the Wage Earners' Scheme:

(i) Industrial raw-materials;

(ii) Machinery or equipment and spares for replacement, balancing and modernisation;

(iii) Import of cars upto permissible c.c. limit only for use of the employees of such foreign firms.

(e) With a view to enlarging the scope of the Wage Earners' Scheme the following two types of remittances were included :

(i) Remittances received in foreign exchange by Bangladesh nationals resident in Bangladesh for research work or special studies in projects located abroad ;

(ii) Cash reward in foreign exchange received by Bangladeshis resident in Bangladesh from International Organisations/ foreign Governments for outstanding services.

The applications for grant of Wage Earners' benefit in those cases were required to be submitted to the Bangladesh Bank for consideration.

IV. Travel Policy :

(a) The requirement of the Bangladesh Bank's prior approval on Form 'P' for booking passage by the Airlines for travel to destinations abroad by Bangladesh nationals which was kept in abeyance with effect from the 7th September, 1978 was reintroduced with effect from the 11th December, 1978.

(b) Airlines, travel agents and tour operators were advised that package tours or any other arrangement resembling a package tour involving provision of facilities abroad such as surface transportation, accommodation, sight-seeing etc. to the participants must not be organised or caused to be organised without prior permission of the Bangladesh Bank.

(c) Regarding booking of passage for foreign ships' crew of foreign nationality the Airlines/IATA approved travel agents were allowed to book outward passages in favour of foreign ships' crew of foreign nationality, without prior approval of the Bangladesh Bank, against inward remittance or by debit to the foreign shipping company's account maintained in Bangladesh in the name of the company or shipping agent, subject to the observance of instructions contained in the Exchange Control Manual.

V. Hajj Arrangement :

Necessary arrangements were made for extending travel facility and release of foreign exchange quota to 7,000 Hajj Pilgrims during 1978-79. Arrangement was also made for release of foreign exchange quota to the pilgrims by means of Riyal drafts encashable at Saudi Arabia. All the nationalised commercial banks were allowed to open special booths in the Haji Camps to release foreign currency to the pilgrims. In addition to persons sent by the Government to perform Hajj under official arrangement, other persons desirous of performing Hajj outside the official arrangement were given the facility of drawing upto U.S. $ 1050 from Foreign Currency Account under the Wage Earners' Scheme to meet their requirement of foreign exchange in Saudi Arabia provided the journey to Saudi Arabia was undertaken by Biman.

VI. Introduction of Spot Selling and Forward Purchase of DM and Yen by the Bangladesh Bank :

(a) The Bangladesh Bank commenced spot sale of Deutsche Mark and Japanese Yen to the Authorised Dealers with effect from the 27th April, 1979. The rates for spot sales are the cross rates between Bangladesh Bank's spot selling rate of Pound Sterling and closing selling rates of Deutsche Mark and Yen in the London Market, as in case of sale of U. S. Dollar.

(b) Two procedure for sale of D.M. and Japanese Yen by Bangladesh Bank was also rationalised. The revised arrangement envisaged that when forward rate of any of these currencies was at a premium and the contract with the Bangladesh Bank was for six months delivery, payment would be made by the Bangladesh Bank to Authorised Dealers at the contracted rate if delivery is made any time during the 6th month. For deliveries made on the 3rd, 4th or 5th month, 3 months' premium obtaining on the date of booking would be applied to work out the rate; for any earlier delivery, payment would be made at the spot rate. Similarly, for 3 months' contract, payment would be made at the contracted rate, that is with 3 months' premium, if delivery is made on the 3rd month; for any earlier delivery, payment would be made at the spot rate.

CHAPTER XVI

ASIAN CLEARING UNION

ASIAN CLEARING UNION

183. Transactions under the Asian Clearing Union Arrangements relating to Bangladesh increased to some extent during the year 1978-79. In all 32 inward remittances for a total amount of AMUs 7,59,913.96 (Tk. 1,51,12,199.78) were received out of which 21 remittances for a total amount of AMUs 51,595.94 (Tk. 10,15,240.16) were from Sri Lanka, 6 for a total amount of AMUs 6,17,510.75 (Tk. 1,22,94,001.86) from India and the remaining 5 for a total of AMUs 90,807.27 (Tk. 18,02,957.76) from Nepal. There were 10 outward remittances from Bangladesh for a total amount of AMUs 72,017.71 (Tk. 14,06,354.82). Out of them 8 remittances for a total amount of AMUs 71,891.31 (Tk. 14,03,858.49) were to Sri Lanka and the remaining 2 for a total of AMUs 126.40 (Tk. 2,496.33) to Pakistan.

184. The Governor, Bangladesh Bank as the Chairman of the Board of Directors of the Asian Clearing Union for the year 1979 presided over the 7th Meeting of the Board of Directors held at the Bangladesh Bank during May 21-22, 1979. Directors/Alternate Directors/Representatives of all the seven participating central banks attended the meeting. A representative from the ESCAP was also present. The Board discussed in detail the operational aspects of the Union and considered various measures aimed at further enlarging the volume of business channelled through the Clearing, as also expanding the membership of the Union. The Board was of the view that there could be simplification of procedure for routing payment through the Union to make use of the clearing facilities easier and more attractive to the participating banks. A revised procedure was proposed and discussed in the meeting and it was decided that the Technical Committee of the Union should meet within the next three months to examine the proposed new procedure and give its recommendation for the consideration of the Board at its next meeting.

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CHAPTER XVII

CURRENCY AND COINAGE

CURRENCY AND COINAGE

New Bank Notes

185. New 50-Taka Bank-notes printed on superior quality Bank-note paper with security thread and mould-made water mark were put into circulation with effect from the 4th June, 1979. The main design feature of the note is an engraved picture of the famous "Sat Gambuj Mosque" on the obverse and a picture of the typical tea garden scene on the reverse. The predominant colour of the note is dark orange.

186. New 10-Taka Bank-notes printed on similar superior quality paper as the 50-Taka notes were also issue to circulation during the year under review. These notes are of similar designs and specifications as the existing 10-Taka note except for the picture of the "Star Mosque" which has been replaced with the picture of the "Atia Jami Mosque".

187. The predominant colour of the new 10-Taka notes is the same as that of the existing 10-Taka notes i.e. maroon.

Coinage

188. Small coins in circulation as on the 30th June, 1979 amounted to Tk. 16.77 crores as against Tk. 13.52 crores as on the 30th June, 1978. This was in addition to Tk. 24.93 crores worth of Taka One Note and Taka One Coins in circulation as on the 30th June, 1979 as against Tk. 23.46 crores on the 30th June, 1978.

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CHAPTER XVIII

ADMINISTRATION

ADMINISTRATION

Change in the Board of Directors

189. During the year Mr. Habibur Rahman Bhandari has been nominated by the Government and taken in as a Director of the Board in place of Mr. Mirza Gholam Hafiz who resigned from the office of the Director of the Board.

Appiontments

190. The following appointments in different grades were made during the year :

i)	Officer Class—I Selection Grade	..	2
ii)	Officer Class—I	..	12
iii)	Clerical and other staff	...	403

Welfare Activities

191. The new Pay Scales announced by the Government under the Services (Banks and Financial Institutions) (Pay and Allowances) Order, 1978 have been implemented in the Bank.

192. An amount of Tk. 2,02,000.00 was sanctioned during the year for various welfare and recreational activities of the employees. Further, an amount of Tk. 1,34,000.00 was sanctioned during the year for awarding stipends to children of 'D' category employees of the Bank.

193. A new Staff Bus has been procured to carry Staff/Officers of the Bank. It is running between Dacca and Narayanganj.

194. Construction of overbridge connecting the Main Building with the Annexe Building at Dacca has been started.

Office Accommodation

195. Construction of 7 storied Main and 3 storied Annexe Building for office accommodation at Bogra is in progress.

196. Piling work for construction of 7 storied office building at Sylhet is in progress.

197. Construction of a dome-type incinerator at Khulna has been completed.

Residential Accommodation

198. Construction of 40,000 gallons capacity underground R.C.C. water tank at Motijheel Staff Quarters, Dacca and 20,000 gallons capacity underground R.C.C. water tank at Minto Road Officers' Quarters, Dacca have been completed.

199. 20,000 gallons capacity underground R.C.C. water tank of the Officers' Quarters, Banani, Dacca is nearing completion.

200. 35 Bighas of land at I. G. Bagan, Dacca has been purchased from D.I.T. for construction of Officers'/Staff Quarters.

201. Construction of 10 additional flats on the existing Officers' Quarters at Banani, Dacca is nearing completion.

202. Construction of the 2nd floor of the Community Building at Motijheel Staff Quarters, Dacca which has been alloted to Bangladesh Bank High School has been completed and handed over to the School Committee.

203. Construction of 24 flats over six 'G' type buildings, 4 flats over two 'D' type buildings and 8 flats over one 'H' type building at Agrabad Staff/Officers' Quarters, Chittagong is nearing completion.

204. Work relating to the acquisition of 10.75 acres of land for construction of Officers'/Staff Quarters at the Bank's Sylhet Centre is in progress.

Training of Bank Officials

205. The Bank made arrangement for participation of 19 officers from the Bangladesh Bank in different training courses/ seminars in foreign countries under Technical Assistance Programme and other programmes including courses offered by the IMF Institute, Washington.

206. Arrangements were made for training of 84 officers of the Bank under domestic training programmes organised by different Institutions in the country.

207. Arrangements were also made for on-the-job training in the Bangladesh Bank for 13 Government Officers (Probationers).

208. The Bank also conducted the In-Service Training Programme for 100 newly promoted Officers Class-II, 54 Officers Class-I of the Bank also received In-Service Training.

Training Academy

209. A training academy in the style of „Bangladesh Bank Training Academy" has been established for the purpose of giving proper training facilities to the Officers and staff of the Bank.

Board Meetings

210. During 1978-79 seven meetings of the Board of Directors and two meetings of the Executive Committee were held.

CHAPTER XIX

ANNUAL ACCOUNTS

ANNUAL ACCOUNTS

211. The Balance Sheet of the Issue Department as on the 30th June, 1979 appears on pages 148-149 of the Report.

Issue Department

212. Total notes issued as on the 30th June, 1979 amounted to Tk. 651.95 crores as against Tk. 534.41 crores as on the 30th June, 1978. Assets against the notes issued included gold worth Tk. 7.38 crores, Special Drawing Rights held with the International Monetary Fund worth Tk. 19.70 crores., Approved Foreign Exchange of Tk. 200.00 crores, Taka Coin worth Tk. 6.31 crores, Government of Bangladesh Securities worth Tk. 193.06 crores and Internal Bills of Exchange and Other Commercial Papers of Tk. 225.50 crores. The corresponding figures of assets against note-issue as on the 30th June, 1978 were Approved Foreign Exchange of Tk. 200.00 crores, Taka Coin worth Tk. 7.77 croresand Government of Bangladesh Securities worth Tk. 326.64 crores.

Banking Department

213. The Balance Sheet of the Banking Department as on the 30th June, 1979 appears on pages 150-151. On the liabilities side, balances in the Statutory Funds have been increased by appropriation of Tk. 8.25 crores as mentioned in the paragraph relating to the Profit and Loss Accounts. Banks' Deposits increased to Tk. 162.91 crores as on 30th June, 1979 as against Tk. 116.13 crores as on the 30th June, 1978. "Other Deposits" including I.B.R.D., I.M.F., OPEC Special Fund Deposits etc. stood at Tk. 538.88 crores as against Tk. 370.75 crores as on the 30th June, 1978.

214. On the Assets side, "Balances held outside Bangladesh" increased to Tk. 365.74 crores as on the 30th June, 1979 as against Tk. 204.78 crores a year ago. While "Loans and Advances to Government" remained unchanged at Tk. 20.00 crores, the "Government's Debtor Balances" declined

to Tk. 9.13 crores as on the 30th June, 1979 as against Tk. 9.40 crores as on the 30th June, 1978. The "Other Loans and Advances" declined to Tk. 118.51 crores as on the 30th June, 1979 as against Tk. 218.70 crores as on the 30th June, 1978. In fact, there has been an increase of about Tk. 100.00 crores under this head but due to transfer of Tk. 200.00 crores as assets in the Issue Department against notes issued, the figure shown in the Banking Department indicated a reduction of Tk. 100.00 crores. The balance under Bank's Investment increased to Tk. 182.77 crores as on the 30th June, 1979 from Tk. 86.78 crores as on the 30th June, 1978.

Profit and Loss Account

215. The Balance Sheet and Profit and Loss Account of the Bank for the year ending 30th June, 1979 appears on page 152.

216. The Profit and Loss position of the Bank for the year 1978-79 is summarised as under :

Gross earnings of the Bank	Tk. 98,81,03,662.15
Total Expenditure	Tk. 43,77,67,711.07
Profit :	**Tk. 55,03,35,951.08**

217. Out of the above profit of Tk. 55,03,35,951.08 a sum of Tk. 8.25 crores has been appropriated to different Statutory Funds and Tk. 1.00 crore appropriated to Credit Guarantee Fund Account. The balance of Tk. 45,78,35,951.08 will be transferred to the Government as surplus profit as indicated below :

Rural Credit Fund	Tk. 3,00,00,000.00
Industrial Credit Fund	Tk. 1,00,00,000.00
Export Credit Fund	Tk. 1,25,00,000.00
Agricultural Credit Stabilisation Fund	Tk. 3,00,00,000.00
Credit Guarantee Fund	Tk. 1,00,00,000.00
Surplus Profit Payable to the Govenrment	Tk. 45,78,35,951.08
Total :	**Tk. 55,03,35,951.08**

Appointment of Auditors

218. In terms of Article 65(1) of the Bangladesh Bank Order, 1972, the Government have been pleased to appoint Messrs. Khan Wahab Shafique Rahman and Co. and Messrs. Rahman Rahman Huq and Co. Chartered Accountants as Auditors of the Bank for auditing the accounts of the Bank for the year 1978-79.

Appreciation

219. We wish to record our appreciation of the loyal and devoted services rendered by the officers and staff of the Bank for the year ending 30th June, 1979.

BALANCE SHEET

AND

PROFIT AND LOSS ACCOUNT

AS AT

30TH JUNE, 1979

BANGLADESH

BALANCE SHEET AS AT

ISSUE

LIABILITIES	TAKA	TAKA
Notes held in the Banking Department	91,61,750	
Notes in Circulation*	651,03,72,420	
Total Notes Issued		651,95,34,170
TOTAL LIABILITIES		**Tk. 651,95,34,170**

* The statement with regard to 'Notes in circulation' is made without prejudice to the claim of the Government of the People's Republic of Bangladesh/Bangladesh Bank for obtaining value from the Government of Pakistan/State Bank of Pakistan in respect of Pakistani Currency Notes demonetised and withdrawn from circulation and physically held by the Bangladesh Bank.

BANK

30TH JUNE, 1979

DEPARTMENT

ASSETS	TAKA	TAKA
1. A. Gold Coin and Bullion	7,38,66,000	
Silver Bullion	Nil	
Special Drawing Rights held with the International Monetary Fund	19,70,00,000	
Approved Foreign Exchange	200,00,00,000	
		227,08,66,000
B. Taka Coin	6,30,90,679	
Government of Bangladesh Securities**	193,05,77,491	
Internal Bills of Exchange and other Commercial Papers	225,50,00,000	
		424,86,68,170
TOTAL ASSETS		**Tk. 651,95,34,170**

** Includes Special Adhoc Treasury Bills issued for providing assets against issue of Bangladesh Notes in replacement of Pakistani Notes.

LIABILITIES			TAKA
Capital Paid Up	..		3,00,00,000
Reserve Fund	..		3,00,00,000
Rural Credit Fund	...		8,75,00,000
Industrial Credit Fund	...		7,50,00,000
Export Credit Fund	...		8,00,00,000
Agricultural Credit Stabilisation Fund	...		8,25,00,000
Deposits :			
(a) Government		NIL	
(b) Banks		162,90,87,831	
(c) Others		538,87,99,110	
			701,78,86,941
Allocation of Special Drawing Rights	..		29,66,10,405
Bills Payable	..		91,55,773
Other Liabilities	..		311,37,69,274
TOTAL LIABILITIES		**Tk.**	**1082,24,22,393**

DEPARTMENT

ASSETS		TAKA
Notes		91,61,750
Taka Coin		1,413
Subsidiary Coin		296
Bills Purchased and Discounted :		
(a) Internal	80,00,00,000	
(b) External	8,62,67,310	
(c) Government Treasury Bill	118,82,20,081	
		207,44,87,391
Balances held outside Bangladesh*		365,74,31,687
Special Drawing Rights held with the International Monetary Fund		1,12,13,334
Loans and Advances to Government		20,00,00,000
Government's Debtor Balances		9,12,69,932
Other Loans and Advances		118,51,09,515
Investments		182,77,38,840
Other Assets		176,60,08,235
TOTAL ASSETS	**Tk.**	**1082,24,22,393**

* Include Cash and Short-term Securities.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1979

INCOME

Interest, Discount, Exchange, Commission, etc.	Tk. 98,81,03,662

EXPENDITURE

Establishment	7,21,68,038
Directors' Fees and Expenses	9,895
Auditors' Fees	15,600
Rent, Taxes, Insurance, Lighting etc. ..	35,24,518
Law Charges	45,395
Postage and Telegram Charges ..	9,73,702
Remittance of Treasure	10,68,297
Stationery etc.	23,80,174
Security Printing (Cheques, Note forms etc.)	10,17,43,992
Depreciation and Repairs to Bank's property	86,32,736
Agency Charges	91,81,138
I.M.F. Charges	18,00,45,253
Interest Subsidy to Banks and Financial Institutions	46,43,820
Interest on Deposits	2,88,34,851
Interest on Staff Provident Fund ..	48,23,726
Contribution to Staff and Superannuation Funds	NIL
Miscellaneous Expenses	1,96,76,576
Net Available Balance	55,03,35,951
Total :	Tk. 98,81,03,662

Amount transferred to the Reserve Fund	NIL
Amount transferred to Rural Credit Fund	3,00,00,000
Amount transferred to Industrial Credit Fund	1,00,00,000
Amount transferred to Export Credit Fund	1,25,00,000
Amount transferred to Agricultural Credit Stabilisation Fund	3,00,00,000
Amount transferred to Credit Guarantee Fund	1,00,00,000
Surplus payable to the Government ..	45,78,35,951
Balance carried forward ..	NIL
Total :	Tk. 55,03,35,951

RESERVE FUND ACCOUNT

By Balance on 30th June, 1978 ..	3,00,00,000
By Transfer from Profit and Loss Account	NIL
Total :	Tk. 3,00,00,000

M. A. Hoque	M. Ijadur Rahman	A.K. Gangopadhyay	M. Nurul Islam
Director of Accounts	Executive Director	Deputy Governor	Governor

REPORT OF THE AUDITORS

To
The Government of the People's Republic
of Bangladesh.

We, the undersigned Auditors of the Bangladesh Bank do hereby report to the Government upon the Balance Sheet as at 30th June, 1979 and Profit and Loss Account of the Bank for the year ended on that date.

We have examined the above Balance Sheet with the Accounts, Certificates and Vouchers relating thereto of the Head Office and of the Office at Dacca and with the returns submitted and certified by the Managers of Chittagong, Khulna, Bogra, Rajshahi, and Senior Assistant Controller of Sylhet Offices which returns are incorporated in the above Balance Sheet and report that where we have called for explanations and information, such information and explanations have been given and have been satisfactory. In our opinion, the Balance Sheet is a full and fair Balance Sheet containing all necessary particulars and is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanations given to us and as shown by the books of the Bank.

Dacca:
The 13th Day of
August, 1979.

Khan Wahab Shafique Rahman & Co.
Chartered Accountants
Rahman Rahman Huq & Co.,
Chartered Accountants

20—

COMPARATIVE POSITION OF SCHEDULED BANKS

(In crore Taka)

Particulars	Amount as on	
	30.6.78	29.6.79
Bank Deposits (excluding inter-bank items)	1699.79	2113.40
Demand Deposits	735.21	883.08
Time Deposits	964.58	1230.32
Borrowings from Bangladesh Bank	227.77	352.10
Cash in hand	49.22	56.68
Balances with Bangladesh Bank	108.94	154.32
Balances with other banks in current account in Bangladesh	23.53	23.97
Money at call and Short Notice in Bangladesh	51.32	43.36
Investment in Bangladesh	389.25	478.99
Government Securities	254.92	287.40
Others	134.33	191.59
Bank Credit (excluding inter-bank items)	1603.17	2042.87
Advances in Bangladesh	1504.07	1888.02
Inland and Foreign Bills Purchased and Discounted in Bangladesh	99.10	154.85
Credit/Deposit Ratio	0.83	0.85

LIST OF SCHEDULED BANKS

(As on the 30th June, 1979)

A. NATIONAL BANKS

i) Commercial Banks

1. Sonali Bank
2. Rupali Bank
3. Agrani Bank
4. Janata Bank
5. Pubali Bank
6. Uttara Bank

ii) Specialised Banks

1. Bangladesh Krishi Bank
2. Bangladesh Shilpa Bank

B. FOREIGN BANKS

1. Grindlays Bank Ltd.
2. Chartered Bank
3. American Express International Banking Corporation.
4. State Bank of India
5. Habib Bank Ltd.
6. Bank of Credit and Commerce International (Overseas) Ltd.

OFFICES OF THE BANGLADESH BANK

(AS ON JUNE 30, 1979)

Head Office

DACCA

Office at

DACCA

CHITTAGONG

KHULNA

BOGRA

RAJSHAHI

SYLHET