ANNUAL REPORT 1984 - 85

BANGLADESH BANK

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BANGLADESH BANK

BOARD OF DIRECTORS

1.	Mr. M. Nurul Islam	Chairman
2.	Mr. Kazi Badrul Alam	Director
3.	Dr. Md. Habibullah	Director
4.	Dr. A. H. Shahadatullah	Director
5.	Mr. Nizamuddin Haider	Director
6.	Mr. Nuruddin Ahmed	Director
7.	Mr. S. A. Mahmud	Director
8.	Mr. Md. Munir-Uz-Zaman	Director
9.	Major General Muhammad Abdul Latif, Psc.	Director

Mr. P.K.M.A. Chowdhury — Secretary

GOVERNOR

Mr. M. Nurul Islam

DEPUTY GOVERNORS

Mr. Kazi Badrul Alam
Mr. A. T. M. Amin

EXECUTIVE DIRECTORS

Mr. M.A. Beg
Mr. B.B. Debnath
Mr. A.K.M. Khalilur Rahman
Mr. Mahbubur Rahman Khan

ECONOMIC ADVISER

Mr. A.S.M. Fakhrul Ahsan

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Mr. A. T. Ahmed Chowdhury	Administration & Expenditure Department
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Mr. M. Jafar Ahmed Chowdhury	Agricultural Credit Inspection Department
Mr. B. L. Chowdhury	Audit & Inspection Department
Mr. S. R. Karmaker Mr. Md. Abdur Rashid Miah	Banking Control Department
Mr. Q. A. Tahir Mr. M. A. Majid	Department of Banking Inspection
Mr. Zahid Hossain	Department of Public Relations and Publications
Mr. A. H. M. Nurul Islam Choudhuri Mr. Muhammad Mohasin Ali	Department of Research
Mr. M. A. Mannan	Engineering Department
Mr. Nizamuddin Ahmed Mr. Jahiruddin Ahmed	Exchange Control Department
Mr. Walayet 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. Abdur Raquib	Training Academy

HEADS OF BRANCH OFFICES

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Mr. A. K. Matlub Ahmed	Chittagong Office
Mr. M. Maidul Islam	Khulna Office
Mr. S. M. Khalilur Rahman	Bogra Office
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Mr. A. T. M. Hafizur Rahman	Sylhet Office
Mr. Alauddin Ahmed	Sadarghat Office, Dhaka

LETTER OF TRANSMITTAL
BANGLADESH BANK

DHAKA :
February 11 1986

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, 1985.

Yours faithfully,
M. NURUL ISLAM
Governor

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CHAPTER I

WORLD ECONOMIC SETTING AND TRENDS IN BANGLADESH ECONOMY

WORLD ECONOMIC SETTING
AND
TRENDS IN BANGLADESH ECONOMY

World Economic Trends

After the severe recession in the early 1980s, the recovery in the world economy that had started by the end of 1983 gathered momentum in 1984. Output of the developed countries grew at about 4.7 per cent during 1984. Even though world output growth in 1984 was the strongest in about a decade and inflation continued to recede, the world economy remained confronted with some serious economic problems. Unemployment continued to be high and it actually rose in some countries. Although fluctuations in interest rates lessened, real interest rates continued to be high. Fiscal imbalances, particularly the large U.S. budget deficit, also provided substantial cause for concern. There were indications that the benefits of recovery were spreading to the developing countries and this in combination with stabilization measures pursued by them helped acceleration in growth in these countries. However, the economic growth in these countries remained below the long-run average and was uneven between regions and between countries in the same region. Heavy external indebtedness kept the financial position of several developing countries quite fragile, besides casting its shadow on the international banking and financial system. In 1983 and 1984, economic growth in U.S.A. led by a rapid expansion of demand helped stimulate exports and consequent growth of many countries, both industrial and developing. However, by late 1984 and the early part of 1985 economic activity in that country tended to revert to a moderate pace. This slack is being gradually taken up by growth in demand in other industrial countries.

Performance of Bangladesh Economy

2. In the backdrop of above developments in world economy the performance of Bangladesh economy is discussed. Bangladesh economy, besides being vulnerable to weather conditions, is also influenced by external factors despite its minuscule share in the world economy. Growth of the economy during 1984-85 was adversely affected to a significant extent by severe floods which kept agricultural production, particularly the foodgrains production, below the target. Apart from relatively unsatisfactory performance of the agricultural sector, the growth in the industrial sector slowed down. Substantial liquidity overhang in the economy worked off through the foreign sector and resulted in a significant increase in imports. This combined with a marked decline in workers' remittances from abroad, stagnant level of aid disbursements and increased repayments in respect of long-term and medium-term loans exerted substantial pressure on balance of payments and reserves. The foreign exchange reserves at $ 372.5

million at the end of June, 1985 could meet import requirement for not more than seven weeks. The strain on balance of payments and reserve position, however, concealed a significant increase in export receipts. Mainly because of a substantial increase in export prices the terms of trade also notably improved during 1984-85. Despite a cautious monetary and credit programme, monetary and credit expansion continued to be high during the year. Although the inflation rate as measured by the twelve-month average of consumer price indices for the Middle Income Families at Dhaka increased somewhat, this was much less than expected. Substantial imports of essential items like foodgrains, sugar, edible oil and comfortable foodgrains stocks with the Government perhaps helped dampen inflationary price expectations. The appreciation of U.S. dollar, our intervention currency, and higher rate of inflation in Bangladesh vis-a-vis her trading partners necessitated several adjustments in the exchange rate during 1984-85. As a result, the Taka-Dollar rate depreciated from Tk. 25.20 per U.S. dollar at the end of June, 1984 to Tk. 28.00 per U.S. dollar at the end of June, 1985 or by 10 per cent. Flexible exchange rate policy was helpful in promoting exports and generating additional Government revenue. With a marked decline in workers' remittances and a large increase in demand for imports through the secondary market a large imbalance between demand for and supply of funds was created in that market necessitating substantial support operations by Bangladesh Bank through sale of foreign exchange in that market. Despite substantial support operations, the exchange rate of Taka in this market also depreciated by 11.29 per cent to Tk. 31.27 per U.S. dollar at the end of June, 1985 as against Tk. 27.74 per U.S. dollar at the end of June, 1984.

GDP

3. Gross Domestic Product (GDP) in real terms as estimated by the Planning Commission increased by 3.8 per cent during 1984-85 as against the target of 6.0 per cent and actual growth of 4.2 per cent in 1983-84. Sluggish growth in major sectors, especially in agriculture and industry, was mainly responsible for the shortfall in overall GDP growth. Agricultural production, particularly the output of foodgrains, was adversely affected by severe floods which inflicted colossal damage to standing crops. Foodgrains production at 160.86 lakh tons in 1984-85 was 3.7 per cent lower than the target of 167.00 lakh tons and not much higher than the actual harvest of 157.13 lakh tons in 1983-84. The growth in the agricultural sector declined from 3.6 per cent in 1983-84 to 2.8 per cent in 1984-85. The industrial sector which had shown encouraging performance with a growth rate of 6.9 per cent in 1983-84 also recorded a lower growth of 5.1 per cent in 1984-85. Growth in power and gas sector also declined from 20.1 per cent in 1983-84 to 17.6 per cent in 1984-85. Except trade and transport sectors which grew by 5.6 per cent each against the growth of 4.8 per cent each in 1983-84, growth performance of all other sectors in 1984-85 did not show any significant change as compared to the preceding year. Housing, construction and other

sectors lumped together grew by 2.5 per cent, 2.0 per cent and 5.5 per cent in 1984-85 as compared with 2.5 per cent, 2.0 per cent and 5.4 per cent respectively in 1983-84.

Adjustment and Support Measures

4. A number of measures were taken during the year with the aim of mobilizing additional domestic resources and stepping up production. To that end suitable adjustment in the tax base and re-arrangement of tax rates were carried out in the budget for 1984-85. New tax proposals were designed to reduce dependence on import duty as a major source of revenue. Some of the new tax measures envisaged in the budget for 1984-85 included comprehensive rationalization and re-structuring of import duties, re-scheduling and new imposition of excise duties, imposition of a 2.0 per cent turnover tax in the cases of Travel Agents and Bonded Warehouses and introduction of a new direct tax called 'Shop Tax'. The net effect of the new taxes was estimated at Tk. 103.80 crores. Non-tax revenue measures included enhancement of registration fee by 10 per cent, embarkation fee for outgoing passengers from Tk. 100 to Tk. 200, railway fares by a range of 25 per cent to 40 per cent and postal rates by an average of 100 per cent. Tax on private cars was doubled. Additional resource mobilisation was also sought to be achieved through economising Governmental expenditure. For the purpose,the ration price of rice was raised from Tk. 630 to Tk. 718 per quintal on December 23, 1984, while that of wheat was raised from Tk. 415.30 to Tk. 463.48 per quintal on April 1, 1985.

5. Increase in production and supply was sought to be achieved in various ways. In order to help increase agricultural production, the Annual Agricultural Credit Programme for 1984-85 was set higher at Tk. 1150.00 crores as against the actual disbursement of Tk. 1007.12 crores in 1983-84. An annual Crop Credit System was introduced with a view to ensuring orderly flow of credit in the agricultural sector. Adequate encouragement was provided for expansion of area under irrigation as well as for purchase of irrigation equipments. As a support measure and price incentive, the procurement prices of paddy and rice were increased from Tk. 385.80 and Tk. 602.80 per quintal to Tk. 442.10 and Tk. 664.50 per quintal respectively with effect from August 14, 1984. To prevent prices from falling to uneconomic levels in areas of good harvest, procurement prices of paddy and rice were further raised to Tk. 468.82 and Tk. 704.57 per quintal respectively in 18 selected districts with effect from January 31, 1985. The procurement price of wheat was also enhanced from Tk. 385.80 to Tk. 434.00 per quintal effective from March 16, 1985.

6. In order to encourage industrial production, extended facilities to the private sector were continued which included liberalised credit for less developed areas and simplification of credit procedures. Tax proposals were also aimed at

providing incentives to production in this sector on a selective basis. The increase in industrial production was also assisted by liberal import policy, particularly for the import of raw materials. The policy for 1984-85 provided for a total import allocation of Tk. 4351 crores as against Tk. 3510 crores in the policy of the preceding year. Of this, allocation for raw material and spare parts imports was estimated at Tk. 2763 crores during 1984-85 as compared with Tk. 2185 crores estimated for the preceding year.

7. In order to help improve the supply situation, substantial imports of foodgrains under aid and credit and from own resources were also made. Total foodgrains imports during the year were valued at $ 468 million as against $ 398 million in the preceding year. A marked increase also occurred in imports of sugar and edible oil during 1984-85. These imports stood at $ 65 million and $ 153 million during 1984-85 as compared with $ 1 million and $ 76 million respectively in the preceding year.

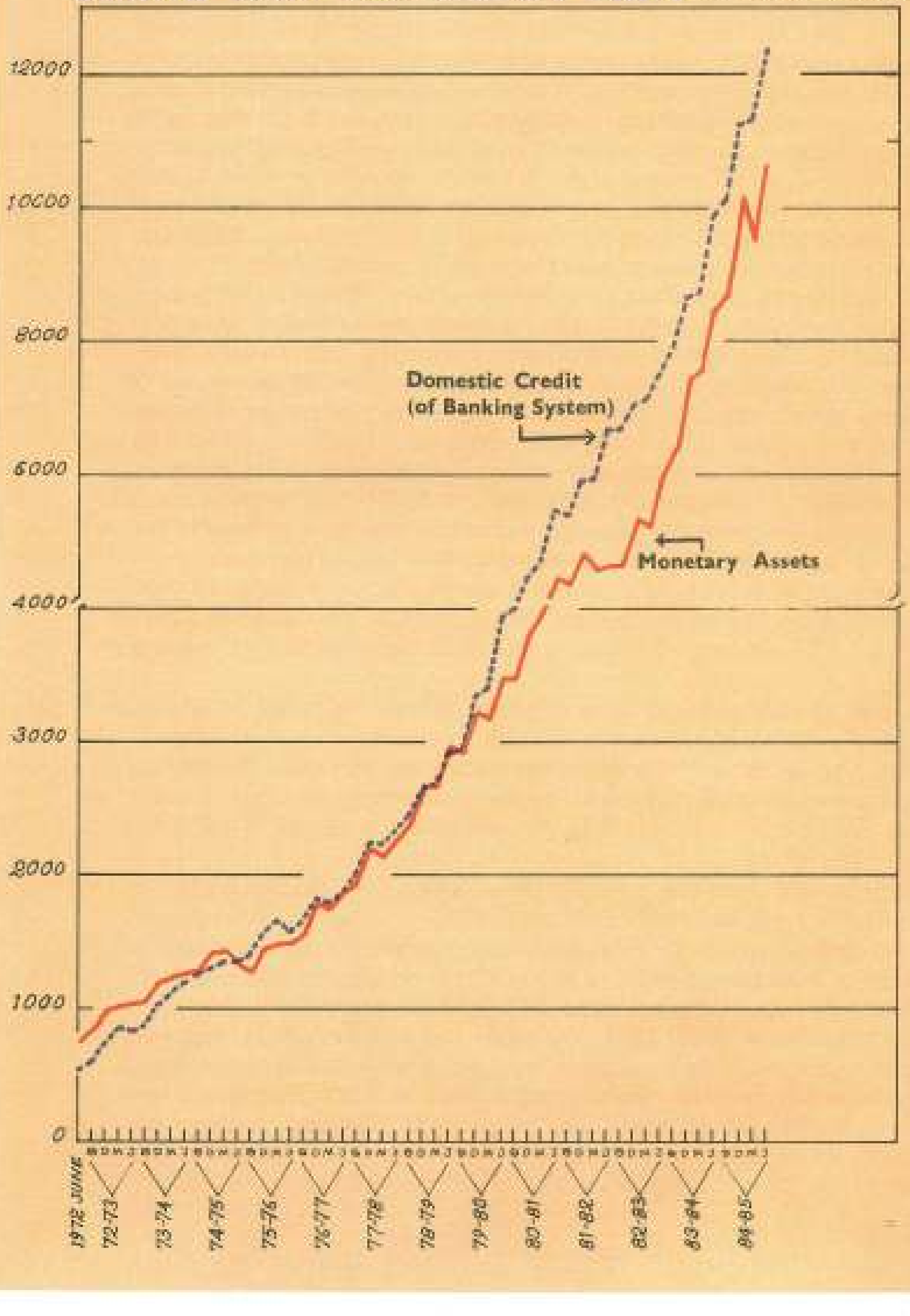
8. Some measures were also taken to help boost exports. Among the specific measures in this regard, particular mention may be made of the following:

a) Exporters of non-traditional goods whose export earnings from a commodity during 1984-85 exceeded the earnings of the previous year by more than the sectoral target of increase set for the year were given additional incentive in the form of concessional interest rate of 7 per cent per annum on export credit utilized by them for the excess export against the usual interest rate of 9 per cent per annum;
b) Incentives under the XPL scheme were strengthened through provision of a new slab of 100 per cent in the XPL list for export of certain commodities having high export potential;
c) Further, 60 per cent XPL was allowed to garments industries producing exportable garments by using locally-made cloth.

Domestic Credit Scene and Measures

9. On the domestic credit and monetary front, despite a cautious monetary and credit programme the expansion in domestic credit continued at a fast rate in the first four months of 1984-85. Credit to the public sector which recorded a modest increase of Tk. 90 crores or 3.6 per cent during 1983-84 increased markedly by Tk. 388 crores or 15.2 per cent in July-October, 1984 reflecting mainly a rapid expansion in credit to Jute Mills Corporation due to a sharp increase in raw jute prices. The re-scheduling of agricultural credit coupled with very high jute prices and increased credit needs for the commercial sector brought about a substantial increase in credit to the private sector also which went up by Tk. 356 crores or 7.23 per cent during July-October, 1984. Total domestic credit increased by Tk. 669 crores or 6.7 per cent in the first four months of the year; such a fast expansion in domestic credit in the first four months of FY 1984-85 vis-a-vis

DOMESTIC CREDIT AND MONETARY ASSETS (Taka in crores)



cautious credit programme which provided for an expansion not exceeding Tk. 1672 crores or 17 per cent for the whole year provided a cause for concern. Accordingly, a number of measures were taken in November, 1984 and thereafter to contain the expansion in credit. These measures included increases in lending rates in the cases of advances against Fixed Deposit Receipts and other financial obligations, advances against gold and gold ornaments, advances against internal trading exceeding Tk. 1 lakh, import credit and advances against balances in foreign currency accounts under the Wage Earners' Scheme. Minimum margin requirement was imposed in the case of advances against all financial obligations and those against security of Non-resident Foreign Currency Deposits under the Wage Earners' Scheme. Apart from these, a ban was imposed on advances against 2-year Special Treasury Bonds, while banks were advised to charge penal interest on unsatisfactorily conducted LIM/CC Account of commercial imports and not to allow any post-shipment finance facility such as LIM/CC for import of sugar in the private sector. Banks were also instructed not to extend any fresh loan to weavers until further orders. Furthermore, Bank Rate was raised from 10.5 per cent to 11 per cent. Finally banks were given credit ceilings and instructed to adhere strictly to these ceilings. Apart from these measures, efforts were made to step up recovery of credit. In this connection, the repayment schedule in respect of jute advances to private traders/shippers was advanced. Repayment of these advances was required to be completed by March 31, 1985. In respect of agricultural credit, all banks were asked to fix up a target of collecting within a period from January to March, 1985 80 per cent of the loans which became overdue by February 1,1985 including previous overdues.

10. In order to see that banks adhere to credit ceilings prescribed by Bangladesh Bank, penal interest was imposed on concerned banks at the rate of 4 per cent per annum on the amount representing the excess of outstanding credit over the credit ceiling. Penal interest was to be charged for the period when credit remained in excess of the ceiling.

11. Reflecting the impact of credit restriction measures, the rate of expansion in credit to the private sector markedly slowed down in the third and fourth quarters of 1984-85. Credit expansion to the private sector which was running at the rate of 57.1 per cent in the year ended December 31, 1984 slowed down to 45.1 per cent in the year ended March 31, 1985. The rate of expansion declined further to 40.2 per cent in the year ended June 30, 1985. This represented significant improvement as compared to the expansion rate of 58.7 per cent in the previous year ended June, 1984. In absolute terms, credit expansion to the private sector was, however, somewhat higher at Tk. 1976.2 crores during 1984-85 as compared to Tk. 1817.0 crores during 1983-84. Break down of credit to the private sector disclosed that credit to the agriculture sector expanded by Tk. 962 crores during

the year as against an increase of Tk. 725 crores in the preceding year, while credit to jute sector (excluding crop loans) increased by Tk. 168 crores during 1984-85 as against an expansion of Tk. 145 crores in the preceding year. Credit to non-agriculture non-jute sectors expanded by Tk. 846 crores during the year as against an increase of Tk. 947 crores in 1983-84. The rate of expansion in credit to the public sector markedly accelerated from 3.6 per cent in 1983-84 to 26.5 per cent in 1984-85. This was mainly due to a substantial expansion in credit to the Jute Mills Corporation, a steep increase in credit to the Jute Trading Corporation and Bangladesh Agricultural Development Corporation and increased scheduled bank financing of debentures issued by the corporations and autonomous bodies under the Annual Development Programme. Credit to the Jute Mills Corporation increased by Tk. 180.30 crores during 1984-85 as against Tk. 16.67 crores in the preceding year. The significantly higher expansion in credit to the Jute Mills Corporation was mainly on account of the repayment difficulties they faced with the losses incurred by them due to a substantially larger increase in cost of production of jute goods than in export prices. The increase in cost of production reflected a sharp rise in the prices of raw jute as well as an increase in wages. Credit to the Jute Trading Corporation and BADC increased by Tk. 74.03 crores and Tk 50.23 crores respectively during 1984-85. The scheduled bank financing of debentures issued by autonomous bodies and corporations during 1984-85 under the Annual Development Programme was Tk. 120 crores as compared with debentures of Tk. 16 crores issued and financed in 1983-84. Net credit to the Government recorded a decline of Tk. 67 crores or 2.8 per cent as against a marked increase of Tk. 427 crores or 21.5 per cent in the preceding year. This offset the increase in credit to the public and private sectors only in part. As a result, total domestic credit during 1984-85 recorded an expansion of Tk. 2587.4 crores which was higher than the increase of Tk. 2332.9 crores in 1983-84. The rate of expansion in domestic credit, however, slowed down from 30.9 per cent in 1983-84 to 26.2 per cent in 1984-85. At the same time, the foreign sector recorded a deficit of Tk. 150 crores in 1984-85 as against a surplus of Tk. 538 crores in the preceding year. Reflecting these, the rate of liquidity expansion markedly slowed down to 25.6 per cent during the year from 42.2 per cent in the preceding year. In absolute terms also, the expansion in liquidity at Tk. 2148.3 crores during 1984-85 was less as compared to the increase of Tk. 2487.6 crores in 1983-84.

12. Despite slowing down, the rate of liquidity expansion at 25.6 per cent during the year represented a large imbalance between demand and supply as the GDP growth during 1984-85 did not exceed 3.8 per cent. Even though this imbalance worked itself off partly through a deficit in balance of payments during the year and correspondingly its price impact was moderated, the rate of inflation increased somewhat during the year. As measured by the twelve-month average of consumer price indices for Middle Income Families at Dhaka, the price rise

worked out to 10.94 per cent as against the increase of 9.67 per cent in 1983-84. The increase in prices during the year occurred in both food and non-food items. The sub-indices of food, fuel and lighting, housing and household requisites, clothing and footwear and miscellaneous items increased by 10.68 per cent, 7.78 per cent, 8.86 per cent, 13.41 per cent and 16.96 per cent in 1984-85 as against the increases of 12.05 per cent, 1.11 per cent, 3.64 per cent, 12.23 per cent and 12.13 per cent respectively in 1983-84. The rate of inflation in rural areas was higher as compared to the overall rate of inflation during 1984-85. As measured by the twelve-month average of the consumer price indices of the rural population in Dhaka district, the price increase worked out to 13.12 per cent during 1984-85 as compared with the overall price increase of 10.94 per cent during the year and the increase of 11.60 per cent in rural areas in the preceding year. It is worth mentioning here that the inflationary potential of expansion in money supply during the last 3 years was held in check partly by the positive real rate of interest on bank deposits. The proportion of asset money or time deposits to GDP at current prices increased to 15.81 per cent in 1984-85 from 9.57 per cent in 1981-82. Side by side, of course, there was the disquieting feature of increase in the ratios of currency held with the public and demand deposits to GDP during the period.

Liquidity Overhang and Price Potential

Balance of Payments Situation

13. Turning now to the foreign sector, the balance of payments recorded a substantial deficit of $ 99 million in 1984-85 in sharp contrast to a surplus of $ 234 million in 1983-84 and of $ 295 million in 1982-83. The marked deterioration in payments position as compared to the preceding year was due to a substantial increase in import payments, a marked decline in private transfers consisting mainly of remittances by workers abroad, a significant increase in debt repayment, some increase in the deficit on services account and stagnant level of aid and loan disbursements. Imports worth $ 2647 million during 1984-85 were about 12.5 per cent higher than in the preceding year, reflecting in part the working off of excess demand generated by fast monetary expansion in 1984-85 and in the preceding two years. The increase in imports occurred both under food and non-food items. Imports of foodgrains stood at $ 468 million during the year as against $ 398 million in the preceding year, while imports other than foodgrains increased from $ 1955 million to $ 2179 million over the period. The deterioration in balance of payments during 1984-85, however, concealed a marked improvement in export receipts during the year. These receipts at $ 971 million during 1984-85 represented an increase of $ 149 million or 18 per cent over the preceding year. This reflected mainly an increase in export prices as the volume of the majority of important export items declined. While the volume of raw jute exports declined from 19 lakh bales in 1983-84 to 14.1 lakh bales in 1984-85, that of jute goods came down from 5.38 lakh tons to 4.62 lakh tons over the period. The export volume of tea and hides and skins and leather were also lower at 57 million pounds and 81 million sq. feet during 1984-85 as compared with 68 million pounds and 103 million sq. feet

respectively in the preceding year. Export volume of fish and frog legs and readymade garments, however, recorded notable increases during the year. The deficit on services account increased from $ 33 million during 1983-84 to $ 36 million during 1984-85. While repayment in respect of medium and long-term loans increased notably from $ 80 million in 1983-84 to $ 123 million in 1984-85, receipts under private transfer declined to $ 398 million during the year from $ 552 million in the preceding year.

14. Reflecting the marked increase in export prices and some fall in import prices, the index of commodity terms of trade (1975-76-100) moved up from 120.14 in 1983-84 to 161.50 during 1984-85. There was some decline in export volume, but this offset the improvement in commodity terms only in part. As a result, the income terms of trade index (1975-76-100) also went up from 153.37 in 1983-84 to 184.50 in 1984-85.

The Outlook for 1985-86

15. It is difficult to predict how the economy will fare in 1985-86. On preliminary assessment, however, the scenario for the year presents a mixed picture. The terms of trade are likely to deteriorate to a notable extent during 1985-86 on account of a fall expected in export prices. Although remittances by Bangladeshi workers have started picking up, it is yet to be seen whether the trend will persist. At the same time, the deficit on services account is expected to increase to some extent on account of a decline in investment income receipts due to low level of reserves. There may not also be a significant increase in aid and loan disbursements, while substantial repayment of food credit is due in 1985-86. Repayment of long-term and medium-term loans may also be higher in 1985-86 than in 1984-85. The balance of payments prospects do not thus appear to be favourable. On the domestic front, the pay and salary increases made in the case of public sector employees from June, 1985 and increases in administered prices may exert some pressure on prices. Keeping this in view and taking into account the fast expansion in liquidity in the past three years, a cautious monetary and credit policy is being pursued. Some difficulties in monetary and credit management are, however, being created by the jute situation prevailing in the country. A precipitous decline in raw jute prices on account of a large increase in raw jute production in 1985-86 necessitated substantial buffer stock operation mainly through Bangladesh Jute Corporation. In view of the limited prospects of exports of the quantity purchased under the buffer stock scheme, bulk of credit extended to the Corporation for financing the scheme may remain outstanding at the end of June, 1986. The amount representing losses incurred by the jute mills in the public sector in 1984-85 on account of lower export prices as compared to cost of production has been segregated and is being maintained in a separate account. The repayment of the segregated amount will be spread over a three-year period.

In view of this and also because of the export difficulties which are being experienced with regard to jute goods, the prospects of recovery of credit extended to the Jute Mills Corporation do not also appear to be satisfactory. These difficulties are, however, being sought to be tackled through enforcing a discipline in the use of credit by other public sector corporations as also by stepping up recovery of credit in the agricultural sector. A strict discipline is also being enforced in the fiscal operations of the Government. Demand management policies which are thus being carefully pursued will help contain the rate of inflation in the country during 1985-86.

CHAPTER II

DEVELOPMENTS IN MAJOR SECTORS

16. According to the preliminary estimate of the Planning Commission, the Gross Domestic Product (GDP) increased by 3.8 per cent in 1984-85 (at 1979-80 factor cost) as compared to an increase of 4.2[R] per cent during 1983-84. The growth in agricultural output was estimated lower at 2.8 per cent during 1984-85 as compared to 3.6[R] per cent in the preceding year. Industrial production increased by 5.1 per cent during the year under report as against the increase of 6.9[R] per cent during the previous year. Growth in Power and Gas sector was also lower at 17.6 per cent during 1984-85 as compared to 20.1[R] per cent during 1983-84. Transport and Trade sectors, however, registered higher growth rates of 5.6 per cent each during 1984-85 as against 4.8 per cent each during the preceding year. Growth of Construction and Housing Sectors during 1984-85 stood at the preceding year's levels of 2.0 per cent and 2.5 per cent respectively. Output of other sectors lumped together rose by 5.5 per cent during 1984-85 as compared to 5.4 per cent during 1983-84.

Agricultural Production

17. As the overall agricultural production in the country increased by 2.8 per cent during 1984-85 as compared to 3.6[R] per cent during the preceding year, the share of agricultural sector in GDP declined marginally to 51.03 per cent from 51.52 per cent in the previous year. Total foodgrains production estimated at 160.86[*] lakh tons in 1984-85 was 2.4 per cent higher than the production of 157.13 lakh tons in the preceding year. Production of rice estimated at 146.22 lakh tons in 1984-85 was only slightly higher than the production of 144.99 lakh tons in the previous year. While the production of Aus and Aman rice declined by 13.6 per cent and 0.1 per cent to 27.83 lakh tons and 79.30 lakh tons respectively, that of Boro rice increased by 17.0 per cent to 39.09 lakh tons during the year. Production of wheat registered an increase of 20.59 per cent to 14.64 lakh tons during the year as against 12.14 lakh tons in 1983-84.

Industrial Production

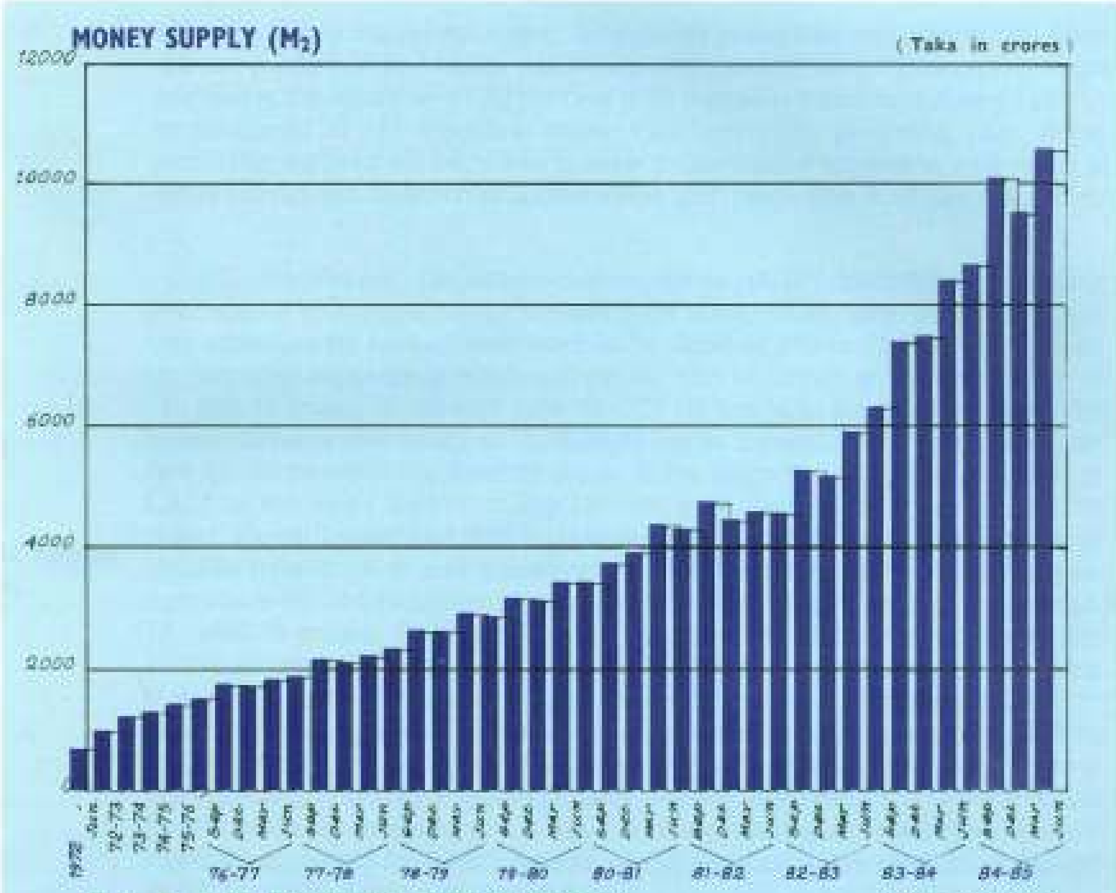
18. The industrial sector which showed an appreciable improvement during 1983-84 recorded slower growth during 1984-85. Industrial production as a whole grew by 5.1 per cent in 1984-85 as compared to the growth of 6.9 per cent in the previous year. The sluggish growth of the industrial sector was attributable partly to the set-back in production on account of irregular power supply as also long closure of some of the major industrial units for overhauling and renovation. However, despite slow-down in the overall rate of growth, the contribution of the

R- Revised; * Metric tons.

industrial sector to GDP increased marginally from 8.5 per cent in 1983-84 to 8.7 per cent in 1984-85.

19. Efforts for invigorating the country's industrial sector continued during 1984-85. In addition to continuance and adaptations of various measures initiated under the New Industrial Policy (NIP) of 1982 for expanding the country's industrial base, particularly in the private sector, the Government sought to enhance further the range of incentives for investments and exports in the Export Policy for 1984-85. In order to promote exports, the rate of interest on export credit in respect of the quantum of exports of non-traditional items beyond target was reduced from 9.0 per cent to 7.0 per cent. A new provision of 100 per cent XPL in respect of certain commodities having high export potential was also introduced during the year. To support export of jute carpet, licence fee was substantially reduced from Tk. 10,000 to Tk. 1,000. To help local entrepreneurs develop a master hand, 100 per cent foreign/joint venture investment in garment industry for production of pant, shirt, jacket and knitwear was banned. Measures for encouraging private sector investment continued during the year. These included liberalised credit and import facilities for industries in less developed areas, simplification of procedures for quick disposal of new investment proposals and legal protection for foreign investment.

20. As estimated by the Planning Commission, output of cotton cloth rose by 46.84 per cent to 1,116 lakh yards during 1984-85 as compared to 760 lakh yards produced during the preceding year. Production of cotton yarn went up by 11.09 per cent to 1,423 lakh lbs. during the year as compared to 1,281 lakh lbs. produced during the previous year. Production of steel ingot remained unchanged at the previous year's level of 78 thousand metric tons. Production of paper and newsprint increased by 56.06 per cent to 103 thousand metric tons during the year as compared to 66 thousand metric tons during 1983-84. Production of cigarettes and matches increased by 2.40 per cent and 2.48 per cent to 15,800 million sticks and 124 lakh gross boxes during 1984-85 from 15,430 million sticks and 121 lakh gross boxes respectively in 1983-84. Production of petroleum products came down by 3.42 per cent to 960 thousand metric tons during the year as compared to 994 thousand metric tons during 1983-84. Production of chemical fertilizer declined by 5.14 per cent to 775 thousand metric tons during 1984-85 as compared to 817 thousand metric tons produced during the previous year. Fertilizer production was affected due to disruption of power supply and closure of factory for overhauling. Production of cement recorded a decline of 12.59 per cent to 250 thousand metric tons during 1984-85 from 286 thousand metric tons produced in 1983-84. Cement production appeared to have been affected due to liberalised imports under the Wage Earners' Scheme. Production of jute goods declined by 1.71 per cent to 5.75 lakh tons during the year under report from 5.85


MONEY SUPPLY (M_2)
(Taka in crores)
12000
10000
8000
6000
4000
2000
76-77
77-78
78-79
79-80
80-81
81-82
82-83
83-84
84-85


G. D. P. (AT CONSTANT 1972-73 PRICES)
(Taka in crores)
8000
6000
4000
2000
0
72-73
73-74
74-75
75-76
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77-78
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83-84
84-85

lakh tons during the previous year. Jute goods production was affected by lower raw jute production and higher jute price at the growers' level. Production of sugar declined substantially by 41.72 per cent to 88 thousand metric tons during 1984-85 as compared to 151 thousand metric tons during the preceding year. Sugar production suffered set-back due to lower production of sugarcane as a result of heavy rainfall and diversion of sugarcane to 'gur' production in certain mill zones.

Public Sector Outlay

21. The Annual Development Programme (ADP) for 1984-85 originally envisaged a total public sector development outlay of Tk. 3896.00 crores which was subsequently revised downward to Tk. 3508.42 crores. Domestic resources for financing expenditure increased by Tk. 163.42 crores or 22.48 per cent to Tk. 890.42 crores in 1984-85 from Tk. 727.00 crores in the previous year. The revised development outlay at Tk. 3508.42 crores showed an increase of 2.21 per cent as compared to Tk. 3432.58 crores in the preceding year. The allocation of funds for the major sectors during 1984-85 were as follows : Power Tk. 582.92 crores, Flood Control and Water Resources Tk. 514.65 crores, Development of Upazilla Infrastructure and Assistance to Upazilla Parishad Tk. 423.00 crores, Agriculture Tk. 314.12 crores, Natural Resources Tk. 256.31 crores, Industries Tk. 239.79 crores, Transport Tk. 227.12 crores, Population Control and Health Tk.210.22 crores, Education and Religion Tk.128.82 crores, Housing and Physical Planning Tk. 108.17 crores and Rural Developments and Institutions Tk. 110.21 crores. Allocations against other heads of expenditure aggregated to Tk. 393.09 crores. Allocations for Agriculture, Flood Control and Water Resources, Rural Development, Population Control and Family Planning and Infrastructural Development of Upazilla, which have a direct bearing on rural development, together accounted for 44.81 per cent of the total outlay for 1984-85 as against 46.07 per cent during the previous year.

Investment in Private Sector Industries

22. In the private sector, a total of 918 industrial units were sanctioned and registered during the year with a total investment of Tk. 479.18 crores, including a foreign exchange component of Tk. 241.09 crores. This compared with 2505 industrial units sanctioned for a total investment of Tk. 1118.99 crores, including a foreign exchange component of Tk. 473.05 crores during 1983-84. The major industries which shared the investment during 1984-85 were : Textile Industries (Tk. 235.57 crores), Engineering Industries (Tk. 93.03 crores), Food and Allied Products (Tk. 55.83 crores), Chemicals, Pharmaceuticals and Allied Industries (Tk. 35.35 crores), Glass, Ceramic and other non-Metallic Mineral Products (Tk. 14.99 crores), Paper, Board, Printing and Publishing (Tk. 10.80 crores), Tannery, Leather and Rubber Products (Tk. 8.66 crores), Forest Products and Allied Industries (Tk. 8.16 crores), Service Industries (Tk. 3.90 crores) and Industries Not Elsewhere Classified (Tk. 5.39 crores).

Food Situation

23. Foodgrains prices during most of 1984-85 ruled at high levels on account of production shortfalls due to floods and cyclonic damage to rice crops. Other factors for escalation of food prices might be the increases in money supply and fast expansion of credit both to the public and private sectors. High prices of other cash crops like jute and sugarcane also might have contributed to the upswing in grain prices during the year. The Government's foodgrains operations were thus directed to contain the uptrend in grain prices and channelling relief supplies to the flood affected people. The public sale of grains through Open Market and supply of food to the destitutes under Vulnerable Group Feeding and Gratuitous Relief increased substantially during the year. In order to meet the increased food deficit due to floods, the Government had to make arrangement for import of 12.84 lakh tons of foodgrains from its own cash resources in addition to aid imports of 13.06 lakh tons. For rationalization, both the procurement prices and ration sale prices of foodgrains were raised proportionately during the year. Public sale of wheat to the appointed wheat grain crushers (Chakkis) was introduced in order to improve marketing of grains in the rural areas. The domestic procurement of rice could not make much headway because of lower marketable surplus and consequent higher prices in the open market. Attempt was, however, made to increase the domestic procurement by raising procurement prices in some selected Aman growing areas. The domestic procurement of wheat picked up substantially because of good harvest during the year.

24. The country average minimum retail price of coarse rice which stood at Tk.712.00 per quintal* at the end of June, 1984 increased, amidst fluctuations, to Tk.782.00 per quintal at the end of September, 1984 due mainly to tight supply position. The price registered slight declines in late November, and early December, 1984 with the arrival of the Aman rice in the market. Peak level price of coarse rice at Tk. 790.00 per quintal was recorded at the end of March, 1985. With the increased production and arrivals of the wheat and Boro rice in the market, the country average minimum retail price of coarse rice declined during the last two months of 1984-85 and stood at Tk. 672.00 per quintal at the end of June, 1985.

25. Imports of rice and wheat into the country during 1984-85 stood at 6.90 lakh tons and 19.00 lakh tons respectively as against 1.79 lakh tons of rice and 18.77 lakh tons of wheat during 1983-84.

26. Internal procurement of rice and paddy (in terms of rice) and that of wheat during 1984-85 stood at 1.33 lakh tons and 2.15 lakh tons respectively as compared to 1.45 lakh tons of rice and 1.21 lakh tons of wheat procured during the preceding year.

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*One quintal= 2.679 maunds.

27. Releases of rice and wheat from Government stocks during 1984-85 stood at 4.01 lakh tons and 21.61 lakh tons respectively as compared to 5.03 lakh tons of rice and 15.48 lakh tons of wheat released during 1983-84. Although offtakes through the statutory rationing system declined in 1984-85, releases through Open Market Sales, Vulnerable Group Feeding and Gratuitous Relief increased during the year.

28. The ration price of rice was enhanced from Tk. 630.00 per quintal to Tk.718.00 per quintal with effect from December 23, 1984. The ration price of wheat was enhanced from Tk. 415.30 to Tk. 463.48 per quintal with effect from April 1, 1985. The procurement prices of paddy and rice were also enhanced from Tk. 385.80 and Tk.602.80 per quintal to Tk.442.10 and Tk. 664.50 per quintal respectively with effect from August 14, 1984. The procurement prices of paddy and rice were again enhanced to Tk. 468.82 and Tk. 704.57 per quintal respectively with effect from January 31, 1985 for 18 selected districts. The procurement price of wheat was enhanced from Tk. 385.80 to Tk. 434.00 per quintal with effect from March 16, 1985.

Price Situation

29. The price situation in the country maintained the uptrend during 1984-85, and a large number of essential consumer goods recorded substantial increases during the year. This was reflected in the overall consumer price indices of the principal urban centres of the country. The average Consumer Price Index (CPI) (1973-74 = 100) for Dhaka middle income families often used as a measure of inflation recorded an increase of 10.94 per cent during 1984-85 as against the rise of 9.67 per cent during 1983-84. The rise in prices during the year was attributable mainly to the lagged effect of large expansion in liquidity during 1983-84, shortfall in foodgrains production and high prices of cash crops during 1984-85. These coupled with further expansion of credit to both the public and private sectors during the year added to the price pressure.

Consumer Price Index (CPI)

30. The 'general' CPI for the middle income families in Dhaka city (1973-74=100) which stood at 382.26 in June, 1984 rose to 411.56 in June, 1985 indicating an increase of 7.66 per cent over the year on a point to point basis as against 12.33 per cent during 1983-84. The rise was shared by all the sub-indices, viz., 'food' (+5.00% to 401.59), 'fuel and lighting' (+8.81% to 516.93), 'housing and household requisites' (+9.58% to 477.89), 'clothing and footwear' (+5.78% to 259.68) and 'miscellaneous' items (+20.98% to 410.76).

31. The 'general' CPI for the middle income families in Chittagong (1973-74 = 100) increased by 7.94 per cent to 451.43 in 1984-85 as compared to an increase of 16.57 per cent during 1983-84. The increase was reflected in all the

sub-indices, excepting 'clothing and footwear', viz., 'food' (+8.01% to 445.25), 'fuel and lighting' (+14.95% to 329.11), 'housing and household requisites' (+6.66% to 649.59) and 'miscellaneous' items (+9.43% to 413.19). The sub-index for 'clothing and footwear' declined by 1.72 per cent to 265.72 over the year.

32. The 'general' CPI for Khulna middle income families (1973-74 = 100) went up by 6.23 per cent to 388.70 in 1984-85 as compared to the increase of 13.25 per cent during 1983-84. This was reflected in all the sub-indices, excepting 'housing and household requisites' viz., 'food' (+ 3.86% to 391.95), 'fuel and lighting' (+24.75% to 440.68), 'clothing and footwear' (+ 15.39% to 278.25) and 'miscellaneous' items (+ 19.35% to 369.90). The rise was, however, partly neutralised by a decline in the sub-index for 'housing and household requisites' which came down by 7.20 per cent to 406.50 over the year.

33. The 'general' CPI for Rajshahi middle income families (1973-74= 100) rose by 14.00 per cent to 397.29 in 1984-85 as against the increase of 6.03 per cent during 1983-84. The rise was shared by all the sub-indices viz., 'food' (+6.63% to 374.02), 'fuel and lighting' (+ 42.22% to 642.13), 'housing and household requisites' (+ 1.49% to 430.61), 'clothing and footwear' (+9.54% to 273.32) and 'miscellaneous' items (+ 25.00% to 399.01) over the year.

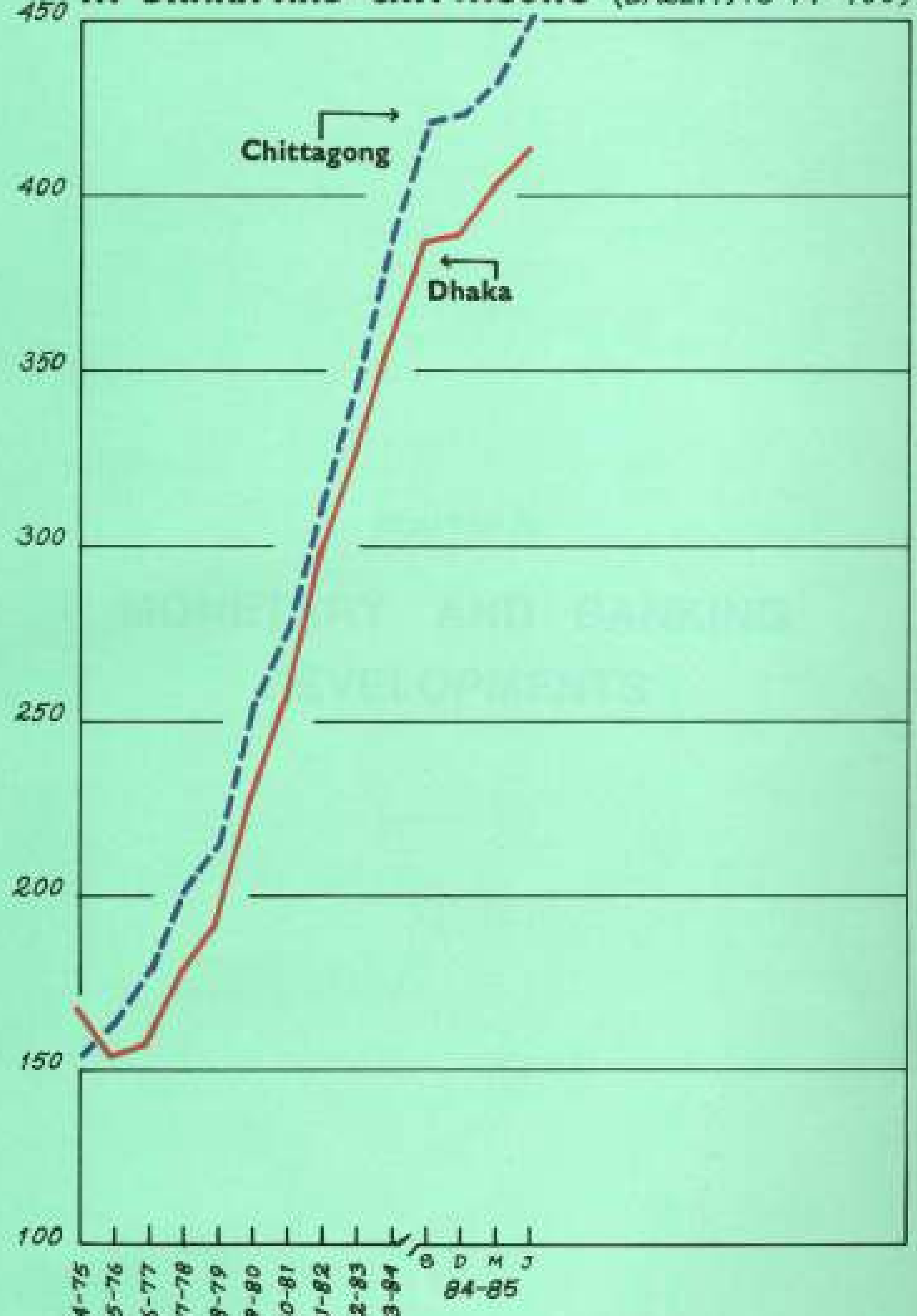
Wages

34. The wage rates for different kinds of labourers in the country, as compiled by the Bangladesh Bureau of Statistics, recorded improvement during 1984-85. The average index (1969-70 =100) of nominal wages which stood at 684 in 1983-84 went up by 12.13 per cent to 767 in 1984-85. The index of agricultural wages recorded the highest increase of 20.45 per cent (from 572 to 689) while those in manufacturing, construction and fisheries increased by 10.14 per cent (from 720 to 793), 9.42 per cent (from 754 to 825) and 12.69 per cent (from 654 to 737) respectively during 1984-85.

Savings and Investment

35. Gross domestic savings at current prices during 1984-85, as estimated by the Planning Commission, stood at Tk. 1506.00 crores which was 30.96 per cent higher than Tk. 1150.00 crores during 1983-84. The ratio of gross domestic savings to GDP also stood higher at 4.15 as compared to 3.66 in 1983-84. The ratio of national savings to GDP (at current prices) increased to 8.01 in 1984-85 from 6.96 in 1983-84. Gross domestic investment at current prices stood higher at Tk. 5,890.00 crores in 1984-85 as compared to Tk. 5,084.00 crores in the preceding year. The ratio of gross domestic investment to GDP improved from 16.17 in 1983-84 to 16.23 in 1984-85.

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. Monetary expansion continued during 1984-85 but at a slower pace than in the preceding year. Money supply (M_1=Narrow Money) increased by Tk. 681.8 crores (19.2%) to Tk. 4231.8 crores during the year under report as compared to the increase of Tk. 915.7 crores (34.8%) during the preceding year. During the first quarter of 1984-85, i.e., July-September, 1984 money supply showed a small increase of Tk. 119.3 crores (3.4%) but in the following quarter it rose markedly by Tk. 557.5 crores (15.2%). Although M_1 recorded a decline of Tk. 409.2 crores (9.7%) in the third quarter, it recorded a substantial increase of Tk. 414.2 crores (10.8%) in the last quarter of the year.

37. An analysis of the causative factors of the change in money supply during 1984-85 reveals that the expansionary impact emanated entirely from increased credit to both private and public sectors. Credit to the private and public sectors expanded by Tk. 1976.2 crores and Tk. 677.4 crores respectively. These were, however, largely offset by the contractionary impact of the accruals of Tk. 1466.5 crores in time deposits, a deficit of Tk. 149.7 crores in the country's international account and a surplus of Tk. 66.2 crores in the fiscal operation of the Government. Miscellaneous factors were also contractionary to the tune of Tk. 289.4 crores.

CAUSATIVE FACTORS OF THE CHANGE IN MONEY SUPPLY

(Taka in crores)

	Particulars	As on 30.6.85	As on 30.6.84	Changes
1.	Currency Outside Banks	1722.9	1556.4	+ 166.5
2.	Demand Deposits	2508.9	1993.6	+ 515.3
	Change in Money Supply (M_1)			**+ 681.8**
	CASUATIVE FACTORS			
	Expansion (+)			
	Contraction (–)			
A.	**Government Sector (Net):**			**– 66.2**
	i) Government Fiscal Operation			– 75.6
	ii) Government Currency Liabilities			+ 9.4
B.	Public Sector (Including Investments)			+ 677.4
C.	Private Sector (Including Investments)			+ 1976.2
D.	Time Deposits (Increase –)			– 1466.5
E.	Foreign Sector (Net)			– 149.7
F.	Miscellaneous Factors			– 289.4
	Total:			**+ 681.8**

38. Of the components of money supply (M_1), currency outside banks went up by Tk. 166.5 crores (10.7%) to Tk. 1722.9 crores during 1984-85, while demand deposits increased by Tk. 515.3 crores (25.8%) to Tk. 2508.9 crores. The quarterly movements of money supply and its components during 1984-85 are shown below :

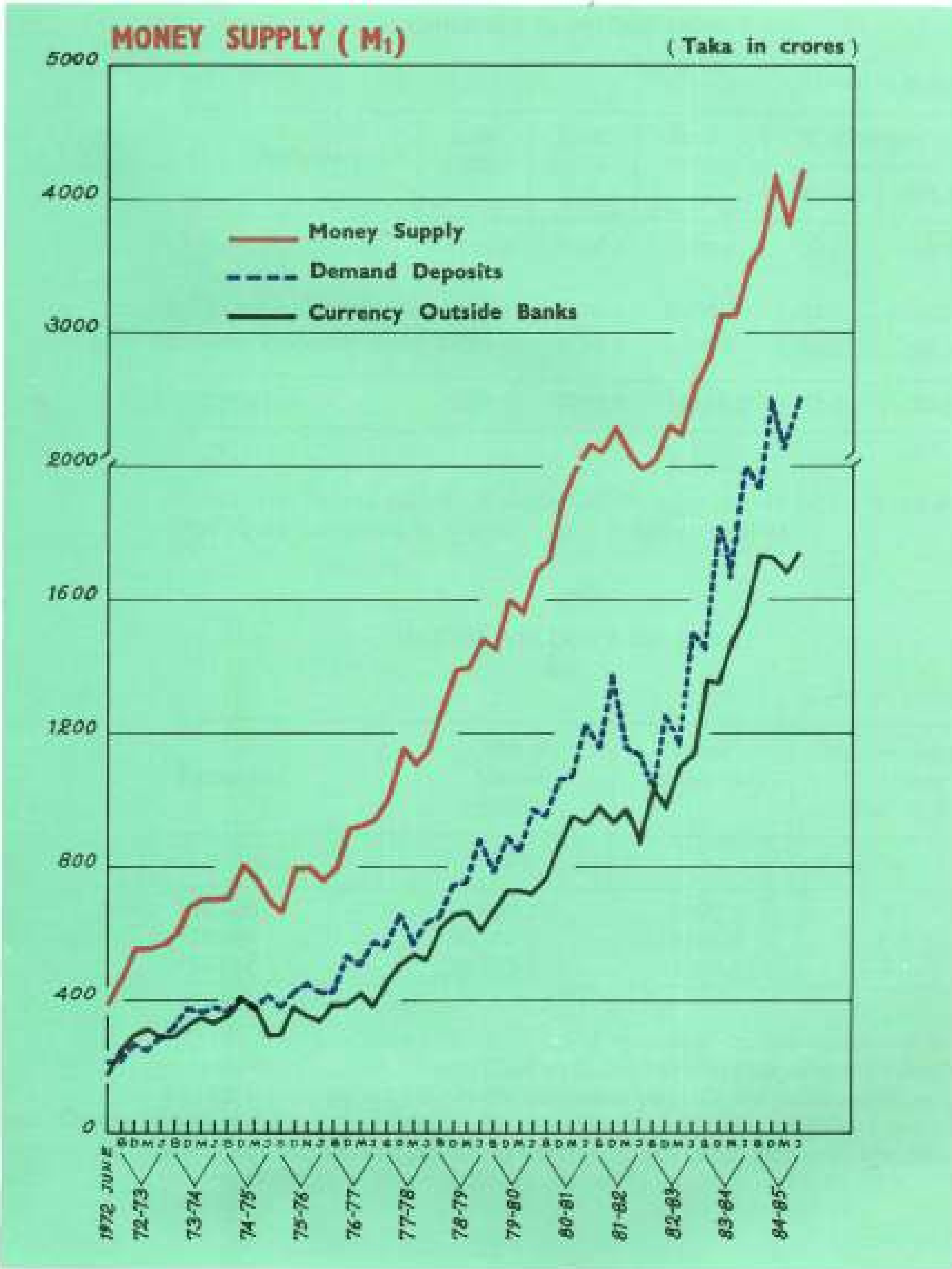
MONEY SUPPLY

(Taka in crores)

As on	Currency Outside Banks	Demand Deposits	Money Supply (M_1)	Changes in Money Supply (M_1)
June 30, 1984	1556.4	1993.6	3550.0	—
September 30, 1984	1733.7	1935.6	3669.3	+119.3
December 31, 1984	1725.0	2501.8	4226.8	+ 557.5
March 31, 1985	1672.3	2145.3	3817.6	- 409.2
June 30, 1985	1722.9	2508.9	4231.8	+ 414.2

39. Broad money (M_2) or liquidity increased by Tk. 2148.3 crores (25.6%) to Tk. 10534.2 crores during 1984-85 as compared to the larger increase of Tk. 2487.6 crores (42.2%) in the preceding year. Of the components, time deposits or quasi-money rose by Tk. 1466.5 crores (30.3%) in 1984-85 as compared to the increase of Tk. 1571.9 crores (48.2%) in the preceding year. Demand deposits rose by Tk. 515.3 crores (25.8%) during the year as compared to the rise of Tk. 497.9 crores (33.3%) in 1983-84. Currency outside banks also rose by Tk. 166.5 crores (10.7%) during 1984-85 as compared to the increase of Tk. 417.8 crores (36.7%) in the preceding year. The percentage shares of time deposits, demand deposits and currency outside banks in broad money stood at 59.8, 23.8 and 16.4 at the end of June, 1985 as compared with 57.7, 23.8 and 18.5 respectively at the end of the preceding year. This reflected a continued growth in asset demand for money in response to the positive real rate of interest offered by banks on term deposits.

40. The following table shows the comparative movements of broad money (M_2) during 1983-84 and 1984-85 :



MONEY SUPPLY (M_1)
(Taka in crores)
5000
4000
3000
2000
1600
1200
800
400
0
Money Supply
Demand Deposits
Currency Outside Banks
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
'84-'85

CHANGES IN BROAD MONEY

(Taka in crores)

Particulars	June, 1983	June, 1984	June, 1985	% Changes	
				1983–84	1984-85
1. Currency Outside Banks	1138.6	1556.4	1722.9	+ 36.7	+ 10.7
2. Demand Deposits	1495.7	1993.6	2508.9	+ 33.3	+ 25.8
3. Time Deposits	3264.0	4835.9	6302.4	+ 48.2	+ 30.3
Total :	**5898.3**	**8385.9**	**10534.2**	**+ 42.2**	**+ 25.6**

41. The income velocity of money (GDP ÷ M_2) declined by 0.4 to 3.8 during 1984-85 as compared to a decline of 0.7 during 1983-84.

INCOME VELOCITY OF MONEY

(Taka in crores)

Particulars	GDP at Market price *	Broad Money (M_2)	Income velocity of Money (Col. 2÷3)
1	2	3	4
1982-83	28,842.3	5898.3	4.9
1983-84	34,992.2	8385.9	4.2
1984-85	39,873.1	10534.2	3.8

* Bangladesh Bureau of Statistics.

Bank Credit

42. The outstanding level of credit extended by the scheduled banks increased by Tk. 2248.3 crores (33.4%) during 1984-85 as against the increase of Tk. 1824.1 crores (37.1%) in the preceding year. Of the components of bank credit, advances increased by Tk. 2134.5 crores (33.2%), while bills purchased and discounted went up by Tk. 113.8 crores (37.9%) 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	Bills as % of Total Credit
June 30, 1984	6436.2	300.3	6736.5	95.5	4.5
September 30, 1984	6588.4	283.4	6871.8	95.9	4.1
December 31, 1984	7739.2	379.1	8118.3	95.3	4.7
March 31, 1985	7814.8	362.5	8177.3	95.6	4.4
June 30, 1985	8570.7	414.1	8984.8	95.4	4.6

Bank Deposits

43. Bank deposits (excluding inter–bank items) registered an increase of Tk. 1981.8 crores (29.0%) during 1984-85 as compared to the increase of Tk. 2070.5 crores (43.5%) in the preceding year. The increase took place both in demand and time deposits which went up by Tk. 515.1 crores (25.9%) to Tk. 2508.7 crores and by Tk. 1466.5 crores (30.3%) to Tk. 6302.4 crores respectively. The quarterly movement of bank deposits is shown below:

CHANGES IN BANK DEPOSITS

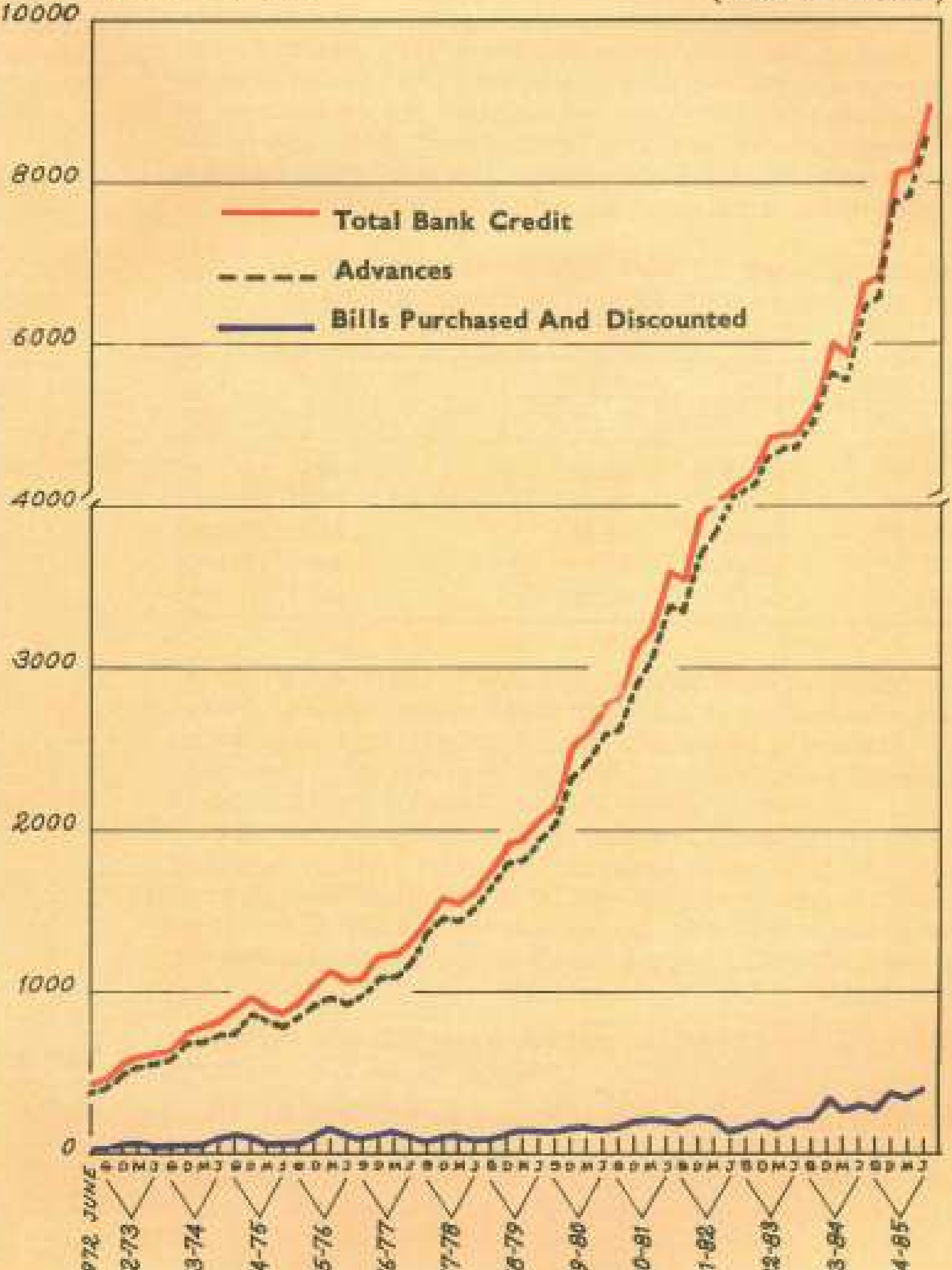
(Taka in crores)

As on	Demand Deposits	Time Deposits	Total Deposits	Demand Deposits as % of Total Deposits	Time Deposits as % of Total Deposits
June 30, 1984	1993.4	4835.9	6829.3	29.2	70.8
September 30, 1984	1935.3	4965.9	6901.2	28.0	72.0
December 31, 1984	2501.5	5831.4	8332.9	30.0	70.0
March 31, 1985	2144.1	5658.1	7802.2	27.5	72.5
June 30, 1985	2508.7	6302.4	8811.1	28.5	71.5

44. As a result of continued efforts of scheduled banks under the directives of the Bangladesh Bank, the share of both deposits mobilized in rural areas as well as advances granted there in total bank deposits and advances showed

BANK CREDIT

(Taka in crores)



improvement in percentage and absolute terms in recent years. In the year ended June, 1985, the share of rural deposits stood at 17.27 per cent as compared to 17.06 per cent at the end of June, 1984. Similarly, the share of bank advances in rural areas rose to 28.50 per cent at the end of June, 1985 from 25.78 per cent at the end of June, 1984. In absolute terms, rural advances stood at Tk. 2545.90 crores as against the rural deposits of Tk. 1615.89 crores at the end of June, 1985 as compared with Tk. 1691.19 crores and Tk. 1221.47 crores respectively at the end of June, 1984. Thus the trend of rural advances exceeding rural deposits continued during the year. The percentage distribution of deposits and advances by rural and urban areas for the last five years is shown below:

Urban and Rural Bank Deposits and Advances

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

As on	Advances		Deposits	
	Rural	Urban	Rural	Urban
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
June 30, 1985	28.50	71.50	17.27	82.73

Liquidity Position

45. The credit/deposit ratio of the scheduled banks which stood at 0.77 as on June 30, 1984 increased to 0.81 on September 29, 1984 but came down to 0.80 on December 30, 1984. The ratio again went up to 0.85 on March 28, 1985 but finally came down to 0.81 on June 30, 1985. Scheduled banks' borrowings from the Bangladesh Bank increased from Tk. 1275.0 crores on June 30, 1984 to Tk. 1407.5 crores on September 30,1984 and further to Tk. 1643.2 crores on December 31, 1984. Thereafter, borrowings picked up to Tk. 1889.2 crores on March 31, 1985 and further to Tk. 2080.8 crores on June 30, 1985, showing an increase of Tk. 805.8 crores over the year. Scheduled banks' balances with the Bangladesh Bank increased by Tk. 207.3 crores to Tk. 613.3 crores while cash in their tills increased by Tk. 40.2 crores to Tk. 275.7 crores over the year.

Bank Rate

46. The Bank Rate was raised from 10.5 per cent to 11.0 per cent per annum with effect from January 1, 1985.

Interest Rates

47. No basic change was made in the interest rates policy during 1984-85 except the following :

a) In order to encourage rural savings the rate of interest on Savings Bank Accounts with chequing facility maintained by individuals in the bank branches of rural areas was enhanced from 8.5 per cent to 9.5 per cent per annum with effect from July 1, 1984 and further to 10.5 per cent from January 1, 1985. The rate of interest on deposits without chequing facility maintained by individuals in bank braches of rural areas was similarly raised from 10.0 per cent to 11.0 per cent per annum with effect from January 1, 1985.

b) The following changes were made in the interest rates on loans and advances :

   i) Rate of interest on all advances on account of commercial imports, including advances against PAD account relating to commercial import bills as well as other post-shipment advances like C.C/LIM etc. to commercial importers was raised from 16.0 per cent to 18.0 per cent per annum with effect from December 15, 1984.

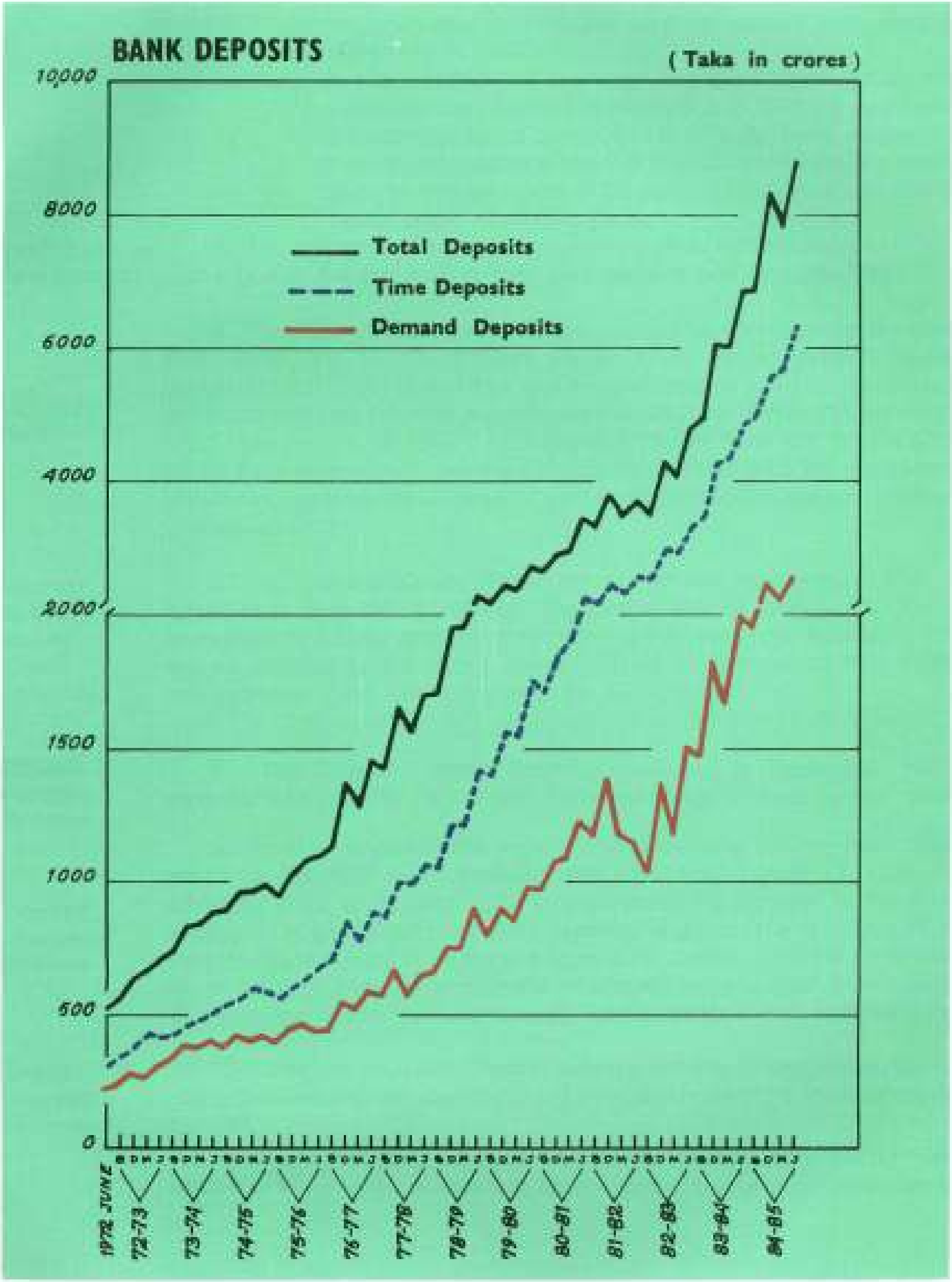
   ii) Rates of interest on post-import advances against imports under barter for industrial and commercial imports both in the private and the public sectors were reduced from 14.5 per cent and 18.0 per cent to 12.5 per cent and 16.0 per cent per annum respectively with effect from April 1, 1985.

   iii) Rate of interest on working capital finance to jute mills, including jute spinning mills, was charged initially at 14.5 per cent per annum instead of 12.0 per cent with effect from February 1, 1985 but refund of interest was allowed @2.5 per cent of the value of jute goods exported by the respective mills after shipment was effected.

   iv) Rates of interest on advances for internal trading purpose, including such trade loans under the small loan scheme were revised upward and fixed at 16.0 per cent per annum on advances against limit up to Tk. 1.0 lakh and 18.0 per cent on advances against limit exceeding Tk. 1.0 lakh with effect from January 1, 1985.

   v) Rate of interest on advances against FDR was initially enhanced from 16.0 per cent to 18.0 per cent per annum with effect from November 1, 1984 and further to 20.0 per cent per annum with effect from December 1, 1984. However, effective from March 1, 1985, rate of interest on advances upto an amount of Tk. 1.0 lakh against FDR was fixed at 3.0 per cent above the rate allowed on relevant FDR.

   vi) Rate of interest on advances against other financial obligations like Government Sanchaya Patras, ICB Unit Certificates, Wage Earners' Development Bonds, Insurance Policies, FC/NFCD account under WES and gold/gold ornaments was raised from


BANK DEPOSITS
(Taka in crores)
Total Deposits
Time Deposits
Demand Deposits
10,000
8000
6000
4000
2000
1500
1000
500
0
1972 JUNE
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80
80-81
81-82
82-83
83-84
84-85

16.0 per cent to 18.0 per cent per annum with effect from November 1, 1984.

vii) It was decided that exporters of non-traditional goods whose export earnings from a commodity during 1984–85 would exceed the earnings of the previous year from the same commodity by more than the sectoral target of increase set for the year would be given an interest rebate of 2.0 per cent per annum on a portion of export credit allowed to them.

Cash Reserve Requirement

48. The statutory cash reserve requirement of the scheduled banks remained unchanged at 5.0 per cent 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, during 1984-85 remained unchanged at 25.0 per cent of their total demand liabilities while the liquidity ratio in respect of total time liabilities was reduced from 25.0 per cent to 23.0 per cent with effect from August 16, 1984. The Bangladesh Krishi Bank and the Bangladesh Shilpa Bank were earlier exempted by the Government from the requirement of maintaining liquid assets as required under section 29 of the Banking Companies Ordinance, 1962.

Interest Subsidy (Export Credit Scheme)

50. The interest subsidy (Export Credit) scheme introduced in May, 1983 remained in force during 1984-85. The rate of interest subsidy also remained unchanged at 5.5 per cent per annum during the year. Total amount of interest subsidy allowed to the banks during 1984-85 on account of their financing non-traditional items of exports was Tk. 0.91 crore.

Deposit Pension Scheme

51. The Deposit Pension Scheme introduced in September, 1983 for implementation by the nationalised banks remained in force during 1984-85.

Deposit Insurance Scheme

52. In order to protect the interest of depositors, a scheme titled "Deposit Insurance Scheme" was introduced with effect from August 11, 1984. Every scheduled bank is required to be insured under the scheme. In the event of winding up of an insured bank every depositor is guaranteed to receive payment from Bangladesh Bank of an amount equal to his deposit subject to a maximum of Tk. 60,000 only. Every insured bank is liable to pay to Bangladesh Bank a premium @ 4 paisa per annum per one hundred Taka of deposits on a half-yearly basis.

Credit Guarantee Scheme

53. Under the Industrial Credit Guarantee Scheme of Bangladesh Bank, 159 guarantees were issued covering a total amount of loans of Tk. 13.09 crores during 1984-85.

54. The credit policy pursued by the Bangladesh Bank during 1984-85 continued to be aimed at ensuring deployment of scarce bank resources in the

best possible manner for increasing production, employment and real income. Within these broad objectives, both selective and quantitative credit control and support measures were adopted during the year having regard to the socio-economic priorities, distributive justice, regional balance and need for containing money supply within a safe limit. Important credit control and support measures adopted during the year were as under:

Credit Policy and Measures

1. Small Loans:

a) In order to meet the credit requirements of borrowers of small means, including small and cottage industries and self-employed persons, particularly in rural and semi-urban areas, a credit target of small loan was fixed for each of the nationalised commercial banks as well as Pubali Bank Ltd. and Uttara Bank Ltd. at 1.0 per cent of their total demand and time liabilities as on December 31, 1984 for disbursement from January to June, 1985. Categories of small loans and their respective target shares were as under:

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

b) A credit target of 1.0 per cent of total demand and time liabilities of each of the foreign banks and private banks excluding Pubali and Uttara Banks Ltd. as on December 31, 1984 was also fixed for disbursement to the small-scale industries during the period from January to June, 1985. For this purpose, a small-scale industry was defined as one with fixed cost not exceeding Tk. 25.0 lakhs, excluding cost of land and building.

c) The credit scheme for financing working capital of hosiery industry introduced in August, 1983 remained in operation during 1984-85. A total amount of Tk. 3.65 crores was disbursed under the scheme during the year.

d) The special credit programme for small and cottage industries introduced in 1978 remained in force during the year. A fresh credit allocation of Tk. 20.00 crores was made during the year raising the total allocation under the programme to Tk. 42.20 crores.

2. Transport Sector:

a) Transport sector continued to be treated as a priority sector. Foreign banks operating in Bangladesh and private sector banks, excluding Pubali Bank Ltd. and Uttara Bank Ltd., were given a credit target of 1.0 per cent of their total demand and time liabilities as on December 31, 1984 for disbursement in the transport sector during January-June, 1985.

b) In order to meet the credit requirements of the road transport sector, banks were advised to extend credit to the transport operators for purchase of new trucks and buses provided they had either fully adjusted or substantially reduced their previous outstanding bank loans on this account. Banks were also advised to finance new borrowers in the transport sector on the basis of their credit-worthiness and could ask for additional collateral or a higher margin. Banks were also advised to consider rescheduling of repayment of the transport loans where transport operations were disrupted because of flood.

3. Housing Sector:

Housing continued to be treated as a priority sector. Loan ceiling of Tk.5.00 lakhs per borrower for construction of residential houses which was fixed earlier was waived with effect from August 23 1984. Maximum repayment period of loans for construction of residential houses was also extended up to 15 years. However, repayment period for commercial building loans remained unchanged at 12 years.

4. Export Credit:

In order to boost exports, particularly of non-traditional items (items other than Jute and Jute goods excluding Jute carpet and tea other than packet tea), provision for liberal credit facilities introduced earlier continued during 1984-85. The following measures were also taken during the year:

i) Banks were advised not to refuse export credit to first time applicants.

ii) Provision for charging interest on clean loans under "Duty Draw Back Credit Scheme" which remained unadjusted after the prescribed period of repayment was withdrawn with effect from January 10, 1985.

5. Industrial Sector:

a) 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 Financial Institutions (DFIs) including those approved by the Investment Board or Permission Committee headed by the

Director General of Industries Division, continued to remain in force during the year.

b) Banks were advised to invest in term lending for project finance the available surplus funds against time liabilities, the statutory liquidity requirement for which was reduced from 25.0 per cent to 23.0 per cent with effect from August 16, 1984.

6. **Advances against Real Estates:**
Restriction was imposed on advances against real estates as primary security with effect from August 13, 1984 except in the following cases:

i) Loans for construction of residential houses and commercial buildings.

ii) Credit facility to contractors in connection with work undertaken for supply of goods and services.

iii) Financing of industrial project against the primary security of land, building and other assets which form a part of the projects.

7. **Advances against Wage Earners' Development Bond (WEDB):**
Advances against the security of Wage Earners' Development Bond (WEDB) were allowed with effect from July 15, 1984 irrespective of purpose. A minimum margin requirement of 20.0 per cent was imposed on such advances with effect from October 29, 1984.

8. **Advances against 2-Year Special Treasury Bond:**
Grant of advances against 2-Year Special Treasury Bonds was prohibited with effect from November 23, 1984.

9. **Post-Import Finance:**

a) Post-import finance relating to import of sugar was prohibited with effect from October 16, 1984.

b) Post-import finance to commercial importers was prohibited with effect from March 3, 1985 in respect of import of C.I. sheet, second hand clothes and palm oil. Restriction on post-import finance to commercial importers in respect of oil seeds and edible oil continued during the year.

10. **Advances against FDR and other Financial Obligations:**
Effective from Octorber 29, 1984 a minimum margin requirement of 20.0 per cent was imposed on advances against the security of FDR and other financial obligations, viz.,Government Sanchaya Patras, ICB Unit Certificates and Insurance Policies.

11. **Advances against Non-resident Foreign Currency Deposit (NFCD) Account under Wage Earners' Scheme:**
Effective from October 29, 1984, advances against the security of NFCD receipts were allowed to the holders thereof, subject to a minimum margin requirement of 25.0 per cent at the official rate of exchange.

12. **Credit Facility for Import of Old Ships under the WES for Scrapping Purpose:**
Credit facility for import of old ships under the Wage Earners' Scheme for scrapping purpose which was subjected to a maximum margin requirement of 50.0 per cent of the purchase price of vessel at IP rate was made subject to a minimum margin requirement of 25.0 per cent with effect from February 10, 1985.

13. **Credit Facility to Oil Mills for Purchase of Locally Produced Oil Seeds:**
Effective from August 13, 1984, minimum margin requirement on advances to oil mills for locally produced oil seeds and finished products was reduced from 50.0 per cent to 25.0 per cent. Time limit for grant of such credit facility was extended upto November 30, 1985.

14. **Margin Requirement for Opening L/Cs for Imports:**
Margin requirement for opening L/Cs for industrial imports and specified commercial imports remained unchanged at a minimum of 5.0 per cent but not above 25.0 per cent. In the case of the following commercial imports a minimum margin requirement for opening L/Cs was raised as indicated below:
    i) Minimum margin requirement for opening of L/Cs for import of salt was raised to 50.0 per cent with effect from November 20, 1984.
    ii) Effective from January 23, 1985, minimum margin requirement for opening L/Cs for import of textile fabrics except grey cloth was enhanced to 50.0 per cent.

15. **Other Measures Relating to Bank Credit:**
    a) A new credit scheme for self-employment of graduate engineers was introduced with effect from October 9, 1984. Loan upto a maximum limit of Tk. 30.0 lakhs may be granted for setting up an industrial project by a company formed by at least 3 graduate engineers.
    b) Loans to salt growers were allowed by 4 nationalised commercial banks, Pubali Bank Ltd. and the Bangladesh Krishi

Bank at the rate of Tk. 2,000 per acre of land upto a maximum of Tk. 10,000 per borrower during the salt growing season of 1984-85.

c) Banks were allowed to realise service charge on term loans from their clients by mutual arrangements subject to the condition that the rate of interest inclusive of service charge would not exceed 16.0 per cent per annum. The service charge of 2.0 per cent per annum fixed earlier on loans under different special credit programmes/schemes was also in force during the year.

Refinance Policy

55. In respect of refinance, Bangladesh Bank's policy continued to be aimed at encouraging banks to rely mainly on their own resources for their credit operations. However, keeping in view the economic priorities and the need for seasonal credit expansion, Bangladesh Bank continued to provide refinance accommodation to banks in case of genuine needs. The basic features of the refinance programme followed by the Bank during 1984-85 were as under:

Refinance Facility for Jute

56. Refinance facility to the extent of a maximum of 30.0 per cent of the total credit extended by the banks to the jute sector was allowed. The rate of interest on such refinance was 8.50 per cent per annum.

Refinance against Tea other than Packet Tea

57. Refinance against export credit for tea excluding packet tea was allowed to the extent of 100.0 per cent of outstanding advances less overdues at an interest rate of 8.50 per cent per annum.

Refinance against Pre-shipment Export Credit for Non-Traditional Items

58. The pre-shipment export finance by banks for non-traditional items (i.e. items other than jute and jute goods excluding jute carpet and tea other than packet tea) which was eligible for 100.0 per cent refinance at a concessional interest rate of 5.50 per cent per annum was reduced to 5.25 per cent per annum. Export credit was defined as a credit extended against firm export contract/export L/C or a credit provided as working capital to a 100.0 per cent export oriented industry. Export credit lying outstanding beyond 180 days was not, however, eligible for any concessionary refinance.

Refinance for Imports

59. A refinance limit upto 1.0 per cent of the total demand and time liabilities of the banks as on last Thursday of June, 1984 was admissible to banks at Bank Rate for import finance in the private sector.

Refinance for Credit to Sugar Mills

60. Upto 50.0 per cent of the credit extended by banks to sugar mills was eligible for refinance at Bank Rate.

Refinance for Working Capital Loans to Industries

61. Refinance to the extent of 50.0 per cent of the credits provided as working capital to industries established on or after July 1, 1983 was admissible to banks at Bank Rate.

Refinance against Export Bills

62. Refinance facility was allowed to banks by way of (i) rediscounting of export bills and (ii) overdraft against export bills to the extent of 50.0 per cent and 100.0 per cent of the bills in respect of traditional and non-traditional exports respectively. The rate of interest for refinance relating to traditional items of export was 8.50 per cent per annum while that in respect of non-traditional items was 5.50 per cent per annum.

Refinance under Duty Drawback Credit Scheme

63. Refinance to the extent of 100.0 per cent of loans extended under Duty Drawback Credit Scheme was available to banks free of interest.

Refinance for Financing Locally-Produced Machineries

64. A refinance scheme was introduced in 1984-85 for facilitating concessional bank finance against the purchase of locally produced machineries and equipments by selected banks and Development Financial Institutions (DFIs). Refinance to the extent of 100.0 per cent of such advances was admissible at an interest rate of 2.0 per cent below the rate charged by the banks/DFIs concerned.

CHAPTER IV

DEVELOPMENT OF BANKING FACILITIES AND FINANCE

Private Banking

65. Two of the nationalised banks, namely, Pubali Bank and Uttara Bank were transferred to the private sector during 1984–85. The number of private sector banks thus stood at 8 including the six newly set-up private banks, viz., (1) National Bank Ltd. (2) The City Bank Ltd. (3) United Commercial Bank Ltd. (4) IFIC Bank Ltd. (5) Arab Bangladesh Bank Ltd. and (6) Islami Bank Bangladesh Ltd. With the transfer of Pubali Bank Ltd. and Uttara Bank Ltd. to the private sector, the total number of private bank branches markedly increased to 632 in 1984–85 from 46 in 1983–84.

66. The table below shows position of paid-up capital as on June 30, 1985, composition of shares and comparative position of deposits, loans and advances and profit/loss of the banks in the private sector for the years ended December 31, 1983 and 1984.

(Taka in crores)

Sl. No.	Name of banks	Paid-up Capital (As on 30.6.85)	Shares %			Deposits		Loans & Advances		Profit (+) Loss (−)	
			Govt. of Bangladesh	Private		31.12.83	31.12.84	31.12.83	31.12.84	1983	1984
				Local	Foreign						
1.	National Bank Ltd.	8.00	5	95	—	106.80	236.36	51.31	137.25	+ 0.70	+ 5.21
2.	United Commercial Bank Ltd.	4.40	5	95	—	23.69	101.60	7.50	40.69	+*	+ 1.43
3.	The City Bank Ltd.	4.40	5	95	—	32.26	63.61	6.37	42.55	−0.36	+ 1.17
4.	IFIC Bank Ltd.	7.22	40	60	—	12.75	73.85	9.58	31.86	+ 1.31	+ 2.10
5.	Arab Bangladesh Bank Ltd.	10.00	5	35	60	74.43	146.04	45.07	102.73	+ 1.55	+ 4.82
6.	Islami Bank Bangladesh Ltd.	7.20	5	25	70	8.29	55.52	—	40.80	−0.26	+ 0.53
7.	Pubali Bank Ltd.	13.84	5	95	—	455.58	512.38	336.17	407.68	+ 0.54	+ 0.56
8.	Uttara Bank Ltd.	9.08	5	95	—	231.03	288.76	176.51	217.22	+ 5.06	+ 3.21

* Tk. 10,000.00 only.

Islamic Banking

67. The Islami Bank Bangladesh Ltd. (IBBL) which was incorporated in March, 1983 and commenced business formally in August of the same year is the only bank operating in the country under the principles of Islamic Shariah. The business of the bank registered a phenomenal growth in 1984. Total assets of the bank stood at Tk.104.30 crores at the end of 1984 as against Tk. 22.30 crores at the end of 1983. Deposits of the IBBL increased to Tk. 55.52 crores at the end of 1984 from Tk. 8.29 crores at the end of the preceding year. Investments of the bank increased more than eight-fold from Tk. 5.50 crores at the end of 1983 to Tk. 45.70 crores at the end of 1984. The bank earned a pretax profit of Tk. 0.53 crore in

1984. The bank opened four new branches during the calendar year 1984 raising its total number of branches to seven at the end of the year.

68. The Islami Bank accepts Current Deposits, PLS (Profit & Loss Sharing), Ordinary Savings Deposits, PLS Term Deposits for periods ranging from 12 months to 36 months and PLS Short-Notice Deposits. The PLS Ordinary Deposits and PLS Term Deposits earned profits at rates varying from 9.80% to 14.00% in 1983. The bank declared higher rates of profit to depositors of different categories in 1984 as shown below:—

PLS Short Notice Account		4.95%
PLS Savings Deposit Account		9.89%
PLS Term Deposit Account:		
12	Months	11.31%
18	"	12.00%
24	"	12.72%
30	"	13.42%
36	"	14.13%

69. As on June 30, 1985, the deposits and investments of the Islami Bank Bangladesh Ltd. amounted to Tk.104.23 crores and Tk. 78.13 crores respectively as against Tk. 30.81 crores and Tk. 28.19 crores respectively at the end of June, 1984.

Branch Expansion

70. A total of 147 bank branches were opened in Bangladesh by the scheduled banks during 1984–85 as against 209 bank branches opened during 1983–84. One branch of Pubali Bank Ltd. was closed during the year. Thus the total number of scheduled bank branches in Bangladesh stood at 4,963, including 632 private sector bank branches as on June 30, 1985 as against 4,817 as on June 30, 1984. The number of rural branches accounted for 67.20 per cent of total bank branches as on June 30, 1985 as against 67.01 per cent as on June 30, 1984. The number of nationalised bank branches operating in foreign countries during the year remained unchanged at 14. There were 21 branches of seven foreign banks operating in Bangladesh during 1984-85 as against 20 during the previous year.

Inspection of Banks

71. Bangladesh Bank carried out comprehensive inspection of the different scheduled banks (nationalised and private, including foreign banks) during the year. While inspection in respect of 12 major banks was fully completed, that of 4 banks was in progress. In addition, summary and special inspection of 137 branches of commercial banks were conducted during the year under report. Irregularities detected were brought to the notice of commercial banks for taking necessary action.

Jute Finance

72. Adequate finance from the banking system continued to be made available for jute trade and jute mills, including jute spinning mills,during 1984-85 jute season. The commercial banks sanctioned cash credit and packing credit for financing movement of raw jute as well as meeting the working capital requirement of jute mills. Peak level utilisation of bank credit by jute sector stood at Tk.1223.52 crores as on January 3, 1985 as against Tk.780.35 crores during the previous year. Refinance availed of by the banks from the Bangladesh Bank at peak level during the year under report stood at Tk. 295.40 crores which came down to Tk.172.89 crores at the end of June, 1985.

Financing of BSFIC

73. As in the previous year, a total credit limit of Tk. 50.00 crores was arranged from Sonali Bank and Janata Bank for the sugar mills under the control of Bangladesh Sugar and Food Industries Corporation for financing porduction of sugar during 1984-85. Refinance limit of Tk.12.67 crores against advances to sugar mills was sanctioned against which there was no outstanding as at the end of the year under report.

Refinance against Textile Finance

74. Refinance limit against Bangladesh Textile Mills Corporation was set at a maximum of Tk.15.00 crores in July, 1984. As at the end of the year 1984 the limit was reduced to Tk. 3.00 crores against which the entire refinance remained outstanding.

Refinance against Petroleum Finance

75. Refinance at peak level availed of by different banks from the Bangladesh Bank against their advances to Bangladesh Petroleum Corporation stood at Tk.60.00 crores as on September 13, 1984 which came down to Tk.16.60 crores at the end of June,1985.

Counter-Finance for Food

76. A sum of Tk.175.00 crores was made available by the nationalised banks and a counter- finance limit of the same amount was allowed by Bangladesh Bank for financing procurement and distribution of foodgrains by the Government during 1984-85. Outstanding against the above counter-finance limit stood at Tk.80.10 crores as at the end of June,1985.

Counter Finance for Fertilizer

77. For financing procurement and distribution of fertilizer by the BADC, counter-finance limit sanctioned by Bangladesh Bank to the nationalised banks stood at Tk.80.00 crores at the end of the year 1984. Outstanding counter-finance, however, stood at Tk.24.00 crores as on June 27, 1985. Another counter-finance limit at Tk.20.00 crores was allowed to Sonali Bank against financing the procurement of pumps, engines and accessories of shallow tubewells by BADC upto December 31, 1984 against which there was no outstanding at the end of June, 1985.

78. Peak level outstanding in respect of overdraft/rediscounting facilities allowed to the scheduled banks by Bangladesh Bank against export bills during 1984-85 was Tk.16.24 crores as on March 14, 1985 which came down to Tk.12.48 crores at the end of June, 1985.

79. Other refinance allowed to banks on various accounts stood at Tk.128.60 crores at the end of 1984-85 as against Tk.91.32 crores at the end of the previous year.

CHAPTER V

DEVELOPMENT OF CAPITAL MARKET AND INDUSTRIAL FINANCE

DEVELOPMENT OF CAPITAL MARKET AND INDUSTRIAL FINANCE

Dhaka Stock Exchange

80. The Dhaka Stock Exchange has made substantial progress since it was reopened and reactivated in 1976. Resuming operations with only 9 companies, the number of Public Limited Companies listed with the Exchange increased to 49 in 1983-84. During 1984-85, the investment climate improved further with significant rise in investment in the stock market. The New Industrial Policy laid emphasis on faster growth of the private sector, and investors' response to the public offering of new shares seemed to be encouraging. Thus the number of listed companies rose to 69 in 1984-85. Besides, with the disinvestment policy of the Government and privatisation of some public enterprises, more and more companies came forward to enlist their shares with the Exchange. The total paid-up capital of the companies listed with the Exchange stood at Tk. 201.75 crores in 1984-85 as compared to Tk.113.00 crores in 1983-84, showing an increase of 78.54 per cent over the year. Trading in shares on the floor of the Exchange recorded an uptrend during 1984-85 as compared with the previous year. In all, 18 companies offered shares worth Tk. 33.85 crores to the general public for subscription during the year. With the exception of only 2 companies, shares of all the companies were oversubscribed. In some cases the premium on shares ranged from 50 per cent to 400 per cent of their offer values. As against the total of Tk. 33.85 crores of capital offered by these companies, public response was valued at Tk. 51.71 crores representing an oversubscription of 52.76 per cent.

Investment Corporation of Bangladesh (ICB)

81. The affairs of the Investment Corporation of Bangladesh (ICB) which was established in 1976 are supervised by an eleven member Board of Directors, including the Chairman and the Managing Director of the Corporation. Its main objectives are 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 interests 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 based on indigeneous raw-materials and/or located in priority development areas are also preferred by the Corporation for financial assistance.

82. The total authorised capital of the Corporation is Tk. 20.00 crores divided into 20 lakh shares of Tk.100.00 each. The paid-up capital of the Corporation is Tk. 10.00 crores subscribed by the Government, Bangladesh Bank, Bangladesh Shilpa Bank, Bangladesh Shilpa Rin Sangstha, nationalisèd commercial banks, Shadaran Bima Corporation and general public. Total resources of the Corporation as on June 30, 1985 amounted to Tk. 80.47 crores consisting of the paid-up capital of Tk. 9.85 crores, Government loan of Tk.18.50 crores and debentures worth Tk. 52.12 crores issued in favour of Bangladesh Bank, nationalised commercial banks and foreign commercial banks. As against this, ICB made a total commitment of Tk. 88.89 crores upto June 30, 1985, thus leaving a resource gap of Tk. 8.42 crores. The Corporation did not have any line of foreign credit/investment resources. However, in order to improve its resource base proposal has been submitted to the Government for exploring the possibility of securing financial assistance from the Islamic Development Bank (IDB), International Finance Corporation (IFC) and Asian Development Bank (ADB).

83. The ICB opens/maintains investors' accounts for purchase/sale of corporate securities. It povides credit facilities at concessional rate of interest. Through Investor's 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 as to ensure security of investment and maximum return. In order to mobilise domestic resources, the ICB issued Unit Certificates on April 20, 1981. During the year ending June, 1985 the ICB committed Tk. 5.95 crores for under-writing/bridge financing as against Tk. 11.32 crores committed during 1983-84. The Corporation committed Tk. 0.28 crore for debenture financing during 1984-85 as against Tk. 0.19 crore in 1983-84. As investment support in the form of under-writing bridge and debenture financing committed by other financial institutions decreased to Tk. 3.75 crores in 1984-85 from Tk. 7.27 crores during the preceding year, total commitments made by the ICB and its consortium partners declined to Tk. 9.98 crores during 1984-85 as against Tk. 18.78 crores committed during 1983-84. Since inception upto June 30, 1985, the Corporation committed financial assistance of Tk. 88.89 crores to 292 projects against 507 applications received.

Bangladesh Shilpa Bank (BSB)

84. The Bangladesh Shilpa Bank (BSB) set up in October, 1972 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 establishment. 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. The authorised capital of the BSB is Tk. 100.00 crores which has been fully subscribed and paid-up by the Government.

85. During 1984-85, the BSB received a total of 65 applications as against 203 applications received during 1983-84. During the year under report, the Bank sanctioned loans amounting to Tk. 66.27 crores which included Tk. 63.51 crores in foreign currency and Tk. 2.76 crores in local currency. During the preceding year total loans sanctioned by the BSB had amounted to Tk. 22.46 crores which included Tk. 19.31 crores in foreign currency and Tk. 3.15 crores in local currency. Notably, as in the past year, all the loans sanctioned during 1984-85 were in the private sector indicating an encouraging response of the private sector to industrial ventures and opportunities.

86. Total disbursement of loans by the BSB during 1984-85 amounted to Tk. 28.81 crores of which Tk. 8.58 crores were in foreign currency and the balance of Tk. 20.23 crores in local currency. As noted, projects in the private sector claimed the entire amount disbursed during the year as was the case in the preceding year. Total disbursement during the preceding year had amounted to Tk. 36.94 crores, of which the foreign currency component was Tk. 3.67 crores. The BSB recovered an amount of Tk. 36.70 crores during 1984-85 as compared to Tk. 34.04 crores in 1983-84. Total amount of loans outstanding as on June 30, 1985 stood at Tk. 567.40 crores as against Tk. 495.28 crores as on June 30, 1984.

Bangladesh Shilpa Rin Sangstha (BSRS)

87. The Bangladesh Shilpa Rin Sangstha (BSRS) also established in October, 1972 has been providing credit facilities and other assistance to industrial concerns both in the public and private sectors to 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 fully subscribed by the Government stood at Tk. 62.54 crores at the end of June, 1985. It provides medium and long-term credit facilities both in foreign and local currencies to industrial projects with fixed cost of Tk. 20.00 lakhs and above in the private sector. There is, however, no such floor limit or ceiling in respect of projects in the public sector. In line with recommendations made by the Institutional Review and Portfolio Audit Team (IRPA) of the Asian Development Bank (ADB) appointed by the Government of Bangladesh in early 1984, the functions and responsibilities of the BSRS have been

restructured in March, 1985 with a view to enabling it to promote sound and viable investment in the country. The restructured functions of the BSRS are as follows:-

i) Provide term credit to the industries in the existing portfolio of the BSRS for BMR&E;
ii) Provide underwriting/bridge financing/debenture financing assistance to public limited companies;
iii) Gain capabilities for providing technical and management services to defaulting companies;
iv) Undertake industrial promotion, research and consultancy;
v) Develop necessary expertise for strengthening and improving the repayment performance of the borrowers; and
vi) Managing, rehabilitating, salvaging or liquidating the industries in the existing portfolio.

88. During 1984-85, the BSRS received a total of 16 applications for financial assistance as compared to 29 applications received during 1983-84. The total amount of loans sanctioned during 1984-85 stood at Tk. 16.90 crores only as compared to Tk. 128.83 crores sanctioned during the preceding year. Of the total sanctions during 1984-85, foreign currency and local currency loans amounted to Tk. 9.98 crores (59.05%) and Tk. 6.92 crores (40.95%) respectively as compared to Tk. 108.93 crores (84.55%) and Tk. 19.90 crores (15.45%) respectively during the preceding year. As in the previous year, no new loan was sanctioned in the public sector during 1984-85 except granting of one additional loan against a previously sanctioned project.

89. During 1984-85, an amount of Tk. 19.75 crores was disbursed by the BSRS as against Tk. 42.38 crores disbursed during the preceding year. Of the total disbursement, local currency and foreign currency components accounted for Tk. 18.62 crores (94.30%) and Tk. 1.12 crores (5.70%) respectively as compared to Tk. 30.27 crores (71.43%) and Tk. 12.11 crores (28.57%) respectively during 1983-84.

90. The BSRS recovered an amount of Tk. 26.12 crores during 1984-85 as compared to Tk. 27.51 crores during the preceding year. Of the total recovery during the year, the public and private sectors accounted for Tk. 11.93 crores, (45.68%) and Tk. 14.19 crores (54.32%) respectively as compared to Tk. 12.74 crores (46.31%) and Tk. 14.77 crores (53.69%) respectively during the preceding year.

91. Total outstanding loans of the BSRS as on June 30, 1985 stood at Tk. 588.70 crores as compared to Tk. 495.27 crores as on June 30, 1984.

Commercial Banks

92. The commercial banks played an active role in the promotion of capital market in the country through their participation in debenture financing of HBFC, ICB, Petrobangla, BCIC, BSFIC, etc. Total debenture financing by the nationalised and foreign commercial banks as at the end of June, 1985 stood at Tk. 200.72 crores as compared to Tk. 180.45[R] crores at the end of June, 1984. Besides, commercial banks made advances to the members of the Stock Exchange against the security of their shares listed with the Exchange-Advances against Stock Exchange securities (including Government and other trustee securities) as at the end of June, 1985 stood at Tk. 56.61 crores as compared with Tk. 66.57 crores at the end of June, 1984.

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CHAPTER VI

AGRICULTURAL FINANCE

AGRICULTURAL FINANCE

Annual Agricultural Credit Programme

93. Agricultural finance occupies a pivotal position in the country's overall credit policy. In view of the predominant role of agriculture in the national economy, special attention is given to ensure adequate flow of credit to this sector in pursuance of the Government policies and programmes for promoting agricultural development, particularly for increasing food production. Accordingly, Bangladesh Bank in collaboration with other credit institutions draws up various credit plans within the framework of an Annual Agricultural Credit Programme.

Institutional Arrangements

94. For successful implementation of the various credit plans drawn up under the Annual Agricultural Credit Programme necessary financial assistance is provided by Bangladesh Bank to different credit agencies. The agencies are : (a) Bangladesh Krishi Bank (BKB); (b) Bangladesh Samabaya Bank Ltd. (BSBL), the 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 (PCBs)@ and (d) Bangladesh Rural Development Board/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).

Short-term and Long-term Agricultural Finances

95. Keeping in view the seasonal credit requirements as well as the need of long-term credit for infra-structural development, agricultural finances are provided on both short and long-term basis. Short-term loans are generally provided for financing (a) Various crop production programmes like Intensive Aus Production Programme (IAPP), Intensive Transplanted Aman Production (ITAP), Intensive Rabi Crop Production (I R C P), Intensive Wheat Cultivation Programme (IWCP) and Intensive Jute Cultivation (IJC); (b) Plantation of crops like tea, banana, pineapple, guava, sugarcane (in mill zone areas); (c) Special Projects like Rural Development-II; and (d) Processing, storage and marketing of agricultural produce. The long-term finances are provided for investment in fishery and livestock as also for capital investments in agriculture, e.g., acquisition of various irrigation equipments like Deep Tube-Wells (DTWs), Shallow Tube-Wells (STWs), Low Lift Pumps (LLPs), agricultural machineries/transports, etc.

96. As a supporting measure for boosting up agricultural production, Bangladesh Bank provides refinance facility to the Participating Credit Institutions (PCIs) for their lending to the agricultural sector. While the Government is continuing

@ Include nationalised commercial banks, Uttara Bank Ltd. and Pubali Bank Ltd.

to provide guarantee to Bangladesh Bank to the extent of 25% of the amount released to BSBL, the provision of guarantee to Bangladesh Bank for financing BKB which was to the extent of 30% of the amount was discontinued from FY 1984-85. The system of providing Government guarantee to BKB and NCBs (to the extent of 30% of the amount remaining unrecovered as on the due date) against their lending for crop production (SACP) had been discontinued from 1983-84 programme.

Refinance Facility and Government Guarantee

Interest Rate Policy for Agricultural Credit

97. The interest rate policy for agricultural credit continued to be guided by the objective of ensuring adequate flow of credit to the agricultural sector at reasonable cost to borrowers. The interest rates for short-term and long-term credit were kept unchanged at 12.0 per cent and 13.0 per cent per annum along with service charges of 4.0 per cent and 3.0 per cent respectively. In order to discourage undue default or delay in repayment of loans, the provision for penal interest of 6.0 per cent per annum on overdue loans also remained unchanged during the year. Bangladesh Bank continued to apply variable rates of interest on its refinances to the commercial banks and BKB. The variable rates ranging between 7.5 per cent and 10.5 per cent which are determined on the basis of the quantum of refinance demanded in relation to disbursement (matrix) was introduced in October, 1983 with a view to reducing the lending institutions' dependence on the Central Bank for funding their agricultural loan operations. Consequent upon enhancement of the Bank Rate from 10.5 per cent to 11.0 per cent in January, 1985 the interest rate at the last slab of the refinance matrix (80% to 100% for commercial banks and 95% to 100% for BKB) was raised from 10.5 per cent to 11.0 per cent; interest rates at other slabs remained unchanged. Interest on refinance to Co-operatives was, however, maintained at the flat rate of 8.5 per cent in view of their poor resource base. However, the Bank continued to provide refinance to the BKB at a nominal interest of 2.5 per cent per annum on its long-term loans for Chittagong Hill Tracts Development Project. The effective rate of interest on short-term and long-term loans provided through the BRDB-UCCAs remained unchanged at 19.0 percent (including service charge) and 16.0 per cent per annum respectively. The penal rate of interest on overdue short-term and long-term loans also remained unchanged at 3.0 per cent and 6.0 per cent per annum respectively.

Annual Agricultural Credit Programme for 1984-85

98. The Annual Agricultural Credit Programme for 1984-85 envisaged an overall credit target of Tk. 1150.00 crores for disbursement by all the financing agencies taken together. Of the total, Tk. 615.00 crores or 53.5 per cent was earmarked for crop financing (other than tea), Tk. 145.00 crores or 12.6 per cent for financing purchase of irrigation equipments and Tk. 390.00 crores or 33.9 per cent for 'other agricultural activities'*. This compared with the targets of Tk. 570.00 crores and Tk. 280.00 crores respectively for crop financing and

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* These include financing of plough cattle, dairy, poultry, fishery, cold storage, marketing and processing of agricultural products, tea industry, etc.

financing purchase of irrigation equipments, and a separate provision for Tk. 265.00 crores for financing 'other agricultural activities' during 1983-84.

Annual Crop Credit System

99. In order to ensure orderly flow of credit to finance the country's major crop production, an annual crop credit system was introduced in 1984-85 in which credit allocations are made at a time to individual farmer loanees on the basis of their respective annual production plan. Credit requirements are estimated as per credit norms and need of the intending borrowers. For ensuring proper utilization of loans and smooth functioning of the system, credit is generally disbursed on the commencement of the crop season and all transactions in respect of the loans sanctioned are carried out through 'Credit Pass-Book' of respective borrowers introduced for the purpose.

Operations Under the Major Credit Programmes

100. As against the target of Tk. 615.00 crores for financing crop production during 1984-85, an amount of Tk. 514.81 crores or 83.70 per cent was disbursed by the PCIs. This compared with the disbursement of Tk. 516.75 crores during 1983-84. Financing of irrigation equipments during 1984-85 which stood at Tk. 110.28 crores or 76.05 per cent of the target was Tk. 2.67 crores lower than the disbursement of Tk. 112.95 crores during the preceding year. Financing of 'other agricultural activities' during 1984-85 amounted to Tk. 524.75 crores which was 39.03 per cent higher than Tk. 377.42 crores disbursed in 1983-84. Total disbursement of agricultural credit under all the programmes taken together during 1984-85 thus stood at Tk. 1149.84 crores as against the target of Tk. 1150.00 crores and compared with Tk. 1007.12 crores disbursed during 1983-84, indicating an increase of 14.17 per cent over the year.

Recovery and Outstanding of Agricultural Credit

101. The recovery target for 1984-85 was set at Tk. 600.00 crores against which all the agricultural lending institutions recovered a total amount of Tk. 583.90 crores during 1984-85 which was 12.81 per cent higher than the recovery of Tk. 517.57 crores during 1983-84. Outstanding agricultural credit as at the end of June, 1985 stood at Tk. 3034.24 crores as compared with Tk. 2077.35 crores at the end of June, 1984.

102. A comparative position of credit operations under the Annual Agricultural Credit Programme for 1983-84 and 1984-85 is presented below:

COMPARATIVE POSITION OF CREDIT OPERATIONS UNDER ANNUAL AGRICULTURAL CREDIT PROGRAMME DURING 1983-84 AND 1984-85

(Taka in crores)

Particulars	1983-84	1984-85	% Change over the year
1. Target for Disbursement	**1115.00@**	**1150.00**	**(+) 3.14**
a) Crop financing (other than tea)	570.00	615.00	(+) 7.89
b) Financing of Irrigation Equipments	280.00	145.00	(-) 48.21
c) Other Agricultural Activities (including tea)	265.00	390.00	(+) 47.17
2. Actual Disbursement	**1007.12**	**1149.84**	**(+) 14.17**
a) Crop Financing (other than tea)	516.75	514.81	(-) 0.37
b) Financing of Irrigation Equipments	112.95	110.28	(-) 2.36
c) Other agricultural Activities (including tea)	377.42	524.75	(+) 39.03
3. Overdue (As on June, 30)	755.00	1158.89	(+) 53.49
4. Recovery	517.57	583.90	(+) 12.81
5. Outstanding (As on June 30)	2077.35	3034.24	(+) 46.05

@ Includes original target of Tk. 850.00 crores for financing crop production and purchase of irrigation equipments, and a separate provision for an estimated amount to Tk. 265.00 crores for financing 'Other agricultural activities'.

The following table shows the operations of agricultural credit by types:

DISBURSEMENT OF AGRICULTURAL CREDIT BY TYPES (SHORT-TERM AND LONG-TERM LOANS)

(Taka in crores)

Particulars	1983-84	1984-85	Annual Growth Rate
1. Total Agricultural Credit:	**1007.12**	**1149.84**	(+) **14.17**
2. Short-term Loans:	**719.66** (71.46)	**806.60** (70.15)	(+) **12.08**
(a) Crop Loans (other than tea)	516.75	514.81	(–) 0.37
(b) **Other agricultural activities:**	**202.91**	**291.79**	**(+) 43.80**
i) crop Loan for tea	33.14	85.75	(+) 158.75
ii) Others	169.77	206.04	(+) 21.36
3. Long-term Loans:	**287.46** (28.54)	**343.24** (29.85)	**(+)19.40**
(a) Irrigation Equipments	112.95	110.28	(–) 2.36
(b) Other agricultural activities	**174.51**	**232.96**	**(+) 33.49**
i) Plough animals	41.65	87.62	(+) 110.37
ii) Others	132.86	145.34	(+) 9.39

Note: Figures in brackets indicate percentages to total credit.

103. It may be observed from the above table that disbursement of both short-term and long-term agricultural credit recorded growth rates of 12.08 per cent and 19.40 per cent respectively during 1984-85 as compared with 49.90 per cent and 46.50 per cent respectively in 1983-84. The percentage shares of short-term and long-term loans in total credit, however, stood at 70.15 per cent and 29.85 per cent respectively in 1984-85 as compared with 71.46 per cent and 28.54 per cent respectively in 1983-84. While short-term crop loans other than for tea recorded a slight decline of 0.37 per cent, that for tea recorded a sharp increase of 158.75 per cent during the year. Term loans for financing purchase of irrigation equipments recorded a decline of 2.36 per cent during 1984-85 as compared with an increase of 9.86 per cent in the preceding year. While short-term loans for financing other agricultural activities including tea showed an impressive growth of 43.80 per cent, long-term loans for the same increased by 33.49 per cent during

1984-85. These compared with 55.76 per cent and 86.74 per cent respectively in 1983-84.

104. The following table shows the position of agricultural credit by sources :

AGRICULTURAL CREDIT BY SOURCES

(Taka in crores)

Sources/ Agencies	1983-84		1984-85	
	Total	Crop laon Other than tea	Total	Crop loan other than tea
BKB	592.43	216.39	614.73	154.50 (- 28.60)
PCBs	323.55	236.10	383.20	261.03 (+ 10.56)
BRDB/ UCCAs	69.16	46.22	123.61	76.29 (+65.06)
BSBL	21.98	18.04	28.30	22.99 (+27.44)
Total :	**1007.12**	**516.75**	**1149.84**	**514.81**

Note: Figures in brackets indicate Percentage changes over the year.

105. The above table indicates that while the supply of crop loans from the PCBs, BRDB-UCCAs and the BSBL increased significantly, that from the BKB declined during 1984-85. While crop financing by the BKB declined by 28.60 per cent that by PCBs, BRDB-UCCAs and the BSBL increased by 10.56 per cent, 65.06 per cent and 27.44 per cent respectively over the year.

106. The following table shows the percentage shares of agricultural credit by sources :

PERCENTAGE SHARES OF AGRICULTURAL CREDIT BY SOURCES

(Taka in crores)

Sources/ Agencies	1983-84			1984-85		
	Total	Crop loan other than tea	Irrigation equipments	Total	Crop loan other than tea	Irrigation equipments
BKB	58.82	36.53	13.01	53.46	25.13	9.42
PCBs	32.13	72.97	4.48	33.36	68.15	3.28
BRDB/ UCCAs	6.87	66.83	30.61	10.75	61.72	32.18
BSBL	2.18	82.07	1.05	2.46	81.24	Nil

Refinance by Bangladesh Bank

107. The above table indicates that although the BKB continued to remain the major source of agricultural finance in the country, its share in total agricultural credit declined from 58.82 per cent in 1983-84 to 53.46 per cent in 1984-85 due mainly to increased disbursement of credit by other financing agencies, i.e.,by the PCBs and the BRDB/UCCAs.

108. Refinance availed of by all the credit agencies taken together from Bangladesh Bank during 1984-85 amounted to Tk. 799.34 crores as compared to Tk. 631.23 crores during 1983-84. This includes a refinance of Tk. 59.38 crores against Tk. 85.00 crores sanctioned to Sonali Bank during the year against its lending to the BRDB/UCCAs for financing purchase of irrigation equipments. Detailed position of Bangladesh Bank's refinance to different lending institutions during 1983-84 and 1984-85 is shown below:

(Taka in crores)

Credit Agencies	1983-84		1984-85	
	Sanction	Disbursement	Sanction	Disbursement
BKB	387.80	376.90	488.20	362.87
PCBs	183.39	205.75	351.09	348.94
BSBL	23.50	21.36	28.25	28.15
Sonali Bank-BRDB	6.00	22.30	85.00	59.38
BRDB	6.00	4.92	—	—
Total:	**606.69**	**631.23**	**952.54**	**799.34**

109. The outstanding borrowings of the PCIs from Bangladesh Bank stood at Tk. 1402.53 crores at the end of June, 1985 as against Tk. 928.28 crores

Outstanding Borrowings of the PCIs

at the end of June, 1984, showing an increase of Tk. 474.25 crores or 51.09 per cent over the year. The individual position of outstanding borrowings by the PCIs from Bangladesh Bank during 1983-84 and 1984-85 is shown below:

(Taka in crores)

Credit Agencies	1983-84	1984-85	% Changes over the year
BKB	717.41	1024.48	(+) 42.80
BSBL	28.58	38.72	(+) 35.48
PCBs	170.80	271.95	(+) 59.22
Sonali Bank-BRDB	3.91	59.38	(+) 1518.67
BRDB	7.58	8.00	(+) 5.54
Total:	**928.28**	**1402.53**	**(+)51.09**

Programme/Projects under Agricultural Credit Department (ACD)

110. In addition to the usual credit programmes reviewed in the preceding paragraphs, some specific programmes/projects are financed under the supervision and guidance of the Agricultural Credit Department (ACD) of the Bangladesh Bank to help various disadvantaged groups of farmers and other rural poor who had little access to institutional credit. A brief review of these programmes/projects is given below:

Loans for Pond Fishery

111. Under a programme for financing pond fishery, the PCBs and the BKB disbursed an amount of Tk. 7.23 crores during 1984-85 as against the target of Tk. 11.69 crores as compared with Tk. 8.09 crores disbursed during 1983-84, indicating a decrease of 10.63 per cent over the year. Agency-wise disbursement of loans under the programme during 1983-84 and 1984-85 is given below:

(Taka in crores)

Agencies	1983-84	1984-85	% Changes over the year
PCBs	0.77	0.60	(–) 22.08
BKB	7.32	6.63	(–) 9.43
Total:	**8.09**	**7.23**	**(–) 10.63**

Loans for Cold Storage

112. In order to promote cold storage facility for preservation of potatoes in the country, the PCBs and the BKB together disbursed an amount of Tk. 37.98 crores during 1984-85 as compared to Tk. 31.91 crores during 1983-84, indicating an

increase of 19.02 per cent over the year. The source-wise disbursement of loans under the programme during 1983-84 and 1984-85 is shown below:

(Taka in crores)

Agencies	1983-84	1984-85	% Changes over the year
PCBs	19.23	25.01	(+)30.05
BKB	12.68	12.97	(+) 2.28
Total:	**31.91**	**37.98**	**(+) 19.02**

Rural Finance Project

113. Under the Rural Finance Project (RFP) which started functioning after a Grant Agreement for US $ 75.00 million signed between the Governments of Bangladesh and the USA on August 15, 1983 with the aim of creating an economically viable rural financial system for Bangladesh, the USAID released U.S. $ 50 million in two equal instalments–one in October,1983 and the other in August, 1984. Arrangement for disbursement of the 3rd instalment was being made.

Bangladesh-Swiss Agricultural Project (BASWAP)

114. The Bangladesh-Swiss Agricultural Project (BASWAP) on post-harvest technology, storage facility and marketing credit for small farmers and share-croppers which completed its first part in June, 1983 was renewed for another six years and a half (i.e. upto 1990) under the name "BASWAP-II" to be implemented in phases. The period 1984-86 has been earmarked for phase-I while phase-II will be under-taken during the period 1987-1990. Out of 14 godowns to be constructed during the period of phase-1, construction of 9 godowns was completed and these were brought into use for storing grains while that of the remaining 5 godowns was under progress during 1984-85. The recovery position under the project worked out to 80.95 per cent during the year. Bank-wise credit position of the project upto end June, 1985 is shown below:

CREDIT OPERATIONS UNDER BASWAP–II
(1984-85)

Name of Financing Banks/area	Number of Farmers under project	Quantity of foodgrains stored (mds.)	Amount dis-bursed (Taka in crore)	Amount recovered (Taka in crore)
Sonali Bank (Boda Union)	1,433	5,680	0.23	0.20
Rupali Bank (Satnola Union)	498	3,177	0.20	0.14
Total:	**1,931**	**8,857**	**0.43**	**0.34**

Swanirvar Programme

115. The Swanirvar (self-reliance) programme launched in 1978 for financing income and employment generating actvities in rural areas continued its operation with the 'Paddy Husking Loan' scheme in 75 Upazillas of 19 (old) districts of the country. Separate 5-member target groups for men and women are organised for financing under the scheme, each member of a group owning not more than 0.40 acre of cultivable land or having yearly income not exceeding Tk.6,000. The PCBs and the BKB extend short-term loans of an average size of Tk. 1,000 per party out of their own resources at an interest rate of 13.0 per cent (excluding service charge) per annum. Agency-wise performance of the scheme upto June 30, 1985 is shown below:

LENDING UNDER SWANIRVAR PROGRAMME

(Cumulative Position as on June 30,1985)

(Taka in crores)

Credit Agencies	Amount Disbursed	Amount Recovered	Amount Outstanding	Amount Overdue
NCBs	31.34	15.12	18.43	3.67
Uttara & Pubali Banks Ltd.	2.13	1.36	0.96	0.20
BKB	10.83	5.37	5.84	0.60
Total :	**44.30**	**21.85**	**25.23**	**4.47**

ASARRD Project

116. An action-cum-research project on small farmers and landless labourers, popularly known as ASARRD (Asian Survey on Agricultural Reform and Rural Development) which was introduced in March, 1976 under the joint sponsorship of the FAO/UNDP and the Ministry of Local Government, Rural Development and Co-operatives of the Government of Bangladesh with the objectves of improving the social and economic conditions of small farmers and landless labourers of the country through integrated programmes for increasing productivity, income, employment opportunities and mobilising available farm resources and savings as also for training of farmers and officers for promoting group action in accelerating development concluded its second phase of operation in June, 1985. In the first phase (1976-80), about 230 groups of target people in 12 villages of Mymensingh, Comilla and Bogra districts were given supervised credit amounting to Tk. 80.00 lakhs by Janata Bank which is the participating agency for the project. In the second phase (1980-85) which was undertaken in four districts viz. Mymensingh, Comilla, Bogra and Rangpur at a revised cost of about Tk. 3.00 crores to cover 200 villages, credit disbursed by Janata Bank on the basis of borrowers' production

plan upto the end of June, 1985 amounted to Tk. 1.98 crores against which Tk. 1.83 crores or 92.42 per cent was recovered. Savings mobilised under the project amounted to Tk. 0.14 crore.

Special Credit Scheme for Small Farmers Under IFAD

117. Under a credit agreement signed between the Government of Bangladesh and the International Fund for Agricultural Development (IFAD), a Tk. 10.00 crore scheme for small farmers was launched in February, 1980 in three old districts viz. Jessore, Kushtia and Faridpur. The scheme defines 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 fishery, livestock, poultry, small and cottage industries, purchase of agricultural machineries, etc. were also financed under the scheme. Encompassing 4,575 villages in 644 unions of the three districts, the scheme extended credit to 71,047 small farmers amounting to Tk.18.13 crores upto June 30, 1985. Break-up of credit operations under the scheme is shown below:

CREDIT OPERATIONS UNDER IFAD
(Upto June 30, 1985)

(Taka in crores)

Banks	Disbursement	Due for recovery	Recovery	Overdue	Outstanding
NCBs	4.92	5.05	3.13	1.92	3.09
Pubali Bank Ltd.	0.48	0.48	0.29	0.19	0.32
Uttara Bank Ltd.	0.07	0.08	0.05	0.03	0.03
BKB	12.66	7.22	4.67	2.55	9.95
Total:	**18.13**	**12.83**	**8.14**	**4.69**	**13.39**

Second Rural Development Project (RD-II Project)

118. In an effort to strengthen the operations of the TCCA/KSS co-operative system as well as those of the BRDB and KSS/BSS/MSS in the rural financial structure, a second Rural Development Project (RD-II Project) was undertaken in March, 1984 for operation in 13 old districts, namely, Dinajpur, Rangpur, Bogra, Khulna, Barisal, Patuakhali, Dhaka, Mymensingh, Tangail, Jamalpur, Comilla, Sylhet and Chittagong. The Project is to be financed under grants/credit from the IDA, the CIDA and the UNDP . A Development Credit Agreement (DCA) with IDA and a memorandum of understanding for a grant from the CIDA were signed by the Government of Bangaldesh which would enable Bangaladesh Bank to receive, through a Subsidiary Loan Agreement (SLA) with the Government, US dollar

equivalent of SDR 70.46 million as IDA loan and C$ 13.46 million as CIDA grant. Bangladesh Bank will provide refinance facility to Sonali Bank to the extent of 90.0 per cent of its project loans in the following four categories : (i) Agricultural MT Credit ; (ii) Agricultural ST Credit; (iii) Marketing godowns of UCCAs; and (iv) Rural Poor Programme. Both Sonali Bank and Bangladesh Bank will bear a portion of the project loans out of their own resources.

Projects Under RCPD

119. The Rural Credit Project Department (RCPD) of the Bangladesh Bank conducts the monitoring and supervision of a number of projects/ schemes relating to various income and employment generating activities in rural areas of the country.

Lending Under IDA Credit No. 1147-BD

120. A number of projects/schemes for diversified lending under IDA Credit No. 1147-BD involving an amount equivalent to U.S.$ 62.40 million (including a price contingency of U.S.$ 14.30 million) were introduced by the RCPD which are briefly reviewed in the following paragraphs.

Financing of Sale and Installation of Minor Irrigation Equipments

121. An agricultural credit project for financing sale and installation of minor irrigation equipments like shallowtubewells (STW) under IDA Credit No. 1147-BD was launched from July, 1981 in Rajshahi Division. Under the project, a total of 7,911 STWs were sold and installed during 1984-85 against the target of 14,500 STWs. This brought the total number of STWs installed under the project to 33,520 as against the target of 40,097 STWs to be commissioned over the period of four years ended in June, 1985.

Financing of Grain Storage, Village Mechanics and Agricultural Workshop

122. Another scheme drawn under the above IDA Credit provides for financing of grain storage, village mechanics and agricultural workshops. Under the scheme, the participating credit institutions together disbursed a sum of Tk. 0.73 lakh to village mechanics while another sum of Tk. 85.00 lakhs was sanctioned for construction of 17 grain godowns during 1984-85. There was no disbursement of loans against agricultural workshops during the year.

Other Diversified Lending

123. Other diversified lending of funds introduced under the above IDA Credit include financing of cattle purchase, beef fattening, rural transport, pond fishery, small scale dairy, etc. A target of Tk. 3.20 crores was given by the IDA for financing different activities under the scheme during 1984-85 which was fully utilized by the participating credit institutions.

124. Bangladesh Bank provided a total of Tk. 34.98 crores as refinance to the participating credit institutions (Sonali Bank, Janata Bank, Agrani Bank and the BKB) for financing of various schemes under the IDA Credit No. 1147-BD during

Refinance under IDA Credit No. 1147-BD

1984-85. The cumulative amount of refinance provided by Bangladesh Bank to the participating credit institutions under the above Credit and reimbursement thereof upto the end of June, 1985 stood at Tk. 87.18 crores and Tk. 65.27 crores respectively.

125. Performance of other schemes/projects introduced by the RCPD for financing by the NCBs and the BKB out of their own resources with refinance facility from Bangladesh Bank are summarised below.

Rural Housing Financing Scheme

126. Under the 'Rural Housing Financing Scheme' introduced in January, 1984 for financing construction of semi-pucca dwelling houses in rural areas (outside Municipal areas and Upazilla Headquarters), the participating credit institutions@ (NCBs and the Grameen Bank) together disbursed an amount of Tk. 7.39 crores as against their total allocations of Tk. 15.00@@ crores during 1984-85. The scheme provides for long-term loans of Tk. 38,000.00 and Tk. 65,000.00 per borrower for construction of semi-pucca houses having plinth area of 250 sft. and 425 sft. respectively at an interest rate of 5.0 per cent per annum and a repayment period of 27 years (including grace period of 2 years).

Banana Plantation Financing Scheme

127. The PCIs (NCBs and the BKB) disbursed Tk. 0.75 crore and recovered an amount of Tk. 0.16 crore during 1984-85 under the Banana Plantation Financing Scheme which now covers a total of 82 Upazillas. Since inception of the scheme in 1980 upto the end of June, 1985, the PCIs disbursed a total amount of Tk. 3.57 crores against which Tk. 1.05 crores was recovered.

Rural Transport Financing Scheme

128. Under the Rural Transport Financing Scheme, the PCIs disbursed short and medium-term loans amounting to Tk. 1.82 crores and recovered a sum of Tk. 0.78 crore during 1984-85. Cumulative disbursement of loans since inception of the scheme in 1981 upto the end of June, 1985 amounted to Tk. 6.67 crores against which Tk. 2.36 crores was recovered.

Shrimp Culture Financing Scheme

129. The Shrimp Culture Financing Scheme which was introduced in 1980 now covers 23 Upazillas of Khulna, Bagerhat, Satkhira, Chittagong and Cox's Bazar districts. As against a target of Tk. 11.75 crores, the PCIs disbursed an amount of Tk. 5.88[P] crores during 1984-85.This brought total financing under the scheme to Tk. 24.03[P] crores against which a sum of Tk. 8.00[P] crores was re covered upto the end of June, 1985.

Lac Culture Financing Scheme

130. Under the Lac Culture Financing Scheme introduced for financing cultivation of lac and shellac in Chapai Nawabganj district, Agrani Bank disbursed an amount of Tk. 1.86 lakhs and recovered Tk. 2.02 lakhs (including interest) since inception of the scheme in 1981 upto the end of June, 1985.

@ NCBs Tk. 5.52 crores upto December 31, 1984 and the Grameen Bank Tk. 1.87 crores upto June 30, 1985.

@@ NCBs Tk. 10.00 crores and the Grameen Bank Tk. 5.00 crores.

P = Provisional.

Rower Pump Financing Scheme

131. Under the Rower Pump Financing Scheme which presently covers 82 Upazillas of 25 districts, an allocation of Tk. 1.25 crores was made during 1984-85 for financing purchase of the low-cost Manually Operated Shallow Tubewells for Irrigation (MOSTI) innovated by the Mirpur Agricultural Workshop & Training School (MAWTS). The PCIs disbursed an amount of Tk. 2.24 lakhs and recovered a sum of Tk. 0.98 lakh during the year. Total loans disbursed under the scheme since its introduction in December, 1982 upto the end of June, 1985 amounted to Tk. 4.08 lakhs of which a sum of Tk. 1.06 lakhs was recovered.

Commercial Poultry (Broiler) Financing Scheme

132. With a view to increasing the supply of meat and eggs by encouraging establishment of commercial poultry farms, a credit scheme was launched in November, 1983 in some selected areas around Dhaka city. Sonali Bank and Agrani Bank disbursed an amount of Tk. 14.39 lakhs and Tk. 2.00 lakhs respectively upto June 30, 1985. No recovery has so far been made under the scheme.

Training of Bank Employees and Borrowers

133. With a view to improving the professional skill of bankers, the RCPD arranged 15 basic courses and 30 follow-up courses through training institutes of the PCIs under which a total of 286 bank employees received training during 1984-85. In addition, few short training courses were also arranged for borrowers under different schemes conducted by the RCPD during the year.

Inspection of Bank Branches & Co-operatives

134. The Agricultural Credit Inspection Department (ACID) of Bangladesh Bank conducted comprehensive/summary inspection of 151 co-operative institutions, 219 branches of the BKB and 277 branches of commercial banks (NCBs, Uttara Bank Ltd. and Pubali Bank Ltd.) during 1984-85.

The Grameen Bank

135. The Grameen Bank was created out of a project begun in June, 1976 under the name 'Grameen Bank Project' or 'GBP' in short. The Government through the Grameen Bank Ordinance, 1983 established the Grameen Bank on September 4, 1983 with the main functions of providing credit with or without collateral security in cash or in kind to landless persons for all types of economic activities, including housing, but excluding business in foreign exchange transactions.

136. Since start of operations as a full-fledged independent bank from October 2, 1983, the Grameen Bank has made significant progress in rural banking. It embarked on a programme for increasing the number of branches from 102 at the end of June, 1984 to 500 by the end of June, 1988. In aid of this expansion programme, IFAD agreed to provide a soft loan of SDR 23.60 million in respect of which an Agreement was signed between the Government of Bangladesh and IFAD on March 25, 1985. By the end of June, 1985 the number of Grameen Bank branches stood at 164. The Grameen Bank also gets refinance

support from Bangladesh Bank for its rural housing scheme as well as for normal lending operations.

137. The Grameen Bank entered into a new area of financing during 1984-85 with a financing programme for construction of simple tin-roof houses for its members under which one could borrow upto a maximum of Tk. 20,000.00. As a boost up to rural housing nearly 1500 tin-roof houses were constructed under the scheme upto the end of June,1985 during 1984-85.

138. The Grameen Bank operations also received encouraging response to investments in collective enterprises like owning and operating shallow and deep tubewells, rice and oil mills, power looms, and undertaking joint cultivation through leasing of land, pond leasing, etc. Total cumulative disbursement of loans for investment in such collective ventures amounted to Tk. 4.75 crores at the end of June, 1985.

139. Total disbursement of loans by the Grameen Bank during 1984-85 stood at Tk. 39.21 crores which was 92.21 per cent higher than the disbursement of Tk. 20.40 crores during 1983-84. Since inception of the Bank as a project in June, 1976 upto the end of June, 1985, the Grameen Bank extended collateral free loans amounting to Tk. 72.82[@] crores to 1,32,271 landless people of whom 81,013 or 61.25 per cent were women. Of the total disbursement of Tk. 72.82 crores, an amount of Tk. 49.29 crores or 67.69 per cent was paid back by the loanees in weekly instalments. By the end of June, 1985 a total number of 2,996 villages in 13 districts (new) were brought under the purview of Grameen Bank operations through its 164 branch net-work. The proportion of overdue loans remained quite low due to Grameen Bank's specialised system of credit supervision.

140. Total group savings (including contributions to Emergency Fund) under the Grameen Bank at the end of June, 1985 amounted to Tk. 6.45 crores which was 111.48 per cent higher than Tk. 3.05 crores at the end of June, 1984.

@ Includes Tk. 15.31 crores disbursed by the PCBs under the Grameen Bank Project upto September 30, 1983 i.e. , prior to conversion of GBP into a full-fledged Bank.

CHAPTER VII

FINANCING OF SMALL AND COTTAGE INDUSTRIES

FINANCING OF SMALL AND COTTAGE INDUSTRIES

Financing under IDA Credit No. 1065-BD

141. For financing small and cottage industries in the country under IDA Credit No. 1065-BD, an amount equivalent to SDR 22.87 million was made available to Bangladesh Bank for extending refinance to 3 participating credit institutions (PCIs) viz., Sonali Bank, Janata Bank and Agrani Bank. The said credit line was available from January 15, 1981, and its validity has been extended upto June 30, 1986.

142. During 1984-85, the Industrial Credit Department (ICD) of Bangladesh Bank approved 4 new projects involving loans amounting to Tk. 55.00 lakhs for refinancing under the above IDA credit. After adjustments 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 upto June 30, 1985 stood at 651 for a total amount of Tk.56.94 crores since the beginning of operation of the Credit in January, 1981.

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

(Amounts in Crore Taka)

Size of loans	Sonali Bank		Janata Bank		Agrani Bank		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Upto Tk. 5 lakhs	158	5.06	104	2.85	13	0.42	275	8.33
Above Tk. 5 lakhs & upto Tk.15 lakhs	80	8.15	106	10.09	92	8.19	278	26.43
Above Tk.15 lakhs & upto Tk. 30 lakhs	46	10.29	24	5.37	28	6.52	98	22.18
Total :	**284**	**23.50**	**234**	**18.31**	**133**	**15.13**	**651**	**56.94**

144. Over 55.0 per cent of the total number of projects approved under the IDA credit were located in Dhaka Division and accounted for about 64 per cent of the total amount of loans sanctioned. The table below shows the division-wise distribution of loans approved for refinance under the credit upto June 30, 1985 :

Division	No. of Projects	% of Total	Amount (In crore Taka)	% of Total
Chittagong	133	20.43	12.22	21.46
Dhaka	361	55.45	36.35	63.84
Khulna	41	6.30	3.24	5.69
Rajshahi	116	17.82	5.13	9.01
Total :	**651**	**100.00**	**56.94**	**100.00**

145. Economic classification of projects approved under the credit shows that major portion of the loans sanctioned comprised of investments in textile industries, food and allied products and engineering industries. The distribution of cumulative refinance approvals as on June 30, 1985 among the major economic groups of industries is shown below :

Economic Group	No. of Projects	Amount (in crore Taka)	% of Total
Food & Allied Products	236	14.25	25.03
Textile Industries	140	18.43	32.37
Specialised Jute Industries	2	0.10	0.17
Forest Products & Allied Industries	55	1.63	2.86
Paper Board and Printing	29	3.15	5.53
Tannery, Leather and Rubber	19	2.19	3.85
Chemicals, Pharmaceuticals and Allied Products	14	1.74	3.05
Glass, Ceramics & Non-matallic Products	7	0.95	1.68
Engineering Industries	84	8.86	15.56
Miscellaneous Industries	38	4.32	7.58
Road Transports	22	0.96	1.68
Miscellaneous Cottage Industries	1	0.09	0.17
Industries N.E.C.#	4	0.27	0.47
Total :	**651**	**56.94**	**100**

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

146. As per terms of the Credit, a maximum of 60 per cent of the Credit fund (excluding funds extended to 100 per cent export oriented industries) would be provided against projects with fixed cost excluding Tk. 10 lakhs. Upto the end of June, 1985, loans amounting to Tk. 36.29 crores were approved for refinance against 216 projects in the category of fixed cost above Tk. 10 lakhs while those in respect of 435 projects in the category of fixed cost upto Tk.10 lakhs amounted to Tk. 20.65 crores. The bank-wise position of loans approved for refinance against these two categories of projects as at the end of June, 1985 is shown below :

PCIs	Projects with fixed cost upto Tk.10 lakhs			Projects with fixed cost above Tk.10 lakhs		
	No. of Projects	Loans approved for refinance (In crore Taka)	% share in total loans approved for refinance	No. of Projects	Loans approved for refinance (In crore Taka)	% share in total loans approved for refinance
Sonali	186	7.09	30.17	98	16.41	69.83
Janata	167	7.69	42.00	67	10.62	58.00
Agrani	82	5.87	38.80	51	9.26	61.20
Total :	**435**	**20.65**	**36.27**	**216**	**36.29**	**63.73**

147. Bank-wise position of the local and foreign currency components of loans approved for refinance is shown in the table below :

(Taka in crores)

PCIs	Total loans approved for refinance	Loans in local currency	Local Currency loans as % of Total (Col.3÷2)	Tk. equivalent of loans in foreign Currency	Foreign Currency Loans as % of Total (Col. 5÷2)
1	2	3	4	5	6
Sonali	23.50	13.23	56.30	10.27	43.70
Janata	18.31	12.29	67.12	6.02	32.88
Agrani	15.13	8.85	58.49	6.28	41.51
Total :	**56.94**	**34.37**	**60.36**	**22.57**	**39.64**

148. Out of the total loans of Tk. 56.94 crores approved for refinance, Tk.38.69 crores or 67.9 per cent were sanctioned to 389 projects in the urban areas while the remaining amount of Tk.18.25 crores or 32.1 per cent went to 262 projects in the rural areas.

149. Total refinance extended by Bangladesh Bank during 1984-85 to the participating credit institutions against their loan disbursement amounted to Tk.20.79 crores as compared with Tk.10.20 crores during 1983-84. Cumulative amount of refinance to the PCIs amounted to Tk. 37.91 crores upto June 30, 1985. The participating bank-wise break-up of refinance provided by Bangladesh Bank is given below :

(Taka in crores)

PCIs	Refinance Loans Disbursed		Cumulative Amount of Refinance Loans Disbursed as on June 30, 1985
	1983-84	1984-85	
Sonali	2.98	7.40	13.92
Janata	3.91	8.07	14.83
Agrani	3.31	5.32	9.16
Total :	**10.20**	**20.79**	**37.91**

Financing Under NORAD Grant

150. 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 was to be provided by the Norwegian Agency for International Development (NORAD) for financing Small and Cottage Industries (SCI) in Bangladesh. A revolving fund known as "NORAD Grant Refinancing Fund" was created in Bangladesh Bank on January 20, 1983 with NOK 5 million equivalent to Tk. 1.67 crores for refinancing by Bangladesh Bank against loans to be disbursed to eligible small and cottage industrial enterprises by two participating credit institutions viz. Sonali Bank and Janata Bank. According to the terms of the Agreement, the amount of refinance recovered by Bangladesh Bank could be ploughed back for refinancing of fresh loans. The amount of

refinance provided by Bangladesh Bank to the PCIs under the NORAD Grant upto June 30, 1985 stood at Tk. 1.50 crores as under :

(Taka in crores)

PCIs	No. of SCI Projects	Amount of Refinance Disbursed
Sonali Bank	1441	Tk. 0.65
Janata Bank	1494	Tk. 0.85
Total :	**2935**	**Tk.1.50**

CHAPTER VIII

HOUSING POLICY AND HOUSE BUILDING FINANCE

Housing Policy

Urban and Rural Housing Policies

151. Until recently, Government housing policy was essentially urban oriented with major house building activities centred in principal towns of the country. Efforts are now being made for improving dwelling conditions in rural areas as well through provision for concessionary finance for construction of semi-pucca residential houses at village level. Urban housing programmes/schemes are generally drawn-up by different public authorities like Bangladesh Public Works Department (BPWD), Housing and Settlement Directorate, etc. as also by urban development authorities like the DIT, CDA etc. Different autonomous and semi-autonomous organisations also have their own policy in respect of providing housing accommodation to their respective employees. In rural areas, however, housing has traditionally been taken care of by the villagers themselves. About 15 per cent of the total available land in rural areas is occupied by homesteads. If the age-old practice of go-as-you-like construction of homesteads by villagers are allowed to continue, not less than 30 per cent of total land area may be eaten up by such homesteads at the turn of the current century. In order, therefore, to forestall further proliferation of rural homesteads, Government sought to make necessary arrangements and enact suitable laws empowering local bodies to require from intending rural house/homestead builders to seek prior permission/approval for new construction. The policy aims at ensuring that all available spaces in the existing homesteads have been economically utilized with the ultimate objective of containing the total rural homesteads within the present limits.

152. Keeping in view the above broad strategy, Government policy seeks to standardise the existing residential accommodation of Government and autonomous organisations, in addition to making necessary arrangements for distribution of suitable land, services/utilities and easy term-finance to a large number of Government and Semi-Government employees to enable them to build their own houses/flats. Government is also providing core houses to individuals of small means for further development by the occupants. Construction and distribution of multi-storied flats on hire-purchase system also forms a part of the Government housing policy. Concessionary financing of construction of multi-storied buildings at Upazilla headquarters and strong semi-pucca dwelling houses in the villages has now become a part of the Government housing policy.

House Building Finance

House Building Finance Corporation

153. The Bangladesh House Building Finance Corporation (HBFC) set up in 1973 (after repealing HBFC Act XVIII of 1952) provides financial assistance for construction, repair and remodelling of residential houses and apartments in cities, towns and Upazilla/rural Thana headquarters. The Corporation has at present 5 Zonal offices including two in Dhaka and one each in the three other divisional headquarters and 14 regional offices in the district headquarters. The authorised capital of the Corporation is Tk. 10.00 crores of which paid-up capital of Tk. 9.83 crores has been fully subscribed by the Government. The main source of its working capital in recent years has been the sale of debentures to Bangladesh Bank, Bima Corporations and nationalised and private commercial banks. The Corporation provides house-building finance under two separate programmes, namely (i) General Loan Programme for single unit buildings and (ii) Multi-storied Loan Programme for construction of multi-storied apartment houses. The loans are secured by mortgaging the land and the building to be built thereon.

Operations Under General Loan Programme

154. **General Loan Programme:** Previously, the limit of the HBFC loan under this programme was Tk. 2.55 lakhs for a self-contained single unit house. The loan was to be repaid over a maximum period of 20 years. The margin of investment required to be made by an applicant was 15 per cent of the estimated cost of construction of the proposed building. Effective from April 12, 1983 the limit of the HBFC loan under this programme has been enhanced to Tk. 6.00 lakhs in view of the increased costs of construction. The rate of interest has been fixed at 13 per cent (simple) per annum upto Tk. 4.00 lakhs and 16 per cent (simple) per annum for the additional Tk. 2.00 lakhs, with a repayment period of 25 years. The margin of investment to be made by an applicant was reduced from 15 per cent to 10 per cent. Under this programme, the Corporation sanctioned 1,737 loan cases for a total of Tk. 58.13 crores during 1984-85 as compared with 3,312 loan cases sanctioned for a total of Tk. 104.36 crores during 1983-84. Actual disbursement of loans under the programme during 1984-85 amounted to Tk. 75.30 crores. This compared with the disbursement of Tk.86.61 crores in 1983-84.

Operations under Multistoried Loan Programme

155. **Multi-storied Loan Programme:** In order to ease the acute housing problem in the urban areas, the HBFC started a Multi-storied Loan Programme for financing the construction of multi-storied, multi-unit buildings from July, 1977. The ceilings of loan under this programme was enhanced from Tk. 6.47 lakhs to Tk. 7.00 lakhs and Tk. 8.00 lakhs for multi-storied* buildings with covered area of 800 sft. and 1000 sft. respectively in each floor, excluding staircase and balcony. The maximum repayment period was also increased from 25 years to 30 years. The rate of interest for both the cases remained unchanged at the 1982-83 level of 10.5 per cent per annum. The minimum margin of investment to be made by

* Four-storied building at Dhaka, Narayanganj, Chittagong and Khulna and three-storied building in other areas.

applicants are 2.5 per cent and 10.0 per cent for buildings having floor spaces of 800 sft. and 1000 sft. respectively. Under this programme, the Corporation sanctioned a total of Tk. 79.13 crores for 1,473 cases comprising 4,710 housing units during 1984-85. Of the total cases sanctioned during the year, 682 cases were for Dhaka Zone while 388, 185 and 218 cases were for Rajshahi, Chittagong and Khulna Zones respectively. This compared with a total of 1,807 cases comprising 5,981 housing units sanctioned for Tk. 110.67 crores during the previous year. The amount disbursed under this programme during 1984-85 stood at Tk. 78.87 crores as compared to Tk. 56.28 crores during the previous year. The total amount of loans sanctioned and disbursed under the programme since its introduction in July, 1977 upto June 30, 1985 stood at Tk. 454.15 crores and Tk. 348.18 crores respectively.

Concessionary Loan Facility for Upazilla and Rural Thana

156. With a view to encouraging construction of buildings at the new centres of development work in Upazilla and rural Thana, the Government decided to extend HBFC loan facilities to those areas and fixed the rate of interest (simple) at 5 per cent per annum for all categories of loans with a repayment period of 30 years. A two-storied building in those places is 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. 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 such liabilities as well as for completion of their houses.

Sanction, Disbursement, Recovery and Outstanding of HBFC Loans

157. The HBFC sanctioned a total of Tk. 137.25 crores against 3,210 loan applications during 1984-85. Total disbursement of loans during the year amounted to Tk. 154.16 crores. This compared with the sanction of Tk. 215.03 crores for a total of 5,119 loan cases and disbursement of Tk. 142.89 crores during 1983-84. Since its inception upto the end of June, 1985 the HBFC sanctioned a total of Tk. 812.58 crores for construction of 64,643 housing units against which a sum of Tk. 669.06 crores were disbursed.

158. The HBFC recovered a total amount of Tk. 27.52 crores under its General Loan and Multi-Loan Programmes during 1984-85 as compared to Tk. 20.92 crores recovered during the preceding year.

159. The amount of outstanding loans of the HBFC as on June 30, 1985 stood at Tk. 734.71 crores (including interest) as compared to Tk. 547.00 crores as on June 30, 1984.

160. With a view to expanding the area and scale of operation, the HBFC planned to increase the number of its offices throughout the country. At present, it has got Regional Offices in all the old district headquarters as well as in Patuakhali and Rangamati. Offices in the remaining districts are to be opened in due course. 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 January 1, 1981. The Corporation has also undertaken some development projects for construction of its own office buildings as well as staff quarters for the employees. Besides the Head Office Building in Dhaka, the Corporation has completed the construction of a new 6-storied building for its Zonal Office at Agrabad, Chittagong. The construction work of 6 five-storied building for staff accommodation at Uttara Model Town, Dhaka has already been completed and the same has been alloted to the employees. Plots for construction of Zonal Office buildings at Khulna and Rajshahi have also been purchased in the meantime.

Promotional Activities

Financing of House Building by Commercial Banks

161. The services of commercial banks have also been enlisted for augmenting the availability of finance for construction of houses and buildings in the country. Thus the banks were advised to treat housing as a priority sector and extend house-building finance to bonafide borrowers within a prescribed ceiling of Tk. 3.00 lakhs (inclusive of any loan from the HBFC) against the mortgage of real estate. It was later on decided that the ceiling may be enhanced upto Tk. 5.00 lakhs with the approval of the financing banks' Board of Directors. The ceiling was, however, waived in August, 1984. 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, a restriction was imposed on commercial banks' financing of general borrowers for construction of residential houses with effect from December 22, 1983 as a credit control measure. Financing of commercial buildings was, however, continued and the repayment period for such loans, indcluding those outstanding against residential houses, was enhanced from 7 years to 12 years. With effect from June 19, 1984, however, the restriction was withdrawn and banks were allowed to finance general borrowers for construction of residential houses, including those who have availed 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.

162. The total amount of loans disbursed by the nationalised commercial banks in the housing sector during 1984-85 stood at Tk. 7.42 crores as compared with Tk. 4.68 crores disbursed during the preceding year. This was in addition to

Tk. 0.21 crore of housing loans provided by the foreign banks operating in Bangladesh during 1984-85. The private sector banks also disbursed an amount of Tk. 2.05 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, 1985 stood at Tk. 116.71 crores and Tk. 9.53 crores repectively. The amount of outstanding loans provided by the private sector banks stood at Tk. 22.96* crores at the end of June, 1985.

Rural Housing Financing Scheme of Bangladesh Bank

163. With a view to improving the dwelling conditions of the rural people, a new scheme under the name 'Rural Housing Financing Scheme' was introduced throughout the country from January, 1984 under the supervision of the Rural Credit Project Department (RCPD) of Bangladesh Bank. The former 'Rural Housing Scheme' which was introduced in 1977-78 for financing construction of low cost houses in villages under Swanirvar Programme/IRDP as also in villages which have been electrified with a maximum loan facility of Tk. 8,000 was discontinued. The new scheme is applicable to any rural area of the country (except Municipal areas and Upazilla 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 Bank, Janata Bank, Agrani Bank, Rupali Bank and the Grameen Bank are the financing agencies of the scheme.

164. Under the Scheme, long-term loans of Tk. 38,000 and Tk. 65,000 per party are allowed at 5 per cent rate of interest per annum for construction of semi-pucca dwelling houses having plinth area of 250 sft. and 425 sft. respectively. The repayment period of the loan will be 25 years with a grace period of 2 years.

165. The participating banks will finance construction of, at least, 15 houses in each Upazilla so as to finance a total of 6,000 houses during the three years from 1983-84 to 1985-86. The participating banks were allocated a total amount of Tk. 15.00 crores during 1984-85 against which Tk. 7.39 crores were disbursed upto December, 1984 (including Tk. 1.87 crores disbursed by the Grameen Bank upto June, 1985).

Bangladesh Bank's Financing of HBFC Debentures

166. As the House Building Finance Corporation sufferred from lack of resources to meet the large demand for housing credit, the Bangladesh Bank provided substantial amount of finance to the HBFC by way of subscribing to the debentures issued by the Corporation. The value of such debenture financed by Bangladesh Bank increased from Tk. 399.40 crores at the end of June, 1984 to Tk. 536.10 crores at the end of June, 1985, representing an investment of Tk. 136.70 crores during 1984-85.

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*Including outstanding amount of Tk. 17.93 crores of Pubali Bank Ltd. and Uttara Bank Ltd.

CHAPTER IX

PUBLIC FINANCE

Mobilisation of Domestic Resources

167. Efforts for mobilisation of domestic resources were given new directions by taking a distinctly different approach in the budget proposals for 1984-85. The budget initiated a departure from the traditional way of revenue raising with major reliance on import duties and foreign aid. The uncertainties inherent in these two sources of revenue very often posed difficulties for the Government to ensure necessary funds for financing development programmes. In order to overcome this problem, the fiscal measures incorporated in the budget for 1984-85 initiated a move for reducing the dependence on import based revenues as well as on foreign aid. Revenue collection aspect of customs duty was assigned a secondary role and a concerted effort was made to use it as a medium for aiding growth of industrial output. Efforts were also made to introduce a fiscal policy package designed to contribute towards price stability and generate additional revenue from increased output and employment. Besides, the tax proposals also brought some new areas/fields under the purview of taxation and thereby broadened the tax base to help intensify domestic resource mobilisation. Some new fiscal measures were incorporated in the budget aiming at reducing the country's dependence on external assistance and moving towards self-reliance.

168. The important fiscal measures included in the 1984-85 budget were: (i) enhancement of excise duty on gas for domestic and commercial purpose as well as for power generation and production of fertilizer, (ii) enhancement of postal rates, (iii) enhancement of tax on seating capacity of private cars, (iv) expansion of base of turnover tax to cover travel agents and bonded warehouses, and (v) expansion of base of foreign travel tax by bringing land-and-sea-route travels by Bangladeshi nationals under the purview of taxation. Previously, only air-borne overseas travels by Bangladeshi nationals were subjected to foreign travel tax. The new tax measures were expected to yield Tk. 103.80 crores. Besides, duty was imposed on electric bulb, sanitary wares, low brand cigarettes, cosmetics, soap and detergents. At the same time, tax-relief was provided among others, on life saving drugs, synthetic and mixed fibres, office equipments, biscuits and bread, logs and white marble.

169. Other fiscal measures of the Budget for mobilising domestic resources included : (i) imposition of sales tax @ 10 per cent in powder milk in bulk, (ii) enhancement of excise duty on gas-burnt bricks, (iii) enhancement of duty on medicine, (iv) imposition of duties on pumps, umbrella ribs, bicycle tyre, ball point

pen, televisions for both black and white and coloured sets, (v) enhancement of duty on biris and matches, (vi) increase in capacity duty rate on cinema halls in rural and urban areas, (vii) enhancement of duty on completely knocked-down television from 5 per cent to 10 per cent. Railway fares were increased by 20 per cent for parcels, 10 per cent for goods and 5 per cent for passengers. Besides, passport fees to be charged within the country and that to be collected by Bangladesh Missions abroad have been increased by 50 per cent and 100 per cent respectively. The new tax measures are expected to yield Tk. 196.56 crores.

170. The budget for 1984-85 envisaged total revenue receipts at Tk. 3371.00 crores and total revenue expenditures (non-development) at Tk. 2605.00 crores showing a revenue surplus of Tk. 766.00 crores. The budget estimates for the year were subsequently revised placing the revenue receipts higher by Tk. 106.00 crores at Tk. 3477.00 crores and revenue expenditures larger by Tk. 325.00 crores at Tk. 2930.00 crores, leaving a smaller surplus of Tk. 547.00 crores.

171. The revised budget estimates for 1984-85 showed increased revenue receipts under the following heads: Dividend and profits from Public Financial Institutions (+ Tk.103.54 crores), Stamp (non-judicial) (+ Tk. 26.00 crores), Interest (+ Tk.21.59 crores), Sales tax (+Tk. 20.00 crores), Capital Revenue (+Tk.14.29 crores), Income tax (+Tk.10.00 crores), Transport and Communication (+ Tk. 7.83 crores), Agriculture and Allied Services (+ Tk. 7.42 crores), Telegraph and Telephone (+Tk. 7.41 crores), Registration (+Tk. 7.00 crores), Taxes on Vehicles and Electricity Duties (+Tk. 4.00 crores), General Administration and Services (+ Tk. 1.76 crores) and Estate Duty, Gift and Wealth Tax (+ Tk. 0.10 crore). The above increases in revenue were partly offset by declines in Customs Duties (– Tk. 42.00 crores), Dividend and Profit from Non-Financial Public Enterprises (–Tk. 13.15 crores), Land Revenue (– Tk. 9.70 crores), Irrigation and Navigation etc. (–Tk. 7.50 crores), Railway (– Tk. 6.80 crores), Post Office Department (– Tk. 6.66 crores), Social and Community Service (– Tk. 3.75 crores), Excise Duty (– Tk. 3.50 crores), Economic Services (– Tk. 0.42 crore), Other Taxes and Duties (– Tk. 20.40 crores) and other Non-Tax Revenue (– Tk. 11.06 crores).

172. In the revised budget for 1984-85 increased revenue expenditures were shown under the heads: Subsidy, Grants-in-aid and contributions (+Tk. 160.72 crores), Social and Community Services (+ Tk. 123.53 crores), Pension and Retirement Benefit (+ Tk. 31.98 crores), Defence (+ Tk. 27.66 crores), Education (+ Tk. 22.51 crores), Health and Population Control (+ Tk. 15.28 crores), Agriculture and Allied Services (+ Tk. 12.69 crores), General Administration, Public Order and Safety (+ Tk. 11.50 crores), Interest on Foreign Debt (+ Tk. 10.88 crores), Fiscal Services (+ Tk. 9.84 crores), Water and Energy (+ Tk. 7.98 crores),

Police (+ Tk. 5.64 crores), Transport and Communication (+ Tk. 4.67 crores), General Economic Services (+Tk. 2.78 crores), Administration of Justice (+Tk. 2.65 cores), General Services (+Tk. 2.43 crores), Organs of Government (+Tk. 2.41 crores), Bangladesh Rifles (+ Tk. 1.61 crores), Secretariat (+ Tk. 1.51 crores), Industries and Mining (+ Tk. 0.89 crore) and Foreign Affairs (+ Tk. 0.58 crore). These increases were, however,largely offset by substantial declines in unexpected expenditure (– Tk. 119.51 crores), Interest on Domestic Debt (– Tk. 11.05 crores) and Audit (– Tk. 4.18 crores).

173. The size of the Annual Development Programme (ADP) for 1984-85 which was originally placed at Tk. 3896.00 crores was subsequently revised downward by Tk. 387.58 crores to Tk. 3508.42 crores. In the revised budget, total foreign assistance for financing the ADP was placed at Tk. 2618.00 crores, including Tk. 1561.00 crores under Project Aid, Tk. 965.00 crores under Non-project Assistance and Tk. 92.00 crores under PL-480, EEC etc. Domestic financing for the ADP was revised at Tk. 890.42 crores including revenue surplus of Tk. 547.00 crores, net domestic capital of (–) Tk. 99.58 crores, surplus from food budget of Tk. 240.00 crores and Extra-Budgetary Resources of Tk. 203.00 crores.

Budget Estimates for 1985-86

174. The budget estimates for 1985-86 placed revenue receipts at Tk. 3754.00 crores and expenditures at Tk. 3313.00 crores, thus showing a revenue surplus of Tk. 441.00 crores (excluding Tk. 196.56 crores in new taxes). Of the total revenue receipts, customs duties are estimated to yield Tk. 1160.00 crores, Excise duties Tk. 825.00 crores, Sales tax Tk. 462.00 crores, Income tax Tk. 430.00 crores and Stamps (non-judicial) Tk. 115.00 crores. The non-tax revenue receipts of the budget include Interest Tk. 170.00 crores, Dividend and Profit from Public Financial Institutions Tk. 155.96 crores and Dividend and Profit from Non-Financial Public Enterprises Tk. 85.00 crores. On the expenditures side, Defence accounts for Tk. 501.18 crores and Education Tk. 487.44 crores. Other important allocations include Subsidy, Grants-in-aid and contributions Tk. 383.39 crores, Interest on Domestic Debt Tk. 208.92 crores, Interest on External Debt Tk. 183.67 crores, Social and Community Services Tk. 168.71 crores, Police Tk. 136.67 crores, Health and Population Control Tk. 129.34 crores and unexpected Expenditures Tk. 392.00 crores (including Tk. 300.00 crores for implementation of new pay scales).

175. The size of the Annual Development Programme (ADP) for 1985-86 has been estimated at Tk. 3825.72 crores. This shows an increase of about 9.04 per cent over Tk. 3508.42 crores of revised ADP for 1984-85. Of the total outlay, Tk. 586.95 crores (15%) has been allocated for power, Tk. 473.82 crores (12%) for Industries, Tk. 425.00 crores (11%) for Development of Upazilla Infra-structure,

Tk. 409.49 crores (11%) for Flood Control and Water Resources and Tk. 357.33 crores (9%) for Self-finance Schemes of Autonomous Bodies. Allocations for Transport, Agriculture, Natural Resources, Education and Religion, Population and Family Planning and Rural Development stood at Tk. 274.71 crores (7%), Tk. 218.80 crores (6%), Tk. 196.66 crores (5%), Tk. 165.13 crores (4%), Tk. 128.74 crores (3%) and Tk. 100.92 crores (3%) respectively. An amount of Tk. 488.17 crores (13%) has been allocated for other sectors. The Annual Development Programme for 1985-86 envisages a total foreign assistance of Tk. 3209.00 crores or 83.88 per cent of the total outlay as against 74.62 per cent in the revised ADP for the previous year.

Fiscal Measures

176. Some of the important tax measures for 1985-86 are as under:

Customs and Excise Duties:

i) The concessionary duty rates for machineries which were 2.5 per cent for the less developed areas and 15.0 per cent for the developed areas have been realigned at 2.5 per cent, 10.0 per cent and 20.0 per cent for the least developed, less developed and developed areas respectively. At the same time, the procedure of customs clearance of such goods has been simplified and liberalised.

ii) Duty on standby generator for power supply has been reduced from 20.0 per cent to 2.5 per cent.

iii) Duties on telescope, microscope and parts thereof have been unified at the lower rate of 20.0 per cent from the previous rates of 20.0 per cent, 50.0 per cent and 100.0 per cent respectively.

iv) Duties on electronic calculator, English typewriter, duplicating machine and parts thereof have been reduced to 20.0 per cent and 50.0 per cent from 50.0 per cent and 100.0 per cent respectively.

v) Cars run on petrol have been brought within the purview of concessionary rate of 50.0 per cent customs duty when used as taxi-cabs. Further, petrol-run taxi-cabs have been made sales tax free.

vi) Duty reductions have been made in the cases of : shoe from 150.0 per cent to 50.0 per cent, filter paper cut-to-size from 150.0 per cent to 100.0 per cent, button blank from 50.0 per cent to 20.0 per cent, fire bricks, lining and reflectory articles from 150.0 per cent to 50.0 per cent, bleached merc-erised sewing thread in hanks from 50.0 per cent to 20.0 per cent and watches imported in completely knocked-down condition from 100.0 per cent to 50.0 per cent.

vii) Customs duty and sales tax on equipments required for conversion to gas system, such as, carburattor mixture, cylinder and compressor have been completely withdrawn, subject to the fulfilment of certain conditions.

viii) Duty on completely knocked-down television sets has been enhanced from 5.0 per cent to 10.0 per cent.

ix) Duty on motor-cycles imported in completely knocked-down condition has been unified at the higher rate of 10.0 per cent from 5.0 per cent and 10.0 per cent earlier.

x) Duty on grey portland cement has been increased from 5.0 per cent to 20.0 per cent. The existing 10.0 per cent sales tax on the item has, however, been withdrawn.

xi) Duty on pumps has been raised from 50.0 per cent to 100.0 per cent, on umbrella ribs from 75.0 per cent to 100.0 per cent, on bicycle tyre from 100.0 per cent to 150.0 per cent, on ball point pen from 50.0 per cent to 100.0 per cent, on televisions from 50.0 per cent to 75.0 per cent and from 75.0 per cent to 100.0 per cent on black and white and coloured sets respectively.

xii) Regulatory duty equal to 25.0 per cent of the statutory rates shall be imposed in addition to the normal duty, on items (with waiver in exceptional cases) which are not permissible for import under Import Policy for 1984-85 but will become importable in the Import Policy for 1985-86.

xiii) Gift items, under Baggage Rules would be allowed duty free. Apart from gift items, no other articles can be brought under the Baggage Rules free of duty.

xiv) Exemption of 20.0 per cent excise duty on gas price.

xv) Excise duty on biris has been fixed at Tk. 14.80 per thousand sticks in place of the existing Tk. 13.20 per thousand sticks.

xvi) Duty on match has been raised from Tk. 3.00 to 5.00 per gross.

xvii) Duty on medicine has been raised from 5.0 per cent to 10.0 per cent.

xviii) Excise duty on gas burnt bricks has been enhanced to Tk. 100.00 per thousand bricks from Tk. 20.00 and Tk. 25.00.

xix) In case of cinema halls, the capacity duty rates for rural and urban areas have been enhanced from 5.0 per cent to 10.0 per cent and from 10.0 per cent to 20.0 per cent respectively.

xx) With a view to bringing more small-scale industries within the exemption limit, the upper limits of exemption on capital investment and the number of employees have been refixed from Tk. 50,000 to Tk. 1,00,000 and from 10 persons to 15 persons respectively.

xxi) Excise duty on manually made bus body has been withdrawn.

Export Duty :

i) Export duty on tea has been withdrawn.

ii) Export duty on wet blue leather has been merged into a single rate of 5.0 per cent from the three rates of 2.5 per cent, 5.0 per cent and 10.0 per cent.

Sales Tax:

i) Sales tax @10.0 per cent on powder milk in bulk has been imposed.

ii) Sales tax on vessels for breaking up and scraps waste has been reduced from the existing 20.0 per cent to 10.0 per cent.

iii) Sales tax from ingot and slab ingot, B.P. sheets, billets, identifiable tractor parts, sodium dichromate imported by manufacturers of basic chrome sulphate, ECG recording paper, slide rule, geometry and biology boxes, coaster, petrol taxi-cabs, grey port-land cement and second hand blanket has been completely withdrawn.

Income Tax:

i) The exemption limit of income tax has been raised from Tk. 20,000.00 to Tk. 30,000.00.

ii) The limit for compulsory submission of the statement of assets, liabilities and expenses has also been enhanced from Tk. 50,000.00 to Tk. 80,000.00.

iii) The highest tax rate of 30.0 per cent has been lowered to 25.0 per cent in respect of registered firms.

iv) Limit of income for self-assessment scheme has been raised to Tk. 1,25,000.00 from the existing Tk. 1,00,000.00

v) Provision has been made for rebate of 25.0 per cent of tax attributable to income from passenger buses and launches.

vi) Capital gain arising from transfer of land or building towards equity of a new industrial company has been exempted from tax.

vii) Capital gain arising out of a process of transformation of a firm into a company has also been exempted from tax.

viii) The exemption limits of dividend and interest income from bank deposits have been raised from Tk.5,000.00 to Tk.15,000.00.

Land Revenue:

i) The tax of Tk. 60.00 per decimal has been raised to Tk. 100.00 in respect of land used for industrial and commercial purpose in 29 specified Upazillas of Dhaka, Chittagong and Khulna.

ii) The tax of Tk. 12.00 per decimal has been raised to Tk. 20.00 per decimal in respect of land used for residential and other purposes.

iii) The land development tax on non-agricultural land in the municipal areas of old district towns and other areas has been raised by 50.0 per cent to 100.0 per cent according to use.

Other Fees/Taxes/Fares:

i) Passport fees to be charged within the country and that to be collected by Bangladesh Missions abroad have been increased by 50.0 per cent and 100.0 per cent respectively.

ii) The Airport fees have been fixed at the following rates:

		Hall	Gallery
(a)	Dhaka	Tk. 10.00	Tk. 5.00
(b)	Sylhet and Chittagong	Tk. 5.00	Tk. 2.00

iii) Railway fares have been enhanced by 5.0 per cent, 10.0 per cent and 20.0 per cent for passengers, goods and parcels respectively.

iv) The price of copy stamps has been raised to Tk. 2.00 from the existing price of Tk. 0.40.

v) Payment of stamp duty has been exempted on transfer of land owned by entrepreneurs by way of equity participation only to a limited company incorporated for setting up industry.

Government Borrowings

177. Government of the People's Republic of Bangladesh introduced a "Two-Year Special Treasury Bond" for sale to the individuals, public and private sector organisations including banks with effect from January 19, 1984 and sold upto July 31, 1984. Against these Bonds, an amount of Tk. 12,68,500.00 was encashed during the year leaving a balance of Tk. 272,17,17,091.20 as on June 30, 1985 as against Tk. 266,36,70,747.88 as on June 30, 1984.

178. The outstanding against the 11.0 per cent Government of Bangladesh Loan, 1992 floated in October, 1982 remained at the last year's level of Tk. 63.75 crores as on June 30, 1985.

179. The three-month Government Treasury Bills @ 9.0 per cent discount per annum stood as on June 30, 1985 at the same level of Tk. 57.03 crores as on June 30, 1984. These Bills were due to be redeemed on maturity in August, 1985.

180. The Special Treasury Bills @ 9.0 per cent discount per annum offered for sale on 21st June, 1976 to non-bank institutions stood as on June 30, 1985 at the same level of Tk. 4,82,80,000.00 as on June 30, 1984.

181. Government has accepted the liabilities of 5.0 per cent Income Tax Bonds of the erstwhile Pakistan Government held by Bangladeshi Nationals and institutions, which have been revalidated and the outstanding stood at Tk. 75,71,650.00 as on June 30, 1985, the same level as on June 30,1984.

182. The amount of G.P. Notes/Stocks Certificate including 5.0 per cent 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. 4,31,10,600.00 as on June 30, 1985 as against Tk. 5,85,32,400.00 as on June 30, 1984.

183. The amount of 5.0 per cent 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. 13,18,10,535.50[R] as on June

R = Revised.

30, 1985 as against Tk. 13,18,10,668.83 as on June 30, 1984. Out of this, payment of maturity value payable in instalments from July 1, 1979 has been made for a total of Tk. 12,77,87,699.44 upto June 30, 1985 as against Tk. 11,85,11,786.15 as on June 30, 1984. The outstanding balance as at the end of June, 1985 was Tk. 40,22,836.06 as against Tk. 1,32,98,882.68 at the end of June, 1984.

184. The amount of 8.0 per cent Savings Bond issued by the Government of the People's Republic of Bangladesh against 100-Taka demonetised Notes stood at Tk. 1,83,36,400.00 as on June 30, 1985 as against Tk. 1,82,22,900.00 as on June 30, 1984. Out of this, maturity value payable from April 10, 1982 has been made for a total of Tk. 1,67,34,600.00 leaving a balance of Tk. 16,01,800.00 as on June 30, 1985 as against Tk. 18,05,500.00 as on June 30, 1984.

Bangladesh Savings Certificates and Bangladesh Sanchaya Patras

185. The net outstanding of both Bangladesh Savings Certificates and Bangladesh Sanchaya Patras sold through banks stood at Tk. 17,29,99,290.00 as on June 30, 1985 as against Tk. 17,07,337.00 as on June 30, 1984. The net sale of Bangladesh Sanchaya Patras through Post Offices stood at (–) Tk. 2.86 crores during 1984-85 as compared to (–) Tk. 0.21 crore during 1983-84.

Pratirakkha Sanchaya Patras

186. The net sale of Pratirakkha Sanchaya Patras through the banking sector amounted to Tk. 1,99,78,79,463.00 as on June 30, 1985 as against Tk. 1,63,60,34,574.00 as on June 30, 1984. Sale and enchashment of Pratirakkha Sanchaya Patras during the year under report were Tk. 47,90,71,949.00 and Tk. 11,72,27,060.00 respectively. The net sale of Pratirakkha Sanchaya Patras through Post Offices stood at Tk. 0.51 crore during 1984-85 as compared to Tk. 0.87 crore during 1983-84.

Bonus Sanchaya Patras

187. The net sale of Bonus Sanchaya Patras through the banking sector amounted to Tk. 13,67,81,816.00 as on June 30, 1985 as against Tk.10,90,85,806.00 as on June 30, 1984. Sale and encashment of Bonus Sanchaya Patras during 1984-85 were Tk. 4,37,06,510.00 and Tk. 1,60,10,500.00 respectively. The net sale of Bonus Sanchaya Patras through Post Offices stood at Tk. 0.39 crore during 1984-85 as against Tk. 0.19 crore during 1983-84.

5-Year Bangladesh Sanchaya Patras

188. The net sale of 5-year Bangladesh Sanchaya Patras through the banking sector amounted to Tk. 10,97,01,521.00 as on June 30, 1985 as against Tk. 4,47,25,121.00 as on June 30, 1984. Sale and encashment of 5-year Bangladesh Sanchaya Patras during the year under report were Tk. 7,87,35,460.00 and Tk. 1,37,59,060.00 respectively. The net sale of 5-year Bangladesh Sanchaya Patras through Post Offices stood at Tk. 0.37 crore during 1984-85 as against Tk. 0.38 crore during the previous year.

Bangladesh Prize Bonds

189. The 10-Taka Bangladesh Prize Bonds Scheme introduced in June, 1974 continued during the year. Progressive net sale of Prize Bonds amounted to Tk.14,59,08,950.00 as on June 30,1985 as compared to Tk.11,97,70,620.00 as on June 30, 1984. Forty three series of Prize Bonds namely English A, B, C, D, E, F, G, H, J, K, L, M, N, P, Q, R, S, T, U & V and Bengali series KA, KHA, GA, GHA, UMA, CHA, CHHA, JA, JHA, YEUO, THA, DA, DHA, THA, DA, NA, PA, FA, BA, MA, LA, SHA, SHHA have been put on sale upto 30th June,1985. Sixty two 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

190. A scheme for sale of Prize Bonds and different types of Sanchaya Patras was introduced in the United Arab Emirates (UAE) in November, 1979 and in the U.K. in October, 1980 through Janata Bank and Sonali Bank respectively. Upto June 30, 1985, Prize Bonds and Sanchaya Patras worth Tk. 4,10,350.00 and Tk. 1,01,600.00 respectively were sold to Bangladeshi Wage Earners living in the U.A.E. and U.K.

Wage Earners' Development Bonds

191. With a view to further augmenting the sale of Wage Earners' Development Bonds, the Government amended the Wage Earners' Development Bond Rules, 1981 on June 13, 1984. The amendments provided, interalia, 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. 17,40,13,000.00 as on June 30, 1985 as against Tk. 11,55,47,000.00 as on June 30, 1984. Out of these, payment of surrender value has been made for a total of Tk. 72,81,000.00 leaving a balance of Tk. 16,67,32,000.00 as on June 30, 1985 as against Tk. 11,48,59,000.00 as on June 30, 1984.

CHAPTER X

INTERNATIONAL ECONOMIC COOPERATION AND INVESTMENT PROMOTION

INTERNATIONAL ECONOMIC COOPERATION AND INVESTMENT PROMOTION

192. The success of developing countries' efforts to promote growth of their own economies and improve quality of life of their people depends to a great extent on coherent international economic cooperation in various fields. Keeping in view the value of such international cooperation Bangladesh participated in a good number of international conferences/meetings of the Commonwealth, ESCAP, IDB, OIC, UNCTAD etc., during 1984-85.

193. Since her joining as a member of the Commonwealth in April, 1972, Bangladesh has been playing active role in all Commonwealth programmes and activities and the country is drawing substantial benefits from the Commonwealth Fund for Technical Cooperation (CFTC) and a number of other programmes. The country's representation at the highest level in the last 5 Commonwealth Summit Conferences as well as the Commonwealth Heads of Governments, Regional Meetings in 1978, 1980, 1982 and 1984 were apprecied. Bangladesh actively participated in the last Commonwealth Finance Ministers' and Senior Finance Officials meetings held in Toronto, Canada in September, 1984. In the meeting the Ministers desired that the international financial institutions play a more significant role in the debt crisis. Recognising the importance of assistance in formulating appropriate adjustment policies, Ministers called upon the IMF to maintain a flexible approach. In this context, the IMF was invited to pay greater attention to the Extended Fund financing. Most of the Ministers supported an immediate and substantial allocation of SDRs particularly in view of the desirability of restoring developing countries' reserves to adequate levels. The Ministers also expressed their continued support for the CFTC. The CFTC's support to the member countries was confirmed at the 30th meeting of the Board of Representatives held on 18th September, 1984. In the meeting, pledges totalling £23 million were made for 1984-85 under the CFTC. The 4th summit meeting of the Heads of Government of Commonwealth countries in Asia and Pacific was held at Port Moresby, Papua New Guinea on August 8, 1984.

194. Assistance to Bangladesh under CFTC has been gradually expanding. Bangladesh Officials are being trained under its Education and Training Programme. Earlier, CFTC provided financial support for visit of trade Missions from Bangladesh to EEC and other countries. CFTC experts also helped the Bangladesh Parjaton Corporation in the development of tourism and streamlining

of financial management, provided training facilities and sponsored workshops for the officers of the BRDB, BFIDC, NBR, Planning Commission, BSCIC, Ministries of Agriculture, Commerce, Industries, Establishment, Communications, Port, Shipping and IWT, and Education. Apart from these, CFTC provided 18 training facilities in 15 fields during 1984-85 as against 23 training facilities in 19 fields during the preceding year.

195. The 29th and 30th sessions of the Trade and Development Board (TDB) under UNCTAD were held in Geneva during September 10-12,1984 and March 18-29, 1985 respectively. Bangladesh participated in both the meetings. Although no agreement could be reached on the substantive issues submitted to the Board for action in the 29th session, the following important topics were discussed in the 30th session of the TDB : (a) the interdependence of problems of trade and development finance of the international monetary system, (b) the debt problems of the poorer developing countries and, in particular, the least developed countries, and (c) protectionism and structural asjustment. Regarding protectionism and structural adjustment, the TDB approved a resolution that reaffirmed earlier commitments by the developed countries to a standstill and rollback of protectionist measures and the granting of preferential treatment to developing countries. It also approved a resolution on services which authorised the UNCTAD Secretariat to assist interested member countries in their analysis of the role of services in their economies.

196. Bangladesh also participated in the forty-first session of Economic and Social Commission for Asia and the Pacific (ESCAP) held in Bangkok during March 19-29, 1985. The Commission reviewed the development of the ESCAP region in the economic field and implementation of International Development Strategy and Substantial New Programme of Action. Bangladesh actively participated in the session in which some issues relating to improvement of the technological capabilities of developing countries in the ESCAP region were also discussed.

197. The Substantial New Programme of Action (SNPA) which was adopted by consensus in 1980 was endorsed by the UN General Assembly in its resolution 36/194 of December 17, 1981. The SNPA, inter-alia contains a programme of action aimed at transforming the economies of the least developed countries and enabling them to provide internationally accepted minimum standard of nutrition, health, housing, education, transport and communication facilities to their people. The main objectives of the SNPA are :

a) to promote the structural changes necessary to overcome the least developed countries extreme economic difficulty;

b) to provide fully adequate and internationally accepted minimum standards for the poor;
c) to identify and support major investment opportunities and priorities; and
d) to mitigate, as far as possible, the adverse effects of natural disasters.

198. As per the UN resolution, a high level meeting of the Inter-governmental Group on the Least Developed Countries will be convened in Geneva from September 30 to October 11, 1985 to carry out the Mid-term Global Review of SNPA. Several preparatory meetings at regional and international levels for the Mid-term Review have already taken place. In the ESCAP Region, a high level meeting was held in Bangkok in January, 1985. The 5th Meeting of the Conference of Ministers of African LDCs held at Addis Abbaba in April, 1985 adopted a Memorandum on the Mid-term Review of SNPA in Africa. The 3rd Meeting of Multilateral and Bilateral Financial and Technical Financial Assistance Institutions with Representatives of LDCs which was held in Geneva in May, 1985 compiled a set of agreed conclusions on the forms and quality of external assistance to meet the specific needs of the LDCs. Bangladesh is also taking keen interest in all SNPA activities and always favoured the international support measures for the LDCs under the programme.

199. The sixth Meeting of the Governors of Central Banks and Monetary Authorities of the Member States of the Organisation of the Islamic Conference (OIC) was held in Dhaka on February 4-5, 1985. At the invitation of the Government of Bangladesh delegates from 42 Member-States attended the meeting. In the meeting Bangladesh submitted a report on the World Economic Situation with special reference to OIC countries. This report reviewed in brief the economic situation of the Islamic World and the trade relations of Bangladesh with other OIC members. In the Meeting Bangladesh particularly drew attention to her enormous need for increased and sustained flow of assistance from abroad and suggested that there should be a consolidated bond of aid relationship between Bangladesh and other surplus OIC countries as in the case of several other low income OIC countries. In addition, two reports, one on "Capital Market" and the other on "Export and Refinancing Mechanism", were examined. Regarding the paper on "Capital Market" Bangladesh proposed the issue of an International Investment Bond in 1985. Formation of a Task Force was also proposed to determine the modalities and terms and conditions of the Bond. Bangladesh supported the recommendations of the report on "Regulation and Guidelines on Promotion, Establishment and Supervision of Islamic Banks" which was included as one of the agenda items of the meeting. With regard to payments arrangement among the member states of the OIC, a report on "Technical Aspect and Possible Benefits of Multilateral Islamic Clearing Unions" was also discussed in the meeting.

200. In the 9th Annual Meeting of the Islamic Development Bank which was also held in Dhaka on February 2-3, 1985, the issue of Export Refinance Scheme was given priority. It was suggested to strengthen the existing trade financing scheme of IDB rather than to have separate financing mechanism.

201. Wages Earners' Remittances of the Bangladeshi nationals serving in the Middle East and other contries have been providing substantial cushion to the meagre foreign exchange reserves of the country in the past few years. Although overseas employment for Bangladeshi workers showed an increasing trend till 1982, the demand appeared to have slackened in the subsequent years. This is indicated by the number of total employment which declined from 62,762 in 1982 to 59,220 in 1983 and further to 56,754 in 1984. This decline in demand is attributed mainly to the curtailment of development projects in the Middle Eastern countries due to declining oil prices. The employment during the first six months of 1985 was, however, higher than the proportionate employment figures in 1982, 1983 and 1984 due mainly to increased demand for workers from Iraq and Iran. The overseas employment situation may improve further consequent upon the signing of an agreement on May 26, 1985 between the Government of the People's Republic of Bangladesh and the Government of Malaysia regarding the possibility of recruitment and employment of Bangladeshi workers in Malaysian Plantation firms.

202. The following table shows year-wise total employment abroad of Bangladesh nationals alongwith corresponding remittances for the period from 1976 till June, 1985.

YEAR-WISE EMPLOYMENT ABROAD OF BANGLADESH NATIONALS FROM 1976 TO JUNE, 1985

(Taka in crores)

Period (Calendar Year)	Type				Total Number	Remittances of Wage Earners Abroad
	Professional	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	12,301	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	20,611	3,272	34,981	62,762	1,136.24
1983	1,822	18,939	5,098	33,361	59,220	1,568.37
1984	2,642	17,183	5,484	31,445	56,754	1,268.18
1985(upto June)	1,751	13,043	3,255	1,070	36,119	588.97
Grand Total :	**25,271**	**1,27,833**	**25,669**	**1,91,548**	**3,70,321**	**6,267.51**

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

CHAPTER XI

BALANCE OF TRADE AND PAYMENTS

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Balance of Trade

203. The balance of trade of the country showed deterioration during 1984-85. Deficit on the Merchandise Account (i.e., visible exports less visible imports) during the year increased to Tk. 4352.7 crores from Tk. 3817.8 crores in 1983-84 due to larger imports. Imports during 1984-85 stood at Tk.6873.8 crores which was Tk.1004.5 crores(17.1%)higher than those during the preceding year. Of the total, imports financed by cash (including POL imports), Barter and Special Trade, Wage Earners' Scheme, Loans/Credits and Grants amounted to Tk. 1908.8 crores (27.8%), Tk. 183.6 crores (2.7%), Tk. 1806.5 crores (26.3%), Tk. 1330.0 crores (19.3%) and Tk. 1644.9 crores (23.9%) respectively. Long term loans/credits received from Foreign Governments/Institutions etc. were utilised for imports under food (Tk. 499.7* crores), non-food project (Tk. 604.2 crores) and non-food non-project (Tk. 226.1 crores). Food and non-food imports under Grants during 1984-85 stood at Tk. 628.4 crores and Tk. 1016.5 crores respectively. Import payments under major heads during 1983-84 and 1984-85 are shown below :

MERCHANDISE IMPORTS

Commodity/Year	1983–84		1984–85	
	In crore Taka	In million $	In crore Taka	In million $
1. Food grains	992.7	398	1216.3	468
a) Rice	(175.0)	(70)	(220.7)	(85)
b) Wheat	(817.7)	(328)	(995.6)	(383)
2. Edible Oil & Oil Seeds	239.4	96	431.0	166
3. Petroleum Crude and Petroleum Products	907.1	364	887.4	342
4. Cotton	173.9	70	142.5	55
5. Textile Yarn	111.2	45	110.9	43
6. Fertilizers	197.2	79	264.4	102
7. Chemicals	253.1	101	322.1	124
8. Cement	60.6	24	136.9	53
9. Capital Goods	1559.9	625	1616.5	622
10. Others	1374.2	551	1745.8	672
Total:	**5869.3**	**2353**	**6873.8**	**2647**

* Including deferred payments.

Note: In terms of U.S. dollar, imports during 1984-85 increased by $ 294 million or 12.5% (from $ 2353 million in 1983-84 to $ 2647 million).

204. Receipts[@] from exports rose from Tk. 2051.5 crores in 1983-84 to Tk. 2521.1 crores in 1984-85. In terms of Taka, export receipts increased by Tk469.6 crores or 22.9% while in terms of U.S.dollar the same denoted an increase of $ 149 million or 18.1% to $971 million during the year. Export earnings from raw jute and jute goods during the year stood at Tk. 381.9 crores (15.1%) and Tk. 1089.6 crores (43.2%) respectively. Receipts under the major heads during 1983-84 and 1984-85 are shown in the following table :

EXPORT RECEIPTS

(Taka in crores)

Commodity/Year	1983-84	1984-85
1. Raw Jute	276.9	381.9
2. Jute Goods	884.3	1089.6
3. Tea	181.5	147.1
4. Leather	186.5	219.3
5. Fish, Shrimps and Frog Legs	232.1	258.4
6. Naptha, Furnance Oil and Bitumen	64.6	43.8
7. Readymade Garments	84.1	275.7
8. Others	141.5	105.3
Total:	**2051.5**	**2521.1**

205. The Services Account (i.e., invisible receipts less invisible payments) showed a larger deficit of Tk. 93.2 crores during 1984-85 as compared with the deficit of Tk. 82.3 crores during 1983-84. The increase in deficit on the Services Account during 1984-85 occurred mainly due to higher interest payments on long-term loans and increased payments under the head "Travel".

Balance of Payments

206. The overall balance of payments showed a deficit of Tk. 260.0 crores during 1984-85 as against a surplus of Tk. 584.6 crores during 1983-84. The deterioration in the overall balance was due mainly to increased deficit in the trade balance, smaller receipts under unrequited transfers and increased debt repayments. Receipts under unrequited transfers decreased from Tk. 3217.1 crores in 1983-84 to Tk. 2861.9 crores in 1984-85, of which net receipts under "official transfers" and "private transfers" stood at Tk. 1828.2 crores and Tk. 1033.7 crores respectively. Net capital inflow during the year was Tk. 1208.8 crores as compared to Tk. 1166.4 crores during 1983-84.

207. The convertible foreign exchange reserves held by Bangladesh Bank declined from Tk. 1360.4 crores ($ 540 million)* at the end of June, 1984 to

@ Source : Bangladesh Bank (based on Exchange Control Records).
* Including Reserves with the IMF.

Foreign Exchange Reserves

Tk.1117.6 crores ($ 399.0@ million) as on June 30, 1985. The decline in foreign exchange reserves during the year under report occurred despite the drawing of $ 54.95 million under the compensatory Financing Facility from the IMF.

Terms of Trade

208. The commodity as well as the income terms of trade of the country showed improvement during 1984-85 due mainly to a rise in the prices of our exports, supported by a slight fall in import prices. 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

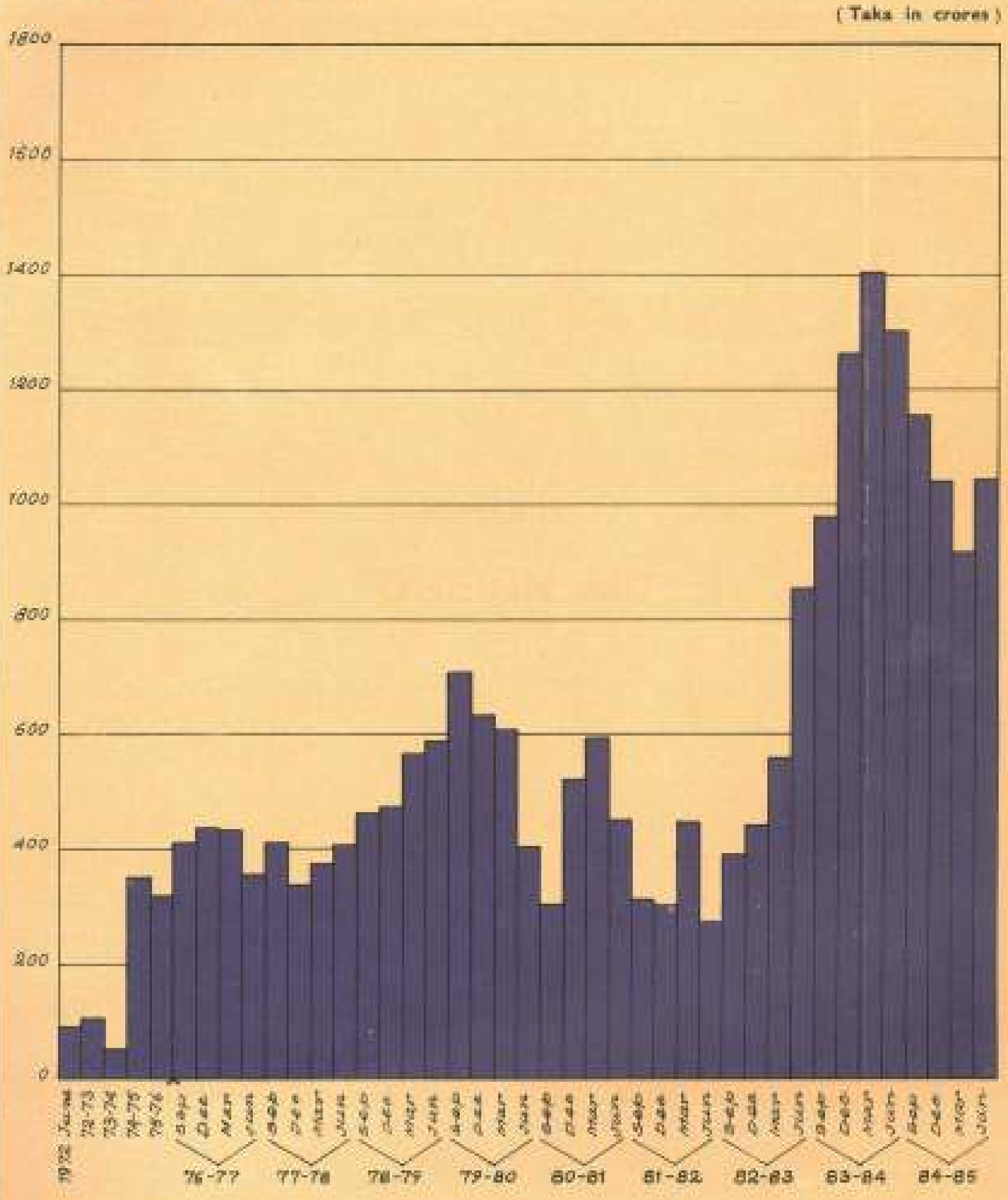
(Base : 1975 - 76=100)

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	253.27	210.82	120.14	127.66	153.37
1984-85	326.35	202.08	161.50	114.24	184.50

209. 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 since 1982-83 due mainly to a gain in commodity terms of trade although some increase in export volume also partly accounted for it. The improvement in income terms of trade during the year 1982-83 compared to the preceding year was due to increases both in commodity terms of trade and in export volume index. Despite decline in the volume of exports, the commodity as well as income terms of trade recorded substantial improvement in 1983-84 and 1984-85 as a result of continued increase in the export price index.

@ Including Reserves with the IMF.

FOREIGN EXCHANGE RESERVES



CHAPTER XII

FOREIGN AID

FOREIGN AID

210. Foreign aid commitment by donor countries to Bangladesh during 1984-85 amounted to $1,971 million which was16.28 per cent higher than $ 1,695 million in 1983-84. Total commitment of foreign aid since independence till the end of June, 1985 thus stood at $ 18,225 million of which $ 8,406 or 46.12 per cent represented grants. Total disbursement of aid since independence till June, 1985 stood at $ 12,870 million or 70.62 per cent of total commitment. Total outstanding external debt as on June 30, 1985 amounted to $ 8,338 million as compared with $ 7,181 million at the end of June, 1984.

211. Disbursement of foreign aid at $ 1,267 million during 1984-85 was 0.08 per cent lower than the level of $ 1,268 million in 1983-84. Food aid at $ 244 million was 11.91 per cent lower than $ 277 million in the preceding year. Disbursement of commodity aid at $ 432 million during the year was 1.59 per cent lower as compared to $ 439 million in the previous year. Disbursement of project aid at $ 591 million in 1984-85 was 7.06 per cent higher than the previous year's level of $ 552 million. The disbursement of foreign aid during 1984-85 alongwith the comparative figures of previous years are shown in the table below :

DISBURSEMENT OF FOREIGN AID

(Million U.S. Dollar)

Category	Year				
	1980-81	1981-82	1982-83	1983-84	1984-85
Food Aid	194	231	256	277	244
Commodity aid	393	421	452	439	432
Project Aid	560	584	638	552	591
Total	**1147**	**1236**	**1346**	**1268**	**1267**

212. The figures in the above table refer to gross foreign aid disbursement. Repayment of foreign aid (excluding repurchases in respect of drawings from the IMF) made by Bangladesh during 1984-85 stood at $ 110 million. This was in addition to the interest payment of $ 71 million during the year. Thus the net inflow of foreign aid into the country during 1984-85 amounted to $ 1,086 million.

CHAPTER XIII

TRANSACTIONS WITH IMF

TRANSACTIONS WITH IMF

213. Bangladesh purchased a total of SDR 54.95 million from the International Monetary Fund during 1984-85 under the Compensatory Financing of Fluctuations in the Cost of Cereal Imports. An amount of SDR 3.30 million was also received by Bangladesh as interest rate subsidy for drawing under the Supplementary Financing Facility.

214. During the year 1984-85, Bangladesh made the following repurchases amounting to SDR 71.05 million in respect of earlier purchases from the Fund.

Type of Facilities	Year of Purchase	Amount of Repurchase (in million SDR)
1. Stand-by Arrangement	1979-80	24.63
2. Supplementary Financing Facility	1980-81	27.51
3. Extended Fund Facility	1980-81	4.75
4. Trust Fund	1978-79	14.16
	Total: SDR	71.05

215. As a result of these transactions, the outstanding drawings of Bangladesh from the International Monetary Fund stood at SDR 492.08 million at the end of June 1985 as compared with the balance of SDR 508.18" million at the end of June, 1984. In addition, Bangladesh paid SDR 32.0 million as service charges to the IMF during the year under report.

R - Revised

CHAPTER XIV

TRADE POLICY

TRADE POLICY

Export Policy and Target

216. The trade policy for 1984-85 was designed to meet the increased need of foreign exchange earnings to pay for the country's expanding import bills. Thus emphasis was placed on diversification and expansion of exports as well as improvement of bilateral trade relations with friendly countries. Export target for the year was fixed at Tk. 2238.00 crores showing an increase of 27.89 per cent over the target of Tk. 1750.00 crores in the preceding year. Total export value@ of Tk. 2409.72 crores during the year exceeded the target by 7.67 per cent. The improved performance of the export sector during 1984-85 was attributable to export development measures at home and a substantial increase in the prices of major traditional export goods in the international market. The export price index is estimated to have increased by about 22.02 per cent while the export volume decreased by 7.36 per cent during the year.

217. In order to expand the export base of non-traditional items, a series of product and supply development measures were spelled out in the export policy for 1984-85. Some of these were:(i) reduction of interest rate on export credit from 9.0 per cent to 7.0 per cent on the earnings from non-traditional exports beyond target;(ii) allocation of 60 per cent XPL to garment industries producing exportable garments by using locally made cloth; (iii) provision of a new slab of 100 per cent in the XPL list for export of certain commodities having high export potential; (iv) reduction of licence fee from Tk. 10,000 to Tk. 1,000 in order to liberalise the export of jute carpet; (v) imposition of restriction on 100 per cent foreign/joint investment in respect of production of pant, shirt, jacket and knitwear in the country (including Export Processing Zone); (vi) provision of entertaining the first application for export credit of small and new exporters; and (vii) withdrawal of ad-valorem excise duty on packet tea and extension of 100 per cent XPL on the same.

Export Earnings

218. Total export value of Tk. 2409.72 crores during 1984-85 were 21.08 per cent higher than that of Tk. 1990.19 crores during 1983-84. Exports of raw jute, jute goods, frozen food and ready-made garments which contributed about 79.72 per cent of the total exports, exceeded their respective targets. Of the total exports, the share of raw jute and jute goods amounted to Tk. 390.00 crores (16.18%) and Tk. 1006.12 crores (41.75%) as against exports worth Tk. 287.59 crores (14.45%) and Tk. 876.04 crores (44.02%) respectively during 1983-84. The value of tea export stood lower at Tk. 156.07 crores during 1984-85 as compared to Tk. 169.09 crores in the preceding year. Frozen food and tanned and semi-tanned leather

@Source : Export Promotion Bureau

fetched Tk. 224.52 crores and Tk. 178.02 crores respectively during the year. Earnings from ready-made garments picked up substantially from Tk. 77.48 crores in 1983-84 to Tk. 300.36 crores in 1984-85. Earnings from other items amounted to Tk. 154.63 crores during 1984-85 as compared with Tk. 181.84 crores during 1983-84.

Import Policy

219. The import policy for 1984-85 envisaged a total allocation of Tk. 4351.00 crores which was higher by Tk. 841.00 crores or 23.96 per cent than the allocation of Tk. 3510.00 crores for 1983-84. Of the total allocation, Tk. 1675.00 crores (38.50%) were to be financed from the country's own foreign exchange earnings. Commodity aid, Wage Earners' Scheme and Barter/STA System were to provide Tk. 676.00 crores (15.54%), Tk. 1800.00 crores (41.37%) and Tk. 200.00 crores (4.60%) respectively.

220. To make the import policy for 1984-85 more realistic, liberal and production-oriented, a number of steps were taken. Some of these are : (i) simplified provision for import of those necessary items which were neither produced locally nor incorporated in the previous Import List ; (ii) provision for increased allocation to private sector with a view to enabling it play more effective role in achieving a self-reliant economy ; (iii) inclusion of pharmaceutical and export-oriented industries in the priority list ; (iv) decision to import technology in the shape of bringing synthesiser machine with its design and sample ; (v) decision to discontinue the issuance of permit by CCI & E against import under WES and replacing it by LCA system ; (vi) allowing import of complete capital machinery by wage earners working abroad without L/C by direct remittance ; and (vii) decision to liberalise 25 items, restrict 8 items and ban 13 items.

Import Licences

221. As against the total allocation of Tk. 4351.00 crores, value of licences issued during 1984-85 stood at Tk. 4104.80@ crores. This compared with licences issued worth Tk. 3515.91 crores during 1983-84. Of the total value of licences issued during the year, Tk. 1616.75 crores were financed from cash foreign exchange resources, Tk. 138.12 crores under Barter and Tk. 1718.63 crores and Tk. 631.30 crores under Wage Earners' Scheme and Commodity Assistance respectively. The sectoral shares in the licences issued were as follows :- commercial importers : Tk. 792.89 crores ; industrial consumers (private): Tk. 1175.98 crores ; sector corporations : Tk. 391.76 crores ; POL : Tk. 1144.34 crores ; XPL : Tk. 550.51 crores and TCB : Tk. 49.32 crores.

222. Total value of merchandise imports** (including food and imports under project aid etc. but excluding imports made through land customs) during 1984-85

@ Source : C. C. I & E.

** Source : Bangladesh Bureau of Statistics.

Value of Imports

stood at Tk. 5481.44* crores as compared with Tk. 3852.91 crores during 1983-84. Of the total imports during the year, the share of food and live animals stood at Tk. 941.83 crores ; crude materials and inedibles except fuels Tk. 306.74 crores; mineral, fuels, lubricants and related materials Tk. 457.47 crores; animal and vegetable oils and fats Tk. 421.94 crores ; chemicals, drugs and medicines Tk. 697.59 crores; manufactured goods classified chiefly by materials Tk. 1423.22 crores ; machinery and transport equipments Tk. 1024.67 crores and other Tk. 207.98 crores.

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* 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

223. Bangladesh signed 9 (nine) new trade agreements with other countries during 1984-85, as compared to 5 (five) agreements signed during the preceding year. Of the agreements signed during 1983-84, the one with Poland (Barter No. 6) which became effective from May 31, 1984 will remain valid upto December 31, 1985, the agreement with Bulgaria (Barter No. 10) effective from January 27, 1984, will remain valid upto December 31, 1985, the agreement with Czechoslovakia (Barter No. 8) effective from April 20, 1984 will remain valid upto December 31, 1985. Barter Protocol No. 7 with China effective from December 29, 1983 remained valid upto June 30, 1985 while TCB-COMTRADE STA will remain valid upto September 30, 1985. Under the agreements signed during 1984-85 as listed below, exports from Bangladesh consisted mainly of raw jute, jute goods, crust and finished leather, hides and skins, goat skins, wet blue leather, tobacco and frozen shrimps. Imports into Bangladesh mainly comprised machineries, equipment and spare parts, pig iron, hardwares, raw cotton, kerosene, high speed diesel, steel plate, glass, dyes and chemicals, light industrial products, surgical instruments, diesel oil, duplicating oil, radio equipment, fertilizer, milk powder, baby food, drugs and medicines, X-ray film, medical equipment and pesticides. The following table gives a brief description of the agreements signed during 1984-85 :

Sl. No.	Date of Agreement	Country/Party	Value of commodities to be exchanged each way
1.	28.3.85	Bangladesh – GDR (Barter No. 5)	US $ 10.00 million
2.	25.3.85	Bangladesh – Hungary (Special Account No.9)	US $ 11.00 million
3.	13.7.84	Bangladesh – USSR (Barter No.13)	N. A.
4.	28.4.85	Bangladesh – USSR (Barter No. 14)	£ 30 to 32 million
5.	21.12.84	Bangladesh – China (Barter No. 8)	US $ 32.00 million
6.	19.7.84	TCB–E. MERC STA — 3	US $1.50 million
7.	23.7.84	TCB–SUKAB TPA –2nd	US $14.00 million
8.	16.7.84	TCB–ACSA STA–3(2nd)	US $10.00 million
9.	17.9.84	TCB–MUELLER STA	US $ 5.00 million

N.A. - Not Available

CHAPTER XVI

TRENDS IN EXPORT COMMODITIES

TRENDS IN EXPORT COMMODITIES

Raw Jute @

224. Production of raw jute during 1984-85 season stood at 49.39 lakh bales which was 4.37 per cent higher than the revised target of 46.00 lakh bales but lower by 6.99 per cent as compared to the production of 53.10 lakh bales during 1983-84. The lower jute production during 1984-85 was due mainly to damage caused by floods. Total availability of raw jute during 1984-85 stood lower at 59.49 lakh bales as compared to 66.60 lakh bales in the preceding year due to fall in production and lower carryover stocks. The area under jute cultivation during 1984-85 was 14.50 lakh acres as compared to 16.53[R] lakh acres in the previous season. The per acre yield of jute during the season stood higher at 3.41 bales as compared to 3.21[R] bales during 1983-84.

225. As a result of lower availability and higher demand for raw jute in the international market, the average export price of raw jute recorded an increase of 83.16 per cent during 1984-85. However, the volume of export of raw jute during 1984-85 declined by 25.97 per cent to 14.08 lakh bales as compared to 19.02 lakh bales in the preceding year. This was due mainly to tight availability position of raw jute during the year under report. The foreign exchange value of jute exports, however, increased by 35.59 per cent to Tk.389.84 crores during 1984-85 as compared to Tk. 287.59 crores during 1983-84 due mainly to substantial increase in export prices.

226. The internal raw jute market remained firm during 1984-85. The growers' level price which started rising from the beginning of the season continued to rise upto January, 1985. The growers' level price which stood at Tk.379.11 per maund * at the end of July, 1984 gradually increased to Tk. 638.70 per maund at the end of January, 1985. Thereafter, the price started falling and finally stood at Tk. 258.17 per maund at the end of June, 1985. The annual average price of raw jute at the growers' level stood substantially higher at Tk. 507.59 per maund during 1984-85 as compared to Tk. 217.35 per maund during 1983-84.

227. Arrivals of raw jute in the country's secondary markets during 1984-85 stood lower at 40.46 lakh bales as compared to 49.13[R] lakh bales in the preceding season due mainly to fall in production.

228. Considering reduced availability of raw jute, the Government imposed ban on new export sales registration of raw jute with effect from October 20, 1984

@ Source : Ministry of Jute and Textiles.
R Revised

* 1 maund = 37.324 kg.

with a view to keeping raw jute export within a limit of 14 lakh bales during 1984-85. However, the ban was withdrawn from the first week of March, 1985. Due to the ban and shortfall in production, export sales registration of raw jute with Bangladesh Bank stood much lower at 19.34 lakh bales as compared to 31.50[R] lakh bales in the preceding season. Actual exports of raw jute during the season also stood lower at 14.08 lakh bales as compared to 19.02 lakh bales during 1983-84.

229. In the kutcha bale section, the price of white X-Bottom grade jute at Narayanganj terminal market which stood at Tk. 790.00 per 100 kg.* on July 4, 1984 gradually increased to Tk. 1608.00 per 100 kg. on December 27, 1984. Thereafter, the price started declining and gradually came down to close the year at Tk.1072.00 per 100 kg. on June 26, 1985. In the pucca bale section, the price of B.W.D. grade jute opening at Tk. 1725.00 per bale** on July 4, 1984 gradually increased to Tk. 3500.00 per bale on December 27,1984. The price, however, continued to decline from May 13, 1985 and gradually came down to Tk. 2750.00 per bale on June 26, 1985 to close the year at that level.

230. The export price of B.W.D. grade jute which stood at $ 410 per metric ton on July 4, 1984 increased steadily to $ 815 per metric ton on April 7, 1985. After remaining unchanged at that level for some days, the price started declining from April 21, 1985 and gradually fell to $ 610 per metric ton at the end of June, 1985.

Jute Goods[@]

231. The Government policy of disinvestment of some of the nationalised jute mills continued during 1984-85. Accordingly, one nationalised jute mill was disinvested during the year, raising the total number of disinvested jute mills to 34 at the end of June, 1985. However, no significant improvement was recorded in this sector during the year due mainly to depressed overseas demand for hessian and carpet backing cloth (C.B.C.). Hessian and C.B.C. production were curtailed by about 13.0 per cent and 15.0 per cent respectively during the year. As a result, total production of jute goods in the country stood lower at 5.61 lakh tons during 1984-85 as compared to 5.85 lakh tons during 1983-84.

232. Export sales registration of jute goods with Bangladesh Bank stood lower at 5.08 lakh tons during 1984-85 as compared to 6.17 lakh tons in the preceding year. Actual exports of jute goods during 1984-85 also stood lower at 4.75 lakh tons as compared to 5.21 lakh tons in the preceding year. The decline in the overall exports represented a fall in exports of hessian and C.B.C. by 14.3 per cent and 24.95 per cent respectively during the year. Total foreign exchange earnings from the export of jute goods, however, stood substantially higher at Tk. 1034.90 crores during 1984-85 as compared to Tk. 846.00 crores during 1983-84 due mainly to increase in export prices.

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* 100 kg. = 2.679 maunds.
** 1 bale = 5.6 maunds. R Revised

@ All figures relate to metric measures.
Source : Ministry of Jute and Textiles.

233. Stock of jute goods in the country (sold, unsold, stock-in transit and shutout) as on June 30, 1985 stood higher at 1.65 lakh tons as compared to 1.25[R] lakh tons at the end of the preceding year.

Tea[#]

234. Tea production in the country went up by 9.76 per cent to 42.52 million kgs. during 1984-85 as compared to the production of 38.74 million kgs. during 1983-84. The increase in the production of tea during 1984-85 was due mainly to favourable weather conditions and increase in the area under tea cultivation. Total availability of tea during 1984-85 including a carryover of 8.17 million kgs. from the previous season stood higher at 50.69 million kgs. as compared to 48.90 million kgs. during the previous year. The closing stock of tea also stood higher at 14.60 million kgs. at the end of 1984-85 season as compared to 8.17 million kgs. at the end of the previous season.

235. The Chittagong tea market depicted an uptrend during 1984-85. 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 December, 1984. Thereafter, the prices started declining and the trend continued upto the end of April, 1985 due mainly to reduced demand from exporters. Prices of most of the varieties of tea, howerver, started increasing again from May, 1985 as demand from the exporters picked up substantially and remained at a high level till the close of the year.

236. In all, 25 auctions were held at Chittagong auction market during 1984-85 season in which a total quantity of 34.46 million kgs. of tea were sold at an average price of Tk. 49.71 per kg. This compared with 35.39 million kgs. of tea sold at an average price of Tk. 51.40 per kg. during 1983-84.

237. Total exports of tea during 1984-85 stood lower at 25.87 million kgs. as against 30.75 million kgs. during the preceding year. Export earnings from tea also stood lower at Tk. 156.06 crores during 1984-85 as compared to Tk. 169.09 crores during 1983-84. The decline in the volume of tea export may be attributed to lower demand from some foreign buyers like Pakistan, Afganistan and Poland.

Hides and Skins[##]

238. Prices of hides and skins in the country depicted a declining trend during 1984-85. The price of cow-hides (wet salted heavy) which opened at Tk. 22,000.00 —Tk. 28,000.00 per hundred pieces on July 3, 1984 increased to Tk. 22,500.00 —Tk.30,000 on July 9,1984. After ruling unchanged at that level for some days, the price started declining from July 25, 1984 and, amidst fluctuations, fell to Tk. 20,000.00 —Tk. 25,000.00 on October 13, 1984. Thereafter, the price rose steadily to Tk. 23,000.00 — Tk. 31,000.00 on November 13, 1984, but again fell to Tk. 21,000.00 —Tk. 29,000.00 on November 26, 1984. After remaining steady at that level for few days, the price gradually increased to Tk. 23,500.00 —Tk. 33,500.00 on December 24, 1984. Thereafter, the price showed a declining

R-Revised. #Source: Bangladesh Tea Board.
##Source: Directorate of Agricultural Marketing.

trend and amidst fluctuations came down to Tk. 17,000.00 —Tk. 27,500.00 at the end of June, 1985.

239. The price of buffalo hides, opening at Tk. 32,500.00 —Tk. 38,000.00 per hundred pieces on July 3, 1984 declined to Tk. 30,000.00 —Tk. 34,000.00 on July 9, 1984. After ruling unchanged at that level for some days, the prices increased to Tk. 33,000.00 —Tk. 36,000.00 on September 22,1984. The price declined to Tk. 30,000.00 —Tk. 35,500.00 on September 26, 1984 but again rose to Tk. 40,000.00 —Tk. 45,000 on November 13,1984. Thereafter, the price depicted a declining trend and, amidst fluctuations, closed the year at Tk. 27,000.00 —Tk. 30,000.00.

240. The price of goat skins (large and heavy) which opened at Tk. 6,000.00 —Tk. 7,200.00 per hundred pieces on July 3, 1984, amidst minor fluctuations, increased to Tk. 6,500.00 —Tk. 7,500.00 on January 2, 1985. After recording some declines during January to April, 1985, the price rose again to Tk. 5,500.00 —Tk. 6,500.00 on May 18, 1985 and closed the year at that level.

241. Opening at Tk. 2,800.00 —Tk. 3,000.00 per hundred pieces on July 3, 1984, the price of sheep skins gradually declined to Tk. 2,000.00–Tk. 2,600 on September 26, 1984. After ruling unchanged at that level for some days, the price started increasing from October 13, 1984 and steadily rose to Tk. 3,400.00—Tk. 3,500.00 on November 5, 1984. Thereafter, amidst fluctuations, the price of sheep skins rose to Tk. 3,500.00 — Tk. 4,000.00 on February 18, 1985. The price, again came down to Tk. 3,500.00 — Tk. 3,800.00 at the end of June, 1985.

Leather @

242. Export earnings from leather (tanned and semi-tanned) during 1984-85 stood at Tk. 178.02 crores which was 22.60 per cent lower than the export target of Tk. 230.00 crores for the year. This compared with Tk. 209.23 crores earned from this item during 1983-84.

Frozen Food @

243. Total export earnings from frozen foods which include shrimps, frog legs and fish stood higher at Tk. 224.52 crores during 1984-85 as compared to Tk. 188.92 crores in the preceding year.

Naptha and Bitumen @

244. Export earnings from naptha and bitumen during 1984-85 amounted to Tk. 53.72 crores as compared to Tk. 63.41 crores during 1983-84.

Readymade Garments @

245. Earnings from readymade garments recorded a remarkable improvement during 1984-85. Export earnings from readymade garments at Tk. 300.36 crores during 1984-85 was 287.66 per cent higher than Tk. 77.48 crores during 1983-84.

Newsprint @

246. Export value of newsprint stood substantially higher at Tk. 22.30 crores during 1984-85 as compared to Tk. 16.04 crores during the preceding year.

Handicrafts @

247. The value of exports of handicrafts during 1984-85 amounted to Tk. 4.93 crores as compared to Tk. 5.83 crores during 1983-84.

@Source: Export Promotion Bureau.

CHAPTER XVII

EXCHANGE RATE POLICY AND DEVELOPMENTS IN EXCHANGE CONTROL

EXCHANGE RATE POLICY AND DEVELOPMENTS IN EXCHANGE CONTROL

Exchange Rate Policy

248. During 1984-85 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 nine occasions during the year as indicated below :

Bangladesh Bank's rate per U.S. Dollar

Date of Refixation	Buying	Selling
21.8.84	Tk. 25.32	Tk. 25.38
22.9.84	Tk. 25.47	Tk. 25.53
23.10.84	Tk. 25.72	Tk. 25.78
3.11.84	Tk. 25.97	Tk. 26.03
12.2.85	Tk. 26.22	Tk. 26.28
25.2.85	Tk. 26.47	Tk. 26.53
28.4.85	Tk. 26.97	Tk. 27.03
4.6.85	Tk. 27.47	Tk. 27.53
29.6.85	Tk. 27.97	Tk. 28.03

Developments in Exchange Control

Sale/Purchase of Wage Earners' Fund and Import Entitlement Certificates (IECs) by Authorised Dealers

249. Authorised Dealers who maintain Foreign Currency Accounts under Wage Earners' Scheme were allowed to undertake purchase of Wage Earners' funds from the Wage Earners, their beneficiaries and the nominees of the Foreign Currency Accounts and to sell such funds to importers in accordance with the provision of the Import Policy Order, 1984-85 and also for other authorised purposes.

250. Under the new arrangement, the buying and selling rates of Wage Earners' funds were determined by a Wage Earners' Rate Committee constituted

with representatives from five banks, with one representative from Bangladesh Bank associated as observer. Authorised Dealers were allowed to sell their unsold funds to Bangladesh Bank at the rates at which they purchased the funds or to hold the same in their own account outside their exchange position. Similarly, Authorised Dealers were allowed to purchase funds from Bangladesh Bank to meet the genuine requirements of their customers at the selling rates fixed by the Rate Committee.

251. The auction system for disposal of Wage Earners' funds remained in operation during the year. Authorised Dealers were to place around 25 per cent of the fund available with them on a particular date in the auction. Sonali Bank was advised to ensure placement of US $ 200,000 representing Authorised Dealers' funds; in case of shortfall,Sonali Bank was to purchase the shortfall amount from Bangladesh Bank.

252. In addition to the Wage Earners' funds, Authorised Dealers were also permitted to buy Import Entitlement Certificates (IECs) at a premium representing the difference between their normal spot (TT) buying rate and the buying rate applicable to Wage Earners' funds. They were advised to sell IECs to their customers at a premium representing the defference between their normal BC (selling) rates and the selling rates fixed by the Rate Committee for Wage Earners' funds. Surplus IECs, if any, could be sold to Bangladesh Bank at the cost price, i.e., price paid to the exporters.

Transactions under Asian Clearning Union (ACU)

253. All eligible payments except those under WES between Bangladesh and other member countries of the ACU were so far being compulsorily settled through the clearing system of the Union. It was decided on October 15, 1984 that all eligible transactions under the WES between Bangladesh and other members of the Union shall also be compulsorily settled through the ACU mechanism.

Pay-As-You-Earn (PAYE) Scheme

254. Complete ban was imposed on imports of trawlers under any scheme of finance. However, importers who already imported trawlers under the Pay-As-You-Earn (PAYE) Scheme would be permitted to meet their debt liabilities in foreign exchange towards cost of trawlers, interest, technical know-how fee and other payments in foreign exchange related to their projects only out of their own export earnings but not exceeding 20 per cent of the value of exports as realised and reported to Bangladesh Bank. They would not be allowed to make any remittance in foreign exchange for the above purposes against XPL or under WES.

Release of Foreign Exchange under WES

255. In view of increase in the rate of fees for membership/ application/ registration/ admission/ examination (TOEFL, SAT, etc.) charged by foreign technical/educational institutions, the maximum amount of foreign exchange

allowed to be released by Authorised Dealers under WES to an individual in a calendar year was enhanced from U.S. $ 50 to U.S. $ 100 or its equivalent in other currency with effect from January 10, 1985.

Encashment of Foreign Exchange by Foreign Travellers Visiting Bangladesh

256. It was decided that the foreign travellers on temporary visit to Bangladesh (i.e., all foreign nationals visiting Bangladesh except those on employment in Bangladesh with any organisation irrespective of its status) would get the benefit of the Wage Earners' Rate for encashment of foreign exchange brought in by them. The benefit of encashment will also apply to settlement of bills through cheques and credit cards acceptable to hotels in Bangladesh.

Exchange Rate Fluctuation Burden Absorption Scheme (EFAS)

257. Some of the provisions of the Exchange Rate Fluctuation Burden Absorption Scheme (EFAS) introduced by the Government in 1983 were amended on February 2, 1985. After these amendments, promoters of all new projects are compulsorily required to cover their exchange risks under the EFAS before the first letter of credit is opened.

Import of Sugar Under Wage Earners' Scheme

258. It was decided by the Government to allow import of sugar under WES in the private sector. The last date for opening of L/C and effecting shipment was extended upto October 31, 1984 and November 30, 1984 respectively. Import of sugar was also allowed under XPL in addition to Wage Earners' Scheme.

Period of Maintaining FC Accounts under WES

259. Effective from March 25, 1985, the period during which wage earners could maintain their foreign currency accounts with banks after their return to the country was extended from six months to one year.

Hajj-1985

260. The Government as usual made arrangements for sending 10,000 persons from Bangladesh to perform holy Hajj in 1985 by air only; all the pilgrims to be carried by Bangladesh Biman. Foreign exchange quota for the pilgrims by air was fixed at Saudi Riyals 3,100 (equivalent to U.S. $ 859) including Muallim fees, etc. In addition, each pilgrim was allowed to purchase upto U.S. $ 400 under Wage Earners' Scheme on cash payment. Non-ballottee pilgrims holding return air tickets were allowed to purchase upto U.S. $ 859 per head from F.C. Account under Wage Earners' Scheme. Non-ballottee pilgrims wishing to purchase foreign exchange under Wage Earners' Scheme were required to take, at least, one draft amounting to Saudi Riyals 869.00 in favour of "United Agent's Office, Jeddah" towards Muallim fees and Haji camp dues. The balance amount was issued in Riyals or in any other convertible currency.

CHAPTER XVIII

ASIAN CLEARING UNION

ASIAN CLEARING UNION

261. Transactions under the Asian Clearing Union (ACU) showed a mixed trend during 1984-85. Following Bangladesh's decision for compulsory settlement of all eligible transactions under the Wage Earners' Scheme with other members through the ACU with effect from October 15, 1984, payments from Bangladesh recorded a substantial increase of 110.99 per cent while receipts fell by 23.91 per cent over the year. Receipts and payments on Bangladesh's account under the ACU arrangement during 1984-85 totalled AMU (Asian Monetary Units) 125.59 million (Tk.323.58 crores) and AMU 62.60 million (Tk.163.12 crores) as against AMU 165.06 million (Tk.432.74 crores) and AMU 29.67 million (Tk.77.88 crores) respectively during 1983-84.

262. Six settlements under the ACU arrangement took place during 1984-85 in which Bangladesh came out as net creditor in the first five consecutive settlements but ended as a debtor in the closing settlement in June, 1985.

CHAPTER XIX

CURRENCY AND COINAGE

CURRENCY AND COINAGE

263. No new design Notes or Coins were issued during the period from July 1, 1984 to June 30, 1985.

Bank Notes

264. A new print of the existing One Taka Note incorporating the signature of the Finance Secretary, Mr. M. Mustafizur Rahman having the same design and features as those of the existing Note was put into circulation with effect from January 15,1985.

Coins

265. Subsidiary Coins in circulation as on June 30, 1985 amounted to Tk.36.27 crores as against Tk.30.73 crores as on June 30, 1984. This was in addition to Taka One Notes and Taka One Coins worth Tk.42.99 crores in circulation as on June 30, 1985 as against Tk.39.19 crores as on June 30,1984.

CHAPTER XX

ADMINISTRATION

ADMINISTRATION

Re-constitution of the Bank's Board of Directors

266. The Board of Directors of the Bank was reconstituted with 3 newly-nominated Directors during 1984-85. The new Directors are Messers M. Munir-Uz-Zaman, Major General Mohammad Abdul Latif, psc. and S.A. Mahmud in addition, Mr. Kazi Badrul Alam, Deputy Governor took over as a Director of the Board in place of Deputy Governor Mr. Khalid Knan who proceeded on L.P.R.

Board/ Executive/ Co-ordination Committee Meetings

267. During the year 1984-85, 9 meetings of the Board of Directors, 4 meetings of the Executive Committee and 18 meetings of the Co-ordination Committee were held.

Appointments

268. The following appointments in different grades of employment were made by the Bank during 1984-85 :

i) Assistant Directors and above	41
ii) Officers	31
iii) Clerk-cum-Typists and Other Staff	292
Total :	**364**

Welfare Activities

269. An amount of Tk.10,05,000.00 was sanctioned for various welfare and recreational activities at different offices of the Bank during 1984-85.

270. An amount of Tk. 1,80,000.00 was sanctioned for awarding stipend to the children of 'D' category employees of the Bank during 1984-85.

271. A preparatory school at Bangladesh Bank Staff Quarters, Faridabad, Dhaka has started functioning from the beginning of the academic session 1985. For this purpose a sum of Tk.1,00,000.00 was sanctioned by the Executive Committee for January-June, 1985.

Extension of Stipend Facility

272. The Board of Directors of the Bank in its meeting held on April 22, 1985 was pleased to extend the stipend facilities to the children of 'C' category employees of the Bank on the same rates, terms and conditions as applicable to the 'D' category staff with effect from April 1, 1985 subject to the maximum of two children.

Foreign Training

273. Arrangements were made for participation of 11 Officers of the Bank in different Training Courses/Seminars abroad under different Technical Assistance Programme/Fellowship/Sponsorships.

Domestic Training

274. A total of 194 officials of the Bank participated in different domestic training programmes organised by different training institutions of the country.

Bank's Training Academy

275. With a view to raising the professional skill and efficiency of the Bank's Officers and Staff, the Bangladesh Bank Training Academy stepped up various types of training arrangements during 1984-85 :

i) As many as 83 Assistant Directors/Assistant Managers and 82 Officers were trained by organising 5 in-service courses for them. Six courses were also organised for in-service training of Officers/Staff of Cash Department of the Bank wherein 3 Assistant Managers, 46 Officers and 30 Assistant Treasurers participated. The trainee officials were also given exposure to the Bank's Computer System.

ii) A three-month long foundation course was organised for 29 direct-recruit Assistant Directors/ Assistant Managers and 20 direct recruit Officers of the Bank which included a field trip to the Bangladesh Academy for Rural Development (BARD) at Comilla. On completion of their theoretical training, those who were posted in the outstation offices were released from the Academy for a three-month practical training in their respective Offices while those who were posted in 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.

iii) In order to impart specialised training on "Technique of Inspection" to Officers of the Agricultural Credit Department of the Bank, three courses of 2-weeks duration were conducted by the Academy in which 4 Deputy Directors /Deputy Managers and 49 Assistant Directors/ Assistant Managers from different Offices of the Bank participated.

iv) In order to make the inspecting machinery of the Bank more effective, two courses of 2-weeks duration on the "Techniques of Bank Inspection" were conducted by the Academy. One Joint Manager, 2 Deputy Managers and 35 Assistant Directors/ Assistant Managers from different offices of the Bank participated.

v) A 3-day short course was arranged at sylhet on "Central Banking" and "Concept and Practices of Islamic Banking''. A total of 60 Officers from Bangladesh Bank and commercial banks participated in the course.

vi) Under the Executive Development Programme, the Academy arranged 2 Orientation Courses, namely, "Effectiveness of Monetary Policy and Credit Management" and "Rural Financial Markets and Deposit Mobilisation". About 90 Executives of Bangladesh Bank and other financial institutions participated in the courses for two days.

Office Accommodation

276. The construction work of 6-storied office building at S.B.I. premises, Chittagong, 3-storied office building at Bangladesh Bank premises, Rajshahi and 6-storied annexe building at Bangladesh Bank premises, Khulna was in progress.

Residential Accommodation

277. The construction work of staff quarters at Faridabad, Dhaka and Baniakhamar, Khulna was completed while that of pilling work for construction of additional units of staff quarters at Faridabad, Dhaka was in progress.

Other Development Work

278. Other developmental work completed during the year included: construction of Bank Club at R. K. Mission Road, Dhaka; construction of police barrack, under-ground water tank, pump house and incinerator at Sadarghat Office, Dhaka; construction of incinerator at Bank premises, Khulna; construction of pump house and installation of external water distribution system and gas connections at Faridabad staff quarters, Dhaka; construction of twin incinerator and electric sub-station building at Bank premises, Sylhet; construction/repairing of boundary walls at Governor's Banglow, Gulshan, staff quarters premises at Faridabad and Bank premises at Sadarghat, Rajshahi and Chittagong. Besides these, the side development work for construction of staff quarters at Malatinagar, Bogra was in progress.

CHAPTER XXI

ANNUAL ACCOUNTS

279. The Balance Sheet of the Issue Department of the Bank as on June 30, 1985 appears at pages 158 – 159 of the Report.

Issue Department

280. Total notes issued as on June 30, 1985 amounted to Tk. 1919.76 crores as against Tk. 1722.55 crores as on June 30, 1984. Assets against the notes issued included Gold worth Tk. 40.02 crores, Approved Foreign Exchange amounting to Tk. 200.00 crores, Taka Coins worth Tk. 1.11 crores, Government of Bangladesh Securities worth Tk. 494.39 crores and Internal Bills of exchange and other Commercial Papers worth Tk. 1184.24 crores. The corresponding figures of assets against note issue as on June 30, 1984 were Gold worth Tk. 40.68 crores, Approved Foreign Exchange of Tk. 150.00 crores, Taka Coin 'nil', Government of Bangladesh Securities worth Tk. 657.63 crores and Internal Bills of Exchange and other Commercial Papers worth Tk. 874.24 crores.

Banking Department

281. The Balance Sheet of the Banking Department as on June 30, 1985 appears at pages 160 – 161. On the liabilities side, balances in the Statutory Funds* increased from Tk.189.00 crores to Tk. 227.00 crores due to appropriation of Tk. 38.00 crores from the 'Profit and Loss Account'. Government Deposits increased to Tk. 1.23 crores as on June 30, 1985 from Tk. 1.01 crores as on June 30, 1984. Banks' Deposits increased to Tk. 586.13 crores as on June 30, 1985 from Tk. 415.38 crores as on June 30, 1984. "Other Deposits" increased to Tk. 1,989.61 crores as on June 30, 1985 from Tk. 1, 744.79 crores as on the same day last year. "Other Liabilities" also increased to Tk. 605.48 crores as on June 30, 1985 from Tk. 439.50 crores as on June 30, 1984. The allocation of SDR remained unchanged at Tk. 91.74 crores.

282. On the Assets side of the Banking Department, "Bills Purchased and Discounted-Internal" increased to Tk. 168.00 crores as on June 30, 1985 from Tk. 70.00 crores as on June 30, 1984. The balance of re-discounted "Government Treasury Bills" declined to Tk. 93.77 crores as on June 30, 1985 from Tk. 119.48 crores as on June 30, 1984. The amount under "Balances Held Outside Bangladesh" also declined to Tk. 804.20 crores as on June 30, 1985 from Tk. 1,110.60 crores as on June 30, 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) went up to Tk. 1,326.48 crores as on June 30,1985 as against Tk.940.71 crores as on June 30, 1984. The balances under 'Investment' increased to Tk 550.87 crores as on June 30,1985 from Tk 169.48 crores as on June 30,1984.

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* Excluding Credit Guarantee Fund.

Profit and Loss Account

283. The Profit and Loss Account of the Bank for the year ended on June 30, 1985 appears at page 162.

284. The Profit and Loss position of the Bank for the year 1984-85 is summarised as under:

Gross Earning of the Bank	Tk. 494,06,43,954.01
Total Expenditures	Tk. 156,87,92,153.30
Net Profit:	**Tk. 337,18,51,800.71**

285. Out of the above profit of Tk. 337,18,51,800.71, a sum of Tk. 40.00 crores has been appropriated towards different Statutory Funds and the balance of Tk. 297,18,51,800.71 has been 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.	297,18,51,800.71
Total:	**Tk.**	**337,18,51,800.71**

Interest Subsidy to Banks and Financial Institutions

286. For financing the Special Housing Scheme for low and middle income people at a concessional rate of interest, Bangladesh Bank continued to allow interest subsidy to Bangladesh House Building Finance Corporation. With a view to boosting up export of non-traditional items, Bangladesh Bank also allowed interest subsidy on export credit to the financing banks. A sum of Tk. 4.58 crores was paid as interest subsidy during 1984-85 as agaisnt Tk. 2.59 lakhs paid last year.

Appointment of Auditors

287. In terms of Article 65(I) of the Bangladesh Bank Order 1972, the Government was pleased to appoint M/S. S.F. Ahmed and Co. and M/S. Hoda Vasi Chowdhuri and Co., Chartered Accountants to Audit the Accounts of the Bank for the year 1984-85.

Appreciation

288. The Bank wishes to place on record its appreciation for the loyal and devoted services rendered by the officers and staff of the Bank during the year.

BALANCE SHEET
AND
PROFIT AND LOSS ACCOUNT

LIABILITIES	AS ON JUNE 30, 1985		AS ON JUNE 30, 1984	
	TAKA	TAKA	TAKA	TAKA
Notes held in the Banking Department	42,21,925		62,11,205	
Notes in Circulation*	1919,33,97,925		1721,93,23,410	
Total Notes Issued		1919,76,19,850		1722,55,34,615
TOTAL LIABILITIES	**TAKA**	**1919,76,19,850**	**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.

ASSETS	AS ON JUNE 30, 1985		AS ON JUNE 30, 1984	
	TAKA	TAKA	TAKA	TAKA
A. Gold Coin and Bullion	40,01,67,000		40,68,35,000	
Silver Bullion	Nil		Nil	
Special Drawing Rights held with the International Monetary Fund	Nil		Nil	
Approved Foreign Exchange	200,00,00,000	240,01,67,000	150,00,00,000	190,68,35,000
B. Taka Coin	1,11,11,209		Nil	
Government of Bangladesh Securities**	494,39,35,436		657,63,06,455	
Internal Bills of Exchange and other Commercial Papers	1184,24,06,205	1679,74,52,850	874,23,93,160	1531,86,99,615
TOTAL ASSETS :	**TAKA**	**1919,76,19,850**	**TAKA**	**1722,55,34,615**

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

LIABILITIES	AS ON JUNE 30, 1985		AS ON JUNE 30, 1984	
	TAKA	TAKA	TAKA	TAKA
Capital Paid-up		3,00,00,000		3,00,00,000
Reserve Fund		3,00,00,000		3,00,00,000
Rural Credit Fund		85,00,00,000		70,00,00,000
Industrial Credit Fund		28,00,00,000		24,00,00,000
Export Credit Fund		29,00,00,000		25,00,00,000
Agricultural Credit Stabilisation Fund		85,00,00,000		70,00,00,000
Deposits:				
a) Government	1,23,18,005		1,01,46,632	
b) Banks	586,12,61,991		415,38,20,393	
c) Others	1989,61,49,147	2576,97,29,143	1744,79,12,402	2161,18,80,427
Allocation of Special Drawing Rights		91,74,31,206		91,74,31,206
Bills Payable		93,88,710		7,97,559
Other Liabilities		605,47,73,311		439,50,47,456
TOTAL LIABILITIES		**TAKA 3508,13,22,370**		**TAKA 2887,51,56,648**

ASSETS	AS ON JUNE 30, 1985		AS ON JUNE 30, 1984	
	TAKA	TAKA	TAKA	TAKA
Notes		42,21,925		62,11,205
Taka Coin		20,089		2,184
Subsidiary Coin		86		472
Bills Purchased and Discounted:				
a) Internal	168,00,00,000		70,00,33,461	
b) External	Nil		Nil	
c) Government Treasury Bills	93,76,62,904	261,76,62,904	119,48,44,909	189,48,78,370
Balances held Outside Bangladesh ***		804,19,75,540		1110,60,39,075
Special Drawing Rights held with the International Monetary Fund		Nil		Nil
Loans and Advances to Government		20,00,00,000		20,00,00,000
Government's Debtor Balances		Nil		Nil
Other Loans and Advances		1326,48,38,079		940,71,29,947
Investments		550,86,49,840		169,47,74,795
Other Assets		544,39,53,907		456,61,20,600
TOTAL ASSETS :	**TAKA**	**3508,13,22,370**	**TAKA**	**2887,51,56,648**

*** Include Cash and Short-Term Securities.

PROFIT AND LOSS ACCOUNT

INCOME	AS ON JUNE 30, 1985 TAKA	AS ON JUNE 30, 1984 TAKA
Interest, Discount, Exchange, Commission, etc.	494,06,43,954	321,79,85,070
EXPENDITURE:		
Establishment	17,18,72,689	12,19,58,826
Directors' Fees and Expenses	23,903	12,867
Auditors' Fees	52,475	52,475
Rent, Taxes, Insurance, Lighting, etc.	95,37,201	86,16,043
Law Charges	1,77,262	1,12,011
Postage and Telegram Charges	22,97,084	20,26,879
Remittance of Treasure	15,13,794	12,80,952
Stationery, etc.	68,36,360	52,18,060
Security Printing (Cheques, Note Forms, etc.)	5,67,15,550	7,71,11,270
Depreciation and Repairs to Bank's Property	2,59,25,701	2,13,83,983
Agency Charges	6,78,52,634	1,25,51,960
I.M.F. Charges	83,77,41,462	105,36,47,074
Interest Subsidy to Banks and Financial Institutions	4,58,32,544	2,58,992
Interest on Deposits	27,76,42,324	24,83,24,291
Interest on Staff Provident Fund	1,86,56,847	1,82,48,007
Interest on General Provident Fund	9,84,585	—
Contribution to Staff and Superannuation Funds	Nil	Nil
Miscellaneous Expenses	4,51,29,738	5,04,90,083
Net Available Balance	337,18,51,801	159,66,91,307
Total Taka	**494,06,43,954**	**321,79,85,070**
Amount transferred to Reserve Fund	Nil	Nil
Amount transferred to Rural Credit Fund	15,00,00,000	15,00,00,000
Amount transferred to Industrial Credit Fund	4,00,00,000	4,00,00,000
Amount transferred to Export Credit Fund	4,00,00,000	4,00,00,000
Amount transferred to Agricultural Credit Stabilisation Fund	15,00,00,000	15,00,00,000
Amount transferred to Credit Guarantee Fund	2,00,00,000	2,00,00,000
Surplus payable to Government	297,18,51,801	119,66,91,307
Balance carried forward	Nil	Nil
Total Taka	**337,18,51,801**	**159,66,91,307**
RESERVE FUND ACCOUNT		
By Balance on June 30, 1984	3,00,00,000	3,00,00,000
By Transfer from Profit and Loss Account	Nil	Nil
Total Taka	**3,00,00,000**	**3,00,00,000**

MD. MOKHLESUR RAHMAN
General Manager

KAZI BADRUL ALAM
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 June 30, 1985 and the Profit and Loss Account of the Bank for the year ended on that date.

We have examined the foregoing Balance Sheet as at June 30, 1985 and the Accounts with the relevant books and records of the Head Office and seven Offices of the Bangladesh Bank and report that where we have called for explanation and information, such explanations and information have been given satisfactorily. In our opinion, the Balance Sheet is a full and fair Balance Sheet containing all necessary particulars and is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and explanations given to us and as shown by the books of the Bank.

S.F. Ahmed & Co.,
Chartered Accountants

Dhaka,
The August 4 1985

Hoda Vasi Chowdhury & Co.,
Chartered Accountants

APPENDICES

BANGLADESH—SOME BASIC NATIONAL STATISTICS

I. AREA AND POPULATION

Area		1,43,998 Km^2
	1983-84	**1984-85^P**
Population	95.7 million	97.7 million
Density of Population :		
a) Per Km^2 of Total Land Area	662	669
b) Per Km^2 of Cultivable Land	1,050	1,071

P= Provisional. Source: Bangladesh Bureau of Statistics.

II. NATIONAL INCOME, INVESTMENT AND SAVINGS

(Taka in crores)

Items/Sectors	1983-84 (Revised)	%	1984-85	%
1. GDP (At Constant 1979-80 Factor Cost)	19,992.3	—	20,743.0	—
2. GDP (At Current Market Prices)	31,439.0	—	36,297.0	—
3. Per Capita GDP (In Taka at Current Prices)	3,250.0	—	3,659.0	—
4. Gross Investment (Current Prices)	5,084.0	#16.17	5,890.0	#16.23
5. Gross Domestic Savings (Current Prices)	1,150.0	# 3.66	1,506.0	# 4.15
6. Gross National Savings (Current Prices)	2,188.0	# 6.96	2,909.0	# 8.01
7. Sectoral Break-up of GDP (At Constant 1979-80 Factor Cost) :				
a) Agriculture	10,299.2	52	10,584.6	51
b) Industry	1,706.3	9	1,793.3	9
c) Power & Gas	62.3	—	73.3	—
d) Construction	942.0	5	960.8	5
e) Transport	1,266.1	6	1,337.0	7
f) Trade	1,422.5	7	1,502.2	7
g) Housing	1,277.8	6	1,309.8	6
h) Others	3,016.1	15	3,182.0	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.	Heads	1983-84	%	1984-85 (Revised)	%
1.	**Revenue Receipts :**	**3,033.00**	**100**	**3,477.00**	**100**
	a) Tax	2,440.10	80	2,847.00	82
	b) Non-Tax	592.90	20	630.00	18
2.	Revenue Expenditure	2,503.00	83	2,930.00	84
3.	Revenue Surplus	530.00	17	547.00	16
4.	**Capital Receipts :**	**4,329.34**	**100**	**3,761.76**	**100**
	a) Capital Expenditure	954.92	22	702.34	19
	b) Capital Surplus	3,374.42	78	3,059.42	81
5.	**Size of ADP :**	**3,432.58**	**100**	**3,508.42**	**100**
	a) Domestic	727.16	21	890.42	25
	b) Foreign	2,705.42	79	2,618.00	75

Source : Budget Summary Statements; Ministry of Finance.

IV. MONEY, CREDIT AND PRICES

(Taka in crores)

Sl. No.	Heads	1983-84	1984-85
1.	Broad Money (M_2)	8,385.90	10,534.20
2.	**Domestic Credit :**	**10,065.84**	**12,653.24**
	i) Public Sector (including Govt.)	4,959.00	5,570.20
	ii) Private Sector	4,914.50	6,890.70
	iii) Miscellaneous Credit *	192.34	192.34
3.	Broad Money as % of GDP (Current Market Prices)	26.67	29.02
4.	General Price Index (1973-74-100) for Dhaka Middle Class :		
	i) Point to Point	382.26	411.56
	ii) Yearly Average	357.47	396.58
5.	Annual Percentage Changes in :		
	i) General Price Index for Dhaka Middle Class :		
	a) Point to Point	(+)12.33	(+)7.66
	b) Yearly Average	(+) 9.67	(+)10.94
	ii) Credit to Public Sector (excluding Govt.)	(+) 3.63	(+)26.54
	iii) Credit to Private Sector	(+)58.66	(+)40.21

Sources : i) Bangladesh Bank.
ii) Bangladesh Bureau of Statistics.
* Miscellaneous Credit-Investment in 2-year Special Treasury Bonds.

V. BALANCE OF PAYMENTS

Transactions	1983-84		1984-85P	
	In crore Tk.	In million $	In crore Tk.	In million $
1. Merchandise Imports (C & F)[1]	–5869.3	–2353	–6873.8	–2647
2. Merchandise Exports (f.o.b.)	2051.5	822	2521.1	971
3. Trade Balance	–3817.8	–1531	–4352.7	–1676
4. Services :	**–82.3**	**–33**	**–93.2**	**–36**
a) Payments	–778.4	–312	–874.0	–337
b) Receipts	696.1	279	780.8	301
5. Private Transfers[2]	**1376.2**	**552**	**1033.7**	**398**
6. Balance on Current Account	–2523.9	–1012	–3412.2	–1314
7. Capital Accounts and Other Loans/Grants :	**3173.4**	**1273**	**3298.1**	**1270**
a) Food	689.4	277	634.8	244
b) Commodity	1106.3	444	1129.1	435*
c) Project	1377.7	552	1534.2	591
8. Debt Repayment (Medium & Long-term Loans)	**–199.4**	**–80**	**–320.0**	**–123**
9. Food Credits (net) :	**–21.5**	**–9**	**236.5**	**91**
a) Borrowings	128.2	51	493.3	190
b) Repayments	–149.7	–60	–256.8	–99
10. Short-term borrowings (net)	–23.7	–10	–92.4	–35
11. Other Capital	44.6	18	17.4	7
12. Aircraft Loan	135.1	54	12.6	5
13. Overall Balance	584.6	234	–260.0	–99
14. Change in Reserve (-Increase)	**–564.5**	**–226**	**–248.2**	**95**
a) Bangladesh Bank	**–555.9**	**–223**	**309.3**	**118**
i) Foreign Exchange	–470.8	–189	389.1	149
ii) Liabilities	–85.1	– 34	–79	–31
Of which: Fund Credit	47.9	19	–19.6	–7
b) Commercial banks	**–8.6**	**–3**	**–61.1**	**–23**
i) Assets	–40.4	–16	–6.1	–2
ii) Liabilities	31.8	13	–55.0	–21
15. Balancing Items	–21.1	–8	11.8	+4

Source: Bangladesh Bank.

1 Local currency cost re-imbursement of project aid amounting to \$ 116m in 1983-84 and \$ 172m in 1984-85 as also re-imbursement of \$ 101m in 1984-85 against IDA/OECF loans adjusted.

2 Includes private donation of \$ 25m in 1983-84 and \$ 33m in 1984-85.

* Includes IMF subsidy of \$ 4m in 1983-84 and \$ 3m in 1984-85.

VI. MERCHANDISE EXPORTS (RECEIPTS)

Commodities	1983-84			1984-85		
	In crore Tk.	In million $	%	In crore Tk.	In million $	%
1. Raw Jute	276.9	111	13.5	381.9	147	15.1
2. Jute Goods	884.3	355	43.2	1089.6	420	43.2
3. Tea	181.5	73	8.9	147.1	57	5.8
4. Leather	186.5	75	9.1	219.3	84	8.7
5. Fish, Shrimps & Frog-legs	232.1	93	11.3	258.4	100	10.2
6. Naptha, Furnace Oil & Bitumen	64.6	26	3.2	43.8	17	1.7
7. Readymade Garments	84.1	34	4.1	275.7	106	10.9
8. Others	141.5	55	6.7	105.3	40	4.4
Total :	**2051.5**	**822**	**100**	**2521.1**	**971**	**100**

Source : Bangladesh Bank.

VII. MERCHANDISE IMPORTS (PAYMENTS)

Commodities	1983–84		1984-85	
	In crore Taka	In million U.S. $	In crore Taka	In million U.S. $
1. Food grains	992.7	398-	1216.3	468
a) Rice	(175.0)	(70)	(220.7)	(85)
b) Wheat	(817.7)	(328)	(995.6)	(383)
2. Edible Oil & Oil Seeds	239.4	96	431.0	166
3. Petroleum & Petroleum Products	907.1	364	887.4	342
4. Cotton	173.9	70	142.5	55
5. Textile Yarn	111.2	45	110.9	43
6. Fertilizers	197.2	79	264.4	102
7. Chemicals	253.1	101	322.1	124
8. Cement	60.6	24	136.9	53
9. Capital Goods	1559.9	625	1616.5	622
10. Others	1374.2	551	1745.8	672
Total :	**5869.3**	**2353**	**6873.8**	**2647**

Source : Bangladesh Bank.

VIII. FOREIGN AID, EXTERNAL DEBT AND DEBT SERVICE

(In Million US Dollars)

Sl. No.	Particulars	1983-84	1984-85
1.	**Foreign Aid :**		
	a) Gross Disbursement during the year	1,268	1,267
	b) Gross Commitment during the year	1,695	1,971
	c) Total Commitment since 1972	16,254	18,225
	d) Total disbursement since 1972	11,603	12,870
2.	Debt Service	155	181
3.	Debt Service—Export Ratio	18.86	18.64

Source : Planning Commission.

IX. TAKA—DOLLAR EXCHANGE RATES*

Month/Year	1983–84	1984-85
July	US $ 1.00 -Tk.24.50	US $ 1.00 -Tk.25.20
August	US $ 1.00 -Tk.24.51	US $ 1.00 -Tk.25.25
September	US $ 1.00 -Tk.24.59	US $ 1.00 -Tk.25.40
October	US $ 1.00 -Tk.24.90	US $ 1.00 -Tk.25.58
November	US $ 1.00 -Tk.25.00	US $ 1.00 -Tk.25.99
December	US $ 1.00 -Tk.25.00	US $ 1.00 -Tk.26.00
January	US $ 1.00 -Tk.25.00	US $ 1.00 -Tk.26.00
February	US $ 1.00 -Tk.25.05	US $ 1.00 -Tk.26.22
March	US $ 1.00 -Tk.25.20	US $ 1.00 -Tk.26.50
April	US $ 1.00 -Tk.25.20	US $ 1.00 -Tk.26.53
May	US $ 1.00 -Tk.25.20	US $ 1.00 -Tk.27.00
June	US $ 1.00 -Tk.25.20	US $ 1.00 -Tk.27.50

* Monthly Average.

Source : Bangladesh Bank.

X. COMPARATIVE POSITION OF SCHEDULED BANKS

(Taka in crores)

Particulars	As on	
	30.6.1984	30.6.1985
Bank Deposits (excluding inter-bank items) :	**6,829.50**	**8,811.10**
Demand Deposits	1,993.60	2,508.70
Time Deposits	4,835.90	6,302.40
Borrowings from Bangladesh Bank	1,275.00	2,080.80
Cash in Hand	235.50	275.70
Balances with Bangladesh Bank	406.00	613.30
Balances with other Banks in Current Account in Bangladesh	134.06	199.36
Money at Call and Short Notice in Bangladesh	133.35	169.20
Scheduled Banks' Investment :	**1,504.84**	**1,684.90**
Government Securities	902.59	869.91
Others	602.25	814.99
Bank Credit (excluding inter-bank items) :	**6,736.50**	**8,984.80**
Advances in Bangladesh	6,436.20	8,570.70
Inland and Foreign Bills Purchased and Discounted in Bangladesh	300.30	414.10
Credit/Deposit Ratio (excluding BKB & BSB)	0.77	0.81

Source : Bangladesh Bank.

XI. LIST OF SCHEDULED BANKS
(As on June 30,1985)

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 Bank Ltd.
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 30,1985)

Head Office

DHAKA

Offices at

MOTIJHEEL (DHAKA)

SADARGHAT (DHAKA)

CHITTAGONG

KHULNA

BOGRA

RAJSHAHI

SYLHET