

ANNUAL REPORT 1983-84



BANGLADESH BANK

ANNUAL REPORT
1983-84



BANGLADESH BANK

BOARD OF DIRECTORS

1. Mr. M. Nurul Islam	Chairman
2. Mr. M. Khalid Khan	Director
3. Mr. Nuruddin Ahmed	Director
4. Mr. Nizamuddin Haider	Director
5. Mr. A.M. Anisuzzaman	Director
6. Dr. Md. Habibullah	Director
7. Dr. A.H. Shahadatullah	Director
8. Major General Muzammel Hossain	Director
Mr. P.K.M.A. Chowdhury	Secretary

GOVERNOR

Mr. M. Nurul Islam

DEPUTY GOVERNORS

Mr. M. Khalid Khan

Mr. Kazi Badrul Alam

EXECUTIVE DIRECTORS

Mr. A.T.M. Amin

Mr. M.A. Beg

Mr. B.B. Debnath

Mr. A.K.M. Khalilur Rahman

Mr. Mahbubur Rahman Khan

ECONOMIC ADVISER

Mr. A.S.M. Fakhurul Ahsan

HEADS OF DEPARTMENTS

Mr. M. Mokhlesur Rahman	...	Accounts Department
Mr. A.K.M. Shah Alam Chowdhury	...	Administration and Expenditure Department
Mr. Kamaluddin Ahmed	...	Agricultural Credit Department
Mr. Walayet Hossain	...	Agricultural Credit Inspection Department
Mr. A.T.M. Hafizur Rahman	...	Audit and Inspection Department
Mr. S.R. Karmaker	...	Banking Control Department
Mr. A.H.M. Nurul Islam Choudhuri	...	Department of Research
Mr. Q.A. Tahir	...	Department of Banking Inspection
Mr. M N Mustafa	...	Department of Public Relations and Publications
Mr. M.A. Mannan	...	Engineering Department
Mr. S.M. Khalilur Rahman	...	Exchange Control Department
Mr. Syed Feda Hossain	...	Industrial Credit Department
Mr. Md. Saleh Ahmed	...	Personnel Department
Mr. A.T.M. Insanuddin 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. M.A. Quasem	...	Motijheel Office, Dhaka
Mr. A.K. Motlub Ahmed	...	Chittagong Office
Mr. M. Maidul Islam	...	Khulna Office
Mr. A.J. Prodhan	...	Bogra Office
Mr. Kh. Shafiquddin Ahmed	...	Rajshahi Office
Mr. Syed Mofizur Rahman	...	Sylhet Office
Mr. A.T. Ahmed Chowdhury	...	Sadarghat Office, Dhaka.

**LETTER OF TRANSMITTAL
BANGLADESH BANK**

DHAKA :
January 27, 1985

The Secretary,
Ministry of Finance,
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, 1984.

Yours faithfully,
M. NURUL ISLAM
Governor

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CHAPTER I

TRENDS IN THE ECONOMY

TRENDS IN THE ECONOMY

The gains which the economy had registered in 1982-83 after the recession of 1981-82 were largely sustained in 1983-84. Real GDP growth rose from 3.72 per cent in 1982-83 to 4.5 per cent in 1983-84. The industrial sector which remained virtually stagnant during 1982-83 showed substantial improvement during 1983-84. The balance of payments continued to record surplus. The terms of trade improved further during the year. Export growth accelerated reflecting mainly increased export prices. Non-traditional exports maintained its rising trend during the year. Workers' remittances and external aid disbursements, however, declined from the levels of the preceding year. With a substantial surplus recorded in the foreign sector and larger than targetted increase in domestic credit liquidity expanded at a fast rate during the year, but there was a generally satisfactory supply response to demand for many of the consumption goods. There was also sustained demand for financial savings on account of positive real rate of interest. As a result inflationary expectation was held in check, although under severe strain. The rate of inflation did not accelerate beyond what was experienced in the previous year.

2. Gross Domestic Product (GDP) as estimated by the Planning Commission increased by 4.5 per cent in real terms during 1983-84 as compared with the growth of 3.72 per cent in 1982-83. Although the growth in GDP fell short of the target, this was no less significant taking into account the heavy damage of food crops by drought and early flood in mid-1984. Foodgrains production at 157.13 lakh tons* during 1983-84 was 3.94 per cent lower than the target of 163.58 lakh tons, though at this level it was 2.63 per cent higher than the harvest of 153.10 lakh tons in 1982-83. With similar setback in non-food farm activities, the overall growth in the

* Metric tons.

agricultural sector was recorded lower at 4.0 per cent as compared with 4.7 per cent in 1982-83. Despite disruption in power supply, the manufacturing sector showed a significant improvement. Production of a number of items, particularly paper & newsprint, petroleum, cotton textiles, fertilizers, steel and gas recorded substantial increases during the year. Industrial production as a whole grew by 5.7 per cent in 1983-84 as against the nominal growth of 0.3 per cent in the previous year. The power and gas sector showed a spectacular growth of 21.4 per cent during the year under report as compared with 7.7 per cent in 1982-83. Trade and transport sectors which grew by 3.0 per cent each in 1982-83 also recorded higher growth rates of 5.8 per cent and 5.5 per cent respectively during 1983-84. The construction sector which showed a negative growth in 1982-83 recorded a growth of 1.5 per cent in 1983-84. The housing and construction sectors recorded favourable growth partly on account of brisk development activities in the Upazillas during the year. The House Building Finance Corporation also liberalised their lending both for urban and rural houses. These included enhancement of loan ceiling and extension of repayment period. Growth of the housing sector at 3.0 per cent in 1983-84 was thus higher than 2.5 per cent in the preceding year. Growth rate of all other sectors lumped together was estimated at 5.8 per cent during 1983-84.

3. Stabilisation efforts continued during the year with a number of new adjustment measures taken during the year. In order to strengthen domestic resource mobilisation efforts, some new tax measures were taken during the year which included further rationalisation of import duty structure and adjustments in import duty rates, modest increases in excise duty on natural gas, introduction of excise duties on several additional commodities, a new turn-over tax on certain activities and enhancement of electricity tariffs by a weighted average of 3.2 per cent. A further power tariff increase of 11 per cent was implemented in February, 1984. The sale and rental rates for most types of small scale irrigation equipments were also raised. The net budgetary impact of all these measures was envisaged at Tk. 52.15 crores. Other non-tax revenue measures included the assessment

of water charges on land benefiting from projects implemented by the Water Development Board, increased telephone charges, postal service fees and railway passenger fares and the introduction of user fees for certain public health services. With a view to stepping up agricultural production agricultural credit programme was expanded from Tk. 817.20 crores in 1982-83 to Tk. 850.00 crores in 1983-84. In order to strengthen incentives to farmers to increase production the internal procurement prices of paddy, rice and wheat were raised from Tk. 361.70, Tk. 562.60 and Tk. 361.70 per quintal to Tk. 385.80, Tk. 602.80 and Tk. 385.80 per quintal respectively with effect from November 15, 1983. Ration prices of rice and wheat were also increased from Tk. 576.00 and Tk. 388.50 per quintal to Tk. 630.00 and Tk. 415.30 per quintal respectively with effect from January 2, 1984. A number of steps were also taken as per New Industrial Policy (NIP) declared in June, 1982 to improve the performance of public sector corporations and industrial enterprises. These included reorganisation of public enterprises, flexibility in pricing, capital restructuring, programmes towards setting up of an improved system for monitoring the performance of the enterprises, etc. The private sector continued to receive increased facilities and the Government further simplified the procedures and increased the range of incentives for investment and exports. In order to boost up exports in particular, the rate of interest on export credit (pre-shipment, packing and post-shipment) in respect of non-traditional items was further reduced from 11.5 per cent to 9.0 per cent per annum with effect from 1st July, 1983. The rate of interest on refinance against export credit for non-traditional items was lowered from 8 per cent to 5.5 per cent. The exchange rate policy continued to remain flexible in 1983-84 which helped exporters compete in the world market. Under the trade-weighted basket method the taka-dollar rate was adjusted four times. The taka-dollar rate was changed to Tk. 24.55 on August 28, to Tk. 24.75 on September 23, to Tk. 25.00 on October 12, 1983 and finally to Tk. 25.20 on February 23, 1984 per US dollar. In the secondary market the average price of US dollar was Tk. 26.16 during July-September, 1983 quarter and the rate moved to Tk. 27.06 during October-December, 1983 quarter and further to Tk. 27.40 during January-March quarter and Tk. 27.83 during April-June, 1984 quarter.

4. On the monetary scene, a particularly disquieting feature at the beginning of 1983-84 was the substantial excess liquidity of banks. Liquid assets held by banks as on August 5, 1983 constituted 32.20 per cent of their total deposits as against the requirement of 25 per cent. Although the ratio declined thereafter, it remained high enough to indicate substantial potential for expansion in liquidity and credit. This situation provided substantial cause for concern particularly at a time when substantial excess liquidity was generated in the economy in view of the fast expansion in liquidity in 1982-83. With a view to mopping up the excess liquidity of banks a two-year special treasury bond was issued and sold to them from February 5, 1984. The two-year special treasury bonds were issued at a discount of 12 per cent per annum which meant that for a bond issued at Tk. 76.00, Tk. 100.00 would be paid at the time of maturity i.e., after two years from the date of issue. An alternative instrument of these bonds was made available in which case these bonds were issued at par and interest at 14.20 per cent per annum could be drawn every 6 months without compounding. The face value of bonds purchased by banks till June 30, 1984 amounted to Tk. 240.45 crores, and their cost value was Tk. 192.34 crores. These bonds were also sold to the public but their subscription to these bonds till June 30, 1984 did not exceed Tk. 22.28 crores (cost value). Apart from these bonds, the five-year savings certificates were reactivated at an attractive yield.

5. Credit demand significantly picked up in the last four months of the year and despite efforts to reduce the potential for credit and monetary expansion, domestic credit expanded by not less than 12.26 per cent during the period. Taking the year 1983-84 as a whole, domestic credit expansion worked out to Tk. 2000.86 crores or 27.57 per cent as against an expansion of Tk. 1254.00 crores or 17.3 per cent programmed for the year and the actual expansion of Tk. 793.12 crores or 12.27 per cent in 1982-83. This combined with a large surplus of as much as Tk. 518.15 crores in the foreign sector led to an expansion of Tk. 2503.12 crores or 41.54 per cent in liquidity as compared with an increase of Tk. 903.65 crores or 15 per cent programmed for the year and the actual expansion of Tk. 1306.41 crores or 27.68 per cent in 1982-83.

6. The increase in domestic credit was brought about mainly by a marked expansion in credit to the private sector. Credit to the private sector expanded by as much as Tk. 1779.83 crores or 57 per cent during 1983-84 as compared with an increase of Tk. 811.39 crores or 35.11 per cent in the preceding year. Net credit to the Government also increased by Tk. 170.11 crores or 11.13 per cent during the year as against a decline of Tk. 22.83 crores or 1.47 per cent during 1982-83. After allowing, however, for advance salary and bonus payments net credit to the Government increased by not more than Tk. 50.11 crores during the year. Credit to the public sector recorded a sharp decline of Tk. 141.42 crores or 5.42 per cent per annum as compared with a small increase of Tk. 4.56 crores or 0.17 per cent in the preceding year, reflecting improved financial performance of a number of sector corporations and autonomous bodies. The marked increase in credit to the private sector was due mainly to substantial increase in advances against export and import commodities, advances to the agricultural sector and other secured advances. Advances to the private sector against export commodities increased by Tk. 170.68 crores during 1983-84 as against the expansion of Tk. 76.28 crores in the preceding year, while those against imported goods (other than industrial machinery) went up by Tk. 235.16 crores during 1983-84 as against the increase of Tk. 56.92 crores in 1982-83. Advances to the agricultural sector expanded by Tk. 725.84 crores during 1983-84 as against the increase of Tk. 511.64 crores during 1982-83. Other secured advances (excluding crop financing) and advances secured by guarantee to the private sector are estimated to have increased from Tk. 406.00 crores to Tk. 798.00 crores over the period. The increase in advances against imported commodities which was much more than warranted by the moderate increase in imports was perhaps due mainly to the replenishment of stocks of imported goods depleted earlier. It was not considered appropriate to make vigorous efforts towards containing expansion in domestic credit at a time when the economy started recovering from the sluggishness of the past two years. However, efforts to step up recovery of agricultural credit were strengthened. In order to ensure effective supervision of loans by the bank branches as also to cover rising cost of administration of loan operation of

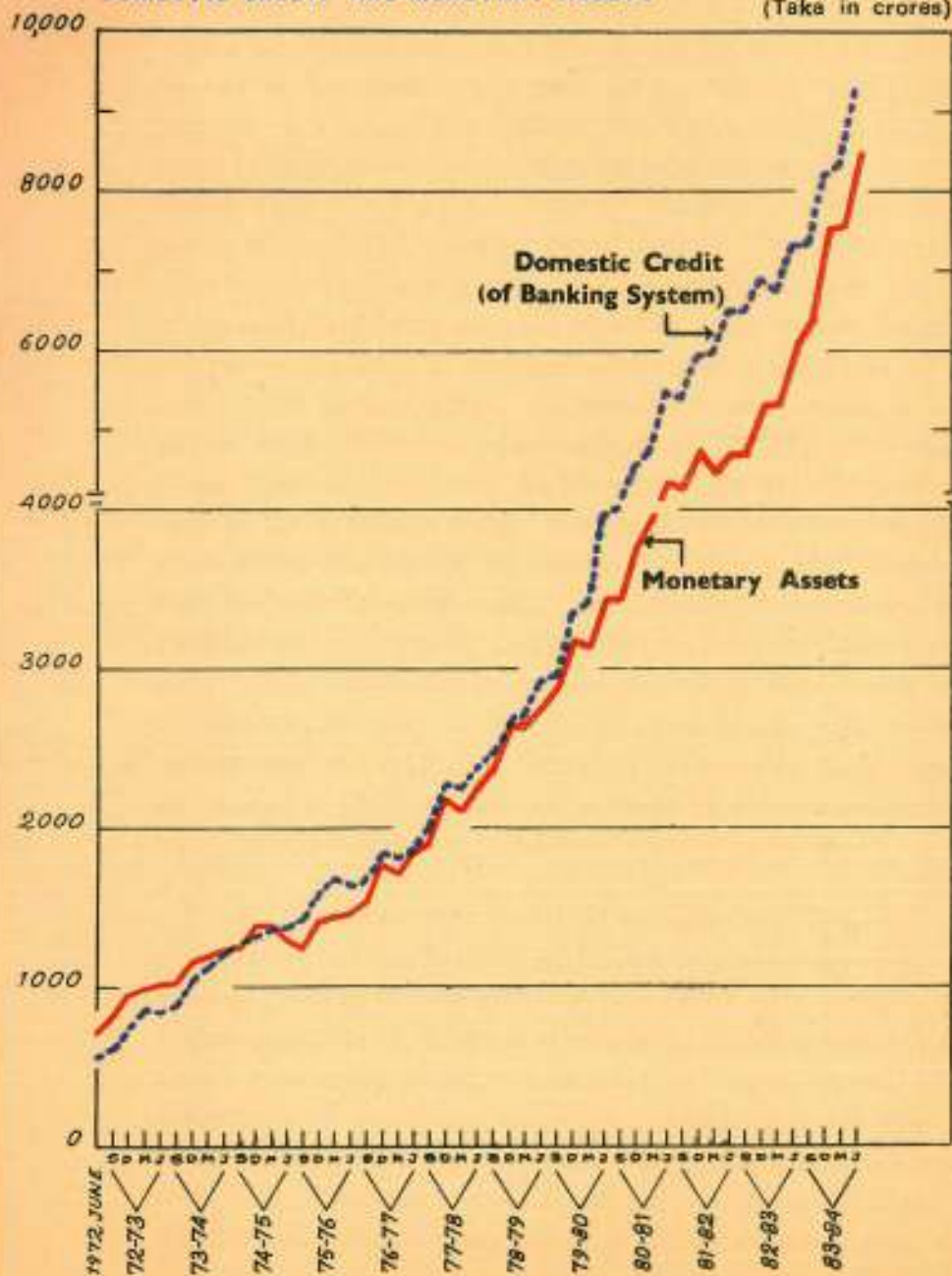
the participating credit institutions service charges for short term and long term agricultural credit were introduced at the rates of 4% and 3% respectively over and above their normal interest rates of 12% and 13% respectively. Apart from this, penal interest rate on overdue agricultural loan was also enhanced from 3% to 6% with a view to discouraging the loanees from defaulting or causing delay in repayment of loans. Another important measure taken during the year with regard to agricultural credit was the application of variable rates of refinance in respect of agricultural credit. The weighted averages of the variable rates roughly worked out to 8.5 per cent as against the interest rate of 6% at which Bangladesh Bank's refinance in respect of agricultural credit was previously made available.

7. The fast expansion in liquidity was accompanied by an increase in the asset demand for money. Reflecting this the share of time deposits in broad money increased from 55.61 per cent at the end of June, 1983 to 57.13 per cent at the end of June, 1984. Among the various categories of time deposits the share of fixed deposits for three months and those for six months in total deposits increased from 4.59 per cent and 2.88 per cent at the end of June, 1983 to 5.22 per cent and 4.41 per cent respectively at the end of June, 1984. The ratio of fixed deposits for one year and those for three years to total deposits also improved from 7.64 and 16.79 to 9.80 and 16.98 respectively over the period. The share of savings deposits a significantly large portion of which is included in the time deposits also went up, but the increase took place mainly in the case of savings accounts with chequing facility. The proportion of fixed deposits for two years, however, declined.

8. The increase in the asset demand for money as reflected in the increase in the share of time deposits in total liquidity was not, however, so much as to explain adequately the much less than warranted increase in prices during 1983-84. As against a fast expansion of 42 per cent in liquidity which was accompanied by an increase of not more than 4.5 per cent growth in real term in GDP during 1983-84, prices as measured by the consumer price index for the Middle Class People at Dhaka city

DOMESTIC CREDIT AND MONETARY ASSETS

(Take in crores)



(1973-74=100) as compiled by Bureau of Statistics increased by not more than 12 per cent during the year as compared with the increase of 14 per cent in 1982-83. On the basis of the average of the consumer price indices for twelve months also the rate of inflation did not exceed 9.67 per cent during the year as compared to 9.93 per cent in 1982-83. The consumer price index of rural population of Dhaka district on a point to point basis went up by 13.73 per cent during 1983-84 as against the rise of 12.17 per cent during 1982-83. Popular perception of the price situation was however worse than what is indicated by the figures of the Bureau of Statistics. Apart from the increase in the asset demand for money, the increase in prices appeared to have been contained to some extent by a considerable increase in illiquidity as represented by the indebtedness of the private sector to the banking system. As mentioned earlier, domestic credit to the private sector increased by as much as Tk. 1779.83 crores or 57 per cent during 1983-84 as against an increase of Tk. 811.39 crores or 35.11 per cent in the preceding year. In view of this marked increase in illiquidity the impact of liquidity (broad money) on spending and prices might have been moderated to some extent. Smaller upward adjustment in administered prices and smaller depreciation of taka were among other factors which helped contain the increase in the price pressure during the year. It deserves mention that the increase in prices during 1983-84 was largely concentrated in food items. While the sub-index for food items recorded an increase of 17.53 per cent on a point to point basis during 1983-84, non-food prices rose only by 4.53 per cent during the year.

9. The slower than warranted reflection of the impact of the fast expansion of liquidity in prices might also have been due to the lag factor. The possibility of the intensification later of the price pressure due to the activation of inactive balances of temporary character giving rise to inflationary expectation cannot thus be ruled out. As food is the main item of expenditure in consumers expenditure budget much in this regard will depend on whether the rising trend in food prices can be arrested, if and when food prices tend to rise. It may not be difficult to check the rising trend in food prices as it has happened during the year if food stocks with

the Government remain comfortable and substantial releases from these stocks can be maintained. Free import of some importable items of consumer goods and raw materials thereof helped to contain their price rise within reasonable limits. This was made possible because of good foreign exchange reserve position. Hence it could only be a short term solution.

10. Turning now to the external sector, the balance of payments continued to record a surplus which was, however, reduced from \$ 295 million (Tk. 703.9 crores) in 1982-83 to \$ 198 million (Tk. 495.5 crores) in 1983-84. The reduction in surplus which occurred despite increased export earnings, reduced deficit on services account and lower medium and long-term debt repayments reflected an increase in imports, reduced private transfers and lower foreign aid and loan disbursements. Overall exports amounted to \$ 822 million during 1983-84 as against \$ 782 million during 1982-83. After allowance for POL exports from Singapore which were discontinued from 1983-84 but were included in the 1982-83 figures exports at the level of the year were \$ 103 million or 14 per cent higher than in the preceding year. The increase in exports occurred mainly in jute goods, tea, leather, ready-made garments, fish, shrimps and frog legs. Non-traditional exports maintained their rising trend with an increase from \$ 224 million during 1982-83 to \$ 283 million during 1983-84. Imports at \$ 2402 million during 1983-84 were \$ 85 million higher than in the preceding year but after allowing for imports of aircraft worth \$ 58 million the increase in imports during the year was nominal. The deficit on services account declined from \$112 million during 1982-83 to only \$ 28 million during 1983-84 reflecting an increase in interest earnings on assets held abroad by Bangladesh Bank, lower interest payments on long term loans and also on short-term borrowings and deposits and reduced payments under the head "Bank Commission." Private transfers stood lower at \$ 555 million during 1983-84 as compared with \$ 598 million in the preceding year. Aid and loan disbursements also declined from \$ 1475 million during 1982-83 to \$ 1322 million during 1983-84. Medium and long-term debt repayment came down from \$ 96 million during 1982-83 to \$ 69 million during 1983-84, but food loan repayments which are included in the import figure increased from \$ 10

million in 1982-83 to \$ 60 million during the year. Overall debt repayments thus stood higher at \$ 129 million during the year as against \$ 106 million in the preceding year.

11. As against the overall surplus of \$ 198 million, repayment of short-term deposit did not exceed \$ 40 million during the year, while a repurchase of \$ 35.35 million from the International Monetary Fund together with payment of \$ 15.47 million for quota increase, were offset by a purchase of \$ 47.42 million and receipt of \$ 3.42 million from the IMF. Consequently, the convertible foreign exchange reserves rose from \$350 million at the end of June, 1983 to \$ 516 million at the end of June, 1984.

12. The terms of trade improved by about 20 per cent during 1983-84, reflecting an increase in export prices. Import prices did not denote any significant change during the year.

13. The payments surplus and the increase in reserves at a time when a substantial pressure on payments and reserves would be expected on the basis of a large expansion in liquidity can be explained by the fact that the increase in money income turned out to be significantly less than warranted by the fast monetary expansion due to a decline in income velocity of money. The income velocity of broad money declined from 4.77 in 1982-83 to 3.71 in 1983-84. Due to slower increase in money income relative to the fast expansion in liquidity the increase in import demand and for that matter the increase in actual imports remained contained. Increased use of gas and local production of fertilizer permitted significant import savings in POL and fertilizer.

14. The improvement in balance of payments for the past two years does not, however, leave much room for complacency. Seen realistically the improvement in our balance of payments is only a short-run phenomenon. The temporary payments surpluses concealed the underlying weaknesses in our balance of payments. The shift from a chronic deficit to a surplus in our payments was mainly the outcome of reduced import demand

on account of recession during the past two years. If the revival of economic activity signs of which were discernible gathers momentum and if substantial liquidity overhang which appeared to have existed in the economy is activated there may be a significant increase in imports and consequently our balance of payments may again be subjected to strains and stresses. There is a wide gap between our imports and exports, signifying our heavy dependence on foreign loans and grants. About 55-60 per cent of our imports are financed by foreign loans and grants. As there is uncertainty with regard to aid environment there is the imperative need for reducing our dependence on foreign assistance. It is also no less disquieting that despite recent decline in the oil import bill due to growing use of gas generated electricity our oil imports claim about 45 per cent of our export earnings. Again there is the problem of concentration in our export earnings with substantial dependence on two commodities, namely, jute and jute goods. Among the non-traditional items, not more than four or five can count as important items and even from this limited number of items one or two are tending to reach the saturated point. Efforts towards diversification should, therefore, receive utmost importance. Remittances by our workers abroad which declined in 1983-84 may come down further in coming years due to efforts by the oil exporting countries towards adjustments in their development programmes on account of a fall in international prices of oil. Account should also be taken of the fact that despite concessional nature of most external assistance service payments on external debt are claiming a sizeable portion of limited external resources. On the basis of estimated external debt outstanding at the end of 1983-84 these payments are projected to rise to 21 per cent of exports of goods and services and workers remittances in 1986-87. All these underline the need for strengthening of our structural adjustment efforts.

15. The gains the economy had made in the past two years need to be consolidated. This consolidation will require growth with relative price stability. Although the increase in prices during 1983-84 has been much less than warranted by the rapid monetary expansion, this cannot be adequately explained by an increase in the asset demand for money as reflected in

the increase in ratio of time deposits to total liquidity or an increase in illiquidity as represented by the indebtedness of the private sector or by both. This may in significant part be due to the lag factor. The possibility of lagged effect intensifying the price pressure later cannot thus be ruled out. In this context a constant watch on price developments and a careful monetary management are needed. A pertinent question with regard to monetary management is whether more emphasis should be placed on containing domestic credit expansion than on increasing the asset demand for money. Restrictive credit policy may affect growth and in turn create unfavourable climate for investment and the unfavourable investment prospect may further dampen growth. A cautious credit policy may not also be desirable at a time when recovery has started but has not gathered substantial momentum. However, the fact that the expansion in credit to the private sector has been much larger than warranted by the growth in economic activity, reflecting perhaps use of some bank funds for unproductive purposes through diversion from one use to another, should not be overlooked. While there is thus the need for restraining the expansion in credit to this sector to a certain extent, the areas where this restraint is to be exercised need to be carefully identified so that exports, imports and production in the agricultural sector are not affected. Monetary management through increasing the asset demand for money will no doubt leave availability of credit unaffected, but strengthening of incentives for the purpose may lead to substantial switch from fixed investment to financial assets, which may not be desirable. Monetary management with these checks and balances can proceed only if its burden is reduced through appropriate and effective supply management. In the short run, supply management may need to depend heavily on quick importation of foodgrains and other essential commodities, and with comfortable reserve position this may not be a difficult task. But this soft option needs to be progressively replaced by domestic production for which capacities exist in the economy but are not being fully utilised. Policy of capacity utilisation should be made to work even though it may entail the experience of somewhat higher-cost-economy.

CHAPTER II

DEVELOPMENTS IN MAJOR SECTORS

DEVELOPMENTS IN MAJOR SECTORS

16. According to the preliminary estimate of the Planning Commission, the Gross Domestic Product (GDP) increased by 4.5 per cent in 1983-84 (at 1979-80 factor cost) as against an increase of 3.7 per cent during 1982-83. The Power and Gas and Industrial Sectors recorded significant growth as their output rose by 21.4 per cent and 5.7 per cent respectively during the year under report as against the nominal increase of 7.7 per cent and 0.3 per cent respectively during the previous year. Growth rates in all other sectors were also positive and showed an increasing trend over the previous year. Agricultural output rose modestly by 4.0 per cent during 1983-84 as against an increase of 4.7 per cent during 1982-83.

Agricultural Production

17. Agricultural production in the country increased by 4.0 per cent during 1983-84 as compared to 4.7 per cent during the preceding year. At 1979-80 prices, the share of Agricultural sector in GDP declined marginally to 51.57 per cent from 51.81 per cent in the previous year. Total food-grains production estimated at 157.13 lakh tons[@] during 1983-84 was 2.63 per cent higher than the production of 153.10 lakh tons in the previous year. Total production of rice estimated at 144.99 lakh tons in 1983-84 was 2.00 per cent higher than the production of 142.15 lakh tons in the preceding year. While the Aus and Aman rice productions increased by 5.09 per cent and 4.38 per cent to 32.22 lakh tons and 79.36 lakh tons respectively, the production of Boro rice declined by 5.78 per cent to 33.41 lakh tons. Production of wheat registered an increase of 10.87 per cent to 12.14 lakh tons during the year as against 10.95 lakh tons in 1982-83.

18. Performance of the Industrial sector which remained virtually stagnant during 1982-83 showed improvement during 1983-84. Increase in

[@]—Metric tons.

Industrial Production

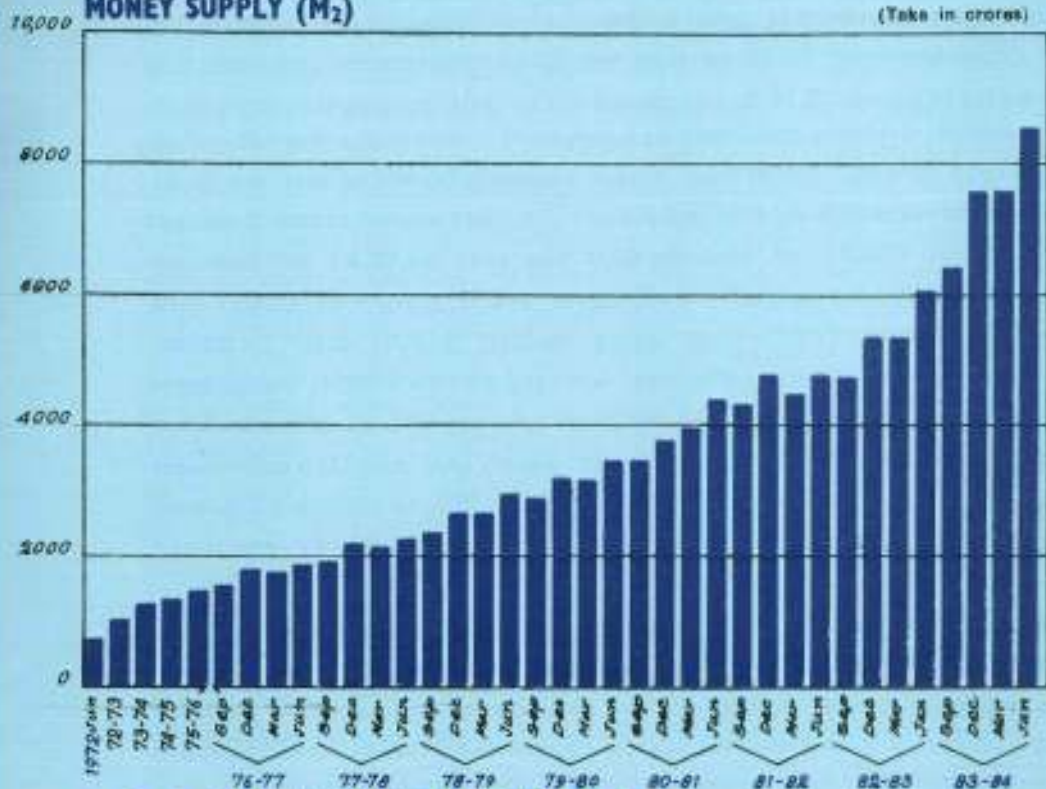
the industrial production during the year may be attributed to the increase in rural income emanating from brisk development activities in the Upazillas, and higher demand for the country's exportables. Industrial production as a whole grew by 5.7 per cent in 1983-84 as against the nominal growth of 0.3 per cent in the previous year. The contribution of the industrial sector to the GDP rose to 8.42 per cent in 1983-84 from 8.32 per cent in the previous year.

19. The measures initiated during 1981-82 and 1982-83 to put the industrial sector on an even keel were continued during 1983-84. Incentives and opportunities given under the New Industrial Policy (NIP) of 1982-83, increased private investments and enhanced production in the private sector specially in jute and textile industries. The Government continued to streamline procedures and extend the range of incentives for investment and exports. To step-up exports in particular, the rate of interest on export credit in respect of non-traditional items was further reduced from 11.5 per cent to 9 per cent per annum with effect from 1st July, 1983. The rate of interest on refinance against export credit for non-traditional items was also lowered from 8 per cent to 5.5 per cent. The rate of interest subsidy on export credit was increased from 4.5% to 5.5% per annum from 1st July, 1983 for all items of exports excluding jute, jute goods and tea.

20. As a result of these measures, production of the major industries recorded an appreciable uptrend during 1983-84. As estimated by the Planning Commission production of cotton yarn rose by 9.01 per cent to 1280.81 lakh lbs. during 1983-84 as compared with 1175.00 lakh lbs. produced during the preceding year. Production of fertilizers increased by 40.62 per cent to 8.17 lakh metric tons during 1983-84 from 5.81 lakh metric tons in 1982-83. Production of steel increased by 64.56 per cent to 78.00 thousand metric tons as compared to 47.40 thousand metric tons produced during the previous year. Output of cotton cloth rose by 3.37 per cent to 759.77 lakh yds. during the year under report. Extraction of natural gas registered an increase of 27.05

MONEY SUPPLY (M₂)

(Take in crores)



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

(Take in crores)



per cent to 83,395 million cubic feet during 1983-84 as compared with 65,638 million cubic feet extracted during the preceding year. Production of paper and newsprint increased by 15.79 per cent to 66.00 thousand metric tons during the year as compared to the production of 57.00 thousand metric tons during the preceding year. Production of petroleum products increased by 10.69 per cent to 994.00 thousand metric tons during 1983-84 from 898.00 thousand metric tons in 1982-83. Production of both cigarettes and matches declined by 14.73 per cent and 0.09 per cent to 14,000 million sticks and 120.00 lakh gross boxes respectively during the year 1983-84 as compared with 16,418 million sticks and 120.11 lakh gross boxes respectively produced during the preceding year. Production of jute goods declined by 2.82 per cent to 5.85 lakh tons during the year under report from 6.02 lakh tons during the previous year. Production of cement recorded a decline of 5.30 per cent to 286.00 thousand metric tons as compared with 302.00 thousand metric tons produced during the previous year.

21. Cement production was affected by marketing constraint due to slow-down in construction activities and sizeable imports under Wage Earners' Scheme and inadequate supply of lime stone. Production of sugar declined by 16.74 per cent to 151.00 thousand metric tons during the year under report as compared to the production of 181.36 thousand metric tons during 1982-83. Sugar production suffered due to late commencement of crushing in the mills for heavy rainfall in October, 1983, diversion of sugarcane to 'gur' production in certain mill zones and comparatively lower sugar recovery rate.

22. In the public sector, total outlay as envisaged in the Annual Development Programme for 1983-84 was originally placed at Tk. 3483.86 crores but subsequently revised downward to Tk. 3432.58 crores. Domestic resources for financing expenditure increased by Tk. 112.00 crores to Tk. 727.00 crores in 1983-84 from Tk. 615.00 crores in the previous year. Domestic financing, however, fell short of the original estimate of Tk. 983.00 crores for 1983-84. The total development outlay as envisaged in the Annual Development Programme for 1983-84 showed an

Public Sector
Outlay

increase of 15.30 per cent as compared to Tk. 2977.02 crores in the preceding year. The allocations for the major sectors were as follows : Power Tk. 576.54 crores, Agriculture Tk. 475.77 crores, Flood Control and Water Resources Tk. 469.58 crores, Thana Infrastructural Development and Assistance to Thana Parishad Tk. 343.25 crores, Industry Tk. 332.55 crores, Transport Tk. 285.89 crores, Natural Resources Tk. 217.41 crores, Housing and Physical Planning Tk. 147.16 crores, Education and Religious Affairs Tk. 133.43 crores, Population Control and Health Tk. 186.93 crores and Rural Developments and Institutions Tk. 105.73 crores. Agriculture, Flood Control and Water Resources, Rural Institutions, Population Control and Family Planning, Infrastructural Development of Thanas which have a direct impact on rural development were together allocated 46.07 per cent of total outlay of the Annual Development Programme for 1983-84. Allocations for the above heads constituted 41.55 per cent of the Annual Development Programme during the previous year.

**Investment
in the Private
Sector
Industries**

23. During the year 1983-84, a total of 2505 industrial units was sanctioned and registered by the Government with a total investment of Tk. 1118.99 crores including a foreign exchange component of Tk. 473.05 crores. In addition, 636 industrial units were registered for a total investment of Tk. 355.52 crores including a foreign exchange component of Tk. 188.17 crores. Thus total number of industrial enterprises considered during 1983-84 stood at 3141 as compared with 935 during the preceding year. The major industries which shared the investment during 1983-84 were : Textile Industries (Tk. 452.10 crores), Engineering Industries (Tk. 447.99 crores), Food and Allied Products (Tk. 221.73 crores), Tannery, Leather and Rubber Products (Tk. 63.23 crores), Service Industries (Tk. 24.16 crores), Paper, Board, Printing and Publishing (Tk. 16.51 crores), Glass, Ceramic and other Non-Metallic Mineral Products (Tk. 14.68 crores) and Industries Not Elsewhere Classified (Tk. 75.95 crores).

24. Food prices remained under pressure during the year 1983-84. Despite a good Aman crop, food prices did not decline in Decem-

Food Situation

ber when prices normally fall. The major factors responsible for the increase in food prices during the year were increased liquidity in rural areas partly due to increased development activity in these areas, increased holding power of surplus farmers due to a significant expansion in agricultural credit disbursement, increased purchasing power due to higher prices of cash crops. Lower than targetted production and increased transport cost were other contributory factors. The country average minimum retail price of coarse rice which stood at Tk. 602.70 per quintal at the end of June, 1983 increased marginally to Tk. 608.18 per quintal at the end of July, 1983. After having declined somewhat to Tk. 606.12 per quintal at the end of August, 1983, the price again increased to Tk. 669.36 per quintal at the end of September, 1983. Thereafter, the price showed a declining trend and stood at Tk. 640.55 and Tk. 625.05 per quintal at the end of October and November, 1983 respectively. The price, however, showed a rising trend and stood at Tk. 647.37 per quintal and Tk. 692.54 per quintal at the end of December, 1983 and January, 1984 respectively. After having declined nominally to Tk. 686.00 per quintal at the end of February, 1984 the price rose sharply again to Tk. 732.00 per quintal and Tk. 735.00 per quintal at the end of March and April, 1984 respectively. Thereafter, the price declined to Tk. 701.00 per quintal at the end of May, 1984 but increased to Tk. 712.00 per quintal at the end of June, 1984. Thus over the year under report the country average minimum retail price of coarse rice rose by Tk. 109.30 per quintal or 18.14 per cent.

25. Imports of rice and wheat into the country during 1983-84 stood at 1.80 lakh tons and 18.77 lakh tons respectively as against 3.17 lakh tons of rice and 15.27 lakh tons of wheat imported during 1982-83.

26. Internal procurement of rice and paddy (in terms of rice) and wheat during 1983-84 stood at 1.45 lakh tons and 1.21 lakh tons respectively as compared to 1.68 lakh tons of rice and 0.24 lakh ton of wheat procured during the preceding year.

27. Release of foodgrains from Government stocks during 1983-84 stood higher at 20.51 lakh tons as compared with 19.35 lakh tons in 1982-83. Although releases through statutory rationing system declined somewhat from 3.08 lakh tons in 1982-83 to 2.93 lakh tons in 1983-84, releases on account of Marketing Operations and Food for Works Programme increased substantially during the year.

28. The ration prices of rice and wheat were revised upward to Tk. 630.00 per quintal and Tk. 415.30 per quintal from Tk. 576.00 per quintal and Tk. 388.50 per quintal respectively with effect from 2nd January, 1984. The internal procurement prices of rice and wheat were also raised to Tk. 602.80 per quintal and Tk. 385.80 per quintal from Tk. 562.60 per quintal and Tk. 361.70 per quintal respectively with effect from 15th November, 1983.

29. The general price situation in the country recorded some deterioration during the FY 1983-84. Prices of a large number of essential consumer goods recorded sharp increases during the year. This was reflected in the overall consumer price indices of the urban centres of the country. The average consumer price index for Dhaka middle class people (1973-74=100) recorded an increase of 9.67% during the year as against the rise of 9.93% during 1982-83. On a point to point basis, however, the general consumer price index for the middle class people at Dhaka registered an increase of 12.33% during 1983-84 as against the rise of 13.89% during 1982-83. The rise in the imported prices of raw materials and finished goods, depreciation in the value of Taka, shortfall in the production of foodgrains, lower volume of imports and substantial monetary expansion were largely responsible for the rise in prices during the year.

30. The general consumer price index for the middle class people in Dhaka city (1973-74=100) which stood at 340.30 in June, 1983 rose to 382.26 in June, 1984 indicating an increase of 12.33% over the year on a point to point basis as against 13.89% during 1982-83. The rise was shared by all the sub-indices, viz., 'food' (+17.53% to 382.48), 'fuel and lighting'

Price
Situation

Consumer
Price Index

(+2.53% to 475.07), 'housing and household requisites' (+3.78% to 436.12), 'clothing and footwear' (+12.32% to 245.48) and 'miscellaneous' items (+4.58% to 339.54).

31. The general consumer price index for the middle class people in Chittagong city (1973-74=100) increased by 16.57% to 418.22 in June, 1984 over June, 1983 as compared to the increase of 7.68% in 1982-83. The rise was reflected in the sub-indices, viz., 'food' (+16.69% to 412.22), 'housing and household requisites' (+17.67% to 609.01), 'clothing and footwear' (+13.15% to 270.38) and 'miscellaneous' items (+23.86% to 377.60). The sub-index for 'fuel and lighting', on the other hand, declined by 1.49% to 286.31 over the year.

32. The general consumer price index for Khulna middle class people (1973-74=100) went up by 13.25% to 365.90 in June, 1984 over June, 1983 as against the increase of 10.14% in 1982-83. This reflected rises in the sub-indices, viz., 'food' (+18.18% to 377.40), 'fuel and lighting' (+8.61% to 353.25), 'clothing and footwear' (+5.48% to 241.19) and 'miscellaneous' items (+12.43% to 309.92). The rise was, however, partly neutralized by a decline in the sub-index for 'housing and household requisites' by 7.54% to 438.04 over the year.

33. The general consumer price index for Rajshahi middle class people (1973-74=100) rose by 6.03% to 348.49 during 1983-84 as against the increase of 7.58% during 1982-83. The rise was shared by the sub-indices, viz., 'food' (+13.59% to 350.77), 'fuel and lighting' (+10.29% to 451.50) and 'clothing and footwear' (+12.55% to 249.52). The rise was, however, partly neutralised by a decline in the sub-indices, viz., 'housing and household requisites' (-7.14% to 424.27), and 'miscellaneous' items (-4.44% to 319.21) over the year.

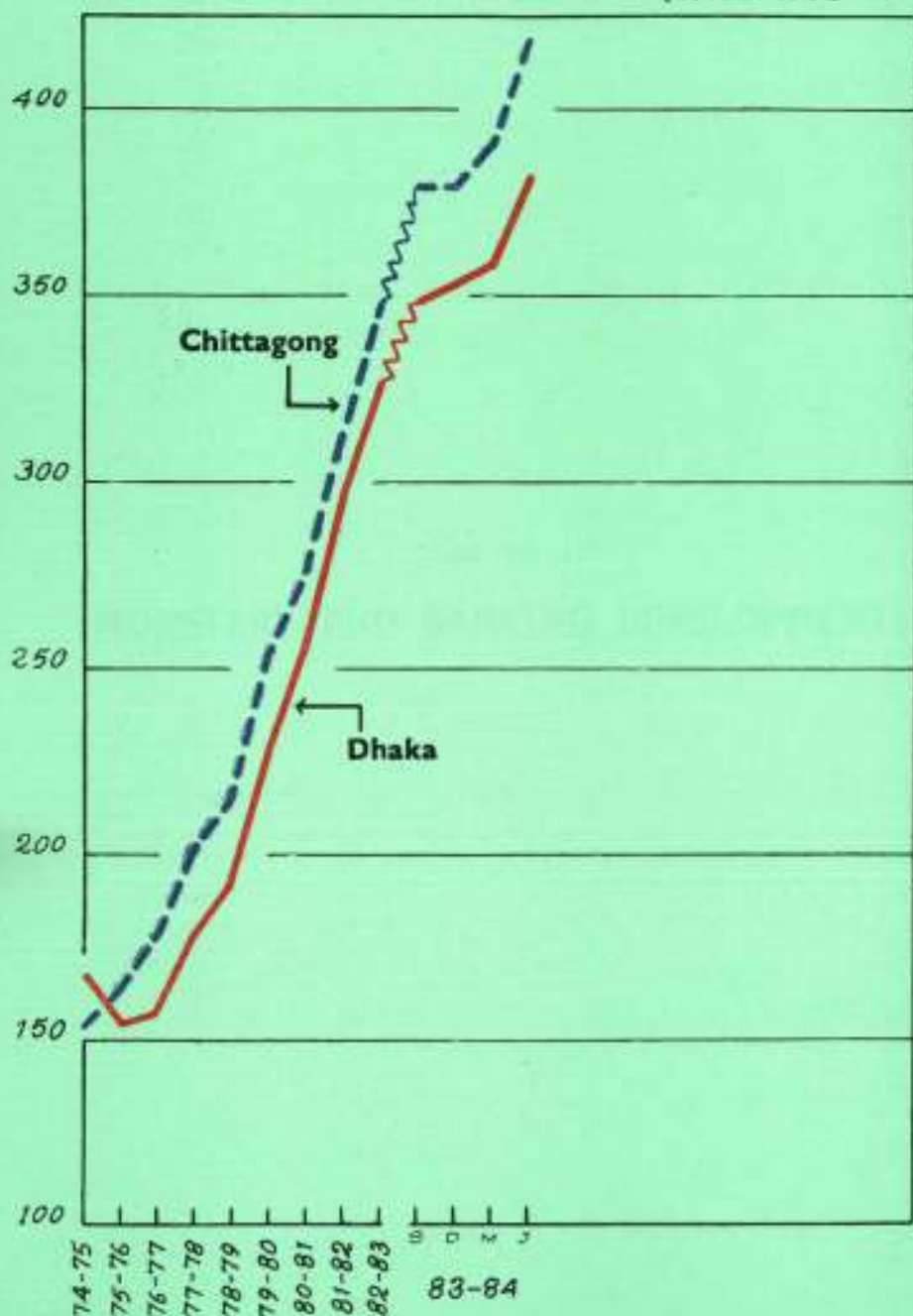
34. The wage rates for different kinds of labour in the country, as compiled by the Bangladesh Bureau of Statistics, recorded improvement during the year under report. The average index (1969-70=100) of nominal

**Savings
and
Investment**

wages which stood at 598 in 1982-83 increased by 14.4 per cent to 684 in 1983-84. The index of manufacturing wages recorded the highest increase of 29.0 per cent (558 to 720) while those in construction, agriculture and fisheries increased by 11.4 per cent (677 to 754), 2.5 per cent (558 to 572) and 2.3 per cent (639 to 654) respectively during 1983-84.

35. Gross domestic savings in the country at current prices stood at Tk. 823.06 crores during 1983-84. This was about 55 per cent higher than Tk. 531.00 crores during 1982-83. The ratio of gross domestic savings to GDP in 1983-84 stood higher at 2.69 as against 2.0 in 1982-83. Gross domestic investment at current prices stood higher at Tk. 5,260.00 crores in 1983-84 as compared with Tk. 4,453.00 crores in the preceding year. The ratio of gross domestic investment to GDP improved from 16.76 in 1982-83 to 17.21 in 1983-84.

INDICES OF MIDDLE CLASS CONSUMER PRICE AT DHAKA AND CHITTAGONG (BASE: 1973-74=100)



CHAPTER III

MONETARY AND BANKING DEVELOPMENTS

MONETARY AND BANKING DEVELOPMENTS

Money Supply

36. The monetary and credit situation during 1983-84 was characterised by an expansionary trend. Money Supply (M_1 =Narrow Money) increased substantially by Tk. 980.87 crores or 36.67% to Tk. 3655.65 crores during FY 1983-84 as against the increase of Tk. 504.64 crores or 23.25% in the preceding year. During the first quarter of the year, that is, July-September, 1983 money supply went up by Tk. 186.29 crores or 6.96% and in the following quarter it rose markedly by Tk. 423.90 crores or 14.82%. During the third quarter money supply declined by Tk. 41.32 crores or 1.26% while in the last quarter of 1984 it rose sharply by Tk. 412.00 crores or 12.70%.

37. An analysis of the causative factors of the change in money supply during 1983-84 reveals that the increase in money supply over the year was brought about by an increase of Tk. 1755.55 crores in credit to the private sector as well as by a large surplus of Tk. 523.68 crores in the country's international account. Miscellaneous credit (investment in Two-Year Special Treasury Bonds floated on February 5, 1984) contributed Tk. 192.34 crores to the expansion in money supply. The deficit in Government sector was also expansionary to the extent of Tk. 170.11 crores. These expansionary influences were partly neutralised by the accruals of Tk. 1522.25 crores in time deposits and decline in credit to the public sector by Tk. 122.67 crores. Miscellaneous factors were also contractionary to the tune of Tk. 15.89 crores.

CAUSATIVE FACTORS OF THE CHANGE IN MONEY SUPPLY

Particulars	(Taka in crores)		
	As on 30.6.84	As on 30.6.83	Changes
1. Currency Outside Banks	1625.95	1158.07	+ 467.88
2. Demand Deposits	2029.70	1516.71	+ 512.99
Change in Money Supply			+ 980.87

CAUSATIVE FACTORS

Expansion (+)

Contraction (—)

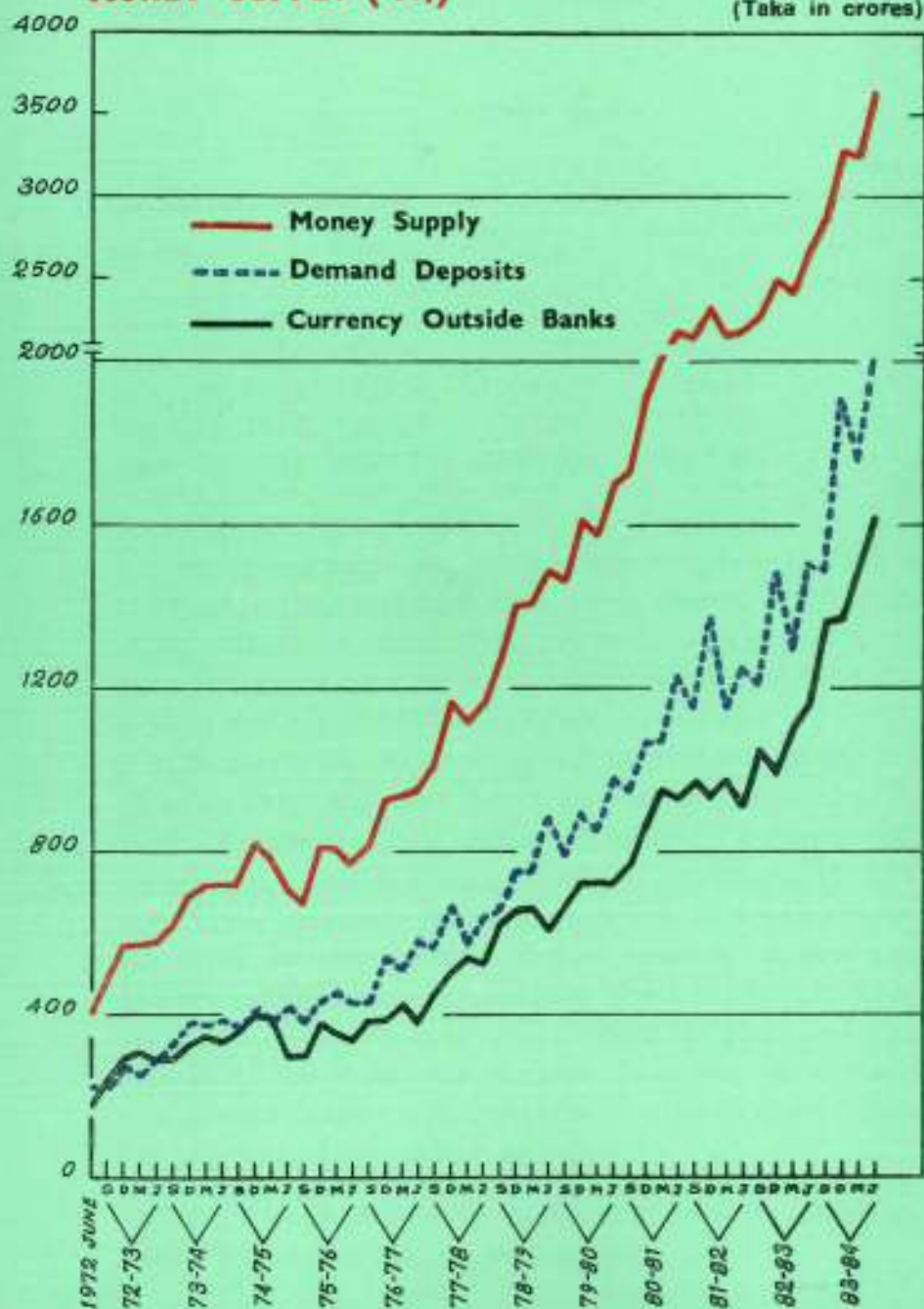
A. Government Sector :	+ 170.11
i) Government Fiscal Operation	+ 163.98
ii) Government Currency Liabilities	+ 6.13
B. Public Sector :	— 122.67
i) Credit to Public Sector	— 398.34
ii) Investment in Public Sector	+ 275.67
C. Private Sector (Including Investments)	+1755.55
D. Miscellaneous Credit*	+ 192.34
E. Time Deposits (Increase —)	— 1522.25
F. Foreign Sector (Net)	+ 523.68
G. Miscellaneous Factors	— 15.89
Total :	+980.87

* Investments in Two-Year Special Treasury Bonds.

38. Of the components of money supply (M_1), currency outside banks went up by Tk. 467.88 crores or 40.40% to Tk. 1625.95 crores during 1983-84. Demand deposits also increased by Tk. 512.99 crores or 33.82%

MONEY SUPPLY (M₁)

(Taka in crores)



to Tk. 2029.70 crores. The quarterly movement of money supply and its components during 1983-84 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, 1983	1158.07	1516.71	2674.78	—
Sept. 30, 1983	1370.92	1490.15	2861.07	+186.29
Dec. 30, 1983	1379.30	1905.67	3284.97	+423.90
March 30, 1984	1495.79	1747.86	3243.65	-41.32
June 30, 1984	1625.95	2029.70	3655.65	+412.00

39. Broad money (M_2) increased substantially by Tk. 2503.12 crores or 41.54 per cent to Tk.8528.19 crores during 1983-84 as against the increase of Tk. 1306.41 crores or 27.69 per cent in the preceding year. Of the components, time deposits or 'Quasi-Money' rose by Tk. 1522.25 crores or 45.44 per cent in 1983-84 as against the increase of Tk. 801.77 crores or 31.46 per cent in the preceding year. Demand deposits rose by Tk. 512.99 crores or 33.82 per cent during the year as compared to the rise of Tk. 252.24 crores or 19.95 per cent in 1982-83. Currency outside banks also rose by Tk.467.88 crores or 40.40 per cent during 1983-84 as compared to the increase of Tk.252.40crores or 27.87 per cent in the preceding year. The percentage shares of time deposits, demand deposits and currency outside banks in broad money stood at 57.13, 23.80 and 19.07 at the end of June, 1984 as compared with 55.61, 25.17 and 19.22 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.

40. The following table shows the comparative movements of broad money (M_2) during 1982-83 and 1983-84.

CHANGES IN BROAD MONEY

Particulars	(Taka in crores)				
	June, 1982	June, 1983	June, 1984	% Changes	
				1982-83	1983-84
1. Currency Outside Banks	905.67	1158.07	1625.95	+27.87	+40.40
2. Demand Deposits	1264.47	1516.71	2029.70	+19.95	+33.82
3. Time Deposits	2548.52	3350.29	4872.54	+31.46	+45.44
Total :	4718.66	6025.07	8528.19	+27.69	+41.55

41. The income velocity of money (M_1) during 1983-84 declined by 1.06 to 3.71 as against the decline of 0.85 during 1982-83.

INCOME VELOCITY OF MONEY

Year	(Taka in crores)		
	GDP at market price*	Broad Money@	Income velocity of Money (Col. 2÷3)
	1	2	3
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	26,514.40	4718.66	5.62
1982-83	28,713.20	6025.07	4.77
1983-84	31,614.30 ^m	8528.19	3.71

* Bangladesh Bureau of Statistics.

@ Figures from 1978-79 onwards relate to the last day of June except those of 1983-84 which relate to June, 28.

^m = Provisional.

42. The outstanding level of bank credit of the scheduled banks increased by Tk. 1463.74 crores or 28.09% during 1983-84 as against the increase of Tk. 736.31 crores or 16.46% in the previous year. Of the components of bank credit, advances increased by Tk. 1444.65 crores or 28.96%.

Bank Credit

BANK CREDIT

(Taka in crores)

7000

6000

5000

4000

3000

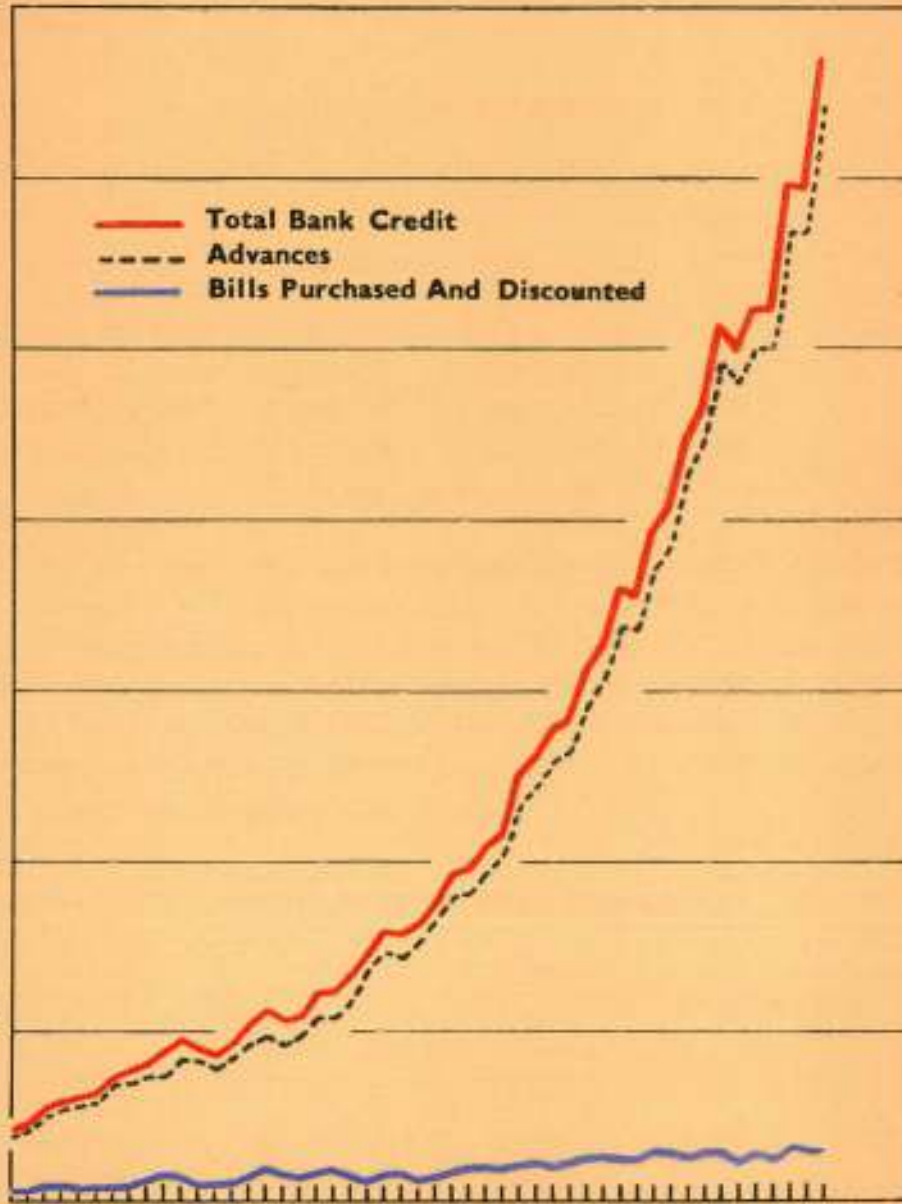
2000

1000

0

- Total Bank Credit
- Advances
- Bills Purchased And Discounted

1972 JUNE
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80
80-81
81-82
82-83
83-84



while bills purchased and discounted increased by Tk. 19.09 crores or 8.63% during the year. The quarterly movement of bank credit is shown below :

CHANGES IN BANK CREDIT

(Taka in crores)					
As on	Advances	Bills	Total Credit	Advances as % of Total Credit	Bill as % of Total Credit
June 30, 1983	4988.87	221.10	5209.97	95.76	4.24
Sept. 30, 1983	5004.33	218.48	5222.81	95.82	4.18
Dec. 30, 1983	5677.42	276.47	5953.89	95.36	4.64
March 30, 1984	5673.57	254.13	5927.70	95.71	4.29
June 30, 1984	6433.52	240.19	6673.71	96.40	3.60

43. Bank deposits (excluding Inter-bank items) registered an increase of Tk. 2035.24 crores or 41.82% during 1983-84 as compared to the increase of Tk. 1054.01 crores or 27.64% in the previous year. The increase took place both in demand and time deposits which went up by Tk. 512.99 crores or 33.82% to Tk. 2029.70 crores and by Tk. 1522.25 crores or 45.44% to Tk. 4872.54 crores respectively. 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, 1983	1516.71	3350.29	4867.00	31.16	68.84
Sept. 30, 1983	1490.15	3513.76	5003.91	29.78	70.22
Dec. 30, 1983	1905.67	4268.16	6173.83	30.87	69.13
March 30, 1984	1747.86	4311.38	6059.24	28.85	71.15
June 30, 1984	2029.70	4872.54	6902.24	29.41	70.59

Urban and Rural Bank Deposits and Advances

44. As a result of the persistent efforts of the scheduled banks under the directive of Bangladesh Bank, the share of both deposits mobilised in rural areas and advances granted there increased in percentage as well as absolute terms in recent years. During the year ended June, 1984, the share of rural deposits stood at 17.06% as compared to 16.75% at the end of June, 1983. The share of bank advances in rural areas stood at 25.78% at the end of June, 1984 as compared to 18.60% at the end of June, 1983. Rural advances stood at Tk. 934.07 crores as against the rural deposits of Tk. 854.35 crores at the end of June, 1983. The amounts of rural advances and deposits as at the end of June, 1984 stood at Tk. 1691.19 crores and Tk. 1221.47 crores respectively. This trend of rural advances exceeding rural deposits was in contrast to the previous trend of rural advances being lower than rural deposits. The percentage distributions of deposits and advances by rural and urban areas for the last five years are shown below :

PERCENTAGE DISTRIBUTION OF BANK ADVANCES AND DEPOSITS BY AREAS (URBAN AND RURAL)

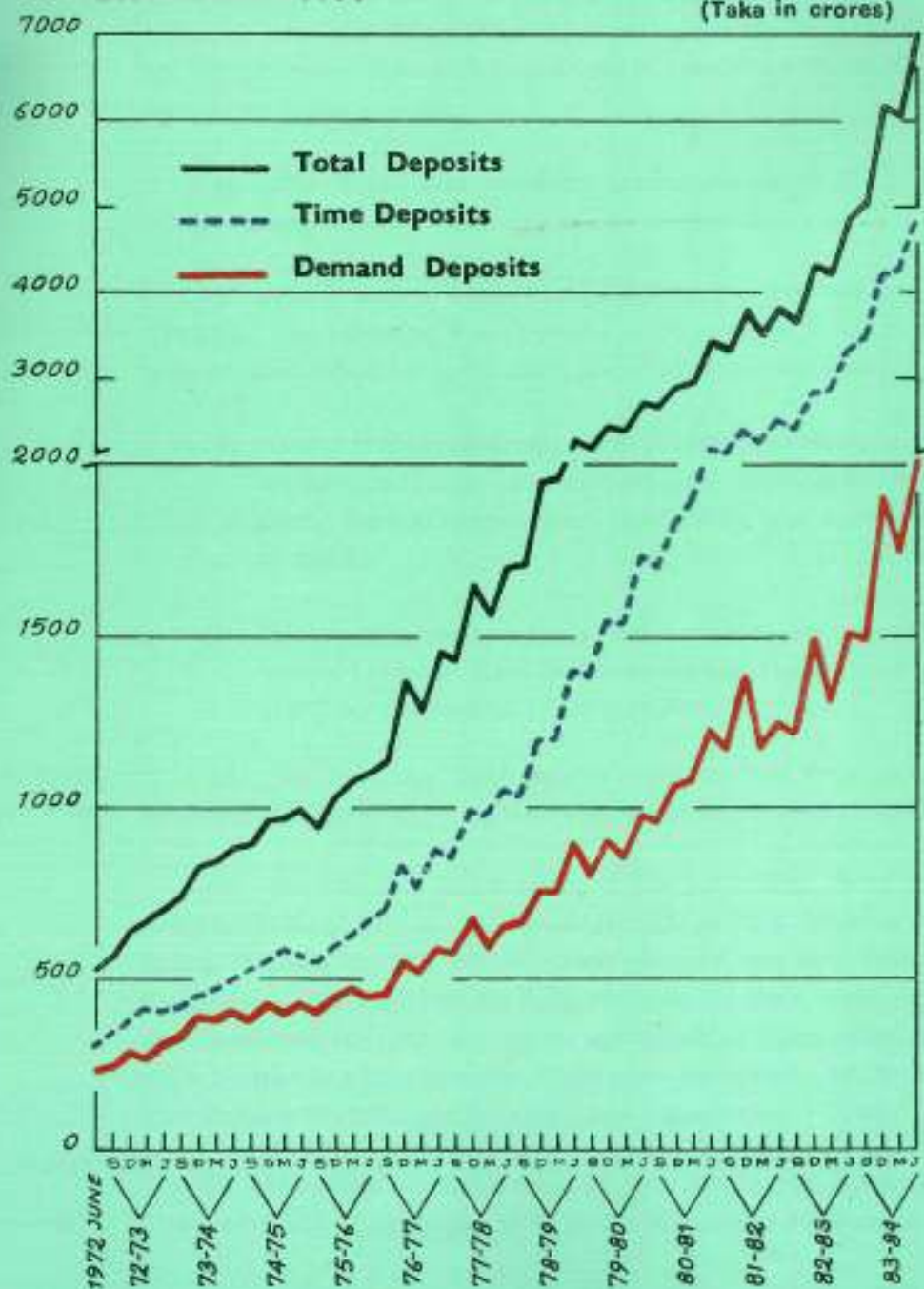
As on	Advances		Deposits	
	Rural	Urban	Rural	Urban
June 30, 1980	10.82	89.18	14.40	85.60
June 30, 1981	12.41	87.59	15.89	84.11
June 30, 1982	13.22	86.78	15.42	84.58
June 30, 1983	18.60	81.40	16.75	83.25
June 30, 1984	25.78	74.22	17.06	82.94

Liquidity Position

45. The liquidity position of the scheduled banks improved during 1983-84. The credit/deposit ratio of the banks which stood at 0.87 on 30th June, 1983 declined to 0.85 on 30th September, 1983 and to 0.81 on 30th December, 1983 and further to 0.79 on 30th March, 1984. Finally, it came down to 0.77 on 30th June, 1984. Scheduled banks' borrowings from the Bangladesh Bank declined from Tk. 1208.31 crores on June 30, 1983 to Tk. 1087.17 crores on September 30, 1983 and further to Tk. 996.02 crores on December 30, 1983. Thereafter, the borrowings picked up to Tk. 1024.61

BANK DEPOSITS

(Taka in crores)



crores as on March 30, 1984 and further to Tk. 1227.39 crores on June 30, 1984 showing a net rise of Tk. 19.08 crores over the year. Scheduled banks' balances with the Bangladesh Bank increased by Tk. 118.06 crores to Tk. 420.65 crores while cash in their tills increased by Tk. 38.93 crores to Tk. 165.90 crores over the year.

Bank Rate

46. The Bank Rate remained unchanged at 10.50 per cent per annum during 1983-84.

Interest Rates

47. There was no basic change in the interest rate policy during 1983-84. The following minor changes were, however, made in the case of interest rates applicable to certain types of advances and loans :

- i) Rate of interest on export credit in respect of all items of exports except jute, jute goods excluding jute carpet and tea excluding packet tea was reduced from 11.5% to 9% per annum from July, 1, 1983.
- ii) The rate of interest on loans and advances to borrowers in the Special Economic Zone in Chittagong Hill Tracts region was fixed at 5% per annum with effect from April 18, 1984.

Cash Reserve Requirement

48. The Statutory cash reserve requirement of the scheduled banks remained unchanged at 5% of their total demand and time liabilities.

Liquidity Ratio

49. The statutory liquidity ratio of the scheduled banks except the Bangladesh Krishi Bank and the Bangladesh Shilpa Bank remained unchanged during 1983-84 at 25% of their total demand and time liabilities. The Bangladesh Krishi Bank and the Bangladesh Shilpa Bank were exempted by the Government from the requirement of maintaining liquid assets as required under section 29 of the Banking Companies Ordinance, 1962 with effect from October 31, 1983 and May 26, 1984 respectively.

Credit Policy and Measures

50. The credit policy pursued by the Bangladesh Bank during the fiscal year 1983-84 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 within the safe limit. Important credit control and support measures adopted during the year were as under :

1) **Small Loans :**

- a) Each of the nationalised commercial banks was given a target of 1% of its total demand and time liabilities as on June 30, 1983 for disbursement as small loans to the following categories with share noted against each during the period from December, 1983 to June, 1984 :

i) Small and cottage industries	50%
ii) Retail trade	25%
iii) Other self-employed persons	20%
iv) Rural electrification	5%
	100%

- b) For foreign banks a target of 2% of their total demand and time liabilities as on last Friday of June, 1983 was fixed for disbursement of loans to the small scale industries during 1983-84. Similarly, the private sector banks were given a target of 1% of their total demand and time liabilities as on December 30, 1983 for disbursement of loans to small scale industries during the period from January to June, 1984.

- c) The credit scheme for weavers was geared up and as a result disbursement under the same exceeded Tk. 71.00

crores during the year under report. A new scheme to provide working capital to the hosiery industry was also introduced in August, 1983.

- d) The special credit programme introduced in 1978 for small and cottage industries continued to remain in force and a fresh credit allocation of Tk. 60.00 lakhs was made during the year under report raising the total allocation to Tk. 22.20 crores under the programme.

2) Housing Sector :

In view of the changes in the general house building loan facility such as enhancement of loan ceiling, extension of the repayment period etc. as introduced by the HBFC, credit facility from commercial banks for construction of residential house was withdrawn in December, 1983. However, housing being a priority sector, the bank credit facility was subsequently restored. Repayment period of advances for house building including commercial buildings was enhanced from 7 years to 12 years to minimise the difficulties faced by borrowers in debt servicing.

3) Transport Sector :

- i) No credit target was fixed for the nationalised commercial banks during 1983-84 as they were financing this sector at a reasonable level. A Special Credit Scheme for the nationalised banks prepared in February, 1983 to provide finance to transport operators for purchase of buses from the Progoti Industries Ltd. remained in force till December, 1983.
- ii) Foreign banks operating in Bangladesh were given a target of 2% of their total demand and time liabilities as on last Friday

of June, 1983 for disbursement of credit to transport sector during the fiscal year 1983-84. A target of 1% of the total demand and time liabilities as on 30th December, 1983 of the private sector banks was also set for them for disbursement of loans to the transport sector during the period from January to June, 1984.

4) Export Credit :

Guidelines for export credit by the scheduled banks were issued in the light of the Export Policy of the Government for the fiscal year 1983-84. To further liberalise the export credit facilities as per provisions of the Export Policy for 1983-84, a credit scheme relating to duty drawback was introduced with effect from 19th October, 1983 in terms of which banks were to allow interest free advances for a period of 90 days to the manufacturer-exporters upto 100% of their entitlement of duty drawback. Bangladesh Bank also provided 100% interest free refinance to the scheduled banks on this account.

5) Credit to Industrial Sector :

- a) Provisions for bank finance towards equity support for the sponsors of industrial ventures, which were introduced to encourage setting up of new industries in the private sector remained in force during the year 1983-84.
- b) The arrangements which were streamlined for timely availability of working capital finance from Nationalised Commercial Banks for new industries set up with financial assistance from Development Finance Institutions (DFIs) including those approved by the Investment Board or Permission Committee

headed by the Director General, Industries Division, were in force during FY 1983-84.

6) Advances against 2-Year Special Treasury Bond :

Banks were allowed to extend credit facility irrespective of the purposes against 2-Year Special Treasury Bonds of the Government at an interest rate of 16% per annum with effect from 30th April, 1984 on the basis of cost price of the Bonds and at a margin to be decided by the banks as per usual banking considerations. Banks were, however, advised on 7th June, 1984 that in case of borrowers who declared their untaxed income under MLR-5 advances against the Special Treasury Bonds may be allowed for productive business purposes only at a margin of not less than 25%.

7) Advances against Stock Exchange Securities :

Banks were allowed to make advances to the members of the Stock Exchange against the security of shares listed with Stock Exchange upto a maximum of 80% of the face value or market value of the shares, whichever is lower, at an interest of 16% per annum. Repayment period of such advances remained at 30 days from the date of advance.

8) Advances against General Merchandise :

- a) Margin requirement against advances for general merchandise, where admissible for the purpose of internal trading, was fixed at 50% with effect from 17th October, 1983. Margin requirement for advances for internal trading by the sole

distributors of pharmaceutical products imported by TCB on account of the sole distributors of these products in Bangladesh from the concerned foreign manufacturers was, however, fixed at 25% with effect from 3rd January, 1984.

- b) Credit facility from banks for financing import of air-conditioners, complete bi-cycles, domestic refrigerators, electric ceiling, table and pedestal fans, motor cars, new or reconditioned, complete trucks, buses etc. under WES remained prohibited. However, with effect from 15th January, 1984 banks were allowed to finance import of truck and bus chassis only under WES equivalent to 50% of the price in foreign exchange.

9) **Credit to salt crushing units :**

Banks were advised to extend credit to salt crushing units for working capital finance on normal banking considerations subject to prescribed terms and conditions.

10) **Other measures relating to bank credit :**

In order to ensure flow of adequate credit to the priority sectors of the economy the following measures were taken :—

- i) Nationalised Commercial Banks including Pubali Bank Ltd. and Uttara Bank Ltd. as well as the Bangladesh Krishi Bank were advised to extend credit @ Tk. 1000.00 per acre of land at an interest rate of 13% per annum to salt growers holding identity cards issued by BSCIC and also to those growers who did not hold identity cards issued by BSCIC but were otherwise considered eligible for production of salt during the year

1983-84. The recovery of the salt loan was to be completed by 30th June, 1984, as per repayment schedule prescribed in this behalf.

- ii) With effect from 18th March, 1984, banks were allowed to extend credit to transport operators for purchase of imported reconditioned mini-buses from the importers under normal banking considerations.
- iii) The time limit for credit facility to oil mills for purchase of locally produced oil seeds against the security of the same and against finished products was extended upto 30th November, 1984.
- iv) The prescribed margin requirements for opening letters of credit for import under various arrangements of foreign exchange financing viz. cash, credit, barter, wage earners scheme and IEC including deferred payment arrangement, which existed as on 30th June, 1983 remained in force during the financial year 1983-84. However, a few items such as water sterilizers/water filter and tractors were included in the list of commercial imports for which margin requirement was not to be less than 5% nor to exceed 25%.

52. In respect of refinance, the policy of the Bangladesh Bank has been that the banks should rely mainly on their own resources for their credit operations. However, keeping in view the economic priorities and need for seasonal credit expansion, Bangladesh Bank has provided refinance accommodation to supplement the resources of the banks in case of genuine credit needs. The basic features of the programme followed by the Bank during the year were as under :

Refinance Policy

Refinance Facility for Jute

53. Refinance facility to the extent of 30% of the credit extended by banks to the jute sector was allowed. The rate of interest on such refinance was 2% below the Bank Rate.

**Refinance
against Tea**

54. Refinance against advances for export sales of loose tea to the extent of 100% of outstanding advances less overdues was allowed at an interest rate of 2% below the Bank Rate.

**Refinance
against
Pre-shipment
Export Credit
for Non-
traditional
Items**

55. The pre-shipment export finance by banks was eligible for 100% refinance at a concessional interest rate of 5% below the Bank Rate. Export credit was defined as credit extended against firm export contract/export L/C or working capital to a 100% export oriented industry not remaining outstanding beyond 180 days.

**Refinance
for Imports**

56. A refinance limit of upto 1% of the total demand and time liabilities as on last Friday of June, 1983 was admissible to banks at Bank Rate for import finance in the private sector.

**Refinance for
Credit to
Sugar Mills**

57. Upto 50% of the credit extended by banks to sugar mills was eligible for refinance at Bank Rate.

**Refinance in
respect of
Working
Capital Loans
to Industries**

58. Refinance to the extent of 50% of the credits provided as working capital to industries established on or after July 1, 1982 was admissible to banks at the Bank Rate.

**Refinance
against
Export Bills**

59. Refinance facility was allowed to banks 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 and non-traditional exports respectively. The rate of interest for refinance relating to traditional items was 2% below the Bank Rate while that in respect of non-traditional items was 5% below the Bank Rate.

**Refinance
under Duty
Draw-back
Credit Scheme**

60. A scheme for providing interest free loan for 90 days against duty drawback entitlement of manufacturer exporters was introduced on 19th October, 1983. Refinance to the extent of 100% of such loans was available to banks free of interest.

**Interest
Subsidy
(Export
Credit)
Scheme for
Banks**

61. The Interest Subsidy (Export Credit) Scheme introduced in May, 1983 remained in force during the FY 1983-84. With effect from 1st July,

1983, the rate of interest subsidy was, however, enhanced from 4.5% to 5.5% per annum.

Deposit Pension Scheme

62. As per Government decision, a "Deposit Pension Scheme" was introduced for implementation by the nationalised banks only with effect from 1st September, 1983. The scheme is intended to provide a new source of old age benefit to the general public against modest investment out of their income of the early age. All persons who have attained the age of 18 years including agriculturists, mill/factory workers, daily wage earners, traders, engineers, doctors, lawyers, teachers, journalists, government employees and employees of the autonomous, semi-autonomous organisations, local bodies, etc. are eligible to participate in the scheme. Under the scheme, the investors are required to make deposits @ Tk. 100.00 or multiple thereof subject to a maximum of Tk. 500.00 per month for a period of 10/20 years. On completion of the term the depositors would be entitled to receive payment either in lumpsum alongwith accrued interest thereon or in monthly instalment until completion of the agreed period of term.

CHAPTER IV

**DEVELOPMENT OF BANKING
FACILITIES AND FINANCE**

DEVELOPMENT OF BANKING FACILITIES AND FINANCE

Private Banking

63. As a part of Government policy to ensure effective and meaningful participation of the private sector in the overall national economy, Bangladesh Bank with the approval of the Government issued licences for establishment of six banks in the private sector viz., (1) Arab Bangladesh Bank Ltd. (2) National Bank Ltd. (3) The City Bank Ltd. (4) United Commercial Bank Ltd. (5) IFIC Bank Ltd. and (6) Islami Bank Bangladesh Ltd. These private banks, it was believed, would mobilise resources to finance private investment in a big way and set an element of competition with the public sector banks and help improve their efficiency. Of the six banks operating in the private sector with 45 branches, Arab Bangladesh Bank Ltd. and Islami Bank Bangladesh Ltd. are joint venture banks in collaboration with foreign sponsors while remaining four banks viz., (1) National Bank Ltd. (2) The City Bank Ltd. (3) United Commercial Bank Ltd. and (4) IFIC Bank Ltd. are fully owned by Bangladesh Nationals. However, Government of Bangladesh subscribed 5 per cent of paid-up capital in each of the above banks except IFIC Bank Ltd. where Government subscription is 40 per cent of the paid-up capital. With the establishment of six banks in the private sector total number of scheduled banks in the country as on 30th June, 1984 stood at 21.

64. It may be added that two Public Ltd. Companies viz., Uttara Bank Ltd. and Pubali Bank Ltd. were formed which took over the assets and liabilities of Uttara Bank and Pubali Bank respectively. Their final transfer to the private sector was in progress.

65. The table below shows paid-up capital, composition of shares, deposits, loans and advances and profit/loss of the newly set up private sector banks for the year ended 31st December, 1983.

(Taka in crores)

Name of banks	Paid up Capital raised	Shares %			Deposits as on 31.12.83	Loans & Advances As on 31.12.83	Profit(+) Loss(-)
		Govt.	Private				During 1983
			Local	Foreign			
N.B.L.	4.40	5	95	—	106.72	65.79	+0.70
U.C.B.L.	3.55	5	95	—	22.61	8.12	+10 thousand
C.B.L.	3.40	5	95	—	32.00	9.45	—0.35
IFIC B.L.	6.32	40	60	—	12.88	9.29	+1.31
A.B.B.L.	8.50	5	35	60	74.43	55.43	+1.55
I.B.B.L.	6.78	5	25	70	14.42	5.59	N.A.

N.A.=Not Available.

66. Following the establishment of the Islamic Development Bank (IDB) in October, 1975 and its successful operation the desire to materialise the concept of interest-free Islamic Banking based on the principles of Islamic Shariah (Jurisprudence) swept over the entire Muslim world. After intensive study and research a good number of Islamic Banks have been established in a number of countries of the Middle East, Asia, Africa and Europe. Inspired by their success and on the basis of feasibility study undertaken for the purpose Government of Bangladesh accorded permission to set up the joint -venture Islami Bank Bangladesh Limited (IBBL) which came into being in March, 1983 with participation by local sponsors as well as 13 foreign Islamic banks/institutions including the Islamic Development Bank, Jeddah. Of its paid-up capital of Tk. 8.00 crores, 70 per cent was subscribed by the foreign participants and 5 per cent by the Government of Bangladesh. Till 30th June, 1984, the bank opened 4 branches in the country which mobilised deposits of Tk. 28.39 crores and made available finances to the tune of Tk.24.07 crores.

**Islamic
Banking**

**Branch
Expansion**

67. A total of 209 bank branches were opened in Bangladesh during 1983-84 by the scheduled banks as against 135 bank branches opened during 1982-83. These included 46 branches of newly set up private sector banks. One branch of American Express International Banking Corporation was closed during the year. Thus the total number of scheduled bank branches in Bangladesh stood at 4811 as on June 30, 1984 as against 4603 as on June 30, 1983. The number of rural branches constituted 66.70% of the total as on June 30, 1984 as against 66.26% as on June 30, 1983. 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 Branches**

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

- i) The Chartered Bank
- ii) State Bank of India
- iii) Arab Bangladesh Bank Ltd.
- iv) Sonali Bank
- v) Agrani Bank
- vi) Bangladesh Shilpa Bank
- vii) Banque Indo-Suez

69. Comprehensive inspection of the Pubali Bank Ltd. and the Uttara Bank Ltd. was also completed during the year under report and the summary of conclusions and recommendations of the reports together with highlights were sent to the Ministry of Finance for information.

70. Comprehensive inspection of the overseas branches of the following banks was also completed during the year and reports sent to the Head Offices of the banks concerned for taking necessary action :

- i) Janata Bank (UAE branches)
- ii) Sonali Bank (Calcutta branch)
- iii) Rupali Bank (Karachi branch)

71. Comprehensive inspection of the following banks was in progress :

- i) Rupali Bank
- ii) The City Bank Ltd.
- iii) National Bank Ltd.
- iv) Islami Bank Bangladesh Ltd.

**Jute
Finance**

72. As in the past years, adequate finance from the banking system was arranged for jute trade and jute mills during 1983-84 jute season. The commercial banks sanctioned cash credit and packing credit limits for financing movements 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. 780.35 crores as on 15th December, 1983 as against Tk. 648.88 crores during the previous year. Refinance provided by the Bangladesh Bank during 1983-84 was of the order of Tk. 149.83 crores against which an amount of Tk. 147.65 crores was outstanding at the end of June, 1984.

**Financing of
BSFIC**

73. A total credit limit of Tk. 50.00 crores was arranged from Sonali Bank and Janata Bank for the Bangladesh Sugar and Food Industries Corporation for financing production of sugar during the year 1983-84 as against credit limit of Tk. 61.00 crores in 1982-83. Refinance limit of Tk. 8.41 crores against advances to sugar mills was sanctioned by the Bangladesh Bank against which there was no outstanding at the end of June, 1984 compared to Tk. 15.29 crores at the end of June, 1983.

**Refinance
against
Textile Mills**

74. Refinance limit totalling Tk. 42.46 crores was allowed to different banks for advances to textile mills against which no amount remained outstanding at the end of June, 1984.

**Refinance
against
Petroleum
Finance**

75. Refinance at peak level availed by different banks from the Bangladesh Bank against their advances to the Bangladesh Petroleum Corporation stood at Tk. 298.83 crores during 1983-84. It came down to Tk. 66.00 crores at the end of June, 1984.

**Counter-
finance
for Food**

76. For financing procurement and distribution of foodgrains by the Government, a sum of Tk. 150.00 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 1983-84. Outstanding against the above counter-finance limit stood at Tk. 61.66 crores at the end of June, 1984.

**Counter-
finance for
Fertilizer**

77. 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 during 1983-84. Outstanding counter-finance thereagainst stood at Tk. 10.00 crores at the end of June, 1984. Another counter-finance limit of Tk. 20.00 crores was allowed to the Sonali Bank against financing procurement of pumps, engines and accessories of shallow tube-wells by the BADC against which there was no outstanding at the end of June, 1984.

**Export
Bills**

78. Overdraft/rediscounting facilities allowed to the scheduled banks by the Bangladesh Bank against export bills during 1983-84 was Tk. 28.78 crores against which an amount of Tk. 14.21 crores was outstanding at the end of June, 1984.

**Other
Refinance**

79. Other refinance allowed to banks on various accounts stood at Tk. 91.32 crores at the end of 1983-84 as against Tk. 53.27 crores at the end of the previous year.

CHAPTER V

**DEVELOPMENT OF CAPITAL MARKET
AND INDUSTRIAL FINANCE**

DEVELOPMENT OF CAPITAL MARKET AND INDUSTRIAL FINANCE

80. 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 the development of capital market in Bangladesh. Only 9 companies were listed with the Exchange in 1976. The number of Public Limited Companies listed with the Exchange increased from 33 in 1983 to 49 in 1984. With the disinvestment policy of the Government and privatisation of public enterprises more and more companies are coming forward to enlist their shares with the Dhaka Stock Exchange. The total paid-up capital of these 49 listed companies stood at Tk. 112.99 crores in 1983-84 as compared to Tk. 53.05 crores in 1982-83, showing an increase of 113 per cent over the previous year. As most of the shares of the Public Limited Companies remained confined mainly in the hands of the Sponsors, Directors, ICB, Government and similar other institutions, the Stock Exchange could not achieve improvement to the desired extent in its main business during 1983-84. However, trading in shares on the floor of the Exchange recorded an uptrend during 1983-84 as compared to the previous year. In all, 11 Companies offered shares worth Tk. 24.33 crores to the general public for subscription during the year and all had been over subscribed, some of them by 2/3 times of the issued capital. The government also took steps to accommodate the general subscribers in preference to other institutional investors for purchasing the shares of these Companies. As a result, shareholdings have become broadbased and it is estimated that the percentage of share holdings by the general public might go up to 40% during 1983-84 from 10-15% during the previous year.

**Dhaka Stock
Exchange**

81. In addition to the above, the Government took a number of measures to re-activate the Secondary Capital Market by way of allowing exemption of tax from Dividend income upto Tk. 25,000.00 and issued directives for payment of Dividend within 2 months from the date of its declaration. Further, the Government also issued directives to all the Public Limited Companies having paid-up capital upto Tk. 1 (one) crore or more for listing their names with the Dhaka Stock Exchange. These measures have encouraged potential investors for investing their savings in shares. As a result, transactions in Stocks/Shares in the secondary market improved somewhat during 1983-84.

Investment Corporation of Bangla- desh (ICB)

82. The Investment Corporation of Bangladesh (ICB) was established on the 1st October, 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 Managing Director is the chief executive of the Corporation. 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 interest of the industry and commerce, investment climate, capital market, investors and the public in general. The Corporation provides financial assistance in the form of underwriting and bridge/debenture financing to industrial projects/Organisations/institutions. In providing assistance, it prefers export oriented or import substituting industries. Industries which are base on indigenous raw-materials and/or located in priority development areas are also preferred by the Corporation for financial assistance. The total authorised capital of the Corporation is Tk. 20.00 crores divided into 20 lakh shares of Tk.100 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 Sagstha, Nationalised Commercial Banks, Shadharan Bima Corporation and General Public. Total resources of the Corporation as on June 30, 1984 amounted to Tk.65.50 crores which consists

of paid-up capital of Tk. 8.75 crores, Government loan of Tk. 14.00 crores and debenture of Tk. 42.75 crores issued in favour of Bangladesh Bank, Nationalised Commercial Banks and foreign commercial banks. As against this, ICB made a total commitment of Tk. 84.16 crores upto June 30, 1984, thus leaving a resource gap of Tk. 18.66 crores. At present, the Corporation does not have any line of foreign credit/investment resources. In order, however, to improve the resource base of the Corporation, 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.

83. The ICB also opens/maintains investors' accounts for purchase/sale of corporate securities. It provides credit facilities at concessional rate of interest. Through Investors' Scheme, savings of the people of small and medium means are mobilised for eventual investment in productive industrial sector. The Corporation floated ICB Mutual Fund in April, 1980. The Fund is managed in such a manner so as to ensure security of investment and maximum return. In order to mobilise domestic resources, the ICB issued Unit Certificates on 20th April, 1981. During the year ending June, 1984 the ICB committed Tk. 11.54 crores for underwriting/bridge finance as against Tk. 7.81 crores committed during 1982-83. The Corporation committed Tk. 0.18 crore for debenture financing during 1983-84 as against Tk. 0.12 crore during the preceding year. Investment support in the form of underwriting/bridge and debenture financing committed by other financial institutions increased to Tk. 7.82 crores in 1983-84 as compared to Tk. 5.08 crores in 1982-83. Total commitment made by the ICB and other consortium partners increased to Tk. 19.20 crores during 1983-84 as against Tk. 13.01 crores committed during 1982-83. Since inception upto June 30, 1984, the Corporation committed financial assistance of Tk. 84.16 crores to 279 projects against 437 applications received for total assistance of Tk. 218.13 crores.

84. The International Finance and Investment Company (IFIC) Ltd. which was established in October, 1976 obtained certificate of commence-

ment 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. Subsequently the Company obtained permission from the Bangladesh Bank for opening L/C against imports under the Wage Earners' Scheme, 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. Consequent upon Government permission to allow Banks in the private sector, the IFIC Ltd. was converted into a Banking Company under the name and style of "International Finance Investment and Commerce (IFIC) Bank Limited" and started functioning as a commercial bank since 24th June, 1983. Till June 30, 1984 it opened 4 branches in Dhaka, Chittagong and Narayangonj. During 1983-84, the IFIC bank opened 1431 L/Cs. (for imports under Wage Earners' Scheme) aggregating to Tk. 46.68 crores as against 2292 L/Cs. aggregating to Tk. 39.97 crores in 1982-83. Total pre-shipment and post-shipment financing by the IFIC bank during 1983-84 stood at Tk. 35.35 crores and Tk. 9.13 crores respectively as against Tk. 28.02 crores and Tk. 1.42 crores respectively during 1982-83. The IFIC bank earned a net profit of Tk. 1.31 crores during the year ended December, 1983 as against Tk. 1.50 crores during the preceding year.

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

86. The Bangladesh Shilpa Bank (BSB) was set-up in October, 1972 to take over the functions of the erstwhile Industrial Development Bank of Pakistan. 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, replacement and expansion of existing industrial establishments. With these objectives in view, the Bank is required to mobilise resources within and outside the country. The BSB is also authorised to carry on all kinds of banking business. All industrial projects either in the public sector or 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 provides 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. In selection of projects the BSB provides free technical advice in respect of plant and machinery, product and process, availability of raw materials, market for products and other related aspects to the prospective entrepreneurs. It also prepares project profiles for private entrepreneurs. The BSB extends financial assistance only to such projects as are determined through its own appraisals to be technically sound, financially viable and economically justified provided the managerial ability and credit worthiness of the sponsors of such projects are also satisfactory in the opinion of the BSB. The authorised capital of the BSB is Tk. 100.00 crores of which Tk. 75.00 crores has so far been subscribed and paid up by the Government.

87. During 1983-84, the BSB received a total of 123 applications as against 96 applications received during 1982-83. During the year under report, the Bank sanctioned loans amounting to Tk. 22.46 crores which included Tk. 19.31 crores in foreign currency and Tk. 3.15 crores in local currency. During the preceding year total loans sanctioned by the BSB had amounted to Tk. 8.97 crores which included Tk. 5.58 crores in foreign currency and Tk. 3.39 crores in local currency. Notably as in the past year, all the loans sanctioned during 1983-84 were in the private sector indicating an encouraging response of the private sector to industrial ventures and opportunities.

88. Total disbursement of loans by the BSB during 1983-84 amounted to Tk. 36.94 crores of which Tk. 3.67 crores were in foreign currency and the balance of Tk. 33.27 crores in local currency. Projects in the private sector claimed the entire amount disbursed as in the preceding year. Total disbursement during the preceding year had amounted to Tk. 62.17 crores, of which the foreign currency component was Tk. 41.55 crores. Total amount of loans outstanding as on June 30, 1984 stood at Tk. 495.26 crores as against Tk. 431.48 crores as on June 30, 1983.

89. The BSB recovered an amount of Tk. 34.16 crores during 1983-84 as compared to Tk. 28.72 crores recovered during 1982-83. The increase in recovery during the year under report was due to Bank's decision to allow its borrowers some Package of incentives (rebate of interest accrued, waiver of liquidated damages etc.) against payment of their due loans to the Bank effective from 2nd April, 1984 to 30th June, 1984.

90. The Bangladesh Shilpa Rin Sangstha (BSRS) was established in October, 1972 to inherit the erstwhile Pakistan Industrial Credit and Investment Corporation for providing credit facilities and other assistance to industrial concerns and to encourage and broaden the base of industrial investment in Bangladesh. 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, 1984. 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 investments.

91. During 1983-84, the BSRS received a total of 28 applications for financial assistance as compared to 51 applications received during

1982-83. The total amount of loans sanctioned during 1983-84 stood at Tk. 111.01 crores as compared to Tk. 31.11 crores sanctioned during the preceding year. Of the total sanctions during 1983-84, foreign currency and local currency loans amounted to Tk. 94.03 crores (84.70 per cent) and Tk. 16.98 crores (15.30 per cent) respectively as compared to Tk. 16.97 crores (71.31 per cent) and Tk. 14.14 crores (28.69 per cent) during the preceding year. During the year under report, no loan was sanctioned to the public sector (i.e. private sector claimed the entire amount) as compared to Tk. 4.11 crores (13.22 per cent) sanctioned to the public sector during 1982-83.

92. During 1983-84, an amount of Tk. 34.07 crores was disbursed by the BSRS as against Tk. 47.01 crores disbursed during the preceding year. Of the total disbursement, local currency and foreign currency components accounted for Tk. 24.97 crores (73.28 per cent) and Tk. 9.10 crores (26.72 per cent) respectively as compared to Tk. 35.18 crores (78.82 per cent) and Tk. 11.83 crores (25.18 per cent) respectively during 1982-83. The public sector accounted for 2.46 per cent of the total disbursement during 1983-84. There was no disbursement of loans in public sector during the preceding year.

93. The BSRS recovered an amount of Tk. 27.00 crores during 1983-84 as compared to Tk. 23.94 crores during the preceding year. Of the total recovery, the public and private sectors accounted for Tk. 12.41 crores (45.96 per cent) and Tk. 14.59 crores (54.04 per cent) during the period under report as compared to Tk. 15.40 crores (64.34 per cent) and Tk. 8.54 crores (35.66 per cent) during the preceding year.

94. The total outstanding loans of the BSRS as on June 30, 1984 stood at Tk. 368.12 crores as compared to Tk. 329.63 crores as on June 30, 1983.

95. The commercial banks play an active role in the development of capital market in the country mainly through their participation in debenture

Figures relating to disbursement, recovery and outstanding of the BSRS are provisional.

Commercial Banks

financing of HBFC, ICB, Petrobangla, BCIC and BSFIC. Total debenture financing by the nationalised and foreign commercial banks as at the end of June, 1984 stood at Tk. 257.59 crores as compared to Tk. 241.59 crores at the end of June, 1983. Besides, commercial banks also make advances to the members of the Stock Exchange against the security of their shares listed with the Exchange. The limit of such advances has recently been enhanced from 50% to 80% of the value of shares with usual interest of 16% per annum. Advances against Stock Exchange Securities (including Government and other trustee securities) as at the end of June, 1984 stood at Tk. 25.33 crores as compared with Tk. 20.93 crores at the end of June, 1983.

CHAPTER VI

AGRICULTURAL FINANCE

AGRICULTURAL FINANCE

96. Agricultural credit policies and programmes are formulated by Bangladesh Bank in pursuance of the national policies and priorities for agricultural development, particularly for increasing food production. The Bank draws up annual agricultural credit plan every year to finance the Government's programme for agricultural input supply and food production plan in collaboration with the credit institutions. For successful implementation of the credit programme, necessary financial assistance is provided by Bangladesh Bank through a multi-agency system which consists of (a) Bangladesh Krishi Bank (BKB), (b) Bangladesh Samabaya Bank Ltd. (BSBL), a national apex co-operative bank and its affiliated Co-operative Land Mortgage Banks (CLMBs), Central Co-operative Banks (CCBs) and their affiliated primary societies, (c) Participating Commercial Banks (Nationalised Commercial Banks including Uttara Bank Ltd. and Pubali Bank Ltd.) and (d) Bangladesh Rural Development Board (BRDB)/Upazilla Central Co-operative Associations (BRDB-UCCAs) and their affiliated primary societies known as Krishak Samabaya Samity (KSS), Bittaheen Samabaya Samity (BSS) and Mahila Samabaya Samity (MSS). Agricultural finances are provided for both short-term and long-term. The short-term finances cover : (a) various intensive crop production programmes such as Intensive Aus Production Programme (IAPP), Intensive Transplanted Aman Production (ITAP), Intensive Rabi Crop Production (IRCP), Intensive Wheat Cultivation Programme (IWCP), Intensive Jute Cultivation (IJC) and also processing, storage and marketing of agricultural produce, etc. ; (b) plantation of crops like tea, banana, pineapples, guava, sugarcane (mill zone areas) and (c) special projects like Rural Development-I, etc. The long-term finances are provided for fishery, livestock, capital investment in agriculture, e.g., acquisition of various irrigation equipments like deep

Institutional
Arrange-
ments

tube-wells (DTWs), shallow tube-wells (STWs), low lift pumps (LLPs), agricultural machineries, transports, etc.

**Interest
Subsidy and
Government
Guarantee**

97. 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 Bangladesh Bank at concessionary rate of interest to the Participating Commercial Banks (PCBs) to meet their temporary liquidity problems. The Bank also allows interest subsidy to the Participating Credit Institutions (PCIs) for their agricultural lending through BRDB-UCCAs and against approved projects. For short-term credit financing by the Participating Commercial Banks and BKB under various crop production programmes, the Government provides guarantee to the extent of 30% of the amount remaining unrecovered on due dates on the condition that 30% of the recovered amount would be paid back to the Government.

**Interest Rate
Policy for
Agricultural
Credit**

98. In order to ensure prompt distribution and effective supervision of loans by the bank branches as also to cover the rising cost of administration of loan operations of the participating credit institutions, service charges on short-term agricultural credit and long-term credit were introduced at the rates of 4% and 3% respectively over and above their normal interest rates of 12% and 13% respectively. Penal interest rate on overdue agricultural loans was also enhanced from 3% to 6% with a view to discouraging the loanees from defaulting or causing delay in repayment of loans. Variable interest rates from 6% to 10.5% were being charged on all refinances provided by Bangladesh Bank to the lending institutions so as to reduce their dependence on the Central Bank for funding agricultural credit programmes as also to encourage them to finance those programmes out of their own resources. However, refinance against financing or irrigation equipments was admissible to the extent of 90% of field level loans at 8.5% interest rate. The Bank continued to provide refinance facilities to BKB at a nominal rate of interest of 2.5% against the long-term loans given by it for

financing the Chittagong Hill Tracts Development Project at concessional interest rate of 5%. The Bank also allowed concessional refinance @ 6% to BKB against its long-term financing for the development of tea industry. While the interest rate on short-term loans given by BRDB-UCCAs through affiliated KSS was increased from 12.5% to 15%, service charge applied by BRDB/UCCAs was reduced from 5% to 4%. Thus the effective interest rate for short-term loan by these institutions stood at 19% at borrower's level. In the case of long-term loans, the interest rate was increased from 14% to 16%. For overdue short and long-term loans, the penal rate of interest was fixed at 3% and 6% respectively.

**Annual
Agricultural
Credit
Programme
for 1983-84**

99. In the Annual Agricultural Credit Programme for 1983-84, the overall credit target for all the lending agencies together was set at Tk. 850.00 crores of which Tk. 570.00 crores was allocated for crop production financing (other than tea) and the remainder of Tk. 280.00 crores for financing the purchase of irrigation equipments. In addition, there were financing programmes for plough cattle, dairy, poultry, fisheries, cold storage, marketing and processing of agricultural products, tea industry, etc. Disbursement of credit under all the programmes during 1983-84 stood substantially higher at Tk. 1007.12 crores as compared with Tk. 676.41 crores during 1982-83, indicating an increase of 48.89 per cent over the year.

**Operations
under the
Major
Credit
Programmes**

100. As against the target of Tk. 570.00 crores for financing crop production during 1983-84, total disbursement at the end of the year stood at Tk. 516.75 crores as compared with Tk. 349.28 crores during 1982-83, representing an increase of 47.95 per cent over the year. Although the target for the year could not be reached due to reasons beyond the control of the banking sector, financing of irrigation equipments at Tk. 112.95 crores during 1983-84 was 9.86 per cent higher than Tk. 102.81 crores disbursed in the previous year. The recovery of agricultural loans also improved substantially to Tk. 517.57 crores during the year which was 51.19 per cent higher than the recovery of Tk. 342.33 crores during 1982-83.

A comparative position of credit operations by the financing agencies during 1982-83 and 1983-84 is presented below :

(Taka in crores)

Particulars	1982-83	1983-84
a) Target @	817.20	850.00
b) Disbursement	676.41	1007.12
c) Recovery	342.33	517.57
d) Outstanding (end June)	1351.51	2077.35

@ For Crop Production and Irrigation Equipments only.

101. The following tables give the operations of agricultural credit by types and sources of credit :

AGRICULTURAL CREDIT (SHORT-TERM LOANS)

(Taka in crores)

Particulars	1982-83 Amount	1983-84 Amount	Annual Growth rate
Crop loans (Other than tea)	349.28	516.75	+47.95%
Crop loan for Tea	42.42	33.14	-21.88%
Other short-term loans	88.45	169.77	+91.94%
Total :	480.15	719.66	+49.88%

102. The growth rate of crop loans other than tea was 47.95% which gave farmers adequate support for crop production, particularly of food-grains. Non-crop short-term credit recorded a phenomenal increase of 91.94%.

AGRICULTURAL CREDIT (ALL TYPES)

(Taka in crores)

Year	Short-term loans	Term Loans				Total short and long-term loans	Growth rate of short-term loans	Growth rate of term loans
		Irrigation equipments	Plough animals	Other	Total			
1982-83	480.15	102.81	24.98	68.47	196.26	676.41	57.94	63.75
1983-84	719.66	112.95	41.65	132.86	287.46	1007.12	49.88	46.47

103. Although term loans for irrigation equipments recorded just a modest growth of 9.86%, credit for plough animals during 1983-84 showed a significant increase of 66.73% over the year. Other term loans also recorded an impressive growth of 94.04% during the year.

AGRICULTURAL CREDIT BY SOURCES

(Taka in crores)

Sources/ Agencies	1982-83		1983-84	
	Total	Crop loan	Total	Crop loan
BKB	400.81	146.53	592.43	216.39
PCBs	218.29	153.91	323.55	236.10
UCCAs	34.36	29.98	69.16	46.22
BSBL	22.95	18.86	21.98	18.04
Total :	676.41	349.28	1007.12	516.75

104. The above table indicates that the supply of crop loans from BKB, PCBs and BRDB-UCCAs increased significantly during 1983-84 as compared to those in 1982-83. Financing by the BSBL, however, recorded a marginal decline over the year.

PERCENTAGE OF AGRICULTURAL CREDIT BY SOURCES

(Taka in crores)

Sources/ Agencies	1982-83			1983-84		
	Total	Crop loans other than tea	Irrigation equip- ment	Total	Crop loans other than tea	Irriga- tion equip- ment
BKB	59.26	36.56	16.58	58.82	36.53	13.01
PCBs	32.27	70.50	15.86	32.13	72.97	4.48
UCCAs	5.08	87.25	5.01	6.87	66.83	30.61
BSBL	3.39	82.81	Nil	2.18	82.07	1.05

105. The above table shows the percentage share of agricultural credit provided by different lending institutions. The BKB continued to maintain the lead by providing about 59 per cent of total agricultural credit while the PCBs accounted for nearly one-third (32 per cent) of the same during 1982-83 and 1983-84.

Loans for Pond Fishery

106. During 1983-84, PCBs and BKB together disbursed loans for pond fishery amounting to Tk. 8.08 crores as against Tk. 7.80 crores during 1982-83. Source-wise disbursement of loans under the programme during 1982-83 and 1983-84 is shown below :

(Taka in crores)

Lending Banks	1982-83 Amount	1983-84 Amount
PCBs	0.74	0.78
BKB	7.06	7.30
Total :	7.80	8.08

Loans for Cold Storage

107. Cash advances to the cold storage units for preservation of potato during 1983-84 amounted to Tk. 31.91 crores as compared to Tk. 14.95

crores during 1982-83. Source-wise disbursement of loans under the programme during 1982-83 and 1983-84 is shown below :

(Taka in crores)			
Agencies	1982-83 Amount	1983-84 Amount	Percentage increase over the year
PCBs	9.55	19.23	101.36
BKB	5.40	12.68	134.81
Total :	14.95	31.91	113.44

108. Total refinances availed of by the PCBs, BKB, BSBL etc. from the Bangladesh Bank during 1983-84 amounted to Tk. 631.23 crores as compared to Tk. 458.88 crores during 1982-83. In addition, a refinance limit of Tk. 6.00 crores was sanctioned to Sonali Bank against its lending to the BRDB-UCCAs for financing purchase of irrigation equipment. A further amount of Tk. 6.00 crores was also sanctioned to the BRDB for financing various economic activities undertaken by members of the BSS/MSS of BRDB-UCCAs. Detailed position of Bangladesh Bank's refinances to different lending institutions in 1982-83 and 1983-84 is given below :

(Taka in crores)				
PCIs	1982-83		1983-84	
	Sanction	Disbursement	Sanction	Disbursement
BKB	315.28	285.80	387.80	376.90
BSBL	28.75	22.35	23.50	21.36
PCBs	148.38	127.61	183.39	205.75
Sonali Bank-BRDB	21.77	20.46	6.00	22.30
BRDB	3.00	2.66	6.00	4.92
Total :	517.18	458.88	606.69	631.23

Refinance by
Bangladesh
Bank

109. The outstanding amount of borrowings of the BKB, BSBL, BRDB and PCBs from the Bangladesh Bank stood at Tk. 928.28 crores at the end of 1983-84 as compared to Tk. 705.53 crores at the end of the previous year. This shows an increase of Tk. 222.75 crores or 31.57% over the year.

OUTSTANDING BORROWINGS OF PCIs

(Taka in crores)			
Credit Agencies	1982-83	1983-84	Increase (+) Decrease (-) over previous year
BKB	479.75	717.41	(+) 237.66
BSBL	27.42	28.58	(+) 1.16
PCBs	175.24	170.80	(-) 4.44
Sonali Bank-BRDB	20.46	3.91	(-) 16.55
BRDB	2.66	7.58	(+) 4.92
Total :	705.53	928.28	(+) 222.75

110. In addition to the usual credit programmes, some specific projects/programmes were undertaken to help various disadvantaged groups of farmers and other rural poor who had little access to institutional credit. A brief review of some of these projects and programmes is given below :

111. Rural Finance Project (RFP) started functioning under a grant agreement for US \$ 75 million signed between the Governments of Bangladesh and the USA on 15th August, 1983. The project aims at creating an economically viable rural financial system for mobilising savings, extending credit to farmers and private entrepreneurs for accelerating food production and generating rural employment opportunities. To achieve these objectives, emphasis has been placed on bringing about some policy reforms in respect of interest rate, savings mobilization, efficient lending/recovery procedures and improving the management system.

112. The USAID released \$25 million in the first instalment in October, 1983, out of which Bangladesh Bank utilised US \$ 24 million for refinance programmes. Negotiation for the 2nd instalment was in progress. Simultaneously, negotiations with foreign and local consultants and the Interest Rate Adviser of the Federal Reserve System of the USA are in progress to implement the technical assistance programme of the project.

113. Under another credit agreement signed between the Government of Bangladesh and the International Fund for Agricultural Development (IFAD), a Tk. 10 crore scheme for small farmers was launched in February, 1980 in three old districts of Jessore, Kushtia and Faridpur. The scheme defined the target group of small farmers as those cultivators having not more than 3.0 acres of land. 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 together with the purchase of agricultural machineries, etc. were also financed under the scheme.

114. Encompassing 4,565 villages in 618 Unions of the three districts the scheme extended credit to 46,438 small farmers amounting to Tk. 11.34 crores upto June 30, 1984. Break-up of credit operations under the scheme is shown below :

CREDIT OPERATIONS UNDER IFAD

(Taka in lakhs)				
Banks	Disbursement	Recovery	Outstanding	Overdues
NCBs	430.84	256.81	269.26	175.68
Pubali Bank Ltd.	42.59	21.27	28.68	15.54
Uttara Bank Ltd.	6.54	4.65	3.66	3.66
BKB	653.86	191.97	601.26	150.47
Total :	1133.83	474.70	902.86	345.35

**Bangladesh
Swiss
Agricultural
Project
(BASWAP)**

115. Under an agreement signed between the Government of Bangladesh and the Swiss Confederation in 1976, a project known as "Post Harvest Technology, Storage Facilities and Marketing Credit for Small Farmers and Sharecroppers Project" was undertaken. The project aims at assisting the Government of Bangladesh in elaborating, testing and applying new approach for strengthening the marketing position of small farmers and share-croppers, primarily in respect of the marketing of foodgrains, by linking the supply of marketing credit to a network of a local storage facilities. The project started functioning in Boda and Satnala Unions in Panchagarh district in 1977. The Sonali Bank in Boda and the Rupali Bank in Satnala Unions are the respective lending banks.

116. First part of the project (BASWAP-1) was completed in 1983 under which 7 godowns in Boda and Satnala Unions were constructed and brought into use for storing grains produced by the small farmers. Bank-wise credit position upto June 30, 1984 is shown below :

CREDIT OPERATION UNDER BASWAP-I

Name of Financing Banks/area	Number of Farmers availing storage & credit facilities	Quantity of food grains stored (lakh mds.)	Amount disbursed (Tk. in lakhs)	Amount recovered (Tk. in lakhs)
Sonali Bank (Boda Union)	3,940	3.5	18.60	15.56
Rupali Bank (Satnala Union)	1,265	1.4	9.52	8.06
Total :	5,205	4.9	28.12	23.62

117. Both the Governments agreed to continue the project for another six years and a half i.e. upto 1990 under BASWAP-II to be implemented in phases. Phase-I (Pilot Replication Phase) has been undertaken for implementation over three years (1984-1986) and phase-II (Replication Phase)

ASARRD Project

to be taken up over the period from 1987 to 1990. The area of operation and participating banks will remain the same with 14 new godowns to be constructed during phase-I. The Agriculture and Forest Division of the Ministry of Agriculture is engaged in handling the programme on behalf of the Government of Bangladesh.

118. 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 small farmers and landless labourers of the country through integrated programme of increasing productivity, income, employment opportunities and mobilising available farm resources with minimum capital investment and savings. It also aims at training farmers as well as officers for group action in accelerating development. Janata Bank is the participating credit institution for the project.

119. The first phase (1976-80) of the ASARRD project has already been over. During this period about 230 groups of target people in 12 villages of Mymensingh, Comilla and Bogra were given financial assistance amounting to Tk. 80.00 lakhs under supervised credit system on the basis of the borrowers' production plan. The second phase (1980-85) of the project has been undertaken in four districts, viz., Mymensingh, Bogra, Comilla and Rangpur at a revised cost of about Tk. 3.00 crores to cover 200 villages.

120. Disbursement of loans under ASARRD upto the end of June, 1984 amounted to Tk. 1.91 crores against which Tk. 1.67 crores or 87.43% was recovered. The loans covered borrowers in 53 villages of Kotwali thanas of the selected districts. Savings mobilised under the project amounted to Tk. 0.14 crore.

OPERATIONS UNDER ASARRD

(As on June 30, 1984)

(Taka in crores)

Particulars	Amount
Disbursement	1.91
Recovery	1.67
Savings	0.14

Swanirvar Programme

121. The Swanirvar (self-reliance) Credit Scheme was launched in 1978 for financing income and employment generating activities in rural areas. A scheme titled 'Paddy Husking Loan' started operation in early 1979 in 10 Upazillas of 10 (old) districts. The area of operation of the scheme was subsequently extended to cover 75 Upazillas in 19 (old) districts by the end of 1983. On an average, short-term loan of Tk. 1000.00 per party was extended to the intending borrowers under the scheme which proved quite fruitful in augmenting income and employment of the rural poor.

122. Under the programme, target groups are organised with 5 members each owning not more than 0.40 acre of cultivable land or having an yearly income not exceeding Tk. 6,000.00. There are separate groups for men and women. All the NCBs, the Pubali Bank Ltd., the Uttara Bank Ltd. and the BKB have been financing the scheme out of their own resources at the borrowers' level interest rate of 13% per annum excluding service charge. Bangladesh Bank provided back to back refinance facility at an

interest rate of 6% per annum. The disbursement and recovery position of loans under the project as on June 30, 1984 is shown below :

LENDING UNDER SWANIRVAR PROGRAMME
(Cumulative Position as on June 30, 1984)

(Taka in crores)

Credit Agencies	Amount Disbursed	Amount Recovered	Amount Outstanding	Amount Overdue
NCBs	18.26	6.86	11.99	0.79
Other Commercial Banks (Pubali & Uttara Banks Ltd.)	1.63	0.82	0.77	0.04
BKB	5.22	2.19	3.38	0.16
Total :	25.11	9.87	16.14	0.99

123. The total number of borrowers under the scheme stood at 2,27,007 as on June 30, 1984. Credit operations under the programme substantially expanded covering larger rural areas.

124. The Agricultural Credit Inspection Division of the Agricultural Credit Department of Bangladesh Bank has been upgraded to a full-fledged Department with effect from 1st February, 1984 and re-named as Agricultural Credit Inspection Department (ACID). Formerly the Agricultural Credit Inspection Division used to conduct inspection of the Co-operative institutions and the Bangladesh Krishi Bank. The newly-created ACID will conduct exhaustive and regular inspection of all Co-operative institutions, the Bangladesh Krishi Bank as well as the rural branches of the Nationalised Commercial Banks dealing in agricultural credit operation. The inspection programme is designed in such a way that all the institutions bank branches are covered once in every three years.

125. During 1983-84, the ACID inspected 145 Co-operative institutions, 184 branches of the BKB and 6 branches of the Nationalised Commercial Banks.

**Agricultural
Credit Ins-
pection
Department
(ACID)**

Inspection

**Rural Credit
Project
Department
(RCPD)**

126. The progress of projects/schemes undertaken by the Rural Credit Project Department (RCPD) of Bangladesh Bank is reviewed in the following paragraphs:

**Sale and
Installation
of Irrigation
Equipments
under IDA
Credit
1147-BD**

127. Under the monitoring and supervision of project implementation by the RCPD, a project named "Agricultural Credit Project under the IDA Credit No. 1147-BD" was launched from 1st July, 1981 in Rajshahi Division. The main objective of the project is financing of minor irrigation equipments like shallow tube-well (STWs). During 1983-84 a total of 25,179 STWs (292 local and 24,887 imported) were allocated to 8 importers/turnkey contractors. During the year under report, 10,691 STWs were sold and commissioned against the target of 15,000, bringing the total to 25,609 during the last three years beginning from 1981-82 as against the IDA's target of 27,000 STWs, to be commissioned over a four year period. The target was, however, subsequently, enhanced to 40,000 STWs consequent upon the increased availability of fund.

**Financing of
Grain Stor-
ages, Village
Mechanics
and
Workshops**

128. The above IDA Project also provides for financing of grain storages, village mechanics and agricultural workshops. The participating banks together disbursed Tk. 0.37 lakh to village mechanics while a sum of Tk. 0.30 crore was sanctioned during 1983-84 for construction of six grain godowns having a total storage capacity of 3,375 tons.

**Diversified
Lending
under IDA
Credit
1147-BD**

129. The financing of cattle purchase, beef-fattening, rural transport, pond fishery, small scale dairy, etc. under a diversified lending programme has recently been introduced under this project.

**Refinance
under IDA
Credit
1147-BD**

130. The Sonali, Janata, Agrani and Bangladesh Krishi Banks are the participating credit institutions (PCIs) under the IDA Project No. 1147-BD. An amount of Tk. 29.74 crores was provided by Bangladesh Bank as refinance to the above PCIs during 1983-84. The IDA has already reimbursed to Bangladesh Bank an amount of Tk. 26.67 crores in foreign exchange during the year under report.

Training

131. Training wing of the RCPD arranged 24 basic courses and 2 follow-up courses through the training institutes of the PCIs under which 536 bank employees received training in 1983-84. Another 135 bank officers were also imparted professional training through the Bangladesh Institute of Bank Management (BIBM) during the year under report.

132. The following schemes have also been undertaken by the RCPD for implementation through the NCBs and the BKB out of their own resources with refinance facility from Bangladesh Bank.

Banana Plantation Financing Scheme

133. The Banana Plantation Financing Scheme was recast in 1983-84 and a total of 82 Upazillas have been brought under the scheme. Since the beginning upto June, 1984, the NCBs and the BKB together disbursed Tk. 2.82 crores and recovered Tk. 0.89 crore as against the annual allocation of Tk. 5.00 crores under the scheme.

Rural Transport Financing Scheme

134. Since inception of the scheme in 1981 upto June, 1984, the participating banks disbursed an amount of Tk. 4.85 crores to 15,382 loanees and recovered an amount of Tk. 1.58 crores.

Shrimp Culture Financing Scheme

135. All the NCBs and the BKB have been participating in the scheme covering 23 Upazillas of Satkhira, Khulna and Cox's Bazar districts. As against the target of Tk. 14.63 crores, the participating banks disbursed Tk. 11.00 crores during 1983-84 bringing the total to Tk. 16.43 crores since launching of the scheme in 1980 against which a sum of Tk. 3.95 crores was recovered.

Lac Culture Financing Scheme

136. Agrani Bank, the only financing bank of the scheme disbursed an amount of Tk. 0.02 crore and recovered Tk. 0.02 crore since the beginning upto June, 1984.

Rower Pump Financing Scheme

137. The scheme started operation from December, 1982 initially in two districts, viz., Dinajpur and Kushtia with an allocation of Tk. 12.00 lakhs. The scheme presently covers 29 Upazillas of 5 districts, viz., Dinajpur, Kushtia, Comilla, Noakhali and Chittagong.

**Coconut
Plantation
Financing
Scheme**

138. Disbursement of loan under the scheme during 1983-84 was Tk. 0.02 crore, bringing the total to Tk. 0.06 crore since the beginning in December, 1982.

**Commercial
Poultry
(Broiler)
Financing
Scheme**

139. With a view to increasing the supply of meat and eggs through encouraging establishment of commercial poultry farms a credit programme was launched in November, 1983. Only Sonali Bank sanctioned 2 loan cases during the year 1983-84.

**Grameen
Bank**

140. The Grameen Bank which started functioning as a project under the name "The Grameen Bank Project (GBP)" from June, 1979 and kept its operations limited initially in the two districts of Tangail and Chittagong has now become a country-wide name in the banking sector. The Government of Bangladesh signed a credit agreement with IFAD in June, 1981 for a loan of Tk. 10.00 crores for expanding the GBP's operations in Tangail, Chittagong, Rangpur and Patuakhali districts during 1981-84. Out of the loan amount of Tk. 10.00 crores, IFAD has provided an interest free loan of Tk. 4.57 crores upto June 30, 1984 on 'matching fund' basis, the other half being provided by the Bangladesh Bank. The GBP operation was also extended to Dhaka district.

141. The Government through the Grameen Bank Ordinance, 1983 established the Grameen Bank on 4th September, 1983 with an initial paid up share capital of Tk. 3.00 crores, 60% of which would be subscribed by the Government or any organisation/body setup, managed or controlled by the Government and the rest 40% by the borrowers of the Grameen Bank of which 20% preferably by women borrowers. The general direction and superintendence of the affairs and business of the bank have been entrusted to a Board of Directors. Accordingly, the Grameen Bank started its operation independently with effect from 2nd October, 1983. The main functions of the new Bank are to provide credit with or without collateral security and in cash or in kind to landless persons for all types of economic activities, including housing, but excluding business in foreign exchange transactions.

142. Total loans disbursed by the Grameen Bank during 1983-84 stood substantially higher at Tk. 20.40 crores as compared to Tk. 6.38 crores during 1982-83. Recovery of loans during the year also stood higher at Tk. 10.66 crores (52.25% of disbursement) as compared to Tk. 3.84 crores (60.19% of disbursement) during 1982-83. Since introduction of the Grameen Bank Project in June, 1979 the Bank extended collateral free loans of Tk. 33.61 crores to 81,296 landless people of whom 42,310 or 52.04% were women. Of the total disbursement of Tk. 33.61^a crores an amount of Tk. 19.34 crores or 57.54% was repaid by the loanees in weekly instalments. By the end of June, 1984 a total of 1,832 villages in 5 districts were brought under the purview of Grameen Bank operation with a network of 102 branches. The percentage of default has traditionally been quite negligible due to Grameen Bank's own specialised system of credit supervision.

143. Total group savings under the Grameen Bank at the end of June, 1984 amounted to Tk. 2.60 crores out of which the members invested an amount of Tk. 0.85 crore on different collective ventures like purchase of STWs, DTW, rice mills, and leasing of markets, pisciculture, etc. Besides, the group members saved an amount of Tk. 0.45 crore in their emergency fund.

144. With significant achievements during its experimental phase, the Grameen Bank Project has developed into a model rural banking institution of the country which is expected to play a greater role in future by expanding its branch net-work and accumulating necessary funds for lending to the rural and mostly landless people.

^a This includes Tk. 15.31 crores disbursed by the participating banks under the Grameen Bank Project up to September 30, 1983 i.e. prior to conversion of the G.B.P. into a banking company.

CHAPTER VII

**FINANCING OF SMALL AND COTTAGE
INDUSTRIES UNDER IDA CREDIT**

FINANCING OF SMALL SCALE AND COTTAGE INDUSTRIES UNDER IDA CREDIT

145. For Financing Small and Cottage Industries in the country under IDA Credit No. 1065-BD which had become effective from January 15, 1981, an amount equivalent to SDR 22.87 million was made available to 3 (three) participating credit institutions viz., Sonali Bank, Janata Bank and Agrani Bank.

146. During the year ended June 30, 1984 the Industrial Credit Department of the Bangladesh Bank approved 325 Small Scale and Cottage Industry enterprises involving a total amount of Tk. 32.64 crores for refinance under the Credit against loans sanctioned by Sonali, Agrani and Janata Banks. After adjusting for subsequent cancellation of approved cases as well as for enhancements/reductions made in a number of cases during the year the cumulative number of loan cases approved for refinance as on June 30, 1984 stood at 706 for a total amount of Tk. 61.40 crores since the beginning of operation of the credit.

147. Size-wise and bank-wise break-down for number of loan cases sanctioned by each of the three participating commercial banks was as under :

Size of loans	(Amount in Crore Taka)							
	Sonali		Janata		Agrani		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Upto Tk. 5 lakhs	160	5.12	115	3.21	13	0.42	288	8.75
Above Tk. 5 lakhs upto Tk. 15 lakhs	82	8.40	135	12.66	99	8.67	316	29.73
Above Tk. 15 lakhs upto Tk. 30 lakhs	46	10.29	26	5.70	30	6.93	102	22.92
Total :	288	23.81	276	21.57	142	16.02	706	61.40

148. The table below shows the division-wise distribution of loans approved for refinance under the credit upto June 30, 1984 :

Division	No. of Projects	% of Total	Amount (in crore Tk.)	% of Total
Dhaka	390	55.25	38.52	62.73
Chittagong	143	20.25	13.40	21.82
Rajshahi	123	17.42	5.48	8.93
Khulna	50	7.08	4.00	6.52
Total :	706	100	61.40	100

149. The cumulative refinance approvals as on June 30, 1984 have been distributed among the following major economic groups of industries :

Economic Group	No. of Projects	Amount (in Cr. Tk.)	% of Total
Food & Allied Products	250	15.14	24.66
Textile Industries	144	18.89	30.76
Specialised Jute Products	2	0.10	0.16
Forest Products & Allied Industries	58	1.70	2.77
Paper Board and Printing	31	3.46	5.63
Tannery, Leather & Rubber	22	2.34	3.82
Chemicals, Pharmaceuticals and Allied Products	15	1.82	2.97
Glass, Ceramics & non-metallic Products	7	0.95	1.54
Engineering Industries	93	9.72	15.83
Miscellaneous Industries	50	5.57	9.08
Road Transports	29	1.35	2.20
Industries N.E.C.@	4	0.27	0.43
Misc. Cottage Industries	1	0.09	0.15
Total :	706	61.40	100

@ N.E.C. = Not Elsewhere Classified.

150. As per requirement of the credit, at least 40% of the total amount of loans sanctioned by each of the participating banks is to be given to 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 706 projects approved for refinance upto June 30, 1984 is shown below :

Bank	Projects with fixed cost upto Tk. 10.00 lakhs			Projects with fixed cost above Tk. 10.00 lakhs		
	No.	Amount (Cr. Tk.)	% of Total Projects	No.	Amount (Cr. Tk.)	% of Total Projects
Sonali	188	7.14	29.99	100	16.67	70.01
Janata	196	9.41	43.63	80	12.16	56.37
Agrani	90	6.45	40.27	52	9.57	59.73
Total :	474	23.00	37.46	232	38.40	62.54

151. 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 :

(Amount in Crore Taka)

Bank	Loans in Local currency	% of Projects Sanctioned	Taka equivalent Loans in foreign currency	% of Projects Sanctioned
Sonali	13.42	56.35	10.39	43.65
Janata	14.70	68.16	6.87	31.84
Agrani	9.42	58.78	6.60	41.22
Total :	37.54	61.13	23.86	38.87

152. Out of the total loans of Tk. 61.40 crores approved for refinance, Tk. 42.01 crores (or 68%) were sanctioned to 427 projects in the urban areas, while the remaining amount of Tk. 19.39 crores (or 32%) to 279 projects in the rural areas.

153. The estimated number of employment expected to be generated by the Small and Cottage Industry Projects sanctioned upto June 30, 1984 is about 23,000.

154. Under an agreement signed on June 17, 1982 between the Governments of the Kingdom of Norway and the People's Republic of Bangladesh, an amount equivalent to Norwegian Kroner 10 million would be provided by the "Norwegian Agency for International Development (NORAD)" for financing of "Small and Cottage Industries (SCI)" in Bangladesh. As per the terms of the agreement, the NORAD have transferred the first instalment under the Grant amounting to NOK 5 million equivalent to Tk. 1,66,86,380.22 to Bangladesh Bank's account which has been credited to "NORAD Grant-Refinancing Fund" established in the Bank on January 20, 1983. Loans disbursed to the eligible small and cottage industrial enterprises by the Sonali and Janata banks are to be refinanced by the Bangladesh Bank out of the "NORAD Grant Refinancing Fund Account". The amounts of refinance loans to be recovered by the Bangladesh Bank from the financing commercial banks could be ploughed back for refinancing of fresh loans disbursed by the banks in accordance with the terms of the agreement. Disbursement of refinance loans by the Bangladesh Bank to the two banks under the NORAD Grant upto June 30, 1984 stood as under :

(Amount in lakh Taka)		
Bank	No. of SCI Project	Amount disbursed
Sonali	1021	48.53
Janata	687	43.73
Total :	1708	92.26

CHAPTER VIII

**HOUSING POLICY
AND
HOUSE BUILDING FINANCE**

CHAPTER VIII

**HOUSING POLICY
AND
HOUSE BUILDING FINANCE**

and Khulna Zones respectively. This compared with the disbursement of Tk. 26.27 crores during 1982-83 of which Tk. 16.31 crores were for Dhaka Zone and Tk. 4.31 crores, Tk. 3.52 crores and Tk. 2.14 crores for Chittagong, Rajshahi and Khulna Zones respectively. The total amount of loans sanctioned and disbursed under the programme since its introduction in July, 1977 upto June 30, 1984 stood at Tk. 375.02 crores and Tk. 269.30 crores respectively.

160. The Government approved a revised housing programme during 1980 for people in the middle and low-income groups. The programme envisages construction of four to six-storied multi-family apartment houses in Dhaka, Narayanganj, Chittagong and Khulna and three-storied apartment buildings in other urban areas, including Thana Headquarters. Loans under this programme would carry a concessional interest rate of 5 per cent per annum for houses covering an area of 800 sq. ft. and 7 per cent per annum for houses covering an area of 1000 sq. ft. each with 25 years repayment period. However, consequent upon the upward revision of interest rates structure, the rate of interest under this programme was enhanced to 10.50 per cent per annum with effect from October 16, 1980.

161. With a view to encouraging construction of buildings at the new centres of development work in Upazillas and rural Thana the Government decided to extend HBFC loan facilities to those areas, and fixed the rate of interest at 5 per cent per annum for all categories of loans. A two-storied building in those places will be treated as a multi-storied building for the purpose of availing of Multi-loan. Besides, the HBFC also allowed the benefit of additional loans under new ceiling to borrowers who could not complete their houses with the previous sanctioned amount. Furthermore, the borrowers who obtained loans from commercial banks with prior permission of the HBFC for completion of their houses were allowed to avail additional loan to repay bank's liabilities as well as for completion of their houses.

162. Total Sanction and Disbursement of HBFC Loans : The HBFC sanctioned a total of Tk. 215.03 crores against 5,119 loan applications during 1983-84. Total disbursement of loans during the year amounted to Tk. 142.88 crores. This compared with the sanction of Tk. 78.95 crores for a total of 2,499 loan cases and disbursement of Tk. 57.82 crores during 1982-83. Since inception upto the end of June, 1984, the HBFC sanctioned a total of Tk. 675.33 crores for construction of 57,196 housing units against which a sum of Tk. 514.89 crores were disbursed.

163. Recovery of Loans : The HBFC recovered loans amounting to Tk. 12.42 crores and Tk. 8.80 crores under its General Loan and Multi-Loan Programmes respectively during 1983-84 as compared to Tk. 10.72 crores and Tk. 8.98 crores respectively recovered during the preceding year.

164. Promotional Activities : At present, the HBFC has got Regional Offices in all the District Headquarters (old) except Jamalpur, Patuakhali and Rangamati. Offices in the remaining districts are to be opened in the future. For the convenience of the local people and to make the recovery measures more effective, the Corporation has decentralised its accounts which started functioning in the Regional Offices from 1st January, 1981. The Corporation has also undertaken its own development projects. Besides the 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 Officers at Khulna and Rajshahi would be constructed in future on the plots already purchased for the purpose.

165. 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 continued during 1977-78. Subsequently, it was decided not to set

Nationalised Commercial Banks

any target for credit to housing sector. The banks were, however, asked to treat housing 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 banks' Board of Directors. 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. The rate of interest was further enhanced to 16 per cent per annum with effect from December 5, 1982. Thereafter, restriction was imposed on commercial banks' financing to general borrowers for construction of residential houses with effect from December 22, 1983. Financing of commercial buildings was, however, continued and the repayment period for such loans including those outstanding against residential houses was enhanced from 7 years to 12 years. With effect from June 19, 1984, however, this restriction was withdrawn and banks were allowed to finance general borrowers for construction of residential houses including those who have availed of HBFC loans. It was also decided that application of interest on such loans should not be made by banks before the expiry of first six months from the date of disbursement of loans. As usual, the rate of interest would be 16 per cent per annum with the extended repayment period of 12 years.

166. The total amount of loans disbursed by the nationalised commercial banks in the housing sector during 1983-84 stood at Tk. 4.68 crores as compared with Tk. 5.83 crores disbursed during the preceding year. This was in addition to Tk. 0.23 crore of housing loan provided by the foreign banks operating in Bangladesh during 1983-84. The private sector banks disbursed an amount of Tk. 1.25 crores as housing loan during the year under report. The total amount of outstanding loans provided by the nationalised commercial banks and the foreign banks operating in Bangladesh at the end of June, 1984 stood at Tk. 104.67 crores and Tk. 2.02 crores respectively. The amount of outstanding loans provided by the private sector banks stood at Tk. 1.34 crores at the end of June, 1984.

167. Rural Housing Scheme : The 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 in force during 1983-84. Under this scheme, a maximum amount of Tk. 8,000.00 per borrower is provided by the nationalised commercial banks against mortgage of houses to be 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 under this scheme amounted to Tk. 11.17 lakhs during 1983-84 as against Tk. 4.65 lakhs during the preceding year. A total sum of Tk. 31.15 lakhs was disbursed by the nationalised commercial banks under this scheme since its introduction in December, 1977 upto June 30, 1984. A total of 141 houses were constructed under the scheme in rural areas during 1983-84. Thus the total number of houses constructed under the scheme since its inception upto the end of June, 1984 stood at 408.

168. Rural Housing Financing Scheme : With a view to improving the dwelling conditions of the rural people, another scheme under the name 'Rural Housing Financing Scheme' has been introduced throughout the country from January, 1984. The scheme is applicable to any rural area of the country (except Municipal areas and Thana Headquarters) and confined only to construction of dwelling houses for own use of the borrower. The scheme will provide for financing construction of semi-pucca dwelling houses strong enough to withstand natural calamities. Sonali, Janata, Agrani and Rupali Banks are the financing agencies of the scheme.

169. Under the scheme, the financing agencies will extend loan of Tk. 59,500.00 and Tk. 35,000.00 per party for construction of strong semi-pucca houses covering an area of 425 sft. and 250 sft. respectively. Taking into account a price contingency of 10 per cent, the above categories of loans may be enhanced to a maximum of Tk. 65,000.00 and Tk. 38,000.00

respectively. The loan would be sanctioned against mortgage of the house to be constructed alongwith the land and will bear an interest of 5 per cent per annum. The repayment period of the loan will be 25 years with a grace period of 2 years.

170. During three years from 1983-84 to 1985-86 about 6,000 houses will be financed by the banks, at least 15 in each Upazilla. Initially an amount of Tk. 8.00 crores was allocated for 1983-84 for the purpose. Later on, the Grameen Bank joined the Scheme with an allocation of Tk. 1.00 crore. During the half-year January-June, 1984 the financing agencies together sanctioned a total Tk. 4.62 crores against 753 loan cases, and a total of Tk. 2.07 crores was disbursed against 437 loan cases.

171. As the House Building Finance Corporation suffered from lack of resources to meet the large demand for housing credit, Bangladesh Bank and the nationalised commercial banks provided substantial amount of finance to the HBFC by way of subscribing to the debentures issued by the Corporation. The value of such debenture holding of Bangladesh Bank which had stood at Tk. 228.50 crores at the end of June, 1983 increased to Tk. 367.50 crores at the end of June, 1984 representing an investment of Tk. 139.00 crores during 1983-84. There was, however, no debenture financing by the nationalised commercial banks to the HBFC during the year under report.

**Bangladesh
Bank**

CHAPTER IX

PUBLIC FINANCE

PUBLIC FINANCE

172. In order to reduce the country's dependence on external assistance and move towards self-refinance, efforts at mobilising domestic resources were given considerable emphasis during 1983-84. This was aimed at by incorporating some new fiscal measures in the budget for 1983-84 as well as by making concerted efforts to improve the financial management of the public sector corporations and enterprises the fixed capital assets of which form a large part in the industries sector. The new fiscal measures in the Budget for 1983-84 included : (i) enhancement of export duty on wet-blue leather from 5% to 10%, (ii) imposition of sales tax on fresh fruits, ships acquired for breaking, certain items of spices, imported sugar, tobacco and tobacco manufactures, tarpauline and simplex board, (iii) imposition of excise duties on overseas telephone and telex services, particle board, hard board, plywood, bread and allopathic, ayurvedic and unani systems of medicine and (iv) enhancement of excise duty on natural gas. Besides these, electricity charges were increased by a weighted average of 3.2%. Railway fares were increased by 25% for air-conditioned and first class and 20% for second class. The net impact of new fiscal measures was expected to yield Tk. 53.15 crores during 1983-84. Procurement price of rice was increased by 7.14% per maund and ration prices were also adjusted proportionately. Sale and rental rates for most types of small scale irrigation equipment were raised during the year. Improvement in the financial management of public sector corporations and enterprises was also sought to be achieved through their reorganisation, flexibility in pricing, programming to set up an improved system of monitoring, etc. A significant decline in the borrowings of the public sector from the banking system during 1983-84 was perhaps indicative of the positive results yielded by these measures.

Mobilisation of Domestic Resources

173. In addition to budgetary provision for efficient financial management of sector corporations, a number of steps were taken to encourage voluntary savings during the year. A scheme named 'Deposit Pension Scheme' was also introduced in the private sector with effect from 1st September, 1983. Under the Scheme, an employee/individual having regular source of income would receive payment either in lump sum with accrued interest or in monthly pension for a period of 10/20 years on his monthly deposit with the commercial bank. For example, by giving a monthly deposit 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 of over Tk. 1,600.00 for 20 years. Contribution towards the scheme will be exempted from income tax. The upper limit of monthly deposit that an individual may make under the scheme is Tk. 500.00. The Grameen Bank Project was converted into a full-fledged banking company which is expected to go a long way in mobilising small savings of the rural poor and landless farmers at the same time contributing to augment their earnings.

174. Efforts at mobilising domestic resources have been further intensified in the Budget for 1984-85 which provided for a number of new fiscal measures. These include : (i) a new direct tax on all shops in the metropolitan areas of Dhaka and Chittagong and municipal areas of Khulna according to floor space, (ii) enhancement of excise duty on gas for regular and commercial purpose, and for power generation and production of fertilizers, (iii) enhancement of postal rates, (iv) enhancement of tax on seating capacity of private cars and (v) expansion of base of turnover tax to cover travel agents and bonded warehouses. The new tax measures are expected to yield Tk. 103.80 crores. Besides, duty has been imposed on commodities like bulbs, sanitary wares, low brand cigarettes, cosmetics, soap and detergents. At the same time, tax-relief has been proposed, among others, on life savings drugs, synthetic and mixed fibre, office equipments, biscuits and bread logs and white marble.

175. Apart from budgetary provisions, measures have been proposed for boosting up contractual and voluntary savings during 1984-85. In conformity with the Government's policy for self-reliance on the food front

**Budget for
1983-84
(Revised)**

and improving efficiency and productivity of the public sector corporations, it has been decided to withdraw subsidies from food and sector corporations to a substantial extent during 1984-85. Accordingly, subsidies, grants-in-aid and contributions have been estimated much lower at Tk. 164.67 crores during 1984-85 as against Tk. 263.17 crores in the revised budget for 1983-84.

176. The Budget for 1983-84 envisaged total revenue receipts at Tk. 3396.76 crores and total revenue expenditure (non-development) at Tk. 2413.54 crores showing a revenue surplus of Tk. 983.22 crores. The budget estimates for the year were subsequently revised placing revenue receipts lower by Tk. 363.76 crores at Tk. 3033.00 crores and revenue expenditures higher by Tk. 89.46 crores at Tk. 2503.00 crores, leaving a smaller surplus of Tk. 530.00 crores.

177. The revised budget estimates showed shortfalls under the following heads of receipt from the original estimates : Customs (—Tk. 330.00 crores), Sales Tax (—Tk. 89.00 crores), Land Revenue (—Tk. 26.60 crores), Railway (—Tk. 23.66 crores), Telegraph and Telephone (—Tk. 8.39 crores), Profits from Nationalised Industries and Corporations (—Tk. 6.15 crores), Agriculture and Related Activities (—Tk. 3.63 crores), Estate Duty, Gift and Wealth Tax (—Tk. 0.30 crore), Post Office (—Tk. 1.70 crores), Mines and Minerals (—Tk. 0.03 crore) and Other Tax Receipts (—Tk. 1.00 crore). These shortfalls in receipts were partly offset by increases in Excise Duty (+Tk. 54.00 crores), Income Tax (+Tk. 21.00 crores), Economic Services (+Tk. 17.07 crores), Interest (+Tk. 8.31 crores), Proceeds from Sale of Government Assets (+Tk. 6.96 crores), Transport and Communication (+Tk. 5.07 crores), Social Welfare Activities (+Tk. 4.45 crores), Profits from Nationalised Banks and other Investment Corporations (+Tk. 3.14 crores), Stamp (non-judicial) (+Tk. 3.00 crores), General Administration (+Tk. 1.27 crores), Registration (+Tk. 1.00 crore), Motor Vehicle Tax and Electricity Tariff (+Tk. 1.00 crore) and other Non-tax Receipts (+Tk. 0.37 crore). The sharp shortfall in customs duties was due to lower imports during the year.

178. The increased expenditure of Tk. 89.46 crores in the revised revenue budget for 1983-84 was due mainly to increases in expenditure under: Social Welfare Activities (+Tk. 69.87 crores), Education (+Tk. 46.75 crores), Subsidy, Grants and Donations (+Tk. 45.28 crores), Secretariat (+Tk. 29.78 crores), Interest on Internal Debt (+Tk. 25.45 crores), Health and Population Control (+Tk. 15.68 crores), Organs of Government (+Tk. 10.25 crores), Defence (+Tk. 10.16 crores), General Administration, Discipline and Security (+Tk. 9.78 crores), Police Administration (+Tk. 6.91 crores), Transport and Communication (+Tk. 5.98 crores), Agriculture and Related Activities (+Tk. 5.59 crores), Judiciary (+Tk. 3.78 crores), Activities related to Administration (+Tk. 3.24 crores), General Economic Activities (+Tk. 2.94 crores), Activities related to Revenue Collection (+Tk. 2.81 crores), Foreign Affairs Embassy (+Tk. 1.82 crores), Accounts Audit (+Tk. 1.72 crores), Retirement Relief and Other Benefits (+Tk. 0.60 crore) and Industries and Mines (+Tk. 0.46 crore). This increase was, however, largely offset by saving of Tk. 197.00 crores earmarked for "Unexpected Expenditure".

179. The size of the Annual Development Programme (ADP) for 1983-84 was originally placed at Tk. 3483.86 crores which was subsequently revised downward by Tk. 51.28 crores to Tk. 3432.58 crores. The revision was made in view of a shortfall in the total amount available to finance the ADP. In the revised budget, total foreign assistance available for financing the ADP was placed at Tk. 2705.42 crores, including Tk. 1652.42 crores under Project Aid, Tk. 950.00 crores under commodity aid and Tk. 103.00 crores from sale of foodgrains. Domestic resources for financing the same were placed at Tk. 727.16 crores: revenue surplus of Tk. 530.00 crores, net capital receipt of Tk. 58.00 crores, surplus of food budget of Tk. 33.00 crores, internal resources of Tk. 78.16 crores from some development agencies and Tk. 28.00 crores to be raised through sale of debentures of some sector corporations.

180. The budget estimates for 1984-85 placed revenue receipts at Tk. 3465.00 crores and expenditures (non-development) at Tk. 2802.80 crores,

**Budget
Estimates
for 1984-85**

thus showing a revenue surplus of Tk. 662.20 crores (excluding Tk. 103.80 crores in new taxes). Of the total revenue receipts, Custom Duties are estimated to yield Tk. 1160.00 crores, Excise Tk. 675.00 crores, Sales Tax Tk. 390.00 crores and Income Tax Tk. 370.00 crores. The non-tax revenue receipts include Railway Tk. 162.00 crores, Profit from Nationalised Banks and Other Investment Institutions Tk. 119.00 crores and Interest Tk. 118.41 crores. Of the total expenditures, Education accounts for Tk. 470.21 crores and Defence for Tk. 465.08 crores. Other important allocations include : Railway (Tk. 197.80), Subsidy, Grants and Donations (Tk. 164.67 crores), Interest on Internal Debt (Tk. 164.32 crores), Interest on External Debt (Tk. 154.15 crores), Health and Population Control (Tk. 144.48 crores), Social Welfare Activities (Tk. 140.33 crores), Police Administration (Tk. 128.47 crores) and unforeseen Expenditures (Tk. 122.80 crores).

181. The size of the Annual Development Programme (ADP) for 1984-85 has been estimated at Tk. 3896.00 crores. This shows an increase of about 13.5 per cent over Tk. 3432.58 crores in the revised ADP for 1983-84. Of the total outlay, Tk. 614.25 crores (16%) has been allocated for Flood Control and Water Resources, Tk. 423.00 crores (11%) for Development of Thana Infrastructure, Tk. 379.28 crores (10%) for Industries and Tk. 354.34 crores (9%) for Agriculture. Allocations for Natural Resources, Transport, Education and Religious Affairs, Housing and Physical Planning, Population and Family Planning and Self-Finance Scheme of Autonomous Bodies stood at Tk. 242.98 crores (6%), Tk. 242.20 crores (6%), Tk. 129.90 crores (3%), Tk. 122.08 crores (3%), Tk. 119.92 crores (3%) and Tk. 100.95 crores (2%) respectively. An amount of Tk. 549.40 crores (14%) has been left aside for 'Other Expenditures'. The Annual Development Programme for 1984-85 envisages a total foreign assistance of Tk. 3130.00 crores or 80.3 per cent of the total outlay as against 78.8 per cent in the revised ADP for the previous year.

182. There has been a sharp departure this year in so far as the objectives of revenue raising activities are concerned. A conscious effort has been made to make the revenue raising activities a growth aiding

Fiscal Measures

device for industries. With this end in view, fiscal measures were taken considering the following broad objectives :

- a) Protection of domestic industries
- b) Safeguarding consumers' interest
- c) Removal of fiscal anomalies
- d) Uniform tariff for identical goods and
- e) Simplification of tariff structure.

Guided by the above broad principles, fiscal policy package during 1984-85 include among others the following measures :

Customs and Excise-duties

- i) All duties on imported raw materials having more than 20% rates have been brought down to 20%. Duty rates of above 50% on partly processed industrial raw materials have also been reduced to 50%. Duty rates of above 100% on fully processed articles have been reduced to 100%.
- ii) Duty rates on synthetic/mixed fabrics which were 200% and 100% respectively have been unified at 150%.
- iii) The existing duty rate of 50% on yarn of man-made fibre has been reduced to 20%.
- iv) Duty on nylon chips has been reduced from 20% to 10% with full exemption of sales tax.
- v) Duty rates of 150% and 100% on grey unfinished cloth has been unified at the lower rate of 100%.
- vi) Duty on wool and wool-mix fabrics, wool yarn and wool top have been reduced to 150%, 20% and 5% respectively from the existing rates of 200%, 100% and 10% respectively.

- vii) Duty on silk yarn has been reduced from 100% to 50%.
- viii) Duty on stand-by generator for power supply has been reduced from 100% to 20% with full exemption of sales tax.
- ix) Duty on quality control equipment has been reduced to 50% from the existing rate of 100%.
- x) Exemption of 10% excise duty on sanitary wares, electrical goods, apparatus and appliances has been withdrawn.
- xi) A regulatory duty @ 2% has been imposed on cigarettes, paints, cosmetics, soaps and detergents, storage and dry-cell batteries, electric bulbs and tubes, televisions, wires and cables, motor cycles, footwears (mechanised), welding electrodes, jute manufactures, electric fans and hotels and restaurants having bars and floor-shows.
- xii) A tariff value of Tk. 10,500.00 has been fixed for each metric ton of M.S. products.
- xiii) Excise duty on gas used for generation of electricity and production of fertilizer has been raised from Tk. 9.50 to Tk. 10.45 per 1000 cft. Duty rates on gas used for regular and seasonal commercial purposes have also been enhanced to Tk. 29.41 and Tk. 33.85 per 1000 cft. respectively from the existing single rate of Tk. 21.65 per 1000 cft.
- xiv) Duty rates on mild steel and iron pipes used in agriculture and stainless blades have been reduced to 15% and 10% respectively from the existing 20% for each item.
- xv) Duty @ 10% on soyaprotein biscuits has been withdrawn until June 30, 1985. Excise duty @ 15% on Khata boards and 5% on packet tea have also been withdrawn.

Sales Tax :

Duty and sales tax on life-saving appliances like pace-maker, kidney and dialysis machine, breathing apparatus, etc. have been abolished. Similarly, life saving antibiotic drugs and medicines have also been made free of duty and taxes.

Income Tax :

- i) Limit of income for self-assessment scheme has been raised from Tk. 75,000.00 to Tk. 1,00,000.00.
- ii) Maximum income tax exemption allowed to salaried tax payers on cash house rent allowance received from the employers has been enhanced from Tk. 1,800.00 to Tk. 2,000.00 per month.
- iii) Exemption limit of cash conveyance allowance of salaried persons has been increased to Tk. 3,600.00 and Tk. 4,200.00 from Tk. 3,000.00 and Tk. 3,600.00 respectively.
- iv) Income tax at source @ 10% on gross commission of indenting business has been reduced to 5%.
- v) The proportion of income exceeding Tk. 1,60,000.00 of registered firms was liable to income tax at the highest rate. The highest rate of tax has now been fixed on the proportion of income exceeding Tk. 2,00,000.00 of the registered firms.

Shop Tax :

- i) A new direct tax has been imposed on all shops in the Metropolitan areas of Dhaka and Chittagong, and the Municipal areas of Khulna and in the areas comprising all District Headquarters.

For Metropolitan areas of Dhaka and Chittagong and Municipal areas of Khulna the rates and floor specifications will be as follows :

Floor Specification	Rate
a) Not exceeding 100 sft.	Tk. 500 per annum
b) Exceeding 100 sft. but not exceeding 200 sft.	Tk. 1000 " "
c) Exceeding 200 sft.	Tk. 2000 " "

- ii) In the areas of District Headquarters the tax rates will be half of the above.

Turn-Over Tax :

- i) Previously turn-over tax was imposed on only six types of specialised goods and services. The base of this tax has been expanded by including Travel Agents and Bonded Ware Houses. Accordingly, a turn-over tax of 2% has been imposed on the commission earned by the Travel Agents and on the total sales from Bonded Ware Houses.
- ii) At present, there is no turn-over tax on annual sale of goods upto Tk. 2.00 lakhs. In line with the lowest possible taxable limit for income tax, the exemption ceiling has been fixed at Tk. 20,000.00 in case of income from services for the purpose of levy of turn-over tax.

Government Borrowings

183. Government of the People's Republic of Bangladesh introduced a "new 2-Year Special Treasury Bonds" for sale to the individuals, Public and Private Sector Organisations including Banks with effect from the 19th

Januray, 1984. Subscriptions to the Bond as on the 30th June, 1984 amounted to Tk. 214.97 crores against face value of Bonds amounting to Tk. 266.70 crores.

184. The outstanding against the 11% Government of Bangladesh Loan, 1992 floated in October, 1982 remained at the last year's level of Tk. 63.75 crores as on 30th June, 1984.

185. The three month Government Treasury Bills @ 9.5% discount per annum stood as on the 30th June, 1984 at the same level of Tk. 57.03 crores as on the 30th June, 1983. These Bills were being re-issued every 90 days.

186. The Special Treasury Bills @ 8.5% discount per annum offered for sale on 21st June, 1976 to non-bank institutions stood at Tk. 4,82,80,000.00 as on the 30th June, 1984 as against Tk. 13,48,80,000.00 as on the 30th June, 1983. The 8.5% Special Treasury Bills created to replenish the cash balance of the Government increased to Tk.1242.00 crores on the 30th June, 1984 from Tk. 1204.00 crores as on 30th June, 1983. The Ways and Means Advances of the Bank to the Government as on 30th June, 1984 remained unchanged at Tk. 20.00 crores.

187. The amount of G.P. Notes/Stock Certificates including 5% Defence Bonds of the erstwhile Pakistan and its Provincial Governments held by Bangladeshi Nationals and Institutions, liabilities of which have been accepted by the Government of Bangladesh but awaiting redemption stood at Tk. 5,85,32,400.00 as on the 30th June, 1984 as against Tk. 6,62,91,500.00 as on the 30th June, 1983.

188. 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. 13,18,10,669.00 as on the 30th June, 1984 as against Tk. 13,05,55,324.00 as on 30th June, 1983. Out of this payment of maturity value payable in instalments from the 1st July,

1979 has been made for a total of Tk. 11,85,11,786.00 upto 30th June, 1984 as against Tk. 11,54,58,918.00 as on the 30th June, 1983. The outstanding balance as at the end of June, 1984 was Tk. 1,32,98,883.00 as against Tk. 1,50,96,406.00 at the end of June, 1983.

189. The amount of 8% Savings Bond issued by the Government of the People's Republic of Bangladesh against 100-Taka demonetised Notes stood at Tk. 1,82,22,900.00 as on the 30th June, 1984 as against Tk. 1,72,04,900.00 as on the 30th June, 1983. Out of this maturity value payable from 10th April, 1982 has been made for a total of Tk. 1,64,17,400.00 leaving a balance of Tk. 18,05,500.00 as on the 30th June, 1984 as against Tk. 25,32,300.00 as on the 30th June, 1983.

190. The net outstanding of both Bangladesh Savings Certificates and Bangladesh Sanchaya Patras sold through banks stood at Tk. 17,07,337.00 as on the 30th June, 1984 as against Tk. 2,67,33,602.00 as on 30th June, 1983. The net sale of Bangladesh Sanchaya Patras through Post Offices stood at (—) Tk. 5.16 crores during 1983-84 as compared to (—) Tk. 2.23 crores during 1982-83.

191. The net sale of Pratirakkha Sanchaya Patras through the banking sector amounted to Tk. 1,63,60,34,574.00 as on the 30th June, 1984 as against Tk. 1,23,64,56,174.00 as on the 30th June, 1983. Sale and encashment of Pratirakkha Sanchaya Patras during the year under report were Tk.46,43,81,425.00 and Tk. 6,48,03,025.00 respectively. The net sale of Pratirakkha Sanchaya Patras through Post Offices stood at Tk. 5.29 crores during 1983-84 as compared to (—) Tk. 3.86 crores during 1982-83.

192. The net sale of Bonus Sanchaya Patras through the banking sector amounted to Tk.10,90,85,806.00 as on the 30th June, 1984 as against Tk. 8,61,45,746.00 as on the 30th June, 1983. Sale and encashment of Bonus Sanchaya Patras during 1983-84 were Tk. 3,44,99,540.00 and Tk. 1,15,59,480.00 respectively. The net sale of Bonus Sanchaya Patras

through Post Offices stood at Tk. 1.31 crores during 1983-84 as against Tk. 1.71 crores during 1982-83.

5-Year Bangladesh Sanchaya Patras

193. The net sale of 5-Year Bangladesh Sanchaya Patras through the banking sector amounted to Tk. 4,47,25,121.00 as on the 30th June, 1984 as against Tk. 3,26,50,161.00 as on the 30th June, 1983. Sale and encashment of 5-Year Bangladesh Sanchaya Patras during the year under report were Tk. 2,27,25,020.00 and Tk. 1,06,50,060.00 respectively. The net sale of 5-Year Bangladesh Sanchaya Patras through Post Offices stood at (—) Tk. 0.01 crore during 1983-84 as against (—) Tk. 0.61 crore during the previous year.

Bangladesh Prize Bonds

194. The 10-Taka Bangladesh Prize Bonds Scheme introduced in June, 1974 continued during the year. Progressive net sale of Prize Bonds amounted to Tk. 11,97,70,620.00 as on the 30th June, 1984 as compared to Tk. 10,35,42,360.00 as on the 30th June, 1983. Thirty five 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, and V and Bengali Series KA, KHA, GA, GHA, UMA, CHA, CHHA, JA, JHA, YEUA, THA, DA, DHA, NA have been put on sale upto 30th June, 1984. Fifty-six bi-monthly prize draws have been held so far under the single common draw system.

Sale of Savings Instruments to the Bangladeshi Wage Earners Serving Abroad

195. A scheme for sale of Prize Bonds and different types of Sanchaya Patras in the United Arab Emirates (UAE) and U.K. was introduced in November, 1979 and 30th October, 1980 through Janata Bank and Sonali Bank respectively. Upto the 30th June, 1984, Prize Bonds and Sanchaya Patras worth Tk. 4,10,350.00 and Tk. 1,01,600.00 respectively were sold to the Bangladeshi Wage Earners living in the U. A. E. and the U.K.

Wage Earners' Development Bonds

196. With a view to further augmenting the sale of Wage Earners' Development Bonds, the Government amended the Wage Earners' Development Bond Rules, 1981 on the 13th June, 1984. The amendments provided, inter-alia, for sale of these Bonds through the Offices of Bangladesh Bank and Correspondents of Bangladeshi Banks abroad. Banks were also allowed

to appoint commission agents abroad for promoting sales of these Bonds. As a result, the amount of Wage Earners' Development Bonds sold by different banks stood substantially higher at Tk. 11,55,47,000.00 as on the 30th June, 1984 as against Tk. 5,42,41,000.00 as on the 30th June, 1983. Out of this, payment of surrender value has been made for a total of Tk. 6,88,000.00 leaving a balance of Tk. 11,48,59,000.00 as on the 30th June, 1984.

CHAPTER X

**INTERNATIONAL ECONOMIC COOPERATION
AND INVESTMENT PROMOTION**

INTERNATIONAL ECONOMIC COOPERATION AND INVESTMENT PROMOTION

197. Efforts towards strengthening international economic cooperation continued during 1983-84, and with a view to achieving this objective Bangladesh participated in a number of international conferences/meetings of the COMMONWEALTH, UNGA, UNCTAD, ECOSOC, ESCAP etc. during the year.

198. Bangladesh has been taking active part in all commonwealth activities since it became a member of the commonwealth in April, 1972. The country has been represented at the highest level at the last 5 Commonwealth Summit Conferences as well as the Commonwealth Heads of Governments Regional Meetings in 1978, 1980, 1982 and 1984. Bangladesh has been actively participating in various programmes of the Commonwealth and the country is getting significant benefits from the Commonwealth Fund for Technical Cooperation (CFTC), the Commonwealth Foundation and a number of other programmes. Earlier, Bangladesh has been elected as the Chairman of the CFTC. Bangladesh hosted the Third Meeting of the Commonwealth Ministers of Food, Agriculture and Rural Development in Dhaka. To strengthen cooperation and collaboration in agriculture and rural development, Bangladesh attended a number of FARD-Organised Workshops/Seminars during 1983-84. These are :

- i) Workshop on Consolidation of Land Holdings held in New Delhi, India in March, 1983, (ii) Commonwealth Consultative Meeting on Food Crop Pricing and Marketing Policy held in London, U.K. in May, 1983 and (iii) Commonwealth Training Workshop on Land Use Planning in the Tropics held in Joydebpur, Dhaka and Ahmedabad, India in January and February, 1984 respectively.

199. Assistance under the CFTC to Bangladesh has been increasing over the past few years. The programme sponsors education and training course, provides expert and consultancy services on technical aspects and grants financial supports to participants attending workshops/seminars abroad. The CFTC programme provided 23 training facilities in 19 fields during 1983-84 as against 13 Training facilities in 10 fields during 1982-83. Besides, the Industrial Development Unit (IDU) of the Commonwealth has so far assisted in 14 agro-based and agro-support engineering units of the country.

200. Although the United Nations General Assembly (UNGA) had proclaimed the Third Development Decade from the 1st January, 1981 and adopted the International Development Strategy (IDS) envisaging a number of goals, policy measures and follow-up mechanisms, most of the goals and objectives of the IDS remained unfulfilled. Particularly, the ODA/GNP ratio of developed industrial countries to the least developed countries stood at 0.09 per cent as against the target of 0.15 per cent. Flows under concessional assistance to developing countries through multilateral channels (IDA, UNDP, IFAD, Regional Banks) also declined. Bangladesh in its deliberations at different international moots urged on the fulfilment of commitments of the IDS strongly arguing for the roll back of protectionism in trade, larger ODA, stabilisation of the Generalised System of Trade Preference (GSTP), immediate operation of the Common Fund for the Integrated Programme for Commodities enlargement of IDA lending for supplementary funding facility etc.

201. Economic and Technical Cooperation among Developing Countries (ECDC and TCDC) offers the opportunity to take full advantage of potential complementarities in their economies. Bangladesh is firmly committed to the promotion of ECDC and TCDC programmes and projects, and has played active part in the UN Conference on TCDC in Buenos Aires, the high Level Conference on ECDC in Caracas, the 7th Non-aligned Summit Conference in New Delhi, and as Chairman of the Group of 77 at the UNCTAD VI and other regional and inter-regional conferences. Aware of

the successful working of the existing regional and sub-regional co-operative schemes in Latin America, Africa and South East Asia, Bangladesh took the initiative for launching a programme for South Asian Regional Co-operation (SARC) among Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Considerable progress has been achieved in the transition of SARC from conceptual framework and feasibility to implementation of co-operative activities in nine identified sectors. The Foreign Ministers of the seven countries met in New Delhi in August, 1983 and through a formal declaration launched an Integrated Programme of Action of the SARC. The declaration contains objectives and principles for institutional and financial arrangements.

202. In its 40th Session held in Tokyo in April, 1984 the ESCAP adopted a resolution on "Proclamation of a Transport and Communication Decade for Asia and the Pacific, 1984-1994". Bangladesh co-sponsored, introduced and piloted the resolution for final adoption. In recognition of Bangladesh's positive and constructive role in various inter-governmental, regional and global forum the leader of the Bangladesh delegation was elected one of the vice-chairmen of the Commission and another member was elected vice-chairman of the Committee of the Whole. The Bangladesh delegation actively participated in the deliberations of all the committees and made significant contributions on all the important agenda items. Bangladesh proposals for setting up of a regional Mangrove Research Institute and regionalization of the Remote Sensing Centre in Bangladesh were accepted by the Commission.

203. Although the activities of the Transnational Corporations (TNC) in the manufacturing activities of the developing countries are very significant, these activities involved several policy issues relating to (a) the choice between free and restricted imports of technology, (b) alternative channels for transfer and (c) the integration of policy for technology transfer through TNCs with general economic policy. In order to resolve these problems, a Commission on Transnational Corporations was established in 1974 which accorded priority to the formulation, adoption and implemen-

tation of an International Code of Conduct on Transnational Corporations. Bangladesh, on behalf of the Group of 77, reiterated the commitment of the Group to an early conclusion of the work of the proposed code.

204. Another programme named the Substantial New Programme of Action (SNPA) calls for a tripling of real per capita concessional assistance to the LDCs by 1980. But this target would not be achieved without fundamental changes in the economic and social structures of the LDCs accompanied by massive capital investment. In this context, the United Nations Capital Development Fund (UNCDF) has a special role to play. Although the Fund's programme in Bangladesh had a slow start, it achieved considerable momentum and the following project agreements were signed in 1983 : (a) Credit for Cottage Industries (\$ 1.1 million), (b) Equipment for Fish Processing Plants (\$ 0.86 million), (c) Rural Water Supply (\$ 5.1 million) and (d) Rice Bran Oil Extraction Plant (\$ 1.45 million).

205. The remittances of Bangladesh nationals serving abroad provided substantial cushion to the strains on foreign exchange reserves of Bangladesh for the past two years. Wage Earners' remittances financed more than 22.00 per cent of the country's total import bill of 1983-84 as against 20.00 per cent in the previous year. Although overseas employment for Bangladeshis was gradually increasing till 1982, the demand appears to have levelled off to some extent as indicated by total employment which stood at 62,805 in 1982 declined to 59,220 in 1983. The employment figure during the first six months of 1984 is again much below the proportionate employment in 1983 and 1982. This decline in demand is attributed to fewer projects in employer countries which had to be curtailed due to declining oil price. Government is, however, alive to the problem and trying to find alternative markets for manpower export.

206. The table below shows year-wise total employment abroad alongwith corresponding remittances for the period from 1976 till June, 1984,

**YEAR-WISE MOVEMENT OF MANPOWER CLASSIFIED BY
OCCUPATIONS FROM 1976 TO JUNE, 1984**

Period	Occupations				Total Number	Remittance from the Wage Earners Abroad (Tk. in crores)
	Profes- sional	Skilled	Semi- Skilled	Un- Skilled		
1976	568	1,775	543	3,201	6,087	35.84
1977	1,766	6,447	490	7,022	15,725	123.66
1978	3,455	8,190	1,050	10,114	22,809	165.59
1979	3,494	7,005	1,685	12,310	24,485	266.74
1980	1,983	12,209	2,343	14,038	30,573	493.15
1981	3,892	22,431	2,449	27,015	55,787	620.77
1982	3,898	29,652	3,273	34,982	62,805	1,136.24
1983	1,822	18,939	5,098	33,361	59,220	1,568.37
1984 (Upto June)	713	8,156	2,494	12,464	23,827	703.24
Grand						
Total :	21,591	1,05,804	19,425	1,54,408	3,01,318	5,113.60

Sources : Ministry of Labour and Manpower, and ECD, Bangladesh Bank.

CHAPTER XI

BALANCE OF TRADE AND PAYMENTS

BALANCE OF TRADE AND PAYMENTS*

Balance of Trade

207. The balance of trade of the country showed deterioration during 1983-84. The deficit on the Merchandise Account (i.e., visible exports less visible imports) during the year increased to Tk. 3938.7 crores from Tk. 3652.1 crores during 1982-83. Imports during 1983-84 which stood at Tk. 5990.2 crores were Tk. 627.4 crores or 11.7% higher than those during the preceding year (excluding Singapore operation). Of the total, imports financed by cash (including POL imports), Barter and Special Trade, Wage Earners' Scheme, Loans/Credits and Grants amounted to Tk. 1713.6 crores (28.6%), Tk. 206.3 crores (3.5%), Tk. 1234.2 crores (20.6%), Tk. 1242.2 crores (20.7%) and Tk. 1593.9 crores (26.6%) respectively. Long-term loans/credits received from Foreign Governments/Institutions etc. were utilised for imports under food (Tk. 167.1 crores), non-food project (Tk. 588.7 crores) and non-food non-project (Tk. 486.4 crores). Food and non-food imports under Grants during 1983-84 stood at Tk. 656.0 crores and Tk. 937.9 crores respectively. Import Payments under major heads during 1982-83 and 1983-84 are shown below :

* Figures related to 1983-84 are provisional.

MERCHANDISE IMPORTS

Commodity/Year	1982-83		1983-84	
	In crore Tk.	In million US \$	In crore Tk.	In million US \$
Imports :	5513	2317	5990	2402
1. Food grains	885	372	1087	436
a) Rice	(122)	(51)	(175)	(70)
b) Wheat	(763)	(321)	(912)	(366)
2. Edible Oil & Oil Seeds	176	74	256	103
3. Crude Petroleum and Petroleum Products	1108	466	907	364
4. Cotton	23	10	149	60
5. Textile Yarn	83	35	111	45
6. Fertilizers	180	76	197	79
7. Chemicals	197	83	253	101
8. Capital goods	1468	617	1560	625
9. Others	1393	584	1470	589

Note : In terms of US Dollars imports during 1983-84 increased by US \$ 148 million (6.6%) from US \$ 2254 million (excluding Singapore operation) in 1982-83 to US \$ 2402 million.

208. Receipts from exports went up from Tk. 1860.6 crores during 1982-83 to Tk. 2051.5 crores during 1983-84. Excluding the Singapore operation, export receipts in terms of taka increased by Tk. 340.8 crores or 19.9% during 1983-84. In terms of US \$ export receipts during 1983-84 rose by US \$ 103 million or 14.3% to US \$ 822 million from US \$ 719 million (excluding Singapore operation) in 1982-83. As can be seen from the following table export earnings from raw jute and jute goods stood at Tk. 276.9 crores (13.5%) and Tk. 884.3 crores (43.2%) respectively during 1983-84.

EXPORT RECEIPTS

(Taka in crores)

Commodity/Year	1982-83	1983-84
1. Raw jute	258.5	276.9
2. Jute goods	802.4	884.3
3. Tea	116.3	181.5
4. Leather	132.3	186.5
5. Fish, Shrimps and Frog Legs	194.0	232.1
6. Naptha, Furnance Oil and Bitumen	135.2	64.6
7. Readymade Garments	26.9	84.1
8. Others	195.0	141.5
Total :	1860.6	2051.5

209. The Services Account (i.e., invisible receipts less invisible payments) showed a deficit of Tk. 69.1 crores during 1983-84 as compared to the deficit of Tk. 265.8 crores during the preceding year.

210. The overall balance of payments during 1983-84 recorded a surplus of Tk. 495.5 crores as compared to the surplus of Tk. 703.9 crores during 1982-83. Deterioration in the overall balance was mainly due to increased deficit in the trade balance and decreased inflow under Capital Account. Unrequited Transfers showed an inflow of Tk. 3225.0 crores during 1983-84 as compared to Tk. 3282.3 crores during 1982-83. Of the total, net receipts under "Official Transfers" and "Private Transfers" were estimated at Tk. 1841.3 crores and Tk. 1383.7 crores respectively. Net capital inflow during the year was estimated at Tk. 1278.3 crores as compared to Tk. 1339.5 crores during 1982-83.

211. The convertible foreign exchange reserves held by the Bangladesh Bank increased substantially from Tk. 876.6 crores (\$ 358 million) at the end of June, 1983 to Tk. 1360.4 crores (\$ 540 million) as on the 30th June,

Terms of Trade

1984. Apart from overall payments surplus the rise in foreign currency reserves reflected the drawing of SDR 45.6 million from the IMF.

212. The commodity terms of trade of the country is given by the ratio of export prices to import prices and shows 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. Movements of the estimated terms of trade of Bangladesh in recent years are 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	115.83	99.72
1982-83	204.51	205.71	99.42	131.53	130.77
1983-84*	246.52	206.50	119.50	130.34	155.76

* Provisional.

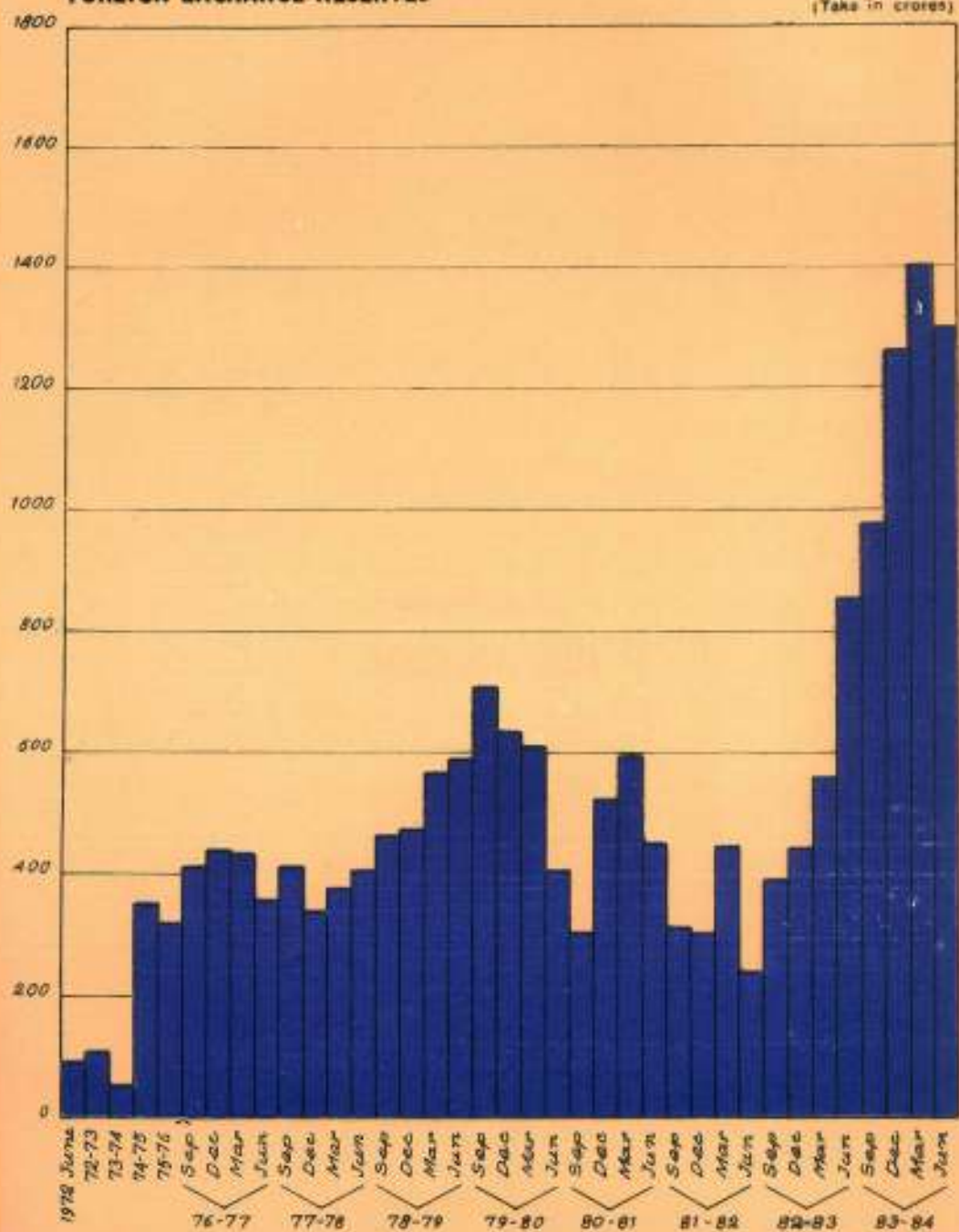
213. The export-based capacity to import (i.e., income terms of trade) deteriorated during the years 1978-79 through 1981-82 as compared to 1977-78. The income terms of trade, however, showed a significant improvement after the year 1981-82 due mainly to a gain in commodity terms of trade although some increase in export volume also partly accounted for it.

214. The gain in income terms of trade in 1977-78 as compared to the preceding year reflected a rise 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 also 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 a marked decline in export prices and sharp increase in import prices as compared to the preceding year. The decline in income terms of trade in the year 1981-82 was due entirely to a deterioration in the commodity terms of trade as export volume recorded some improvement.

215. The significant improvement in the income terms of trade during the year 1982-83 compared to the preceding year was due to the increase both in commodity terms of trade and export volume index. The sharp rise in commodity terms of trade and income terms of trade in 1983-84 over the previous year was due mainly to significant increase in export prices as import prices did not show a significant change and export volume recorded some decline.

FOREIGN EXCHANGE RESERVES

(Take in crores)



CHAPTER XII

FOREIGN AID

FOREIGN AID

216. Foreign aid commitment to Bangladesh during 1983-84 amounted to \$ 1,695 million which was 2.47 per cent lower as compared to \$ 1,738 million in 1982-83. Total commitment of foreign aid since independence till the end of June, 1984 thus amounted to \$ 16,254 million of which \$ 7,531 million or 46.33 per cent represented grants. Total disbursement of aid since independence till June, 1984 stood at \$ 11,603 million. Total outstanding external debt as on June 30, 1984 amounted to \$ 7,181 million.

217. Disbursement of foreign aid at \$ 1,268 million during 1983-84 was 5.80 per cent lower than the level of \$ 1,346 million in 1982-83. Food aid at \$ 277 million was 8.20 per cent higher than \$ 256 million in the preceding year. An amount of \$ 439 million was disbursed as commodity aid during the year which was 2.88 per cent lower than \$ 452 million in the previous year. Disbursement of project aid declined by 13.48 per cent to \$ 552 million in 1983-84 from the previous year's level of \$ 638 million. The disbursement of foreign aid during 1983-84 alongwith the comparative figures of previous years are shown in the table below :

DISBURSEMENT OF FOREIGN AID

(Million US Dollar)

Category	Y e a r				
	1979-80	1980-81	1981-82	1982-83	1983-84
Food Aid	374	194	231	256	277
Commodity Aid	378	393	421	452	439
Project Aid	470	560	584	638	552
Total :	1222	1147	1236	1346	1268

218. 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 Bangladesh during 1983-84 was estimated at \$ 90 million. This was in addition to the interest payment of \$ 65 million during the year. Thus, the net inflow of foreign aid into the country during 1983-84 amounted to \$ 1,113 million.

CHAPTER XIII

TRANSACTIONS WITH IMF

TRANSACTIONS WITH IMF

219. Bangladesh purchased from the International Monetary Fund a total of SDR 45.60 million during the year under report under the Stand-by Arrangement of SDR 68.40 million. An additional amount of SDR 3.30 million was also received by Bangladesh as interest rate subsidy for drawing under the Supplementary Financing Facility.

220. During the year 1983-84, Bangladesh made the following repurchases amounting to SDR 33.99 million in respect of earlier purchases from the Fund.

Types of Facilities	Year of Purchase	Amount Repurchased (in million SDR)
1. Stand-by Arrangement	1979-80	19.51
2. Trust Fund	1977-78	7.35
3. Supplementary Financing Facility	1980-81	7.13
Total : SDR		33.99

In addition, Bangladesh paid SDR 41.10 million as service charges to the IMF during the year under report.

221. As a result of these transactions, the outstanding drawings of Bangladesh from the International Monetary Fund stood at SDR 508.99 million at the end of June, 1984 as against SDR 497.38 million (excluding SDR 40.09 million reduced from the 1979-80 Stand-by Arrangement) at the end of June, 1983.

222. The IMF raised its global quota from SDR 61.06 billion to SDR 90.03 billion under the 8th General Review of the Fund Quota effective from the 31st December, 1983. Consequently, the quota of Bangladesh in the Fund has been raised from SDR 228.00 million to SDR 287.50 million. In this connection, Bangladesh paid to the Fund SDR 14.88 million being 25 per cent of the increase in her quota and the rest 75 per cent was paid in Bangladesh Taka on the 30th December, 1983.

CHAPTER XIV

TRADE POLICY

TRADE POLICY

Export Policy and Target

223. Trade policy of the country has been geared up to afford increased foreign exchange for the country's expanding import bills through diversification and expansion of exports as well as improvement of bilateral trade relations with friendly countries. The export policy for 1983-84 was thus designed to create more exportable surplus by way of increasing production of exportable goods. Accordingly, the target for export earnings during 1983-84 was fixed higher at Tk. 1750.00 crores showing an increase of 12.9 per cent over the export target of Tk. 1550.00 crores in the preceding year. Actual export earnings of Tk. 1990.19 crores during the year exceeded the target by 13.73 per cent. The improved performance of the export sector during 1983-84 was attributable mainly to adoption of some realistic export development measures at home and a substantial increase in the demand for and prices of major exportable goods in the international market. Export prices are estimated to have increased by about 20 per cent during the year under report.

224. In order to expand the export base of non-traditional items, a series of product and supply development measures were specifically spelled out in the export policy for 1983-84. Some of these were: (i) extension of facilities like duty draw-back, XPL, relief from excise duty, etc. to export oriented industries which used locally produced materials as direct input; (ii) revision and enlargement of the scope of XPL, raising the total number of items with 80% entitlement to 43 from 32 in the previous year; (iii) reduction in the rate of interest for export credit against non-traditional items from 11.5% to 9%; (iv) provision of refinancing facilities at the rate of 5.5% against export credit instead of 8% previously; (v) providing for a number of steps including concessional freight rate of Bangladesh Biman for promotion of the export of packet tea; and (vi) incorporation of chilly in the export list as a new item.

225. Total export earnings of Tk. 1990.19 crores during 1983-84 were 23.13 per cent higher than the export earnings of Tk. 1616.25 crores during 1982-83. Earnings from the export of raw jute, jute goods, leather, frozen food, tea and readymade garments which contributed about 91% of the total exports, exceeded their respective targets. Of the total export earnings of Tk. 1990.19 crores, the share of raw jute and jute goods amounted to Tk. 287.59 crores (14.45%) and Tk. 876.04 crores (44.02%) respectively as against exports worth Tk. 258.50 crores (15.99%) and Tk. 752.55 crores (46.56%) respectively during 1982-83. The value of tea export stood at Tk. 169.09 crores during 1983-84 as compared to Tk. 109.64 crores in the preceding year. Frozen food and tanned and semi-tanned leather fetched Tk. 188.92 crores and Tk. 209.23 crores respectively during the year. Earnings from readymade garments picked up substantially from Tk. 25.52 crores in 1982-83 to Tk. 77.48 crores in 1983-84. Other items earned Tk. 181.84 crores during 1983-84.

Import Policy

226. The import policy for 1983-84 envisaged a total allocation of Tk. 3510.00 crores which was higher by Tk. 600.00 crores or 20.62 per cent than the allocation of Tk. 2910.00 crores for 1982-83. Of the total allocation of Tk. 3510.00 crores, Tk. 975.00 crores (27.78%) were to be financed from the country's own foreign exchange earnings. Commodity aid, Wage Earners' Scheme and Barter System provided finance for imports worth Tk. 1000.00 crores, Tk. 1365.00 crores and Tk. 170.00 crores respectively.

227. A number of steps were taken to make the import policy for 1983-84 more realistic, liberal and production oriented. Some of these were : (i) introduction of OGL system for industrial and commercial imports ; (ii) provision of liberal policy for the import of raw materials and spares for industrial sector and allowing an importer of industrial sector to open L/C directly with the bank without obtaining industrial import licence; (iii) inclusion of 28 new items in the commercial import list ; (iv) placement of import of marine diesel engine under the WES ; (v) withdrawal of restriction on the import of bamboo; (vi) decision to ban the import of vegetable

ghee (Vanaspati) and hydrogenated vegetable oil and making import of cars with engine capacity upto 1600 cc permissible; (vii) withdrawal of licence fee for import of goods upto Tk. 20 thousands and imposition of fee @ 2 per cent for imports worth over Tk. 20 thousands upto Taka one lakh and @ 3 per cent for imports over Taka one lakh.

228. As against the total allocation of Tk. 3510.00 crores, value of licences issued during 1983-84 stood at Tk. 3515.91 crores. This compared with licences issued worth Tk. 2886.83 crores during 1982-83. Of the total value of licences issued during the year, Tk. 1063.10 crores were financed from cash foreign exchange resources, Tk. 280.10 crores under Barter and Tk. 1227.07 crores and Tk. 945.64 crores under Wage Earners' Scheme and Commodity Assistance respectively. The sectoral shares in the licences issued were as follows :— commercial importers : Tk. 703.08 crores, industrial consumers (private) : Tk. 817.91 crores, sector corporations : Tk. 857.07 crores, POL : Tk. 788.99 crores and XPL : Tk. 348.86 crores.

229. Total value of merchandise imports (including food and imports under project aid etc. excluding imports made through land customs) during 1983-84 stood at Tk. 3852.91 crores* as compared with Tk. 3545.37 crores during 1982-83. Of the total imports during the year, the share of food and live animals stood at Tk. 585.22 crores ; crude materials, inedible except fuels Tk. 393.95 crores ; mineral fuels, lubricants and related materials Tk. 350.01 crores ; animal and vegetable oils and fats Tk. 309.81 crores ; chemicals, drugs and medicines Tk. 512.00 crores ; manufactured goods classified chiefly by materials Tk. 880.38 crores ; machinery and transport equipments Tk. 667.93 crores and others Tk. 153.61 crores.

* The value of total import was actually much 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

230. Bangladesh signed 5 new trade agreements with other countries during 1983-84 as compared to 4 agreements signed during the previous year. Of the agreements signed during 1982-83, the one with China (Barter No. 6) which became effective from August 11, 1982 remained valid upto December 31, 1983, with Czechoslovakia (Barter No. 7) remained valid upto September 30, 1984 effective from December 9, 1982, with U.S.S.R. (Barter No. 12) upto April 30, 1984 with effect from December 27, 1982 and with Rumania (Barter No. 7) upto June 30, 1984 effective from May 29, 1982. Under the agreements signed during 1983-84, exports from Bangladesh consisted mainly of raw jute, jute goods, hides and skins, crust and finished leather, loose and packet tea, molasses, tobacco, readymade garments, specialised textiles, handicrafts, newsprint, paper and pulp, urea fertilizer, particle board and ceramic products. Imports into Bangladesh generally comprised machinery, raw cotton, coal, M.S. billets, dyes and chemicals, equipment and spare parts, scientific instruments, pig iron, drugs and medicines, highspeed diesel, type-writers and water meters. A brief description of the agreements signed during 1983-84 is given below :

Sl. No.	Date of Agreement	Country/Party	Value of commodities to be exchanged each way
1.	31.5. 1984	Bangladesh-Poland (Barter No. 6)	US \$ 30.00 Million
2.	27.1. 1984	Bangladesh-Bulgaria (Barter No. 10)	US \$ 20.00 Million
3.	20.4. 1984	Bangladesh-Czechoslovakia (Barter No. 8)	US \$ 12.00 Million
4.	29.12.1983	Bangladesh-China (Barter No. 7)	US \$ 31.00 Million
5.	1.4. 1984	TCB/Comtrade STA 2nd year	US \$ 10.00 Million

CHAPTER XVI

TRENDS IN EXPORT COMMODITIES

TRENDS IN EXPORT COMMODITIES

Raw Jute

231. Production of raw jute during 1983-84 season stood at 53.10 lakh bales which was 10.63 per cent higher than the revised target of 48.00 lakh bales but lower by 3.70 per cent than the production of 55.14 lakh bales in the preceding year. Total availability of raw jute during 1983-84 also stood lower at 66.60 lakh bales as compared to 73.66 lakh bales in the preceding year due mainly to a fall in the carryover stocks which stood lower at 13.50 lakh bales during the season as compared to 18.52 lakh bales in 1982-83. The area under jute cultivation during 1983-84 decreased by 0.28 per cent to 14.36 lakh acres as compared to 14.40 lakh acres in the previous season. The per acre yield of jute during the season also stood lower at 3.70 bales as compared to 3.83 bales during 1982-83.

232. Although recovery in major industrial economies had favourable impact on both demand for and price of raw jute in the international market, exports of raw jute declined by 15.32 per cent to 19.02 lakh bales during 1983-84 as compared to 22.46 lakh bales during the preceding year. This was due mainly to tight availability position during the year under report. However, as a result of substantial increase in export prices, foreign exchange earnings from raw jute increased by 11.23 per cent to Tk. 287.52 crores during 1983-84 as compared to Tk. 258.50 crores during 1982-83. The average export price of raw jute recorded an increase of 31.34 per cent during 1983-84.

233. The internal raw jute market remained firm during 1983-84. The growers' level prices which increased rather slowly during the first quarter of the season due mainly to inadequate purchase operations, started recording sharp increases from November, 1983. The increasing trend in prices was maintained for the remaining part of the 1983-84 season. As a

result, the annual average price of raw jute at the growers' level stood much higher at Tk. 217.35 per maund[@] during 1983-84 as compared to Tk. 141.31 per maund during 1982-83.

234. Due to shortfall in production, arrivals of raw jute in the country's secondary markets during 1983-84 stood lower at 49.10 lakh bales as compared to 52.14 lakh bales in the preceding season.

235. Export sales registration of raw jute with the Bangladesh Bank during 1983-84 stood higher at 31.77 lakh bales as compared to 28.68 lakh bales in the preceding season. Actual exports of raw jute during the season, however, stood lower at 19.02 lakh bales as compared to 22.46 lakh bales during 1982-83.

236. The price of White X-Bottom grade of jute (Kutchha bale) at Narayangonj terminal market which stood at Tk. 422.00 per 100 kg.* on July 1, 1983 increased to Tk. 509.00 per 100 kg. on August 23, 1983. The price rose further to Tk. 563.00 per 100 kg. on September 30, 1983, Tk. 616.00 per 100 kg. on October 25, 1983, Tk. 723.00 per 100 kg. on November 27, 1983. The price rose to Tk. 790.00 per 100 kg. on January 30, 1984 and remained unchanged at that level till the close of June, 1984. In the pucca bale section, the price of B.W.D. grade jute which stood at Tk. 1125.00 per bale** on July 1, 1983 increased to Tk. 1225.00 per bale on August 23, 1983. The price showed a firm trend and gradually rose to Tk. 1650.00 per bale on November 27, 1983 and further to Tk. 1725.00 per bale on January 30, 1984 and ruled at that level till the close of June, 1984.

237. The export price of B.W.D. grade jute which stood at \$ 290 per metric ton on July 1, 1983 increased to \$ 305 per metric ton on September 5, 1983 and further to \$ 315 per metric ton on September 22, 1983. The price continued to rise steadily during the remaining period of 1983-84 and stood at \$ 410 per metric ton on February 27, 1984 at which level it ruled till the end of June, 1984.

@ 1 maund=37.324 kgs.

* 100 kg.=2.679 maunds.

** 1 bale=5.6 maunds.

Jute Goods

238. The Government policy of disinvestment of nationalised jute mills as also encouraging establishment of more jute mills in the private sector continued during 1983-84. Accordingly, 4 nationalised jute mills were disinvested during the year raising the total number of disinvested jute mills to 33 at the end of June, 1984. The Government also decided not to impose any duty on the export of jute goods during 1983-84. However, no significant improvement was recorded in this sector during the year due mainly to depressed overseas demand for sacking. Sacking production was curtailed by 17.19 per cent during the year. As a result, total production of jute goods in the country stood lower at 5.85 lakh tons during 1983-84 as compared to 6.03 lakh tons during 1982-83.

239. Export sales registration of jute goods with the Bangladesh Bank stood lower at 6.17 lakh tons during 1983-84 as compared to 6.30 lakh tons in the preceding season. Actual exports of jute goods during 1983-84 also stood lower at 5.21 lakh tons as compared to 5.35 lakh tons in the preceding season. The decline in the overall exports was attributable to lower exports of hessian and sacking which declined by 3.35 per cent and 15.95 per cent respectively during the year. Total foreign exchange earnings from the export of jute goods, however, stood substantially higher at Tk. 845.92 crores during 1983-84 as compared to Tk. 741.40 crores in the preceding year due mainly to substantial increase in export prices.

240. Stock of jute goods in the country (sold, unsold, stock-in-transit and shutout) as on June 30, 1984 stood higher at 1.17 lakh tons as compared to 1.09 lakh tons at the end of the previous season.

Tea

241. Tea production in the country declined by 9.73 per cent to 38.58 million kgs. during 1983-84 as compared to the production of 42.74 million kgs. during 1982-83. Tea production suffered set-back during the year due to unfavourable weather conditions. Total availability of tea during 1983-84 including a carryover stock of 10.16 million kgs. from the previous season stood lower at 48.74 million kgs. as compared to 50.05 million kgs. during the previous year. The closing stock of tea,

however, stood lower at 8.02 million kgs. at the end of 1983-84 season as compared to 10.16 million kgs. at the end of 1982-83 season.

242. The Chittagong tea market depicted an uptrend during 1983-84. As a result of increased demand from exporters as well as internal buyers, prices of most of the varieties of tea during the year recorded increases upto the end of January, 1984. Thereafter, the prices declined somewhat due mainly to reduced demand from exporters. Prices, however, started increasing again from April, 1984 as demand from exporters picked up substantially and ruled firm till the end of 1983-84 season.

243. In all 23 auctions were held at Chittagong during the 1983-84 season in which 35.09 million kgs. of tea were sold at an average price of Tk. 51.40 per kg. This compared with 35.70 million kgs. sold at an average price of Tk. 34.30 per kg. during 1982-83.

244. Total exports of tea during 1983-84 stood lower at 30.75 million kgs. as compared to 30.82 million kgs. during the preceding year. Export earnings from tea, however, increased substantially to Tk. 169.09 crores during 1983-84 as compared to Tk. 109.64 crores during the previous year. The rise in export earnings during the year was attributable mainly to increase in the international prices and partly to an improvement in the quality of exportable tea.

245. Prices of hides and skins in the country depicted a mixed trend during 1983-84. The price of cow-hides (wet salted heavy), opening at Tk. 25,000.00—Tk. 27,000.00 per hundred pieces on July 3, 1983 declined to Tk. 24,000.00—Tk. 26,000.00 per hundred pieces on July 17, 1983. After ruling unchanged at that level for a few days, the price increased to Tk. 26,000.00—Tk. 28,000.00 per hundred pieces on August 28, 1983. The price, however, fell again to Tk. 24,000.00—Tk. 26,000.00 per hundred pieces on September 13, 1983. Thereafter, the price started rising and gradually reached Tk. 32,000.00—Tk. 38,000.00 per hundred pieces on October 23, 1983. The price of cow-hides declined to Tk. 30,000.00—Tk. 35,000.00 per hundred pieces on November 11, 1983 but started

rising again from November 20, 1983 and, amidst fluctuations, increased to Tk. 35,000.00—Tk. 40,000.00 per hundred pieces on March 8, 1984. The price again fell to Tk. 28,000.00—Tk. 32,000.00 per hundred pieces on June 13, 1984 and further to Tk. 22,000.00—Tk. 28,000.00 per hundred pieces at the end of June, 1984.

246. The price of buffalo hides which opened at Tk. 28,000.00—Tk. 30,000.00 per hundred pieces on July 3, 1983 increased, amidst fluctuations, to Tk. 35,000.00—Tk. 40,000.00 per hundred pieces on September 25, 1983. Thereafter, the price started declining and gradually fell to Tk. 28,000.00—Tk. 32,000.00 per hundred pieces on November 8, 1983. The price increased again from December 1, 1983 and rose steadily to Tk. 35,000.00—Tk. 40,000.00 per hundred pieces on January 12, 1984. After ruling unchanged at that level for a few days, the price started falling and, amidst fluctuations, declined to Tk. 30,000.00—Tk. 37,000.00 per hundred pieces on February 7, 1984. Thereafter, the price gradually increased to Tk. 40,000.00—Tk. 43,000.00 per hundred pieces on June 13, 1984, but declined again to Tk. 32,500.00—Tk. 38,000.00 per hundred pieces as at the close of the year under report.

247. Opening at Tk. 5,400.00—Tk. 7,400.00 per hundred pieces on July 3, 1983, the price of goat skins (large and heavy) gradually declined to Tk. 3,800.00—Tk. 5,500.00 per hundred pieces on September 13, 1983. After ruling unchanged at that level for some days, the price increased gradually to Tk. 5,000.00—Tk. 7,000.00 per hundred pieces on September 25, 1983. Thereafter, the price of goat skins started declining and stood at Tk. 4,500.00—Tk. 6,000.00 per hundred pieces on October 20, 1983. The price started increasing again from November 8, 1983 and rose steadily to Tk. 7,200.00—Tk. 9,200.00 per hundred pieces on February 5, 1984. The price, however, gradually declined to Tk. 6,000.00—Tk. 7,200.00 per hundred pieces at the end of June, 1984.

248. The price of sheep skins which opened at Tk. 3,500.00—Tk. 3,700.00 per hundred pieces on July 3, 1983 declined, amidst fluctuations, to Tk. 1,200.00—Tk. 1,400.00 per hundred pieces on November 8, 1983. After remaining unchanged at that level for a few days, the price increased to

Tk. 2,500.00—Tk. 2,700.00 per hundred pieces on November 27, 1983 and further to Tk. 2,800.00—Tk. 3,000.00 per hundred pieces on December 11, 1983. The price of sheep skins declined again to Tk. 2,600.00—Tk. 2,800.00 per hundred pieces on January 3, 1984. Thereafter, the price started increasing and, amidst fluctuations, rose to Tk. 3,200.00—Tk. 3,600.00 per hundred pieces on June 20, 1984. The price of sheep skins, however, declined again to Tk. 2,800.00—Tk. 3,000.00 per hundred pieces on June 25, 1984 and closed the year under report at that level.

Leather

249. Export earnings from tanned/semi-tanned leather picked up substantially to Tk. 209.23 crores during 1983-84 indicating an increase of about 55 per cent over the export target of Tk. 135.00 crores for the year. This was also 52 per cent higher than the export earnings of Tk. 137.61 crores during 1982-83.

Frozen Food

250. The total export earnings from frozen foods which includes shrimps, frog legs and fishes stood higher at Tk. 188.92 crores during 1983-84 as compared to Tk. 169.62 crores in the preceding year.

Naptha Furnance Oil and Bitumen

251. Export receipts from naptha, furnace oil and bitumen during 1983-84 amounted to Tk. 63.41 crores as compared with Tk. 72.58 crores during 1982-83.

Readymade Garments

252. Earnings from readymade garments recorded a remarkable improvement in recent years. Export receipts from readymade garments at Tk. 77.48 crores during 1983-84 were 203.61 per cent higher than the receipts of Tk. 25.52 crores during 1982-83.

Newsprint

253. Export value of newsprint stood substantially higher at Tk. 16.04 crores during 1983-84 as compared to Tk. 9.79 crores during the previous year.

Handicrafts

254. The value of exports of handicrafts during 1983-84 amounted to Tk. 5.83 crores. This compared with the same amount of Tk. 5.83 crores during the preceding year.

CHAPTER XVII

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

EXCHANGE RATE POLICY AND DEVELOPMENTS IN EXCHANGE CONTROL

Exchange Rate Policy

255. During the year under report the world exchange market was characterised by the predominance of U.S. Dollar vis-a-vis other European currencies. With a view to maintaining a fair degree of stability in the exchange rate of Taka in relation to U.S. Dollar and other important transaction currencies, the buying and selling rates of Taka in relation to U.S. Dollar, the intervention currency, were readjusted on four occasions during the year as indicated below :

Date of Refixation	Bangladesh Bank's rate per U.S. Dollar	
	Buying	Selling
28.8.83	Tk. 24.53	Tk. 24.57
23.9.83	Tk. 24.72	Tk. 24.78
12.10.83	Tk. 24.97	Tk. 25.03
23.2.84	Tk. 25.17	Tk. 25.23

Development in Exchange Control

256. *Reconversion of Unspent Balance of Taka by Foreign Tourists :*
The limit for conversion of unspent balance of Taka into foreign exchange by foreign tourists which was previously set at Tk. 500.00 or 25 per cent of the balance whichever is less was further liberalised to Tk. 1000.00 during the year. This facility was, however, limited to those tourists who can produce documentary evidence to the effect that they have converted foreign exchange into Bangladesh Taka at least equivalent to Tk. 1000.00 at the official rate.

257. *Scheme for Absorbing Exchange Rate Fluctuation Burden of Term Foreign Currency Loans* : A scheme known as "Exchange Rate Fluctuation Burden Absorption Scheme" was introduced with a view to protecting the enterprises borrowing term loans in foreign currency against hazards of exchange rate fluctuation. Under the Scheme, the borrowers on payment of premium @ 2.5% per annum are eligible to obtain coverage for any loss on account of adverse movement in exchange rate in connection with repayment of their term-loans denominated in foreign currency. In the event of default on the part of the borrower in repaying the due instalments, an additional penal interest of 2.5% over and above the usual rate is payable. The Scheme covers not only future loans but also overdues and future instalments against loans obtained in the past. The Scheme also envisages conversion of a part of the past overdue into redeemable preference shares or debentures in favour of the nationalised financial institutions in case the loans are disbursed through them.

258. *Inward Remittances of Wage Earners' Fund Through Foreign Money Orders* : To facilitate remittances by Wage Earners from abroad a new system was introduced for the Bangladesh nationals working in the U.K. and 12 other countries enjoying postal remittance facility. Under the system, International Postal Service of Bangladesh would send the Taka amounts of the Wage Earners through money orders for crediting the same in the accounts of the Wage Earners or their beneficiaries as per the remitters' instructions.

259. *Release of Foreign Exchange from Foreign Currency Accounts under Wage Earners' Scheme for Travel Purposes* : The foreign exchange quota during a calendar year for travel abroad was refixed as under :

- i) U.S. \$ 200.00 for India, Pakistan, Sri Lanka, Burma, Bhutan and Nepal by air ;
- ii) U. S. \$ 150.00 for travel to India by land route ; and
- iii) U. S. \$ 1,800.00 to all countries other than those mentioned at Sl. No. (i) above by air per head in a calendar year subject to a maximum of U. S. \$ 1,000.00 per trip.

260. *Spot and Forward Sale and Purchase of Foreign Exchange* : Bangladesh Bank decided to undertake sale and purchase, both spot and forward, of French Franc to and from Authorised Dealers with effect from December 19, 1983.

261. *Non-Resident Foreign Currency Deposit (NFCD) Account* : Authorised Dealers were instructed to pay interest on deposits in the NFCD Accounts at the rate of LIBOR with effect from May 21, 1984. Authorised Dealers were also allowed to retain the deposits with them for investment abroad and meet their interest expenditure to be paid to the depositors out of the income accrued against such investments. Such investments would, however, be optional and Authorised Dealers would be free to sell and repurchase such deposits to and from Bangladesh Bank as usual.

262. *Rate of Interest on Overdue Export Bills for Non-traditional Items* : Interest rate on overdue export bills for non-traditional items was reduced to 9% per annum from its previous level of 11.5% per annum.

263. *Extension of Credit Facilities to Industries of Export Processing Zones* : It was decided to allow Type-A industries (100% foreign owned including investment by Bangladeshi nationals ordinarily resident abroad) of the Bangladesh Export Processing Zone to obtain short-term repatriable foreign currency loans from overseas banks and financial institutions against mortgage/hypothecation of fixed and other assets subject to prior clearance from the Bangladesh Bank. Type-B industries (Joint-Venture Projects between foreign and Bangladeshi entrepreneurs resident in Bangladesh) were also allowed to avail of the above facility with prior clearance from the Bangladesh Bank. They are not, however, permitted to mortgage/hypothecate their fixed or other assets to any one outside Bangladesh.

264. *Forward Cover under Asian Clearing Union* : Importers and exporters were allowed to avail of forward cover facilities under Asian Clearing Union (ACU) arrangement. Forward sales upto 6 months of all the currencies of ACU members were also undertaken by the Bangladesh Bank with effect from March 25, 1984.

265. *Import of Capital Machinery and Equipments under Wage Earners' Scheme on Deferred Payment Terms*: Under the Import Policy 1983-84, import of capital machinery on deferred payment terms was allowed upto 360 days without prior permission from the Bangladesh Bank provided payment is made under Wage Earners' Scheme as against the previous limit of 120 days.

266. *Issue of Foreign Currency Notes*: Authorised Dealers were empowered to release upto U. S. \$ 300.00 or its equivalent in the form of currency notes to foreign nationals by debit to their foreign currency or convertible Taka accounts or on back-to-back basis. Previously, the limit was for U. S. \$ 50.00 or its equivalent.

267. *Import of Foreign Currency*: Relaxation was made with regard to declaration of foreign currency to the customs at the point of entry by the foreigners and Bangladeshi nationals returning from abroad. Under the new arrangement, persons ordinarily resident in Bangladesh, while returning from abroad can bring in upto U. S. \$ 750.00 or its equivalent without declaration to the Customs. Persons ordinarily resident outside Bangladesh as well as Bangladesh nationals working abroad can also bring in U. S. \$ 1000.00 or its equivalent without declaration. The previous limit for these two categories were U. S. \$ 25.00 and U. S. \$ 150.00 respectively. Bangladeshi Wage Earners desiring to avail of the benefit of Wage Earners' rate would, however, be required to make declaration irrespective of the amount brought in.

268. *Encashment of Wage Earners' Remittances*: Previously deposits into Foreign Currency Account of the remittances made by the Wage Earners or the funds (i. e. cash, T. C., drafts, etc.) brought in by them in person and declared in the FMJ form, were required to be made within 30 days from the date of the remittances or entry of the Wage Earners into Bangladesh. It was decided that Authorised Dealers would henceforth allow deposits of such funds into Foreign Currency Accounts or encashment of the same under Wage Earners' Scheme within a period upto 90 days from the date of receipt of remittance or declaration of the Fund in the FMJ form.

269. Hajj-1984 : Government made arrangements for sending 8,000 persons to be selected by ballot from Bangladesh by Air and Sea to perform Hajj during 1983-84. Of them, 3,600 would go by ship on two voyages and the remaining 4,400 by Bangladesh Biman. Foreign Exchange quota for the pilgrims by air and ship was fixed at Saudi Riyals 3,100.00 and 3,300.00 per head respectively including Muallim fees, etc. In addition, each pilgrim was allowed to purchase upto US \$ 400.00 under Wage Earners' Scheme. Non-ballottee pilgrims were allowed to perform Hajj travelling by Bangladesh Biman and Saudia without prior approval of 'P' form by the Bangladesh Bank. Such pilgrims, holding return air tickets, were allowed to purchase US \$ 880.00 per head under the Wage Earners' Scheme. A pilgrim travelling by ship was allowed to carry with him Bangladesh Currency upto Tk. 200.00.

CHAPTER XVIII

ASIAN CLEARING UNION

ASIAN CLEARING UNION

270. Clearing operation of the Asian Clearing Union (ACU) continued to record brisk activity during 1983-84. Some important developments took place under the ACU arrangement during the year. The Reserve Bank of India introduced a system of compulsory settlement of all eligible transactions by Indian residents with member countries through the ACU effective from January 1, 1984. With this, the clearing system now stands compulsory in 6 countries, viz., Bangladesh, Pakistan, Iran, Nepal, Sri Lanka and India. The system continues to remain optional only in Burma. Islamic Republic of Iran also decided to bring POL transactions within the purview of the ACU and has been working out the mechanism for actual clearing operations. This augurs well for further intensification of the clearing operations under the Union.

271. Bangladesh's transactions under the ACU arrangement continued to maintain a rising trend during the year. Bangladesh's receipts and payments during 1983-84 under the ACU arrangement totalled AMU (Asian Monetary Units) 165.06 million (Tk. 432.74 crores) and AMU 29.67 million (Tk. 77.88 crores) respectively as against AMU 68.38 million (Tk. 178.67 crores) and AMU 27.56 million (Tk. 71.35 crores) respectively during the preceding year.

272. As usual, a total of six settlements under the ACU arrangement took place during the year 1983-84. In each of the settlements Bangladesh came out as net creditor.

CHAPTER XIX

CURRENCY AND COINAGE

CURRENCY AND COINAGE

Bank Notes

273. A new print of the existing 100-Taka Note incorporating a front-to-back see-through registration of an additional routing line circumscribing the water mark area on both obverse and reverse sides having the same colour, design, specifications and water mark and with the picture of Lal Bagh Fort on the reverse was put into circulation with effect from the 1st November, 1983.

Coins

274. A new issue of 10-Poisha Coin with reduced size and weight (size 22.00 mm. outer circle, 19.62 mm. inner circle and weight 1.40 grams) having the same design as those of the existing 10-Poisha Coins issued in 1978 was put into circulation with effect from the 15th December, 1983.

275. Subsidiary Coins in circulation as on the 30th June, 1984 amounted to Tk. 30.73 crores as against Tk. 28.55 crores as on the 30th June, 1983. This was in addition to Taka One Notes and Taka One Coins worth Tk. 39.19 crores in circulation as on the 30th June, 1984 as against Tk. 35.24 crores as on the 30th June, 1983.

CHAPTER XX

ADMINISTRATION

ADMINISTRATION

Reconstitution of the Bank's Board of Directors

276. The Board of Directors of the Bank was reconstituted with 6 newly appointed Directors during 1983-84. The newly appointed Directors are Messers Nuruddin Ahmed, Nizamuddin Haider, A. M. Anisuzzaman, Dr. Md. Habibullah, Dr. A. H. Sahadatullah and Major General Mozammel Hossain. One post of Director is lying vacant, the nomination of which is awaited from the Government.

Appointments

277. The following appointments in different grades of employment were made by the Bank during the year ended the 30th June, 1984 :

i) Officer Class-I and above	30
ii) Officer Class-II	35
iii) Clerical and Other Staff	436

Total :	501
----------------	------------

Welfare Activities

278. An amount of Tk. 7,00,000.00 was allocated for various welfare and recreational activities at different offices of the Bank during 1983-84. Besides, the Bangladesh Bank Employees' Clubs at Chittagong, Khulna, Rajshahi, Sylhet and Sadarghat were provided with one 24" black and white television set each.

279. An amount of Tk. 2,15,000.00 was sanctioned for awarding stipend to the eligible children of "D" category employees of the Bank during the year 1983-84. The upper age limit for entitlement of stipend for doing H. S. C. course has been relaxed from 18 years to 20 years.

280. In order to facilitate supply of medicines to the employees of Sadarghat Office, it has been decided to open a fullfledged dispensary there.

281. With a view to facilitating improved medical care for employees and their dependants it has been decided that cost for the purpose of Pathological, Bacteriological and Radiological tests done in approved Private Clinics/Laboratories will be reimbursed at the rates approved by the Government.

**Changes in
the Accom-
modation
Rules**

282. New Accommodation Rules for allotment of Bank's accommodation to its employees have been formulated in line with Bangladesh Allocation Rules-1982. It was also decided to provide single seat accommodation to seven female employees.

**Introduction
of Lunch
Coupon**

283. With the existing system of providing meals through the Bank's Canteens at subsidised rate, an alternative system of lunch coupon has been introduced. An employee who will opt for the latter system will be provided, for any full working day on which he is present, with a lunch coupon of the value not exceeding Tk. 5.00.

**Vocational
Training**

284. A scheme has been introduced for imparting Job-Oriented Vocational/Technical Training to the children of the Bank employees at its own costs. Under this scheme not more than one unemployed son or daughter of an employee will be eligible for the facility.

**Office
Accommo-
dation**

285. The construction of 3-storied office building at Rajshahi and the test piling and shore piling work for the construction of 6-storied office building at Bangladesh Bank, Chittagong were in progress.

**Residential
Accommo-
dation**

286. The construction of Staff Quarters at I. G. Bagan, Gandaria, Dhaka was almost near completion while the construction of Staff Quarters at Baniakhamar, Khulna was in progress.

**Other Con-
struction
Work**

287. The position of other construction work by the Bank was as under :—

- i) Construction of boundary wall, police barrack, underground water reservoir and pump house at Bangladesh Bank, Sadar-ghat, Dhaka have been completed.

- ii) Construction of incinerator at Bangladesh Bank, Khulna has been completed.
- iii) Construction of boundary walls at Bangladesh Bank, Bogra, Rajshahi and I.G. Bagan, Dhaka and Bank Club building at R.K. Mission Road, Dhaka were in progress.
- iv) Construction of incinerator at Bangladesh Bank, Sadarghat, Dhaka was near completion.
- v) Construction of underground water reservoir and pump house, etc. at I.G. Bagan, Dhaka was in progress.
- vi) Site development work at I.G. Bagan, Dhaka by filling earth was near completion.
- vii) The work order for L.T. Electricity distribution at I.G. Bagan, Dhaka has been cancelled.
- viii) Low pressure gas connection work was delayed due to non-availability of materials.

Foreign Training

288. Arrangements were made for participation of 5 (five) Officers from the Bank in different Training Courses/Seminars abroad under different Technical Assistant Programme/Fellowship/Sponsorships.

Domestic Training

289. A total of 156 officials of the Bank participated in different domestic training programmes organised by different training institutions of the country.

Training Academy

290. Bangladesh Bank Training Academy continued to step up its activities during 1983-84 to impart training to the Officers of different cadres of the Bank by conducting different foundation, in-service and orientation/refresher courses :

- i) As many as 87 Officers Class-I and 68 Officers Class-II were trained by organising seven and six in-service courses respectively. Six courses were also organised for in-service

training of about 41 Assistant Accounts Officers (Cash) and 39 Assistant Treasurers. The trainee officials were also given exposures to the mechanism of Bank's Computer System. In addition, some specially designed short courses on Computer Appreciation were also arranged for Officers Class-I and above.

- ii) A three-month long foundation course was organised for 26 direct-recruit Officers Class-I and 38 direct-recruit Officers Class-II. The trainee Officers were taken on a field trip to visit the Bangladesh Academy for Rural Development at Comilla. On completion of their theoretical training those from outstation Offices were released from the Academy for a three-month practical training in their respective Offices while those from the Head Office of the Bank were placed under a three-month practical training in different Departments/Sections of the Head Office and Motijheel Office.

Another batch of 11 direct-recruit Officers Class-I and 5 Officers Class-II were given practical training in different Departments/Sections of the Head Office and Motijheel Office while 7 other Officers Class-II were trained in different Nationalised Commercial Banks.

- iii) Five three-day short courses were arranged at Dhaka, Chittagong, Khulna and Rajshahi to ensure correct reporting of foreign exchange transactions to the Bangladesh Bank by the Authorised Dealers. A total of 177 officials from the reporting branches of commercial banks participated in these courses.
- iv) In order to make the inspecting machinery of the Bank more effective, two 2-week courses on the "Techniques of Bank Inspection" were conducted. Eight Officers Class-I Selection Grade and 30 Officers Class-I from different Offices of the Bank participated.

- v) The Academy arranged 5 Orientation lectures/talks on specific topics for the middle and higher level Officers of the Bank.

**Board/
Executive
Committee
Meetings**

291. During the year 1983-84, 7 (seven) meetings of the Board of Directors, 2 (two) meetings of the Executive Committee and 19 (nineteen) meetings of the Co-ordination Committee were held.

CHAPTER XXI

ANNUAL ACCOUNTS

ANNUAL ACCOUNTS

292. The Balance Sheet of the Issue Department of the Bank as on the 30th June, 1984 appears at pages 186-187 of the Report.

Issue Department

293. Total notes issued as on the 30th June, 1984 amounted to Tk. 1722.55 crores as against Tk. 1221.64 crores as on the 30th June, 1983. Assets against the notes issued included Gold worth Tk. 40.68 crores, Approved Foreign Exchange of Tk. 150.00 crores, Government of Bangladesh Securities worth Tk. 657.63 crores and Internal Bills of Exchange and other Commercial Papers worth Tk. 874.24 crores. The corresponding figures of assets against note issue as on the 30th June, 1983 were 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.

Banking Department

294. The Balance Sheet of the Banking Department as on the 30th June, 1984 appears at pages 188-189. On the liabilities side, balances in the Statutory Funds increased from Tk. 151.00 crores to Tk. 189.00 crores due to appropriation of Tk. 38.00 crores as shown in the paragraph relating to "Profit and Loss Account". Government Deposits declined to Tk. 1.01 crores as on the 30th June, 1984 from Tk. 1.34 crores as on the 30th June, 1983. Bank Deposits increased to Tk. 415.38 crores as on the 30th June, 1984 from Tk. 313.25 crores as on the 30th June, 1983. "Other Deposits" also increased to Tk. 1744.79 crores as on the 30th June, 1984 from Tk. 1591.33 crores on the same day last year. The allocation of SDR remained unchanged at Tk. 91.74 crores.

295. On the Assets side of the Banking Department, "Bills Purchased and Discounted-Internal" increased to Tk. 70.00 crores as on the

30th June, 1984 from Tk. 59.00 crores as on the 30th June, 1983. The balances of re-discounted Government Treasury Bills also increased from Tk. 117.72 crores as on the 30th June, 1983 to Tk. 119.48 crores as on the 30th June, 1984. The amount under "Balances Held Outside Bangladesh" increased from Tk. 763.07 crores as on the 30th June, 1983 to Tk. 1110.60 crores as on the 30th June, 1984. Loans and Advances to Government (Ways and Means Advances) remained unchanged at Tk. 20.00 crores. Other Loans and Advances (Loans and Advances to Banks and other Financial Institutions) declined to Tk. 940.71 crores as on the 30th June, 1984 from Tk. 1033.05 crores as on the same day last year. The balances under "Investments" declined from Tk. 243.23 crores as on the 30th June, 1983 to Tk. 169.48 crores as on the 30th June, 1984.

Profit and Loss Account

296. The Profit and Loss Account of the Bank for the year ending 30th June, 1984 appears at page 190.

297. The Profit and Loss position of the Bank for the year 1983-84 is summarised as under :

Gross Earning of the Bank	Tk. 321,79,85,069.58
Total Expenditure	Tk. 162,12,93,763.05
Net Profit :	<u>Tk. 159,66,91,306.53</u>

298. Out of the above profit of Tk. 159,66,91,306.53, a sum of Tk. 40.00 crores has been appropriated towards different Statutory and Other Funds and the balance of Tk. 119,66,91,306.53 paid to the Government Exchequer as surplus profit as detailed below :

Rural Credit Fund	Tk. 15,00,00,000.00
Industrial Credit Fund	Tk. 4,00,00,000.00
Export Credit Fund	Tk. 4,00,00,000.00
Agricultural Credit Stabilisation Fund	Tk. 15,00,00,000.00
Credit Guarantee Fund	Tk. 2,00,00,000.00
Surplus Profit Paid to the Government	Tk. 119,66,91,306.53
Total :	<u>Tk. 159,66,91,306.53</u>

**Interest
Subsidy to
Banks and
Financial
Institutions**

299. For financing the Agricultural Projects and the Special Housing Scheme for low and middle income people at a concessional rate of interest, Bangladesh Bank allowed interest subsidy to the financing banks and the House Building Finance Corporation. A sum of Tk. 2.59 lakhs was paid as interest subsidy during 1983-84 as against Tk. 53.94 lakhs paid last year.

**Appointment
of Auditors**

300. In terms of Article 65 (1) 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 1983-84.

Appreciation

301. The Bank wishes to place on record its appreciation for the loyal and devoted services rendered by the employees of the Bank during the year ended on the 30th June, 1984.

BALANCE SHEET
AND
PROFIT AND LOSS ACCOUNT
AS AT
30TH JUNE, 1984

**BANGLADESH
BALANCE SHEET AS AT
ISSUE**

LIABILITIES	TAKA	TAKA
Notes held in the Banking Department	62,11,205	
Notes in Circulation*	<u>1721,93,23,410</u>	
Total Notes Issued		1722,55,34,615

TOTAL LIABILITIES

Taka 1722,55,34,615

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

BANK
30TH JUNE, 1984
DEPARTMENT

ASSETS	TAKA	TAKA
A. Gold Coin and Bullion	40,68,35,000	
Silver Bullion	Nil	
Special Drawing Rights held with the International Monetary Fund	Nil	
Approved Foreign Exchange	<u>150,00,00,000</u>	190,68,35,000
B. Taka Coin	Nil	
Government of Bangladesh Securities **	657,63,06,455	
Internal Bills of Exchange and other Commercial Papers	<u>874,23,93,160</u>	1531,86,99,615
TOTAL ASSETS		Taka 1722,55,34,615

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

BANKING

LIABILITIES	TAKA	TAKA
Capital Paid-up		3,00,00,000
Reserve Fund		3,00,00,000
Rural Credit Fund		70,00,00,000
Industrial Credit Fund		24,00,00,000
Export Credit Fund		25,00,00,000
Agricultural Credit Stabilisation Fund		70,00,00,000
Deposits :		
(a) Government	1,01,46,632	
(b) Banks	415,38,20,393	
(c) Others	<u>1744,79,12,402</u>	2161,18,80,427
Allocation of Special Drawing Rights		91,74,31,206
Bills Payable		7,97,559
Other Liabilities		439,50,47,456
TOTAL LIABILITIES	Taka	2887,51,56,648

DEPARTMENT

ASSETS	TAKA	TAKA
Notes		62,11,205
Taka Coin		2,184
Subsidiary Coin		472
Bills Purchased and Discounted :		
(a) Internal	70,00,33,461	
(b) External	Nil	
(c) Government Treasury Bills	<u>119,48,44,909</u>	189,48,78,370
Balances held Outside Bangladesh*		1110,60,39,075
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		940,71,29,947
Investments		169,47,74,795
Other Assets		456,61,20,600
TOTAL ASSETS	Taka	2887,51,56,648

* Include Cash and Short-Term Securities.

**PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 30TH JUNE, 1984**

I N C O M E	TAKA
Interest, Discount, Exchange, Commission, etc.	321,79,85,070
E X P E N D I T U R E	
Establishment	12,19,58,826
Directors' Fees and Expenses	12,867
Auditors' Fees	52,475
Rent, Taxes, Insurance, Lighting, etc.	86,16,043
Law Charges	1,12,011
Postage and Telegram Charges	20,26,879
Remittance of Treasure	12,80,952
Stationery, etc.	52,18,050
Security Printing (Cheques, Note forms, etc.)	7,71,11,270
Depreciation and Repairs to Bank's Property	2,13,83,983
Agency Charges	1,25,51,960
I. M. F. Charges	105,36,47,074
Interest Subsidy to Banks and Financial Institutions	2,58,992
Interest on Deposits	24,83,24,291
Interest on Staff Provident Fund	1,82,48,007
Contribution to Staff and Superannuation Funds	Nil
Miscellaneous Expenses	5,04,90,083
Net Available Balance	159,66,91,307
Total Taka	321,79,85,070
Amount transferred to Reserve Fund	Nil
Amount transferred to Rural Credit Fund	15,00,00,000
Amount transferred to Industrial Credit Fund	4,00,00,000
Amount transferred to Export Credit Fund	4,00,00,000
Amount transferred to Agricultural Credit Stabilisation Fund	15,00,00,000
Amount transferred to Credit Guarantee Fund	2,00,00,000
Surplus payable to Government	119,66,91,307
Balance carried forward	Nil
Total Taka	159,66,91,307
RESERVE FUND ACCOUNT	
By Balance on the 30th June, 1983	3,00,00,000
By Transfer from Profit & Loss Account	Nil
Total Taka	3,00,00,000

MD. MOKHLESUR RAHMAN
Director of Accounts

A.T.M. AMIN
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, 1984 and the Profit and Loss Account of the Bank for the year ended on that date.

We have examined the above Balance Sheet with the Accounts, Certificates and Vouchers relating thereto of the Head Office and of the Offices at Motijheel Commercial Area, Dhaka, Chittagong, Khulna, Bogra, Rajshahi, Sylhet and Sadarghat, Dhaka and report that, where we have called for explanation and information, such information and explanations have been given and have been satisfactory. In our opinion, the Balance Sheet is a full and fair Balance Sheet containing all necessary particulars and is properly drawn up so as to exhibit a true and fair view of the state of the Bank's affairs according to the best of our information and explanations given to us and as shown by the books of the Bank.

Dhaka,
The 4th August, 1984

Howlader Yunus & Co.,
Chartered Accountants

S. F. Ahmed & Co.,
Chartered Accountants

APPENDICES

BANGLADESH—SOME BASIC NATIONAL STATISTICS

I. AREA AND POPULATION

Area	...	...	143,998	Km ²
			1982-83	1983-84^P
Population	...	...	93.6 million	95.7 million
Density of Population :				
a) Per Km ² of Total Land Area			650	665
b) Per Km ² of Cultivable Land			1025	1045

P—Provisional.

Source : Bangladesh Bureau of Statistics.

II. NATIONAL INCOME, INVESTMENT AND SAVINGS

Items/Sectors	(Taka in crores)			
	1982-83	%	1983-84	%
1. GDP (At Constant 1979-80 Factor Cost)	19,186.5	—	20,048.6	—
2. GDP (At Current Market Prices)	26,560.0	—	30,563.0	—
3. Per Capita GDP (In Taka at Current Prices)	2,823.0	—	3,179.0	—
4. Gross Investment (Current Prices)	4,453.0	16.76@	5,260.0	17.21@
5. Gross Domestic Savings (Current Prices)	531.0	2.0@	823.0	2.69@
6. Gross National Savings (Current Prices)	1,516.0	5.70@	2,032.0	6.64@
7. Sectoral Break-up of GDP (At Constant 1979-80 Factor Cost) :				
a) Agriculture	9,941.3	52	10,339.0	52
b) Industry	1,596.2	8	1,687.2	9
c) Power & Gas	51.9	—	63.0	—
d) Construction	923.5	5	937.3	5
e) Transport	1,208.1	6	1,274.5	6
f) Trade	1,357.3	7	1,436.0	7
g) Housing	1,246.6	7	1,284.0	6
h) Others	2,861.6	15	3,027.6	15
		100		100

Source : Planning Commission.

@ As percentage of GDP at current market prices.

III. GOVERNMENT FINANCE AND ANNUAL DEVELOPMENT PROGRAMME

(Taka in crores)					
Sl. No.	H e a d s	1982-83	%	1983-84 (Revised)	%
1.	Revenue Receipts :	2,710.70	100	3,033.00	100
	a) Tax	2,159.80	80	2,440.10	80
	b) Non-Tax	550.90	20	592.90	20
2.	Revenue Expenditure	2,146.70	79	2,503.00	83
3.	Revenue Surplus	564.00	21	530.00	17
4.	Capital Receipts :	3,530.10	100	4,329.34	100
	a) Capital Expenditure	852.12	24	954.92	22
	b) Capital Surplus	2,677.98	76	3,374.42	78
5.	Size of ADP :	2,977.02	100	3,432.58	100
	a) Domestic	615.00	21	727.16	21
	b) Foreign	2,362.02	79	2,705.42	79

Source : Budget Summary Statements; Ministry of Finance.

IV. MONEY, CREDIT AND PRICES

(Taka in crores)

Sl. No.	Heads	1982-83	1983-84
1.	Broad Money (M_2)	6,025.07	8,528.19
2.	Domestic Credit :	7,258.26	9,259.12
	i) Public Sector (including Govt.)	4,135.62	4,164.31
	ii) Private Sector	3,122.64	4,902.47
	iii) Miscellaneous Credit*	Nil	192.34
3.	Broad Money as % of GDP (Current Market Prices)	22.68	27.90
4.	General Price Index (1973-74=100) for Dhaka Middle Class :		
	i) Point to Point	340.30	382.26
	ii) Yearly Average	325.95	357.47
5.	Annual Percentage Changes in :		
	i) General Price Index for Dhaka Middle Class :		
	a) Point to Point	(+) 13.89	(+) 12.33
	b) Yearly Average	(+) 9.93	(+) 9.67
	ii) Credit to Public Sector (excluding Govt.)	(+) 0.17	(-) 5.42
	iii) Credit to Private Sector	(+) 35.11	(+) 57.00

Sources : (i) Bangladesh Bank

(ii) Bangladesh Bureau of Statistics

* Miscellaneous Credit—Investment in 2-Year Special Treasury Bonds.

V. BALANCE OF PAYMENTS

Transactions	1982-83		1983-84 ^P	
	In crore Tk.	In million \$	In crore Tk.	In million \$
1. Merchandise Imports (C&F) ¹	-5512.7	-2317 [@]	-5990.2	-2402 [@]
2. Merchandise Exports (f.o.b.)	1860.6	782	2051.5	822
3. Services :	-265.8	-112	-69.1	-28
a) Payments	-813.3	-342	-793.3	-318
b) Receipts	547.5	230	724.2	290
4. Private Transfers²	1422.4	598	1383.7	555
5. Balance on Current Account	-2495.5	-1049	-2624.1	-1053
6. Capital Accounts and Other Loans/Grants :	3510.6	1475	3297.5	1322
a) Food	745.8	313*	815.6	327*
b) Commodity	1246.2	524**	1105.0	443**
c) Project	1518.6	638	1376.9	552
7. Debt Repayment :	-229.1	-96	-172.6	-69
a) Medium & Long-term	-229.1	-96	-172.6	-69
b) Food Loan	—	—	—	—
8. Short-term Borrowings (net)	-47.0	-20	-24.9	-10
9. Other Capital	-35.1	-15	19.6	8
10. Overall Balance	703.9	295	495.5	198
11. Change in Reserve (a+b)				
(Increase -)	-655.4	-276	-373.2	-150
a) Bangladesh Bank (net)	-569.9	-240	-363.0	-146
i) Foreign Exchange Assets	-582.1	-245	-447.8	-180
ii) Liabilities	12.2	5	84.8	34
b) Commercial banks (net)	-85.5	-36	-10.2	-4
i) Foreign Exchange Assets	16.5	7	-42.2	-17
ii) Liabilities	-102.0	-43	32.0	13
12. Balancing Items	-48.5	-19	-122.3	-48

Source : Bangladesh Bank,
P— Provisional.

1. Local currency cost re-imbursement of project loan of \$ 64 m in 1982-83 and \$ 116 m in 1983-84 adjusted.

2. Includes Private donation amounting to \$ 18 m in 1982-83 and \$ 21 m in 1983-84.

* Includes \$ 57 m in 1982-83 and \$ 51 m in 1983-84 Food imports under deferred payments.

** Includes Saudi cash grant of \$ 68 m and \$ 4 m IMF subsidy in 1982-83 and \$ 4 m IMF subsidy in 1983-84.

@ Includes \$ 10 million and \$ 60 million of deferred food loan repayments in 1982-83 and 1983-84 respectively.

VI. MERCHANDISE EXPORTS
(Receipts)

Commodities	1982-83			1983-84		
	In crore Tk.	In million \$	%	In crore Tk.	In million \$	%
Total Exports :	1860.6	782	100	2051.5	822	100
1. Raw jute	258.5	109	13.9	276.9	111	13.5
2. Jute Goods	802.4	337	43.1	884.3	355	43.2
3. Tea	116.3	49	6.3	181.5	73	8.9
4. Leather	132.3	56	7.1	186.5	75	9.1
5. Fish, Shrimps and Frog-legs	194.0	81	10.4	232.1	93	11.3
6. Naptha, Furnace Oil & Bitumen	135.2	57	7.3	64.6	26	3.2
7. Readymade Garments	26.9	11	1.4	84.1	34	4.1
8. Others	195.0	82	10.5	141.5	55	6.7

Source : Bangladesh Bank.

VII. MERCHANDISE IMPORTS
(Payments)

Commodities	1982-83			1983-84*		
	In crore Tk.	In million \$	%	In crore Tk.	In million \$	%
Total Imports :	5513	2317	100	5990	2402	100
1. Foodgrains	885	372	16	1087	436	18
a) Rice	(122)	(51)	(2)	(175)	(70)	(3)
b) Wheat	(763)	(321)	(14)	(912)	(366)	(15)
2. Edible Oil and Oil Seeds	176	74	3	256	103	4
3. Petroleum Crude & Petroleum Products	1108	466	20	907	364	15
4. Cotton	23	10	—	149	60	3
5. Textile Yarn	83	35	2	111	45	2
6. Fertilizers	180	76	3	197	79	3
7. Chemicals	197	83	4	253	101	4
8. Capital Goods	1468	617	27	1560	625	26
9. Others	1393	584	25	1470	589	25

Source : Bangladesh Bank.

P=Provisional

VIII. FOREIGN AID, EXTERNAL DEBT AND DEBT SERVICE

(In million US Dollars)

Particulars	1982-83	1983-84
1. Foreign Aid :		
a) Gross Disbursement during the year	1,346	1,268
b) Gross Commitment during the year	1,738	1,695
c) Total Commitment since 1972	14,559	16,254
d) Total Disbursement since 1972	10,335	11,603
2. Debt Service	175	155
3. Debt Service-Export Ratio	22.37	18.86

Source : Planning Commission.

IX. TAKA—DOLLAR EXCHANGE RATES*

Month/Year	1982-83	1983-84
July	US \$ 1.00= Tk. 22.16	US \$ 1.00= Tk. 24.50
August	US \$ 1.00= Tk. 22.35	US \$ 1.00= Tk. 24.51
September	US \$ 1.00= Tk. 22.71	US \$ 1.00= Tk. 24.59
October	US \$ 1.00= Tk. 22.94	US \$ 1.00= Tk. 24.90
November	US \$ 1.00= Tk. 23.86	US \$ 1.00= Tk. 25.00
December	US \$ 1.00= Tk. 24.12	US \$ 1.00= Tk. 25.00
January	US \$ 1.00= Tk. 24.38	US \$ 1.00= Tk. 25.00
February	US \$ 1.00= Tk. 24.50	US \$ 1.00= Tk. 25.05
March	US \$ 1.00= Tk. 24.50	US \$ 1.00= Tk. 25.20
April	US \$ 1.00= Tk. 24.50	US \$ 1.00= Tk. 25.20
May	US \$ 1.00= Tk. 24.50	US \$ 1.00= Tk. 25.20
June	US \$ 1.00= Tk. 24.50	US \$ 1.00= Tk. 25.20

* Monthly Average.

Source : Bangladesh Bank.

X. COMPARATIVE POSITION OF SCHEDULED BANKS

(Taka in crores)

Particulars	Amounts as on	
	30.6.1983	30.6.1984
Bank Deposits (excluding inter-bank items) :	4867.00	6902.24
Demand Deposits	1516.71	2029.70
Time Deposits	3350.29	4872.54
Borrowings from Bangladesh Bank	1208.31	1227.39
Cash in Hand	126.97	165.90
Balances with Bangladesh Bank	302.59	420.65
Balances with other Banks in Current Account in Bangladesh	90.18	109.81
Money at Call and Short Notice in Bangladesh	40.46	109.39
Scheduled Banks' Investment :	1033.07	1455.73
Government Securities	614.01	739.74
Others	419.06	715.99
Bank Credit (excluding inter-bank items) :	5209.97	6673.71
Advances in Bangladesh	4988.87	6433.52
Inland and Foreign Bills Purchased and Discounted in Bangladesh	221.10	240.19
Credit/Deposit Ratio (excluding BKB & BSB)	0.87	0.77

Source : Bangladesh Bank.

XI. LIST OF SCHEDULED BANKS

(As on June 30, 1984)

A. NATIONALISED BANKS (6)

a) Commercial Banks (4)

1. Sonali Bank
2. Janata Bank
3. Agrani Bank
4. Rupali Bank

b) Specialised Banks (2)

1. Bangladesh Krishi Bank
2. Bangladesh Shilpa Bank

B. PRIVATE COMMERCIAL BANKS (8)

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

C. FOREIGN COMMERCIAL BANKS (7)

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

XII. OFFICES OF THE BANGLADESH BANK
(As on June 30, 1984)

Head Office

DHAKA

Offices at

MOTIJHEEL (DHAKA)

SADARGHAT (DHAKA)

CHITTAGONG

KHULNA

BOGRA

RAJSHAHI

SYLHET

