ANNUAL REPORT
1996-97

BANGLADESH BANK

ANNUAL REPORT

1996-97

BANGLADESH BANK

BOARD OF DIRECTORS*

1. Mr. Lutfar Rahman Sarkar	Chairman
2. Dr. Mohammad Sohrab Uddin	Director
3. Dr. A. K. M. Masihur Rahman	Director
4. Dr. Wahid Uddin Mahmud	Director
5. Dr. A.T. M. Shamsul Huda	Director
6. Dr. Saadat Husain	Director
7. Alhaj Kh. Rashiduzzaman(Dudu)	Director
8. Mr. M. Mohiuddin	Director
Mr. Kazi Anwarul Mahbub**	Secretary

* Mr. Lutfar Rahman Sarkar was appointed Governor effective from November 21, 1996 in place of Mr. Khorshed Alam. Dr. Mohammad Sohrab Uddin, Alhaj Kh. Rashiduzzaman (Dudu) and Mr. M. Mohiuddin were appointed as the Directors of the Board with effect from June 11, 1997, August 11, 1996 and August 31, 1996 respectively.

** Mr. Kazi Anwarul Mahbub took over as Secretary from January 22, 1997.

GOVERNOR

Mr. Lutfar Rahman Sarkar

DEPUTY GOVERNORS

Mr. M. I. Khan

Dr. Mohammad Sohrab Uddin

Mr. Ataul Haq

EXECUTIVE DIRECTORS

Mr. Abdur Raquib

Mr. Hari Narayan Majumder

Mr. Mohammad Ruhul Amin

Mr. Sultan Ahmed Molla

Mr. Mohammad Abdul Mazid Khan

Mr. A. H. Tawfique Ahmed*

Mr. Kazi Anwarul Mahbub

Mr. Md. Harunor Rashid Bhuiyan

Mr. Didarul Islam

Mr. Md. Buzruch Mehor

ECONOMIC ADVISER

Mr. Faruquddin Ahmed

EXECUTIVE DIRECTOR (COMPUTER)

Mr. Md. Nur-ul Islam

EXECUTIVE DIRECTOR (SPECIALISED)

Mr. Md. Nurul Alam

---

* Mr. A. H. Tawfique Ahmed is on deputation with the Security Printing Corporation (Bangladesh) Limited, Gazipur.

DEPARTMENTS* AND GENERAL MANAGERS/EXECUTIVE DIRECTORS

Financial Institutions (Non-Banking) Department	Mr. Mohammad Mustafa
International Department	Mr. Farid Ahmed Chowdhuri
Computer Department	Mr. Md. Nazmul Haque (Systems Manager)
	Mr. Md. Khalilur Rahman Talukder (Systems Manager)
Agricultural Credit Department	Mr. Jalalur Rahman Hawlader
	(General Manager in charge)
Agricultural Credit Project Department	Mr. A. T. M. Nasiruddin
Agricultural Credit Inspection Department	Mr. Md. Abdul Mannan
Credit Information Bureau	Mr. Md. Nur Karim
Research Department	Mr. Saifullah
	Mr. Md. Warisuzzaman
	Mr. Syed Ahmed Khan
Department of Public Relations and Publications	
Security Management Department	Major (Retd.) Md. Abul Hossain
Audit and Inspection Department	Mr. Mohammad Ali
Inspection Implementation Department	Mr. Sayed Abdul Malik
Statistics Department	Mr. Nazirul Islam Khan
	Mr. Manmatha Nath Kirtania
Engineering Department	Mr. Khalilur Rahman (General Manager in charge)
Personnel Department	Mr. Md. Shamsuddin
Bangladesh Bank Training Academy	Mr. Md. Didarul Islam (Executive Director)
Administration and Expenditure Department	Mr. S. I. M. Maxbul Hossain Khondoker
Department of Banking Operation and Development	Mr. Ziaul Hasan Siddiqui
Banking Regulation and Policy Department	Mr. Ansar Uddin Ahmed
Department of Banking Inspection	Mr. Md. Murshid Kuli Khan
Foreign Exchange Policy Department	Mr. Md. Altaf Malik Kazemi
Foreign Exchange Investment Department	Mr. Nazir Ahmed Khan
Foreign Exchange Inspection Department	Mr. Makbul Ahmed 2
Monetary Management and Technical Unit	Mr. Habibullah Bahar
Currency Management and Accounts Department	Mr. Khondoker Mazharul Haque
Industrial Credit Department	Mr. Mohiuddin Zahur Amin
Secretary's Department	Mr. Kazi Anwarul Mahbub (Executive Director)

* As per the alphabetical arrangement of the Bangla version of the Annual Report.

BRANCH OFFICES*
AND
GENERAL MANAGERS/EXECUTIVE DIRECTORS

Khulna Office	Mr. Md. Yasin Ali
Chittagong Office	Mr. Md. Harunor Rashid Bhuiyan (Executive Director)
	Mr. Md. Khurshid-Ul-Alam
Bogra Office	Mr. Md. Rabiul Islam
Barisal Office	Mr. Kalipada Dhar
Motijheel Office, Dhaka	Mr. Md. Buzruch Meher (Executive Director)
	Mr. Nazmul Hasan
Rajshahi Office	Mr. Md. Asaduzzaman Khan
Rangpur Office	Mr. Md. Waliul Haque
Sadarghat Office, Dhaka	Mr. Sheikh Mawla Box
Sylhet Office	Mr. Md. Abul Kashem

* As per the alphabetical arrangement of the Bangla version of the Annual Report.

BRANCH OFFICES* AND GENERAL MANAGERS/EXECUTIVE DIRECTORS

Khulna Office	Mr. Md. Yasin Ali
Chittagong Office	Mr. Md. Haruner Rashid Bhuiyan (Executive Director)
	Mr. Md. Khorshid-Ul-Alam
Bogra Office	Mr. Md. Rabiul Islam
Barisal Office	Mr. Kalipada Dhar
Motijheel Office, Dhaka	Mr. Md. Buzrach Meher (Executive Director)
	Mr. Nazmul Hasan
Rajshahi Office	Mr. Md. Asaduzzaman Khan
Rangpur Office	Mr. Md. Waliul Haque
Sadarghat Office, Dhaka	Mr. Sheikh Mawla Box
Sylhet Office	Mr. Md. Abul Kashem

* As per the alphabetical arrangement of the Bangla version of the Annual Report.

LETTER OF TRANSMITTAL
BANGLADESH BANK

Dhaka
Paush 17, 1404
December 31, 1997

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, 1997.

Yours faithfully,

লুৎফর রহমান সরকার

(Lutfar Rahman Sarkar)
Governor

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CHAPTER I

TRENDS IN THE ECONOMY OF BANGLADESH

1.1 Overall economic activity in the country witnessed an improvement during 1996-97 following relentless efforts at implementation of various on-going reform programmes side by side with the Government's adoption of measures for poverty alleviation and achievement of rapid economic growth. Despite a crisis in the power sector and lower production in the gas sector, the rate of growth of gross domestic product (GDP) accelerated, owing mainly to a substantial contribution from the agricultural sector. Timely and proper distribution of fertilizer and other agricultural inputs among the farmers, the provision of a subsidy to ensure the low-cost supply of fertilizers alongwith a series of supportive measures and, above all, the prevalence of favourable climatic conditions contributed to a 6.0^{P} percent growth of the agricultural sector during 1996-97 as against 3.7^{R} percent in the preceding year. As a result, GDP recorded a growth of 5.7^{P} percent during 1996-97 as against 5.4^{R} percent in 1995-96.

1.2 Overall production in the industrial sector was impeded mainly by the crisis in the power sector and shortfall in production in the gas sector. As a result, growth in the industrial sector declined to 3.3^{P} percent during 1996-97 from 5.3 percent in the preceding year. Gross domestic investment increased from 17.0 percent of the GDP in the previous year to 17.4^{P} percent during 1996-97. Gross domestic savings also increased slightly from 7.5 percent of the GDP in the preceding year to 7.7^{P} percent during 1996-97.

1.3 In order to increase revenue earnings of the Government and develop a self-reliant economy through gradual increase in the quantum of domestic resources in the development programme, efforts for broadening the tax base, reforming the tax administration and structural adjustment continued during the year under report. Transparency of tax administration was enhanced and measures for consolidation of supervision and monitoring of tax collection were further strengthened. As a result, revenue earnings of the Government increased by 10.5 percent during 1996-97 as compared to the preceding year. On the other hand, the revenue expenditure increased by 6.1 percent as compared to the previous year. Thus revenue surplus increased by 24.7 percent during the year under report reflecting a higher rate of revenue earnings as compared to revenue expenditure. The budget deficit as a proportion of GDP came down to 5.6^{P} percent in 1996-97 from 6.3 percent in the previous year. The share of domestic financing of the development budget increased from 42.3^{R} percent in 1995-96 to 48.9 percent in 1996-97. The Tax-GDP ratio increased from 9.4 percent in 1995-96 to 10.0^{P} percent in 1996-97.

1.4 Some pragmatic policy measures were initiated during the year taking in view the existing problems in the financial sector and trends in the

R Revised.

P Provisional.

economic indicators. With the objective of ensuring increased efficiency in financial management and to make the banking sector more viable and dynamic, the second phase of the reform programme was started from May, 1997 under the title "Commercial Banking Restructuring Project". The objective is to develop a strategy to strengthen the financial sector in the light of the experiences gathered and weaknesses identified during the Financial Sector Reform Programme implemented from January, 1991 to December, 1996. With a view to maintaining price stability and reducing the ever increasing pressure on the foreign exchange reserves, cautious policy measures were pursued to keep the expansion of domestic credit within a reasonable limit. The bank rate was readjusted upward twice during 1996-97, with the main objectives of controlling inflation and encouraging banks to mobilise deposits so that the banks can reduce their dependence on the Bangladesh Bank and can provide loans from their own resources. The bank rate was raised from 6.5 percent to 7.0 percent on October 31, 1996 and to 7.5 percent on May 19, 1997 which remained unchanged till end June, 1997. At the same time, caution was exercised with regard to extending loans from the rediscount window of the Bangladesh Bank to the banks.

1.5 Alongwith cautious credit policy, measures were undertaken for recovery of default loans and restriction was imposed in case of fresh loans to the defaulters. Strict measures were adopted to stop insider lending in the banks. In order to strengthen the recovery of the default loans, a "Task Force" was established in each bank and some provisions of Financial Loan Court Act, 1990 and Bank Companies Act, 1991 were amended.

1.6 Despite expansion in domestic credit beyond target during 1996-97, Broad Money (M_2) expanded at a lower than projected rate owing to contraction in the foreign sector. Broad Money (M_2) increased by Tk. 4,937.00 crores or 10.8 percent to Tk. 50,627.50 crores during the year under report as compared to the increase of Tk. 3,478.20 crores or 8.2 percent in the previous year. Narrow Money (M_1) increased by Tk. 707.60 crores or 4.9 percent during 1996-97 as compared to the rise of Tk. 1,280.00 crores or 9.7 percent in the preceding year. Reserve Money expanded by 12.7 percent during the year under report as against the increase of 3.5 percent in 1995-96.

1.7 The overall price situation of the country remained satisfactory during 1996-97 due to increased food production, sufficient food stock and adoption of cautious and pragmatic monetary and credit policy. The average rate of inflation in the country came down to 3.9 percent during the year under report from 4.1 percent in the previous year(1973-74 index).

1.8 Disbursement of term loan in the industrial sector declined slightly during 1996-97 as compared to the previous year. Sanction and disbursement of industrial term loans stood at Tk. 1,152.23 crores and Tk. 1,200.00 crores respectively during 1996-97 as against Tk. 1,509.26[R] crores and Tk. 1,230.44[R] crores respectively during the previous year. During the year under report disbursement of industrial term loan was Tk. 30.44 crores or 2.5 percent lower than in the previous year.

1.9 Disbursement of agricultural loans during 1996-97 stood at Tk. 1,517.30 crores which was Tk. 35.67 crores or 2.4 percent higher than Tk. 1,481.63 crores disbursed during 1995-96. The amount of disbursement of agricultural loans was Tk. 76.97 crores or 4.8 percent lower than the recovery of Tk. 1,594.27 crores during the year under report.

1.10 Efforts to strengthen discipline in the banking sector and improve the financial base of the banks continued during 1996-97. The third phase of loan classification which was undertaken in 1994 was completed in December, 1996 to bring loan classification and provisioning to international standards. Banks completed determination of their capital adequacy as per their June, 1996 and December, 1996 accounts in accordance with the new system of capital adequacy introduced in 1995-96 at 8.0 percent of risk weighted assets in place of the earlier liability-based system. A new bankruptcy law formulated by reforming the existing laws was approved by the parliament during the year under report. With a view to safeguarding the interest of the depositors, the BCI Restructuring Act, 1997 was passed to establish "Bangladesh Commerce Bank Limited" by restructuring the closed BCI Limited. It is expected that the bank will start its operation soon.

1.11 Resort to the use of the Bangladesh Bank's own credit instruments "91-day Bangladesh Bank Bill" and "30-day Bangladesh Bank Bill" which were introduced for facilitating indirect monetary management continued during 1996-97. According to the need for liquidity and credit control, these two bills were issued through fortnightly auctions up to March, 1997 at market determined yields. Side by side, 30-day, 90-day, 180-day and 1-year Government Treasury bills were also issued through auctions by the Bangladesh Bank. Since March, 1997 the issue of Bangladesh Bank bills has been discontinued.

1.12 The Early Warning System (EWS) for problem banks through CAMEL* rating introduced as a measure of strengthening and modernising central bank's supervision and inspection capacity continued during the year under report. The Large Loan Monitoring Cell of the Bangladesh Bank continued to advise the commercial banks regarding necessary precaution in extending large loans. The Credit Information Bureau (CIB) established in the Bangladesh Bank has been maintaining important information including those on defaulted loans and supplying these according to the requirement of banks and other financial institutions. Besides these, steps have been taken to maintain quarterly data on Credit Risk Rating (CRR) and Financial Score of borrowers in the data base of the Bank during the year under report.

* CAMEL = Capital, Assets, Management, Earnings and Liquidity.

R Revised.

1.13 The Financial Institution Act, 1993 vests the full responsibility of directing and supervising the activities of non-bank financial institutions in the Bangladesh Bank. Under this Act, a provision for maintaining statutory cash reserve with the Bangladesh Bank by non-bank financial institutions at the rate of 2.5 percent of their total liabilities has been introduced effective from May, 1997. A provision has also been made for penalties including penal interest in the event of failure by any financial institution in maintaining the required reserve. In the light of the rules and regulations of the Financial Institution Act, 1993, norms have been formulated for compliance by the non-bank financial institutions and reporting of data/ information on selected items to the Bangladesh Bank on half yearly basis has been made compulsory.

1.14 Two new foreign banks were allowed to commence their operations during 1996-97. Scheduled banks opened 42 new branches and closed down 5 branches in Bangladesh during the year under report. As a result, total bank branches increased by 37 from 5,874 in the previous year to 5,911 as on June 30, 1997. By 30th June, 1997 licences were issued to 14 non-bank financial institutions which have already started their business activities.

1.15 Under the Credit Guarantee Scheme, a total of 216 sub-projects were sanctioned up to June 30, 1997 to help setting up of small industries against which credit guarantee coverage stood at Tk. 33.83 crores. Under the Self-employment Small Initiative Credit Programme of the voluntarily retired staff/officers, three banks sanctioned a total loan of Tk. 5.70 crores to 94 projects and disbursed Tk. 4.84 crores to 89 projects up to June 30, 1997.

1.16 In order to further consolidate, strengthen and make the banking sector more dynamic, the Commercial Banking Restructuring Project was put in place in May, 1997 initially for one year. The main objectives of the project are to : (1) improve legal framework for debt recovery; (2) strengthen management to make the nationalised banks more efficient; (3) modernise the technology employed in the banking sector; (4) restore the capital adequacy of banks; (5) improve the income position of banks and (6) improve inspection and regulatory capabilities of the Bangladesh Bank. In December, 1996 a Banking Reform Committee was established to advise the Government on specific reform topics.

1.17 The external sector of the country showed some improvement during 1996-97*. Export earnings of the country increased by 13.8** percent to $ 4,418.0 million during 1996-97 compared to an increase of 11.6 percent to $ 3,882.0 million in the preceding year. The increase in export earnings from readymade garments and raw jute contributed to higher export earnings during 1996-97. Import payments increased by 3.5@ percent to $ 7,120.0 million during 1996-97 compared to the increase of 17.9 percent in 1995-96. Increase in export earnings at a higher rate compared to import payments resulted in a decline in trade deficit by $ 297.0 million to $ 2,702.0 million during the year under

* Data relating to 1996-97 (except export) are provisional.
** Export increased by 16.5 percent in terms of Taka.
@ Import increased by 6.2 percent in terms of Taka.

report as compared to the previous year. The current account deficit narrowed by $ 735.0 million to $ 902.0 million during the year under report owing to decline in trade deficit and increase in wage earners' remittances. As a result, current account deficit as percent of gross domestic product declined to 2.8 percent during 1996-97 from 5.1 percent in the preceding year. The overall balance of payments showed a lower deficit of $ 245.0 million in 1996-97 as against a deficit of $ 852.0 million in 1995-96 due mainly to decrease in current account deficit. Commodity aid rose by $ 34.0 million and project aid increased by $ 35.0 million; while food aid decreased by $ 37.0 million during the year under report. Medium and Long Term (MLT) amortization payments increased by $ 25.0 million to $ 494.0 million during 1996-97.

1.18 With a view to maintaining external competitiveness of the Taka in the international market and expanding export, a flexible exchange rate policy was continued during the year under report. Keeping in view the movement of the Real Effective Exchange Rate (REER) and the trend in important macroeconomic variables including export earnings, the exchange rate of Taka@@ vis-a-vis the US Dollar was readjusted seven times from $ 1=Tk. 41.75 on June 30, 1996 to $ 1= Tk. 43.65 on April 7, 1997 during the year under report. As a result, Bangladesh Taka depreciated by 4.4 percent against the US Dollar during 1996-97.

1.19 Outstanding external debt of Bangladesh which was 48.6[P] percent of the country's GDP increased by $ 410.0 million to $ 15,960.0[P] million as on June 30, 1997. A total of $ 494.0[P] million was paid as principal and interest against external debt during 1996-97 which was 11.2[P] percent of the country's export earnings compared with $ 469.0 million or 12.1 percent of export earnings in 1995-96.

Short-Term Prospects

1.20 It appears that reform measures adopted in the country during 1996-97 for strengthening overall economic activities have already started to bring about desired result in various sectors of the economy. It is expected that the growth rate of GDP would increase significantly within the next five years if steps taken to alleviate poverty and achieve overall economic development can be implemented successfully. However, further improvement in economic activities and gradual increase in economic growth depend largely on socio-economic stability and improvement of law and order situation in the country.

1.21 In order to expand investment and thereby increase industrial production at a reasonable rate, the Government needs to strengthen its process of adopting various new programmes. With a view to creating congenial environment for investment, overall stability in the economic field should be maintained. Private sector initiative will be the driving force in the development of industrial sector. In order to encourage the investors in the industrial sector, arrangement may be made, as early as possible, for removal of various impediments like discrepancies in laws, rules,

@@ On the basis of middle rate of buying and selling.
P Provisional.

regulations and legal procedures. Moreover, ensuring required supply of power and gas is absolutely essential. With a view to encouraging foreign investment, quick initiative has to be taken for implementation of the law already passed for establishment of the Private Export Processing Zone. It is expected that industrial production would further increase in future, if closed and sick potential industries of the country could be revived and brought into operation through all-out efforts. However, cautious steps are required to be taken in this regard. Besides, denationalisation process of the big and medium size industries should be further strengthened. It is expected that the rate of growth of industrial production will increase significantly in 1997-98 if all kinds of support and encouragements to the private initiative, private investment and private sector industries are further strengthened following the principles of the free market economy.

1.22 With a view to making rapid industrialisation efforts of Bangladesh a success, it is imperative that markets for domestic products in the outside world be found without becoming dependent on the limited domestic market. To this end, it is necessary for the domestic industrial enterprises to produce goods of international standard as per the demand of the outside world. Steps should be taken for rapid expansion of our export industry on a priority basis following the export-led growth-strategy. Export-oriented industries should be encouraged in future through liberalisation of imports. Side by side, attention should be given for preservation of domestic industries by providing necessary facilities to them. Efforts should be continued for innovation of various new products and expansion of markets for rapid growth of exports. Effective steps should be taken to encourage the domestic industrialists to set up new export-oriented industries by providing incentives in addition to the existing ones enjoyed by them.

1.23 It is expected that further success will be achieved in macroeconomic activities in 1997-98 owing to liberalisation of foreign trade and making the economic management pragmatic and dynamic. It is necessary to formulate the import policy keeping in view the flexible exchange rate policy, cautious and realistic monetary policy, desired coordination between fiscal and monetary policy, export earnings and foreign exchange reserves. However, all-out efforts are considered essential for augmenting exports. Besides, socio-economic stability is a necessary precondition for increasing foreign aid/investment.

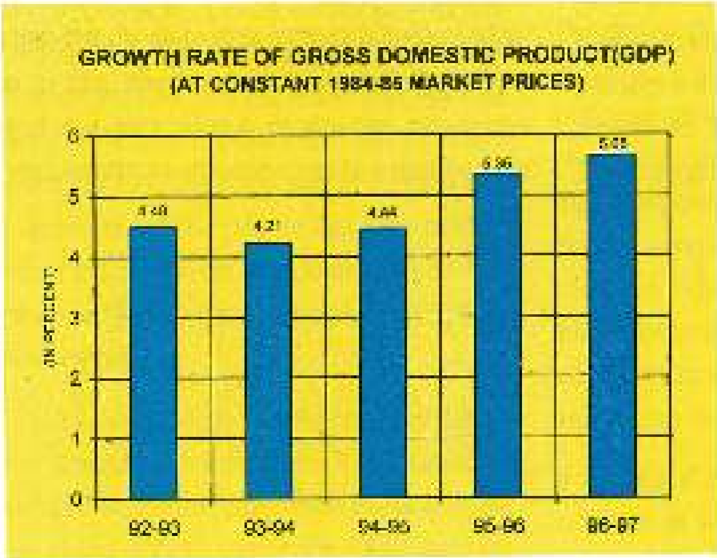
1.24 As a driving force of the economy, the number as well as activities of the banks and financial institutions has expanded substantially as per the demand and requirement for the development of the country. Extension of long term and working capital loans by these institutions is in force. Overly rapid expansion of domestic credit exerts an adverse impact on foreign exchange reserve and inflation. Under the above circumstances, the overall credit supply should be adjusted by reducing credit flow to unproductive sectors and continuing the supply of credit to the productive sectors. Alongwith this, efforts for bringing about more efficiency in financial management should be strengthened through financial sector reform. In order to bring the classification of loans and provisioning to the international standard, a five-year programme will be completed within the next two years. Defaulted loan is one of the main problems of the banking sector of Bangladesh. In this context, some steps have already been taken regarding formulation and amendment of laws. Besides, the Banking Reform Committee and Law Reform Commission have put forward a number of recommendations to the Government to establish more discipline in the banking sector. It is expected that successful implementation of these recommendations will help the banking sector to contribute significantly to the country's economic development in future.

1.25 The reform programme aiming at improvement of Government fiscal policy and management should be strengthened to achieve economic self-sufficiency so that it can play a conducive role in augmenting gross domestic product by providing priority to productive and more employment generating projects. It is expected that the current uptrend of remittances by the wage earners, increased foreign investment in the potential sectors especially oil and gas and the stability in the price level will lead to rapid economic growth in future through further consolidation of the economy of the country.

MAJOR SECTORS

Gross Domestic Product (GDP)*

2.1 Despite a decline in the growth rate of almost all the sectors except agriculture, an improvement in growth rate of GDP was recorded during the year under report due to remarkable increase in the growth rate of the agriculture sector. GDP** growth rate of Bangladesh increased from 5.4^R percent in the previous year to 5.7^P percent in 1996-97. The rate of growth in agriculture sector during 1996-97 increased substantially to 6.0^P percent as against the increase of 3.7^R percent in the previous year. On the other hand, the rate of growth in the industrial sector during the year under report declined to 3.3^P percent from 5.3 percent during the preceding year. The growth rate in construction sector also came down to 3.6^P percent from 4.0 percent in the preceding year. The growth rate of electricity, gas, water and sanitary sectors declined to 5.0^P percent during the year under report as compared to 9.9 percent in the preceding year. The combined growth rate for the remaining sectors declined to 6.2^P percent as compared to the rate of 6.5 percent in the previous year. The detailed description of GDP has been given in the Table-2 of the Annexure.



Agricultural Sector

2.2 The growth rate in agriculture sector increased substantially to 6.0^P percent in 1996-97 as compared to an increase of 3.7^R percent in the preceding year owing to favourable weather condition and satisfactory supply of agricultural inputs. Production of Aus and Aman crops stood at 18.71 lakh tons and 95.52 lakh tons respectively during the year under report which were 11.6 percent and 8.7 percent higher as compared to the preceding year's production of 16.76 lakh tons and 87.90 lakh tons respectively. On the other hand, Boro production stood at 74.60 lakh tons which was 3.3 percent higher than the preceding year's production of 72.21 lakh tons. A total of 188.83 lakh tons of rice was produced during the year under report which was 6.8 percent higher than

* Source : Bangladesh Bureau of Statistics.
** At constant 1984-85 market prices.
R Revised.
P Provisional.

the preceding year's production of 176.87 lakh tons. Production of wheat stood at 14.54 lakh tons during 1996-97 which was 6.2 percent higher than 13.69 lakh tons produced in the preceding year. Owing to increased production of rice and wheat in 1996-97, total food production in the country went up by 12.81 lakh tons or 6.7 percent to 203.37 lakh tons as compared to 190.56 lakh tons produced in the preceding year. Food production had increased by 5.4 percent during 1995-96. Among other major crops, those which depicted increased production were : Jute (19.4%), Sugarcane (5.0%) and Potato (1.1%). On the other hand, crops which recorded declines in the production were : Sweet Potato (6.7%), Tobacco (3.2%) and all sorts of Pulses (0.1%).

Industrial Sector

2.3 The rate of growth in the industrial sector declined from 5.3 percent in the preceding year to 3.3[P] percent in 1996-97. Load shedding of electricity, labour unrest at the port areas and a lower than expected level of foreign investment were mainly responsible for the decline in the growth rate of industrial sector. Efforts to achieve greater efficiency and increased production in the state-owned industrial/commercial enterprises through their transfer to the private sector also continued during the year under report. Accordingly, the Government took initiative to further consolidate and gear up the process of privatisation. Privatisation Board listed 61 state owned enterprises for transfer to private sector in 1996-97. Among them, tender was invited for sale of 38 industrial enterprises and Letter of Intent was issued for sale of 9 state-owned enterprises. Moreover, steps were taken to sale the Government shares of public limited companies through ICB. In order to make the activities of the Privatisation Board more dynamic, the Government appointed a re-nowned businessman from the private sector as chairman of the Board with the rank and status of a state minister. The Privatisation Board was restructured by including six members of Parliament from Government and opposition parties, President of FBCCI and a re-nowned person representing the professional organisations. Moreover, to assist the Privatisation Board "Privatisation Cells" were set up in 9 ministries which have state-owned enterprises. Government accepted the following 2 reform proposals after reviewing the existing privatisation policy.

(a) The corporation will pay up the dues of the workers and staff of the enterprises before handing over those to the private sector. After fixing up dues, the Corporation would inform the Finance Division of the Ministry of Finance and Privatisation Board in advance. Finance Division would arrange necessary funds to meet the dues.

(b) Usually enterprises are to be sold alongwith lands and buildings. But in special cases, lands and buildings will be sold separately.

2.4 Keeping in view the importance of the private sector, efforts for expediting the process

P Provisional.

of economic development through rapid industrialisation also continued during the year. To ensure unfettered development in the private sector, all industrial sectors were opened for private investment except the following five sectors viz. (a) arms, ammunition and defence accessories and machineries, (b) nuclear energy production, (c) security printing (paper currency) and mint, (d) afforestation and mechanical extraction in the protected forest areas and (e) air transport (except domestic transport) and railway. Besides, for rapid increase of industrial production steps taken in the private sector during the year under report were as follows : (1) relaxation of Government permission in case of new industry except reserved and restricted ones, balancing, modernisation, replacement and expansion (BMRE) of existing industries, setting up of joint venture or 100% foreign investment oriented industries; (2) special arrangement was made for the quick implementation of foreign investment proposals; (3) Under fulfilment of terms and conditions private investors have been allowed to collect machineries through suppliers' credit, pay-as-you-earn scheme etc.; (4) Under fulfilment of the terms and conditions of the related ministry, permission was given to private initiators for investment in power sector and tele-communication etc.; (5) A long term project was undertaken with the financial assistance of the World Bank to assist the setting up of Private Sector Industrial Development Project (PSIDP) and its implementation thereof; (6) To provide better services to the investors necessary advice was given from the "Seba Kendra" established in the Board of Investment; (7) Steps were taken to remove the existing anomalies in different laws, regulations, policies and circulars relating to investment; (8) Law for the establishment of Private Export Processing Zone was already passed to create opportunity for setting up of Export Processing Zone in the private sector.

2.5 Industrial commodities* which showed increases in output during the year were : readymade garments (+18.8 percent to Tk. 9,465.70 crores), petroleum products (+18.0 percent to 13.69[P] lakh metric tons), cigarettes (+13.6 percent to 18.42[P] billion sticks), ceramic products (+12.6 percent to 32.38[P] lakh dozens), cement (+9.2 percent to 4.64[P] lakh metric tons), medicine (+8.4 percent to Tk. 1,074.75[P] crores), tea (+5.6 percent to 54.35[P] thousand metric tons), steel (+1.9 percent to 1.64[P] lakh metric tons) and leather shoes (+0.3 percent to 51.66[P] lakh pairs). On the other hand, industrial commodities the production of which declined were : newsprint (-31.6 percent to 27.68 thousand metric tons), sugar (-26.6 percent to 1.35 lakh metric tons), finished leather (-24.7 percent to 1.19 crores square metres), chemical fertilizers (-21.1 percent to 17.73 lakh metric tons), rubber shoes (-20.7 percent to 2.38[P] lakh dozen of pairs), edible oil (-8.0 percent to 28.14[P] thousand metric tons), jute products (-6.9 percent to 3.77 lakh metric tons), paper (-4.9 percent to 39.84 thousand metric tons), matches (-4.8 percent to 1.19[P] crores gross boxes), motor vehicle and motorcycle (-3.3 percent to 11.57[P] thousands),

* Source : Bangladesh Bureau of Statistics.
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cotton cloth (-2.7 percent to 100.04[P] lakh metres), cotton yarn (-0.7 percent to 49.58[P] thousand metric tons) and natural gas (-0.6 percent to 7,477[P] million cubic metres).

Investments in Private Sector Industries

2.6 A total of 1,385 industrial units involving an investment outlay of Tk. 9,261.10 crores were registered by the Board of Investment in the private industrial sector during 1996-97. Of these, there were 138 joint venture/100% foreign investment oriented industries having an investment outlay of Tk. 4,515.39 crores. In the preceding year, 1,338 industrial units valued at Tk. 11,094.08 crores were registered in this sector of which 127 industrial units valued at Tk. 6,260.78 crores were joint venture/100% foreign investment oriented.

Food Situation

2.7 In view of increased domestic production in 1996-97, Government took steps to increase the volume of internal procurement of foodgrains to protect farmers' interest. However, as price situation of foodgrains in the country remained satisfactory, releases from the Government's stock declined significantly during the year under report. Total availability of foodgrains in the country increased by 5.58 lakh tons to 190.79 lakh tons during the year under report. The daily average per capita availability of foodgrains increased by 4.89 grams or 1.2 percent to 420.52[P] grams during 1996-97 from 415.63 grams during the preceding year. Total and daily average per capita availability of foodgrains are shown in the Table-2.1.

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TABLE-2.1
TOTAL AND DAILY AVERAGE PER CAPITA AVAILABILITY OF FOODGRAINS IN BANGLADESH

(In Lakh Tons)

Sources of Availability of Foodgrains	1995-96	1996-97	Changes
1	2	3	4
1. Net Domestic Production (excluding 10% for seed, feed and wastage)	171.50	183.03	+11.53 (+6.72)
2. Total Off-take	17.95	13.92	-4.03 (-22.45)
3. Internal Procurement	4.22	6.16	+1.94 (+45.97)
4. Total Availability for Consumption (1+2-3)	185.23	190.79	+5.56 (+3.00)
5. Total Population (in million)	122.10	124.30 P	+2.20 (+1.80)
6. Daily Average Per Capita Availability (in gram)	415.63	420.52 P	+4.89 (+1.18)

Note: Figures in the parentheses indicate percentage changes over the year.
Sources: (i) Ministry of Food and (ii) Bangladesh Bureau of Statistics.
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2.8 Prices of foodgrains depicted a declining trend during 1996-97. The average minimum wholesale prices of coarse rice came down gradually from Tk. 1,103.00 per quintal at the end of June, 1996 to Tk. 931.00 per quintal at the end of November, 1996 due to satisfactory production of Aus and Aman crops. Thereafter, prices of rice increased slightly and stood at Tk. 940.00 per quintal at the end of December, 1996. From the beginning of 1997, prices of rice continued to rise due to seasonal factors and stood at Tk. 1,073.00 per quintal at the end of April, 1997. With the arrival of new Boro and Wheat crops in the market, prices of rice began to decline and stood at Tk. 989.00 per quintal at the end of June, 1997. As a result, prices of rice declined by Tk. 114.0 or 10.3 percent during the year as a whole.

2.9 The target for import of foodgrains was fixed at 13.00 lakh tons during 1996-97. Against this, 9.67 lakh tons of foodgrains (rice 0.34 lakh ton and wheat 9.33 lakh tons) were imported during the year under report. Import of foodgrains during

1995-96 was to the tune of 24.27 lakh tons (rice 11.38 lakh tons and wheat 12.89 lakh tons).

2.10 The target for internal procurement of foodgrains was placed at 5.50 lakh tons during 1996-97. Against this target, the volume of internal procurement of foodgrains stood at 6.16 lakh tons (rice 5.14 lakh tons and wheat 1.02 lakh tons) during the year under report. The volume of internal procurement of foodgrains increased during 1996-97 owing to allowing of fair prices of crops to the producers and maintenance of stability of price level in the market. Internal procurement of foodgrains was 4.22 lakh tons (rice 3.53 lakh tons and wheat 0.69 lakh ton) during the preceding year.

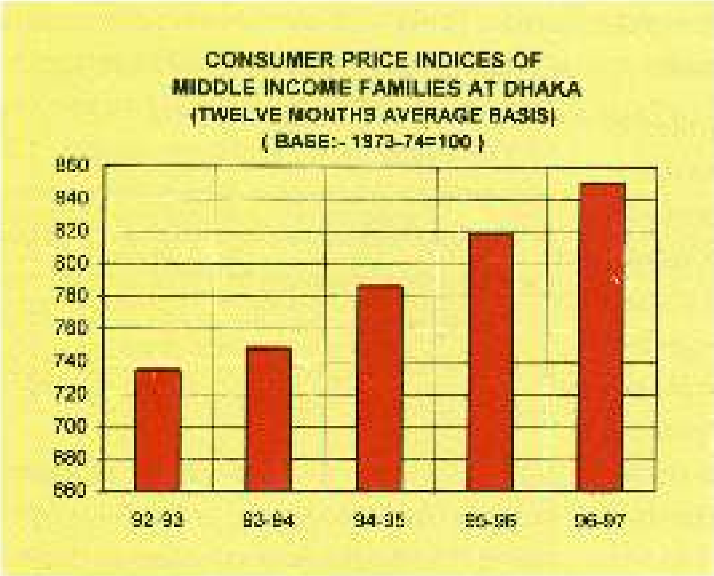
2.11 The procurement prices of Aman paddy and rice were reduced to Tk. 670.00 and Tk. 1,056.00 per quintal respectively on December 28, 1996 from Tk. 703.00 and Tk. 1,100.00 per quintal fixed on November 19, 1995. Procurement prices of Irri/Boro paddy and rice were also reduced to Tk. 700.00 and Tk. 1,100.00 per quintal respectively on June 9, 1997 from Tk. 735.00 and Tk. 1,150.00 per quintal fixed on April 24, 1996. Procurement price of wheat was raised and fixed at Tk. 870.00 per quintal on February 17, 1997 from Tk. 800.00 per quintal which was fixed on April 6, 1996.

2.12 The target for release of foodgrains from the Government stocks during 1996-97 was fixed at 14.00 lakh tons. Against this target, a total of 13.92 lakh tons (rice 7.39 lakh tons and wheat 6.53 lakh tons) was released from the Government stocks. Of this, 4.59 lakh tons were distributed for Food for Works Programme, 2.77 lakh tons for Food for Education Programme, 2.19 lakh tons for distribution through rationing system, 1.79 lakh tons for Vulnerable Group Development (VGD), 0.45 lakh ton for flour mills and 2.13 lakh tons for other programmes. This amount was 22.5 percent lower than the distribution of 17.95 lakh tons (rice 5.93 lakh tons and wheat 12.02 lakh tons) during 1995-96.

2.13 Despite increased volume of internal procurement of foodgrains by the Government during 1996-97, the stock of foodgrains declined due mainly to markedly reduced import of foodgrains by the public and the private sectors. The volume of foodstocks declined by 7.7 percent to 8.61 lakh tons (rice 3.95 lakh tons and wheat 4.66 lakh tons) at the end of June, 1997 as against the stock of 9.33 lakh tons (rice 6.11 lakh tons and wheat 3.22 lakh tons) at the end of June, 1996.

Price Situation

2.14 The overall price situation in the country during 1996-97 remained under control due mainly to substantial production of foodgrains, satisfactory stock of foodgrains and pursuit of appropriate monetary and credit policy. The rate of inflation as computed by the Bangladesh Bureau of Statistics and measured by the twelve-month average of Consumer Price Indices for middle income families in Dhaka City (1973-74=100) stood lower at 3.9 percent during the year as compared to 4.1 percent in the preceding



year. The increase in prices during the year under report was more pronounced in "food" sub-index as compared to "non-food" sub-index. The sub-index for food items increased by 4.9 percent during 1996-97 while that for "non-food" items rose by 2.5 percent. The increases in these sub-indices in the preceding year were 5.7 percent and 1.5 percent respectively. Of the different sub-indices of the Consumer Price Index for 1996-97, "food" sub-index increased by 4.9 percent to 812.00 and "non-food" sub-index increased by 2.5 percent to 913.00. The magnitudes of increase in other sub-indices of 'non-food' sub-index were: "fuel and lighting" 2.5 percent to 1,056.00, "housing and household goods" 1.9 percent to 1,097.00, "clothing and footwear" 7.7 percent to 473.00 and "miscellaneous" 1.8 percent to 899.00.

Savings and Investments*

2.15 Gross domestic savings at current market prices during 1996-97 increased by Tk. 1,023.20 crores or 10.5 percent to Tk. 10,804.60[P] crores. Gross domestic savings as percentage of GDP increased from 7.5 percent in the preceding year to 7.7[P] percent during the year under report. Gross investments at current market prices increased by Tk. 2,248.60 crores or 10.2 percent to Tk. 24,368.60[P] crores during 1996-97. As a result, ratio of gross investment to GDP increased from 17.0 percent in the preceding year to 17.4[P] percent during the year under report.

* Source : Bangladesh Bureau of Statistics.

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CHAPTER III

MONEY AND BANKING

3.1 Necessary steps were taken in the country's monetary and banking sector during 1996-97 with a view to maintaining the expansion of Broad Money (M_2) consistent with rate of inflation, adequate growth of gross domestic product (GDP), satisfactory level of foreign exchange reserve and improvment in credit discipline. The high rate of growth of domestic credit in the preceding two years exerted pressure on the country's foreign exchange reserves. It was feared that this situation could affect the country's price situation adversely. In the backdrop of above circumstances, expansion of total domestic credit was targetted at lower level and attempts were made to contain credit expansion within the targetted level through indirect methods of control. In addition, measures were taken to implement monetary policy through targetted management of 'Reserve Money' and enhancement of Bank Rate during the year under report. However, the rate of expansion of domestic credit exceeded its target as the credit to the Government sector exceeded its projected limit. This occurred mainly due to lower than expected inflow of foreign aid and lower mobilization of internal resources. It is noticeable that although domestic credit expanded beyond the target, the growth rate of Broad Money remained below the target due to contraction in the foreign sector. Besides, as the liquidity situation of the banks remained comfortable, the banks continued their operation with the help of the resources mobilised by themselves, thereby reducing their dependence on borrowings from the Bangladesh Bank during 1996-97.

3.2 Money Supply or Narrow Money (M_1) increased by Tk. 707.60 crores or 4.9 percent to Tk. 15,167.00 crores during 1996-97 as compared to the expansion of 9.7 percent in the preceding year. Broad Money (M_2) increased by Tk. 4,937.00 crores or 10.8 percent to Tk. 50,627.50 crores during the year under report as against the programmed expansion of 13.2 percent for the year under report. The rate of increase of Broad Money (M_2) was 8.2 percent in the preceding year.

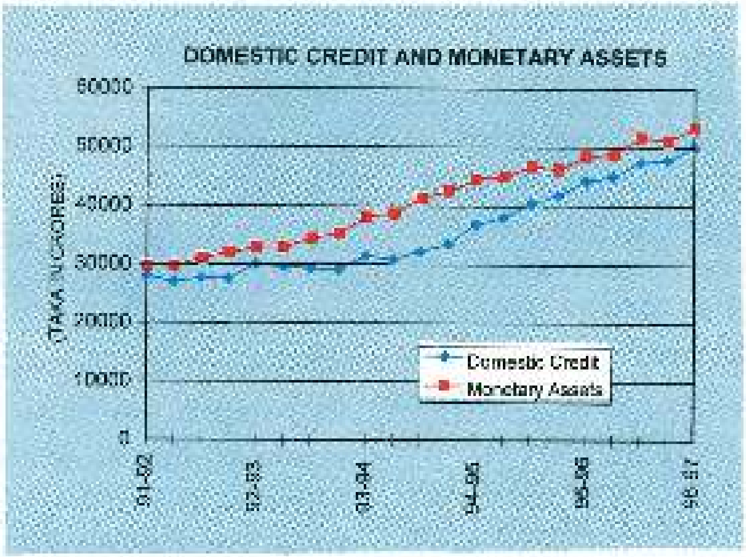
3.3 Reserve Money [1/] increased by 12.7 percent to Tk. 12,394.50 crores during 1996-97 as against the increase of 3.5 percent in the preceding year. The Reserve/Deposit Ratio [2/] of the banks increased from 0.074 in the preceding year to 0.085 during the year under report. On the other hand, the Currency/Deposit Ratio declined from 0.189 in the preceding year to 0.182 during the year under report. Money Multiplier declined to 4.08 at the end of June, 1997 from 4.15 at the end of June, 1996 due mainly to higher growth rate of Reserve Money than that of Broad Money.

1/ Reserve Money : Currency outside banks + Cash reserves including deposits in the WES clearing account of the Deposit Money Banks (DMB) with the Bangladesh Bank + Cash in tills of the DMB.

2/a) Reserve of the Banks : Cash reserves including deposits in the WES clearing account of the DMB with the Bangladesh Bank.

b) Deposits of the banks = Demand deposits + Time deposits + Government deposits + Restricted deposits.

3.4 Total domestic credit went up by Tk. 5,944.20 crores or 13.7 percent to Tk. 49,396.60 [3/] crores as compared to the programmed expansion of 11.9 percent during 1996-97 and actual expansion of 20.4 percent during the preceding year.



Narrow Money (M_1)

3.5 Of the components of Narrow Money (M_1), currency outside banks increased by Tk. 451.30 crores or 6.3 percent to Tk. 7,574.60 crores and demand deposits went up by Tk. 256.30 crores or 3.5 percent to Tk. 7,592.40 crores during 1996-97. The quarterly trends of the changes in Narrow Money(M_1) and its components during 1996-97 are shown in Table-3.1.

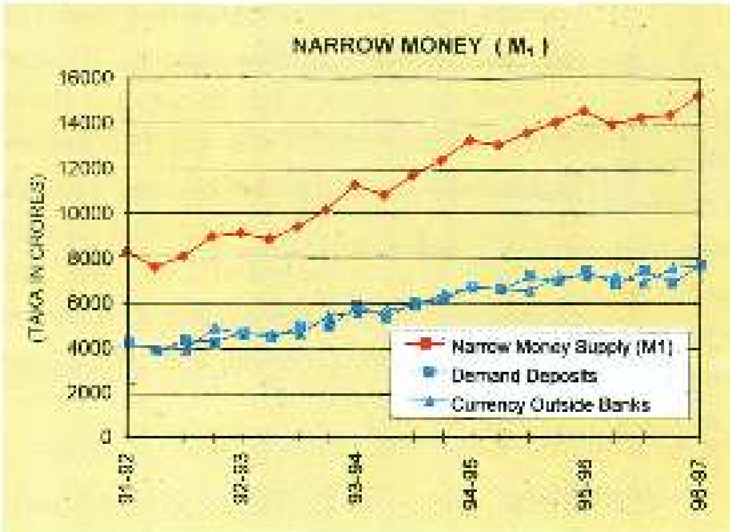
TABLE-3.1

NARROW MONEY (M_1)

(Taka in crores)

As on	Currency Outside Banks	Demand Deposits@	Money Supply(M_1)	Changes in Money Supply increase(+)/ decrease(-)
1	2	3	4= (2+3)	5
June 30,1996	7,123.30	7,336.10	14,459.40	+505.50
September 30, 1996	7,090.20	6,740.60	13,830.80	-628.60
December 31,1996	6,819.50	7,348.10	14,167.60	+336.80
March 31,1997	7,473.70	6,807.50	14,281.20	+113.60
June 30,1997	7,574.60	7,592.40	15,167.00	+885.80

3/ Includes adjustment of bonds issued by the Government.
@ Excluding Government deposits with banks and inter-bank items but including deposits of non-scheduled banks with the Bangladesh Bank.



Causes of the Changes in Narrow Money (M_1)

3.6 An analysis of the causes of the changes in Narrow Money (M_1) during 1996-97 reveals that expansion of credit to the Private sector, Government sector and Public sector to the tune of Tk. 3,845.10 crores, Tk. 1,707.00* crores and Tk. 392.10 crores respectively exerted an expansionary impact of Tk. 5,944.20 crores in Money Supply (M_1). However, accruals of Tk. 4,229.40 crores in time deposits, deficit of Tk. 191.30 crores in the country's foreign sector and decline of Tk. 815.90 crores in other assets(net) contributed largely to off-set the above expansionary influences. As a result, the expansion of Narrow Money (M_1) during the year under report stood at Tk. 707.60 crores. The causes of the changes in Narrow Money are shown in Table-3.2.

TABLE-3.2

CAUSES OF THE CHANGES IN NARROW MONEY (M_1)

(Taka in crores)

Particulars	June 30, 1996	June 30,1997	Changes
1	2	3	4
1. Currency Outside Banks	7,123.30	7,574.60	+451.30
2. Demand deposits@	7,336.10	7,592.40	+256.30
Narrow Money (M_1)	**14,459.40**	**15,167.00**	**+707.60**
Causes :			
Expansion(+)/Contraction(-)			
1. **Credit to the Government Sector (including Public)**			**+2,099.10**
i) Government Sector(net)			+1,707.00*
ii) Public Sector			+392.10
2. Credit to the Private Sector			+3,845.10
3. Time Deposits (increase-)			-4,229.40
4. Foreign Assets(net)			-191.30
5. Other Assets (net)			-815.90
Total :			**+707.60**

* Including bonds issued by the Government in favour of the banks.

@ Excluding Government deposits with banks and inter-bank items but including deposits of the non scheduled banks with the Bangladesh Bank .

Broad Money (M_2)

3.7 Broad Money (M_2) increased by Tk. 4,937.00 crores or 10.8 percent to Tk. 50,627.50 crores during 1996-97 as compared to the rise of Tk. 3,478.20 crores or 8.2 percent in the preceding year. Of the components of Broad Money, time deposits rose by 13.5 percent, currency outside banks by 6.3 percent and demand deposits by 3.5 percent during 1996-97 as compared to the increases of 7.6 percent, 8.5 percent and 10.9 percent respectively in the preceding year. The percentage shares of time deposits, demand deposits and currency outside banks in Broad Money stood at 70.0, 15.0 and 15.0 percent respectively as at the end of June, 1997 as compared to 68.3, 16.1 and 15.6 percent respectively as at the end of June, 1996. The changes in Broad Money and its different components during 1995-96 and 1996-97 are shown in Table-3.3.

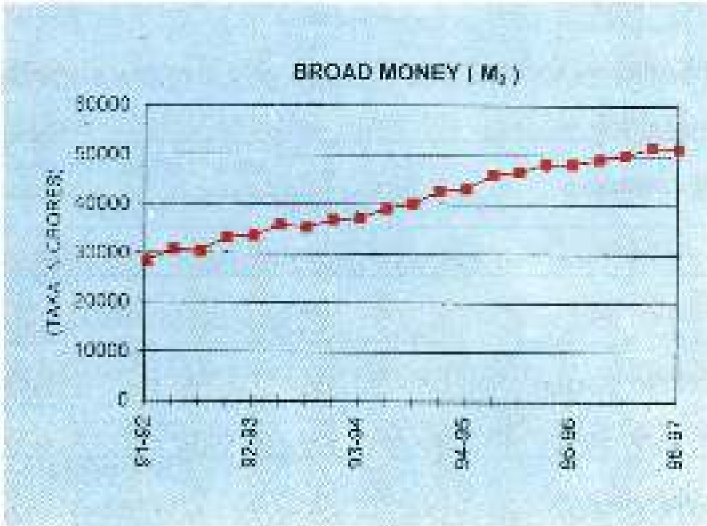
TABLE-3.3

BROAD MONEY (M_2)

(Taka in crores)

Particulars	June 30, 1995	June 30, 1996	June 30, 1997	Percentage Changes	
				1995-96	1996-97
1	2	3	4	5	6
1. Currency Outside Banks	6,565.10	7,123.30	7,574.60	+8.5	+6.3
2. Demand Deposits*	6,614.30	7,336.10	7,592.40	+10.9	+3.5
3. Time Deposits*	29,032.90	31,231.10	35,460.50	+7.6	+13.5
Total (M_2) :	**42,212.30**	**45,690.50**	**50,627.50**	**+8.2**	**+10.8**

* Excluding Government deposits with banks and inter bank items but including deposits of non scheduled banks with the Bangladesh Bank in case of demand deposits.



Reserve Money

3.8 Reserve Money increased by Tk. 1,391.50 crores or 12.7 percent to Tk. 12,394.50 crores during 1996-97 as compared to the increase of Tk. 373.00 crores or 3.5 percent during the preceding year. Of the components of Reserve Money, currency outside banks increased by Tk. 451.30 crores or 6.3 percent during 1996-97 as compared to the increase of Tk. 558.20 crores or 8.5 percent during the preceding year. Scheduled banks' cash in tills increased by Tk. 104.10 crores or 13.4 percent during the year under report as against the increase of Tk. 152.80 crores or 24.5 percent in the preceding year. The scheduled banks' balances with the Bangladesh Bank increased by Tk. 836.10 crores or 26.9 percent during the year under report as compared to the decrease of Tk. 337.80 crores or 9.8 percent in the preceding year. An analysis of the causes of the changes in Reserve Money during the year under report reveals that the increase in Bangladesh Bank's credit to the Government sector (net) by Tk. 1,452.10 crores and to the scheduled banks by Tk. 186.60 crores played the main role in exerting expansionary influences on the Reserve Money. Besides, increase in other assets (net) to the tune of Tk. 132.30 crores also exerted an expansionary impact on the Reserve Money. On the other hand, a contraction of Tk. 376.60 crores in foreign sector (net) and the decline of Tk. 2.90 crores in the borrowings by the other financial institutions partly off-set the expansionary impact of those sectors. Data relating to components and sources of Reserve Money are shown in tables 5 and 6 of the Annexure. A comparative statement of the components of Reserve Money and its sources is given in Table-3.4.

TABLE-3.4

CHANGES IN THE COMPONENTS OF RESERVE MONEY AND ITS SOURCES

(Taka in crores)

Particulars	Yearly Change: Increase(+)/Decrease(-)	
	1995-96	1996-97
1	2	3
Reserve Money	373.00 (+3.51)	+1,391.50 (+12.65)
Components of Reserve Money		
1. Currency Outside Banks	+558.20 (+8.50)	+451.30 (+6.34)
2. Deposits of the Scheduled Banks with the Bangladesh Bank*	-337.80 (-9.82)	+836.10 (+26.94)
3. Cash in Tills of the Scheduled Banks	-152.60 (+24.48)	+104.10 (+13.41)
Sources of Reserve Money		
1. Net Credit to the Government Sector	+1,782.80 (+142.17)	+1,452.10 (+47.82)
2. Credit to the Scheduled Banks	+679.90 (+24.97)	+186.60 (+5.47)
3. Credit to the Other Institutions	+138.70 (+13.12) R	-2.90 (-0.24)
4. Foreign Assets (net)	-3,475.40 R (-39.21)	-376.60 (-6.99)
5. Other Assets (Net)	**+1,247.00 R** **(+38.30)**	**+132.30** **(+6.51)**
(a) Bangladesh Bank Bill	+195.50	+299.50
(b) Other Assets	-1,051.50 R	-167.20

Note: Figures in the parentheses indicate yearly percentage changes.

* Including balances in the Wage Earners' Clearing Account.

R Revised.

Income Velocity of Money

3.9 The income velocity of money (GDP/M_2) during 1996-97 declined to 2.77 from 2.85 in the preceding year. 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 price*	Broad Money (M_2)**	Income Velocity of Money
1	2	3	4 = (2 ÷ 3)
1994-95	1,17,026.1	42,212.3	2.77
			(-2.12)
1995-96	1,30,160.0[R]	45,690.5	2.85
			(+2.89)
1996-97	1,40,258.0[P]	50,627.5	2.77
			(-2.81)

* Source: Bangladesh Bureau of Statistics.

** End June Position.

Note : Figures in the brackets indicate yearly percentage changes.

R Revised.

P Provisional.

Domestic Credit

3.10 Total domestic credit increased by Tk. 5,944.20 crores or 13.7 percent to Tk. 49,396.60[@] crores during 1996-97 as compared to the increase of Tk. 7,367.10 crores or 20.4 percent in the preceding year. Expansion of credit to the Government, Public and Private Sectors to the extent of Tk. 1,707.00 crores (27.1%), Tk. 392.10 crores (7.2%) and Tk. 3,845.10 crores (12.2%) respectively contributed to the expansion in total domestic credit during the year under report. Credit to the Government, Public and Private Sectors had gone up by 38.8[R] percent, 1.3[R] percent and 21.5[R] percent respectively in the preceding year. Particulars/data relating to total domestic credit have been shown in Table -4 of the Annexure and its yearly change in the Table-3.6.

R Revised.

@ Includes adjustments of bonds issued by the Government.

TABLE-3.6

DOMESTIC CREDIT

(Taka in crores)

Particulars	Annual Change : Increase(+)/Decrease(-)	
	1995-96	1996-97
1	2	3
Total Domestic Credit	**+7,367.10**	**+5,944.20**
	(+20.4)	**(+13.7)**
1) Government Sector	+1,696.20R	+1,707.00
	(+36.8)	(+27.1)
2) Public Sector	+68.80R	+392.10
	(+1.3)	(+7.2)
3) Private Sector	+5,602.10R	+3,845.10
	(+21.5)	(+12.2)

Note: Figures in the parentheses indicate yearly percentage changes.

R Revised.

Bank Credit

3.11 The outstanding level of bank credit (excluding foreign bills and inter-bank items) increased by Tk. 4,277.70 crores or 12.3 percent to Tk. 38,958.90 crores during 1996-97 as compared to the rise of Tk. 5,474.10R crores or 13.7R percent in the preceding year. Of the components of bank credit, advances increased by Tk. 3,829.40 crores or 11.5 percent and the bills purchased and discounted went up by Tk. 448.30 crores or 36.4 percent during the year under report. The quarterly movements of bank credit are shown in Table-3.7.

TABLE-3.7

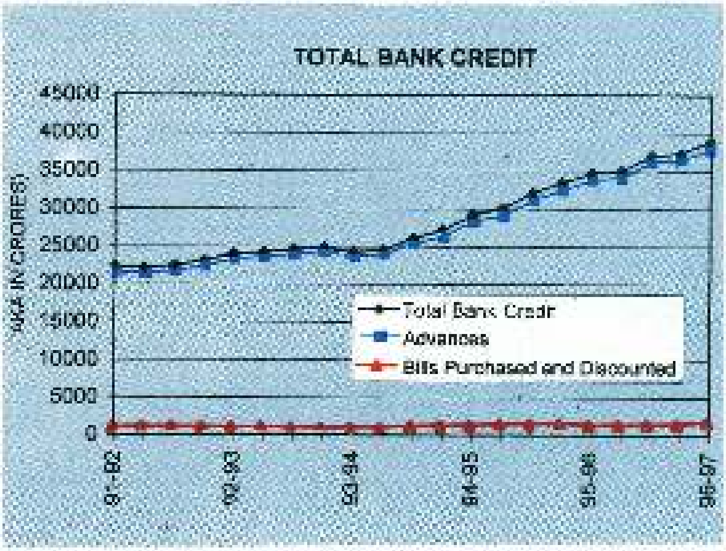
BANK CREDIT*

(Taka in crores)

As on	Advances	Bills	Total Bank Credit	Advances as % of total bank credit	Bills as % of total bank credit
1	2	3	4	5	6
June 30,1996	33,448.20R	1,233.00	34,681.20R	96.4	3.6
September 30, 1996	33,696.60	1,253.30	34,949.90	96.4	3.6
December 31, 1996	35,717.40	1,305.90	37,023.30	96.5	3.5
March 31,1997	35,966.60	1,346.30	37,312.90	96.4	3.6
June 30,1997	37,277.60	1,681.30	38,958.90	95.7	4.3

* Excluding foreign bills and inter bank items.

R Revised.



Bank Deposits

3.12 Bank deposits (excluding inter-bank items) increased by Tk. 4,688.10 crores or 11.2 percent to Tk. 46,555.10 crores during 1996-97 as compared to the rise of Tk. 2,794.00[R] crores or 7.2[R] percent in the preceding year. Of this increase, time deposits went up by Tk. 4,229.40 crores or 13.5 percent to Tk.35,460.50 crores, demand deposits by Tk. 256.30 crores or 3.5 percent to Tk. 7,592.40 crores and Government deposits by Tk. 203.00 crores or 6.2 percent to Tk. 3,499.10 crores during the period under report. On the other hand, restricted deposits decreased by Tk. 0.60 crore. The quarterly movements of bank deposits are shown in Table-3.8 .

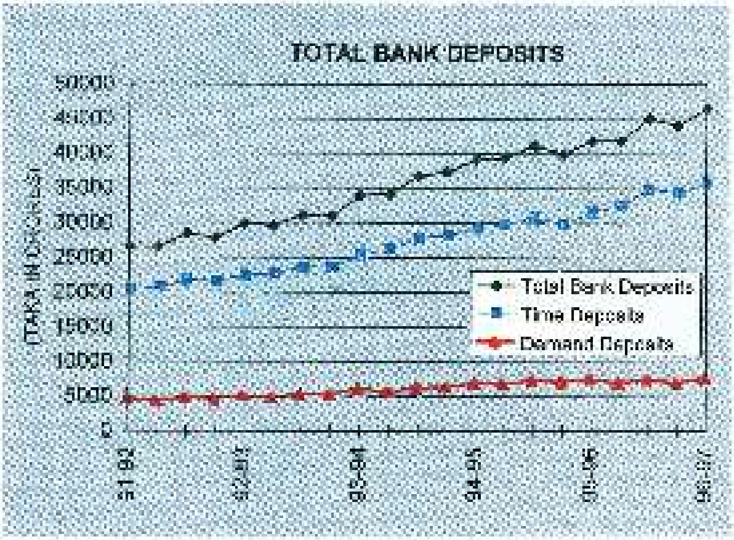
TABLE-3.8

BANK DEPOSITS*

(Taka in crores)

As on	Demand Deposits	Time Deposits	Government Deposits	Total Deposits	Demand Deposits as %of Total Deposits	Time Deposits as % of Total Deposits	Government Deposits as % of Total Deposits
1	2	3	4	5	6	7	8
June 30, 1996	7,336.10	31,231.10	3,296.10	41,867.00[R]	17.5[R]	74.6[R]	7.9
September 30, 1996	6,740.60	32,113.50	2,985.20	41,843.40	16.1	76.8	7.1
December 31, 1996	7,345.10	34,630.30	3,125.10	45,106.00	16.3	76.8	6.9
March 31, 1997	6,807.50	34,023.20	3,240.20	44,075.60	15.4	77.2	7.4
June 30, 1997	7,592.40	35,460.50	3,499.10	46,555.10	16.3	76.2	7.5

* Including restricted deposits but excluding inter-bank items.
R Revised.



Deposit Pension Scheme

3.13 Deposit Pension Scheme was withdrawn in 1994-95 following a Government decision. However, the accounts already opened under this scheme will continue till their maturity. After the closing of this scheme, many banks in the public and private sectors have introduced similar schemes on their own initiatives. The year-wise outstanding positions of the deposits under the discontinued Deposit Pension Scheme are shown in Table-3.9.

TABLE- 3.9

OUTSTANDING POSITION OF DEPOSITS UNDER THE DISCONTINUED DEPOSIT PENSION SCHEME

(Taka in crores)

Date	Amount Outstanding	Changes
1	2	3
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)
June 30,1993	1,807.97	+410.14 (+29.34)
June 30,1994	2,162.27	+354.30 (+19.60)
June 30,1995	2,475.74	+313.47 (+14.50)
June 30,1996	2,825.22	+349.48 (+14.12)
June 30,1997	3,061.57	+236.35 (+8.37)

Note : Figures in the parentheses indicate yearly percentage changes.

Rural and Urban Deposits and Credit

3.14 The share of rural deposits in total deposits stood at 22.1 percent at the end of March, 1997 as compared to 21.7 percent at the end of March, 1996. The share of rural credit in total credit declined to 19.1 percent at the end of March, 1997 from 19.7 percent at the end of March, 1996. The amount of deposits mobilised from and the outstanding credit extended to the rural areas at the end of March, 1997 stood at Tk. 9,623.92 crores and Tk. 7,665.23 crores respectively as compared to Tk. 8,625.05 crores and Tk. 7,077.11 crores respectively at the end of March, 1996. It may be mentioned that of the total credit, the share of credit disbursed in the rural areas was lower as compared to the share of rural deposits while the share of credit to total credit was higher in the urban areas as compared to the share of urban deposits. As a result, the tendency of transfer of assets from rural areas to urban areas through banks has been observed. The percentage share of bank deposits and credit in rural and urban areas are shown in Table-3.10.

TABLE-3.10

PERCENTAGE SHARE OF BANK DEPOSITS AND CREDIT IN RURAL AND URBAN AREAS

Date	Deposits (in percent)		Credit (in percent)	
	Rural	Urban	Rural	Urban
1	2	3	4	5
June 30, 1991	21.4	78.6	21.9	78.1
December 31,1991	21.3	78.7	19.2	80.8
June 30, 1992	21.5	78.5	19.9	80.1
December 31, 1992	21.9	78.1	19.8	80.2
June 30, 1993	21.8	78.2	19.0	81.0
December 31, 1993	22.7	77.3	19.3	80.7
June 30, 1994	22.1	77.9	19.9	80.1
December 31, 1994	21.9	78.1	19.9	80.1
June 30, 1995	22.0	78.0	19.7	80.3
December 31, 1995	22.1	77.9	19.8	80.2
June 30, 1996	22.7	77.3	19.7	80.3
December 31, 1996	22.1	77.9	19.1	80.9
March 31, 1997	22.1	77.9	19.1	80.9

Credit/Deposit Ratio

3.15 The credit/deposit ratio (excluding the specialised banks) of the scheduled banks which stood at 0.77 at the end of June, 1996 remained unchanged at the end of December, 1996. The ratio increased to 0.78 at the end of June, 1997.

Scheduled Banks' Borrowings from the Bangladesh Bank

3.16 The scheduled banks' borrowings from the Bangladesh Bank increased by Tk. 306.20 crores to Tk. 3,928.50 crores as on June 30, 1997 from Tk. 3,622.30 crores as on June 30,1996.

Scheduled Banks' Balances with the Bangladesh Bank and their Cash in Tills

3.17 The scheduled banks' balances with the Bangladesh Bank increased by Tk. 728.5 crores to Tk. 3,717.90 crores and their cash in tills increased by Tk. 104.10 crores to Tk. 880.10 crores during the year under report. The scheduled banks' comparative position is shown in Table-8 of the Annexure.

Cash Reserve Requirements of the Scheduled Banks with the Bangladesh Bank

3.18 Cash Reserve Requirements of the scheduled banks with the Bangladesh Bank remained unchanged at 5 percent of their total liabilities((Demand and Time Deposits) during 1996-97.

Statutory Liquidity Requirement of the Scheduled Banks with the Bangladesh Bank

3.19 Statutory Liquidity Requirement of all scheduled banks except the banks operating under Islamic Shariah and the specialised banks remained unchanged at 20 percent of their total liabilities* (Demand and Time Deposits). Statutory Liquidity Requirement for the Islamic banks remained unchanged at 10 percent of their total liabilities. On the other hand, the exemption from the statutory requirement as allowed earlier to the specialised banks also continued du..ng the year under report. It was decided during the year under report that 30-day Bangladesh Bank Bill would be treated as approved assets in determining Liquid Asset Requirement of the banks.

Bank Rate

3.20 In order to reduce the dependence of the banks on the central bank and motivate them to put more emphasis on the generation of their own resources to carry out the credit programme, the Bank Rate was revised on two occasions during 1996-97. The Bank Rate was increased from 6.5 percent to 7.0 percent on October 31, 1996 . Later on, it was increased to 7.5 percent on May 19, 1997. This rate remained unchanged till the end of June, 1997. Particulars relating to Bank Rate are given in Table 9(1) of the Annexure.

Interest Subsidy to the Banks'

3.21 In order to increase overall productivity and employment in the country by encouraging investments in the small and cottage industries, the provision for extending interest subsidy at a rate of 3.0 percent to this sector against term loans of the banks continued during the year

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* Exclude inter-bank deposits.

under report. The particulars relating to the rate of subsidy are given in Table - 9(3) of the Annexure.

Financial Sector Reform Programme

3.22 Though the term of the Financial Sector Reform Programme undertaken to ensure effective role of the financial sector in the country's development efforts expired in December, 1996, several steps were taken during 1996-97 also to reorganise and strengthen the financial sector. The important ones of those are described below.

1) Liberalization of Interest Rates

In order to introduce market-based interest rate system, complete freedom which was allowed to the banks in fixing their respective interest rates on loans and advances for all the sectors also continued during the year under report. However, the interest rate bands for agriculture, export and small and cottage industries remained unchanged at 10-14%, 8-10% and 9-12% respectively. On the other hand, the floor rates on deposits fixed by the Bangladesh Bank was kept in force till February 18, 1997. The floor rates on savings and fixed deposits were increased on October 31, 1996 from 6.00% and 6.25% to 6.50% and 6.75% respectively. Later on, in order to make interest rate determination more market oriented, the floor rates on deposits were withdrawn on February 19, 1997 giving the banks complete freedom to fix their own rates. Details of interest rates on deposits and advances are shown in Table 9(2), 9(3) and 9(4) of the Annexure.

2) Indirect Monetary Management

a) In order to facilitate indirect monetary management, the "91-Day Bangladesh Bank Bill" and "30-Day Bangladesh Bank Bill" were introduced in December, 1990 and in November, 1995 respectively. According to the needs of liquidity and credit control, these bills were issued through fortnightly auctions at market determined yields. Side-by-side, 30-day, 90-day, 180-day and 1-year Government Treasury Bills were also issued through auctions by the Bangladesh Bank. In order to provide increased resources to finance Government's fiscal deficit, it was decided in April, 1997 to issue through auctions Government Treasury Bills of different maturities, temporarily suspending auctions of 30-day and 91-day Bangladesh Bank Bills. Arrangements were made for holding auction of these bills on weekly basis instead of fortnightly intervals from April, 1997.

b) Keeping in view the fundamental objectives of achieving the desired rate of economic growth and controlling inflation, the Bangladesh Bank formulates annual monetary and credit programme and monitors the progress regularly through the Reserve Money Programme. There exists a high powered "Monetary Policy Review Committee" in the Bangladesh Bank headed by the Governor, Bangladesh Bank. This committee thoroughly reviews the developments in the monetary and credit sectors to formulate necessary policy and take steps accordingly.

3) Strengthening Financial Discipline in the Banking Sector and Issuance of Bonds for Consolidating the Financial Base

a) In order to suit need of the hours, the Bank Company (Amendment) Act, 1997 was introduced on March 13, 1997 by amending some of the provisions of the Bank Company Act, 1991. The third phase of loan classification programme initiated in 1994 for phase-wise implementation to bring loan classification and provisioning to international standard was completed in December, 1996.

b) Determination of capital adequacy was completed by the banks as per their June and December, 1996 accounts in accordance with the new system of capital adequacy determination introduced in 1996 at 8% of risk-weighted assets in place of the earlier liabilities-based system.

c) In order to strengthen the legal environment for recovery of overdue loans, Financial Loan Court (Amendment) Act, 1997 was promulgated on February 2, 1997 by amending some provisions of the Financial Loan Court Act, 1990. In addition, a new Bankruptcy Law formulated by reforming the existing laws was approved by the Parliament during the year under report.

d) In order to finance the installation of digital telephone lines, reimburse the loss due to interim working capital loan given to the jute sector, finance the Bangladesh Biman Corporation for purchasing air bus and restructure the Bangladesh Shilpa Rin Sangstha and to transform it into a profitable institution, the Government issued interest bearing Treasury Bond of different maturities for a total of Tk. 474.18 crores in favour of different commercial banks including Agrani Bank during the year under report. Details of the different bonds issued by the Government during 1996-97 are shown in Table-10 in the Annexure.

4) Strengthening Central Bank's Supervision

a) The early warning system for problem banks through CAMEL@ Rating introduced as a measure of strengthening and modernizing central bank's supervision and inspection continued during the year under report. The "Large Loan Monitoring Cell" of the Bangladesh Bank continued to assist commercial banks in taking necessary precautions while sanctioning large loans. The "Credit Information Bureau" (CIB) has been maintaining important information including those on defaulted loans and supplying these according to the requirement of banks and other financial institutions. The CIB has taken steps to maintain quarterly data on Credit Risk Rating (CRR) and Financial Score of the borrowers from the quarter ending June 30, 1997 in their data-base.

b) The Financial Institution Act, 1993 vests the Financial Institutions (Non-bank) Department of the Bangladesh Bank with the full responsibility of directing and supervising the activities of non-bank financial institutions. The Department issued licences to 14 non bank financial institutions by June 30, 1997 of which 4 were wholly under local ownership, 1 was wholly under foreign ownership and the rest 9 were established with joint effort of

@ CAMEL – Capital, Asset, Management, Earnings and Liquidity.

the local and foreign entrepreneurs. Under this Act, a provision for maintaining cash reserve with the Bangladesh Bank by non-bank financial institutions at the rate of 2.5% of their total liabilities was introduced effective from May, 1997. This amount will be non-interest bearing. Provision has also been made for penalties including penal interest in the event of failure by any financial institutions in maintaining the required reserve. In the light of the various provisions made in the Financial Institution Act, 1993, norms have been prepared for compliance by the non-bank financial institutions and reporting of data/information on selected items to the Bangladesh Bank on half-yearly basis has been made compulsory.

c) In order to further consolidate, strengthen and make the banking sector more dynamic, the Commercial Banking Restructuring Project was put in place in May, 1997 initially for one year. The main objectives of the programme are to : (1) improve legal framework for debt recovery; (2) strengthen management to make the nationalised banks more efficient; (3) modernise the technology employed in the banking sector; (4) restore the capital adequacy of banks; (5) improve the income position of banks and (6) improve inspection and regulatory capabilities of the Bangladesh Bank. In December, 1996 a Banking Reform Committee was established to advise the Government on specific reform topics.

d) To improve the recovery situation of the overdue loans a high powered "Task Force" headed by a Deputy Governor was established in the Bangladesh Bank. A Task Force Cell was established in the Banking Regulation and Policy Department of the Bangladesh Bank for observing/ monitoring recovery situation of non-recovered loans on daily and monthly basis. Besides, Task Force has also been established in the branches of the Bangladesh Bank. In addition, Task Force was established in all scheduled banks headed by the Managing Director of the respective banks.

Monetary/Credit Policy and Banking Support Measures

3.23 The banking, monetary and credit policies pursued during 1996-97 aimed at accelerating the economic activities of the country at the desired rate. With this end in view, the important steps taken by the Bangladesh Bank were as follows:

a) 30-day and 91-day Bangladesh Bank Bills

i) During 1996-97, 17 auctions were held for "30-day Bangladesh Bank Bill". In these auctions, 437 bids for Tk. 3,752.60 crores were received. Among these, 333 bids for Tk. 3,053.85 crores were accepted. The weighted average annual rate of return to the buyers from the above bill issued through auctions during the year under report varied between 5.8 percent to 8.4 percent. There was no outstanding balance against this bill at the end of June, 1997 while it was Tk. 56.50 crores at the end of June, 1996.

ii) During 1996-97, 17 auctions were held for "91-day Bangladesh Bank Bill". A total of 286 bids for Tk. 1,805.60 crores were received against which 179 bids for Tk. 1,120.10 crores were accepted. During 1996-97 the weighted average annual rate of return to the buyers from the bills auctioned during the year under report ranged between 5.8 percent to 8.3 percent . There was no outstanding balances against this bill at the end of June, 1997. The outstanding balances against this bill was Tk. 243.00 crores at the end of June, 1996.

b) 30-day, 90-day, 180-day and 1-year Treasury Bills

i) During 1996-97, 31 auctions for 30-day Treasury Bill were held. In these auctions, 684 bids for Tk. 3,627.20 crores were received and 507 bids for Tk. 2,681.90 crores were accepted. The weighted average annual rate of return to the buyers from the bill issued varied from 5.7 percent to 8.9 percent. The outstanding balance of the 30-day Treasury Bill stood at Tk. 201.50 crores at the end of June, 1997.

ii) During 1996-97, 31 auctions for 90-day Treasury Bill were held. In these auctions, 255 bids for Tk. 1,133.30 crores were received. Of these, 187 bids for Tk. 607.00 crores were accepted. The weighted average annual rate of return to the buyers from the bill issued through auctions during the year under report varied from 6.7 percent to 9.6 percent . The outstanding balance against the 90-day Treasury Bill stood at Tk. 277.00 crores as on June 30, 1997.

iii) During the year, 31 auctions for 180-day Treasury Bill were held. In these auctions, 30 bids for Tk. 111.80 crores were received. Of these, 11 bids for Tk. 35.15 crores were accepted. The weighted average annual rate of return to the buyers from the bills issued through auctions during the year under report varied from 7.5 percent to 10.8 percent . The outstanding balance against the 180-day Treasury Bill stood at Tk. 24.00 crores as on June 30,1997.

iv) The first auction of 1-Year Treasury Bill was held on March 25,1997. During 1996-97, 14 auctions of 1-year Treasury Bill were held. In these auctions, 206 bids for Tk. 1,093.05 crores were received. Of these, 89 bids for Tk. 624.51 crores were accepted. The weighted average annual rate of return to the buyers from the bill issued through auctions during the year varied from 10.4 percent to 11.8 percent. On encashment of Tk. 20.00 crores prior to its maturity, the outstanding balance against this bill stood at Tk. 604.51 crores as at the end of June, 1997.

c) Approved Securities

As per section 33 Banking Company Act, 1991 it was decided to treat "30-day Bangladesh Bank Bill" as approved securities with effect from September 14,1996.

d) Bank Credit against Shares/Debentures

The existing credit facilities against shares/debentures have been further extended. Credit limit has been fixed at 50 percent of the preceding six months' average market value instead of maximum 40 percent of the one month's average market value of the shares/debentures enlisted with the Stock Exchange. The maximum limit of credit of Tk. 10.00 lakhs has been doubled to Tk. 20.00 lakhs to a single borrower. In addition, arrangements have been made to extend credit facilities up to a maximum of Tk. 50.00 lakhs to a member of the Stock Exchange on the basis of Banker-Customer relationship.

e) Credit Facilities against "Savings Certificates with Half-Yearly Profit" and "Family Savings Certificates"

Arrangements have been made to extend credit facilities against the "Savings Certificates with Half Yearly Profit" and "Family Savings Certificates" newly introduced by the Government subject to the fixation of margin on the basis of banker-customer relationship.

f) Return-Based Bank Supervision

In order to supervise the banks on the basis of returns, the financial activities of all commercial banks were closely monitored during the year under report. Arrangements were made to review the recovery performance of top defaulters of the nationalised and private commercial banks.

g) Credit Operation from Export Development Fund

Loans amounting to US$ 67.26 million were extended to the exporters during 1996-97 from the Export Development Fund created with the joint collaboration of the Government of Bangladesh (GOB) and the International Development Association (IDA).The credit was disbursed through the commercial banks for import of necessary raw materials, spare parts, packing materials for production of non-traditional exports. This amount of the loan was 27.3 percent higher than that of the last year. The lion's share of the loan was availed by the exporters of readymade garments.

h) Deposit Insurance Scheme

The maximum amount of deposit to be ensured under the deposit insurance scheme has been enhanced from Tk. 60,000 to Tk. 1,00,000. The premium to be paid by the banks under the scheme has also been increased from 4 paisa to 5 paisa per 100 Taka.

Expansion of the Banking System

3.24 During the year under report, two new foreign banks, the Hanil Bank and the Hongkong and Shanghai Banking Corporation commenced their operation on September 21, 1996 and December 17, 1996 respectively. Under the programme of the bank branch expansion, the scheduled banks in Bangladesh opened 42 new branches and closed 5 branches. As a result, total bank branches increased by 37 to 5,911 as on June 30, 1997 from 5,874 in the preceding year. The branches of Nationalised Commercial Banks decreased by 1 to 3,619 during the year under report from 3,620 in the preceding year. The branches of Private Commercial Banks increased by 16 to 1,095 during the year under report from 1,079 in the preceding year. The branches of the Specialised Banks decreased by 20 to 1,171 during the year under report from 1,151 in the preceding year while branches of the foreign banks increased by 2 to 26 as on June 30, 1997 from 24 in the preceding year. The total number of bank branches in rural areas decreased by 3 to 3,612 (61.1% of the total) at the end of June, 1997 from 3,615 (61.5% of the total) at the end of June, 1996. The branches of the Bangladeshi commercial banks abroad remained unchanged at 15 during the year under report. During 1996-97, the number of nationalised/ Government-owned banks increased by 1 to stand at 9 (as the Bank of Small Industries and Commerce Bangladesh Limited is shown in the schedule of Government controlled specialised banks). Accordingly, the number of private sector commercial banks declined to 17 and number of Foreign Commercial Banks stood at 12. The data relating to bank branches expansion are given in Table-3.11.

TABLE-3.11

EXPANSION OF BANK BRANCHES

Particulars	Number of Branches		Changes
	1995-96	1996-97	
1	2	3	4=(3-2)
Nationalised Commercial Banks	3,620	3,619	-1
Private Commercial Banks	1,079	1,095	+16
Specialised Banks	1,151	1,171	+20
Foreign Banks	24	26	+2
Total:	**5,874**	**5,911**	**+37**

Group-wise Comparative Position of the Banks

3.25 The share of nationalised commercial banks in the total deposits of the banks decreased slightly to 60.3 percent at the end of June ,1997 as compared to 61.3 percent of the preceding year. During this period the share of private commercial banks increased to 28.2 percent from 27.8 percent in the previous year. The share of the foreign banks increased to 6.4 percent from 5.3 percent in the previous year. On the other hand, the share of the specialised banks declined to 5.2 percent from 5.5 percent in the previous year. The share of the nationalized commercial banks in total bank credit increased slightly to 53.0 percent at the end of the year under report from 52.9 percent in the previous year. The share of the private commercial banks increased to 26.9 percent from 26.7[R] percent in the preceding year. The share of the foreign banks increased to 5.8 percent from 5.4 percent in the preceding year. The share of the specialised banks decreased to 14.3 percent from 15.0 percent in the preceding year. Group-wise comparative position of deposits and credit of the banks at the end of the year under report and that of the preceding year is shown in Table-3.12.

R Revised

TABLE-3.12

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

Group-wise Banks	Percentage share of Bank Deposits (excluding inter-bank & Govt. deposits)		Percentage share of Bank Credit (excluding inter-bank and foreign bills)	
	June 30,1996	June 30,1997	June 30,1996	June 30,1997
1	2	3	4	5
1. Nationalised Commercial Banks	61.33	60.26	52.88	53.03
2. Private Commercial Banks	27.83[R]	28.19	26.73[R]	26.94
3. Foreign Banks	5.30	6.40	5.40	5.77
4. Specialised Banks	5.54	5.15	14.99	14.26
Total:	**100.00**	**100.00**	**100.00**	**100.00**

R Revised.

3.26 Total deposits of the Government Sector with the banks are shown in Table - 3.13.

TABLE-3.13

GOVERNMENT SECTOR DEPOSITS WITH THE BANKS

(Taka in crores)

Dates	Demand Deposits	Percentage Share of Demand Deposits to the Total Deposits	Time Deposits	Percentage Share of Time Deposits to the Total Deposits	Total Deposits	Annual Percentage Change of Total Deposits
1	2	3	4	5	6	7
June 30,1995	1,083.10	31.63	2,340.80	68.37	3,423.90	+16.08
June 30,1996	950.20	28.83	2,345.90	71.17	3,296.10	-3.73
June 30,1997	1,144.60	32.71	2,354.50	67.29	3,499.10	+6.16

Inspection of Banks

The Bangladesh Bank carried out comprehensive inspection of 965 branches of the scheduled banks during 1996-97 under its routine programme of inspection. Special inspection in respect of 341 complaints was carried out during the year under report. In addition, activities relating to monitoring and implementation on the basis of the inspection reports were also continued during the year under report.

CHAPTER IV

CAPITAL MARKET AND INDUSTRIAL FINANCE

4.1 The capital market of Bangladesh is still in the primary stage of development. Alongwith two Stock Exchanges and other Development Financial Institutions(DFIs) of the country, banks and non-bank financial institutions continued to supply term capital. The activities of the stock market, an important segment of the capital market, expanded markedly during 1996-97 due to the adoption of various measures in the light of market economy. The overall share price indices of Dhaka and Chittagong Stock Exchanges registered substantial increases in mid-November, 1996 and thereafter the indices continued to depict rapid decline.

4.2 In order to gear up further the activities of the Stock Exchanges in the country, the following notable measures were undertaken during 1996-97.

1. One year Lock-in system imposed on Initial Public Offerings (IPOs) was withdrawn in order to attract foreign investment in the share market;

2. Ceiling for credit against shares/debentures by the scheduled banks was refixed at 50 percent of the average market value of the shares/debentures of the last six months instead of 40 percent of the average market value of the last one month. Credit limit for the single borrower was doubled to Tk. 20.00 lakhs. Moreover, banks were empowered to provide loan to individual members of the Stock Exchange up to Tk. 50.00 lakhs against shares/debentures of the companies listed with Stock Exchanges on the basis of banker-customer relationship;

3. Tax on capital gains on bonus shares was exempted;

4. Investment Corporation of Bangladesh (ICB) increased the credit ratio for its clients from 1:2 to 1:3;

5. To control abnormal fluctuations in share price, the Circuit Breaker was introduced;

6. An initiative was taken to set up National Stock Exchange in order to ensure transparency and accountability in the stock market alongside expanding the Stock Exchange activities;

7. A committee was formed to investigate the recent allegations relating to the stock market. Government has already taken legal action on the basis of the report submitted by the committee;

8. Permission of setting up merchant banks was given and

9. Arrangement has been made for allocation of 5 percent of IPOs for non-resident Bangladeshis.

Dhaka Stock Exchange (DSE)

4.3 During the year under report, 22 issues including 19 new companies, 1 debenture and 2 mutual funds were enlisted with the Dhaka Stock Exchange(DSE) for the transaction of shares/ debentures and 8 companies were delisted and 1 debenture was matured during the year. As a result, the total number of companies and issues enlisted with the DSE increased from 183 and 201 in 1995-96 to 194 and 214 respectively in 1996-97. The outstanding value of total issued capital and debentures of these companies stood at Tk. 2,690.74 crores as on June 30, 1997. Of the 214 issues, 11 were debentures and 9 were mutual funds. The value of the issued capital of the 9 mutual funds was Tk. 22.50 crores. The market capitalisation of the enlisted securities as on June 30, 1997 stood at Tk. 10,782.66 crores which was 59.2 percent higher than Tk. 6,772.76 crores as on June 30, 1996. All share price indices of DSE increased by 15.9 percent to 1,111.55 at the end of June, 1997 from 959.05 of June, 30 of the preceding year. It may be mentioned here that all share price index of DSE increased to a record level of 3,627.02 on November 16, 1996. The number of issues, issued capital and debentures and the amount of market capitalisation of DSE are shown in Table-4.1.

TABLE-4.1

A BRIEF STATEMENT OF THE ACTIVITIES OF THE DHAKA STOCK EXCHANGE (DSE)

Year (End-June)	Number of Listed issues (Including Mutual Fund and Debenture)	Issued Captical and Debenture (Taka in crores)	Market Capitalisation (Taka in crores)
1	2	3	4
1995-96	201	2,175.41	6,772.76
1996-97	214	2,690.74	10,782.66

4.4 A total of 1,193.13 lakh shares and debentures worth Tk. 3,541.35 crores were transacted on the floor of the Dhaka Stock Exchange during 1996-97 which was 331.9 percent higher in terms of value and 166.3 percent higher in terms of number as compared to those of the preceding year. Shares of 17 new companies were floated during the year under report and their total issued capital was Tk. 260.18 crores. Out of this issued capital, Tk. 134.70 crores were floated for public subscription against which applications of Tk. 1,756.43 crores were submitted. As a result, the amount of ove-subscription stood at Tk. 1,621.76 crores. Besides, during the year under report, 1 new debenture was floated valued at Tk. 15.00 crores of which Tk. 10.00 crores were floated for the public subscription including ICB. During 1996-97, 8th ICB mutual fund and 1st BSRS mutual fund were floated whose total issued capital was Tk. 10.00 crores. The total value of shares issued by the 19 new companies during 1995-96 was Tk.302.21 crores.

4.5 In order to develop the management of capital market and to encourage the use of modern technology, the DSE adopted some new steps during 1996-97, apart from implementation of long-term programmes taken in the preceding year. Those are noted below:

a) Broadcasting the daily share market news on radio and television;

b) Publishing information regarding facilities available in the share market and information on foreign investment;

c) Developing computerised data processing;

d) Publishing monthly reviews on share market activities;

e) Introducing 3 booths instead of 2 for further smooth conducting of trading activities;

f) Promoting awareness and eagerness among the member of the public about the share market;

g) Hiring 5 more floors of neighbouring building of present Stock Exchange building in order to improve the standard of client services

h) Introducing trading floor in wide space in hired building and

i) Starting computerisation work on the previous trading floor.

Chittagong Stock Exchange(CSE)

4.6 The second Stock Exchange of the country, Chittagong Stock Exchange(CSE) started floor trading with effect from October 10, 1995. The overall activities of the CSE expanded substantially during 1996-97 and as a result, the number of issues, price index and market capitalisation increased markedly to 131 (+81.94%), 475.69 (+16.29%) and Tk. 7,177.73 crores (+ 95.02%) respectively as on June 30, 1997 as compared to the end of June, 1996. The number of issues, price index and market capitalisation of CSE were 72,409.05 and Tk. 3,680.51 crores respectively as on June 30, 1996. All share price index of CSE increased to a record level of 1,730.53 on November 16, 1996. It may be mentioned that CSE has electronic display system and it has a plan to introduce automated trading system in near future. The number of listed issues, all share price index and market capitalisation of CSE are shown in Table-4.2 .

TABLE-4.2

A BRIEF STATEMENT OF THE ACTIVITIES OF THE CHITTAGONG STOCK EXCHANGE(CSE)

Year (End-June)	Number of Listed issues (Including Mutual Fund and Debenture)	All Share Price Index	Market Capitalisation (Taka in crores)
1	2	3	4
1995-96	72	409.05	3,680.51
1996-97	131	475.69	7,177.73

Non-resident Portfolio Investment

4.7 Total investment by non-residents in shares/debentures through Stock Exchange during 1996-97 stood at Tk. 69.00 crores as compared to Tk. 98.30[R] crores during 1995-96. During the year under report, total amount of repatriation of sale proceeds by non-residents and balance after repatriation of sale proceeds stood at Tk. 633.80 crores and Tk. 97.52 crores respectively. During 1995-96, total amount of repatriation of sale proceeds by non-residents and balance after repatriation stood at Tk. 191.10[R] crores and Tk. 392.17 crores respectively. It may be mentioned that during April, 1992 to June 30, 1997 total amount of repatriation of sale proceeds by the non-residents stood at Tk. 1,065.00 crores out of a total investment of Tk. 775.76 crores.

Commercial Banks' Financing

4.8 The scheduled banks' financing in approved debentures in the country's capital market declined to Tk. 1,106.29 crores at the end of June, 1997 from Tk. 1,126.58 crores of end-June, 1996. The scheduled banks' outstanding advances against shares and securities (including Government and other trustee securities) increased to Tk. 569.41 crores at the end of March, 1997 from Tk. 422.27 crores of end-March, 1996.

Investment Corporation of Bangladesh (ICB)

4.9 In order to develop the capital market, the Investment Corporation of Bangladesh(ICB) laid emphasis mainly on merchandising programmes during the recent period. Net sale of unit certificates by the ICB during 1996-97 stood at Tk. 111.02 crores. Besides, during the year under report, ICB floated 8th mutual fund having a paid-up capital of Tk. 5.00 crores against which the amount of subscription was Tk. 114.51 crores. In addition, the number of accounts (net) opened under investors' scheme during 1996-97 were 14,004. During 1996-97 deposits of Tk. 88.81 crores were taken and loans of Tk. 156.16 crores were approved against investors' accounts by ICB and total amount of investment stood at Tk. 163.78 crores. Out of 17 companies who floated shares of Tk. 142.39 crores during the year under report, the amount of public issue of 4 companies that received financial assistance from the ICB was Tk. 39.83 crores. The ICB accounted for Tk. 412.70 crores out of total security transactions of Tk. 3,541.35 crores in the DSE which was 11.7 percent of total transactions of DSE during 1996-97.

4.10 During 1996-97, the ICB made commitment of financial assistance of Tk. 54.12 crores of which Tk. 22.92 crores (net) were committed for underwriting public issues of shares, Tk. 3.00 crores for underwriting of debentures, Tk. 8.20 crores for direct investment in shares and debentures and Tk. 20.00 crores for trusteeship of debenture issue. During 1995-96, ICB made commitment of financial investment of Tk. 56.63 crores of which Tk. 21.50 crores were for bridge financing, Tk. 10.25 crores (net) for underwriting public issues of

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shares, Tk. 6.38 crores for underwriting of debenture, Tk. 2.00 crores for direct investment in debentures and Tk. 16.50 crores for trusteeship of debenture issue. Total investment of ICB declined to Tk. 4.05 in 1996-97 from Tk. 4.20 crores of 1995-96. The cumulative outstanding of ICB stood at 405.86 crores at the end of June, 1997 as compared to Tk. 373.86 crores at the end of June, 1996.

Bangladesh Shilpa Bank (BSB)

4.11 During 1996-97, the Bangladesh Shilpa Bank (BSB) sanctioned a total loan of Tk. 92.88 crores including a resanctioning of Tk. 91.19 crores in local currency for the approved projects. A total loan of Tk. 411.22 crores were sanctioned for the approved projects in the preceding year. The BSB disbursed loans of Tk. 20.30 crores during 1996-97, the entire amount of which was in local currency. The amount of loans disbursed during the preceding year was Tk. 113.55 crores (in local currency).

4.12 The BSB recovered a total loan of Tk. 113.53 crores during 1996-97 as compared to Tk. 91.11 crores during the preceding year. The outstanding amount of term loans including overdue loans of Tk. 1,036.71 crores (59.2%) of the BSB stood at Tk. 1,750.07 crores during the year as compared to the outstanding amount of term loans of Tk. 1,658.58 crores including overdue loans of Tk. 931.60 crores (56.2%) as on June 30, 1996.

Bangladesh Shilpa Rin Sangstha(BSRS)

4.13 Although the decision to carry out the activities of commercial banking was given to BSRS in 1992-93 alongwith its main functions, Government gave approval for commercial banking operations to BSRS for the first time in 1996-97 by restructuring it to operate as a full-fledged development bank and also by allowing it power to provide loans to new industrial projects. Under these circumstances, the commercial banking operation of the BSRS was introduced through its Motijheel branch in May, 1997. The BSRS also operates merchant banking activities and under this, it floated 1st BSRS mutual fund to the tune of Tk. 5.00 crores in the market for the public.

4.14 During 1996-97, the BSRS approved loans of Tk. 21.03 crores for 8 projects of which Tk. 3.57 crores were in local currency and Tk. 17.46 crores were in foreign currency. Loans disbursed by the BSRS increased by Tk. 9.55 crores to Tk. 11.48 crores during 1996-97 as compared to the disbursement of Tk. 1.93 crores during 1995-96. The amount of loans recovered by the BSRS during 1996-97 stood lower at Tk. 30.60 crores as compared to Tk. 40.45 crores of the preceding year. The BSRS repaid Tk. 179.07 crores as loan liabilities to the Government including the Bangladesh Bank.

4.15 The outstanding loans of BSRS increased by Tk. 1,022.84 crores to Tk. 1,869.11 crores as on June 30, 1997 as compared to Tk. 846.27 crores as on June 30, 1996. It may be mentioned that from June 30, 1993 accrued interests on the loans of non-performing defaulted borrowers of the Sangstha were used to be shown in the memorandum books instead of including the same in the respective accounts. But the overdue loans has increased significantly due to inclusion of the above overdue interest through the interest suspense account of the Sangstha.

Bank of Small Industries and Commerce (BASIC) , Bangladesh Limited

4.16 In order to provide loans in the small and cottage industry sector BASIC, Bangladesh Ltd. started functioning as a private bank from January, 1989. At that time 30 percent of its share was owned by the Government. Subsequently, 100 percent ownership of shares of BASIC was brought under the Government in 1992. BASIC, which was again shown as a private sector bank during 1995-96 has been enlisted as a Government controlled specialised bank during the year under report. The amount of outstanding loans disbursed by BASIC stood at Tk. 211.91 crores as on June 30, 1997 which was higher by Tk. 55.91 crores or 35.8 percent as compared to the outstanding amount of Tk. 156.00 crores of the same period of the preceding year. During 1996-97, out of the aforesaid outstanding loans small and cottage industries sector accounted for Tk. 91.04 crores or 43.0 percent, medium scale industries sector accounted for Tk 35.84 crores or 16.9 percent, commercial (exports and imports) sector accounted for Tk. 79.68 crores or 37.6 percent and the other sectors accounted for Tk. 5.35 crores or 2.5 percent. The amount of loans disbursed among small and cottage industries sector, medium scale industries sector, commercial sector and the other sectors were Tk. 54.99 crores or 35.3 percent, Tk. 26.05 crores or 16.7 percent, Tk. 69.08 crores or 44.3 percent and Tk. 5.88 crores or 3.8 percent respectively.

Disbursement of Loans and Investments in Small and Cottage Industries

4.17 During 1996-97, the total amount of loans disbursed in the small and cottage industries sector through the assistance of Bangladesh Small and Cottage Industries Corporation (BSCIC), different public and private commercial banks, Development Financial Institutions (DFIs) and different private institutions stood at Tk. 244.68 crores. During the year under report, the total amount of investment stood at Tk. 251.32 crores in the small and cottage industries sector including the aforesaid loans of Tk. 244.68 crores.

Industrial Loans Disbursed by the Scheduled Banks and Other Financial Institutions for the Development of Industrial Sector

4.18 With a view to making the country's economy self reliant and dynamic through industrialisation, banks and other financial institutions continued their policy for investing in the industrial sector. During 1995-96, the amount of term loan (project and rehabilitation) sanctioned and disbursed in the industrial sector by these institutions stood at Tk. 1,509.26[R] crores and Tk. 1,230.44[R] crores respectively. During 1996-97, the amount of industrial credit sanctioned and disbursed stood at Tk. 1,152.23 crores and Tk.1,200.00 crores respectively. The amount of loans disbursed during the year under report declined by Tk. 30.44 crores or 2.5 percent as compared to the preceding year.

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Projects Under the Supervision of the Industrial Credit Department

4.19 As in the preceding years, the Bangladesh Bank continued to supervise the financing and implementation programmes of various small and cottage, large and medium-scale industrial projects under foreign credits/grants in addition to its own programmes. A brief review of the noteworthy programmes is given below:

(A) Small and Cottage Industries Projects: ADB Loan No. 1070-BAN(SF)

With a view to developing a fund for granting loans to small and cottage industries sector, SDR 20.968 million (Tk. 118.00 crores) Credit Agreement No. 1070-BAN (SF) was signed between the Government of Bangladesh and the Asian Development Bank on January 25, 1991 which became effective from October 9, 1991 and credit disbursement under this programme ended on October 8, 1996. Under the above credit programme, 5 financing private banks viz., Arab-Bangladesh Bank Ltd., BASIC, Bangladesh Ltd., IFIC Bank Ltd., National Bank Ltd. and United Commercial Bank Ltd. disbursed an amount of Tk. 95.33 crores in favour of 180 projects in the small and cottage industries sector up to October 8, 1996.

(B) Industrial Credit Project in the Private Sector: IDA Credit No. 2340-BD

The institutions participating in the private sector credit disbursement programme are AB Bank Ltd., IFIC Bank Ltd., IPDC, IDLC and ULC. Disbursement of credit under this project stood at Tk. 21.11 crores during 1996-97 and total credit disbursement up to June 30, 1997 stood at Tk. 41.60 crores.

(C) Semi-Intensive Shrimp Cultivation Credit Programme

With a view to making the semi-intensive shrimp cultivation programme a success and thereby increasing export earnings, the Bangladesh Bank has been encouraging financial institutions including banks to extend credit to this sector and has been monitoring their credit disbursement programmes. The 7 commercial banks participating in the above credit programme, viz., Sonali, Janata, Agrani, Rupali, BASIC, BSB and AB Bank and a non-bank financial institution SABINCO sanctioned Tk. 38.67 crores as credit for 17 projects during 1996-97, against which Tk. 5.42 crores were disbursed. Credit sanctioned and disbursed to this sector during 1995-96 stood at Tk. 5.08 crores and Tk. 3.02 crores respectively. Under this programme, a total of Tk. 68.60 crores was disbursed up to June, 1997 against a sanctioned amount of Tk. 145.18 crores.

(D) Industrial Projects Financed by the Bangladesh Bank

In order to support the programme of setting up industries in the country, the Bangladesh Bank has allocated a fund of Tk. 256.00 crores to 13 commercial banks for financing the small and cottage industries sector. Of the allocated fund, the banks drew Tk. 241.00 crores and disbursed the above money in favour of 545 projects as credit. The concerned banks repaid an amount of

Tk. 180.00 crores to the Bangladesh Bank up to June 30, 1997. The balance amount of Tk. 61.00 crores remained outstanding with the 5 banks, which would be recoverable after June 30, 1997.

(E) Credit Guarantee Scheme for Investors in Small Scale Industries

Despite being considered profitable from all aspects, many industrial entrepreneurs are not successful in obtaining bank loans only due to inability to produce supporting collateral. In this regard, with a view to encouraging collateral-free loans to new entrepreneurs in setting up small scale industries according to Government decision, the "Credit Guarantee Scheme" was initiated to give guarantee facility to scheduled banks for collateral-free loans. This Scheme became effective from December 1, 1993. Under this Scheme, in order to provide guarantee facility the upper ceiling of fund determined by the Government was Tk 38.43 crores. Under the Scheme, a total of 216 sub-projects were granted by the different banks up to June 30, 1997 in which the amount of loans covered by guarantee was Tk. 33.83 crores.

(F) Self-Employment Small Enterprise Credit Scheme for Voluntarily Retired Officers/ Employees

With a view to creating opportunities for self-employment through setting up of industrial units or business after retirement/ dismissal for the officers/employees of the Government/ semi-government/autonomous/semi-autonomous organisations retired or want to retire voluntarily or whose services will be declared surplus by the competent authority, this scheme was introduced by the Government on December 1, 1993. Under this scheme, banks are allowed refinance facility against loans disbursed. All scheduled banks may sanction and disburse loans under this scheme. The Government set up a Tk. 20.00 crores fund at the Bangladesh Bank to finance the above scheme. Up to June 30, 1997, 6 scheduled banks made agreement with the Bangladesh Bank to provide loans under this scheme. Up to June 30, 1997, 3 banks sanctioned loans totalling Tk. 5.70 crores in 94 projects and disbursed Tk. 4.94 crores in 89 projects. During this period, the banks applied to the Bangladesh Bank for refinance of Tk. 3.47 crores against loans of 77 projects. Up to this period, the Bangladesh Bank made refinance of Tk. 16.10 lakhs against 6 projects and the remaining refinancing of 71 projects to the extent of Tk. 3.31 crores had been in process.

(G) Credit Scheme for Salt Growers and Owners of Salt Mills

Salt loan scheme was introduced in 1977 with a view to encouraging salt producers to increase production of salt. The three-phased credit scheme was introduced for giving credit to the salt crushers at the first stage, for primary salt growers at the second stage and for marketing facilities of dealers at the final stage. At present, the scheme is in operation for salt growers and mill owners. Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank Ltd., Pubali Bank Ltd. and Bangladesh Krishi Bank extend loans to genuine growers in the salt growing areas and to salt mill owners of the whole country on "banker-customer relationship". The amount of loans disbursed in this sector stood at Tk. 27.49 crores during 1996-97 as compared to Tk. 8.96 crores disbursed in the preceding year.

CHAPTER V

AGRICULTURE AND RURAL FINANCE

Annual Agricultural Credit Programme

5.1 As in the previous years, the indicative Annual Agricultural Credit Programme for 1996-97 was formulated on the basis of real demand for agricultural credit with the objective of ensuring increased flow of rural credit from institutional sources, providing necessary financial assistance for productive economic activities of rural and agriculture sectors, attaining self-sufficiency in food and alleviating poverty through effective implementation of Micro Credit Programme. Financial institutions continued to implement their own agricultural credit programmes during 1996-97 alongwith the steps that were undertaken to provide loans for improving the socio-economic condition of the rural people by establishing linkage with the NGOs and Self-Help Groups. Banks and financial institutions prepared a credit disbursement programme of Tk. 2,196.84 crores for the year under report which represented a decline of Tk. 45.16 crores or 2.0 percent over the target of Tk. 2,242.00 crores of the preceding year. Allocations under different sub-sectors of the Agricultural Credit Programme for 1996-97 were as under : crop loan (other than tea) Tk. 923.08 crores (42.0%), purchase and installation of irrigation equipments Tk. 20.94 crores (1.0%), livestock Tk. 271.67 crores (12.4%), marketing of agricultural goods Tk. 86.26 crores (3.9%), fisheries Tk. 118.48 crores (5.4%) and other agricultural activities (including tea and agricultural machineries) Tk. 776.41 crores (35.3%). Allocations for the sub-sectors during 1995-96 were : crop loan (other than tea) Tk. 896.92 crores (40.0%), purchase and installation of irrigation equipments Tk. 25.93 crores (1.2%), livestock Tk. 174.99 crores (7.8%) and marketing of agricultural goods Tk. 80.74 crores (3.6%), fisheries Tk. 150.07 crores (6.7%) and other agricultural activities (including tea and agricultural machineries) Tk. 913.35 crores (40.7%). As against the credit disbursement programme a total of Tk. 1,517.30 crores was disbursed during 1996-97 which was 69.1 percent of the programme but higher by Tk. 35.67 crores or 2.4 percent than Tk. 1,481.63 crores disbursed during the preceding year.

5.2 The following indicative guidelines continued during the year under report which were undertaken during the preceding year for proper and timely disbursement of agricultural credit, ensuring proper use of credit, improving recovery position, ensuring strict adherence to the existing rules of credit disbursement and effective supervision and monitoring of overall credit programmes.

(i) Banks and financial institutions continued to prepare their own Annual Agricultural Credit Programme on the basis of actual demand for agricultural credit during the year under report for further strengthening the adequate and timely credit disbursement from the institutional sources with a view to increasing production in the agricultural sector and for socio-economic development of small/marginal farmers as well as poor people of the rural areas.

(ii) The limit for credit up to 5.0 acres of land in case of crop loan and up to 2.5 acres in case of potatoes and sugarcane alongwith the arrangement for additional credit for secondary crop beyond the allocation for the main crop also continued during the year under report.

(iii) Considering the importance of providing loans in the crop sector, the provision of keeping minimum 60 percent of the total target of Annual Agricultural Credit Programmes of the banks and financial institutions for crop loan also continued during the year under report with a view to raising crop production.

(iv) Keeping in view the increase in prices of different agricultural inputs, the amount of credit per acre in case of crop loan was increased and the power of the banks/financial institutions to increase/decrease the amount of loans up to 10 percent of the indicative norms depending upon the necessity of actual loan requirements of the farmers also continued during the year under report.

(v) In order to encourage the borrowers to repay loans in time, provision for allowing rebate at the rate of 2.0 percent on the existing rate of interest also continued during the year under report.

(vi) The interest rate band for agricultural loans was kept unchanged at 10.0%-14.0% but authority was given to the linking institutions to determine the interest at a higher range than the upper band fixed for the agricultural loans for necessary encouragement of the borrowers, extension of loans and supervision facilities.

(vii) Arrangements continued during the year under report for the encouragement of banks to disburse credit for different productive and income generating activities through establishing links with various NGOs and Self-Help Groups.

viii) Habitual loan defaulters are not eligible for getting fresh loans and the system for providing loan to small, marginal and sharecropper treated as priority sector remained in force during the year under report.

(ix) The provision for compulsory use of Agricultural Credit Pass Books in all transactions of agricultural credit remained in force during the year under report.

(x) Arrangement for popularisation of crop insurance in respect of crop loans introduced by the Sadharan Bima Corporation also continued during the year under report.

(xi) The authority given to the Board of Directors to waive penal interest and also general interest with a view to improving the recovery position of overdue loans also continued during the year under report.

(xii) Arrangements for encouragement of private banks for the involvement in agricultural loans also continued.

(xiii) The provision for relaxing the prescribed time schedule of crop-wise credit disbursement up to a reasonable time by branch managers due to regional weather condition/natural calamities also continued.

(xiv) Activities relating to extension of credit for pisciculture, livestock and establishment of nursery etc. also continued.

(xv) The facility to extend fresh loans to the borrowers by rescheduling their earlier loans who suffered losses due to natural calamities in different areas for assisting them to continue their productive activities was also in force.

(xvi) The provision for charging simple interest and if any borrower fails to repay loans within the next 6 months after the expiry of the due date of repayment of the same, the existing policy of charging interest at a compound rate on the same amount of loans from the date of availing of the loan, was also in force.

Disbursement of Loans under the Annual Agricultural Credit Programme

5.3 Disbursement of agricultural credit under Annual Agricultural Credit Programme by the participating banks/institutions during 1996-97 stood at Tk. 1,517.30 crores which was 2.4 percent higher than Tk. 1,481.63 crores disbursed during 1995-96. An amount of Tk. 641.80 crores was disbursed as crop loans (other than tea) during the year under report which was 1.4 percent lower than Tk. 650.56 crores disbursed in the preceding year. An amount of Tk. 0.55 crore was disbursed for purchase and installation of irrigation equipments which was 40.2 percent lower than Tk. 0.92 crore disbursed during the preceding year. An amount of Tk. 91.43 crores was disbursed for livestock which was 21.4 percent lower than Tk. 116.30 crores disbursed during 1995-96. Disbursement stood at Tk. 195.21 crores for processing and marketing of agricultural goods which was 15.8 percent higher than Tk. 168.64 crores during 1995-96. Tk. 27.92 crores were disbursed for fishery in 1996-97 which was 22.0 percent lower than Tk. 35.81 crores disbursed in the preceding year. On the other hand Tk. 560.59 crores were disbursed for other agricultural activities including poverty alleviation up to June 30, 1997 which was 10.1 percent higher than Tk. 509.40 crores disbursed in the preceding year.

Recovery of Agricultural Credit

5.4 Total recovery of agricultural credit stood at Tk. 1,594.27 crores or 23.1 percent of Tk. 6,907.07 crores due for recovery up to June 30, 1997. This was Tk. 321.19 crores or 25.2 percent higher than Tk. 1,273.08 crores recovered during the preceding year. The recovery of loans during 1995-96 was 20.6 percent of the total loans due for recovery. The outstanding of agricultural loans increased by 6.3 percent to Tk. 8,256.21 crores as on end June, 1997 from Tk. 7,769.07 crores as at the end of the preceding year. The amount of overdue loans increased by Tk. 392.39 crores or 8.0 percent to Tk. 5,312.81 crores (64.4 percent of outstanding and 76.9 percent of loans due for recovery) as on June 30, 1997 from Tk. 4,920.42 crores at the end of the preceding year. A comparative position of disbursement and recovery of agricultural loans under the Annual Agricultural Credit Programmes for 1995-96 and 1996-97 is shown in Table-5.1.

TABLE-5.1

COMPARATIVE POSITION OF ANNUAL AGRICULTURAL CREDIT FOR 1995-96 AND 1996-97

(Taka in crores)

Particulars	1995-96	1996-97	Changes over the year Increase(+)/Decrease(-)
1	2	3	4
1. Programme for Disbursement	**2,242.00**	**2,196.84**	**-45.16 (-2.01)**
a) Crop loans (other than tea)	896.92	923.08	+26.16 (+2.92)
b) Purchase and installation of irrigation equipments	25.93	20.94	-4.99 (-19.24)
c) Livestock	174.99	271.67	+96.68 (+55.25)
d) Marketing of agricultural goods	80.74	86.26	+5.52 (+6.84)
e) Fisheries	150.07	118.48	-31.59 (-21.05)
f) Poverty alleviation	-	-	-
g) Loans for other agricultural activities (including tea and agricultural machineries)	913.35	776.41	-136.94 (-14.99)
2. Actual Disbursement of Credit	**1,481.63**	**1,517.30**	**+35.67 (+2.41)**
a) Crop loans (other than tea)	650.56	641.60	-8.96 (-1.38)
b) Purchase and installation of irrigation equipments	0.92	0.55	-0.37 (-40.22)
c) Livestock	116.30	91.43	-24.87 (-21.38)
d) Marketing of agricultural goods	168.64	195.21	+26.57 (+15.76)
e) Fisheries	35.81	27.92	-7.89 (-22.03)
f) Poverty alleviation	1/	219.82	+219.82 -
g) Loans for other agricultural activities (including tea and agricultural machineries)	509.40 1/	340.77	-168.63 (-33.10)
3. Loans due for recovery (up to June, 30)	6,193.50	6,907.07	+713.57 (+11.52)
4. Recovery of loans	1,273.08	1,594.27	+321.19 (+25.23)
5. Overdue loans (up to June, 30)	4,920.42	5,312.81	+392.39 (+7.97)
6. Total outstanding (up to June, 30)	7,769.07	8,256.21	+487.14 (16.27)

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

1/ The figures of poverty alleviation were included in loans for other agricultural activities.

- = Nil

5.5 Of the total agricultural loans disbursed during 1996-97, short term loans accounted for Tk. 1,209.86 crores or 79.7 percent as compared to Tk. 1,081.09 crores or 73.0 percent during the preceding year. On the other hand, disbursement of term loans declined by Tk. 93.10 crores or 23.2 percent to Tk. 307.44 crores which was 20.3 percent of total disbursement during 1996-97 as against Tk. 400.54 crores disbursed in 1995-96. A comparative position of disbursement of agricultural loans by types is given in the Table-5.2 below.

TABLE-5.2

DISBURSEMENT OF AGRICULTURAL CREDIT BY TYPES

(Short Term and Term Loan)

(Taka in crores)

Particulars	1995-96	1996-97	Changes increase (+)/decrease (-)
1	2	3	4
Total Disbursement of Agricultural Credit	**1,481.63**	**1,517.30**	**+ 35.67** **(+2.41)**
1. Short Term Loans	**1,081.09** (72.97)*	**1,209.86** (79.74)*	**+128.77** **(+11.91)**
a) Crop Loans (other than tea)	650.56	641.60	-8.96 (-1.38)
b) **Loans for Other Agricultural Activities**	**430.53**	**568.26**	**+137.73** **(+31.99)**
(i) Production Loans for Tea	160.62	150.75	-9.87 (-6.14)
(ii) Other Loans	269.91	417.51	+147.60 (+54.68)
2. Term Loans	**400.54** (27.03)*	**307.44** (20.26)*	**-93.10** **(-23.24)**
a) Purchase and Installation of Irrigation Equipments	0.92	0.55	-0.37 (-40.22)
b) **Loans for Other Agricultural Activities**	**399.62**	**306.89**	**-92.73** **(-23.20)**
(i) Loans for Livestock	116.30	91.43	-24.87 (-21.38)
(ii) Other Loans	283.32	215.46	-67.86 (-23.95)

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

* Percentage share to total disbursement of agricultural credit.

5.6 Disbursement of total agricultural credit increased by 2.4 percent to Tk. 1,517.30 crores in 1996-97 as against the disbursement in the preceding year. As in the preceding years, the Bangladesh Krishi Bank (BKB) remained also the single largest source of agricultural credit (51.5%) in 1996-97. Disbursement of crop loans by the BKB increased by 7.5 percent to Tk. 222.12 crores during the year under report as compared to Tk. 206.62 crores disbursed during 1995-96. Besides, total disbursement of credit by this bank increased by 0.3 percent to Tk. 781.15 crores in 1996-97 as compared to the preceding year. The Participating Commercial Banks (PCBs) were the second largest source of agricultural credit during the year under report. Disbursement of agricultural loans by the PCBs increased by 2.0 percent to Tk. 446.62 crores during 1996-97 as compared to the preceding year. Disbursement of crop loans by the PCBs declined by 11.1 percent to Tk. 209.62 crores from Tk. 235.90 crores disbursed in 1995-96. Disbursement of agricultural loans by the Rajshahi Krishi Unnayan Bank (RAKUB) increased by 2.8 percent to Tk. 176.91 crores during the year under report as compared to the preceding year. But in case of crop loan, disbursement of this bank declined by 9.1 percent to Tk. 116.33 crores during 1996-97 as against the disbursement in 1995-96. Disbursement of agricultural loans by the Bangladesh Samabaya Bank Limited (BSBL) increased by 9.0 percent to Tk. 1.94 crores whereas disbursement of crop loan declined by 69.2 percent to Tk. 0.20 crore during the year under report as compared to the preceding year. Agricultural loans disbursement by the Bangladesh Rural Development Board (BRDB) increased by 21.6 percent to Tk. 110.68 crores as compared to the preceding year. Disbursement of crop loans by the BRDB increased by 17.5 percent to Tk. 93.33 crores during the year under report as compared to the preceding year. The source-wise data on disbursement of agricultural credit is shown in Table-5.3.

TABLE 5.3

DISBURSEMENT OF AGRICULTURAL CREDIT BY SOURCES

(Taka in crores)

Credit Agencies	1995-96		1996-97	
	Total credit	Crop loan (other than tea)	Total credit	Crop loan (other than tea)
1	2	3	4	5
Bangladesh Krishi Bank	778.91 (52.57)	206.62 (31.76)	781.15 (51.48)	222.12 (34.62)
Rajshahi Krishi Unnayan Bank	172.10 (11.62)	127.93 (19.67)	176.91 (11.66)	116.33 (18.13)
Participating Commercial Banks	437.84 (29.55)	235.90 (36.26)	446.62 (29.44)	209.62 (32.67)
Bangladesh Rural Development Board	91.00 (6.14)	79.46 (12.21)	110.68 (7.29)	93.33 (14.55)
Bangladesh Samabaya Bank Limited	1.78 (0.12)	0.65 (0.10)	1.94 (0.13)	0.20 (0.03)
Total :	**1,481.63**	**650.56**	**1,517.30**	**641.60**

Note: Figures in the parentheses indicate percentage shares of the respective credit agencies in total credit.

5.7 The participation of private and foreign banks in the different term loans disbursement programme alongwith the Nationalised Commercial Banks (NCBs)/Specialised Banks continued during the year under report. Private and foreign banks prepared a programme of Tk. 201.10 crores for disbursement as credit from their own sources in the rural/agricultural sector during 1996-97. Tk. 156.13 crores were disbursed against the target and Tk. 52.11 crores were recovered during the year under report by these banks.

Projects under the Supervision of the Agricultural Credit Department

Special Aid Project with the Financial Assistance of IFAD for the Rural Families Affected by Cyclone (IFAD Loan No. 287-BA)

5.8 A total of Tk. 6.00 crores was disbursed up to June 30, 1997 through Sonali Bank, Janata Bank, Agrani Bank, BKB and Rupali Bank Limited as against the total allocation of Tk. 7.00 crores for the project financed by International Fund for Agricultural Development (IFAD). Government released Tk. 6.00 crores to the concerned banks as refinance from the Bangladesh Bank against this programme.

Agriculture Based Industry and Technology Development Project (ATDP)

5.9 This project started its operation with the joint sponsorship of the Ministry of Agriculture under the Government of Bangladesh and IFDC of USAID with the aim of development of agri business under private ownership. A residual amount of Tk. 106.37 crores has been transferred to this project from earlier Fertilizer Distribution Improvement Project-II. Out of this, an amount of Tk. 100.19 crores has been kept at Agri Business Credit Fund(ACF) with the objective of loan distribution. The 9 participating nationalised commercial banks, specialised and private banks of this project would provide credit from their own sources equivalent to the credit as allocated by the ACF. As a result, the total fund to be disbursed as credit of this project would stand at Tk. 200.38 crores. Tk. 177.65 crores were disbursed up to June 30, 1997 under this project. This project will continue up to April 30, 2000.

Programmes/Projects under the Agricultural Credit Project Department

5.10 The Agricultural Credit Project Department of the Bangladesh Bank also performed the responsibilities of implementing, monitoring and supervising the different projects financed by foreign assistance or own sources and/or provided refinance against loans disbursed during the year under report. A brief review of the important projects is given below.

Shrimp Culture Credit Programme

5.11 In order to increase shrimp production in the country, arrangement was made to disburse credit for 'Bagda' shrimp in coastal districts and for 'Golda' shrimp in all other districts of the country under the present shrimp culture credit programme. The participating banks disbursed an amount of Tk. 18.33 crores and recovered Tk. 12.31 crores during 1996-97 under this programme. Disbursement and recovery of total loans under this programme since its introduction in 1980 up to June 30, 1997 stood at Tk. 120.64 crores and Tk. 99.28 crores respectively.

Marginal and Small Farms System Crop Intensification Project-Kurigram (M.S.F.S.C.I.P.)

5.12 This project financed by IFAD and German Technological Co-operation has been operating from July, 1987 with the purpose of improving nutrition value and standard of living of the marginal and small farmers through increasing their agricultural and non-agricultural production as well as to save them from becoming marginal farmers gradually owing to natural calamities and to make them self-reliant and self-independent. Sonali Bank, Janata Bank, Agrani Bank and Rajshahi Krishi Unnayan Bank have been operating credit activities in 9 thanas of Kurigram district under this project. Among the total 1,743 groups, a sum of Tk. 19.55 crores was disbursed and Tk. 14.87 crores was recovered up to June 30, 1997 under this project. The amount of loan disbursement and recovery stood at Tk. 4.39 crores and Tk. 4.80 crores respectively during 1996-97.

Shasya Gudam Rin Prakalpa (SHAGARIPA)

5.13 The project continued its operation in the districts of Rangpur, Dinajpur, Nilphamari, Panchagar, Gaibandha, Manikgonj, Magura, Narail and Jessore during 1996-97. A sum of Tk. 1.51 crores and Tk. 1.66 crores were disbursed and recovered (including interest) respectively during 1996-97 under this project. Since its inception, loan disbursement and recovery stood at Tk. 11.81 crores and Tk. 11.25 crores respectively up to June, 1997.

Swanirvar (Self-reliance) Credit Programme

5.14 At present credit disbursements under this programme are in operation in 1,056 unions of 134 thanas of 39 districts of the country. Since the beginning of the programme till June 30, 1997 the participating banks disbursed an amount of Tk. 145.07 crores to the borrowers and recovered Tk. 122.96 crores. Loans outstanding and overdue stood at Tk. 101.01 crores and Tk. 86.90 crores respectively during the same period.

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

5.15 The participating banks disbursed an amount of Tk. 4.62 crores and recovered Tk. 15.19 crores (including interest) during 1996-97 under this project. The tenure of this project has been completed on December 31, 1996. Since the inception of the project, the participating banks disbursed an amount of Tk. 62.28 crores up to December 31, 1996 and recovered Tk. 36.75 crores up to June 30, 1997 under this project. Loans outstanding and overdue stood at Tk. 32.65 crores and Tk. 13.20 crores respectively under this project up to June 30, 1997.

Rural Transport Credit Programme

5.16 The participating banks disbursed Tk. 0.46 lakh and recovered Tk. 0.82 lakh during 1996-97 under Rural Transport Credit Programme. Total loans disbursed and recovered under this programme since its introduction up to June 30, 1997 amounted to Tk. 19.19 crores and Tk. 10.47 crores respectively. During the same period loans outstanding and overdue stood at Tk. 19.84 crores and Tk. 12.73 crores respectively under this programme .

Banana Plantation Financing Scheme

5.17 Under the Banana plantation financing scheme, the participating banks disbursed a sum of Tk.5.85 crores and recovered Tk. 4.12 crores during 1996-97. Total loans disbursed and recovered under the scheme since its introduction up to June 30, 1997 stood at Tk. 18.39 crores and Tk.11.36 crores respectively. During the same period loans outstanding and overdue stood at Tk. 11.18 crores and Tk. 4.47 crores respectively under this programme.

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

5.18 The Sonali Bank did not disburse any credit under this project during 1996-97 also. However, Sonali Bank recovered an amount of Tk. 0.59 crore during the year under report against the credit disbursed under this project. Against the loan disbursement of Tk. 16.71 crores up to June 30, 1997 under this project, both loan outstanding and overdue stood at Tk. 6.11 crores. No refinance was provided in this project during the year under report. Since the beginning till June, 1997 an amount of Tk. 15.52 crores was provided as refinance under this project against which total recovery amounted to Tk. 0.91 crore during 1996-97 while loans outstanding stood at Tk. 13.05 crores.

Grameen Bank

5.19 The Grameen Bank opened 30 new branches during the year 1996-97. As a result, the total number of its branches stood at 1,086. A total of 37,109 villages including 1,356 new villages were brought under the purview of the Grameen Bank operations during the year under report. The bank disbursed a total amount of Tk. 1,355.14* crores during 1996-97 which was 11.8 percent higher than Tk. 1,211.83 crores disbursed in the preceding year. Total recovery by the Grameen Bank amounted to Tk. 1,244.04 crores or 91.8 percent of the total loans disbursed during the year under report. The amount of loans recovered stood at Tk. 1,250.44 crores or 103.2 percent of the loans disbursed in 1995-96.

Inspection of Bank Branches

5.20 The Agricultural Credit Inspection Department of the Bangladesh Bank carried out inspection of 1,111 branches of the Nationalised Commercial Banks and 222 branches of Rupali Bank limited (94.5% Government owned) and Denationalised Banks (Uttara Bank Limited and Pubali Bank Limited) during 1996-97. In addition, inspection was also carried out in 552 branches of the Bangladesh Krishi Bank and 194 branches of the Rajshahi Krishi Unnayan Bank. Moreover, inspection of 57 branches of different banks was also carried out by the Bangladesh Bank during 1996-97 for settlement of the interest subsidy claims.

Refinance Facility in the Agricultural Sector

5.21 A sum of Tk. 216.14 crores and Tk. 125.38 crores were released in favour of the Bangladesh Krishi Bank (BKB) and the Rajshahi Krishi Unnayan Bank (RAKUB) respectively under the existing refinance facility during 1996-97 against the actual loan disbursement in the field level. The BKB and the RAKUB repaid Tk. 104.41 crores and Tk. 110.16 crores respectively against the refinance liability during the year under report. The outstanding amount of the refinance provided by the Bangladesh Bank to the BKB and the RAKUB stood at Tk 2,128.27 crores and Tk. 752.25 crores respectively up to June 30, 1997. Sonali Bank received Tk. 60.00 crores as refinance against loans disbursed to the Thana Central Co-operative Associations (TCCA) under Bangladesh Rural Development Board (BRDB) at the end of 1996-97. The outstanding stood at Tk. 5.13 crores up to June 30, 1997 against the loans provided by the Bangladesh Bank to the BRDB under the Rural Poor Programme (RPP). On the other hand, the outstanding amounted to Tk. 30.03 crores up to June 30, 1997 against the loans provided by the Bangladesh Bank to Bangladesh Samabaya Bank Limited (BSBL).

* An amount of Tk. 45.81 crores was disbursed during 1996-97 as house building loan which was not included in it.

CHAPTER VI

HOUSE BUILDING FINANCE

Bangladesh House Building Finance Corporation (HBFC)

6.1 Bangladesh House Building Finance Corporation (HBFC) disbursed house building loans of Tk. 178.91 crores during 1996-97 which was lower by Tk. 81.69 crores or 31.4 percent as compared to Tk. 260.60[R] crores disbursed during the preceding year. The disbursement of loans declined markedly during the year under report due to the paucity of funds and non-availability of further loans because of the fact that the construction of buildings were not inaccordance with the approved plan of the Rajdhani Unnayan Kartripaksha (RAJUK). The Corporation sanctioned Tk. 118.41 crores against 1,073 loan applications which was 53.9 percent lower as compared to the preceding year.

6.2 HBFC recovered an amount of Tk. 166.57[P] crores during 1996-97 which was Tk. 28.95 crores or 21.0 percent higher than Tk. 137.62[R] crores recovered during the preceding year. The outstanding loans alongwith overdue(including interest) of HBFC as on June 30, 1997 stood at Tk. 2,411.64[P] crores as compared to Tk. 2,220.12[R] crores at the end of the preceding year. The amount of overdue loans of HBFC stood at Tk. 210.89[P] crores or 8.7 percent of the total outstanding loans as on June 30, 1997 as compared to Tk. 197.59[R] crores or 8.9 percent of the total outstanding loans as on June 30, 1996. Particulars of disbursement, recovery, outstanding and overdue loans of HBFC are shown in Table-6.1.

TABLE-6.1

AMOUNT OF DISBURSEMENT, RECOVERY, OUTSTANDING AND OVERDUE LOANS OF HBFC

(Taka in crores)

Year	Amount of loans disbursed	Amount of recovery	Outstanding loans as on June 30	Amount of overdue loans as on June 30
1	2	3	4	5
1994-95	237.07	115.54[R]	1,939.71	162.21
1995-96[R]	260.60	137.62	2,220.12	197.59
1996-97[P]	178.91	166.57	2,411.64	210.89

Source : Bangladesh House Building Finance Corporation (HBFC).

R Revised.

P Provisional.

6.3 In order to assist the borrowers and to strengthen the loan disbursement and recovery programme, the Corporation continued to adopt the following indicative policies during 1996-97 alongwith some new measures :

a) With effect from January 1, 1996 the rate of interest on loans for new customers of Dhaka and Chittagong cities continued to remain in force at 11 percent and at 9 percent for other areas.

b) Moratorium period for installment payments has been kept at 12 months instead of 2 months.

c) The graduation system of loan repayment continued to remain in force alongwith the existing system. Under the graduation system, loans for the first five years can be repaid at 25 percent lower than the existing rate of installment, for the next five years at an equivalent rate of existing installment and for the remaining ten years installments can be paid at a higher rate of 20 percent.

d) The policy of charging no interest on installment of the principal amount of the month if the same is paid within the 15th of the month continued to remain in force.

e) Incentives payable to regular loan repayees against interest charged at the end of the year which has been increased to 15 percent from 10 percent with effect from January 1, 1996 also continued during 1996-97.

f) New loan facilities for apartments in Dhaka and Chittagong cities and for Semipaka Tin Shades in district towns have been introduced during the year under report.

g) With a view to strengthening the loan recovery programme, camp offices of the Corporation were established at some new districts having large loan cases and lower recovery rates, individual recovery targets were fixed for officials/employees engaged in loan recovery programmes and the arrangement to strengthen the monitoring system at the head office continued during 1996-97.

h) An extensive supervisory arrangement has been reinforced to recover the loans by detecting the cases of large defaulters.

Collection of Funds of HBFC through Sale of Debentures

6.4 Total funds raised by HBFC during the period from 1973 to June 30, 1997 through sale of debentures to the Bangladesh Bank, the commercial banks and the Sadharan Bima Corporation stood at Tk. 1,822.00^{P} crores. After repayment of Tk. 124.75^{P} crores, the outstanding amount against debentures stood at Tk. 1,697.25^{P} crores as on June 30, 1997. The Bangladesh Bank's debenture financing to the Corporation remain unchanged at the preceding year's level of Tk. 1,119.95 crores as on June 30, 1997. Collection of funds by HBFC through sale of debentures is shown in Table-6.2.

TABLE-6.2

COLLECTION OF FUNDS BY HBFC THROUGH SALE OF DEBENTURES

(Taka in Crores)

Period (End-June)	From Bangladesh Bank	From Commercial Banks	From Sadharan Bima Corporation	Total Fund Collections	Total Repayments	Total Outstanding
1	2	3	4	5	6	7
1994-95	968.85	780.15	13.00	1,762.00	91.25	1,670.75
1995-96	1,119.95	669.05	13.00	1,802.00	107.00	1,695.00
1996-97	1,119.95	689.05P	13.00P	1,822.00P	124.75P	1,697.25P

Source : Bangladesh House Building Finance Corporation .
Note : Tk. 151.10 crores were transferred to the Bangladesh Bank from Janata Bank on December 26, 1995.
P Provisional.

Scheduled Banks' Financing of House Building

6.5 The Scheduled Banks' credit programme for the construction of residential houses and commercial buildings also continued during 1996-97. The outstanding house building loans extended by the scheduled banks stood at Tk. 1,401.90 crores at the end of March, 1997 as compared to Tk. 1,363.93 crores at the end of the same month of the previous year. The outstanding house building loans extended by the nationalised commercial banks (NCBs) stood at Tk. 1,058.17 crores at the end March, 1997 as compared to Tk. 1,029.07 crores at the end March, 1996. The outstanding house building loans provided by the private commercial banks stood at Tk. 283.82 crores at the end of March, 1997 as compared to Tk. 293.59 crores at the end of March, 1996. The outstanding house building loans provided by the foreign commercial banks operating in Bangladesh stood at Tk. 21.59 crores at the end of March, 1997 as compared to Tk. 17.31 crores at the end of March, 1996. The outstanding house building loans provided by the specialised banks stood at Tk. 38.32 crores at the end of March, 1997 as compared to Tk. 23.32 crores at the end of March, 1996.

CHAPTER VII

PUBLIC FINANCE

Main Characteristics of the National Budget and Fiscal Policy

7.1 The national budget for 1996-97 was formulated giving priority to the development of social sector including alleviation of poverty, human resource development and improvement of education and health. The main objectives of the budget for the year under report were: to achieve Gross Domestic Product (GDP) growth rate of 5.5 percent and to raise the same to 7.0 percent in the next five years, transform the agriculture sector into a dynamic one, ensure the easy availability of agricultural input in order to increase the productivity of agricultural sector, increase the tariff rates of some imported items for the protection of domestic industries, increase efficiency in tax collection, broadening the tax base through simplification of tax payment system especially to increase revenue receipts from income tax, create a congenial environment to encourage Bangladeshi nationals living abroad to participate in the capital market and to provide tax facilities to different institutions/companies in order to encourage foreign investment.

Budget for 1996-97

7.2 The budget for 1996-97 envisaged total revenue receipts at Tk. 17,120.00 crores and total revenue expenditures at Tk. 12,103.49 crores, leaving a revenue surplus of Tk. 5,016.51 crores. Subsequently, revenue receipts in the revised budget increased by Tk. 25.13 crores to Tk.17,145.13 crores due to higher receipts from the principal heads over the budget estimates. On the other hand, revenue expenditures increased by Tk. 431.42 crores to Tk. 12,534.91 crores because of increases in expenditure not only in big sectors like Education and Defence but also increases under Interest on Domestic Debt, Secretariat, General Administration, Public Order and Safety (except Police & BDR), Police, Health and Population Control, Pension and other Retirement Benefits, Social and Community Services, General Economic Services, Agriculture and Allied Services, Water Resources etc.

Annual Development Programme for 1996-97

7.3 The size of the Annual Development Programme (ADP) for the fiscal year 1996-97 was originally envisaged at Tk. 12,500.00 crores. Subsequently it was reduced by Tk. 800.00 crores or 6.4 percent to Tk. 11,700.00 crores in the revised ADP. In financing the revised programme, foreign assistance was placed lower by Tk. 599.00 crores or 9.1 percent to Tk. 5,975.00 crores (Project aid, Commodity aid etc.) as compared to the original programme. On the other hand, domestic financing for revised ADP stood at Tk. 5,725.00 crores (Revenue surplus Tk. 4,610.00 crores). Information/Data relating to revenue and capital budget are given in Table-3 of the Annexure.

Budget Estimates for 1997-98

7.4 On the basis of existing taxes, the budget for 1997-98 envisaged revenue receipts at Tk.19,624.24 crores and revenue expenditures at Tk. 14,544.42 crores thus, showing a revenue surplus of Tk. 5,079.82 crores. Receipts from tax and non-tax sources were estimated at Tk.16,153.00 crores and Tk. 3,471.24 crores respectively in the budget for the year under report. Receipts of tax revenue under the major heads during the year under report were: Value Added Tax(VAT) Tk. 5,050.00 crores, Custom Duties Tk. 5,010.00 crores, Supplementary Tax Tk.2,510.00 crores, Income Tax Tk. 1,950.00 crores, Non-Judicial Stamp Tk. 565.00 crores, Other Taxes and Duties Tk. 250.00 crores, Excise Duties Tk. 230.00 crores, Land Development Tax Tk. 195.00 crores, Taxes on Vehicles Tk. 185.00 crores, Registration Tk. 180.00 crores and Narcotics Duty Tk. 28.00 crores. The major heads of non-tax revenue receipts were: Telegraph and Telephone Board (net) Tk. 750.00 crores, Interest Income Tk. 550.00 crores; Dividend from Nationalised Banks and Financial Institutions Tk. 530.00 crores, General Administration and Services Tk. 434.12 crores, Economic Services Tk. 331.05 crores, Dividend from Nationalised Industrial Enterprises and Agencies Tk. 284.38 crores, Social and Community Services Tk. 170.68 crores, Sale Proceeds of Assets Tk. 150.00 crores and 'Others' Tk. 271.01 crores. Of the total revenue expenditure, the highest allocation was proposed for the Defence Tk. 2,457.53 crores, followed by Education Tk. 2,342.33 crores, Unexpected Expenditure Tk. 1,253.00 crores, Interest on Domestic Debt Tk. 1,240.00 crores, Social and Community Services Tk. 1,054.82 crores, Health and Population Control Tk. 776.60 crores, Interest on Foreign Debt Tk. 725.00 crores, Subsidy Tk. 679.60 crores, Pension and other Retirement Benefits Tk. 600.00 crores, Police Tk. 584.56 crores, Agriculture and Allied Services and Water Resources Tk. 433.50 crores, Fiscal Services Tk. 386.38 crores, General Administration, Public Order and Safety (excluding Police and BDR) Tk. 353.33 crores, Transport and Communication (excluding Railway, Telegraph, Telephone and Post Office) Tk. 296.01 crores, General Services relating to Administration Tk. 281.38 crores, Bangladesh Rifles Tk. 254.04 crores, Aids, Grants and Contributions Tk. 224.24 crores, General Economic Services Tk. 125.12 crores and Foreign Affairs Tk. 112.67 crores and Others Tk. 364.04 crores.

7.5 The main objectives of the budget for 1997-98 were: to give top priority to the development of human resource and physical infrastructures, to achieve rapid growth through alleviation of poverty and creation of huge employment opportunity, to continue economic reform programme including privatisation and to ensure education and health services through enhanced allocation. Besides, some welfare-oriented creative proposals were made in the budget of which to establish a housing fund in social sector, allowances for distressed elderly persons and to set up an employment generation bank to provide employment facilities for the youth were noteworthy. Various measures were taken to broaden the tax base in this budget in order to make the tax system modern and realistic. With a view to developing the capital market initiative has been taken to establish a National Stock Exchange, permission was given for setting up of merchant banks and the implementation of a project with the assistance of Asian Development Bank(ADB) may also be noted as some of the main objectives of the budget for 1997-98.

Annual Development Programme for 1997-98

7.6 The size of the Annual Development Programme (ADP) for the year 1997-98 were estimated at Tk. 12,800.00 crores which was higher by Tk. 1,100.00 crores or 9.4 percent over the revised ADP of Tk. 11,700.00 crores for 1996-97. Of the total outlay, major sector-wise allocations were as follows : Transport Tk. 2,265.66 crores (17.7%), Education and Religion Tk. 1,685.62 crores (13.2%), Power Tk. 1,472.68 crores (11.5%), Flood Control and Water Resources Tk. 1,064.40 crores (8.3%), Rural Development and Institutions Tk. 986.53 crores (7.7%), Physical Planning, Water Supply and Housing Tk. 870.08 crores (6.8%), Agriculture Tk.624.29 crores (4.9%), Health Tk. 587.74 crores (4.6%), Food for Works Programme Tk.553.00 crores (4.3%), Population and Family Planning Tk. 544.04 crores (4.2%), Oil, Gas and Natural Resources Tk. 539.75 crores (4.2%), Communication Tk. 284.52 crores (2.2%), Development Assistance to Thanas Tk. 200.00 crores (1.6%), Social Welfare, Women Affairs and Youth Development Tk. 166.86 crores (1.3%), Industry Tk. 150.66 crores (1.2%), Development Assistance to the Municipalities Tk. 120.00 crores (0.9%), Public Administration Tk. 110.10 crores (0.9%), Lump allotment for Four Municipal Corporations Tk. 110.00 crores (0.9%), Dhaka City Flood Protection Project (lump) Tk. 79.25 crores (0.6%) and Others Tk. 382.60 crores (3.0%). The Annual Development Programme for 1997-98 envisages a total foreign assistance of Tk. 6,779.00 crores or 53.0% of total outlay as compared to Tk. 5,975.00 crores or 51.1% in the revised ADP of the preceding year.

Government Borrowings

Government of Bangladesh Loan-2002 Bearing 9.0 Percent Interest

7.7 The outstanding balance of Government of Bangladesh Loan-2002 bearing 9.0 percent interest remained unchanged as on June 30, 1997 at the previous year's level of Tk. 68.75 crores.

"National Bond" for Non-Bank Investors

7.8 The outstanding balance of the "National Bond" for Non-Bank Investors stood at zero(0) as on June 30, 1997 as compared to Tk. 0.42[R] crore at the end of June, 1996.

"Income Tax Bond" Bearing 5.0 Percent Interest

7.9 The outstanding balance of revalidated

R Revised.

"Income Tax Bond" bearing 5.0 percent interest of the erstwhile Pakistan Government held by the Bangladeshi nationals and institutions stood at zero(0) at the end of June, 1997 as against Tk. 0.76[R] crore at the end of June, 1996.

G.P. Notes/Stock Certificates

7.10 The outstanding balance of G.P. Notes/ Stock Certificates bearing 5.0 percent interest including defence bonds of the former Pakistan Government and its Provincial Governments held by the Bangladeshi nationals and institutions and liabilities of which have been accepted by the Government of Bangladesh but awaiting redemption remained unchanged as on June 30,1997 at the previous year's level of Tk. 2.29 crores.

"Non-Negotiable Bond" Bearing 5.0 Percent Interest

7.11 The outstanding balance of "Non-Negotiable Bonds" bearing 5.0 percent interest issued by the Government of Bangladesh as compensation to the former shareholders of the nationalised industries stood at zero(0) as on June 30, 1997 as against Tk. 0.40 crore at the end of June of the previous year.

"Savings Bond" Bearing 8.0 Percent Interest

7.12 The outstanding balance of "Savings Bonds" bearing 8.0 percent interest issued by the Government of Bangladesh against 100 Taka demonetised notes stood at zero (0) as on June 30, 1997 as compared to Tk. 0.05 crore as on June 30, 1996.

R Revised.

2-Year Special Treasury Bond

7.13 The outstanding balance of credit to the Government against 2-year Special Treasury Bond bearing 12.0 percent interest stood at zero (0) as on June 30, 1997 as against Tk. 0.91 crore at the end of June 30, 1996.

15-Year Special Treasury Bond

7.14 To meet the shortfall in provisioning against the bad loan and recapitalisation of nationalised banks, 15-Year Special Treasury Bond of Tk. 1,729.13 crores bearing 7.5 percent interest was issued by the Government which became effective from December 30, 1990. Subsequently, on March 9, 1993 the rate of interest was refixed at 5.0 percent. The outstanding amount of this Bond as on June 30, 1997 remained unchanged at the previous year's level of Tk. 1,729.13 crores.

15-Year Treasury Bond-2008 Bearing 5.0 Percent Interest

7.15 To meet the shortfall due to agricultural loan write-off and the shortfall in capital and provisioning against bad loans, 15-Year Treasury Bond-2008 of Tk. 500.00 crores bearing 5.0 percent interest was issued on October 16, 1993 in favour of Sonali Bank, Janata Bank, Agrani Bank and Rupali Bank Limited. The outstanding amount of the Bond as on June 30, 1997 remained unchanged at the previous year's level of Tk. 500.00 crores.

15-Year Treasury Bond-2011 Bearing 5.0 Percent Interest

7.16 In order to meet the shortfall for agricultural loan write-off, interest free treasury bond of Tk. 295.00 crores was issued on June 30, 1994 in favour of the Bangladesh Krishi Bank. As a result of repayment of Tk. 150.00 crores in cash during 1994-95, the outstanding amount of this bond, as on June 30, 1995 stood at Tk. 145.00 crores which was converted into 15-Year Treasury Bond-2011 bearing 5.0 percent interest by the Government on April 16, 1996. The outstanding balance of this Bond as on June 30, 1997 remained unchanged at the previous year's level of Tk. 145.00 crores.

3-Year (T&T) Treasury Bond-1996 Bearing 5.0 Percent Interest

7.17 In order to finance the installation of 1 lakh 30 thousand digital telephone lines, 3-Year (T&T) Treasury Bond-1996 of Tk. 275.00 crores bearing 5.0 percent interest was issued on December 29, 1993 in favour of different banks. The outstanding balance of the Bond as on June 30, 1997 stood at zero(0) due to its maturity and repayment against it on December 29, 1996.

3-Year (T&T) Treasury Bond-1997 Bearing 5.0 Percent Interest

7.18 3-Year (T&T) Treasury Bond-1997 of Tk. 335.00 crores bearing 5.0 percent interest was issued on August 7, 1994 in favour of commercial banks and financial institutions in order to finance the installation of 1 lakh 30 thousand digital telephone lines. The outstanding balance of the Bond as on June 30, 1997 remained unchanged at the preceding year's level of Tk. 335.00 crores.

3-Year (T&T) Treasury Bond-1998 and 1999

7.19 In order to finance the installation of 1 lakh 30 thousand digital telephone lines, the Government issued 3-Year Treasury Bond of Tk. 21.00 crores bearing 5.0 percent interest on November 30, 1995, Tk. 55.00 crores bearing 6.0 percent interest on January 15, 1996, Tk. 10.00 crores bearing 8.8 percent interest on June 20, 1996 and Tk. 139.00 crores bearing 10.0 percent interest on June 27, 1996 i.e., total bonds of Tk. 225.00 crores were issued in favour of different banks/financial institutions. The outstanding balance of these Bonds as on June 30, 1997 remained unchanged at the previous year's level of Tk. 225.00 crores.

3-Year (T&T) Treasury Bond-1999

7.20 In order to finance the installation of 1 lakh 30 thousand digital telephone lines, 3-Year Treasury Bond of Tk. 125.00 crores bearing 8.8-10.0 percent interest was issued in favour of different commercial banks/financial institutions on November 30, 1996. The outstanding balance of this bond stood at Tk. 125.00 crores as on June 30, 1997.

25-Year Treasury Bond-2018

7.21 25-Year Treasury Bond of Tk. 590.99 crores was issued on November 1, 1993 in favour of Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank Limited, Uttara Bank Limited and Pubali Bank Limited in order to compensate for the liquidation of jute sector credit. The outstanding balance of the Bond as on June 30, 1997 stood at Tk. 502.34 crores due to repayment of some amount against it.

25-Year Treasury Bond-2019

7.22 In order to compensate against the liquidation of Jute sector credit, 25-Year Treasury Bond of Tk. 409.80 crores was issued on June 30, 1994 in favour of Sonali Bank, Janata Bank, Agrani bank and Rupali Bank limited. As in the preceding year, some amount of the bond was also repayed during the year under report and as a result, the outstanding balance of this bond at the end of June, 1997 stood at Tk. 348.33 crores which was Tk. 20.49 crores lower than the last year's outstanding of Tk. 368.82 crores.

3-Year Treasury Bond-1997 Bearing 7.0 Percent Interest

7.23 In order to reimburse the loss due to interim working capital loan to the jute sector during 1993-94, 3-Year Treasury Bond-1997 of Tk. 285.26 crores bearing 7.0 percent interest was issued (effective from July 1, 1994) in favour of Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank Limited and Uttara Bank Limited. The outstanding balance of this bond remained unchanged at the preceding year's level of Tk. 285.26 crores as on June 30, 1997.

3-Year Treasury Bond (Jute Sector)-1998

7.24 3-Year Treasury Bond-1998 of Tk. 176.43 crores bearing 7.0 percent interest was issued on July 1, 1995 in order to reimburse the loss of interim working capital in jute sector during 1994-95. The outstanding balance of the Bond remained unchanged at the preceding year's level of Tk. 176.43 crores as on June 30, 1997.

25-Year Treasury Bond-2020

7.25 As per the Government decision, 5.0 percent interest bearing Treasury Bond of Tk. 68.46 crores was issued on July 1, 1995 in order to reimburse one-third of the debt due to Jute Mills' loan write-off by the private banks. The outstanding balance of the Bond stood at Tk. 65.04 crores as on June 30, 1997 due to repayment of Tk. 3.42 crores during the year under report.

3-Year Treasury Bond (Jute Sector)-1998

7.26 As per the Government decision, 3-Year Treasury Bond-1998 of Tk. 26.74 crores bearing 7.0 percent interest was issued (effective from July 1, 1995) in favour of different banks in order to reimburse the loss of interim working capital in jute sector. The outstanding balance of this Bond stood at Tk. 26.74 crores at the end of June, 1997.

10-Year Treasury Bond-2006 Bearing 7.0 Percent Interest

7.27 (A) As per the Government decision, 10-Year Treasury Bond of Tk. 81.64 crores bearing 7.0 percent interest was issued in favour of different commercial banks which became effective from July 1, 1996 in order to reimburse the loss of interim working capital in jute sector during 1995-96. The outstanding balance of this Bond stood at Tk. 81.64 crores as on June 30, 1997.

(B) As per the Government decision, 10-Year Treasury Bond of Tk. 88.78 crores bearing 7.0 percent interest was issued during 1995-96 in favour of different commercial banks which became effective from July 1, 1996 in order to reimburse the loss of interim working capital in jute sector. The outstanding balance of this Bond stood at Tk. 88.78 crores as on June 30, 1997.

10-Year Treasury Bond-2005 and 2006 Bearing 7.0 Percent Interest

7.28 (A) As per the Government decision, 10-Year Treasury Bond of Tk. 26.46 crores bearing 7.0 percent interest was issued (effective from July 1, 1995) in favour of different commercial banks during 1994-95 in order to reimburse the loss of interim working capital in jute sector. The outstanding balance of this Bond was Tk. 26.46 crores as on June 30, 1997.

(B) As per the Government decision, 10-Year Treasury Bond of Tk. 25.56 crores bearing 7.0 percent interest was issued during 1995-96 in favour of different commercial banks which became effective from July 1, 1996 in order to reimburse the loss of interim working capital in jute sector. The outstanding balance of this Bond stood at Tk. 25.56 crores as on June 30, 1997.

3-Year (BSRS) Treasury Bond- 2000 Bearing 8.5 Percent Interest

7.29 In order to finance the restructuring and transforming the Bangladesh Shilpa Rin Sangstha into a profitable institution, 3-Year Treasury Bond of Tk. 50.00 crores bearing 8.5 percent interest was issued by the Government on June 19, 1997 in favour of the Agrani Bank. The outstanding balance of this Bond stood at Tk. 50.00 crores as on June 30, 1997.

Biman Treasury Bond- 2000 Bearing 4.0 and 5.0 Percent Interest

7.30 Treasury Bond -2000 of Tk. 57.00 crores was issued on June 29, 1995 in favour of different banks and financial institutions in order to finance the purchase of two air-buses for the Bangladesh Biman Corporation. The outstanding balance of this Bond remained unchanged at the preceding year's level of Tk. 57.00 crores as on June 30, 1997.

5-Year (Biman) Treasury Bond- 2002

7.31 Treasury Bond-2002 of Tk. 15.00 crores bearing 8.0 percent interest in the 1st phase and of Tk. 35.00 crores bearing 9.0 percent interest in the 2nd phase was issued in favour of different commercial banks on April 1, 1997 and June 19, 1997 respectively in order to finance the Bangladesh Biman for purchasing two air-buses. The outstanding balance of the Bond stood at Tk. 50.00 crores as on June 30, 1997.

3-Year Autonomous Bodies' Bank Credit Bond Bearing 7.0 Percent Interest

7.32 (A) 3-Year Treasury Bond of Tk. 142.56 crores bearing 7.0 percent interest was issued on June 29, 1995 in favour of banks against the claims of different commercial banks on the Bangladesh Agriculture Development Corporation. The outstanding balance of the Bond as on June 30, 1997 remained unchanged at the previous year's level of Tk. 142.58 crores.

(B) The Government issued 3-Year Treasury bond of Tk. 103.24 crores bearing 7.0 percent interest on June 29, 1995 in favour of different commercial banks in order to repay the bank credit of Bangladesh Textile Mills Corporation against the privatised textile mills. The outstanding balance of this Bond as on June 30, 1997 remained unchanged at the previous year's level of Tk. 103.24 crores.

Wage Earners' Development Bond

7.33 The net sale of Wage Earners' Development Bond through different banks amounted to Tk. 57.05 crores during 1996-97 which raised the outstanding balance of the Bond as on June 30, 1997 to Tk. 837.96 crores from the previous year's level of Tk. 780.91 crores. Sale and encashment of this Bond during the year under report were Tk. 114.55 crores and Tk. 57.50 crores respectively.

3-Year National Investment Bond

7.34 The outstanding balance of 3-Year National Investment Bond which was introduced in September, 1992 stood at Tk. 773.00 crores at the end of June, 1997. Sale and encashment of the Bond were Tk. 46.01 crores and Tk. 31.62 crores respectively during the year under report.

8-Year Pratiraksha Sanchaya Patras

7.35 The net sale of Pratiraksha Sanchaya Patras through banks, post offices and Sanchaya Bureau increased by Tk. 638.94 crores or 22.6 percent to Tk. 3,467.82 crores as on June 30, 1997 as against Tk. 2,828.58 crores as on June 30, 1996. Sale and encashment of Pratiraksha Sanchaya Patras during 1996-97 were Tk. 1,035.52 crores and Tk. 396.08 crores respectively.

6-Year Bonus Sanchaya Patras

7.36 The repayments of principal amount and profit of 6-Year Bonus Sanchaya Patras through banks, post offices and Sanchaya Bureau during the year under report stood at Tk. 20.60 crores and Tk. 20.41 crores respectively. It may be mentioned that sale of Bonus Sanchaya Patras was suspended from June 3, 1992.

5-Year Bangladesh Sanchaya Patras

7.37 The net sale of 5-Year Bangladesh Sanchaya Patras through banks, post offices and Sanchaya Bureau increased by Tk. 109.09 crores or 4.7 percent to Tk. 2,409.04 crores as on June 30, 1997 as compared to Tk 2,299.95 crores as on June 30, 1996. Sale and encashment of 5-Year Bangladesh Sanchaya Patras during 1996-97 were Tk. 551.38 crores and Tk. 442.29 crores respectively.

3-Year Sanchaya Patras

7.38 The repayments of principal amount and profit of 3-Year Sanchaya Patras through banks, post offices and Sanchaya Bureau were Tk. 376.63 crores and Tk. 139.86 crores respectively during the year under report. It may be mentioned that sale of 3-Year Sanchaya Patras was suspended from September 20, 1993.

Savings Certificates with Half-yearly Profit

7.39 Savings Certificates with Half-yearly Profit were introduced from January, 1997. The net sale of the above certificates through banks, post offices and Sanchay Bureau was Tk. 362.85 crores as on June 30, 1997. Sale and encashment of the above certificates during January-June, 1997 was Tk. 364.71 crores and Tk. 1.88 crores respectively.

Family Savings Certificates

7.40 Family Savings Certificates were introduced from February, 1997. The net sale of the above savings certificates through banks, post offices and Sanchay Bureau was Tk. 70.72 crores as on June 30, 1997. Sale and encashment of the above savings certificates were Tk. 71.53 crores and Tk. 0.81 crore respectively during February-June, 1997.

Bangladesh Prize Bond

7.41 The 50-Taka Prize Bond was introduced in 1985. Sale of this Bond was suspended from July 2, 1995. The outstanding balance of the Bond to its holders was Tk. 3.38 crores at the end of June, 1997.

7.42 The 100-Taka Prize Bond was introduced from July 2, 1995. The net sale of 100-Taka Prize Bond was Tk. 145.38 crores as on June 30, 1997. Sale and encashment of the above Bond stood at Tk. 49.27 crores and Tk. 28.03 crores respectively during 1996-97. 7 draws for 20 series of the Bond were held up to June 30, 1997.

CHAPTER VIII

EXTERNAL TRADE AND BALANCE OF PAYMENTS

Trade Balance*

8.1 The deficit in the balance of trade (visible export minus visible import) of the country widened by $ 297.0 million (Tk. 628.5 crores) to $ 2,702.0 million (Tk. 11,590.0 crores) during 1996-97** as compared to the preceding year. Import payments went up by $ 239.0 million or 3.5 percent to $ 7,120.0 million while export receipts registered an increase of $ 536.0 million or 13.8 percent to $ 4,418.0 million during the year under report. Export receipts and import payments in the preceding year stood at $ 3,882.0 million and $ 6,881.0 million respectively. The position of the overall balance of payments is shown in Table-XI of the Appendix.

Trade Policy

8.2 Bangladesh embarked upon a liberal trade and investment policy in the 1990s, designed especially to integrate the domestic market with the international market. With the liberalisation of exchange regime and declaration of convertibility of Taka in current transaction, exchange rate has been adjusted nearer to the market rate. Liberalisation process continued throughout 1996-97.

Import Policy and Programme

8.3 In the backdrop of Uruguay Round and its subsequent developments and adoption of policy package to foster free market economy, the trade policy of Bangladesh has been restructured. The objective is to develop an outward-looking market economy enabling export sector to play a vital role in economic development through import liberalisation. By removing quantitative restrictions and reducing import duties, import regime was further liberalised. With a view to ensuring economic growth and welfare and increasing competitive efficiency in the international market, liberalisation activities are being continued. The number of products under the four digit code subject to quantitative restrictions declined from 239 in 1990-91 to 118 under the Import policy of 1995-97. Most of the restrictions were imposed under security, health, religious, environmental and cultural considerations. Only a few commodities were brought under restriction for trade and protection purpose. During 1996-97, customs duty was reduced and the maximum rate of duty was refixed at 45 percent from 50 percent. The average rate of protection which was 89 percent in 1990-91 was reduced to 22 percent in 1995-96 and according to provisional estimates the rate also remained at the same level during 1996-97. Some key measures which were taken under the Third Biennial Import Policy for 1995-97 are elaborated as under :

i) Any item outside the restricted and the conditional lists can be freely imported unless otherwise stated in the Import Policy Order. In case, import of any item is prohibited for the sake

* Source : Bangladesh Bank and Export Promotion Bureau.

** Figures for 1996-97 (excluding export) are provisional.

of protection to any domestic industry, sponsors/ Tariff Commission will strictly monitor the production aspect of the concerned industry regularly.

ii) The public sector importers such as Ministries, Departments and Agencies of the Government can import any item against specific allocation of the Government without import licence, permit or import registration certificates.

iii) No import licence will be required for imports. Without opening L/Cs books, journals, magazines and periodicals etc. can be imported on the basis of sight draft or usance bills through LCA form. Moreover, on cash payment from Bangladesh, importable items worth up to US $ 5000 can be imported annually.

iv) Under Bangladesh Bank statutory regulation, imports can be made on deferred payment basis or against suppliers' credit.

v) The fees for renewal of registration certificates could be paid without any surcharge until 30-9-1995 for 1995-96 and until 30-9-96 for 1996-97.

vi) Individuals and organisations not registered as importers can import any permissible item without approval up to a maximum limit of $ 2,000 for their own use against cash payment. Imports exceeding $ 2,000 but upto $ 5000 are subject to prior approval of the Regional Controller of Imports, and those exceeding the above limit are subject to prior approval of the Chief Controller of Import and Export (CCI&E).

vii) Non-resident professionals of Bangladesh can import out of their own earnings any amount of scientific instruments and accessories for their professional use without approval of the CCI&E.

viii) For export of specialised textile items, approved specialised textile mills under bonded warehouse arrangement can import raw and packaging materials specified by the customs authority (including items of restricted and conditional lists) against back-to-back L/Cs under firm/irrevocable letters of credit. Through the same procedures, specified amounts of raw and packaging materials can be imported for export of hosiery and knitted garments. However, these industrial units are not permitted to import hosiery, knitted or woven fabrics in the form of rolls or cut pieces.

ix) In order to increase the exports of readymade garments, the minimum rates of value addition were revised as under: 25 percent each for knitted garments, for all woven garments of non-quota categories, for woven garments of the quota categories valued at US $ 40 (fob) per dozen and above (under no circumstances can it be less than US $ 12 per dozen); beyond the limits above and depending on whether they fall into quota or non-quota categories the rates will be 20 percent and 15 percent respectively for garments of higher value addition (US $ 60 per dozen fob or more); 25 percent for all sweaters of quota and non-quota categories and 20 percent for all kinds of children garments.

x) If the buyers/suppliers make shipment of raw and packaging materials before establishing back-to-back L/Cs for export-oriented readymade garments/textile industries and bring the above information to the notice of the custom authorities just after the shipment, such import shall not be treated to have violated the customs rules.

xi) Foreign companies/organisations registered in Bangladesh under the Companies Act 1994 (XVIII of 1994) will not require prior permission of the CCI&E for import of any importable commercial items against their commercial import certificates.

xii) The commercial importers can freely import capital machinery and accessories without any value limitation against cash foreign exchange without permission for use in their industries.

8.4 Changes/amendments/relaxations which have been incorporated later in the Third Biennial Import Policy 1995-97 are elaborated below:

i) Coal is included in the import list subject to fulfillment of "country of origin" condition.

ii) While importing their necessary food items, bonded warehouses are exempted from radioactivity-test which is included as the additional condition in case of imports of food items for human consumption.

iii) Decisions have been made that fertilizer can only be imported from manufacturer or from their representatives.

iv) 100% export-oriented industries are allowed to import their raw materials through S.E.S. methods under bonded warehouse system as well as through existing back to back letter of credit system.

v) Subject to prior permission of the Ministry of Commerce, Deltramithrin under Synthetic Pyrithroid group can be imported only by the organisations who are engaged in public health activities.

vi) While importing cotton, it is not necessary to mention 'country of origin' on each bale of cotton. But "country of origin" must be mentioned in the Faito sanitary certificate of the same.

vii) Opening of L/Cs for import of perishable food items by land route will not be required for items valued within the range of \$5,000 - \$7,500 per consignment. Irrespective of value, there is no L/C opening requirement for import of industrial raw-materials and capital machineries. Terms of conditions for L/Cs of deferred payment will also be applicable likewise for this and imports will have to be registered with the Bangladesh Bank as import without L/Cs'.

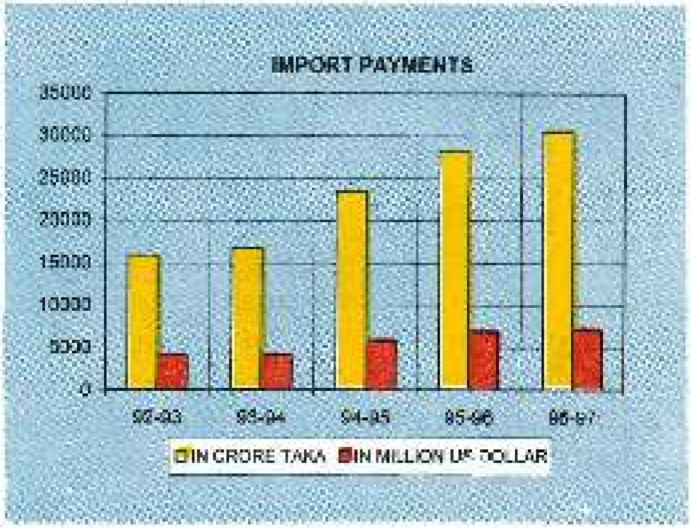
Import Payments*

8.5 Import payments during 1996-97[@] which stood at Tk. 30,403.0 crores was Tk. 2,305.4 crores or 8.2** percent higher than Tk. 28,097.6 crores during 1995-96. During 1996-97, imports under Cash, Barter and Special Trade Arrangement, Loans/Credit/Grants and imports under EPZ stood at Tk. 22,917.5 crores (75.4%), Tk. 153.7 crores (0.5%), Tk. 5,615.2 crores (18.5%) and Tk. 1,716.6 crores (5.6%) respectively.

* Source : Bangladesh Bank.

@ Figures for 1996-97 are provisional.

** In terms of Dollar import payments increased by 3.5 percent.



Major Import Commodities*

Foodgrains

8.6 Import payments for foodgrains declined by 67.9 percent to Tk. 768.6 crores ($180.0 million) during 1996-97[@] from Tk. 2,393.0 crores ($ 586.0 million) during 1995-96. Foodgrain imports declined significantly during the year under report due to comfortable stock position and substantially higher production of foodgrains.

Milk and Milk Products

8.7 Import payments for milk and milk products increased by 4.6 percent to Tk. 226.3 crores ($ 53.0 million) during 1996-97 from Tk. 216.4 crores ($ 53.0 million) during 1995-96.

Oil Seeds and Edible Oil

8.8 Import payments for oil seeds and edible oil declined by 2.5 percent to Tk. 1,067.5 crores ($ 250.0 million) during 1996-97 from Tk. 1,094.4 crores ($ 268.0 million) during 1995-96.

Cement

8.9 Import payments for cement declined by 8.3 percent to Tk. 640.5 crores ($ 150.0 million) during 1996-97 from Tk. 698.3 crores ($ 171.0 million) during 1995-96.

Crude Petroleum and Petroleum Products

8.10 Import payments for crude petroleum and petroleum products increased by 37.6 percent to Tk. 2,562.0 crores ($ 600.0 million) during 1996-97 from Tk. 1,862.2 crores ($ 456.0 million) during 1995-96.

Chemicals

8.11 Import payments for chemical products increased by 14.5 percent to Tk. 939.4 crores ($ 220.0 million) during 1996-97 from Tk. 820.8 crores ($ 201.0 million) during 1995-96 due to increased demand for the same by the domestic industries.

Fertilizers

8.12 Import payments for fertilizers increased by 61.7 percent to Tk. 640.5 crores ($ 150.0 million) during 1996-97 from Tk. 396.1 crores ($ 97.0 million) during 1995-96 due to lower production.

Cotton, Yarn, Dying and Textile Materials

8.13 Import payments for cotton, yarn, dyeing materials and textile materials increased by 14.9 percent to Tk. 7,408.6 crores ($ 1,735.0 million)

* Source : Bangladesh Bank.

@ Figures for 1996-97 are provisional.

during 1996-97 from Tk. 6,448.1 crores ($ 1,579.0 million) during 1995-96. It may be mentioned here that these items are mainly used as raw materials for garment industries.

Iron and Steel

8.14 Import payments for iron and steel increased by 21.8 percent to Tk. 1,601.3 crores ($375.0 million) during 1996-97 from Tk. 1,314.9 crores ($ 322.0 million) during 1995-96.

Capital Goods

8.15 Import payments for capital goods increased by 9.0 percent to Tk. 8,540.2 crores ($2,000.0 million) during 1996-97 from Tk. 7,832.4 crores ($ 1,918.0 million) during 1995-96. Increase of import payments in this sector accounted for expansion of industrial units and economic activities in the country.

Import under Export Processing Zones(EPZ)

8.16 Import under EPZ increased by 61.1 percent to Tk. 1,716.6 crores ($ 402.0 million) during 1996-97 from Tk. 1,065.8 crores ($ 261.0 million) during 1995-96. The EPZ imports included imports of capital goods of a few projects under construction in the EPZ. Statement of sector-wise import payments is shown in the Table-XIII of the Appendix.

8.17 The value of L/Cs opened during 1996-97 rose by Tk. 131.8 crores or 0.7 percent to Tk. 20,297.6 crores from Tk. 20,165.8 crores during the preceding year. Sector-wise L/Cs opening during the year under report was : industrial sector Tk. 9,530.3 crores (47.0 percent), commercial imports Tk. 8,389.9 crores (41.3 percent) and POL Tk. 2,377.4 crores (11.7 percent).

Export Policy and Programme

8.18 The third biennial Export Policy 1995-97 was announced with a view to reducing the gap between export receipts and imports payments through boosting of exports, product diversification, connecting export oriented industries with the backward linkage facilities and services aimed at increasing domestic value addition, ensuring greater access to market through quality improvement, encouragement of the investors for establishing export-oriented industries, expansion and consolidation of export market, creation of new markets, encouragement for assimilation of appropriate technology in the production of exportable goods and involvement of the private sector for export expansion. Important steps which were undertaken in the two year Export Policy1995-97 are as under:

i) A National Committee was formed under the chairmanship of the Prime Minister to review the exports and to solve problems arising therefrom. A Task Force, under the chairmanship of the Minister for Commerce, was constituted for instant solution of the problems relating to export;

ii) Leather industries which are 80 percent export oriented have been declared 100 percent export-oriented industries. Except for facilities in respect of duties and taxes, similar other industries have also been granted facilities of 100 percent export-oriented industries;

iii) In order to facilitate the use of separate lines by Software and Data entry sector, arrangements have been made, in consultation with the Telephone and Telegraph Board, for according permission to the 100 percent export-oriented industries various facilities, including installation of international data network system in the private sector;

iv) For the interest of export development and expansion, the complexities in respect of granting facilities under the Export Guarantee Scheme have been removed thereby making the Scheme strengthened and restructured ;

v) To facilitate import of raw materials by the export-oriented leather industries, the concerned industries were allowed supervised bonded warehouse facility ;

vi) Fifty percent per annum tax rebate under the Financial Act on income from export has been replaced by exemption of tax at the rate of 50 percent on income from any export business under the Income Tax Law. The rate of deduction of export tax at source in the case of readymade garments has been lowered from 0.5 percent to 0.25 percent;

vii) Air freight at reduced rates for export of all goods under the crush programme including fruits and vegetables has been allowed. Royalty imposed by the Civil Aviation Authority for availing the cargo services of the foreign airlines has been withdrawn;

viii) Arrangements have been made for establishment of a separate 'Handicrafts Village' in order to develop, expand and to make the export oriented handicrafts marketable. Arrangements have also been made for offering national awards for the best three exporters in this sector;

ix) The condition to produce firm contract/ Letter of Credit in order to get export credit in respect of frozen food, tea and leather has been withdrawn. Provision has been made to consider the working capital loans as export credit and the time limit for payment of this subsidised export credit has been extended from 180 days to 270 days;

x) In order to improve the quality of product and to expand the export market, the limit for importing samples has been set at $ 1,000 per annum or higher subject to approval from the competent authority;

xi) Except for trade fairs, financial limit for export of pre-selected samples has been increased to $1500;

xii) 100 percent export-oriented industries outside the EPZ have been allowed the facility to import capital machinery duty free;

xiii) In order to encourage domestic textile and garments industries, 25 percent alternative facility has been provided in favour of those industries in place of customs bond or duty drawback facilities;

xiv) Enhancement of the limit of balance in foreign currency accounts in US Dollar or Pound Sterling by an exporter has been increased from 20 percent to 40 percent of the fob export receipts;

xv) In order to promote exports, arrangements have been made for participation in the international trade fairs in different countries and for solo trade fairs abroad in collaboration with Governments and private sector agencies ;

xvi) Arrangements have been made for issuance of credit cards against foreign currency payable to the exporters and for allowing commercial banks to extend export credit up to 90 percent of the value described in the irrevocable letter of credit/confirm contract. In order to encourage the new exporters, their applications for export credit were considered on priority basis and arrangements were made to allow opening of back-to-back L/Cs in favour of the local raw-materials suppliers;

xvii) Decision has been taken to set up a World Trade Centre in Dhaka with a view to creating infrastructure facilities for development and expansion of exports.

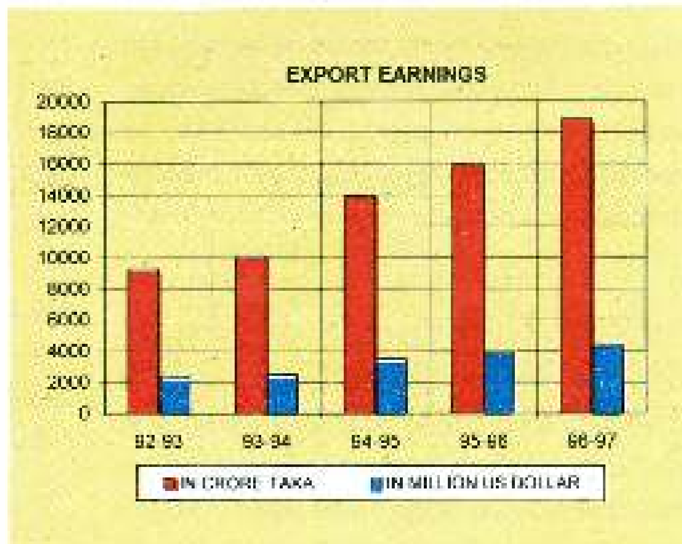
8.19 The important changes/revisions/ relaxations which have been made since the publication of 1995-97 biennial Export Policy are as follows:

1) Permissible period for exporting crust leather has been extended up to June, 1998 and

2) Tax at source on all exports has been fixed at 25 percent of the export value. Decision has been taken not to deduct tax at source for export of jute hessian, sacking, carpet backing, fresh fruits and vegetables, poultry, eggs and handicrafts as practised earlier.

Export Receipts*

8.20 Export receipts increased by Tk. 2,933.9 crores or 18.5** percent to Tk. 18,813.0 crores



during 1996-97 as compared to Tk. 15,879.1 crores in the preceding year. This was higher by 2.3 percent than the annual target of Tk. 18,396.0 crores ($ 4,380.0 million) for the year under report. The increase in export receipts was due mainly to substantial increase in earnings from readymade garments, raw jute, tea, fish (including frozen shrimps) and fertilizer.

Major Export Commodities*

Readymade Garments

8.21 Earnings from the export of readymade

* Source : Export Promotion Bureau.

** In terms of Dollar export receipts increased by 13.8 percent.

garments (including knitwear and hosiery products) during 1996-97 which stood at Tk. 12,779.3 crores ($ 3,001.0 million) was 22.7 percent higher than Tk. 10,417.8 crores ($ 2,547.0 million) during 1995-96. The USA, Canada and the EC countries were the principal buyers of readymade garments from Bangladesh during the year under report. Export receipts from readymade garments which accounted for 67.9 percent of total export receipts of the country, was 8.3 percent higher than the export target of Tk. 11,802.0 crores ($ 2,810.0 million) for the year under report. This boost up in export earnings of readymade garments was for the higher demand by the foreign buyers due to increased confidence in the minds of the importers in respect of the quality of the Bangladeshi products.

Leather

8.22 Export earnings from leather (tanned and semi-tanned) declined by 3.9 percent to Tk. 832.4 crores($ 195.0 million) during 1996-97 as compared to Tk. 865.9 crores ($ 212.0 million) during the preceding year. Earnings of foreign exchange from leather was 27.9 percent lower than the export target of Tk. 1,155.0 crores ($ 275.0 million) for the year under report.

Frozen Food

8.23 Export earnings from frozen food (fish and shrimp) increased by 6.4 percent to Tk. 1,365.7 crores ($ 321.0 million) during 1996-97 from Tk. 1,283.0 crores ($ 313.0 million) earned during 1995-96.

Raw Jute

8.24 An amount of Tk. 495.3 crores ($ 116.0 million) which was earned from the export of 17.5 lakh bales of raw jute during 1996-97, was 33.5 percent higher than Tk. 371.1 crores ($ 91.0 million) earned from the export of 14.1 lakh bales of raw jute during 1995-96. This amount was 47.4 percent higher than the target of Tk. 336.0 crores ($ 80.0 million) for the year under report. The demand for raw jute increased during 1996-97 due to step up of its demand in the world market following the global tendency of not to use synthetic materials. Besides, due to production shortfall in jute producing countries of the world, including China, quantity of our jute exports increased thereby increasing our earnings from jute exports.

Jute Goods

8.25 An amount of Tk. 1,333.9 crores ($ 313.3 million) which was earned from the export of 4.9 lakh tons of jute goods (excluding carpet) during 1996-97 was 0.4 percent higher than Tk. 1,328.6 crores ($ 324.8 million) earned from the export of 5.4 lakh tons of jute goods during 1995-96. But, export earnings from jute goods was 20.6 percent lower than the export target of Tk. 1,680.0 crores ($ 400.0 million) for the year under report. During 1996-97, earnings from the export of carpets increased by 17.4 percent to Tk. 19.6 crores ($ 4.6 million) from Tk. 16.7 crores ($ 4.1 million) earned during the preceding year.

Tea

8.26 An amount of Tk. 162.4 crores ($ 38.0

million) which was earned during 1996-97 from the export of 24.8 million kgs. of tea was 19.9 percent higher than Tk. 135.5 crores ($ 33.0 million) earned from the export of 21.4 million kgs. of tea during 1995-96 but 3.3 percent lower than the export target of Tk. 168.0 crores ($ 40.0 million) for the year under report.

Handicrafts

8.27 Export earnings from handicrafts declined by 8.0 percent to Tk. 24.1 crores ($ 5.6 million) during 1996-97 from Tk. 26.2 crores ($ 6.4 million) during the preceding year. Details of export earnings from the major export commodities have been shown in Table-XII of the Appendix.

Services Account*

8.28 The services accounts showed a net surplus of Tk. 128.1 crores ($ 30.0 million) during 1996-97 as against a deficit of Tk. 481.1 crores ($ 113.0 million) during 1995-96.

Overall Balance of Payments*

8.29 The country's overall balance of payments showed a smaller deficit of Tk. 1,050.6 crores ($ 245.0 million) during 1996-97 as compared to the deficit of Tk. 3,481.3 crores ($ 852.0 million) in the preceding year. Net receipts under private unrequited transfers increased by Tk. 1,536.6 crores ($ 295.0 million) to Tk. 7,564.0 crores ($ 1,770.0 million) during 1996-97 from Tk. 6,027.4 crores ($ 1,475.0 million) during the preceding year. Net inflow of capital declined by Tk. 91.7 crores ($ 48.0 million) to Tk. 2,399.7 crores ($ 562.0 million) during 1996-97 from Tk. 2,491.4 crores ($ 610.0 million) in 1995-96. Despite lower net capital inflows, the overall balance showed a lower deficit due to a higher receipts under services account and private unrequited transfers and decline in deficit of trade balance. Details of balance of trade and payments are shown in table-XI of the Appendix.

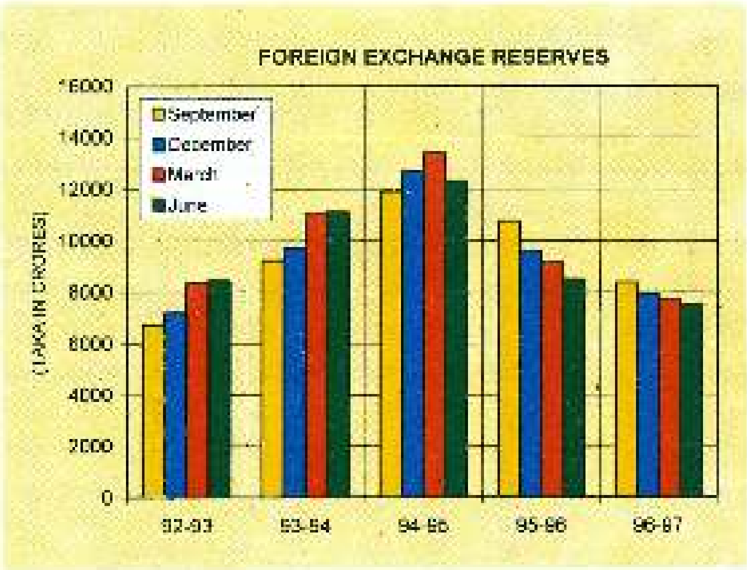
Wage Earners' Remittances*

8.30 Foreign exchange remittances by the Bangladeshi nationals working abroad increased by Tk. 1,326.5 crores ($ 257.9 million) to Tk. 6,304.3 crores ($ 1,475.0 million) during 1996-97 from Tk. 4,977.8 crores ($ 1,217.1 million) during 1995-96. Of the remittances sent by non-resident Bangladeshi nationals, the amounts sent from the main 5 countries were as under : Saudi Arabia Tk. 2,506.9 crores ($ 587.1 million), Kuwait Tk. 903.1 crores ($ 211.5 million), United States of America Tk. 672.1 crores ($ 157.4 million), Malaysia Tk. 403.5 crores ($ 95.5 million) and United Arab Emirates Tk. 382.6 crores ($ 89.6 million). Remittances sent by the Bangladeshi nationals working abroad during the last few years are shown in Table-XVII of the Appendix.

Foreign Exchange Reserves*

8.31 The country's foreign exchange reserves declined during 1996-97. Convertible foreign exchange reserves held by the Bangladesh Bank (including reserves with the IMF) declined to Tk. 7,485.7 crores ($ 1,719.0 million) at the end of June, 1997 from Tk. 8,490.6 crores ($ 2,039.0 million) at the end of June, 1996. Foreign exchange reserves held by the Bangladesh Bank

* Source : Bangladesh Bank.



are shown in Table-XV of the Appendix.

Commodity Terms of Trade**

8.32 The commodity terms of trade of Bangladesh recorded a deterioration of 1.4 percent during 1996-97 as a result of 5.0^P percent increase in import price index against 3.5^P percent increase in export price index. The trend in commodity terms of trade of Bangladesh during the last few years is shown in Table-8.1.

** Source : Planning Commission.
P Provisional.

TABLE-8.1

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

Year	Export Price Index (A)	Import Price Index (B)	Commodity Terms of Trade (C)*
1	2	3	4
1979-80	100.0	100.0	100.0
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	101.9	107.4	94.9
	(6.6)	(4.3)	(2.3)
1991-92	100.4	104.4	96.2
	(- 1.5)	(- 2.8)	(1.4)
1992-93	107.3	107.8	99.6
	(6.9)	(3.3)	(3.5)
1993-94	113.3	110.8	102.3
	(5.6)	(2.8)	(2.7)
1994-95^{P}	120.8	120.7	100.1
	(6.6)	(8.9)	(-2.2)
1995-96^{P}	128.9	129.5	99.5
	(6.7)	(7.3)	(-0.6)
1996-97^{P}	133.4	136.0	98.1
	(3.5)	(5.0)	(-1.4)

Source : Planning Commission.

* Commodity Terms of Trade $C = \frac{A}{B} \times 100$

Note : (i) Figures in the parentheses indicate annual percentage changes.

(ii) The export and import price indices of the commodity terms of trade covered 86 and 64 percent of the total export and import values in 1995-96 and 85 and 60 percent in 1996-97 respectively.

P Provisional.

Foreign Aid*

8.33 Total foreign aid commitment to Bangladesh during 1996-97 at $ 1,616.0 million was 26.3 percent higher than the commitment of $ 1,280.0 million in 1995-96. Of the total commitment for 1996-97, $ 816.0 million or 50.5 percent represented grants while the balance $ 800.0 million or 49.5 percent was loans. Total commitment of foreign aid since independence till June 30, 1997 stood at $ 38,062.0 million of which $ 17,472.0 million or 45.9 percent represented grants.

8.34 Total disbursement of aid during 1996-97 at $ 1,476.0 million was $ 32.0 million or 2.2 percent higher than the disbursement of $ 1,444.0 million during the preceding year. Total disbursement of aid since independence till the end of June, 1997 stood at $ 31,964.0 million or 84.0 percent of total commitment. Of the total disbursement, $ 15,540.0 million or 48.6 percent represented grants and the remaining $ 16,424.0 million or 51.4 percent was loans.

8.35 Of the total disbursement made during 1996-97, (i) Food aid disbursement of $ 101.0 million was 26.8 percent lower than $ 138.0 million in the preceding year; (ii) Commodity aid disbursement of $ 263.0 million was 14.8 percent higher than $ 229.0 million of the preceding year and (iii) the disbursement of Project aid of $ 1,112.0 million was 3.2 percent higher than the preceding year's level of $ 1,077.0 million.

8.36 Total external debt outstanding at $ 15,960.0 million as on June 30, 1997 was $ 410.0 million or 2.6 percent higher than $ 15,550.0 million as at the end of June, 1997.

8.37 Bangladesh made repayments of $ 329.0 million as principal (excluding purchases in respect of drawing from the IMF) and $ 165.0 million as interest during 1996-97. As a result, the net inflow of foreign aid into the country during 1996-97 stood at $ 982.0 million which was $ 7.0 million or 0.7 percent higher than $ 975.0 million during the preceding year. A statement of the receipts of foreign aid and debt repayment is shown in the Table-8.2 .

TABLE-8.2

FOREIGN AID RECEIPTS AND DEBT REPAYMENTS

(In million $)

Particulars	1994-95	1995-96	1996-97 (Provisional)
1	2	3	4
1. Receipts	1,739	1,444	1,476
(i) Food Aid	137	138	101
(ii) Commodity Aid	333	229	263
(iii) Project Aid	1,269	1,077	1,112
2. Repayments**	468	469	494
(i) Principal	314	316	329
(ii) Interest	154	153	165
3. Net Receipts(1-2)	1,271	975	982

Source : Economic Relations Division, Ministry of Finance.

* Figures for 1996-97 are provisional.

** Exclude repurchases in respect of drawings from the IMF.

Transaction with the International Monetary Fund (IMF)

8.38 As in the preceding year, Bangladesh made no drawing during 1996-97 under the existing facilities of the International Monetary Fund (IMF). On the other hand, Bangladesh repurchased a total amount of SDR 77.63 million against the purchases made under Structural Adjustment Facility (SAF) of 1987 and Enhanced Structural Adjustment Facility (ESAF) of 1990. The amount is higher by SDR 33.07 million than that of the same period of last year. In addition, Bangladeh paid SDR 3.74 million as charges to the Fund during the year under report. The detailed position of Bangladesh's transaction with the IMF during 1996-97 is shown in the Table- 8.3.

TABLE-8.3

TRANSACTIONS WITH THE IMF

(In million SDR)*

Facilities	Cumulative Drawings/ Purchases	Outstanding Liabilities as on 30-6-96	Purchases during 1996-97	Repurchases during 1996-97	Outstanding Liabilities as on 30-6-97
1	2	3	4	5	6
1. Structural Adjustment Facility (SAF), 1987	201.25	67.99	Nil	40.25	27.74
2. Enhanced Structural Adjustment Facility (ESAF), 1990	345.00	340.69	Nil	37.38	303.31
Total :	**546.25**	**408.68**	**Nil**	**77.63**	**331.05**

* SDR 1 = US $ 1.39 as on June 30, 1997.

8.39 As a result of the above transactions, the outstanding liabilities of Bangladesh to the IMF stood at SDR 331.05 million (equivalent to US $ 460.16 million) at the end of June, 1997 as compared to SDR 408.68 million (equivalent to US $ 588.50 million) at the end of June, 1996.

8.40 The detailed position of Bangladesh's transactions with the Fund since her membership till June 30, 1997 is shown in the Table-8.4.

TABLE-8.4

DETAILS OF TRANSACTIONS WITH THE IMF UNDER DIFFERENT FACILITIES FROM 1972 TO JUNE 30, 1997

(In million SDR)

Sl. No.	Facilities and Date of Approval	Rate of Charges	Grace Period	Repayment Period	Amount Drawn	Outstanding 30-6-97
1	2	3	4	5	6	7
1.	Compensatory Financing Facility (CFF) for Export Shortfall, December, 1972	Basic Rate of Charge 1/	$3\frac{1}{4}$ Years	$1\frac{3}{4}$ Years (in 8 quarterly instalments)	62.50	–
2.	Stand-by Arrangement, June, 1974	-do-	-do-	-do-	31.25	–
3.	Stand-by Arrangement, July, 1975	-do-	-do-	-do-	62.50	–
4.	CFF for Export Shortfall, August, 1976	-do-	-do-	-do-	39.06	–
5.	Oil Facilities, 1974 and 1975	2/	-do-	$3\frac{3}{4}$ Years (in 16 quarterly instalments)	91.97	–
6.	Trust Fund Facility, July, 1977- March, 1981	0.50	$5\frac{1}{2}$ Years	$4\frac{1}{2}$ Years (in 10 semiannual instalments)	122.16	–
7.	Stand by Arrangement, July, 1979	Basic Rate of Charge 1/	$3\frac{1}{4}$ Years	$1\frac{3}{4}$ Years (in 8 quarterly instalments)	85.00	–
8.	Extended Fund Facilities, 3/ December, 1980					
	(a) Ordinary/General Resources	-do-	$4\frac{1}{2}$ Years	$5\frac{1}{2}$ Years (in 12 semiannual instalments)	110.00	–
	(b) Borrowed Resources	2/	$3\frac{1}{2}$ Years	$3\frac{1}{2}$ Years (in 8 Semiannual instalments)	110.00	–
9.	CFF for Export Shortfall, February, 1982	Basic Rate of Charge 1/	$3\frac{1}{4}$ Years	$1\frac{3}{4}$ Years (in 8 quarterly instalments)	60.00	–
10.	Combined CFF for Export Shortfall and Excess in Cereal Import Cost, August, 1982	-do-	-do-	-do-	71.20	–
11.	Stand-by Arrangement, March, 1983	-do-	-do-	-do-	68.40	–
12.	CFF for Excess in Cereal Import Cost, April, 1985	-do-	-do-	-do-	54.95	–
13.	Stand-by Arrangement, December, 1985	-do-	-do-	-do-	180.00	–
14.	CFF for Export Shortfall, February, 1987	-do-	-do-	-do-	88.90	–
15.	Structural Adjustment Facility (SAF), February, 1987	0.50	$5\frac{1}{2}$ years	$4\frac{1}{2}$ years (in 10 semiannual instalments)	201.25	27.74
16.	Emergency Assistance November, 1988	Basic Rate of Charge 1/	$3\frac{1}{4}$ Years	$1\frac{3}{4}$ Years (in 8 quarterly instalments)	71.87	–
17.	Enhanced Structural Adjustment Facility (ESAF), August, 1990	0.50	$5\frac{1}{2}$ years	$4\frac{1}{2}$ years (in 10 semiannual instalments)	345.00 4/	303.31*
Total :					**1,856.01 5/**	**331.05**

Source : International Department, Bangladesh Bank.

Note :

1/ The Basic Rate of charge of the fund is applicable for all those facilities which will be drawn from the General Resources. These include Stand-by, CFF, Cereal Import Cost, EFF (portion to be drawn from General Resources), Buffer Stock, Contingency Financing etc. The Basic Rate was changed within the range of 4.0% to 8.5% in different years. The IMF establishes this rate in every quarter. The basic rate of charge is now set as a percentage of the SDR interest rate. The basic rate of charge for June 23, 1997 was 4.30%.

2/ Charges/interest rates of Oil Facility and SFF are related to market rates (or borrowing rates minus subsidies).

3/ An Amount of SDR 800.00 million was approved of which SDR 319.30 million was under EFF and the rest was under SFF. However, only and amount of SDR 220.00 million was disbursed.

4/ Purchase closed on 31st March, 1993 under ESAF.

5/ In addition to this, Bangladesh has received assistance (which are not payable) under the following : (a) SDR allocation-SDR 47.10 million ; (b) the Gold Sales Profit and Restitution Gold Distribution-SDR 17.34 million and SDR 3.76 million respectively ; (c) Oil facility and SFF subsidy-SDR 10.36 million and 13.94 million respectively. In the year 1990-91, SDR 22.40 million of Bangladesh were withdrawn from the Reserve Tranche.

* Including the balance of SDR 13.00 million received from Saudi Development Fund under ESAF.

– = Nil.

Asian Clearing Union (ACU)

8.41 Total transactions of Bangladesh under the Asian Clearing Union (ACU) declined during 1996-97 as compared to the preceding year. As in the preceding year, Bangladesh remained a net debtor in all the six settlements that took place during the year. Bangladesh's export increased but import declined to and from the member countries of the ACU during the year under report. Export of Bangladesh under the ACU arrangement recorded an increase of ACU $ 10.10 million or 12.4 percent to ACU $ 91.46 million (Tk. 391.14 crores) from ACU $ 81.36 million (Tk. 386.36 crores). On the other hand, import declined by ACU $ 206.71 million or 17.7 percent to ACU $ 951.99 million (Tk. 4,114.11 crores) during the year under report as compared to ACU $ 1,168.70^R million (Tk. 5,843.96^R crores) in the perceding year. As a result, the net debtor position of Bangladesh narrowed in 1996-97 by ACU $ 216.81 million or 9.9 percent to ACU $ 870.53 million (Tk. 3,722.97 crores) as compared to that in the preceding year. An amount of ACU $ 7.83 million (Tk. 33.49 crores) was invested by Bangladesh with the State Bank of Pakistan in currency SWAP arrangement under ACU and earned interest of ACU $ 72.61 thousands (Tk. 31.27 lakhs)during the year under report. Receipts and payments of Bangladesh under the ACU arrangement during the last three years are shown in the Table-8.5.

TABLE-8.5

RECEIPTS AND PAYMENTS OF BANGLADESH UNDER THE ACU

(In million ACU Dollar)

Sectors	1994-95	1995-96	1996-97
1	2	3	4
1. Receipts (export)	53.61 (334.46)	81.36 (386.36)	91.46 (391.14)
2. Payments (import)	864.07 (5,390.79)	1,168.70^R (5,843.96^R)	961.99 4,114.11)
Net Surplus (+)/Deficit(-) :	**-810.46** **(-5,056.33)**	**-1,087.34^R** **(-5,457.60^R)**	**-870.53** **(-3,722.97)**

Note : Figures in the parentheses indicate amounts of Taka in crores.

R Revised.

8.42 The comparative position of trade and trade balance of the ACU member countries is shown in Table-8.6.

TABLE-8.6

TRADE AND TRADE BALANCE OF THE ACU MEMBER COUNTRIES

(In million US Dollar)

Countries	Export to ACU Countries		Import from ACU Countries		Surplus (+)/ Deficit (-)	
	1994R	1995	1994R	1995	1994R	1995
1	2	3	4	5	6	7
Bangladesh	107	119	599	1,159	-492	-1,040
India	1,165	1,701	722	916	+443	+785
Iran	647	802	250	375	+397	+427
Myanmar	138	191	39	28	+99	+163
Nepal	13	29	113	132	-100	-103
Pakistan	269	376	279	385	-10	-9
Sri Lanka	72	90	503	558	-431	-468
Total :	**2,411**	**3,308**	**2,505**	**3,553**	**-94**	**-245**

Source : ACU Annual Report, 1996.
Note : (i) Export (fob).
(ii) Import (cif).
R Revised.

EXCHANGE RATE POLICY AND EXCHANGE CONTROL

Exchange Rate Policy

9.1 A flexible exchange rate policy was also pursued in 1996-97 with a view to maintaining the competitiveness of Bangladeshi products in the international markets, encouraging inward wage earners' remittances and maintaining internal price stability. While refixing the exchange rate of Taka as per such policy, implications of changes in the balance of payments position were also taken into consideration. Taka-Dollar exchange rate was readjusted seven times during 1996-97 taking into account the trends in internal macro economic indicators including export earnings and the real effective exchange rate of Taka. As a result, Taka-Dollar exchange rate* stood at Tk. 43.65 as on June 30, 1997 as against Tk. 41.75 as on June 30, 1996 indicating a 4.4 percent depreciation of Taka against US Dollar during the year under report.

Foreign Exchange Market

9.2 Alongwith the continued deepening and widening of the interbank foreign exchange market during the year under report, interbank foreign exchange transactions increased by 54.4 percent to US $ 7,279.84[P] million during 1996-97 from US $ 4,715.20[R] million in the preceding year. Of this, forward transactions were of the tune of US $ 494.99[P] million during 1996-97 as compared to US $ 399.99 million during the preceding year. Settlement of all claims, except external liabilities of the Government, receipts of loans/grants and settlement of claims with the central banks under the Asian Clearing Union, was done by transactions through the interbank foreign exchange market. With the 13.8 percent increase in export and 3.5[P] percent increase in imports during 1996-97, the level of openness of the Bangladesh economy with the outside world increased to 35.1[P] percent of GDP at the end of the year under report from 33.8 percent in the preceding year.

Important Changes in Exchange Control Measures

9.3 Taka convertibility of Current Account and the resultant easing of settlement procedures of external transactions were considered important for the inflow of foreign investment, specially in the private sector. Keeping this in view, the process of liberalisation/simplification of exchange control measures was continued during 1996-97. Important measures/policy changes in this regard during the year under report were as under :

(a) In order to simplify the process of allotment of 5 percent of Initial Public Offerings (IPOs) of Joint Stock Companies registered in Bangladesh in favour of non-resident Bangladeshis, general approval has been given to accept share subscription money received from non-resident in foreign currency account opened in the name

* On the basis of the middle rate of buying and selling.
P Provisional.
R Revised.

of the concerned company.

(b) With a view to simplifying foreign exchange transactions of incoming/outgoing passengers, it has been decided to issue money changer licences in favour of individuals/institutions who are willing to take-up buying/selling of small amounts of foreign exchange for the travellers as the only business. Meanwhile, money changer licences have been issued to 54 institutions.

(c) In order to evolve improved system of payments for usance back-to-back import bills of the export-oriented industries operating under the bonded warehouse system, arrangement has been made to put the multiple export earnings of an export-oriented unit in a single pool for preservation and future utilisation after encashing the local value-addition components of the same.

(d) To encourage holding of deposits in foreign currency by non-resident individuals/institutions in Bangladesh, the authorised dealers are allowed to pay interest equivalent to existing Euro currency rate to the non-resident foreign currency account, not categorised as fixed deposits, having minimum balance of US Dollar 1000 or Pound Starling 500 or equivalent other foreign currencies for a period of one month or more.

Inspection of Foreign Trade and Foreign Exchange Transaction

9.4 During 1996-97, the Foreign Exchange Inspection Department of the Bangladesh Bank conducted inspection of foreign trade and foreign exchange transactions in 342 branches including Head Offices/Principal Offices of 27 authorised dealer banks. During the inspection, irregularities were identified and remedies were suggested alongwith the recommendations for implementation in respect of different important issues. The inspection report was sent to the Inspection and Implementation Department of the Bangladesh Bank and to the Head Offices/ Principal Offices of the concerned banks for necessary action. In addition, a summary of the inspection report of nationalised commercial banks, was sent to the Banking Division of the Ministry of Finance for information. Besides, special inspection was carried out in 50 branches of authorised dealer banks, 2 indenting firms, 1 airline and 974 cases related to alternative facilities and the reports were sent to concerned Divisions/ Sections for information and necessary action.

CHAPTER X

CURRENCY AND COINAGE

Bank Notes

New Note of Fifty-Taka

10.1 New bank note of Fifty-Taka denomination was put in circulation on July 27, 1996. The size, design, signature, water-mark, security thread etc. of this note are the same as those of the existing Fifty-Taka note. But there is some difference in respect of the colour and line of the new note as compared to the existing note. In the front side of the new note, the line relating to the signature of "Khorshed Alam" is more sharp and thin. Besides, the colour of clouds and the lines in both sides of the National Assembly of the backside of the note are more distinct and in the below the colour of border line regarding the words "Panchas Taka" and "FIFTY TAKA" is a bit less prominent.

New Note of Ten-Taka

10.2 New Ten-Taka denomination memorial note was issued in observance of the 25th anniversary of Independence Day on December 14, 1996. The design of this note is similar to that of the existing note. In the frontside of the note the words "Bijoy Dibas Rajat Jayanti '96" are written below the water-mark and it bears the signature of the present Governor Mr. Lutfar Rahman Sarkar.

Five-Taka Notes and Coins

10.3 Five-Taka Notes and Coins in circulation decreased by Tk. 5.16 crores to Tk. 127.86 crores as on June 30, 1997 from Tk 133.02 crores as on June 30, 1996.

Ten-Taka Notes

10.4 Ten-Taka Notes in circulation as on June 30, 1997 increased by Tk. 10.39 crores to Tk. 328.96 crores as against Tk. 318.57 crores as on June 30, 1996.

Twenty-Taka Notes

10.5 Twenty-Taka Notes in circulation increased by Tk. 34.99 crores to Tk. 134.58 crores as on June 30, 1997 from Tk. 99.59 crores as on June 30, 1996.

Fifty-Taka Notes

10.6 Fifty-Taka Notes in circulation as on June 30, 1997 decreased by Tk. 3.88 crores to Tk. 497.31 crores as compared to Tk. 501.19 crores as on June 30, 1996.

Hundred-Taka Notes

10.7 Hundred-Taka Notes in circulation as on June 30, 1997 decreased by Tk. 59.54 crores to Tk. 2,542.69 crores as against Tk. 2,602.23 crores as on June 30, 1996.

Five Hundred-Taka Notes

10.8 Five Hundred-Taka Notes in circulation increased by Tk. 554.37 crores to Tk. 4,617.79 crores as on June 30, 1997 from Tk. 4,063.42

crores as on June 30, 1996.

Other Notes and Coins*

Two-Taka Notes

10.9 Two-Taka Notes in circulation as on June 30, 1997 increased by Tk. 8.07 crores to Tk. 61.15 crores as compared to Tk. 53.08 crores as on June 30, 1996.

One-Taka Notes and Coins

10.10 One-Taka Notes and Coins in circulation as on June 30, 1997 increased by Tk.14.51 crores to Tk. 91.98 crores as against Tk. 77.47 crores as on June 30, 1996.

Subsidiary Coins

10.11 Subsidiary Coins in circulation increased by Tk. 1.64 crores to Tk. 52.34 crores as on June 30, 1997 from Tk. 50.70 crores as on June 30, 1996.

* Excludes Five-Taka Coins.

CHAPTER XI

ADMINISTRATION

Reconstitution of the Board of Directors and Appointment of New Directors of the Board

11.1 Mr. Lutfar Rahman Sarkar was appointed Governor of the Bangladesh Bank on November 21, 1996 and he was also appointed chairman of the Board of Directors in place of Mr. Khorshed Alam from the same date. Mr. Mahbubur Rahman Khan, Director of the Board, was transferred by the Government to the Banking Division of the Ministry of Finance as an Officer on Special Duty (OSD) with effect from September 19, 1996. Dr. Mohammad Sohrab Uddin, Alhaj Kh. Rashiduzzaman (Dudu) and Mr. M. Mohiuddin were appointed Directors of the Board with effect from June 11, 1997, August 11, 1996 and August 31, 1996 respectively.

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

11.2 A total of 15 meetings of the Board of Directors, 4 meetings of the Executive Committee and 4 meetings of the Co-ordination Committee were held during 1996-97.

Appointment in Different Grades

11.3 The following appointments in different grades were made by the Bank during 1996-97:

i)	Assistant Director (General Side)	24
ii)	Assistant Director (Statistics)	3
iii)	Assistant Programmer	6
iv)	Officer (General Side)	19
v)	Employee under category B, C and D	28
Total :		80

Decline in the Number of Officers and Staff

11.4 The number of Officers/Staff of the Bank who died/retired/dismissed/resigned during 1996-97 were as under:

a)	Died	19
b)	Retired	89
c)	Dismissed	10
d)	Resigned	9
Total :		**127**

Creation/Upgradation/Abolition/Sanction of Posts

11.5 The number of posts created, upgraded and abolished of officers/staff of the bank during 1996-97stood at 345, 1,904 and1,904 respectively. As a result, total number of sanctioned posts of Officers/Staff of the Bank increased by 345 to 7,006 during the year under report as compared to the preceding year.

Number of Officers and Staff

11.6 The number of officers of the bank increased by 215 to 4,079 at the end of June, 1997 as compared to the preceding year and that of staff declined by 283 to 2,136. As a result, the number of Officers and Staff of the Bank declined by 68 to 6,215 at end of the year under report.

Numbers of Officers on Deputation

11.7 During1996-97, 11officers of the Bangladesh Bank remained on deputation in different institutions of the country.

Creation of Department

11.8 During 1996-97, Foreign Investment and Inspection Department has been divided into two separate departments such as Foreign Exchange Investment Department and Foreign Exchange Inspection Department. Besides, a full-fledged Law Department was created during the year under report by upgrading the law section of the Secretary's Department.

Foreign Training

11.9 22 officers of the Bank were sent abroad for participation in different training courses/ seminars/workshops during 1996-97.

Domestic Training

11.10 A total of 138 officers and 24 staff of the Bank participated in different types of training courses organised by different institutions of the country during 1996-97.

Training Course, Workshop and Seminar Organised by the Bangladesh Bank Training Academy (BBTA)

11.11 With a view to improving the theoretical and practical knowledge as well as increasing the professional efficiency of officers/staff of the Bank, the Bangladesh Bank Training Academy (BBTA) conducted 8 on-the-job training courses and 14 special training courses for officers/staff of the Bank during 1996-97. A total of 117 and 185 officers/staff of different levels of the Bangladesh Bank participated in the above 2 training courses respectively. Besides, the Academy conducted a foundation course of 3 months for the newly appointed 41 Assistant Directors and officers of the Bangladesh Bank during the year under report. In addition, the Academy conducted 32 special training courses in different district headquarters outside Dhaka for the officers of the Bangladesh Bank and the Commercial Banks. A total of 1,172 officers of different levels from different banks participated in those training courses. During 1996-97 the Academy conducted 10 workshops on the procedures of filling CIB-01 form for officers of Commercial Banks and 1 seminar on each of the subjects named Rural Financing, Industrial Financing and Macro Monetary Management for Bangladesh Bank. A total of 322, 41, 44 and 38 officers participated in those workshops and courses respectively. Besides, during the year the Academy conducted 3 Executive Development Programmes for the high ranking officers of the Bangladesh Bank and the Commercial Banks. A total of 147 officers participated in those programmes. The courses, workshops and seminars conducted by the academy during 1996-97 are shown in details in Table-11.1.

TABLE-11.1

STATEMENT OF DIFFERENT TRAINING COURSES, WORKSHOPS AND SEMINARS ORGANISED BY THE BANGLADESH BANK TRAINING ACADEMY DURING 1996-97

Serial No.	Subjects	Number	Number of Participants
1	2	3	4
1.	On-the-Job Training courses	8	117
2.	Foundation Training course	1	41
3.	**Special Training Courses (held in Dhaka)**	**14**	185
	A. Banking Regulations and Supervision Techniques	4	44
	B. Foreign Trade and Foreign Exchange	2	25
	C. Islamic Banking	2	33
	D. Accounting and Finance	1	12
	E. Macro Monetary Management	1	13
	F. Preparation of Report and Review on Financial Analysis	1	17
	G. Orientation Course	1	14
	H. Introduction to and Operation of Computers	2	27
4.	**Special Training Courses (held outside Dhaka)**	**32**	1,172
	I. Data Reporting on Money and Banking	14	544
	J. Reporting on Foreign Exchange Transactions	10	325
	K. Loan Classification and Provisioning	8	303
5.	**Workshops**	**16**	592
	A. Filling up of CIB-01 Form	10	322
	B. Rural Financing	1	41
	C. Industrial Financing	1	44
	D. Macro Monetary Management	1	38
	E. Executive Development Programme	3	147
	Total :	**71**	2,107

Computer Department

11.12 Besides, regular work of processing, preservation and supply of data, the Computer Department during 1996-97 upgraded the software prepared earlier for the Clearing House by inserting new version-"Parallel Run". The copy of the new version was supplied to 39 member banks and arrangements were made for training of Officers/Staff of the above banks. In addition the Computer Department prepared systems and programmes for share price Index and transport management and implemented the same. To computerise overall works of the Bangladesh Bank, the department prepared a preliminary report named "Preliminary Report on Computerisation of the Bangladesh Bank". Besides, with a view to increasing the use of PCs in different departments of the Bangladesh Bank, the Computer Department in collaboration with the Bangladesh Bank Training Academy imparted 3 weeks' training on "Use of Computers and Application Packages" in 3 batches to 42 Officers/ Staff during the year under report.

Credit Information Bureau(CIB)

11.13 During 1996-97 in addition to the central credit data processing activities, it was decided to collect data on Credit Risk Rating and Financial score such as Z-score (for large industrial institutions) and Y-score of the borrower institutions in order to make the CIB activities more speedy and effective. The above system was made effective from the quarter April-June, 1997. As a result, the loan sanctioning banks and other financial institutions will be able to take more realistic and accurate decisions easily and quickly in respect of sanctioning loans.

Engineering Department

11.14 During the year under report the bank took over the possession of cash counter, Ist, 2nd and from 6th to 29th floors of the 30-storied second annexe building gradually from the contractor. The Honourable Prime Minister of the People's Republic of Bangladesh Sheikh Hasina inaugurated the same building on February 24,1997. Different Departments/Sections of the Bank were shifted to the new building in December, 1996. Besides, various types of construction and repair works at other branches of the Bangladesh Bank were in progress during the year under report.

Department of Public Relations and Publications

11.15 During 1996-97, under the supervision of Public Relations and Publications Department the construction work of 2 Murals in 2nd annexe multi-storied building of the Bank and 1 Mural each in the branch offices of Chittagong, Khulna, Bogra, Rajshahi and Sylhet reflecting the traditional Bengali heritage, language, culture and society with the spirit of the liberation war have been completed by eminent artists of the country.

CHAPTER XII

ANNUAL ACCOUNTS

Issue Department: Assets and Liabilities

12.1 The value of notes and coins issued by the Issue Department of the Bangladesh Bank up to June 30, 1997 stood at Tk. 8,249.44 crores which was higher by Tk. 531.42 crores as compared to Tk. 7,718.02 crores issued up to June 30, 1996. Assets against the notes issued up to June 30, 1997 included: Gold worth Tk. 111.12 crores, Approved Foreign Exchange of Tk. 4,000.00 crores, Currency Notes and Coins worth Tk. 57.04 crores, Government of Bangladesh Securities worth Tk. 1,057.20 crores and Internal Bills of Exchange and Other Commercial Papers worth Tk. 3,024.08 crores. The corresponding figures of assets against notes issued up to June 30, 1996 were: Gold worth Tk. 112.65 crores, Approved Foreign Exchange of Tk. 4,000.00 crores, Currency Notes and Coins worth Tk. 17.63 crores, Government of Bangladesh Securities worth Tk. 781.66 crores and Internal Bills of Exchange and Other Commercial Papers worth Tk. 2,806.08 crores.

12.2 The Balance Sheet of the Issue Department of the Bank as on June 30, 1997 appears on pages 92 & 93 of the Report.

Banking Department : Assets and Liabilities

12.3 On the liabilities side, balances in the Statutory Funds* increased from Tk. 636.78 crores as on June 30, 1996 to Tk. 704.78 crores as on June 30, 1997 due to appropriation of Tk. 68.00 crores from the Profit and Loss Account of the Bank to its Statutory Funds. The Government Deposits increased by Tk. 0.39 crore to Tk. 0.99 crore as on June 30, 1997 from Tk. 1.38 crores as on June 30, 1996. Deposits of banks increased by Tk. 744.23 crores to Tk. 3,017.78 crores as on June 30, 1997 from Tk. 2,273.55 crores as on June 30, 1996. Other Deposits declined by Tk. 121.57 crores to Tk. 4,364.46 crores as on June 30, 1997 from the level of Tk. 4,486.03 crores as on June 30, 1996. Balance in the bills payable decreased by Tk. 299.90 crores to Tk. 0.53 crore as on June 30, 1997 from Tk. 300.43 crores as on June 30, 1996. Other liabilities decreased by Tk. 29.62 crores to Tk. 2,202.04 crores as on June 30, 1997 from Tk. 2,231.66 crores as on June 30, 1996. The amount of SDRs as on June 30, 1997 remained unchanged at the preceding year's level of Tk. 91.74 crores.

12.4 On the assets side of the Banking Department, the balance of rediscounted Government Treasury Bills increased by Tk. 40.94 crores to Tk. 49.85 crores as on June 30, 1997 from Tk. 8.91 crores as on June 30, 1996. The amount under Balances Held Outside Bangladesh decreased by Tk. 984.30 crores to Tk. 3,277.54 crores as on June 30, 1997 from Tk. 4,261.84 crores as on June 30, 1996. The outstanding balance of SDR held in the IMF

* Excluding Credit Guarantee Fund and the Reserve Fund for non-recoverable loan/investment.

declined by Tk. 45.73 crores to Tk. 3.54 crores as on June 30, 1997 from the level of Tk. 49.27 crores as at the same date of the preceding year. The balances under Loans and Advances to the Government as on June 30, 1997 remained unchanged at the preceding year's level of Tk. 64.00 crores. Balances under Other Loans and Advances decreased by Tk. 306.26 crores to Tk. 1,124.02 crores as on June 30, 1997 from Tk. 1,430.28 crores as on June 30, 1996. The balances under Investment Account increased by Tk. 1,351.09 crores to Tk. 3,669.93 crores as on June 30, 1997 from Tk. 2,318.84 crores as on June 30, 1996. Other assets increased by Tk. 304.76 crores to Tk. 2,199.20 crores as on June 30,1997 from Tk. 1,894.44 crores as on June 30, 1996.

12.5 The Balance Sheet of the Banking Department as on June 30, 1997 appears at pages 94 & 95 of the Report.

Comparative Position of Profit and Loss Account

12.6 A comparative summary position of Profit and Loss Account of the Bank for the years 1995-96 and 1996-97 is shown in Table-12.1 below.

TABLE-12.1

COMPARATIVE POSITION OF PROFIT AND LOSS ACCOUNT

(Taka in crores)

Particulars	1995-96	1996-97	Changes: Increase (+)/Decrease (-)
1	2	3	4
Gross Income	840.64	936.03	+95.39
Total expenditure	310.44	301.69	-8.75
Net Profit:	**530.20**	**634.34**	**+104.14**

12.7 It would appear from the above table that the net profit of the Bank during 1996-97 increased by Tk. 104.14 crores to Tk. 634.34 crores as compared to that in the preceding year. Net profit of the Bank during 1996-97 went up due to an increase of Tk. 95.39 crores in gross income and decline of Tk. 8.75 crores in total expenditure.

12.8 Out of the profit of Tk. 634.34 crores, a sum of Tk. 85.00 crores was appropriated towards the Credit Guarantee Fund, different Statutory Funds and the Reserve Fund for Non-recoverable Loans/ Investments. As a result, the surplus payable to the Government stood at Tk. 549.34 crores during 1996-97. The distribution of profit of the Bank during 1996-97 has been shown in Table -12.2.

TABLE-12.2

DISTRIBUTION OF THE PROFIT OF THE BANGLADESH BANK DURING 1996-97

Particulars	Amount of Taka
1	2
1. Appropriation towards Statutory Funds	
(i) Rural Credit Fund	20,00,00,000
(ii) Industrial Credit Fund	15,00,00,000
(iii) Export Credit Fund	13,00,00,000
(iv) Agricultural Credit Stabilisation Fund	20,00,00,000
2. Credit Guarantee Fund	7,00,00,000
3. Reserve Fund for Non-recoverable Loans/Investments	10,00,00,000
4. Surplus Payable to the Government	549,34,00,000
Grand Total :	**634,34,00,000**

12.9 The Profit and Loss Account of the Bank for the year ending June 30, 1997 appears at pages 96 &97 of the Report.

Appointment of Auditors

12.10 In terms of Article 65 (1) of the Bangladesh Bank Order 1972, the Government was pleased to appoint two chartered accountant firms namely M/S Aziz Halim Anwar & Co. and M/S S. Huda & Co. to audit the accounts of the Bangladesh Bank for the year 1996-97.

Appreciation

12.11 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 Bangladesh Bank during the year under report.

BALANCE SHEET

AND

PROFIT AND LOSS ACCOUNT

(FOR THE YEAR ENDED JUNE 30, 1997)

BANGLADESH
BALANCE
ISSUE

LIABILITIES

Particulars	As on June 30, 1996		As on June 30, 1997	
	Taka	Taka	Taka	Taka
1	2	3	4	5
Notes held in the Banking Department	25,385		24,85,000	
Notes in Circulation *	7718,01,86,740		8249,18,81,600	
Total Notes Issued *		7718,02,12,125		8249,43,66,600
TOTAL LIABILITIES :		**7718,02,12,125**		**8249,43,66,600**

* 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, 1996		As on June 30, 1997	
	Taka	Taka	Taka	Taka
1	2	3	4	5
A.Gold Coin & Gold Bar	112,64,95,000		111,11,37,000	
Silver	-		-	
Special Drawing Rights Held with the International Monetary Fund	-		-	
Approved Foreign Exchange	4000,00,00,000	4112,64,95,000	4000,00,00,000	4111,11,37,000
B.Taka Coin	17,62,50,834		57,04,05,309	
Government of Bangladesh Securities **	781,66,36,086		1057,19,94,086	
Internal Bills of Exchange and Other Commercial Papers	2806,08,30,205	3605,37,17,125	3024,08,30,205	4138,32,29,600
TOTAL ASSETS :		**7718,02,12,125**		**8249,43,66,600**

** Includes Special Ad hoc Treasury Bills issued for creating assets against issue of Bangladesh Notes in replacement of Pakistani Notes.

- = Nil.

LIABILITIES

Particulars	As on June 30, 1996		As on June 30, 1997	
	Taka	Taka	Taka	Taka
1	2	3	4	5
Paid-up Capital		3,00,00,000		3,00,00,000
Reserve Fund		3,00,00,000		3,00,00,000
Rural Credit Fund		240,00,00,000		260,00,00,000
Industrial Credit Fund		78,78,52,450		93,78,52,450
Export Credit Fund		78,00,00,000		91,00,00,000
Agricultural Credit Stabilisation Fund		240,00,00,000		260,00,00,000
Deposits :				
a) Government	1,38,63,999		99,44,015	
b) Banks	2273,55,07,820		3017,77,89,441	
c) Others	4486,02,93,228	6760,96,65,047	4364,45,72,706	7383,23,06,162
Allocation of Special Drawing Rights		91,74,31,206		91,74,31,206
Bills Payable		300,43,16,653		52,63,881
Other Liabilities		2231,66,15,600		2202,04,34,894
TOTAL LIABILITIES:		**10027,58,81,016**		**10388,32,88,593**

DEPARTMENT

ASSETS

Particulars	As on June 30, 1996		As on June 30, 1997	
	Taka	Taka	Taka	Taka
1	2	3	4	5
Note		25,385		24,85,000
Taka Coin		219		244
Subsidiary Coin		65		52
Bills Purchased and Discounted				
a) Internal	–		–	
b) External	–		–	
c) Government Treasury Bills	8,91,00,383	8,91,00,383	49,84,99,550	49,84,99,550
Balances Held Outside Bangladesh*		4261,84,12,842		3277,53,85,457
Special Drawing Rights Held with the International Monetary Fund		49,27,26,799		3,53,72,696
Loans and Advances to the Government		64,00,00,000		64,00,00,000
Other Loans and Advances		1430,28,43,429		1124,02,29,234
Investment		2318,83,84,640		3669,93,10,240
Other Assets		1894,43,87,254		2199,20,06,120
TOTAL ASSETS:		**10027,58,81,016**		**10388,32,88,593**

* Includes cash and short-term deposits.

– = Nil.

PROFIT AND LOSS ACCOUNT

	Year ending June 30, 1996	Year ending June 30, 1997
	Taka	Taka
INCOME		
Interest, Discount, Exchange, Commission and Interest on Investment	840,63,87,424	936,03,29,198
EXPENDITURE		
Salaries and Allowances	69,06,14,403	65,34,84,871
Directors' Fees and Allowances	36,250	57,750
Auditors' Fees	1,70,000	1,40,000
Rent, Taxes, Insurance, Lighting etc.	4,98,67,229	4,81,95,602
Law Charges	23,95,953	14,90,801
Postage and Telegram Charges	57,16,714	64,44,157
Remittance of Treasure	89,62,816	99,29,035
Printing and Stationery	1,38,14,448	1,33,90,763
Security Printing(Cheques, Note, Forms etc.)	63,52,71,682	54,75,83,467
Depreciation of Bank's Property	5,27,18,976	6,78,40,172
Repairing of Bank's Property	2,19,74,530	2,20,92,183
Agency Charges	18,92,51,075	12,93,76,058
IMF Charges	25,59,28,736	22,72,56,371
Interest Subsidy to Banks and Other Financial Institutions	-	-
Interest on Deposits	60,90,97,091	74,77,46,436
Interest on Staff Provident Fund	14,03,00,013	14,34,98,920
Interest on General Provident Fund	1,43,41,814	2,04,72,052
Interest on ACU Transactions	25,46,64,997	19,52,37,612
Miscellaneous Expenses	15,92,52,182	18,26,48,288
Net Profit	530,20,08,515	634,34,44,660
Total :	**840,63,87,424**	**936,03,29,198**

– NiL

PROFIT AND LOSS ACCOUNT

	Year ending June 30, 1996 Taka	Year ending June 30, 1997 Taka
APPROPRIATION OF PROFITS		
Amount Transferred to Reserve Fund	-	-
Amount Transferred to Rural Credit Fund	20,00,00,000	20,00,00,000
Amount Transferred to Indusrial Credit Fund	15,00,00,000	15,00,00,000
Amount Transferred to Export Credit Fund	13,00,00,000	13,00,00,000
Amount Tranferred to Agricultural Credit Stabilisation Fund	20,00,00,000	20,00,00,000
Amount Transferred to Credit Guarantee Fund	7,00,00,000	7,00,00,000
Amount Transferred to Reserve Fund for Unrecovered Loan/Investment	10,00,00,000	10,00,00,000
Surplus Payable to the Government	445,20,08,515	549,34,44,660
Balance	-	-
Total :	**530,20,08,515**	**634,34,44,660**

RESERVE FUND ACCOUNT

	Year ending June 30, 1996 Taka	Year ending June 30, 1997 Taka
Balance	3,00,00,000	3,00,00,000
By Transfer from Profit and Loss Account	-	-
Total :	**3,00,00,000**	**3,00,00,000**

- = Nil.

Farid Ahmed Chowdury
General Manager

Ataul Haq
Deputy Governor

Lutfar Rahman Sarkar
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, 1997 and the Profit and 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 necessary 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

The 22nd Shraban, 1404	Aziz Halim Anwar and Co.	S. Huda and Co.
The 6th August, 1997	Chartered Accountants	Chartered Accountants

APPENDICES

BANGLADESH : SOME SELECTED STATISTICS

BANGLADESH : SOME SELECTED STATISTICS

TABLE-I

AREA AND POPULATION

Year (End June)	Area (Square Kilometre)	Population (Million)	Density of Population	
			Per Square Kilometre of Total Area	Per Square Kilometre of Cultivable Land
1	2	3	4	5
1992-93	1,47,570	115.5	783	1,306
1993-94	1,47,570	117.7	798	1,344
1994-95	1,47,570	119.9	812	1,367 R
1995-96	1,47,570	122.1	827	1,392 R
1996-97 P	1,47,570	124.3	842	1,417

Source : Bangladesh Bureau of Statistics

R Revised.

P Provisional.

NATIONAL INCOME, SAVINGS AND INVESTMENTS

(Taka in crores)

Items/Sectors	1992-93	Percentage Change	1993-94	Percentage Change	1994-95	Percentage Change	1995-96	Percentage Change	1996-97 (Provisional)	Percentage Change
1	2	3	4	5	6	7	8	9	10	11
1. GDP (at constant 1984-85 factor cost)	52,146.2	3.84	54,244.0	4.02	56,390.0	3.96	59,407.5 R	5.35 R	62,408.2	5.05
2. GDP (at constant 1984-85 market price)	56,022.9	4.48	58,384.0	4.21	60,979.3	4.44	64,244.1 R	5.35 R	67,875.3	5.65
3. GDP (at current market price)	94,806.5	4.58	1,03,036.5	8.68	1,17,036.1	13.58	1,30,260.5 R	11.32	1,40,258.0	7.78
4. Gross Investment (at current market price)	13,521.4	23.09	15,892.7	17.54	19,455.1	22.45	23,190.0	18.84	24,398.6	10.17
	14.26*		15.42*		16.63*		18.95*		17.37*	
5. Gross Domestic Savings (at current market price)	6,606.5	21.80	7,875.0	18.21	9,641.4	25.50	9,781.6	1.45	10,804.8	10.46
	6.97**		7.15**		8.24**		7.51**		7.70**	
6. Sectoral Break-up of GDP (at constant 1984-85 market price)	Share in GDP		Share in GDP		Share in GDP		Share in GDP		Share in GDP	
	Amount	In Percentage	Amount	In Percentage	Amount	In Percentage	Amount	In Percentage	Amount	In Percentage
a) Agriculture	20,123.0	35.92	20,181.5	34.58	19,982.3	32.77	20,712.6R	32.24R	21,965.2	32.36
		(1.8)		(0.3)		(-1.0)		(3.7)R		(6.0)
b) Industry	5,900.3	10.54	6,366.5	10.90	6,916.5	11.34	7,282.5	11.33	7,525.5	11.08
		(9.1)		(7.8)		(8.6)		(5.3)		(3.3)
c) Construction	3,408.2	6.08	3,607.4	6.18	3,859.3	6.33	4,014.6	6.25	4,160.6	6.13
		(4.6)		(6.0)		(7.0)		(4.0)		(3.6)
d) Gas, Electricity, Water and Sanitary	890.3	1.59	1,016.0	1.74	1,133.9	1.86	1,246.0	1.94	1,308.3	1.93
		(13.4)		(14.0)		(11.5)		(9.9)		(5.0)
e) Others	25,700.1	45.87	27,200.2	46.59	29,087.4	47.70	30,988.6	48.24	32,917.7	48.5
		(5.3)		(5.8)		(6.9)		(6.5)		(6.2)
Total :	56,022.9	100.00	58,384.0	100.00	60,979.3	100.00	64,244.1R	100.00	67,875.3	100.00

Source : Bangladesh Bureau of Statistics.

Note : Figures in brackets indicate sectoral growth rate.

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

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

R Revised.

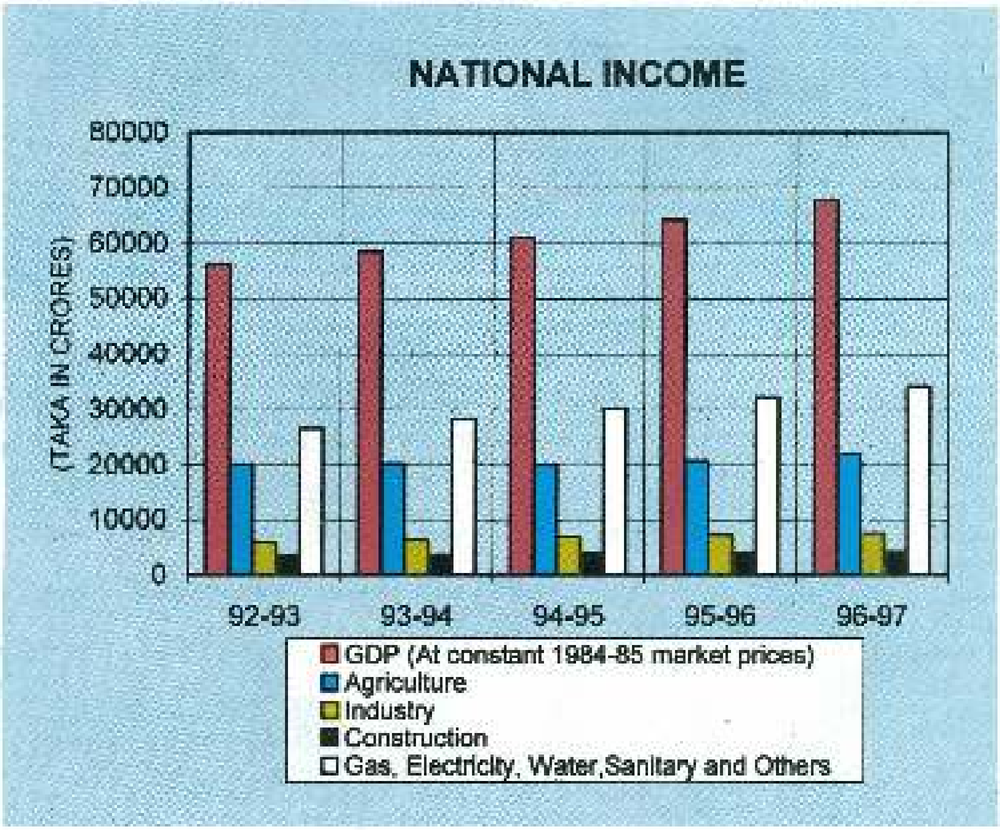

NATIONAL INCOME
80000
70000
60000
50000
40000
30000
20000
10000
0
(TAKA IN CRORES)
92-93
93-94
94-95
95-96
96-97
GDP (At constant 1984-85 market prices)
Agriculture
Industry
Construction
Gas, Electricity, Water,Sanitary and Others

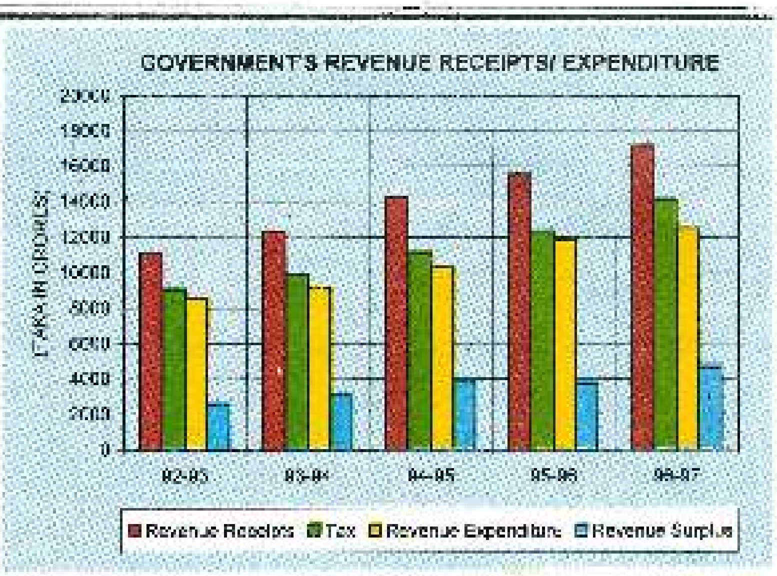
TABLE- III

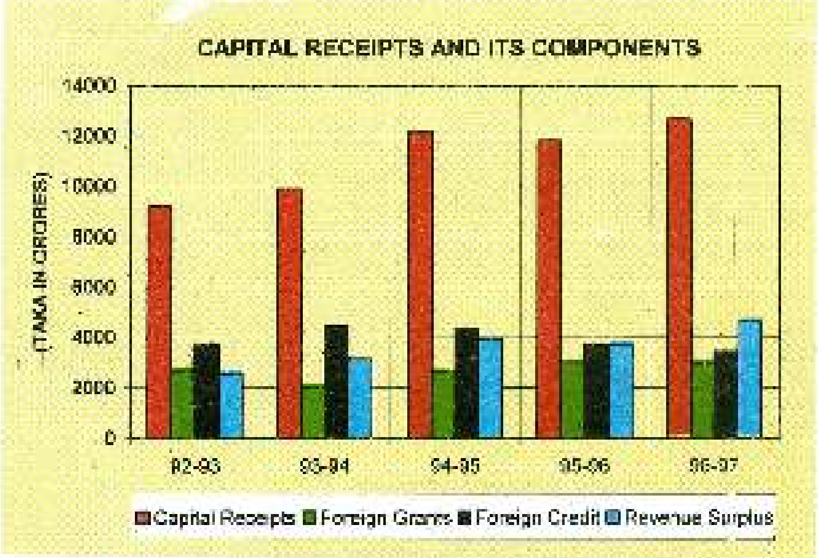
GOVERNMENT FINANCE AND ANNUAL DEVELOPMENT PROGRAMME (ADP)

(Taka in crores)

Sectors	1992-93	As percentage	1993-94	As percentage	1994-95	As percentage	1995-96	As percentage	1996-97	As percentage
1	2	3	4	5	6	7	8	9	10	11
1. Revenue Receipts	**11,060**	**100.00**	**12,250**	**100.00**	**14,210**	**100.00**	**15,512**	**100.00**	**17,145**	**100.00**
a) Tax	9,030	81.65	9,850	80.46	11,110	78.18	12,233	78.86	14,074	82.09
b) Non -Tax	2,030	18.35	2,400	19.54	3,100	21.82	3,279	21.14	3,071	17.91
2. Revenue Expenditure	**8,510**		**9,150**		**10,300**		**11,814**		**12,535**	
3. Revenue Surplus (+)	**2,550**	**27.75**	**3,130**	**31.64**	**3,910**	**32.07**	**3,698**	**31.31**	**4,610**	**36.43**
Revenue Deficit (-)	-	-	-	-	-	-	-	-	-	-
4. Foreign Grants	2,691	29.28	2,033	20.67	2,628	21.50	3,005	25.44	2,961	[illegible]
5. Foreign Loans	3,674	39.98	[illegible]	43.92	4,369	35.83	3,676	31.13	[illegible]	[illegible]
6. Domestic Capital (Net)	15	0.16	78	0.79	402	3.30	956	8.10	1,909	[illegible]
7. T & T Bonds*	-	-	-	-	235	1.93	325	2.75	185	1.46
8. Self Financing by Autonomous Bodies	260	2.83	196	1.98	182	1.49	150	1.27	155	1.23
9. Bank Credit	-	-	-	-	470	3.86	-	-	-	-
10. Resource (Non-Budget)	-	-	-	-	-	-	-	-	-	-
11. Public Account (Net)	-	-	-	-	-	-	-	-	-	-
12. Capital Receipts (3+4+5+6+7+8+9+10+11)	9,190	100.00	9,891	100.00	12,193	100.00	11,810	100.00	12,654	100.00
13. Use of Capital (A+B+C+D+E)	9,190	100.00	9,891	100.00	12,193	100.00	11,810	100.00	12,654	100.00
A. Annual Development Programme (ADP)	8,121	88.37	9,600	97.06	11,150	91.45	10,447	88.46	11,700	92.46
i) Domestic	(2,130)	(26.23)	(3,440)	(35.83)	(4,798)	(43.03)	(4,414)	(42.25)	(5,725)	(48.93)
ii) Foreign	(5,991)	(73.77)	(6,160)	(64.17)	(6,352)	(56.97)	(6,033)	(57.75)	(5,975)	(51.07)
B. Food for Works Programme	438	4.85	557	5.50	690	5.66	540	4.57	811	6.41
C. Non -ADP Projects	117	1.27	119	1.20	89	0.73	218	1.85	87	0.69
D. Net Outlay in Food Operation	506	5.51	(-)406	(-)4.10	264	2.16	605	5.12	56	0.44
E. Others	28	0.30	31	0.31	-	-	-	-	-	-

Source : Budget Summary Statements of 1993-94 to 1997-98, Ministry of Finance.
* Sold to Banks.
\- Nil.


GOVERNMENT'S REVENUE RECEIPTS/ EXPENDITURE
(TAKA IN CRORES)
92-93
93-94
94-95
95-96
96-97
Revenue Receipts
Tax
Revenue Expenditure
Revenue Surplus


CAPITAL RECEIPTS AND ITS COMPONENTS
14000
12000
10000
8000
6000
4000
2000
0
(TAKA IN CRORES)
92-93
93-94
94-95
95-96
96-97
Capital Receipts
Foreign Grants
Foreign Credit
Revenue Surplus

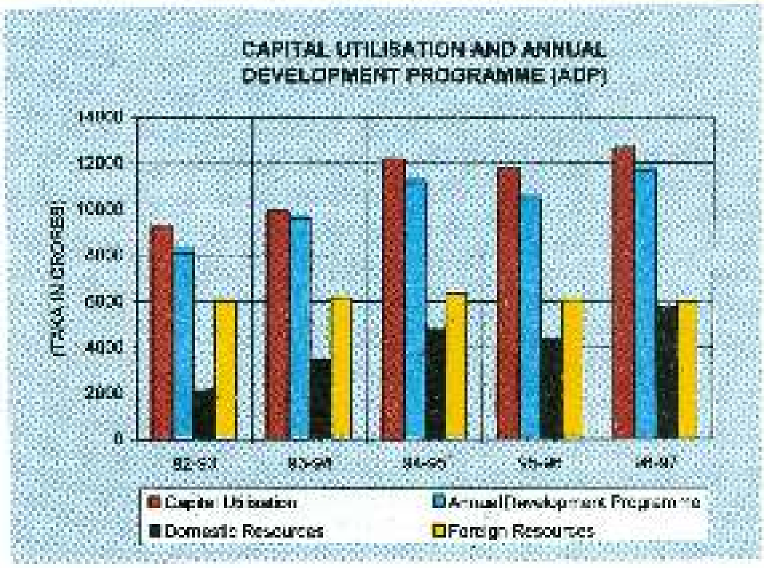

CAPITAL UTILISATION AND ANNUAL DEVELOPMENT PROGRAMME (ADP)
14000
12000
10000
8000
6000
4000
2000
0
(TAKA IN CRORES)
Capital Utilisation
Annual Development Programme
Domestic Resources
Foreign Resources

TABLE-IV

MONEY, CREDIT AND PRICE INDEX

(Taka in crores)

Particulars	1992-93	1993-94	1994-95	199 5-96	1996-97
1	2	3	4	5	6
1. Broad Money(M_2)*	31,535.60 (10.55)	36,403.00 (15.43)	42,212.30 (15.96)	45,690.50 (8.24)	50,627.50 (10.81)
2. Total Domestic Credit*	**29,273.80[@]** (7.59)	**30,695.20[@]** (4.86)	**36,085.30[@]** (17.56)	**43,452.40[$]** (20.42)	**49,396.60[$]** (13.68)
A) Government Sector[$] (Including Public Sector)	9,956.40 (7.41)	9,722.80 (-2.35)	10,027.60[R] (3.13)	11,792.60[R] (17.60)	13,891.70 (17.80)
B) Government Sector[@]	3,922.10 (8.18)	4,682.00 (19.37)	4,614.00 (-1.45)	6,310.20[R] (36.76)	8,017.20 (27.05)
C) Public Sector	6,034.30 (6.92)	5,040.80 (-16.46)	5,413.60 (7.40)	5,482.40[R] (1.27)	5,874.50 (7.15)
D) Private Sector	19,317.40 (7.68)	20,972.40 (8.57)	26,057.70[R] (24.25)	31,659.80[R] (21.50)	35,504.90 (12.15)
3. Broad Money as % of GDP (at current market prices)	33.26	35.33	36.07	35.10[R]	36.10[P]
4. Consumer Price Index for Dhaka Middle Income Families (Twelve-Month Average)	734.00 (1.38)	747.00 (1.77)	786.00 (5.22)	818.00 (4.07)	850.00 (3.91)

Sources : (1) Statistics Department, Bangladesh Bank and (2) Bangladesh Bureau of Statistics.

Note : Figures in the parentheses indicate annual percentage changes.

* Figures correspond to end-June

$ Include adjustment of bonds issued by the Government

R Revised

P Provisional

TABLE-V

RESERVE MONEY AND ITS COMPONENTS

(Taka in crores)

Year [1] (End-June)	Currency Outside Banks	Cash in Tills of the Scheduled Banks	Balances of the Scheduled Banks with the Bangladesh Bank*	Reserve Money (2+3+4)
1	2	3	4	5
1975-76	329.80	34.30	98.00	462.10[R]
1976-77	356.30	65.50	124.40	546.20[R]
1977-78	504.30	66.40	115.80	686.50[R]
1978-79	613.30	80.00	162.80	856.10[R]
1979-80	693.40	103.20	247.00	1,043.60[R]
1980-81	914.80	126.20	294.10	1,335.10[R]
1981-82	877.50	135.60	267.20	1,280.30[R]
1982-83	1,138.60	146.50	338.70	1,623.80[R]
1983-84	1,556.30	235.50	443.90	2,235.70[R]
1984-85	1,722.90	275.70	676.70	2,675.30[R]
1985-86	1,953.10	338.40	979.50	3,271.00[R]
1986-87	2,075.60	361.30	1303.20	3,740.10[R]
1987-88	2,415.00	402.30	2,240.20	5,057.50
1988-89	2,615.60	432.50	2,420.70	5,468.80
1989-90	3,188.30	506.00	2,623.00	6,317.30
1990-91	3,611.80	623.90	2,265.00	6,500.70
1991-92	4,072.60	598.70	2,150.80	6,822.10
1992-93	4,480.10	538.90	3,925.80	8,944.80
1993-94	5,416.00	691.50	5,200.40	11,307.90
1994-95	6,565.10	623.40	3,441.50	10,630.00
1995-96	7,123.30	776.00	3,103.70	11,003.00
1996-97	7,574.60	880.10	3,939.80	12,394.50

Source : Statistics Department, Bangladesh Bank

Note : 1 Figures from 1987-88 onwards were prepared on the basis of changed classification.

* Include deposits under Wage Earners Clearing Account.

R Revised

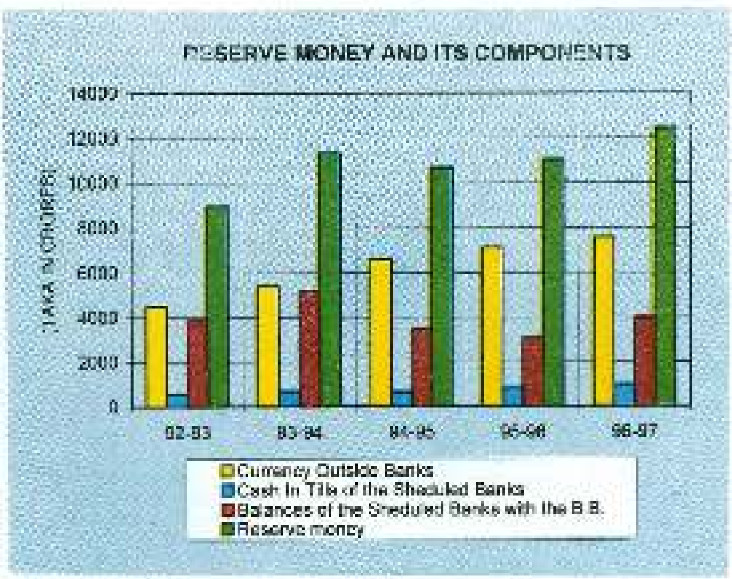


TABLE-VI

RESERVE MONEY AND ITS SOURCES

(Taka in crores)

Year (End June)	Bangladesh Bank Claims on: Government	Scheduled Banks	Other Official Entities and Financial Institutions	Total (2+3+4)	Net Foreign Assets	Other Assets (Net)	Reserve Money (5+6+7)
1	2	3	4	5	6	7	8
1975-76	775.70	101.50	[illegible]	955.30	-55.90	-300.20 R	[illegible] R
1976-77	656.70	121.70	70.70	799.10	[illegible]	-301.70 R	546.[illegible] R
1977-78	766.20	231.80	35.40	1,033.10	24.70	-311.90 R	746.[illegible] R
1978-79	754.40	275.50	[illegible]	1,126.90	10.20	-488.00 R	850.[illegible] R
1979-80	985.10	709.40	161.[illegible]	1,844.90	-220.10	-600.10 R	1,042.[illegible] R
1980-81	1,377.90	912.70	342.70	2,673.90	-622.30	-175.60 R	1,838.10 R
1981-82	1,581.10	1,335.00	309.70	3,276.10	-1,159.90	-55.30 R	1,891.70 R
1982-83	1,420.30	1,251.00	365.80	3,037.[illegible]	773.70	[illegible] R	2,475.10 R
1983-84	1,590.60	1,377.30	520.[illegible]	3,258.[illegible]	216.[illegible]	-978.00 R	3,293.70 R
1984-85	[illegible]	2,167.30	677.40	4,269.80	-482.[illegible]	-1,241.60 R	2,873.30 R
1985-86	2,230.50	2,[illegible].80	870.00	5,105.30	436.[illegible]	-1,477.00 R	3,271.10 R
1986-87	2,065.60	2,134.30	874.60	5,052.70	76.[illegible]	1,270.00 R	7,290.10 R
1987-88	2,345.20	2,502.80	874.40	5,602.[illegible]	534.70	-1,185.60	7,037.50
1988-89	936.00	3,156.40	955.10	5,066.[illegible]	486.[illegible]	-47.60	5,468.80
1989-90	2,678.30	2,921.00	925.10	[illegible]	261.50	54.00	6,317.30
1990-91	1,722.70	3,528.10	992.60	6,040.[illegible]	1,137.20	-1,157.80	6,737.70
1991-92	1,154.90	3,370.00	947.60	5,472.50	3,296.[illegible]	-2,152.00	6,622.10
1992-93	1,337.80	2,997.20	897.60	5,237.60	5,667.70	-1,930.40	8,744.80
1993-94	1,521.90	2,296.70	1,080.00	5,222.20	8,250.80	-2,115.10	11,117.90
1994-95	1,754.00	2,210.90	1,080.40 R	5,044.50 R	8,558.10	-3,278.70 R	10,497.00
1995-96	3,236.30	3,413.70	1,395.50 R	7,046.00 R	5,266.70 R	-2,051.70 R	11,255.00
1996-97	4,433.90	3,801.30	1,192.60	9,281.50	5,012.70	1,559.[illegible]	12,351.50

Source : Statistics Department, Bangladesh Bank.

Note : Figures from 1987-88 onwards data prepared on the basis of changed classification.

R : Revised.

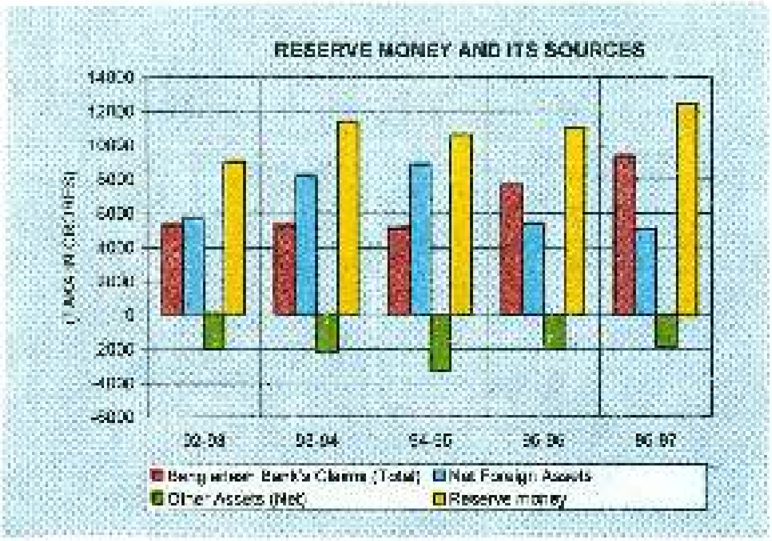


TABLE-VII

DEPOSITS OF PUBLIC AND PRIVATE SECTORS

(Taka in crores)

Month/Year	Demand Deposits[@]			Time Deposits[@]		
	Public*	Private	Total	Public*	Private[@@]	Total
1	2	3	4	5	6	7
June, 1984	645.0	1,524.0	2,169.0	1,731.6	3,186.5	4,918.1
	(29.74)	(70.26)		(35.21)	(64.79)	
June, 1985	748.9	1,960.2	2,709.1	2,232.9	4,197.0	6,429.9
	(27.64)	(72.36)		(34.73)	(65.27)	
June, 1986	853.7	2,417.6	3,271.3	2,350.5	5,177.9	7,528.4
	(26.10)	(73.90)		(31.22)	(68.78)	
June, 1987**	1,000.8	2,521.1	3,521.9	2,853.6	6,428.8	9,282.4
	(28.42)	(71.58)		(30.74)	(69.26)	
June, 1988	987.4	2,152.7	3,140.1	2,983.8	9,020.0	12,003.8
	(31.44)	(68.56)		(24.86)	(75.14)	
June, 1989	833.0	2,433.9	3,266.9	3,924.4	10,668.8	14,593.2
	(25.50)	(74.50)		(26.89)	(73.11)	
June, 1990	880.1	2,797.4	3,677.5	4,038.5	12,765.2	16,803.7
	(23.93)	(76.07)		(24.03)	(75.97)	
June, 1991	1,108.8	3,188.8	4,297.6	4,146.7	14,634.0	18,780.7
	(25.80)	(74.20)		(22.08)	(77.92)	
June, 1992	1,144.5	3,709.6	4,854.1	5,418.9	16,287.5	21,706.4
	(23.58)	(76.42)		(24.96)	(75.04)	
June, 1993	1,293.1	4,144.1	5,437.2	5,892.9	18,416.2	24,309.2
	(23.78)	(76.22)		(24.24)	(75.76)	
June, 1994	1,542.1	5,050.2	6,592.3	6,982.7	20,363.0	27,345.7
	(23.39)	(76.61)		(25.53)	(74.47)	
June, 1995	1,601.2	6,096.2	7,697.4	7,958.7	23,416.9	31,375.6
	(20.80)	(79.20)		(25.37)	(74.63)	
June, 1996	1,514.2	6,772.1	8,286.3	8,722.9	24,857.8	33,580.7
	(18.27)	(81.73)		(25.98)	(74.02)	
June, 1997	1,791.6	6,945.5	8,737.1	8,469.6	29,348.5	37,818.1
	(20.51)	(79.49)		(22.40)	(77.60)	

Source : Statistics Department, Bangladesh Bank.

@ Exclude interbank items.

@@ Include Wage Earners' Deposits.

* Exclude Government Deposits.

** Prepared on the basis of changed classification from June, 1987.

Note : Figures in the parentheses indicate percentage of total demand/time deposits.

TABLE-VIII

COMPARATIVE POSITION OF SCHEDULED BANKS

(Taka in crores)

Particulars	June 30, 1993	June 30,1994	June 30,1 995	June 30, 1996	June 30,1997
1	2	3	4	5	6
1. Bank Deposits*	**2 9,746.40^{R}**	**33,937.90^{R}**	**39,073.00^{R}**	**41,867.00^{R}**	**46,555.10**
(A) Demand Deposits	4,582.50	5,751.10	6,614.30	7,336.10	7,592.40
(B) Time Deposits	22,473.00	25,335.90	29,032.90	31,231.10	35,460.50
(C) Restricted Deposits	1.60	1.40	1.90	3.70	3.10
(D) Government Deposits	2,689.30	2,949.50	3,423.90	3,296.10	3,499.10
2. Borrowings from the Bangladesh Bank	3,080.30	3,687.40	3,001.50	3,622.30	3,928.50
3. Cash in tills	538.90	691.50	623.40	775.00	880.10
4. Balances with the Bangladesh Bank	3,625.30	4,599.80	3,514.90	2,989.40	3,717.90
5. Balances with Other Banks in Bangladesh in Current Account	636.60	1,011.50	1,112.20	1,084.50	2,001.50
6. Money at Call and Short Notice in Bangladesh	156.60	98.10	352.00	322.50	351.50
7. Total Investments@	**5,576.40**	**6,789.10**	**7,975.50**	**7,819.20^{R}**	**8,239.40**
(A) Government Securities and Treasury bills	4,816.50	6,155.90	6,299.80	6,178.50^{R}	6,628.60
(B) Others	759.90	633.20	1,675.70	1,640.70	1,610.80
8. Bank Credit**	**24,056.30**	**24,210.00**	**29,207.10**	**34,681.20^{R}**	**38,958.90**
(A) Advances in Bangladesh	23,293.70	23,464.60	28,085.90	33,448.20^{R}	37,277.60
(B) Inland Bills Purchased and Discounted in Bangladesh	762.60	745.40	1,121.20	1,233.00	1,681.30
9. Credit/Deposit Ratio (Excluding Specialised Banks)	0.72	0.65	0.70	0.77	[illegible]

Source: Statistics Department, Bangladesh Bank.

* Exclude interbank items

** Exclude interbank items and foreign bills.

@ Include Bonds Issued by the Government.

R Revised.

TABLE-IX

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

(1) The **Bank Rate** : 6.5 percent per annum (from 1-2-96 up to 30-10-96), 7.0 percent per annum (from 31-10-96 up to 18-5-97) and 7.5 percent per annum (from 19-5-97 up to 30-6-97).

(2) Minimum Rates of Interest on Deposits*

(Percent per annum)

Category of Deposits	February 1, 1996 to October 30, 1996	October 31, 1996 to February 18, 1997
1	2	3
a) Savings Deposits		
Urban	6.00	6.50
Rural		
b) Time Deposits		
3 months and above	6.25	6.75

* Abolished with effect from February 19, 1997

(3) Interest Rate Bands and Rate of Subsidy on Advances

(Percent per annum)

Category of Loans	Interest Rate Bands**	Rate of Subsidy
	April 25, 1994 to June 30, 1997	January 30, 1993 to June 30, 1997
1	2	3
1. Agriculture	10.00-14.00	-
2. Export	8.00-10.00	-
3. Small and Cottage Industries(term loan)	9.00-12.00	3.00

Source : Banking Regulation and Policy Department, Bangladesh Bank

** The bands of interest rates for all lending categories except lending to Agriculture, Export and Small and Cottage Industries were withdrawn since April 1, 1992 and in those cases the rates of interest would be decided by the banks themselves.

- = Nil.

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

4. Interest Rate Declared by the Scheduled Banks

(Percent per annum)

Category of Deposits and Advances	30-6-97*										
	Nationalised Commercial Banks				Specialised Banks				Private Banks		
	Sonali	Janata	Agrani	Rupali	BKB	RAKUB	BSB	BASIC	City	UCBL	ABBL
1	2	3	4	5	6	7	8	9	10	11	12
Deposits											
a) Savings Deposits											
Rural	7.50	7.50	7.50	7.50	7.50	7.50	7.00		7.50	7.50	7.50
Urban	7.50	7.50	7.50	7.50	7.50	7.50	7.00	7.50	7.50	7.50	7.50
b) Fixed / Term Deposits											
3 months and above but less than 6 months	8.00	8.50	8.00	8.00	8.25	8.00	7.50	8.00	8.00	8.00	8.25
6 months and above but less than 1 year	8.25	8.75	8.25	8.25	8.50	8.25	7.75	8.25	8.25	8.25	8.50
1 year and above but less than 2 years	8.50	9.00	8.50	8.75	8.75	8.50	8.00	8.50	8.50	8.50	8.75
2 years and above but less than 3 years	9.00	9.50	9.50	9.00	9.00	9.00	8.50	9.00	9.00	9.00	9.00
3 years and above	9.50	9.50	9.50	9.00	9.50	9.50	8.75	9.00	9.00		9.00
Advances											
1. Agriculture	13.5-13.75	13.5-13.75	13.5-13.75	13.75	13-14	13-13.5	12.5-13.5	13.00	11.5-14	14.00	13-14
2. Large & Medium Scale Industry (Term Loan)	14.00	14.50	14.00	14.50	9.5-15	12.00	13.50	13.00	14.50	15.50	14.5-15.5
3. Working Capital	15.00	15.50	15.00	15.50	11-15	15.00	14.50	14.50	11.5-15	11-15.5	12-15.5
4. Export Credit	10.00	10.00	10.00	10.00	10.00	9.00	10.00	10.00	10.00	10.00	10.00
5. Other Commercial Lending	15.00	16.00	15.00	15.5-16.5	15.50	13.50	15.00	14.75	14-15.5	15.50	[illegible]
6. Small Industries	11.00	11.50	11.00	11.00	9.5-10.5	9.50	12.00	11.75	12.00	12.00	12.00
7. Others	15.50	15-16	11-13.5	14.5-16	15-16	14.00	14-18	15.00	14.5-15.5	15.50	15-16
Effective From :	(1-11-96)	(22-6-95)	(14-11-96)	(1-11-96)	(1-11-96)	(1-12-96)	(6-4-96)	(1-12-96)	(1-1-97)	(1-2-97)	(1-2-97)

Source : Banking Regulation and Policy Department, Bangladesh Bank.

* Interest rates which remained unchanged till June 30, 1997 from the effective date.

- = Nil.

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

4. Interest Rate Declared by the Scheduled Banks

(Percent per annum)

Category of Deposits and Advances	30-6-97*									
	Private Banks									
	IFIC	National	Uttara	Pubali	Eastern	NCCBL	Dhaka Bank	South East	Prime Bank	Dutch Bangla
	13	14	15	16	17	18	19	20	21	22
Deposits										
a) Savings Deposits										
Rural	-	7.25	7.50	6.50		-				-
Urban	7.50	7.25	7.50	6.50	7.25-7.5	7.00	7.25	8.00	7.00	7.00
b) Fixed/Term Deposits										
3 months and above but less than 6 months	8-9	8.00	8.00	7.75	8.25-8.5	8.50	9.00	8.25-9	7.50	8.00
6 months and above but less than 1 year	8.25-9.25	8.25	8.25	8.00	8.75-9	9.50	9.25	8.5-9.5	7.75	8.25
1 year and above but less than 2 years	8.5-9.5	8.50	8.50	8.25	9.25-9.5	9.75	9.50	9-10	8.00	8.50
2 years and above but less than 3 years	9-10	9.25	9.00	8.25	-	10.00	9.50	9.5-10.5	8.50	8.75
3 years and above	9.5-10.5	9.25	-	-	-	10.25	9.50	10.5-11	9.00	9.00
Advances										
1. Agriculture	13.75	13.00	14.00	13.00	13-14	14.00	10.00	13-14	12.00	11.50
2. Large & Medium Scale Industry (Term Loan)	15.00	15.00	14.00	15.00	14.5-15.5	15.00	12-13.5	13-13.5	14.00	13.00
3. Working Capital	15.00	15.50	15.5-16	14-15	11-15	15.00	11-15	14-15.5	14.00	14-16
4. Export Credit	10.00	10.00	10.00	10.00	10.00	10.00	9-10	10.00	10.00	10.00
5. Other Commercial Lending	15.5-16.5	16.00	15.5-16	16.00	15-15.5	15.00	11-15	13-15.5	11.00	15.50
6. Small Industry	12.00	12.00	12.00	12.00	9.50	12.00	11.00	12.00	12.00	12.00
7. Others	15.5-16.5	16.50	15-16	15-17	15-15.5	15.00	12-15	15-16	15.00	15.50
Effective From:	(1-1-97)	(1-6-97)	(1-1-97)	(1-2-97)	(1-4-97)	(1-10-96)	(1-1-97)	(1-4-97)	(8-4-96)	(1-1-97)

Source : Banking Regulation and Policy Department, Bangladesh Bank.
* Interest rates which remained unchanged till June 30, 1997 from the effective date.
\- = Nil.

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

4. Interest Rate Declared by the Scheduled Banks

(Percent per annum)

Category of Deposits and Advances	1996-97											
	Foreign Banks											
	American Express	Grindlays	Indosuez	Standard Chartered	State Bank of India	Habib	NBP	MCB	City Bank N.A.	Societe Generale	Hanil	[illegible]
	25	24	25	36	22	31	29	32	3	45	33	31
Deposits												
a) Savings Deposits												
Rural	-	-	-	-	-	-	-	-	-	-	-	-
Others	6.50	8.50	8.50	6.50	6.50	6.50	7.25	6.50	6.50	7.25-7.5	6.50	7.75
b) Fixed / Term Deposits												
3 months and above but												
less than 6 months	7.5	7.25	7.25	7-7.5	7.50	6.75	7.5-8.5	7.25-8	8.25-9.25	8-8.5	7.50	8.25-10
6 months and above but												
less than 1 year	7.25-8.25	8.25	7.75	7.75-8.25	7.50	9.00	8-8.5	7.5-8.25	9.25-10.75	8.75-9.25	8.50	8.5-10.25
1 year and above but												
less than 2 years	7.5-8.7	8.25	8.25	9.00	8.00	9.25	8.25-8.75	7.75-8.5	10.00	9.5-9.75	8.50	8.875-10.5
2 years and above but												
less than 5 years	7.5-8.5	8.75	8.75	9.5-10.5	8.50	9.75	8.25-8.75	-	10.00	-	9.00	-
5 years and above	7.5-8.5	8.75	9.00	-	9.00	8.50	8.5	-	10.00	-	9.00	-
Advances												
1. Agriculture	10-14	10-12	15.00	10-12	14.00	11-16	10-14	14.00	12-14	14-16	10-12	11-16
2. Large & Medium Scale Industry												
(Term Loan)	9.25-14.25	12.5-15.5	14.00	10.5-12.5	13-15	13-16	15.00	11-15	13-15	11-17	10.5-12.5	13-16
3. Working Capital	11.75-14.75	11.5-17	15.50	11-14	13-15.5	11-15	11-15.5	12-14.5	10-15	13-16	10-17	12-16
4. Export Credit	8-10	8-10	10.75	8-10	12.00	10.00	8-10	12.00	8-10	8-10	10.00	8-10
5. Other Commercial Lending	12.5-15.5	12-15.5	16.00	13-17	15.00	12-15	13-17	13-17	10.5-13.5	11-17	14.00	12-18
6. Small Industry	8-12	8-12	12.00	10-12	-	11.50	8-12	11.00	10-12	10-12	11.00	10-12
7. Others	11.75-16	13-17.5	16.00	7.5-10.5	-	12-15	-	10-15	11.5-15	11.5-16.5	12-14	13-18
Effective From	(21-10-96)	(1-6-97)	(25-4-97)	(15-6-97)	(1-1-97)	(31-10-96)		(1-2-97)	(10-6-97)	(1-5-97)	(1-8-96)	(29-5-97)

Source: Banking Regulation and Policy Department, Bangladesh Bank.
* Interest rates which remained unchanged till June 30, 1997 from the effective date.
NA

STATEMENT OF VARIOUS TYPES OF BONDS ISSUED BY THE GOVERNMENT DURING 1996-97

(Taka in crores)

Serial No.	Name of Bonds	Objectives	Amount
1	2	3	4
1.	3-Year (T&T) Treasury Bond-1999 Bearing 8.8-10.0 Percent Interest	To finance the installation of one lakh thirty thousand digital telephone lines	125.00
2.	3-Year Treasury Bond-1998 (Jute Sector) Bearing 7.0 Percent Interest	To reimburse the loss against interim working capital in jute sector	26.74
3.	10-Year Treasury Bond- 2006 Bearing 7.0 Percent Interest	To reimburse the loss against interim working capital in jute sector	81.64
4.	10-Year Treasury Bond-2006 Bearing 7.0 Percent Interest	To reimburse the loss against interim working capital in jute sector	88.78
5.	10-Year Treasury Bond-2005 Bearing 7.0 Percent Interest	To reimburse the loss against interim working capital in jute sector	26.46
6.	10-Year Treasury Bond-2006 Bearing 7.0 Percent Interest	To reimburse the loss against interim working capital in jute sector	25.56
7.	5-Year (BSRS) Treasury Bond-2000 Bearing 8.5 Percent Interest	To restructure BSRS and transform it into a profitable institution	50.00
8.	A) 5-Year (Biman) Treasury Bond-2002 Bearing 8.0 Percent Interest	For financing the purchase of two airbuses of the Bangladesh Biman Corporation (1st phase)	15.00
	(B) 5-Year (Biman) Treasury Bond-2002 Bearing 9.0 Percent Interest	For financing the purchase of two airbuses of the Bangladesh Biman Corporation (2nd phase)	35.00
Total :			**474.18**

Source : Currency Management and Accounts Department, Bangladesh Bank.

TABLE - XI

BALANCE OF PAYMENTS

Items/Sectors	1992-93		1993-94		1994-95		1995-96		1996-97 (Provisional)	
	In crore Tk.	In million US $	In crore Tk.	In million US $	In crore Tk.	In million US $	In crore Tk.	In million US $	In crore Tk.	In million US $
1	2	3	4	5	6	7	8	9	10	11
Export (fob)*	9,257.3	2,383	10,657.6	2,534	13,928.5	3,473	15,879.1	3,882	[illegible]	4,418
Import (c & f)**	15,933.9	4,071	-16,766.0	-4,191	-23,454.7	-5,834	-28,097.6	-6,881	-30,403.3	-7,120
(of which : Foodgrains)	(690.4)	(176)	(603.5)	(151)	(1,913.5)	(476)	(2,393.0)	(586)	(758.6)	(180)
Trade Balance	**-6,676.4**	**-1,688**	**-6,668.4**	**-1,657**	**-9,526.2**	**-2,361**	**-12,218.5**	**-2,999**	**-11,590.0**	**-2,702**
Services(Net)	12.6	3	-37.5	-10	-520.5	-130	-461.1	-113	128.1	30
A) Inflows	2,414.1	617	2,680.8	670	3,293.7	819	3,300.3	808	3,287.9	770
B) Outflows	2,401.5	614	2,718.3	680	3,814.2	949	3,761.4	921	3,159.8	740
(of which : Interest payment)	(606.7)	(155)	(609.7)	(152)	(683.0)	(170)	(698.3)	(171)	(739.3)	(173)
Private Unrequited Transfer	4,169.4	1,067	4,981.8	1,247	5,730.2	1,426	6,027.4	1,475	7,264.0	1,770
(of which : Workers remittances)	(3,698.4)	(944)	(4,354.9)	(1,089)	(4,814.4)	(1,198)	(4,977.8)	(1,217)	(6,304.3)	(1,475)
Current Account Balance	**-2,494.4**	**-618**	**-1,721.1**	**-420**	**-4,316.4**	**-1,065**	**-6,652.2**	**-1,637**	**-3,897.9**	**-902**
Capital Account (Net)	**4,997.8**	**1,277**	**5,047.7**	**1,262**	**5,600.8**	**1,393**	**2,491.4**	**610**	**2,399.7**	**562**

Source : Statistics Department, Bangladesh Bank.
* Source : Export Promotion Bureau (Including EPZ)
** Including EPZ.

TABLE - XI (Contd.)

BALANCE OF PAYMENTS

Items/Sectors	1992-93		1993-94		1994-95		1995-96		1996-97(Provisional)	
	In crore Tk	In million US $	In crore Tk	In million US $	In crore Tk	In million US $	In crore Tk	In million US $	In crore Tk	In million US $
1	2	3	4	5	6	7	8	9	10	11
Aid Disbursement[1/]	6,555.9	1,675	6,234.7	1,559	6,990.8	1,739	5,895.9	1,444	6,302.6	1,476
A) Food	(473.6)	(121)	(471.4)	(118)	(552.5)	(137)	(563.6)	(138)	(431.3)	(101)
B) Commodity	(1,456.0)	(372)	(1,805.1)	(451)	(1,337.6)	(333)	(936.6)	(229)	(1,123.0)	(263)
C) Project	(4,626.3)	(1,183)	(3,958.2)	(990)	(5,100.7)	(1,269)	(4,395.7)	(1,077)	(4,748.3)	(1,112)
Amortization Payments	-925.4	-239	-1,057.2	-264	-1,261.0	-314	-1,289.6	-316	-1,404.8	-329
Food Credit (Net)	-31.3	-8	-44.5	-11	-	-	-	-	-	-
A) Borrowings	-	-	-	-	-	-	-	-	-	-
B) Repayment	(-31.3)	(-8)	(-44.5)	(-11)	-	-	-	-	-	-
Trust Fund	-	-	-	-	-	-	-	-	-	-
Aircraft Loan(Net)	-35.2	-9	-34.5	-9	-37.4	-9	114.4	28	194.7	46
Other Capital[2/]	556.2	142	-50.8	-13	-91.6	-23	-2,229.3	-546	-2,692.8	-631

Source: Statistics Department, Bangladesh Bank

1/ Includes Official grants

2/ Includes Trade Credit and Trade Balance of EPZ

- = Nil

TABLE-XI (Concld.)

BALANCE OF PAYMENTS

Items/ Sectors	1992-93		1993-94		1994-95		1995-96		1996-97(Provisional)	
	In crore Tk.	In million US $	In crore Tk.	In million US $	In crore Tk.	In million US $	In crore Tk.	In million US $	In crore Tk.	In million US $
1	2	3	4	5	6	7	8	9	10	11
Errors and Omissions	-173.1	-64	-496.8	-135	567.8	132	679.5	175	447.6	95
Overall Balance	2,330.3	595	2,829.8	707	1,852.2	460	-3,481.3	-852	-1,050.6	-245
Monetary Movements (-Increase)	-2,330.3	-595	-2,829.8	-707	-1,852.2	-460	3,481.3	852	1,050.6	245
Bangladesh Bank	-2,160.0	-552	-2,639.0	-660	-1,726.9	-429	3,214.5	787	609.1	142
Foreign Exchange [@]	-2,169.5	-554	-2,358.9	-590	-1,484.1	-369	3,482.3	853	1,069.4	250
Liabilities	9.5	2	-280.1	-70	-242.8	-60	-267.8	-66	-460.3	-108
Of which										
IMF's Credit	(9.5)	(2)	(-280.1)	(-70)	(-242.8)	(-60)	(-267.8)	(-66)	(-460.3)	(-108)
Purchase	(317.4)	(81)	-	-	-	-	-	-	-	-
Repurchase	(-307.9)	(-79)	(-280.1)	(-70)	(-242.8)	(-60)	(-267.8)	(-66)	(-460.3)	(-108)
Central Bank's Deposit	-	-	-	-	-	-	-	-	-	-
Commercial Banks	-170.3	-43	-190.8	-47	-125.3	-31	266.8	65	441.5	103
A) Assets	-157.9	-40	-206.3	-51	-101.1	-25	106.4	26	376.3	88
B) Liabilities [#]	-12.4	-3	15.5	4	-24.2	-6	160.4	39	65.2	15

Source : Statistics Department, Bangladesh Bank
@ Includes Valuation Adjustment
# Include bilateral balance
— Nil.

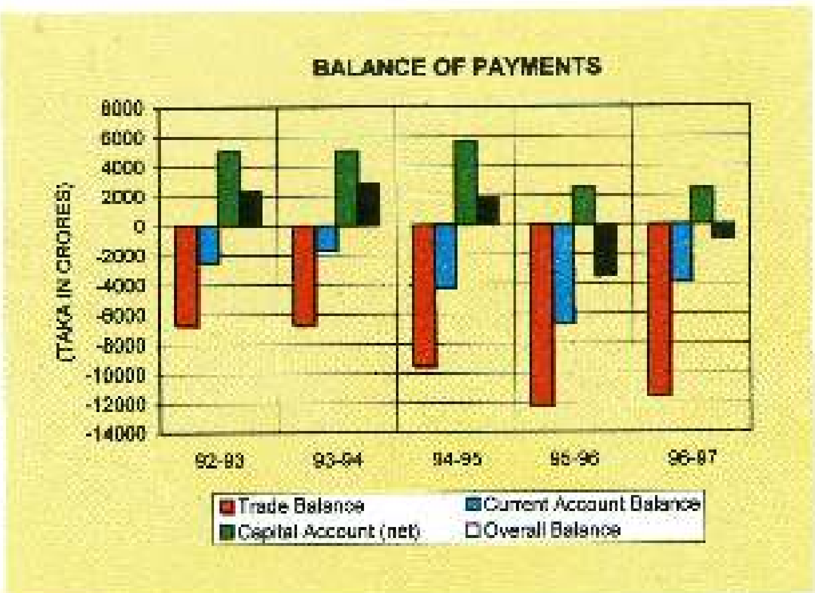


TABLE - XII

MERCHANDISE EXPORTS (RECEIPTS)

Commodities/Sectors	1992-93		1993-94		1994-95		1995-96		1996-97	
	In crore Tk	In million US $	In crore Tk	In million US $	In crore Tk	In million US $	In crore Tk	In million US $	In crore Tk.	In million US $
1	2	3	4	5	6	7	8	9	10	11
Total Exports (fob) (Including EPZ)	**9,257.5**	**2,383**	**10,097.6**	**2,534**	**13,928.5**	**3,473**	**15,879.1**	**3,882**	**18,813.0**	**4,418**
1) Raw Jute	288.8	74	227.3	57	318.7	79	371.1	91	495.3	116
2) Jute Goods (Excluding Carpets)	1,135.9	262	1,130.9	284	1,278.6	319	1,345.3	329	1,353.5	318
3) Tea	159.8	41	152.1	38	131.5	33	135.5	33	162.4	38
4) Leather	574.5	148	670.2	168	810.5	202	865.9	212	832.4	195
5) Fish & Shrimps	664.4	171	881.8	221	1,225.9	306	1,283.0	313	1,365.7	320
6) Readymade Garments*	5,614.0	1,445	6,199.8	1,556	8,952.9	2,232	10,417.8	2,547	12,779.3	3,001
7) Naphtha, Furnace oil, and Bitumen	143.0	37	62.3	16	54.3	14	44.5	11	70.0	16
8) Newsprint	2.7	1	1.4	--	--	--	--	--	--	--
9) Fertilizer	198.8	51	204.7	51	363.1	91	387.1	95	443.4	104
10) Others	475.5	123	567.2	143	793.0	197	1,028.9	251	1,311.0	307

Source : Export Promotion Bureau

* Includes Knitwear & Hosiery Products

-- Nil

TABLE - XIII

MERCHANDISE IMPORTS (PAYMENTS)

Commodities/Sectors	1992-93		1993-94		1994-95		1995-96		1996-97 (Provisional)	
	In crore Tk.	In million US $	In crore Tk.	In million US $	In crore Tk.	In million US $	In crore Tk.	In million US $	In crore Tk.	In million US $
1	2	3	4	5	6	7	8	9	10	11
Total Imports (c & f) (A+B+C)	15,933.9	4,071	16,766.0	4,191	23,454.7	5,834	28,097.6	6,661	30,403.0	7,120
A) Foodgrains	690.4	176	603.3	151	1,913.5	476	2,393.0	586	768.6	180
1) Rice	(0.9)	(-)	(40.9)	(10)	(884.4)	(220)	(1,461.9)	(358)	(115.3)	(27)
2) Wheat	(689.5)	(176)	(562.4)	(141)	1,029.1)	(256)	(931.1)	(228)	(653.3)	(153)
B) Non-Food	14,910.4	3,810	15,678.3	3,919	20,749.3	5,161	24,638.6	6,034	27,917.8	6,538
1) Milk and Milk Products	252.6	65	148.6	37	163.1	41	216.4	53	226.3	53
2) Spices	92.0	24	89.1	22	62.6	16	93.9	23	51.2	12
3) Oil Seeds	137.0	35	158.1	40	321.8	80	363.4	89	298.9	70
4) Edible Oil	596.7	152	466.2	117	883.4	220	731.0	179	768.6	180
5) Coconut Oil	7.6	2	9.2	2	16.2	4	20.4	5	17.1	4
6) Sugar	51.8	13	52.9	13	130.4	32	24.5	6	234.9	55
7) Cement	448.4	115	399.2	100	465.2	116	698.3	171	640.5	150
8) Crude Petroleum	709.7	181	465.5	116	711.6	177	677.9	166	969.3	227
9) Petroleum Products	673.9	172	671.3	168	828.3	206	1,184.3	290	1,592.7	373
10) Chemical Products	495.0	126	576.6	144	623.1	155	820.8	201	939.4	220
11) Pharmaceuticals	50.4	13	59.7	15	65.0	16	81.7	20	89.7	21
12) Fertilizer	512.7	131	540.1	135	570.9	142	396.1	97	640.5	150
13) Dyeing and Tanning Processing Materials	131.7	34	146.5	36	200.0	50	224.6	55	256.2	60
14) Cotton	322.2	82	287.9	72	542.7	135	755.5	185	768.6	180
15) Yarn	498.3	127	670.8	168	805.9	200	1,208.8	296	1,601.3	375
16) Textile and Articles Thereof	2,690.1	687	3,364.4	841	4,120.6	1,025	4,259.2	1,043	4,782.5	1,120
17) Textile Fabrics	120.5	31	123.7	31	160.8	40	175.6	43	213.5	50
18) Iron & Steel	415.1	106	518.7	130	828.1	206	1,314.9	322	1,601.3	375
19) Capital Goods	5,266.5	1,346	5,195.9	1,299	6,785.8	1,688	7,832.4	1,918	8,540.2	2,000
20) Others	1,438.0	368	1,733.9	433	2,463.8	612	3,559.1	872	3,685.1	863
C) Imports of EPZ	333.1	85	484.4	121	791.9	197	1,065.8	261	1,716.6	402

Source : Statistics Department, Bangladesh Bank.

- = Nil.

TABLE-XIV

FOREIGN AID, EXTERNAL DEBT AND DEBT SERVICES

(In million US $)

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97**
1	2	3	4	5	6
1. Foreign Aid					
A. Commitment	1,275	2,410	1,612	1,280	1,616
B. Disbursement	1,675	1,559	1,739	1,444	1,476
C. Total Commitment since 1972	31,136	33,552	35,166	36,446	38,062
D. Total Disbursement since 1972	25,747	27,305	29,044	30,488	31,964
2. Debt Services(Medium and Long Term)	374	402	468	469	494
3. Outstanding External Debt as on June, 30	12,748	14,562	15,099	15,550	15,960
4. Outstanding Debt as percentage of GDP	52.63	56.53	51.87	48.79	48.59
5. Medium and Long Term Debt Services as percentage of GDP*	15.69	15.86	13.48	12.08	11.18

Source : Economic Relations Division, Ministry of Finance.
* Exclude transactions with the IMF.
** Figures of 1996-97 are provisional.

TABLE- XV

FOREIGN EXCHANGE RESERVES

Year (End June)	Total Reserves@	
	In million Taka	In millon US Dollar
1	2	3
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
1992-93	84,407	2,121
1993-94	1,11,289	2,765
1994-95	1,23,089	3,070
1995-96	84,906	2,039
1996-97	74,857	1,719

Source : Statistics Department , Bangladesh Bank.
@ Include the reserves held with the IMF

TABLE-XVI

EXCHANGE RATES

(Average Official Taka-Dollar Rates)

Year	Taka per US Dollar (Annual Average)
1	2
1980-81	16.4599
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
1992-93	39.1395
1993-94	40.0009
1994-95	40.2005
1995-96	40.8365
1996-97	42.7008

Source : Statistics Department, Bangladesh Bank.

TABLE-XVI(Concld.)

EXCHANGE RATES

(Average Official Taka-Dollar Rates)

Month	Taka per US Dollar (Monthly Average)
1	2
July, 1996	41.83
August, 1996	42.15
September, 1996	42.33
October, 1996	42.45
November, 1996	42.45
December, 1996	42.45
January, 1997	42.45
February, 1997	42.69
March, 1997	42.93
April, 1997	43.54
May, 1997	43.65
June, 1997	43.65

Source : Statistics Department, Bangladesh Bank.

TABLE-XVII

WAGE EARNERS' REMITTANCES

Year	Remittances	
	In million US Dollar	In crore Taka
1	2	3
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	2,309.90
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
1992-93	944.00	3,698.40
1993-94	1,088.80	4,354.87
1994-95	1,197.63	4,814.39
1995-96	1,217.06	4,977.83
1996-97	1,475.40	6,304.28

Source: Statistics Department, Bangladesh Bank.

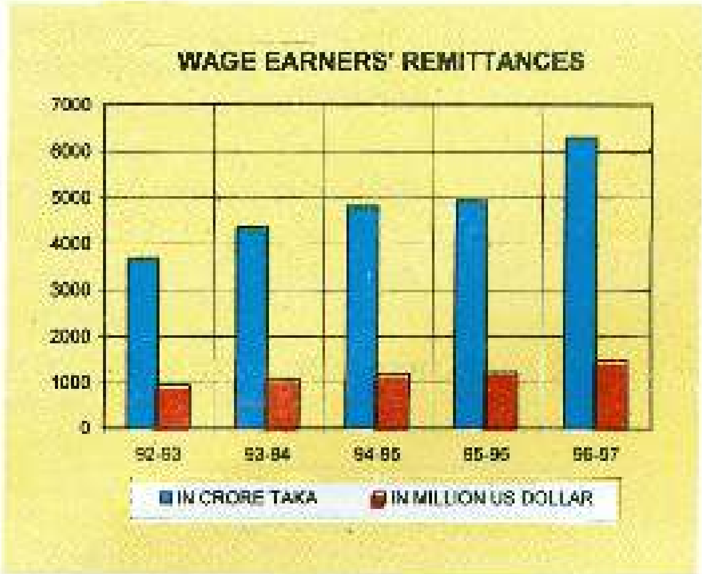


TABLE-XVIII

OFFICES OF THE BANGLADESH BANK

(As on June 30, 1997)

HEAD OFFICE
DHAKA

BRANCH OFFICES

MOTIJHEEL (DHAKA)

SADARGHAT (DHAKA)

CHITTAGONG

KHULNA

BOGRA

RAJSHAHI

SYLHET

BARISAL

RANGPUR

TABLE-XIX

LIST OF THE SCHEDULED BANKS

(As on June 30, 1997)

1. NATIONALISED/GOVERNMENT CONTROLLED BANKS

A) COMMERCIAL BANKS

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

B) SPECIALISED BANKS

1) Bangladesh Krishi Bank
2) Bangladesh Shilpa Bank
3) Rajshahi Krishi Unnayan Bank
4) Bank of Small Industries and Commerce Bangladesh Limited**
5) Bangladesh Shilpa Rin Sangstha

2. PRIVATE COMMERCIAL BANKS

1) Pubali Bank Limited
2) Uttara Bank Limited
3) Arab Bangladesh Bank Limited
4) International Finance Investment and 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) Eastern Bank Limited
11) National Credit and Commerce Bank Limited
12) Prime Bank Limited
13) South East Bank Limited
14) Dhaka Bank Limited
15) Al-Arafah Islami Bank Limited
16) Social Investment Bank Limited
17) Dutch Bangla Bank Limited

* In December, 1986, it was decided to transform Rupali Bank into a Public Limited Company, keeping 51 percent ownership in the Government Sector. Subsequently, the above bank's ownership in the Government Sector was raised to 94.5 percent in 1986.

** In 1996 it was decided to transform Bank of Small Industries and Commerce Bangladesh Limited into a Specialised Bank keeping 100 percent ownership in the Government Sector.

TABLE-XIX (Concld.)

LIST OF THE SCHEDULED BANKS

(As on June 30, 1997)

3. FOREIGN COMMERCIAL BANKS

1) American Express Bank Limited
2) Bank Indosuez
3) ANZ Grindlays Bank PLC
4) Standard Chartered Bank
5) Habib Bank Limited
6) State Bank of India
7) National Bank of Pakistan
8) Muslim Commercial Bank Limited
9) City Bank N.A
10) Society General (The Bank)
11) Hanil Bank
12) The Hongkong and Shanghai Banking Corporation

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