ANNUAL REPORT
1979-80

BANGLADESH BANK

BOARD OF DIRECTORS

1.	Mr. M. Nurul Islam	Governor and Chairman
2.	Mr. A. K. Gangopadhyay	Deputy Governor and Director
3.	Mr. Hafizur Rahman	Director
4.	Mr. Mafuzul Huq	Director
5.	Mr. Habibur Rahman Bhandari	Director
6.	Professor M. S. Mondal	Director
7.	Mr. A. M. A. Muhith	Director
8.	Mr. A. F. M. Ehasanul Kabir	Director
9.	Mr. M. S. H. Chishty	Director
	Mr. A. R. Chowdhury	Secretary

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

Mr. Kazi Badrul Alam

HEADS OF DEPARTMENTS

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

HEADS OF BRANCH OFFICES

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Mr. A. K. M. Khalilur Rahman	...	Chittagong Office
Mr. A. T. M. I. Mridha	...	Khulna Office
Mr. Walayet Hossain	...	Bogra Office
Mr. M. A. Quasem	...	Rajshahi Office
Mr. A. T. Ahmed Chowdhury	...	Sylhet Office

LETTER OF TRANSMITTAL

BANGLADESH BANK

DACCA :
December 26, 1980

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, 1980.

Yours faithfully,

M. Nurul Islam
Governor

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CHAPTER I

TRENDS IN THE ECONOMY

TRENDS IN THE ECONOMY

The performance of the economy showed some improvement during the year under report. The G. D. P. is estimated to have grown by 4.82 per cent in real terms during 1979-80 as against the increase of 4.35 per cent in the preceding year. But for a relatively slow growth in agricultural production which increased by 1.69 per cent during the year as against the target of 6.9 per cent, the improvement would have been better. Rice production at 125.11 lakh tons in 1979-80 was 1.07 per cent lower than the production of the preceding year. While Aman production at 73.02 lakh tons declined by 1.71 per cent from the level of the preceding year, the Aus crop declined by 14.57 per cent to 28.09 lakh tons during the year. However, Boro rice production estimated at 24.00 lakh tons was about 24.42 per cent higher than in the preceding year. At the same time, wheat production set a new record at 8.10 lakh tons which represented an increase of as much as 3.24 lakh tons or 66.67 per cent as compared to 1978-79. The industrial output increased by 4.50 per cent as compared to the increase of 4.47 per cent during 1978-79. The power and gas sector and construction sector achieved growth rates of 11.41 per cent and 9.09 per cent respectively. Banking and Insurance, and Professional and Miscellaneous Services grew by 13.58 per cent and 6.81 per cent respectively.

2. Apart from a somewhat larger growth in G. D. P., the substantial improvement in availability was made possible by significantly stepping up both food and non-food imports. In order to deal with the food deficit arising from the preceding year's drought extensive arrangements were made for food imports both from own resources and under aid and loans. Total food imports during the year amounted to 27.78 lakh

tons as against 11.81 lakh tons in the preceding year. With a view to keeping the flow of non-food imports, particularly of industrial raw materials, as smooth as possible a liberal policy was pursued for these imports also. This liberalisation was effected despite considerable use of own resources for food imports. The import target for 1979-80 originally fixed at Tk. 1850.00 crores was later raised to Tk. 2058.00 crores as against the target of Tk. 1500.00 crores and actual utilisation of Tk. 1415.00 crores during 1978-79.

3. The improvement in availability was accompanied by the slowing down of the rate of monetary expansion during the year. Broad money increased by not more than 16 per cent during 1979-80 as against the increase of 24 per cent in 1978-79. Notwithstanding this, there was no significant abatement of price pressure. The cost of living index for Dacca Middle Class moved up from 522.85 at the end of June, 1979 to 587.40 by June, 1980, indicating an increase of 12.35 per cent over the year as compared with the rise of 14.34 per cent in the preceding year.

4. The price-hike during the year under report was attributable to forces working both at home and abroad. While the international prices of a large number of imported commodities like petroleum, fertilizer (urea), cement, pig iron, sugar and tin increased significantly during the year leading to a substantial adverse impact on the price situation in the country, the imbalance between demand and supply also added to the problem. This happened despite a slowing down of the rate of monetary expansion and somewhat larger rate of increase in G. D. P. in 1979-80 as mentioned above. The imbalance between demand and supply was evidenced by a growth of 16 per cent in broad money as against a growth of 4.82 per cent in G. D. P. during 1979-80. This was also clearly reflected in the prices of food, expenditure on which bears a preponderantly high ratio to total consumer expenditure. The breakdown of the cost of living index for Dacca Middle Class shows that the sub-index for food rose by 11.93 per cent during 1979-80. To a certain extent the price-hike

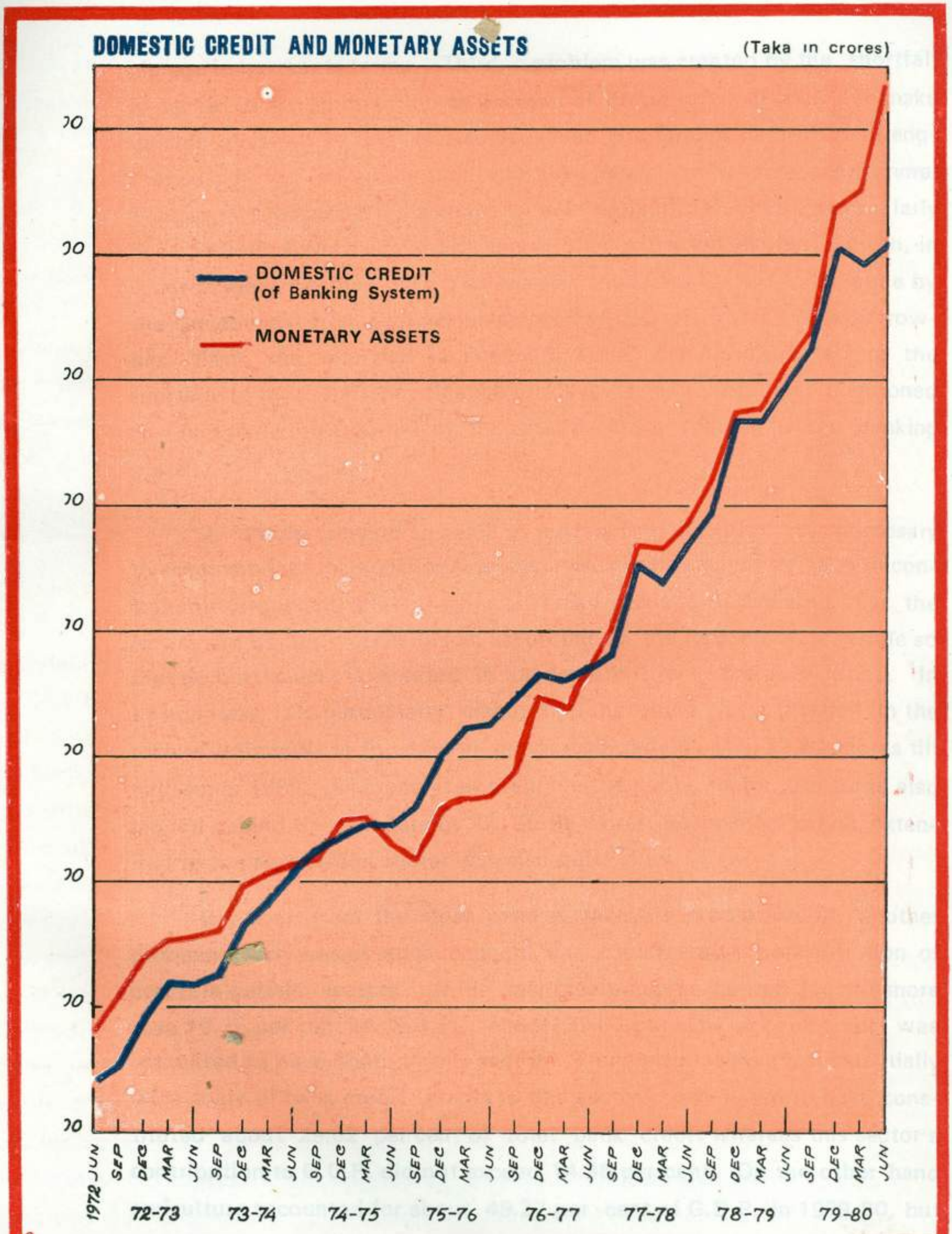
during the year was policy-induced. For instance, the increase in food prices could partly be attributed to the upward revision in procurement and ration prices of rice and wheat. With a view to strengthening the price incentive to farmers the procurement prices of paddy and rice were raised on July 2, 1979 from Tk. 90.00 to Tk. 100.00 per maund and from Tk. 140.00 to Tk. 158.00 per maund respectively for procurement of the Aman crop which was harvested in November-December, 1979. The procurement prices were further raised to Tk. 110.00 per maund for paddy and Tk. 170.00 per maund for rice on November 15, 1979. The issue prices of rice and wheat were raised from Tk. 120.00 to Tk. 140.00 and from Tk. 90.00 to Tk. 110.00 per maund respectively in May, 1980. A part of the increase in prices of non-food items could similarly be attributed to the public sector pricing policies. The prices of various goods and services provided by the public sector corporations and utilities were enhanced to enable these corporations and utilities to improve their financial position. The utility rates of WASA and Municipal Corporation were enhanced substantially with effect from Ist July, 1979. The charges for consumption of electricity by different categories of consumers were raised by 36 per cent from Ist September, 1979. The prices of paper and newsprint were raised by 19 per cent and 18 per cent respectively in the last quarter of the preceding year. Furthermore, the telephone and telegraph charges were enhanced by 50 to 100 per cent in May, 1979. To the extent the price increase during the year reflected adjustment to the incentive prices and cost plus pricing policy action, this should not provide much cause for concern.

5. The slowing down of the rate of monetary expansion during the year which was an important factor in containing the price pressure should not leave any room for complacency as this was brought about not by any lowering of the rate of growth in domestic credit but by a substantial deficit in the foreign sector. As a matter of fact, domestic credit showed a much higher rate of expansion during the year than in the preceding year. At Tk. 3739.72 crores at the end of June, 1980 domestic credit

denoted an increase of Tk. 886.90 crores or 31.09 per cent over the level a year ago. This compared with an increase of Tk. 495.98 crores or 21.04 per cent in the preceding year. While net credit to the Government expanded by Tk. 197.68 crores or 30.04 per cent during 1979-80 as against a decline of Tk. 25.63 crores or 3.75 per cent in 1978-79, gross credit to the public sector increased by Tk. 361.45 crores or 32.09 per cent as against the expansion of Tk. 205.60 crores or 22.33 per cent in the preceding year. The rate of growth in credit to the private sector was lower at 30.68 per cent as compared with 42 per cent in 1978-79, but in absolute terms the increase was somewhat larger at Tk. 327.77 crores as against Tk. 316.01 crores in the preceding year.

6. The markedly larger expansion in domestic credit during the year was attributable to certain uncontrollable and unanticipated factors. First, raw jute prices came down to an unusually low level due partly to substantially large stocks carried forward from the preceding year and partly to the low quality of a much larger proportion of jute produced during the year under report. This, on the one hand, made the rice-jute price ratio pronouncedly adverse against jute and thereby posed a threat to the country's future foreign exchange earnings from jute. On the other hand, it caused severe hardship to many of the farmers. Thus not only to ensure an appropriate relationship between the price of rice and that of jute, but also on the welfare ground it became essential to revive the activity in the raw jute market and to take appropriate supporting measures for this purpose. Accordingly, the credit limit for the private sector jute trade was [illegible]sed upward by 50 per cent. At the same time, a buffer stock scheme for inferior quality jute involving financing of Tk. 30.00 crores by the two state trading corporations was launched. Second, it became necessary to allow an expansion in credit to the P. O. L. @ sector much larger than anticipated earlier on account of the widening gap between import and local prices and also because of a

@ Petroleum, oil and lubricants.


DOMESTIC CREDIT AND MONETARY ASSETS
(Taka in crores)
DOMESTIC CREDIT (of Banking System)
MONETARY ASSETS
1972 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 SEP DEC MAR JUN
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80

change in payments terms. Third, a problem was created by the shortfall expected in Aus production on account of drought conditions. To make up this shortfall efforts to step up Aman production had to be strengthened through an expanded intensive transplanted Aman programme. This, in turn, necessitated an expansion in agricultural credit, particularly in respect of Aman crop, much larger than expected earlier. Fourth, in order to meet the food deficit substantial food imports had to be made by the Government from own resources, necessitating increased bank borrowing. Fifth, the shortfall in commodity aid disbursement led to the shortage of local currency finance for development. The last mentioned two factors led to Government's substantial fresh recourse to the banking system.

7. While to avoid any serious economic dislocation it is necessary to accommodate the additional credit needs which may arise from uncontrollable and unanticipated factors it also needs to be ensured that the retirement of credit takes place according to the repayment schedule so that no bottleneck is created in the smooth flow of credit in future. In this context, it is particularly disquieting that there was a shortfall in the recovery of credit to the private sector jute trade by Tk. 132.62 crores till end-June, 1980. Retirement of credit to the public sector jute trade also lagged behind the schedule by Tk. 96.89 crores. Recovery of credit extended to the agricultural sector was also quite slow.

8. Apart from the slow pace of recovery in bank credit, another problem which was of much concern was the excessive concentration of credit in certain sectors. While manufacturing accounted for not more than 10.36 per cent of G.D.P., about 37.07 per cent of bank credit was estimated to have gone to this sector. Trade also claimed a substantially large share of bank credit; credit to this sector is estimated to have constituted about 29.62 per cent of total bank credit whereas this sector's contribution to G.D.P. did not exceed 14.36 per cent. On the other hand agriculture accounted for about 49.22 per cent of G.D.P. in 1979-80, but

its share in total bank credit was estimated to have been not more than 16.13 per cent. It is of utmost importance to correct this imbalance in credit distribution between the different sectors of the economy.

9. It was also quite disquieting that the progress of the banks towards fulfilling the socio-economic objectives was quite slow. The small loan target for 1979-80 was fixed for each of the nationalised commercial banks at 2 per cent of their total demand and time liabilities to be disbursed in two phases. While on this basis the total target of small loans for the six nationalised commercial banks for the year under report worked out to Tk. 40.49 crores, the actual amount disbursed by them was not more than Tk. 5.60 crores upto March, 1980. Again, while with a view to further increasing the flow of credit to the rural and less developed areas the banks were advised to raise their overall credit/deposit ratio to 75 per cent in rural areas, their credit/deposit ratio at 66% in September, 1979 remained much below the target.

10. The credit co-efficient for agriculture is at present very low with credit extended to this sector accounting for not more than 4.32 per cent of the value added of this sector. The Second Five-Year Plan envisages a high rate of growth of agriculture (compared to the experience of many developing countries) with a view to attaining self-sufficiency in foodgrains and possibly some surplus for exports. If this is to be achieved the use of modern agricultural inputs would need to be substantially stepped up. The extent to which efforts would need to be strengthened in this direction is implicit in the Plan target for an increase in the value added of fertilizer industry to Tk. 154.40 crores by the final year of the plan period from Tk. 48.5 crores in 1979-80. There would be a substantial increase in demand for agricultural credit not only for crop financing but also for off-farm activities. With a view to achieving growth with distributive justice the Plan lays utmost importance on the creation of additional employment opportunities, particularly in the rural sector where bulk of the population lives below the poverty line. The creation of additional

employment opportunities in the rural sector will entail substantial bank financing of projects for self-employment. There is thus the paramount need for significantly raising the credit co-efficient of the agricultural sector. Keeping this in view credit to this sector should expand, at least, at the rate of 20 per cent a year.

11. Apart from bringing about a significant increase in the flow of credit to the agricultural sector, there is also the need for substantially streamlining the delivery system of agricultural credit. This, in turn, creates the need for developing the rural people through appropriate system and organisational framework which will have close link with credit giving agencies. An endeavour to find out how an effective system for delivery of credit and services to the target group can be built up is already being made through the Rural Finance Experimental Project and the Grameen Bank Project. While for an efficient use and quick recovery of credit the supervision of credit needs to be strengthened, the credit-giving agencies have not been able to make any significant progress in this regard because of the difficulties they face in dealing with a large number of individual borrowers. An effective way of dealing with this problem would perhaps be to replace lending to individuals by lending through groups, both formal and informal. The aim should, therefore, be to evolve a system with increased focus on the formation of groups of credit users and group lending by credit-giving agencies. The system of group lending is not only likely to reduce the lenders' loan transaction cost but is also expected to improve the recovery performance through pressure for repayment which is likely to be built up on account of group responsibility. Borrowing through a group is also expected to reduce the average borrower's loan transaction cost and the group can be used as an efficient way of introducing other productive services such as extension and technical training, mobilisation of savings etc.

12. In order to expand the share of agricultural sector in total credit it would be necessary to introduce economy in the use of bank

resources by other sectors. There is scope for reducing credit both to the trading and the manufacturing sectors. As is well known, public sector agencies are heavily dependent on bank borrowing due to their inadequate capital base. In many cases there is actually a negative capital base in view of continuing losses suffered by them. A significant reduction in their borrowings is possible through provision of additional capital to them by the Government, as also by proper pricing policy for their products to ensure a reasonable return. There is also a tendency in many of the private sector firms to depend on bank credit even when they have adequate opportunities to deploy their own funds for the purpose. With a view to checking this tendency, as far as possible, banks should critically look into the balance sheet of the firms they finance in the private sector so that credit facilities extended for working capital requirements do not exceed the genuine requirements of borrower even when the parties are credit-worthy. The same discipline should be applied to public sector industries also if some of these have surplus funds. In the case of a number of private manufacturing industries a high level of inventory is currently being maintained. Bank finance in the case of such industries should be gradually reduced by strictly enforcing norms. In extending finance to the private sector industries banks should ensure that inventory level of locally available raw materials of not more than 2 months' requirements, imported raw materials of not more than 6 months' requirements at the peak and 4 weeks' finished goods are financed by them. With a view to reducing the dependence of industrial enterprises on banks it is necessary that while allowing periodical renewal of credit limits for an industrial concern banks should look into the cash flow position over the past years and make gradual reduction in the credit availability. There is indication that some of the credit extended to the private sector trade is being diverted to unproductive uses. Endeavour should be made to check this diversion, as far as possible, by strengthening the selective credit control measures as well as by stricter supervision by the credit-giving agencies.

13. The weaknesses and inefficiency of the existing system of the delivery of modern agricultural inputs constitute a serious impediment to agricultural development. Some positive steps have been taken in the past several months to improve this system through privatization of fertilizer distribution at the retail level and pesticide distribution at the wholesale and retail level. Nevertheless the capabilities of the existing system to deliver the greatly increased quantities of inputs to reach a large number of farmers with essential support services continue to remain strained. The process of the dissemination of modern technology also calls for substantial improvement as a large number of small farmers are yet to be familiar with this technology. At the same time, mainly because of inadequate provision of irrigation facilities and poor repair and maintenance arrangements for such facilities efforts towards raising the cropping intensity and increasing substantially the production of high-yielding varieties of crops have met with little success. Unless, therefore, simultaneously with the strengthening of efforts towards accelerating the rate of expansion in credit to the agricultural sectors, steps are also taken to remove the deficiencies of the existing system of delivery of modern agricultural inputs, bring about a significant improvement in support services, strengthen the process of dissemination of modern technology, and expand the irrigation facilities to a substantial extent with the requisite arrangements for their repair and maintenance, the improvement in the flow of credit to the agricultural sector cannot bring about the desired result. What is, therefore, needed is a co-ordinated approach in agricultural development.

14. A much faster increase in credit than in deposits necessitated substantial recourse by the scheduled banks to borrowings from Bangladesh Bank and led to a marked increase in the credit-deposit ratio during the year. While scheduled banks' borrowings from Bangladesh Bank had increased from Tk. 352.10 crores in June, 1979 to Tk. 675·86 crores by end-June, 1980, the credit-deposit ratio moved up from 0·85 in June, 1979 to 0·95 in June, 1980. The serious strain on bank resources

which it indicated underlined the need for substantially strengthening the deposit mobilisation efforts by banks. Scheduled banks' deposits (excluding inter-bank items) recorded an expansion of Tk. 360·25 crores or 17 per cent to Tk. 2473·65 crores as compared with the increase of Tk. 413·61 crores or 24 per cent in the preceding year. The smaller growth in deposits was primarily a reflection of the lower monetary expansion during the year and did not indicate any slackening of efforts by banks to utilise deposits. Rather, the decline in the ratio of currency in circulation to broad money from 23 per cent at the end of June, 1979 to 22.29 per cent at the end of June, 1980 seemed to indicate that there was some intensification of efforts of the banks to mobilise deposits. Considering, however, the substantial increase in the savings rate which the Second Five-Year Plan envisages there is no doubt that the banks would need to further intensify their efforts to strengthen financial intermediation and tap increased savings for productive investment. The financial intermediation is needed to be strengthened particularly in rural areas where substantial additional savings are likely to be generated as the Second Plan lays great emphasis on rural development. However, the banks should not remain content only with intensifying deposit mobilisation efforts in the rural areas and increasing the flow of credit to these areas, they should also take adequate care to improve the direction and quality of credit to help promote balanced development. The banks should play an increasing role in area development to which the Second Five-Year Plan provides an added impetus through setting up various growth centres. It is not only that banks should make adequate finance available to the projects identified by various development agencies in these growth centres but also that they should have proper co-ordination with these agencies and maintain close liaison with them and also actively participate in the programme designed by these agencies for developing human resources. Apart from the area development approach, measures should also be taken to intensify programme and project lending to increase employment and income-generating opportunities. While an Agricultural Project Division has been set up in the Bangladesh Bank to prepare new schemes and programmes for lending in consultation with commercial banks, the project division of the Krishi Bank is also being strengthened for the formulation of new schemes and projects. The whole approach should be to identify viable banking projects and schemes as a mechanism for enlargement of credit with adequate end-use supervision.

15. On the external front, the experience during the year under report was in sharp contrast to that of the preceding year. The overall balance of payments recorded a deficit of Tk. 188.30 crores during 1979-80, as against a surplus of Tk. 99.01 crores in 1978-79. Reflecting the payments strain, the convertible foreign exchange reserves declined from Tk. 592·14 crores at the end of June, 1979 to Tk. 403.00 crores at the end of June, 1980. The marked decline in reserves occurred despite a substantial drawing of SDR 85 million under the Stand-by Arrangement and of SDR 63·93 million under the Trust Fund Facility from the International Monetary Fund. Although our exports at Tk. 1176·00 crores during 1979-80 recorded an increase of 26.7% over the previous year and exceeded the target of Tk. 1100·00 crores fixed for the year under report, it needs to be mentioned that this impressive performance of exports was primarily due to the sharp rise in the prices of jute goods and that the volume of major exports fell short of the targets fixed for the year. While the shipment of jute at 19.68 lakh bales in 1979-80 was 5.32 lakh bales less than the target for the year, the export of jute goods at 4.34 lakh tons represented a decline of 0.91 lakh ton as compared to the target. Not only the volume target for major exports could not be achieved but also the overall export volume was less than in the preceding year. This, combined with a marked decline in commodity terms of trade, resulted in a sharp deterioration in our income terms of trade during the year under report as compared to the preceding year. While the imbalance between our imports and exports is fast increasing, the recent developments in the world economy do not indicate any prospect of Improvement in our commodity terms of trade in the short run. Among these developments, mention may be made of the sharp increase in oil prices and continued high levels of

inflation and prolonged period of slow growth in the O. E. C. D. countries. Considering all these, our payments problem would need to be tackled not through short-run measures but through structural adjustment. While the structural adjustment would, on the one hand, call for a reassessment of the medium-term investment programme and it would be desirable to reorient investment to reduce imports. On the other hand, much greater emphasis would need to be placed on the development of exports. Particularly when the prospects for the level of external assistance needed to finance our imports is uncertain, utmost importance should be attached to accelerating the rate of growth in exports. As the limitations on export development are mainly of a physical or structural nature, far-reaching measures will have to be taken to promote investment in that sector. The supply constraints which are often emphasised in the case of non-traditional exports as a limiting factor in the promotion of such exports may be a short-run problem but can be tackled through a medium-term programme with export being accorded a high priority in the allocation of public investment. The programme for structural adjustment involves issues of incentives or efficiency of resource use. While in order to promote exports and to achieve the needed diversification therein a flexible exchange rate system linked with vehicle currency-weighted basket has been kept in operation since August, 1979, there is need to rationalise the XPL system in order to introduce entitlement rates primarily on considerations like value added, labour intensive production, use of indigenous raw materials and contribution to export diversification. The working of duty draw-back system would also need to be reviewed with a view to introducing a good deal of simplification and speedy processing of documents in the reimbursement of duties and taxes.

16. Developments in 1979-80 and the year preceding it were particularly important as these years comprised the period of the Two-Year Plan, which was meant to provide an opportunity for stock-taking, project planning and policy reappraisal as a background for the preparation of the Second Five-Year Plan. The Second Five-Year Plan which has been

launched from July, 1980 sets a stupendous task ahead of us. The experience in the past years necessitated a shift in emphasis in the plan strategy from growth to basic needs. The main objective of the plan is to ameliorate the lot of the common people and also to help their participation in development. Keeping in view the need for wider dispersal of the development benefits to the poor the Second Five-Year Plan lays great emphasis on all round development of the rural areas which constitute more than 90 per cent of our country. It is a huge and gigantic task. But, whatever may be the magnitude of the impediment to creating a momentum for rural development, there is no escape from the fact that any real development in the country will have to be expressed in terms of positive changes in the economic growth of the villages and well-being of the rural people. If we fail to realise it and deliver the goods timely, the problem of poverty will deepen.

17. The corollary of basic needs strategy in the Second Five-Year Plan is a substantial focus on the need to step up food production. The Plan, therefore, aims at achieving self-sufficiency in food production by its final year and correspondingly aims at a relatively larger growth rate for the agricultural sector as compared to the experience of other developing countries. If a stable basis is to be laid for expansion in agricultural production in general and food production in particular, the vagaries of weather which have been a major factor responsible for our agricultural production falling short of the expectation in the past years would need to be tackled properly and this can be done only if the irrigation facilities are substantially stepped up. Efforts towards enlarging the irrigation facilities have already started. A gigantic canal-digging programme was undertaken during the year from 1st December, 1979. Efforts in this direction would need to be strengthened further.

18. The extent of the success we achieve in implementing the plan will depend on the efforts we make to mobilise resources, both external and internal. The prospects of external assistance will be greatly

influenced by the progress we make in mobilising domestic resources. Utmost importance should, therefore, be attached to mobilising domestic resources both through banking and non-banking channels. A substantial amount under the Wage Earners' Scheme is now finding its way into unproductive uses like purchase of land, gold, jewellery, etc. It needs to be thoroughly studied how these funds can be induced into productive investment. A substantial amount of funds remains hidden in order to evade taxes. It needs to be seen whether such funds can be brought to the surface through the issuance of special investment instruments. While it is necessary to have an effective capital market for substantially augmenting the availability of industrial finance in the private sector, no capital market worth its name exists in the country. Transactions in the stock exchange continue to remain limited. A sizable part of the shares already under-written by the I. C. B. is yet to be absorbed by the private investors. A serious endeavour would, therefore, need to be made to find out ways and means through which an effective capital market can be created.

CHAPTER II

DEVELOPMENTS IN MAJOR SECTORS

DEVELOPMENTS IN MAJOR SECTORS

19. According to the revised estimate of the Bangladesh Bureau of Statistics, the Gross Domestic Products (GDP) of Bangladesh rose by 4.82 per cent in 1979-80 as against the projected growth of 7.3 per cent for the year and the actual growth of 4.35 per cent during 1978-79. The less than projected rate of growth in the GDP reflected mainly a lower growth in agricultural output during the year. However, a much higher growth in housing (16.61%), banking and insurance (13.58%), and power and gas sector (11.41%) helped the GDP grow at a somewhat higher rate during 1979-80 than in the preceding year.

Agricultural Production

20. Agricultural production in the country increased by 1.69 per cent during 1979-80 as against the target of 6.9 per cent for the year. The actual production fell short of the target mainly because of adverse weather conditions, particularly drought. As a result of slower growth in agriculture, compared to the growth rates in other important sectors, its share in the GDP declined to 49.22 per cent from 50.73 per cent in 1978-79. Total foodgrains production estimated at 133.21 lakh tons was 1.44 per cent higher than the production of 131.32 lakh tons in 1978-79. The total estimated production of the major food crop-rice at 125.11 lakh tons in 1979-80 was, however, 1.07 per cent lower than the production of 126.46 lakh tons in the previous year. While the output of Aman rice declined by 1.71 per cent from the preceding year's level of 74.29 lakh tons, the production of Aus rice came down by 14.57 per cent to 28.09 lakh tons during 1979-80. On the other hand, the output of Boro rice increased markedly by 24.42 per cent to 24.00 lakh tons during the year. The production of wheat also increased significantly by 66.67 per cent to

8.10 lakh tons from the level of 4.86 lakh tons produced in 1978-79. Raw jute production during 1979-80 was estimated lower at 59.63 lakh bales as compared with 64.43 lakh bales during the preceding year. Apart from the lower size, the quality of the jute crop was also affected by drought conditions.

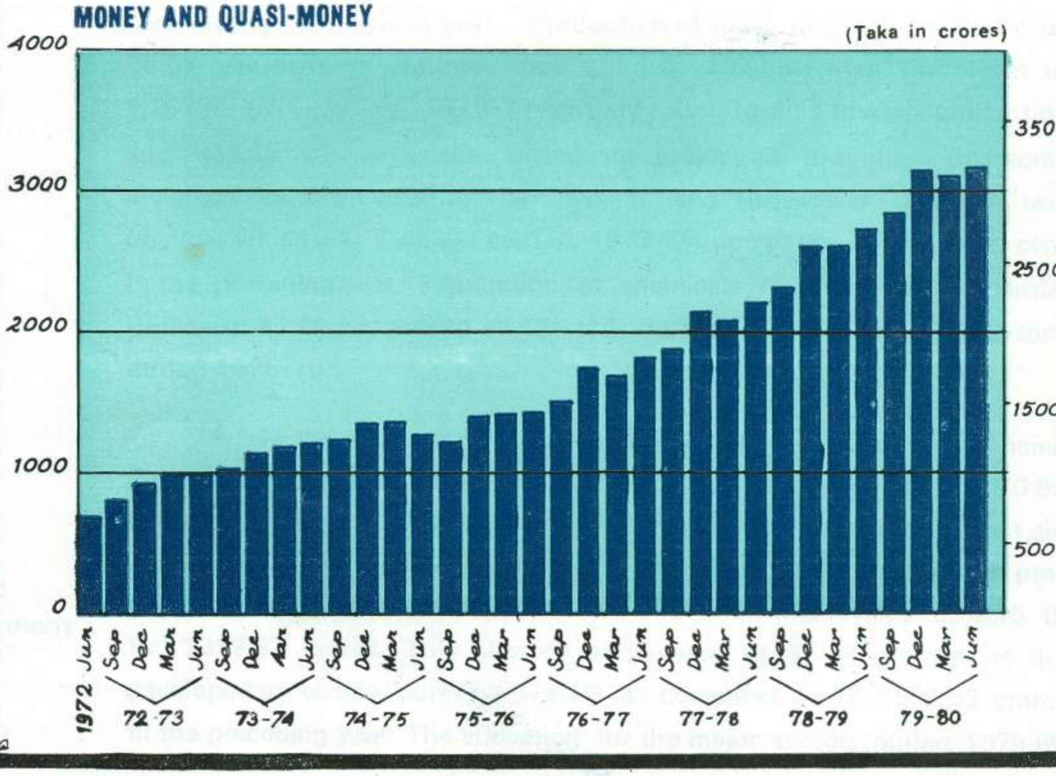
21. The performance of the industrial sector showed some improvement during the year 1979-80. Total industrial output was estimated to have increased by about 4.50 per cent during the year as against the target of 8.40 per cent and the increase of 4.47 per cent during 1978-79. However, the contribution of the industrial sector to the GDP declined to 10.36 per cent during 1979-80 as compared to 10.39 per cent during 1978-79.

Industrial Production

22. In the industrial sector, emphasis was given to fuller utilisation of existing capacities through adequate supply of imported raw materials and spare parts and also by increasing the supply of domestic inputs. As a result, the output of some major industries like jute goods, cotton cloth, newsprint, cigarettes, cement, fertilizer, tea, vegetable products and natural gas registered considerable increases during the year. However, the output of cotton yarn, paper and board, matches, steel, sugar and chemicals declined.

23. Production of jute goods rose by 4.79 per cent to 5.25 lakh tons during 1979-80 from 5.01 lakh tons during the previous year. The output of cotton cloth increased by 4.13 per cent to 885.81 lakh yards as against 850.66 lakh yards during the previous year. The output of newsprint went up by 13.42 per cent to 38,116 tons during 1979-80 from 33,606 tons during the previous year. The production of cement increased by 5.66 per cent to 3,35,964 tons during 1979-80 from the level of 3,17,973 tons during 1978-79. The production of fertilizer registered a marked increase of 22.39 per cent to 4,31,350 tons during the period under report from 3,52,431 tons produced during 1978-79. The production of cigarettes rose


G.D.P. (AT CONSTANT 1972-73 PRICES)
(Taka in crores)
7000
6000
5000
4000
3000
2000
1000
0
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80


MONEY AND QUASI-MONEY
(Taka in crores)
4000
3500
3000
2500
2000
1500
1000
500
0
1972 Jun
Sep Dec Mar Jun
Sep Dec Apr 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
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80

by 3.63 per cent to 14,034 million Nos. during 1979-80 as compared to 13,543 million Nos. during the preceding year. Tea production rose by 5.26 per cent to 84.22 million lbs. during 1979-80 from the level of 80.01 million lbs. produced during 1978-79. The production of vegetable products rose by 24.64 per cent to 7,558 tons. Natural gas extraction increased substantially by 16.35 per cent to 45,687 million cft. during 1979-80 from 39,266 million cft. during the previous year. On the other hand, the production of cotton yarn declined nominally by 1.34 per cent to 952.82 lakh lbs. during 1979-80 from 965.79 lakh lbs. during 1978-79. Production of paper and board declined by 10.91 per cent to 35,287 tons during 1979-80 from 39,607 tons produced during 1978-79. Production of matches fell by 0.48 per cent to 9,053 thousand gross boxes during the period under report from 9,097 thousand gross boxes during 1978-79. Output of steel registered a decline of 5.50 per cent to 3,12,967 tons during 1979-80 from 3,31,173 tons during the previous year. Production of sugar declined markedly by 28.68 per cent to 93,225 tons during 1979-80 from the level of 1,30720 tons during 1978-79 mainly due to (i) lower production and supply of sugarcane owing to prolonged drought, (ii) some diversion of sugarcane for gur making, and (iii) lower recovery rate of sugar which was 7.46 per cent in 1979-80 compared to 7.82 per cent in the preceding year. Production of chemicals registered a substantial decline of 35.16 per cent to 15,525 tons during 1979-80 from 23,943 tons during 1978-79.

Public Investment

24. In the public sector, total investment as envisaged in the Annual Development Programme for 1979-80 was originally placed at Tk. 2070.00 crores but later in view of the possibility of an increase in project aid disbursement and considering the need and potential for expanded programme in some of the sectors the allocation was revised upward to Tk. 2329.97 crores. This showed an increase of 45.38 per cent in the development outlay during 1979-80 as compared to Tk. 1602.62 crores in the preceding year. The allocation for the major sectors during 1979-80

were as follows : Transport—Tk. 404.00 crores, Industry—Tk. 362.71 crores, Flood Control and Water Resources—Tk. 297.16 crores, Agriculture—Tk. 293.82 crores, Power—Tk. 264.99 crores, Physical Planning—Tk.144.82 crores, Natural Resources—Tk. 119.50 crores, Rural Institutions—Tk. 74.81 crores and Population Control and Family Planning—Tk. 59.27 crores. In the Annual Development Programme for 1979-80, highest priority was accorded to the rural development. Accordingly, the three sectors, namely, Agriculture, Rural Institutions and Flood Control and Water Resources which have most direct impact on rural development were allocated 28.57 per cent of the total outlay of the Annual Development Programme. In addition, the rural sector derived substantial benefit from outlays on Canal Digging, Primary Education, Rural Electrification, Family Planning and Transportation etc.

Private Investment

25. In order to encourage industrial investment by the private entrepreneurs, a new Industrial Investment Schedule with a provision of Tk. 468.00 crores including a foreign exchange component of Tk. 232.60 crores was announced for the two-year period 1978-80. Besides, to protect the interest of the foreign investors, a bill namely Foreign Private Investment (Promotion and Protection) was passed by the Jatiya Sangsad in March, 1980. In addition, steps have been taken to set up three export processing zones - one each at Dacca, Chittagong and Khulna. As a result of the Govenment's liberal policies towards the private investors, there has been a phenomenal increase in the number of industries in this sector. During the year 1979-80 a total of 928 industrial units were sanctioned by the Government with a total investment of Tk. 434.33 crores including a foreign exchange component of Tk .165.13 crores as compared to Tk. 218.00 crores including a foreign exchange component of Tk. 93.00 crores sanctioned during 1978-79. The major sectors which shared the above sanctions were Food and Allied Products (Tk. 145.05 crores), Engineering Industries (Tk. 51.13 crores), Service Industries (Tk.46.91 crores), Acquisition of Ships and Coasters (Tk. 60.15 crores) and Specialised Textiles and Handlooms (Tk. 43.16 crores). During

1979-80, 10 foreign private investment proposals in readymade garments and deep sea fishing with a total investment of Tk. 13.32 crores, including a foreign exchange component of Tk. 9.28 crores, were approved by the Government.

Food Situation

26. The food situation in the country remained generally satisfactory during the greater part of 1979-80 due mainly to increased supply position owing to substantially larger imports, as also larger availability of wheat from domestic production.

27. The country average minimum retail price of coarse rice increased from Tk. 207.23 per maund at the end of June, 1979 to Tk. 222.46 per maund at the end of July, 1979 reflecting decline in the output of Aus rice due mainly to drought at the time of sowing and also the increase in the internal procurement prices of rice and paddy by 13 per cent and 11 per cent respectively. In order to make good the loss of production of foodgrains following the drought, the Government launched a massive foodgrains import programme during April-June, 1979. This resulted in substantial flow of foodgrains from abroad during the first four months (July-October, 1979) of the year under report. During this period as much as 15.39 lakh tons of foodgrains arrived from abroad while a total quantity of 9.49 lakh tons of foodgrains was released from government stocks. The quantum of foodgrains imported and released during the same period of the preceding year stood substantially lower at 5.91 lakh tons and 5.42 lakh tons respectively. The stepped up releases of foodgrains from the government stocks during the early months of the year under report had a salutary effect on the price of rice.

28. The country average price of coarse rice started declining since August, 1979 from the end-July level of Tk. 222.46 per maund and by end-September, 1979 fell to Tk. 195.99 per maund. The price of rice recorded further declines during October and November, 1979 and the country average price of coarse rice fell to Tk. 178.65 per maund at the

end of November, 1979. In December, 1979, however, the price of rice registered some increase despite arrival of the newly-harvested Aman rice in the market. The price of rice rose to Tk. 180.64 per maund at the end of December, 1979. The further enhancement of the Government's procurement prices of rice and paddy in November, 1979 by 7.59 per cent and 10.00 per cent to Tk. 170.00 and Tk. 110.00 per maund respectively might have contributed to the rise in prices of rice in December, 1979. The rising trend in prices continued and by end-April, 1980 the country average price stood at Tk. 202.11 per maund. Thereafter, the price of rice again fell to some extent and by end-June, 1980 the country average price of coarse rice came down to the level of Tk. 172.74 per maund due mainly to the arrival of Boro/Irri crop in the market. The *Country average* price of coarse rice thus showed a net decline of Tk. 34.49 per maund or 16.64 per cent over the year. The country average price of medium quality rice also declined, amidst fluctuations, from Tk. 242.11 per maund at the end of June, 1979 to Tk. 208.25 per maund at the end of June, 1980, thus showing a decline of Tk. 33.86 per maund or 13.99 per cent over the year.

29. Import of foodgrains in.o the country during 1979-80 totalled 27.78 lakh tons (rice : 7.24 lakh tons and wheat : 20.54 lakh tons) showing an increase of 135.22 per cent from the level of 11.81 lakh tons (rice : 0.59 lakh ton and wheat 11.22 lakh tons) in the preceding year.

30. Aggregate procurement of rice and paddy during 1979-80 under the Government's Internal Procurement Scheme stood lower at 2.24 lakh tons in terms of rice as compared to 3.01 lakh tons procured during 1978-79. Total procurement of wheat, however, stood substantially higher at 1.24 lakh tons in 1979-80 as against 0.50 lakh ton in 1978-79. As mentioned earlier, with a view to giving fair price to the growers the Government's internal procurement prices of rice and paddy were enhanced twice during the year : first to Tk. 158.00 per maund and Tk. 100.00 per maund with effect from 2nd July, 1979 from Tk. 140.00 per maund and Tk. 90.00 per maund (including transport bonus of Tk. 4.00

per maund) respectively. The procurement prices of foodgrains were further enhanced to Tk. 110.00 per maund for paddy and wheat and Tk. 170.00 per maund for rice (including transport bonus of Tk. 5.00 per maund) with effect from 15th November, 1979.

Price Situation

31. The overall price situation in the country continued to remain under pressure during 1979-80. Prices of a large number of essential consumer goods recorded substantial increases during the year. While the prices of potatoes, pulses, mustard oil, kerosene oil, fish, beef, mutton etc. registered marked increases, the prices of rice, the staple foodgrain recorded declines over the year. The decline in the prices of rice is attributable to the increased supply position of foodgrains in the country as explained above.

32. The essential commodities which recorded significant price increases over the year included : dal-moong (+6%), dal-masur (+13%), dal-gram (+33%), potatoes (+50%), fish-ruhi (+7%), fish-hilsha (+31.25%), beef (+10%), mutton (+8%), mustard oil (+25%), ghee-cow (+33%), sugar (+3%), cigarettes (+14), kerosene oil (+20%), boot polish (+10%), streptomycine (+20%), penicillin (+17%), electric bulb (+11%), firewood (+21%) and washing soap (+27%). On the other hand, items recording price declines were : rice-coarse (–15%), rice-medium (–11%), onion (–54%), turmeric (–33%), cumin seed (–10%), vegetable oil (–7%), gur (–4%), long-cloth (–4%) and dry-cell batteries (–14%).

Cost of Living

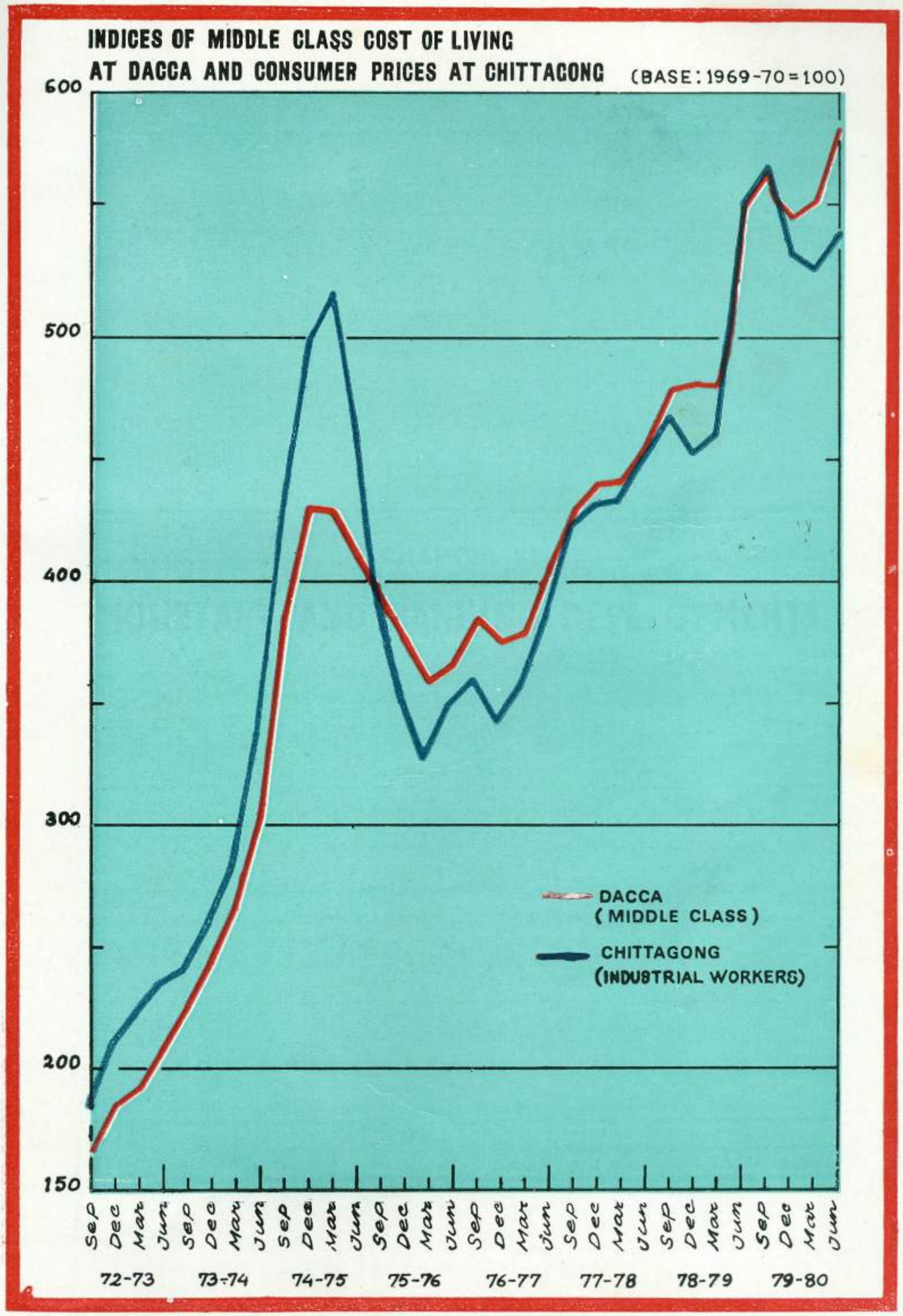
33. The general cost of living in the country registered a rise during 1979-80, reflecting increases in the prices of most of the essential commodities. The cost of living index for Middle-class people in Dacca city (1969-70=100) which had stood at 522.85 in June, 1979 rose to 687.40 in June, 1980 indicating an increase of 12.35% over the year as against the rise of 14.34% in 1978-79. The rise was shared by all the sub-indices viz., 'food' (+11.93% to 569.41), 'fuel and lighting'

(+13.80% to 531.78), 'housing and household requisites' (+19.33% to 827.88), 'clothing and footwear' (+10.91% to 583.47) and 'miscellaneous' items (+8.02% to 513·00).

34. The consumer price index for Narayanganj industrial workers (1969-70=100) increased by 5.14% to 552.20 in June, 1980 over June, 1979 on top of the increase of 19.32% in 1978-79. This reflected rises in the sub-indices for 'food' (+4.36% to 541.73), 'housing and household operations' (+13.02% to 666.63), and 'miscellaneous' items (+12.16% to 489.05). The rise was partly neutralised by the decline in the sub-index for 'apparel, textiles and footwear' (−2.52% to 583.33).

35. The consumer price index for Chittagong industrial workers (1969-70 = 100) declined slightly by 1.97% to 541.53 in June, 1980 as against the increase of 23% in 1978-79. The fall was shared by the sub-indices for 'food' (−5.94% to 536.76), and 'apparel, textiles and footwear' (−2.27% to 502.21). The fall was, however, partly neutralised by the rise in the sub-indices viz., 'housing and household operations' (+16.16% to 720.21) and 'miscellaneous' items (+10.66% to 452.95).

36. The consumer price index for Khulna industrial workers (1969-70=100) went up by 2.02% to 506.26 in 1979-80 as compared to the rise of 20.69% in 1978-79. The rise represented increases in the sub-indices for 'apparel, textiles and footwear' (+6.30% to 497.69), 'housing and household operations' (+10.88% to 672.51) and 'miscellaneous' items (+2.77% to 423.62). The rise was partly neutralised by the fall in the sub-index for 'food' by 0.10% to 497.77.


INDICES OF MIDDLE CLASS COST OF LIVING
AT DACCA AND CONSUMER PRICES AT CHITTAGONG
(BASE: 1969-70=100)
600
500
400
300
200
150
DACCA
(MIDDLE CLASS)
CHITTAGONG
(INDUSTRIAL WORKERS)
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 Sep Dec Mar Jun
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80

CHAPTER III

MONETARY AND BANKING DEVELOPMENTS

MONETARY AND BANKING DEVELOPMENTS

37. The monetary and credit situation during 1979-80 was characterised by expansionary trends. The rate of monetary expansion, however, slowed down during the year under report. Money supply (M_1 : Narrow Money) recorded a net increase of Tk. 209.90 crores or about 14 per cent to Tk. 1724.95 crores during 1979-80 as compared with the increase of Tk. 258.37 crores or 21 per cent to Tk. 1515.05 crores in the preceding year. During the first half of the year under report money supply recorded a sharp increase of Tk. 232.14 crores to Tk. 1747.19 crores. However, during the second half of the year money supply came down by an amount of Tk. 22.24 crores and stood at Tk. 1724.95 crores at the end of June, 1980.

Money Supply

38. Analysis of the causative factors of the change in money supply reveals that the increase in money supply during 1979-80 was brought about largely by the credit expansion of Tk. 345.39 crores in public sector and of Tk. 335.18 crores in private sector. Another contributory factor was the considerable deficit of Tk. 197.68 crores@ in the fiscal operation of Government. These expansionary influences were partly neutralised by the large deficit of Tk. 356.71 crores in the country's international account and accretion of Tk. 228.25 crores in time deposits. Miscellaneous factors also imparted contractionary influence to the tune of Tk. 83.39 crores.

39. Different causative factors of the change in money supply during 1979-80 are shown below :

@Please see *note* under the *Causative Analysis* table.

Rsc = 92

CAUSATIVE FACTORS OF THE CHANGE IN MONEY SUPPLY *

(Taka in crores)

	As on 27.6.80	29.6.79	Changes
1. Currency outside banks	709.87	631.97	+77.90
2. Demand Deposits	1015.08	883.08	+132.00
Change in Money Supply	1724.95		**+209.90**

CAUSATIVE FACTORS

Expansion (+)
Contraction (−)

A. Government fiscal operation	+197.68@
B. **Public Sector :**	**+345.39**
i) Credit to public sector	+239.75
ii) Investment in public sector	+105.64
C. Private Sector (including investment)	+335.18
D. Time deposits with scheduled banks (increase −)	−228.25
E. Foreign sector	−356.71
F. Residual items (miscellaneous)	− 83.39
Total :	**+209.90**

40. Of the components of money supply (M_1) demand deposits recorded a net increase of Tk. 132.00 crores or 15 per cent to Tk. 1015.08 crores, while currency outside banks went up by Tk. 77.90 crores or 12 per cent to Tk. 709.87 crores during the year. The quarterly movement of money supply and its components during 1979-80 is shown below :

* Provisional.

@ **Note :** Calculated on 30th June, 1979 to 30th June, 1980 basis the figure is much higher at Tk. 292.09 crores.

CAUSATIVE FACTORS OF THE CHANGE IN MONEY SUPPLY *

(Taka in crores)

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1. Currency outside banks	709.87	631.97	+77.90
2. Demand Deposits	1015.08	883.08	+132.00
Change in Money Supply	1724.95		**+209.90**

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Expansion (+)	
Contraction (−)	
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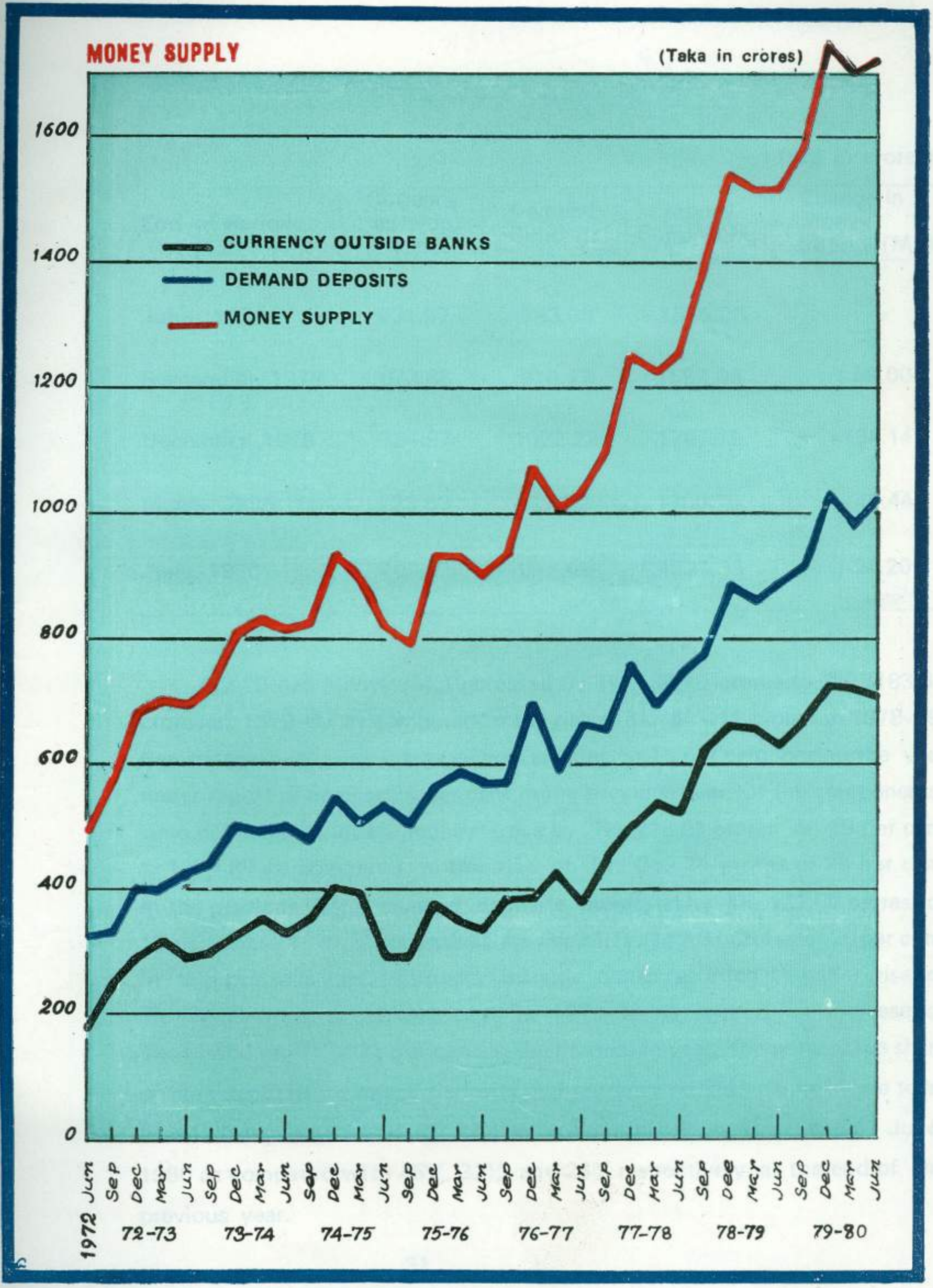


MONEY SUPPLY
(Taka in crores)
1600
1400
1200
1000
800
600
400
200
0
CURRENCY OUTSIDE BANKS
DEMAND DEPOSITS
MONEY SUPPLY
Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun
1972
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80

78.19 Percent
45.22
2) 123.41 | 61.90
12.14 ×100.63

493.91
223.37

(Taka in crores)

End of Period	Currency outside Banks	Demand Deposits	Money Supply (M_1)	Change in Money Supply (M_1)
June, 1979	631.97	883.08	1515.05	—
September, 1979	672.88	910.17	1583.05	+68.00
December, 1979	724.97	1022.22	1747.19	+164.14
March, 1980	723.53	977.22	1700.75	−46.44
June, 1980	709.87	1015.08	1724.95	+24.20

1724.95
1515.05
209.90

41. Broad Money (M_2) increased by Tk. 438.15 crores to Tk. 3183.62 crores in 1979-80 as compared to the rise of Tk. 524.11 crores in 1978-79. Percentage-wise, the increase was smaller at 16 per cent during the year under report as against 24 per cent in the previous year. Of the components, time deposits or 'quasi money' rose by Tk. 228.25 crores or 19 per cent in 1979-80 as compared to the rise of Tk. 265.74 crores or 28 per cent in the previous year ; demand deposits increased by Tk. 132.00 crores or 15 percent in 1979-80 as against the rise of Tk. 147.87 crores or 20 per cent in the previous year. Currency outside banks recorded a smaller rise of Tk. 77.90 crores or 12 per cent in 1979-80 as against an increase of Tk. 110.50 crores or 21 per cent in the preceding year. The percentage share of time deposits, demand deposits and currency outside banks in the total broad money stood at 46%, 32% and 22% respectively at the end of June, 1980 as compared with 45%, 32% and 23% respectively at the end of the previous year.

42. The following table shows the comparative movement of broad money (M_2) during 1978-79 and 1979-80 :

CHANGE IN BROAD MONEY

(Taka in crores)

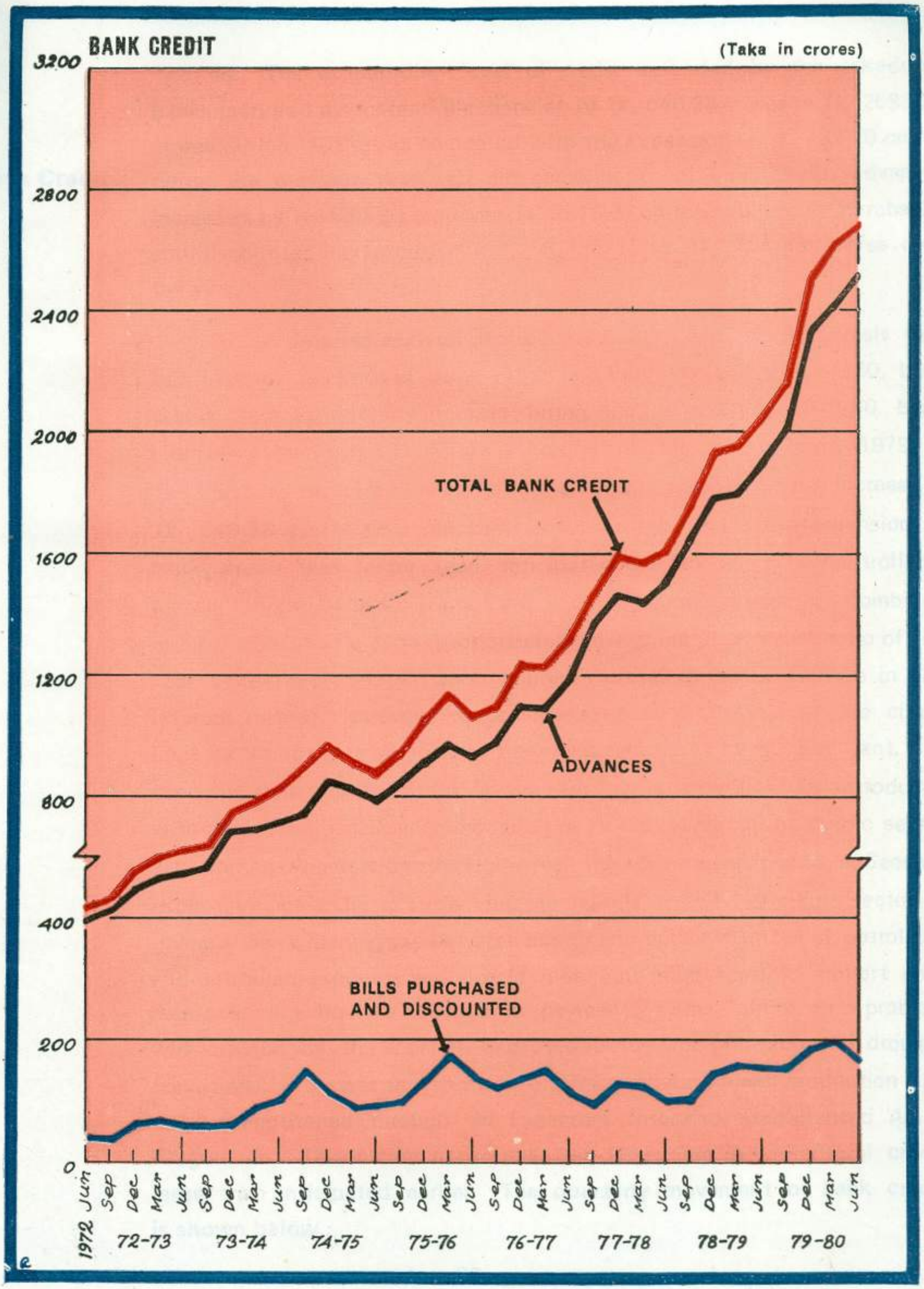
Items/Period	June, 1978	June, 1979	June, 1980	% Change in 1978-79	% Change in 1979-80
1. Currency Outside Banks	521.47	631.97	709.87	21.19	12.32
2. Demand Deposits	735.21	883.08	1015.08	20.11	14.95
3. Time Deposits	964.58	1230.32	1458.57	27.55	18.55
Total :	**2221.26**	**2745.37**	**3183.52**	**23.60**	**15.96**

43. The rate of expansion in broad money was much larger than warranted by a growth of 4.82 per cent in GDP. However, the income velocity of money declined from 5.27 in 1978-79 to 5.13 in 1979-80. The trend in income velocity of money since 1974-75 is given 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	12,574.10	1,287.70	9.76
1975-76	10,745.80	1,438.04	7.47
1976-77	10,536.10	1,830.61	5.76
1977-78	13,029.00	2,221.26	5.87
1978-79	14,477.40	2,745.37	5.27
1979-80	16,331.60	3,183.52	5.13

*Source : Bangladesh Bureau of Statistics.


BANK CREDIT
(Taka in crores)
3200
2800
2400
2000
1600
1200
800
400
200
0
TOTAL BANK CREDIT
ADVANCES
BILLS PURCHASED
AND DISCOUNTED
1972 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 Sep Dec Mar Jun
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80

Bank Credit

44. The outstanding level of credit extended by the scheduled banks recorded a substantial expansion of Tk. 640.38 crores to Tk. 2683.25 crores during 1979-80 as compared with the expansion of Tk. 439.70 crores during the previous year. Of the components of bank credit, advances increased by Tk. 630.80 crores to Tk. 2518.82 crores, while bills purchased and discounted increased by Tk. 9.58 crores to Tk. 164.43 crores over the year.

45. A detailed analysis of the movement of bank credit reveals that but for some declines in July, 1979 and February and May, 1980, bank credit recorded a steady increase during the financial year 1979-80. Bank credit increased from Tk. 2042.87 crores at the end of June, 1979 to Tk. 2683.25 crores at the end of June, 1980, indicating a net increase of Tk. 640.38 crores or 31.35 per cent over the year. The expansion in bank credit was larger than anticipated due to some uncontrollable factors. First, large stock from the preceding year's production combined with the relatively high proportion of low grade jute in the crop of the year under report brought about a significant fall in raw jute prices in the internal market. In order to provide support to jute market the credit limit for the private sector jute trade was enhanced by 50 per cent. At the same time a Buffer Stock Scheme for low quality jute was introduced with additional bank accommodation of Tk. 30 crores for the public sector jute trading organisations through which the scheme was operated. Second, it became necessary to allow increased credit to the petroleum sector to finance the widening gap between import and domestic prices of petroleum and petroleum products and also to meet the need for quick import payments arising from a change in payments terms. Third, a problem was created by the shortfall expected in Aus crop on account of drought conditions. To meet this shortfall efforts to step up Aman production had to be strengthened through an Expanded Intensive Transplanted Aman Programme. This in turn necessitated an expansion in agricultural credit larger than anticipated earlier. The quarterly movement of bank credit is shown below :

CHANGE IN BANK CREDIT

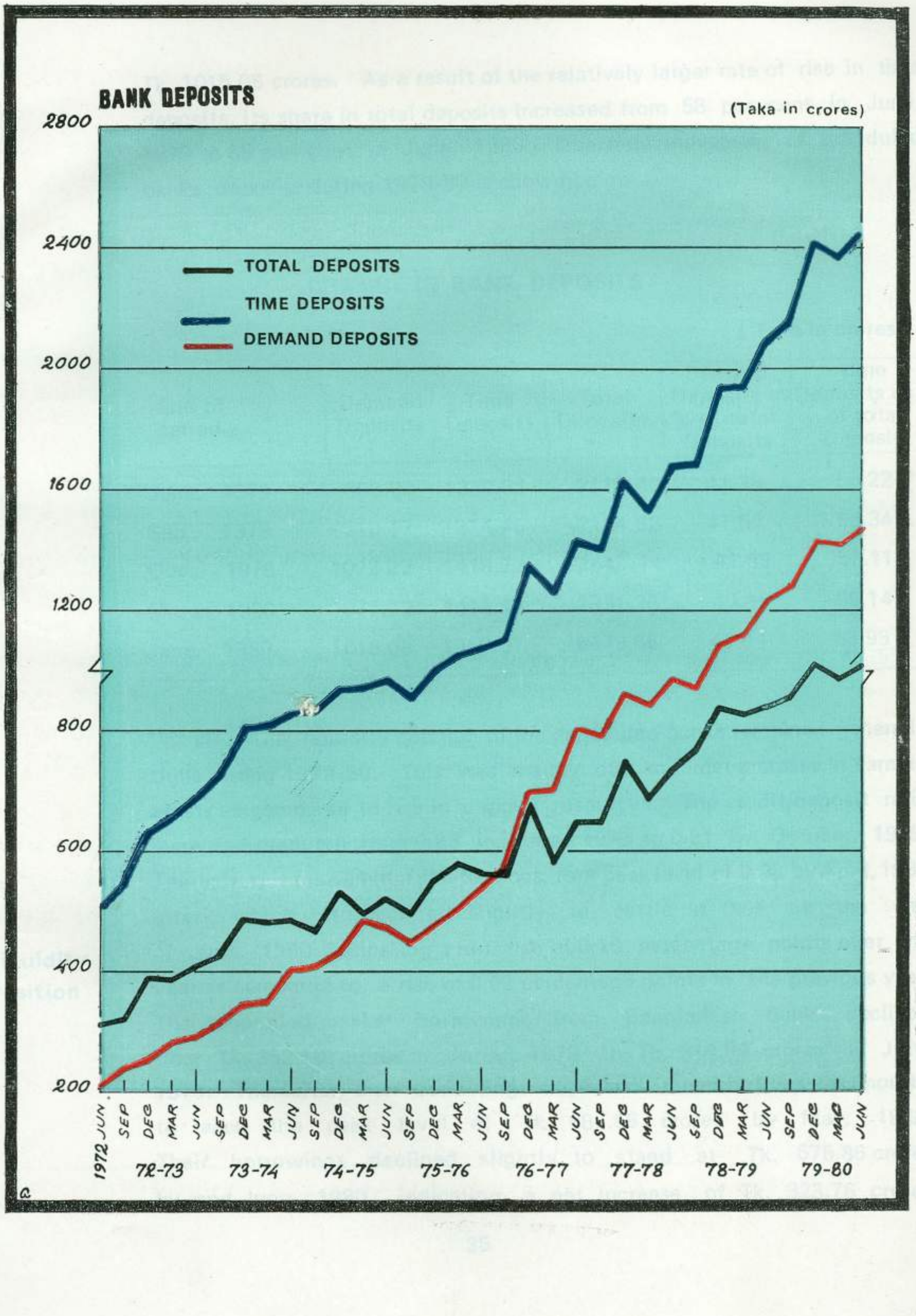
(Taka in crores)

End of Period	Advances	Bills	Total Credit	Advances as % of Total Credit	Bills as % of Total Credit
June, 1979	1888.02	154.85	2042.87	92.42	7.58
Sept., 1979	2006.81	152.46	2159.27	92.94	7.06
Dec., 1979	2328.61	181.42	2510.03	92.77	7.23
March, 1980	2423.58	194.58	2618.16	92.57	7.43
June, 1980	2518.82	164.43	2683.25	93.87	6.13

46. The major items against which advances recorded increases during 1979-80 were : advances by BKB and BSB (+ Tk. 123.48 crores), minerals and other imported goods (+ Tk. 114.52 crores), other secured advances and advances secured by guarantee, etc. (+Tk.86.80 crores), unsecured advances (+Tk. 76.90 crores), advances to Ministry of Food (+Tk. 64.13 crores), raw jute (+Tk. 53.21 crores), other merchandise (+Tk. 44.68 crores), chemicals, dyes, etc. (+Tk. 27.30 crores), iron and steel, engineering, etc. (+Tk. 22.56 crores), real estates (+Tk. 12.83 crores) and financial obligations (+Tk. 10.30 crores). The items against which advances registered some declines were : jute manufactures (—Tk. 17.54 crores), cotton yarn (—Tk. 3.20 crores), cotton textiles and other textiles (—Tk. 2.16 crores) and shares and debentures of joint stock companies (—Tk. 1.84 crores).

Bank Deposits

47. Scheduled banks' deposits (excluding inter-bank items) recorded an expansion of Tk. 360.25 crores to Tk. 2473.65 crores during 1979-80 as compared with the increase of Tk. 413.61 crores during the previous year. The increase in deposits occurred both in time and demand deposits. Time deposits increased by Tk. 228.25 crores or 19 per cent to Tk. 1458.57 crores, while demand deposits rose by Tk. 132.00 crores or 15 per cent to



BANK DEPOSITS
(Taka in crores)
2800
2400
2000
1600
1200
800
600
400
200
TOTAL DEPOSITS
TIME DEPOSITS
DEMAND DEPOSITS
1972 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
SEP
DEC
MAR
JUN
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80

Tk. 1015.08 crores. As a result of the relatively larger rate of rise in time deposits, its share in total deposits increased from 58 per cent in June, 1979 to 59 per cent in June, 1980. Quarterly movement of scheduled banks, deposits during 1979-80 is shown below :

CHANGE IN BANK DEPOSITS

(Taka in crores)

End of period	Demand Deposits	Time Deposits	Total Deposits	Demand Deposits as % of total Deposits	Time Deposits as % of total Deposits
June, 1979	883.08	1230.32	2113.40	41.78	58.22
Sep., 1979	910.17	1274.45	2184.62	41.66	58.34
Dec., 1979	1022.22	1418.22	2440.44	41.89	58.11
March, 1980	977.22	1414.14	2391.36	40.86	59.14
June, 1980	1015.08	1458.57	2473.65	41.04	58.96 58.55

Liquidity Position

48. The liquidity position of the scheduled banks remained generally tight during 1979-80. This was mainly due to larger increase in earning assets as compared to rise in deposit resources. The credit/deposit ratio increased gradually from 0.85 in June, 1979 to 0.91 by October, 1979. Thereafter, it rose amidst fluctuations to a peak level of 0.98 by April, 1980 after which it declined slightly to settle at 0.95 at the end of June, 1980, indicating a net rise of 0.10 percentage points over the year as compared to a rise of 0.02 percentage points in the previous year. The scheduled banks' borrowings from Bangladesh Bank declined from Tk. 352.10 crores in June, 1979 to Tk. 314.90 crores by July, 1979. Thereafter, their borrowings increased steadily over the months to reach the peak level of Tk. 686.56 crores by May, 1980. Their borrowings declined slightly to stand at Tk. 675.86 crores by end-June, 1980, indicating a net increase of Tk. 323.76 crores

over the year. The scheduled banks' balances with Bangladesh Bank and cash in their tills increased by Tk. 23.32 crores and Tk. 12.79 crores respectively to Tk. 177.64 crores and Tk. 69.47 crores over the year.

Bank Rate

49. The Bank Rate remained unchanged at 8% during the year 1979-80.

Cash Reserve Requirement

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

Liquidity Ratio

51. The prescribed liquidity ratio of scheduled banks remained unchanged during the year 1979-80 at 25% of their total demand and time liabilities.

Interest Rate Structure

52. Interest rates on deposits and advances during the year 1979-80 remained unchanged at the same levels as on 30th June, 1979.

Credit Policy and Measures

53. The credit policy pursued by the Bangladesh Bank during 1979-80 continued to be aimed at ensuring the utilisation of scarce bank resources in the best possible manner for increasing production, employment and real income. Within the above broad objective credit programme was made having regard to the socio-economic priorities, distributive justice, regional balance and need for containing money supply within the safe limit. Important measures taken during the fiscal year 1979-80 towards fulfilment of these objectives were as under :

Small Loans

(i) A small loan target was fixed for each of the nationalised banks at 2% of their total Demand and Time Liabilities to be disbursed during the year. The share of various categories of borrowers within the overall small loan target continued to remain as under :

Categories of borrowers	Share
a) Small Scale/Cottage industries	50%
b) Retail Trade	25%
c) Other self-employed persons	20%
d) Rural electrification	5%
TOTAL :	100%

(ii) With a view to keeping bank credit for working capital finance of private sector manufacturing industries within a reasonable limit, credit norms were fixed providing for maximum inventory level of locally available raw materials of two months' requirement, imported raw materials of six months' requirement at the peak and finished goods of 4 weeks' production. The extent of bank finance was not to be enhanced in the case of manufacturing industries which were operating and could conveniently operate with a lower level of inventory. In the case of private manufacturing industries maintaining a higher level of inventory bank finance should be gradually reduced to bring down the level of inventory to such limits as per norms fixed. Where separate credit norm was fixed for any individual sector the same should be followed.

(iii) With a view to checking tendency in many of the private sector firms to rely upon bank credit for working capital despite their having adequate opportunities to deploy their own fund for the purpose banks were directed to critically look into the balance sheet of the firms they would finance in the private sector. The banks were instructed to extend credit facilities for working capital to the extent of the requirement of the borrowers only after examining the balance sheets.

(iv) As in the previous financial year, no credit target was fixed for the commercial banks for 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.

(v) In order to boost up non-traditional exports an export credit target was fixed for each of the nationalised banks at 1% of their total demand and time liabilities for disbursement of credit to exporters of non-traditional items (i.e., all items except jute, jute goods, tea, hides and skins, fish, prawn, frog and frog-legs) during the financial year 1979-80.

(vi) In view of the need to plough back the resources tapped from rural areas for the development of rural economy, the nationalised banks were advised to continue their efforts to increase the flow of bank credit to the rural/under-developed areas with the objective of increasing the credit/deposit ratio in those areas to 75% by the end of 1979-80.

(vii) In order to curb further credit expansion in the overall interest of the economy banks were advised on 18th December, 1979 as under :

a) In the case of industrial borrowers the sanctioned limit in each individual case was fixed at the level of 90% of the maximum outstanding during the period from Ist January, 1979 to 18th December, 1979.

b) In the case of traders and others, sanctioned limits were reduced to 85% of the maximum outstanding during the above period.

However, the above restrictions were not applicable in the following cases :

a) Limits sanctioned to the borrowers in such public sector units where special arrangements had been made by Bangladesh Bank or where credit norms had been separately fixed ; in the latter cases credit norms were to be strictly enforced.

b) Limits sanctioned to the private sector for jute trade and jute industries, tannery, fish processing, hides and skins, other export industries, agriculture including tea, term finance for industry, housing, transport, small loans other than loans for trade and under special credit programmes.

(viii) Effective from Ist July, 1979 advances in the private sector against onion and chillies were prohibited.

(ix) Effective from 19th January, 1980 banks were allowed to make advances in Bangladesh Taka to foreign currency account holders or their nominees against the security of funds in foreign currency accounts maintained under Wage Earners' Scheme upto 100% of the Taka equivalent thereof at the official rate of exchange as against 50% allowed previously subject to adjustment within 15 days from the date of advance.

(x) Effective from 17th March, 1980 banks were directed to make advances for import of cotton textiles and synthetic textiles under the Wage Earners' Scheme against Foreign Currency Accounts/AIPs upto 50% of the Foreign Currency/AIPs at official rate of exchange instead of 100% allowed previously.

(xi) For import of old ships under the Wage Earners' Scheme for scrapping purpose, instructions were issued on 31st March, 1980 to the banks to allow credit facility at usual rate of interest upto 50% of purchase price of the old ship. Taka amount of 50% of purchase price in foreign exchange was to be calculated at IP rate prevailing on the date of purchase of IP/foreign currency under Wage Earners' Scheme.

(xii) Margin requirement on bank loans under the special credit programme for small and cottage industries was reduced from 25% to 20% with effect from 12th September, 1979. An additional credit allocation of Tk. 2.30 crores was made under the programme raising the total allocation to Tk. 10.70 crores.

(xiii) The nationalised commercial banks were required to extend credit facilities to the weavers having looms as also loomless weavers through their primary co-operative societies in the places selected by Bangladesh Hand Loom Board under a project prepared by them for distribution of cotton yarn and channelising bank credit to the weavers. The margin requirement for extension of credit facilities to the primary societies of weavers having looms of their own was fixed at 15% while for loomless weavers the margin requirement was set at 5%. Later, margin requirement for loans to the co-operatives of the weavers having looms of their own was also reduced to 5% with effect from 1st January, 1980 for a period of one year.

Credit Guarantee Scheme

54. The scope of the industrial credit guarantee scheme which was originally introduced to provide guarantee to cover 50% of bonafide loss sustained by the financing banks against their lendings to small-scale industries under IDA credit was extended to cover BSCIC sponsored small industry projects under any foreign credits/grants or any other scheme approved by the Bangladesh Bank including cash foreign exchange allocation.

CHAPTER IV

DEVELOPMENT OF BANKING FACILITIES AND FINANCE

DEVELOPMENT OF BANKING FACILITIES AND FINANCE

Branch Expansion

55. As many as 560 bank branches were opened in Bangladesh by the scheduled banks (Nationalised Commercial Banks, Bangladesh Krishi Bank and Bangladesh Shilpa Bank) during the period from 1st July, 1979 to 30th June, 1980. One branch of the Grindlays Bank Limited was, however, closed down during the period under report. Thus, the total number of scheduled bank branches in Bangladesh stood at 3820 as on 30th June, 1980 as against 3261 as on 30th June, 1979.

56. During the period under report 1 branch was opened abroad by a nationalised commercial bank raising the total number of Bangladeshi banks' branches abroad to 14. There are at present 6 foreign banks with 19 branches functioning in Bangladesh.

Inspection of Banks

57. Comprehensive inspection of the following banks was completed during the year and reports were sent to the banks concerned for taking necessary action :

1. Sonali Bank
2. Pubali Bank
3. Uttara Bank
4. Agrani Bank
5. The Chartered Bank
6. State Bank of India
7. Grindlays Bank Ltd.

58. The comprehensive inspection of Rupali Bank and Bangladesh Shilpa Bank was completed and the preparation of the inspection reports was in progress.

59. Regular inspection of foreign exchange business of Pubali, Agrani, Sonali and Rupali Banks was completed. In addition, special inspections of some aspects of foreign exchange business of some selected branches of Janata, Sonali, Agrani, Pubali, Rupali and Grindlays Banks were also conducted.

60. Special inspection regarding a number of cases of frauds, forgeries and malpractices committed in various branches of nationalised banks was conducted during the year under review and reports were sent to the concerned Departments/Head Offices of the banks for necessary action.

61. Moreover, inspection of overseas branches of Sonali Bank at Calcutta and of Rupali Bank at Karachi was conducted during the period and reports were submitted to the concerned Division of the Ministry of Finance and Heads of the banks for necessary action.

62. The U. A. E. branches of Janata Bank were also inspected by the officials of the bank and Bangladesh Bank jointly and the report thereof was in the process of submission to the authorities concerned.

Jute Finance

63. As in the past years, adequate finance from the banking system was arranged for jute trade and jute mills during 1979-80 jute season. The commercial banks sanctioned a total cash credit and packing credit limit of Tk. 548.42 crores as against Tk. 462.21 crores in the preceding year for financing movement of raw jute as well as meeting the working capital requirement of jute mills. Peak level utilisation of bank credit by jute sector stood at Tk. 461.31 crores as on 23rd November, 1979 against which refinance provided by Bangladesh Bank was of the order of

Tk. 180.72 crores. In addition, Bangladesh Bank provided credit of Tk. 15.00 crores each to Jute Trading Corporation and Jute Marketing Corporation for their buffer stock operations.

Finance for Sugar Mills

64. 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 1979-80. Bangladesh Bank provided refinance to the extent of Tk. 16.80 crores for supplementing the banks' resources for financing sugar mills.

Refinance Against Small Loans

65. Refinance was extended to commercial banks against fresh small loans disbursed by them during 1979-80 as also against the increase in their outstanding small loans as on end-June, 1979 over the outstanding as on end-June, 1978. The peak level utilisation was Tk. 15.36 crores.

Refinance Against Rural Credit

66. Tk. 38.41 crores were allowed to commercial banks as refinance against their disbursement of loans under the Rural Credit Programme.

Counter-Finance Facilities for Food and Fertilisers

67. For financing procurement and distribution of foodgrains by the Goverment a sum of Tk. 140.00 crores was made available by the commercial banks and a refinance limit of the same amount was allowed by Bangladesh Bank during 1979-80 to the nationalised banks for supplementing banks' resources.

68. Counter-finance extended by Bangladesh Bank to the nationalised banks for procurement and distribution of fertiliser by the B. A. D.C. during 1979-80 amounted to Tk. 80.00 crores.

Other Refinance Facilities

69. In addition to the above, other refinance facilities were allowed to the banks keeping in view their lendings in various priority sectors such as housing, transport, term finance, oil imports etc. vis-a-vis their global liquidity constraints. The total refinance limit allowed was Tk. 132.30 crores.

70. Rediscounting/overdraft limit by the Bangladesh Bank to the banks against export bills was fixed at Tk. 66.25 crores at Bank Rate for exports of traditional items, viz., jute, jute goods, tea, hides and skins, fish, prawn, frog and frog-legs. Provision was also made for 100% rediscounting/overdraft against export bills relating to non-traditional exports, i.e., all items other than those mentioned above.

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 more and more 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 had been made to enlarge the scope of its activities. The total number of public companies listed with the Dacca Stock Exchange increased to 18 by June 30, 1980 from 17 at the end of June, 1979. 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 during 1979-80

Investment Corporation of Bangladesh

72. The Investment Corporation of Bangladesh (ICB) 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, 1980, the ICB committed Tk. 13.48 crores which included Tk. 12.95 crores worth of under-writing/bridge finance, the balance, being debenture finance. This compared with Tk. 13.97 crores committed by the ICB during the preceding year. Besides, investment support in the form of under-writing/bridge and debenture finance committed by other financial institutions was estimated

to be Tk. 9.07 crores during the year under report as compared with Tk. 9.34 crores committed during 1978-79. Thus, total amount committed by ICB and consortium came to Tk. 22.55 crores during 1979-80 as compared with Tk. 23.31 crores during 1978-79.

International Finance and Investment Company

73. The International Finance and Investment Company Ltd. (IFIC) 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 since 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 and to maintain F/C account and taka deposits emanating from Wage Earners' remittances for channelising them to productive investment. It has also been authorised to offer full range merchant banking services in Bangladesh. It earned a gross profit of Tk. 41.17 lakhs during the year ended December, 1979 as compared with Tk. 39.74 lakhs earned during the previous year.

Bangladesh Shilpa Bank

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.

75. During 1979-80 the bank received 349 loan applications as against 312 during 1978-79. During the year under report the bank sanctioned loans amounting to Tk. 109.20 crores which included Tk. 72.16 crores in foreign currency and Tk. 37.04 crores in local currency. During the preceding year total loans sanctioned amounted to Tk. 50.19 crores which included Tk. 23.81 crores in foreign currency and Tk. 26.38 crores in local currency. Of the loans sanctioned during 1979-80, private sector received Tk. 102.58 crores or 93.94 per cent while public sector received Tk. 6.62 crores or 6.06 per cent.

76. Total disbursement of loans made by BSB during 1979-80 amounted to Tk. 35.17 crores of which Tk. 9.10 crores were in foreign currency and the balance of Tk. 26.07 crores in local currency. Of the total disbursement, projects in private sector claimed Tk. 34.41 crores or about 97.84 per cent while the balance went to public sector projects. Total disbursements were Tk. 28.12 crores during 1978-79 with a foreign currency component of Tk. 15.52 crores. Of the total disbursement of Tk. 28.12 crores during 1978-79, the private sector received Tk. 27.99 crores which represented 99.54 per cent of the total, the nominal balance was made available to the public sector projects.

77. The total amount of outstanding BSB loans as on June 30, 1980 was Tk. 202.37 crores as against outstanding loans of Tk. 170.58 crores as on June 30, 1979.

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 and to broaden 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 1979-80 the BSRS received a total number of 304 applications for financial assistance compared to 148 application received in the preceding year. The total loans sanctioned during 1979-80 amounted to Tk. 128.00 crores as compared to Tk. 47.48 crores sanctioned during the preceding year. Of the total loans sanctioned during 1979-80, foreign currency and local currency loans amounted to Tk. 65.79 crores or 51.40 per cent and Tk. 62.21 crores or 48.60 per cent respectively as compared to Tk. 32.90 crores or 69.29 per cent and Tk.14.58 crores or 30.71 per cent during the preceding year. The private sector accounted for 100% of the loans sanctioned during 1979-80 as compared to 98.23 per cent (Tk. 46.64 crores) in the private sector and 1.77 per cent (Tk. 0.84 crore) in public sector during the preceding year.

80. During 1979-80 an amount of Tk. 45.14 crores was disbursed by BSRS as against Tk. 21.80 crores in the preceding year representing an increase of 107.06 per cent. Of the total disbursement, foreign currency and local currency components accounted for Tk. 12.94 crores or 28.67 per cent and Tk. 32.20 crores or 71.33 per cent as compared to Tk. 19.29 crores or 88.49 per cent and Tk. 2.51 crores or 11.51 per cent respectively during 1978-79. The share of private sector in 1979-80 was 98.32 per cent of the total disbursements as compared to 57.22 per cent in the previous year.

81. The total outstanding BSRS loans as on June 30, 1980 were Tk. 207.79 crores as compared to the outstanding loans of Tk. 172.26 crores as on June 30, 1979.

CHAPTER VI

AGRICULTURAL FINANCE

AGRICULTURAL FINANCE

82. Agricultural financing in Bangladesh is done through a multi-agency system which consists of (a) the Government-sponsored agricultural bank called Bangladesh Krishi Bank (BKB), (b) national co-operative bank named Bangladesh Samabaya Bank Limited (BSBL) and its affiliates-Co-operative Land Mortgage Banks (CLMBs), Central Co-operative Banks (CCBs) and their affiliated Primary Societies, (c) nationalised commercial banks (NCBs) and (d) IRDP-TCCAs (Thana Central Co-operative Associations) and their affiliated primary societies known as KSS. Agricultural credit operations are carried out under two separate programmes, namely (i) Normal Programme (NP) of all the agencies and (ii) Special Agricultural Credit Programme (SACP) in which only BKB and all the six NCBs have been involved. Since last year both the programmes have been running concurrently on Fiscal Year (July-June) basis. The Normal Credit Programme is drawn up on the basis of the projections given by each of the individual credit agencies including BKB and NCBs for disbursing various types of credits such as short-term, medium-term and long-term credits for financing agriculture and other related activities which the agencies concerned are authorised to finance as per provisions of their respective rules and regulations. In their credit operations under the Normal Programme, concerned agencies follow their own procedure and observe the formalities including security requirements as laid down by their own management. The Normal Programme covers financing of fishery, livestock, poultry etc. and plantation crops like tea, banana, pineapples, guava, sugarcane (in Mill Zone areas), jute (under IJCS), all financing under special projects like Rural Development (I) Project, Sirajganj Integrated Rural Development Project (SIRDP) etc. and all term finance for capital investment in agriculture, particularly for acquisition of

Institutional Finance

assets like Shallow Tube-well, Deep Tube-well, Low Lift Pumps, agricultural machinery, equipments, transports etc. and for processing, storage and marketing of agricultural produce.

83. The Special Agricultural Credit Programme (SACP) refers to the Tk. 100-Crore Credit Programme which was specially designed with simplified loaning procedure and was launched in February, 1977 with the twin objectives of increasing participation of the NCBs and BKB in short-term crop financing and increasing credit flow to this sector. All the six NCBs and BKB have been operating under this programme. In the areas allocated to them by the District Committees which were set up at the district headquarters of all the districts with the Deputy Commissioner of the district as the Chairman. Agricultural Credit Department of the Bank monitors the SACP and issues detailed guidelines and instructions to be followed by the implementing agencies while the credit norms etc. for financing different crops are fixed by the Ministry of Agriculture who also give district-wise and crop-wise allocation of credit to be disbursed. Financing of all intensive crop production programmes such as Intensive Aus (IAPP), Intensive T-Aman (ITAP), Intensive Rabi (IRCP) and Intensive Wheat (IWCP) are covered by SACP.

Annual Agricultural Credid Programme 1979-80

84. The Two-Year Approach Plan terminating in June, 1980 envisaged total credit requirement for agricultural sector during 1979-80 at Tk. 219.00 crores. The Annual Agricultural Credit Programme drawn up by Bangladesh Bank for 1979-80, however, initially set the disbursement target higher at Tk. 301.35 crores, including Tk. 100.00 crores allocated for disbursement under SACP and Tk. 201.35 crores under NP of all the agencies. As the Aus crop was severely damaged due to prolonged drought throughout the country, the Ministry of Agriculture drew up plans for increasing areas under Intensive Transplanted Aman Production (ITAP), Intensive Wheat Crop Production (IWCP) and Intensive Rabi Crop Production programmes so as to make good the loss of Aus crop. In order to give adequate credit support for these Intensive

Programmes, increased credit allocations were made by raising the total disbursement target under SACP to Tk. 199·32 crores (as against the original allocation of Tk. 100.00 crores). Bangladesh Krishi Bank in order to meet the increased credit demand for financing tea crop raised its disbursement target under the Normal Programme by Tk. 6.00 crores. Thus, the total disbursement target was raised to Tk. 406.67 crores as per agency-wise and programme-wise break-up shown below :

(Amounts in crores of Taka)

Agency	Disbursement Targets		Total
	Under Normal Programme	Under SACP	
BSBL	29.00	—	29.00
BKB	103.00	199.32	377.67
NCBs	75.35*		
Total :	**207.35**	**199.32**	**406.67**

* Includes IRDP figure.

85. The above target was 58.13% higher than that of the previous year. As against this target of Tk. 406.67 crores, the actual disbursement of credit by all the agencies during the year aggregated to Tk. 268.39 crores or 65.99% of the target and showed an increase of 57.20% over the preceding year's disbursement of Tk. 170.73 crores. The following figures show the disbursement of agricultural credit over the last 2 years :

(Amounts in crores of Taka)

Year	Normal Programme		S A C P		Aggregate under both programmes		Percentage over the previous year's Disbursement
	Target	Actual Disbursement	Target	Actual Disbursement	Target	Actual Disbursement	
1978-79	157.17	129.46	100.00	41.27	257.17	170.73	4.30
1979-80	207.35	201.36@	199.32	67.03@	406.67	268.39@	57.20

@ Provisional.

86. The details of credit operations of all the agencies under both NP and SACP in 1979-80 as compared to the previous year are given below :

(Figures in crores of Taka)

	1978-79	1979-80
Target	257.17 (21.09)	406.67 (58.13)
a) Disbursement	170.73 (4.3%)	268.39 (57.20%)
b) Due for recovery	238.98	400.78
c) **Recovery**	119.43	142.00
d) Percentage of recoveries to amount fallen due	49.97	35.43
e) **Net flow of credit during the year (a-c)**	51.30	126.39
f) Outstanding (end-June)	299.54	406.68

(Figures in parentheses indicate percentage change over the previous year).

87. In view of the progressively increasing resource mobilization by the NCBs and their gradual expansion of branch network in the rural areas, the Government desired their greater participation in agricultural/rural financing. The NCBs were, therefore, asked to provide credit not only for short-term crop financing under SACP but also for financing term capital investment in agriculture. Thus the volume of outstanding agricultural credit of the NCBs expanded quite sharply over the years upto 1979, though there was some decline in 1979-80 as will be evident from the following table :

TOTAL OUTSTANDING OF AGRICULTURAL CREDIT OF NCBs

(Taka in crores)

1981-82

Period	Amount
End-June,	
1973	9.99
1974	11.41
1975	13.21
1976	26.70
1977	39.38
1978	92.16
1979	150.63
1980	105.70*

412.85

257.79
(61.58)

* Provisional

Normal Agricultural Credit Programme

88. The targets fixed for disbursement of credit under the Normal Programme of all agencies including the nationalised commercial banks during the year 1979-80 as compared to the previous year were as under :

(Taka in crores)

Agencies	1978-79	1979-80
BKB	65.88	103.00
BSBL	24.75	29.00
NCBs	66.54	75.35
Total :	**157.17**	**207.35**

89. The total amount of credit disbursed by all credit agencies including the nationalised commercial banks under their Normal Programmes during the year 1979-80 amounted to Tk. 201.36 crores as against Tk. 129.46 crores disbursed during the previous year.

BKB 268.39 ✓
BSB 35.17 ✓
203.56
60.48

Special Agricultural Credit Programme (SACP)

90. In addition, a total amount of Tk. 67.03 crores was disbursed by BKB and the NCBs under SACP. Thus the credit disbursed by all the agencies under both the programmes aggregated to Tk. 268.39 crores during 1979-80 as against Tk. 170.73 crores during 1978-79. The agency-wise break up of the total credit disbursed during the year as compared to the previous year is shown below :

(Figures in crores of Taka)

Agency	1978-79			1979-80			% change over previous year
	NP	SACP	Total	NP	SACP	Total	
BSBL	20.10	—	20.10	27.04	—	27.04	+34.53
BKB	58.67	14.50	73.17	118.96	22.00	140.96	+92.65
NCBs	50.69	26.77	77.46	55.36	45.03	100.39	+29.60
Total :			**170.73**			**268·39**	**+57.20**

The figures of IRDP are included in the figures of NCBs.

Recovery

91. Till June, 1980 recovery of loans made against SACP of 1977 and 1978 amounted to Tk. 49.23 crores and Tk. 27.79 crores respectively. Recovery of loans made against the half-yearly programme (January-June) of 1979 amounted to Tk. 6.27 crores.

92. Public Demand Recovery (PDR) Act was amended during 1979-80 for making the agricultural loans disbursed by the NCBs recoverable under the provisions of the said Act. This has been done to improve the recovery performance which has so far been not very satisfactory.

Loans for Pond Fishery

93. As in the previous year, a programme for promotion and development of sweet water fisheries was drawn up for the year 1979-80. Under the Programme 10 ponds/tanks in each union of the country were to be financed at the rate of Tk. 6000.00 per bigha with a maximum of 3 bighas. Total amounts sanctioned and disbursed under this Programme stood at Tk. 12.00 crores and Tk. 8.00 crores respectively.

Counter Finance by Bangladesh Bank

94. 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 1979-80 to enable them to extend credit to the farmers at reasonable interest rates. The amounts of loans sanctioned and disbursed by the Bank to these institutions during the years 1978-79 and 1979-80 were as under :

(Taka in crores)

Credit/ Agencies	1978-79		1979-80	
	Sanction	Disbursement	Sanction	Disbursement
BKB	67.07	66.28	102.70	104.70
BSBL	20.27	19.89	27.00	25.45
Total :	**87.34**	**86.17**	**129.70**	**130.15**

Outstanding borrowings of these two agencies with Bangladesh Bank stood at Tk. 181.37 crores as at the end of 1979-80 as compared to Tk. 106.90 crores at the end of 1978-79 showing a sharp increase of Tk. 74.47 crores over the year. The Institution-wise break-up was as under :

(Taka in crores)

Credit/Agencies	1978-79	1979-80	Increase
BKB	83.96	151.07	67.11
BSBL	22.94	30.30	7.36
Total :	**106.90**	**181.37**	**74.47**

Interest Rate Policy

95. The interest rate policy of the Bank in respect of agricultural credit remained unchanged during the year. Interest rate charged at the farmers' level by different institutional credit agencies ranged from 10½% to 12½%, except in the case of IRDP co-operatives which realised an additional 5% as service charge. While the co-operative charged

interest at simple rate, BKB and the NCBs charged compound interest annually. The lowest rate (10½%) was charged on loans for jute and tea crops both being important export items of the country.

Experimental Project

96. It has been observed that even after induction of NCBs in the field of agricultural financing and introduction of Tk. 100.00 crores SACP 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, 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 details of these experimental projects are given below.

Rural Finance Experimental Project (RFEP)

97. Under an agreement signed between the Governments of Bangladesh and the United States of America on August 31, 1977, a Rural Finance Experimental Project (RFEP) has been undertaken since November, 1978 for a two-year period to be implemented by all the six NCBs, BKB, BSBL and IRDP co-operatives in 62 selected outlets throughout the country under 8 different models. The project aims at testing different ways of delivering credit to and mobilising 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 thus make them self-reliant. Provision for higher interest on deposits from 11% to 15% is also there to act as an incentive for rural deposit mobilisation.

98. Upto end-June, 1980 a total amount of Tk. 2.35 crores was disbursed under the project to 17,016 loanees by all the participating agencies. As against this, an amount of Tk. 0.73 crore was recovered leaving an overdue balance of Tk. 1.23 crores. Participating agencies

could mobilise savings to the tune of Tk. 0.09 crore and Tk. 0.06 crore from the target and non-target groups respectively in the experimented areas during the same period.

99. The mid-term evaluation of the project revealed that out of the total loans disbursed, 73% went to target group borrowers. While 4.1% of the target group households received loan from institutional sources in the pre-RFEP period, the same increased to 21% within a period of 10 months (March-December, 1979) of project operation. Higher project lending rates (24%, 30% and 36%) were found to be no impediment in achieving good level of lending. However, borrowings at higher rates were made mostly for non-agricultural purposes. Repayment of due loans was 73%. While overdue at the lower interest rate (12%) was only 2%, the same increased to 36% at the highest rate (36%). Savings deposits from target group households increased by 60% as compared to the savings made before launching of RFEP.

Grameen Bank Project (GBP)

100. The Grameen Bank Project (GBP) for financing the landless poor by organising them into groups for certain income generating activities was taken up for experimentation on a limited scale by involving the NCBs and BKB for one year since mid-1979 at two thanas of Chittagong (Hathazari and Mirsarai) and in Tangail district. The project period has been extended for another year (upto end-June, 1981). Further, at the instance of Ministry of Agriculture (Swanirvar) it has been decided to extend GBP in ten Swanirvar thanas by the implementing banks themselves without the suprervision of Grameen Bank Project Office of 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 sections 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 co-operative structure which will hopefully eliminate the major weaknesses of the traditional co-operatives. The Bank has already set up a Project Office at Tangail with necessary staff and logistic support. Another small project office has been set up at Hathazari Thana head-quarters in Chittagong. The first year of the GBP demonstrated that the model can work.

101. As on 30th June, 1980 GBP extended its operation to 221 villages where about 7443 people have been organised into 1432 groups. Of this, 5299 are landless males and 2144 are females. An amount of over Tk. 82.00 lakhs was disbursed to them of which about Tk. 26.00 lakhs was recovered. There was hardly any default in repayment by the borrowers due to their group responsibility and the close supervision exercised by the bank workers. There was generation of savings by groups and individuals to the tune of over Tk. 6.00 lakhs with 25 bank branches of BKB and NCBs involved in the operation.

ASARRD Project

102. An Action-cum-Research Project on Small Farmers and Landless Labourers, popularly known as ASARRD (Asian Survey on Agricultural Reform and Rural Development) was introduced in March, 1976 under the joint sponsorship of FAO/UNDP and the Ministry of local Government, Rural Development and Co-operatives of the Government of Bangladesh. The overall objective of the project is to improve the social and economic conditions of the small farmers and landless labourers through an integrated programme of increasing productivity and income, increasing employment opportunities, mobilising available farm resources including minimum capital investment and savings, and training farmers as well as officers for group action and continuous development.

103. The first phase (1976-77 to 1979-80) of the ASARRD project has just been completed. During this phase of the project. about 230 groups of 12 villages in three sub-projects (Mymensingh, Comilla, and Bogra) have been given a total of Tk. 80.00 lakhs as supervised credit on

the basis of production plans prepared by the groups with the assistance of the field staff of the project. Bangladesh Bank designated Janata Bank to meet the credit requirement of the groups for which Janata Bank was provided by the FAO with a risk-cum-guarantee fund in the ratio of 1 : 10, i. e., against 1 Taka risk fund the bank advanced 10 Taka as loan. Due to the supervision of the field staff of the Bank and the project, the recovery performance stood at as high as 94%. The productive use of credit resulted in increasing the average income of the group members by 100% at constant price compared to the bench mark figure of 1976.

104. Basing on the success of the first phase, necessary arrangements and terms and conditions are being finalised to initiate the second phase (1980-81 to 1984-85) of the project during which about 200 villages will be covered under four sub-projects areas (three existing and one to be newly taken in hand in Rangpur).

Post Harvest Technology, Storage and Marketing Credit for Small and Medium Farmers

105. Under an agreement signed between the Government of Bangladesh and the Government of Swiss Confederation in April, 1976 a project named "Post Harvest Technology, Storage and Marketing Credit for Small and Medium Farmers" was undertaken. The project aims at assisting the Government of Bangladesh in elaboration, testing and application of a new approach for strengthening the market position of small and medium farmers, primarily with respect to the marketing of foodgrains by linking the supply of marketing credit to a network of local storage facilities. The project started its operation only at one centre (Boda union in Dinajpur district) just after the last Aman Harvest. Total loans made upto end-June, 1980 against the stock stood at Tk. 38.72 thousand. Out of this, Tk. 18.30 thousand was repaid.

Shrimp Culture

106. As mentioned in the last Annual Report, financing of shrimp culture in the coastal areas of Cox's Bazar and other regions was undertaken by BKB and other banks. The lending institutions advanced loans to the tune of Tk. 1.35 crores for shrimp culture during the year 1979-80 as against Tk. 0.85 crore only in the previous year.

International Fund for Agricultural Development (IFAD)

107. In terms of credit agreement signed by the Government of Bangladesh with the International Fund for Agricultural Development (IFAD) a pilot scheme for financing small farmers including share croppers of 3 districts, namely Jessore, Kushtia and Faridpur was drawn up for implementation under Tk. 100.00 crores SACP during 1980-82. Tk. 10.00 crores will be used as revolving fund for this scheme. In order to provide inducement, the financing agencies have been allowed refinance facilities at concessional rate. The scheme was launched in January, 1980. The banks have disbursed Tk. 3,81,725.00 in the project areas during the period January-June, 1980.

Inspection

108. The Bangladesh Bank under its inspection programme conducted inspection of 75 Thana Central Co-operative Associations, 32 Central Co-operative Banks, 12 Central Sugarcane Growers' Co-operative Societies and 5 Central Land Mortgage Banks.

Branch Licencing

109. The Bank issued licences to the Bangladesh Krishi Bank to open 152 branches during the year 1979-80. Against 152 licences issued BKB opened 150 new branches. BKB also opened 10 new branches during the year against licences issued in the previous year raising its total number of branches to 412.

Agricultural Credit Project Division

110. An Agricultural Credit Project Division (ACPD) was created in the Bank in 1979 to prepare, monitor and evaluate the agricultural projects for increased involvement of the commercial banks and BKB in term financing, particularly in sectoral development like livestock, horticulture, fisheries, irrigation, manufacture of agricultural implements, workshop facilities etc.

111. The ACPD launched a Tk. 10.00 crores shrimp culture financing programme in the coastal belt of Khulna/Cox's Bazar areas. Out of the allocated target, the participating banks disbursed about Tk. 80.00 lakhs till June, 1980.

112. The Division has also undertaken a Tk. 5.00 crores banana cultivation financing programme in collaboration with theHorticulture Development Board in 36 selected thanas throughout Bangladesh to boost up quality banana production. Disbursement of loan for banana cultivation is being made by all the six nationalised commercial banks and Bangladesh Krishi Bank.

113. Based on the recommendations of Robert R. Nathan Associates, a project on irrigation in Rajshahi Division is being prepared for IDA finance. The whole project is expected to cost approximately US $ 80 million (Tk. 1,200.00 million).

114. Further, a few programmes on cattle development backyard and commercial poultry, coconut plantation, vegetable growing, and bio-gas are under study. Based on their economic and financial feasibility they may be taken up for financing in the near future.

CHAPTER VII

HOUSE BUILDING FINANCE

HOUSE BUILDING FINANCE

House Building Finance Corporation

115. The Bangladesh House Building Finance Corporation (HBFC) established under the Presidential Order No. 7 of 1973 has been engaged in the development of the 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 all over the country. The Corporation provides house-building finance under two different programmes, called the (1) Normal Programme and the (2) Special Programme.

Normal Programme : The limit of the HBFC loan under the normal programme which was earlier fixed at Tk. 1.70 lakhs was enhanced to Tk. 2.10 lakhs with effect from March 21, 1980 for each self-contained unit of a house for a maximum period of 20 years at 11 per cent simple interest per annum. Under this programme the Corporation sanctioned loans amounting to Tk. 17.15 crores during 1979-80 which were 15 per cent higher as compared to Tk. 14.93 crores sanctioned during 1978-79. Disbursements made by the HBFC under the same programme amounted to Tk. 14.54 crores during 1979-80 which were 6 per cent lower as compared to the disbursement of Tk. 15.46 crores during the preceding year.

Special Programme: In order to ease the acute housing problem in the urban areas, HBFC had undertaken a special programme for financing the construction of multi-storied multi-unit buildings with effect from July, 1977. Under this programme, loans of Tk. 2.10 lakhs for each self-contained unit of a house for multi-storied buildings are advanced for a maximum period of 25 years at a concessional simple interest of 5 per cent per annum subject to a maximum limit of Tk. 8.42 lakhs per party. Under this programme, the Corporation sanctioned loans amounting to Tk. 50.88 crores during 1979-80 as against Tk. 90.69 crores sanctioned during 1978-79. The amount disbursed by the HBFC under the special programme stood at Tk. 60.54 crores during the year under report which was almost 50 per cent higher as compared to Tk. 40.42 crores disbursed during 1978-79.

116. The Government has recently approved a revised housing programme for people in the middle- and low-income groups. The programme envisages construction of four-to-six storied multi-family apartment houses in Dacca, Narayanganj, Chittagong and Khulna and three-storied apartment buildings in other urban areas, including thana headquarters. Loans under this programme carry concessional interest @ 5 per cent per annum for houses covering an area of 800 sft. each and @ 7 per cent per annum for houses covering an area of 1000 sft. each with 25 years' repayment period, and subject to maximum loan ceiling of Tk. 8.42 lakhs and Tk. 4.86 lakhs respectively.

Recovery of Loans : The recovery position of the HBFC loans during 1979-80 was relatively more satisfactory as compared to the preceding year. The Corporation recovered loans amounting to Tk. 8.67 crores and Tk. 1.74 crores under its normal and special programmes respectively during 1979-80 as compared to Tk. 7.10 crores and Tk. 0.29 crore recovered during the preceding year.

Loans Outstanding : The amount of outstanding loans of the HBFC as on June 30, 1980 was Tk. 193.78 crores (including interest for 1979-80) as against the outstanding loans of Tk. 118.43 crores as on June 30, 1979.

117. In order to increase the availability of credit for construction of houses, the commercial banks were required to extent credit facilities for housing during 1976-77 upto 1% of their total demand and time liabilities as on the last Friday of June, 1976. The same policy was also in

force during 1977-78 thereby requiring the commercial banks to extend credit to the housing sector upto 1% of their total demand and time liabilities as on last Friday of June, 1977. Thereafter, it was decided not to set any target for credit to the housing sector. The banks were, however, asked to treat this as a priority sector and extend adequate credit within the prescribed ceiling of Tk. 3.00 lakhs (inclusive of any loans from the HBFC) per party against the mortgage of real estates at a rate of interest of 12% per annum and repayable over a maximum period of 7 years. The total amount disbursed by the nationalised commercial banks as house-building loans during the year ending June, 1980 stood at Tk. 8.51 crores as compared with Tk. 5.62 crores disbursed during the preceding year. This was in addition to Tk. 0.10 crore of housing loans provided during 1979-80 by the foreign banks operating in Bangladesh. The total amount of outstanding housing loans provided by the nationalised commercial banks upto June, 1980 stood at Tk. 27.53 crores.

Nationalised Commercial Banks

Rural Housing Scheme : Besides, a rural housing scheme which was introduced during 1977-78 in order to finance construction of low-cost houses in villages under Swanirvar Programme/IRDP as also in villages which have been electrified remained in force during 1979-80. Under this scheme, a maximum amount of Tk. 8,000 per borrower is provided by the nationalised banks at 11% interest against mortgage of houses built and other household land. These loans are repayable over a period of 20 years. Disbursements made under this scheme amounted to Tk. 3.40 lakhs during 1979-80 as against Tk. 5.83 lakhs during the preceding year. A total sum of Tk. 12.39 lakhs was disbursed by the banks under this scheme since its introduction in December, 1977 upto June, 1980.

Bangladesh Bank

118. As the House Building Finance Corporation suffered from lack of resources to finance the all-important housing sector, the Bangladesh Bank and the nationalised commercial banks provided substantial amount of finance to the HBFC by way of subscribing to the debentures issued by the Corporation. The value of such debenture-holding of Bangladesh

Bank which had stood at Tk. 38.50 crores at the end of June, 1979 increased to Tk. 98.50 crores at the end of June, 1980, representing an investment of Tk. 60.00 crores during 1979-80 alone. In addition, the nationalised commercial banks' debenture financing to the HBFC during the year amounted to Tk. 15.00 crores. Thus the Bangladesh Bank and the nationalised commercial banks contributed to the resources of the HBFC to the extent of Tk. 75.00 crores during 1979-80

CHAPTER VIII

GOVERNMENT FINANCE

GOVERNMENT FINANCE

Budget for 1979-80 (Revised)

119. The Bangladesh Government Budget for 1979-80 envisaged revenue receipts at Tk. 1812.07 crores and revenue expenditures (non-development) at Tk. 1193.96 crores, thus showing a surplus of Tk. 618.11 crores. The budget estimates for the year were subsequently revised placing the revenue receipts only marginally higher by Tk. 15.60 crores at Tk. 1827.67 crores but expenditures substantially larger by Tk. 147.98 crores at Tk. 1341.94 crores leaving a smaller surplus of Tk. 485.73 crores.

120. The revised budget estimates showed increases in the following heads of receipts over their original estimates: Sales Tax (+ Tk. 9.40 crores), Interest (+Tk. 10.89 crores), Currency (+Tk. 24.71 crores), State Railway (+Tk. 7.85 crores), Stamp, Forest and Registration (+Tk. 5.52 crores). However, the above increases were partly offset by declines in Excise Duties (– Tk. 23.64 crores), Nationalised Industries (– Tk. 18.50 crores), Telegraph and Telephone (– Tk. 4.99 crores), and Customs Duties (– Tk. 4.67 crores). While total non-tax receipts increased by Tk. 32.57 crores, total tax receipts declined by Tk. 16.97 crores during 1979-80 entirely due to the shortfall in receipts from excise duties and customs. The principal cause for a decline in receipts under excise duties was reduced collection from cement and natural gas. The shortfall in customs duties was due to a decline in the imports of some dutiable items.

121. The revenue expenditures under the revised budget for 1979-80 showed an increase of Tk. 147.98 crores to Tk. 1341.94 crores over the original estimates. More than half of this increase in expenditure

related to subsidy to the Food Account. Because of a higher proportion of foodgrains purchased with own resources for sales through the rationing system, the amount of cash losses on account of this operation went up to Tk. 165.40 crores in the revised estimates as against Tk. 88.66 crores in the original estimates. Revised estimates of revenue expenditure under other heads also showed some increases owing to various post-budget development such as the rise in oil prices, increases in medical and conveyance allowances given to the Government employees and additional allocations for various essential purposes. "Other Expenditures", "Defence", "General Administration", "Railway" and "Education" showed increases of Tk. 31.02 crores, Tk. 22.67 crores, Tk. 14.73 crores, Tk. 8.96 crores and Tk. 7.34 crores respectively in the revised estimates.

122. The size of the Annual Development Programme for 1979-80 was originally placed at Tk. 2070.00 crores. Considering the possibility of increase in project aid disbursements and the need and potential for expanded programmes in some of the sectors like agriculture, irrigation, natural resources, power, transport etc., the size of the Annual Development Programme was revised upward to Tk. 2330.00 crores in the second half of the year. The latest position, however, indicated that a sizeable portion of the higher allocation in the revised Annual Development Programme could not be utilized within the financial year ended June, 1980.

Budget Estimate for 1980-81

123. The budget estimate for 1980-81 envisages revenue receipts at Tk. 2193.38 crores on the basis of existing taxes and non-development expenditure at Tk. 1408.03 crores thus showing revenue surplus of Tk. 785.35 crores. Of the total revenue receipts, Customs is estimated to yield Tk. 769.00 crores, Excise Tk. 345.00 crores, Income, Corporation and Agricultural Income Taxes Tk. 220.00 crores, and Sales Tax Tk. 297.00 crores. Of the total expenditure Defence Services account for Tk. 252.44 crores and Education Tk. 195.69 crores. Other important allocations include Railway (Tk.103.00 crores), Police (Tk.80.26 crores), General Administration

(Tk. 50.39 crores), Health and Family Planning (Tk. 79.81 crores) and Other Expenditure (Tk. 127.12 crores). The size of the unexpected expenditure in the budget has been estimated at Tk. 55.00 crores.

124. The size of the Annual Development Programme for 1980-81 has been estimated at Tk. 2700.00 crores. Out of the total expenditure, an amount of Tk. 358.00 crores (13%) has been allocated to Agriculture, Tk. 394.00 crores (14.59%) to Flood Control and Water Resources, Tk. 389.00 crores (14.40%) to Industries, Tk. 369.65 crores (13.69%) to Transport, and Tk. 315.84 crores (11.66%) to Power. The allocations for Housing and Physical Planning, Education and Training and Health stand at Tk. 146.00 crores, Tk. 118.94 crores and Tk. 75.00 crores or 5.40%, 4.40% and 2.77% respectively. Rural Development sector with an allocation of Tk. 92.42 crores represents about 3.42% of the total outlay.

125. The development budget for 1980-81 envisages a net foreign assistance of Tk. 1797.00 crores or 67% of the total outlay as against 74% in the preceding year.

New Tax Efforts

Some of the important new tax efforts are as under:

Fiscal Measures

126. In order to broaden the tax-base it was decided to revise the definition of income, as per the recommendations of the Taxation Enquiry Commission (TEC), to include such receipts as are in the nature of compensation for termination of contracts and licences, salary or premia in respect of leases, goodwill money etc. The revision is expected to result in an additional revenue of Tk. 20.00 lakhs. This together with other fresh provisions and requirements under the Income Tax Rules are estimated to yield an increase in revenue of Tk. 17.00 crores during FY 1980-81.

127. On the recommendations of the TEC, the existing Baggage and Transfer of Residence Rules have been revised reducing the concessions previously available and imposing fresh duties. These measures would yield an increase in revenue of the order of Tk. 2.50 crores during 1980-81.

128. Following the increase in value and income of urban and other non-agricultural land, the Land Development Tax has been raised from Tk. 15.00 per decimal to Tk. 22.50 per decimal in respect of land used for commercial/industrial purposes in Dacca, Narayanganj, Chittagong and Khulna. In respect of land used for residential purposes also, the rate has been increased from Tk. 3.00 per decimal to Tk. 6.00 per decimal at the above places. There has been an upward revision in the Land Development Tax in the district headquarters as well as other non-agricultural areas. The Land Development Tax is estimated to yield an additional revenue of Tk. 3.00 crores.

129. In line with the recommendations of the TEC, the rate schedule of Stamp Duty has been rationalised in order to remove the various inequities and anomalies in the system. The old rate schedule has now been replaced by a system of unified ad valorem rates which is expected to yield a net increase in revenue to the extent of Tk. 6.00 crores.

130. It has been decided to levy a tax on Foreign Travel by air by all Bangladeshi nationals irrespective of the country of origin of the journey or the place of purchase of the ticket. The applicable rate is 5% of the fare, subject to a minimum of Tk. 100.00 and maximum of Tk. 750.00 per ticket. Exemption of this tax will, however, be made in respect of travel on Government and Government-sponsored account, Parliamentary delegations, children below 18 years of age and for medical treatments and Hajj. This measure is expected to yield Tk. 2.00 crores during 1980-81.

131. The other notable fiscal measures of the budget for 1980-81 are summarised below :

A. Customs Duty :

1. a) Duty on synthetic and mixed fabrics has been proposed to be made uniform at 225% from the existing 250% and 200% respectively.

   b) Duty on cotton fabrics of below 21 counts, of 21 counts and above but below 48 counts, and of 48 counts and above has been proposed to be enhanced from 20%, 50% and 125% to 30%, 75% and 150% respectively.

   c) Present tariff value of fents has been proposed to be reduced from Tk. 110.00 and Tk. 84.00 per kg. to Tk. 55.00 and Tk. 42.00 respectively.

   d) Duty on woollen cloths has been enhanced from 150% to 200%.

   e) Present tariff value of fruits has been reduced from Tk. 110.00 and Tk. 84.00 to Tk. 55.00 and Tk. 42.00 per kg. respectively. The above measures at 1 (a-e) are expected to yield a total of Tk. 10.43 crores.

2. Duty on second-hand clothings has been proposed to be rationalised and fixed at 50% from the existing 40%, 50% and 75% (—Taka 75 lakhs).

3. Duty on cotton yarn of below 60 counts and of 60 counts and above has been proposed to be reduced from existing 30% and 40% to 25% and 35% respectively.

4. Duty on cotton yarn of below 60 counts imported under XPL has been proposed to be enhanced from 10% to 25% (+Tk. 1.00 crore).

5. Duty on raw cotton has been proposed to be reduced from 55 poisha per lb. to 45 poisha per lb. (—Tk. 1 crore 50 lakhs).

6. Duty on nylon yarn, twine, rope etc. imported under normal licence and WES has been proposed to be enhanced from 50% and 25% to 60% and 35% respectively (+Tk. 2 crore 57 lakhs).

7. Duty on cars of above 850 c.c. has been proposed to be enhanced from 50%, 110%, 150% and 200% to 75%, 125%, 175% and 250% respectively depending on engine capacity (+Tk. 1 crore 9 lakhs).

8. Proposal has been made to impose duty @ 25% on pharmaceutical raw and packing materials having alternative uses by abolishing the present procedure of refund of duty paid in excess of 10% (+Tk. 1 crore 5 lakhs).

9. Duty on coal has been proposed to be made ad valorem and enhanced from Tk. 10.00 per ton to 5% ad valorem (+Tk. 1 crore 33 lakhs).

10. Duty on cement has been proposed to be made ad valorem and enhanced from Tk. 40.00 per ton to 5% ad valorem (+ Tk. 2 crores).

11. Duty on copper rod, capacitor, linseed oil, driers, lacquers, gilsonite, paper not produced locally and developers, toners, fixer, etc. has been proposed to be reduced from 35%, 25%,

50%, 75%, 75%, 75%, 125% and 150%, to 25%, 15%, 25%, 50%, 50%, 50%, 100% and 75% respectively (—Tk. 62 lakhs).

12. Duty on tallow has been proposed to be enhanced from 40% to 50% (+Tk. 2 crores).

13. Proposal has been made to impose 50% of chargeable rate of duty on certain relief goods changing the present duty-free status (+Tk. 1 crore).

14. Proposal has been made to reduce the extent of present duty-free concession under the Baggage Rules (+Tk. 2 crores).

B. Excise Duties :

15. Rate of duty on manually made cigarettes has been proposed to be enhanced from Tk. 8.00 per thousand sticks to Tk. 15.00 (+Tk. 17 crore 50 lakhs).

16. Rate of duty on natural gas has been proposed to be enhanced from Tk. 3.00 per 1000 cft. to Tk. 5.00. Gas used in the generation of power and manufacture of fertilizer has been proposed to be partially exempted and made assessable at the rate of Tk. 4.50 per 1000 cft. (+Tk. 7 crore 50 lakhs).

17. It has been proposed to reduce duty on cotton yarn up to 48 counts and to enhance duty on yarn exceeding 48 counts (—Tk.1 crore).

C. Income Tax :

18. Removal of distinction of earned income allowance between the salaried and non-salaried groups of assessees (—Tk. 25 lakhs).

19. Proposal for automatic levy of penal interest for delayed payment of tax (+Tk. 50 lakhs).

20. Requirement for licensing of business and professional concerns (+Tk. 1 crore).

21. Rationalisation of the rate structure for company and non-company assessees (+Tk. 14 crores).

D. Other Taxes :

22. Duty on Country Spirit for tea garden areas has been enhanced from Tk. 30.00 to Tk. 40.00 and that for other areas from Tk. 75.00 to Tk. 100.00 per L. P. Gallon with enhanced licence fees (+Tk. 1 crore 4 lakhs).

23. The rates of annual licence fees for narcotics and liquor licences have been increased by ten times (Tk. 21 lakhs).

24. Stamps Duty rates have been restructured (+Tk. 6 crores).

25. Land Development Tax has been augmented (+Tk. 3 crores).

Railway Budget for 1980-81

132. The Railway Budget for the year 1980-81 envisages revenue earning at Tk. 104.26 crores (including proposed goods rate increase) and revenue expenditure at Tk. 102.98 crores thus leaving a nominal surplus of Tk. 1.28 crores. This compares with revenue receipts of Tk. 84.61 crores and revenue expenditure of Tk. 86.35 crores and deficit of Tk. 1.74 crores during 1979-80. The revenue earning has been projected on the basis of railway goods tariff rise by 25 per cent which is expected to yield an additional revenue of Tk. 9.26 crores. The following are the highlights of the Railway Budget :

1. The revenue expenditure of Tk. 102.98 crores includes Tk. 91.94 crores for ordinary working expenses including suspense,

Tk. 1. 23 crores for appropriation to different funds, Tk. 3.84 crores for repayment of principal of foreign loans and Tk. 2.82 crores for interest on foreign loans.

2. The development budget of the Bangladesh Railway for 1980-81 envisages a total financial outlay of Tk. 124.11 crores as against the provision of Tk. 133.44 crores in the revised development budget for 1979-80. The allocations in the Annual Development Programme (ADP) for 1980-81 will cover expenditure for a total of 44 projects including both on-going and new ones. The financial provision for the development programme for the year 1980-81 would include the project aid component of Tk. 69.05 crores and the local currency allocation of Tk. 55.06 crores.

3. The Railway Budget for 1980-81 proposes no increase in the rates of passenger and luggage fare.

4. A programme has been taken up for the year (1980-81) for feasibility study for the construction of 9 new railway lines. These are : (i) Santahar-Rohanpur railway ; (ii) Ishurdi-Nagarbari railway ; (iii) Dacca-Aricha railway ; (iv) Mohanganj-Dharmapasha railway ; (v) Khulna-Mongla railway ; (vi) Jamalpur-Rangutia railway ; (vii) Circular railway for Dacca city, (viii) railway for Joypurhat lime stone and cement factory, and (ix) rail transportation of Madhayapara-Ranipukur hard rock project.

5. The Government has taken up measures to reorganise the Railway Advisory Committee to make it more effective so that it can offer advice and suggestions to the Railway Administration for the implementation of Railway development schemes during the Second Five Year Plan.

Government Borrowings

133. No new Public Loan was floated by the Government of Bangladesh during the year ended 30th June, 1980. The only outstanding Government loan is the $5\frac{1}{2}\%$. Loan-1982 floated in October, 1972 amounting to Tk. 63.75 crores.

134. The 3-month Government Treasury Bills @ 7% discount per annum as on 30th June, 1980 stood at the same level of Tk. 57.03 crores as on 30th June, 1979. These Bills were re-issued every 90 days.

135. The 6% Special Treasury Bills created to replenish the cash balance of the Government increased to Tk. 603.00 crores on the 30th June, 1980 from Tk. 407.00 crores as on 30th June, 1979. The Ways and Means Advances of the Bank to the Government as on 30th June, 1980 remained unchanged at Tk. 20.00 crores. In addition to the above borrowings, Government debtor balance stood at Tk. 9,33,97,000 as on 30th June, 1980 against Tk. 9,12,69,000 on 30th June, 1979.

136. Special Treasury Bills @ 6% discount per annum offered with effect from 21st June, 1976 for sale to Non-Banking Institutions stood at Tk. 13,71,05,000 as on 30th June, 1980 as against Tk. 5,46,50,000 as on 30th June, 1979.

137. 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 a total face value of Tk. 74,85,350 as on 30th June, 1980 as against that of Tk. 73,67,950 as on 30th June, 1979.

138. The amount of G. P. Notes/Stock Certificates of the erstwhile Pakistan and its provincial Government loans and 5% Defence Bonds held by Bangladesh Nationals/Institutions awaiting redemption accepted by the Government of Bangladesh stood at Tk. 7,59,10,100 as on 30th June, 1980 as against Tk. 9,89,63,600 as on 30th June, 1979.

139. The amount 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. 10.14 crores as on 30th June, 1980 as against Tk. 7.56 crores as on 30th June, 1979, out of which payment of maturity value payable in instalments from 1st July, 1979 has been made for a total of Tk. 1.14 crores upto 30th June, 1980.

140. The amount of 8% Bonds issued by the Government of the People's Republic of Bangladesh against 100-Taka demonetised Notes stood at Tk. 141.40 lakhs as on 30th June, 1980 as against Tk. 46.94 lakhs as on 30th June, 1979.

Bangladesh Savings Certificates and Bangladesh Sanchaya Patras

141. The net outstanding of both Bangladesh Savings Certificates and Bangladesh Sanchaya Patras sold through the banks stood at Tk. 7,98,83,180 as on 30th June, 1980 as against Tk. 8,66,81,745 as on 30th June, 1979.

Pratirakkha Sanchaya Patras

142. The net sale of Pratirakkha Sanchaya Patras through the Banking Sector amounted to Tk. 39,28,36,865 as on 30th June, 1980 as against Tk. 24,65,27,300 on 30th June, 1979. Sales and encashments of Pratirakkha Sanchaya Patras during the year under report were Tk. 10,60,28,035 and Tk. 97,18,470 respectively. The net Sale of Pratirakkha Sanchaya Patras through the Post Offices stood at Tk. 7.68 crores in 1979-80 as against Tk. 11.88 crores in 1978-79.

Bonus Sanchaya Patras

143. The net sale of Bonus Sanchaya Patras through the Banking Sector amounted to Tk. 1,86,99,570 as on 30th June, 1980 as against Tk. 100,88,330 on 30th June last year. Sales and encashments of Bonus Sanchaya Patras during the year under report were Tk. 1,00,87,830 and Tk. 20,59,350 respectively. The net sale of Bonus Sanchaya Patras through the Post Offices stood at Tk. 1.80 crores in 1979-80 as compared to Tk. 2.06 crores in 1978-79.

5-Year Bangladesh Sanchaya Patras

144. The net sale of 5-year Bangladesh Sanchaya Patras through the Banking Sector amounted to Tk. 4,36,66,000 as on 30th June, 1980 as against Tk. 2,47,56,380 on 30th June, 1979. Sales and encashment of 5-year Bangladesh Sanchaya Patras during the year under report were Tk. 1,99,21,730 and Tk. 10,12,110 respectively. The net sale of 5-year Bangladesh Sanchaya Patras through the Post Offices stood at Tk. 0.92 crore in 1979-80 as against Tk. 0.93 crore in 1978-79.

Bangladesh Prize Bonds

145. The 10-Taka Bangladesh Prize Bond Scheme introduced in June, 1974 continued during the year. Progressive net sales of Prize Bonds amounted to Tk. 7,25,91,910 as on 30th June, 1980 as compared to Tk. 6,88,01,740 on 30th June, 1979. Nineteen series of Prize Bonds namely English, A, B, C, D, E, F, G, H, J, K, L, M, N, P, Q, R, S, T and U and Bengali Series KA and KHA have been put on sale upto 30th June, 1980. 32 bi-monthly Prize draws have been held so far under single common draw system.

Sale of Savings Instruments to the Bangladeshi Wage Earners Serving Abroad

146. A scheme of Sale of Prize Bonds and different types of Sanchaya Patras in the United Arab Emirates (U. A. E.) was introduced from November, 1979 through the Janata Bank branches there. Upto 30th June, 1980 Prize Bonds and Sanchaya Patras worth Tk. 3,92,250 and Tk. 54,100 respectively were sold to the Bangladeshi Wage Earners serving in the U. A. E.

CHAPTER IX

BALANCE OF TRADE AND PAYMENTS

BALANCE OF TRADE AND PAYMENTS@

147. The balance of trade (f.o.b. basis) of the country showed a marked deterioration during 1979-80 as the rate of growth in imports far exceeded that in exports. A sharp rise in imports especially of food-grains and oil and a decline in the commodity terms of trade were mainly responsible for the widening of the trade gap during 1979-80. The deficit on the Merchandise Account (i.e., visible exports less visible imports) increased to Tk. 2213.47 crores during 1979-80 from Tk. 1334.65 crores during the preceding year. The increase in deficit on Merchandise Account reflected a larger rise in imports than in exports. Imports during the year 1979-80 stood at Tk. 3321.44 crores, which was Tk.1094.47 crores or 49.15 per cent higher than in the previous year. Of the total imports financed by Cash, Barter and Special Trade, Wage Earners' Scheme, Loans/Credits and Grants amounted to Tk. 1332.59 crores (40.12%), Tk. 209.64 crores (6.31%), Tk. 801.13 crores (24.12%) and Tk. 978.08 crores (29.45%) respectively. Long-term loans/credits received from foreign Governments/Institutions etc. were utilized for imports of food (Tk. 78.11 crores), non-food project (Tk. 388.21 crores), non-food non-project (Tk. 334.81 crores) while food and non-food imports under Grants stood at Tk.448.90 crores and Tk.529.18 crores respectively. Export earnings rose from Tk. 892.32 crores during 1978-79 to Tk. 1107.97 crores during 1979-80 denoting an increase of Tk. 215.65 crores or 24.17%. This increase in export earnings was mainly due to higher prices for raw jute and jute goods. The export base continued to remain dominated by raw jute and jute goods which together accounted for 69.76% of the total export earnings during 1979-80. The Services Account

@Figures are Provisional.

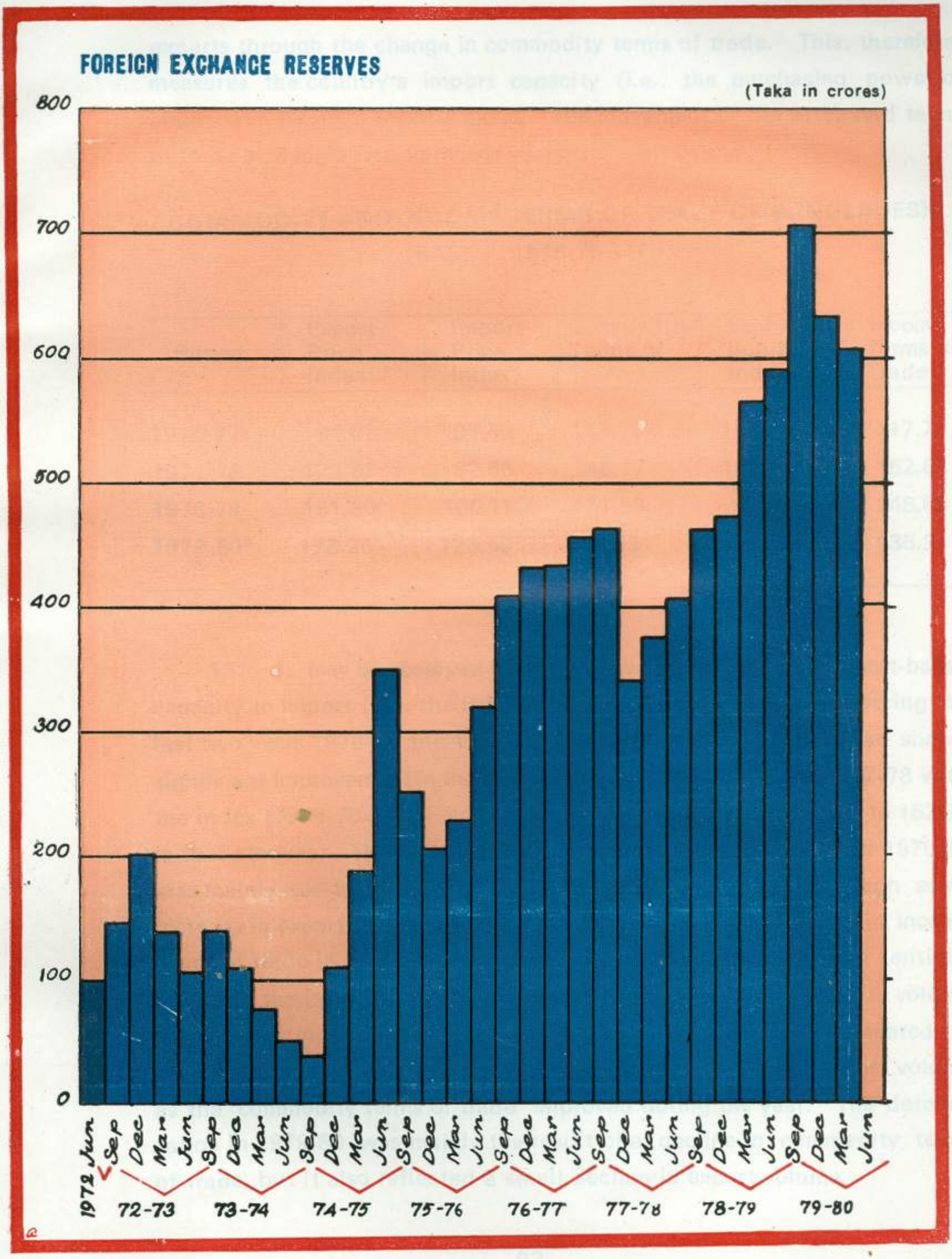
(i. e., invisible receipts less invisible payments) showed a deficit of Tk. 351.71 crores in 1979-80 as compared to Tk. 308.86 crores in the preceding year.

148. The overall balance of payments during the year 1979-80 recorded a sizeable deficit of Tk. 188.33 crores in contrast to a surplus of Tk. 99.01 crores during 1978-79. The reversal from a surplus to a deficit was mainly attributable to a marked rise in deficit under Goods and Services account partly offset by increases under Unrequited Transfers and Capital Transactions. Unrequited Transfers showed an estimated inflow of Tk. 1514.19 crores during 1979-80 as compared to Tk. 1139.09 crores in the year 1978-79. Of the total Unrequited Transfers net receipts under "Official Transfers" and "Private Transfers" were estimated at Tk. 1262.19 crores and Tk. 252.00 crores respectively. Net Capital inflow during 1979-80 was estimated at Tk. 862.66 crores as compared with Tk. 603.43 crores in the preceding year. The increase in net inflow continued to be dominated by increased inflow under long-term capital.

149. The convertible foreign exchange reserves held by the Bangladesh Bank which stood at Tk. 592.14 crores at the end of June, 1979 had increased to Tk. 607.18 crores at the end of March, 1980. However, the foreign currency reserves declined to Tk. 403.19 crores at the end of June, 1980 mainly due to acceleration in the import payments during the last quarter of 1979-80. The marked decline in reserves occurred during the year despite drawings from the International Monetary Fund, of SDR 85 million under the 1979-80 Stand-by Arrangements and of SDR 63.93 million under the Trust Fund Facility.

Terms of Trade

150. The commodity terms of trade of the country is given by the ratio of export prices to import prices and shows by its varying magnitudes the different values of imports which could be received in exchange for given volume of exports, on the basis of price relations alone. The income terms of trade measures changes in income earned on account of


FOREIGN EXCHANGE RESERVES
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exports through the change in commodity terms of trade. This, therefore, measures the country's import capacity (i.e., the purchasing power of imports) in terms of exports alone. The movement of the estimated terms of trade of Bangladesh in recent years is shown below :

COMMODITY AND INCOME TERMS OF TRADE OF BANGLADESH

(BASE : 1975-76=100)

Period	Export Price Index	Import Price Index	Commodity Terms of Trade	Export Volume Index	Income Terms of Trade
1976-77	104.02	91.43	113.77	103.48	117.73
1977-78	122.81	82.55	148.77	102.63	152.68
1978-79	151.80	100.11	151.63	98.06	148.69
1979-80*	178.26	128.59	138.63	97.63	135.34

* Provisional.

151. It may be observed from the above table that our export-based capacity to import (i.e., the income terms of trade) deteriorated during the last two years 1978-79 and 1979-80. The income terms of trade had shown significant improvement in the previous two years 1976-77 and 1977-78 with the index (1975-76=100) moving upto 117.73 in the former and to 152.68 in the later year. The improvement in income terms of trade in 1976-77 was mainly due to a gain in commodity terms of trade, although some increase in export volume also partly accounted for it. The gain in income terms of trade in 1977-78 as compared to the preceding year entirely reflected the increase in commodity terms of trade as the export volume declined during the year. The deterioration in 1978-79 as compared to the preceding year was due entirely to a sizeable decline in export volume as the commodity terms of trade improved during the year. The deterioration in 1979-80 was mainly the result of a decline in commodity terms of trade, but it also reflected a small decline in export volume.

CHAPTER X

FOREIGN AID

FOREIGN AID

152. The estimated foreign aid disbursement at $ 1286 million during 1979-80 recorded an increase of 26.82 per cent from the level of $ 1014 million in 1978-79. An amount of $ 422 million was disbursed as commodity aid during 1979-80 as compared with $ 459 million of the previous year. Disbursement of project aid increased by 36.80 per cent to $ 487 million during the year. More than a hundred per cent (101.60) increase brought food aid disbursement to $ 377 million in 1979-80 as compared with $ 187 million in the previous year. The estimated disbursement of foreign aid in 1979-80 alongwith the comparative figures of previous years is shown in the table below :

DISBURSEMENT OF FOREIGN AID

(Million US dollar)

Category/Year	1975-76	1976-77	1977-78	1978-79	1979-80
Food Aid	306	107	190	187	377
Commodity Aid	348	187	329	459	422
Project Aid	129	147	254	356	487
Cash	30	61	23	12	Nil
Total :	**813**	**502**	**796**	**1014**	**1286**

×15.00 = 19290

153. 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) made by the country during the year was estimated to be $ 64 million in addition to interest payment of $ 45 million. Thus the net inflow of foreign aid amounted to $ 1177 million in 1979-80.

External Debt

154. Aid commitment to Bangladesh during 1979-80 amounted to \$ 1146 million which was 38.62 per cent lower as compared to \$ 1867 million in 1978-79. The total aid commitment since independence till the end of June, 1980 was estimated at \$ 9153 million of which \$ 4229 million represented grants. Total disbursement till June, 1980 had been \$ 6614 million. The total outstanding debt as on July 1, 1980 was \$ 4755 million inclusive of an undisbursed amount of \$ 1746 million.

CHAPTER XI

TRANSACTIONS WITH IMF

TRANSACTIONS WITH IMF

155. Bangladesh made purchases of SDR 85.00 million from the International Monetary Fund (IMF) under the 1979-80 Stand-by Arrangement in three instalments. In the first instalment, SDR 29.00 million was received on September 4, 1979. The Second and Third instalments, each of SDR 28.00 million, were received on December 3, 1979 and June 9, 1980 respectively. Apart from this SDR 63.93 million was also received under the Trust Fund Facility during the year under report in four instalments : (SDR 29.63 million on August 11, 1979, SDR 8.30 million on November 8, 1979, SDR 10.62 million on February 5, 1980 and SDR 15.38 million on May 5, 1980).

156. Bangladesh made the following repurchases during the year 1979-80 :

(In million SDRs)

Type of the Facility	Year of purchase	Amount Repurchased
First Credit Tranche	1973-74	10.90
First Instalment under Second and Third Credit Tranche and Reclassified Compensatory Financing Facility	1975-76	20.55
Second Instalment under Second and Third Credit Tranche and Additional Compensatory Financing Facility	1976-77	20·75
Oil Facilities	1974-75	22·99
Payment for Quota Increase Consequent upon Second Amendment of Fund Articles		7.52
Total :		**82.71**

157. Outstanding drawings of Bangladesh from the IMF stood higher at SDR 273.94 million at the end of June, 1980 as against SDR 207.72 million at the end of June, 1979.

158. Under the Third Basic Period of SDR allocation Bangladesh received SDR 15.80 million as the second instalment on January 1, 1980. She received 26,738.15 troy ounces of gold worth SDR 0.93 million (valued at official price of SDR 35 per ounce) from the Fund under the Gold Restitution Operation during December, 1979. She also received SDR 4.66 million under the Fund's distribution programme of the profit from sale of gold andSDR 1.65 million as subsidy for drawings under 1974 and 1975 Oil Facilities during the year under report.

CHAPTER XII

TRADE POLICY

TRADE POLICY

159. The drive for boosting the country's export earnings was accelerated further during 1979-80. The policy of providing special assistance to export-oriented industries continued and efforts to help exporters in marketing exportables through participation in international trade fairs, export training workshops, business visits abroad, and dissemination of trade information etc. were intensified. During the year Bangladesh participated in 18 international fairs and the Export Promotion Bureau made special arrangements for solo exhibition of Bangladeshi products in three important World Trade Centres. Besides, the Bureau conducted 27 national export training courses during the year.

Export Policy and Target

160. While some of the facilities provided earlier, viz., pre-shipment and packing credit at 10½% interest and Export Credit Guarantee Scheme were strengthened and facilities for rebate on customs and excise duty and sales tax in case of exports were simplified, the Export Performance Licence (XPL) scheme was broadened with the inclusion of 6 new items. The total number of items under this scheme stood at 80 during 1979-80. In view of the need for giving more incentives to the exporters of non-traditional items the Government constituted a committee to recommend improvement of the XPL scheme. Besides, National Export Council has been formed with the President as its Chairman with a view to co-ordinating national export endeavours at the highest level.

161. As against the export target of Tk. 1100.00 crores for 1979-80 the value of exports during the year stood at Tk. 1176.02 crores which were Tk. 247.80 crores higher than the export earnings of Tk. 928.22 crores

during the previous year. This indicated that the export target was more than achieved but it should not leave any room for complacency as the volumes of our major exports, excluding raw jute, were less than those of the previous year, and the increase in export earnings was largely due to better prices of jute goods and some non-traditional items in the world market. Some of our major export items, viz., raw jute, tea, and hides and skins suffered decline in prices and could not achieve their targets due to recessionary situation in the world market.

162. Jute goods continued to figure as the largest single export item accounting for Tk. 600.62 crores (51.07 per cent of the total export earnings) followed by raw jute which earned Tk. 220.85 crores (18.78 per cent) during 1979-80 as compared to Tk. 425.07 crores (45.79 per cent) and Tk. 217.89 crores (23.47 per cent) respectively during the preceding year. Earnings from the non-jute items, excepting tea, during the year under report stood at Tk. 303.55 crores showing an increase of Tk. 80.37 crores or 36.01 per cent as compared to the previous year. The export earnings from tea during the year stood lower at Tk. 51.00 crores (4.34%) as compared to Tk. 62.08 crores (6.69%) during the last year. Earnings from frozen food and tanned and semi-tanned leather during the year stood at Tk. 57.98 crores (4.93%) and Tk. 101.47 crores (8.63%) as compared to Tk. 52.22 crores and Tk. 114.74 crores respectively earned during 1978-79. Other items of exports accounted for Tk. 144.10 crores (12.25%) as compared to only Tk. 56.22 crores (6.06%) during the preceding year.

Import Policy

163. The main objectives of the Import Policy for the year 1979-80 were to maintain reasonable price stability, ensure adequate supply of raw materials for capacity utilization of domestic industries and provide necessary inputs for agriculture, construction, housing and other infrastructural facilities. With this end in view, liberal system of import alongwith increased financial allocation was provided. The entitlement for raw materials of private sector industries was revised upward to ensure

capacity utilization. The system of Open General Licence (OGL) and Actual Users' Scheme were liberalized further. The number of items importable under the Wage Earners' Scheme (WES) was enlarged, but the procedure for import through direct shipment under the Scheme was abolished.

Import Target and Performance

164. The revised allocation of Tk. 2058.44 crores under the Import Policy for the year 1979-80 was 45.50 per cent higher than the actual utilization of Tk. 1414.75 crores during 1978-79. The actual utilization under the Import Policy during 1979-80 has been estimated at Tk. 2057.80 crores of which Tk. 1291.15 crores (62.74%) were from own cash foreign exchange resources ; Tk. 407.37 crores (19.80%) were from Commodity assistance ; Tk. 243.74 crores (11.84%) from the Wage Earners' Scheme and Tk. 115.54 crores (5.62%) from barter.

CHAPTER XIII

TRADE AND PAYMENTS AGREEMENTS

TRADE AND PAYMENTS AGREEMENTS

165. Bangladesh entered into seven new trade agreements with different countries during 1979-80. The same number of agreements were signed during 1978-79 also. Under these agreements, the exports from Bangladesh consisted mainly of raw jute, jute goods, tea, hides and skins, newsprint and some non-traditional items. Imports into Bangladesh generally comprised machinery and equipments, pharmaceutical raw materials, drugs and medicines, dyes and chemicals, pig iron, C. I. sheet, copper, coal etc. The table below gives a brief description of the agreements signed during 1979-80 :

Date of Agreements	Country/Party	Value of commodities to be exchanged each way
20.8.79	Bulgaria Barter No. 7	US $ 11.00 million
28.9.79	Yugoslavia Barter No. 4	US $ 2.07 million
29.10.79	Hungary Barter No. 7	US $ 5.6 million
31.1.80	Romania Barter No. 6	US $ 10.00 million
1.3.80	China (People's Republic) Barter No. 4	US $ 31.00 million
10.3.80	U. S. S. R. Barter No. 9	Value ceiling not given
17.4.80	TCB-E. Merck of West Germany	DM 3.50 million

CHAPTER XIV

TRENDS IN EXPORT COMMODITIES

TRENDS IN EXPORT COMMODITIES

Raw Jute

166. Raw jute production during the 1979-80 season was estimated at 59.63 lakh bales as compared to 64.43 lakh bales in the preceding season. The 1979-80 season started with a larger carryover of 23.32 lakh bales of raw jute as compared to 6.92 lakh bales in the previous season. As a result, the total availability of raw jute, including the carryover, stood higher at 82.95 lakh bales during the 1979-80 season as against 71.35 lakh bales in the previous season. Although acreage under jute cultivation during the season declined by about 10 per cent to 19 lakh acres as compared to 21 lakh acres during 1978-79, per acre yield rose by 0.07 bale to 3.14 bales. The quality of the fibre was, however, affected due to adverse weather conditions and inadequate retting facilities in certain jute growing areas.

167. With the increase in the supply position of raw jute in Bangladesh as well as in the other major jute producing countries of the world, the price situation particularly in the internal markets during 1979-80 season remained abnormally depressed. Raw jute in the primary markets was sold well below the Statutory Minimum Price of Tk. 115.00 per maund for X.Bottom grade and Tk. 90.00 per maund for Straight Mora Rejection (SMR) during 1979-80. The annual average price of unassorted loose jute in the primary markets during 1979-80 stood lower at Tk. 111.82 per maund as compared to Tk. 134.57 per maund in the previous season. In view of depressed price situation and larger availability of raw jute during the season, the Government had to build up a buffer stock of 4.33 lakh bales (worth Tk.30.00 crores) through the Jute Trading Corporation and Jute Marketing Corporation.

168. Arrivals of raw jute in the country's secondary markets during the 1979-80 season stood lower at 54.37 lakh bales as compared to 57.40 lakh bales in the last season. Lower arrivals were attributable mainly to abnormally low price in the primary markets.

169. Export sales registration of raw jute during 1979-80 stood substantially lower at 22.53 lakh bales as compared to 32.01 lakh bales in the previous year. Although the 1979-80 season had started with a larger carryover of sales commitments of raw jute of 14.25 lakh bales as compared to 4.61 lakh bales in the previous season, the total outstanding sales registration at the end of June, 1980 stood at only 5.33 lakh bales due particularly to heavy cancellations of sale commitments during the season. The actual shipment of raw jute during the 1979-80 season stood marginally higher at 19.68 lakh bales as compared to 19.67 lakh bales last season. Total foreign exchange earnings from export of raw jute during 1979-80 season also stood slightly higher at Tk. 220.85 crores as compared to Tk. 217.89 crores last season due mainly to adjustments in exchange rates.

170. Raw jute price for white X Bottom grade which had stood at Tk. 155.00 per maund on the 1st July, 1979 at Narayanganj declined successively to Tk. 150.00 per maund on the 4th August, 1979, to Tk. 135.00 per maund on the 4th September, 1979 and further to Tk. 115.00 per maund on the 10th June, 1980. The price of B.W.D. grade jute which had stood at Tk. 985.05 per bale on the 1st July, 1979 declined to Tk. 960.00 per bale on the 4th August, 1979 to Tk. 860.00 per bale on the 4th September, 1979 and further to Tk. 760.00 per bale on the 10th June, 1980.

171. The export price of B.W.D. grade jute which had stood at £ 200 per ton on the Ist July, 1979 declined to £180 per ton on the 13th August, 1979 and further to £ 165 per ton on the 3rd September, 1979. The price, thereafter, remained unchanged till the 20th March, 1980

on which date the Minimum Export Prices (MEP) for inferior grades were suspended to boost up exports.

172. Production of jute manufactures in the country's jute mills during 1979-80 recorded an improvement as compared to the previous season. Production of jute manufactures during the year stood about 8.78 per cent higher at 5.45 lakh tons as compared to 5.01 lakh tons in the preceding year due mainly to installation of some new looms in the private sector and implementation of the Balancing, Modernisation and Replacement (BMR) programme in the public sector. On an average, looms in operation during 1979-80 stood higher at 23,321p as compared to 22,836 looms during 1978-79. But for the sporadic labour unrest and frequent disruptions in power supply to the jute mills, particularly in the Khulna zone, the production of jute manufactures would have been considerably higher during 1979-80.

Jute Goods

173. Export sales registration of jute goods with the Bangladesh Bank stood lower at 5.16 lakh tons during 1979-80 as compared to 5.23 lakh tons in the previous year. The aggregate exports of jute goods during 1979-80 also stood lower at 4.52 lakh tons as compared to 4.59 lakh tons in the previous year. Total foreign exchange earnings from the export of jute goods during 1979-80, however, stood substantially higher at Tk. 600.62 crores as compared to Tk. 425.07 crores during 1978-79 due mainly to sharp rise in prices in the overseas markets.

174. Stocks of jute goods (including sold, unsold and stock-in-transit) as on June 30, 1980 stood at 0.55p lakh ton as compared to 0.49 lakh ton on the corresponding date of the previous year.

175. The tea industry as a whole suffered some set-back during 1979-80. However, the production of tea at 84.22 million lbs. during

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p= Provisional.

Tea

the year reflected a rise by 5.26 per cent as compared to production during 1978-79. Although the production of tea during the first nine months of 1979-80 had stood lower as compared to the same period last year due to drought, this was more than offset by higher production during the last three months of the year. The total availability of tea during the 1979-80 season including a carryover of 29.20 million lbs. stood at 113.42 million lbs. as against 105.69 million lbs. which included a carryover of 26.26 million lbs. in the previous season.

176. The Chittagong tea market depicted a mixed trend during the year 1979-80. With the exception of a few superior varieties, prices of most of the grades of tea registered declines during the greater part of the year mainly due to lack of adequate demand from foreign buyers at the Chittagong auctions and fall in international prices of tea. Prices, however, showed some improvement towards the end of the year.

177. In all, 24 auctions were held at Chittagong during the 1979-80 season in which a total quantity of 72.23 million lbs. of tea was sold at an average price of Tk. 7.47 per lb. This compared with 74.11 million lbs. sold at a higher average price of Tk. 8.25 per lb. during 1978-79.

178. Both the volume and value of tea exports recorded declines during 1979-80. The quantity of tea exported during the year stood at 52.66 million lbs. valued at Tk. 51.00 crores as against 59.99 million lbs. valued at Tk. 62.08 crores during 1978-79. The declines in both volume and value of tea exports during the year were attributable to deterioration in the quality of some of the varieties of tea, lower demand for Bangladesh tea in the international market due to higher production of coffee, imposition of 20% surcharge by Pakistan and retention of export duty on tea. However, there was some break-through in the export of packet tea during the year. A total quantity of 6.31 lakh pounds of packet tea was exported during 1979-80 as against 1.70 lakh pounds of packet tea exported during 1978-79.

Hides and Skins

179. The hides and skins market in the country generally depicted a down-trend particularly during the second half of 1979-80. Excepting the price of buffalo-hides, the prices of all other varieties recorded sharp declines. The prices of cow-hides (wet salted heavy) which had opened at Tk. 20,000-Tk. 26,000 per hundred pieces on July 2, 1979 increased, amidst fluctuations, to Tk. 23,000-Tk. 26,000 per hundred pieces on November 12, 1979. Thereafter, the prices gradually declined to close the year at Tk. 7,000-Tk. 10,000 per hundred pieces. The price of buffalo-hides which depicted relatively less fluctuations opened at Tk. 20,000-Tk. 26,000 per hundred pieces on July 2, 1979. Thereafter, the price increased to Tk. 27,500-Tk. 32,500 per hundred pieces on September 3, 1979 but declined, amidst fluctuations, to Tk. 16,000-Tk. 18,000 per hundred pieces on June 9, 1980. The price, however, picked up to Tk. 24,000-Tk. 26,000 per hundred pieces at the end of the year. Opening at Tk. 2,900-Tk. 3,300 per hundred pieces on July 2, 1979, the price of sheep skins gradually increased to Tk. 4,200-Tk. 4,400 per hundred pieces on December 3, 1979. Thereafter, a down-trend ensued and with progressive declines the price finally stood at Tk. 1,500—Tk. 1,600 per hundred pieces on June 30, 1980. The price of goat skins (large and heavy) which opened at Tk. 7,000-Tk. 11,000 per hundred pieces on July 2, 1979 declined to Tk. 6,000-Tk. 10,000 per hundred pieces on July 17, 1979. The price increased to Tk. 12,000-Tk. 17,000 per hundred pieces on November 6, 1979 but again declined to Tk. 7,000-Tk. 9,000 per hundred pieces on December 12, 1979. Thereafter, the price gradually declined to close the year at Tk. 2,500-Tk. 4,500 per hundred pieces. The steep fall in the prices of hides and skins may be attributed mainly to the dwindling overseas demand due to recession in the importing countries.

180. As in the previous year, bulk of the exports of hides and skins during 1979-80 was in the form of tanned and semi-tanned leather (96%). The total earnings from exports of leather, including hides and skins, during 1979-80 stood at Tk. 102.47 crores against the export target of

Tk. 120.50 crores for the year and actual earnings of Tk. 119.93 crores during 1978-79.

Frozen Food

181. Export earnings from frozen food which includes shrimps, frog legs and fish stood at Tk. 57.98 crores during 1979-80 as compared to Tk. 52.22 crores earned during the previous year. Exports of frog legs and shrimps were affected due to temporary block-listing of these products from Bangladesh by the U S Government on the plea of smolena infestations.

Spices, fresh fruits and vegetables

182. Export earnings from spices, fresh fruits and vegetables amounted to Tk. 1.62 crores during 1979-80 as against Tk. 2.35 crores during the preceding year. The lower export earnings were mainly due to temporary restrictions imposed by the Government on the export of a number of items of this group to augment domestic availability.

Handicrafts

183. Exports of handicrafts have been increasing steadily over the past years and in 1979-80 earnings amounted to Tk. 5.06 crores as compared to Tk. 3.88 crores in the preceding year.

Naptha and Furnace oil

184. Earnings from export of naptha and furnace oil recorded spectacular increases during 1979-80. Earnings from these items stood at Tk. 96.80 crores during 1979-80. This was about 582.17 per cent higer than the earnings of Tk. 14.19 crores only during the previous year.

CHAPTER XV

EXCHANGE RATE POLICY AND DEVELOPMENTS IN EXCHANGE CONTROL

EXCHANGE RATE POLICY

185. In order to impart greater stability in the exchange rate of Taka, Bangladesh switched over to a basket method of exchange rate determination since August, 1979. Under this method, although pound sterling remains as the intervention currency, the value of Taka in terms of the pound sterling is determined on the basis of a currency-weighted basket. The basket of currencies consists of the major transaction currencies in our foreign trade including pound sterling. Under this method the middle rate of Taka per pound sterling was changed from Tk. 33 to Tk. 34.7118 on August 13, 1979.

DEVELOPMENT IN EXCHANGE CONTROL

Wage Earners' Scheme

186. The system of import financing under Wage Earners' Scheme (WES) underwent some important changes during 1979-80. Of these changes, the most important one was the abolition of the system of imports financed against payment abroad which was commonly known as direct shipment. With effect from 31st December, 1979 restrictions were imposed on import on D. P. (Documents Against Payment) and D. A. (Documents Against Acceptance) basis and all imports under the Wage Earners' Scheme were subjected to opening of letters of credit through banks in Bangladesh.

187. Authorised dealers were empowered to allow disposal of unutilised foreign exchange brought back by Bangladesh nationals after their foreign trips under the WES provided such funds were acquired under the WES at the time of commencement of travel from Bangladesh.

Exchange Rates for Retirement of Import Bills

188. The principle for determining exchange rates for retirement of import bills not covered by forward booking was revised during the year 1979-80. Under the revised procedure import bills would be retired by the importers at the exchange rates prevailing on the respective dates of negotiation of the bills by the foreign correspondents of the banks. Previously, the date of lodgement of a bill in Bangladesh was used as the basis for application of the exchange rate.

New Registration Units

189. During the year 1979-80, the Bangladesh Bank opened two more Registration Units—one at Mymensingh and the other at Pabna—to register the Import Licences issued by the two newly set up Licencing counters at these centres.

Purchase of Foreign Currencies

190. Arrangement was made in the Rajshahi Office of the Bank to purchase certain foreign currencies, viz., pound sterling, U. S. dollar, Deutsche Mark and Japanese Yen from the banks in that region.

Export Price Check for Raw Jute

191. Following the sluggishness that developed in the demand for raw jute and the consequent glut that occurred in the home market, the minimum export price (MEP) for certain lower grades of raw jute was suspended on 20th March, 1980. Notwithstanding this suspension, the Bangladesh Bank would continue to check the export prices of raw jute to ensure that the sales are made at reasonable prices.

192. The requirement of quoting export prices of raw jute in pound sterling only was relaxed. Under the revised instructions quotations could be made in U.S. dollar as well.

Trade Sanctions

193. The ban on trade with Zimbabwe (Rhodeshia) was lifted by the Government while restriction was imposed on trade with Taiwan.

Hajj - 1979

194. The Government made arrangements for sending 7,000 persons from Bangladesh to perform Hajj in 1979. Pilgrim ship *Hizbul Bahr* made two trips to carry the pilgrims to Jeddah. The foreign exchange quota for the Hajjis going by ship was fixed at Saudi Riyal 2,719 per head. The pilgrims going by air were given a quota of Saudi Riyal 2,499 each. In addition to the usual foreign exchange quota, each pilgrim was also allowed to take upto $ 300 under the Wage Earners' Scheme.

CHAPTER XVI

ASIAN CLEARING UNION

ASIAN CLEARING UNION

195. Transactions relating to Bangladesh under the Asian Clearing Union Arrangement continued to remain limited during the year 1979-80. In all, 36 inward remittances for a total amount of AMUs 354,214.24 (Tk. 71,17,117) were received out of which 21 remittances for a total amount of AMUs 46,493.64 (Tk. 9,34,816) were from Sri Lanka, 6 for a total amount of AMUs 2,470.26 (Tk. 49,062) from India and the remaining 9 for a total amount of AMUs 305,250.34 (Tk. 61,33,239) from Nepal. There were 7 outward remittances from Bangladesh for a total amount of AMUs 64,147.64 (Tk. 12,98,163). Out of these, 6 remittances for a total amount of AMUs 64,050.89 (Tk. 12,96,238) were to Sri Lanka and the remaining 1 for AMUs 96.75 (Tk. 1,924) was to India.

196. Since the existing clearing system under the Asian Clearing Union has been found to be lengthy the Board of Directors of the Union has approved the recommendations of the Technical Committee for its simplification. The revised procedures are expected to be effective from October 1, 1980. The Technical Committee is also studying ways and means for providing more facilities under the clearing arrangements and to bring more items under the scope of operations of the Union.

CHAPTER XVII

CURRENCY AND COINAGE

CURRENCY AND COINAGE

New Bank Notes

197. New design One Taka Note printed on superior quality banknote paper with a security thread towards the right hand side and water mark depicting the picture of a "Royal Bengal Tiger" in sitting posture on the left hand side were issued with effect from 3rd September, 1979. The salient feature of the front is the State Emblem circumscribed by guilloche pattern appearing on the right hand half of the note. The main design feature of the reverse is a family of three spotted deer. The colour of the note is a pleasing combination of mauve, red and yellow.

198. New design Twenty Taka Note printed on superior quality banknote paper with a security thread towards the right hand side and the water mark depicting the head of a 'Royal Bengal Tiger' on the left hand side were issued with effect from 20th August, 1979. The salient feature of the front is a finely engraved picture of the *Chota Sona Mosque* appearing on the right hand side of the note. The main feature of the reverse of the note is a picture showing 4 men washing Jute in water beside a paddy field. The predominant colour of the note is dark green.

Coinage

199. Subsidiary coins in circulation as on 30th June, 1980 amounted to Tk. 19.53 crores as against Tk. 17.17 crores as on the 30th June, 1979. This was in addition to Tk. 29.21 crores worth of Taka One Notes and Taka One Coins in circulation as on the 30th June, 1980 as against Tk. 24.93 crores on the 30th June, 1979.

CHAPTER XVIII

ADMINISTRATION

ADMINISTRATION

Change in the Board of Directors

200. During the year Mr. Hafizur Rahman and Mr. Mahfuzul Huq were renominated as Directors of the Board. Professor M. S. Mondal was nominated as a Director of the Board in place of Mr. Syed Mohsen Ali whose term of office expired on 19th October, 1979.

Appointments

201. The following appointments in different grades of employment were made by the Bank during the year ending 30th June, 1980 :

i)	Officers Class-I and above	9
ii)	Officers Class-II	21
iii)	Clerical & Other Staff	203

Welfare Activities

202. An amount of Tk. 3,15,500 was sanctioned during the year for various welfare and recreational activities of the employees of the Bank. In addition, an amount of Tk. 1,76,000 was spent during the year for awarding stipends to children of 'D' category employees of the Bank.

1) Construction of an overbridge connecting the Main Building of the Bank with the Annexe Building at Dacca was completed on 30th December, 1979.

2) Construction of a 7-storied Main and 3-storied Annexe Building for office accommodation at Bogra is nearing completion.

3) The Board of Directors approved construction of a 6-storied Bank Building with 15-storied foundation at S. B. I. premises in Chittagong.

Office Accommodation

4) Construction of Office Building at Sylhet started with effect from 10th July, 1980.

5) A plot of land measuring 2.3862 acres has been purchased for extension and development of the Bank at Rajshahi.

6) A plot of land measuring 12 decimals has been purchased for extension and development of the Bank at Khulna.

Residential Accommodation

i) Constructions of 20,000 gallons capacity underground R. C. C. water tank and 10 additional flats at Banani Officers Quarters Dacca were completed.

ii) Construction of boundary wall at I. G. Bagan Dacca for Officers Quarters is in progress.

iii) Construction of a School and a Mosque at Agrabad Staff Quarters at Chittagong started with effect from 8th April 1980.

Foreign Training

203. Arrangements for participation of 21 officers of the Bank in different training courses/Seminars in foreign countries were made during the year under Technical Assistance Programme and other programmes, including courses offered by the IMF Institute, Washington. The Bangladesh Bank also co-ordinated a number of foreign training programmes for the nationalized banks.

Domestic Training

204. 72 officers of the Bank participated in different domestic training programmes organised by different institutions in the country.

Training

205. Arrangements were made for short training in the Bangladesh Bank for 10 Government Officers (Probationers) deputed from the Ministry of Foreign Affairs.

206. Theoretical as well as intensive practical on-the-job training was conducted by the Bank's Training Academy for 85 Officers Class-I and 80 Officers Class-II of the Head Office and other offices of the Bank.

207. The Training Academy has introduced orientation courses for the Bank's Officers in Class-I Selection Grade and above upto Principal Officers with a view to keeping them abreast of the development of new and sophisticated techniques in their areas of activities as well as to bring about an attitudinal and motivational change in their ideas so as to enable them to introduce new dimensions in the banking activities to serve the developmental needs of the country. Nine such orientation courses were held during the year under report where almost all the aforesaid categories of officers participated by rotation. Experienced guest speakers from the Government and the Universities were also invited to deliver talks in these courses.

208. The Academy has also started imparting theoretical and practical training to the officers and staff of the Cash Department of the Bank.

209. The Academy has also introduced an executive development programme for the mid-level officers of the Bank to prepare them for shouldering higher responsibilities in the future. Under this programme which is of participative and self-development nature, groups of officers are selected and are entrusted with the task of preparing papers/reports on important matters like forecast of foreign exchange reserve, credit policy etc.

210. The Academy also conducted special training course for the officers of the Department of Banking Inspection. The Academy also arranged talks by foreign university professors.

211. A plot of 2 acres of land has been purchased adjacent to the proposed campus of BIBM at Mirpur for the administrative building, hostel, class rooms and the staff quarters etc. of the Academy complex.

Board Meetings

212. During the year 9 (nine) meetings of the Board of Directors, 4 (four) meetings of the Executive Committee and 4 (four) meetings of the Co-ordination Committee were held.

Installation of New PABX Board

213. A new PABX Board of 60+600 telephone lines imported from West Germany at a total cost of Tk. 82,03,358 including Tk. 40,00,000 in foreign exchange has been installed at the main office of the Bank in February, 1980 to meet the growing needs of the Bank.

CHAPTER XIX

ANNUAL ACCOUNTS

ANNUAL ACCOUNTS

214. The Balance Sheet of the Issue Department as on the 30th June, 1980 appears at pages 148-149 of the Report.

Issue Department

215. Total notes issued as on the 30th June, 1980 amounted to Tk. 748.67 crores as against Tk. 651.95 crores as on the 30th June, 1979. Assets against the notes issued included Gold worth Tk. 34.96 crores, Special Drawing Rights held with the International Monetary Fund worth Tk. 10.00 crores, Approved Foreign Exchange of Tk. 250.00 crores, Taka Coins worth Tk. 2.02 crores, Government of Bangladesh Securities worth Tk. 192.45 crores and Internal Bills of Exchange and Other Commercial Papers worth Tk. 259.24 crores. The corresponding figures of assets against note-issue as on the 30th June, 1979 were 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 worth Tk. 225.50 crores.

Banking Department

216. The Balance Sheet of the Banking Department as on 30th June, 1980 appears at pages 150-151. On the Liabilities side, balances in the Statutory Funds have increased from Tk. 32.50 crores to Tk. 57.50 crores due to appropriation of Tk. 25.00 crores as shown in the paragraph relating to Appropriation of 'Profit and Loss Account'. Bank's Deposits increased to Tk.247.22 crores as on 30th June, 1980 as against Tk. 162.91 crores as on 30th June, 1979. 'Other Deposits' including I.B.R.D., I.M.F., etc. stood at Tk. 611.89 crores as against Tk. 538.88 crores as on 30th June, 1979.

217. On the Assets side "Balances Held Outside Bangladesh" decreased to Tk. 82.44 crores as on 30th June, 1980 as against Tk. 365.74 crores on the same day last year while 'Other Loans and Advances' increased to Tk. 350.53 crores as against Tk. 118.51 crores on 30th June, 1979. Loans and Advances to Government (Ways and Means Advance) remained unchanged at Tk. 20.00 crores (Maximum) while "Government Debtor Balances" rose slightly from Tk. 9.13 crores on 30th June, 1979 to Tk. 9.34 crores on 30th June, 1980. The balance under Bank's "Investment" increased to Tk. 445.81 crores as on 30th June, 1980 compared to Tk. 182.77 crores on the 30th June, 1979.

218. The Profit and Loss Account of the Bank for the year ending 30th June, 1980 appears at page 152.

Profit & Loss Account

219. The Profit and Loss position of the Bank for the year 1979-80 is summarised as under :

Gross earning of the Bank	Tk. 149,84,70,712.28
Total expenditure	Tk. 48,79,75,685.48
Profit :	**Tk. 101,04 95,026.80**

220. Out of the above profit of Tk. 101,04,95,026.80 a sum of Tk. 25.00 crores has been appropriated to different Statutory Funds and Tk. 2.00 crores appropriated to Credit Guarantee Fund Account and the balance of Tk. 74,04,95,026.80 has been transferred to the Government as surplus profit as indicated below :

Rural Credit Fund	Tk. 10,00,00,000.00
Industrial Credit Fund	Tk. 2,00,00,000.00
Export Credit Fund	Tk. 3,00,00,000.00
Agricultural Credit Stabilisation Fund	Tk. 10,00,00,000.00
Credit Guarantee Fund	Tk. 2,00,00,000.00
Surplus Profit Transferred to the Government	Tk. 74,04,95,026.80
Total :	**Tk. 101,04,95,026.80**

Interest Subsidy to Banks and Financial Institutions

221. For financing the agricultural projects and the Special Housing Scheme for low and middle income people at a concessional rate of interest the Bank, besides providing refinance at a concessional rate of interest itself, has allowed interest subsidy to the financing banks and the House Building Finance Corporation. A sum of Tk. 72,97,444.62 was paid under this head during 1979-80 as against Tk. 46,43,820.33 paid last year.

Appointment of Auditors

222. In terms of Article 65 (1) of the Bangladesh Bank Order, 1972 the Government have been pleased to appoint Messrs. A. Qasem & Co. and Messrs. Ata Khan & Co, Chartered Accountants as Auditors of the Bank for auditing the accounts of the Bank for the year 1979-80.

Appreciation

223. The Bank wishes to record its appreciation for the loyal and devoted services rendered by the employees of the Bank during the year ended 30th June, 1980.

BALANCE SHEET

AND

PROFIT AND LOSS ACCOUNT

AS AT

30TH JUNE, 1980

BANGLADESH

BALANCE SHEET AS AT

ISSUE

LIABILITIES	TAKA	TAKA
Notes held in the Banking Department	77,80,070	
Notes in Circulation*	747,89,40,115	
Total Notes Issued		748,67,20,185
TOTAL LIABILITIES		**Tk. 748,67,20,185**

* 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, 1980

DEPARTMENT

ASSETS	TAKA	TAKA
1. A. Gold Coin and Bullion	34,95,65,000	
Silver Bullion	Nil	
Special Drawing Rights held with the International Monetary Fund	10,00,00,000	
Approved Foreign Exchange	250,00,00,000	294,95,65,000
B. Taka Coin	2,02,11,594	
Government of Bangladesh Securities**	192,45,50,431	
Internal Bills of Exchange and other Commercial Papers	259,23,93,160	453,71,55,185
TOTAL ASSETS		**Tk. 748,67,20,185**

** Includes Special Ad hoc 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	18,75,00,000
Industrial Credit Fund	9,50,00,000
Export Credit Fund	11,00,00,000
Agricultural Credit Stabilisation Fund	18,25,00,000
Deposits :	
(a) Government	Nil
(b) Banks	247,22,11,207
(c) Others	611,89,24,870
Allocation of Special Drawing Rights	60,97,12,031
Bills Payable	11,70,444
Other Liabilities	328,99,56,544
TOTAL LIABILITIES	**Tk. 13,12,69,75,096**

DEPARTMENT

ASSETS	TAKA
Notes	77,80,070
Taka Coin	2,148
Subsidiary Coin	346
Bills Purchased and Discounted :	
(a) Interna l	168,00,00,000
(b) External	Nil
(c) Government Treasury Bills	154,11,27,779
Balances held outside Bangladesh*	82,44,09,652
Special Drawing Rights held with the International Monetary Fund	27,91,19,332
Loans and Advances to Government	20,00,00,000
Government's Debtor Balances	9,33,96,701
Other Loans and Advances	350,52,73,600
Investments	445,81,37,840
Other Assets	53,77,27,628
TOTAL ASSETS	**Tk. 13,12,69,75,096**

* Include Cash and Short Term Securities.

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PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED 30TH JUNE, 1979 AND 1980

1979 Taka	INCOME	1980 Taka
98,81,03,662	Interest, Discount, Exchange, Commission etc.	149,84,70,712
	EXPENDITURE	
7,21,68,038	Establishment	7,62,14,264
9,895	Directors' Fees and Expenses	26,136
15,600	Auditors' Fees	15,600
35,24,518	Rent, Taxes, Insurance, Lighting etc.	45,68,726
45,395	Law Charges	41,143
9,73,702	Postage and Telegram Charges	12,95,481
10,68,297	Remittance of Treasure	11,31,505
23,80,174	Stationery, etc.	35,72,999
10,17,43,992	Security Printing (Cheques, Notes forms etc.)	9,88,32,591
86,32,736	Depreciation and Repairs to Bank's property	87,62,487
91,81,138	Agency Charges	96,15,905
18,00,45,253	I.M.F. Charges	19,45,48,332
46,43,820	Interest Subsidy to Banks & Financial Institutions	72,97,445
2,88,34,851	Interest on Deposits	6,23,09,864
48,23,726	Interest on Staff and Provident Fund	59,87,053
Nil	Contribution to Staff and Superannuation Funds	Nil
1,96,76,576	Miscellaneous Expenses	1,37,56,154
55,03,35,951	Net Available Balance	101,04,95,027
98,81,03,662		**149,84,70,712**
Nil	Amount transferred to Reserve Fund	Nil
3,00,00,000	Amount transferred to Rural Credit Fund	10,00,00,000
1,00,00,000	Amount transferred to Industrial Credit Fund	2,00,00,000
1,25,00,000	Amount transferred to Export Credit Fund	3,00,00,000
3,00,00,000	Amount transferred to Agricultural Credit Stabilisation Fund	10,00,00,000
1,00,00,000	Amount transferred to Credit Guarantee Fund	2,00,00,000
45,78,35,951	Surplus payable to Government	74,04,95,027
Nil	Balance carried forward	Nil
55,03,35,951		**101,04,95,027**
	RESERVE FUND ACCOUNT	
3,00,00,000	By Balance on 30th June, 1979	3,00,00,000
Nil	By Transfer from Profit & Loss Account	Nil
3,00,00,000		**3,00,00,000**

M. A. Haque	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, 1980 and the 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 Offices at Dacca and Chittagong and with the returns submitted and certified by the Managers of Khulna, Bogra, Rajshahi and Sr. Asstt. 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 explanations given to us and as shown by the books of the Bank.

Dacca,
The 4th day of
August, 1980.

A. Qasem & Co.
tered Accountants
Atakhan & Co.
tered Accountants

APPENDIX—I

COMPARATIVE POSITION OF SCHEDULED BANKS

(In crore Taka)

Particulars	Amount as on 29.6.79	Amount as on 27.6.80
Bank Deposits (excluding inter-bank items)	2113.40	2473.65
Demand Deposits	883.08	1015.08
Time Deposits	1230.32	1458.57
Borrowings from Bangladesh Bank	352.10	675.86
Cash in hand	56.68	69.47
Balances with Bangladesh Bank	154.32	177.64
Balances with other banks in current account in Bangladesh	23.97	26.36
Money at call and Short Notice in Bangladesh	43.36	39.08
Investment in Bangladesh	478.99	476.51
Government Securities	287.40	243.18
Others	191.59	233.33
Bank Credit (excluding inter-bank items)	2042.87	2683.25
Advances in Bangladesh	1888.02	2518.82
Inland and Foreign Bills Purchased and Discounted in Bangladesh	154.85	164.43
Credit/Deposit Ratio	0.85	0.95

APPENDIX—II

LIST OF SCHEDULED BANKS

(As on the 30th June, 1980)

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.

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OFFICES OF THE BANGLADESH BANK

(AS ON JUNE 30, 1980)

Head Office

DACCA

Offices at

DACCA

CHITTAGONG

KHULNA

BOGRA

RAJSHAHI

SYLHET