ANNUAL REPORT
1999-2000

BANGLADESH BANK

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BOARD OF DIRECTORS*

1.	Dr. Mohammed Farashuddin	Chairman
2.	Dr. A.K.M. Masihur Rahman	Director
3.	Dr. Wahid Uddin Mahmud	Director
4.	Dr. Saadat Husain	Director
5.	Dr. Mohammad Sohrab Uddin	Director
6.	Mr. Abdul Muyeed Chowdhury	Director
7.	Dr. Anupam Sen	Director
8.	Mrs. Rokia A Rahman	Director
9.	Mr. Kazi Md. Shafiqul Islam	Director
	Mr. Kazi Anwarul Mahbub	Secretary

* Alhaj Kh. Rashiduzzaman (Dudu) held the responsibility of the Director of the Board upto 19 September 1999. Mr. Kazi Md. Shafiqul Islam was appointed as the Directed of the Board with effect from 20 September 1999.

GOVERNOR

Dr. Mohammed Farashuddin

DEPUTY GOVERNORS

Dr. Mohammad Sohrab Uddin

Mr. Khondkar Ibrahim Khaled

Mr. Mohammad Ruhul Amin

EXECUTIVE DIRECTORS

Mr. Mohammad Abdul Mazid Khan

Mr. A.H. Tawfique Ahmed[1]

Mr. Kazi Anwarul Mahbub

Mr. Md. Harunor Rashid Bhuiyan

Mr. Didarul Islam

Mr. Md. Rabiul Islam

Mr. Md. Allah Malik Kazemi

Mr. Ziaul Hasan Siddiqui

Mr. Md. Nazrul Huda

Mr. Md. Murshid Kuli Khan

ECONOMIC ADVISER

Mr. Habibullah Bahar

EXECUTIVE DIRECTOR (SPECIALISED)

Mr. Mohiuddin Zahur Amin

EXECUTIVE DIRECTOR (COMPUTER)

Mr. Md. Nazmul Haque

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[1] On deputation with the Security Printing Corporation (Bangladesh) Limited, Gazipur as Managing Director

DEPARTMENTS* AND GENERAL MANAGERS/EXECUTIVE DIRECTORS

Law Department	Mr. Jalalur Rahman Howlader
Financial Institutions Department	Mr. Md. Abul Kashem
International Department	Mr. Md. Khurshid-ul-Alam
Computer Department	Mr. Md. Azizur Rahman Khan (Systems Manager)
Agricultural Credit Department	Mr. Md. Akhter-uz-zaman
Agricultural Credit Project Department	Mr. Md. Abdus Samad
Agricultural Credit Inspection Department	Mr. Mohammad Mustafa
Credit Information Bureau	Mr. Jasim Uddin Ahmad
Research Department	Mr. Md. Warisuzzaman
	Mr. Md. H. A. Sikdar
	Mr. K. M Jamseduzzaman
Department of Public Relations and Publications	Mr. M. Golam Mustafa
Audit and Inspection Department	Mr. Md. Abdul Awal
Statistics Department	Mr. Abed Ali
	Mr. Md. Abdul Maleque Mian
Engineering Department	Mr. Md. Humayun Kabir
Problem Bank Monitoring Department	Mr. Md. Shamsuddin
Personnel Department	Mr. Sheikh Abdul Aziz
Bangladesh Bank Training Academy	Mr. Didarul Islam (Executive Director)
	Mr. Sheikh Mawla Box
Administration and Expenditure Department	—
Department of Banking Operation and Development	Mr. Nazir Ahmed Khan
Banking Regulation and Policy Department	Mr. Md. Yasin Ali
Department of Banking Inspection	Mr. Md. Asaduzzaman Khan
Foreign Exchange Policy Department	Mr. Naba Gopal Banik
Foreign Exchange Investment Department	Mr. S.M. Abul Kashem
Foreign Exchange Inspection Department	Mr.Yusuf Haroon Abedi
Monetary Management and Technical Unit	Mr. Saifullah
Currency Management and Accounts Department	Mr. Md. Abdullah-Al-Mamun
Industrial Credit Department	Mr. Mohammed Ali
Secretary's Department	Mr. Kazi Anwarul Mahbub (Executive Director)

* As alphabetically arranged in the Bengali version.

Note: Mr. Sayed Ahmed Khan and Mr. Golam Moinuddin, General Managers are on deputation with BIBM and BASIC respectively.

BRANCH OFFICES*
AND
GENERAL MANAGERS/EXECUTIVE DIRECTORS

Khulna Office	Mr. Mahfuzur Rashid
Chittagong Office	Mr. Md. Nazrul Huda (Executive Director)
	Mr. A.T.M. Nasir Uddin
Bogra Office	Mr. Md. Abdul Matin
Barisal Office	Mr. Sayed Shaikhul Imam
Motijheel Office, Dhaka	Mr. Md. Harunor Rashid Bhuiyan (Executive Director)
	Mr. Nazmul Hasan
	Major (Retd) Md. Abul Hossain
Rajshahi Office	Mr. Md. Waliul Haque
Rangpur Office	Mr. Ashok Bandhu Das
Sadarghat Office, Dhaka	Mr. Md. Abdul Hamid Sarker
Sylhet Office	Mr. Khondoker Mazharul Haque

* As alphabetically arranged in the Bengali version.

LETTER OF TRANSMITTAL
BANGLADESH BANK

Dhaka
30 Kartik 1407
14 November 2000

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 (P. O Number 127) I have the honour to submit to the Government of the People's Republic of Bangladesh the enclosed Audited Accounts of the Bank for the accounting period ended 30 June 2000 and the Annual Report, 1999/2000.

Yours faithfully,

(Mohammed Farashuddin)
Governor

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CHAPTER I

ECONOMIC TRENDS

World Economic Situation*

1.1 World financial and economic conditions witnessed remarkable positive changes during the past one and a half years. The uncertainty, and the potential threat of a global recession that stemmed in the wake of financial market crises in Asia in 1997 and subsequently in other regions turned off with restoration of financial order and stronger than expected recovery in the world economy. World output growth which, at the height of the crises, had slowed to 2.5 percent in 1998 accelerated to 3.3 percent in 1999. North America and emerging market economies of Asia played the major role in this stronger growth performance of global output, though countries in other regions also did make positive contribution. An accommodating monetary stance led to a substantial expansion of internal demand in the United States, which also helped promote easy financial conditions throughout the world. Evidences are in sight for further strengthening of the momentum of recovery in industrial as well developing countries, including continued growth of the U.S economy, during the first half of 2000. On the whole, world output growth has been projected to increase from the previous three years' average of 3.3 percent to 4.2 percent in 2000.

1.2 A disquieting development accompanying the revival of global economy has been a sharp increase in oil prices. Since early 1999, oil prices have more than doubled owing to production cuts by members of the **Organisation of Petroleum Exporting Countries (OPEC)** and other oil producers. Despite optimism about the overall world output growth to remain unaffected by the hike in oil prices, developing countries might suffer as a result. Although OPEC has decided in March 2000 to increase oil production, uncertainty still prevails about the future movement of oil prices and its impact on the world economy.

1.3 Real GDP growth of major industrial countries has been projected to increase from 2.8 percent in 1999 to 3.3 percent in 2000. Among them, output growth in the United States will increase from 4.2 percent in 1999 to 4.4 percent in 2000, firming up substantially also in the United Kingdom and countries in **Euro** region

* Based on International Monetary Fund's **World Economic Outlook**, May 2000.

including Germany, France and Italy. Real GDP in Japan, which grew by a modest 0.3 percent in 1999 after slowing down to a negative 2.5 percent in 1998 due to severe recession, has been projected to strengthen further to 0.9 percent in 2000.

1.4 Growth rate of real GDP in developing countries of Asia has been projected to increase from 6.0 percent in 1999 to 6.2 percent in 2000. Of the countries affected by the Asian crisis, output growth in Indonesia, Malaysia and Thailand has been projected to strengthen further in 2000, while in Korea it may slip from 10.7 percent in 1999 to 7.0 percent in 2000. Real GDP growth of **transition countries** in Europe is likely to increase from 2.4 percent in 1999 to 2.6 percent in 2000. But, with on-going reform programme still remaining fragile, output growth in Russia may stumble down from 3.2 percent in 1999 to 1.5 percent in 2000.

1.5 Growth of world trade volume has been projected to accelerate from 4.6 percent in 1999 to 7.9 percent in 2000. Export growth of developing countries is expected to increase significantly from 1.7 percent in 1999 to 9.7 percent in 2000. Inflation in industrial countries has been projected to increase from 1.4 percent in 1999 to 1.9 percent in 2000, while that in developing countries is expected to decline from 6.5 percent in 1999 to 5.7 percent in 2000.

1.6 The lopsided pattern of growth, increase in external imbalances and misalignments of currencies of major industrial countries which have been building up during the last several years have remained a cause of concern in the international economic scenario. Possibility of a sustainable global growth and financial stability will largely depend on what steps are taken by industrial countries in ensuring needed consistency in monetary and fiscal policies to resolve these problems, and how much the on-going reform programmes in developing and emerging market economies are strengthened and deepened. Alongside this, the threat of possible marginalisation of the poorest developing countries due to various discriminatory implications of the existing process of globalization has posed a new challenge to the world economic system.

Trends in Bangladesh Economy

1.7 The pace of overall economic activities in the country gathered momentum during 1999/2000 as a result of continued implementation of economic reforms, pragmatic approach in macro economic management and creation of an **agriculture friendly** environment in the country by determined efforts of the government. Driven mainly by a strong expansion of the agricultural sector and a significant pick up in export demand, growth rate of **Gross Domestic Product**

(GDP) strengthened during the year. The overall growth rate of **GDP** in real terms increased from 4.9 percent in the preceding year to 5.5^{P} percent in 1999/2000. Timely supply of adequate agricultural credit, withdrawal of import duty on agricultural machinery and arrangement for supply at right time of other agricultural inputs including fertilizer at concessional prices, all out efforts of the government for continued implementation of agricultural rehabilitation programme and hard labour of the country's toiling peasantry contributed to **bumper production** of food crops during the year. As a result, total foodgrains production increased by 14.2^{P} percent, bolstering overall output growth of the **agricultural sector** up from 3.3 percent in 1998/99 to 5.5^{P} percent in 1999/2000. Improved global economic environment led to a perceptible buoyancy of demand for Bangladesh's export commodities which also helped increased industrial production. Growth rate of the **industrial sector** increased from 3.2 percent in 1998/99 to 4.3^{P} percent in 1999/2000. Performance of **Wholesale and Retail Trade** and **Transport, Storage and Communication** sectors also strengthened during the year. Sustained growth in the face of adverse effects of the recent financial crises in Asia and other regions as well as internal adversities including severe impact of devastating floods in the previous year not only reflects the success of government's macroeconomic management, but also bears testimony to the economy's resilience.

1.8 The 1999/2000 fiscal programme of the government was guided by the principal objectives of achieving rapid economic growth and alleviation of poverty in the country. The **Annual Development Programme (ADP)** of the year was formulated with a total outlay of Tk. 15,500.00 crores, assuming a revenue surplus of Tk. 6,351.00 crores based on estimated revenue receipts of Tk. 24,151.00 crores and revenue expenditures of Tk. 17,800.00 crores in the proposed budget for 1999/2000. In view of the slack movement of important economic variables as an aftermath of the preceding year's devastating floods, the government, in a firm bid to strengthen developmental activities, enlarged the size of the Annual Development Programme by Tk. 1000.00 crores or 6.5 percent to Tk.16,500.00 crores. The amount of revenue surplus available for financing the Annual Development Programme, however, fell short by Tk. 3,450.00 crores due to a decline in revenue receipts to the tune of Tk. 2806.00 crores or 11.6 percent and an increase in revenue expenditures by Tk. 644.00 crores or 3.6 percent in the revised budget. As a result, despite some increase (Tk. 349.00 crores) in foreign resources, the government was compelled to have recourse to increased borrowing from the banking system for

^{P} = Provisional.

financing the Annual Development Programme. About 94.0 percent of the revised Annual Development Programme was implemented which is the highest rate of implementation during the Nineties.

1.9 In keeping with the free market economic system and trend in globalization, the budget for 1999/2000 aimed at increased mobilization of revenue and establishment of social justice through liberalization of trade alongside providing due protection to domestic industries, expansion of the tax base and further modernization of the tax regime. To this end, wide-ranging adjustments and rationalization measures were taken in respect of income tax, import duty and value added tax (VAT) during the year. A number of measures were taken to expand the base and rationalize the structure of direct tax, including enhancement of the exemption limit of income from Tk.60,000.00 to Tk.75,000.00 and imposition of 10 percent surcharge on tax payable by more affluent tax payers as an alternative to wealth tax. For development of modern Medicare facilities in the country, income earned by private hospitals established during the period from 1 July 1999 to 30 June 2005 have been exempted from tax, subject to certain conditions. To encourage registration of ocean going ships in Bangladesh, 50 percent of income earned by such ships were made tax exempt. The inland water transport sector was brought under the purview of presumptive tax, while the existing rates of presumptive tax on bus, minibus, truck, etc. were increased. Provisions were made for payment of tax at specified rates for renewal of fitness of cars/jeeps etc. and deduction of advance tax at source on income from saving certificates, bonus shares, feature films, brick fields, doctor's fees in private clinics/hospitals, L.C commission etc. Revenue receipts from income tax recorded a marked increase during the year exceeding the annual target by 6.8 percent.

1.10 Some changes and amendments in respect of certain provisions and procedures governing the income tax law were made during the year under report. To discourage smuggling and to safeguard the interest of domestic industries, rates of import duty and value added tax on different goods and raw materials were reduced. The highest rate of import duty was reduced from 40.0 percent to 37.5 percent. The existing infrastructure development surcharge on fertilizer import was withdrawn, while import duties on different materials used in agro-based industries were reduced. Import duties on raw materials and machineries used in different industries including leather and readymade garment industries were also reduced. Duty rates on import of certain items were either lowered or increased based on their friendly or adverse impact on environmental pollution. Besides, a large number of duty rates were readjusted and rationalized. Mandatory **pre-shipment inspection (PSI)** system was introduced to facilitate prompt clearance of imported goods and improved collection of duties. Existing rates of supplementary duty were increased including new imposition on certain commodities. Exemption of VAT on certain import commodities was withdrawn to safeguard the interest of domestic industries, while certain services were brought under VAT. Despite these measures, total revenue receipts of the government during 1999/2000 fell 11.6 percent short of projection due mainly to lower receipt of import duties. Revenue expenditures, on the other hand, increased by 3.6 percent due to increased expenditure in social development sectors including Education and Defence. Against this, enhancement of the size of the revised Annual Development Programme led overall budget deficit to increase by 38.1 percent or Tk.16,608.00 crores. Temporary budget deficit and increased credit to the government may be necessary to bring pace in the economy if warranted by trends in private sector activities. Increased investment in the government sector during the year under report was necessary especially to make good the damages to infrastructure caused by the devastating floods of 1998. However, unabated sharp increase in credit to the government may give rise to the problem of increased debt-service liability, reduced flow of credit to the private sector and excessive money supply. In future it would, therefore, be necessary to contain budget deficit within safe limits by strengthening revenue collection and restraining unproductive expenditure.

1.11 As a complement to building a vibrant economy and achieving a sustainable growth, the government has been taking comprehensive package of measures for expansion of the industrial sector and consolidation of the industrial base for the last few years. Moving along the path of free market economy, almost all industries except Defence have been made open to the private sector. To accelerate the pace of industrialisation in the country, the process for approval of industrial projects has been simplified. Identical provisions have been made in respect of bank loans, tax holiday, duty concessions and extension of other facilities for setting up industrial projects without any discrimination between the local and foreign entrepreneurs. Apart from guaranty for full security of investment and arrangement for easy repatriation of dividends and invested capital, provision has also been made to grant permanent residence/citizenship to foreign entrepreneurs making large investments. The Privatisation Board has been transformed into the **Privatisation Commission** and strengthened further to expedite transfer of public sector industrial units as well as government shares in other industrial enterprises to the private sector. A good number of government owned industrial units and government shares in other industrial enterprises have already been off loaded to private hands. In order to rejuvenate the prospective sick industries of the country, a **Special Committee** has been formed for identifying such industries and allowing remission of interest on loans taken by them. Based on recommendations of the Committee, the government will pay 50 percent of the interest remission in the form of bonds to the concerned banks. A number of fresh measures have been taken during 1999/2000 under the new industrial policy of 1999 for development and nourishment of the industrial sector. With a view to creating funds for long term industrial finance, arrangements have been made for issuance of 5-year and 7-year government guaranteed **Industrial Development Bonds** worth Tk.500.00 crores through the Agrani Bank and 5-year **Bangladesh Industrial Development Bond** worth $ 100.00 million through the Sonali Bank. For enabling financial institutions to provide long term industrial finance as well as strengthening the capital market of the country, a $ 57.69 million **Financial Institutions Development Project (FIDP)** has been put in place during the year under report. Technical and financial assistance will be given to financial institutions from this project in securitization of their loan/lease and issuance of their medium and long term debentures/bonds. Two new organisations, namely, the **Infrastructure Facilitation Center** and the **Infrastructure Development Company Limited** have been established to help development of industrial infrastructure in the country. Necessary law has been enacted for establishment of **Private Export Processing Zones (PEPZ)** in the country. Initiative has already been taken to set up four PEPZs, one each at Mongla, Ishwardi, Saidpur and Comilla. Besides, the process for establishment of 5 **Industrial Parks** and **High-tech Parks** in the country has been started. As a result of these measures, the potential for strengthening of the pace of industrialization in the country has been brightened.

1.12 A total of 1,563 industrial projects involving a total investment outlay of Tk. 17,215.00 crores (1,428 local and 135 joint venture/100% foreign) were registered during 1999/2000. The amount of investment during the year was 15.4 percent higher than in the previous year. Alongside increased registration of industrial projects, the amount of industrial loans disbursed during the year also increased. Compared to the level in the preceding year, the amount of working capital finances and term loans disbursed in the industrial sector during 1999/2000 increased by 33.3 percent to Tk. 12,309.00 crores (working capital Tk.10,681.74 crores and term loans Tk.1,627.26 crores).The **Credit Guarantee Scheme** which was introduced for encouraging expansion of employment creating and income generating small industries by mobilising small entrepreneurial initiatives in the country remained in operation during the year under report. Credit covered by guarantee under the Scheme against loans given to investors in small industries stood at Tk.27.23 crores as on 30 June 2000. Under the **Khudra Uddyog Rin Karmosuchi** (Small Initiatives Credit Scheme) introduced for self-employment of the voluntarily retired officers/staff, a total of Tk.4.92 crores were disbursed upto 30 June 2000 against which refinance provided by Bangladesh Bank stood at Tk.3.69 crores.

1.13 In order to overcome the apparent destabilizing impact of the prolonged floods of 1998 on macroeconomic balance and bring about desired pace in overall economic activities keeping inflation at a tolerable level, a **moderately accommodative monetary policy** was pursued during 1999/2000 in close consonance with the government's rehabilitation and development programmes. For encouraging banks to provide increased loans to the private sector, the **Bank Rate** was lowered by one percentage point from 8.0 percent to 7.0 percent on 29 August 1999. In view of the slowdown in private sector credit in the first quarter of the year under report, banks were persuaded to take more effective initiatives in extending credit to the private sector. Nevertheless, due mainly to a relatively more cautious attitude of banks, credit to the private sector increased by a lower rate of 10.7 percent in 1999/2000 as compared to 13.8 percent during the preceding year. However, as credit to the government increased substantially during the year because of increased financing of the enlarged Annual Development Programme, gross domestic credit recorded an increase of 13.6 percent during 1999/2000 as compared to 13.1 percent during the preceding year.

1.14 Although expansion of private sector credit was less than expected, **broad money** (M_2) increased at a higher rate during 1999/2000. Broad money increased much faster than projected due mainly to substantial increase in net credit to the government as well as in net foreign assets. Net credit to the government increased by Tk. 3,524.30 crores or 31.3 percent during 1999/2000 as compared to Tk. 1,976.60 crores or 21.3 percent during the preceding year. Net foreign assets of the banking system increased by Tk. 2,171.50 crores or 33.9 percent during 1999/2000 in contrast to a decline of Tk. 391.00 crores or 5.8 percent during the previous year. Increase in private sector credit as well as in other assets of the banking system also contributed to the increase in broad money. As a result, broad money increased by Tk. 11,735.70 crores or 18.6 percent during 1999/2000 as compared to Tk. 7,157.60 crores or 12.8 percent during 1998/99.

1.15 Some important steps were taken in the banking sector during the year under report. In order to make interest rates more market based, existing interest rate bands for loans to the small & cottage industries and agriculture sectors together with the subsidy admissible to the small & cottage industries sector were withdrawn. Drives for recovery of defaulted loans were strengthened further. As part of the programme for strengthening the Bangladesh Bank, initiatives were taken for amendment of certain clauses of the Bangladesh Bank Order, 1972 and the Bank Company Act, 1991. Supervision activities were intensified to expedite implementation of the new rules for loan classification and provisioning introduced last year effective from January 1999. To bring about transparency in loan operations and for convenience of determining the actual amount of loan, banks were required to introduce **New Loan Ledgers** and show balances of principal and interest separately. Determination of banks' capital according to the new system of maintaining risk-weighted asset based capital adequacy as at 30 June 1999 and 31 December 1999 were completed during the year. Eight new private banks and three financial institutions were issued licenses and permitted to commence business operation during 1999/2000. The existing 22 financial institutions of the country extended in total Tk. 1,511.50 crores as loans to different sectors upto 30 June 2000. Scheduled banks opened 86 new branches during the year, raising the total number of bank branches in the country to 6,056 as on 30 June 2000. Eight domestic private banks were able to declare dividends among the shareholders during the year under report.

1.16 The abrupt upswing of inflation which occurred in the wake of devastating floods in the previous year abated at a much higher pace than anticipated as a result of pragmatic steps taken by the government in macroeconomic management including speedy implementation of the Annual Development Programme to strengthen economic activities and pursuance of a moderately liberal but prudent monetary policy during the year under report. Cushioned by a satisfactory level of overall supplies including foodgrains and other essential commodities in the country, the higher rate of increase in broad money during the year did not act in fuelling inflation. Time deposits, the largest component of broad money, increased by Tk. 9,103.80 crores or 19.9 percent, while net investment of the people in different savings schemes increased by Tk.3,227.88 crores or 41.3 percent during the year. Excess liquidity of banks which had stood at Tk.3,721.80 crores or 6.6 percent of their total deposits at the end of June 1999 increased to Tk. 5,343.60 crores or 8.0 percent at the end of June 2000. Careful surveillance was kept constant to forestall possible threat to price stability from the excess liquidity of banks. The exchange rate of Taka, despite 4.9 percent depreciation during the year, does not seem to have exerted a perceptible pressure on consumer prices due to substantial reduction of duties on import of essential consumer goods as well as on industrial raw materials and equipments under trade liberalization agenda. Besides, the structural change of the economy which has taken place over the last few years, as reflected in an increase in GDP shares of the more monetised sectors including **Wholesale and Retail Trade, Construction** and **Transport, Storage and Communication** is suggestive of increased money absorption capacity of the economy and reduced inflationary content of incremental money supply. As a result, **the annual rate of inflation** as measured by twelve-month average of the Consumer Price Index (Base: 1985/86=100) at the national level came down gradually from 8.9 percent in 1998/99 to 3.5 percent in 1999/2000; on a point-to-point basis, the rate of inflation stood even lower at 2.3 percent . However, the impact of money supply on inflation needs to be continuously monitored.

1.17 In today's world a country like Bangladesh cannot achieve rapid economic growth and alleviation of poverty without modernisation of agriculture and upgradation of agro-technology. Rapid growth and upliftment of socio-economic conditions of the teeming millions and alleviation of poverty in the country cannot be achieved without ensuring overall improvement of the agricultural sector alongside development of industrial and other sectors. It is in this context that a **National Agricultural Policy** has been adopted to ensure sustainable development of the agricultural sector. The central theme of the National Agricultural Policy is to build an economically profitable and environmentally sound dynamic agriculture that can preserve bio-diversity and productivity of land. To this end, initiative has been taken to adopt a well thought, coordinated and planned programme of actions for introduction and extension of bio-technology, infrastructural and technological development of agriculture, diversification of crops and farming methods, etc. Government efforts for improving the agricultural sector have been accompanied by adequate financial arrangements on a regular basis. Banks/financial institutions disbursed a total sum of Tk. 2,851.29 crores as agricultural loan in 1999/2000. Agricultural loans disbursed during 1998/99 had stood at a record level of Tk. 3,005.92 crores following extension of large amount of fresh loans to farmers affected by floods. Besides, the **Grameen Bank** and three large NGOs of the country **BRAC, ASA** and **Proshika** disbursed a total sum of Tk.3,915.05 crores during 1999/2000 to finance different income generating activities in the rural sector. These institutions had disbursed Tk.3,636.43 crores during the preceding year. Bangladesh Bank provided a refinance of Tk. 504.40 crores to banks/financial institutions against agricultural loans disbursed by them during 1999/2000. The outstanding amount of refinance provided by Bangladesh Bank to the agricultural sector as at the end of June 2000 stood at Tk. 4,065.22 crores.

1.18 Efforts for implementation of the government's declared policy of poverty alleviation alongwith economic growth were strengthened further during the year under report. In view of little opportunity for people living below the poverty line to get benefit of economic growth in a free market competitive economy, the government has been implementing different target oriented poverty alleviation schemes. The revenue budget for 1999/2000 provided for an allocation of Tk. 3,439.17 corers, while an allocation of Tk.5,313.42 crores was made in the Annual Development Programme of the year against various poverty alleviation programmes. The Annual Development Programme for 1999/2000 also provided for an allocation of Tk.1,603.26 crores in rural development and institutions sectors which are conducive to alleviation of poverty. Different poverty alleviation programmes including the **Food for Works Programme** introduced under **Social Safety Net** of the government were strengthened during the year. With a view to ameliorating the living conditions of the distressed, destitute and hapless poor, programmes like '**Boyosko Vata**' (Allowance for the Elderly Poor), **Asrayan** (Housing for the Poor), **Shanti Nibash** (Hostel for the Elderly) have been introduced and organisations like the **Karmasangsthan Bank** (Employment Bank), **Grihayan Tahobil** (Housing Fund), **Jatiyo Protibondhi Foundation** (National Foundation for the Handicapped) and **Doostho, Nirjatito Mohila Ebong Shishu Kalyan Tahobil** (Destitute and Oppressed Women and Childrens' Welfare Fund) have been established. **Doostho Bidhoba Ebong Swami Parityakta Mahilader Vata** (Allowance for the Distressed Widows and Deserted Wives) and **Ekti Barhi Ekti Khamar** (One House One Farm) schemes were introduced during the year under report. As a result of these innovative schemes/programmes, poverty conditions in the country is expected to gradually improve further. Some research initiatives have been taken for a clearer assessment of the depth of the impact of these programmes on alleviation of poverty.

1.19 Bangladesh continued to pursue a flexible exchange rate policy during 1999/2000 with the basic objectives of maintaining the external competitiveness of Taka, expansion of export trade, encouraging wage earners' remittances and thereby improving the current account balance in international payments. Based on movements of the **Real Effective Exchange Rate (REER)** and taking into consideration current developments in domestic, regional and international economic scenario, the exchange value of Taka in relation to U.S Dollar was readjusted in two parcels from US$ 1=Tk. 48.50 on 18 July 1998 to US$ 1 = Tk. 51.00 on 30 November 1999. As a result, the Taka-Dollar exchange rate depreciated by 4.9 percent during the year under report.

1.20 On the foreign trade frontier, some improvement was discernible during 1999/2000. As a result of the implementation of different reform measures including those for import liberalization and expansion of exports, pursuance of appropriate monetary and exchange rate policies as well as other positive steps taken during the last few years, Bangladesh economy's position in the external sector appears to have gained a fair degree of improvement. Total export earnings of the country increased by 8.2 percent to $ 5,762 million during 1999/2000 as compared to 2.9 percent in the preceding year. Following strengthening of demand for Bangladesh's export commodities in the international market, earnings from readymade garments, frozen food, leather, chemicals and miscellaneous products increased during the year. Earnings from readymade garments increased by 8.3 percent to $ 4,352 million, while that from frozen food picked up by 25.5 percent to $ 344 million. Export earnings from crust, tanned and semi-tanned leather increased by 16.1 percent to $ 195 million and that from chemicals increased by 19.0 percent to $ 94 million. Miscellaneous export commodities also fetched $ 346 million during the year, denoting an increase of 19.3 percent. Import payments, on the other hand, increased by 4.8 percent to $ 8,403 million during the year as compared to the increase of 6.6 percent during the previous year. Due mainly to increased domestic production, import payments for foodgrains and cement, and a decline in prices, import bill for edible oil declined substantially during the year under report.. Import bill for foodgrains alone declined by $ 616 million, while the combined bill for cement, edible oil and oilseeds declined by $ 66 million. As a result, despite $ 250 million increase in POL import due to sharp upsurge in the international price, total import payments recorded a smaller increase of $ 385 million during the year under report as compared to the increase of $ 494 million during 1998/99. Due to higher rate of increase in export earnings than in import payments. **Trade Deficits** declined by $ 53 million or 2.0 percent from $ 2,694 million in the preceding year to $ 2,641 million in 1999/2000. Receipts under **current transfers** during the year increased by $ 433 million or 19.4 percent to $ 2670 million which included an increase of $ 243 million in receipts under **wage earners' remittances**. As a result of the decline in trade deficits and increase in receipts under current transfers, the **Current Account** did not exhibit any deficit during the year. Current Account had recorded a deficit of $ 394 million during 1998/99. Despite decline in inflows under capital transfers, direct investments and medium and long term loans, the **Overall Balance of Payments** recorded a surplus of $ 325 million during 1999/2000 as against a deficit of $ 171 million during the preceding year, due mainly to a reduction in trade deficits, substantial improvement in the current account balance and increased receipts under 'other short and long term loans'. Convertible foreign exchange reserves held by Bangladesh Bank increased from $ 1,523 million at the end of June 1999 to $ 1,602 million at the end of June 2000.

1.21 The outstanding level of external debt of the country increased from $15,338 million at the end of June 1999 to $ 15,791 million at the end of June 2000. Despite increase in the outstanding level of external debt, the Debt/GDP ratio declined from 33.6 percent at the end of the preceding year to 32.9 percent at the end of 1999/2000. Repayment of external debt (principal and interest) increased by $ 67 million to $548 million during 1999/2000. As a result, the Debt Service/Export ratio increased from 9.0 percent in the preceding year to 9.5 percent in 1999/2000.

Short Term Prospects

1.22 Adoption of comprehensive rehabilitation and developmental measures in the agricultural sector has strengthened the prospect for building up a dependable food security arrangement in the country which can play an important role in maintaining price stability and achieving economic growth. The wide ranging programmes which have been adopted in the **National Agricultural Policy** for development and modernization of agriculture would need to be implemented in right earnest and perspective, and with proper coordination. Alongside, effective measures for development of adequate storage facilities and proper improvement of the distribution system also need to be taken .

1.23 Measures taken under the export led growth strategy for expansion of export and harnessing industrialisation have significantly paved the way for expansion and growth of the industrial sector. However, much real progress still remains to be accomplished for infrastructural development of and technological improvement in the industrial sector. For sustained growth of the industrial and export sectors, development and expansion of modern technology based industries need to be encouraged. With a view to enhancing industrialization and augmenting export of non-traditional goods by encouraging investments in two prospective sectors, namely, **Software Industry** and **Food Processing & Agro-based Industries**, establishment of a Tk.100.00 crore **Equity and Entrepreneurship Fund** (EEF) in the Bangladesh Bank providing for up to 49.0 percent of total equity investments in appropriate projects under these two sectors have been proposed in the national budget for 2000/2001. Proper use and supervision of resources of this Fund is expected to bring benign results in the industrial and export sectors. Diversification of exports is a crying need of the hour in Bangladesh.

1.24 Agriculture still remains the single sector making highest contribution to the country's gross domestic product. Achievement of economic growth at an increasing rate in the long term, however, may not be possible without significantly accelerating the growth rate and increasing the GDP contribution of industrial and other sectors. In view of the existing low rates of savings and investments in the country, large scale foreign investments are necessary to boost the industrial sector to a high-tech level. Despite various facilities and opportunities having been made amply wide and attractive, foreign investments at the desired scale may not be forthcoming unless a hartal-violence free peaceful socio-economic environment is ensured alongside achievement of uninterrupted and continually increasing growth of the industrial sector. In the meantime, effective steps need to be taken to expedite transfer of government owned industrial units to the private sector. Readymade garments industry of the country will face severe competition in the international market after expiry of the **Multi-Fibre Arrangement** from January 2005. Meanwhile, readymade garments from 72 least developed countries, 24 of the Caribbean region and 48 of the Sub-Saharan region, will get tariff and quota free access to the U.S market under the **Trade and Development Act, 2000 (US TDA, 2000)**. Bangladesh, despite being a least developed country, has been deprived of this facility. As a result, readymade garments industry of the country will face an even tougher competition. Furthermore, if the '**Rules of Origins**' as proposed under the **SAARC Cumulation Arrangement** be implemented, Bangladesh's readymade garments are likely to be confronted with a new challenge. In view of these developments, apart from desperate efforts for getting facilities under the US TDA 2000, development of **Design and Fashion Industries** in the country should be given a priority in order to project an independent image of Bangladesh's readymade garments in the international market. The government can play the role of a pathfinder in this regard by scouting modern Design and Fashion Industries jointly with internationally reputed organizations. If necessary, financial support may be given from the Equity and Entrepreneurship Fund for investment in these industries. Nourishment of backward linkage industries for readymade garments industry may also be continued simultaneously.

1.25 There have been remarkably high rates of expansion in net credit to the government during the past two years. The budget for 2000/2001 also provides for substantial government borrowing from the banking system. Large government borrowing from the banking system may play a positive role in boosting up the economy if the borrowed funds are deployed in developmental and productive activities. In order, however, to forestall the potential strain on prices that might stem as a lagged effect of monetary expansion during the preceding two years, government borrowing from banks would need to be brought down and kept, as far as possible, at a lower level, allowing larger flow of bank credit to finance increased private sector activities. This would call for mutual adjustment of and close coordination between the monetary and fiscal policies.

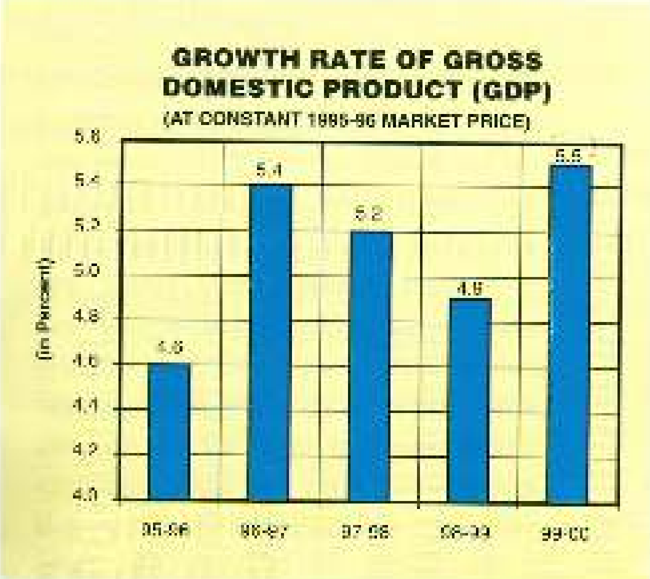
1.26 It is difficult to guess for certain as to how long the current expansionary trend in the world economy is going to stay. Experience of the past global business cycles shows that while recovery from recession has usually been more spectacular than expected, an abrupt downturn due to failure in taking timely and well coordinated actions to resolve existing problems and/or to foresee potential ones was not uncommon either. The potential risk of over heating of the U.S economy due to continued strengthening of internal demand and its ramifications on rest of the world may push the present global upturn off to a different track. Sustaining the growth trend of Bangladesh economy, should such an unexpected diversion in global trend takes place in the near term would, apart from faster and deeper implementation of the on-going reform programmes, call for more prudence and foresight in macroeconomic management.

CHAPTER II

MAJOR SECTORS

Gross Domestic Product (GDP)

2.1 Efforts for implementation of the on-going reforms in the financial and other sectors of the economy were strengthened and a pragmatic approach to macroeconomic management was adopted during 1999/2000. Delivery of agricultural loans at easy terms, arrangement for supply of agricultural inputs including fertilizers at concessional prices and successful implementation of agricultural rehabilitation programme yielded an agriculture friendly environment in the country. Simultaneously, the incentive package for both local and overseas investors was carried on and, as a result, industrial production witnessed a turn-around. Activities in Wholesale and Retail Trade and Transport, Storage and Communication sectors also strengthened, reflecting positive outcome of the different reforms and development programmes. According to provisional estimates of Bangladesh Bureau of Statistics, GDP growth accelerated from 4.9 percent in the previous year to 5.5 percent in 1999/2000, with the output of agriculture and forestry sector having been upped from 3.3 percent to 5.5 percent. Output growth in the industrial (manu- facturing) sector increased from 3.2 percent in the previous year to 4.3 percent in the year under report. Value addition in Who- lesale and Retail Trade sector also increased by 7.0 percent from 6.5 percent a year ago. While the growth of Transport, Storage and Communication sector upped from 5.9 percent in the previous year to 6.1 percent in 1999/2000, growth in Real Estate,



Renting and other Business sector slowed slightly from 3.8 percent in the previous year to 3.7 percent in 1999/2000. Growth rate of Community, Social and Personal Services sector remained unchanged at the preceding year's level of 3.0 percent. Construction and Fisheries sectors slowed down from their previous year's growth of 8.9 percent and 10.0 percent respectively to 8.0 percent and 9.5 percent in 1999/2000. Combined growth performance of the residual activities picked up from 5.5 percent to 5.7 percent in 1999/2000. A detailed description of GDP has been given in Table-II of the Annex.

Agricultural Sector

2.2 As a result of the bumper harvest of Aman and Boro crop, two principal varieties of paddy, output of the crop subsector picked up by 6.1* percent with overall output growth of the agricultural sector having been accelerated to 5.5 percent during 1999/2000. Output of Aus and Aman crops increased by 7.2 percent and 33.2 percent to 17.34 lakh tons and 103.06 lakh tons respectively. On the other hand, Boro harvest reached 110.27 lakh tons posting a growth of 4.5 percent over the year. Total foodgrains production in terms of rice in 1999/2000 stood at 230.67 lakh tons, showing an increase of 15.9 percent over 199.05 lakh tons produced in the previous year. Wheat production, however, declined by 3.6 percent to 18.40 lakh tons in the year under report. With increased rice production in the country during 1999/2000 total foodgrains output went up by 30.94 lakh tons or 14.2 percent to 249.07 lakh tons, compared to the rise of 5.6 percent in the preceding year.

Industrial Sector

2.3 With a view to improving industrial efficiency and productivity, procedures for transferring public sector industries to private ownership have been further strengthened during the year under report through the enactment of Privatization Act, 2000 and conversion of the Privatization Board into a Privatization Commission with authority to sell out public sector industrial entities valued upto Tk. 25.00 crores with long term loan inclusive, and to adopt any alternative means for privatizing public enterprises besides direct tender and share offload. One industrial unit was handed over to the private sector, letters of intent for six units were issued, tender process was finalized for another five units and pre-divestment evaluation reports for 16 units were prepared during the year under report as against two units transferred, letters of intent issued for four units and pre-divestment evaluation reports for six units prepared in the preceding year. Government shares in five multinational companies, two banks and five public limited companies were sent to

* **Source** : Bangladesh Economic Survey, 2000.

the ICB for transfer and sale to the private sector.

2.4 Government's policy to switchover from control to promotion of industries alongwith necessary incentives and facilities for attracting local and foreign investment remained in place during the year under report. Already, all industrial sectors except the following four categories have been made open for private investment to pave rapid expansion of the private sector:

* Arms, ammunition and defence equipment;
* Nuclear energy;
* Security printing (paper currency) and mint; and
* Public reserve forests.

In addition, the following measures, among others, initiated in the previous year to increase foreign investment remained in force during the year under report.

i. Tax holiday for 5-7 years based on variation in locations (income tax rebate at 100% during the first 10 years and 50% subsequently in the Export Processing Zones) and upto 15 years in the case of power generation industry;

ii. Generally, 5 percent maximum duty on plant and spares import but total exemption for industries with 80 percent and above export products;

iii. Equal treatment of foreign and local investors in respect of tax holiday, royalty, fees for technological know-how etc.;

iv. Exemption from double taxation under bilateral agreement;

v. Exemption from taxes on royalty, technical fees and salary of expatriate workers;

vi. Residence permission to foreign investors for a floor investment of US $ 75,000, and citizenship in exchange for a minimum US $ 5,00,000 investment.

Logistic support was given from the 'One Stop' service window of the Board of Investment (BOI) to 984 local and 593 foreign investors in 1999/2000. An 'Welcome Center' has been opened at the international airport, and a scheme for setting up five Industrial and Hi-tech Industrial Parks is underway. The BOI issued 764 new and renewed 786 work permits for foreign nationals during the year. At the same time, remittance of Tk. 32.30 crores was approved in favour of 38 industrial enterprises as royalty, technical assistance, technical know-how and consultancy fees etc. during the year under report. Besides these, a five-member 'Selection Committee' with the Governor of Bangladesh Bank as the chairman has been set up to approve external credit, suppliers' credit and claims under the pay-as-you-earn (PAYE) scheme for the private sector. The

Selection Committee approved 18 credit requests for US$ 220.337 million in 1999/2000 compared to US$ 405.496 million approved in the previous year against 17 credit requests.

2.5 As per provisional estimate of the Bangladesh Bureau of Statistics, general index of Industrial Production (all industries) increased by 5.4 percent to 211.78 during 1999/2000. The sub-indices of 'manufacturing', 'minerals' and 'electricity' also increased over the previous year's level by 5.6 percent, 10.8 percent and 2.6 percent respectively to 213.02, 200.44 and 201.32 during 1999/2000. Out of 22 selected industrial commodities, output of 14 items increased while that of 8 items declined during the year under report. Industrial commodities showing increases in output during the year under report were: petroleum products (+30.4 percent to 1,298.84 thousand metric tons), finished leather (+22.6 percent to 198.73 lakh square metres), edible oil (+18.0 percent to 30.57 thousand metric tons), tea (+17.6 percent to 51.45 thousand metric tons); natural gas (+15.6 percent to 8.994 billion cubic metres), matches (+10.2 percent to 120.57 lakh gross boxes), ceramic (+8.5 percent to 2,957 thousand dozens), readymade garments (+7.8 percent to Tk. 15,443.60 crores), motor vehicle and motorcycle (+6.3 percent to 12,185 units), cotton fabrics (+5.9 percent to 118.10 crore metres), chemical fertilizers (+5.8 percent to 19.04 lakh metric tons), cement (+4.7 percent to 999.98 thousand metric tons), cotton yarn (+4.6 percent to 57.34 thousand metric tons) and cigarettes (+0.4 percent to 19.64 billion sticks). On the other hand, commodities showing decline in production were: newsprint (-21.9 percent to 16.85 thousand metric tons), sugar (-19.1 percent to 123.43 thousand metric tons), leather footwear (-8.7 percent to 5,201 thousand pairs), jute textiles (-7.1 percent to 341.88 thousand metric tons), rubber footwear (-5.9 percent to 218.93 thousand dozen of pairs), steel and M.S. products (-4.0 percent to 136.95 thousand metric tons), pharmaceuticals (-3.5 percent to Tk. 1,223.01 crores) and paper (-3.3 percent to 37.04 thousand metric tons).

Investment in Private Sector Industries

2.6 The Board of Investment registered during 1999/2000 a total of 1,563 industrial proposals in the private sector involving a total investment outlay of Tk. 17,215.00 crores. These included 135 joint venture and 100 percent foreign investment projects having an investment outlay of Tk. 10,594.00 crores or 61.5 percent of the total investment. In the preceding year, 1,896 industrial units involving total investment of Tk. 14,919.70 crores were registered in this sector, of which 161 units involving a total investment of Tk. 9,242.60 crores were joint venture and 100 percent foreign investment. During the year under report, the US investment was the largest at Tk. 6,402.00 crores, and the proposals for investment in chemical industries was the largest at Tk. 5,229.00 crores.

Food Situation

2.7 Total availability and internal procurement of food grains increased in 1999/2000 because of the bumper crops of Aman and Boro rice, although distribution declined somewhat as there was no official import, and private sector import slashed substantially. Total availability of food grains increased by 1.01 lakh tons to 245.83 lakh tons and per capita availability declined by 6.32 grams (1.2%) to 517.29 grams. Total and daily average per capita availability of food grains is shown in Table-2.1.

TABLE-2.1

TOTAL AND DAILY AVERAGE PER CAPITA AVAILABILITY OF FOODGRAINS IN BANGLADESH

(In Lakh Tons)

Sources of Availability of Foodgrains	1998/99	1999/2000	Changes
1	2	3	4 = (3-2)
1. Net Domestic Production (excluding 10% for seed, feed and wastage)	196.32	224.16	+27.84 (+14.18)
2. Total Off-take	21.35	19.00	-2.35 (-11.01)
3. Private Import	34.67	12.34	-22.33 (-64.41)
4. Internal Procurement	7.52	9.67	+2.15 (+28.59)
5. Total Availability for Consumption (1+2+3–4)	244.82	245.83	+1.01 (+0.41)
6. Total Population (in million)	128.10	130.20	+2.10 (+1.64)
7. Daily Average Per Capita Availability (in gram)	523.61	517.29	-6.32 (-1.21)

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

Sources: (i) Ministry of Food; and (ii) Bangladesh Bureau of Statistics.

2.8 Food grain prices showed a mixed trend during 1999/2000 with average minimum price of coarse rice increasing gradually from Tk. 1,190.00 per quintal in late June 1999 to Tk. 1,264.00 per quintal by late September the same year. The harvest of new crops in December 1999 brought down the market price to Tk. 1,126.00 per quintal but seasonal factors pushed it up again in late March 2000 to Tk. 1,216.00 per quintal. Boro rice production was a bumper due partly to favourable weather and partly to supportive government policies that pulled the price down at Tk. 1,147.00 per quintal in late June 2000. Overall, the price of coarse variety of rice declined by Tk. 43.00 per quintal (3.6 percent) over the year.

2.9 A preliminary target for import of food grains (including food aid) was fixed at 24.00 lakh tons for 1999/2000, but actual import was lower at 21.04 lakh tons (rice 4.33 lakh tons and wheat 16.71 lakh tons) because of the record production of food grains. The import of foodgrains in the previous year had stood at 54.65 lakh tons (rice 30.56 lakh tons and wheat 24.09 lakh tons).

2.10 The preliminary target for internal procurement of foodgrains during 1999/2000 was fixed at 8.00 lakh tons. Actual procurement, however, exceeded the target due to bumper Aman and Boro harvest and stood at 9.67 lakh tons (rice 7.56 lakh tons and wheat 2.11 lakh tons). Procurement of foodgrains in the previous year had stood at 7.52 lakh tons (rice 4.94 lakh tons and wheat 2.58 lakh tons).

2.11 Procurement prices of Aman paddy and rice were raised to Tk. 800.00 and Tk. 1,250.00 per quintal respectively on 30 November 1999 from Tk. 760.00 and Tk. 1,200.00 per quintal fixed on 20 October 1998. Procurement prices of Irri/Boro paddy and rice fixed on 10 May 1999 were kept unchanged at Tk. 825.00 and Tk. 1,300.00 per quintal. Procurement price of wheat that was fixed on 16 February 1998 at Tk. 880.00 per quintal was raised to Tk. 890.00 per quintal on 3 April 2000.

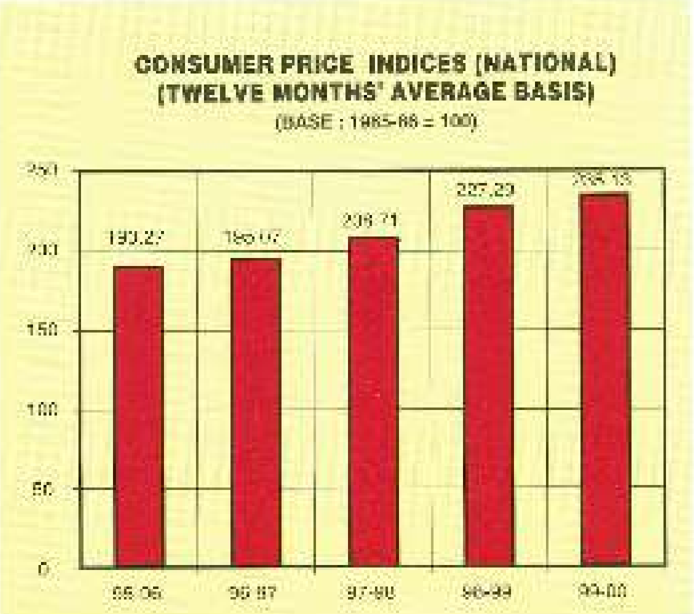
2.12 The preliminary target for release of foodgrains from the Government stocks during 1999/2000 was fixed at 17.35 lakh tons, but 19.00 lakh tons (rice 8.76 lakh tons and wheat 10.24 lakh tons) was actually distributed during the year under report. Of this, 7.55 lakh tons was distributed under Food for Works Programme, 2.86 lakh tons under Food for Education Programme, 2.17 lakh tons under VGD, 2.55 lakh tons under rationing, 1.49 lakh tons under VGF card and 2.38 lakh tons under other programmes. This amount was 10.9 percent lower than the distribution of 21.35 lakh tons (rice 5.31 lakh tons and wheat 16.04 lakh tons) during 1998/99.

2.13 Despite higher internal procurement, the stock of foodgrains with the Goverment declined by 9.0 percent to 10.91 lakh tons (rice 5.63 lakh tons and wheat 5.28 lakh tons) at the end of June, 2000 compared to

11.99 lakh tons (rice 6.95 lakh tons and wheat 5.04 lakh tons) in the previous year due to no official import and lower food aid.

Price Situation

2.14 The strain on prices induced by the devastating floods of 1998 eased substantially in 1999/2000 due to the bumper food crop, satisfactory delivery system and a pragmatic approach to macroeconomic management. The rate of inflation as computed by the Bangladesh Bureau of Statistics on the basis of twelve-month average Consumer Price Index (CPI) at the national level (Base: 1985/86=100) fell gradually to 3.5 percent during 1999/2000 from 8.9 percent in the previous year. The sub-index for 'food, beverage and tobacco' increased by 3.9 percent to 239.13, while that for 'non-food' items rose by 2.6 percent to 228.95 respectively during the year under report. The sub-indices for 'food, beverage and tobacco' and 'non-food' items had increased in the previous year by 11.8 percent and 4.0 percent respectively. Among the different sub-indices of non-food CPI, clothing and footwear' increased by 4.2 percent to 178.63, 'gross rent, fuel and lighting' by 2.1 percent to 235.88, 'furniture, house- hold equipment and opera- tion' by 2.5 percent to 204.71, 'medical care and health expenses' by 5.6 percent to 289.67, 'transportand communica- tion' by 6.4 percent to 256.51, 'recreation. enter- tainment, education and cultural services' by 3.1 percent to 288.22 and 'miscellaneous goods and services' by 3.2 percent to 220.91 respectively.



Savings and Investment

2.15 According to provisional estimate of Bangladesh Bureau of Statistics, gross domestic savings at current market prices during 1999/2000 increased by Tk. 3,999.80 crores or 10.3 percent to Tk. 42,901.40 crores. Gross domestic savings as a percentage of GDP increased marginally from 17.7 percent in the preceding year to 17.8 percent during the year under report. Gross investments at current market prices increased by Tk. 5,393.00 crores or 11.1 percent to Tk. 54,150.50 crores during 1999/2000. The ratio of gross investment to GDP increased from 22.2 percent in the preceding year to 22.4 percent during the year under report.

CHAPTER III

MONEY AND BANKING

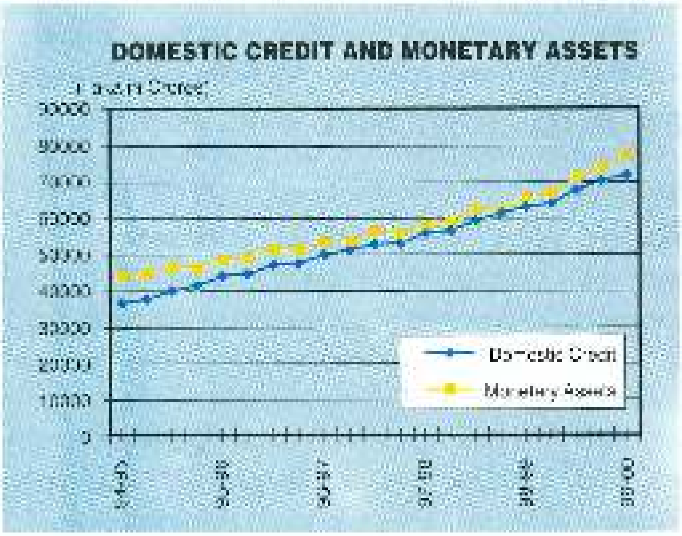
3.1 The monetary and credit policy for 1999/2000 was formulated with the objective of full utilization of domestic resources and rapid economic growth through priorities for agriculture, industry, export and expansion and strengthening of the private sector, at the same time keeping inflation within tolerable limits. A moderately expansionary monetary and credit policy was adopted for the year under report in order to make good the losses to agriculture, industry and infrastructure by the devastating floods of 1998. After the flood, the economy remained sluggish in the first quarter of the year under report and the private sector demand for credit shrank. In view of this, the Annual Development Programme was expanded and development activities in the public sector were geared up. As a result, the public sector absorbed credit at an accelerated rate. Though credit to the private sector picked up towards the end of the year, the overall annual growth was smaller than programmed, although gross domestic credit expanded a little faster than projected. Broad Money expanded at a rate higher than planned because credit to the Government went up substantially due to a shortfall in public revenue receipts for slow growth of import duty.

3.2 Money Supply (M_1) increased by 15.3 percent in 1999/2000 compared to the expansion of 8.6 percent in the preceding year. Broad Money (M_2) increased by 18.6 percent and remained 4.4 percentage points higher than the programmed level compared to the expansion of 12.8 percent in the previous year. Reserve Money[1] increased substantially by 15.7 percent during 1999/2000 compared to a moderate expansion of 8.3 percent in the previous year. The reserve/deposit ratio[2] of the banks declined from 0.111 in the preceding year to 0.107 during the year under report. At the same time, the currency/deposit ratio also declined slightly from 0.150 in the preceding year to 0.158 during the year under report. Total domestic credit went up by 13.6 percent during 1999/2000 exceeding the projected growth by 0.6 percentage point compared to the expansion of 13.1 percent in the previous year.

1/ Reserve Money : Currency outside banks + scheduled banks' cash reserves with Bangladesh Bank including funds under the Wage Earners' Clearing Account + Cash in tills of the DMBs.

2/ a) Reserves= Cash in tills of the DMBs+ scheduled banks' cash reserves with Bangladesh Bank including funds under the Wage Earners' Clearing Account.

b) Deposits = Demand Deposits+Time Deposits



Narrow Money (M_1)

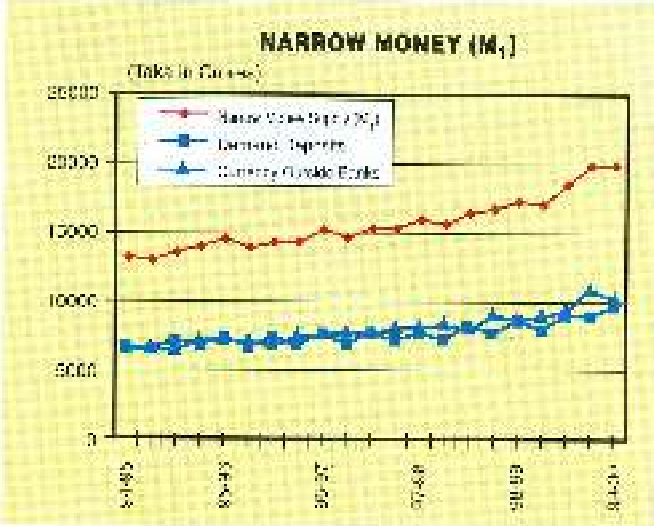
3.3 Narrow money (M_1) increased by Tk. 2,631.90 crores or 15.3 percent to Tk. 19,881.30 crores during 1999/2000. Of the components of Narrow Money, currency outside banks went up by Tk. 1,489.40 crores or 17.2 percent to Tk. 10,176.00 crores and demand deposits went up by Tk. 1,142.50 crores or 13.3 percent to Tk. 9,705.30 crores during 1999/2000. Quarterly trend of the changes in Narrow Money and its components during 1999/2000 is shown in Table-3.1.

TABLE- 3.1
NARROW MONEY

(Taka in crores)

Particulars	30 June 1998	30 June 1999	30 Sept. 1999	31 Dec. 1999	31 March 2000	30 June 2000	Annual Changes	
							98/99	99/2000
1	2	3	4	5	6	7	8	9
1. Currency Outside Banks	8,153.30	8,686.60	9,001.50 (3.63)	9,381.90 (4.23)	10,896.10 (16.14)	10,176.00 (-6.61)	533.30 (6.54)	1,489.40 (17.15)
2 Demand Deposits*	7,735.20	8,562.80	8,003.30 (-6.53)	9,105.50 (13.77)	8,937.40 (-1.85)	9,705.30 (8.59)	827.60 (10.70)	1,142.50 (13.34)
Narrow Money (1+2)	15,888.50	17,249.40	17,004.80 (-1.42)	18,487.40 (8.72)	19,833.50 (7.28)	19,881.30 (0.24)	1,360.90 (8.56)	2,631.90 (15.26)

Note: Numbers in the parentheses indicate annual percentage changes.
* Excluding Government deposits with banks and inter-bank items but including deposits of non-scheduled banks with the Bangladesh Bank.



in the preceding year. Of the components of broad money, narrow money increased by 15.3 percent and time deposits rose by 19.9 percent compared to the increase of 8.6 percent in narrow money and 14.5 percent in time deposits in the preceding year. The shares of currency outside banks, demand deposits and time deposits in broad money stood at 13.6 percent, 13.0 percent and 73.4 percent respectively on 30 June 2000 compared to 13.8 percent, 13.6 percent and 72.6 percent respectively on 30 June 1999. The changes in broad money alongwith its different components during 1998/99 and 1999/2000 are shown in Table-3.2.

Broad Money (M_2)

3.4 Broad money increased by Tk. 11,735.70 crores or 18.6 percent to Tk. 74,762.40 crores during 1999/2000 compared to the increase of 12.8 percent

TABLE- 3.2
BROAD MONEY

(Taka in Crores)

Particulars	30 June 1998	30 June 1999	30 Sept. 1999	31 Dec. 1999	31 March 2000	30 June 2000	Annual Changes	
							98/99	99/2000
1	2	3	4	5	6	7	8	9
1. Narrow Money (M_1)	15,988.50	17,229.50	17,004.80 (-1.42)	18,487.40 (8.72)	18,833.50 (7.28)	19,881.30 (5.24)	1,360.90 (8.57)	2,651.80 (15.25)
2. Time Deposits*	39,980.60	45,777.30	47,648.10 (4.09)	50,496.70 (5.98)	51,5[illegible].10 (2.27)	54,881.10 (6.27)	5,796.70 (14.50)	9,103.80 (19.89)
3. Broad Money (1+2)	55,868.10	63,026.70	64,653.80 (2.58)	68,964.10 (6.70)	71,477.60 (3.61)	74,762.40 (4.60)	7,157.60 (12.81)	11,735.70 (18.62)

Note: Numbers in the parentheses indicate annual percentage changes.

* 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.

Causative Factors of the Changes in Broad Money

3.5 An analysis of the causative factors of the changes in broad money during 1999/2000 reveals that expansion of credit to the private sector, Government sector (net), public sector and other assets (net) to the tune of Tk. 4,906.10 crores, Tk. 3,524.30[3] crores, Tk. 150.80 crores and Tk. 983.00 crores respectively along with a surplus in net foreign assets of Tk. 2,171.50 crores contributed to the expansion of broad money by Tk. 11,735.70 crores. The contributions of net domestic assets and net foreign assets to the overall increase in broad money during 1999/2000 were Tk. 9,564.20 crores (81.5%) and Tk. 2,171.50 crores (18.5%) respectively. The causes of the changes in broad money are shown in Table-3.3.

TABLE- 3.3

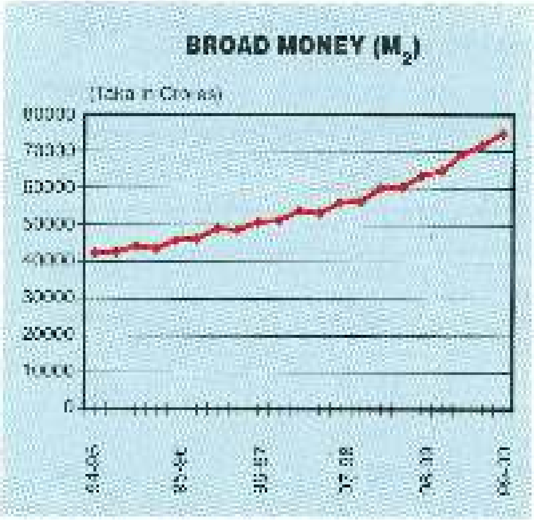
CAUSATIVE FACTORS OF THE CHANGES IN BROAD MONEY

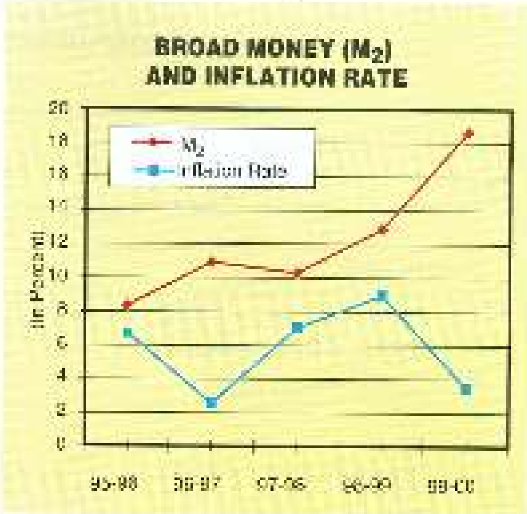
(Taka in Crores)

Particulars	30 June 1999	30 June 2000	Changes
1	2	3	4
1. Currency Outside Banks	8,686.60	10,176.00	+1,489.40
2. Demand deposits*	8,562.80	9,705.30	+1,142.50
3. Time deposits*	45,777.30	54,881.10	+9,103.80
Broad Money (M_2)	**63,026.70**	**74,762.40**	**+11,735.70**
Causative Factors of the Change			
Expansion (+); Contraction (-)			
1. Credit to Government Sector (including Public)			**+3,675.10**
i) Government Sector (Net)			+3,524.30
ii) Public Sector			+150.80
2. Credit to the Private Sector			+4,906.10
3. Foreign Assets (Net)			+2,171.50
4. Other Assets (Net)			+983.00
Total			**+11,735.70**

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

3 Including government bonds issued to the banks.





Reserve Money

3.6 Reserve money increased by Tk. 2,321.80 crores or 15.7 percent to Tk. 17,064.50 crores during 1999/2000 compared to the increase of 8.3 percent during the preceding year. Of the components of reserve money, currency outside banks increased by Tk. 1,489.40 crores or 17.1 percent during 1999/2000 compared to the increase of Tk. 533.30 crores or 6.5 percent during the preceding year. Scheduled banks balances with the Bangladesh Bank increased by Tk. 770.90 crores or 15.3 percent during the year under report compared to the increase of Tk. 488.20 crores or 10.8 percent in the preceding year. Their cash in tills increased by Tk. 61.50 crores or 6.0 percent during the year under report as against the increase of Tk. 103.60 crores or 11.2 percent in the preceding year. An analysis of the causative factors of the change in reserve money during the year under report reveals that the increase in Bangladesh Bank's credit to the Government (net) by Tk. 1,738.10 crores and net surplus in the foreign sector by Tk. 1,262.40 crores played the main role in exerting expansionary influences on the reserve money. However, the decline of Tk. 333.60 crores and Tk. 44.90 crores in the borrowings by the scheduled banks and other financial institutions respectively alongwith the fall of Tk. 300.20 crores in other assets (net) partly offset the expansionary impact of those sectors. Data relating to the components and sources of reserve money are shown in Tables V and VI of the Annex. 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 (-)	
	1998/99	1999/2000
1	2	3
Reserve Money	**+1,125.10**	**+2,321.80**
	(+8.3)	**(+15.7)**
Components of Reserve Money		
1. Currency Outside Banks	+533.30	+1,489.40
	(+6.5)	(+17.1)
2. Deposits of Scheduled Banks	+488.20	+770.90
with the Bangladesh Bank*	(+10.8)	(+15.3)
3 Cash in tills of the Scheduled Banks	+103.60	+61.50
	(+11.2)	(+6.0)
Sources of Reserve Money		
1. Net Credit to the Government Sector	+1,064.40	+1,738.10
	(+20.1)	(+27.3)
2. Credit to Scheduled Banks	+873.40	-333.60
	(+23.3)	(-7.2)
3 Credit to Other Financial Institutions	-33.20	-44.90
	(-2.8)	(-3.3)
4. Foreign Assets (net)	-587.90	+1,262.40
	(-12.7)	(+26.5)
5. Other Assets (Net)	-85.60	-300.20
	(-3.8)	(-13.0)

Note : Numbers in the parentheses indicate annual percentage changes.

* Including balances in the Wage Earners Clearing Account.

Income Velocity of Money

3.7 The income velocity of money (GDP/M_2) during 1999/2000 declined to 3.23 from 3.49 in the preceding year. The trend of income velocity of money during 1997/98 through 1999/2000 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)
1997/98	2,00,175.6	55,889.1	3.58 (+0.56)
1998/99	2,19,695.4	63,026.7	3.49 (-2.51)
1999/2000	2,41,273.8P	74,762.4	3.23 (-7.45)

@Source: Bangladesh Bureau of Statistics.

* End June position.

Note : Numbers in the parentheses indicate annual percentage changes.

P– Provisional.

Domestic Credit

3.8 Total domestic credit increased by Tk. 8,581.20 crores or 13.6 percent to Tk. 71,489.00** crores during 1999/2000 as compared to the increase of Tk. 7,267.50 crores or 13.1 percent in the preceding year. Expansion of credit to the Government, private and public sectors to the extent of Tk. 3,524.30 crores (31.0 %), Tk. 4,906.10 crores (10.7%) and Tk. 150.80 crores (2.5%) respectively contributed to the expansion in total domestic credit during the year under report. Credit to the Government and private sector had increased by 21.3 percent and 13.8 percent respectively, while credit to the public sector declined by 3.7 percent in the preceding year. Annual changes in domestic credit are shown in Table-3.6. Data on domestic credit, money supply and price indices are shown in Table-IV in the Annex.

** Including adjustment of bonds issued by the Government.

TABLE-3.6

DOMESTIC CREDIT

(Taka in Crores)

Particulars	Annual change : Increase (+)/Decrease (-)	
	1998/99	1999/2000
1	2	3
Total Domestic Credit	**+7,287.80 (+13.1)**	**+8,581.20 (+13.6)**
1) Government Sector	+1,976.80 (+21.3)	+3,524.30 (+31.3)
2) Public Sector	-229.20 (-5.7)	+150.80 (+2.5)
3) Private Sector	5,520.20 (+13.8)	+4,906.10 (+10.7)

Note: Numbers in the parentheses indicate annual percentage changes.

Bank Credit

3.9 The outstanding level of bank credit (excluding foreign bills and inter-bank items) increased by Tk. 5,123.30 crores or 10.3 percent to Tk. 54,646.10 crores during 1999/2000 as compared to the increase of 12.4 percent in the preceding year. Of the components of bank credit, advances increased by Tk. 4,892.70 crores or 10.3 percent and the bills purchased and discounted went up by Tk. 230.60 crores or 11.3 percent during the year under report. The quarterly movements of bank credit are shown in Table-3.7.

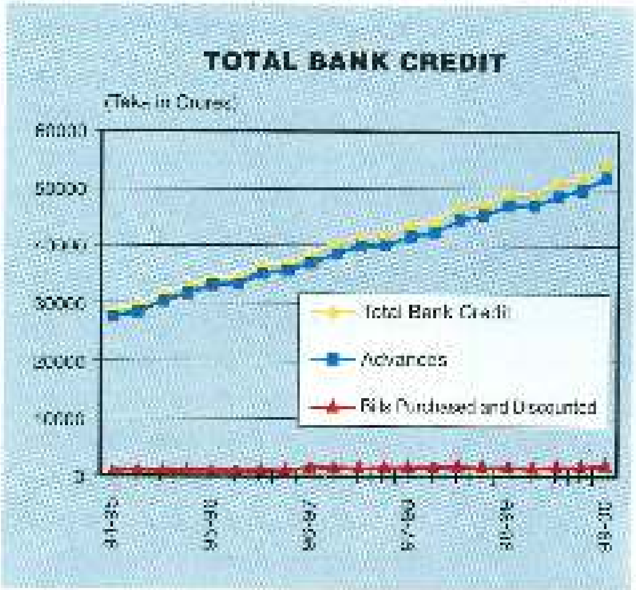
TABLE-3.7

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
30 June 1999	47,482.80	2,040.20	49,522.80	95.9	4.1
30 September 1999	47,516.10	1,874.20	49,390.30	96.2	3.8
31 December 1999	49,214.80	2,243.40	51,458.20	95.6	4.4
31 March 2000	50,235.10	2,146.60	52,381.70	95.9	4.1
30 June 2000	52,375.30	2,270.80	54,646.10	95.8	4.2

*Excluding foreign bills and inter-bank items.



or 18.6 percent to Tk. 70,278.70 crores during 1999/ 2000 compared to the increase of 14.2 percent in the preceding year. Of this increase, time deposits went up by Tk. 9,103.80 crores or 19.9 percent to Tk. 54,881.10 crores, govern- ment deposits by Tk. 723.60 crores or 14.8 percent to Tk. 5,615.20 crores and demand deposits by Tk. 1,142.50 crores or 13.3 percent to Tk. 9,705.30 crores during the year under report. On the other hand, restricted deposits increased by Tk. 74.80 crores during the year. The quarterly movement of bank deposits is shown in Table -3.8

Bank Deposits

3.10 Bank deposits (excluding inter-bank items) increased by Tk. 11,044.70 crores

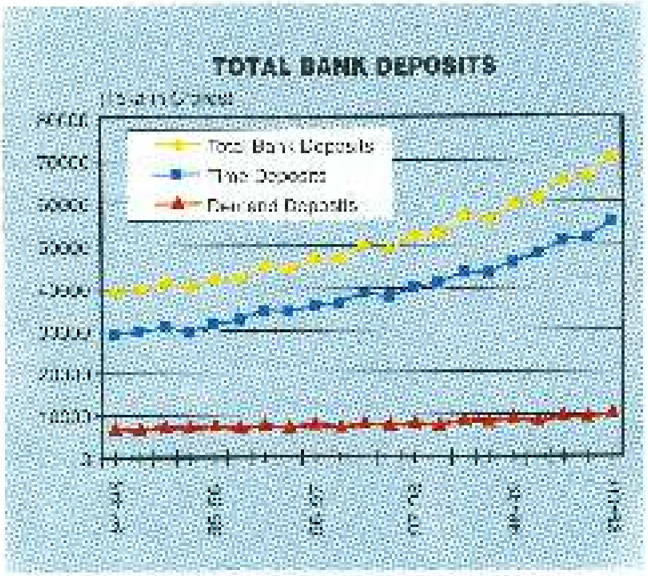
TABLE-3.8

BANK DEPOSITS*

(Taka in Crores)

As on	Demand Deposits	Time Deposits	Government Deposits	Total Deposits*	Percentage of Total Deposits		
					Demand Deposits	Time Deposits	Government Deposits
1	2	3	4	5	6	7	8
30 June 1999	8,562.80	45,777.30	4,891.60	59,234.00	14.5	77.3	8.2
30 September 1999	8,003.30	47,649.10	4,911.40	60,556.30	13.2	78.7	8.1
31 December 1999	9,105.50	50,496.70	5,288.10	64,895.70	14.0	77.8	8.1
31 March 2000	8,937.40	51,644.10	5,093.50	65,774.70	13.6	78.5	7.7
30 June 2000	9,705.30	54,881.10	5,615.20	70,278.70	13.8	78.1	8.0

* Including restricted deposits but excluding inter-bank items.



Deposit Pension Scheme

3.11 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, a number of banks in the public and private sectors have introduced similar schemes on their own initiatives. Year-wise outstanding deposits of the repealed Deposit Pension Scheme are shown in Table-3.9.

TABLE-3.9

OUTSTANDING POSITION OF DEPOSIT UNDER THE DEPOSIT PENSION SCHEME

(Taka in Crores)

Date	Amount Outstanding	Changes
1	2	3
30 June 1992	1,397.83	+361.83 (+34.93)
30 June 1993	1,807.97	+410.14 (+29.34)
30 June 1994	2,162.27	+354.30 (+19.60)
30 June 1995	2,475.74	+313.47 (+14.50)
30 June 1996	2,825.22	+349.48 (+14.12)
30 June 1997	3,061.57	+236.35 (+8.37)
30 June 1998	3,254.43	+192.86 (+6.30)
30 June 1999	3,376.89	+122.46 (+3.76)
30 June 2000	3,358.54	-18.35 (-0.54)

Note: Numbers in the parentheses indicate yearly percentage changes.

Rural and Urban Deposits and Credit

3.12 The share of rural deposits in total deposits stood at 22.6 percent at the end of June 2000 compared to 22.8 percent at the end of June 1999. The share of rural credit in total credit declined to 16.9 percent at the end of June 2000 from 17.3 percent at the end of June 1999. Outstanding rural deposits and outstanding rural credit by end-June 2000 increased by 19.5 percent and 7.1 percent to Tk. 16,058.52 crores and Tk. 10,013.21 crores respectively. It may be seen from the data in Table 3.10 that rural credit had all along remained significantly lower than rural deposits.

TABLE-3.10

PERCENTAGE SHARES OF BANK DEPOSIT AND CREDIT IN RURAL AND URBAN AREAS

Date	Deposit (in Percent)		Credit (in Percent)	
	Rural	Urban	Rural	Urban
1	2	3	4	5
30 June 1992	21.5	78.5	19.9	80.1
31 December 1992	21.9	78.1	19.8	80.2
30 June 1993	21.8	78.2	19.0	81.0
31 December 1993	22.7	77.3	19.3	80.7
30 June 1994	22.1	77.9	19.9	80.1
31 December 1994	21.9	78.1	19.9	80.1
30 June 1995	22.0	78.0	19.7	80.3
31 December 1995	22.1	77.9	19.8	80.2
30 June 1996	22.7	77.3	19.7	80.3
31 December 1996	22.1	77.9	19.1	80.9
30 June 1997	22.7	77.3	18.6	81.4
31 December 1997	23.1	76.9	17.8	82.2
30 June 1998	22.9	77.1	16.9	83.1
31 December 1998	22.6	77.4	17.1	82.9
30 June 1999	22.8	77.2	17.3	82.7
31 December 1999	22.7	77.3	17.0	83.0
30 June 2000	22.6	77.4	16.9	83.1

Credit/Deposit Ratio

3.13 The credit/deposit ratio of the scheduled banks excluding specialized banks declined from 0.76 at the end of June 1999 to 0.72 at the end of June 2000.

Scheduled Banks' Borrowings from Bangladesh Bank

3.14 Scheduled banks' borrowings from the Bangladesh Bank declined by Tk. 390.10 crores to Tk. 4,566.10 crores on 30 June 2000 from Tk. 4,956.20 crores on 30 June 1999.

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

3.15 Scheduled banks' balances with Bangladesh Bank increased by Tk. 88.90 crores to Tk. 5,333.50 crores, while their cash in tills increased by Tk. 61.50 crores to Tk. 1,088.40 crores during the year under report. Selected statistics on the scheduled banks' comparative position are shown in Table VIII of the Annex.

Cash Reserve Requirements (CRR)

3.16 Statutory Cash Reserve Requirement with Bangladesh Bank was lowered for the scheduled banks to 4.0 percent of their liabilities* (demand plus time deposits) from 5.0 percent with effect from 1 October 1999.

Statutory Liquidity Ratio (SLR)

3.17 Statutory Liquidity Ratio of all scheduled banks except the banks operating under the Islamic Shariah and the specialized banks remained unchanged at 20.0 percent of their total liabilities* (Demand and Time Deposits). Statutory Liquidity Requirement for the Islamic banks remained unchanged at 10.0 percent of their total liabilities. Simultaneously, the specialized banks remained exempt as before from the SLR during the year under report.

Bank Rate

3.18 The Bank Rate was lowered from 8.0 percent to 7.0 percent on 29 August 1999 and remained unchanged through 30 June 2000.

Operation of the Export Development Fund (EDF)

3.19 Loans of US$ 105.11 million was extended through the commercial banks to the exporters during 1999/2000 from the Export Development Fund that was created under the joint collaboration of the Government of Bangladesh and the International Development Association (IDA) for financing import of raw materials, spares and packaging materials used in the production of non-traditional export commodities. This amount of loans was

* Excluding inter-bank deposits.

24.0 percent higher than the loans in the preceding year. The lion's share of loans was used against readymade garment export.

Financial Sector Reform

3.20 Implementation of reform measures for overall improvement and strengthening of the financial sector continued during 1999/2000. In order to encourage market-based determination of interest rates, interest rate bands fixed by Bangladesh Bank for term loans to small and cottage industries (SCIs) and agricultural credit were withdrawn from 12 and 26 July 2000 respectively. The interest rate band (8%-10%) for export credit remained in force. In addition, interest subsidy for SCIs loans was also withdrawn from 12 July 1999. In order to encourage banks to reduce interest rates and to increase credit flows in the economy, the Bank Rate was lowered from 8.0 percent to 7.0 percent on 29 August 1999. At the same time, from 1 October 1999 cash reserve requirement for all banks was reduced from 5.0 percent of their demand and time deposits to 4.0 percent but the Statutory Liquidity Ratio remained unchanged at 20.0 percent except for the Islamic banks for which the SLR was 10.0 percent. Other steps under the financial sector reform programme are described below.

1) Indirect Monetary Management

Tools for indirect monetary regulation—the 28-Day, 91-Day, 182-Day, 364-Day, 2-Year and 5-Year government treasury bills were duly issued from the Bangladesh Bank through weekly auctions at rates determined by the market.

2) Improving Commercial Bank Management

A phase-in programme for upgrading loan classification and provisioning to the international standards was completed in December 1998. Subsequently, classification and provision rules were simplified and put in place from 1 January 1999. The format for classification, provisioning and interest suspense was simplified in order to reduce delay and complexities. The banks completed their loan classification up to March 2000 following the new rules introduced for quarterly classification. The banks were directed to introduce **'New Loan Ledger'** by 30 June 2000 and show principal and interest of loans separately for the sake of transparency and accuracy of loan data. Besides this, banks assessed their capital adequacy for June and December 1999 accounts on the basis of new norm of 8.0 percent of risk-weighted assets introduced earlier. Several steps were taken in respect of reasonable limit on loan to the directors of the board of the banks. With effect from 5 August 1999, permissible limit for loans to a director or to any firms of his interest was set at a maximum of 50.0 percent of the value of paid-up shares held by him subject further to the condition that such loans have to be approved by the board and shown in the balance sheet of the banks concerned. In respect of directors appointed by the Government in the Nationalised Commercial Banks (NCBs) and financial institutions, the Ministry of Finance directed that no fresh loans could be given and no previous facilities could be extended. Subject to the approval of the board of directors and compliance with existing banking laws and norms, banks can without prior approval of Bangladesh Bank extend loans against eligible security to the members (husband, wife, sons, daughters, parents, brothers and sisters) of the families dependent on their own employees or the employees of other banks. Following the same principles, banks can extend loans to their own employees or the employees of any other banks such that these loans would not be used in business. Provision has been made for payment by the Government in bonds to the banks concerned 50.0 percent of the interest remitted on loans to the relatively weak owners of genuinely sick industries up to a maximum of Tk. 50 lakhs on the basis of the recommendations of the **Special Committee on Interest Remission.** The government will pay to the concerned banks 25.0 percent of the interest remitted after decision of remission comes into force, and the remaining 25.0 percent after the concerned sick industries have repaid their loans.

3) Strengthening Central Bank's Oversight

The early warning system for problem banks through the CAMEL* rating technique introduced for strengthening and modernizing central bank's supervision and inspection was continued during the year. The **"Problem Bank Monitoring Department"** of Bangladesh Bank keeps problem bank activities of the private sector under surveillance and takes necessary steps accordingly. Out of seven problem banks the National Bank Limited could deliver itself out of this category during the year under report. **The Nationalised Commercial Bank Monitoring Cell** has been set up in the Inspection Department of Bangladesh Bank for intensive vigilance over of the NCBs alongside the private banks. The **Large Loan Review Cell** of Bangladesh Bank continued to admonish the commercial banks with respect to large loan sanction. As per the requirement of banks and other financial institutions, the Credit Information Bureau (CIB) continued to disclose to them classified information on defaulted loans. The activities of a high-powered **Supervision Committee** constituted at Bangladesh Bank for improving the quality of supervision and inspection were continued during the year under report. The Committee kept going with its endeavours to develop an effective inspection system by coordinating the

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

activities of different departments of Bangladesh Bank concerned with bank supervision. The impact of reforms on the quality of loans before, during and after the reforms was monitored. The process of formulating the **Central Bank Technical Assistance Project-CB:TA Project** with the assistance of the World Bank for administrative reforms and structural reorganization of Bangladesh Bank aiming at the improvement of central bank's supervisory skill and expertise remained afoot during the year under report.

4) Commercial Banking Restructuring Project

The Commercial Banking Restructuring Project (CBRP) taken up in May 1997 in cooperation with the World Bank with the basic objective of continuing with reforms, solving the existing problems of the banking sector and resuscitating financial management passed through its term in December 1999. The principal objectives of the project were to:

i. create a legal environment congenial to loan recovery;

ii. strengthen the efforts to make nationalised banks more efficient;

iii. strengthen further the supervision and regulation capacity of Bangladesh Bank;

iv. restructure capital base of the private banks; and

v. impart training to bank officials.

A number of steps have already been taken to achieve the above objectives.

Monetary and Credit Policy and Banking Support Measures

3.21 Bangladesh Bank took the following important steps during 1999/2000 within the fold of its monetary and credit policies to accelerate the pace of economic activities with inflation under control:

1) Banks were advised to strengthen their internal supervision and issue Balance Confirmation Certificates to their depositors in order to check defalcation of money;

2) In order to check illegal transactions, all concerned banks were directed to take necessary steps against abnormal transaction detected in any accounts and bring the issue instantaneously to the notice of Bangladesh Bank;

3) The tax deductible at source at the rate of 0.25 percent for some export products was withdrawn from 1 July 1999;

4)The scheduled banks will have to maintain as lien in their accounts with Bangladesh Bank sums equivalent to 20.0 percent of the TT discounting limit sanctioned to them by Bangladesh Bank, which shall not be included in reserves on account of Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR);

5) The scheduled banks were advised to consider keeping interest rate on export credit for jute around the lower end of the interest rate band (8%-10%);

6) Since shares and securities are easily exchangeable, for the purpose of valuation of shares as eligible security in determining provision against loan loss of banks it has been decided that 50 percent of the six month average market value of shares or 50 percent of their face value, whichever is lower; has to be accepted.

7) For the sake of sound operation of business concerns, continuous loan accounts classified as "substandard' for any reasons can be renewed, if covered by adequate security, by reducing the outstanding balance through cash deposit instead of full adjustment.

Auctions of Government Treasury Bills

a) 28-Day Government Treasury Bill

Fifty two auctions of the "28-Day Treasury Bill" were held during 1999/2000. In all, 1,965 bids for a total of Tk. 49,195.70 crores were offered in these auctions, of which 1,248 bids of Tk. 41,588.20 crores were accepted. The weighted average annual rate of return to the buyers ranged between 5.98 percent and 7.52 percent. The outstanding balance against "28-Day Treasury Bill" stood at Tk. 2,885.00 crores at the end of June 2000.

b) 91-Day Government Treasury Bill

Fifty two auctions of the "91-Day Treasury Bill" were held during 1999/2000. In all, 296 bids of Tk. 978.90 crores were offered in these auctions, of which 125 bids of Tk. 457.20 crores were accepted. The weighted average annual rate of return to the buyers ranged between 6.30 percent and 8.46 percent. The outstanding balance against the Bill stood at Tk. 12.00 crores at the end of June 2000.

c) 182-Day Government Treasury Bill

Fifty two auctions of the "182-Day Treasury Bill" were held during 1999/2000. In all, 557 bids for a total of Tk. 3,184.00 crores were offered in these auctions, of which 253 bids of Tk. 1,792.00 crores were accepted. The weighted average annual rate of return to the buyers ranged between 7.02 percent and 8.86 percent. The outstanding balance against the Bill stood at Tk. 1,006.00 crores at the end of June 2000.

d) 364-Day Government Treasury Bill

Fifty two auctions of the "364-Day Treasury Bill" were held during 1999/2000. In all, 689 bids for Tk. 3,718.00 crores were offered in these auctions, of which 336 bids of Tk. 2,042.50 crores were accepted. The weighted average annual rate of return to the buyers ranged between 7.60 percent and 9.26 percent. The outstanding balance against the Bill stood at Tk. 1,977.00 crores at the end of June 2000.

e) 2-Year Government Treasury Bill

A total of 52 auctions of the "2-Year Treasury Bill" were held during 1999/2000. In all, 363 bids for Tk. 1,960.27 crores were offered in these auctions, of which 175 bids for a total of Tk. 934.66 crores were accepted. The weighted average annual rate of return to the buyers ranged between 8.25 percent and 9.25 percent. The outstanding balance against the Bill stood at Tk. 1,764.92 crores at the end of June 2000.

f) 5-Year Government Treasury Bill

A total of 52 auctions of the "5-Year Treasury Bill" were held during 1999/2000. In all, 7 bids for Tk. 60.00 crores were offered in these auctions, but no bids were accepted, there being no outstanding balance against the Bill at the end of June 2000.

Expansion of Banking

3.22 Eight banks were given licenses to start business as scheduled banks during the year under report. Bangladesh Commerce Bank Limited started its operation in place of the former BCI Limited. The scheduled banks opened 86 new branches and closed 12 branches in Bangladesh during 1999/2000. As a result, total bank branches increased by 74 to 6,056 as on 30 June 2000. The number of branches of the NCBs declined by 9 from 3,616 in the preceding year to 3,607 during the year under report. The branches of private commercial banks increased by 71 to 1,231 during the year. The branches of the Specialized Banks increased by 10 to 1,185, while the branches of the foreign banks increased by 2 to 33 during the year under report. The share of rural branches in total bank branches declined during the year as a result of more banks opened in the urban areas than in the rural areas. Total number of bank branches in the rural areas increased from 3,620 (60.6% of the total) at the end of June 1999 to 3,623 (59.8% of the total) at the end of June 2000. The number of overseas branches of Bangladeshi commercial banks declined to 9 during the year under report from 15 in the preceding year. During 1999/2000, the number of nationalised or government-regulated banks remained unchanged at 9, while the number of private banks increased by 8 to 27 and the number of foreign banks remained unchanged at 13. Data on bank branches are presented in Table-3.11.

TABLE-3.11

EXPANSION OF BANK BRANCHES

Particulars	Number of Branches				
	1998/99		1999/2000		Changes
	Total	New	Wound-up	Total	
1	2	3	4	5	6
Nationalised Banks	3,616	2	11	3,607	-9
Private Commercial Banks	1,160	72	1	1,231	+71
Specialised Banks	1,175	10	—	1,185	+10
Foreign Banks	31	2	—	33	+2
Total:	5,982	86	12	6,056	+74

Financial Institutions

3.23 The business of financial institutions in the country is regulated under the Financial Institutions Act and Regulations. The activities of the financial institutions in industry and housing sectors of the country notably expanded during the year under report. Till June 2000, a total number of 22 financial institutions were given licenses including three licensed during 1999/2000. Of these, nine are wholly under domestic private ownership, one is in the public sector and 12 are joint venture. The amount of paid-up capital and reserves of the licensed financial institutions stood at Tk. 649.94 crores. According to the rules of loan and lease classification and provisioning framed last year, each financial institutions is required to classify its loans and leases twice a year, in June and December, and to report to Bangladesh Bank. Till June 2000, total financing of the licensed financial institutions stood at Tk.1,511.50 crores.

Comparative Position of Banks by Groups

3.24 The share of nationalised commercial banks in the total deposits of the banks declined to 54.5 percent by the end of June 2000 from 57.5 percent of the previous year. During this period the share of private commercial banks increased to 31.4 percent from 29.0 percent of the previous year. The share of foreign banks increased to 7.8 percent during the year under report from 7.5 percent in the preceding year, and that of the specialized banks increased to 6.3 percent from 5.9 percent of the previous year. The share of NCBs in total bank credit declined from 50.3 percent in the previous year to 47.6 percent at the end of the year under report.

The share of private commercial banks in bank credit increased to 30.3 percent from 27.3 percent of the previous year. The share of the foreign banks in total bank credit increased to 6.1 percent from 6.0 percent of the previous year, while the share of the specialized banks declined from 16.5 percent in the previous year to 16.0 percent. Group-wise comparative position of deposits and credit of the banks at the end of June 1999 and June 2000 is shown in Table-3.12.

TABLE-3.12

SHARES IN TOTAL DEPOSIT AND CREDIT BY CATEGORY OF BANKS

Category of Banks	Percentage share of Bank Deposits (excluding inter-bank & Govt. deposits)		Percentage share of Bank Credit (excluding inter-bank and foreign bills)	
	30 June 1999	30 June 2000	30 June 1999	30 June 2000
1	2	3	4	5
1. Nationalised Commercial Banks	57.54	54.50	50.29	47.55
2. Private Banks	29.01	31.43	27.27	30.34
3. Foreign Banks	7.52	7.76	5.95	6.11
4. Specialised Banks	5.93	6.31	16.49	16.00
Total:	**100.00**	**100.00**	**100.00**	**100.00**

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

TABLE-3.13

GOVERNMENT SECTOR DEPOSITS WITH BANKS

(Taka in Crores)

Period	Demand Deposits	Share of Demand Deposits (%)	Time Deposits	Share of Time Deposits (%)	Total Deposits	Annual % change in Total Deposits
1	2	3	4	5	6	7
30 June 1998	1,287.70	30.86	2,884.60	69.14	4,172.30	−19.26
30 June 1999	1,424.50	29.12	3,467.10	70.88	4,891.60	−17.23
30 June 2000	1,632.50	29.07	3,982.70	70.93	5,615.20	−14.79

Inspection of Banks and NCBs Monitoring Cell

3.26 Bangladesh Bank carried out comprehensive inspection of 1,146 branches of 38 scheduled banks during 1999/2000 under its routine programme of inspection. In addition, 455 sorties of special inspection were carried out on the basis of complaints received from public media and other sources. A special body called **Nationalised Commercial Bank Monitoring Cell** has been set up in December 1999 in order to reduce classified loans and advances of the NCBs, improve the quality of their new loan portfolios, develop strategies for efficient fund management and improve personnel management. Some guidelines have been given to the NCBs in the light of discussion at meetings with their top executives. Progress on the implementation of these guidelines was also monitored through onsite inspection and offsite supervision.

CHAPTER IV

CAPITAL MARKET AND INDUSTRIAL FINANCE

4.1 Capital market plays an important role in quickening the pace of economic development. Although capital market in Bangladesh is still embryonic and inadequate, two stock exchanges, Development Financial Institutions (DFIs), banks and other financial institutions of the country continued to play their role in financing industrial and other productive activities during 1999/2000. There was a mixed trend in the activities of the two stock exchanges of the country during the year under report with lower turnover but higher price index and market capitalization. Capital mobilization through the share market during the year increased over the previous year. The South Asian Federation of Exchanges (SAFE) which saw its birth in the maiden international conference of the South Asian Stock Exchanges organized by the Chittagong Stock Exchange on 15-16 January 2000 has created an opportunity for cross-border registration and trading in shares.

4.2 In order to gear up the activities of stock exchanges of the country, the following notable measures were taken during 1999/2000:

(i) One Mutual Fund in the private sector was introduced for the first time;

(ii) In order to protect small investors, one year's lock-in was imposed on private placement excluding institutional investment and mutual funds;

(iii) Under the auspices of the Securities and Exchange Commission (SEC), the two bourses created Investors' Protection Fund;

(iv) Since shares and securities are easily exchangeable, either 50 percent of the past six month average market value or 50 percent of their face value, whichever is lower, will be considered as acceptable for the purpose of valuation of shares to determine provisioning of banks;

(v) One company titled **Central Depository Bangladesh Limited (CDBL)** has been formed at private initiative in order to be registered under depository laws;

(vi) In order to protect the interest of the investors, a few new provisos have been imposed on public issues, notable among which are: approval of the SEC for upward revaluation of securities; share certificates have to be issued within 90 days from date of accepting subscription; audit has to be completed within 120 days from the beginning of a fiscal year and annual general meetings have to be called within six months; payment of interest at the rate of 18 percent in the event of failure to distribute dividend on time and the shares of the directors and general shareholders have to decided in proportion to capital shares;

(vii) Financial statements of all enlisted companies have to be audited by such partnership chartered companies as have at least two chartered accountants on their staff with minimum seven years' experience; none among the partners of the concerned companies or their relatives can be associated with the audit; in the event of failure to audit the accounts by the year end SEC shall appoint auditors for the concerned company at the expense of the company in question, and finally a few sections of the Securities and Exchange Rules, 1987 have been amended;

(viii) It has been made mandatory for all enlisted companies to disclose their sensitive information in two national dailies besides the SEC, and also to publish in national dailies the news that half-yearly reports of the company have been circulated to the share holders;

(ix) Counter party identification at the trading terminals through changes in securities and exchange rules has been prohibited; and

(x) The enlisted companies that fail to call annual general meetings in any calendar year or fail to declare dividends within four years from the date of enlistment shall be kept outside the netting system, and settlement with them shall be made in trade-for-trade method.

Dhaka Stock Exchange

4.3 The shares of nine new companies, the debenture of one company and one mutual fund were enlisted with the Dhaka Stock Exchange (DSE) during 1999/2000, while two debentures expired. Consequently, the number of companies and securities enlisted with the DSE increased from 210 and 230 in 1998/99 to 219 and 239 respectively in 1999/2000. Total outstanding value of issued capital and debentures of all enlisted securities stood at Tk. 3,051.69 crores as on 30 June 2000. Of the 239 securities, issued capital of 219 companies, 10 debentures and 10 mutual funds stood at Tk. 2,918.19 crores, Tk. 103.99 crores and Tk. 29.51 crores respectively. Market capitalization of all enlisted securities as on 30 June 2000 stood at Tk. 5400.42 crores which was 6.4 percent higher than Tk. 5,074.84 crores as on 30 June 1999. All share price index of the DSE increased by 2.6 percent to 561.00 points at the end of June, 2000 from 546.79 points at the end of June of the preceding year. A brief statement of the activities of the Dhaka Stock Exchange is shown in Table-4.1.

TABLE-4.1

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

Year (End-June)	Number of Listed Securities (Including Mutual Fund and Debenture)	Issued Capital and Debenture (Tk. in Crores)	Market Capitalisation (Tk. in Crores)	Total Share Transactions (Tk.in crores)	All Share Price Index
1	2	3	4	5	6
1997/98	224	2,832.65	5,900.97	1,261.69	676.47
1998/99	230	2,868.40	5,074.84	5,189.38	546.79
1999/2000	239	3,051.69	5,400.42	2,769.57	561.00

4.4 A total of 6,579.84 lakh shares, debentures and mutual funds valued at Tk. 2,769.57 crores were transacted on the floor of the Dhaka Stock Exchange during 1999/2000, which was 46.6 percent lower in terms of value and 50.6 percent lower in terms of number than those of the preceding year. Initial public offer (IPO) for the shares of nine new companies was made and one debenture and one mutual fund were floated during the year under report. Total issued capital of the securities was Tk. 204.65 crores. Out of this issued capital, Tk. 29.75 crores offered for public subscription was competed for Tk. 65.32 crores, denoting an over-subscription of Tk. 35.57 crores. In addition, Tk. 72.95 crores was raised by private placement of IPOs during 1999/2000. Value of shares (IPOs) issued by seven new companies during 1998/99 had stood at Tk. 94.62 crores.

Chittagong Stock Exchange

4.5 The number of listed securities of the Chittagong Stock Exchange (CSE) increased to 163 as of 30 June 2000 compared to 154 as of 30 June 1999. All share price index and market capitalization of the CSE stood at 1,173.89 points and Tk. 4,849.54 crores respectively on 30 June 2000. Share transactions at the CSE declined by 48.0 percent to Tk. 954.50 crores by end-June of the year under report. A brief statement of activities of the Chittagong Stock Exchange is shown in Table-4.2.

TABLE-4.2
A BRIEF STATEMENT OF ACTIVITIES OF THE CHITTAGONG STOCK EXCHANGE (CSE)

Year (End-June)	Number of Listed Securities (Including Mutual Fund and Debenture)	Issued Capital and Debenture (Tk. in Crores)	Market Capitalisation (Tk. in Crores)	Total Share Transactions (Tk. in crores)	All Share Price Index
1	2	3	4	5	6
1997/98	144	2,329.83	4,999.34	766.50	294.72
1998/99	154	2,451.93	4,083.78	1,836.30	223.65
1999/2000	163	2,665.46	4,649.54	954.50	1,173.89*

* New index from early 2000 with base = 1000.

Non-Resident Portfolio Investment

4.6 Total investment by non-residents in the shares and debentures through the stock exchanges stood much higher at Tk. 39.36 crores during 1999/2000 as compared to Tk. 9.56 crores during 1998/99. During the year under report, total repatriation of sale proceeds by the non-residents stood at Tk. 61.34 crores compared to Tk. 45.11 crores in the previous year. It may be noted that out of an investment of Tk. 856.28 crores, total amount of sale proceeds repatriated from the beginning (April 1992) till 30 June 2000 stood at TK. 1,231.63 crores.

Commercial Banks' Financing

4.7 Scheduled banks' financing in approved securities/debentures in the country's capital market increased by Tk. 36.61 crores or 3.3 percent to Tk. 1,136.94 crores as on 30 June 2000 from Tk. 1,100.33 crores in the preceding year. Scheduled banks' advances against shares and securities (including Government and other trustee securities) increased from Tk. 462.54 crores in June 1999 to Tk. 468.10 crores in June 2000.

Investment Corporation of Bangladesh (ICB)

4.8 The Investment Corporation of Bangladesh (ICB) sold unit certificates of Tk. 30.33 crores and repurchased unit certificates of Tk. 80.99 crores during 1999/2000. Net cumulative number of investment accounts with the ICB stood at 52,807 at the end of June 2000. In addition, deposit taken under investment accounts stood at Tk. 5.44 crores, loans approved at Tk. 6.53 crores and investment at Tk. 9.23 crores during 1999/2000. Out of the total transactions of shares of Tk. 2,769.57 crores at the DSE during 1999/2000, the ICB accounted for Tk. 300.06 crores or 10.8 percent.

4.9 During the year under report, the ICB made a total financial commitment of Tk. 8.25 crores including Tk. 4.25 crores as underwriting of public issues of the shares of five projects and Tk. 4.00 crores for direct investment in the shares of six projects compared to the total commitment of Tk. 18.39 crores in 1998/99. Cumulative loan disbursement and outstanding of ICB loans stood at Tk. 114.12 crores and Tk. 477.51 crores respectively as at end-June 2000. The amount of loan recovered by the ICB increased from Tk. 4.77 crores in 1998/99 to Tk. 6.68 crores during the year under report.

Bangladesh Shilpa Bank (BSB)

4.10 Bangladesh Shilpa Bank (BSB) sanctioned a total loan of Tk. 18.35 crores in local currency during 1999/2000 as compared to Tk. 0.55 crore sanctioned in the preceding year. BSB disbursed loans of Tk. 38.47 crores during 1999/2000, the entire amount of which was also in local currency. Loans disbursed by BSB during the preceding year had stood at Tk. 10.56 crores in local currency.

4.11 Recovery of loans by the BSB increased from Tk. 99.70 crores in the preceding year to Tk. 122.44 crores during 1999/2000. Outstanding term loans of the BSB including overdue loans of Tk. 44.47 crores (excluding provisions for bad and doubtful loans and interest suspense) stood at Tk. 906.49 crores as on 30 June 2000 compared to Tk. 937.79 crores including overdue loans of Tk. 105.69 crores (excluding provisions for bad and doubtful loans, and interest in suspense) as on 30 June 1999.

Bangladesh Shilpa Rin Sangstha (BSRS)

4.12 The Bangladesh Shilpa Rin Sangstha (BSRS) approved loans of Tk. 9.44 crores for three projects in 1999/2000 compared to Tk. 10.69 crores in the preceding year. Loans disbursed by the BSRS declined by Tk. 12.29 crores to Tk. 12.20 crores during 1999/2000 compared to the disbursement of Tk. 24.49 crores in 1998/99. Loans recovered by the BSRS during 1999/2000 increased by Tk. 1.66 crores to Tk. 27.81 crores compared to Tk. 26.15 crores in the preceding year. The BSRS paid Tk. 0.72 crore as tax to the Government during the year under report compared to Tk. 0.66 crore in 1998/99.

4.13 The outstanding loans of the BSRS declined by Tk. 46.45 crores to Tk. 1,714.08 crores as on 30 June 2000 from Tk. 1,760.53 crores as on 30 June 1999.

Bank of Small Industries and Commerce Bangladesh Limited (BASIC)

4.14 The Bank of Small Industries and Commerce Bangladesh Limited (BASIC) sanctioned during 1999/2000 loans of Tk. 1,655.49 crores including import and export loans, which was higher by Tk. 196.76 crores or 13.5 percent than Tk. 1,458.73 crores sanctioned in 1998/99. Loans disbursed by the BASIC stood at Tk. 1,627.50 crores which was higher by Tk. 184.47 crores or 12.8 percent than Tk. 1,443.03 crores disbursed in the previous year. Recovery of term loans increased to Tk. 16.82 crores in the year under report from Tk. 11.80 crores in the preceding year. Outstanding loans of the BASIC as on 30 June 2000 increased by Tk. 59.23 crores or 18.3 percent to Tk. 382.16 crores from Tk. 322.93 crores as on 30 June 1999. Of the total outstanding loans of the year, small and cottage industries accounted for Tk. 184.02 crores or 48.2 percent, medium scale industries for Tk 53.23 crores or 13.9 percent, commercial loans (export and import) for Tk. 130.19 crores or 34.1 percent and other miscellaneous loans for Tk. 14.72 crores or 3.9 percent during 1999/2000. In the previous year, small and cottage industries, medium scale industries, commercial loans and other miscellaneous loans had accounted for Tk. 119.86 crores or 37.1 percent, Tk. 93.18 crores or 28.9 percent, Tk. 106.00 crores or 32.8 percent and Tk. 3.90 crores or 1.2 percent respectively.

Bangladesh Small and Cottage Industries Corporation (BSCIC)

4.15 Bangladesh Small and Cottage Industries Corporation (BSCIC) disbursed Tk. 14.43 crores against three projects and recovered Tk. 14.33 crores during 1999/2000 compared to Tk. 16.26 crores disbursed against four projects and Tk. 14.70 crores recovered in the preceding year. Overdue loans of the BSCIC against the three projects declined by Tk. 3.83 crores or 58.7 percent to Tk. 2.69 crores as on 30 June 2000.

Industrial Finance of the Scheduled Banks and Other Financial Institutions

4.16 The scheduled banks and other financial institutions as usual upheld priority for industrial finance in their loan policy during 1999/2000. Industrial term loans disbursed by these institutions during 1999/2000 increased by Tk. 297.16 crores or 22.3 percent to Tk. 1,627.26 crores from Tk. 1,330.10 crores in the previous year. Disbursement of working capital for industries increased by 2,776.25 crores or 35.1 percent from Tk. 7,905.49 crores during 1998/99 to Tk. 10,681.74 crores in the reporting year. Outstanding industrial loans at end June 2000 was Tk. 28,601.64 crores or 12.2 percent higher than Tk. 25,484.76 crores in the preceding year.

4.17 Refinance against foreign banks' industrial term loans was introduced from 27 October 1997 in order to associate them more intensely with industrialization of the country. Since its inception till 30 June 2000 refinance to the tune of Tk. 23.57 crores was given to them against their application.

Projects Under the Supervision of the Industrial Credit Department

4.18 As in the preceding years, Bangladesh Bank continued to finance and supervise implementation of some projects in small and cottage industries as well as medium and large-scale industries under foreign credit/grants in addition to its own programmes during the year under report. 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 creating a fund for loans to small and cottage industries sector, an SDR 20.968 million (Tk. 116.00 crores) Credit Agreement No.1070-BAN (SF) was signed between the Government of Bangladesh and the Asian Development Bank on 25 January 1991. The Agreement became effective from 9 October 1991, and disbursement of credit under this programme ended on 8 October 1996. Under the credit scheme, five private banks - Arab-Bangladesh Bank Ltd., Bank of Small Industries and Commerce Bangladesh Ltd., IFIC Bank Ltd., National Bank Ltd., and United Commercial Bank Ltd. disbursed till 8 October 1996 an amount of Tk. 95.33 crores for 183 small and cottage industry projects. Upto 30 June 1999, a total of Tk. 65.70 crores was recovered as principal and interest against these projects. Loans outstanding (principal) as on 30 June 2000 stood at Tk. 68.64 crores.

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

An agreement was signed between the Government of Bangladesh and the IDA on 27 April 1992 with a view to setting up industries in the private sector. Disbursement of loans under the project started from 22 March 1993 and ended on 31 January 1998. Under that project, four participating institutions viz.: IFIC Bank Ltd., IPDC of Bangladesh, IDLC and ULC disbursed a total amount of Tk. 103.57 crores for 61 sub-projects during the year under report. Recovery of loans started from 1 January 1998 and an amount of Tk. 38.77 crores including principal and interest was recovered from four institutions till 30 June 2000.

(C) Semi-Intensive Shrimp Cultivation Credit Programme

Bangladesh Bank has been encouraging financial institutions including banks to extend credit to this sector and has been monitoring their credit disbursement programmes with a view to making semi-intensive shrimp cultivation programme a success and thereby increasing export earnings.

Seven commercial banks participating in the credit programme viz.: Sonali, Janata, Agrani, Rupali, BASIC. BSB and AB Bank Limited and SABINCO (a non-bank financial institution) disbursed no loans during 1999/2000. The amount of loans disbursed during 1998/99 had stood at Tk. 0.50 crore. Under this programme, cumulative sanction and disbursement till June 2000 stood at Tk. 143.43 crores and Tk. 67.46 crores respectively.

(D) Industrial Projects Financed by Bangladesh Bank

Bangladesh Bank established a Fund of Tk. 258.00 crores in 1992 for term lending to small and cottage industries in the private sector and for balancing, modernization, rehabilitation and expansion (BMRE) of the existing ones. The terms stipulated in a Circular of 25 February 1992 provided for a maximum repayment period of 10 years, and the interest rates set either at the fixed Bank Rate prevailing at the time of disbursement or at variable Bank Rate. Out of the Fund, 13 banks lifted Tk. 241.00 crores for credit to 545 projects and repaid Tk. 200.50 crores to Bangladesh Bank till 30 June 2000. An amount of Tk. 40.50 crores lying outstanding with five banks would be recovered as per the repayment schedule.

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

Under a Fund of Tk. 38.43 crores placed by the Government to Bangladesh Bank to support the Credit Guarantee Scheme, a total of 173 sub-projects of different banks are in operation with guarantee cover of Tk. 27.30 crores. By a decision of the Ministry of Finance, guarantee has been kept at abeyance since 14 September 1999.

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

Seven scheduled banks entered into contract with Bangladesh Bank to participate in the Scheme, of which three banks sanctioned Tk. 5.16 crores against 84 projects and disbursed Tk 4.92 crores for 80 projects till 30 June 2000. During this period, concerned banks sought Bangladesh Bank's refinance of Tk. 4.92 crores against loans to 80 projects. Bangladesh Bank so far refinanced Tk. 3.69 crores against 80 projects.

(G) Credit Scheme for Salt Growers and Millers

For the sake of steady production, storage and supply of salt, an essential item, Bangladesh Bank issued circulars as usual for the banks to encourage them to extend loans to this sector. Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank Ltd., Pubali Bank Ltd. and Bangladesh Krishi Bank extended loans to genuine growers in the salt growing areas and the millers throughout the country on satisfactory banker-customer relationship. Disbursement of loans stood lower at Tk. 8.85 crores in 1999/2000 as compared to Tk. 12.79 crores in the preceding year.

(H) Tk. 25.00 Crores Refinance to BASIC against Loans to SCIs

In order to expand investment in industries, the Bank of Small Industries and Commerce (BASIC) requested Bangladesh Bank for a refinance facility. Accordingly, Bangladesh Bank sanctioned to the BASIC a refinance limit of Tk. 25.00 crores against loans to small and cottage industries (SCIs) in the private sector. The deadline for lifting the limit above was set at 31 December 2001, and till June 2000 loans disbursed amounted to Tk. 16.40 crores.

Credit Scheme for Handloom

According to the recommenda- tions of a Task Force constituted by the Government, a Small Credit Scheme for the handloom workers was introduced in December 1982, and six commercial banks namely, Sonali, Janata, Agrani, BKB, RAKUB and AB Bank Ltd. have since then been participating in it. Industrial Credit Department of Bangladesh Bank monitors the disbursement, recovery and overdue loans of the participating banks on the basis of their quarterly returns.

Industrial Development Bonds of Agrani Bank and Sonali Bank

4.19 The Government has permitted Agrani Bank to raise Tk. 500.00 crores to create an Industrial Development Fund by issuing government guaranteed Industrial Development Bond of 5 to 7 year maturity. The government has accorded similar permission to Sonali Bank for building up a fund of US $ 100.00 million by issuing 5-year maturity foreign currency denominated Bangladesh Industrial Development Bond. Agrani Bank will invest 25 percent of the bond sale proceed under its own management in the industrial projects while the remaining 75 percent will be utilized in consortium with other commercial banks/financial institutions. Sonali Bank will invest under its own management in industrial projects 30 percent of the bond sale proceeds, while the remaining 70 percent will be invested through consortium with other commercial banks/financial institutions. The rate of interest on

Agrani Bank bond is 10.0 percent for 5-year bond and 11.0 percent for 7-year bond, while the rate of interest on 5-year Bangladesh Industrial Development Bond of the Sonali Bank has been fixed at 8.6 percent. Till June 2000, Agrani Bank sold bonds worth Tk. 101.09 crores and financed Tk. 47.53 crores. The sale of the Sonali Bank bonds was in the process.

Financial Institutions Development Project (FIDP)

4.20 A five year project—Financial Institutions Development Project (FIDP)—has been taken up under an agreement between the Government of Bangladesh and the IDA aiming at assisting the financial institutions in mobilizing medium and long term finance and developing an effective capital market. Bangladesh Bank is in charge of implementing the project. The IDA kicked in US$ 46.90 million while GOB US$ 5.38 million and the IMF and others US$ 5.41 million to a US$ 57.69 million Fund created for the project. A Credit Bridge and Standby Facilities has also been established under the project which started operation on 14 February 2000.

CHAPTER V

AGRICULTURAL AND RURAL FINANCE

Annual Agricultural Credit Programme

Target

5.1 An indicative Agricultural Credit Programme for 1999/2000 was formulated keeping in mind the twin basic objectives of self-sufficiency in food production and poverty alleviation, to be achieved by providing adequate finance to firm up agriculture and rural development activities. The target for disbursement of agricultural credit under the programme was set at Tk. 3,331.03 crores that was higher by Tk. 325.11 crores or 10.8 percent than the actual disbursement of Tk. 3005.92 crores in the preceding year. The target for disbursement in the preceding year was Tk. 3,270.00 crores. A minimum of 60.0 percent of the target disbursement was earmarked for disbursement as crop loans and 25.0 percent for poverty alleviation projects, while the steps and measures taken in the preceding year were continued.Under the agricultural rehabilitation programme, the provision for loans without security to the farmers badly affected by the floods was also continued.

Disbursement and Recovery of Agricultural Credit

Disbursement

5.2 Disbursement of agricultural credit under the Annual Agricultural Credit Programme of 1999/2000 stood at Tk. 2,851.29 crores which was 85.6 percent of the target and 5.1 percent less than Tk. 3,005.92 crores disbursed during the previous year. Crop loans (other than tea) disbursed stood at Tk. 1,174.21 crores which was 29.5 percent lower than Tk. 1,666.28 crores disbursed in the preceding year. Loans for irrigation equipment, livestock, marketing of agricultural products, fisheries and poverty alleviation were Tk. 4.59 crores* (-65.7%), Tk. 85.92 crores (-21.9%), Tk. 263.74 crores (-3.4%), Tk. 74.98 crores (+113.7%) and Tk. 623.02 crores (+5.1%) respectively. Disbursement of loans for agricultural equipment and other agricultural activities stood at Tk. 624.83 crores which was 91.8 percent higher than in the previous year.

Recovery

5.3 As against total outstanding agricultural credit of Tk. 9,521.15 crores, recovery during 1999/2000 stood at Tk. 2,998.29 crores

* Numbers in the parentheses beside each category indicate percentage changes from the preceding year.

which was Tk. 1,079.76 crores higher than Tk. 1,916.53 crores recovered in the previous year. The level of credit outstanding increased during the year by Tk.946.39 crores to Tk.10,648.90 crores as on 30 June 2000. The amount of overdue loans increased by Tk. 1,059.65 crores to Tk. 6,458.55 crores at the end of June 2000 from Tk. 5,398.90 crores at the end of the preceding year. Data on agricultural credit during 1998/99 and 1999/2000 are shown in Table-X in the Annex.

Passbooks forAgricultural Loans

5.4 A total of 15,72,237 new passbooks for agricultural loans were issued to the borrowers during the year under report. The cumulative number of passbooks issued since the inception of passbook system in 1984/85 stood at 1,24,35,397 by the end of the year under report. The number of passbooks issued during the year and over the period from the inception classified by issuing banks/institutions are shown in Table 5.1.

TABLE-5.1
PASSBOOKS FOR AGRICULTURAL LOANS

Banks	Number of Passbooks Issued in 1999/2000	Cumulated Number of Passbooks till end-June
1	2	3
1. Sonali Bank	47,195	16,57,880
2. Janata Bank	24,427	6,47,120
3. Agrani Bank	—	7,72,965
4. Rupali Bank Ltd.	—	20,820
5. Bangladesh Krishi Bank	14,46,593	49,49,533
6. Rajshahi Krishi Unnayan Bank	49,735	9,29,335
7. Bangladesh Rural Development Board	4,287	28,74,527
8. Bangladesh Samabaya Bank Ltd.	—	5,83,217
Total:	**15,72,237**	**1,24,35,397**

Agricultural Credit by Source

5.5 Bangladesh Krishi Bank, the Nationalized Commercial Banks, Rajshahi Krishi Unnayan Bank, Bangladesh Rural Development Board and the Bangladesh Samabaya Bank Limited played an important role as institutional providers of agricultural loans. As in the previous year, Bangladesh Krishi Bank was the largest source of agricultural loans accounting for 54.0 percent of total agricultural credit, while participating NCBs together were the second largest source. Disbursement of agricultural loans by sources is shown in Table 5.2.

TABLE-5.2
DISBURSEMENT OF AGRICULTURAL CREDIT BY SOURCES

(Taka in Crores)

Credit Institutions	1998/99		1999/2000	
	Total Credit	Crop Loans (excluding tea)	Total Credit	Crop Loans (excluding tea)
1	2	3	4	5
1. Bangladesh Krishi Bank	1,590.23 (52.90)	953.54 (57.23)	1,539.38 (53.98)	632.05 (53.83)
2. Rajshahi Krishi Unnayan Bank	316.61 (10.53)	224.39 (13.47)	366.13 (12.84)	230.42 (19.62)
3. Participating Nationalized Commercial Banks	737.77 (24.54)	442.94 (26.58)	537.47 (18.85)	278.28 (23.70)
4. Bangladesh Rural Development Board	358.38 (11.92)	45.21 (2.71)	405.34 (14.22)	33.24 (2.83)
5. Bangladesh Samabaya Bank Ltd.	2.95 (0.10)	0.20 (0.01)	2.97 (0.10)	0.22 (0.02)
Total:	**3,005.92**	**1,666.28**	**2,851.29**	**1,174.21**

Note: Numbers in the parentheses indicate percentage shares of the participating credit institutions in total credit.

Agricultural Term Loans

5.6 Disbursement of short term loans during 1999/2000 stood at Tk. 2,296.30 crores which was lower by Tk. 398.98 crores or 14.8 percent than in the previous year. On the contrary, term loans disbursement increased by Tk. 244.35 crores or 78.7 percent to Tk. 554.99 crores during the year under report from Tk. 310.64 crores of the previous year. A comparative position of disbursement of agricultural loans by maturity is given in Table 5.3.

TABLE–5.3
AGRICULTURAL CREDIT CLASSIFIED BY MATURITY

(Taka in Crores)

Particulars	1998/99	1999/2000	Changes Increase(+) Decrease (–)
1	2	3	4
Total Disbursement of	**3,005.92**	**2,851.29**	**-154.63 (-5.14)**
1. **Short Term Loans**	**2,695.28 (89.67)***	**2,296.30 (80.54)***	**-398.98 (-14.80)**
a) Crop Loans (excluding tea)	1,666.28	1,174.11	-492.07 (-29.53)
b) **Other Agricultural Activities**	**1,029.00**	**1,122.09**	**+93.09 (+9.05)**
i. Tea Production	155.00	218.85	+63.85 (+41.06)
ii. Other Loans	874.00	903.44	+29.44 (+3.37)
2. **Term Loans**	**310.64 (10.33)***	**554.99 (19.46)***	**+244.35 (+78.66)**
a) Irrigation Equipments	2.77	4.59	+1.82 (+65.70)
b) Other AgriculturalActivities	**307.87**	**550.40**	**+242.53 (+78.78)**
i. Livestock	110.07	85.92	-24.15 (-21.94)
ii. Other Loans	197.80	464.48	+266.68 (+134.82)

Note: Numbers in the parentheses indicate annual percentage changes.
* Indicates share in percent in total agricultural loan disbursement.

Agricultural Loans of Private and Foreign Banks

5.7 Domestic private banks and the foreign banks set apart their own funds of Tk. 183.57 crores and Tk. 95.94 crores respectively for disbursement as agricultural loans in 1999/2000, and disbursed Tk. 251.60 crores and Tk. 370.99 crores respectively. Disbursement by the private and the foreign banks in the previous year was Tk. 195.32 crores and Tk. 44.12 crores respectively. Recovery of loans of the private and the foreign banks stood higher at Tk. 147.87 crores and Tk. 204.97 crores respectively in 1999/2000 compared to Tk. 111.52 crores and Tk. 11.61 crores in the pervious year.

Bangladesh Bank's Refinance against Agricultural Loans

5.8 Banks and financial institutions availed from the refinance window of the Bangladesh Bank Tk. 517.14 crores and repaid Tk. 532.51 crores during 1999/2000 compared to Tk. 685.67 crores availed and Tk.80.40 crores repaid in the pervious year. Total outstanding refinance increased by Tk. 16.40 crores to Tk. 4,065.22 crores at the end of June 2000 from Tk. 4,048.82 crores at the end of June 1999. Data on refinance to banks and financial institutions during 1998/99 and 1999/2000 are shown in Table 5.4.

TABLE-5.4
BANGLADESH BANK'S REFINANCE AGAINST AGRICULTURAL LOANS

(Taka in Crores)

Particulars	1998/99			1999/2000		
	Refinance Availed	Refinance Repaid	Outstanding (30 June 1999)	Refinance Availed	Refinance Repaid	Outstanding (30 June 2000)
1	2	3	4	5	6	7
1. Bangladesh Krishi Bank	508.40	20.20	2,958.55	487.80	499.33	2,940.00
2. Rajshahi Krishi Unnayan Bank	177.27	57.99	1,011.41	29.34	29.00	1,045.66
3. Sonali Bank/BRDB	-	2.08	8.26	-	4.13	4.13
4. Bangladesh Samabaya Bank	-	0.13	62.19	-	0.05	64.65
5. BRDB/TCCA	-	-	10.42	-	-	10.79
Grand Total:	**685.67**	**80.40**	**4,048.82**	**517.14**	**532.51**	**4,065.22**

Inspection of Bank Branches

5.9 Bangladesh Bank inspected 1,484 branches of different banks during 1999/2000. Of them, there were 583 branches of the NCBs, six branches of Uttara Bank Limited and Pubali Bank limited, 611 branches of BKB, 229 branches of RAKUB, and 35 branches of different banks inspected in connection with interest remission.

Projects under the Supervision of the Agricultural Credit Department

5.10 A Special Agricultural Loan Project under the Agricultural Credit Department of Bangladesh Bank was in force during 1999/2000. Loan operations under the project were as narrated below.

Agricultural Technology Development Project (ATDP)

The project started in January 1996 under the joint sponsorship of the Ministry of Agriculture and IFDC of the USAID with a view to developing agri-business under the private ownership. An amount of Tk. 106.37 crores has already been transferred to this project from the erstwhile Fertilizer Distribution Improve- ment Project-II. Out of this, an amount of Tk. 100.19 crores has been kept in Agri business Credit Fund (ACF). The participating banks would provide from their own sources fund at least equal to the credit allocated to them from the ACF. As a result, the total disbursable fund under the project would be Tk. 200.38 crores. Nine participating banks (NCBs and private banks) disbursed an amount of Tk. 757.08 crores till 30 June 2000.

Projects under the Agricultural Credit Project Department

5.11 Agricultural Credit Project Department of Bangladesh Bank performed during 1999/2000 the responsibilities of implementing, monitoring and supervising different projects financed by foreign donors or from own resources, and providing refinance against loans disbursed under these arrangements. A brief review of the important projects is given below.

Shrimp Culture Credit Programme

a) The participating banks disbursed an amount of Tk. 30.81 crores and recovered Tk. 32.51 crores during 1999/2000. Since its inception in 1980 till June 2000 cumulative disbursement and recovery of loans under this programme stood at Tk. 198.09 crores and Tk. 164.79 crores respectively.

Marginal and Small Farms System Crop Intensification Project-Kurigram (MSFSCIP)

b) The project financed by IFAD and German Technical Cooperation has been operating since July 1987. Sonali Bank, Janata Bank, Agrani Bank and Rajshahi Krishi Unnayan Bank have been operating credit activities in nine Thanas of Kurigram district under this project. A sum of Tk. 34.24 crores was disbursed among 2,252 groups, and Tk. 28.96 crores was recovered from them upto 30 June 2000. Cumulative disbursement and recovery of loans under this project stood at Tk. 3.74 crores and Tk. 3.80 crores respectively upto June 2000.

Swanirvar (Self-reliance) Credit Programme

c) Since the beginning of the programme till 30 June 2000, the participating banks disbursed an amount of Tk. 187.07 crores to the borrowers and recovered Tk. 153.28 crores. Loans outstanding and overdue stood at Tk. 128.64 crores and Tk. 100.25 crores respectively by the end of the same period.

North-West Rural Development Project -ADB Credit No. 615 BAN (SF) and IFAD Credit No. 110 BA

d) Sonali Bank did not disburse any credit under this project during 1999/2000. However, cumulative recovery of loans including Tk. 0.22 crore recovered during the year stood at Tk. 15.18 crores up to 30 June 2000 against the cumulative total disbursement of Tk. 16.71 crores since the beginning of the project. Total outstanding amount of Tk. 5.31 crores of the project remained entirely overdue. Though no refinance was provided during the year, cumulative refinance from the beginning till 30 June 2000 stood at Tk. 15.52 crores, against which total recovery amounted to Tk. 1.03 crores during 1999/2000 with outstanding refinance at Tk. 9.98 crores.

Other Projects*

e) Till 30 June 2000, an amount of Tk. 40.64 crores was disbursed under the Shaisya Gudam Rin Prakalpa (Corn Storage Godown Project), Rural Transport Credit Scheme and Banana Plantation Financing Scheme, and Tk. 31.30 crores was recovered. Cumulative disbursement and recovery under these schemes till 30 June 2000 stood at Tk. 122.41 crores and Tk. 85.97 crores respectively. Outstanding and overdue loans under the Rural Transport Credit Scheme and Banana Plantation Financing Scheme stood at Tk. 71.37 crores and Tk. 23.09 crores respectively till 30 June 2000.

Microcredit Programmes of Grameen Bank and Large NGOs

5.12 The Grameen Bank and the large Non-Government Organizations (NGOs) have been playing increasingly large role with their microcredit programmes aimed at alleviation of poverty by creating jobs and income for the rural people. In 1999/2000, the Grameen Bank and three largest NGOs —BRAC, ASA and PROSHIKA—disbursed Tk. 3,915.05 crores toward rural income generating and productive activities. This

* Among other projects, Tk. 82.28 crores were disbursed and Tk. 51.49 crores recovered till 30 June 2000 under the Second Fisheries Development Project-ADB Credit No. 821 BAN (SF).

amount was 7.7 percent higher than Tk. 3,636.43 crores disbursed in the preceding year. Loans recovered by these organizations during 1999/2000 stood at Tk. 3,943.52 crores which was 12.8 percent higher than in the previous year. Outstanding and overdue loans increased by Tk. 171.24 crores and Tk. 60.59 crores to Tk. 2,880.76 crores and Tk. 250.48 crores respectively by the end of June 2000 with overdue loans being at 8.7 percent of the loan outstanding. Data on microcredit operations of the four organizations are presented in Table 5.5 below.

TABLE–5.5
MICROCREDIT OPERATIONS OF GRAMEEN BANK AND LARGE NGOS

(Taka in Crores)

Particulars	1998/99	1999/2000	Yearly Changes Increase(+) Decrease (-)
1	2	3	4
1. Disbursement	**3,636.43**	**3,915.05**	**+278.62 (+7.66)**
i) Grameen Bank	1,855.35	1,431.62	-423.73 (-22.84)
i) BRAC	921.27	1,277.94	+356.67 (+38.72)
ii) ASA	573.04	872.42	+299.38 (+52.24)
iv) PROSHIKA	286.77	333.07	+46.30 (+16.14)
2. Recovery	**3,496.48**	**3,943.52**	**+447.04 (+12.79)**
i) Grameen Bank	1,836.86	1,626.32	-210.54 (-11.46)
i) BRAC	921.16	1,261.67	+340.51 (+36.96)
ii) ASA	481.86	738.49	+256.63 (+53.26)
iv) PROSHIKA	256.60	317.04	+60.44 (+23.55)
3. Loans Overdue	**189.89**	**250.48**	**+60.59 (+31.91)**
4. Loans Outstanding	**2,709.52**	**2,880.76**	**+171.24 (+6.32)**

Note : Numbers in the parentheses indicate annual percentage changes.
Source: Concerned Organizations.

CHAPTER VI

HOUSE BUILDING FINANCE

National Housing Policy

6.1 The national housing policy was formulated in 1993 keeping in focus the basic objective of providing housing to people at all strata of the society especially to the low and middle income people and those without home. The emphasis of the national housing policy was on the construction of inexpensive housing units, development of land and construction of condominiums for the low and middle income people, multi-storied buildings for the government employees, hostels for working women, low cost houses in the coastal belt and inducting the private sector in the housing sector. Housing loan operations of the Government had long remained confined to the towns and metropolitan cities but recently the focus has shifted and housing on government 'khas land' in the rural areas is being provided for the poor under the **'Asrayan'** (Housing for the Poor) project of the Government.

House Building Finance

6.2 Although there is no private agency for house building finance in the country outside the metropolitan cities, some NGOs including the Grameen Bank and the BRAC have been providing limited finance for low cost but hygienic houses in the rural areas. The commercial banks of the country also make some housing finance but the government patronized Bangladesh House Building Finance Corporation still remains the single largest institution for housing finance.

Bangladesh House Building Finance Corporation (HBFC)

6.3 The ceiling on loans of Bangladesh House Building Finance Corporation (HBFC) remained unchanged at Tk. 2.70 lakh to 25.00 lakh depending on the location. The rate of interest for loans up to Tk. 15.00 lakh in the Dhaka and Chittagong Metropolitan city areas is 13.0 percent, and 15.0 percent beyond this. In all other parts of the country, the rate of interest is flat at 10.0 percent irrespective of ceilings. Repayment period for all HBFC loans is 15 years, though it may be relaxed to 20 years in the case of small size apartment schemes for the low and middle income people.

6.4 Bangladesh House Building Finance Corporation (HBFC) disbursed house building loans of Tk. 130.60^{P} crores during 1999/2000 which was higher by Tk. 38.77 crores or 42.3 percent than Tk. 91.83 crores disbursed during the preceding year. The Corporation sanctioned Tk. 124.19^{P} crores against 84 loan applica- tions which was 23.2 percent lower than Tk. 161.61 crores sanctioned in the preceding year.

6.5 The HBFC recovered an amount of Tk. 228.63^{P} crores during 1999/2000 which was Tk. 32.98 crores or 16.9 percent higher than Tk. 195.65 crores recovered during the preceding year. The outstanding loans including overdue loans of the HBFC as on 30 June 2000 stood at Tk. 2,723.17^{P} crores compared to Tk. 2,624.34 crores at the end of the preceding year. The amount of overdue loans of the HBFC stood at Tk. 315.81^{P} crores or 11.6 percent of the total outstanding loans as on 30 June 2000 compared to Tk. 323.82 crores or 12.3 percent as on 30 June 1999. Particulars of disbursement, recovery, outstanding and overdue loans of the HBFC are shown in Table-6.1.

TABLE -6.1

DISBURSEMENT, RECOVERY, OUTSTANDING AND OVERDUE LOANS OF HBFC

(Taka in crores)

Year (End June)	Amount of loans sanctioned	Amount of loans disbursed	Amount due for recovery	Amount of recovery	Outstanding loans as on June 30	Amount of overdue loans as on June 30
1	2	3	4	5	6	7
1997/98	85.52	106.96	427.51	175.11	2,533.89	278.21
1998/99	161.61	91.83	487.05	195.65	2,624.34	323.82
1999/2000^{P}	124.19	130.60	546.54	228.63	2,723.17	315.81

Source: Bangladesh House Building Finance Corporation (HBFC).

p= Provisional.

6.6 With the prime objective of improved customer service through the implementation of various development schemes, the following policies were taken from 1993/94 through 1999/2000:

a) In order to provide counseling services and loan related assistance to the new borrowers, 'Counselling Counters' has been opened at the Head Office and some zonal offices.

b) In view of the increasing housing scarcity, the HBFC expanded its housing loan programme all over the country (at the district head quarters) from 1 July 1999 after 12 years of suspension.

c) New apartment loans in the metropolitan cities of Dhaka and Chittagong and for semi-pucca houses in the district towns have been introduced.

d) A loan scheme for small size flats (550 sft to 1,000 sft) for the middle and lower-middle class people has been introduced.

e) In order to reduce the cost of mortgage deed, a ceiling of registration fees for a deed of Tk. 25.00 lakh has been fixed at Taka eight thousand.

f) Remission of interest on monthly installment of the principal is granted, if paid within 15 days of the month. In the event of default of installment upto 12 months, the loan account in question is deemed normal if defaulted installments are cleared at a time. In the case of loans remaining overdue for more than a year, incentives through interest remission at the rate of 2.0 percent for each 12 installments of the preceding years and at the rate of 15.0 percent of interest charged in the current year are given, if the overdue loan is fully repaid and current installments are paid regularly.

g) An incentive at the rate of 15.0 percent of the interest charged at the year end is allowed to the loanees who repay installments regularly. In this case, instead of monthly installment payment one can pay six months' installments at a time in June and December and still can avail this incentive. The rate of incentive for regular loan repayment was 10.0 percent previously.

h) A time limit has been fixed so those applicants can get loans in a short period of time. This time limit is 35 days for government plots and 45 days for private plots.

i) A special scheme introduced from 25 July 1999 for giving an opportunity to the heavily defaulted borrowers for rescheduling installment payments upon repayment in part of the cumulated overdue loans remained in force till 30 June 2000.

HBFC Debentures Sale for Raising Funds

6.7 Total funds raised by the HBFC during the period from 1973 through 30 June 2000 by selling debentures to the Bangladesh Bank, the commercial banks and the Sadharan Bima Corporation stood at Tk. 1,872.00^P crores. After repayment of Tk. 227.66^P crores, the outstanding balance against debentures stood at Tk. 1,644.34^P crores as on 30 June 2000. Bangladesh Bank's debenture financing to the Corporation stood at Tk. 1,169.95^P crores up to 30 June 2000. The weighted average rate of interest paid by the HBFC against debentures declined slightly to 4.77 percent in 1999/2000 from 4.79 percent in the preceding year. It may be recalled that the HBFC sold debentures in 1997/98 at a rate of interest of 8.0 percent. On the other hand, the weighted average rate of interest on loans disbursed by the HBFC remained unchanged at 11.17 percent during the year under report. Total liabilities of the HBFC increased by Tk. 46.53 crores to Tk. 3,018.77^P crores at the end of June 2000 from Tk. 2,972.24 crores as of end June of the preceding year. A statement of the funds raised by the HBFC through debenture sale is given in Table 6.2.

TABLE-6.2

COLLECTION OF FUNDS BY HBFC THROUGH SALE OF DEBENTURES

(Taka in Crores)

Year (End June)	From Bangladesh Bank	From Commercial Banks	From Sadharan Bima Corporation	Total Fund Collec-tions	Total Repay-ments	Total Outstan-ding
1	2	3	4	5	6	7
1997/98	1,169.95	689.05	13.00	1,872.00	154.50	1,717.50
1998/99	1,169.95	689.05	13.00	1,872.00	196.58	1,675.42
1999/2000^P	1,169.95	689.05	13.00	1,872.00	227.66	1,644.34

Source : Bangladesh House Building Finance Corporation.

P – Provisional.

Scheduled Banks' House Building Finance

6.8 As in the pervious years, scheduled banks' house building loan programmes remained in force during the year under report. Outstanding house building loans of the scheduled banks as at the end of June 2000 stood at Tk. 2,470.54 crores compared to Tk. 2,550.93 crores at the end of June of the preceding year. On the same day, outstanding house building loans of the nationalised commercial banks (NCBs) stood at Tk. 1,554.99 compared to Tk. 1,398.68 crores at the end of June of the preceding year. Outstanding house building loans of the private commercial banks stood at Tk. 831.97 crores at the end of June 2000 compared to Tk. 1,066.04 crores at the end of June 1999. Outstanding house building loans of the foreign commercial banks operating in Bangladesh stood at Tk. 12.41 crores at the end of June 2000 compared to Tk. 26.31 crores at the end of June 1999. Outstanding house building loans of the specialised banks stood at Tk. 71.17 crores at the end of June 2000 compared to Tk. 59.90 crores at the end of June 1999. The rate of interest for housing loans varies among the scheduled banks, and ranged from a low of 13.25 percent to a high of 17.00 percent.

CHAPTER VII

PUBLIC FINANCE

Main Characteristics of the National Budget and Fiscal Policy

7.1 The national budget for 1999/2000 was formulated keeping in view the broad objectives of moderanization of agriculture and development of rural sector, promotion and protection of rural industries, export growth, development of education, health and human resources and alleviation of poverty in the country. In order to achieve these broad objectives, steps were taken in the budget of the year under report for comprehensive restructuring of the tax system and raising allocation for the priority sectors. A good number of measures were taken for simplification of the tax procedures, broadening and rationalization of the tax base and moderanization of the tax structure. For rapid industrialization and expansion of export sector, custom, fiscal and other institutional/financial facilities were enhanced. Steps were undertaken for liberalising the import trade keeping in view the reasonable protection of domestic industries. Arrangement for agricultural subsidy continued alongwith increased allocation for the sector under the **National Agricultural Policy** formulated for undertaking well thought, planned and coordinated programme of actions aimed at development of agricultural infrastructures and to establish an environmentally sound modern agriculture system. In order to alleviate poverty, allocation for rural and social welfare sectors were raised and various poverty alleviation programmes were strengthened. Two new poverty alleviation schemes, namely, **Doostho Bidhoba Ebong Swami Parityakta Mahilader Vata** (Allowance for the Distressed Widows and Deserted Wives) and **Asrayan** (Housing for the Poor) were introduced during the year under report.

Budget for 1999/2000

7.2 The budget for 1999/2000 envisaged total revenue receipts at Tk. 24,151 crores and total revenue expenditures at Tk. 17,800 crores, leaving a revenue surplus of Tk. 6,351 crores. Subsequently, revenue receipts in the revised budget decreased by Tk. 2,806 crores or 11.6 percent to Tk. 21,345 crores due to lower receipts from the principal heads as compared to projection. On the other hand, revenue expenditures increased by Tk. 644 crores to Tk. 18,444 crores due to increases in expenditure not only in major sectors like Education and Defence but also increases under Interest on Domestic and External Debt, Public Order and Safety, Social Security and

Welfare, Agriculture, Fisheries and Livestock, etc. As a result, revenue surplus decreased by Tk. 3,460 crores to Tk. 2,901 crores during the year under report.

Annual Development Programme for 1999/2000

7.3 The size of the Annual Development Programme (ADP) for the year 1999/2000 was originally envisaged at Tk. 15,500 crores. It increased by Tk. 1,000 crores or 6.5 percent to Tk. 16,500 crores in the revised ADP. In financing the revised programme, foreign assistance showed higher by Tk. 349 crores or 4.4 percent to Tk. 8,016 crores (project aid, commodity aid etc.) as compared to the original programme. On the other hand, domestic financing for revised ADP stood at Tk. 8,484 crores. Total number of projects included in the revised ADP for 1999/2000 were 1,378. Information/Data relating to revenue and capital budget are given in Table-III of the Annex.

Budget Estimates for 2000/2001

7.4 The budget for 2000/2001 envisaged revenue receipts at Tk. 24,198 crores and revenue expenditures at Tk. 19,633 crores, showing a revenue surplus of Tk. 4,565 crores. Receipts from tax and non-tax sources were estimated at Tk.19,278 crores and Tk. 4,920 crores respectively in the budget under report. Heads of tax revenue in the budget under report were: Value Added Tax (VAT) Tk. 5,940 crores, Custom Duties Tk. 4,790 crores, Taxes on Income and Profit Tk. 3,800 crores, Supplementary Duties Tk. 3,035 crores, Non-Judicial Stamp Tk. 817 crores, Land Revenue Tk. 301 crores, Excise Duties Tk. 275 crores, Taxes on Vehicles Tk. 120 crores, Narcotics and Liquor Duty Tk. 40 crores, Electricity Duties Tk. 20 crores, Taxes on Property and Wealth Tk. 1 crore and Other Taxes and Duties Tk. 139 crores. Heads of non-tax revenue receipts were : Dividends and Profits Tk. 1,271 crores, Telegraph and Telephone Board Tk. 1,252 crores, Administrative Fees and Charges Tk. 1,032 crores, Interest Tk. 632 crores, Receipts for Services Rendered Tk. 209 crores, Non-Commercial Sales Tk. 173 crores, Capital Receipts Tk. 149 crores, Other Non-Tax Revenue and Receipts Tk. 88 crores, Rents, Leases and Recoveries Tk. 80 crores, Defence Receipts Tk. 74 crores, Tolls and Levies Tk. 53 crores, Fines, Penalties and Forfeiture Tk. 11 crores, Irrigation Receipts Tk. 2 crores and Royalty and Property Income Tk. 1 crore. Of the total revenue expenditure, the highest allocation was proposed for General Public Services Tk. 3,861 crores, followed by Education Tk. 3,344 crores, Defence Tk. 3,278 crores, Interest on Domestic Debt Tk. 2,928 crores, Public Order and Safety Tk. 1,639 crores, Health Tk. 1,112 crores, Interest on External Debt Tk. 820 crores, Agriculture, Fisheries and Livestock Tk. 778 crores, Social Security and Welfare Tk. 767 crores, Housing and

Community Services Tk. 594 crores, Transport and Communication Tk. 383 crores, Recreation, Culture and Religious Affairs Tk. 219 crores, Mining, Manufacturing and Construction Tk. 46 crores, Fuel and Energy Tk. 8 crores and Other Services Tk. 56 crores.

7.5 The Salient features of the budget for 2000/2001 were: encouragement of export, protection of domestic industries, adoption of realistic measures for rapid growth of agriculture and industries, providing necessary facilities for establishment of software and food processing industries. Besides, other features of the budget included: comprehensive reduction of duties on raw materials of essential industries and on intermediate goods, reduction of duties, alongside continuation of subsidy on fertilizer, on inputs required for agriculture and agro-based industries and on essential items of prospective industries, discourage and prevent smuggling and to make consumer goods cheap and easily available to all classes of people. In order to establish a modern and simplified tax system, the basic features of the tax programme of the budget for 2000/2001 were: (a) to encourage and assist the local industries, (b) to reduce the tax burden of taxpayers and to simplify further the tax payment procedure, (c) to raise the tax exemption limit for personal income taxpayers to Tk. 1 lakh from Tk. 75 thousand, (d) imposition of surcharge at the rate of 15 percent on income tax payable by assessees having net wealth exceeding Tk. 30 lakh, (e) Provision for declaring untaxed money without any question by the tax authority subject to payment of tax at the rate of 10 percent, (f) to contain smuggling and (g) to increase revenue through rationalization of tax burden. Besides, the important features of the budget for 2000/2001 also included proposals for establishment of an Equity Development Fund of Tk. 100 crores in Bangladesh Bank for encouragement of software, agro and food processing industries, lump sum allocation of Tk. 15 crores for providing grants to public and private institutions to develop well-qualified computer programmers of international standard, allocation of Tk. 100 crores for providing fertilizer subsidy and issuance of bonds of Tk. 1,800 crores in favour of nationalized banks in payment of debt of state-owned enterprises.

Annual Development Programme for 2000/2001

7.6 The size of the Annual Development Programme (ADP) for the year 2000/2001 was estimated at Tk. 17,500 crores which was higher by Tk. 1,000 crores or 6.1 percent than the revised ADP for the year 1999/2000. Financing estimated from internal sources in the proposed Annual Development Programme was Tk. 8,802 crores, which was 50.3 percent of the total outlay and financing from external sources was Tk. 8,698 crores which was 49.7 percent of the total outlay. Total number of projects included in ADP for the year 2000/2001 were 1,299. It may be mentioned that the revised Annual Development Programme for 1999/2000 envisaged a total foreign assistance of Tk. 8,016 crores which was 48.6 percent of the total outlay.

Government Borrowings

7.7 Government borrows, more or less, every year from various internal sources including the banking system for financing of the Annual Development Programme and for smooth operation of fiscal policy. During 1999/2000 Government had to borrow more to expand the size of Annual Development Programme for infusing desired dynamism in the Economy by overcoming the adverse impact of the devastating flood of 1998/99. Government borrowings from the banking system and sources other than banks are discussed in the following paragraphs.

Government Borrowings from the Banking System

7.8 The outstanding net borrowings of the Government from the banking system increased by Tk. 3,524.30 crores or 31.3 percent to Tk. 14,772.90 crores at the end of June 2000 as compared to Tk. 11,248.60 crores at the end of preceding year. A detailed statement on Government borrowings from the banking system is given in Table-XI of the Annex.

Government Borrowings from Sources Other than Banks

7.9 Government borrowings from sourc- es other than banks through sale of saving certificates increased by Tk. 942.94 crores or 41.3 percent to Tk. 3,227.88 crores during the year under report as compared to Tk. 2,284.94 crores during the prece- ding year. A detailed statement on Government borrowings from sources other than banks is given in Table-XII of the Annex.

CHAPTER VIII

EXTERNAL TRADE AND BALANCE OF PAYMENTS

Trade Policy

8.1 Consistent with the on-going trend of the free-market economic system and globalisation of the world economy, a liberal trade policy was pursued during the year under report as in the preceding year with the objectives of providing reasonable protection to the domestic industries, trade liberalisation and expansion of export trade. In line with the above policy, some important steps were undertaken during the year under report under the five-year Export Policy and Import Policy formulated for the years 1997-2002.

Export Policy and Programme

8.2 Implementation of the new Export Policy formulated keeping in view the objectives of gradual reduction of trade deficit through boosting up of export earnings, promoting backward linkage industries for export oriented industries aimed at increasing domestic value addition, providing access to export credit at concessional terms, searching for new export market, promotion and development of non-traditional exports, encouraging use of appropriate technology in the manufacture of exportable goods etc. was strengthened during the year under report. Important steps taken under the Export Policy were as follows:

i) Earmarking of leather and leather goods industries, new high-priced and high-value adding readymade gar- ments, computer software and agro processing sectors as 'thrust sector';

ii) Declaration of leather industries exporting at least 80 percent of their products and of other industries having minimum 80 percent export perfor- mance as 100 percent export oriented industries allowing them all facilities other than tax/duty exemption were continued;

iii) For expansion of software and data entry sector and to encourage increa- sed private sector exports, supports for development of infrastructure, setting up of information technology village and marketing of software were continued;

iv) Strengthening and restructuring of the Export Credit Guarantee Scheme by removing the existing complexities in getting the facilities under the Scheme were continued;

v) Continuation of the facility of rebate on income arising from exports allowed under the Policy and the facility of reduced rate of tax at source (0.25

percent) in case of readymade garments exports;

vi) Continuation of the reduced rate of air freight in the case of export of all goods under the crush programme, including fruits and vegetables and withdrawal of royalty imposed by the Civil Aviation Authority for availing cargo services of foreign airlines;

vii) Relaxation of conditions for getting credit facilities against export of frozen food, tea and leather and continuation of the facility of extension of the time period for payment of interest at concessional rate from 180 days to 270 days;

viii) Continuation of the facility of the fixation of import of samples upto $ 1,000 as well as the limit for sending export samples at $1500 and that for parcel posts at Tk. 5,000 all aimed as supporting improvement in quality of product and expansion of export market;

ix) Continuation of the facility of 100 percent export oriented industries outside the EPZ for duty free import of capital machinery;

x) Continuation of the facility to sell rejected products in local market subject to payment of 20 percent of applicable taxes to 100 percent export oriented industries including leather and readymade garments and extension of bonded warehouse facilities to all 100 percent export oriented industries;

xi) Continuation of the 25 percent alternate facility in lieu of custom bond or duty drawback facilities to the local producer or producer-supplier of textiles/garments (if the exporter is a middleman) not availing of customs bond or duty drawback facility against import of raw materials used or the producer using local inputs in the commodity exported;

xii) Enhancement of the limit of balance allowed to be held in foreign currency accounts in US Dollar or Pound Sterling by an exporter from 20 percent to 40 percent of the fob exports, keeping the benefit of retention at 7.5 percent of the fob exports in the case of higher import content export commodities (such as, naphtha, furnace oil, readymade garments, electronic goods) and services (legal advice, consultancy etc.);

xiii) Arrangements for issuance of credit cards against foreign currency payable to the exporters; getting export credit from commercial banks upto 90 percent of the value described in irrevocable letters of credit/confirm contracts: attaching higher priority by banks to new export credit applicants and opening of back-to-back L/Cs in favour of local raw material suppliers and continuation of the earlier policy in regard to exports made on the basis of sight payment under irrevocable letter of credit; and

xiv) Provision for import of raw leather, including wetblue and pickled leather, with the time period for export of crust leather having been expired: continuation of the exemption of existing customs duty (2.5%) and import license fee (2.5%) in the case of raw leather import for three years and continuation of the facility of allowing the same benefit as in the case of duty drawback to individual units who do not have bonded warehouse or are not willing to take the advantage of duty drawback facilities.

Export Receipts*

8.3 Export receipts stood at $ 5762.0 million during 1999/2000 which was $ 438.0 million or 8.2 percent higher as compared to $ 5,324.0 million in the preceding year and was higher by 0.4 percent than the annual target of $ 5,738.0 million for the year under report.

Major Export Commodities*

Readymade Garments

8.4 Earnings from the export of readymade garments (including knitwear and hosiery products) which stood at $ 4,352.0 million during 1999/2000 was 8.3 percent higher than $ 4,020.0 million during 1998/99. 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 was 1.2 percent higher than the target of $ 4,380.53 million for the year and accounted for 75.7 percent of total export receipts of the country. Despite increased competition in the international market, export receipts in this sector increased on account of higher demand of Bangladeshi garments in the global market.

Leather

8.5 Export earnings from leather (tanned and semi-tanned) increased by 16.1 percent to $ 195.0 million during 1999/2000 as compared to $ 168.0 million

* Source: Export Promotion Bureau.

during 1998/99. Earnings from leather was 8.3 percent higher than the target of $ 180.0 million set for the year under report. Because of higher demand in the international market, export volume and unit price of leather increased by 5.4 percent and 10.0 percent respectively.

Frozen Food

8.6 Export earnings from frozen food (fish and shrimp) increased by 25.5 percent to $ 344.0 million during 1999/2000 from $ 274.0 million during 1998/99 and was 16.2 percent higher than the target of $ 296.0 million set for the year under report. It may be mentioned that export earnings from this sector increased because of 41.7 percent increase in export volume.

Raw Jute

8.7 An amount of $ 72.0 million was earned by exporting 17.4 lakh bales of raw jute during 1999/2000. An equal amount was earned by exporting 17.5 lakh bales of raw jute during 1998/99. Earning remained unchanged despite 0.5 percent decline in export volume due to an increase of unit price by 0.4 percent during the year under report.

Jute Goods

8.8 Earnings from export of jute goods (including carpet) fetched an amount of $ 266.0 million during 1999/2000 which was 12.5 percent lower than $ 304.0 million earned during 1998/99 and 14.2 percent lower than the target of $ 310.0 million. Despite an increase of 0.5 percent in the unit price, export earnings from jute goods declined reflecting a 13.4 percent fall in quantity exported.

Tea

8.9 An amount of $ 18.0 million was earned by exporting 12.9 million kgs. of tea during 1999/2000 which was 53.8 percent lower than $ 39.0 million earned by exporting 22.7 million kgs. of tea during 1998/99. Export earning from tea declined substantially during the year under report reflecting declines in quantity of tea export and unit price by 43.1 percent and 19.4 percent respectively.

Handicrafts

8.10 Export earnings from handicrafts declined by 37.5 percent to $ 5.0 million during 1999/2000 from $ 8.0 million during the preceding year. Detailed information on export earnings from major export commodities are shown in Table-XIV of the Annex.

Import Policy and Programme

8.11 The programme of duty reduction/reform under the import liberalisation agenda continued during the year under report. The maximum rate of customs duty was reduced from 40.0 percent in 1998/99 to 37.5 percent in 1999/2000. The average rate of protection has also been gradually slashed down from 89.0 percent in 1990/91 to 16.7 percent in 1999/2000. Some of the important measures taken under the Import Policy are described below:

i) The facility for free import of any item outside the restricted or conditional lists, unless otherwise specified, under the Import Policy Order (1997-2002) continued during the year under report. The policy of withdrawing import restriction on products of local industries who fail to maintain the quality and ensure reasonable price of the products also continued during the year under report;

ii) Import of goods on C&F or fob basis by ship, road or air routes continued during the year under report. The waiver of the condition that the packet/box/container of goods imported should bear clear mention of the 'Country of Origin' in the case of import of coal, cotton, raw materials for export oriented readymade garment and 100 percent export oriented industries continued during the year under report;

iii) As in the previous year, obtaining license was not necessary for import of any item. However, irrespective of the sources of finance, LCA was required in the case of import through banks (L/C, bank drafts, remittance etc.) and shipments had to be made by opening of irrevocable letters of credit. But opening of L/Cs was not required for import of perishable food items by land route and for import of raw materials used in industries and capital machinery;

iv) The provision for import of books, journals, magazines and periodicals on the basis of sight draft or usance bills through LCA form without opening L/Cs and import of any item valued not exceeding US $ 5,000 annually also continued during the year. The facility of importing goods worth up to US $ 5,000 from Myanmar in a single consignment without opening L/Cs continued during the year under report;

v) Imports on deferred payment basis or against suppliers' credit in accordance with the statutory regulations framed by the Bangladesh Bank continued during the year under report;

vi) Import of admissible items by the non-resident Bangladeshis through direct payment abroad without import permit continued during the year under report;

vii) The system of establishing Letter of Credit against indents issued by registered local indentors or proforma invoices issued by foreign producers/ sellers/suppliers continued during the year under report;

viii) The facility of opening L/Cs without Import Registration Certificate (IRC) for import of capital machinery for establishing new industrial units and for importing primary spare parts continued during the year under report. IP fees continued to be exempted during the year under report in the case of import of capital machineries and spare parts for establishing 100 percent export oriented industries in undeveloped/less developed areas of the country;

ix) Recognised readymade garment and specialised textile industries operating under the Bonded Warehouse arrangement continued to be allowed to import against back-to-back L/Cs, raw and packaging materials under firm and irrevocable letters of credit. Similar facilities also continued for hosiery and knit wear garments. The provision for export of gray fabrics on the condition that, after finishing, dying or printing, the entire fabrics will be supplied to export oriented garment industries or exported abroad was also in force;

x) For the sustained growth of readymade garment industry, the minimum rates of value addition that were applicable in 1998/99 (15.0 percent to 25.0 percent depending on item) was also continued during the year under report;

xi) The facility of importing by the public sector importers (Ministries, Departments and Agencies of the Government) against specific government allocation without import license, permit or import registration certificates also continued during the year under report. Besides, the policy for allowing import in cash foreign exchange of any permissible item in excess of governmental allocation also continued during the year under report; and

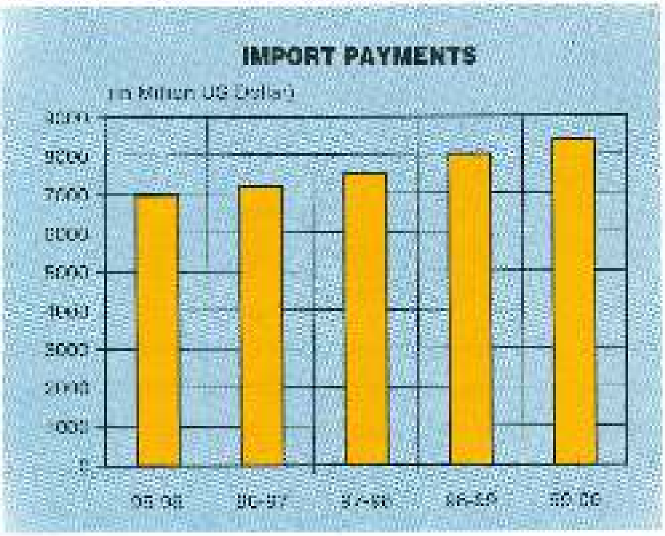
xii) Non-registered importers were continued to be allowed to import any permissible item for their own use without approval up to a maximum limit of US $ 2,000 and up to US $ 5,000 subject to prior approval of the Regional Controller of Imports against cash foreign exchange.

Import Payments*

8.12 According to estimates of Bangladesh Bank import payments during 1999/2000 stood at $8,403.0 million which was $ 385.0 million or 4.8 percent higher than $ 8,018.0 million during 1998/99. Import under Cash, Credit/ Grants, Short-term Credit for Bangladesh Petroleum Corporation, Direct Investment and Others stood at $ 6,042.7 million, $ 1,481.9 million, $ 101.4 million, $ 82.6 million and $29.0 million respectively during the year under report which were

* Source: Bangladesh Bank.

71.9 percent, 17.6 percent, 1.2 percent, 1.0 percent and 0.4 percent respectively of total imports. Import under EPZ stood at $ 665.0 million (7.9 percent).



Major Import Commodities

Foodgrains

8.13 Import payments for foodgrains declined by 61.8 percent to $ 381.0 million during 1999/2000 from $ 997.0 million during 1998/99. Of this, import payments for rice and wheat stood at $ 115.0 million and $ 266.0 million respectively which were 83.1 percent and 16.1 percent lower than in the preceding year. In view of substantial increase in foodgrain production, import payment under this head declined notably during the year under report.

Milk and Milk Products

8.14 Import payments for milk and milk products increased by 7.1 percent to $ 60.0 million during 1999/2000 from $ 56.0 million during 1998/99.

Oil Seeds and Edible Oil

8.15 Import payments for oil seeds and edible oil declined by 10.6 percent to $ 346.0 million during 1999/2000 from $ 387.0 million during 1998/99.

Cement

8.16 Import payments for cement declined by 23.8 percent to $ 80.0 million during 1999/2000 from $ 105.0 million during 1998/99.

Crude Petroleum and Petroleum Products

8.17 Import payments for crude petroleum and petroleum products increased by 64.4 percent to $ 638.0 million during 1999/2000 from $ 388.0 million during 1998/99.

Chemical products

8.18 Import payments for chemical products increased by 11.2 percent to $ 278.0 million during 1999/2000 from $ 250.0 million during 1998/99.

Fertilizers

8.19 Import payments for fertilizers increased by 16.7 percent to $ 140.0 million during 1999/2000 from $ 120.0 million during 1998/99.

Cotton, Yarn, Dyeing and Textile Materials

8.20 Import payments for cotton, yarn, dying and textile and other related materials increased by 6.5 percent to $ 1,801.0 million during 1999/2000 from $ 1,691.0 million during 1998/99. These items are mainly used as raw materials for garment industries.

Iron and Steel

8.21 Import payments for iron and steel increased by 13.9 percent to $ 393.0 million during 1999/2000 from $ 345.0 million during 1998/99.

Capital Goods

8.22 Import payments for capital goods at $ 2,133.0 million during 1999/2000 was 8.3 percent higher compared to $ 1,969.0 million during 1998/99.

Import under Export Processing Zone (EPZ)

8.23 Import under EPZ increased by 34.1 percent to $ 665.0 million during 1999/2000 from $ 496.0 million during 1998 /99. This included imports of capital goods for some under construction projects in the EPZ areas. Statement of sector-wise import payments is shown in Table-XV of the Annex.

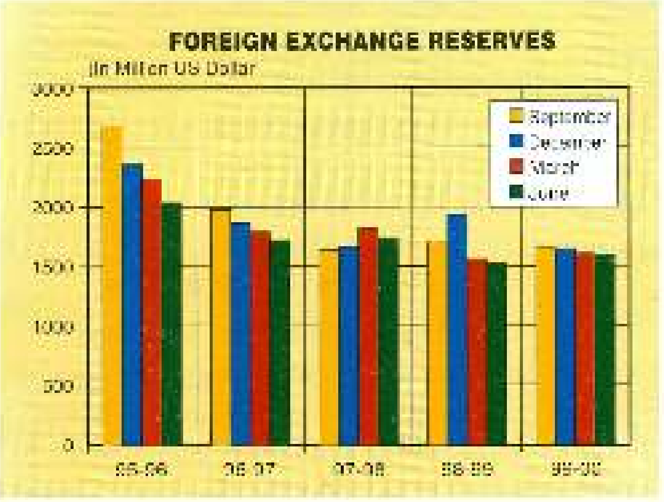
8.24 The value of L/Cs opened during 1999/2000 rose by Tk. 2,380.3 crores or 8.8 percent to Tk. 29,341.9 crores from Tk. 26,961.6 crores during the preceding year. Sector-wise break down of L/Cs opened during the year under report was : industrial sector Tk. 13,052.2 crores (44.5 percent), commercial imports Tk. 12,955.6 crores (44.2 percent) and POL Tk. 3,334.1 crores (11.4 percent).

Wage Earners' Remittances

8.25 Foreign exchange remittances by the Bangladeshi nationals working abroad increased by $ 243.0 million to $ 1,949.0 million during 1999/2000 from $ 1,706.0 million during 1998/99. Principal sources of remittances made by non-resident Bangladeshi nationals were as under : Saudi Arabia $ 916.0 million, Kuwait $ 245.0 million, United States of America $ 241.3 million, United Arab Emirates $ 129.9 million and Oman $ 93.0 million. Remittances made by Bangladeshi nationals working abroad during the last few years are shown in Table-XIX of the Annex.

Foreign Exchange Reserves

8.26 Convertible foreign exchange reserves held by Bangladesh Bank (including reserves with the IMF) went up by $ 78.8 million or 5.2 percent to $ 1,602.1 million at the end of June 2000 from $ 1,523.3 million at the end of June 1999. Foreign exchange reserves held by the Bangladesh Bank are shown in Table-XVII of the Annex.



Trade Balance

8.27 Country's trade balance improved somewhat during 1999/2000. Following higher demand for Bangladesh's export commodities in the international market, export receipts from different items including readymade garments, frozen food, leather, chemical products and miscellaneous items increased substantially during the year under report. Export receipts increased by $ 438.0 million or 8.2 percent to $ 5,762.0 million. On the other hand, import payments went up by $ 385.0 million or 4.8 percent to $ 8,403.0 million during the year under report. As export receipts increased at a higher rate than import payments, deficit in trade balance narrowed by $ 53.0 million to $ 2,641.0 million during 1999/2000. In view of increases of both export and import trade, the degree of openness of Bangladesh economy to outside world in terms of trade/ GDP ratio went up to 29.5 percent during 1999/2000 as compared to 29.2 percent during 1998/99.

Current Account Balance

8.28 Services account showed a net surplus of $ 192.0 million and income account showed a net deficit of $ 221.0 million during 1999/2000. As a result, income and services accounts together showed a deficit of $ 29.0 million during 1999/2000 as against a net surplus of $ 63.0 million during the preceding year. Consequent upon increase in remitttances from abroad by $ 243.0 million and increase in official transfers by $ 181.0 million, receipts under current transfers increased by $ 433.0 million to $ 2,670.0 million during 1999/2000. As trade deficit declined somewhat and receipts under current transfers increased, current account balance did not show any deficit during 1999/2000 as compared to a deficit of $ 394.0 million in the preceding year.

Overall Balance of Payments

8.29 Country's overall balance of payments improved during 1999/2000. Despite declines in inflows under capital transfers, direct investment and medium and long term loans, the overall balance of payments recorded a surplus of $ 325.0 million during 1999/2000 as compared to a deficit of $ 171.0 million during the preceding year mainly because of reduction in trade deficit, reduction of the preceding year's huge current account deficit to zero and increase in receipts under other short and long term loans.

Foreign Aid

8.30 Total foreign aid commitment to Bangladesh during 1999/2000 stood at $ 1,475.0 million which was 44.3 percent lower than the commitment of $ 2,648.0 million in 1998/99. Of the total commitment during 1999/2000, $ 619.0 million or 42.0 percent was grants and $ 856.0 million or 58.0 percent was loan. Total commitment of foreign aid since independence till 30 June 2000 stood at $ 43,619.0 million of which $ 19,260.0 million or 44.1 percent was grants.

8.31 Total disbursement of foreign aid during 1999/2000 stood at $ 1,575.0 million which was $ 101.0 million or 6.9 percent higher than $ 1,474.0 million during the preceding year. Total disbursement of foreign aid since independence till the end of June 2000 stood at $ 36,337.0 million or 83.3 percent of total commitment. Of the total disbursement, $ 17,487.0 million or 48.1 percent was grants and the remaining $ 18,850.0 million or 51.9 percent was loan.

8.32 Of the total disbursement made during 1999/2000, (i) Food aid for $ 142.0 million was 19.8 percent lower than $ 177.0 million in the preceding year; (ii) Commodity aid for $ 283.0 million was 8.0 percent higher than $ 262.0 million of the preceding year and (iii) Project aid for $ 1,150.0 million was 11.1 percent higher than the preceding year's disbursement of $ 1,035.0 million.

8.33 Total external debt outstanding stood at $ 15,791.0 million as on 30 June 2000 which was $ 453.0 million or 2.9 percent higher than $ 15,338.0 million as at the end of June 1999.

8.34 Bangladesh made repayments of $ 396.0 million as principal (excluding repurchases in respect of drawing from the IMF) and $ 152.0 million as interest against medium and long term loans during 1999/2000. As a result, the net inflow of foreign aid into the country during 1999/2000 stood at $ 1,027.0 million which was $ 34.0 million or 3.4 percent higher than $ 993.0 million during the preceding year. A statement of the receipts of foreign aid and debt repayments is shown in Table-8.1.

TABLE-8.1

FOREIGN AID RECEIPTS AND DEBT REPAYMENTS

(In million US Dollar)

Particulars		1997/98	1998/99	1999/2000 (Provisional)
1		2	3	4
1.	**Receipts**	1,319	1,474	1,575
	(i) Food Aid	99	177	142
	(ii) Commodity Aid	187	262	283
	(iii) Project Aid	1,033	1,035	1,150
2.	**Repayments***	445	481	548
	(i) Principal	308	341	396
	(ii) Interest	137	140	152
3.	**Net Receipts(1-2)**	874	993	1,027

Source: Economic Relations Division, Ministry of Finance and Statistics Department, Bangladesh Bank.

* Exclude repurchases in respect of drawings from the IMF.

Transactions with the International Monetary Fund (IMF)

8.35 Bangladesh did not make any purchase under any facility of the International Monetary Fund (IMF) during 1999/2000. On the other hand, Bangladesh repurchased a total amount of SDR 69.00 million during 1999/2000 against purchases made under the Enhanced Structural Adjustment Facility (ESAF*, at present PRGF) of 1990 which is lower by SDR 11.50 million than that of the same period last year. In addition, repurchase of SDR 98.13 million purchased in November 1998 under Emergency Assistance Facility will start from January 2002. Bangladesh paid SDR 6.76 million as charges to the IMF during the year under report. Detailed position of Bangladesh's transactions with the IMF during 1999/2000 is shown in Table-8.2.

* As per decision of the IMF Executive Board ESAF is being called Poverty Reducing and Growth Facility (PRGF) from November 1999.

TABLE-8.2

TRANSACTIONS WITH THE IMF

(In million SDR)*

Facilities	Cumulative Drawings/ Purchases	Outstanding Liabilities as on 30-6-99	Purchases during 1999/2000	Repurchases during 1999/2000	Outstanding Liabilities as on 30-6-2000
1	2	3	4	5	6
1. Enhanced Structural Adjustment Facility (ESAF), 1990	345.00	173.94	Nil	69.00	104.94
2. Emergency Assistance November, 1998	98.13	Nil	Nil	Nil	98.13
Total:	**443.13**	**173.94**	**Nil**	**69.00**	**203.07**

* SDR 1 = US$ 1.34 as on 30 June 2000.

8.36 As a result of the above transactions, the outstanding liabilities of Bangladesh to the IMF stood at SDR 203.07 million (equivalent to US $ 272.11 million) at the end of June 2000 as compared to SDR 272.07 million (equivalent to US $ 364.57 million) at the end of June 1999.

8.37 Detailed position of Bangladesh's transactions with the Fund since her membership till 30 June 2000 is shown in the Table-8.3.

TABLE-8.4
DETAILS OF TRANSACTIONS WITH THE IMF

(In million SDR)

Sl. No.	Facilities and Date of Approval	Rate of charges	Grace period	Repayment Period	Amount Drawn	Outstanding 30-6-2000
1	2	3	4	5	6	7
1.	Compensatory Financing Facility (CFF) for Export Shortfall, December, 1972	Basic Rate of Charge1/	3 1/4 Years	1 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 3/4 Years (in 16 quarterly instalments)	91.97	—
6.	Trust Fund Facility July, 1977-March, 1981	0.50	5 1/2 Years	4 1/2 Years (in 10 semiannual instalments)	122.16	—
7.	Stand-by Arrangement, July 1979	Basic Rate of Charge1/	3 1/4 Years	1 3/4 Years (in 8 quarterly instalments)	85.00	—
8.	Extended Fund Facilities, 3/ December, 1980					
	(a) Ordinary/General Resources	-do-	4 1/2 Years	5 1/2 Years (in 12 semiannual instalments)	110.00	—
	(b) Borrowed Resources	2/	3 1/2 Years	3 1/2 Years (in 8 semiannual instalments)	110.00	—
9.	CFF for Export Shortfall, February, 1982	Basic Rate of Charge1/	3 1/4 Years	1 3/4 Years (in 8 quarterly instalments)	60.00	—
10.	Combined CFF for Export Shortfall and Excess 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 Cereal Import Cost, April, 1985	-do-	-do-	-do-	54.95	—
13.	Stand-by Arrangement, December, 1985	-do-	-do-	-do-	180.00	—
14.	Compensatory Financing Facility for Export Shortfall, February, 1987	-do-	-do-	-do-	88.90	—
15.	Structural Adjustment Facility (SAF), February, 1987	0.50	5 1/2 Years	4 1/2 Years (in 10 semiannual instalments)	201.25	—
16.	Emergency Assistance November, 1988	Basic Rate of Charge1/	3 1/4 Years	1 3/4 Years (in 8 quarterly instalments)	71.87	—
17.	Enhanced Structural Adjustment Facility (ESAF*), August, 1990	0.50	5 1/2 Years	4 1/2 Years (in 10 semiannual instalments)	345.00[4]	104.94
18.	Emergency Assistance November, 1998	Basic Rate of Charge1/	3 1/4 Years	1 3/4 Years (in 8 quarterly instalments)	98.13	98.13
Total :					1,954.14[5]	203.07

Source : International Department, Bangladesh Bank.

Note : 1/ The basic rate of charge of the Fund, applicable to ordinary facilities which will be drawn from the General Resources. These include Stand-by, CFF, EFF, Buffer Stock, Contingency Financing etc. The Basic Rate was charged within the range of 4.0% to 8.0% in different years. The IMF [illegible] the basic rate of charge is now set as a percentage of the SDR interest rate. The basic rate of charge for 28 June 2000 was [illegible].

2/ Charges on [illegible] of Oil Facility and EFF are related to market rates for borrowing [illegible].

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

4/ Purchase under ESAF closed on 31st March, 1990 and it includes SDR 15.00 million received from Saudi Development Fund.

5/ In addition to this, Bangladesh received [illegible] under the following: (a) SDR allocation-SDR 47.10 million; (b) the Gold Sales Profit Restitution and Gold Distribution-SDR [illegible] million and SDR [illegible] million respectively; (c) Oil Facility and EFF subsidy-SDR [illegible] million and SDR [illegible] million respectively and (d) Reserve Tranche withdrawn in the year 1989-90: SDR [illegible] million.

* As per decision of the IMF Executive Board ESAF is being called PRGF from November 1999.

Asian Clearing Union (ACU)

8.38 Total transactions of Bangladesh under the Asian Clearing Union (ACU) declined during 1999/2000 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. Both import and export of Bangladesh with the member countries of the ACU declined during the year under report. Export of Bangladesh under the ACU arrangement recorded a decline of ACU $ 11.75 million or 11.8 percent to ACU $ 87.73 million (Tk. 439.65 crores) in 1999/2000 from ACU $ 99.48 million (Tk. 476.54 crores) in 1998/99. On the other hand, import of Bangladesh from the ACU member countries declined by ACU $ 464.39 million or 33.8 percent to ACU $ 908.70 million (Tk.4,565.95 crores) in 1999/2000 from ACU $ 1,373.09 million (Tk. 6,597.27 crores) in 1998/99. As a result, the net debtor position of Bangladesh narrowed in 1999/2000 by ACU $452.64 million or 35.5 percent to ACU $ 820.97 million (Tk. 4,126.30 crores) as compared to the ACU $1,273.61 million (Tk. 6,120.73 crores) in the preceding year. Receipts and payments of Bangladesh under ACU arrangement during the last three years are shown in Table-8.4.

TABLE 8.4

RECEIPTS AND PAYMENTS OF BANGLADESH UNDER THE ACU

(In million ACU Dollar)

Head of Transaction	1997/98	1998/99	1999/2000
1	2	3	4
1. Receipts (Exports)	120.24	99.48	87.73
	(544.55)	(476.54)	(439.65)
2. Payments (Imports)	1,038.60	1,373.09	908.70
	(4,735.59)	(6,597.27)	(4,565.95)
Net	**-918.36**	**-1,273.61**	**-820.97**
Surplus(+)/Deficit(-):	**(-4,191.04)**	**(-6,120.73)**	**(-4,126.30)**

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

Source : Monthly News Letter, ACU.

8.39 The comparative position of trade and trade balance of the ACU member countries is shown in Table-8.5.

TABLE-8.5

TRADE AND TRADE BALANCE OF THE ACU MEMBER COUNTRIES

(In million US Dollar)

Country	Export to ACU		Imports from ACU		Surplus (+)/Deficit (–)	
	1997	1998	1997	1998	1997	1998
1	2	3	4	5	6	7
Bangladesh	145	146	894	1,292	-749	-1,146
India	1,663	2,264	1,054	1,380	+609	+884
Iran	799	710	267	322	+532	+388
Myanmar	189	242	60	60	+129	+182
Nepal	101	162	451	456	-350	-294
Pakistan	251	436	450	329	-199	+107
Sri Lanka	118	110	710	850	-592	-740
Total:	**3,266**	**4,070**	**3,886**	**4,689**	**-620**	**-619**

Source : ACU Annual Report 1999.
Note : (1) Export (fob).
(2) Import (CIF).

CHAPTER IX

EXCHANGE RATE POLICY AND EXCHANGE CONTROL

Exchange Rate Policy

9.1 Bangladesh has been pursuing a flexible exchange rate policy with a view to boosting up exports and improving the current account position of the balance of payments through maintaining competitiveness of Taka in the international market. The process of adjustments in the exchange rate of Taka vis-a-vis US Dollar based on daily movement of the Real Effective Exchange Rate* (REER) index and taking the prevailing domestic, regional and international economic situations into consideration was continued during 1999/2000. The Taka-Dollar exchange rate which was fixed at \$ 1 = Tk. 48.50 on 18 October, 1998 was readjusted at \$ 1 = Tk. 49.50 on 18 July 1999 and at \$ 1 = Tk. 51.00 on 30 November 1999. As a result, Bangladesh Taka depreciated by 4.9 percent against the US Dollar during the year under report.

Inter-bank Foreign Exchange Market

9.2 Inter-bank foreign exchange market witnessed a marked expansion during 1999/2000. Inter-bank foreign exchange transactions increased by 95.7 percent to US \$ 24,085.01 million during the year under report from US \$ 12,306.64 million during 1998/99. Of this, forward transactions were of the order of US \$ 3,042.56 million during 1999/2000 as compared to US \$ 1,036.37 million during the preceding year.

Exchange Control

9.3 The process of liberalisation/ simplification of exchange control measures continued during the year under report with the the objectives of easing settlement procedures of external transactions and attracting private foreign investment in the light of the declared convertibility of Taka on current account transactions. During the year exports of software and data entry/processing services were allowed the facility to retain in their names and use 40 percent of the fob value of exports as retention quota.

Inspection of Foreign Trade and Foreign Exchange Transaction

9.4 The Foreign Exchange Inspection Department of the Bangladesh Bank conducted inspection of foreign trade and foreign exchange transactions in 381 branches including Head Offices/Principal Offices of 43 authorised dealer banks during 1999/2000. Inspection reports/

* Calculated on the basis of trade weighted currency basket of 15 major trade partners of Bangladesh.

summaries containing instructions for implementation of recommendations relating to removal of the irregularities identified during inspection alongwith other important issues were sent to the concerned banks/Ministry of Finance (in the case of nationalised banks). One copy of each of the reports was also sent to the Implementation Section of the Foreign Exchange Inspection Department of Bangladesh Bank. Besides, special inspection in 55 branches of authorised dealer banks, 7 indenting firms, 102 money changers, 2 air lines, 8 shipping agents and 35 enterprizes making advertisement in 4 foreign satellite channels was carried out in 1999/2000 on the basis of complaint lodged by different persons/institutions and the inspection reports were sent to the concerned divisions/departments for 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 into circulation on 22 August 1999. The design of the new note bears picture of the Jatiya Sangsad Bhaban on the frontside and picture of the Bagha Mosque, Rajshahi on the backside. Watermark of the note portrays the head of the Royal Bengal Tiger. The note bears the signature of the present Bangladesh Bank Governor Dr. Mohammed Farashuddin.

Five-Taka Notes and Coins

10.2 Five-Taka Notes and Coins in circulation increased by Tk.30.85 crores to Tk.169.47 crores as on 30 June 2000 from Tk.138.62 crores as on 30 June 1999.

Ten-Taka Notes

10.3 Ten-Taka Notes in circulation as on 30 June 2000 increased by Tk.62.84 crores to Tk. 430.43 crores as against Tk. 367.59 crores as on 30 June 1999.

Twenty-Taka Notes

10.4 Twenty-Taka Notes in circulation decreased by Tk. 5.14 crores to Tk.168.21 crores as on 30 June 2000 from Tk. 173.35 crores as on 30 June 1999.

Fifty-Taka Notes

10.5 Fifty-Taka Notes in circulation as on 30 June 2000 increased by Tk. 63.70 crores to Tk. 482.41 crores as compared to Tk. 418.71 crores as on 30 June 1999.

One Hundred-Taka Notes

10.6 One Hundred-Taka Notes in circulation as on 30 June 2000 increased by Tk.428.59 crores to Tk. 3,319.32 crores as against Tk. 2,890.73 crores as on 30 June 1999.

Five Hundred-Taka Notes

10.7 Five Hundred-Taka Notes in circulation increased by Tk. 975.09 crores to Tk. 6,464.74 crores as on 30 June 2000 from Tk. 5,489.65 crores as on 30 June 1999.

Other Notes and Coins*

Two-Taka Notes

10.8 Two-Taka Notes in circulation as on 30 June 2000 increased by Tk. 1.46 crores to Tk. 69.32 crores as compared to Tk. 67.86 crores as on 30 June 1999.

One-Taka Notes and Coins

10.9 One-Taka Notes and Coins in circulation as on 30 June 2000 decreased by Tk. 6.73 crores to Tk. 106.55 crores from Tk. 113.28 crores as on 30 June 1999.

Subsidiary Coins

10.10 Subsidiary Coins in circulation increased by Tk. 0.25 crore to Tk. 53.97 crores as on 30 June 2000 from Tk. 53.72 crores as on 30 June 1999.

* Exclude Five-Taka Coins.

CHAPTER XI

ADMINISTRATION

Appointment of New Directors of the Board

11.1 Mr. Kazi Md. Shafiqul Islam was appointed Director of the Board with effect from 20 September 1999.

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

11.2 A total of 15 meetings of the Board of Directors, seven meetings of the Executive Committee and two meetings of the Co-ordination Committee were held during 1999/2000.

Appointment in Different Grades

11.3 The following appointments in different grades were made by the Bank during 1999/2000:

i) Deputy General Manager	2
ii) Assistant Director (General Side)	42
iii) Medical Officer	3
iv) Assistant Engineer	1
v) Assistant Director (Ex-Cadre)	1
vi) Officer (General Side)	26
vii) Officer (Ex-Cadre)	1
viii) Employee under category C and D	12
Total :	**88**

Decline in the Number of Officers and Staff

11.4 The decline in the number of Officers/Staff of the Bank on account of retirement, resignation, death or dismissal from the Bank's service during 1999/2000 was as under:

a) Retirement	140
b) Resignation	11
c) Death	21
d) Dismissal	13
Total :	185

Creation/Abolition/Sanction of Posts

11.5 The number of posts of officers/ staff of the Bank created and abolished during 1999/2000 stood at 72 and 43 respectively. As a result, total number of sanctioned posts of Officers/Staff of the Bank increased by 29 to 6,938 during the year under report as compared to those in the preceding year.

Number of Officers and Staff

11.6 During 1999/2000 the number of officers of the Bank declined by 84 to 4,603 as compared to the preceding year and that of the staff declined by 33 to 1,458. As a result, the number of Officers and Staff of the Bank declined by 117 to 6,061 at the end of the year under report. The number of vacant posts stood at 877 at the end of June 2000.

Number of Officers on Deputation

11.7 During 1999/2000, four officers of the Bangladesh Bank remained on deputation with different institutions of the country.

Creation/Abolition of Department

11.8 A new Unit titled 'NCB Unit' was opened in the Inspection Department of the Bank during the year under report.

Welfare Activities and Scholarships

11.9 A total of Tk. 1,58,30,000.00 was sanctioned for various welfare and recreational activities and for awarding scholarships to the children of Class III and Class IV employees of different offices of the Bank during 1999/2000.

Foreign Training

11.10 A total of 43 officers of the Bank were sent abroad for participation in different training courses/seminars /workshops during 1999/2000.

Local Training

11.11 A total of 172 officers and three members of the staff of the Bank participated in the training courses organized by different institutions of the country during 1999/2000.

Training Courses, Workshops and Seminars Organised by Bangladesh Bank Training Academy (BBTA)

11.12 Bangladesh Bank Training Academy (BBTA) conducted three foundation courses for the newly appointed officers (officers and assistant directors), four on-the-job training courses and 31 special training courses for the Bangladesh Bank officers during 1999/2000 to upgrade their professional competence, deepen their theoretical understanding and enhance their practical skill. A total of 142 newly appointed officers including 42 Officers and 100 Assistant Directors participated in the foundation courses. The number of participants of the Bangladesh Bank in the on-the-job training courses and special training courses was 92 and 543 respectively. Besides these, the Academy conducted 17 special training courses in different district headquarters outside Dhaka for 594 officers of the Bangladesh Bank and the Commercial Banks. During 1999/2000, the Academy conducted under a crash programme 88 workshops on the procedures of filling out CIB-01 Form in which 3,837 officers of the Commercial Banks participated. The BBTA arranged for the mid-level officials of Bangladesh Bank three seminars one each on Rural Finance and Economic Development, Market Oriented Development Leaders and Financing of Small-scale Industries and Economic Development in which 109 officials participated. In addition, the Academy conducted four Executive Development Seminars in which 161 senior officials of the Bank participated. The courses, workshops and seminars conducted by the Academy during 1999/2000 and the number of participants in each of these are detailed in Table-11.1 below.

TABLE –11.1
STATEMENT OF DIFFERENT TRAINING COURSES, WORKSHOPS AND SEMINARS ORGANISED BY THE BANGLADESH BANK TRAINING ACADEMY DURING 1999/2000

Sl. No.	Topics	Number of Courses	Number of Participants
1	2	3	4
1.	Foundation Course	3	142
2.	On-the-Job Training	4	92
3.	Special Training Courses	48	1,137
	I. For Bangladesh Bank Officials	31	543
	A. Inspection Techniques—Policy and Procedure	8	132
	B. Accounting and Finance	2	29
	C. Computer Operation: MS Word and Excel	3	43
	D. Foreign Exchange: Transactions and Inspection	3	51
	E. Refresher Course on Central Bank and the Commercial Banks	2	36
	F. Islamic Banking	1	17
	G. Audit & Inspection : Techniques and its Impact	2	45
	H. Accounting Procedures	4	88
	I. Personnel Management	4	78
	J. Orientation Course	2	24
	II. For Commercial Bank Officers	17	594
	A. Data Reporting on Money and Banking	6	205
	B. Reporting on Foreign Exchange Transactions	7	233
	C. Loan Classification & Provisioning	4	156
4.	Workshops/Seminars	95	4,107
	A. Workshops on Filling out CIB-01 Form	88	3,837
	B. Executive Development Programme	4	161
	C. Others Seminars	3	109
	Total:	**150**	**5,478**

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 upto 30 June 2000 stood at Tk. 11,034.69 crores which was Tk. 1,555.26 crores higher than Tk. 9,479.43 crores issued upto 30 June 1999. Assets against the notes issued upto 30 June 2000 included: Gold worth Tk. 156.78 crores, Approved Foreign Exchange of Tk. 4,000.00 crores, Currency Notes and Coins worth Tk. 34.30 crores, Government of Bangladesh Securities worth Tk. 3,900.53 crores and Internal Bills of Exchange and Other Commercial Papers worth Tk. 2,941.08 crores. The corresponding assets against notes issued upto 30 June 1999 were: Gold worth Tk. 100.16 crores, Approved Foreign Exchange of Tk. 4,000.00 crores, Currency Notes and Coins worth Tk. 29.03 crores, Government of Bangladesh Securities worth Tk. 2,668.16 crores and Internal Bills of Exchange and Other Commercial papers worth Tk. 2682.08 crores.

12.2 The Balance Sheet of the Issue Department of the Bank as on 30 June 2000 appears on pages 96-97 of the Report.

Banking Department:Assets and Liabilities

12.3 On the liabilities side, balances of the Statutory Funds as on 30 June 1999 stood at Tk. 840.79 crores which comprised of Tk. 300.00 crores, Tk. 123.79 crores, Tk.117.00 crores and Tk. 300.00 crores in Rural Credit Fund, Industrial Credit Fund, Export Credit Fund And Agricultural Credit Stabilisation Fund respectively. The balances of Statutory Funds as on 30 June 2000 stood at Tk. 908.79 crores due to appropriation of Tk. 68.00 crores including Tk. 20.00 crores to the Rural Credit Fund, Tk. 15.00 crores to the Industrial Credit Fund, Tk. 13.00 crores to the Export Credit Fund and Tk. 20.00 crores to the Agricultural Credit Stabilisation Fund from the Profit and Loss Account of the year 1999/2000. Government Deposits increased by Tk. 0.37 crore to Tk. 0.99 crore as on 30 June 2000 from Tk. 0.62 crore as on 30 June 1999. Deposits of banks increased by Tk. 371.30 crores to Tk. 4,183.77 crores as on 30 June 2000 from Tk. 3,812.47 crores as on 30 June 1999. Other Deposits decreased by Tk. 201.09 crores to Tk. 4,346.54 crores as on 30 June 2000 from Tk. 4,547.63 crores as on 30 June 1999. The balances of SDR increased by Tk. 213.43 crores to Tk. 305.17 crores as on 30 June 2000 from Tk. 91.74 crores as on 30 June 1999 due to re-valuation of SDR allocation at the current exchange rate.

The balances in Bills payable decreased by Tk. 0.24 crore to Tk. 0.97 crore as on 30 June 2000 from Tk. 1.21 crores as on 30 June 1999. Other liabilities increased by Tk. 305.42 crores to Tk. 3,612.09 crores as on 30 June 2000 from Tk. 3,306.67 crores as on 30 June 1999.

12.4 On the assets side of the Banking Department, the balance of Government Treasury Bills increased by Tk. 119.12 crores to Tk. 129.05 crores as on 30 June 2000 from Tk. 9.93 crores as on 30 June 1999. The amount under Balances Held Outside Bangladesh increased by Tk. 753.60 crores to Tk. 3,970.62 crores as on 30 June 2000 from Tk. 3,217.02 crores as on 30 June 1999. The outstanding balance of SDR held in the IMF decreased by Tk. 28.95 crores to Tk. 17.16 crores as on 30 June 2000 from the level of Tk. 46.11 crores as at the same date of the preceding year. The balances under Loans and Advances to the Government as on 30 June 2000 remained unchanged at the preceding year's level of Tk. 64.00 crores. Balances under Other Loans and Advances decreased by Tk. 375.87 crores to Tk. 1,887.38 crores as on 30 June 2000 as against Tk. 2,263.25 crores as on 30 June 1999. The balances under Investment Account increased by Tk. 112.76 crores to Tk. 4,440.89 crores as on 30 June 2000 from Tk. 4,328.13 crores as on 30 June 1999. Other assets increased by Tk. 177.19 crores to Tk. 2,855.09 crores as on 30 June 2000 as compared to Tk. 2,677.90 crores as on 30 June 1999.

12.5 The Balance Sheet of the Banking Department as on 30 June 2000 appears on pages 98-99 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 year 1998/99 and 1999/2000 is shown in Table-12.1 below.

TABLE–12.1

COMPARATIVE POSITION OF PROFIT AND LOSS ACCOUNT

(Taka in Crores)

Particulars	1998/99	1999/2000	Changes : Increase (+)/Decrease (–)
1	2	3	4
Gross income	1,171.56	1,159.35	–12.21
Total expenditure	384.70	363.37	–21.33
Net Profit:	**786.86**	**795.98**	**+9.12**

12.7 It would appear from the above table that both the gross income and total expenditure of the Bank declined during 1999/2000. Income declined by Tk. 12.21 crores and expenditure declined by Tk. 21.33 crores. Net profit increased by Tk. 9.12 crores due to higher decline of expenditure compared to income.

12.8 Out of the profit of Tk. 795.98 crores, a sum of Tk. 85.00 crores was appropriated towards Statutory Funds, Credit Guarantee Fund and Fund against Bad and Doubtful Debts/ Investment. As a result, surplus payable to the Government stood at Tk. 710.98 crores during 1999/2000. The distribution of profit of the Bank during 1999/2000 is shown in Table-12.2.

TABLE --12.2

DISTRIBUTION OF PROFIT OF THE BANGLADESH BANK DURING 1999/2000

Particulars	Amount of Taka
1	2
1. Appropriation towards Statutory Funds	**68,00,00,000**
(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. Provision for Bad and Doubtful Debts/Investment	**10,00,00,000**
4. Surplus Payable to the Government	**710,98,00,000**
Grand Total:	**795,98,00,000**

Note: Out of the surplus profit payable to the Government, an additional amount of Tk. 70.00 crores has been kept as provision for bad and doubtful debts/investment.

12.9 The Profit and Loss Account of the Bank for the year ending 30 June appears on pages 100-101 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 M.J. Abedin & Co. and M/s S. F. Ahmed & Co. to audit the accounts of the Bangladesh Bank for the year 1999/2000.

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 30 JUNE 2000)

BANGLADESH
BALANCE
ISSUE

LIABILITIES

Particulars	As on 30 June 1999		As on 30 June 2000	
	Taka	Taka	Taka	Taka
1	2	3	4	5
Notes held in the Banking Department	77,81,460		11,37,460	
Notes in Circulation*	9478,65,19,710		11034,58,18,985	
Total Notes Issued*		9479,43,01,170		11034,69,56,445
TOTAL LIABILITIES:		**9479,43,01,170**		**11034,69,56,445**

* 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 30 June 1999		As on 30 June 2000	
	Taka	Taka	Taka	Taka
1	2	3	4	5
A. Gold Coin & Gold Bullion	100,15,75,000		158,78,29,245	
Silver Bullion	—		—	
Special Drawing Rights held with the International Monetary Fund	—		—	
Approved Foreign Exchange	4000,00,00,000	4100,15,75,000	4000,00,00,000	4158,78,29,245
B. Taka Coin	29,03,39,879		34,29,95,154	
Government of Bangladesh Securities**	2668,15,56,086		3900,53,01,841	
Internal Bills of Exchange and Other Commercial Papers	2682,08,30,205	5379,27,26,170	2941,08,30,205	6875,91,27,200
TOTAL ASSETS:		9479,43,01,170		11034,69,56,445

** Includes special Ad-hoc Treasury BTs issued for Providing assets against issue of Bangladeshi notes in replacement of Pakistani Notes.

— = Nil

LIABILITIES

Particulars	As on 30 June 1999		As on 30 June 2000	
	Taka	Taka	Taka	Taka
1	2	3	4	5
Capital Paid up		3,00,00,000		3,00.00,000
Reserve Fund		3,00,00,000		3,00.00,000
Rural Credit Fund		300,00,00,000		320,00.00,000
Industrial Credit Fund		123,78,52,450		135,78.52,450
Export Credit Fund		117,00,00,000		130,00.00,000
Agricultural Credit Stabilisation Fund		300,00,00.000		320,00,00,000
Deposits:				
a) Government	62,85,876		99,01,693	
b) Banks	3812,46,79.439		4183.76,60.110	
c) Others	4547,63,04,322	8360,72,69,637	4346,54,02,176	8531,29,63,979
Allocation of Special Drawing Rights		91,74,31,205		305,17,31,630
Bills Payable		1,21,33,051		96.84,059
Other Liabilities		3306,66,65,320		3612,09,06,073
TOTAL LIABILITIES:		**12607,13,51,663**		**13364,31,40,191**

DEPARTMENT

ASSETS

Particulars	As on 30 June 1999		As on 30 June 2000	
	Taka	Taka	Taka	Taka
1	2	3	4	5
Note		77,81,460		11,37,460
Taka Coin		10		315
Subsidiary Coin		2,484		236
Bills Purchased and Discounted				
a) Internal	—		—	
b) External	—		—	
c) Government Treasury Bills	9,93,14,728	9,93,14,728	129,05,32,691	129,05,32,691
Balances held Outside Bangladesh*		3217,02,42,541		3970,62,23,006
Special Drawing Rights held with the International Monetary Fund		46,11,36,250		17,15,96,131
Loans and Advances to the Government		64,00,00,000		64,00,00,000
Other Loans and Advances		2263,25,30,122		1887,38,44,351
Investment		4328,13,53,507		4440,89,02,093
Other Assets		2677,89,90,561		2855,09,03,908
TOTAL ASSETS		**12607,13,51,663**		**13364,31,40,191**

* Includes cash and short term securities.

— = Nil.

PROFIT AND LOSS ACCOUNT

	Year ending 30 June 1999 Taka	Year ending 30 June 2000 Taka
INCOME		
Interest, Discount, Exchange, Commission etc.	1171,56,43,382	1159,35,25,502
EXPENDITURE		
Establishment, Salaries and Allowances	91,95,68,665	104,16,78,849
Directors' Fees and Allowances	48,000	95,625
Auditors' Fees	1,70,000	1,70,000
Rent, Taxes, Insurance, Lighting etc.	5,18,48,178	4,45,00,479
Law Charges	45,95,970	82,74,185
Postage and Telegram Charges	89,11,041	68,63,722
Remittance of Treasure	1,04,59,135	1,09,99,414
Printing and Stationery	1,40,10,943	1,36,16,473
Security Printing(Cheque, Note, Forms etc.)	69,62,67,008	17,73,12,012
Depreciation of Bank's Property	7,73,07,834	14,49,76,708
Repairs of Bank's Property	3,25,12,080	3,06,98,038
Agency Charges	37,63,61,116	36,50,97,687
IMF Charges	37,66,46,822	46,54,42,346
Interest Subsidy	—	—
Interest on Deposits	51,47,89,329	58,58,88,597
Interest on Contributory Provident Fund	18,53,27,107	21,39,75,355
Interest on General Provident Fund	3,34,35,652	4,44,32,533
Interest on ACU Transactions	31,48,19,754	22,91,21,443
Miscellaneous Expenses	22,98,73,247	25,05,89,980
Net Profit:	786,86,82,503	795,98,12,056
TOTAL:	**1171,56,43,382**	**1159,35,25,502**

PROFIT AND LOSS ACCOUNT

	Year ending 30 June 1999 Taka	Year ending 30 June 2000 Taka
DISTRIBUTION OF PROFITS		
Amount Transferred to Reserve Fund	—	—
Amount Transferred to Rural Credit Fund	20,00,00,000	20,00,00,000
Amount Transferred to Industrial 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 Transferred 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
Provision for Bad and Doubtful Debts/Investment	10,00,00,000	10,00,00,000
Surplus Payable to the Government	701,86,82,503	710,98,12,056
Balance	—	—
TOTAL:	**786,86,82,503**	**795,98,12,056**

RESERVE FUND ACCOUNT

	Year ending 30 June 1999 Taka	Year ending 30 June 2000 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

Md. Khurshid-ul-Alam	Mohammad Ruhul Amin	Mohammed Farashuddin
General Manager	Deputy Governor	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, 2000 and the Profit and Loss Account of the Bank for the year ended on that date with the books of accounts 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 in the books of accounts maintained at the Bank's Head Office and Branch Offices.

Dhaka		
The 12th Shraban, 1407	M.J. Abedin and Co.	S. F. Ahmed and Co.
The 27th July, 2000	Chartered Accountants	Chartered Accountants

APPENDICES
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
1995/96	1,47,570	122.1	827	1,399
1996/97	1,47,570	124.3	842	1,422
1997/98	1,47,570	126.5	857	1,432
1998/99	1,47,570	128.1	868	1,450
1999/2000^{P}	1,47,570	130.2	882	1,474

Source: Bangladesh Bureau of Statistics.

P Provisional.

TABLE-II

GROSS DOMESTIC PRODUCT(GDP), SAVINGS AND INVESTMENT

(Taka in Crores)

Items/Sector	1995/96	Percentage Change	1996/97	Percentage Change	1997/98	Percentage Change	1998/99	Percentage Change	1999/2000 (Provisional)	Percentage Change
1	2	3	4	5	6	7	8	9	10	11
1. GDP (at constant 1995-96 factor cost)	1,59,656.0	4.5	1,67,902.9	5.2	1,76,923.5	5.3	1,85,768.3	5.0	1,96,231.8	5.6
2. GDP (at constant 1995/96 market Price)	1,66,324.0	4.8	1,75,234.7	5.4	1,84,443.7	5.2	1,93,437.1	4.9	2,04,019.7	5.5
3. GDP (at current Market Price)	1,66,324.0	9.1	1,80,701.3	8.6	2,00,176.6	10.8	2,19,695.4	9.8	2,41,273.0	9.8
4. Gross investment (at current Market Price)	33,253.0	14.0 20.0*	37,446.5	12.6 20.7*	43,303.0	15.6 21.6*	48,757.6	12.6 22.2*	54,150.6	11.1 22.4*
5. Gross Domestic Savings (at current market Price)	24,783.5	22.0 14.9**	28,738.3	16.0 15.9**	34,573.2	20.3 17.3**	38,901.8	12.5 17.7**	42,901.4	10.3 17.8**
6. Sectoral Break-up of GDP (at constant 1995/96 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 and Forestry	32,438.2	20.3 (2.0)	34,245.6	20.4 (5.6)	34,803.0	19.7 (1.6)	35,944.8	19.3 (3.3)	37,916.9	19.3 (5.5)
b) Fishing	8,550.0	5.4 (7.4)	9,196.7	5.5 (7.6)	10,025.7	5.7 (9.0)	11,024.0	5.9 (10.0)	12,071.3	6.2 (9.5)
c) Industry (Manufacturing)	24,535.1	15.4 (6.4)	25,879.0	15.4 (5.1)	28,090.5	15.9 (8.5)	28,998.2	15.6 (3.2)	30,220.6	15.4 (4.3)
d) Construction	10,899.3	6.8 (8.5)	11,900.0	7.1 (8.8)	13,033.3	7.4 (9.5)	14,200.3	7.7 (8.9)	15,360.4	7.8 (8.0)
e) Wholesale and Retail Trade	20,607.6	12.9 (4.6)	21,737.4	12.9 (5.5)	23,038.2	13.0 (6.0)	24,537.7	13.2 (6.5)	26,265.8	13.4 (7.0)
f) Transport, Storage and Communication	14,458.1	9.1 (5.2)	15,279.8	9.1 (5.5)	16,149.0	9.1 (5.7)	17,101.9	9.2 (5.9)	18,139.0	9.2 (6.1)
g) Real Estate, Renting and Business Activities	15,103.6	9.4 (3.4)	15,636.5	9.3 (3.5)	16,232.6	9.2 (3.8)	16,852.0	9.1 (3.8)	17,478.1	8.9 (3.7)
h) Community, Social and Personal Services	14,294.2	9.0 (2.8)	14,692.9	8.8 (2.8)	15,111.7	8.5 (2.9)	15,567.5	8.4 (3.0)	16,083.9	8.2 (3.3)
i) Others	18,524.8	11.6 (4.2)	19,329.3	11.5 (4.3)	20,393.1	11.5 (5.5)	21,511.1	11.6 (5.5)	22,738.4	11.6 (5.7)
GDP (at constant 1995/96 factor cost)	1,59,656.0	100.00	1,67,902.9	100.00	1,76,923.5	100.00	1,85,768.3	100.00	1,96,231.8	100.00
Import Duty	6,668.0	(6.3)	7,331.8	(9.9)	7,520.2	(2.6)	7,668.7	(2.0)	7,788.0	(1.6)
GDP (at constant 1995/96 market price)	1,66,324.0		1,75,234.7		1,84,443.7		1,93,437.1		2,04,019.7	

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.

TABLE-III

GOVERNMENT FINANCE AND ANNUAL DEVELOPMENT PROGRAMME (ADP)

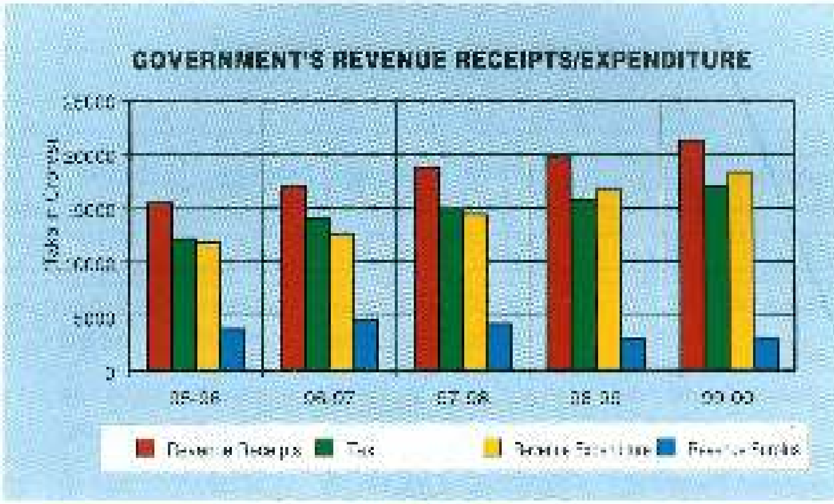
(Taka in Crores)

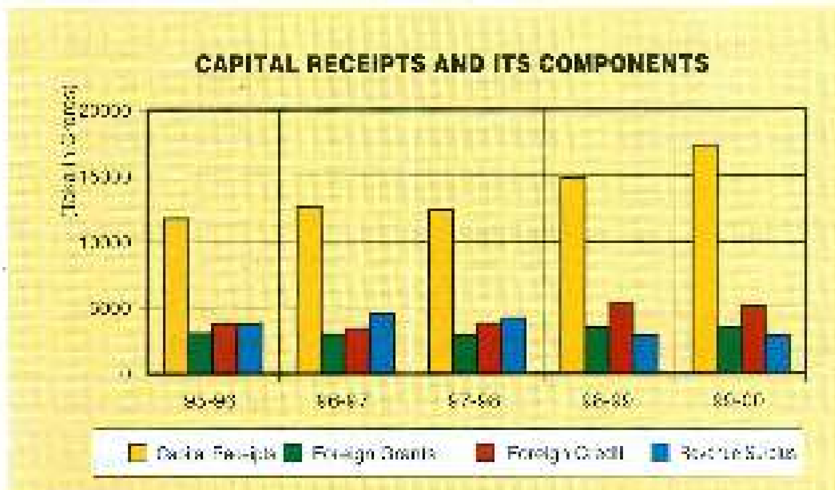
	Sectors	1995/96	As percentage	1996/97	As percentage	1997/98	As percentage	1998/99	As percentage	1999/2000	As percentage
	1	2	3	4	5	6	7	8	9	10	11
1.	Revenue Receipts	15,512	100.00	17,145	100.00	18,777	100.00	19,700	100.00	21,345	100.00
	a) Tax	12,233	78.86	14,074	82.09	15,001	79.89	15,855	80.48	17,096	80.09
	b) Non-Tax	3,279	21.14	3,071	17.91	3,776	20.11	3,845	19.52	4,249	19.91
2.	Revenue Expenditure	11,814		12,535		14,500		16,765		18,444	
3.	Revenue Surplus (+)	3,698	31.31	4,610	36.43	4,277	34.43	2,935	19.70	2,901	16.59
	Revenue Deficit (-)	–	–	–	–	–	–	–	–	–	–
4.	Foreign Grants	3,005	25.44	2,951	23.32	2,886	23.23	3,552	23.84	3,609	20.63
5.	Foreign Loans	3,679	31.15	3,444	27.22	3,818	30.73	5,332	35.79	5,223	29.86
6.	Domestic Capital Budget (Net)	956	8.10	1,309	10.34	1,162	9.35	1,290	8.66	1,402	8.02
7.	T & T Bonds*	325	2.75	185	1.46	111	0.89	150	1.01	171	0.98
8.	Self Financing by Autonomous Bodies	150	1.27	155	1.23	170	1.37	184	1.24	250	1.43
9.	Bank Credit	–	–	–	–	–	–	1,465	9.83	3,934	22.49
10.	Resource (Non-Budget)	–	–	–	–	–	–	–	–	–	–
11.	Public Account (Net)	–	–	–	–	–	–	–	–	–	–
12.	Capital Receipts (3+4+5+6+7+8+9+10+11)	11,810	100.00	12,654	100.00	12,424	100.00	14,898	100.00	17,490	100.00
13.	Use of Capital (A+B+C+D+E)	11,810	100.00	12,654	100.00	12,424	100.00	14,898	100.00	17,490	100.00
	A. Annual Development Programme (ADP)	10,447	88.46	11,700	92.46	12,200	98.20	14,000	93.97	16,500	94.34
	i) Domestic	(4,414)	(42.25)	(5,725)	(48.93)	(5,521)	(45.25)	(5,812)	(41.51)	(8,484)	(51.42)
	ii) Foreign	(6,033)	(57.75)	(5,975)	(51.07)	(6,679)	(54.75)	(8,188)	(58.49)	(8,016)	(48.58)
	B. Food for Works Programme of Development Budget (Non-ADP)	540	4.57	811	6.41	-	-	308	2.06	805	4.60
	C. Non-ADP Projects	218	1.85	87	0.69	25	0.20	151	1.01	180	1.10
	D. Net Outlay in Food Operation	605	5.12	56	0.44	199	1.60	441	2.96	-5	-
	E. Others	-	-	-	-	-	-	-	-	-	-

Source: Budget Summary of 1996-97 to 2000-2001, Ministry of Finance.

* Sold to Banks.

– = Nil.


GOVERNMENT'S REVENUE RECEIPTS/EXPENDITURE
5000
0


CAPITAL RECEIPTS AND ITS COMPONENTS
20000
15000
10000
5000
0
Foreign Grants
Foreign Credit

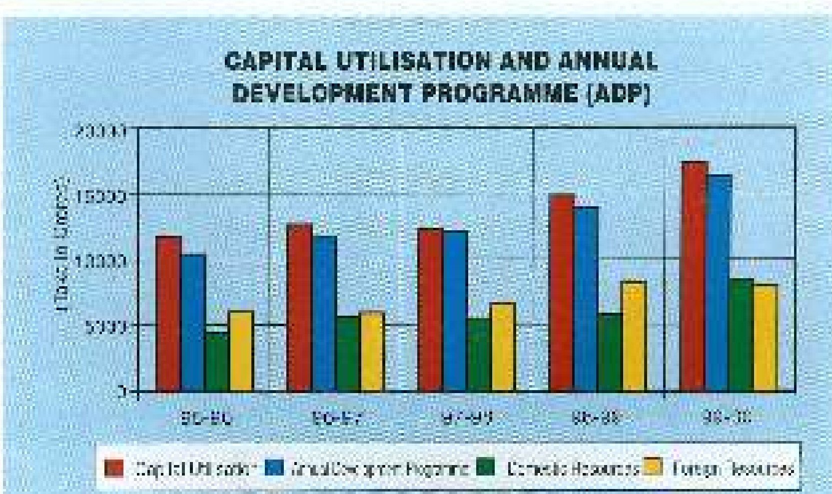

CAPITAL UTILISATION AND ANNUAL
DEVELOPMENT PROGRAMME (ADP)
15000
10000
5000
0

TABLE-IV

MONEY, CREDIT AND PRICE INDEX

(Taka in Crores)

Particulars		1995/96	1996/97	1997/98	1998/99	1999/2000
1		2	3	4	5	6
1.	Broad Money(M2)*	45,760.00	50,711.00	55,889.10	63,026.70	74,762.40
		(8.26)	(10.82)	(10.17)	(12.81)	(18.62)
2.	Total Domestic Credit*	43,452.40	49,396.60	55,640.20	62,907.80	71,489.00
		(20.42)	(13.68)	(12.64)	(13.06)	(13.64)
	A) Government Sector	11,792.60	13,891.70	15,522.20	17,269.60	20,944.70
		(17.60)	(17.80)	(11.74)	(11.26)	(21.28)
	i) Government(Net) @	6,310.20	8,017.20	9,272.00	11,248.60	14,772.90
		(36.76)	(27.05)	(15.65)	(21.32)	(31.33)
	ii) Other Public Sector	5,482.40	5,874.50	6,250.20	6,021.00	6,171.80
		(1.27)	(7.15)	(6.40)	(-3.67)	(2.50)
	B) Private Sector	31,659.80	35,504.90	40,118.00	45,638.20	50,544.30
		(21.50)	(12.15)	(12.99)	(13.76)	(10.75)
3.	Board Money as % of GDP (at current market price)	27.51	28.06	27.91	28.69	30.99P
4.	General Consumer Price Index at National Level (Twelve-	190.27	195.07	208.71	227.29	235.13
	Month Average, Base: 1985-86=100)	(6.65)	(2.52)	(6.99)	(8.91)	(3.45)

Sources: (1) Statistics Department, Bangladesh Bank.
(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.
P Provisional.

TABLE-V

RESERVE MONEY AND ITS COMPONENTS

(Taka in Crores)

Year (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
1980/81	914.60	126.20	294.10	1,335.10
1981/82	877.50	165.60	287.20	1,330.30
1982/83	1,138.60	146.50	338.70	1,623.80
1983/84	1,556.30	235.50	443.90	2,235.70
1984/85	1,722.90	275.70	676.70	2,675.30
1985/86	1,953.10	338.40	979.50	3,271.00
1986/87	2,075.60	361.30	1,303.20	3,740.10
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	3,511.60	623.90	2,265.00	6,500.70
1991/92	4,072.80	598.70	2,150.60	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
1997/98	8,153.30	923.30	4,541.00	13,617.60
1998/99	8,686.60	1,026.90	5,029.20	14,742.70
1999/2000	10,176.00	1,088.40	5,800.10	17,064.50

Source: Statistics Department, Bangladesh Bank.

Note : Prepared on the basis of changed classification from 1987/88.
*Include deposits under Wage Earners' Clearing Account.

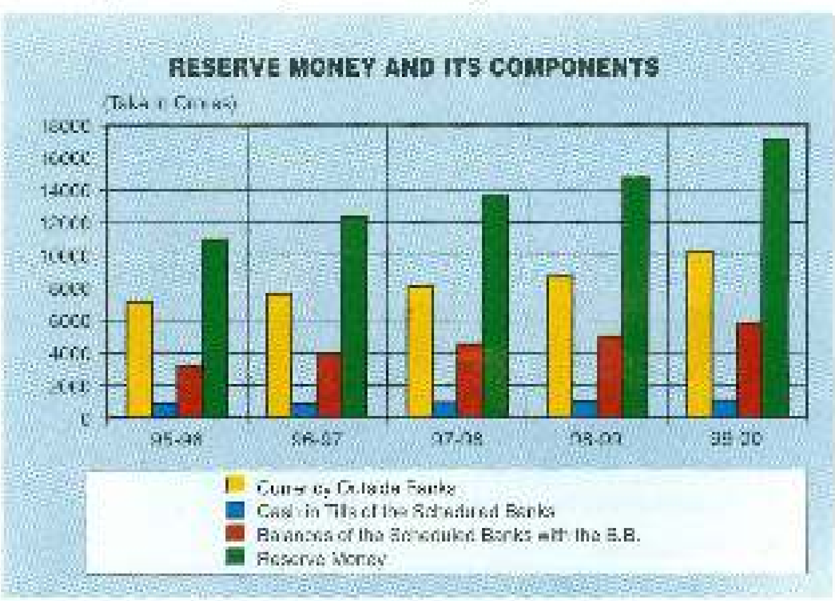


TABLE-VI

RESERVE MONEY AND ITS SOURCES

(Taka in Crores)

Year (End-June)	Bangladesh Bank's 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
1980/81	1,477.90	912.30	242.70	2,632.90	-622.20	-675.60	1,335.10
1981/82	1,581.10	1,335.60	309.70	3,226.40	-1,359.60	-586.50	1,280.30
1982/83	1,420.80	1,251.00	365.80	3,037.60	-752.70	-661.10	1,623.80
1983/84	1,351.60	1,377.30	529.50	3,258.40	-214.70	-808.00	2,235.70
1984/85	1,424.60	2,167.50	677.40	4,269.50	-352.60	-1,241.60	2,675.30
1985/86	1,789.50	2,443.80	870.60	5,103.90	-420.90	-1,412.00	3,271.00
1986/87	1,963.60	2,134.30	854.60	4,952.50	-76.40	-1,134.30	3,741.80
1987/88	2,245.20	2,552.80	874.40	5,672.40	534.70	-1,149.60	5,057.50
1988/89	985.00	3,136.40	933.80	5,056.20	456.20	-43.60	5,468.80
1989/90	1,675.30	3,921.00	926.10	6,527.40	-264.90	54.80	6,317.30
1990/91	1,677.70	3,939.00	932.60	6,549.30	1,137.20	-1,185.80	6,500.70
1991/92	1,196.90	3,373.00	902.60	5,472.50	3,386.60	-2,037.00	6,522.10
1992/93	1,447.80	2,897.20	882.60	5,227.60	5,667.60	-1,950.40	8,944.80
1993/94	1,009.60	2,576.70	1,635.90	5,222.20	8,250.80	-2,165.10	11,307.90
1994/95	1,254.00	2,733.80	1,056.80	5,044.60	8,864.10	-3,278.70	10,630.00
1995/96	3,036.80	3,413.70	1,195.50	7,646.00	5,388.70	-2,031.70	11,003.00
1996/97	4,455.90	3,633.30	1,192.60	9,281.80	5,012.10	-1,899.40	12,394.50
1997/98	5,295.50	3,749.40	1,404.80	10,449.70	5,396.90	-2,228.90	13,617.60
1998/99	6,359.90	4,622.80	1,365.60	12,348.30	4,708.90	-2,314.60	14,742.70
1999/2000	8,098.00	4,289.20	1,320.70	13,707.90	6,971.30	-2,614.70	17,064.50

Source: Statistics Department, Bangladesh Bank.
Note : Prepared on the basis of changed classification from 1987/88.

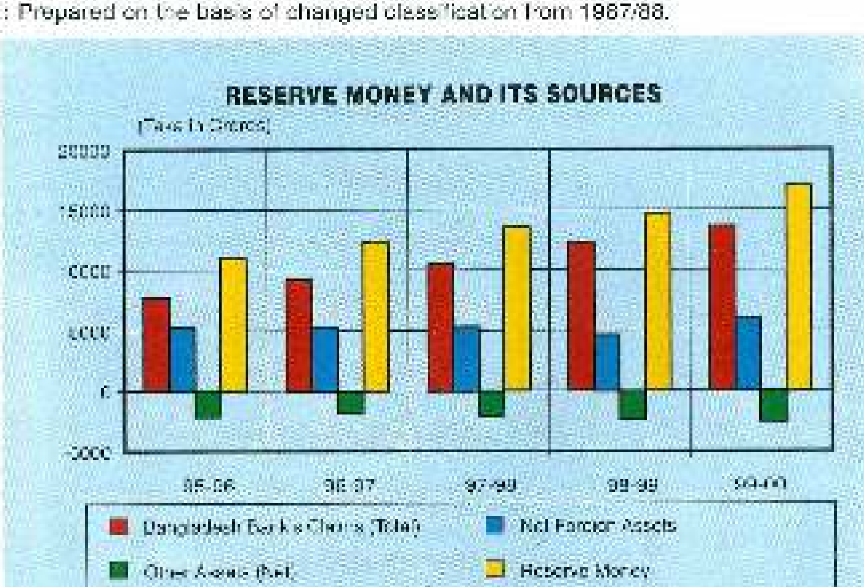


TABLE-VI

DEPOSITS OF PUBLIC AND PRIVATE SECTOR

(Taka in Crores)

Month/Year	Demand Deposits @			Time Deposits @		
	Public*	Private	Total	Public*	Private @ @	Total
1	2	3	4	5	6	7
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	2,980.6	9,020.0	12,000.6
	(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	18,416.3	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	23,583.3	31,542.0
	(20.80)	(79.20)		(25.23)	(74.77)	
June 1996	1,514.2	6,772.1	8,286.3	8,722.9	24,927.2	33,650.1
	(18.27)	(81.73)		(25.92)	(74.08)	
June 1997	1,791.6	6,945.5	8,737.1	8,469.6	29,432.0	37,901.6
	(20.51)	(79.49)		(22.35)	(77.65)	
June 1998	1,953.9	7,068.9	9,022.8	9,619.8	33,249.4	42,869.2
	(21.66)	(78.34)		(22.44)	(77.56)	
June 1999	2,049.0	7,938.4	9,987.4	10,625.1	38,621.5	49,246.6
	(20.52)	(79.48)		(21.58)	(78.42)	
June 2000	2,372.2	8,965.6	11,337.8	11,733.0	47,207.8	58,940.8
	(20.92)	(79.08)		(19.91)	(80.09)	

Source: Statistics Department, Bangladesh Bank.

@ Exclude Inter-bank items.

@ @ Include Wage Earners' Deposits.

* Include 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 SELECTED STATISTICS OF SCHEDULED BANKS

(Taka in Crores)

Particulars	30 June 1996	30 June 1997	30 June 1998	30 June 1999	30 June 2000
1	2	3	4	5	6
1. **Bank Deposits***	**41,936.50**	**46,638.60**	**51,890.40**	**59,234.00**	**70,278.70**
(A) Demand Deposits	7,336.10	7,592.40	7,735.20	8,562.80	9,705.30
(B) Time Deposits	31,300.60	35,544.00	39,980.60	45,777.30	54,881.10
(C) Restricted Deposits	3.70	3.10	2.00	2.30	77.10
(D) Government Deposits	3,296.10	3,499.10	4,172.60	4,891.60	5,615.20
2. Borrowings from the Bangladesh Bank	3,622.30	3,928.50	4,041.40	4,956.20	4,566.10
3. Cash in Tills	776.00	880.10	923.30	1,026.90	1,088.40
4. Balances with the Bangladesh Bank	2,989.40	3,717.90	4,339.40	5,244.60	5,333.50
5. Balances with Other Banks in Bangladesh in Current Account	1,084.50	2,001.50	1,930.60	2,865.20	4,715.30
6. Money at Call and Short Notice in Bangladesh	322.50	351.50	772.60	852.50	1,425.30
7. **Total Investment @**	**7,819.20**	**8,239.40**	**9,019.00**	**10,438.50**	**12,927.90**
(A) Government Securities & Treasury Bills	6,178.50	6,628.60	7,633.20	8,929.30	11,657.20
((B) Others	1,640.70	1,610.80	1,385.80	1,509.20	1,270.70
8. **Bank Credit****	**34,681.20**	**38,958.90**	**44,077.90**	**49,522.80**	**54,646.10**
(A) Advances in Bangladesh	33,448.20	37,277.60	42,072.30	47,482.60	52,375.30
(B) Inland Bills Purchased and Discounted in Bangladesh	1,233.00	1,681.30	2,005.50	2,040.20	2,270.80
9. Credit/Deposit Ratio (Excluding Specialised Banks)	0.77	0.78	0.78	0.76	0.72

Source: Statistics Department, Bangladesh Bank.

* Exclude interbank items.

** Excludes interbank items and foreign bills.

@ Include Bonds issued by the Government.

TABLE-IX

INTEREST RATE STRUCTURE OF THE BANKING SECTOR

1. Interest Rate Declared by the Scheduled Banks

(percent per annum)

Category of Deposits and Advances	30-6-2000*											
	Nationalised Commercial Banks				Specialised Banks					Private Banks		
	Sonali	Janata	Agrani	Rupali	BKB	RAKUB	BSB	BASIC	BSRS	City	UCBL	ABBL
1	2	3	4	5	6	7	8	9	10	11	12	13
Deposits												
a) Saving Deposits												
Rural	7.75	7.50	7.50	7.75	6.00	8.00	7.75	—	—	6.00	6.00	6.00
Urban	7.75	7.50	7.50	7.75	6.00	8.00	7.75	7.50	7.75	6.00	6.00	6.00
b) Fixed/Term Deposits												
3 months and above but Less than 6 months	8.75	8.50	8.00	8.75	8.50	8.00	8.50	8.50	8.50	8.25	8.25	9.00
6 months and above but less than 1 year	9.00	8.75	8.50	9.00	8.75	8.75	8.75	8.75	8.75	8.50	8.50	9.25
1 year and above but less than 2 years	9.25	9.00	8.75	9.25	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00
2 years and above but less than 3 years	9.50	9.50	9.25	9.50	9.50	9.25	9.50	9.50	9.25	9.50	9.50	10.25
3 years and above	10.00	9.50	9.50	10.00	10.00	9.75	9.75	10.50	9.50	10.00	—	—
Advances												
1. Agriculture	12.5-13	11-14.5	13.50	13.00	12-14	14.00	—	13.00	—	11.5-14	14.00	10-14
2. Large & Medium Scale Industry (Term Loan)	16.00	16.00	16.00	16.00	9.5-15	13-16	16.50	12-16	16.00	16.50	16.00	15-16
3. Working Capital	14.50	14.50	15.50	14.50	14.00	14.50	15.5-16	16.00	15.00	11.5-16	16.50	12-16.5
4. Export Credit	10.00	9.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
5. Other Commercial Lending	16.00	15.00	16.00	15-16	15.50	16.00	16.00	16.00	15.5-16	14-16.5	16.50	14-16.5
6. Small Industry	12.00	11.50	11.50	11.00	12-13.5	10-16	11.50	—	11.50	12.00	12.00	12.00
7. Others	12-16	12-15	11-16	15-16	10-16	11-16	14.5-16	14.5-15	15-16	14.5-16.5	16.50	13.5-16.5
Effective From:	(1-10-98)	(1-9-98)	(1-9-98)	(1-1-99)	(1-1-2000)	(1-1-99)	(1-10-96)	(1-11-98)	(1-12-98)	(1-9-97)	(1-9-97)	(1-1-98)

Source: Banking Regulation and Policy Department, Bangladesh Bank.

* Interest rates which remained unchanged till 30 June 2000 from the effective date.

— = Nil.

TABLE-IX (Contd.)

INTEREST RATE STRUCTURE OF THE BANKING SECTOR

1. Interest Rate Declared by the Scheduled Banks (percent per annum)

Category of Deposits and Advances	30-6-2000*									
	Private Banks									
	IFIC	National	Uttara	Pubali	Eastern	NCCBL	Dhaka Bank	South East	Prime Bank	Dutch Bangla
	14	15	16	17	18	19	20	21	22	23
Deposits										
a) Saving Deposits										
Rural	—	7.25	7.75	8.50	—	—	—	—	—	—
Urban	7.50	7.25	7.75	8.50	7.25-7.5	8.00	8.50	8.00	8.00	8.00
b) Fixed/Term Deposits										
3 months and above but Less than 6 months	8-9	8.00	8.75	8.00	8.5-8.75	9-9.25	8.75	8.25-9	9.00	9-9.50
6 months and above but less than 1 year	8.25-9.25	8.25	9.00	8.25	9-9.25	9.25-9.5	9.00	8.5-9.5	9.25	9.25-9.75
1 year and above but less than 2 years	8.5-9.5	8.50	9.25	8.50	9.5-9.75	9.75-10.5	9.75	9-10	9.50	9.5-10
2 years and above but less than 3 years	9-10	8.25	9.50	9.00	—	10.25-11.25	9.75	9.5-10.5	10.00	9.75-10.25
3 years and above	9.5-10.5	9.25	10.00	—	—	10.75-11.5	9.75	10.5-11	10.50	10-10.5
Advances										
1. Agriculture	13.75	13.00	14.00	13.00	14.00	14.00	10.00	10-14	12.00	11.5-15
2. Large & Medium Scale Industry (Term Loan)	16.00	15.00	15.00	16.00	15.00	15.00	12-15	10-15.5	16.00	16.00
3. Working Capital	15-16.5	15.50	15.5-16.5	14-16	11.5-15	16.00	11-16	14-15.5	16.00	15.50
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	15.50	16.00	16.00	15.5-16.5	11-16	13-15.5	15.50	15.00
6. Small Industry	12.00	12.00	12.00	15.00	15.00	12.00	11.00	12.00	15.00	15.00
7. Others	15.5-18.5	16.50	15.5-18.5	15-18	16.00	16.00	13-16	13-16	16-16.5	14-16
Effective From:	(1-5-98)	(1-6-97)	(1-9-99)	(1-1-2000)	(22-2-2000)	(1-7-98)	(1-8-97)	(1-4-97)	(1-11-98)	(1-1-2000)

Source: Banking Regulation and Policy Department, Bangladesh Bank.

* Interest rates which remained unchanged till 30 June 2000 from the effective date.

— = Nil.

TABLE-IX (Contd.)

INTEREST RATE STRUCTURE OF THE BANKING SECTOR

1. Interest Rate Declared by the Scheduled Banks (percent per annum)

Category of Deposits and Advances	30-6-2000*									
	Private Banks									
	Mercantile	One	Exim Bank	Premier	First	Standard Security	The Trust	Mutual Bank	Bank Asia	BCBL
	24	25	26	27	28	29	30	31	32	33
Deposits										
a) Saving Deposits										
Rural	—	—	—	—	—	—	—	—	—	—
Urban	8.00	8-8.5	8.50	8.50	8.25	8.25	8.00	8.50	8.00	7.75
b) Fixed/Term Deposits										
3 months and above but Less than 6 months	8.50	9-9.75	9-9.5	9.25	8.75	9.00	8.25	9.00	9.25	8.75
6 months and above but less than 1 year	9.00	9.25-10	9.5-10	9.50	9.25	9.25	8.50	9.25	9.75	9.00
1 year and above but less than 2 years	9.50	9.5-10.25	10-10.5	10.00	9.75	10.00	9.50	9.75	10.00	9.25
2 years and above but less than 3 years	10.00	9.75-10.5	10.5-11.5	10.50	10.25	10.25	10.00	10.00	10.25	9.50
3 years and above	10.50	—	—	11.00	10.50	11.00	10.50	10.25	10.50	10-12
Advances										
1. Agriculture	15.00	—	12.00	12-15.5	15.00	14.00	12.75	13.5-15	13.00	—
2. Large & Medium Scale Industry (Term Loan)	16.00	15-16	16.00	15.50	15.00	15.00	15.00	14-16	15.00	13.50
3. Working Capital	16.00	12-16	16.00	16.00	15.00	15.00	14-15	14-15	16.00	14.50
4. Export Credit	10.00	8-10	10.00	10.00	—	—	10.00	10.00	10.00	—
5. Other Commercial Lending	16.00	16.00	16.00	16.00	16.00	16.50	15.00	14-16	16.00	15.00
6. Small Industry	15.00	16.00	16.00	15.50	15.00	15.00	14.00	13-14	—	—
7. Others	16-18	14-16	16.00	13.5-16	15.00	16-17	12-16	14-16	12.5-16.5	14-16
Effective From:	(2-8-99)	(14-7-99)	(3-7-99)	—	(8-12-99)	(21-6-99)	(20-1-99)	—	—	(16-5-99)

Source: Banking Regulation and Policy Department, Bangladesh Bank.

* Interest rates which remained unchanged till 30 June 2000 from the effective date.

— = Nil.

INTEREST RATE STRUCTURE OF THE BANKING SECTOR

1. Interest Rate Declared by the Scheduled Banks (percent per annum)

Category of Deposits and Advances	30-6-2000*											
	Foreign Banks											
	American Express	Grindlays	Credit Agricole Indosuez	Standard Chartered	State Bank of India	Habib	NBP	MCBL	Citi Bank N.A.	Nova Scotia	Hanvit	HSBC
	34	35	36	37	38	39	40	41	42	43	44	45
Deposits												
a) Saving Deposits												
Rate	—	—	5.50	—	—	—	—	—	—	—	—	—
Others	6.00	5.25+	6.50	5.07	6.50	7.00	7.50	6.00	5.00	6.75-7.25	6.00	6.75-6.75
b) Fixed/Term Deposits												
3 months and above but less than 6 months	7-8	5.75+	6.50	4.5-8	8.00	8-9	8-8.5	7.25-8.25	6.75-8.5	7.25-8.25	7.50	6.5-8
6 months and above but less than 1 year	7.25-9.25	6.75	7.00	4.5-8.5	9.00	8.5-9.5	8.25-8.75	7.75-8.75	9.10	7.5-8.25	8.00	7.25-9.25
1 year and above but less than 2 years	7.5-8.5	7.00+	7.25	5.00-8.25	11.00	8.75-10	8.5-9	8-9	—	—	8.50	7.5-8.75
2 years and above but less than 3 years	9-10	7.25+	7.25	—	11.00	9-10.25	9-9.5	—	—	—	9.00	—
3 years and above	10-11	7.50+	7.25		11.00	9.25-10.5		—	—	—	9.00	—
Advances												
1. Agriculture	10-14	9.75-11.75	15.00	10-12	—	11.00	10-14	14.00	12-14	10-12	10-12	12.5-14
2. Large & Medium Scale Industry (Term Loan)	9.25-14.25	12.00+	14.50	10.5-12.5	13-16	15.00	15.00	11-15	13-15	10.5-15	10.5-12.5	12-18
3. Working Capital	11.75-14.75	13.00+	14.25	11-14	13-15.5	13-15.5	11-15.5	11-14.5	13-17	9.75-14.5	10-13	13-16
4. Export Credit	8-10	8-10	10.00	9-10	10.00	10.00	9-10	10.00	9-10	9-10	10.00	9-10
5. Other Commercial Lending	12.5-15.5	13.00+	14.50	13-15	13-15.5	15.50	13-17	13-15	10.5-15	16-18	14.00	12-16
6. Small Industry	9-12	9-11	13.00	10-12			9-12	11.00	10-12	12.25-14.25	11.00	10-12
7. Others	11.75-18	13.00+	14.75	9-15.5	14-18	15.50	—	13-15	11.5-16.5	14.25-15.25	13-14	9-18
Effective From	(1-7-98)	(1-7-99)	(27-3-2000)	(1-6-2000)	(1-4-2000)	(1-6-2000)	(17-12-97)	(24-1-2000)	(27-4-2000)	(1-1-98)	(1-1-97)	(10-3-2000)

Source: Banking Regulation and Policy Department, Bangladesh Bank.

* Interest rates which remained unchanged till 30 June 2000 from the effective date.

— = Nil.

TABLE-IX (Concld.)

PROFIT RATE STRUCTURE OF THE ISLAMIC BANKS

2. Profit Rate declared by the Islamic Banks

(percent per annum)

Category of Deposits and Advances	30-6-2000*		
	Private Banks		Foreign Bank
	Al Baraka	Al-Arafah	Faysal Islamic Bank of Bahrain E.C.
	1	2	3
Deposits			
a) Saving Deposits			
Rural		—	—
Urban		7.38	7.00
b) Fixed/Term Deposits			
3 months and above but Less than 6 months	9.00	9.36	8.5-10
6 months and above but less than 1 year	9.25	9.77	9-10.5
1 year and above but less than 2 years	9.50	10.20	9.5-11.5
2 years and above but less than 3 years	10.00	10.40	10-12
3 years and above	10.50	10.62	10.5-12.5
Advances			
1. Agriculture			10-14
2. Large & Medium Scale Industry (Term Loan)			13-18
3. Working Capital			12-17
4. Export Credit			10.00
5. Other Commercial Lending			12-16
6. Small Industry			10-12
7. Others			10-15
Effective From:		(1-1-98)	(1-7-99)

Source: Banking Regulation and policy Department, Bangladesh Bank.

* Profit rates which remained unchanged till 30 June 2000 from the effective date.

— = Nil

TABLE- X

COMPARATIVE POSITION OF DISBURSEMENT AND RECOVERY OF AGRICULTURAL CREDIT

(Taka in Crores)

	Particulars	1998/99	1999/2000	Changes over the year Increase(+)/Decrease(-)
	1	2	3	4
1.	**Disbursement Programme (Target)**	**3,270.00**	**3,331.03**	+61.03 (+1.87)@
	a) Crop loans (other than tea)	1,488.34 (45.51)*	1,467.29 (44.05)*	21.05 (-1.41)@
	b) Purchase and installation of irrigation equipments	10.10 (0.31)*	10.11 (0.30)*	+0.01 (+0.10)@
	c) Livestock	75.25 (2.30)*	169.57 (5.09)*	+94.32 (+125.34)@
	d) Marketing of agricultural goods	367.43 (11.24)*	216.96 (6.51)*	-150.47 (-40.95)@
	e) Fisheries	76.32 (2.33)*	120.04 (3.60)*	+43.72 (+57.29)@
	f) Poverty alleviation	900.81 (27.55)*	802.81 (24.10)*	-98.00 (-10.88)@
	g) Loans for other agricultural activities (including tea and agricultural machineries)	351.75 (10.76)*	544.25 (16.34)*	+192.50 (+54.73)@
2.	**Disbursement of Credit**	**3,005.92** (91.92)**	**2,851.29** (85.60)**	-154.63 (-5.14)@
	a) Crop loans (other than tea)	1,666.28 (111.96)**	1,174.21 (80.03)**	-492.07 (-29.53)@
	b) Purchase and installation of irrigation equipments	2.77 (27.43)**	4.59 (45.40)**	+1.82 (+65.70)@
	c) Livestock	110.07 (146.27)**	85.92 (50.67)**	-24.15 (-21.94)@
	d) Marketing of agricultural goods	272.96 (74.29)**	263.74 (121.56)**	-9.22 (-3.38)@
	e) Fisheries	35.09 (45.98)**	74.98 (62.46)**	+39.89 (+113.68)@
	f) Poverty alleviation	593.02 (65.83)**	623.02 (77.60)**	+30.00 (+5.06)@
	g) Loans for other agricultural activities (including tea and agricultural machineries)	325.73 (92.60)**	624.83 (114.81)**	+299.10 (+91.82)@
3.	Loans due for recovery	7,315.43	9,521.15	-2,205.72 (+30.15)@
4.	Recovery of loans	1,918.53	2,998.29	-1,079.76 (+56.34)@
5.	Overdue loans	5,396.90	6,456.55	+1,059.65 (+19.63)@
6.	Total outstanding	9,702.51	10,548.90	+846.39 (+8.72)@

Note: * Figures in the parentheses indicate percentage share in total disbursement programme (target).
** Actual disbursement as percentage of programme (target).
@ Figures in the parentheses indicate percentage changes over the year

TABLE-XI

STATEMENT OF GOVERNMENT BORROWINGS FROM THE BANKING SYSTEM

(Taka in Crores)

Sl. No.	Name of the Treasury Bills/ Bonds and Securities	Objective	Outstanding as on 30 June 1999	Outstanding as on 30 June 2000
1	2	3	4	5
1. Special Treasury Bill				
	i) Special Ad-hoc Treasury Bill	To increase Reserve Fund	3.00	3.00
	ii) Special Ad-hoc Treasury Bill	Against demonetised Pakistani notes	198.60	198.60
	iii) Government Treasury Bill	To increase Government cash balance	5,657.60	7,371.10
	iv) Treasury Bill (Short Term)	To increase Government cash balance	3,450.80	5,850.10
	v) 1 Year Special Treasury Bill	To increase Government cash balance	1,342.70	1,717.10
	Total:		**10,652.70**	**15,139.90**
2.	**Government Bonds of Different Maturities**			
	a) 1 Year and above but less than 5 years			
	i) 3 Year (T&T) Treasury Bond-1999 bearing 8.0-9.0 percent interest	To finance the installation of one lakh thirty thousand digital telephone lines	125.00	0
	ii) 3 Year (T&T) Treasury Bond-2002 bearing 9.0 percent interest	To finance the installation of one lakh thirty thousand (extended 2 lakh) digital telephone lines	95.00	95.00
	iii) 3 Year (T&T) Treasury Bond-2002 bearing 9.0 percent interest	To finance the installation of one lakh thirty thousand (extended 2 lakh) digital telephone lines	0	53.00
	iv) 3 Year (BTMC) Treasury Bond-2001 bearing 7.0 percent interest	To repay the bank credit of Bangladesh Textile Mills Corporation against the Privatised textile mills	25.66	25.66
	v) 3 Year (BSRS) Treasury Bond-2000 bearing 8.5 percent interest	To restructure BSRS and transform it into a profitable institution	50.00	0
	Total:		**295.66**	**173.66**

TABLE XI (Contd.)

STATEMENT OF GOVERNMENT BORROWINGS FROM THE BANKING SYSTEM

(Taka in Crores)

Sl. No.	Name of the Treasury Bills/ Bonds and Securities	Objective	Outstanding as on 30 June 1999	Outstanding as on 30 June 2000
1	2	3	4	5
b) 5 Year and above				
i)	5 year (Biman) Treasury Bond-2000 bearing 4.0 and 5.0 percent interest	For financing the purchase of two airbuses of the Bangladesh Biman Corporation	57.00	0
ii)	(a) 5 Year (Biman) Treasury Bond-2002 bearing 9.0 percent interest	For financing the purchase of two airbuses of the Bangladesh Biman Corporation (1st phase)	15.00	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	35.00
iii)	(a) 5 Year (Biman) Treasury Bond-2003 bearing 8.0 percent interest	For financing the payment of Government equity to the Bangladesh Biman Corporation(1st phase)	20.00	20.00
	(b) 5 Year (Biman) Treasury Bond-2003 bearing 8.0 percent interest	For financing the payment of Government equity to the Bangladesh Biman Corporation (2nd, 3rd and 4th phase)	76.00	80.00
iv)	5Year Treasury Bond-2004 bearing 7.0 percent interest	To repay Sonali Bank's claims on different corporations/organisations	0	155.00
v)	10 Year Treasury Bond-2005 and 2006 bearing 7.0 percent interest	To reimburse the loss against interim working capital in Jute sector	52.02	52.02
vi)	10 Year Treasury Bond-2006 bearing 7.0 percent interest	To reimburse the loss against interim working capital in Jute sector	170.42	170.42
vii)	10 Year Treasury Bond-2005 bearing 7.0 percent interest	To reimburse the loss against interim working capital in Jute sector	1.91	1.91
viii)	10 Year Bangladesh Shipping Corporation (BSC) Bond- 2008	To repay different commercial banks' claims on Bangladesh Shipping Corporation	103.30	103.30
ix)	15 Year Treasury Bond-2008 bearing 5.0 percent interest	To meet shortfall due to agricultural loan write-off and shortfall in capital and provisioning against bad loans of Sonali Bank, Janata Bank, Agrani Bank and Rupali Bank Ltd.	500.00	500.00

TABLE XI (Contd.)

STATEMENT OF GOVERNMENT BORROWINGS FROM THE BANKING SYSTEM

(Taka in Crores)

Sl. No.	Name of the Treasury Bills/ Bonds and Securities	Objective	Outstanding as on 30 June 1999	Outstanding as on 30 June 2000
1	2	3	4	5
x)	15 Year Treasury Bond-2011 bearing 5.0 percent interest	To meet the shortfall due to agricultural loan write-off (BKB)	145.00	145.00
xi)	15 Year Special Treasury Bond bearing 5.0 percent interest	To meet the shortfall in Provisioning against the bad loans and recapitalization of nationalised banks	1729.13	1729.13
xii)	25 Year Treasury Bond-2016 bearing 5.0 percent interest	To compensate for the liquidation of Jute sector credit	455.06	431.42
xiii)	25 Year Treasury Bond-2019 bearing 5.0 percent interest	To compensate for the liquidation of Jute sector credit	315.55	299.55
xiv)	25 Year Treasury Bond-2020 bearing 5.0 percent interest	To reimburse one-third of the debt due to Jute mills' loan write-off by the private banks.	58.19	55.45
Total :			**3733.58**	**3803.13**
3.	**Savings Certificate:** a) Against Fixed Capital		158.10	183.10
	b) Against Fixed Capital (Bank Investment Permanent Account)		10.00	10.00
4.	Bangladesh Savings Certificate	To increase Government cash balance	11.40	7.90
Total :			**179.50**	**201.00**
5.	Prize Bond/Income Tax Bond	To increase Government cash balance	30.90	24.70
6.	a) Government's other Bonds /Securities	To increase Government cash balance	64.40	64.20
	b) G.P. Notes/Stock Certificates	Bonds of the former Pakistan Government and its Provincial Governments, liabilities of which have been accepted by the Government of Bangladesh but awaiting redemtion to the Bangladeshi nationals and Institutions	2.29	2.04
	c) Government of Bangladesh Loan-2002 bearing 9.0 percent interest	To sustain the trend of economic development of the country and to control inflation in the economy	63.75	63.75
Total:			**161.34**	**154.69**

TABLE XI (Concld.)

STATEMENT OF GOVERNMENT BORROWINGS FROM THE BANKING SYSTEM

(Taka in Crores)

Sl. No.	Name of the Treasury Bills/ Bonds and Securities	Objective	Outstanding as on 30 June 1999	Outstanding as on 30 June 2000
1	2	3	4	5
	Other loans*		**1,118.02**	**916.72**
	Grand total		**16,140.80**	**20,389.10**
	Government deposits (-)		**-4,892.20**	**-5,616.20**
	Government borrowings (Net)		**11,248.60**	**14,772.90**

*Include Government currency liabilities, ways & means advances and loans extended to Food Ministry, other ministries, Autonomous and Semi-Autonomous bodies.

TABLE-XII

STATEMENT OF GOVERNMENT BORROWINGS FROM SOURCES OTHER THAN BANKS (THROUGH DIFFERENT SAVINGS SCHEMES)

(Taka in Crores)

Name of the schemes	1998/99				1999/2000			
	Sale	Repayment		Net Sale	Sale	Repayment		Net Sale
		Principal	Interest			Principal	Interest	
1	2	3	4	5= (2-3)	6	7	8	9 = (6-7)
1. Defence Savings Certificate	1,498.21	400.70	290.82	1,097.51	1,841.70	535.68	378.96	1,306.02
2. 5-Year Bangladesh Savings Certificate	321.87	558.56	349.71	-236.69	328.10	613.24	403.34	-285.14
3. 3-Year Savings Certificate	-	3.90	1.58	-3.90	-	0.87	0.37	-0.87
4. Bonus Savings Certificate	-	4.34	5.62	-4.34	-	0.81	0.73	-0.81
5. Savings Certificate after 6 month Interest	203.01	56.20	118.24	146.81	195.42	52.42	131.30	143.00
6. Family Savings Certificate	295.79	45.00	60.19	250.79	347.85	64.41	95.90	283.44
7. Savings Certificate after 3 month Interest	1,068.14	35.96	54.22	1,032.18	1,505.42	130.36	197.31	1,375.06
8. Bangladesh Savings Certificate	-	0.01	0.01	-0.01	-	-	-	-
9. Jamanat Savings Certificate	-	-	-	-	0.58	-	-	0.58
10. Post Office Savings Bank:	**792.03**	**791.90**	**215.28**	**0.13**	**961.38**	**832.74**	**242.13**	**128.64**
a) General Account	255.09	243.54	13.79	11.55	293.46	279.00	17.82	14.46
b) Fixed Account	536.94	546.89	199.32	-9.95	667.92	553.10	223.31	114.82
c) Bonus Account	-	1.47	2.17	-1.47	-	0.64	1.00	-0.64
11. Postal Life Insurance	18.24	5.00	0.79	13.24	18.12	6.28	0.77	11.84
12. Prize Bond	35.58	30.58	7.12	5.00	44.09	36.44	6.81	7.65
13. Wage Earners Development Bond	88.18	110.74	186.76	-22.56	205.68	102.27	188.50	103.41
14. 3-Year National Investment Bond	103.41	585.11	138.53	-481.70	209.22	39.10	9.06	170.12
Total*	4,475.55	2,678.11	1,421.00	1,797.44	5,657.27	2,414.09	1,655.32	3,243.18
Minus (-)								
Banking Sector (Net)@ Increase (+)/Decrease(-)				-487.50				15.30
Sources other than Banks (Net)				2,284.94				3,227.88

Source: National Savings Directorate.

*Including investment in the Banking Sector.

@ Segregated data / Information are not available.

TABLE- XIII

BALANCE OF PAYMENTS*

(In million US$)

Items/Sectors	1995/96	1996/97	1997/98	1998/99	1999/2000
1	2	3	4	5	6
TRADE BALANCE	**-3,063**	**-2,735**	**-2,352**	**-2,694**	**-2,641**
Export f.o.b (including EPZ)[1/]	3,884	4,427	5,172	5,324	5,762
Import c.i.f (including EPZ)[2/]	-6,947	-7,162	-7,524	-8,018	-8,403
Service (net)	-104	163	182	198	192
Receipts	553	656	707	707	849
Payments	-657	-493	-525	-509	-657
Income (net)	55	-107	-100	-135	-221
Receipts	253	89	91	91	97
Payments	-198	-196	-191	-226	-318
Current transfers	1,821	2,146	2,017	2,237	2,670
Official[3/]	346	375	257	262	443
of which, food	135	101	99	177	142
Private	1,475	1,770	1,750	1,975	2,227
of which workers' remittances	1,217	1,475	1,525	1,706	1,949
CURRENT ACCOUNT BALANCE	**-1,291**	**-534**	**-253**	**-394**	**0**
Capital Account (Net)	351	360	304	345	283
Capital transfers	351	360	304	345	283
Financial account	447	331	750	469	760
Direct investment[4/]	7	16	219	198	194
Portfolio investment	-21	-132	3	-6	0
Other investment	461	447	505	277	566
MLT loans	767	746	745	667	849
MLT amortization payments	-316	-316	-306	-341	-396
Other long term loans (net)	33	50	-50	-30	104
Other short term loans (net)	-23	-33	118	-219	9
Error and omissions[5/]	-504	-326	-719	-591	-718
OVERALL BALANCE	**-1,017**	**-169**	**82**	**-171**	**325**
Financial items	-1,017	169	-82	171	-325
Bangladesh Bank[6/]	941	197	-131	215	-164
Assets	1,062	325	-14	205	-79
Liabilities	-121	-12	-117	613	-85
of which,					
Fund purchases	0	0	0	138	0
Fund repurchases	-66	-110	-95	-111	-85
Commercial Banks (net)	**76**	**-28**	**49**	**-47**	**-161**

Source: Statistics Department, Bangladesh Bank.

* Prepared according to the 5th manual of IMF.

1/ On the basis of shipment. Including goods procured in ports and repairs on goods.

2/ On the basis of exchange record. Includes goods procured in ports, repairs on goods.

3/ Foods and commodity grants including Technical Assistance.

4/ Only cash flow through banking channel. From 1997-98 it also includes investment in the form of cash and equipment under gas and electricity.

5/ Including excess of shipment over actual receipts from exports.

6/ Consistent with monetary survey data, including NFCD account.

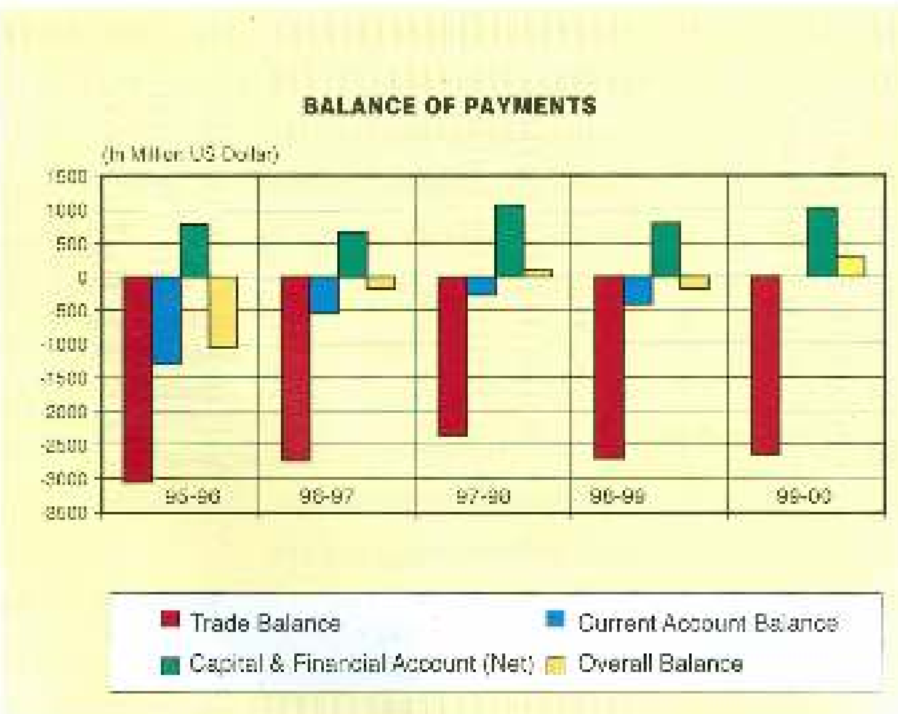

BALANCE OF PAYMENTS
(In Million US Dollar)
1500
1000
500
0
-500
-1000
-1500
-2000
-2500
-3000
95-96
96-97
97-98
98-99
99-00
Trade Balance
Current Account Balance
Capital & Financial Account (Net)
Overall Balance

TABLE- XIV

MERCHANDISE EXPORTS (RECEIPTS)

(In million US$)

Sectors	1995/96	1996/97	1997/98	1998/99	1999/2000
1	2	3	4	5	6
Total Exports (fob) (Including EPZ)	**3,882**	**4,418**	**5,161**	**5,313**	**5,752**
1) Raw Jute	91	116	109	72	72
2) Jute Goods (Including Carpet)	329	318	281	304	266
3) Tea	33	38	47	39	18
4) Leather	212	195	190	169	195
5) Fish & Shrimps	313	321	294	274	344
6) Readymade Garments*	2,547	3,001	3,784	4,020	4,352
7) Chemical Products	98	108	74	79	94
8) Handicrafts	6	6	6	8	5
9) Fertilizer	95	104	59	59	60
10) Others	158	211	318	290	345

Source: Export Promotion Bureau.

* Knitwear & Hosiery products.

TABLE-XV

MERCHANDISE IMPORTS (PAYMENTS)

(In million US$)

Commodities	1995/96	1996/97	1997/98	1998/99	1999/2000
1	2	3	4	5	6
Total Imports (CIF) (A+B+C)	**6,947**	**7,162**	**7,524**	**8,018**	**8,403**
A) Foodgrains	**586**	**184**	**369**	**997**	**381**
1) Rice	(358)	(28)	(247)	(680)	(115)
2) Wheat	(228)	(156)	(122)	(317)	(266)
B) Non-Food	**6,100**	**6.576**	**6.662**	**6,525**	**7,357**
1) Milk & milk products	53	53	45	56	60
2) Spices	23	10	10	27	18
3) Oil Seeds	59	62	93	100	90
4) Edible Oil	179	216	216	287	256
5) Coconut Oil	5	5	6	5	6
6) Sugar	6	49	29	42	30
7) Cement	171	156	152	105	80
8) Crude Petroleum	166	174	140	118	232
9) Petroleum Products	290	341	295	270	405
10) Chemical Products	201	257	248	250	278
11) Pharmaceuticals	20	22	27	30	27
12) Fertilizer	97	150	108	120	140
13) Dyeing & Tanning Processing Materials	55	62	66	66	71
14) Cotton	185	195	207	233	277
15) Yarn	296	395	327	283	300
16) Textile & Articles Thereof	1.043	1,098	1,264	1,109	1,153
17) Textile Fabrics	43	45	48	39	43
18) Iron & Steel	322	437	391	345	383
19) Capital Goods	1,968	1.957	2.072	1,969	2,133
20) Others	588	912	918	1,071	1,364
C) Imports of EPZ	**261**	**402**	**493**	**496**	**665**

Source: Statistics Department, Bangladesh Bank.

TABLE-XVI

FOREIGN AID, EXTERNAL DEBT AND DEBT SERVICES

(In million US $)

Particulars	1995/96	1996/97	1997/98	1998/99	1999/2000
1	2	3	4	5	6
1. Foreign Aid					
A. Commitment	1,280	1,881	1,791	2,648	1,475
B. Disbursement	1,444	1,481	1,319	1,474	1,575
C. Total Commitment since 1972	36,044	37,705	39,496	42,144	43,619
D. Total Disbursement since 1972	30,488	31,969	33,288	34,762	36,337
2. Debt Services (Medium and Long-term)*	469	463	445	481	548
3. Outstanding External Debt as on 30 June	14,454	14,373	14,813	15,338	15,791
4. Outstanding Debt as percentage of GDP	45.35	43.74	43.70	33.58	32.93
5. Medium and Long Term Debt Services as percentage of Export Earnings	12.08	10.46	8.60	9.03	9.51

Source: Economic Relations Division, Ministry of Finance and Statistics Department, Bangladesh Bank.
* Exclude repurchases in respect of drawings from the IMF.

TABLE-XVI

ROREIGN EXCHANGE RESERVES

Year (End June)	Total Reserves @	
	In million Taka	In million US Dollar
1	2	3
1980/81	4,523	250
1981/82	2,698	122
1982/83	8,765	358
1983/84	13,585	539
1984/85	11,065	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	2,755
1994/95	1,23,089	3,070
1995/96	84,906	2,039
1996/97	74,857	1,719
1997/98	80,266	1,739
1998/99	73,650	1,523
1999/2000	81,466	1,602

Source: Statistics Department, Bangladesh Bank.

@ Including IMF reserve position.

TABLE-XVIII

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
1997/98	45.4583
1998/99	46.0644
1999/2000	50.3112

Source: Statistics Department, Bangladesh Bank.

TABLE-XVIII(Concld.)

EXCHANGE RATES

(Average Official Taka-Dollar Rates)

Month	Taka per US Dollar (Monthly Average)
	2
July 1999	48.9444
August 1999	49.5000
September 1999	49.5000
October 1999	49.5000
November 1999	49.5625
December 1999	51.0000
January 2000	51.0000
February 2000	51.0000
March 2000	51.0000
April 2000	51.0000
May 2000	51.0000
June 2000	51.0000

Source: Statistics Department, Bangladesh Bank.

TABLE-XIX

WAGE EARNERS' REMITTANCES

Year	Remittances	
	In million US Dollar	In crore Taka
1	2	3
1980/81	379.74	619.74
1981/82	412.38	830.65
1982/83	617.28	1,480.15
1983/84	596.10	1,491.00
1984/85	439.10	1,146.54
1985/86	555.10	1,881.11
1986/87	696.40	2,136.25
1987/88	737.00	2,303.90
1988/89	771.00	2,477.43
1989/90	760.53	2,495.10
1990/91	764.00	2,725.60
1991/92	848.00	3,241.50
1992/93	944.00	3,696.40
1993/94	1,088.80	4,354.87
1994/95	1,197.60	4,814.39
1995/96	1,217.06	4,977.83
1996/97	1,475.40	6,304.28
1997/98	1,525.42	6,950.86
1998/99	1,705.74	8,213.15
1999/2000	1,949.32	9,825.19

Source: Statistics Department, Bangladesh Bank.

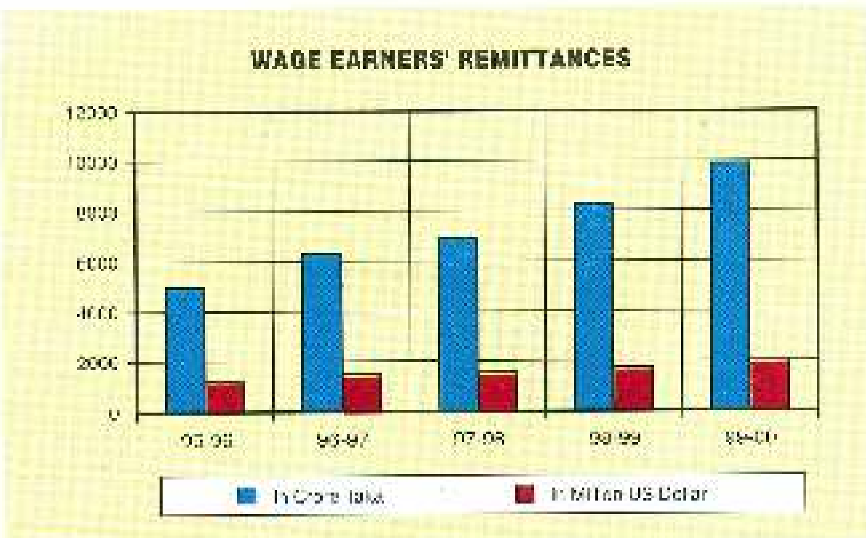


TABLE-XX

OFFICES OF THE BANGLADESH BANK

(As on 30 June 2000)

HEAD OFFICE

DHAKA

BRANCH OFFICES

MOTIJHEEL (DHAKA)

SADARGHAT (DHAKA)

CHITTAGONG

KHULNA

BOGRA

RAJSHAHI

SYLHET

BARISAL

RANGPUR

LIST OF THE SCHEDULED BANKS

TABLE-XXI

(As on 30 June 2000)

1. NATIONALISED/GOVERNMENT CONTROLLED BANKS (4+5=9)

(A) COMMERCIAL BANKS (4)

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

(B) SPECIALISED BANKS (5)

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

2. PRIVATE COMMERCIAL BANKS (27)

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
18) Mercantile Bank Limited
19) Standard Bank Limited
20) One Bank Limited
21) Export Import Bank of Bangladesh Limited
22) Bangladesh Commerce 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 1998.

** 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.

LIST OF THE SCHEDULED BANKS

(As on 30 June 2000)

23) Mutual Trust Bank Limited
24) First Security Bank Limited
25) The Premier Bank Limited
26) Bank Asia Limited
27) The Trust Bank Limited

3. FOREIGN COMMERCIAL BANKS (13)

1) American Express Bank Limited
2) Credit Agricole Indosuez (The Bank)
3) ANZ Grindlays Bank Limited
4) Standard Chartered Bank
5) Habib Bank Limited
6) State Bank of India
7) National Bank of Pakistan
8) Muslim Commercial Bank Limited
9) Citibank N.A.
10) Hanvit Bank Limited
11) The Hong Kong and Shanghai Banking Corporation Limited
12) Faysal Islamic Bank of Bahrain E.C.
13) The Bank of Nova Scotia

LIST OF THE FINANCIAL INSTITUTIONS

(As on 30 June 2000)

Government

1. Infrastructure Development Company Limited

Completely local and privately owned (10)

2. Phoenix Leasing Company Limited
3. Union Capital Limited
4. Prime Finance and Investment Limited
5. Bay Leasing and Investment Limited
6. Peoples Leasing and Financial Services Limited
7. National Housing Finance and Investment Limited
8. Midas Financing Limited
9. First Lease International Limited
10. Bangladesh Finance and Investment Limited

Establised Under Joint venture (12)
a) Bangladesh Government and Foreign Government (2)

11. Saudia Bangladesh Industrial and Agricultural Investment Company Limited
12. The UAE-Bangladesh Investment Company Limited

b) Bangladesh Government/Company and Foreign Government/Company (10)

13. United Leasing Company Limited
14. Industrial Development Leasing Company of Bangladesh Limited
15. Uttara Finance and Investment Limited
16. International Leasing and Financial Services Limited
17. GSP Finance Company (Bangladesh) Limited
18. Bahrain Bangladesh Finance and Investment Company Limited
19. Delta Brac Housing Finance Corporation Limited
20. Vanik Bangladesh Limited
21. Bangladesh Industrial Finance Company Limited
22. Industrial Promotion and Development Company of Bangladesh Limited

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