

ANNUAL REPORT 1997-98



BANGLADESH BANK

ANNUAL REPORT

1997-98



BANGLADESH BANK

BOARD OF DIRECTORS

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

[@] Mr. Lutfar Rahman Sarkar held the responsibility of Governor up to November 21, 1998 and Dr. Mohammed Farashuddin took over as Governor with effect from November 24, 1998.

^{*} Mr. M. Mohiuddin died on July 18, 1998.

^{**} Dr. A. I. Aminul Islam was appointed as the Director of the Board with effect from November 23, 1997.

GOVERNOR

Mr. Lutfar Rahman Sarkar*

DEPUTY GOVERNORS

Dr. Mohammad Sohrab Uddin

Mr. Ataul Haq

Mr. Khondaker Ibrahim Khaled



EXECUTIVE DIRECTORS

Mr. Abdur Raquib

Mr. Hari Narayan Majumder

Mr. Mohammad Ruhul Amin

Mr. Sultan Ahmed Molla

Mr. Mohammad Abdul Mazid Khan

Mr. A.H. Tawfique Ahmed**

Mr. Kazi Anwarul Mahbub

Mr. Md. Harunor Rashid Bhuiyan

Mr. Didarul Islam

Mr. Md. Rabiul Islam

ECONOMIC ADVISER

Mr. Faruquddin Ahmed

**EXECUTIVE DIRECTOR
(SPECIALISED)**

Mr. Md. Nurul Alam

**EXECUTIVE DIRECTOR
(COMPUTER)**

Mr. Md. Nur Karim

* Mr. Lutfar Rahman Sarkar held the responsibility of Governor upto November 21, 1998 and Dr. Mohammed Farashuddin took over as Governor with effect from November 24, 1998.

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

DEPARTMENTS*

AND

GENERAL MANAGERS/EXECUTIVE DIRECTORS



Law Department	Mr. Sayed Abdul Malik
Financial Institutions Department	Mr. Mohammad Mustafa
International Department	Mr. Farid Ahmed Chowdhury
Computer Department	Mr. Md. Nazmul Haque (Systems Manager)
	Mr. Md. Khalilur Rahman Talukder (Systems Manager)
Agricultural Credit Department	Mr. Ansar Uddin Ahmed
Agricultural Credit Project Department	Mr. Md. Abdus Samad
Agricultural Credit Inspection Department	Mr. Nazir Ahmed Khan
Credit Information Bureau	Mr. Md. Nazirul Islam Khan
Research Department	Mr. Saifullah
	Mr. Md. Warisuzzaman
	Mr. Syed Ahmed Khan
Department of Public Relations and Publications	Mr. Md. Gulam Mustafa (Director)
Security Management Department	Major (Retd) Md. Abul Hossain
Audit and Inspection Department	Mr. Mohammad Ali
Statistics Department	Mr. Manmatha Nath Kirtania
	Mr. Abed Ali
Engineering Department	Mr. Md. Shamsuddin
Problem Bank Monitoring Department	Mr. A.T.M. Nasir Uddin
Personal Department	Mr. Khondoker Mazharul Haque
Bangladesh Bank Training Academy	Mr. Md. Didarul Islam (Executive Director)
Administration and Expenditure Department	Mr. Md. Asaduzzaman Khan
Department of Banking Operation and Development	Mr. Ziaul Hasan Siddiqui
Banking Regulation and Policy Department	Mr. Md. Khurshid-ul-Alam
Department of Banking Inspection	Mr. Md. Murshid Kuli Khan
Foreign Exchange Policy Department	Mr. Md. Allah Malik Kazemi
Foreign Exchange Investment Department	Mr. Naba Gopal Banik
Foreign Exchange Inspection Department	Mr. Makbul Ahmed
Monetary Management and Technical Unit	Mr. Habibullah Bahar
Currency Management and Accounts Department	Mr. Md. Abdul Matin
Industrial Credit Department	Mr. Mohiuddin Zahur Amin
Secretary's Department	Mr. Kazi Anwarul Mahbub (Executive Director)

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

BRANCH OFFICES*
AND
GENERAL MANAGERS/EXECUTIVE DIRECTORS

Khulna Office	Mr. Md. Yasin Ali
Chittagong Office	Mr. Md. Rabiul Islam (Executive Director) Mr. Md. Humayun Kabir
Bogra Office	Mr. Md. Mahbubul Islam (General Manager in charge)
Barisal Office	Mr. Khondoker Shamsul Huda (General Manager in charge)
Motijheel Office, Dhaka	Mr. Md. Harunor Rashid Bhuiyan (Executive Director) Mr. Nazmul Hasan
Rajshahi Office	Mr. S.M. Aynal Haque (General Manager in charge)
Rangpur Office	Mr. Md. Waliul Haque
Sadarghat Office, Dhaka	Mr. S.I.M. Makbul Hossain Khondoker
Sylhet Office	Mr. Md. Abul Kashem

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

LETTER OF TRANSMITTAL
BANGLADESH BANK

Dhaka
Falgun 2, 1405

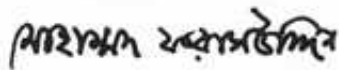
February 14, 1999

The Secretary
Ministry of Finance
Finance Division
Government of the People's Republic of Bangladesh
Dhaka.

Dear Sir,

In terms of the provision contained in Article 40(2) of the Bangladesh Bank Order, 1972, I have the honour to submit to the Government of the People's Republic of Bangladesh the enclosed Annual Report and the Audited Accounts of the Bank for the accounting period ended June 30, 1998.

Yours faithfully,


(Mohammed Farashuddin)
Governor

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ECONOMIC TRENDS

World Economic Trends

1.1 World output growth has been estimated to decline from 4.1 percent in the preceding year to 3.1 percent or below in 1998 due to the financial turmoil in some countries of South East Asia in the middle of 1997 and its contagion effect across the world economy. While Indonesia, Korea and Thailand were hit hardest by the crisis, the other member countries of the ASEAN and Japan also suffered. Japanese economy is apprehended to record a zero or even negative growth rate because of the worst crisis in its financial sector. Although the crisis and its likely effects were far more severe than anticipated initially, the affected countries managed to overcome it substantially by January, 1998. The combined growth rate of the countries of the Asian region has however, been projected to decline to 4.4 percent in 1998 from 6.7 percent in 1997.

1.2 The impact of the Asian crisis was not so severe in the industrially advanced countries, especially the USA, Canada, Europe and the countries of western hemisphere where growth rates

were much less affected. However, at the backdrop of an apprehension of a decline in demand for US commodities in the world market following the Asian crisis and the consequent adoption of somewhat contractionary monetary policy to match the market expectations, the growth rate of the US economy is expected to come down from 3.8 percent in 1997 to 2.9 percent in 1998. Likewise, the rates of growth of gross domestic product in the United Kingdom and Canada have been estimated to decline to 2.3 and 3.2 percent in 1998 from 3.3 and 3.8 percent respectively in 1997. On the other hand, it has been expected that growth rates of Germany, France and Italy will rise moderately to 2.5, 2.9 and 2.3 percent in 1998 from 2.2, 2.4 and 1.5 percent respectively in 1997. The Asian crisis did not affect the countries of the Middle East and Latin America except some increase in the instability of the financial market. However, the impact of the crisis has sneaked into the financial markets of the emerging countries of Europe. In view of stagnant economic situation in Japan, sluggish growth in Korea and a mild contagion effect of

Asian crisis in the advanced economies, the growth rate in the advanced countries has been estimated to decline to 2.4 percent in 1998 from 3.0 percent in 1997. Owing to the Asian economic crisis, the growth rate of gross domestic product of the developing countries has been estimated to decline to 4.1 percent in 1998 from 5.8 percent in 1997.

1.3 The growth of world trade has been estimated to decelerate to 6.4 percent in 1998 from 9.4 percent in the previous year. The rise in consumer prices in the advanced economies is expected to remain unchanged at 2.1 percent as in the previous year. On the other hand, consumer prices in the developing countries is expected to increase to 10.2 percent in 1998 from 8.5 percent in 1997.

1.4 Private foreign financing moved in line with the decline in the value of financial assets and currencies in the affected countries of Asia leading to a squeeze in domestic demand. At the peak of the crisis, Indonesia devalued its currency by 80 percent against dollar, while the extent of currency depreciation in Thailand, South Korea, Malaysia and the Philippines ranged from 35 percent to 50 percent. It is worth noting that India devalued its currency by 10 percent against the US dollar in 1997. The balance of payments of many other

countries of the world are likely to be adversely affected by the crisis, especially emerging economies may experience an interruption in capital flow as well as a rise in interest payments.

1.5 The Asian currency crisis seems to have set in a tilt in the global capital market with a redirection of the flow of capital from Asia to Latin America and Europe. Even though the nature and impact of the world capital flow are not yet clear, it may influence the economic activities through a realignment in interest rates and investment. It appears that the future trend of the world capital market activities will hinge upon the ongoing instability in the Russian money market and deep crisis in the financial market of Japan and how leading international financial institutions including the IMF respond to them.

Trends in the Economy of Bangladesh

1.6 Efforts at consolidating economic gains through implementation of reform measures in different sectors of the economy including the financial sector continued in 1997-98 also. Besides a number of new steps were taken by the Government aiming at poverty alleviation and rapid growth of the economy during the year under report which helped strengthen economic stability and accelerate socio-economic

development. However, agricultural growth declined from 6.4 percent in 1996-97 to 3.1^P percent in 1997-98 due to drought in the northern part of the country and pest attacks on Aman crop. As a result, the rate of growth of gross domestic product declined somewhat to 5.6^P percent in 1997-98 from 5.9 percent in the preceding year.

1.7 Industrial growth picked up from 3.5 percent in 1996-97 to 8.1^P percent in 1997-98 as a result of various measures taken by the Government during 1997-98. However, gross investment declined from 17.3 percent of GDP in the previous year to 16.3^P percent in 1997-98 although gross domestic savings increased slightly from 7.5 percent of the GDP in the preceding year to 7.9^P percent during 1997-98.

1.8 Fiscal measures during the year under report were directed toward evolving a modern tax system that would help gear up the process of economic growth. Since the need for mobilizing increased domestic resources was strongly felt because of increasing public expenditure in the socio-economic development of the country within the market economy paradigm, efforts at revenue management through structural adjustment in tax administration including a broader tax base were put in place during the year under report. In

order to provide reasonable protection to the domestic industries, efforts at comprehensive restructuring of the tariff system, simplification of the tax payment and strengthening supervision and monitoring of tax collection, were continued during the year under report. As a result, Government revenue collection increased in 1997-98 by 9.6 percent over that of the preceding year although revenue expenditure increased by 15.7 percent as compared to the previous year. As a result, the revenue surplus declined by 7.2 percent during the year under report as compared to the preceding year. The budget deficit, however, came down to 5.4^P percent of GDP in 1997-98 from 5.6 percent of GDP in the previous year. The share of domestic financing decreased from 48.9 percent of the development budget in 1996-97 to 45.3 percent in 1997-98. Tax-GDP ratio also declined from 10.0 percent in 1996-97 to 9.7^P percent in 1997-98.

1.9 In order to consolidate the economic activities of the country, a cautious monetary and credit policy was pursued during 1997-98. As part of the implementation of monetary policy during the year under report, the Bank rate was raised and open market operations were pursued prudently. As a result, moderate rates of expansion in money and credit that occurred during

^P Provisional

the year played an effective role in maintaining balance of payments, increasing foreign exchange reserves and containing inflation rate within tolerable limits. With a view to expanding the industrial sector and developing export trade of the country due emphasis was placed on increased flow of credit to the private sector during the year under report. To ensure flow of credit to the private sector while maintaining normal liquidity in the banks and to recover defaulted loans, appropriate measures were taken during the year. In order to reduce the dependence of banks on the central bank and to motivate them to carry out credit programmes out of their own resources, the Bank Rate was raised from 7.5 percent to 8.0 percent on November 24, 1997. This rate remained unchanged till end June, 1998. In order for interest rates to be determined by the market, complete freedom given to the banks for setting their own interest rates on loans and advances to all sectors except agriculture, export and small and cottage industries remained in force during the year under report. To make interest rate determination more market oriented, floor rates on deposits were withdrawn in February, 1998 giving banks complete freedom to fix their own rates. At the same time, the rediscount policy of the Bangladesh Bank for limited use of loans to the banks remained in force during the year under report.

1.10 Two Financial Loan Courts and one Bankruptcy Court were set up in Dhaka, while one Financial Loan Court and one Bankruptcy Court were set up in Chittagong in order to expedite the recovery of overdue loans. The Courts started functioning in Dhaka from April, 1998 and in Chittagong from June, 1998. Henceforth, these Financial Loan Courts and Bankruptcy Courts will try all loan default cases of the commercial banks. Apart from this, a phase-wise programme of classifying loans and provisioning against classified loans according to international standards is already underway to strengthen financial position of commercial banks.

1.11 Broad money (M_2) increased by Tk. 5,158.10 crores or 10.2 percent to Tk. 55,869.10 crores during the year under report as compared to the increase of Tk. 4,951.00 crores or 10.8 percent in the preceding year. Narrow money (M_1) increased by Tk. 721.50 crores or 4.8 percent during the year under report as compared to the increase of Tk. 707.60 crores or 4.9 percent in the preceding year. Reserve money increased by 9.9 percent during the year under report as compared to the increase of 12.7 percent in the preceding year.

1.12 The overall price situation in the country showed an increasing trend during 1997-98 due mainly to a shortfall

in Aman harvest, a rise in fuel and electricity prices, devaluation of Taka and increased private sector credit. The rate of inflation as measured by the twelve months, average CPI for the middle income families in Dhaka city (Base: 1973-74=100) accelerated to 6.3 percent during 1997-98 as compared to 3.9 percent in the preceding year. On the other hand, the national CPI (Base: 1985-86=100) on twelve months' average basis increased to 7.0 percent during 1997-98 as compared to 2.5 percent in the preceding year.

1.13 Disbursement of industrial term loan declined somewhat during 1997-98 as compared to the previous year. Sanction and disbursement of industrial term loans stood at Tk. 1,608.08 crores and Tk. 1,120.34 crores respectively during 1997-98 as against Tk. 1,152.23 crores and Tk. 1,200.00 crores respectively during the previous year. During the year under report disbursement of industrial term loans declined by Tk. 79.66 crores or 6.6 percent compared to the previous year.

1.14 Disbursement of agricultural loans at Tk. 1,642.84 crores during 1997-98 was 8.3 percent higher than Tk. 1,517.30 crores disbursed during 1996-97. Agricultural credit outstanding by the end of the year under report stood at Tk. 8,515.04 crores which was

3.1 percent higher than the outstanding of Tk. 8,256.21 crores in the preceding year.

1.15 Efforts to establish financial discipline and strengthen the capital base of the banks continued during 1997-98. The commercial banks completed the fourth phase of loan classification by December, 1997 under the phase-wise classification programme undertaken to improve loan classification and provisioning against them to international standards. Under the fifth phase, quarterly loan classification for the first quarter was also completed by March 31, 1998. Banks have determined the extent of capital adequacy on the basis of June, 1997 and December, 1997 accounts against the new norms of maintaining capital equal to 8.0 percent of risk-weighted assets in place of liability based assets.

1.16 From April, 1997 the auction of the "91-Day Bangladesh Bank Bill" and "30-Day Bangladesh Bank Bill" introduced to facilitate indirect monetary management was kept in abeyance and it was decided that only Government treasury bills would be issued through auctions. Accordingly, Government treasury bill is being used as a tool of indirect monetary management. Under this decision, 30-day, 90-day, 180-day and 1-year Government treasury bills were issued through regular auctions by the Bangladesh Bank.

1.17 The CAMEL^{*} rating system introduced to strengthen and modernize central bank supervision and inspection and to provide early warning to the problem banks continued during the year under report. The "Problem Bank Unit" of the Bangladesh Bank has been transformed into a full-fledged department and renamed as "Problem Bank Monitoring Department". This department has been reviewing carefully the activities of the problem banks and taking necessary steps accordingly. The "Large Loan Monitoring Cell" of the Bangladesh Bank continued to assist commercial banks in taking necessary precaution in sanctioning large loans. The "Credit Information Bureau" (CIB) supplies important information on defaulted loans to banks and other financial institutions. In order to strengthen and update central bank's supervision activities, some steps were also taken during the year under report.

1.18 According to the Financial Institutions Regulation, 1994 formulated under the Financial Institutions Act, 1993 to bring discipline in the activities of the non-banking financial institutions and the management of financial business, it has been made obligatory for all non-bank financial institutions to maintain 2.5 percent of their total term deposits and

term borrowings as cash reserves. Besides, it has been made obligatory to maintain liquid assets equivalent to 10.0 percent of their total liabilities (except paid-up capital and reserves, borrowings from the Bangladesh Bank, call-loan, credit balance shown in the profit & loss account) from June 17, 1998. Moreover, arrangement has been made for regular monitoring of maintenance of cash reserve and liquid assets of those institutions. The minimum paid-up capital of the non-banking financial institutions has been raised from Taka 5.00 crores to Tk. 10.00 crores.

1.19 A new foreign Islamic bank was permitted to commence banking operation during 1997-98. The scheduled banks opened 46 new branches and closed down 5 branches in Bangladesh during the year under report. As a result, total bank branches increased by 41 to 5,952 as on June 30, 1998 from 5,911 in the previous year. Till 1997-98, a total of 18 non-banking financial institutions were given licences of which 4 were given during the year under report. The non-banking financial institutions have already started their business activities.

1.20 Under the Credit Guarantee Scheme with the finance of the different banks, a total of 202 sub-projects were in operation on June 30, 1998 to help set up small industries against which credit

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

guarantee coverage stood at Tk.32.16 crores. Under the Self-employment Small Initiative Credit Programme of the voluntarily retired staff/officers, three banks sanctioned a total of Tk.5.24 crores as loans to 85 projects and disbursed Tk.4.74 crores to 78 projects up to June 30, 1998.

1.21 To overcome existing problems in the banking sector and to make monetary management more effective a reform programme under the title "Commercial Banking Restructuring Project" (CBRP) was put in place in May, 1997. The main objectives of the project are : (1) to create a legal environment congenial to loan recovery; (2) to strengthen the efforts to make nationalized banks more efficient; (3) to further strengthen the supervision and regulation capacity of the Bangladesh Bank; (4) to restructure capital base of the private banks; and (5) to train the bank officials. In order to achieve the above objectives, some steps have already been taken.

1.22 The balance of payments of the country showed some improvement during the year under report with export receipts increasing by 16.8 percent to \$ 5,172.0^P million during 1997-98 compared to an increase of 14.0 percent to \$4,427.0 million in the preceding year. The export earnings

increased during 1997-98 due mainly to higher receipts from ready-made garments export (including those of knitwear and hosiery products) and tea. Import payments increased by 5.1 percent to \$ 7,524.0 million during 1997-98 as compared to 3.1 percent in 1996-97. The increase in export earnings at a higher rate than in import payments resulted in a decline in trade deficit by \$383.0 million to \$ 2,352.0 million during the year under report. The current account deficit narrowed by \$ 281.0 million to \$ 253.0 million during the year under report owing mainly to a decline in trade deficit and increase in wage earners' remittances. As a result, current account deficit declined to 0.75^P percent of GDP during 1997-98 from 1.6 percent of GDP in the preceding year. The overall balance of payments showed a surplus of \$ 82.0^P million in 1997-98 as against a deficit of \$ 169.0 million in 1996-97 due mainly to fall in current account deficit. Commodity aid, project aid and food aid declined by \$ 76.0^P million, \$ 84.0^P million and \$ 2.0^P million respectively during the year under report. During 1997-98 medium and long term (MLT) amortization payments decreased by \$ 18.0 million to \$ 445.0^P million.

1.23 In order to maintain international competitiveness of Bangladesh Taka and to expand export trade, Bangladesh

guarantee coverage stood at Tk.32.16 crores. Under the Self-employment Small Initiative Credit Programme of the voluntarily retired staff/officers, three banks sanctioned a total of Tk.5.24 crores as loans to 85 projects and disbursed Tk.4.74 crores to 78 projects up to June 30, 1998.

1.21 To overcome existing problems in the banking sector and to make monetary management more effective a reform programme under the title "Commercial Banking Restructuring Project" (CBRP) was put in place in May, 1997. The main objectives of the project are : (1) to create a legal environment congenial to loan recovery; (2) to strengthen the efforts to make nationalized banks more efficient; (3) to further strengthen the supervision and regulation capacity of the Bangladesh Bank; (4) to restructure capital base of the private banks; and (5) to train the bank officials. In order to achieve the above objectives, some steps have already been taken.

1.22 The balance of payments of the country showed some improvement during the year under report with export receipts increasing by 16.8 percent to \$ 5,172.0^P million during 1997-98 compared to an increase of 14.0 percent to \$4,427.0 million in the preceding year. The export earnings

increased during 1997-98 due mainly to higher receipts from ready-made garments export (including those of knitwear and hosiery products) and tea. Import payments increased by 5.1 percent to \$ 7,524.0 million during 1997-98 as compared to 3.1 percent in 1996-97. The increase in export earnings at a higher rate than in import payments resulted in a decline in trade deficit by \$383.0 million to \$ 2,352.0 million during the year under report. The current account deficit narrowed by \$ 281.0 million to \$ 253.0 million during the year under report owing mainly to a decline in trade deficit and increase in wage earners' remittances. As a result, current account deficit declined to 0.75^P percent of GDP during 1997-98 from 1.6 percent of GDP in the preceding year. The overall balance of payments showed a surplus of \$ 82.0^P million in 1997-98 as against a deficit of \$ 169.0 million in 1996-97 due mainly to fall in current account deficit. Commodity aid, project aid and food aid declined by \$ 76.0^P million, \$ 84.0^P million and \$ 2.0^P million respectively during the year under report. During 1997-98 medium and long term (MLT) amortization payments decreased by \$ 18.0 million to \$ 445.0^P million.

1.23 In order to maintain international competitiveness of Bangladesh Taka and to expand export trade, Bangladesh

Bank continued to pursue a flexible exchange rate policy. Keeping in view the movements of Real Effective Exchange Rate (REER) and other macroeconomic indicators, the Taka-Dollar exchange rate was readjusted five times. As a result, Taka-Dollar exchange rate stood at US \$ 1 = Tk.46.30 on June 30, 1998 as against US \$ 1 = Tk. 43.65 on June 30, 1997. As such, Bangladesh Taka depreciated by 5.7 percent against the US Dollar during 1997-98.

1.24 Outstanding external debt of Bangladesh which stood at 43.7 percent of the country's GDP increased by \$ 440.0 million to \$ 14,813.0^P million by June 30, 1998. A total of \$ 445.0^P million was paid as principal and interest against external debt during 1997-98 which was 8.6^P percent of the country's export earnings compared with \$ 463.0 million or 10.5 percent of export earnings in 1996-97.

Short-Term Prospects

1.25 In order to co-ordinate the development activities, the Government has already approved the Fifth Five-Year Plan. The main strategy of the plan is to encourage investment in the private sector by creating necessary infrastructure facilities while maintaining overall stability. Efforts will be made to create employment opportunities and to

foster human resource development. Measures will be taken to improve the quality of life in the rural areas. Desired growth in the economy will provide extra resources for human development which, in turn, will accelerate economic growth. If the programmes aimed at accelerating growth, poverty alleviation and socio-economic stability are implemented successfully, it may be expected that the rate of growth of gross domestic product would increase in the years ahead. However, Aman production in vast areas of the country, cattle, houses and other physical infrastructures such as roads and rail communication etc. were badly damaged by devastating floods from the beginning of 1998-99. As a result, the growth of the agricultural and industrial sectors suffered substantially. So, if the comprehensive post-flood rehabilitation programme envisaging supply of free seeds and plants to the farmers, adequate credit, relaxed rules for loan sanctioning and rescheduling of repayment of overdue loans etc. could be implemented successfully, the fall in GDP growth due to the adverse effects of the flood might be restrained to some extent.

1.26 To accelerate the rate of growth of the industrial sector almost all the industries except some industries

^P Provisional

relating to state security have been opened for local and foreign investors. Under the circumstances, to encourage private investment in the industrial sector, arrangement may be made as early as possible, for removal of various impediments like discrepancies in laws, rules, regulations and contradictions in policy. Moreover, a supportive instead of controlling role of the Government in respect of establishment of industry is essential and all procedural and institutional formalities may be made easier. In order to encourage local and foreign investment, the facilities like concessional rates, relaxation of rules relating to exchange control, total exemption of duty on importable machinery for 100% export oriented industries, tax holiday, protection of industrial goods through tariff adjustment, simplification of import of raw materials, continuation of facilities for repatriation of dividend, invested fund/royalty and exemption from double taxation under bilateral agreements have been extended. Furthermore, measures for quick reinvigoration of potential sick industrial units and special arrangements for rehabilitation of the industrial units that were affected in the recent floods are expected to contribute to the overall increase in industrial production in 1998-99. More initiatives may however, be taken to establish

export-oriented industries to increase export earnings rapidly along with increase of local and foreign investment in the industrial sector and continuation of export-led growth-strategy. Besides, if all the Government facilities are extended in the newly established EPZs, it may be expected that investment in the export oriented industries will increase.

1.27 Various programmes have been taken for participation of the poor in overall economic activities. The programmes like introduction of old age allowance, initiation of housing projects, house building loan facility for the homeless poor and the establishment of an employment bank for the unemployed people may play an effective role in alleviating poverty in 1998-99. Moreover, the programmes that have been taken for economic infrastructure development after signing of the historic Chittagong Hill Tracts Agreement will contribute to alleviation of poverty as well as to gearing up regional development of the hilly areas. Nevertheless, it is essential to continue the implementation of different programmes for alleviation of poverty in the private sector during 1998-99. It may be expected that test relief together with VGF programme after flood and Food For Works programme will play special role to alleviate poverty by stimulating rural economy.

1.28 As a result of pursuance of a flexible exchange rate policy and a cautious monetary and credit policy, the growth of export is expected to increase somewhat while the growth of imports is expected to decline. However, unless right steps are taken in time to recoup the losses due to flood in agriculture, industry and other sectors, overall production may decline affecting adversely export earnings of the country during 1998-99. Moreover, sluggish world economic growth specially lower growth in Japan and Korea, large devaluation in Indonesia, Thailand and Malaysia during 1998-99 may depress the competitiveness of Bangladeshi products compared to the above countries in the international market and these may have a long-term impact on

exports. Besides, employment of Bangladesh nationals in Japan, Korea and newly industrialized countries of Asia may fall due to the adverse impact on the economic growth of these countries following the Asian crisis. Finally, remittances from the middle eastern countries may decrease due to the decline in employment of Bangladesh nationals in those countries because of the adverse economic situation there. However, if timely and realistic measures aimed at necessary reforms to face the competition of open market economy are taken, the above adverse impact on the Bangladesh economy could be successfully avoided. Thus overall economic activity may be expected to accelerate in near future.

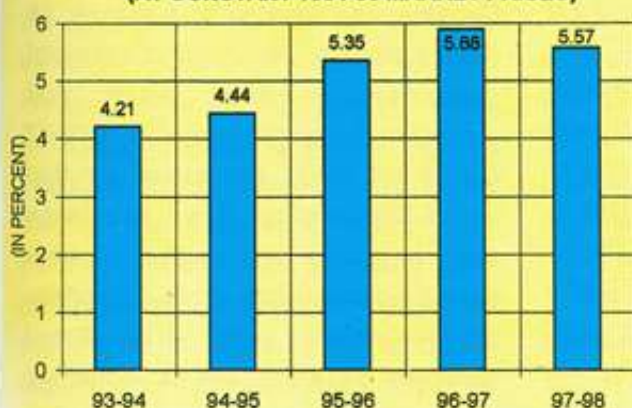
MAJOR SECTORS

Gross Domestic Product (GDP)*

2.1 Despite an increase in the growth rate of almost all the sectors except agriculture, the growth rate of GDP** declined to 5.6^P percent in 1997-98 from 5.9 percent in the previous year owing to a decline in the growth rate of the agriculture sector. The rate of growth in agriculture sector during 1997-98

industrial sector during the year under report increased substantially to 8.1^P percent in 1997-98 from 3.5 percent during the preceding year. The growth rate in construction sector increased to 6.2^P percent from 4.9 percent in the preceding year. The combined growth rate of electricity, gas, water and sanitary sectors increased to 5.8^P percent during the year under report as compared to 1.7 percent in the preceding year. The combined growth rate for the remaining sectors increased to 6.6^P percent as compared to 6.4 percent in the previous year. The detailed description of GDP has been given in the Table-2 of the Annexure.

**GROWTH RATE OF GROSS DOMESTIC PRODUCT (GDP)
(AT CONSTANT 1984-85 MARKET PRICES)**



decreased to 3.1^P percent as compared to 6.4 percent in the previous year. On the other hand, the rate of growth in the

Agriculture Sector

2.2 The growth rate in agriculture sector declined substantially to 3.1^P percent in 1997-98 from 6.4 percent in the preceding year because of a decline in Aman production due to inadequate rainfall. Production of

* Source : Bangladesh Bureau of Statistics.

** At constant 1984-85 market prices.

^P Provisional.

Aus and Aman crops stood at 18.74 lakh tons and 88.50 lakh tons respectively during the year under report which were 0.2 percent higher and 7.4 percent lower as compared to the preceding year's production of 18.71 lakh tons and 95.52 lakh tons respectively. On the other hand, Boro production stood at 81.37 lakh tons which was 9.1 percent higher than the preceding year's production of 74.60 lakh tons. A total of 188.61 lakh tons of rice was produced during the year under report which was 0.1 percent lower than the preceding year's production of 188.83 lakh tons. Production of wheat stood at 18.03 lakh tons during 1997-98 which was 24.0 percent higher than 14.54 lakh tons produced in the preceding year. In spite of lower production of rice, total food production increased due to higher production of wheat by 3.27 lakh tons or 1.6 percent to 206.64 lakh tons during 1997-98 as compared to 203.37 lakh tons produced in the preceding year. Food production had increased by 6.3 percent during 1996-97. Among other major crops, those which depicted increased production were : Jute (19.7%)^P and Potato (3.0%)^P. On the other hand, crops which recorded declines in the production were: Sweet Potato (2.0%)^P and Sugarcane (1.9%)^P.

Industrial Sector

2.3 The growth rate in the industrial sector increased substantially to 8.1^P percent in 1997-98 as against the growth rate of 3.5 percent in the previous year owing to the various supportive measures adopted by the Government during the year under report. Efforts for transferring the state-owned industrial/commercial enterprises to the private sector to achieve greater efficiency and increased production also continued during the year under report. The Privatisation Board transferred 12 state owned industrial/commercial enterprises to the Private sector during 1993-96. Decision was finalised to handover 18 state owned industrial/commercial enterprises (including assets and shares) to the private sector in 1996-97 out of the listed enterprises for that period. Privatisation Board has taken steps for transferring another 14 state owned industrial/commercial enterprises to the private sector. The Board identified 54 state owned industrial/commercial enterprises for privatisation during 1997-98. Besides, the Board has set a target of transferring 42 state owned industrial/commercial enterprises to the private sector during 1998-99.

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

P Provisional.

expediting the process of economic development through rapid industrialisation also continued during the year. To ensure unfettered development in the private sector, all industrial sectors were opened for private investment except the following five sectors viz. (a) arms, ammunition and defence accessories and machineries, (b) nuclear energy production, (c) security printing (paper currency) and mint, (d) afforestation and mechanical extraction in the protected forest areas and (e) air transport (except domestic transport) and railway. Besides, steps taken during the year under report for rapid increase of industrial production through attracting the foreign investment were as follows : (1) Tax holiday for 5-7 years (10 years for Export Processing Zones) and 15 years for power generation; (2) Import duty has been imposed at the rate of 7.5 percent on machineries and spare parts but no Import duty has been imposed on the import of machineries of 100% export oriented industries; (3) The system has been made easier for the foreign investors to repatriate their dividend, value of the invested assets, royalty, technical fee etc.; (4) permission has been given for 100% foreign investment; (5) Exemption from double

taxation subject to bilateral agreement; (6) Tax exemption on royalty, technical fee and salary of the foreign workers working in Bangladesh; and (7) Permission was given to those foreign citizens who have invested at least 75,000 US Dollar to live permanently in Bangladesh and arrangement was made to give citizenship to those foreign investors who have invested 5,00,000 US Dollar.

2.5 The average general index* of industrial production (all industries) increased by 10.6 percent to 196.91 in 1997-98 and the sub-indices of 'manufacturing', 'mining' and 'electricity' increased by 11.0 percent, 8.6 percent and 6.7 percent respectively to 199.08, 181.35 and 177.09 as compared to the preceding year. Industrial commodities** which showed increases in output during the year were : ready-made garments (+34.5 percent to Tk. 12,735.20^P crores), ceramic products (+23.9 percent to 36.62^P lakh dozens), sugar (+23.0 percent to 166.44^P thousand metric tons), chemical fertilizers (+14.6 percent to 20.31^P lakh metric tons), cigarettes (+11.0 percent to 20.64^P billion sticks), steel & M S products (+10.5 percent to 177.75^P thousand metric tons), tea

* Base : 1988-89 = 100

** Source : Bangladesh Bureau of Statistics.

P Provisional.

(+10.3 percent to 58.69^P thousand metric tons), natural gas (+ 8.1 percent to 7,990.00^P million cubic metres), petroleum products (+7.3 percent to 1,426.45^P thousand metric tons), cotton yarn (+5.8 percent to 53.06^P thousand metric tons), matches (+3.8 percent to 120.98^P lakh gross boxes), drugs and pharmaceuticals (+2.5 percent to Tk. 1,121.47^P crores), motor vehicle and motorcycle (+2.3 percent to 11.13^P thousands), edible oil (+1.6 percent to 26.44^P thousand metric tons), finished leather (+1.5 percent to 121.24^P lakh square metres) and jute textiles (+0.01 percent to 408.46^P thousand metric tons). On the other hand, industrial commodities the production of which declined were: newsprint (-72.3 percent to 7.67 thousand metric tons), leather footwear (-25.6 percent to 40.74^P lakh pairs), rubber footwear (-14.8 percent to 219.92^P thousand dozen of pairs), cotton cloth (-4.4 percent to 10.42^P lakh metres) and paper (-4.0 percent to 38.24^P thousand metric tons).

Investment in Private Sector Industries

2.6 A total of 1,588 industrial units involving an investment outlay of Tk. 20,368.44 crores were registered by the Board of Investment in the private

industrial sector during 1997-98. Of these, there were 140 joint venture/100% foreign investment oriented industries having an investment outlay of Tk. 15,307.92 crores. In the preceding year, 1,385 industrial units valued at Tk. 9,261.10 crores were registered in this sector of which 138 industrial units valued at Tk. 4,515.39 crores were joint venture/100% foreign investment oriented.

Food Situation

2.7 In view of lower production of Aman crops in 1997-98, internal procurement decreased but distribution increased due to import of substantial amount of foodgrains by the public and private sectors. Total availability of foodgrains in the country increased by 5.14 lakh tons to 196.03 lakh tons during the year under report. This was 2.7 percent higher than the preceding year's total availability of 190.89 lakh tons. The daily average per capita availability of foodgrains increased by 3.81 grams or 0.9 percent to 424.56 grams during 1997-98 from 420.75 grams during the preceding year. Total and daily average per capita availability of foodgrains are shown in the Table-2.1.

^P Provisional.

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

(In Lakh Tons)

Sources of Availability of Foodgrains	1996-97	1997-98	Changes
1	2	3	4
1. Net Domestic Production (excluding 10% for seed, feed and wastage)	183.03	185.98	+2.95 (+1.61)
2. Total Off-take	13.92	16.21	+2.29 (+16.45)
3. Internal Procurement	6.06	6.16	+0.10 (+1.65)
4. Total Availability for consumption (1+2-3)	190.89	196.03	+5.14 (+2.69)
5. Total Population (in million)	124.30	126.50	+2.20 (+1.77)
6. Daily Average Per Capita Availability (in gram)	420.75	424.56	+3.81 (+0.90)

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

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

2.8 Prices of foodgrains depicted an upward trend during 1997-98. The average minimum wholesale prices of coarse rice came down from Tk. 989.00 per quintal at the end of June, 1997 to Tk. 982.00 and Tk. 975.00 per quintal at the end of July and August, 1997 respectively. Thereafter, prices of rice increased gradually from Tk. 996.00 per

quintal at the end of September, 1997 to Tk. 1,416.00 per quintal at the end of March, 1998 due to unchanged Aus production and shortfall of Aman production. With the arrival of new Boro and Wheat crops in the market, prices of rice began to decline and stood at Tk. 1,245.00 and Tk. 1,185.00 per quintal at the end of April and May, 1998

respectively and slightly increased to Tk. 1,201.00 per quintal at the end of June, 1998. As a result, prices of rice increased by Tk. 212.00 or 21.4 percent during the year as a whole.

2.9 The target for import of foodgrains (including food aid) was re-fixed at 19.02 lakh tons during 1997-98. Against this target, 19.39 lakh tons of foodgrains (rice 10.93 lakh tons and wheat 8.46 lakh tons) were imported during the year under report. Import of foodgrains during 1996-97 was to the tune of 9.67 lakh tons (rice 0.34 lakh tons and wheat 9.33 lakh tons).

2.10 The target for internal procurement of foodgrains was placed at 6.30 lakh tons during 1997-98. Against this target, the volume of internal procurement of foodgrains stood at 6.16 lakh tons (rice 3.99 lakh tons and wheat 2.17 lakh tons) during the year under report. Internal procurement of foodgrains was 6.06 lakh tons (rice 5.04 lakh tons and wheat 1.02 lakh tons) during the preceding year.

2.11 The procurement prices of Aman paddy and rice were raised to Tk. 700.00 and Tk. 1,070.00 per quintal respectively on December 4, 1997 from Tk. 670.00 and Tk. 1,056.00 per quintal fixed on December 28, 1996. Procurement prices

of Irri/Boro paddy and rice were also raised to Tk. 755.00 and Tk. 1,200.00 per quintal respectively on May 4, 1998 from Tk. 700.00 and Tk. 1,100.00 per quintal fixed on June 9, 1997. Procurement price of wheat was raised and fixed at Tk. 880.00 per quintal on February 16, 1998 from Tk. 870.00 per quintal fixed on February 12, 1997.

2.12 The target for release of foodgrains from the Government stocks during 1997-98 was fixed at 16.30 lakh tons. Against this target, a total of 16.21 lakh tons (rice 5.28 lakh tons and wheat 10.93 lakh tons) was released from the Government stocks. Of this, 4.69 lakh tons were distributed for Food For Works Programme, 3.41 lakh tons for Food For Education Programme, 2.33 lakh tons for distribution through rationing system, 2.21 lakh tons for Vulnerable Group Development (VGD), and 3.57 lakh tons for other programmes. This amount was 16.5 percent higher than the distribution of 13.92 lakh tons (rice 7.39 lakh tons and wheat 6.53 lakh tons) during 1996-97.

2.13 Despite slight increase of import of foodgrains by the Government during 1997-98, the stock of foodgrains declined by 27.0 percent to 6.29 lakh tons (rice 3.51 lakh tons and wheat 2.78 lakh tons) at the end of June, 1998 as

against the stock of 8.61 lakh tons (rice 3.95 lakh tons and wheat 4.66 lakh tons) at the end of June, 1997 due to increased distribution of foodgrains by the Government.

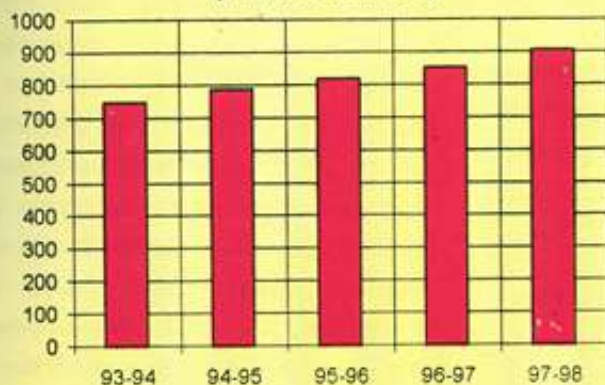
Price Situation

2.14 The overall price situation showed an upward trend in the country during 1997-98 due mainly to short-fall in Aman production, the rise in fuel and electricity price, devaluation of Taka and increase of credit to the private sector. The rate of inflation as computed by the Bangladesh Bureau of Statistics (BBS) and measured by twelve months'

the other hand, the rate of inflation (national) as measured by Consumer Price Index (Base: 1985-86=100) on twelve months' average basis stood at 7.0 percent during 1997-98. The rate of inflation (national) was 2.5 percent in 1996-97. The increase in prices during the year was more pronounced in 'food' sub-index as compared to 'non-food' sub-index. In Consumer Price Index (Base: 1973-74=100) for Dhaka City Middle Class People, the sub-index for 'food' items increased by 7.2 percent while that for 'non-food' items rose by 5.1 percent during 1997-98. The increases in these sub-indices in the previous year

were 4.9 percent and 2.5 percent respectively. Of the different sub-indices of the Consumer Price Index for 1997-98, 'food' sub-index increased by 7.2 percent to 870.53 and 'non-food' sub-index increased by 5.1 percent to 959.57. The magnitudes of increases in other sub-indices of 'non-food' sub-index were: 'fuel and lighting' 2.5 percent

**CONSUMER PRICE INDICES OF
MIDDLE INCOME FAMILIES AT DHAKA
(TWELVE MONTHS' AVERAGE BASIS)
(BASE:- 1973-74=100)**



average of consumer price indices for middle income families in Dhaka city (1973-74 = 100) stood at 6.3 percent during the year 1997-98. The rate of inflation was 3.9 percent in 1996-97. On

to 1,081.72, 'housing and household requisites' 4.0 percent to 1,109.82, 'clothing and footwear' 4.2 percent to 492.84, and 'miscellaneous' 8.6 percent to 976.42.

Savings and Investment*

2.15 Gross domestic savings at current market prices during 1997-98 increased by Tk. 1,632.90 crores or 15.5 percent to Tk. 12,173.30^P crores. Gross domestic savings as percentage of GDP increased from 7.5 percent in the preceding year to 7.9^P percent during

the year under report. Gross investments at current market prices increased by Tk. 808.00 crores or 3.3 percent to Tk. 25,050.70^P crores during 1997-98. The ratio of gross investment to GDP, however, decreased from 17.3 percent in the preceding year to 16.3^P percent during the year under report.

* Source : Bangladesh Bureau of Statistics.
^P Provisional.

MONEY AND BANKING

3.1 A cautious monetary and credit policy was pursued during 1997-98 to contain the rising trend of inflation, increase the level of foreign exchange reserves and ease pressure on exchange rate. The policy also ensured that the production in various sectors of the economy is not hampered due to shortage of liquidity. Bank Rate was raised as part of implementation of monetary policy during the year under report while open market operation also pursued simultaneously. As a result, moderate growth in money and credit was recorded which, in turn, played an effective role to maintain balance in foreign trade, increase foreign exchange reserves and contain the rate of inflation at a tolerable limit. With a view to expanding the industrial sector and developing export trade of the country due emphasis was placed on increased flow of credit to the private sector during the year under report. Stringent measures were taken for recovery of default loans to ensure flow of credit to the private sector by maintaining normal liquidity position of the banks.

3.2 Money supply or Narrow Money (M_1) increased by Tk. 721.50 crores or

4.8 percent to Tk. 15,888.50 crores during 1997-98 as compared to the expansion of 4.9 percent in the preceding year. Broad Money (M_2) rose by Tk. 5,158.10 crores or 10.2 percent to Tk. 55,869.10 crores during the year under report. This was lower compared to the programmed expansion of 12.3 percent for the year under report. The rate of increase in Broad Money (M_2) was 10.8 percent in the preceding year.

3.3 Reserve money^{1/} increased by 9.9 percent to Tk. 13,617.60 crores during 1997-98 as compared to the rise of 12.7 percent in the preceding year. The Reserve/Deposit Ratio^{2/} of the banks increased from 0.085 of the preceding year to 0.088 during the year under report. On the other hand, the Currency/Deposit Ratio declined to

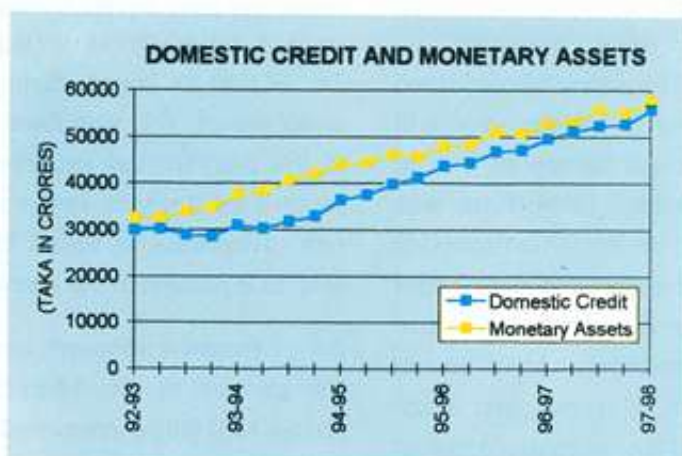
1/ Reserve Money : Currency outside banks + Cash reserves including deposits in the WES clearing account of the Deposit Money Banks (DMB) with the Bangladesh Bank + Cash in tills of the DMB.

2/ a) Reserve of the banks: Cash reserves including deposits in the WES clearing account of the DMB with the Bangladesh Bank.
b) Deposits of the Banks: Demand Deposits + Time Deposits + Government Deposits + Restricted Deposits.

0.175 during the year under report from 0.182 in the previous year.

3.4 Total domestic credit went up by Tk. 6,243.60 crores or 12.6 percent to

Tk. 55,640.20^{3/} crores during 1997-98 as compared to the programmed expansion of 12.5 percent for the year. The actual expansion of domestic credit was 13.7 percent in 1996-97.



Narrow Money (M_1)

3.5 Of the components of Narrow Money (M_1), currency outside banks increased by Tk. 578.70 crores or 7.6 percent to Tk. 8,153.30 crores and demand deposits went up by Tk. 142.80

crores or 1.9 percent to Tk. 7,735.20 crores during 1997-98. The quarterly trend of the changes in money supply and its components during 1997-98 is shown in Table-3.1.

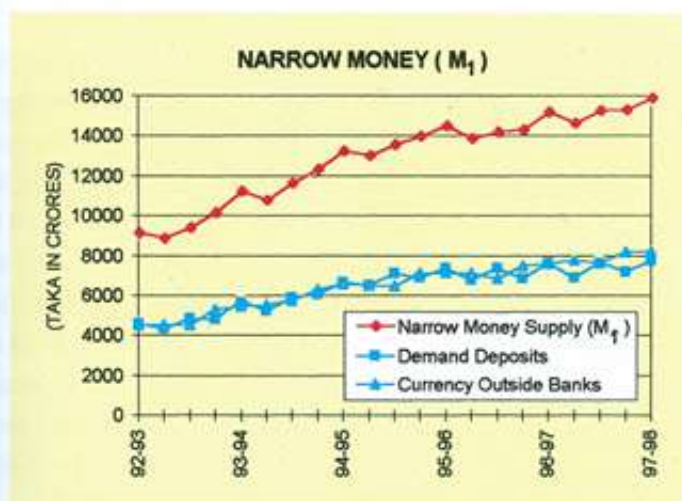
TABLE-3.1
NARROW MONEY (M_1)

(Taka in Crores)

As on	Currency Outside Banks	Demand Deposits [@]	Money Supply (M_1)	Changes in Money Supply : increase (+) /decrease (-)
1	2	3	4	5
June 30, 1997	7,574.60	7,592.40	15,167.00	+885.80
September 30, 1997	7,753.70	6,872.30	14,626.00	-541.00
December 31, 1997	7,607.40	7,655.90	15,263.30	+637.30
March 31, 1998	8,155.20	7,142.30	15,297.50	+34.20
June 30, 1998	8,153.30	7,735.20	15,888.50	+591.00

3/ Includes adjustment of Bonds issued by the Government.

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



Causes of the changes in Narrow Money (M₁)

3.6 An analysis of the causes of the change in Narrow Money (M₁) during 1997-98 reveals that expansion of credit to the private sector, government sector, public sector and surplus in the foreign sector (net) to the tune of Tk. 4,613.10

crores, Tk. 1,254.80^{3/} crores, Tk. 375.70 crores and Tk. 248.90 crores respectively totalling Tk. 6,492.50 crores exerted expansionary impact on money supply. However, accruals of Tk. 4,436.60 crores in time deposits, and decline of Tk. 1,334.40 crores in

other asset (net) contributed largely to offset the above expansionary influences. As a result, the expansion of money supply during the year under report amounted to Tk. 721.50 crores. The causes of the changes in narrow money are shown in Table-3.2.

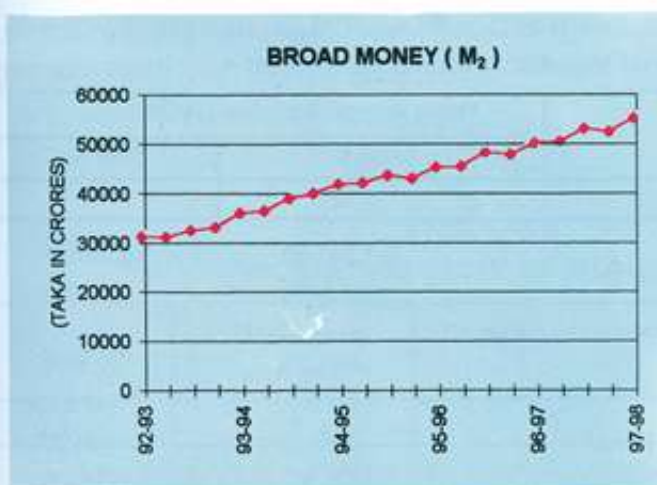
TABLE- 3.2
CAUSES OF THE CHANGES IN NARROW MONEY (M₁)

(Taka in Crores)

Particulars	June 30, 1997	June 30, 1998	Changes
1	2	3	4
1. Currency Outside Banks	7,574.60	8,153.30	+578.70
2. Demand Deposits*	7,592.40	7,735.20	+142.80
Narrow Money (M₁)	15,167.00	15,888.50	+721.50
Causes:			
Expansion (+)/Contraction(-)			
1. Credit to the Government Sector (including public)			+1,630.50
i) Government Sector (net)			+1,254.80
ii) Public Sector			+375.70
2. Credit to the Private Sector			+4,613.10
3. Time Deposits (increase-)			-4,436.60
4. Foreign Assets (net)			+248.90
5. Other Assets (net)			-1,334.40
Total :			+721.50

^{3/} Includes adjustment of bonds issued by the Government.

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



Reserve Money

3.8 Reserve Money increased by Tk. 1,223.10 crores or 9.9 percent to Tk. 13,617.60 crores during 1997-98 as compared to the rise of Tk. 1,391.50 crores or 12.7 percent during the preceding year. Of the components of Reserve Money, currency outside banks increased by Tk. 578.70 crores or 7.6 percent in 1997-98 as compared to the rise of Tk. 451.30 crores or 6.3 percent in the preceding year. The scheduled banks' balances with the Bangladesh Bank increased by Tk. 601.20 crores or 15.3 percent during the year under

report as compared to the increase of Tk. 836.10 crores or 26.9 percent in the preceding year. Scheduled banks' cash in tills increased by Tk. 43.20 crores or 4.9 percent during the year under report as against the rise of Tk. 104.10 crores or 13.4 percent in the preceding year. An analysis of the causative factors of

the changes in Reserve Money during the year under report reveals that the increase in Bangladesh Bank's credit to the government sector (net) by Tk. 806.60 crores, to scheduled banks by Tk. 149.10 crores, to other financial institutions by Tk. 212.20 crores and surplus of Tk. 384.70 crores in net foreign assets mainly contributed to the expansion of reserve money. On the other hand, a contraction of Tk. 329.50 crores in other assets (net) partly off-set the expansionary impact of those sectors. A comparative statement of the components of Reserve Money and its sources is given in Table-3.4.

Broad Money (M₂)

3.7 Broad Money (M₂) increased by Tk. 5,158.10 crores or 10.2 percent to Tk. 55,869.10 crores during 1997-98 as compared to the rise of Tk. 4,951.00 crores or 10.8 percent in the preceding year. Of the components of Broad Money, time deposits rose by 12.5 percent, currency outside banks by 7.6 percent and demand deposits by 1.9 percent during 1997-98 as compared to the increases of 13.6 percent, 6.3

percent and 3.5 percent respectively in the preceding year. The percentage shares of time deposits, demand deposits and currency outside banks in Broad Money stood at 71.6 percent, 13.8 percent and 14.6 percent respectively at the end of June, 1998 as compared to 70.1 percent, 15.0 percent and 14.9 percent respectively at the end of June, 1997. The changes in Broad Money and its different components during 1996-97 and 1997-98 are shown in Table-3.3.

TABLE-3.3
BROAD MONEY (M₂)

(Taka in Crores)

Particulars	June 30, 1996	June 30, 1997	June 30, 1998	Percentage	Changes
				1996-97	1997-98
1	2	3	4	5	6
1. Currency Outside Banks	7,123.30	7,574.60	8,153.30	+6.3	+7.6
2. Demand Deposits*	7,336.10	7,592.40	7,735.20	+3.5	+1.9
3. Time Deposits*	31,300.60	35,544.00	39,980.60	+13.6	+12.5
Total (M₂) :	45,760.00	50,711.00	55,869.10	+10.8	+10.2

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

TABLE- 3.4
CHANGES IN THE COMPONENTS OF RESERVE
MONEY AND ITS SOURCES (Taka in Crores)

Particulars	Yearly change: Increase (+)/Decrease (-)	
	1996-97	1997-98
1	2	3
Reserve Money	+1,391.50	+1,223.10
	(+12.65)	(+9.87)
Components of Reserve Money		
1. Currency Outside Banks	+451.30	+578.70
	(+6.34)	(+7.64)
2. Deposits of the Scheduled Banks* with the Bangladesh Bank*	+836.10	+601.20
	(+26.94)	(+15.26)
3. Cash in Tills of the Scheduled Banks	+104.10	+43.20
	(+13.41)	(+4.91)
Sources of Reserve Money		
1. Net Credit to the Government Sector	+1,452.10	+806.60
	(+47.82)	(+17.97)
2. Credit to the Scheduled Banks	+166.60	+149.10
	(+5.47)	(+4.14)
3. Credit to the Other Institutions	-2.90	+212.20
	(-0.24)	(+17.79)
4. Foreign Assets (net)	-376.60	+384.70
	(-6.99)	(+7.68)
5. Other Assets (Net)	+132.30	-329.50
	(+6.51)	(-17.35)
a. Bangladesh Bank Bill	+299.50	0
b. Other Assets	-167.20	-329.50

Note: Figures in the parentheses indicate percentage changes.

* Including balances in the Wage Earners' Clearing Account.

Income Velocity of Money

3.9 The income velocity of money (GDP/M₂) declined slightly to 2.76

during 1997-98 from 2.77 in the preceding year. The income velocity of money is shown in Table-3.5.

TABLE-3.5
INCOME VELOCITY OF MONEY (Taka in Crores)

Year	GDP at current market price*	Broad Money (M ₂)**	Income Velocity of Money
1	2	3	* 4 = (2 ÷ 3)
1995-96	1,30,160.00	45,760.00	2.84 (+2.53)
1996-97	1,40,304.50	50,711.00	2.77 (-2.81)
1997-98	1,54,092.30 ^P	55,869.10	2.76 (-0.36)

Note: Figures in the brackets indicate percentage changes.

* Source: Bangladesh Bureau of Statistics.

** End June position.

P Provisional.

Domestic Credit

3.10 Total domestic credit increased by Tk.6,243.60 crores or 12.6 percent to Tk.55,640.20[@] crores during 1997-98 as compared to the increase of Tk.5,944.20 crores or 13.7 percent in the preceding year. An expansion of credit to the Government, Public and Private Sectors to the extent of Tk.1,254.80 crores (15.7%), Tk.375.70 crores (6.4%) and Tk.4,613.10 crores (13.0%) respectively

contributed to the expansion in total domestic credit during the year under report. Credit to the Government, Public and Private Sectors went up by 27.1 percent, 7.2 percent and 12.2 percent respectively in the preceding year. Particulars/data relating to total domestic credit has been shown in Table-4 of the Annexure and its yearly change in the Table-3.6.

[@] Including adjustments of bonds issued by the Government.

TABLE-3.6
DOMESTIC CREDIT

(Taka in Crores)

Particulars	Annual Change : Increase (+)/Decrease (-)	
	1996-97	1997-98
1	2	3
Total Domestic Credit	+5,944.20 (+13.7)	+6,243.60 (+12.6)
1) Government Sector	+1,707.00 (+27.1)	+1,254.80 (+15.7)
2) Public Sector	+392.10 (+7.2)	+375.70 (+6.4)
3) Private Sector	+3,845.10 (+12.2)	+4,613.10 (+13.0)

Note : Figures in the parentheses indicate percentage changes.

Bank Credit

3.11 The outstanding level of bank credit (excluding foreign bills and inter-bank items) increased by Tk.5,119.00 crores or 13.1 percent to Tk.44,077.90 crores during 1997-98 as compared to the rise of Tk.4,277.70 crores or 12.3 percent in the preceding year. Of the

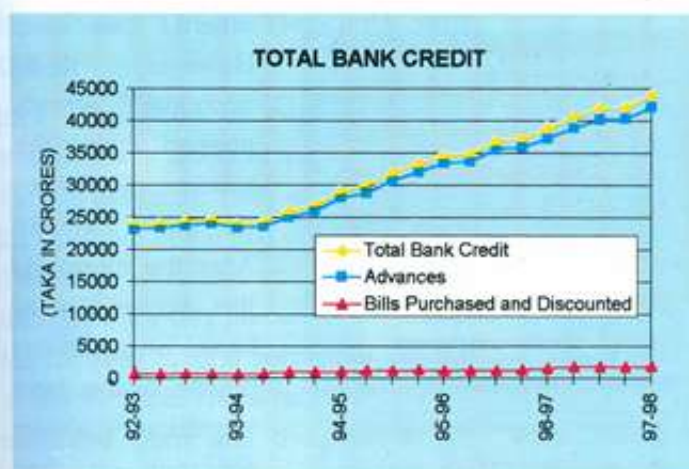
components of bank credit, advances increased by Tk.4,794.80 crores or 12.9 percent and the bills purchased and discounted went up by Tk.324.20 crores or 19.3 percent during the year under report. The quarterly movements of Bank credit are shown in Table-3.7.

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
June 30, 1997	37,277.60	1,681.30	38,958.90	95.7	4.3
September 30, 1997	38,921.30	1,834.70	40,756.00	95.5	4.5
December 31, 1997	40,285.00	1,810.20	42,095.20	95.7	4.3
March 31, 1998	40,312.20	1,854.60	42,166.80	95.6	4.4
June 30, 1998	42,072.40	2,005.50	44,077.90	95.5	4.5

* Excluding foreign bills and inter-bank items.



Bank Deposits

3.12 Bank deposits (excluding inter-bank items) increased by Tk. 5,251.80 crores or 11.3 percent to Tk. 51,890.40 crores during 1997-98 as compared to the rise of Tk. 4,702.10 crores or 11.2

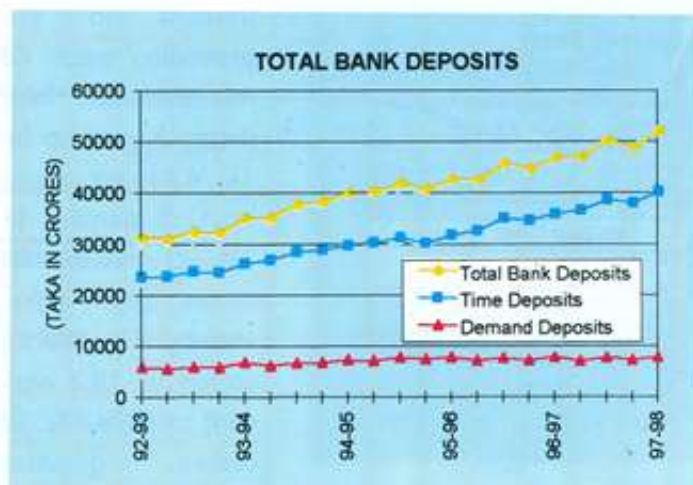
percent in the preceding year. Of this increase, time deposits went up by Tk. 4,436.60 crores or 12.5 percent to Tk. 39,980.60 crores, govt. deposits by Tk. 673.50 crores or 19.3 percent to Tk. 4,172.60 crores, demand deposits increased by Tk. 142.80 crores or 1.9 percent to Tk. 7,735.20 crores during the period under report. On the other hand, restricted deposits decreased by Tk. 1.10 crores. The quarterly movements of bank deposits are shown in Table-3.8.

TABLE-3.8
BANK DEPOSITS* (Taka in crores)

As on	Demand Deposits	Time Deposits	Government Deposits	Total Deposits**	Demand Deposits as % of Total Deposits	Time Deposits as % of Total Deposits	Government Deposits as % of Total Deposits
1	2	3	4	5	6	7	8
June 30, 1997	7,592.40	35,544.00	3,499.10	46,638.60	16.3	76.2	7.5
Sept. 30, 1997	6,872.30	36,368.00	3,519.10	46,762.20	14.7	77.8	7.5
Dec. 31, 1997	7,855.90	38,381.00	3,957.10	49,997.20	15.3	76.8	7.9
March 31, 1998	7,142.30	37,749.40	3,790.20	48,684.00	14.7	77.5	7.8
June 30, 1998	7,735.20	39,980.60	4,172.60	51,890.40	14.9	77.0	8.1

* Excluding inter-bank items.

** Including restricted deposits.



nment decision. However, the accounts already opened under this scheme will continue till their maturity. After the closing of this scheme many banks of public and private sectors have introduced similar schemes on their own initiatives. The year-wise outstanding position of

deposits under the discontinued Deposit Pension Scheme are shown in Table-3.9.

Deposit Pension Scheme

3.13 Deposit Pension Scheme was withdrawn in 1994-95 following a Gover-

TABLE-3.9
OUTSTANDING POSITION OF DEPOSITS UNDER
THE DISCONTINUED DEPOSIT PENSION SCHEME (Taka in Crores)

Date	Deposit Balance	Changes
1	2	3
June 30, 1990	796.05	+227.68 (+40.76)
June 30, 1991	1,036.00	+239.95 (+30.14)
June 30, 1992	1,397.83	+361.83 (+34.93)
June 30, 1993	1,807.97	+410.14 (+29.34)
June 30, 1994	2,162.27	+354.30 (+19.60)
June 30, 1995	2,475.74	+313.47 (+14.50)
June 30, 1996	2,825.22	+349.48 (+14.12)
June 30, 1997	3,061.57	+236.35 (+8.37)
June 30, 1998	3,254.43	+192.86 (+6.30)

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

Rural and Urban Deposits and Credit

3.14 The share of rural deposits in total deposits stood at 22.7 percent at the end of March, 1998 as compared to 22.1 percent at the end of March, 1997. The share of rural credit in total credit declined from 19.1 percent at the end of March, 1997 to 17.4 percent at the end of March, 1998. The amount of deposits mobilised from and the outstanding credit extended to the rural areas at the end of March, 1998 stood at Tk.11,170.84 crores and Tk.7,966.25

crores respectively as compared to Tk.9,823.92 crores and Tk.7,665.23 crores respectively at the end of March, 1997. It was observed that of the total credit, the share of credit to the rural areas was lower as compared to the share of rural deposits while the share of credit to total credit was higher in the urban areas as compared to the share of urban deposits. The percentage share of bank deposits and credit in rural and urban areas are shown in Table-3.10.

TABLE-3.10
PERCENTAGE SHARE OF BANK DEPOSITS AND CREDIT
IN RURAL AND URBAN AREAS

Date	Deposits (in percent)		Credit (in percent)	
	Rural	Urban	Rural	Urban
1	2	3	4	5
June 30, 1991	21.4	78.6	21.9	78.1
December 31, 1991	21.3	78.7	19.2	80.8
June 30, 1992	21.5	78.5	19.9	80.1
December 31, 1992	21.9	78.1	19.8	80.2
June 30, 1993	21.8	78.2	19.0	81.0
December 31, 1993	22.7	77.3	19.3	80.7
June 30, 1994	22.1	77.9	19.9	80.1
December 31, 1994	21.9	78.1	19.9	80.1
June 30, 1995	22.0	78.0	19.7	80.3
December 31, 1995	22.1	77.9	19.8	80.2
June 30, 1996	22.7	77.3	19.7	80.3
December 31, 1996	22.1	77.9	19.1	80.9
June 30, 1997	22.7	77.3	18.6	81.4
December 31, 1997	23.1	76.9	17.8	82.2
March 31, 1998	22.7	77.3	17.4	82.6

Rural and Urban Deposits and Credit

3.14 The share of rural deposits in total deposits stood at 22.7 percent at the end of March, 1998 as compared to 22.1 percent at the end of March, 1997. The share of rural credit in total credit declined from 19.1 percent at the end of March, 1997 to 17.4 percent at the end of March, 1998. The amount of deposits mobilised from and the outstanding credit extended to the rural areas at the end of March, 1998 stood at Tk.11,170.84 crores and Tk.7,966.25

crores respectively as compared to Tk.9,823.92 crores and Tk.7,665.23 crores respectively at the end of March, 1997. It was observed that of the total credit, the share of credit to the rural areas was lower as compared to the share of rural deposits while the share of credit to total credit was higher in the urban areas as compared to the share of urban deposits. The percentage share of bank deposits and credit in rural and urban areas are shown in Table-3.10.

TABLE-3.10
PERCENTAGE SHARE OF BANK DEPOSITS AND CREDIT
IN RURAL AND URBAN AREAS

Date	Deposits (in percent)		Credit (in percent)	
	Rural	Urban	Rural	Urban
1	2	3	4	5
June 30, 1991	21.4	78.6	21.9	78.1
December 31, 1991	21.3	78.7	19.2	80.8
June 30, 1992	21.5	78.5	19.9	80.1
December 31, 1992	21.9	78.1	19.8	80.2
June 30, 1993	21.8	78.2	19.0	81.0
December 31, 1993	22.7	77.3	19.3	80.7
June 30, 1994	22.1	77.9	19.9	80.1
December 31, 1994	21.9	78.1	19.9	80.1
June 30, 1995	22.0	78.0	19.7	80.3
December 31, 1995	22.1	77.9	19.8	80.2
June 30, 1996	22.7	77.3	19.7	80.3
December 31, 1996	22.1	77.9	19.1	80.9
June 30, 1997	22.7	77.3	18.6	81.4
December 31, 1997	23.1	76.9	17.8	82.2
March 31, 1998	22.7	77.3	17.4	82.6

Credit/Deposit Ratio

3.15 The credit/deposit ratio (excluding the specialised banks) or the scheduled banks which stood at 0.78 at the end of June, 1997 remained unchanged at the end of December, 1997 and also at the end of June, 1998.

Scheduled Banks' Borrowings from The Bangladesh Bank

3.16 The scheduled banks' borrowings from the Bangladesh Bank increased by Tk.112.90 crores to Tk. 4,041.40 crores as on June 30, 1998 from Tk. 3,928.50 crores as on June 30,1997.

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

3.17 The Scheduled banks' balances with the Bangladesh Bank increased by Tk.621.50 crores to Tk.4,339.40 crores and their cash in tills increased by Tk.43.20 crores to Tk.923.30 crores during the year under report. The scheduled banks' comparative position in this respect is shown in Table-8 of the Annexure.

Cash Reserve Requirements of the Scheduled Banks with the Bangladesh Bank

3.18 Cash Reserve Requirements of the scheduled banks with the Bangladesh Bank remained unchanged

at 5 percent of their total liabilities* (Demand and Time Deposits) during 1997-98.

Statutory Liquidity Requirement of the Scheduled Banks with the Bangladesh Bank

3.19 Statutory Liquidity Requirement of all scheduled banks except the banks operating under Islamic Shariah and the specialised banks remained unchanged at 20 percent of their total liabilities* (Demand and Time Deposits). Statutory Liquidity Requirement for the Islamic banks remained unchanged at 10 percent of their total liabilities. On the other hand, the exemption from the liquidity requirement as allowed earlier to the specialised banks continued during the year under report.

Bank Rate

3.20 In order to reduce the dependence of the banks on the central bank and motivate them to put more emphasis on the generation of their own resources to carry out the credit programme, the Bank Rate was revised upward during 1997-98. Bank Rate was increased from 7.5 percent to 8.0 percent on November 24, 1997 which remained unchanged up to end June, 1998. The Bank Rate and other related rates of interest have been given in Table-9 of the Annexure.

* Excluding inter-bank items.

Interest Subsidy to the Banks

3.21 In order to increase productivity and employment in the country by encouraging investments in the small and cottage industries, the provision for extending interest subsidy at a rate of 3.0 percent to this sector against term loans of the banks continued during the year under report. The particulars relating to the rate of subsidy are given in Table-9 of the Annexure.

Credit Operation from Export Development Fund(EDF)

3.22 Loan amounting to US\$ 97.01 million was extended to the exporters during 1997-98 from the Export Development Fund created with the joint collaboration of the Government of Bangladesh (GOB) and the International Development Association (IDA) through the commercial banks for import of necessary raw materials, spare parts, packing materials for production of non-traditional exports. This amount of the loan was 11.2 percent higher compared to last year. The lion's share of the loan was availed of by exporters of readymade garments.

Financial Sector Reform Programme

3.23 To ensure an effective role of the financial sector in the economic

development, the implementation of the steps under the Financial Sector Reform Programme that ended in December, 1996 also continued during 1997-98. In order to introduce market-based interest rates system, complete freedom given to the banks in fixing interest rates on loans and advances to all the sectors except agriculture, export and small and cottage industries remained in force. To make interest rates determination more market-oriented, floor rates on deposit were withdrawn in February, 1997 giving banks complete freedom to fix their own rates. This also remained in force during 1997-98. Details of the steps taken under the Financial Sector Reform Programme are described below:

1) Indirect Monetary Management

Auctions of the "91-Day Bangladesh Bank Bill" and "30-Day Bangladesh Bank Bill" which were introduced to facilitate indirect monetary management was stopped from April, 1997. It was decided that only Government treasury bills would be issued through auctions in line with open market economy from that time. From that time Government treasury bill has been used as a tool of indirect monetary management. Under this decision, 30-day, 90-day, 180-day and 1-year Government treasury bills

were issued through auctions by the Bangladesh Bank.

2) Strengthening Commercial Banking

The commercial banks completed the fourth phase of loan classification in December, 1997 under the phase-wise classification programme undertaken to improve the classification of loans and rules of provisioning against them to international standards. Under the fifth phase, quarterly loan classification for the first quarter was completed by March, 1998. Banks have completed determination of capital adequacy on the basis of June, 1997 and December, 1997 accounts against the new norms of maintaining capital equal to 8% of risk-weighted assets in place of liability-based assets. In order to expedite recovery of overdue loans, two Financial Loan Courts and one Bankruptcy Court were set up in Dhaka, while one Financial Loan Court and one Bankruptcy Court were set up in Chittagong. These courts started their operations in Dhaka and Chittagong from April, 1998 and June, 1998 respectively. Henceforth, these Financial Loan Courts and Bankruptcy Courts will try all loan default cases of the commercial banks.

3) Strengthening Central Bank's Supervision

The "CAMEL Rating" system introduced in the process of strengthening and modernizing central bank's supervision and inspection to provide early warning to the problem banks continued this year. The "Problem Bank Monitoring Department" set up in the Bangladesh Bank has been reviewing carefully the activities of the problem banks and taking necessary steps accordingly. The "Large Loan Monitoring Cell" of the Bangladesh Bank continued to assist commercial banks in taking necessary precaution in sanctioning large loans. The "Credit Information Bureau" (CIB) supplies important information on defaulted loans to banks and other financial institutions.

In order to strengthen and update central bank's supervision activities, some steps were taken during the year under report. One Deputy Governor of the Bangladesh Bank has been looking after bank supervision exclusively. Besides, a high-powered "Supervision Committee" has been formed in the Bangladesh Bank and it meets every fortnight. The terms of reference for this Committee include: (1) to make policies and fix

strategies relating to all matters of bank supervision; (2) to approve annual inspection programmes prepared by the concerned departments; (3) to co-ordinate on-site and off-site supervision activities; (4) review the progress of inspection programmes and review and settle reported problems; (5) to review and settle problems, if any, in the interim report of the inspection teams; (6) to make necessary arrangements for improving capability and quality of the bank supervision personnel; (7) to take necessary steps for implementing the approved recommendations of the inspection report by correcting the inspection format; (8) to finalize action plan through discussion with the bank authorities after inspection reports are sent to the concerned banks. On the basis of complaints received at the complaint booth at the Head Office of the Bangladesh Bank, one special inspection sub-division has been created in the Inspection Department of the Head Office of the Bangladesh Bank for conducting special inspection. Similar complaint booths and inspection cells will be opened in all the branch offices of the Bangladesh Bank. Besides these, a decision has been taken to reorganize the inspection department to make inspection activities more dynamic and effective.

4) Commercial Banking Restructuring Project

In order to overcome the problems prevailing in the banking sector and to make monetary management more dynamic the "Commercial Banking Restructuring Project" was put in place in May, 1997. The main objectives of this project are :

- (1) To create a legal environment congenial to loan recovery;
- (2) To strengthen the efforts to make nationalized banks more efficient;
- (3) To further strengthen the supervision and regulation capacity of the Bangladesh Bank;
- (4) To restructure capital base of the private banks and
- (5) To train the bank officials.

It may be noted that some steps have already been taken to achieve these objectives.

Monetary/Credit Policy and Banking Support Measures

3.24 Monetary and credit policy of the country was formulated with a view to accelerating the pace of economic activities during 1997-98. With this objective in view, the important steps taken by the Bangladesh Bank were as under:

i. In view of excess flow of credit to the private sector and increasing trend in inflationary situation during the first half of 1997-98, the Bank Rate was raised from 7.5 percent to 8.0 percent with effect from November 24, 1997.

ii. Banks were allowed to provide credit against shares/debentures of the companies enlisted with the stock exchanges up to 60 percent instead of 50 percent of six month average market value of the share/debentures with effect from January 26, 1998 on the basis of banker-customer relationship. In case of individual borrower the highest limit of bank advances was enhanced to Tk. 25.00 lakhs from Tk. 20.00 lakhs and for the members of the stock exchange the limit was enhanced to Tk. 75.00 lakhs from Tk.50.00 lakhs.

iii. It was decided that in order to assess capital adequacy of banks the balance in the Exchange Equalisation A/C would be treated as Supplementary Capital.

iv. To broaden the money market of the country the non-banking financial institutions were allowed to participate in the call money market.

v. Scheduled banks were advised to provide cash assistance instead of

custom-bond and duty-drawback facility against relevant applications equivalent to the local producer/ /supplier of fabrics against direct or deemed export of fabrics on the basis of banker-customer relationship.

vi. In order to use SWIFT(Society for World-wide Interbank Telecommunication) facility in connection with financial transactions with the external world Authorised Dealers were allowed to make contract to remit charges/fees against invoices for installation and use of SWIFT facility at authorised dealers' offices as in the case of installation and use of Reuters monitor services without prior permission of the Bangladesh Bank.

vii. To ease the process of allocating 5.0 percent of the initial public offerings of the joint stock companies registered in Bangladesh to the non-residents, it was approved that the amount of foreign exchange received for share subscription would be deposited in the foreign currency account of the respective company.

viii. It was decided to issue money changers' license for the individuals/institutions interested to

undertake foreign exchange transactions within a limited scale with the incoming/outgoing tourists as the sole business. Some guidelines were issued later on to broaden the scope of the activities of the money changing license holders. These included :

a) Up to US \$ 1,000(One thousand) or equivalent foreign currency per head could be sold to the outgoing Bangladeshi nationals travelling abroad against their personal travel quota.

b) The excess amount of foreign exchange holding in addition to the approved limit of end day balance of US \$25,000 (Twenty Five thousand) and the travellers cheques bought from incoming tourists may be kept in an account opened in the same bank branch in the name of money changing institutions without selling foreign exchange to the approved dealer bank. The upper limit of this account will be US \$ 50,000 (Fifty thousand).

ix) Government Treasury Bills Auction

(a) 30-Day Government Treasury Bill

During 1997-98, 51 auctions of the "30-day Treasury Bill" were held. In

these auctions 2,512 tenders valued at Tk.26,404.40 crores were received. Of these, 1,599 tenders valued at Tk.20,123.20 crores were accepted. The average annual weighted return to the buyers of the bills varied between 7.8 percent to 8.8 percent. The outstanding balance against the bill stood at Tk.1,001.50 crores at the end of June, 1998.

(b) 90-Day Government Treasury Bill

During 1997-98, 51 auctions of the "90-Day Treasury Bill" were held. In these auctions 265 tenders valued at Tk.1,017.00 crores were received. Of these, 47 tenders valued at Tk.143.50 crores were accepted. The average annual weighted return to the buyers of the bills varied between 8.5 percent and 9.1 percent. The outstanding balance against the bill stood at Tk.10.00 crores at the end of June, 1998.

(c) 180-Day Government Treasury Bill

During 1997-98, 51 auctions of the "180-Day Treasury Bill" were held. In these auctions 91 tenders valued at Tk. 327.00 crores were received. Of these 7 tenders valued at Tk. 25.50 crores were accepted. The average

annual weighted return to the buyers of the bills varied between 8.6 percent and 8.8 percent. As no bills were accepted after August, 1997, the outstanding balance against the bill was nil by the end of June, 1998.

(d) 1-year Government Treasury Bill

During 1997-98, 51 auctions of the "1-year Treasury Bill" were held. In these auctions 747 tenders valued at Tk. 4,572.61 crores were received. Of these, 196 tenders valued at Tk.1,584.00 crores were accepted. The average annual weighted return to the buyers of the bills varied between 10.2 percent and 10.7 percent. The outstanding balance against the bill stood at Tk.1,574.00 crores at the end of June.

Expansion of the Banking System

3.25 A new foreign bank under the title of Faisal Islamic Bank of Bahrain E.C commenced banking operation on August 10, 1997 during the year under report. Under the programme of the bank branch expansion, the scheduled banks opened 46 new branches and

closed 5 branches in Bangladesh during 1997-98. As a result, total bank branches increased by 41 to 5,952 as on June 30, 1998 from 5,911 in the previous year. The number of nationalized commercial bank branches declined by 2 from 3,619 in the preceding year to 3,617 during the year under report. Private Bank branches increased by 38 to 1,133 during the year from 1,095 in the preceding year. The branches of the Specialised Banks increased by 2 to 1,173 during the year under report from 1,171 in the preceding year while branches of the foreign banks increased by 3 to 29 during the year from 26 in the preceding year. The total number of bank branches in rural areas increased by 10 to 3,622 (60.8% of the total) at the end of June, 1998 from 3,612 (61.1% of the total) at the end of June, 1997. The branches of the Bangladeshi Commercial Banks operating abroad remained unchanged at 15 during the year under report. During 1997-98, the number of nationalized/ Government-owned banks and private banks remained unchanged at 9 and 17 respectively. The number of foreign banks increased by 1 to 13. The information relating to number of bank branch expansion is given in Table-3.11.

TABLE-3.11
EXPANSION OF BANK BRANCHES

Particulars	Number of Branches		Changes
	1996-97	1997-98	
1	2	3	4 = (3-2)
Nationalized Banks	3,619	3,617	-2
Private Commercial Banks	1,095	1,133	+38
Specialised Banks	1,171	1,173	+2
Foreign Banks	26	29	+3
Total:	5,911	5,952	+41

Non-Bank Financial Institutions

3.26 Activities/financing of business of the Non-Bank Financial Institutions are conducted under the Financial Institutions Act and Regulations. The activities of the Non-Bank Financial Institutions in respect of financing industry, trade and housing sector etc. of the country expanded remarkably in the recent year. Till 1997-98, a total number of 18 Non-Bank Financial Institutions were given licenses of which 4 were given during the year under report. Of these, 5 institutions are under complete private domestic ownership, 1 under Government ownership, 11 under joint venture of local and foreign ownership and 1 institution is fully owned by foreign entrepreneur. Paid up capital and reserve fund of the licensed Non-Bank Financial Institutions amounted to Tk.

454.72 crores. It was decided by the Bangladesh Bank that all licensed Non-Bank Financial Institutions would keep 2.5 percent of term deposit/credit from public/institutions as cash reserve and 10.0 percent of all liabilities as liquid assets. Amount of financing of the licensed Non-Bank Financial Institutions in various sectors stood at Tk.759.27 crores at the end of June, 1998.

Group-wise Comparative Position of the Banks

3.27 The share of nationalized commercial banks in the total deposits of the banks decreased slightly to 59.2 percent by the end of June, 1998 as compared to 60.1 percent of the previous year. During this period the share of private commercial banks increased to 28.0 percent as compared to 27.6 percent of the previous year.

Share of the foreign banks increased to 7.0 percent during the year under report as compared to 6.4 percent in the preceding year. On the other hand, the share of the specialised banks during the year remained unchanged at 5.8 percent of the previous year. The share of the nationalized commercial banks in total bank credit decreased to 51.5 percent at the end of the year under report from 53.0 percent of the previous year. The share of the private commercial banks decreased to 26.2

percent from 26.9 percent of the previous year. The share of the foreign banks to total bank credit increased to 6.2 percent from 5.8 percent of the previous year. The share of the specialised banks increased to 16.2 percent as compared to 14.3 percent of the previous year. Group-wise comparative position of deposits and credit of the banks at the end of June, 1997 and June, 1998 are shown in Table-3.12.

TABLE-3.12
PERCENTAGE SHARES OF THE GROUP-WISE BANKS
IN TOTAL BANK DEPOSITS AND BANK CREDIT

Group-wise Banks	Percentage share of Bank Deposits (excluding inter-bank & Govt. deposits)		Percentage share of Bank credit (excluding inter-bank and foreign bills)	
	June 30, 1997	June 30, 1998	June 30, 1997	June 30, 1998
1	2	3	4	5
1. Nationalized Commercial Banks	60.14	59.19	53.03	51.45
2. Private Banks	27.64	27.98	26.94	26.16
3. Foreign Banks	6.42	7.03	5.77	6.22
4. Specialised Banks	5.80	5.80	14.26	16.17
Total:	100.00	100.00	100.00	100.00

3.28 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 the Demand Deposits in Total Deposits	Time Deposits	Share of the Time Deposits in Total Deposits	Total Deposits	Annual Percentage Change in Total Deposits
1	2	3	4	5	6	7
June 30, 1996	950.20	28.83	2,345.90	71.17	3,296.10	-3.73
June 30, 1997	1,144.60	32.71	2,354.50	67.29	3,499.10	+6.16
June 30, 1998	1,287.70	30.86	2,884.90	69.14	4,172.60	+19.25

Inspection of Banks

3.29 The Bangladesh Bank carried out a comprehensive inspection of 1,140 branches of the 31 scheduled banks during 1997-98 under its routine programme of inspection. To check irregularities of the banks more than one vigilance team have been formed in addition to opening of Complaint Box in all branch offices and Head Office of the

Bangladesh Bank during the year under report. Special inspection of total 366 including special inspection in respect of 106 branches for which complaints from different sources were received were carried out during the year under report. In addition, activities relating to monitoring and implementation on the basis of the inspection reports continued during the year under report.

CAPITAL MARKET AND INDUSTRIAL FINANCE

4.1 The two stock exchanges of Bangladesh, banks and others financial institutions continued financing the industrial and other productive activities. The activities of the stock exchanges of the country depicted a bearish trend during 1997-98. The bearish trend which started in the activities of Dhaka and Chittagong Stock Exchanges in mid November, 1996-97 also continued during the year under report. The downward trend of the stock exchanges persisted due to liquidity crisis, dearth of institutional investment, inactivity of foreign investors and introduction of various savings schemes at attractive rate of interest etc.

4.2 In order to gear up the activities of stock exchanges of the country, the following notable measures were taken during 1997-98:

1. Ceiling for credit against shares/debentures by the scheduled banks was enhanced from 50 percent to 60 percent of the average market value of shares/debentures of the preceding six months. Credit limit for the single borrower was increased to

Tk. 25.0 lakhs from Tk. 20.0 lakhs. Moreover, ceiling for credit to each member of stock exchanges to be provided by the banks on the basis of banker-customer relationship against shares/debentures of listed companies was enhanced to Tk.75.0 lakhs from Tk.50.0 lakhs;

2. Cancellation of all other quotas in Initial Public Offerings (IPOs) and increasing quota of non-resident investors from 5 percent to 10 percent;

3. Licenses were issued by the Securities and Exchange Commission (SEC) to 8 companies to operate as Merchant Banks and 3 companies as Issue Managers;

4. Formulation of Securities and Exchange Commission (Mutual Fund) Regulations, 1997;

5. Imposition of 6 phased circuit breaker withdrawing 10 percent flat circuit breaker on all share prices;

6. Adoption of Capital Market Development Programme (CMDP) financed by the Asian Development Bank in order to develop the stock exchange activities;

7. Making it mandatory to maintain annual financial statements of listed companies in accordance with the International Accounting Standards (IAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and to conduct audit activity as per International Standards of Auditing;

8. Making it mandatory to submit information on transactions of securities to stock exchanges executed in their own names/accounts by authorized dealers through stock exchanges;

9. Making it mandatory to submit information on transfer of sponsor shares of listed companies within 7 days of transfer to the Securities and Exchange Commission (SEC);

10. Making it mandatory to register transfer of securities by listed companies within 15 days at the time of book closure and within 7 days at the time other than book closure; and

11. In order to modernize capital market, approval was given to the draft law (proposed) relating to introduction of Central Depository System (CDS) conducive to automated trading by the Cabinet Committee in principle.

Dhaka Stock Exchange

4.3 During the year under report, 10 new companies were enlisted with the Dhaka Stock Exchange for share transactions. As a result, the total number of companies and securities enlisted with the Dhaka Stock Exchange increased from 194 and 214 in 1996-97 to 204 and 224 respectively in 1997-98. The outstanding value of total issued capital and debentures of these companies stood at Tk. 3,021.15 crores as on June 30, 1998. Of the 224 securities, issued capital of 204 companies, 11 debentures and 9 mutual funds stood at Tk. 2,832.94 crores, Tk.165.71 crores and Tk.22.50 crores respectively. The amount of market capitalisation of the enlisted securities as on June 30, 1998 stood at Tk. 6,226.44 crores which was 42.3 percent lower than Tk. 10,782.66 crores as on June 30, 1997. All share price index of Dhaka Stock Exchange decreased by 39.1 percent to 676.47 at the end of June, 1998 from 1,111.55 of end-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 THE 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)	All Share Price Index
1	2	3	4	5
1995-96	201	2,175.41	6,772.76	959.05
1996-97	214	2,690.74	10,782.66	1,111.55
1997-98	224	3,021.15	6,226.44	676.47

4.4 A total of 982.92 lakh shares and debentures worth Tk. 1,261.69 crores were transacted on the floor of the Dhaka Stock Exchange during 1997-98 which was 64.4 percent lower in terms of value and 17.6 percent lower in terms of number as compared to those of the preceding year. Shares of 10 new companies were floated during the year under report and their total issued capital was Tk. 106.40 crores. Out of this issued capital, Tk. 41.03 crores were floated for public subscription against which applications of Tk. 114.92 crores were submitted. As a result, the amount of over-subscription stood at Tk.73.89 crores. The total value of shares issued by the 17 new companies during the year, 1996-97 was Tk. 260.18 crores. The total value of shares issued by the 19 companies during the year, 1995-96 was Tk. 230.21 crores.

4.5 In order to develop the capital market of the country, notable measures taken by the Dhaka Stock Exchange during 1997-98 were the following:

- (a) Completion of all preparations to launch on-line automated trading system;
- (b) Establishment of Monitoring Cell for monitoring the activities of the listed companies;
- (c) Arrangement was made to allow the foreigners to become members;
- (d) Separation of management from Council in order to enhance the transparency of the share market;
- (e) Equalization of number of brokers and non-brokers (12:12) in the Council in order to ensure accountability and transparency;

(f) Formation of a 5 member panel board consisting of retired district judges in order to dispose of clients' complaint against members; and

(g) Empowering the Chief Executive Officer to manage the day-to-day affairs of the stock exchange.

Chittagong Stock Exchange

4.6 The number of listed securities of the Chittagong Stock Exchange-the second Stock Exchange of the country increased to 144 as on June 30, 1998 as compared to 131 of June 30, 1997. All share price index and market

capitalisation of the Chittagong Stock Exchange decreased by 38.0 percent to 294.72 and by 30.4 percent to Tk. 4,999.33 crores respectively at end-June, 1998 as compared to those of the end-June of the preceding year. Share transactions of the Chittagong Stock Exchange decreased by 10.9 percent to Tk. 756.87^P crores during 1997-98 as compared to the corresponding period of the preceding year. It may be mentioned that automated on-line trading system was introduced in the Chittagong Stock Exchange from June 2, 1998. A brief statement of the activities of the Chittagong Stock Exchange is shown in Table-4.2.

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

Year (End-June)	Number of Listed Securities (Including Mutual Fund and Debenture)	Issued Capital and Debenture (Tk. in Crores)	Market Capitalisation (Tk. in Crores)	All Share Price Index
1	2	3	4	5
1995-96	72	1,280.80	3,680.51	409.05
1996-97	131	2,119.13	7,177.73	475.69
1997-98	144	2,329.83	4,999.33	294.72

P Provisional.

Non-Resident Portfolio Investment

4.7 Total investments in shares/debentures by non-residents through the stock exchange during 1997-98 stood at Tk. 31.60 crores as compared to Tk. 51.80 crores during 1996-97. During the year under report, total amount of repatriation of sale proceeds by non-residents stood at Tk. 60.18 crores and balance after repatriation of sale proceeds stood at Tk. 60.40 crores as on June 30, 1998. During 1996-97, total amount of repatriation of sale proceeds was Tk.633.21 crores and balance after repatriation of sale proceeds stood at Tk. 97.52 crores as on June 30, 1997. It may be mentioned that total amount of repatriation of sale proceeds by non-residents from the beginning (April, 1992), to June 30, 1998 stood at Tk. 1,125.18 crores out of a total investment of Tk. 807.36 crores.

Commercial Banks' Financing

4.8 The scheduled banks' financing in approved securities/debentures in the country's capital market increased to Tk. 1,111.48 crores as on June 30, 1998 from Tk. 1,106.29 crores as on June 30, 1997. The scheduled banks' advances against shares and securities (including Government and other trustee securities) increased to Tk. 580.24

crores at end-March, 1998 from Tk. 569.41 crores of end-March, 1997.

Investment Corporation of Bangladesh (ICB)

4.9 In order to develop the capital market, the Investment Corporation of Bangladesh(ICB) laid emphasis mainly on merchandising programmes during the recent period. Net sale of unit certificates by the ICB during 1997-98 stood at Tk. 63.49 crores. Net cumulative sale of unit certificates by the ICB stood at Tk. 598.57 crores as on June 30, 1998. The number of accounts (net) opened under investors' scheme stood at 56,933 as on June 30, 1998. During 1997-98 deposits of Tk. 18.72 crores were taken under investment accounts and loans of Tk. 31.52 crores were approved and total amount of investment stood at Tk. 47.52 crores. Out of the companies who floated shares during the year under report, the amount of public issue of 1 company that received financial assistance from the ICB was Tk. 1.00 crore. The ICB accounted for Tk. 175.36 crores out of total securities transactions in the DSE of Tk. 1,261.69 crores which was 14.0 percent of total transactions of DSE during 1997-98.

4.10 The ICB made commitment of financial assistance of Tk. 50.90 crores during 1997-98 of which Tk. 0.80 crore was committed for bridging loan against

2 projects, Tk. 11.90 crores were committed for underwriting public issues of shares against 5 projects, Tk. 3.00 crores for underwriting of debentures against 1 project, Tk. 6.95 crores for direct purchase of shares against 2 projects, Tk. 7.00 crores for direct investment in debenture against 2 projects and Tk. 21.25 crores for trusteeship of debenture issue. During 1996-97, ICB made commitment of financial assistance of Tk. 54.12 crores of which Tk. 22.92 crores (net) for underwriting public issues of shares, Tk. 3.00 crores for underwriting of debenture, Tk. 8.20 crores for direct investment in shares and debentures and Tk. 20.00 crores for trusteeship of debenture issue. Total investment of ICB stood at Tk. 7.18 crores against 3 projects during 1997-98. The cumulative investment of ICB stood at Tk. 107.01 crores at the end of June, 1998. The amount of loan recovered by ICB stood at Tk. 4.88 crores during the year under report as compared to Tk. 6.47 crores of the preceding year. Total cumulative outstanding of ICB stood at Tk. 453.78 crores at the end of June, 1998 as compared to Tk. 405.86 crores at the end of June, 1997.

Bangladesh Shilpa Bank (BSB)

4.11 During 1997-98, the Bangladesh Shilpa Bank (BSB) sanctioned a total term loan of Tk. 5.16 crores including an additional amount of loan of Tk. 1.70

crores in local currency for various approved projects. A total term loan of Tk. 92.90 crores were sanctioned for the approved projects in the preceding year. The BSB disbursed term loans of Tk. 96.17 crores during 1997-98, the entire amount of which was in local currency. The amount of term loans disbursed during the preceding year was Tk. 20.30 crores (in local currency).

4.12. The BSB recovered a total loan of Tk. 95.57 crores during 1997-98 as compared to Tk. 113.74 crores during the preceding year. The outstanding amount of term loans including overdue loans of Tk. 1,153.62 crores (59.6%) of the BSB stood at Tk. 1,934.45 crores as on June 30, 1998 as compared to the outstanding amount of term loans of Tk. 1,750.07 crores including overdue loans of Tk. 1,036.71 crores (59.2%) as on June 30, 1997.

Bangladesh Shilpa Rin Sangstha (BSRS)

4.13 The BSRS approved loans of Tk. 27.66 crores for 8 projects during 1997-98, as compared to Tk. 25.48 crores in the preceding year. Loans disbursed by the BSRS increased by Tk. 11.65 crores to Tk. 23.06 crores during 1997-98 as compared to the disbursement of Tk. 11.41 crores in 1996-97. The amount of loans

recovered by the BSRS during 1997-98 increased by Tk. 1.18 crores to Tk. 30.28 crores as compared to Tk. 29.10 crores of the preceding year which was 69.6 percent of recovery target for the year under report. The BSRS paid Tk. 1.97 crores as tax to the Government during the year under report as compared to Tk. 4.78 crores of the year, 1996-97.

4.14 The outstanding loans of BSRS increased by Tk. 124.00 crores to Tk. 1,688.00^P crores as on June 30, 1998 as compared to Tk. 1,564.00 crores as on June 30, 1997.

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

4.15 The amount of outstanding loans disbursed by BASIC stood Tk. 255.42 crores as on June 30, 1998 which was higher by Tk. 43.51 crores or 20.5 percent as compared to the outstanding amount of Tk. 211.91 crores of the preceding year. During 1997-98, out of these outstanding loans small and cottage industries sector accounted for Tk. 93.90 crores or 37.0 percent, medium scale industries sector accounted for Tk. 60.70 crores or 24.0 percent, commercial (exports and imports) sector accounted for Tk. 91.32 crores or 36.0 percent and the other sectors accounted for Tk. 9.50 crores or

4.0 percent. The amount of loans disbursed among small and cottage industries sector, medium scale industries sector, commercial sector and the other sectors were Tk. 89.49 crores or 42.0 percent, Tk. 37.07 crores or 17.0 percent, Tk. 78.79 crores or 37.0 percent and Tk. 6.56 crores or 3.0 percent respectively during the preceding year.

Disbursement of Loans and Investments in Small and Cottage Industries

4.16 During 1997-98, the total amount of loans disbursed and recovered in the small and cottage industries sector by Bangladesh Small and Cottage Industries Corporation (BSCIC) through the assistance of different public and private commercial banks, Development Financial Institutions (DFIs) and different private institutions stood at Tk. 728.79^P crores (Including disbursement of Tk. 16.64 crores by BSCIC) and Tk. 371.93 crores respectively. During the year under report, the total amount of investment stood at Tk. 252.58^P crores in the small and cottage industries sector including establishment of industrial units financed by BSCIC, different banks and DFIs and investment (equity) of entrepreneurs as compared to Tk. 251.32 crores during 1996-97.

^P Provisional

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

4.17 With a view to making the country's economy self reliant and dynamic, banks and other financial institutions continued their policy for investing in the industrial sector. During 1997-98, the amount of term loan (project and rehabilitation) sanctioned and disbursed in the industrial sector stood at Tk. 1,608.08 crores and Tk. 1,120.34 crores respectively. During the year under report, the amount of loans disbursed declined by Tk. 79.66 crores or 6.6 percent as compared to the preceding year. However, the amount of outstanding of industrial credit increased by Tk. 3,431.25 crores or 18.8 percent as on June 30, 1998 as compared to the preceding year. The amount of industrial credit sanctioned and disbursed during the preceding year stood at Tk. 1,152.23 crores and Tk. 1,200.00 crores respectively. The amount of industrial credit recovered stood at Tk. 6,269.15 crores during 1997-98 which was lower by 4.7 percent as compared to Tk. 6,579.89 crores of the preceding year. During 1997-98, the amount of overdue and outstanding loan in the industrial sector stood at Tk. 7,252.30 crores and Tk. 21,760.67 crores

respectively which were Tk. 5,605.66 crores and Tk.18,249.75 crores during the preceding year.

New Initiative in Industrial Finance: Involvement of Foreign Banks

4.18 In order to make more involvement of the foreign banks in industrial financing in the country, a new programme was launched in the year under report to provide re-finance facility against term loans extended by foreign banks in the industrial sector. The policies in details to provide re-finance facility against long term loans given by the foreign banks in industrial sector were issued through ICD circular number 01, dated October 27, 1997. Under this programme, 8 refinancing proposals of Tk. 21.07 crores against loans of Tk.42.14 crores disbursed by some foreign banks were received up to June, 1998. Out of these 8 proposals, refinance facility of Tk. 12.45 crores was provided against 3 proposals and refinancing of Tk. 8.62 crores against the remaining 5 proposals had been under consideration.

Projects Under the Supervision of the Industrial Credit Department

4.19 As in the preceding years, the Bangladesh Bank continued to supervise the financing and implementation programmes of various small and cottage, large and medium-scale

industrial projects under foreign credits/grants in addition to its own programmes during 1997-98. A brief review of the noteworthy programmes is given below:

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

With a view to developing a fund for granting loans to small and cottage industries sector, an SDR 20.968 million (Tk. 116.00 crores) Credit Agreement No.1070-BAN (SF) was signed between the Government of Bangladesh and Asian Development Bank on January 25, 1991 which became effective from October 9, 1991 and credit disbursement under this programme ended on October 8, 1996. Under the above credit scheme, 5 financing private banks viz., Arab-Bangladesh Bank Ltd., Bank of Small Industries and Commerce Bangladesh Ltd., IFIC Bank Ltd., National Bank Ltd. and United Commercial Bank Ltd. disbursed an amount of Tk. 95.33 crores in favour of 183 projects in the small and cottage industries sector up to October 8, 1996. Up to June 30, 1998 a total of Tk. 29.23 crores was recovered as principal and interest against these project loans. The amount of outstanding loans stood at Tk. 85.97 crores as on June 30, 1998.

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

As per agreement signed between Bangladesh Government and IDA on April 27, 1993 with a view to setting up industry in the private sector, operation of loan disbursement started on March 22, 1993 and ended on September 30, 1997. Under that programme, a total amount of Tk. 103.57 crores in favour of 61 sub-projects was disbursed through the 4 participating institutions viz: IFIC Bank Ltd., IPDC of Bangladesh, IDLC and ULC. Loan recovery started on January 1, 1998 and an amount of Tk. 1.81 crores was recovered up to the period under review.

(C) Semi-Intensive Shrimp Cultivation Credit Programme

The 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 the semi-intensive shrimp cultivation programme a success and thereby increasing export earnings. The 7 commercial banks participating in the credit programme, viz: Sonali, Janata, Agrani, Rupali, BASIC, BSB and AB Bank and SABINCO—a non-bank

financial institution, disbursed Tk. 0.04 crore as credit during 1997-98 as compared to Tk. 5.42 crores disbursed in this sector during 1996-97. Under this programme, a total of Tk. 68.64 crores was disbursed upto June, 1998 since its inception.

(D) Industrial Project Financed by the Bangladesh Bank

With a view to supporting the programme of establishing new small and cottage industries in the private sector and for balancing, modernisation, rehabilitation and expansion of the existing industries, the Bangladesh Bank has established a long term fund of Tk. 256.00 crores in 1992. The provisions of time limit for repayment of loan within maximum 10 years and availing of loans at fixed Bank Rate existing at the time of receiving the loans or at variable Bank Rate were made through a circular issued on February 25, 1992. Of the allocated fund, 13 banks drew Tk. 241.00 crores for disbursement as credit in favour of 545 projects. The concerned banks repaid an amount of Tk. 188.50 crores to the Bangladesh Bank upto June 30, 1998. An amount of Tk. 52.50 crores yet remained as outstanding with the 5 banks, which will be recoverable after June 30, 1998.

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

In order to allow guarantee facility under the Credit Guarantee Scheme, the Government initially extended a fund of Tk. 38.43 crores to the Bangladesh Bank. Under this Scheme, a total of 202 sub-projects are in operation against which the amount of loans covered by guarantee were Tk. 32.16 crores. Now undertaking of new proposals under this scheme has been postponed as per decision of a meeting held on August 18, 1996 in the Ministry of Finance.

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

Seven scheduled banks entered into participating contracts with the Bangladesh Bank up to June 30, 1998 to provide credit under the scheme. Three banks sanctioned loan of Tk. 5.24 crores against 85 projects and disbursed Tk. 4.74 crores against 78 projects upto June 30, 1998. During this period, the banks applied to the Bangladesh Bank for refinance of Tk. 3.55 crores against loans of 78 projects. During this period, the Bangladesh Bank made refinance of Tk. 3.54 crores against 76 projects and the remaining refinancing of 2 projects to the tune of Tk. 0.01 crore was in process.

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

In order to maintain normalcy in production, stock and supply of an essential commodity like salt, a circular with special directives from the Bangladesh Bank was also issued to banks in the year under report like the preceding years with a view to providing incentives to supply credit in this sector.

Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank Ltd., Pubali bank Ltd. and Bangladesh Krishi Bank extend loans to genuine growers in the salt growing areas and to salt mill owners on "banker-customer relationship". The amount of loans disbursed in this sector stood at Tk. 15.58 crores during 1997-98 as compared to Tk. 27.49 crores in the preceding year.

AGRICULTURE AND RURAL FINANCE

Annual Agricultural Credit Programme

5.1 As in the previous years, the indicative Annual Agricultural Credit Programme for 1997-98 was formulated with the objective of ensuring increased flow of rural credit from institutional sources, providing necessary financial assistance for productive economic activities of rural and agriculture sector, attaining self-sufficiency in food and alleviating poverty through effective implementation of Micro Credit Programme. Financial institutions continued to implement their own agricultural credit programmes during 1997-98 along with the steps that were taken to provide loans for improving the socio-economic condition of the rural people by establishing linkage with the NGOs and Self-Help Groups. Banks and financial institutions have undertaken a credit disbursement programme of Tk. 2,352.50 crores for the year under report which represented an increase of Tk. 155.66 crores or 7.1 percent over the target of Tk. 2,196.84 crores of the preceding year. Allocations under different sub-sectors of the Agricultural Credit Programme for 1997-98 were as under : crop loan

(other than tea) Tk. 1,027.11 crores (43.7%), purchase and installation of irrigation equipments Tk. 14.46 crores (0.6%), livestock Tk. 227.99 crores (9.7%), marketing of agricultural goods Tk. 284.67 crores (12.1%), fisheries Tk. 125.75 crores (5.4%), poverty alleviation Tk. 352.35 crores (15.0%) and other agricultural activities (including tea and agricultural machineries) Tk. 320.17 crores (13.6%). Allocations for the sub-sectors during 1996-97 were: crop loan (other than tea) Tk. 923.08 crores (42.0%), purchase and installation of irrigation equipments Tk. 20.94 crores (1.0%), livestock Tk. 271.67 crores (12.4%), marketing of agricultural goods Tk. 86.26 crores (3.9%), fisheries Tk. 118.48 crores (5.4%) and other agricultural activities (including tea and agricultural machineries) Tk. 776.41 crores (35.3%). As against the credit disbursement programme a total of Tk. 1,642.84 crores was disbursed during 1997-98 which was 69.8 percent of the programme but higher by Tk. 125.54 crores or 8.3 percent than Tk. 1,517.30 crores disbursed during the preceding year.

5.2 The following indicative guidelines continued during the year under report

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

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

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

(iii) The provision of keeping minimum 60 percent of the total target

of Annual Agricultural Credit Programmes of the banks and financial institutions for crop loan also continued during the year under report.

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

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

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

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

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

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

(x) Arrangement for popularisation of crop insurance in respect of crop loans introduced by the Sadharan Bima Corporation also continued during the year under report. Since public insurance institutions have not yet been established in all thana level, banks can accept crop insurance policy of private insurance company as eligible for crop hypothecation.

(xi) The authority was given to the Board of Directors to waive penal interest and also general interest with a view to improving the recovery position of overdue loans which was

also continued during the year under report.

(xii) Efforts for encouragement of private banks for the involvement in agricultural loans have been strengthened during the year under report.

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

(xiv) Activities relating to extension of credit for pisciculture, livestock, establishment of nursery, cotton plantation, sericulture and income generating activities etc. also continued.

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

(xvi) The provision for charging simple interest and if any borrower fails to repay loans within the next 6 months after the expiry of the due date of repayment of the same, the existing policy of charging interest at a

compound rate on the same amount of loans from the date of availing of the loan, was also in force.

Agricultural Credit Pass Book

5.3 Agricultural credit disbursing institutions issued 7.25 lakh new pass books towards the borrowers during the year under report. Of these, 5.83 lakh pass books were issued by the Bangladesh Rural Development Board (BRDB), 1.20 lakh by the Bangladesh Krishi Bank, 0.09 lakh by the Rajshahi Krishi Unnayan Bank and 0.11 lakh by other participating Commercial Banks (other than Rupali Bank Ltd.). The unions of Rupali Bank engaged in operating agricultural credit have been transferred to BKB and RAKUB. As a result, 2.29 lakh pass books issued by Rupali Bank has been cancelled. Bangladesh Samabaya Bank Limited (BSBL) did not issue any pass book during the year under report. Since, its introduction in 1984-85, a total of 130.00 lakh pass books were issued up to June 30, 1998. Of these, 27.13 lakh agricultural credit pass books were issued by participating commercial banks, 30.74 lakh pass books by the Bangladesh Krishi Bank, 28.58 lakh pass books by the Bangladesh Palli Unnayan Board, 8.01 lakh pass books by the Rajshahi Krishi Unnayan Bank and 5.83 lakh pass books by the

Bangladesh Samabaya Bank Ltd. The total number of agricultural loan borrowers stood at 111.00 lakhs up to June 30, 1998. Of these, 45.09 lakh borrowers availed loans from specialized banks, 43.95 lakh borrowers from Samabaya sector (including BRDB) and 22.10 lakh borrowers from participating commercial banks.

Disbursement of Loans under the Annual Agricultural Credit Programme

5.4 Disbursement of agricultural credit under Annual Agricultural Credit Programme by the participating banks/institutions during 1997-98 stood at Tk. 1,642.84 crores which was 8.3 percent higher than Tk. 1,517.30 crores disbursed during 1996-97. An amount of Tk. 639.41 crores was disbursed as crop loans (other than tea) during the year under report which was 0.3 percent lower than Tk. 641.60 crores disbursed in the preceding year. An amount of Tk. 0.27 crore was disbursed for purchase and installation of irrigation equipments which was 50.9 percent lower than Tk. 0.55 crore disbursed during the preceding year. An amount of Tk. 73.52 crores was disbursed for livestock which was 19.6 percent lower than Tk. 91.43 crores disbursed during 1996-97. Disbursement stood at Tk. 180.26 crores for processing and marketing of agricultural goods which

was 7.7 percent lower than Tk. 195.21 crores during 1996-97. Tk. 25.16 crores were disbursed for fishery in 1997-98 which was 9.8 percent lower than Tk. 27.92 crores disbursed in the preceding year. An amount of Tk. 316.87 crores was disbursed for poverty alleviation programme which was 44.1 percent higher than Tk. 219.82 crores disbursed during the preceding year. On the other hand, Tk. 407.36 crores were disbursed for agricultural machineries and other agricultural activities up to June 30, 1998 which was 19.5 percent higher than Tk. 340.77 crores disbursed in the preceding year.

Recovery of Agricultural Credit

5.5 Total recovery of agricultural credit stood at Tk. 1,699.07 crores or 23.6 percent of Tk. 7,187.95 crores due for recovery up to June 30, 1998. This was

Tk. 97.74 crores or 6.1 percent higher than Tk. 1,601.33 crores recovered during the preceding year. The recovery of loans during 1996-97 was 23.4 percent of the total loans due for recovery. The outstanding of agricultural loans increased by 3.1 percent to Tk. 8,515.04 crores as on end June, 1998 from Tk. 8,256.21 crores as at the end of the preceding year. The amount of overdue loans increased by Tk. 176.55 crores or 3.3 percent to Tk. 5,489.36 crores (64.5 percent of outstanding and 76.4 percent of loans due for recovery) as on June 30, 1998 from Tk. 5,312.81 crores at the end of the preceding year. A comparative position of disbursement and recovery of agricultural loans under the Annual Agricultural Credit Programmes for 1996-97 and 1997-98 is shown in Table-5.1.

TABLE-5.1

COMPARATIVE POSITION OF ANNUAL AGRICULTURAL CREDIT FOR 1996-97 AND 1997-98

(Taka in crores)

Particulars	1996-97	1997-98	Changes over the year Increase (+) Decrease (-)
1	2	3	4
1. Programme for disbursement	2,196.84	2,352.50	+155.66
a) Crop loans (other than tea)	923.08	1,027.11	(+7.09) +104.03 (+11.27)
b) Purchase and installation of irrigation equipments	20.94	14.46	-6.48 (-30.95)
c) Livestock	271.67	227.99	-43.68 (-18.08)
d) Marketing of agricultural goods	86.28	284.67	+198.41 (+230.01)
e) Fisheries	118.48	125.75	+7.27 (+6.14)
f) Poverty alleviation	—	352.35	+352.35 (+100.00)
g) Loans for other agricultural activities (including tea and agricultural machineries)	776.41	320.17	-456.24 (-58.76)
2. Actual Disbursement of Credit	1,517.30	1,842.84	+126.54
a) Crop loans (other than tea)	641.60	839.41	(+8.27) -2.19 (-0.34)
b) Purchase and installation of irrigation equipments	0.55	0.27	-0.28 (-50.91)
c) Livestock	91.43	73.52	-17.91 (-19.59)
d) Marketing of agricultural goods	195.21	180.26	-14.95 (-7.66)
e) Fisheries	27.92	25.16	-2.76 (-9.89)
f) Poverty alleviation	219.82	318.87	+97.05 (44.14)
g) Loans for other agricultural activities (including tea and agricultural machineries)	340.77	407.35	+66.58 (+19.54)
3. Loans due for recovery (up to June, 30)	6,907.07	7,187.95	+280.88
			(+4.06)
4. Recovery of loans	1,601.33	1,699.07	+97.74
			(+6.10)
5. Overdue loans (up to June, 30)	5,312.81	5,489.36	+176.55
			(+3.32)
6. Total outstanding (up to June, 30)	8,256.21	8,515.04	+258.83
			(+3.13)

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

— = Nil.

5.6 Of the total agricultural loans disbursed during 1997-98, short term loans accounted for Tk. 1,292.69 crores or 78.7 percent as compared to Tk. 1,209.86 crores or 79.7 percent during the preceding year. On the other hand, disbursement of term loans increased by Tk. 42.71 crores or 13.9

percent to Tk. 350.15 crores which was 21.3 percent of total disbursement during 1997-98 as against Tk. 307.44 crores disbursed in 1996-97. A comparative position of disbursement of agricultural loans by types is given in the Table-5.2 below.

TABLE-5.2
DISBURSEMENT OF AGRICULTURAL CREDIT BY TYPES
(Short Term and Term Loan)

(Taka in crores)

Particulars	1996-97	1997-98	Changes: Increase (+) Decrease (-)
1	2	3	4
Total Disbursement of Agricultural Credit	1,517.30	1,642.84	+125.54 (+8.27)
1. Short Term Loans	1,209.86 (79.74)*	1,292.69 (78.69)*	+82.83 (+6.85)
a) Crop Loans (other than tea)	641.60	639.41	-2.19 (-0.34)
b) Loans for Other Agricultural Activities	568.26	653.28	+85.02 (+14.96)
(i) Production Loans for Tea	150.75	150.26	-0.49 (-0.33)
(ii) Other Loans	417.51	503.02	+85.51 (+20.48)
2. Term Loans	307.44 (20.26)*	350.15 (21.31)*	+42.71 (+13.89)
a) Purchase and Installation of Irrigation Equipments	0.55	0.27	-0.28 (-50.91)
b) Loans for Other Agricultural Activities	306.89	349.88	+42.99 (+14.01)
(i) Loans for Livestock	91.43	73.52	-17.91 (-19.59)
(ii) Other Loans	215.46	276.36	+60.90 (+28.27)

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

* Percentage share to total disbursement of agricultural credit.

5.7 Disbursement of total agricultural credit increased by 8.3 percent to Tk. 1,642.84 crores in 1997-98 as against the disbursement in the preceding year. As in the preceding years, the Bangladesh Krishi Bank (BKB) remained also the single largest source of agricultural credit (51.7%) in 1997-98. Disbursement of crop loans by the BKB increased by 18.8 percent to Tk. 263.76 crores during the year under report as compared to Tk. 222.12 crores disbursed during 1996-97. Besides, total disbursement of credit by this bank increased by 8.7 percent to Tk. 849.42 crores in 1997-98 as compared to the preceding year. The Participating Commercial Banks (PCBs) were the second largest source of agricultural credit during the year under report. Disbursement of agricultural loans by the PCBs declined by 0.7 percent to Tk. 443.65 crores during 1997-98 as compared to the preceding year. But disbursement of crop loans by the PCBs increased by 7.1 percent to Tk. 224.45 crores from Tk. 209.62 crores disbursed

in 1996-97. Disbursement of agricultural loans by the Rajshahi Krishi Unnayan Bank (RAKUB) increased by 17.7 percent to Tk. 208.21 crores during the year under report as compared to the preceding year. In case of crop loan, disbursement of this bank increased by 4.0 percent to Tk. 120.93 crores during 1997-98 as against the disbursement in 1996-97. Disbursement of agricultural loans by the Bangladesh Samabaya Bank Limited (BSBL) declined by 7.2 percent to Tk. 1.80 crores in 1997-98 as compared to the preceding year but this bank did not disburse any crop loan during the year under report. Agricultural loans disbursement by the Bangladesh Rural Development Board (BRDB) increased by 26.3 percent to Tk. 139.76 crores as compared to the preceding year. Disbursement of crop loans by the BRDB declined by 67.6 percent to Tk. 30.27 crores during the year under report as compared to the preceding year. The source-wise data on disbursement of agricultural credit is shown in Table-5.3.

TABLE – 5.3
DISBURSEMENT OF AGRICULTURAL CREDIT BY SOURCES

(Taka in crores)

Credit Agencies	1996-97		1997-98	
	Total credit	Crop loan (other than tea)	Total credit	Crop loan (other than tea)
1	2	3	4	5
Bangladesh Krishi Bank	781.15 (51.48)	222.12 (34.62)	849.42 (51.70)	263.76 (41.25)
Rajshahi Krishi Unnayan Bank	176.91 (11.66)	116.33 (18.13)	208.21 (12.67)	120.93 (18.91)
Participating Commercial Banks	446.62 (29.44)	209.62 (32.67)	443.65 (27.01)	224.45 (35.10)
Bangladesh Rural Development Board	110.68 (7.29)	93.33 (14.55)	139.76 (8.51)	30.27 (4.73)
Bangladesh Samabaya Bank Limited	1.94 (0.13)	0.20 (0.03)	1.80 (0.11)	— —
Total :	1,517.30	641.60	1,642.84	639.41

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

5.8 The participation of private and foreign banks in the different term loans disbursement programme alongwith the Nationalised Commercial Banks (NCBs)/Specialised Banks continued during the year under report. Private and foreign banks prepared a programme of Tk. 173.33 crores for disbursement as credit from their own sources in the rural/agricultural sector during 1997-98. Tk. 171.69 crores were disbursed against the target and Tk. 80.14 crores were recovered during the year under report by these banks.

Projects under the Supervision of the Agricultural Credit Department

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

5.9 A total of Tk. 6.62 crores were disbursed up to June 30, 1998 through Sonali Bank, Janata Bank, Agrani Bank, BKB and Rupali Bank Limited as against the total allocation of Tk. 7.00 crores for the project financed by International

Fund for Agricultural Development (IFAD). Government released Tk. 6.02 crores to the concerned banks as refinance from the Bangladesh Bank against this programme.

Agriculture Based Industry and Technology Development Project (ATDP)

5.10 This project started its operation with the joint sponsorship of the Ministry of Agriculture under the Government of Bangladesh and IFDC of USAID with the aim of development of agri business under private ownership. A residual amount of Tk. 106.37 crores has been transferred to this project from earlier Fertilizer Distribution Improvement Project-II. Out of this, an amount of Tk. 100.19 crores has been kept at Agri Business Credit Fund(ACF) with the objective of loan distribution. The 9 participating nationalized commercial banks, specialised and private banks of this project would provide credit from their own sources equivalent to the credit as allocated by the ACF. As a result, the total fund to be disbursed as credit of this project would stand at least at Tk. 200.38 crores. Tk. 333.95 crores were disbursed up to June 30, 1998 under this project. This project will continue up to April 30, 2000 .

Programmes/Projects under Agricultural Credit Project Department

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

Shrimp Culture Credit Programme

5.12 In order to increase shrimp production in the country, arrangement was made to disburse credit for 'Bagda' shrimp in coastal districts and for 'Golda' shrimp in all other districts of the country under the present shrimp culture credit programme. The participating banks disbursed an amount of Tk. 23.73 crores and recovered Tk. 15.98 crores during 1997-98 under this programme. Disbursement and recovery of total loans under this programme since its introduction in 1980 up to June 30, 1998 stood at Tk. 144.37 crores and Tk. 115.26 crores respectively.

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

5.13 This project financed by IFAD and German Technological Co-operation has been operating from July, 1987. Sonali Bank, Janata Bank, Agrani Bank and Rajshahi Krishi Unnayan Bank have been operating credit activities in 9 thanas of Kurigram district under this project. Among the total 2,295 groups, a sum of Tk. 25.76 crores were disbursed and Tk. 21.19 crores were recovered up to June 30, 1998 under this project. The recovery rate of this project is about 94.0 percent. The amount of loan disbursement and recovery stood at Tk. 5.27 crores and Tk. 5.91 crores respectively during 1997-98.

Shasya Gudam Rin Prakaalpa (SHAGARIPA)

5.14 The project continued its operation in the districts of Rangpur, Dinajpur, Nilphamari, Panchagar, Gaibandha, Manikgonj, Magura, Narail and Jessore during 1997-98. A sum of Tk. 1.36 crores and Tk. 1.45 crores were disbursed and recovered (including interest) respectively during 1997-98 under this project. Since its inception, loan disbursement and recovery stood at Tk. 13.23 crores and Tk. 12.70 crores respectively up to June, 1998.

Swanirvar (Self-reliance) Credit Programme

5.15 At present credit disbursements under this programme is in operation in 1,063 unions of 136 thanas of 39 districts of the country. Since the beginning of the programme till June 30, 1998 the participating banks disbursed an amount of Tk. 152.01 crores to the borrowers and recovered Tk. 130.21 crores. Loans outstanding and overdue stood at Tk. 109.67 crores and Tk. 94.46 crores respectively during the same period.

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

5.16 Since the inception of the project on 3rd November, 1987, the participating banks disbursed an amount of Tk. 62.28 crores at the end of the project on December 31, 1996 and recovered Tk. 45.46 crores up to June 30, 1998 under this project. Loans outstanding and overdue stood at Tk. 28.81 crores and Tk. 15.09 crores respectively under this project up to June 30, 1998.

Rural Transport Credit Programme

5.17 The participating banks disbursed Tk. 0.34 crore and recovered Tk. 0.76 crore during 1997-98 under Rural Transport Credit programme. Total loans

disbursed and recovered under this programme since its introduction up to June 30, 1998 amounted to Tk. 19.53 crores and Tk. 11.23 crores respectively. During the same period loans outstanding and overdue stood at Tk. 17.58 crores and Tk. 10.94 crores respectively under this programme .

Banana Plantation Financing Scheme

5.18 Under the Banana plantation financing scheme, the participating banks disbursed a sum of Tk.9.99 crores and recovered Tk. 7.11 crores during 1997-98. Total loans disbursed and recovered under the scheme since its introduction up to June 30, 1998 stood at Tk. 28.38 crores and Tk. 18.47 crores respectively. During the same period loans outstanding and overdue stood at Tk. 19.38 crores and Tk. 5.73 crores respectively under this programme.

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

5.19 The Sonali Bank did not disburse any credit under this project during 1997-98 also. However, Sonali Bank recovered an amount of Tk. 0.60 crore up to June, 1998 against the credit disbursed under this project. Against the

loan disbursement of Tk. 16.71 crores up to June, 1998 under this project, both loan outstanding and overdue stood at Tk. 5.72 crores. No refinance was provided in this project during the year under report. Since the beginning till June, 1998, an amount of Tk. 15.52 crores was provided as refinance under this project against which total recovery amounted to Tk. 1.03 crores during 1997-98 while loans outstanding stood at Tk. 12.01 crores.

Grameen Bank

5.20 The Grameen Bank opened 29 new branches during the year 1997-98. As a result, the total number of its branches stood at 1,115. A total of 38,659 villages including 1,550 new villages were brought under the purview of the Grameen Bank operations up to June, 1998. The bank disbursed a total amount of Tk. 1,907.91 crores during 1997-98 which was 36.2 percent higher than Tk. 1,400.95 crores disbursed in the preceding year. Total recovery by the Grameen Bank amounted to Tk. 1,690.50 crores or 88.6 percent of the total loans disbursed during the year under report. The amount of loans recovered stood at Tk. 1,283.64 crores or 91.6 percent of the loans disbursed in 1996-97.

Inspection of Bank Branches

5.21 The Agricultural Credit Inspection Department of the Bangladesh Bank carried out inspection of 900 branches of the Nationalized Commercial Banks and 70 branches of Denationalized Commercial Banks (namely, Uttara Bank Limited and Pubali Bank Limited) during 1997-98. In addition, inspection was also carried out in 408 branches of the Bangladesh Krishi Bank, 189 branches of the Rajshahi Krishi Unnayan Bank and 191 Thana Central Co-operative Associations (TCCA) under Bangladesh Rural Development Board (BRDB) during the year under report. Moreover, inspection of 66 branches of different banks was also carried out in connection with disposal of interest subsidy claims of banks during the period.

Refinance Facility in the Agricultural Sector

5.22 A sum of Tk. 289.40 crores and Tk. 122.89 crores were released in favour of the Bangladesh Krishi Bank

(BKB) and the Rajshahi Krishi Unnayan Bank (RAKUB) respectively under the existing refinance facility during 1997-98 against the actual loan disbursement in the field level. The BKB and the RAKUB repaid Tk. 214.05 crores and Tk. 55.77 crores respectively against the refinance liability during the year under report. The outstanding amount of the refinance provided by the Bangladesh Bank to the BKB and the RAKUB stood at Tk. 2,289.74 crores and Tk. 843.49 crores respectively up to June 30, 1998. Sonali Bank received Tk. 60.00 crores as refinance against loans disbursed to the Thana Central Co-operative Associations (TCCA) under Bangladesh Rural Development Board (BRDB) at the end of 1997-98. The outstanding stood at Tk. 5.13 crores up to June 30, 1998 against the loans provided by the Bangladesh Bank to the BRDB under the Rural Poor Programme (RPP). On the other hand, the outstanding amounted to Tk. 29.79 crores up to June 30, 1998 against the loans provided by the Bangladesh Bank to Bangladesh Samabaya Bank Limited (BSBL).

CHAPTER VI

HOUSE BUILDING FINANCE

Bangladesh House Building Finance Corporation (HBFC)

6.1 Bangladesh House Building Finance Corporation (HBFC) disbursed house building loans of Tk. 106.88 crores during 1997-98 which was lower by Tk. 72.03 crores or 40.3 percent as compared to Tk.178.91 crores disbursed during the preceding year. The disbursement of loans declined markedly during the year under report as a result of postponement of all loans other than flat/apartment loans from 1st August, 1997 due to paucity of funds. The Corporation sanctioned Tk. 85.52^P crores against 833 loan applications which was 27.8 percent lower as compared to the preceding year.

6.2 HBFC recovered an amount of Tk. 180.00^P crores during 1997-98 which was Tk. 19.94 crores or 12.5 percent higher than Tk. 160.06 crores recovered during the preceding year. The outstanding loans along with overdue(including interest) of HBFC as on June 30, 1998 stood at Tk. 2,531.64^P crores as compared to Tk. 2,411.64 crores at the end of the preceding year. The amount of overdue loans of HBFC stood at Tk. 219.55^P crores or 8.7 percent of the total outstanding loans as on June 30, 1998 as compared to Tk. 242.44 crores or 10.1 percent of the total outstanding loans as on June 30, 1997. Particulars of disbursement, recovery, outstanding and overdue loans of HBFC are shown in Table-6.1.

TABLE -6.1

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

(Taka in crores)

Year	Amount of loans disbursed	Amount of recovery	Outstanding loans as on June 30	Amount of overdue loans as on June 30
1	2	3	4	5
1995-96	260.60	137.62	2,220.12	197.59
1996-97	178.91	160.06	2,411.64	242.44
1997-98	106.88	180.00	2,531.64	219.55

Source : Bangladesh House Building Finance Corporation (HBFC).

P Provisional

6.3 In order to assist the borrowers and to strengthen the loan disbursement and recovery programme, the Corporation continued to adopt the following indicative policies during 1997-98 along with some new measures :

a) In order to give counsel and assistance to the new borrowers about loan related matters, a 'counselling counter' was opened in each Zonal Office including Head Office and a 'Customers Service' division was opened in the Head Office to solve the different problems of customers.

b) In order to give more facilities to the middle class customers the rate of interest for newly sanctioned loans in Dhaka and Chittagong metropolitan areas has been refixed at 13 percent up to Taka 15.00 lakhs and 15 percent for above Taka 15.00 lakhs. Interest rate has been fixed at 10 percent irrespective of ceiling for the rest of the areas of the country.

c) New loan facilities for apartment in Dhaka and Chittagong cities and for semi-paka Tin shades in district towns have been introduced during the year under report.

d) The policy of small area flat loans (550 sft to 1,000 sft) scheme has been introduced for middle and lower middle class people and the operation of the scheme will start very soon.

e) Arrangements have been made to reduce Registration fees of Rehan deed. Maximum Taka eight thousand have been fixed as registration fees for a loan of Taka twenty five lakh.

f) The insurance charges of loans have been withdrawn in order to reduce the amount of installment of loan. But a borrower can open an insurance policy by his own expenses if he wishes.

g) Special arrangement has been made for release of mortgages land subject to certain conditions and facility has been given to pay installment of each individual area by dividing the loan account as per flat.

h) The following arrangements have been made to strengthen the loan recovery programme; installment rescheduling facility to regularize overdue, interest will not be charged on the installment of the principal amount of the month if the same is paid within the 15th of the month. To extend incentive at the rate of 10 percent on the charged interest to the borrowers who repay installments on a regular basis and arrangement has been made to allow rebate on the interest balance of 5 percent to 25 percent if the whole loan amount is repaid at a time.

i) The following arrangements have been made with a view to improving the loan recovery programme; no

excess interest will be charged on overdue installments up to 12(twelve) months; facilities were given to repay the installment at the rate of 12 percent by margining the two loans taken at the rate of 13 percent and 16 percent by the same borrower; to treat the account as a regular one if the overdue installments of twelve months are paid at a time at the end of the year to allow the borrowers to pay some installment in advance considering the payment of monthly installment as time killing and painstaking.

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

Collection of Funds of HBFC Through Sale of Debentures

6.4 Total funds raised by HBFC during the period from 1973 to June 30, 1998 through sale of debentures to the Bangladesh Bank, the commercial banks and the Sadharan Bima Corporation stood at Tk. 1,872.00 crores. After repayment of Tk. 154.50 crores, the outstanding amount against debentures stood at Tk. 1,717.50 crores as on June 30, 1998. The Bangladesh Bank's debenture financing to the Corporation stood at Tk. 1,160.25 crores up to June 30, 1998. Collection of funds by HBFC through sale of debentures is shown in Table-6.2.

TABLE-6.2
COLLECTION OF FUNDS BY HBFC THROUGH SALE OF DEBENTURES

(Taka in Crores)

Period	From Bangladesh Bank	From Commercial Banks	From Sadharan Bima Corporation	Total Fund Collec- tion	Total Repay- ments	Total Outstan- ding
1	2	3	4	5	6	7
1995-96	1,119.95	669.05	13.00	1,802.00	107.00	1,695.00
1996-97	1,119.95	689.05	13.00	1,822.00	124.75	1,697.25
1997-98	1,160.25	689.05	13.00	1,872.00	154.50	1,717.50

Source : Bangladesh House Building Finance Corporation .

Scheduled Bank's Financing of House Building

6.5 The Scheduled Banks' credit programme for the construction of residential houses and commercial buildings also continued during 1997-98. The outstanding house building loans extended by the scheduled banks stood at Tk. 1,821.74 crores at the end of March 31, 1998 as compared to Tk. 1,401.90 crores at the end of the same month of the previous year. The outstanding house building loans extended by the nationalized commercial banks (NCBs) stood at Tk. 1,150.32 crores at the end of March, 1998 as compared to Tk. 1,058.17 crores at the end of March,

1997. The outstanding house building loans provided by the private commercial banks stood at Tk. 591.48 crores at the end of March, 1998 as compared to Tk. 283.82 crores at the end of March, 1997. The outstanding house building loans provided by the foreign commercial banks operating in Bangladesh stood at Tk. 31.89 crores at the end of March, 1998 as compared to Tk. 21.59 crores at the end of March, 1997. The outstanding house building loans provided by the specialised banks stood at Tk. 48.05 crores at the end of March, 1998 as compared to Tk. 38.32 crores at the end of March, 1997.

PUBLIC FINANCE

Main Characteristics of the National Budget and Fiscal Policy

7.1 The national budget for 1997-98 was formulated placing highest priority on the achievement of rapid growth through alleviation of poverty and creation of huge employment opportunity and through the development of human resources and physical infrastructures. The main objective of the budget for the year under report were: to transform agricultural sector into a dynamic one, to arrange agricultural loan in order to increase the productivity of agricultural sector, to continue economic reform programme including privatization, to ensure education and health services through enhanced allocation, to adopt various measures to broaden the tax base in order to make the tax system modern and realistic, to take initiatives to establish a National Stock Exchange for the development of the capital market and to give permission for setting up of merchant banks. Besides, some welfare oriented creative proposals were made in the budget which included: to establish a housing fund in social sector, to provide old age allowances for the distressed elderly persons and to set up

an employment bank to provide employment facilities for the youth.

Budget for 1997-98

7.2 The budget for 1997-98 envisaged total revenue receipts at Tk. 19,624.00 crores and total revenue expenditures at Tk. 14,544.00 crores, leaving a revenue surplus of Tk. 5,080.00 crores. Subsequently, revenue receipts in the revised budget decreased by Tk. 847.00 crores to Tk. 18,777.00 crores due to lower receipts from the principal heads as compared to the budget estimates. On the other hand, revenue expenditures slightly decreased and stood at Tk. 14,500.00 crores.

Annual Development Programme for 1997-98

7.3 The size of the Annual Development Programme (ADP) for the fiscal year 1997-98 was originally envisaged at Tk. 12,800.00 crores. It was reduced by Tk. 600.00 crores or 4.7 percent to Tk. 12,200.00 crores in the revised ADP. In financing the revised programme, foreign assistance was placed lower by Tk. 100.00 crores or 1.5 percent to Tk. 6,679.00 crores (project aid, commodity aid etc.) as compared to the original programme. On the other hand, domestic financing for revised

ADP stood at Tk. 5,521.00 crores (revenue surplus Tk. 4,277.00 crores). Total number of projects included in the revised ADP for the year 1997-98 were 1,361. Information/Data relating to revenue and capital budget are given in Table-3 of the Annexure.

Budget Estimates for 1998-99

7.4 On the basis of existing taxes, the budget for 1998-99 envisaged revenue receipts at Tk. 20,776.00 crores and revenue expenditures at Tk. 15,937.00 crores, showing a revenue surplus of Tk. 4,839.00 crores. Receipts from tax and non-tax sources were estimated at Tk. 16,617.00 crores and Tk. 4,159.00 crores respectively in the budget for the year under report. Receipts of tax revenue under the heads during the year under report were: Value Added Tax (VAT) Tk. 5,050.00 crores, Custom Duties Tk. 5,000.00 crores, Supplementary Tax Tk. 2,700.00 crores, Taxes on Income and Profit Tk. 2,470.00 crores, Non-Judicial Stamp Tk. 567.00 crores, Excise Duties Tk. 225.00 crores, Land Revenue Tax Tk. 205.00 crores, Electricity Duties Tk. 120.00 crores, Taxes on Vehicles Tk. 117.00 crores, Narcotics and Liquor Duty Tk. 28.00 crores, Taxes on Property and Wealth Tk. 12.00 crores and Other Taxes and Duties Tk. 123.00 crores. The major heads of non-tax revenue receipts

were: Dividends and Profits Tk. 989.00 crores, Telegraph and Telephone Board Tk. 905.00 crores, Administrative Fees and Charges Tk. 873.00 crores, Interest Income Tk. 585.00 crores, Other Non-Tax Revenue and Receipts Tk. 234.00 crores, Capital Receipts Tk. 161.00 crores, Non-Commercial Sales Tk. 146.00 crores, Receipts for Services Rendered Tk. 145.00 crores, Defence Receipts Tk. 92.00 crores, Rents and Leases Tk. 56.00 crores, Tolls and Levies Tk. 50.00 crores, Fines, Penalties and Forfeiture Tk. 32.00 crores and Irrigation Receipts Tk. 4.00 crores. Of the total revenue expenditure, the highest allocation was proposed for General Administration Tk. 3,063.00 crores, followed by Education Tk. 2,942.00 crores, Defence Tk. 2,834.00 crores, Interest Payments Tk. 2,564.00 crores, Public Order and Safety Tk. 1,309.00 crores, Health Tk. 844.00 crores, Agriculture, Fisheries and Livestock Tk. 609.00 crores, Social Security and Welfare Tk. 608.00 crores, Housing and Community Services Tk. 520.00 crores, Transport and Communication Tk. 350.00 crores, Recreation, Culture and Religious Affairs Tk. 188.00 crores, Mining, Manufacturing and Construction Tk. 40.00 crores, Fuel and Energy Tk. 6.00 crores and Other Services Tk. 60.00 crores.

7.5 The main objectives of the budget for 1998-99 were: to increase the growth rate of Gross Domestic Product (GDP) through poverty alleviation and creation of huge employment opportunity, to provide assistance to sick industries and to continue economic reform programme including privatisation policy etc. In addition to the above programmes, a Social Development Fund of Tk. 18.00 crores to be established to provide grants for oppressed women and children and for their shelter and legal aid, to encourage innovative projects for rehabilitation of disabled persons and a special allocation to impart appropriate training of workers for taking new job who availed voluntary retirement from services were included in the budget. In order to develop capital market, removal of various restrictions on foreign investment, imposition of three year lock-in period for local sponsors, initiative for enactment of the law of Central Depository System, provision for acceptance with no question if any income not taxed earlier is invested for purchase of shares in the primary and secondary market subject to the condition that the investor pays tax at the rate of 7.5 percent on the amount invested were the important features of the budget for 1998-99.

Annual Development Programme for 1998-99

7.6 The size of the Annual Development Programme (ADP) for the year 1998-99 were estimated at Tk. 13,600.00 crores which was 11.5 percent higher than the revised ADP for the year 1997-98. Financing estimated from internal sources in the proposed Annual Development Programme was Tk. 6,218.00 crores, which was 45.7 percent of the total outlay and financing from external sources was Tk. 7,382.00 crores which was 54.3 percent of the total outlay. Total number of projects included in ADP for the year 1998-99 were 1,216. It may be mentioned that the revised Annual Development Programme for 1997-98 envisaged a total foreign assistance of Tk. 6,679.00 crores or 54.7 percent of the total outlay.

Government Borrowings

Government of Bangladesh Loan-2002 Bearing 9 Percent Interest

7.7 The outstanding balance of Government of Bangladesh Loan-2002 bearing 9.0 percent interest remained unchanged as on June 30, 1998 at the previous year's level of Tk. 63.75 crores.

G.P. Notes/Stock Certificates

7.8 The outstanding balance of G.P. Notes/Stock Certificates bearing 5.0 percent interest including defence bonds

of the former Pakistan Government and its Provincial Governments held by the Bangladeshi nationals and institutions and liabilities of which have been accepted by the Government of Bangladesh but awaiting redemption remained unchanged as on June 30, 1998 at the previous year's level of Tk. 2.29 crores.

15-Year Special Treasury Bond

7.9 To meet the shortfall in provisioning against the bad loan and recapitalisation of nationalized banks, 15- Year Special Treasury Bond of Tk. 1,729.13 crores bearing 7.5 percent interest was issued by the Government which became effective from December 30, 1990. Subsequently, on March 9, 1993 the rate of interest was refixed at 5.0 percent. The outstanding amount of this Bond as on June 30, 1998 remained unchanged at the previous year's level of Tk. 1,729.13 crores.

15-Year Treasury Bond- 2008 Bearing 5 Percent Interest

7.10 To meet the shortfall due to agricultural loan write-off and the shortfall in capital and provisioning against bad loans of Sonali Bank, Janata Bank, Agrani Bank and Rupali Bank Limited, 15-Year Treasury Bond- 2008 of Tk. 500.00 crores bearing 5.0 percent interest was issued on October 16, 1993 in favour of related Banks. The outstanding amount of the Bond as on

June 30, 1998 remained unchanged at the previous year's level of Tk. 500.00 crores.

15-Year Treasury Bond-2011 Bearing 5 Percent Interest

7.11 In order to meet the shortfall for agricultural loan write-off, interest free treasury bond of Tk. 295.00 crores was issued on June 30, 1994 in favour of the Bangladesh Krishi Bank. As a result of repayment of Tk. 150.00 crores in cash during 1994-95, the outstanding amount of this Bond as on June 30, 1995 stood at Tk. 145.00 crores which was converted into 15-Year Treasury Bond-2011 bearing 5.0 percent interest by the Government on April 16, 1996. The outstanding balance of this Bond as on June 30, 1998 remained unchanged at the previous year's level of Tk. 145.00 crores.

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

7.12 In order to finance the installation of 1 lakh 30 thousand digital telephone lines, the Government issued 3-Year Treasury Bond of Tk. 21.00 crores bearing 5.0 percent interest on November 30, 1995, Tk. 55.00 crores bearing 6.0 percent interest on January 15, 1996, Tk. 10.00 crores bearing 8.9 percent interest on June 20, 1996 and Tk. 139.00 crores bearing 10.00 percent interest on June 27, 1996 i.e., total bonds of Tk. 225.00 crores were issued in favour of different banks/financial

institutions. The outstanding balance of these Bonds as on June 30, 1998 remained unchanged at the previous year's level of Tk. 225.00 crores.

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

7.13 In order to finance the installation of 1 lakh 30 thousand digital telephone lines, 3-Year Treasury Bond of Tk. 125.00 crores bearing 8.8-10.0 percent interest was issued in favour of different commercial banks/financial institutions on November 30, 1996. The outstanding balance of this Bond remained unchanged at the previous year's level of Tk. 125.00 crores.

25-Year Treasury Bond- 2018

7.14 25-Year Treasury Bond of Tk. 590.99 crores was issued on November 1, 1993 in favour of Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank Limited, Uttara Bank Limited and Pubali Bank Limited in order to compensate for the liquidation of jute sector credit. The outstanding balance of the Bond as on June 30, 1998 stood at Tk. 478.70 crores due to repayment of some amount against it.

25-Year Treasury Bond- 2019

7.15 In order to compensate against the liquidation of jute sector credit, 25-Year Treasury Bond of Tk. 409.80 crores was issued on June 30, 1994 in favour of Sonali Bank, Janata Bank, Agrani bank

and Rupali Bank Limited. The outstanding balance of this Bond as on June 30, 1998 stood at Tk. 331.94 crores which was Tk. 16.39 crores lower than the preceding year's outstanding of Tk. 348.33 crores.

3-Year Treasury Bond (Jute Sector) - 1998

7.16 3-Year Treasury Bond-1998 of Tk. 176.43 crores bearing 7.0 percent interest was issued on July 1, 1995 in order to reimburse the loss of interim working capital in jute sector during 1994-95. The outstanding balance of the Bond as on June 30, 1998 remained unchanged at the preceding year's level of Tk. 176.43 crores.

25-Year Treasury Bond- 2020

7.17 As per the Government decision, 5.0 percent interest bearing Treasury Bond of Tk. 68.46 crores was issued on July 1, 1995 in order to reimburse one-third of the debt due to jute mills' loan write-off by the private banks. The outstanding balance of the Bond stood at Tk. 61.62 crores as on June 30, 1998 which was Tk. 3.42 crores lower than the previous year's level of Tk. 65.04 crores.

3-Year Treasury Bond (Jute Sector) - 1998

7.18 As per the Government decision, 3-Year Treasury Bond-1998 of Tk. 26.74 crores bearing 7.0 percent interest was issued in favour of different banks which

became effective from July 1, 1995 in order to reimburse the loss of interim working capital in jute sector. The outstanding balance of this Bond as on June 30, 1998 remained unchanged at the preceding year's level of Tk. 26.74 crores.

10-Year Treasury Bond-2006 Bearing 7 Percent Interest

7.19 (A) As per the Government decision, 10-Year Treasury Bond of Tk. 81.64 crores bearing 7.0 percent interest was issued in favour of different commercial banks which became effective from July 1, 1996 in order to reimburse the loss of interim working capital in jute sector. The outstanding balance of this Bond as on June 30, 1998 remained unchanged at the preceding year's level of Tk. 81.64 crores.

(B) As per the Government decision, 10-Year Treasury Bond of Tk. 88.78 crores bearing 7.0 percent interest was issued in favour of different commercial banks which became effective from July 1, 1996 in order to reimburse the loss of interim working capital in jute sector during 1995-96. The outstanding balance of this Bond as on June 30, 1998 remained unchanged at the previous year's level of Tk. 88.78 crores.

10-Year Treasury Bond-2005 and 2006 Bearing 7 Percent Interest

7.20 (A) As per the Government decision, 10-Year Treasury Bond of Tk. 26.46 crores bearing 7.0 percent interest was issued in favour of different commercial banks which became effective from July 1, 1995 in order to reimburse the loss of interim working capital in jute sector during 1994-95. The outstanding balance of this Bond as on June 30, 1998 remained unchanged at the preceding year's level of Tk. 26.46 crores.

(B) As per the Government decision, 10-Year Treasury Bond of Tk. 25.56 crores bearing 7.0 percent interest was issued in favour of different commercial banks which became effective from July 1, 1996 in order to reimburse the loss of interim working capital in jute sector during 1995-96. The outstanding balance of this Bond as on June 30, 1998 remained unchanged at the preceding year's level of Tk. 25.56 crores.

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

7.21 In order to finance the restructuring and transforming the Bangladesh Shilpa Rin Sangstha into a profitable institution, 3-Year Treasury Bond of Tk. 50.00 crores bearing 8.5 percent interest was issued by the Government on June 19,

1997 in favour of the Agrani Bank. The outstanding balance of this Bond as on June 30, 1998 remained unchanged at the preceding year's level of Tk. 50.00 crores.

Biman Treasury Bond- 2000 Bearing 4 and 5 Percent Interest

7.22 Treasury Bond -2000 of Tk. 57.00 crores was issued on June 29, 1995 in favour of different banks and financial institutions in order to finance the purchase of two air-buses for the Bangladesh Biman Corporation. The outstanding balance of this Bond as on June 30, 1998 remained unchanged at the preceding year's level of Tk. 57.00 crores.

5-Year (Biman) Treasury Bond-2002

7.23 Treasury Bond-2002 of Tk. 15.00 crores bearing 8.0 percent interest in the 1st phase and of Tk. 35.00 crores bearing 9.0 percent interest in the 2nd phase were issued in favour of different commercial banks on April 1, 1997 and June 19, 1997 respectively in order to finance the Bangladesh Biman Corporation for purchasing two air-buses. The outstanding balance of the Bond as on June 30, 1998 remained unchanged at the previous year's level of Tk. 50.00 crores.

5-Year (Biman) Treasury Bond-2003

7.24 5-Years (Biman) Treasury Bond-2003 of Tk. 20.00 crores bearing 8.0 percent interest was issued on May 25, 1998 in favour of three commercial banks in order to finance Government equity payment for the Bangladesh Biman Corporation. The outstanding balance of the Bond was Tk. 20.00 crores as on June 30, 1998.

3-Year Autonomous Bodies' Bank Credit Bond-2001 Bearing 7 Percent Interest

7.25 3-Year Treasury Bond of Tk. 25.66 crores bearing 7.0 percent interest was issued on May 26, 1998 in favour of Agrani Bank in order to repay the bank credit of Bangladesh Textile Mills Corporation against the privatized textile mills. The outstanding balance of the Bond as on June 30, 1998 was Tk. 25.66 crores.

Wage Earners' Development Bond

7.26 The net sale of Wage Earners' Development Bond through different banks amounted to Tk. 1.52 crores during 1997-98 which raised the outstanding balance of the Bond as on June 30, 1998 to Tk. 839.48 crores from the previous year's level of Tk. 837.96 crores. Sale and encashment of this Bond during the year under report were Tk. 97.84 crores and Tk. 96.32 crores respectively.

3-Year National Investment Bond

7.27 The outstanding balance of 3-Year National Investment Bond which was introduced in September, 1992 stood at Tk. 798.05 crores at the end of June, 1998. Sale and encashment of the Bond were Tk. 168.43 crores and Tk. 142.20 crores respectively during the year under report.

8-Year Pratiraksha Sanchaya Patras

7.28 The net sale of Pratiraksha Sanchaya Patras through banks, post offices and the Sanchaya Bureau increased by Tk. 944.35 crores or 27.2 percent to Tk. 4,412.17 crores as on June 30, 1998 as against Tk. 3,467.82 crores as on June 30, 1997. Sale and repayment of principal amount of Pratiraksha Sanchaya Patras during 1997-98 were Tk. 1,447.81 crores and Tk. 503.46 crores respectively.

6-Year Bonus Sanchaya Patras

7.29 The repayments of principal amount and interest of 6-Year Bonus Sanchaya Patras through banks, post offices and the Sanchaya Bureau during the year under report were Tk. 17.77 crores and Tk. 22.37 crores respectively. It may be mentioned that sale of Bonus Sanchaya Patras was suspended from June 3, 1992.

5-Year Bangladesh Sanchaya Patras

7.30 The net sale of 5-Year Bangladesh Sanchaya Patras through banks, post offices and the Sanchaya Bureau decreased by Tk. 110.15 crores or 4.6 percent to Tk. 2,298.89 crores as on June 30, 1998 as compared to Tk. 2,409.04 crores as on June 30, 1997. Sale and repayment of principal amount of 5-Year Bangladesh Sanchaya Patras during 1997-98 were Tk. 357.79 crores and Tk. 467.94 crores respectively.

3-Year Sanchaya Patras

7.31 The repayments of principal amount and interest of 3-Year Sanchaya Patras through banks, post offices and the Sanchaya Bureau were Tk. 10.26 crores and Tk. 4.80 crores respectively during the year under report. It may be mentioned that sale of 3-Year Sanchaya Patras was suspended from September 20, 1993.

Savings Certificates with Half-yearly Profit

7.32 Savings Certificates with Half-yearly Profit were introduced from January, 1997. The net sale of the above certificates through banks, post offices and Sanchay Bureau was Tk. 976.19 crores as on June 30, 1998. Sale and repayment of principal amount of the

above certificates during 1997-98 was Tk. 651.65 crores and Tk. 38.31 crores respectively.

Savings Certificates with 3-monthly Profit

7.33 Savings Certificates with 3-monthly Profit were introduced from January, 1998. Sale and repayment of principal amount of the above savings certificates were Tk. 177.23 crores and Tk. 0.39 crore respectively up to June 30, 1998.

Family Savings Certificates

7.34 Family Savings Certificates were introduced from February, 1997. The net sale of the above savings certificates through banks, post offices and Sanchay Bureau was Tk. 423.84 crores as on June 30, 1998. Sale and repayment of principal amount of the above savings certificates were Tk. 381.61 crores and Tk. 28.49 crores respectively during 1997-98.

Bangladesh Prize Bond

7.35 The 10-Taka Prize Bond was introduced in 1974. The sale of 10-Taka Prize Bond was suspended from July 2, 1995. The outstanding balance of the Bond to its holders was Tk. 2.06 crores as on June 30, 1998.

7.36 The 50-Taka Prize Bond was introduced in 1985. Sale of this Bond was suspended from July 2, 1995. The outstanding balance of the Bond to its holders was Tk. 2.36 crores at the end of June, 1998.

7.37 The 100-Taka Prize Bond was introduced from July 2, 1995. The net sale of 100-Taka Prize Bond was Tk. 153.30 crores as on June 30, 1998. Sale and encashment of the above Bond stood at Tk. 33.67 crores and Tk. 25.73 crores respectively during 1997-98. 11 draws for 20 series of the Bond were held up to June 30, 1998.

EXTERNAL TRADE AND BALANCE OF PAYMENTS**Trade Balance***

8.1 The deficit in the balance of trade (visible export minus visible import) of the country narrowed by \$ 383.0 million to \$ 2,352.0 million during 1997-98 as compared to the preceding year. Import payments went up by \$ 362.0 million or 5.1 percent to \$ 7,524.0 million while export receipts increased by \$ 745.0 million or 16.8 percent to \$ 5,172.0 million during the year under report. Export receipts and import payments in the preceding year had stood at \$ 4,427.0 million and \$ 7,162.0 million respectively. The position of the overall balance of payments is shown in Table-XI of the Appendix.

Trade Policy

8.2 Bangladesh embarked upon a liberal trade and investment policy in the 1990s, designed especially to integrate the domestic market with the international market. With the liberalization of exchange regime and declaration of convertibility of taka in current transaction, exchange rate has been adjusted nearer to the market rate. Following the recent

turmoil in the South-East Asian capital market and collapse in the exchange regime, appropriate adjustment in the exchange rate has been initiated to strengthen the trade regime of Bangladesh. In order to accelerate the pace of liberalization process, the Trade Policy (1997-2002) has been announced this year instead of Annual/Biennial Trade Policy.

Import Policy and Programme

8.3 In the backdrop of the Uruguay Round and its subsequent developments in the world economic environment and adoption of policy package to foster free market economy in Bangladesh, the trade policy of the country has been restructured with the objective of developing an outward-looking market economy enabling export sector to play a vital role in economic development through import liberalisation. By removing quantitative restrictions and reducing import duties, import regime was further opened up. Liberalization activities are being continued aiming at ensuring economic

* Source : Bangladesh Bank and Export Promotion Bureau.

growth and welfare and increasing competitive efficiency in the international market. Meanwhile, the number of products under import restrictions declined from 703 to 121. Most of the restrictions were imposed on non-trade such as security, health, religious, environmental and cultural considerations. Only a few commodities were brought under restriction for trade and protection purpose. In the new Import Policy, BEPZA, BSCIC and Board of Investment are considered as the sponsors of the concerned industry, so as to ensure the smooth co-ordination between industrial and import policies and to reduce administrative complexities for obtaining prior permission from two different ministries dealing with industry and commerce. During 1997-98, customs duty was reduced and the maximum rate of duty was refixed at 42.5 percent from 45.0 percent. The average rate of protection which was 89.0 percent in 1990-91 was reduced to 22.0 percent in 1995-96 and the rate was further reduced to 21.5 percent during 1996-97 and to 20.7 percent during 1997-98(July-January). Some key measures which were taken under the Import Policy (1997-2002) are described below :

i) Any item outside the restricted and the conditional lists can be freely

imported unless otherwise stated in the Import Policy Order. In case, import of any item is prohibited for the sake of protection to any domestic industry, sponsors/Tariff Commission will strictly monitor the production aspect of the concerned industry regularly. However, import restrictions could be removed if any concerned industry fails to maintain the standard of its products, production of requisite quantity and reasonable price;

ii) Import can be made C&F or fob basis through ship, road or air routes. The 'Country of Origin' has to be mentioned clearly on packet/box/container. This condition will not be applicable in respect of import of coal, cotton, ready-made garments and raw materials for 100 percent export oriented industries;

iii) No Import License will be required for imports. Irrespective of sources of finance, imports through banks (L/C, bank drafts, remittance etc.) would require LCA and opening of irrevocable Letters of Credit. But opening of L/Cs will not be required for import of perishable food items valued within the range of \$ 5,000- \$ 7,500 per consignment by land route. Moreover, in the cases of import of industrial raw-materials and capital machinery, irrespective of value,

opening of L/Cs would not be required. The terms and conditions for imports through opening of Letters of Credit will be equally applicable for imports on deferred payment basis and importers will have to be registered with the Bangladesh Bank as "Import without L/Cs";

iv) Without opening L/Cs books, journals, magazines and periodicals etc. can be imported on the basis of sight draft or usance bills through LCA form and on cash payment from Bangladesh, importable items worth up to US \$ 5,000 can be imported annually. But from Myanmar, items worth up to US \$ 5,000 can be imported in a single consignment without L/Cs;

v) Imports on deferred payment basis or against suppliers' credit can be made on the basis of the Bangladesh Bank's statutory regulations;

vi) Any importable commodity can be sent to resident Bangladeshis, only by non-resident Bangladeshis against direct cash payment in foreign countries without any limit. In these cases, no permission or import permit of the CCI&E will be required;

vii) Letter of Credit can be established against indents issued by

enlisted local indentors or proforma invoices issued by foreign producers/sellers/suppliers;

viii) L/Cs can be opened without Import Registration Certificate (IRC) to import capital machinery and primary spare parts for establishing new industrial units. L/Cs or IP fees are written off in case of importing capital machineries and spare parts for establishing 100 percent export oriented industries in undeveloped/ underdeveloped regions of the country and the commercial importers can freely import capital machineries and accessories without any value limitation against cash foreign exchange for commercial purpose;

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

pieces. However, in case of importing other fabrics except gray fabrics only 20 yards or more can be imported in the form of regular and continuous rolls. Gray fabrics can be imported under the condition that, after finishing, dyeing or printing all of the imported fabrics will be supplied to export oriented garments industries or have to be exported;

x) In order to increase the exports of ready-made garments, the minimum rates of value addition were revised as under: 25 percent each for knitted garments, woven garments of non-quota categories, woven garments of the quota categories valued at US \$ 40 (fob) per dozen and above (under no circumstances it can be less than US \$ 12 per dozen), 20 percent and 15 percent for quota and non-quota categories respectively for garments valued at US \$ 60 per dozen fob or more, 25 percent for all sweaters of quota and non-quota categories and 20 percent for export of all kinds of children garments;

xi) The public sector importers such as Ministries, Departments and Agencies of the Government can import any item against specific allocation of the Government without import license, permit or import registration certificates. Moreover, in addition to the allocation, they can

import any item in cash foreign exchange and they can import under Cash Against Delivery (CAD) basis within the norms specified by the Bangladesh Bank; and

xii) Individuals and organisations not registered as importers can import any permissible item without approval up to a maximum limit of \$ 2,000 for their own use against cash payment. Imports exceeding \$ 2,000 but up to \$ 5,000 are subject to prior approval of the Regional Controller of Imports.

Import Payments*

8.4 Import payments during 1997-98 which stood at \$ 7,524.0 million was \$ 362.0 million or 5.1 percent higher than \$ 7,162.0 million during 1996-97. The devaluations in the South-East Asian countries following the financial turmoil caused a lower import payments in dollar terms for almost the same bundle of imports of Bangladesh from those countries which mainly explains the lower rate of increase in import payments for the year under report. During 1997-98, imports under Cash, Barter and Special Trade Arrangement, Borrowings/Credit/Grants, Short term loan of Bangladesh Petroleum Corporation, Direct investment and others stood at \$ 5,549.0 million (73.8%), \$ 7.0 million, \$ 1,166.0 million

*Source : Bangladesh Bank.

(15.5%), \$ 93.0 million (1.2%), \$ 212.0 million (2.8%) and \$ 4.0 million respectively. Import under EPZ stood at \$ 493.0 million (6.6%).

Milk and Milk Products

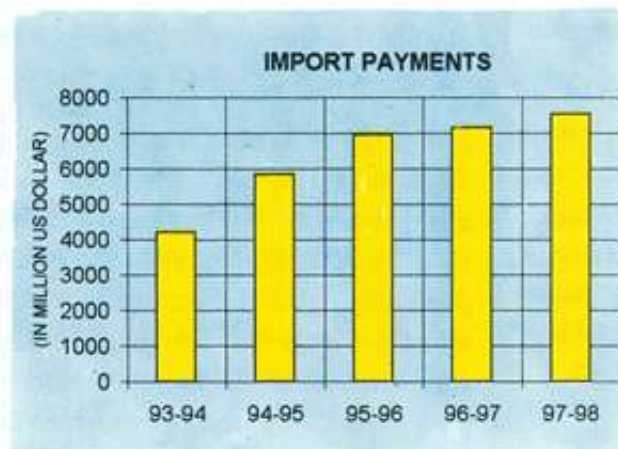
8.6 Import payments for milk and milk products declined by 15.1 percent to \$ 45.0 million during 1997-98 from \$ 53.0 million during 1996-97.

Oil Seeds and Edible Oil

8.7 Import payments for oil seeds and edible oil increased by 11.2 percent to \$ 309.0 million during 1997-98 from \$ 278.0 million during 1996-97.

Cement

8.8 Import payments for cement declined by 2.6 percent to \$ 152.0 million during 1997-98 from \$ 156.0 million during 1996-97.



Major Import Commodities*

Foodgrains

8.5 Import payments for foodgrains increased by 100.5 percent to \$ 369.0 million during 1997-98 from \$ 184.0 million during 1996-97. During the year under report, foodgrain imports increased significantly in public and private sector to meet the possible food deficit due to flood and also to increase the stock position.

Crude Petroleum and Petroleum Products

8.9 Import payments for crude petroleum and petroleum products declined by 15.5 percent to \$ 435.0 million during 1997-98 from \$ 515.0 million during 1996-97.

*Source : Bangladesh Bank.

Chemicals

8.10 Import payments for chemical products fell by 3.5 percent to \$ 248.0 million during 1997-98 from \$ 257.0 million during 1996-97.

Fertilizers

8.11 Import payments for fertilizers declined by 28.0 percent to \$ 108.0 million during 1997-98 from \$ 150.0 million during 1996-97.

Cotton, Yarn, Dyeing and Textile Materials

8.12 Import payments for cotton, yarn, dyeing materials and textile materials increased by 6.5 percent to \$ 1,864.0 million during 1997-98 from \$ 1,750.0 million during 1996-97. It may be mentioned here that these items are mainly used as raw materials for garment industries.

Iron and Steel

8.13 Import payments for iron and steel declined by 10.5 percent to \$ 391.0 million during 1997-98 from \$ 437.0 million during 1996-97.

Capital Goods

8.14 Import payments for capital goods during 1997-98 increased by \$ 135.0 million or 7.0 percent and stood at \$ 2,072.0 million as compared to \$ 1,937.0 million in 1996-97.

Import under Export Processing Zones (EPZ)

8.15 Import under EPZ increased by 22.6 percent to \$ 493.0 million during 1997-98 from \$ 402.0 million during 1996-97. The EPZ imports included imports of capital goods of a few projects under construction in the EPZ. Statement of sector-wise import payments is shown in the Table-XIII of the Appendix.

8.16 The value of L/Cs opened during 1997-98 rose by Tk. 3,080.8 crores or 15.2 percent to Tk. 23,378.4 crores from Tk. 20,297.6 crores during the preceding year. Sector-wise L/Cs opening during the year under report was : industrial sector Tk. 10,326.4 crores (44.2 percent), commercial imports Tk. 11,078.7 crores (47.4 percent) and POL Tk. 1,973.3 crores (8.4 percent).

Export Policy and Programme

8.17 The five year Export Policy-1997-2002 was announced with a view to reducing gradually the gap between export receipts and imports payments through boosting of exports, product diversification, connecting export oriented industries with the backward linkage facilities and services aimed at increasing domestic value addition, ensuring greater access to market

through quality improvement, encouragement of the investors for establishing export-oriented industries, expansion and consolidation of export market, creation of new markets, encouragement for assimilation of appropriate technology in the production of exportable goods and involvement of the private sector for export expansion. Important steps which were undertaken in the five year Export Policy-1997-2002 are as under:

i) In the export policy, leather and leather goods industries, high-priced new and more value added category ready-made garments; computer software and agro-processing sectors have been earmarked as 'thrust sector';

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

iii) In order to facilitate the use of separate lines by Software and Data Entry sector, arrangements have been made, in consultation with the Telephone and Telegraph Board, for according permission to the 100

percent export-oriented industries various facilities, including installation of international data network system in the private sector; and setting up of information technology village for development of infrastructure for exporting computer software and inclusion of software related chapter in Copy-Right Act to facilitate marketing of software;

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

v) Fifty percent per annum tax rebate under the financial Act on income from export has been replaced by exemption of tax at the rate of 50 percent on income from any export business under the income tax law. The rate of deduction of export tax at source in the case of ready-made garments has been lowered from 0.5 percent to 0.25 percent;

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

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

viii) In order to improve the quality of product and to expand the export market, the limit for importing samples has been set at \$ 1,000 per annum or higher subject to approval from the competent authority and except for trade fairs, financial limit for export of pre-selected samples has been refixed at \$ 1500, and above all, price limit for sending export samples in parcel post has been enhanced from existing Tk. 2,000 to Tk. 5,000;

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

x) In order to encourage domestic textile and garments industries, 25 percent alternative facility has been provided in favour of those industries in place of customs bond or duty drawback facilities. If the producer did not receive the customs bond or duty drawback facility in case of importing materials for export or if the producer

uses locally produced inputs then the above facility has been provided to producer or supplier (should be the same organisation) and the exporter if he is the middleman;

xi) The limit of balance in foreign currency accounts in US Dollar or Pound Sterling by an exporter has been increased from 20 percent to 40 percent of their fob export receipts. Exports of merchandise with higher import content such as naphtha, furnace oil, ready-made garments, electronic goods and services (legal advice, consultancy etc.), will get the foreign exchange retention benefit of 7.5 percent of their fob export receipts;

xii) Arrangements have been made for issuance of credit cards against foreign currency payable to the exporters and for allowing commercial banks to extend export credit up to 90 percent of the value described in the irrevocable letter of credit/confirm contract. In order to encourage the new exporters, their applications for export credit were considered on priority basis and arrangements were made to allow opening of back-to-back L/Cs in favour of the local raw-materials suppliers. Commercial banks can charge overdue interest on imports made on the basis of sight payment under irrevocable letter of credit and in this case exporters have to submit necessary export documents in due time;

xiii) The time-frame for exporting crust leather has been extended up to the year 2000. Imports of raw leather including wet blue and pickled leather would be continued and the existing customs duty (2.5%), import licence fee (2.5%) would be waived for import of raw leather for the next three years. The individual units unwilling to take the advantage of duty drawback facilities and those which have no bonded warehouse would be provided with the same amount of facilities as duty drawback;

xiv) Permission has been given to 100 percent export oriented industries including leather and readymade garments to sell their rejected products in local market after paying 20 percent of the due taxes and bonded warehouse facilities would be expanded to all industries considered as 100 percent export-oriented;

Export Receipts*

8.18 Export receipts increased by \$ 745.0 million or 16.8 percent to \$ 5,172.0 million during 1997-98 as compared to \$ 4,427.0 million in

the preceding year. This was higher by 3.0 percent than the annual target of \$ 5,020.0 million for the year under report. The increase in export receipts was due mainly to substantial increase in earnings from readymade garments and tea.



Major Export Commodities*

Readymade Garments

8.19 Earnings from the export of readymade garments (including knitwear and hosiery products) during 1997-98 which stood at \$ 3,784.0 million was 26.1 percent higher than \$ 3,001.0 million during 1996-97. The USA,

* Source : Export Promotion Bureau.

Canada and the EC countries were the principal buyers of readymade garments from Bangladesh* during the year under report. Export receipts from readymade garments which accounted for 73.2 percent of total export receipts of the country, was 8.6 percent higher than the export target of \$ 3,483.0 million for the year under report. This boost up in export earnings of readymade garments was for the higher demand by the foreign buyers due to increased confidence in the minds of the importers in respect of the quality of the Bangladeshi products.

Leather

8.20 Export earnings from leather (tanned and semi-tanned) declined by 2.6 percent to \$ 190.0 million during 1997-98 as compared to \$ 195.0 million during the preceding year. Earnings of foreign exchange from leather was 7.3 percent lower than the export target of \$ 205.0 million for the year under report. Modern leather products could not be produced in 1997-98 due to technological backwardness, as a result, export of leather declined by 0.7 percent. On the other hand, unit price of leather went down by 2.0 percent. So, decline in volume of export coupled with fall in price caused the lower export earnings from leather products during the year under report.

Frozen Food

8.21 Export earnings from frozen food (fish and shrimp) declined by 8.4 percent to \$ 294.0 million during 1997-98 from \$ 321.0 million earned during 1996-97 and this earning was 8.1 percent lower than the export target of \$ 320.0 million for the year under report.

Raw Jute

8.22 An amount of \$ 108.0 million which was earned from the export of 18.1 lakh bales of raw jute during 1997-98, was 6.9 percent lower than \$ 116.0 million earned from the export of 17.5 lakh bales of raw jute during 1996-97. This amount was 13.6 percent lower than the target of \$ 125.0 million for the year under report. Though the export of raw jute increased in quantity by 3.5 percent, the export earnings declined because the unit price of raw jute went down by 11.2 percent during the year under report.

Jute Goods

8.23 An amount of \$ 278.6 million which was earned from the export of 4.5 lakh tons of jute goods (excluding carpet) during 1997-98 was 11.1 percent lower than \$ 313.3 million earned from the export of 4.9 lakh tons of jute goods during 1996-97. Export earnings from jute goods was 9.3 percent lower than

* Source : Export Promotion Bureau.

the export target of \$ 307.0 million for the year under report. During 1997-98, earnings from the export of carpets declined by 39.1 percent to \$ 2.8 million from \$ 4.6 million earned during the preceding year due to decline in unit price of export by 2.8 percent and quantity of export by 8.5 percent.

Tea

8.24 An amount of \$ 47.0 million which was earned during 1997-98 from the export of 26.7 million kgs of tea was 23.7 percent higher than \$ 38.0 million earned from the export of 24.8 million kgs. of tea during 1996-97 and 17.5 percent higher than the export target of \$ 40.0 million for the year under report.

Handicrafts

8.25 Export earnings from handicrafts increased by 5.3 percent to \$ 6.0 million during 1997-98 from \$ 5.7 million during the preceding year. Details of export earnings from the major export commodities have been shown in Table-XII of the Appendix.

Services Account

8.26 The services accounts showed a net surplus of \$ 40.0 million during 1997-98 as against a surplus of \$ 163.0 million at the preceding year.

Overall Balance of Payments*

8.27 The country's overall balance of payments showed a surplus of \$ 82.0 million during 1997-98 as compared to the deficit of \$ 169.0 million in the preceding year. Net receipts under current transfers declined by \$ 128.0 million to \$ 2,017.0 million during 1997-98 from \$ 2,145.0 million during the preceding year. Net inflow of capital declined by \$ 54.0 million to \$ 304.0 million during 1997-98 from \$ 360.0 million in 1996-97. Despite lower net capital inflows and current transfer, the overall balance showed a surplus due to a decline in deficit of trade balance. Details of balance of trade and payments are shown in Table-XI of the Appendix.

Wage Earners' Remittances*

8.28 Foreign exchange remittances by the Bangladeshi nationals working abroad increased by \$ 50.0 million to \$ 1,525.0 million during 1997-98 from \$ 1,475.0 million during 1996-97. Of the remittances sent by non-resident Bangladeshi nationals, the amounts sent from the main 5 countries were as under : Saudi Arabia \$ 589.0 million, Kuwait \$ 213.0 million, United States of America \$ 203.0 million, United Arab Emirates \$ 107.0 million and Malaysia \$ 78.0 million.

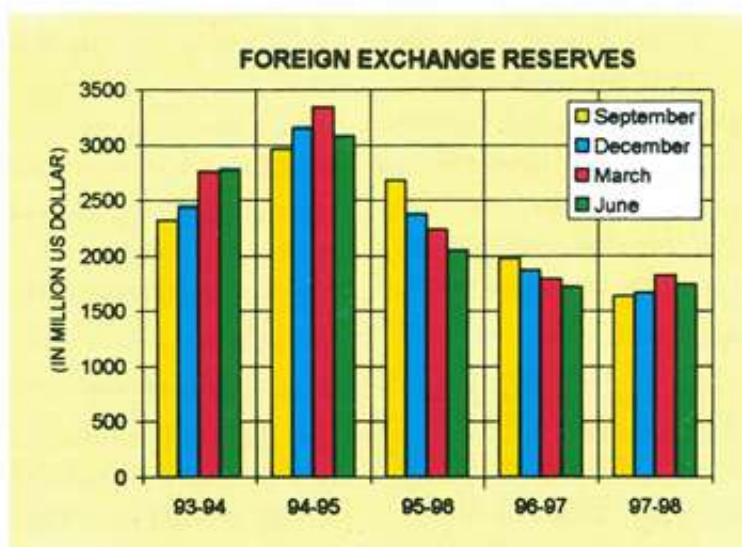
* Source : Bangladesh Bank.

Remittances sent by the Bangladeshi nationals working abroad during the last few years are shown in Table-XVII of the Appendix.

Foreign Exchange Reserves*

8.29 Convertible foreign exchange

reserves held by the Bangladesh Bank (including reserves with the IMF) increased to \$ 1,739.0 million at the end of June, 1998 from \$ 1,719.0 million at the end of June, 1997. Foreign exchange reserves held by the Bangladesh Bank are shown in Table-XV of the Appendix.



Commodity Terms of Trade**

8.30 Export price index increased by 3.8^P percent in 1997-98 as compared to 1996-97. On the other hand, import price index increased by 3.4^P percent. As a result, the commodity terms of trade of Bangladesh

recorded an increase of 0.5^P percent during 1997-98. The trend in commodity terms of trade of Bangladesh during the last few years is shown in Table-8.1.

* Source : Bangladesh Bank.

** Source : Planning Commission.

^P Provisional.

TABLE-8.1
COMMODITY TERMS OF TRADE
(BASE: 1979-80 = 100)

Year	Export Price Index (A)	Import Price Index (B)	Commodity Terms of Trade(C)*
1	2	3	4
1979-80	100.0	100.0	100.0
1980-81	86.8 (- 13.2)	113.5 (13.5)	76.5 (- 23.5)
1981-82	74.7 (-13.9)	118.7 (4.6)	62.9 (- 17.8)
1982-83	76.1 (1.9)	112.5 (- 5.2)	67.6 (7.5)
1983-84	89.8 (18.0)	110.9 (- 1.4)	81.0 (19.8)
1984-85	108.8 (21.2)	110.8 (- 0.1)	98.2 (21.2)
1985-86	78.9 (- 27.5)	98.5 (- 11.1)	80.1 (- 18.4)
1986-87	81.8 (3.7)	89.9 (- 8.7)	91.0 (13.6)
1987-88	95.7 (17.0)	91.4 (1.7)	104.7 (15.1)
1988-89	92.6 (- 3.2)	97.2 (6.3)	95.3 (-9.0)
1989-90	95.6 (3.2)	103.0 (6.0)	92.8 (-2.6)
1990-91	101.9 (6.6)	107.4 (4.3)	94.9 (2.3)
1991-92	100.4 (- 1.5)	104.4 (- 2.8)	96.2 (1.4)
1992-93	107.3 (6.9)	107.8 (3.2)	99.6 (3.5)
1993-94	113.3 (5.6)	110.8 (2.8)	102.3 (2.7)
1994-95 ^P	120.8 (6.6)	120.7 (8.9)	100.1 (-2.2)
1995-96 ^P	128.9 (6.7)	129.5 (7.3)	99.5 (-0.6)
1996-97 ^P	135.0 (4.8)	133.4 (3.0)	101.2 (1.7)
1997-98 ^P	140.2 (3.8)	137.9 (3.4)	101.7 (0.5)

Source : Planning Commission.

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

P Provisional

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

(ii) The export and import price indices of the commodity terms of trade covered 95 and 60 percents of the total export and import values in 1996-97 and 94 and 67 percent in 1997-98 respectively.

Foreign Aid*

8.31 Total foreign aid commitment to Bangladesh during 1997-98 at \$ 1,791.0 million was 7.8 percent higher than the commitment of \$ 1,661.0 million in 1996-97. Of the total commitment for 1997-98, \$ 585.0 million or 32.7 percent represented grants while the balance \$ 1,206.0 million or 67.3 percent was loan. Total commitment of foreign aid since independence till June 30, 1998 stood at \$ 39,496.0 million of which \$ 17,779.0 million or 45.0 percent represented grants.

8.32 Total disbursement of aid during 1997-98 at \$ 1,319.0 million, was \$ 162.0 million or 10.9 percent lower than the disbursement of \$ 1,481.0 million during the preceding year. Total disbursement of aid since independence till the end of June, 1998 stood at \$ 33,288.0 million or 84.3 percent of total commitment. Of the total disbursement, \$ 16,153.0 million or 48.5 percent represented grants and the remaining \$ 17,135.0 million or 51.5 percent was loans.

8.33 Of the total disbursement made during 1996-97, (i) Food aid disbursement

of \$ 99.0 million was 2.0 percent lower than \$ 101.0 million in the preceding year; (ii) Commodity aid disbursement of \$ 187.0 million was 28.9 percent lower than \$ 263.0 million of the preceding year and (iii) the disbursement of Project Aid of \$ 1,033.0 million was 7.5 percent lower than the preceding year's level of \$ 1,117.0 million.

8.34 Total external debt outstanding at \$ 14,813.0 million as on June 30, 1998 was \$ 440.0 million or 3.1 percent higher than \$ 14,373.0 million as at the end of June, 1997.

8.35 Bangladesh made repayments of \$ 308.0 million as principal (excluding Aircraft loan, ship purchase loan and repurchases in respect of drawings from the IMF) and \$ 137.0 million as interest during 1997-98. As a result, the net inflow of foreign aid into the country during 1997-98 stood at \$ 874.0 million which was \$ 144.0 million or 14.1 percent lower than \$ 1,018.0 million during the preceding year. A statement of the receipts of foreign aid and debt repayment is shown in the Table-8.2.

* Figures for 1997-98 are provisional.

TABLE-8.2
FOREIGN AID RECEIPTS AND DEBT REPAYMENTS

(In million US \$)

Particulars	1995-96	1996-97	1997-98 (Provisional)
1	2	3	4
1. Receipts	1,444	1,481	1,319
(i) Food Aid	138	101	99
(ii) Commodity Aid	229	263	187
(iii) Project Aid	1,077	1,117	1,033
2. Repayments*	469	463	445
(i) Principal	316	316	308
(ii) Interest	153	147	137
3. Net Receipts(1-2)	975	1,018	874

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

* Exclude Aircraft loan, Ship purchase loan and repurchases in respect of drawings from the IMF.

Transaction with the International Monetary Fund (IMF)

8.36 As in the preceding year, Bangladesh made no drawing during 1997-98 under the existing facilities of the International Monetary Fund (IMF). But, Bangladesh repurchased a total amount of SDR 76.61 million against the purchases made under Structural Adjustment Facility (SAF) of 1987 and

Enhanced Structural Adjustment Facility (ESAF) of 1990. The amount is lower by SDR 1.02 million than that of the same period of last year. In addition, Bangladesh paid SDR 2.77 million as charges to the Fund during the year under report. The detailed position of Bangladesh's transaction with the IMF during 1997-98 is shown in the Table-8.3.

TABLE-8.3
TRANSACTIONS WITH THE IMF

(In million SDR)*

Facilities	Cumulative Drawings/Purchases	Outstanding Liabilities as on 30-6-97	Purchases during 1997-98	Repurchases during 1997-98	Outstanding Liabilities as on 30-6-98
1	2	3	4	5	6
1. Structural Adjustment Facility (SAF), 1987	201.25	27.74	Nil	16.24	11.50
2. Enhanced Structural Adjustment Facility (ESAF), 1990	345.00	303.31	Nil	60.37	242.94
Total :	546.25	331.05	Nil	76.61	254.44

* SDR 1 = US \$ 1.33 as on June 30, 1998.

8.37 As a result of the above transactions, the outstanding liabilities of Bangladesh to the IMF stood at SDR 254.44 million (equivalent to US \$ 338.41 million) at the end of June, 1998 as compared to SDR 331.05 million

(equivalent to US \$ 460.16 million) at the end of June, 1997.

8.38 The detailed position of Bangladesh's transactions with the Fund since her membership till June 30, 1998 is shown in the Table-8.4.

TABLE-8.4
DETAILS OF TRANSACTIONS WITH THE IMF UNDER
DIFFERENT FACILITIES FROM 1972 TO JUNE 30, 1998 (in million SDR)

1	Facilities and Date of Approval	Rate of charges	Grace period	Repayment Period	Amount Drawn	Outstanding 30-6-98
2	3	4	5	6	7	
1	Compensatory Financing Facility (CFF) for Export Shortfall, December, 1972	Basic Rate of Charge	3 $\frac{1}{4}$ Years	1 $\frac{3}{4}$ Years (in 8 quarterly instalments)	62.50	—
2	Stand-by Arrangement, June, 1974	-do-	-do-	-do-	31.25	—
3	Stand-by Arrangement, July, 1975	-do-	-do-	-do-	62.50	—
4	CFF for Export Shortfall, August, 1976	-do-	-do-	-do-	39.06	—
5	Oil Facilities, 1974 and 1975	2/	-do-	3 $\frac{3}{4}$ Years (in 16 quarterly instalments)	91.97	—
6	Trust Fund Facility, July, 1977 March, 1981	0.50	5 $\frac{1}{2}$ Years	4 $\frac{1}{2}$ Years (in 10 Semiannual instalments)	122.16	—
7	Stand-by Arrangement, July, 1979	Basic Rate of Charge 1/	3 $\frac{1}{4}$ Years	1 $\frac{3}{4}$ Years (in 8 quarterly instalments)	85.00	—
8	Extended Fund Facilities, 3/ December, 1980					
9	(a) Ordinary/General Resources	-do-	4 $\frac{1}{2}$ Years	5 $\frac{1}{2}$ Years (in 12 Semiannual instalments)	110.00	—
10	(b) Borrowed Resources	2/	3 $\frac{1}{2}$ Years	3 $\frac{1}{2}$ Years (in 8 semiannual instalments)	110.00	—
11	CFF for Export Shortfall, February, 1982	Basic Rate of Charge 1/	3 $\frac{1}{4}$ Years	1 $\frac{3}{4}$ Years (in 8 quarterly instalments)	60.00	—
12	Combined CFF for Export Shortfall and Excess in Cereal Import Cost, August, 1982	-do-	-do-	-do-	71.20	—
13	Stand-by Arrangement, March, 1983	-do-	-do-	-do-	68.40	—
14	CFF for Excess in Cereal Import Cost, April, 1985	-do-	-do-	-do-	54.95	—
15	Stand-by Arrangement, December, 1985	-do-	-do-	-do-	180.00	—
16	Compensatory Financing Facility for Export Shortfall, February, 1987	-do-	-do-	-do-	88.90	—
17	Structural Adjustment Facility (SAF), February, 1987	0.50	5 $\frac{1}{2}$ Years	4 $\frac{1}{2}$ Years (in 10 Semiannual instalments)	201.25	11.50
18	Emergency Assistance, November, 1988	Basic Rate of Charge 1/	3 $\frac{1}{4}$ Years	1 $\frac{3}{4}$ Years (in 8 quarterly instalments)	71.67	—
19	Enhanced Structural Adjustment Facility (ESAF), August, 1990	0.50	5 $\frac{1}{2}$ Years	4 $\frac{1}{2}$ Years (in 10 Semiannual instalments)	345.00	242.94
Total :					1,856.01^{2/}	254.44

Source : International Department, Bangladesh Bank.

Note : 1/ The Basic Rate of charge of the fund is applicable for all those facilities which will be drawn from the general Resources. These include Stand-by, CFF, Cereal Import cost, EFF (portion to be drawn from general resources), Buffer Stock, Contingency Financing etc. The Basic Rate was changed within the range of 4.0% to 8.5% in different years. The IMF establishes this rate in every quarter. The basic rate of charge is now set as a percentage of the SDR interest rate. The basic rate of charge for June 29, 1998 was 4.58%.

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

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

4/ Purchase closed on 31st March, 1993 under ESAF and it includes SDR 15.00 million received from Saudi Development Fund.

5/ In addition to this, Bangladesh has received assistance (which are not payable) under the following : (a) SDR allocation-SDR 47.10 million; (b) the Gold Sales Profit, and Restitution Gold Distribution-SDR 17.34 million and SDR 3.76 million respectively; (c) Oil facility and SFF subsidy-SDR 10.36 million and 13.94 million respectively. In the year 1989-90, SDR 22.40 million of Bangladesh were withdrawn from the Reserve Tranche.

Asian Clearing Union (ACU)

8.39 Total transactions of Bangladesh under the Asian Clearing Union (ACU) increased during 1997-98 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 export and import of Bangladesh increased with the member countries of the ACU during the year under report. Export of Bangladesh under the ACU arrangement recorded an increase of ACU \$ 28.78 million or 31.5 percent to ACU \$ 120.24 million (Tk. 544.55 crores) in 1997-98 from ACU \$ 91.46 million (Tk. 391.14 crores) in 1996-97. On the other hand,

import of Bangladesh from the ACU member countries increased by ACU \$ 76.61 million or 8.0 percent to ACU \$ 1,038.6 million (Tk. 4,734.59 crores) in 1997-98 from ACU \$ 961.99 million (Tk. 4,114.11 crores) in 1996-97. As a result, the net debtor position of Bangladesh widened in 1997-98 by ACU \$ 47.83 million or 5.5 percent to ACU \$ 918.36 million (Tk. 4,191.04 crores) as compared to the ACU \$ 870.53 million (Tk. 3,722.97 crores) in the preceding year. Receipts and payments of Bangladesh under ACU arrangement during the last three years are shown in the Table-8.5.

TABLE-8.5
RECEIPTS AND PAYMENTS OF BANGLADESH UNDER THE ACU

(In Million ACU dollar)

Sectors	1995-96	1996-97	1997-98
1	2	3	4
1. Receipts (Exports)	81.36 (386.36)	91.46 (391.14)	120.24 (544.55)
2. Payments (Imports)	1,168.70 (5,843.96)	961.99 (4,114.11)	1,038.60 (4,735.59)
Net Surplus (+)/Deficit (-)	-1,087.34 (-5,457.60)	-870.53 (-3,722.97)	-918.36 (-4,191.04)

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

8.40 The comparative position of trade and trade balance of the ACU

member countries is shown in Table 8.6.

TABLE-8.6
TRADE AND TRADE BALANCE OF THE ACU MEMBER COUNTRIES
(In Million US dollar)

Countries	Export to ACU		Imports from ACU		Surplus (+)/Deficit (-)	
	1995	1996	1995	1996	1995	1996
1	2	3	4	5	6	7
Bangladesh	119	93	1,159	1,252	-1,040	-1,159
India	1,701	1,436	916	938	+785	+498
Iran	788	958	378	331	+400	+627
Myanmar	183	200	28	34	+155	+166
Nepal	30	38	132	158	-102	-120
Pakistan	376	307	386	576	-10	-269
Sri Lanka	112	130	615	797	-503	-667
Total :	3,299	3,162	3,614	4,086	-315	-924

Source: ACU Annual Report, 1997.

Note: (1) Export (fob).

(2) Import (CIF).

EXCHANGE RATE POLICY AND EXCHANGE CONTROL

Exchange Rate Policy

9.1 With a view to maintaining the competitiveness of Bangladeshi products in the international markets, improving the current account position and maintaining internal and external price stability, pursuance of a flexible exchange rate policy was continued in 1997-98. The main objective of the exchange rate management was to maintain the stability of exchange rate of Taka through monitoring the Real Effective Exchange Rate (REER) index compiled on the basis of a currency basket of 15 major trade partner countries. It may be mentioned that the movement in the REER index that reflect the Purchasing Power Parity (PPP) is not considered to be the only factor for refixation of the exchange rate. Other macroeconomic and regional/international elements are also taken into consideration. Some countries, currencies of which are not included in the basket, also compete with Bangladesh for exports in the international markets but this situation is not exactly reflected in the index. Taking into account these aspects and aiming at protecting the economy

from the contagion effect of financial turmoil that swept the South-East Asia, Taka-Dollar exchange rate was readjusted five times during 1997-98. As a result, Taka-Dollar exchange rate* stood at Tk. 46.30 as on June 30, 1998 as against Tk. 43.65 as on June 30, 1997 indicating a 5.7 percent depreciation of Taka against US dollar during the year under report. The spread between buying and selling rates of the Bangladesh Bank for the Authorized Dealers has been widened from Tk. 0.20 per US dollar to Tk. 0.30 per US dollar with a view to further reducing the dependence of Authorized Dealers on the central bank for their fund procurement and disposal.

Foreign Exchange Market

9.2 The inter-bank foreign exchange market continued to expand during 1997-98. During the year under report, inter-bank foreign exchange transactions increased by 54 per cent to US \$ 11,219.12^P million from US \$ 7,279.84 million in the preceding year. Of this, forward transactions were of the tune of US \$613.44^P million during 1997-98 as

* On the basis of the middle rate of buying and selling.

^P Provisional.

compared to US \$494.99 million during the preceding year. With 16.8^P percent increase in exports and 5.3^P percent increase in imports during 1997-98, the level of openness of the Bangladesh economy with the outside world increased to 37.5^P percent of GDP at the end of the year under report from 35.3 percent in the preceding year.

Important Changes in Exchange Control Measures

9.3 Convertibility of Taka on current transactions and the resultant easing of settlement procedures of external transactions were considered important for the inflow of foreign investment, especially in the private sector. Keeping this in view, the process of liberalisation/simplification of exchange control measures was continued during 1997-98. Important measures/policy changes adopted during the year under report are mentioned below.

With a view to further facilitating the procurement and disposal of foreign exchange by outgoing and incoming passengers, the scope of transactions by licensed money changers has been widened to some extent. Effective from 26th April, 1998, they may sell up to US dollar 1000 per person (instead of the earlier US dollar 500) to outgoing Bangladeshi nationals against their travel quota, in Cash or Travelers Cheques. Foreign exchange bought by

money changers from incoming passengers may, apart from being sold to outgoing passengers and being encashed or retained in cash up to US dollar 25,000, now also be retained in foreign currency accounts with Authorised Dealers up to a limit of US dollar 50,000.

Inspection of Foreign Trade and Foreign Exchange Transaction

9.4 During 1997-98, the Foreign Exchange Inspection Department of the Bangladesh Bank conducted inspection of foreign trade and foreign exchange transaction in 322 branches including Head Offices/Principal Offices of 23 authorised dealer banks. Following the inspection, irregularities were identified and reports/summaries containing remedies and instructions to implement recommendations on different important matters were sent to Head Offices/Principal Offices of concerned banks and to Ministry of Finance in the case of nationalized banks for information. A copy of the report is kept in Bangladesh Bank for inspection implementation. Besides, special inspection was carried out in 1997-98 in 23 branches of authorised dealer banks, 1 indenting firm and 21 shipping agents on the basis of complaint lodged by different persons/institutions and the inspection reports were sent to the concerned divisions/sections for information and necessary action.

CHAPTER X

CURRENCY AND COINAGE

Bank Notes

New Note of Ten-Taka

10.1 New bank note of Ten-Taka denomination was put in circulation on December 11, 1997. In the frontside of the note, there is the Portrait of Bangabandhu Sheikh Mujibur Rahman and in the back side there is the picture of the Lalbagh Kella Mosque. The water-mark of the note bears the Portrait of Bangabandhu Sheikh Mujibur Rahman and the security thread bears the print of "Padma t. 10 Padma t.10". It bears the signature of the present Governor Mr. Lutfar Rahman Sarkar.

Five-Taka Notes and Coins

10.2 Five-Taka Notes and Coins in circulation decreased by Tk. 1.16 crores to Tk. 126.70 crores as on June 30, 1998 from Tk. 127.86 crores as on June 30, 1997.

Ten-Taka Notes

10.3 Ten-Taka Notes in circulation as on June 30, 1998 increased by Tk.63.67 crores to Tk. 392.63 crores as against Tk. 328.96 crores as on June 30, 1997.

Twenty-Taka Notes

10.4 Twenty-Taka Notes in circulation increased by Tk. 18.79 crores to Tk. 153.37 crores as on June 30, 1998 from Tk. 134.58 crores as on June 30, 1997.

Fifty-Taka Notes

10.5 Fifty-Taka Notes in circulation as on June 30, 1998 increased by Tk.45.73 crores to Tk. 543.04 crores as compared to Tk. 497.31 crores as on June 30, 1997.

Hundred-Taka Notes

10.6 Hundred-Taka Notes in circulation as on June 30, 1998 increased by Tk. 233.09 crores to Tk. 2,775.78 crores as against Tk. 2,542.69 crores as on June 30, 1997.

Five Hundred-Taka Notes.

10.7 Five Hundred -Taka Notes in circulation increased by Tk. 242.91 crores to Tk. 4,860.70 crores as on June 30, 1998 from Tk. 4,617.79 crores as on June 30,1997.

Other Notes and Coins*

Two-Taka Notes

10.8 Two-Taka Notes in circulation as on June 30, 1998 increased by Tk. 5.96

* Excludes Five-Taka Coins.

crores to Tk. 67.11 crores as compared to Tk. 61.15 crores as on June 30, 1997.

One-Taka Notes and Coins

10.9 One-Taka Notes and Coins in circulation as on June 30, 1998 increased by Tk. 12.15 crores to

Tk. 104.13 crores as against Tk. 91.98 crores as on June 30, 1997.

10.10 Subsidiary Coins in circulation increased by Tk. 0.86 crore to Tk. 53.20 crores as on June 30, 1998 from Tk. 52.34 crores as on June 30, 1997.

CHAPTER XI

ADMINISTRATION

Appointment of New Directors of the Board

11.1 Dr A.I. Aminul Islam was appointed Director of the Board with effect from November 23, 1997.

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

11.2 A total of 14 meetings of the Board of Directors, 8 meetings of the Executive Committee and 2 meetings of the Co-ordination Committee were held during 1997-98.

Appointment in Different Grades

11.3 The following appointments in different grades were made by the Bank during 1997-98:

i) Assistant Director (Research)	11
ii) Assistant Director (Medical)	2
iii) Assistant Director (Statistics)	2
iv) Officer (General Side)	12
v) Employee under category C and D	17
Total :	44

Decline in Number of Officers and Staff

11.4 The number of Officers/Staff of the Bank who died/ retired/ dismissed/ resigned during 1997-98 were as under:

a) Died	28
b) Retired	103
c) Dismissed	6
d) Resigned	3
Total :	140

Creation/Abolition/Sanction of Posts

11.5 The number of posts created and abolished of Officers/Staff of the Bank during 1997-98 stood at 2 and 108 respectively. As a result, total number of sanctioned posts of Officers/Staff of the Bank decreased by 106 to 6,900 during the year under report as compared to the preceding year.

Number of Officers and Staff

11.6 The number of Officers of the Bank increased by 526 to 4,605 at the end of June, 1998 as compared to the preceding year and that of Staff declined by 612 to 1,524. As a result, the number of Officers and Staff of the Bank declined by 86 to 6,129 at end of the year under report.

Numbers of Officers on Deputation

11.7 During 1997-98, 8 Officers of the Bangladesh Bank remained on deputation in different institutions of the country.

Creation/abolition of Department

11.8 During the year, the name of Financial Institution (Non Bank) Department was changed and it was renamed as Financial Institution Department. Besides, Problem Bank Unit of the Department of Banking Operation and Development was transformed into an Independent Department and named as Problem Bank Monitoring Department. Inspection Implementation Department was abolished.

Foreign Training

11.9 25 officers of the Bank were sent abroad for participation in different training courses/seminars/workshops during 1997-98.

Domestic Training

11.10 A total of 203 Officers and 18 Staff of the Bank participated in different types of training courses organized by different institutions of the country during 1997-98.

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

11.11 With a view to improving theoretical and practical knowledge as well as increasing the professional efficiency of Officers/Staff of the Bank, the Bangladesh Bank Training Academy (BBTA) conducted 7 on-the-job training courses and 18 special training courses for Officers/Staff of the Bank during 1997-98. A total of 453 Officers/Staff of different levels of the Bangladesh Bank participated in the above training courses. Besides, the Academy conducted 30 special training courses in different district headquarters outside Dhaka for the Officers of the Bangladesh Bank and the Commercial Banks. A total of 993 Officers of different levels from different banks participated in those training courses. During 1997-98 the Academy conducted 6 workshops of the procedures of filling CIB-01 Form for Officers of Commercial Banks and 1 seminar on each of the subjects named Convertibility of Taka, Inspection of Activities of nonbank financial Institutions, Rural Financing, Foreign Exchange Management, Recent Reforms and Trends, Balance of payments and Foreign Exchange for the Bangladesh Bank. A total of 1,348 Officers participated in those workshops and seminars. Besides, during the year, the Academy conducted 9 Executive Development Programmes for senior

Officers of the Bangladesh Bank and the Commercial Banks. A total of 331 officers participated in those programmes. The courses, workshops

and seminars conducted by the Academy during 1997-98 are shown in details in Table-11.1

TABLE -11.1
STATEMENT OF DIFFERENT TRAINING COURSES, WORKSHOPS AND SEMINARS ORGANISED BY THE BANGLADESH BANK TRAINING ACADEMY DURING 1997-98

Sl. No.	Subjects	Number	Number of Participants
1	2	3	4
1.	On-the-Job Training course	7	114
2.	Special Training Courses (held in Dhaka)	18	339
	A. Inspection Techniques and Procedures	4	87
	B. Foreign Trade and Foreign Exchange	2	36
	C. Scientific Management	1	20
	D. Accounting and Finance	2	36
	E. Macro Monetary Management	1	22
	F. Orientation Course	2	33
	G. Introduction to and Operating of Computer	3	46
	H. Foreign Exchange and Inspection	2	36
	I. Refresher Course on Central Bank and the Commercial Banks	1	23
3.	Special Training Courses (held outside Dhaka)	30	993
	J. Data Reporting on Money and Banking	12	446
	K. Reporting on Foreign Exchange Transactions	10	302
	L. Banking Inspection Principles and Procedures	8	245
4.	Workshops	20	1,679
	A. Filling up of CIB-01 Form	6	1,128
	B. Executive Development Programme	9	331
	C. Foreign Exchange Management, Recent Reforms and Trends in Bangladesh	1	50
	D. Convertibility of Taka	1	45
	E. Supervision of Non-Banking Financial Institutions	1	42
	F. Rural Financing	1	40
	G. Balance of Payments and Foreign Exchange	1	43
Total :		75	3,125

Computer Department

11.12 During the year 1997-98, Computer Department apart from processing, storage and supply of data, regularly provided help in solving problems of PC hardware/software of other Departments and completed the system study and design works towards achieving the objective of computerization of Personnel Management Information System (PMIS). Library package collected from UNESCO has been made suitable for the Bangladesh Bank Library and it is at the stage of implementation. Apart from this, supervision of works relating to internet connection in the Bank and associated works aimed at installation of PCs at the Branch Offices and other Departments of the Head Office was done. The works relating to clearing of the Receipts Section of Motijheel Office and installation of a local area network with necessary Server and PCs for the Clearing House and computerization of first and return Clearing House have been completed. The system design works of Clearing House and Receipts Section of Motijheel Office and preparation of Operation Manual have been completed. Steps have been taken to design system and prepare programmes for valuation adjustment of international reserves of the International Department. The works of unsettled audit complaints of the said

Department has been done. Besides, designing of system and preparation of programmes for House Building Advances of Expenditure Department is waiting for implementation. Further, with the Co-operation from the Bangladesh Bank Training Academy, 46 Officers/Employees have been given training on computer use and application packages in 3 batches with a view to raising the computer use in various Departments of the Bank.

Credit Information Bureau (CIB)

11.13 In order to strengthen credit discipline and to assist the banks and financial institutions in respect of sanctioning credit, CIB introduced the system of collecting data relating to credit information of large borrowers (Outstanding balance of Taka one crore and above) from banks and supplying the same to banks, other financial institutions and different Government agencies as per their demand from April, 1988. Side by side it continued to supply CIB report on the basis of outstanding balance of Taka ten lakhs and above. As a result, the credit information of large borrowers will be used for the Management Information System (MIS) apart from the use of banks, financial institutions and Government agencies. More powerful instruments were installed in 1997-98 to increase the

capacity of computer network so that CIB can supply its monthly and quarterly reports on an urgent basis.

Engineering Department

11.14 During the year under report, installation of voltdoor, lift-machine, Air-condition and 150+2,000 line PABX exchange of the second annexe building of the Bank was completed. Besides, various types of construction and repair works at other Branches of the

Bangladesh Bank were in progress during the year under report.

Department of Public Relations and Publications

11.15 During 1997-98, Public Relations and Publications Department published all publications of the Bank. Besides, 187 press releases and necessary photographs were released to the news papers and other media highlighting the activities of the Bank.

ANNUAL ACCOUNTS**Issue Department: Assets and Liabilities**

12.1 The value of notes and coins issued by the Issue Department of the Bangladesh Bank up to June 30, 1998 stood at Tk. 8,852.33 crores which was higher by Tk. 602.89 crores as compared to Tk. 8,249.44 crores issued up to June 30, 1997. Assets against the notes issued up to June 30, 1998 included: Gold worth Tk. 108.12 crores, approved Foreign Exchange of Tk. 4,000.00 crores, Currency Notes and Coins worth Tk. 38.93 crores, Government of Bangladesh Securities worth Tk. 1,644.20 crores and Internal Bills of Exchange and Other Commercial Papers worth Tk. 3,061.08 crores. The corresponding figures of assets against notes issued up to June 30, 1997 were : Gold worth Tk. 111.12 crores, Approved Foreign Exchange of Tk. 4,000.00 crores, Currency Notes and Coins worth Tk. 57.04 crores, Government of Bangladesh Securities worth Tk. 1,057.20 crores and Internal Bills of Exchange and Other Commercial Papers worth Tk. 3,024.08 crores.

12.2 The Balance Sheet of the Issue Department of the Bank as on June 30, 1998 appears on pages 110-111 of the Report.

Banking Department: Assets and Liabilities

12.3 On the liabilities side, balances in the Statutory Funds* increased from Tk. 704.79 crores as on June 30, 1997 to Tk. 772.79 crores as on June 30, 1998 due to appropriation of Tk. 68.00 crores from the Profit and Loss Account of the Bank to its Statutory Funds. The Government Deposits increased by Tk. 0.43 crore to Tk. 1.42 crores as on June 30, 1998 from Tk. 0.99 crore as on June 30, 1997. Deposits of Banks increased by Tk. 638.11 crores to Tk. 3,655.89 crores as on June 30, 1998 from Tk. 3,017.78 crores as on June 30, 1997. Other Deposits declined by Tk. 181.58 crores to Tk. 4,182.88 crores as on June 30, 1998 from the level of Tk. 4,364.46 crores as on June 30, 1997. Balance in the bills payable decreased by Tk. 0.70 crore to Tk. 1.23 crores as on June 30, 1998 from Tk. 0.53 crore as on June 30, 1997. Other liabilities increased by Tk. 519.37 crores to Tk. 2,721.41 crores as on June 30, 1998 from Tk. 2,202.04 crores as on June 30, 1997. The amount of SDRs as on June 30, 1998 remained unchanged at the preceding year's level of Tk. 91.74 crores.

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

12.4 On the assets side of the Banking Department, the balance of rediscounted Government Treasury Bills decreased by Tk. 0.86 crore to Tk. 48.99 crores as on June 30, 1998 from Tk. 49.85 crores as on June 30, 1997. The amount under Balances Held Outside Bangladesh increased by Tk. 400.75 crores to Tk. 3,678.29 crores as on June 30, 1998 from Tk. 3,277.54 crores as on June 30, 1997. The outstanding balance of SDR held in the IMF increased by Tk. 114.29 crores to Tk. 117.83 crores as on June 30, 1998 from the level of Tk. 3.54 crores as at the same date of the preceding year. The balances under Loans and Advances to the Government as on June 30, 1998 remained unchanged at the preceding year's level of Tk. 64.00 crores. Balances under Other Loans and Advances increased by Tk. 157.63

crores to Tk. 1,281.65 crores as on June 30, 1998 from Tk. 1,124.02 crores as on June 30, 1997. The balances under Investment Account increased by Tk. 222.23 crores to Tk. 3,892.16 crores as on June 30, 1998 from Tk. 3,669.93 crores as on June 30, 1997. Other assets increased by Tk. 151.13 crores to Tk. 2,350.33 crores as on June 30, 1998 from Tk. 2,199.20 crores as on June 30, 1997.

12.5 The Balance Sheet of the Banking Department as on June 30, 1998 appears on pages 112-113 of the Report.

Comparative Position of Profit and Loss Account

12.6 A comparative summary position of Profit and Loss Account of the Bank for the years 1996-97 and 1997-98 is shown in Table-12.1 below.

TABLE-12.1
COMPARATIVE POSITION OF PROFIT AND LOSS ACCOUNT

(Taka in crores)

Particulars	1996-97	1997-98	Changes : Increase (+)/Decrease (-)
1	2	3	4
Gross Income	936.03	1,059.39	+123.36
Total expenditure	301.69	288.75	-12.94
Net Profit:	634.34	770.64	+136.30

12.7 It would appear from the above table that the net profit of the Bank during 1997-98 increased by Tk. 136.30 crores to Tk. 770.64 crores as compared to that in the preceding year. Net profit of

the Bank during 1997-98 went up due to an increase of Tk. 123.36 crores in gross income and decline of Tk. 12.94 crores in total expenditure.

12.8 Out of the profit of Tk. 770.64 crores, a sum of Tk. 185.00 crores was appropriated towards the Credit Guarantee Fund, different Statutory Funds and the Reserve Fund for non-recoverable loans/investments. As a

result, the surplus payable to the Government stood at Tk. 585.64 crores during 1997-98. The distribution of profit of the Bank during 1997-98 has been shown in Table-12.2.

TABLE -12.2
DISTRIBUTION OF THE PROFIT OF THE
BANGLADESH BANK DURING 1997-98

Particulars	Amount of Taka
1	2
1. Appropriation towards Statutory Funds	
(i) Rural Credit Fund	20,00,00,000
(ii) Industrial Credit Fund	15,00,00,000
(iii) Export Credit Fund	13,00,00,000
(iv) Agricultural Credit Stabilisation Fund	20,00,00,000
2. Credit Guarantee Fund	7,00,00,000
3. Reserve Fund for Non-recoverable Loans/Investments	110,00,00,000
4. Surplus Payable to the Government	585,64,00,000
Grand Total:	770,64,00,000

12.9 The Profit and Loss Account of the Bank for the year ending June 30, 1998 appears on page 114 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

S. Huda & Co. and M/s S. F. Ahmed & Co. to audit the accounts of the Bangladesh Bank for the year 1997-98.

Appreciation

12.11 The Board of Directors of the Bank was pleased to place on record its appreciation of the loyal and devoted services rendered by the Officers and Staff of the Bangladesh Bank during the year under report.

**BALANCE SHEET
AND
PROFIT AND LOSS ACCOUNT**
(FOR THE YEAR ENDED JUNE 30, 1998)

**BANGLADESH
BALANCE
ISSUE**

LIABILITY

Particulars	As on June 30, 1997		As on June 30, 1998	
	Taka	Taka	Taka	Taka
1	2	3	4	5
Notes held in the Banking Department	24,85,000		11,42,295	
Notes in Circulation*	<u>8249,18,81,600</u>		<u>8852,21,52,825</u>	
Total Notes Issued*	8249,43,66,600		8852,32,95,120	
TOTAL LIABILITIES:	8249,43,66,600		8852,32,95,120	

- * 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 Pakistan Currency Notes demonetised and withdrawn from circulation.

**BANK
SHEET
DEPARTMENT**

ASSETS

Particulars	As on June 30, 1997		As on June 30, 1998	
	Taka	Taka	Taka	Taka
1	2	3	4	5
A. Gold Coin & Gold Bar	111,11,37,000		108,11,74,000	
Silver Bar	—		—	
Special Drawing Rights held with the International Monetary Fund	—		—	
Approved Foreign Exchange	<u>4000.00.00.000</u>	4111,11,37,000	<u>4000.00.00.000</u>	4108,11,74,000
B. Taka Coin	57,04,05,309		38,93,33,829	
Government of Bangladesh Securities**	1057,19,94,086		1644,19,57,086	
Internal Bills of Exchange and Other Commercial Papers	<u>3024.08.30.205</u>	4138,32,29,600	<u>3061.08.30.205</u>	4744,21,21,120
TOTAL ASSETS:		8249,43,66,600		8852,32,95,120

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

— = Nil.

BANKING

LIABILITIES

Particulars	As on June 30, 1997		As on June 30, 1998	
	Taka	Taka	Taka	Taka
1	2	3	4	5
Paid up Capital		3,00,00,000		3,00,00,000
Reserve Fund		3,00,00,000		3,00,00,000
Rural Credit Fund		260,00,00,000		280,00,00,000
Industrial Credit Fund		93,78,52,450		108,78,52,450
Export Credit Fund		91,00,00,000		104,00,00,000
Agricultural Credit Stabilisation Fund		260,00,00,000		280,00,00,000
Deposits:				
a) Governemnt	99,44,015		1,42,42,591	
b) Banks	3017,77,89,441		3655,88,44,737	
c) Others	<u>4364,45,72,706</u>	7383,23,06,162	<u>4182,87,35,026</u>	7840,18,22,354
Allocation of Special Drawing Rights		91,74,31,206		91,74,31,205
Bills Payable		52,63,881		1,23,03,836
Other Liabilities		2202,04,34,894		2721,41,48,125
TOTAL LIABILITIES:		10388,32,88,593		11433,35,57,970

DEPARTMENT

ASSETS

Particulars	As on June 30, 1997		As on June 30, 1998	
	Taka	Taka	Taka	Taka
1	2	3	4	5
Note		24,85,000		11,42,295
Taka Coin		244		132
Subsidiary Coin		52		99
Bills Purchased and Discounted				
a) Internal	—		—	
b) External	—		—	
c) Government Treasury Bills	<u>49,84,99,550</u>	49,84,99,550	<u>48,98,56,671</u>	48,98,56,671
Balances held Outside Bangladesh*		3277,53,85,457		3678,28,71,141
Special Drawing Rights held with the International Monetary Fund		3,53,72,696		117,82,35,489
Loans and Advances to the Government		64,00,00,000		64,00,00,000
Other Loans and Advances		1124,02,29,234		1281,65,20,892
Investment		3669,93,10,240		3892,15,85,840
Other Assets		2199,20,06,120		2350,33,45,411
TOTAL ASSETS:		10388,32,88,593		11433,35,57,970

* Includes cash and short-term securities.

— = Nil.

PROFIT AND LOSS ACCOUNT

	<u>Year ending</u> <u>June 30, 1997</u>	<u>Year ending</u> <u>June 30, 1998</u>
	Taka	Taka
INCOME		
Interest, Discount, Exchange, Commission and Interest on Investment	936,03,29,198	1059,39,27,960
EXPENDITURE		
Salaries and Allowances	65,34,84,871	79,38,37,812
Directors' Fees and Allowances	57,750	45,000
Auditors' Fees	1,40,000	2,00,000
Rent, Taxes, Insurance, Lighting etc.	4,81,95,602	4,99,89,088
Law Charges	14,90,801	19,45,521
Postage and Telegram Charges	64,44,157	74,32,460
Remittance of Treasure	99,29,035	1,09,64,580
Printing and Stationeries	1,33,90,763	1,48,87,493
Security Printing (Cheques, Note, Forms etc.)	54,75,83,467	56,18,53,874
Depreciation of Bank's Property	6,78,40,172	6,91,75,005
Repairing of Bank's Property	2,20,92,183	2,99,06,698
Agency Charges	12,93,76,058	28,19,68,131
IMF Charges	22,72,56,371	17,02,57,553
Interest Subsidy to Banks and Other Financial Institutions	—	—
Interest on Deposits	74,77,46,436	33,05,98,990
Interest on Staff Provident Fund	14,34,98,920	16,30,59,393
Interest on General Provident Fund	2,04,72,052	2,78,81,691
Interest on ACU Transactions	19,52,37,612	16,27,54,074
Miscellaneous Expenses	18,26,48,288	21,07,13,394
Net Profit:	634,34,44,660	770,64,57,203
TOTAL:	936,03,29,198	1059,39,27,960

— = Nil.

PROFIT AND LOSS ACCOUNT

	<u>Year ending</u> <u>June 30, 1997</u>	<u>Year ending</u> <u>June 30, 1998</u>
	Taka	Taka
APPROPRIATION OF PROFITS		
Amount Tranferred 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
Amount transferred to Reserve Fund for Unrecovered Loans/Investments	10,00,00,000	110,00,00,000
Surplus Payable to the Government	549,34,44,660	585,64,57,203
Balance	—	—
TOTAL:	634,34,44,660	770,64,57,203

RESERVE FUND ACCOUNT

	<u>Year ending</u> <u>June 30, 1997</u>	<u>Year ending</u> <u>June 30, 1998</u>
	Taka	Taka
Balance	3,00,00,000	3,00,00,000
By Transfer from Profit and Loss Account	—	—
TOTAL:	3,00,00,000	3,00,00,000

— = Nil.

Farid Ahmed Chowdhury
General Manager

Ataul Haq
Deputy Governor

Lutfar Rahman Sarkar
Governor

REPORT OF THE AUDITORS

To

The Government of the People's
Republic of Bangladesh

We have examined the two Balance Sheets (Issue Department and Banking Department) of the Bangladesh Bank as at 30th June, 1998 and the Profit and Loss Account of the Bank for the year ended on that date with the books of account and records maintained by the Bank's Head Office and other nine Branches. We report that we have obtained all the information and explanations we required and such information and explanations have been given satisfactorily. In our opinion, the Balance Sheets are full and fair Balance Sheets containing the necessary particulars and are properly drawn up so as to exhibit true and correct view of the state of the Bank's affairs according to the information and explanations given to us and as shown in the books of accounts maintained at the Bank's Head Office and Branch Offices.

Dhaka

The 22nd Shrabon, 1405
The 6th August, 1998

S. Huda and Co.
Chartered Accountants

S.F. Ahmed and Co.
Chartered Accountants

APPENDICES
BANGLADESH : SOME SELECTED STATISTICS

TABLE-1

BANGLADESH: SOME SELECTED STATISTICS

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
1993-94	1,47,570	117.7	798	1,344
1994-95	1,47,570	119.9	812	1,367
1995-96	1,47,570	122.1	827	1,399
1996-97	1,47,570	124.3	842	1,424
1997-98 ^P	1,47,570	126.5	857	1,450

Source: Bangladesh Bureau of Statistics.

P Provisional

TABLE — II

NATIONAL INCOME, SAVINGS AND INVESTMENTS

(Taka in crores)

Items/Sectors	1993-94	Percentage Change	1994-95	Percentage Change	1995-96	Percentage Change	1996-97	Percentage Change	1997-98	Percentage Change
1	2	3	4	5	6	7	8	9	10	11
1. GDP (at constant 1984-85 factor cost)	54,244.0	4.02	56,390.0	3.96	59,407.5	5.35	62,697.4	5.35	65,697.4	4.78
2. GDP (at constant 1984-85 market price)	58,384.0	4.21	60,979.3	4.44	64,244.1	5.35	68,020.6	5.88	71,812.7	5.57
3. GDP (at current market price)	1,03,036.5	8.68	1,17,026.1	13.58	1,30,160.0	11.22	1,40,304.5	7.79	1,54,092.3	9.82
4. Gross Investment (at current market price)	15,892.7	17.54	19,465.1	22.48	22,120.0	13.64	24,242.7	9.60	25,050.7	3.33
	15.42*		16.63*		17.0*		17.28*		16.26*	
5. Gross Domestic Savings (at current market price)	7,676.6	16.21	9,641.4	25.59	9,781.6	1.45	10,540.4	7.76	12,173.3	15.49
	7.45**		8.24**		7.52**		7.51**		7.90**	
6. Sectoral Break-up of GDP (at constant 1984-85 market price)	Share in GDP		Share in GDP		Share in GDP		Share in GDP		Share in GDP	
	Amount	In Percentage	Amount	In Percentage	Amount	In Percentage	Amount	In Percentage	Amount	In Percentage
a) Agriculture	20,191.5	34.58	19,982.2	32.77	20,712.6	32.24	22,045.6	32.41	22,732.5	31.66
		(0.3)		(-1.0)		(3.7)		(6.4)		(3.1)
b) Industry	6,366.5	10.90	6,916.5	11.34	7,282.3	11.33	7,540.1	11.09	8,148.0	11.35
		(7.8)		(8.6)		(5.3)		(3.6)		(8.1)
c) Construction	3,607.4	6.18	3,859.3	6.33	4,014.6	6.25	4,209.8	6.19	4,470.8	6.23
		(6.0)		(7.0)		(4.0)		(4.9)		(5.2)
d) Gas, Electricity, Water and Sanitary	1,016.4	1.75	1,133.9	1.86	1,246.0	1.94	1,266.8	1.86	1,340.3	1.87
		(14.0)		(11.3)		(9.9)		(1.7)		(5.8)
e) Others	27,200.2	46.59	29,087.4	47.70	30,988.6	48.24	32,958.3	48.45	35,121.1	48.89
		(5.8)		(6.9)		(6.5)		(6.4)		(6.6)
Total :	58,384.0	100.00	60,979.3	100.00	64,244.1	100.00	68,020.6	100.00	71,812.7	100.00

Source : Bangladesh Bureau of Statistics.

Note : Figures in brackets indicate sectoral growth rate.

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

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

NATIONAL INCOME

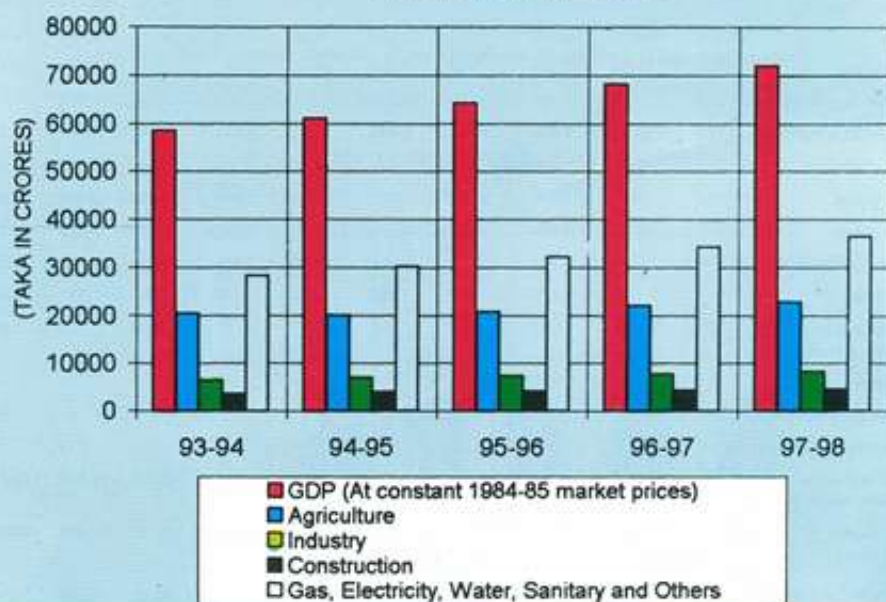


TABLE — III

**GOVERNMENT FINANCE AND ANNUAL DEVELOPMENT
PROGRAMME (ADP)**

(Taka in Crores)

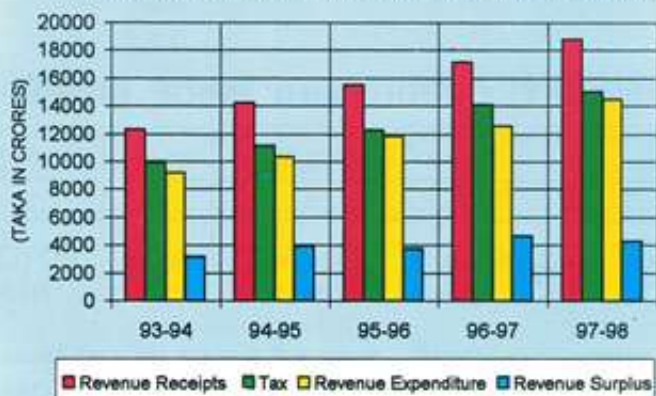
Sectors	1993-94	As percentage	1994-95	As percentage	1995-96	As percentage	1996-97	As percentage	1997-98	As percentage
1	2	3	4	5	6	7	8	9	10	11
1. Revenue Receipts	12,280	100.00	14,210	100.00	15,512	100.00	17,145	100.00	18,777	100.00
a) Tax	9,880	80.46	11,110	78.18	12,233	78.86	14,074	82.09	15,001	79.89
b) Non-Tax	2,400	19.54	3,100	21.82	3,279	21.14	3,071	17.91	3,776	20.11
2. Revenue Expenditure	9,158		10,300		11,814		12,535		14,500	
3. Revenue Surplus (+)	3,130	31.64	3,910	32.07	3,698	31.31	4,610	36.43	4,277	34.43
Revenue Deficit (-)	—	—	—	—	—	—	—	—	—	—
4. Foreign Grants	2,044	20.67	2,625	21.53	3,005	25.44	2,951	23.32	2,888	23.23
5. Foreign Loans	4,443	44.92	4,369	35.83	3,676	31.13	3,444	27.22	3,818	30.73
6. Domestic Capital (Net)	78	0.79	402	3.30	956	8.10	1,309	10.34	1,162	9.35
7. T & T Bonds*	—	—	205	1.93	325	2.75	165	1.46	111	0.89
8. Self Financing by Autonomous Bodies	196	1.98	182	1.49	150	1.27	155	1.23	170	1.37
9. Bank Credit	—	—	470	3.85	—	—	—	—	—	—
10. Resource (Non-Budget)	—	—	—	—	—	—	—	—	—	—
11. Public Account (Net)	—	—	—	—	—	—	—	—	—	—
12. Capital Receipts (3+4+5+6+7+8+9+10+11)	9,891	100.00	12,193	100.00	11,810	100.00	12,654	100.00	12,424	100.00
13. Use of Capital (A+B+C+D+E)	9,891	100.00	12,193	100.00	11,810	100.00	12,654	100.00	12,424	100.00
A. Annual Development Programme (ADP)	9,600	97.06	11,150	91.45	10,447	88.46	11,700	92.46	12,200	98.20
i) Domestic	(3,440)	(35.63)	(4,798)	(43.03)	(4,414)	(42.25)	(5,725)	(48.93)	(5,521)	(45.25)
ii) Foreign	(6,160)	(64.17)	(6,352)	(56.97)	(6,033)	(57.75)	(5,975)	(51.07)	(6,679)	(54.75)
B. Food for Works Programme	547	5.53	890	5.66	540	4.57	811	6.41	—	—
C. Non-ADP Projects	119	1.20	89	0.73	218	1.85	87	0.69	25	0.20
D. Net Outlay in Food Operation	(-)406	(-)4.10	284	2.16	605	5.12	56	0.44	199	1.63
E. Others	31	0.31	—	—	—	—	—	—	—	—

Source: Budget Summary Statements of 1993-94 to 1997-98, Ministry of Finance.

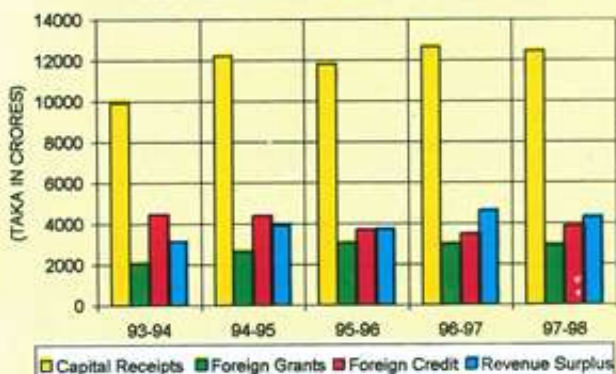
* Sold to Banks.

— = Nil.

GOVERNMENT'S REVENUE RECEIPTS / EXPENDITURE



CAPITAL RECEIPTS AND ITS COMPONENTS



CAPITAL UTILISATION AND ANNUAL DEVELOPMENT PROGRAMME (ADP)

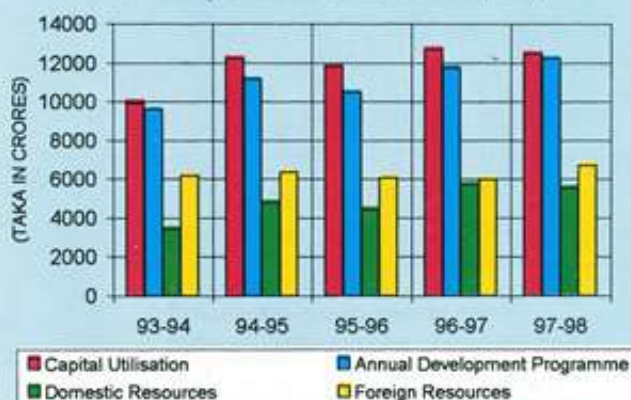


TABLE-IV

MONEY, CREDIT AND PRICE INDEX

(Taka in crores)

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
1	2	3	4	5	6
1. Broad Money(M ₂)*	36,403.00 (15.43)	42,267.90 (16.11)	45,760.00 (8.26)	50,711.00 (10.82)	55,869.10 (10.17)
2. Total Domestic Credit*	30,695.20 [@] (4.86)	36,085.30 [@] (17.56)	43,452.40 [@] (20.42)	49,396.60 [@] (13.68)	55,640.20 [@] (12.64)
A) Government Sector@ (Including Public Sector)	9,722.70 (-2.35)	10,027.60 (3.13)	11,792.60 (17.60)	13,891.70 (17.80)	15,522.20 (11.74)
B) Government Sector@	4,682.00 (19.37)	4,614.00 (-1.45)	6,310.20 (36.76)	8,017.20 (27.05)	9,272.00 (15.65)
C) Public Sector	5,040.70 (-16.46)	5,413.60 (7.40)	5,482.40 (1.27)	5,874.50 (7.15)	6,250.20 (6.40)
D) Private Sector	20,972.50 (8.57)	26,057.70 (24.25)	31,659.80 (21.50)	35,504.90 (12.15)	40,118.00 (12.99)
3. Broad Money as % of GDP (at current market prices)	35.33	36.12	35.16	36.14	36.26 ^P
4. Consumer Price Index for Dhaka					
Middle Income Families	747.00	786.00	818.00	850.00	903.70
(Twelve-Month Average)	(1.77)	(5.22)	(4.07)	(3.91)	(6.32)

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

Note : Figures in the parentheses indicate annual percentage changes.

* Figures correspond to end-June.

@ Include adjustment of bonds issued by the Government.

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	Balance of the Scheduled Banks with the Bangladesh Bank*	Reserve Money (2+3+4)
1	2	3	4	5
1975-76	329.80	34.30	98.00	462.10
1976-77	356.30	65.50	124.40	546.20
1977-78	504.30	66.40	115.80	686.50
1978-79	613.30	80.00	162.80	856.10
1979-80	693.40	103.20	247.00	1,043.60
1980-81	914.80	126.20	294.10	1,335.10
1981-82	877.50	135.60	267.20	1,280.30
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	3,611.80	623.90	2,265.00	6,500.70
1991-92	4,072.60	598.70	2,150.80	6,822.10
1992-93	4,480.10	538.90	3,925.80	8,944.80
1993-94	5,416.00	691.50	5,200.40	11,307.90
1994-95	6,565.10	623.40	3,441.50	10,630.00
1995-96	7,123.30	776.00	3,103.70	11,003.00
1996-97	7,574.60	880.10	3,939.80	12,394.50
1997-98	8,153.30	923.30	4,541.00	13,617.60

Source : Statistics Department, Bangladesh Bank.

Note : Prepared on the basis of changed classification from 1987-88.

* Include deposits under Wage Earners' Clearing Account.

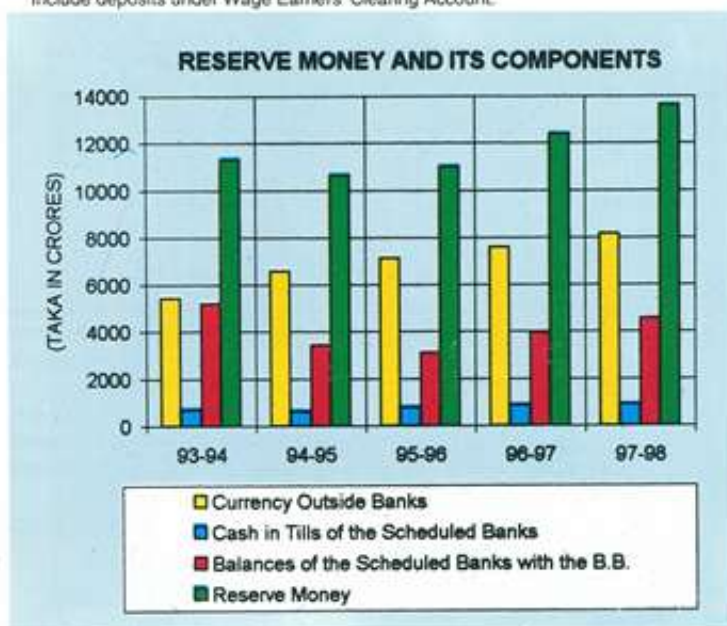


TABLE-VI

RESERVE MONEY AND ITS SOURCES

(Taka in crores)

Year (End-June)	Bangladesh Bank Claims on				Net Foreign Assets	Other Assets (Net)	Reserve Money (5+6+7)
	Government	Scheduled Banks	Other Official Entities and Financial Institutions	Total (2+3+4)			
1	2	3	4	5	6	7	8
1975-76	723.70	101.90	30.60	856.20	-88.90	-305.20	462.10
1976-77	636.30	121.30	30.50	788.10	62.40	-304.30	546.20
1977-78	766.20	231.30	35.60	1,033.10	-34.70	-311.90	686.50
1978-79	734.40	373.60	90.90	1,198.90	90.20	-433.00	856.10
1979-80	953.80	709.40	181.60	1,844.80	-201.10	-600.10	1,043.60
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	986.00	3,136.40	933.80	5,056.20	456.20	-43.60	5,468.80
1989-90	1,678.30	3,921.00	928.10	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	6,822.10
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	4,488.90	3,600.30	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	5,396.80	-2,228.90	13,617.60

Source : Statistics Department, Bangladesh Bank.

Note : Prepared on the basis of changed classification from 1987-88.

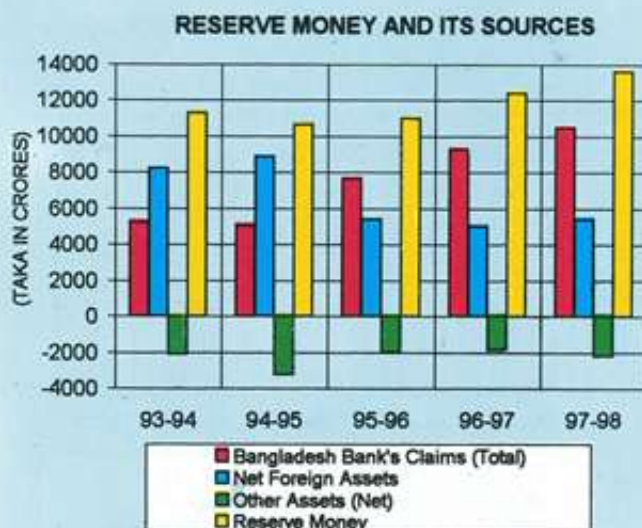


TABLE-VII

DEPOSITS OF PUBLIC AND PRIVATE SERCTOR

(Taka in crores)

Month/Year	Demand Deposits ^①			Time Deposits ^②		
	Public*	Private	Total	Public*	Private ^{③④}	Total
1	2	3	4	5	6	7
June, 1984	645.0 (29.74)	1,524.0 (70.26)	2,169.0	1,731.6 (35.21)	3,186.5 (64.79)	4,918.1
June, 1985	748.9 (27.64)	1,960.2 (72.36)	2,709.1	2,232.9 (34.73)	4,197.0 (65.27)	6,429.9
June, 1986	853.7 (26.10)	2,417.6 (73.90)	3,271.3	2,350.5 (31.22)	5,177.9 (68.78)	7,528.4
June, 1987**	1,000.8 (28.42)	2,521.1 (71.58)	3,521.9	2,853.6 (30.74)	6,428.8 (69.26)	9,282.4
June, 1988	987.4 (31.44)	2,152.7 (68.56)	3,140.1	2,983.8 (24.86)	9,020.0 (75.14)	12,003.8
June, 1989	833.0 (25.50)	2,433.9 (74.50)	3,266.9	3,924.4 (26.89)	10,668.8 (73.11)	14,593.2
June, 1990	880.1 (23.93)	2,797.4 (76.07)	3,677.5	4,038.5 (24.03)	12,765.2 (75.97)	16,803.7
June, 1991	1,108.8 (25.80)	3,188.8 (74.20)	4,297.6	4,146.7 (22.08)	14,634.0 (77.92)	18,780.7
June, 1992	1,144.5 (23.58)	3,709.6 (76.42)	4,854.1	5,418.9 (24.96)	16,287.5 (75.04)	21,706.4
June, 1993	1,293.1 (23.78)	4,144.1 (76.22)	5,437.2	5,892.9 (24.24)	18,416.3 (75.76)	24,309.2
June, 1994	1,542.1 (23.39)	5,050.2 (76.61)	6,592.3	6,982.7 (25.53)	20,363.0 (74.47)	27,345.7
June, 1995	1,601.2 (20.80)	6,096.2 (79.20)	7,697.4	7,958.7 (25.23)	23,583.3 (74.77)	31,542.0
June, 1996	1,514.2 (18.27)	6,772.1 (81.73)	8,286.3	8,722.9 (25.92)	24,927.2 (74.08)	33,650.1
June, 1997	1,791.6 (20.51)	6,945.5 (79.49)	8,737.1	8,469.6 (22.35)	29,432.0 (77.65)	37,901.6
June, 1998	1,953.9 (21.66)	7,068.9 (78.34)	9,022.8	9,619.8 (22.44)	33,249.4 (77.56)	42,869.2

Source : Statistics Department, Bangladesh Bank.

① Exclude inter-bank items.

③④ 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 POSITION OF SCHEDULED BANKS

(Taka in crores)

Particulars	June 30, 1994	June 30, 1995	June 30, 1996	June 30, 1997	June 30, 1998
1	2	3	4	5	6
1. Bank Deposits*	33,937.90	39,128.60	41,936.50	46,638.60	51,890.40
(A) Demand Deposits	5,751.10	6,614.30	7,336.10	7,592.40	7,735.20
(B) Time Deposits	25,235.90	29,088.50	31,300.60	35,544.00	39,980.60
(C) Restricted Deposits	1.40	1.90	3.70	3.10	2.00
(D) Government Deposits	2,949.50	3,423.90	3,296.10	3,499.10	4,172.60
2. Borrowings from the Bangladesh Bank	2,687.40	3,001.50	3,622.30	3,928.50	4,041.40
3. Cash in tills	691.50	623.40	776.00	880.10	923.30
4. Balances with the Bangladesh Bank	4,599.80	3,514.90	2,989.40	3,717.90	4,339.40
5. Balances with Other Banks in Bangladesh in Current Account	1,011.50	1,112.20	1,084.50	2,001.50	1,930.60
6. Money at Call and Short Notice in Bangladesh	90.10	352.00	322.50	351.50	772.60
7. Total Investments®	6,789.10	7,975.50	7,819.20	8,239.40	9,019.00
(A) Government Securities and Treasury bills	6,155.90	6,299.80	6,178.50	6,628.60	7,633.20
(B) Others	633.20	1,675.70	1,640.70	1,610.80	1,385.80
8. Bank Credit**	24,210.00	29,207.10	34,681.20	38,958.90	44,077.90
(A) Advances in Bangladesh	23,464.60	28,085.90	33,448.20	37,277.60	42,072.40
(B) Inland Bills Purchased and Discounted in Bangladesh	745.40	1,121.20	1,233.00	1,681.30	2,005.50
9. Credit/Deposit Ratio (Excluding Specialised Banks)	0.65	0.70	0.77	0.78	0.78

Source : Statistics Department, Bangladesh Bank.

* Exclude interbank items.

** Excludes interbank items and foreign bills.

® Include Bonds Issued by the Government.

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

- (1) **The Bank Rate** : 7.5 percent per annum (from 19-05-97 upto 23-11-97) and 8.0 percent (from 24-11-97 upto 30-06-98).
- (2) **Minimum Rates of Interest on Deposits** : The banks have been empowered for the determination of the rate of interest on deposits from February 19, 1997. The maximum rate of interest on deposits up to February 18, 1997 determined by Banks themselves.
- (3) **Interest Rate Bands and Rate of Subsidy on Advances** :

(in percentage)

Category of Loans	Interest Rate Bands*	Rates of Subsidy
	April 25, 1994 to June 30, 1998	January 30, 1993 to June 30, 1998
1	2	3
1. Agriculture	10.00-14.00	—
2. Export	8.00-10.00	—
3. Small and Cottage Industries (term loan)	9.00-12.00	3.00

Source : Banking Regulation and Policy Department, Bangladesh Bank.

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

— = Nil.

TABLE-IX (Contd.)

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

4. Interest rate declared by the Scheduled banks

(percent per annum)

Category of deposits and Advances	30-6-98*										
	Nationalised Commercial Banks				Specialised Banks				Private Banks		
	Sonali	Janata	Agrani	Rupali	BKB	RAKUB	BSB	BASIC	City	UCBL	ABBL
1	2	3	4	5	6	7	8	9	10	11	12
Deposits											
a) Savings Deposits											
Rural	7.75	7.50	7.75	7.50	8.00	8.00	7.75	-	8.00	8.00	8.00
Urban	7.75	7.50	7.75	7.50	8.00	8.00	7.75	7.50	8.00	8.00	8.00
b) Fixed/Term Deposits											
3 months and above but less than 6 months	8.25	8.50	8.50	8.25	8.50	8.50	8.50	8.50	8.25	8.25	8.75
6 months and above but less than 1 year	8.50	8.75	8.75	8.50	8.75	8.75	8.75	8.75	8.50	8.50	9.00
1 year and above but less than 2 years	8.75	9.00	9.00	8.75	9.00	9.00	9.00	9.00	9.00	9.00	9.50
2 years and above but less than 3 years	9.25	9.50	9.50	9.25	9.50	9.25	9.50	9.50	9.50	9.50	9.75
3 years and above	9.75	9.50	9.75	9.25	10.00	9.75	9.75	9.85	10.00	-	9.75
Advances											
1. Agriculture	13.5-13.75	13.5-13.75	13.75	13.75	12-14	14.00	-	13.00	11.5-14	14.00	10-14
2. Large & Medium Scale Industry (Term Loan)	14.50	14.50	14.50	14.50	9.5-15	13-16	15.00	12-13	15.50	16.50	14.5-16
3. Working Capital	15.50	15.50	15.50	15.5-16	11.5-15	15.00	15.5-16	15.00	11.5-16	16.50	12-16.5
4. Export Credit	10.00	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	16.00	16.00	16.00	15.50	15.50	16.00	16.00	14-16.5	16.50	14-16.5
6. Small Industry	11.00	11.50	11.50	11.00	9.5-10.5	11.00	12.00	11.75	12.00	12.00	12.00
7. Others	12-18	12-16	11-16	15-18	10-16	14.00	16-18	16.00	14.5-18.5	16.50	12-16
Effective From :	(1-7-97)	(22-6-97)	(1-8-97)	(1-8-97)	(1-5-97)	(1-7-97)	(1-1-98)	(1-10-97)	(25-9-97)	(1-9-97)	(1-4-98)

Source : Banking Regulation and Policy Department, Bangladesh Bank

* Interest rates which remained unchanged till June 30, 1998 from the effective date.

- = Nil.

TABLE-IX (Contd.)

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

4. Interest rate declared by the Scheduled banks

(percent per annum)

Category of deposits and Advances	30-6-98*									
	Private Banks									
	IFIC	National	Uttara	Pubali	Eastern	NCCBL	Dhaka Bank	South East	Prime Bank	Dutch Bangla
	13	14	15	16	17	18	19	20	21	22
Deposits										
a) Savings Deposits										
Rural	-	7.25	7.75	6.50	-	-	-	-	-	-
Urban	7.50	7.25	7.75	6.50	7.25-7.5	7.00	8.50	8.00	8.50	7.00
b) Fixed/Term Deposits										
3 months and above but less than 6 months	8-9	8.00	8.25	7.75	8.5-8.75	8.50	9.25	8.25-9	9.00	8.00
6 months and above but less than 1 year	8.25-9.25	8.25	8.75	8.00	9-9.25	9.50	9.50	8.5-9.5	9.25	8.25
1 year and above but less than 2 years	8.5-9.5	8.50	9.00	8.25	9.5-9.75	9.75	9.75	9-10	9.50	8.50
2 years and above but less than 3 years	9-10	9.25	9.50	8.25	-	10.00	9.75	9.5-10.5	10.00	8.75
3 years and above	9.5-10.5	9.25	9.75	-	-	10.25	9.75	10.5-11	10.50	9.00
Advance										
1. Agriculture	13.75	13.00	14.00	13.00	14.00	14.00	10.00	10-14	12.00	11.50
2. Large & Medium Scale Industry (Term Loan)	15.00	15.00	15.00	15.00	16.00	16.00	12-15	13-15.5	14.00	15.00
3. Working Capital	15.00	15.50	15.5-16.5	14-15	11.5-16	16.00	11-15	14-15.5	14.00	14-15
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	16.50	16.00	16.00	16.00	11-16	13-15.5	14.00	15.50
6. Small Industry	12.00	12.00	12.00	12.00	10.00	12.00	11.00	12.00	12.00	12.00
7. Others	15.5-16.5	16.50	15.5-16.5	15-17	16.00	16.00	13-16	13-16	15.00	15.50
Effective From :	(1-5-98)	(1-6-97)	(1-1-98)	(1-3-97)	(1-4-98)	(1-7-97)	(1-6-97)	(1-4-97)	(1-7-97)	(1-1-97)

Source : Banking Regulation and Policy Department, Bangladesh Bank.

* Interest rates which remained unchanged till June 30, 1998 from the effective date.

- = Nil

TABLE-IX (Conold.)

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

4. Interest rate declared by the Scheduled banks

(percent per annum)

Category of deposits and Advances	30-6-98*											
	Foreign Banks											
	American Express	Grindlays	C.A. Indones	Standard Chartered	State Bank of India	Habib	NBP	MCB	City Bank N.A	Society General	Hanil	Hong- kong
	23	24	25	26	27	28	29	30	31	32	33	34
Deposits												
a) Savings Deposits												
Rural	-	-	-	-	-	-	-	-	-	-	-	-
Urban	6.50	5.50+	6.50	6.50	6.50	7.00	7.25	7.50	4.50	6.75-7.50	6.50	6.75
b) Fixed/Term Deposits												
3 months and above but												
less than 6 months	7.5	8.25+	8.50	9-9.25	7.50	8-9	8.25	8.5-10.25	9.5-10	8.75-9.25	7.50	8.25-10.5
6 months and above but												
less than 1 year	7.25-8.25	8.25+	9.00	9.25-9.5	7.50	8.5-9.5	8.25-8.75	8.75-10.75	10-10.75	9-9.5	8.00	8.5-10.6
1 year and above but												
less than 2 years	7.5-8.5	9.50+	10.00	9.5-10.5	8.00	8.75-10	8.5-9	9.25-11.5	11-11.25	9.13-9.63	8.50	8.625-10.75
2 years and above but												
less than 3 years	7.5-8.5	9.75	10.25	10-11	8.50	9-10.25	9-9.5	-	11-11.25	-	9.00	-
3 years and above	7.5-8.5	10.00	10.50	-	9.00	9.25-10.5	-	-	11-11.25	-	9.00	-
Advances												
1. Agriculture	10-14	10-12	13.00	10-12	13.00	11.00	10-14	14.00	12-14	14.00	10-12	12.5-14
2. Large & Medium Scale												
Industry (Term Loan)	9.25-14.25	12.5+	14.50	10.5-12.5	12-15	15.00	15.00	11-15	13-15	11-17	10.5-12.5	13-18
3. Working Capital	11.75-14.75	10.25+	14.50	11-14	13-14.5	13-15.5	11-15.5	11-14.5	10-16.5	10-16	10-12	12-18
4. Export Credit	8-10	8-10	10.00	8-10	10.00	10.00	8-10	10.00	8-10	8-10	10.00	9-10
5. Other Commercial												
Lending	12.5-15.5	12.00+	15.00	13-15	15.00	15.50	13-17	13-15	10.5-16	11-17	14.00	12-18
6. Small Industry	9-12	9-12	12.00	10-12	-	11.50	9-12	11.00	10-12	10-12	11.00	10-12
7. Others	11.75-16	15.50+	15.00	7.5-14.5	15.00	15.50	-	10-15	11.5-16.5	10.5-16.5	12-14	9-14
Effective From :	(31-10-96)	(1-5-98)	(1-5-98)	(1-6-98)	(1-1-97)	(15-4-98)	(17-12-97)	(1-5-98)	(1-6-98)	(17-5-98)	(1-2-97)	(15-4-98)

Source : Banking Regulation and Policy Department, Bangladesh Bank.

* Interest rates which remained unchanged till June 30, 1998 from the effective date

- = Nil

**STATEMENT OF VARIOUS TYPES OF BONDS ISSUED BY
THE GOVERNMENT**

(Taka in crores)

Sl. No.	Name of Bonds	Objectives	Outstanding as on June 30, 1998
1	2	3	4
1.	3-Year (T&T) Treasury Bond-1999 Bearing 8.8-10.0 Percent Interest	To finance the installation of one lakh thirty thousand digital telephone lines	125.00
2.	3-Year (T&T) Treasury Bond-1998 & 1999 Bearing 5.0, 6.0 & 8.9 Percent Interest	To finance the installation of one lakh thirty thousand digital telephone lines	225.00
3.	3-Year Treasury Bond-1998 (Jute Sector) Bearing 7.0 Percent Interest	To reimburse the loss against interim working capital in Jute Sector	176.43
4.	3-Year Treasury Bond-1998 (Jute Sector) Bearing 7.0 Percent Interest	To reimburse the loss against interim working capital in Jute Sector	26.74
5.	10-Year Treasury Bond-2006 Bearing 7.0 Percent Interest	To reimburse the loss against interim working capital in Jute Sector	170.42
6.	10-Year Treasury Bond-2005 & 2006 Bearing 7.0 Percent Interest	To reimburse the loss against interim working capital in Jute Sector	52.02
7.	25-Year Treasury Bond-2018 Bearing 5.0 Percent Interest	To compensate for the liquidation of Jute Sector credit	478.70
8.	25-Year Treasury Bond-2019 Bearing 5.0 Percent Interest	To compensate for the liquidation of Jute Sector credit	331.94
9.	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	61.62
10.	3-Year Treasury Bond-2001 Bearing 7.0 Percent Interest	To repay the bank credit of Bangladesh Textile Mills Corporation against the privatized textile mills	25.66

**STATEMENT OF VARIOUS TYPES OF BONDS ISSUED BY
THE GOVERNMENT**

(Taka in crores)

Sl. No.	Name of Bonds	Objectives	Outstanding as on June 30, 1998
1	2	3	4
11.	5-Year (Biman) Treasury Bond 2000 Bearing 4.0 & 5.0 Percent Interest	For financing the purchase of two airbuses of the Bangladesh Biman Corporation	57.00
12.	(A) 5-Year (Biman) Treasury Bond-2002 Bearing 8.0 Percent Interest	For financing the purchase of two airbuses of the Bangladesh Biman Corporation (1st phase)	15.00
	(B) 5-Year (Biman) Treasury Bond- 2002 Bearing 9.0 Percent Interest	For financing the purchase of two airbuses of the Bangladesh Biman Corporation (2nd phase)	35.00
13.	5-Year (Biman) Treasury Bond- 2003 Bearing 8.0 Percent Interest	To finance Government equity payment for the Bangladesh Biman Corporation	20.00
14.	3-Year (BSRS) Treasury Bond- 2000 Bearing 8.5 Percent Interest	To restructure BSRS and transform it into a profitable institution	50.00
15.	15-Year Special Treasury Bond Bearing 7.5 Percent Interest	To meet the shortfall in provisioning against the bad loans and recapitalization of nationalized banks	1,729.13
16.	15-Year Treasury Bond-2008 Bearing 5.0 Percent Interest	To meet the shortfall due to agricultural loan write-off and the shortfall in provisioning against bad loans of Sonali Bank, Janata Bank, Agrani Bank and Rupali Bank Ltd.	500.00
17.	15-Year Treasury Bond-2011 Bearing 5.0 Percent Interest	To meet the shortfall of agricultural loan write-off	145.00
Total :			4,224.66

Source : Currency Management and Accounts Department, Bangladesh Bank.

TABLE-XI

BALANCE OF PAYMENTS*

(In million US \$)

Items/Sectors	1993-94	1994-95	1995-96	1996-97	1997-98 ^P
1	2	3	4	5	6
TRADE BALANCE	-1,657	-2,361	-3,063	-2,735	-2,352
Export f.o.b. (including EPZ) ^{1/}	2,534	3,473	3,884	4,427	5,172
Import c.i.f. (including EPZ) ^{2/}	-4,191	-5,834	-6,947	-7,162	-7,524
Service (net)	21	-89	-104	163	182
Receipts	523	657	553	656	707
Payments	-502	-746	-657	-493	-525
Income (net)	-31	-41	55	-107	-100
Receipts	147	162	253	89	91
Payments	-178	-203	-198	-196	-191
Current transfers	1,578	1,827	1,821	2,145	2,017
Official ^{3/}	331	401	346	375	267
of which, food	118	137	138	101	99
Private	1,247	1,426	1,475	1,770	1,750
of which, workers' remittances	1,089	1,198	1,217	1,475	1,525
CURRENT ACCOUNT BALANCE	-89	-664	-1,291	-534	-253
Capital Account (Net)	379	489	331	360	304
capital transfers	379	489	331	360	304
Financial account	668	706	447	331	763
Direct investment ^{4/}	16	6	7	16	249
Portfolio investment	53	61	-21	-132	3
Other investment	599	639	461	447	511
MLT loans	849	849	767	746	748
MLT amortization payments	-264	-314	-316	-316	-308
Other long term loan (net)	-20	-8	33	50	-47
Other short term loan (net)	34	112	-23	-33	118
Error and omissions ^{5/}	-166	-79	-504	-326	-732
OVERALL BALANCE	792	452	-1,017	-169	82
Financial Items	-792	-452	1,017	169	-82
Bangladesh Bank ^{6/}	-673	-277	941	197	-131
Assets	-625	-274	1,062	325	-14
Liabilities	-48	-3	-121	-128	-117
of which, Fund purchases	0	0	0	0	0
Fund repurchases	-70	-60	-66	-110	-98
Commercial Bank's (net)	-119	-175	76	-28	49

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 records. 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 acute receipt from exports.

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

P Provisional.

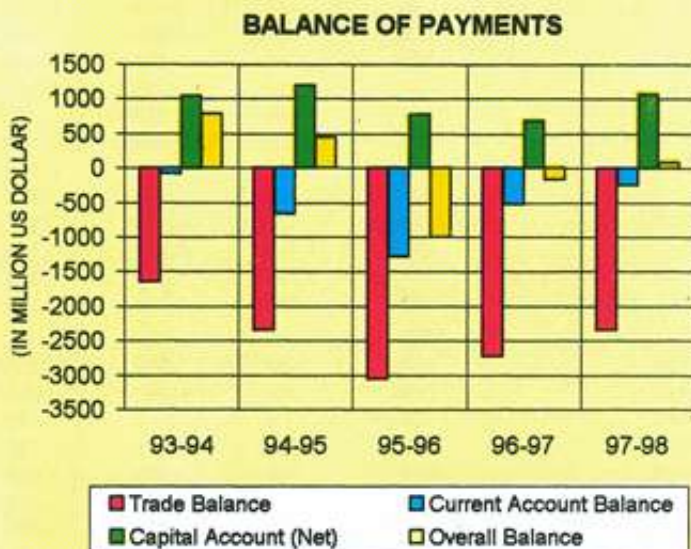


TABLE-XII

MERCHANDISE EXPORTS (RECEIPTS)

(In million US \$)

Commodities/Sectors	1993-94	1994-95	1995-96	1996-97	1997-98
1	2	3	4	5	6
Total Exports (fob)	2,534	3,473	3,882	4,418	5,161
(Including EPZ)					
1) Raw Jute	57	79	91	116	108
2) Jute Goods	284	319	329	318	281
(Including Carpets)					
3) Tea	38	33	33	38	47
4) Leather	168	202	212	195	190
5) Fish & Shrimps	221	306	313	321	294
6) Readymade Garments*	1,556	2,232	2,547	3,001	3,784
7) Chemical Products	54	95	98	108	74
8) Handicrafts	7	7	6	6	6
9) Fertilizer	51	91	95	104	59
10) Others	98	109	158	211	318

Source : Export Promotion Bureau.

* Knitwear & Hosiery products

TABLE-XIII

MERCHANDISE IMPORTS (PAYMENTS)

(In million US \$)

Commodities/Sectors	1993-94	1994-95	1995-96	1996-97	1997-98 ^P
1	2	3	4	5	6
Total Imports (CIF) (A+B+C)	4,191	5,834	6,847	7,162	7,524
A) Foodgrains	151	476	588	184	369
1) Rice	(10)	(220)	(358)	(28)	(247)
2) Wheat	(141)	(256)	(228)	(156)	(122)
B) Non-Food	3,919	5,161	6,100	6,576	6,662
1) Milk and Milk Products	37	41	53	53	45
2) Spices	22	16	23	10	10
3) Oil Seeds	40	80	89	62	93
4) Edible Oil	117	220	179	216	216
5) Coconut Oil	2	4	5	5	6
6) Sugar	13	32	6	49	29
7) Cement	100	116	171	156	152
8) Crude Petroleum	116	177	166	174	140
9) Petroleum Products	168	206	290	341	295
10) Chemical Products	144	155	201	257	248
11) Pharmaceuticals	15	16	20	22	27
12) Fertilizer	135	142	97	150	108
13) Dyeing and tanning Processing materials	36	50	55	62	66
14) Cotton	72	135	185	195	207
15) Yarn	168	200	296	395	327
16) Textile and Articles Thereof	841	1,025	1,043	1,098	1,264
17) Textile Fabrics	31	40	43	45	48
18) Iron & Steel	130	206	322	437	391
19) Capital Goods	1,299	1,688	1,968	1,937	2,072
20) Others*	433	612	888	912	918
C) Imports of EPZ	121	197	261	402	493

Source : Statistics Department, Bangladesh Bank.

* Includes goods procured in ports and repairs on goods.

P Provisional.

TABLE-XIV

FOREIGN AID, EXTERNAL DEBT AND DEBT SERVICES*

(In million US \$)

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98 ^P
1	2	3	4	5	6
1. Foreign Aid					
A. Commitment	2,410	1,212	1,280	1,661	1,791
B. Disbursement	1,559	1,739	1,444	1,481	1,319
C. Total Commitment					
since 1972	33,552	34,765	36,044	37,705	39,496
D. Total Disbursement					
since 1972	27,305	29,044	30,488	31,969	33,288
2. Debt Services (Medium and Long Term)*	401	468	469	463	445
3. Outstanding External Debt as on June, 30	14,562	15,947	14,454	14,373	14,813
4. Outstanding Debt as percentage of GDP	56.53	54.78	45.35	43.74	43.70
5. Medium and Long Term Debt Services as percentage of GDP	15.82	13.48	12.08	10.46	8.60

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

* Exclude Aircraft loan, Ship purchase loan and repayment of loan of IMF.

P Provisional.

TABLE-XV

FOREIGN 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	13,595	539
1984-85	11,068	395
1985-86	14,408	476
1986-87	22,151	715
1987-88	26,963	856
1988-89	29,454	913
1989-90	18,161	520
1990-91	31,501	880
1991-92	62,713	1,608
1992-93	84,407	2,121
1993-94	1,11,289	2,765
1994-95	1,23,089	3,070
1995-96	84,906	2,039
1996-97	74,857	1,719
1997-98	80,266	1,739

Source : Statistics Department, Bangladesh Bank.

@ Including IMF reserve position.

TABLE-XVI

EXCHANGE RATES
(Average official Taka-Dollar Rates)

Year	Taka per US Dollar (Annual Average)
1	2
1980-81	16.4599
1981-82	20.0652
1982-83	23.7953
1983-84	24.9437
1985-85	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	45.4563

Source: Statistics Department, Bangladesh Bank.

TABLE-XVI (Concl'd.)

EXCHANGE RATES
(Average official Taka-Dollar Rates)

Month	Taka per US Dollar (Annual Average)
1	2
July, 1997	43.81
August, 1997	44.30
September, 1997	44.55
October, 1997	44.63
November, 1997	45.11
December, 1997	45.45
January, 1998	45.45
February, 1998	46.30
March, 1998	46.30
April, 1998	46.30
May, 1998	46.30
June, 1998	46.30

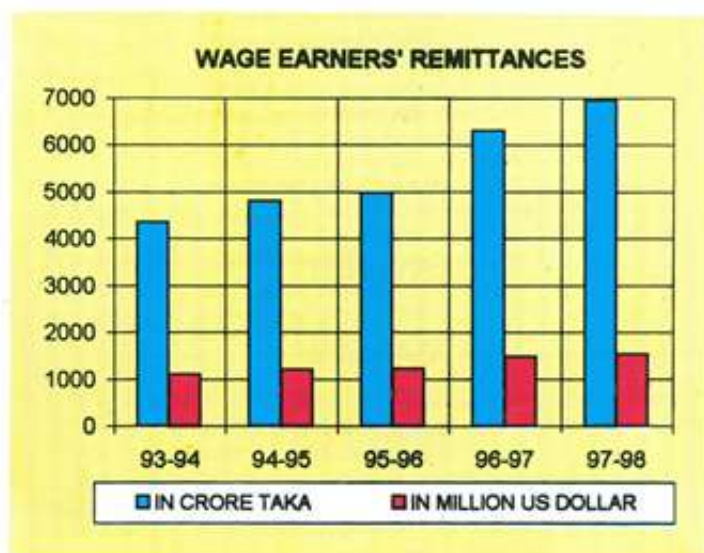
Source: Statistics Department, Bangladesh Bank.

TABLE-XVII

WAGE EARNERS' REMITTANCES

Year	Remittances	
	In million US Dollar	In crore Taka
1	2	3
1980-81	378.74	619.74
1981-82	412.38	839.65
1982-83	617.28	1,480.15
1983-84	596.40	1,491.00
1984-85	439.10	1,146.54
1985-86	555.10	1,661.11
1986-87	696.40	2,136.25
1987-88	737.00	2,303.90
1988-89	771.00	2,477.43
1989-90	760.53	2,496.10
1990-91	764.00	2,725.60
1991-92	848.00	3,241.50
1992-93	944.00	3,698.40
1993-94	1,088.80	4,354.87
1994-95	1,197.63	4,814.39
1995-96	1,217.06	4,977.83
1996-97	1,475.40	6,304.28
1997-98	1,525.42	6,951.18

Source: Statistics Department, Bangladesh Bank.



OFFICES OF THE BANGLADESH BANK

(As on June 30, 1998)

HEAD OFFICE

DHAKA

BRANCH OFFICES

MOTIJHEEL (DHAKA)

SADARGHAT (DHAKA)

CHITTAGONG

KHULNA

BOGRA

RAJSHAHI

SYLHET

BARISAL

RANGPUR

LIST OF THE SCHEDULED BANKS

(As on June 30, 1998)

1. NATIONALISED/GOVERNMENT CONTROLLED BANKS**(A) COMMERCIAL BANKS**

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

(B) SPECIALISED BANKS

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

2. PRIVATE COMMERCIAL BANKS

- 1) Pubali Bank Limited
- 2) Uttara Bank Limited
- 3) Arab Bangladesh Bank Limited
- 4) International Finance Investment and Commerce Bank Limited
- 5) Islami Bank Bangladesh Limited
- 6) National Bank Limited
- 7) The City Bank Limited
- 8) United Commercial Bank Limited
- 9) Al-Baraka Bank Bangladesh Limited
- 10) Eastern Bank Limited
- 11) National Credit and Commerce Bank Limited
- 12) Prime Bank Limited
- 13) South East Bank Limited
- 14) Dhaka Bank Limited
- 15) Al-Arafah Islami Bank Limited
- 16) Social Investment Bank Limited
- 17) Dutch Bangla Bank Limited

* In December, 1986, it was decided to transform Rupali Bank into a Public Limited Company, keeping 51 percent ownership in the Government Sector. Subsequently, the above bank's ownership in the Government Sector was raised to 94.5 percent in 1996.

** 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 June 30, 1998)

3. FOREIGN COMMERCIAL BANKS

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

