ANNUAL REPORT
1991-92

BANGLADESH BANK

BOARD OF DIRECTORS

1.	Mr. Shegufta Bakht Chaudhuri	Chairman
2.	Mr. Mahbubur Rahman Khan	Director
3.	Dr. Md. Habib Ullah	Director
4.	Major General Muhammad Abdul Latif, psc	Director
5.	Dr. Shaikh Maksud Ali	Director
6.	Mr. Nurul Hossain Khan	Director
	Mr. M. Ruhul Amin	Secretary

Mr. Nurul Hossain Khan, Major General Muhammad Abdul Latif, psc and Mr. Mahbubur Rahman Khan were relieved of their responsibilities as Directors of the Board with effect from April 30, 1992, June 03, 1992 and June 15, 1992 respectively.

GOVERNOR

Mr. Shegufta Bakht Chaudhuri

DEPUTY GOVERNORS

Mr. Mahbubur Rahman Khan*

Mr. A.S.M. Fakhrul Ahsan*

Mr. Kamaluddin Ahmed**

Mr. A.B.M. Mahbubul Amin Khan**

Mr. Shah Abdul Hannan**

EXECUTIVE DIRECTORS

Mr. Santi Ranjan Karmaker

Mr. Walayet Hossain

Mr. Syed Feda Hossain

ECONOMIC ADVISER

Dr. Md. Sohrab Uddin***

EXECUTIVE DIRECTOR(COMPUTER)

Dr. Md. Sohrab Uddin***

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* Mr. Mahbubur Rahman Khan and Mr. A.S.M. Fakhrul Ahsan shouldered the responsibility of Deputy Governor upto June 15, 1992 and July 4, 1992 respectively.

** Mr. Kamaluddin Ahmed and Mr. A.B.M. Mahbubul Amin Khan took over as Deputy Governor with effect from June 15, 1992 and Mr. Shah Abdul Hannan took over as Deputy Governor with effect from June 27, 1992.

*** Mr. A.H.M. Nurul Islam Choudhuri, Economic Adviser was deputed to the BIBM with effect from June 15, 1992 and from that date Dr. Md. Sohrab Uddin, Executive Director (Computer) held the charge of Economic Adviser in Addition to his own duties.

DEPARTMENTS*
AND
HEADS OF DEPARTMENTS/GENERAL MANAGERS

Computer Department	Mr. Md. Nazmul Hoque (Senior Systems Analyst)
Agricultural Credit Department	Mr. Md. Buzruch Meher Mr. Md. Abdus Salam
Agricultural Credit Inspection Department	Mr. Md. Rabiul Islam
Research Department	Mr. Muhammad Mohasin Ali Mr. Md. Waliul Islam Mr. Kazi Rafiq Uddin
Department of Public Relations and Publications	Mr. Zahid Hossain
Security Management Department	Major (Retd.) Md. Abul Hossain
Audit and Inspection Department	Mr. Malay Kanti Barman
Inspection Implementation Department	Mr. Abdul Hai (in-charge)
Statistics Department	Mr. Nurul Islam Mr. Abu Omar
Rural Credit Project Department	Mr. Imdadul Islam Khan
Engineering Department	Mr. Md. Abu Nasar
Personel Department	Mr. Abdus Sobhan
Training Academy	Mr. Mohiuddin Zahur Amin
Expenditure Administration Department	Mr. Alauddin Ahmed
Banking Control Department	Mr. Sultan Ahmed Molla Mr. Md. Golam Mustafa
Department of Banking Inspection	Mr. Mohammad Ruhul Amin
Exchange Control Department	Mr. Md. Harunor Rashid Bhuiyan Mr. M. Mohsinur Rahman
Industrial Credit Department	Mr. R.K. Sengupta
Secretary's Department	Mr. M. Ruhul Amin
Accounts Department	Mr. Ashrafullah Mr. Kazi Anwarul Mahbub

*As per the alphabetical arrangement in the Bengali version of the Annual Report.

BRANCH OFFICES
AND
HEADS/GENERAL MANAGERS OF BRANCH OFFICES

Khulna Office	Mr. Kalipada Dhar (in-charge)
Chittagong Office	Mr. M.A. Mazid Khan
Bogra Office	Mr. A.H. Tawfique Ahmed
Barisal Office**	Mr. Md. Shamsuddin (Deputy General Manager)
Motijheel Office, Dhaka	Mr. Ataul Huq
Rajshahi Office	Mr. Didarul Islam
Rangpur Office**	Mr. A.A.M. Farhad (Deputy General Manager)
Sadarghat Office, Dhaka	Mr. Abdus Salam Mia
Sylhet Office	Mr. Md. Abdul Mannan

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* As per the alphabetical arrangement in the Bengali version of the Annual Report.

**Mr. Harinarayan Majumder was assigned the responsibility of supervision of Barisal and Rangpur Offices as Officer on Special Duties with the status of General Manager.

Mr. Abdur Raquib, General Manager is on deputation to the NORAD.

LETTER OF TRANSMITTAL
BANGLADESH BANK

Dhaka;
Baishakh 12, 1400
April 25, 1993

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 Article 40(2) 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 accounting period ended June 30, 1992.

Yours faithfully,
Khorshed Alam
Governor

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CHAPTER I

TRENDS IN THE BANGLADESH ECONOMY DURING 1991-92

1.1 1991-92 was a year of further consolidation of Bangladesh economy through introduction of reforms and strengthening of adjustment measures.

1.2 The trend of development of the Bangladesh economy could be maintained during the year under report due to the remarkable resilience of the economy in overcoming the shocks emanating from both external and internal sectors. Before the economy could recoup the losses due to the Gulf-war and adverse situation generated by the world-wide recession, the catastrophic cyclone and tidal waves caused devastating damages to crops, infrastructures and property along with large loss of human and animal lives. Immediately after arrangement of necessary funds for recouping the colossal damages and overall rehabilitation activities, about 3 lakh refugees entered Bangladesh from Myanmar as destitutes. This, despite receipt of some foreign assistance, created heavy pressure on the limited Government resources which was reflected on the implementation of on-going development programmes. The efforts for augmenting agricultural production were also impeded somewhat due to adverse weather conditions which prevailed in different areas of the country during the second half of the year under report. However, notwithstanding the rather non-congenial environment, Gross Domestic Product (GDP) increased to 3.9 percent during 1991-92 from 3.6 percent of the preceding year due to increases in agricultural and industrial production. This growth rate was marginally higher than the average annual GDP growth rate of 3.8 percent achieved during the Third Five Year Plan Period (1985-90) but slightly lower than the revised ADP estimate of 4.0 percent. On the global scene, the World output increased to only 0.2 percent during the year 1991 due to recession as compared to 2.3 percent in the preceding year. Domestic production of the developing countries increased at an average rate of 3.2 percent during 1991. Per capita income of the Bangladeshis increased to $ 210 during 1991-92.

1.3 Domestic supply situation in the country was satisfactory due to increases in agricultural and industrial production, liberal imports and timely distribution of foodgrains from the Government stocks. Strengthening of tax administration and revenue collection activities and curtailment of public expenditure in the unproductive sectors had a favourable impact on the Government fiscal operations. The Government demonstrated utmost restraint in respect of borrowing from the banking system. The contribution of domestic resources in the development budget increased in the year under report as compared to that in the preceding year. Moreover, expansion of Broad Money (M_2) was lower than the target due to adoption of prudent measures in monetary management. As a result, rate of inflation in the country declined significantly to 5.1 percent in the year under report as compared to 8.9 percent in the preceding year. This rate was substantially lower than those of other countries of the Sub-continent.

1.4 Export earnings increased by 14.1 percent to $ 1,904 million during the year under report as compared to $ 1,669 million during the preceding year. Wage earners' remittances also increased by 10.1 percent to $ 848 million as against $ 764 million of the preceding year. As a result, deficit in the Current Account of the external sector declined by 38.3 percent to $ 605 million during the year under report as against the deficit of $ 981 million in the preceding year. The foreign exchange reserves recorded an unprecedented increase of 82.7 percent to $ 1,608 million at the end of the year under report as compared to the corresponding level of $ 880 million during the preceding year. Debt service/export ratio declined to 17.7 percent during the year under report as compared to 19.0 percent of the preceding year due to increase of exports and conversion of some portion of foreign aid into grants. However, total outstanding level of external debt which increased to $ 11,636 million at the end of the year under report was 48.7 percent of the GDP.

1.5 In spite of the encouraging position of the macro economic indicators of the economy, extension of different facilities by the Government in respect of liberal imports, taxes, domestic as well as foreign investment, lowering of interest rates and special credit to the tune of Tk. 100.00 crores by the Bangladesh Bank to some selected banks to extend loans for investment in industries and prevalence of excess liquidity in the banking system, the desired momentum in investment activities in the private sector of the country could not be achieved due to the lingering recession. Full implementation of the reduced Annual Development Programme was also not possible due mainly to inadequate implementation capability of the executing departments and agencies.

1.6 During the year under report, the Bangladesh Bank made appropriate arrangements for protecting the interest of the depositors by taking immediate steps to tackle the situation arising out of suspension of activities of the Bank of Credit and Commerce International Ltd. The total number of bank branches in the country increased to 5,692 at the end of the year under report as compared to 5,653 at the end of the preceding year.

1.7 Different adjustment measures were initiated and the on-going ones were further strengthened under the Financial Sector Reform Programme (FSRP) during 1991-92. Preparation of different reviews relating to banking and finance, necessary change and modification of the legal framework, further deregulation and downward adjustment of interest rates and lowering of the Cash Reserve Ratio (CRR) as well as Statutory Liquidity Requirements (SLR), restructuring of capital of the nationalised banks, development of perception relating to management of investment portfolio and arrangement for training of officers for augmenting their efficiency and skills in an increasingly competitive environment under a market-oriented system were initiated during the year.

1.8 Official rate and Secondary Exchange Market (SEM) rate of foreign exchange were unified during the year under report. In order to maintain international competitiveness of exports of the country, exchange rate which was adjusted ten times in small doses indicated a total depreciation of Taka by 8.2 percent over the year.

1.9 The Bangladesh Bank continued to ensure flow of adequate finance for all productive activities including agricultural and industrial sectors through constant monitoring and review of overall economic situation. Activities relating to banking inspection were also strengthened during the year. Disbursement of agricultural credit which stood at Tk. 794.59 crores during the year under report was 33.4 percent higher than Tk. 595.60 crores disbursed during the preceding year. This amount was 20.0 percent higher than Tk. 662.11 crores recovered during the year under report. However, the level of disbursements of agricultural and rural credit was lower than the expected level. The banks experienced contractions in their profits due to strengthening of accountability through provisioning for classified loans under the on-going financial sector reforms and credit forgiveness. The nationalised banks are gradually showing a tendency to reduce their involvement in extending rural and agricultural credit as they perceive these areas to be relatively costlier and hazardous.

1.10 In order to boost up domestic effective demand for the commodities produced by the existing industries as well as those to be set up in future in the face of introduction of liberalised import policy, achieve self-sufficiency in foodgrains and protein for the ever expanding population, prevent further deterioration of the already polluted environment of the urban areas by keeping the poor and unemployed rural people in the villages, it is imperative to augment the flow of rural and agricultural credit. With a view to ensuring fair prices for the crops and other commodities produced in the rural areas, development of appropriate marketing structure along with adequate infrastructure is absolutely essential. There appears to be a need for making changes in the strategy for supply and delivery of rural and agricultural credit. It might be possible to achieve the desired success in increasing production and alleviation of poverty if steps are taken to establish appropriate linkages by the banks with the local self-help groups emulating the successful models of other countries.

Gross Domestic Product

1.11 The GDP growth rate increased marginally from 3.6 percent in 1990-91 to 3.9 percent in 1991-92. An increase in the growth rate of the Power and Gas and the Industrial Sectors mainly helped in maintaining the growth in GDP. The Power and Gas Sector recorded an impressive growth of 8.9 percent during the year under report as against 4.4 percent in the preceding year. The growth rate in the Industrial Sector increased to 7.7 percent in 1991-92 as compared to 5.9 percent in the previous year. The Construction and the Other Sectors recorded a growth of 0.2 and 0.5 percentage points respectively in 1991-92 as compared to those recorded in the previous year. Unfavourable weather condition during 1991-92 coupled with adverse impact of the devastating natural calamities of the preceding year effected a slight decline in the growth rate of the agricultural sector to 2.4 percent during the year under report as compared to 2.7 percent achieved in 1990-91. Although the production of foodgrains recorded a rise of 2.4 percent in the year under report as compared to 0.6 percent recorded in the previous year, it remained 3.5 percent lower than the target.

Money, Credit and Price Situation

1.12 Arrangements for providing necessary finance from the banking system to the different sectors for encouraging productive activities continued during 1991-92 by consolidating the financial sector through structural adjustments. Broad Money (M_2) expanded at a lower than the projected rate during the year under report. It recorded an increase of Tk. 3,521.60 crores or 14.1 percent to Tk. 28,525.90 crores during 1991-92, which was lower as compared to the projected growth of 15.2 percent but higher than 12.1 percent recorded in the preceding year. Reserve Money or 'High Powered Money' rose by 5.9 percent to Tk. 6,912.10 crores as compared to the increase of 3.3 percent in the previous year. The money multiplier went up from 3.83 at the end of the preceding year to 4.13 at the end of the year under report. The Cash Reserve Requirement (CRR) and the Statutory Liquidity Requirement (SLR) of the scheduled banks were lowered thrice during 1991-92 and finally fixed at 5.0 percent and 20.0 percent respectively.

1.13 Total domestic credit increased by 7.3 percent to Tk. 27,208.30 crores during 1991-92 as against the projected growth of 16.3 percent for the year and actual expansion of 10.1 percent recorded during the previous year. However, had it not been but for the forgiveness of agricultural loans upto Tk. 5,000, the total domestic credit would have expanded by 14.7 percent. The pace of economic activities remained somewhat lower than expected during the year under report due mainly to the colossal damages caused to the infrastructures by the devastating natural calamities in the preceding year coupled with the adverse impact which emanated from global recession in the wake of the Gulf-crisis. However, with the implementation of various adjustment measures and reforms by the Government, aggregate demand picked up somewhat and the economy showed some signs of gathering momentum during the second half of the year. As a result, total domestic credit expanded by Tk. 2,005.30 crores or 8.0 percent during January-June, 1992 as compared to Tk. 1,359.30 crores or 5.7 percent during the corresponding period of the preceding year.

1.14 Although money supply (M_1) expanded at a rate higher than that recorded in the previous year, this did not have any adverse impact on the price situation mainly due to a comfortable availability situation. The rate of inflation as measured by the twelve-month average of the Consumer Price Indices for Middle Income Families in Dhaka City declined substantially to 5.1 percent in 1991-92 as compared to 8.9 percent in the preceding year.

1.15 The activities of the branches of the Bank of Credit and Commerce International (BCCI) Ltd. in Bangladesh were suspended with effect from July 6, 1991. In order to take necessary measures for recovery of the outstanding loans of the BCCI and to implement the decision for its reconstitution a "BCCI Cell" was formed in the Bangladesh Bank on May 6, 1992. With a view to protecting the interests of the depositors, necessary measures were taken by the Bangladesh Bank for extending a maximum amount of Tk. 50,000 as advance through the Agrani Bank. Besides, without prejudicing the interests of the BCCI, some steps were also taken for facilitating import and export business of its clients.

1.16 Bangladesh Bank suspended the activities of Bangladesh Commerce and Investment Limited (BCI) from April 28, 1992 for violating rules and regulations.

Balance of Trade and Payments

1.17 The deficit in the country's trade balance narrowed down by $ 242.0 million to $ 1,559.0 million during 1991-92. This compared with a deficit of $ 1,801.0 million during the preceding year. As in the previous year, the reduction in trade deficit was attributable to the fall in import payments and increased export receipts during 1991-92. Import payments declined by $ 7.0 million or 0.2 percent to $ 3,463.0 million in 1991-92 as compared to $ 3,470.0 million in the preceding year.

1.18 Total export receipts went up by $ 235.0 million or 14.1 percent to $ 1,904.0 million in 1991-92 as against an increase of $ 183.0 million in the previous year. The relative shares of traditional and non-traditional items in total export receipts during the year under report stood at $ 444.0 million or 23.3 percent and $ 1,460.0 million or 76.7 percent respectively. These compared with 26.5 percent and 73.5 percent respectively during the preceding year. An increase of $ 252.0 million from export of readymade garments contributed the lion's share in augmenting total export receipts during the year under report. This compared with an increase of $ 196.0 million in the preceding year. Besides readymade garments, a rise of export receipts of $ 19.0 million, $ 9.0 million, $ 6.0 million and $ 2.0 million were recorded from 'other items', tea, jute goods and leather respectively. On the other hand, a decline in export receipts was recorded in the cases of fertilizer and raw jute to the extent of $ 31.0 million and $ 14.0 million respectively. Net deficit in the Services Account declined by $ 5.0 million to $ 21.0 million in 1991-92 due to larger inflow vis-a-vis outflow from the same Account. Receipts under Private Unrequited Transfers rose by $ 129.0 million to $ 975.0 million during the year under report. This included $ 848.0 million remitted by the Bangladeshis working abroad as compared to $ 764.0 million during the previous year. Deficit in the Current Account declined by $ 376.0 million to $ 605.0 million during 1991-92. As a result of decline in deficit under Trade and Services Account and an increase in receipts under Private Unrequited Transfers, the overall balance of payments of the country showed a surplus of $ 614.0 million in 1991-92 which was $ 267.0 million higher than the surplus of $ 347.0 million during 1990-91.

1.19 Commitments of foreign aid to Bangladesh stood at $ 1,744.0 million during 1991-92 which was 29.4 percent higher than $ 1,371.0 million committed during 1990-91. Total commitments of foreign aid since independence till the end of June, 1992 amounted to $ 29,237.0 million, of which $ 13,728.0 million or 47.0 percent represented grants. Total disbursements of foreign aid during the same period stood at $ 24,072.0 million which represented 82.3 percent of the total commitments. One of the major factors responsible for this shortfall in aid disbursement was the dearth of supplementary resources in local currency. Of the total disbursements made during the year under report, $ 12,322.0 million or 51.2 percent represented loans while the remaining $ 11,750.0 million or 48.8 percent were grants. Total cumulative external debt of Bangladesh went up by $ 584.0 million to $ 11,636.0 million at the end of the year under report. Repayments of external debt (principal and interest) during 1991-92 amounted to $ 337.0 million or 17.7 percent of the country's export earnings. This compared with the debt repayments of $ 317.0 million or 19.0 percent of export earnings during 1990-91.

Adjustment and Support Measures

1.20 In order to accelerate the pace of economic development through restructuring, deregulation and market-oriented economic reforms, steps were taken to bring about more discipline and efficiency in financial management of the country under the 'Financial Sector Reform Programme' (FSRP) in 1990-91. Implementation of this programme was stepped up in 1991-92. The main adjustment measures which were adopted under the FSRP during 1991-92 were as follows:

a. The interest rate policy pursued with effect from January 1, 1990 which contained the elements of free-market forces, was reviewed several times in 1991-92 in the light of practical experience and in the context of the existing state of the economy. In order to make the interest rate structure more flexible and market-oriented, necessary changes/adjustments were made in respect of interest rate bands and other related issues. Under the interest rate matrix for July-December, 1991, the number of subsidised sectors were reduced from 6 to 4 with simultaneous fixation of new interest rate bands for different sectors with reduced rate of subsidies. Interest rate bands on loans and advances were readjusted and restructured keeping in view the shadow interest rates and other related issues. In view of the decline in the rate of inflation, marginal adjustments were made in the interest rate bands for deposits. The concessional refinance facility to the Bangladesh Krishi Bank and the Rajshahi Krishi Unnayan Bank has been discontinued but such refinance was extended at the prevailing Bank Rate.

b. With effect from the 1st October, 1991 subsidy on working capital finance in the Jute sector was completely eliminated and the interest rate band for loans to this sector has been fixed at 9.0%-12.0%. While reducing the subsidy on term loans under the small and cottage industries by 2 percentage points to 3.5%, the relevant interest rate band has been refixed at 9.0%-14.0%. As a result, the number of sectors eligible for subsidy reduced at 3.

c. In order to step up economic activity through increased flow of credit to the productive sectors including commerce and industry of the country, some important changes, including adjustment in interest rates, were made in the country's overall financial management. The Bangladesh Bank lowered the Bank Rate from 9.75% to 9.25% with effect from November 17, 1991.

d. Downward adjustments were made in respect of floors and ceilings on bank loans and advances by different margins (from 0.5% to 2.0%) with effect from December 1, 1991. The bands for deposit rates were refixed keeping in view the prevailing inflation rate. The Cash Reserve Ratio (CRR) and the Statutory Liquidity Requirement (SLR) for the banks were reduced by one percentage point to 7% and 22% respectively with effect from December 5, 1991. Subsequently, these were again reduced to 6% and 21% respectively with effect from April 1, 1992 and further to 5% and 20% respectively with effect from May 28, 1992.

e. In order to increase the overall demand for bank credit and at the same time to enable the banks to extend credit on easy terms, the Bank Rate was lowered from 9.25 percent to 9.00 percent with effect from March 15, 1992 and further to 8.50 percent with effect from June 3, 1992.

f. With effect from April 1, 1992 interest rate bands for all sectors except agriculture, export and small and cottage industries were withdrawn and banks were allowed to fix their own rates of interest. Rates of interest on deposits were also deregulated. However, floor rates on savings and fixed deposits (upto 6 months) were prescribed by the Bangladesh Bank to safeguard the interests of the depositors.

g. A revised interest rate matrix was introduced with effect from June 3, 1992. In this matrix, the interest rate for the export sector was reduced by 0.5 percentage point and the relevant band for this sector was refixed at 7.50%-10.50%. The rate of subsidy for this sector was also reduced and refixed at 0.75 percent. The floor rates for the savings and fixed deposits (upto 6 months) were also reduced and refixed at 6.0 percent and 7.5 percent respectively.

h. With effect from January 1, 1992 the Official and Secondary Exchange Market (SEM) rates were unified at US Dollar 1=Taka 38.80.

Agricultural Credit

1.21 In 1991-92, the banks were allowed to formulate and implement their own Annual Agricultural Credit Programme. This policy aims at ensuring flow of necessary funds from the institutional sources in augmenting rural and agro-based production, attaining self-sufficiency in food production and amelioration of socio-economic conditions of the rural people particularly small and marginal farmers. Under the changed arrangements, an indicative Annual Agricultural Credit Disbursement Programme of Tk. 1,322.10 crores for the participating financing banks/institutions were drawn up for the 1991-92 crop year. This amount was 0.9 percent higher than the target fixed for the preceding year. The disbursements of agricultural credit during 1991-92 stood at Tk. 794.59 crores, which was higher by Tk. 198.99 crores or 33.4 percent as compared with the actual disbursements of Tk. 595.60 crores in the previous year but was 39.9 percent lower as compared to the disbursement target of Tk. 1,322.10 crores. The increase in disbursements during 1991-92 as compared to 1990-91 was mainly due to the decision to allow fresh loans to the borrowers who availed themselves of the opportunity of agricultural credit forgiveness upto Tk. 5,000. The recovery of loans during 1991-92 stood at Tk. 662.11 crores which was Tk. 36.79 crores or 5.9 percent higher as compared to Tk. 625.32 crores recovered in the preceding year.

Fiscal Policy

1.22 The Government adopted some measures through its budget for the year 1991-92 with a view to increasing mobilisation of domestic resources to finance activities for overall development of the country, encouraging investment in industrialisation, promoting export sector, ensuring proper utilisation of foreign exchange, protecting interest of indigenous industry and extending allout assistance for reconstructions and rehabilitation after the colossal damages caused by natural calamities of April, 1991. Some of the important measures were : (1) withdrawal of development levy and regulatory duty on importable items levied at different rates and introduction of Value Added Tax (VAT) at uniform rates in place of the Sales and Excise Taxes; (2) full or partial withdrawal of facilities of income tax rebate on profit of company as per their category and introduction of tax at source at the rate of 15 percent for company and 10 percent for others; (3) withdrawal of exemption of tax at source on import of raw materials for industries as approved by the Board of Investment; (4) increase in the rate of duty from 30 percent to 75 percent on spare parts of imported VCP, VCR, Refrigerator and deep-fridge; (5) increase in the rate of duty from 28 percent to 40 percent on imported milk powder and condensed milk in bulk packing; (6) reduction of tax holiday period from 2000 AD to 1995 for some selected industries; (7) tax facilities protecting the interests of indigenous industries included : unification of varied tax rates on paper and board to 75 percent and reduction in the tax rate from 58 percent to 40 percent for chemicals used as raw materials for safety matches; (8) tax facilities that would help development of a smooth transport and communication system included : reduction in the tax rate from 18 percent to 10 percent and from 100 percent to 40 percent respectively for engines used in auto-rickshaws and raw materials used in telephone industry; (9) tax measures to help reconstruction and rehabilitation activities after the natural calamity included: reduction of import duty and development surcharge on CI sheets and its raw materials; utensils made of aluminium and meteorological equipments used for weather forecasting; (10) tax measure encouraging savings and investment included: withdrawal of excise duty on savings account upto Tk. 5,000 etc. Besides, with a view to encouraging tax payers to pay tax, the Government decided to honour 10 (ten) tax payers as VIP and to provide them with some extra facilities.

Industrial Policy

1.23 With a view to augmenting gross domestic product and increasing employment opportunities through the development of the industrial sector, the Government announced a 'National Industrial Policy' in 1991. Certain measures were taken in 1991-92 for promoting the Private Sector, encouraging foreign and domestic investment and fostering export-oriented industries. These included : (1) a target for disinvestment of Government assets worth Tk. 50.00 crores in industries/commercial institutions at a reasonable price; (2) a decision for extending a special advance totalling Tk. 100.00 crores by the Bangladesh Bank to certain selected scheduled banks with effect from February 25, 1992 for increasing investment in the industrial sector. The banks were expected to extend term loans for establishing new small and cottage industries as well as for balancing, modernisation, rehabilitation and expansion of the existing industries in the Private Sector; (3) starting of construction work of infrastructure of the Dhaka Export Processing Zone at total cost of Tk. 58.00 crores for encouraging foreign investment, providing facilities for expansion of export -oriented industries and for assisting the industrial entrepreneurs; and (4) ensuring facilities for repatriation of capital gains of the non-resident individual/institutions including non-resident Bangladeshis on their holdings of shares/securities etc.

Short-term Prospects

1.24 There would be further broadening and deepening of the measures already initiated under the structural adjustment programmes specially those under the Financial Sector Reform Programme during 1992-93. As a result, economic activities are expected to gather the desired momentum which would enable achievement of the projected GDP growth rate of 5.1 percent. Revenue resources of the Government are also likely to increase due to strengthening of tax administration, tax measures and expansion of the coverage of VAT. Therefore, it will be possible to generate more revenue surplus for financing the Annual Development Programme. However, management efficiency of the implementing agencies would need to be augmented to ensure proper implementation of the development projects. There are indications that global availability of economic aid might shrink and a sizeable portion of it might be diverted to the East-European Countries and the members of the Commonwealth of Independent States (CIS) which have attracted the attention of the donors as well as the international multi-lateral financial institutions. Consequently, aid flow to Bangladesh might decline if proper utilization of funds which have been made available or committed is not expedited. The present democratic Government of the country is strongly committed to implement the development agenda and to adopt and initiate measures for alleviation of poverty along with de-regulation, privatization and liberalisation to build-up a market-oriented economy. It is redeeming to note that opinions outside the Government are also congenial for introduction of a market-oriented economy. However, it is imperative to have realistic reflection of national consensus on economic policies to establish the appropriate labour-employer relationship, to maintain law and order and overall congenial environment for domestic and foreign investment in the country.

CHAPTER II

THE MAJOR SECTORS

Gross Domestic Product

2.1 According to estimates of the Planning Commission, Gross Domestic Product (GDP)* of Bangladesh increased by 3.9 percent during 1991-92 as compared to 3.6 percent during 1990-91. This improvement in the growth rate occurred as a result of various measures taken by the Government to boost up overall economic activities during the year under report. The growth rate in the agricultural sector, however, declined slightly to 2.4 percent during 1991-92 as compared to 2.7 percent in the preceding year. The industrial sector recorded a higher growth rate of 7.7 percent during the year as compared to 5.9 percent in the preceding year. Growth rate in the construction sector increased slightly to 4.3 percent during 1991-92 as compared to 4.1 percent in the preceding year while the same for the 'power and gas' sector increased markedly to 8.9 percent during the year under report as compared to 4.4 percent in the preceding year. The combined growth rate for the remaining sectors was 4.4 percent during 1991-92 as compared to 3.9 percent in the preceding year.

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* At constant 1989-90 factor cost.

Agricultural Sector

2.2 The growth rate in the agricultural sector declined slightly to 2.4 percent during 1991-92 as compared to 2.7 percent in the preceding year. The total output of foodgrains increased by 2.4 percent to 193.17 lakh tons during 1991-92 as against the increase of 0.6* percent during the preceding year. Production of Aus declined by 6.4 percent to 21.79 lakh tons during the year as compared to 23.28 lakh tons in the preceding year. Production of Aman, however, stood at 92.69 lakh tons during the year which was 1.1 percent higher than 91.67* lakh tons produced in the preceding year. Production of Boro stood at 68.04 lakh tons in 1991-92 which was 7.0 percent higher as compared to 63.57* lakh tons produced in 1990-91. Total production of rice at 182.52 lakh tons during the year under report was 2.2 percent higher than 178.52* lakh tons produced in the preceding year. Output of wheat stood at 10.65 lakh tons during 1991-92 and was 6.1 percent higher than 10.04* lakh tons produced in 1990-91.

Industrial Sector

2.3 The growth rate in the industrial sector during 1991-92 which was the second year of the Fourth Five Year Plan increased from 5.9 percent in the preceding year to 7.7 percent as compared to the target of 9.1 percent. In order to achieve the objectives of the industrial sector the important steps taken by the Government during the year under report were : (1) development of export-oriented industry to achieve self-sufficiency and growth in the industrial sector; (2) increased utilisation of installed capacity; (3) encouragement of private sector; (4) gradual withdrawal of the quantitative restrictions in respect of import in special cases and reduction in the existing high import duty on commodities required for industrial production except luxurious goods ; (5) simplification of procedure for issuance of import licence, loan sanctioning and project approval; (6) elimination of Government control in the industrialisation process; (7) strengthening the efforts for collection and dissemination of market information for investors and resource allocating institutions; (8) expansion of small and cottage industries in the rural areas; (9) development of industrial zones and estates and (10) increase of skilled manpower and technological know-how.

2.4 Industrial goods@ which recorded increases in output during the year were: readymade garments (+25.5% to 1.77 crore dozens), chemical fertilizers (+13.2% to

* Revised.

@ Source : Bangladesh Bureau of Statistics.

17.36 lakh tons), matches (+11.0% to 1.21 crore gross boxes), natural gas (+9.1% to 5,337 million cubic meters), cotton yarn (+8.0% to 6.05 crore kgs.), tea* (+2.1% to 46.02 million kgs.), edible oil (+1.4% to 29.57 thousand tons) and newsprint (+0.04% to 47.03 thousand tons). On the other hand, items recording declines in production were: steel (-32.0% to 1.04 lakh tons), sugar (-20.7% to 1.95 lakh tons), chemicals (-15.5% to 19.04 thousand tons), cigarettes (-7.9% to 1,253.5 crore sticks), jute goods (-4.2% to 4.16 lakh tons), paper (-4.2% to 41.29 thousand tons), cotton textiles (-1.8% to 5.89 crore meters) and cement (-1.1% to 2.72 lakh tons).

2.5 One of the important policies of the Government is to encourage establishment of more industries in the private sector. A major goal of the present industrial policy is to increase efficiency and productivity of the industrial sector by gradually transferring public sector enterprises to the private sector. The Government has decided to pursue some policies which include the following: (i) abandoned, taken-over and vested industrial enterprises, shares, and other Government-owned properties will continue to be disinvested; (ii) except industries in the reserved sector, capital will continue to be withdrawn gradually from industrial units under corporations; (iii) hundred percent shares of public enterprises will be sold out, if required; (iv) industries in the public sector will be disposed of through floating of tenders; (v) in order to ensure widest possible distribution of shares and securities among the general public, and associate them in the management, shares will be unloaded to the general members of public; and (vi) the Bangladeshis working abroad will be encouraged to purchase the aforesaid industrial units or shares in foreign currencies.

2.6 Industrial units of Bangladesh in the private sector may take loans** from abroad, subject to the approval of the Board of Investment, at the rate of interest not more than LIBOR (London Inter-Bank Offered Rate) plus 2.0%. Apart from this, under the 'Export Development Fund' of $ 30 million jointly created by the International Development Association (IDA) and the Government of Bangladesh, the system of extending loans in foreign currency for import of essential raw-materials for non-traditional export-oriented industries upto 70% of the value of the underlying export L/Cs at the existing LIBOR plus 1% rate of interest also continued during the year under report.

2.7 The amount of assistance of local/foreign financing institutions and donor agencies with the services and cooperation of the BSCIC disbursed as credit to and

* Bangladesh Tea Board.

** Subject to compliance with some conditions, investors of private sector industries have been permitted from July 14, 1992 to take foreign loans at rates of interest at LIBOR + 4% without prior permission of the BOI.

as investment in the Small and Cottage Industries Sector stood at Tk. 242.05* crores and Tk. 215.05* crores respectively during 1991-92. The amount of credit and investment during 1990-91 were Tk. 302.32 crores and Tk. 199.17 crores respectively. In order to help industrialisation of the country, the BSCIC has formulated a draft Investment Schedule for the private sector involving an investment outlay of Tk. 360.00 crores under the Fourth Five Year Plan. An amount of Tk. 215.05 crores was sanctioned for 1,597 new and 1,644 existing industrial units under the above Schedule and for 3,024 new and 6,711 existing cottage industrial units under the Schedule of Cottage Industries during the year. Of the above amount, entrepreneurs' equity stood at Tk. 71.20 crores, bank loan at Tk. 66.78 crores and investors' self- financing at Tk. 77.07 crores.

Public Sector Outlay

2.8 The Annual Development Programme (ADP) for 1991-92 originally envisaged a total public sector development outlay of Tk. 7,500.00 crores. Later on, allocations in the revised ADP for 1991-92 declined by Tk. 350.00 crores or 4.7 percent to Tk. 7,150.00 crores mainly due to shortfall of foreign aid of Tk. 1,072.00 crores. The revised development allocation during the year was higher by Tk. 1,029.00 crores or 16.8 percent than the revised outlay in the preceding year's ADP. Of the total revised outlay for 1991-92 the shares of domestic resources and foreign aid were Tk. 1,787.00 crores or 25.0 percent and Tk. 5,363.00 crores or 75.0 percent respectively. In the revised public sector development outlay of the Annual Development Programme for the preceding year, the shares of domestic resources and foreign aid had stood at Tk. 770.62 crores or 12.6 percent and Tk. 5,350.38 crores or 87.4 percent respectively.

2.9 The sectoral allocations in the revised ADP for 1991-92 were as follows :

Power Tk. 1,108.40 crores; Transport Tk. 1,091.38 crores; Flood Control and Water Resources Tk. 845.29 crores; Oil, Gas and Natural Resources Tk. 550.04 crores; Agriculture Tk. 492.03 crores; Education and Religion Tk. 444.91 crores; Physical Planning, Water Supply and Housing Tk. 385.43 crores; Rural Development and Institutions Tk. 370.08 crores; Industries Tk. 357.92 crores; Population and Family Planning Tk. 342.50 crores; Health Tk. 201.24 crores; District and Upazilla Infrastructures Tk. 185.71 crores; Communications Tk. 183.56 crores; Lump Allocations for different sectors Tk. 141.41 crores; Flood Control Project for Metropolitan Dhaka (lump) Tk. 89.65 crores; Custom Duties and Sales Tax (lump) Tk. 64.62 crores and Public Administration Tk. 50.43 crores. Allocations for other

* Source : Bangladesh Small and CottageIndustries Corporation.

sectors aggregated to Tk. 245.40 crores. Allocations for sectors directly related with rural development, such as, Agriculture, Rural Development and Institutions, Flood Control and Water Resources, Population Control and Family Planning, Development Assistance for Upazillas, Canal Digging Programme, etc. together accounted for 28.9 percent of the total development outlay for the year.

Investments in Private Sector Industries@

2.10 A total of 3,473 industrial units@@ (including small industries) involving a investment outlay of Tk. 1,220.46 crores including a foreign exchange component of Tk. 445.13 crores were sanctioned and registered in the private sector during 1991-92. This compared with 2,947* industrial units involving total investment of Tk.10,869.20* crores including a foreign exchange component of Tk.698.79* crores sanctioned and registered during the preceding year. The major industries sanctioned and registered during the year included: Food and Allied Products (Tk. 387.58 crores); Textile Industries (Tk. 282.32 crores); Jute and Jute Goods (Tk.1.58 crores); Forest and Related Industries (Tk. 9.33 crores); Paper Board, Printing and Packaging Industries (Tk.194.32 crores); Tannery, Leather Goods and Rubber Products (Tk. 43.46 crores); Chemicals, Pharmaceuticals and Allied Industries (Tk. 68.89 crores); Glass, Ceramics and Other Non-Metal Mineral Products (Tk. 5.69 crores); Engineering Industries (Tk. 147.26 crores); Service Industries (Tk. 27.56 crores) and Miscellaneous Industries (Tk. 52.47 crores).

Food Situation

2.11 The overall availability of foodgrains for consumption increased during 1991-92 due to increase in domestic production partially neutralised by increased internal procurement and marginally lower off-take from the Government stocks. Total availability of foodgrains for consumption during the year stood at 187.14 lakh tons. This was 0.8 percent higher than 185.59* lakh tons in the preceding year. The daily average per capita availability of foodgrains denoted a decline of 4.41 grams or 1.0 percent from 460.15* grams in the preceding year to 455.74 grams during 1991-92. Total and daily average per capita availability of foodgrains are shown in Table -2.1.

@ Board of Investment and Bangladesh Small and Cottage Industries Corporation.

@@ : Excluding data of Bangladesh Krishi Bank.

* : Revised.

TABLE-2.1

AVAILABILITY OF FOODGRAINS FOR CONSUMPTION IN BANGLADESH

(In lakh metric tons)

Sources of Availability of Foodgrains	1990-91	1991-92
1. Net Domestic Production (after 10% Seed, Feed and Wastage)	169.70	173.85 (+2.45)
2. Total off-take	23.72	23.45 (-1.14)
3. Internal Procurement	7.83	10.16 (+29.76)
4. Total Availability for Consumption (1+2-3)	185.59*	187.14 (+0.84)
5. Total Population (In million)	110.50	112.50 (+1.81)
6. Daily Average per capita Availability (In gram)	460.15*	455.74 (-0.96)

Note : Figures in parentheses indicate percentage changes over the year.

Sources : (1) Ministry of Food. (2) Bangladesh Bureau of Statistics.

* Revised.

2.12 Prices of foodgrains recorded some fluctuations during 1991-92. The average minimum retail price of coarse rice increased from Tk. 1,024 per quintal at the end of June, 1991 to Tk. 1,073 per quintal at the end of July, 1991 indicating a rise of 11.8 percent over the level a year ago. The price registered some fluctuations during August-October, 1991 and stood at Tk. 1,086 per quintal by the end of October, 1991. Due to arrival of Aman crop in the market, the price eased somewhat to Tk.1,018 per quintal by the end of November, 1991. But, the price increased again to Tk. 1,045 per quintal at the end of December, 1991 and rose gradually to the year's peak-level of Tk.1,134 per quintal at the end of March, 1992. However, due to strengthening the supply of foodgrains through improvement in the distribution system by the Government and arrival of Irri/Boro in the market, the prices of rice in the open market started easing and stood at Tk. 1,042 per quintal at the end of May, 1992. But the price increased somewhat to Tk.1,074 at the end of June, 1992 due to disruption in the supply of foodgrains on account of transport strike. The average minimum retail price of coarse rice denoted an increase of 4.9 percent during 1991-92 as compared to the increase of 11.2 percent during the preceding year.

2.13 The target for import of foodgrains was fixed at 19.00 lakh tons during 1991-92. A total of 15.63 lakh tons of foodgrains (rice 0.39 lakh ton and wheat 15.24 lakh tons) was imported during the year as compared to 15.77 lakh tons (rice 0.10 lakh ton and wheat 15.67 lakh tons) during 1990-91.

2.14 The target for internal procurement of foodgrains was fixed at 7.80 lakh tons during 1991-92. Internal procurement of foodgrains increased significantly to 10.16 lakh tons (rice 9.40 lakh tons and wheat 0.76 lakh ton) during the year due to increases in production of Irri/Boro and Aman crops and lower open market price of rice than the Government's procurement price in the northern areas of the country during the Boro-season. Procurement of foodgrains was 7.83 lakh tons (rice 7.27 lakh tons and wheat 0.56 lakh ton) during the preceding year.

2.15 The procurement prices of Aman paddy and rice were increased to Tk. 656.00 and Tk. 1,010.00 per quintal respectively on November 15, 1991 from Tk. 590.00 and Tk. 907.50 per quintal respectively which were fixed on November 15, 1990. Prices of Irri/Boro paddy and rice were also refixed at Tk. 656.00 and Tk. 1,010.00 per quintal respectively on April 19, 1992 from Tk. 643.00 and Tk. 990.00 per quintal which were fixed on April 15, 1990. The procurement price of wheat was refixed at Tk. 643.00 per quintal on March 15, 1992 from Tk. 589.40 per quintal which was fixed on March 15, 1991.

2.16 In order to keep upward trend in prices of foodgrains under control, the Government released sufficient quantities of foodgrains in the market during 1991-92 through different public distribution channels. A total of 23.45 lakh tons (rice 7.59 lakh tons and wheat 15.86 lakh tons) was released from the Government stocks during the year which included 4.95 lakh tons for the Food for Works Programme (FWP), 2.74 lakh tons for Open Market Sale (OMS), 2.54 lakh tons for Flour Mills, 2.16 lakh tons for 'Pally Rationing', 2.30 lakh tons for the Vulnerable Group Development (VGD) Programme and 8.76 lakh tons for other programmes. The above release was 1.1 percent lower than 23.72[@] lakh tons (rice 9.70 lakh tons and wheat 14.02 lakh tons) during 1990-91.

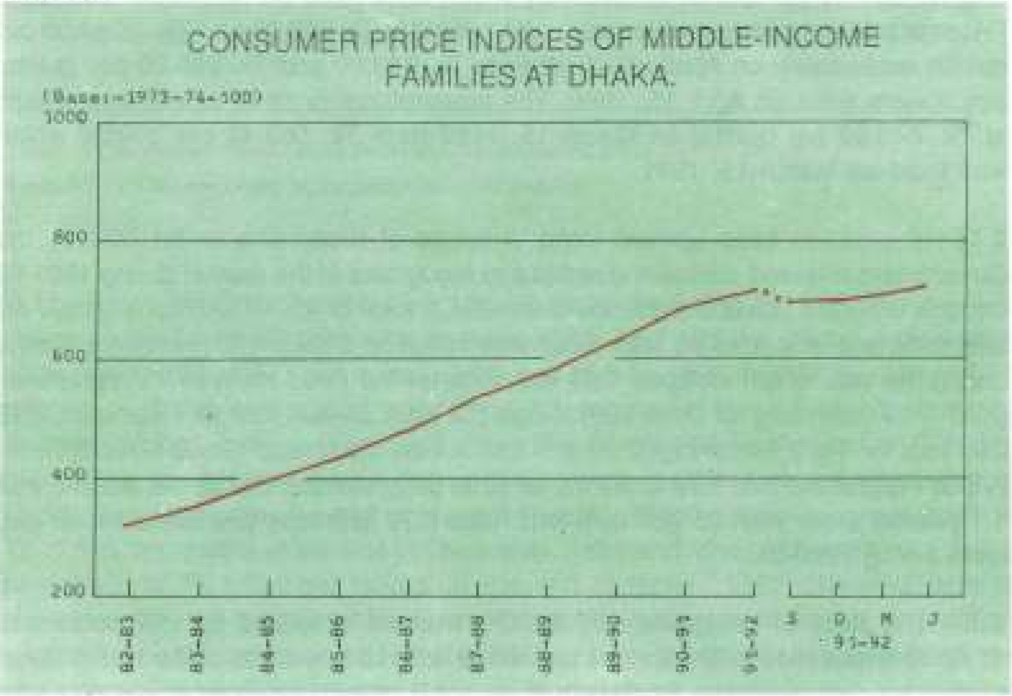
2.17 The stock of foodgrains with the Government increased by 11.7 percent to 11.62 lakh tons (rice 6.79 lakh tons and wheat 4.83 lakh tons) as at the end of June, 1992. This compared with 10.40 lakh tons (rice 5.28 lakh tons and wheat 5.12 lakh

[@] Revised.

tons) on June 30, 1991. The stock of foodgrains with the Government increased during the year due to increase in internal procurement of foodgrains and decline of releases of foodgrains from the Government godowns.

Price Situation/Consumer Price Index

2.18 The overall price situation in the country depicted an improvement during 1991-92. The inflation rate as measured by the twelve-month average of the Consumer Price Indices* in 1991-92 (1973-74=100) for middle income families in Dhaka city denoted a smaller increase of 5.1 percent during the year as compared to 8.9 percent in the preceding year. The increase in prices during the year was more pronounced in 'food items' than in 'non-food items'. The sub-index for 'food items' increased by an average of 5.5 percent while that for 'non-food items' recorded an average increase of 4.5 percent during the year as compared to 6.9 percent and 12.0 percent respectively during 1990-91. The magnitudes of increase in different sub-indices of Consumer Price Index during the year were : 'food' (+5.5% to 683.75), 'fuel and lighting' (+6.7% to 1,008.39), 'housing and household requisites' (+3% to 892.91), 'clothing and footwear' (+2.7% to 410.31) and 'miscellaneous' (+4.9% to 755.92).



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* Source : Bangladesh Bureau of Statistics.

Savings and Investments

2.19 According to a preliminary estimate of the Planning Commission, gross domestic savings at current prices increased by Tk. 3,600 crores or 97.8 percent to Tk. 7,281** crores during 1991-92. As a result, the gross domestic savings as percentage of the GDP increased to 8.0** during the year under report as compared to 4.4** in the preceding year. Gross investment at current prices increased by Tk. 1,886 crores or 20.6 percent to Tk. 11,025 crores in 1991-92. The ratio of gross investment to GDP also increased from 11.0 percent in the preceding year to 12.1 percent during 1991-92.

** Revised.

CHAPTER III

MONEY AND BANKING

3.1 Narrow Money (M_1) increased by Tk. 1,053.50 crores or 14.6 percent to Tk. 8,257.20 crores during 1991-92 as compared to the expansion of 13.1 percent during the preceding year. Broad Money (M_2) expanded by Tk. 3,521.60 crores or 14.1 percent to Tk. 28,525.90 crores during the year under report. This compared with the programmed expansion rate of Broad Money at 15.2 percent during the year and its actual expansion rate at 12.1 percent during the preceding year.

3.2 Reserve Money[1] increased by 5.9 percent to Tk. 6,912.10 crores during 1991-92 as compared to the increase of 3.3 percent during the preceding year. The money multiplier increased by 0.30 to 4.13 during the year under report. Money multiplier had increased by the same magnitude during the previous year. The reserve/deposit ratio came down from 0.13 to 0.11 which contributed to the rise in money multiplier during the year. On the other hand, currency/deposit ratio declined to 0.15 in 1991-92 from 0.16 during the previous year.

3.3 Total domestic credit[2] expanded by 7.3[3] percent to Tk. 27,208.30 crores during 1991-92. This compared with the programmed expansion rate of domestic credit at 16.3 percent during the year and its actual expansion rate at 10.1 percent during the preceding year.

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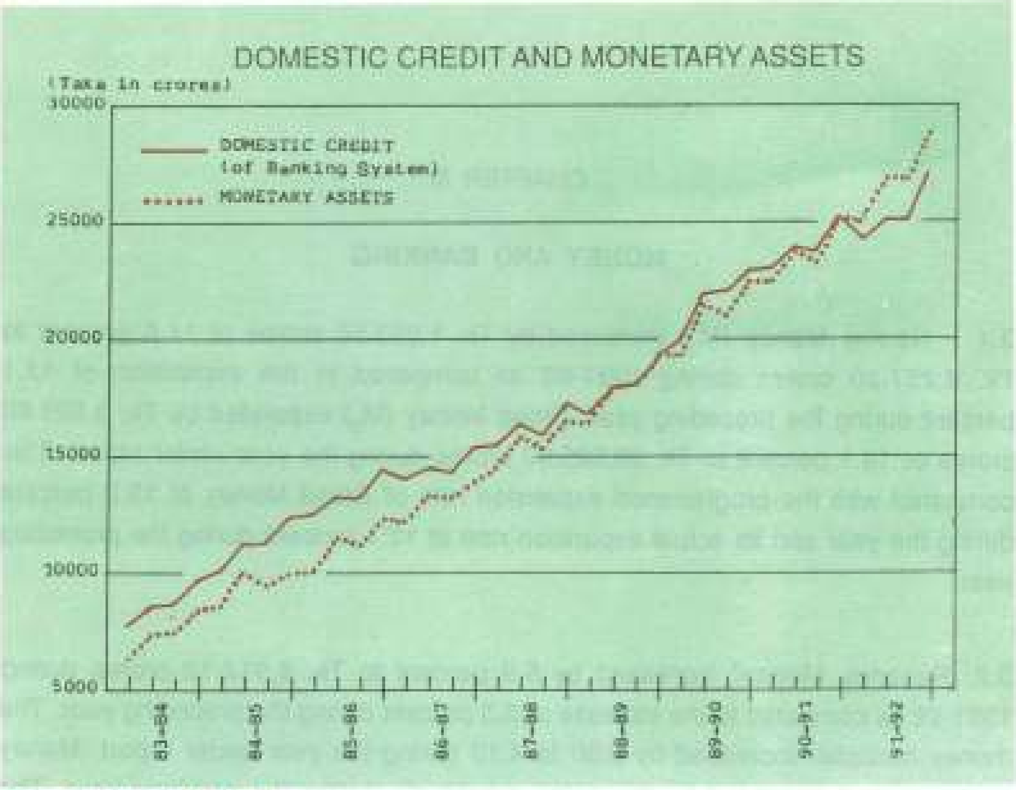
[1] Reserve Money=Currency Outside Banks+Deposit Money Banks' deposits with the Bangladesh Bank (including balances in the Wage Earners' Clearing Accounts)+Cash in Tills of the Deposit Money Banks + Deposits of other financial institutions with the Bangladesh Bank+Outstanding of 91-Day Bangladesh Bank Bill.

[2] Includes adjustment in respect of Special Long-Term Government Bonds issued to the Nationalised Commercial Banks during 1990-91 for provisioning of bad debt and recapitalisation.

[3] If the written-off amount of agricultural loan (upto Tk. 5,000.00) of Tk. 1,892.43 crores was not taken out from credit, total domestic credit would have shown an increase of 14.7 percent.



Money Supply (M_1)

3.4 Of the components of money supply (M_1), currency outside banks increased by Tk. 460.80 crores or 12.8 percent to Tk. 4,072.60 crores and demand deposits increased by Tk. 592.70 crores or 16.5 percent to Tk. 4,184.60 crores during 1991-92. The quarterly movements of money supply and its components during 1991-92 are shown in Table -3.1.

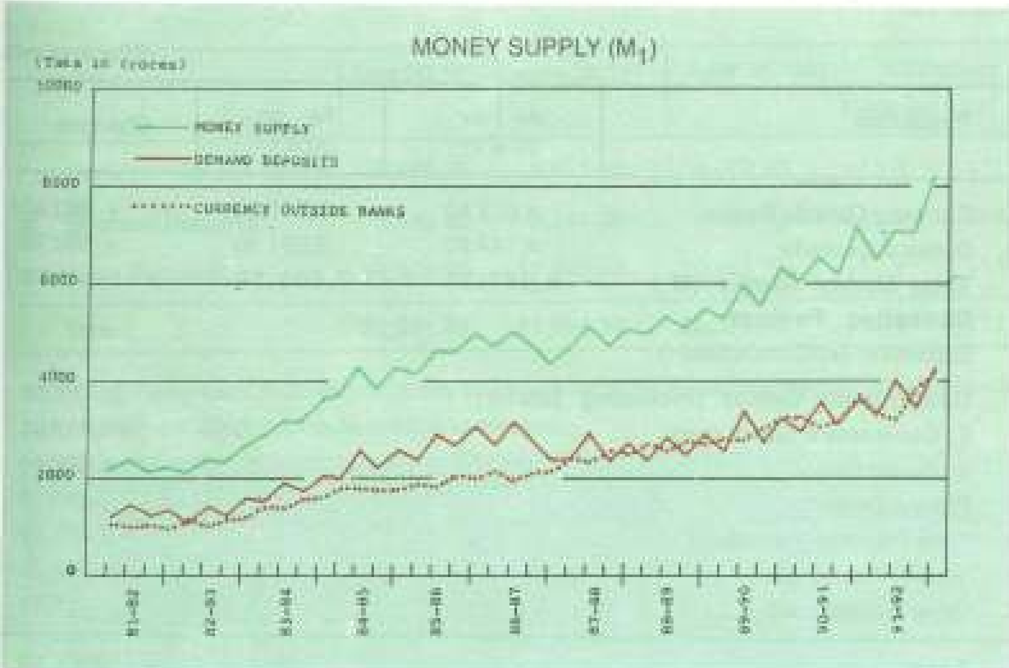
TABLE-3.1

MONEY SUPPLY (M_1)

(Taka in crores)

As on	Currency Outside Banks	Demand Deposits*	Money Supply (M_1)	Changes in Money Supply: increase (+)/ decrease (–)
June 30, 1991	3,611.80	3,591.90	7,203.70	—
September 30, 1991	3,229.30	3,274.20	6,503.50	– 700.20
December 31, 1991	3,133.00	3,947.40	7,080.40	+ 576.90
March 31, 1992	3,730.40	3,368.40	7,098.80	+ 18.40
June 30, 1992	4,072.60	4,184.60	8,257.20	+1,158.40

* Exclude Government deposits with banks and inter-bank items but include non-scheduled banks' deposits with the Bangladesh Bank.



Causative Factors of the Change in Money Supply

3.5 An analysis of the causative factors of the change in money supply (M_1) reveals that surplus of Tk. 1,797.20 crores in the foreign sector, increases in credit to the Government sector (net) by Tk. 1,437.80[4] crores, Public Sector by Tk. 285.80 crores and the Private Sector by Tk. 1,16.30[5] crores together exerted an expansionary impact of Tk. 3,637.10 crores in money supply. This was largely offset by increase of Tk. 2,468.10 crores in time deposits and decline of Tk. 115.50 crores in other assets (net). The causative factors of the change in money supply are shown in Table-3.2.

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[4] If Tk. 1,729.13 crores were not adjusted in respect of Special-Long-Term Government Bonds issued to the Nationalised Commercial Banks for Provisioning of bad debt and recapitalisation, credit to the Government Sector would show a decline of Tk. 290.00 crores or 13.3 percent.

[5] If the written-off amount of agricultural loan (upto Tk. 5,000.00) of Tk. 1,892.43 crores was not taken out from total credit, credit to the private sector would have shown an increase of Tk. 2,008.73 crores or 11.3 percent.

TABLE-3.2

CAUSATIVE FACTORS OF THE CHANGE IN MONEY SUPPLY

(Taka in crores)

	Particulars	As on 30.6.92	As on 30.6.91	Changes
1.	Currency Outside Banks	4,072.60	3,611.80	+ 460.80
2.	Demand Deposits*	4,184.60	3,591.90	+ 592.70
	Total Money Supply (M_1)	**8,257.20**	**7,203.70**	**+ 1,053.50**
	Causative Factors			
	Expansion: (+)/Contraction(–)			
1.	**Government Sector (including public)**			**+ 1,723.60**
	i) Government Sector (net)			+ 1,437.80
	ii) Public Sector			+ 285.80
2.	Private Sector			+ 116.30
3.	Time Deposits (increase–)			– 2,468.10
4.	Foreign Sector (net)			+ 1,797.20
5.	Other Assets (net)			–115.50
	Total:			**+ 1,053.50**

* Exclude Government deposits with banks and inter-bank items but include deposits of the non-scheduled banks with the Bangladesh Bank.

Broad Money (M_2)

3.6 Broad Money (M_2) increased by 14.1 percent to Tk. 28,525.90 crores during 1991-92 as compared to the rise of 12.1 percent in the preceding year. Of the components of Broad Money, time deposits rose by 13.9 percent, demand deposits by 16.5 percent and currency outside banks by 12.8 percent as compared to the increases of 11.8 percent, 12.9 percent and 13.3 percent respectively in the preceding year. The percentage shares of time deposits, demand deposits and currency outside banks in Broad Money Stood at 71.0,14.7 and 14.3 percent respectively as at the end of June, 1992 as compared to 71.2, 14.4 and 14.4 percent respectively as at the end of June, 1991. The changes in Broad Money and its different components during 1990-91 and 1991-92 are shown in Table-3.3.

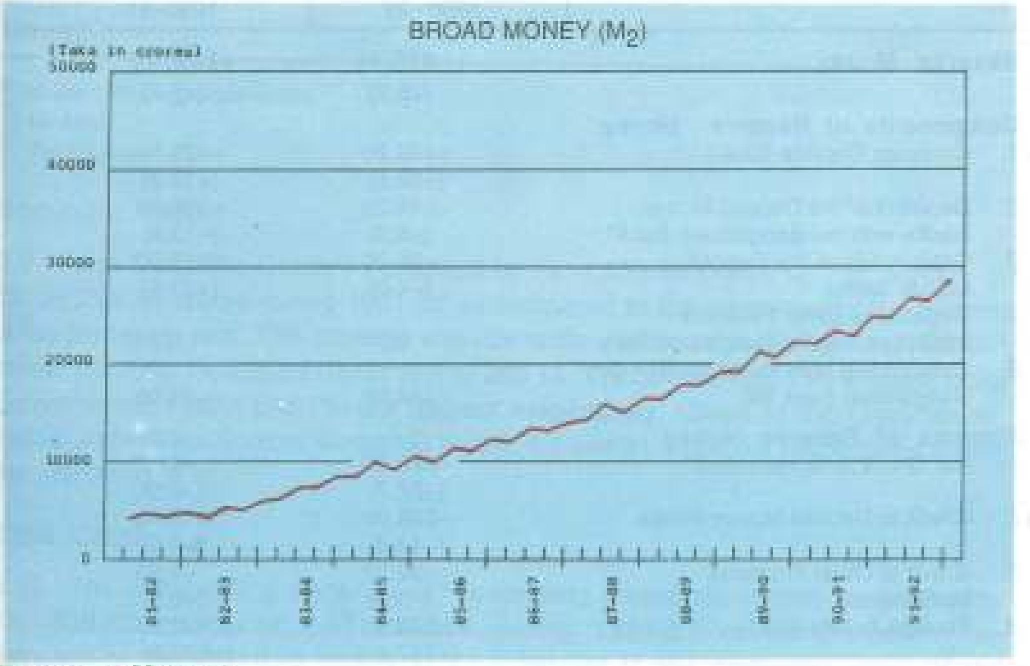
TABLE-3.3

BROAD MONEY (M_2)

(Taka in crores)

Particulars	June 30,1990	June 30,1991	June 30,1992	%Changes	
				1990-91	1991-92
1. Currency Outside Banks	3,188.30	3,611.80	4,072.60	+13.3	+12.8
2. Demand Deposits*	3,180.40	3,591.90	4,184.60	+12.9	+16.5
3. Time Deposits*	15,928.90	17,800.60	20,268.70	+11.8	+13.9
Total :	**22,297.60**	**25,004.30**	**28,525.90**	**+12.1**	**+14.1**

* Exclude Government Deposits with Banks and inter-bank items but include deposits of non-scheduled banks with the Bangladesh Bank in demand deposits.



Reserve Money

3.7 Reserve money increased by Tk. 385.40 crores or 5.9 percent during 1991-92 as compared to the increase of Tk. 209.40 crores or 3.3 percent during the preceding year. Of the components of reserve money, currency outside banks increased by Tk. 460.80 crores or 12.8 percent as compared to the increase of Tk. 423.50 crores or 13.3 percent during the preceding year. Deposit money banks' (DMBs) deposits with the Bangladesh Bank declined by Tk. 114.20 crores or 5.0 percent during the year as compared to the decrease of Tk. 358.00 crores or 13.6 percent during the preceding year. The outstanding of 91-day Bangladesh Bank Bill was Tk. 90.00 crores as at the end of the year under report which was Tk. 26.00 crores as at the end of the previous year. Cash-in-tills of DMBs decreased by Tk. 25.20 crores or 4.0 percent as compared to the increase of Tk. 117.90 crores or 23.3 percent during the preceding year. The increase in reserve money during the year under report occurred due to rise of net foreign assets. A comparative statement of the components of reserve money and its sources is given in Table-3.4

TABLE-3.4

GROWTH OF THE COMPONENTS OF RESERVE MONEY AND ITS SOURCES

(Taka in crores)

Particulars	Yearly change : Increase (+)/Decrease (–)	
	1991–92	1990–91
Reserve Money	**+ 385.40**	**+209.40**
	(+5.9)	(+3.3)
Components of Reserve Money		
1. Currency Outside Banks	+460.80	+423.50
	(+12.8)	(+13.3)
2. Deposits of the Deposit Money Banks with the Bangladesh Bank*	–114.20	–358.00
	(–5.0)	(–13.6)
3. Cash-in-tills of the Deposit Money Banks	–25.20	+117.90
	(–4.0)	(+23.3)
4. Deposits of Other Financial Institutions with the Bangladesh Bank	(0)	(0)
5. Outstanding balance of the 91– day Bangladesh Bank Bill	+64.00	+26.00
Sources of Reserve Money		
1. Net Credit to Government	–480.80	–0.60
	(–28.7)	(–0.04)
2. Credit to Deposit Money Banks	–566.00	+18.00
	(–14.4)	(+0.5)
3. Credit to Other Financial Institutions	–30.00	+4.50
	(–3.2)	(+0.5)
4. Foreign Assets (Net)	+2,249.40	+1,402.10
	(+197.80)	(+529.3)
5. Miscellaneous	–787.20	–1,214.60
	(–67.9)	(–2,216.4)

* Including balances in the Wage Earners' Clearing Account.

Note: Figures in the parentheses indicate percentage changes.

Income-Velocity of Money

3.8 The income-velocity of money (GDP÷M_2) during 1991-92 declined to 3.19^P from 3.33^{**} in 1990-91. The income-velocity of money is shown in Table-3.5.

TABLE-3.5

INCOME-VELOCITY OF MONEY

(Taka in crores)

Year	GDP at current market prices@	Broad Money (M_2)	Income-Velocity of Money (2÷3)
1	2	3	4
1990-91	83,296	25,004.30	3.33^{**}
1991-92	$91,123^P$	28,525.90	3.19^P

@ Source : Planning Commission.
** : Revised.
P : Provisional.

Domestic Credit

3.9 Total Domestic Credit[2]/ increased by Tk. 1,839.90 crores or 7.3[3] percent to Tk. 27,208.30 crores during 1991-92 as compared to the increase of 10.1 percent in the preceding year. This increase was due entirely to the expansion of Tk. 1,437.80[4] crores (65.7%), Tk. 285.80 crores (5.3%) and Tk. 116.30[5] crores(0.7%) in credit to the Government, Public and Private Sectors respectively. Credit to the Government, Public and Private Sectors increased by 8.5, 6.9 and 11.4 percent respectively during the preceding year.

Bank Credit

3.10 The outstanding bank credit[2] (excluding inter-bank items) increased by Tk. 405.30 crores or 1.9[6] percent during 1991-92 as compared to the increase of Tk. 2,310.70 crores or 11.8 percent in the preceding year. Of the components of bank credit, advances increased by Tk. 348.30 crores or 1.6[6] percent and bills purchased and discounted increased by Tk. 57.00 crores or 8.9 percent. The quarterly movements of bank credit are shown in Table-3.6.

[2] Ibid; [3] Ibid; [4]Ibid; [5]Ibid;

[6]If the written-off amount of agricultural loan (upto Tk. 5,000.00) of Tk. 1,892.43 crores was not taken out from credit, bank credit would show an increase of 10.5 percent.

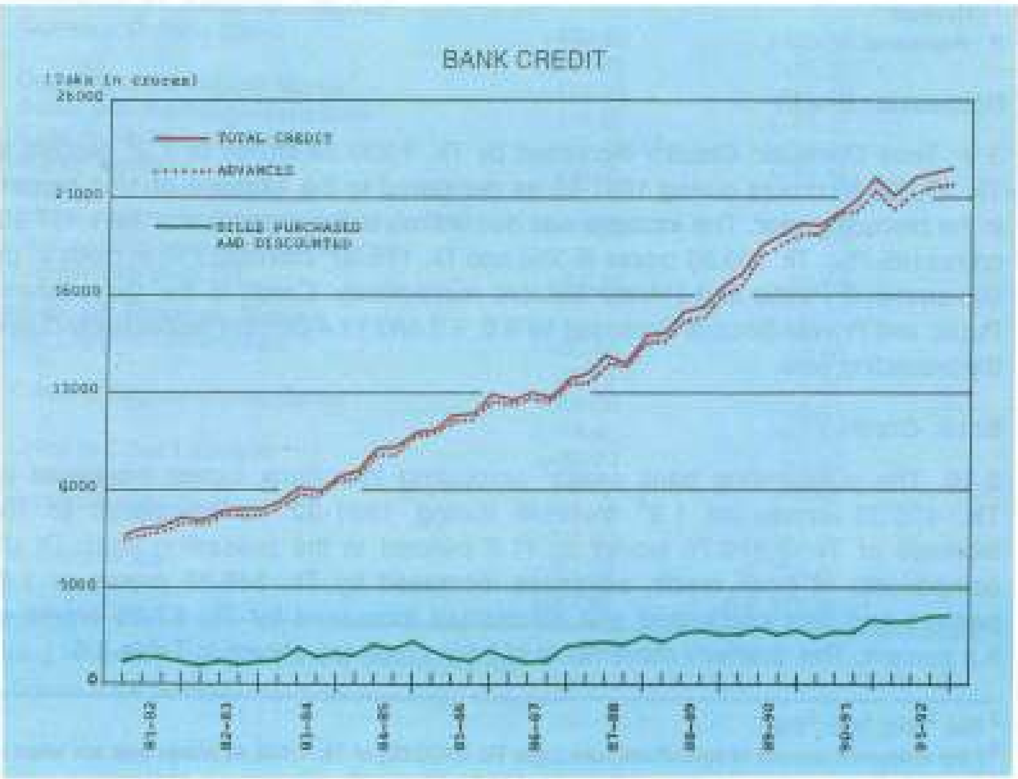
TABLE-3.6

BANK CREDIT[@]

(Taka in crores)

As on	Advances	Bills	Total	Advances as % of total bank credit	Bills as % of total bank credit
June 30, 1991	21,258.10	640.70	21,898.80	97.1	2.9
September 30, 1991	20,442.90	631.90	21,074.80	97.0	3.0
December 31, 1991	21,180.30	638.50	21,818.80	97.1	2.9
March 31, 1992	21,500.70	682.20	22,182.90	96.9	3.1
June 30, 1992	21,606.40	697.70	22,304.10	96.9	3.1

[@] Exclude Foreign bills and inter-bank items.



Bank Deposits

3.11 Bank deposits (excluding inter-bank items and Government deposits) increased by Tk. 3,060.80 crores or 14.3 percent during 1991-92 as compared to the rise of Tk. 2,282.80 crores or 11.9 percent in the preceding year. Of this, demand deposits increased by Tk. 592.70 crores or 16.5 percent to Tk. 4,184.60 crores while time deposits expanded by Tk. 2,468.10 crores or 13.9 percent to Tk. 20,268.70 crores. The quarterly movements of bank deposits are shown in Table-3.7

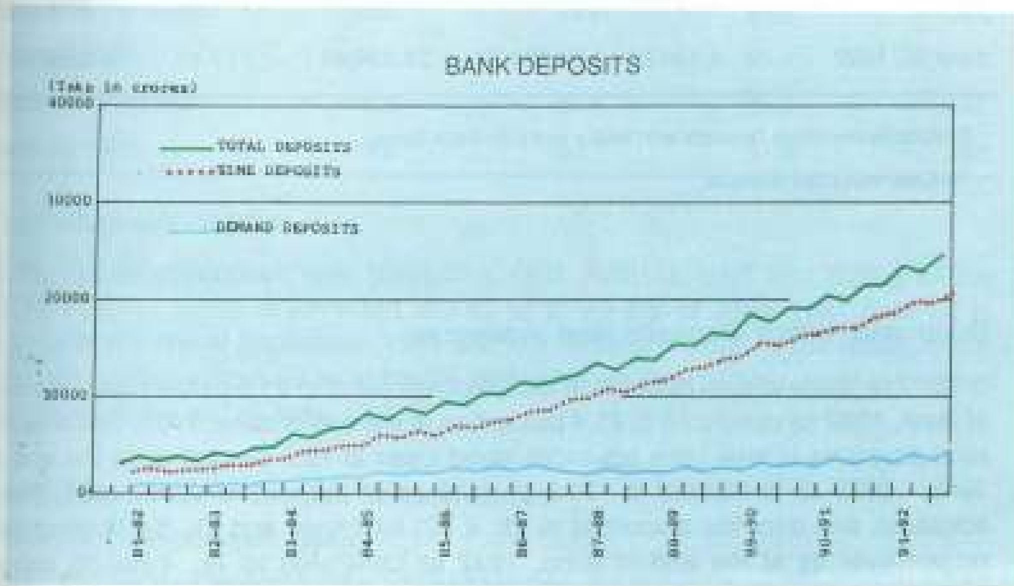


TABLE-3.7

BANK DEPOSITS*

As on	Demand Deposits	Time Deposits	Total Deposits**	Demand Deposits as % of Total Deposits	Time Deposits as % of Total Deposits
June 30, 1991	3,591.90	17,800.60	21,393.60	16.8	83.2
September 30, 1991	3,274.20	18,281.70	21,556.70	15.2	84.8
December 31, 1991	3,947.40	19,487.30	23,435.50	16.8	83.2
March 31, 1992	3,368.40	19,453.90	22,823.20	14.8	85.2
June 30, 1992	4,184.60	20,268.70	24,454.40	17.1	82.9

* Exclude Government Deposits with banks and inter-bank items.

** Include restricted deposits.

Rural and Urban Deposits and Advances

3.12 The share of rural deposits in total deposits stood at 21.5 percent as at the end of June, 1992 as compared to 21.4 percent as at the end of June, 1991. The share of rural advances in total bank advances stood lower at 19.9 percent as at the end of June, 1992 as compared to 21.9 percent as at the end of June, 1991. Rural advances and deposits amounted to Tk. 4,701.64 crores and Tk. 5,633.86 crores respectively as at the end of June, 1992 as compared to Tk. 4,686.40 crores and Tk. 4,893.57 crores respectively as at the end of June, 1991. The percentage shares of bank deposits and advances in rural and urban areas are shown in Table-3.8.

TABLE-3.8

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

As on	Advances (in percent)		Deposits (in percent)	
	Rural	Urban	Rural	Urban
June 30,1988	23.1	76.9	19.7	80.3
December 31, 1988	23.1	76.9	20.4.	79.6
June 30, 1989	24.0	76.0	20.0	80.0
December 31, 1989	23.2	76.8	20.3	79.7
June 30, 1990	24.0	76.0	20.4	79.6
December 31, 1990	23.4	76.6	21.2	78.8
June 30, 1991	21.9	78.1	21.4	78.6
December 31, 1991	19.2	80.8	21.3	78.7
June 30, 1992	19.9	80.1	21.5	78.5

Credit/Deposit Ratio

3.13 The credit/deposit ratio (excluding BKB, RAKUB, BSB and BSBL) of the deposit money banks which stood at 0.82 as at the end of June, 1991 declined to 0.81 as at the end of September, 1991 and to 0.76 as at the end of December, 1991. The ratio increased to 0.80 as at the the end of March 31, 1992 but again decreased to 0.73 as at the end of June, 1992.

Borrowings of the Deposit Money Banks from the Bangladesh Bank

3.14 The deposit money banks' borrowings from the Bangladesh Bank declined by Tk. 5,46.30 crores to Tk. 3,628.90 crores as on June 30, 1992 from the level of Tk. 4,175.20 crores as on June 30, 1991.

Deposit Money Banks' Balances with the Bangladesh Bank and Cash in Their Tills

3.15 The deposit money banks' balances with the Bangladesh Bank decreased by Tk. 354.10 crores to Tk. 1,782.80 crores and their cash in tills declined by Tk.25.20 crores to Tk. 598.70 crores during the year under report.

Bank Rate

3.16 Monetary and credit situation was reviewed keeping in view the prevailing economic situation during 1991-92. Some policy measures including further flexibility in the interest rate structure were adopted. Substantial changes were made in Bank Rate to enable the banks to provide credit on easy terms by covering costs of funds to help increase the overall demand for credit. Bank Rate was lowered from 9.75% to 9.25% effective from November 17, 1991. Subsequently, Bank Rate was reduced further to 9.00% and 8.50% from March 15, 1992 and June 3, 1992 respectively.

Interest Rate Policy during 1991-92 under the Financial Sector Reform Programme (FSRP)

3.17 With a view to giving an opportunity to determine interest rates through the interaction of market forces new interest rate policy was introduced on January 1, 1990 under FSRP. Substantial changes were made in the above policy during 1991-92. In the light of practical experiences and in view of the existing economic situation, the following important measures were adopted during the year under the FSRP.

(a) Interest Rates on Lending

(1) The new interest rate bands had been set for different categories of lending by reducing the number of sectors eligible for interest rate subsidy as well as the rate of subsidy set in the Interest Rate Matrix for July-December, 1991. The number of subsidized sectors had been reduced from six to four while the rate of subsidy had been lowered to a substantial extent. The Bangladesh Krishi Bank and the Rajshahi Krishi Unnayan Bank had been brought under the general discount facility of the Bangladesh Bank at Bank Rate in place of concessional refinance facility. Interest rate bands for different categories of loans and advances were restructured and readjusted and the interest rate bands for some categories were further widened considering 'shadow interest rate' and other relevant factors. Besides, banks were allowed to differentiate interest rates within the bands on the basis of risks for a particular lending category under the revised policy. Banks were allowed to differentiate customers into three risk-groups, viz. (a) low-risk group (b) average-risk group and (c) high-risk group on the basis of standard criteria in a particular lending category and charge three different rates of interest subject to a maximum difference of 2 percentage points between the low-risk group and high-risk group with a view to making interest rate more flexible and market-oriented, interest rate bands on working capital for jute

industry was refixed at 9.0%–12.0% by abolishing interest rate subsidy in this sector and rate of subsidy on term loan for small and cottage industries was refixed at 3.5% by reducing the rate by 2 percentage points and interest rate band was refixed at 9.0%-14.0% effective from October 1,1991.

(2) Some important changes were made in the monetary management including interest rates with a view to reviving economic activities and to bring more dynamism in the economy by increasing the flow of credit to the productive sectors of the country including trade and industry. New interest rate bands were refixed for loans and advances by reducing floor and ceiling by different degrees (from 0.5 percentage point to 2.0 percentage point) effective from December 1,1991. In order to make interest rate more market-oriented and competitive, interest rate bands for all lending categories except agriculture, jute and jute goods exports, other exports and small and cottage industries (term loan) were withdrawn and in these cases, banks were given freedom to determine their own interest rates effective from April 1,1992.

(3) The policy of liberalization of interest rate which was introduced for moving towards a market-oriented competitive economy by reducing administrative control coupled with other measures under the FSRP will be able to build up a healthy banking system. However, it will take more time to have a transition to a firmly-based competitive banking system from a precarious situation which was created by prolonged mismanagement. As a result of the abolition of refinance facility and reduction of both number of sectors enjoying subsidy and rates of subsidy, a larger share of bank credit will now come under the purview of market-oriented competition. It is expected that changes in overall policies of the interest rate management and adoption of measures will help to achieve better efficiency and to play an effective role in the banking sector in respect of mobilization of resources and their distribution system. Revised position of lending rates for 12 sectors effective from the 1st January, 1991 is shown in Table-3.9.

TABLE-3.9

INTEREST RATE BANDS ON LENDING

(In percentage)

Sectors	Effective from 1-1-91 to 30-6-91	Effective from 1-7-91 to 30-11-91	Effective from 1-12-91 to 31-3-92	Effective from 1-4-92 to 2-6-92	Effective from 3-6-92 and onwards
1. Agriculture	16.0	12.0-16.0	11.0-15.0	11.0-15.0	11.0-15.0
2. Large and Medium Scale Industry (Term Loan)	12.5-16.5	12.0-17.0	11.0-16.0	—	—
3. Working Capital (Jute)	9.0	9.0-11.0*	8.5-11.0	—	—
4. Working Capital (other than Jute)	12.0-15.0	11.0-15.0	10.0-14.0	—	—
5. Jute Trading	16.0	13.0-16.0	12.0-15.0	—	—
6. Jute and Jute Goods Exports	8.5-11.5	8.0-12.0	7.5-11.0	7.5-11.0	7.5-10.5
7. Other Exports	8.5-11.5	8.0-12.0	7.5-11.0	7.5-11.0	7.5-10.5
8. Other Commercial lending	18.5(Max.)	13.5-18.5	12.0-17.0	—	—
9. Urban Housing	12.0-15.0	12.0-15.0	11.0-14.0	—	—
10. Term Loan in Small Industries (Special Programme)	10.0	9.0-12.0@	8.0-13.0	8.0-13.0	8.0-13.0
11. Other Special Programme	8.0-14.0	8.0-15.0	7.5-14.0	—	—
12. Others	12.0-20.0	12.0-20.0	11.0-18.0	—	—

* Interest rate bands refixed at 9%–12% effective from the 1st October, 1991.

@ Interest rate bands refixed at 9%–14% effective from the 1st October, 1991.

— = Nil.

b. Rates of Interest Subsidy to the Banks

Rates of interest subsidy provided to the banks against credit to the priority sectors was reduced significantly during the year under report and in some cases it was withdrawn. From the 1st July, 1991 subsidy was allowed against four sectors instead of earlier six sectors. However, from the 1st October, 1991 it was applicable only for export (including Jute and Jute Goods) and small and cottage industries. The revised position of the sectors in which subsidy has been reduced is given below:

TABLE- 3.10

RATES OF SUBSIDY

(In percent)

Sectors	Effective from 1-1-91 to 30-6-91	Effective from 1-7-91 to 30-11-91	Effective from 1-12-91 to 2-6-92	Effective from 3-6-92 and onwards
1. Agriculture	1.0	Nil	Nil	Nil
2. Working Capital (Jute)	6.0	1.0	Nil	Nil
3. Jute/Jute Goods Exports	2.0	1.0	1.0	0.75
4. Other Exports	2.0	1.0	1.0	0.75
5. Small Industries (Term Loan)	6.5	5.5*	3.5	3.5
6. Other Special Programme	1.5	Nil	Nil	Nil

* The rate of subsidy has been reduced to 3.5% from the 1st October, 1991.

c. Interest Rates on Deposits

In order to make the rates of interest competitive, interest rates on deposits have also been changed during the year 1991-92. However, in order to safeguard the interest of depositors, minimum floor rates of 7.5% and 8.5% have been prescribed for savings and fixed deposits (upto 6 months) respectively with effect from the 1st April, 1992. Considering the rate of inflation and other related issues, a revised interest rate matrix has been introduced with effect from the 3rd June, 1992 and the minimum rate of interest for savings and fixed deposits (upto 6 months) were prescribed at 6.5% and 7.5% respectively. Subject to the implementation of other supporting Government policies, the above measures will play a congenial role to bring about momentum in the economic activities through stimulating the demand for credit. The revised position of the interest rate on deposits effective from the 1st January, 1991 is shown in Table-3.11.

TABLE-3.11

INTEREST RATE BANDS ON DEPOSITS

(In percent)

Category of deposits	Effective from 1-1-91 to 30-6-91	Effective from 1-7-91 to 30-11-91	Effective from 1-12-91 to 31-3-92	Effective from 1-4-92 to 2-6-92	Effective from 3-6-92 and onwards
Savings Deposits	8.00-11.50	8.50-12.00	8.00-11.50	7.5 (minimum)	6.0(minimum)
Fixed Deposits	10.00-13.75	10.00-13.75	9.00-13.00	8.5 (minimum)*	7.5 (minimum)*

* Upto 6 months.

3.18 The interest rate bands and the rate of subsidy of selected sectors which were effective during 1991-92 under the new interest rate policy are shown in 9(A) of the Appendix.

Exchange Rate

3.19 The official exchange rate and the Secondary Exchange Market (SEM) rate of foreign currency have been unified with effect from the 1st January, 1992. This unification will be helpful in the pursuit of foreign exchange policy and to play an effective role in investment and production process. Various steps for liberalization in the different sectors of the economy along with interest rate policy were taken with a view to developing a market-oriented economy. The unification process is quite timely and consistent with the above step. This step is expected to contribute significantly to make the economy more competitive.

The Cash Reserve Requirement and Statutory Liquidity Requirement of the Scheduled Banks

3.20 Cash reserve requirement of scheduled banks with the Bangladesh Bank and their statutory liquidity requirement have been reduced from 8 percent and 23 percent to 7 percent and 22 percent respectively effective from December 5, 1991 and further to 6 percent and 21 percent respectively effective from April 1, 1992 and again to 5 percent and 20 percent respectively effective from May 28, 1992. Cash reserve requirement of the Bangladesh Krishi Bank, the Rajshahi Krishi Unnayan Bank and the Bangladesh Shilpa Bank remained unchanged at 5 percent and they also continued to be exempted from the requirement of maintaining liquid assets during the year under report. Liquidity requirements of the Islami Bank Bangladesh Ltd. and the Al-Baraka Bank Bangladesh Ltd. remained unchanged at 10 percent of their total deposit liabilities. The rate of interest at 8.5 percent per annum payable on the additional cash reserve over the initial 5 percent by the scheduled banks remained effective upto May 27, 1992. The alternative provision for providing profit at the rate of 8.5 percent per annum on the additional 5 percent cash reserve of the two banks guided by Islamic principles also remained effective upto May 27, 1992.

Deposit Pension Scheme

3.21 The nationalised banks and some private banks participated in the Deposit Pension Scheme during 1991-92. Year-wise outstanding balances of deposit under the scheme are shown in Table-3.12.

TABLE-3.12

OUTSTANDING DEPOSITS UNDER THE DEPOSIT PENSION SCHEME

(Taka in crores)

Position as on	Amount	Changes
June 30, 1988	391.19	—
June 30, 1989	568.37	+177.18 (+45.29)
June 30, 1990	796.05	+227.68 (+40.06)
June 30, 1991	1,036.00	+239.95 (+30.14)
June 30, 1992	1,397.83	+361.83 (+34.93)

N.B. Figures in the parentheses indicate percentage changes.

Credit Policy

3.22 With a view to ensuring adequate supply of credit to the productive sectors and at the same time keeping inflation rate under control, appropriate monetary and credit policy was pursued during 1991-92. Some of the important measures which were undertaken under the purview of credit policy and management of the country during the year under report are given below:

a) Bank Rate was reduced three times successively during the year under report to revive the country's economy through liberalisation of interest rates.

b) To improve the liquidity position as well as to increase the flow of credit of the scheduled banks, compulsory cash reserve requirement with the Bangladesh Bank and the statutory liquidity requirement were also reduced three times successively during the year under report.

c) Credit giving banks/institutions in the agricultural/rural sector have been authorised to prepare Annual Agricultural Credit Programme from the crop year 1991-92 (October-September) to ensure adequate supply of credit on the basis of actual requirement. Scheduled banks have been empowered to change or modify the above Programme in the light of actual need and reality. Under the Agricultural Credit Programme, banks were advised to depend mainly on their own resources for disbursement of loans. However, considering satisfactory loan recovery, amount of disbursement of loans and overall fund position, Bangladesh Bank will extend refinance/rediscount facility against the disbursed loans subject to some terms and conditions.

d) In view of large scale damages by floods, decision was taken to waive agricultural loans including interest upto Tk. 5,000.00 during the year under report. The landless poor and small and marginal farmers were encouraged through sanctioning of fresh loans to increase production.

Credit Control and Support Measures

3.23 Some of the important measures adopted in the field of credit control and banking management during 1991-92 are given below:

a) Loans Against Deposit Pension Scheme (DPS)

A uniform policy was prepared by the Bangladesh Bank regarding loans against Deposit Pension Scheme. Sanction of loan against deposits under the DPS system was approved subject to fulfilment of a number of terms and conditions. Under the scheme, maximum 60% of the balance of DPS may be sanctioned as loan for agriculture and other productive purposes including personal use. But, an application for loan below Tk. 5,000.00 will not be considered.

b) Long-Term Fund Facility of Taka One Hundred Crore by the Bangladesh Bank

With a view to increasing investment in the industrial sector, the Bangladesh Bank provided to some selected scheduled banks a long term fund facility totalling Tk. 100.00 crores effective from February 25, 1992. The funds will be utilized by the participating banks to extend term loans for establishment of new small and cottage industries as also for balancing, modernization, rehabilitation and expansion of existing units in the private sector. The repayment period of the loan will be maximum 10 years and interest will be charged at the Bank Rate.

c) Transactions with the Bank of Credit and Commerce International (Overseas) Limited

Scheduled banks were advised to close all sorts of transactions with the Bank of Credit and Commerce International (Overseas) Limited with effect from July 6, 1991.

d) Facility to any Individual/Institution by the Banking Company

In accordance with the provision of section 27(3) of the Banking Company Act, 1991 decision has been so taken that without prior approval of the Bangladesh Bank no Banking Company will provide any facility directly or indirectly to any individual/institution, the full value of which will be:

i) more than 15% of total capital of the above Banking Company, or

ii) more than 25% of total capital of the Banking Company where the facility is secured by easily marketable financial securities.

e) 91-day Bangladesh Bank Bill

In order to facilitate effective role in pursuit of the indirect control in the monetary management "91-day Bangladesh Bank Bill" was introduced on the 23rd December, 1990. Twelve monthly auctions of the Bill were held during the year under report. In these auctions 278 tenders valued at Tk. 916.50 crores were submitted. Among these, 136 tenders valued at Tk. 350.00 crores were accepted. The average annual weighted return to the buyers varied between 4.5% to 9.7%. The outstanding against this Bill stood at Tk. 90.00 crores as on June 30, 1992.

f) Loan Disbursement among Salt Growers during 1991-92

Banks were advised to extend credit facility upto a maximum of Tk. 5,000.00 per acre on an emergency basis to salt growers within May 5, 1992 for the preparation of land and construction of barrages. The rate of interest in this case was fixed at 11%-15% per annum. The concerned bank will determine the maximum limit of loan to each borrower during the year under report. The matter relating to the determination of eligibility of borrower will depend on the consideration of the respective financing bank. With a view to selecting real salt growers for disbursement of salt loan and ensuring recovery of credit banks may use "Pass-Book" with a photograph of the borrower as is used in the case of agricultural credit.

g) Salt Loan on Special Consideration

The salt industry and the salt growers suffered heavy damages in Chittagong and Cox's-Bazar districts due to devastating cyclone and tidal bore of April 29, 1991. To compensate for the losses caused by the cyclone, in addition to existing credit facilities, banks will consider extending credit facility to the mill owners in the salt producing areas for production of salt. This credit will be re-extended by the mill owners to the salt growers in their areas. If necessary, in case of disbursement of loan, banks may take necessary advice and support from the sub-committee which was formed by the order of the Parliamentary Committee. As per the terms and conditions of sanctioning loan, mill owners will repay the loan within September 30, 1992. The sub-committee which was formed by the Ministry of Industries according to the order of the Parliamentary Committee would monitor the proper use and disbursement of this loan. At the time of determination of loan limit, area under salt production and the production capacity of the concerned mill will be taken into consideration. Banks were advised to consider rescheduling of overdue project loan of a mill on case-to-case basis and on the basis of banker-customer relationship. Banks were also advised to consider renewal of loans as per existing procedure applicable in case of mills with overdue working capital loans as well as mills having overdue project loan.

Refinance Facility

3.24 Refinance facility provided against agricultural credit was abolished for all commercial banks except the Bangladesh Krishi Bank and the Rajshahi Krishi Unnayan Bank under new interest rate policy introduced from January 1, 1990. The refinance facility against agricultural credit provided to the Bangladesh Krishi Bank and the Rajshahi Krishi Unnayan Bank continued upto June 30, 1991 subject to the existing terms and conditions under a revised interest rate matrix. From the 1st July, 1991 it was decided to provide refinance facility to the above two banks at the Bank Rate. The agricultural credit programme of the Bangladesh Rural Development Board financed by the nationalised banks, however, continued to be refinanced at the rate specified in the relevant agreement.

Expansion of Bank Branches

3.25 Under the programme for expansion of bank branches during 1991-92, a total of 39 new branches were opened by the scheduled banks and thus the total number of bank branches increased to 5,692 as on June 30, 1992 from 5,653* as on June 30, 1991. Of these new branches, 25 branches were opened in urban areas and 14 branches were opened in rural areas. The branches of nationalised banks increased by 5 to 3,587 during the year from 3,582* of the previous year. The branches of private commercial banks increased by 32 to 915 in 1991-92 from 883 of the previous year. The branches of specialised banks increased by 2 to 1,168 during the year under report as compared to 1,166 of the previous year. The number of foreign bank branches remained unchanged at 22 during the year under report. The number of rural bank branches decreased during 1991-92 due to expansion of existing city area and declaration of some rural areas as municipal area. As a result, the total number of bank branches in rural areas decreased to 3,650 (64% of total bank branches) as on June 30, 1992 as compared to 3,710 (66% of total bank branches) as at the end of June, 1991. Bangladeshi commercial bank branches operating abroad remained unchanged at 13 as no commercial bank branches were opened abroad during the year under report. The number of private banks and foreign banks operating in Bangladesh remained unchanged at 10 and 7 respectively.

Suspension of the Operations of BCCI (Overseas) Ltd. in 1991-92

3.26 The Head Office of the Bank of Credit and Commerce International (Overseas) Limited (BCCI) located in Abu Dhabi ordered the closure of operations of its branches in Bangladesh from July 6, 1991. But it was stipulated in that order that if the BCCI branches continued its operation in Bangladesh then all responsibilities should have to be borne by the Bangladesh Authorities and the Bangladesh Bank would have to give such guarantee as the local controlling authority in favour of the BCCI as could be enforced legally. However, all kinds of operations of the BCCI branches were suspended temporarily in Bangladesh with effect from July 6, 1991 by the Bangladesh Bank in exercise of its power under the Banking Company Act, 1991. As at the end of July 4, 1991 the capital and assets of the BCCI were Tk. 21.18 crores and Tk. 666.63 crores respectively. During the suspension period of the BCCI to take necessary measures for recovery of the outstanding loans of the bank and to implement the decisions taken for the reconstitution of the bank including monitoring loan recovery position a cell named "BCCI Cell" was formed in the Bangladesh Bank on May 6, 1992. In order to mitigate the sufferings of the depositors to some extent, necessary measures were taken by the Bangladesh Bank for extending maximum Tk. 50,000.00 as interest free advance to the depositors through the

* = Revised.

Agrani Bank. Under this arrangement, the amount of loans extended by the Agrani Bank stood approximately at Tk. 91 crores. Besides, without jeopardising the interest of the BCCI Bangladesh Bank issued some directives for facilitating import and export so that the concerned importers and exporters could perform their immediate function on temporary basis through the Agrani Bank.

Suspension of Operations of the BCI in 1991-92

3.27 The Bangladesh Commerce and Investment Limited (BCI) started its operations as an investment company from 1986. An inspection was made by the Bangladesh Bank with a view to ensuring the overall financial discipline through proper inspection in the function of non-banking financial institutions (NBFIS). Various irregularities were detected in the activities of this company. The Bangladesh Bank repeatedly warned the BCI to rectify the irregularities. But the BCI failed to comply with the instructions. Finally, as per Government's instruction all the activities of the BCI were suspended with effect from April 28, 1992 for violation of rules and regulations of the Company's Act, 1913, Banking Company Act, 1991 and Non-Bank Financial Institutions Guidelines, 1989 and continuance of irregular activities. Determination of assets and liabilities of the BCI continued during the year under report and legal action was initiated against the BCI.

Group-wise Comparative Position of the Banks

3.28 The share of Nationalized Commercial Banks in the total deposits of the Deposit Money Banks increased to 62.8 percent by the end of June, 1992 as compared to 61.2 percent of the previous year. The share of private commercial banks (except the Islami Bank Bangladesh Limited and the Al-Baraka Bank Bangladesh Limited) declined to 22.8 percent as at end June, 1992 from 23.9 percent as at end of June, 1991. On the other hand, the share of both the two Islamic banks declined to 2.9 percent from 3.1 percent of the previous year and the share of the foreign banks also declined to 6.5 percent from 7.0 percent of the previous year and the share of the specialised banks increased slightly to 5.1 percent from 4.9 percent of the previous year. The share of the Nationalised Commercial Banks in total bank credit decreased to 49.6 percent as at the end of the year under report from 52.7 percent of the previous year. The share of the private commercial banks (excluding the Islami Bank Bangladesh Ltd. and the Al-Baraka Bank Bangladesh Ltd.) increased to 20.8 percent from 18.8 percent of the previous year, share of the two Islamic banks increased to 4.0 percent from 3.2 percent of the previous year and the share of the foreign banks increased to 6.1 percent from 6.0 percent of the previous year. The share of the specialised banks increased to 19.6 percent as compared to 19.3 percent of the previous year. Group-wise comparative position of deposits and credit of the banks at the end of the year under report and the preceding year are shown in Table-3.13.

TABLE-3.13

PERCENTAGE SHARES OF THE GROUP-WISE BANKS IN TOTAL BANK DEPOSITS AND BANK CREDIT

Group-wise Banks	Total Bank Deposits* (excluding inter-bank)		Total Bank Credit** (excluding inter-bank)	
	June 30, '92	June 30, '91	June 30, '92	June 30, '91
1. NCBs	62.78	61.18	49.56	52.66
2. Private Banks	22.75	23.91	20.75	18.82
3. Islamic Banks	2.88	3.08	3.97	3.18
4. Foreign Banks	6.48	6.95	6.13	6.01
5. Specialised Banks	5.11	4.88	19.59	19.33
Total:	**100.00**	**100.00**	**100.00**	**100.00**

* Excluding Government Deposits.

** Excluding Foreign Bills.

3.29 Total deposits of the Government Sector with banks are shown in Table-3.14.

TABLE-3.14

GOVERNMENT SECTOR DEPOSITS WITH BANKS

(Taka in crores)

Period	Demand Deposits	Time Deposits	Total Deposits
June 30, 1990	497.00	874.80	1,371.80
June 30, 1991	705.80	980.00	1,685.80
June 30, 1992	669.50	1,437.70	2,107.20

Inspection of Banks

3.30 The Bangladesh Bank carried out comprehensive inspection of 1,414 branches of the scheduled banks during 1991-92 under its routine programme of inspection. In addition, special inspection of 382 bank branches were also carried out during the year under report.

Inspection of Non-Bank Financial Institutions

3.31 With a view to ensuring the overall monetary discipline through proper supervision of the activities of non-bank financial institutions, the inspection relating to the activities of the investment companies also continued during the year under report. Comprehensive inspection of 35 branches and special inspection of 16 branches of two such institutions were carried out during the year under report.

CHAPTER IV

CAPITAL MARKET AND INDUSTRIAL FINANCE

Dhaka Stock Exchange

4.1 The Dhaka Stock Exchange is transforming the savings of the people into capital through selling of shares of different companies. This accelerates the pace of industrialization of the country. In order to widen this role, Government has allowed the non-residents to buy and sell shares through the Dhaka Stock Exchange.

4.2 Trading in the Dhaka Stock Exchange (DSE) continued to show a bearish trend during 1991-92. Seven new companies were enlisted with the DSE during the year. As a result, the total number of companies listed with the DSE increased from 135 in 1990-91 to 142 by the end of 1991-92. The total amount of issued capital of these companies was Tk. 553.52 crores. Besides, 6 Mutual Funds and 5 Debentures with issued capital of Tk. 9.50 crores and Tk. 15.16 crores respectively remained enlisted with the DSE during the year.

4.3 During 1991-92, 38.25 lakh shares and debentures worth Tk. 26.11 crores were transacted on the floor of the Dhaka Stock Exchange. This was 84.8 percent higher in terms of value and 70.1 percent higher in terms of number of shares as compared to that in the preceding year. In all, 7 companies offered new shares worth Tk. 9.55 crores for public subscription during the year which was 38.7 percent lower as compared to shares worth Tk. 15.59 crores offered by 9 companies in 1990-91.

Commercial Banks

4.4 The commercial banks could not play any significant role in promoting the country's capital market during 1991-92. The commercial banks' (nationalised banks, private banks and foreign banks operating in Bangladesh) financing of debentures issued by the Sector Corporations declined to Tk. 769.86 crores as at the end of June, 1992 from Tk. 809.60 crores as at the end of June of the preceding year. The commercial banks' advances against shares and securities (including the Government and other trustee securities) stood at Tk. 371.13 crores as at the end of June, 1992 as compared to Tk. 301.15 crores as at the end of June, 1991.

Investment Corporation of Bangladesh (ICB)

4.5 The Investment Corporation of Bangladesh (ICB) made a total commitment of Tk. 0.86 crore for bridge financing during 1991-92. The Corporation had committed a total of Tk. 17.20 crores including Tk. 6.50 crores for underwriting public issues of shares and Tk. 10.70 crores for underwriting public issues of debentures (Trustee) during 1990-91. Total investment commitments made by the ICB and other consortium partners declined to Tk. 2.34 crores only (excluding Trustee liability) during 1991-92 as compared to Tk. 20.55 crores during 1990-91. The cumulative commitments made by the ICB and other partners of the consortium stood at Tk. 195.49 crores (ICB Tk. 103.01 crores and other partners of the consortium Tk. 92.48 crores) as at the end of June, 1992 as compared to Tk. 193.15 crores (ICB Tk. 102.15 crores and other partners of the consortium Tk. 91.00 crores) as at the end of June, 1991.

4.6 The ICB and its consortium partners made a total investment of Tk. 1.42 crores (ICB Tk. 1.05 crores and consortium partners Tk. 0.37 crore) during 1991-92 as compared to Tk. 4.52* crores (ICB Tk. 1.66 crores and consortium partners Tk. 2.86 crores) during 1990-91. The cumulative investments of the ICB and its consortium partners stood at Tk. 127.66 crores as at the end of June, 1992 as compared to Tk. 126.24 crores as at the end of June, 1991.

Bangladesh Shilpa Bank (BSB)

4.7 The Bangladesh Shilpa Bank (BSB) received a total of 32 loan applications during 1991-92 as compared with 68 applications received during the previous year. The BSB sanctioned a total loan of Tk. 12.36 crores against the approved projects during the year which included Tk. 5.76 crores in foreign currency and Tk. 6.60 crores in local currency. The BSB had sanctioned a total loan of Tk. 113.29 crores against 61 projects during the previous year. Out of this, Tk. 71.00 crores were in foreign currency and Tk. 42.29 crores in local currency. As in the previous year, the entire amount of loans sanctioned during 1991-92 was against industrial projects in the private sector.

4.8 Total disbursement of loans by the BSB during 1991-92 amounted to Tk. 36.02 crores, of which Tk. 8.19 crores were in foreign currency and Tk. 27.83 crores in local currency. As in the previous year, private sector claimed the entire amount of loans disbursed during the year. The BSB had disbursed an amount of Tk. 81.47 crores during 1990-91 which included a foreign currency component of Tk. 39.08 crores and local currency amount of Tk. 42.39 crores. The BSB recovered an amount of Tk. 51.36 crores during 1991-92 as compared to Tk. 45.00* crores recovered during

* : Revised. -

CHAPTER V

AGRICULTURAL AND RURAL FINANCE

Annual Agricultural Credit Programme

5.1 The Bangladesh Bank had been formulating and implementing Annual Agricultural Credit Programme upto 1990-91 to ensure adequate flow of credit from the institutional sources to increase agricultural and rural production to attain self-sufficiency in food and improve socio-economic condition of the rural people including the small and marginal farmers. However, this practice was changed from 1991-92 and the financing banks/institutions were advised by the Bangladesh Bank to prepare their own agricultural credit programmes. Accordingly, the banks and financial institutions prepared an agricultural credit disbursement programme of Tk. 1,322.10 crores for the 1991-92 crop year (October-September). This amount represented an increase of 0.9 percent over the target of Tk. 1,310.00 crores of the previous year. Of the total programme for the year under report, an amount of Tk. 629.37 crores (47.6%) was earmarked for crop loan (other than tea), Tk. 103.73 crores (7.9%) for financing the purchase and installation of irrigation equipments, Tk. 82.14 crores (6.2%) for livestock and Tk. 506.86 crores (38.3%) for other agricultural activities. Comparative allocations for these sectors during 1990-91 were : Tk. 650.00 crores (49.6%), Tk. 150.00 crores (11.5%), Tk. 75.00 crores (5.7%) and Tk. 435.00 crores (33.2%) respectively.

5.2 Efforts were made during the year for effecting improvement in recovery position of agricultural loans, and for ensuring strict adherence to rules of credit disbursement, use of pass books and supervision of credit programme. The following important steps were taken for ensuring proper disbursement and recovery of agricultural credit under the Annual Agricultural Credit Programme during the year :

(i) provision was made for allocation of a minimum of 50% of total Annual Agricultural Credit Programme for short term crop loans;

(ii) banks were allowed to determine the amount of loans to be given to different sub-sectors according to the existing norms and if needed, banks might increase the amount of loans upto 10 percent of the norms without prior permission of the Bangladesh Bank in specific cases.

(iii) the authority given to the Board of Directors of respective banks to waive payments of interest upto 100 percent of penal interest and 50 percent of general interest upon scrutiny of the merit of applications of loanees, was also continued during the year under report;

(iv) as per the Government decision, the farmers who received waiver of loans upto Tk. 5,000.00 including interest were considered eligible for fresh loans under the existing norms, but habitual defaulters were denied this facility;

(v) the provision for compulsory use of "Agricultural Credit Pass Books" in all transactions of agricultural credit remained in force during the year;

(vi) banks were advised to take necessary steps on the basis of fortnightly reviews relating to the progress of disbursement and recovery of agricultural loans;

(vii) respective bank branches were advised to take appropriate steps for timely disbursement of sanctioned loan, its proper utilization, supervision and recovery; and

(viii) banks were also advised to make arrangement for mobilising necessary fund for disbursement of agricultural loan through loan recovery and fresh deposit mobilisation.

Agricultural Credit Pass Books

5.3 Agricultural credit disbursing institutions issued credit pass books to 836 thousand new borrowers in 1991-92. Of these, 300 thousand pass books were issued by the Bangladesh Rural Development Board (BRDB), 229 thousand pass books by the participating commercial banks (PCBs), 213 thousand pass books by the Bangladesh Krishi Bank (BKB), 50 thousand pass books by the Bangladesh Samabaya Bank Ltd. (BSBL) and 44 thousand pass books by the Rajshahi Krishi Unnayan Bank (RAKUB). Since its introduction in 1984-85, a total of 6,278 thousand credit pass books were issued upto June 30, 1992. Of these, 2,051 thousand pass books were issued by the PCBs, 2,039 thousand pass books by the BKB, 1,048 thousand pass books by the BRDB, 581 thousand pass books by the Bangladesh Samabaya Bank Ltd. (BSBL) and 559 thousand pass books by the RAKUB. However, as a result of forgiving of agricultural loans upto Tk. 5,000.00 by the Government, the total number of agricultural borrowers stood at 56.01 lakhs by June 30, 1992.

Disbursements of Loan under the Annual Agricultural Credit Programme

5.4 Disbursements of agricultural credit by the participating banks/institutions during 1991-92 stood at Tk. 794.59 crores which was 33.4 percent higher than Tk. 595.60 crores disbursed in the preceding year. An amount of Tk. 346.39 crores was disbursed as crop loan (other than tea) during 1991-92 which was 57.5 percent higher than Tk. 219.93 crores disbursed in the previous year. On the other hand, an amount of Tk. 23.58 crores was disbursed for purchase and installation of irrigation equipments which was 31.1 percent lower than Tk. 34.20 crores disbursed in the previous year. Loans for livestock, however, increased by 90.5 percent from Tk. 35.38 crores in 1990-91 to Tk. 67.38 crores during the year under report. A total of Tk. 357.24 crores for fishery and other agricultural activities including loan for production of tea was disbursed in 1991-92 which was 16.7 percent higher than Tk. 306.09 crores disbursed in the previous year. The amount of disbursement of agricultural credit was higher in 1991-92 compared to that in the previous year as the farmers who received waiver of agricultural loans including interest upto Tk. 5,000.00 were also considered eligible for fresh loans.

Recovery of Agricultural Credit

5.5 Total recovery of agricultural credit stood at Tk. 662.11 crores or 15.9 percent of Tk. 4,170.15 crores due for recovery upto June 30, 1992. This was 5.9 percent higher than Tk. 625.32 crores recovered in the previous year. The outstanding agricultural loans declined by 5.9 percent to Tk. 5,369.56 crores as on end June, 1992 from Tk. 5,703.45 crores as at the end of the previous year. The amount of overdue agricultural loans declined by Tk. 361.45 crores or 9.2 percent to Tk. 3,572.30 crores (66.5 percent of outstanding and 84.0 percent of loans due for recovery) as on June 30, 1992. A comparative position of disbursement and recovery of agricultural loans under the Annual Agricultural Credit Programmes for 1990-91 and 1991-92 is shown in Table-5.1.

TABLE-5.1

COMPARATIVE POSITION OF ANNUAL AGRICULTURAL CREDIT PROGRAMMES FOR 1990-91 and 1991-92

(Taka in crores)

Particulars	1990-91	1991-92 (provisional)	Changes over the year
1. Programme for Disbursement	**1,310.00**	**1,322.10**	**+ 12.10**
			(+ 0.92)
a) Crop Financing (other than tea)	650.00	629.37	-20.63
			(-3.17)
b) Financing of Irrigation Equipments	150.00	103.73	- 46.27
			(- 30.85)
c) Livestock	75.00	82.14	+ 7.14
			(+9.52)
d) Financing of Other Agricultural Activities (including tea & fish)	435.00	506.86	+ 71.86
			(+ 16.52)
2. Disbursement	**595.60**	**794.59**	**+ 198.99**
			(+ 33.41)
a) Crop Financing (other than tea)	219.93	346.39	+ 126.46
			(+ 57.50)
b) Financing of Irrigation Equipments	34.20	23.58	- 10.62
			(- 31.05)
c) Livestock	35.38	67.38	+ 32.00
			(+ 90.45)
d) Financing of Other Agricultural Activities (including tea & fish)	306.09	357.24	+ 51.15
			(+ 16.71)
3. Loans due for Recovery	4,559.07*	4,170.15	- 388.92
			(- 8.53)
4. Recovery of Loans	625.32	662.11	+ 36.79
			(+ 5.88)
5. Overdue Loans	3,933.75	3,572.30	- 361.45
			(- 9.19)
6. Total Outstanding	5,703.45	5,369.56	- 333.89
			(- 5.85)

Note : Figures in parentheses indicate percentage changes over the year.

* : Revised.

5.6 Of the total agricultural loans disbursed during 1991-92, short term loans accounted for Tk. 641.77 crores or 80.8 percent as compared to Tk. 487.06 crores or 81.8 percent during the previous year. On the other hand, disbursement of term loans increased by Tk. 44.28 crores to Tk. 152.82 crores which was 19.2 percent of total disbursement during the year as compared to Tk. 108.54 crores disbursed in 1990-91. Disbursement of crop loans (other than tea) increased by 57.5 percent, while production loans for tea increased by 17.7 percent. The amount of term loans for purchase and installation of irrigation equipments declined by 31.1 percent during 1991-92 as compared to that in the previous year. A comparative position of disbursement of agricultural loans by terms and types is given in the Table-5.2 below.

TABLE-5.2

DISBURSEMENT OF AGRICULTURAL CREDIT BY TYPES

(Taka in crores)

Particulars	1990-91	1991-92 (provisional)	(Changes: Increase +/ Decrease-)
Total Disbursement of Agricultural Credit	**595.60**	**794.59**	**+ 198.99** (+ 33.41)
1. Short Term Loans	**487.06** (81.78)*	**641.77** (80.77)*	**+ 154.71** (+31.76)
a) Crop Loans (other than tea)	219.93	346.39	+ 126.46 (+ 57.50)
b) Loans for Other Agricultural Activities	267.13	295.38	+ 28.25 (+ 10.58)
i) Production Loans for Tea	128.82	151.60	+ 22.78 (+ 17.68)
ii) Other Loans	138.31	143.78	+ 5.47 (+ 3.95)
2. Term Loans	**108.54** (18.22)*	**152.82** (19.23)*	**+ 44.28** (+40.80)
a) Loans for Purchase of Irrigation Equipments	30.20	23.58	− 10.62 (− 31.05)
b) Loans for Other Agricultural Activities	**74.34**	**129.24**	**+ 54.90** **(+ 73.85)**
i) Loans for Animal Husbandry	35.38	67.38	+ 32.00 (+ 90.45)
ii) Other Loans	38.96	61.86	+ 22.90 (+ 58.78)

Note : Figures in the parentheses indicate percentage changes over the previous year.

* Percentage share to total disbursement of agricultural credit.

5.7 Disbursement of total agricultural credit increased by 33.4 percent to Tk. 794.59 crores in 1991-92 as compared to the disbursement in the previous year. As in the preceding years, the Bangladesh Krishi Bank remained the single largest source of agricultural credit (55.6%) in 1991-92. Disbursement of crop loan by the BKB increased by 140.9 percent to Tk. 93.51 crores in 1991-92 as compared to Tk. 38.82 crores in the previous year. As a result, total disbursement of credit by this bank increased by 36.3 percent to Tk. 441.78 crores as compared to that in the previous year. The participating commercial banks (PCBs) were second largest source of agricultural credit during the year under report. Disbursement of agricultural loans by the PCBs increased by 48.6 percent to Tk. 270.69 crores as compared to that in the preceding year. As in the previous year, the PCBs were the largest source for crop loans during 1991-92. Disbursement of crop loans by the PCBs increased by 49.8 percent to Tk. 220.59 crores as compared to Tk. 147.24 crores disbursed in the preceding year. The share of agricultural loans disbursed by the Rajshahi Krishi Unnayan Bank increased to 7.8 percent in 1991-92 as compared to 6.2 percent in the previous year. In respect of crop loans, the share of this bank was 8.2 percent of the total crop loans disbursed. Agricultural loans disbursed by the Bangladesh Samabaya Bank Ltd. stood at Tk. 3.06 crores which was higher by 34.8 percent compared to Tk. 2.27 crores disbursed in the preceding year. The share of the Bangladesh Rural Development Board in disbursement of both total agricultural loans and crop loans stood at 2.2 percent and 1.1 percent as compared to those of 8.4 percent and 8.8 percent respectively in the preceding year. On the whole, disbursement of total agricultural loans and crop loans increased by 33.4 percent and 57.5 percent during 1991-92 as compared to those disbursed during the earlier year. The source-wise statistics of disbursement of agricultural credit are shown in Table-5.3 below.

TABLE-5.3

DISBURSEMENT OF AGRICULTURAL CREDIT BY SOURCES

(Taka in crores)

Sources/Credit Agencies	1990-91		1991-92 (provisional)	
	Total	Crop loan (other than tea)	Total	Crop loan (other than tea)
Bangladesh Krishi Bank	324.17 (54.44)	38.82 (17.64)	441.78 (55.60)	93.51 (27.00)
Rajshahi Krishi Unnayan Bank	37.06 (6.22)	14.43 (6.56)	61.71 (7.77)	28.42 (8.20)
Participating Commercial Banks	182.16 (30.58)	147.24 (66.96)	270.69 (34.07)	220.59 (63.68)
Bangladesh Rural Development Board	49.94 (8.38)	19.44 (8.84)	17.35 (2.18)	3.87 (1.12)
Bangladesh Samabaya Bank Ltd.	2.27 (0.38)	Nil	3.06 (0.39)	Nil
Total :	**595.60**	**219.93**	**794.59**	**346.39**

Note: Figures in parentheses indicate shares in the total.

Projects under the Supervision of the Agricultural Credit Department

5.8 Some special projects were financed under the supervision and guidance of the Agricultural Credit Department of the Bangladesh Bank. A brief review of some of the important projects which have been introduced with a view to helping the small farmers and other poor people who have no access to institutional credit is given in the following paragraphs.

Credit Programme for Fishery

5.9 Participating Credit Institutions for pisciculture loan disbursed Tk. 10.01 crores during 1991-92 which represented an increase of 21.0 percent over the disbursement of Tk. 8.27* crores in the previous year. Out of this, Tk. 7.30 crores and Tk. 2.44 crores were disbursed by the PCBs and the BKB respectively. The RAKUB and the BRDB disbursed an amount of Tk. 0.16 crore and Tk. 0.11 crore respectively in this sector. In the previous year, loans disbursed by the PCBs, the BKB and the RAKUB stood at Tk. 5.98 crores, Tk. 2.24 crores and Tk. 0.05 crore respectively.

Credit Programme for Preservation of Potatoes in the Cold Storages

5.10 Loans disbursed for preservation of potatoes in the cold storages stood at Tk. 26.15 crores which was 32.4 percent higher than that of Tk. 19.75 crores disbursed in 1990-91. Out of the loans disbursed during the year under report, the PCBs, the BKB and the RAKUB disbursed an amount of Tk. 15.60 crores, Tk. 8.24 crores and Tk. 2.31 crores respectively. Recovery of loans under this programme stood lower at Tk. 26.19 crores in 1991-92 as compared to Tk. 36.94 crores in the previous year.

Second Rural Development (RD-II) Project

5.11 With a view to evolving a rural financing structure to provide finance through the co-operative system in Bangladesh, the Second Rural Development Project was introduced in March, 1984 with the financial assistance of the International Development Association (IDA), Canadian Development Association (CIDA) and the United Nations Development Programme (UNDP). An amount of SDR 92.8 million was allocated under this project for eighteen greater districts. The only participating credit giving institution i.e. the Sonali Bank did not disburse any amount of credit during 1991-92 although it recovered an amount of Tk. 0.83 crore against its earlier disbursement. Disbursement and recovery of loan under this project were Tk. 29.24 crores and Tk. 31.11 crores respectively in the previous year. Cumulative

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* Revised.

disbursement and recovery since its inception till June, 1992 stood at Tk. 383.96 crores and Tk. 272.66 crores respectively. An amount of Tk. 277.04 crores was given by the Bangladesh Bank to the Sonali Bank as refinance against its disbursements under this project and the Sonali Bank repaid an amount of Tk. 252.72 crores. Loans outstanding and overdue (including interest) upto June 30, 1992 stood at Tk. 253.68 crores and Tk. 231.35 crores respectively under this project. The overdue loans was 91.2 percent of loan outstanding. The tenure of the above project expired on October 31, 1991.

North-West Rural Development Project–ADB Credit No. BAN 615 (SF) and IFAD Credit No. 100 BA

5.12 The Sonali Bank disbursed a total of Tk. 15.71 crores under this project against which Tk. 9.36 crores were recovered upto December, 1991. Total loans outstanding and overdue upto June, 1992 stood at Tk. 8.32 crores and Tk. 6.71 crores respectively. Since the beginning till June, 1992, total refinance provided by the Bangladesh Bank to the Sonali Bank against this project stood at Tk. 14.86 crores. Credit disbursement programme at the field level under this project ended on December 31, 1991.

Bangladesh-Swiss Agricultural Project (BASWAP)

5.13 With a view to extending facilities for storage and marketing of foodgrains produced by the small and marginal farmers, a project named Bangladesh-Swiss Agricultural Project (BASWAP) was introduced on August 5, 1978 under an agreement signed between the Governments of Bangladesh and Switzerland. The first and the second phases of the above project have already been completed. The tenure of agreement of the second phase expired on June 30, 1990. However, considering the success of this project it was decided to extend its operations into the third phase. It was also decided to rename the project as Crop Godown Credit Project (CGCP) and also to convert the project into a Trust. The agreement between the Bangladesh and the Swiss Governments to this effect was signed on May 14, 1992 which came into force on July 1, 1992. This project was in operation in the districts of Rangpur, Dinajpur, Nilphamari, Panchagar, Gaibandha and Manikganj in 1991-92. The Sonali Bank, the Agrani Bank, the Janata Bank, the Rupali Bank Ltd. and the Rajshahi Krishi Unnayan Bank have been disbursing credit under this project against the 'Revolving Fund' created with the grants from the Swiss-government and Bangladesh Bank's own fund. Disbursement and recovery of loans under this project stood at Tk. 1.17 crores and Tk. 0.94 crore respectively during 1991-92 as compared to Tk. 0.82 crore and Tk. 0.67 crore in the previous year. Cumulative disbursement and recovery of loans under this project since the beginning of the project till June, 1992 stood at Tk. 4.22 crores and Tk. 3.64 crores respectively. An amount of Tk. 1.60 crores was provided as refinance since the beginning of the project till June, 1992 against loans disbursed by the participating banks under this project.

Swanirvar (Self-reliance) Credit Programme

5.14 In order to disburse bank credit on easy terms without any collateral and mortgage, the Swanirvar Credit Programme was introduced in ten thanas of ten old districts in 1979. At present, the disbursement of credit under this programme is in operation in 794 unions of 117 thanas of 38 districts of the country. Four commercial banks (the Sonali Bank, the Janata Bank, the Agrani Bank and the Rupali Bank Ltd.) and the Bangladesh Krishi Bank and the Rajshahi Krishi Unnayan Bank are associated with the Swanirvar Credit Programme. Though the Pubali Bank Ltd. and the Uttara Bank Ltd. initially participated in the Programme, they are not disbursing any credit after their transfer to private ownership. Since the beginning of the Programme till June, 1992 the participating banks disbursed an amount of Tk. 104.20 crores to the borrowers and recovered Tk. 78.32 crores. During the same period, loans outstanding, due for recovery and overdue stood at Tk. 77.26 crores, Tk. 70.37 crores and Tk. 69.42 crores respectively.

Projects under the Supervision of the Rural Credit Project Department

5.15 As in the previous years, the Rural Credit Project Department of the Bangladesh Bank also performed the task of implementation, monitoring, supervision and/or providing refinance facilities for the projects aided by different foreign donor agencies and the programmes run by its own finance in 1991-92. A brief review of the important projects is given in the following paragraphs.

Shrimp Culture Project (IDA Credit No. 1651-BD)

5.16 With a view to establishing shrimp culture firms and shrimp hatcheries in the coastal areas of Cox's Bazar and Khulna, provision has been made for extending loans equivalent to SDR 5.5 million provided by the IDA under this project. The participating banks (the Sonali Bank, the Agrani Bank and the Bangladesh Krishi Bank) disbursed Tk. 29.56 lakhs as term loans to shrimp culture firms and short term loans to the tune of Tk. 38.68 lakhs as working capital under this project.

Second Aqua Culture Development Project (ADB Loan No. 821 BAN-SF)

5.17 In order to increase the production of shrimps and carp variety of fish in the country, the above Agreement was signed between the Government of Bangladesh and the Asian Development Bank (ADB) on November 3, 1987. Under this Agreement, SDR 16.78 million was released to the Bangladesh Bank for investment in the private sector through the participating banks (the Agrani Bank, the Bangladesh Krishi Bank and the Rupali Bank Ltd.). As per the terms of the Agreement, the project was to expire on December 31, 1992. However, the project will remain in operation upto December 31, 1995 as per a decision taken to extend the tenure of the project for three years through mutual discussion between the Government of Bangladesh and the ADB.

The Rural Credit Project Department's Projects

5.18 The participating credit institutions continued their credit operations in the projects undertaken by the Rural Credit Project Department of the Bangladesh Bank out of refinance/rediscount facilities from the Bangladesh Bank and/or their own resources during the year under report. A brief review of the important projects is given in the following paragraphs.

Shrimp Culture Credit Programme

5.19 The participating banks disbursed an amount of Tk. 6.24 crores and recovered Tk. 8.09 crores during 1991-92 under the Shrimp Culture Credit Programme. Total loans disbursed and recovered under this programme since its introduction in 1980 upto June 30, 1992 stood at Tk. 67.06 crores and Tk. 58.39 crores respectively.

Banana Plantation Credit Programme

5.20 The Banana Plantation Credit Programme was introduced in 1980. At present, the programme is in operation in 175 thanas of 54 districts of the country. The participating banks disbursed a sum of Tk. 41.64 lakhs and recovered Tk. 84.06 lakhs during 1991-92. Total loans disbursed and recovered under this programme since its introduction in 1980 upto June 30, 1992 stood at Tk. 3.09 crores and Tk. 3.02 crores respectively.

Commercial Poultry (Broiler) Farm Financing Programme

5.21 No disbursements were made under this programme during 1991-92. However, a sum of Tk. 4.23 lakhs was recovered during the year. Cumulative disbursement and recovery of loans under this programme since its introduction in 1983 upto June 30, 1992 stood at Tk. 24.39 lakhs and Tk. 13.51 lakhs respectively.

Rural Transport Credit Programme

5.22 The participating banks disbursed Tk. 5.11 crores and recovered Tk. 1.80 crores during 1991-92 under the Rural Transport Credit Programme. Total loans disbursed and recovered under this programme since its introduction in 1981 upto June 30, 1992 amounted to Tk. 16.48 crores and Tk. 5.55 crores respectively.

Lac Culture Credit Programme

5.23 The Agrani Bank which was the lone participating bank in the Lac Culture Credit Programme since its introduction, more banks viz.: the Sonali Bank, the Janata Bank, the Rupali Bank Ltd. and the Rajshahi Krishi Unnayan Bank were included in this programme as participating banks from 1991-92. Total disbursement and recovery of loans under this programme till June 30, 1992 stood at Tk. 2.18 lakhs and Tk. 2.42 lakhs respectively.

Rural Housing Credit Programme

5.24 The Credit Programme was discontinued from July 1, 1989 but refinance against loans for houses built with loans sanctioned before the closing date of the programme continued during 1991-92. The Bangladesh Bank refinanced the participating banks to the tune of Tk. 59.00 lakhs against their financing for 106 housing units. An amount of Tk. 14.24 crores was provided as refinance against 2,510 houses built since the beginning of the programme in 1984 till June 30, 1992.

Grameen Bank

5.25 The Grameen Bank opened 75 new branches during 1991-92, thus raising the total number of its branches to 961. A total of 28,214 villages including 5,819 new villages were brought under the purview of Grameen Bank operations upto June, 1992. The Bank disbursed a total of Tk. 341.50 crores during 1991-92 which was 42.8 percent higher than the disbursement of the preceding year. Total recovery by the Grameen Bank amounted to Tk. 275.27 crores or 80.6 percent of the loans disbursed during 1991-92. The amount of loans recovered stood at Tk. 214.10 crores or 89.5 percent of disbursement in 1990-91. Since its inception as a project in June, 1976, the Grameen Bank extended collateral-free loans amounting to Tk. 1,228.12 crores, of which Tk.1,015.08 crores were repaid by the borrowers. The number of borrowers of the Grameen Bank increased from 9.47 lakhs as at the end of June, 1991 to 12.18 lakhs as at the end of June, 1992 of which 11.35 lakhs or 93.2 percent were women. The Grameen Bank disbursed Tk. 133.89 crores as housing loans and Tk. 156.30 crores as technology loans during 1991-92. Total savings in the 'Group Fund and Emergency Fund' of the member-borrowers of the Grameen Bank increased by Tk. 33.43 crores or 36.4 percent to Tk. 125.22 crores as at the end of June, 1992 as compared to Tk. 91.79 crores saved as at the end of June, 1991.

5.26 The Grameen Bank did not approach for any refinance against its loans for the Rural Housing Credit Programme in 1991-92. However, it repaid an amount of Tk. 17.92 crores against all loans taken previously in this sector during the period.

Inspection of Bank Branches and the Co-operatives

5.27 The Agricultural Credit Inspection Department of the Bangladesh Bank carried out inspection in 668 branches of the Nationalised Commercial Banks and 124 branches of the de-nationalised commercial banks during 1991-92. In addition, inspection was also carried out in 207 branches of the Bangladesh Krishi Bank, 89 branches of the Rajshahi Krishi Unnayan Bank, 217 Co-operative Banks and Thana Central Co-operative Associations during the year under report.

CHAPTER VI

FINANCING OF SMALL AND COTTAGE INDUSTRIES

Institutional Facilities for Small and Cottage Industries

6.1 The following important measures were anhounced for the development of small and cottage industries sector under the Industrial Policy of 1991:

i) The BSCIC was given the authority for registration of Small and Cottage Industries, determination of import entitlement for raw materials and packing materials, issuance of import pass books, recommendation for local raw materials, allotment of land in its own Industrial Estates and extension of other assistance;

ii) The BSCIC would extend credit facilities to some special types of small and cottage industries from its own fund;

iii) Efforts to create infrastructural facilities similar to those available in the BSCIC Industrial Estates are to continue in the regions, where there are no Industrial Estates. The relevant authorities, on the recommendation of the BSCIC, will provide infrastructural facilities to the small and cottage industries on a priority basis;

iv) In order to assist the marketing of products of small and cottage industries, the Government, semi-Government and Autonomous Bodies will ensure the purchase of these products as per rules of the Government. The Thana Parishads will try to organise fairs and exhibitions, set up sales and exhibition centres and provide infrastructural facilities like setting up of special hat (bazar) by utilising their own funds and with the support of the BSCIC and other institutions;

v) The BSCIC will monitor regularly the credit operations conducted by the banks and other financial institutions in the small and cottage industries sector. For this purpose, a Committee will be constituted in the Ministry of Industries with members from the BSCIC, the Bangladesh Bank and the concerned banks, financial institutions and representatives from Chambers of Commerce and Industry and the National Association of Small and Cottage Industries in Bangladesh (NASCIB);

vi) A Small Industrial Credit Guarantee Insurance Scheme Project would be introduced with joint collaboration of the Bangladesh Small and Cottage Industries Corporation and Government/Private General Insurance Corporations/companies;

vii) The National Board of Revenue will allow tax holiday to the appropriate small and cottage industries managed by the limited companies on the recommendations by the BSCIC; and

viii) For sanctioning of loans under the small and cottage industries sector, special importance shall be given to women, educated unemployed, skilled technicians, engineers, wage-earners and their dependents.

6.2 The ceiling for individual loans under the special credit programme of the Bangladesh Bank for Small and Cottage Industries which was enhanced from Tk. 2.0 lakhs to Tk. 4.0 lakhs in 1988-89, remained unchanged during the year 1991-92. Besides, the loan sanctioning power of the regional managers of the banks for the small industrial projects which was fixed at Tk. 20.00 lakhs in 1989-90 remained unchanged during the year 1991-92.

Credit Guarantee (Small Loan) Scheme

6.3 The Credit Guarantee (Small loan) Scheme of the Bangladesh Bank which was introduced for reducing the risk of providing bank finance to the Small and Cottage Industries remained in operation during the year under report.

Bank of Small Industries and Commerce Bangladesh Ltd. (BASIC)

6.4 The outstanding loans of the BASIC increased by Tk. 21.98 crores or 62.5 percent to Tk. 57.16 crores at the end of June, 1992 as compared to the level of Tk. 35.18 crores at the end of the preceding year. Out of this, Tk. 25.75 crores or 45.1 percent was in the industrial sector which was higher by Tk. 14.40 crores or 126.9 percent as compared to that of the preceding year. Of this, an amount of Tk. 19.69 crores or 34.5 percent of the total loan was extended to the small and cottage industries sector, which was higher by Tk. 11.81 crores or 149.9 percent as compared to that of the preceding year. The remaining amount of Tk. 31.41 crores in total outstanding was commercial loans. The amount was higher by Tk. 7.58 crores or 31.8 percent as compared to the level of the previous year.

Investment and Disbursement of Loans in the Small and Cottage Industries Sector

6.5 The local financing institutions and the donors in collaboration with the BSCIC disbursed Tk. 242.05 crores and Tk. 215.05 crores to the small and cottage industries sectors as credit* and investment* respectively during 1991-92. The amount of credit and investment during 1990-91 were Tk. 302.32 crores and Tk. 199.17 crores respectively.

Projects under Supervision of the Bangladesh Bank

6.6 The Bangladesh Bank continued to supervise financing and implementation of a number of programmes relating to small and cottage industries and/or rural agro-based industrial projects under different foreign credits/grants during 1991-92. A brief resume of the important programmes is given below :

(i) Financing of Rural and Agro-based Industries under the ADB Loan No. 773 BAN (SF)

The credit programme which was drawn up under a credit line of SDR 18.56 million provided by the Asian Development Bank for financing rural and agro-based small and medium scale industries in Bangladesh continued during the year under report. A total of Tk. 22.22 crores which was disbursed against 53 sub-projects under this credit programme upto June 30, 1992 included Tk. 4.60 crores against 17 sub-projects by the Agrani Bank and Tk. 17.62 crores against 36 sub-projects by the Rupali Bank Ltd.

(ii) Refinancing Scheme under the NORAD Grant BGD-020

The Bangladesh Bank received a grant of NOK 5.0 million equivalent to Tk.1.67 crores on January 20, 1983 from the Norwegian Agency for International Development (NORAD) for financing the projects under the small and cottage industries sector. A "Revolving Fund" known as the "NORAD Grant Refinancing Fund" was created in the Bangladesh Bank for providing refinance to the participating banks in the credit disbursement programme. The Sonali Bank and the Janata Bank participated in this credit programme. The funds so refinanced were recovered by the Bangladesh Bank and deposited with the Revolving Fund. Under this programme, the Bangladesh Bank provided a total refinance of Tk. 1.67 crores for 3,301 projects against loans extended by the Sonali Bank and the Janata Bank upto June 30, 1992. The balance of the Revolving Fund stood at Tk. 1.63 crores on June 30, 1992.

* Source: Bangladesh Small and Cottage Industries Corporation.

(iii) Small Enterprises Projects under NORAD Grant, BGD-041

A grant project agreement of NOK 50.0 million was signed between the Governments of Bangladesh and Norway on January 15, 1990 for financing the small industrial projects in the country. Of this, NOK 31.50 million was earmarked for disbursement as credit and NOK 18.50 million as technical assistance. Since the inception of the project upto June 30, 1992 a total of NOK 10.0 million equivalent to Tk. 5.79 crores has been provided by the NORAD authority through the Bangladesh Bank in the STD and Revolving Fund maintained with the Uttara Bank. Of this, Tk. 2.95 crores was for District Development Credit Line (DDCL) and Tk. 2.84 crores was for Innovative Industries Credit Line (IICL). A total of Tk. 2.96 crores which was disbursed upto June 30, 1992 by the Project Management Authority among the small entrepreneurs through the Uttara Bank Ltd. included Tk. 2.11 crores disbursed in the DDCL sector and Tk. 0.85 crore in the IICL sector.

(iv) Small and Cottage Industries Project: ADB Loan No. 1070-BAN (SF)

For financing small and cottage industrial projects, a loan agreement (No. 1070-BAN SF) for SDR 20.97 million was signed between the Government of Bangladesh and the Asian Development Bank on January 25, 1991. Five private banks, namely, the Arab Bangladesh Bank Ltd., the Bank of Small Industries and Commerce Bangladesh Ltd., the International Finance Investment and Commerce Bank Ltd., the National Bank Ltd., and the United Commercial Bank Ltd. are the participating banks in the credit disbursement programme under this project. This loan agreement came into effect from October 9, 1991. An amount of Tk. 15.98 crores equivalent to SDR 2.99 million was deposited in advance by the ADB as the first instalment. As per claims of the participating banks involved in the credit disbursement programme, a total amount of Tk. 3.27 crores was disbursed upto June 30, 1992. The tenure of the loan agreement will expire after 4 years from the date of its commencement.

CHAPTER VII

HOUSE BUILDING FINANCE

Bangladesh House Building Finance Corporation

7.1 The Bangladesh House Building Finance Corporation (HBFC) could not sanction any new loan during 1991-92. However, the Corporation disbursed an amount of Tk. 1.31 crores in 1991-92 against the loans sanctioned earlier. The amount of credit disbursed during the previous year was Tk. 6.38 crores.

7.2 Under the General Loan Programme, the HBFC disbursed an amount of Tk. 0.53 crore during 1991-92 as compared to Tk. 3.10 crores during the previous year. The HBFC disbursed an amount of Tk. 0.78 crore during the year under Multi-storied Loan Programme as compared to Tk. 3.18[R] crores during 1990-91.

7.3 The House Building Finance Corporation recovered a total amount of Tk. 101.25 crores during 1991-92 as compared to Tk. 87.13 crores during the preceding year. The outstanding loans (including interest) of the HBFC was Tk. 1,458.00* crores as on June 30, 1992 as compared to Tk. 1,445.07[R] crores as at the end of the preceding year. The amount of overdue loans of the HBFC stood at Tk. 316.08* crores or 21.7 percent of the outstanding loans as on June 30, 1992 as compared to Tk. 311.44[R] crores or 21.6 percent of the outstanding loans as on June 30, 1991.

Collection of Funds Through Sale of the HBFC Debentures

7.4 Total funds raised by the HBFC during the period since 1973 to June 30, 1992 through sale of debentures to the Bangladesh Bank, the commercial banks and the Sadharan Bima Corporation stood at Tk. 1,247.00 crores. After repayment of Tk. 10.16 crores, the outstanding debentures stood at Tk. 1,236.84 crores as on June 30, 1992. The Bangladesh Bank's financing of the HBFC debentures during 1991-92 remained unchanged at the preceding year-end level of Tk. 768.85 crores.

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* = Provisional.

R = Revised.

Commercial Banks' Financing of House Building

7.5 The Nationalised Commercial Banks (NCBs) also continued to finance construction of residential houses and commercial buildings during 1991-92. The outstanding house building loans extended by the NCBs, private commercial banks and the foreign commercial banks stood at Tk. 639.45 crores as on June 30, 1992 as compared to Tk. 598.50 crores over the corresponding date of the preceding year. The outstanding house building loans extended by the NCBs stood at Tk. 443.46 crores as at the end of June, 1992 as compared to Tk. 428.62 crores as at the end of June, 1991. The outstanding house building loans extended by the private commercial banks stood at Tk. 184.61 crores as on end-June, 1992 as compared to Tk. 163.03 crores as at the end of June, 1991. The outstanding house building loans extended by the foreign commercial banks operating in Bangladesh stood at Tk. 11.38 crores as on end-June, 1992 as compared to Tk. 6.85 crores as at the end of June, 1991.

CHAPTER VIII

PUBLIC FINANCE

Main Characteristics of the National Budget and Fiscal Policy

8.1 The national budget for the year 1991-92 provided measures for smooth transition to a free and market-oriented economy, increase in competitiveness and efficiency in industrial units through privatisation, protection of interest of the consumers, creation of favourable atmosphere in the external sector, restoration of discipline in the fiscal and monetary sectors, enhancement of domestic resource mobilisation efforts, improvement of tax administration, promotion of education, research and health services, reduction of expenditure in unproductive sectors, attainment of stability through structural adjustment measures, achievement of increased economic growth, development of an accountable administrative set-up and alleviation of poverty through attainment of balanced economic growth. In order to achieve the objectives, the strategies emphasized in the budget were : to provide top priority to development and welfare-oriented sectors such as education, health, agriculture and water resources, to increase tax/ GDP ratio through introduction of value-added tax system and reforms in tax administration, reduction of production cost, formulation of appropriate projects for industrialisation, ensuring judicious utilisation of allocated resources and foreign exchange, liberalisation of investment procedure, simplification of tax structure and re-adjustment in tax rates and liberalisation of import policy.

Budget for 1991-92

8.2 The budget for 1991-92 estimated total revenue receipts at Tk. 9,100.00 crores and total revenue expenditure at Tk. 8,083.00 crores, leaving a revenue surplus of Tk. 1,017.00 crores. However, in the revised budget total revenue receipts increased by Tk. 417.00 crores to Tk. 9,517.00 crores due mainly to increased receipts under major heads. On the other hand, revenue expenditure in the revised budget turned out lower by Tk. 183.00 crores to Tk. 7,900.00 crores due to a decline in expenditure on account of subsidies, interest on foreign debt and un-expected expenditure. As a result, the surplus in the revised budget increased from Tk. 1,017.00 crores to Tk. 1,617.00 crores.

8.3 The major heads of revenue in the revised budget for 1991-92 which showed increases over the original budget estimates were : Dividend and Profit from the Nationalised Financial Institutions (+ Tk. 145.00 crores to Tk. 320.00 crores), Dividend and Profit from the Non-financial Public Institutions (+ 125.00 crores to Tk. 381.00 crores), Value-Added Tax (+ Tk. 123.00 crores to Tk. 1,675.00 crores), Non-Judicial Stamps (+ Tk. 58.00 crores to Tk. 251.00 crores), Customs Duties (+ Tk. 25.00 crores to Tk. 2,820.00 crores), General Administration and Services (+ Tk. 23.00 crores to Tk. 154.00 crores), Income Tax (+ Tk. 21.00 crores to Tk. 1,300.00 crores), Land Development Tax (+ Tk. 15.00 crores to Tk. 85.00 crores), Agriculture and Allied Services (+ Tk. 8.00 crores to Tk. 49.00 crores), and Registration, Jamuna Bridge Surcharge and Levy (+ Tk.5.00 crores to Tk. 80.00 crores). On the other hand, the important heads under which revenue receipts declined were : Capital Revenue (–Tk. 54.00 crores to Tk. 9.00 crores), Interest Income (–Tk. 50.00 crores to Tk. 300.00 crores), Transport and Communication (–Tk. 13.00 crores to Tk. 35.00 crores), Duty on Narcotics (– Tk.10.00 crores to Tk. 25.00 crores), Economic Services (–Tk. 5.00 crores to Tk. 132.00 crores) and Social and Community Services (–Tk. 3.00 crores to Tk. 55.00 crores).

8.4 Increased allocations were made in the revised budget for 1991-92 for Education (+ Tk. 127.00 crores to Tk. 1,382.00 crores), Defence (+ Tk. 91.00 crores to Tk. 1,301.00 crores), Police and BDR (+ Tk. 62.00 crores to Tk. 521.00 crores), Interest on Domestic Debt (+ Tk. 53.00 crores to Tk. 635.00 crores), Transportation and Communication, excluding Railway, Telegraph and Telephone and Post Office (+Tk. 45.00 crores to Tk. 167.00 crores), Fiscal Services (+Tk. 43.00 crores to Tk. 245.00 crores), Health and Population Control (+ Tk. 29.00 crores to Tk. 431.00 crores), Foreign Affairs (relating to embassies) (+Tk. 27.00 crores to Tk. 105.00 crores), Social and Community Services (+Tk. 22.00 crores to Tk. 621.00 crores), General Administration, Public Order and Safety (+ Tk. 12.00 crores to Tk. 219.00 crores) and Agriculture and Allied Services (+ Tk. 9.00 crores to Tk. 212.00 crores).

Annual Development Programme for 1991-92

8.5 The size of the Annual Development Programme (ADP) for 1991-92 which was originally envisaged at Tk. 7,500.00 crores was subsequently revised downward by Tk. 350.00 crores or 4.7 percent to Tk. 7,150.00 crores. In the revised budget estimate, foreign assistance for the ADP was placed lower by Tk. 1,072.00 crores to Tk. 5,363.00 crores. On the other hand, total availability of domestic resources in the ADP was estimated higher at Tk. 2,117.00 crores including a surplus of Tk. 1,617.00 crores in revenue receipts and increases of Tk. 362.00 crores and Tk. 138.00 crores in the extra-budgetary resources and net domestic capital respectively. However, after making provisions for the deficit of Tk. 330.00 crores in food budget, net availability of domestic resources in the revised ADP was estimated at Tk. 1,787.00 crores.

Budget Estimates for 1992-93

8.6 On the basis of expected out turn of revenue, the budget for 1992-93 placed revenue receipts at Tk. 10,554.00 crores and revenue expenditure at Tk. 8,550.00 crores, thus showing a revenue surplus of Tk. 2,004.00 crores. However, due to new tax measures, total revenue receipts increased by Tk. 450.00 crores to Tk.11,004.00 crores in 1992-93. Receipts from tax and non-tax sources were estimated at Tk. 8,573.00 crores and Tk. 1,981.00 crores respectively in the estimated budget for 1992-93. However, following imposition of new taxes, receipts from tax revenue increased by Tk. 450.00 crores to Tk. 9,023.00 crores. Receipts of revenue under the major heads during the year under report were: Customs Duties Tk. 3,265.00 crores, Value-Added Tax Tk. 2,365.00 crores, Income Tax Tk. 1,615.00 crores, Supplementary Tax Tk. 957.00 crores, Non-Judicial Stamps Tk. 280.00 crores, Excise Duties Tk. 160.00 crores and Other Taxes and Duties Tk. 122.00 crores. The major heads of revenue receipts under non-tax sources were : Dividend and Profit from Nationalised Financial Institutions Tk. 400.00 crores, Telegraph and Telephone Board (net) Tk. 315.00 crores, Dividend and Profit from Non-Financial Public Enterprises Tk. 305.00 crores, Interest Income Tk. 300.00 crores, General Administration and Services Tk. 170.00 crores, Economic Services Tk. 139.00 crores and Other Non-tax Revenue Tk. 138.00 crores. Of the total revenue expenditure, the highest allocation was proposed for the Education Sector at Tk. 1,592.00 crores. This was followed by the Defence Sector at Tk. 1,379.00 crores, Social and Community Services Tk. 623.00 crores, Interest on Domestic Debt Tk. 602.00 crores, Police and BDR Tk. 597.00 crores, Interest on Foreign Debt Tk. 505.00 crores, Health and Population Control Tk. 497.00 crores, Subsidies Tk. 403.00 crores, Pension and Retirement Benefit Tk. 271.00 crores, Fiscal Services Tk. 254.00 crores, General Administration, Public Order and Safety Tk. 239.00 crores, Agriculture and Allied Services Tk. 231.00 crores, General Services Tk. 215.00 crores, Transport and Communication (excluding Railway, Telegraph and Telephone and Post Office) Tk. 180.00 crores and Other Sectors Tk. 962.00 crores.

8.7 The main objectives of the Budget for 1992-93 were: to build up a liberal and competitive economic atmosphere through efficient management of resources, to increase savings and investments by keeping the expenditure at lower level, to strengthen economic management and to restore discipline in the financial institutions, to implement liberal trade and investment policy and to restructure the tariff rates gradually to make the public sector productive and profitable and at the same time to extend an all-out support to the private sector, to alleviate poverty, to develop human resources, to provide additional employment opportunities, particularly for the 50 percent of low-income group of the rural poor, to develop health, education and other social sectors and to build up a proper economic infrastructure.

Value-Added Tax (VAT) and Supplementary Tax

8.8 The Value-Added Tax (VAT) and Supplementary Tax were introduced with effect from the 1st July, 1991 keeping in view the basic objectives of mobilisation of domestic resources, improving Tax/GDP ratio and modernisation of tax collection procedure. With the exception of a few sectors, almost all the taxable areas hitherto covered by sales tax and excise duties were placed under the Value-Added and Supplementary Taxes. In the 1991-92 budget estimate, receipts under the Value-Added Tax and Supplementary Tax were shown at Tk. 1,552.00 crores and Tk. 20.00 crores respectively. But in the revised budget, receipts under the Value-Added Tax were estimated higher by Tk. 123.00 crores or 7.9 percent to Tk. 1,675.00 crores. Revenue receipts under the above two tax heads have been estimated at Tk. 1,850.00 crores and Tk. 22.00 crores respectively in the estimated budget for 1992-93. However, following subsequent adoption of new tax measures, the actual out turn of receipts under these two heads may increase to Tk. 2,365.00 crores and Tk. 957.00 crores respectively.

ADP for 1992-93

8.9 The size of Annual Development Programme (ADP) for 1992-93 has been estimated at Tk. 8,650.00 crores which shows an increase of Tk. 1,500.00 crores or 21.0 percent over revised ADP of Tk. 7,150.00 crores for 1991-92. Of the total outlay, major sector-wise allocations were as follows : Transportation Tk. 1,224.61 crores (14.2%), Power Tk. 1,141.30 crores (13.2%), Flood Control and Water Resources Tk. 945.54 crores (10.9%), Education and Religion Tk. 796.55 crores (9.2%), Oil, Gas and Natural Resources Tk. 675.90 crores (7.8%), Agriculture Tk. 606.46 crores (7.0%), Rural Development Tk. 460.67 crores (5.3%), Physical Planning, Water Supply and Housing Tk. 417.12 crores (4.8%), Population and Family Planning Tk. 368.52 crores (4.3%), Communication Tk. 325.80 crores (3.8%), Health Tk. 297.00 crores (3.4%), Industry Tk. 217.74 crores (2.5%), Customs Duty and Sales Tax (Lump) Tk. 200.00 crores (2.3%) and Others Tk. 972.79 crores(11.3%). Total foreign assistance in the ADP for 1992-93 has been estimated at Tk. 6,290.00 crores or 72.7 percent of the total allocations as compared to 75.0 percent in the revised budget of the previous year.

Government Borrowings

Two-year Special Treasury Bills

8.10 Two-year Special Treasury Bills which became due for encashment stood at Tk. 0.95 crore as on June 30, 1992 as compared to Tk. 0.96 crore as on June 30, 1991.

Government of Bangladesh Loan—1992 Bearing 11.0 Percent Interest

8.11 The outstanding balance of the Government of Bangladesh Loan-1992 bearing 11.0 percent interest remained unchanged at the last year's end level of Tk. 63.75 crores as on June 30, 1992.

Non-Bank Treasurv Bills Bearing 11.0 Percent Discount

8.12 The outstanding balance of Non-Bank Treasury Bills bearing 11.0 percent discount stood at Tk. 45.09 crores as on June 30, 1992 as against Tk. 20.63 crores as on June 30, 1991.

National Bond for Non-Bank Investors

8.13 The outstanding balance of the National Bond for Non-Bank Investors decreased by Tk. 17.77 crores to Tk. 0.43 crore as on June 30, 1992 as compared to Tk. 18.20 crores as on June 30, 1991.

Income Tax Bond Bearing 5.0 Percent Interest

8.14 The outstanding balance of revalidated Income Tax Bonds bearing 5.0 percent interest of the erstwhile Pakistan Government held by the Bangladeshis and institutions as on June 30, 1992 remained unchanged at Tk. 0.76 crore as on June 30, 1991.

G.P. Note/Stock Certificates

8.15 The outstanding balance of G.P. Notes/Stock Certificates bearing 5.0 percent interest of the erstwhile Pakistan Government and its Provincial Governments held by Bangladeshis and institutions, liabilities of which have been accepted by the Government of Bangladesh but awaiting redemption remained unchanged as on June 30, 1992 at the previous year's level of Tk. 2.29 crores.

Non-Negotiable Bonds Bearing 5.0 Percent Interest

8.16 The value of Non-Negotiable Bonds bearing 5.0 percent interest by the Government of Bangladesh provided to the shareholders of nationalised industries as compensation amounted to Tk. 13.72 crores. No transaction was held against the issued bonds during the year under report. As against the total bonds issued, an amount of Tk. 13.32 crores was paid on maturity. The outstanding balance as on June 30, 1992 remained unchanged at the previous year's level of Tk. 0.40 crore.

Savings Bonds Bearing 8.0 Percent Interest

8.17 The amount of Savings Bonds bearing 8.0 percent interest issued by the Government of Bangladesh against 100-Taka demonetised notes was Tk. 1.88 crores. Out of this, Tk. 1.77 crores have so far been paid to the bond holders as maturity value, leaving an outstanding of Tk. 0.11 crore as on June 30, 1992.

Instruments for Savings Mobilisation

8-year Pratirakkha Sanchaya Patras

8.18 The net sale of Pratirakkha Sanchaya Patras through the banking sector and the Sanchaya Bureau increased by Tk. 136.08 crores to Tk. 765.75 crores as on June 30, 1992 as against Tk. 629.67 crores as on June 30, 1991. Sale and encashment of Pratirakkha Sanchaya Patras during the year under report were Tk. 194.44 crores and Tk. 58.37 crores respectively. The interest rate of 21.0 percent per annum which earlier used to be paid against these Sanchaya Patras on maturity at the end of the 8th year, was reduced to 18.0 percent effective from June 3, 1992.

6–year Bonus Sanchaya Patras

8.19 The net sale of 6 -year Bonus Sanchaya Patras through the banking sector and the Sanchaya Bureau increased by Tk. 6.79 crores to Tk. 75.66 crores as on June 30, 1992 as compared to Tk. 68.87 crores as on June 30, 1991. Sale and encashment of Bonus Sanchaya Patras during the year under report were Tk. 18.36 crores and Tk. 11.56 crores respectively. Fresh investment in Bonus Sanchaya Patras was suspended from the 3rd June, 1992. On maturity, the rate of interest on the 6-year Bonus Sanchaya Patras was 22.0 percent upto 2nd June, 1992.

5-year Bangladesh Sanchaya Patras

8.20 The net sale of 5-year Bangladesh Sanchaya Patras through the banking sector and the Sanchaya Bureau increased by Tk. 149.23 crores to Tk. 419.05 crores as on June 30, 1992 as compared to Tk. 269.82 crores as on June 30, 1991. Sale and encashment of 5-year Sanchaya Patras during 1991-92 were Tk. 165.45 crores and Tk. 16.22 crores respectively. The interest rate of 18.0 percent, which used to be paid against these Sanchaya Patras on maturity at the end of the 5th year, was reduced to 16.0 percent effective from June 3, 1992.

3-year Sanchaya Patras

8.21 The net sale of 3-year Sanchaya Patras through the banking sector and the Sanchaya Bureau increased by Tk. 297.46 crores to Tk. 443.37 crores on June 30, 1992 as compared to Tk. 145.91[R] crores on June 30, 1991. Sale and encashment of 3-year Sanchaya Patras during the year were Tk. 335.45 crores and Tk. 37.99 crores respectively. The interest rate of 19.6 percent, which used to be offered for those Sanchaya Patras on maturity, was reduced to 15.0 percent with effect from June 3, 1992.

8.22 The net sale of all the above mentioned Government savings instruments increased by Tk. 589.56 crores or 52.9 percent to Tk. 1,703.83 crores as on June 30, 1992 as compared to the increase of 52.0 percent to Tk. 1,114.27[R] crores on June 30, 1991. Of all the instruments for savings mobilisation, the net sale of the 6-year Bonus Sanchaya Patras increased by 9.9 percent during 1991-92 as compared to 7.6 percent during the previous year. The net sale of the 8-year Pratirakkha Sanchaya Patras and 5-year Bangladesh Sanchaya Patras increased by 21.6 percent and 55.3 percent respectively during 1991-92 as against the increases of 19.7 percent and 115.0 percent respectively during 1990-91. The 8-year Sanchaya Patras evinced more interest from the people during 1991-92. The demand for the 5-year Sanchaya Patras declined substantially during 1991-92. On the other hand, the net sale of 3-year Sanchaya Patras which increased by 203.9 percent during the year under report.

Bangladesh Prize Bonds

8.23 The net sale of 10-Taka Prize Bonds declined by Tk. 0.74 crore to Tk. 15.19 crores as on June 30, 1992 as compared to Tk. 15.93 crores as on June 30, 1991. The sale and encashment of 10-Taka Prize Bonds during the year stood at Tk. 9.38 crores and Tk. 10.12 crores respectively. Since its introduction in 1974, a total of 104 bi-monthly draws for 69 series of the Bond were held upto June 30, 1992.

8.24 The net sale of 50-Taka Prize Bonds increased by Tk. 4.78 crores to Tk. 49.26 crores as on June 30, 1992 as compared to Tk. 44.48 crores as on June 30, 1991. The

R=Revised

sale and encashment of 50-Taka Prize Bonds during the year stood at Tk. 27.08 crores and Tk. 22.30 crores respectively. Since its introduction in 1985, a total of thirty nine bi-monthly draws of 22 series of the Bond were held upto June 30, 1992.

8.25 Total net sale of 10-Taka and 50-Taka Bangladesh Prize Bonds stood at Tk. 64.45 crores on June 30, 1992 which showed an increase of Tk. 4.04 crores or 6.7 percent over the level of Tk. 60.41 crores on June 30, 1991. It may be noted that the net sale of 10-Taka Prize Bonds declined by 4.6 percent during 1991-92 as compared to the decrease of 3.2 percent in the previous year. On the other hand, the net sale of 50-Taka Prize Bonds increased by 10.7 percent during the year as compared to the increase of 18.5 percent during 1990-91.

Sale of Sanchaya Patras/Prize Bonds to Bangladeshi Wage Earners Working Abroad

8.26 As no Prize Bonds and Sanchaya Patras were purchased or sold by the Bangladeshi wage earners in the U.A.E and the U.K. during the year, the outstanding balance remained unchanged at the preceding year's level of Tk. 0.06 crore.

Wage Earners' Development Bonds

8.27 The net sale of the Wage Earners' Development Bonds through different banks increased by Tk. 30.33 crores to Tk. 166.28 crores as on June, 1992 as compared to Tk. 135.95 crores as on June, 1991. Sale and encashment of the Wage Earners' Development Bonds during the year under report were Tk. 44.23 crores and Tk. 13.90 crores respectively.

CHAPTER IX

BALANCE OF TRADE AND PAYMENTS

Trade Balance

9.1 The balance of trade of the country recorded some improvement during 1991-92 reflecting a decline in trade deficit of $ 242.0 million to $ 1,559.0 million (Tk. 5,948.7 crores) as compared to the deficit of $ 1,801.0 million (Tk. 6,422.3 crores) in 1990-91. This improvement was the combined result of an increase in export receipts by $ 235.0 million or 14.1 percent and a decline in import payments to the extent of $ 7.0 million or 0.2 percent. Export receipts and import payments during 1991-92 stood at $ 1,904.0 million and $ 3,463.0 million respectively as compared to $ 1,669.0 million and $ 3,470.0 million respectively during 1990-91.

Import Payments

9.2 Import payments during 1991-92 stood at Tk. 13,211.4 crores which was Tk. 833.2 crores or 6.7[1] percent higher than Tk. 12,378.2 crores during 1990-91. During 1991-92, imports financed by cash (including SEM/ Wage Earners' Scheme), Barter and STA and Loans/Credit/Grants amounted to Tk. 8,424.5 crores (63.8%), Tk. 157.9 crores (1.2%) and Tk. 4,629.0 crores (35.0%) respectively. Import payments under the major heads during 1990-91 and 1991-92 are shown in Table-XII of the Appendix.

Import Policy and Programme

9.3 Under the biennial Import Policy 1991-93, the import target for 1991-92 which was fixed at Tk. 9,500.0 crores (US $ 2,639.0 million) was 5.6 percent higher than the target of Tk. 9,000.0 crores (US $ 2,571.4 million) for 1990-91. Of the total allocation of Tk. 9,500.0 crores for imports during 1991-92, Tk. 8,362.3 crores (88.0 %) were under Wage Earners' Scheme/Secondary Exchange Market, Tk. 720.0 crores (7.6%) were under Barter and Counter Trade, Tk. 387.7 crores (4.1%) were under Aid/Credit/Loans/Grants and Tk. 30.0 crores (0.3%) were under Cash Resources. The sectoral shares in the above import target were as follows: industrial sector (Private) Tk. 4,150.0 crores, industrial sector (Public) Tk. 1,050.0 crores, commercial import(Private) Tk. 2,300.0 crores, commercial import (Public) Tk. 270.0 crores, POL Tk. 1,700.0 crores and cash resources kept as reserve Tk. 30.0 crores.

[1] In Dollar terms import payments was 0.2 percent lower.

9.4 The import procedure was further simplified and liberalised. The important measures as announced in the biennial import policy, 1991-93 are :

i) the existing system of obtaining Import Registration Certificate (IRC) from the Office of the Chief Controller of Imports and Exports (CCI & E) for import of capital machinery and spares for new industrial units has been withdrawn and commercial imports of capital machinery and spares have been allowed without any limit;

ii) bangladeshi wage earners working abroad have been permitted to import plant, machinery and raw materials for approved industries as per entitlement by direct payment to the suppliers subject to fulfilment of certain conditions;

iii) to support export-oriented industries as also to provide incentives to set-up industries in the under developed/less developed regions, imported machineries and spares for industries in the above mentioned areas are allowed to be cleared free of IP/LCA fees by the customs authorities upon recommendations by the sponsoring agencies;

iv) for the benefit of small importers, the exemption limit of LCA/IP fees has been raised from Tk. 50 thousand to Tk. 75 thousand;

v) the provision of obtaining no objection certificate by the public sector importers under the Right of Rejection (ROR) of the Ministry of Industries for import of any item that is freely importable has been abolished; and

vi) the provision of obtaining clearance from the Bangladesh Bank in case of import of commodities on f.o.b.basis has been withdrawn.

9.5 The value of LC Authorisation* (LCA) issued against the allocated import payments stood at Tk. 8,604.1 crores (90.6 percent of total imports) during 1991-92 as compared to Tk. 8,111.3 crores (90.1 percent of total imports) during 1990-91. The sectoral shares in the LCA issued during the year under report were : industrial importers Tk. 3,870.0 crores (45.0%), commercial importers Tk. 3,418.4 crores (39.7%) and the Bangladesh Petroleum Corporation Tk. 1,315.7 crores (15.3%).

Export Receipts

9.6 Export receipts@ increased by Tk. 1,306.8 crores or 21.9 percent to Tk. 7,262.7 crores during 1991-92 as compared to Tk. 5,955.9 crores in the previous year. This increase in export receipts was due mainly to significant increase in earnings from

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* Source : Office of the Chief Controller of Imports and Exports.

@ Source : Bangladesh Bank.

readymade garments which increased by Tk. 1,154.9 crores or 41.1 percent to Tk. 3,967.1 crores in 1991-92 as compared to Tk. 2,812.2 crores in 1990-91. Export receipts under major heads during 1990-91 and 1991-92 are shown in Table-XI of the Appendix.

Export Policy and Programme

9.7 Under the biennial Export Policy announced for 1991-93, the export target for the year 1991-92 which was originally fixed at Tk. 7,744.0 crores (US $ 2,151.0 million) was subsequently refixed at Tk. 7,500.0 crores (US $ 2,000.0 million). As per data provided by the Export Promotion Bureau, the total export earnings which stood at Tk. 7,590.9 crores (US $ 1,993.9 million) during the year under report was 1.2 percent higher than the target for the year and 25.3** percent higher than the export earnings of Tk. 6,056.1 crores (US $ 1,717.6 million) in the preceding year.

9.8 The following important measures were incorporated in the biennial Export Policy for 1991-93 to achieve the overall objectives for development of exports :

i) to transform the existing wet blue leather manufacturing industrial units into finished leather manufacturing ones through BMRE by providing all facilities for consolidating the finished leather and leather products manufacturing industries;

ii) to include in the "Crash Programme" additional 8 items i.e., diamond cutting and polishing, jewellary, silk clothes, some stationary articles, gift items, cut and artificial flower and orchid, vegetables and engineering consultancy services, alongwith the existing 4 items i.e. toys, luggage and fashion products, electronic items and leather products;

iii) to allow income tax rebate upto 100 percent on the basis of the quantity of export in respect of all commodities for consolidating and strengthening competitive position of the exporters;

iv) to create "Export Promotion Fund" for financing the overall activities fostering export development;

v) to introduce a system of re-export of other imported commodities excluding fabrics under bonded warehouse arrangement on experimental basis for increasing export earnings; and

vi) to participate in general, unitary and specialised international fairs more frequently with a view to exploring, expanding and consolidating export market.

**: In Dollar terms 16.1 percent higher.

MAJOR EXPORT COMMODITIES

Traditional Export Items

Raw Jute[@]

9.9 An amount of Tk. 333.1 crores ($ 86.4 million) which was earned from the export of 15.33 lakh bales of raw jute during 1991-92 was 11.7 percent lower than the export earnings of 16.00 lakh bales of raw jute valued at Tk. 377.0 crores ($106.2 million) in 1990-91. This was also 26.0 percent lower than the target of Tk. 450.0 crores ($ 119.4 million) for the year.The decline in export earnings under this head was due to the decline in export volume and fall in export price in the international market.

Jute Goods[@]

9.10 An amount of Tk. 1,065.0 crores ($ 279.8 million) which was earned from the export of 4.7 lakh tons of jute goods during 1991-92 was 16.9 percent higher than Tk. 910.9 crores ($ 256.0 million) earned from the export of 3.9 lakh tons in 1990-91. Despite some decline in the price of jute goods in the international market, earnings from this item increased during the year under report as the export volume of jute goods increased to more than off-set the loss resulting from the decline in export price.

Tea[@@]

9.11 An amount of Tk. 123.1 crores ($ 32.9 million) which was earned during 1991-92 from the export of 23.6 million kgs. of tea was 19.2 percent lower than Tk. 152.4 crores ($ 42.1 million) earned from the export of 26.5 million kgs. in 1990-91 and 32.0 percent lower than Tk. 181.0 crores ($ 51.0 million) export target for the year under report.

Non-Traditional Export Items[*]

Readymade Garments

9.12 Earnings from the export of readymade garments during 1991-92 which stood at Tk. 4,050.7 crores ($ 1,064.0 million) was 56.2 percent higher than Tk. 2,593.8 crores ($ 735.6 million) during 1990-91. The United States, Canada and the EEC countries were the major buyers of readymade garments from Bangladesh during the year under report.

[@] Source : Ministry of Jute.

[@@] Source : Bangladesh Tea Board.

[*] Source : Export Promotion Bureau.

Leather

9.13 Export earnings from leather (tanned and semi-tanned) increased by 16.2 percent to Tk. 550.0 crores ($ 144.5 million) in 1991-92 as compared to Tk. 473.5 crores ($ 134.3 million) during the previous year.

Frozen Food

9.14 Export earnings from frozen food (fish, shrimp and froglegs) stood 0.6 percent lower at Tk. 496.9 crores ($ 130.5 million) during 1991-92 as compared to Tk. 500.0 crores ($ 141.8 million) during 1990-91.

Hosiery Products

9.15 Export earnings from hosiery products during 1991-92 at Tk. 451.4 crores ($ 118.6 million) were 2.4 percent lower than Tk. 462.6 crores ($ 131.2 million) during 1990-91.

Newsprint

9.16 Export earnings from newsprint declined substantially to Tk. 3.4 crores ($ 0.9 million) in 1991-92 from Tk. 14.1 crores ($ 4.0 million) in 1990-91.

Handicrafts

9.17 Export earnings from handicrafts increased by 81.4 percent to Tk. 33.2 crores ($ 8.7 million) during 1991-92 as compared to Tk. 18.3 crores ($ 5.2 million) in the preceding year.

Services Account

9.18 The deficit in the services account (invisible receipts less invisible payments) decreased by $ 5.0 million to $ 21.0 million (Tk. 81.8 crores) during 1991-92 from $ 26.0 million (Tk. 93.2 crores) during 1990-91. This decline in deficit was due to increased receipts mainly from travel, investment and other goods and services during 1991-92.

Overall Balance of Payments

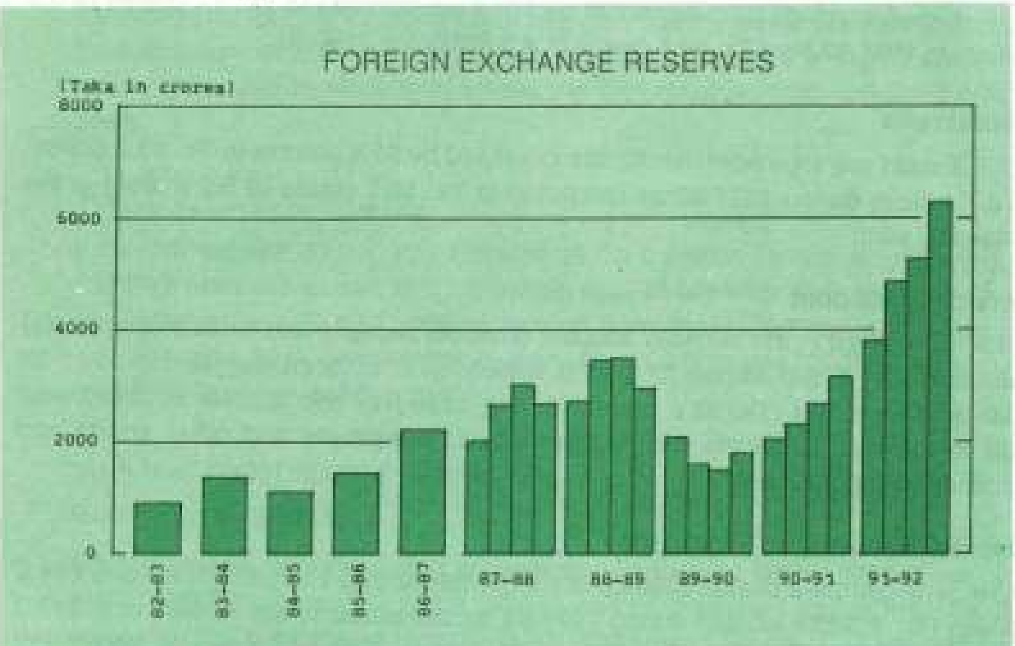
9.19 The country's overall balance of payments showed a larger surplus of $ 614.0 million (Tk. 2,343.8 crores) during 1991-92 as compared to the surplus of $ 347.0 million (Tk. 1,238.9 crores) during 1990-91. Net receipts under private unrequited transfers increased by $ 129.0 million (Tk. 708.3 crores) to $ 975.0 million (Tk. 3,725.2 crores) during 1991-92 as compared to $ 846.0 million (Tk. 3,016.9 crores) during 1990-91. Net capital inflows declined to $ 1,219.0 million (Tk. 4,649.1 crores) in 1991-92 from $ 1,328.0 million (Tk. 4,737.5 crores) in 1990-91. Despite lower net capital inflows, the improvement in the overall balance occurred due to decline of deficit in trade and services accounts and larger net receipts under the head private unrequited transfers. Details of balance of trade and payments are shown in Table-X of the Appendix.

Wage Earners' Remittances

9.20 Foreign exchange remittances by the Bangladeshi wage earners stood higher at Tk. 3,241.5 crores ($ 848.0 million) during 1991-92 as compared to Tk. 2,725.6 crores ($ 764.0 million) during 1990-91. Remittances by the Bangladeshi nationals working abroad during the last few years are shown in Table-XVI of the Appendix.

Foreign Exchange Reserves

9.21 . The country's foreign exchange reserves increased substantially during 1991-92. Convertible foreign exchange reserves held by the Bangladesh Bank (including reserves with the IMF) increased to Tk. 6,271. 3 crores ($ 1, 608 .0 million) at the end of June, 1992 from Tk. 3,150.1 crores ($ 880.0 million) at the end of June, 1991. Data on foreign exchange reserves held by the Bangladesh Bank are shown in Table-XIV of the Appendix.



Commodity Terms of Trade

9.22 The commodity terms of trade[P] of Bangladesh recorded a deterioration of 8.2 percent during 1991-92 due to a 5.5 percent decrease in export price index and a 2.9 percent increase in import price index. The trend in commodity terms of trade of Bangladesh during the last few years are shown in Table-9.1

P = Provisional.

TABLE-9.1

COMMODITY TERMS OF TRADE OF BANGLADESH
(Base: 1979-80=100)

Year	Export price Index (A)	Import price Index (B)	Commodity Terms of Trade[1] (C)
1979-80	100.00	100.00	100.00
1980-81	86.8	113.5	76.5
	(-13.2)	(-13.5)	(-23.5)
1981-82	74.7	118.7	62.9
	(-13.9)	(+4.6)	(-17.8)
1982-83	76.1	112.5	67.6
	(+1.9)	(-5.2)	(+7.5)
1983-84	89.8	110.9	81.0
	(+18.0)	(-1.4)	(+19.8)
1984-85	108.8	110.8	98.2
	(+21.2)	(-0.1)	(+21.2)
1985-86	78.9	98.5	80.1
	(-27.5)	(-11.1)	(-18.4)
1986-87	81.8	89.9	91.0
	(+3.7)	(-8.7)	(+13.6)
1987-88	95.7	91.4	104.7
	(+17.0)	(+1.7)	(+15.1)
1988-89	92.6	97.2	95.3
	(-3.2)	(+6.3)	(-9.0)
1989-90	95.6	103.0	92.8
	(+3.2)	(+6.0)	(-2.6)
1990-91[P]	101.9	108.8	93.7
	(+6.6)	(+5.6)	(+1.0)
1991-92[P]	96.3	112.0	86.0
	(-5.5)	(+2.9)	(-8.2)

[1] Formula: Commodity Terms of Trade, $C = \frac{A}{B} \times 100$.

Notes : i) Figures in parentheses indicate annual percentage changes.

ii) The export and import price indices of the commodity terms of trade, covered 89 and 100 percent of the total export and import values in 1990-91 and 91 and 100 percent in 1991-92 respectively.

P= Provisional.

Source: Planning Commission.

CHAPTER X

FOREIGN AID

10.1 Total foreign aid commitment of $ 1,774 million to Bangladesh during 1991-92 was 29.4 percent higher as compared to the commitment of $ 1,371 million in 1990-91. Of the total commitment for 1991-92, $ 1,099 million or 62.0 percent represented grants while $ 675 million or 38.0 percent was loan. Total commitment of foreign aid since independence till the end of June, 1992 stood at $ 29,237 million, of which $ 13,728 million or 47.0 percent represented grants.

10.2 Total disbursement of aid since independence till the end of June, 1992 stood at $ 24,072 million or 82.3 percent of total commitment. Of the total disbursement, $ 11,750 million or 48.8 percent represented grants and the remaining $ 12,322 million or 51.2 percent loans.

10.3 Total outstanding external debt as on June 30, 1992 at $ 11,636 million which was $ 584 million or 5.3 percent higher as compared to $ 11,052 million as at the end of June, 1991.

10.4 Total disbursement of $ 1,611 million as foreign aid during 1991-92 was lower by $ 121 million or 7.0 percent compared to $ 1,732 million disbursed during the preceding year. Food aid disbursement at $ 241 million during 1991-92 was 10.1 percent lower than $ 268 million disbursed during the preceding year. The commodity aid disbursement of $ 386 million during the year was 5.4 percent lower than $ 408 million disbursed in the last year. Disbursement of project aid of $ 984 million during 1991-92 was 6.8 percent lower than previous year's level of $ 1,056 million. Bangladesh made repayments of $ 210 million as principal (excluding repurchases in respect of drawings from the IMF) and $ 127 million as interest during 1991-92. The net inflow of foreign aid of $ 1,274 million into the country during 1991-92 was $ 141 million or 10.0 percent lower than $ 1,415 million during the previous year. A statement of receipts of foreign aid and debt repayments is shown in Table-10.1.

TABLE-10.1

FOREIGN AID RECEIPTS AND DEBT REPAYMENTS

(In million US $)

Sector	Year		
	1990-91	1991-92	1992-93 (Projection)
1	2	3	4
1. Receipts	**1,732**	**1,611**	**2,034**
a) Food Aid	268	241	274
b) Commodity Aid	408	386	500
c) Project Aid	1,056	984	1,260
2. Repayments*	**317**	**337**	**371**
a) Principal	197	210	235
b) Interest	120	127	136
3. Net Receipts (1-2)	**1,415**	**1,274**	**1,663**

* Excluding repurchases in respect of drawings from the IMF.

Source: Economic Relations Division (ERD), Ministry of Finance.

CHAPTER XI

TRANSACTIONS WITH THE IMF

11.1 Bangladesh got an approval for drawing SDR 258.75 million (90 percent of Bangladesh's Quota of SDR 287.50 million) under the Enhanced Structural Adjustment Facility (ESAF) of IMF in August, 1990. Following the approval for an additional entitlement of SDR 86.25 million in September, 1991, the total drawing entitlement of Bangladesh under the ESAF increased to SDR 345.00 million (120 percent of Bangladesh's quota in the Fund). However, this amount would be disbursed by the IMF in six instalments over a period extending from the 30th August, 1990 to the 30th August, 1993. Bangladesh made total purchases of SDR 287.50 million in four instalments under the ESAF till the end of June, 1992.

11.2 Bangladesh repurchased a total amount of SDR 81.32 million during 1991-92 against purchases made earlier under various facilities of the Fund. In addition, Bangladesh paid SDR 11.54 million as service charges to the Fund during the year under report. The detailed position of Bangladesh's transactions with the IMF during 1991-92 is shown in Table-11.1.

TABLE-11.1

TRANSACTIONS WITH THE IMF

(In million SDR*)

Sl. No.	Facilities	Drawings	Outstanding Liabilities as on 30.6.91	Purchases during 1991-92	Repurchases during 1991-92	Outstanding Liabilities as on 30.6.92
	1	2	3	4	5	6
1.	Stand-by Arrangements, 1985	180.00	30.00	Nil	30.00	Nil
2.	Compensatory Financing Facility (CFF), 1987	88.90	33.35	Nil	33.35	Nil
3.	Structural Adjustment Facility (SAF),1987	201.25	201.25	Nil	Nil	201.25
4.	Emergency Assistance, 1988	71.87	71.87	Nil	17.97	53.90
5.	Enhanced Structural Adjustment Facility (ESAF), 1990	287.50	143.75	143.75	Nil	287.50
	Total :		**480.22**	**143.75**	**81.32**	**542.65**

* SDR 1= $1.431 as on June 30,1992.

11.3 The outstanding liabilities of Bangladesh to the IMF stood at SDR 542.65 million (equivalent to US $ 776.53 million) as at the end of June, 1992 as compared to SDR 480.22 million (equivalent to US $ 687.19 million) during the same period last year.

CHAPTER XII

EXCHANGE RATE POLICY AND DEVELOPMENTS IN EXCHANGE CONTROL

Exchange Rate Policy

12.1 The world foreign exchange market continued to remain unstable during 1991-92. Wide fluctuations occurred in the value of US Dollar vis-a-vis other major currencies. In order to maintain international competitiveness of Bangladesh's products as also to improve the current account balance, Bangladesh continued to follow a flexible exchange rate policy during 1991-92. The external value of Taka in relation to the US dollar, our intervention currency, was readjusted ten times during 1991-92. As a result, the Taka-Dollar exchange rate depreciated by 8.2@ percent over the year. The date-wise re-fixation of Taka-Dollar official exchange rate statistics during 1991-92 are shown in Table-12.1.

TABLE-12.1

TAKA-DOLLAR OFFICIAL EXCHANGE RATE

Date of Refixation	Bangladesh Bank's Taka Rate per US Dollar	
	Buying	Selling
July 2, 1991*	35.94	36.04
July 7, 1991	36.44	36.54
August 20, 1991	36.84	36.94
September 14, 1991	37.64	37.74
November 9, 1991	38.04	38.14
December 1, 1991	38.19	38.29
December 9, 1991	38.35	38.45
December 21, 1991	38.53	38.63
January 1, 1992	38.75	38.85
March 31, 1992**	38.95	39.05

@=On the basis of the middle rate of buying and selling.

*= On 30th June, 1991 this rate was 35.74 and 35.84 respectively.

**= This rate remained unchanged upto June 30, 1992.

Taka-Dollar Exchange Rate in the Secondary Exchange Market (SEM) and the XPB Premium Rate

12.2 The buying and selling rates of the US Dollar in the country's Secondary Exchange Market were readjusted eight times during 1991-92. With a view to giving financial benefit to the exporters , the XPB premium rate was also refixed six-times during the year. As a result, Taka-Dollar Exchange rate in the country's Secondary Exchange Market depreciated by 5.7[@] percent against Dollar. However, with the unification of the Official Exchange Rate and the Secondary Exchange Market Rate from the 1st January, 1992 the XPB Scheme was abolished. Table 12.2 shows the Taka-Dollar exchange rates in the Secondary Exchange Market and the XPB Premium Rates.

TABLE-12.2

SECONDARY EXCHANGE MARKET RATE AND THE XPB PREMIUM RATE

(Taka per US $)

Date of Refixation	Secondary Exchange Market Rate		XPB Premium Rate
	Buying	Selling	
July 2,1991[1]	36.68	36.73	0.61[3]
July 7, 1991	37.19	37.24	0.62
August 20, 1991	37.59	37.64	0.62
September 14, 1991	38.34	38.39	0.57
November 9, 1991	38.60	38.65	0.43
December 1, 1991	38.65	38.70	0.33
December 9, 1991	38.68	38.73	0.20
December 21, 1991[2]	38.70	38.75	0.04

[1]On 30th June, 1991 this rate was Taka 36.48 and Taka 36.53 respectively.

[2] From the 1st January, 1992 Official Exchange Rate and Secondary Exchange Market Rate were unified.

[3]On 30th June, 1991 this rate was also Tk. 0.61.

[@] On the basis of the middle rate of buying and selling.

Exchange Control

12.3 The important changes in exchange control measures made during the year 1991-92 are given below:

(a) Transactions under Convertible Taka Account

No fund could be deposited in Bangladesh Taka in the form of cash/ cheque/ draft/ TT/MT etc. in the Convertible Taka Account with effect from the 22nd August, 1991. However, Taka Fund, only after converting into freely exchangeable foreign currency, could be transferred from one Convertible Taka Account to another by cheque/draft drawn in foreign currency.

(b) Transactions under Non-Resident Taka Account

The maximum limit of Taka 3,000 withdrawable per month through cheque from the "Non-Resident Taka Account" of the Bangladeshis living abroad was abolished from January 30, 1992.

(c) Entitlement of Foreign Exchange for Business Travel Abroad by the Exporters of Services

In terms of the instructions issued on February 18, 1992, the exporters of services (professional services like legal services, consultancy etc.), would be considered eligible for foreign exchange entitlement for business travel abroad under the same procedure and at the same rate as is applicable for the exporters of goods against their earnings repatriated in foreign exchange through the banking channel. But exporters of services who did not earn any foreign exchange, will be entitled to any allocation of foreign exchange as "New Exporters." Foreign exchange earnings representing indenting commission against import payments from Bangladesh or representing agency commission against exports from Bangladesh, will not be considered as earnings from export of services and no foreign exchange entitlement for business travel abroad shall accrue against such earnings.

(d) Allocation of Foreign Exchange in Favour of the New Exporters for Travelling Abroad for Business Purposes.

From July 1, 1991 the minimum yearly quota for travelling abroad by the new exporters for business purposes was raised to $ 6,000.

(e) Interest Rate on Resident Foreign Currency Deposit Account (RFCD)

Effective October 30, 1991 the authorised dealers were allowed to pay interest on the Resident Foreign Currency Deposit Accounts maintained with them at a rate of $\frac{1}{4}$ % (0.25%) less than the rate at which interest is paid on the balances of banks in their foreign exchange clearing accounts maintained with the Bangladesh Bank. Interest will be paid on accounts having a minimum balance of $ 1,000 or £ 500 and lying with banks for at least a month. The tax and levies will be applicable to the Resident Foreign Currency Deposit Accounts in the same way as in the case of the Resident Deposit Accounts.

(f) Arrangements under the Asian Clearing Union (ACU): Settlements of Transactions with India

The Reserve Bank of India has withdrawn the compulsion for clearing of transactions with India by other members of the ACU under the ACU system. As a result of this, subject to final decision to be arrived through discussions among the ACU countries, it was decided on April 28, 1992 that for the time being the current transactions of Bangladesh with India only be cleared outside the arrangement of the ACU system.

Liberalisation/Relaxation in Exchange Control Regulations

12.4 The following important changes relating to liberalisation and relaxation in the existing foreign exchange regulations were made to attract foreign investment in Bangladesh at an increasing rate:

(i) Effective September 25, 1991 all non-resident individuals/institutions including non-resident Bangladeshis have been offered the facility for investment in the shares/securities through the Dhaka Stock Exchange. Under this arrangement, the freely convertible foreign currencies which have been remitted through banking channel can be used by the willing non-resident investors to purchase shares/securities and the dividend earned as also the sale proceeds of these shares/securities can be repatriated.

(ii) The provision of deduction at the rate of 10% from the repatriable profits of the Sterling Tea companies till the total reserves of the company become 200% of the paid-up capital of the company was withdrawn on October 26, 1991.

(iii) The capital gains, after deduction of tax, arising out of the sale proceeds of shares and securities bought through the Dhaka Stock Exchange can be remitted abroad at the request of a non-resident investor or of his nominee by the approved dealers in freely convertible foreign currency from the balance of his accounts, or the amounts of such capital gains can be used freely for purchasing other shares and securities through the Stock Exchange effective January 6, 1992.

(iv) With effect from the 28th April, 1992 the maximum amount remittable without prior approval of the Bangladesh Bank on account of the membership fee of professional/scientific organisation/association and application for admission/registration/examination fees etc. for foreign educational institutions has been raised from the previous limit of US. $ 100 per year to US $ 200 per year (or equivalent amount in case of other freely convertible currency). Following unification of Official and Secondary Exchange Market Rates from the 1st January, 1992 the authorised dealers can also arrange foreign currency for the above mentioned fees/ subscriptions under their exchange position fund. Previously, foreign exchange for these purposes were to be arranged from WES/SEM.

(v) The ban imposed on sending money to Iraq and Kuwait was withdrawn from the 25th January, 1992 in respect of only Kuwait.

(vi) Effective June 23, 1992 individuals ordinarily resident outside Bangladesh including the Bangladeshis, working abroad, at the time of coming to Bangladesh can bring with them US $ 5,000 without declaration to the custom authority in F.M.G form and if they like, they can take back freely an amount of foreign currency not exceeding US $ 5,000.

(vii) It was decided on June 23, 1992 that persons ordinarily resident in Bangladesh can open "Resident Foreign Currency Account" with an amount not exceeding US $ 2,500 brought by them, at the time of coming to Bangladesh after travelling abroad, without declaration to the custom authority or can keep the amount with them if they like. They can freely i.e., without endorsing it in the passport and ticket take back amounts up to $ 2,500 with them while travelling abroad.

(viii) The entitlement of foreign exchange for the Bangladeshis for private visits to foreign countries, except the SAARC member countries and Myanmar has been raised to US $ 1,800 for a year subject to a maximum of US $ 1,200 for single visit with effect from October 2, 1991. The annual quota of foreign exchange for private visit to the SAARC member countries and Myanmar and that for travelling to India by land route have been kept unchanged at US $ 400 and US $ 150 respectively.

Hajj, 1992

12.5 As in the last year, each pilgrim under the Government or outside the Government arrangements was permitted to purchase 3,500 Saudi Rial for meeting personal expenses for Hajj including Muallim-fees. Besides, pilgrims under the Government arrangements were also permitted to purchase additional foreign exchange not exceeding US $ 550.

Inspection of Foreign Exchange Business

12.6 The Exchange Control Department of the Bangladesh Bank carried out inspection of foreign exchange transactions in 152 branches including 14 Head Offices/Principal Offices of the authorised dealers during 1991-92. On completion of the inspection, report identifying the irregularities and instructing corrective measures and implementation thereof was sent to the Head Offices of 13 banks. Besides, special inspection was carried out in 322 branches of the authorised dealers and 53 offices of indenting firms. The inspection reports were sent to the concerned offices of Department/Division for information and necessary action.

CHAPTER XIII

ASIAN CLEARING UNION

13.1 Total transactions of Bangladesh under the Asian Clearing Union (ACU) increased during 1991-92 as compared to those in the preceding year. As in the preceding year, Bangladesh emerged as a net debtor in all the six settlements that took place during the year. The net debtor position of Bangladesh widened further by AMU 109.32@ million or 88.7% to AMU 232.52 million (Tk. 1,235.47 crores) during 1991-92 as imports into Bangladesh were more than exports to other members of the ACU.

13.2 Receipts of Bangladesh under the ACU arrangement recorded an increase of AMU 4.82 million or 7.1% to AMU 72.36 million (Tk. 380.32 crores) during 1991-92 and her payments increased by AMU 114.14 million or 59.8 percent to AMU 304.88 million (Tk. 1,615.79 crores) during the year. Receipts and payments of Bangladesh under the ACU arrangement during the last three years are shown in Table-13.1.

TABLE-13.1

RECEIPTS AND PAYMENTS OF BANGLADESH UNDER THE ACU

(In million AMU)

Sectors	1989-90	1990-91	1991-92
1. Receipts (Exports)	77.69 (243.71)	67.54 (332.52)	72.36 (380.32)
2. Payments (Imports)	211.23 (906.97)	190.74 (939.19)	304.88 (1,615.79)
Net Surplus (+)/Deficit(-)	–133.54 (–663.26)	–123.20 (–606.67)	–232.52 (–1,235.47)

Note: Figures in brackets indicate the amount of Taka in crores.

@ : AMU= Asian Monetary Unit.

1 AMU = 1 SDR.

13.3 Bangladesh's total investment in the ACU member countries under the "Currency Swap Arrangement" was AMU 0.93 million (Tk. 5.18 crores) and the amount of interest received against the investment was AMU 6.21 thousand (Tk. 3.46 lakhs). The amount of investment and the amount of interest received against the same were AMU 2.15 million (Tk. 10.87 crores) and AMU 27.64 thousand (Tk. 14.01 lakhs) respectively in the preceding year.

13.4 The comparative position of trade and trade balance of the ACU member countries are shown in Table-13.2.

TABLE-13.2

COMPARATIVE POSITION OF TRADE AND TRADE BALANCE OF ACU MEMBER COUNTRIES

(In million U.S. Dollar)

Countries	Exports to ACU		Imports from ACU		Surplus (+)/Deficit(–)	
	1989*	1990	1989*	1990	1989*	1990
Bangladesh	81	91	171	255	–90	–164
Myanmar	25	26	3	4	+22	+22
India	585	632	185	225	+400	+407
Iran	247	405	369	308	–122	+97
Nepal	47	53	133	145	–86	–92
Pakistan	300	255	258	295	+42	–40
Sri Lanka	114	129	219	406	–105	–277
Total:	**1,399**	**1,591**	**1,338**	**1,638**	**+61**	**–47**

Source : ACU Annual Reports, 1990 & 1991.

Note: (i) Exports (f.o.b); (ii) Imports (c.i.f).

* : Revised.

CHAPTER XIV

CURRENCY AND COINAGE

Bank Notes

14.1 No newly designed bank notes were issued during the period July 1, 1991 to June 30, 1992.

Five-Taka Notes

14.2 Five-Taka Notes in circulation as on June 30, 1992 stood lower at Tk. 96.95 crores as compared to Tk. 98.00 crores on June 30, 1991.

Ten-Taka Notes

14.3 Ten-Taka Notes in circulation as on June 30, 1992 stood higher at Tk. 350.83 crores as compared to Tk. 344.22 crores on June 30, 1991.

Twenty-Taka Notes

14.4 Twenty-Taka Notes in circulation as on June 30, 1992 stood lower at Tk. 173.22 crores as compared to Tk. 241.89 crores on June 30, 1991.

Fifty-Taka Notes

14.5 Fifty-Taka Notes in circulation as on June 30, 1992 stood lower at Tk. 324.98 crores as compared to Tk. 390.99 crores at the end of the preceding year.

Hundred-Taka Notes

14.6 Hundred-Taka Notes in circulation stood higher at Tk. 1,676.87 crores as on June 30, 1992 as compared to Tk. 1,597.02 crores at the end of the previous year.

Five Hundred-Taka Notes

14.7 Five Hundred-Taka Notes in circulation as on June 30, 1992 stood higher at Tk. 1,911.52 crores as compared to Tk. 1,403.25 crores at the end of the preceding year.

Other Notes and Coins

Two-Taka Notes

14.8 Two-Taka Notes in circulation as on June 30, 1992 stood at Tk. 23.76 crores as against Tk. 16.17 crores at the end of the last year.

One-Taka Notes and Coins

14.9 One-Taka Notes of the existing design bearing the signature of Mr. Khorshed Alam, Principal Finance Secretary was put into circulation with effect from January 11, 1992. The amount of One-Taka Notes in circulation as on June 30, 1992 stood lower at Tk. 65.65 crores as against Tk. 69.08 crores on June 30, 1991.

Subsidiary Coins

14.10 No newly designed coins were issued during 1991-92. Subsidiary coins in circulation as on June 30, 1992 stood lower at Tk. 47.51 crores as against Tk. 48.10 crores on June 30, 1991.

CHAPTER XV

ADMINISTRATION

Reconstitution of the Board of Directors

15.1 Mr. Nurul Hossain Khan, Major General Abdul Latif, psc and Mr. Mahbubur Rahman Khan were relieved of their responsibilities as the Directors of the Board with effect from April 30, June 3 and June 15, 1992 respectively.

Board of Directors/Executive Committee/Co-ordination Committee Meetings

15.2 A total of 9 meetings of the Board of Directors, 7 meetings of the Executive Committee and 10 meetings of the Co-ordination Committee were held during 1991-92.

Taking-over as Deputy Governors

15.3 Mr. Kamal Uddin Ahmed and Mr. A.B.M. Mahbubul Amin Khan took over as Deputy Governors with effect from June 15, 1992 and Mr. Shah Abdul Hannan took over as Deputy Governor with effect from June 27, 1992.

Appointments in Different Grades

15.4 The following appointments in different grades were made by the Bank during 1991-92:

i)	Assistant Director (Research)	13
ii)	Officer (Statistics)	1
iii)	Coin/Note Examiner and Other Staff	133
	Total :	**147**

Decline in Number of Officers and Staff

15.5 The number of officers/staff of the Bank who died, retired, resigned and were dismissed/terminated during 1991-92 were as under :

a)	The number of officers/staff who died	17
b)	The number of officers/staff who retired	57
c)	The number of officers/staff who resigned and were dismissed/terminated	19
	Total :	**93**

Creation of Posts During 1991-92

15.6 A total number of 285 posts of officers/staff were created in the Bank during 1991-92.

Total Number of Officers and Staff

15.7 The number of Officers and Staff of the Bank increased by 54 to 6,238 during 1991-92.

Foreign Training

15.8 During 1991-92, 10 Officers of the Bank were sent abroad for participation in different training courses/seminars/workshops.

Domestic Training

15.9 A total of 325 officers of the Bank participated in different types of training courses organised by different domestic training institutions during 1991-92.

15.10 With a view to improving the theoretical and practical knowledge as well as increasing the professional efficiency of the Bank's officers/staff, the Bangladesh Bank Training Academy conducted 15 on-the-job training courses, 6 special short courses namely, 'Banking Rules and Regulations and Technique of Bank Inspection', 'Technique of Agricultural Credit Inspection', and 'Technique of Foreign Exchange Inspection Activities' and 3 special training courses/workshops on 'Reporting of Foreign Exchange Transactions', 'International Banking' and 'Foreign Exchange Reserve Management Method by the Bangladesh Bank'. A total of 448 officers from different levels participated in the above training courses. Besides, the Academy arranged 6 special training courses on Management Information System (MIS)—New

System of Monitoring of Agricultural Credit which were held in the Academy. 7 training courses on the same subject were held outside Dhaka, 8 training courses on Government Treasury Functions, 4 training courses on Reporting of Monetary and Banking Data and 1 training course on Foreign Exchange Transactions were held in the centres outside Dhaka. A total of 752 officers of the scheduled banks participated in the above courses, 1 training course on the Revised Loan Classification and Provisioning was held in the Academy and 7 training courses on the above subject were held in Chittagong, Sylhet, Bogra, Khulna, Rangpur and Barisal centres wherein a total of 205 officers of the Bank participated.

CHAPTER XVI

ANNUAL ACCOUNTS

Issue Department : Liabilities and Assets

16.1 The value of notes issued upto June 30, 1992 stood at Tk. 4,535.16 crores. This was higher by Tk. 431.84 crores than Tk. 4,103.32 crores issued upto June 30, 1991. Assets against the notes issued included : Gold worth Tk. 86.20 crores, Approved Foreign Exchange of Tk. 1,000.00 crores, Taka Coin worth Tk. 3.77 crores, the Government of Bangladesh Securities worth Tk. 344.11 crores and Internal Bills of Exchange and Other Commercial Papers worth Tk. 3,101.08 crores. The corresponding figures of assets against notes issued upto June 30, 1991 were : Gold worth Tk. 81.59 crores, Approved Foreign Exchange of Tk. 200.00 crores, Taka Coin worth Tk. 7.92 crores, the Government of Bangladesh Securities worth Tk. 782.72 crores and Internal Bills of Exchange and Other Commercial Papers worth Tk. 3,031.09 crores.

16.2 The Balance Sheet of the Issue Department of the Bank as on June 30, 1992 appears on pages 108-109 of the Report.

Banking Department : Liabilities and Assets

16.3 On the liabilities side, balances in the Statutory Funds* increased from Tk. 444.22 crores as on June 30, 1991 to Tk. 498.85 crores as on June 30, 1992 due to appropriation of Tk. 38.00 crores from the Profit and Loss Account and accrual of Tk. 16.63 crores as the outcome of transactions in the Bank's statutory funds during 1991-92. The Government Deposits decreased by Tk. 0.29 crore to Tk. 0.92 crore as on June 30, 1992 from Tk. 1.21 crores as on June 30,1991. Deposits of banks decreased by Tk. 237.01 crores to Tk. 1,886.98 crores as on June 30, 1992 from Tk. 2,123.99 crores as on June 30, 1991. Other deposits increased by Tk. 1,477.93 crores to Tk. 5,198.00 crores as on June 30, 1992 from the level of Tk. 3,720.07 crores recorded a year ago. Balance in the bills payable increased by Tk. 63.75 crores to Tk. 90.22 crores as on June 30, 1992 from Tk. 26.47 crores as on June 30, 1991. Other liabilities increased by Tk. 557.24 crores to Tk. 1,401.08 crores as on June 30, 1992 from Tk. 843.84 crores as on June 30, 1991. The amount of SDRs remained unchanged at Tk. 91.74 crores.

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* Excluding Credit Guarantee Fund.

16.4 On the assets side of the Banking Department, the balance of rediscounted Government Treasury Bills decreased by Tk. 151.34 crores to Tk. 274.22 crores as on June 30, 1992 from Tk. 425.56 crores as on June 30, 1991. The amount under Balances Held Outside Bangladesh increased by Tk. 2,316.63 crores to Tk. 5,185.10 crores as on June 30, 1992 from Tk. 2,868.47 crores as on June 30, 1991. The balances under Loans and Advances to the Government remained unchanged at Tk. 20.00 crores as on June 30, 1992. Other Loans and Advances declined by Tk. 856.60 crores to Tk. 598.36 crores as on June 30,1992 from Tk. 1,454.96 crores on June 30, 1991. The balances under Investments increased by Tk. 371.75 crores to Tk. 1,172.74 crores as on June 30, 1992 from Tk. 800.99 crores on June 30, 1991. Other assets increased by Tk. 235.96 crores to Tk. 1,922.58 crores as on June 30, 1992 from Tk. 1,686.62 crores on June 30, 1991.

16.5 The Balance Sheet of the Banking Department as on June 30, 1992 appears at pages 110-111.

Comparative Position of Profit and Loss Account

16.6 A comparative summary position of Profit and Loss Account of the Bank for the years 1990-91 and 1991-92 is given below:

(Taka in crores)

Particulars	1990-91	1991-92	Changes
Gross Income	736.77	765.80	+ 29.03
Total Expenditure	309.05	229.80	– 79.25
Net Profit :	**427.72**	**536.00**	**+ 108.28**

16.7 As would appear from the above account that the net profit of the Bank during 1991-92 increased by Tk. 108.28 crores to Tk. 536.00 crores as compared to that in the previous year. Net profit of the Bank during 1991-92 went up by Tk. 108.28 crores due to increase of Tk. 29.03 crores in gross income and decline of Tk. 79.25 crores in total expenditure.

16.8 Out of the profit of Tk. 536.00 crores, a sum of Tk. 40.00 crores was appropriated towards the Credit Guarantee Fund and Other Statutory Funds, the balance of Tk. 496.00 crores being payable to the Government Exchequer. The distribution of profit of the Bank during 1991-92 is shown in Table-16.1.

TABLE-16.1

DISTRIBUTION OF THE NET PROFIT OF THE BANGLADESH BANK DURING 1991-92

Particulars	Amount of Taka
1. Appropriation towards Statutory Funds	
i) Rural Credit Fund	15,00,00,000.00
ii) Industrial Credit Fund	4,00,00,000.00
iii) Export Credit Fund	4,00,00,000.00
iv) Agricultural Credit Stabilisation Fund	15,00,00,000.00
	38,00,00,000.00
2. Transfer to Credit Guarantee Fund	2,00,00,000.00
	40,00,00,000.00
3. Surplus Profit Payable to the Government	495,99,56,462.00
Grand Total :	**535,99,56,462.00**

16.9 The Profit and Loss Account of the Bank for the year ending June 30, 1992 appears at page 112.

Appointment of Auditors

16.10 In terms of Article 65(i) of the Bangladesh Bank Order, 1972, the Government was pleased to appoint two chartered accountant firms, namely, M/S. M.J. Abedin & Co. and M/S. Ahmed-Ahmed & Co. to audit the accounts of the Bank for the year 1991-92. The report of the auditors relating to the Bank's Balance Sheet and Profit and Loss Account as on June 30, 1992 is given at page 113.

Appreciation

16.11 The Board of Directors of the Bank was pleased to place on record its appreciation of the loyal and devoted services rendered by the officers and staff of the Bank during the year under report.

BANGLADESH BANK

BALANCE SHEET
AND
PROFIT AND LOSS ACCOUNT

(FOR THE YEAR ENDED JUNE 30, 1992)

LIABILITIES

Particulars	As on June 30, 1992		As on June 30, 1991	
	Taka	Taka	Taka	Taka
Notes held in the Banking Department	78,72,197		94,55,285	
Notes in Circulation*	4534,37,39,473		4102,37,35,265	
Total Notes Issued*		4535,16,11,670		4103,31,90,550
TOTAL LIABILITIES :		**4535,16,11,670**		**4103,31,90,550**

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

BANK
SHEET
DEPARTMENT

ASSETS

Particulars	As on June 30, 1992		As on June 30, 1991	
	Taka	Taka	Taka	Taka
A. Gold Coin and Bullion	86,19,86,000		81,59,02,000	
Silver Bullion	Nil		Nil	
Special Drawing Rights held with the International Monetary Fund	Nil		Nil	
Approved Foreign Exchange	1000,00,00,000	1086,19,86,000	200,00,00,000	281,59,02,000
B. Taka Coin	3,76,50,379		7,92,29,259	
Government of Bangladesh Securities**	344,11,45,086		782,72,29,086	
Internal Bills of Exchange and Other Commercial Papers	3101,08,30,205	3448,96,25,670	3031,08,30,205	3821,72,88,550
TOTAL ASSETS :		4535,16,11,670		4103,31,90,550

** Includes Special Ad-hoc Treasury Bills issued for providing assets against issue of Bangladeshi Notes in replacement of Pakistani Notes.

LIABILITIES

Particulars	As on June 30, 1992		As on June 30, 1991	
	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		196,05,95,500		164,44,16,750
Industrial Credit Fund		55,78,52,450		51,77,93,150
Export Credit Fund		57,00,00,000		53,00,00,000
Agricultural Credit Stabilisation Fund		190,00,00,000		175,00,00,000
Deposits:				
a) Government	91,81,216		1,20,77,721	
b) Banks	1886,98,22,362		2123,99,13,012	
c) Others	5198,00,19,086	7085,90,22,664	3720,06,53,751	5845,26,44,484
Allocation of Special Drawing Rights		91,74,31,206		91,74,31,206
Bills Payable		90,21,50,221		26,47,36,450
Other Liabilities		1401,08,29,020		843,83,96,880
TOTAL LIABILITIES:		**9173,78,81,061**		**7257,54,18,920**

ASSETS

Particulars	As on June 30, 1992		As on June 30, 1991	
	Taka	Taka	Taka	Taka
Note		78,72,197		94,55,285
Taka Coin		118		226
Subsidiary Coin		523		35
Bills Purchased and Discounted				
a) Internal	Nil		Nil	
b) External	Nil		Nil	
c) Government Treasury Bills	274,22,24,656	274,22,24,656	425,55,90,310	425,55,90,310
Balances held outside Bangladesh*		5185,09,91,627		2868,46,55,021
Special Drawing Rights held with the International Monetary Fund		Nil		Nil
Loans and Advances to Government		20,00,00,000		20,00,00,000
Other Loans and Advances		598,35,84,866		1454,95,90,755
Investments		1172,74,19,840		800,99,35,840
Other Assets		1922,57,87,234		1686,61,91,448
TOTAL ASSETS :		**9173,78,81,061**		**7257,54,18,920**

* Includes cash and short term securities.

PROFIT AND LOSS ACCOUNT

	For the year ended June 30, 1992 (Taka)	For the year ended June 30, 1991 (Taka)
INCOME :		
Interest, Discount, Exchange, Commission etc	765,79,62,327	736,77,01,413
EXPENDITURE :		
Salaries and Allowances	51,41,56,321	35,95,14,766
Directors' Fees and Expenses	10,500	22,218
Auditors' Fees	2,00,000	86,584
Rent, Taxes, Insurance, Lighting etc.	4,09,48,687	4,15,85,431
Law Charges	10,52,947	3,97,980
Postage and Telegram Charges	32,89,054	34,46,040
Remittance of Treasure	74,94,191	50,98,622
Printing and Stationeries	1,49,78,954	1,12,10,587
Security Printing (Cheques, Note-Forms etc.)	9,79,73,840	18,39,71,844
Depreciation on Bank's Property	4,18,96,535	3,81,36,925
Repairs to Bank's Property	1,97,75,033	1,36,11,056
Agency Charges	9,55,44,185	10,51,73,340
IMF Charges	55,46,10,486	97,74,03,237
Interest Subsidy to Banks and Financial Institutions	23,92,133	2,61,11,663
Interest on Deposits	66,96,66,347	112,60,36,813
Interest on Staff Provident Fund	6,29,57,616	5,17,59,752
Interest on General Provident Fund	86,85,562	75,36,417
Interest on ACU Transactions	5,09,54,667	4,06,20,222
Miscellaneous Expenses	11,14,39,787	9,87,99,754
Net Profit :	535,99,56,462	427,71,76,362
Total Taka :	**765,79,62,327**	**736,77,01,413**
APPROPRIATION OF PROFITS :		
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	495,99,56,462	387,71,76,362
Balance	Nil	Nil
Total Taka :	**535,99,56,462**	**427,71,76,362**
RESERVE FUND ACCOUNT:		
Balances as on June 30, 1991	3,00,00,000	3,00,00,000
By transfer from Profit and Loss A/c	Nil	Nil
Total Taka :	**3,00,00,000**	**3,00,00,000**

ASHRAFULLAH
General Manager (Accounts)

KAMALUDDIN AHMED
Deputy Governor

S.B. CHAUDHURI
Governor

REPORT OF THE AUDITORS

To

The Government of the People's

Republic of Bangladesh,

We have examined the two Balance Sheets (Issue Department and Banking Department) of the Bangladesh Bank as at 30th June, 1992 and the Profit & Loss Account of the Bank for the year ended on that date with the books of account and records maintained by the Bank's Head Office and other nine branches. We report that we have obtained all the information and explanations we required and such information and explanations have been given satisfactorily. In our opinion, the Balance Sheets are full and fair Balance Sheets containing the prescribed particulars and are properly drawn up so as to exhibit true and correct view of the state of the Bank's affairs according to the information and explanations given to us and as shown by the books of account maintained at the Bank's Head Office and Branch Offices.

Dhaka	M.J. ABEDIN & CO.	AHMAD AHMAD & CO.
The 17th August, 1992	Chartered Accountants	Chartered Accountants

APPENDICES

BANGLADESH : SOME SELECTED STATISTICS

BANGLADESH : SOME SELECTED STATISTICS

TABLE-I

AREA AND POPULATION

1. Area		1,47,570 Km 2@
	30-6-91*	30-6-92
2. Population	110.5 million	112.5 million
3. Density of Population:		
A) Per Km^2 of Total Land Area	749	763
B) Per Km^2 of Cultivable Land	1,129	1,150

Source: Prepared on the basis of data supplied by the Bangladesh Bureau of Statistics.

* Revised on the basis of 1991-census.

@ Area increased due to accretion of land in the coastal areas.

NATIONAL INCOME, SAVINGS AND INVESTMENT

(Taka in crores)

Items/Sectors	1990–91	% Change	1991–92 (Estimated)	% Change
1. GDP (at constant 1989-90 factor cost)	72,273	+3.6	75,101	+3.9
2. GDP (at current market prices)	83,296	+12.9	91,123	+9.4
3. Gross Investment (at current market prices)	9,139 11.0*	–0.5	11,025 12.1*	+20.6
4. Gross Domestic Savings (at current market prices)	3,640 4.4**	+35.0	7,281 R 8.0**	+97.8 R
5. Sectoral Break-up of GDP (at constant 1989-90 factor cost):	Share in GDP		Share in GDP	
	(Amount)	(In percentage)	(Amount)	(In percentage)
(a) Agriculture	28,213	39.04 (+2.7)	28,900	38.48 (+2.4)
(b) Industry	5,539	7.66 (+5.9)	5,964	7.94 (+7.7)
(c) Construction	3,762	5.21 (+4.1)	3,924	5.22 (+4.3)
(d) Power and Gas	791	1.09 (+4.4)	861	1.15 (+8.9)
(e) Others	33,968	47.00 (+3.9)	35,452	47.21 (+4.4)
Total :	**72,273**	**100.00**	**75,101**	**100.00**

Source : Planning Commission. R = Revised.

* Gross investment as percentage of GDP at current market prices.

** Gross domestic savings as percentage of GDP at current market prices.

Note: Figures in brackets indicate sectoral growth rates.

GOVERNMENT FINANCE AND ANNUAL DEVELOPMENT PROGRAMME (ADP)

(Taka in crores)

Items/Sectors	1990–91	As Percentage	1991–92	As Percentage
1. Revenue Receipts:	**7,822.03**	**100**	**9,517.00**	**100**
A) Tax	6,382.85	82	7,741.00	81
B) Non-Tax	1,439.18	18	1,776.00	19
2. Revenue Expenditure	7,310.24	93.5	7,900.00	83
3. Revenue Surplus (+) Revenue Deficit (–)	511.79	6.5	1,617.00	17
4. Capital Receipts:	**9,255.74**	**100**	**8,435.65**	**100**
A) Capital Expenditure	3,709.30	40	2,935.52	35
B) Capital Surplus	5,546.44	60	5,500.13	65
5. Size of ADP:	**6,121.00**	**100**	**7,150.00**	**100**
A. Domestic	770.62	13	1,787.00	25
B. Foreign	5,350.38	87	5,363.00	75
C. Additional Resources	NIL	NIL	NIL	NIL

Source: Budget Summary Statements of 1991-92 and 1992-93, Ministry of Finance.

MONEY, CREDIT AND PRICE INDEX

(Taka in crores)

Heads	1990–91	1991–92
1. Broad Money (M_2)	25,004.30 (+12.14)	28,525.90 (+14.08)
2. Total Domestic Credit:	**25,368.40** (+10.14)	**27,208.30**@ (+7.25)@@
A) Government Sector (Including Public Sector)	7,545.50 (+7.36)	9,269.10 (+22.84)
B) Government Sector	2,187.80 (+8.48)	3,625.60@ (+65.72)
C) Public Sector	5,357.70 (+6.91)	5,643.50 (+5.33)
D) Private Sector	17,822.90 (+11.36)	17,939.20 (+0.65)@@
3. Broad Money as % of GDP (At Current Market Prices)	30.02	31.30*
4. Consumer Price Index for Dhaka Middle Income Families (Twelve-Month Average)	689.30 (+8.94)	724.38 (+5.09)

Note: Figures in brackets indicate annual percentage changes.

@ Includes adjustment of special long-term Government bonds of Tk. 1,729.13 crores issued in favour of nationalized banks for meeting shortfall in bad-debt provisioning and recapitalization.

@@ Of the written-off agricultural loan upto Tk. 5,000.00, if an amount of Tk. 1,892.43 crores was not taken out from credit, the rates of increase in domestic credit and in credit to the private sector would have been 14.71% and 11.27% respectively.

Sources: 1) Bangladesh Bank.
2) Bangladesh Bureau of Statistics.
3) Planning Commission.

* : Provisional.

TABLE–V

RESERVE MONEY AND ITS COMPONENTS

(Taka in crores)

Period End-June	Currency Outside Banks	Cash in Tills of the Scheduled Banks	Balances of the Scheduled Banks with the Bangladesh Bank@	Deposits of other Financial Institutions with the Bangladesh Bank	91– day Bangladesh Bank Bill	Reserve Money (2+3+4+5+6)
1	2	3	4	5	6	7
1974-75	290.20	26.60	92.50	0.10	Nil	409.40
1975-76	329.80	34.30	98.00	0.10	Nil	462.20
1976-77	356.30	65.50	124.40	0.20	Nil	546.40
1977-78	504.30	66.40	115.80	0.30	Nil	686.80
1978-79	613.30	80.00	162.80	0.10	Nil	856.20
1979-80	693.40	103.20	247.00	0.20	Nil	1,043.80
1980-81	914.80	126.20	294.10	0.20	Nil	1,335.30
1981-82	877.50	135.60	267.20	0.10	Nil	1,280.40
1982-83	1,138.60	146.50	338.70	0.70	Nil	1,624.50
1983-84	1,556.30	235.50	443.90	0.20	Nil	2,235.90
1984-85	1,722.90	275.70	676.70	0.20	Nil	2,675.50
1985-86	1,953.10	338.40	979.50	0.50	Nil	3,271.50
1986-87	2,075.60	361.30	1,303.22	1.68	Nil	3,741.80
1987-88	2,415.00	402.30	2,240.20	Nil	Nil	5,057.50
1988-89	2,615.60	432.50	2,420.70	Nil	Nil	5,468.80
1989-90	3,188.30	506.00	2,623.00	Nil	Nil	6,317.30
1990-91	3,611.80	623.90	2,265.00	Nil	26.00	6,526.70
1991-92	4,072.60	598.70	2,150.80	Nil	90.00	6,912.10

@ Include Deposits under Wage Earners' Clearing Account.

SOURCES OF RESERVE MONEY

(Taka in crores)

Period End-June	Bangladesh Bank's Claims on			Net Foreign Assets	Other Assets (Net)	Reserve Money (2+3+4+5+6)
	Government	Scheduled Banks	Other Official Entities and Financial Institutions			
1	2	3	4	5	6	7
1974-75	456.60	111.40	31.90	104.80	–295.30	409.40
1975-76	723.70	101.90	30.60	–88.90	–305.10	462.20
1976-77	636.30	121.30	30.50	62.40	–304.10	546.40
1977-78	766.20	231.30	35.60	–34.70	–311.60	686.80
1978-79	734.40	373.60	90.90	90.20	–432.90	856.20
1979-80	953.80	709.40	181.60	–201.10	–599.90	1,043.80
1980-81	1,477.90	912.30	242.70	–622.20	–675.40	1,335.30
1981-82	1,581.10	1,335.60	309.70	–1,359.60	–586.40	1,280.40
1982-83	1,420.80	1,251.00	365.80	–752.70	–660.40	1,624.50
1983-84	1,351.60	1,377.30	529.50	–214.70	–807.80	2,235.90
1984-85	1,424.60	2,167.50	677.40	–352.60	–1,241.40	2,675.50
1985-86	1,789.50	2,443.80	870.60	–420.90	–1,411.50	3,271.50
1986-87	1,963.60	2,134.30	854.60	–73.40	–1,134.30	3,741.80
1987-88	2,245.20	2,552.80	874.40	534.70	–1,149.60	5,057.50
1988-89*	986.00	3,136.40	933.80	456.20	–43.60	5,468.80
1989-90*	1,678.30	3,921.00	928.10	–264.90	54.80	6,317.30
1990-91*	1,677.70	3,939.00	932.60	1,137.20	–1,159.80	6,526.70
1991-92*	1,196.90	3,373.00	902.60	3,386.60	–1,947.00	6,912.10

* Prepared on the basis of changed classification.

DEPOSITS OF PUBLIC AND PRIVATE SECTORS

(Taka in crores)

Period	Demand Deposits			Time Deposits		
	Public*	Private	Total	Public*	Private	Total
June, 1983	509.4 (31.48)	1,108.8 (68.52)	1,618.2	1,120.0 (33.64)	2,209.8 (66.36)	3,329.8
June, 1984	645.0 (29.74)	1,524.0 (70.26)	2,169.0	1,731.6 (35.21)	3,186.5 (64.79)	4,918.1
June, 1985	748.9 (27.64)	1,960.2 (72.36)	2,709.1	2,232.9 (34.73)	4,197.0 (65.27)	6,429.9
June, 1986	853.7 (26.10)	2,417.6 (73.90)	3,271.3	2,350.5 (31.22)	5,177.9 (68.78)	7,528.4
June, 1987	1,000.8 (28.42)	2,521.1 (71.58)	3,521.9	2,853.6 (30.74)	6,428.8 (69.26)	9,282.4
June, 1988	987.4 (31.44)	2,152.7 (64.56)	3,140.1	2,983.8 (24.86)	9,020.0 (75.14)	12,003.8
June, 1989	833.0 (25.50)	2,433.9 (74.50)	3,266.9	3,924.4 (26.89)	10,668.8 (73.1)	14,593.2
June, 1990	880.1 (23.93)	2,797.4 (76.07)	3,677.5	4,038.5 (24.03)	12,765.2 (75.97)	16,803.7
June, 1991	1,108.8 (25.80)	3,188.8 (74.20)	4,297.6	4,146.7 (22.08)	14,634.0 (77.92)	18,780.7
June, 1992	1,144.5 (23.58)	3,709.6 (76.42)	4,854.1	5,418.9 (24.96)	16,287.5 (75.04)	21,706.4

*Include Deposits of the Government.

Note : Figures in the parentheses represent percentages of total deposits.

Source : Statistics Department, Bangladesh Bank.

COMPARATIVE POSITION OF SCHEDULED BANKS

(Taka in crores)

Particulars	As on 30-6-91	As on 30-6-92
1. **Bank Deposits**[*]	**21,393.60**	**24,454.40**
A. Demand Deposits	3,591.90	4,184.60
B. Time Deposits	17,800.60	20,268.70
C. Restricted Deposits	1.10	1.10
2. Borrowings from the Bangladesh Bank	4,175.20	3,628.90
3. Cash in Tills	623.90	598.70
4. Balances with the Bangladesh Bank	2,136.90	1,782.80
5. Balances with other Banks in Bangladesh in Current Account	401.60	455.40
6. Money at Call and Short Notice in Bangladesh	239.20	202.10
7. **Scheduled Banks' Investment**	**2,544.90**	**4,912.00**
A. Government Securities	1,646.00	4,067.80[@]
B. Others	898.90	844.20
8. **Bank Credit (Excluding Inter-Bank Items)**	**21,898.80**	**22,304.10**[@@]
A. Advances in Bangladesh	21,258.10	21,606.40[@@]
B. Inland Bills Purchased and Discounted in Bangladesh	640.70	697.70
9. Credit/Deposit Ratio (Excluding the BKB, the RAKUB, the BSBL and the BSB)	0.82	0.73

[*] Excluding Government Deposits and inter-bank items.

[@] Includes adjustment of Special long-term Government bonds of Tk. 1,729.13 crores issued in favour of nationalized banks for meeting shortfall in bad debt provisioning and recapitalization.

[@@] After excluding an amount of Tk. 1,892.43 crores out of written-off agricultural loan upto Tk. 5,000.00.

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

A. Interest Rate Structure of the Banking Sector

(1) The Bank Rate

9.75% per annum (upto 16.11.91), 9.25% (w.e.f. 17.11.91), 9.00% (w.e.f. 15.3.92) and 8.50% (w.e.f. 3.6.92) and onwards

(2) Interest Rate Bands on Deposits

(In percentage)

Category of Deposits	Interest Rate Bands			
	July 1, 1991 to November 30, 1991	December 1, 1991 to March 31, 1992	April 1, 1992 to June 2, 1992	June 3, 1992 to June 30, 1992 and onwards
a) Savings Deposits				
Urban				
Rural	8.50-12.00	8.00-11.50	7.50(minimum)@	6.00(minimum)@
b) Fixed/Term Deposits				
3 months and above but less than six months				
6 months and above but less than 1 year				
1 year and above but less than 2 years	10.00–13.75	9.00–13.00	8.50(minimum)@	7.50(minimum)@
2 years and above but less than 3 years				
3 years and above				

@The maximum rates of Interest on deposits would be decided by the individual bank.

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

A. Interest Rate Structure of the Banking Sector

(3) Interest Rate Bands on Advances (In percentage)

Category of Loans	Interest Rate Bands			
	July 1, 1991 to November 30, 1991	December 1, 1991 to March 31, 1992	April 1, 1992 to June 2, 1992	June 3, 1992 to June 30, 1992 and onwards
1. Agriculture	12.0–16.0	11.0–15.0	11.0–15.0	11.0–15.0
2. Large and Medium Scale Industry (Term Loan)	12.0–17.0	11.0–16.0	*	*
3. Working Capital (Jute)	9.0–11.0 (Upto 30-9-91) 9.0–12.0 (From 1-10-91)	8.5–11.0	*	*
4. Working Capital (other than Jute)	11.0–15.0	10.0–14.0	*	*
5. Jute Trading	13.0–16.0	12.0–15.0	*	*
6. Jute and Jute Goods Exports	8.0–12.0	7.5–11.0	7.5–11.0	7.5–10.5
7. Other Exports	8.0–12.0	7.5–11.0	7.5–11.0	7.5–10.5
8. Other Commercial Lending	13.5–18.5	12.0–17.0	*	*
9. Urban Housing	12.0–15.0	11.0–14.0	*	*
10. Small Industries (Term Loan–Special Programme)	9.0-12.0 (Upto 30-9-91) 9.0-14.0 (From 1-10-91)	8.0-13.0	8.0-13.0	8.0-13.0
11. Other Special Programme	8.0-15.0	7.5-14.0	*	*
12. Others	12.0-20.0	11.0-18.0	*	*

*The bands of interest rates for all lending categories except lending to agriculture, exports and Small & Cottage Industries have been withdrawn since April 1, 1992 and in these cases the rates of interest would be decided by the banks themselves.

Note: Every loan including all existing loans by the banks will be classified into one of the above twelve lending categories.

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

A. Interest Rate Structure of the Banking Sector

(4) Rates of Subsidy on Advances

(In percentage)

Category of Loans	Rates of Subsidy			
	July 1, 1991 to November 30, 1991	December 1, 1991 to March 31, 1992	April 1, 1992 to June 2, 1992	June 3, 1992 to June 30, 1992 and onwards
1. Agriculture	Nil	Nil	Nil	Nil
2. Large and Medium Scale Industry (Term Loan)	Nil	Nil	Nil	Nil
3. Working Capital (Jute)	1.0 (Upto 30-9-91) Nil (From 01-10-91)	Nil	Nil	Nil
4. Working Capital (other than Jute)	Nil	Nil	Nil	Nil
5. Jute Trading	Nil	Nil	Nil	Nil
6. Jute and Jute Goods Exports	1.0	1.0	1.0	0.75
7. Other Exports	1.0	1.0	1.0	0.75
8. Other Commercial Lending	Nil	Nil	Nil	Nil
9. Urban Housing	Nil	Nil	Nil	Nil
10. Small Industries (Term Loan-Special Programme)	5.5 (Upto 30-9-91) 3.5 (From 01-10-91)	3.5	3.5	3.5
11. Other Special Programme	Nil	Nil	Nil	Nil
12. Others	Nil	Nil	Nil	Nil

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

B. Rates of Interest on Non-Resident Foreign Currency Deposit (NFCD) Account*

(Percent per annum)

Maturity of Deposits	June 30, 1991		June 30, 1992	
	(U.S. Dollar)	(Pound Sterling)	(U.S. Dollar)	(Pound Sterling)
1 month	6.97	12.50	4.84	10.75
3 months	7.09	12.12	4.94	10.75
6 months	7.25	12.00	5.08	10.81
1 year	7.78	11.81	5.53	10.81

*These rates are generally refixed every month.

TABLE-X

BALANCE OF PAYMENTS

Items/Sectors	1990-91		1991-92	
	In crore Tk.	In million US $	In crore Tk.	In million US $
Export (f o b)	5,955.9	1,669	7,262.7	1,904
Import (C&F)	-12,378.2	-3,470	-13,211.4	-3,463
Of which: Foodgrains	(1,059.6)	(297)	(1,010.9)	(265)
Trade Balance	**-6,422.3**	**-1,801**	**-5,948.7**	**-1,559**
Services (Net):	-93.2	-26	-81.8	-21
A. Inflows	1,639.6	460	2,153.7	565
B. Outflows	-1,732.8	-486	-2,235.5	-586
Of which : Interest Payment	(578.9)	(162)	(657.4)	(172)
Private Unrequited Transfer	3,016.9	846	3,725.2	975
Of which : Workers Remittance	(2,725.6)	(764)	(3,241.5)	(848)
Current Account Balance	**-3,498.6**	**-981**	**-2,305.3**	**-605**
Capital Account (Net)	**4,737.5**	**1,328**	**4,649.1**	**1,219**

Source : Statistics Department, Bangladesh Bank.

BALANCE OF PAYMENTS

Items/Sectors	1990–91		1991–92	
	In crore Tk.	In million US $	In crore Tk.	In million US $
Aid Disbursement[1]	6,181.0	1,732	6,147.0	1,611
Food	(958.1)	(268)	(920.1)	(241)
Commodity	(1,455.9)	(408)	(1,472.5)	(386)
Project	(3,767.0)	(1,056)	(3,754.4)	(984)
Amortization Payments	–705.8	–197	–799.5	–210
Food Credits (Net) :	–74.0	–21	–74.1	–19
A. Borrowings	Nil	Nil	Nil	Nil
B. Repayment	(–74.0)	(–21)	(–74.1)	(–19)
Trust Fund	–5.2	–2	NIL	NIL
Aircraft Loan (Net) :	30.8	9	–36.5	–10
Short-term Loan for BPC	–23.1	–6	–40.1	–11
Other Capital[2]	–313.9	–88	–244.6	–63

Source: Statistics Department, Bangladesh Bank.

Notes:

[1]Includes official grants.

[2]Includes NFCD, ACU and Head Office & branches transactions adjustment.

BALANCE OF PAYMENTS

Items/Sectors	1990–91		1991–92	
	In crore Tk.	In million US $	In crore Tk.	In million US $
Errors and Omissions	–352.3	–99	–303.1	–79
Overall Balance	**1,238.9**	**347**	**2,343.8**	**614**
Monetary Movements (–Increase)	–1,238.9	–347	–2,343.8	–614
Bangladesh Bank	–1,048.9	–294	–2,254.5	–591
Foreign Exchange[3]	–1,069.3	–300	–2,580.3	–676
Liabilities	20.4	6	325.8	85
Of which: Fund Credit	(20.4)	(6)	(325.8)	(85)
Purchase	(698.2)	(196)	(752.1)	(197)
Repurchase	(–677.8)	(–190)	(–426.3)	(–112)
Official Deposits Changes	Nil	Nil	Nil	Nil
Commercial Banks	**–190.0**	**–53**	**–89.3**	**–23**
a) Assets	–46.0	–13	–20.0	–5
b) Liabilities[4]	–144.0	–40	–69.3	–18

Source: Statistics Department, Bangladesh Bank.

Notes:

[3] Includes valuation adjustment.

[4] Include bilateral balance.

MERCHANDISE EXPORTS (RECEIPTS)

Commodities/Sectors	1990–91		1991–92	
	In crore Tk.	In million US $	In crore Tk.	In million US $
Total Exports (f o b)	**5,955.9**	**1,669**	**7,262.7**	**1,904**
1. Raw Jute	428.8	120	402.9	106
2. Jute goods	1,008.0	283	1,101.7	289
3. Tea	143.5	40	186.6	49
4. Leather	492.0	138	532.8	140
5. Fish, Shrimps and Frog–Legs	611.1	171	642.4	168
6. Readymade Graments	2,812.2	788	3,967.1	1,040
7. Naptha, Furnace Oil and Bitumen	46.5	13	31.0	8
8. Newsprint	9.1	2	9.4	2
9. Fertilizers	155.7	44	49.1	13
10. Others	249.0	70	339.7	89

Source: Statistics Department, Bangladesh Bank.

MERCHANDISE IMPORTS (PAYMENTS)

Commodities/Sectors	1990–91		1991–92	
	In crore Tk.	In million US $	In crore Tk.	In million US $
Total Imports (C&F)	**12,378.2**	**3,470**	**13,211.4**	**3,463**
1. Foodgrains	1,059.6	297	1,009.8	265
Rice	Nil	Nil	(19.1)	(5)
Wheat	(1,059.6)	(297)	(990.7)	(260)
2. Dairy Products	255.3	72	239.9	63
3. Edible Oil and Oil Seeds	602.9	169	655.4	172
4. Sugar	Nil	Nil	4.1	1
5. Petroleum Crude and Petroleum Products	1,241.5	348	1,110.9	291
6. Cotton	242.6	68	271.2	71
7. Textile Yarn/Thread	264.4	74	423.2	111
8. Textile Fabrics and Articles Thereof	1,398.5	392	1,954.5	512
9. Fertilizers	132.0	37	222.9	58
10. Chemicals and Chemical Products	549.4	154	564.5	148
11. Cement	267.6	75	294.7	77
12. Base Metals and Articles Thereof	554.2	155	599.7	157
13. Capital Goods and Others Accessories	4,392.6	1,231	4,916.7	1,289
14. Others	1,417.6	398	943.9	248

Source: Statistics Department, Bangladesh Bank.

TABLE–XIII

FOREIGN AID, EXTERNAL DEBT AND DEBT SERVICE

(In million US $)

Particulars	1990–1991	1991–1992
1. Foreign Aid		
a. Gross Disbursement during the year	1,732	1,611
b. Gross Commitment during the year	1,371	1,774
c. Total Commitment since 1972	27,463	29,237
d. Total Disbursement since 1972	22,461	24,072
2. Debt Service	317	337
3. Outstanding External Debt as on June, 30	11,052	11,636
4. Debt Service /Export Ratio (in Percent)	18.99	17.70

Source: Economic Relations Division, Ministry of Finance.

TABLE–XIV

FOREIGN EXCHANGE RESERVES

Year (End of June)	Total Reserves (Including IMF Reserve Position)	
	In million Taka	In million US Dollar
1977–78	4,048	269
1978–79	5,940	393
1979–80	4,053	275
1980–81	4,523	250
1981–82	2,698	122
1982–83	8,765	358
1983–84	13,595	539
1984–85	11,068	395
1985–86	14,408	476
1986–87	22,151	715
1987–88	26,963	856
1988–89	29,454	913
1989–90	18,161	520
1990–91	31,501	880
1991–92	62,713	1,608

Source: Statistics Department, Bangladesh Bank.

EXCHANGE RATES
Average Official Taka-Dollar Rates

Year/Month	Taka per US Dollar
	(Annual Average)
1977–78	15.1168
1978–79	15.2231
1979–80	15.4900
1980–81	16.2586
1981–82	20.0652
1982–83	23.7953
1983–84	24.9437
1984–85	25.9634
1985–86	29.8861
1986–87	30.6294
1987–88	31.2422
1988–89	32.1399
1989–90	32.9214
1990–91	35.6752
1991–92	38.1453

Source: Statistics Department, Bangladesh Bank.

EXCHANGE RATES
Average Official Taka–Dollar Rates

Year/Month	Taka per US Dollar
	(Monthly Average)
July, 1991	36.37
August, 1991	36.68
September, 1991	37.37
October, 1991	37.69
November, 1991	38.00
December, 1991	38.42
January, 1992	38.80
February, 1992	38.80
March, 1992	38.81
April, 1992	39.00
May, 1992	39.00
June, 1992	39.00

Source: Statistics Department, Bangladesh Bank.

WAGE EARNERS' REMITTANCES

Year/Period	Remittances	
	In million US Dollar	In crore Taka
1977–78	101.98	154.16
1978–79	124.04	188.83
1979–80	248.84	385.45
1980–81	378.74	619.74
1981–82	412.38	839.65
1982–83	617.28	1,480.15
1983–84	596.40	1,491.00
1984–85	439.10	1,146.54
1985–86	555.10	1,661.11
1986–87	696.40	2,136.25
1987–88	737.00	2,303.90
1988–89	771.00	2,477.43
1989–90	760.53	2,496.10
1990–91	764.00	2,725.60
1991–92	848.00	3,241.50

Source: Statistics Department, Bangladesh Bank.

OFFICES OF THE BANGLADESH BANK
(As on June 30, 1992)

Head Office

Dhaka

Offices at

MOTIJHEEL (DHAKA)

SADARGHAT (DHAKA)

CHITTAGONG

KHULNA

BOGRA

RAJSHAHI

SYLHET

BARISAL

RANGPUR

LIST OF THE SCHEDULED BANKS

(As on June 30, 1992)

1. NATIONALISED BANKS (7)

(A) Commercial Banks (4)

1) Sonali Bank
2) Janata Bank
3) Agrani Bank
4) Rupali Bank Limited*

(B) Specialised Banks (3)

1) Bangladesh Krishi Bank
2) Bangladesh Shilpa Bank
3) Rajshahi Krishi Unnayan Bank

2. PRIVATE COMMERCIAL BANKS (10)

1) Pubali Bank Limited
2) Uttara Bank Limited
3) Arab Bangladesh Bank Limited
4) International Finance Investment & Commerce Bank Limited
5) Islami Bank Bangladesh Limited
6) National Bank Limited
7) The City Bank Limited
8) United Commercial Bank Limited
9) Al-Baraka Bank Bangladesh Limited
10) Bank of Small Industries and Commerce (BASIC) Bangladesh Limited

3. FOREIGN COMMERCIAL BANKS (7)

1) American Express Bank Limited
2) Bank of Credit and Commerce International (Overseas) Limited**
3) Bank Indosuez
4) Grindlays Bank plc
5) The Standard Chartered Bank
6) Habib Bank Limited
7) State Bank of India.

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*In December, 1986, it was decided to transform Rupali Bank into a Public Limited Company, keeping 51 percent ownership in the Government sector.

**Activities of the Bank of Credit and Commerce International (Overseas) Limited were suspended in Bangladesh with effect from July 6, 1991.