

ANNUAL REPORT 1981-82

৫-৩



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. <i>Mr. Mahfuzul Huq</i> | Director |
| 5. Professor M. S. Mandal | Director |
| 6. Mr. Syed Rafiqul Haque | Director |
| 7. Mr. Salahuddin Ahmed | Director |
| 8. Mr. S. M. Al-Hussainy | Director |
| 9. Mr. Kazi Fazlur Rahman | Director |
| Mr. P. K. M. A. Chowdhury | Secretary |

GOVERNOR

Mr. M. Nurul Islam

DEPUTY GOVERNORS

Mr. M. Khalid Khan

Mr. M. Khaled+

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. Hoque-II

Mr. Md. Mukhlesur Rahman

Mr. Kamal Uddin Ahmed

Mr. A. K. M. Shah Alam Choudhuri

Mr. S. R. Karmaker (Looking After)

Mr. B. B. Debnath

Mr. A. S. M. Fakhrul Ahsan

Mr. M. Atiqul Haque

Mr. Abdul Mannan

Mr. Mahbubur Rahman Khan

Mr. S. M. Khalilur Rahman
(Looking After)

Mr. A. Q. Siddiqui

Mr. P. K. M. A. Chowdhury

Mr. A. B. M. Mahbubul Amin Khan

Mr. A. T. M. Hafizur Rahman

... Accounts Department

... Administration & Expenditure
Department

... Agricultural Credit Department

... Audit and Inspection Department

... Banking Control Department

... Department of Banking Inspection

... Department of Research

... Department of Public Relations
& Publications

... Engineering Department

... Exchange Control Department

... Personnel Department

... Rural Credit Project Department

... Secretary's Department

... Statistics Department

... Training Academy

HEADS OF BRANCH OFFICES

Mr. B. M. Ahmed

Mr. A. K. M. Khalilur Rahman

Mr. M. Maidul Islam

Mr. Walayet Hossain

Mr. M. A. Quasem

Mr. A. T. Ahmed Chowdhury

... Dhaka Office

... Chittagong Office

... Khulna Office

... Bogra Office

... Rajshahi Office

... Sylhet Office

+Effective from November 16, 1981.

*Upto May 31, 1982.

**LETTER OF TRANSMITTAL
BANGLADESH BANK**

DHAKA :
December 10, 1982

The Secretary,
Ministry of Finance and Planning,
Finance Division,
Government of the People's
Republic of Bangladesh,
DHAKA.

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, 1982.

Yours faithfully,
M. NURUL ISLAM
Governor

CONTENTS

Page

I.	TRENDS IN THE ECONOMY	1
II.	DEVELOPMENTS IN MAJOR SECTORS	15
	Agricultural Production	17
	Industrial Production	18
	Investment in the Public Sector	20
	Investment in the Private Sector	20
	Food Situation	21
	Price Situation	23
	Cost of Living	24
III.	MONETARY AND BANKING DEVELOPMENTS	25
	Money Supply	27
	Bank Credit	31
	Bank Deposits	31
	Urban and Rural Bank Deposits & Advances	32
	Liquidity Position	32
	Bank Rate	33
	Interest Rates	33
	Cash Reserve Requirement	34
	Liquidity Ratio	34
	Credit Policy and Measures	34
	Refinance Policy	40

IV. DEVELOPMENT OF BANKING FACILITIES AND FINANCE	43
Branch Expansion	45
Inspection of Banks	45
Jute Finance	46
Financing of Food and Sugar Industries Corporation	47
Counter-Finance for Procurement & Distribution of Food and Fertilizers	47
Refinance Against Textile Finance	47
Refinance Against Petroleum Finance	47
Refinance Against Rural Credit	47
Refinance Against Small Loan	48
Export Bills	48
Other Refinances	48
V. DEVELOPMENT OF CAPITAL MARKET AND INDUSTRIAL FINANCE	49
Dhaka Stock Exchange	51
Investment Corporation of Bangladesh	51
International Finance and Investment Company	52
Bangladesh Shilpa Bank	53
Bangladesh Shilpa Rin Sangstha	54
VI. AGRICULTURAL FINANCE	57
Institutional Arrangement	59
Interest Subsidy and Government Guarantee	60
Interest Rate Policy for Agricultural Credit	60
Annual Agricultural Credit Programme for 1981-82	61
Disbursement under Normal and Special Agricultural Credit Programme	61
Financing of the Sale of Irrigation Equipment	63
Loans for Pond Fishery	63
Refinance by Bangladesh Bank	64

	Page
Rural Finance Experimental Project	65
Special Credit Scheme for Small Farmers Under IFAD	66
Post Harvest Technology, Storage and Marketing Credit for Small and Medium Farmers	67
ASARRD Project	67
Bangladesh Rural Development Project (RD-1)	68
Dheki Loan and Loan on Other Activities under Swanirvar Bangladesh Programme	69
Inspection	70
Rural Credit Project Department	70
Banana Cultivation	71
Shrimp Culture	71
Loans for Rural Transport	71
Hand Tube-well Programme	72
Grameen Bank Project	72
 VII. FINANCING OF SMALL AND COTTAGE INDUSTRIES UNDER IDA CREDIT	 75
 VIII. HOUSING POLICY AND HOUSE BUILDING FINANCE	 81
Housing Policy	83
House Building Finance	84
House Building Finance Corporation	84
Nationalised Commercial Banks	87
Bangladesh Bank	88
 IX. PUBLIC FINANCE	 89
Mobilisation of Domestic Resources	91
Budget for 1981-82 (Revised)	92
Budget Estimate for 1982-83	94

	Page
Fiscal Measures	95
Railway Budget for 1982-83	98
Government Borrowings	100
Bangladesh Savings Certificates and Bangladesh Sanchaya Patras	102
Pratirakkha Sanchaya Patras	102
Bonus Sanchaya Patras	102
5-Year Bangladesh Sanchaya Patras	102
Bangladesh Prize Bonds	102
Sale of Savings Instruments to the Bangladesh Wage Earners Serving Abroad	103
Wage Earners' Development Bonds	103
 X. INTERNATIONAL ECONOMIC COOPERATION AND INVESTMENT PROMOTION	 105
 XI. BALANCE OF TRADE AND PAYMENTS	 111
Balance of Trade	113
Balance of Payments	114
Foreign Exchange Reserves	115
Terms of Trade	115
 XII. FOREIGN AID	 117
 XIII. TRANSACTIONS WITH IMF	 121
 XIV. TRADE POLICY	 125
Export Policy and Target	127
Import Policy	129
 XV. TRADE AND PAYMENTS AGREEMENTS	 131

XVI. TRENDS IN EXPORT COMMODITIES

Raw Jute	135
Jute Goods	137
Tea	139
Hides and Skins	140
Frozen Food	141
Naptha, Furnace Oil and Bitumen	142
Readymade Garments and Specialized Textiles	142
Newsprint	143
Handicrafts	143

**XVII. EXCHANGE RATE POLICY AND DEVELOPMENTS
IN EXCHANGE CONTROL**

145

XVIII. ASIAN CLEARING UNION

151

XIX. CURRENCY AND COINAGE

155

Bank Notes	157
Coins	157

XX. ADMINISTRATION

159

Changes in the Board of Directors	161
Appointments	161
Welfare Activities	161
Office Accommodation	161
Residential Accommodation	162
Foreign Training	163
Domestic Training	163
Training Academy	163
Board Meetings	164

	Page
XXI. ANNUAL ACCOUNTS	165
Issue Department	167
Banking Department	167
Profit and Loss Account	168
Interest Subsidy to Banks and Financial Institutions	169
Appointment of Auditors	169
APPRECIATION	169
BALANCE SHEET	171
Issue Department	172
Banking Department	174
Profit and Loss Account	176
Report of the Auditors	177
APPENDICES	179-190
1. Area and Population	181
2. National Income, Investment and Savings	181
3. Government Finance and Annual Development Programme	182
4. Money, Credit and Prices	183
5. Balance of Payments	184
6. Merchandise Exports	185
7. Merchandise Imports	186
8. Foreign Aid, External Debt and Debt Service	187
9. Taka-Dollar Exchange Rates	187
10. Comparative Position of Scheduled Banks	188
11. List of Scheduled Banks	189
12. Offices of the Bangladesh Bank	190

CHAPTER I

TRENDS IN THE ECONOMY

TRENDS IN THE ECONOMY

During 1981-82 the economy experienced severe stress and strains due mainly to international recession, volatile exchange rate and high interest rates in world markets causing continued deterioration in terms of trade. The difficulties were compounded by adverse domestic factors like drought, untimely rainfall, pest attack etc. As a result Gross Domestic Product (G.D.P.) increased by only 0.9 per cent in real terms as compared with 6.1 per cent achieved in 1980-81. The fall in the rate of growth of the economy was due mainly to the decline in agricultural production which accounted for 55 per cent of G.D.P. Agricultural production declined by about 0.6 per cent during 1981-82 as compared with the increase of about 7.1 per cent in 1980-81. The decline in agricultural output was caused mainly by prolonged drought, untimely rainfall and pest attack. Hardly any growth was recorded in transport and trade sectors also. Although other sectors showed positive growth, their performance was no better than in the preceding year, except that of the construction sector. In the industrial sector the growth rate was only 2.9 per cent during the year as against 8.8 per cent in the preceding year. In the banking and insurance sector the growth rate declined markedly from 7.5 per cent in 1980-81 to 3.6 per cent during 1981-82. In the power and gas sector also the growth rate declined somewhat from 14.4 per cent in 1980-81 to 14.2 per cent in 1981-82. In the 'housing' and 'other services' sectors the growth rates were the same as in the preceding year. Performance, however, improved in the construction sector.

2. The decline in agricultural production was due mainly to a reduction in foodgrain production. Foodgrain production at 141 lakh tons during 1981-82 was much below the target of 162 lakh tons and also lower than actual production of 146 lakh tons during 1980-81. This once again demonstrated the

vulnerability of the economy to the vagaries of weather. On account of the shortfall in foodgrain output and higher market prices than procurement prices domestic procurement of foodgrains was substantially lower at 2.98 lakh tons as compared with the procurement level of over 10.17 lakh tons in the preceding year. The markedly reduced domestic procurement combined with large offtake of foodgrains for public distribution in the face of modest imports originally programmed in anticipation of good crops during the year depleted Government stocks of foodgrains to a significant extent. The stocks had declined from 12.30 lakh tons in June, 1981 to 7.87 lakh tons by end February, 1982. To cope with the tight food situation arrangements for substantial imports of foodgrains had to be made. Although a sizable part of these imports was made under aid and grants, substantial expenditure had to be incurred from own resources.

3. At a time when the food availability was significantly strained the lagged impact of fast monetary expansion in the second half of 1980-81 was markedly felt. Liquidity had expanded by Tk. 623.40 crores or 16.63 per cent during January—June, 1981 as against the increase of Tk. 265.25 crores or 8.38 per cent in January—June, 1980. The combined effect was the accentuation of the price pressure during 1981-82. Other factors which contributed to the increased price pressure were shortfall in imports, increase in import prices and the depreciation of exchange rate during the year. Reflecting the intensification of price pressure the twelve month average of cost of living indices for Middle Class People in Dhaka (1973-74=100) markedly increased by 16.29 per cent in 1981-82 as compared with the rise of 12.54 per cent in the preceding year. The increase in the twelve month average of the cost of living indices was particularly pronounced in the sub-indices of food (+17.76 per cent) and fuel and lighting (+28.48 per cent). Other sub-indices, namely, clothing and foot-wear, housing and house-hold requisites and 'miscellaneous' also showed increases of 10.54 per cent, 7.48 per cent and 13.61 per cent respectively.

4. The rate of inflation appeared to have decelerated in the later months of the year. The rate of inflation which was 20.1 per cent over the

period April, 1981—March, 1982 on a point to point basis declined to 15.9 per cent over the period May, 1981—April, 1982 and further to 9.2 per cent over the period June, 1981—May, 1982 and to only 7.5 per cent in July, 1981 to June, 1982. The reduced pressure on prices in the last three months of the year reflected not only the improvement in food situation on account of arrivals of additional imports arranged to cope with the difficult food situation but also the impact of the measures taken by the Government to augment availability through curbing speculative hoarding and smuggling. The improvement was also partly a reflection of a marked slowing down of liquidity and domestic credit expansion during 1981-82. With a view to curbing the fast expansion in domestic credit and liquidity a number of measures were taken in the first quarter of 1981-82. These included reduction in the sanctioned limits for both the public and private sector borrowers, except for those of the jute sector, reduction in advances allowed for imports under the Wage Earners' Scheme against Foreign Currency Accounts and AIPs, reduction in advances allowed in Bangladesh Taka to the Foreign Currency Account holders or their nominees against the security of funds in Foreign Currency Accounts and also in advances which could be extended to members of the stock exchange against Foreign Currency Accounts. Further, the margin requirements in respect of cash imports of industrial raw materials and industrial consumer goods were raised. The policy with regard to refinance extended by the Bangladesh Bank to the scheduled banks was also tightened.

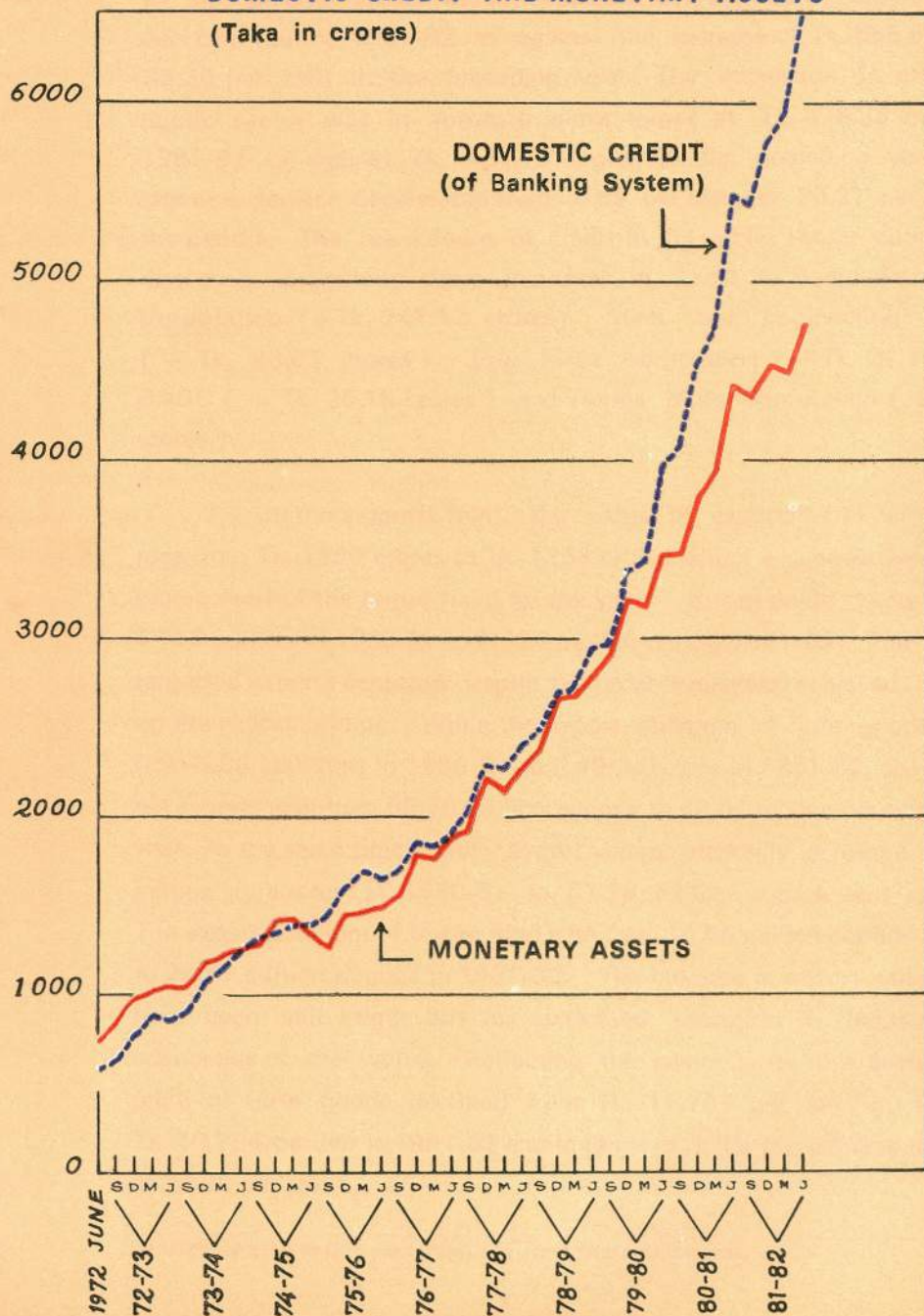
5. Reflecting the impact of the above credit control measures domestic credit declined by Tk. 84.52 crores or 1.54 per cent during July-September, 1981 as against the increase of Tk. 104.41 crores or 2.63 per cent in the corresponding period of 1980-81, while liquidity declined by Tk. 84.52 crores or 1.93 per cent during the quarter as compared with a nominal decline of Tk. 8.74 crores or 0.20 per cent in July-September, 1980.

6. The restrictive measures were relaxed and credit and liquidity were allowed to expand after September, 1981, but great care was taken to see that the levels of credit and liquidity remained within the safe limit. The

monetary and credit programme was accordingly made more realistic by revising it from time to time in the light of changes in economic condition. While a monetary programme was framed earlier on the basis of the assumption of a GDP growth of 5 per cent and the acceptable price increase of 10 per cent, substantial adjustment was made later in the programme when indications became available that GDP growth might not exceed 1 per cent. Another factor which helped curb the expansion in credit and liquidity was a marked reduction in bank financed deficit in the Government fiscal operations made possible by a substantially reduced domestic procurement of foodgrains and a sharp increase in offtake of rice and wheat through the rationing system and open market sales. Significantly smaller recourse to the banking system by the Government during 1981-82 was also due partly to discipline in the fiscal operations of the Government enforced mainly through a sizable cut in the Annual Development Programme for 1981-82 from Tk. 3015 crores to Tk. 2715 crores. Thus the expansion in domestic credit and liquidity during October, 1981—June, 1982 remained restrained. During the period the expansion in domestic credit worked out to be not more than Tk. 1060.77 crores or 19.6 per cent as against the large increase of Tk. 1419.04 crores or 34.87 per cent in the comparable period of 1980—81 ; at the same time expansion in liquidity did not exceed Tk. 430.65 crores or 10 per cent as compared with a much larger expansion of Tk. 948.61 crores or 27.71 per cent in the corresponding period of the preceding year. Taking the year 1981-82 as a whole, total domestic credit expanded by not more than Tk. 976.25 crores or 17.79 per cent as against the substantial increase of Tk. 1523.45 crores or 38.42 per cent during 1980-81. The foreign sector recorded a notably larger deficit of Tk. 775.66 crores during the year as against the deficit of Tk. 533.35 crores in 1980-81. Consequently, the expansion in liquidity markedly slowed down from Tk. 941.87 crores or 27.45 per cent during 1980-81 to Tk. 346.13 crores or 7.92 per cent during 1981-82. The break-up of domestic credit reveals that the deceleration in domestic credit expansion was particularly marked in the case of net credit to the Government which increased by only Tk. 36.26 crores as compared with the large expansion of Tk. 533.09 crores during

DOMESTIC CREDIT AND MONETARY ASSETS

(Taka in crores)



1980-81. The pace of expansion also slowed down in the case of credit to the private sector which expanded by Tk. 464.61 crores or 21.46 per cent during 1981-82 as against the increase of Tk. 565.57 crores or 35.36 per cent in the preceding year. The expansion in credit to the public sector was in absolute terms larger at Tk. 475.38 crores during 1981-82 as against Tk. 424.79 crores in the preceding year, but the rate of expansion decelerated from 30.69 per cent to 26.27 per cent during the period. The breakdown of credit to the public sector during 1981-82 disclosed particularly sharp increases in credit to Bangladesh Petroleum Corporation (+Tk. 241.12 crores), Steel and Engineering Corporation (+ Tk. 88.03 crores), Jute Mills Corporation (+Tk. 21.15 crores), BADC (+ Tk. 26.18 crores) and Textile Mills Corporation (+ Tk. 37.63 crores).

7. On the external front, the value of exports@ (in terms of Taka) rose from Tk. 1160 crores to Tk. 1253 crores which was nevertheless Tk. 247 crores short of the target fixed for the year. But in dollar terms it fell from \$ 718 million in 1980-81 to \$ 624 million during 1981-82. The shortfall in targetted exports occurred despite the notable success achieved in stepping up the export volume. While the export quantum of jute goods increased from 5.08 lakh tons in 1980-81 to 5.40 lakh tons in 1981-82, the volume of tea exports rose from 65.70 million pounds to 69.04 million pounds during the year. At the same time, leather export volume markedly increased from 80.60 million square feet in 1980-81 to 87.28 million square feet in 1981-82. The export quantum of frozen food rose from 16.55 million pounds in 1980-81 to 20.57 million pounds in 1981-82. The increase in export volume would have been still larger but for continued recession in industrial market economies of the world. Reflecting the same factor the average export price of jute goods declined from Tk. 11,791 per ton in 1980-81 to Tk. 10,794 per ton in 1981-82 and in terms of dollar the fall was to the extent of 26.30 per cent.

@ Figures used in this paragraph are from customs records.

8. The shortfall in exports occurred at a time when the foreign exchange reserve position was considerably strained, the Extended Fund Facility was suspended and the commodity aid pipeline remained low. In this situation, substantial difficulty was experienced in financing the import programme for the year. Thus actual imports at \$ 2582* million remained about \$ 350 million below the level programmed. The shortfall would have been still larger but for substantial arrangements made for short-term borrowings during the year. Despite these short-term borrowings and a drawing of SDR 60 million (Tk. 125.10 crores) made from the International Monetary Fund under the facility of Compensatory Financing of Export Fluctuations, the convertible foreign exchange reserves came down to a level not exceeding Tk. 239.68 crores at the end of June, 1982.

9. The fall in imports below the level programmed resulted in a substantial shortfall in tax revenue. At the same time, the depressed export prices reduced profitability of some major public sector export industries and sharply reduced their profit transfers to the Government. Thus the imbalances in the external sector introduced an element of inflexibility in the efforts that could be made to step up mobilisation of domestic resources. The lowering of revenue surplus as compared to expectation on this account combined with a shortfall in non-project foreign assistance brought about an acute shortage of resources and thereby necessitated a downward revision of the Annual Development Programme. The revised programme at Tk. 2,715 crores represented a reduction of 10 per cent as compared to the original programme.

10. The shortfall in imports, though largely attributable to the financial bottlenecks, also reflected in part reduced demand on account of recessionary tendencies in the economy. The fact that the demand for imports remained lower than anticipated can be discerned from developments in the secondary foreign exchange market. Contrary to the expectation that on account of reduced availability of foreign exchange in the official market a

*This figure is based on exchange records of the Bangladesh Bank.

sizable part of demand would be shifted to the secondary market and as a result the exchange rate of Taka would significantly depreciate in the secondary free market, this rate remained very stable and came close to the official exchange rate. There was virtual disappearance of premium in the secondary foreign exchange market for some months causing diminished incentive to non-traditional exports. No sign of revival in the secondary foreign exchange market was discernible for quite sometime despite the support provided to this market by requiring the Bangladesh Petroleum Corporation to meet part of their foreign exchange requirement, and the Authorised Dealers to purchase foreign exchange in this market so long as the exchange rate of Taka remained close to the official rate.

11. Although industrial sector recorded a growth of 2.9 per cent during 1981-82, decline occurred in the output of a number of industries and was pronounced in some cases. This reflected mainly reduced demand, and to some extent liberal access to import of finished goods under the Wage Earners' Scheme. The industries which recorded decline in production included cotton textiles (-6.96 per cent in cotton yarn and -15.72 per cent in cotton cloth), paper and board (-14.26 per cent), newsprint (-12.33 per cent), cement (-5.40 per cent), steel (-16.28 per cent) and fertilizer (-3.93 per cent).

12. The decline in demand for industrial goods appeared to have been caused by a decline in real income in the agricultural sector. The reduction in demand might have also been brought about by the depressed investment activity. While the size of the Annual Development Plan for 1981-82 was pruned from Tk. 3015 crores to Tk. 2715 crores, the gap in investment in the public sector did not appear to have been bridged by increased investment in the private sector. On the contrary, there was indication that investment in the private sector remained sluggish. While loans sanctioned by Bangladesh Shilpa Rin Sangstha markedly declined from Tk. 164.74 crores during 1980-81 to only Tk. 10.97 crores in 1981-82, disbursement of loans by the same institution stood significantly lower at Tk. 32.87 crores as against

Tk. 58.21 crores in 1980-81. Although loans disbursed by Bangladesh Shilpa Bank increased by Tk. 12.24 crores to Tk. 64.58 crores in 1981-82 as compared to the preceding year, this could provide only a part offset to the marked decline of Tk. 25.34 crores in loans disbursed by Bangladesh Shilpa Rin Sangstha. Investment in the housing sector also appeared to have declined. As against an increase of Tk. 5 crores in disbursement of loans to Tk. 19.06 crores made by the House Building Finance Corporation in 1981-82 under the normal programme, disbursement of loans for house building under the special programme markedly declined by Tk. 23.82 crores to Tk. 28.11 crores during the year. The welcome shift in favour of time deposits continued during the year with an increase in the share of these deposits in total deposits from 64 per cent at the end of June, 1981 to 67 per cent at the end of June, 1982. This is a redeeming feature in an otherwise inflationary expectation prone situation which can be held in check by a realistic and positive interest rate policy.

13. A particularly disquieting development during the year was the stress and strain experienced on the food front. The difficult food situation over the greater part of the year which arose from reduced foodgrains production brought about mainly by the vagaries of nature underlined the need for attaching utmost importance to laying a stable basis for a significant increase in food production. Efforts in this direction are being made under the Medium-Term Foodgrain Production Plan by promoting improvements in cropping intensity and yields and through a switch from local varieties to high yielding ones backed by expanded irrigation, drainage and flood control facilities, fertilizer use, storage and marketing facilities, rural infrastructure and extension services. Nonetheless, some disquieting trends are in sight. The chemical fertilizer distributed during the year are estimated not to have exceeded 8.94 lakh tons. The distribution of fertilizers during the year thus fell significantly short of the target of 9.80 lakh tons fixed for the year, and there was practically no increase over the distribution level of the preceding year. The distribution of improved seeds too did not present a happy picture. Although Aman paddy seeds distribution showed some increase from 0.17 lakh maunds in 1980-81

to 0.19 lakh maunds in 1981-82, the year's distribution represented a significant decline as compared to 0.33 lakh maunds distributed in 1979-80. The wheat seeds distributed actually declined from 3.79 lakh maunds in 1980-81 to 2.95 lakh maunds in 1981-82. So far as efforts towards bringing more acreage under irrigation are concerned, land irrigated with the help of deep tube-wells and shallow tube-wells increased from 6.41 lakh acres and 2.44 lakh acres in 1980-81 to 7.53 lakh acres and 4.99 lakh acres respectively in 1981-82; but land irrigated with the help of low lift pumps declined from 13.67 lakh acres to 12.89 lakh acres during the year. Increased Government efforts have been directed towards improving the distribution of modern agricultural inputs and also stepping up irrigation facilities.

14. Another important problem which the economy was confronted with was that of finding adequate finance for imports. If imports cannot be sustained at a reasonable level it affects growth not only by creating difficulties in adding to industrial capacities but also by causing underutilisation of the existing capacity owing to shortage of imported raw materials. The difficulty in financing imports was dealt with in some measure during the year through short-term borrowings. With high interest charges on such borrowings reliance on this source of finance cannot continue for long. What is needed to ensure a reasonable level of imports in the face of uncertain aid prospect and high interest rates on short-term borrowings is to give a big push to exports and encourage Wage Earners' remittances as far as possible. Discouraging imports of comparatively inessential items mainly through tariff, in an otherwise liberal import framework could also contribute to maintaining the current account deficit at a reasonable level. The Government had to resort to other measures also. When the rate of increase in the number of Bangladeshi workers leaving abroad for employment shows signs of slowing down the desired growth in Wage Earners' remittances has to be ensured mainly through improvement in the premium in the secondary foreign exchange market which will direct illegal remittance to legal channels. Again for a big push to exports with a limit set to the possibility of expanding major exports by world market conditions, utmost importance would need to be

attached to the diversification of exports and expansion of non-traditional exports. The significant expansion of non-traditional exports would need substantial strengthening of incentives to such exports, apart from substantial investment in industries producing these export commodities. Adequate incentives through exchange rate, among other things, were provided to make exports profitable and to divert resources to this vital sector. Taka had depreciated vis-a-vis dollar by more than 18 per cent during the year. Taka had depreciated vis-a-vis the basket currencies by 14.43 per cent over the period while the real effective exchange rate depreciation of Taka was to the extent of 7.50 per cent. Thus a flexible and realistic exchange rate helped maintain the volume of exports despite deepening of international recession and sustain the momentum of investment in export-oriented and import-competing industries.

15. A particularly disconcerting experience during 1981-82 was the slack that appeared to have developed in the economy. It would not be correct to think that the restrictive policies pursued during the year led to the shortage of credit and in turn gave rise to the recessionary tendencies in the economy. Viewed in the true perspective, the credit policy during the year was not as much restrictive as it was thought to have been. Of the total decline of Tk. 547.20 crores in domestic credit expansion during 1981-82, as much as Tk. 496.83 crores occurred in net credit to the Government which was not within the purview of the restrictive measures. The reduction in expansion in credit to sectors other than the Government, i. e. gross credit to public and private sectors was not substantial and did not exceed Tk. 50.37 crores. The reduced expansion in net credit to the Government mainly reflected changed economic conditions as this was largely brought about by reduced domestic procurement of foodgrains on account of shortfall in foodgrains production and higher offtake of foodgrains through the rationing system. The slowing down of expansion in credit to the public and private sectors, though small in absolute terms, was conspicuous in percentage terms: the expansion rate was 23.65 per cent in 1981-82 as against 33.19 per cent in the preceding year. However, judged by the performance

of the industrial and trade sectors (the share of which in total domestic credit was preponderantly large) the reduction in expansion in credit to the public and private sectors in percentage terms would not appear to be larger than what was warranted.

16. Revival of economic activity would depend much on how the agricultural sector fares in 1982-83. If agricultural production, and particularly the Aman paddy crop, shows a spectacular improvement, substantial additional demand will be generated for industrial goods. The consequent increase in income and employment in the industrial sector will bring about a secondary increase in demand for industrial goods. The improvement both in the agricultural and industrial sectors will again generate additional demand for services. Although reduced investment activity was also partly responsible for the slack in the economy, it would not be proper to expect the revival of economy to take place mainly through increased investment activity. As the picking up in investment would depend much on improvement in demand conditions in the economy, the additional demand should at the initial stage be generated from other sectors. The boosting of investment in the private sector largely depends on adequate profitability. One way of achieving this is to have a significant reduction in cost of production per unit. In order to bring this about it would be necessary to expand production sufficiently through increased utilisation of capacity. This would be possible only if a reasonable level of demand for goods and services is sustained. This would in turn require sufficient expansion in production and income in the agricultural sector. While increased production and income in the agricultural sector will help maintain a high level of demand for industrial products, a rapid development of the industrial sector will help sustain increased agricultural production at remunerative prices. Agricultural and industrial progress should thus go hand in hand for the smooth functioning of a growing economy. It is only under this condition that relatively high profitability can be maintained and adequate inducement can be provided to investment in the private sector.

17. While revival of investment in general will depend on the improvement in demand, a concerted move should be made to take action in those cases where reduced investment activity was primarily due not to reduced demand but to paucity of finance. Investment in housing is such a case. The main burden of providing finance for house building is at present being borne by the Bangladesh Bank and commercial banks. Debenture Financing by the Bangladesh Bank for house building is an inflationary way of financing and should not be resorted to on a large scale. The countries where central banks provide finance for house building are also not many. Apart from this, the overall credit restriction from time to time poses a problem with regard to providing substantial funds either from Bangladesh Bank or commercial banks. The present situation of heavy dependence on the banking system for house building cannot, therefore, be allowed to persist. It is thus necessary that some new sources of finance for house building should be found.

18. In the context of substantial downward adjustment in the Annual Development Programme for 1981-82 due to shortage of resources, it needs to be carefully seen that the lowering of investment which becomes unavoidable at times does not affect growth to a significant extent. The adverse effect of lower investment on economic growth can, to a notable extent, be countered by raising the quality of investment and enhancing the efficiency of its use. To moderate the effect of lower investment on growth, it is necessary to ensure that programmes to increase employment or reduce underemployment and to improve income distribution are expanded through rural development, vocational training, development of small-scale industries and education, etc. Particular importance should be attached to this strategy because a development strategy based on low investment and low growth may create difficulties in achieving many of the policy improvements which are necessary.

CHAPTER II

DEVELOPMENTS IN MAJOR SECTORS

DEVELOPMENTS IN MAJOR SECTORS

19. According to the preliminary estimate of the Planning Commission, the Gross Domestic Product (GDP) of Bangladesh rose marginally by 0.91 per cent in 1981-82 as against the increase of 6.10 per cent during 1980-81. The low growth rate of the economy reflects mainly the decline of agricultural output by 0.62 per cent during the year as against the increase of 7.10 per cent in the preceding year. The other sectors which also showed negative growth were : trade (-0.47 per cent) and transport (-0.20 per cent). All other sectors which recorded positive growth during the year under report were : industry (2.89 per cent), construction (3.80 per cent), power and gas (14.17 per cent), housing (4.00 per cent), administration (2.50 per cent), banking and insurance (3.60 per cent) and other services (4.50 per cent).

20. Agricultural production in the country declined by 0.62 per cent during 1981-82 as against an increase of 7.10 per cent during the preceding year. The decline in the production of agricultural sector during the year was due mainly to unfavourable weather conditions and pest attack. As a result of the negative rate of growth in agriculture during the year, its share in the GDP declined to 54.59 per cent from 55.43 per cent in 1980-81. Total foodgrains production estimated at 141.00 lakh tons during 1981-82 was 3.42 per cent lower than the production of 146.00 lakh tons in 1980-81. The total production of the major food crop, rice, estimated at 132.00 lakh tons in 1981-82 was 1.86 per cent lower than the production of 134.50 lakh tons in the previous year. While the Aman production declined by 8.97 per cent to 71.00 lakh tons, the production of Boro rice went up by 18.37 per cent to 29.00 lakh tons. The production of Aus rice remained unchanged at the preceding year's level of 32.00 lakh tons. The production

Agricultural Production

of wheat recorded a sharp decline of 21.74 per cent to 9.00 lakh tons during the year as compared to 11.50 lakh tons produced in 1980-81.

Industrial Production

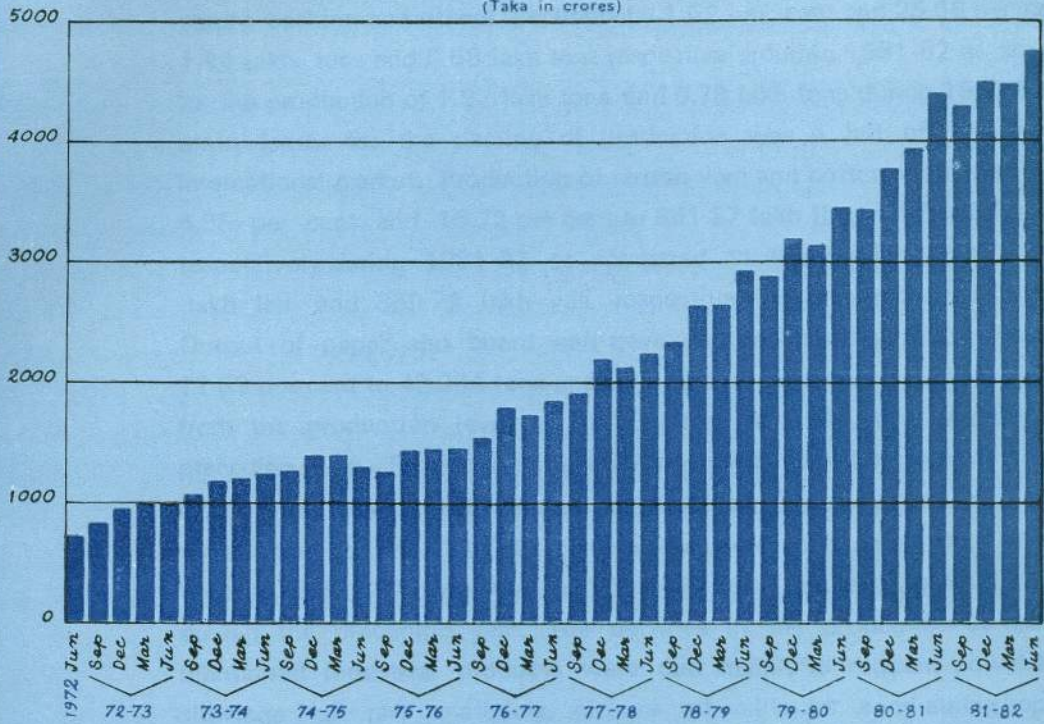
21. Total industrial production is estimated to have increased by 2.90 per cent during the year under report as compared to the growth of 8.80 per cent during 1980-81. The contribution of the industrial sector to the GDP was estimated at 8.85 per cent during 1981-82 as against 8.45 per cent during the preceding year.

22. In the industrial sector, the emphasis on fuller utilization of existing capacity through liberal supply of imported raw materials and spares as also balancing and modernisation of existing installed capacity of industrial units continued during the year under report. However, production in the industrial sector showed a mixed trend. The production of jute sacking, cigarettes, matches, sugar, vegetable products and natural gas registered increases during 1981-82. On the other hand, the production of other jute goods like hessian and carpet backing, cotton textiles, paper and board, newsprint, cement, steel, fertilizer and tea declined.

23. Production of sacking rose by 7.28 per cent to 3.24 lakh tons during 1981-82 as compared with 3.02 lakh tons produced during the preceding year. The production of cigarettes and matches rose by 9.14 per cent and 19.43 per cent to 1585.00 crore sticks and 12.01 million gross boxes respectively during 1981-82 as compared to 1452.30 crore sticks and 10.06 million gross boxes in the preceding year. The output of sugar estimated at 1.99 lakh tons during 1981-82 was 39.57 per cent higher than the production of 1.43 lakh tons in 1980-81. The record level production of sugar in 1981-82 may be attributed mainly to (i) favourable weather conditions, (ii) improvement in the overall efficiency and (iii) the absence of smuggling of sugarcane across the border due to higher prices of sugar in the country. Production of vegetable products rose by 38.49 per cent to 7,157 tons during 1981-82 from the level of 5,168 tons during 1980-81. Extraction of natural gas recorded an increase of 31.57 per cent to 6,477.60 crore cft.

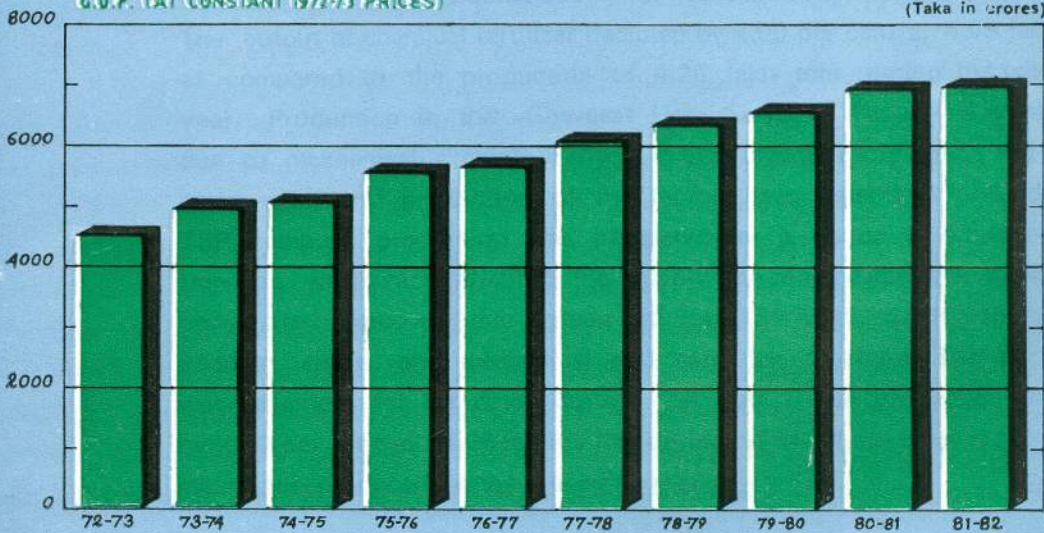
MONEY SUPPLY (M₂)

(Taka in crores)



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

(Taka in crores)



during the year under report as compared to 4,923.30 crore cft. extracted during the preceding year. On the other hand, production of hessian and carpet backing and others declined by 1.52 per cent and 25.66 per cent to 1.94 lakh tons and 0.58 lakh tons respectively during 1981-82 as compared to the production of 1.97 lakh tons and 0.78 lakh tons during 1980-81. The main factor for the decline of production was a fall of demand in the international market. Production of cotton yarn and cotton cloth declined by 6.96 per cent and 15.72 per cent to 951.37 lakh lbs. and 724.57 lakh yds. respectively during 1981-82 as compared to the production of 1,022.51 lakh lbs. and 859.72 lakh yds. respectively during the preceding year. Output of paper and board and newsprint declined by 14.26 per cent and 12.33 per cent to 42,964 tons and 38,648 tons respectively during 1981-82 from the production level of 50,108 tons and 44,081 tons during the preceding year. Production of cement declined by 5.40 per cent to 3,26,257 metric tons during 1981-82 as compared to the production of 3,44,870 metric tons during 1980-81. The production of steel declined by 16.28 per cent to 2,77,257 tons during 1981-82 from the level of 3,31,155 tons during the preceding year. The declines in the production of the above mentioned industrial products were due mainly to frequent power failure, shortage of raw materials, closure of mills for overhauling/repair of machineries and accumulation of stocks due to sale constraints. The output of chemical fertilizer declined by 4.00 per cent to 4.09 lakh tons as compared to the production of 4.26 lakh tons during the preceding year. Production in the Ghorasal Urea Fertilizer Factory was affected due to mechanical problems with air tube blower refrigeration and Turbo compressor, and production of the factory was hampered for 65 days. In TSP complex, production was hampered for a period of 43 days due to Iran-Iraq war which affected the supply line of imported rock sulphur and phosphate. Moreover, due to non-lifting of TSP by the BADC, shortage of godown space and mechanical and corrosion problems, TSP production was affected for 50 days during the year. Tea production declined by 7.60 per cent to 85.05 million lbs. during 1981-82 as compared to 92.05 million lbs. produced in the preceding year.

Investment in the Public Sector

24. In the public sector, total investment as envisaged in the Annual Development Programme for 1981-82 was originally placed at Tk. 3,015.00 crores but later on the allocation was trimmed to Tk. 2,715.00 crores in view of smaller project aid disbursement and surplus from the revenue budget. Nevertheless, this showed an increase of 14.61 per cent in the development outlay during 1981-82 as compared to Tk. 2,369.00 crores in the preceding year. The allocation for the major sectors during 1981-82 were as follows : Flood Control and Water Resources—Tk. 399.47 crores, Transport —Tk. 380.24 crores, Agriculture—Tk.369.84 crores, Industries — Tk. 367.69 crores, Power—Tk. 290.26 crores, Physical Planning and Housing —Tk.177.44 crores, Education and Culture—Tk.116.52 crores, Natural Resources—Tk.118.29 crores, Communication—Tk. 89.99 crores and Population Control and Family Planning—Tk. 86.28 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 34.65 per cent of the total outlay of the Annual Development Programme.

Investment in the Private Sector

25. In order to accelerate the tempo of development of the country, the Government declared in 1980 a five-year (1980-85) Industrial Investment Schedule for the private sector envisaging an investment of Tk. 2,650.00 crores, including a foreign exchange component of Tk. 1,390.00 crores. The year 1981-82 was the second year of the Schedule. With a view to encouraging participation by the private entrepreneurs, the Government has given special emphasis on the development of the private sector industries. These industries have been categorised into two groups—those falling in the chemical group and those in the engineering group. To disperse industries to the priority development areas of the country and to reduce its concentration in the metropolitan areas of Dhaka, Chittagong and Khulna, separate allocations have been given in some sectors in the Industrial Investment Schedule. The Government policy sought to accelerate the pace of development of industries

in the priority development areas of the country and, as such, in giving sanctions for new investments, location of the industries has been given due consideration. The Government not only provided liberal facilities and incentives but also extended the scope of private investment, simplified the sanctioning procedures and provided legal protection to foreign private investment so that the private entrepreneurs would come forward with the necessary zeal to take advantage of the situation and actively participate in achieving the investment and production targets of the Investment Schedule. As a result of the Government's liberal policies towards the private sector, there has been a substantial increase in the number of industries sanctioned in this sector. Since inception of the Investment Schedule, a total number of 2,347 industrial units were sanctioned by the Government upto 30th June, 1982 with a total investment of Tk. 955.81 crores including a foreign exchange component of Tk. 372.34 crores. During the year 1981-82 a total number of 607 industrial units were sanctioned by the Government with a total investment of Tk. 287.55 crores including a foreign exchange component of Tk. 112.18 crores as compared to 1,740 industrial units with a total investment of Tk. 668.26 crores including a foreign exchange component of Tk. 260.16 crores sanctioned during 1980-81. The major industries which shared the investment during 1981-82 were : Food and Allied Products (Tk. 100.71 crores), Engineering Industries (Tk. 86.51 crores), Textile Industries (Tk. 55.02 crores), Acquisition of Ships and Coasters (Tk. 6.99 crores), Chemical, Pharmaceutical and Allied Industries (Tk. 5.80 crores). Paper, Board, Printing and Publishing (Tk. 4.65 crores) and the Service Industries (Tk. 9.50 crores).

Food Situation

26. Despite a substantial carried-over stock from the previous year, food situation in the country remained difficult for most part of 1981-82 due mainly to lower harvest of the principal food crops on account of adverse weather conditions. The country average minimum retail price of coarse rice which stood at Tk. 169.30 per maund at the end of June, 1981 increased to Tk. 172.57 per maund at the end of July, 1981.

Thereafter, the price recorded some decline and stood at Tk. 166.57 per maund at the end of August, 1981 due mainly to arrival of new Aus crop in the market. However, the price of rice again showed an uptrend and rose to Tk. 177.12 per maund at the end of September, 1981. Since early October, 1981 the food situation started showing signs of strains. The country average minimum retail price of coarse rice gradually rose to Tk. 192.54 per maund at the end of October, 1981 and to Tk. 202.29 per maund at the end of December, 1981. This uptrend in the price of rice continued and the difficulty on the food front markedly increased from early January, 1982. The country average minimum retail price of coarse rice rose persistently to Tk. 225.74 per maund at the end of January, 1982 and reached the peak level of Tk. 276.78 per maund at the end of March, 1982. The reason for such an uptrend in the price of rice was attributable to the shortfalls in the production of Aman and wheat crops during the year owing to unfavourable weather conditions and pest attack. From April, 1982 the food situation in the country showed some improvement due mainly to arrival of Boro crop in the market as also a number of steps undertaken by the Government in respect of procurement, distribution and movement of the foodgrains. The country average minimum retail price of coarse rice thus declined to Tk. 268.27 per maund at the end of April, 1982 and further to Tk. 205.27 per maund at the end of May, 1982. However, the price increased again to Tk. 217.54 per maund at the end of June, 1982. Over the year the average price of coarse rice recorded an increase of 28.49 per cent. Apprehending a difficult food situation due to shortfall in foodgrains production, import arrangements for a total quantity of 1.49 lakh metric tons of rice and 5.28 lakh metric tons of wheat were made during March-June, 1982 from the United States of America (rice : 0.23 lakh metric ton, wheat : 2.50 lakh metric tons), World Food Programme (wheat : 1.76 lakh metric tons), Pakistan (rice : 1.00 lakh metric ton), Australia (wheat : 0.70 lakh metric ton), Federal Republic of Germany (wheat : 0.20 lakh metric ton), Burma (rice : 0.15 lakh metric ton), France (wheat : 0.12 lakh metric ton) and Japan (rice : 0.11 lakh metric ton). Total imports of rice and wheat into the country during 1981-82 stood at 1.41 lakh tons and 10.94 lakh tons

respectively as compared to 0.83 lakh tons of rice and 9.77 lakh tons of wheat imported during 1980-81.

27. Internal procurement of rice and paddy (in term of rice) and wheat during 1981-82 stood substantially lower at 2.85 lakh tons and 0.13 lakh tons respectively as against 8.41 lakh tons of rice and 1.76 lakh tons of wheat procured during the preceding year.

28. The general price situation in the country remained under pressure during 1981-82. Prices of a large number of essential consumer goods recorded increases during the year. This was reflected in the overall cost of living indices of the urban centres of the country. The average cost of living index for Dhaka middle class people (1973-74 = 100) recorded an increase of 16.29% during the year as against the rise of 12.54% during 1980-81. On a point to point basis, however, the average cost of living index for the middle class people at Dhaka registered a smaller increase of 7.50% during 1981-82 as against the rise of 17.06% during 1980-81. This was due to strong measures taken against the price increases during the last quarter of the year by the Martial Law Government. Shortfall in the overall availability of foodgrains due to lower harvest of the country's principal food crops as also the rise in import costs of raw materials, fuels and finished goods were largely responsible for the pressure on prices during the year.

29. Prices of a number of selected essential consumer goods in Dhaka city registered substantial increases over the year ended June, 1982. Price increases were recorded by rice-coarse (+33%), rice-medium (+23%), atta (+25%), dal-gram (+30%), cumin-seed (+11%), beef (+5%), mutton (+7%), vegetable oil (+12%), ghee-cow (+13%), cigarettes (+18%), tea-blended (+24%), tea-dust (+20%), long-cloth (+23%), shirting (+33%), tussore (+20%), bootpolish (+17%), streptomycin (+20%) and penicillin (+25%). On the other hand, price declines were recorded by dal-moong (-13%), dal-masur (-8%), potatoes (-40%), onion (-44%), chillies-dry (-50%), turmeric (-10%), fish-ruhi (-20%), fish-hilsha (-4%),

mustard oil (−13%), gur and sugar (−18% each), fire wood (−11%) and electric-bulb (−9%).

Cost of Living

30. The 'general' cost of living index for middle class people in Dhaka city (1973-74=100) which stood at 277.96 in June, 1981 rose to 298.80 in June, 1982 indicating an increase of 7.50% over the year on a point to point basis as against 17.06% during 1980-81. The rise was shared by all sub-indices, viz., 'food' (+8.43% to 289.03), 'fuel and lighting' (+4.15% to 371.33), 'housing and household requisites' (+3.92% to 380.00), 'clothing and footwear' (+4.59% to 195.00) and 'miscellaneous' items (+11.69% to 277.46).

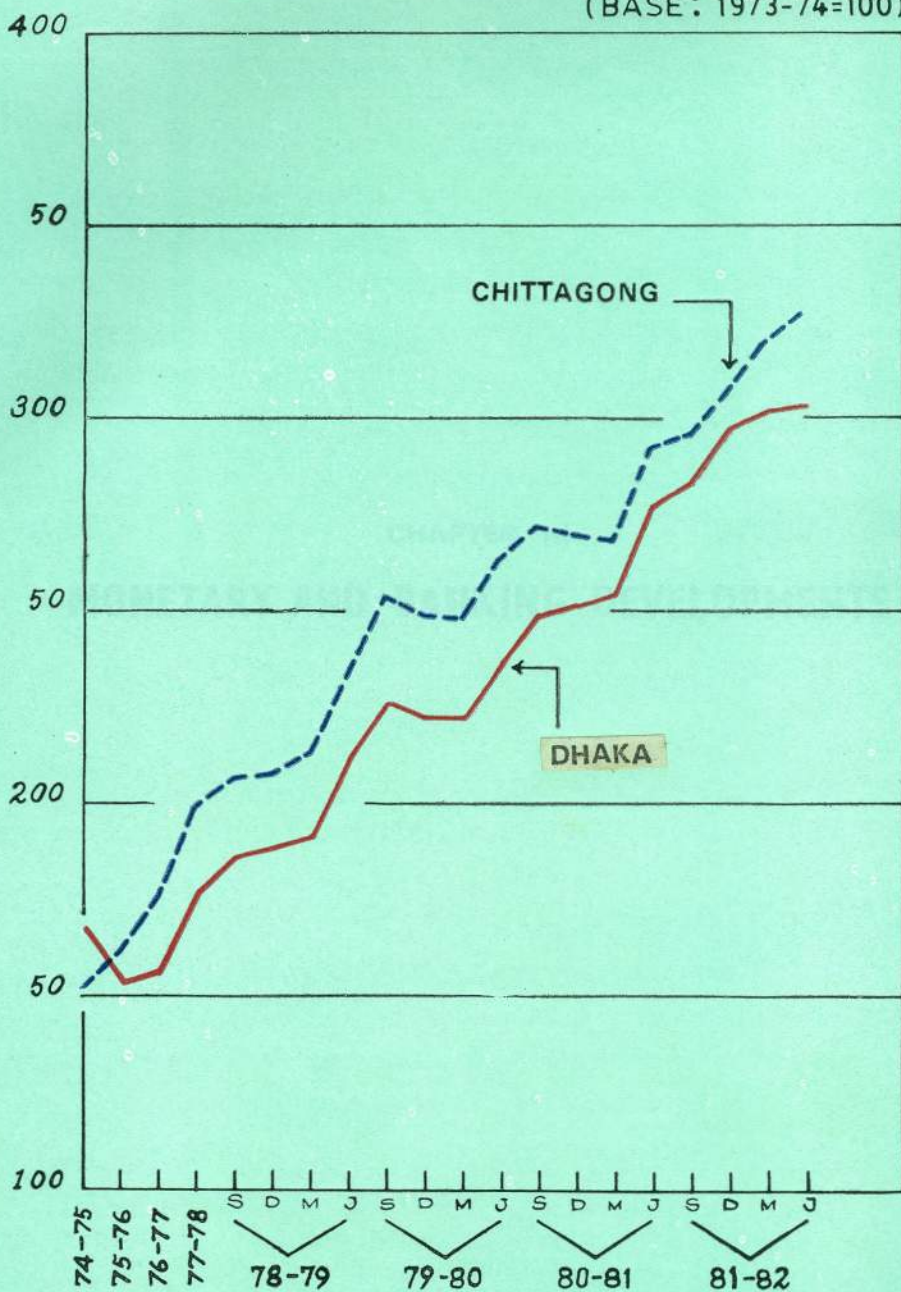
31. The 'general' cost of living index for middle class people in Chittagong city (1973-74=100) increased by 13.72% to 333.18 in June, 1982 over June, 1981 as compared to the increase of 10.79% in 1980-81. The rise was reflected in all the sub-indices, viz., 'food' (+14.77% to 326.98), 'fuel and lighting' (+1.51% to 232.42), 'housing and household requisites' (+11.52% to 518.17), 'clothing and footwear' (+27.47% to 204.46) and 'miscellaneous' items (+15.00% to 276.34).

32. The 'general' cost of living index for Khulna middle class people (1973-74=100) went up by 9.02% to 293.34 in June, 1982 over June, 1981 as against the increase of 14.18% in 1980-81. This reflected rises in all the sub-indices, viz., 'food' (+10.59% to 287.66), 'fuel and lighting' (+3.39% to 279.27), 'housing and household requisites' (6.30% to 496.67), 'clothing and footwear' (+11.34% to 182.87) and 'miscellaneous' items (+6.08% to 239.91).

33. The 'general' cost of living index for Rajshahi middle class people (1973-74=100) rose by 12.88% to 305.52 in June, 1982 over June, 1981 as against the increase of 9.73% in 1980-81. This rise was shared by all the sub-indices, viz., 'food' (+12.64% to 280.74), 'fuel and lighting' (+12.81% to 421.45), 'housing and household requisites' (+15.30% to 456.09), 'clothing and footwear' (+13.27% to 206.53) and 'miscellaneous' items (+9.88% to 282.77).

INDICES OF MIDDLE CLASS COST OF LIVING AT **DHAKA** AND CHITTAGONG

(BASE: 1973-74=100)



CHAPTER III

MONETARY AND BANKING DEVELOPMENTS

MONETARY AND BANKING DEVELOPMENTS

Money Supply

34. The monetary and credit situation during 1981-82 was characterized by a small decline in money supply and sizable increases in both bank deposits and bank credit. Money supply (M_1 = Narrow Money) stood at Tk. 2155.57 crores at the end of June, 1982 showing a decline of Tk. 13.77 crores or 0.63% during 1981-82 as compared with the substantial increase of Tk. 470.75 crores or 27.71% in the preceding year. During the first quarter ended September, 1981, money supply came down by Tk. 37.59 crores or 1.73 per cent while in the following quarter ended December, 1981 it rose considerably by Tk. 74.45 crores or 3.49 per cent. During the third quarter ended March, 1982 money supply declined by Tk. 70.71 crores or 3.21 per cent while in the last quarter ended June, 1982 it rose again by Tk. 20.08 crores or 0.94 per cent.

35. An analysis of the causative factors of the change in money supply during 1981-82 reveals that the net decline in money supply over the year was brought about by the large deficit in the country's international account to the extent of Tk. 607.51 crores and accruals of Tk. 359.90 crores in time deposits. The miscellaneous factors were also contractionary to the tune of Tk. 28.01 crores. These contractionary influences were substantially offset by the expansionary impact emanating from the increases in credit to both the public and private sectors which expanded by Tk. 473.81 crores and Tk. 471.58 crores respectively. The deficit in the Government fiscal operations also contributed to the extent of Tk. 36.26 crores.

CAUSATIVE FACTORS* OF THE CHANGE IN MONEY SUPPLY

(Taka in crores)

Particulars	As on 30.6.82	As on 30.6.81	Changes
1. Currency Outside Banks	905.67	935.12	— 29.45
2. Demand Deposits	1249.90	1234.22	+ 15.68
Changes in Money Supply			<u>— 13.77</u>

CAUSATIVE FACTORS

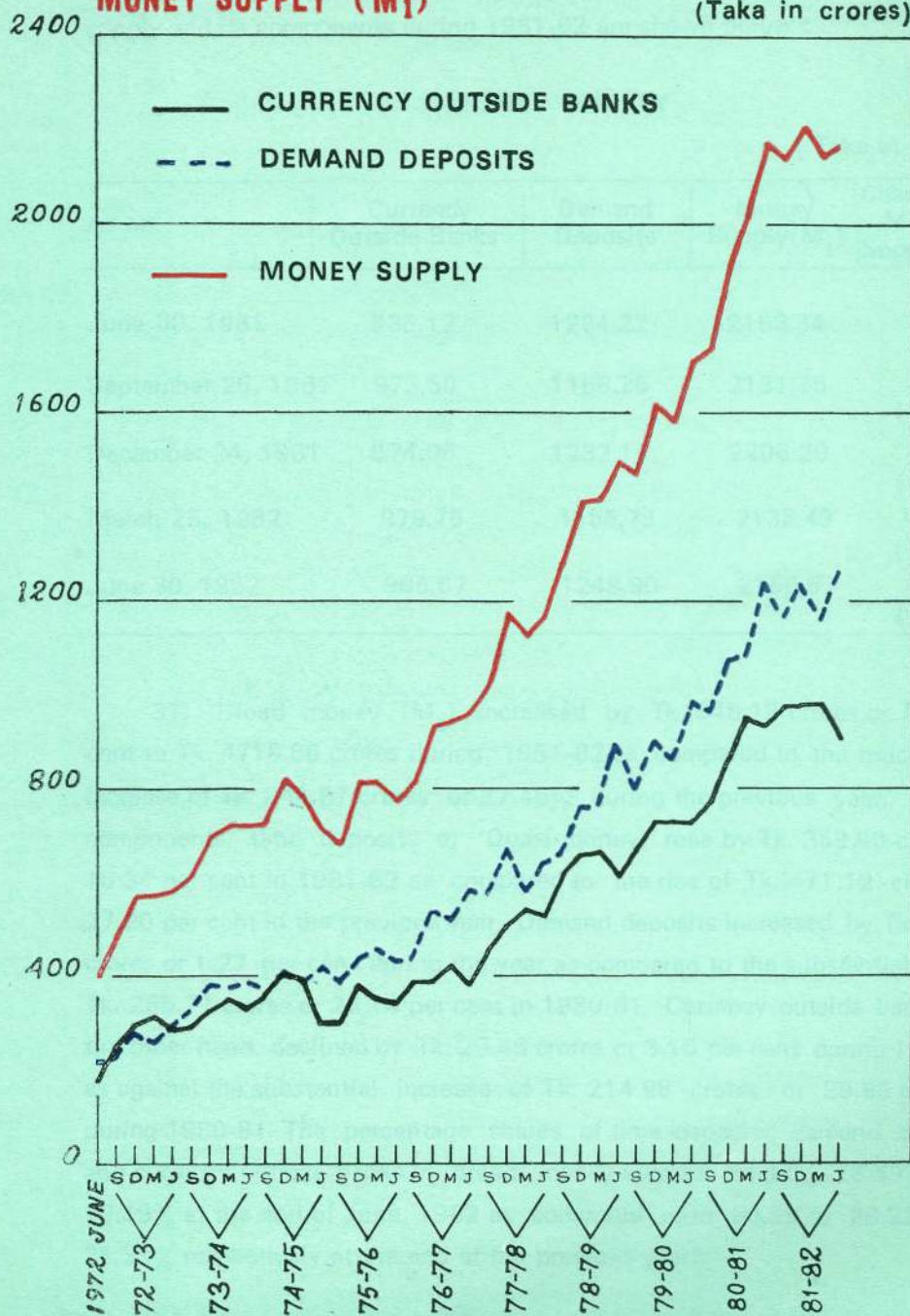
Expansion (+)	
Contraction (—)	
A. Government Fiscal Operation	+ 36.26
B. Public Sector :	<u>+ 473.81</u>
i) Credit to Public Sector	+ 423.23
ii) Investment in Public Sector	+ 50.58
C. Private Sector (Including Investments)	+ 471.58
D. Time Deposits (Increase —)	— 359.90
E. Foreign Sector	— 607.51
F. Miscellaneous Factors	— 28.01
Total :	<u>— 13.77</u>

*Provisional.

36. Of the components of money supply (M_1), currency outside banks came down by Tk. 29.45 crores or 3.15 per cent to Tk. 905.67 crores. The decline in currency outside banks was partly offset by an increase in demand deposits. Demand deposits increased by Tk. 15.68 crores or 1.27 per cent

MONEY SUPPLY (M_1)

(Taka in crores)



to Tk. 1249.90 crores during the year. The quarterly movements of money supply and its components during 1981-82 are shown below :

MONEY SUPPLY

(Taka in crores)

As on	Currency Outside Banks	Demand Deposits	Money Supply(M_1)	Changes in Money Supply(M_1)
June 30, 1981	935.12	1234.22	2169.34	—
September 25, 1981	973.50	1158.25	2131.75	— 37.59 (— 1.73)
December 24, 1981	974.06	1232.14	2206.20	+74.46 (+ 3.49)
March 25, 1982	979.76	1155.73	2135.49	—70.71 (— 2.66)
June 30, 1982	905.67	1249.90	2155.57	+20.08 (+ 0.94)

37. Broad money (M_2) increased by Tk. 346.13 crores or 7.92 per cent to Tk. 4718.66 crores during 1981-82 as compared to the much larger increase of Tk. 941.87 crores or 27.45% during the previous year. Of the components, time deposits or 'Quasi-money' rose by Tk. 359.90 crores or 16.34 per cent in 1981-82 as compared to the rise of Tk. 471.12 crores or 27.20 per cent in the previous year. Demand deposits increased by Tk. 15.68 crores or 1.27 per cent during the year as compared to the substantial rise of Tk. 255.77 crores or 26.14 per cent in 1980-81. Currency outside banks, on the other hand, declined by Tk. 29.45 crores or 3.15 per cent during 1981-82 as against the substantial increase of Tk. 214.98 crores or 29.85 per cent during 1980-81. The percentage shares of time deposits, demand deposits and currency outside banks in broad money stood at 54.32%, 26.49% and 19.19% at the end of June, 1982 as compared with 50.39%, 28.22% and 21.39% respectively at the end of the previous year.

38. The following table shows the comparative movement of broad money (M_2) during 1980-81 and 1981-82 :

CHANGES IN BROAD MONEY

(Taka in crores)

Particulars	June, 1980	June, 1981	June, 1982	% Changes	
				1980-81	1981-82
1. Currency Outside Banks	720.14	935.12	905.67	+29.85	-3.15
2. Demand Deposits	978.45	1234.22	1249.90	+26.14	+1.27
3. Time Deposits	1732.07	2203.19	2563.09	+27.20	+16.34
Total :	3430.66	4372.53	4718.66	+27.45	+7.92

39. While the GDP at market prices increased by 9.78^p per cent during 1981-82 broad money expanded by 7.92 per cent. As a result the income velocity of money increased from 4.45 in 1980-81 to 4.53 in 1981-82. The trend in income velocity of money since 1975-76 is given below :

INCOME VELOCITY OF MONEY

Year	GDP* at market price (Taka in crores)	Broad Money@ (Taka in crores)	Income Velocity of Money (Col.2÷Col.3)
1	2	3	4
1975-76	10,745.80	1438.04	7.47
1976-77	10,536.10	1830.61	5.76
1977-78	13,029.00	2221.26	5.87
1978-79	14,477.40	2900.89	4.99
1979-80	17,245.00	3430.66	5.03
1980-81	19,464.70	4372.53	4.45
1981-82	21,367.70 ^p	4718.66	4.53

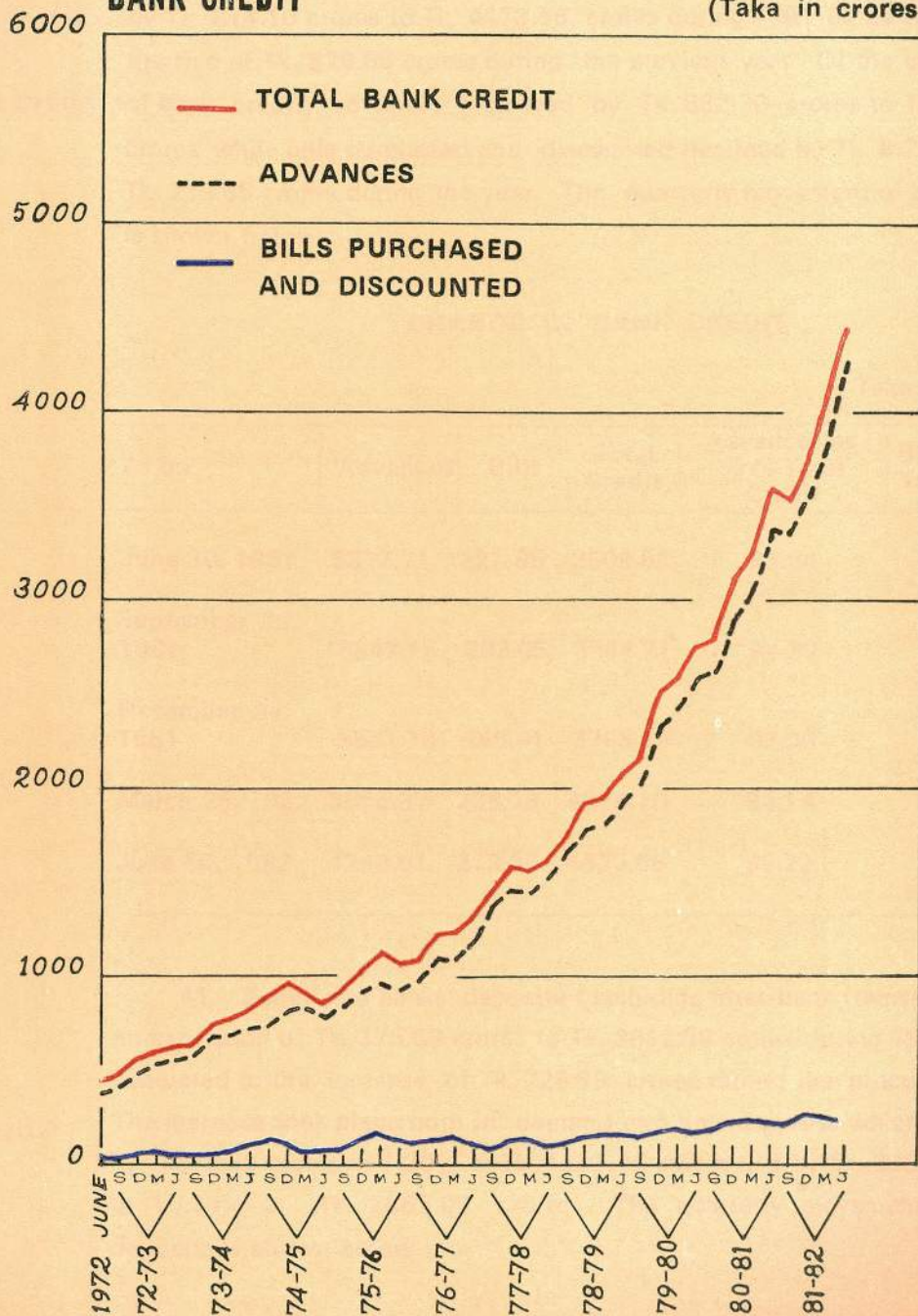
* Source : Bangladesh Bureau of Statistics,

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

^p = Provisional.

BANK CREDIT

(Taka in crores)



Bank Credit

40. The outstanding level of credit of the scheduled banks expanded by Tk. 874.10 crores to Tk. 4473.66 crores during 1981-82 as compared to the rise of Tk. 829.86 crores during the previous year. Of the components of bank credit, advances increased by Tk. 882.30 crores to Tk. 4260.01 crores while bills purchased and discounted declined by Tk. 8.20 crores to Tk. 213.65 crores during the year. The quarterly movement of bank credit is shown below :

CHANGE IN BANK CREDIT

(Taka in crores)

As on	Advances	Bills	Total Credit	Advances as % of Total Credit	Bills as % of Total Credit
June 30, 1981	3377.71	221.85	3599.56	93.84	6.16
September 25, 1981	3342.16	202.05	3544.21	94.30	5.70
December 24, 1981	3541.78	246.41	3788.19	93.50	6.50
March 25, 1982	3855.37	238.73	4074.10	94.14	5.86
June 30, 1982	4260.01	213.65	4473.66	95.22	4.78

Bank Deposits

41. Scheduled banks' deposits (excluding inter-bank items) recorded an expansion of Tk. 375.58 crores to Tk. 3812.99 crores during 1981-82 as compared to the increase of Tk. 726.89 crores during the preceding year. The increase took place both in demand and time deposits which went up by Tk. 15.68 crores or 1.20% to Tk. 1249.90 crores and by Tk. 359.90 crores or 16.34% to Tk. 2563.09 crores. The quarterly movement of bank deposits is shown below :

CHANGES IN BANK DEPOSITS

(Taka in crores)

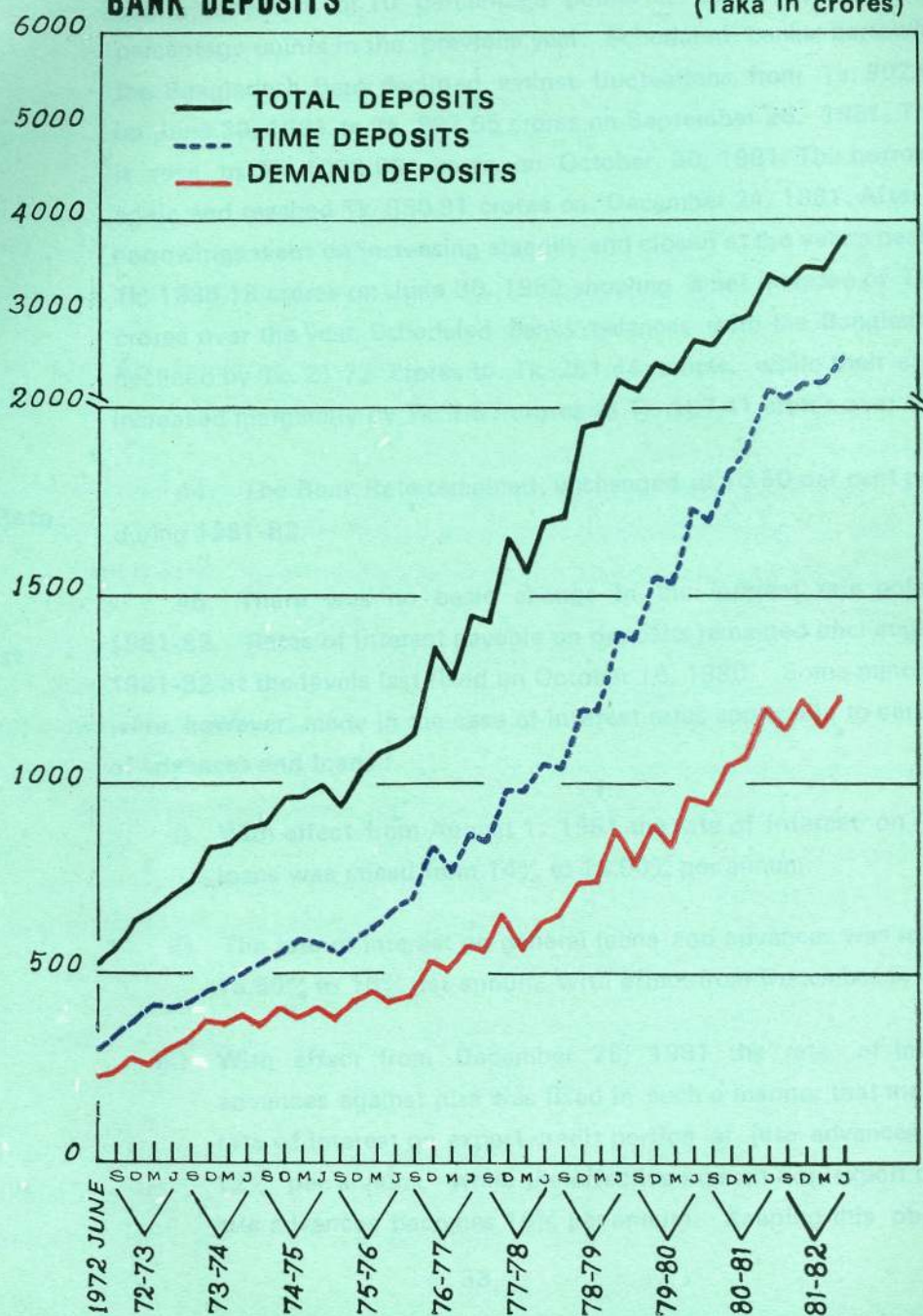
As on	Demand Deposits	Time Deposits	Total Deposits	Demand Deposits as % of Total Deposits	Time Deposits as % of Total Deposits
June 30, 1981	1234.22	2203.19	3437.41	35.91	64.09
September 25, 1981	1158.25	2156.26	3314.51	34.94	65.06
December 24, 1981	1232.14	2279.52	3511.66	35.09	64.91
March 25, 1982	1155.73	2310.66	3466.39	33.34	66.66
June 30, 1982	1249.90	2563.09	3812.99	32.78	67.22

42. Bank Deposits in the urban areas as at the end of June, 1982 stood at Tk. 3256.31 crores (84.58%) as compared to Tk. 2963.69 crores (84.11%) in June, 1981. Deposits in the rural areas stood at Tk. 593.79 crores (15.42%) as on June 30, 1982 as against Tk. 559.89 crores (15.89%) a year earlier. Bank advances in urban and rural areas as on June 30, 1982 increased to Tk. 3677.49 crores (86.78%) and Tk. 560.12 crores (13.22%) respectively from Tk. 2912.65 crores (87.59%) and Tk. 412.55 crores (12.41%) respectively in June, 1981. These figures indicate that although the percentage share of rural deposits declined slightly during 1981-82 mainly due to the setback in agricultural production the percentage share of bank advances to the rural areas improved over the year in line with the Government policy and the Bangladesh Bank's directive to the nationalised banks to that effect.

43. The liquidity position of the scheduled banks remained tight during 1981-82. The credit-deposit ratio of the banks which had stood at 0.92 on 30th June, 1981 declined, amidst fluctuations, to 0.91 as on December 31, 1981. Thereafter, the ratio increased to the year's peak level

BANK DEPOSITS

(Taka in crores)



of 1.05 on May, 21 and 28 and finally reached 1.02 on June 30, 1982 indicating a net rise of 10 percentage points as compared with the rise of 2 percentage points in the previous year. Scheduled banks' borrowings from the Bangladesh Bank declined, amidst fluctuations, from Tk. 902.48 crores on June 30, 1981 to Tk. 897.65 crores on September 25, 1981. Thereafter, it rose to Tk. 1033.96 crores on October 30, 1981. The borrowings fell again and reached Tk. 950.91 crores on December 24, 1981. After that, the borrowings went on increasing steadily and closed at the year's peak level of Tk. 1335.18 crores on June 30, 1982 showing a net increase of Tk. 432.70 crores over the year. Scheduled banks' balances with the Bangladesh Bank declined by Tk. 21.72 crores to Tk. 261.44 crores, while their cash in tills increased marginally by Tk. 1.57 crores to Tk. 107.41 crores over the year.

Bank Rate

44. The Bank Rate remained unchanged at 10.50 per cent per annum during 1981-82.

Interest Rates

45. There was no basic change in the interest rate policy during 1981-82. Rates of interest payable on deposits remained unchanged during 1981-82 at the levels last fixed on October 16, 1980. Some minor changes were, however, made in the case of interest rates applicable to certain types of advances and loans :

- i) With effect from August 1, 1981 the rate of interest on industrial loans was raised from 14% to 14.50% per annum.
- ii) The rate of interest on general loans and advances was raised from 15.50% to 16% per annum, with effect from December 5, 1981.
- iii) With effect from December 26, 1981 the rate of interest on advances against jute was fixed in such a manner that the effective rate of interest on export credit portion of jute advances becomes 12% per annum. while the effective rate on non-export portion of jute advances becomes 16% per annum. Keeping this objective in

view, it was decided that the rate of interest on advances against jute is initially to be charged at 16% per annum and refund @4% per annum is to be allowed on the portion of credit covered by actual export shipment. The maximum period for calculation of amount of refund was fixed at four months up to the date of shipment.

Cash Reserve Requirement

46. The statutory cash reserve requirement of scheduled banks continued at 5 per cent of their total demand and time liabilities.

Liquidity Ratio

47. The prescribed liquidity ratio of the scheduled banks remained unchanged during 1981-82 at 25% of their total demand and time liabilities.

Credit Policy and Measures

48. The credit policy pursued by the Bangladesh Bank during 1981-82 continued to be aimed at ensuring deployment of scarce bank resources in the best possible manner for increasing production and employment.

49. With the above broad objectives in view, both selective and quantitative credit control and support measures were adopted having regard to the socio-economic priorities, distributive justice, regional balance and need for containing the inflationary pressure. Important credit control and support measures adopted during the year under review were as follows :

- 1) Bank-wise quarterly credit ceilings were fixed during the year in order to contain the credit expansion within reasonable limits.
- 2) Margin requirement for imports under the Wage Earners' Scheme (WES) :
 - a) Banks were advised with effect from July 30, 1981 to make advances upto 75% of the Taka equivalent of the foreign exchange at the official rate of exchange for

import under WES of essential items such as all industrial raw materials, cotton yarn, chillies, synthetic yarn, edible oil, condensed/powdered milk, oil-seeds, auto parts, razor blades, second-hand clothings, tyre and tubes, dyes and chemicals, salt, technical journals and coconut oil, and upto 25% of the Taka equivalent at official rate for import of all other items. Similar margin requirements were imposed on opening of L/C for imports against Export Performance Licence (XPL). The permissible credit facility for imports under WES of essential items was raised from 75% to 90% of the Taka value of foreign currency at the official rate of exchange with effect from October 15, 1981. However, from October 15, 1981 complete restriction was imposed on credit facility for import of (i) air-conditioners ; (ii) complete bicycles ; (iii) domestic refrigerators ; (iv) electric ceiling, table and pedestal fans ; (v) motor cars—new or reconditioned ; (vi) new or second hand buses, trucks, etc. under WES. This restriction continued throughout 1981-82.

- b) Effective from June 24, 1982 for opening of L/C on account of industrial importers for import under the WES of items mentioned in their pass books as well as of machinery and mill works, ball bearing and power generators the margin requirement was to be not less than 10 per cent. The same margin requirement was also applicable for import of essential items by commercial importers under this scheme. Margin requirement for opening L/C for import under this scheme of other items was not to be less than 75 per cent. These margin requirements were also applicable to imports against XPL.

**3) Margin requirement for import under cash/credit/
Barter :**

- a) Effective from August 5, 1981 the minimum margin requirement for opening L/C for import of industrial raw materials and some essential consumer goods in the private sector was fixed at 25 per cent and for import of all other items at 50 per cent. For imports in the public sector the minimum margin requirement was to be 5 per cent. With effect from October 15, 1981, the minimum margin requirement was, however, reduced to 15 per cent for opening L/C for import of some identified essential items in the private sector.
- b) From June 24, 1982 the margin requirement for opening L/C was separately fixed for industrial importers and commercial importers. For opening L/C on account of industrial importers for import of items mentioned in their pass books as well as of machinery, mill works and ball bearing and spinning frames of jute mills the margin requirement was to be not less than 10 per cent. The same margin was to apply for opening L/C for import of specified essential items on account of commercial importers in the private sector. For imports of all other items the minimum margin requirement for opening L/C continued to be 50 per cent.
- c) For opening of L/C for import of industrial raw materials such as crude degummed soyabean oil and chemicals by the vegetable oil refineries belonging to the Bangladesh Vegetable Oil Refiners' Group in the private sector, the margin requirement was relaxed to

a minimum of 10 per cent from 6th February, 1982 and further to a minimum of 5 per cent from 23rd February, 1982.

- d) Effective from April 7, 1982 the minimum margin requirement was withdrawn in those cases where letters of credit for import of raw materials on deferred payment basis are opened against export letters of credit by 100 per cent export-oriented ready made garments industries with prior permission from the Exchange Control Department of the Bangladesh Bank. In such cases, banks were allowed to open L/C even without margin at their discretion on the basis of banker-customer relationship.

4) Margin requirement for advances against funds in FC/AIPs :

Effective from July 30, 1981 banks were allowed to make advances in Bangladesh Taka to foreign currency account holders or their nominees against the security of funds in foreign currency accounts maintained under the Wage Earners' Scheme upto 50 per cent instead of 100 per cent as allowed previously, subject to repayment within 15 days. The same margin requirement was imposed on advances to the members of Stock Exchange against funds in foreign currency account, subject to repayment within 30 days.

5) Curtailment of Credit Limits :

Effective from August 5, 1981 banks were instructed to fix the sanctioned limits at the level of 95 per cent of the maximum

outstanding during the period from January 1, to August 5, 1981 in case of all categories of borrowers both in public and private sectors. Banks were, however, advised to apply this measure in a flexible manner and they could raise the limits to meet the genuine credit needs with clearance from the Bangladesh Bank. The above restriction, however, was not applicable to the borrowers in the jute sector who were subject to a separate credit drill.

6) Advances to rice and flour mills : Effective from January 18, 1982 working capital loans to rice and flour mills were subjected to 50% margin requirement with an adjustment period of 45 days; this adjustment period was further reduced to 21 days with effect from February 12, 1982.

7) Advances against sugar : Effective from January 18, 1982 the margin requirement for advances to any party in the private sector for lifting sugar allotted by the Food Department of the Government against the pledge of the same was raised to 60% from 50%. Credit facility under the same conditions was made admissible to private traders for lifting of sugar from sugar mills in Bangladesh against allotment letters issued by the mills, with effect from April 19, 1982.

8) Advances against gold/gold ornaments : With effect from June 1, 1982 the advance limit against gold/gold ornaments was reduced from Tk. 2,000 per tola of pure gold to Tk. 1,500 per tola of pure gold and the quantum of loan per borrower was limited to the equivalent of 15 tolas of pure gold.

9) Advances to salt growers: Nationalised commercial banks were instructed to extend credit facility to salt

growers for the salt season 1981-82 @ Tk. 1000 per acre of land against hypothecation of salt upto March 31, 1982 to be recovered by June 30, 1982.

10) Bank loan for self-employment : Effective from January 14, 1982 a new scheme for creation of self-employment with bank finance for the financially disadvantaged and vocationally trained unemployed people was launched. The usual loan limit was fixed at Tk. 50,000 per borrower. For private clinics requiring financing for land and civil construction the loan limit was fixed at Tk. 2 lakhs. The repayment period would be upto a maximum of five years.

11) Decentralization of loan-sanctioning authority : As per the new industrial policy of the Government envisaging decentralization of loan-sanctioning powers, Sonali, Janata, and Agrani banks categorised as major banks were advised to authorise their regional offices and district level branches to sanction working capital loans upto 50 lakhs and 25 lakhs respectively for duly sanctioned/ recognised industries. For this purpose the main branches at the divisional headquarters have been defined as 'regional offices'. For other nationalised banks decentralization of loan sanctioning powers was made optional.

12) Other Measures : As in the preceding years, export, housing and transport sectors continued to be treated as priority sectors and the banks were required to provide adequate credit facilities to these sectors. The various special schemes viz., the special credit scheme for small and cottage industries, the scheme for self-employment of unemployed youth, the scheme for credit to the weavers'

co-operatives, the Grameen Bank Project, etc. launched earlier were in operation during 1981-82.

50. In order to support credit programmes banks were advised by the Bangladesh Bank to rely mainly on their own resources and reduce dependence on borrowings from the central bank. In the light of this objective, refinance programme was worked out and ceilings were fixed for borrowing by the banks from the Bangladesh Bank for various sectors. The basic features of this programme were :

Refinance Policy

Refinance facility for jute and rural credit

- (i) Refinance facility was allowed to the banks at Bank Rate upto 30% of their total credit to the jute sector. Refinance for rural credit was allowed at a concessional rate of 6% to the extent of 50% of the outstanding credit less overdues.

Refinance Against Export Bills

- (ii) Refinance facility was allowed to the banks at Bank Rate by way of (a) rediscounting of export bills and (b) overdraft against export bills to the extent of 50% and 100% of the bills in respect of traditional exports and non-traditional exports respectively. Subsequently, with effect from 5th June, 1982 rate of interest in respect of refinance/rediscounting facilities against export bills of non-traditional items was reduced to 9% per cent i.e. $1\frac{1}{2}\%$ below the Bank Rate.

Refinance for Credit to Sugar Mills

- (iii) With effect from November 4, 1981 refinance facility was made admissible to banks at Bank Rate upto 50% of the total credit to sugar mills.

Refinance Against Pre-shipment Credit for non-traditional Exports

- (iv) With effect from March 22, 1982 refinance was allowed to the banks at Bank Rate to the extent of 100% of outstanding advances less dues lying outstanding beyond 90 days in respect of pre-shipment credit for non-traditional exports against confirmed and irrevocable export letter of credit or firm export contract. Subsequently rate of interest in respect of refinance against pre-shipment credit for non-traditional items of export was reduced to

Refinance for Imports

9 per cent i.e. $1\frac{1}{2}\%$ below the Bank Rate with effect from 5th June, 1982.

- (v) Moreover, with effect from March 22, 1982 a refinance limit upto 1% of the total demand and time liabilities as on the last Friday of February, 1982 was made available to the banks at Bank Rate for import finance in the private sector.

CHAPTER IV
DEVELOPMENT OF BANKING
FACILITIES AND FINANCE

DEVELOPMENT OF BANKING FACILITIES AND FINANCE

CHAPTER IV

DEVELOPMENT OF BANKING FACILITIES AND FINANCE

DEVELOPMENT OF BANKING FACILITIES AND FINANCE

Branch Expansion

51. A total of 92 bank branches were opened in Bangladesh by the scheduled banks during 1981-82 as against 538 branches opened during 1980-81. One notable development of the year in the banking field was the opening of the first private sector joint-venture bank named the "Arab Bangladesh Bank Limited" with one branch in Dhaka. Thus the total number of scheduled bank branches in Bangladesh stood at 4,470 as on June 30, 1982 as against 4,378 as on June 30, 1981. The percentage of rural branches stood at 65.59 on the 30th June, 1982 as against 65.12 as on the 30th June, 1981. The number of nationalised bank branches operating in foreign countries as also the number of foreign bank branches operating in Bangladesh during the year remained unchanged at 14 and 20 respectively.

Inspection of Banks

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

1. Pubali Bank
2. Uttara Bank
3. The Chartered Bank
4. State Bank of India
5. Banque De L' Indochine Et De Suez.

53. Comprehensive inspection of Agrani Bank and Sonali Bank was also completed during the year and the compilation of the reports was in the final stage.

54. Comprehensive inspection of Rupali Bank and Bangladesh Shilpa Bank was in progress.

55. Regular inspection of foreign exchange business of the following banks was completed and the reports thereof were sent to the banks concerned for taking necessary action :

1. Janata Bank
2. Uttara Bank
3. American Express International Banking Corporation
4. Grindlays Bank p.l.c.

56. Regular inspection of foreign exchange business of Pubali Bank and Agrani Bank was in progress.

57. Special inspection of 56 branches of the nationalised commercial banks and 4 branches of foreign banks on the basis of information/complaints received with regard to frauds and forgeries, malpractices, etc. were also conducted during the year under review and reports thereon were sent to the Head Offices of the concerned banks for initiating necessary action.

58. As in the past years, adequate finance from the banking system was arranged for jute trade and jute mills during 1981-82 jute season. The commercial banks sanctioned a total cash credit and packing credit limit of Tk. 571.18 crores as against Tk. 620.49 crores in the preceding year for financing movement of raw jute as well as meeting the working capital requirement of jute mills. Peak level utilization of bank credit by jute sector stood at Tk. 589.39 crores as on February 5, 1982 as against Tk. 504.11 crores during the previous year. Refinance provided by the Bangladesh Bank during 1981-82 was of the order of Tk. 198.70 crores against which outstanding at the end of June, 1982 stood at Tk. 189.02 crores. In addition, Bangladesh Jute Mills Corporation (BJMC) was allowed overdraft amounting to Tk. 24.00 crores by the Bangladesh Bank during 1981-82.

Jute Finance

**Financing of
Food & Sugar
Industries
Corporation**

59. A total credit limit of Tk. 66.00 crores was arranged from Sonali Bank and Janata Bank for the Bangladesh Food and Sugar Industries Corporation for financing production of sugar during 1981-82 as against Tk. 50.00 crores in 1980-81. Refinance limit of Tk. 38.48 crores against advances to sugar mills which was sanctioned by the Bangladesh Bank remained outstanding as the end of 1981-82 as compared to Tk. 20.43 crores at the end of June, 1981.

**Counter-
finance for
Procurement
& Distribu-
tion of Food
and Fertiliz-
ers**

60. For financing procurement and distribution of foodgrains by the Government a sum of Tk. 155.00 crores was made available by the nationalised banks and a counter-finance limit of the same amount was allowed by the Bangladesh Bank during 1981-82. Counter-finance limit sanctioned by the Bangladesh Bank to the nationalised banks for financing procurement and distribution of fertilizer by the Bangladesh Agricultural Development Corporation (BADC) stood at Tk. 80.00 crores at the end of the year under review. Outstanding counter-finance against this stood at Tk. 37.25 crores as on June 25, 1982. Another counter-finance limit of Tk. 10.00 crores was allowed to Sonali Bank against financing procurement of pumps, engines and accessories of shallow tube-wells by BADC. The entire limit of Tk. 10.00 crores remained outstanding as at the end of June, 1982.

**Refinance
Against Textile
Finance**

61. Refinance limits totalling Tk. 64.93 crores which were allowed to different banks against their advances to textile mills remained outstanding as at the end of 1981-82.

**Refinance
Against
Petroleum
Finance**

62. Refinance facility totalling Tk. 422.55 crores was allowed to different banks against their advances to Bangladesh Petroleum Corporation and its units during 1981-82 as against Tk. 205.00 crores during 1980-81.

**Refinance
Against
Rural Credit**

63. 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 1981-82.

**Refinance
Against
Small Loan**

64. At the end of the year under review, refinance allowed to commercial banks against small loans stood at Tk. 5.83 crores as against Tk. 9.12 crores at the end of the preceding year.

Export Bills

65. An overdraft/rediscouting limit of Tk. 58.22 crores was allowed to banks against export bills. Outstanding on this account was Tk. 46.66 crores as at the end of 1981-82.

**Other
Refinances**

66. Other refinances allowed to banks on various accounts stood at Tk. 142.00 crores as at the end of 1981-82.

DEVELOPMENT OF FINANCIAL MARKETS AND INDUSTRIAL FINANCE

CHAPTER V

DEVELOPMENT OF CAPITAL MARKET AND INDUSTRIAL FINANCE

DEVELOPMENT OF CAPITAL MARKET AND INDUSTRIAL FINANCE

Dhaka Stock Exchange

67. The Dhaka Stock Exchange which had remained defunct since liberation was reopened and reactivated from the middle of 1976. Since re-establishment, the Dhaka Stock Exchange registered modest growth in view of the rudimentary stage of capital market in Bangladesh. Only 9 companies were listed with the Exchange in 1976. The number of companies increased to 29 in 1982.

68. Due to a few number of new issues, closely held shares of multinational corporation, lack of interest of the members of the Exchange in new issues and inadequate knowledge of shares as investment media, few transactions take place in the Dhaka Stock Exchange. With a few investors, hardly 5 transactions are held in a day on the floor of the Dhaka Stock Exchange now. Besides dealings in shares, Advance Import Permit in terms of dollar and pound sterling are also regularly quoted to the Dhaka Stock Exchange.

Investment Corporation of Bangla- desh

69. The Investment Corporation of Bangladesh (ICB) was established in October, 1976 under the Investment Corporation of Bangladesh Ordinance No. XL of 1976. The main objective of the ICB is to encourage and broaden the base of investment, develop the capital market, mobilise savings and provide for matters ancillary thereto. The total authorised capital of the Corporation is Tk. 20 crores divided into 20 lakh shares of Tk. 100 each. At present the Corporation does not have any line of foreign credit/investment resources. However, in order to meet the resource constraint proposal has been submitted to the Government for exploring the prospect of securing financial assistance from the Islamic Development Bank (IDB), International Finance Corporation (IFC), Asian Development Bank (ADB), etc. Since

its inception the Corporation in consortium arrangement with other financial institutions has been providing under-writing/bridge finance support to industrial projects of public limited companies. The ICB also opens/maintains investors accounts for purchase/sale of corporate securities. The Corporation floated 1st ICB Mutual Fund in April, 1980. In order to mobilise domestic resources the ICB issued Unit Certificates on 10th April, 1981. During the year ending June, 1982 the ICB itself committed Tk. 7.32 crores for under-writing/bridge finance. No commitment was made by the ICB for debenture financing during 1981-82. This compared with Tk. 16.65 crores committed by the ICB during the preceding year. Investment support in the form of underwriting/bridge and debenture financing committed by other financial institutions declined from Tk. 13.99 crores in 1980-81 to Tk. 5.29 crores in 1981-82. Total commitment made by the ICB and other consortium partners thus fell by Tk. 17.42 crores (58 per cent) to Tk. 12.62 crores during 1981-82 as against Tk. 30.04 crores committed during 1980-81. Since inception upto June 30, 1982 the Corporation committed financial assistance of Tk. 70.26 crores to 244 projects against 391 applications received for total assistance of Tk. 188.00 crores.

70. 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 outside world especially with the oil-rich Middle East Countries. The Company has since obtained permission from the Bangladesh Bank for opening L/C covering imports under the Wage Earners' Scheme and also for providing pre- and post-import finance 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. The IFIC has

been authorised by the Bangladesh Bank to conduct foreign exchange/business pertaining to Wage Earners' Scheme and started conducting the business in 1980. The Company has recently been accorded permission for conversion into a banking company in the private sector.

71. During 1981-82, 1680 letters of credit under Wage Earners' Scheme aggregating Tk. 31.40 crores were opened by IFIC as against 935 letters of credit aggregating Tk. 23.89 crores opened in 1980-81. Total pre-shipment and post-shipment financing provided by the IFIC during 1981-82 worked out to Tk. 22.18 crores and Tk. 1.48 crores respectively as against Tk. 20.30 crores and Tk. 0.98 crore respectively during 1980-81. The IFIC earned a profit (before tax) of Tk. 1.68 crores during the year ended December, 1981 as against Tk. 0.64 crore earned during the preceding year.

72. Under an agreement signed between the IFIC and the Government of the Republic of Maldives in March, 1982, a joint-venture bank named the Bank of Maldives Limited will be set up with 40 per cent and 60 per cent equity respectively. The IFIC will have the management for the operation of the bank for 10 years. The Bank of Maldives Limited has been registered in June, 1982 under the Laws of Maldives.

73. The 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 mobilise resources within and outside the country for investment in industries and to stimulate industrial development through financing and advising investors regarding the establishment of new projects and also for balancing, modernisation, replacement and expansion of the existing industrial establishments. The BSB is also authorised to carry on all kinds of banking business.

74. During 1981-82, the BSB received 414 loan applications as against 588 applications received during 1980-81. During the year under

report, the Bank sanctioned loans amounting to Tk. 106.41 crores which included Tk. 72.99 crores in foreign currency and Tk. 33.42 crores in local currency. During the preceding year total loans sanctioned amounted to Tk. 158.93 crores which included Tk. 99.16 crores in foreign currency and Tk. 59.77 crores in local currency. Notably, all the loans sanctioned during 1981-82 were in the private sector indicating an encouraging response of the private sector to industrial venture and opportunities.

75. Total disbursement of loans by the BSB during 1981-82 amounted to Tk. 64.58 crores of which Tk. 21.89 crores were in foreign currency and the balance of Tk. 42.69 crores in local currency. Projects in the private sector claim the entire disbursed amount. Total disbursements during the previous year amounted to Tk. 52.35 crores of which the foreign currency component was Tk. 18.98 crores. Of the total disbursement, private sector received Tk. 52.23 crores or 99.77 per cent of the total. The total amount of loans outstanding as on June 30, 1982 stood at Tk. 332.52 crores as against Tk. 236.87 crores as on June 30, 1981.

76. The Bangladesh Shilpa Rin Sangstha (BSRS) was established in October, 1972 to inherit the erstwhile Pakistan Industrial Credit and Investment Corporation for providing credit facilities and other assistance to industrial concerns and to encourage and broaden the base of industrial investment in Bangladesh. It provides medium and long-term credit facilities in both foreign and local currencies to industrial projects with fixed cost of Tk. 20 lakhs and above in the private sector. There is no such floor limit or ceiling in respect of projects in 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.

77. During 1981-82 the BSRS received a total number of 33 applications for financial assistance as compared to 434 applications received

**Bangladesh
Shilpa Rin
Sangstha**

during 1980-81 . The total amount of loans sanctioned during 1981-82 stood at Tk. 10.97 crores as compared to Tk. 164.74 crores sanctioned during the preceding year. Of the total sanctions during 1981-82, foreign currency and local currency loans amounted Tk. 7.90 crores or 72 per cent and Tk. 3.07 crores or 28 per cent respectively as compared to Tk. 99.69 crores or 60.51 per cent and Tk. 65.05 crores or 39.49 per cent respectively during the preceding year. The private sector accounted for 100 per cent of the loans sanctioned during 1981-82. The private sector and the public sector accounted for 98.59 per cent and 1.41 per cent respectively of the loans sanctioned by the BSRS during 1980-81.

78. During 1981-82 an amount of Tk. 32.87 crores was disbursed by the BSRS as against Tk. 58.21 crores in the preceding year representing a fall of 43.53 per cent. Of the total disbursement, foreign currency and local currency components accounted for Tk. 12.91 crores or 39.27 per cent and Tk. 19.96 crores or 60.73 per cent as compared to Tk. 21.83 crores or 37.50 per cent and Tk. 36.38 crores or 62.50 per cent respectively during 1980-81. The private sector accounted for 100 per cent of the loans disbursed during 1981-82 as compared to 99.63 per cent in the previous year.

79. The total outstanding loans of the BSRS as on June 30, 1982 were Tk. 370.14 crores as compared to Tk. 245.17 crores as on June 30, 1981.

CHAPTER VI

AGRICULTURAL FINANCE

AGRICULTURAL FINANCE

Institutional Arrangement

80. With a view to increasing the quantum of institutional credit to the agricultural sector, 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 affiliated Co-operative Land Mortgage Banks (CLMBs), Central Co-operative Banks (CCBs) and their affiliated primary societies; (c) Nationalised Commercial Banks (NCBs); and (d) Integrated Rural Development Programme—Thana Central Co-operative Associations (IRDP-TCCAs) and their affiliated primary societies known as Krishak Samabaya Samity (KSS). Agricultural credit operation has been carried out under two separate programmes, viz., (i) Normal Programme (NP) of all the agencies, and (ii) Special Agricultural Credit Programme (SACP) in which 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: (a) financing of fishery, livestock, poultry, etc. and plantation of crops like tea, banana, pine-apples, guava, sugarcane (in Mill Zone areas), jute (under IJCS), (b) financing of special projects like Rural Development-I Projects, Serajgonj Integrated Rural Development Project (SIRDIP) etc., (c) 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. Financing of all short-term and 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) are covered by (SACP)

**Interest
Subsidy and
Government
Guarantee**

81. The Bangladesh 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 concessionary rate of interest to meet their temporary liquidity problems arising from special circumstances. The Bank also allows interest subsidy to 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 unrecovered on 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**

82. Despite enhancement of Bank rate from 8% to $10\frac{1}{2}\%$ with effect from 16th October, 1980 the refinance rate was kept at 6% thereby allowing concession of $4\frac{1}{2}\%$ (as against the previous 2%) in order to ensure availability of credit to farmers at a reasonable rate of interest. The Bank continued to provide refinance facilities to BKB at a nominal interest rate of $2\frac{1}{2}\%$ 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 @ 6% to BKB against its financing Tea Development under UK (ODA) 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 rates ranging from $10\frac{1}{2}\%$ to 12%. Interest rate on loans given by IRDP-TCCAs through affiliated KSS, however, remained unchanged. The farmer-members of the KSS financed by Sonali Bank through TCCAs were required to pay interest @ $12\frac{1}{2}\%$ plus service charge at 5% total being $17\frac{1}{2}\%$ per annum.

83. The Annual Agricultural Credit Programme for 1981-82 fixed the target of disbursement by all the agencies at Tk. 453.74 crores under their

**Annual
Agricultural
Credit Pro-
gramme for
1981-82**

Normal Programme and Tk. 200.00 crores under SACP. Thus the total disbursement target was set at Tk. 653.74 crores. The following table shows the agency-wise and programme-wise disbursement target for the year 1980-81 and 1981-82 :

DISBURSEMENT TARGET

(Taka in crores)

Agency	Disbursement Target					
	1980-81			1981-82		
	NP	SACP	Total	NP	SACP	Total
BSBL	38.00	—	38.00	58.38	—	58.38
BKB	179.86	200.00	510.31	230.00	200.00	595.36
NCBs	130.45			165.36		
Total :	348.31	200.00	548.31	453.74	200.00	653.74

84. The details of credit operation of all the agencies under the NP and SACP during 1981-82 as compared to the previous year are given below :

LOANS DISBURSED AND OUTSTANDING

(Taka in crores)

	1980-81	1981-82
a) Target	548.31	653.74
b) Disbursement	352.28	412.81
c) Recovery	225.75	254.19
d) Outstanding (end June)	653.22	799.77

**Disburse-
ment under
Normal and
Special
Agricultural
Credit
Programme**

85. The total credit disbursed by all the credit agencies under their Normal Programme during the year 1981-82 amounted to Tk. 351.43 crores as against Tk. 279.60 crores disbursed during the previous year. In addition, BKB and NCBs together disbursed a total amount of Tk. 61.38 crores under SACP. Thus agricultural credit disbursed by all the agencies under the two programmes aggregated to Tk. 412.81 crores during 1981-82 as against

Tk. 352.28 crores disbursed during 1980-81. The agency-wise break-up of the total credit disbursed during the year as compared to the previous year is shown below :

AGENCY-WISE DISBURSEMENT

(Taka in crores)

Agency	1980-81			1981-82			% Change Over the Previous Year
	NP	SACP	Total	NP	SACP	Total	
BSBL	25.70	—	25.70	18.58	—	18.58	(-) 27.70
BKB	185.32	24.42	209.74	251.22	19.78	271.00	29.21
NCBs	68.58	48.26	116.84	81.63	41.60	123.23	5.47
Total :	279.60	72.68	352.28	351.43	61.38	412.81	17.18

86. Year-wise disbursement and recovery of loan made under SACP are shown below :

YEAR-WISE POSITION

(Taka in crores)

Year	Disbursement	Recovery**	Recovery as Percentage of Disbursement
1977	60.78	61.92@	101.87
1978	53.47	45.50	85.09
1979*	27.71	23.36	84.30
1980	70.69	36.72	51.95
1980-81	83.25	25.91	31.12
1981-82	61.38	2.28	3.71

*January to June, 1979.

**Upto May, 1982.

@ Including interest.

Financing of the Sale of Irrigation Equipment

87. With a view to rationalising the loaning operation under SACP; the banks were allowed 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.

88. With a view to supporting Government programme for increasing the area under irrigation the Bank directed all the NCBs and the BKB to continue financing the Sale of Irrigation Equipment Programme of BADC. Total credit disbursed by the credit agencies for sale of irrigation equipment during FY 1981-82 aggregated to Tk. 41.07 crores as against Tk. 19.21 crores during 1980-81. The following table shows item-wise disbursement of credit during FY 1980-81 and 1981-82 :

FINANCING IRRIGATION EQUIPMENT

(Taka in crores)

Items	1980-81	1981-82
LLP	0.76	3.18
STW	18.39	37.81
DTW	0.06	0.08
Total :	19.21	41.07

Loans for Pond Fishery

89. As in the previous year, a programme for financing development of pond fisheries was drawn up for the year 1981-82 and the target was set at Tk. 9.15 crores. All the NCBs and the BKB together disbursed a total amount of Tk. 7.53 crores during 1981-82. Agency-wise disbursement under the programme during FY 1980-81 and 1981-82 is shown below :

FINANCING POND FISHERY

(Taka in crores)

Credit Agencies	1980-81	1981-82
NCBs	2.36	0.87
BKB	6.51	6.66
Total :	8.87	7.53

Refinance by Bangla- desh Bank

90. The Bangladesh Bank continued its policy of providing concessional refinance facility to BKB and BSBL during 1981-82 so as to enable them to extend credit to the farmers at reasonable interest rates. During the year, a total amount of Tk. 158.04 crores was sanctioned to BKB and BSBL out of which Tk. 143.99 crores were utilised by them. Besides, a refinance limit of Tk. 20.15 crores was sanctioned to Sonali Bank during the year for financing purchase of irrigation equipments and crop production by IRDP-TCCAs. The amount of loans sanctioned and disbursed by the Bank to these institutions during FY 1980-81 and FY 1981-82 were as under :

REFINANCE

(Taka in crores)

Credit Agencies	1980-81		1981-82	
	Sanctioned	Disbursement	Sanctioned	Disbursement
BKB	135.09	141.88*	123.20	126.52*
BSBL	23.50	25.51*	34.84	17.47
Sonali Bank	—	—	20.15	—
Total :	158.59	167.39	178.19	143.99

* Includes disbursement against previous sanction.

91. Outstanding borrowings of BKB and BSBL with the Bangladesh Bank stood at Tk. 323.77 crores at the end of 1981-82 as compared to Tk. 257.03 crores at the end of 1980-81 showing an increase of Tk. 66.74 crores over the previous year. The institution-wise break-up of the above outstanding borrowings was as under :

OUTSTANDING BORROWINGS

(Taka in crores)

Credit Agencies	1980-81	1981-82	Increase(+); Decrease(-) over previous year
BKB	225.41	296.89	(+) 71.48
BSBL	31.62	26.88	(-) 4.74
Total :	257.03	323.77	(+) 66.74

**Rural
Finance
Experimental
Project**

92. In addition to NP and SACP, the credit agencies continued to carry out the experimental programmes undertaken earlier with a view to making credit facilities available to the disadvantaged groups of farmers and other rural poor who had little access to institutional credit. A brief review of some of these projects is given below.

93. Under an agreement signed between the Government of Bangladesh and the USA on August 31, 1977 a Rural Finance Experimental Project (RFEP) was undertaken in 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 hitherto 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 rate 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 lending agencies could mobilise enough savings and rural deposits to make the system self-financing. The first phase of the experimentation ended on April 30, 1981. It was further extended upto August 31, 1982 for the 2nd phase.

94. Upto February, 1982 the participating institutions through their 98 outlets disbursed a total amount of Tk. 11.61 crores to 41,649 loanees. An amount of Tk. 4.78 crores (41%) was recovered, leaving an outstanding balance of Tk. 6.83 crores, the overdue being Tk. 0.79 crore. The participating institutions could mobilise voluntary savings to the tune of Tk. 0.48 crore and Tk. 0.63 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.

95. A mid term evaluation of the 2nd phase of experimentation reveals that 89% of the total loans went to the target group borrowers. The report also shows that borrowers obtained loans at higher interest rates (24%, 30% and 36%) mainly for non-agricultural purpose. The lending agencies continued to consider the lowest lending rate of 12% under RFEP as unprofitable. Overdues of loan given at 36% was 7.3% while overdues at 30%, 24%, 18% and 12% were 4.2%, 8.3%, 3.5% and 5.5% respectively. The purpose-wise analysis of credit disbursement reveals that 59% of the total loan was utilised for agricultural activities (28% for crop production and 31% for other agricultural activities) and 41% for non-agricultural activities. Women constituted 4.2% of total borrowers despite unfavourable social condition. However, no single experimental model could justify its replication nation-wide on the basis of success. Group lending experimented by some of the participating institutions have also not been found satisfactory except in a few isolated cases. On the other hand, individual lending reached the largest number of borrowers. Higher administrative costs, difficulties in forming groups and time consuming procedures for sanctioning loans to the groups appeared to be the main constraints for comparatively poor performance of the group lending than the individual lending programmes.

96. Under another loan agreement signed between the Government of Bangladesh and the International Fund for Agricultural Development (IFAD), a special credit scheme for financing small farmers was undertaken in three districts viz., Jessore, Kushtia and Faridpur. The scheme which consists of a Tk. 10.00-crore project, was launched in February, 1980 and will continue upto December, 1982 on experimental basis. The scheme is being administered and monitored by the Bank. All the six NCBs, BKB and BSBL are financing the target group farmers under the scheme. The following table shows district-wise disbursement and recovery upto June 30, 1982 under the project :

Special Credit Scheme for Small Farmers under IFAD

FINANCING SMALL FARMERS UNDER IFAD SCHEME

(Taka in lakh)

District	Disbursement	Recovery
Jessore	207.01	42.74
Kushtia	127.07	32.42
Faridpur	164.02	42.65
Total :	498.90	117.81

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

97. Under an agreement signed between the Government of Bangladesh and the Swiss Confederation in April, 1976 a project named "Post Harvest Technology, Storage Facilities and Marketing Credit for Small and Medium Farmers" was undertaken. The project aims at assisting the Government of Bangladesh in elaborating, testing and applying new approach for strengthening the market position of small and medium farmers, primarily with respect to the marketing of food grains by linking the supply of marketing credit to a net work of local storage facilities. The project started functioning in Boda and Satnala Unions in Dinajpur district in 1977. Under the project, 5 godowns in Boda centre and 3 godowns in Satnala Union were constructed and put into operation. Upto June 30, 1982 an amount of Tk. 5.70 lakhs was disbursed among 1322 farmers against stock of Aman, Aus and Wheat of which an amount of Tk. 5.10 lakhs was recovered during the same period.

ASARRD Project

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

99. The first phase (1976-77 to 1979-80) of the ASARRD project has already been completed. During this phase of the project, about 230 groups of 12 villages in three sub-projects (Mymensingh, Comilla and Bogra) have been given Tk. 80.00 lakhs as 'supervised credit' on the basis of the production plans prepared by the groups with the assistance of the field staff of the project. Bangladesh Bank designated Janata Bank to meet the credit requirement of the groups for which Janata Bank was provided by the FAO with a risk-cum-guarantee fund in the ratio of 1 : 10 i.e. against 1 Taka risk fund the bank advanced 10 Taka as loan. The productive use of the credit resulted in increasing the average income of the group members by 100% at constant price compared to the bench mark figure of 1976.

100. Based on the success of the first phase, necessary arrangements and terms and conditions are being finalised to initiate the second phase (1980-81 to 1984-85) of the project during which about 200 villages are to be covered under four sub-project areas (three existing and one to be newly undertaken in Rangpur). Although the project proposal covers the entire SFYP period, the Planning Commission approved a Scheme for only one year i.e. for the year 1980-81 with the total cost of Tk. 299.95 lakhs including Tk. 242.15 lakhs as project assistance. Since its inception, 2737 village house-holds have been covered under the project.

101. The Rural Development Project was put under implementation in July, 1976 and was expected to be completed in 1981-82. Kotwali Sherpur, Gabtali and Sariakandi Thanas of Bogra district and Muktagacha, Trishal and Gaffargaon Thanas of Mymensingh have been covered under this project. The Government of Bangladesh obtained IDA assistance of \$ 16 million to finance the Rural Development Project in 1976. The total cost of the project is estimated at Tk. 37.06 crores inclusive of IDA contribution of Tk. 24.00 crores. The participating agencies of the project are : (a) Ministry of Agriculture, Fisheries and Livestock ;

**Bangladesh
Rural
Development
Project
(RD-1)**

(b) Ministry of Local Government, Rural Development and Co-operatives, (c) Sonali Bank and (d) IRDP. The main objectives of the project are : (a) initiating a programme of low-cost production oriented investment to increase agricultural production ; (b) building and strengthening rural infrastructure to improve agricultural supporting services and ensure equitable supply of agricultural inputs to the small farmers and (c) creating employment for rural landless people.

102. A scheme titled "Dheki Loan" prepared by the Agricultural Credit Department of the Bank in 1978 started operation from 1979 in 10 Swanirvar thanas of 10 districts. It was extended to 20 thanas of 19 districts in December, 1980. The financing agencies in the initial 10 Swanirvar thanas were allowed to sanction and disburse loans for other income generating activities in addition to Dheki loan to the groups of distressed people viz. ; women, youth, agricultural labourers and other professional groups. The responsibility of motivation and organisation has been entrusted to Swanirvar workers. All the nationalised Commercial Banks and the Bangladesh Krishi Bank are financing the scheme out of their own resources. The disbursement and recovery position of the loans as on 30th April, 1982 is shown below :

DHEKI LOANS

(Figures in Lakh Taka)

Credit Agencies	Amount Disbursed	Amount Recovered	Amount due for Recovery	Amount not Fallen Due	Overdue
NCBs	183.40	71.36	75.85	32.07	4.12
BKB	41.41	15.49	18.79	3.83	3.30
Total :	224.81	86.85	94.64	35.90	7.42
Percentage	100%	38.63%	42.10%	15.97%	3.30%

Inspection

103. Bangladesh Bank under its inspection programme conducted inspection of Samabaya Bank Ltd., Dhaka, 62 Central Co-operative Land Mortgage Banks, 11 Central Sugarcane Growers' Co-operative Societies, 8 Thana Central Co-operative Associations, Bangladesh Krishi Bank, Head Office, its 13 Regional/Divisional Offices and 36 other branches during 1981-82.

Rural Credit Project Department

104. The former Agricultural Credit Project Division of the Bank which was converted into a full-fledged department from May, 1982 has been renamed as "Rural Credit Project Department". Another division dealing with Grameen Bank Project has also been transferred from Agricultural Credit Department to this newly created Department. The Department has been divided into four wings, viz., Planning Wing, Operation Wing, Administration & Training Wing and Other Projects Wing for implementing the IDA financed Agricultural Credit Project (Minor irrigation) and to formulate and implement other credit projects on agriculture and agro-related industries. The Department started implementing the Agricultural Credit Project (Minor irrigation) in the Rajshahi Division with financial assistance of IDA from July, 1981. Sonali Bank, Agrani Bank, Janata Bank and Bangladesh Krishi Bank are the Participating Credit Institutions (PCIs) under the project. The major emphasis of this minor irrigation project was given on sale and installation of Shallow Tube-Wells (STWs) to the farmers through the private suppliers on bank credit. Despite initial constraints and problems the participating credit institutions started disbursement of credit under the project. The number of STWs installed during the year 1981-82 was 735 as against the target of 3900. The project has also other components like financing of workshop, village mechanics and grain storage in the private sector.

105. The Training Wing of Rural Credit Project Department arranged 3 induction courses of 1-day, 4-day and 6-day duration for the field level personnel, branch managers and officers of the PCIs during the year under review. The Wing also arranged a 10-day workshop at BIBM for the rural

branch managers of the nationalised commercial banks, BKB, BSBL and officers from Bangladesh Bank sponsored by IAC-IRD/FAO/APRACA project. Further, Rural Credit Project Department has been involved in implementing an intensive rural development project in Faridpur and Jessore districts with the financial assistance from International Fund for Agricultural Development (IFAD).

Banana Cultivation

106. To boost up banana production, Banana Plantation Financing Scheme was undertaken in 1980 initially in 34 selected thanas of the country with allocation of Tk. 50 million to be financed by the Nationalised Commercial Banks and the Bangladesh Krishi Bank out of their own resources. Upto June 30, 1982 amount disbursed under the scheme by the Nationalised Commercial Banks stood at Tk. 10.76 million of which the outstanding balance was Tk. 9.90 million including interest.

Shrimp Culture

107. A Scheme titled "Tk. 100-million Shrimp Culture Credit and Fish Production Programme" was launched in January, 1980. The amount of disbursement, recovery, outstanding and overdue under the scheme upto June 30, 1982 are as follows :—

(Taka in million)

Particulars	January, 1980—March, 1982
Allocation	100.00
Disbursement	31.47
Recovery	10.60
Outstanding	16.09
Overdue	3.82

Loans for Rural Transport

108. Another scheme of medium term loan (repayable within 3 to 5 years) to boatmen/boat builders/cart drivers/builders and rickshaw/van pullers was launched in July, 1981. The Nationalised Commercial Banks disbursed an amount of Tk. 4.45 million upto June 30, 1982.

**Hand
Tube-well
Programme**

109. The Rural Credit Project Department initiated a Hand Tube-well Credit Programme in December, 1980 with the objective of extending credit facilities to both the BADC and BKB dealers and the small and marginal farmers to help purchase of 70,000 hand tube-wells. The financing agencies disbursed Tk. 53.82 million upto June 30, 1982 for the installation of 25,572 hand tube-wells.

**Grameen
Bank Project**

110. The Grameen Bank Project (GBP) was launched in June, 1979. 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 so that they can be protected from the grip of the money-lenders; (2) providing minimum subsistence through quick-yielding income raising activities; (3) creating part time job opportunities for the women of landless and other families; and (4) developing a new version of co-operative structure which will hopefully eliminate major weaknesses of the traditional co-operatives. All the Nationalised Commercial Banks and the Bangladesh Krishi Bank are participating in the GBP. Inspired by the initial success, the International Fund For Agricultural Development (IFAD) offered its assistance for the expansion of the project. Accordingly an agreement was signed between the Government of Bangladesh and the IFAD for expanding the GBP operation in Tangail, Chittagong, Rangpur and Patuakhali during 1981-84. Of the estimated total requirement of fund of Tk. 10.00 crores for operating 100 branches under GBP in these four districts IFAD will extend an interest-free loan of \$ 3.25 million on matching fund basis. The other half of the matching fund will be provided by the Bangladesh Bank. In addition to the IFAD—assisted expansion programme in the four districts, the GBP operation will also be extended to cover the district of Dhaka during 1981-84.

111. By the end of June, 1982 GBP operation has been extended to nearly 5000 villages in four districts and collateral free loans were extended to 25,000 landless people and 10,000 women. Total disbursement under the project stood at Tk. 6.83 crores upto June, 1982. Of

this amount, Tk. 4.83 crores have been repaid by the loanees in weekly instalments. Defaults as percentage of total disbursement has been exceptionally low due to the Grameen Bank system of supervision through a net work of bank workers.

112. Under the GBP system the loanees are required to form groups of five. Besides borrowing from the banks and paying them back, the group members are required to generate their own group savings. Total group savings in the GBP stood at Tk. 58.88 lakh at the end-June, 1982. In addition, it is obligatory for group members to contribute to a fund called Emergency Fund, which is a sort of insurance fund. Total savings in this fund stood at Tk. 7.42 lakhs as on June 30, 1982.

FINANCING OF SMALL COTTAGE INDUSTRIES UNDER IDA CREDIT

113. For financing small and cottage industries in Bangladesh, the IDA credit equivalent to SDR 2,287 million was approved in 1975. The IDA credit was disbursed under the IDA credit. Lending operation under the IDA credit was carried out by the State commercial banks, viz., State Bank, Dhaka, and the IDA credit was under 100 per cent refinancing provided by the IDA. The IDA credit was distributed by them to the small and cottage industries.

114. During the year ended 31st March 1976, the IDA credit was disbursed to the IDA credit of the Bangladesh State Bank, Dhaka, and the IDA credit was Tk. 12.60 crore. The IDA credit was used for the financing of small and cottage industries.

CHAPTER VII

FINANCING OF SMALL AND COTTAGE INDUSTRIES UNDER IDA CREDIT

115. The IDA credit was disbursed to the IDA credit of the Bangladesh State Bank, Dhaka, and the IDA credit was Tk. 12.60 crore. The IDA credit was used for the financing of small and cottage industries.

116. The IDA credit was disbursed to the IDA credit of the Bangladesh State Bank, Dhaka, and the IDA credit was Tk. 12.60 crore. The IDA credit was used for the financing of small and cottage industries.

117. The IDA credit was disbursed to the IDA credit of the Bangladesh State Bank, Dhaka, and the IDA credit was Tk. 12.60 crore. The IDA credit was used for the financing of small and cottage industries.

118. The IDA credit was disbursed to the IDA credit of the Bangladesh State Bank, Dhaka, and the IDA credit was Tk. 12.60 crore. The IDA credit was used for the financing of small and cottage industries.

119. The IDA credit was disbursed to the IDA credit of the Bangladesh State Bank, Dhaka, and the IDA credit was Tk. 12.60 crore. The IDA credit was used for the financing of small and cottage industries.

120. The IDA credit was disbursed to the IDA credit of the Bangladesh State Bank, Dhaka, and the IDA credit was Tk. 12.60 crore. The IDA credit was used for the financing of small and cottage industries.

121. The IDA credit was disbursed to the IDA credit of the Bangladesh State Bank, Dhaka, and the IDA credit was Tk. 12.60 crore. The IDA credit was used for the financing of small and cottage industries.

122. The IDA credit was disbursed to the IDA credit of the Bangladesh State Bank, Dhaka, and the IDA credit was Tk. 12.60 crore. The IDA credit was used for the financing of small and cottage industries.

123. The IDA credit was disbursed to the IDA credit of the Bangladesh State Bank, Dhaka, and the IDA credit was Tk. 12.60 crore. The IDA credit was used for the financing of small and cottage industries.

FINANCING OF SMALL SCALE AND COTTAGE INDUSTRIES UNDER IDA CREDIT

113. For financing small and cottage industries in the country an amount equivalent to SDR 22.87 million was received under IDA Credit No. 1065-BD. Lending operation under this Project is being carried on by three commercial banks, viz., Sonali Bank, Janata Bank and Agrani Bank under 100 per cent refinance provided by the Bangladesh Bank against loans disbursed by them to eligible small and cottage industry (SCI) enterprises.

114. During the year ended June 30, 1982, the Industrial Credit Division (ICD) of the Bangladesh Bank approved 177 SCI enterprises involving Tk. 12.60 crores for refinance under the credit against loans sanctioned by the three participating banks. This raised the cumulative number of loans approved for refinance as on June 30, 1982 to 237 for a total amount of Tk. 17.55 crores since the programme became effective on January 15, 1981. However, with the subsequent cancellation of loan sanctions to 9 projects the net position of cumulative approvals of refinance as of June 30, 1982 stood at 228 projects involving a total amount of Tk. 16.45 crores as against the total cost of the projects amounting to Tk. 24.78 crores.

115. Size-wise distribution of the loans with break-ups of the number and amount sanctioned by each of the three participating banks is as under :

(Amounts in crore Taka)

Size of Loans	Sonali		Janata		Agrani		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Upto Tk. 5 lakhs	33	0.56	80	2.13	1	0.03	114	2.72
Above Tk. 5 lakhs to Tk. 15 lakhs	22	1.98	66	6.22	3	0.28	91	8.48
Above Tk. 15 lakhs to Tk. 30 lakhs	10	2.43	11	2.38	2	0.44	23	5.25
Total :	65	4.97	157	10.73	6	0.75	228	16.45

116. The table below shows the division-wise distribution of the loans approved for refinance as on June 30, 1982 :

Division	No. of Projects	% of Total	Amount in Crore Tk.	% of Total
Dhaka	109	47.80	8.21	49.87
Chittagong	65	28.51	5.70	34.68
Rajshahi	37	16.23	1.69	10.29
Khulna	17	7.46	0.85	5.16
Total : 228		100.00	16.45	100.00

117. The loans approved refinance have been distributed in 12 different sectors as shown bellow :

Sectors	No. of Projects	Amount in Crore Tk.	% of Total
Food & Allied Products	71	3.99	24.26
Textile Industries	11	1.19	7.23
Specialised Jute Products	1	0.01	0.06
Forest Products & Allied Industries	29	0.76	4.62
Paper, Board & Printing	9	0.85	5.17
Tannery, Leather & Rubber Products	5	0.53	3.22
Chemical, Pharmaceuticals & Allied Products	5	0.66	4.01
Glass, Ceramics & Non-Metallic Minerals	4	0.55	3.34
Engineerig Industries	28	2.78	16.90
Miscellaneous Industries	29	3.40	20.67
Road Transports	34	1.59	9.67
Miscellaneous Cottage Industries	2	0.14	0.85
Total :	228	16.45	100.00

118. The local and foreign currency components of the total amount of loans approved for refinance is shown below :

(Taka in crore)

Bank	Loans Sanctioned in Local Currency	% of Total	Loans Sanctioned in Foreign Currency	% of Total
Sonali	3.10	62.40	1.87	37.60
Janata	7.56	70.46	3.17	29.54
Agrani	0.41	54.56	0.34	45.44
Total :	11.07	67.30	5.38	32.70

119. The estimated number of employment expected to be generated by the 228 Small and Cottage industry Projects sanctioned upto June 30, 1982 is 5,052.

CHAPTER VIII

HOUSING POLICY

AND

HOUSE BUILDING FINANCE

HOUSING POLICY AND HOUSE BUILDING FINANCE

Housing Policy

120. In the urban areas housing programmes/schemes are pursued by different Public Departments like BPWD, Housing and Settlement Directorate, etc. as also by other Autonomous/Semi-autonomous Organisations and Urban Development Authorities, but in the rural areas housing has traditionally been taken care of by the villagers themselves. About 15 per cent of the total available land in rural areas is occupied by homesteads. If the present practices continue not less than 30 per cent of total land area may be eaten up by such homesteads at the turn of the current century. In order to forestall further proliferation of rural homesteads, Government sought to make necessary arrangements and enact suitable laws empowering local bodies to require from intending rural house/homestead builders to seek prior permission/approval for new constructions. The policy aims at ensuring that all available spaces in the existing homesteads have been economically utilized with the ultimate objective to contain the total rural homesteads within the present limits.

121. In addition to the above strategy, it is the policy of the Government to standardise the existing residential accommodation of Government and autonomous organisations. The policy also aims at making necessary arrangement for distribution of suitable land, services and utilities and easy term finance to a large number of Government and Semi-Government employees in order to enable them to build their own flats/houses. Government may also provide core houses for further

development by the occupants. Construction and distribution of multi-storied flats on hire-purchase system is also a part of the Government housing policy.

House Building Finance

House Building Finance Corporation

122. The Bangladesh House Building Finance Corporation (HBFC) was set up in 1973. 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 loaning operation, the Corporation has created one more zonal office in Dhaka, thus raising the number of zonal offices to five. In addition, there are 12 regional offices in the district headquarters. The authorised capital of the Corporation is Tk. 10.00 crores and the paid-up capital is Tk. 9.83 crores which has been subscribed by the Government. The main source of its working capital is the sale of debentures to Bangladesh Bank, Bima Corporations and nationalised banks. The Corporation provides house building finance under two different programmes, called the (i) Normal Programme and the (ii) Special Programme.

123. **Normal Programme :** The limit of the HBFC loan under the normal programme has been enhanced to Tk. 2.55 lakhs with effect from March 21, 1980 for a self-contained single unit house. The loan is to be repaid over a maximum period of 20 years. The rate of interest has been increased to 13 per cent with the enhancement of Bank Rate from October 16, 1980. The margin of investment required to be made by an applicant is 15 per cent of the estimated cost of construction of the proposed building. Under this programme, the Corporation sanctioned 1,546 loan cases for a total of Tk. 25.92 crores during 1981-82, of which 835 cases were for Dhaka Zone, 391 cases

for Khulna Zone, 175 cases for Rajshahi Zone and 145 cases for Chittagong Zone. This compared with 1,186 loan cases sanctioned for a total of Tk. 17.37 crores during 1980-81. Disbursement of loans by the HBFC under the same programme during 1981-82 amounted to Tk. 19.06 crores, of which Tk. 12.31 crores were disbursed to Dhaka Zone while Tk. 3.10 crores, Tk. 1.88 crores and Tk. 1.77 crores were for Khulna Chittagong and Rajshahi Zones respectively. This compared with the disbursement of Tk. 14.08 crores during 1980-81, of which Tk. 8.38 crores, Tk. 2.63 crores, Tk. 1.73 crores and Tk. 1.35 crores were disbursed to Dhaka, Khulna, Chittagong and Rajshahi Zones respectively. The loans sanctioned and disbursed during 1981-82 were higher by 50 per cent and 35.36 per cent respectively as compared to those during the preceding year.

124. Special Programme : In order to ease the acute housing problem in the urban areas, the HBFC started a Special Programme for financing the construction of multi-storied, multi-unit buildings from July, 1977. Under this programme, loans amounting to Tk. 6.47 lakhs and Tk. 5.60 lakhs are advanced for a four-storied building with a covered area of 1000 sft. and 800 sft. respectively in each floor, excluding the staircase. The maximum repayment period is 25 years in each case. With the enhancement of Bank Rate in 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 per cent and 2.5 per cent for buildings with floor space of 1000 sft. and 800 sft. respectively. Under this programme, the Corporation sanctioned a total of Tk. 22.54 crores for 393 cases comprising 1,460 housing units during 1981-82. Of the total cases sanctioned during the year, 219 cases were for Dhaka Zone and 92, 49 and 34 cases were for Chittagong, Rajshahi and Khulna Zones respectively. This compared with a total of 900 cases sanctioned for Tk. 37.47 crores during the previous year. The amount disbursed under the Programme stood at Tk. 28.11

crores during 1981-82, of which Tk. 19.67 crores were disbursed to Dhaka Zone, while Tk. 3.28 crores, Tk. 2.89 crores and Tk. 2.27 crores went to Chittagong, Khulna and Rajshahi Zones respectively. This compared with the disbursement of Tk. 51.93 crores during 1980-81 of which Tk. 36.26 crores were for Dhaka Zone and Tk. 7.84 crores, Tk. 5.38 crores and Tk. 2.45 crores for Khulna, Chittagong and Rajshahi Zones respectively. The amount of loans sanctioned and disbursed under this programme since its introduction in July, 1977 to June 30, 1982 were Tk. 228.56 crores and Tk. 186.76 crores respectively.

125. The Government approved a revised housing programme during 1980 for people in the middle and low-income groups. The programme envisages construction of four to six-storied multi-family apartment houses in Dhaka, Narayanganj, Chittagong and Khulna and three-storied apartment buildings in other urban areas, including thana headquarters. Loans under this programme would carry a concessionary interest rate of 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.

126. **Recovery of Loans :** The HBFC recovered loans amounting to Tk. 10.71 crores and Tk. 7.15 crores under its Normal and Special Programmes respectively during 1981-82 as compared to Tk. 8.67 crores and Tk. 4.41 crores respectively recovered during the preceding year.

127. **Loans Outstanding :** The amount of outstanding loans of the HBFC as on June 30, 1982 stood at Tk. 316.42 crores (including interest) as against Tk. 263.77 crores as on June 30, 1981.

128. **Promotional Activities :** By now, the HBFC has got Regional Offices in all the district headquarters except Tangail, Jamalpur, Patuakhali

and Rangamati. For the convenience of the local people and to make the recovery measures more effective, the Corporation has decentralised its accounts which started functioning in the Regional Offices from 1st January, 1981. The Corporation has also undertaken its own development projects. Besides Head Office building in Dhaka, the Corporation has started construction of an office building for Zonal Office at Agrabad, Chittagong. The construction work of six five-storied buildings for staff accommodation at Uttara Town, Dhaka has been completed. Buildings for Zonal Offices at Khulna and Rajshahi would be constructed in future on the plots already purchased for the purpose.

129. In order to increase the availability of finance for construction of houses, the commercial banks were required to extend credit facilities for housing during 1976-77 upto one per cent of their demand and time deposit liabilities as on the last Friday of June, 1976. The same policy was also in force during 1977-78. 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 cent per annum as against 12 per cent per annum until the enhancement of Bank Rate in October 16, 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, 1982 stood at Tk. 7.21 crores as compared with Tk. 16.00 crores disbursed during the preceding year. This was in addition to Tk. 0.15 crore of housing loans provided during 1981-82 by the foreign banks operating in Bangladesh. The total amount of outstanding loans provided by the nationalised commercial banks and the foreign banks operating in Bangladesh in June, 1982 stood at Tk. 59.10 crores and Tk. 1.24 crores respectively.

130. **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 1981-82. Under this scheme, a maximum amount of Tk. 8,000 per borrower is provided by the nationalised commercial banks against mortgage of houses built and other household land. These loans are repayable over a maximum period of 20 years. The rate of interest was raised to 15.5 per cent per annum with effect from 16th October, 1980. Disbursements made under this scheme amounted to Tk. 1.18 lakhs during 1981-82 as against Tk. 1.76 lakhs during the preceding year. A total sum of Tk. 15.33 lakhs was disbursed by the nationalised commercial banks under this scheme since its introduction in December, 1977 upto June, 1982. Under this scheme 16 houses were constructed in the rural areas during 1981-82. Since the introduction of the scheme, a total of 193 houses have been constructed.

131. 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 the Bangladesh Bank which stood at Tk. 163.50 crores at the end of June, 1981 increased to Tk. 193.50 crores at the end of June, 1982 representing an investment of Tk. 30.00 crores during 1981-82. 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 the Bangladesh Bank and the nationalised commercial banks to the resources of the HBFC amounted to Tk. 45.00 crores during 1981-82.

**Bangladesh
Bank**

CHAPTER IX

PUBLIC FINANCE

PUBLIC FINANCE

132. Considerable emphasis was laid on the mobilisation of domestic resources in 1981-82 and 1982-83 through various taxation measures and steps towards reducing subsidy expenditure and improving the finance of public enterprises. Among the various tax measures, particularly prominent were : (i) withdrawal of concessionary duty of 20 per cent and no sales tax on machinery components, accessories and spares and machinery, (ii) imposition of development surcharge @ 1 per cent ad valorem on all dutiable imports, (iii) enhancement of tariff value of all types of fabrics, (iv) imposition of a single rate of excise duty on paper, paper board and jute manufactures, and (v) enhancement of duty on natural gas. In addition, some relaxations and adjustments in tax measures were introduced to bring about uniformity and simplicity in tax structure. Additional receipts from the new tax measures in the budget for 1981-82 were estimated at Tk. 78.00 crores. The annual budget for 1982-83 also included a number of significant tax measures which are expected to yield additional tax receipts of the order of Tk. 118.00 crores. These measures included (i) enhancement of the rate of import duties on built-up trucks, buses and bicycles, finished spectacles frames, vegetable oil, built-up sound recorders and reproducers, cigarette papers, steel billets and gas, (ii) imposition of excise duty @ 30 per cent on glazed potteries, (iii) increase in development surcharge on all dutiable imports to 2 per cent and (iv) enhancement of import duty on petrol motor car. Land development tax rate has been increased and made progressive. This new rate is expected to yield Tk. 49.00 crores during 1982-83. A new tax called turn-over tax has been introduced. This tax will extend to both manufactured goods and sales of goods. Initially this tax will remain imposed on four types of establishments, namely,

**Mobilisation
of Domestic
Resources**

workshops, sweetmeat manufactures and dealers, printing industries and dockyards. To start with, this tax will be limited to establishments in the big towns. A number of other fiscal measures have been introduced in the budget with a view to ensuring capacity utilisation in the industrial sector and making it an income generating sector, to boosting up exports and also to activating private investments both from within the country and abroad in the country's industrialisation effort.

133. Efforts to improve the public finance position through a reduction in subsidy expenditure and betterment of financial position of public enterprises continued in and outside the budget. These efforts were primarily made through an upward revision of issue prices of foodgrains and fertilizers and increases in the prices of public enterprises and utilities. Outside the budget, the prices of petroleum and petroleum products were raised by 4.8 per cent in October, 1981. Price of urea fertilizer per ton was also raised from Tk. 2994.20 to Tk. 3593.04 per ton in December, 1981. In the budget for 1982-83, the ration prices of rice and wheat were raised from Tk. 175.00 and Tk. 124.00 per maund to Tk. 195.00 and Tk. 134.00 per maund respectively. While the sale price of different kinds of fertilizers was raised by a weighted average of 14 per cent. The sale prices of irrigation equipment were also raised at different rates. In the budget for 1982-83 the prices of petroleum products and the electricity charges were also significantly raised by weighted average of 41 per cent and 40 per cent respectively. Besides, the price of gas was raised by a weighted average of 13.3 per cent.

134. The Bangladesh Government Budget for 1981-82 envisaged total revenue receipts at Tk. 2354.85 crores and total revenue expenditures (non-development) at Tk. 1662.40 crores, representing a surplus of Tk. 1192.45 crores. The budget estimates for the year were subsequently revised placing revenue receipts significantly lower by Tk. 301.04 crores at Tk. 2553.81 crores and expenditures higher by Tk. 187.28 crores at Tk. 1849.64 crores leaving a surplus of Tk. 704.13 crores.

135. The revised budget estimates showed decreases under the following heads of receipts from the original estimates: Customs (—Tk. 158.00 crores), Profit from Nationalised Industries (—Tk. 69.00 crores), Sales Tax (—Tk. 55.00 crores), Interest Earnings (—Tk. 33.95 crores), State Railway (—Tk. 8.72 crores), Post Office (—Tk. 3.06 crores and Land Revenue (—Tk. 0.39 crore). These declines in receipts were partly offset by increases in profit from Bangladesh Bank (+ Tk. 8.01 crores), Stamp—Non-Judicial (+Tk. 3.50 crores), Registration (+ Tk. 2.00 crores), Telegraph and Telephone (+Tk. 1.71 crores), Stamp—Judicial (+ Tk. 1.50 crores), Income, Corporation and Agricultural Income Tax (+ Tk. 0.10 crore), Other Taxes (+ Tk. 0.86 crore) and Other Receipts (+ Tk. 9.40 crores). The marked decline in customs and sales tax was due to considerable reduction in dutiable imports. The decline in nontax receipts was attributable to shortfall in interest earnings and profit of the government from nationalised industries.

136. The increase of Tk. 187.28 crores in revenue expenditures under the revised budget for 1981-82 occurred under different major heads of expenditure. Nearly half of the increased expenditures (Tk. 84.19 crores) related to subsidy transfers to Food Account. Increases in expenditure also related to interest on Domestic Debt (+ Tk. 72.66 crores) and Defence Services (+Tk. 41.05 crores). These increases were partly offset by a decrease in unexpected expenditures (— Tk. 60.00 crores) over their original estimates.

137. The size of the Annual Development Programme (A. D. P.) for 1981-82 originally placed at Tk. 3015.00 crores was subsequently reduced by Tk. 300.00 crores to Tk. 2715.00 crores. The downward revision was called for by a substantial decline in the surplus of the non-development budget and in the generation of counterpart funds. Domestic resources fell short by Tk. 354.60 crores to Tk. 744.26 crores in the revised estimate. The resources from project, commodity and US PL-480 (Title-III) assistance along with the cash surplus of Tk. 243.00 crores of the food budget brought

total foreign assistance for financing the Annual Development Programme in the revised budget to Tk. 2081.44 crores. Thus the total resources available for financing the revised ADP worked out at Tk. 2825.70 crores, leaving a surplus of Tk. 110.70 crores which was to be utilized to repay past loans of the Government from the Central Bank. Consequent upon the revision, the allocation of funds to different sectors was adjusted without any major change in the priority projects.

138. The budget estimates for 1982-83 envisage revenue receipts at Tk. 2767.82 crores and expenditures (non-development) at Tk. 2037.63 crores, thus showing a revenue surplus of Tk. 730.19 crores. Of the total revenue receipts, Custom duties are estimated to yield Tk. 850.00 crores, Excise Tk. 490.00 crores, Sales Tax Tk. 370.00 crores and Income, Corporation and Agricultural Income Tax Tk. 300.00 crores. Of the total expenditures, Defence Services account for Tk. 382.61 crores and Education Tk. 231.22 crores. Other important allocations include : Railway (Tk. 147.98 crores), Police (Tk. 98.70 crores), Health Service and Family Planning (Tk. 86.96 crores), General Administration (Tk. 66.99 crores), Interest on domestic debt (Tk. 132.12 crores) and "Other Expenditures" (Tk. 170.63 crores). The unforeseen expenditures in the budget have been placed at Tk. 200.00 crores.

139. The size of the Annual Development Programme for 1982-83 has been estimated at Tk. 2700.00 crores. Out of this, Tk. 464.64 crores (17.20%) has been allocated for Agriculture, Tk. 452.51 crores (16.75%) for Flood Control and Water Resources, Tk. 414.71 crores (15.35%) for Industries, Tk. 456.56 crores (16.90%) for Transport and Tk. 344.77 crores (12.76%) for Power. The allocations for Housing and Physical Planning, Education and Religion, Natural Resources, Population and Family Planning, and Health stood at Tk. 172.98 crores (6.40%), Tk. 129.12 crores (4.78%), Tk. 194.75 crores (7.21%), Tk. 93.78 crores (3.47%) and Tk. 74.23 crores (2.74%) respectively. Rural Development and Establishment sector with an allocation of Tk. 107.15 crores accounts for about 3.96% of the total outlay.

140. The development budget for 1982-83 envisages a total foreign assistance of Tk. 2105.66 crores representing 78 per cent of the total outlay as against 77 per cent in the preceding year (revised estimate).

141. The Government has decided to withdraw gradually subsidies on food, fertilizer, petroleum products and electricity to divert resources towards development financing. Attempts have also been made to mobilise more domestic resources through new fiscal measures.

New Tax Measures :

142. Some of the important new tax measures during 1982-83 are as under :

i) With a view to ensuring capacity production in the industrial units and making them an income generating sector, the duty on many imported raw materials/spares has been reduced quite substantially. In the cases where domestic production is inadequate to meet the requirements of the economy, the duty rates on such imported finished goods have been adjusted reasonably.

ii) In order to boost up exports, it has been proposed to exempt the exports of tea and raw jute from export duty.

iii) It has also been proposed that sales tax be levied exclusively on imported goods and there would be only two rates of sales tax, viz. 20% and 10%. Substantial reduction of sales tax plus its exemption in some cases will result in revenue loss of Tk. 36.00 crores.

iv) In the interest of the country's industrialisation, the capital gains arising out of the sales proceeds of land and buildings have been exempted from tax provided these are invested in setting up new industries.

v) For the purpose of exemption, maximum of investment in cottage industry has been raised from Tk. 10,000 to Tk. 50,000.

vi) At present the rate of share transfer fee under Stamp Duty Act, 1899 is 1.5% on the value of the shares. This transfer fee acts as a deterrent in the Stock Exchange. It has been proposed to remit the duty chargeable under the said act on the shares of public limited companies listed in the Stock Exchange with effect from 1st July, 1982.

vii) In order to relieve the burden on wage earners, it has been decided to exempt return tickets purchased abroad in foreign currency from payment of Foreign Travel Tax.

viii) With a view to ensuring efficiency in the use of land, the rates of land development tax have been increased and made progressive. The tax on 15 bighas, 30 bighas, 45 bighas, 75 bighas and 100 bighas will be Tk. 51, Tk. 231, Tk. 531, Tk. 1,481 and Tk. 2,641 respectively. This new rate is expected to yield Tk. 49.00 crores.

143. Other notable fiscal measures of the budget for 1982-83 are summarised below :

A. Customs Duty :

- i) Duty on built-up trucks and buses has been raised from 35% to 50%. However, in order to ease the problems of transportation in the urban areas, duty on mini-buses has been reduced to 20%.
- ii) Duty on pumps has been raised and unified at 50% in order to protect the domestic industry from overseas competition.

- iii) Tariffs on Coloured and Black and White television have been increased to Tk. 500.00 and Tk. 200.00 per inch respectively while those for refrigerator and deep-freeze have been enhanced to Tk. 500.00 per cft.
- iv) Duty on CKD refrigerators and deep-freezes has been reduced from 100% to 75% and that on built-up sound recorders and reproducers has been raised from 75% to 100%, keeping the duty rate on CKD import of the same unchanged at 75%.
- v) Duty on wool and synthetic taps and nylon chips has been reduced from 75% to 20% while that on cotton yarn has been reduced to an unified rate of 20% from the earlier rates of 25% and 35%.
- vi) Duty on coconut and crude soyabean oil has been reduced from 25% to 20%.
- vii) Duty on cigarette paper has been raised from 100% to 150% while the sales tax has been reduced from 20% to 10%.
- viii) With a view to protecting the interest of the steel mills, the customs duty on imported billets has been raised from 40% to 50%.

B. Excise Duties :

- i) Duty on paper and motor-cycle has been reduced from 15% to 10% and from 7½% to 5% ad-valorem respectively.
- ii) Duty on gas has been raised from Tk. 14.00 to Tk. 17.50 per one thousand cft. For power generation and fertilizer production, the rate has been refixed at Tk. 9.00 in place of Tk. 6.00 per 1000 cft.

- iii) Duty on electric bulbs has been reduced from Tk. 12.00, Tk. 15.00 and Tk. 36.00 per dozen to Tk. 6.00, Tk. 7.80 and Tk. 18.00 per dozen respectively. The duty on fluorescent tubes has also been reduced to a great extent.
- iv) The existing excise duty of Tk. 1.00 per lb. on tea has been refixed at Tk. 3.00 per kg. The additional duty of 10% and 15% leviable on relatively expensive varieties of packet tea will, however, continue.
- v) Duty at the rate of 30% has been imposed on glazed potteries bringing it at par with China wares and procelain wares already subject to excise duty @ 30% ad-valorem.

C. Income Tax :

- i) In order to reduce the burden of tax, the tax rate on personal income has been reduced and exemption limit raised from the existing level of Tk. 15,000 to Tk. 20,000. However, earned income relief, children education allowance and personal allowance have been withdrawn.
- ii) In order to remove the difficulties of the small investors, the restrictive provision regarding the initial allowance of Tk. 5,000 and 60% on the balance of investment has been withdrawn.
- iii) Gratuity has been totally exempted from payment of tax in line with exemptions already granted to pensions.

144. The Railway Budget for the year 1982-83 envisages revenue earnings at Tk. 148.00 crores and revenue expenditures at Tk. 147.98 crores, leaving a nominal surplus of Tk. 2.00 lakhs. This compares with revenue receipts at Tk. 133.72 crores and revenue expenditures at Tk. 133.70 crores

in the original budget for 1981-82 and revenue receipts at Tk. 125.00 crores and revenue expenditures at Tk. 138.95 crores in the revised budget for 1981-82. The overall net surplus for the year 1982-83 has been estimated to be Tk. 2.00 lakhs as against the deficit of Tk. 13.95 crores in the revised budget for 1981-82. The shortfall in revenue receipts by Tk. 8.72 crores in the revised budget was due to smaller traffic of passengers and parcels as also less receipt from the real estate of the Railway. The increase in revenue expenditures of Tk. 5.25 crores in the revised budget over the original budget was due to increases in the price of fuel, medical allowance to employees and excess payment of interest and principal of foreign loans.

145. The following are the salient features of the Railway Budget for 1982-83 :

- 1) The budget estimates revenue receipts and expenditures at Tk. 148.00 crores and Tk. 147.98 crores respectively for 1982-83 as against the revised revenue receipts and revenue expenditures for 1981-82 at Tk. 125.00 crores and Tk. 138.95 crores respectively.
- 2) The Government has decided not to enhance the passenger fare in the budget for 1982-83 keeping in view the overall economic condition of the country and the purchasing capacity of the common people.
- 3) The rates of freight traffic have been enhanced by 20 per cent to meet the gap between the revenue earnings and revenue expenditures.
- 4) Under the Annual Development Programme, an allocation of Tk. 174.96 crores has been provided for Bangladesh Railway of which Tk. 124.76 crores would be in local currency. This allocation is higher by 47.24 per cent than the revised budget of Tk. 118.83 crores for 1981-82.

5) Some of the important projects to be completed during 1982-83 are :

i) Procurement of 38 shunting diesel engines and import of 37 M.G. passenger carriages ; (ii) manufacturing of 120 wagons and 24 passenger carriages in the Railway's own workshops ; (iii) gradual replacement of marine vessels destroyed during the war of liberation for facilitating transportation of passengers and goods across the river Jamuna ; (iv) replacement of railway tracks, sleepers, rails, other fittings and boulders in selected stations; (v) commencement of work on 'Re-inforced Concrete Sleeper Project'; (vi) completion of the projects for two diesel maintenance workshops; (vii) enlargement of working capacity of the workshops at Saidpur and Pahartali; (viii) installation of improved signalling arrangements; (ix) construction of additional station platform sheds; and (x) establishment of a Training Academy at Chittagong to increase the overall efficiency of officers and staff.

Government Borrowings

146. No new public loan was floated by the Government of Bangladesh during the year ended 30th June, 1982. The only outstanding Government loan is the $5\frac{1}{2}\%$ loan — 1982 floated in October, 1972 amounting to Tk. 63,75,01,000.

147. The three-month Government Treasury Bills @ $9\frac{1}{2}\%$ discount per annum stood as on 30th June, 1982 at the same level of Tk. 57.03 crores as on 30th June, 1981. These Bills were re-issued every 90 days.

148. The Special Treasury Bills @ $8\frac{1}{2}\%$ discount per annum offered for sale to Non-Banking Institutions stood at Tk. 14,52,55,000 as on 30th June, 1982 as against Tk. 12,89,55,000 as on 30th June, 1981.

149. The $8\frac{1}{2}\%$ Special Treasury Bills created to replenish the cash balance of the Government increased to Tk. 1210.00 crores as on 30th June, 1982 from Tk. 1191.00 crores as on 30th June, 1981. The 'Ways & Means

Advances' of the Bank to the Government as on 30th June, 1982 remained unchanged at Tk. 20.00 crores.

150. The amount of 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 revaluated stood at Tk. 75,71,650 as on 30th June, 1982 as against Tk. 74,85,350 as on 30th June, 1981.

151. The amounts of G. P. Notes/Stock Certificates of the erstwhile Pakistan and its Provincial Government loans as also 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. 6,63,01,500 as on 30th June, 1982 as against Tk. 6,98,01,500 as on 30th June, 1981.

152. The amount of 5% Non-Negotiable Bonds issued by the Government of the People's Republic of Bangladesh to the Shareholders of Nationalised Industries as compensation stood at Tk. 12,16,02,529.52 as on 30th June, 1982 as against Tk. 11,52,56,083.99 as on 30th June, 1981. Out of this, payment of maturity value payable in instalments from 1st July, 1979 has been made for a total of Tk. 11,13,39,289.26 upto 30th June, 1982 as against Tk. 2,56,55,786.03 upto 30th June, 1981. The outstanding balance as at the close of 1981-82 was Tk. 1,02,63,240.26 as against Tk. 8,96,00,297.96 at the end of the previous year.

153. The amount of 8% Savings Bonds issued by the Government of the People's Republic of Bangladesh against 100-taka demonetised Notes stood at Tk. 1,68,27,900 as on 30th June, 1982 as against Tk. 1,58,90,400 as on 30th June, 1981. Out of this, payment of maturity value payable from 10th April, 1982 has been made for a total of Tk. 1,12,86,600 leaving a balance of Tk. 55,41,300 as on 30th June, 1982.

**Bangladesh
Savings Cer-
tificates and
Bangladesh
Sanchaya
Patras**

154. The net outstanding of both Bangladesh Savings Certificates and Bangladesh Sanchaya Patras sold through the banks stood at Tk. 3,87,04,520 as on 30th June, 1982 as against Tk. 4,87,17,385 as on 30th June, 1981.

**Pratirakkha
Sanchaya
Patras**

155. The net sale of Pratirakkha Sanchaya Patras through the banking sector amounted to Tk. 82,55,71,510 as on 30th June, 1982 as against Tk. 60,25,17,585 as on 30th June, 1981. Sales and encashment of Pratirakkha Sanchaya Patras during the year under report were Tk. 31,18,44,005 and Tk. 8,87,90,080 respectively. The net sale of Pratirakkha Sanchaya Patras through the Post Offices stood at Tk. 8.45 crores during 1981-82 as compared to Tk. 11.93 crores during 1980-81.

**Bonus
Sanchaya
Patras**

156. The net sale of Bonus Sanchaya Patras through the banking sector amounted to Tk. 6,34,53,620 as on 30th June, 1982 as against Tk. 3,59,59,650 as on 30th June, 1981. Sale and encashment of Bonus Sanchaya Patras during the year under report were Tk. 3,51,44,380 and Tk. 76,50,410 respectively. The net sale of Bonus Sanchaya Patras through the Post Offices stood at Tk. 2.04 crores during 1981-82 as against Tk. 2.06 crores during 1980-81.

**5-Year
Bangladesh
Sanchaya
Patras**

157. The net sale of 5-Year Bangladesh Sanchaya Patras through the banking sector amounted to Tk. 3,55,48,490 as on 30th June, 1982 as against Tk. 4,41,78,600 as on 30th June, 1981. Sale and encashment of 5-Year Bangladesh Sanchaya Patras during the year under report were Tk. 8,21,000 and Tk. 94,51,110 respectively. The net sale of 5-year Bangladesh Sanchaya Patras through the Post Offices stood at Tk. 0.36 crore during 1981-82 as against Tk. 0.38 crore during 1980-81.

**Bangladesh
Prize Bonds**

158. The 10-taka Bangladesh Prize Bonds Scheme introduced in June, 1974 continued during the year. Progressive net sale of Prize Bonds amounted to Tk. 8,68,38,130 as on 30th June, 1982 as compared to Tk. 8,24,63,780 as on 30th June, 1981. Twenty eight 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, Gha, Uma, Cha, Chha and Ja were put on sale upto 30th June, 1982. Forty four bi-monthly prize draws have been held so far under single common draw system.

Sale of Savings Instruments to the Bangladesh Wage Earners' Serving Abroad

159. A Scheme for sale of Prize Bonds and different types of Sanchaya Patras in the United Arab Emirates (UAE) and U. K. was introduced from November, 1979 and October, 1980 through Janata Bank and Sonali Bank respectively. Upto 30th June, 1982 Prize Bonds and Sanchaya Patras worth Tk. 4,00,650 and Tk. 90,100 respectively were sold to the Bangladeshi wage earners serving in the U. A. E. and U. K. through these banks.

Wage Earners' Development Bonds

160. The amount of Wage Earners' Development Bonds sold by different banks stood at Tk. 2,07,06,000 as on 30th June, 1982 as against Tk. 46,63,000 as on 30th June, 1981.

CHAPTER X

INTERNATIONAL ECONOMIC COOPERATION
AND INVESTMENT PROMOTION

CHAPTER X

INTERNATIONAL ECONOMIC COOPERATION AND INVESTMENT PROMOTION

INTERNATIONAL ECONOMIC COOPERATION AND INVESTMENT PROMOTION

161. Efforts towards strengthening economic cooperation were sustained during 1981-82. Particularly important in this respect was the promotion of private foreign investment. In furtherance of the objectives of the Lima Declaration and Plan of Action calling for accelerating the pace of industrialisation in the developing countries and to bring the private sectors of the developed world in contact with entrepreneurs of Bangladesh, the Ministry of Industries in collaboration with UNIDO jointly sponsored an Investors' Forum in Dhaka from 1st to 4th February, 1982. As many as 124 foreign participants from 30 countries including 20 from foreign and international financial institutions and 175 local participants were duly registered for participation in the Forum which offered an opportunity to foreign investors to meet local entrepreneurs and acquaint themselves with the facilities offered for investment in Bangladesh. More than 70 projects were discussed in over 300 bilateral meetings and 100 informal parleys between Bangladeshi entrepreneurs and foreign investors in the Forum as reported by UNIDO officials. The discussions were fruitful as understanding on joint industrial ventures was reached in about a dozen industrial enterprises. Besides, in about 71 cases the entrepreneurs evinced keen interest and indicated their willingness to further examine the schemes.

162. A liberal policy is being pursued in the country towards foreign investment. Under the new industrial policy all the industries in Bangladesh, except a hardcore of eight categories reserved for the Government sector, have been kept open for private investment by both local and foreign investors and virtually without any ceilings on investment.

Foreign private investments are allowed in collaboration with both local and foreign investors. Foreign equity participation would continue to be encouraged in those industries where raw materials are entirely local but technical know-how is not available locally. Government policies comprising various monetary, fiscal and local incentives that are now allowed to induce foreign investment are quite liberal. In order to promote foreign private investment the Foreign Investment Promotion (Protection) Act has already been passed.

163. Foreign private investment is also being sought to be encouraged through joint ventures particularly in those areas where local raw material processing needs foreign technology and production of goods needs external market. Some examples are handlooms, jute textiles, leather goods etc. in which Bangladesh has overwhelming advantage in respect of raw materials and indigenous craftsmanship. With this in view an Export Processing Zone (EPZ) is being set up at Chittagong and two more such Zones are envisaged at Dhaka and Khulna.

164. After liberation manpower emerged as an important item of export for the economy of Bangladesh and earnings from it during 1981-82 were about 39 per cent of total exports of merchandise and services. The Wage Earners' Scheme financed nearly one-third of the import bill of 1981-82. Although impressive otherwise, Bangladesh could not effectively exploit the opportunity like India and Pakistan for being a new-comer in the field, and chances are still fairly good for pushing it to the possible extent. The number of jobs abroad which was only 6 thousand in 1976 rose to 51 thousand in 1980-81 and to 66 thousand in 1981-82. The corresponding remittances were Tk. 36 crores, Tk. 554 crores and Tk. 771 crores in 1976, 1980-81 and 1981-82 respectively. Immediately after liberation, overseas employment was procured on a limited scale mainly by personal contact. Subsequently, the Government stepped into the field and sought to put it on gear. The Government is making all out efforts to secure some jobs for Bangladeshis abroad, particularly in the different countries of the Middle East.

165. Bangladesh played an active role in different International Trade Organizations such as UNCTAD, GATT, EEC, OIC, ESCAP etc. to project her own interest as well as those of the developing countries as a group. The Commerce Division of the Government succeeded in getting Bangladesh recognised as a Least Developed Country. And this helped her derive increased developmental assistance and get loans and credits converted into grants, besides a commitment from international community of future bilateral Official Development Assistance (ODA) basically in the form of grants. The Bangladesh delegation played a leading role in the Substantial New Programme of Action (SNPA) for the least developed countries adopted in UNCTAD-V in Manila in 1979. The delegation also persuaded the Group of 77 in the Third Ministerial Meeting held in Manila in 1976 to promote the concept of Economic Cooperation among Developing Countries (ECDC). Bangladesh projected her keen interest in the integrated programme for commodity covering 18 commodities, including jute and tea. As a result, after protracted negotiations the producing and consuming countries agreed in principle to have an International Agreement on jute and jute products. The proposed International Jute Organization (IJO) aimed at product development, market access, and research and development will have its headquarters in Dhaka.

166. Bangladesh has since signed four Agreements, viz., Commercial Cooperation Agreement, Jute Goods Agreement (1980 and 1983), Textile Agreement (1979-1982 and 1983-86) and Handicrafts Agreement with the EEC. Under the first agreement, the EEC has been financing participation of Bangladesh in a number of trade fairs, carrying out market research and tours of Bangladesh trade delegation. Export of raw jute from Bangladesh to the EEC, excepting some categories, is free from tariff and quota restrictions. Similarly, under the Textile Agreement, specialized textiles and ready-made garments can be freely exported to the EEC countries subject to 0.2 per cent of the EEC import quota. Under the Handicrafts Agreement, Bangladesh can export handicrafts to the EEC market on duty-free basis subject to a global quota. As a member of the Global System of Trade Preferences (GSTP) and the Generalized System of Preferences (GSP),

Bangladesh has been getting tariff preferences in the shape of reduced or zero rate of duty on her eligible exports. The Multi-Fibre Agreement (MFA-III) provides a framework for bilateral negotiations between importers and exporters of textile products. Bangladesh as a small supplier would be given preferential treatment on the export of her textile products to the developed countries. Bangladesh has already become members of the Bangkok Agreement, Asian Clearing Union and the Asian Re-insurance Corporation. Finally, as a member of the Organization of the Islamic Conference (OIC) Bangladesh has been endeavouring hard to promote greater economic cooperation among the member countries.

CHAPTER XI

BALANCE OF TRADE AND PAYMENTS

Item	1961-62	1962-63
1. Merchandise exports	1,200	1,180
2. Merchandise imports	1,200	1,180
3. Services exports	1,200	1,180
4. Services imports	1,200	1,180
5. Balance of trade	1,200	1,180
6. Balance of payments	1,200	1,180
7. Total	1,200	1,180
8. Total	1,200	1,180
9. Total	1,200	1,180
10. Total	1,200	1,180
Total	4,389	4,190

*Figures relating to 1961-62 are provisional.

BALANCE OF TRADE AND PAYMENTS*

Balance of Trade

167. The balance of trade (f. o. b. basis) of the country showed deterioration during 1981-82. The deficit on the Merchandise Account (i. e., visible exports less visible imports) during the period increased to Tk. 3,725.35 crores from Tk. 3,034.40 crores during 1980-81. The larger deficit was mainly due to increase in import cost of Petroleum, Oil and Lubricants (POL). Imports during 1981-82 which stood at Tk. 5179.83 crores were Tk. 811.03 crores or 18.56 per cent higher than those during the preceding year. Of the total, imports financed by Cash (including POL imports), Barter and Special Trade, Wage Earners' Scheme, Loans/Credits and Grants amounted to Tk. 1842.00 crores (35.56%), Tk. 210.12 crores (4.06%), Tk. 685.48 crores (13.23%), Tk. 1094.98 crores (21.14%) and Tk. 1347.25 crores (26.01%) respectively. Long-term loans/credits received from Foreign Governments/Institutions, etc. were utilised for imports under non-food project (Tk. 704.98 crores) and non-food non-project (Tk. 390.00 crores). Food and non-food imports under Grants during 1981-82 stood at Tk. 462.50 crores and Tk. 884.75 crores respectively. Import payments under major heads are shown below :

MERCHANDISE IMPORTS

(Tk. in crore)

Commodities/Year	1980-81	1981-82
1. Food grains	474	589
2. Edible Oil and Oil Seeds	189	179
3. Petroleum Products	189	34
4. Petroleum Crude and Partly Refined	536	1,089
5. Cotton	53	72
6. Textile Yarn	120	62
7. Fertilizers	150	80
8. Chemicals	173	210
9. Capital Goods	1,263	1,553
10. Others	1,222	1,312
Total :	4,369	5,180

*Figures relating to 1981-82 are provisional.

168. Receipts from exports rose from Tk. 1,334.40 crores during 1980-81 to Tk. 1454.50 crores during 1981-82 denoting an increase of Tk. 120.10 crores or 9 per cent. As can be seen from the following table that export earnings from raw jute and jute goods stood at Tk. 193.90 crores (13.33%) and Tk. 647.40 crores (44. 51%) respectively during 1981-82.

EXPORT RECEIPTS

(Tk. in crore)

Commodities/Year	1980-81	1981-82
1. Raw Jute	204.60	193.90
2. Jute goods	639.00	647.40
3. Tea	62.60	84.50
4. Leather	80.50	121.20
5. Fish, Shrimp and Froglegs	70.70	120.70
6. Naptha	84.70	56.50
7. Others	192.30	230.30
Total :	1334.40	1454.50

169. The Services Account (i. e., invisible receipts less invisible payments) showed a deficit of Tk. 119.52 crores during 1981-82 as compared to the surplus of Tk. 24.30 crores during the preceding year.

170. The overall balance of payments during 1981-82 recorded a deficit of Tk. 521.84 crores as compared to a deficit of Tk. 501.58 crores during 1980-81. The deficit in the overall balance reflected increased deficit under Goods and Services Account partly offset by increased inflow under Unrequited Transfers and Capital Account. Unrequited Transfers showed an inflow of Tk. 2,152.30 crores during 1981-82 as compared to Tk. 1,719.50 crores during 1980-81. Of the total, net receipts under "Official Transfers" and "Private Transfers" were estimated at Tk. 1,384.15 crores and Tk. 766.15 crores respectively. Net capital inflow during the period was estimated at Tk. 1,170.75 crores as compared to Tk. 789.02 crores during 1980-81.

Balance of
Payments

Foreign Exchange Reserves

171. The convertible foreign exchange reserves held by the Bangladesh Bank declined from Tk. 450.88 crores at the end of June, 1981 to Tk. 239.68 crores as on the 30th June, 1982. The decline in foreign currency reserves during the year under report occurred despite the drawing of Tk. 125.10 crores under Compensatory Financing Facility from IMF and substantial amount of short-term borrowing from abroad. The outstanding amount of short-term borrowing as at the end of June, 1982 amounted to Tk. 225.51 crores.

Terms of Trade

172. 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 a given volume of exports on the basis of price relations alone. The income terms of trade, on the other hand, 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 :

COMMODITY AND INCOME TERMS OF TRADE OF BANGLADESH (BASE : 1975-76=100)

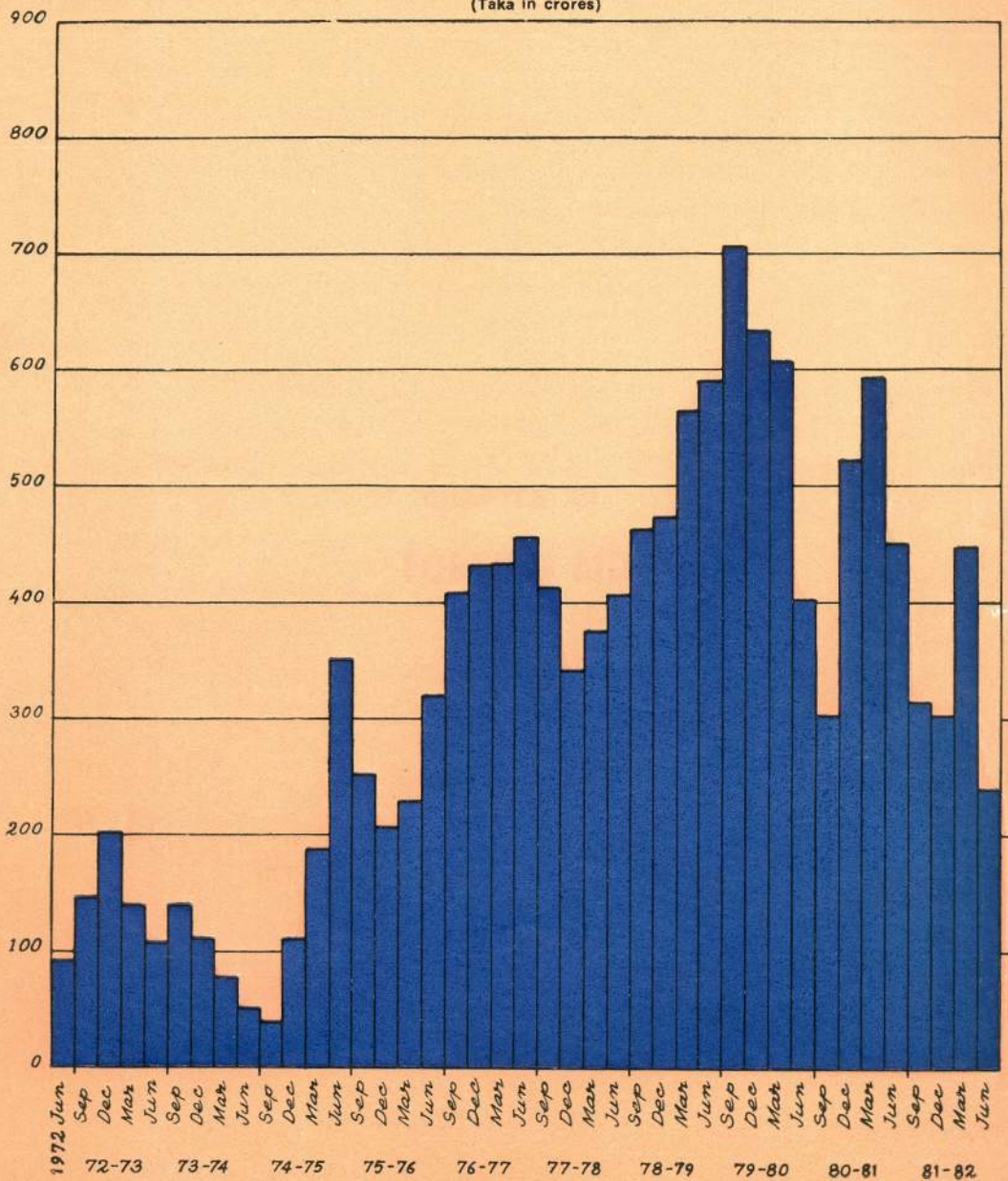
Period	Export Price Index	Import Price Index	Commodity Terms of Trade	Export Volume Index	Income Terms of Trade
1976-77	104.02	90.84	114.51	103.48	118.49
1977-78	122.81	82.88	148.18	102.63	152.07
1978-79	153.39	100.14	153.18	98.75	151.26
1979-80	191.60	127.44	150.35	97.95	147.27
1980-81	174.99	166.08	105.36	104.91	110.53
1981-82*	165.06	186.57	88.47	106.87	94.55

*Provisional.

173. Our export-based capacity to import (i. e., income terms of trade) deteriorated during the years 1978-79 through 1981-82 as compared to the year 1977-78. The income terms of trade had, however, shown significant improvement in the years 1976-77 and 1977-78 with the index (1975-76=100) moving upto 118.49 in the former and 152.07 in the later year. The improvement in income terms of trade in 1976-77 was due mainly 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 reflected increase in commodity terms of trade as export volume declined during the year. The deterioration in income terms of trade during 1978-79 as compared to the preceding year was due to a sizable decline in export volume as the commodity terms of trade improved during the same period. 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 due mainly to decline in the commodity terms of trade as the export volume increased. The decline in commodity terms of trade during 1980-81 was the combined result of a marked decline in export prices and a sharp increase in import prices as compared to the preceding year. The decline in income terms of trade in the year 1981-82 was entirely due to deterioration in the commodity terms of trade as export volume recorded some improvement.

FOREIGN EXCHANGE RESERVES

(Taka in crores)



CHAPTER XII

FOREIGN AID

DISBURSEMENTS BY FOREIGN AID

Category	1971-72	1972-73	1973-74	1974-75	1975-76
Expenditure	100	100	100	100	100
Expenditure on					
(a) Capital	100	100	100	100	100
(b) Current	100	100	100	100	100
(c) Total	100	100	100	100	100
Total	100	100	100	100	100

FOREIGN AID

174. The foreign aid commitment to Bangladesh during 1981-82 amounted to \$ 1,943 million which was 18.33 per cent higher as compared to \$ 1,642 million in 1980-81. Total aid commitment since independence till the end of June, 1982 was \$ 12,821 million of which \$ 5,667 million represented grants. Total disbursement till June, 1982 stood at \$ 8,989 million. The total outstanding external debt as on June 30, 1982 was \$ 4,657 million.

175. The foreign aid disbursement at \$ 1,236 million during 1981-82 recorded an increase of 7.76 per cent from the level of \$ 1,147 million in 1980-81. Food aid rose by 19.07 per cent from \$ 194 million to \$ 231 million during 1981-82. An amount of \$ 421 million was disbursed (7.12%) as commodity aid during 1981-82 as compared with \$ 393 million of the previous year. Disbursement of project aid increased by 4.10 per cent to \$ 584 million during the year from \$ 560 million in 1980-81. The disbursement of foreign aid during 1981-82 alongwith the comparative figures of previous years are shown in the table below :

DISBURSEMENT OF FOREIGN AID

Million US Dollar

Category	Y e a r s				
	1977-78	1978-79	1979-80	1980-81	1981-82
Food Aid	178	179	374	194	231
Commodity Aid	351	470	378	393	421
Project Aid	276	368	470	560	584
Cash	23	12	Nil	Nil	Nil
Total :	828	1029	1222	1147	1236

176. 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 1981-82 was estimated to be \$ 45 million in addition to interest payment of \$ 46 million. Thus the net inflow of foreign aid amounted to \$ 1145 million during the year.

CHAPTER XIII

TRANSACTIONS WITH IMF

TRANSACTIONS WITH IMF

177. Bangladesh purchased SDR 60.00 million from the International Monetary Fund on the 17th February, 1982 under the Compensatory Financing Facility of the shortfall in exports. In addition, during 1981-82 Bangladesh received SDR 0.66 million as subsidy for Oil Facility drawings and SDR 1.27 million as subsidy for Supplementary Financing Facility drawings.

178. Bangladesh repurchased during the year SDR 16.47 million against the purchases of 1974 and 1975 Oil Facilities. The country also made payment of SDR 7.52 million being the last instalment of SDR 30.08 million for excess holding of Bangladesh Taka by the Fund consequent upon the Second Amendments coming into force. Bangladesh paid service charges to the Fund amounting to SDR 31.78 million during the year.

179. Outstanding drawings of Bangladesh from the International Monetary Fund stood at SDR 494.10 million at the end of June, 1982 as against SDR 450.57 million (excluding payment of SDR 22.56 million consequent upon the Second Amendments and SDR 19.00 million as subscription for quota increase under the 7th General Review) at the end of June, 1981.

180. The Extended Fund Agreement with the IMF, entered into in December, 1980, was suspended in July, 1981 and cancelled in June, 1982.

CHAPTER XIV

TRADE POLICY

TRADE POLICY

Export Policy and Target

181. Efforts to boost the country's exports were further strengthened during 1981-82. All concerned agencies of the Government intensified their efforts at improving the quality and increasing the volume of production for export, market promotion and provision of additional incentives to the exporters. In the area of product and supply development steps were taken to improve the quality of products and to ensure that quality control measures were carried out by the exporters in accordance with the buyers' requirements. In the field of market promotion, market and price information were disseminated and more exporters were provided with facilities to participate in international trade fairs, single country exhibitions and buyers-sellers meet.

182. The XPL system which was somewhat rationalized earlier was under further scrutiny during 1981-82. The list of items eligible for XPL entitlement increased from 81 in 1980-81 to 85 in 1981-82. The marked increase in import entitlement rates in March, 1981, the impact of which was felt only in part in 1980-81 had its salutary effect throughout 1981-82. Reflecting this and the increase in the number of items eligible for XPL, the value of licences issued stood at Tk. 79.56 crores during 1981-82 as compared to Tk. 39.95 crores during 1980-81. But for a sharp decline in the premium in the exchange rate in the secondary market, the amount of XPL issued during 1981-82 would have been even larger.

183. On the financial front, the provision of export credit at a concessional interest rate of 12 per cent by the commercial banks and a liberal refinance against such post-shipment credit by the Bangladesh Bank to the extent of 100 per cent for non-traditional exports and to the extent of 50

per cent for traditional exports was continued during the year. Besides, it was decided to allow refinance to the extent of 100 per cent of outstanding advances less dues lying outstanding beyond 90 days in respect of pre-shipment credit for non-traditional exports with effect from 1st January, 1982. In addition, the interest rate on refinance extended by Bangladesh Bank on pre and post-shipment export credit in respect of all non-traditional items (i.e. items other than jute and jute goods) was reduced to $1\frac{1}{2}$ per cent below the prevailing Bank Rate subject to a minimum of 9 per cent with effect from 5th June, 1982. Other incentives such as duty drawback, concessional rate of duties on import of machinery, income tax rebate, etc. also continued as usual.

184. The value of exports during 1981-82 stood at Tk. 1253.34 crores which was 83.56 per cent of the target of Tk. 1500.00 crores for the year. The earnings from export of raw jute and jute goods fell substantially below their targets, while earnings from leather, frozen food, naptha, furnace oil and bitumen and readymade garments exceeded their respective targets. The major factors which contributed to overall export shortfall were the continuation of recession in our export markets, high production costs and supply and shipping constraints. A decline in unit price specially for jute manufactures was mainly responsible for shortfall in total export earning as the volume of export increased.

185. The total export value at Tk. 1253.34 crores during the year was Tk. 93.44 crores higher as compared to Tk. 1159.90 crores in the preceding year. Of the total export value, the share of raw jute and jute goods amounted to Tk. 203.79 crores (16.26%) and Tk. 582.86 crores (46.50%) respectively as against exports worth Tk. 194.28 crores (16.75%) and Tk. 598.96 crores (51.64%) respectively in the previous year. The value of tea exports stood at Tk. 76.03 crores during 1981-82 as compared to Tk. 66.48 crores during 1980-81. Other items of exports during 1981-82 amounted to Tk. 390.79 crores of which frozen food and tanned and semi-tanned leather accounted for Tk. 103.87 crores and Tk. 128.95 crores as

against Tk. 65.30 crores and Tk. 92.60 crores respectively in the preceding year.

186. The increased availability of essential consumer goods and industrial raw materials and spares continued, as usual, to be the main objective of the import policy of the country during 1981-82. Although imports under OGL continued, some restrictions were imposed on the imports of items like spare parts of bicycles in order to encourage domestic production. Besides, allocation in respect of imports of insecticides was increased. Later in the year in April, 1982 on the recommendation of the Tariff Commission the Government also banned import of 14 items including PVC compound, cellophane paper, dry cell battery (standard and medium size only), electric bulbs and electric ceiling fans, etc. Moreover, restriction on the import of some more items was imposed with the provision that import could be authorized in case of necessity. Optimum utilization of local industrial capacity and encouragement to local entrepreneurs to expand their output were the main considerations behind the Government decision in this regard.

187. The depressed export earnings, low level of reserves, suspension of the Extended Fund Facility by the IMF and a low pipe line of commodity assistance had constrained the implementation of the import programme during 1981-82. As against the allocation of Tk. 2950.00 crores, value of licences issued during 1981-82 stood much lower at Tk. 2095.57 crores. This compared with licences issued worth Tk. 2546.00 crores during 1980-81. Of the total value of licences issued during the year, Tk. 762.72 crores were financed from cash foreign exchange resources, Tk. 134.47 crores under barter and Tk. 627.58 crores and Tk. 570.80 crores under Wage Earners' Scheme and commodity assistance respectively. The sectoral shares in the licences issued were as follows : commercial importers—Tk. 466.16 crores, industrial consumers (Private)—Tk. 507.03 crores, Sector Corporations Tk. 397.00 crores, POL—Tk. 471.94 crores and Others—Tk. 253.44 crores.

188. The total value of the country's merchandise imports including food and imports under project aid etc. but excluding imports made through land customs during the period July, 1981—June, 1982 stood at Tk. 3454.35 crores* as against Tk. 3126.59 crores during 1980-81. Of the total imports during the year, the share of food and live animals stood at Tk. 582.89 crores ; crude materials, inedibles except fuels Tk. 139.82 crores ; mineral fuels, lubricants and related materials Tk. 374.86 crores ; animal and vegetable oils and fats Tk. 206.19 crores ; chemicals, drugs and medicines Tk. 444.28 crores, manufactured goods classified chiefly by materials Tk. 925.84 crores; machinery and transport equipments Tk. 619.40 crores and Others Tk. 161.07 crores.

* The value of total imports was actually notably higher than the above figures as POL imports were not fully reflected in customs statistics.

CHAPTER XV

TRADE AND PAYMENTS AGREEMENTS

TRADE AND PAYMENTS AGREEMENTS

189. Bangladesh entered into seven new trade agreements with different countries during 1981-82. Under these agreements, exports from Bangladesh consisted mainly of raw jute, jute goods, tea, hides and skins, frozen food, handicrafts, ready-made garments, specialised textiles, etc. Imports into Bangladesh generally comprised of machinery, equipment and spare parts, pharmaceutical raw materials, drugs and medicines, dyes and chemicals, scientific instruments, pig iron, M.S. billets, ball bearings, aluminium ingots, rape-seed oil, raw cotton, etc. The table below gives a brief description of the agreements signed during 1981-82.

TRADE AGREEMENTS DURING 1981-82

Date of Agreement	Country/Party	Value of Commodities to be Exchanged Each way
17.7.81	China (Barter Agreement No. 5)	US \$ 37.50 million
28.8.81	Poland (Barter Agreement No. 5)	US \$ 27.60 "
21.9.81	TCB-ANDRE & CIE S. A. of Switzerland (3rd Special Trade Agreement)	US \$ 10.00 "
29.10.81	Hungary (Barter Agreement No. 8)	US \$ 11.00 "
25.3.82	Bulgaria (Barter Agreement No. 9)	US \$ 26.00 "
5.4.82	U.S.S.R. (Barter Agreement No. 11)	£ 2.51 "
29.5.82	Rumania (Barter Agreement No. 7)	US \$ 8.20 "

CHAPTER XVI

TRENDS IN EXPORT COMMODITIES

TRENDS IN EXPORT COMMODITIES

Raw Jute

190. Raw jute production during the 1981-82 season stood lower at 43.17 lakh bales as compared to 47.83 lakh bales in the preceding season. The carryover stocks of raw jute also stood substantially lower at 32.53 lakh bales during 1981-82 as compared to 42.20 lakh bales in the preceding season. As a result, total availability of raw jute, including the carryover stood lower at 75.70 lakh bales during 1981-82 as compared to 90.03 lakh bales in the preceding season. Acreage under jute cultivation during the season declined by about 7 per cent to 13 lakh acres as compared to 14 lakh acres during 1980-81. The productivity per acre of land during 1981-82 stood slightly lower at 3.3 bales as compared to 3.4 bales in 1980-81.

191. Demand for raw jute in the overseas markets during the 1981-82 season remained depressed due mainly to slowdown in economic activities in the major jute consuming countries, competition from synthetic fibres as well as sales of raw jute by other producing countries at lower prices. As a result, raw jute export declined by 2 per cent during 1981-82 to 19.11 lakh bales inspite of reduction of export duty from 5 per cent advalorem to 2.5 per cent advalorem during the season under report. However, foreign exchange earnings from the export of raw jute increased by about 5 per cent to Tk. 203.79 crores during 1981-82 as compared to the preceding year's level due partly to increase in price and partly to exchange rate depreciation.

192. Raw jute situation in the domestic market during the first quarter of the 1981-82 season remained rather depressed as both the public sector corporations and private traders did not gear up their purchase operation to match the arrivals of raw jute. Prices, however, started

improving to some extent in the internal market from the second quarter of the season but the jute growers did not get benefits from this uptrend as most of them did not hold their crop. The increase in raw jute price in the later part of the season was also not enough to make jute price profitable in comparison to that of rice. Thus the jute-rice price ratio remained unfavourable to jute during the season under report. The annual average price of raw jute at the growers' level stood at Tk. 132.71 per maund during 1981-82 as compared to Tk. 101.86 per maund in the preceding season.

193. Arrivals of raw jute in the country's secondary market during 1981-82 season stood substantially lower at 34.89 lakh bales as compared to 44.83 lakh bales in the previous season due mainly to the decline in production.

194. Export sales registrations of raw jute stood lower at 21.72 lakh bales during 1981-82 as compared to 25.76 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 these grades continued to remain suspended. The system of registration of export sales of these grades with the Bangladesh Bank was, however, maintained. Actual export of raw jute during the 1981-82 season stood slightly lower at 19.11 lakh bales as compared to 19.44 lakh bales during the previous year. Total foreign exchange earnings from export of raw jute during 1981-82 stood at Tk. 203.79 crores as compared to Tk. 194.28 crores in 1980-81.

195. Prices of raw jute in the terminal market at Narayanganj depicted an increasing trend during 1981-82. The prices of white X-Bottom grade (kutcha bale) which stood at Tk. 130.00 per maund on the 1st July, 1981 increased to Tk. 135.00 per maund on the 14th December 1981 to Tk. 150.00 per maund on the 2nd January, 1982 and to Tk. 155.00 per maund on the 8th April, 1982. Thereafter, the price remained

unchanged till the end of June, 1982. In the pucca bale section price of B.W.D. grade jute which stood at Tk. 850.00 per bale on the 1st July, 1981 increased to Tk. 875.00, Tk. 905.00 and Tk. 925.00 per bale on the 3rd, 24th and 29th October, 1981 respectively. The price further increased to Tk. 975.00 per bale on the 14th December, 1981 to Tk. 1025.00 per bale on the 2nd January, 1982 and to Tk. 1050.00 per bale on the 8th April, 1982. Thereafter, the price remained unchanged till the end of June, 1982.

196. The export price of raw jute during 1981-82 depicted an increasing trend. The price of BWC grade which stood at £ 192 per ton on the 1st July, 1981 increased to £ 202 per ton on the 20th July, 1981 and to £ 208 per ton on the 10th September, 1981. The price further increased to £ 218 per ton on the 14th December, 1981 and finally rose to £ 220 per ton on the 2nd January, 1982 at which level it continued upto the end of June, 1982.

Jute Goods

197. Output of jute manufactures in the country's jute mills during 1981-82 stood slightly lower at 5.98 lakh tons as compared to 6.01 lakh tons in the preceding season despite introduction of three shifts production programme in mills as against two shifts earlier. Labour unrest and disruptions in power supply to the jute mills particularly in the western grid and lack of demand for hessian and carpet backing were mainly responsible for the decline in production during the season.

198. Export sales registration of jute goods with the Bangladesh Bank stood lower at 6.39 lakh tons during 1981-82 as compared to 6.58 lakh tons in the previous year. Total shipments of jute goods during 1981-82 stood higher at 5.39 lakh tons as compared to 5.00 lakh tons in the previous year but were 10 per cent lower as compared to export target of 6.00 lakh tons initially fixed for the season due mainly to the economic recession in the major consuming countries. Total foreign exchange earnings from the export of jute goods during 1981-82 stood lower at Tk. 582.86 crores as

compared to Tk. 595.84 crores in previous year due mainly to sharp decline in the export prices during the season.

199. Stocks of jute goods held by the BJMC mills (including sold, unsold and stock-in-transit) as on June 30, 1982 stood at 0.87 lakh tons as compared to 0.94 lakh tons on the corresponding date of the previous year.

Tea

200. The production of tea during 1981-82 at 85.05 million lbs. recorded a decline of 7.00 million lbs. as compared to the production of 1980-81. The decline in the production of tea during 1981-82 was due mainly to the adverse impact of drought which prevailed during the period October, 1981 to March, 1982. However, there was an overall improvement in the quality of tea and a fairly consistent standard was maintained throughout the season. Total availability of tea during 1981-82 season stood at 103.60 million lbs. with a carryover of 18.55 million lbs. as against the availability of 102.73 million lbs. which included a carryover of 10.68 million lbs. during the previous season.

201. The Chittagong tea market depicted a generally firm trend during 1981-82. Prices of most of the varieties of tea remained lower at the beginning of the year upto end-October, 1981. Thereafter, prices showed a rising trend which continued upto the end of the year due to increased demand both from exporters and internal buyers.

202. In all, 25 auctions were held at chittagong during the 1981-82 season in which a total quantity of 80.31 million lbs. of tea was sold at an average price of Tk. 9.17 per lb. This compared with 79.98 million lbs. sold at an average price of Tk. 8.22 per lb. during 1980-81.

203. Both the volume and value of exports of tea recorded increases during 1981-82. The quantity of tea exported during the year stood at 69.04 million lbs. valued at Tk. 76.03 crores as against 65.68

million lbs. valued at Tk. 66.48 crores during 1980-81. The increases in both volume and value of tea exports during the year under review were mainly due to improvement in the quality of most of the varieties of tea and higher demand for Bangladesh tea in the international market.

204. The hides and skins market in the country depicted a firm trend during the year 1981-82. The prices of cow-hides (wet salted heavy) which opened at Tk. 12,000—Tk. 15,000 per hundred pieces on July 1, 1981 increased, amidst fluctuations, to Tk. 17,000—Tk. 21,000 per hundred pieces on December 12, 1981. After ruling steady at that level for some days, the price increased to Tk. 17,500—Tk. 22,000 per hundred pieces on January 6, 1982. The price, however, declined to Tk. 16,000 per hundred pieces on February 6, 1982. Thereafter, the price of cow-hides maintained a rising trend and closed the year at Tk. 17,500—Tk. 22,000 per hundred pieces. The price of buffalo hides, opening at Tk. 12,500—Tk. 15,000 per hundred pieces on July 1, 1981 gradually declined to Tk. 9,500—Tk. 12,000 per hundred pieces on September 15, 1981. After ruling unchanged at that level for sometime, the price declined further to Tk. 8,000—Tk. 10,000 per hundred pieces on October 5, 1981. Thereafter, the price of buffalo-hides started increasing and rose to Tk. 22,000—Tk. 22,500 per hundred pieces on June 19, 1982 and remained at that level till the close of the year. Opening at Tk. 1,600—Tk. 1,700 per hundred pieces on July 1, 1981 the price of sheep skins gradually increased to Tk. 2,800—Tk. 3,000 per hundred pieces by January 6, 1982. The price, however, declined to Tk. 2,000—Tk. 3,000, per hundred pieces on January 19, 1982. Thereafter, the price of sheep skins showed an upward trend and reached the peak level of Tk. 3,300—Tk. 3,800 per hundred pieces on March 25, 1982. It, however, closed the year somewhat lower at Tk. 3,000—Tk. 3,200 per hundred pieces. The price of goat-skins (large and heavy) which opened at Tk. 3,500—Tk. 6,000 per hundred pieces on July 1, 1981 increased, amidst fluctuations, to Tk. 5,300—Tk. 6,800 per hundred pieces on December 12, 1981. The

price declined to Tk. 5,000—Tk. 6,800 per hundred pieces on December 19, 1981. After ruling steady at that level for some time, the price again increased to Tk. 5,000—Tk. 7,000 per hundred pieces on January 6, 1982. The rising trend continued upto April 1, 1982 when it stood at Tk. 5,500—Tk. 7,500 per hundred pieces. Thereafter, the price of goat-skins gradually declined and closed the year at Tk. 4,800—Tk. 6,800 per hundred pieces.

205. As in the previous years, bulk of the exports of hides and skins during 1981-82 was in the form of tanned and semi-tanned leather. Total earnings from the exports of hides and skins and leather, excluding leather products, during 1981-82 stood at Tk. 129.42 crores which represented a rise of 17.65 per cent as compared to the export target of Tk. 110.00 crores (revised) for the year. This compared with the export earnings of Tk. 92.60 crores from these items during 1980-81.

Frozen Food

206. Export of frozen food which includes shrimps, froglegs and fish fared well during 1981-12. Total export value from these items at Tk. 103.87 crores during 1981-82 recorded a sharp increase of 59 per cent as compared to Tk. 65.30 crores during the preceding year.

Naptha, Furnace Oil and Bitumen

207. In recent years, naptha, furnace oil and bitumen emerged as some of the export items of Bangladesh. During the year under report export earnings from naptha, furnace oil and bitumen stood at Tk. 83.94 crores as against Tk. 78.59 crores during 1980-81.

Readymade Garments and Specialized Textiles

208. Readymade garments and specialized textiles are becoming very promising non-traditional export sub-sectors of Bangladesh. In recent years export earnings from these items maintained a rising trend and are expected to rise further in future with some more new garment-producing units going into production. Total export earnings from these items stood at Tk. 15.11 crores during 1981-82 as compared with Tk. 6.38 crores during 1980-81.

Newsprint

209. Export value of newsprint at Tk. 12.01 crores during 1981-82 was lower as compared with Tk. 12.34 crores during the preceding year. The export of newsprint was affected due to high cost of production and low quality of product in comparison with other countries exporting this item.

Handicrafts

210. Export of handicrafts remained stagnant during the year under report. Total export value from handicrafts during 1981-82 stood at Tk. 5.68 crores as compared to Tk. 5.64 crores in the previous year.

CHAPTER VIII EXCHANGE RATE POLICY AND DEVELOPMENTS IN EXCHANGE CONTROL

CHAPTER XVII

**EXCHANGE RATE POLICY AND DEVELOPMENTS
IN EXCHANGE CONTROL**

EXCHANGE RATE POLICY

211. The world exchange market which experienced instability during the past years continued to show high volatility in exchange rates during the year 1981-82. The exchange rates of Pound Sterling, our intervention currency, swung heavily and, at times, erratically in relation to US Dollar which is Bangladesh's most important transaction currency. Pound Sterling continued to be a weaker currency in relation to US Dollar during the year under report except some spotted improvements in November and December, 1981. To restore some degree of stability in the exchange rate of Taka in relation to US Dollar and other important transaction currencies, Taka value was readjusted as many as 9 (nine) times during 1981-82. Changes in the Taka-Pound Sterling exchange rates during the year are shown below :

Date of Refixation	Bangladesh Bank's Rate per Pound Sterling	
	Buying	Selling
July 3, 1981	34.3125	34.4125
July 23, 1981	33.6090	33.7090
August 24, 1981	33.9630	34.0630
September 17, 1981	34.7300	34.8300
October 12, 1981	35.5125	35.6125
November 18, 1981	36.2250	36.3250
November 30, 1981	37.0545	37.1545
December 30, 1981	37.9568	38.0568
January 11, 1982	38.3720	38.4720

DEVELOPMENTS IN EXCHANGE CONTROL

212. **Hajj-1981 :** The Government made arrangements for sending 7,000 persons from Bangladesh to perform Hajj during the year. Foreign exchange quota for the pilgrims was fixed at S.R.I. 2,800. Those who went to perform Hajj outside normal quota were allowed to purchase foreign exchange upto US \$ 200.00 per person from Foreign Currency Account under Wage Earners' Scheme in addition to the fixed quota.

Release of Foreign Exchange from Foreign Currency Accounts for Travel Purposes

213. Restriction was imposed on the release of foreign exchange from Wage Earners' Scheme for travel abroad. Under the revised arrangement, Authorised Dealers were given permission to release foreign exchange under the Wage Earners' Scheme for a maximum of three visits in a calendar year by Bangladesh nationals to countries other than India, Pakistan, Nepal, Sri Lanka and Burma. Previously, foreign exchange facilities were available without any limit on the number of such visits.

Selling of Foreign Exchange Held by the A/Ds as L/C Cover under WES to Bank

214. In September, 1981 a system was introduced under which banks would sell to Bangladesh Bank at least 50% of the foreign exchange held by them as L/C covers as at the close of business on the last working day of each month at official rate of exchange with the provision for repurchase of the same at rates at which these were sold. Previously, the entire amount of foreign exchange generating on this account used to be held by banks themselves.

Enlargement of the Scope of Wage Earners' Scheme

215. The scope of Wage Earners' Scheme was enlarged during the year by providing benefit of the Scheme to foreign exchange remittances received by Bangladeshi writers and news paper stringers as remuneration or honoraria for their foreign publications and news telecast/broadcast by foreign telecasting/broadcasting organisations.

Remittance of Foreign Bank Charges Against Imports under Wage Earners' Scheme

216. It was decided that foreign bank charges involved in import of goods through L/Cs under the Wage Earners' Scheme would be met by purchasing funds under the Wage Earners' Scheme. Previously, these charges were to be remitted from the cash foreign exchange reserve of the country.

Handling of Import and Export Documents by Authorised Dealers

217. Container service has been introduced in the maritime transportation of goods from and into Bangladesh. Under this system "Combined Transport Documents" are issued as "Document of Title to Goods" by the Agents without mentioning the name of the carrier vessels in lieu of the conventional "Clean Shipped on Board Ocean Bill of Lading". Authorised Dealers were advised to accept this "Combined Transport Documents" as well in lieu of the conventional ones.

Non-Resident Foreign Currency Deposit (NFCD) Accounts

218. With a view to enabling overseas Bangladesh nationals to earn interest in foreign currency on their investible funds, a new scheme known as "Non-Resident Foreign Currency Deposit Accounts" briefly "NFCD Account" was introduced with effect from June 15, 1982. Interest at attractive rates will be allowed on these deposits.

Release of Foreign Exchange for Miscellaneous Educational Purposes under Wage Earners' Scheme

219. Authorised Dealers were allowed to effect remittances upto US \$50.00 per head per annum under Wage Earners' Scheme towards membership fees of foreign professional and scientific institutions and fees for application, registration, admission, examination (such as, TOEFL, SAT, etc.) in connection with admission into foreign educational institutions.

CHAPTER XVIII

ASIAN CLEARING UNION

ASIAN CLEARING UNION

220. Transactions relating to Bangladesh under the Asian Clearing Union (ACU) Arrangement increased significantly during the year 1981-82. Payments of Asian Monetary Units (AMUs) amounting to 37.90 million (Tk. 87.41 crores) were received by Bangladesh Bank through the Union during 1981-82 as against AMUs 7.40 million (Tk. 15.21 crores) only during the preceding year. On the other hand, during 1981-82 Bangladesh Bank made payments of AMUs 16.88 million (Tk. 38.24 crores) through the Union as compared to AMUs 9.30 million (Tk. 19.12 crores) during the previous year.

221. As usual, a total of 6 settlements were held during the year 1981-82. Of these, Bangladesh Bank had creditor position in 5 settlements and received a total sum of U.S. \$ 23.81 million (Tk. 49.74 crores) while it had a debtor position in the remaining one for which a sum of U.S. \$ 0.15 million (Tk. 2.87 crores) was paid.

CHAPTER XIX

CURRENCY AND COINAGE

CURRENCY AND COINAGE

222. No new design Note and Coin was issued during the year 1981-82.

223. However, Notes of Taka 1,5,100 and 500 denominations with improved and modified watermark with the head of Royal Bengal Tiger on the left hand side showing distinctly in white area having the same colour, specifications and design features as those of the existing notes were issued on different dates as under :

Bank Notes

Denomination	Date of issue
Taka 1	1st March, 1982
Taka 5	24th October, 1981
Taka 100	24th October, 1981
Taka 500	1st March, 1982

224. The signatures of the Finance Secretary, Mr. Gholam Kibria and the Governor, Bangladesh Bank, Mr. M. Nurul Islam in place of M/s. Abul Khair and A. K. Naziruddin Ahmed have been incorporated in 1-Taka and 500-Taka Notes respectively.

225. Subsidiary Coins in circulation as on 30th June, 1982 amounted to Tk. 26.43 crores as against Tk. 23.26 crores as on 30th June, 1981. This was in addition to Taka One Notes and Taka One Coins worth Tk. 32.35 crores in circulation as on 30th June, 1982 as against Tk. 33.54 crores as on 30th June, 1981.

Coins

ADMINISTRATION

Changes in the Board of Directors

226. Messrs. Syed Rafiqul Haque, S. M. Al-Husainy and Kazi Fazlur Rahman have been nominated by the Government and taken in as Directors of the Board of Directors of the Bank in places of Messrs. Habibur Rahman Bhandari, A.M.A. Muhith and A.F.M. Ehasanul Kabir respectively.

Appoint- ments

227. The following appointments in different grades of employment were made by the Bank during the year ending 30th June, 1982 :

i) Officers Class-I & above	18
ii) Officers Class-II	4
iii) Clerical and other Staff	124
Total :	146

Welfare Activities

228. An amount of Tk. 4,45,500 was sanctioned during the year for various welfare and recreational activities of the employees of the Bank. In addition to this, an amount of Tk. 2,71,840 was sanctioned during the year for awarding stipends to the children of 'D' Category employees of the Bank.

Office Acco- modation

- I) Construction of a 10-storied Second Annexe Building with a 21-storied foundation at the Head Office premises, Motijheel, Dhaka and the selection of architect with the model is in process. Permission for the same from the CMLA has been sought.
- II) Vertical extension of one floor over the existing Annexe Building at Sadarghat has been completed and formally taken over by the Bank.

- III) Arrangement for construction of a 6-storied building having a foundation of 15 stories at S. B. I. premises, Chittagong has been taken in hand and necessary permission from the CMLA has been sought. Work order for dismantling the existing main building has been issued and the work is in progress.
- IV) Construction of a School and a Mosque at the Bank staff quarters, Agrabad, Chittagong is nearing completion.
- V) Tenders for construction of a 2-storied Mosque at Motijheel Staff Quarters have been received.
- VI) For construction of an 8-storied Annexe Building with a 15-storied foundation at Bangladesh Bank, Khulna, prequalification of contractors is to be accepted as per the Board's decision. Permission for the same from the CMLA has been sought.
- VII) construction of the 1st floor over shed No.2 at Bangladesh Bank, Rajshahi has been completed.
- VIII) Installation work of a 6" dia. Deep Tube-Well at Bangladesh Bank, Rajshahi is nearing completion.
- IX) For construction of the Main Building at Rajshahi, arrangement for the prequalification of contractors is in process.
- X) Construction of a 4-storied Main Building at Sylhet having a foundation of 8 stories is in progress. Construction of a 4-storied Annexe Building at Sylhet has been completed and the office has been shifted there.

Residential Accommoda- tion

- 1) Construction of Staff Quarters at I.G. Bagan, Gandaria, Dhaka has been taken in hand. The work is in progress.

2) Construction of Staff Quarters at Baniakhamar, Khulna is in progress.

Foreign Training

229. Arrangements were made for participation of 8 officers of the Bank in different training courses/seminars abroad under different Technical Assistance Programmes, Fellowships and Sponsorships.

Domestic Training

230. A total number of 159 officers of the Bank participated in various domestic training programmes organised by different institutions of the country.

Training Academy

231. With a view to achieving efficiency in performance and broadening inner faculty and out look of the officers of the Bank, arrangements were made to provide both theoretical and practical training to its officers, including the officials of Cash Department, through different courses. With this end in view, Bangladesh Bank Training Academy conducted the following courses during the year :

- 1) Theoretical as well as intensive practical on-the-job training was arranged by the Academy for 77 Officers Class-I and 124 Officers Class-II of all offices of the Bank.
- 2) The Academy provided theoretical and practical training to 75 Deputy Treasurers and 66 Assistant Treasurers of the Cash Department of all offices of the Bank.
- 3) The Academy conducted a course on "Techniques of Bank Inspection" for the officials of the Department of Banking Inspection in order to make the inspecting machinery of the Bank more efficient, effective and purposeful. During the year, 3 Senior Officers, 4 Officers Class-I Selection Grade and 5 Officers Class-I received theoretical training. A good number of officers of the Department of Banking Inspection could not be imparted training owing to their preoccupation with inspection schedule throughout the year.

- 4) The Executive Development Programme introduced for the mid-level officers of the Bank to prepare them for shouldering greater responsibility in future also continued during the year. Five Officers participated in a group in the programme and prepared a paper on "Annual Agricultural Credit Programme 1981-82." Another group of four officers has been formed to prepare a paper on "Investment in Irrigation and Credit Programme for the year 1981-82."
- 5) A total of 33 Officers Class-I and 26 Officers Class-II directly recruited by the Bank were placed with the Academy for a 3-month theoretical and 3-month practical training in commercial banking and a 6-month intensive practical training in various departments of the Bank. Of them, 20 Officers Class-I and 13 Officers Class-II so far completed one year prescribed training and were released from the Academy.
- 6) In an effort to familiarise the officers of the Bank working in General Departments with the mechanism of Computerisation, Storage and Retrieval of data in the field of banking and finance, the Academy conducted 2 short courses during the year. A total of 26 Officers Class-I and One Officer Class-I Selection Grade participated in the course.
- 7) With a view to training up officers dealing with the project appraisal cases in the Agricultural Credit Department, Rural Credit Project Department and Industrial Credit Division, a special course was conducted at the Academy. Four Officers Class-I Selection Grade and 8 Officers Class-I participated in the course. The course greatly helped develop professional expertise and knowledge in project analysis

Board Meetings

232. During the year 8 (eight) meetings of the Board of Directors, 1 (one) meeting of the Executive Committee and 14 (fourteen) meetings of the Co-ordination Committee were held.

223. The Balance Sheet of the Bank as on 30th June 1982 appears at pages 174-175. The Bank's assets are as follows:

224. Total assets of the Bank as on 30th June 1982 amounted to Tk. 5,12,14 crores, as against Tk. 4,81,40 crores on 30th June 1981. The assets are divided into three main categories: (a) Government Securities worth Tk. 1,12,14 crores, (b) Loans and Advances worth Tk. 1,12,14 crores, and (c) Other Assets worth Tk. 2,87,86 crores. The Government Securities are divided into Treasury Bills worth Tk. 1,12,14 crores, and Government Bonds worth Tk. 1,12,14 crores. The Loans and Advances are divided into Loans to the Government worth Tk. 1,12,14 crores, and Loans to the public worth Tk. 1,12,14 crores. The Other Assets are divided into Cash and Balances with the Government worth Tk. 1,12,14 crores, and Other Assets worth Tk. 1,12,14 crores.

CHAPTER XXI

ANNUAL ACCOUNTS

235. The Balance Sheet of the Bank as on 30th June 1982 appears at pages 174-175. The Bank's assets are as follows:

236. Total assets of the Bank as on 30th June 1982 amounted to Tk. 5,12,14 crores, as against Tk. 4,81,40 crores on 30th June 1981. The assets are divided into three main categories: (a) Government Securities worth Tk. 1,12,14 crores, (b) Loans and Advances worth Tk. 1,12,14 crores, and (c) Other Assets worth Tk. 2,87,86 crores. The Government Securities are divided into Treasury Bills worth Tk. 1,12,14 crores, and Government Bonds worth Tk. 1,12,14 crores. The Loans and Advances are divided into Loans to the Government worth Tk. 1,12,14 crores, and Loans to the public worth Tk. 1,12,14 crores. The Other Assets are divided into Cash and Balances with the Government worth Tk. 1,12,14 crores, and Other Assets worth Tk. 1,12,14 crores.

ANNUAL ACCOUNTS

233. The Balance Sheet of the Issue Department of the Bank as on 30th June, 1982 appears at pages 172-173 of the Report.

Issue Department

234. Total notes issued as on 30th June, 1982 amounted to Tk. 954.54 crores as against Tk. 984.35 crores as on 30th June, 1981. Assets against the notes issued included Gold worth Tk. 28.13 crores, Approved Foreign Exchange of Tk. 50.00 crores, Taka Coins worth Tk. 4.89 crores, Government of Bangladesh Securities worth Tk. 612.28 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, 1981 were 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.

Banking Department

235. The Balance Sheet of the Banking Department as on 30th June, 1982 appears at pages 174-175. On the Liabilities side balances in the Statutory Funds have increased from Tk. 88.50 crores to Tk. 119.50 crores due to appropriation of Tk. 31.00 crores as shown in the paragraph relating to "Profit & Loss Account". Government Deposits increased to Tk. 1.13 crores as against Tk. 0.86 crore last year. Bank Deposits decreased to Tk. 267.30 crores as against Tk. 294.36 crores as on 30th June, 1981. 'Other Deposits' including deposits of I. B. R. D., IMF, etc. stood at Tk. 1473.33 crores as on 30th June, 1982 as against Tk. 1121.49 crores as on the same day last year. Allocation of SDR remains unchanged at Tk. 91.74 crores.

236. On the Assets side, 'Bills Purchased and Discounted-Internal' decreased from Tk. 153.00 crores to Tk. 121.00 crores as on 30th June, 1982 and rediscounted Government Treasury Bills increased from Tk. 183.20 crores to Tk. 318.28 crores as on 30th June, 1982. Balances held outside Bangladesh stood at Tk. 173.52 crores as on 30th June, 1982 as against Tk. 299.99 crores as on 30th June, 1981. Loans and Advances to Government (Ways & Means Advance) remained unchanged at Tk. 20.00 crores. "Other Loans and Advances" increased to Tk. 1039.51 crores as against Tk. 569.83 crores as on the same day last year. The balances under "Investments" decreased to Tk. 500.14 crores as against Tk. 637.74 crores as on 30th June, 1981.

237. The Profit and Loss Account of the Bank for the year ending 30th June, 1982 appears at page 176.

238. The Profit and Loss position of the Bank for the year 1981-82 is summarised as under :

Profit & Loss Account	Gross Earning of the Bank	Tk. 259,75,97,129
	Total Expenditure	Tk. 145,68,93,461
	Net Profit :	<u>Tk. 114,07,03,668</u>

239. Out of the above profit of Tk. 114,07,03,668, a sum of Tk. 31.00 crores has been appropriated to different Statutory Funds and Tk. 2.00 crores towards Credit Guarantee Fund account, and the balance of Tk. 81,07,03,668 has been transferred to Government as surplus profit as indicated below :

Rural Credit Fund	Tk. 12,25,00,000
Industrial Credit Fund	Tk. 3,50,00,000
Export Credit Fund	Tk. 3,00,00,000
Agricultural Credit	
Stabilisation Fund	Tk. 12,25,00,000
Credit Guarantee Fund	Tk. 2,00,00,000
Surplus Profit transferable to the Government	Tk. 81,07,03,668
Total :	<u>Tk. 114,07,03,668</u>

Interest Subsidy to Banks & Financial Institutions

240. For financing the agricultural projects and the Special Housing Scheme for low and middle income people at a concessional interest rate the Bangladesh 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. 22,63,341 was paid under this facility during the year 1981-82 as against Tk. 58,97,082 paid last year.

Appointment of Auditors

241. In terms of Article 65 (1) of the Bangladesh Bank Order, 1972 the Government have been pleased to appoint M/s. A. Qasem & Co., and M/s. Howlader Yunus & Co., Chartered Accountants as Auditors of the Bank for the year 1981-82.

Appreciation

242. The Bank wishes to record its appreciation for the loyal and devoted services rendered by the employees of the Bank during the year ended the 30th June, 1982.

BALANCE SHEET
AND
PROFIT AND LOSS ACCOUNT
AS AT
30TH JUNE, 1982

**BANGLADESH
BALANCE SHEET AS AT
ISSUE**

LIABILITIES	TAKA	TAKA
Notes held in the Banking Department	24,13,880	
Notes in Circulation*	<u>954,29,52,910</u>	
Total Notes Issued		954,53,66,790

TOTAL LIABILITIES

Taka 954,53,66,790

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

BANK
30TH JUNE, 1982
DEPARTMENT

ASSETS	TAKA	TAKA
A. Gold Coin and Bullion	28,13,00,000	
Silver Bullion	Nil	
Special Drawing Rights held with the International Monetary Fund	Nil	
Approved Foreign Exchange	<u>50,00,00,000</u>	78,13,00,000
B. Taka Coin	4,88,58,149	
Government of Bangladesh Securities**	612,28,15,481	
Internal Bills of Exchange and other Commercial Papers	<u>259,23,93,160</u>	876,40,66,790
TOTAL ASSETS		Taka 954,53,66,790

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

LIABILITIES	TAKA
Capital Paid Up	3,00,00,000
Reserve Fund	3,00,00,000
Rural Credit Fund	43,00,00,000
Industrial Credit Fund	16,00,00,000
Export Credit Fund	18,00,00,000
Agricultural Credit Stabilisation Fund	42,50,00,000
Deposits :	1741,76,01,305
(a) Government	1,12,97,761
(b) Banks	267,29,55,125
(c) Others	1473,33,48,419
Allocation of Special Drawing Rights	91,74,31,206
Bills Payable	8,84,424
Other Liabilities	362,10,48,180
TOTAL LIABILITIES	Taka 2321,19,65,115

DEPARTMENT

ASSETS	TAKA
Notes	24,13,880
Taka Coin	307
Subsidiary Coin	2,241
Bills Purchased and Discounted :	440,88,21,655
(a) Internal	121,00,00,000
(b) External	1,59,81,938
(c) Government Treasury Bills	318,28,39,717
Balances held outside Bangladesh*	173,51,70,444
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	1039,51,06,502
Investments	500,13,65,152
Other Assets	146,90,84,934
TOTAL ASSETS	Taka 2321,19,65,115

* Include Cash & Short-Term Securities.

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
30TH JUNE, 1982**

INCOME

Interest, Discount, Exchange, Commission etc. Taka 259,75,97,129

EXPENDITURE

Establishment	9,49,12,547
Directors' Fees and Expenses	48,453
Auditors' Fees	42,500
Rent, Taxes, Insurance, Lighting etc.	75,34,849
Law Charges	1,15,844
Postage and Telegram Charges	15,12,952
Remittance of Treasure	11,03,148
Stationery etc.	48,14,525
Security Printing (Cheques, Note forms etc.)	7,21,62,724
Depreciation and Repairs to Bank's property	1,47,42,040
Agency Charges	1,14,89,849
I. M. F.	66,26,70,360
Interest Subsidy to Banks & Financial Institutions	22,63,341
Interest on Deposits	54,30,06,856
Interest on Staff Provident Fund	1,20,75,960
Contribution to Staff and Superannuation Funds	Nil
Miscellaneous Expenses	2,83,97,513
Net Available Balance	114,07,03,668

Total Taka 259,75,97,129

Amount transferred to Reserve Fund	Nil
Amount transferred to Rural Credit Fund	12,25,00,000
Amount transferred to Industrial Credit Fund	3,50,00,000
Amount transferred to Export Credit Fund	3,00,00,000
Amount transferred to Agricultural Credit Stabilisation Fund	12,25,00,000
Amount transferred to Credit Guarantee Fund	2,00,00,000
Surplus payable to Government	81,07,03,668
Balance carried forward	Nil

Total Taka 114,07,03,668

RESERVE FUND ACCOUNT

By Balance on 30th June, 1981	Taka 3,00,00,000
By Transfer from Profit & Loss Account	Nil

Total Taka 3,00,00,000

M. A. HOQUE
Director of Accounts

M. KHALID KHAN
Deputy Governor

M. NURUL ISLAM
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, 1982 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 Dhaka, 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.

Dhaka,
The 3rd August, 1982.

A. Qasem & Co.,
Chartered Accountants

Howlader Yunus & Co.,
Chartered Accountants

APPENDICES

1. AREA AND POPULATION

Area			143,998 Km ²
Population			91,89 Million
Density of Population@			
a) Per Km ² of Total Land			624
b) Per Km ² of Cultivable Land			958

@= According to 1981 Census.

Source : Planning Commission.

2. NATIONAL INCOME, INVESTMENT AND SAVINGS

(Taka in crore)

Items/Sectors	1980-81	%	1981-82	%
1. GDP (At Constant 1972-73 Factor Cost)	6,916.8	—	6,979.4	—
2. GDP (At Current Market Prices)	20,951.0	—	23,154.0	—
3. Per Capita GDP (in Taka at Current Prices)	2,340.0	—	2,520.0	—
4. Gross Domestic Investment (Current Prices)	3,221.0	15@	3,606.0	16@
5. Gross Domestic Savings (Current Prices)	1,035.0	5@	778.0	3@
6. Sectoral Break-up of GDP (At Constant Factor Cost)				
a) Agriculture	3,834.0	55	3,810.2	55
b) Industry	583.7	9	600.6	9
c) Construction	352.2	5	365.6	5
d) Power & Gas	22.3	—	25.5	—
e) Transport	368.3	5	367.6	5
f) Trade	510.7	7	508.3	7
g) Others	1,245.6	18	1,301.6	19
		100		100

@ As Percentage of GDP at Current Market Prices.

Source : Planning Commission.

3. GOVERNMENT FINANCE AND ANNUAL DEVELOPMENT PROGRAMME

(Taka in crore)

Sl. No.	Heads	1980-81	%	1981-82	%
1.	Revenue Receipts :	2343.04	100	2553.81	100
	a) Tax	1778.08	76	1968.06	77
	b) Non-tax	564.96	24	585.75	23
2.	Revenue Expenditure	1481.56	63	1849.68	72
3.	Revenue Surplus	861.48	37	704.13	28
4.	Capital Receipts	2227.54	100	2580.45	100
5.	Capital Expenditure	413.24	19	358.45	14
6.	Capital Surplus	1814.30	81	2222.00	86
7.	Size of ADP	2369.00	100	2715.25	100
	a) Domestic	836.00	35	744.26	27
	b) Foreign	1533.00	65	2081.44	77
	c) Surplus (+)/Deficit (-)	—	—	(+)110.45	4

Source : Budget Summary Statements ; Ministry of Finance.

4. MONEY, CREDIT AND PRICES

(Taka in crore)

Sl.No.	Heads	1980-81	1981-82
1.	Broad Money (M_2)	4372.53	4718.66
2.	Domestic Credit :	5488.89	6465.14
	i) Public Sector (including Govt.)	3586.25	4153.89
	ii) Private Sector	1902.64	2311.25
3.	Broad Money as % of GDP (Current Market Prices)	21	20
4.	General Price Index (1973-74=100) for Dhaka Middle Class :		
	i) Point to Point	277.96	298.80
	ii) Yearly Average	254.97	296.50
5.	Annual Percentage Changes in :		
	i) General Price Index for Dhaka Middle Class :		
	a) Point to Point	(+) 17.06	(+) 7.50
	b) Yearly Average	(+) 12.54	(+) 16.29
	ii) Credit to Public Sector	(+) 41	(+) 16
	iii) Credit to Private Sector	(+) 33	(+) 21

Source : i) Bangladesh Bank.
ii) Bangladesh Bureau of Statistics.

5. BALANCE OF PAYMENTS

Transactions	1980-81		1981-82 ^P	
	In Crore Tk.	In Million \$	In Crore Tk.	In Million \$
1. Merchandise Imports (C & F)	-4369	-2687	-5180	-2582
2. Merchandise Exports (f.o.b.)	1334	820	1454	725
3. Services :	24	15	-120	-60
a) Payments	-424	-261	-618	-308
b) Receipts	448	276	498	248
4. Private Transfers	620	381	766	382
5. Balance on Current Account	-2391	-1471	-3080	-1535
6. Capital Accounts and Other Loan/Grants :	2085	1282	2575	1283
a) Food	305	188	463	231
b) Commodity	842	517	940	468
c) Project	938	577	1172	584
7. Debt Repayment :	-72	-44	-85	-42
a) Medium & Long-term	-72	-44	-85	-42
b) Food Loan	—	—	—	—
8. Short-term Borrowings (net)	30	18	91	45
9. Other Capital	-153	-94	-23	-11
10. Overall Balance	-501	-309	-522	-260
11. Change in Reserve (- Increase)	424*	262	525*	262
12. Balancing items	77	47	-3	-2
* 1. Foreign Exchange : Asset (-increase)	10	6	211	105
2. Liabilities (+increase) includes IMF, Foreign deposits in Bangladesh Bank, Bangladesh Bank Borrowings	414	256	314	157
Net	424	262	525	262

P=Provisional

Source : Bangladesh Bank.

6. MERCHANDISE EXPORTS

Commodities	1980-81			1981-82		
	Value			Value		
	In Crore Tk.	In Million \$	%	In Crore Tk.	In Million \$	%
Export :	1334.4	820	100	1454.5	725	100
1. Raw Jute	204.6	126	15.3	193.9	97	13.3
2. Jute Goods	639.0	393	47.9	647.4	323	44.5
3. Tea	62.6	38	4.7	84.5	42	5.8
4. Leather	80.5	49	6.0	121.2	60	8.3
5. Fish, Shrimp & Froglegs	70.7	43	5.3	120.7	60	8.3
6. Naptha, Furnace Oil & Bitumen	84.7	52	6.4	56.5	28	3.9
7. Others	192.3	119	14.4	230.3	115	15.8

Source : Bangladesh Bank.

7. MERCHANDISE IMPORTS

Commodities	1980-81			1981-82		
	In Crore Tk.	In Million \$	%	In Crore Tk.	In Million \$	%
Imports :	4369	2687	100	5180	2582	100
1. Foodgrains	474	292	11	589	293	11
a) Rice	(83)	(51)	(2)	(132)	(66)	(2)
b) Wheat	(391)	(241)	(9)	(457)	(228)	(9)
2. Edible Oil & Oil Seeds	189	116	4	179	89	4
3. Petroleum Products	189	116	4	34	17	1
4. Petroleum — Crude & Partly Refined	536	330	13	1089	543	21
5. Cotton	53	33	1	72	36	1
6. Textile Yarn	120	74	3	62	30	1
7. Fertilizers	150	92	3	80	40	2
8. Chemicals	173	106	4	210	105	4
9. Capital Goods	1263	777	29	1553	774	30
10. Others	1222	751	28	1312	655	25

Source : Bangladesh Bank.

8. FOREIGN AID, EXTERNAL DEBT AND DEBT SERVICE

(In Million Dollars)

Particulars	1980-81	1981-82 ^P
1 Foreign Aid :		
a) Gross Disbursement during the year	1,147	1,236
b) Gross Commitment during the year	1,642	1,943
c) Total Commitment since 1972	10,878	12,821
d) Total Disbursement since 1972	7,753	8,988
2. Debt Service	84.0	91.0
3. Debt Service-Export Ratio	11.81	14.54

P = Provisional.

Source : Planning Commission.

9. TAKA-DOLLAR EXCHANGE RATES*

1980-81		1981-82	
July	US \$ 1.00 = Tk. 14.68	July	US \$ 1.00 = Tk. 18.22
August	US \$ 1.00 = Tk. 15.29	August	US \$ 1.00 = Tk. 18.64
September	US \$ 1.00 = Tk. 15.17	September	US \$ 1.00 = Tk. 18.90
October	US \$ 1.00 = Tk. 15.77	October	US \$ 1.00 = Tk. 19.37
November	US \$ 1.00 = Tk. 16.27	November	US \$ 1.00 = Tk. 19.01
December	US \$ 1.00 = Tk. 16.68	December	US \$ 1.00 = Tk. 19.52
January	US \$ 1.00 = Tk. 16.25	January	US \$ 1.00 = Tk. 20.28
February	US \$ 1.00 = Tk. 16.85	February	US \$ 1.00 = Tk. 20.84
March	US \$ 1.00 = Tk. 16.76	March	US \$ 1.00 = Tk. 21.29
April	US \$ 1.00 = Tk. 17.20	April	US \$ 1.00 = Tk. 21.76
May	US \$ 1.00 = Tk. 17.63	May	US \$ 1.00 = Tk. 21.31
June	US \$ 1.00 = Tk. 17.87	June	US \$ 1.00 = Tk. 21.93

* = Monthly Average.

Source : Bangladesh Bank.

10. COMPARATIVE POSITION OF SCHEDULED BANKS

(In crore Taka)

Particulars	Amounts as on	
	30.6.81	30.6.82
Bank Deposits (excluding inter-bank items)	3437.41	3812.99
Demand Deposits	1215.10	1249.90
Time Deposits	2222.31	2563.09
Borrowings from Bangladesh Bank	902.48	1335.18
Cash in Hand	105.81	107.41
Balances with Bangladesh Bank	283.16	261.44
Balances with Other Banks in Current Account		
in Bangladesh	45.08	48.21
Money at Call and Short Notice in Bangladesh	28.78	18.37
Investment in Bangladesh	652.44	721.59
Government Securities	342.78	372.46
Others	309.66	349.13
Bank Credit (excluding inter-bank items)	3599.56	4473.66
Advances in Bangladesh	3377.71	4260.01
Inland and Foreign Bills Purchased and Discounted in Bangladesh	221.85	213.65
Credit/Deposit Ratio	0.92	1.02

11. LIST OF SCHEDULED BANKS

(As on June 30, 1982)

A. NATIONALISED BANKS (8)

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. PRIVATE AND FOREIGN BANKS (8)

Commercial Banks

1. Grindlays Bank P. I. c.
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
8. Arab Bangladesh Bank Ltd.

12. OFFICES OF THE BANGLADESH BANK

(As on June 30, 1982)

Head Office

DHAKA

Office at

DHAKA

CHITTAGONG

KHULNA

BOGRA

RAJSHAHI

SYLHET

