ANNUAL REPORT
1980-81

BANGLADESH BANK

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BANGLADESH BANK

BOARD OF DIRECTORS

1.	Mr. M. Nurul Islam	Governor and Chairman
2.	Mr. M. Khalid Khan	Deputy Governor and Director
3.	Mr. Hafizur Rahman	Director
4.	Mr. Mahfuzul Huq	Director
5.	Mr. Habibur Rahman Bhandari	Director
6.	Professor M. S. Mandal	Director
7.	Mr. A. M. A. Muhith	Director
8.	Mr. A. F. M. Ehasanul Kabir*	Director
9.	Mr. Salahuddin Ahmed	Director
	Mr. P. K. M. A. Chowdhury	Secretary

*Upto 15th May, 1981

GOVERNOR

Mr. M. Nurul Islam

DEPUTY GOVERNOR

Mr. M. Khalid Khan

OFFICER ON SPECIAL DUTY

Mr. Hemayetuddin Ahmed

EXECUTIVE DIRECTORS

Mr. S. A. Kabir
Mr. A. T. M. Amin
Mr. A. R. Chowdhury

ECONOMIC ADVISER

Mr. Kazi Badrul Alam

HEADS OF DEPARTMENTS

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 Mollah	...	Agricultural Credit Department
Mr. A. S. M. Fakhrul Ahsan	...	Department of Research
Mr. A. T. M. Hafizur Rahman	...	Training Academy
Mr. M. Atiqul Haque	...	Department of Public Relations & Publications
Mr. A. K. M. Shah Alam Choudhuri	...	Audit and Inspection Department
Mr. Mahbubur Rahman Khan	...	Banking Control Department
Mr. P. K. M. A. Chowdhury	...	Secretary's Department
Mr. Kamal Uddin Ahmed	...	Personnel Department
Mr. M. Mokhlesur Rahman	...	Administration & Expenditure Department
Mr. A.K.M. Nozmul Haque (In-charge)	...	Statistics Department
Mr. Khalilur Rahman (In-charge)	...	Engineering Department

HEADS OF BRANCH OFFICES

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

LETTER OF TRANSMITTAL

BANGLADESH BANK

DACCA :
January 12, 1982

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 30,1981.

Yours faithfully,
M. Nurul Islam
Governor

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CHAPTER I

TRENDS IN THE ECONOMY

TRENDS IN THE ECONOMY

The year 1980-81 witnessed continuation and strengthening of efforts to maintain stable conditions of the economy accompanied by reasonable level of growth. Due attention was paid towards containing demand by fixing quarterly target for monetary and credit expansion. The objective of this policy was to provide for an expansion in liquidity not more than what was in line with the growth in output and acceptable price increase. This called for substantial efforts towards improvement of public finance position. The Government budget for 1980-81 envisaged additional tax efforts of Tk. 100 crores as also the increase in current expenditure by not more than 10 per cent. The budget included a wide range of tax changes to increase customs, sales, excise and income tax receipts. Measures were also taken to improve the tax administration. With a view to reducing Government subsidy expenditure, issue prices of fertilizer were raised by 22 per cent in the case of urea and DPA, by 33 per cent for TSP and 27 per cent for MP in November, 1980. For the same purpose the quota mix of rice and wheat distributed through the rationing system was changed in January, 1981, while the ration prices of rice, wheat, flour and suji were raised to Tk. 155.20, Tk. 116.00, Tk. 142.80 and Tk. 187.60 per maund from Tk. 140.00, Tk. 110.00, Tk. 125.00 and Tk. 166.40 per maund respectively. In order to improve the financial position of public enterprises the prices of petroleum products, cotton yarn and cotton cloth were raised by 26-63 per cent, 12-35 per cent and 15 per cent respectively in July, 1980. In August, 1980 newsprint prices were raised by 11-23 per cent. The price of sugar was also raised by 46.3 per cent in September, 1980. The prices of some of the public utilities were also increased. While the postal rates and railway freight rates were enhanced by 15-100 per cent and 25 per centrespectively in July, 1980, the power (electricity) rate was raised by 57.1 per cent in October, 1980. Prices of yarn and cotton cloth and petroleum products were raised again in April, 1981 and May, 1981 respectively. The increase in the price of cotton yarn was around 10 per cent, while that of all varieties of cotton cloths was about 7 per cent. The increase in the prices of petroleum products ranged between 5 per cent and 31 per cent. While utmost importance continued to be attached to promoting private investment, parallel efforts were made to promote private savings through an upward revision of the interest rate structure which was also intended to bring about a discipline in the use of bank resources and promote expansion of the financial system. While the deposit rates of banks were raised from the range of 4-10.25 per cent to the range of 4.5-15 per cent, their general lending rate was raised from 12 to 15.5 per cent. Advance rates for priority sectors were also revised upward.

2. Policies towards augmenting supplies were also considerably strengthened during the year. With a view to maintaining economic prices for foodgrains to provide production incentives to farmers the procurement prices were raised on November 15, 1980 both in respect of rice and wheat/paddy by Tk. 5.00 per maund each to Tk. 175.00 and Tk. 115.00 per maund respectively. Efforts towards raising agricultural production by promoting the spread of modern techniques through the provision of inputs and support services were also intensified during the year. Adequate encouragement was provided to the expansion of area under irrigation. To this end investment in irrigation was stepped up and a thrust was given to the sale of irrigation equipments through bank credit. All the nationalised commercial banks and the Krishi Bank were advised to provide adequate credit to farmers under their sale programme. Efforts towards improving the operational efficiency of the industrial sector through organisational improvement were sustained during the year. Supply augmentation was also sought to be improved through a liberal import policy. Allocations under the import policy were significantly higher at Tk. 2600 crores in 1980-81 as against the allocation of Tk. 2058 crores in the preceding year. Liberal provision was made for the import of industrial raw materials and spares to enable fuller utilisation of industrial capacity. Allocations for such

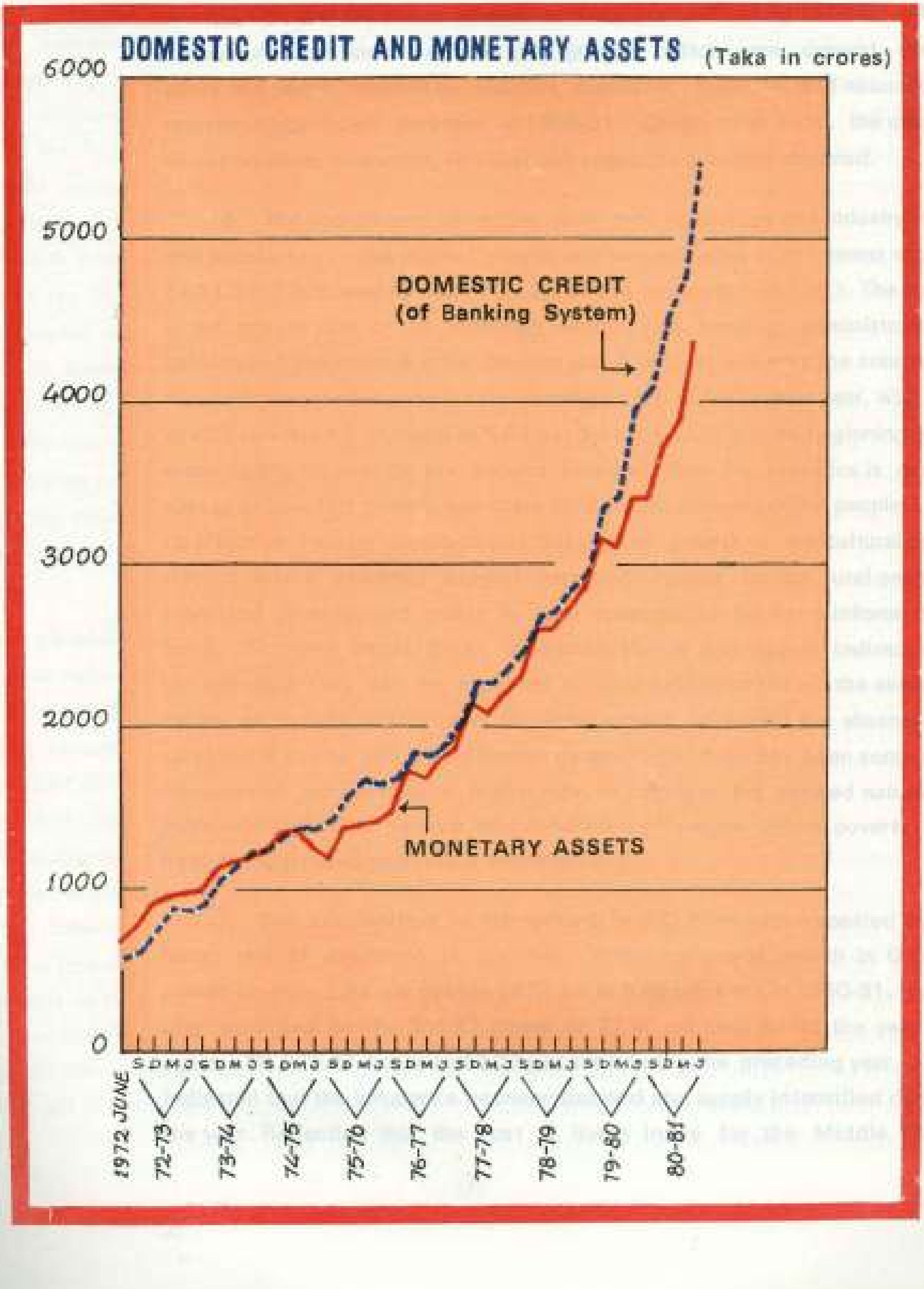
imports amounted to Tk. 2009 crores during the year as compared with the allocation of Tk. 1431 crores during the previous year. In order to help support expansion in imports at the required rate an export target of Tk. 1500 crores was fixed for 1980-81 as against the target of Tk. 1100 crores and the actual exports of Tk. 1124 crores in 1979-80. With a view to pushing up exports of non-traditional items the XPL system was modified and rationalised in March, 1981. Under the modified scheme the groups of items eligible for XPL facility have been reduced from four to two and the rates of import entitlements have been significantly increased. As against the previous range of import entitlements from 10 to 40 per cent, items of one group were allowed import entitlements at 60 per cent of the f.o.b. value of exports and items of another group at 40 per cent. The number of items eligible for XPL has also been increased to 81 from 76 previously.

3. The supply augmentation measures coupled with favourable weather conditions brought about a significant acceleration in growth in Gross Domestic Product (G.D.P.). The G.D.P. (at 1972-73 factor cost) increased by 6.08@ per cent during 1980-81 as compared to the growth of 2.94 per cent achieved in 1979-80. The acceleration in growth was particularly pronounced in the agricultural sector. Agricultural production is estimated to have increased by 7.09 per cent during the year as compared with the marginal growth of 1.72 per cent in 1979-80. The performance of the agricultural sector was to a major degree dominated by the development on the food front. Total foodgrain production is estimated to have increased by 9.49 per cent to 146 lakh tons during 1980-81. This was in marked contrast to an increase of only 2.63 per cent in 1979-80. The improvement was recorded by all the major crops. While the production of Aman rice increase by 6.82 per cent to 78.00 lakh tons, that of Boro rice went up by 2.08 per cent to 24.50 lakh tons during 1980-81. The output of Aus rice went up by 13.92 per cent to 32.00 lakh tons. The production of wheat recorded a sharp increase of 41.98 per cent to attain a record level of 11.50 lakh tons during the year.

@ Provisional.

4. The significant increase in food production enabled the Government not only to reduce the import of foodgrains from 27.78 lakh tons in 1979-80 to only 10.60 lakh tons in 1980-81 but also to considerably expand its domestic procurement activity. The internal procurement of rice/paddy during 1980-81 was significantly higher at 8.41 lakh tons in terms of rice as compared to only 2.24 lakh tons procured in the preceding year. The internal procurement of wheat also increased from 1.24 lakh tons in 1979-80 to 1.76 lakh tons during 1980-81. The expanded domestic procurement coupled with lower offtake of foodgrains through the rationing system helped to bring about a further substantial increase in Government food stocks. In view of arrangements made in the preceding year for substantial food import both under aid and from own resources food stocks had already reached a comfortable level of 7.74 lakh tons by end-June, 1980. With food stocks raised to a level as high as 12.29 lakh tons at the end of June, 1981 the scope of Government's manoeuvrability for countering the price pressure stemming from any shortfall in food production has substantially increased. The expanded food procurement activity reflected not only Government efforts to build up stocks to a safety level but also its concern to sustain prices at a level below which incentive to food production may diminish. Following the marked improvement in food stocks the Government was, however, faced with a major problem as to how to cope with unexpected large supplies physically. The Government undertook crash programme to construct new warehouses throughout the country. Apart from this, serious endeavour was made to step up ongoing warehouse construction and rehabilitate projects supported by various donors, hire warehouses from Government agencies and public sector corporations and also from the private sector, and to make temporary storage facilities at the Chittagong port. Above all, such large supply of foodgrains had also exerted pressure on Government finance.

5. The growth in the industrial sector also recorded a significant improvement. Total industrial output is estimated to have increased by 8.80 per cent during the year as against the projected increase of 8.60 per cent



DOMESTIC CREDIT AND MONETARY ASSETS (Taka in crores) for 1980-81 and the actual increase of 0.17 per cent during 1979-80. The output of some industries like jute goods, cotton yarn, cement, steel, paper and board, cigarettes, matches, chemicals, sugar, tea and natural gas registered significant increases in 1980-81. On the other hand, the output of cotton cloth, newsprint, fertilizer and vegetable products declined.

6. The performance of sectors other than agriculture and industry was also satisfactory. The highest growth rate was achieved in the power sector (+14.36%) followed by trade (+4.89%) and transport (+4.16%). The combined growth rate of the remaining sectors viz., housing, administration, banking and insurance & other services was 6.40%. It was only the construction sector where the growth rate was negative (−5.50%). However, with an overall increase of as much as 6.08 per cent in G.D.P. a good beginning was made during the year for the Second Five-Year Plan. No statistics is available as to how this growth was share by different sections of the people, i.e., its effect on income distribution. Substantial growth in agricultural production would generally suggest improved income for the rural people. Increased development outlay in rural areas would further reinforce that trend. Similarly better direct tax administration and higher indirect tax on non-essentials can be expected to have helped to reduce the skewed nature of income distribution to some extent. Even in the absence of statistics it can be said that although by and large, there has been some net increases in income despite higher rate of inflation, the skewed nature of income distribution persists and conditions of people below poverty line have not registered noticeable improvement.

7. The acceleration in the growth in G.D.P. was accompanied by a faster rate of expansion in liquidity. While the rate of growth in G.D.P. picked up from 2.94 per cent in 1979-80 to 6.08 per cent in 1980-81, liquidity expanded by Tk. 941.87 crores or 27.45 per cent during the year as against Tk. 529.77 crores or 18.26 per cent during the preceding year. This indicated that the imbalance between demand and supply intensified during the year. Reflecting this the cost of living index for the Middle Class

People at Dacca (1973-74=100) moved up from 237.46 in June, 1980 to 277.96 in June, 1981 representing an increase of 17.06 per cent over the year as against the increase of 12 per cent in the preceding year. The movement in the sub-indices of cost of living disclosed that the increase was particularly large in the case of fuel and lighting. The sub-index of fuel and lighting moved up from 230.53 in June, 1980 to 356.53 in June, 1981, indicating an increase of 54.66 per cent. The increases of sub-indices of food, housing and household requisites, clothing and footwear and miscellaneous were smaller and did not exceed 14.53 per cent, 12.90 per cent, 15.60 per cent and 12.93 per cent respectively. Apart from the imbalance between demand and supply the increase in the prices of imported goods also contributed to the price pressure during the year. Import prices of refined petroleum, cotton, fertilizer and other raw materials and intermediate goods registered sharp increases. On an average, import prices are estimated to have risen by 19 per cent during 1980-81. But for an apparent decline in the income velocity of money the overall price increase during the year would have been larger.

8. The accelerated rate of expansion in liquidity during 1980-81 was due mainly to a faster expansion in domestic credit as the foreign sector recorded a larger deficit than in the preceding year. The deficit in the foreign sector stood at Tk. 496 crores in 1980-81 as compared with Tk. 388.21 crores in 1979-80. Total domestic credit increased by Tk.1523.45 crores or 38.42 per cent during 1980-81 as compared with Tk. 1043.75 crores or 35.72 per cent in the preceding year. Sector-wise breakdown of domestic credit disclosed that while net credit to Government expanded by Tk. 533.09 crores or 54.32 per cent during the year as compared with Tk. 298.68 crores or 43.74 per cent in the preceding year, gross credit to the public sector increased by Tk. 514.79 crores or 33.06 per cent as against Tk. 415.14 crores or 36.36 per cent in 1979-80. Credit to the private sector also markedly expanded by Tk. 475.57 crores or 33.32 per cent during 1980-81 as compared with Tk. 329.93 crores or 30.07 per cent in the preceding year.

9. A number of factors, many of which were unavoidable, were responsible for a marked expansion in domestic credit. The large build-up in food stocks through expanded internal procurement activity and reduce offtake of foodgrains through the rationing system and a large shortfall in commodity aid disbursements resulting in a marked shortage of taka finance led to a substantial fresh recourse to the banking system by the Government. Among the main factors which brought about a marked expansion in credit to the public sector were the continued gap between the import cost and domestic prices of P.O.L. and a marked increase in the import prices of raw cotton which kept expansion in credit to the Petroleum Corporation and the Textile Mills Corporation notably larger than anticipated. Three other factors also contributed to the expansion. First, some increase occurred in finance extended by banking system to the House Building Finance Corporation which is yet to put in place a non-inflationary mode of financing its operations. Second, stocks of some public sector enterprises increased due to sales difficulties in the face of increased production and/or competition from imports. Third, the recovery of credit to the jute marketing and trading corporations against jute was less than scheduled due to export difficulties caused by unsatisfactory state of world demand and inferior quality of the crop. The recovery of credit against jute was slow in the case of private sector as well. This and the marked increases in import financing and disbursements in credit to the agricultural sector were the main factors responsible for the fast expansion in credit to the private sector.

10. The marked expansion in domestic credit was accompanied by a large increase in deposits during the year. Total deposits went up from Tk. 2710.52 crores at the end of June, 1980 to Tk. 3437.41 crores at the end of June, 1981. This represented an increase of Tk. 726.89 crores or 26.82 per cent as compared with the increase of Tk. 414.84 crores or 18.07 per cent in the preceding year. Although the accelerated expansion in total deposits during the year mainly reflected faster expansion in liquidity there is indication that the new interest rate policy announced on the 16th October, 1980 has started bringing about a shift from demand deposits to

time deposits, that is, from the relatively more liquid monetary assets to relatively less liquid assets. This can be discerned from the fact that the ratio of time deposits to total deposits moved up from 63.77 per cent on the 17th October, 1980 to 64.65 per cent on June 30, 1981 as against the decline from 64.22 per cent to 63.90 per cent during the comparable period of 1979-80. The movement in the currency ratio does not, however, provide a very clear picture regarding the impact of the new interest rate policy. Although the ratio of the currency held with the public which stood at 24.34 per cent on October 17, 1980 came down to 21.37 per cent at the end of June, 1981 the decline was not more pronounced than in the corresponding period of the preceding year when the currency ratio came down from 23.61 per cent to 20.99 per cent. No firm conclusion can be drawn on this basis as it is difficult to say what would have happened in the absence of a significant increase in food procurement activity which involved substantial payments in currency in rural areas. It is also not known how much of the inactive portion of the currency held with the public represented untaxed money a part of which does not flow to the banks despite the higher interest rate inducement. The impact of the new interest rate policy could not perhaps be as pronounced as expected due to the intensification of the pressure on prices which might have provided the basis for expecting the rate of inflation to be higher than the nominal rate of return for deposits. It may also be added here that in addition to simplification and better enforcement of tax laws, there is need for some measures which will help mop up accumulated black money from the economy and put it to more productive uses.

11. On the external front the imbalance persisted during 1980-81. The overall balance of payments deficit increased from Tk. 308.91 crores during 1979-80 to Tk. 416.54 crores during 1980-81. Despite this the convertible foreign exchange reserves rose by Tk. 47.69 crores from Tk. 403.19 crores at the end of June, 1980 to Tk. 450.88 crores at the end of June, 1981, reflecting substantial net use of resources from the International Monetary Fund to the extent of Tk. 313.94 crores and a

marked increase of Tk. 135.00 crores in short-term liabilities during the year. A particularly disquieting development on the external front was the slow growth in exports during the year. A main factor responsible for the depressed export level during the year was the marked fall in export prices of major export commodities. The average price of raw jute and jute goods at Tk. 999 per bale and Tk. 11,941 per ton respectively during 1980-81 were each about 11 per cent less than in 1979-80. At the same time, the average price of leather and frozen food exports declined by about 53 per cent and 10 per cent respectively in 1980-81 as compared to the previous year. The volume of major exports other than raw jute, however, increased. Shipment of jute goods stood higher at 5.00 lakh tons during the year as compared with 4.52 lakh tons in 1979-80. Tea and frozen food exports also increased from 52.66 million pounds and 11.89 million pounds in 1979-80 to 65.65 million pounds and 14.99 million pounds in 1980-81. The export volume of tanned/semi-tanned leather also stood higher at 842 lakh sq. feet during 1980-81 as against 439 lakh sq. feet during 1979-80. The shipment of raw jute, however, declined somewhat from 19.68 lakh bales in 1979-80 to 19.44 lakh bales in 1980-81. The fall in export prices occurring at a time when import prices recorded a sharp increase, resulted in a further worsening in commodity terms of trade during 1980-81. Imports based on balance of payments figures stood at Tk. 3808.22 crores during the year 1980-81 as compared with Tk. 3258.20 crores during 1979-80 representing an increase of 17 per cent in nominal terms despite a shortfall in commodity aid imports. However, in view of the marked increase in import prices the increase in imports in real terms was notably less than indicated by the figure of imports in nominal terms. It was also disquieting that cash imports of petroleum and petroleum products markedly increased from Tk. 574 crores in 1979-80 to Tk. 711 crores during 1980-81 constituting about 60 per cent of total exports during the year. This combined with debt servicing of Tk. 165.5 crores which claimed 12.6 per cent of total exports introduced an element of inflexibility in our balance of payments.

12. Experience during the year demonstrated how difficult the task of adjustment was in an adverse international environment. Lack of buoyancy in world demand depressed export prices and at the same time set a limit to the efforts which could be made in pushing up export volume. As a result exports almost stagnated during the year. In the face of the depressed level of exports the import bill for petroleum and petroleum products recorded a further increase during 1980-81. With cash import of petroleum and petroleum products constituting 60 per cent of exports, the cash foreign exchange availability for non-oil imports and other payments was markedly constrained. At the same time, the adverse international setting contributed to the price pressure through an increase in import prices. The unfavourable international environment also created difficulties in pursuing domestic financial policies in a flexible manner. A particular instance in this regard was the marked expansion in credit to the Petroleum and the Textile Mills Corporations which became unavoidable in view of the persistent gap between international and domestic prices of petroleum and petroleum products and the marked increase in the import prices of raw cotton, and due to the failure of the authorities to adjust domestic prices in line with cost and international prices of these products. Our domestic financial policies were also significantly constrained by a shortfall in commodity aid disbursements leading to a marked shortfall in taka resources. Although an attempt was made to adjust to this situation by pruning the Annual Development Programme, efforts in this direction could not be pushed beyond a certain limit. This was because the ad-hoc and rather drastic cuts in this programme could have entailed serious costs for the economy. This situation impelled a substantial recourse to the banking system by the Government. The shortfall in commodity aid disbursement was particularly disconcerting at a time when various indicators suggested that the absorptive capacity of the economy significantly increased. With the resource problem intensified by a marked deterioration in terms of trade during the year, the inadequate flow of commodity aid became all the more frustrating. The low level of commodity aid posed a problem due also to the fact that it affected not only the total level of development expenditure but also had a detrimental

effect on the composition of Government expenditure. The flow of commodity aid was crucial in so far as success in raising domestic food production reduced the level of food aid during the year.

13. Some over-riding policy considerations also set a limit to the vigour with which domestic financial policies could be pursued. A significant increase in food production during the year necessitated substantial Government intervention in the form of procurement activity which in turn entailed significant resource to the banking system by the Government. An effort to contain the expansion in domestic credit through reduced procurement activity would have brought down foodgrain prices to disincentive levels and this would have clearly been prejudicial to future agricultural growth. Domestic expenditures corresponding to stock build up in foodgrains were also necessary to increase the manoeuvrability of the Government to counter the inflationary pressure or its intensification which might arise from any shortfall in food production.

14. A focus on the constraints within which the adjustment was carried on is to emphasise the need for intensifying policy efforts in areas where there is scope for doing so. The fact remained that, even after allowance for special factors or the factors beyond control, the expansion in credit to Government and to the public sector remained relatively large. The large expansion of credit to the Government which was mainly responsible for exceeding the monetary and credit targets, points to the need for evolving some mechanism which will make the occurrence of such a phenomenon difficult in future. The only way this can be done is to agree to the Central Bank's refusing to subscribe to Treasury Bills beyond previously agreed amounts. Such authority to the Central Bank can generally be supported by existing legal provisions but need to be tacitly accepted by the Government. In order to contain expansion in credit to public sector it is essential that the efficiency, productivity and financial performance of most public sector enterprises should be improved. Stocks in some of the public enterprises which have recently grown high also need

to be brought down to reasonable levels through aggressive sales policy. The rate of expansion in credit to private sector also significantly accelerated during the year. A slow recovery of credit extended to the private sector against jute continued to pose a pressing problem. This problem was reportedly caused by the disposal difficultly experienced with regard to the inferior quality jute held by the traders. In order to get over this difficulty it is essential that some new uses of inferior quality jute like making of paper pulp, should be explored, if it is not possible to find wider markets either at home or abroad for the uses to which the inferior quality jute is put at present. It is also required that banks should strictly carry out the physical verification of raw jute stocks at frequent intervals and in an elaborate manner and ask the private sector jute traders to adjust their overdrawings immediately in those cases where there is a shortfall of stock either in quantitative or qualitative terms. Despite emphasis laid in the past years on the need for stepping up recovery in the case of agricultural credit no perceptible improvement was in sight. There is scope for making more effective use of existing administrative and legal provisions for recovery of over due loans. Every effort should also be made to check another unhealthy trend manifested by substantial growth in locking up of bank funds against imported goods which are needed to be cleared and held by banks when importers do not retire the import documents against cash payments despite repeated reminders.

15. The high import bill for petroleum and petroleum products constitutes one of the major problems to adjustment. It is projected that consumption of commercial energy-oil, natural gas and coal will grow rapidly over the coming years to support development and substitute for non-commercial fuels. The strategy should, therefore, be to develop domestic energy sources as fast as possible to substitute for imported petroleum, which has already constituted about three-fifths of merchandise exports. There are substantial known resources of natural gas and coal which can be develoved to substitute for imported oil. A realistic planning in this regard should receive the utmost importance.

16. Our payments problem is a structural one. The programme for structural adjustment should, therefore, be considerably strengthened. It also needs to be carefully seen that in the programme for structural adjustment export development receives as great an emphasis as is laid on import substitution and no bias remains in the economy against export promotion and diversification. Although the incentives for non-traditional exports have been recently strengthened by modifying the Export Performance Licencing Scheme and making it more attractive, there still remains scope and need for production for exports by existing units and through new capacities and aggressive marketing by all established methods and taking full advantage of G. S. P. and quotas in the markets of industrial countries. Given the prospective lack of adequate buoyancy in world demand for jute and jute goods and the import dependence of the country's present and intended economic structure, there is a clear need for aggressive efforts to develop non-traditional exports. It is not enough that the new possibilities of export development should be explored. It is essential that project preparations for a large number of identified items and substantial investment in these projects are undertaken without much delay. This is because while the need for pushing up exports is immediate, given the gestation period required for project preparation and implementation, the benefits of new investments in such export development projects will take considerable time to be realised.

17. Experience during the year also demonstrated that domestic resource mobilisation efforts should be intensified. It is recognised that in an economy like Bangladesh where there is a pressing need for making substantial tax efforts to raise investment in the public sector but where there is also simultaneously the necessity of promoting private savings and investment through tax concessions with a significant role assigned to the private sector, efforts to step up domestic mobilisation cannot but be pursued within certain limits. There is, however, scope for improving the resources position of the Government through introducing economy in current expenditure and raising the efficiency of tax administration and particularly through strengthening the savings schemes. Although efforts towards raising domestic

resources through savings schemes were stepped up by enhancing the interest rates on various schemes, raising the limits for investment in certain cases and also through an issue of new bond, namely Wage Earners Development Bond, what more can be done in this regard needs to be explored. The response to savings schemes cannot be upto the expectation so long as speculative build up in commodities and investment in real estate remains much more profitable than investment in these schemes. It, therefore, also needs to be seen how to curb the speculative forces and bring down the windfall gains. Some kind of overt measures seems to be necessary in this field although it is a very difficult problem to tackle. With the dearth of equity capital constituting an important bottleneck in stepping up investment in the private sector utmost importance should be attached to the development of the capital market. Pending significant progress in this regard, it needs to be considered whether the commercial banks should provide more funds for long term investment in the private sector industries and a target should be fixed for this purpose particularly when there is indication that their time deposits—a significant part of which constitutes medium-term or long-term savings—are proportionately increasing. In extending finance for long-term investment in private sector industries banks should give preference to small-scale industries and cottage industries for three main reasons. First, in an economy like Bangladesh where population and labour force are growing at a relatively high rate adequate employment creation and for that matter labour intensive technology should be greatly emphasised. Second, with their participation in finacing small and cottage industries under IDA Credit banks are developing expertise for appraising the feasibility of projects for such industries. Third, financing small and cottage industries in preference to large industries would mean that the use or bank funds would be spread over a large number of projects instead of being concentrated in a few. This will help reduce the risk of banks in expanding their operation in the fields with which they are relatively less familiar.

CHAPTER II

DEVELOPMENTS IN MAJOR SECTORS

DEVELOPMENTS IN MAJOR SECTORS

18. According to the preliminary estimate of the Planning Commission, the Gross Domestic Product (GDP) of Bangladesh at 1972-73 constant factor cost rose by 6.08* per cent in 1980-81 as against the projected growth of 7.2 per cent for the year and the actual growth of 2.94 per cent during 1979-80. The higher growth in the GDP reflected mainly substantial increase of 7.09 per cent in agricultural output during the year as against 1.72 per cent only in the preceding year. The industries sector also recorded an impressive growth of 8.80 per cent. The other major sectors which contributed to the overall growth of the GDP for 1980-81 are: power 14.36% followed by 4.89% in trade.

Agricultural Production

19. Total agricultural production in the country increased by 7.09 per cent during 1980-81 as against the target of 7.6 per cent. As a result of higher growth in agriculture its share in GDP increased to 55.43 per cent in 1980-81 from 54.64 per cent in 1979-80. Total foodgrains production estimated at 146.00 lakh tons was 9.49 per cent higher than the production of 133.35 lakh tons in 1979-80. Production of the major food crop/rice at 134.50 lakh tons in 1980-81 was 7.26 per cent higher than the level of 125.40 lakh tons in the previous year. While the production of Aman rice increased by 6.82 per cent to 78.00 lakh tons, that of Boro rice went up by 2.08 per cent to 24.50 lakh tons. The output of Aus rice went up by 13.92 per cent to 32.00 lakh tons. The production of wheat recorded a sharp increase of 41.98 per cent to 11.50 lakh tons during the year under report as compared to 8.10 lakh tons produced in 1979-80.

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* Provisional.

Industrial Production

20. The performance of the industrial sector also showed significant improvement during the year 1980-81. Total industrial output is estimated to have increased by 8.80 per cent during the year as against the projected growth of 8.60 per cent and the actual increase of 0.17 per cent during 1979-80. The contribution of the industrial sector to the GDP thus increased to 8.44 per cent during 1980-81 as compared to 8.23 per cent during the preceding year.

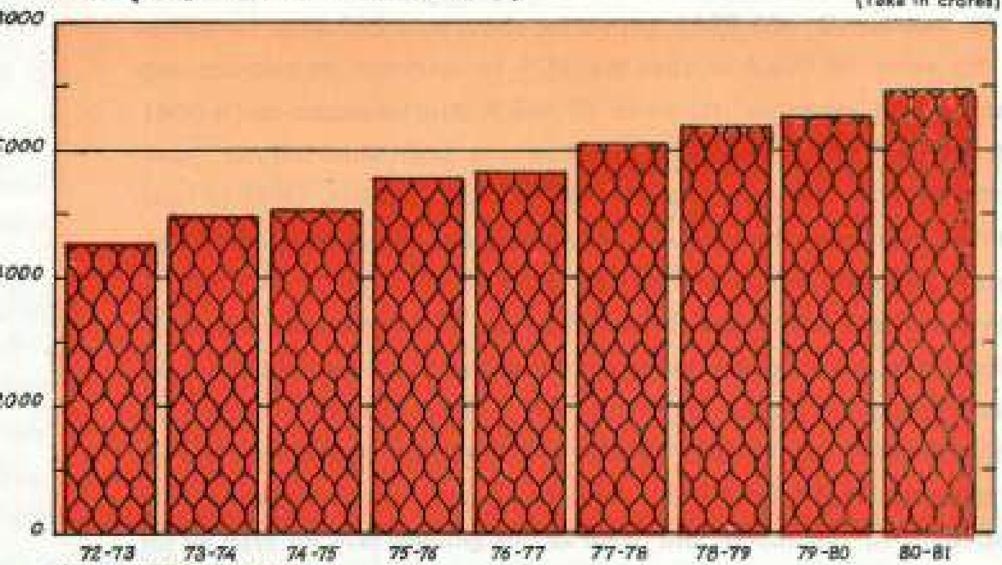
21. In the industrial sector, the emphasis on fuller utilization of existing capacity through liberal supply of imported raw materials and spare parts continued during the year under report. As a result, the output of some major industries like jute goods, cotton yarn, cement, steel, paper and board, cigarettes, matches, chemicals, sugar, tea and natural gas registered significant increases during 1980-81. However, the output of cotton cloth, newsprint, fertilizer and vegetable products declined.

22. Production* of jute goods rose by 10.28 per cent to 6.01 lakh tons during 1980-81 from 5.45 lakh tons during the preceding year. The output of cotton yarn increased by 7.00 per cent to 101.95 million lbs. as compared with 95.28 million lbs. produced during 1979-80. The production of paper and board increased to 50,108 tons during 1980-81 from 45,287 tons in the preceding year denoting an increase of 10.65 per cent over the year. The output of cement and steel registered increases of 2.65 per cent and 5.81 per cent to 3.45 lakh metric tons and 3.31 lakh tons respectively during the year under report. The output of sugar substantially increased by 52.69 per cent to 1.42 lakh tons during 1980-81 from 93 thousand tons in the preceding year. The production of cigarettes and matches rose by 3.48 per cent and 11.65 per cent to 1,452.30 crore sticks and 10.06 million gross boxes respectively during 1980-81 as compared to 1,403.40 crore sticks and 9.01 million gross boxes in the preceding year. Tea production rose by 6.38 per cent to 89.59 million lbs. during 1980-81 as compared with 84.22 million

* Includes the production of private sector Jute Mills.

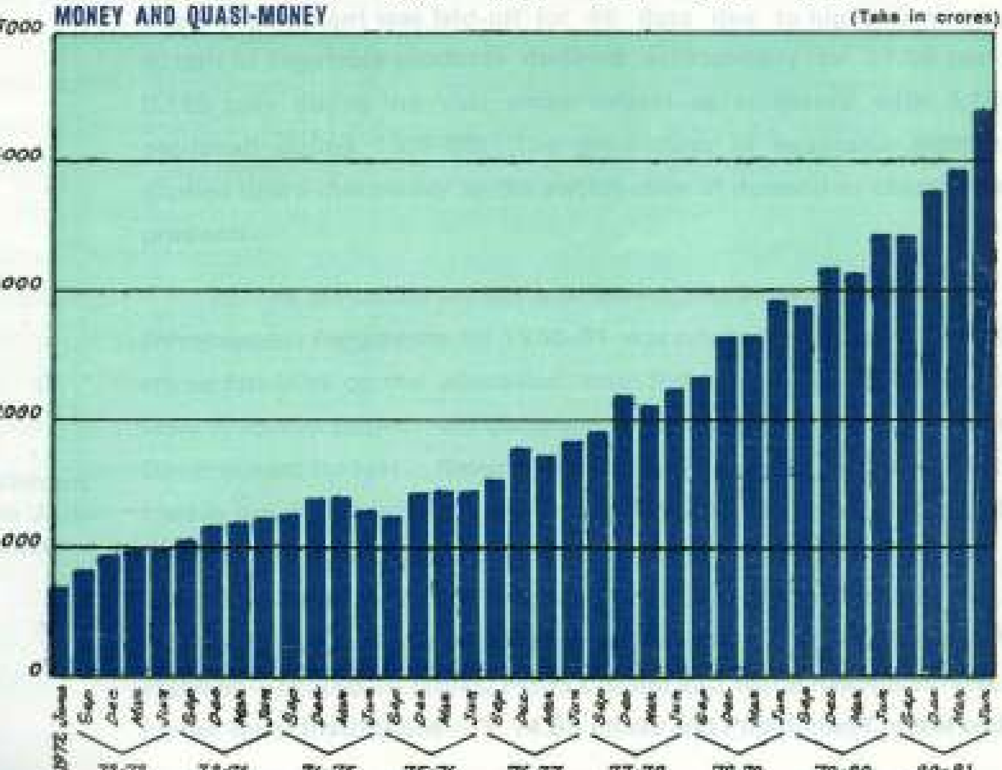
G.D.P. (AT CONSTANT 1972-73 PRICES)

(Taka in crores)



MONEY AND QUASI-MONEY

(Taka in crores)



lbs. produced in the preceding year. Output of chemicals denoted an increase of 9.13 per cent to 16,943 tons during the year under report as compared to 15,525 tons produced during 1979-80. Extraction of natural gas recorded an increase of 7.76 per cent to 4,923.30 crore cft. during 1980-81 as compared with 4,568.70 crore cft. extracted in the preceding year. On the other hand, production of cotton cloth declined by 2.95 per cent to 85.97 million yards in 1980-81 as compared with 88.58 million yards produced in the preceding year. Output of newsprint declined to 30,589 tons during 1980-81 from 38,116 tons in the preceding year representing a decline of 19.75 per cent over the year. The production of newsprint suffered set-back due to the complete repair of two of the boilers of the Khulna Newsprint Mills. The output of chemical fertilizers declined by 1.16 per cent to 4.26 lakh tons during 1980-81 as compared with 4.31 lakh tons produced in the previous year. The Urea Plant remained closed for 65 days for over-hauling and as such the production of urea declined. The T.S.P. plant was laid-off for 66 days due to higher inventory. The output of vegetable products declined substantially by 27.80 per cent to 5,168 tons during the year under report as compared with 7,158 tons produced during 1979-80. The production of vegetable products was slowed down due mainly to the switch-over of demand to cheaper imported products.

Investment in the Public Sector

23. In the public sector, total investment as envisaged in the Annual Development Programme for 1980-81 was originally placed at Tk. 2700.00 crores but later on the allocation was trimmed to Tk. 2369.00 crores in view of smaller project aid disbursement and smaller surplus from the Non-Development Budget. Nevertheless, this showed an increase of 1.67 per cent in the development outlay during 1980-81 as compared to Tk. 2329.97 crores in the preceding year. The allocation for the major sectors during 1980-81 were as follows : Transport—Tk. 375.08 crores, Industry—Tk. 336.70 crores, Agriculture—Tk. 322.75 crores, Power—Tk. 248.63 crores, Physical Planning—Tk. 146.74 crores, Flood Control and Water Resources—Tk. 357.18 crores, Rural Institutions—Tk. 74.88 crores and Population Control and Family

Planning—Tk.69.64 crores. According to the priorities of the Second Five Year Plan (1980-85), Agriculture, Flood Control and Water Resources, Rural Institutions, and Population Control and Family Planning sectors which have most direct impact on rural development were allocated 34.80 per cent of the total outlay of the Annual Development Programme.

Investment in the Private Sector

24. In order to accelerate the tempo of development of the country, the Government in 1980 declared a five-year Industrial Investment Schedule for private sector envisaging an investment of Tk. 2650.00 crores including a foreign exchange component of Tk. 1390.00 crores. In order to encourage participation by the private entrepreneurs, the small size Sugar and Textile Mills have been dropped from the list of industries reserved for the public sector. In addition, to quicken industrialization the country has been divided into three zones, namely, Priority Development Areas, Developed Areas and the Developing Areas. Besides, with a view to boosting up exports, steps have been taken to set up three export processing zones—one each at Dacca, Chittagong and Khulna. The work of the Export Processing Zone at Chittagong is well under way. As a result of the Government's liberal policies towards the private sector, there has been substantial increase in the number of industries sanctioned in this sector. During the year 1980-81 a total number of 1791 industrial units were sanctioned by the Government with a total investment of Tk. 752.44 crores including a foreign exchange component of Tk. 320.76 crores as compared to Tk. 434.33 crores including a foreign exchange component of Tk. 165.13 crores sanctioned during 1979-80. The major industries which shared the investment (upto 30th June, 1981) were : Food and Allied Products (Tk. 190.20 crores), Engineering Industries (Tk. 126.99 crores), Textile Industries (Tk.60.03 crores), Chemicals, Pharmaceuticals and Allied Industries (Tk. 58.61 crores), Specialised Jute Products, Jute Yarn and Carpet (Tk. 53.28 crores), Glass, Ceramics and other Non-metallic Mineral Products (Tk. 36.10 crores), Paper Board, Printing and Publishing (Tk. 40.20 crores), Acquisition of Ships and Coasters (Tk. 32.85 crores) and the Service Industries (Tk. 33.74 crores).

Food Situation

25. The food situation in the country remained generally satisfactory during 1980-81 due mainly to good harvest, large carried over stock of foodgrains and record level domestic procurement.

26. The country average minimum retail price of coarse rice declined from Tk. 177.52 per maund at the end of June, 1980 to Tk. 166.20 per maund at the end of July, 1980 reflecting larger output of Aus crop. Thereafter, amidst fluctuations, the price came down to stand at Tk. 152.15 per maund and Tk. 159.51 per maund at the end of September and November, 1980 respectively. With the launching of Internal Procurement Programme of newly harvested Aman rice/paddy by the Government and enhancement of procurement prices of rice and paddy by 2.94 per cent and 4.55 per cent to Tk. 175.00 per maund and Tk. 115.00 per maund respectively with effect from 15th November, 1980, the country average retail price gradually went up and stood at Tk. 179.09 per maund at the end of March, 1981. Thereafter, the price rose further to Tk. 190.32 per maund at the end of April, 1981 due mainly to delay in the harvesting of Boro/Irri crop, start of early monsoons and restricted release of foodgrains by private grain dealers. In order to check this rising price trend in the open market, the Government endeavoured to improve the supply position by releasing larger quantities of foodgrains through public distribution system. As a result of the above measure and the arrival of new Boro/Irri crop in the market, the price came down and the country average price of coarse rice stood at Tk. 176.92 per maund at the end of June, 1981. Thus the country average minimum retail price of coarse rice showed a nominal net decline of Tk. 0.60 per maund or about 0.34 per cent over the year. The country average price of medium quality rice, however, increased, amidst fluctuations, from Tk. 208.25 per maund at the end of June, 1980 to Tk. 210.99 per maund at the end of June, 1981 showing a rice of Tk. 2.74 per maund or 1.31 per cent over the year.

27. Import of foodgrains into the country during 1980-81 declined sharply to 10.60 lakh tons (rice : 0.83 lakh ton and wheat : 9.77 lakh tons)

or 61.84 per cent from 27.78 lakh tons (rice : 7.24 lakh tons and wheat : 20.54 lakh tons) imported during the preceding year.

28. The internal procurement of rice/paddy during 1980-81 on the other hand, stood substantially higher at 8.41 lakh tons in terms of rice as compared to 2.24 lakh tons only procured during 1979-80. The internal procurement of wheat also stood higher at 1.76 lakh tons during 1980-81 as against 1.24 lakh tons during 1979-80.

Price Situation

29. The general price situation in the country maintained an uptrend during FY 1980-81. Prices of a large number of essential consumer goods recorded increases during the year. This was reflected in the average cost of living index of the country which rose by 12.85% during 1980-81 as compared to the rise of 9.35% during 1979-80. The cost of living index for the Dacca Middle Class people (1973-74=100) increased by 17.06% during 1980-81 as against the rise of 11.94% during 1979-80. The continued rise in the cost of living index could be attributed largely to the short supply of almost all essential commodities, except rice, besides market imperfections. The imbalance between large liquidity expansion (discussed in a subsequent Chapter) and GDP growth was also significantly responsible for the price hike in 1980-81. The continued increase in the prices of imported goods and mark-up of many domestically produced items also contributed to the price pressure during the year.

30. The commodities which recorded significant price increases over the year included onion (+ 167%), chillies-dry (+ 129%), blades (+ 125%), dal-moong and salt (+ 67% each), kerosene oil (+60%), dal-masur (+ 44%), fish-ruhi (+ 41%), firewood (+ 32%), dal-gram (+ 25%), turmeric (+ 25%), streptomycine (+ 25%), fish-hilsha (+ 19%), shirting (+ 17%), long-cloth (+ 13%) and dry-cell batteries (+ 16%). On the other hand, items recording price declines were : rice-coarse (—5%), potatoes (—17%), beef (—5%), vegetable oil (—4%), and gur (—8%), over the year.

Cost of Living

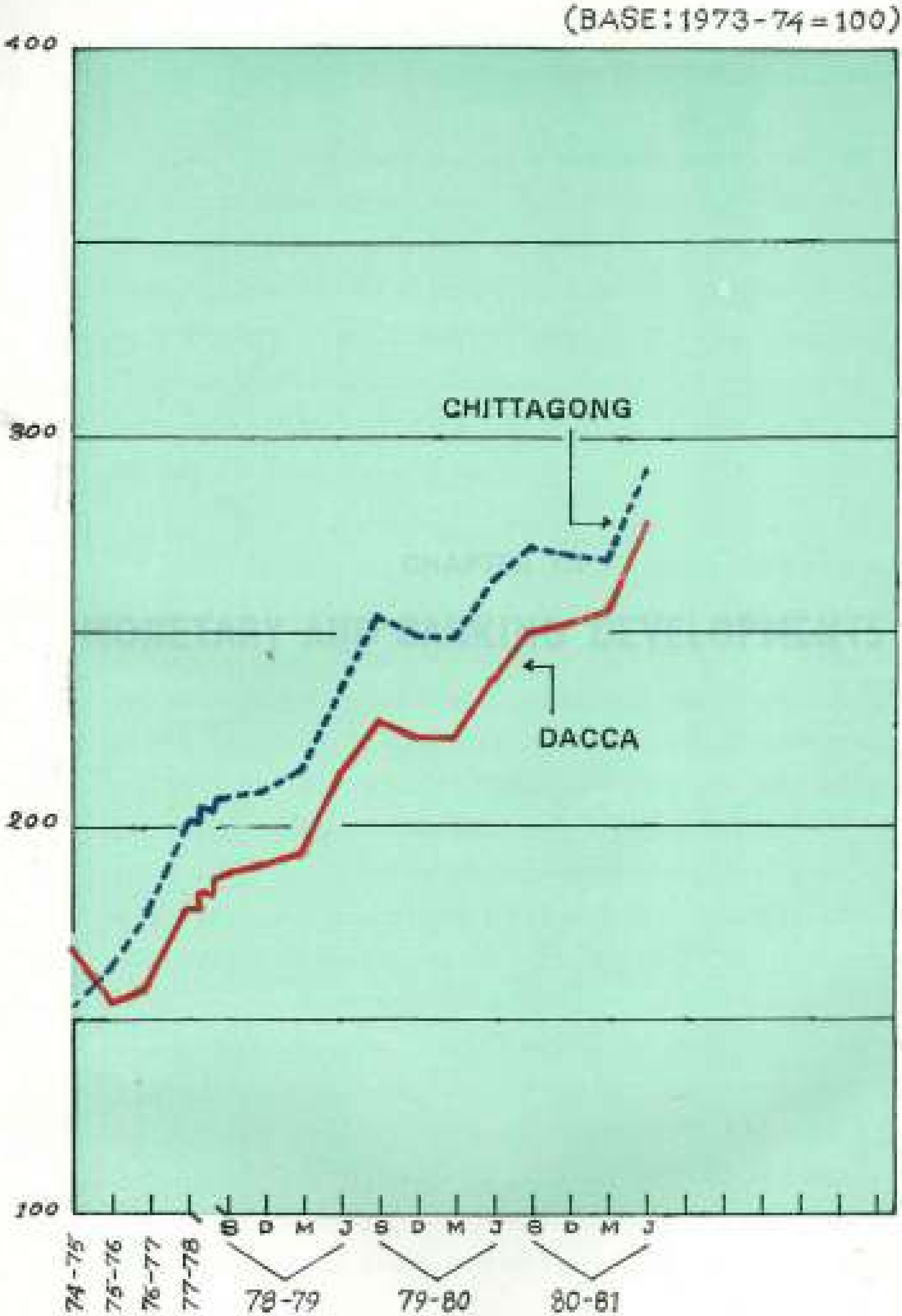
31. The 'general' cost of living index for Middle Class People in Dacca city (1973-74=100) which stood at 237.46 in June, 1980 rose to 277.96 in June, 1981 indicating an increase of 17.06 per cent over the year as against 11.94% in 1979-80. The rise was shared by all the sub-indices, viz., 'food' (+ 14.53% to 266.56), 'fuel and lighting' (+ 54.66% to 356.53), 'housing and household requisites' (+12.90% to 365.65), 'clothing and footwear' (+ 15.60% to 186.45) and 'miscellaneous items' (+ 12.93% to 248.42).

32. The 'general' cost of living index for Chittagong city (1973-74 =100) increased by 10.79% to 292.99 in June, 1981 over June, 1980 as compared to the increase of 12.70% in 1979-80. The rise was reflected by increases in all the sub-indices, viz., 'food'(+10.06% to 284.91), 'fuel & lighting' (+ 36.63% to 228.96), 'housing & household requisites' (+ 7.48% to 464.63), 'clothing & footwear' (+ 13.13% to 160.40) and 'miscellaneous items' (+ 10.43% to 240.30).

33. The 'general' cost of living index for Khulna (1973-74 =100) went up by 14.18% to 269.06 in June, 1981 over June, 1980 as against the increase of 5.42% in 1979-80. This reflected rises in all the sub-indices viz., 'food' (+ 12.56% to 260.12), 'fuel & lighting' (+ 31.72% to 270.12), 'housing & household requisites' (+ 10.70% to 467.24), 'clothing & footwear' (+ 20.12% to 164.25) and 'miscellaneous items' (+ 14.04% to 226.15).

34. The 'general' cost of living index for Rajshahi (1973-74 =100) rose by 9.73% to 270.65 in June, 1981 over June, 1980 as against the increase of 7.36% in 1979-80. This rise was shared by all the sub-indices, viz., 'food'(+ 10.49% to 249.23), 'fuel & lighting' (+ 16.59% to 373.60), 'housing & household requisites' (+ 0.90% to 395.57), 'clothing & footwear' (+ 9.45% to 182.34) and 'miscellaneous items' (+12.96% to 257.34).

INDICES OF MIDDLE CLASS COST OF LIVING AT DACCA AND CHITTAGONG



CHAPTER III

MONETARY AND BANKING DEVELOPMENTS

MONETARY AND BANKING DEVELOPMENTS

Money Supply

35. The monetary and credit situation during 1980-81 was characterised by an expansionary trend. Money supply (M_1= Narrow Money) recorded a net increase of Tk. 451.63 crores or 26.59 per cent to Tk. 2150.22 crores during 1980-81 as compared with the increase of Tk. 209.34 crores or 14.06 per cent to Tk. 1698.59 crores in the preceding year. The increase in money supply was particularly pronounced during the quarters ended December, 1980 and June, 1981 when it rose by Tk. 196.16 crores and Tk. 143.67 crores respectively.

36. An analysis of the causative factors of the change in money supply during 1980-81 reveals that the increase in money supply was brought about by a large deficit of Tk. 533.09 crores in the fiscal operation of the Government and substantial expansion of bank credit in both public and private sectors by Tk. 491.98 crores and Tk. 453.68 crores respectively. The deficit in the Government's fiscal operation occurred due mainly to meet increased requirement of funds for internal procurement of foodgrains, while credit to the public sector expanded mostly due to increased dependence of the Petroleum Corporation and the Textile Mills Corporation on bank finance for their operations at rising costs. The large increase in credit to the private sector reflected higher level of economic activity and progressively larger finance made available to the private sector, including agricultural finance under various schemes and arrangements. The above expansionary influences were neutralized to a considerable extent by the accruals of Tk. 490.24 crores in time deposits and deficit of Tk. 451.14 crores in the country's international account. Miscellaneous factors were also contractionary to the tune of Tk. 85.74 crores.

37. Different causative factors of the change in money supply during 1980-81 are shown below :

CAUSATIVE FACTORS* OF THE CHANGE IN MONEY SUPPLY

(Taka in crores)

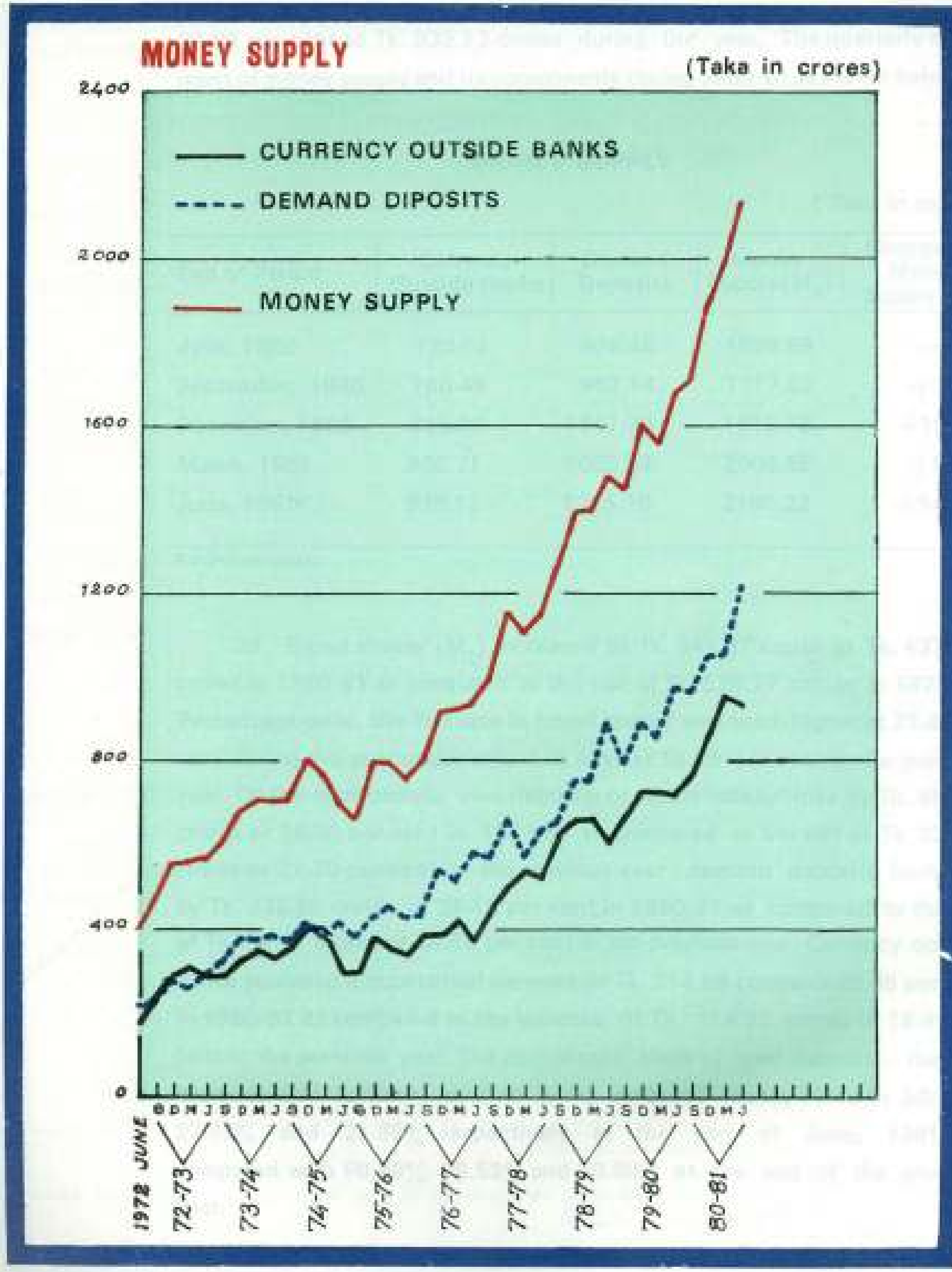
Particulars	As on 30.6.81	As on 30.6.80	Changes
1. Currency outside banks	935.12	720.14	+214.98
2. Demand Deposits	1215.10	978.45	+236.65
Change in Money Supply			+451.63

CAUSATIVE FACTORS

Expansion (+)	
Contraction (−)	
A. Government Fiscal Operation	+533.09
B. **Public Sector :**	+491.98
i) Credit to public sector	+371.11
ii) Investment in public sector	+120.87
C. Private Sector (including investments)	+453.68
D. Time Deposits (increase—)	−490.24
E. Foreign Sector	−451.14
F. Residual itams (Miscellaneous)	−85.74
Total :	+451.63

* Provisional.

38. Of the components of money supply (M_1) demand deposits recorded an increase of Tk. 236.65 crores or 24.19 per cent to Tk. 1215.10 crores, while currency outside banks went up by Tk. 214.98 crores or


MONEY SUPPLY
(Taka in crores)
2400
2000
1600
1200
800
400
0
CURRENCY OUTSIDE BANKS
DEMAND DIPOSITS
MONEY SUPPLY
1972 JUNE
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80
80-81

29.85 per cent to Tk. 935.12 crores during the year. The quarterly movement of money supply and its components during 1980-81 is shown below :

MONEY SUPPLY

(Taka in crores)

End of Period	Currency Outside Banks	Demand Deposits	Money Supply(M_1)	Changes in Money Supply (M_1)
June, 1980	720.14	978.45	1698.59	—
September, 1980	760.48	957.14	1717.62	+19.03
December, 1980	866.08	1047.70	1913.78	+196.16
March, 1981	950.71	1055.84	2006.55	+92.77
June, 1981P	935.12	1215.10	2150.22	+143.67

P = Provisional.

39. Broad money (M_2) increased by Tk. 941.87 crores to Tk. 4372.53 crores in 1980-81 as compared to the rise of Tk. 529.77 crores in 1979-80. Percentage-wise, the increase in broad money was much higher at 27.45 per cent during the year under report as against 18.26 per cent in the previous year. Of the components, time deposits or 'quasi-money' rose by Tk. 490.24 crores or 28.30 per cent in 1980-81 as compared to the rise of Tk. 320.43 crores or 22.70 per cent in the previous year ; demand deposits increased by Tk. 236.65 crores or 24.19 per cent in 1980-81 as compared to the rise of Tk. 94.41 crores or 10.68 per cent in the previous year. Currency outside banks recorded a substantial increase of Tk. 214.98 crores or 29.85 per cent in 1980-81 as compared to the increase of Tk. 114.93 crores or 18.99 per cent in the previous year. The percentage share of time deposits, demand deposits and currency outside banks in broad money stood at 50.82%, 27.79% and 21.39% respectively at the end of June, 1981 as compared with 50.49%, 28.52% and 20.99% at the end of the previous year.

40. The following table shows the comparative movement of broad money (M_2) during 1979-80 and 1980-81 :

CHANGE IN BROAD MONEY

(Taka in crores)

Items/Period	June, 1979	June, 1980	June, 1981	% Changes 1979-80	% Changes 1980-81
1. Currency Outside Banks	605.21	720.14	935.12	+18.99	+29.75
2. Demand Deposits	884.04	978.45	1215.10	+10.68	+24.19
3. Time Deposits	1411.64	1732.07	2222.31	+22.70	+28.30
Total :	**2900.89**	**3430.66**	**4372.53**	**+18.26**	**+27.45**

41. The rate of expansion in broad money was much larger than a growth of 6.85 per cent in G. D. P. However, the income velocity of money declined from 5.03 in 1979-80 to 4.48 in 1980-81. The trend in income velocity of money since 1974-75 is given below :

INCOME VELOCITY OF MONEY

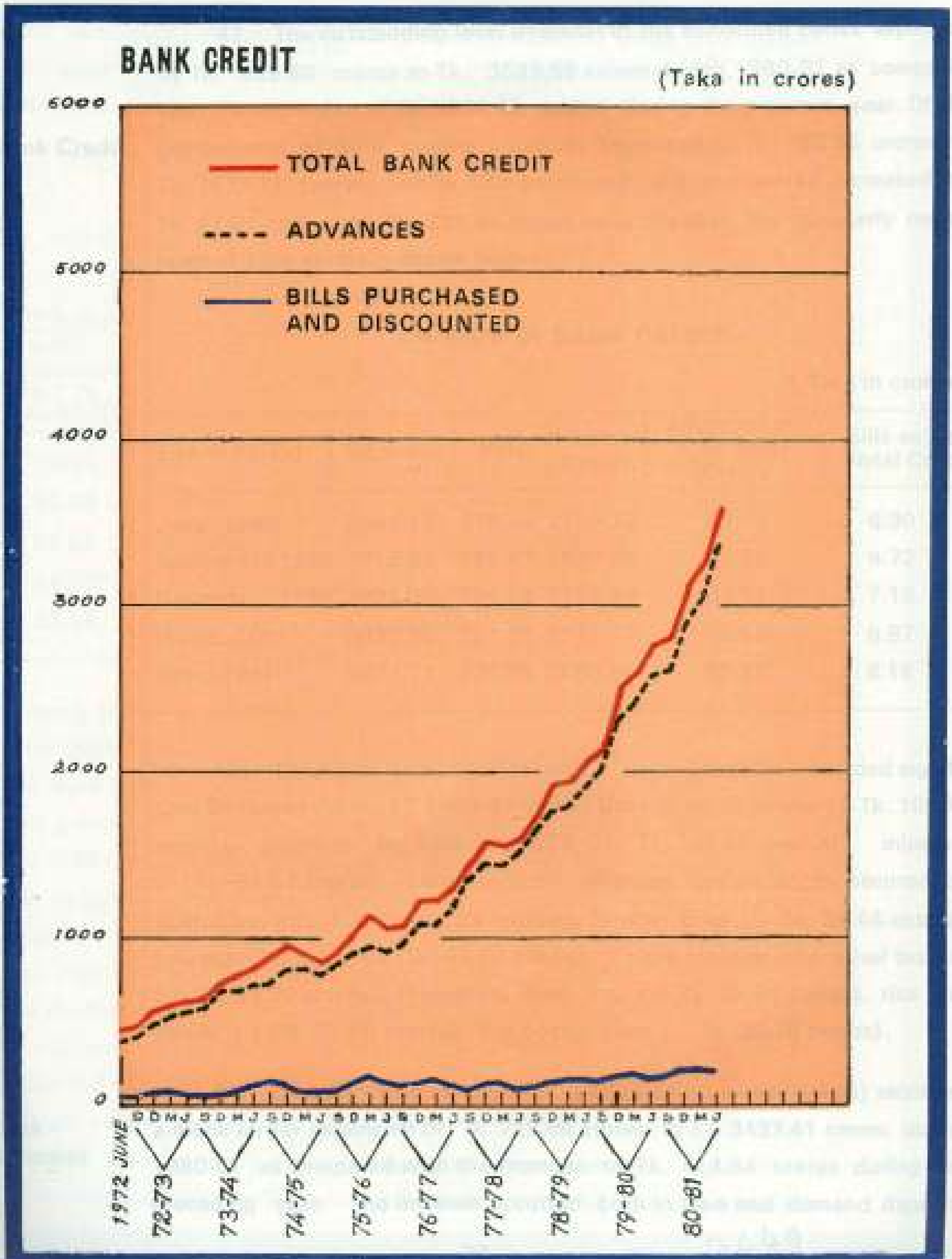
(Taka in crores)

Year	G.D.P. at current price*	Broad @ Money (M_2)	Income Velocity of Money (Col. 2÷Col. 3)
1974-75	12,574.10	1,287.70	9.77
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	2,900.89	4.99
1979-80	17,245.00	3,430.66	5.03
1980-81p	19,596.20	4,372.53	4.48

* Bangladesh Bureau of Statistics.

p = Provisional.

@ Figures upto 1977-78 relate to last Friday of June while those from 1978-79 onwards relate to last day of June.



BANK CREDIT
(Taka in crores)
TOTAL BANK CREDIT
ADVANCES
BILLS PURCHASED AND DISCOUNTED
6000
5000
4000
3000
2000
1000
0
1972 JUNE
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80
80-81

Bank Credit

42. The outstanding level of credit of the scheduled banks expanded by Tk. 829.86 crores to Tk. 3599.56 crores during 1980-81 as compared with the expansion of Tk. 690.62 crores during the previous year. Of the components of bank credit, advances increased by Tk. 782.55 crores to Tk. 3377.71 crores, while bills purchased and discounted increased by Tk. 47.31 crores to Tk. 221.85 crores over the year. 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, 1980	2595.16	174.54	2769.70	93.70	6.30
September, 1980	2619.59	188.67	2808.26	93.28	6.72
December, 1980	2898.35	224.58	3122.93	92.81	7.19
March, 1981	3039.38	227.89	3267.27	93.03	6.97
June, 1981	3377.71	221.85	3599.56	93.84	6.16

43. The major items against which bank advances recorded significant increases during FY 1980-81 were : Unsecured advances (+Tk. 159.47 crores), advances by BKB and BSB (+ Tk. 144.67 crores), minerals (+ Tk. 84.37 crores), other secured advances and advances secured by guarantee, etc. (+ Tk. 62.23 crores), foreign bills (+ Tk. 54.64 crores), jute manufactures (+ Tk. 43.50 crores), cotton textiles and other textiles (+ Tk. 39.30 crores), chemicals, dyes etc. (+ Tk. 38.94 crores), rice and paddy (+ Tk. 35.68 crores) and cotton yarn (+ Tk. 30.75 crores).

Bank Deposits

44. Scheduled banks' deposits (excluding inter-bank items) recorded a much larger expansion of Tk. 726.89 crores to Tk. 3437.41 crores during 1980-81 as compared with the increase of Tk. 414.84 crores during the preceding year. The increase occurred both in time and demand deposits

which went up by Tk. 490.24 crores or 28.30 per cent to Tk. 2222.31 crores and Tk. 236.65 crores or 24.19 per cent to Tk. 1215.10 crores respectively. The following table shows the quarterly movement of bank deposits during 1980-81 :

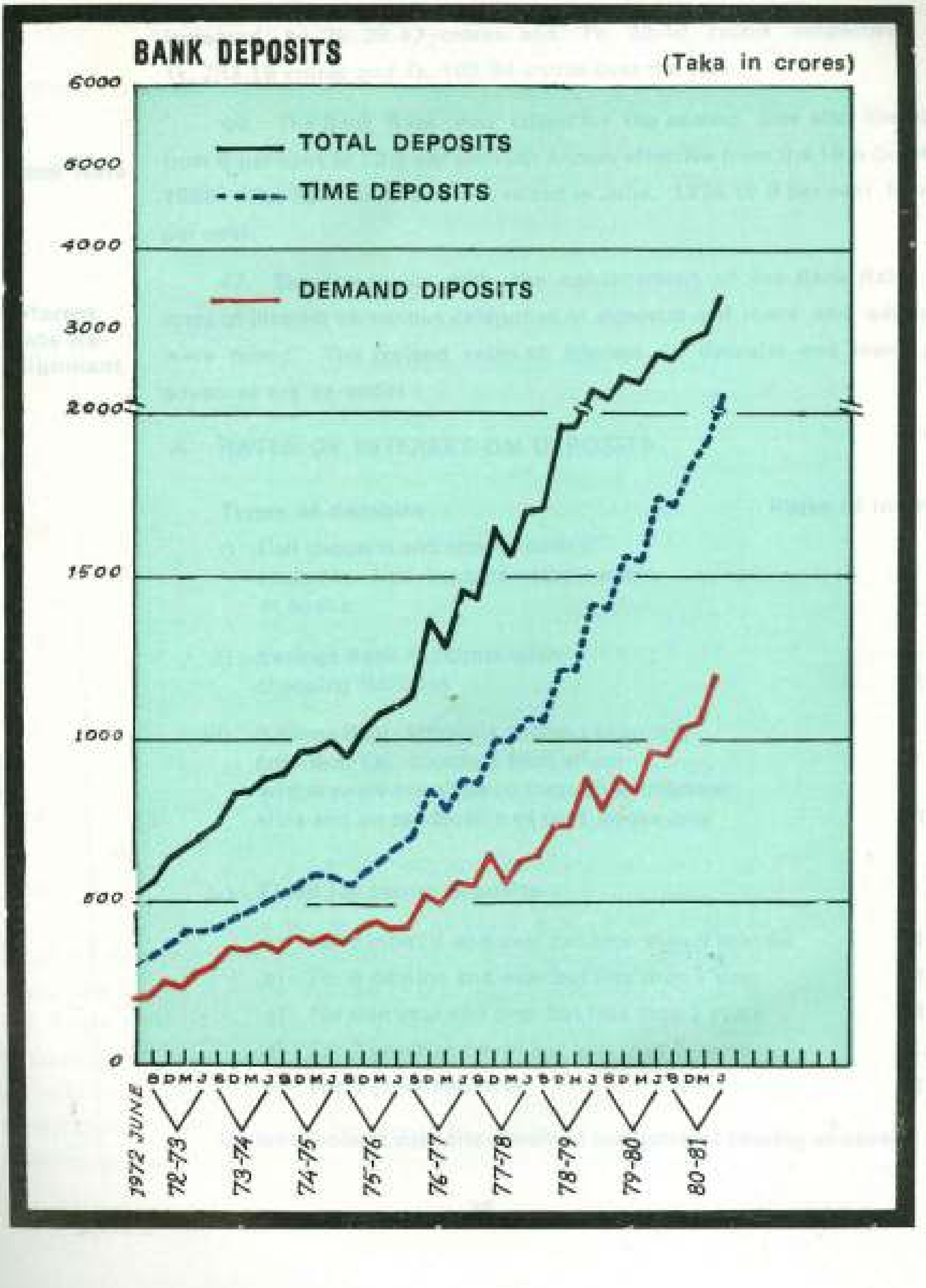
CHANGES IN BANK DEPOSITS

(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, 1980	978.45	1732.07	2710.52	36.10	63.90
September, 1980	957.14	1706.30	2663.44	35.94	64.06
December, 1980	1047.70	1835.35	2883.05	36.34	63.66
March, 1981	1055.84	1913.32	2969.16	35.56	64.44
June, 1981	1215.10	2222.31	3437.41	35.35	64.65

Liquidity Position

45. The liquidity position of the scheduled banks remained generally satisfactory during 1980-81. The credit/deposit ratio of the banks which had stood at 0.90 on 30th June, 1980 increased to the year's peak level of 1.01 in October, 1980. Thereafter, the ratio showed a declining trend and, amidst fluctuations, came down to 0.92 on 30th June, 1981, indicating a net rise of 0.02 percentage points as compared to the rise of 0.11 percentage points during the previous year. Scheduled banks' borrowings from the Bangladesh Bank increased from Tk. 697.28 crores on 30th June, 1980 to Tk. 702.45 crores in July, 1980. After declining gradually upto September, 1980, the borrowings started increasing and reached the peak of Tk. 939.92 crores by February, 1981. Thereafter, the borrowings were brought down to a small extent to Tk. 902.48 crores as on the 30th June, 1981, representing an increase of Tk. 205.20 crores over the year. Scheduled banks' balances with the Bangladesh Bank and their cash in tills


BANK DEPOSITS
(Taka in crores)
TOTAL DEPOSITS
TIME DEPOSITS
DEMAND DIPOSITS
6000
5000
4000
3000
2000
1500
1000
500
0
1972 JUNE
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80
80-81

increased by Tk. 28.47 crores and Tk. 29.40 crores respectively to Tk. 283.16 crores and Tk. 105.84 crores over the year.

Bank Rate

46. The Bank Rate was raised for the second time after liberation from 8 per cent to 10.5 per cent per annum effective from the 16th October, 1980. The Bank Rate was first raised in June, 1974 to 8 per cent from 5 per cent.

Interest Rate Re-alignment

47. Simultaneously with the enhancement of the Bank Rate, the rates of interest on various categories of deposits and loans and advances were raised. The revised rates of interest on deposits and loans and advances are as under :

A. RATES OF INTEREST ON DEPOSITS

Types of deposits	Rates of interest
i) Call deposits and special notice accounts, i.e., deposits withdrawable at notice	4.5%
ii) Savings Bank Accounts with chequing facilities	8.5%
iii) Savings Bank Accounts without chequing facilities, i.e., accounts from which withdrawals are allowed through withdrawal slips and on production of pass books only	10%
iv) **Fixed (or term) deposits :**	
a) For 3 months and over but less than 6 months	12%
b) For 6 months and over but less than 1 year	13%
c) For one year and over but less than 2 years	14%
d) For 2 years and over but less than 3 years	14.5%
e) For 3 years and over	15%

Current account deposits remained non-interest bearing as usual.

B. RATES OF INTEREST ON LOANS AND ADVANCES

Types of loans and advances	Rates of Interest
i) Agriculture (production), including Forestry and Fishery	12%
ii) Export Credit (pre-shipment, packing and post-shipment)	12%
iii) Loans extended in pursuance of Socio-economic Objectives as indicated below :	
a) Small Loan Scheme, special credit programme for Small and Cottage Industries, scheme for channelising credit to weavers through Weavers' Co-operatives, Salt Growers, Grameen Bank Project and Self Employment programme	13%
b) Loans given to specified industries in Less Developed Areas	13%
c) Loans given in Chittagong Hill Tracts	13%
iv) **Industry**: (all manufacturing industries including assembling, all industries connected with processing, milling and crushing, transport industries, both water and road transport)	14%
v) Loans and advances other than those specified above	15.5%

48. The upward revision of the interest rate structure was made to bring about acceleration in the rate of savings which is one of the prime objectives of the Second Five Year Plan. The additional savings which are likely to be generated would not only ease the presssure on development finance but also have a salutary impact on prices. The upward revision of the interest rate structure was also expected to bring about a discipline in the use of bank resources. By inducing a switchover from speculative build-up

in commodities to deposits the returns on which have now become positive, this was also likely to weaken the inflation psychology.

49. Although it is yet too early to make any conclusive judgement on the impact of higher interest rates, it would be worthwhile to discuss the trend that has been discernible in deposits and the currency ratio following the change in the interest rate structure. Since the revision of the rates on October 16, 1980 till June 30, 1981 total deposits increased by Tk. 778.79 crores or 29.29 per cent as compared to the expansion of Tk. 463.46 crores or 20.63 per cent in the comparable period of 1979-80. Simultaneously, the expansion in overall liquidity was also faster and worked out to 24.43 per cent (Tk. 858.43 crores) during the period as compared with 16.62 per cent (Tk. 488.83 crores) in the same period of 1979-80. Although the accelerated expansion in total deposits during October 16, 1980—June 30, 1981 mainly reflected faster expansion in liquidity, there is indication that the new interest rate policy has started bringing about a shift from demand deposits to time deposits, that is, from relatively more liquid monetary assets to relatively less liquid assets. This can be discerned from the fact that the ratio of time deposits to total deposits which stood at 63.93 on the 17th October, 1980 increased to 64.65 on the 30th June, 1981 as against the decline from 64.22 to 63.90 during the comparable period of 1979-80. The ratio of time deposits to total deposits also increased from 63.90 on the 30th June, 1980 to 64.65 on the 30th June, 1981.

50. The movement in the ratio of currency held with the public to total liquidity does not, however, give a clear picture as regards the impact of new interest rate policy. Although this ratio which had stood at 24.34 on October 17, 1980 came down to 21.39 on June 30, 1981 the decline was not more pronounced than in the comparable period of 1979-80 when the ratio had come down from 23.62 to 20.99. In the absence of substantial expansion in foodgrains procurement operations involving substantial payments in currency in rural areas during 1980-81 the decline in the

currency ratio during October 16, 1980 to June 30, 1981 would possibly have been larger.

Cash Reserve Requirement

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

Liquidity Ratio

52. The prescribed liquidity ratio of the scheduled banks remained unchanged during the year 1980-81 at 25% of their total damand and time liabilities.

Credit Policy and Measures

53. The credit policy pursued by the Bangladesh Bank during the FY 1980-81 continued to be aimed at ensuring deployment of scarce bank resources in the best possible manner for increasing production, employment and real income, apart from curbing inflation. With the above broad objectives in view, credit programme was prepared having regard to the socio-economic priorities, distributive justice, regional balance and need for containing money supply within the safe limit. Important credit control and support measures adopted during the year under review were as follows :

i) As in the previous financial year the target of small loans was fixed for each of the nationalised commercial banks at 2% of their total Demand and Time Liabilities to be disbursed during the year. The share of various categories of borrowers under the small loan scheme continued to remain as under :

Categories of Borrowers	Share in the Total Small Loan
a) Small Scale/Cottage Industries	50%
b) Retail Trade	25%
c) Other Self-employed persons	20%
d) Rural Electrification	5%
Total :	100%

ii) In order to extend bank credit to meet working capital requirements of private sector manufacturing industries credit norms earlier fixed for providing 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 four weeks' production were continued during the year. The extend of bank finance was, however, not to be enhanced in the case of manufacturing industries which were operating and could conveniently operate with a lower level of inventory. In respect of private manufacturing industries maintaining a higher level of inventory bank finance was required to be gradually reduced in order 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 was allowed to be adhered to.

iii) With a view to checking tendency in many of the private sector firms to depend upon bank finance for working capital despite their having adequate opportunities to deploy their own funds for the purpose, banks were directed as in the previous year 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 thorough examination of their respective balance sheets.

iv) As in the previous financial year, no credit target was fixed for the nationalised commercial banks for housing and transport sectors. But these sectors continued to be treated as priority sectors and banks were required to extend adequate credit facilities to these sectors. However, a target of 2% of the total demand and time liabilities of the foreign banks operating in Bangladesh as on last Friday of January, 1981 was fixed for them on calendar year basis for disbursement of credit to the transport sector.

v) In order toensure agrea ter flow of bank finance for boosting up non-traditional exports, an export credit target for the year was fixed for each of the nationalised banks at 1% of their total demand and time liabilities as on end-June, 1980 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).

vi) In view of the need to plough back the resources tapped from rural areas for the overall development of rural economy, the nationalised commercial banks were instructed to continue their efforts to increase the flow of bank credit to the rural/under developed areas and maintain a reasonable ratio of advances to deposits in those areas.

vii) The 10%/15% cut imposed on the credit limits of the industrial/commercial borrowers with effect from 18th December, 1979 was withdrawn on 7th August, 1980. Banks were, however, advised to fix/renew the credit limits of such borrowers at the absolute minimum level necessary.

viii) Effective from 10th October, 1980 banks were allowed to extend credit facilities for repair of cargo vessels which were lying idle.

ix) Effective from 10th November, 1980 margin restriction on advances against FDR and other financial obligations such as Sanchaya Patra and Insurance Policy was withdrawn.

x) Effective from 10th November, 1980 the loan limit against gold/gold ornaments was enhanced from Tk. 1,000.00 to Tk. 2,000.00 per tola of pure gold.

xi) Effective from 15th November, 1980 banks were allowed to make advances to Government-licensed private traders against the security of rice and paddy. Such advances were required to be adjusted by 15th September, 1981 at the latest.

xii) Time limit for allowing credit facilities to oil mills for purchase of locally-produced oil seeds against the security of the same as also against finished products was extended from 15th November, 1980 to 15th November, 1981.

xiii) To finance imports under Wage Earners' Scheme, credit facilities continued to be allowed upto full face value of AIP/Foreign Currency balances at official rate of exchange. However, in the cases of import of motor cars (including reconditioned), air-conditioners, toilet requisites, new readymade garments, cotton textiles and synthetic textiles advances were allowed only upto an amount not exceeding 50% of the face value of AIP/ F. C. balances at official rate of exchange.

xiv) Effective from 1st December, 1980 credit facility for imports against Export Performance Licence (XPL) was liberalised to make it conform to similar imports under Wage Earners' Scheme.

xv) Effective from 17th November, 1980 the maximum ceiling of loan under Special Credit Programme for Small and Cottage Industries was enhanced from Tk. 1.00 lakh to Tk. 2.00 lakhs per borrower. The total allocation under the programme stood at Tk.11.45 crores as against the original allocation of Tk.6.00 crores.

xvi) Banks were advised to extend necessary credit facilities to the pesticides and fertilizer dealers, including those operating in primary distribution points (PDP) of BADC under normal banking business.

xvii) Banks were advised that the margin requirement for credit facility for import of old ships for scrapping purposes under the Wage Earners' Scheme should not exceed 50% of the purchase price of the vessel at IP rate. They were also instructed to renew the cash credit limits previously sanctioned to the entrepreneurs when approached for the purpose of scrapping of imported old ships keeping in view the international prices of such old ships.

xviii) To ensure adequate storage facilities for foodgrains banks were advised to provide loan facilities for construction of food godowns in the private sector, particularly in the surplus areas of production upto Union level. Borrowers having their land as also small farmers who have no land for commercial purpose were made eligible to have such credit at usual rate of interest repayable within ten years. The debt-equity ratio in both the cases was fixed at 80:20 excluding cost of land of the borrowers having their own land and including cost of land of small farmers having no land of their own for godown construction.

xix) Banks were allowed to extend loans to salt growers for production of salt during the year under report @ Tk. 1,000.00 per acre of land against hypothecation of salt upto 28th February, 1981 recoverable by 30th June, 1981.

xx) The procedure for providing working capital finance to the newly established projects sponsored by B. S. B., B. S. R. S. and I. C. B. was streamlined. Under this procedure, B. S. B. and B. S. R. S. were required to furnish the nationalised banks with a list of such projects giving necessary particulars for the purpose of extending working capital finance.

xxi) Banks were advised to follow the guidelines already issued for providing equity support to new industrial ventures during the year under review. Instructions were also issued to them to extend local currency accommodation for balancing and modernising of small industries.

xxii) Foreign banks operating in Bangladesh were advised to grant loans for small scale industries for which credit target was fixed at 2% of their deposits as on last Friday of January, 1981 on calendar year basis.

xxiii) For extension of credit facility to the unemployed youths of the country who were being imparted training in various fields/ trades by the Ministry for Youth Development under its annual programme a "Credit Scheme" was introduced. The maximum loan limit was fixed at Tk. 5,000.00 per borrower which could be increased upto Tk. 10,000.00 only in cases of repair of workshop. For the purpose of credit facility Sub-Divisions were allocated among the six nationalised commercial banks and Bangladesh Krishi Bank. The above credit facility was made available for acquisition of capital assets, like hand tools, implements, machineries etc. and other capital investment, e.g., re-excavation of derelict tank, purchase of cattle heads, poultry, fish fries etc. and procurement of inputs and services. Rate of interest on such loans was fixed at 13% per annum and repayment period was fixed at 3 years. The security for the loans would be the hypothecation of stocks of raw materials and tools /equipments only.

xxiv) In order to facilitate extension of credit for rural electrification, area allocation to nationalised banks and B. K. B. was revised from Thana basis to Union basis as under Special Agricultural Credit Programme.

CHAPTER IV

DEVELOPMENT OF BANKING FACILITIES AND FINANCE

DEVELOPMENT OF BANKING FACILITIES AND FINANCE

Branch Expansion

54. As many as 558 bank branches were opened in Bangladesh by the scheduled banks (nationalised commercial banks, Bangladesh Krishi Bank, Bangladesh Shilpa Bank and foreign banks) during the period from 1st July, 1980 to 30th June, 1981 as against 560 branches during 1979-80. The total number of scheduled bank branches in Bangladesh stood at 4378 as on 30th June, 1981 as against 3820 as on 30th June, 1980. A larger number of bank branches were opened in the rural areas during the year. The percentage of rural branches thus stood at 65.12 on 30th June, 1981 as against 64.29 on 30th June, 1980. The number of nationalised bank branches operating in foreign countries remained unchanged at 14. During the period under report one foreign bank branch was opened at Dacca by Banque De L' Indo-Chine Et De Suez which raised the number of foreign banks operating in Bangladesh to 7.

Inspection of Banks

55. Comprehensive Inspection of the following banks was completed during the year and the reports were sent to the bank concerned for taking necessary action.

1. Bangladesh Shilpa Bank
2. Rupali Bank
3. Janata Bank
4. American Express International Banking Corporation

56. Comprehensive Inspection of Grindlays Bank Ltd. was completed and the compilation of the report was in final stage.

57. Comprehensive Inspection of Pubali Bank and Uttara Bank was in progress.

58. Regular inspection of foreign exchange business of Bangladesh Shilpa Bank, Habib Bank Ltd., B.C.C.I. (Overseas) Ltd., Chartered Bank and State Bank of India was completed and the reports were also sent to the banks concerned. In addition, special inspections of some aspects of foreign exchange business of 10 selected branches of Sonali, Agrani, Janata, Uttara, Grindlays Banks and B.C.C.I. (Overseas) Ltd. were also conducted.

59. Special Inspection of 129 branches of nationalised banks were conducted during the year under review and reports were sent to the Head Offices of concerned banks for removal of the irregularities detected by the inspecting officials. This includes branches inspected on the basis of information/complain of frauds and forgeries/malpractices etc. received by the Department during the year.

Jute Finance

60. As in the past years, adequate finance from the banking system was arranged for jute trade and jute mills during 1980-81 Jute Season. The commercial banks sanctioned a total cash credit and packing credit limit of Tk. 620.49 crores as against Tk. 548.42 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. 504.11 crores as on 2nd January, 1981 against which refinance provided by Bangladesh Bank was of the order of Tk. 170.22 crores.

Financing of Food & Sugar Industries Corporation

61. A total credit limit of Tk. 50.00 crores was arranged from Sonali Bank and Janata Bank for the Bangladesh Food and Sugar Industries Corporation for financing production of sugar during 1980-81. Refinance limit of Tk. 20.43 crores against advances to sugar mills which was sanctioned during the year under report remained outstanding as at the end of the year 1980-81 compared to Tk. 16.80 crores at the end of June, 1980.

62. For financing procurement and distribution of foodgrains by the Government a sum of Tk. 180.00 crores was made available by the nationalised banks and a counter-finance limit of the

same amount was allowed by the Bangladesh Bank during the year 1980-81. A special demand loan of Tk. 5.00 crores was also allowed to Rupali Bank to cover excess drawings by Government Food Department on this account.

Counter-Finance for Food and Fertilizers

Counter-finance limit sanctioned by the Bangladesh Bank to the nationalised banks for financing procurement and distribution of fertilizer by the B.A.D.C. stood at Tk. 80.00 crores at the end of the year under review. Outstanding counter-finance against this stood at Tk. 60.55 crores as on 26th June, 1981.

Refinance Against Textile Finance

63. Refinance limits totalling Tk. 44.08 crores were allowed to different banks against their advances to Textile Mills Corporation against which outstanding stood at Tk. 39.08 crores as on 26th June, 1981.

Refinance Against Petroleum Finance

64. Refinance limits totalling Tk. 205.00 crores were allowed to different banks against their advances to Bangladesh Petroleum Corporation and its units during the year 1980-81. Outstanding on this account stood at Tk. 177.00 crores as at the end of the year 1980-81.

Refinance Against Rural Credit

65. A total refinance limit of Tk. 32.87 crores was allowed to different banks against their rural credit including fisheries loan. Outstanding against the limit stood at Tk. 31.87 crores as at the end of the year under review.

Refinance Against Small Loans

66. At the end of the year under review refinance allowed to commercial banks against small loans stood at Tk. 9.12 crores as against Tk. 9.20 crores at the end of the preceding year.

Export Bills

67. An overdraft/rediscounting limit of Tk. 43.25 crores was allowed to banks against export bills. Outstanding on this account was Tk. 41.97 crores at the end of the year under review.

Other Refinance

68. Other refinance allowed to banks on various accounts stood at Tk. 66.85 crores as at the end of the year 1980-81.

Credit Guarantee Scheme

69. Under the Industrial Credit Guarantee Scheme introduced in September, 1978, Bangladesh Bank provides guarantee to cover 50% of bonafide loss sustained by the financing banks for their lendings to small scale industries/units sponsored under IDA credit 825-BD and against BSCIC's Cash foreign exchange allocation. The comparative position of guarantees to different banks is given below :

Name of Banks	No. of Guarantees issued		Amount of loan in crore Taka	
	1980-81	1979-80	1980-81	1979-80
1. Sonali Bank	42	17	2.44	0.33
2. Janata Bank	35	16	2.01	0.92
3. Agrani Bank	2	0	0.20	0
Total :	**79**	**33**	**4.65**	**1.25**

CHAPTER V

DEVELOPMENT OF CAPITAL MARKET AND INDUSTRIAL FINANCE

DEVELOPMENT OF CAPITAL MARKET AND INDUSTRIAL FINANCE

Stock Exchange

70. 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 reopened and reactivated from the middle of 1976. Since then efforts had been made to enlarge the scope of its activities. However, the total number of companies listed on the Dacca Stock Exchange still remained a few in number. Besides dealings in shares, Advance Import Permits (AIP) in terms of dollar and pound sterling are also regularly quoted in the Dacca Stock Exchange.

Investment Corporation of Bangladesh

71. 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 had been providing under-writing/debenture finance support to industrial projects of public limited companies. During the year ending June, 1981 the ICB itself committed Tk. 16.65 crores which included Tk. 15.83 crores worth of under-writing/bridge finance, the balance being debenture finance. This compared with Tk. 13.48 crores committed by the ICB during the preceding year. Besides, investment support in the form of under-writing/bridge and debenture finance committed by the other financial institutions was estimated to be Tk. 11.99 crores during the year under report as compared with Tk. 9.07 crores during 1979-80. Thus total amount committed by ICB and other consortium partners came to Tk. 28.64 crores as compared with Tk. 22.55 crores during 1979-80.

International Finance and Investment Company

72. 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 outside world especially the oil-rich Middle-East countries. The company has since obtained permission from Bangladesh Bank for opening L/C covering imports under the 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 the Wage Earners' remittances for channelising them to productive investment. The IFIC, however, has not yet commenced acceptance of Taka deposits emanating from Wage Earners' remittance. It has also been authorised to offer full range merchant banking services in Bangladesh. Under the limited licence granted by the Bangladesh Bank the IFIC has been conducting customer-related foreign exchange transactions since March, 1980.

73. Letters of credit covering imports under the Wage Earners' Scheme worth Tk. 25.74 crores were established by the IFIC during the period from the 1st July, 1980 to the 30th June, 1981. The company extended pre-shipment and post-shipment credit to the tune of Tk. 25.38 crores and Tk. 1.00 crore respectively during 1980-81. Pre-shipment and post-shipment advances outstanding as on 30th June, 1981 were Tk. 5.60 crores and Tk. 0.26 crore respectively. It earned a net profit of Tk. 64.50 lakhs during the year ended December, 1980 as compared with Tk. 39.70 lakhs earned during the preceding year.

74. The company is negotiating the establishment of a joint venture bank in a country in South Asia. Drafts of legal documents to be executed in this connection are presently under scrutiny. The joint venture bank is likely to be incorporated by the end of 1981.

Bangladesh Shilpa Bank

75. 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 finance and also advisory services to facilitate the setting-up of new projects and for balancing, modernisation, replacement and expansion of existing industrial establishments.

76. During 1980-81 the bank received 588 loan applications as against 349 during 1979-80. During the year under report, the bank sanctioned loans amounting to Tk. 158.93 crores which included Tk. 99.16 crores in foreign currency and Tk. 59.77 crores in local currency. During the preceding year total loans sanctioned amounted to Tk. 109.20 crores which included Tk. 72.16 crores in foreign currency and Tk. 37.04 crores in local currency. Notably, all the loans sanctioned during 1980-81 were in the private sector indicating an encouraging response of the private sector to industrial venture and opportunities.

77. Total disbursement of loans made by BSB during 1980-81 amounted to Tk. 52.35 crores of which Tk. 18.98 crores were in foreign currency and the balance of Tk. 33.37 crores in local currency. Of the total disbursements, projects in the private sector claimed as much as Tk. 52.23 crores or 99.77 per cent while the small balance went to public sector projects. Total disbursements were Tk. 35.17 crores during 1979-80 with a foreign currency component of Tk. 9.10 crores. Of the total disbursement of Tk. 35.17 crores during 1979-80, the private sector received Tk. 34.41 crores which represented 97.84 per cent of the total.

78. The total amount of outstanding BSB loans on June 30, 1981 stood at Tk. 247.60 crores as against Tk. 185.40 crores as on June 30, 1980.

Bangladesh Shilpa Rin Sangstha

79. Bangladesh Shilpa Rin Sangstha (BSRS) was also 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 project 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 for industrial investments.

80. During 1980-81 the BSRS received a total number of 431 applications for financial assistance compared to 304 applications received in the preceding year. The total loans sanctioned during 1980-81 amounted to Tk. 164.74 crores as compared to Tk. 128.00 crores sanctioned during the preceding year. Of the total loans sanctioned during 1980-81, foreign currency and local currency loans amounted to Tk. 101.61 crores or 61.68 per cent and Tk. 63.13 crores or 38.32 per cent respectively as compared to Tk. 65.79 crores or 51.40 per cent and Tk. 62.21 crores or 48.60 per cent during the preceding year. The private sector and the public sector accounted for 98.59 per cent and 1.41 per cent respectively of the loans sanctioned by BSRS during 1980-81. The private sector had accounted for 100% of the loans sanctioned during 1979-80.

81. During 1980-81 an amount of Tk. 52.86 crores was disbursed by BSRS as against Tk. 49.72 crores in the preceding year representing an increase of 6.32 per cent. Of the total disbursement, foreign currency and local currency components accounted for Tk. 19.78 crores or 37.42 per cent and Tk. 33.08 crores or 62.58 per cent as compared to Tk. 15.06 crores or 30.29 per cent and Tk. 34.66 crores or 69.71 per cent respectively during 1979-80. The share of private sector in total disbursements during 1980-81 was 99.56 per cent as compared to 98.07 per cent in the preceding year.

82. The total outstanding BSRS loans as on June 30, 1981 were Tk. 288.60 crores as compared to Tk. 203.57 crores on June 30, 1980.

CHAPTER VI

AGRICULTURAL FINANCE

AGRICULTURAL FINANCE

Institutional Finance

83. Agricultural financing in the country is done through a multi-agency system which consists of (a) the Bangladesh Krishi Bank (BKB), (b) the Bangladesh Samabaya Bank Ltd. (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, viz., (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. Under the NP all types of credit, viz., short-term, medium-term and long-term loans are extended. It covers financing of fishery, livestock, poultry etc. and plantation of crops like tea, banana, pineapples, guava, sugarcane (in Mill Zone areas), Jute (under IJCS), all financing under special projects like Rural Development (1) Project, Serajganj Integrated Rural Development Project (SIRDP) etc. and all term finance for capital investment in agriculture, particularly for acquisition of assets like Shallow Tube Well (STW), Deep Tube Well (DTW), Low Lift Pumps (LLPs), Agricultural Machinery, Equipments, Transports etc. and for processing storage and marketing of agricultural produce. SACP was introduced in early 1977 with the twin objectives of increasing participation of NCBs and BKB in short-term crop financing and increasing credit flow to agricultural sector. Financing of all **intensive** crop production programmes such as Intensive Aus Production Programme (IAPP), Intensive Transplanted Aman Production (ITAP), Intensive Rabi Crop Production (IRCP) and Intensive Wheat Cultivation Programme (IWCP) is also covered by SACP.

Interest Subsidy and Government Guarantee

84. The Bank provides concessionary finance to Bangladesh Krishi Bank and Bangladesh Samabaya Bank Ltd., for on-lending to agricultural sector against Government guarantee to the extent of 30%. The guarantee is invoked if and when the borrowing institutions default repayment on due dates. The Nationalised Commercial Banks are also allowed to borrow from the Bank at concessional rate of interest to meet their temporary liquidity problems arising from special circumstances. The Bank also allows interest subsidy to the NCBs for their agricultural lending through IRDP-TCCAs and or approved projects. For short-term credit financing by the NCBs and BKB under SACP, the Government provides guarantee to the extent of 30% of the amount remaining un-recovered on the due dates on condition that 30% of the amount recovered after the due date would be paid back to the Government.

Interest Rate Policy for Agricultural Credit

85. Despite the enhancement of the Bank Rate from 8% to $10^1/_2$% with effect from 16th October, 1980 the refinance rate was kept at 6% thereby allowing concession of $4^1/_2$% (as against the previous 2%). The Bank continued to provide refinance facilities to BKB at a nominal interest rate of $2^1/_2$% against the long-term loan given by it for financing Chittagong Hill Tracts Development Project for rehabilitation of "Jhum Chashis" at concessional interest rate of 5%. The Bank also allowed concessional refinance to BKB against its financing Tea Development under UK (ODN) and EEC credits. Effective from October 16, 1980 interest rate on agricultural (production) loans at farmer's level was fixed at 12% as against the earlier rate ranging from $10^1/_2$% to 12%. Interest rate on loans given by IRDP-TCCAs through their affiliated KSS, however, remained unchanged. The farmer-members of the KSS financed by Sonali Bank through TCCAs were, therefore, required to pay interest @ $12^1/_2$% *plus* service charge at 5%, total being $17^1/_2$% per annum.

Annual Agricultural Credit Programme 1980-81

86. The Annual Agricultural Credit Programme for 1980-81 fixed the target of disbursement by all the agencies at Tk. 348.31 crores under their Normal Programme and Tk. 200.00 crores under SACP. Thus the total disbursement target was set at Tk. 548.31 crores. The following table shows

the agency-wise and programme-wise disbursement target for the year 1979-80 and 1980-81 :

(Taka in crores)

Agency	Disbursement target					
	1979-80			1980-81		
	NP	SACP	Total	NP	SACP	Total
BSBL	29.00	—	29·00	38.00	—	38.00
BKB	103.00	199.32*	377.67	179.86	200.00	510.31
NCBs	75.35			130.45		
Total :	**207.35**	**199.32**	**406.67**	**348.31**	**200.00**	**548.31**

*Including IRDP.

87. The details of credit operations of all the agencies under the NP and SACP during 1980-81 as compared to the previous year are given below :

(Taka in crores)

	1979-80	1980-81
a) Target	406.67	548.31
b) Disbursement	268.39	352.28
c) Recovery	142.00	207.36
d) Outstanding (end-June)	406.68	601.83

Disbursement under Normal and Special Agricultural Credit Programmes

88. The total credit, disbursed by all the credit agencies under their Normal Programme during the year 1980-81 amounted to Tk. 279.60 crores as against Tk. 201.36 crores disbursed during the previous year. In addition, BKB and NCBs together disbursed a total amount of Tk. 72.68 crores under SACP. Thus agricultural credit disbursed by all the agencies under the two programmes aggregated to Tk. 352.28 crores during 1980-81 as against Tk. 268.39 crores disbursed during 1979-80. The agency-wise

break-up of the total credit disbursed during the year as compared to the previous year is shown below :

(Taka in crores)

Agency	1979-80			1980-81			% Change over the previous year
	NP	SACP	Total	NP	SACP	Total	
BSBL	27.04	—	27.04	25.70	—	25.70	(—) 4.96
BKB	118.96	22.00	140.96	185.32	24.42	209.74	48.79
NCBs*	55.36	45.03	100.39	68.58	48.26	116.84	16.39
Total :	**201.36**	**67.03**	**268.39**	**279.60**	**72.68**	**352.28**	**31.26**

*The figures of IRDP are included in the figures of NCB's.

Recovery

89. Year-wise disbursement and recovery of loans made under SACP are shown below :

(Taka in crores)

Year	Disbursement	Recovery	Recovery as percentage of disbursement
SACP-1977	60.68	56.02	92.32
SACP-1978	53.47	38.03	71.12
SACP-1979	23.89*	17.85	74.72
SACP-1979-80	63.75	18.64	29.24
SACP-1980-81	72.68	—	—

*From January to June.

90. With a view to rationalising the loaning operation under SACP, the banks were advised during the year to select borrowers independently and directly without involving any outside agency so as to establish direct banker-customer relationship as they generally do in normal banking.

91. During the year under report a major thrust was given to the sale of irrigation equipments viz., DTWs, STWs, LLPs and HTWs through bank

credit. All the NCBs and BKB were involved in providing credit to farmers for purchase of irrigation equipments. Total credit disbursed by them on this account upto April 30, 1981 aggregated to Tk. 19.21 crores as per break-up shown in the following table :

(Taka in lakhs)

Credit Agencies	Equipments Financed			
	LLP	STW	DTW	Total
NCBs	15.21	22.26	—	37.47
BKB	61.20	1816.76	6.00	1883.96
Total :	**76.41**	**1839.02**	**6.00**	**1921.43**

92. During the year a big hurdle that stood in the way of issuing term credit by the NCBs was removed by the Government by granting exemption from payment of stamp duty and registration fee on registration of mortgage deeds by loanees as also by allowing such registration to be done by the Managers/Officers of the respective branches of the NCBs like their counterparts in BKB so that the borrowers are not required to go to the Sub-Registrar's Offices.

Loans for Pond Fishery

93. As in the previous year, a programme for financing development of pond fisheries was drawn up for the year 1980-81. All the NCBs and BKB together disbursed a total amount of Tk. 8.87 crores during the year. The following table shows the agency-wise disbursement under the programme during the last two years :

(Taka in crores)

Credit Agencies	1979-80	1980-81
NCBs	0.63	2.36
BKB	3.11	6.51
Total :	**3.74**	**8.87**

Counter-Finance by Bangladesh Bank

94. The Bank continued its policy of providing concessionary credit and counter-finance facility to the specialised agricultural credit institutions namely BKB and BSBL during 1980-81 so as to enable them to extend credit to the farmers at reasonable interest rates. The amount of loans sanctioned and disbursed by the Bank to these institutions during the years 1979-80 and 1980-81 were as under :

(Taka in crores)

Credit Agencies	1979-80		1980-81	
	Sanction	Disbursement	Sanction	Disbursement
BKB	102.70	104.70*	135.09	141.88*
BSBL	27.00	25.45	23.50	25.51*
Total :	**129.70**	**130.15**	**158.59**	**167.39**

* Includes disbursement against previous sanction.

95. The outstanding borrowings of these two agencies with the Bank stood at Tk. 257.03 crores at the end of 1980-81 as compared to Tk.181.37 crores at the end of 1979-80 showing an increase of Tk. 75.66 crores over the year. The institution-wise break-up was as under :

(Taka in crores)

Credit Agencies	1979-80	1980-81	Increase
BKB	151.07	225.41	74.34
BSBL	30.30	31.62	1.32
Total :	**181.37**	**257.03**	**75.66**

96. The credit agencies continued to carry out the experimental programmes undertaken earlier with a view to identifying appropriate credit delivery system for the disadvantaged groups of farmers and other rural poor who had little access to institutional credit. A brief review of these experimental projects is given below :

97. Under an agreement signed between the Government of Bangladesh and the USA on August 31, 1977 a Rural Finance Experimental Project (RFEP) has been undertaken since November, 1978. Under this project, 8 different credit and savings models are being implemented by the six NCBs, BKB, BSBL and IRDP Co-operatives. 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 the lending agencies. The models have been designed with variable and differential interest rates ranging between 12% and 36% to identify which of the interest rates would be appropriate and reasonable for both lenders and borrowers. All the models provide for allowing higher interest rates on deposits ranging from 11% to 15% so as to see whether the lending agencies could mobilise enough savings and rural deposits to make the system self-financing.

Rural Finance Experimental Project

98. Upto end-February, 1981 a total amount of Tk. 5.29 crores was disbursed under the project to 36,075 loanees by all the participating agencies. As against this, an amount of Tk. 1.88 crores was recovered leaving a balance of Tk. 3.41 crores of which Tk. 0.24 crore was overdue. Participating agencies by offering higher rate of interest could mobilise savings to the tune of Tk. 0.19 crore and Tk. 0.21 crore from the target and non-target groups respectively in the experimental areas. Target group is defined as those who do not own more than 2 acres of land and whose gross cash income per year is Tk. 6,000 or less and who never received any credit from institutional sources.

99. The final evaluation report covering a period upto February, 1981 reveals that 82.29% of total loans went to the target group borrowers. The report also shows that borrowers took loans at higher interest rates (24%, 30% and 36%) mainly for non-agricultural purposes. The lending agencies also considered the lowest lending rate of 12% under RFEP as unprofitable following the increase in all other interest rates from October 16, 1980. Overdues of loans given at 36% was 13.4% while overdues at 12% was 6.1% only. Savings mobilised from target groups rose by 120% over the

year to Tk. 19.70 lakhs. None of the models could, however, prove successful in mobilising enough deposits to make the system self-financing.

100. Of all the agencies, BKB and IRDP could cover the operational expenses fully while the others neared them.

Grameen Bank Project (GBP)

101. 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 in mid-1979 in two thanas (Hathazari and Mirsari) in the Chittagong district and in the Tangail district. 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 major weaknesses of the traditional co-operatives.

102. As on 30th June, 1981 GBP extended its operation to 412 villages wherein 19,000 people—12,000 males and 7,000 females have been organised into groups. On various small scale economic activities a total amount of Tk. 3.91 crores was disbursed to them out of which Tk. 1.76 crores was recovered. The default rate was less than one per cent. This remarkable performance was due mainly to the high sense of responsibility and close supervision exercised by the concerned bank workers. Total group savings mobilised under the project stood at Tk. 30.00 lakhs by June 30, 1981.

103. Under an agreement signed on 24th September, 1980 between the Government of the People's Republic of Bangladesh and the International Fund for Agricultural Development (IFAD) the Grameen Bank Project will expand its operation to cover two more districts, viz., Rangpur and

Patuakhali during 1981-84. Of the total estimated credit requirement of Tk. 10.00 crores, IFAD will provide US $ 3.25 million on matching fund basis. The other half of the matching fund will be contributed by the Bangladesh Bank. In addition to the above IFAD assisted expansion programme, the GBP operation will also be expanded to cover Dacca district during 1981-84.

Special Credit Scheme for Small Farmers Under IFAD

104. In terms of another loan agreement between the Government of Bangladesh and the International Fund for Agricultural Development (IFAD) a special credit scheme for financing the small farmers was drawn up for implementation in three districts, viz., Faridpur, Jessore and Kushtia. The scheme was launched in February, 1980 and will continue upto December, 1982 on experimental basis. Depending on its success it may be expanded throughout the country in future. This is a Tk. 10.00 crore project. The scheme is being administered and monitored by the Bank. All the NCBs, BKB and BSBL are financing the target group farmers under the scheme. The following table shows district-wise disbursement of credit under this project :

(Taka in lakhs)

Districts	Amount
Jessore	78.21
Kushtia	54.58
Faridpur	90.82
Total :	233.61

105. Under an agreement singed 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

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

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 net-work of local storage facilities. The project is at present operating at one centre in Boda Union of Dinajpur district. The project is going to be replicated at Dariapara of the same Union and Chirir Banda of Satnala Union of the same district. During the financial year ending June, 1981 total loans disbursed under the project amounted to Tk. 1.20 lakhs against total stock of 1300 maunds of foodgrains. Out of this, an amount of Tk. 1.04 lakhs was recovered.

Inspection

106. The Bangladesh Bank under its inspection programme conducted inspection of 10 Thana Central Co-operative Associations, 30 Central Co-operative Banks, 6 Co-operative Land Mortgage Banks and 20 branches of the Bangladesh Krishi Bank during 1980-81.

Branch Licencing

107. The Bank issued licences to BKB to open 173 branches during the year 1980-81. Against these licences BKB opened 141 new branches. BKB also opened 2 more new branches during the year against licences issued in the previous year, raising its total number of branches to 555.

Agricultural Credit Project Division (ACPD)

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

109. The ACPD launched a Tk. 10.00 crore shrimp culture and fish production programme in January, 1980. An amount of Tk. 0.80 crore was disbursed under the programme during 1980. During 1981 an amount of Tk. 0.50 crore has been disbursed upto 30th April, 1981.

110. ACPD also undertook a hand tubewell credit programme under Small Scale Irrigation Project of BADC from December, 1980. The main

objective of this programme is to extend credit facilities to both the BADC and BKB dealers, and the small and marginal farmer to help them purchase 70,000 hand tubewells. The financing agencies have extended credit to the dealers and farmers for purchasing 2,305 HTWs during the year.

111. Further, ACPD is going to take up an Irrigation Project (Minor Irrigation) in the Rajshahi Division with financial assistance from IDA. The life-span of this project will be four years starting from July, 1981. Sonali Bank, Agrani Bank, Janata Bank and Bangladesh Krishi Bank will undertake financing under the project. The total project outlay has been estimated at US $ 62.4 million of which US $ 40 million in foreign exchange would be given by IDA. The major benefit of the project would come from grain production, employment generation and its effect on rural income. Annual incremental grain production at project maturity has been estimated at 210,000 tons. On completion of the project, 80,000 additional labour-years would be needed for farming operations.

112. ACPD has promoted credit programmes for banana cultivation and cattle breeding. Achievement in these areas has so far been modest. But efforts are being made to give bigger thrusts in the area. Further, a few other ACPD programmes, viz., 'Intensive Area Credit Project, 'Coconut-Plantation Financing Project', 'Lac Culture Financing Project' etc. are expected to go into operation soon. Some more projects on edible oil, Bio-gas etc. are under study. Based on their economic and financial feasibility they may be taken up for financing in the near future.

CHAPTER VII

FINANCING OF SMALL AND COTTAGE INDUSTRIES UNDER IDA CREDIT

FINANCING OF SMALL AND COTTAGE INDUSTRIES UNDER IDA CREDIT

113. Under IDA Credit No. 1065-BD which became effective from 15th January, 1981 an amount equivalent to SDR 22.87 million has been made available to the 4 participating credit institutions, viz., Sonali Bank, Janata Bank, Agrani Bank and Bangladesh Shilpa Bank as refinance from Bangladesh Bank against their term loans to small-scale and cottage industry enterprises. Term loans under the scheme can be given to those investment projects which involve the creation, expansion or balancing of financially viable small-scale and cottage industries, including the acquisition of land, building, equipment and financing of contingencies and permanent working capital therefor. Types of enterprises eligible for financing under the scheme are manufacturing, processing, repair work-shops agro-related enterprises, handicraft enterprises, cargo transport and light industrial enterprises engaging in value-adding activities involving some manufacturing and processing. Priority is given to cottage and rural enterprises.

114. A maximum of 60% of the proceeds of the credit will be made available for financing investment projects of small-scale and cottage industries with fixed assets above Tk. 1.00 million, and the remaining amount for investment projects with fixed assets upto Tk. 1.00 million.

115. The minimum onlending rate for all sub-loans to small-scale and cottage industry projects is 13% per annum. Spreads to participating credit institutions would be different depending upon the size of sub-loans :

—For sub-loans of upto Tk. 500,000	8%
—For sub-loans above Tk. 500,000 upto Tk. 1,500,000	7%
—For sub-loans above Tk. 1,500,000 upto Tk. 3,000,000	6%
—For all sub-loans through TCCAs	4%

116. As on the 30th June, 1981, the Industrial Credit Division of Bangladesh Bank has given approval of refinance of a total amount of Tk. 49,493,311 against 60 sub-projects of different sizes sanctioned by two participating banks, viz., Sonali Bank and Janata Bank.

CHAPTER VIII

HOUSE BUILDING FINANCE

HOUSE BUILDING FINANCE

House Building Finance Corporation

117. The Bangladesh House Building Finance Corporation (HBFC) has been engaged in the development of housing sector in the country. The main objective of the Corporation is to provide financial assistance to the individuals for the construction, repair and remodelling of residential houses and apartments in the cities, towns and thana headquarters. In order to facilitate its loaning operation, the Corporation has recently set up one more Zonal Office in Dacca, thus raising the number of such offices to five, besides the Head Office in Dacca. The Corporation also has 12 Regional Offices in the District Headquarters. The authorised capital of the Corporation is Tk. 10.00 crores subscribed by the Government. The main source of its working-capital in recent years has been the sale of debentures to the Bangladesh Bank, Nationalised Banks and Bima Corporations. The Corporation provides house-building finance under two different programmes, called the (1) Normal Programme and the (2) Special Programme.

118. **Normal Programme** : The limit of the HBFC loan under the normal programme which was earlier fixed at Tk. 1.70 lakhs has been enhanced to Tk. 2.10 lakhs with effect from March 21, 1980 for each self-contained unit of a house. The loan is to be repaid over a maximum period of 20 years. The rate of interest was 11 per cent (simple) per annum upto October 15, 1980. With the enhancement of Bank Rate and other interest rates from that date the lending rate has been increased to 13 per cent (simple) per annum. The margin of investment required to be made by an applicant is 15% of the estimated cost of construction of the proposed building. Under this programme, the Corporation sanctioned loans amounting to Tk. 17.30 crores during 1980-81 as against Tk. 17.15 crores sanctioned during 1979-80. Disbursements made by the HBFC under the same

programme amounted to Tk. 14.08 crores during 1980-81 which were 3.16 per cent lower as compared to the disbursement of Tk. 14.54 crores during the preceding year.

119. **Special Programme** : In order to ease the acute housing problem in the urban areas, the 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 amounting to Tk. 4.86 lakhs and Tk. 4.21 lakhs for four-storied buildings covering an area of 1000 and 800 square feet respectively in each floor excluding stair-case are advanced for a maximum period of 25 years with a maximum limit of Tk. 8.42 lakhs per party. The rate of interest was fixed at 5 per cent and 7 per cent (simple) respectively. But with the enhancement of Bank Rate on October 16, 1980 the rate of interest has been raised to 10.50 per cent per annum. The margins of investment required to be made by an applicant are 10% and 2.5% for a floor space of 1000 sft. and 800 sft. respectively. Under this programme, the Corporation sanctioned loans amounting to Tk. 37.47 crores during 1980-81 which was 16.33% lower than the previous year's sanctioned amount of Tk. 50.88 crores. The amount disbursed by the HBFC under the special programme stood at Tk. 51.93 crores during the year under report which was 14.22% lower as compared to Tk.60.54 crores disbursed during 1979-80. The amount of loans sanctioned and disbursed under this programme since its introduction in July, 1977 to June 30, 1981 are Tk. 206.02 crores and Tk.158.65 crores respectively.

120. The Government has approved a revised housing programme during last year for the 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 would carry a concessional interest @ 5 per cent per annum for houses covering an area of 800 sft. and @ 7 per cent per annum for houses covering an area of 1000 sft. each with

25 years repayment period. However, consequent upon the upward revision of the interest rate structure, the interest rate under this programme was enhanced to 10.5 per cent per annum with effect from October 16, 1980.

121. **Recovery of Loans** : The Corporation recovered loans amounting to Tk. 8.67 crores and Tk. 4.41 crores under its normal and special programmes respectively during 1980-81 as compared to Tk. 8.67 crores and Tk. 1.74 crores respectively recovered during the preceding year.

122. **Loans Outstanding** : The amount of outstanding loans of the HBFC as on June 30, 1981 stood at Tk. 263.68 crores (including interest for 1980-81) as against the outstanding loans of Tk. 194.02 crores as on June 30, 1980.

Nationalised Commercial Banks

123. In order to increase the availability of credit for construction of houses, the commercial banks were required to extend 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 demand and time liabilities as on last Friday of June, 1977. Thereafter, it was decided not to set any target for credit to 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. The rate of interest currently charged is 15.5% per annum as against 12% per annum until the enhancement of Bank Rate in October, 1980. The commercial bank loans are 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, 1981 stood at Tk. 16.00 crores as compared with Tk. 8.59 crores disbursed during the preceding year. This was in addition to Tk. 0.79 crore of housing loans provided during 1980-81 by the foreign banks operating in Bangladesh. The total amount of outstanding loans provided

by the nationalised commercial banks upto June, 1981 stood at Tk. 38.01 crores.

124. **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 1980-81. Under this scheme, a maximum amount of Tk. 8,000 per borrower is provided by the nationalised banks against mortgage of houses built and other household land. These loans are repayable over a period of 20 years. The rate of interest was fixed at 11% per annum, but with the enhancement of Bank Rate it was raised to 15.5% per annum. Disbursements made under this scheme amounted to Tk. 1.76 lakhs during 1980-81 as against Tk. 3.40 lakhs during the preceding year. A total sum of Tk. 14.15 lakhs was disbursed by the banks under this scheme since its introduction in December, 1977 upto June, 1981.

Bangladesh Bank

125. As the House Building Finance Corporation suffered from lack of resources to meet the large demand for housing credit, 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. 98.50 crores at the end of June, 1980 increased to Tk. 163.50 crores at the end of June, 1981, representing an investment of Tk. 65.00 crores during 1980-81. In addition, the nationalised commercial banks' debenture financing to the HBFC during the year amounted to Tk. 15.00 crores. Thus the total contribution by Bangladesh Bank and the nationalised commercial banks to the resources of the HBFC amounted to Tk. 80.00 crores during 1980-81.

CHAPTER IX

GOVERNMENT FINANCE

GOVERNMENT FINANCE

Budget for 1980-81 (Revised)

126. The Bangladesh Government Budget for 1980-81 had envisaged revenue receipts at Tk. 2296.08 crores and revenue expenditures (non-development) at Tk. 1408.03 crores thus showing a surplus of Tk. 888.05 crores. The budget estimates for the year were subsequently revised placing the revenue receipts higher by Tk. 46.96 crores at Tk. 2343.04 crores and expenditures larger by Tk. 73.53 crores at Tk. 1481.56 crores leaving a surplus of Tk. 861.48 crores.

127. The revised budget estimates showed increases under the following heads of receipts over their original estimates : Sales Tax (+Tk. 38.50 crores), profit from Bangladesh Bank and Nationalised Banks (+Tk. 27.95 crores), stamp—Non-Judicial (+Tk.19.50 crores), other Taxes (+Tk. 4.37 crores), Forest (+Tk. 13.98 crores), Interest Earning (+Tk. 5.17 crores), Profit from Nationalised Industries (+Tk. 1.50 crores) and other receipts (+Tk. 14.51 crores). The above increases in revenue were partly offset by declines in Customs Duties (—Tk. 42.69 crores), Excise Duties (—Tk. 17.25 crores), Income, Corporation and Agricultural Income Tax (—Tk. 17.00 crores) and Telegraph and Telephone (—Tk. 1.39 crores). The principal cause for decline in receipts under customs duty was the reduction in export duty on raw jute, raw hides and tea.

128. The increase of Tk. 73.53 crores in revenue expenditures under the revised budget for 1980-81 occurred under different major heads of expenditure. More than half of the increase related to increased expenditure for State Railway, Bangladesh Rifles, Defence Services, General Administration and Other Expenditures and was attributable largely to the extension of increased salary and benefits to the non-gazetted employees in the

fixation of Pay and Allowances and also rise in the prices of fuels and oil. Thus "Other Expenditures", "Defence", "State Railways", "General Adminstration", "Bangladesh Rifles" and "Education" showed increases of Tk. 38.08 crores, Tk. 21.75 crores, Tk. 20.69 crores, Tk. 10.03 crores, Tk. 10.65 crores and Tk. 5.31 crores respectively in the revised estimates.

129. The size of the Annual Development Programme for 1980-81 was originally placed at Tk. 2700.00 crores but subsequently reduced to Tk. 2369.00 crores in the revised estimates. The downward revision was occasioned by a reduction in the availability of resources both domestic and foreign. Domestic resources fell short by Tk. 59.46 crores to Tk. 836.00 crores in the revised estimate while net available foreign assistance declined by Tk. 264.28 crores to Tk. 1533.00 crores. Consequent upon the revision the allocation to different sectors was adjusted without any major change in the case of priority projects.

Budget Estimate for 1981-82

130. The Budget estimates for 1981-82 envisage revenue receipts at Tk. 2862.05 crores on the basis of existing taxes and expenditure (non-development) at Tk. 1662.40 crores thus showing a revenue surplus of Tk. 1199.65 crores. Of the total revenue receipts, Customs duties are estimated to yield Tk. 950.00 crores, Excise Tk. 463.00 crores, Sales Tax Tk. 405.00 crores and Income, Corporation and Agriculture Income Taxes Tk. 260.00 crores. Of the total expenditures, Defence Services account for Tk. 306.51 crores and Education Tk. 220.91 crores. Other important allocations include Railway (Tk. 133.70 crores), Police (Tk. 99.19 crores), General Administration (Tk.61.57 crores), Health Services and Family Planning (Tk. 90.94 crores) and Other Expenditures (Tk. 168.76 crores). The unforeseen expenditure in the budget has been placed at Tk. 65.00 crores.

131. The size of the Annual Development Programme for 1981-82 has been estimated at Tk. 3015.00 crores. Out of this total, an amount of Tk. 418.10 crores (13.87%) has been allocated for Agriculture,

Tk. 450.80 crores (14.95%) for Flood Control and Water Resources, Tk. 395.60 crores (13.12%) for Industries, Tk. 421.21 crores (13.97%) for Transport and Tk. 313.20 crores (10.39%) for Power. The allocations for Housing and Physical Planning, Education and Training, Natural Resources, Population and Family Planning and Health stood at Tk. 197.55 crores (6.55%), Tk. 134.70 crores (4.47%), Tk. 127.90 crores (4.24%), Tk. 94.40 crores (3.13%) and Tk. 84.09 crores (2.79%) respectively. Rural Development and Establishment sector with an allocation of Tk. 95.00 crores accounts for about 3.15% of the total outlay.

132. The development budget for 1981-82 envisages a total foreign assistance of Tk. 1916.14 crores or 64% of the total outlay as against 65% in the preceding year (revised estimate).

New Tax Efforts :

Fiscal Measures

133. Some of the important new tax efforts during 1981-82 are as under :

I. Raw materials imported under the Wage Earners' Scheme (WES) were allowed a duty concession of 40% of the effective rates. This concessionary rate placed the importers under cash licence in a disadvantageous position and as a result, many import licences remained unutilised. In view of this, the Taxation Enquiry Commission (TEC) suggested gradual withdrawal of this concession. Besides, some durable consumer goods used by the well-to-do people also enjoyed concessional rates when imported under WES. Again, some items enjoyed the concessionary rate meant for raw materials, though these were not fully used as raw materials To remove these anomalies, the following proposals have been made :

a) It has been proposed to reduce the extent of concession on raw materials imported under WES from existing 40% to 25% .

b) It has been proposed to withdraw the concessionary rate for raw materials from items like snowcem colour paint, tools and workshop equipments, sand, glass and emery paper, domar batu, photographic films, PVC and adhesive tapes, paint brush-all sorts, condensed milk in retail packing, ball-point refill, etc.

c) It has been proposed to withdraw the existing concessionary rates on refrigerator, deep-freezer, gas and electric cooking range, pressure cooker, washing machine, cassettee recorder and tapes thereof, if imported under WES.

d) It has been proposed to accord the concessionary rate of duty for raw materials to M. S. Billets, when imported under WES.

II. In line with the recommendations of the Taxation Enquiry Commission and in view of the urgent need for greater mobilisation of resources it has been proposed to impose excise duty of 10% ad valorem on wooden furniture.

III. A considerable evasion of taxes took place in the area of imports, particularly under the Wage Earners' Scheme. Often it became difficult to trace out the actual importers. In order to meet the problem of evasion of tax and to facilitate timely collection, it has been proposed, in accordance with the recommendation of the Taxation Enquiry Commission, to provide for deduction of income-tax at the rate of $2^1/_2\%$ on the C & F value exceeding Tk. 1,00,000 of all imports including those under WES save and except foodgrains, fertilizer, POL, plant and machinery and imports under industrial licences. The tax will be allowed as credit against the liability of the relevant assessment year.

IV. The rates of court fees virtually remained unchanged since 1960. Apart from the fact that the cost of administering the Court Fees Act has gone up necessitating a revision of the rates, simplification and rationalisation of the rate structure in regard to court fees was also considered necessary. On the recommendations of the TEC it has been proposed to substitute the existing schedules by simple and rationalised rate schedules.

134. The other notable fiscal measures of the budget for 1981-82 are summarised below :

A. **Customs Duty** :

1. In order to protect domestic engineering industry against uneven competition and to place them on sound footing, concessionary rate of duty of 20% with no sales tax on the imported machinery, components, accessories and spares has been proposed to be withdrawn (+Tk. 15.72 crores).

2. Duty on components and spare parts of domestic sewing machines has been proposed to be reduced from 75% to 35%.

3. Proposal has been made to reduce the extent of concession on raw materials imported under WES from 40% of the effective rate to 25% of the effective rate (+Tk. 0.80 crore).

4. Tariff value on all types of fabrics has been proposed to be enhanced by 10%-15% (+Tk. 4.10 crores).

5. Duty on yarn of man-made fibre has been proposed to be reduced to 50% from 60% when imported under normal licences, and to 30% from 35% if imported under the WES (—Tk. 1.90 crores).

6. Duty on tyres and tubes of automotive vehicles has been proposed to be reduced to 75% from 100% (—Tk. 1.75 crores).

7. Proposal has been made to impose development surcharge@1% ad valorem on all dutiable imports (+Tk. 33.50 crores).

8. Duty on colour T. V. of a screen size not more than 19" and of a screen size exceeding 19" has been proposed to be reduced from Tk. 3,000 and Tk. 4,500 to Tk. 2,000 and Tk. 3,000 respectively (—Tk. 0.10 crore).

9. Duty on cotton fabrics like jeans, broken jeans, twil, denim, corduroy, sheeting and bed-sheeting of width exceeding 45" furnishing and upholstery in which the percentage of cotton is 85% or more by weight has been proposed to be refixed at 125% from 30%, 75% and 150% (+Tk. 0.65 crore).

10. Proposal has been made to withdraw full exemption on ocean going vessels having capacity of 7,000 DWT and to impose a duty @ $2^1/_2$% and to reduce the rate of duty on aircrafts from 3% to $2^1/_2$% (+ Tk. 0.50 crore).

B. Excise Duties :

11. It has been proposed to merge the existing duty and sales tax on paper, paper board, jute manufactures and to refix a single rate of excise duty on each of these items after giving relief in some cases, at the rate 15% on paper and paper board, 35% on jute carpets, 25% on all other jute products, and Tk. 1250.00 per ton on Bitumin (+ Tk. 23.01 crores).

12. Considering the large investment needs for the gas sector for future expansion, and the price advantage enjoyed by the

consumers compared to other fuels, it has been proposed to enhance duty on natural gas from Tk. 4.50 to Tk. 6.00 per 100 cft. used in the generation of power and manufacture of fertilizers and from Tk. 5.00 to Tk. 14.00 for other uses. Proposal has also been made to impose duty at the rate of Tk. 6.00 per imperial gallon on condensate obtained in the gas fields in the process of extraction of gas. This proposal has been made to check windfall profit of the gas company as the product is obtained spontaneously without incurring any extra cost (+Tk. 24.71 crores).

13. It has been proposed to reduce the duty on metal containers and wires and cables from 30% to 25% ad valorem (—Tk. 1.56 crores).

14. It has been proposed to enhance duty on mild steel products from Tk. 250.00 to Tk. 500.00 per ton (+ Tk. 5.00 crores).

15. It has been proposed to merge the sales tax of 20% with the duty on narcotics and liquor (+Tk. 2.00 crores).

C. Income Tax :

16. In view of the inflationary situation, the exemption limit of Income-Tax has been raised to Tk. 15,000.00 from the existing Tk. 12,000.00 in order to give relief to the lower income group of persons.

17. In order to build up a favourable investment climate in the private sector of the economy it has been proposed to exempt unit certificates issued by the Investment Corporation of Bangladesh upto the value of Tk. 2,00,000.00.

18. It has been proposed to deduct income-tax at source @ 10% on the commission receipts of all indentors.

19. Repair charges in respect of house property income are now allowed @ 1/6th of the bonafide annual value of such property. Having regard to the higher cost of building materials as well as the fact that residential buildings unlike commercial buildings are not eligible for depreciation allowance, it has been proposed to enhance the allowance for the cost of repairs of residential houses from 1/6th to 1/5th of the bonafide annual value of such properities.

Railway Budget for 1981-82

135. The Railway Budget for the year 1981-82 envisages revenue earnings at Tk. 133.72 crores (including Tk. 17.22 crores additional revenue) and revenue expenditure at Tk. 130.38 crores thus leaving a nominal surplus of Tk. 3.34 crores. This compares with revenue receipts of Tk.104.26 crores and revenue expenditure of Tk. 102.98 crores, in the original budget estimate for 1980-81 leaving an expected surplus of Tk. 1.28 crores. The overall surplus for the year 1981-82 has been estimated to be Tk. 2.00 lakhs only as against the marked deficit of Tk. 18.69 crores in the revised Railway Budget for 1980-81. The increase in revenue expenditure in the revised budget as compared to original budget was due to the rise in the price of fuel, enhancement of pay scales and increase in maintenance costs.

136. The following are the salient features of the Railway Budget for 1981-82 :

1. The budget estimates revenue receipts and expenditure at Tk. 133.72 crores and Tk.130.38 crores respectively for 1981-82 as against the revised revenue receipts and expenditure for 1979-80 at Tk. 105.00 crores and Tk. 123.69 crores respectively.

2. The proposed rise in the passengers' fares of First Class, Second Class and Third Class would be 75%, 40% and 20% respectively. The freight rates for luggage and parcel have also been proposed to be increased by 30% and 20% respectively. From these measures, Tk. 17.22 crores are expected to be earned.

3. The minimum railway fare would be Tk. 1.00 and the proposed passenger fare would be 12.5 poisa per passenger per mile.

4. The Annual Development Programme for Railway during 1981-82 has been fixed at Tk. 113.21 crores for 45 ongoing and new projects. This amount would be available from project aid (Tk. 51.21 crores) and from local currency (Tk. 62.00 crores).

5. Some important projects to be completed during 1981-82 are :

(i) Railway line from Choudhurihat to Chittagong, (ii) manufacture of 24 passenger carriages and 160 wagons, (iii) building of a new Railway station near the Kurmitola International Airport, (iv) construction of double line between Dacca and Narayanganj and (v) introduction of electric trains between Dacca and Narayanganj.

Government Borrowings

137. No new Public Loan was floated by the Government of Bangladesh during the year ended 30th June, 1981. The only outstanding Government loan is the 5½% Loan—1982 floated in October, 1972 amounting to Tk. 63,75,01,000.

138. The three-month Government Treasury Bills @ 9½% discount per annum stood as on 30th June, 1981 at the same level of Tk. 57.03 crores as on 30th June, 1980. These Bills were re-issued every 90 days.

139. The Special Treasury Bills @ 8 $^{1}/_{2}$% discount per annum offered for sale to Non-Banking Institutions stood at Tk. 12,89,55,000 as on 30th June, 1981 as against Tk. 13,71,05,000 as on 30th June, 1980.

140. The 8$^{1}/_{2}$% Special Treasury Bills created to replenish the cash balance of the Government increased to Tk. 1,191.00 crores as on 30th June, 1981 from Tk. 603.00 crores as on 30th June, 1980. The Ways and Means advance of the Bank to the Government as on 30th June, 1981 remained unchanged at Tk. 20.00 crores.

141. The 5% Income Tax Bonds of the erstwhile Pakistan Government held by Bangladesh Nationals/Institutions, liabilities of which have been accepted by the Government of Bangladesh and have been revalidated for the face value stood at Tk. 74,85,350 on 30th June, 1981 the same as on 30th June, 1980.

142. The amounts of G.P. Notes/Stock Certificates of the erstwhile Pakistan and its provincial Government loans and 5% Defence Bonds held by Bangladesh Nationals/Institutions, liabilities of which have been accepted by the Government of Bangladesh but awaiting redemption stood at Tk. 6,98,01,500 as on 30th June, 1981 as against Tk. 7,59,10,100 as on 30th June, 1980.

143. The amounts of 5% Non-Negotiable Bonds issued by the Government of the People's Republic of Bangladesh to the Share holders of Nationalised Industries as compensation stood at Tk. 11,52,56,083.99 as on 30th June, 1981 as against Tk. 10,13,86,977.52 as on 30th June, 1980. Out of this, payment of maturity value payable in instalments from 1st July, 1979 has been made for a total of Tk. 2,56,55,786.03 upto 30th June, 1981 as against Tk. 1,14,07,507.36 upto 30th June, 1980.

144. The amounts of 8% Bonds issued by the Government of People's Republic of Bangladesh against 100 Taka demonetised Notes stood at

Tk. 1,58,90,400 as on 30th June, 1981 as against Tk. 1,41,40,300 as on 30th June, 1980.

Bangladesh Savings Certificates and Bangladesh Sanchaya Patras

145. The net outstanding of both Bangladesh Savings Certificates and Bangladesh Sanchaya Patras sold through the banks stood at Tk. 4,87,17,385 as on 30th June, 1981 as against Tk. 7,98,83,180 as on 30th June, 1980.

Pratirakkha Sanchaya Patras

146. The net sale of Pratirakkha Sanchaya Patras through the banking sector amounted to Tk. 60,25,17,585 as on 30th June, 1981 as against Tk. 39,28,36,865 as on 30th June, 1980. Sales and encashments of Pratirakkha Sanchaya Patras during the year under report were Tk. 31,74,69,790 and Tk. 10,77,94,070 respectively. The net sale of Pratirakkha Sanchaya Patras through the Post Offices stood at Tk. 11.93 crores in 1980-81 as against Tk. 7.68 crores in 1979-80.

Bonus Sanchaya Patras

147. The net sale of Bonus Sanchaya Patras through the banking sector amounted to Tk. 3,59,59,650 as on 30th June, 1981 as against Tk. 1,86,99,570 as on 30th June, 1980. Sales and encashments of Bonus Sanchaya Patras during the year under report were Tk. 2,31,42,540 and Tk. 58,72,460 respectively. The net sale of Bonus Sanchaya Patras through the Post Offices stood at Tk. 2.06 crores in 1980-81 as compared to Tk. 1.80 crores in 1979-80.

5-year Bangladesh Sanchaya Patras

148. The net sale of 5-year Bangladesh Sanchaya Patras through the banking sector amounted to Tk. 4,41,78,600 as on 30th June, 1981 as against Tk. 4,36,66,000 as on 30th June, 1980. Sales and encashment of 5-year Bangladesh Sanchaya Patras during the year under report were Tk. 1,17,74,490 and Tk. 1,12,61,890 respectively. The net sale of 5-year Bangladesh Sanchaya Patras through the Post Offices stood at Tk. 0.38 crore in 1980-81 as against Tk. 0.92 crore in 1979-80.

149. The 10-Taka Bangladesh Prize Bonds Scheme introduced in June, 1974 continued during the year. Progressive net sales of Prize

Bonds amounted to Tk. 8,24,63,780 on 30th June, 1981 as compared to Tk. 7,25,91,910 as on 30th June, 1980. Twenty four series of Prize Bonds, namely A, B, C, D, E, F, G, H, J, K, L, M, N, P, Q, R, S, T, U, V and Bengali Series KA, KHA, GA and GHA have been put on sale upto 30th June, 1981. 38 bi-monthly prize draws have been held so far under single common draw system.

Bangladesh Prize Bonds

Sale of Savings Instruments to Bangladeshi Wage Earners Serving Abroad

150. 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, 1981 Prize Bonds and Sanchaya Patras worth Tk. 69,850.00 and Tk. 79,600.00 respectively were sold to the Bangladeshi Wage Earners serving in the U. A. E.

Wage Earners Development Bonds

151. The Wage Earners Development Bond for Bangladeshi Wage Earners serving abroad was put on sale with effect from 24th February, 1981. The amount of bonds sold by different banks stood at Tk. 46,63,000.00 upto 30th June, 1981.

CHAPTER X

BALANCE OF TRADE AND PAYMENTS

BALANCE OF TRADE AND PAYMENTS

152. The **balance of trade** (f. o.b. basis) of the country showed deterioration during the year 1980-81 as the rate of growth in imports exceeded that in exports. The deficit on the Merchandise Account (i. e., visible exports less visible imports) increased to Tk. 2,490.42 crores during the year from Tk. 2,107.50 crores during 1979-80. Imports during the year under report stood at Tk. 3,808.22 crores, which were Tk. 550.02 crores or 16.88 per cent higher than those during the previous year. Of the total, imports financed by Cash, Barter and Special Trade, Wage Earners' Scheme, Loans/Credits and Grants amounted to Tk. 1,553.54 crores (40.79%), Tk. 142.65 crores (3.75%), Tk. 482.06 crores (12.66%), Tk. 768.03 crores (20.17%) and Tk. 861.94 crores (22.63%) respectively. Long-term loans/credits receive from Foreign Governments/Institutions etc. were utilised for imports under food (Tk. 46.35 crores), non-food project (Tk. 434.90 crores) and non-food non-project (Tk. 286.78 crores). Food and non-food imports under Grants during the year stood at Tk. 240.65 crores and Tk. 621.29 crores respectively. Receipts from exports (including those from Singapore) rose from Tk. 1,150.70 crores during the previous year to Tk. 1,317.80 crores during 1980-81 denoting increase of Tk. 167.10 crores or 14.52%. The export pattern continued to be dominated by raw Jute (Tk. 200.54 crores) and Jute goods (Tk. 636.95 crores), together accounting for 63.55% of total export earnings during the year. The Services Account (i. e., invisible receipts less invisible payments) showed a deficit of Tk. 368.66 crores during 1980-81 as compared to that of Tk. 428.00 crores during the preceding year.

153. The overall **balance of payments** during the year 1980-81 recorded a deficit of Tk. 416.54 crores as compared to Tk. 308.91 crores

deficit during 1979-80. The rise in deficit in the overall balance reflected a rise in deficit under Goods and Services account and decreased inflow under capital account partly offset by an increased inflow under unrequited transfers. Unrequited transfers showed an inflow of Tk. 1,675.56 crores during the year 1980-81 as compared to Tk. 1,454.00 crores during the preceding year. Of the total, net receipts under "Official Transfers" and "Private Transfers" were estimated at Tk. 1,076.61 crores and Tk. 598.95 crores respectively. Net capital inflow during 1980-81 was estimated at Tk. 766.98 crores as compared with Tk. 772.59 crores during 1979-80.

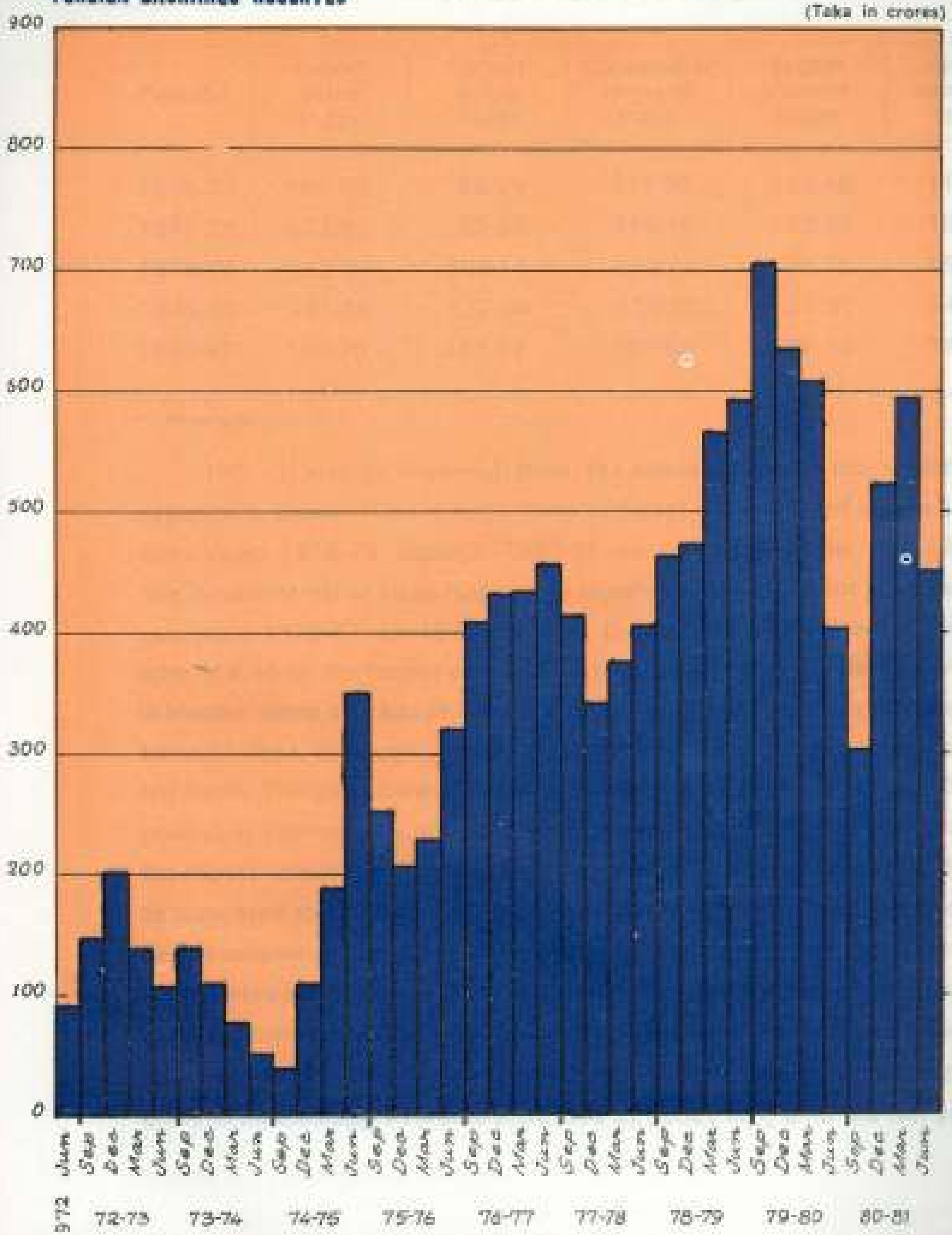
Foreign Exchange Reserves

154. The convertible foreign exchange reserves held by the Bangladesh Bank which stood at Tk. 403.19 crores at the end of June, 1980 increased to Tk. 594.16 crores at the end of March, 1981 due mainly to drawings under EFF and SFF of IMF. The reserves deteriorated during the following quarter as import payments picked up and stood at Tk. 450.88 crores as on the 30th June, 1981.

Terms of Trade

155. The commodity terms of trade of the country is given by the ratio of export prices to import prices and shows 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 exports through the change in commodity terms of trade. This, therefore, measures the country's import capacity (i. e., purchasing power of exports) in terms of exports alone. The movement of the estimated terms of trade of Bangladesh in recent years is shown below :

FOREIGN EXCHANGE RESERVES



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	90.84	114.51	103.48	118.49
1977-78	122.81	82.88	148.18	102.63	152.07
1978-79	153.39	100.14	153.18	98.75	151.26
1979-80	191.60	127.44	150.35	97.95	147.27
1980-81*	175.75	163.24	107.66	107.70	115.95

* Provisional.

156. It may be observed from the above table that our export-based capacity to import (i.e., income terms of trade) deteriorated during the last three years 1978-79 through 1980-81 as compared to the year 1977-78. The income terms of trade had shown significant improvement in the previous two years 1976-77 an 1977-78 with the index (1975-76 = 100) moving upto 118.49 in the former and 152.07 in the latter 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 the result of a decline in commodity terms of trade as well as a small decline in export volume. The sharp deterioration in the year 1980-81 was mainly due to the decline in the commodity terms of trade as the export volume increased by about 10% over the last year.

CHAPTER XI

FOREIGN AID

FOREIGN AID

157. The foreign aid disbursement at $ 1147 million during 1980-81 recorded a fall of 6.14 per cent from the level of $ 1222 million in 1979-80. An amount of $ 393 million was disbursed as commodity aid during 1980-81 as compared with $ 378 million of the previous year. Disbursement of Project aid increased by 13.93 per cent to $ 560 million during the year from $ 482 million in 1979-80. Food aid, on the other hand, fell by 48.17 per cent from $ 374 million to $ 194 million during 1980-81. The disbursement of foreign aid during 1908-81 alongwith the comparative figures of previous years is shown in the table below :

DISBURSEMENT OF FOREIGN AID

(Million US Dollar)

Category/Year	1976-77	1977-78	1978-79	1979-80	1980-81
Food Aid	122	178	179	374	194
Commodity Aid	192	351	470	378	393
Project Aid	159	276	368	470	560
Cash	61	23	12	Nil	Nil
Total :	**534**	**828**	**1029**	**1222**	**1147**

158. The figures in the above table refer to gross foreign aid disbursement. The repayment of foreign aid (excluding repurchases in respect of drawings from the IMF) made by the country during the year was estimated to be $ 44 million in addition to interest payment of $ 41 million. Thus the net inflow of foreign aid amounted to $ 1062 million in 1980-81.

CHAPTER XII

TRANSACTIONS WITH IMF

TRANSACTIONS WITH IMF

160. The International Monetary Fund approved on 8th December, 1980 a total amount of SDR 800.00 million for Bangladesh : SDR 319.30 million under the Extended Fund Facility and SDR 480.70 million under the Supplementary Financing Facility. Under the arrangements, Bangladesh received SDR 220.00 million in three instalments during the year under report. In the first instalment, SDR 114.00 million was received on 19th December, 1980. The second and the third instalments of SDR 53.00 million each were received on the 13th February, 1981 and the 4th June, 1981 respectively. Besides, Bangladesh also received SDR 6.00 million on 1st August, 1980 and SDR 0.47 million on 31st March, 1981 under the Trust Fund Facility.

161. Bangladesh also received SDR 15.50 million as the final instalment of the Third Basic Period of SDR Allocation on 1st January, 1981. In addition, Bangladesh received SDR 6.06 million under the distribution programme of the gold sales profits during July, 1980 and SDR 1.16 million as subsidy for drawings under the 1974 and 1975 Oil Facilities.

162. Bangladesh made the following repurchases/payments to IMF during the year 1980-81:

(In million SDRs)

Types of the Facilities	Year of Purchase	Amount Repurchased
Second and Third Credit Tranches	1975-76	10.75
Compensatory Financing Facility	1976-77	23.60
Payment on account of Second Amendment of the Fund Articles coming into force	—	15.04
Payment for Quota increase under the 7th General Review	—	19.00
Oil Facilities	1974-75	23.01
Total :		91.40

163. Outstanding drawings of Bangladesh from the International Monetary Fund stood at SDR 409.01 million at the end of June, 1981 as against SDR 273.94 million at the end of June, 1980.

CHAPTER XIII

TRADE POLICY

TRADE POLICY

Export Policy and Target

164. Efforts to boost up exports continued with added momentum during the year 1980-81. While the special incentives given earlier to the export sector continued, measures were taken to rationalise some of those during the year under report. A flat rate of export rebate on customs and sales and excise taxes was introduced and the procedure governing the grant of such rebates was simplified for some major export items. This would help increase export earnings by facilitating expeditious settlement of claims for duty drawback on export to the exporters-cum-manufacturers. On the financing front, even after the upward revision of interest rate structure with effect from October 16, 1980, credit for export was allowed at a concessional rate of 12 per cent as against the general lending rate of 15.5 per cent.

165. The Government has also modified the existing Export Performance Licencing Scheme (XPL) in order to simplify and provide adequate incentives to the exporters, particularly of non-traditional items. The XPL system was introduced on 1st July, 1976 with the main objective of broadening the export base by increasing the overseas competitiveness of exporters who were facing difficulties due to rise in domestic costs as well as those whose products had a high percentage of import content. As many as 76 items eligible for XPL were divided into four groups enjoying XPL rates ranging from 10 to 40 per cent. Under the revised system, the four rates of XPL entitlements have been reduced to two ; one group with 40 per cent and the other with 60 per cent entitlement. Five new items, viz., electric motor, light engineering products, electrict cables, rape seeds, meal powder, and tortoise and turtle have also been made eligible for XPL, thus raising the total number to 81. It has also been decided to expand

the existing list of items importable under the XPL/Wage Earners' Scheme. Further, under the revised XPL system, the entitlement would be provided in the form of Import Entitlement Certificates to be issued by the Bangladesh Bank on the basis of proceeds realization certificate or negotiation certificates and other shipping documents submitted by the exporters through the commercial banks. These certificates will be denominated in pound sterling or U.S. dollars as the exporters may desire. These certificates will also be freely transferable simply by endorsement duly attested by the exporter's bank. The final buyer or the transferee would be entitled to apply for import licence for the items importable under the XPL/Wage Earners' Scheme.

166. The XPL system by now attained remarkable success in achieving its objectives. The list of items eligible for XPL entitlement has been increased steadily from only 40 items in 1975-76 to 81 items in 1980-81. The amounts of XPL issued increased from only Tk. 11.64 lakhs during July-December, 1976 shipping period to Tk. 17.32 crores during July-December, 1980. During the financial year 1980-81 value of licences issued stood at Tk. 39.95 crores as compared to Tk. 42.91 crores during 1979-80.

167. As against the export target of Tk. 1500.00 crores for 1980-81 the value of exports (excluding re-exports from Singapore) during the year stood at Tk. 1151.02 crores which was Tk. 26.86 crores higher than the export earnings of Tk. 1124.16 crores during the previous year. Total earnings from exports fell short of the target due mainly to fall in export prices as a result of wide-spread and prolonged recessionary situation in the world market. During the year under report the unit price of raw jute declined by 11.45 per cent and those of jute goods, leather and frozen food declined by 11.43 per cent, 53.10 per cent and 10.20 per cent respectively as compared to the previous year.

168. The composition of the export earnings during 1980-81 shows that jute goods continued to figure as the largest single export item

accounting for Tk.587.51 crores (51.04 per cent of the total) followed by raw jute with Tk. 194.28 crores (16.88 per cent) as compared to Tk. 606.67 crores (53.97 per cent) and Tk. 222.12 crores (19.76 per cent) respectively during the preceding year. Jute and jute goods together accounted for 67.92 per cent of total exports during 1980-81 as against 73.73 per cent during 1979-80. Earnings from non-jute items during the year under report stood at Tk. 369.23 crores (32.08 per cent) showing an increase of Tk. 73.86 crores or 25.01 per cent over the previous year's earning of Tk. 295.37 crores. Export earnings from tea during the year at Tk. 66.48 crores (5.78 per cent) was Tk. 15.48 crores higher than Tk. 51.00 crores (4.54 per cent) during 1979-80. Earnings from frozen food and tanned and semi-tanned leather during 1980-81 stood at Tk. 64.92 crores (5.64 per cent) and Tk. 92.48 crores (8.03 per cent) as compared to Tk. 57.34 crores (5.10 per cent) and Tk. 101.47 crores (9.02 per cent) respectively during 1979-80. Other items of exports fetched Tk. 145.35 crores (12.63 per cent) as compared to Tk. 85.56 crores (7.61 per cent) during the preceding year.

Import Policy

169. The Import Policy for 1980-81 aimed at ensuring adequate availability of industrial raw-materials and consumer goods during the year. Thus efforts were made to allocate funds for industries as per their entitlements and liberalize the commercial imports by introducing some new measures such as inclusion of more items under OGL and Wage Earners'/XPL Scheme, reduction in import registration fee, and raising the minimum import ceiling etc.

170. As against the total allocation of Tk. 2,600.00 crores under the Import Policy for 1980-81 actual utilisation (licence) during the year stood at Tk. 2,546.46 crores. This compared with the utilization of Tk. 2,057.80 crores during 1979-80. Of the total utilization during the year under report, Tk. 1,500.00 crores (58.90%) were financed from cash foreign exchange resources ; Tk. 425.00 crores (16.69%) were financed from commodity assistance ; Tk. 140.99 crores (5.54%) from barter and Tk. 480.47 crores (18.87%) from the Wage Earners' Scheme. The sectoral shares in the total

utilization were as follows : Commercial Importers Tk. 505.88 crores, Industrial Consumers Tk. 475.16 crores, Sector Corporations Tk. 518.64 crores, POL Items Tk. 800.14 crores and Others Tk. 246.64 crores.

CHAPTER XIV

TRADE AND PAYMENTS AGREEMENTS

TRADE AND PAYMENTS AGREEMENTS

171. Bangladesh entered into seven new trade agreements with different countries during 1980-81. An equal number of agreements were also signed during the preceding year. 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 equipment, pharmaceutical raw materials, drugs and medicines, dyes and chemicals, coal, pig iron, M. S. billets, ball bearings, raw cotton etc. The table below gives a brief description of the agreements signed during the year 1980-81 :

Date of Agreement	Country/Party	Value of commodities to be exchanged each way
31.10.80	DPRK (Barter Agreement No. 3)	£ 5.20 million
6.11.80	TCB—Comtrade Ltd. of Switzerland (Special Trade Agreement)	US $ 4.00 million
6.2.80	Czechoslovakia (Barter Agreement No. 6)	US $ 10.70 million
11.2.81	Bulgaria (Barter Agreement No. 8)	US $ 24.00 million
20.2.81	U.S.S.R. (Barter Agreement No. 10)	Value ceiling not available
13.4.81	TCB-Gulfeast International (PTE) Ltd. of Singapore (Special Trads Agreement)	US $ 5.00 million
25.5.81	TCB-A. B. Sukab of Sweden (Trade Promotion Agreement)	US $ 5.00 million

CHAPTER XV

TRENDS IN EXPORT COMMODITIES

TRENDS IN EXPORT COMMODITIES

Raw Jute

172. Production of raw jute during the 1980-81 season stood substantially lower at 47.83 lakh bales as compared to 66.73 lakh bales in the preceding season. The 1980-81 season, however, started with a larger carryover of 42.20 lakh bales of raw jute as compared to 23.32 lakh bales in the preceding season. Total availability of raw jute, including the carryover, thus stood at 90.03 lakh bales during 1980-81 as compared to 90.05 lakh bales in the preceding season. Acreage under jute cultivation during the season is estimated to have decline sharply by 26 per cent to 14 lakh acres from 19 lakh acres during 1979-80 due mainly to lower price of raw jute at the growers level. The per acre yield of jute during 1980-81 stood slightly lower at 3.4 bales as compared to 3.6 bales in the preceding season.

173. While the production of raw jute in the country during 1980-81 declined by about 28 per cent as compared to the previous year, the price situation both in the internal and external markets remained depressed due mainly to the economic recession in some major consuming countries of the world. Although various policy measures, including the reduction of export duty on "D-grade jute and below" from 8.50 per cent FOB ad valorem to 5 per cent FOB ad valorem were adopted during the year to boost up exports, the country had to face stiff competition, particularly in respect of jute of lower grades from China, Nepal and Thailand. As a result, both the volume and value of raw jute export recorded declines during the year. Actual exports of raw jute stood at 19.44 lakh bales or 78 per cent of the target of 25 lakh bales fixed for the 1980-81 season. The average export price of raw jute also stood lower at Tk. 999.38 per bale during 1980-81 as compared to Tk. 1,128.65 per bale in the preceding year.

174. No Statutory Minimum Price (SMP) was in force during the 1980-81 season. The proportion of inferior quality jute was substantially higher during the season due mainly to the adverse weather conditions and lack of proper retting facilities. The phased purchase programme of raw jute by the Public Sector Corporations in the event of abnormal fall in price was also hampered as they had already accumulated a sizeable stock of inferior quality raw Jute in the preceding season. The private sector jute traders also faced some constraints in disposing of their jute in the external markets on a regular basis. As a result, the annual average price of unassorted loose jute in the primary markets during 1980-81 stood lower at Tk. 106.95 per maund as compared to Tk. 114.47 per maund in the previous season.

175. Buffer stocks of 4.30 lakh bales of low quality raw jute (SMR grade) worth Tk. 30.00 crores held by the Bangladesh Jute Marketing Corporation and Bangladesh Jute Trading Corporation during 1979-80 could not be disposed till the close of the 1980-81 season. The internal purchase programme of raw jute by the public sector trading corporations was hampered during the season due mainly to storage problems.

176. Arrivals of raw jute in the country's secondary markets during 1980-81 season stood substantially lower at 36.25 lakh bales as compared to 54.35 lakh bales in the previous season, reflecting a smaller harvest of jute crop as well as lower price in the internal markets.

177. Export sales registration of raw jute stood higher at 25.19 lakh bales during 1980-81 as compared to 22.89 lakh bales in the previous year. With a view to boosting up sales and shipments of lower grades of jute the enforcement of Minimum Export Price Check (MEPC) on lower grades of jute remained suspended. The system of registration of export sales of these grades with the Bangladesh Bank was, however, maintained. The actual shipment of raw jute during the 1980-81 season stood marginally lower at 19.44 lakh bales as compared to 19.68 lakh bales in the preceding season. Total foreign exchange earnings from export of raw jute during

1980-81 stood substantially lower at Tk. 194.28 crores as compared to Tk. 222.12 crores due mainly to lower export prices in the overseas markets.

178. Prices of raw jute in the terminal market at Narayanganj remained generally steady during the greater part of 1980-81. The price of white X-Bottom grade (Kutcha bale) which stood at Tk. 115.00 per maund on the Ist July, 1980 increased to Tk. 120.00 per maund on the 23rd October, 1980 and further to Tk. 130.00 per maund on the 4th November, 1980. Thereafter, the price remained unchanged till the close of June, 1981. The price of BWD grade in the pucca bale section which had stood at Tk. 760.00 per bale on the Ist July, 1980 increased to Tk. 810.00 per bale on the 23rd October, 1980 and further to Tk. 850.00 per bale on the 4th November, 1980 and remained unchanged at that level till June 30, 1981.

179. The minimum export price of BWC grade which stood at £ 164 per ton on the Ist July, 1980 increased to £ 176 per ton on the 5th September, 1980. The quotation increased to £ 178 per ton and £ 183 per ton on the 10th and 27th October, 1980 respectively and further to £ 187 per ton on the 10th November, 1980. Thereafter, the price which remained steady for over six months rose to £ 192 per ton on the 10th June, 1981 and remained at that level upto 30th June, 1981.

Jute Goods

180. Production of jute manufactures in the country's jute mills during 1980-81 stood 10.28 per cent higher at 6.01 lakh tons in 1980-81 as compared to 5.45 lakh tons in the preceding season due mainly to installation of some new looms in the private sector, production of more sackings in the BJMC mills and introduction of three shifts in certain jute mills. However, labour unrest and disruptions in power supply to the jute mills, particularly in the Khulna Zone, hampered production to some extent.

181. Export sales registration of jute goods with the Bangladesh Bank stood substantially higher at 6.58 lakh tons during 1980-81 as compared to 5.16 lakh tons in the previous year. The aggregate exports of jute goods

during 1980-81 also stood substantially higher at 5.00 lakh tons as compared to 4.52 lakh tons in the previous year. However, total foreign exchange earnings from the export of jute goods during 1980-81 stood lower at Tk. 587.51 crores as compared to Tk. 606.67 crores recorded in the previous season.

182. Stocks of jute goods of the BJMC mills (including sold, unsold and stock-in-transit) as on June 30, 1981 stood at 0.98 lakh ton as compared to 0.71 lakh ton on the same date of the previous season.

Tea

183. The tea industry registered some improvement during 1980-81 after a set-back experienced in the previous year. Production of tea at 89.59 million lbs. during the year reflected a rise of 6.38 per cent as compared to the production of 84.22 million lbs. during 1979-80. Quality of tea was also better during the greater part of the year due to favourable weather. Total availability of tea during the 1980-81 season including a carry over of 43.35 million lbs. stood at 132.94 million lbs. as against 113.42 million lbs. which included a carryover of 29.20 million lbs. in the previous season.

184. The Chittagong tea market depicted a mixed trend during the year 1980-81. Although the market witnessed some slackness during the earlier part of the year due to shipping difficulties and lack of demand from traditional buyers like Pakistan and the U. S. S. R., prices of most of the grades of tea registered increases during the latter part of the year due mainly to increased demand from foreign buyers at the Chittagong auctions and availability of better quality tea.

185. In all, 24 auctions were held at Chittagong during the 1980-81 season in which a total quantity of 77.69 million lbs. of tea was sold at an average price of Tk. 8.16 per lb. This compared with 72.23 million lbs. sold at an average price of Tk. 7.28 per lb. during 1979-80.

186. Both the volume and value of exports of tea recorded increases during 1980-81. The quantity of tea exported during the year stood at

65.65 million lbs. valued at Tk. 66.48 crores as against 52.66 million lbs. valued at Tk. 51.00 crores during 1979-80. The increases in both volume and value of tea exports during the year were attributable to improvement in the quality of most of the varieties of tea and higher demand for Bangladesh tea in the international market.

Hides and Skins

187. The hides and skins market in the country depicted mixed trend during the year 1980-81. The prices of cow-hides (wet salted heavy) which opened at Tk. 7,000—Tk. 11,000 per hundred pieces on July 1, 1980 gradually increased to Tk. 8,500—Tk. 12,500 per hundred pieces on September 15, 1980. After ruling steady at that level for some days, the price declined to Tk. 8,500—Tk. 12,000 per hundred pieces on October 6, 1980. Thereafter, the price of cow-hides started increasing and amidst fluctuations, closed the year at Tk. 12,000—Tk. 15,000 per hundred pieces. Opening at Tk. 24,000—Tk. 26,000 per hundred pieces on July 1, 1980, the price of buffalo-hides increased to Tk. 24,000—Tk. 27,000 per hundred pieces on September 1, 1980, and after ruling unchanged at that level for some time, the price gradually declined to Tk. 17,500—Tk. 22,500 per hundred pieces on November 3, 1980. The price, however, increased to Tk. 18,000—Tk. 22,500 per hundred pieces on November 6, 1980. Thereafter, the price of buffalo-hides started declining again, and amidst fluctuations, closed the year at Tk. 12,500—Tk. 15,000 per hundred pieces. The price of sheep skin which stood at Tk. 1,500—Tk. 1,600 per hundred pieces on July 1, 1980 gradually declined to Tk. 800—Tk. 1,000 per hundred pieces on October 22, 1980. Thereafter, the price, amidst fluctuations, reached the peak level of Tk. 2,200—Tk. 2,300 per hundred pieces on May 13, 1981 but subsequently declined to close the year at Tk. 1,600—Tk. 1,700 per hundred pieces. The price of goat skins which opened at Tk. 2,500—Tk. 4,500 per hundred pieces on July 1, 1980 increased to Tk. 4,000—Tk. 6,000 per hundred pieces on December 8, 1980. The price, however, declined to Tk. 3,500—Tk. 5,800 per hundred pieces on December 18, 1980. The price of goat skins started increasing again on the following day and rose to Tk. 6,000—Tk. 8,500 per hundred pieces on March 24, 1981. Thereafter, the price

gradually declined to close the year at Tk. 3,500—Tk. 6,000 per hundred pieces.

188. As in the previous year, bulk of the exports of hides and skins during the year 1980-81 was in the form of tanned and semi-tanned leather. Total earnings from exports of hides and skins, leather and leather products during 1980-81 stood at Tk. 92.64 crores as compared to the export target of Tk. 142.00 crores for the year and actual earnings of Tk. 102.47 crores during 1979-80. The target could not be achieved due mainly to the substantial fall in the price of leather in the international markets.

Frozen Food

189. Export earnings from frozen food which includes shrimps, frog legs and fish stood higher at Tk. 64.92 crores during 1980-81 as compared to Tk. 57.34 crores earned during the preceding year. The export of these items was hampered by continued restrictions imposed by the USFDA and decline in prices in the international market.

Handicrafts

190. The rising trend in the earnings from handicraft exports continued during the year under report. Total earnings during the year went up to Tk. 5.70 crores from Tk. 5.06 crores in the previous year.

Readymade Garments and Specialised Textiles

191. Readymade garments and specialized textiles which were declared as the "Export Items of the Year" under the Export Policy for 1980-81 fetched a substantially higher amount of Tk. 6.41 crores as against only Tk. 1.17 crores in the preceding year.

CHAPTER XVI

EXCHANGE RATE POLICY AND DEVELOPMENTS IN EXCHANGE CONTROL

EXCHANGE RATE POLICY

192. Exchange rates in the world markets continued to exhibit volatility during 1980-81 also. The exchange rate of pound sterling, our intervention currency, swung heavily and at times erratically in relation to U.S. Dollar which is Bangladesh's most important transaction currency. Pound Sterling continued to gain strength in relation to U.S. Dollar during the period from July to October, 1980. To restore some degree of stability in the exchange rate of Taka in relation to U.S. Dollar and other important transaction currencies, Taka value was adjusted downward thrice during this period. However, due mainly to the high interest rate policy pursued by the U.S. Government, the Dollar regained more than its lost strength against Pound Sterling during most of the remaining period—November, 1980-June, 1981, and Taka value was also adjusted from time to time to safeguard the interests of the country.

193. Exchange rate of Taka was thus refixed both upward and downward several times during the year to achieve a relatively stable exchange rate in respect of a basket of selected currencies to which Taka is pegged. The changes in the Taka-Pound Sterling exchange rate during the year are shown below :

Period	Buying	Selling
Ist July, 1980	34.69	34·74
29th July, 1980	36.25	36.30
13th October, 1980	38.40	38.50
27th October, 1980	38.87	38.97
26th February, 1981	37.10	37.20
23rd March, 1981	37.52	37.62

Period	Buying	Selling
24th April, 1981	37.20	37.30
8th May, 1981	36.68	36.78
25th May, 1981	36.31	36.41
4th June, 1981	35.95	36.05
6th June, 1981	34.78	34.88
19th June, 1981	35.36	35.46
30th June, 1981	34.87	34.97

DEVELOPMENTS IN EXCHANGE CONTROL

New Registration Unit of Bangladesh Bank

194. A Registration Unit of Bangladesh Bank was opened at Dinajpur on 18th July, 1980.

Retirement of Import Bills

195. It was decided that Import Bills negotiated under documentary credits would be lodged at the rate of exchange prevailing on the date of lodgement in the books of Authorised Dealers (AD's) instead of the rate of exchange prevailing on the date of negotiation of the import bills.

Import on Deferred Payment Basis

196. Previously, L/C's on deferred payment terms could be opened only against general or specific permission from the government. It was decided during the period under report that Bangladesh Bank would, under special circumstances, consider requests from the importers for import on deferred payment terms on individual merits.

Import and Export of Bangladesh Currency and Foreign Exchange by Incoming and Outgoing Passengers

197. Bangladesh Bank issued notification relaxing the rules regarding export and import of Bangladesh currencies and foreign exchange by

incoming and outgoing passengers. Previously, a passenger could take out from and bring into the country Bangladesh Bank notes and Bangladesh coins not exceeding Tk. 20.00 in value at any one time and could bring in foreign exchange without any limit subject to declaration of the same to the Customs in Form FMJ on arrival in Bangladesh. Under the revised instructions, (i) any person may take out from and bring into Bangladesh, Bangladesh Bank notes and Bangladesh coins not exceeding in all taka 100.00 in value at anyone time, (ii) a person ordinarily resident in Bangladesh may take out from and bring into Bangladesh foreign exchange not exceeding U.S. $ 25 or its equivalent without declaration to the Customs, and (iii) a person not ordinarily resident in Bangladesh, including foreign nationals, may bring into and take out from Bangladesh foreign exchange upto U.S. $ 150 or its equivalent without declaration to the Customs. Such persons may, however, bring in foreign exchange without any limit subject to declaration of the same in form FMJ to the Customs on arrival in Bangladesh. Further, if a Bangladeshi wage earner abroad wishes to avail of the facility of the wage earner's benefit, he would be required to declare his entire foreign exchange holdings to the Customs in the form FMJ.

Import of Books and Magazines by Individual Users

198. In order to remove some confusion among the A/D's as to whether import of text and reference books and technical and other magazines by individual users can be made without L/C cover, the Bank issued the necessary clarification that the payment against import of the above items by individual (actual) users may be made without the cover of the Letter of Credit subject to the monetary ceiling of Tk. 2000 per year fixed by the Government in the import Policy Orders.

Forward Purchase of U.S. Dollar by Bangladesh Bank

199. The minimum amount for purchase of foreign exchange by Bangladesh Bank for forward delivery was reduced from U.S. $ 10,000 to $ 1,000

in respect of covers given by Authorised Dealers to their customers for export of non-traditional items.

Suspension of Minimum Export Price Check for Lower Grades of Raw Jute

200. Due to sluggish demand for raw jute, especially of their lower grades, in the international market, it was decided in March, 1980 to suspend application of Minimum Export Price (MEP) for 'D' grades and below relating to shipments upto September and December, 1980 respectively. It was also decided that the suspension of MEP for the above grades of raw jute would continue until further instructions.

Quoting of Export Price of raw Jute in any Convertible Currency

201. The procedure for quoting export price of raw jute was revised. Previously, the export price of raw jute could be quoted in U.S. Dollar in addition to pound sterling. The revised procedure envisages that the export price of all grades of raw jute can be quoted in any convertible currency convenient to the buyers and sellers. Similarly, the sale of jute goods in any convertible currency would be permissible.

Wage Earners' Scheme

202. It was decided that the benefit of the Wage Earners' Scheme would be extended to the following types of inward remittances also :

a) Remittances received from the foreign institutions/organisations/firms for consultancy work.

b) Remittances received by writers and newspaper striangers for their foreign publications.

c) Remittances received on account of pension and social security benefit.

Release of Foreign Exchange Under Wage Earners' Scheme for Travel to India by Land Routes

203. In order to ease the difficulties experienced by the public travelling to India by land route, general authority was given to the Authorised Dealers to release foreign exchange upto U. S. $ 50 or its equivalent in pound sterling under the Wage Earners' Scheme for travel of Bangladesh nationals to India by land route once in a calendar year.

L/C's for Procurement of Goods from the People's Republic of China

204. Consequent upon the admission of the People's Republic of China as a new Member of the IBRD, Authorised Dealers were advised to open L/C's for procurement of goods from that country also under IDA credits.

Revision of XPL

205. During the year under report, the XPL Scheme (Export Performance Licence Scheme) was revised both with regard to operation of the scheme and the rates of entitlement of the concerned exporters. Under the revised arrangements, Bangladesh Bank would issue Import Entitlement Certificate to the exporters which could be freely transferred to third parties. These certificates could be converted into Import Licences from the Offices of the CCI & E for import of items desired by the holders. The entitlement rates which were previously 10%, 20%, 30% and 40% of the FOB value of exports, have been rationalised and raised to 40% and 60%, depending on the nature of the products exported. The number of items eligible for XPL has also been increased to 81.

Hajj - 1980

206. The Government allowed 7,000 persons from Bangladesh to perform Hajj in 1980. Pilgrims travelling by air were given a foreign exchange

quota of Saudi Riyal 2,679 each and for those travelling by ship the quota was S. Rl. 2,919 each. In addition, each pilgrim was allowed to purchase upto U. S. $ 300 under Wage Earners' Scheme. Non-ballottee pilgrims, i. e. persons willing to perform Hajj outside the official quota were given facility of buying U. S. $ 1,110 per head from Foreign Currency Accounts under Wage Earners' Scheme.

CHAPTER XVII

ASIAN CLEARING UNION

ASIAN CLEARING UNION

207. Transactions under the Asian Clearing Union (ACU) arrangements relating to Bangladesh increased significantly during the year 1980-81 due mainly to the introduction of the revised procedure. Previously, transactions under the Union were settled through central banks of themember countries whereas the revised procedure envisaged that such settlement would be made through commercial banks in the usual manner like other foreign exchange transactions. For this purpose, Authorised Dealers (banks) were advised to maintain clearing accounts with their correspondents in the member countries. The Authorised Dealers in Bangladesh were advised to freely entertain requests of their correspondent commercial banks of the participating countries to open Non-Resident Taka Accounts in their names. To facilitate operation of the Authorised Dealers in settling the transactions with the Union Members, Bangladesh Bank offices at Dacca, Chittagong and Khulna would undertake sale and purchase of the currencies of the member countries. It was further decided that from the lst December, 1980 all eligible transactions with the member countries would compulsorily be settled through the Asian Clearing Union mechanism which means that all contracts for goods and services (except under Wage Earners' Scheme, credit and barter) and the L/Cs and other documents should be expressed or drawn either in Bangladesh Taka or in the currencies of the concerned member countries of the ACU.

208. In all, 153 inward remittances for a total amount of AMUs (Asian Monetary Units) 7.4 million (Tk. 15.21 crores) were received during 1980-81 as against only 36 remittances for a total amount of AMU 0.35 million (Tk. 0.71 crore) during the preceding year. On the other hand, during 1980-81, there were 160 outward remittances from Bangladesh

for a total amount of AMUs 9.3 million (Tk. 19.12 crores) as compared to only 7 outward remittances for a total amount of AMU 0.06 million (Tk. 0.12 crore) during the preceding year. However, most of the transactions were made after Ist December, 1980.

209. A total of 6 settlements took place during the year 1980-81. Of these, Bangladesh Bank had creditor position in the first 5 settlements and received a total sum of US $ 3.60 million (Tk. 6.14 crores) while it had a debtor position in the last settlements of the year and a sum of US $ 2.05 million (Tk. 3.72 crores) was paid.

CHAPTER XVIII

CURRENCY AND COINAGE

CURRENCY AND COINAGE

Bank Notes

210. No new design Notes and Coins were issued during the period from 1st July, 1980 to 30th June, 1981.

Coins

211. Subsidiary coins in circulation as on 30th June, 1981 amounted to Tk. 23.26 crores as against Tk. 19.53 crores as on 30th June, 1980. This was in addition to Taka One Notes and Taka One Coins worth Tk. 33.54 crores in circulation as on 30th June, 1981 as against Tk. 29.21 crores as on 30th June, 1980.

CHAPTER XIX

ADMINISTRATION

ADMINISTRATION

Change in the Board of Directors

212. Mr. Salahuddin Ahmed has been nominated by the Government and taken in as a member of the Board of Directors of the Bank in place of Mr. M.S.H. Chishty and Mr. M. Khalid Khan, Deputy Governor has been taken in as a Director of the Board in place of Mr. A.K. Gangopadhyay, ex-Deputy Governor of the Bank. Mr. A.F.M. Ehasanul Kabir resigned the post of Director of the Board of Directors of the Bank with effect from 15th May, 1981.

Appointments

213. The following appointments in different grades of employment were made by the Bank during the year ending June, 1981.

i)	Officers Class-I and above	31
ii)	Officers Class-II	43
iii)	Clerical and other Staff	425
	Total :	**499**

Welfare Activities

214. An amount of Tk. 3,35,000 was sanctioned during the year for various welfare and recreational activities of the employees of the Bank. In addition, an amount of Tk. 2,73,200 was sanctioned during the year for awarding educational stipends to the children of 'D' category employees of the Bank.

215. A cell named "Representation Cell" to attend to the work relating to staff Union representation matters has been created. As per instructions of the Government, an Advisory Committee on staff matters has been constituted to redress the grievances which are within the administrative competence of the Bank.

Office Accommodation

1) Construction of a 3-storied Main Building having foundation of a 7-storied structure with a 4-storied Annexe Building for office accommodation at Bangladesh Bank, Bogra has been completed. Construction of the Main and the Annexe Buildings at Sylhet is in progress.

2) The work for selection of Architects with their model and rate of remuneration for construction of a 10-storied second Annexe Building with 21-storied foundation at the Head Office premises, Motijheel, Dacca has been taken in hand.

3) Construction of 1st floor over shed No. 2 at Bangladesh Bank, Rajshahi is progressing.

4) Contractors for the construction of an Annexe Building at Khulna have been pre-qualified and tender documents for piling work is under preparation by the consultant.

5) Arrangement for construction of a Multi-storied Bank Building at S.B.I. premises, Chittagong has been made and the schedule of piling work is under preparation by the consultant.

6) Construction of a school and a mosque at Bangladesh Bank Staff-Quarters, Agrabad, Chittagong is nearing completion.

Residential Accommodation

i) Work orders have been issued to the contractors for construction of Staff Quarters at I.G. Bagan, Gandaria, Dacca.

ii) Construction of boundary wall at I.G. Bagan Staff Quarters is nearing completion.

iii) Construction of a boundary wall at Motijheel Staff Quarters School Building is in progress.

iv) Electrification work at newly constructed flats of the existing 6 "G" type, 2 "D" type and 1 "H" type buildings at Agrabad Staff Quarters, Chittagong has been completed except supplying and fitting/fixing of 38 ceiling fans.

v) Construction of compound wall, Darwan's cabin and approach road of Baniakhamar Staff Quarters at Bangladesh Bank, Khulna is in progress.

vi) Construction of Staff Quarters at Baniakhamar, Khulna has been started.

Foreign Training

216. Arrangements were made for participation of 17 officers of the Bank in different training courses/seminars in foreign countries under different Technical Assistance Programmes and other programmes including training courses offered by the IMF Institute, Washington.

Domestic Training

217. 166 officers of the Bank participated under domestic training programme organised by different Institutions within the country. 14 day's training of 5 newly recruited Assistant Controllers of the offices of the CCI&E with Bangladesh Bank and Sonali Bank was arranged by the Secretary's Department of the Bank.

Training Academy

218. Arrangements were made for acquaintance programme for 11 Probationary officers (AAG and ACMA) of the Government deputed by the Director General, Audit and Accounts Training Academy, Government of Bangladesh. Acquaintance programme was also arranged for a batch of 10 officials of different organisations undergoing training at NIPA.

219. Theoretical as well as intensive practical on-the-job training was conducted by the Academy for 134 Officers Class I and 148 Officers Class II of all offices of the Bank.

220. The Academy imparted theoretical and practical training to 90 Deputy Treasurers and 70 Assistant Treasurers of the Cash Department of all offices of the Bank.

221. The Academy conducted a course on "Techniques of Bank Inspection" for officials of the Department of Banking Inspection to make the

inspecting machinery of the Bank more efficient and effective. 61 Officers Class II and above upto Senior Officers of different offices of the Bank received training under the programme. During the year 10 Officers Class I and 17 Officers Class II of the Department of Banking Inspection underwent practical training in commercial banking in different nationalised banks. The programme aimed at familiarising the officials engaged in inspection of commercial banks with the working of the said banks so that inspection machinery could be made more useful and efficient. To supplement the practical training of the officials in commercial banks, the Academy also arranged intensive theoretical lectures/discussion programmes.

222. A special training course on "Techniques of Chest Inspection" was conducted by the Academy for 7 Officers Class I of the Bank to make the inspection of Currency Chests more comprehensive.

223. The Orientation course for the Bank Officers in Class I Selection Grade and above upto Principal Officers introduced last year with a view to keeping them abreast of the development of newer and sophisticated knowledge in their areas of activities for bringing about an attitudinal and motivational change in ideas so as to enable them to introduce new dimensions in the banking activities to serve the developmental needs of the country, was continued during the year. The Academy also arranged talks by foreign personalities.

224. The Executive Development Programme introduced for the mid-level officers of the Bank to prepare them for shouldering higher responsibilities in future also continued during the year. 10 officers participated in the programme in 2 groups and prepared papers on (i) Forecast of Foreign Exchange Reserves, 1980-81 on quarterly basis, and (ii) Projection of working capital requirements for 3 years viz., 1980-81, 1981-82 and 1982-83 of industries financed by Bangladesh Shilpa Bank and Bangladesh Shilpa Rin Sangstha.

225. During the period under report 20 Officers Class I (on probation) and 22 Officers Class II (on probation) directly recruited by the Bank were placed with the Academy for intensive theoretical and practical training. The officers are to receive 3-months' theoretical training in the Academy followed by 3-months' practical training in Commercial Banking in Nationalised Banks and 6-months' practical training in various Departments of the Bank.

Board Meetings

226. During the year 11 (eleven) meetings of the Board of Directors, 5 (five) meetings of the Executive Committee and 10 (ten) meetings of the Co-ordination Committee were held.

CHAPTER XX

ANNUAL ACCOUNTS

ANNUAL ACCOUNTS

227. The Balance Sheet of the Issue Department of the Bank as on 30th June, 1981 appears at page 158 of the Report.

Issue Department

228. Total notes issued as on 30th June, 1981 amounted to Tk. 984.35 crores as against Tk. 748.67 crores as on 30th June, 1980. Assets against the notes issued included Gold worth Tk. 33.50 crores, Special Drawing Rights held with the International Monetary Fund worth Tk. 18.77 crores, Approved Foreign Exchange of Tk. 100.00 crores, Taka Coin worth Tk. 0.70 crore, Government of Bangladesh Securities worth Tk. 572.14 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 30th June, 1980 were 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 Coin 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.

Banking Department

229. The Balance Sheet of the Banking Department as on 30th June, 1981 appears at page 160. On the Liabilities side, balances in the Statutory Funds increased from Tk. 57.50 crores to Tk. 88.50 crores due to appropriation of Tk. 31.00 crores as detailed in the paragraph relating to "Profit & Loss Account". Government Deposits increased to Tk. 0.86 crore as against Debtor Balances of Tk. 9.34 crores last year. Bank Deposits increased to Tk. 294.36 crores as against Tk. 247.22 crores as on 30th June, 1980. 'Other Deposits' including deposits of I.B.R.D., IMF, etc. stood at Tk. 1121.49 crores as on 30th June, 1981 as against Tk. 611.89

crores as on the same day last year. Allocation of SDR also increased to Tk. 91.74 crores as against Tk. 60.97 crores as on 30th June, 1980.

230. On the Assets side, 'Bills Purchased and Discounted—Internal' decreased from Tk. 168.00 crores to Tk. 153.00 crores as on 30th June, 1981 and rediscounted Government Treasury Bills increased from Tk. 154.11 crores to Tk. 183.20 crores as on 30th June, 1981. Balances held outside Bangladesh increased to Tk. 299.99 crores as against Tk. 82.44 crores as on 30th June, 1980. Loans and Advances to Government (Ways & Means Advance) remained unchanged at Tk. 20.00 crores. Other Loans and Advances increased to Tk. 569.83 crores as against Tk. 350.53 crores as on the same day last year. The balances under "Investments" rose to Tk. 637.74 crores as against Tk. 445.81 crores as on 30th June, 1980.

Profit & Loss Account

231. The Profit and Loss Account of the Bank for the year ending 30th June, 1981 appears at Page 162.

232. The profit and Loss position of the Bank for the year 1980-81 is summarised as under :

Gross Earning of the Bank	Tk. 195,52,59,539.18
Total Expenditure	Tk. 64,51,52,633.09
Net Profit :	**Tk. 131,01,06,906.09**

233. Out of the above profit of Tk. 131,01,06,906.09 a sum of Tk. 31.00 crores has been appropriated to the different Statutory Funds and Tk. 2.00 crores towards Credit Guarantee Fund A/C. and the balance of Tk. 98,01,06,906.09 has been transferred to Government as surplus profit as indicated below :

Rural Credit Fund	Tk. 12,00,00,000.00
Industrial Credit Fund	Tk. 3,00,00,000.00
Export Credit Fund	Tk. 4,00,00,000.00
Agricultural Credit Stabilisation Fund	Tk. 12,00,00,000.00
Credit Guarantee Fund	Tk. 2,00,00,000.00
Surplus profit transferred to the Government	Tk. 98,01,06,906.09
Total :	**Tk. 131,01,06,906.09**

Interest Subsidy to Banks and Financial Institutions

234. For financing the Agricultural Projects and the Special Housing Scheme for the low and middle income people at a concessional rate of interest the Bank, besides providing credit at a very low rate of interest by itself, has also allowed interest subsidy to the financing banks and the House Building Finance Corporation. A sum of Tk. 58,97,082.00 was paid under this head during the year 1980-81 as against Tk. 72,97,444.62 paid last year.

Appointment of Auditors

235. In terms of Article 65 (1) of the Bangladesh Bank Order, 1972 the Government was pleased to appoint M/S. A. Qasem & Co. and M/S. Ata Khan & Co. Chartered Accountants as Auditors of the Bank for the year 1980-81.

Appreciation

236. 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, 1981.

BALANCE SHEET

AND

PROFIT AND LOSS ACCOUNT

AS AT

30TH JUNE, 1981

BANGLADESH
BALANCE SHEET AS AT
ISSUE

LIABILITIES	TAKA	TAKA
Notes held in the Banking Department	18,52,245	
Notes in Circulation*	984,16,24,470	
Total Notes Issued		984,34,76,715
TOTAL LIABILITIES		**Tk. 984,34,76,715**

* 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.

	ASSETS	TAKA	TAKA
A.	Gold Coin and Bullion	33,50,00,000	
	Silver Bullion	Nil	
	Special Drawing Rights held with the International Monetary Fund	18,77,33,106	
	Approved Foreign Exchange	100,00,00,000	152,27,33,106
B.	Taka Coin	69,68,124	
	Government of Bangladesh Securities**	572,13,82,325	
	Internal Bills of Exchange and other Commercial Papers	259,23,93,160	832,07,43,609
	TOTAL ASSETS		**Tk. 984,34,76,715**

** 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	30,75,00,000
Industrial Credit Fund	12,50,00,000
Export Credit Fund	15,00,00,000
Agricultural Credit Stabilisation Fund	30,25,00,000
Deposits :	**1416,71,61,040**
(a) Government	86,66,249
(b) Banks	294,35,59,972
(c) Others	1121,49,34,819
Allocation of Special Drawing Rights	91,74,31,206
Bills Payable	13,56,005
Other Liabilities	359,20,34,650
TOTAL LIABILITIES	**Tk. 1962,29,82,901**

ASSETS	TAKA
Notes	18,52,245
Taka Coin	1,744
Subsidiary Coin	123
Bills Purchased and Discounted :	**336,20,05,477**
(a) Internal	153,00,00,000
(b) External	Nil
(c) Government Treasury Bills	183,20,05,477
Balances held outside Bangladesh*	299,99,28,439
Special Drawing Rights held with the International Monetary Fund	Nil
Loans and Advances to Government	20,00,00,000
Government's Debtor Balances	Nil
Other Loans and Advances	569,82,54,300
Investments	637,74,28,258
Other Assets	98,35,12,315
TOTAL ASSETS	**Tk. 1962,29,82,901**

* Include Cash and Short Term Securities.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1981

INCOME	
Interest, Discount, Exchange, Commission, etc.	Taka 195,52,59,539
EXPENDITURE	
Establishment	9,06,70,378
Directors' Fees and Expenses	29,728
Auditors' Fees	38,500
Rent, Taxes, Insurance, Lighting, etc.	55,73,493
Law Charges	1,08,901
Postage and Telegram Charges	14,71,684
Remittance of Treasure	13,08,381
Stationery, etc.	48,24,033
Security Printing (Cheques, Note forms etc.)	3,37,78,424
Depreciation and Repairs to Bank's property	1,01,29,533
Agency Charges	1,05,35,877
I. M. F. Charges	21,91,78,905
Interest Subsidy to Banks & Financial Institutions	58,97,082
Interest on Deposits	22,89,17,161
Interest on Staff Provident Fund	78,93,361
Contribution to Staff and Superannuation Funds	Nil
Miscellaneous Expenses	2,47,97,292
Net Available Balance	131,01,06,906
Total Taka :	**195,52,59,539**
Amount transferred to Reserve Fund	Nil
Amount transferred to Rural Credit Fund	12,00,00,000
Amount transferred to Industrial Credit Fund	3,00,00,000
Amouut transferred to Export Credit Fund	4,00,00,000
Amount transferred to Agricultural Credit Stabilisation Fund	12,00,00,000
Amount transferred to Credit Guarantee Fund	2,00,00,000
Surplus payable to Government	98,01,06,906
Balance carried forward	Nil
Total Taka :	**131,01,06,906**

RESERVE FUND ACCOUNT

By Balance on 30th June, 1980	3,00,00,000
By Transfer from Profit & Loss Account	Nil
Total Taka :	**3,00,00,000**

M. A. Haque	**Muhammad Khalid Khan**	**M. Nurul Islam**
Director of Accounts	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, 1981 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, Chittagong, Khulna, Bogra, Rajshahi and Sylhet 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 fair 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.

A. Qasem & Co.
Chartered Accountants

Ata Khan & Co.
Chartered Accountants

Dacca,
The 10th August, 1981

COMPARATIVE POSITION OF SCHEDULED BANKS

(In crore Taka)

Particulars	Amounts as on	
	30.6.80	30.6.81
Bank Deposits (excluding inter-bank items)	2710.52	3437.41
Demand Deposits	978.45	1215.10
Time Deposits	1732.07	2222.31
Borrowings from Bangladesh Bank	697.28	902.48
Cash in hand	76.44	86.21
Balances with Bangladesh Bank	254.69	197.34
Balances with other banks in current account in Bangladesh	43.30	45.08
Money at call and Short Notice in Bangladesh	41.21	28.78
Investment in Bangladesh	502.81	652.44
Government Securities	256.09	342.78
Others	246.72	309.66
Bank Credit (excluding inter-bank items)	2769.70	3599.56
Advances in Bangladesh	2595.16	3377.71
Inland and Foreign Bills Purchased and Discounted in Bangladesh	174.54	221.85
Credit/Deposit Ratio	0.90	0.92

LIST OF SCHEDULED BANKS

(As on the 30th June, 1981)

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.
7. Banque De L' Indo-Chine Et De Suez

OFFICES OF THE BANGLADESH BANK

(As on June 30, 1981)

Head Office

DACCA

Offices at

DACCA

CHITTAGONG

KHULNA

BOGRA

RAJSHAHI

SYLHET