ANNUAL REPORT
1982-83

BANGLADESH BANK

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BANGLADESH BANK

BOARD OF DIRECTORS

1.	Mr. M. Nurul Islam	Chairman
2.	Mr. M. Khalid Khan	Director
3.	Mr. Syed Rafiqul Haque	Director
4.	Mr. Salahuddin Ahmed	Director
5.	Mr. S.M. Al-Husainy	Director
6.	Mr. Kazi Fazlur Rahman	Director
7.	Mr. Hafizur Rahman*	Director
8.	Mr. Mahfuzul Huq*	Director
9.	Prof. M.S. Mondal*	Director
	Mr. P.K.M.A. Chowdhury	Secretary

* Upto 8th November, 1982.

GOVERNOR

Mr. M. Nurul Islam

DEPUTY GOVERNORS

Mr. M. Khalid Khan
Mr. M. Khaled*

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. Mukhlesur Rahman	Accounts Department
Mr. M. Atahar Ali (handing over) Mr. A.K.M. Shah Alam Chowdhury (taking over)	Administration and Expenditure Department
Mr. Kamal Uddin Ahmed	Agricultural Credit Department
Mr. A.T.M. Hafizur Rahman	Audit and Inspection Department
Mr. S.R. Karmaker	Banking Control Department
Mr. B.B. Debnath	Department of Banking Inspection
Mr. A.S.M. Fakhrul Ahsan	Department of Research
Mr. M. Atiqul Haque	Department of Public Relations and Publications
Mr. M.A. Mannan	Engineering Department
Mr. Mahbubur Rahman Khan	Exchange Control Department
Mr. M. Saleh Ahmed	Personnel Department
Mr. A.T.M.I. Mridha	Rural Credit Project Department
Mr. P.K.M.A. Chowdhury	Secretary's Department
Mr. Nurul Islam	Statistics Department
Mr. A.B.M. Mahbubul Amin Khan	Training Academy

HEADS OF BRANCH OFFICES

Mr. A.K.M. Khalilur Rahman	Dhaka Office
Mr. A.K.M. Matlub Ahmed	Chittagong Office
Mr. M. Maidul Islam	Khulna Office
Mr. Abdul Jabbar Pradhan	Bogra Office
Mr. M.A. Quasem	Rajshahi Office
Mr. A.T. Ahmed Chowdhury	Sylhet Office
Mr. Syed Mofizur Rahman	Sadarghat Office

* Upto August 7, 1982.

LETTER OF TRANSMITTAL
BANGLADESH BANK

DHAKA :
December 7, 1983

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, 1983.

Yours faithfully,
M. NURUL ISLAM
Governor

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CHAPTER I

TRENDS IN THE ECONOMY

TRENDS IN THE ECONOMY

Developments in the various real, fiscal and monetary sectors of the economy during the year 1982-83 were dealt with in the budget and other official documents. Therefore, reference in this report to performance of the economy in various sectors in quantitative terms would generally appear to be repetitive except where these have been revised or updated since then. Analysis of the performance and management of the economy during 1982-83 as presented in this report may have at various places striking similarities with that in the official documentation accompanying the budget. But the analysis nonetheless reflects Bangladesh Bank's own assessment.

2. The performance of the economy showed notable improvement during 1982-83. There was recovery and some growth in the economy during the year though activity in the industrial sector remained sluggish. Food production, though lower than the target, was higher than that recorded in the past. A sizeable surplus was recorded in balance of payments. Even after allowance for net use of Fund resources the foreign exchange reserves showed a significant increase. After deterioration for three years in succession the commodity terms of trade significantly improved in 1982-83. Both exports and remittances under the Wage Earners' Scheme significantly increased during the year. The outstanding short-term borrowings from abroad markedly declined. Credit expansion was contained within the level programmed. Due to upward revision of administered prices and better inventory management the financial position of some of the important public sector corporations improved. Reflecting a surplus in the fiscal operations of the Government, net credit to the Government declined. Performance on the price front was, however, not upto expectation.

3. GDP in real terms increased by 3.72 per cent during 1982-83 as against the nominal growth of 0.9 per cent in 1981-82. The rate of economic growth exceeded the growth rate of population with the result that per capita income of the people in the country increased by 1.3 per cent as against the decline of 1.6 per cent in the preceding year. The increased economic growth reflected mainly an increase of 4.73 per cent in agricultural production as compared with the decline of 0.62 per cent in the preceding year. The increase in agricultural production was due mainly to an increase in food production from 143.67 lakh tons in 1981-82 to 153.10 lakh tons* in 1982-83. At this level food production fell short of the target but was higher than past levels. Other sectors which showed improved performance were power and gas, transport and trade. The growth rate of the power and gas sector increased from 14.17 per cent in 1981-82 to 17 per cent during the year under report. At the same time, transport and trade sectors showed positive growth rate of 3.4 per cent each as against negative growth rates of 0.20 per cent and 0.10 per cent respectively in 1981-82. On the other hand, the performance of industry, construction and housing sectors deteriorated. The deterioration was particularly marked in the case of the industrial sector and construction. While the growth rate of the industrial sector declined from 2.89 per cent in 1981-82 to only 0.4 per cent in 1982-83, construction showed a negative growth rate of 4.6 per cent as against a positive growth rate of 1 per cent in the preceding year. The growth rate of housing and others, deteriorated from 3 per cent and 5.94 per cent in 1981-82 to 2.5 per cent and 5.49 per cent respectively.

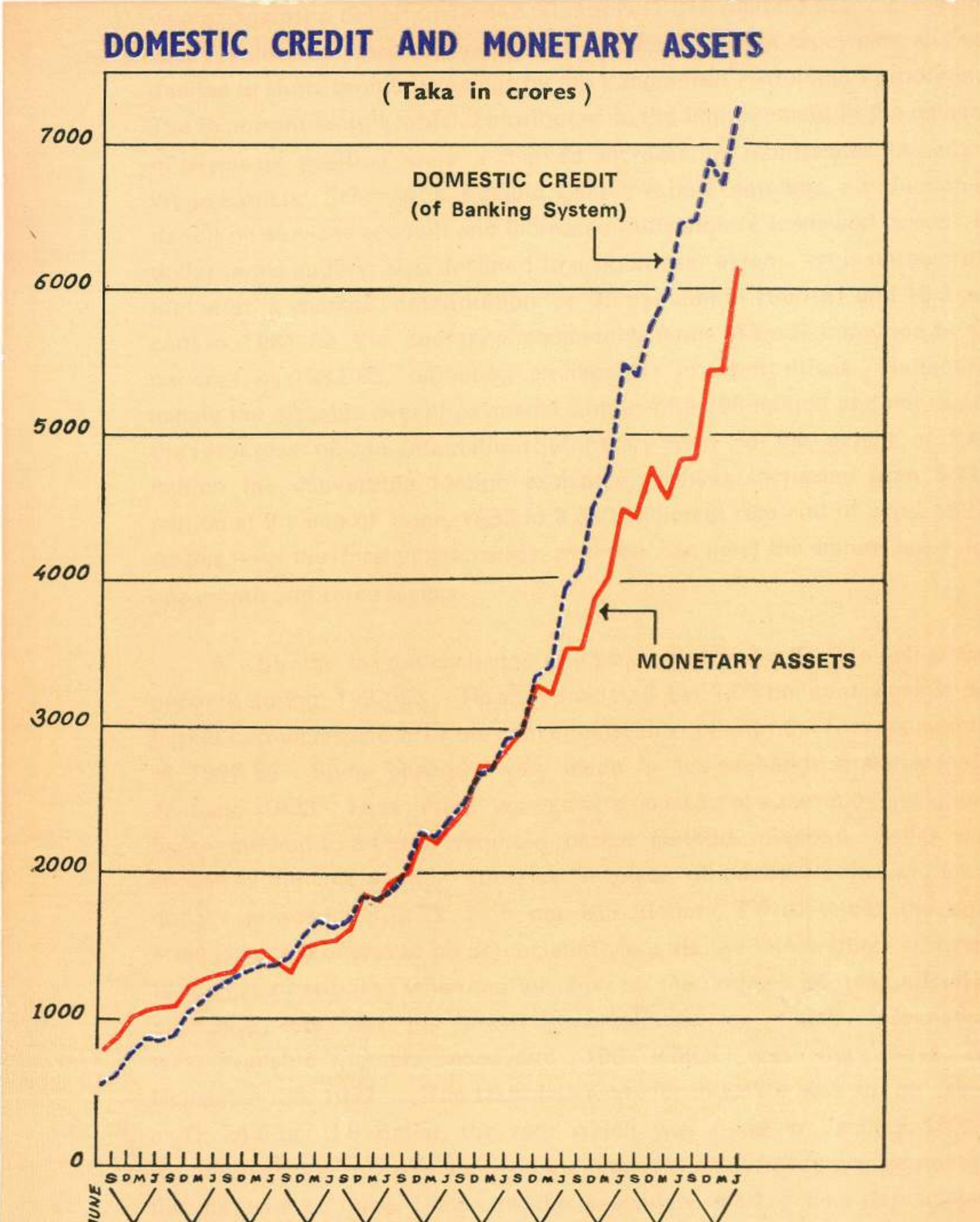
4. A number of adjustment measures which were far-reaching and covered a wide front were taken during 1982-83. With a view to mobilising domestic resources, the budget for 1982-83 introduced several tax measures and reduced subsidies for food and fertilizers. While new tax measures were expected to yield Tk. 118.00 crores, a revenue surplus of no less than Tk. 730.19 crores was aimed at. The growth in the current expenditure of the Government was sought to be restrained to about

* Metric tons.

12 per cent in line with the anticipated rate of inflation. The level of the Annual Development Programme for 1982-83 was set at a realistic level and a new concept of hard core programming was adopted. A series of measures were also taken to improve the project implementation. In a major break with the past system taka release procedure was streamlined and made essentially automatic and consistent with the need. With a view to strengthening the financial position of public enterprises, substantial upward adjustments were made in administered prices, particularly in the energy and transport sectors. In order that the sector corporations can run on commercial basis these corporations were given authority to adjust the prices of their products upto 10 per cent of selling prices without prior Government approval. In the monetary field, the credit control measures were relaxed, but the aim remained to achieve further progress in controlling inflation. Exchange rate policy remained flexible and this helped further strengthening of competitiveness of exports during the year. A number of other measures were taken to step up exports. The export duty on raw jute and tea was abolished from July 1, 1982. The import entitlement rates under the Export Performance Licensing Scheme were raised, keeping in view the value added share in the f. o. b. value of exports. The export policy for 1982-83 introduced three rates : 40 per cent, 60 per cent and 80 per cent in place of the earlier two rates : 40 per cent and 60 per cent. The rate of interest on export credit (pre-shipment, packing and post-shipment) in respect of non-traditional items was reduced from 12 to 11.5 per cent on July 5, 1982. With effect from the same date the rate of interest on refinance against export credit for non-traditional items both at the pre-shipment and post-shipment stage was reduced by 1.5 to 9 per cent. The rate of refinance was further reduced to 8 per cent in September, 1982. The rate of interest on refinance against jute credit, including export bills for jute and jute goods, was reduced by 2 to 8.5 per cent in the same month. Later in accompaniment with concessional rate of refinance direct interest subsidy of 4.5 per cent was introduced in respect of export credit for non-traditional exports provided from banks' own resources. The list of items which could be imported through the secondary exchange market was expanded.

deceleration in the rate of expansion in credit to the public sector was accompanied by a decline of Tk. 22.83 crores or 1.47 per cent in net credit to the Government sector which reflected mainly a surplus on food operations on account of reduced domestic procurement of foodgrains and increased offtake of rice and wheat through the rationing system. The markedly reduced rate of expansion in credit to the public sector and a decline in net credit to the Government permitted a substantial expansion in credit to the private sector. Credit to the private sector expanded by Tk. 811.39 crores or 35.11 per cent during 1982-83 as against the increase of Tk. 408.61 crores or 21.47 per cent in the preceding year. A significant part of the increase in credit to the private sector occurred in the case of agricultural credit. The greater availability of credit in the agricultural sector contributed importantly to the increase in the sale of fertilizers and irrigation equipment and thereby helped expand agricultural production. Notwithstanding a fast expansion in credit to the private sector the expansion in overall domestic credit was lower at Tk. 793.12 crores or 12.27 per cent in 1982-83 as compared with the expansion of Tk. 976.25 crores or 17.78 per cent in 1981-82. However, with a substantial surplus of Tk. 413.34 crores recorded in the foreign sector as against a deficit of Tk. 637.18 crores in the preceding year the expansion in liquidity turned out to be significantly larger than in 1981-82. Liquidity expanded by Tk. 1306.41 crores or 27.69 per cent during 1982-83 as compared with the increase of Tk. 346.13 crores or 7.92 per cent in 1981-82. The rate of expansion was, however, relatively less in narrow money which increased by 22.76 per cent. It is also noteworthy that with a faster increase in time deposits than in currency held with the public and demand deposits the share of time deposits in total liquidity rose from 54.01 per cent at the end of June, 1982 to 55.78 per cent at the end of June, 1983. This tended to suggest that the velocity of broad money declined during 1982-83 which helped to keep the rate of inflation from being higher than what has actually taken place and what could be justified on the basis of the high liquidity expansion.

8. The balance of payments showed a significant improvement with an overall surplus of Tk. 496.90 crores ($ 208 million) recorded during the


DOMESTIC CREDIT AND MONETARY ASSETS
(Taka in crores)
DOMESTIC CREDIT
(of Banking System)
MONETARY ASSETS
7000
6000
5000
4000
3000
2000
1000
0
1972 JUNE
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80
80-81
81-82
82-83

year as against a deficit of Tk.642.00 crores ($ 319 million) in the preceding year. This was despite a substantial increase in debt repayment and net decline in short-term borrowings by the Bangladesh Petroleum Corporation. The important factors which contributed to the improvement in the balance of payments position were a marked increase in remittances under the Wage Earners' Scheme, a notable gain in export earnings, a reduction in deficit on services account and increased utilisation of loans and grants. In dollar terms imports also declined to a significant extent. It is noteworthy that after a marked deterioration of 30 per cent in 1980-81 and 18.3 per cent in 1981-82 the country's commodity terms of trade improved by 19 per cent in 1982-83, reflecting an increase in export prices. Reflecting mainly the sizeable overall payments surplus of $ 208 million and net use of the resources of the International Monetary Fund to the extent of $ 49 million the convertible foreign exchange reserves increased from $ 110 million at the end of June, 1982 to $ 350 million at the end of June, 1983. At this level the foreign exchange reserves can meet the import need for one month and three weeks.

9. So far as the exchange rate was concerned a flexible policy was pursued during 1982-83. Taka depreciated by 7.05 per cent against the basket currencies and 8.19 per cent against the dollar in the first six months of 1982-83. Some changes were made in the exchange arrangement in January, 1983. First, there was a switch over from a currency weighted basket method to a trade weighted basket method. Second, dollar was chosen as the intervention currency in place of pound sterling and taka-dollar rate was fixed at Tk. 24.5 per U.S. dollar. Third, under the new arrangement taka was to be depreciated vis-a-vis the intervention currency to the extent required when the average of the indices of real effective exchange rates for the latest three months for which information was available notably exceeded 100 which was the index for November 30, 1982. (The taka-dollar rate for this date was to be taken as Tk. 24.5 per U.S. dollar, the rate which was fixed in January, 1983). No depreciation of taka vis-a-vis the intervention currency was warranted till the end of June, 1983. In the secondary market taka depreciated

from Tk. 22.40 per U.S. dollar at the end of June, 1982 to Tk. 26.22 per U.S. dollar at the end of June, 1983.

10. The improvement in balance of payments, though a favourable trend, might have caused difficulty on the price front. Reflecting the sizeable surplus in the foreign sector, liquidity showed a significantly higher rate of expansion than envisaged notwithstanding the fact that the expansion in domestic credit remained within the level programmed. An increase of 28 per cent in liquidity as against GDP growth of 3.72 per cent during 1982-83 resulted in a substantial imbalance between demand and supply. Because of this imbalance and also due to changes in administered prices of some important items and some depreciation of the average exchange rate of taka, prices as measured by changes in the cost of living index for the middle class people at Dhaka (1973-74=100) rose by 14 per cent in 1982-83 on a point to point basis as against the increase of 7.5 per cent in the preceding year. The twelve month average of the cost of living indices, however, recorded an increase of not more than 10 per cent in the year under report as against the increase of 16.29 per cent in the preceding year. Although mainly reflecting the impact of the increases in administered prices the cost of living index rose by 8.94 per cent on a point to point basis in the first quarter of the year, taking the year as a whole the price increase due to changes in these prices was notably less due to their price reducing impact later through the improvement in the financial position and consequent reduction in the bank financing of the corporations in the case of which the administered price changes were made. The breakdown of the cost of living index disclosed that a particularly sharp increase occurred in the sub-index of 'fuel and lighting' which moved up by 24.78 per cent in 1982-83 on a point to point basis. Increases were also recorded in the sub-indices of 'food', 'housing and household requisites', 'clothing and footwear' and 'miscellaneous' items to the extent of 12.60 per cent, 10.59 per cent, 12.08 per cent and 17.02 per cent respectively.

11. It also needs mention that the improvement in balance of payments was achieved with a significantly lower level of imports. Imports at

$ 2394 million during 1982-83 represented a decline of 11 per cent as compared to the level of the preceding year. The decline was still larger in the case of mports excluding foodgrain imports. Imports excluding foodgrains at $ 2014 million were 16 per cent lower than in 1981-82, reflecting in large measure depressed demand conditions in respect of imported finished goods as well as industrial raw materials on account of low level of purchasing power following very low level of agricultural production in the previous year.

12. Although a faster expansion in broad money than in narrow money reflected a larger increase in time deposits than in demand deposits and currency held with the public, there should not be much complacency about it in-as-much as the larger growth in time deposits appeared to have taken place in large measure due to a shift from fixed investment to financial assets following depressed investment conditions. When financial intermediation or positive real rate of interest results in a shift from self-financed investment to time deposits and the funds mobilised are lent by banks in the modern sector for fixed investment, the efficiency of investment is likely to increase. But when there is a shift away from fixed investment in general due to lower prospect for investment, there is the possibility of an imbalance developing between fixed investment and stock-build up. Excessive inventory build-up at the cost of fixed investment may affect growth. Thus whether the present trend of a relatively accelerated rate of growth in time deposits is a healthy trend or not needs to be judged with great care and caution.

13. The need for accelerating private fixed investment was keenly realised by all concerned ; but there was also increasing awareness of productive and efficient deployment of scarce resources which to some extent slowed down the rate of sanctions despite significant new incentives and opportunities provided for in the new industrial policy and encouragement provided through adjustment in prices and tariffs for several major products and services. For profitable private investment it is necessary that capacity utilisation in the industrial sector

improves and this can happen with improved management practices and mainly with pick-up of demand for industrial products. Although an increase in the size of Annual Development Programme for 1983-84 may help stimulate demand for these products, much would depend on whether and to what extent there is an increase in agricultural production. There is scope for augmenting agricultural production even in the short-run if a well designed and expanded programme for financing modern agricultural inputs is drawn and implemented. Although efforts in this direction were made by undertaking a substantially larger agricultural credit disbursement programme in 1982-83, it needs to be seen that the inflationary content of the financing of such a programme which remains significantly dependent on refinance from the Bangladesh Bank is reduced.

14. In an effort to reduce the constraints facing the private investors the procedure and mechanism for approval, sanctioning and implementation of new investment projects need to be further improved and strengthened and inadequancy of infrastructural facilities particularly power should be tackled on a priority basis. Some alleged anomalies in the present tax structure which discriminate against investment in expansion projects as compared to investment in new projects should be removed. Particular attention would need to be given to develop the management capability of private sector entrepreneurs and managers through formal training and informal exchanges. Completion of projects already sanctioned or under implementation needs to get priority in allocation of resource over new ones.

15. Despite positive stabilisation efforts production and price outlook in the coming months may be viewed both optimistically and with some amount of caution. As mentioned earlier, because of a sizeable surplus in the foreign sector the expansion in liquidity turned out to be significantly faster during 1982-83 than in 1981-82. The expansion in liquidity during 1982-83 was not fully matched by the real growth in GDP and price increase during the year. Of the expansion of 27.69

per cent during the year under report not more than 3.72 per cent was absorbed by the real increase in GDP and 14 per cent by the price increase. This meant that substantial excess liquidity was generated in the economy during the year. The possibility is that a sizeable part of this excess liquidity may be worked off during 1983-84. The excess liquidity worked off may have some positive benefit by generating additional demand and thereby helping some increase in the production of goods and services in areas or sectors where there is substantial excess capacity and the inventory of raw materials and spares is comfortable, but may lead to higher monetary demand and prices in areas or sectors where the possibility of augmenting production in the short-run is limited. A careful watch would, therefore, need to be maintained on the monetary, credit and price trends.

16. The improvement which occurred in balance of payments during 1982-83 does not also appear to be sustainable. The country's debt servicing liability is likely to increase to a significant extent from 1983-84 as a sizeable amount of principal repayments of medium and long-term loans from IDA, ADB, IDB, Saudi Arabia and U.S.A. will become payable. The difficulties which the oil exporting countries are experiencing due to a fall in the international prices of oil and the adjustment programme they would need to undertake to meet this situation are likely to constrain the growth in remittances under the Wage Earners' Scheme. Although signs of economic recovery in the industrial countries are in sight, the pace of recovery is likely to remain weak in 1983-84. Thus neither our export earnings can be expected to increase to any significant extent, nor is any significant improvement likely in aid inflows in real terms. If in the face of all these imports which came down to a low level during 1982-83 pick up to a marked extent there is bound to be deterioration of the balance of payments situation leading to increased current account deficit and also overall deficit. So while maintaining liberal and free import system, efforts at import substitution need to be strengthened.

17. The prospects as delineated above underline the need for continuing adjustment efforts, strengthening domestic resource mobilisation programme and developing an appropriate methodology for sustaining development. In the context of difficult resource outlook the extent to which output and consumption levels can be increased in coming years will depend to an important degree on the efficiency with which hard earned domestic savings and the inflow of foreign savings are put to use. A careful determination of investment priorities and a careful selection of projects combined with strengthening of management capabilities are, therefore, essential. The principal task facing the country in the years ahead is to diversify and expand the production base of the economy with a view to ensuring satisfactory growth with balance of payments viability. In order to achieve this there is also the paramount need for promotion and diversification of exports. This strategy is particularly important as the country is likely to be faced with a growing external debt servicing burden in the years ahead. Increased attention would also need to be directed towards alleviating the difficult employment situation in the country. The rural unemployment problem in particular is becoming serious and complex. It is, therefore, essential to ensure that the macro-economic and sectoral policies pursued seek to reduce the bias in favour of capital use and encourage investment in labour intensive activities. Special efforts would also need to be made to provide the poor, many of whom are landless, with the assets, skills, finance and entrepreneurship to make them productive in their pursuits and to direct them to activities with high employment opportunities. Several programmes have already been initiated by the Government in this behalf during recent years. These programmes need to be expanded and new programmes initiated, as quickly as possible.

CHAPTER II

DEVELOPMENTS IN MAJOR SECTORS

DEVELOPMENTS IN MAJOR SECTORS

18. According to the preliminary estimate of the Planning Commission, the Gross Domestic Product (GDP) increased by 3.72 per cent in 1982-83 as against the marginal increase of 0.90 per cent during 1981-82. The rise in GDP was due mainly to the increase in agricultural output which rose by 4.73 per cent during the year as against the decline of 0.62 per cent in the previous year. Value added in all other sectors, except construction which showed negative growth, were also positive during 1982-83.

Agricultural Production

19. Agricultural production in the country increased by 4.73 per cent during 1982-83 as against a decline of 0.62 per cent during the preceding year. The increase in the production of agricultural sector during the year was mainly due to the substantial increase in the production of foodgrains. As a result, the share of agricultural sector in the GDP increased to 55.12 per cent from 54.60 per cent in the previous year. Total foodgrains production estimated at 153.10 lakh tons* during 1982-83 was 6.56 per cent higher than the production of 143.67 lakh tons in 1981-82. Total production of rice estimated at 142.15 lakh tons in 1982-83 was also 5.96 per cent higher than the production of 134.15 lakh tons in the previous year. While the Aman and Boro rice production increased by 7.16 per cent and 14.31 per cent respectively to 76.03 lakh tons and 35.46 lakh tons respectively, the production of Aus rice declined by 4.72 per cent to 30.66 lakh tons. Production of wheat registered an increase of 15.02 per cent to 10.95 lakh tons during the year as against 9.52 lakh tons produced in 1981-82.

*Metric tons.

Industrial Production

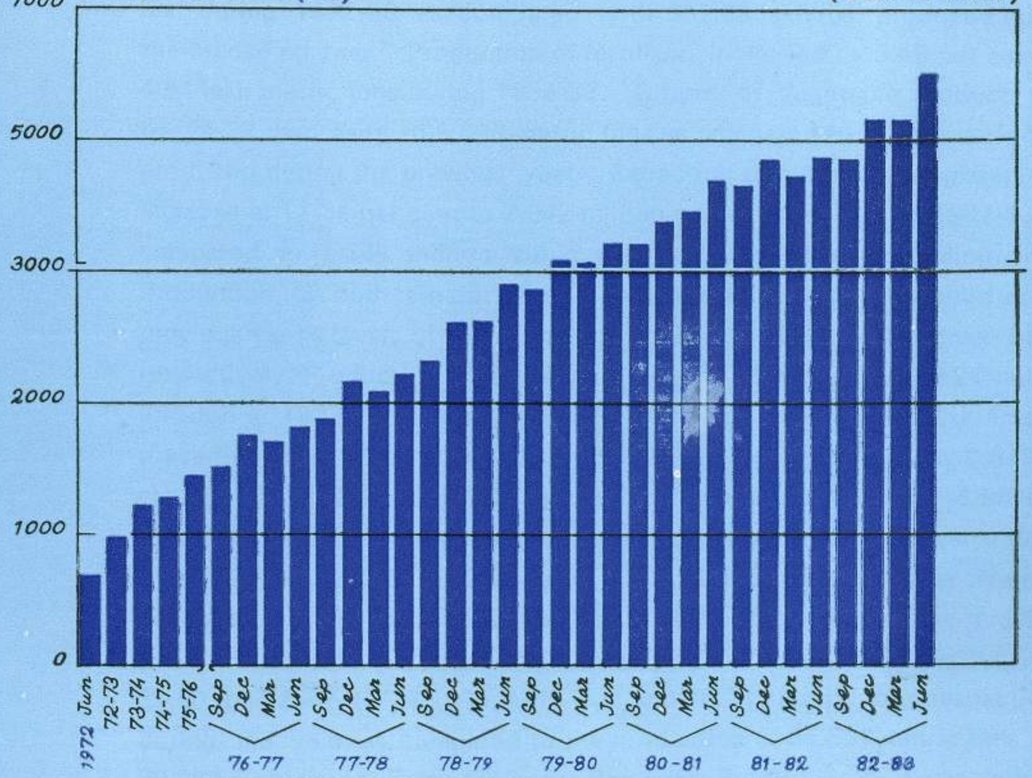
20. Performance of the industrial sector remained depressed during 1982-83. Shortfall in the revenue receipts and increase in expenditure severely constrained investible resources which necessitated cutbacks in public investment. These factors together with poor crops in the previous year led to a decline in rural incomes, low demand for goods and services and stagnation in the economy as a whole. As a result, total industrial production is estimated to have increased nominally by 0.40 per cent during the year under report as compared to the growth rate of 2.89 per cent during 1981-82. The contribution of the industrial sector to the GDP was 8.33 per cent in 1982-83 as compared to 8.61 per cent in the previous year.

21. Government had taken a number of steps during 1982-83 aimed at improving the performance of the industrial sector. The New Industrial Policy (NIP) announced in June, 1982 provided for a number of new incentives and opportunities for private investment including the denationalisation of 29 jute and 26 textile mills. The transfer of those mills to their former Bangladeshi owners has been mostly completed. In the budget for 1982-83 taxes and tariffs were suitably adjusted to afford protection to the domestic industries and to encourage higher capacity utilization as also to enhance incentives for exports. Government has also established a "core programme" of priority projects with a view to protecting them from resource shortfalls. Under the NIP, Government has taken a number of measures in support of private investment. They include, inter alia, expansion of import allocation for industries and reduction of the rate of interest on export credit from 12.00% to 11.50%. On the financing side, 6 private commercial banks were given licence for business.

22. Although the above measures of the Government are expected to have far-reaching impact on the pace and composition of future industrialization of the country, production of the major industries during 1982-83 was not encouraging and showed a mixed trend. While outputs of fertilizers, cotton yarn, chemicals, vegetable products, natural gas and tea registered some increases, those of cotton cloth, newsprint, paper, sugar, jute goods, steel and cement registered declines during the year.

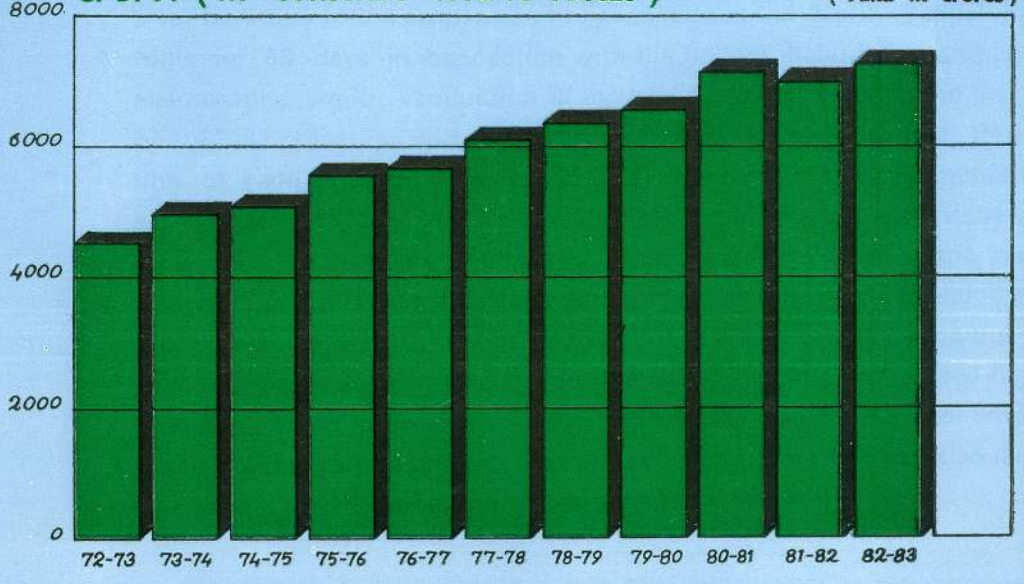
MONEY SUPPLY (M_2)

(Taka in crores)



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

(Taka in crores)



23. Production of cotton yarn rose by 6.37 per cent to 1013.56 lakh lbs. during 1982-83 as compared with 952.88 lakh lbs. produced during the preceding year. Production of fertilizers increased by 9.48 per cent to 4.54 lakh metric tons during 1982-83. Output of vegetable products rose by 24.22 per cent to 9,033 metric tons as compared to 7,272 metric tons produced during the previous year. Extraction of natural gas registered an increase of 11.34 per cent to 2,042 million cubic metres during 1982-83 as compared to 1,834 million cubic metres during the preceding year. Production of both cigarettes and matches remained unchanged at the previous year's levels of 15,778 million sticks and 11.84 million gross boxes respectively. Production of tea increased by 12.58 per cent to 95.24 million lbs. during 1982-83 as compared to 84.60 million lbs. produced during the preceding year. Production of jute goods declined marginally by 0.84 per cent to 5.93 lakh tons during the year under report from 5.98 lakh tons produced during the previous year. Output of cotton cloth came down by 9.69 per cent to 654.71 lakh yds. during the year under report as compared to the production of 724.97 lakh yds. during the previous year. Production of paper and newsprint declined by 25.05 per cent and 31.90 per cent to 26,133 metric tons and 26,741 metric tons respectively during the year as compared to the production of 34,867 metric tons and 39,267 metric tons during the preceding year. Production of paper suffered a set back due to the suspension of production in the North Bengal Paper Mills for 69 days in connection with the boiler rehabilitation and annual maintenance work. Production of newsprint slowed down in the first half of 1982-83 reflecting market constraints both at home and abroad. Production of cement recorded a decline of 6.0 per cent to 3,06,688 metric tons as compared to 3,26,257 metric tons produced during the previous year. Production of steel declined by 62.75 per cent to 1,04,593 metric tons as compared to 2,80,818 metric tons during the previous year. Production of sugar declined by 12.14 per cent to 1,77,652 metric tons during the year under report as compared to the production of 2,02,196 metric tons during 1981-82. Sugar production suffered during the year for the poor crops of sugarcane due to drought and pest attack. Production suffered also due to diversion of sugarcane to 'gur' production in certain mill zones.

Investment in the Public Sector

24. In the public sector, total investment as envisaged in the Annual Development Programme for 1982-83 was originally placed at Tk. 2700.00 crores which was subsequently revised upward to Tk. 2977.02 crores. This upward revision was made in anticipation of larger inflow of external assistance as well as net surplus from Food Account. Domestic resources for financing investment increased by Tk. 20.54 crores to Tk. 615.00 crores. The total development outlay as envisaged in the Annual Development Programme for 1982-83 showed an increase of 9.65 per cent as compared to Tk. 2715.00 crores in the preceding year. The allocations for the major sectors were as follows : Transport Tk. 489.31 crores, Agriculture Tk. 472.12 crores, Flood Control and Water Resources Tk. 368.41 crores, Power Tk. 375.98 crores, Industry Tk. 314.51 crores, Natural Resources Tk. 222.10 crores, Physical Planning and Housing Tk. 149.60 crores, Thana Infra-structural Development and Grants to Thana Councils Tk. 130.00 crores, Education and Religious Affairs Tk. 108.61 crores, Population Control and Health Tk. 166.48 crores and Rural Development and Institutions Tk. 100.00 crores. Agriculture, Flood Control and Water Resources, Rural Institutions, Population Control and Family Planning, Infra-structural Development of Thanas which have a direct impact on rural development were allocated 41.55 per cent of the total outlay of the Annual Development Programme for 1982-83. Allocations for the above heads constituted 34.65 per cent of the Annual Development Programme during the previous year.

Investment in the Private Sector

25. During the year 1982-83 a total of 636 industrial units were sanctioned by the Government with a total investment of Tk. 355.52 crores including a foreign exchange component of Tk. 188.17 crores. In addition, 102 industrial units were registered for a total investment of Tk. 18.89 crores including a foreign exchange component of Tk. 5.73 crores. Besides, No Objection Certificates (NOC) were issued to 197 industrial units under the "Free List" of the Investment Schedule. Thus total number of industrial enterprises considered during 1982-83 stood at 935 as compared with 607 during the preceding year. The major industries which shared the investment during 1982-83 were : Food and Allied

Products (Tk. 128.00 crores), Tannery, Leather and Rubber Products (Tk. 50.80 crores), Textile Industries (Tk. 38.75 crores), Engineering Industries (Tk. 82.81 crores), Chemicals, Pharmaceuticals and Allied Products (Tk. 23.92 crores), Glass, Ceramic and other Non-Metallic Mineral Products (Tk. 12.22 crores), Paper Board, Printing and Publishing (Tk. 6.02 crores) and Service Industries (Tk. 3.91 crores).

Food Situation

26. Despite substantial imports during the year the food situation in Bangladesh remained under pressure for most part of the year due to the short supply in the market arising out of smaller carry-over stocks for the year and also due to the shortfall in production as compared to the target. This was reflected in the rising trend of food prices during the year. The country average minimum retail price of coarse rice which stood at Tk. 217.54 per maund at the end of June, 1982 declined nominally to Tk. 213.45 per maund at the end of July, 1982. Thereafter, the open market price of rice showed a rising trend and stood at Tk. 221.31 per maund and Tk. 250.43 per maund at the end of August and September, 1982 respectively due to lower availability of foodgrains in the market mainly on account of bad harvest of the 1982 Aus crop. The rising trend in the price of rice was, however, reversed and the country average minimum retail price of coarse rice declined to Tk. 247.06 per maund at the end of October, 1982 owing to substantially expanded public distribution programme and invocation of open market sales in a big way. The declining trend in the price of rice continued and with the arrival of the 1982 Aman crop in the market the country average minimum retail price of coarse rice sharply declined to Tk. 214.23 per maund at the end of November, 1982. However, the price again showed a rising trend and stood at Tk. 226.24 per maund, Tk. 243.88 per maund and Tk. 245.13 per maund at the end of December, 1982, March and April, 1983 respectively due to short supply in the market. This was owing to the shortfalls in the production of Aman crop on account of inadequate and erratic 1982 monsoon. Thereafter, the price registered some decline and stood at Tk. 233.88 per maund and Tk. 224.97 per maund at the end of May and June, 1983 respectively due to arrival of the Boro crop in the market.

27. Imports of rice and wheat into the country during 1982-83 stood at a substantially higher level of 3.17 lakh tons and 15.27 lakh tons respectively as against 1.42 lakh tons of rice and 10.94 lakh tons of wheat imported during 1981-82.

28. Internal procurement of rice, paddy (in terms of rice) and wheat during 1982-83 stood at 1.68 lakh tons and 0.24 lakh ton respectively as compared to 2.85 lakh tons of rice and 0.13 lakh ton of wheat procured during the preceding year.

29. The ration prices of rice and wheat were revised upward twice during 1982-83 from Tk. 175.00 and Tk. 124.00 per maund to Tk. 195.00 per maund and Tk. 134.00 per maund respectively effective from 3rd July, 1982 and to Tk. 215.00 per maund and Tk. 145.00 per maund respectively effective from 3rd January, 1983. The internal procurement prices of rice and wheat were also revised during 1982-83 raising the prices from Tk. 190.00 per maund and Tk. 124.00 per maund to Tk. 210.00 per maund and Tk. 135.00 per maund respectively effective from 7th November, 1982.

Price Situation

30. The general price situation in the country showed an uptrend during 1982-83. This was reflected in the overall cost of living indices of the selected urban centres of the country. The average cost of living index for Dhaka middle class people (1973-74=100) recorded an increase of 9.93% during the year as against the rise of 16.29% during 1981-82. On a point to point basis, however, the general cost of living index for the middle class people at Dhaka registered a larger increase of 13.89% during 1982-83 as against the rise of 7.50% during 1981-82. The rise in import prices of raw materials, fuels and other items due to depreciation in the value of Taka and shortfalls in the availability of foodgrains and changes in administered prices were largely responsible for the pressure on prices during the year.

31. Prices of a number of selected essential consumer goods in Dhaka city registered substantial increases over the year ended June, 1983.

The items showing significant price increases were : potatoes and turmeric (+100% each), tea-blended (+68%), tea-dust (+67%), boot polish (+57%), chillies-dry (+38%), onion (+22%), cumin-seed, salt and tussore cloth (+20% each), vegetable oil, shirting cloth and mustard oil (+14% each), atta and electric bulb (+10% each). On the other hand, items showing price declines were : dal-moong, dal-masur and dal-gram (−8% each) and firewood (−5%).

Cost of Living

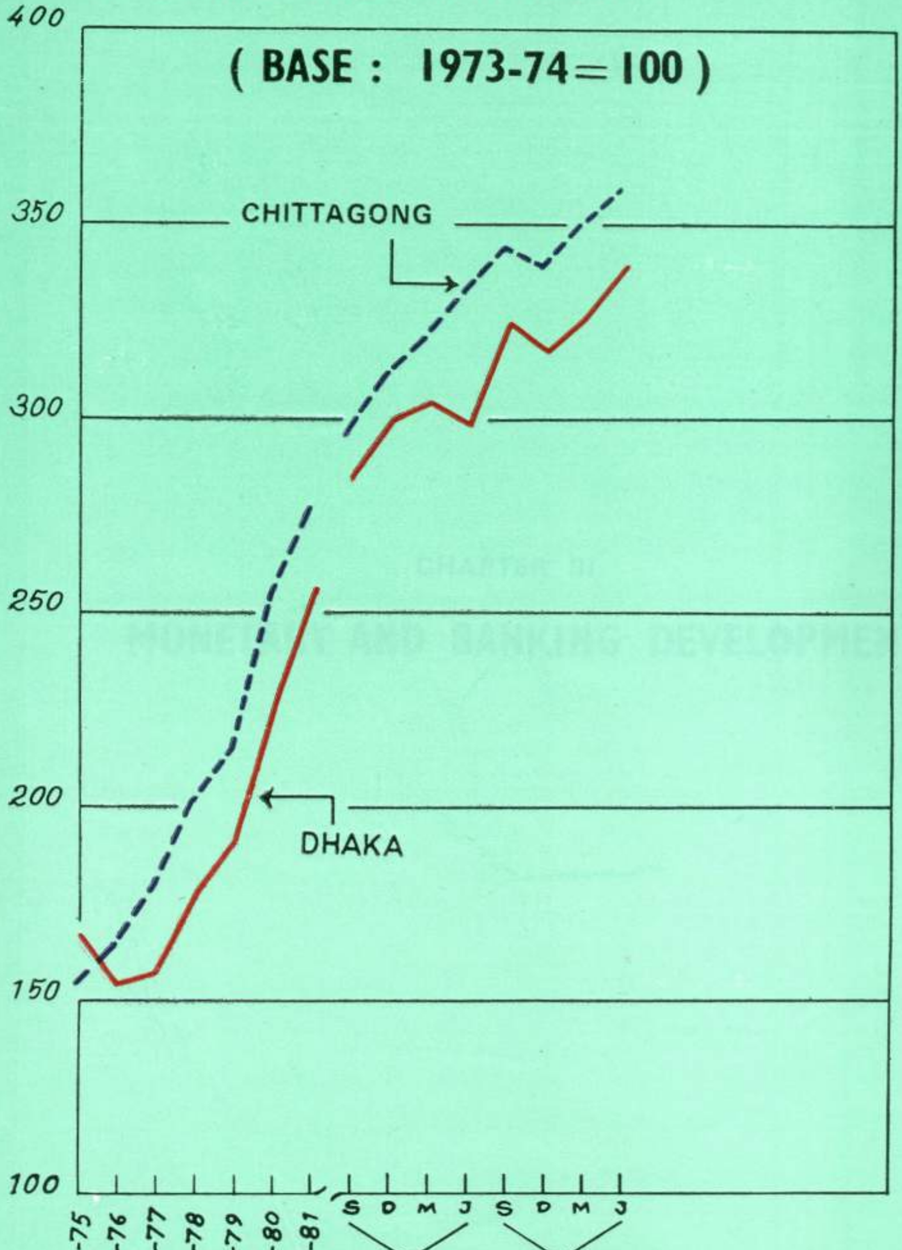
32. The 'general' cost of living index for the middle class people in Dhaka city (1973-74=100) which stood at 298.80 in June, 1982 rose to 340.30 in June, 1983 indicating an increase of 13.89% over the year on a point to point basis as against 7.50% during 1981-82. The rise was shared by all the sub-indices viz. 'food' (+12.60% to 325.44), 'fuel and lighting' (+24.78% to 463.33), 'housing and house-hold requisites' (+10.59% to 420.25), 'clothing and footwear' (+12.08% to 218.55) and 'miscellaneous' items (+17.02% to 324.68).

33. The 'general' cost of living index for middle class people in Chittagong city (1973-74=100) increased by 7.68% to 358.78 in June, 1983 over June, 1982 as compared to the increase of 13.72% in 1981-82. The rise was reflected in the sub-indices viz. 'food'(+8.04% to 353.26), 'fuel and lighting' (+25.05% to 290.63), 'clothing and footwear' (+16.87% to 238.95) and 'miscellaneous' items (+10.32% to 304.86). The sub-index for 'housing and household requisites', however, declined nominally by 0.12% to 517.57 over the year.

34. The 'general' cost of living index for Khulna middle class people (1973-74=100) went up by 10.14% to 323.08 in June, 1983 over June, 1982 as against the increase of 9.02% in 1981-82. This reflected rises in the sub-indices viz. 'food' (+11.01% to 319.34) 'fuel and lighting' (+16.46% to 325.25), 'clothing and footwear' (+25.05% to 228.67) and 'miscellaneous' items (+7.39% to 275.65). This rise was, however, partly neutralised by the decline in the sub-index for 'housing and household requisites' by 4.62% to 473.74 over the year.

35. The 'general' cost of living index for Rajshahi middle class people (1973-74=100) rose by 7.58% to 328.68 in June, 1983 over June, 1982 as against the increase of 12.88% in 1981-82. This rise was shared by the sub-indices viz. 'food' (+10.00% to 308.80), 'housing and household requisites' (+0.18% to 456.90), 'clothing and footwear' (+7.34% to 221.69) and 'miscellaneous' items (+18.13% to 334.04). The sub-index for 'fuel and lighting', however, declined by 2.86% to 409.39 over the year.

INDICES OF MIDDLE CLASS COST OF LIVING AT DHAKA AND CHITTAGONG



CHAPTER III

MONETARY AND BANKING DEVELOPMENTS

MONETARY AND BANKING DEVELOPMENTS

Money Supply

36. The monetary and credit situation during 1982-83 was characterised by an expansionary trend. Money supply (M_1 =Narrow Money) increased substantially by Tk. 493.91 crores or 22.76% to Tk. 2664.05 crores during FY 1982-83 as against the nominal increase of Tk. 0.80 crore or 0.04% in the preceding year. During the first quarter of the year ended September, 1982 money supply went up by Tk. 90.54 crores or 4.17% and in the following quarter ended December, 1982 it rose markedly by Tk. 223.37 crores or 9.88%. During the third quarter ended March, 1983 money supply declined by Tk. 87.36 crores or 3.52% while in the last quarter ended June, 1983 it rose substantially by Tk. 267.36 crores or 11.16%.

37. An analysis of the causative factors of the change in money supply during 1982-83 reveals that the marked increase in money supply over the year was brought about by substantial increase in credit to the private sector to the extent of Tk. 778.42 crores and surplus in the country's international account to the tune of Tk. 413.74 crores. Credit to public sector was expansionary to the extent of only Tk. 37.13 crores. The miscellaneous factors were also expansionary to the extent of Tk. 99.95 crores. These expansionary influences were largely offset by the accruals of Tk. 812.50 crores in time deposits and surplus in the Government fiscal operation to the extent of Tk. 22.83 crores.

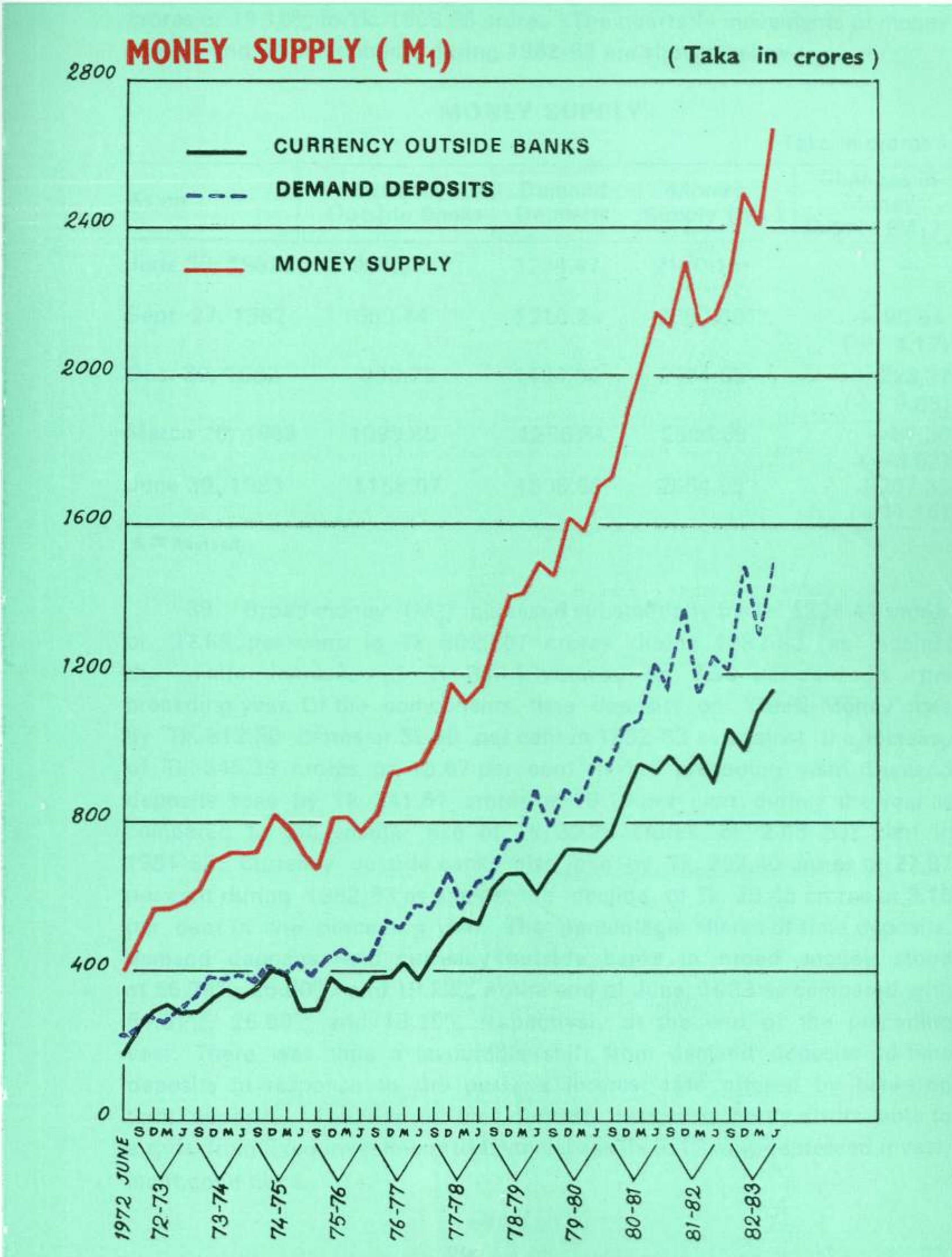
CAUSATIVE FACTORS OF THE CHANGE IN MONEY SUPPLY

(Taka in crores)

Particulars	As on 30.6.83	As on 30.6.82	Changes
1. Currency Outside Banks	1158.07	905.67	+252.40
2. Demand Deposits	1505.98	1264.47R	+241.51
Changes in Money Supply			**+493.91**
CAUSATIVE FACTORS			
Expansion (+)			
Contraction (−)			
A. Government Fiscal Operation			−22.83
B. **Public Sector** :			**+37.13**
i) Credit to Public Sector			−86.98
ii) Investment in Public Sector			+124.11
C. Private Sector : (Including Investments)			+778.42
D. Time Deposits (Increase —)			−812.50
E. Foreign Sector (Net)			+413.74
F. Miscellaneous Factors			+99.95
		Total :	**+ 493.91**

R= Revised.

38. Of the components of money supply (M_1), currency outside banks went up by Tk. 252.40 crores or 27.86% to Tk. 1158.07 crores during 1982-83. Demand deposits also increased by Tk. 241.51


MONEY SUPPLY (M_1)
(Taka in crores)
CURRENCY OUTSIDE BANKS
DEMAND DEPOSITS
MONEY SUPPLY
2800
2400
2000
1600
1200
800
400
0
S D M J S D M J S D M J S D M J S D M J S D M J S D M J S D M J S D M J S D M J S D M J
1972 JUNE
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80
80-81
81-82
82-83

crores or 19.10% to Tk. 1505.98 crores. The quarterly movements of money supply and its components during 1982-83 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, 1982	905.67	1264.47	2170.14[R]	—
Sept. 27, 1982	1050.44	1210.24	2260.68[R]	+ 90.54 (+ 4.17)
Dec. 30, 1982	993.75	1490.30	2484.05[R]	+ 223.37 (+ 9.88)
March 25, 1983	1099.85	1296.84	2396.69	−87.36 (−3.52)
June 30, 1983	1158.07	1505.98	2664.05	+267.36 (+11.16)

R = Revised.

39. Broad money (M_2) increased substantially by Tk. 1306.41 crores or 27.69 per cent to Tk. 6025.07 crores during 1982-83 as against the smaller increase of Tk. 346.13 crores or 7.92 per cent in the preceding year. Of the components, time deposits or 'Quasi-Money' rose by Tk. 812.50 crores or 31.88 per cent in 1982-83 as against the increase of Tk. 345.33 crores or 15.67 per cent in the preceding year. Demand deposits rose by Tk. 241.51 crores or 19.10 per cent during the year as compared to the smaller rise of Tk. 30.25 crores or 2.45 per cent in 1981-82. Currency outside banks also rose by Tk. 252.40 crores or 27.87 per cent during 1982-83 as against the decline of Tk. 29.45 crores or 3.15 per cent in the preceding year. The percentage shares of time deposits, demand deposits and currency outside banks in broad money stood at 55.78%, 25.00% and 19.22% at the end of June, 1983 as compared with 54.01%, 26.80% and 19.19% respectively at the end of the preceding year. There was thus a favourable shift from demand deposits to time deposits in response to the positive interest rate offered by banks on term deposits. The rise in time deposits was also partly attributable to a shift from fixed investment to financial assets following depressed investment conditions.

40. The following table shows the comparative movements of broad money (M_2) during 1981-82 and 1982-83 :

CHANGES IN BROAD MONEY

(Taka in crores)

Particulars	June, 1981	June, 1982	June, 1983	%Changes	
				1981-82	1982-83
1. Currency Outside Banks	935.12	905.67	1158.07	− 3.15	+27.87
2. Demand Deposits	1234.22	1264.47R	1505.98	+ 2.45	+19.10
3. Time Deposits	2203.19	2548.52R	3361.02	+15.67	+31.88
Total :	**4372.53**	**4718.66**	**6025.07**	**+ 7.92**	**+27.69**

R= Revised.

41. While broad money expanded by 27.69% during 1982-83, GDP at Market prices increased by not more than 7.60% implying that the income velocity of money declined from 5.62 in 1981-82 to 4.73 in 1982-83. The trend in income velocity of money since 1977-78 is given below :

INCOME VELOCITY OF MONEY

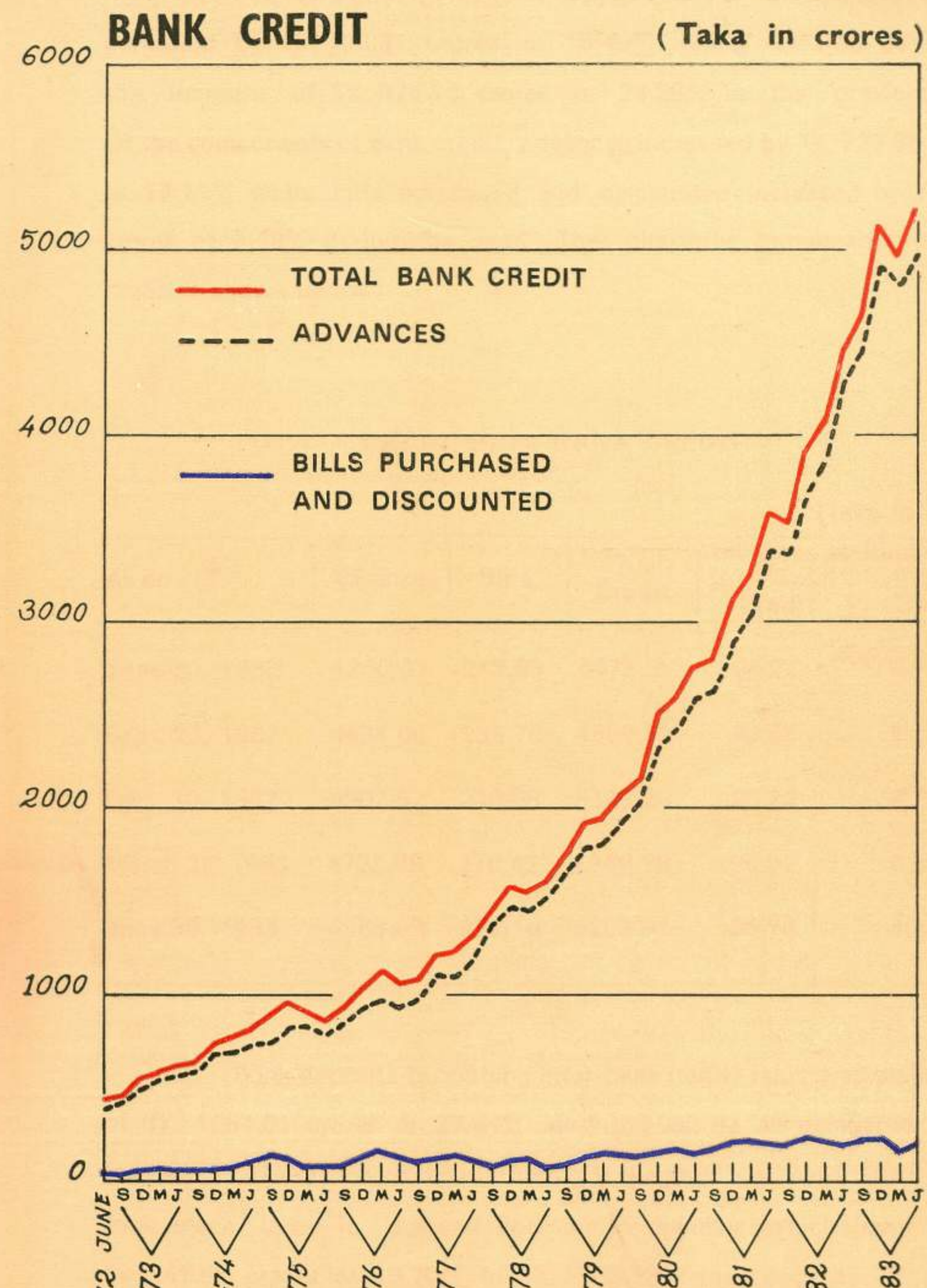
(Taka in crores)

Year	GDP at market price *	Broad Money@	Income velocity of Money (Col. 2÷3)
1	2	3	4
1977-78	14,636.50	2221.26	6.59
1978-79	17,281.90	2900.89	5.96
1979-80	19,798.50	3430.66	5.77
1980-81	23,326.30	4372.53	5.33
1981-82	26,499.40	4718.66	5.62
1982-83P	28,506.70	6025.07	4.73

* Bangladesh Bureau of Statistics.

@ Figures for 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)
TOTAL BANK CREDIT
ADVANCES
BILLS PURCHASED AND DISCOUNTED
6000
5000
4000
3000
2000
1000
0
JUNE 1972
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80
80-81
81-82
82-83

Bank Credit

42. The outstanding level of bank credit of the scheduled banks increased by Tk. 736.31 crores or 16.46% during 1982-83 as against the increase of Tk. 874.10 crores or 24.28% in the previous year. Of the components of bank credit, advances increased by Tk. 728.86 crores or 17.11% while bills purchased and discounted increased by Tk. 7.45 crores or 3.49% during the year. The quarterly movements of bank credit is shown below :

CHANGES IN BANK CREDIT

(Taka in crores)

As on	Advances	Bills	Total Credit	Advances as % of Total Credit	Bills as % of Total Credit
June 30, 1982	4260.01	213.65	4473.66	95.22	4.78
Sept. 27, 1982	4434.06	235.76	4669.82	94.95	5.05
Dec. 30, 1982	4902.62	240.58	5143.20	95.32	4.68
March 25, 1983	4723.86	216.42	4940.28	95.62	4.38
June 30, 1983	4988.87	221.10	5209.97	95.76	4.24

Bank Deposits

43. Bank deposits (excluding inter-bank items) registered an increase of Tk. 1054.01 crores or 27.64% during 1982-83 as compared to the increase of Tk. 375.58 crores or 10.93% in the previous year. The increase took place both in demand and time deposits which went up by Tk. 241.51 crores or 19.10% to Tk. 1505.98 crores and by Tk. 812.50

crores or 31.88% to Tk. 3361.02 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, 1982	1264.47	2548.52	3812.99	33.16	66.84
Sept. 27, 1982	1210.24	2449.05	3659.29	33.07	66.93
Dec. 30, 1982	1490.30	2838.76	4329.06	34.43	65.57
March 25, 1983	1296.84	2904.91	4201.75	30.86	69.14
June 30, 1983	1505.98	3361.02	4867.00	30.94	69.06

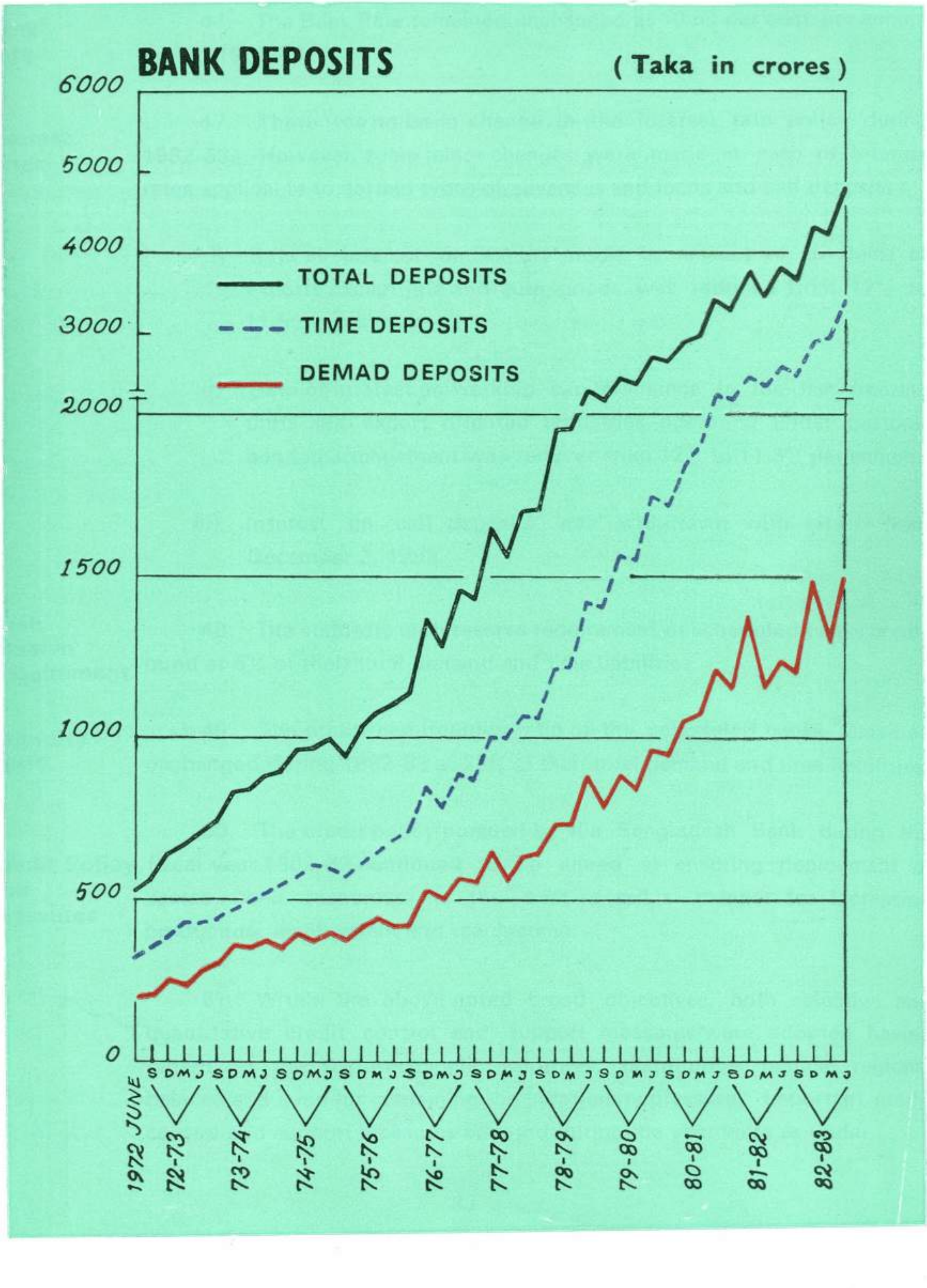
Urban & Rural Bank Deposits and Advances

44. Bank deposits in the urban areas as at the end of June, 1983 stood at Tk. 4243.65* crores (83.25%) as compared to Tk. 3256.31 crores (84.58%) in June, 1982. Deposits in the rural areas stood at Tk. 854.35 crores (16.75%) as on June 30, 1983 as against Tk. 593.79 crores (15.42%) in June, 1982. Bank advances in urban and rural areas as on June 30, 1983 increased to Tk. 4086.92 crores (81.40%) and Tk. 934.07 crores (18.60%) respectively from Tk. 3677.48 crores (86.78%) and Tk. 560.12 crores (13.22%) respectively in June, 1982.

Liquidity Position

45. The liquidity position of the scheduled banks improved during 1982-83. The credit/deposit ratio of the banks which stood at 1.02 on 30th June, 1982 increased to 1.10 on 27th September, 1982. Thereafter, the ratio declined to 1.04 on 30th December, 1982 and to 0.98 on 25th March, 1983 and further to 0.87 on 30th June, 1983. Scheduled banks' borrowings from the Bangladesh Bank increased from Tk. 1335.18 crores on June 30, 1982 to Tk. 1497.54 crores on September 27, 1982. Thereafter, it declined to Tk. 1497.01 crores on December 30, 1982. Borrowings fell to Tk. 1268.16 crores on March 25, 1983 and further to Tk. 1208.31 crores on June 30, 1983 showing a net decline of Tk. 126.87 crores over the year. Scheduled banks' balances with the Bangladesh Bank increased by Tk. 41.15 crores to Tk. 302.59 crores while their cash in tills increased by Tk. 19.56 crores to Tk. 126.97 crores over the year.

* Provisional.



BANK DEPOSITS
(Taka in crores)
6000
5000
4000
3000
2000
1500
1000
500
0
TOTAL DEPOSITS
TIME DEPOSITS
DEMAD DEPOSITS
S D M J
1972 JUNE
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80
80-81
81-82
82-83

Bank Rate

46. The Bank Rate remained unchanged at 10.50 per cent per annum during 1982-83.

Interest Rates

47. There was no basic change in the interest rate policy during 1982-83. However, some minor changes were made in case of interest rates applicable to certain types of advances and loans and call deposits :

i) Rate of interest on export credit in respect of all items of exports except jute and jute goods was reduced from 12% to 11.5% per annum.

ii) Rate of interest on working capital finance to the fish freezing units and export oriented industries operating under customs bonded arrangement was reduced from 12% to 11.5% per annum.

iii) Interest on call deposits was withdrawn with effect from December 2, 1982.

Cash Reserve Requirement

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

Liquidity Ratio

49. The prescribed liquidity ratio of the scheduled banks remained unchanged during 1982-83 at 25% of their total demand and time liabilities.

Credit Policy and Measures

50. The credit policy pursued by the Bangladesh Bank during the fiscal year 1982-83 continued to be aimed at ensuring deployment of scarce bank resources in the best possible manner for increasing production, employment and real income.

51. Within the above noted broad objectives, 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 were as under :

1) Bank-wise quarterly credit ceilings were fixed during the year in order to contain the expansion of credit within safe limits.

2) In accordance with export policy, export finance both pre-shipment and post-shipment was allowed for non-traditional items at a concessionary rate of 11.5% per annum. For the purpose of such concessionary finance the coverage of non-traditional exports was enlarged by treating all items of exports other than jute and jute goods as non-traditional. With a view to encouraging the banks to avail of export finance guarantee (pre-shipment) of Sadharan Bima Corporation and thereby minimising their risks in respect of pre-shipment export credit, a management committee was formed by the Government with the representatives of Ministry of Finance, Bangladesh Bank, Export Promotion Bureau and Sadharan Bima Corporation for prompt settlement of claims under such guarantees.

3) Margin requirements for import under cash/credit/barter and WES/XPL in the private sector :

   a) For industrial imports including machineries and spares and some specified commercial imports minimum margin requirement for opening letters of credit was kept at a relatively low level of 10% irrespective of source of foreign exchange financing. More commercial items of imports were also brought within the purview of lower minimum margin requirement of 10%. With effect from 22nd June, 1983 the margin requirement for opening letters of credit for industrial imports and some specified commercial imports was further rationalised and so fixed as not to be less than 5% and not to exceed 25%.

   b) For all items other than those mentioned at (a) above minimum margin requirement for opening L/C was 50% in the case of import under Cash/Credit/Barter and 75% under WES/XPL. Effective from 5th December, 1982 minimum margin requirement for import of these items was reduced to 25% irrespective of source of foreign exchange finance.

c) As in the preceding year, banks could open L/C even at nil margin for import of raw materials on defferred payment basis in the case of 100% export oriented ready-made garments industries.

d) As in the previous year, the margin requirement for credit facility for import under Wage Earners' Scheme of old ships for scrapping purposes was not to exceed 50% of the purchase price of the vessel at IP rate.

e) Credit facility continued to remain totally restricted for import under Wage Earners' Scheme of air conditioners, complete by-cycle, domestic refrigerators, electric ceiling, table and pedestal fans, motor cars-new or re-conditioned, trucks, buses, etc.

4) Effective from 31st July, 1982 the margin requirement on advances to rice and flour mills for their working capital needs was reduced to 30% from 50%. Such loans/advances are to be adjusted within 21 days from the date of advance.

5) Effective from 11th October, 1982 credit facility against lizard/reptile skins was restricted.

6) Effective from 17th December, 1982 grant of advances by banks against ICB unit fund certificates was allowed irrespective of purpose at an interest rate of 16% per annum subject to a minimum margin requirement of 5%.

7) The time limit for credit facility to the oil mills for purchase of locally produced oil seeds against security of the same and against finished products was extended upto 15th November, 1983.

8) Banks were advised to extend credit facility to the salt crushers during the year, 1983 on the basis of prescribed guidelines with regard to security and margin to adequately meet the working capital requirements of salt crushers in the country.

9) Nationalised commercial banks were advised to extend credit facility to salt growers for the salt season 1982-83 @Tk. 1,000.00 per acre of land on the basis of prescribed guidelines at an interest rate of 13% per annum upto 31st March, 1983. The recovery of the salt loan was to be completed by 30th June, 1983 as per repayment schedule prescribed in this behalf.

10) Effective from 27th December, 1982 a new credit scheme for handloom sector was introduced on the basis of recommendations made by the Task-Force constituted by the Government to identify the problems faced by this sector. Under the scheme, three banks viz. Janata, Agrani and Bangladesh Krishi Bank were designated for providing working capital as per prescribed norms to weaving factory units and individual handloom weavers. The rate of interest on such loan is to be charged @ 13% per annum subject to repayment period of 3-5 years. Hypothecation of raw materials and finished goods would form the security of loans.

11) Nationalised banks were advised to extend credit facility under special credit programme for small and cottage industries and for this purpose a fresh credit allocation of Tk. 10.00 crores was made available in addition to the provision of recycling of funds recovered on account of outstanding loans under this programme.

12) Other measures : As in the preceding years, housing and transport sectors continued to be treated as priority sectors and the banks were required to provide adequate credit facilities to these sectors. Banks were also required to provide adequate credit for small loans scheme. Pursuant to the New Industrial Policy of the Government, nationalised banks were advised to extend adequate working capital to new as well as old industrial units.

Refinance Policy

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

Refinance Facility for Jute

a) Refinance facility was allowed to the banks at Bank Rate upto 30% of their total credit to the jute sector. This facility might be enhanced upto 50%, if necessary, provided the banks concerned remained within the prescribed credit ceiling. Effective from September 1, 1982 the rate of interest on refinancing facility against jute finance was reduced to 8.5% i.e. 2% below the Bank Rate.

Refinance Against Export Bills

b) Refinance facility was allowed to the banks at Bank Rate by way of (i) rediscounting of export bills and (ii) overdraft against export bills to the extent of 50% and 100% of the bills in respect of traditional exports and non-traditional exports respectively. The rate of interest on refinance against non-traditional exports was fixed at 9% with effect from July 31, 1982. With effect from 1st September, 1982 rate of interest on refinance against traditional exports was reduced to 8.5% from 10.5% and that on non-traditional exports was reduced to 8% from 9%.

c) Refinance was allowed to the banks at an interest rate of 1.5% below Bank Rate to the extent of 100% of outstanding advances

Refinance against pre-shipment Credit for Non-Traditional Exports

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, the rate of interest on refinance was further reduced to 8% i.e. 2.5% below Bank Rate effective from 1st September, 1982.

Refinance for Credit to Sugar Mills

d) Refinance facility was made available to the banks at Bank Rate upto 50% of the total credit to sugar mills.

Refinance for Imports

e) A refinance limit upto 1% of the total demand and time liabilities as on the last Friday of June, 1982 was admissible to the banks at Bank Rate for import finance in the private sector.

Interest Subsidy (Export Credit) Scheme

f) In order to encourage the banks to extend credit facilities at a concessional rate of interest of 11.5% to the exporters of various non-traditional items, a scheme titled 'Interest Subsidy (Export Credit) Scheme' had been introduced with effect from 1st May, 1983. As per provisions of the Scheme, the banks were entitled to an interest subsidy @ 4.5% per annum from Bangladesh Bank on the amount of export credit for non-traditional items only i.e. all items other than jute, jute goods and loose tea, extended to the exporters out of their own resources.

CHAPTER IV

DEVELOPMENT OF BANKING FACILITIES AND FINANCE

DEVELOPMENT OF BANKING FACILITIES AND FINANCE

Branch Expansion

53. A total of 135 bank branches were opened in Bangladesh during 1982-83 by the scheduled banks as against 92 bank branches opened during 1981-82. These included 12 branches of newly set up private sector banks. Two branches of scheduled banks were also closed during the year. Thus the total number of scheduled bank branches in Bangladesh stood at 4603 as on June 30, 1983 as against 4470 as on June 30, 1982. The percentage of rural branches stood at 66.26 per cent on the 30th June, 1983 as against 65.59 per cent as on the 30th June, 1982. 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

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

1. Agrani Bank
2. Sonali Bank
3. Bangladesh Shilpa Bank
4. Rupali Bank
5. Habib Bank Ltd.
6. Bank of Credit and Commerce International (Overseas) Ltd.
7. Janata Bank
8. Sonali Bank—U.K. branches
9. American Express International Banking Corporation
10. Grindlays Bank p.l.c.

55. Comprehensive inspection of the Pubali Bank and the Uttara Bank was in progress.

56. Inspection of foreign exchange business of the following banks/ authorised dealers was completed during the year and the reports thereof were sent to the Controller of Foreign Exchange, Bangladesh Bank, Head Office, Dhaka for onward transmission to the concerned banks/ authorised dealers for necessary action at their end :

1. Pubali Bank
2. Agrani Bank
3. International Finance and Investment Company Ltd.
4. Bangladesh Shilpa Rin Sangstha
5. Arab Bangladesh Bank Ltd.
6. The Chartered Bank
7. Banque Indosuez
8. State Bank of India

57. Inspection of foreign exchange business of Rupali Bank was also in progress.

58. Comprehensive inspection of Khoksa Janipur Jubilee Bank Ltd., Kushtia, a non-scheduled private bank was completed and the report was sent to Banking Control Department for necessary action.

59. Special inspection of 192 branches of the banks on the basis of information/complaints received with regard to frauds and forgeries, misappropriation of funds etc. was also conducted during the year and the reports thereof were sent to the Head Offices of the concerned banks for initiating necessary action.

Jute Finance

60. As in the previous years, adequate finance from the banking system was arranged for jute trade and jute mills during 1982-83 jute season. The commercial banks sanctioned cash credit and packing credit limit of Tk. 673.77 crores during 1982-83 as against Tk. 571.18 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. 648.88 crores as on 30th December, 1982 as against Tk. 589.39 crores in the previous year. Refinance provided by the Bangladesh Bank during 1982-83 was of the order of Tk. 172.90 crores against which outstanding at the end of June, 1983 stood at Tk. 94.85 crores.

Financing of Food & Sugar Industries Corporation

61. A total credit limit of Tk. 61.00 crores was arranged from the Sonali and Janata Banks for the Bangladesh Food and Sugar Industries Corporation for financing production of sugar during the year 1982-83 as against Tk. 66.00 crores in the preceding year. Refinance limit of Tk. 27.16 crores against advances to sugar mills was sanctioned by the Bangladesh Bank against which an amount of Tk. 15.29 crores remained outstanding at the end of June, 1983 compared to Tk. 38.48 crores at the end of June, 1982.

Counter-finance for Procurement & Distribution of Food and Fertilizers

62. For financing procurement and distribution of foodgrains by the Government a sum of Tk. 120.00 crores was made available by the nationalised banks and a counter-finance limit of the same amount was allowed by the Bangladesh Bank during the year 1982-83. Outstanding against the above counter-finance limit stood at Tk. 37.24 crores at the end of June, 1983. Counter-finance limit sanctioned by the Bangladesh Bank to the nationalised banks for financing procurement and distribution of fertilizers by the BADC stood at Tk. 80.00 crores at the end of the year. Outstanding counter-finance against this stood at Tk. 23.35 crores at the end of June, 1983. Another counter-finance limit of Tk. 20.00 crores was allowed to Sonali Bank against financing procurement of pumps, engines and accessories of shallow tubewell by the BADC as against Tk. 10.00 crores in the preceding year. The entire limit of Tk. 20.00 crores remained outstanding at the end of June, 1983.

Refinance against Textile Mills

63. Refinance limit totalling Tk. 66.62 crores was allowed to different banks against their advances to textile mills against which an amount of Tk. 36.62 crores remained outstanding at the end of June, 1983.

Refinance Against Petroleum Finance

64. Refinance facility totalling Tk. 637.22 crores was allowed to different banks against their advances to Bangladesh Petroleum Corporation and its units during 1982-83 as against Tk. 422.55 crores in 1981-82. Outstanding refinance stood at Tk. 255.80 crores at the end of June, 1983.

Export Bills

65. An overdraft/re-discounting limit of Tk. 38.62 crores was allowed to banks during 1982-83 against export bills as against Tk. 56.62 crores in the preceding year. Outstanding on this account was Tk. 26.92 crores at the end of 1982-83.

Other Refinance

66. Other refinance allowed to banks on various accounts stood at Tk. 53.27 crores at the end of the year 1982-83 as against Tk. 142.00 crores at the end of the preceding year.

Credit Guarantee Scheme

67. Under the industrial credit guarantee scheme of Bangladesh Bank, 125 guarantees were issued covering a total loan amount of Tk. 6.73 crores during the year 1982-83.

CHAPTER V

DEVELOPMENT OF CAPITAL MARKET AND INDUSTRIAL FINANCE

DEVELOPMENT OF CAPITAL MARKET AND INDUSTRIAL FINANCE

Dhaka Stock Exchange

68. 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 a 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 from 29 in 1982 to 33 in 1983. With the disinvestment policy of the Government and privatisation of public properties more and more companies are coming forward to enlist their shares with the Dhaka Stock Exchange. At present most of the shares of the Public Limited Companies remain mainly in the hands of the sponsors, Directors, ICB, Shadharan Bima Corporation and similar other institutions. As such, transactions during 1981-82 and 1982-83 were far from satisfactory.

69. Due to a small number of new issues, closely held shares of multi-national corporations, lack of interest of members of the Exchange in new issues and inadequate knowledge of shares as investment media, few transactions take place in the Dhaka Stock Exchange. However, trading in the floor of Dhaka Stock Exchange during 1982-83 recorded a slightly upward trend as compared to previous years. Besides dealing in shares, Advance Import permit in terms of dollar and pound sterling are also regularly quoted in the Dhaka Stock Exchange.

Investment Corporation of Bangladesh

70. The Investment Corporation of Bangladesh (ICB) was established on October 1, 1976 under the Investment Corporation of Bangladesh Ordinance No. XL of 1976. The affairs of the Corporation are supervised by a Board of Directors consisting of eleven persons, including the Chairman and the Managing Director. 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. Keeping in view the above objectives, the ICB acts on commercial consideration with due regard to the capital market and the public interest, provides financial assistance in the form of underwriting/bridge/debenture financing to industrial projects/organisations/institutions. In providing assistance, it prefers export oriented or import substituting industries. Industries which are based on indigenous raw-materials and/or located in priority development areas are also preferred for financial assistance. The total authorised capital of the Corporation is Tk. 20.00 crores divided into 20 lakh shares of Tk. 100.00 each. The paid up capital of the Corporation is Tk. 8.75 crores, subscribed by the Government, Bangladesh Bank, Bangladesh Shilpa Bank, Bangladesh Shilpa Rin Sangstha, Nationalised Commercial Banks, Shadharan Bima Corporation and General Public. Total resources of the Corporation as on June 30, 1983 amounted to Tk. 56.15 crores which consist of paid-up capital of Tk. 8.75 crores, Government loan of Tk. 14.65 crores and debenture of Tk. 32.75 crores issued in favour of Bangladesh Bank, nationalised commercial banks and foreign commercial banks. As against this, ICB has made a total commitment for Tk. 72.66 crores upto June 30, 1983 leaving a resource gap of Tk. 16.51 crores. At present, the Corporation does not have any line of foreign credit/investment resources. However, in order to meet the resource constraint at the domestic front, 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. for augmenting the resource base of the Corporation.

71. The ICB also opens/maintains investors' accounts for purchase/sale of corporate securities. The Corporation floated 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, 1983 the ICB itself committed Tk. 7.81 crores for underwriting/bridge finance as against Tk. 7.32 crores committed during 1981-82. The Corporation committed Tk. 0.12 crore for debenture financing during 1982-83. No commitment for debenture financing was made during 1981-82.

Investment support in the form of underwriting/bridge and debenture financing committed by other financial institutions declined from Tk. 5.29 crores in 1981-82 to Tk. 5.08 crores in 1982-83. Total commitment made by the ICB and other consortium partners increased by Tk. 0.40 crore (3.17 per cent) to Tk. 13.01 crores during 1982-83 as against Tk. 12.61 crores committed during 1981-82. Since inception up to June 30, 1983 the Corporation committed financial assistance of Tk. 72.66 crores to 246 projects against 403 applications received for total assistance of Tk. 196.46 crores.

International Finance and Investment Company (IFIC) Ltd.

72. The International Finance and Investment Company (IFIC) Ltd. which was established in October, 1976 obtained certificate of commencement of business on 28th February, 1977. The Company was established mainly to carry on banking and other financial business outside Bangladesh either singly or in collaboration with other companies, financial institutions and banks with the main objective of developing and strengthening financial relationship between Bangladesh and outside world, specially 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 for maintaining 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 which was authorised by the Bangladesh Bank to conduct foreign exchange business pertaining to Wage Earners' Scheme started its business in 1980. The Company has also been accorded permission for getting itself converted into a banking company in the private sector and was scheduled to function as a commercial bank from July, 1983 under the name of International Finance Investment and Commerce (IFIC) Bank Ltd.

73. During 1982-83, the IFIC opened 2292 letters of credit (for import under Wage Earners' Scheme) aggregating to Tk. 39.97 crores as against 1680 L/C's aggregating to Tk. 31.40 crores during 1981-82. Total

pre-shipment and post-shipment financing by the IFIC during 1982-83 worked out to Tk. 28.02 crores and Tk. 1.42 crores respectively as against Tk. 22.18 crores and Tk. 1.58 crores respectively during 1981-82. The IFIC earned a net profit of Tk. 1.50 crores during the year ended December, 1982 as against Tk. 1.68 crores earned during the preceding year.

74. 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, was 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 was registered in June, 1982 under the laws of Maldives.

Bangladesh Shilpa Bank (BSB)

75. The Bangladesh Shilpa Bank (BSB) was set up in October, 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 prime objective of the BSB is to accelerate industrial growth in the country by way of financing and advising industries regarding setting up of new projects and also for balancing, modernisation, replenishment and expansion of existing industrial establishments. With these objectives in view, the Bank mobilises resources within and outside the country. The BSB is also authorised to carry on all kinds of banking business. All industrial projects both in the public sector and in the private sector are eligible for financial assistance from the BSB. The BSB provides long and medium-term loans both in local and foreign currencies, guarantees repayment of loans raised by investors from other sources and provide equity support by way of outright purchase of shares and underwriting the public issue of shares to companies with limited liability. It also extends short-term bridge financing and working capital loans on a limited scale to its financed projects. The authorised capital of the BSB is Tk. 100.00 crores of which Tk. 45.00 crores has so far been subscribed and paid by the Government.

76. During 1982-83, the BSB received 91 loan applications as against 414 applications received during 1981-82. During the year under report, the Bank sanctioned loans amounting to Tk. 8.95 crores which included Tk. 6.06 crores in foreign currency and Tk. 2.89 crores in local currency. During the preceding year total loans sanctioned by the BSB amounted to Tk. 109.29 crores which included Tk. 73.64 crores in foreign currency and Tk. 35.65 crores in local currency. Notably, as in 1981-82, all the loans sanctioned during 1982-83 were in the private sector indicating an encouraging response of the private sector to industrial venture and opportunities.

77. Total disbursement of loans by the BSB during 1982-83 amounted to Tk. 61.39 crores of which Tk. 41.38 crores were in foreign currency and the balance of Tk. 20.01 crores in local currency. Projects in the private sector claimed the entire amount disbursed as in the preceding year. Total disbursements during the preceding year amounted to Tk. 64.58 crores of which the foreign currency component was Tk. 21.89 crores. Total amount of loans outstanding as on June 30, 1983 stood at Tk. 426.54 crores as against Tk. 332.45 crores as on June 30, 1982.

Bangladesh Shilpa Rin Sangstha (BSRS)

78. 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 assistances to industrial concerns and to encourage and broaden the base of industrial investment in Bangladesh. The authorised capital of the BSRS is Tk. 100.00 crores, of which the paid-up capital of the Sangstha, fully subscribed by the Government, stood at Tk. 62.89 crores at the end of June, 1983. It provides medium and long-term credit facilities both in foreign and local currencies to industrial projects with fixed cost of Tk. 20 lakhs and above in the private sector. There is, however, no such floor limit or ceiling in respect of projects in the public sector. It also provides underwriting/bridge financing and debenture financing assistances to public limited companies. In addition, it undertakes industrial promotional activities and provides professional counselling to entrepreneurs for sound and viable industrial investments.

79. During 1982-83, the BSRS received a total of 34 applications for financial assistance as compared to 33 applications received during 1981-82. The total amount of loans sanctioned during 1982-83 stood at Tk. 32.12 crores as compared to Tk. 9.74 crores sanctioned during the preceding year. Of the total sanctions during 1982-83, foreign currency and local currency loans amounted to Tk. 17.46 crores (54.36 per cent) and Tk. 14.66 crores (45.64 per cent) respectively as compared to Tk. 6.95 crores (71.36 per cent) and Tk. 2.79 crores (28.64 per cent) respectively during the preceding year. Of the total loans sanctioned during 1982-83, the private sector and the public sector accounted for Tk. 28.00 crores (87.17 per cent) and Tk. 4.12 crores (12.83 per cent) respectively. The private sector accounted for 100 per cent of the loans sanctioned during 1981-82.

80. During 1982-83, an amount of Tk. 37.63 crores was disbursed by the BSRS as against Tk. 33.71 crores disbursed during the preceding year, representing an increase of 11.62 per cent. Of the total disbursement, foreign currency and local currency components accounted for Tk. 8.45 crores (22.45 per cent) and Tk. 29.18 crores (77.55 per cent) as compared to Tk. 12.25 crores (36.33 per cent) and Tk. 21.46 crores (63.67 per cent) respectively during 1981-82. As in 1981-82, the private sector accounted for 100 per cent of the loans disbursed during 1982-83.

81. The total outstanding loans of the BSRS as on June 30, 1983 were Tk. 304.79 crores as compared to Tk. 283.85 crores as on June 30, 1982.

CHAPTER VI

AGRICULTURAL FINANCE

AGRICULTURAL FINANCE

82. In view of the paramount importance of agricultural credit in the national efforts for increasing agricultural production, Bangladesh Bank provided liberal refinance facilities to the lending institutions of the country. During 1982-83 a policy of extending back to back refinance was adopted so that lack of funds does not constrain the expansion of institutional credit to the agricultural sector. Agricultural financing in the country is provided 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) Bangladesh Rural Development Board (BRDB)—Thana Central Co-operative Associations (BRDB-TCCAs) and their affiliated primary societies known as Krishak Samabaya Samity (KSS), Bittaheen Samabaya Samity (BSS) and Mahila Samabaya Samity (MSS). Agricultural lendings are made for short-term as well as medium and long-term needs. The short-term finances cover (a) financing of all intensive crop production programmes such as Intensive Aus (Rice) Production Programme (IAPP), Intensive Transplanted Aman (Rice) Production (ITAP), Intensive Rabi Crop Production (IRCP), Intensive Wheat Cultivation Programme (IWCP), Intensive Jute Cultivation (IJC), processing, storage and marketing of agricultural produce, etc.; (b) financing of plantation of crops like tea, banana, pineapples, guava, sugarcane (in Mill Zone areas); (c) financing of special projects like Rural Development-I, Serajgonj Integrated Rural Development Project (SIRDP), etc. Longer term finances are extended for fishery, livestock, poultry, etc. and for capital investment in agriculture, particularly for acquisition of various irrigation equipments like Shallow Tube-Wells (STWs), Deep Tube-Wells (DTWs), Low Lift Pumps (LLPs), agricultural machinery and equipments, transports, etc.

Institutional Arrangements

Interest Subsidy and Government Guarantee

83. 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% and 25% respectively. The guarantee is invoked if and when the borrowing institutions default in repayment on due dates. Refinance facilities are also available from the Bangladesh Bank at concessionary rate of interest to the Nationalised Commercial Banks (NCBs) to meet their temporary liquidity problems arising from special circumstances. The Bank also allows interest subsidy to NCBs for their agricultural lending through BRDB-TCCAs and against 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

84. Despite enhancement of the Bank Rate from 8% to 10.5% with effect from 16th October, 1980 the refinance rate was kept at 6% thereby allowing a concession of 4.5% (as against the previous 2%) in order to ensure availability of credit to farmers at reasonable rate of interest. Further, the Bank continued to provide refinance facilities to BKB at a nominal rate of 2.5% against the long-term loans 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 of Tea Development. Effective from October 16, 1980 interest rate on agricultural (production) loans at farmer's level has been fixed at 12% as against the earlier rates ranging from 10.5% to 12%. Interest rate for lending on term finance is 13%. Lending banks are, however, allowed to charge on overdues at graduated scale of 1% at the end of each quarter subject to a maximum of 3% over the normal lending rate. The interest rate on funds provided (against which refinance is obtained) by the Head Office to their branches for rural lending has been fixed at 7% so that the bank branches may have reasonable margin in the lending rate. Interest rate for short-term loans given by BRDB-TCCAs through affiliated KSS, however, remained

unchanged at 17.5%, including service charge of 5%, at the ultimate borrower's level. The term loans of BRDB-TCCAs are given at 14%.

Annual Agricultural Credit Programme for 1982-83

85. The Annual Agricultural Credit Programme for 1982-83 fixed the target of disbursement by all the lending agencies at Tk. 817.20 crores including Tk. 200.00 crores under Special Agricultural Credit Programme (SACP). Total disbursements during the year stood at Tk. 670.76 crores as against Tk. 423.84 crores in the previous year showing an increase of about 58.26% over the year.

86. Details of the credit operation by all the agencies during 1981-82 and 1982-83 are shown below :

LOANS DISBURSED AND OUTSTANDING

(Taka in crores)

Disbursement Under Normal and Special Agricultural Credit Programmes

	1981-82	1982-83
a) Target	653.74	817.20
b) Disbursement	423.84	670.76
c) Recovery	314.34	338.13
d) Outstanding (end June)	810.97	1,358.45

87. Under the Normal Programme (NP) all the agencies together disbursed Tk. 410.99 crores during the year ended 30th June, 1983 as compared to Tk. 351.58 crores during 1981-82. Total amount outstanding under this programme as on June 30, 1983 stood at Tk. 896.21 crores as against Tk. 633.13 crores as on June 30, 1982.

88. The tables furnished below give the figures relating to agricultural credit by types and sources of credit.

AGRICULTURAL CREDIT (SHORT-TERM LOANS)

(Taka in crores)

Items	1982-83 Amount	1981-82 Amount	Annual Growth Rate	
Crop loans, other than tea	349.28	129.67	(+)	169.36%
Crop loan (Tea)	42.42	55.04	(—)	22.93%
Other short-term loans	88.45	119.20	(—)	25.80%
Total :	**480.15**	**304.01**	(+)	**57.94%**

Growth rate of crop loans except tea at 169.36% has been impressive and gave the farmers adequate support for crop production, particularly of food grains.

AGRICULTURAL CREDIT (ALL TYPES)

(Taka in crores)

Year	Short-term loans (1)	Term loans (2)				Total (1+2)	Growth rate of term loan	Growth rate of short-term loans
		Irrigation equipment	Plough animal	Other	Total			
1982-83	480.15	102.81	24.98	68.47	196.26	676.41	63.75%	57.94%
1981-82	304.01	43.58	19.24	57.03	119.85	423.86	39.93%	5.65%

As shown in the above table, growth of investment in irrigation equipment has been remarkable and represents a healthy sign in the agricultural modernization programme. Credit for plough animals also showed some increase, although the amount of credit was not very high. Part of the credit need for plough animals appears to have been met by diverting crop loans which are relatively easily obtainable.

AGRICULTURAL CREDIT BY SOURCES

(Taka in crores)

Sources/ Agencies	1982-83		1981-82	
	Total	Crop loan	Total	Crop loan
BKB	400.81	146.53	271.04	20.98
NCBs	218.29	153.91	106.21	69.14
TCCAs	34.36	29.98	28.03	25.83
BSBL	22.95	18.36	18.58	13.72
Total :	**676.41**	**349.28**	**423.86**	**129.67**

The above table indicates that growth of supply of crop loans through NCBs has been impressive and that through BSBL relatively moderate. Expansion of crop loans by BKB has been phenomenal.

PERCENTAGE OF AGRICULTURAL CREDIT BY SOURCES

Sources/ Agencies	1982-83			1981-82		
	Total	Crop loan other than tea	Irrigation equipment	Total	Crop loan other than tea	Irrigation equipment
BKB	59.26	36.56	16.58	63.95	7.74	12.75
NCBs	32.27	70.50	15.86	25.06	65.19	6.92
TCCAs	5.08	87.25	5.01	6.61	92.15	5.49
BSBL	3.39	82.18	—	4.38	73.84	0.37

The above table shows the percentage share of agricultural credit provided by the different agencies during 1981-82 and 1982-83 which indicate that the BKB leads by extending nearly two-thirds of total agricultural credit while the NCBs provide about one-third of the same.

89. For financing production of various crop under SACP all the NCBs and BKB disbursed an aggregate amount of Tk. 250.00 crores during 1982-83 as compared to Tk. 67.63 crores during 1981-82.

YEAR-WISE POSITION UNDER SACP

(Taka in crores)

Year	Target for the year	Disbursemnt	Recovery	Recovery as% of disbursement
1977*	103.16	60.78	65.01**	106.96
1978*	110.70	53.47	48.84	91.34
1979 (Jan.-June)	57.15	28.28	26.24	92.79
1979-80	199.32	70.69	43.96	62.19
1980-81	273.61	83.25	37.86	45.48
1981-82	200.00	67.63	16.36	24.19
1982-83	200.00	250.00	N.A.	N.A.

* January to December.
** Including interest.
N.A. stands for not available.

Loans for Pond Fishery

90. During 1982-83, NCBs and BKB together disbursed loans for pond fishery amounting to Tk. 7.80 crores as against Tk. 7.96 crores disbursed during 1981-82.

91. Disbursement under the programme during 1981-82 and 1982-83 is shown below :

(Taka in crores)

Agencies	1981-82	1982-83
NCBs	1.30	0.07
BKB	6.66	7.06
Total :	**7.96**	**7.80**

Refinance by Bangladesh Bank

92. During the year the NCBs, BKB and BSBL together availed of refinance from Bangladesh Bank to the extent of Tk. 438.42 crores compared to Tk. 176.86 crores during 1981-82. Besides, a special credit limit of Tk. 3.00 crores was also allowed to BRDB for undertaking its programmes for the Bittaheen Samabaya Samity (BSS) and Mahila Samabaya Samity (MSS).

93. Detailed position of Bangladesh Bank's refinance to the different agencies in 1981-82 and 1982-83 is given below :

(Taka in crores)

Credit Agency	1981-82		1982-83	
	Sanctioned	Disbursement	Sanctioned	Disbursement
BKB	123.20	126.52	315.28	285.80
BSBL	34.84	17.47	28.75	22.35
NCBs	52.02	32.87	148.38	127.61
BRDB	—	—	3.00	2.66
Total :	**210.06**	**176.86**	**495.41**	**438..42**

94. The outstanding amount of borrowings of BKB, BSBL, BRDB and NCBs from Bangladesh Bank stood at Tk. 685.07 crores at the end of 1982-83 as compared to Tk. 355.64 crores as at the end of the previous year. This shows a sharp increase of Tk. 329.43 crores or 92.6% over the year.

OUTSTANDING BORROWINGS

(Taka in crores)

Credit Agency	1981-82	1982-83	Increase (+)/Decrease (−) over previous year
BKB	296.89	479.75	(+) 182.86
BSBL	26.88	27.42	(+) 0.54
NCBs	31.87	175.24	(+) 143.37
BRDB	—	2.66	(+) 2.66
Total :	**355.64**	**685.07**	(+) **329.43**

95. In addition to NP and SACP, some experimental programmes were also continued for making credit facilities available to the disadvantanged

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.

Rural Finance Experimental Project (RFEP)

96. The Rural Finance Experimental Project started functioning under a grant agreement for US $ 7.00 million signed between the Governments of the USA and Bangladesh in 1977. The project aimed at experimenting different ways of delivering and receiving credit and mobilising savings from the rural poor who had little or no access to institutional credit, to identify a self financing credit system which will help generate employment for raising their income. The villagers who were landless or owned cultivable land upto 2 acres or whose annual income was not above Tk. 6,000.00 and who had no outstanding loan with other credit agencies were the target group of the project. Loans were given through NCBs, BKB, BSBL and BRDB without securing any collateral at experimental interest rates varying from 12% to 36% per annum. Similarly, interest rates applied on savings varied from 11% to 15% per annum.

97. The project activities were carried on by the participating institutions through their 98 rural branches/outlets in 19 districts. Sonali Bank, Agrani Bank, Rupali Bank, Pubali Bank and Bangladesh Krishi Bank conducted experiment on individual lendings while Janata Bank, Uttara Bank, BSBL and BRDB experimented in group lendings.

98. Upto 31st August, 1982, a total of 43,113 families representing 52% of all eligible borrowers in the project area were given loans amounting to Tk. 134.55 crores. Women constituted about 4.5% of total loanees. The purpose-wise analysis of credit disbursement reveals that 64% of the total loans were utilised for agricultural activities (25% for crop production and 39% for other agricultural activities), and 36% for non-agricultural activities. On completion of the project by end August, 1982, the position of loans and savings was as follows :

POSITION OF LOANS AND SAVINGS UNDER RFEP

(Taka in crores)

Particulars	Position as at end August, 1982
Disbursement	134.45
Recovery	70.48
Outstanding	63.97
Overdues	16.42
Savings	10.40

99. Lending under the project was made by the participating institutions out of their own resources. However, as per provision of the grant agreement, an aggregate amount of Tk. 5.77 crores was paid to the lending institutions out of USAID's grant fund for continuing the lending operation.

Special Credit Scheme for Small Farmers Under IFAD

100. Under another credit agreement signed between the Government of Bangladesh and International Fund for Agricultural Development (IFAD), a Tk. 10-crore scheme for small farmers was launched in February, 1980. The scheme fixed the target groups of the small farmers cultivating not more than 3.0 acres of land in the three districts of Jessore, Kushtia and Faridpur. The main emphasis of the project was given on short-term production credit. Other off-farm activities like pond fisheries, livestock, poultry, small and cottage industries, purchase of agricultural machineries, etc. were also financed under the scheme. About 42,999 farmers of 603 unions received loans amounting to Tk. 6.80 crores upto the end of June, 1983 in the project area as under :

CREDIT OPERATIONS

(Taka in lakhs)

District	Disbursement	Recovery	Outstanding
Faridpur	219.17	98.67	153.58
Jessore	265.60	98.22	200.28
Kushtia	195.59	56.81	165.43
Total :	**680.36**	**253.70**	**519.29**

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

101. 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 in 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 brought into operation. Sonali Bank operating in Boda Union disbursed an amount of Tk. 13.18 lakhs upto 30th June, 1983 against the stock of food-grains. An amount of Tk. 12.35 lakhs was recovered during 1982-83. During the same period Rupali Bank in Satnala Union disbursed an amount of 6.37 lakhs against the stock of food grains and recovered Tk. 5.82 lakhs. About 1500 farmers availed of the storage and loan facilities under the project. Union-wise position of disbursement and recovery under the project upto 30th June, 1983 is shown below :

UNION-WISE CREDIT POSITIONS

(Taka in lakhs)

Name of the Agencies and Area	No. of Transactions	Quantity of Food-grains Stored	Amount Disbursed	Amount Recovered
Sonali Bank at Boda Union	2,902	12,809 mds.	13.18	12.35
Rupali Bank at Satnala Union	885	6,119 mds.	6.37	5.82
Total :	**3,787**	**18,928 mds.**	**19.55**	**18.17**

ASARRD Project

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

103. The first phase (1976-80) of the ASARRD project has already been over. During this period about 230 groups of target people of 12 villages of Mymensingh, Comilla and Bogra have been given Tk. 80.00 lakhs under supervised credit system on the basis of the borrowers' production plan.

104 . The second phase (1980-85) of the project has been undertaken in four districts, viz., Mymensingh, Bogra, Comilla and Rangpur. It has now been expanded under a revised costing of about Tk. 3.00 crores to cover 200 villages in 4 districts.

105. Total loan disbursed upto 30th June, 1983 amounted to Tk. 1.68 crores out of which Tk. 1.29 crores has been recovered. The loans were given to 337 groups of borrowers in 46 villages under the Kotwali thanas of Mymensingh, Bogra and Comilla. Average recovery of loan was over 83.99%. Savings mobilised amounted to Tk. 1.01 crore only.

POSITION UNDER ASARRD

(Taka in crores)

Particulars	Upto 30th June, 1983
Disbursement	1.68
Recovery	1.29
Savings	1.01

106. A scheme titled "Paddy Husking Loan" prepared by the Agricultural Credit Department of Bangladesh Bank in 1978 started operation from 1979 in 10 thanas of 10 districts under swanirvar programme (self-reliance programme). It was extended with effect from December, 1982 to cover 70 thanas under 19 districts for financing all economic activities (including paddy husking) which generate income to the borrowers.

Swanirvar Programme

107. Under the programme, target groups are organised with 5 members in a group, each member owning not more than 0.40 acre of cultivable land or having yearly income not exceeding Tk. 6,000.00. There are separate groups for men and women. All the nationalised commercial banks and the Bangladesh Krishi Bank are financing the scheme out of their own resources at interest rate of 13% per annum at the borrowers level. Bangladesh Bank provided back to back refinance facility at an interest rate of 6%. The disbursement and recovery position of the loans under the project as on June 30, 1983 is shown below :

LENDING UNDER SWANIRVAR PROGRAMME

(Taka in crores)

Credit Agencies	Amount Disbursed	Amount Recovered	Amount Overdue	Amount Outstanding
NCBs	4.30	2.03	0.30	2.31*
BKB	1.56	1.05	0.22	0.52*
Total :	**5.86**	**3.08**	**0.52**	**2.83***

* Ignoring interest.

108. The project proposal envisaged a model for rural development for Bangladesh with particular emphasis on :

i) low cost, short gestation production oriented investment aimed at increasing agricultural production including fisheries and livestock.

ii) building and strengthening of rural institution to improve agricultural supporting service and to ensure an equitable supply of agricultural inputs to small farmers creating employment for rural landless and other people.

109. The project operates in Kotwali, Sherpur, Gabtali and Sariakandi Thanas of Bogra district and Muktagacha, Trishal and Gaffargaon thanas of Mymensingh district. The participating agencies of the project are (a) Ministry of Agriculture, Fisheries and Livestock, (b) Ministry of Local Government, Rural Development and Co-operatives and (c) BRDB.

110. The project was brought under implementation in July, 1976 with the financial support of the World Bank at a cost of Tk. 37.06 crores over 5 years. The IDA credit of US $ 16 million was available to finance 69% of the total cost including the full foreign exchange component. The project which was scheduled to be completed on June 30, 1982 was extended upto June, 1983.

Inspection

111. The Agricultural Credit Department under its regular inspection programme conducted inspection of 64 Central Co-operative Banks (CCBs), 17 Co-operative Land Mortgage Banks (CLMBs), 22 Thana Central Co-operative Associations (TCCAs), Bangladesh Krishi Bank, Head Office, its 14 Divisional/Regional Offices and 63 branches during the year 1982-83.

Rural Credit Project Department

112. 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 (RCPD).

Financing Sale of Irrigation Equipments

113. Under the monitoring and supervision of project implementation by the RCPD, a scheme named sale and installation of Shallow Tube-Wells (STW) under the IDA credit No. 1147-BD (Minor Irrigation) commenced from 1st July, 1981 in Rajshahi Division. During 1982-83, a total of 29,700 STWs (4500 local BMTF+25,200 various imported

makes) were allocated to 34 turnkey contactors. During the year 14,143 STWs have been sold and commissioned against the target of 13,400. The project has also provisions for financing Grain Storage, Village Mechanics and Workshops. Janata Bank and BKB together disbursed loans amounting to Tk. 20,865.00 for Village Mechanics during 1982-83.

Refinance

114. Refinance under the Credit No. 1147-BD for an amount of Tk. 22,45,81,000.00 as against a claim of Tk. 25,81,63,800.00 has been allowed by Bangladesh Bank to the Participating Credit Institutions (PCIs) i.e., Sonali, Janata, Agrani and BKB. Refinance under IFAD LOAN NO. 73-BA for an amount of Tk. 11,61,459.00 has also been allowed to Sonali Bank as on 30th June, 1983 against their disbursements to BRDB-TCCAs in Jessore district.

Training

115. Arrangements for both local and foreign training, are made by the Training Wing of the Department. Ten training courses have been conducted involving a total number of 57 persons in management level and 156 persons in the field service level by Bangladesh Institute of Bank Management (BIBM) and respective Training Institutes of the PCIs during the period 1982-83.

Other Credit Projects

116. A few other credit schemes and projects on the following have been prepared by RCPD and implemented through NCBs and BKB.

Banana Plantation Financing Scheme

117. Commenced in 1980, the Scheme has been recast in 1982-83 aiming at providing short-term loan to interested banana planters. At present 82 thanas all over the country have been brought under the scheme. The PCIs (i.e. NCBs and BKB) together disbursed Tk. 2.03 crores and recovered Tk. 0.53 crore during 1982-83.

Rural Transport Financing Scheme

118. The scheme launched in 1981 provides both short and medium-term loans to drivers/pliers of boats, carts and rickshaws and also the manufacturers thereof. All the NCBs and BKB provide loan to genuine persons out of their own resources. Since inception they have altogether

disbursed an amount of Tk. 3.11 crores to 9445 loanees. The banks recovered an amount of Tk. 0.91 crore during 1982-83.

Shrimp Culture Financing Scheme

119. Shrimp Culture Credit Programme was launched in January, 1980. BKB and all the NCBs participating in the scheme covered 18 thanas of the country. Out of the total allocation of Tk. 10.00 crores, the banks disbursed Tk. 5.87 crores of which Tk. 2.13 crores have been recovered during 1982-83.

Hand Tube-well Credit Scheme

120. The scheme which was launched in December, 1980 provided credit to both BADC and BKB appointed dealers and marginal farmers to supplement the irrigation work. Proposed target of sale under the project was 70,000 HTWs for all the NCBs and 40,000 HTWs for BKB. The Participating Credit Institutions disbursed Tk. 6.73 crores till 30th June, 1983. This programme has, however, been wound up on 30th June, 1983 by the Government.

Lac Culture Financing Scheme

121. In order to provide finance to farmers producing lac and shelloc, this scheme was undertaken in the district of Rajshahi in the last part of 1981. Under the scheme, Agrani Bank disbursed an amount of Tk. 46,500.00 to five loanees since inception.

Rower Pump Financing Scheme

122. Under this scheme, a new low cost Manually Operated Shallow Tubewell for Irrigation (MOSTI) innovated by Mirpur Agricultural Workshop and Training School, (MAWTS) Dhaka, has been brought under financing by NCBs and BKB. It has started operating from December, 1982 initially in two districts viz., Dinajpur and Kushtia with an allocation of Tk. 12.00 lakhs.

Coconut Plantation Financing Scheme

123. A Taka 10-million credit project on coconut plantation was launched in December, 1982. Four NCBs and BKB are the financing agencies of the programme. An amount of Tk. 1.40 lakh has been disbursed under the programme so far.

Grameen Bank Project (GBP)

124. Grameen Bank Project (GBP) started functioning from June, 1979 and kept its operations limited initially in two districts—Tangail and Chittagong. Being encouraged by its performances during the period ended June, 1981, Government of Bangladesh signed a credit agreement with IFAD for expanding GBP operation in Tangail, Chittagong, Rangpur and Patuakhali districts during 1981-84. Of the estimated total requirement of loan fund of Tk. 10.00 crores for operating 100 branches of NCBs and BKB under GBP in these four districts, IFAD has extended an interest free loan of Tk. 3.81 crores upto 30th June, 1983 on 'Matching Fund' basis—the other half being provided by Bangladesh Bank. GBP operation is also extended to Dhaka district with the assistance from Bangladesh Bank. By the end of June, 1983, GBP extended collateral free loans to 34,922 landless people of which 14,259 are women. GBP operation has been extended to 1,095 villages in 5 districts during this period. Total disbursement under GBP during 1982-83 stood at Tk. 13.21 crores of which Tk. 8.68 crores has been repaid by the loanees in weekly instalments. Default as percentage of total disbursement has been exceptionally low due to the Grameen Bank Project system of supervision through a net work of bank workers.

125. Total group savings in the GBP stood at Tk. 1.13 crores at the end of June, 1983 of which Tk. 37.21 lakhs has been invested by group-members in different activities like purchase of STWs, DTWs, Rice Mills, lease-in of market and pisciculture etc.

126. GBP since 1982 has moved into a new phase in which bigger loans were advanced to undertake collective economic activities. Perhaps the most significant of all collective ventures was the purchase of 30 Shallow Tube-Wells by 856 loanees of 28 Kendras. They borrowed a total amount of Tk. 7.24 lakhs from GBP for this purpose with supplementary finance coming from group fund and special savings programmes. The fielding of these Shallow Tube-Wells has brought an additional 500 acres of land under IRRI cultivation during the dry winter season and has created direct employment opportunities on a seasonal basis. The loanees will collect one-fourth of the produce for supplying water and are expected to pay off their loans within one year.

127. GBP has achieved two major goals during the last three years of its operations. Firstly, it has created employment for the unemployed and underemployed men and women almost instantaneously without any sunk cost. Secondly, GBP has been able to creatively mobilise the landless poor, both male and female, and has inculcated a sense of purpose in their lives and has been able to infuse discipline in their individual and collective behaviour.

CHAPTER VII

FINANCING OF SMALL AND COTTAGE INDUSTRIES UNDER IDA CREDIT

FINANCING OF SMALL SCALE AND COTTAGE INDUSTRIES UNDER IDA CREDIT

128. For financing small and cottage industries, an amount equivalent to SDR 22.87 million was made available to the 4 participating credit institutions viz.; Sonali Bank, Janata Bank, Agrani Bank and Bangladesh Shilpa Bank under IDA Credit No. 1065-BD.

129. During the year ended June 30, 1983 the Industrial Credit Division of the Bangladesh Bank approved 180 Small Scale and Cottage Industry enterprises involving a total amount of Tk. 13.79 crores for refinance under the Credit against loans sanctioned by Sonali, Agrani and Janata Banks. Taking into account the subsequent cancellation of approved loan cases and the enhancements/reductions in a number of loan cases, the cumulative number of loans approved for refinance as on June 30, 1983 stood at 400 for a total amount of Tk. 29.65 crores since inception of the programme in January, 1981.

130. Size-wise distribution of the above mentioned 400 loan cases with break-up of the number and amount sanctioned by three participating commercial banks was 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	73	1.78	98	2.62	10	0.30	181	4.70
Above Tk. 5 lakhs to Tk. 15 lakhs	32	2.91	102	9.34	47	4.13	181	16.38
Above Tk.15 lakhs to Tk. 30 lakhs	10	2.45	12	2.55	16	3.57	38	8.57
Total :	**115**	**7.14**	**212**	**14.51**	**73**	**8.00**	**400**	**29.65**

131. The table below shows the Division-wise distribution of the loans approved for refinance upto June 30, 1983 :

Division	No. of Projects	% of Total	Amount (in crore Tk.)	% of Total
Dhaka	204	51	16.47	55.55
Chittagong	96	24	8.41	28.36
Rajshahi	70	17.5	2.63	8.87
Khulna	30	7.5	2.14	7.22
Total :	**400**	**100**	**29.65**	**100**

132. The cumulative refinance approval as on June 30, 1983 have been distributed among the following major economic group of industries :

Economic Group	No. of Projects	Amount (in crore Tk.)	% of Total
Food & Allied Products	140	8.20	27.66
Textile Industries	34	2.96	10.00
Specialised Jute Products	1	0.01	0.03
Forest Products & Allied Industries	43	1.20	4.05
Paper Board & Printing	17	1.73	5.84
Tannery, Leather & Rubber	15	1.56	5.26
Chemical, Pharmaceuticals & Allied Products	8	0.85	2.86
Glass, Ceramics & Non-metallic Products	6	0.77	2.60
Engineering Industries	51	5.28	17.79
Miscellaneous Industries	44	5.08	17.14
Road Transports	39	1.85	6.23
Industries N.E.C.	1	0.07	0.23
Misc. Cottage Industries	1	0.09	0.31
Total :	**400**	**29.65**	**100**

NEC = Not elsewhere classified.

133. As per requirement of the credit at least 40% of the total amount of loans sanctioned by each of the participating banks should be for investment projects with fixed cost not exceeding Tk. 10.00 lakhs. The bank-wise position of loans to projects with fixed cost upto Tk. 10.00 lakhs and to those with fixed cost above Tk. 10.00 lakhs in respect of the 400 projects approved for refinance upto June 30, 1983 is as under :

(Taka in crores)

Bank	Projects with fixed cost upto Tk. 10.0 lakhs			Projects with fixed costs above Tk. 10.00 lakhs		
	No.	Amount	% of Projects sanctioned	No.	Amount	% of Projects sanctioned
Sonali	91	3.15	44	24	3.99	56
Janata	163	7.47	51.5	49	7.05	41.5
Agrani	42	2.63	33	31	5.37	67
Total :	**296**	**13.25**	**55**	**104**	**16.41**	**45**

134. The local and foreign currency components of the total amount of loans approved for refinance with bank-wise position thereof have been shown in the table below :

(Taka in crores)

Bank	Loans in Local Currency	% of Projects sanctioned	Loans in Foreign Currency	% of Projects sanctioned
Sonali	4.87	68	2.27	32
Janata	11.01	76	3.50	24
Agrani	5.33	67	2.67	33
Total :	**21.21**	**71.5**	**8.44**	**28.5**

135. Out of the total loans of Tk. 29.65 crores approved for refinance Tk. 20.39 crores (or about 69%) were sanctioned to 252 projects in urban areas and the remaining Tk. 9.26 crores (or about 31%) to 148 projects in rural areas.

136. The additional employment expected to be generated by the 400 Small and Cottage Industry Projects sanctioned upto June 30, 1983 is estimated at 11,000.

CHAPTER VIII

HOUSING POLICY AND HOUSE BUILDING FINANCE

HOUSING POLICY AND HOUSE BUILDING FINANCE

Housing Policy

137. In the urban areas housing programmes/schemes are pursued by different Public Departments, like Bangladesh Public Works Department (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.

138. 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 multistoried flats on hire-purchase system is also a part of the Government housing policy.

House Building Finance

House Building Finance Corporation

139. The Bangladesh House Building Finance Corporation (HBFC) was set-up under the Presidential Order No. 7 of 1973 after repealing the House Building Finance Corporation Act XVIII of 1952. The main affairs of the Corporation are managed by a Board of Directors consisting of six members including the Chairman appointed by the Government. The Corporation is the only institution of its kind in the country 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. The Corporation has at present five Zonal Offices including two in Dhaka and 13 Regional Offices in the District headquarters. The authorised capital of the Corporation is Tk. 10.00 crores and 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 debenture to Bangladesh Bank, Bima Corporations and Nationalised Banks. The Corporation provides house building finance under two different programmes, namely (i) the General Loan Programme and (ii) the Multi-storied Loan Programme. The loans are secured by mortgaging the land and the proposed building to be built thereon. The HBFC introduced with effect from the 12th April, 1983 certain changes in respect of ceiling of loans, terms of repayment, initial investment by the loanees and the rate of interest.

140. General Loan Programme : The limit of the HBFC loan under this programme was Tk. 2.55 lakhs for a self contained single unit house. The loan was to be repaid over a maximum period of 20 years. The margin of investment required to be made by an applicant was 15 per cent of the estimated cost of construction of the proposed building. Effective from April 12, 1983 the limit of the HBFC loan under this programme has been enhanced to Tk. 6.00 lakhs. The rate of interest has been fixed at 13 per cent per annum upto Tk. 4.00 lakhs and 16 per cent for additional Tk. 2.00 lakhs with a repayment period of 25 years. The margin of investment required to be made by an applicant has been reduced to

10 per cent from 15 per cent. Under this programme, the Corporation sanctioned 1857 loan cases for a total of Tk. 43.15 crores during 1982-83, of which 1125 cases were for Dhaka Zone, 341 cases for Khulna Zone, 214 cases for Rajshahi Zone and 177 cases for Chittagong Zone. This compared with 1546 loan cases sanctioned for a total of Tk. 25.92 crores during 1981-82. Disbursement of loans by the HBFC under the same programme during 1982-83 amounted to Tk. 31.55 crores of which Tk. 21.97 crores were disbursed to Dhaka Zone while Tk. 3.96 crores, Tk. 2.82 crores, and Tk. 2.80 crores were disbursed to Khulna, Chittagong and Rajshahi Zones respectively. This compared with the disbursement of Tk. 19.06 crores during 1981-82, of which Tk. 12.31 crores, Tk. 3.10 crores, Tk. 1.88 crores and Tk. 1.77 crores were disbursed to Dhaka, Khulna, Chittagong and Rajshahi Zones respectively. The loans sanctioned and disbursed during 1982-83 were higher by 66.47 per cent and 65.52 per cent respectively as compared to the preceding year.

141. Multi-storied Loan Programme : In order to ease the acute housing problem in the urban areas, the HBFC started a Multi-storied Loan Programme for financing the construction of multi-storied, multi-unit buildings from July, 1977. Under this programme loan ceilings of Tk. 6.47 lakhs and Tk. 5.60 lakhs were fixed for four-storied building with a covered area of 1000 sft. and 800 sft. respectively in each floor excluding stair case and balcony. The maximum repayment period was 25 years for each case. The rate of interest for both the cases remained the same as it was in 1981-82, i.e. 10.50 per cent per annum. The margin 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. Effective from April 12, 1983 the ceiling of loan under this programme has been enhanced to Tk. 8.00 lakhs. Under this programme, the Corporation sanctioned a total of Tk. 35.79 crores for 642 cases comprising 2352 housing units during 1982-83. Of the total cases sanctioned during the year, 300 cases were for Dhaka Zone and 150, 126 and 66 cases were for Chittagong, Rajshahi and Khulna Zones respectively. This compared with a

total of 393 cases sanctioned for Tk. 22.53 crores during the previous year. The amount disbursed under this programme stood at Tk. 26. 27 crores during 1982-83, of which Tk. 16.31 crores were disbursed to Dhaka Zone, while Tk. 4.31 crores, Tk. 3.51 crores and Tk. 2.14 crores went to Chittagong, Rajshahi and Khulna Zones respectively. This compared with the disbursement of Tk. 28.11 crores during 1981-82 of which Tk. 19.67 crores were for Dhaka Zone and Tk. 3.28 crores, Tk. 2.89 crores and Tk. 2.27 crores for Chittagong, Khulna and Rajshahi Zones respectively. The amount of loans sanctioned and disbursed under this programme since its introduction in July, 1977 up to June 30, 1983 were Tk. 264.35 crores and Tk. 213.03 crores respectively.

142. 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 head-quarters. Loans under this programme would carry a concessional interest 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 rate of interest under this programme was enhanced to 10.50 per cent per annum with effect from October 16, 1980.

143. Effective from April 12, 1983 the Government has extended credit facilities to Upo-Zillas and rural thana areas and fixed the rate of interest at 5 per cent per annum for all category of loans. Moreover, two-storied building in those places will also be treated as multi-storied building for the purpose of availing Multi-loan.

144. Recovery of Loans : The HBFC recovered loans amounting to Tk. 10.72[P] crores and Tk. 8.98[P] crores under its General Loan and

P= Provisional.

Multi-Loan Programmes respectively during 1982-83 as compared to Tk. 10.71 crores and Tk. 7.15 crores respectively recovered during the preceding year.

145. Loans Outstanding : The amount of outstanding loans of the HBFC as on June 30, 1983 stood at Tk. 384.01 crores (including interest) as against Tk. 316.42 crores as on June 30, 1982.

146. Promotional Activities : At present, the HBFC has got Regional Offices in all the district headquarters except Jamalpur, Patuakhali and Rangamati. Offices in the remaining districts will be opened in future provided the volume of business increases further in those areas. 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 first 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 Model 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.

Nationalised Commercial Banks

147. In order to increase 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 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 to 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. It was later on decided that the ceiling may be enhanced upto Tk. 5.00 lakhs with the approval of the Board. The rate of interest which was 12 per cent per annum was raised to 15.5 per cent per

annum after the enhancement of Bank Rate on October 16, 1980. Thereafter it was decided to raise the rate of interest to 16 per cent per annum with effect from December 5, 1982.

148. 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, 1983 stood at Tk. 5.83 crores as compared with Tk. 7.21 crores disbursed during the preceding year. This was in addition to Tk. 0.46 crore of housing loan provided during 1982-83 by the foreign banks operating in Bangladesh. The Private Sector Bank (Arab Bangladesh Bank Ltd.) disbursed an amount of Tk. 15.00 lakhs as housing loan during 1982-83. The total amount of outstanding loans provided by the nationalised commercial banks and the foreign banks operating in Bangladesh at the end of June, 1983 stood at Tk. 52.41 crores and Tk. 0.65 crore respectively. The amount of outstanding loans provided by the Arab Bangladesh Bank Ltd. stood at Tk. 10.00 lakhs at the end of June, 1983.

149. 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 Shwanirvar (self-reliance) Programme/IRDP as also in villages which have been electrified remained inforce during 1982-83. Under this scheme, a maximum amount of Tk. 8,000.00 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 13.00 per cent per annum with effect from 16th October, 1980. Disbursements made under this Scheme amounted to Tk. 4.65 lakhs during 1982-83 as against Tk. 1.18 lakhs during the preceding year. A total sum of Tk. 19.98 lakhs was disbursed by the nationalised commercial banks under this scheme since its introduction in December, 1977 upto June 30, 1983. Under this Scheme 58 houses were constructed in the rural areas during 1982-83. Since the introduction of the scheme, a total of 267 houses have been constructed so far as against 209 houses constructed till the end of June, 1982.

150. 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. 193.50 crores at the end of June, 1982 increased to Tk. 228.50 crores at the end of June, 1983 representing an investment of Tk. 35.00 crores during 1982-83. In addition, the nationalised commercial banks' debenture financing to the HBFC during the year amounted to Tk. 50.00 crores. Thus the total contribution by the Bangladesh Bank and the nationalised commercial banks to the resources of the HBFC amounted to Tk. 85.00 crores during 1982-83.

Bangladesh Bank

CHAPTER IX

PUBLIC FINANCE

PUBLIC FINANCE

Mobilisation of Domestic Resources

151. In view of the difficult external and internal economic environment, considerable emphasis was laid on the mobilisation of domestic resources during 1982-83. Accordingly new tax measures in the annual budget for 1982-83 envisaged additional tax yield of Tk. 118.00 crores. These measures included (i) enhancement of the rate of import duties on built-up trucks, buses and bicycles, finished spectacle frames, steel billets and gas, (ii) imposition of excise duty @ of 30 per cent on glazed potteries, (iii) increase of development surcharge on all dutiable imports to 2 per cent, (iv) enhancement of import duty on petrol motor car and (v) increase in the rate of development tax and imposition of a new tax called turnover tax. In addition, a number of price adjustments were made in order to eliminate in phases subsidies required to be given in respect of certain items. These included a 14% increase in fertilizer prices, and increases of 11% and 8% in the ration prices of wheat and rice respectively. Another increase of 10% in the ration prices was announced in January, 1983. The price of petroleum products, natural gas and electricity tariffs were also raised by 41%, 13% and 40%respectively. Railway and bus fares were raised by 20% and 30% respectively. Besides these public enterprises were permitted to adjust their sale prices upto 10% without prior Government approval.

152. Domestic resource mobilisation efforts are envisaged to be further intensified during 1983-84. The budget for 1983-84 has contemplated a number of new measures which are expected to bring an additional revenue of Tk. 52.15 crores. These measures include (i) enhancement of export duty on wet blue leather from 5% to 10%, (ii) imposition of sales tax on fresh fruits, ships for breaking, certain items of spices, imported sugar, tobacco and tobacco manufactures, tarpulain and simplex board, (iii) imposition of excise duties on overseas telephone and telex services

particle board, hard board, plywood bread and allopathic, ayurbedic and unani systems of medicine and (iv) enhancement of excise duty on natural gas. In addition, an amount of Tk. 8.00 crores will be realised from irrigation tax. Electricity charges will go up nominally by 6.27 per cent. Railway fares have been increased by 25% for the airconditioned and the first class, and 20% for the second class. Procurement price of rice has been increased by 7.14% from Tk. 210.00 per maund to Tk. 225.00 per maund. The ration prices will also be adjusted proportionately.

153. Apart from budgetary provisions, the Government has taken a number of steps to encourage voluntary and contractual savings. For example, a Deposit Pension Scheme will be introduced for the employees in the private sector. Under the Scheme, by giving monthly instalments of Tk. 100.00 for twenty years, an employee may enjoy either a lump sum pension of Tk. 1,33,000.00 or a monthly pension allowance of Tk. 1600.00 for 20 years. His contribution towards the Scheme will be exempted from income tax. Alongside, Bangladesh Bank will sponsor a Deposit Insurance Scheme to safeguard the interest of the savers. Government has also decided to allow 14.5 per cent interest on the contribution of Government employees towards their Provident Fund. These steps are expected to provide incentives for savings. Incentives to save have also been provided through increased rebates and allowances for investments. Another important step towards mobilisation of domestic resources was granting of licence to 6 private banks during 1982-83. These banks are expected to usher in healthy competition in banking business, accelerate deposit mobilisation and to provide larger resources to the private investors. In addition, two nationalised banks namely Uttara and Pubali have already been converted into Public Limited Companies and will be transferred to their Bangladeshi sponsors. Government will also help banks recover their loans through setting up "Commerce Courts" to deal with the cases of defaults. In order to assist the landless farmers and the rural poor in earning and saving more, decision has also been taken to establish the Grameen Bank Ltd. This bank will be able to mobilise their small savings.

Budget for 1982-83 (Revised)

154. The Annual Budget for 1982-83 envisaged total revenue receipts at Tk. 2767.82 crores and total revenue expenditures (non-development) at Tk. 2037.63 crores, representing a surplus of Tk. 730.19 crores. The budget estimates for the year were subsequently revised placing revenue receipts lower by Tk. 57.12 crores at Tk. 2710.70 crores and revenue expenditures higher by Tk. 109.07 crores at Tk. 2146.70 crores leaving a smaller surplus of Tk. 564.00 crores.

155. The revised budget estimates showed shortfalls under the following heads of receipts from the original estimates: Excise Duties (—Tk. 32.94 crores), Sales Tax (—Tk. 61.90 crores), Land revenue (—Tk. 50.77 crores), Motor Vehicle Tax and Electricity Tariffs (—Tk. 1.07 crores), Interest Earning (—Tk. 2.38 crores), Agriculture and Related Activities (—Tk. 0.66 crore) and Post Office (—Tk. 4.55 crores). These shortfalls in receipts were partly offset by increases in Income Tax (+Tk. 14.90 crores), Customs (+Tk. 18.25 crores), Stamp-Non-Judicial (+Tk. 4.00 crores), Profit from Banks and Financial Institutions (+Tk. 4.92 crores), profit from Nationalised Industries and Sector Corporations (+Tk. 4.05 crores), General Administration (+Tk. 0.40 crore), Railway (+Tk.10.00 crores). Telegraph and Telephone (+Tk. 1.20 crores), Transport and Communications (+Tk. 1.98 crores) and other Non-Tax Receipts (+Tk. 9.99 crores). The marked shortfall in Land Revenue was due to the temporary postponement of collections of land revenue for finalisation of ownership declaration. Declines in Excise Duties and Sales Tax were due to the restructuring of their rate schedules.

156. The increased expenditure of Tk. 109.07 crores in the revised revenue budget for 1982-83 was due mainly to the increase in expenditure under: Civil Administration (+Tk. 17.20 crores), Police (+Tk. 13.10 crores), Defence Services (+Tk. 35.75 crores), Education (+Tk. 62.43 crores), Health and Population Control (+Tk. 14.49 crores), Water, Power and Energy (+Tk. 15.89 crores), Railway (+Tk. 20.14 crores), Subsidy, Grants and Donations (+Tk.60.67 crores) and Interest on External Debt (+Tk.18.57 crores). This increase was, however, mostly offset by substantial decline in unexpected expenditures (—Tk. 199.50 crores).

157. The size of the Annual Development Programme (ADP) for 1982-83 was originally placed at Tk. 2700.00 crores but subsequently revised upward by Tk. 277.02 crores to Tk. 2977.02 crores. The revision was made possible by larger inflow of external assistance than anticipated as well as by net surplus from Food Account. Domestic surplus increased by Tk. 20.54 crores to Tk. 615.00 crores in the revised budget. Resources from project, commodity and PL-480 (Title II & III) assistance brought the total foreign assistance for financing the Annual Development Programme in the revised budget to Tk. 2362.02 crores. Thus the total resources available for financing the revised ADP worked out at Tk. 3126.26 crores, including possible reduction of Tk. 149.24 crores in actual implementation. A distinctive feature of the budget for 1983-84 is that for the first time in Bangladesh the Railway and the Monetary and Credit Budgets have been subsumed in the overall national budget. The budget estimates for 1983-84 placed revenue receipts at Tk. 3344.61 crores and expenditures (non-development) at Tk. 2413.54 crores, thus showing a revenue surplus of Tk. 931.07 crores. Of the total revenue receipts, Custom duties are estimated to yield Tk. 1330.00 crores, Excise Tk. 526.00 crores, Sales Tax Tk. 434.00 crores and Income, Corporation and Agricultural Income Tax Tk. 310.00 crores and the Railway Tk. 175.41 crores. Of the total expenditures, Defence Services account for Tk. 416.92 crores and Education Tk. 318.42 crores. Other important allocations include : Railway (Tk. 177.66 crores), Police (Tk. 112.28 crores), Health Services and Family Planning (Tk. 113.20 crores), General Administration (Tk. 75.02 crores), Interest on Domestic Debt (Tk. 116.87 crores) and Subsidy and Grants (Tk. 217.89 crores). Unforeseen expenditures have been estimated at Tk. 197.00 crores.

Budget Estimates for 1983-84

158. The size of the Annual Development Programme for 1983-84 has been estimated at Tk. 3483.86 crores. Out of this, Tk. 470.65 crores (13.51%) has been allocated for Agriculture, Tk. 473.21 crores (13.58%) for Flood Control and Water Resources, Tk. 396.07 crores (11.37%) for Industries, Tk. 339.70 crores (9.75%) for Transport, and Tk. 338.13 crores (9.71%) for Infra-structural Development and lump sum Grants for Thanas.

Allocations for Housing and Physical Planning, Education and Religious Affairs, Natural Resources, Population and Family Planning and Health stood at Tk. 157.35 crores (4.52%), Tk. 137.27 crores (3.94%), Tk. 233.37 crores (6.70%), Tk. 92.80 crores (2.66%) and Tk. 82.20 crores (2.36%) respectively. Development of Rural Institutions together with Divisional Development Boards with an allocation of Tk. 92.49 crores account for 2.65% of the total outlay.

159. The Development budget for 1983-84 envisages a total foreign assistance of Tk. 2815.56 crores representing 80.81 per cent of the total outlay as against 79.34 per cent in the revised budget of the previous year.

New Tax Measures

Fiscal Measures

160. Some of the important tax measures for 1983-84 are as under :

i) Duty rates on imports and sales tax have been suitably changed to afford protection to domestic industries. Two thousand imported items have been classified in three groups viz., (i) basic raw materials, (ii) processed raw materials and (iii) intermediate goods used as industrial inputs and/ or finished goods. Duty rates on them have been fixed at 20%, 50% and 100% respectively. Further, considering the consumption pattern of imported goods, slabs of duties have been reduced from 12 to 7.

ii) In order to encourage exports of finished leather, export duty on wet blue leather has been enhanced from 5% to 10%. However, exporters of finished leather who will be able to export more than 20% of finished leather over their last year's export will pay 5% duty and those who will export 50% or more will pay 2.5% duty on wet blue leather.

iii) A new measure has been introduced in the shape of repayment of customs duty to local industries. This is based on full utilization of imported intermediate and finished goods as inputs by domestic industry. Repayment of duty paid in excess of 50% has been provided for vulcanised sheets, cellulose and acetate sheets and 15% for materials used in the manufacture of transformers.

iv) A clear-cut policy has been adopted in respect of fixation of tariff value. Tariff value will be reviewed twice in a year and the value will be fixed keeping in view the international prices.

v) In order to modernise the system of collection of excise duties, self clearance of manufactured goods by the producers themselves rather than in the presence of excise officials will be introduced in two phases, from 1st January and 1st May, 1984.

vi) The definition of "Cottage Industry" has been further modified this year. An industry where only machinery and equipment are valued upto Tk. 50,000.00 will be recognized as cottage industry. By this measure, more industrial concerns will get exemption from excise duty as well as income tax.

vii) Urban Immovable Property Tax has been withdrawn to remove the difficulty of the tax payers and to give the municipalities an opportunity to collect more taxes.

viii) Last year's proposal for imposing turnover tax will come into force from 1st October, 1983 on some business establishments like sweetmeat produccrs and dealers, auto-garages and workshops, shipyards, steel furniture manufacturers and dealers, wood treatment plant, saw mills and the printing press.

161. Other notable changes in fiscal measures of the budget for 1983-84 are summarised below :

A. Customs Duty :

i) Duty on CKD jeep and CKD 850 c. c. car has been reduced from 40% to 20% while that on CKD Two-in-one and freezers has been reduced from 75% to 50%.

ii) Duty on component parts of watch and clock has been reduced from 150% to 100% and on radio parts, from 75% to 50%.

iii) Duty rates on instruments and appliances for photography and cinematography as also on photographic film, plate and chemicals have been reduced from 150% to 100% and from 100% to 50% respectively.

iv) Duty on nylon filament yarn and clinker has been reduced from 75% to 50% and from 10% to 5% respectively.

v) Duty on tyre and tube for motor car and for rickshaw/cycle has been enhanced from 75% to 100% and from 50% to 100% respectively but the duty on tyre and tube for trucks and buses has been reduced from 75% to 50%.

vi) Duty rates on agricultural hand-sprayers, telephone sets and exchange, steel reed and wire, cotton fabrics, stainless steel blade, electric iron and domestic sewing machine have been enhanced from 40% to 50%, from 40% to 100%, from 50% to 100%, from 75% to 100%, from 100% to 150% and from 40% to 50% respectively.

vii) Duty rates on spices and food for infant and invalid, cash register, computer, magnetic tapes for computer and calculating machines have been reduced from 75% to 50%, from 40% to 5%, from 100% to 20%, from 50% to 20%, from 300% to 20% and from 100% to 50% respectively.

viii) While duty on domestic knitting machine has been reduced from 75% to 50% the same on spares of machinery has been enhanced from 40% to 50%.

B. Excise Duties :

i) Excise duty @ 10% has been imposed on overseas telephone and telex services.

ii) Duty on the Allopathic, Ayurvedic and Unani systems of medicine has been imposed at the rate of 5%.

iii) Ad-valorem rates of 25%, 35% and 10% on wires and cables, jute carpets and jeeps have been reduced to 20%, 25% and 5% respectively.

iv) Steel furniture, crockeries and cutleries of stainless steel and performances such as Jatra, theatre, circus, magic shows etc. have been exempted from excise duty.

v) Duty on biscuits has been reduced from 15% to 10% of the retail price while a 10% duty has been levied on bread.

vi) Duty at the rate of 10% has been imposed on particle board, hard board and plywood.

vii) Duty on natural gas has been increased from Tk. 17.50 per 1000 cft. to Tk. 21.65 per 1000 cft. for domestic use and from Tk. 9.00 per 1000 cft. to Tk. 9.50 per 1000 cft. for use in production.

viii) Entertainment tax on cinema houses will now be collected on the basis of a fixed percentage of the duty payable on the full utilization of the number of seats in the hall. Capacity utilization rates will vary from 65% to 5% depending on the location of halls.

C. Sales Tax :

i) Sales Tax has been withdrawn from staple fibre, computer, cash register, magnetic tapes for computer and machinery spares.

ii) Sales Tax at the rate of 10% has been imposed on fresh fruits and ships for breaking.

iii) Tobacco and tobacco manufactures have been subjected to a 20% sales tax while the sales tax on cigarette paper has been enhanced from 10% to 20%.

iv) Sales Tax at the rate of 20% has been imposed on imported sugar, cumin seeds, corriander seeds (black and white), turmeric, dry chillies, garlic and ginger.

D. Income Tax :

i) In order to encourage donation to Zakat Fund and charitable institutions, the exemption limit has been raised from 20% to 30% of total income.

ii) The limit of tax rebate through investment has been enhanced from Tk. 35,000 upto one third of total income. The limit for investment allowance upto Tk. 12,000 for investment in Public Limited Companies has been withdrawn. But investments will now have to be made in Public Limited Companies registered in the Stock Exchange.

iii) Maximum limit of income under the self-assessment scheme has been raised from Tk. 50,000 to Tk. 75,000.

Government Borrowings

162. Government of the People's Republic of Bangladesh floated on the 20th September, 1982, 11% Loan 1982, subscription to which was received on the 3rd October, 1982. The outstanding amount of Tk. 63,75,01,000 under the 5.5% Loan 1982 was redeemed on its maturity on the 3rd October, 1982. The holders of the 5.5% Loan 1982 for Tk. 63.75 crores excepting one individual who held only Tk. 1000 were allowed to get their holdings converted into the new Loan.

163. The three-month Government Treasury Bills @ 9.5% discount per annum stood as on 30th June, 1983 at the same level of Tk. 57.03 crores as on 30th June, 1982. These Bills were re-issued every 90 days.

164. The Special Treasury Bills @ 8.5% discount per annum offered for sales on June 21, 1976 to Non-Banking Institutions stood at Tk. 13,48,80,000 as on 30th June, 1983 as against Tk. 14,52,55,000 as on 30th June, 1982.

165. The 8.5% Special Treasury Bills created to replenish the cash balance of the Government declined to Tk. 1204.00 crores as on 30th June, 1983 from Tk. 1210.00 crores as on 30th June, 1982. The "Ways and Means Advances" of the Bank to the Government as on 30th June, 1983 remained unchanged at Tk. 20.00 crores.

166. 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 revalidated remained unchanged at Tk. 75,71,650.

167. The amount of GP Notes/Stock Certificates of the erstwhile Pakistan and its Provincial Government loans, including the 5% Defence Bonds held by Bangladesh Nationals and Institutions, liabilities of which

have been accepted by the Government of Bangladesh but awaiting redemption stood at Tk. 6,62,91,500 as on 30th June, 1983 as against Tk. 6,63,01,500 as on 30th June, 1982.

168. The amount of 5% Non-Negotiable Bonds issued by the Government of the People's Republic of Bangladesh to the Share holders of Nationalised Industries as compensation stood at Tk.13,05,55,324 as on 30th June, 1983 as against Tk. 12,16,02,529 as on 30th June, 1982. Out of this, payment of maturity value payable in instalments from the 1st July, 1979 has been made for a total of Tk. 11,54,58,918 upto 30th June, 1983 as against Tk. 11,13,39,289 as on 30th June, 1982. The outstanding balance as at the close of 1982-83 was Tk. 1,50,96,406 as against Tk. 1,02,63,240 at the end of the previous year.

169. The amount of 8% Saving Bonds issued by the Government of the People's Republic of Bangladesh against 100-taka demonetised Notes stood at Tk. 1,72,04,900 as on 30th June, 1983 as against Tk. 1,68,27,900 as on 30th June, 1982. Out of this, payment of maturity value payable from 10th April, 1982 has been made for a total of Tk. 1,46,72,600 leaving a balance of Tk. 25,32,300 as on 30th June, 1983 as against Tk. 55,41,300 as on 30th June, 1982.

Bangladesh Savings Certificates and Bangladesh Sanchaya Patras

170. The net outstanding of both Bangladesh Savings Certificates and Bangladesh Sanchaya Patras sold through the banks stood at Tk. 2,67,33,602 as on 30th June, 1983 as against Tk. 3,87,04,520 as on 30th June, 1982.

Pratirakkha Sanchaya Patras

171. The net sale of Pratirakkha Sanchaya Patras through the banking sector amounted to Tk. 1,23,64,174 as on 30th June, 1983 as against Tk. 82,55,71,510 as on 30th June, 1982. Sale and encashments of Pratirakkha Sanchaya Patras during the year under report were Tk. 47,22,14,525 and Tk. 6,13,29,861 respectively. The net sale of Pratirakkha Sanchaya Patras through Post Offices stood at (–) Tk. 3.86 crores during 1982-83 as compared to Tk. 8.45 crores during 1981-82.

Bonus Sanchaya Patras

172. The net sale of Bonus Sanchaya Patras through the banking sector amounted to Tk. 8,61,45,746 as on 30th June, 1983 as against Tk. 6,34,53,620 as on 30th June, 1982. Sale and encashment of Bonus Sanchaya Patras during the year under report were Tk. 3,12,83,170 and Tk. 85,91,044 respectively. The net sale of Bonus Sanchaya Patras through Post Offices stood at Tk. 1.71 crores during 1982-83 as against Tk. 2.04 crores during 1981-82.

5-Year Bangladesh Sanchaya Patras

173. The net sale of 5-year Bangladesh Sanchaya Patras through the banking sector amounted to Tk. 3,26,50,161 as on 30th June, 1983 as against Tk. 3,55,48,490 as on 30th June, 1982. Sale and encashment of 5-Year Bangladesh Sanchaya Patras during the year under report were Tk. 4,78,930 and Tk. 33,77,259 respectively. The net sale of 5-year Bangladesh Sanchaya Patras through Post Offices stood at (—) Tk. 0.61 crore during 1982-83 as against (—) Tk. 0.36 crore during the previous year.

Bangladesh Prize Bonds

174. The 10 - Taka Bangladesh Prize Bonds Scheme introduced in June, 1974 continued during the year. Progressive net sale of Prize Bonds amounted to Tk. 10,35,42,360 as on 30th June, 1983 as compared to Tk. 8,68,38,130 as on 30th June, 1982. Thirty one series of Prize Bonds namely English 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, JA, JHA, YEUO and THA have been put on sale upto 30th June, 1983. Fifty bi-monthly Prize draws have been held so far under single common draw system.

Sale of Savings Instruments to the Bangladeshi Wage Earners Serving Abroad

175. A Scheme for sale of Prize Bonds and different types of Sanchaya Patras in the United Arab Emirates (U.A.E.) and the U.K. was introduced from November, 1979 and 30th October, 1980 throguh Janata Bank and Sonali Bank respectively. Upto 30th June, 1983 Prize Bonds and Sanchaya Patras worth Tk. 4,01,850 and Tk. 90,600 respectively were sold to the Bangladeshi-Wage Earners living in the U.A.E. and the U.K.

Wage Earners' Development Bonds

176. The amount of Wage Earners' Development Bonds sold by different banks stood at Tk. 5,42,41,000 as on 30th June, 1983 as against Tk. 2,07,06,000 as on 30th June, 1982.

CHAPTER X

INTERNATIONAL ECONOMIC COOPERATION AND INVESTMENT PROMOTION

INTERNATIONAL ECONOMIC COOPERATION AND INVESTMENT PROMOTION

177. In an effort to continue the endeavour for strengthening economic cooperation with other countries, a number of new measures were adopted during 1982-83. A New Industrial Policy (NIP) was announced in 1982 providing for more liberal policies for direct foreign private investments as also equity participation by the foreign investors. Under the NIP, the industries under reserved list were reduced from 8 to 6 to facilitate private investments—both foreign and local. Proper attention was also given in formulating fiscal, monetary and other policies to induce overseas investments.

178. Earnings from Remittances of the Wage Earners' serving abroad stood at Tk. 1494.92 crores during 1982-83 which were about 60 per cent of total exports of merchandise and services. The Wage Earners' Scheme was planned to finance nearly 27 per cent of the import bill of 1982-83. The number of jobs abroad which was only 6 thousand in 1976 rose sharply to 63 thousand in 1982. Remittances by the Wage Earners' rose sharply from Tk. 36.00 crores in 1976 to Tk. 1173.84 crores in 1982. Immediately after liberation, overseas employment was procured on 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 more jobs for Bangladeshis abroad, particularly in the different countries of the Middle East.

179. During 1982-83 Bangladesh participated in different International Trade Organizations such as GATT, UNCTAD, OIC, ESCAP, EEC, ITC, ECDC etc. and played an active role to project and promote her trade interests as well as those of the developing countries. As a leading

member of the 36 least developed countries Bangladesh was in an advantageous position to derive increased development assistance, conversion of certain loans and credits into grants and concessional bilateral Official Development Assistance (major part of such assistance was in the form of grants). Bangladesh has been playing a prominent role in developing the concept of Collective Self-reliance and the World Solidarity as envisaged in the concept of Economic Cooperation among Developing Countries (ECDC).

180. Multilateral agreements with other countries :

i) Bangladesh-EEC Textile Agreement July 1982 : The Textile Agreement was signed under the Multifibra Arrangement (MFA) providing a framework for bilateral negotiations between Importers and Exporters of Textile products. Bangladesh as a new and small supplier gets preferential treatment for the export of her textile products under the arrangement. Under the Textile Agreement, specialised textiles and readymade garments can freely be exported from Bangladesh to the EEC countries subject to a limit of 0.2% of the EEC import quota. The agreement will expire on 31st December, 1986.

ii) Bangladesh-EEC Commercial Cooperation Agreement : The Agreement was signed earlier and is to be extended from year to year unless one of the parties desires to discontinue it.

181. Bangladesh also signed a Commercial Cooperation Agreement with the EEC and under the Agreement Bangladesh's participation in a number of trade fairs, business delegations and market studies in respect of export promotion is being financed by the EEC.

182. Bangladesh signed a Jute Goods Agreement with the EEC in 1980. The Agreement which will remain valid upto 31st December, 1983, provides for abolition of quota limitation from jute yarn and carpet backing

cloth in addition to tariff. Bangladesh entered into an informal arrangement with the EEC for export of her handicrafts to the EEC market in 1974. Under the arrangements Bangladesh can still export her handicrafts duty free to the EEC market subject to a global quota.

183. Bangladesh is a signatory to the Bangkok Agreement which came into operation in 1976. At present, Bangladesh, India, Sri Lanka, the Republic of Korea and Laos People's Democratic Republic are the members of the Agreement providing for mutual tariff concessions among themselves. As a member of the Bangkok Agreement, Asian Clearing Union and the Asian Reinsurance Corporation, Bangladesh has been taking keen interest in the trade promotion activities of the ESCAP. Bangladesh is also taking keen interest in the establishment of Asian Reserve Bank and a Regional Export Credit Insurance Scheme.

184. Bangladesh played a leading role for promoting economic cooperation among the developing countries as envisaged in the concept of ECDC and became Chairman of the ECDC in New York for 1982-83 (October, 1982 to September, 1983) and participated in the preliminary meeting of the Negotiating Committee of Global System of Trade Preferences (GSTP) among the developing countries in May, 1983. The Scheme of GSTP aims at closer trade relation among the developing countries through mutual reduction in tariffs and para tariff limits. Apart from this, Bangladesh attended the first Inter-Governmental Follow up and Coordination Committee (IGFCC) meeting of the ECDC held in Manila in August, 1982 to promote cooperation in selected economic fields among the developing countries such as Trade, Energy, Industry, Finance, Raw-materials, Technology, Food etc.

185. Bangladesh showed positive interest in the solution of global economic crisis particularly of the developing countries and participated in the sixth session of UNCTAD held in Belgrade from June 6—July 3, 1983 and also in all the important preparatory meetings held in Baghdad from 7-14 February 1983, Group 77 meeting in Argentina from 25th March—10th

April, 1983 and the twelfth special session of Trade and Development Board held in Geneva from 26 to 29 April, 1983. Bangladesh's views on the issue of "Quicken Implementation of Substantial Programme of Action for LDCs"—a comprehensive programme for quickening economic development for the LDCs, were appreciated by the participants.

CHAPTER XI

BALANCE OF TRADE AND PAYMENTS

BALANCE OF TRADE AND PAYMENTS*

Balance of Trade

186. The balance of trade of the country showed an improvement during 1982-83. The deficit on the Merchandise Account (i.e., visible Exports less visible imports) during the year declined to Tk. 3835.50 crores from Tk. 3936.40 crores during 1981-82. Imports during 1982-83 which stood at Tk. 5697.40 crores were Tk. 306.50 crores or 5.69% 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. 1197.30 crores (21.02%), Tk. 143.70 crores (2.52%), Tk. 1054.10 crores (18.50%), Tk. 1623.80 crores (28.50%) and Tk. 1678.50 crores (29.46%) respectively. Long-term loans/credits received from Foreign Governments/Institutions etc. were utilised for imports under food (Tk. 217.46 crores), non-food project (Tk. 913.00 crores) and non-food non-project (Tk. 493.34 crores). Food and non-food imports under Grants during 1982-83 stood at Tk. 526.00 crores and Tk. 1152.45 crores respectively. Import payments under major heads during 1981-82 and 1982-83 are shown below :

* Figures related to 1982-83 are provisional.

MERCHANDISE IMPORTS

Commodities/Year	1981-82		1982-83	
	In Crore Tk.	In Million $	In Crore Tk.	In Million $
Imports :	**5391**	**2687**	**5697**	**2394**
1. Foodgrains	592	295	903	380
a) Rice	(132)	(66)	(164)	(69)
b) Wheat	(460)	(229)	(739)	(311)
2. Edible Oil & Oil Seeds	189	94	128	54
3. Petroleum Products	34	17	67	28
4. Petroleum Crude & partly Refined	1214	605	1103	463
5. Cotton	72	36	14	6
6. Textile Yarn	62	31	83	35
7. Fertilizers	80	40	30	13
8. Chemicals	189	94	195	82
9. Capital goods	1558	776	1761	740
10. Others	1401	699	1413	593

Note: a) In terms of US $ imports during 1982-83, however, declined by US $ 293 million or 10.90% from US $ 2687 million in 1981-82 to US $ 2394 million.

b) Figures in this chapter are on the basis of actual receipts and payments and will not tally with figures in chapter XIV which are on shipment basis.

187. Receipts from exports rose from Tk. 1454.50 crores during 1981-82 to Tk. 1861.90 crores during 1982-83 showing an increase of Tk. 407.40 crores or 28%. In terms of US $ export receipts during the year 1982-83 rose by US $ 57 m or 7.9% from US $ 725 m in 1981-82 to US $ 782 m. It can be seen from the following table that export earnings from raw jute and jute goods stood at Tk. 258.50 crores (13.9%) and Tk. 802.40 crores (43.1%) respectively during 1982-83.

EXPORT RECEIPTS

(Taka in crores)

Commodity	1981-82	1982-83
1. Raw jute	193.90	258.50
2. Jute goods	647.40	802.40
3. Tea	84.50	116.30
4. Leather	121.20	132.30
5. Fish, Shrimps and Frog Legs	120.70	194.00
6. Naptha	56.50	135.20
7. Others	230.30	223.20
Total :	**1454.50**	**1861.90**

188. The Services Account (i.e., invisible receipts less invisible payments) showed a smaller deficit of Tk. 37.40 crores during 1982-83 as compared to the deficit of Tk. 140.30 crores during the preceding year.

Balance of Payments

189. The overall balance of payments during 1982-83 recorded a surplus of Tk. 496.90 crores as against a deficit of Tk. 642.00 crores during 1981-82. The improvement in the overall balance was mainly due to increased inflow under Unrequited Transfers and Capital Account. Unrequited Transfers showed a larger inflow of Tk. 2996.45 crores during 1982-83 as compared to Tk. 2132.30 crores during 1981-82. Of the total, net receipts under "Official Transfers" and "Private Transfers" were estimated at Tk. 1686.55 crores and Tk. 1309.90 crores respectively. Net capital inflow during the period was estimated at Tk. 1373.35 crores as compared to Tk. 1302.40 crores during 1981-82.

Foreign Exchange Reserves

190. The convertible foreign exchange reserves held by the Bangladesh Bank increased from Tk. 239.68 crores at the end of June, 1982 to Tk. 856.12 crores as on the 30th June, 1983. Apart from sizeable overall payments surplus, the rise in foreign currency reserves also reflected the drawing of SDR 139.60 m from the IMF.

Terms of Trade

191. 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. The movement of the estimated terms of trade of Bangladesh in recent years is shown below :

COMMODITY AND INCOME TERMS OF TRADE OF BANGLADESH

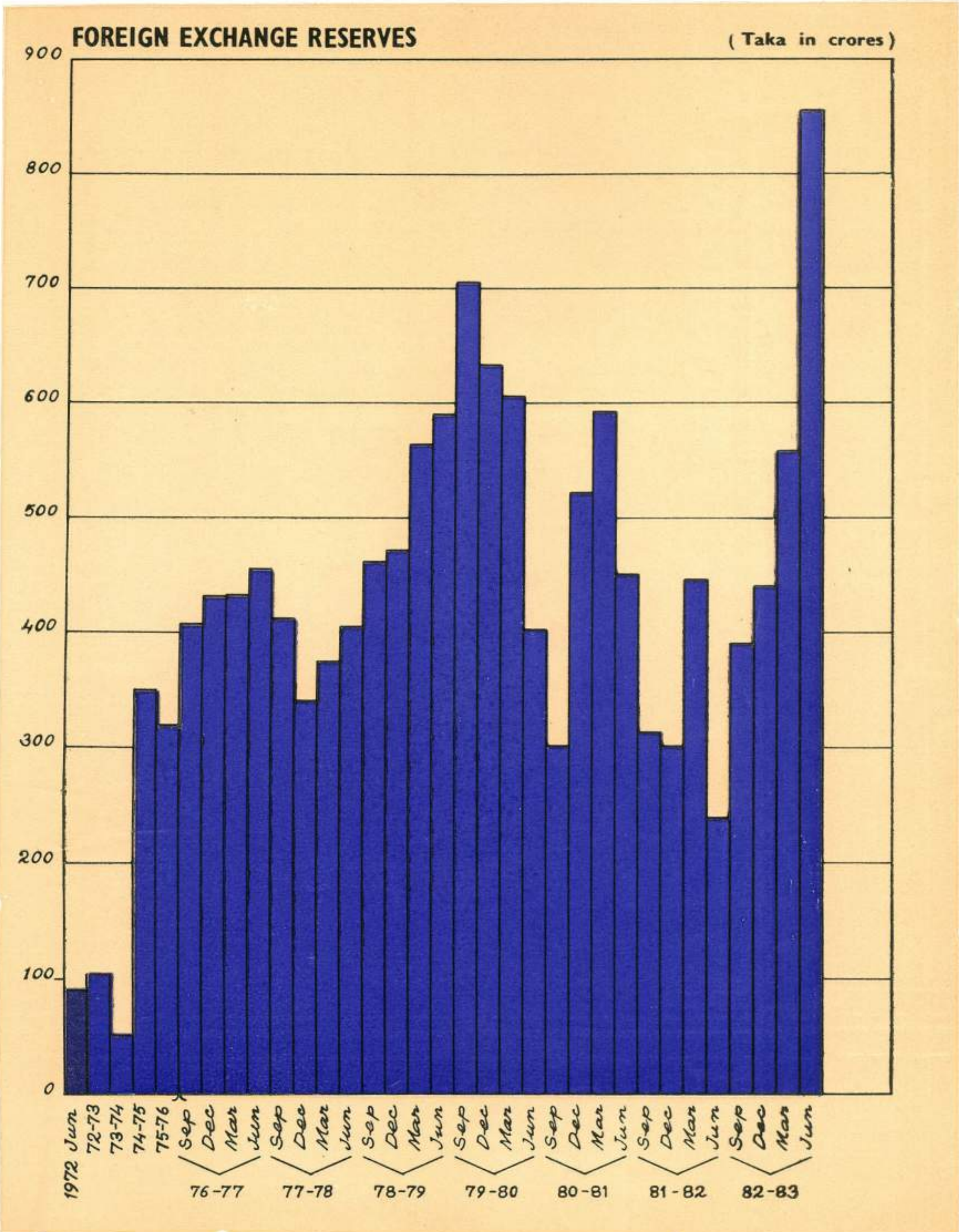
(Base : 1975-76=100)

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	167.66	194.74	86.09	110.80	95.39
1982-83*	211.10	206.73	102.11	111.72	114.08

* Provisional.

192. The 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, however, showed a significant improvement in the year 1982-83 due mainly to a gain in commodity terms of trade although some increase in export volume also partly accounted for it.

193. 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 sizeable 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. The decline in commodity terms of trade during 1980-81 was the combined result of 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. The significant increase in the income terms of trade during the year 1982-83 compared to the preceding year was due to the increase of both commodity terms of trade and export volume index.


FOREIGN EXCHANGE RESERVES
(Taka in crores)
900
800
700
600
500
400
300
200
100
0
1972 Jun
72-73
73-74
74-75
75-76
Sep
Dec
Mar
Jun
76-77
77-78
78-79
79-80
80-81
81-82
82-83

CHAPTER XII

FOREIGN AID

FOREIGN AID

194. The foreign aid commitment to Bangladesh during 1982-83 amounted to $ 1,738 million which was 10.55 per cent lower as compared to $ 1,943 million in 1981-82. Total aid commitments since independence till the end of June, 1983 was $ 14,559 million of which $ 6,648 million represented grants. Total disbursements till June, 1983 stood at $ 10,335 million. The total outstanding external debt as on June 30, 1983 was $ 6,003 million.

195. The foreign aid disbursement at $ 1,346 million during 1982-83 recorded an increase of 8.90 per cent from the level of $ 1,236 million in 1981-82. Food aid rose by 10.82 per cent from $ 231 million to $ 256 million during 1982-83. An amount of $ 452 million was disbursed as commodity aid during 1982-83 as compared with $ 421 million in the previous year. Disbursement of project aid increased by 9.25 per cent to $ 638 million during the year from $ 584 million in 1981-82. The disbursement of foreign aid during 1982-83 alongwith the comparative figures of previous years are shown in the table below :

DISBURSEMENT OF FOREIGN AID

(Million US Dollar)

Category	Year				
	1978-79	1979-80	1980-81	1981-82	1982-83
Food Aid	179	374	194	231	256
Commodity Aid	470	378	393	421	452
Project Aid	368	470	560	584	638
Cash	12	Nil	Nil	Nil	Nil
Total :	**1029**	**1222**	**1147**	**1236**	**1346**

196. 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 1982-83 was estimated to be $ 96 million. This is in addition to interest payment of $ 79 million. Thus, the net inflow of foreign aid amounted to $ 1,171 million during the year.

CHAPTER XIII

TRANSACTIONS WITH IMF

TRANSACTIONS WITH IMF

197. Bangladesh purchased from the International Monetary Fund SDR 71.20 million under the Integrated Scheme of Compensatory Financing Facility for Export Fluctuations and excess Cereal Import Cost Facility on the 30th August, 1982. In addition, the Fund approved on the 28th March, 1983 a stand-by arrangement of SDR 68.40 million for Bangladesh, out of which SDR 22.80 million being the first instalment was purchased on the 31st March, 1983. Bangladesh also received SDR 3.30 million and SDR 0.18 million as subsidy for drawing under the Supplementary Financing Facility and Oil Facility of the Fund respectively during the year under report.

198. Bangladesh made the following repurchases in respect of earlier purchases during the year 1982-83.

(In Million SDR)

Types of Facilities	Year of Purchase	Amount Repurchased
1. Oil Facility	1974-75	6.90
2. Repurchase of over compensated amount for drawing under the CFF.	1981-82	23.10
3. Repurchase of over compensated amount for drawing under Integrated Facility	1982-83	19.30
4. Trust Fund	1977-78	1.33
Total : SDR		**50.63**

199. Besides, Bangladesh paid SDR 34.15 million as service charges to the IMF during the year 1982-83.

200. As a result of these transactions, the outstanding drawings of Bangladesh from the International Monetary Fund stood at SDR 537.47 million at the end of June, 1983 as against SDR 494.10 million at the end of June, 1982.

CHAPTER XIV

TRADE POLICY

TRADE POLICY

Export Policy & Target

201. Efforts to boost the country's exports were further strengthened during 1982-83. Export target for the year was fixed at Tk. 1550.00 crores showing an increase of Tk. 294.46 crores or 23.45 per cent over the export earnings of Tk. 1255.54 crores in 1981-82. However, the actual exports stood higher at Tk. 1616.25 crores.

202. To off-set the effects of global economic recession certain important steps were taken in the Export Policy for 1982-83. These were : (i) additional incentives to the exporters of non-traditional items through revision of XPL rates at 40%, 60% and 80% of f.o.b. value of exports on value added principle ; (ii) initiation of a series of product and supply development measures to expand the export base of non-traditional items ; (iii) arrangements to provide export credit for non-traditional items at a concessional interest rate of 11.5 per cent per annum ; (iv) refinancing facilities for bank loans for traditional and non-traditional export items at reduced rates of 8.5% and 8.0% respectively.

203. The value of exports[1] during 1982-83 stood at Tk. 1616.25 crores which was 4.27% higher than the target of Tk. 1550.00 crores for the year. The earnings from export of raw jute, jute goods, leather, frozen food and tea which contributed about 88% of the total exports, exceeded their respective targets. However, earnings from naptha, furnace oil and bitumen, ready-made garments, chemical and pharmaceutical products, newsprint, paper etc. were below their targets.

204. The total export value at Tk. 1616.25 crores was Tk. 360.71 crores higher as compared to Tk. 1255.54 crores during 1981-82. Of the total, the share of raw jute and jute goods amounted to Tk. 258.50 crores

1 Based on customs record.

(15.99%) and Tk. 752.55 crores (46.56%) respectively as against exports worth Tk. 203.79 crores (16.23%) and Tk. 584.03 crores (46.52%) respectively during 1981-82. The value of tea exports stood at Tk. 109.64 crores during 1982-83 as compared to Tk. 76.03 crores during 1981-82. Frozen foods and Tanned & Semi-Tanned leather fetched Tk. 169.62 crores and Tk. 137.61 crores respectively during the year. Other items earned Tk. 188.33 crores during the year.

Import Policy

205. The import policy for 1982-83 envisaged a total allocation of Tk. 2910.00 crores representing a cut of Tk. 40.00 crores from the level of the previous year. Of the total allocation, Tk. 1255.00 crores were to be financed by the country's own foreign exchange earnings. Commodity aid, Wage Earners' Scheme and Barter System would provide imports worth Tk. 655.00 crores, Tk. 750.00 crores and Tk. 250.00 crores respectively. In the import policy for 1982-83, free import of certain items under OGL Scheme was disallowed. Items listed in the commercial imports were restructured and some of these were made importable under Wage Earners' Scheme. Certain items importable under Actual Users' Scheme were also withdrawn due to the shortage of foreign exchange. However, importers were entitled to import these items under Wage Earners' Scheme.

Import Licences

206. As against allocation of Tk. 2910.00 crores, value of licences issued during 1982-83 stood at Tk. 2887.83 crores. This compared with licences issued worth Tk. 2687.07 crores during 1981-82. Of the total value of licences issued during the year, Tk. 680.77 crores were financed from cash foreign exchange resources, Tk. 149.86 crores under barter and Tk. 913.71 crores and Tk. 1143.49 crores under Wage Earners' Scheme and commodity assistance respectively. The sectoral shares in the licences issued were as follows : commercial importers Tk. 501.70 crores, industrial consumers (private) Tk. 624.93 crores, sector corporations Tk. 929.55 crores, POL Tk. 586.65 crores and others Tk. 245.00 crores.

207. The total value of the country's merchandise imports including food and import under project aid etc. but excluding imports made through

land customs during 1982-83 stood at Tk. 3545.37 crores* as against Tk. 3454.35 crores during the financial year 1981-82. Of the total imports during the year, the share of food and live animals stood at Tk. 569.42 crores ; crude materials, inedibles except fuels Tk. 244.14 crores ; mineral fuels, lubricants and related materials Tk. 414.66 crores ; animal and vegetable oils and fats Tk. 319.34 crores ; chemicals, drugs and medicines Tk. 360.93 crores ; manufactured goods classified chiefly by materials Tk. 640.39 crores ; machinery and transport equipments Tk. 862.91 crores and others Tk. 133.58 crores.

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* 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

208. The number of new trade agreements signed between Bangladesh and other countries were 4 during 1982-83 as against 7 during the previous year. Of the agreements signed during 1981-82, the one with China (Barter No. 5) which became effective from July 17, 1981 remained valid upto December 31, 1982, with Poland (Barter No. 5) for one year effective from August 28, 1981, with Hungary (Barter No. 8) upto October 31, 1982 effective from October 29, 1981, with Bulgaria (Barter No. 9) upto March 24, 1983 with effect from March 25, 1982, with U.S.S.R. (Barter No. 11) upto December 31, 1982 effective from April 5, 1982 and with Rumania (Barter No. 7) for one year effective from May 29, 1982. The agreement with TCB-ANDRE & CIE S.A. of Switzerland (3rd Special Trade Agreement) signed in September 21, 1981 shall remain valid upto December 31, 1983. Under the agreements signed during 1982-83, the exports from Bangladesh consisted mainly of raw jute, jute goods, tea, hides and skins and finished leather, handicrafts, readymade garments, specialised textiles, tobacco and tobacco manufactures, wires and cables, stainless steel cutlery etc. Imports into Bangladesh mainly included machinery, equipment and spare parts, dyes and chemicals, scientific instruments, pig iron, M.S. billets, raw cotton, coal, kerosene oil, high-speed diesel oil etc. The table below gives a brief description of the agreements signed during 1982-83.

Date of Agreement	Country/Party	Value of Commodities to be Exchanged Each Way
11.8. 1982	China (Barter Agreement No. 6)	US $ 30.00 million
9.12. 1982	Czekoslovakia (Barter Agreement No. 7)	US $ 11.00 million
27.12.1982	U.S.S.R. (Barter Agreement No. 12)	US $ 27.00 million
27.12.1982	TCB-M/S. Eleatic Trading and Investments Consultancy Ltd., Canada (Special Trade Agreement)	US $ 8.00 million

CHAPTER XVI

TRENDS IN EXPORT COMMODITIES

TRENDS IN EXPORT COMMODITIES

Raw Jute

209. Production of raw jute during the 1982-83 season stood higher at 50.00[P] lakh bales (or by 16 per cent) as compared to 43.17 lakh bales last year. However, the total availability of raw jute during 1982-83 stood lower at 68.52 lakh bales as compared to 75.70 lakh bales in the preceding year. The decline in the availability of raw jute was mainly attributable to substantial fall in carryover stocks which stood lower at 18.52 lakh bales during the season as compared to 32.53 lakh bales in the preceding season. The area under jute cultivation during the season increased by about 12 per cent to 14.5 lakh acres as compared to 13 lakh acres during 1981-82. The yield per acre during 1982-83 stood marginally higher at 3.45 bales as compared to 3.34 bales in the preceding season.

210. Due to increase in demand for raw jute in overseas market exports of raw jute increased to 22.06 lakh bales (or by 15 per cent) during 1982-83 as compared to 19.11 lakh bales during 1981-82. Total foreign exchange earnings from the export of raw jute stood higher at Tk. 258.05 crores during 1982-83 as compared to Tk. 201.19 crores in the previous season.

211. Raw jute situation in the internal market during the first half of the 1982-83 season remained rather depressed as the purchase operation was relatively slow. As a result, most of the jute growers who sold their produce during that period could not reap the benifit of higher prices which ruled during the second half of the season. However, the annual average price of raw jute at the growers' level stood higher at Tk. 141.31 per maund@ during 1982-83 as compared to Tk. 132.7l per maund during 1981-82.

P = Provisional.

@ 1 maund = 37.324 kg.

212. Arrivals of raw jute in the country's secondary market during 1982-83 stood higher at 41.41 lakh bales as compared to 34.90 lakh bales in the preceding season.

213. Export sales registration of raw jute during 1982-83 also stood substantially higher at 28.68 lakh bales as compared to 21.72 lakh bales in the preceding season. In order to enable the exporters to boost up the exports of raw jute on competitive basis the Minimum Export Price Check (MEPC) was withdrawn from all grades during 1982-83. Export duty from all grades of raw jute was also withdrawn during the year. The system of registration of export sales of raw jute with the Bangladesh Bank was, however, continued. The actual export of raw jute during 1982-83 stood substantially higher at 22.06 lakh bales as compared to 19.11 lakh bales during 1981-82.

214. Price of white X-Bottom grade jute (Kutcha bale) at Narayanganj terminal market which stood at Tk. 415.00 per 100 kg.@ on July 1, 1982 declined to Tk. 375.00 per 100 kg. on November 8, 1982. Thereafter, price rose to Tk. 412.00 per 100 kg. on December 19, 1982 and further to Tk. 422.00 per 100 kg. on January 19, 1983, and remained at this level till the close of June, 1983. In the pucca bales section, the price of B.W.D. grade of jute which stood at Tk. 1050.00 per bale* on July 1, 1982 rose gradually to Tk. 1075.00 per bale on November 30, 1982, Tk. 1100.00 per bale on December 19, 1982 and finally to Tk. 1125.00 per bale on January 19,1983 and ruled at this level till the close of June, 1983.

215. Export price of B.W.D. grade jute which stood at £ 172 per metric ton** on July 1, 1982 declined to £ 163 per metric ton on August 17, 1982. The price, however, rose to £ 169 per metric ton on September 10, 1982 but declined to £ 165 per metric ton on December 19, 1982. Effective from January 12, 1983 export prices were quoted in terms of US dollar instead of pound sterling. Export prices in terms of dollar stood at

@ 100 kg. = 2.679 maunds.

* 1 bale= 5.6 maunds.

** 1 metric ton= 1000 kg.

$ 269 per metric ton on January 12, 1983. It increased to $ 280 per metric ton on March 31, 1983 and further to $ 290 per metric ton on June 6, 1983 and ruled at that level till the close of the year.

Jute goods

216. With a view to improving the overall performance of the country's jute mills several important policy measures were adopted during the 1982-83 season. The Government disinvested a total number of 29 nationalised jute mills and 5 twine mills during the year. Besides the Government encouraged, through policy measures, to establish more jute mills in the private sector. However, no noticeable improvement was visible in this sector during 1982-83. The production of jute goods in the country's jute mills stood lower at 5.93 lakh tons during 1982-83 as compared to 5.98 lakh tons during 1981-82. The shortfall in production of jute goods was mainly attributable to sharp curtailment of sackings production by about 27% following the decline in overseas demand.

217. Export sales registration of jute goods with the Bangladesh Bank stood marginally lower at 6.30 lakh tons during 1982-83 as compared to 6.39 lakh tons in the preceding season. The actual exports of jute goods during 1982-83 also stood lower at 5.27 lakh tons as compared to 5.39 lakh tons in the preceding season. The decline in the overall export of jute goods was due to a sharp fall in the export of sackings which declined by 0.87 lakh ton to 2.37 lakh tons. The marked decline in demand for sackings was due to crop failure in Australia, New Zealand and some African countries on account of severe drought condition. Recession in the USA and Western Europe was mainly responsible for lower export of sackings. Total foreign exchange earnings from the export of jute goods, however, stood substantially higher at Tk. 752.55 crores during 1982-83 as compared to Tk. 584.03 crores in the preceding year due mainly to substantial increase in export prices as well as depreciation of exchange rate of Taka.

218. Stocks of jute goods of the country's jute mills (including sold, unsold and stock-in-transit) as on June 30, 1983 stood at 1.05 lakh tons as compared to 0.87 lakh ton in the previous season.

Tea

219. The production of tea at 95.24 million lbs. during 1982-83 reflected a rise of 12.58% as compared to the production of 84.60 million lbs. during 1981-82. The rise in the production of tea during the season 1982-83 was mainly due to favourable weather condition. The overall quality of tea during the year showed an improvement as compared to that of the last season. Total availability of tea during 1982-83 season including a carryover stock of 15.11 million lbs. stood higher at 110.35 million lbs. as compared to 103.15 million lbs. which included a carryover stock of 18.55 million lbs. from the previous season. The closing stock of tea stood at 22.42 million lbs. at the end of the 1982-83 season.

220. The Chittagong tea market depicted a rising trend during 1982-83. Prices of most of the varieties of tea recorded a steady increase upto the end of January, 1983 due to increased demand both from exporters and internal buyers. After recording some decline till April, 1983 due to depressed export demand, prices of most of the varieties of tea started increasing and ruled at higher level till the close of the season following the revival of export demand.

221. In all, 24 auctions were held at Chittagong during 1982-83 in which a total quantity of 78.67 million lbs. of tea was sold at an average price of Tk. 15.55 per lb. This compared with 80.31 million lbs. sold at an average price of Tk. 9.17 per lb. during 1981-82.

222. The volume of exports of tea during 1982-83 stood marginally lower at 67.93 million lbs. as compared to 69.04 million lbs. during the preceding year. The decline in volume of exports of tea during the year was attributable mainly to lower demand from some traditional buyers from U.K., Poland, U.S.S.R. etc. The value of exports of tea, however, increased

substantially to Tk. 109.64 crores during 1982-83 as compared to Tk. 76.03 crores during the previous year due mainly to higher export prices and depreciation of Taka.

Hides and Skins

223. The hides and skins market in the country depicted an uptrend during the year 1982-83. The prices of cow-hides (wet salted heavy) which opened at Tk. 17,500.00-Tk. 22,000.00 per hundred pieces on July 3, 1982 increased to Tk. 18,000.00-Tk. 22,500.00 per hundred pieces on July 13, 1982. Thereafter, the price started declining and gradually fell to Tk. 16,000.00-Tk. 20,000.00 per hundred pieces on September 11, 1982. After ruling unchanged at that level for some days, the price of cow-hides increased to Tk. 18,000.00-Tk. 21,000.00 per hundred pieces on October 4, 1982. The price, however, declined to Tk. 16,000.00-Tk. 20,000.00 per hundred pieces on October 9, 1982. Thereafter, the price of cow-hides rose again and closed the year at Tk. 25,000.00-Tk. 27,000.00 per hundred pieces.

224. The price of buffalo hides, opening at Tk. 22,000.00-Tk. 22,500.00 per hundred pieces on July 3, 1982 declined amidst fluctuations, to Tk. 20,000.00-Tk. 22 000.00, per hundred pieces on September 11, 1982. After ruling steady at that level for some days, the price increased to Tk. 21,000.00-Tk. 23,000.00 per hundred pieces on October 12, 1982 and further to Tk. 24,000.00-Tk. 27,000.00 per hundred pieces on November 29, 1982. The price of buffalo hides fell again to Tk. 24,000.00-Tk. 26,000.00 per hundred pieces on December 14, 1982. Thereafter, the price rose, amidst fluctuations, to Tk. 28,000.00-Tk. 30,000.00 per hundred pieces on June 9, 1983 and closed the year 1982-83 at that level.

225. The price of goat skins (large and heavy) which opened at Tk. 4, 800.00-Tk. 6,800.00 per hundred pieces on July 3, 1982 gradually declined to Tk. 3,800.00-Tk. 5,000.00 per hundred pieces on September 11, 1982. Aiter ruling unchanged at that level for some days, the price increased to Tk. 4,500.00-Tk. 6,000.00 per hundred pieces on October 4, 1982. The price of goat skins declined again to Tk. 4,500.00-Tk. 5,800.00 per hundred pieces on October 24, 1982 and further to Tk. 4,000.00-Tk. 5,200.00 per hundred

pieces on November 11, 1982. Thereafter, the price started increasing and rose, amidst fluctuations, to Tk. 6,000.00-Tk. 8,000.00 per hundred pieces on May 8, 1983. The price, however, declined to Tk. 5,400.00-Tk. 7,400.00 per hundred pieces on May 19, 1983 and closed the year at that level.

226. Opening at Tk. 3,000.00-Tk. 3,200.00 per hundred pieces on July 3, 1982 the price of sheep skins declined, amidst fluctuations, to Tk. 1,900.00-Tk. 2,100.00 per hundred pieces on November 11,1982. Thereafter, the price gradually increased to Tk. 3,600.00-Tk. 3,700.00 per hundred pieces on April 14, 1983. The price of sheep skins declined again to Tk. 3,100.00-Tk. 3,300.00 per hundred pieces on April 17, 1983. The price, however, increased to Tk. 3,400.00-Tk. 3,500.00 per hundred pieces on April 21, 1983 and finally closed the year 1982-83 at Tk. 3,500.00-Tk. 3,700.00 per hundred pieces.

227. The total earnings from the exports of tanned/semi-tanned leather, including hides and skins, during 1982-83 stood at Tk. 138.61 crores which represented a rise of 6.62 per cent as compared to the export target of Tk. 130.00 crores for the year. This compared with the export earnings of Tk. 126.88 crores from these items during 1981-82.

Frozen Food

228. Total export earngins from frozen foods which includes shrimps, froglegs and fishes stood at Tk. 169.62 crores during 1982-83. This was 60.28 per cent higher than the earnings of Tk. 105.83 crores during the previous year.

Naptha, Furnace oil and Bitumen

229. Export receipts from naptha, furnance oil and bitumen during the year 1982-83 amounted to Tk. 72.58 crores as compared with Tk. 85.15 crores during 1981-82.

Readymade Garments and Specialised Textiles

230. Earnings from two new items viz., readymade garments & specialised textiles and household linen which have emerged as promising non-traditional export items of Bangladesh in recent years increased during 1982-83. Readymade garments earned foreign currency equivalent to Tk. 25.52 crores in 1982-83 which stood 82.16 per cent higher than

the earnings of Tk. 14.01 crores during the previous year. The export earnings from specialized textiles and household linen amounted to Tk. 1.47 crores during the year as compared to the earnings of Tk. 1.10 crores during 1981-82.

Newsprint

231. Export value of newsprint at Tk. 9.79 crores during 1982-83 was lower as compared to Tk. 12.02 crores during the preceding year. The export of newsprint was affected due to high cost of production and low quality of produce in comparison with other exporting countries.

Handicrafts

232. Export of handicrafts recorded a slight improvement during 1982-83. The value of exports of handicrafts amounted to Tk. 5.83 crores during 1982-83 as compared to Tk. 5.74 crores during the previous year.

CHAPTER XVII

EXCHANGE RATE POLICY AND DEVELOPMENTS IN EXCHANGE CONTROL

239. **Taka-Pound Sterling Exchange Rates for Exporters :** In order to cover the exporter's risk arising due to exchange rate fluctuations it was decided that in respect of contracts made in Pound Sterling for export of goods from Bangladesh during the period from 24.8. 1982 to 11.1.1983, but shipment effected after 11.1. 1983 but not beyond 30.6.1983, the exporters would have the option to receive payments at the rate of Tk. 38.6929 for jute and jute goods and Tk. 38.7009 for other commodities per Pound Sterling. Accordingly, all the losses and gains of Authorised Dealers arising out of the application of the fixed exchange rate would be on account of Bangladesh Bank.

240. **Export of Personal Jewellery from Bangladesh :** Limit on export of Personal Jewellery on repatriable basis from Bangladesh by the Bangladesh Nationals was refixed at 3 tolas in weight in respect of export to India, Pakistan, Sri Lanka, Nepal, Bhutan and Burma, and 10 tolas in weight to other countries. Persons not ordinarily resident in Bangladesh might take out precious stones and jewellery previously brought by him/her on declaration to the customs plus jewellery other than articles made wholly or partly of gold purchased in Bangladesh upto a further Tk. 15,000.00 in value.

241. **Extension of Forward Cover Facilities to Repatriable Short-term Foreign Currency Loans :** It was decided that the short term loans representing working capital borrowed from abroad on repatriable basis by the joint venture firms registered in Bangladesh and branches of foreign firms operating in Bangladesh which were hitherto not eligible for forward cover facility against fluctuation in exchange rate of Taka would be eligible for such forward cover upto a maximum of 6 months in respect of U.S. Dollar and Pound Sterling only.

242. **Forward Cover Facilities for Japanese Yen and Deutsche Mark by Bangladesh Bank :** It was decided that Bangladesh Bank would undertake sale of Deutsche Mark and Japanese Yen forward for 6 months delivery as per the existing arrangement obtaining for forward sale of Pound Sterling and U.S. Dollar.

243. **Hajj-1983 :** Government made arrangements for sending 7,000 persons from Bangladesh to perform Hajj during 1982-83. Out of 7,000 persons, 3,300 were to go by ship and 3,700 by Bangladesh Biman. The quota of foreign exchange for Hajj-1983 was fixed as under :

Muallim fees and Hajj Camp dues	**Personal expenses**	**Total**
Sea Pilgrims SRL. 396.50	SRL. 2,803.50	SRL. 3,200.00
Air Pilgrims SRL. 396.50	SRL. 2,603.50	SRL. 3,000.00

244. Non-ballottee Pilgrims holding return air tickets might purchase U.S. $ 870 from Foreign Currency Account under Wage Earners' Scheme. In addition to the above, both ballottee and non-ballottee pilgrims were allowed ro purchase a further sum of U.S. $ 400 from Foreign Currency Account under Wage Earners' Scheme. The pilgrims travelling by air and sea were also allowed to carry with them Tk. 100.00 and Tk. 200.00 respectively.

CHAPTER XVIII

ASIAN CLEARING UNION

ASIAN CLEARING UNION

245. Clearing operations of the Asian Clearing Union (ACU) continued to grow rapidly during 1982-83. An important development under ACU arrangement during the year was that Bank Markazi Iran, the Central Bank of Iran, made it compulsory to route all eligible transactions of the member countries through the ACU with effect from January 1, 1983. With this, the clearing system now stands compulsory in 5 out of 7 member countries, viz., Bangladesh, Iran, Nepal, Pakistan and Sri Lanka. The system continues to remain optional in Burma and India.

246. Transactions relating to Bangladesh under the ACU arrangements continued to maintain a rising trend during the year. Total transactions credited to Bangladesh Bank during 1982-83 were for AMUs (Asian Monetary Units) 68.00 million (Tk. 177.43 crores) as against those for only AMUs 37.90 million (Tk. 87.41 crores) during the preceding year. On the other hand, transactions debited to Bangladesh Bank during 1982-83 totalled AMUs 27.48 million (Tk. 71.51 crores) as campared to AMUs 16.88 million (Tk. 38.24 crores) during the previous year.

247. A total of 6 settlements under the ACU arrangement took place during the year 1982-83. Of these, Bangladesh Bank had creditor position in 5 settlements and debtor position in the remaining one.

CHAPTER XIX

CURRENCY AND COINAGE

CURRENCY AND COINAGE

Bank Notes

248. A new design 10-Taka Note with the revised watermark of the head of a "Royal Bengal Tiger" directed towards the right within a white area at the left was issued with effect form 3rd September, 1982. While the watermark area is rectangular on the front, the same is of circular pattern on the back. A distinguishing feature of the note is the "front to back see-through Registration"; the circular outline of the watermark area and the 2 floral patterns on the left hand border on the front of the note coincides exactly with the similar pattern on the reverse side when held against the light. The salient features of the front of the note is a finely engraved picture of the Atia Jame Mosque of Tangail at the right hand side. Below the Mosque the words "Atia Jame Masjid, Tangail" are written in small Bengali letters in semi-circular pattern. On the back appears a picture of the spill way of the Kaptai Dam. Below it the words "Kaptai Bandher Spill-way" are written in small Bengali letters. The predominant colour of the note is maroon against a background rainbow of pale green, orange and red.

249. A new print of One Taka Note was issued with effect from the 10th June, 1983, incorporating the signature of the Finance Secretary, Mr. M. Syeduzzaman.

Coins

250. Subsidiary coins in circulation as on 30th June, 1983 amounted to Tk. 28.55 crores as against Tk. 26.43 crores as on 30th June, 1982. This was in addition to Taka One Notes and Taka One Coins worth Tk. 35.24 crores in circulation as on 30th June, 1983 as against Tk. 32.35 crores as on 30th June, 1982.

CHAPTER XX

ADMINISTRATION

ADMINISTRATION

Changes in the Board of Directors

251. Total number of Directors of the Board of the Bank stood reduced at 6 during 1982-83 consequent upon the expiry of the term of office of 3 Directors, namely Messrs. Hafizur Rahman, Mahfuzul Huq and Professor M.S. Mondal.

Appointments

252. The following appointments in different grades of employment were made by the Bank during the year ending 30th June, 1983.

i)	Officer Class—I and above	18
ii)	Officer Class—II	16
iii)	Clerical and Other Staff	141
	Total :	**175**

Welfare Activities

253. An amount of Tk. 6,70,500.00 was allocated during the year for various welfare and recreational activities of the employees of the Bank. In addition, an amount of Tk. 2,50,000.00 was allocated during the year for awarding stipends to the children of 'D' category employees of the Bank.

Office Accomodation

i) The proposed construction of the second Annexe Building at Motijheel, Dhaka Office premises has been kept pending.

ii) For construction of a multi-storied Bank Building at SBI premises at Chittagong, construction firms have been pre-qualified by the Board.

iii) For construction of a 6-storied Annexe Building with 15-storied foundation at Khulna, consultants have been advised to prepare drawing and bill of quantity.

iv) Construction plan and estimates are being revised for the main Bank Building at Rajshahi as per the decision of the Board of Directors of the Bank.

v) Construction of the Office Building at Sylhet has been completed.

vi) Construction of a twin incinerator at Bogra has been completed.

Residential Accommodation

i) The construction work of Staff/Officers quarters at I.G. Bagan, Dhaka is in progress.

ii) The construction work of Staff Quarters at Baniakhamar, Khulna is also in progress.

Other construction

i) Construction of a School and a Mosque at Bangladesh Bank Staff Quarters at Agrabad, Chittagong has been completed.

ii) A 6'' dia. Deep Tube-well at Bangladesh Bank, Rajshahi has been installed.

iii) Construction of underground Water Reservoir, Pump House, Garage and Boundary wall at Bogra has been completed.

Foreign Training

254. Arrangements were made for participation of 8 (eight) Officers of the Bank in different training courses/seminars abroad under different Technical Assistance Programmes, Fellowships and Sponsorships.

Domestic Training

255. A total number of 152 Officers of the Bank participated in various domestic training programmes organised by different institutions of the country.

Training Academy

256. Bangladesh Bank Training Academy stepped up its activities to impart training to officers of different cadres of the Bank by conducting different foundation and in-service courses.

257. Two-three months long foundation courses were organised for 13 newly recruited class-I officers and 13 newly recruited class-II officers. On completion of their theoretical training those officials were sent for intensive practical training for 6 months with various departments of the Bangladesh Bank and for three months with different Nationalised Commercial Banks.

258. As many as 100 officers class-I and 111 officers class-II were trained by organising seven and six courses respectively. Seven courses were also organised for training of 49 Assistant Accounts Officers (Cash) and 46 Assistant Treasurers. As part of the training programme, the trainee officials were given some exposure to operation of the Bank's Computer. In addition, 4 specially designed five-day long Computer Appreciation Courses were organised for 50 officers class-I and officers class-I selection grade.

259. With a view to ensuring proper management of the Currency Chests and Sub-Chests maintained all over the country by the Sonali Bank, a three-day long special course on Chest Inspection was conducted by the Academy which was attended by 7 officers class-I of the Bangladesh Bank and 7 officers of the Sonali Bank.

260. A number of guest speakers were invited by the Academy during the year to deliver lectures on special topics to selected officials of the Bank.

261. The Academy successfully conducted a five-day long International Workshop on Negotiating with Transnational banks in collaboration with UNDP/UNCTC during March 20-24, 1983. Seven high ranking international bankers, civil servants and legal experts were invited from different parts of the world to conduct the workshop which was attended by 37 participants and 12 observers selected from the Bangladesh Bank, scheduled banks, different ministries and academic institutions.

Board Meetings

262. During the year, 6 (six) meetings of the Board of Directors, 1 (one) meeting of the Executive Committee and 15 (fifteen) meetings of the Co-ordination Committee were held.

CHAPTER XXI

ANNUAL ACCOUNTS

ANNUAL ACCOUNTS

263. The Balance Sheet of the Issue Department of the Bank as on the 30th June, 1983 appears at pages 172-173 of the Report.

Issue Department

264. Total notes issued as on the 30th June, 1983 amounted to Tk. 1,221.64 crores as against Tk. 954.54 crores as on the 30th June, 1982. Assets against the notes issued included Gold worth Tk. 43.65 crores, Approved Foreign Exchange of Tk. 50.00 crores, Taka Coins worth Tk. 1.99 crores, Government of Bangladesh Securities worth Tk. 666.76 crores and Internal Bills of Exchange and other Commercial Papers worth Tk. 459.24 crores. The corresponding figures of assets against note issue as on the 30th June, 1982 were 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.

Banking Department

265. The Balance Sheet of the Banking Department as on the 30th June, 1983 appears at pages 174-175. On the Liabilities side, balances in the Statutory Funds increased from Tk. 119.50 crores to Tk. 151.00 crores due to appropriation of Tk. 31.50 crores as shown in the paragraph relating to "Profit and Loss Account". Government's Deposit increased to Tk. 1.34 crores from Tk. 1.13 crores as on the 30th June, 1982. Banks Deposits also increased from Tk. 267.30 crores as on the 30th June, 1982 to Tk. 313.25 crores as on the 30th June, 1983. "Other Deposits" including deposits of I. B. R. D., I M F etc. increased to Tk. 1,591.33 crores from Tk. 1,473.33 crores on the same day last year. The allocation of SDR remained unchanged at Tk. 91.74 crores.

266. On the Assets side of the Banking Department "Bills Purchased and Discounted-Internal" decreased to Tk. 59.00 crores from Tk. 121.00

crores as on the 30th June, 1982 and the balance of re-discounted Government Treasury Bills declined to Tk. 117.72 crores as on the 30th June, 1983 from Tk. 318.28 crores as on the same day last year. The amount under "Balances Held Outside Bangladesh" increased substantially from Tk. 173.52 crores as on the 30th June, 1982 to Tk. 763.07 crores as on 30th June, 1983. Loans and Advances to Government (Ways & Means Advance) remained unchanged at Tk. 20.00 crores. Other Loans and Advances (Loans and Advances to Banks & other Institutions) slightly declined to Tk. 1,033.05 crores as on the 30th June, 1983 from Tk. 1,039.51 crores as on the same day last year. The balances under "Investments" decreased to Tk. 243.23 crores as on the 30th June, 1983 from Tk. 500.14 crores as on the 30th June, 1982.

Profit & Loss Account

267. The Profit and Loss Account of the Bank for the year ending 30th June, 1983 appears at page 176.

268. The Profit and Loss position of the Bank for the year 1982-83 is summarised as under :

Gross Earning of the Bank	Tk. 264,68,22,544.00
Total Expenditure	Tk. 150,58,20,823.00
Net Profit :	**Tk. 114,10,01,721.00**

269. Out of the above profit of Tk. 114.10 crores, a sum of Tk. 33.50 crores has been appropriated towards different Statutory and Other Funds and the balance of Tk. 80.60 crores has been transferred to the Government as surplus profit as indicated below :

Rural Credit Fund	Tk. 12,00,00,000.00
Industrial Credit Fund	Tk. 4,00,00,000.00
Export Credit Fund	Tk. 3,00,00,000.00
Agricultural Credit Stabilisation Fund	Tk. 12,50,00,000.00
Credit Guarantee Fund	Tk. 2,00,00,000.00
Surplus Profit Transferred to Government	Tk. 80,60,01,721.00
Total :	**Tk. 114,10,01,721.00**

Interest Subsidy to Banks & Financial Institutions

270. For financing the agricultural projects and the Special Housing Scheme for low and middle income people at a concessional rate of interest the Bank, besides providing 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. 53.94 lakhs was paid as interest subsidy during 1982-83 as against Tk. 22.63 lakhs paid last year.

Appointment of Auditors

271. In terms of Article 65 (I) of the Bangladesh Bank Order 1972, the Government was pleased to appoint M/s. Howlader Yunus and Co., and M/s. S.F. Ahmed and Co., Chartered Accountants to audit the Accounts of the Bank for the year 1982-83.

Appreciation

272. 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, 1983.

BALANCE SHEET

AND

PROFIT AND LOSS ACCOUNT

AS AT

30TH JUNE, 1983

LIABILITIES		TAKA
Capital Paid Up		3,00,00,000
Reserve Fund		3,00,00,000
Rural Credit Fund		55,00,00,000
Industrial Credit Fund		20,00,00,000
Export Credit Fund		21,00,00,000
Agricultural Credit Stabilisation Fund		55,00,00,000
Deposits :		
(a) Government	1,34,27,163	
(b) Banks	313,24,69,321	
(c) Others	1591,33,27,563	1905,92,24,047
Allocation of Special Drawing Rights		91,74,31,206
Bills Payable		7,56,471
Other Liabilities		386,20,60,045
TOTAL LIABILITIES	**Taka**	**2540,94,71,769**

ASSETS		TAKA
Notes		38,58,025
Taka Coin		928
Subsidiary Coin		14
Bills Purchased and Discounted :		
(a) Internal	59,00,00,000	
(b) External	NIL	
(c) Government Treasury Bills	117,71,93,811	176,71,93,811
Balances held Outside Bangladesh*		763,07,46,912
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		1033,04,49,574
Investments		243,23,15,152
Other Assets		304,49,07,353
TOTAL ASSETS	**Taka**	**2540,94,71,769**

*** Include Cash and Short-Term Securities.**

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1983

INCOME		
Interest, Discount, Exchange, Commission, etc	**Taka**	**264,68,22,544**
EXPENDITURE		
Establishment		11,04,10,703
Directors' Fees and Expenses		19,892
Auditors' Fees		51,975
Rent, Taxes, Insurance, Lighting, etc.		78,29,679
Law Charges		61,409
Postage and Telegram Charges		16,71,139
Remittance of Treasure		14,08,613
Stationery, etc.		49,74,668
Security Printing (Cheques, Note forms, etc.)		9,21,58,976
Depreciation and Repairs to Bank's Property		1,58,87,751
Agency Charges		1,05,84,276
I.M.F. Charges		83,67,09,513
Interest Subsidy to Banks & Financial Institutions		53,94,047
Interest on Deposits		37,26,63,859
Interest on Staff Provident Fund		1,42,38,989
Contribution to Staff and Superannuation Funds		NIL
Miscellaneous Expenses		3,17,55,334
Net Available Balance		114,10,01,721
	Total Taka	**264,68,22,544**
Amount transferred to Reserve Fund		NIL
Amount transferred to Rural Credit Fund		12,00,00,000
Amount transferred to Industrial Credit Fund		4,00,00,000
Amount transferred to Export Credit Fund		3,00,00,000
Amount transferred to Agricultural Credit Stabilisation Fund		12,50,00,000
Amount transferred to Credit Guarantee Fund		2,00,00,000
Surplus payable to Government		80,60,01,721
Balance carried forward		NIL
	Total Taka	**114,10,01,721**
RESERVE FUND ACCOUNT		
By Balance on 30th June, 1982		3,00,00,000
By Transfer from Profit & Loss Account		NIL
	Total Taka	**3,00,00,000**

MD. MOKHLESUR RAHMAN
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, 1983 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 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.

S. F. Ahmed & Co.,
Chartered Accountants

Howlader Yunus & Co.,
Chartered Accountants

Dhaka,
The 4th August, 1983.

APPENDICES

1. AREA AND POPULATION

Area	143,998 Km^2	
	1981-82	**1982-83**
Population	91.6 million	93.6 million
Density of Population :		
a) Per Km^2 of Total Land Area	636	650
b) Per Km^2 of Cultivable Land	1068	1090

Source : Bangladesh Bureau of Statistics.

2. NATIONAL INCOME, INVESTMENT AND SAVINGS

(Taka in crores)

Items/Sectors	1981-82	%	1982-83R	%
1. GDP (At Constant 1972-73 Factor Cost)	6,979.1	—	7,238.5	—
2. GDP (At Current Market Prices)	23,261.0	—	26,565.0	—
3. Per capita GDP (In Taka at Current Prices)	2,531.0	—	2,823.0	—
4. Total Domestic Investment (Current Prices)	2,754.8P	10.78@	3,083.3	11.14@
5. Gross Domestic Savings (Current Prices)	522.8P	2.04@	821.0	2.98@
6. Sectoral Break-up of GDP (At Constant Factor Cost) :				
a) Agriculture	3,810.2	55	3,990.0	55
b) Industry	600.6	9	603.0	9
c) Construction	384.0	5	366.3	5
d) Power & Gas	25.5	—	29.8	—
e) Transport	367.6	5	380.1	5
f) Trade	506.8	7	524.0	7
g) Others	1,284.4	19	1,345.3	19
		100		100

Source: Planning Commission.
@ As percentage of GDP at Current Market Prices.
P= Provisional. R= Revised Estimate.

3. GOVERNMENT FINANCE AND ANNUAL DEVELOPMENT PROGRAMME

(Taka in crores)

Sl. No.	Heads	1981-82	%	1982-83 (Revised)	%
1.	**Revenue Receipts :**	**2,553.81**	**100**	**2,710.70**	**100**
	a) Tax	1,968.06	77	2,159.80	80
	b) Non-Tax	575.85	23	550.90	20
2.	Revenue Expenditure	1,849.68	72	2,146.70	79
3.	Revenue Surplus	704.13	28	564.00	21
4.	**Capital Receipts :**	**2,580.45**	**100**	**3,530.10**	**100**
	a) Capital Expenditure	366.30	14	852.12	24
	b) Capital Surplus	2,222.00	86	2,677.98	76
5.	**Size of ADP :**	**2,715.25**	**100**	**2,977.02**	**100**
	a) Domestic	744.26	27	615.00	21
	b) Foreign	2,081.44	77	2,362.02	79
	c) Surplus (+)/ Deficit (−)	(+)110.45	(−)4	—	—

Source : Budget Summary Statements ; Ministry of Finance and Planning.

4. MONEY, CREDIT AND PRICES

(Taka in crores)

Sl. No.	Heads	1981-82	1982-83
1.	Broad Money (M_2)	4,718.66	6,025.07
2.	Domestic Credit :	6,465.14	7,258.26
	i) Public Sector (including Govt.)	4,153.89	4,135.62
	ii) Private Sector	2,311.25	3,122.64
3.	Broad Money as% of GDP (Current Market Prices)	17.81	21.13
4.	General Price Index (1973-74=100) for Dhaka Middle Class :		
	i) Point to Point	298.80	340.30
	ii) Yearly Average	296.50	325.95
5.	Annual Percentage Changes in :		
	i) General Price Index for Dhaka Middle Class :		
	a) Point to Point	(+) 7.50	(+) 13.89
	b) Yearly Average	(+) 16.29	(+) 9.93
	ii) Credit to Public Sector	(+) 25.65	(+) 0.17
	iii) Credit to Private Sector	(+) 21.47	(+) 35.11

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

5. BALANCE OF PAYMENTS

Transactions	1981-82		1982-83P	
	In crore Tk.	In million $	In crore Tk.	In million $
1. Merchandise Imports (C&F)	—5390.9	—2687	—5697.4	—2394
2. Merchandise Exports (f.o.b.)	1454.5	725	1861.9	782
3. **Services :**	**—140.3**	**—70**	**—37.4**	**—16**
a) Payments	—637.1	—318	—675.9	—284
b) Receipts	496.8	248	638.5	268
4. **Private Transfer :**	**772.5**	**385**	**1309.9**	**551**
5. Balance on Current Account	—3304.2	—1647	—2563.0	—1077
6. **Capital Accounts and Other Loan/Grants :**	**2525.2**	**1259**	**—3337.4**	**1402**
a) Food	462.3	231	743.4	312
b) Commodity	872.8	435	1075.3@	452
c) Project	1190.1	593	1518.7	638
7. **Debt Repayments :**	**—94.2**	**—47**	**—207.7**	**—87**
a) Medium & Long-term	—94.2	—47	—207.7	—87
b) Food Loan	—	—	—	—
8. Short-term Borrowings (net)	61.7	31	—47.0	—20
9. Other Capital	169.5	85	—22.8	—10
10. Overall Balance	—642.0	—319	496.9	208
11. Change in Reserve (Increase —)	478.9*	238	—745.7*	—313
12. Balancing Items	163.1	81	248.8	105

* 1 Foreign Exchange Asset (Increase—)	190.0	95	—593.3	—249
2 Liabilities (Increase +) includes IMF, foreign deposits in Bangladesh Bank, Bangladesh Bank Borrowing and Bilateral Balance	288.9	143	—152.4	—64

@ Includes Saudi Cash Grant.
P= Provisional.
Source : Bangladesh Bank.

6. MERCHANDISE EXPORTS
(Receipts)

Commodities	1981-82 Value			1982-83 Value		
	In crore Tk.	In million $	%	In crore Tk.	In million $	%
Export :	**1454.5**	**725**	**100**	**1861.9**	**782**	**100**
1. Raw Jute	193.9	97	13.3	258.5	109	13.9
2. Jute Goods	647.4	323	44.5	802.4	337	43.1
3. Tea	84.5	42	5.8	116.3	49	6.3
4. Leather	121.2	60	8.3	132.3	55	7.0
5. Fish, Shrimp and Froglegs	120.7	60	8.3	194.0	81	10.4
6. Naptha, Furnace Oil & Bitumen	56.5	28	3.9	135.2	57	7.3
7. Others	230.3	115	15.9	223.2	94	11.9

Source : Bangladesh Bank.

7. MERCHANDISE IMPORTS
(Payments)

Commodities	1981-82			1982-83P		
	In crore Tk.	In million $	%	In crore Tk.	In million $	%
Imports :	**5391**	**2687**	**100**	**5697**	**2394**	**100**
1. Foodgrains	592	295	11	903	380	16
a) Rice	(132)	(66)	(2)	(164)	(69)	(3)
b) Wheat	(460)	(229)	(9)	(739)	(311)	(13)
2. Edible Oil & Oil Seeds	189	94	4	128	54	2
3. Petroleum Products	34	17	1	67	28	1
4. Petroleum-Crude & Partly Refined	1214	605	23	1103	463	19
5. Cotton	72	36	1	14	6	—
6. Textile Yarn	62	31	1	83	35	2
7. Fertilizers	80	40	2	30	13	1
8. Chemicals	189	94	3	195	82	3
9. Capital Goods	1558	776	29	1761	740	31
10. Others	1401	699	25	1413	593	25

Source : Bangladesh Bank.
P= Provisional.

8. FOREIGN AID, EXTERNAL DEBT AND DEBT SERVICE

(In million US Dollars)

Particulars	1981-82	1982-83
1. Foreign Aid :		
a) Gross Disbursement during the year	1,236	1,346
b) Gross Commitment during the year	1,943	1,738
c) Total Commitment since 1972	12,821	14,559
d) Total Disbursement since 1972	8,989	10,335
2. Debt Service	46.0	79
3. Debt Sérvice-Export Ratio	6.34	10.10

Source : Planning Commission.

9. TAKA—DOLLAR EXCHANGE RATES*

Month/Year	1981-82	1982-83
July	US $ 1.00=Tk. 18.22	US $ 1.00=Tk. 22.16
August	US $ 1.00=Tk. 18.64	US $ 1.00=Tk. 22.35
September	US $ 1.00=Tk. 18.90	US $ 1.00=Tk. 22.71
October	US $ 1.00=Tk. 19.37	US $ 1.00=Tk. 22.94
November	US $ 1.00=Tk. 19.01	US $ 1.00=Tk. 23.86
December	US $ 1.00=Tk. 19.52	US $ 1.00=Tk. 24.12
January	US $ 1.00=Tk. 20.28	US $ 1.00=Tk. 24.38
February	US $ 1.00=Tk. 20.84	US $ 1.00=Tk. 24.50
March	US $ 1.00=Tk. 21.29	US $ 1.00=Tk. 24.50
April	US $ 1.00=Tk. 21.76	US $ 1.00=Tk. 24.50
May	US $ 1.00=Tk. 21.31	US $ 1.00=Tk. 24.50
June	US $ 1.00=Tk. 21.93	US $ 1.00=Tk. 24.50

* Monthly Average.

Source: Bangladesh Bank.

10. COMPARATIVE POSITION OF SCHEDULED BANKS

(In crore Taka)

Particulars	Amounts as on 30.6.1982	30.6.1983
Bank Deposits (excluding inter-bank items):	**3812.99**	**4867.00**
Demand Deposits	1249.90	1505.98
Time Deposits	2563.09	3361.02
Borrowings from Bangladesh Bank	1335.18	1208.31
Cash in Hand	107.41	126.97
Balances with Bangladesh Bank	261.44	302.59
Balances with other Banks in Current Account in Bangladesh	48.21	90.18
Money at Call and Short Notice in Bangladesh	18.37	40.46
Scheduled Banks' Investment:	**721.59**	**1033.07**
Government Securities	372.46	614.01
Others	349.13	419.06
Bank Credit (excluding inter-bank items):	**4473.66**	**5209.97**
Advances in Bangladesh	4260.01	4988.87
Inland and Foreign Bills Purchased and Discounted in Bangladesh	213.65	221.10
Credit/Deposit Ratio (excluding BKB & BSB)	1.02	0.87

Source: Bangladesh Bank.

11. LIST OF SCHEDULED BANKS

(As on June 30, 1983)

A. NATIONALISED BANKS (8)

a) Commercial Banks

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

b) Specialised Banks

1. Bangladesh Krishi Bank
2. Bangladesh Shilpa Bank

B. PRIVATE COMMERCIAL BANKS (6)

1. Arab Bangladesh Bank Ltd.
2. International Finance, Investment & Commerce Bank Ltd.
3. National Bank Ltd.
4. United Commercial Bank Ltd.
5. Islami Bank Bangladesh Ltd.
6. The City Bank Ltd.

C. FOREIGN COMMERCIAL BANKS (7)

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

12. OFFICES OF THE BANGLADESH BANK
(AS ON JUNE 30, 1983)

Head Office

DHAKA

Offices at

MOTIJHEEL (DHAKA)

SADARGHAT (DHAKA)

CHITTAGONG

KHULNA

BOGRA

RAJSHAHI

SYLHET

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