# FINANCIAL DEVELOPMENT IN BANGLADESH

By

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# FINANCIAL DEVELOPMENT IN BANGLADESH


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**February, 2004**

*Dedicated*

*To*

*My Parents*

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# CERTIFICATE

I have the pleasure to certify that the dissertation entitled **"Financial Development in Bangladesh"** is the original work of Wasim Md. Mazbahul Haque. As far as I know, this is the candidate's own achievement and is not a conjoint work. He has completed this dissertation under my direct guidance and supervision.

I also certify that I have gone through the draft and final version of the dissertation and found it satisfactory for submission to the Institute of Bangladesh Studies, Rajshahi University in partial fulfilment of the requirements for the degree of Doctor of Philosophy in Economics.

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# DECLARATION

I do hereby declare that the dissertation entitled **"Financial Development in Bangladesh"** submitted to the Institute of Bangladesh Studies, Rajshahi University for the degree of Doctor of Philosophy in Economics is exclusively my own and original work. No part of it in any form, has been submitted to any other University or Institute for any degree, diploma or for other similar purposes.

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| | |
|---|---|
| DSE | : Dhaka Stock Exchange |
| EEF | : Equity And Entrepreneurship Fund |
| E.P.P.C.B | : East Pakistan Provincial Co-operative Bank Ltd. |
| EWS | : Early Warning Signals |
| FCBs | : Foreign Commercial Banks |
| FIDP | : Financial Institutions Development Project |
| FSAC | : Financial Sector Adjustment Credit |
| FSRP | : Financial Sector Reform Project |
| FSRP-TA | : Financial Sector Reform Project-Technical Assistance |
| FY | : Fiscal Year |
| IAS | : International Accounting Standard |
| ICB | : Investment Corporation of Bangladesh |
| ICT | : Information and Communication Technology |
| IDA | : International Development Agency |
| IPO | : Initial Public Offering |
| ISA | : International Standard of Auditing |
| JBC | : Jiban Bima Corporation |
| LDCs | : Least Developed Countries |
| LLRC | : Large Loan Review Cell |
| LRA | : Lending Risk Analysis |
| MBs | : Market Banks |
| MFI | : Micro Finance Institutions |
| MF-NGO | : Micro Finance NGO |
| MIS | : Management Information System |
| MLC | : Money Loan Court |
| MNCs | : Multinational Corporations |

| | |
|---|---|
| MOF | : Ministry of Finance |
| NBFI | : Non Bank Financial Institution |
| NCBs | : Nationalised Commercial Banks |
| NCMBC | : National Commission on Money, Banking and Credit |
| ND | : No Date |
| NGO | : Non-Government Organisation |
| NLL | : New Loan Lender |
| OCT | : Over the Counter Markets |
| PAR | : Performance Audit Report |
| PCBs | : Private Commercial Banks |
| PPS | : Performance Planning System |
| $R^2$ | : Coefficient of Multiple Determination |
| REER | : Real Effective Exchange Rate |
| RFM | : Rural Financial Market |
| SBC | : Sadharan Bima Corporation |
| SBP | : Strategic Business Plan |
| SEC | : Securities and Exchange Commission |
| SGR | : Simple Growth Rate |
| SLR | : Statutory Liquidity Requirement |
| SNA | : Strengthening National Account. |
| SOE | : State Owned Enterprise |
| TGR | : Trend Growth Rate |

1980s, the economy gradually started to move towards a free and open market economy. As a result, to accommodate this transformation, it was necessary for the financial sector to formulate new rules, and to substitute the old ones with a view to face the new reality, the whole financial sector had to equip with new rules and regulations. The reform process reveals that, in general, these subsectors could not come out from problems and hindrances fully; but the reform programme became successful in exposing the problems to general public and the authorities and in raising their consciousness.

It is seriously felt that there should be a central authority for collecting and publishing data of all these institutions regularly. The insurance sector and leasing and finance companies should bring a central publication for each year that should publish aggregate data of these subsectors very elaborately. And all these categories of data have to be published either according to fiscal year or according to calendar year. There should be similarities in year wise arranging of different categories of data. This will help the analysts and policy makers to draw inferences and conclusions from the analysis of those data. The reforms so far done are not adequate to remove the problems. More reforms are necessary to remove the hindrances in the financial sector, especially to tackle the problem of bad and overdue loans. Revitalization of capital market in Bangladesh remains at the top of the agenda for attracting local and foreign investments for industrialisation of this country. Expansion of micro credit to millions of poor households is still necessary to bring fifty percent of population up from below the poverty line.

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# Chapter I
## Introduction

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# Chapter I

# Introduction

## I.1. Prelude

Financial development takes place through a process of evolution of financial activities. It is implicit that evolution of financial activities, along the path of time, progress towards better direction. This progress is measurable. The economists have identified some indicators through which financial development can be measured. Before going into the depth of the concept of financial development, the meaning of 'finance' should be made clear because the word 'financial' is the adjective of the word 'finance'. According to the Oxford Dictionary of Business[1] the word finance means: (1) the practice of manipulating and managing money; (2) the capital involved in a project, especially the capital that has to be raised to start a new business; (3) a loan of money for a particular purpose, especially by finance house. Financial development may mean the evolution of the above three procedures. In the Encyclopaedia Britannica 1968[2], a summarized but consolidated picture of finance has been depicted. According to that, finance is the process of raising funds or capital for any kind of expenditure. Consumers, business firms, and governments often do not have the funds available to make expenditures, pay their debts, or complete other transactions and need to borrow or sell equity to obtain the money they need to conduct their operations. Savers and investors, on the other hand, accumulate funds which could earn interest or dividends if put to productive use. These savings may accumulate in the form of savings deposits, savings and loan shares, or pension and insurance claims; when loaned out at interest or invested in equity shares, they provide a source of investment funds. Finance is the process of channelling these funds in the form of credit, loans, or invested capital to those economic entities that need them or can put them to productive use. The institutions that channel funds from savers to users are called financial intermediaries. They include commercial banks, savings banks, savings and loan associations, and such

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[1] Oxford University Press, *Oxford Dictionary of Business* (2nd ed., Oxford: Oxford University Press, 1996), p. 204.

[2] *Encyclopaedia Britannica*, vol. 9 (Chicago: William Benton Publisher, 1968), s. v. "Finance," by James Rubert Longstreet; and Gamriel Smith, pp. 271-272.

non-bank institutions as credit unions, insurance companies, pension funds, investment companies, and finance companies.

Three broad areas in finance have developed specialized institutions, procedures, standards, and goals: business finance, personal finance, and public finance. In developed countries, elaborate structure of financial markets and institutions exist to serve the needs of these areas jointly and separately.

Business finance is a form of applied economics that uses the quantitative data provided by accounting, the tools of statistics, and economic theory in an effort to optimise the goals of a corporation or other business entity. The basic financial decisions involve an estimate of future asset requirements and the optimum combination of funds needed to obtain those assets. Business finance makes use of short-term credit in the form of trade credit, bank loans, and commercial paper. Long-term funds are obtained by the sale of securities (stocks and bonds) to a variety of financial institutions and individuals through the operations of national and international capital markets.

Personal finance deals primarily with family budgets, the investment of personal savings, and the use of consumer credit. Individuals typically obtain mortgages from commercial banks and savings and loan associations to purchase their homes, while financing for the purchase of consumer durable goods (automobiles, appliances) can be obtained from banks and finance companies. Charge accounts and credit cards are other important means by which banks and businesses extend short-term credit to consumers. If individuals need to consolidate their debts or borrow cash in an emergency, small cash loans can be obtained at banks, credit unions, or finance companies.

The level and importance of public or government finance has increased sharply in Western countries since the Great Depression of the 1930s. As a result, taxation, public expenditures, and the nature of the public debt now typically exert a much greater effect on a nation's economy than previously. Governments finance their expenditures through a number of different methods, by far the most important of which is taxes. Government budgets seldom balance, and in order to finance their deficits governments need to borrow, which in turn creates public debt. Most public debt consists of marketable securities issued by a government, which must make specified payments at designated times to the holders of its securities.

From the above description of finance it can be realized, how vast and diversified the area of finance is! Now a days in financial activities, different types of financial intermediaries and instruments are involved. The diversification among all these is amazing. The innovation of all these have been arisen out of necessities. According to the economic reality and needs, all these have been innovated. The more a country is economically developed, the more diversified are its financial institutions, intermediaries and instruments. And the maturity of all these depend on the strength of the economy. Through financial development, economic growth can be achieved. There exists a correlation between development and growth.

Bangladesh is one of the least developed countries. After independence, it passed more than thirty years. This is not at all very short period for social and economic development. Through this period, the economy of Bangladesh progressed in different sectors. Side by side, there also occurred the financial development. At the time of independence, the financial environment of Bangladesh was underdeveloped. Since then, how financial environment has been progressing is a matter of common curiosity.

Industrialization is the main vehicle through which economic growth takes place. However, for industrialization capital formation is necessary, and capital formation occurs out of savings generation. In a country where financial institutions, financial intermediaries and instruments are strong, the economy is also strong. In fact, without modern financial activities, no country can survive, and those are the artery of economic activities.

## I.2. Statement of the Problem

It is observed in the economic history that economic development and growth of financial infrastructure goes hand in hand. Such relationship exists between the two, that without the growth in the financial infrastructure, there can be no development; and the latter in turn changes the shape and size of the financial institutions.[3] Waqif explains the reasons of interaction of these two. He says that in absence of a healthy financial superstructure, lion's share of peoples saving is accumulated in socio-economically unproductive assets i.e., real and superlative assets instead of socio-economically productive assets i.e., financial assets. When saving is hoarded in the former such as cash, commodities, land, precious metals, jewellery, carpets, etc., it

[3] M. Radha Swamy and S. V. Vasudevan, *A Text Book of Banking* (2nd ed., New Delhi: S. Chand and Company Limited, 1980), p.1.

does not provide any contribution to real producer capital formation. He also notes that a well-developed financial superstructure in any economy would also facilitate the mobilization and allocation of savings from the international sector, thus providing better scope for domestic development.[4] Therefore, the basic need for capital accumulation is the establishment of a well-developed, wide spread and efficient financial structure that can mobilize small and scattered savings of the people and channel the same for desired investments.[5] Realizing the same Van Horne states that efficient financial markets are extremely important to ensure sufficient capital formation and economic growth in a modern economy.[6] He also argues, "The more vibrant the financial markets in an economy, the more efficient the allocation of savings to the most promising investment opportunities, and the greater the capital formation in that economy."[7] The financial structure is made up of a large number and an intricate system of specialized institutions. These institutions provide numerous ancillary services as well as do the following three primary functions. (1) They create the provision of a satisfactory medium of exchange and a measure or common denominator of value-money. (2) They transfer the savings from the saver to the user of saving to permit creation of the required capital goods. (3) They make the provision of a market for the transfer from hand to hand of such claims to wealth as written permission to pay for the instruments (shares), and for the conversion of such instruments into money.[8] Hasan states that the system should serve to facilitate the transfer of funds between the lenders and the borrowers. It should provide risk-sharing services to facilitate the capital accumulation process, and it should provide liquidity in the market to support non-financial activity. He also observes that these services should efficiently be produced and allocated, and they should exhibit stability in times of adverse economic events such as inflation or recession.[9]

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[4] Arif A. Waqif, "A Generalization Model of Financial Intermediation," *The Indian Economic Journal,* Vol. XXVIII, No. 1(July-September, 1980), pp. 43-50.

[5] M. Zainul Abedin, *Commercial Banking in Bangladesh: A Study of Disparities of Regional and Sectoral Growth Trends* (1846-1986) (Dhaka: National Institute of Local Government, 1990), p. 3.

[6] James C. Van Home, *Financial Market Rates and Flows* (2nd ed., Englewood Cliffs, NJ: Prentice-Hall, Inc., 1984), p. 4.

[7] Ibid., p. 16.

[8] Roland I. Robinson, Frank H. Gane, and Loring C. Farewell, *Financial Institutions,* ed. Erwin W. Bochmler (Rev. ed., Illinois: Rechard D. Irwin, Inc., 1956), p. 21.

[9] M. Kabir Hasan, "An Overview of Financial Liberalization in Japan," *Bank Parikrama* , Vol. XVII, Nos. 3 and 4 (Sep. and Dec., 1993), p. 51.

The structure of financial system of Bangladesh is composed of different categories of financial institutions: the central bank, scheduled commercial banks, non-scheduled banks, development financing institutions, (specialised banks), co-operative banks, insurance corporations and companies, investment, finance and leasing companies and the post office savings banks. It also includes stock exchanges and the informal markets. The guardian of the financial institutions of Bangladesh is the Bangladesh Bank. This is the central bank of this country.

The above-mentioned financial system was not created in a day. There is a long history behind its creation. The activities, performance and productivity of these institutions are not same. Their contributions are also different. In fact, there is a tremendous diversification in their activities. But as a whole, the development of financial market is still premature. It needs long way to go.

For the importance of this sector and its contribution to economic development, it is necessary to analyse the performance of all the components of this sector very critically.

In short, now days, without economic solvency there is no meaning of political independence, and an efficient and effective financial structure plays important role towards economic development. On the other hand, a modern financial structure is necessary for undertaking all type of financial activities. However, we have already mentioned that financial structure of Bangladesh is underdeveloped. There is a long history for this backwardness. For long two hundred years, it was the colony of British Empire, and then for another twenty-four years, it was under Pakistani exploitation. In fact, after the occupation of East India Company, some modern financial instruments and institutions were brought into existence in the then Bengal Province and those were instituted for the interest of them. There was no mass participation in using financial instruments and institutions at that time. So, the course of progress of these instrument and institutions was hindered both in British and in Pakistan Period. After independence on the 26th march in 1971, it was hoped that the progress of financial sector would take place in due course. However, the reality is different. Huda[10] in his one article states:

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[10] Md. Nazrul Huda, "Bangladesh's Financial Sector: An Overview", *Bank Parikrama,* Vol. XXII, Nos. 3 &4(Sep. & Dec. 1997), p. 32.

> The financial sector in Bangladesh is smaller and less developed than that in most countries in south and East Asia. Despite resent modest gain in financial depth, the system remains shallow. While major policy reforms have been undertaken during the last few years, including deregulation of interest rates, strengthening standards of loan classification and provisioning, elimination of Bangladesh Bank's control over most financial transactions and adoption of risked-based capital adequacy requirements, the financial sector continues to be underdeveloped and inefficient. The poor quality of intermediation of Bangladeshi banks and the underdeveloped debt and equity markets are acting as a drag on economic growth. Indeed, the widespread insolvencies in the banking system, lead to a continual risk of overt financial crisis as have occurred in similar circumstances in a number of other countries. To avoid a painful crisis, a comprehensive and wide-ranging reform is indispensable.

In fact, we have made progress in many sectors in our social and economic life, but we need still many things to do. Financial reform is one of these. Prior to financial reform, there should be a clear documentation of the development of this sector for identifying shortcomings and for making prescription for removing those shortcomings. However, **this study aims at measuring the present level of financial development in Bangladesh, analysing its past growth trends, identifying the constraints to its growth and progress and suggesting the measures for its improvement.**

## I.3. Setting the Objectives

Determining the objectives is the corner stone of any research work. A research work is proceeded through setting its objectives. The general objective of the study is to examine the present level of financial development in Bangladesh, analyse and evaluate its past growth trends, identify major problems and suggest remedies. The specific objectives of this study are as follows:

1. To delineate the financial structure of Bangladesh.
2. To analyse the evolution of the progress of different financial institutions and instruments in Bangladesh.
3. To measure the growth trends of main financial institutions and instruments over the years.
4. To compare the relative contribution of the main financial institutions and instruments.
5. To measure the level of financial deepening.
6. To analyse the past reforms and identify existing problems in the financial sector.
7. To suggest measures for improvements.

## I.4. Review of Literature

One of the important works of any research is reviewing literature. Reviewing literature helps the researcher to identify knowledge gaps in that field and makes him enable how to proceed. This is a virgin field in Bangladesh and there is not enough literature in this area. But some of the areas of financial activities of Bangladesh have been researched. These are the main literature, which have been reviewed here. On the other hand, there are various works done abroad, some of which are reviewed here.

### I.4.1. Goldsmith[11] (1966)

The writer in his book titled *The Determinants of Financial Structure* has shown how the depth of a country's financial structure could be measured, and for this he has established a ratio named financial interrelation ratio (FIR). The author introduced more than one formula for calculating FIR. For different realities, formulas are different. In fact, the formulas of FIR consist of three components. These are: the ratio of the sum of past net issues of non-financial units to tangible assets; the ratio of the issues of financial institutions to those of non-financial issues; and the valuation adjustment term. These three components are the combination of Monetization ratio, capital output ratio, annual rate of growth of real national product, gross national product deflator, capital formation ratio, ratio of net new issues of non-financial units to their capital formation, ratio of new issues of financial instruments by financial institutions to new issue by non-financial units, ratio of total issues of financial instruments by financial institutions to other financial institutions to non financial units, values of the share of equities in total issues, rates of annual rise in equity prices. By using the values of all these measures Goldsmith has tried to assess the financial development of an economy.

### I.4.2. Goldsmith[12] (nd)

The author in his book *The Financial Development of Mexico* has described the financial development of Mexico from the fourth quadrant of nineteenth century to the end of third quadrant of twentieth century. In fact, most probably, this book is the first one of this kind. So, this book seems elementary one. However, the uniqueness of this

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[11] Raymond W. Goldsmith, *The Determinants of Financial Structure* (Paris: Development Centre of the Organisation for Economic Co-operation and Development, 1966).

[12] Raymond W. Goldsmith, *The Financial Development of Mexico* (Paris: Development Centre of the organisation for economic co-operation and development, nd).

book is its simplistic presentation, and this pattern of presentation is beneficial for the present research.

### I.4.3. Goldsmith[13] (1969)

The author in his book titled *Financial Structure and Development* has tried to show a relationship between financial development and economic growth. He is the pioneer in this field. In the beginning of his book, he has defined the term *financial development* and its different components. Then gradually, he has disassociated the components and showed the procedure how all these can be measured.

According to him, financial development can be measured through structural change, and structural change can be measured through either by information on the flows of financial transactions over continuous time periods or by the comparison of financial structure at different points of time. Since the information or data for long periods of the past are not available for least developed countries, measuring structural change through second method is more useful. Goldsmith identified eight indicators to measure structural change. Among all these indicators, 'financial interrelation ratio' (FIR) is the most important one. He defined FIR as the ratio between financial superstructure and the real structure.

Then in the later chapters, he gathered data for twenty to twenty five countries. Among these most of the countries are developed, four to five were less developed and three were centrally planned. Analysing the data of all countries, the author has roughly succeeded to establish a relationship between financial development and economic growth.

In fact, in this book, the intention of the author was not to show financial development in details for any selected country. He has just established a correlation between financial development and economic growth through FIR. The core massage is 'the more a country is developed the higher is the FIR.' This finding is very much useful for the present research.

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[13] Raymond W. Goldsmith, *Financial Structure and Development* (New Haven: Yale University Press, 1969).

## I.4.4. Goldsmith[14] (1983)

The author in his book titled *The Financial Development of India, 1860-1977* has shown how financial development of India has progressed. From the title, it is understood that the author has examined the period from 1860 to 1977. However, the examination was segmented into three parts. First segment was from 1860 to 1913. The second segment was from 1914 to 1946 and the last segment was from 1947 to 1977. Though the whole period was segmented into three parts yet the chapter outline for every segment was almost same. The author has used 139 tables for analysing the financial development.

The titles of the first chapter of every segment are *The Infrastructure*. In this chapter, the author has analysed the demographic pattern, growth trend of national production and economic policy. The author has narrated the overall economic condition of the country of that period. In the part of *economic policy*, different economic policies that were introduced for the necessities of the time were explained.

Analysis on *Money, Prices, and Interest* rates is the second chapter for every segment. In fact, in this chapter money, the elementary financial tool has been analysed. This included definition of money, types of money, supply of money, supply pattern of money wage, real wage etc. and above all the growth trend of all these have been analysed here. This is the chapter of anatomy of money.

The third chapter is named as *The Balance of Payments and Foreign Investment,* but this chapter is not included in the third segment. In this chapter, balance of payment of India under colonial rule has been explained. As a British colony, British rulers favoured some sectors while some other sectors were neglected. The dimensions of these phenomena have been explained here.

The fourth chapter is *Capital formation*. Capital formation is the essential tools of economic growth. In this chapter, this vital process has been explained. Capital formation has come into existence out of savings. So saving procedure has also been explained in this chapter. There are different concepts related to capital. All these have been explained here. On the other hand, saving is a procedure, and there is a process to save. There are many organizations in a country, which are involved in saving procedure.

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[14] Raymond W. Goldsmith, *The Financial Development of India, 1860-1977*(Delhi: Oxford University Press, 1983).

The next chapter is named, as *The Development of Financial Institutions* is the most important chapter among all. In fact, the origins and the evolution of financial institutions have been narrated here. Portfolios of the liabilities and assets of financial institutions, the growth trend of the financial institutions, share of assets of every type of financial institutions among total assets, sources and uses of assets are elucidated here. Not only that productivity and performance of these institutions, and their contribution to the economy was critically illustrated here. In addition, at the end of the chapter the new issue ratio of financial development has been measured.

The sixth chapter is *Financing the Main Sector of the Economy*. In this chapter, the Indian economy is classified into four sectors. These are the government, non-financial business, households, and rural India. The contribution and uses of financial activities were examined here very critically.

The last chapter is *The National Balance Sheet...* In this chapter, component of balance sheet have been explained. Their shares and contributions to the economy, and the growth trends were examined. At the end the main indicator of financial development named *Financial Interrelation Ratio* (FIR) has been measured.

In fact, reviewing this Book is very much helpful for present research. Since the reality of two countries is different, the research procedure would be different.

### I.4.5. Goldsmith[15] (1983)

The author in his book titled *The Financial Development of Japan, 1868-1977* has shown how financial development of Japan has progressed. From the title, it is understood that the author has examined the period from 1868 to 1977. In this book out of nine chapters eight chapters were used for eight consecutive periods. Chronologically in every chapter the basic political nature, economic development and financial achievements of that time has been described.

Like the previous books the focus and the analytical tools of this book are the same. In the book, the author has described the vivid picture of the financial development of Japan, and very competently disclosed the dramatic momentum of

[15] Raymond W. Goldsmith, *The Financial Development of Japan, 1868-1977*(New Haven: Yale University Press, 1983).

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Japan's economy. Not only that, the author has also explained the causes of that dramatic momentum of Japans economy. These techniques of explanation are very much useful for the present research.

### I.4.6. Farooque[16] (1983)

The author in his article named "The Japanese financial system: its Relevance to Bangladesh" narrated in very short the characteristics of post war Japanese financial system through some key variables. These are (1) Artificial low interest rate policy, (2) Over borrowing, (3) Imbalance of Bank liquidity, (4) overload, (5) Response to new environments. From this article what should be the components of any financial system has been understood.

### I.4.7. Huda[17] (1988)

The author in his article named "Financial Development and Economic Growth" has tried to show how financial development accelerate the pace of economic development through its favourable impact on saving, investment, and output. But in conclusion he failed to show any strong independent effect of financial intermediation on economic growth.

### I.4.8. Abedin[18] (1990)

The author in his book *Commercial Banking in Bangladesh: A Study of Disparities of Regional and Sectoral Growth Trends* has narrated many important issues of banking sector of Bangladesh till 1986, including the emergence of commercial banking in this country. Through out the book the author has described how the disparities of different banking activities and of banking mechanism were being existed and nourished in the economy of Bangladesh. To portrait these the author has analysed many key variables of banking business.

The study stated that up to the independence of Bangladesh, the growth of commercial banks as well as banking facilities was highly uneven. Regional, divisional

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[16] Md. Omar-Al-Farooque, "The Japanese Financial System: It's Relevance to Bangladesh," *Finance and Banking*, Vol. 3, No.1, (July 1993).

[17] M. Nazrul Huda, "Financial Development and Economic Growth," *Bank Parikrama*, Vol. XIII, No. 1 and 2, (March and June 1988).

[18] Abedin, *Commercial Banking.*

and sectoral disparities were wider prior liberation. The post nationalisation banking experiences exhibited general diminishing trends of the sectoral, regional and divisional imbalances. It is highlighted that the ownership factor played a vital role in this disparity perspective. But the author argued that after nationalisation the declining rate of disparities was not up to the expectation. However, this study shows the development of an important aspect of financial sector, such as the commercial banks.

### I.4.9. Huda[19] (1997)

The author in his article titled "Bangladesh's financial sector: An overview" narrates some important key concepts of Bangladesh's financial system. These are structure of financial sector, monetary policy, interest rate policy, capital adequacy, accounting policies, bank licensing, bank supervision, and Regulatory agencies. All these give an up to date picture of financial system of Bangladesh.

### I.4.10. Ndikumana[20] (1999)

The Author in his article "Financial Development and Economic Growth in Sub-Saharan Africa: Lessons and Research Agenda," examines the links between financial development and economic growth in Sub Saharan African (SSA) countries. The author observes that the economic performance of post-independence Africa was generally disappointing. Many African economies experienced negative growth over the past three decades. And current per capita incomes are lower than that in the 1960s for some countries. Even the countries that are referred to as *strong reformers*, such as Uganda and Ghana, have yet to achieve their 1970 per capita income levels. Overall, the gains from economic reform programs introduced in the early 1980s were mixed. Reform policies have produced positive outcomes primarily in countries with a positive record of institutional stability and political reform. So, the author suggest, that credit systems need to be developed to facilitate capital accumulation and the African economies require to diversify their production systems to get out of the trap of perennial provision of cheap primary products. However, to avoid the inherent risk of political abuse that bank-based systems face, it is imperative that financial reform programs (and structural adjustment

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[19] Huda, "An Overview".

[20] Léonce Ndikumana, "Financial Development and Economic Growth in Sub-Saharan Africa: Lessons and Research Agenda," Working paper Series, Number 2, Political Economy Research Institute University of Massachusetts Amherst, 1999.

programs for that matter) be preceded by or implemented in tandem with structural institutional reforms. Like sub-Saharan African countries Bangladesh is also a least developed country, and there are similarities of financial hindrance between sub-Saharan African countries and Bangladesh. So, the paper becomes helpful to the researcher.

### I.4.11. Dellas and Hess[21] (2001)

The authors in their paper, "Financial Development and Stock Market Performance," show the contribution of capital market especially in less developed countries. According to the paper the level of financial development is an important determinant of the performance of capital markets. The authors examine stock returns in a cross section of emerging and mature markets of 49 countries over the period from 1980 to 1999. Returns of stock markets in financially underdeveloped countries have been somewhat lower, but significantly more volatile and less closely linked to and influenced by world stock returns. This implies that the stock markets of financially underdeveloped countries may resist higher global risk.

### I.4.12. Beck, Levine, Loayza[22] (1999)

The authors through their paper "Financial Intermediation and Growth: Causality And Causes" evaluate (1) whether the exogenous component of financial intermediary development influences economic growth and (2) whether cross-country differences in legal and accounting systems (e.g., creditor rights, contract enforcement, and accounting standards) explain differences in the level of financial development. Using both traditional cross-section, instrumental variable procedures and recent dynamic panel techniques, they find that the exogenous component of financial intermediary development is positively associated with economic growth. Also, the data show that cross-country differences in legal and accounting systems help account for differences in financial development. Together, these findings suggest that legal and accounting reforms that strengthen creditor rights, contract enforcement, and accounting practices can boost financial development and accelerate economic growth.

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[21] Harris Dellas and Martin K. Hess, "Financial Development and Stock Market Performance," Working Paper, Department of Economics, University of Bern, 2001.

[22] Thorsten Beck, Ross Levine and Norman Loayza, "Financial Intermediation and Growth: Causality And Causes," Central Bank of Chile, Working Papers, N° 56, December 1999

## I.4.13. Hossain[23] (2000)

The author in his dissertation titled "A Study on the Performance of Public and Private Sector Commercial Banks in Bangladesh" assesses the overall performance of the commercial banks from 1983 to 1997. Commercial banks are one of the components of financial sector. For measuring performance of nationalized commercial banks (NCB) and private commercial banks (PCB) the author has introduced some indicators, which are mainly ratios. In methodology chapter, the author has analysed all these ratios and has commented that all the ratios are not equally useful. Comparing the values of all these ratios, the author has come to conclusions. For the present research the methods are important. How the author has used these methods for getting the results that is useful for this study. The author in this research shows only the relative and absolute performance of NCBs and PCBs comparing only fifteen years data. There are many other components of financial activity, which were not analysed in this dissertation.

## I.4.14. Ndikumana[24] (2001)

This study has examined two related but different questions about the links between financial intermediation and domestic investment. The first question is whether higher financial development induces higher domestic investment. The second is whether the structure of the financial system (bank based vs. stock-market based) matters for domestic investment. The empirical results are informative. The evidence shows that the various indicators of financial development are positively related to domestic investment. This implies that financial development facilitates domestic investment to the extent that it is accompanied by an increase in the supply of funds to investors. This suggests that as a country's financial system becomes more sophisticated, capital becomes more available and cheaper, and it is allocated more efficiently. As a result, investors find it easier to obtain the funds necessary to respond to an increase in the demand for output, which raises the level of investment. The results in this study also indicate that for a given level

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[23] Mohammed Jahangir Hossain, " Astudy on the Performance of Public and Private Sector Commercial Banks in Bangladesh" (Ph.D. Diss., IBS, Rajshahi University, 2000).

[24] Leonce Ndikumana, "Financial Development, Financial Structure, and Domestic Investment: International Evidence," Political Economy Research Institute, University of Massachusetts Amherst, Working Paper Series, No. 16, 2001, (Revised January 2003).

of financial development and controlling for country-specific factors, the structure of the financial system has no incremental impact on domestic investment. The results are inconsistent with claims that either bank-based or stock-market-based financial systems are better at promoting investment. The evidence is consistent with the view that banks and stock markets are complementary. The evidence in this paper sheds some light on the debate on the comparative merits of banks vs. stock markets in stimulating investment. The results in this paper are informative with regard to policies aimed at boosting domestic investment. The evidence suggests that it may not be useful to expend resources in trying to promote a particular type of financial structure. This is particularly relevant for less-developed countries that are most resource-constrained. Instead, countries will benefit from reducing policy uncertainty, strengthening the regulatory framework, and enforcing creditor and investor rights. This will create an environment that facilitates the development of banks as well as stock markets, which will stimulate domestic investment.

### I.4.15. Tadesse[25] (2001)

The author in his article "Financial Architecture and Economic Performance: International Evidence" examines the relations between an economy's financial system – its degree of market orientation and economic performance in the real sector. The author argues that the relative effectiveness of bank-based versus market-based financial systems depends on the strength of the contractual environment and the extent of agency's operations in the economy. It also reveals that market-based systems outperform bank-based systems in the countries with developed financial sectors, while the bank-based systems do better in the countries with underdeveloped financial sectors. Countries dominated by small firms grow faster in bank-based systems and those dominated by larger firms grow in market-based systems. The findings suggest that recent trends in financial development policies that indiscriminately prescribe market-oriented financial-system for emerging and transition economies might be misguided because of their underdeveloped financial infrastructure.

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[25] Solomon Tadesse, "Financial Architecture and Economic Performance: International Evidence," William Davidson Working Paper Number 449, The University of South Carolina, August 2001.

## I.4.16. Levine[26] (2002)

Levine in his paper "Bank-Based or Market-Based Financial Systems: Which is Better?" explores the relationship between economic performance and financial structure – the degree to which a country's financial system is market-based or bank-based. In particular, this paper empirically assesses competing theoretical views of financial structure and economic growth. The bank based view holds that bank-based systems – particularly at early stages of economic development and in weak institutional settings – do a better job than market-based financial system in mobilizing savings, allocating capital and exerting corporate control. In contrast, the market-based view emphasizes that markets provide key financial services that stimulate innovation and long-run growth. Alternatively, *the financial services view*[27] stresses the role of bank and markets in researching firms, exerting corporate control, creating risk management devices, and mobilizing society's savings for the most productive endeavors. This view minimizes the bank-based versus market-based debate and emphasizes the quality of financial services produced by the entire financial system. The law and finance view, which is a special case of the financial services view, argues that the legal system is the primary determinant of financial development. Thus, *the law and finance view*[28] stresses the role of the legal system in boosting overall financial sector development and hence long-run growth. The data provide no evidence for the bank-based or market-based views. Distinguishing countries by financial structure does not help in explaining cross-country differences in long-run economic performance. Rather, the cross-country data strongly support the financial services view. Distinguishing countries by their overall level of financial development help to explain cross-country differences in economic growth. Countries with greater degrees of financial development – as measured by aggregate measures of bank development and market development – enjoy substantially greater economic growth rates. Moreover, the component of financial development explained by the legal rights of outside investors and the efficiency of the legal system in enforcing those rights is strongly and positively linked with long-run

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[26] Ross Levine, "Bank-Based or Market-Based Financial Systems: Which Is Better?" NBER working paper series, No. 9138, Massachusetts Avenue Cambridge, (September, 2002).

[27] According to this view, the main issue is not banks or markets. The issue is creating an environment in which intermediaries and markets provide sound financial services.

[28] According to this view finance is a set of contracts. These contracts are defined – and made more or less effective – by legal rights and enforcement mechanisms. From this perspective, a well-functioning legal system facilitates the operation of both markets and intermediaries.

growth. The data are consistent with the view that the legal system influences financial sector development and this in turn influences long-run growth.

### I.4.17. Gorton, Winton[29] (2002)

The authors in their article, "Financial Intermediation," present the justification and contribution of the financial intermediaries. The authors start the article on the basis that the savings/investment process in capitalist economies is organized around financial intermediation, making them a central institution of economic growth. Financial intermediaries are firms that borrow from consumer/savers and lend to companies that need resources for investment. But, in contrast, in capital markets investors contract directly with firms, creating marketable securities. The prices of these securities are observable, while that of the financial intermediaries are opaque. So, the authors tried to give explanation why do financial intermediaries exist? What are their roles? Are they inherently unstable? Should the government regulate them? Why is financial intermediation so pervasive? How is it changing? In this paper the authors surveyed the last fifteen years' performance of financial intermediation. Then, they focus on the role of bank-like intermediaries in the savings-investment process.

## I.5. Justifications

Financial sector is very vital in any economy. Multidimensional objectives and activities of this sector bestows it a unique superiority. Within the sector different sub-sectors play significant and independent role. The different forces of these sub-sectors build the shape of the financial sector. So, it is very much important to explore all these sub-sectors exclusively. This research finds out some relationships between different variables relating to financial development. And after establishing relationships between different variables, it suggests some new policies. Identification of the hindrances, and suggestions for their remedies may help the policy makers to formulate new policies and laws. The delineation of the matrix of financial structure is also very helpful to draw inferences. A critical scrutiny of the financial structure gives the tools in the hand of financiers to rectify financial activities. It has been proved that there is a strong relationship between financial development and economic growth in world perspective.

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[29] Gary Gorton and Andrew Winton, "Financial Intermediation," Working Paper, No. 8928, National Bureau Of Economic Research, Cambridge, 2002

So, it is necessary to know the ins and out of financial structure. This research finds out ins and out, weakness, drawbacks and the potentiality of our financial structure.

This research is also helpful to shed light on the relative strength of bank-based financial institutions and market-based financial institutions of Bangladesh and it is able to present the contribution of these two categories of institutions in the economy of Bangladesh.

Lastly, finance constitutes a substantial area of the economic activities of a country. Development of financial activities, easy flow of finance leads to the economic development of a country. Removing the obstacles from the path of the financial development makes the economic development easier and quicker. It is expected that this research would help this process to progress further.

The review of literature suggests that there exists knowledge-gap in the field of present research, and that makes the main justification for undertaking this research. Some articles were written earlier on different aspects of this field but no comprehensive research was conducted so far in Bangladesh context. This research is an attempt to fill up some areas of the existing knowledge gap.

## I.6. Scopes and Limitation of the Study

### I.6.1. Scope

This study analyses the evolution process of six categories of non-banking financial institutions, four categories of banking institutions, and the central Bank of Bangladesh. The study tries to present the development procedures of these institutions. The analyses of growth trends of the important indices of these institutions relating to savings generation, capital formation, assets' and liabilities' structures, turnover of indices, and expansion of branches form the core areas of discussion of this dissertation. Different aspects relating to income, expenditure, profit and performance of these institutions were also analysed here.

At the beginning, the study tries to delineate the financial structure of Bangladesh. By describing the financial policies, and by analysing the important indices of these institutions, this study attempts to display the levels of their performance. The study also tries to analyse the growth trends of the representative variables and main indices of these institutions covering the first three decades after independence. The

relative growth trends and the relative strengths and weakness of these indices have also been analysed.

An attempt has been made to measure the financial development in absolute term by measuring the value of financial deepening. The study makes an effort to analyse all reform initiatives of the authorities relating banking, insurance and stock exchange. The major problems of the financial sector of Bangladesh were identified in this study and their solutions were also suggested here. Finally, this study offers some policy recommendations

### I.6.2. Limitations

This study encompasses the period from the fiscal year 1972-1973 to 1999-2000. However, the origin of modern financial activities has started in this area from colonial period, and we cannot ignore the legacy of British and Pakistan era. In fact, for better understanding of the financial development of Bangladesh the study should encompass the period of Pakistan era. Nevertheless, due to lack of time, lack of necessary data, and the complicated procedure of converting available data of that time for the present purpose discouraged the author to expand the study up to Pakistan era. Still, the present study, which encompasses the period from fiscal year 1972-1973 to 1999-2000, is sufficient to evaluate the financial activities of Bangladesh.

Though it is mentioned that this research covers the data from the fiscal year 1972-73 to 1999-2000, but all data are not available for every year. Usually, in our country financial data are published according to fiscal year, and in some cases it is published for both fiscal year and calendar year. But in general, for insurance and stock markets data are not available for fiscal year. In that case we have to collect data according to calendar year from 1973 to 2000. So, in some cases we have to arrange both categories of data under the same year's heading ignoring the difference of six months.

Still there is another great problem that is the difficulty to get data of the early years of independent Bangladesh. Due to devastated war, premature proficiency to calculate financial figure, lack of necessary facilities for preservation, the data of the aftermath of independent war has not been preserved or somehow are not available. So, in many cases we have to start our analysis from later period.

In this research we have included only the formal part of the financial sector and excluded the informal part of financial sector. But there is strong base to assume that informal financial sector plays a great role in our financial activities. Without identifying the contribution of this informal financial sector, it is not possible to assess the over all development of financial sector. So, this lacking persists in this research.

It is appropriate to draw growth trend on the basis of constant data but in every cases in this research growth rate has been drawn on the basis of current data due to lack of constant data. Still it has importance, the comparative growth trend of different variables show relative growth pattern of these variables, and it is possible to get a rough concept of real growth trend comparing this nominal growth rate with national deflator and the other variables.

## I.7. Methodology of the Study

### I.7.1. Definition

The word, 'method' means "a way of doing"[30] something. It came from the Greek words 'meta' and 'hodos' meaning "a way".[31] Thus the word, 'methodology' stands for "a set of methods used in a particular area of activity."[32] Broadly, a method or methodology is "the underlying principles and rules of organization of a philosophical system or inquiry procedure."[33] Thus, "methodology is the systematic and logical study of the principles guiding scientific investigation."[34] It is "the system of principles, practices, and procedures applied to any specific branch of knowledge."[35] In other words, it is "the philosophical study of scientific method; the branch of logic dealing with general principles of the formulation of knowledge."[36]

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[30] A.S. Hornby, *Oxford Advanced Learner's of Current English*, ed. by Jonathan Crowther (5th ed., Oxford University Press, 1995), p. 734.

[31] William Geddie, ed., *Chamber's Twentieth Century Dictionary* (London: W and R Chambers Limited 1965), p. 669.

[32] Hornby, *Current English*, p. 734.

[33] Lawrence Urdong, ed., *The Random House Dictionary of the English Language* (New York: Random House, 1968), p. 841.

[34] Julius Gould and William L. Kollb, eds., *A Dictionary of the Social Sciences* (London: Tavistack Publications, 1964), p. 425.

[35] Robert Ilson, ed., *Reader's Digest Great Illustrated Dictionary* (London: The Reader's Digest Association Limited, 1985), p. 1071.

[36] Ibid.

## I.7.2. Selection of a Method

Any scientific investigation requires one or more research methods, which enable a researcher to conduct the study systematically. Research is no doubt a disinterested or unbiased search for knowledge.[37] It "is a careful inquiry or examination to discover new information or relationships and to expand and to verify existing knowledge."[38] It also means "manipulation of things, concept, or symbols for the purpose of generalizing and to extend, correct or verify knowledge, whether that knowledge aids in the construction of a theory or in the practice of an art."[39] It actually evolves from a genuine desire to know rather than a wish to prove a point of view. This research has to be done through a method, which is the mode of doing something.

However, methodology plays an important role in any scientific or social research, but the methods in practical uses somehow differ from one research to another. The present study attempts to apply the documentary method. This is defined as "an attempt to find out what has happened in the course of time and to correlate the events, within the limits of available materials on the one hand and of the researcher's intelligence and understanding on the other, into a meaningful sequence."[40] The analysis of this research is primarily quantitative in nature and deals with its characteristics, which can be identified and counted, although to realize the objectives of the study qualitative interpretations are also necessary and desirable.[41] This research has exploited the data of the last 28 years (1972-2000) of the financial institutions of Bangladesh. However, the researcher has made an opinion survey on purposively selected persons from among the bankers, financial experts, and policy makers, etc. The researcher also uses observation and descriptive methods in conducting this study.

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[37] M. Zainul Abedin, *A Hand Book of Research for the Fellows of M. Phil. And Ph.. D. Programmes* (Dhaka: Book Syndicate, 1996), p. 11.

[38] Francis Rummel, *An Introduction to Research Procedure in Education* (2nd ed., New York: Harper and Row, Publishers, 1964), p. 2.

[39] Ibid., 2-3; citing *Encyclopaedia of the Social Sciences,* Vol. XIII (New York: Macmillan, 1934), pp. 330-334.

[40] Ibid., p. 170.

[41] Ibid., p. 164.

### I.7.3. Sources of Data

Both primary and secondary but mostly secondary data has been used in this study. Primary sources include unpublished official documents, interviews and discussion with the bank executives, experts and other scholars on the subject, newspapers, reports, manuscripts, thesis, and dissertations. The secondary sources contain published official statistics, reports, documents, laws, ordinances, books, articles, periodicals of different domestic and international agencies, etc. All the above data are incorporated in the study with due care and acknowledgements according to their suitability and necessity. Annual reports of the concerned financial institutions, different reports and statistics of the Bangladesh Bank and the Ministry of Finance are extensively used in this study as data sources. The most important sources are the following:

- Statistical Yearbook of Bangladesh
  Bangladesh Bureau of Statistics, Statistics Division, Ministry of Planning, Government of the People's Republic of Bangladesh.
- Bangladesh Bank Bulletin
  Department of Public Relations and Publications, Bangladesh Bank.
- Economic Trends
  Statistics Department, Bangladesh Bank.
- Scheduled Bank Statistics
  Scheduled Bank's Statistics, Bangladesh Bank.
- Index Number of Stock Exchange Share Prices
  Statistics Department Bangladesh Bank.
- Bank O Arthik Pratistanshamuher Karjabali [Resume of the Activities of the Financial Institutions in Bangladesh]
  Ministry of Finance, Peoples Republic of Bangladesh.
- Bangladesh Bank Barshik Protibedan [ Bangladesh Bank Annual Report]
  Bangladesh Bank
- CDF Statistics
  Credit and Development Forum (CDF)
- Co-operative Banks Statistics
  Statistical Department, Bangladesh Bank

### I.7.4. Measuring Indicators

In every chapter we have commonly used different growth rates. Such as i) simple growth rate in percentage, ii) compound growth rate in percentage, and iii) trend growth rate in percentage. Except these growth trends, percentage share of any variable in relation to GNP or in respect to some other variables has been commonly

used throughout the research. For measuring financial deepening we have measured the following ratios.

- $M_1$ / GDP ratio
- $M_2$ / GDP ratio.
- Bank Credit / Domestic Credit ratio
- Private Credit / Domestic Credit ratio
- Private Credit / GDP ratio
- Financial Asset / GDP ratio
- Market Capitalization ratio (value of domestic equities divided by GDP)
- Value Traded ratio (value of domestic equities traded divided by GDP)
- Private Credit ratio (value of financial intermediary credits to the private sector divided by GDP)

## I.7.5. Techniques of Data Analysis

### I.7.5.1. Analysis of Growth Trends

The word growth means an increase. In other words, it may be termed as the process of growing. Oxford Advanced Learner's Dictionary of Current English defines it as: "An increase in economic activity, profit etc."[42] The study has measured the growth rate almost every relevant financial variables. However, we have used three types of growth rates. These are the following.

#### I.7.5.1.1. Simple Growth Rate (SGR)

It simply gives the percentage increase over the previous year. The following equation represents this rate.

$$SGRP = (Y_t - Y_{t-1})/(Y_{t-1}) * 100$$

Where:

SGRP = Simple Growth Rate Percentage

$Y_t$ = Values of the Variable Y in the specific Year

$Y_{t-1}$= Value of the variable Y in the previous specific year

t= Considered year

t-1= Previous specific year of the considered year

[42] Hornby, *Current English*, p. 527.

### I.7.5.1.2. Compound Growth Rate (CGR)

It indicates change for given period on the basis of the initial year and the terminal year values. The equation may be expressed as:

$$CGRP = [(Y_t / Y_0)^{1/t} - 1] * 100$$

Where:

CGRP = Compound Growth Rate Percentage

$Y_t$ = Values of the Variable Y at the terminal Year

$Y_0$= Value of the variable Y in the initial year

t = Difference of the years between the terminal year and the initial year

### I.7.5.1.3. Trend Growth Rate (TGR)

To observe the general performance of two groups of variables more meaningful and objectively it is essential to compare their growth patterns over the period rather than on a year-to-year basis. Recognising the above, Birla Institute of Scientific Research (BISR) opines that the best measure available for such an exercise is the compound growth rates, which are least affected by the distortions brought about by the practice of window dressing indulged by the banks on the eve of releasing their balance sheets.[43] In the same direction, John R. Stockton and Charles T. Clark argue that, "if it is desired to compare the growth of two series, the best comparison can be made between the trends rather than between the series themselves."[44] Robert D. Mason states more specifically that a semi-logarithmic trend is appropriate when the time series data is considered to be increasing or decreasing at somewhat constant rate.[45] BISR,[46] Bhuyan and Akhtaruddin,[47] A. S. Chawla[48] etc. applied the Ordinary Least

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[43] Birla Institute of Scientific Research (BISR), *Banks Since Nationalisation* (New Delhi: Allied Publishers Private Limited, 1981), p.52.

[44] John R. Stockton and Charles T. Clark, *Introduction to Business and Economic Statistics* (4th ed., Cincinnati, Ohio: South Western Publishing Co., 1971), p. 497.

[45] Robert D. Mason, *Programmed Learning Aid for Business and Economic Statistics* (Homewood Illinois: Learning System Company, 1978), p. 139.

[46] BISR, *Banks Since Nationalisation,* p. 52.

[47] M. S. R. Bhuiyan and Md. Akhtaruddin, "Productivity in Uttara and Pubali Banks During Nationalised and Denationalised Periods: A Case Study of Commercial Banks in Banglaesh," *Bank Parikrama*, vol. XIV, no. 3 and 4 (September and December, 1989), pp. 100-125.

[48] A. S. Chawala, *Nationalisation and Growth of India Banking* (New Delhi: Deep and Deep Publications, 1987), pp. 32-33.

Square (OLS) method to fit the semi-logarithmic trend equation. The estimated form of the semi-logarithmic trend equation is:

$$\log Y = A + BX \text{.....}(1)$$

Where:

LogY = Dependent Variable

A = Constant or intercept of the trend line i.e., the value of Y at the origin

B= Estimated trend coefficient i.e., the slope of the trend

X= Point in time

From the value of the slope (i.e., the coefficient of the trend denoted by 'B') the rate of increase for the trend could be determined. Hence, the following equation represents the growth rate:

$$TGR = [Anti\log(B) - 1] * 100 \text{.....}(2)$$

This growth rate is known as a semi-logarithmic least square trend growth rate or simply Trend Growth Rate (TGR). It is also a compound growth rate. But unlike the compound growth rate it is calculated on the basis of the value of a variable for all the years of the time series. Therefore, it is considered to be a better estimate.[49] Then the test of significance is to be applied for finding out whether the estimated growth rate is significantly different from zero, at five per cent level of significance.

Here,

The null hypothesis is: $H_0$: B=0, and

The alternative hypothesis is: $H_1$: B≠0.

If the null hypothesis were rejected, it would imply that the growth rate as well as the total regression was significant (at the above level).

### I.7.5.2. Uses of Statistical Tools

Generally, the data and the findings are presented in tabulated and in graphical form. However, for better inferences, especially for calculation of trend growth rate some other statistical tools, e.g., regression analysis, hypothesis testing etc., are used.

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[49] Ibid.

## I.8. Conceptual Frame Work

### I.8.1. Concept of Development

The specialists of different disciplines define the word 'Development' differently. Economists identify it with growth; sociologists with social change; political scientists with wider peoples' participation in the political process; and administrators with bureaucratization. The dictionary meaning of the term development is teleological in the sense that it is purpose-oriented. Such as in Oxford dictionary[50] the word 'Development' is defined as "developing or being developed,' and the word 'develop' is defined as "grow larger, fuller or more mature, organized; unfold." So, development means to grow larger, become fuller, become more matured, organized and unfold. It is a process through which individuals, institutions or any thing else move from small to large. Montgomery views development as "an aspect of change that is desirable, broadly predicted or planned or at least influenced by government action."[51] In the words of Heady, "More than in the case of modernization, development tends not to be discussed in total societal terms, but to be segmented into phases such as economic or political development."[52] In this context development may be understood as the process of overall progress in the sphere of social, political and economic activity. Al Salem Faisal calls 'development' as an 'umbrella concept', signifying qualitative and quantitative transformation from a less desirable state of affairs to a more desirable state of affairs.[53] In fact, the goals of development are multiple. Here, it is used to mean financial development.

### I.8.2. Financial Development

Financial development is a change in financial structure. Hence, the study of financial development essentially requires information on changes in financial structure over shorter or longer periods of time. This can be provided either by information on

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[50] Hornby, *Current English*, p. 236.

[51] John Montgomery, "A Royal Invitation: Variation on Three Classical Themes" in Montgomery and William J. Siffin, eds., *Approaches to Development: Politics, Administration and change* (New York: McGraw Hill, 1966), p. 259.

[52] Ferrel Heady, *Public Administrations: A Comparative Perspective*, (New Jersey: Prentice Hall, INC., 1966), pp. 58-60.

[53] Faisal Al-Salem "The Role of Public Administration in economic Development." *Administrative Change* (Jaipur) II (January-June, 1975). p. 7.

the flows of financial transaction over continuous periods of time or by the comparison of financial structure at different points of time. For full understanding of financial development, both types of information are necessary. As a practical matter, the lack of continuous data for long periods of the past, the comparative study of financial development must rely primarily, if not exclusively, on the comparison of financial structure at benchmark dates. In that case, the main tools of the analysis of changes in financial structure are the comparison of national balance sheet at benchmark dates and of the ratios derived from these balance sheets, such as the financial interrelations ratio, the share of financial institutions in financial assets, in the aggregate, and for important instruments, the distribution of total financial assets among instruments, and distribution of financial institutions.

The changes in the financial interrelation ratio reflect probably the basic feature in financial development: the changing relation between the size of the financial superstructure[54] and the real infrastructure.[55] Changes in the ratio of financial assets that involve financial institutions to the total volume of financial assets outstanding in the country reflect the institutionalization of the process of saving and investment. The higher this ratio the larger the share of indirect saving through financial institutions compared to that of direct saving. Changes in the distribution of the total asset of financial institutions indicate the changing importance of the banking system in the process of saving. More generally, the changes in the distribution of the total asset of financial institutions between benchmark dates reflects the development of new financial institutions, and differences in the growth rates of existing types of institutions.

### I.8.3. Financial Market

Financial markets consist of agents, institutions, and intermediaries transacting purchases and sales of securities. Many persons and institutions are operating in the financial markets are linked by laws, friendships, contracts, and communication networks that form an externally visible financial market structure. The probable participants of the financial markets are cited in the following Chart I-1.

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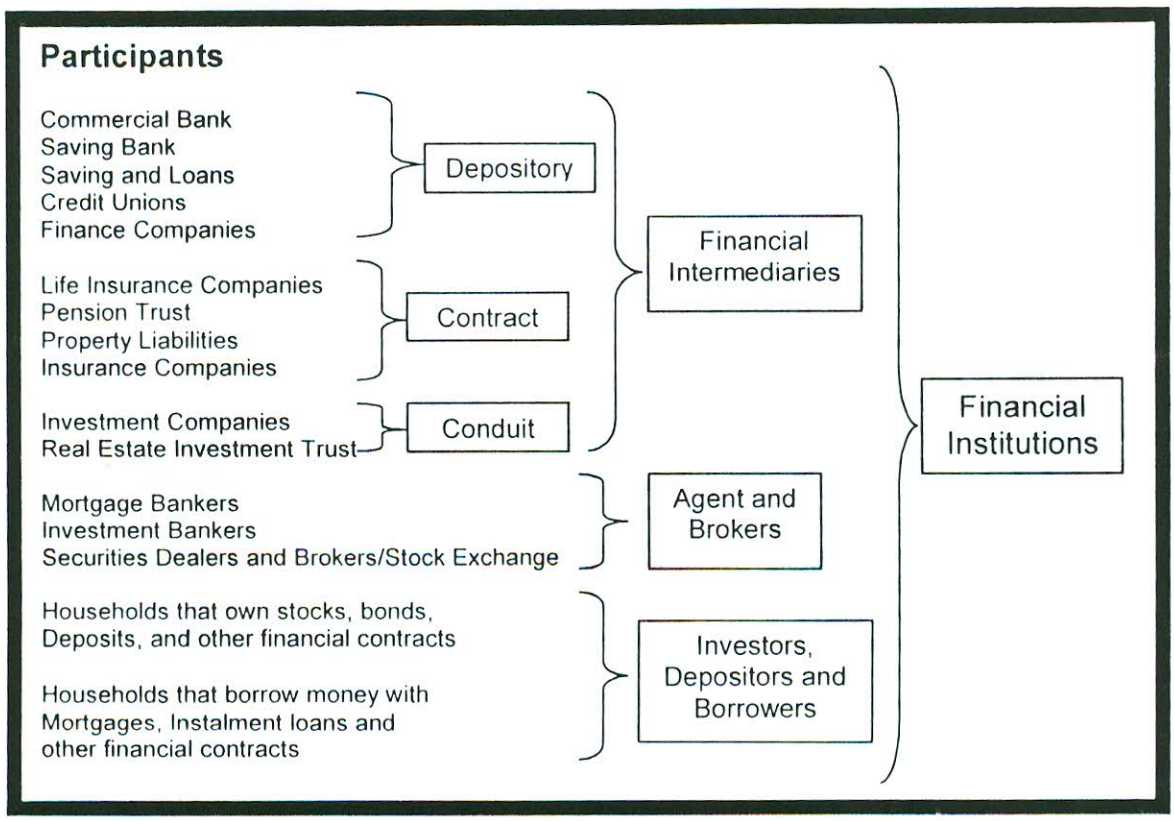
[54] Value of financial assets

[55] Value of tangible assets (National Wealth)

## Chart I-1

## Classification of Participants in the Financial Markets




Source: Robert O. Edmister, Financial Institutions Market and Management (2nd ed.; New York: McGraw-Hill Book Company, 1986), P.7.

Traditionally all the above participants and their activities can be divided in to two broad groups capital market activities and money market activities. The financial market or the two sub markets perform the same basic function of mobilising financial resources from savers and transferring these resources to borrowers. Notwithstanding their same basic functions, the money and capital markets are distinguished from each other on the basis of so-called term-structure[56] of financial instruments, which are dealt in these markets. The financial instruments of money markets are of short-term nature (usually not exceeding one year) but those of capital market are of long-term nature (usually exceeding one year).[57] The above institutions are classified as a part of capitals or money market

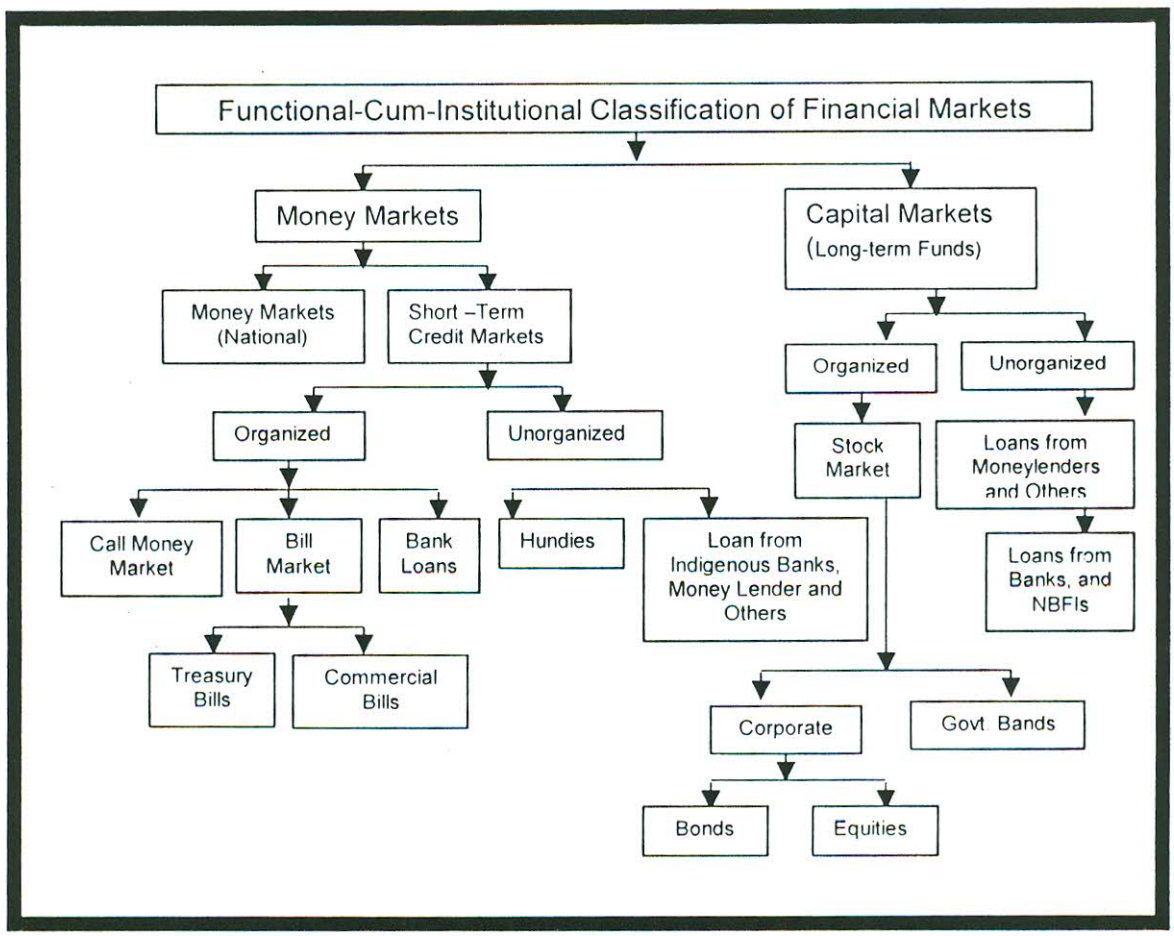
[56] Term structure is the relationship between the yield to maturity and the time to maturity of bonds, loans and other debt securities. Term is the number of periods, such as days, weeks and years until the security matures and the borrowers repay all the principal and interest owed.

[57] A.H.M. Nurul Islam Choudhuri, Dr. Toufiq Ahmed Choudhury, Sujit Ranjan Saha, "Security Portion of Money and Capital Market: Growth constraints and Possible Linkage with Bangladesh Sector," *Bank Parikrama*, Vol. XIX, No. 3 and 4 (September and December, 1994), p.7.

according to their primary activity although they frequently engage in overlapping activities. In the following Chart I-2 functional-cum-institutional classification of financial market is depicted.

**Chart I-2**

**Functional-Cum-Institutional Classification of Financial Markets**




Source: Dev Raj, Functioning of Money Market in a Market Economy with Reference to India, in Alak Ghosh, ed., Emerging Money Markets in India (Delhi: Deep & Deep Publications Pvt. Ltd., 2001), p.19.

### I.8.3.1. Capital markets

Capital markets are often referred to as the market for long term and medium term funds. Depending upon whether the formal claims of funds supply are negotiable or not, capital markets can broadly be classified into securities markets and non-securities markets. Securities market in turn has two segments-the markets for initial transactions (primary issues) between the acquires of funds and the suppliers of funds and the market wherein secondary trading of the issued securities take place. Secondary trading by them does not generate net new funds

for the issuers of securities. However, they are highly desirable since good secondary markets are vital for enhanced access to funds by the users both in the securities and the non-securities segments, and for improved portfolio management on the part of investors.

Alternatively classified by the contractual nature of the formal claims, capital markets have four segments-debt (e.g. bonds,[58] Debentures[59] and term loans[60]), stock (e.g. common stock[61] and preferred stock[62]), hybrid (e.g. convertible debt, convertible preferred), and derivative (e.g. warrants and options).

A well developed capital markets should have the following salient characteristics:

- A large number of individual and institutional investors.
- A significant proportion of their portfolio invested in capital market instruments.
- Healthy and competitive capital market institutions, e.g., stock exchanges, investment banks and/or brokerage firms.
- A large number of users of fund having access to and using of the capital markets.
- High volume of trading in the secondary markets leading to liquidity
- A respectable label of fairness in deal making and trading.
- A wide variety of instruments
- A good level of understanding on the part of investors and users about the functioning of capital markets.

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[58] A certificate issued by a government or a company acknowledging that money has been lent to it will be paid back with interest.

[59] A certificate given by a business company etc as a receipt for money lent at a fixed rate of interest until the loan is paid back.

[60] Term loan is a negotiable between the borrower and the bank to spread the principal repayment over several years.

[61] Each share of common stock represents a fraction of the ownership or equity of a corporation

[62] Preferred stock, like common stock, represents ownership or equity, and not debt. However, it has a claim on profits which precedes- or is "preferred"- to the claim of the common stock holder. The preferred stockholder has a right to receive specific dividends before the common stock holder can be paid any dividend at all. But, on the other hand the preferred stockholder dose not has the possibility of large gain open to the common stock holder.

- Well-trained promoters and professionals such as brokers,[63] underwriters,[64] bankers, exchange officials, officials of regulating and overseeing bodies, etc.[65].

The capital markets with its entire instrument augment the process of economic development, efficiency and welfare through the following ways among others:

- Encourage saving,
- Draw more savers and users into the investment process,
- Draw more institutions into the investment process,
- Help mobilisation of non financial resources,
- Attract external resources,
- Discipline sick organisations and investment, and
- Offer financial innovations to match the diverse and changing needs of savers and users.

### I.8.3.2. Money market

The term 'Money market' constitutes network of borrowers and lenders for short-term funds and includes all financial instruments, which can be easily converted to means of payment (say, cash) without significant loss of value. The money market performs a crucial role in equilibrating short-term demand and supply of funds thereby facilitating the conduct of monetary policy. Generally, the short term is defined to include instruments with maturity up to one year.[66] In its narrow sense 'Money Market' is confined to banking and financial institutions, which maintain an account with the Central Bank. However, money market in reality consists of all dealing involving cash and near cash assets, and short-term investment paper. Apart from banks and financial institutions, the other players in the market include foreign institutional investors, mutual funds and corporations. Thus the money markets engulf in part or full, treasuries, corporate debt and private investment areas.[67] According to John Culbertson the money market is a network of markets that are grouped together to deal in financial instruments. All

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[63] A person or an organisation that buys and sells stocks and shares for other at the cost of some commission.

[64] A person or organisations that make promise to by, at an agreed price, the portion of a business company that is not bought by the public.

[65] Dr. M. Shamsul Haque, "Development of Capital Market in Bangladesh," *Bank Parikrama*, Vol. XVII, pecial Issue (1992), p.11.

[66] Alak Ghosh, *Emerging Money Markets in India* (New Delhi: Deep & Deep Publications Pvt. Lltd., 2001), p. 46.

[67] Ibid., p. 4.

these imply that money market denotes organised dealings in monetary asset representing requirements of the borrowers. It is, in fact, a mechanism whereby funds are obtained for a short period of time and financial assets representing short-term claims are exchanged.

In any country money market exists as a very vital part of the financial system consisting mainly of the financial institutions and specialised dealers in short-term securities who are in constant touch with each other through telephone or any other means. The participants in the money market usually are the Government, the Central Bank, financial companies, contractual savings associations etc. The instruments that are traded in the money market comprise:

- Treasury bills,
- Short-term government and central bank bonds,
- Negotiable certificates of deposits, and
- Banker's acceptances and commercial papers like the bills of exchange and promissory notes.

The preconditions for a good money market are the existence of a well organised banking system, presence of a strong and efficient central bank, availability of a large volume of high quality short-term assets with a large number of dealers therein, adequate flow of funds from home and abroad, high degree of liquidity of short-term asset, perfect mobility of funds with quick remittance facility, and integrated and market-oriented interest rate structure, high degree of sensitivity to internal and international trade and above all reasonable stability in economic activities.

The importance of money market in any economy can never be ignored. The existence of a well-developed short-term lending-borrowing mechanism in a sound money market is essential for the acceleration of economic activities thereby speeding up economic growth in a country. It may be noted that the money market ensures an optimal use of financial resources by bringing together banks and other financial institutions, which are in surplus and those, which are in deficit. A short-term money market thus provides a medium for the redistribution of loan-able fund among financial institutions usually the banks. Accordingly, funds, which could otherwise laid idle, are put to use by the operation of the money market. Since

money market provides the banks cushion against any risk, they can operate on a rather narrow margin of cash. Thus the more developed and dynamic a money market is, the grater is the possibility that the scarce resources are directed towards the most productive use. For the Central bank the money serves as a good indication reflecting the operation of the banking system while providing a focal point of contact between the central bank and the financial sector of the economy. Through money market central bank can regulate overall stock of money by selling or purchasing bills as and when warranted by the needs of the national economy. For the Government too the money market is a good source to borrow from on a short-term basis in case of need. Nevertheless, the existence of a developed money market is dependent on the development of the economy as a whole. A developed money market can hardly be seen in an under-developed country. Similarly, without a development of money market no country can be a developed one.[68]

### I.8.3.3. Financial Institutions (Intermediaries)

The term financial institutions are a broad one, referring to organisations that act as agents, brokers, and intermediaries-engaged in some form of borrowing and lending- in financial transactions. Financial institutions are easily distinguished from non-financial business by looking at the asset side of the balance sheet. Whereas non-financial businesses own real assets (inventory, equipment, real estate, etc.), financial institutions own financial contracts (loans, securities, leases, etc.). In other words, "Financial institutions are characterised by the fact that financial institutions constitute their main assets habitually, not only occasionally, and that their activities are concentrated on, and hence their income is mainly derived form, the holding of, and transactions in financial instruments."[69] The following Chart I-3 provides a simplified classification of about twenty major types of financial institutions based on their main sources and uses of fund.

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[68] Faruquddin Ahmed, " Money Market in Bangladesh," *Bank Parikrama*, Vol. XIX, No.3 and 4 (September and December, 1994), pp. 19-20.

[69] Goldsmith, *Financial Structure and Development*, pp. 14-16.

## Chart I-3

## Types of Financial Institutions

| Main uses of Funds | | | |
|---|---|---|---|
| **Main sources of Funds** | **Short-term and Medium-term Claims** | **Long-term Claims** | **Corporate Stock** |
| **Money** | Bank of issue<br>Deposit banks | | |
| **Short-term non monetary liabilities** | Credit Co operatives<br>Finance companies | Saving banks<br>Building societies | |
| **Long-term marketable liabilities** | Security dealers | Mortgage bank<br>Development bank | |
| **Long-term non marketable liabilities** | | Life insurance<br>Social insurance<br>Retirement fund | |
| **Marketable equities** | | Property insurance<br>Holding company | Open-end investment companies |
| **Non marketable equities** | Money lenders<br>Private bankers | Investment bankers | |
| **Fiduciary** | | Trustee organisations | |

Source: Raymond W. Goldsmith, Financial Structure and Development (New Haven: Yale University press, 1969), p. 15.

The above financial intermediaries are of two major types:

### I.8.3.3.1. Financial Institutions Whose Liabilities are Money

The basic characteristic of these financial institutions is that it issues money in the sense of the generally accepted medium of exchange at a given time and place, usually currency and check deposits. The most common form of combination of issuance of money involves the acceptance of time or savings deposits. The issuance of money and the financial institutions issuing it should always be separated from other financial activities and institutions, because of the specific role of money as the standard means of exchange.

### I.8.3.3.2. Financial Institutions Whose Liabilities are not Money

The basic characteristic of these financial institutions is that it does not issue money in any form. But the non-money-issuing financial institutions differ so much in the character of their assets, liabilities and activities that a further subdivision is essential.

#### I.8.3.3.2.1. The First Subgroup

It comprises those financial institutions (for which "thrift institutions" seems to be the best general and fairly neutral name) whose most of the liabilities are short or medium term deposits from the general public- deposits which are not being used as money-and which invest most of their assets in long-term loans and fixed-interest-bearing long term securities. The main constituents of this group are saving banks, postal savings system, building societies and credit cooperatives.

#### I.8.3.3.2.2. The Second Subgroup

Insurance organization falls in this group. It is characterized by the fact that their financial activities are incidental to their main operating function, the provision of funds in the case of specific contingencies, which generally lie well in the future. It accumulates large funds primarily of the adoption of the level premium principle.

#### I.8.3.3.2.3. The Third Subgroup

The institutions of this group are residual and heterogeneous, and include both privately and governmentally owned and operated financial institutions. The main representatives of this group are finance companies, mortgage bank, development banks, investment companies, financial intermediaries of the second degree, investment banker's securities dealers and moneylenders.

##### I.8.3.3.2.3.1. Finance Companies

These companies use most of their funds, obtained mainly by short or long-term borrowing, to extend loans to consumers, primarily for the purchase of durables goods, and to acquire from merchants similar claims against consumers with a maturity of commodity not more than three years. Some finance companies, however, do a general short-term loan business, and are then distinguished from commercial banks chiefly by the fact that they do not accept check deposits.

##### I.8.3.3.2.3.2. Mortgage Banks

These are characterized by their main source of funds (marketable long-term bonds), not by the use of their funds (long-term real estate loans), which is similar to that of some other thrift organizations. It particularly concentrates its credit in the field of residential and farm mortgage credit.

I.8.3.3.2.3.3. Investment Companies

These are characterized by the predominance of marketable long-term securities among their assets. These organizations in their modern form concentrate on common stock both as the source and the use of funds, and thus come close to a pool of a changing group of participating investors under continuous management.

I.8.3.3.2.3.4. Financial Intermediaries of the Second Degree

These are distinguished by receiving all or most of their funds from other financial institutions, most commonly from saving banks or from credit cooperatives, and/or making a large part of their funds available to other financial institutions or to the central government.

I.8.3.3.2.3.5. Investment Bankers and Moneylender

It usually consists of its own capital or accumulated out of retained earning, borrowed funds generally being of secondary importance only. These institutions, therefore, are least extent engaged in the financial intermediation and debtor substitutions.

## I.8.4. Financial Instruments

A formal legal document. There now exist an amazing variety of financial instruments, which differ from each other in important characteristics such as the basic nature of the contract, the duration, callability, and security of the instrument, the level and character of stipulated yield, and the nature of owner and issuer. Primarily financial instruments may be distinguished in two-ways:

- Claims: among claims, there is a basic threefold distinction:
  - Claims against domestic financial institutions,
  - Claims against domestic non-financial sectors,
  - Claims against foreigners
- Equity securities.[70]

However, there are various types of financial instruments in reality. The following are the popular ones.

[70] Ibid., pp. 7-9.

### I.8.4.1. Money

A medium of exchange that functions as a unit of account and a store of value. Originally it enhanced economic development by enabling goods to be bought and sold without the need for barter.

### I.8.4.2. Money at Call and Short Notice

Money put into the money market that can be called at short notice. It is one of the assets that appear in the balance sheet of a bank. It includes funds lent to discount houses, money brokers, the stock exchange, bullion brokers, corporate customers, and increasingly to other banks. 'At Call' money is repayable on demand; whereas 'short notice' money implies that notice of repayment of up to 14 days will be given. After cash, money at call and short notice are the bank's most liquid assets. They are usually interest earning secured loans but their importance lies in providing the banks with an opportunity to use their surplus funds and to adjust their cash and liquidity requirements.

### I.8.4.3. Commercial Bills

Any bill of exchange other than a treasury bill, i.e. bank bill, trade bill. 'Trade bill' used to pay for goods. They are usually either held until they mature, as they do not command a favorable discount rate compared to bank bills, or they are discounted by the banks; on the other hand 'Bank bill' is issued or guaranteed by a bank. It is more acceptable than a trade bill as there is less risk of non-payment and hence it can be discounted at a more favorable rate, although to some extent this depends on the bank's credit rating.

### I.8.4.4. Commercial Paper

A relative low-risk short-term (usually 60 days) unsecured form of borrowing. Commercial paper is often regarded as a reasonable substitute for treasury bills, certificate of deposit, etc. The main issuers are large creditworthy institutions, such as insurance companies, bank trust departments, and pension funds.

### I.8.4.5. Certificate of Deposits

A negotiable certificate issued by a bank in return for a term deposits of up to five years. They were intended to enable the merchant banks to attract funds away from the clearing banks with the offer of competitive interest rates.

### I.8.4.6. Current Deposits

An active account at a bank into which deposits can be paid and from which withdrawals can be made by cheque. The bank issues chequebooks free of charge and supplies regular statements listing all transaction and the current balance.

### I.8.4.7. Saving Deposits

A bank account into which personal saving are paid. Interest paid on saving account is usually higher than that paid on a current account and withdrawals are usually restricted.

### I.8.4.8. Time Deposits

A deposit of money in an interest bearing accounts for a specified period. A time deposit requires at least some specified days' notice of withdrawal.

### I.8.4.9. Life Insurance Reserves

An insurance policy that pays a specified amount of money on the death of the life assured or, in the case of an endowment assurance policy, on the dead of the assured or at the end of an agreed period, whichever is the earlier. With-profits policies provide sums of money in excess of the sum assured by the addition of bonus.

### I.8.4.10. Other Insurance Reserves

A legal contract in which an insurer promises to pay a specified amount to another party, the insured, if a particular event happens and the insured suffer a financial loss as a result. The insured's part of the contract is to promise to pay an amount of money, known as the premium, either once or at regular intervals.

### I.8.4.11. Debenture

The most common form of long-term instrument issued by a company. It is usually a loan repayable at a fixed date, although some debentures are irredeemable securities; these are some times called perpetual debentures. Most debentures also pay a fixed rate of interest, and this interest must be paid before a dividend is paid to share holders. Most debentures are also secured on the borrower's assets, although some known as naked debentures or unsecured loan stock. The advantage of debenture to

companies is that they carry lower interest rate than, say, overdrafts and are usually repayable a long time into the future. For an investor, they are usually saleable on a stock exchange and involve less risk than equities.

### I.8.4.12. Bonds

An IOU issued by a borrower to a lender. Bonds usually take the form of fixed interest securities issued by governments, local authorities, or companies. However, bonds come in many forms: with fixed or variable rates of interest, redeemable or irredeemable, short or long term, secured or unsecured, and marketable or non-marketable. Fixed interest payments are usually made twice a year but may alternatively be carried at the end of the agreement. The borrower repays a specific sum of money plus the face value (PAR) of the bond. Most bonds are unsecured and do not grant shares in an organisation. Bonds are usually sold against loans, mortgages, credit card income, etc., as marketable securities. A discount bond is one sold below its face value; a premium bond is one sold above par.

### I.8.4.13. Corporate Stock

A fixed interest security issued by the government, local authority, or a company in fixed units, often of 100 each. They usually have a redemption date on which the par value of the unit price is repaid in full. They are dealt in on stock exchanges at prices that fluctuate, but depend on such factors as their yield and the time they have to run before redemption.

### I.8.4.14. Treasury Bill

A means of short term borrowing by the government. They were originally issued to cover expenditure in anticipation of revenue since revenue tends to be heavily concentrated in the fourth quarter of the financial year. During the twentieth century Treasury bill has become one of the usual methods of government borrowing.

### I.8.4.15. Consumer Credit

This can take the form of hire purchase or be in the form of a personal loan from a bank. Hire purchase is still the principal method by which consumer obtain credit, but in

recent years there has been a considerable increase in borrowing from banks for the purchase of consumer goods. Hire purchase is largely financed by finance companies.

### I.8.4.16. Trade Credit

Trade Credit granted by one trader to another who has purchased goods from him. The trader who grants the credit has to forego a sum of money for a period and so there is no addition to the total volume of purchasing power as is the case with bank credit. Nevertheless, trade credit is of monetary importance since it is likely to increase in a period when bank credit is being restricted.

### I.8.4.17. Bank Loan

A specified sum of money lent by a bank to a customer, usually for a specified time, at a specified rate of interest. In most cases banks require some form of security for loans, especially if the loan is to a commercial enterprise.

### I.8.4.18. Mortgages

A deed showing that money has been borrowed with land or property as collateral security. Building societies assist people to by houses by lending a portion of the purchase money, the property being mortgaged to the society until the loan, with interest, has been repaid.

## I.8.5. Financial Structure

Every country that has passed the primitive stage of economic development possesses some financial instruments in addition to scriptural money. Most countries also acquire at a fairly early stage of development some financial institutions, even though financial activities are often combined in mixed enterprises with non-financial activities, primarily with long-distance wholesale trading. The presence, nature, and relative size of financial instruments and financial institutions of the various types then constitute a country's financial structure. Because financial structure is determined by a combination of financial instruments and financial institutions, several aspects must be taken into account and given quantitative expression wherever possible.[71]

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[71] Ibid., p. 26.

It is the function of a theory of finance to identify main economic determinants of a country's financial structure, its stock of financial instruments, and its flow of financial transactions, and to describe the way in which these determinants interact to produce financial development. In the stock dimension the main statistical characteristics of financial structure are the following :[72]

- The financial interrelations ratio, the broadest measure of the relative size of the financial superstructure, a ratio defined as the value of all financial assets divided by the value of all tangible assets (i.e. by national wealth)
- The distribution of total financial assets (instruments) among their main component, particularly among short-term claims, long-term claims and equity securities.
- The ratio of financial instruments issued by financial institutions to those issued by non-financial units, a ratio, which provides the most general indicator of the degree of institutionalisation of the financial process.
- The share of all financial intermediaries and of the principal groups of them in the total amounts outstanding of the main types of financial instruments issued by non-financial units, a set of ratios which furnishes a more detailed measure of financial institutionalisation
- The relative size of the main groups of financial intermediaries, particularly the central bank, commercial bank, thrift institutions, and insurance organizations.
- The degree of interrelations existing among financial institutions, which can be measured by the proportion of the combined to the consolidated total assets of financial institutions, a proportion that may call the layering ratio.
- The relative size of internal and external financing of the main non-financial sectors.
- Within external financing the share of the different financial instruments and the share of main domestic sectors-particularly financial institutions- and of the foreign lenders in each type of debt and equity securities outstanding.

[72] Ibid., pp. 49-50.

## I.9. Plan of the Dissertation

Findings of the study are presented here in the form of a dissertation. The structure of the dissertation is planned as follows.

**Chapter-I : Introduction**

It states the prelude, statement of the Problem, objectives, review of literature, justifications of the study, scope, limitations, Methodology and Conceptual Framework.

**Chapter-II : Financial System in Bangladesh**

In this chapter, in nutshell, the state of financial system of Bangladesh has been analysed. And later, the merits and demerits of bank-based and market-based financial system have been discussed.

**Chapter-III : Growth of Central Bank and Money Supply**

In the beginning of this chapter growth trends of the financial instruments of Bangladesh Bank (BB) have been delineated through the analysis of balanced sheets of the banking and issue departments of BB. Later, components and sources of broad money and reserve money were analysed.

**Chapter-IV : Growth of Scheduled Banks**

In the beginning of this chapter growth trend of the major instruments of Scheduled Banks were analysed. Their balanced sheets were also analysed. Later, shares and growth trends of assets, deposits, advances, manpower and number of bank branches of different categories of banks have been analysed. After that, clearing house expansion, and urban rural biasness in respect to banking facilities have been analysed. And lastly income statements of different categories of banks have been analysed.

**Chapter-V : Growth of Non-Bank Financial Institutions (NBFIs)**

There are different categories of NBFIs in Bangladesh i.e., leasing and finance companies; insurance corporation and companies, co-operative societies; postal banks, micro-finance institutions and stock exchanges. The financial indicators and contributions of these institutions have been analysed in this chapter.

**Chapter-VI : Financial Deepening**

In this chapter various indicators for quantifying financial deepening have been measured. Simultaneously, growth trends of these indicators have also been analysed.

**Chapter-VII : The Reforms, Existing Problems and the Suggestions**

To modernize the banking sector, insurance business and capital market, various reforms were under taken place in the last two decades of the 20th century; and still there exist various problems. All these reform activities and existing problems with suggestions were discussed in this chapter.

**Chapter-VIII : Summary, Recommendations and Conclusions**

Summary of each chapter has been mentioned chronologically in this chapter in order to present a brief but compact substance of the thesis. It also contains recommendations and conclusions.

# Chapter II

## Financial System in Bangladesh

1. Introduction
2. Financial System of Bangladesh
3. Central Bank and its Policies
4. Banking Structure in Bangladesh
5. Leasing and Finance Companies
6. Insurance Companies
7. Micro Finance Institutions
8. Stock Exchange
9. Suitable Financial System
10. Chapter Summary

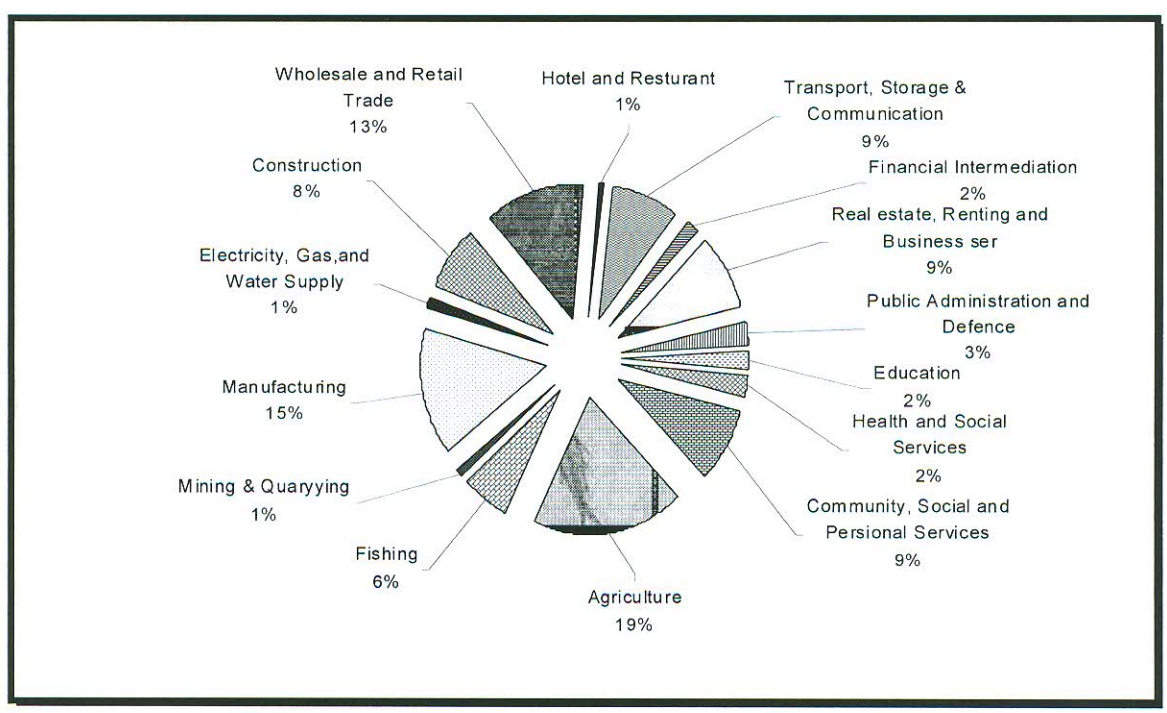
# Chapter II

# Financial System in Bangladesh

## II.1. Introduction

Bangladesh is a nation of 140 million people huddled together on a territory of 144,000 square kilometres. It falls in the lowest strata in the group of least developed countries. In respect to the GDP of other countries, the size of GDP of Bangladesh is very small. To measure our GDP the economy of Bangladesh is grouped into 15 sectors. Among all these the biggest contributory sector is agriculture which in the fiscal year (FY) 1999-2000 accounted for 19.54 percent of GDP and the lowest share went to the sector of hotel and restaurant, which accounted for 0.64 percent. The contribution of financial intermediation sector in GDP was only 1.59 percent in the same fiscal year. The Figure II-1, illustrates the percentage share of the different sectors to the GDP for the FY 1999-2000.

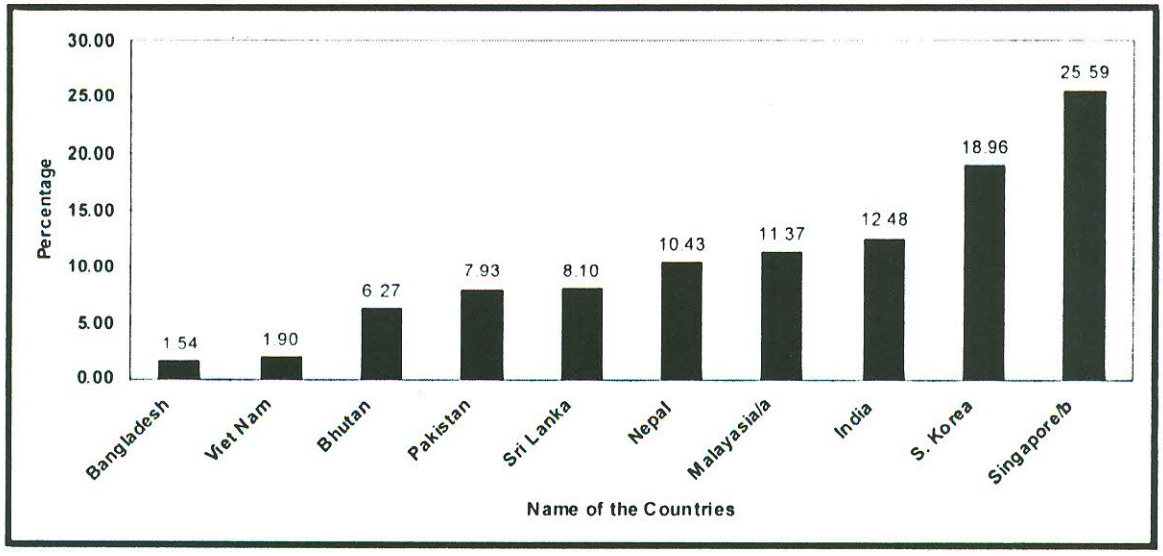
**Figure II-1**
**Sectoral Share in GDP (at Current Producer Price) for the Year 1999-2000**




Source: BBS, *Statistical Year Book of Bangladesh 2000* (Dhaka: Planning Division, Ministry of Planning, GOB), P. 456.

Not only the value of the GDP of Bangladesh is small but also the sectoral contribution of the financial sector to GDP is also small relative to other countries. In the Figure II-2, percentage of the ratio of the contribution of financial sector to GDP of the ten South Asian and South East Asian countries including Bangladesh, for the year 2000, have been portrayed according to ascending order of the value of the ratio. All these are the neighbouring countries of Bangladesh and prior fifty years ago the economy of these countries was almost similar. It is seen from the figure that among all these countries the percentage of the ratio of the financial sector to GDP was the lowest for Bangladesh. Surprisingly Bangladesh was lacked behind even to Viet Nam, which had been run by the socialist government for long times. All these indicate that financial sector of Bangladesh is not well off, and big.

**Figure II-2**
**Ratio of the Contribution of Financial Sector to GDP in Percentage for the year 2000**




Source: Appendix: Table-2.

## II.2. Financial System of Bangladesh

Financial system means a set of finance related things regarded as a connected whole, or a group of finance related matters working together in a regular relation. The financial system of Bangladesh consists of both formal and informal institutions. Bangladesh Bank (BB) as the central bank lies at the core of the formal financial system. Other elements of the formal financial system include Banking Financial

Institutions (BFIs) and Non-Banking Financial Institutions[1] (NBFIs). BFIs consist of Nationalised Commercial Banks (NCB), Specialised Banks (SBs), Private Commercial Banks (PCBs), and Foreign Commercial Banks (FCBs). NBFIs consist of Insurance Corporation and Companies, Investment/Merchant Banks, Discount Houses, Pension Funds, Leasing and Finance Companies, Co-operative Credit Societies, Post Office Savings, Money Exchanger, Micro Finance Institutions and Securities Exchanges.

### II.2.1. Money Market in Bangladesh

Money market is an integral part of the financial market of a country. The money market in Bangladesh is in its transitional stage. The various constituent parts of it are in the process of formation, while continuous efforts are being made to develop appropriate and adequate instruments to be traded in the market. The growth and evolution of money market in the country took place during the period from 1971 to the early eighties under various sets of interventionist rules and regulations of the government and as such it could hardly reflect the actual market conditions. However, in that period a vast

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[1] Goldsmith observes that everywhere in the world, financial development starts with the banking financial institutions (BFIs) and as financial development proceeds, the contribution of non-banking financial institutions (NBFIs) supersedes the BFIs. The main difference between BFIs and NBFs lies in the nature of their liabilities. The liabilities of the BFIs are mostly treated as means of payment (or money) in the settlement of debts, whereas the liabilities of NBFIs are not accepted or used as means of payment. See, Toufic A. Choudhury and Sujit Ranjan Saha, "Non-bank financial institutions in Bangladesh-some observations on performance and regulations," *Journal of the Institute of Bankers Bangladesh*, Vol. 34 & 35, (December 1991 and June 1992), p. 76.

In fact the differences between BFIs and NBFIs are cleared by analysing the terms and conditions of these two institutions. According to "The Financial Institutions Act, 1993" non-banking financial institutions are entitled to do the following businesses: -

- They give loans or advances for industries, commerce, agriculture or housing, or
- Carries on business of the underwriting or acquisition of, or the investment in, shares, stocks, bonds, debentures or debenture stock or securities issued by the government or any local authority; or
- Carries on business of hire purchase transactions including leasing of machinery or equipment; or
- Finance venture capital;
- Give loans for house building and property purchases;
- Uses its capital to invest in companies.

And according to the same Act the financial institutions are being restricted to do the following businesses: -

- Accepting any deposit which is payable on demand by cheque, draft or order drawn by the depositor;
- Dealing in gold or foreign exchange of whatever kind.

financial superstructure with large network of commercial bank branches was established in the country. Simultaneously, specialised financial institutions under government sector also emerged with the objective of mobilising financial resources and channelling them for short, medium and long-term credit and investments. In the beginning of the 1980s, money market in Bangladesh entered a new era with the denationalisation of two nationalised banks and establishment of some private banks.

Structurally, money market in Bangladesh is composed of two broad groups of institutions: formal and informal. At the end of 2000 the formal financial institutions of Bangladesh included the Bangladesh Bank at the apex, 4 nationalised banks, 27 domestic and 13 foreign private commercial banks, 5 specialised (development) banks 24 leasing and finance companies including Investment Corporation of Bangladesh (ICB) and House Building Finance Corporation (HFC), and a number of non-scheduled banks. Informal institutions comprised mainly the moneylenders and small co-operative organisations, which are not under the control of the central bank. The three distinct components of organised segment of money market of Bangladesh are the inter-bank market, call money market, and bill market.

### II.2.1.1. Inter-Bank Market

Inter-bank market operates within a limited scale in the form of inter bank deposits and borrowings, and has virtually no fixed price fixing mechanism. Traditionally, scheduled commercial banks lend to each other when they are in need of temporary funds. Sometimes, banks also keep a part of their resources to other banks as deposits, and borrow when needed against the lien of those deposits. Small banks usually keep their funds as deposits with large banks for safety. NBFIs also take part in inter-bank market operations in Bangladesh by way of lending their fund to the deficit banks. The inter-bank transactions are concentrated mainly in Dhaka city but may also be found in other parts of the country.

Inter-bank transaction, although constitute an integral part of money market, comprise a small portion of total banking activities. Inter-bank deposits as percent of total deposits varied between 1.5 and 5 percent during 1986-2000.[2]

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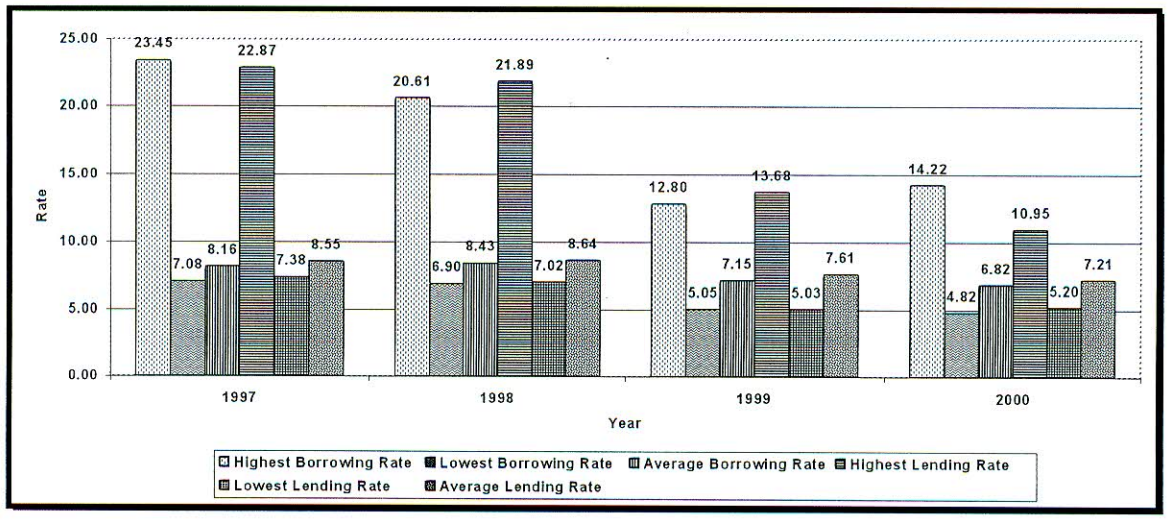
[2] Bangladesh, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3, p. 42; and Vol. XXIX, No. III & IV, p. 48.

### II.2.1.2. Call Money Market

Call money market is the most sensitive part of money market, in which a good number of players from the banking as well as the non-banking financial sector actively participate on a regular basis. But prior to 1980s, there was hardly any need for raising funds from the call money market as almost all the financial institutions were under public sector and the Bangladesh Bank provided them with liberal refinance facilities at concession rates. A turning point was the denationalisation of Uttara and Pubali Bank in 1983 and in 1984 respectively and the government decision to allow private banks and other financial institutions to operate in the country. At present, all banks including specialised ones and non-bank financial institutions are allowed to participate in this market.

The transactions of call money market are mainly Dhaka based. The demand for and supply of funds in the call money market remains volatile throughout the year with some occasional turbulence. The transaction and the rate of interest are largely linked with government treasury bill market, seasonality in demand for bank loans, central bank's monetary policy, variation in discount rate, open market operations, changes in statutory reserve requirements, excess liquidity position of the banks etc. In the following Figure II-3, highest, lowest and average monthly weighted average call money market rates for borrowing and lending has been depicted. From the figure it is seen that gradually call money rates reduced in the second half of 1990's.

**Figure II-3**
**Monthly Average Call Money Market Rates (Weighted Average)**



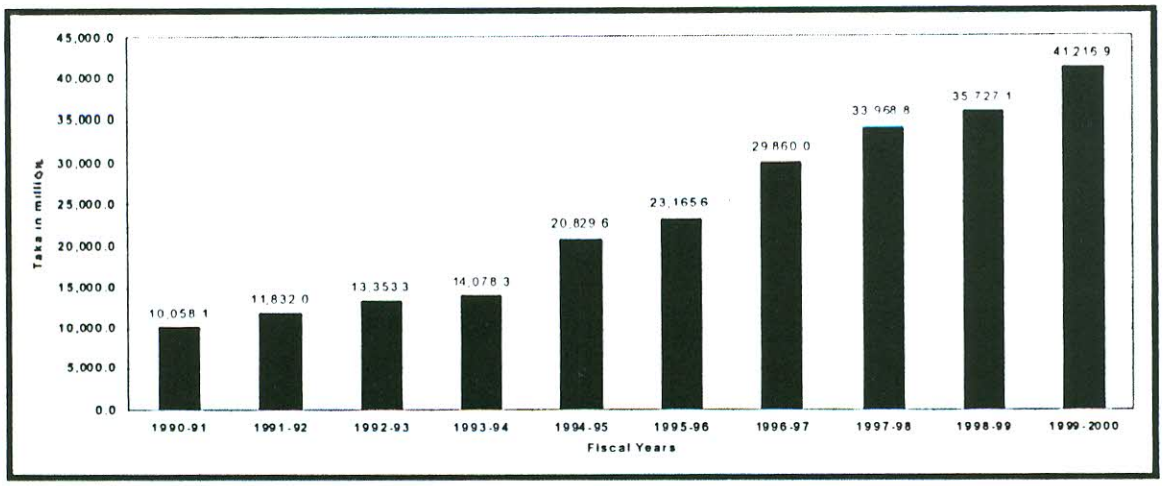

Source: Bangladesh Bank, *Economic Trend*, vol. XXVII, No. 12 (Dhaka: Statistical Department, BB), p. 66.

### II.2.1.3. Bill Market

Bill market in Bangladesh is divided in to two segments: Government Treasury bill market and Commercial bill market. Government treasury bill market is a captive market. Banks and financial institutions having statutory liquidity requirement (SLR) obligation are the only participants in this market, but financial institutions having no obligation of SLR, corporate or non-corporate firms, semi-government or autonomous bodies having temporary surplus funds do not invest in government treasury bills. Bangladesh Bank is the main holder of treasury bills. These are sold to the banks and financial institutions on the basis of requirement of government for fiscal consideration through auction. Now, the rates of interest of treasury bills are competitive and flexible and also influence the market rate in the other segment of the money market, particularly, the rate of interest in the call money market. On 6 September 1998, previous five categories of government treasury bills (30-days, 90-days, 180-days and 1-year) were replaced by the newly introduced six categories bills (28-days, 91-days, 182-days, 364-days, 2-years and 5-years). In the first half of 1990's Bangladesh Bank also introduced 91-days and 30-days Bangladesh Bank Bill, but from March 1997 these two Bangladesh Bank Bills were suspended.

The commercial bill market remained very narrow in the country largely due to a low level of industrialisation and a slow growth of trade and commerce. Banks traditionally financed two broad categories of commercial bills viz. inland bills and export bills. These bills are marketable papers and can be resold in the market at a competitive rate. With the introduction of Financial Sector Reform Programme the commercial bill market is gradually developing in the country. The amount of commercial bill financing by the Deposited Money Banks (DMBs) was Tk. 10,058.1 million on end of June 1991. This rose to Tk. 41,216.9 million on end of June 2000. In the following Figure II-4, value of commercial bill financing by DMBs for last decade of 2000 has been depicted. From the figure it is vivid that over the years it was increased steadily.

**Figure II-4**
**Commercial Bills Finance by Deposited Money Banks**




Source: Bangladesh Bank, *Bangladesh Bank Bulletin*, vol. XXIX, No. III & IV (Dhaka: Bangladesh Bank), p. 45.

## II.2.2. Capital Market in Bangladesh

Capital market is another important ingredient of the financial system that plays a significant role in the economy of the country. This is a market for long-term funds. It facilitates an efficient transfer of resources from savers to investors and becomes conduits for channelling investment funds from investors to borrowers.

The present day capital market in Bangladesh has two segments, namely, securities segments and non-securities segments. The security segment consists of two stock exchanges (namely, Dhaka Stock Exchange and Chittagong Stock Exchange) is concerned with the process where a firm distributes its securities to the public in the primary market and the securities are then traded in the secondary markets. Financial intermediaries, such as merchant banks, assets Management Company, underwriters, broker-members etc. are involved in the process. Non-securities Segments are those markets in which loan / equity loan are provided by the banks and financial institutions, such as NCBs, DFIs PCBs, and ICB.

Securities and Exchange Commission is one of the regulatory bodies of money market, which exercises powers under the Securities and Exchange Commission Act 1993. It regulates institutions engaged in capital market activities. On the other hand, another regulatory body Bangladesh Bank exercise powers under the Financial

Institutions Act 1993 and regulates institutions engaged in financing activities including leasing companies and venture capital companies.

SEC, till June 2000, issued licence to 27 institutions to act in the capital market. Out of them, 19 institutions are Merchant Bankers and Portfolio Managers while 7 are only Issue Managers and 1(one) acts as Issue Manager and Underwriter.[3]

Investment Corporation of Bangladesh (ICB) is another participator in the capital market was established in 1976 with the objective of encouraging and broadening the base of industrial investment. ICB underwrites issues of securities, provides substantial bridge financing programmes, and maintains investment accounts, floats and manages closed-end and open-end mutual funds,[4] and closed-end unit funds to ensure supply of securities as well as generate demand for securities. ICB also operates in the DSE and CSE as dealers.

Bangladesh Shilpa Bank (BSB), Bangladesh Shilpa Rin Sangstha (BSRS), Bank of Small Industries and Commerce Bangladesh Limited (BASIC), some Foreign Banks and NCBs are also engaged in long term industrial financing.

## II.3. Central Bank and its Policies

Bangladesh Bank (BB), as the central bank, has legal authority to supervise and regulate all the banks. It performs the traditional central banking roles of note issue and banker to the government and banks. It formulates and implements monetary policy, manages foreign exchange reserves, and supervises banks and non-bank financial institutions. Its prudential regulations include: minimum capital requirements, limits on loan concentration and insider borrowing and guidelines for asset classification and income recognition. BB has power to impose penalties for non-compliance and also

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[3] Bangladesh Bank Web page.www.Bangladesh-bank.org/fnansys/fnansys.html

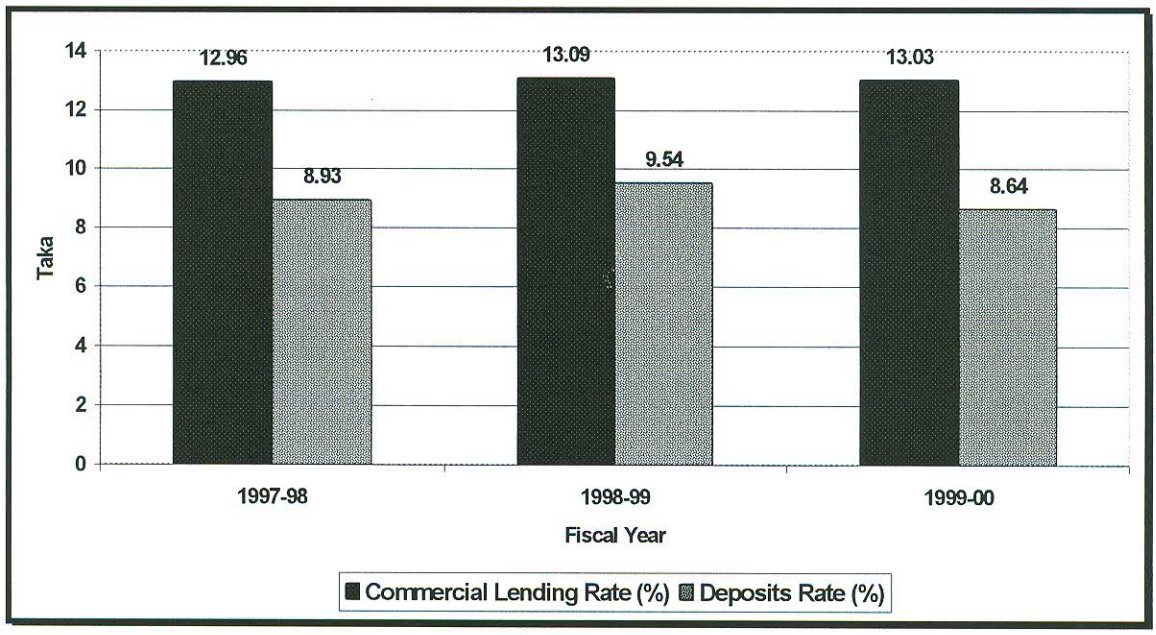
[4] The difference between Open-end and Closed-end funds is that, "Open-end funds issue new shares to the investing public to generate new investments. It typically stands ready to buy back or redeem the shares (or units) at their net asset values. Closed-end funds issue a fixed number of shares only. The share holders in a closed end fund access the value of their investments by selling their shares on the market." See, World Bank, *The Development and Regulation* of *Non-Bank Financial Institutions*, Jeffrey Carmichael, and Michael Pomerleano, ed. (Washington, DC: World Bank, 2002), p. 9.

intervene in management of a bank if serious problems arise. It also has the delegated authority of issuing policy directives regarding foreign exchange regime.

## II.3.1. Interest Rate Policy

Under the new interest rate policy, which became effective in January 1990, all deposits rates are decontrolled. Lending rates are all freely determined by the market except for exports. In the following Figure II-5, monthly weighted average interest rates on lending and deposits for last three years of the last decade have been depicted to understand the state of interest rate.

**Figure II-5**
**Monthly Weighted Average Rate of Interest on Commercial Lending and Deposits**



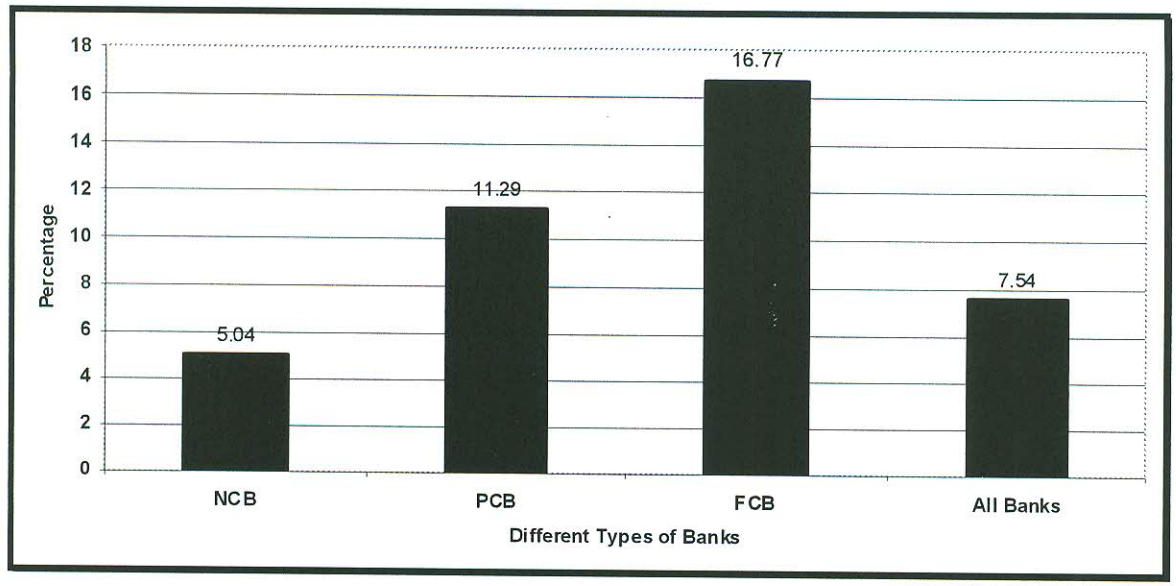

Source: Bangladesh Bank, *Economic Trend*, Vol. XXVII, No. 12 (Dhaka: Statistical Department, BB), P. 67.

## II.3.2. Capital Adequacy

In January 1996, BB announced new policy on Capital Adequacy along the lines recommended by the Basle Committee on banking supervision. Revised policy on capital adequacy requires scheduled banks to maintain at least 8% of off-balance sheet risk and risk in different types of assets as capital.

In the following Figure II-6, capital adequacy of different banks as on June 2000 has been depicted to understand the situation.

**Figure II-6**
**Capital Adequacy of Different Banks as on June 2000. (In Percentage)**

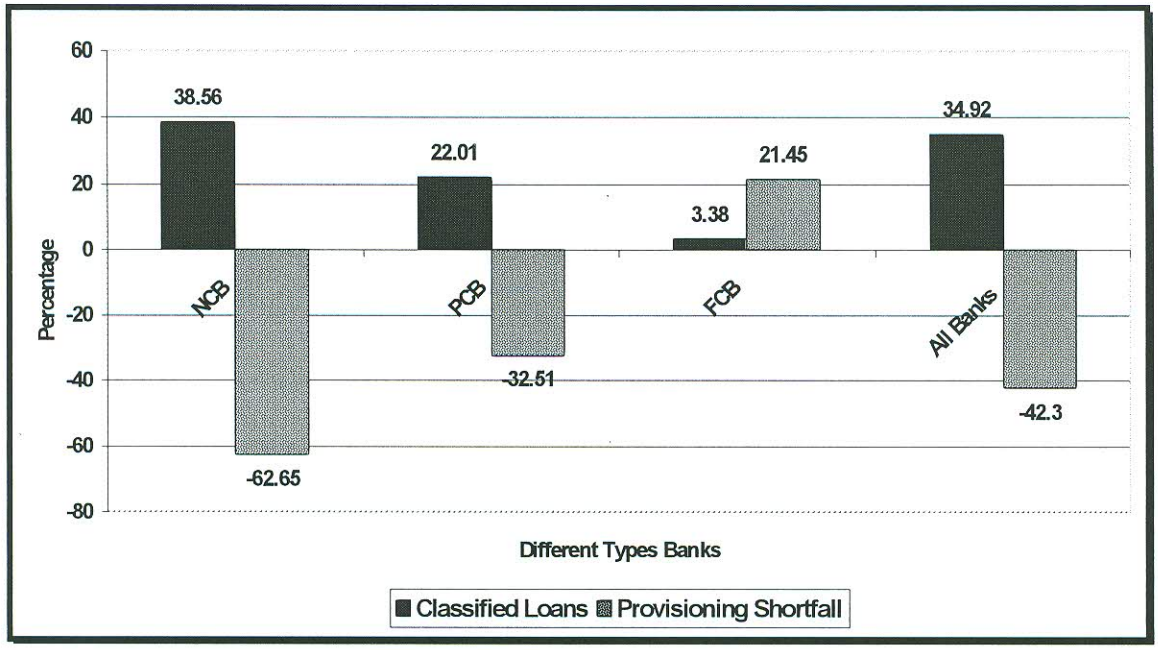



Source: Centre for Policy Dialogue, "Policy Brief on Financial Sector Reforms," *CPD Task Force Report* (Dhaka: Centre For Policy Dialogue, 2001), P. 28.

## II.3.3. Loan Classification and Provisioning

Bangladesh Bank introduced new accounting policies with respect to loan classification, provisioning and interest suspense in 1989 with a view to attaining international standard over a period of time. Revised policy for loan classification and provisioning was introduced from the 1st January 1999. Revised policy calls for independent assessment of each loan on the basis of qualitative factors and objective criteria. Each loan is branded with the worst level of classification resulting from these independent assessments. In the following Figure II-7, percentage of classified loans and percentage of provisioning shortfall of different banks as on December 2000 has been depicted to understand the situation.

**Figure II-7**
**Classified Loans and Provisioning Shortfall of Different Types of Banks, As on December 2000 (In Percentage)**




Source: Centre for Policy Dialogue, "Policy Brief on Financial Sector Reforms," *CPD Task Force Report* (Dhaka: Centre For Policy Dialogue, 2001), P. 27.

## II.3.4. Foreign Exchange System

On March 24, 1994 Bangladesh Taka (domestic currency) was declared convertible for current transactions in terms of Article VII of the IMF Articles of Agreement. Consequent to this, current external settlements for trade in goods and services and for amortization payments on foreign borrowings can be made through banks authorized to deal in foreign exchange, without prior central bank authorization. However, because resident owned capital is not freely transferable abroad (Taka was not up to December 2000 convertible on capital account), some current settlements beyond certain indicative limits are subject to bonafides check.

Direct investments of non-residents in the industrial sector and portfolio investments of non-residents through stock exchanges are repatriable abroad, as also are capital gains and profits/dividends thereon. Investment abroad of resident-owned capital is subject to prior Bangladesh Bank approval, which is allowed only sparingly.

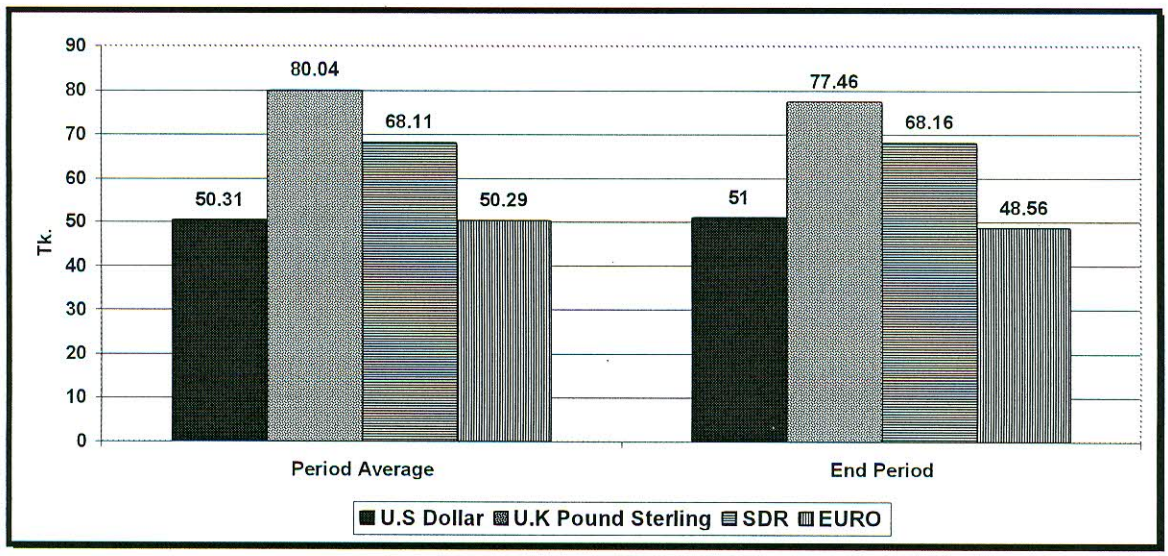
## II.3.5. Exchange Rate Policy

Exchange rate policy of Bangladesh Bank aims at maintaining the competitiveness of Bangladeshi products in the international markets, encouraging inflow of wage earners' remittances, maintaining internal price stability, and maintaining a viable external account position. Adjustments in exchange rates are made keeping in view the trends of Real Effective Exchange Rate (REER) index based on a trade weighted basket of currencies of major trading partners of Bangladesh and the trends of other important internal and external sector indicators.

The inter-bank foreign exchange market sets the exchange rates for customer transactions and inter-bank transactions based on demand-supply interplay; while the exchange rate for Bangladesh taka in Bangladesh Bank's transactions with scheduled banks are notified by Bangladesh Bank with the consent of the Government. Bangladesh Bank notifies a trading band within which it will undertake transactions with banks at rates agreed on a deal to deal basis.

The following Figure II-8, demonstrates the exchange rate of the four foreign currencies for the FY 1999-2000.

**Figure II-8**
**Exchange Rate (Tk. per Currency), for the FY 1999-2000.**




Source: Bangladesh Bank, *Economic Trend*, Vol. XXVII, No. 12, (Dhaka: Statistical Department, BB), p. 75, 83.

### II.3.6. Bank Licensing

Bank Company Act, 1991 empowers BB to issue license to carry out banking business in Bangladesh. Pursuant to section 31 of the Act, before granting license, BB needs to be satisfied that the following conditions are fulfilled.

> That the company is or will be in a position to pay its present or future depositors in full as their claims accrue; that the affairs of the company are not being or are not likely to be conducted in a manner detrimental to the interest of its present and future depositors; that, in the case of a company incorporated outside Bangladesh, the Government or law of the country in which it is incorporated provides the same facilities to banking companies registered in Bangladesh as the Government or law of Bangladesh grants to banking companies incorporated outside Bangladesh and that the company complies with all applicable provisions of Bank Companies Act, 1991.[5]

Licenses may be cancelled if the bank fails to comply with above provisions or ceases to carry on banking business in Bangladesh.

## II.4. Banking Structure

The structure of the banks of Bangladesh primarily consists of two groups: scheduled banks and non-scheduled banks[6]. The schedule banks again are divided into two sectors. These are public sector and private sector. Public sector comprises two groups of banks: nationalised Commercial banks (NCBs) and specialised banks (SBs). On the other hand, private sector also runs two groups of banks. Theses are domestic

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[5] GOB, *The Banking Company Act, 1991 (Act 14 of 1991)*, Section 31(4) a, b and c. Cited in M. Abul Bashar Bhuiya, ed, *Bangladesh Laws on Banks and Banking,* 2nd ed (Dhaka: CKB & Co., 1996), pp. 239-240.

[6] The term is defined in clause 37.(2)(a) of the Bangladesh Bank Order, 1972 (P. O. No 127 of 1972). According to this order Bangladesh Bank declares those banking companies as scheduled banks which are operating in Bangladesh, able to maintain certain minimum capital requirements and operational criteria. Bangladesh Bank lists the name of such scheduled bank and extends its assistance to them with a view to overcome any financial crisis faced by them, if required. But Non-scheduled banks cannot enjoy this assistance in the crisis period. Followings are the criteria that scheduled bank has to maintain:

- It must be registered as statutory organisation.
- It must maintain a minimum amount of capital and reserve determined by BB.
- It must maintain a certain ratio of its total deposits with BB as a cash reserve ratio (CRR).
- It must maintain a certain ratio of its total deposits in liquid assets as statutory liquidity reserve (SLR).
- It must submit a weekly report regarding its activity.
- Its activity must not subversive to the right of the depositors.
- It must carry out properly the rules and orders of BB.

private commercial banks (PCBs) and foreign private commercial banks (FCBs). The later group mainly include foreign bank's branches. While the former may be of two types, such as new-born domestic private commercial banks and de-nationalised domestic private commercial banks. The former type may be split up into traditional newborn domestic private commercial banks and Islamic newborn domestic commercial banks. Sonali Bank, Agrani Bank, Janata Bank and Rupali Bank Limited[7] belong to the group of nationalised commercial banks. SBs include Bangladesh Krishi bank (BKB), Bangladesh Shilpa Bank (BSB), Rajshahi Krishi Unnayan Bank (RKUB), Bangladesh Shilpa Rin Sangtha (BSRS) and Bank of Small Industries and Commerce Bangladesh Ltd.[8] (BASIC). Out of the 5 SBs, two (BKB and RKUB) were created to meet the credit needs of the agricultural sector while the other two (BSB and BSRS) were established for extending term loans to the industrial sector. The newborn domestic private commercial banks are Arab Bangladesh Bank Ltd. (Joint collaboration), National Bank Ltd., The City Bank Ltd., International Finance Investment and Commerce (IFIC) Bank Ltd., United Commercial Bank Ltd., Eastern Bank Ltd.[9], National Credit and Commerce Bank Ltd., Prime Bank Ltd., Southeast Bank Ltd., Dhaka Bank Ltd., Dutch Bangla Bank Ltd. (Joint collaboration), Mercantile Bank Ltd., Standard Bank Ltd., One Bank Ltd., Exim Bank Ltd., Bangladesh Commerce Bank Ltd., Mutual Trust Bank Ltd., Premier Bank Ltd., First Security Bank Ltd., Bank Asia Ltd., and The Trust Bank Ltd. The number of newborn domestic private commercial banks on June 2000 stood at twenty-one. Islami Bank Bangladesh Ltd., Al-Arafah Islamic Bank Ltd., Al Barakha Bank (Joint collaboration), Social Investment Bank Ltd. (Joint collaboration), are the four banks

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[7] The Government converted this bank into a public limited company on 14th December 1986. The Government holds 51 percent shares in paid up capital and the private share is 49 percent. See Rupali Bank Limited, *Annual Report 1986*, p. 10.

[8] This bank started its operation as a private bank from September 1988. Later on, it was reckoned to as a specialist bank with effect from June 1993. From July 1995 again it has been categorised as a private bank. Recently the Government has decided to treat the bank as a specialised bank instead of private bank. See Bangladesh Bank, *Scheduled Banks Statistics* (April-June, 1997), p. i.

[9] Bank of Credit and Commerce International (Overseas) Ltd., a foreign bank, was liquated and in its place a separate bank in the name of Eastern Bank Limited started its operation as a private bank with effect from August 1992. The Government holds 20 percent shares of paid up capital. See Government of Bangladesh, *Bank O Arthik Pratisthanshamuher Karjabali 1997-98*, p. 91.

belong to Islamic newborn domestic private commercial banks. Pubali Bank Ltd.[10], and Uttara bank Ltd.[11], are the two denationalised domestic private commercial banks. The names of the foreign banks are: American Express Bank Ltd., ANZ Grindlays Bank PLC., Credit Agri-cole Indosuez[12], Citybank N. A., Faisal Islami Bank of Bahrain E. C., Habib Bank Ltd., Muslim Commercial Bank Ltd., National Bank of Pakistan, The Bank of Nova Scotia, Standard Chartered Bank, State Bank of India, Hanvit Bank Ltd., The Hongkong and Shanghai Banking Corporation Ltd. Total number of these banks were thirteen as on June, 2000. Except all these banks there were four other non-scheduled banks named Bangladesh Samabaya Bank Ltd., Grameen Bank, Ansar VDP Unnayan Bank and Karmashansgsthan Bank. Chart II-1 gives a bird's eye view of the structure of the scheduled banking system of Bangladesh for June 2000.

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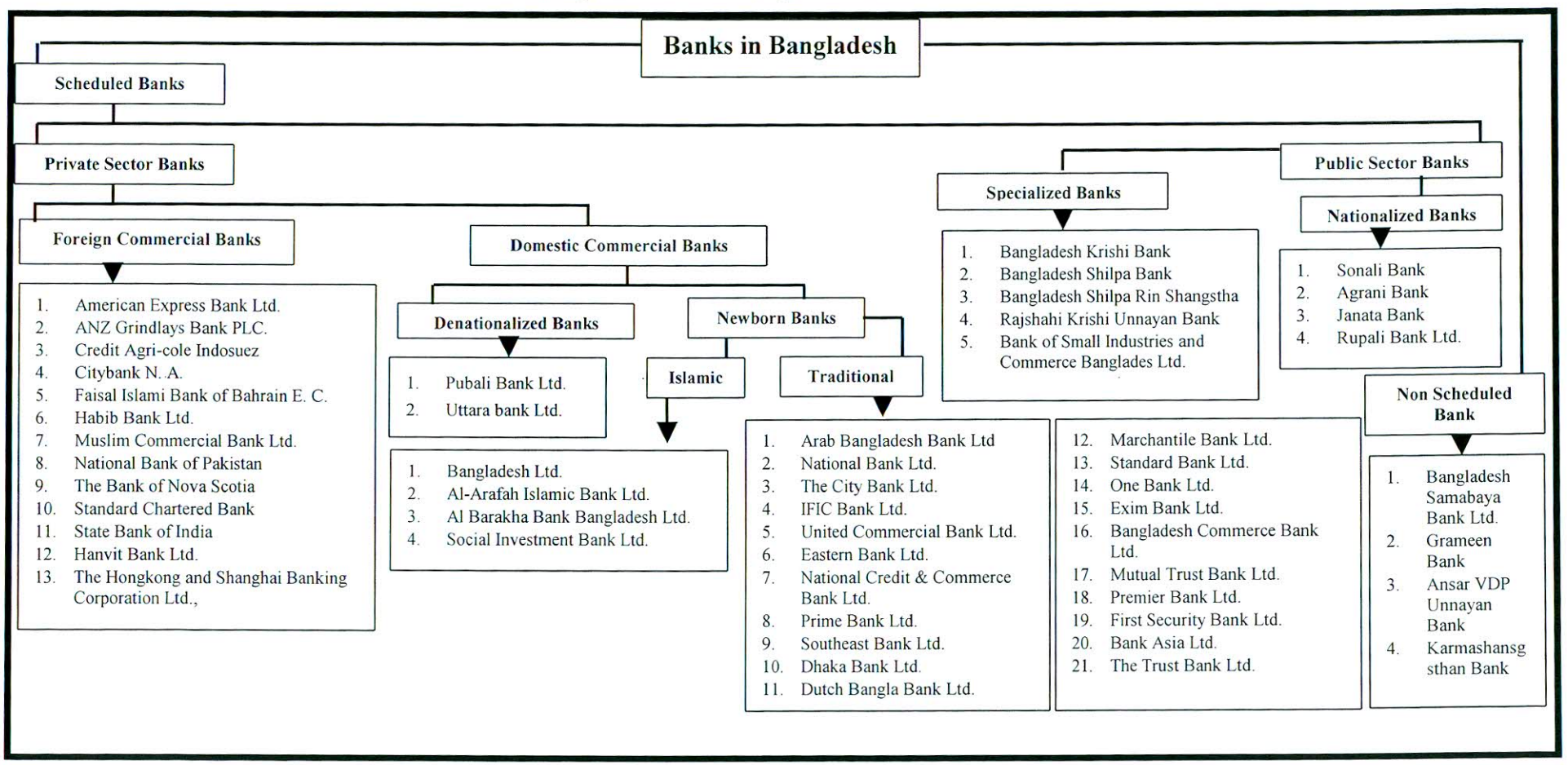
[10] This bank was transferred from public ownership to private ownership in 1983 with effect from Jan., 1985. See Bangladesh Bank, *Scheduled Banks Statistics* (April-June, 1997), p. i.

[11] This bank was transferred from public ownership to private ownership in September 1983 with effect from Jan., 1985. See Government of Bangladesh, *Bank O Arthik Pratisthanshamuher Karjabali 1997-98*, p. 63. and Bangladesh Bank, *Scheduled Banks Statistics* (April-June, 1997), p. i.

[12] Credit Agricole Indosuez is the new name of previous Banque Indosuez, which took place in May 1997. See Government of Bangladesh, *Bank O Arthik Pratisthanshamuher Karjabali 1997-98*, p. 131.

## Chart II-1
## Banking Structure in Bangladesh, As on June 2000




Source: Appendix: Table-4-A, and Appendix: Table-4-B.

The relative importance of different types of scheduled banks of Bangladesh in respect to some important banking variables such as the amount of deposits, advances, value of assets, number of manpower and branches is shown in the Table II-1.

**Table II-1**
**Deposits, Advances, Investments, Assets, Manpower and Number of Branches of Different Types of Banks as on 31 December 2000 (Tk. in million)**

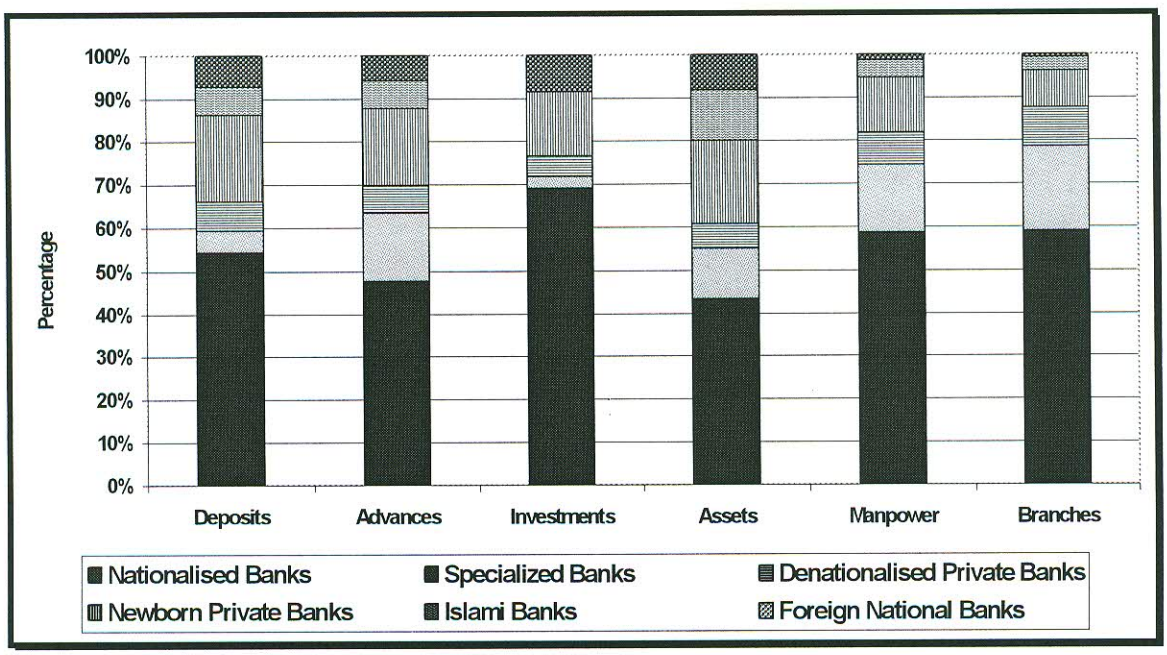
| Types of Banks | Deposits | Advances | Investments | Assets | Manpower | Branches |
|---|---|---|---|---|---|---|
| Nationalized Banks | 452,739 | 324,631 | 102,433 | 522,603 | 62,013 | 3,600 |
| Specialized Banks | 42,918 | 105,391 | 4,099 | 140,257 | 16,519 | 1,200 |
| Denationalized Private Banks | 56,038 | 43,879 | 7,037 | 67,790 | 7,987 | 548 |
| Newborn Private Banks | 168,099 | 121,695 | 22,231 | 231,974 | 13,527 | 522 |
| Islami Banks | 55,019 | 43,448 | 34 | 143,202 | 4,303 | 201 |
| Foreign National Banks | 59,417 | 39,427 | 12,434 | 97,261 | 1,345 | 36 |
| Total of Scheduled Banks | 834,230 | 678,471 | 148,268 | 1,203,087 | 105,694 | 6,107 |
| Non-scheduled Banks | 6,653 | 15,508 | 5,693 | 24,140 | 11,711 | 1,265 |
| Aggregate of All Banks in BD. | 840,883 | 693,979 | 153,961 | 1,227,227 | 117,405 | 7,372 |

Source: Data has been compiled from, Government of Bangladesh, *Bank O Arthik Pratisthanshamuher Karjabali 2001-2002* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2002).

A closer look on Table II-1, reveals that NCBs dominate the banking system in Bangladesh. As on 31 December 2000 those accounted for 55 percent of total deposits, 47 percent of total amount of advances, 69 percent of total amount of investment, 43 percent of total amount of assets, 58 percent of total employment, and 59 percent of total number of branches of all scheduled banks in Bangladesh. The Specialised Banks accounted for 5 percent of total deposits, 16 percent of total amount of advances, 3 percent of total amount of investment, 12 percent of total amount of assets, 20 percent of total employment, and 16 percent of total number of branches of all scheduled banks in Bangladesh. Domestic private commercial banks (Denationalised private banks, newborn domestic private commercial banks, and Islami banks) accounted for 33 percent of total deposits, 31 percent of total amount of advances, 20 percent of total amount of investment, 37 percent of total amount of assets, 21 percent of total employment, and 24

percent of total number of branches of all scheduled banks in Bangladesh. Foreign private banks accounted for 7 percent of total deposits, 6 percent of total amount of advances, 8 percent of total amount of investment, 8 percent of total amount of assets, 1 percent of total employment, and 1 percent of total number of branches of all scheduled banks of Bangladesh. The percentage share of different variables of the various types of scheduled banks is exhibited in the following Figure II-9.

**Figure II-9**
**Percentage Shares of Deposits, Advances, Investments, Assets, Manpower and Number of Branches of Different Scheduled Banks as on 31 December 2000.**

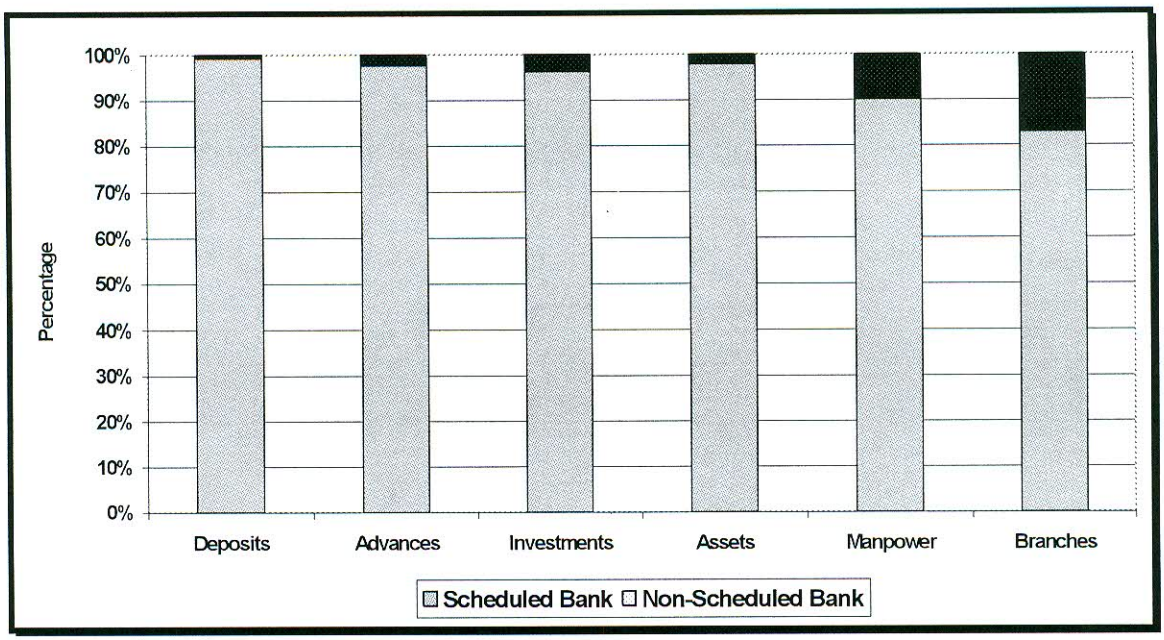



Source: Table II-1.

The dominance of the scheduled banks in respect of all the above-mentioned aspects over all other banks is remarkable. It may be transparent from Table II-1, and from Figure II-10, that the scheduled banks hold 99 percent of total amount of deposits, 98 percent of advances, 96 percent of investment, 98 percent of assets, 90 percent of employed manpower, and 83 percent of bank branches.

Figure II-10, displays the distribution of advances, investments, assets, manpower and number of branches between scheduled banks and non-scheduled banks.

**Figure II-10**
**Percentage Share of Deposits, Advances, Investments, Assets, Manpower and Number of Branches between Scheduled and Non-scheduled Banks**



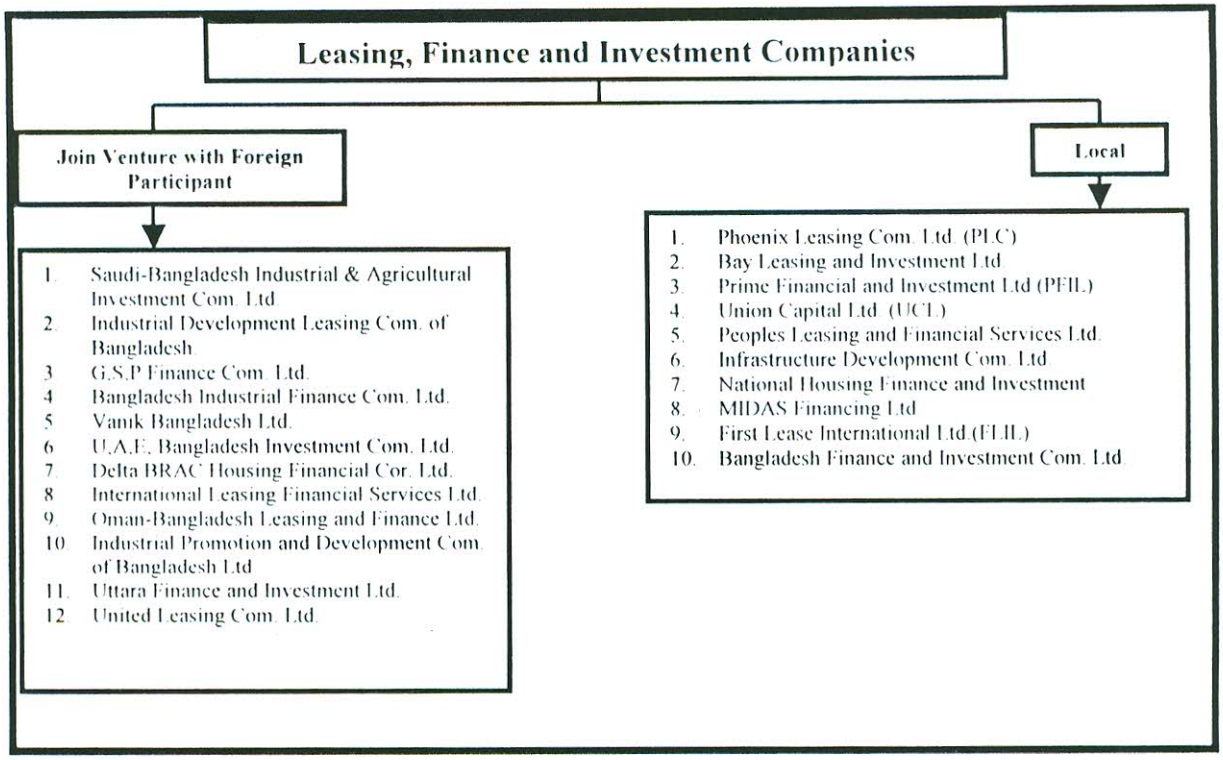

Source: Table II-1.

## II.5. Leasing and Finance Companies

Twenty-two leasing and finance companies were operating in Bangladesh as on December 2000. Of these institutions, ten are local and the rest twelve are established under joint venture with foreign participation. To enable the financial institutions to mobilize medium and long-term resources Government of Bangladesh (GOB) signed a project loan with IDA and a project known as "Financial Institutions Development Project (FIDP)" started its operation from February 2000. Bangladesh Bank is administering the project. The Project has established "Credit, Bridge and Standby Facility (CBSF)" to implement the financing program with a cost of US$ 57.00 million.[13] In the following Chart II-2, names and types of the companies have been depicted.

[13] Bangladesh Bank Webpage: www.Bangladesh-bank.org/fnansys/fnansys.html

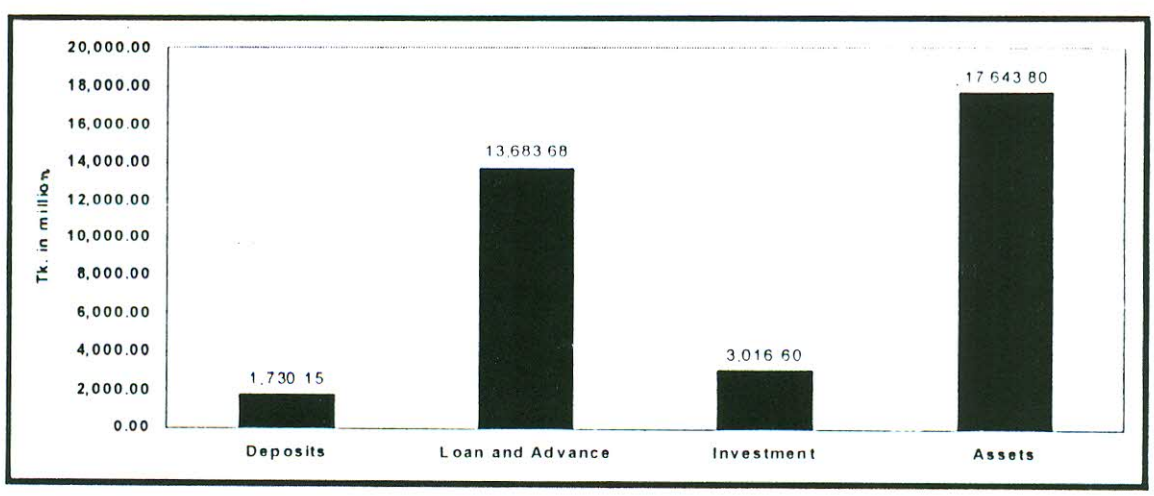
## Chart II-2
## Name and Types of Leasing and Finance Companies, As on June 2000




Source: Information has been compiled from, Government of Bangladesh, *Bank O Arthik Pratisthanshamuher Karjabali* 2001-2002 [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2002).

In the following Figure II-11, financial strength of these companies has been depicted through presenting some important variables.

## Figure II-11
## Deposits, Loans, Advances, Investments and Assets of Leasing and Finance Companies (Tk. in million), as on December 2000.

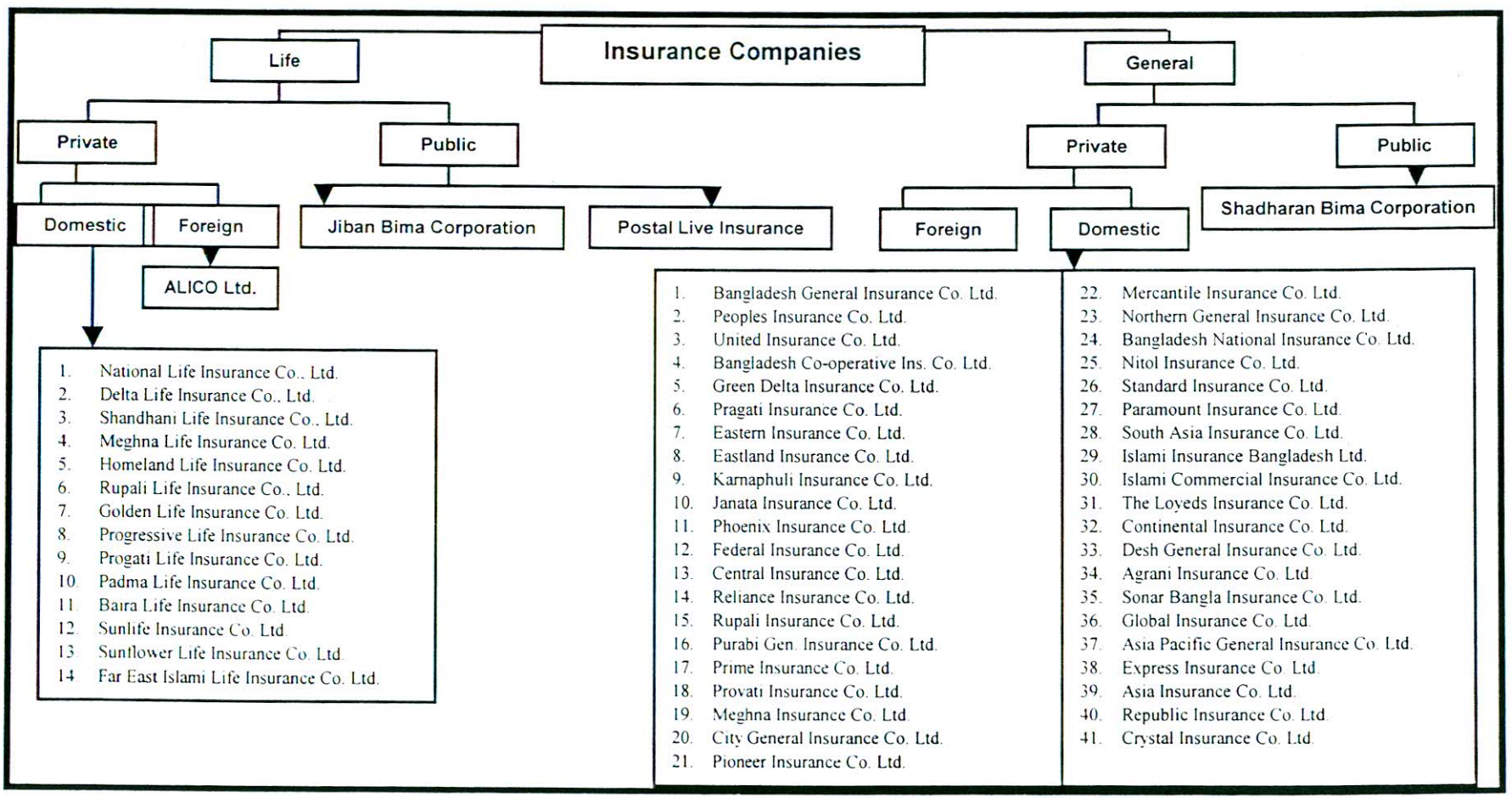



Source: Appendix Table-10-B, Appendix Table-10-C, Appendix Table-10-D, Appendix Table-10-E.

## II.6. Insurance Companies

In Bangladesh the insurance Sector is regulated by the Insurance Act 1938 with regulatory over sight provided by the controller of Insurance on authority under the ministry of commerce. The insurance businesses are of two types, general insurance and life insurance. Both types of insurance in Bangladesh are divided into two groups public sector insurance and private sector insurance. Postal live insurance and Jiban Bima Corporation falls in the group of public sector life insurance, and private life insurance are grouped into two, foreign private life insurance and domestic private life insurance. Only the American Life Insurance Co. Ltd., belongs to foreign private life insurance, and the group of private sector life insurance comprises the following 14 companies: National Life Insurance Co., Ltd. Delta Life Insurance Co., Ltd. Shandhani Life Insurance Co., Ltd. Meghna Life Insurance Co. Ltd., Homeland Life Insurance Co. Ltd., Rupali Life Insurance Co. Ltd., Golden Life Insurance Co. Ltd., Progressive Life Insurance Co. Ltd., Progati Life Insurance Co. Ltd., Padma Life Insurance Co. Ltd., Baira Life Insurance Co. Ltd., Sunlife Insurance Co. Ltd., Sunflower Life Insurance Co. Ltd., Far East Islami Life Insurance Co. Ltd., General insurance is divided into two group public owned and private owned. Shadharan Bima Corporation is the only institution, which belongs to public sector general insurance. There is no foreign private general insurance company. Private sector General insurance comprises the following 41 companies: Bangladesh General Insurance Co. Ltd., Peoples Insurance Co. Ltd., United Insurance Co. Ltd., Bangladesh Co-operative Insurance Co. Ltd., Green Delta Insurance Co. Ltd., Pragati Insurance Co. Ltd., Eastern Insurance Co. Ltd., Eastland Insurance Co. Ltd., Karnaphuli Insurance Co. Ltd., Janata Insurance Co. Ltd., Phoenix Insurance Co. Ltd., Federal Insurance Co. Ltd., Central Insurance Co. Ltd., Reliance Insurance Co. Ltd., Rupali Insurance Co. Ltd., Purabi Gen. Insurance Co. Ltd., Prime Insurance Co. Ltd., Provati Insurance Co. Ltd., Meghna Insurance Co. Ltd., City General Insurance Co. Ltd., Pioneer Insurance Co. Ltd., Mercantile Insurance Co. Ltd., Northern General Insurance Co. Ltd., Bangladesh National Insurance Co. Ltd., Nitol Insurance Co. Ltd. Standard Insurance Co. Ltd., Paramount Insurance Co. Ltd., South Asia Insurance Co. Ltd., Islami Insurance Bangladesh Ltd., Islami Commercial Insurance Co. Ltd., The Loyeds Insurance Co. Ltd., Continental Insurance Co. Ltd., Desh General Insurance Co. Ltd., Agrani Insurance Co. Ltd., Sonar Bangla Insurance Co. Ltd., Global Insurance Co. Ltd., Asia Pacific General Insurance Co. Ltd., Express Insurance Co. Ltd., Asia Insurance Co. Ltd., Republic Insurance Co. Ltd., Crystal Insurance Co. Ltd., Chart II-3 gives a bird's eye view of the structure of the Insurance systems of Bangladesh for December 2000.

## Chart II-3
## Insurance Companies in Bangladesh, As on 30 June 2000




Source: Appendix: Table-11.

The relative importance of different types of insurance of Bangladesh in respect to some important variables such as gross premium, investment, and assets is shown in the Table II-2.

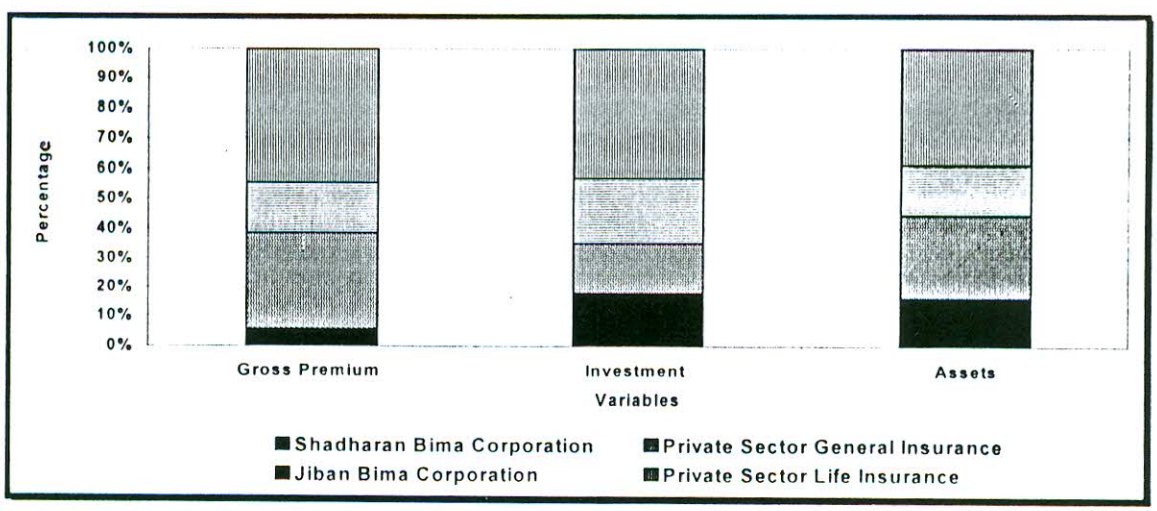
**Table II-2**
**No. of Company, Gross Premium, Investment and Assets of Different Types Insurance Business, as on 31 December 2000**

| Type of Insurance | No. of Company | Gross Premium (Tk. In million) | Investment (Tk. In million) | Assets (Tk. In million) |
|---|---|---|---|---|
| Shadharan Bima Corporation (SBC) | 1 | 617.40 | 3,304.95 | 5,268.13 |
| Private Sector General Insurance | 41 | 3,645.50 | 3,194.84 | 9,178.11 |
| Jiban Bima Corporation (JBC) | 1 | 1,849.81 | 3,993.38 | 5,615.08 |
| Private Sector Life Insurance | 14 | 4,920.94 | 7,935.30 | 12,629.27 |

Source: Appendix: Table-11, and Appendix: Table-12.

A closer look on Table II-2 reveals that private sector life insurance companies dominate the insurance system in Bangladesh. As on 31 December 2000 those accounted for 45 percent of gross premium, 43 percent of investment, and 39 percent of assets. JBC alone accounted for 17 percent of gross premium, 22 percent of investment and 17 percent of assets. Private sector general insurance companies accounted for 33 percent of gross premium, 17 percent of investment and 28 percent of assets. Lastly, SBC accounted for 6 percent of gross premium, 18 percent of investment and 16 percent of assets. Among these four types insurance SBC is less dominant in respect to these variables. The shares of different variables of different insurance companies/corporation are exhibited in the Figure II-12.

**Figure II-12**
**Percentage Share of Gross Premium, Investment and Assets of Different Types of Insurance Companies/Corporation, as on December 2000**




Source: Table II-2.

## II.7. Micro Financial Institutions

A rapidly growing segment of Rural Financial Market (RFM) in Bangladesh is the member-based cooperative type institutions. The largest member based institution is the Grameen Bank. All others are Non-Government Organizations (NGOs), biggest among them are BRAC, ASA and Proshika. Most of these institutions have an explicit social agenda to cater to the needs of the poorest sections of the population, with women making up a majority of their clients. Up to December 2000 all the reported Micro Finance Non-Government Organizations (MFNGOs) disbursed Tk. 125,607.61 million as loan to the poor and the outstanding loan was Tk. 21,903.47 million, and their total active members were 11,021,663.[14] Up to December 2000 Grameen Bank disbursed Tk. 175,395.24 million as loan and the outstanding loan was Tk. 10,902.56 million; and their total active members were 2,378,356.[15] The average recovery rate was more than 95% for both types of institutions.

## II.8. Stock Exchanges

There are two stock exchanges, namely, Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE), which are dealing in the secondary capital market. DSE was established as a public Limited Company in April 1954 while CSE came into being in April 1995. As on 30 December 2000, total number of enlisted securities with DSE and CSE were 241 and 165 respectively. Out of 241 listed securities with the DSE, 221 were listed companies, 10 mutual funds and 10 debentures; and out of 165 listed securities with the CSE, 151 were listed companies, 10 mutual funds and 4 debentures.[16] Figure II-13, shows annual turnover and market capitalisation of DSE and CSE as on December 2000.

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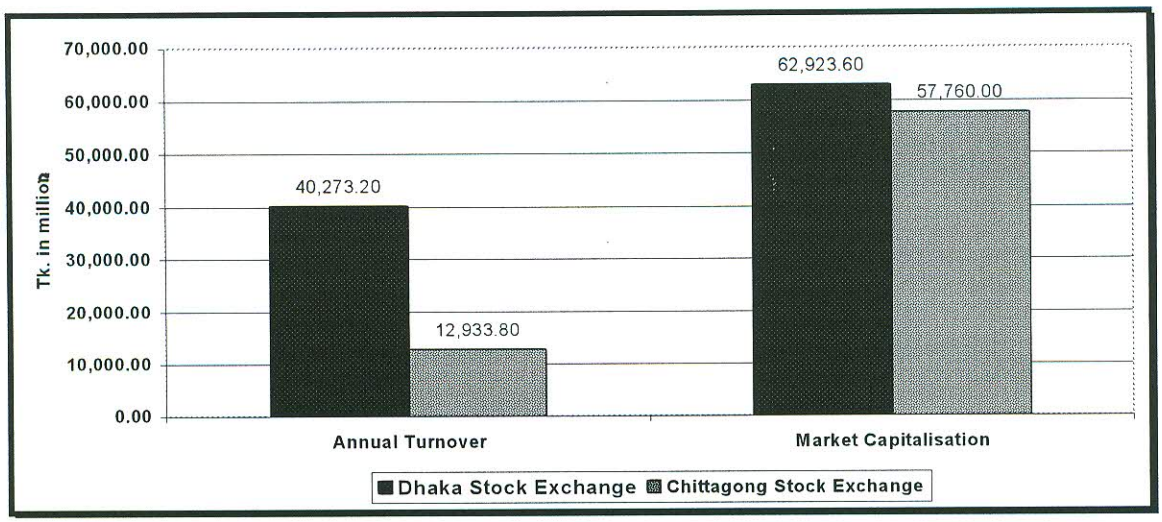
[14] *CDF Statistics*, vol. 11(Dhaka: Credit and Development Forum), p. iii.

[15] Grameen Bank Webpage: www.grameen-info.org

[16] Bangladesh Bank Webpage: www.Bangladesh-bank.org/fnansys/fnansys.html

**Figure II-13**
**Annual Turnover and Market Capitalisation of Two Stock Exchanges as on December 2000 (Tk. in million)**




Source: Appendix: Table-13.

## II.9. Suitable Financial System

Many economists have extensively investigated into the relationship between finance and growth, and found that financial development has a strong and positive impact on economy. This raises an important question: does financial structure (that is, the degree to which the financial system of a country is intermediary- or market-based) matter for long-run economic growth? To address this question, the economists and policy-makers have concentrated on the relative merits of intermediary- versus market-based financial systems. The debate is going on for more than a century, and it is considered with reference to the experience of Germany and the United Kingdom in the late nineteenth and early twentieth centuries. Gerschenkron and Goldsmith[17] argue that the intermediary-based system in Germany permitted a closer relationship between intermediaries and firms than was possible in the market-based system in the United Kingdom. The debate eventually expanded to involve the United States as a prominent market-based economy, and Japan as a dominant intermediary-based system.

The intermediary-based view emphasizes the importance of intermediaries in identifying good projects, mobilizing resources, monitoring managers, and managing

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[17] A. Gerschenkron, *Economic Backwardness in Historical* Perspective (Cambridge: Harvard University Press, 1962). And R.W. Goldsmith, *Financial Structure and Development.* (New Haven, CT: Yale University Press, 1969). Cited in Veronika Dolar and Cesaire Meh, "Financial Structure and Economic Growth: A Non-Technical Survey," Bank of Canada, Working Paper 2000-24 (September 2002), p. 1.

risk while stressing on the deficiency of market-based economies. For example, it has been argued that financial intermediaries are effective at financing projects that are characterized by substantial asymmetric information (e.g., adverse selection and moral hazard), because intermediaries have developed expertise in distinguishing between "bad" and "good" borrowers. According to this view, intermediary-based systems, especially in countries at an early stage of economic development, are more effective in fostering growth than market-based financial systems.

The market-based view stresses the role of markets in diversifying and managing risks while arguing that financial intermediaries can extract information from firms. For example, some firms at a certain point of their life cycle rely mostly on market financing: bond financing is found predominantly in mature and relatively safe firms. Financing through financial markets (bond and stock-markets) is particularly good for industries faced with continuous technological advances, and where the information is sparse and diversity of opinion persists. According to this view, market-oriented systems are superior to intermediary-based systems in encouraging long-run economic growth.

Contrary to intermediary-based and market-based views, the financial services view suggests that financial intermediaries may provide complementary services to those provided by markets. The primary emphasis behind this view is the importance of the overall level and quality of financial services rather than the channels through which those services are provided. The issue is not intermediaries versus markets, but rather the creation of an environment for better-functioning intermediaries and markets. Thus, the separation between markets and intermediaries in providing financial services is of secondary importance.[18]

The law and finance view is an extension of the financial services view and it has been put forward by Laporta et al.[19]. This view emphasizes that it is not the debate between intermediary-based and market-based systems that really matters, but rather the legal environment and the enforcement of contracts. Hence, Laporta et al. reject the intermediary- versus market-based distinction and emphasize instead that the legal system plays the crucial role in determining the growth-stimulating nature of financial services.

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[18] R. Levine, "Bank-Based or Market-Based Financial Systems: Which is Better?" NBER Working Paper Series 9138 (Cambridge: National Breau of Economic Research, 2002), p. 16-18.

[19] R. F. Laporta, Lopez-de-Silanes, A. Shleifer, and R.W. Vishny, "Legal Determinant of External Finance," *Journal of Finance*, vol. 52, no. 3, p. 1131-50.

Many economists have empirically investigated into these views of financial structure and long-run economic growth. Goldsmith[20] pioneered this work with a careful comparison of Germany and the United Kingdom. Recently, Levine[21] and Demirgüç-Kunt and Levine[22] have examined the same question by using a broad data set covering 48 countries from 1980 to 1993, find that the distinction between intermediary and market based systems is not important for explaining the finance-growth nexus. Rather, elements of a country's legal system and the quality of its financial services are most important for fostering economic growth. In other words, they find strong support for the financial services view and the law and finance view, but they reject the market- and intermediary-based views. In contrast, Tadesse[23] finds that the difference between intermediary-based and market-based financial systems is important for explaining economic growth. For countries with underdeveloped financial sectors, intermediary-based systems outperform market-based systems, while for countries with developed financial sectors; market-based systems outperform intermediary-based systems. In contrast, Levine and Zervos[24] argue that higher stock market liquidity, irrespective of the development of banks (or greater bank development irrespective of the development of stock markets), leads to higher growth.

In fact, there is strong evidence that financial structure-the mixture of financial markets and intermediaries-is not important for explaining differential growth rates across countries. Countries do not grow faster, and firms' access to finance is not systematically easier in either market- or intermediary-based systems. For example, Germany and Japan-are major intermediary-based systems-and the United States and United Kingdom- are the foremost market-based systems-have had different financial

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[20] Goldsmith, *Financial Structure and Development*, pp. 372-409.

[21] Levine, "Bank-Based or Market-Based," p. 16-23.

[22] A. Demirgüç-Kunt, and R. Levine, *Financial Structure and Economic Growth: A Cross-Country Comparison of Banks, Markets, and Development* (Cambridge: MIT Press, 2001). Cited in Veronika Dolar and Cesaire Meh, "Financial Structure and Economic Growth: A Non-Technical Survey," Bank of Canada, Working Paper 2000-24 (September 2002). p. 3.

[23] S. Tadesse, "Financial Architecture and Economic Performance: International Evidence," William Davidson Institute Working Paper 449 (Columbia: University of South California, 2001), p. 28.

[24] R. Levine, and S. Zervos. "Stock Markets, Banks, and Economic Growth." *The American Economic Review*, vol. 88, no. 3, 1998. p. 537-58.

systems, but they have had similar growth rates over time. This might imply that the most important factor is that a sound legal system effectively protects the rights of investors and enforces contracts efficiently. This in turn would improve the operations of financial markets and intermediaries, with positive implications for long-run growth. This conclusion is consistent with the broad empirical analysis of financial structure and economic growth by Demirgüç-Kunt and Levine "Through a diverse set of analyses, the answers are surprisingly clear . . . Overall financial development matters for economic success, but financial structure per se does not seem to matter much." [25]

This suggests an important policy message: policy-makers should focus on legal, regulatory, and other policy reforms that encourage the proper functioning of both markets and intermediaries, rather than concern themselves with the degree to which their national financial system is market- or intermediary-based.

## II.10. Chapter Summery

Percentage share of the financial sector's contribution to GDP is very small in Bangladesh, which was only 1.54 percent in the FY 1999-2000, and it was the lowest value relative to our neighbouring countries. The financial system of Bangladesh consists of Bangladesh Bank, Nationalised Commercial Banks (NCB), Specialised Banks (SBs), Private Commercial Banks (PCBs), Foreign Commercial Banks (FCBs), Insurance Corporation and Companies, Investment/Merchant Banks, Discount Houses, Pension Funds, Leasing and Finance Companies (NBFIs), Co-operative Credit Societies, Post Office Savings Banks, Money Exchanger, Micro Finance Institutions and Securities Exchanges. All these financial institutions participate either in money market or in capital market or in both markets. There are three distinct components of money market in Bangladesh, the inter-bank market, call money market and bill market, though all these markets still operate within a limited scale. The present day capital market in Bangladesh has two segments, namely, securities segments and non-securities segments. The security segment consists of two stock exchanges. Financial

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[25] Demirgüç-Kunt, *Financial Structure and Economic Growth.* Cited in Veronika Dolar and Cesaire Meh, "Financial Structure and Economic Growth: A Non-Technical Survey," Bank of Canada, Working Paper 2000-24 (September 2002). p. 4.

intermediaries, such as merchant banks, assets management company, underwriters, broker-members etc. are involved in this segment. Non-securities segments are those markets in which loan/equity loan are provided by the banks and financial institutions, such as NCBs, DFIs PCBs ICB. Bangladesh Bank, as the central Bank, is the controlling authority of these financial institutions. Simultaneously it has to formulate and implement monetary policy, manage foreign exchange reserves, supervise banks and non-bank financial institutions. It also has the delegated authority of issuing policy directives regarding foreign exchange regime. Recently BB introduced new interest rate policy, new policy on capital adequacy, new accounting policies. BB also declared taka convertible for current transactions and notifies a trading band for exchange rate. The leading financial institutions in Bangladesh are banking financial institutions and NCBs dominates in the banking business in Bangladesh. As on December 2000 NCBs accounted for 55 percent of total deposits, 47 percent of total amount of advances, 69 percent of total amount of investment, 43 percent of total amount of assets, 58 percent of total employment, and 59 percent of total number of branches of all scheduled banks in Bangladesh. As on December 2000 there were twenty-two leasing and finance companies in Bangladesh. Of these institutions, ten were local and the rest twelve were established under joint venture with foreign participation. The value of deposits, advances, investment and assets of these twenty two leasing and finance companies as on December 2000 were Tk. 1,730.15 million, Tk. 13,683.68 million, Tk. 3,016.60 million and Tk. 17,643.80 million respectively. As on December 2000 the number of life insurance companies in Bangladesh was 17 including JBC, ALICO and postal life insurance and among these 15 were private. The numbers of general insurance companies were 42 and 41 belonged to private sector. The value of total gross premium, investment and assets of these 57 life and general insurance companies excluding postal life insurance for the year 2000 were Tk. 11,033.65 million, Tk. 18,428.47 million and Tk. 32,690.59 million respectively. Grameen Bank as a formal institution and many other MF-NGOs as non-formal institutions are working together for providing micro-credit in the rural financial market in Bangladesh. Grameen Bank and MF-NGOs combindly up to December 2000 disbursed Tk. 301,002.85 million as loan and the number of their active member were 13,400,019. And there are two stock

exchanges namely Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE), which are dealing in the secondary capital market in Bangladesh. The combined value of the total annual turnover and market capitalisation of these two stock exchanges for the year 2000 were Tk. 53,007.00 million and Tk. 120,683.60 million.

There is not any clear-cut conclusion about which financial system – intermediary-based or stock-market-based – is better. Though an opinion suggests that for countries with underdeveloped financial sectors, intermediary-based systems outperform market-based systems, while for countries with developed financial sectors, stock-market-based systems outperform intermediary-based systems. But other views suggest that policy-makers should focus on legal, regulatory, and other policy reforms that encourage the proper functioning of both markets and intermediaries, rather than concern themselves with the degree to which their national financial system is market- or intermediary-based.

The next chapter deals with Bangladesh Bank, the apex financial institution of Bangladesh, and money supply.

# Chapter III
## Growth of Central Bank and Money Supply

1. Bangladesh Bank and its Structure
   a. Banking Department
   b. Issue Department
   c. Comparison of Assets Between Banking and Issue Department
   d. Income Statement of Bangladesh Bank
2. Money
   a. Components of Money Supply
   b. Sources of Money Supply
   c. Components of Reserve Money
   d. Sources of Reserve Money
   e. Money Multiplier
3. Chapter Summary

# Chapter III

# Growth of Central Bank and Money Supply

## III.1. Bangladesh Bank and its Structure

Bangladesh Bank (BB), as the central bank, has legal authority to supervise and regulate all the banks. It performs the traditional central banking functions of issuing notes and acting as banker to the government and that to the banks. It formulates and implements monetary policy, maintains value of taka, decides on rates of exchange, manages foreign exchange reserves and supervises banks and non-bank financial institutions. Its prudential regulations include maintaining minimum capital requirements, limits on loan concentration and insider borrowing and guidelines for asset classification and income recognition. BB has power to impose penalties for non-compliance and also intervene in management of a bank if serious problems arise. It also provides deposit insurance to small depositors and has the delegated authority of issuing policy directives regarding foreign exchange regime[1]. In the 3rd chapter of the Bangladesh Bank order 1972 the following functions of the Bank has been narrated.

> 16A. Function of the Bank shall be: To set and implement monetary credit and exchange rate policy; To issue notes and coins; To license regulate and supervise banks and financial institutions; To manage international reserves; To act as fiscal agent and banker for the Government; To act as creditor to the Government; To act as financial advisor to the Government; To be a lender to banks against collateral and as lender of last resort; To manage and supervise the payments system; To publish economic statistics and reports on the state of the banking sector; To pay a role in international monetary cooperation; and To set and manage its own budge[2]

After the surrender of the occupied forces on the 16th day of December 1971, the Government of the People's Republic of Bangladesh formally took over the responsibility of the administration of the territories now constitute Bangladesh. In an attempt to rehabilitate the war devastated banking of Bangladesh, the Government promulgated a law called the Bangladesh Banks (Temporary) Order, 1971 (Acting President's Order No. 2 of 1971) (Appendix-XVIII). By this Order, the State Bank of Pakistan was declared to be deemed as offices, branches and assets of Bangladesh

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[1] Md. Nazrul Huda, "Bangladesh's Financial Sector," *Bank Parikrama,* Vol. XXII, No. 3 and 4 (September and December 1997), p. 34.

[2] Government of Bangladesh, *Bank Shangoskar Committeer Protibedon,*[Report of the Bank Reconstruction Committee], (Dhaka: GOB, 1999), p. 13.

Bank. It was also declared by the said order that all currency notes and coins issued by the said State Bank and Government of Pakistan and were in circulation in Bangladesh shall be deemed to have issued by the Bangladesh Bank or, as the case may be, by the Government of the Bangladesh and continue as legal tender in Bangladesh until otherwise directed[3]. However, the establishment of the Central Bank was delayed till 31st October 1972, the day on which the Bangladesh Bank Order, 1972 (President's Order No. 127 of 1972) (Appendix-II) was promulgated, which was deemed to have taken effect on the 16th December 1971. Under this Order, Bangladesh Bank (Temporary) Order, 1971 was repealed[4].

The general superintendence and direction of affairs and business of the Bank are entrusted to a nine member Board of Directors which consists of the Governor as chairman, a Deputy Governor, three senior government officials and four persons having experience and proven capacity in the fields of banking, trade, commerce, industry or agriculture - all nominated by the government. The board, which is the highest policy making body, meets at least six times a year and at least once every quarter under the chairmanship of the Governor. The Governor, appointed by the government as the chief executive officer, directs and controls all the affairs of the Bank on behalf of the Board.

In the year 1972, Bangladesh Bank had only 4 branches through out the country and from then to 1990, by this 18 years, the number of the branches increased to 9; but from then to 2000 no new branch was opened.[5] Among the nine branches two are situated in Dhaka district: one in Motijheel and the other in Sadarghat, and the rest 7 branches are situated in Barisal, Bogra, Chittagong, Khulna, Rajshahi, Rangpur, and in Sylhet respectively.[6] In the year 1972, numbers of employees were 2,562 and at the end of the year 1993 the number of employees increased to ever-highest 6,435; but from then to 2000 every year the number decreased, and at the end of the year 2000, the number of employees reached 5,898.[7]

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[3] M. Abul Bashar Bhuiya, *Bangladesh Laws on Banks and Banking* (2nd ed., Dhaka: CKB and Co, 1996), p. 13.

[4] Ministry of Finance and Planning, *Resume of the Activities of the Financial Institutions in Bangladesh 1981-82*, (Dhaka: Finance Division, GOB, 1982), p. 1.

[5] Appendix: Table-6.

[6] Bangladesh Bank Web page, www.bangladesh-bank.org\about\branches

[7] Appendix: Table-6

For carrying on the functions, the Bank is organised into a number of Departments/Divisions such as, Administration and Expenditure Department, Agricultural Credit Department, Agricultural Credit Project Department, Agricultural Credit Inspection Department, Audit and Inspection Department, Bangladesh Bank Training Academy, Computer Department-1, Computer Department-2, Credit Information Bureau, Currency Management and Accounts Department, Department of Banking Operation and Development, Department of Banking Inspection-1, Department of Banking Inspection-2, Department of Public Relations and Publications, Engineering Department, Financial Institutions Department, Foreign Exchange Policy Department, Foreign Exchange Investment Department, Foreign Exchange Inspection Department, International Department, Industrial Credit Department, Law Department, Monetary Management and Technical Unit, Personnel Department, Problem Bank Monitoring Department, Research Department-1, Research Department-2, Research Department-3, Secretary's Department, Security's Department, Statistics Department-1, and Statistics Department-2.[8]

The Issue Department and the Banking Department are the two major machineries of the Accounts Department. The Issue Department deals with note issue, while the Banking Department transacts general banking business. The accounts of these two Departments are maintained and published separately in the weekly Statement of Affairs and Annual Balance Sheet of the Bank. In Bangladesh, a "Fixed Reserve System" is in operation. According to the existing practice, of the total amount of assets of the issue department against the notes in circulation, assets of at least Tk. 40.00 crore are held in gold coins, gold bullion, silver bullion, Special Drawing Rights, Asia Monetary Units, Islamic Dinar or other approved foreign currencies: there is no upper limit for such holdings[9].

The functions and responsibilities of the Bangladesh Bank are akin to those performed and shouldered by any Central Bank in the world. Formulation of the monetary and credit policy for economic stability, issue of Bank notes, development of money market, promotion of the best interest of the economy, utilisation of the productive resources of the country and stabilisation of the internal and external value of the currency (Taka) form the hardcore of the functions of the Bank. Being the Central Bank, it is also the Banker's Bank and banker to the Government. Under the charter, the

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[8] Bangladesh Bank, *Annual Report 2001-2002* (Dhaka: Bangladesh Bank), p. vi.

[9] Ministry of Finance and Planning, *Resume of the Activities,* p. 1.

Bank is obliged to accept all deposits and collect money for the Government, the local authorities and the Banks, free of charges. The purchases, sale and rediscount of Bills of Exchange and promissory notes drawn on and payable in Bangladesh are also included in the functions of the Bank. The Bank manages the public debt and is sole custodian of foreign exchange.

Now in the following sections the basic features of the balance sheet of BB has been analysed.

## III.1.1. Banking Department

The function of the Banking Department of BB is like the function of other banks, but it does not transact with general public but transacts with other financial institutions and with different government concerns. The intention of the Banking Department is not to earn profit through transaction. The balance sheet analysis of the Banking Department shows the matrix of financial transaction of the apex financial institution of the country.

### III.1.1.1. Growth Trend of Balance Sheet of Banking Department (Assets)

The growth trend of assets is analysed in Table III–1. In the table we have included all the components of assets within three categories. The table shows that the amount of 'Notes and Coin, Bills Purchased and Balanced abroad' increased from Tk. 1,710.8 million from the year 1975 to Tk. 40,176.8 million in the year 2000 registering annual average SGR of 26.53 percentage and CGR of 13.46 percentage. It shows that the amount of 'Loan and Advances, Government Debtor Balance and Investment' was Tk. 3,856.0 million in the year 1975, which gradually increased to Tk. 49,359.1 million in the year 2000 with the annual SGR and CGR of 16.7 and 10.74 percentages respectively. The 'Other Assets' was Tk. 121.7 million in the year 1975, which swelled to Tk. 26,203.5 million in the year 2000 with the average annual SGR and CGR of 37.30 and 23.97 percentages respectively. And the total assets as a whole increased from Tk. 5,688.5 million in the year 1975 to Tk. 115,739.4 million in the year 2000 with the annual average SGR and CGR of 14.41 and 12.81 percentages respectively. The above analysis shows that the both growth rates are more for 'Other Assets' than the other components of the balanced sheet. Its means that the growth rate of non-traditional assets was quicker than that of the traditional assets.

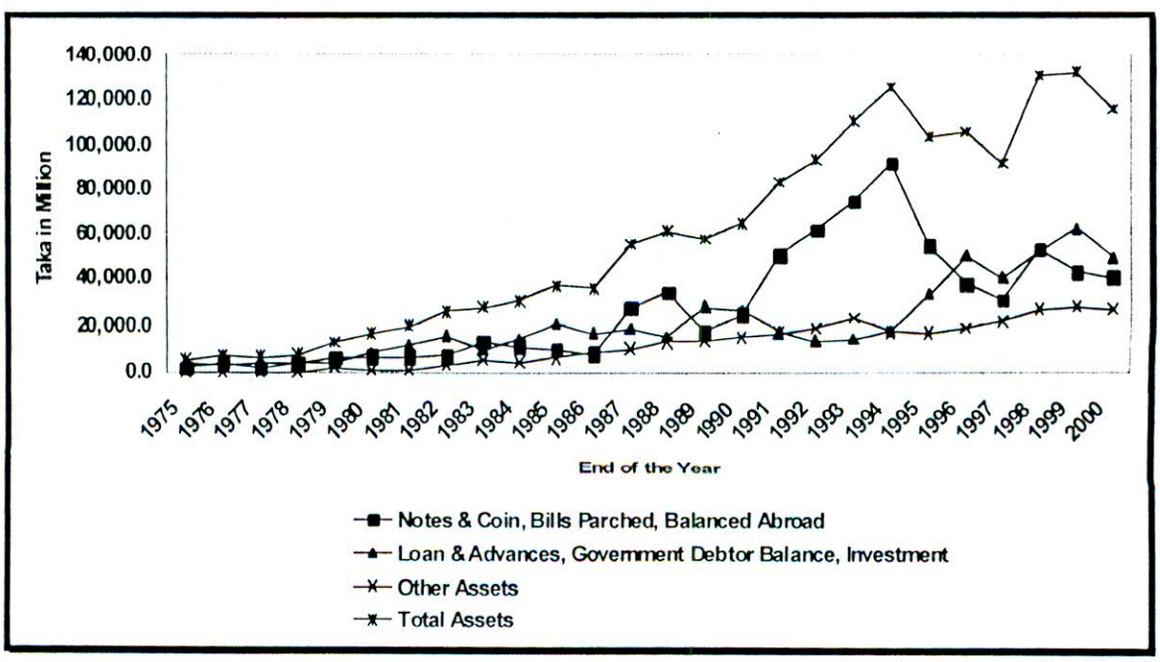
## Table III–1
## Different Components of Assets of Banking Department of BB and its Growth Pattern

| End of Period | Notes and Coin, Bills Purchased, Balanced Abroad | SGR percentage of Notes and Coin, Bills Parched, Balanced Abroad | Loan and Advances, Government Debtor Balance, Investment | SGR percentage of Loan and Advances, Government Debtor Balance, Investment | Other Assets | SGR Percentage of Other Assets | Total Assets | SGR percentage of Total Assets |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1975 | 1,710.8 | | 3,856.0 | | 121.7 | | 5,688.5 | |
| 1976 | 3,948.7 | 130.81 | 2,847.8 | -26.15 | 120.7 | -0.82 | 6,968.1 | 22.49 |
| 1977 | 2,186.5 | -44.63 | 4,278.8 | 50.25 | 213.1 | 76.55 | 6,678.4 | -4.16 |
| 1978 | 3,787.2 | 73.21 | 3,777.0 | -11.73 | 417.8 | 96.06 | 7,982.0 | 19.52 |
| 1979 | 6,164.1 | 62.76 | 4,710.7 | 24.72 | 2,002.5 | 379.30 | 12,882.7 | 61.40 |
| 1980 | 6,649.3 | 7.87 | 8,682.7 | 84.32 | 1,006.0 | -49.76 | 16,338.0 | 26.82 |
| 1981 | 6,592.9 | -0.85 | 12,057.3 | 38.87 | 1,216.3 | 20.90 | 19,866.5 | 21.60 |
| 1982 | 7,030.5 | 6.64 | 15,357.1 | 27.37 | 3,061.7 | 151.72 | 25,449.3 | 28.10 |
| 1983 | 12,510.9 | 77.95 | 9,653.1 | -37.14 | 5,239.1 | 71.12 | 27,403.1 | 7.68 |
| 1984 | 11,214.1 | -10.37 | 13,694.0 | 41.86 | 4,675.3 | -10.76 | 29,583.4 | 7.96 |
| 1985 | 9,673.8 | -13.74 | 20,588.5 | 50.35 | 6,075.2 | 29.94 | 36,337.5 | 22.83 |
| 1986 | 7,911.4 | -18.22 | 16,399.4 | -20.35 | 8,289.3 | 36.44 | 35,270.1 | -2.94 |
| 1987 | 27,019.1 | 241.52 | 18,013.9 | 9.84 | 9,932.4 | 19.82 | 54,965.4 | 55.84 |
| 1988 | 33,441.4 | 23.77 | 14,893.4 | -17.32 | 12,412.4 | 24.97 | 60,747.2 | 10.52 |
| 1989 | 16,769.3 | -49.85 | 27,442.4 | 84.26 | 13,023.1 | 4.92 | 57,234.8 | -5.78 |
| 1990 | 24,157.0 | 44.05 | 25,465.6 | -7.20 | 14,727.3 | 13.09 | 64,349.9 | 12.43 |
| 1991 | 50,138.4 | 107.55 | 16,674.1 | -34.52 | 16,367.4 | 11.14 | 83,179.9 | 29.26 |
| 1992 | 61,322.2 | 22.31 | 13,355.4 | -19.90 | 18,469.2 | 12.84 | 93,146.8 | 11.98 |
| 1993 | 74,290.7 | 21.15 | 13,808.8 | 3.39 | 22,356.1 | 21.05 | 110,455.6 | 18.58 |
| 1994 | 91,632.9 | 23.34 | 17,031.0 | 23.33 | 16,688.7 | -25.35 | 125,352.6 | 13.49 |
| 1995 | 54,200.8 | -40.85 | 32,774.2 | 92.44 | 16,463.8 | -1.35 | 103,438.8 | -17.48 |
| 1996 | 37,297.5 | -31.19 | 50,040.2 | 52.68 | 18,308.5 | 11.20 | 105,646.2 | 2.13 |
| 1997 | 30,274.4 | -18.83 | 40,398.6 | -19.27 | 21,151.7 | 15.53 | 91,824.7 | -13.08 |
| 1998 | 52,496.9 | 73.40 | 51,733.4 | 28.06 | 26,247.6 | 24.09 | 130,477.9 | 42.09 |
| 1999 | 42,657.1 | -18.74 | 62,060.9 | 19.96 | 27,245.9 | 3.80 | 131,963.9 | 1.14 |
| 2000 | 40,176.8 | -5.81 | 49,359.1 | -20.47 | 26,203.5 | -3.83 | 115,739.4 | -12.29 |
| Annual Average SGR | | 26.53 | | 16.71 | | 37.30 | | 14.41 |
| CGR | | 13.46 | | 10.74 | | 23.97 | | 12.81 |

Source: Appendix: Table-5-A1.

In the following Figure III-1, the absolute value of the components of assets, from the above table, has been depicted against each year. It is observed that after the year 1995 absolute value of 'Notes and Coin, Bill Purchased, and Balanced Abroad' reduced dramatically from its peak, as a result total assets also reduced in the following two years.

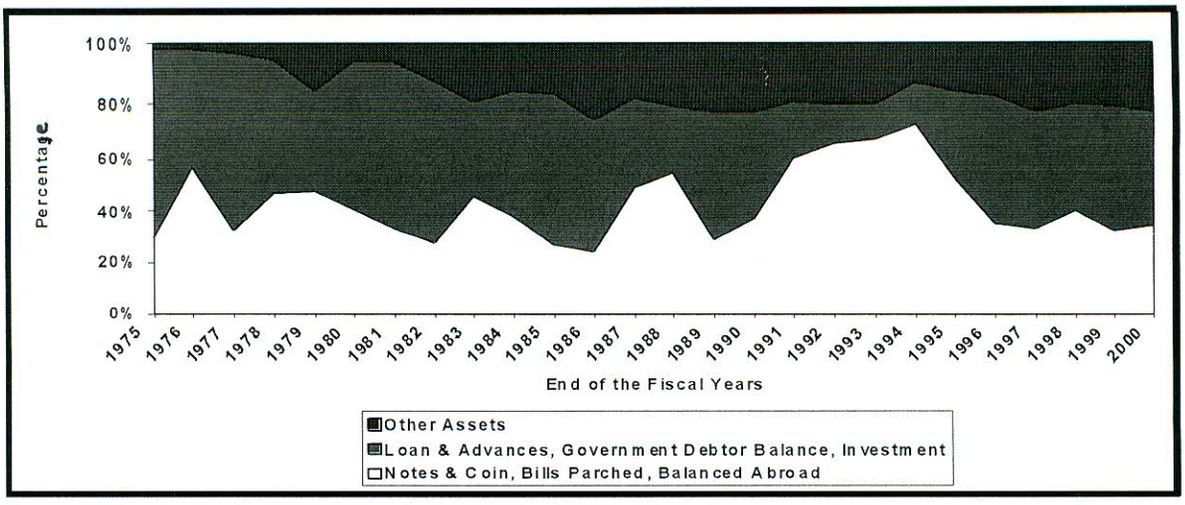
**Figure III-1**
**Trend Pattern of Different Components of Assets of Banking Department of BB**




Source: Table III–1.

In the following Figure III-2, percentage share of different components of assets of banking department of BB has been depicted. From the figure is seen that the percentage share of 'Note and Coin, Bill Purchased, and Balanced Abroad' was very much unstable, sometimes its share remained above 60% and sometimes it reduced to about 30%. The unstable movement was also true for the percentage share of 'Loan and Advances, Government Debtor Balance and Investment'. It is seen that in some years its share reduced to less than 10% but in some other period it rose to above 60%. But there was an increasing trend of the percentage share of 'Other Assets'.

**Figure III-2**
**Share of Different Components of Assets of Banking Department of BB**




Source: Table III–1.

### III.1.1.1.1. Trend Equation of Assets (Banking Department)

To compare the growth trends of the components of assets more critically, semi-logarithmic trend lines are estimated for the period from 1975 to 2000. The semi-logarithmic trend equation shows the relationship between different components of assets (Y) as dependent variable and time (X) as independent variable has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for components of assets are shown in Table III–2.

**Table III–2**
**Estimated Semi-Logarithmic Trend Lines of Assets (Banking Department)**

| Types of Assets | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Notes and Coin, Bill Purchased and Balanced Abroad | 3.42 | 0.0584 | 0.82 | 14.39 | 10.43 | 0.00 | S |
| Loan and Advances, Government Debt or Balance and Investment | 3.57 | 0.0448 | 0.83 | 10.86 | 10.80 | 0.00 | S |
| Other Assets | 2.51 | 0.0885 | 0.83 | 22.60 | 10.71 | 0.00 | S |
| Total Assets | 3.84 | 0.0561 | 0.92 | 13.78 | 17.23 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 25 degrees of freedom and 0.05 level of significance is 1.708

The table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggests that the amount of each component of Assets increased in the country during the period. It is also obvious from the table that the 'Other Assets' increased at the highest rate with TGR of 22.60 percentage followed by 'Notes and Coin, Bill Purchased and Balance Abroad' with the TGR of 14.39 percentage. And the TGR percentages of 'Loan and Advance, Government Debt and Investment' and Total Assets were 10.86 and 13.78 respectively.

### III.1.1.2. Growth Trend of Balance Sheet of Banking Department (Liabilities)

The growth trend of Liabilities of banking department is analysed in Table III–3. In the table we have included all the components of liabilities within three categories. The table shows that the amount of 'Paid up Capital and Other fund' increased from Tk. 182.50 million from the year 1975 to Tk. 9,147.8 million in the year 2000 registering annual average SGR of 17.83 percentage and CGR of 16.95 percentage. It shows that the amount of 'Deposits and Bills Payable' was Tk. 2,947.6 million in the year 1975, which gradually increased to Tk. 61,318.1 million in the year 2000 with the annual SGR and CGR of 15.30 and 12.91 percentages respectively. The 'Other Liabilities' was Tk. 2,558.4 million in the year 1975, which swelled to Tk. 45,273.5 million in the year 2000 with the average annual SGR and CGR of 15.18 and 12.18 percentages respectively. And the total Liabilities as a whole increased from Tk. 5,688.5 million in the year 1975 to Tk. 115,739.4 million in the year 2000 with the average annual SGR and CGR of 14.41 and 12.81 percentages respectively. The above analysis shows that both the growth rates were more for 'Paid up Capital and Others Fund' than those of the other components.

## Table III–3
## Different Components of Liabilities of Banking Department of BB and its Growth Pattern

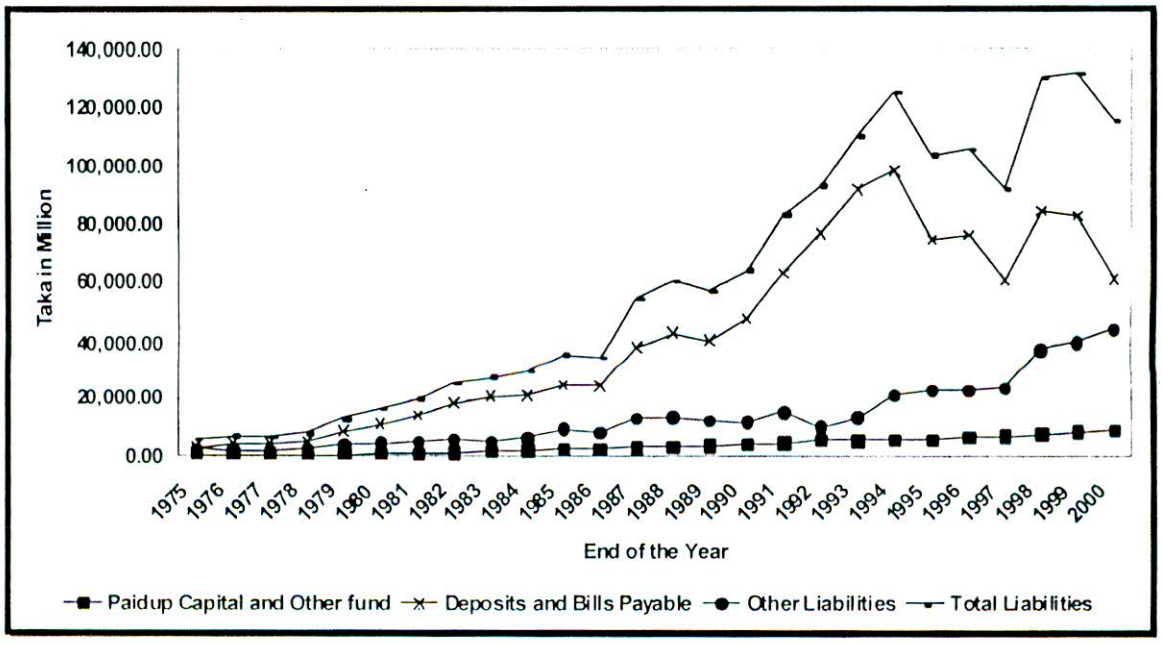
| End of Period | Paid up Capital and Others Fund | SGR of Paid up Capital, Others Fund | Deposits, Bills Payable | SGR of Deposits, Bills Payable | Other Liabilities | SGR of Other Liabilities | Total Liabilities | SGR of Total Liabilities |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1975 | 182.50 | | 2,947.6 | | 2,558.4 | | 5,688.5 | |
| 1976 | 222.50 | 21.92 | 4,552.6 | 54.45 | 2,192.9 | -14.29 | 6,968.0 | 22.49 |
| 1977 | 262.50 | 17.98 | 4,522.0 | -0.67 | 1,893.9 | -13.63 | 6,678.4 | -4.16 |
| 1978 | 302.50 | 15.24 | 5,101.5 | 12.82 | 2,578.0 | 36.12 | 7,982.0 | 19.52 |
| 1979 | 385.00 | 27.27 | 8,579.2 | 68.17 | 3,918.5 | 52.00 | 12,882.7 | 61.40 |
| 1980 | 635.00 | 64.94 | 11,068.6 | 29.02 | 4,634.3 | 18.27 | 16,338.0 | 26.82 |
| 1981 | 945.00 | 48.82 | 14,074.2 | 27.15 | 4,847.3 | 4.60 | 19,866.5 | 21.60 |
| 1982 | 1,255.00 | 32.80 | 18,409.4 | 30.80 | 5,784.9 | 19.34 | 25,449.3 | 28.10 |
| 1983 | 1,570.00 | 25.10 | 20,974.4 | 13.93 | 4,858.7 | -16.01 | 27,403.1 | 7.68 |
| 1984 | 1,950.00 | 24.20 | 21,282.1 | 1.47 | 6,351.3 | 30.72 | 29,583.4 | 7.96 |
| 1985 | 2,330.0 | 19.49 | 24,663.7 | 15.89 | 9,343.8 | 47.12 | 36,337.5 | 22.83 |
| 1986 | 2,710.0 | 16.31 | 24,447.9 | -0.87 | 8,112.2 | -13.18 | 35,270.1 | -2.94 |
| 1987 | 3,090.0 | 14.02 | 38,778.8 | 58.62 | 13,096.5 | 61.44 | 54,965.4 | 55.84 |
| 1988 | 3,470.0 | 12.30 | 43,900.6 | 13.21 | 13,376.6 | 2.14 | 60,747.2 | 10.52 |
| 1989 | 3,732.3 | 7.56 | 41,423.0 | -5.64 | 12,079.5 | -9.70 | 57,234.8 | -5.78 |
| 1990 | 4,117.8 | 10.33 | 48,299.9 | 16.60 | 11,932.2 | -1.22 | 64,349.9 | 12.43 |
| 1991 | 4,506.9 | 9.45 | 63,319.8 | 31.10 | 15,353.2 | 28.67 | 83,179.9 | 29.26 |
| 1992 | 5,965.9 | 32.37 | 76,964.3 | 21.55 | 10,216.6 | -33.46 | 93,146.8 | 11.98 |
| 1993 | 5,428.5 | -9.01 | 91,619.7 | 19.04 | 13,407.4 | 31.23 | 110,455.6 | 18.58 |
| 1994 | 5,808.4 | 7.00 | 98,120.2 | 7.10 | 21,424.0 | 59.79 | 125,352.6 | 13.49 |
| 1995 | 5,747.8 | -1.04 | 74,704.4 | -23.86 | 22,986.6 | 7.29 | 103,438.8 | -17.48 |
| 1996 | 6,427.9 | 11.83 | 76,251.5 | 2.07 | 22,966.8 | -0.09 | 105,646.2 | 2.13 |
| 1997 | 7,107.9 | 10.58 | 60,989.5 | -20.02 | 23,727.3 | 3.31 | 91,824.7 | -13.08 |
| 1998 | 7,787.9 | 9.57 | 84,397.3 | 38.38 | 38,292.7 | 61.39 | 130,477.9 | 42.09 |
| 1999 | 8,467.9 | 8.73 | 82,805.2 | -1.89 | 40,690.8 | 6.26 | 131,963.9 | 1.14 |
| 2000 | 9,147.8 | 8.03 | 61,318.1 | -25.95 | 45,273.5 | 11.26 | 115,739.4 | -12.29 |
| Annual Average SGR | | 17.83 | | 15.30 | | 15.18 | | 14.41 |
| CGR | | 16.95 | | 12.91 | | 12.18 | | 12.81 |

Source: Appendix: Table-5-A2.

The SGR percentage of 'Paid up Capital and Other Fund' was positive for all the years except two years. But the annual SGR of other components and total liabilities were some extent unstable over the period.

In the following Figure III-3, the absolute value of the components of liabilities, from the above table, has been depicted against each year.

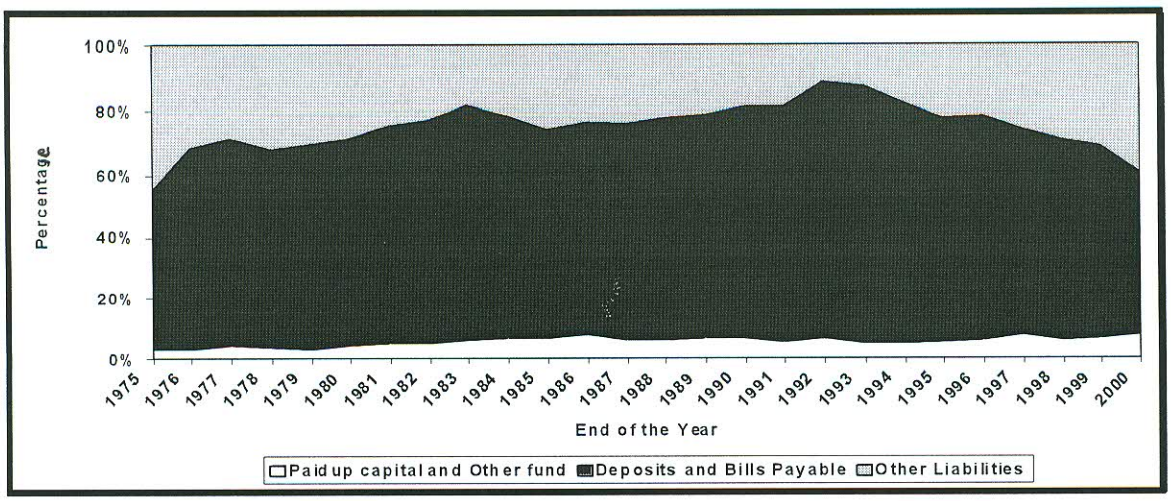
**Figure III-3**
**Trend Pattern of Different Components of Liabilities of Banking Department of BB**




Source: Table III–3.

In the following Figure III-4, percentage share of different components of liabilities of banking department of BB has been depicted. From the figure is seen that the percentage share of 'Paid up capital and Other Fund' in total liabilities was the lowest, less than 10%, but the share had an increasing tendency. Most of the share went to 'Deposits, and Bills Payable'; it varied almost fifty to seventy five percentages. The share of 'Other liabilities' gradually decreased from the year 1975 to the year 1992 then it began to rise, its share varied between 45 and 15 percentages over the period.

**Figure III-4**
**Share of Different Components of Liabilities of Banking Department of BB**




Source: Table III–3.

### III.1.1.2.1. Trend Equation of Liabilities (Banking Department)

To compare the growth trends of the components of liabilities more critically, semi-logarithmic trend lines are estimated for the period from 1975 to 2000. The semi-logarithmic trend equation shows the relationship between different components of liabilities (Y) as dependent variable and time (X) as independent variable, which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for components of liabilities are shown in Table III–4.

**Table III–4**
**Estimated Semi-Logarithmic Trend Lines of Liabilities (Banking Department)**

| Types of Liabilities | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Paid up Capital, Others Fund | 2.42 | 0.067 | 0.91 | 16.81 | 15.77 | 0.00 | S |
| Deposits and Bills Payable | 3.68 | 0.057 | 0.88 | 14.02 | 13.23 | 0.00 | S |
| Others Liabilities | 3.29 | 0.050 | 0.95 | 12.40 | 21.70 | 0.00 | S |
| Total Liabilities | 3.84 | 0.056 | 0.92 | 13.78 | 17.23 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 25 degrees of freedom and 0.05 level of significance is 1.708

The table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggests that the amount of each component of liabilities increased in the country during the period. It is also clear from the table that the 'Paid up Capital and Other Fund' increased at the highest rate with TGR of 16.81 percentages. It was the indication of increasing financial strength of B.B. The TGR of the other components were above 12 percentages.

### III.1.2. Issue Department

The function of Issue Department is to issue or inject notes in the economy. Asset-side of the Issue Department shows the determinants of Issued Notes and the liabilities-side shows the total amount of Issued Notes.

#### III.1.2.1. Growth Trend of Balance Sheet of Issue Department (Assets)

The growth trend of assets is analysed in Table III–5. In the table as usual we have included all the asset components within the three categories. The table shows that the amount of 'Foreign Assets' increased from Tk. 700.0 million from the year 1975 to Tk. 41,599.8 million in the year 2000 registering annual average SGR of 29.9 percentage and CGR of 17.75 percentage. It shows that the amount of 'Taka Coin' was Tk. 87.9 million in the year 1975, which gradually increased to Tk. 194.5 million in the year 2000 with the annual average SGR and CGR of 33.9 and 3.23 percentages respectively. The reason of this huge gap between these two ratios is nothing but the erratic movement of absolute value of 'Taka Coin'. The 'Securities, Bills and Commercial Paper' was Tk. 2,955.8 million in the year 1975, which swelled to Tk. 85,854.1 million in the year 2000 with the annual average SGR and CGR of 15.7 and 14.43 percentage respectively. And the total assets as a whole increased from Tk. 3,743.7 million from the year 1975 to Tk. 127,648.4 million in the year 2000 with the average annual SGR and CGR of 15.5 and 15.16 percentages respectively.

## Table III–5
## Different Components of Assets of Issue Department of BB and its Growth Pattern

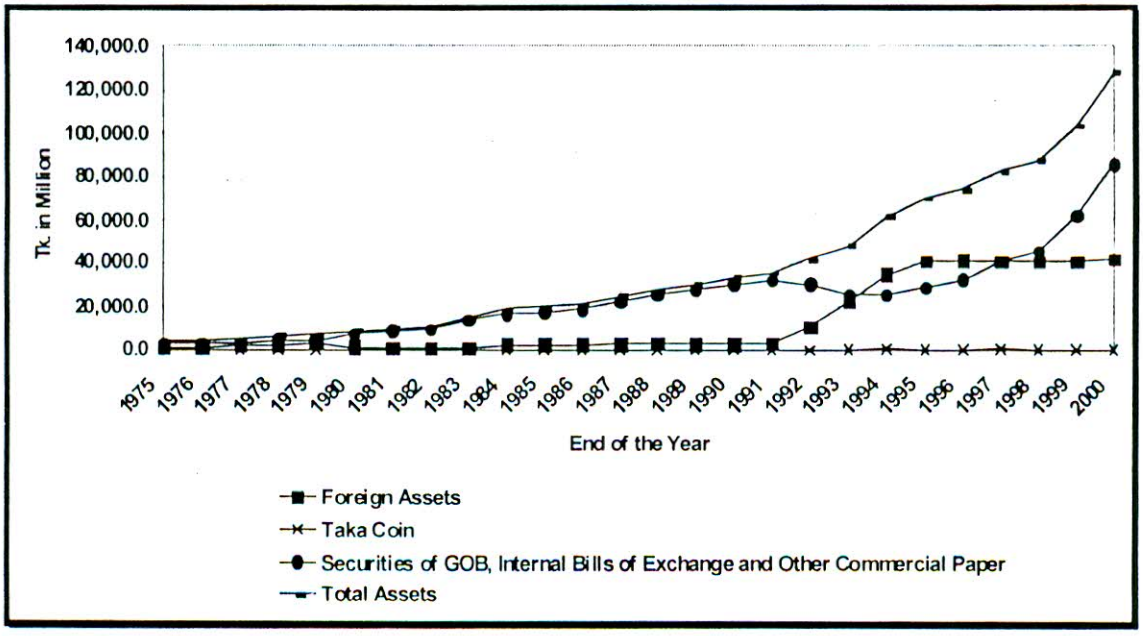
| Period | Foreign Assets | SGR of Foreign Assets | Taka Coin | SGR of Taka Coin | Securities of Bangladesh Govt, Internal Bills of Exchange and Other Commercial Paper | SGR of Securities of Bangladesh Govt, Internal Bills of Exchange and Other Commercial Paper | Total Assets | SGR of Total Assets |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1975 | 700.0 | | 87.9 | | 2,955.8 | | 3,743.7 | |
| 1976 | 1,000.0 | 42.86 | 105.6 | 20.14 | 2,815.9 | -4.73 | 3,921.5 | 4.75 |
| 1977 | 2,000.0 | 100.00 | 101.2 | -4.17 | 3,156.4 | 12.09 | 5,257.6 | 34.07 |
| 1978 | 2,000.0 | 0.00 | 47.2 | -53.36 | 4,686.5 | 48.48 | 6,733.7 | 28.08 |
| 1979 | 2,846.1 | 42.31 | 35.0 | -25.85 | 4,580.4 | -2.26 | 7,461.5 | 10.81 |
| 1980 | 1,349.6 | -52.58 | 21.2 | -39.43 | 7,516.9 | 64.11 | 8,887.7 | 19.11 |
| 1981 | 835.0 | -38.13 | 27.9 | 31.60 | 9,021.5 | 20.02 | 9,884.4 | 11.21 |
| 1982 | 803.0 | -3.83 | 56.5 | 102.51 | 9,743.5 | 8.00 | 10,603.0 | 7.27 |
| 1983 | 936.5 | 16.63 | 24.7 | -56.28 | 13,650.0 | 40.09 | 14,611.2 | 37.80 |
| 1984 | 2,411.3 | 157.48 | 34.1 | 38.06 | 16,735.2 | 22.60 | 19,180.6 | 31.27 |
| 1985 | 2,400.2 | -0.46 | 21.2 | -37.83 | 17,466.3 | 4.37 | 19,887.7 | 3.69 |
| 1986 | 2,515.9 | 4.82 | 27.9 | 31.60 | 18,770.6 | 7.47 | 21,314.4 | 7.17 |
| 1987 | 2,712.2 | 7.80 | 61.2 | 119.35 | 22,471.8 | 19.72 | 25,245.2 | 18.44 |
| 1988 | 2,774.5 | 2.30 | 26.7 | -56.37 | 25,419.5 | 13.12 | 28,220.7 | 11.79 |
| 1989 | 2,692.5 | -2.96 | 84.8 | 217.60 | 27,791.5 | 9.33 | 30,568.8 | 8.32 |
| 1990 | 2,742.8 | 1.87 | 177.3 | 109.08 | 30,681.2 | 10.40 | 33,601.3 | 9.92 |
| 1991 | 2,831.1 | 3.22 | 130.5 | -26.40 | 32,542.8 | 6.07 | 35,504.4 | 5.66 |
| 1992 | 10,886.2 | 284.52 | 86.6 | -33.64 | 30,707.7 | -5.64 | 41,680.5 | 17.40 |
| 1993 | 23,033.3 | 111.58 | 246.1 | 184.18 | 25,650.7 | -16.47 | 48,930.1 | 17.39 |
| 1994 | 35,092.9 | 52.36 | 576.8 | 134.38 | 26,041.1 | 1.52 | 61,710.8 | 26.12 |
| 1995 | 41,096.2 | 17.11 | 320.5 | -44.43 | 28,737.7 | 10.36 | 70,154.4 | 13.68 |
| 1996 | 41,188.9 | 0.23 | 103.4 | -67.74 | 32,705.0 | 13.81 | 73,997.3 | 5.48 |
| 1997 | 41,147.8 | -0.10 | 492.8 | 376.60 | 40,896.2 | 25.05 | 82,536.8 | 11.54 |
| 1998 | 41,081.2 | -0.16 | 375.1 | -23.88 | 46,482.8 | 13.66 | 87,939.1 | 6.55 |
| 1999 | 41,001.6 | -0.19 | 195.8 | -47.80 | 62,472.3 | 34.40 | 103,669.7 | 17.89 |
| 2000 | 41,599.8 | 1.46 | 194.5 | -0.66 | 85,854.1 | 37.43 | 127,648.4 | 23.13 |
| Annual Average SGR | | 29.9 | | 33.9 | | 15.7 | | 15.5 |
| CGR | | 17.75 | | 3.23 | | 14.43 | | 15.16 |

Source: Appendix: Table-5-B1.

From the above table we can comment that there was a harmony between the value of the annual average SGR and CGR for the components of 'Securities, Bills and Commercial Paper' and 'Total Assets'. But the annual SGR percentages of the all components were very much erratic. Most probably all these happened due to utilizing different types of monetary instruments for different situation to achieve monetary goal.

In the following Figure III-5, trend pattern of different components of Assets of Issue department of BB has been depicted.

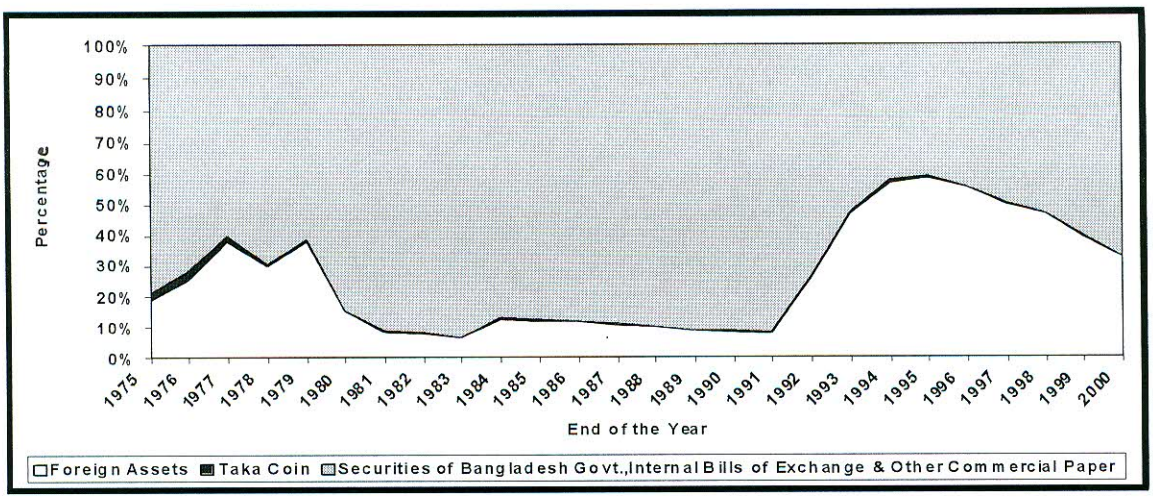
**Figure III-5**
**Trend Pattern of Different Components of Assets of Issue Department of BB**




Source: Table III–5.

In the following Figure III-6, percentage share of different components of assets of issue department of BB has been depicted. From the figure is seen that the percentage share of 'Foreign Assets' was erratic. In the beginning its share remained between 20 and 40 percentages but in the middle period it came down to below 15 percentages and after the year 1990 its share gradually began to increase and reached to 60 percentages. The share of 'Taka Coin' was almost negligible. So the share of 'Securities, Bills and Commercial Paper' was the opposite of 'Foreign Assets'.

**Figure III-6**
**Share of Different Components of Assets of Issue Department of BB**




Source: Table III–5.

### III.1.2.1.1. Trend Equation of Assets (Issue Department)

To compare the growth trends of the components of assets more critically, semi-logarithmic trend lines are estimated for the period from 1975 to 2000. The semi-logarithmic trend equation shows the relationship between different components of assets (Y) as dependent variable and time (X) as independent variable, which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for components of assets are shown in Table III–6.

**Table III–6**
**Estimated Semi-Logarithmic Trend Lines of Assets (Issue Department)**

| Total Assets | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Foreign Assets | 2.65 | 0.076 | 0.80 | 19.23 | 996 | 0.00 | S |
| Taka Coin | 1.42 | 0.038 | 0.43 | 9.09 | 4.26 | 0.00 | S |
| Securities, Bills and Commercial Paper | 3.53 | 0.051 | 0.91 | 12.59 | 15.36 | 0.00 | S |
| Total Assets | 3.57 | 0.059 | 0.99 | 14.57 | 48.07 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 25 degrees of freedom and 0.05 level of significance is 1.708

The table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggests that the amount of each component of Assets increased in the country during the period. It is also clear from the table that the 'Foreign Assets' increased at the highest rate with TGR of 19.23 percentage followed by 'Total Assets' with TGR of 14.57 percentage. It was the indication of increasing strength of foreign trade. And the TGR percentages of 'Taka Coin' and 'Securities, Bill and Commercial Paper' were 9.09 and 12.59 respectively.

### III.1.2.2. Growth Trend of Balance Sheet of Issue Department (Liabilities)

The growth trend of assets of Issue department of BB is analysed in Table III–7. In the table we have included all the components of assets within two categories. The table shows that the amount of 'Notes in the Banking Department' decreased from Tk. 9.5 million from the year 1975 to Tk. 8.9 million in the year 2000 registering annual average SGR of 150.47 percentage and CGR of (-) 0.26 percentage. The reason of this huge gap between these two ratios is nothing but the erratic movement of absolute value of 'Notes in the Banking Department'. In fact when the absolute values move erratically then CGR is not an ideal indicator for measuring growth trend. The table also shows that the amount of 'Notes in Circulation' was Tk. 3,734.2 million in the year 1975, which gradually increased to Tk. 127,639.5 million in the year 2000 with the annual average SGR and CGR of 15.55 and 15.17 percentages respectively. The 'Total Liabilities' was Tk. 3,743.7 million in the year 1975, which swelled to Tk. 127,648.4 million in the year 2000 with the annual average SGR and CGR of 15.54 and 15.16 percentages respectively. The above analysis shows that the both growth rates were equal for 'Notes in Circulation' and 'Total Liabilities'. It means the contribution of 'Notes in the Banking Department' was very much negligible.

The annual SGR percentage of 'Notes in the Banking Department' was very much erratic. But the annual SGR of 'Notes in Circulation' was to some extent smooth and never had it taken the negative value. The percentage share of 'Note in Circulation' in all liabilities was almost 100 percentages.

## Table III–7
## Different Components of Liabilities of Issue Department of BB and its Growth Pattern

| End of Period | Notes in the Banking Department | SGR of Notes in the Banking Department | Notes In Circulation | SGR of Notes In Circulation | Total Notes Issued/Liabilities | SGR of Total Notes Issued/Liabilities |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1975 | 9.5 | | 3,734.2 | | 3,743.7 | |
| 1976 | 13.5 | 42.11 | 3,908.0 | 4.65 | 3,921.5 | 4.75 |
| 1977 | 12.6 | -6.67 | 5,245.0 | 34.21 | 5,257.6 | 34.07 |
| 1978 | 0.9 | -92.86 | 6,732.8 | 28.37 | 6,733.7 | 28.08 |
| 1979 | 11.3 | 1,155.56 | 7,540.2 | 11.99 | 7,551.5 | 12.14 |
| 1980 | 18.4 | 62.83 | 8,869.3 | 17.63 | 8,887.7 | 17.69 |
| 1981 | 4.7 | -74.46 | 9,879.7 | 11.39 | 9,884.4 | 11.21 |
| 1982 | 8.0 | 70.21 | 10,595.0 | 7.24 | 10,603.0 | 7.27 |
| 1983 | 8.6 | 7.50 | 14,602.6 | 37.83 | 14,611.2 | 37.80 |
| 1984 | 8.2 | -4.65 | 19,172.4 | 31.29 | 19,180.6 | 31.27 |
| 1985 | 7.1 | -13.41 | 20,150.6 | 5.10 | 20,157.7 | 5.09 |
| 1986 | 5.0 | -29.58 | 21,309.4 | 5.75 | 21,314.4 | 5.74 |
| 1987 | 9.3 | 86.00 | 25,235.9 | 18.43 | 25,245.2 | 18.44 |
| 1988 | 8.5 | -8.60 | 28,212.2 | 11.79 | 28,220.7 | 11.79 |
| 1989 | 4.8 | -43.53 | 30,564.0 | 8.34 | 30,568.8 | 8.32 |
| 1990 | 6.2 | 29.17 | 33,589.1 | 9.90 | 33,595.3 | 9.90 |
| 1991 | 3.7 | -40.32 | 35,500.7 | 5.69 | 35,504.4 | 5.68 |
| 1992 | 3.7 | 0.00 | 41,676.8 | 17.40 | 41,680.5 | 17.40 |
| 1993 | 0.3 | -91.89 | 48,929.8 | 17.40 | 48,930.1 | 17.39 |
| 1994 | 7.3 | 2,333.33 | 61,703.5 | 26.11 | 61,710.8 | 26.12 |
| 1995 | 7.8 | 6.85 | 70,146.6 | 13.68 | 70,154.4 | 13.68 |
| 1996 | 6.5 | -16.67 | 73,990.8 | 5.48 | 73,997.3 | 5.48 |
| 1997 | 0.8 | -87.69 | 82,536.0 | 11.55 | 82,536.8 | 11.54 |
| 1998 | 3.0 | 275.00 | 87,936.1 | 6.54 | 87,939.1 | 6.55 |
| 1999 | 9.2 | 206.67 | 103,660.5 | 17.88 | 103,669.7 | 17.89 |
| 2000 | 8.9 | -3.26 | 127,639.5 | 23.13 | 127,648.4 | 23.13 |
| Annual Average SGR | | 150.47 | | 15.55 | | 15.54 |
| CGR | | -0.26 | | 15.17 | | 1516 |

Source: Appendix: Table-5-B2.

### III.1.2.2.1. Trend Equation of Liabilities (Issue Department)

To compare the growth trends of the components of liabilities more critically, semi-logarithmic trend lines are estimated for the period from 1975 to 2000. The semi-logarithmic trend equation shows the relationship between different components of liabilities (Y) as dependent variable and time (X) as independent variable, which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for components of liabilities are shown in Table III–8.

**Table III–8**
**Estimated Semi-Logarithmic Trend Lines of Liabilities (Issue Department)**

| Types of Liabilities | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Notes in the Banking Department | 0.96 | -0.0162 | 0.094 | -3.66 | -1.58 | 0.00 | N |
| Notes in Circulation | 3.58 | 0.0591 | 0.989 | 14.57 | 47.52 | 0.00 | S |
| Total Liabilities | 3.58 | 0.0591 | 0.989 | 14.57 | 47.67 | 0.00 | S |

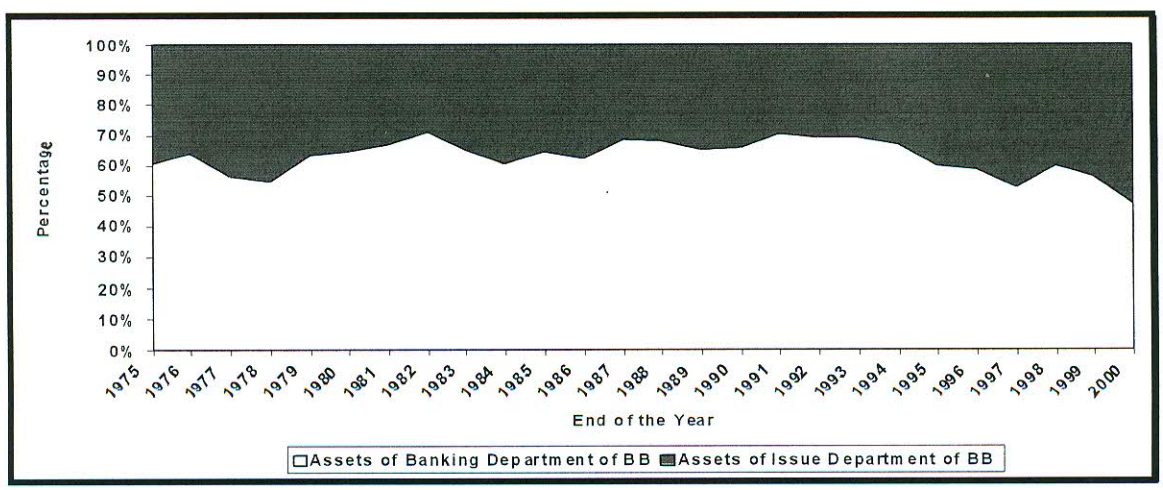
Note Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 25 degrees of freedom and 0.05 level of significance is 1.708

The table shows that the trend line equation of 'Notes in the Banking Department' has negative slope (i.e., the sign of the coefficient of time denoted by 'B') and the slope is found statistically insignificant at five-percentage level of significance. But the trend equations of other two have positive slopes, and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggests that except the 'Notes in the Banking Department' the amount of other two components increased in the country during the period. It is also clear from the table that the TGRs were equal for 'Notes in Circulation' and Total Liabilities.

### III.1.3. Comparison of Assets between Banking and Issue Department of BB

It is seen from the Figure III-7, that the percentage share of the total assets of the banking department was higher than the percentage share of the total assets of Issue department. From the figure we can conclude that the share of the banking department's assets varied between 60 and 70 percentages of the aggregate assets of both departments.

**Figure III-7**
**Percentage of Ratio of Total Assets between Banking and Issue Department of BB**




Source: Table III–1 and Table III–5.

### III.1.4. Income Statement of BB

In Table III–9, income statement of BB and its growth pattern for the whole period have been presented. From the table it is seen that in the year 1972 total income of BB was Tk. 146.50 million and at the end of the year 2000 this figure increased to Tk. 11,725.80 million with annual average SGR and CGR of 19.14 and 116.94 percentages respectively. The value of the total expenditure of BB was Tk. 52.20 million in the year 1972 and it inflated to Tk. 4,566.40 million in the year 2000 with annual average SGR and CGR of 24.66 and 117.32 percentages respectively. The value of the net profit of BB was Tk. 94.30 million in the year 1972 and after 28 years the figure increased to Tk. 7,159.50 million in the year 2000 with annual average SGR and CGR of 22.25 and 116.72 percentages respectively. The cause of huge differences between the value of annual average SGR percentage and CGR percentage in every case is inconsistent and erratic annual growth rate percentages of SGR.

## Table III–9
## Income Statement of BB

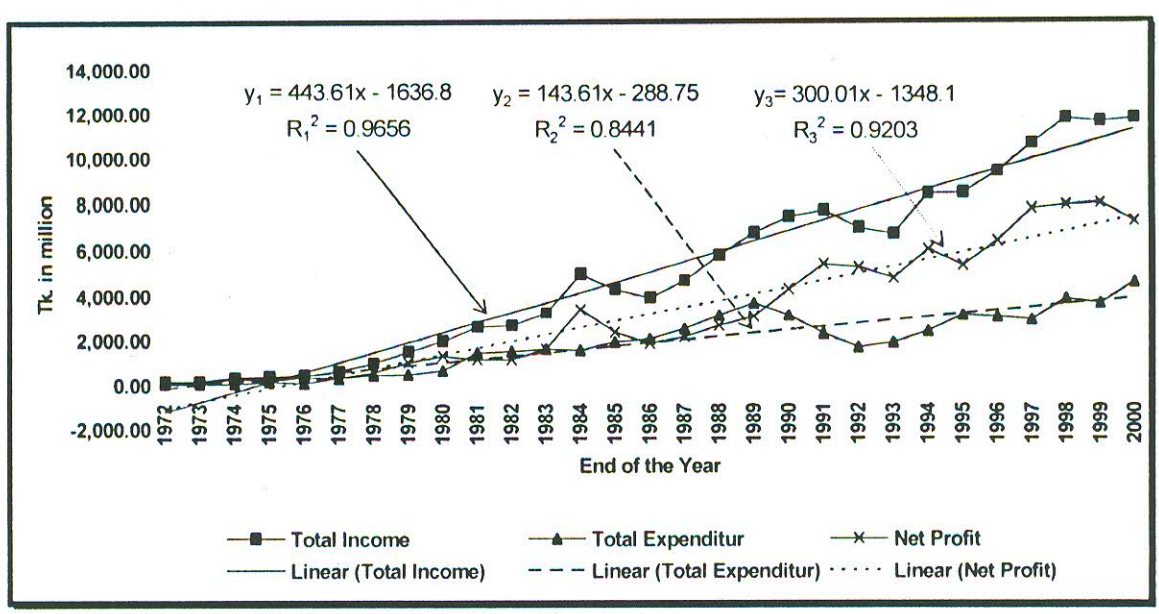
| Period | Total Income (Tk in Million) | SGR percentage of Total Income | Total Expenditure (Tk in Million) | SGR percentage of Total Expenditure | Net Profit (Tk in Million) | SGR percentage of Net Profit |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1972 | 146.50 | | 52.20 | | 94.30 | |
| 1973 | 172.40 | 17.68 | 61.00 | 16.86 | 111.40 | 18.13 |
| 1974 | 342.20 | 98.49 | 68.20 | 11.80 | 274.00 | 145.96 |
| 1975 | 365.10 | 6.69 | 141.70 | 107.77 | 223.40 | -18.47 |
| 1976 | 422.00 | 15.58 | 93.80 | -33.80 | 328.20 | 46.91 |
| 1977 | 614.30 | 45.57 | 308.00 | 228.36 | 306.30 | -6.67 |
| 1978 | 988.10 | 60.85 | 437.80 | 42.14 | 550.30 | 79.66 |
| 1979 | 1,498.50 | 51.65 | 488.00 | 11.47 | 1,010.50 | 83.63 |
| 1980 | 1,955.30 | 30.48 | 645.20 | 32.21 | 1,310.10 | 29.65 |
| 1981 | 2,597.60 | 32.85 | 1,456.90 | 125.81 | 1,140.70 | -12.93 |
| 1982 | 2,646.80 | 1.89 | 1,505.80 | 3.36 | 1,141.00 | 0.03 |
| 1983 | 3,218.00 | 21.58 | 1,621.30 | 7.67 | 1,596.70 | 39.94 |
| 1984 | 4,940.60 | 53.53 | 1,568.70 | -3.24 | 3,371.90 | 111.18 |
| 1985 | 4,273.20 | -13.51 | 1,924.50 | 22.68 | 2,348.70 | -30.34 |
| 1986 | 3,908.40 | -8.54 | 2,060.10 | 7.05 | 1,848.30 | -21.31 |
| 1987 | 4,643.90 | 18.82 | 2,505.70 | 21.63 | 2,138.20 | 15.68 |
| 1988 | 5,723.40 | 23.25 | 3,098.50 | 23.66 | 2,624.90 | 22.76 |
| 1989 | 6,691.70 | 16.92 | 3,652.10 | 17.87 | 3,039.60 | 15.80 |
| 1990 | 7,367.70 | 10.10 | 3,090.50 | -15.38 | 4,277.20 | 40.72 |
| 1991 | 7,658.00 | 3.94 | 2,298.00 | -25.64 | 5,360.00 | 25.32 |
| 1992 | 6,903.20 | -9.86 | 1,681.70 | -26.82 | 5,221.70 | -2.58 |
| 1993 | 6,651.30 | -3.65 | 1,887.10 | 12.21 | 4,764.20 | -8.76 |
| 1994 | 8,380.60 | 26.00 | 2,393.30 | 26.82 | 5,987.30 | 25.67 |
| 1995 | 8,406.40 | 0.31 | 3,104.40 | 29.71 | 5,302.00 | -11.45 |
| 1996 | 9,360.30 | 11.35 | 3,016.90 | -2.82 | 6,343.40 | 19.64 |
| 1997 | 10,593.90 | 13.18 | 2,887.50 | -4.29 | 7,706.40 | 21.49 |
| 1998 | 11,715.60 | 10.59 | 3,847.00 | 33.23 | 7,868.60 | 2.10 |
| 1999 | 11,593.50 | -1.04 | 3,633.70 | -5.54 | 7,959.80 | 1.16 |
| 2000 | 11,725.80 | 1.14 | 4,566.40 | 25.67 | 7,159.50 | -10.05 |
| Annual Average SGR | | 19.14 | | 24.66 | | 22.25 |
| CGR | | 116.94 | | 117.32 | | 116.72 |

Source: From 1972 to 1989; Bangladesh Bank, *Economic Trends*, vol. XXI, no. 12 (Dhaka: Statistics Department, BB), p. 58.

From 1990 to 2000; Bangladesh Bank, *Economic Trends*, vol. XXVII, no. 12 (Dhaka: Statistics Department, BB), p. 70.

In the following Figure III-8, three linear regression trend lines for the expansion of 'total income', 'total expenditure' and 'net profit' of BB for the period from 1972 to 2000 has been drawn. The value of the coefficient of time (x) in all the three cases portrait that in change of one unit time (a single year), total income ($y_1$) on average increased 443.61 million taka, total expenditure ($y_2$) on average increased 143.61 million taka, and Net profit ($y_3$) on average increased 300.01 million taka. And the value of the $R_1^2$ of total income ensures that more than 96 percentage variation of the change of total income over the period can be explained by the linear regression equation $y_1 = 443.61x - 1636.8$. The value of the $R_2^2$ of total expenditure ensures that more than 84 percentage variation of the changes of total expenditure over the period can be explained by the linear regression equation $y_2 = 143.61x - 288.75$. The value of the $R_3^2$ of net profit ensures that more than 92 percentage variation of the change of net profit over the period can be explained by the linear regression equation $y_3 = 300.01x - 1348.1$. It is vivid from the figure that slope of the regression line of the net profit was higher than the slope of the regression line of expenditure. It means that growth rate of net profit of BB was higher than the growth rate of expenditure.

**Figure III-8**
**Trend Pattern of Total Income, Total Expenditure and Net Profit of BB**




Source: Table III–9.

## III.2. Money

Money is a medium of exchange, a unit of account and a store of value. Originally it enhanced economic development by enabling goods to be bought and sold without the need for barter. However, throughout history money has been beset by the problem of its debasement as a store of value as a result of inflation. In the long history of money, which antedates man's recorded history, almost every conceivable commodity has been used as money. Due to such natural advantages as durability, portability, and intrinsic worth, the metals usually became the dominant form of money commodity in most societies. The stamping of metal into units having a standard weight and fineness, known as coinage, goes back at least to 2000 B.C. in China, and perhaps as far back as 5000 B.C. in India. Paper money, originally not money but a promise to pay money, dates back from the ninth century A.D. in China. Paper-equivalent money may very well have been used in the Orient or the Middle East at a still earlier period.

Through out the ancient and middle age history in Bengal's day-to-day transaction *Cowries*[10] was used as a medium of exchange but there are also instances of uses of metallic coinage in the history of Bengal. The circulation of metallic coinage in Bengal dated back to the beginning of English Calendar. There is evidence of circulation of a type of coinage named *Gandok* in the stone inscription of Mahastan. Though it is not yet known about type and shape of that coinage that is whether the *Gandok* was silver or gold coinage. But according to the description of the book *Preplus*[11] a type of gold coinage named *Calitis* was circulated in the *Ganga* port. In the period of Gupta[12] gold and silver coinage was used in Bengal. But after the end of the Gupta Empire that is from the six to seven century degradation of coinage started in general and particularly silver and gold coinage. Later in the Pala[13] dynasty there was the evidence of silver coinage circulation but not gold coinage and in the Sena[14] dynasty not only gold coinage but also silver coinage vanished from circulation. Again in the Middle age under the Muslim reign with the introduction of copper coinage silver and gold coinage was also introduced in Bengal.

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[10] A kind of gastropods its shell used as money.

[11] It is a Greek historian's writing book but the name of the author is not yet to be known.

[12] They maintained an empire over northern and parts of central and western India from the early 4th to the late 6th century AD.

[13] Ruling in Bihar and Bengal from the 8th to the 12th century.

[14] Ruling in Bengal in the 11th and 12th centuries.

A uniform rupee coinage was introduced for the territory of British India by the East India Company in 1835 and from then on, India was on silver bullion standard. Although gold coins continued in use to a limited extent, money in circulation consisted mainly of silver rupees, supplemented by fractional coins and by notes issued by three Presidency banks of Bengal, Madras and Bombay until 1862 and thereafter by the government.[15] Due to abuse in the minting of coins and in the issuance of paper money, these prerogatives of issuing coinage have gradually been relegated to sovereign states, or to central banks acting as agents of the state. Now, that the supply of money is a monopoly of the state, most of the governments are committed in principle to stable prices.[16] The history of money of Bangladesh is related to the history of India and Pakistan. Most of the existing coinage and notes now circulating in Bangladesh has legacy with India and Pakistan. After independence, government of Bangladesh introduced its new currency. During the period from 1971 to December 2000, Government of Bangladesh circulated coinage of 7 different values (1 paisa, 2 paisa, 5 paisa, 25 paisa, 50 paisa, 1 taka, and 5 taka) and notes of 8 different values (1 taka, 2 taka, 5 taka, 10 taka, 20 taka, 50 taka, 100 taka and 500 taka). In Bangladesh, ministry of finance is authorised to introduce coinage and notes of value up to taka two, and rest of the coinage and notes are introduced by the Bangladesh Bank. In the Table III–10, types of notes in circulation in Bangladesh and their dates of introduction are shown.

**Table III–10**
**Types of Notes and the Date of Introduction**

| Types of Notes | Time of Introduction |
|---|---|
| 1 Taka | 02-03-1973 |
| 2 Taka | 29-12-1988 |
| 5 Taka | 15-09-1972 |
| 10 Taka | 02-06-1972 |
| 20 Taka | 20-08-1979 |
| 50 Taka | 01-03-1976 |
| 100 Taka | 01-09-1972 |
| 500 Taka | 15-12-1976 |

Source: Web page of Bangladesh; www.bangladesh-bank.org/currmuse/papercur.html

[15] Raymond W. Goldsmith, *Financial Development of India 1860-1977* (Delhi: Oxford University Press, 1983), p. 9.

[16] *Dictionary of Business* (2nd ed. Oxford University Press, 1996), p. 328.

### III.2.1. Components of Money Supply

Money supply includes the components of 'Currency outside Banks', 'Demand Deposits' and 'Time Deposits'.[17] The summation of 'Currency Outside Banks' and 'Demand Deposits' is called as 'Narrow Money' ($M_1$), and the summation of narrow money and time deposits is called as broad money ($M_2$). In the Table III–11, we have analysed the growth trend of both categories money supply including currency outside banks. The growth trends of demand deposits and time deposits are implicitly known from the growth trend of the M1 and M2 respectively. The Table shows that the amount of currency outside banks increased from Tk. 3,311 million in the FY 1973-74 to Tk. 101,760 million in the FY 1999-2000 registering annual average SGR of 14.66 percentages and CGR of 14.08 percentages. The amount of M1 was Tk. 7,453 million in the FY 1973-74, which gradually increased to Tk. 198,813 million in the FY 1999-2000 with the annual average SGR and CGR of 13.79 and 13.46 percentages respectively. And the M2 was Tk. 12, 445 million in the FY 1973-74, which swelled to Tk. 747,624 million in the FY 1999-2000 with the annual average SGR and CGR of 17.35 and 17.06 percentages respectively. The above analysis shows that both the growth rates were more for M2 than those of the other components. Its means that the growth rate of time deposits was higher than demand deposits.

[17] Here it should clarify that 'Currency Outside Banks' is the composition of 'Bangladesh Banks Notes and Coins in circulation' plus the 'Govt. Notes and Coins in circulation' and minus the 'Currency in tills of DMBs'. Though there are two components in the 'currency outside banks' but the major component of these two is the 'Bangladesh Bank's Notes and Coins in circulation'. Here it should further clarify that 'Bangladesh Bank's Notes and Coins in circulation' is the part of 'total notes issued' of the issue department of the BB. The issue department of BB out of their 'total notes issued' stored a very minor fraction in the volt of the banking department of BB and the rest of the portion of 'total Notes issued' circulates in the economy as 'Bangladesh Banks Notes and Coins in circulation'.

## Table III–11
## Major Components of Money Supply and its Growth Rate

| Period | Currency Outside Banks | SGR of Currency Outside Banks | Narrow Money | SGR of Narrow Money | Broad Money | SGR of Broad Money |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1973-74 | 3,311 | | 7,453 | | 12,445 | |
| 1974-75 | 2,902 | -12.35 | 7,992 | 7.23 | 12,596 | 1.21 |
| 1975-76 | 3,299 | 13.68 | 8,822 | 10.39 | 13,969 | 10.90 |
| 1976-77 | 3,563 | 8.00 | 9,729 | 10.28 | 17,399 | 24.55 |
| 1977-78 | 5,043 | 41.54 | 12,241 | 25.82 | 21,410 | 23.05 |
| 1978-79 | 6,133 | 21.61 | 15,248 | 24.56 | 27,600 | 28.91 |
| 1979-80 | 6,934 | 13.06 | 17,318 | 13.58 | 32,450 | 17.57 |
| 1980-81 | 9,148 | 31.93 | 19,863 | 14.70 | 41,360 | 27.46 |
| 1981-82 | 8,775 | -4.08 | 20,121 | 1.30 | 45,487 | 9.98 |
| 1982-83 | 11,386 | 29.75 | 26,343 | 30.92 | 58,983 | 29.67 |
| 1983-84 | 15,563 | 36.69 | 35,499 | 34.76 | 83,858 | 42.17 |
| 1984-85 | 17,229 | 10.70 | 42,318 | 19.21 | 105,342 | 25.62 |
| 1985-86 | 19,531 | 13.36 | 49,279 | 16.45 | 123,381 | 17.12 |
| 1986-87 | 20,749 | 6.24 | 52,628 | 6.80 | 143,531 | 16.33 |
| 1987-88 | 24,150 | 16.39 | 50,477 | -4.09 | 164,080 | 14.32 |
| 1988-89 | 26,156 | 8.31 | 54,607 | 8.18 | 190,781 | 16.27 |
| 1989-90 | 31,883 | 21.90 | 63,687 | 16.63 | 222,976 | 16.88 |
| 1990-91 | 36,118 | 13.28 | 72,037 | 13.11 | 250,044 | 12.14 |
| 1991-92 | 40,726 | 12.76 | 82,572 | 14.62 | 285,259 | 14.08 |
| 1992-93 | 44,801 | 10.01 | 90,626 | 9.75 | 315,356 | 10.55 |
| 1993-94 | 54,160 | 20.89 | 111,671 | 23.22 | 364,030 | 15.43 |
| 1994-95 | 65,651 | 21.22 | 131,794 | 18.02 | 422,679 | 16.11 |
| 1995-96 | 71,233 | 8.50 | 144,594 | 9.71 | 457,600 | 8.26 |
| 1996-97 | 75,746 | 6.34 | 151,670 | 4.89 | 507,110 | 10.82 |
| 1997-98 | 81,533 | 7.64 | 158,885 | 4.76 | 558,690 | 10.17 |
| 1998-99 | 86,866 | 6.54 | 172,494 | 8.57 | 630,267 | 12.81 |
| 1999-00 | 101,760 | 17.15 | 198,813 | 15.26 | 747,624 | 18.62 |
| Average SGR | | 14.66 | | 13.79 | | 17.35 |
| CGR | | 14.08 | | 13.46 | | 17.06 |

Source: From 1973-74 to 1989-1990; Bangladesh Bank, *Economic Trends*, vol. XXI, no. 12 (Dhaka: Statistics Department, BB), pp. 2-3.

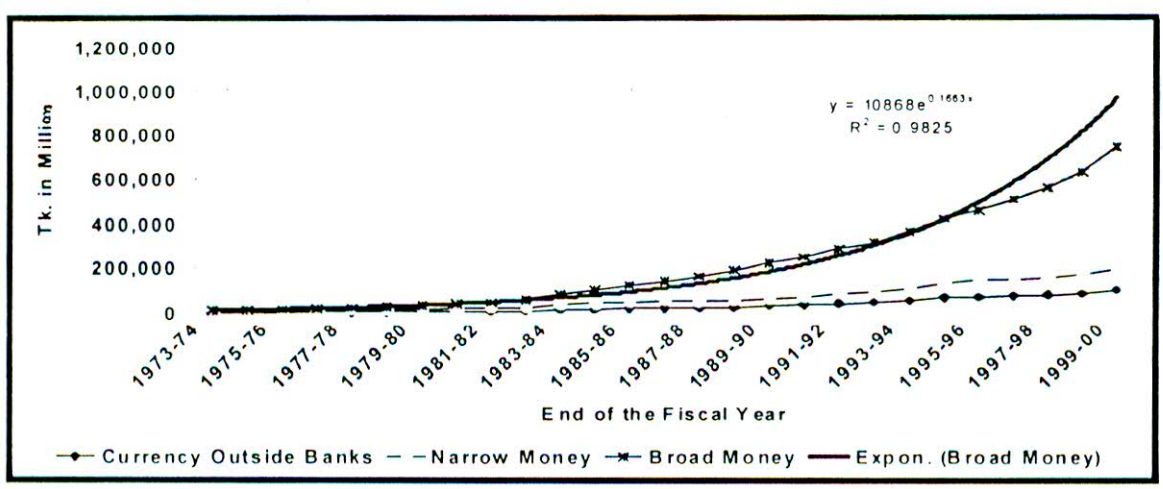
From 1990-91 to 1999-2000; Bangladesh Bank, *Economic Trends*, vol. XXVII, no. 12 (Dhaka: Statistics Department, BB), pp. 2-3.

In most of the years, annual SGR percentages of currency outside banks were of double digits and the highest annual SGR was 41.50 percentages in the FY 1977-78. But in the following two years 1974-75 and 1981-82, the annual SGR percentages were

negative. Since 1995-96 and onward the SGR percentages came down to single digit. SGR percentages for M1 were mostly of double digits prior to 1995-96, and the highest value was 34.79 in the FY 1983-84. Only in the FY 1987-88, the annual SGR percentage reached to negative value. Since 1995-96 and onward, the percentages never exceeded single digit. Only three times in the FY 1973-74, 1981-82 and in 1995-96, annual SGR percentages of M2 were of single digit, otherwise those were of double digits and the highest annual SGR percentage was 42.19 in 1983-84.

In the following Figure III-9, the value of the above table has been depicted against each fiscal year. In the figure an exponential regression trend line for the expansion of 'broad money' for the period from 1973-74 to 1999-2000 has been drawn. From the equation $y = 10868e^{0.1663X}$ it is vivid that for any given year (x) value of broad money (y) depended on the value of $10868e^{0.1663X}$, and value of the $R^2$ ensures that more than 98 percentage variation of the change of broad money over the period can be explained by this exponential regression equation.

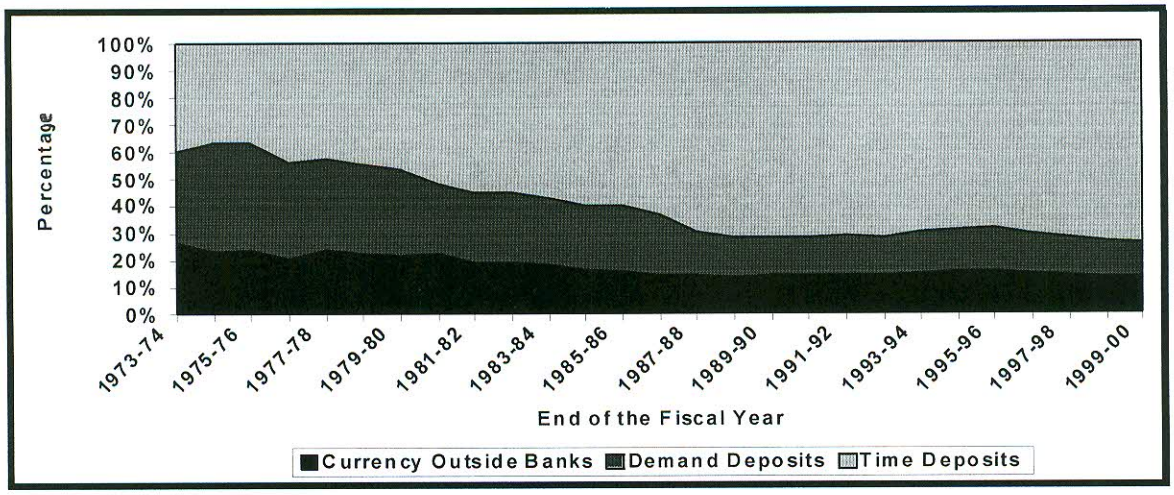
**Figure III-9**
**Trend Pattern of the Components of Money Supply**




Source: Table III–11.

In the following Figure III-10, the share of different components of $M_2$ has been depicted. It is seen that the share of Currency outside banks in $M_2$ was almost stagnant from the FY 1988-89 to 1999-2000. Its share was higher prior to 1988-89. In the FY 1973-74 its share was 26.60 percentages and in 1999-2000 it reduced to 13.61 percentages. The share of demand deposit within $M_2$ was diminishing over the period; and on the contrary the share of time deposit was increasing.

**Figure III-10**
**Percentage Share of the Different Components of $M_2$**




Notes: The difference value of M1 and Currency outside banks is demand deposits, and the difference value of M1 and M2 is time deposits.
Source: Appendix: Table-19.

### III.2.1.1. Trend Equation of the Components of Money

To compare the growth trends of the components of money more critically, semi-logarithmic trend lines are estimated for the period from 1973-74 to 1999-2000. The semi-logarithmic trend equation shows the relationship between different components of money (Y) as dependent variable and time (X) as independent variable, which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for components of money are shown in Table III–12.

**Table III–12**
**Estimated Semi-Logarithmic Trend Lines of Money Supply**

| Major Components of Money | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Currency Outside Bank | 3.42 | 0.061 | 0.99 | 15.29 | 45.48 | 0.00 | S |
| Narrow Money (M1) | 3.84 | 0.566 | 0.99 | 13.92 | 42.23 | 0.00 | S |
| Broad Money (M2) | 4.04 | 0.072 | 0.98 | 18.08 | 37.50 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 26 degrees of freedom and 0.05 level of significance is 1.706

The table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggests that the amount of each component of money increased in the country during the period. It is also clear from the table that the M2 increased at the highest rate with TGR of 18.08 percentages. And the TGR percentages of M1 and that of 'Currency Outside Bank' were 13.92 and 15.29 percentages respectively.

### III.2.2. Sources of Money Supply

Sources of Broad Money supply are three, i.e., 'Domestic Credit', 'Foreign Assets' and 'Net Other Assets'. These three factors combinely contribute to the monetary expansion. Again the Domestic Credit is the combination of 'Net Claims on Government Sector', 'Claims on Financial Sector' and 'Claims on Private Sector'. In the Table III–13, the growth rates of the sources of money supply have been depicted. It is observed that the value of claim on public sector was Tk. 6,419.0 million in the FY 1973-74 and it became Tk. 147,729.0 million in the FY 1999-2000 with average SGR and CGR of 14.82 and 12.82 percentages respectively. The value of claim on financial sector was Tk. 3,766.0 million in the FY 1973-74 and it became Tk. 61,718.0 million the FY 1999-2000 with annual average SGR and CGR of 12.25 and 11.36 percentages respectively. The value of claim on private sector was Tk. 3,203.0 million in the FY 1973-74 and it became Tk. 505,443.0 million in the FY 1999-2000 with annual average SGR and CGR of 22.48 and 21.49 percentages respectively. Over the years the contribution of foreign assets increased rapidly. In the FY 1973-74 the value of 'net foreign assets' was Tk. 625.0 million and at the end of 1999-2000, the amount increased to Tk. 85,740.0 million with annual average SGR of 47.32 percentage and CGR of 20.84 percentages. On the other hand, negative value of net other assets amplified over the period with annual average SGR and CGR of 19.18 and 14.50 percentages respectively. In the FY 1973-74, the negative value of net other assets was Tk. (-) 1,568.0 million and it increased to Tk. (-) 53,006.0 million in the FY 1999-2000.

# Table III–13
## Sources of Money Supply and its Growth Trend

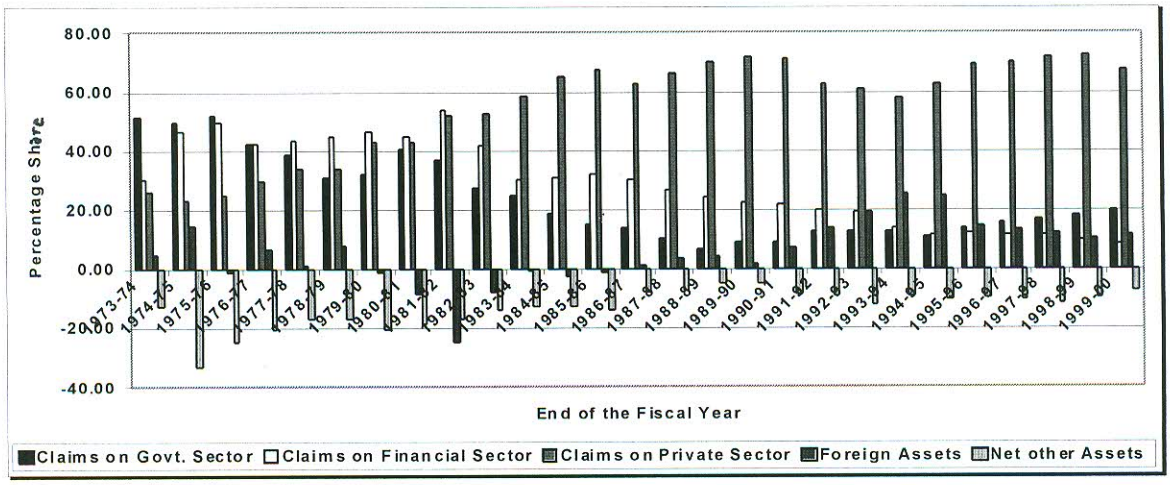
| Period | Domestic Credit | | | | | | Foreign Assets (net) | SGR of Foreign Assets (net) | Net Other Assets | SGR of Net Other Assets |
|---|---|---|---|---|---|---|---|---|---|---|
| | Claims on Govt. Sector (Net) | SGR of Claims on Govt. Sector (Net) | Claims on financial sector | SGR of Claims on financial sector | Claims on private sector | SGR of Claims on private sector | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1973-74 | 6,419.0 | | 3,766.0 | | 3,203.0 | | 625.0 | | -1,568.0 | |
| 1974-75 | 6,269.0 | -2.34 | 5,875.0 | 56.00 | 2,894.0 | -9.65 | 1,791.0 | 186.56 | -4,233.0 | 169.96 |
| 1975-76 | 7,212.0 | 15.04 | 6,891.0 | 17.29 | 3,463.0 | 19.66 | -149.0 | -108.32 | -3,448.0 | -18.54 |
| 1976-77 | 7,313.0 | 1.40 | 7,361.0 | 6.82 | 5,159.0 | 48.97 | 1,127.0 | -856.38 | -3,561.0 | 3.28 |
| 1977-78 | 8,243.0 | 12.72 | 9,251.0 | 25.68 | 7,232.0 | 40.18 | 291.0 | -74.18 | -3,607.0 | 1.29 |
| 1978-79 | 8,562.0 | 3.87 | 12,356.0 | 33.56 | 9,258.0 | 28.01 | 2,163.0 | 643.30 | -4,739.0 | 31.38 |
| 1979-80 | 10,423.0 | 21.74 | 15,113.0 | 22.31 | 13,963.0 | 50.82 | -408.0 | -118.86 | -6,642.0 | 40.16 |
| 1980-81 | 16,628.0 | 59.53 | 18,474.0 | 22.24 | 17,630.0 | 26.26 | -3,611.0 | 785.05 | -7,761.0 | 16.85 |
| 1981-82 | 16,624.0 | -0.02 | 24,352.0 | 31.82 | 23,646.0 | 34.12 | -11,298.0 | 212.88 | -7,837.0 | 0.98 |
| 1982-83 | 16,064.0 | -3.37 | 24,626.0 | 1.13 | 30,975.0 | 30.99 | -4,573.0 | -59.52 | -8,109.0 | 3.47 |
| 1983-84 | 20,690.0 | 28.80 | 25,519.0 | 3.63 | 49,145.0 | 58.66 | -816.0 | -82.16 | -10,680.0 | 31.71 |
| 1984-85 | 19,883.0 | -3.90 | 32,295.0 | 26.55 | 68,906.0 | 40.21 | -2,398.0 | 193.87 | -13,344.0 | 24.94 |
| 1985-86 | 18,532.0 | -6.79 | 39,728.0 | 23.02 | 83,562.0 | 21.27 | -1,411.0 | -41.16 | -17,029.0 | 27.62 |
| 1986-87 | 19,787.0 | 6.77 | 43,556.0 | 9.64 | 89,740.0 | 7.39 | 1,761.0 | -224.81 | -11,314.0 | -33.56 |
| 1987-88 | 17,175.0 | -13.20 | 43,597.0 | 0.09 | 108,963.0 | 21.42 | 5,998.0 | 240.60 | -11,653.0 | 3.00 |
| 1988-89 | 12,704.0 | -26.03 | 46,337.0 | 6.28 | 133,597.0 | 22.61 | 7,773.0 | 29.59 | -9,630.0 | -17.36 |
| 1989-90 | 20,147.0 | 58.59 | 50,116.0 | 8.16 | 160,045.0 | 19.80 | 4,275.0 | -45.00 | -11,607.0 | 20.53 |
| 1990-91 | 21,878.0 | 8.59 | 53,577.0 | 6.91 | 178,229.0 | 11.36 | 17,517.0 | 309.75 | -21,157.0 | 82.28 |
| 1991-92 | 36,256.0 | 65.72 | 56,436.0 | 5.34 | 179,392.0 | 0.65 | 40,249.0 | 129.77 | -27,073.0 | 27.96 |
| 1992-93 | 39,221.0 | 8.18 | 60,343.0 | 6.92 | 193,174.0 | 7.68 | 60,811.0 | 51.09 | -38,193.0 | 41.07 |
| 1993-94 | 46,820.0 | 19.37 | 50,407.0 | -16.47 | 209,725.0 | 8.57 | 91,528.0 | 50.51 | -34,450.0 | -9.80 |
| 1994-95 | 46,140.0 | -1.45 | 49,066.0 | -2.66 | 265,647.0 | 26.66 | 104,637.0 | 14.32 | -43,367.0 | 25.88 |
| 1995-96 | 63,102.0 | 36.76 | 54,824.0 | 11.74 | 316,598.0 | 19.18 | 67,359.0 | -35.63 | -44,978.0 | 3.71 |
| 1996-97 | 80,172.0 | 27.05 | 58,745.0 | 7.15 | 355,049.0 | 12.15 | 65,446.0 | -2.84 | -53,137.0 | 18.14 |
| 1997-98 | 92,720.0 | 15.65 | 62,502.0 | 6.40 | 401,180.0 | 12.99 | 67,935.0 | 3.80 | -65,646.0 | 23.54 |
| 1998-99 | 112,486.0 | 21.32 | 60,210.0 | -3.67 | 456,382.0 | 13.76 | 64,023.0 | -5.76 | -62,834.0 | -4.28 |
| 1999-00 | 147,729.0 | 31.33 | 61,718.0 | 2.50 | 505,443.0 | 10.75 | 85,740.0 | 33.92 | -53,006.0 | -15.64 |
| Annual Average SGR | | 14.82 | | 12.25 | | 22.48 | | 47.32 | | 19.18 |
| CGR | | 12.82 | | 11.36 | | 21.49 | | 20.84 | | 14.50 |

Source: From 1973-74 to 1989-1990; Bangladesh Bank, *Economic Trends*, vol. XXI, no. 12 (Dhaka: Statistics Department, BB), pp. 12-13.

From 1990-91 to 1999-2000; Bangladesh Bank, *Economic Trends*, vol. XXVII, no. 12 (Dhaka: Statistics Department, BB), pp. 12-13.

If we look on the each component of the above Table III–13 separately, it becomes clear to all that the impact of net other assets was always negative, and the impact of foreign assets was occasionally negative. Among domestic credit the contribution of claims on government sector declined over the period and on the contrary, the contribution of claims on private sector increased over the period. In the following Figure III-11, the share of the five sources of money supply has been depicted.

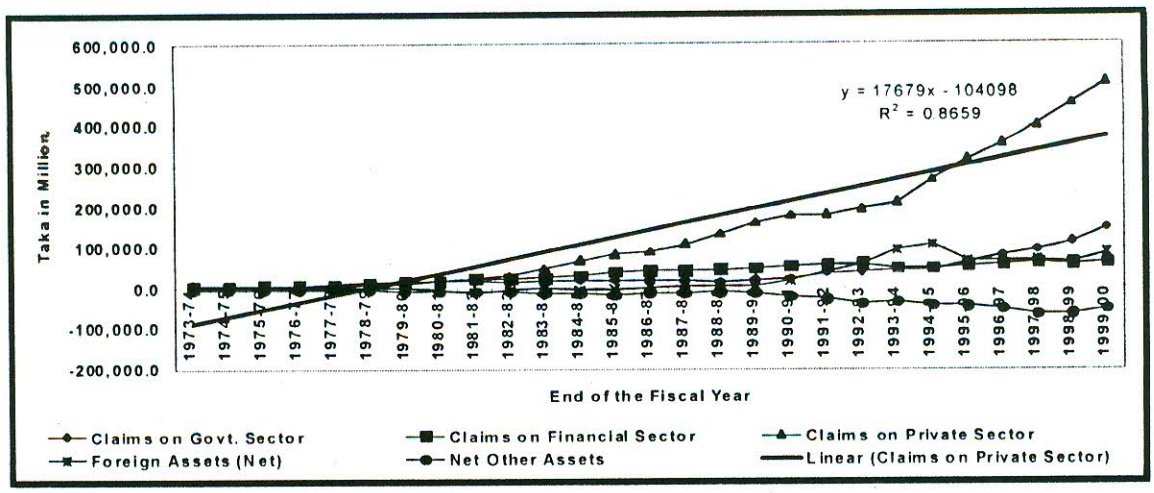
**Figure III-11**
**Percentage Share of the Sources in Money Supply**




Source: Table III–13.

In the following Figure III-12, the values of the sources of money supply has been depicted. From the figure, it can be easily concluded that over the years 'claims on private sector' as a source of money supply was increasing. And the rest other components except 'net other assets' was also increased but their relative contribution decreased. In the figure a linear regression trend line for the expansion of 'claims on private sector' for the period from 1973-74 to 1999-2000 has also been drawn. The value of the coefficient of time variable (x) portraits that in change of one unit time (a single year), 'claims on private sector' (y) increased Tk. 17,679 million, and the value of the $R^2$ of the equation ensures that more than 86 percentage variation of the change of 'claims on private sector' over the period can be explained by the linear regression equation $y = 17679x - 104098$.

**Figure III-12**
**Trend Pattern of the Sources of Money Supply**




Source: Table III–13.

## III.2.3. Components of Reserve Money

Reserve money or the monetary base consists of 'Currency in Circulation' and 'Deposited Money Banks (DMBs) Deposits in BB'. Part of the currency in circulation is held by the public, which is called 'Currency Outside Banks', and the remaining currency is held by the banks as vault cash, it is called 'Currency in Tills of DMBs'. The DMBs deposits in BB are a liability - that is a debt of the BB to the DMBs. As a central bank BB can control the supply of reserve money. For implementing monetary policy control of the supply of reserve money is important. In the Table III–14, we have analysed the growth trends of the components of reserve money.

There are two origins of currency in Bangladesh. Major part of the currency is issued by the issue department of BB and the minor part of currency is issued by the ministry of finance of Government of Bangladesh (GOB). It is seen from the table that in the FY 1974-75 total value of the currency of BB was Tk. 2,829 million and at the end of the FY 1999-2000 it increased to Tk. 110,346 million with annual average SGR and CGR of 16.20 and 15.78 percentages respectively. The value of the notes and coins issued by the ministry of finance of GOB was Tk. 339 million in the FY 1974-75 and it increased to Tk. 2,298 million in the FY 1999-2000 registering the annual average SGR and CGR of 8.22 and 7.96 percentages respectively. The value of DMBs' deposits in BB was Tk. 925 million in the FY 1974-75 and it swelled to Tk. 58,001 million in the FY 1999-2000 with annual average SGR and CGR of 21.02 and 18.00 percentages respectively. Besides DMBs' deposits in BB there is another component of reserve money called private sectors deposits in BB, but due to its insignificant volume in the total volume we have

omitted it from our analysis. So, lastly we can see that in the FY 1974-75 the value of the reserve money was Tk. 4,094 million and at the end of the FY 1999-2000 the volume increased to Tk. 170,645 million with annual average SGR and CGR of 16.64 and 16.09 percentage respectively. Among the three components of the reserve money the highest growth rate recorded for DMBs' deposits in BB. Its implication is that through required reserve ratio BB has tried to control money supply.

**Table III–14**
**Components of Reserve Money and its Growth Trend**

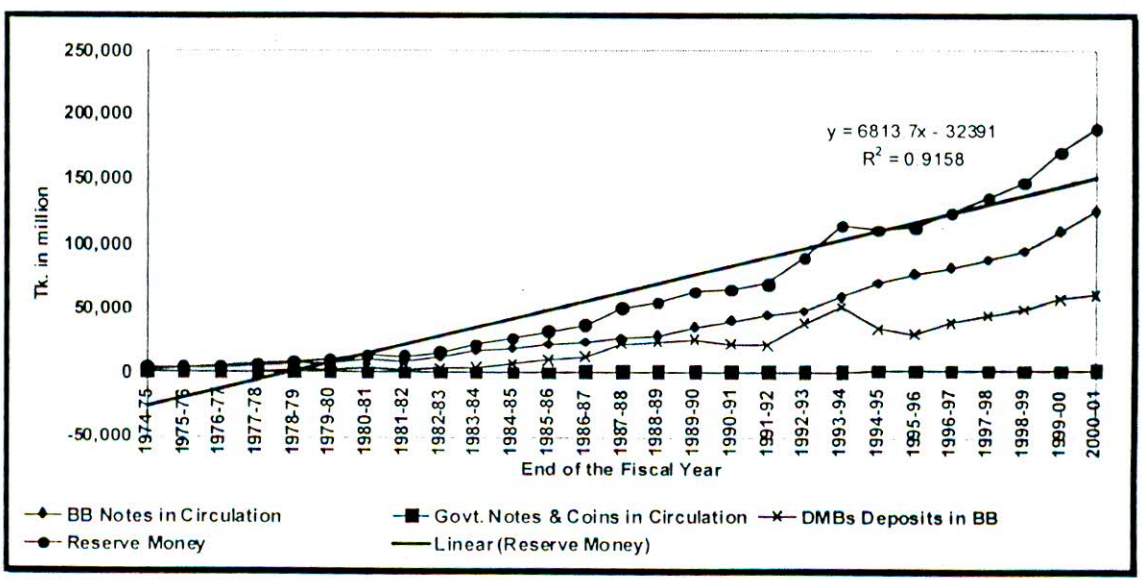
| End of the Year | Currency in Circulation | | | | DMBs Deposits in BB | Annual SGR of DMBs Deposits in BB | Private Sector's Deposits in BB | Reserve Money | Annual SGR of Reserve Money |
|---|---|---|---|---|---|---|---|---|---|
| | BB Notes in Circulation | Annual SGR of BB Notes in Circulation | Govt. Notes and Coins in Circulation | Annual SGR of Govt. Notes and Coins in Circulation | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 10 | 11 |
| 1974-75 | 2,829 | | 339 | | 925 | | 1 | 4,094 | |
| 1975-76 | 3,332 | 17.78 | 309 | -8.85 | 980 | 5.95 | 1 | 4,622 | 12.90 |
| 1976-77 | 3,909 | 17.32 | 309 | 0.00 | 1,244 | 26.94 | 2 | 5,464 | 18.22 |
| 1977-78 | 5,337 | 36.53 | 370 | 19.74 | 1,158 | -6.91 | 3 | 6,868 | 25.70 |
| 1978-79 | 6,510 | 21.98 | 423 | 14.32 | 1,628 | 40.59 | 1 | 8,562 | 24.67 |
| 1979-80 | 7,479 | 14.88 | 487 | 15.13 | 2,470 | 51.72 | 2 | 10,438 | 21.91 |
| 1980-81 | 9,842 | 31.60 | 568 | 16.63 | 2,941 | 19.07 | 2 | 13,353 | 27.93 |
| 1981-82 | 9,543 | -3.04 | 588 | 3.52 | 2,672 | -9.15 | 1 | 12,804 | -4.11 |
| 1982-83 | 12,213 | 27.98 | 638 | 8.50 | 3,387 | 26.76 | 7 | 16,245 | 26.87 |
| 1983-84 | 17,219 | 40.99 | 699 | 9.56 | 4,439 | 31.06 | 2 | 22,359 | 37.64 |
| 1984-85 | 19,193 | 11.46 | 793 | 13.45 | 6,767 | 52.44 | 2 | 26,755 | 19.66 |
| 1985-86 | 22,056 | 14.92 | 859 | 8.32 | 9,795 | 44.75 | 5 | 32,715 | 22.28 |
| 1986-87 | 23,463 | 6.38 | 906 | 5.47 | 13,034 | 33.07 | 16 | 37,419 | 14.38 |
| 1987-88 | 27,241 | 16.10 | 932 | 2.87 | 22,402 | 71.87 | - | 50,575 | 35.16 |
| 1988-89 | 29,303 | 7.57 | 1,178 | 26.39 | 24,207 | 8.06 | - | 54,688 | 8.13 |
| 1989-90 | 35,663 | 21.70 | 1,280 | 8.66 | 26,230 | 8.36 | - | 63,173 | 15.52 |
| 1990-91 | 41,024 | 15.03 | 1,333 | 4.14 | 22,650 | -13.65 | - | 65,007 | 2.90 |
| 1991-92 | 45,344 | 10.53 | 1,369 | 2.70 | 21,508 | -5.04 | 900 | 69,121 | 6.33 |
| 1992-93 | 48,852 | 7.74 | 1,338 | -2.26 | 39,258 | 82.53 | 500 | 89,948 | 30.13 |
| 1993-94 | 59,662 | 22.13 | 1,413 | 5.61 | 52,004 | 32.47 | 2,000 | 115,079 | 27.94 |
| 1994-95 | 70,305 | 17.84 | 1,580 | 11.82 | 34,415 | -33.82 | 4,950 | 111,250 | -3.33 |
| 1995-96 | 77,180 | 9.78 | 1,813 | 14.75 | 31,037 | -9.82 | 2,995 | 113,025 | 1.60 |
| 1996-97 | 82,492 | 6.88 | 2,055 | 13.35 | 39,398 | 26.94 | - | 123,945 | 9.66 |
| 1997-98 | 88,522 | 7.31 | 2,244 | 9.20 | 45,410 | 15.26 | - | 136,176 | 9.87 |
| 1998-99 | 94,786 | 7.08 | 2,349 | 4.68 | 50,292 | 10.75 | - | 147,427 | 8.26 |
| 1999-00 | 110,346 | 16.42 | 2,298 | -2.17 | 58,001 | 15.33 | - | 170,645 | 15.75 |
| Annual Average SGR | | 16.20 | | 8.22 | | 21.02 | | | 16.64 |
| CGR | | 15.78 | | 7.96 | | 18.00 | | | 16.09 |

Source: From 1974-75 to 1989-1990; Bangladesh Bank, *Bangladesh Bank Bulletin*, vol. XXII, no. 3, pp. 208-210.

From 1990-91 to 1999-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, vol. XXIV, no. III and IV, p. 190.

In the following Figure III-13, we have depicted the value of the components of reserve money. It is seen from the table that for the two years from the FY 1991-92 to 1993-94 the deposits of DMBs in BB suddenly jumped from its steady trend growth rate. Otherwise, it can be commented that the growth trend of the reserve money and its components were steady and smooth. In the figure a linear regression trend line for the expansion of reserve money for the period from 1974-75 to 1999-2001 has also been drawn. The value of the coefficient of time variable (x) portraits that in change of one unit time (a single year), reserve money (y) increased by 6,813.7 million taka, and the value of the $R^2$ of the equation ensures that more than 91 percentage variation of the change of reserve money over the period can be explained by the linear regression equation $y = 6813.7x - 32391$.

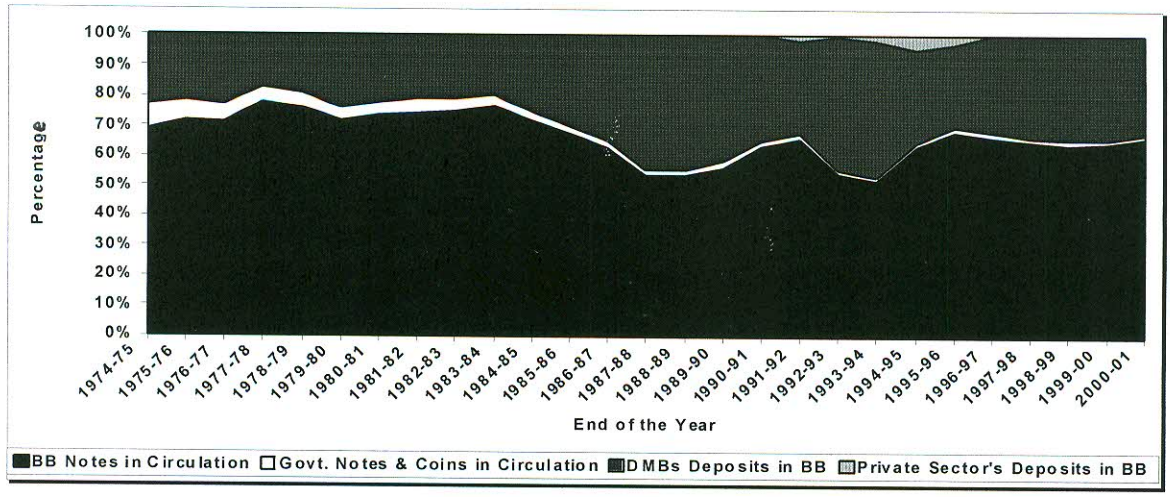
**Figure III-13**
**Trend Pattern of the Components of Reserve Money**




Source: Table III–14.

In the Figure III-14, percentage share of the components of the reserve money has been depicted. It is seen from the table that the highest percentage share accredits to BB's notes and coins in circulation, though from the FY 1983-84 to 1994-95 its share reduced. Next to it was DMBs' deposits in BB. And the percentage share of the notes and coins of GOB was very minor, and over the years its share was reduced.

**Figure III-14**
**Percentage Share of the Components of Reserve Money**




Source: Table III–14.

## III.2.4. Sources of Reserve Money

There are five sources of reserve money. These are 'Net Foreign Assets of BB', 'Domestic Credit to Government' or 'Claims on Government (net) of BB', 'Domestic Credit to Public Sector' or 'Claims on Public Sector of BB', 'Domestic Credit to DMBs' or 'Claims on DMBs of BB', and 'Other Net Assets of BB'. It is seen from the Table III–15, that in the FY 1974-75 total values of the net foreign assets of BB was Tk. 1,048 million and at the end of the FY 1999-2000 it increased to Tk. 59,713 million with annual average SGR and CGR of (-) 57.97 and 17.55 percentages respectively. The difference of the two-growth rates gives a confusing impression about the growth trend of the net foreign assets of BB. But it was happened due to erratic ups and downs of the absolute value of net foreign assets of BB. The value of the claims on government (net) was Tk. 4,577 million in the FY 1974-75 and it increased to Tk. 80,980 million in the FY 1999-2000 registering the annual average SGR and CGR of 17.05 and 12.18 percentages respectively. The value of the claims on public sector of BB was Tk. 319 million in the FY 1974-75 and it swelled to Tk. 13,207 million in the FY 1999-2000 with annual average SGR and CGR of 21.02 and 16.08 percentages respectively. In the FY 1974-75 the value of the claims on DMBs' was Tk. 1,114 million and at the end of the FY 1999-2000 the volume increased to Tk. 42,892 million with annual average SGR and CGR of 18.96 and 15.72 percentages respectively. Lastly the negative value of the other net assets was Tk. (-) 2,964 million in the FY 1974-75 and at the end of the FY 1999-2000 this negative value increased to Tk. (-) 26,147 million with annual average SGR and CGR of 27.07 and 9.10 percentages respectively. This means that net other assets was continuously decreasing and its effects on the expansion of reserve money was negative.

## Table III–15
## Sources of the Reserve Money and its Growth Pattern

| End of the Year | Net Foreign Assets of BB | Annual SGR % of Net Foreign Assets of BB | Net Domestic Assets of BB | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Domestic Credit | | | | | | Other Net Assets of BB | Annual SGR % of Other Net Assets of BB |
| | | | Claims on Government (Net) | Annual SGR % of Claims on Government (Net) | Claims on Public Sector | Annual SGR % of Claims on Public Sector | Claims on DMBs | Annual SGR % of Claims on DMBs | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1974-75 | 1,048 | | 4,577 | | 319 | | 1,114 | | -2,964 | |
| 1975-76 | -889 | -184.83 | 5,797 | 26.66 | 306 | -4.08 | 1,019 | -8.53 | -1,611 | -45.65 |
| 1976-77 | 624 | -170.19 | 4,728 | -18.44 | 305 | -0.33 | 1,213 | 19.04 | -1,406 | -12.73 |
| 1977-78 | -455 | -172.92 | 5,892 | 24.62 | 356 | 16.72 | 2,313 | 90.68 | -1,238 | -11.95 |
| 1978-79 | 794 | -274.51 | 5,405 | -8.27 | 909 | 155.34 | 3,736 | 61.52 | -2,282 | 84.33 |
| 1979-80 | -2,011 | -353.27 | 7,593 | 40.48 | 1,816 | 99.78 | 7,094 | 89.88 | -4,054 | 77.65 |
| 1980-81 | -6,251 | 210.84 | 12,967 | 70.78 | 2,427 | 33.65 | 9,123 | 28.60 | -4,913 | 21.19 |
| 1981-82 | -13,832 | 121.28 | 12,894 | -0.56 | 3,097 | 27.61 | 13,356 | 46.40 | -2,711 | -44.82 |
| 1982-83 | -8,191 | -40.78 | 10,466 | -18.83 | 3,654 | 17.99 | 12,510 | -6.33 | -2,194 | -19.07 |
| 1983-84 | -4,435 | -45.86 | 10,136 | -3.15 | 5,295 | 44.91 | 13,773 | 10.10 | -2,410 | 9.85 |
| 1984-85 | -5,899 | 33.01 | 10,721 | 5.77 | 6,774 | 27.93 | 21,675 | 57.37 | -6,516 | 170.37 |
| 1985-86 | -6,328 | 7.27 | 11,083 | 3.38 | 8,706 | 28.52 | 24,428 | 12.70 | -5,174 | -20.60 |
| 1986-87 | -3,654 | -42.26 | 10,640 | -4.00 | 8,809 | 1.18 | 21,184 | -13.28 | 440 | -108.50 |
| 1987-88 | 3,178 | -186.97 | 12,360 | 16.17 | 9,322 | 5.82 | 25,682 | 21.23 | 33 | -92.50 |
| 1988-89 | 4,562 | 43.55 | 9,860 | -20.23 | 9,338 | 0.17 | 31,364 | 22.12 | -436 | -1,421.21 |
| 1989-90 | -2,649 | -158.07 | 16,783 | 70.21 | 10,409 | 11.47 | 39,210 | 25.02 | -580 | 33.03 |
| 1990-91 | 11,372 | -529.29 | 16,777 | -0.04 | 9,326 | -10.40 | 39,390 | 0.46 | -11,858 | 1,944.48 |
| 1991-92 | 33,866 | 197.80 | 11,969 | -28.66 | 9,026 | -3.22 | 33,730 | -14.37 | -19,470 | 64.19 |
| 1992-93 | 56,629 | 67.21 | 14,478 | 20.96 | 8,826 | -2.22 | 28,972 | -14.11 | -18,957 | -2.63 |
| 1993-94 | 82,508 | 45.70 | 10,096 | -30.27 | 16,359 | 85.35 | 25,767 | -11.06 | -19,651 | 3.66 |
| 1994-95 | 88,641 | 7.43 | 12,540 | 24.21 | 10,568 | -35.40 | 27,338 | 6.10 | -27,837 | 41.66 |
| 1995-96 | 53,887 | -39.21 | 30,368 | 142.17 | 11,955 | 13.12 | 34,137 | 24.87 | -17,322 | -37.77 |
| 1996-97 | 50,121 | -6.99 | 44,889 | 47.82 | 11,926 | -0.24 | 36,003 | 5.47 | -18,994 | 9.65 |
| 1997-98 | 53,968 | 7.68 | 52,955 | 17.97 | 14,048 | 17.79 | 37,494 | 4.14 | -22,289 | 17.35 |
| 1998-99 | 47,089 | -12.75 | 63,599 | 20.10 | 13,656 | -2.79 | 46,228 | 23.29 | -23,145 | 3.84 |
| 1999-00 | 59,713 | 26.81 | 80,980 | 27.33 | 13,207 | -3.29 | 42,892 | -7.22 | -26,147 | 12.97 |
| Annual Average SGR | | -57.97 | | 17.05 | | 21.02 | | 18.96 | | 27.07 |
| CGR | | 17.55 | | 12.18 | | 16.06 | | 15.72 | | 9.10 |

Source: For column 2, 4, 6 from 1974-75 to 1989-90. Bangladesh Bank, *Bangladesh Bank Bulletin*, vol. XXII, no. 3, p. 228.

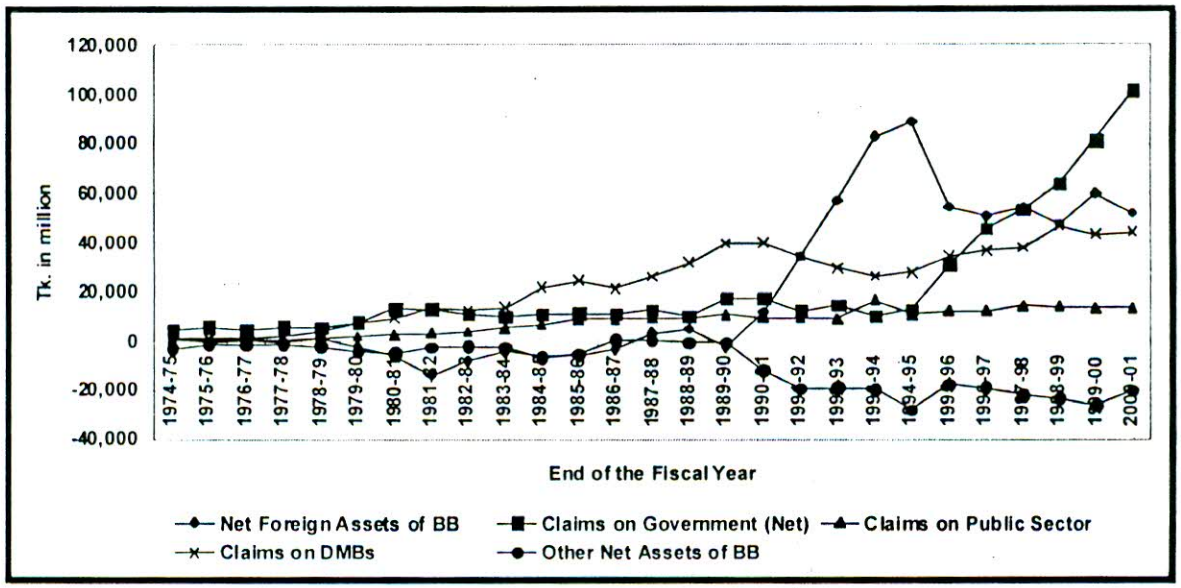
For column 2, 4, 6 from 1990-91 to 1999-2000. Bangladesh Bank, *Bangladesh Bank Bulletin*, vol. XXIV, no. III and IV, p. 200.

For column 8 from 1974-75 to 1989-90. Bangladesh Bank, *Bangladesh Bank Bulletin*, vol. XXII, no. 3, p. 205.

For column 8 from 1990-91 to 1999-2000. Bangladesh Bank, *Bangladesh Bank Bulletin*, vol. XXIV, no. III and IV, p. 189.

In the following Figure III-15, we have depicted the value of the five components of reserve money. From the figure it is clear that growth trend of net foreign assets began to increase dramatically from the FY 1990-91 and continued till the FY 1994-95; and then it started to decrease. The growth trend of claims on government (net) also began to increase from the FY 1995-96 to onward. There may be close connection between the decrease of 'net foreign assets' and increase of 'claims of Government net' from the FY 1995-96. The trends pattern of 'claims on public sector' and 'claims on DMBs' were upward and steady.

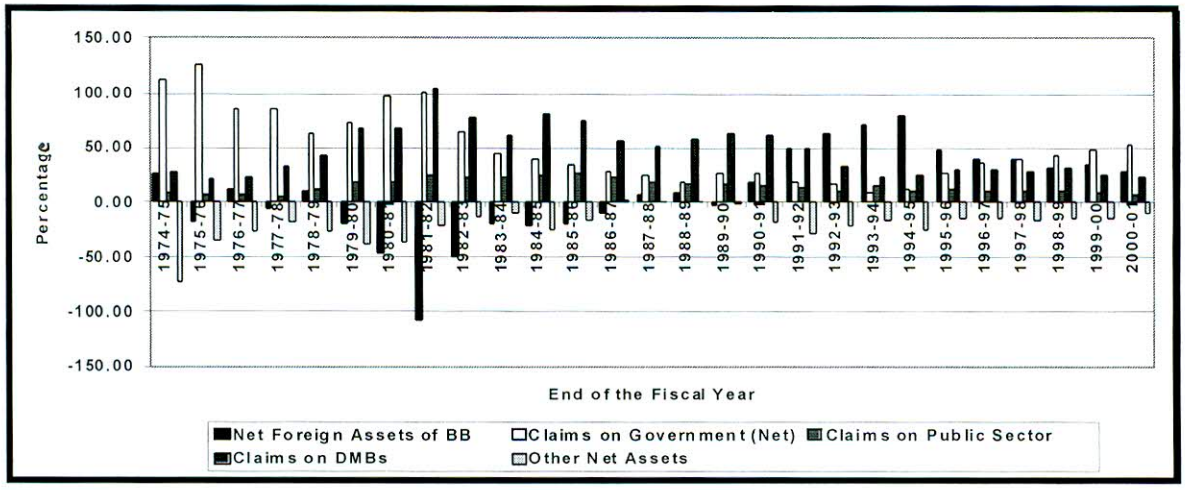
**Figure III-15**
**Trend Pattern of the Sources of Reserve Money**




Source: Table III–15.

In the following Figure III-16, with the help of bar diagram we have depicted the percentage share of different sources of reserve money supply. It is seen from the figure that within the first thirteen years, percentage share of net foreign assets was negative for several years, and from the FY 1990-91 that began to contribute positively. Percentage share of claims on Government (net) was higher in the early years and the share gradually decreased in later years of the period. Almost every year percentage share of net other assets was negative.

**Figure III-16**
**Percentage Share of the Contribution of the Sources of Reserve Money**

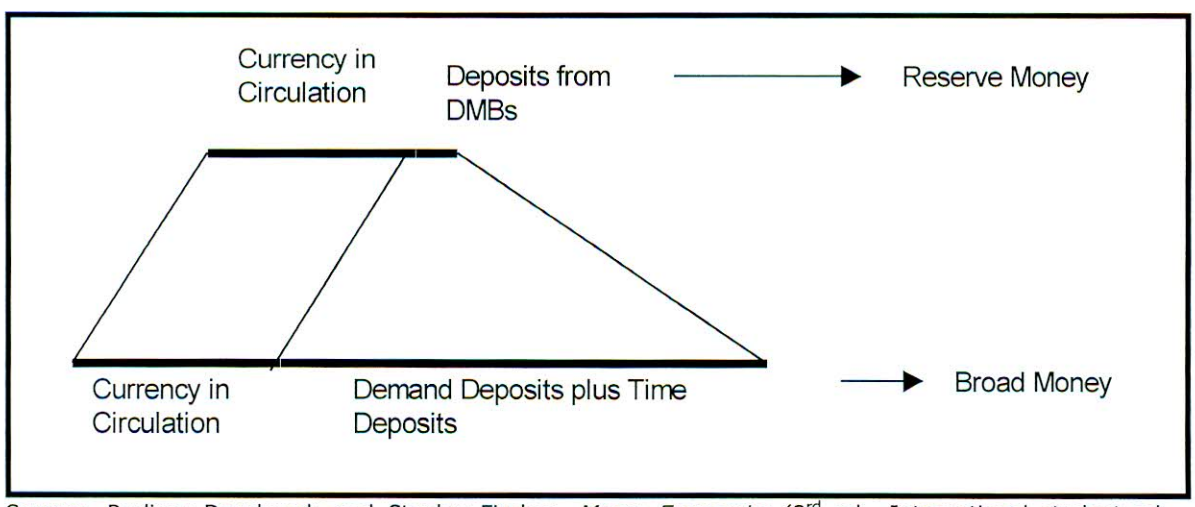



Source: Table III–15.

## III.2.5. Money Multiplier

The money multiplier is the ratio of the stock of money (Broad Money) to the stock of high-powered money (Reserve money). Through credit mechanism this reserve money is inflated as broad money. But the question is how many times larger will be the volume of this broad money than the reserve money, will actually depend on the value of the money multiplier. And the value of money multiplier depends on the value of the two ratios, reserve-deposits ratio and the currency-deposits ratio. In fact, the larger is the money multiplier, the smaller is the reserve deposits ratio; and currency deposit ratio. In the following Figure III-17, relationship between reserve money and broad money has been analysed.

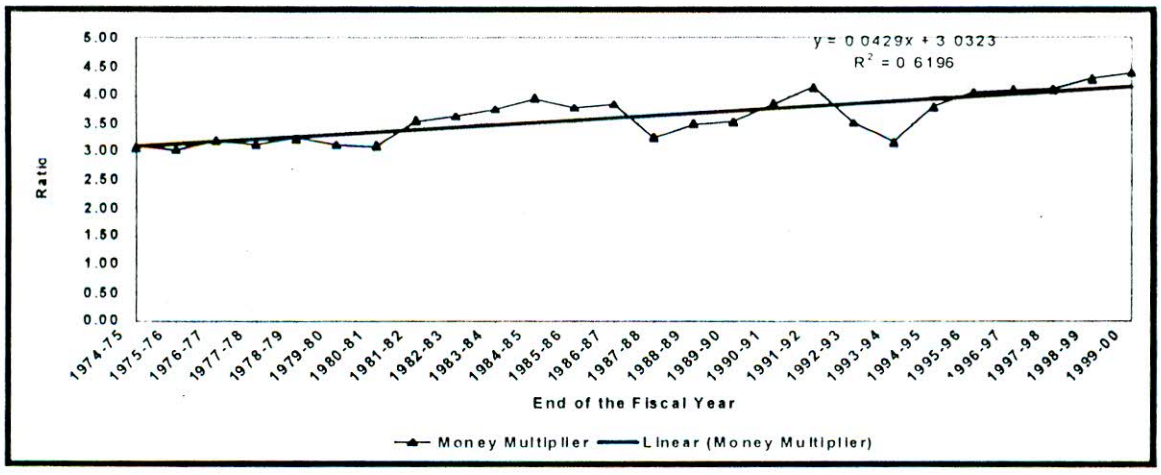
**Figure III-17**
**Mechanism of Working of Money Multiplier**




Source: Rudiger Dornbusch and Stanley Fischer, *Macro Economics* (3rd ed., International student ed., Singapore: McGraw-Hill International Book Company), p. 285.

In the following Figure III-18, we have depicted the value of money multiplier from the FY 1974-75 to the FY 1999-2000 and have drawn a trend line by using linear regression model. From the figure it is seen that over the years, the value of money multiplier was increasing in our country. The value of the coefficient of time variable (x) portraits that in change of one unit time (a single year), value of money multiplier (y) increased by 0.043 times, and the value of the $R^2$ of the equation ensures that more than 61 percentage variation of the change of the value of money multiplier over the period can be explained by the linear regression equation $y = 0.0429x + 3.0323$.

**Figure III-18**
**Trend Pattern of the Value of Money Multiplier**




Source: Appendix: Table-20.

## III.3. Chapter Summery

Bangladesh Bank is the central bank of the country. The functions and responsibilities of the Bank are akin to those performed and shouldered by any other central bank of any country of the world. After the independence of Bangladesh, State Bank of Pakistan's officers, branches and assets were declared to be deemed as those of Bangladesh Bank; and the currency notes, coins issued by that bank and government of Pakistan should be deemed to have issued by the Bangladesh Bank. In the 3rd chapter of the Bangladesh Bank order 1972, the functions of the bank were narrated. Due to British legacy the Bangladesh Bank has to maintain two-balanced sheet for two separate departments, e.g., banking department and issue department. The annual average growth rates of the components of assets and liabilities of the banking

department varied between 10 and 30 percentages, and after the year 1994 annual growth rates of the components became more erratic. Similarly, the annual average growth rate of the components of assets and liabilities of the issue department varied between 12 and 20 percentages. However, the annual growth rates of the components of issue department were relatively smooth. Analysis of income statement depicts that annual average SGR percentages of total income, total expenditure, and net profits of BB were 19.14, 24.66, and 22.25 respectively; and CGR were 116.94, 117.32, and 116.72 percentages respectively.

Growth pattern of money supply was moderate during the period. Annual average growth rate of the components of money supply varied between 13 and 18 percentages, and the growth rate of the broad money was higher than that of others. It is also observed that over the period, the share of 'time deposits' increased. There are five sources of 'broad money supply', and the annual average growth rates of all these sources varied between 10 and 50 percentages. Over the period, the share of 'claims on government sector' decreased and the share of 'claims on private sector' increased. The basement of the money supply is 'reserve money', which has four components, and the annual average growth rates of the components of 'reserve money' varied between 7 and 18 percentages. More than 50 percentage share of the reserve money accredited to BB notes in circulation. Number of the sources of 'reserve money' is five, and the annual average growth rates of the sources of 'reserve money' varied between 10 and 30 percentages. Pattern of the share of the sources of 'reserve money' varied erratically over the period. Finally, it is found that over the period the value of the money multiplier was increasing at the rate of 4.3 percentages.

The next chapter deals with various aspects of Scheduled Banks.

# Chapter IV
## Growth of Scheduled Banks

1. Introduction
2. Balance Sheet Analysis
3. Share of Assets of Different Scheduled Banks
4. Expansion of Bank Branches of Different Scheduled Banks
5. Expansion of Manpower in Different Scheduled Banks
6. Expansion of Deposits of Different Scheduled Banks
7. Expansion of Advances of Different Scheduled Banks
8. Clearing House Returns
9. Urban Rural Distribution of Services
10. Pattern of Total Income of Different Scheduled Banks
11. Pattern of Total Expenditure of Different Scheduled Banks
12. Pattern of Net Profits of Different Scheduled Banks
13. Chapter Summary

# Chapter IV

# Growth of Scheduled Banks

## IV.1. Introduction

Bangladesh inherited from Pakistan, a commercial banking system, which comprised three categorise of banking companies with a network of 1089 branches operating in different regions of the country. There were 2 Bangladeshi banks with 155 offices, 10 Pakistani banks with 920 offices and 3 foreign banks with 14 offices. It is observed that the major banks were owned and managed by distinguished family groups and financial magnets of West Pakistan, and in the wake of liberation the owners and top executives of those banks left Bangladesh after they had already transferred resources to West Pakistan[1]. Consequently, a vacuum and uncertainty were created in the field. The Government at first, sought to correct the situation by appointing administrators in all the Commercial Banks, which were used to be controlled and managed by Pakistan. But that palliative could not completely remove the uncertainty and confusion from the field at that time, and serious bottlenecks, especially in the field of Foreign Trade, continued. As a result of this financial factor, together with the commitment made by the ruling party in the general election of 1970, the 26th March 1972, the Government came forward with a new scheme to reorganise the whole structure of Commercial Banking in the country, in consonance with the national objective. The functioning Commercial Banks, both regional and Pakistan based, were nationalised under P.O No. 26 of 1972 and those were regrouped in six Commercial Banks with new names with effect from the 26th March, 1972. As a result of this reorganisation, the Pakistan based Banks were regrouped into 4 units: Sonali, Rupali, Janata and Agrani; while the two regional banks were allowed to retain their separate and distinct identity with new names: Uttara and Pubali. Each of these six nationalised banks had been given autonomous status with its own Board of Directors and Managing Director to manage its affairs independently under statutes and regulation in force and in consonance with national objectives.[2]A former economic adviser to Bangladesh bank elaborated the objectives of nationalisation of banks in the following manner:

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[1] M. Zainul Abedin, *Commercial Banking in Bangladesh: A Study of Disparaties of Regional and Sectoral Growth Trends (1846-1986)* (Dhaka: National Institute of Local Government, 1990), p. 79.

[2] Ministry of Finance Economic Adviser's Wing, *Resume of the Activities of the Financial Institutions in Bangladesh* (16th December 1971 to 31st December 1975) (Second Issue) (Dhaka: Ministry of Finance Economic Adviser's Wing, GOB, 1976), p. 21.

- To improve the credit allocation among different sector according to social priority.
- To improve credit allocation among various economic classes.
- To divert credit to different priority economic activities.
- To improve the geographical coverage of the financial system.
- Better integration and planning of financial management.
- Improving saving mobilisation performance.
- Acceleration of net flow of funds to different sector proportionately to their contributions to GDP.
- Appropriates of the Bank's profits for public purposes. [3]

At the time of reorganisation, the newly formed nationalised Bank's structure of the authorised and paid-up capital has been shown in Table IV-1.

**Table IV-1**
**Nationalised Banks and their Embracing Banks**

| Name of Banks | Inclusion of the Pakistani Banks | Authorised Capital (Million) | Paid-up Capital (Million) |
|---|---|---|---|
| Sonali Bank | National Bank of Pakistan<br>Bank of Bahawalpur Ltd.<br>The Premier Bank Ltd. | 50 | 20 |
| Janata Bank | United Bank Ltd.<br>Union Bank Ltd. | 50 | 15 |
| Agrani Bank | Habib Bank Ltd.<br>Commercial Bank Ltd. | 50 | 10 |
| Rupali Bank | Muslim Commercial Bank Ltd.<br>Standard Bank Ltd.<br>Australasia Bank Ltd. | 50 | 10 |
| Pubali Bank | Eastern Mercantile Bank Ltd. | 50 | 10 |
| Uttara Bank | Eastern Banking Corporation Ltd. | 50 | 10 |

Source: GOB, Resume of the Activities of Financial Institutions in Bangladesh (First Issue), (Dhaka, 1973), pp. 11-12. Cited in M. Zainul Abedin, Commercial Banking in Bangladesh A Study of Disparities of Regional and sectoral growth trends,(Dhaka: National Institute of Local Government (NILG) , 1990), p. 83.

The progress made by the banking industry since nationalisation was not impressive. The nationalised banks could not play the expected role in the implementation of Government programmes and policies. Hence, a trend of de-nationalisation of the banks started from early eighty. In order to enable the

[3] Abedin, *Commercial Banking*, p. 81.

government to transfer any new Bank i.e. nationalised bank to private sector, a new Article was inserted in the Nationalisation law by the Bangladesh Banks (Nationalisation) (Amendment) Ordinance, 1977 (Ord, XXVIII of 1977).

After the amendment in the Nationalisation law, the Pubali Bank, the Uttara Bank and the Rupali Bank have been transferred to the private sector. These banks have been re-designated as Pubali Bank Ltd, Uttara Bank Ltd, and Rupali Bank Ltd. (The last bank's 51% retained in public sector).

Not only the commercial banks, rather all the Development Financial Institutions (DFIs), which existed after independence, were nationalised and reconstructed. In the following Table IV-2 the names of the newly formed institutions as well as the names of the merged institutions are shown.

**Table IV-2**
**Nationalised Development Financial Institutions and their Embracing Institutions**

| Name of DFIs | Inclusion of the Pakistani DFIs |
|---|---|
| Bangladesh Shilpa Bank | Industrial Development Bank of Pakistan |
| Bangladesh Shilpa Rin Sangstha | Pakistan Industrial Credit and Investment Corporation Ltd.<br>Investment Corporation of Pakistan<br>Pakistan National Investment Trust |
| Bangladesh Krishi Bank | Agricultural Development Finance Corporation |
| Bangladesh House Building Finance Corporation | House Building Finance Corporation |
| Bangladesh Co-operative Bank | East Pakistan Provincial Co-operative Bank Ltd. |

Source: Compiled from Ministry of Finance, GOB, *Resume of the Activities of the financial Institutions in Bangladesh, 1971-75* (Dhaka: Ministry of the Finance, Economic Adviser's Wing, 1976), pp. 27-52.

## IV.2. Balance Sheet Analysis

Analysis of balance sheet is important for understanding the strength and pattern of development of the banks. In the following two sub-sections: balance sheet of asset and liabilities of Deposited Money Banks (DMBs) or Scheduled Banks has been analysed. Bangladesh Bank due to some considerations termed all the scheduled banks and Bangladesh Samabaya Bank Ltd[4] as deposited money banks.

[4] Deposited Money Banks comprise all scheduled banks and Bangladesh Samabaya Bank Ltd. from July, 1987.

## IV.2.1. Analysis of Balance Sheet (Assets)

The growth trend of assets is analysed in Table IV-3. In the table we have included all the asset components within five categories. The table shows that the amount of 'Cash in Hand and at Banks, Money at Call and Short Notice, Foreign Currency Balances' increased from Tk. 1,788.0 million from the FY 1974-75 to Tk. 166,507.6 million in the FY 1999-2000 registering annual average SGR of 21.05 percentage and CGR of 19.88 percentage. The table also shows that the amount of 'Bills' was Tk. 1,079.1 million in the FY 1974-75, which gradually increased to Tk. 41,216.9 million in the FY 1999-2000 with the annual SGR and CGR of 17.11 and 15.69 percentages respectively. The 'Advance' was Tk. 8,068.6 million in the FY 1974-75, which swelled to Tk. 519,332.3 million in the FY 1999-2000 with the annual average SGR and CGR of 18.51 and 18.13 percentages respectively. The 'Investment' was Tk. 2,285.5 million in the FY 1974-75, which swelled to Tk. 130,185.8 million in the FY 1999-2000 with the annual average SGR and CGR of 19.01 and 17.55 percentages respectively. And the 'Other Assets' was Tk. 12,987.5 million in the FY 1974-75, which swelled to Tk. 2,406,974.7 million in the FY 1999-2000 with the annual average SGR and CGR of 34.28 and 23.23 percentages respectively. And the 'Total Assets' as a whole increased from Tk. 26,208.7 million from the FY 1974-75 to Tk. 3,264,217.3 million in the FY 1999-2000 with the annual average SGR and CGR of 24.15 and 21.29 percentages respectively. The above analysis shows that both the growth rates are higher for 'Other Assets' than the other components. It means that the growth rate of non-traditional assets was higher than the traditional assets.

## Table IV-3
## Different Components of Assets of Deposited Money Banks (DMBs) and its Growth Pattern (Tk. in million)

| Period | Cash in Hand & at Banks, Money at Call & Short Notice, Foreign Currency Balances | Annual SGR of Cash in Hand & at Banks, Money at Call & Short Notice, Foreign Currency Balances | Bills | Annual SGR of Bills | Advance | Annual SGR of Advance | Investment | Annual SGR of Investment | Other Assets Not Included Elsewhere | Annual SGR of Other Assets Not Included Elsewhere | Total Assets | Annual SGR of Total Assets |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1974-75 | 1,788.0 | | 1,079.1 | | 8,068.6 | | 2,285.5 | | 12,987.5 | | 26,208.7 | |
| 1975-76 | 2,050.2 | 14.66 | 1,318.7 | 22.20 | 9,494.8 | 17.68 | 2,558.1 | 11.93 | 12,572.9 | -3.19 | 27,994.7 | 6.81 |
| 1976-77 | 2,650.3 | 29.27 | 1,074.7 | -18.50 | 11,915.4 | 25.49 | 3,302.2 | 29.09 | 14,564.1 | 15.84 | 33,506.7 | 19.69 |
| 1977-78 | 2,957.4 | 11.59 | 1,789.6 | 66.52 | 14,485.3 | 21.57 | 3,858.8 | 16.86 | 19,441.8 | 33.49 | 42,532.9 | 26.94 |
| 1978-79 | 3,662.8 | 23.85 | 2,416.6 | 35.04 | 18,670.3 | 28.89 | 4,711.0 | 22.08 | 24,657.7 | 26.83 | 54,118.4 | 27.24 |
| 1979-80 | 5,042.1 | 37.66 | 2,929.9 | 21.24 | 25,420.8 | 36.16 | 4,745.7 | 0.74 | 33,903.3 | 37.50 | 72,044.8 | 33.12 |
| 1980-81 | 7,146.9 | 41.74 | 3,228.3 | 10.18 | 30,969.0 | 21.83 | 6,513.6 | 37.25 | 40,607.1 | 19.77 | 88,464.9 | 22.79 |
| 1981-82 | 7,336.3 | 2.65 | 3,658.9 | 13.34 | 41,188.9 | 33.00 | 7,251.7 | 11.33 | 51,080.3 | 25.79 | 110,516.1 | 24.93 |
| 1982-83 | 8,743.9 | 19.19 | 3,548.3 | -3.02 | 47,118.6 | 14.40 | 10,308.6 | 42.15 | 61,413.7 | 20.23 | 131,133.1 | 18.66 |
| 1983-84 | 12,217.8 | 39.73 | 5,222.3 | 47.18 | 64,565.9 | 37.03 | 15,050.6 | 46.00 | 99,672.7 | 62.30 | 196,729.3 | 50.02 |
| 1984-85 | 16,775.0 | 37.30 | 6,214.3 | 19.00 | 86,183.1 | 33.48 | 16,846.0 | 11.93 | 147,467.1 | 47.95 | 273,485.5 | 39.02 |
| 1985-86 | 19,995.3 | 19.20 | 5,443.2 | -12.41 | 104,728.6 | 21.52 | 18,554.1 | 10.14 | 213,290.8 | 44.64 | 362,012.0 | 32.37 |
| 1986-87 | 24,147.7 | 20.77 | 6,229.6 | 14.45 | 112,906.8 | 7.81 | 22,795.5 | 22.86 | 262,738.6 | 23.18 | 428,818.2 | 18.45 |
| 1987-88 | 39,473.4 | 63.47 | 7,774.8 | 24.80 | 133,427.9 | 18.18 | 21,232.7 | -6.86 | 122,023.6 | -53.56 | 323,932.4 | -24.46 |
| 1988-89 | 45,478.0 | 15.21 | 7,775.6 | 0.01 | 158,868.8 | 19.07 | 24,249.1 | 14.21 | 141,768.9 | 16.18 | 378,140.4 | 16.73 |
| 1989-90 | 48,206.2 | 6.00 | 10,078.2 | 29.61 | 190,324.8 | 19.80 | 22,667.0 | -6.52 | 145,198.5 | 2.42 | 416,474.7 | 10.14 |
| 1990-91 | 47,533.4 | -1.40 | 10,058.1 | -0.20 | 212,456.5 | 11.63 | 26,262.2 | 15.86 | 152,271.4 | 4.87 | 448,581.6 | 7.71 |
| 1991-92 | 46,772.7 | -1.60 | 11,832.0 | 17.64 | 215,858.4 | 1.60 | 49,725.0 | 89.34 | 201,984.1 | 32.65 | 526,172.2 | 17.30 |
| 1992-93 | 65,150.8 | 39.29 | 13,353.3 | 12.86 | 231,923.9 | 7.44 | 56,462.9 | 13.55 | 233,288.9 | 15.50 | 600,179.8 | 14.07 |
| 1993-94 | 83,640.0 | 28.38 | 14,078.3 | 5.43 | 239,227.0 | 3.15 | 61,385.0 | 8.72 | 246,257.0 | 5.56 | 644,587.3 | 7.40 |
| 1994-95 | 75,556.6 | -9.66 | 20,829.6 | 47.96 | 282,251.9 | 17.98 | 83,912.1 | 36.70 | 1,253,995.9 | 409.22 | 1,716,546.0 | 166.30 |
| 1995-96 | 72,997.7 | -3.39 | 23,165.6 | 11.21 | 333,403.0 | 18.12 | 81,579.7 | -2.78 | 1,402,314.3 | 11.83 | 1,913,460.2 | 11.47 |
| 1996-97 | 93,372.7 | 27.91 | 29,860.0 | 28.90 | 371,025.3 | 11.28 | 82,863.3 | 1.57 | 1,618,082.2 | 15.39 | 2,195,203.5 | 14.72 |
| 1997-98 | 105,004.4 | 12.46 | 33,968.8 | 13.76 | 419,271.3 | 13.00 | 91,142.2 | 9.99 | 1,810,674.4 | 11.90 | 2,460,061.1 | 12.07 |
| 1998-99 | 128,839.6 | 22.70 | 35,727.1 | 5.18 | 473,009.0 | 12.82 | 105,419.8 | 15.67 | 2,072,944.6 | 14.48 | 2,815,940.1 | 14.47 |
| 1999-00 | 166,507.6 | 29.24 | 41,216.9 | 15.37 | 519,332.3 | 9.79 | 130,185.8 | 23.49 | 2,406,974.7 | 16.11 | 3,264,217.3 | 15.92 |
| Average Annual SGR | | 21.05 | | 17.11 | | 18.51 | | 19.01 | | 34.28 | | 24.15 |
| CGR | | 19.88 | | 15.69 | | 18.13 | | 17.55 | | 23.23 | | 21.29 |

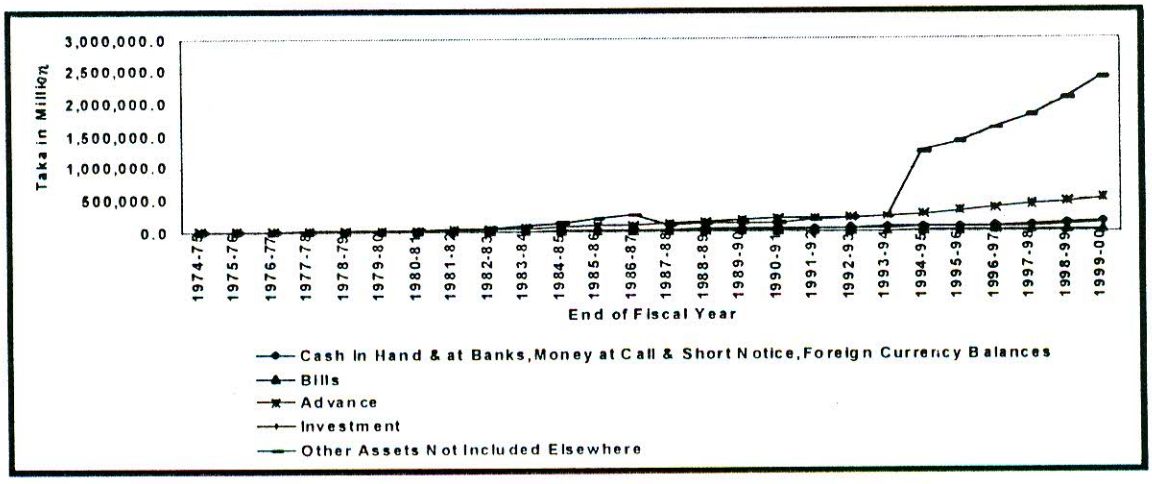
Note: Figure of the column 2 are added values of the three separated entry named 'Cash in hand at Banks' 'Money at Call and Short Notice' and 'Foreign Currency Balances'.

Source: Appendix: Table-7-A.

The annual SGR percentage of 'Other Assets' was comparatively more erratic than that of the other components. The annual SGR percentages of all the components normally varied between 25 and 50 percentages, though there were some ups and downs with a few negative values also. In the FY 1994-95, the annual SGR of 'Other Assets not included elsewhere' dramatically increased to above 400 percentages.

In the following Figure IV-1, absolute values of the components of assets of DMBs have been depicted. From the figure, it is seen that until the FY 1993-94, the trend patterns of each component of the assets were steady and smooth but from the FY 1994-95, that of 'Other Assets not included elsewhere' suddenly increased by several times.

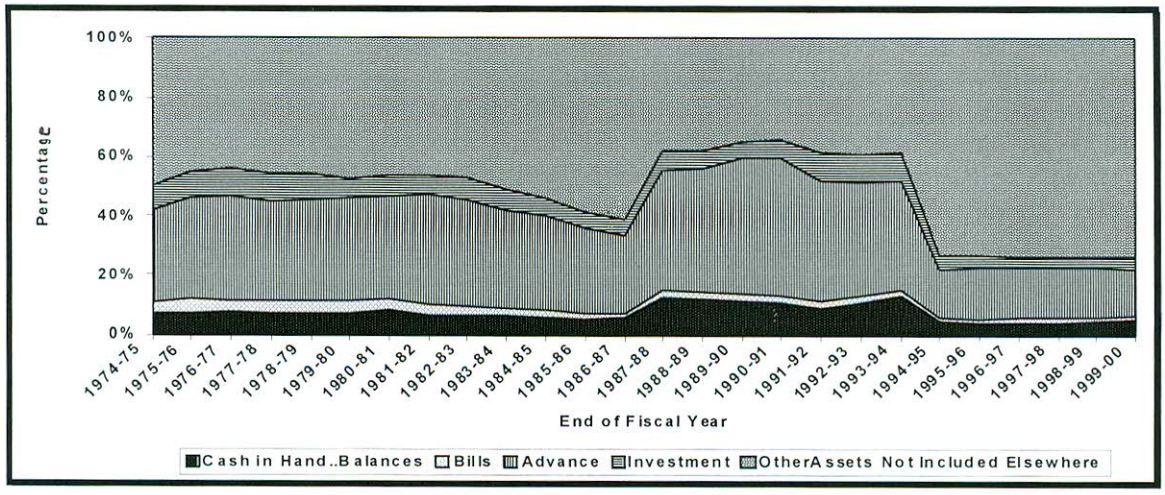
**Figure IV-1**
**Trend Pattern of Different Components of Assets of DMBs**




Source: Table IV-3.

The growth trend of the percentage share of 'Cash in Hand and at Banks, Money at Call and Short Notice, and Foreign Currency Balances' was smooth, during 1974-1987, its share was below 10 percentages. But during 1988-1995, its share rose to above 10 percentages and from the FY 1995-96 to the FY 1999-2000, its share again reduced to about 5 percentages. The percentage share of 'Bills' was below 4 percentages. The trend of percentage share of 'Advance' was also steady and smooth, and varied between 30 and 40 percentages during 1974-1987. But from the FY 1987-88 to the FY 1993-94, it varied between 40 and 50 percentages, and then it reduced to about 20 percentages after the FY 1994-95. The trend of share of 'Investment' was also smooth, all over the period its share remained between 2 and 4 percentages. The trend of share of 'Other Assets' remained between 40 and 60 percentages from the FY 1974-75 to the FY 1986-87, and it reduced to below 40 percentages from the FY 1988-89 to the FY 1993-94 and then again, its share increased to above 60 percentages after the FY 1994-95.

**Figure IV-2**
**Share of Different Components of Assets of DMBs**




Source: Table IV-3.

## IV.2.1.1. Trend Equation of Different Components of Assets of DMBs

To compare the growth trends of the components of assets more critically, semi-logarithmic trend lines are estimated for the period from 1974-1975 to 1999-2000. The semi-logarithmic trend equation shows the relationship between components of assets (Y) as dependent variable and time (X) as independent variable and which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for components of assets are shown in Table IV-4.

**Table IV-4**
**Estimated Semi-Logarithmic Trend Lines of Different Components of Assets of DMBs**

| Types of Assets | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Cash in Hand and at Banks, Money at Call and Short Notice, and Foreign Currency Balance | 3.25 | 0.0789 | 0.97 | 19.92 | 27.63 | 0.00 | S |
| Bills | 3.01 | 0.0613 | 0.98 | 15.15 | 37.88 | 0.00 | S |
| Advance | 3.98 | 0.0725 | 0.96 | 18.16 | 25.18 | 0.00 | S |
| Investment | 3.33 | .0.0709 | 0.98 | 17.73 | 35.89 | 0.00 | S |
| Other Assets Not included elsewhere | 3.96 | 0.0902 | 0.93 | 23.08 | 17.65 | 0.00 | S |
| Total Assets | 4.34 | 0.0838 | 0.97 | 21.28 | 29.91 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 25 degrees of freedom and 0.05 level of significance is 1.708

The table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggests that the amount of each component of assets increased in the country during the period. It also obvious from the table that the 'Other Assets Not included Elsewhere' increased at the highest rate with TGR of 23.08 percentage followed by 'Total Assets' with TGR of 21.28 percentage. And the TGR percentages of 'Cash in Hand and at Banks, Money at Call and Short Notice and Foreign Currency Balance', 'Bills', 'Advance' and 'Investment' were 19.92, 15.15, 18.16 and 17.73 respectively.

### IV.2.2. Analysis of Balance Sheet (Liabilities)

The growth trend of Liabilities is analysed in Table IV-5. In the table we have included all the components of Liabilities within four categories. The table shows that the amount of 'Paid-up Capital and Reserve' increased from Tk. 406.8 million from the FY 1974-75 to Tk. 39,160.0 million in the FY 1999-2000 registering annual average SGR percentage of 21.34 and CGR percentage of 20.04. The table also shows that the amount of 'Deposits' was Tk. 10,545.6 million in the FY 1974-75, which gradually increased to Tk. 740,818.6 million in the FY 1999-2000 with the annual average SGR and CGR of 18.79 and 18.54 percentages respectively. The 'Borrowing and Foreign Liabilities' was Tk. 2,200.9 million in the FY 1974-75, which swelled to Tk. 96,279.5 million in the FY 1999-2000 with annual average SGR and CGR of 18.28 and 16.32 percentages respectively. And the 'Other Liabilities not included elsewhere' was Tk. 13,055.4 million in the FY 1974-75, which swelled to Tk. 2,387,959.2 million in the FY 1999-2000 with annual average SGR and CGR of 35.14 and 23.17 percentages respectively. The 'Total Liabilities' increased from Tk. 26,208.7 million in the FY 1974-75 to Tk. 3,264,217.3 million in the FY 1999-2000 with annual average SGR and CGR percentages of 24.15 and 21.29 respectively. The above analysis shows that both types of growth rates percentages (SGR and CGR) were higher for 'Other Liabilities not included elsewhere' than those of the other components. It means that the growth rate of non-traditional liabilities was relatively higher than those of the traditional Liabilities.

## Table IV-5
## Different Components of Liabilities of Deposited Money Banks (DMBs) and its Growth Pattern (Tk. million)

| Period | Paid-Up Capital and Reserves | Annual SGR of Paid-Up Capital and Reserves | Deposit | Annual SGR of Deposit | Borrowing, Foreign Liabilities | Annual SGR of Borrowing, Foreign Liabilities | Other Liabilities not Included Elsewhere | Annual SGR of Other Liabilities not Included Elsewhere | Total Liabilities | Annual SGR of Total Liabilities |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1974-75 | 406.8 | | 10,545.6 | | 2,200.9 | | 13,055.4 | | 26,208.7 | |
| 1975-76 | 713.5 | 75.39 | 11,957.4 | 13.39 | 1,997.3 | -9.25 | 13,326.5 | 2.08 | 27,994.7 | 6.81 |
| 1976-77 | 906.1 | 26.99 | 15,004.0 | 25.48 | 2,656.4 | 33.00 | 14,940.2 | 12.11 | 33,506.7 | 19.69 |
| 1977-78 | 956.2 | 5.53 | 17,691.6 | 17.91 | 4,063.1 | 52.96 | 19,822.0 | 32.68 | 42,532.9 | 26.94 |
| 1978-79 | 1,015.5 | 6.20 | 23,011.6 | 30.07 | 5,367.9 | 32.11 | 24,723.4 | 24.73 | 54,118.4 | 27.24 |
| 1979-80 | 1,132.6 | 11.53 | 28,216.5 | 22.62 | 9,324.6 | 73.71 | 33,368.1 | 34.97 | 72,041.8 | 33.12 |
| 1980-81 | 1,229.6 | 8.56 | 34,825.5 | 23.42 | 12,520.5 | 34.27 | 39,889.3 | 19.54 | 88,464.9 | 22.80 |
| 1981-82 | 1,454.0 | 18.25 | 39,140.5 | 12.39 | 17,907.0 | 43.02 | 52,014.6 | 30.40 | 110,516.1 | 24.93 |
| 1982-83 | 2,198.7 | 51.22 | 51,178.4 | 30.76 | 16,308.8 | -8.93 | 61,447.2 | 18.13 | 131,133.1 | 18.66 |
| 1983-84 | 3,104.5 | 41.20 | 73,749.5 | 44.10 | 19,067.9 | 16.92 | 100,807.4 | 64.06 | 196,729.3 | 50.02 |
| 1984-85 | 3,252.6 | 4.77 | 93,780.6 | 27.16 | 29,167.4 | 52.97 | 146,296.1 | 45.12 | 273,485.5 | 39.02 |
| 1985-86 | 3,822.4 | 17.52 | 111,365.7 | 18.75 | 32,713.7 | 12.16 | 212,999.0 | 45.59 | 362,012.0 | 32.37 |
| 1986-87 | 4,631.1 | 21.16 | 133,497.3 | 19.87 | 28,280.6 | -13.55 | 262,399.2 | 23.19 | 428,808.2 | 18.45 |
| 1987-88 | 5,198.4 | 12.25 | 156,160.1 | 16.98 | 39,030.9 | 38.01 | 123,543.0 | -52.92 | 323,932.4 | -24.46 |
| 1988-89 | 6,218.5 | 19.62 | 184,312.3 | 18.03 | 46,600.3 | 19.39 | 141,009.3 | 14.14 | 378,140.4 | 16.73 |
| 1989-90 | 6,465.5 | 3.97 | 208,410.9 | 13.07 | 54,906.3 | 17.82 | 146,692.0 | 4.03 | 416,474.7 | 10.14 |
| 1990-91 | 7,352.1 | 13.71 | 234,687.3 | 12.61 | 56,750.3 | 3.36 | 149,791.9 | 2.11 | 448,581.6 | 7.71 |
| 1991-92 | 12,488.7 | 69.87 | 270,091.4 | 15.09 | 53,810.8 | -5.18 | 189,781.3 | 26.70 | 526,172.2 | 17.30 |
| 1992-93 | 14,757.2 | 18.16 | 304,061.2 | 12.58 | 47,104.4 | -12.46 | 234,257.0 | 23.44 | 600,179.8 | 14.07 |
| 1993-94 | 20,265.3 | 37.32 | 347,962.7 | 14.44 | 46,927.9 | -0.37 | 229,431.4 | -2.06 | 644,587.3 | 7.40 |
| 1994-95 | 21,299.8 | 5.10 | 401,326.5 | 15.34 | 54,419.1 | 15.96 | 1,239,500.6 | 440.25 | 1,716,546.0 | 166.30 |
| 1995-96 | 23,318.7 | 9.48 | 429,605.9 | 7.05 | 65,809.1 | 20.93 | 1,394,726.5 | 12.52 | 1,913,460.2 | 11.47 |
| 1996-97 | 25,939.7 | 11.24 | 488,083.2 | 13.61 | 72,692.3 | 10.46 | 1,608,488.3 | 15.33 | 2,195,203.5 | 14.72 |
| 1997-98 | 29,823.5 | 14.97 | 536,881.4 | 10.00 | 82,322.7 | 13.25 | 1,811,033.5 | 12.59 | 2,460,061.1 | 12.07 |
| 1998-99 | 32,467.7 | 8.87 | 618,674.0 | 15.23 | 93,534.4 | 13.62 | 2,071,264.0 | 14.37 | 2,815,940.1 | 14.47 |
| 1999-00 | 39,160.0 | 20.61 | 740,818.6 | 19.74 | 96,279.5 | 2.93 | 2,387,959.2 | 15.29 | 3,264,217.3 | 15.92 |
| | | 21.34 | | 18.79 | | 18.28 | | 35.14 | | 24.15 |
| | | 20.04 | | 18.54 | | 16.32 | | 23.17 | | 21.29 |

Note: Figure of the column 2 are the added values of the two separated entry named 'Paid-up capital' and 'Reserves'; and the figure of the column 6 are the added values of the two separated entry named 'Borrowing' and 'Foreign Liabilities'.

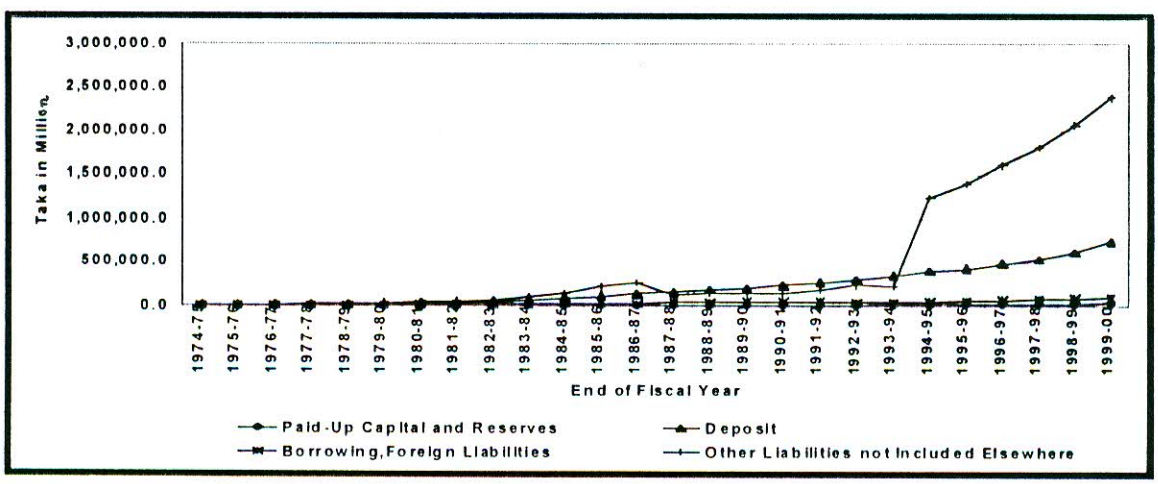
Here Deposits mean Demand Deposits plus Time Deposits plus Deposits from Banks plus Deposits from Government.

Source: Appendix: Table-7-B.

The annual SGR percentage of 'Other Liabilities not included elsewhere' was comparatively more erratic than those of the other components. The growth of annual SGR percentage for all components normally varied between 20 and 50 percentages, though there were ups and downs, even with some negative values. In the FY 1994-95 annual SGR of 'Other Liabilities not included elsewhere' dramatically increased to above 400 percentages.

In the following Figure IV-3, the absolute values of the components of liabilities, from the above table, have been depicted against each Year. Like asset side, the trend pattern of all the components of the liabilities was also steady and smooth until the FY 1993-94. Then suddenly in the FY 1994-95, 'Other Liabilities not included elsewhere' increased to Tk. 1,239,500.6 million from Tk. 229,431.4 million with annual SGR percentage of 440.25.

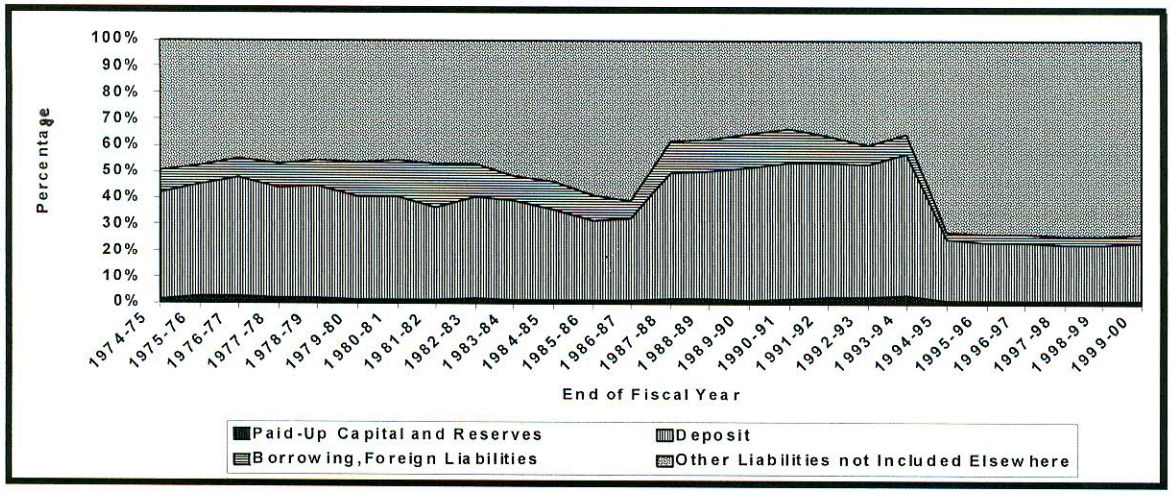
**Figure IV-3**
**Trend Pattern of Different Components of Liabilities of DMBs**




Source: Table IV-5.

The trend of percentage share of 'Paid-up Capital and Reserve' was smooth, over the period and its share was between 2 and 4 percentages. The percentage share of 'Deposits' varied between 30 and 45 percentages from the FY 1974-75 to 1986-87, and its share suddenly rose to above 50 percentages in the FY 1987-88 and that continued till the FY 1993-94. It again, reduced to around 20 percentages in the FY 1994-95 and that continued till the FY 1999-2000. The share of 'Borrowing and Foreign Liabilities' did not exceed 10 percentages over the years, but it reduced to around 4 percentages in the FY 1994-95. The trend of share of 'Other Liabilities not included elsewhere' was opposite to those of 'Deposits'. From the FY 1974-75 to the FY 1986-87, its share was around 50 to 60 percentages, then from the FY 1987-88 to the FY 1993-94, its share reduced to below 40 percentages. Then from the FY 1994-95 to the FY 1999-2000, its share increased to above 70 percentages.

**Figure IV-4**
**Share of Different Components of Liabilities of DMBs**




Source: Table IV-5.

## IV.2.2.1. Trend Equation of Liabilities of DMBs

To compare the growth trends of the components of liabilities more critically, semi-logarithmic trend lines are estimated for the period from 1974-1975 to 1999-2000. The semi-logarithmic trend equation shows the relationship between components of liabilities (Y) as dependent variable and time (X) as independent variable which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trend for components of liabilities are shown in Table IV-6

**Table IV-6**
**Estimated Semi-Logarithmic Trend Lines of Liabilities of DMBs**

| Components of Liabilities | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Paid-up Capital and Reserve | 2.63 | 0.0777 | 0.99 | 19.59 | 46.61 | 0.00 | S |
| Deposits | 4.02 | 0.0751 | 0.98 | 18.87 | 34.44 | 0.00 | S |
| Borrowing and Foreign Liabilities | 3.51 | 0.0637 | 0.88 | 15.79 | 13.40 | 0.00 | S |
| Other Liabilities not included elsewhere | 3.96 | 0.0896 | 0.92 | 22.91 | 17.23 | 0.00 | S |
| Total Liabilities | 4.34 | 0.0833 | 0.97 | 21.14 | 29.91 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 25 degrees of freedom and 0.05 level of significance is 1.708

The table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggests that the amount of each component of liabilities increased in the country during the period. It is also clear from the table that the 'Other Liabilities not included elsewhere' increased at the highest rate with TGR of 22.91 percentage followed by 'Total Liabilities' with the TGR of 21.14 percentage. And the TGR percentages of 'Paid-up Capital and Reserve' 'Deposits' and 'Borrowing and Foreign Liabilities' were 19.59, 18.87 and 15.79 respectively.

## IV.3. Shares of Assets of Different Scheduled Banks

The growth trend of assets of different types of scheduled banks is analysed in the Table IV-7. In the table we have included the assets of four types scheduled banks. The table shows that the assets of NCBs increased from Tk. 21,667.2 million in the FY 1974-75 to Tk. 2,339,626.3 million in the FY 1999-2000 registering annual average SGR of 26.04 percentages and CGR of 20.60 percentages. The table also shows that the assets of SBs were Tk. 2,386.7 million in the FY 1974-75, which gradually increased to Tk. 256,352.0 million in the FY 1999-2000 with annual SGR and CGR percentages of 22.42 and 20.57 respectively. The assets of PCBs were Tk. 18,765.6 million in the FY 1983-84, which swelled to Tk. 531,770.2 million in the FY 1999-2000 with annual average SGR and CGR of 27.57 and 23.25 percentages respectively. The assets of FCBs were Tk. 2,154.8 million in the FY 1974-75, which swelled to Tk. 136,468.8 million in the FY 1999-2000 with annual average SGR and CGR of 20.03 and 18.05 percentages respectively. The 'Total Assets' of all banks were Tk. 26,208.7 million in the FY 1974-75, which swelled to Tk. 3,264,217.3 million in the FY 1999-2000 with annual average SGR and CGR of 24.16 and 21.29 percentages respectively. The above analysis shows that both types of growth rates were relatively higher for the assets of PCBs.

## Table IV-7
## Shares of Assets of Different Scheduled Banks (Tk. in million)

| Period | Nationalised Commercial Bank | Annual SGR of Nationalised Commercial Bank | Specialised Banks | Annual SGR of Specialised Banks | Private Bank | Annual SGR of Private Bank | Foreign Bank | Annual SGR of Foreign Bank | Assets Scheduled Banks | Annual SGR of Assets Scheduled Banks |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1974-75 | 21,667.2 | | 2,386.7 | | - | - | 2,154.8 | | 26,208.7 | |
| 1975-76 | 23,618.4 | 9.01 | 2,487.4 | 4.22 | - | - | 1,888.9 | -12.34 | 27,994.7 | 6.81 |
| 1976-77 | 28,547.9 | 20.87 | 3,047.1 | 22.50 | - | - | 1,911.7 | 1.21 | 33,506.7 | 19.69 |
| 1977-78 | 36,148.3 | 26.62 | 3,768.2 | 23.67 | - | - | 2,616.4 | 36.86 | 42,532.9 | 26.94 |
| 1978-79 | 45,890.8 | 26.95 | 4,661.4 | 23.70 | - | - | 3,566.2 | 36.30 | 54,118.4 | 27.24 |
| 1979-80 | 59,276.8 | 29.17 | 6,173.1 | 32.43 | - | - | 6,591.9 | 84.84 | 72,041.8 | 33.12 |
| 1980-81 | 73,042.4 | 23.22 | 7,848.7 | 27.14 | - | - | 7,573.8 | 14.90 | 88,464.9 | 22.80 |
| 1981-82 | 86,530.3 | 18.47 | 11,190.1 | 42.57 | - | - | 12,795.7 | 68.95 | 110,516.1 | 24.93 |
| 1982-83 | 100,543.8 | 16.19 | 15,328.2 | 36.98 | - | - | 15,261.1 | 19.27 | 131,133.1 | 18.66 |
| 1983-84 | 139,544.0 | 38.79 | 23,663.9 | 54.38 | 18,765.6 | | 14,755.8 | -3.31 | 196,729.3 | 50.02 |
| 1984-85 | 157,589.1 | 12.93 | 45,399.2 | 91.85 | 52,017.5 | 177.20 | 18,479.7 | 25.24 | 273,485.5 | 39.02 |
| 1985-86 | 227,952.5 | 44.65 | 47,442.6 | 4.50 | 63,811.9 | 22.67 | 22,805.0 | 23.41 | 362,012.0 | 32.37 |
| 1986-87 | 272,768.8 | 19.66 | 49,493.6 | 4.32 | 77,679.4 | 21.73 | 28,866.4 | 26.58 | 428,808.2 | 18.45 |
| 1987-88 | 170,334.3 | -37.55 | 49,063.9 | -0.87 | 72,083.8 | -7.20 | 32,450.3 | 12.42 | 323,932.3 | -24.46 |
| 1988-89 | 189,626.2 | 11.33 | 54,504.0 | 11.09 | 90,716.7 | 25.85 | 43,295.3 | 33.42 | 378,142.2 | 16.73 |
| 1989-90 | 215,262.3 | 13.52 | 59,104.3 | 8.44 | 95,138.7 | 4.87 | 46,969.3 | 8.49 | 416,474.6 | 10.14 |
| 1990-91 | 225,570.4 | 4.79 | 65,485.6 | 10.80 | 110,587.2 | 16.24 | 46,938.4 | -0.07 | 448,581.6 | 7.71 |
| 1991-92 | 258,481.8 | 14.59 | 87,494.5 | 33.61 | 124,450.1 | 12.54 | 55,745.8 | 18.76 | 526,172.2 | 17.30 |
| 1992-93 | 310,632.8 | 20.18 | 91,566.4 | 4.65 | 155,015.2 | 24.56 | 42,965.4 | -22.93 | 600,179.8 | 14.07 |
| 1993-94 | 349,902.8 | 12.64 | 93,083.8 | 1.66 | 157,834.0 | 1.82 | 43,766.7 | 1.86 | 644,587.3 | 7.40 |
| 1994-95 | 1,254,570.8 | 258.55 | 161,752.1 | 73.77 | 241,900.3 | 53.26 | 58,322.8 | 33.26 | 1,716,546.0 | 166.30 |
| 1995-96 | 1,419,438.8 | 13.14 | 162,724.2 | 0.60 | 257,930.0 | 6.63 | 71,107.9 | 21.92 | 1,911,200.9 | 11.34 |
| 1996-97 | 1,620,988.6 | 14.20 | 183,612.6 | 12.84 | 305,308.1 | 18.37 | 85,294.2 | 19.95 | 2,195,203.5 | 14.86 |
| 1997-98 | 1,817,959.6 | 12.15 | 220,558.3 | 20.12 | 330,575.8 | 8.28 | 90,967.4 | 6.65 | 2,460,061.1 | 12.07 |
| 1998-99 | 2,077,719.7 | 14.29 | 240,751.7 | 9.16 | 390,308.1 | 18.07 | 107,160.6 | 17.80 | 2,815,940.1 | 14.47 |
| 1999-00 | 2,339,626.3 | 12.61 | 256,352.0 | 6.48 | 531,770.2 | 36.24 | 136,468.8 | 27.35 | 3,264,217.3 | 15.92 |
| Annual Average SGR | | 26.04 | | 22.42 | | 27.57 | | 20.03 | | 24.16 |
| CGR | | 20.60 | | 20.57 | | 23.25 | | 18.05 | | 21.29 |

Source: For column 2, from 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 51, 53.

For column 2, from 1990-91 to 1990-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III and IV (Dhaka: BB), p. 53.

For column 4, from 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 63, 65.

For column 4, from 1990-91 to 1990-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III and IV (Dhaka: BB), p. 59.

For column 6, from 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 71, 73.

For column 6, from 1990-91 to 1990-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III and IV (Dhaka: BB), p. 65.

For column 8, from 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 83, 85.

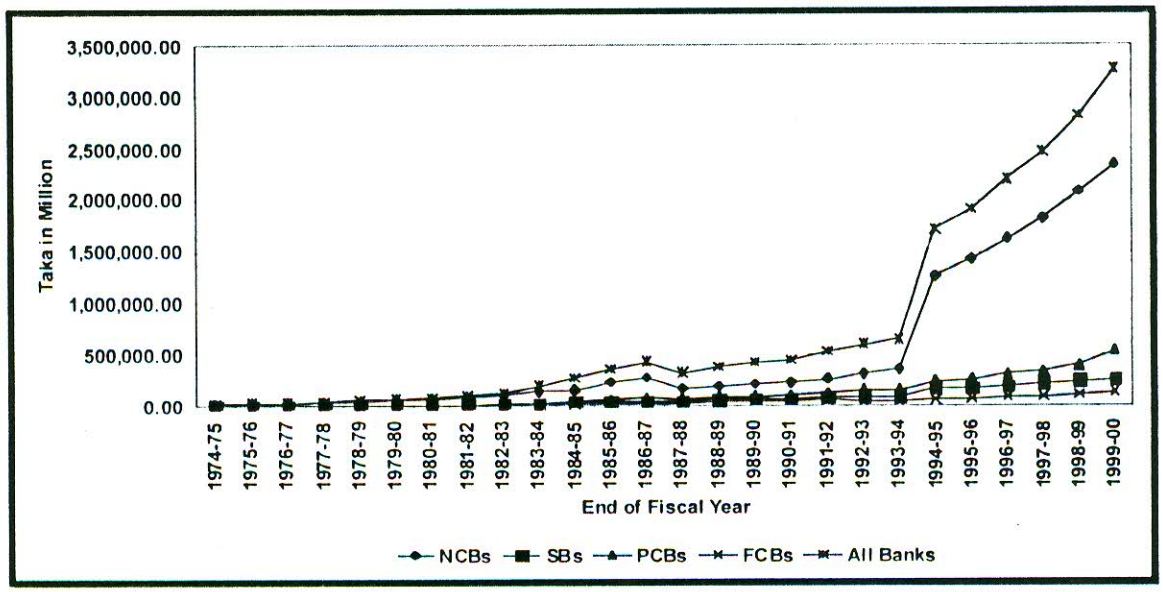
For column 8, from 1990-91 to 1990-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III and IV (Dhaka: BB), p. 71.

There is an incidence of sharp increase of assets in all types of banks in the FY 1994-95. The annual SGR of assets were 258.55, 73.77, 53.26 and 33.26 percentages for

the NCBs, SBs, PBs and FCBs respectively in the FY 1994-95. In the same year the SGR percentage of total assets of all banks was 166.30 percentages. Except a few specific years (i.e. FY 1987-88 for NCBs, SBs and PBs and FYs 1975-76, 1983-84, 1990-91 and 1992-93 for FCBs), the annual SGR percentages of assets were positive for all types of banks.

In the following Figure IV-5, absolute values of the assets of different types of banks have been depicted. It is seen from the figure that in the FY 1994-95, assets of NCBs increased tremendously due to re-capitalisation by the GOB as a part of reformation effort. As a result total assets also increased tremendously.

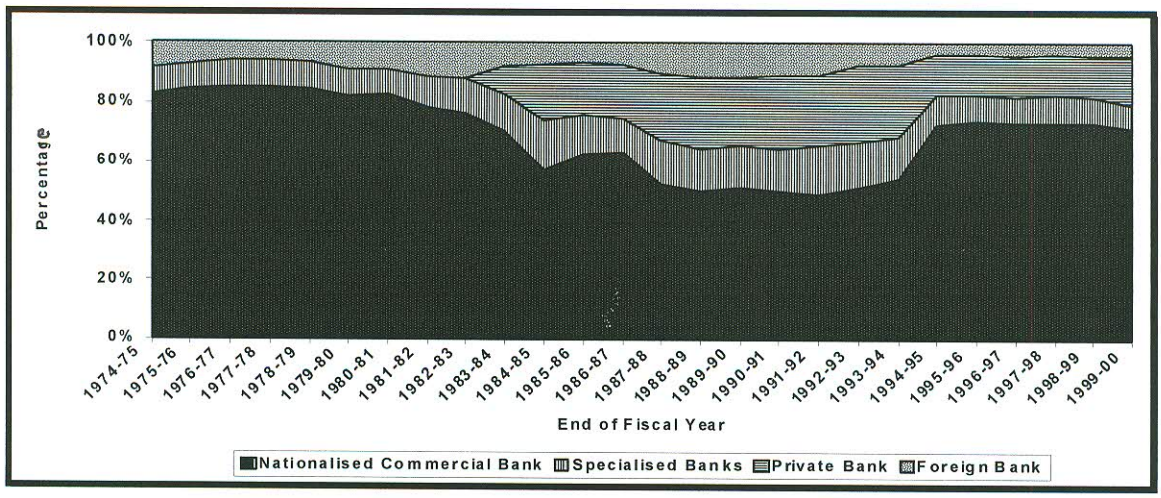
**Figure IV-5**
**Trend Pattern of Assets of Different Scheduled Banks**




Source: Table IV-7.

The structure of share of the assets of all types of banks has been depicted in the Figure IV-6. At the beginning the share of assets of NCBs was more than 80 percentages, and gradually it reduced to about 50 percentages in the FY 1991-92, and again it rose to around 70 percentages in the FY 1994-95. The share of assets of SBs was consistent at around 10 percentages. The share of PCBs varied between 24 and 12 percentages, and the share of FCBs varied between 12 and 4 percentages.

**Figure IV-6**
**Share of Assets between Different Scheduled Banks**




Source: Table IV-7.

## IV.3.1. Trend Equation of Assets of Different Scheduled Banks

To compare the growth trends of assets between different types of banks more critically, semi-logarithmic trend lines are estimated for the period from 1974-1975 to 1999-2000. The semi-logarithmic trend equation shows the relationship between assets of different types of banks (Y) as dependent variable and time (X) as independent variable which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for assets of different types of banks were shown in Table IV-8.

**Table IV-8**
**Estimated Semi-Logarithmic Trend Lines of Assets of Different Scheduled Banks**

| Assets of Different Types Banks | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Nationalised Commercial Banks | 4.25 | 0.0787 | 0.94 | 19.87 | 20.14 | 0.00 | S |
| Specialised Banks | 3.36 | 0.0853 | 0.96 | 21.70 | 23.40 | 0.00 | S |
| Private Commercial Banks | 4.48 | 0.0712 | 0.94 | 17.81 | 15.63 | 0.00 | S |
| Foreign Private Banks | 3.33 | 0.0727 | 0.93 | 18.22 | 18.28 | 0.00 | S |
| All Banks | 4.34 | 0.0838 | 0.97 | 21.28 | 29.91 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 25 degrees of freedom and 0.05 level of significance is 1.708
The t Table Value at 16 degrees of freedom and 0.05 level of significance is 1.746

The table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggests that the amount of assets of each type of banks increased in the country during the period. It is also clear from the table that the asset of SBs increased at the highest rate with TGR of 21.70 percentages, which was followed by all banks with TGR of 21.28 percentages. And the TGR percentages of NCBs, PCBs and FCBs were 19.87, 17.70 and 18.22 respectively.

## IV.4. Expansion of Bank Branch of Different Scheduled Banks

The growth trend of the expansion of bank branches of different types of scheduled banks is analysed in the Table IV-9. The table shows that the branches of NCBs increased from 1,116 in the FY 1972-73 to 3,621 in the FY 1999-2000 registering annual average SGR of 4.83 percentages and CGR of 4.46 percentages. The table also shows that the number of branches of SBs were 108 in the FY 1972-73, which gradually increased to 1,200 in the FY 1999-2000 with annual average SGR and CGR percentages of 10.19 and 9.33 respectively. The branches of PCBs were 628 in the FY 1984-85, which swelled to 1,219 in the FY 1999-2000 with annual average SGR and CGR of 4.54 and 4.52 percentages respectively. The numbers of branches of FCBs were 14 in the FY 1972-73, which swelled to 31 in the FY 1999-2000 with annual average SGR and CGR of 3.28 and 2.99 percentage respectively. The total numbers of bank branches were 1,238 in the FY 1972-73, which increased to 6,071 in the FY 1999-2000 with annual average SGR and CGR of 6.35 and 6.07 percentages respectively. The above analysis shows that both types of growth rates were the highest for SBs and the lowest for FCBs.

## Table IV-9
## Number of Bank Branches of Different Scheduled Banks and their Growth Pattern

| Period | Nationalised Commercial Banks | Annual SGR of Nationalised Commercial Banks | Specialised Banks | Annual SGR of Specialised Banks | Private Banks | Annual SGR of Private Banks | Foreign Banks | Annual SGR of Foreign Banks | All Banks Total | Annual SGR of All Banks Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1972-73 | 1116 | | 108 | | - | - | 14 | | 1238 | |
| 1973-74 | 1291 | 15.68 | 142 | 31.48 | - | - | 14 | 0.00 | 1447 | 16.88 |
| 1974-75 | 1431 | 10.84 | 153 | 7.75 | - | - | 14 | 0.00 | 1598 | 10.44 |
| 1975-76 | 1523 | 6.43 | 158 | 3.27 | - | - | 15 | 7.14 | 1696 | 6.13 |
| 1976-77 | 1728 | 13.46 | 177 | 12.03 | - | - | 18 | 20.00 | 1923 | 13.38 |
| 1977-78 | 2366 | 36.92 | 206 | 16.38 | - | - | 20 | 11.11 | 2592 | 34.79 |
| 1978-79 | 2911 | 23.03 | 261 | 26.70 | - | - | 20 | 0.00 | 3192 | 23.15 |
| 1979-80 | 3290 | 13.02 | 426 | 63.22 | - | - | 19 | -5.00 | 3735 | 17.01 |
| 1980-81 | 3473 | 5.56 | 573 | 34.51 | - | - | 21 | 10.53 | 4067 | 8.89 |
| 1981-82 | 3697 | 6.45 | 667 | 16.40 | - | - | 21 | 0.00 | 4385 | 7.82 |
| 1982-83 | 3678 | -0.51 | 873 | 30.88 | - | - | 21 | 0.00 | 4572 | 4.26 |
| 1983-84 | 3834 | 4.24 | 914 | 4.70 | - | - | 20 | -4.76 | 4768 | 4.29 |
| 1984-85 | 3343 | -12.81 | 981 | 7.33 | 628 | - | 20 | 0.00 | 4972 | 4.28 |
| 1985-86 | 3393 | 1.50 | 1028 | 4.79 | 653 | 3.98 | 20 | 0.00 | 5094 | 2.45 |
| 1986-87 | 3435 | 1.24 | 1067 | 3.79 | 693 | 6.13 | 22 | 10.00 | 5217 | 2.41 |
| 1987-88 | 3482 | 1.37 | 1104 | 3.47 | 715 | 3.17 | 22 | 0.00 | 5323 | 2.03 |
| 1988-89 | 3536 | 1.55 | 1124 | 1.81 | 771 | 7.83 | 22 | 0.00 | 5453 | 2.44 |
| 1989-90 | 3560 | 0.68 | 1146 | 1.96 | 824 | 6.87 | 22 | 0.00 | 5552 | 1.82 |
| 1990-91 | 3580 | 0.56 | 1165 | 1.66 | 865 | 4.98 | 18 | -18.18 | 5628 | 1.37 |
| 1991-92 | 3596 | 0.45 | 1167 | 0.17 | 902 | 4.28 | 18 | 0.00 | 5683 | 0.98 |
| 1992-93 | 3603 | 0.19 | 1169 | 0.17 | 942 | 4.43 | 18 | 0.00 | 5732 | 0.86 |
| 1993-94 | 3612 | 0.25 | 1186 | 1.45 | 943 | 0.11 | 18 | 0.00 | 5759 | 0.47 |
| 1994-95 | 3619 | 0.19 | 1168 | -1.52 | 1000 | 6.04 | 19 | 5.56 | 5806 | 0.82 |
| 1995-96 | 3628 | 0.25 | 1151 | -1.46 | 1065 | 6.50 | 23 | 21.05 | 5867 | 1.05 |
| 1996-97 | 3631 | 0.08 | 1170 | 1.65 | 1081 | 1.50 | 25 | 8.70 | 5907 | 0.68 |
| 1997-98 | 3629 | -0.06 | 1177 | 0.60 | 1120 | 3.61 | 28 | 12.00 | 5954 | 0.80 |
| 1998-99 | 3627 | -0.06 | 1179 | 0.17 | 1153 | 2.95 | 29 | 3.57 | 5988 | 0.57 |
| 1999-00 | 3621 | -0.17 | 1200 | 1.78 | 1219 | 5.72 | 31 | 6.90 | 6071 | 1.39 |
| Annual Average SGR | | 4.83 | | 10.19 | | 4.54 | | 3.28 | | 6.35 |
| CGR | | 4.46 | | 9.33 | | 4.52 | | 2.99 | | 6.07 |

Source: From 1972-73 to 1989-90; Bangladesh Bank, *Economic Trends*, Vol. XXI, No. 12 (Dhaka: Statistics Department, BB), pp. 58-61.

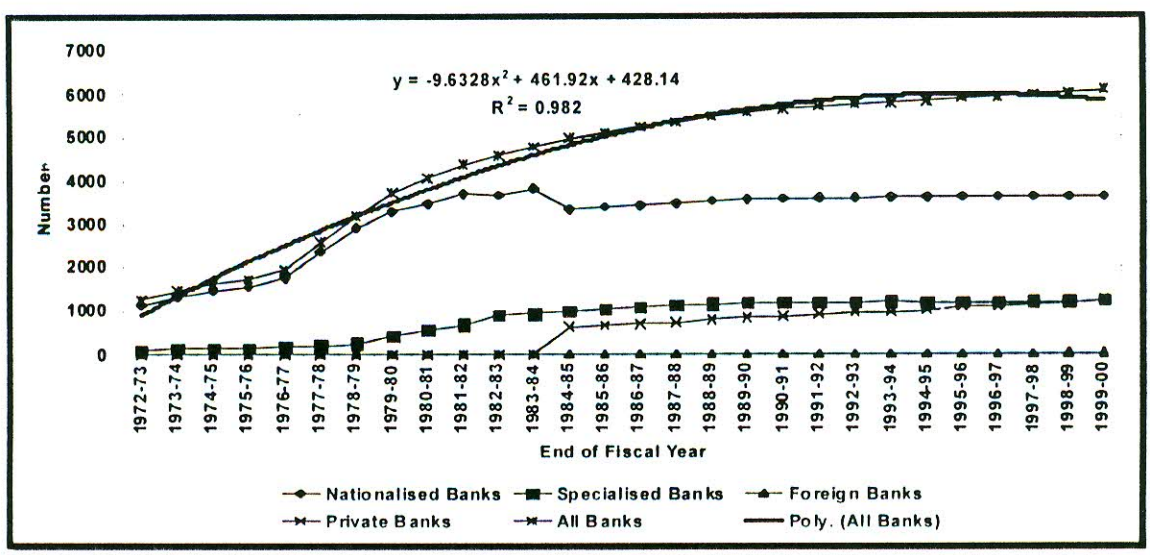
From 1990-91 to 1999-2000; Bangladesh Bank, *Economic Trends*, Vol. XXVI, No. 6 (Dhaka: Statistics Department, BB), pp. 66-69.

It is observed from the table that annual SGR percentages of PCBs were smooth and steady in comparison to other banks. After the FY 1985-1986 annual SGR of all types of banks, except the FCBs, was smooth and steady. In fact, between 1972-73 and 1984-1985 the growth rates of all types of banks were very high.

In the following Figure IV-7, number of bank branches has been depicted. The table shows that in the FY 1977-78 expansion of the branches of NCBs got momentum, and

continued for successive three years. In the FY 1984-85, number of branches of NCBs reduced dramatically due to privatisation of two NCBs, namely Uttara and Pubali banks. Expansion of the branches of SBs also got momentum from the FY 1978-79, and continued till the FY 1982-83. The expansion of the other two types of banks was also smooth and steady. In the figure a polynomial regression trend line for the expansion of branches of all banks for the period from 1972-73 to 1999-2000 has also been drawn. This polynomial equation $y = -9.6328x^2 + 461.92x + 428.14$ is able to explain 98 percentage variation of the changes of number of branches over the period and that is revealed by the value of $R^2$ (0.98); in the equation y indicates bank branches and x indicates time.

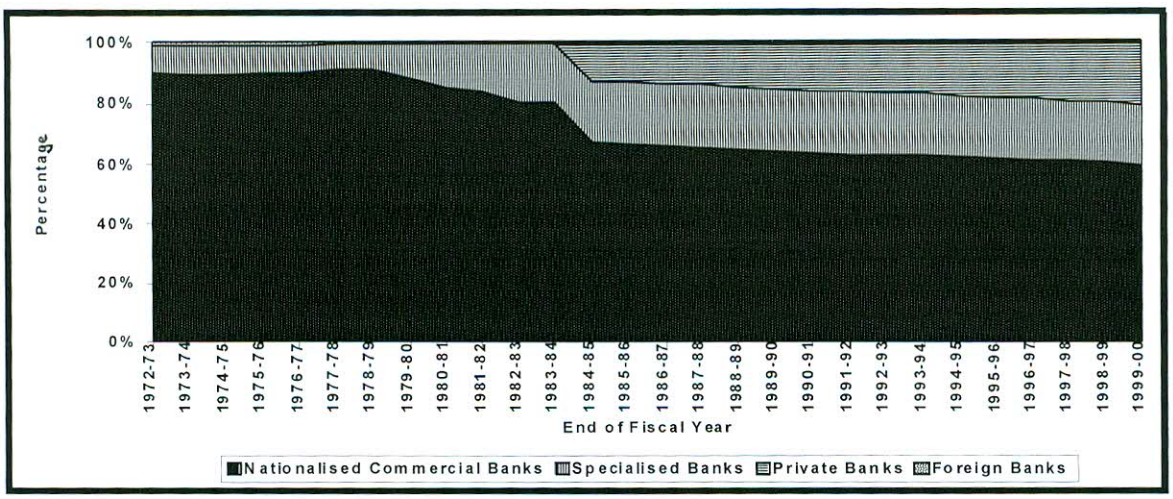
**Figure IV-7**
**Trend Pattern of Expansion of the branches of Different Scheduled Banks**




Source: Table IV-9.

Share of NCBs' branches remained around 90 percentages between the fiscal year 1972-73 and 1979-80. Then up to the FY 1983-84, its share remained around 80 percentages. Between the FY 1984-85 and 1999-2000, its share varied between 55 and 70 percentages. The share of SBs never exceeds the boundary of 20 percentages. But for the first six years, its share remained around 10 percentages. The share of PCBs branches was increasing. At the initial period, its share was around 14 percentages and at the terminal year, its share increased to around 20 percentages. And in most of the time, the share of FCBs branches was less than 1 percentage.

**Figure IV-8**
**Share of Bank Branches of Different Scheduled Banks**




Source: Table IV-9.

## IV.4.1. Trend Equation of Bank Branches of Different Scheduled Banks

To compare the growth trends of the banks' branches of different types of banks more critically, semi-logarithmic trend lines are estimated for the period from 1972-73 to 1999-2000. The semi-logarithmic trend equation shows the relationship between bank branches of different types of banks (Y) as dependent variable and time (X) as independent variable, which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for bank branches of different types of banks are shown in Table IV-10.

**Table IV-10**
**Estimated Semi-Logarithmic Trend Lines of Bank Branches of Different Scheduled Banks**

| Branches of Banks of Different Type Banks | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Nationalised Commercial Banks | 3.26 | 0.0137 | 0.54 | 3.20 | 5.66 | 0.00 | S |
| Specialised Banks | 2.26 | 0.0365 | 0.75 | 8.76 | 8.93 | 0.00 | S |
| Private Commercial Banks | 2.78 | 0.0188 | 0.99 | 4.42 | 36.32 | 0.00 | S |
| Foreign Private Banks | 1.18 | 0.0086 | 0.59 | 1.99 | 6.28 | 0.00 | S |
| All Banks | 3.28 | 0.0218 | 0.74 | 5.14 | 8.86 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 28 degrees of freedom and 0.05 level of significance is 1.701
The t Table Value at 16 degrees of freedom and 0.05 level of significance is 1.746

The table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggest that the number of branches of each type of banks increased in the country during the period. It also shows in the table that the branches of SBs increased at the highest rate, with TGR of 8.76 percentage followed by PCBs with TGR of 4.42 percentage. And the TGR percentages of NCBs, FCBs and all banks were 3.20, 1.99 and 5.14 respectively.

## IV.5. Expansion of Manpower in Different Scheduled Banks

The growth trend of the expansion of manpower of different types of Banks is analysed in the Table IV-11. The table shows that the manpower of NCBs increased from 16,277 in the year 1972 to 62,091 in the year 2000 registering annual average SGR of 5.17 percentage and CGR of 4.90 percentage, and the terminal year's manpower of NCBs was 3.81 times higher than the initial year's manpower. The table also shows that the number of manpower of SBs were 2,821 in the year 1972, which gradually increased to 16,164 in the year 2000 with annual SGR and CGR of 7.23 and 6.43 percentages respectively, here, the terminal year's manpower of SBs was 5.73 times higher than the initial year's manpower. The number of manpower of FCBs were 679 in the FY 1972, which swelled to 1,280 in the year 2000 with annual average SGR and CGR of 2.73 and 2.29 percentage respectively, in this case, the terminal year's manpower of FCBs was 1.88 times higher than the initial year's manpower. The manpower of PCBs were 11,562 in the year 1984, which swelled to 25,975 in the year 2000 with annual average SGR and CGR of 5.21 and 5.19 percentage respectively, and the terminal year's manpower of PCBs was 2.25 times higher than the initial year's manpower. The total manpower were 19,777 in the year 1972, which increased to 1,05,510 in the year 2000 with the annual average SGR and CGR of 6.38 and 6.16 percentages respectively, and the terminal year's manpower of all banks was 5.33 times higher than the initial year's manpower.

The above analysis shows that both types of growth rates were the highest for SBs, followed by PCBs. And for the FCBs' those growth rates were the lowest.

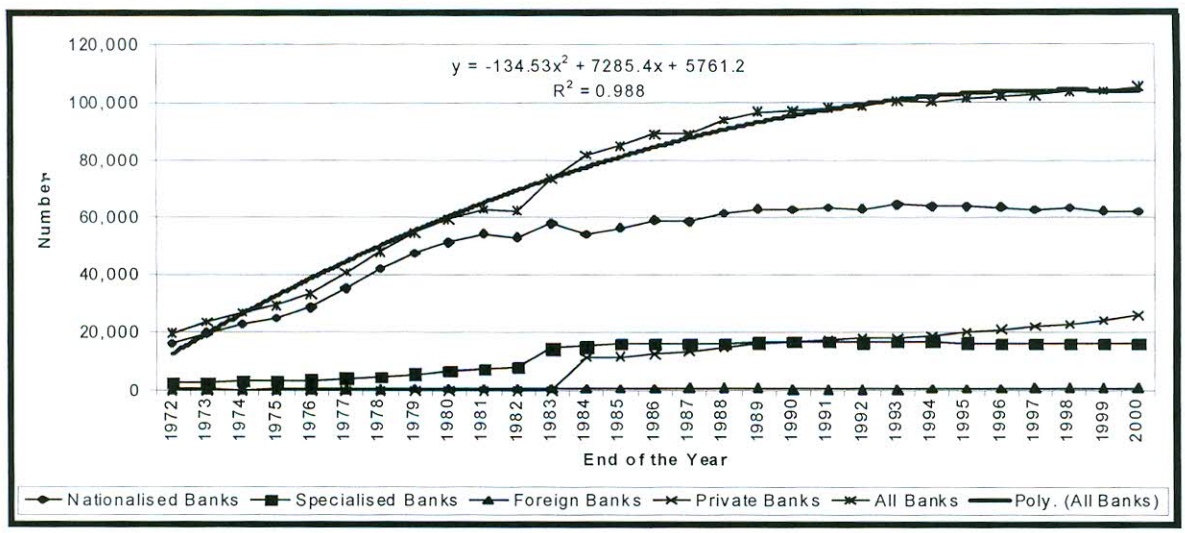
## Table IV-11
## Number of Manpower in Different Scheduled Banks and their Growth Pattern

| Period | Nationalized Commercial Banks | Annual SGR of NCBs | Specialized Banks | Annual SGR of SBs | Foreign Commercial Banks | Annual SGR of FCBs | Private Commercial Banks | Annual SGR of PCBs | All Banks Total | Annual SGR of All Types Banks |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1972 | 16,277 | | 2,821 | | 679 | | - | - | 19,777 | |
| 1973 | 19,951 | 22.57 | 3,050 | 8.12 | 683 | 0.59 | - | - | 23,684 | 19.76 |
| 1974 | 22,942 | 14.99 | 3,556 | 16.59 | 575 | -15.81 | - | - | 27,073 | 14.31 |
| 1975 | 24,921 | 8.63 | 3,594 | 1.07 | 707 | 22.96 | - | - | 29,222 | 7.94 |
| 1976 | 28,680 | 15.08 | 3,814 | 6.12 | 771 | 9.05 | - | - | 33,265 | 13.84 |
| 1977 | 35,293 | 23.06 | 4,616 | 21.03 | 785 | 1.82 | - | - | 40,694 | 22.33 |
| 1978 | 42,290 | 19.83 | 4,853 | 5.13 | 855 | 8.92 | - | - | 47,998 | 17.95 |
| 1979 | 47,706 | 12.81 | 5,951 | 22.63 | 907 | 6.08 | - | - | 54,564 | 13.68 |
| 1980 | 51,333 | 7.60 | 6,990 | 17.46 | 912 | 0.55 | - | - | 59,235 | 8.56 |
| 1981 | 54,393 | 5.96 | 7,455 | 6.65 | 984 | 7.89 | - | - | 62,832 | 6.07 |
| 1982 | 53,053 | -2.46 | 8,375 | 12.34 | 999 | 1.52 | - | - | 62,427 | -0.64 |
| 1983 | 57,868 | 9.08 | 14,665 | 75.10 | 1,061 | 6.21 | - | - | 73,594 | 17.89 |
| 1984 | 54,233 | -6.28 | 15,301 | 4.34 | 1,042 | -1.79 | 11,562 | - | 82,138 | 11.61 |
| 1985 | 56,334 | 3.87 | 16,069 | 5.02 | 1,051 | 0.86 | 11,813 | 2.17 | 85,267 | 3.81 |
| 1986 | 59,035 | 4.79 | 16,203 | 0.83 | 1,064 | 1.24 | 12,756 | 7.98 | 89,058 | 4.45 |
| 1987 | 58,634 | -0.68 | 15,982 | -1.36 | 1,114 | 4.70 | 13,552 | 6.24 | 89,282 | 0.25 |
| 1988 | 61,601 | 5.06 | 16,419 | 2.73 | 1,124 | 0.90 | 14,810 | 9.28 | 93,954 | 5.23 |
| 1989 | 63,053 | 2.36 | 16,662 | 1.48 | 1,123 | -0.09 | 16,107 | 8.76 | 96,945 | 3.18 |
| 1990 | 62,850 | -0.32 | 16,798 | 0.82 | 788 | -29.83 | 16,909 | 4.98 | 97,345 | 0.41 |
| 1991 | 63,420 | 0.91 | 16,712 | -0.51 | 789 | 0.13 | 17,450 | 3.20 | 98,371 | 1.05 |
| 1992 | 63,034 | -0.61 | 16,662 | -0.30 | 826 | 4.69 | 18,034 | 3.35 | 98,556 | 0.19 |
| 1993 | 64,492 | 2.31 | 16,871 | 1.25 | 826 | 0.00 | 18,276 | 1.34 | 100,465 | 1.94 |
| 1994 | 63,804 | -1.07 | 16,856 | -0.09 | 888 | 7.51 | 18,794 | 2.83 | 100,342 | -0.12 |
| 1995 | 63,803 | 0.00 | 16,459 | -2.36 | 966 | 8.78 | 20,083 | 6.86 | 101,311 | 0.97 |
| 1996 | 63,731 | -0.11 | 16,273 | -1.13 | 1,016 | 5.18 | 21,140 | 5.26 | 102,160 | 0.84 |
| 1997 | 62,723 | -1.58 | 16,342 | 0.42 | 1,125 | 10.73 | 22,194 | 4.99 | 102,384 | 0.22 |
| 1998 | 63,583 | 1.37 | 16,114 | -1.40 | 1,262 | 12.18 | 22,893 | 3.15 | 103,852 | 1.43 |
| 1999 | 62,419 | -1.83 | 16,036 | -0.48 | 1,311 | 3.88 | 24,281 | 6.06 | 104,047 | 0.19 |
| 2000 | 62,091 | -0.53 | 16,164 | 0.80 | 1,280 | -2.36 | 25,975 | 6.98 | 105,510 | 1.41 |
| Average SGR | | 5.17 | | 7.23 | | 2.73 | | 5.21 | | 6.38 |
| CGR | | 4.90 | | 6.43 | | 2.29 | | 5.19 | | 6.16 |

Source: From 1972 to 1989; Bangladesh Bank, *Economic Trends*, Vol. XXI, No. 12, pp. 58-61.
From 1990-2000; Bangladesh Bank, *Economic Trends*, Vol. XXVIII, No.12, pp. 68-70.

In the, Figure IV-1, absolute values of manpower of different types of banks has been depicted. The figure shows that from the year 1972 to 1982, absolute manpower of NCBs increased continuously and in that time growth rate was higher than the following years. After 1982 this growth rate became slower, even in many years absolute manpower reduced. Expansion of manpower of SBs jumped in the year 1983, after then expansion of manpower in SBs was about to stagnant. The expansion of manpower in PCBs was smooth and steady. In the figure, a polynomial regression trend line for the expansion of total manpower of all types of banks for the period from 1972-2000 has also been drawn. This polynomial equation $y = -134.53x^2 + 7285.4x + 5761.2$ is able to explain more than 98-percentage variation of the changes of the expansion of manpower over the period and that is revealed by the value of $R^2$ (0.98); in the equation y indicates manpower and x indicates time.

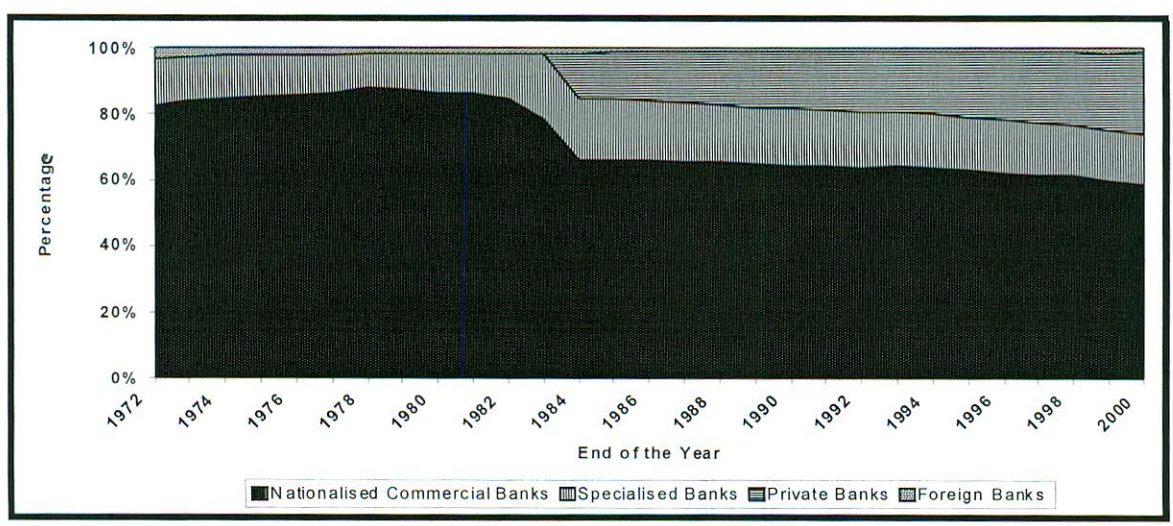
**Figure IV-9**
**Trend Pattern of Expansion of Manpower in Different Scheduled Banks**




Source: Table IV-11.

Share of NCBs in total manpower remained above 80 percentages between the year 1972 and 1983, after then the share reduced to about 60 parentages. The share of SBs manpower from the year 1972 to 1982 was less than 15 percent, and in the year 1983 its share increased to the highest around 20 percentages, after that gradually its share began to reduce, but never reduced to below 15 percent. The share of PCBs was increasing over the years. At the initial year in 1984, its share was around 15 percentages and at the terminal year, its share increased to above 25 percentages. In the year 1972, FCBs' share was above 3 percent but gradually it share began to reduce, and between 1990 and 1996, its share reduced to less than 1 percentage.

**Figure IV-10**
**Share of Manpower in Different Scheduled Banks**




Source: Table IV-11.

### IV.5.1. Trend Equation of the Expansion of Manpower in Different Scheduled Banks

To compare the growth trends of manpower of different types of banks more critically, semi-logarithmic trend lines are estimated for the period from 1972 to 2000. The semi-logarithmic trend equation shows the relationship between manpower of different types of banks (Y) as dependent variable and time (X) as independent variable, which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for bank branches of different types of banks are shown in Table IV-12.

**Table IV-12**
**Estimated Semi-Logarithmic Trend Lines of Manpower in Different Scheduled Banks**

| Branches of Banks of Different Type Banks | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Nationalised Commercial Banks | 4.43 | 0.0166 | 0.67 | 3.89 | 7.43 | 0.00 | S |
| Specialised Banks | 3.57 | 0.0292 | 0.77 | 6.95 | 9.48 | 0.00 | S |
| Private Commercial Banks | 4.05 | 0.0211 | 0.98 | 4.97 | 28.88 | 0.00 | S |
| Foreign Private Banks | 2.86 | 0.0072 | 0.47 | 1.67 | 4.94 | 0.00 | S |
| All Types Banks | 4.48 | 0.0236 | 0.81 | 5.58 | 10.79 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 28 degrees of freedom and 0.05 level of significance is 1.701
The t Table Value at 16 degrees of freedom and 0.05 level of significance is 1.746

The table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggest that the number of manpower of each type of banks increased in the country during the period. It also shows that the manpower of SBs increased at the highest rate, with 6.95 percentages of TGR followed by PCBs with the TGR of 4.97 percentages. And the TGR percentages of NCBs, FCBs and all types' banks were 3.89, 1.67 and 5.58 respectively.

## IV.6. Expansion of Deposits of Different Scheduled Banks

The growth trend of deposits of different Banks is analysed in the Table IV-13. Here the deposits of four types of Banks have been included. The amount of deposits of NCBs was Tk. 8,792.8 million in the FY 1974-75, and it increased to Tk. 351,980.2 million in the FY 1999-2000 with annual average SGR and CGR of 16.14 and 15.90 percentages respectively, here the terminal year's deposits of NCBs were 40.03 times higher than the initial year's deposits. The amount of deposits of SBs increased from Tk. 285.2 million in the FY 1974-75 to Tk. 40,774.7 million in the FY 1999-2000, with annual average SGR and CGR of 22.65 and 21.96 percentages respectively, and the terminal year's deposits of SBs were 142.96 times higher than the initial year's deposits. The PCBs' total deposits was Tk. 4,787.5 million in the FY 1983-84 and it swelled to Tk. 202,989.8 million in the FY 1999-2000, with annual average SGR and CGR of 32.11 and 26.39 percentages respectively, the terminal year's deposits of PCBs were 42.39 times higher than the initial year's deposits. The amount of deposits of FCBs was Tk. 734.4 million in the FY 1974-75 and in the FY 1999-2000 the amount increased to Tk. 50,115.2 million with 19.59 percentages of annual average SGR and 18.40 percentages of CGR, here the terminal year's deposits of FCBs were 68.24 times higher than the initial year's deposits. As a whole total deposits of all categories of banks was Tk. 9,812.4 million in the FY 1974-75 and after 26 years later in the FY 1999-2000 the amount increased to Tk. 645,859.9 million with the annual average SGR and CGR of 18.50 and 18.23 percentages respectively, and the terminal year's deposits of all banks were 65.82 times higher than the initial year's deposits.

The above analysis shows that both types of growth rates were the highest for PCBs, followed by SBs, and for NCBs' these growth rates were the lowest.

## Table IV-13
## Deposits of Different Scheduled Banks and its Growth Pattern (Tk. in million)

| Period | Nationalised Commercial Bank | Annual SGR of Nationalised Commercial Bank | Specialised Banks | Annual SGR of Specialised Banks | Private Bank | Annual SGR of Private Bank | Foreign Bank | Annual SGR of Foreign Bank | Deposits of All Types Banks (2+4+6+8) | Annual SGR of All Types Banks |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1974-75 | 8,792.8 | | 285.2 | | - | - | 734.4 | | 9,812.4 | |
| 1975-76 | 9,988.1 | 13.59 | 366.8 | 28.61 | - | - | 712.7 | -2.95 | 11,067.6 | 12.79 |
| 1976-77 | 12,765.0 | 27.80 | 554.5 | 51.17 | - | - | 871.7 | 22.31 | 14,191.2 | 28.22 |
| 1977-78 | 14,668.8 | 14.91 | 673.0 | 21.37 | - | - | 1,191.2 | 36.65 | 16,533.0 | 16.50 |
| 1978-79 | 19,422.9 | 32.41 | 957.5 | 42.27 | - | - | 1,481.7 | 24.39 | 21,862.1 | 32.23 |
| 1979-80 | 22,763.0 | 17.20 | 1,236.4 | 29.13 | - | - | 1,832.2 | 23.66 | 25,831.6 | 18.16 |
| 1980-81 | 28,658.2 | 25.90 | 1,557.7 | 25.99 | - | - | 2,449.1 | 33.67 | 32,665.0 | 26.45 |
| 1981-82 | 31,568.9 | 10.16 | 2,395.7 | 53.80 | - | - | 3,222.9 | 31.60 | 37,187.5 | 13.85 |
| 1982-83 | 40,127.0 | 27.11 | 3,198.7 | 33.52 | - | - | 4,902.5 | 52.11 | 48,228.2 | 29.69 |
| 1983-84 | 54,921.6 | 36.87 | 4,037.4 | 26.22 | 4,787.5 | - | 5,353.7 | 9.20 | 69,100.2 | 43.28 |
| 1984-85 | 61,651.4 | 12.25 | 4,724.2 | 17.01 | 15,948.1 | 233.12 | 6,776.0 | 26.57 | 89,099.7 | 28.94 |
| 1985-86 | 69,740.4 | 13.12 | 5,171.0 | 9.46 | 21,396.8 | 34.17 | 8,647.8 | 27.62 | 104,956.0 | 17.80 |
| 1986-87 | 80,303.1 | 15.15 | 5,517.2 | 6.70 | 27,221.0 | 27.22 | 10,940.4 | 26.51 | 123,981.7 | 18.13 |
| 1987-88 | 88,946.1 | 10.76 | 6,547.0 | 18.67 | 32,921.5 | 20.94 | 11,515.0 | 5.25 | 139,929.6 | 12.86 |
| 1988-89 | 102,766.4 | 15.54 | 7,875.4 | 20.29 | 40,358.9 | 22.59 | 13,624.3 | 18.32 | 164,625.0 | 17.65 |
| 1989-90 | 119,009.6 | 15.81 | 9,206.4 | 16.90 | 48,948.6 | 21.28 | 13,928.8 | 2.23 | 191,093.4 | 16.08 |
| 1990-91 | 130,873.0 | 9.97 | 10,446.0 | 13.46 | 57,747.0 | 17.97 | 14,869.5 | 6.75 | 213,935.5 | 11.95 |
| 1991-92 | 153,531.3 | 17.31 | 12,497.4 | 19.64 | 62,664.7 | 8.52 | 15,841.2 | 6.53 | 244,534.6 | 14.30 |
| 1992-93 | 168,157.0 | 9.53 | 16,098.0 | 28.81 | 75,015.0 | 19.71 | 11,285.0 | -28.76 | 270,555.0 | 10.64 |
| 1993-94 | 193,712.0 | 15.20 | 19,559.0 | 21.50 | 84,364.0 | 12.46 | 12,235.0 | 8.42 | 309,870.0 | 14.53 |
| 1994-95 | 218,074.2 | 12.58 | 22,626.3 | 15.68 | 100,123.5 | 18.68 | 16,214.5 | 32.53 | 357,038.5 | 15.22 |
| 1995-96 | 236,655.6 | 8.52 | 21,178.6 | -6.40 | 108,062.5 | 7.93 | 20,470.7 | 26.25 | 386,367.4 | 8.21 |
| 1996-97 | 259,419.4 | 9.62 | 22,190.6 | 4.78 | 122,062.8 | 12.96 | 27,691.2 | 35.27 | 431,364.0 | 11.65 |
| 1997-98 | 282,424.8 | 8.87 | 27,656.6 | 24.63 | 133,510.7 | 9.38 | 33,563.1 | 21.20 | 477,155.2 | 10.62 |
| 1998-99 | 312,541.5 | 10.66 | 32,323.8 | 16.88 | 157,656.3 | 18.09 | 40,875.2 | 21.79 | 543,396.8 | 13.88 |
| 1999-00 | 351,980.2 | 12.62 | 40,774.7 | 26.14 | 202,989.8 | 28.75 | 50,115.2 | 22.61 | 645,859.9 | 18.86 |
| Annual Average SGR | | 16.14 | | 22.65 | | 32.11 | | 19.59 | | 18.50 |
| CGR | | 15.90 | | 21.96 | | 26.39 | | 18.40 | | 18.23 |

Notes: Here Deposits mean Demand Deposits plus Time Deposits.

Source: For column 2, from 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 54, 56.

For column 2, from 1990-91 to 1990-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III and IV (Dhaka: BB), p. 54.

For column 4, from 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 66, 68.

For column 4, from 1990-91 to 1990-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III and IV (Dhaka: BB), p. 60.

For column 6, from 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 74, 76.

For column 6, from 1990-91 to 1990-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III and IV (Dhaka: BB), p. 66.

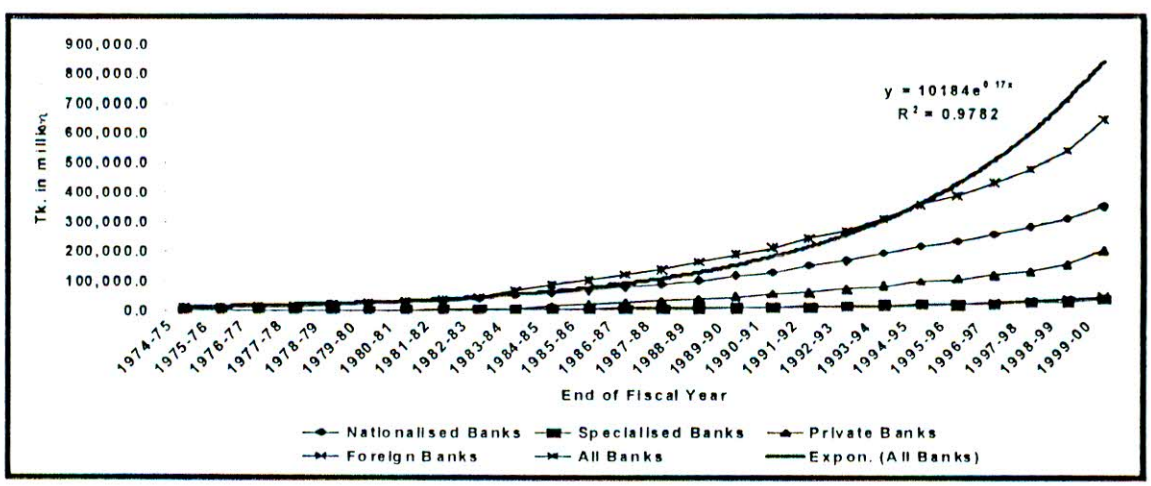
For column 8, from 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 86, 88.

For column 8, from 1990-91 to 1990-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III and IV (Dhaka: BB), p. 72.

The main features of annual SGR of deposits are: except two financial years for FCBs, the annual SGR were positive for all types of banks. Growth pattern of deposits of all categories banks were smooth and stable during the period. Though annual SGR percentage of the expansion of deposits of all categories banks were higher during the period from 1974-75 to 1983-84 than rest of the period.

In the following Figure IV-11, absolute value of deposits of different types of banks have been depicted. From the table it is seen that growth trends of deposits of all types of banks were smooth and steady. In the figure an exponential regression trend line for the expansion of total deposits of all Banks for the period from 1974-75 to 1999-2000 has also been drawn. This exponential equation $y = 10184e^{0.17x}$ is able to explain 97 percentage variation of the changes of total deposits of all scheduled banks over the period and that is revealed by the value of $R^2$ (0.97); in the equation y indicates deposits and x indicates time.

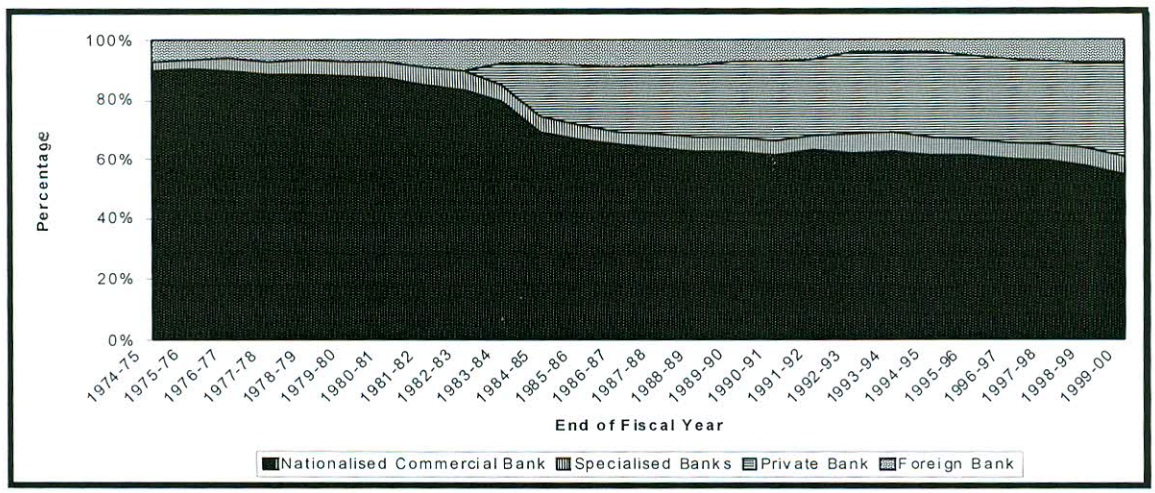
**Figure IV-11**
**Trend Pattern of Deposits of Different Scheduled Banks**




Source: Table IV-13.

In the following Figure IV-12, the share of deposits of different types of banks has been depicted. Though the share of deposits of NCBs was always higher during the period, but its tendency was decreasing. At the beginning its share was around 90 percentages and at the end of the period its share came down to around 60 percentages. The trend of share of SBs was smooth and steady and it varied between 3 and 6 percentages. Gradually the share of PCBs was increasing. In the year 1999-2000, its share was around 31 percentages. And the share of FCBs was consistent and smooth and it varied between 4 and10 percentages.

**Figure IV-12**
**Share of Deposits of Different Scheduled Banks**




Source: Table IV-13.

## IV.6.1. Trend Equation of Deposits of Different Scheduled Banks

To compare the growth trends of the deposits of different Banks more critically, semi-logarithmic trend lines are estimated for the period from 1974-75 to 1999-2000. The semi-logarithmic trend equation shows the relationship between deposits of different types banks (Y) as dependent variable and time (X) as independent variable, which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for deposits of different types of banks are shown in Table IV-14.

**Table IV-14**
**Estimated Semi-Logarithmic Trend Lines of Deposits of Different Scheduled Banks**

| Different Types of Banks | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Nationalised Commercial Banks | 3.98 | 0.0643 | 0.98 | 15.95 | 34.68 | 0.00 | S |
| Specialised Banks | 2.60 | 0.0815 | 0.96 | 20.64 | 26.30 | 0.00 | S |
| Private Commercial Banks | 4.03 | 0.0780 | 0.90 | 19.67 | 11.79 | 0.00 | S |
| Foreign Private Banks | 2.90 | 0.0697 | 0.93 | 17.40 | 18.95 | 0.00 | S |
| All Deposited Banks | 4.00 | 0.0738 | 0.97 | 18.52 | 32.81 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 25 degrees of freedom and 0.05 level of significance is 1.708
The t Table Value at 16 degrees of freedom and 0.05 level of significance is 1.746

The table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggests that the amount of deposits of each type of banks increased in the country during the period. It also shows that the deposit of SBs increased at the highest rate with TGR of 20.64 percentages, which was followed by PCBs with the TGR of 19.67 percentages. And the TGR percentages of NCBs, FCBs and All Banks were 15.95, 17.40 and 18.52 respectively.

## IV.7. Expansion of Advances of Different Scheduled Banks

The growth trend of advances of different Banks is analysed in the Table IV-15. The amount of advances of NCBs was Tk. 5,894.0 million in the FY 1974-75, and it increased to Tk. 253,332.2 million in the FY 1999-2000 with 16.66 and 16.23 percentages of SGR and CGR respectively, here the terminal year's advances of NCBs were 42.98 times higher than the initial year's advances. The amount of advances of SBs increased from Tk. 1,793.4 million in the FY 1974-75 to Tk. 86,537.6 million in the FY 1999-2000, and its annual average SGR and CGR percentages were 17.62 and 16.77 percentages respectively, and the terminal year's advances of SBs were 48.25 times higher than the initial year's advances. The PCBs total advance was Tk. 3,258.9 million in the FY 1983-84 and it swelled to Tk. 148,601.3 million in the FY 1999-2000, registering 33.05 percentages of SGR and 26.97 percentages of CGR, the terminal year's advances of PCBs were 45.60 times higher than the initial year's advances. The amount of advances of Foreign Banks was Tk. 381.1 million in the FY 1974-75 and it increased to Tk. 30,861.2 million in the FY 1999-2000 with 20.04 percentages of SGR and 19.22 percentages of CGR, and the terminal year's advances of FCBs were 80.98 times higher than the initial year's advances. As whole, total advances of all Banks was Tk. 8,068.5 million in the FY 1974-75 and after 26 years later, in the FY 1999-2000, the amount increased to Tk. 519,332.3 million with the annual average SGR and CGR of 18.51 and 18.13 percentages respectively, here the terminal year's advances of all banks were 64.36 times higher than the initial year's advances.

The above analysis shows that both types of growth rates were the highest for PCBs, followed by FCBs, and for NCBs' these growth rates were the lowest.

## Table IV-15
## Advance of Different Scheduled Banks and its Growth Pattern (Tk. in million)

| Period | Nationalised Commercial Bank | Annual SGR of Nationalised Commercial Bank | Specialised Banks | Annual SGR of Specialised Banks | Private Bank | Annual SGR of Private Bank | Foreign Bank | Annual SGR of Foreign Bank | Advance of Deposited Banks | Annual SGR of Advance of Deposited Banks |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1974-75 | 5,894.0 | | 1,793.4 | | - | - | 381.1 | | 8,068.5 | |
| 1975-76 | 7,106.8 | 20.58 | 1,894.3 | 5.63 | - | - | 493.7 | 29.55 | 9,494.8 | 17.68 |
| 1976-77 | 9,189.4 | 29.30 | 2,131.0 | 12.50 | - | - | 595.0 | 20.52 | 11,915.4 | 25.49 |
| 1977-78 | 11,165.7 | 21.51 | 2,599.4 | 21.98 | - | - | 720.2 | 21.04 | 14,485.3 | 21.57 |
| 1978-79 | 14,308.5 | 28.15 | 3,433.7 | 32.10 | - | - | 928.1 | 28.87 | 18,670.3 | 28.89 |
| 1979-80 | 19,727.6 | 37.87 | 4,540.6 | 32.24 | - | - | 1,152.6 | 24.19 | 25,420.8 | 36.16 |
| 1980-81 | 23,868.8 | 20.99 | 5,792.7 | 27.58 | - | - | 1,307.3 | 13.42 | 30,968.8 | 21.82 |
| 1981-82 | 30,951.8 | 29.67 | 8,498.4 | 46.71 | - | - | 1,758.7 | 34.53 | 41,208.9 | 33.07 |
| 1982-83 | 31,782.7 | 2.68 | 12,527.1 | 47.41 | - | - | 2,808.8 | 59.71 | 47,118.6 | 14.34 |
| 1983-84 | 40,566.6 | 27.64 | 17,127.4 | 36.72 | 3,258.9 | - | 3,613.0 | 28.63 | 64,565.9 | 37.03 |
| 1984-85 | 48,286.5 | 19.03 | 22,220.9 | 29.74 | 11,184.5 | 243.20 | 4,491.1 | 24.30 | 86,183.0 | 33.48 |
| 1985-86 | 58,566.4 | 21.29 | 25,929.0 | 16.69 | 14,382.2 | 28.59 | 5,851.1 | 30.28 | 104,728.7 | 21.52 |
| 1986-87 | 60,763.0 | 3.75 | 25,540.7 | -1.50 | 18,638.2 | 29.59 | 7,965.0 | 36.13 | 112,906.9 | 7.81 |
| 1987-88 | 70,246.7 | 15.61 | 29,741.7 | 16.45 | 24,184.5 | 29.76 | 9,255.0 | 16.20 | 133,427.9 | 18.18 |
| 1988-89 | 83,164.4 | 18.39 | 35,279.8 | 18.62 | 29,832.3 | 23.35 | 10,592.5 | 14.45 | 158,869.0 | 19.07 |
| 1989-90 | 99,787.3 | 19.99 | 40,153.0 | 13.81 | 38,696.8 | 29.71 | 11,687.7 | 10.34 | 190,324.8 | 19.80 |
| 1990-91 | 112,523.5 | 12.76 | 42,334.9 | 5.43 | 44,982.1 | 16.24 | 12,616.0 | 7.94 | 212,456.5 | 11.63 |
| 1991-92 | 107,897.0 | -4.11 | 43,689.3 | 3.20 | 51,180.9 | 13.78 | 13,091.2 | 3.77 | 215,858.4 | 1.60 |
| 1992-93 | 121,887.2 | 12.97 | 41,536.6 | -4.93 | 57,731.9 | 12.80 | 10,768.2 | -17.74 | 231,923.9 | 7.44 |
| 1993-94 | 124,094.9 | 1.81 | 41,061.2 | -1.14 | 62,515.9 | 8.29 | 11,554.9 | 7.31 | 239,226.9 | 3.15 |
| 1994-95 | 150,965.3 | 21.65 | 42,540.8 | 3.60 | 74,461.8 | 19.11 | 14,284.0 | 23.62 | 282,251.9 | 17.99 |
| 1995-96 | 178,346.2 | 18.14 | 51,557.8 | 21.20 | 85,063.6 | 14.24 | 17,970.2 | 25.81 | 332,937.8 | 17.96 |
| 1996-97 | 199,254.6 | 11.72 | 55,549.5 | 7.74 | 95,503.3 | 12.27 | 20,717.9 | 15.29 | 371,025.3 | 11.44 |
| 1997-98 | 217,806.3 | 9.31 | 70,720.3 | 27.31 | 105,756.8 | 10.74 | 24,987.9 | 20.61 | 419,271.3 | 13.00 |
| 1998-99 | 242,589.6 | 11.38 | 80,694.3 | 14.10 | 122,567.5 | 15.90 | 27,157.6 | 8.68 | 473,009.0 | 12.82 |
| 1999-00 | 253,332.2 | 4.43 | 86,537.6 | 7.24 | 148,601.3 | 21.24 | 30,861.2 | 13.64 | 519,332.3 | 9.79 |
| Annual Average SGR | | 16.66 | | 17.62 | | 33.05 | | 20.04 | | 18.51 |
| CGR | | 16.23 | | 16.77 | | 26.97 | | 19.22 | | 18.13 |

Source: For column 2, from 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 50, 52.

For column 2, from 1990-91 to 1990-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III and IV (Dhaka: BB), p. 52.

For column 4, from 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 62, 64.

For column 4, from 1990-91 to 1990-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III and IV (Dhaka: BB), p. 58.

For column 6, from 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 71, 73.

For column 6, from 1990-91 to 1990-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III and IV (Dhaka: BB), p. 64.

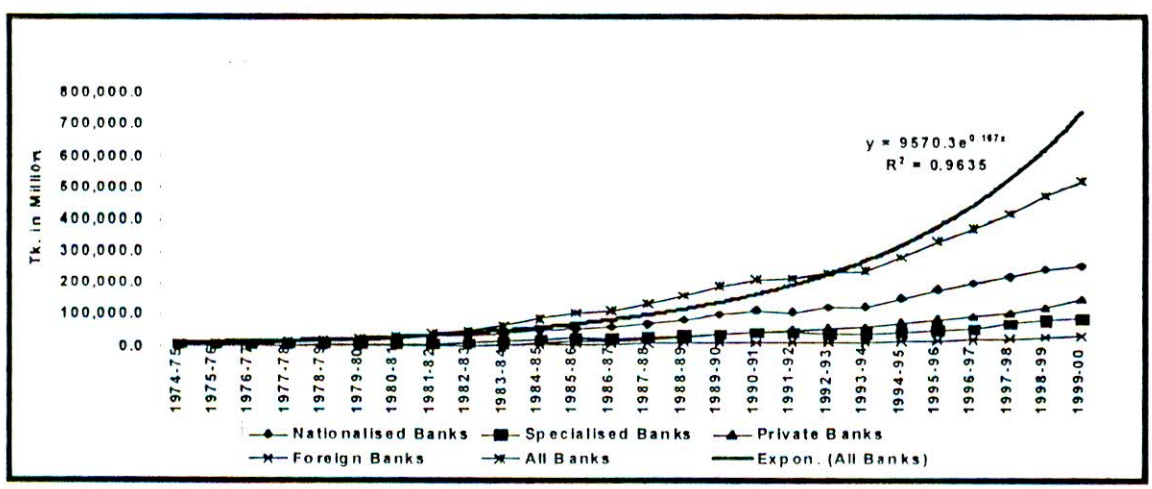
For column 8, from 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 82, 84.

For column 8, from 1990-91 to 1990-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III and IV (Dhaka: BB), p. 70.

The main features of the annual SGR of advances are: except a few years, annual SGR were positive for all types of banks. Growth rate of advances of all categories of banks were higher from the FY 1974-75 to 1985-86. The highest growth rate accredited to private commercial banks followed by foreign banks.

In the following Figure IV-13, absolute values of advances of different types of banks have been depicted. From the figure, it is seen that growth trend of advances of all types of banks were smooth and steady. In the figure an exponential regression trend line for the expansion of total advances of all Banks for the period from 1974-75 to 1999-2000 has also been drawn. This exponential equation $y = 9570.3e^{0.167x}$ is able to explain 96 percentage variations of the changes of total advances by all banks over the period that is revealed by the value of $R^2$ (0.96); in the equation y indicates advance and x indicates time.

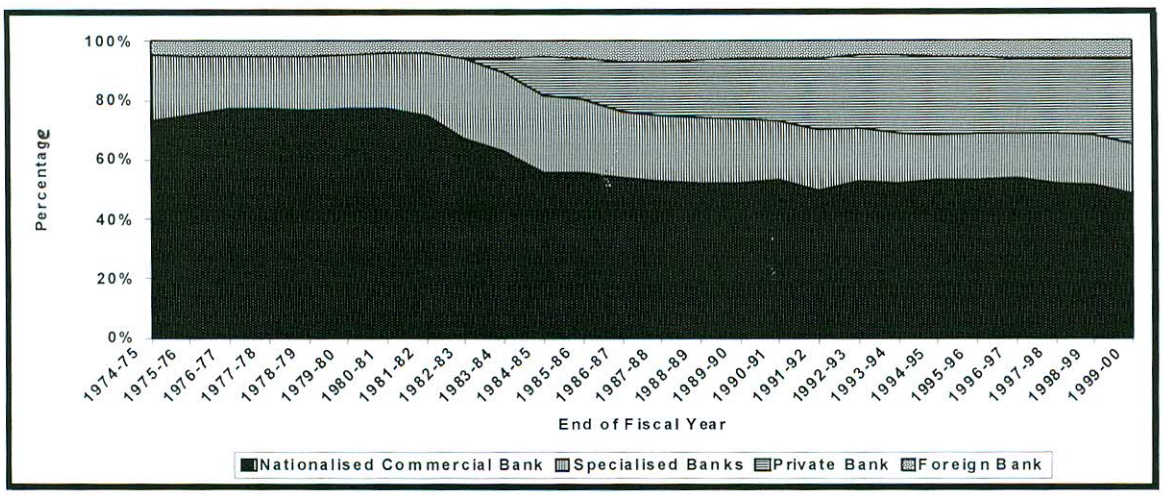
**Figure IV-13**
**Trend Pattern of Advances of Different Scheduled Banks**




Source: Table IV-15.

In the following Figure IV-14, the share of advances of different types of banks has been depicted. The share of advances of NCBs remained always higher than other types of banks during the period under study. From the FY 1974-75 to 1981-82, its share remained above 70 percentages. From the FY 1981-82 to 1984-85, the NCBs' share decreased about 10 percentages and reached to around 60 percentages due to denationalisation of two banks, and the injection of private banks. Again from the FY 1999-2000, its share gradually decreased and reached to around 50 percentages. The growth trend of share of SBs was smooth. Their share varied between 15 and 25 percentages. Gradually the share of PCBs was increasing. In the FY 1999-2000, their share was around 30 percentages. And the share of FCBs remained consistent and smooth. It varied between 4 and 6 percentages.

**Figure IV-14**
**Share of Advances of Different Scheduled Banks**




Source: Table IV-15.

## IV.7.1. Trend Equation of Advances of Different Scheduled Banks

To compare the growth trends of advances of different Banks more critically, semi-logarithmic trend lines are estimated for the period from 1974-75 to 1999-2000. The semi-logarithmic trend equation shows the relationship between expansion of advances of different types banks (Y) as dependent variable and time (X) as independent variable has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for advances of different types banks are shown in Table IV-16.

**Table IV-16**
**Estimated Semi-Logarithmic Trend Lines of Advances of Different Scheduled Banks**

| Different Types of Banks | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Nationalised Commercial Banks | 3.87 | 0.0637 | 0.96 | 15.79 | 26.68 | 0.00 | S |
| Specialised Banks | 3.33 | 0.0681 | 0.91 | 16.97 | 15.63 | 0.00 | S |
| Private Commercial Banks | 3.88 | 0.0813 | 0.90 | 20.58 | 11.61 | 0.00 | S |
| Foreign Private Banks | 2.67 | 0.0757 | 0.94 | 19.04 | 20.14 | 0.00 | S |
| All Deposited Banks | 3.98 | 0.0725 | 0.96 | 18.16 | 25.18 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 25 degrees of freedom and 0.05 level of significance is 1.708
The t Table Value at 16 degrees of freedom and 0.05 level of significance is 1.746

The table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggests that the amount of advances of each type of bank increased in the country during the period. It is also clear from the table that the advance of PCBs increased at the highest rate with TGR of 20.58 percentages, which was followed by FCBs with the TGR of 19.04 percentages. And the TGR percentages of NCBs, SBs and all Banks were 15.79, 16.97 and 18.16 respectively.

## IV.8. Clearinghouse Returns

Clearinghouse is a place that provides an arrangement, by which various representatives of each clearing bank assemble there in every business day to exchange local cheques, drafts, bill of exchange etc., which are received by them from their customers for collection. Its objective is to settle balances/drawing between the banks of a city, town or a region with a minimum of inconvenience and labour.[5] By examining the clearinghouse returns, it is possible to comprehend how the modern financial transactions are penetrating in a society. The more the transactions are taking place through cheques in a particular society the more modern financial procedure is assimilated in that society.

The growth trend of the activities of clearinghouse is analysed in the Table IV-17. The numbers of Cheques were 1,513,317 in the year 1975, and those increased to 9,447,399 in the year 2000 with annual average SGR and CGR of 7.74 and 7.60 percentages respectively. The amounts of money transacted increased from Tk. 23,877.421 million in the year 1975 to Tk. 1,728,874.442 million in the year 2000, with annual average SGR and CGR percentages of 19.20 and 18.68 respectively. Annual average SGR of transacted taka is 2.48 times higher than the annual average SGR of the Cheques. This indicates that average value of transaction per cheques increased over the years.

[5] Nasiruddin Ahmed, *Banking and Finance Compendium* (Dhaka: By the author, 1989), p. 29.

## Table IV-17
## Clearing House Returns and its Growth Pattern

| End of the Period | No. of Cheques | Annual SGR of No. of Cheques | Amounts (Taka in Millon) | Annual SGR of Amounts (Taka in Millon) |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 1975 | 1,513,317 | | 23,877.421 | |
| 1976 | 1,719,759 | 13.64 | 36,628.705 | 53.40 |
| 1977 | 1,839,517 | 6.96 | 36,579.165 | -0.14 |
| 1978 | 1,918,350 | 4.29 | 43,564.591 | 19.10 |
| 1979 | 2,078,098 | 8.33 | 51,192.431 | 17.51 |
| 1980 | 2,244,100 | 7.99 | 63,695.989 | 24.42 |
| 1981 | 2,262,943 | 0.84 | 89,708.756 | 40.84 |
| 1982 | 2,591,447 | 14.52 | 129,300.578 | 44.13 |
| 1983 | 2,651,240 | 2.31 | 163,630.300 | 26.55 |
| 1984 | 2,909,228 | 9.73 | 208,147.036 | 27.21 |
| 1985 | 3,331,632 | 14.52 | 240,231.189 | 15.41 |
| 1986 | 3,533,648 | 6.06 | 277,289.698 | 15.43 |
| 1987 | 3,936,089 | 11.39 | 322,357.856 | 16.25 |
| 1988 | 4,143,313 | 5.26 | 370,476.375 | 14.93 |
| 1989 | 4,396,209 | 6.10 | 432,726.952 | 16.80 |
| 1990 | 4,388,793 | -0.17 | 484,736.913 | 12.02 |
| 1991 | 4,426,019 | 0.85 | 543,527.095 | 12.13 |
| 1992 | 5,073,436 | 14.63 | 635,407.537 | 16.90 |
| 1993 | 5,291,027 | 4.29 | 694,521.641 | 9.30 |
| 1994 | 6,320,172 | 19.45 | 816,744.190 | 17.60 |
| 1995 | 7,282,827 | 15.23 | 949,700.315 | 16.28 |
| 1996 | 7,686,531 | 5.54 | 1,086,924.374 | 14.45 |
| 1997 | 8,410,982 | 9.42 | 1,195,340.044 | 9.97 |
| 1998 | 8,572,714 | 1.92 | 1,303,284.089 | 9.03 |
| 1999 | 8,480,601 | -1.07 | 1,436,968.025 | 10.26 |
| 2000 | 9,447,399 | 11.40 | 1,728,874.442 | 20.31 |
| Annual Average SGR | | 7.74 | | 19.20 |
| CGR | | 7.60 | | 18.68 |

Source: From 1975 to 1990; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), pp. 184-85.

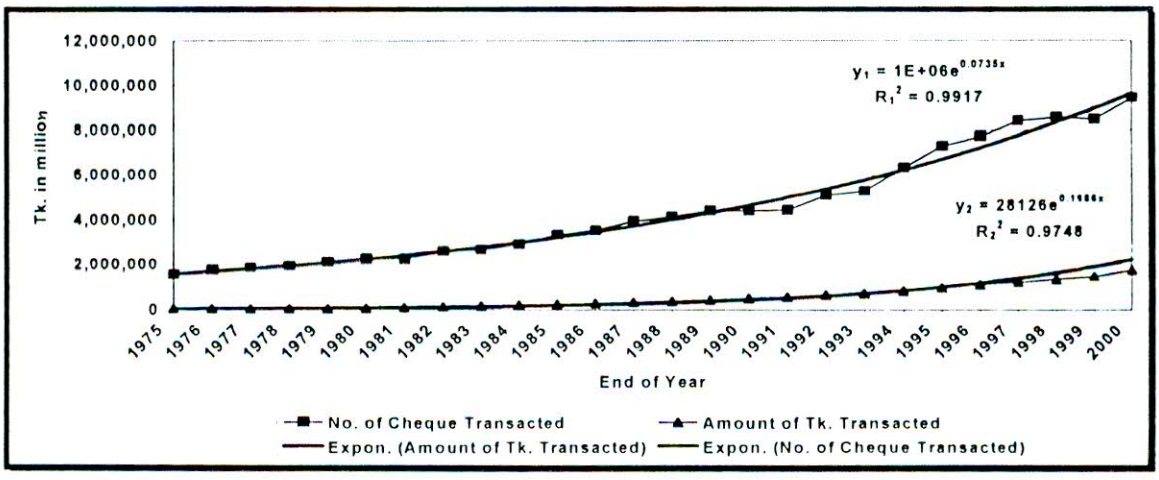
From 1991 to 2000; Bangladesh Bank, *Bangladesh Bank Bulletin,* Vol. XXIX, No. III and IV (Dhaka: BB), pp. 174-75.

Except two incidences, the annual SGRs of transacted money were always higher than the annual SGRs of transacted cheques. There were two incidences when annual SGRs of cheques transacted were negative, and in one incidence annual SGR of money transacted was negative.

In the following Figure IV-15, absolute values of the transacted cheques and transacted amount of money have been depicted. From the table it is seen that the

growth trend of the transacted cheques were smooth and steady, and the growth trend of the transacted amount of money was to some extent erratic. In the figure two exponential regression trend lines for the expansion of transacted cheques and transacted amount of money for the period from 1975 to 2000 has also been drawn. These two exponential equations $y_1 = 1E+06e^{0.0735x}$ and $y_2 = 28126e^{0.1686x}$ are able to explain 99 percentage and 97 percentage variations of the changes of transacted cheques and transacted amount of money respectively over the period that is revealed by the value of $R_1^2$ (0.99) for cheques and $R_2^2$ (0.97) for amount of money; in the equation $y_1$ indicates number of cheque transacted, $y_2$ indicates amount of taka transacted and x indicates time.

**Figure IV-15**
**Trend Pattern of the Transacted Cheques and Transacted Amount of Money through Clearing House**




Source: Table IV-17.

## IV.8.1. Trend Equation of Clearinghouse Components

To compare the growth trends of the transacted cheques and transacted amount of money more critically, semi-logarithmic trend lines are estimated for the period from 1975 to 2000. The semi-logarithmic trend equation shows the relationship between transacted cheques and transacted amount of money (Y) as dependent variable and time (X) as independent variable which has been fitted by the least square method and the significance of the coefficient of time have been tasted by the t test technique. The estimated semi-logarithmic trends for transacted cheques and transacted amount of money are shown in Table IV-18.

**Table IV-18**
**Estimated Semi-Logarithmic Trend Lines of No. of Cheques and Transacted Amount of money**

| Components | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| No. of Cheques | 6.15 | 0.0319 | 0.99 | 7.62 | 53.44 | 0.00 | S |
| Amount of Transaction | 4.44 | 0.0732 | 0.97 | 18.35 | 30.45 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 25 degrees of freedom and 0.05 level of significance is 1.708

The above table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggests that the amount of transacted money increased at a faster rate than that of the cheques. This is reflected by the TGR of 18.35 in case of transacted money and by the TGR of 7.62 in case of transacted cheques.

## IV.9. Urban Rural Distribution of Services

The growth trends of deposits, advances and Bank branches in the urban and rural areas are analysed in the Table IV-19. The amount of deposits in the urban area was Tk. 9,322.5 million in the FY 1974-75, and it increased to Tk. 549,227.3 million in the FY 1999-2000 with 17.95 and 17.71 percentages of annual average SGR and CGR respectively. The amount of deposits in the rural area increased from Tk. 859.4 million from the FY 1974-75 to Tk. 160,585.2 million in the FY 1999-2000, with annual average SGR and CGR percentages of 23.97 and 23.27 respectively. On the other hand the amount of advances in the urban area was Tk. 7,832.7 million in the FY 1974-75, and it increased to Tk. 493,485.3 million in the FY 1999-2000 with 18.24 and 18.03 percentages of annual average SGR and CGR respectively. The amount of advances in the rural area increased from Tk. 290.2 million in the FY 1974-75 to Tk. 100,132.1 million in the FY 1999-2000, with annual average SGR and CGR percentages of 29.41 and 26.33 respectively. The numbers of bank branches in the urban areas were 836 in

the FY 1974-75, and those increased to 2,432 in the FY 1999-2000 with annual average SGR of 4.46 percentages and CGR of 4.36 percentages. The number of bank branches in the rural areas increased from 784 in the FY 1974-75 to 3,624 in the FY 1999-2000, with annual average SGR and CGR percentage of 6.85 and 6.23 respectively. It is seen that in every case, growth trend was higher for rural area than that in urban area. Annual average SGR of deposits was 1.33 times higher for rural area, and annual average SGRs of advances and expansion of bank branches were 1.61 times and 1.53 times higher respectively for rural areas than the urban areas.

**Table IV-19**
**Urban Rural Biasness in Deposits, Advances and in Bank Branches**

| Fiscal Year | Deposits (Taka in Million) | | | | Advances (Taka in Million) | | | | Bank Branch | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Urban | Annual SGR of Urban Deposits | Rural | Annual SGR of Rural Deposits | Urban | Annual SGR of Urban Advances | Rural | Annual SGR of Rural Advances | Urban | Annual SGR of Urban Bank Branch | Rural | Annual SGR of Rural Bank Branch |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1974-75 | 9,322.5 | | 859.4 | | 7,832.7 | | 290.2 | | 836 | | 784 | |
| 1975-76 | 10,530.9 | 12.96 | 1,062.6 | 23.64 | 9,040.5 | 15.42 | 337.4 | 16.26 | 907 | 8.49 | 860 | 9.69 |
| 1976-77 | 12,900.8 | 22.50 | 1,551.8 | 46.04 | 10,873.6 | 20.28 | 665.7 | 97.30 | 966 | 6.50 | 1100 | 27.91 |
| 1977-78 | 15,160.7 | 17.52 | 2,316.2 | 49.26 | 13,531.1 | 24.44 | 1,366.9 | 105.33 | 1165 | 20.60 | 1591 | 44.64 |
| 1978-79 | 19,391.4 | 27.91 | 3,540.5 | 52.86 | 16,653.3 | 23.07 | 1,810.5 | 32.45 | 1265 | 8.58 | 1996 | 25.46 |
| 1979-80 | 24,026.8 | 23.90 | 4,041.8 | 14.16 | 22,871.1 | 37.34 | 2,773.4 | 53.18 | 1364 | 7.83 | 2456 | 23.05 |
| 1980-81 | 29,636.8 | 23.35 | 5,590.0 | 38.30 | 29,125.5 | 27.35 | 4,125.5 | 48.75 | 1527 | 11.95 | 2851 | 16.08 |
| 1981-82 | 32,563.1 | 9.87 | 5,937.9 | 6.22 | 36,774.8 | 26.26 | 5,601.2 | 35.77 | 1538 | 0.72 | 2932 | 2.84 |
| 1982-83 | 42,436.5 | 30.32 | 8,543.5 | 43.88 | 40,869.2 | 11.13 | 9,340.7 | 66.76 | 1553 | 0.98 | 3050 | 4.02 |
| 1983-84 | 59,369.3 | 39.90 | 12,214.7 | 42.97 | 48,685.0 | 19.12 | 16,911.9 | 81.06 | 1592 | 2.51 | 3225 | 5.74 |
| 1984-85 | 77,404.3 | 30.38 | 16,158.9 | 32.29 | 63,872.8 | 31.20 | 25,459.1 | 50.54 | 1628 | 2.26 | 3335 | 3.41 |
| 1985-86 | 89,128.2 | 15.15 | 21,038.2 | 30.20 | 79,929.5 | 25.14 | 29,057.8 | 14.14 | 1668 | 2.46 | 3476 | 4.23 |
| 1986-87 | 107,375.8 | 20.47 | 25,364.8 | 20.57 | 90,801.9 | 13.60 | 27,422.6 | -5.63 | 1723 | 3.30 | 3501 | 0.72 |
| 1987-88 | 125,379.2 | 16.77 | 30,767.3 | 21.30 | 107,158.2 | 18.01 | 32,203.3 | 17.43 | 1776 | 3.08 | 3569 | 1.94 |
| 1988-89 | 144,788.5 | 15.48 | 36,122.3 | 17.40 | 126,837.0 | 18.36 | 40,030.2 | 24.30 | 1830 | 3.04 | 3621 | 1.46 |
| 1989-90 | 162,209.5 | 12.03 | 41,461.5 | 14.78 | 151,304.6 | 19.29 | 47,789.7 | 19.38 | 1870 | 2.19 | 3669 | 1.33 |
| 1990-91 | 179,244.5 | 10.50 | 48,935.7 | 18.03 | 167,007.9 | 10.38 | 46,864.0 | -1.94 | 1911 | 2.19 | 3710 | 1.12 |
| 1991-92 | 205,477.1 | 14.64 | 56,338.6 | 15.13 | 188,679.1 | 12.98 | 47,016.4 | 0.33 | 1935 | 1.26 | 3721 | 0.30 |
| 1992-93 | 234,294.0 | 14.02 | 65,159.5 | 15.66 | 217,248.6 | 15.14 | 51,045.1 | 8.57 | 2124 | 9.77 | 3616 | -2.82 |
| 1993-94 | 264,435.9 | 12.86 | 75,048.2 | 15.18 | 227,016.0 | 4.50 | 56,256.3 | 10.21 | 2154 | 1.41 | 3626 | 0.28 |
| 1994-95 | 303,708.4 | 14.85 | 85,532.8 | 13.97 | 264,807.8 | 16.65 | 64,986.8 | 15.52 | 2204 | 2.32 | 3609 | -0.47 |
| 1995-96 | 324,371.4 | 6.80 | 95,040.3 | 11.12 | 298,569.5 | 12.75 | 73,090.9 | 12.47 | 2259 | 2.50 | 3615 | 0.17 |
| 1996-97 | 364,845.1 | 12.48 | 107,048.5 | 12.63 | 339,805.8 | 13.81 | 77,839.8 | 6.50 | 2299 | 1.77 | 3612 | -0.08 |
| 1997-98 | 401,043.3 | 9.92 | 119,001.8 | 11.17 | 398,629.2 | 17.31 | 81,268.0 | 4.40 | 2330 | 1.35 | 3622 | 0.28 |
| 1998-99 | 455,579.9 | 13.60 | 134,361.3 | 12.91 | 446,340.8 | 11.97 | 93,495.0 | 15.05 | 2362 | 1.37 | 3620 | -0.06 |
| 1999-2000 | 549,227.3 | 20.56 | 160,585.2 | 19.52 | 493,485.3 | 10.56 | 100,132.1 | 7.10 | 2432 | 2.96 | 3624 | 0.11 |
| Annual Average SGR | | 17.95 | | 23.97 | | 18.24 | | 29.41 | | 4.46 | | 6.85 |
| CGR | | 17.71 | | 23.27 | | 18.03 | | 26.33 | | 4.36 | | 6.32 |

Source: For column 2, 4, 6 and 8; Bangladesh Bank, *Bangladesh Bank Bulletin*, Various Years.

For column 10 and 12; Bangladesh Bank, *Scheduled Bank Statistics*, Various Years.

Growth trend of deposits in both the areas were relatively higher in the period from 1976-77 to 1986-87. Growth trends of advances were also relatively higher in the period from 1976-77 to 1984-85 for both the areas. And the growth trends of the expansion of bank branches were higher during the period from 1975-76 to 1980-81 in both the areas. It is observed that in rural areas, growth trend of bank branches became negligible or negative in the last part of the period 1992-2000.

### IV.9.1. Trend Equation of Deposits, Advances and Bank Branches in Urban and Rural Areas.

To compare the growth trends of the deposits, advances and expansion of bank branches between urban and rural areas more critically, semi-logarithmic trend lines are estimated for the period from 1974-75 to 1999-2000. The semi-logarithmic trend equations show the relationships between all these variables (Ys) as dependent variables and time (X) as independent variable which have been fitted by the least square method and the significance of the coefficient of time have been tasted by the t test technique. The estimated semi-logarithmic trends for deposits, advances and expansion of bank branches between urban and rural areas are shown in the Table IV-20.

**Table IV-20**
**Estimated Semi-Logarithmic Trend Lines of Deposited, Advances and Bank Branches in Urban and Rural Areas**

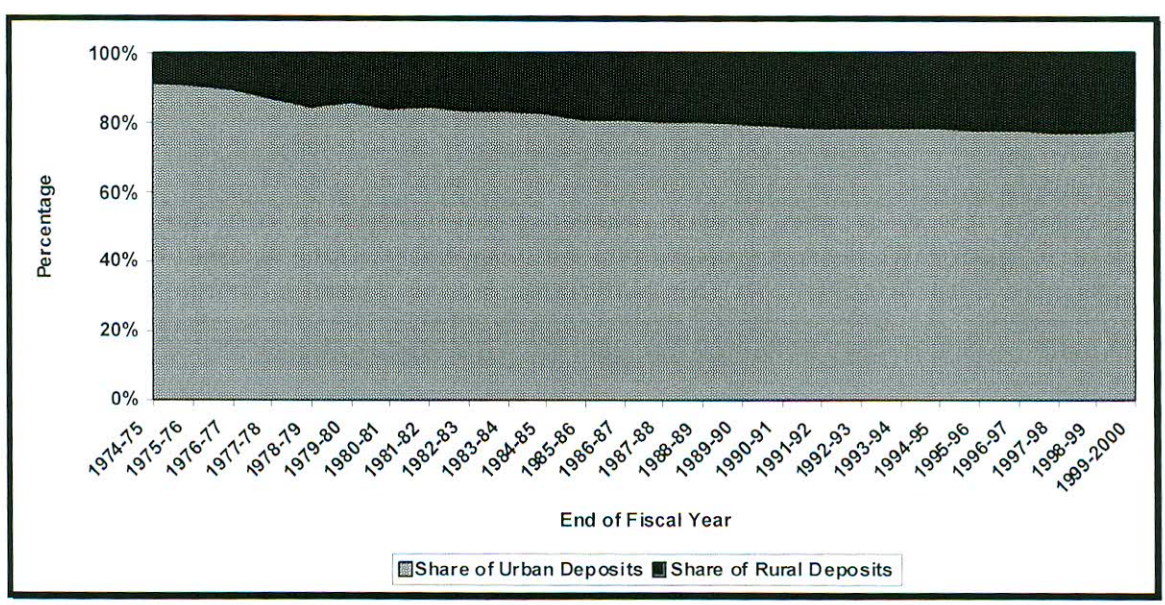
| Areas | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Urban Deposits | 3.97 | 0.0719 | 0.98 | 18.00 | 33.73 | 0.00 | S |
| Rural Deposits | 3.07 | 0.0892 | 0.96 | 22.80 | 25.99 | 0.00 | S |
| Urban Advance | 3.91 | 0.0728 | 0.98 | 18.24 | 35.81 | 0.00 | S |
| Rural Advance | 2.87 | 0.0961 | 0.87 | 24.76 | 12.55 | 0.00 | S |
| Urban Bank Branch | 3.00 | 0.0162 | 0.91 | 3.80 | 15.47 | 0.00 | S |
| Rural Bank Branch | 3.17 | 0.0202 | 0.59 | 4.74 | 5.91 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 25 degrees of freedom and 0.05 level of significance is 1.708

The above table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggests that the amount of deposits, advances and the expansion of bank branches increased faster in the rural areas than that in the urban areas during the period. It is also clear from the table that, the advances in the rural areas increased at a higher rate with TGR of 24.76 percentages than that of the deposits with TGR of 22.80 percentages. It is the indication of the reduction of disparity against rural areas. Through this two ratios, it is revealed that growth rate of inflow of capital was faster in rural areas, than the out flow of capital from the rural areas.

The following Figure IV-16 shows the shares of deposits of urban and rural areas. At the beginning, approximately 91 percentages of deposits were being collected by the urban branches. Over the time, this share reduced gradually and came down to 77 percentages at the end of the period.

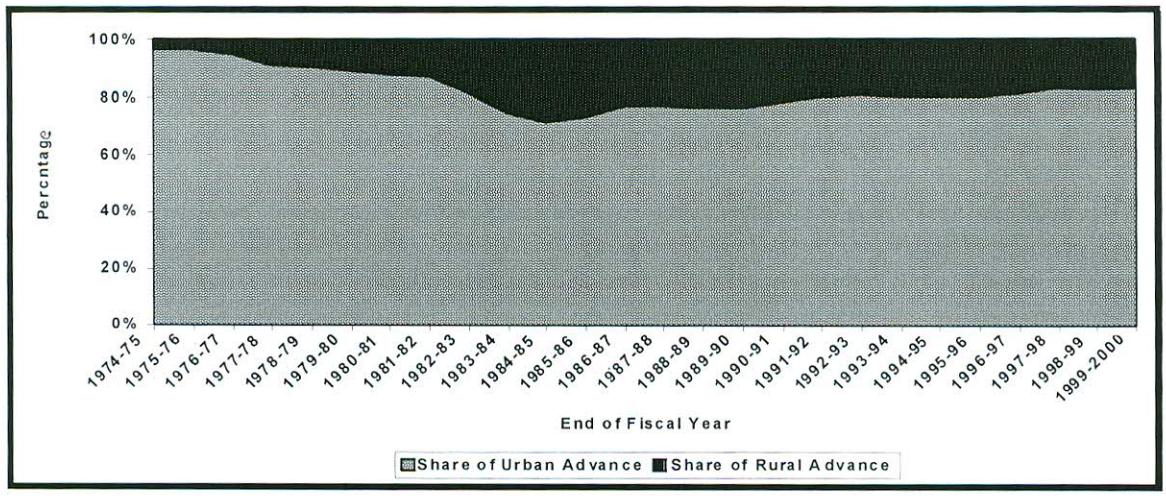
**Figure IV-16**
**Shares of Deposits of Urban and Rural Areas**




Source: Table IV-19.

In the following Figure IV-17, the shares of advances of urban and rural areas by the all Banks have been depicted. It is seen that the share of advances of urban areas was above 96 percentages in the FY 1975-76 and gradually this share came down to about 71 percentages in the FY 1984-85. Then again, it began to rise and in the FY 1999-2000, it reached to 83 percentages. From mid 1980s share in advances of rural areas began to reduce.

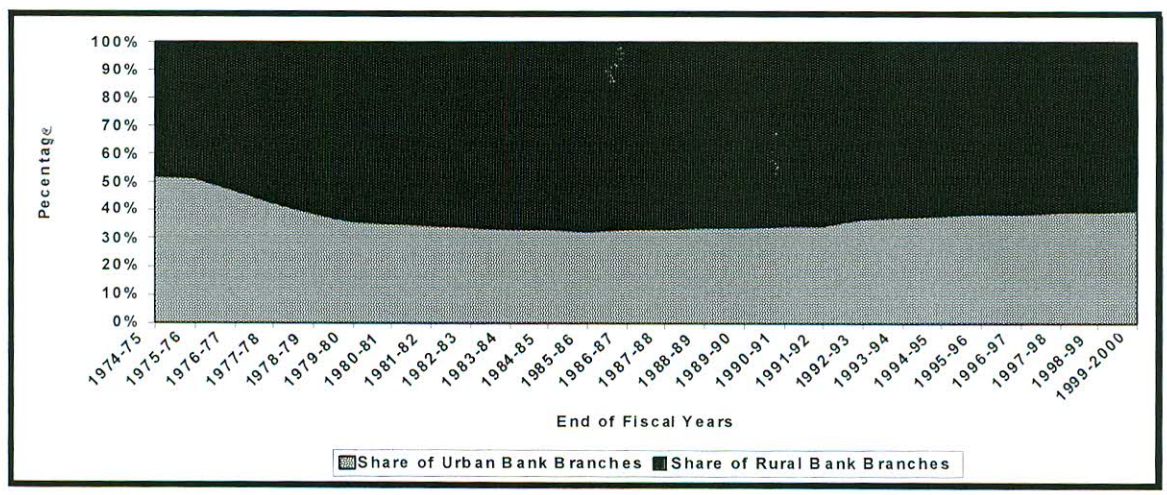
**Figure IV-17**
**Shares of Advances of Urban and Rural Areas**




Source: Table IV-19.

The following Figure IV-18 is the illustration of the shares of bank branches of urban and rural areas. In the FY 1975-76, urban bank branches held 36 percentages of shares. Gradually it was reduced to 32 percentages then again, it began to rise and reached at 36 percentages in the terminal year 1999-2000.

**Figure IV-18**
**Share of the Bank Branches of Urban and Rural Areas**




Source: Table IV-19.

From the above three figures it can be concluded that in the initial years banking activities and services were greater in urban areas. But there was a trend to reduce this biasness in favour of rural areas, and this trend successively continued till the mid-eighties. After the mid-eighties, the share of advances and that of expansion of bank branches took U turn against rural areas.

## IV.10. Pattern of the Total Income of Different Scheduled Banks

In the year 1972 total income of the NCBs was Tk. 384.40 million and in the year 2000 the total income increased to Tk. 37,262.7 million with annual average SGR and CGR of 18.97 and 17.75 percentages respectively. The last year's income of NCBs was 96.93 times higher than the initial year's income. Total income of the SBs was Tk. 78.20 million in the year 1972 and it swelled to Tk. 8,203.4 million in the year 2000 with annual average SGR and CGR of 21.93 and 18.08 percentages respectively. The total income of SBs increased by 104.90 times at the end of the period. Total income of the FCBs was Tk. 28.40 million in the year 1972 and it increased to Tk. 9,675.0 million in the year 2000 with annual average SGR and CGR of 24.62 and 23.15 percentages respectively. The income of FCBs increased by 340.66 times at the end of the year 2000. The total income of the PCBs was Tk. 1,921.70 million in the year 1984 and it increased to Tk. 32,676.2 million in the year 2000 with annual average SGR and CGR of 20.18 and 19.37 percentages respectively, the terminal year's income was 17.00 times higher than the initial year's income.

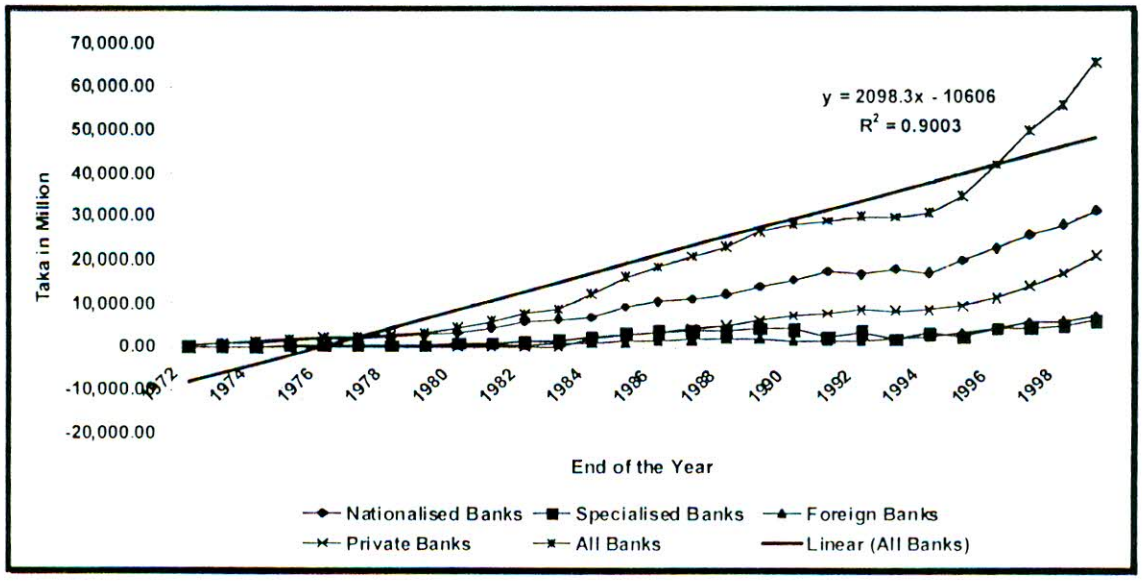
**Table IV-21**
**Incomes of Scheduled Banks**

| Period | Nationalised Commercial Banks | Annual SGR of Nationalised Commercial Banks | Specialised Banks | Annual SGR of Specialised Banks | Foreign Banks | Annual SGR of Foreign Banks | Private Banks | Annual SGR of Private Banks | All Banks Total | Annual SGR of All Banks Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1972 | 384.4 | | 78.2 | | 28.4 | | - | - | 491.0 | |
| 1973 | 760.3 | 97.8 | 95.6 | 22.3 | 43.3 | 52.5 | - | - | 899.2 | 83.1 |
| 1974 | 1,090.1 | 43.4 | 143.0 | 49.6 | 56.0 | 29.3 | - | - | 1,289.1 | 43.4 |
| 1975 | 1,490.4 | 36.7 | 191.3 | 33.8 | 89.2 | 59.3 | - | - | 1,770.9 | 37.4 |
| 1976 | 1,825.9 | 22.5 | 202.6 | 5.9 | 117.1 | 31.3 | - | - | 2,145.6 | 21.2 |
| 1977 | 1,984.0 | 8.7 | 266.9 | 31.7 | 121.6 | 3.8 | - | - | 2,372.5 | 10.6 |
| 1978 | 2,363.5 | 19.1 | 333.7 | 25.0 | 160.7 | 32.2 | - | - | 2,857.9 | 20.5 |
| 1979 | 2,649.3 | 12.1 | 466.4 | 39.8 | 210.1 | 30.7 | - | - | 3,325.8 | 16.4 |
| 1980 | 3,371.0 | 27.2 | 701.4 | 50.4 | 327.7 | 56.0 | - | - | 4,400.1 | 32.3 |
| 1981 | 4,474.5 | 32.7 | 894.2 | 27.5 | 453.9 | 38.5 | - | - | 5,822.6 | 32.3 |
| 1982 | 5,782.7 | 29.2 | 1,138.3 | 27.3 | 607.5 | 33.8 | - | - | 7,528.5 | 29.3 |
| 1983 | 6,347.4 | 9.8 | 1,600.8 | 40.6 | 755.8 | 24.4 | - | - | 8,704.0 | 15.6 |
| 1984 | 6,804.6 | 7.2 | 2,421.7 | 51.3 | 986.7 | 30.6 | 1,921.7 | - | 12,134.7 | 39.4 |
| 1985 | 9,152.0 | 34.5 | 2,906.6 | 20.0 | 1,244.5 | 26.1 | 2,801.7 | 45.8 | 16,104.8 | 32.7 |
| 1986 | 10,344.6 | 13.0 | 3,525.3 | 21.3 | 1,376.0 | 10.6 | 3,183.6 | 13.6 | 18,429.5 | 14.4 |
| 1987 | 11,033.0 | 6.7 | 3,861.7 | 9.5 | 1,661.8 | 20.8 | 4,149.8 | 30.3 | 20,706.3 | 12.4 |
| 1988 | 12,179.2 | 10.4 | 3,753.2 | -2.8 | 2,019.3 | 21.5 | 4,967.1 | 19.7 | 22,918.8 | 10.7 |
| 1989 | 14,061.2 | 15.5 | 4,249.7 | 13.2 | 1,803.9 | -10.7 | 6,177.0 | 24.4 | 26,291.8 | 14.7 |
| 1990 | 15,493.0 | 10.2 | 4,014.5 | -5.5 | 1,406.7 | -22.0 | 7,092.5 | 14.8 | 28,006.7 | 6.5 |
| 1991 | 17,380.0 | 12.2 | 2,389.0 | -40.5 | 1,580.1 | 12.3 | 7,743.3 | 9.2 | 29,092.4 | 3.9 |
| 1992 | 16,651.4 | -4.2 | 3,487.9 | 46.0 | 1,518.0 | -3.9 | 8,426.7 | 8.8 | 30,084.0 | 3.4 |
| 1993 | 17,833.0 | 7.1 | 1,866.8 | -46.5 | 1,951.0 | 28.5 | 8,359.2 | -0.8 | 30,010.0 | -0.2 |
| 1994 | 17,025.6 | -4.5 | 3,106.3 | 66.4 | 2,423.6 | 24.2 | 8,518.9 | 1.9 | 31,074.4 | 3.5 |
| 1995 | 19,820.8 | 16.4 | 2,359.7 | -24.0 | 3,356.5 | 38.5 | 9,438.9 | 10.8 | 34,975.9 | 12.6 |
| 1996 | 22,491.1 | 13.5 | 4,108.8 | 74.1 | 4,084.6 | 21.7 | 11,322.3 | 20.0 | 42,006.8 | 20.1 |
| 1997 | 25,740.8 | 14.4 | 4,404.8 | 7.2 | 5,641.0 | 38.1 | 14,142.2 | 24.9 | 49,928.8 | 18.9 |
| 1998 | 28,151.7 | 9.4 | 4,929.1 | 11.9 | 5,855.9 | 3.8 | 16,964.6 | 20.0 | 55,901.3 | 12.0 |
| 1999 | 31,612.6 | 12.3 | 5,984.5 | 21.4 | 7,136.5 | 21.9 | 20,945.1 | 23.5 | 65,678.7 | 17.5 |
| 2000 | 37,262.7 | 17.9 | 8,203.4 | 37.1 | 9,675.0 | 35.6 | 32,676.2 | 56.0 | 87,817.3 | 33.7 |
| Average SGR | | 18.97 | | 21.93 | | 24.62 | | 20.18 | | 21.36 |
| CGR | | 17.75 | | 18.08 | | 23.15 | | 19.37 | | 20.35 |

Source: From 1972 to 1989; Bangladesh Bank, *Economic Trends*, vol. XXI, no. 12 (Dhaka: Statistics Department, BB), p. 58-61.
From 1990 to 2000; Bangladesh Bank, *Economic Trends*, vol. XXVII, no. 12 (Dhaka: Statistics Department, BB), p. 68-70.

In the Figure IV-19, absolute value of total income of different categories of Banks has been portrayed from the year 1972 to 2000. There were some incidences of decreasing total income for all types of banks, but the growth trends of total income were upward moving for all types of banks. In the figure, a linear regression trend line for the expansion of total income of all banks for the period from 1972 to 2000 has also been drawn. The value of the coefficient of time (x) portrait that in change of one unit time (a single year) total income of all banks (y) increase by Tk. 2098.3 million, and the value of the $R^2$ (0.90) ensure that more than 90 percentage variation of this increase over the period can be explained by this equation $y = 2098.3x - 10606$.

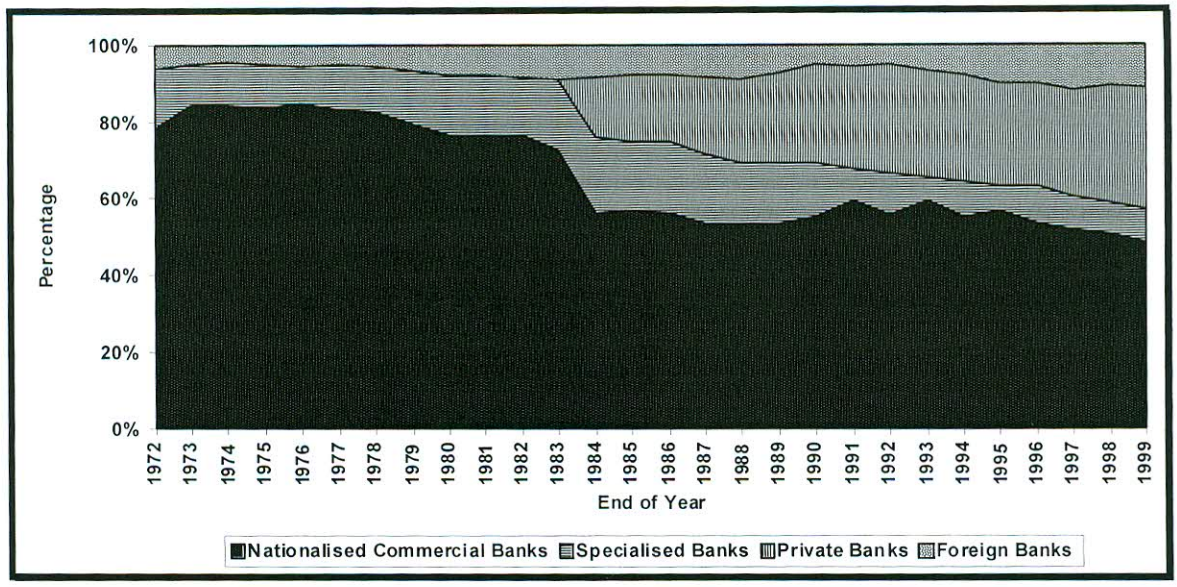
**Figure IV-19**
**Growth Trend of Total Income of Different Scheduled Banks**




Source: Table IV-21.

In the following Figure IV-20, percentage shares of total income of all types of banks have been depicted. Form the figure it is visualized that over the years, NCBs' share was decreasing, from 1972 to 1983 its share in total income was above 70 percent, and after then its share began to reduce and reached around 40 percent. The share of PCBs was increasing over the time, and in the terminal year its share in total income was above 35 percent. The share of SBs dramatically reduced to below 10 percent in 1990s.The share of the FCBs increased from 1972 to 1988, then to 1992 its share began to decrease, then again, it began to increase, in fact, in 1990s its share gradually increased.

**Figure IV-20**
**Share of Total Income of Different Scheduled Banks**




Source: Table IV-21

## IV.11. Pattern of the Total Expenditure of Different Scheduled Banks

In the Table IV-22, total expenditure of the four types of banks has been stated for the period from 1972 to 2000. In the year 1972 total expenditure of the NCBs was Tk. 351.80 million and in the year 2000 the total expenditure increased to Tk. 35,321.6 million with annual average SGR and CGR of 18.92 and 17.89 percentages respectively. The last years' expenditure for NCBs was 100.40 times higher than the initial year's expenditure. Total expenditure of the SBs was Tk. 61.70 million in the year 1972 and it swelled to Tk. 7,363.6 million in the year 2000 with annual average SGR and CGR of 19.79 and 18.62 percentages respectively. The last years' expenditure for SBs was 119.34 times higher than the initial year's expenditure. Total expenditure of the FCBs was Tk. 28.40 million in 1972, and it increased to Tk. 5,480.8 million in 2000 with annual average SGR and CGR of 22.98 and 20.68 percentages respectively. It increased by 192.98 times at the end of the period. The total expenditure of the PCBs was Tk. 1,727.90 million in the year 1984, and it increased to Tk. 24,620.9 million in the terminal year 2000 with annual average SGR and CGR of 18.77 and 18.06 percentages respectively. It increased by 14.24 times at the end of the study period.

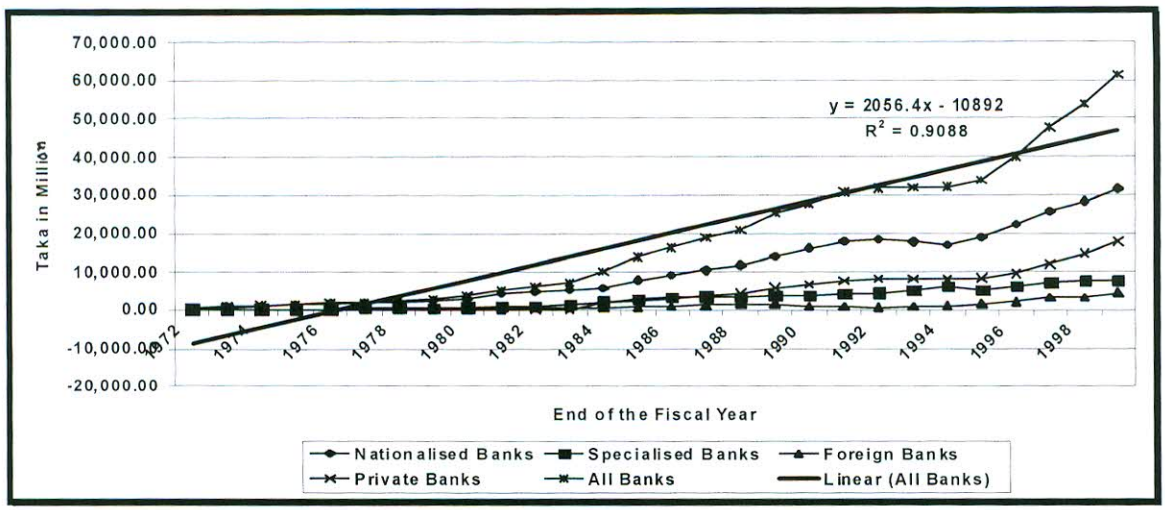
## Table IV-22
## Expenditure of Scheduled Banks

| Period | Nationalised Commercial Banks | Annual SGR of Nationalised Commercial Banks | Specialised Banks | Annual SGR of Specialised Banks | Foreign Banks | Annual SGR of Foreign Banks | Private Banks | Annual SGR of Private Banks | All Banks Total | Annual SGR of All Banks Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1972 | 351.8 | | 61.7 | | 28.4 | | - | - | 441.9 | |
| 1973 | 618.7 | 75.87 | 76.4 | 23.82 | 39.9 | 40.49 | - | - | 735.0 | 66.33 |
| 1974 | 930.9 | 50.46 | 102.5 | 34.16 | 50.4 | 26.32 | - | - | 1,083.8 | 47.46 |
| 1975 | 1,177.0 | 26.44 | 141.4 | 37.95 | 71.9 | 42.66 | - | - | 1,390.3 | 28.28 |
| 1976 | 1,489.1 | 26.52 | 162.3 | 14.78 | 95.8 | 33.24 | - | - | 1,747.2 | 25.67 |
| 1977 | 1,641.2 | 10.21 | 219.2 | 35.06 | 97.4 | 1.67 | - | - | 1,957.8 | 12.05 |
| 1978 | 2,103.2 | 28.15 | 281.3 | 28.33 | 116.6 | 19.71 | - | - | 2,501.1 | 27.75 |
| 1979 | 2,325.3 | 10.56 | 367.6 | 30.68 | 138.3 | 18.61 | - | - | 2,831.2 | 13.20 |
| 1980 | 2,941.5 | 26.50 | 547.2 | 48.86 | 197.1 | 42.52 | - | - | 3,685.8 | 30.19 |
| 1981 | 4,292.4 | 45.93 | 712.6 | 30.23 | 245.8 | 24.71 | - | - | 5,250.8 | 42.46 |
| 1982 | 4,894.8 | 14.03 | 903.4 | 26.78 | 319.3 | 29.90 | - | - | 6,117.5 | 16.51 |
| 1983 | 5,390.1 | 10.12 | 1,327.9 | 46.99 | 454.0 | 42.19 | - | - | 7,172.0 | 17.24 |
| 1984 | 5,734.7 | 6.39 | 2,038.7 | 53.53 | 616.5 | 35.79 | 1,727.9 | - | 10,117.8 | 41.07 |
| 1985 | 7,874.1 | 37.31 | 2,651.0 | 30.03 | 766.3 | 24.30 | 2,450.1 | 41.80 | 13,741.5 | 35.82 |
| 1986 | 9,188.9 | 16.70 | 3,208.5 | 21.03 | 984.4 | 28.46 | 2,810.3 | 14.70 | 16,192.1 | 17.83 |
| 1987 | 10,374.5 | 12.90 | 3,474.2 | 8.28 | 1,185.0 | 20.38 | 3,657.3 | 30.14 | 18,691.0 | 15.43 |
| 1988 | 11,705.0 | 12.82 | 3,262.6 | -6.09 | 1,461.5 | 23.33 | 4,384.8 | 19.89 | 20,813.9 | 11.36 |
| 1989 | 14,045.1 | 19.99 | 3,617.6 | 10.88 | 1,465.3 | 0.26 | 5,938.1 | 35.42 | 25,066.1 | 20.43 |
| 1990 | 16,094.2 | 14.59 | 3,802.7 | 5.12 | 943.3 | -35.62 | 6,760.1 | 13.84 | 27,600.3 | 10.11 |
| 1991 | 17,768.4 | 10.40 | 4,278.5 | 12.51 | 994.0 | 5.37 | 7,649.7 | 13.16 | 30,690.6 | 11.20 |
| 1992 | 18,371.7 | 3.40 | 4,399.3 | 2.82 | 654.9 | -34.11 | 8,237.2 | 7.68 | 31,663.1 | 3.17 |
| 1993 | 17,697.0 | -3.67 | 5,112.6 | 16.21 | 918.5 | 40.25 | 8,135.1 | -1.24 | 31,863.2 | 0.63 |
| 1994 | 16,832.4 | -4.89 | 6,177.3 | 20.83 | 1,057.4 | 15.12 | 8,012.5 | -1.51 | 32,079.6 | 0.68 |
| 1995 | 18,691.1 | 11.04 | 5,280.4 | -14.52 | 1,513.9 | 43.17 | 8,319.9 | 3.84 | 33,805.3 | 5.38 |
| 1996 | 22,205.0 | 18.80 | 6,153.8 | 16.54 | 2,217.3 | 46.46 | 9,397.5 | 12.95 | 39,973.6 | 18.25 |
| 1997 | 25,568.1 | 15.15 | 7,015.0 | 13.99 | 3,356.4 | 51.37 | 11,800.4 | 25.57 | 47,739.9 | 19.43 |
| 1998 | 28,086.9 | 9.85 | 7,667.7 | 9.30 | 3,266.2 | -2.69 | 14,578.3 | 23.54 | 53,599.1 | 12.27 |
| 1999 | 31,647.9 | 12.68 | 7,660.0 | -0.10 | 4,473.9 | 36.98 | 17,609.2 | 20.79 | 61,391.0 | 14.54 |
| 2000 | 35,321.6 | 11.61 | 7,363.6 | -3.87 | 5,480.8 | 22.51 | 24,620.9 | 39.82 | 72,786.9 | 18.56 |
| Annual Average SGR | | 18.92 | | 19.79 | | 22.98 | | 18.77 | | 20.83 |
| CGR | | 17.89 | | 18.62 | | 20.68 | | 18.06 | | 20.00 |

Source: From 1972 to 1989; Bangladesh Bank, *Economic Trends*, vol. XXI, no. 12, p. 58-61.
From 1990 to 2000; Bangladesh Bank, *Economic Trends*, vol. XXVII, no. 12, p. 68-70.

In the Figure IV-21, absolute value of total expenditure of different categories of Banks has been portrayed. There were some incidences of decreasing total expenditure in some years for all types of banks; but the growth trends of total expenditure were upward moving for all types of banks over the period. A linear regression trend line for the expansion of total expenditure of all banks for the period from 1972 to 2000 has also been drawn. The value of the coefficient of time (x) portrait that in change of one unit time (a single year), total expenditure of all banks (y) increase Tk. 2056.4 million, and the value of the $R^2$ (0.90) ensure that more than 90 percentage variation of this growth rate over the years can be explained by this equation $y = 2056.4x - 10892$.

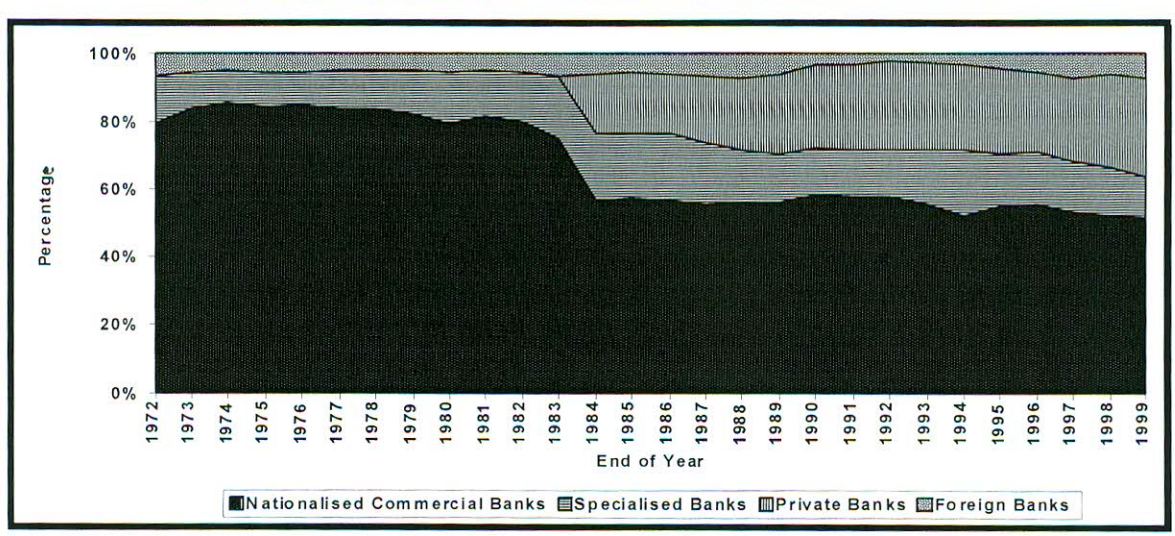
**Figure IV-21**
**Trend Pattern of Total Expenditure of Different Scheduled Banks**




Source: Table IV-22

In the Figure IV-22, percentage shares of total expenditure of all types of banks have been depicted. Form the figure it is visualized that over the years, NCBs' share was decreasing, from 1972 to 1982 its share in total expenditure was above 80 percent, and after that its share reduced to below 60 percent. The share of PCBs was increasing, and in the terminal year its share in total expenditure was above 33 percent. The share of SBs relatively increased after the year 1984, but most of the time its share remained below 20 percent. The share of the FCBs increased from 1972 to 1989, then to 1992 its share began to decrease, then again, it began to increase; but most of the time its share remained around 7 percent.

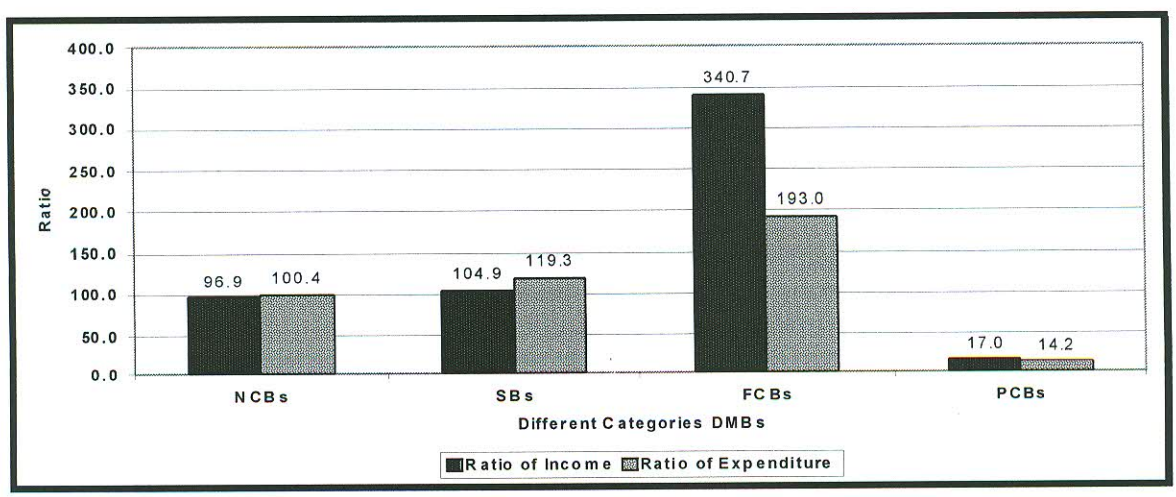
**Figure IV-22**
**Percentage Share of Expenditure of Different Scheduled Banks**




Source: Table IV-22

Now, in the Figure IV-23, we have compared the ratio of total income of the initial year with that in the terminal year, and the ratio of expenditure of initial year with that in terminal year. It is seen from the figure that for NCBs' and SBs' the ratios of expenditure in terminal year and that in initial year surpassed the ratio of income of terminal year and that of initial year. But the opposite was true for PCBs' and FCBs'. This hints to the relative business efficiencies of FCBs' and PCBs' and business inefficiencies of NCBs' and SBs'.

**Figure IV-23**
**The Ratio of Total Income and Total Expenditure Between The Initial Year and Terminal Year**




Source: Table IV-21 and Table IV-22.

## IV.12. Pattern of Net Profit of Different Scheduled Banks

In the Table IV-23, net profits of the four types of banks have been stated for the period from 1972 to 2000. In the year 1972 net profit of the NCBs was Tk. 6.30 million and in the year 2000, the net profit increased to Tk. 245.80 million with annual average SGR and CGR of (–)380.12 and 13.98 percentages respectively. The last year's net profit for NCBs was 39 times higher than the initial year's net profit. Net profit of the SBs was Tk. 6.20 million in the year 1972 and it swelled to Tk. 798.10 million in the year 2000 with annual average SGR and CGR of (–)19.99 and 18.94 percentages respectively. The last years' net profit for SBs was 128.72 times higher than the initial year's net profit. Net profit of the FCBs was Tk. (–)0.10 million in the year 1972, and it increased to Tk. 2,204.6 million in the year 2000 with annual average SGR of 70.93 percentages. The net profit of the PCBs was Tk. 83.90 million in the year 1984, and it increased to Tk. 3,099.70 million in the terminal year 2000 with annual average SGR and CGR of –28.20 and 25.31 percentages respectively. It increased by 36.94 times at

the end of the study period. And the net profit of all banks was Tk. 12.40 million in the year 1972, and it increased to Tk. 6,348.20 million in the terminal year 2000 with annual average SGR and CGR of –141.20 and 24.96 percentages respectively. It increased by 511.95 times at the end of the study period.

In fact, the above analysis for understanding net profit trend or pattern of net profit for the study period is not sufficient enough. There were so many apparently illogical erratic ups and downs of net profit through out the study period that mere growth rate analysis and the ratio of terminal year's value and initial year's value is bare enough to explain its trend.

**Table IV-23**
**Profits of Scheduled Banks**

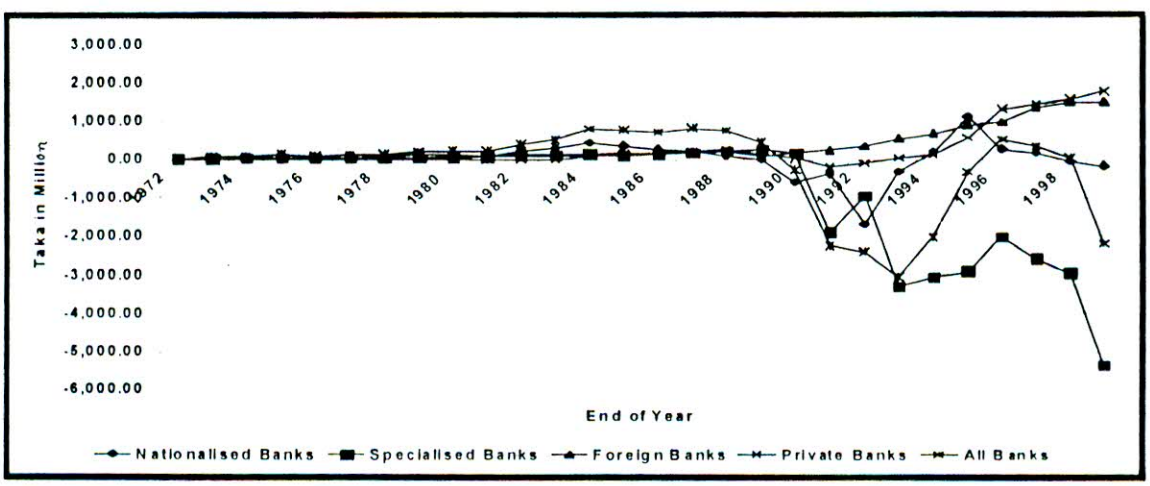
| Period | Nationalised Commercial Banks | Annual SGR of Nationalised Commercial Banks | Specialised Banks | Annual SGR of Specialised Banks | Foreign Banks | Annual SGR of Foreign Banks | Private Banks | Annual SGR of Private Banks | Banks | Annual SGR of Banks |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1972 | 6.30 | | 6.20 | | -0.10 | | - | - | 12.40 | |
| 1973 | 63.80 | 912.70 | 4.20 | -32.26 | -0.50 | 400.00 | - | - | 67.50 | 444.35 |
| 1974 | 64.10 | 0.47 | 18.90 | 350.00 | -1.30 | 160.00 | - | - | 81.70 | 21.04 |
| 1975 | 109.90 | 71.45 | 34.10 | 80.42 | -2.90 | 123.08 | - | - | 141.10 | 72.71 |
| 1976 | 81.00 | -26.30 | 17.70 | -48.09 | -6.90 | 137.93 | - | - | 91.80 | -34.94 |
| 1977 | 108.20 | 33.58 | 22.00 | 24.29 | 2.00 | -128.99 | - | - | 132.20 | 44.01 |
| 1978 | 99.00 | -8.50 | 31.70 | 44.09 | 11.40 | 470.00 | - | - | 142.10 | 7.49 |
| 1979 | 141.30 | 42.73 | 32.40 | 2.21 | 26.10 | 128.95 | - | - | 199.80 | 40.61 |
| 1980 | 133.40 | -5.59 | 60.20 | 85.80 | 30.70 | 17.62 | - | - | 224.30 | 12.26 |
| 1981 | 87.60 | -34.33 | 59.20 | -1.66 | 81.80 | 166.45 | - | - | 228.60 | 1.92 |
| 1982 | 232.80 | 165.75 | 69.50 | 17.40 | 111.80 | 36.67 | - | - | 414.10 | 81.15 |
| 1983 | 305.90 | 31.40 | 92.90 | 33.67 | 119.90 | 7.25 | - | - | 518.70 | 25.26 |
| 1984 | 434.90 | 42.17 | 137.00 | 47.47 | 150.30 | 25.35 | 83.90 | - | 806.10 | 55.41 |
| 1985 | 358.90 | -17.48 | 95.60 | -30.22 | 179.40 | 19.36 | 139.80 | 66.63 | 773.70 | -4.02 |
| 1986 | 276.80 | -22.88 | 126.50 | 32.32 | 143.10 | -20.23 | 158.50 | 13.38 | 704.90 | -8.89 |
| 1987 | 194.00 | -29.91 | 177.50 | 40.32 | 221.50 | 54.79 | 219.40 | 38.42 | 812.40 | 15.25 |
| 1988 | 75.00 | -61.34 | 215.60 | 21.46 | 210.00 | -5.19 | 249.90 | 13.90 | 750.50 | -7.62 |
| 1989 | 5.10 | -93.20 | 245.40 | 13.82 | 65.20 | -68.95 | 141.90 | -43.22 | 457.60 | -39.03 |
| 1990 | -601.20 | -11,888.24 | 153.80 | -37.33 | 165.10 | 153.22 | 19.80 | -86.05 | -262.50 | -157.36 |
| 1991 | -388.40 | -35.40 | -1,934.50 | -1,357.80 | 253.20 | 53.36 | -207.70 | -1,148.99 | -2,277.40 | 767.58 |
| 1992 | -1,720.30 | 342.92 | -971.40 | -49.79 | 356.60 | 40.84 | -100.20 | -51.76 | -2,435.30 | 6.93 |
| 1993 | -319.00 | -81.46 | -3,306.90 | 240.43 | 543.60 | 52.44 | 32.30 | -132.24 | -3,050.00 | 25.24 |
| 1994 | 188.20 | -159.00 | -3,071.00 | -7.13 | 683.20 | 25.68 | 148.00 | 358.20 | -2,051.60 | -32.73 |
| 1995 | 1,123.70 | 497.08 | -2,920.70 | -4.89 | 907.60 | 32.85 | 565.60 | 282.16 | -323.80 | -84.22 |
| 1996 | 281.10 | -74.98 | -2,045.00 | -29.98 | 987.20 | 8.77 | 1,314.90 | 132.48 | 538.20 | -266.21 |
| 1997 | 167.70 | -40.34 | -2,610.20 | 27.64 | 1,342.10 | 35.95 | 1,444.80 | 9.88 | 344.40 | -36.01 |
| 1998 | -59.80 | -135.66 | -2,967.00 | 13.67 | 1,494.30 | 11.34 | 1,583.50 | 9.60 | 51.00 | -85.19 |
| 1999 | -166.60 | 178.60 | -5,323.70 | 79.43 | 1,497.00 | 0.18 | 1,784.40 | 12.69 | -2,208.90 | -4,431.18 |
| 2000 | 245.80 | -247.54 | 798.10 | -114.99 | 2,204.60 | 47.27 | 3,099.70 | 73.71 | 6,348.20 | -387.39 |
| Annual Average SGR | | -380.12 | | -19.99 | | 70.93 | | -28.20 | | -141.20 |
| CGR | | 13.98 | | 18.94 | | n.a | | 25.31 | | 24.96 |

Source: From 1972 to 1989; Bangladesh Bank, *Economic Trends*, vol. XXI, no. 12 (Dhaka: Statistics Department, BB), p. 58-61.

From 1990 to 2000; Bangladesh Bank, *Economic Trends*, vol. XXVII, no. 12 (Dhaka: Statistics Department, BB), p. 68-70.

In the Figure IV-24, absolute value of net profit of different categories of banks has been portrayed. From the figure it is seen that from year 1972 to 1989, the NCBs earned net positive profits, but from the year 1990 to successive four years, those made huge losses, and again in the year 1998 and in 1999 those made losses. From the year 1972 to 1990 SBs earned net positive profits, but from the year 1991 to till 1999, those made losses. The explanation of this dramatic loss of NCBs and SBs from the beginning of nineties may be the outcome of the changing accounting policy relating to the bad debt. Prior to 1990s, the rules of classification and provisioning were not followed by the banks. FCBs, in the initial successive five years from the year 1972 to 1976, made losses. But then they made profits for rest of the years. PCBs from their inception, in 1984 to till 2000, made profits except the years from 1989 to 1993.

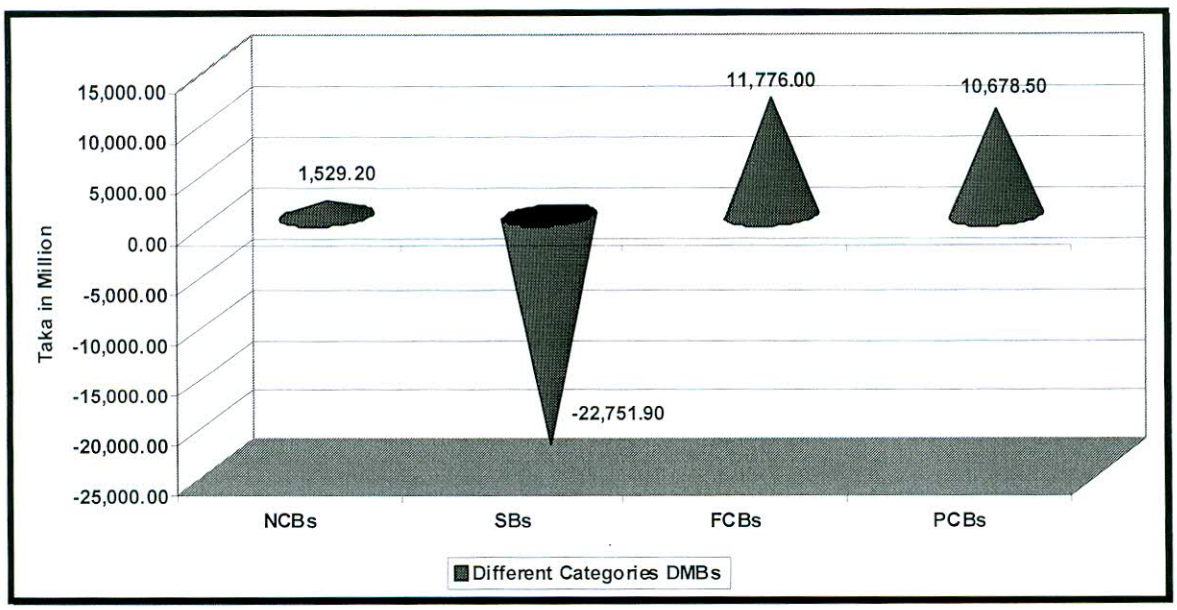
**Figure IV-24**
**Trend of the Net Profit of Different Scheduled Banks**




Source: Table IV-23.

In the following Figure IV-25, we have depicted the aggregate profit for all types of banks. But the time spans of the research period for NCBs, SBs, FCBs and PCBs were not equal. From the year 1972 to 2000 the time span is 28 years for NCBs, SBs, and FCBs, but the time span is 16 years for PCBs form the year 1984 to 2000. It is seen from the figure that over the period of 28 years NCBs made aggregate total net profit of Tk. 1,529.20 million, SBs made losses of Tk. (-) 22,751.90 million, FCBs made profits of Tk. 11,776.00 million and PCBs over the period of 16 years made profits of Tk. 10,678.50 million. This means overall banking sector made profit of only Tk. 1,231.80 million during the period. This tragic picture of the banking sector was due to chronic losses of NCBs and SBs in various years.

**Figure IV-25**
**Aggregate Total Net Profit of Different Scheduled Banks**




Source: Table IV-23.

## IV.13. Chapter Summary

This chapter deals with many aspects of Scheduled Banks, the most influential and contributory segment of the financial sector in Bangladesh. Annual average growth rates of the components of assets and liabilities of the banks varied between 15 and 25 percentages, and growth trends of these components were relatively proportionate over the period. As usual NCBs hold the highest share in total assets followed by PCBs. The SBs hold the third position and the proportionate share of FCBs in total assets reduced over the years. Over the study period, annual average growth rates of bank branches varied between 2.99 and 10.19 percentages and the highest annual average growth rate accredited to SBs followed by NCBs and the lowest credited to FCBs. Prior the introduction of private banking in 1983-84, NCBs' share in total bank branches was more than 80 percent, after that its share reduce to around 60 percent. The annual average growth rates of manpower in the different banks varied between 2.29 and 7.23 percentages. Here the highest growth rate accredited to SBs which was followed by PCBs and the lowest credited to FCBs. Prior 1984 NCBs' share in total manpower was above 80 percent, after that its share reduced by 20 percent and reached around 60 percent. Annual average growth rates of deposits for different banks varied between 15 and 33 percentages. The highest annual average growth rate of deposits attributed to

PCBs which was followed by SBs. Prior 1983-84, eighty percent share in total deposits accredited to NCBs. After that it reduced to around 60 percent. In case of advance, annual average growth rate varied between 16 and 34 percentages for different banks. The highest growth rate of advance among different banks accredited to PCBs which was followed by FCBs. Prior 1981-82, NCBs' share in total advance was above 70 percent. After that its share reduced to around 50 percent. The growth trend of clearing house return indicates that over the period money transaction through financial institutions increased. Analysis of the banking services between urban and rural areas vivid that over the years, discrimination reduced in favour of rural area. The income statement shows that annual average growth rate of total income varied between 17 and 25 percent. The highest growth rate of income attributed to FCBs, which was followed by PCBs. Annual average growth rate of total expenditure varied between 17 and 23 percent. The highest growth rate of expenditure attributed to FCBs, which was followed by SBs. It is observed that over the years, profit earnings deteriorated for SBs and NCBs, particularly for SBs. The next chapter deals with Non-Bank Financial Institutions.

# Chapter V

## Growth of Non-Bank Financial Institutions

1. Introduction
2. Leasing and Finance Companies
3. Insurance
4. Co-operatives Banks
5. Postal Savings Banks
6. Micro-Financial Institutions
7. Stock exchange
8. Chapter Summary

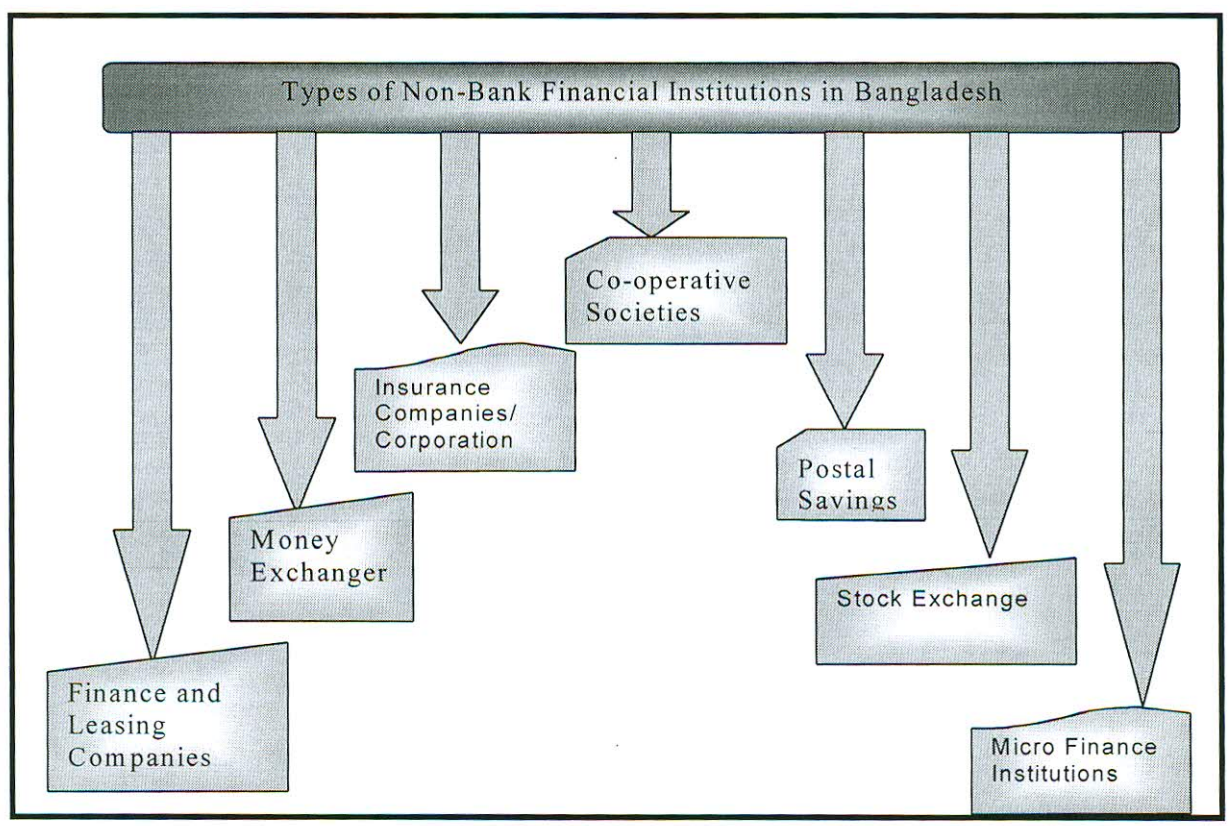
# Chapter V

# Growth of Non-Bank Financial Institutions

## V.1. Introduction

Besides banking institutions, there are different non-bank financial institutions in Bangladesh i.e., leasing and finance companies, money exchanger, insurance companies/corporation, cooperative banks, postal savings and stock exchanges. But prior to 1983, there were no private leasing or finance companies, insurance companies, and money exchanger. With the introduction of privatisation policy in the early 1980s, the door for organizing all these institutions was made open, and gradually those institutions were established in the financial sector of Bangladesh. In the Figure V-1, the names of seven categories of non-bank financial institutions of Bangladesh have been depicted.

**Figure V-1**
**Types of Non-Bank Financial Institutions in Bangladesh**



## V.2. Leasing and Finance Companies

The first of this type of institution is Saudi-Bangladesh Industrial and Agricultural Investment Company Ltd. After establishment, it publicly appeared in the year 1984. By the year 2000, twenty-two leasing and finance companies were established in Bangladesh. Of these institutions, ten are local and the rest twelve are operating under joint venture with foreign participation.

After closer scrutiny, it is found that out of 22 leasing and finance companies 6 were established in the period of Ershad between 1981-82 and 1990-91, 9 were established in the period of Khaleda between 1990-91 and 1995-96, and the rest 7 leasing companies were established in the period of Hasina between 1996-97 and1999-2000.

**Table V-1**
**Establishment of Leasing and Finance Companies in Different Regime**

| Period | No. of New Leasing and Finance Companies Established |
|---|---|
| 1981/82-90/91 | 6 |
| 1990/91995/96 | 9 |
| 1995/96-99/00 | 7 |

Source: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 2001-2002* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2002).

The contribution of these institutions is still minor but its potentiality is very high. In the following Table V-2, growth trends of the main indices of these institutions have been depicted for the last five years. It is seen that in the year 1997, deposits of leasing companies was Tk. 174 million and it swelled to Tk. 3,580.24 million at the end of the year 2001 with annual average SGR and CGR of 125.96 and 112.98 percentages respectively. The loan and advance including lease was Tk. 5,543.93 million in the year 1997 and it rose to Tk. 17,730.10 million in the year 2001 with annual average SGR and CGR of 33.93 and 33.73 percentages respectively. The value of investment was Tk. 719.00 million in the year 1997, and it increased to Tk. 5,041.70 million in the year 2001 with annual average SGR and CGR of 78.65 and 62.73 percentages respectively. Lastly the value of assets of the leasing and finance companies was Tk. 8,252.50 million in the year 1997, and it swelled to Tk. 24,119.30 million in the year 2001 with annual average SGR and CGR of 30.82 and 30.75 percentages respectively.

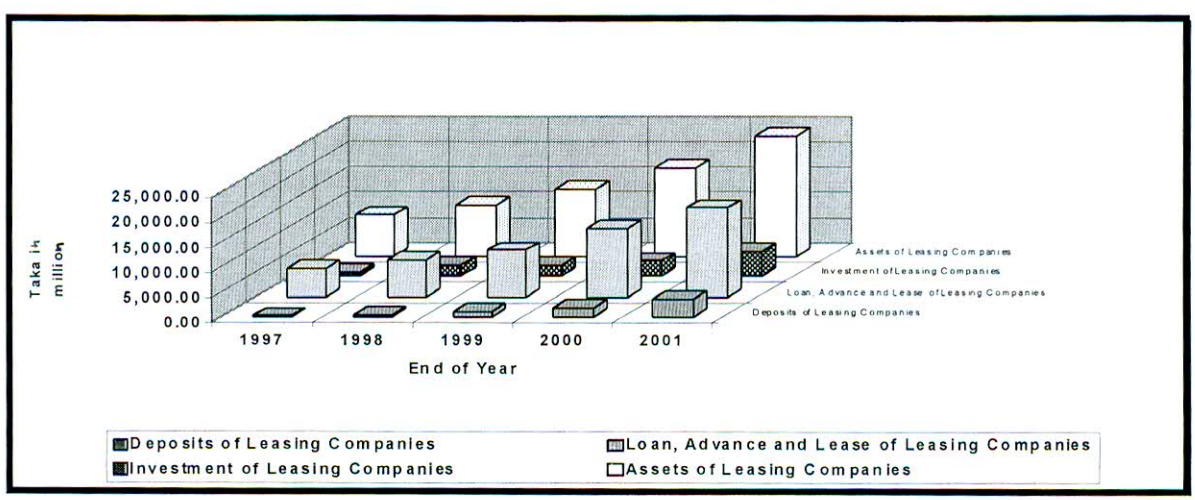
**Table V-2**
**Deposits, Advances, Investment and Assets of Leasing and Finance Companies and its Growth**

| Year | Deposits | SGR of Deposits | Loan, Advance and Lease | SGR of Loan, Advance and Lease | Investment | SGR of Investment | Assets | SGR of Assets |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1997 | 174.00 | | 5,543.93 | | 719.00 | | 8,252.50 | |
| 1998 | 296.30 | 70.29 | 7,191.00 | 29.71 | 2,236.70 | 211.08 | 10,322.90 | 25.09 |
| 1999 | 1,090.20 | 267.94 | 9,307.00 | 29.43 | 2,152.30 | -3.77 | 13,360.20 | 29.42 |
| 2000 | 1,730.15 | 58.70 | 13,683.70 | 47.03 | 3,016.60 | 40.16 | 17,643.80 | 32.06 |
| 2001 | 3,580.24 | 106.93 | 17,730.10 | 29.57 | 5,041.70 | 67.13 | 24,119.30 | 36.70 |
| Annual Average SGR | | 125.96 | | 33.93 | | 78.65 | | 30.82 |
| CGR | | 112.98 | | 33.73 | | 62.73 | | 30.75 |

Source: For Column 2; Appendix: Table-10-E.
For Column 4; Appendix: Table-10-D.
For Column 6; Appendix: Table-10-C.
For Column 8; Appendix: Table-10-B.

In the Figure V-2, absolute value of the same data has been depicted for better visualization. From the figure it is observed that over the year value of every variable increased, and the value of 'Lone, Advance and Lease' was higher than the value of 'Investment' for leasing companies.

**Figure V-2**
**Deposits, Advances, Investment and Assets of Leasing and Finance Companies**




Source: Table V-2.

In Table V-3, the indices of leasing and finance companies are divided by the same indices of scheduled banks[1] just to realize the relative size of these indices of leasing and finance companies compare to DMBs. By the ratios it is clear that the relative size of the indices of leasing and finance companies is too small to compare. But the

[1] Here Bangladesh Samabaya Bank Ltd. also included with Schedule Banks.

important thing is that over the years, the values of the ratios were increasing. It means that comparing to scheduled bank the size of leasing companies was increasing.

**Table V-3**
**Ratio of Deposits, Advances, Investment and Assets between Leasing Companies* and Scheduled Banks****

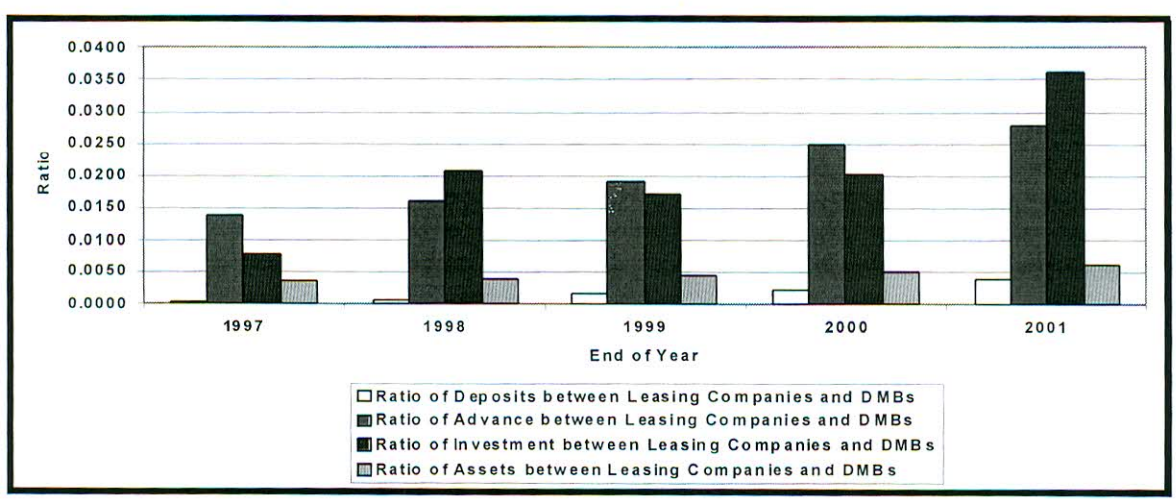
| Year | Ratio of Deposits between Leasing Companies and Scheduled Banks | Ratio of Advance*** between Leasing Companies and Scheduled Banks | Ratio of Investment between Leasing Companies and Scheduled Banks | Ratio of Assets between Leasing Companies and Scheduled Banks |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 1997 | 0.0003 | 0.0138 | 0.0077 | 0.0035 |
| 1998 | 0.0005 | 0.0161 | 0.0206 | 0.0039 |
| 1999 | 0.0016 | 0.0190 | 0.0170 | 0.0044 |
| 2000 | 0.0021 | 0.0249 | 0.0201 | 0.0051 |
| 2001 | 0.0038 | 0.0279 | 0.0362 | 0.0061 |

Note: *Leasing Companies Means Leasing and Finance Companies.
**Here Bangladesh Samabaya Bank Ltd. also included with Schedule Banks.
*** Advance Means Loan plus Advance plus Leas.

Source: Appendix: Table-10-G.

Among the above four ratios, relatively the most dominant ratio in favour of leasing and finance companies was loan and advances in some years and investment in other years, and the least dominant was deposits in every year. The following Figure V-3 depicts this. Form the figure it is clearly visualized that over the years, in the case of selected variables, the share of leasing companies compared to banks was increasing. In the year 1997 the ratios were 0.0003, 0.0138, 0.0077 and 0.0035 for deposits, advance, investment and assets respectively; and in the year 2001 all these ratios increased to 0.0038, 0.0279, 0.0362 and 0.0061 respectively.

**Figure V-3**
**Ratios of Some Important Indices between Leasing Companies and Scheduled Banks***




Note: *Here Bangladesh Samabaya Bank Ltd. also included with Schedule Banks.

Source: Table V-3.

## V.2.1. Contribution of Leasing and Finance Companies to GDP

Growth trend of value added of leasing and finance companies and its contribution to GDP (value added to GDP) is portrayed in the Table V-4. It is seen from the Table V-4, that in the FY 1989-90, value added of leasing and finance companies was only Tk. 192.18 million and that increased to Tk. 976.21 million in FY 1998-99 with annual average SGR and CGR of 19.85 and 19.79 percentages respectively. The contribution of leasing and finance companies to GDP (value added to GDP) was very insignificant. In the year 1989-90 the ratio of value added of leasing and finance companies to GDP was only 0.00019. But in the years 1998-99 the ratio increased to 0.00044 with annual average SGR and CGR of 9.88 and 9.80 percentages respectively.

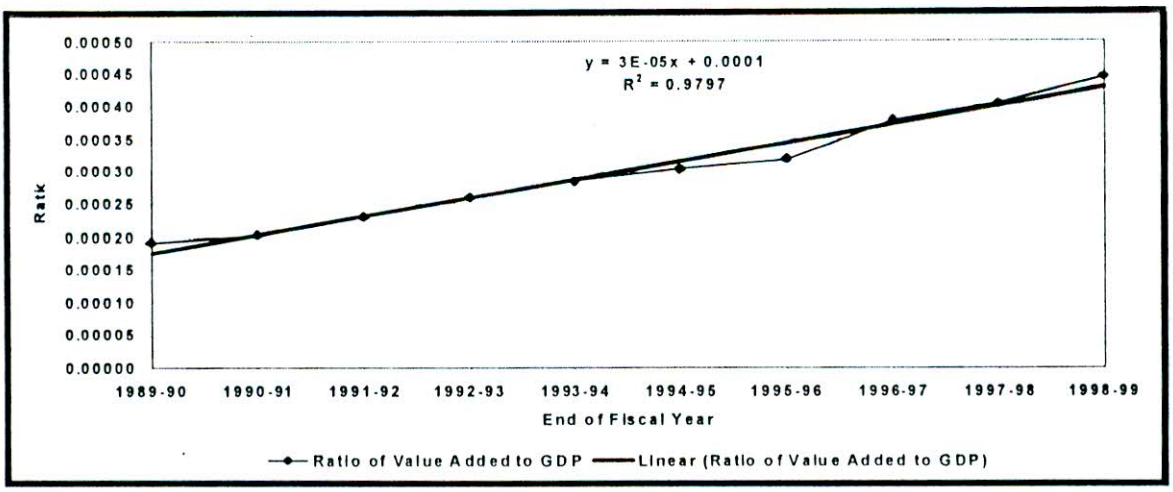
**Table V-4**
**Growth Trend of Value Added of Leasing and Finance Companies and its Contribution to GDP**

| Year | Value Added (In Million Taka) | Annual SGR of value added of leasing and finance companies | Contribution to GDP | Annual SGR of Contribution to GDP |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 1989-90 | 192.18 | | 0.00019 | |
| 1990-91 | 224.74 | 16.94 | 0.00020 | 6.16 |
| 1991-92 | 274.99 | 22.36 | 0.00023 | 13.12 |
| 1992-93 | 325.32 | 18.30 | 0.00026 | 12.80 |
| 1993-94 | 386.09 | 18.68 | 0.00029 | 9.88 |
| 1994-95 | 463.12 | 19.95 | 0.00030 | 6.50 |
| 1995-96 | 530.95 | 14.65 | 0.00032 | 5.13 |
| 1996-97 | 683.48 | 28.73 | 0.00038 | 18.49 |
| 1997-98 | 806.57 | 18.01 | 0.00040 | 6.53 |
| 1998-99 | 976.21 | 21.03 | 0.00044 | 10.28 |
| Annual Average SGR | | 19.85 | | 9.88 |
| CGR | | 19.79 | | 9.80 |

Source: For column 2; Bangladesh Bureau of Statistics, *National Accounts Statistics of Bangladesh (Revised Estimates, 1989-90 to 1998-99)* (Dhaka: Statistics Division, Ministry of Planning, GOB), p. 216.
For column 4; Has been derived by dividing the value of column 2 by the value of New GDP. For the value of GDP, see, Appendix: Table-1.

In the following Figure V-4, value added of leasing and finance companies to GDP has been portrayed. From the figure, it can easily be realized that over the years leasing and finance companies were steadily contributing to the economy. In the figure, also a linear regression trend line for the growth rate of the value added of leasing and finance companies to GDP has been drawn. The value of the coefficient of time (x) portraits that in change of one unit time (a single year) value added of leasing and finance companies to GDP (y) increased by 3E-05 times, and the value of the $R^2$ ensure that more than 97 percentage variation of this growth rate over the years can be explained by this linear equation $y = 3E.05x + 0.0001$.

**Figure V-4**
**Contribution as Value Added of Leasing and Finance Companies to GDP**




Source: Table V-4.

### V.2.1.1. Trend Equation of Finance and Leasing Companies

To compare the growth trends of value added of the leasing and finance companies and its contribution to GDP more critically, semi-logarithmic trend lines are estimated for the period from 1989-90 to 1998-99. The semi-logarithmic trend equation shows the relationship between value added of the leasing and finance companies and its contribution to GDP (Y) as dependent variable and time (X) as independent variable which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trend for the contribution of leasing and finance companies to GDP is shown in the following Table V-5.

**Table V-5**
**Estimated Semi-Logarithmic Trend Lines of the Ratio of the Value Addition of the Leasing Companies to GDP**

| Components | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Value Added of Leasing and Finance Companies | 2.19 | 0.0783 | 0.9983 | 19.75 | 73.62 | 0.00 | S |
| Contribution of Leasing and Finance Companies to GDP | -3.76 | 0.0408 | 0.9926 | 9.84 | 32.86 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 9 degrees of freedom and 0.05 level of significance is 1.833

In the table it is shown that the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive). The slopes are found statistically significant at five-percentage level of significance. It, therefore, suggests that over the years, value addition of leasing companies and its contribution to GDP increased with TGR of 19.75 and 9.84 percentages respectively.

## V.3. Insurance

In Bangladesh insurance sector is regulated by the Insurance Act 1938 with regulatory over sight provided by the controller of Insurance on authority under the ministry of commerce. As on June 2000, forty-two companies were working in general insurance and seventeen companies were working in life insurance. The two large, state-owned companies- Shadharan Bima Corporation (SBC) for general insurance and Jiban Bima Corporation (JBC) for life insurance-dominate the industry, which together commanded on most of the total assets of the insurance sector.

The development of insurance business in Bangladesh was comparatively slower than that in any other country of this region. The beginning of insurance business started in the Indian subcontinent in 1818 through establishing a life insurance Company named 'The Orient Life Insurance Company' by the Christian missionaries.[2] However, there was no Insurance Company in the then East Pakistan on the time of partition. The business of Insurance started in Bangladesh from 1950 but the Non-Bengalis dominated the business. The first Bengali owned insurance named 'Homeland Insurance Company' was established in 1958.[3]

On the time of independence of Bangladesh, 67 insurance companies were operating in Bangladesh. According to their business nature out of those 67 insurance companies, 9 were life insurance companies; 6 were general insurance companies; 50

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[2] Zitendra Lal Barua, *Jiban Bima Parichay* [Introduction of Life Insurance] (2nd ed., Dhaka: Bangla Academy, nd.), p. 223; cited in, Mohammed Khalequzzaman, *Banking O Bima* [Banking and Insurance] (Dhaka: Jamuna Publications, 2000), p. 261.

[3] Mosleh Uddin Ahmad, "The State of Insurance Industry in Banglades," *Insurance Journal* (Dhaka: Bangladesh Insurance Academy, June 1991), p. 33.

were composite insurance companies, and the rest 2 were provident societies. According to the country domicile out of those 67 insurance companies, 15 were Bangladeshi; 29 were foreign; and 23 were Pakistani companies.[4]

After independence with the hope of establishing socialist economy, the Government intended to nationalize all insurance business. Aiming this, on 8 August 1972, the then president passed the "Bangladesh Insurance (Nationalized) Ordinance, 1972". Consequently, 4 new corporations were established, named Surma and Rupsha for life insurance and Karnaphuli and Teesta for general insurance purposes. In addition, for controlling these four corporations, another corporation named Jatia Bima Corporation was established. Later on 14 May, 1973 a new ordinance "The Insurance Corporation Ordinance, 1973" was passed and according to this ordinance two new corporation named Jibam Bima Corporation for life and Sadharan Bima Corporation for general insurance were established by taking over the previous Corporations, and Jatia Bima Corporation was abolished. Surma and Rupsa merged into Jiban Bima Corporation, while Karnaphuly and Teesta merged into Sadharan Bima Corporation.[5] Since then to 1984, general insurance business in Bangladesh was nationalized and that was monopolistic in nature. For life insurance business, besides Jiban Bima Corporation, there was ALICO, a private owned foreign company. At that time local business was done by Jiban Bima Corporation while the foreign business was done by ALICO. Then in 1984, a new Ordinance "The Insurance (Amendment) Ordinance, 1984" was passed, which paved the way for private Bima business. Therefore, many new private companies were established and the Bima business was expanded. On June, 2000 seventeen Life Insurance companies were working in Bangladesh. Out of seventeen two were public, fourteen were private companies and the rest one was a foreign company. There were forty-two Non Life Insurance companies. Out of those, only one was public and the rest forty-one were in private sector.

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[4] Mir Musharraf Hossain, "Insurance Laws of Bangladesh," *Insurance Journal* (Dhaka: Bangladesh Insurance Academy, June 1994), p. 15.

[5] Mosleh Uddin Ahmed, "The State of Insurance Industry in Bangladesh," *Insurance Journal* (Dhaka: Bangladesh Insurance Academy, June 1991), p. 34.

Growth trend of insurance sector for the years[6] from 1995 to 2000 has been depicted in the Table V-6. It is seen that gross premium income of private sector general insurance was Tk. 2,541.89 million in the year 1995, and it rose to Tk. 3,645.50 million at the end of the year 2000 with annual average SGR of 7.67 percentage and CGR of 7.48 percentages. Its total investment was Tk. 747.46 million in the year 1995 and that swelled to Tk. 3,194.84 million in the year 2000, registering annual average SGR and CGR of 38.61 and 33.71 percentages respectively. Total assets of all private sector general insurance companies were Tk. 5,251.41 million in the year 1995 and that increased to Tk. 9,178.11 million in the year 2000 with annual average SGR and CGR of 11.98 and 11.81 percentages respectively.

It is observed that gross premium income of Shadhran Bima Corporation was Tk. 627.92 million in the year 1995 and that reduced to Tk. 617.40 million at the end of the year 2000 with annual average SGR of (-)0.32 percentages and CGR of (-)0.34 percentages respectively. Its total investment was Tk. 3,073.90 million in the year 1997 and that swelled to Tk. 3,304.95 million in the year 2000, registering annual average SGR and CGR of 3.17 and 2.45 percentages respectively. Its asset was Tk. 4,962.15 million in the year 1995 and that rose to Tk. 5,268.13 million with annual average SGR and CGR of 1.60 and 1.20 percentages respectively.

Gross premium income of all private sector life insurance was Tk. 1,322.14 million in the year 1995 and that increased to Tk. 4,920.94 million at the end of the year 2000 with annual average SGR of 30.72 percentages and CGR of 30.06 percentages. Its total investment was Tk. 2,484.13 million in the year 1996, and that swelled to Tk. 7,935.30 million in the year 2000, registering annual average SGR and CGR of 33.74 and 33.69 percentages respectively. Its asset was Tk. 4,423.24 million in the year 1996 and that rose to Tk. 12,629.27 million with annual average SGR and CGR of 30.03 and 29.99 percentages respectively.

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[6] Due to un-availability of data prior the year 1995, especially for private insurance companies, the analysis has been confined for the period of 1995 to 2000.

It is also seen that gross premium income of Jiban Bima Corporation was Tk. 919.32 million in the year 1995, and it increased to Tk. 1,849.81 million at the end of the year 2000 with annual average SGR of 15.05 percentages and CGR of 15.01 percentages. Its total investment was Tk. 2,074.66 million in the year 1995 and that swelled to Tk. 3,993.38 million in the year 2000, registering annual average SGR and CGR of 14.03 and 13.99 percentages respectively. Its asset was Tk. 2,705.45 million in the year 1995 and that rose to Tk. 5,615.08 million with annual average SGR and CGR of 15.76 and 15.72 percentages respectively.

It is observed that total gross premium income of all types of insurance business was Tk. 5,411.26 million in the year 1995 and it increased to Tk. 11,033.65 million at the end of the year 2000 with annual average SGR of 15.41 and CGR of 15.31 percentages. The total investment of all insurance business was Tk. 11,466.87 million in the year 1997, and that swelled to Tk. 18,428.46 million in the year 2000, registering annual average SGR and CGR of 17.36 and 17.13 percentages respectively. The total asset of all insurance business was Tk. 19,685.07 million in the year 1996, and that rose to Tk. 32,690.59 million with annual average SGR and CGR of 13.54 and 13.52 percentages respectively.

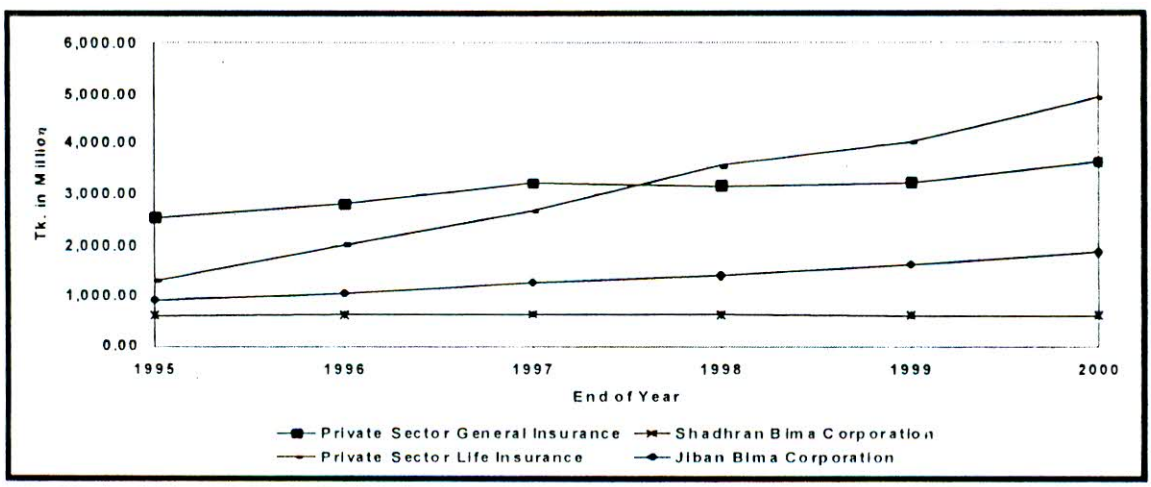
## Table V-6
## Important Indicators of Different Types of Insurance Businesses (Taka in million)

| End of the Year | General Insurance | | | | | | Life Insurance | | | | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Private Sector General Insurance | | | Shadhran Bima Corporation | | | Private Sector Life Insurance | | | Jiban Bima Corporation | | | | | |
| | Gross Premium | Investment | Total Asset | Gross Premium | Investment | Total Asset | Gross Premium | Investment | Total Asset | Gross Premium | Investment | Total Asset | Gross Premium | Investment | Total Asset |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 1995 | 2,541.89 | 747.46 | 5,251.41 | 627.92 | - | 4,962.15 | 1,322.14 | - | - | 919.32 | 2,074.66 | 2,705.45 | 5,411.26 | | |
| 1996 | 2,795.85 | 1,377.25 | 6,363.16 | 640.99 | - | 5,731.20 | 2,019.85 | 2,484.13 | 4,423.24 | 1,066.00 | 2,409.87 | 3,167.47 | 6,522.69 | | 19,685.07 |
| 1997 | 3,225.66 | 2,313.79 | 6,890.43 | 645.70 | 3,073.90 | 5,824.21 | 2,659.62 | 3,225.99 | 5,895.07 | 1,275.70 | 2,853.20 | 3,785.90 | 7,806.69 | 11,466.87 | 22,395.61 |
| 1998 | 3,164.05 | 2,561.74 | 7,530.63 | 636.38 | 3,115.36 | 5,118.41 | 3,555.88 | 4,222.10 | 7,845.09 | 1,401.90 | 3,135.75 | 4,205.20 | 8,758.21 | 13,034.94 | 24,699.33 |
| 1999 | 3,239.07 | 2,239.23 | 7,848.59 | 616.87 | 2,776.50 | 5,353.20 | 4,017.17 | 5,868.13 | 9,935.37 | 1,619.49 | 3,549.71 | 4,921.95 | 9,492.59 | 14,433.57 | 28,059.11 |
| 2000 | 3,645.50 | 3,194.84 | 9,178.11 | 617.40 | 3,304.95 | 5,268.13 | 4,920.94 | 7,935.30 | 12,629.27 | 1,849.81 | 3,993.38 | 5,615.08 | 11,033.65 | 18,428.46 | 32,690.59 |
| Annual Simple Growth Rate (SGR) | | | | | | | | | | | | | | | |
| 1996 | 9.99 | 84.26 | 21.17 | 2.08 | - | 15.50 | 52.77 | - | - | 15.95 | 16.16 | 17.08 | 20.54 | - | - |
| 1997 | 15.37 | 68.00 | 8.29 | 0.73 | - | 1.62 | 31.67 | 29.86 | 33.28 | 19.67 | 18.40 | 19.52 | 19.69 | - | 13.77 |
| 1998 | -1.91 | 10.72 | 9.29 | -1.44 | 1.35 | -12.12 | 33.70 | 30.88 | 33.08 | 9.89 | 9.90 | 11.08 | 12.19 | 13.67 | 10.29 |
| 1999 | 2.37 | -12.59 | 4.22 | -3.07 | -10.88 | 4.59 | 12.97 | 38.99 | 26.64 | 15.52 | 13.20 | 17.04 | 8.39 | 10.73 | 13.60 |
| 2000 | 12.55 | 42.68 | 16.94 | 0.09 | 19.03 | -1.59 | 22.50 | 35.23 | 27.11 | 14.22 | 12.50 | 14.08 | 16.23 | 27.68 | 16.51 |
| Annual Average (SGR) | 7.67 | 38.61 | 11.98 | -0.32 | 3.17 | 1.60 | 30.72 | 33.74 | 30.03 | 15.05 | 14.03 | 15.76 | 15.41 | 17.36 | 13.54 |
| CGR | 7.48 | 33.71 | 11.81 | -0.34 | 2.45 | 1.20 | 30.06 | 33.69 | 29.99 | 15.01 | 13.99 | 15.72 | 15.31 | 17.13 | 13.52 |

Source: Bangladesh Insurance Association, *Progress at a Glance*, Report has been prepared for the association's purpose (Dhaka: Bangladesh Insurance Association).

From the Figure V-5, it is observed that growth trend of premium income of private sector life insurance was much higher than that of any other type of insurance. In absolute term in the year 1998 premium income of private sector insurance surpassed that of others. It was followed by private sector general insurance. Among all those, premium income was lower for Shadhran Bima Corporation.

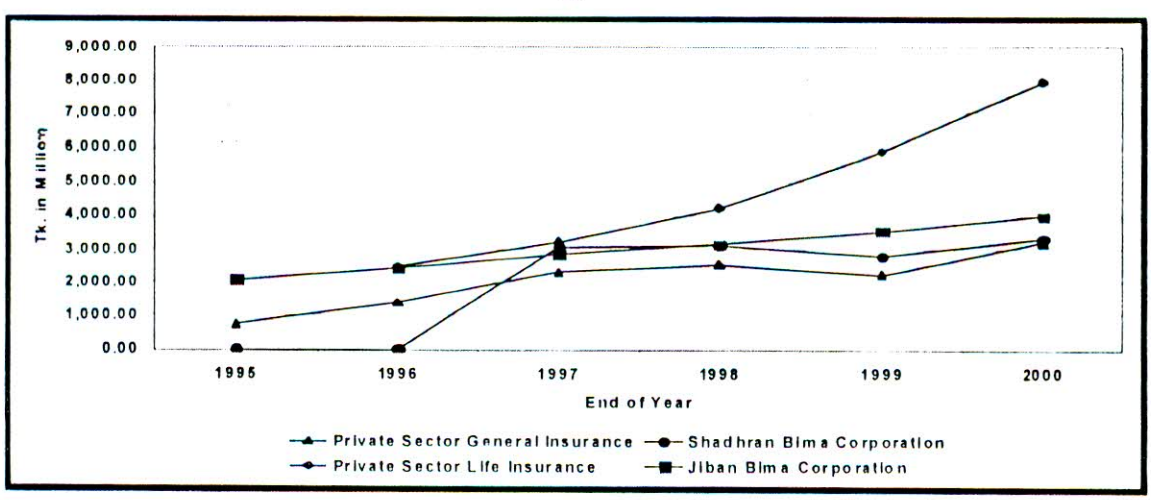
**Figure V-5**
**Premium of Different Types of Insurance Business**




Source: Table V-6.

Like premium income, absolute value of investment was the highest for private sector life insurance companies. It was followed by Jiban Bima Corporation. In this case, the lowest rank stood for private sector general insurance companies.

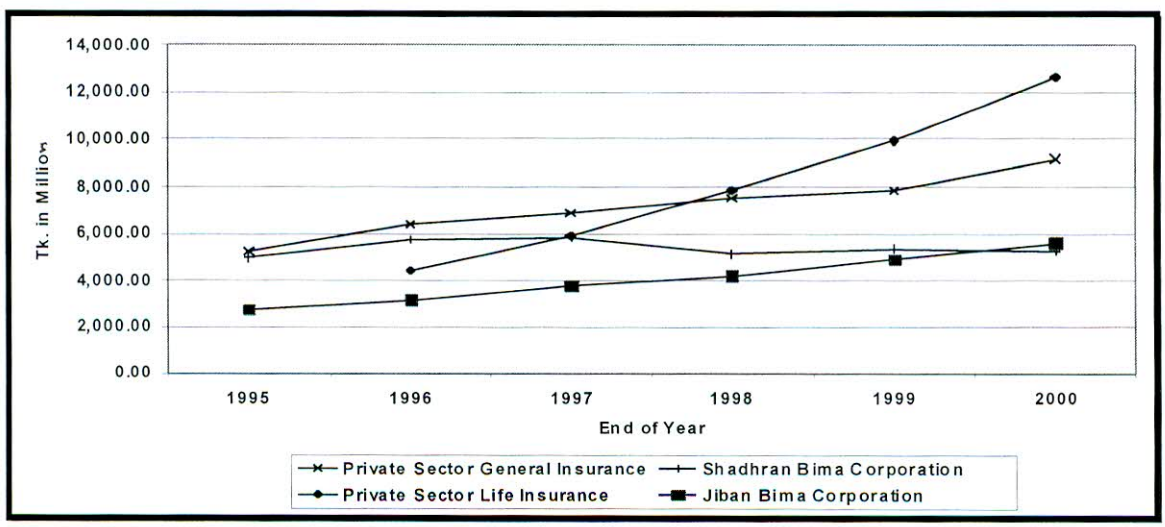
**Figure V-6**
**Investment of Different Types of Insurance Business**




Source: Table V-6.

The growth trend of assets was the highest for private sector insurance. At the end of the year 1998 absolute value of assets of private sector life insurance companies surpassed that of the others. It was followed by private sector general insurance companies. Among all those, the lowest value of assets stood for Shadhran Bima Corporation.

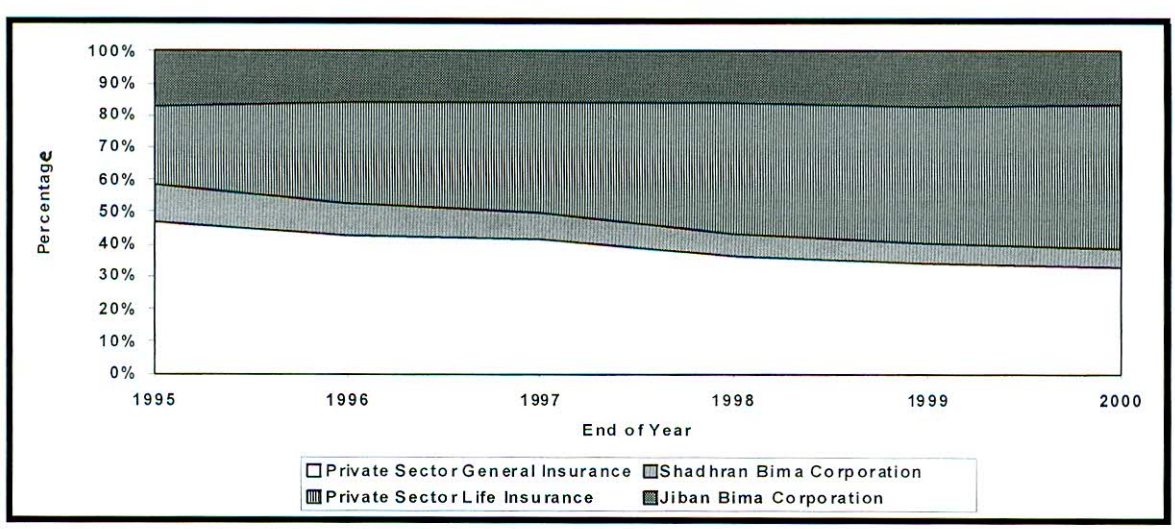
**Figure V-7**
**Assets of Different Types of Insurance Business**




Source: Table V-6.

Over the years, the share of premium income increased for private sector life insurance companies; but it remained stagnant for Jiban Bima Corporation, and it gradually reduced for private sector general insurance companies and Shadhran Bima Corporation.

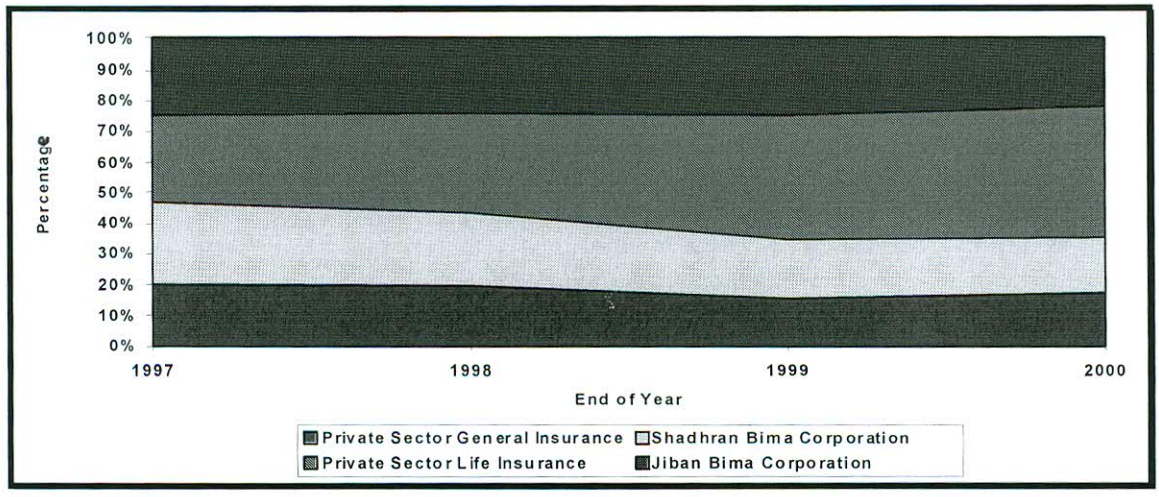
**Figure V-8**
**Share of Gross Premium Among Different Types Insurance Businesses**




Source: Table V-6.

Like premium income, the share of investment gradually increased for private sector life insurance companies, and the share of other insurance businesses reduced over the years, though slightly.

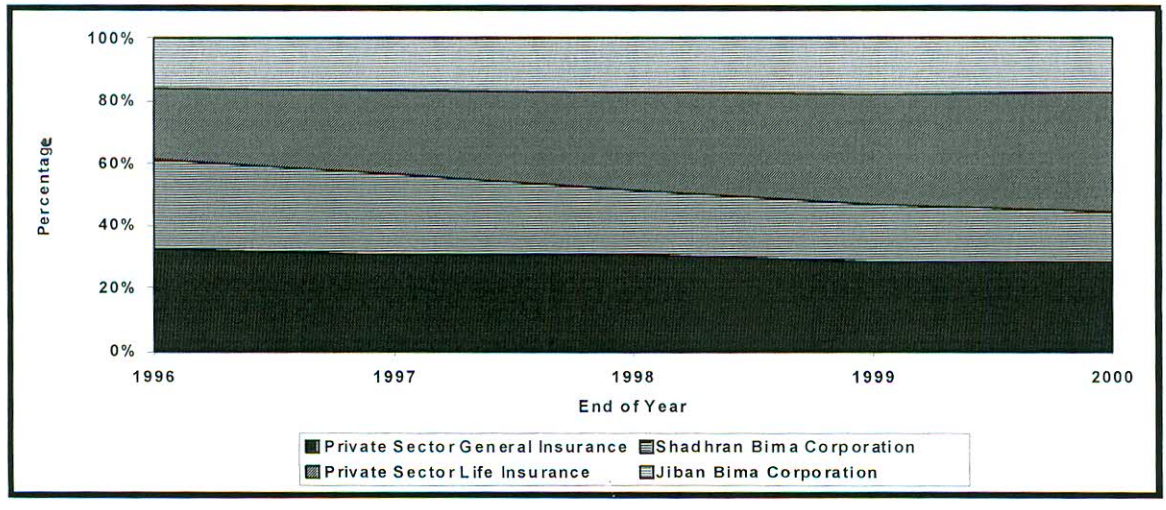
**Figure V-9**
**Share of Investment among Different Types of Insurance Businesses**




Source: Table V-6.

The share of assets, as usual increased from 22.5 percentages in the year 1996 to 39 percentages in the year 2000 for private sector life insurance companies. The share of assets remained almost stagnant for private sector general insurance companies and Jiban Bima Corporation. But the share of Shadhran Bima Corporation reduced from 25 percentages in the year 1996 to 16 percentages in the year 2000.

**Figure V-10**
**Share of Total Assets among Different Types of Insurance Businesses**




Source: Table V-6.

## V.3.1. Contribution of Insurance to GDP

Growth trend of the value-added of insurance business and its contribution to GDP (Value added to GDP) has been shown in the Table V-7. From the table it is observed that the total value added of insurance business was Tk. 1,917.38 million in the FY 1989-90, and after ten years, its value increased to Tk. 5,654.18 million in the FY 1998-99 with annual average SGR of 13.51 percentages and CGR of 12.77 percentages. The contribution of insurance business to GDP (Value Added to GDP) was 0.0019111 in the FY 1989-90 and it swelled to 0.0025736 in the FY 1998-99 with annual average SGR and CGR of 3.98 and 3.36 percentages respectively. It indicates that over the period, not only the value added of insurance increased but its relative contribution to GDP also increased.

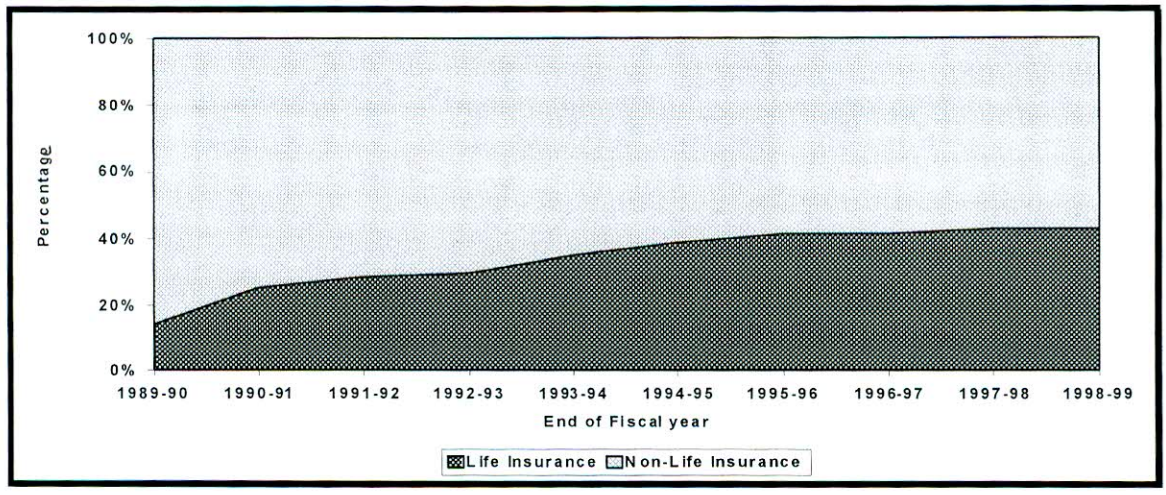
**Table V-7**
**Gross Output, Intermediate Consumption and Value Added of Insurance Companies and its Growth trend and Contribution to GDP (Taka in million)**

| Period | Life Insurance | | | Non-Life Insurance | | | Total Value Added | Annual SGR of Total Value Added | Total Value Added to GDP | Annual SGR of Total Value Added to GDP |
|---|---|---|---|---|---|---|---|---|---|---|
| | Gross Output | Intermediate Consumption | Value Added | Gross Output | Intermediate Consumption | Value Added | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1989-90 | 464.85 | 189.74 | 275.11 | 2,065.06 | 422.79 | 1,642.27 | 1,917.38 | | 0.0019111 | |
| 1990-91 | 567.84 | 142.29 | 425.55 | 1,740.56 | 473.66 | 1,266.90 | 1,692.45 | -11.73 | 0.0015314 | -19.87 |
| 1991-92 | 648.29 | 148.66 | 499.63 | 1,683.05 | 444.60 | 1,238.45 | 1,738.08 | 2.70 | 0.0014539 | -5.06 |
| 1992-93 | 677.59 | 161.53 | 516.06 | 1,801.75 | 580.83 | 1,220.92 | 1,736.98 | -0.06 | 0.0013855 | -4.71 |
| 1993-94 | 945.33 | 205.22 | 740.11 | 2,155.73 | 784.46 | 1,371.27 | 2,111.38 | 21.55 | 0.0015592 | 12.54 |
| 1994-95 | 1,278.93 | 236.79 | 1,042.14 | 2,514.14 | 894.80 | 1,619.34 | 2,661.48 | 26.05 | 0.001745 | 11.92 |
| 1995-96 | 1,641.09 | 249.72 | 1,391.37 | 2,771.37 | 796.76 | 1,974.61 | 3,365.98 | 26.47 | 0.0020237 | 15.97 |
| 1996-97 | 1,923.33 | 270.94 | 1,652.39 | 3,203.10 | 879.49 | 2,323.61 | 3,976.00 | 18.12 | 0.0022003 | 8.72 |
| 1997-98 | 2,360.73 | 319.71 | 2,041.02 | 3,636.95 | 971.12 | 2,665.83 | 4,706.85 | 18.38 | 0.0023513 | 6.86 |
| 1998-99 | 2,806.08 | 351.68 | 2,454.40 | 4,271.26 | 1,071.48 | 3,199.78 | 5,654.18 | 20.13 | 0.0025736 | 9.45 |
| Annual Average SGR | | | | | | | | 13.51 | | 3.98 |
| CGR | | | | | | | | 12.77 | | 3.36 |

Source: For column 2 to 8; *National Accounts Statistics of Bangladesh (Revised Estimates, 1989-90 to 1998-99)* (Dhaka: BBS, Statistics Division, Ministry of Planning, GOB, 2000), p. 214.
For column 10; Has been derived by dividing the column 8 by the value of New GDP. For the value of New GDP, see, Appendix: Table-1.

In the Figure V-11, it is observed that the share of value added of life insurance, in aggregate, was increasing. In the FY 1989-90 its share was 14.34 percentages and in the FY 1998-99, it increased to 43.40 percentages.

**Figure V-11**
**Percentage Share in Value Added of Life and Non-Life Insurance Business**




Source: Table V-7.

### V.3.1.1. Trend Equation of Value Added of Insurance Business and its contribution to GDP

To compare the growth trends of the value added of insurance business and its contribution to GDP (value added to GDP) more critically, semi-logarithmic trend lines are estimated for the period from 1989-90 to 1998-99. The semi-logarithmic trend equation shows the relationship between the value added of insurance business and its contribution to GDP (Y) as dependent variable and time (X) as independent variable which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trend for the value added and the ratio of the value added to GDP are shown in Table V-8

**Table V-8**
**Estimated Semi-Logarithmic Trend Lines of Value Added of Insurance and its contribution to GDP**

| Components | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Value Added of Insurance Business | 3.09 | 0.0611 | 0.8909 | 15.10 | 8.08 | 0.00 | S |
| Value Added of Insurance Business to GDP | -2.86 | 0.0236 | 0.5916 | 5.58 | 3.40 | 0.009 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 9 degrees of freedom and 0.05 level of significance is 1.833

The above table shows that the trend line equation of value added of insurance business and the ratio of value added to GDP have positive slope (the sign of the coefficient of time denoted by 'B') and the slopes are found statistically significant at five percentage level of significance. It, therefore, suggests that total value added of insurance business and its ratio to GDP increased during the period with TGR of 15.10 and 5.58 percentages respectively.

## V.4. Co-operative Banks

The background of co-operative banking in this region dates back to the year 1901. When the Strachey Famine Commission, 1880 recommended the establishment of mutual credit association to deal with the problems of agricultural credit. Such recommendations resulted in the enactment of the Co-operative Societies Act, 1904 and subsequently the Bengal Co-operative Societies Act, 1904 with a view to promoting measures to cater to the credit needs of the rural people[7]. In fact, the co-operative movement expanded quickly between the two great wars, but the establishment of Pakistan and partition of India worsened the situation. Actually, the co-operative movement was organized in the province of Bengal. After partition, the Old Bengal Provincial Co-operative Bank remained in Calcutta with its entire assets and office equipments. It dismembered the Central Co-operative Banks and other societies of East Pakistan affiliated to it. Thus, a vacuum was created for financing the Central Co-operative Banks of East Pakistan. In this connection, it should be mentioned that the co-operative movement was organized in a three-tire system: - (i) Primary Societies at the primary level, (ii) Central Banks and Central Unions at the secondary level, and (iii) Provincial Banks at the top. This third tire is the apex stage of Co-operative Banks. Therefore, establishment of the East Pakistan Provincial Co-operative Bank Ltd. (EPPCB) full filled the vacuum of the third stage of the three-tire movement as an apex financial institution. The area of membership of the Bank was the Province of East Pakistan and its membership was open to (i) all central Co-operative Banks, Central Co-operative Societies, and all land Mortgage Banks and (ii) other Co-operative Societies, which might be admitted to membership by the managing committee.

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[7] M. Abul Bashar Bhuiya, *Bangladesh Laws on Banks and Banking* (2nd ed., Dhaka: CKB and Co., 1996), p. 61.

Bangladesh Samabya Bank Ltd. (BSBL) is the continuation of EPPCB. But after independence of Bangladesh EPPCB was reconstituted as Bangladesh Jatiya Samabaya Bank Ltd. And in 1977, it was renamed as Bangladesh Samabya Bank Ltd. (BSBL)[8] The BSBL started with the authorized capital of taka 1 core. This has now increased to taka 10 cores divisible into one lack share of one thousand taka each. The paid-up capital of the BSBL was Tk. 32.1 million on June 2000.

The BSBL is the apex credit institution, which borrows money from the central bank partly against Government guarantee for lending the same to its members. The total strength of the reporting co-operative banks to BSBL and their break-up as on 31 December in different years is given in Table V-9. From the table it is portrait that in the decade of 1990s structure of reporting co-operative banks has not changed at all. Only a slight change occurred, the overall number was 108 in 1991 and it reduced to 107 in 2000.

**Table V-9**
**List of Reporting Co-operative Banks in Different Benchmark Date**

| List of Reporting Co-operative Banks | December 1991 | December 1995 | December 2000 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| Apex Bank | 1 | 1 | 1 |
| Central Co-operative Banks | 68 | 68 | 68 |
| Co-operative Land Mortgage Bank | 31 | 32 | 32 |
| Others | 8 | 7 | 6 |
| Total | 108 | 108 | 107 |

Source: Bangladesh Bank, *Co-operative Banks Statistics* (Dhaka: Statistics Department, BB, Various Years).

## V.4.1. Processing of Loan Application

The processing of loan application of co-operatives starts at the primary level. The farmer members submit their loan application in the prescribed form to the Primary Co-operative Societies. Firstly the applications are scrutinized by the local Co-operative Assistant Inspector. The consolidated demand for loan of the primary societies is forwarded to the Central Co-operative Bank through the Thana Co-operative Officer with recommendation of the Thana Agricultural Officer. Then the Central Co-operative Bank sends its demand to the BSBL through the District Co-operative Officer. The BSBL submits the demand for loan to the Bangladesh Bank. In addition to the channels of credit, these agricultural Co-operatives are engaged in fertilizer business, introduction of irrigation technology and marketing activities[9].

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[8] *Banglapedia* (Dhaka: Asiatic Society, 2003), s.v. "Cooperative Banking," by S M Mahfuzur Rahman.

[9] Ibid., p. 63.

## V.4.2. Difference of Co-operative Banks with commercial Banks

Bhuiya in one of his books mentioned that there are some difference between co-operative Bank and commercial Bank. The differences are the following:[10]

- Commercial banks operate through their network of branches and their management and policies are controlled by the head office. Co-operative banks are distinct entities by themselves with separate jurisdiction and independent Board of Directors.
- Commercial banks are subject to the Bank laws and the control of the central Bank i.e. Bangladesh Bank. Co-operative banks, on the other hand, are organized on a co-operative basis and are governed by their members according to the co-operative laws.
- Commercial banks are audited by external auditors, whereas the audit and inspection of co-operative banks is done by the Registrar of co-operative societies.
- Commercial banks enjoy more discretion in their lending policies, which are determined by their Board of Directors subject, of course, to the regulation of central Bank; whereas the co-operative banks are to follow the co-operative law, instruction of central Bank and of the co-operative Department in lending matters.
- In co-operative banks, borrowers, being members, have some say in the use of the funds, whereas in commercial banks borrowers have no voice in the management's and policies of the banks.

Growth trend of different index of Co-operative banks has been shown in the Table V-10. From the table it is observed that the value of total assets was Tk. 1,915,329 thousand in the year 1981 and over the time its value increased to Tk. 5,795,743 thousand in the year 2000 with annual average SGR of 6.19 and CGR of 6.00 percentages. Value of total deposits was Tk. 60,810 thousand in the year 1981 and it swelled to Tk. 155,921 thousand in the year 2000 with annual average SGR and CGR of 7.95 and 5.08 percentages respectively. The value of total advances was Tk. 740,277 thousand in the year 1981 and it rose to Tk. 2,173,025 thousand in the year 2000 registering annual average SGR and CGR of 6.53 and 5.83 percentages respectively.

[10] Ibid., p. 61.

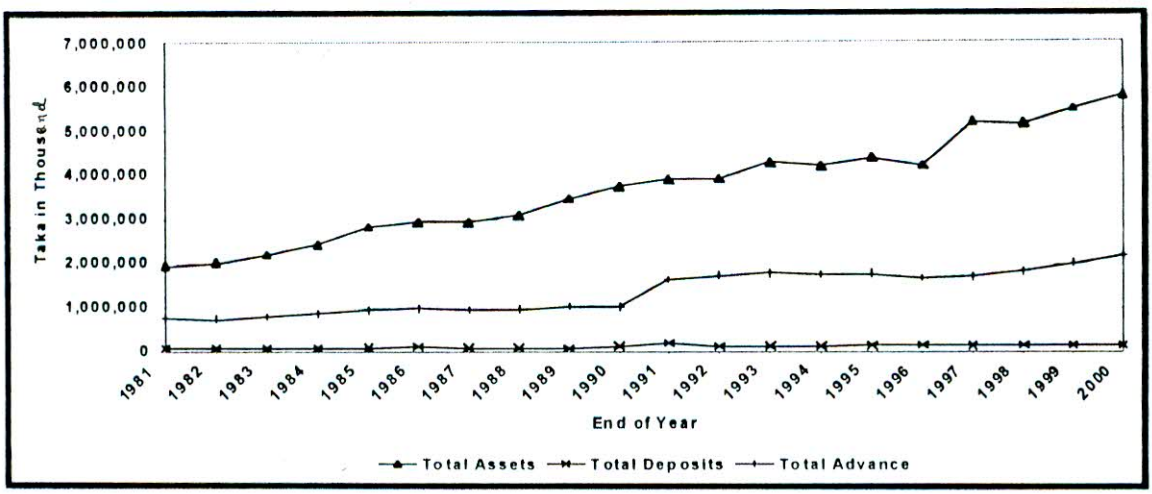
## Table V-10
## Growth Trend of Total Assets, Total Deposits and Total Advances of Co-operative Banks (Taka in Thousand)

| As On 30th June | Total Assets/Liabilities | Annual SGR of Total Assets/Liabilities | Total Deposits (Excluding Inter Co-operative Banks) | Annual SGR of Total Deposits (Excluding Inter Co-operative Banks) | Total Advances (Excluding Inter Co-operative Banks | Annual SGR of Total Advances (Excluding Inter Co-operative Banks |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1981 | 1,915,329 | | 60,810 | | 740,277 | |
| 1982 | 2,003,126 | 4.58 | 63,383 | 4.23 | 726,772 | -1.82 |
| 1983 | 2,177,450 | 8.70 | 67,772 | 6.92 | 786,473 | 8.21 |
| 1984 | 2,412,612 | 10.80 | 67,363 | -0.60 | 855,645 | 8.80 |
| 1985 | 2,816,019 | 16.72 | 84,705 | 25.74 | 937,574 | 9.58 |
| 1986 | 2,921,432 | 3.74 | 115,918 | 36.85 | 978,529 | 4.37 |
| 1987 | 2,920,271 | -0.04 | 82,053 | -29.21 | 938,400 | -4.10 |
| 1988 | 3,092,109 | 5.88 | 86,534 | 5.46 | 962,497 | 2.57 |
| 1989 | 3,466,357 | 12.10 | 75,085 | -13.23 | 1,027,189 | 6.72 |
| 1990 | 3,722,581 | 7.39 | 121,441 | 61.74 | 1,012,831 | -1.40 |
| 1991 | 3,883,256 | 4.32 | 186,478 | 53.55 | 1,633,000 | 61.23 |
| 1992 | 3,900,831 | 0.45 | 102,951 | -44.79 | 1,716,032 | 5.08 |
| 1993 | 4,281,304 | 9.75 | 119,389 | 15.97 | 1,772,357 | 3.28 |
| 1994 | 4,202,392 | -1.84 | 121,180 | 1.50 | 1,752,337 | -1.13 |
| 1995 | 4,389,550 | 4.45 | 131,949 | 8.89 | 1,755,412 | 0.18 |
| 1996 | 4,209,564 | -4.10 | 149,786 | 13.52 | 1,675,970 | -4.53 |
| 1997 | 5,188,508 | 23.26 | 140,475 | -6.22 | 1,688,544 | 0.75 |
| 1998 | 5,147,631 | -0.79 | 145,451 | 3.54 | 1,810,788 | 7.24 |
| 1999 | 5,493,843 | 6.73 | 156,522 | 7.61 | 1,999,869 | 10.44 |
| 2000 | 5,795,743 | 5.50 | 155,921 | -0.38 | 2,173,025 | 8.66 |
| Annual Average SGR | | 6.19 | | 7.95 | | 6.53 |
| CGR | | 6.00 | | 5.08 | | 5.38 |

Source: For column 2, 4, and 6; Bangladesh Bank, *Co-operative Banks Statistics* (Dhaka: Statistics Department, BB, Various Years).

In the following three figures major attributes of the Co-operative banks have been depicted. It is observed from the following Figure V-12 that the value of total advance was eight to thirteen times higher than total deposits. It means Co-operative banks gave advances from hired resources.

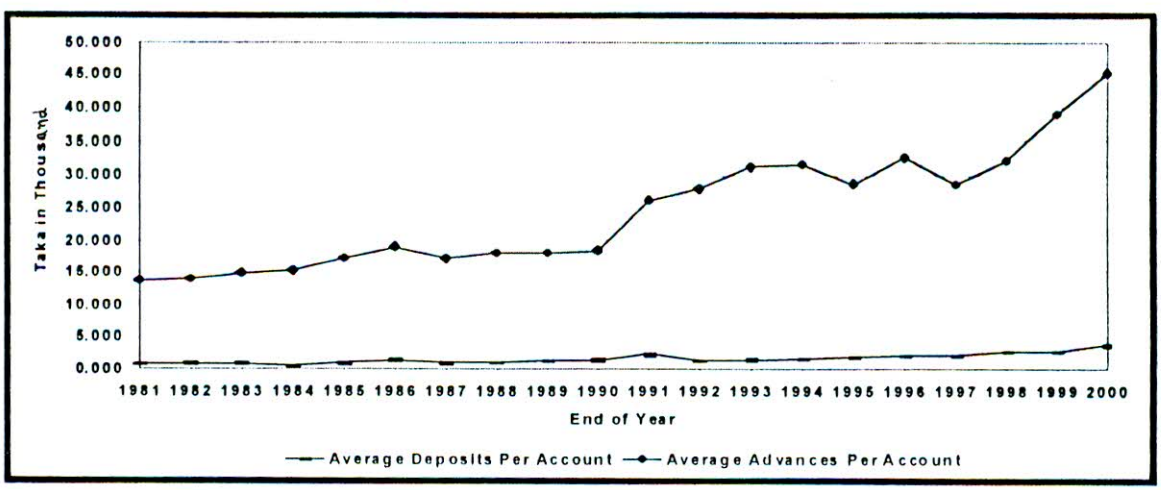
**Figure V-12**
**Assets, Deposits and Advances of Co-operative Banks**




Source: Table V-10.

In the following Figure V-13 average per account deposits and advances have been depicted. It is seen that average per account advances was much higher than the average per account deposits. And gradually the difference between these two increased during the study period.

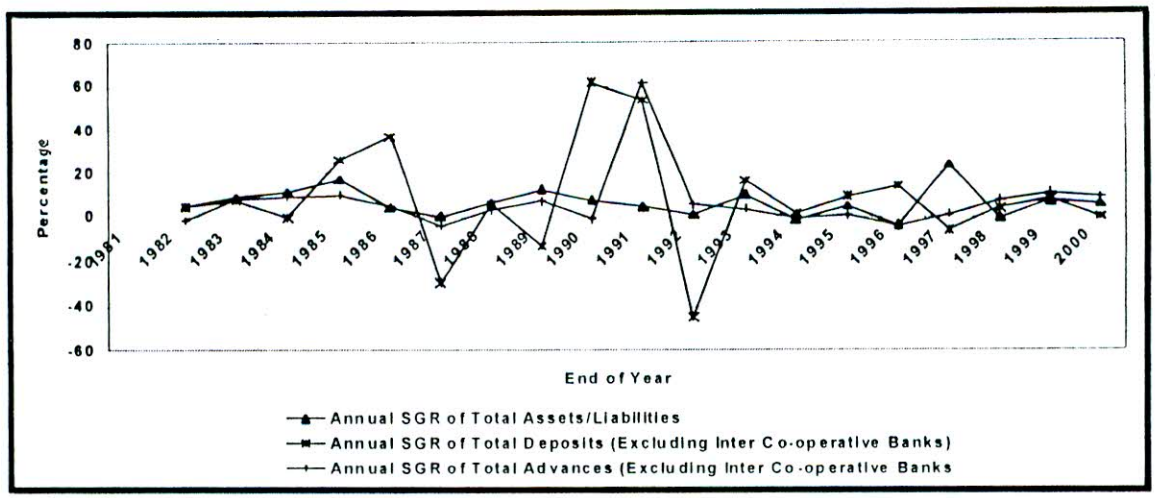
**Figure V-13**
**Per Account Average Deposits and Advances of Co-operative Banks**




Source: Table V-10.

In the following Figure V-14 annual growth trends of total assets, total deposits and total advances have been depicted. It is seen that growth trend of total assets was smoother than that of the others. And growth trend of deposits was more erratic than that of the others.

Figure V-14
Annual SGR Percentage of Assets, Deposits and Advances of Co-operative Banks




Source: Table V-10.

### V.4.2.1. Trend Equation of Co-operative Banks

To compare the growth trends of total assets, total deposits and total advances of Co-operative Banks more critically, semi-logarithmic trend lines are estimated for the period from 1981 to 2000. The semi-logarithmic trend equation shows the relationship between total assets, total deposits and total advances (Y) as dependent variables and time (X) as independent variable which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for these indicators are shown in Table V-11.

Table V-11
Estimated Semi-Logarithmic Trend Lines of Assets, Deposits and Advances of Co-operative Banks

| Components | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Total Assets | 6.29 | 0.0240 | 0.9663 | 5.68 | 22.72 | 0.00 | S |
| Total Deposits | 4.79 | 0.0220 | 0.7491 | 5.19 | 7.33 | 0.00 | S |
| Total Advances | 5.82 | 0.0261 | 0.9053 | 6.19 | 13.12 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 19 degrees of freedom and 0.05 level of significance is 1.729

In the table it is observed that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggest that total assets, total deposits and total advances of all co-operative banks increased during the period with TGR of 5.68, 5.19 and 6.19 percentages respectively. It is also obvious from the table that, the trend growth rates were almost equal for all the three indicators; but among those total advances grew at a higher rate with TGR of 6.19 percentages than that of others.

## V.5. Postal Savings Banks

The dearth of capital is one of the major problems of all developing countries. Generally, the underdeveloped countries have insufficient capital in relation to their total population and natural resources. A country like Bangladesh is no exception. In order to develop the capital market, the governments of these developing countries adopt various measures to mobilize saving through different institutions and government departments. Postal department of Bangladesh is one of such type of institution, which is mobilizing savings through its different saving schemes, like savings bank, and postal life insurance, etc.

The postal savings bank deposit scheme introduced in this region at least hundred and fifty years ago in the British India. Savings banking is one of the most important functions of the Bangladesh Postal Department, done on behalf of the 'Department of Savings, Internal Resource Division, Ministry of Finance, Peoples Republic of Bangladesh. Postal Department as on FY 1999-2000 with 65 Head Offices, 1645 Sub-Offices and 7829 Branch Offices scattered through out the country[11] is catering to the needs of all classes of people by facilitating the easy deposit of their savings.

Now, there are two types of savings accounts in Post Office Savings Bank.

- Ordinary Account
- Fixed Deposit Account.

The ordinary account can be opened only with Tk. 10 and later only Tk. 5 may be deposited at any time, and the fixed deposit accounts are termed for three years. However, the postal savings bank until 1992, maintained two other accounts namely,

[11] BBS, *Statistical Year Book of Bangladesh 2000* (Dhaka: BBS, Planning Division, MOF, GOB), p. 265.

'Bonus Accounts' and 'Bonus-cum-profit Accounts', but later those two accounts was suspended. In the Table V-12, progressive outstanding balances of deposits of postal savings bank and its growth trend has been shown.

From the table it is clear that ordinary progressive outstanding balance was Tk. 198.014 million in the year 1975 and over the time it increased to Tk. 1,713.987 million in the year 2000 with annual average SGR of 36.53 percentages and CGR of 9.02 percentages. Value of other progressive outstanding balance was Tk. 135.174 million in the year 1975 and it swelled to Tk. 8,763.173 million in the year 2000 with annual average SGR and CGR of 20.19 and 18.16 percentages respectively. The total outstanding balance of all deposits was Tk. 331.188 million in the initial year and it rose to Tk. 10,477.160 million in the terminal year registering annual average SGR and CGR of 16.81 and 14.79 percentages respectively.

**Table V-12**
**Important Indicators of Post Office Savings Bank Deposits (Taka in million)**

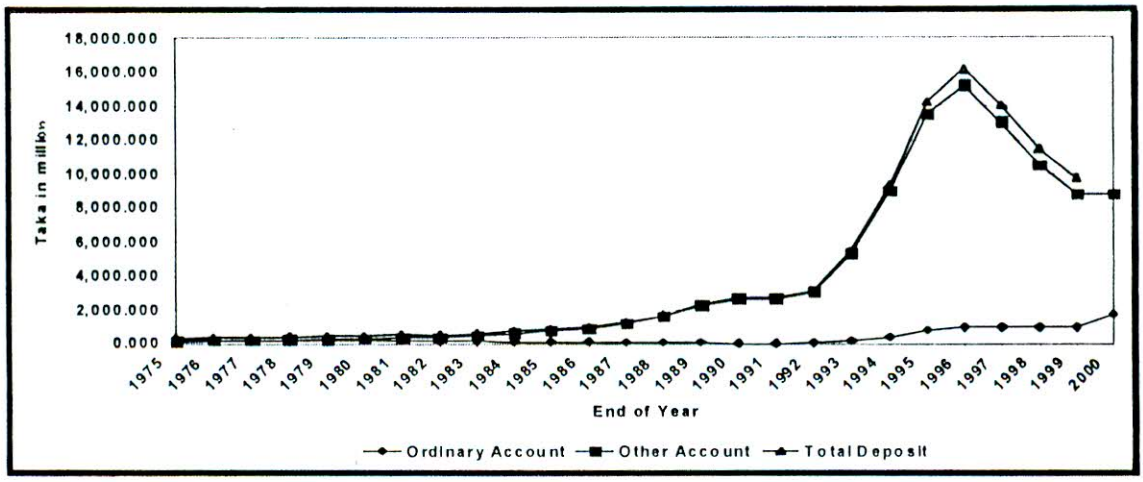
| End of Period | Ordinary Progressive Outstanding Balance | Annual SGR of Ordinary Progressive Outstanding Balance | Others Progressive Outstanding Balance | Annual SGR of Others Progressive Outstanding Balance | Total Outstanding Balance of all Deposits | Annual SGR of Total Outstanding Balance of all Deposits |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1975 | 198.014 | | 135.174 | | 333.188 | |
| 1976 | 200.704 | 1.36 | 166.103 | 22.88 | 366.807 | 10.09 |
| 1977 | 187.677 | -6.49 | 182.555 | 9.90 | 370.232 | 0.93 |
| 1978 | 202.505 | 7.90 | 209.457 | 14.74 | 411.962 | 11.27 |
| 1979 | 209.480 | 3.44 | 243.957 | 16.47 | 453.437 | 10.07 |
| 1980 | 207.502 | -0.94 | 265.214 | 8.71 | 472.716 | 4.25 |
| 1981 | 197.269 | -4.93 | 336.331 | 26.81 | 533.600 | 12.88 |
| 1982 | 143.530 | -27.24 | 381.007 | 13.28 | 524.537 | -1.70 |
| 1983 | 138.440 | -3.55 | 498.382 | 30.81 | 636.822 | 21.41 |
| 1984 | 126.433 | -8.67 | 637.292 | 27.87 | 763.725 | 19.93 |
| 1985 | 119.696 | -5.33 | 772.297 | 21.18 | 891.993 | 16.80 |
| 1986 | 106.984 | -10.62 | 895.776 | 15.99 | 1,002.760 | 12.42 |
| 1987 | 86.544 | -19.11 | 1,175.700 | 31.25 | 1,262.244 | 25.88 |
| 1988 | 73.423 | -15.16 | 1,590.369 | 35.27 | 1,663.792 | 31.81 |
| 1989 | 65.484 | -10.81 | 2,261.043 | 42.17 | 2,326.527 | 39.83 |
| 1990 | 4.283 | -93.46 | 2,679.928 | 18.53 | 2,684.211 | 15.37 |
| 1991 | 9.109 | 112.68 | 2,678.512 | -0.05 | 2,687.621 | 0.13 |
| 1992 | 44.742 | 391.18 | 3,088.333 | 15.30 | 3,133.075 | 16.57 |
| 1993 | 164.376 | 267.39 | 5,338.117 | 72.85 | 5,502.493 | 75.63 |
| 1994 | 374.458 | 127.81 | 8,977.897 | 68.18 | 9,352.355 | 69.97 |
| 1995 | 770.462 | 105.75 | 13,476.405 | 50.11 | 14,246.867 | 52.33 |
| 1996 | 983.734 | 27.68 | 15,178.624 | 12.63 | 16,162.358 | 13.44 |
| 1997 | 980.295 | -0.35 | 13,021.985 | -14.21 | 14,002.280 | -13.36 |
| 1998 | 970.420 | -1.01 | 10,528.332 | -19.15 | 11,498.752 | -17.88 |
| 1999 | 982.742 | 1.27 | 8,763.173 | -16.77 | 9,745.915 | -15.24 |
| 2000 | 1,713.987 | 74.41 | 8,763.173 | 0.00 | 10,477.160 | 7.50 |
| Average Annual SGR | | 36.53 | | 20.19 | | 16.81 |
| CGR | | 9.02 | | 18.16 | | 14.79 |

Source: For column 2, 4, and 6 from 1975 to 1990; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3, pp. 132-135.

For column 2, 4, and 6 from 1991 to 2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III and IV, pp. 118-119.

In the following Figure V-15, absolute value of different post office savings deposits has been shown. From the figure it is seen that since the year 1983 other progressive outstanding balances got tremendous momentum, as a result total outstanding balance also got momentum to increase further.

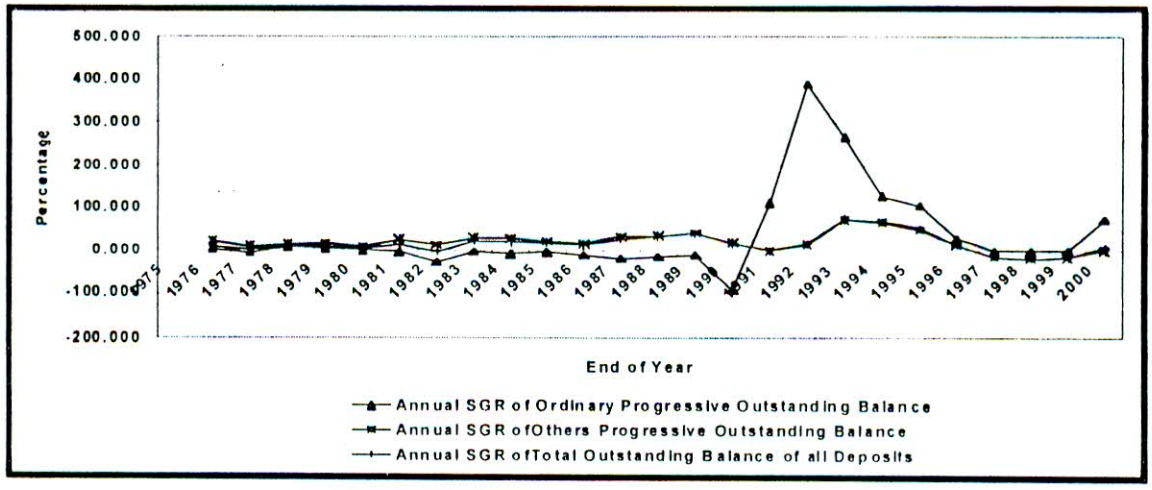
**Figure V-15**
**Trend Pattern of Post Office Savings Bank Deposits**




Source: Table V-12.

From the Figure V-16, it is observed that growth trend of ordinary progressive outstanding balance was ceaselessly negative from the year 1980 to 1990. Then again, it became negative in the year 1997. Growth trend of other progressive outstanding balance was positive in every year, except three-years (1997-1999). Growth trend of total outstanding balance was positive in every year except three years (1997-1999).

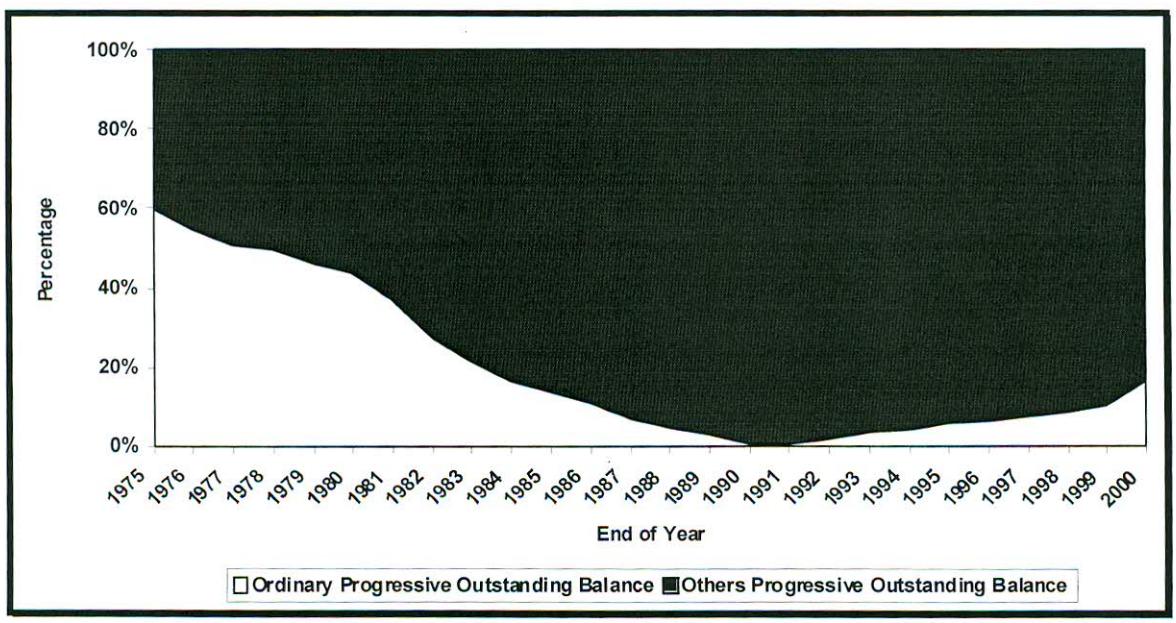
**Figure V-16**
**SGR Percentage of Post Office Savings Bank Deposits**




Source: Table V-12.

At the beginning of the period, share of ordinary progressive outstanding balance was about 60 percentages; but gradually its share decreased and became at the lowest level at below 0.25 percentages in the year 1990. From then, it again began to increase and in the terminal year its share stood at to 16 percentages.

**Figure V-17**
**Percentage Share of Ordinary Balance and Other Balance**




Source: Table V-12.

## V.5.1. Trend Equation of Postal Savings Banks Deposits

To compare the growth trends of the different types of deposits of postal savings bank more critically, semi-logarithmic trend lines are estimated for the period from 1975 to 2000. The semi-logarithmic trend equation shows the relationship between different types deposits (Y) as dependent variable and time (X) as independent variable which has been fitted by the least square method and the significance of the coefficient of time has been tested by the t test technique. The estimated semi-logarithmic trends for different types of deposits of postal savings bank are shown in Table V-13.

Table V-13
Estimated Semi-Logarithmic Trend Lines of Postal Savings Bank Deposits

| Types of Deposits | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Ordinary Progressive Outstanding Balance | 1.91 | 0.0243 | 0.0973 | 5.75 | 1.61 | 0.12 | N |
| Other Progressive Outstanding Balance | 1.96 | 0.0884 | 0.9616 | 22.57 | 24.51 | 0.00 | S |
| Total Outstanding Balance | 2.25 | 0.0753 | 0.9385 | 18.93 | 19.14 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 25 degrees of freedom and 0.05 level of significance is 1.708

The table shows that the trend line equations of different types of deposits of postal savings bank have positive slopes (the sign of the coefficient of time denoted by 'B'); but the slope of ordinary progressive outstanding balance is found statistically insignificant at five percentage level of significance and the slopes of other progressive outstanding balance and total outstanding balance are found statistically significant at five percentage level of significance. It, therefore, suggests that other progressive outstanding balance and total progressive outstanding balance increased during the period with TGR of 22.57 and 18.93 percentages respectively.

## V.6. Micro Financial Institutions (MFIs)

Micro-credit is the extension of small loans to entrepreneurs who are too poor to qualify for traditional bank loans. It has proven as an effective and popular measure for financing the marginal and landless farmers and women. In the ongoing struggle against poverty, the MFIs enable those, who have no access to lending institutions, to borrow at bank rates, and start small business. So, Micro-finance is a system of credit delivery and savings mobilizing scheme, specially designed to meet the unique financial requirements of the poor and that allow them to improve the status of their living by providing additional capital without any collateral to augment their households' income and savings facilities, which enable them to meet their household contingencies. It has evolved as a development approach intended to benefit low-income women and men. The term refers to the provision of financial services to low-income clients, including the self-employed.

Financial services generally include mobilization of savings, distribution of credits and reaching the people who need these. However, some micro-finance organizations also provide payment services. In addition to financial intermediation, many MFIs provide social intermediation services such as group formation, development of self-confidence, and training in financial literacy and management capabilities among members of a group. Thus the definition of micro-finance often includes both financial intermediation and social intermediation. Micro-finance is not simply banking, it is a development tool.

Basically the Grameen Bank is the pioneer in making the micro-credit program successful. It is the largest member based institution and the only formal institution of its type. Realizing the success of this model, hundreds of non-governmental Organizations (NGOs) started operating micro-finance programs in rural and urban areas; biggest among them are Bangladesh Rural Advancement Committee (BRAC), Association for Social Advancement (ASA), and Proshika. In fact, NGOs came forward with financial services for the poor people, in mid-seventies. By the year 2000 their number rose over 2000. Besides, some ministries of the government, nationalised commercial banks and other banks are also operating micro finance programmes successfully with the poor. It is now proved that the poor are bankable who once upon a time were largely bypassed by the formal sector. Most of these institutions have an explicit social agenda to cater to the needs of the poorest sections of the non-agricultural population, with women making up a majority of their clientele. In the following two sections performance of the MF-NGOs and of the Grameen Bank has been analysed.

### V.6.1. MF-NGOs

In the Table V-14, the five important indicators of MF-NGOs, and the growth trends of these indicators have been analysed. The indicators which were chosen for analyses are: number of reported MF-NGOs, active member of these MF-NGOs, net savings of these MF-NGOs, cumulative disbursement, outstanding loan and outstanding borrowers of these loans. In the year 1996, the number of reported MF-NGOs was 351, and after five years at the end of the year 2000; it increased to 585 with annual average SGR and CGR of 13.73 and 13.62 percentages respectively. Active member of these MF-NGOs were 6,006,419 in the year 1996 and at the end of the year 2000 the number swelled to 11,021,663 with annual average SGR and CGR of 16.42 and 16.39 percentages respectively. Net savings of these institutions were Tk. 2,390.72 million in the year 1996 and that rose to Tk. 8,866.02 million at the end of the year 2000 registering annual

average SGR and CGR of 39.12 and 38.77 percentages respectively. Cumulative disbursement of these MF-NGOs were Tk. 27,837.24 million in the year 1996 and that rose to Tk. 125,607.61 million at the end of the year 2000 with annual average SGR and CGR of 46.02 and 45.75 percentages respectively. Outstanding loans of these MF-NGOs were Tk. 6,951.72 million in the year 1996 and that rose to Tk. 21,903.47 million with annual average SGR and CGR of 33.62 and 33.23 percentages respectively. Lastly, Number of outstanding borrowers of those loans was 3,120,555 in the year 1996 and the number increased to 7,988,831 at the end of the year 2000, registering annual average SGR and CGR of 26.70 and 26.49 percentages respectively. Now, if we analyse their growth trends critically, we find that the highest growth trends was achieved by cumulative disbursement of loans, which was followed by net savings. It indicates that gradually the internal financial strength of these institutions was increasing.

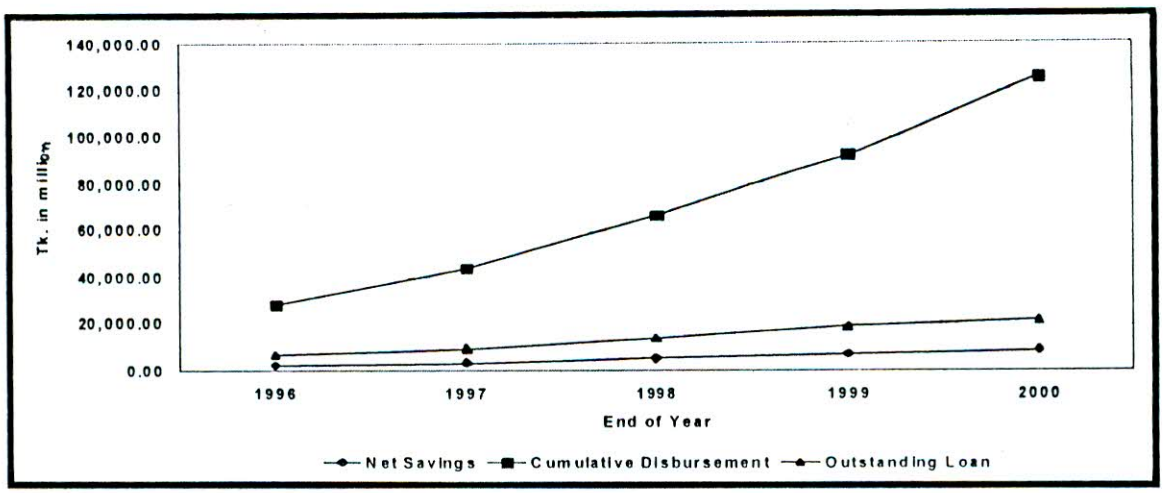
**Table V-14**
**Important Indicators of Micro Finance Institutions and its Growth**

| End of the Year | No of Reported MF NGOs | Active Member | Net Savings (Tk. in Million) | Cumulative Disbursement (Tk. in million) | Outstanding Loan (Tk. in million) | Outstanding Borrower |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1996 | 351 | 6,006,419 | 2,390.72 | 27,837.24 | 6,951.72 | 3,120,555 |
| 1997 | 380 | 6,743,091 | 3,381.51 | 43,987.43 | 9,563.75 | 4,257,872 |
| 1998 | 459 | 7,864,004 | 5,216.26 | 66,565.50 | 13,737.07 | 5,415,490 |
| 1999 | 533 | 9,433,974 | 6,921.66 | 92,436.20 | 18,692.17 | 6,892,446 |
| 2000 | 585 | 11,021,663 | 8,866.02 | 125,607.61 | 21,903.47 | 7,988,831 |
| Annual SGR | | | | | | |
| 1997 | 8.26 | 12.26 | 41.44 | 58.02 | 37.57 | 36.45 |
| 1998 | 20.79 | 16.62 | 54.26 | 51.33 | 43.64 | 27.19 |
| 1999 | 16.12 | 19.96 | 32.69 | 38.87 | 36.07 | 27.27 |
| 2000 | 9.76 | 16.83 | 28.09 | 35.89 | 17.18 | 15.91 |
| Annual Average SGR | 13.73 | 16.42 | 39.12 | 46.02 | 33.62 | 26.70 |
| CGR | 13.62 | 16.39 | 38.77 | 45.75 | 33.23 | 26.49 |

Source: *CDF Statistics* (Dhaka: Credit and Development Forum), p. 6-7.

In the Figure V-18, three important and related indicators: 'net savings', 'cumulative disbursement' and 'outstanding loans' have been presented to show the pattern of financing of MF-NGOs. It is seen that gradually the difference between outstanding loan and net savings was increasing. It means that to full fill this gap, MF-NGOs have to depend largely on external finance.

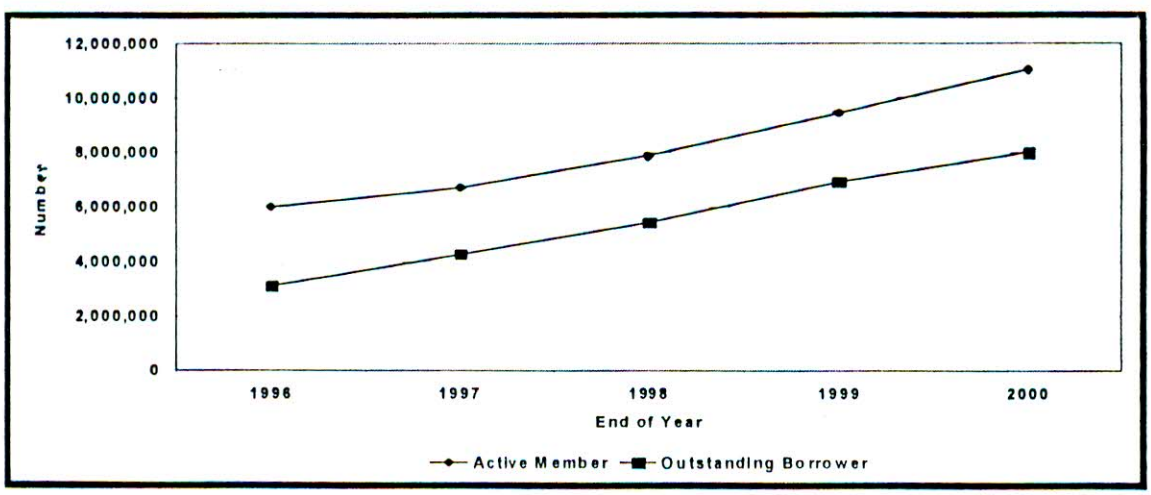
**Figure V-18**
**Trend of Net Savings, Cumulative Disbursement and Outstanding Loan of MF-NGOs**




Source: Table V-14.

In the Figure V-19, we present the growth pattern of active members and borrowers. It is found that over the years difference between active members and borrowers was almost same. It means that over the years, the ratio of borrowers to active members was increasing.

**Figure V-19**
**Trend Pattern of Active Members and Outstanding Borrowers of MF-NGOs**




Source: Table V-14.

If we dissect the sources of revolving loan fund, one of the important indicators, it is found Table V-15 that in the year 2000 the main contributing source was member's savings, which attributed 25 percentages share, and that was followed by Palli Karma-Shahayok Foundation (PKSF). The share of international donor stood below 20 percentages, and the share of service charge was about 15 percentages. It indicates

that if foreign aid inflow is hindered some how in future, still all these MF-NGOs will be able to run themselves by internal resources.

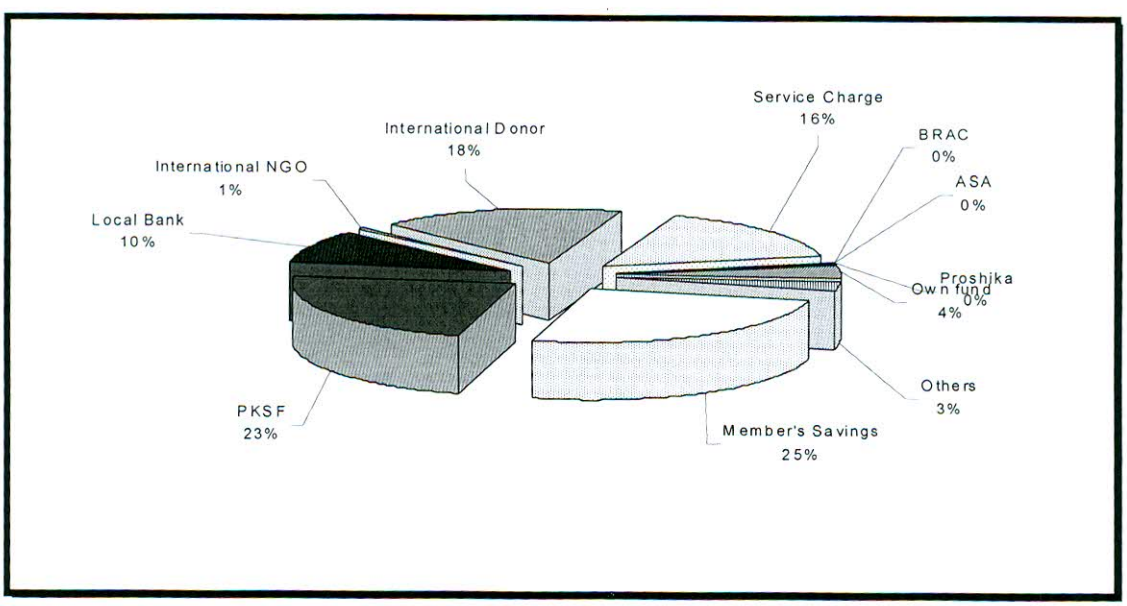
**Table V-15**
**Sources of Revolving Loan Fund of Micro Finance Programme**

| Source | Amount (in million Tk.) in December 2000 Amount | Percentage |
|---|---|---|
| 1 | 2 | 3 |
| Member's Savings | 7607.23 | 25.47 |
| PKSF | 6862.82 | 22.97 |
| Local Bank | 2928.51 | 9.80 |
| International NGO | 160.71 | 0.54 |
| International Donor | 5383.64 | 18.02 |
| Service Charge | 4768.08 | 15.96 |
| BRAC | 69.01 | 0.23 |
| ASA | 26.51 | 0.09 |
| Proshika | 55.02 | 0.18 |
| Own fund | 1066.87 | 3.57 |
| Others | 944.77 | 3.16 |
| Total | 29873.17 | 100.00 |

Source: *CDF Statistics* (Dhaka: Credit and Development Forum), p. v.

The above table has been graphically represented in the following pie chart in Figure V-20. From the figure it can be realized that almost 50% fund was generalized by the two sources, members' savings and PKSF. And among 11 sources the least four contributory sources were International NGOs, BRAC, ASA, and Proshika, the contribution of which was less than 1 percent.

**Figure V-20**
**Percentage Share of the Sources of Revolving Loan Fund of MF-NGOs**




Source: Table V-15.

## V.6.2. Grameen Bank

The origin of Grameen Bank can be traced back to 1976 when Professor Muhammad Yunus, Head of the Rural Economics Program at the University of Chittagong, launched an action research project to examine the possibility of designing a credit delivery system to provide banking services targeted at the rural poor. The Grameen Bank Project came into operation with the following objectives:

- Extend banking facilities to poor men and women;
- Eliminate the exploitation of the poor by moneylenders;
- Create opportunities for self-employment for the vast multitude of unemployed people in rural Bangladesh;
- Bring the disadvantaged, mostly the women from the poorest households, within the fold of an organizational format which they can understand and manage by themselves; and
- Reverse the age-old vicious circle of "low income, low saving and low investment", into virtuous circle of "low income, injection of credit, investment, more income, more savings, more investment, more income".

The action research demonstrated its strength in Jobra (a village adjacent to Chittagong University) and some of the neighbouring villages during 1976-1979. With the sponsorship of the central bank of the country and support of the nationalized commercial banks, the project was extended to Tangail district in 1979. With the success in Tangail, the project was extended to several other districts in the country. In October 1983, the Grameen Bank Project was transformed into an independent bank by government legislation. Today, Grameen Bank is owned by the rural poor to whom it serves. Borrowers of the Bank own 90% of its shares, while the remaining 10% is owned by the government.

In the Table V-16, growth trend of some important indicators of Grameen Bank has been analysed. It is seen that in the year 1983, deposits and other fund was Tk. 18.51 million and in the year 2000 the figure increased to Tk. 6,611.85 million with

annual average SGR and CGR of 45.19 and 41.31 percentages respectively. In the year 1983, the value of investment was Tk. 26.50 million and at the end of 2000 it inflated to Tk. 5,228.90 million with annual average SGR and CGR of 60.75 and 36.46 percentages respectively. Outstanding loan and advance was Tk. 74.27 million in the year 1983 and at the end of the year 2000 the amount increased to Tk. 10,902.56 million in the year 2000 with annual average SGR and CGR of 39.73 and 34.11 percentages respectively. In the initial year of the Grameen Bank (project) in 1976 cumulative loan disbursement was Tk. 0.01 million and at the end of the year 2000 it swelled to Tk. 175,395.24 million with annual average SGR and CGR of 156.71 and 102.79 percentages respectively. Asset of the Grameen Bank was Tk. 118.83 million in the year 1983, and it rose to Tk. 19,674.30 million in the year 2000 with annual average SGR and CGR of 41.32 and 35.06 percentages respectively. In the initial year of Grameen Bank (project) in 1976, it worked under 1 branch of Janata Bank with 10 members but at end of the year 2000 both figure increased to 1,160 (branches) and 2,378,356 (members) respectively, with annual average SGR and CGR of 72.22 and 34.18 percentages respectively for bank branches; and the same of 115.87 and 67.50 percentages respectively for the members of Grameen Bank. And the number of covered village by the Grameen Bank was 1 in the year 1976 and this figure increased to 40,225 with annual average SGR and CGR of 84.24 and 55.54.

## Table V-16
## Important Indicators of Grameen Bank and its Growth (Taka in million)

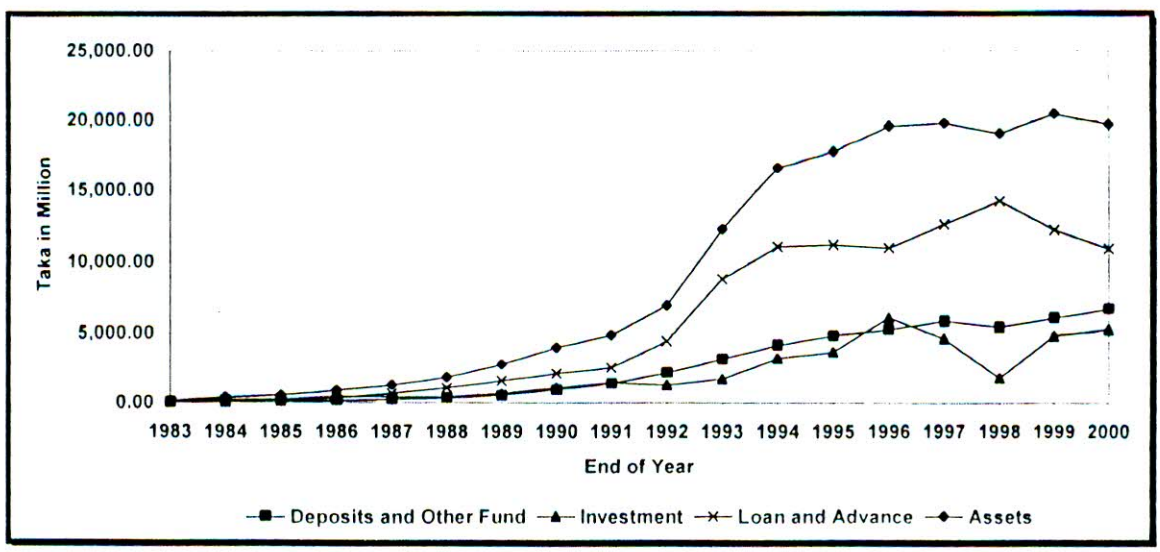
| year | Deposits and Other Fund | Annual SGR of Deposits and Other Fund | Investment at Cost | Annual SGR of Investment at Cost | Loan and Advance | Annual SGR of Loan and Advance | Cumulative Loan Disbursement | Annual SGR of Cumulative Loan Disbursement | Assets | Annual SGR of Assets | Branches | Annual SGR of Branches | Member Covered | Annual SGR of Member Covered | No. of Village Covered | Annual SGR of No. of Village Covered |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 1976 | - | - | - | - | - | - | 0.01 | | - | - | 1 | | 10 | | 1 | |
| 1977 | - | - | - | - | - | - | 0.08 | 994.42 | - | - | 1 | 0.00 | 70 | 600.00 | 2 | 100.00 |
| 1978 | - | - | - | - | - | - | 0.34 | 314.51 | - | - | 1 | 0.00 | 290 | 314.29 | 4 | 100.00 |
| 1979 | - | - | - | - | - | - | 3.04 | 795.29 | - | - | 2 | 100.00 | 2,200 | 658.62 | 17 | 325.00 |
| 1980 | - | - | - | - | - | - | 7.28 | 139.17 | - | - | 25 | 1,150.00 | 14,830 | 574.09 | 147 | 764.71 |
| 1981 | - | - | - | - | - | - | 33.17 | 355.62 | - | - | 25 | 0.00 | 24,128 | 62.70 | 218 | 48.30 |
| 1982 | - | - | - | - | - | - | 72.25 | 117.82 | - | - | 54 | 116.00 | 30,416 | 26.06 | 422 | 93.58 |
| 1983 | 18.51 | - | 26.50 | - | 74.27 | - | 144.70 | 100.28 | 118.83 | - | 86 | 59.26 | 58,320 | 91.74 | 824 | 95.26 |
| 1984 | 38.33 | 107.10 | 146.50 | 452.83 | 177.48 | 138.96 | 351.16 | 142.67 | 376.64 | 216.97 | 152 | 76.74 | 121,051 | 107.56 | 1,288 | 56.31 |
| 1985 | 79.82 | 108.24 | 218.50 | 49.15 | 246.06 | 38.64 | 747.13 | 112.76 | 546.02 | 44.97 | 226 | 48.68 | 171,622 | 41.78 | 2,777 | 115.61 |
| 1986 | 144.99 | 81.64 | 435.50 | 99.31 | 330.97 | 34.51 | 1,672.35 | 123.84 | 899.96 | 64.82 | 295 | 30.53 | 234,343 | 36.55 | 5,170 | 86.17 |
| 1987 | 224.90 | 55.11 | 408.25 | -6.26 | 644.07 | 94.60 | 2,664.50 | 59.33 | 1,262.61 | 40.30 | 396 | 34.24 | 339,156 | 44.73 | 7,502 | 45.11 |
| 1988 | 327.48 | 45.61 | 399.25 | -2.20 | 1,094.90 | 70.00 | 4,252.08 | 59.58 | 1,836.84 | 45.48 | 501 | 26.52 | 490,363 | 44.58 | 10,552 | 40.66 |
| 1989 | 512.32 | 56.44 | 641.97 | 60.79 | 1,593.23 | 45.51 | 6,539.20 | 53.79 | 2,776.04 | 51.13 | 641 | 27.94 | 662,263 | 35.06 | 15,073 | 42.84 |
| 1990 | 935.32 | 82.57 | 1,077.72 | 67.88 | 2,117.37 | 32.90 | 9,698.23 | 48.31 | 3,963.53 | 42.78 | 781 | 21.84 | 869,538 | 31.30 | 19,536 | 29.61 |
| 1991 | 1,381.03 | 47.65 | 1,450.75 | 34.61 | 2,551.17 | 20.49 | 13,888.44 | 43.21 | 4,840.12 | 22.12 | 915 | 17.16 | 1,066,426 | 22.64 | 25,248 | 29.24 |
| 1992 | 2,176.32 | 57.59 | 1,301.23 | -10.31 | 4,423.94 | 73.41 | 20,838.67 | 50.04 | 6,883.72 | 42.22 | 1,015 | 10.93 | 1,424,395 | 33.57 | 30,619 | 21.27 |
| 1993 | 3,150.21 | 44.75 | 1,744.82 | 34.09 | 8,763.57 | 98.09 | 33,212.64 | 59.38 | 12,276.58 | 78.34 | 1,040 | 2.46 | 1,814,916 | 27.42 | 33,667 | 9.95 |
| 1994 | 4,132.56 | 31.18 | 3,201.86 | 83.51 | 11,052.95 | 26.12 | 49,368.40 | 48.64 | 16,574.10 | 35.01 | 1,045 | 0.48 | 2,013,130 | 10.92 | 34,913 | 3.70 |
| 1995 | 4,767.20 | 15.36 | 3,654.46 | 14.14 | 11,176.19 | 1.12 | 64,152.37 | 29.95 | 17,747.51 | 7.08 | 1,055 | 0.96 | 2,065,661 | 2.61 | 35,533 | 1.78 |
| 1996 | 5,212.61 | 9.34 | 6,061.52 | 65.87 | 10,953.66 | -1.99 | 75,114.16 | 17.09 | 19,572.80 | 10.28 | 1,079 | 2.27 | 2,059,510 | -0.30 | 36,420 | 2.50 |
| 1997 | 5,804.35 | 11.35 | 4,600.26 | -24.11 | 12,589.09 | 14.93 | 101,085.35 | 34.58 | 19,777.18 | 1.04 | 1,105 | 2.41 | 2,272,503 | 10.34 | 37,937 | 4.17 |
| 1998 | 5,404.45 | -6.89 | 1,806.74 | -60.73 | 14,202.19 | 12.81 | 128,631.70 | 27.25 | 19,064.18 | -3.61 | 1,137 | 2.90 | 2,368,347 | 4.22 | 39,045 | 2.92 |
| 1999 | 6,013.62 | 11.27 | 4,787.34 | 164.97 | 12,207.53 | -14.04 | 151,888.20 | 18.08 | 20,473.90 | 7.39 | 1,149 | 1.06 | 2,357,083 | -0.48 | 39,706 | 1.69 |
| 2000 | 6,611.85 | 9.95 | 5,228.90 | 9.22 | 10,902.56 | -10.69 | 175,395.24 | 15.48 | 19,674.30 | -3.91 | 1,160 | 0.96 | 2,378,356 | 0.90 | 40,225 | 1.31 |
| Annual Average SGR | | 45.19 | | 60.75 | | 39.73 | | 156.71 | | 41.32 | | 72.22 | | 115.87 | | 84.24 |
| CGR | | 41.31 | | 36.46 | | 34.11 | | 102.79 | | 35.06 | | 34.18 | | 67.50 | | 55.54 |

Note: Original data of money is given in Dollar, value of Taka has been converted from Dollar by the given exchange rate.

Source: Appendix: Table-16.

In the following Figure V-21, four important and related indicators: 'Deposits and Other Fund', 'Investment', 'Loan and Advances' and 'Assets' have been presented to show the pattern of financing of Grameen Banks. It is seen in the figure that for the first time deposits and other fund was reduced in the year 1998 than its previous year; there was also ups and down for investment in various years; amount of advances reduced for the first time than its previous year in the year 1996, and it further reduced in the year 1999, and in 2000; and value of assets reduced in the year 1997, 1998, and in 2000 than its previous year. The above analysis indicates that growth pattern of the indices became erratic in the second half of 1990s.

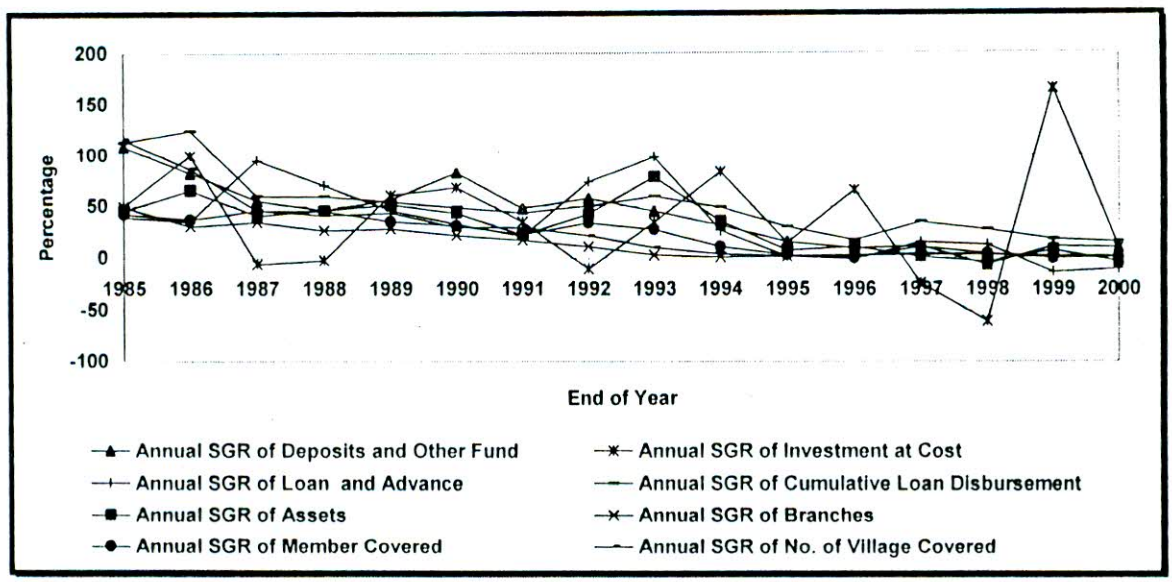
**Figure V-21**
**Trend of Deposits, Investment, Loan, and Assets of Grameen Bank**




Source: Table V-16.

In the Figure V-22, annual SGR of different indices of Grameen Bank, for the period from 1985 to 2000, has been depicted. From the figure it is revealed that annual SGR percentages of every index, except investment, reduced gradually over the years. And in the second half of 1990s annual SGR percentages of deposits, loan and advance, and assets, reduced to below 15 percent; and for bank branches, covered member and covered villages the same figure reduced to below 5 percent. Growth trend of investment was always erratic over the period.

Figure V-22
Annual SGR of Different Indices of Grameen Bank




Source: Table V-16.

## V.7. Stock exchange

Stock exchange is a market in which securities are bought and sold, prices being controlled by supply and demand. Stock markets have developed hand in hand with capitalism since the 17th century, constantly growing in importance and complexity. The basic function of a stock exchange is to enable public companies, governments, and local authorities to raise capital by selling securities to investors. The secondary market function of a stock exchange is to enable these investors to sell their securities to others, providing liquidity and reducing the risks attached to investment. Most countries have stock exchanges.[12]

### V.7.1. Dhaka Stock Exchange (DSE)

Dhaka Stock Exchange is registered as a public limited company. It was incorporated in 1954 under the name of East Pakistan Stock Exchange. Activities of the Exchange were suspended when Bangladesh gained independence. In 1976, trading activities were resumed with only nine Listed Companies. As on 30 June, 2000 there were 239 securities listed with DSE. Out of 239 listed securities with the DSE, 219 were

[12] *Dictionary of Business* (2nd ed., Oxford: Oxford University Press, 1996), p. 478.

listed companies, 10 mutual funds[13] and 10 debentures, against which total issued capital and debentures of all listed securities was Tk. 30,517 million and market capitalization was of Tk. 54,004 million.[14]

The DSE is a self-regulated non-profit organization. On December 2000, there were 195 members. Membership is open for the foreigners also. The Exchange has a 24 member Council, of which 12 are elected from the members and 12 are nominated as on non-member from different apex bodies.

As per DSE Article 105 B, its management is separated from the Council. The executive power of the DSE is vested with the Chief Executive Officer (CEO). The CEO is appointed by the Council with the approval of SEC. The authorized and paid up capital of DSE are Tk. 1.0 million and Tk. 0.39 million respectively.[15].

Growth trends of different indices of Dhaka Stock Exchange have been shown in the Table V-17. From the table it is observed that the number of listed securities was 9 in the year 1976, and over the time, its number increased to 241 in the year 2000 with annual average SGR of 15.27 percentages and CGR of 14.68 percentages. Value of the listed securities was Tk. 13.62 million in the year 1976 and it swelled to Tk. 713.19 million in the year 2000 with annual average SGR and CGR of 18.53 and 17.93 percentages respectively. Annual turnover was Tk. 47.85 million in the year 1986 and it rose to Tk. 40,273.20 million in the terminal year 2000, registering annual average SGR and CGR of 121.00 and 61.78 percentages respectively. The main indicator of strength of stock market is market capitalization. In the year 1976 the value of market capitalization was Tk. 146.73 million and after 25 years, that augmented to Tk. 62,923.60 million with annual average SGR and CGR of 39.78 and 28.73 percentages respectively.

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[13] A trust was formed to manage a portfolio of stock-exchange securities, in which small investors can buy units. This gives the small investors access to a diversified portfolio of securities, chosen and managed by professional fund managers, who seek either high capital gains or high yields, within the parameters of reasonable security.

[14] This information has been collected from the web page "www.dsebd.org" of DSE.

[15] This information has been taken from the web page of SEC Annual report, 1998-1999. http://www.secbd.org.

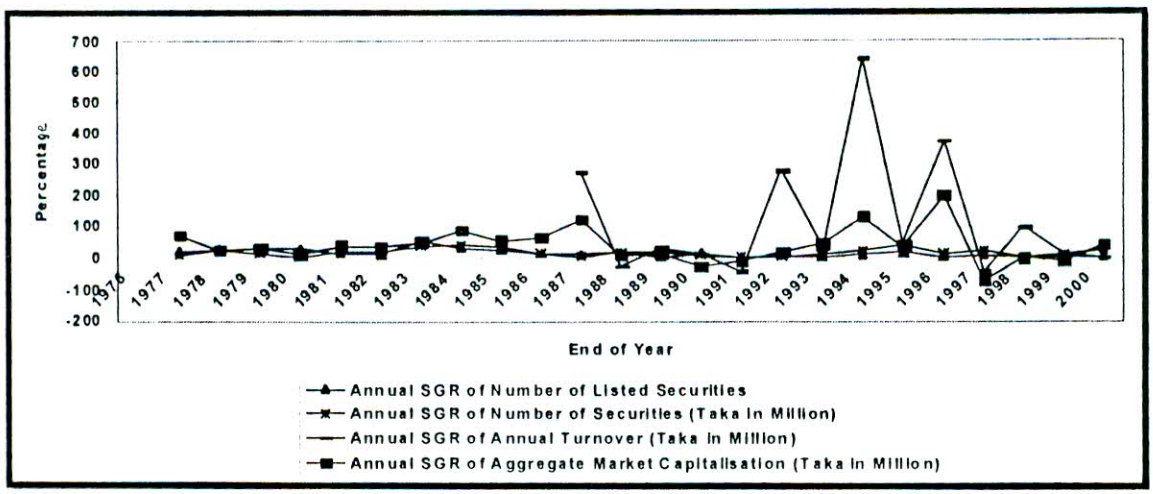
## Table V-17
## Growth Trend of Listed Securities, Number of Securities, Annual Turnover and Market Capitalisation of DSE

| Period | Number of Listed Securities | Annual SGR of Number of Listed Securities | Number of Securities (Taka in Million) | Annual SGR of Number of Securities (Taka in Million) | Annual Turnover (Taka in Million) | Annual SGR of Annual Turnover (Taka in Million) | Aggregate Market Capitalisation (Taka in Million) | Annual SGR of Aggregate Market Capitalisation (Taka in Million) |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 8 | 9 | 10 | 11 |
| 1976 | 9 | | 13.62 | | - | - | 146.73 | |
| 1977 | 11 | 22.22 | 14.65 | 7.61 | - | - | 248.49 | 69.36 |
| 1978 | 14 | 27.27 | 18.45 | 25.93 | - | - | 305.39 | 22.90 |
| 1979 | 18 | 28.57 | 21.23 | 15.06 | - | - | 393.74 | 28.93 |
| 1980 | 23 | 27.78 | 22.23 | 4.74 | - | - | 436.87 | 10.95 |
| 1981 | 26 | 13.04 | 26.65 | 19.87 | - | - | 603.23 | 38.08 |
| 1982 | 29 | 11.54 | 32.42 | 21.63 | - | - | 811.56 | 34.54 |
| 1983 | 44 | 51.72 | 44.37 | 36.87 | - | - | 1,211.26 | 49.25 |
| 1984 | 58 | 31.82 | 62.35 | 40.52 | - | - | 2,256.47 | 86.29 |
| 1985 | 72 | 24.14 | 86.45 | 38.66 | - | - | 3,492.64 | 54.78 |
| 1986 | 82 | 13.89 | 99.59 | 15.20 | 47.85 | | 5,730.62 | 64.08 |
| 1987 | 92 | 12.20 | 105.28 | 5.71 | 177.66 | 271.29 | 12,670.98 | 121.11 |
| 1988 | 111 | 20.65 | 123.06 | 16.89 | 130.03 | -26.81 | 13,556.87 | 6.99 |
| 1989 | 116 | 4.50 | 149.69 | 21.64 | 173.73 | 33.61 | 15,350.53 | 13.23 |
| 1990 | 134 | 15.52 | 161.37 | 7.81 | 194.58 | 12.00 | 11,485.92 | -25.18 |
| 1991 | 138 | 2.99 | 167.64 | 3.88 | 115.66 | -40.56 | 10,397.33 | -9.48 |
| 1992 | 149 | 7.97 | 172.34 | 2.81 | 437.66 | 278.40 | 12,299.12 | 18.29 |
| 1993 | 153 | 2.68 | 195.09 | 13.19 | 578.84 | 32.26 | 18,098.73 | 47.15 |
| 1994 | 170 | 11.11 | 241.50 | 23.79 | 4,287.94 | 640.78 | 41,770.70 | 130.79 |
| 1995 | 201 | 18.24 | 341.78 | 41.52 | 6,380.92 | 48.81 | 56,518.14 | 35.31 |
| 1996 | 205 | 1.99 | 397.43 | 16.28 | 30,137.11 | 372.30 | 168,106.19 | 197.44 |
| 1997 | 222 | 8.29 | 500.99 | 26.06 | 17,404.68 | -42.25 | 49,968.92 | -70.28 |
| 1998 | 228 | 2.70 | 504.16 | 0.63 | 34,368.57 | 97.47 | 50,254.02 | 0.57 |
| 1999 | 232 | 1.75 | 560.21 | 11.12 | 38,964.71 | 13.37 | 44,781.15 | -10.89 |
| 2000 | 241 | 3.88 | 713.19 | 27.31 | 40,273.20 | 3.36 | 62,923.60 | 40.51 |
| Annual Average SGR | | 15.27 | | 18.53 | | 121.00 | | 39.78 |
| CGR | | 14.68 | | 17.93 | | 61.78 | | 28.73 |

Source: For the Data from 1976 to 1993; *Fact Book 1994* (Dhaka: Dhaka Stock Exchange), p. 41.
For the Data from 1994 to 2001; Collected directly from Stock Exchange (DSE).

There were many ups and downs in the growth trend of annual turnover. It was followed by the growth trend of market capitalization. The highest growth rate of annual turnover reached to above 600 percentages in the year 1994, and the lowest growth rate was attained (minus 42%) in the year 1997. The highest growth rate of market capital was about 200 percentages in the year 1996 but in the following year its growth rate dropped to ever lowest at (-)70 percentages. All these are the representation of the disruption of capital market of Bangladesh that happened in late 1990s. From the Figure V-23, it is vivid that in the stock market the most turmoil period was 1996-97, and before 1987 growth trend of its different indicators were some extents smooth.

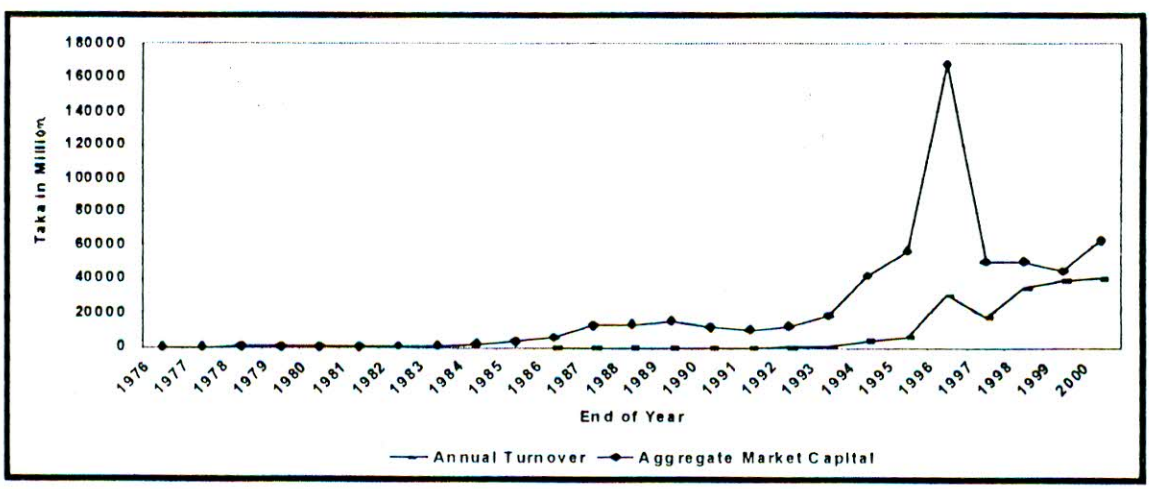
Figure V-23
Annual SGR Percentage of Listed Securities, Number of Securities, Annual Turnover and Market Capitalisation of DSE




Source: Table V-17.

From the Figure V-24, it is observed that the value of market capitalisation increased abnormally in the year 1996, though the momentum stared from the year 1993. But after 1996 its value dropped. It seems that there was a correlation between value of market capitalisation and annual turnover.

Figure V-24
Trend Pattern of Annual Turnover and Aggregate Market Capitalisation of DSE (Taka in Million)




Source: Table V-17.

### V.7.1.1. Trend Equation of Dhaka Stock Exchange.

To compare the growth trends of listed securities, value of securities, annual turnover and market capitalisation more critically, semi-logarithmic trend lines are

estimated for the period from 1976 to 2000. The semi-logarithmic trend equation shows the relationship between listed securities, value of securities, annual turnover and market capitalisation (Y) as dependent variable and time (X) as independent variable which have been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for all these indices are shown in the Table V-18.

**Table V-18**
**Estimated Semi-Logarithmic Trend Lines of Dhaka Stock Exchange**

| Components | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Listed Securities | 1.09 | 0.0598 | 0.9278 | 14.78 | 17.19 | 0.00 | S |
| Value of Securities | 1.07 | 0.0724 | 0.9839 | 18.14 | 37.59 | 0.00 | S |
| Annual Turnover | 1.32 | 0.2345 | 0.9113 | 71.59 | 11.59 | 0.00 | S |
| Market Capitalization | 2.23 | 0.1178 | 0.9276 | 31.15 | 17.17 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 24 degrees of freedom and 0.05 level of significance is 1.711
The t Table Value at 14 degrees of freedom and 0.05 level of significance is 1.761

The table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggests that all the above indicators of Dhaka Stock Exchange increased during the period. It is also clear from the table that, annual turnover increased with the highest TGR of 71.59 percentages, which was followed by the market capitalisation with TGR of 31.15 percentages. The TRG percentages were 14.76 and 18.14 for listed securities and the value of securities respectively.

## V.7.2. Chittagong Stock Exchange (CSE)

The Chittagong Stock Exchange (CSE) was registered as a public limited company. It was incorporated in April 1995. CSE is also a self-regulated non-profit

organization with its own regulations. A 24 member Board of Directors manages its business; out of whom 12 are elected by the general body (GB). SEC nominates 12 members from among the experts and business leaders. The number of GB is 129 and the foreigners can become the members of CSE. The executive power of CSE is also vested with the Chief Executive Officer (CEO). The Board with the consent of SEC appoints the CEO. The authorized and paid up capital of CSE is Tk. 150 million and Tk. 38.4 million respectively.[16]

Growth trend of different indices of CSE are shown in the Table V-19. From the table it is clear that the numbers of listed securities were 117 in the year 1996, and after five years, its number increased to 165 in the year 2000 with annual average SGR of 9.17 and CGR of 8.97 percentages. Annual turnover was Tk. 6,082.20 million in the year 1996 and it swelled to Tk. 12,933.80 million in the year 2000 with annual average SGR and CGR of 24.76 and 20.76 percentages respectively. The main indicator of strength of stock market is market capitalization. In the year 1996, its value was Tk. 147,043.00 million and after 5 years, it reduced to Tk. 57,760 million with (-)10.39 and (-)20.83 percentages of annual average SGR and CGR respectively.

**Table V-19**
**Growth Trend of listed securities, annual turnover and market turnover of CSE**

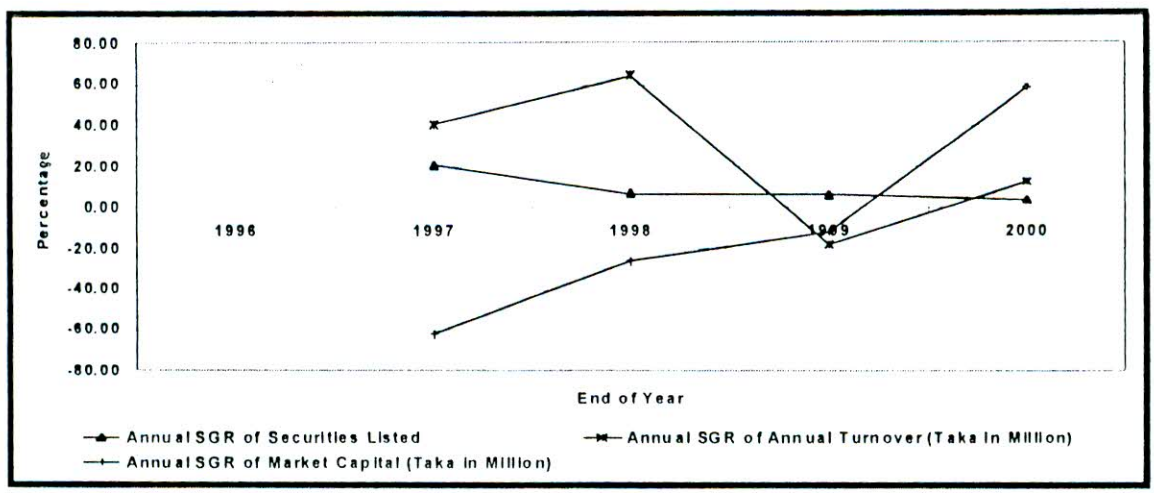
| Year | Securities Listed | Annual SGR of Securities Listed | Annual Turnover (Taka in Million) | Annual SGR of Annual Turnover (Taka in Million) | Market Capital (Taka in Million) | Annual SGR of Market Capital (Taka in Million) |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1996 | 117 | | 6,082.20 | | 147,043.00 | |
| 1997 | 141 | 20.51 | 8,544.25 | 40.48 | 55,832.00 | -62.03 |
| 1998 | 150 | 6.38 | 14,036.17 | 64.28 | 41,383.00 | -25.88 |
| 1999 | 159 | 6.00 | 11,538.59 | -17.79 | 36,542.00 | -11.70 |
| 2000 | 165 | 3.77 | 12,933.80 | 12.09 | 57,760.00 | 58.06 |
| Annual Average SGR | | 9.17 | | 24.76 | | -10.39 |
| CGR | | 8.97 | | 20.76 | | -20.83 |

Source: The entire absolute figure has been taken from the web page of CSE. www.csebd.com

From the Figure V-25, it is vivid that growth trend of annual listed securities is downward moving; growth trend of annual market capital is upward moving, it started from negative point and gradually its position was improved. And the growth trend of annual turnover experienced many ups and downs during the period.

[16] This information has been collected from the web page "www.csebd.com" of CSE.

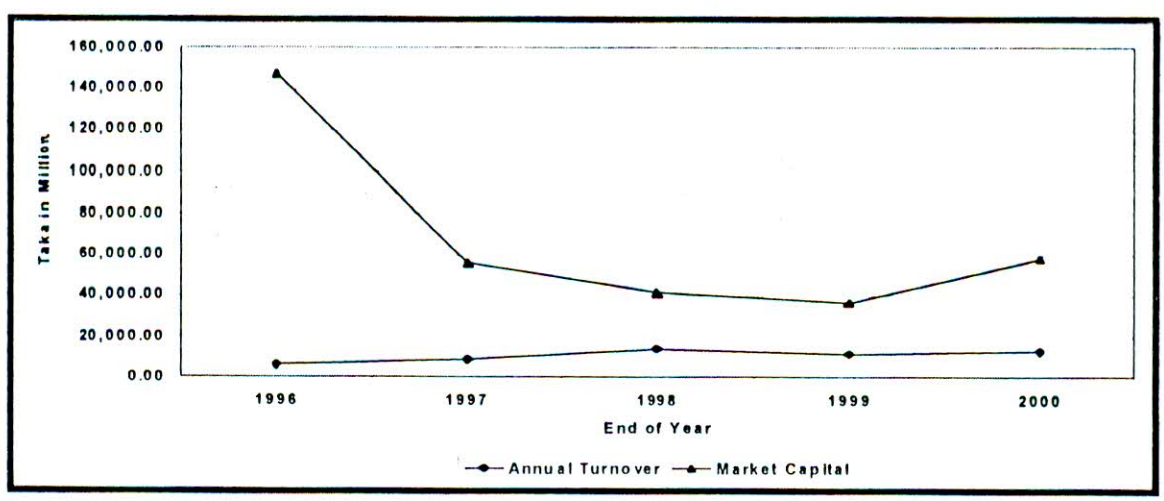
**Figure V-25**
**Annual SGR Percentage of Listed Securities, Annual Turnover and Market Capital of CSE**




Source: Table V-19.

From the Figure V-26, it is observed that up to 1998, the value of yearly turnover increased and in the following year its value decreased; then after that year, it again increased. Due to disruption in stock market in Bangladesh in 1996, value of market capital reduced drastically in 1997, and it continued in successive two years; then, in 2000, its value again began to increase.

**Figure V-26**
**Annual Turnover and Market Capital of CSE**




Source: Table V-19.

### V.7.2.1. Trend Equation of Chittagong Stock Exchange

To compare the growth trends of listed securities, annual turnover and market capital more critically; semi-logarithmic trend lines are estimated for the period from

1996 to 2000. The semi-logarithmic trend equation shows the relationship between listed securities, annual turnover and market capital (Y) as dependent variables and time (X) as independent variable which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for these indicators are shown in Table V-20.

**Table V-20**
**Estimated Semi-Logarithmic Trend Lines of Chittagong Stock Exchange**

| Components | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Listed Securities | 2.05 | 0.0350 | 0.8920 | 8.39 | 4.98 | 0.00 | S |
| Annual Turnover | 3.77 | 0.0785 | 0.6933 | 19.81 | 2.60 | 0.00 | S |
| Market Capitalization | 5.06 | -0.0995 | 0.4407 | -20.47 | -1.53 | 0.220 | N |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 4 degrees of freedom and 0.05 level of significance is 2.132

The table shows that over the period listed securities and annual turnover have positive slope (the sign of the coefficient of time denoted by 'B') and the slopes are found statistically significant at five-percentage level of significance. But the slope of market capital is not found statistically significant at five-percentage level of significant. It, therefore, suggests that except market capital, other two indicators, listed securities and annual turnover of CSE increased during the period with TGR of 8.39 and 19.81 percentages respectively.

## V.7.3. Contribution to Stock Exchanges in GDP

Growth trend of value added of the stock exchanges and their contribution to GDP (Value added to GDP) has been shown in the following Table V-21. From the table it is shown that value added of stock exchanges was Tk. 3.54 million in the FY 1989-99 and after ten years its value increased to Tk. 254.16 million in the year 1998-99 with annual average SGR of 93.80 percentages and CGR of 60.78 percentages respectively.

The contribution of stock exchange to GDP (value added to GDP) was 0.000004 in the FY 1989-99 and it swelled to 0.000116 in the FY 1989-99 with annual average SGR and CGR of 21.08 and 47.37 percentages respectively. It indicates that over the period not only the value of value added of stock exchange increased but also its relative share to GDP also increased.

**Table V-21**
**Value Added of Stock Exchange and its Ratio to GDP**

| Year | Value Added of Stock Exchange (Taka in million) | GDP (Taka in million) | Value Added to GDP Ratio | Annual SGR of Value Added of Stock Exchange | Annual SGR of Value Added to GDP |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1989-90 | 3.54 | 1,003,288 | 0.000004 | | |
| 1990-91 | 2.94 | 1,105,181 | 0.000003 | -16.95 | -32.64 |
| 1991-92 | 3.49 | 1,195,424 | 0.000003 | 18.71 | 8.88 |
| 1992-93 | 4.53 | 1,253,695 | 0.000004 | 29.80 | 19.20 |
| 1993-94 | 15.52 | 1,354,123 | 0.000011 | 242.60 | 68.47 |
| 1994-95 | 37.40 | 1,525,178 | 0.000025 | 140.98 | 53.26 |
| 1995-96 | 63.45 | 1,663,240 | 0.000038 | 69.65 | 35.72 |
| 1996-97 | 301.99 | 1,807,013 | 0.000167 | 375.95 | 77.17 |
| 1997-98 | 277.96 | 2,001,766 | 0.000139 | -7.96 | -20.35 |
| 1998-99 | 254.16 | 2,196,972 | 0.000116 | -8.56 | -20.03 |
| Annual Average SGR | | | | 93.80 | 21.08 |
| CGR | | | | 60.78 | 47.37 |

Source: For column 2; BBS, *National Accounts Statistics of Bangladesh (Revised Estimates, 1989-90 to 1998-99)* (Dhaka: BBS, Statistics Division, Ministry of Planning, GOB, 2000), p, 214.
For column 3; BBS, *National Accounts Statistics of Bangladesh (Revised Estimates, 1989-90 to 1998-99)* (Dhaka: BBS, Statistics Division, Ministry of Planning, GOB, 2000), p. 49.

### V.7.3.1. Trend Equation of Value Added of Stock Exchange and its Contribution to GDP

To compare the growth trends of the value added of stock exchange and its contribution to GDP more critically, semi-logarithmic trend lines are estimated for the period from 1989-90 to 1998-99. The semi-logarithmic trend equation shows the relationship between value added of stock exchange and its contribution to GDP (Y) as dependent variables and time (X) as independent variable which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for value added of stock exchange and its contribution to GDP are shown in Table V-22.

**Table V-22**
**Estimated Semi-Logarithmic Trend Lines of Value Added of Stock Exchange and its Contribution to GDP**

| Components | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Total Value Added | -0.0568 | 0.2669 | 0.9210 | 84.88 | 9.66 | 0.00 | S |
| Value Added to GDP (New) | -6.0163 | 0.2294 | 0.8972 | 69.58 | 8.36 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
The t Table Value at 9 degrees of freedom and 0.05 level of significance is 1.833

The table shows that the trend line equation of value added of stock exchange and its ratio to GDP have positive slopes (the sign of the coefficient of time denoted by 'B') and the slopes are found statistically significant at five-percentage level of significance. It, therefore, suggests that total value added of stock exchange and its contribution to GDP increased during the period with TGR of 84.88 and 69.58 percentages respectively.

## V.8. Chapter Summery

Besides the banking institutions, there are at least seven categories of non-banking financial institutions in Bangladesh including the stock exchanges. With the introduction of privatisation policy in early 1980s, the door for establishing different categories of non-banking financial institutions was opened. The growth rates of important indices of leasing and finance companies (for the last half of 1990s) were encouraging. But their contribution as value added to GDP, was negligible. Insurance is another potential financial institution in Bangladesh. There are life and non-life insurance institutions under private and public ownerships. Average growth trends of the important indices of these insurance companies were also satisfactory and encouraging. The contribution of this sector as value added to GDP was almost negligible; but over the years, it was increasing. Co-operative banks are being working

here since back to the year 1901. The BSBL is the apex credit institution of the co-operative movement. The average growth trends of the important indicators of all co-operative banks were moderate, which varied between 4 and 8 percentages. Postal savings bank is another non-banking financial institution, which is contributing to mobilize small savings from all over the country, through its 70 regional offices and 1627 sub offices. The average growth rate of the total outstanding balance of all deposits for the whole period was remarkable and that stood at about 15 percentages. Micro finance is a unique feature of Bangladesh. Grameen Bank and MF-NGOs are working together in this sector, though Grameen Bank's contribution in micro-finance activities was relatively higher during the study period. The average growth trends of some important indicators of MF-NGOs were remarkable and indicative to higher rates of success. There are two stock exchanges in Bangladesh. These are DSE and CSE. Average growth trends of the important indices of DSE were satisfactory for the whole period; but for CSE those were mixed for the period 1995-2000. The contribution of stock exchanges to GDP as value added was very insignificant but upward moving. The next chapter deals with financial deepening.

# Chapter VI
## Financial Deepening

1. Meaning of Financial Deepening
2. Financial Deepening Through $M_1$, $M_2$ and Monetary Assets
3. Financial Deepening Through Credit
4. Financial Deepening Through Assets of Financial Institutions
5. Financial Deepening Through Contribution of Financial Sector to GDP
6. Chapter Summary

# Chapter VI

# Financial Deepening

## VI.1. Meaning of Financial Deepening

Financial Deepening is an important indicator of financial development. To measure financial depth several indicators are being used in literature. Again, different indicators have underscored on different aspects of the financial system.

Monetization ratio is one of the methods to measure financial deepening. Monetization ratio measures the fraction of gross national product that is sold for money.[1] Goldsmith observed that in the year 1929 in USA value of the monetization ratio was 0.90 and in the year 1963 it increased to 0.93. In Japan the ratio was 0.88 in the year 1964. But for the less developed countries the ratio varies widely. In Tanzania, the ratio was approximately three-fifth in 1960; but in the same time the ratio was above 0.70 for India.[2]

Initially, the indicators of financial deepening are based on monetary aggregates, such as $M_1$ or $M_2$, mainly because these aggregates are widely available. However, they may be a poor proxy for measuring financial development, since they are more related to the ability of the financial system to provide transaction services than to the ability to channel funds from savers to borrowers. Indeed, money is used as a store of value, in the absence of other alternatives. Consequently, researchers have shifted from narrower measures ($M_1$) to broader definitions, such as $M_2$, which is generally referred to as liquid liabilities of the banking system. Although $M_2$ overcomes some shortcomings associated with $M_1$, it still contains $M_1$ and therefore, it may be influenced by factors other than financial depth.[3]

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[1] Raymond W. Goldsmith, *The Determinants of Financial Structure* (Paris: Development Centre of the Organisation for Economic Co-operation and Development, 1966), p. 12.

[2] Raymond W. Goldsmith, *Financial Structure and Development* (New Haven: Yale University Press, 1969), pp. 303-308.

[3] Mohsin S. Khan and Abdelhak S. Senhadji, "Financial Development and Economic Growth: An Overview," *IMF Working Paper,* No. wp/00/209, (December, 2000), p. 5.

Another very common indicator to measure the financial deepening is the ratio of the contribution of financial sector (value added of financial sector) to GDP. More recently, credit to the private sector has been favoured as an alternative measure of financial intermediation. The main advantage of this indicator is that, by excluding credit to the public sector, it measures more accurately the role of financial intermediaries in channeling funds to the private sector. This is also, however, only a partial indicator of financial development. It only reflects developments in the banking sector. Stock and bond markets, for example, are not taken into account. This weakness at a first glance may be more relevant for industrialized countries than for developing countries like Bangladesh. Indeed, industrialized countries have experienced the performance of significant non-bank financial development, while most of the financial development has occurred within the banking system in developing countries. We have seen earlier that in Bangladesh NBFIs started their activities only from the early 1990s. Nevertheless, securities' markets are becoming more important in a number of developing countries, including Bangladesh, and their role should not be ignored.

A study done by King and Levine[4] used the following four indicators to measure the level of financial development.

- The first one is liquid liabilities of banks and non-bank financial institutions as a share of GDP, which measures the size of financial intermediaries.
- The second is the ratio of bank credit to the sum of bank and central bank credit, which measures the degree to which bank versus the central bank allocate credit.
- The third is the ratio of private credit to domestic credit, and
- The fourth is private credit as a ratio of GDP.

On the other place Beck, Demirguc-Kunt, and Levine with the assistance of the International Financial Statistics of the International Monetary Fund developed a new measure in 1999 for indicating financial depth.[5] They measure Financial Depth by four alternative indicators, which are as follows:

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[4] Robert, King and Ross Levine, "Finance and Growth: Schumpeter Might Be Right," *Quarterly Journal of Economics,* Vol. 108, No. 3 (1993), pp. 717-37; cited in Ibid., p. 5.

[5] Torsen Beck, Asli Demirgug-Kunt and Ross Leveine, "A New Database on Financial Development and Structure," unpublished, (1999); Cited in Ibid., p. 8.

- $fd_1$: domestic credit to the private sector as a share of GDP
- $fd_2$: $fd_1$ plus the stock market capitalization as a share of GDP
- $fd_3$: $fd_2$ plus the private and public bond market capitalisation as a share of GDP, and
- stockc: stock market capitalisation.

By definition, $fd_3$ is the most exhaustive indicator of financial depth but is only available for advanced countries, for a shorter time span. By contrast, $fd_1$ is widely available but is a more limited proxy for financial depth.[6]

Levine[7] again in 2001, in one of his article introduced some indicators for measuring financial development. In this article he segmented the financial sector into two groups: bank-based finance and market based finance. For these, he introduced three indicators. According to him, the measures of overall financial sector development are based on the indicators like activity, size, and efficiency.

Finance-activity is a measure of the activity of stock markets and financial intermediaries. To measure the activity of stock markets, Levine uses the *total value traded ratio*, which equals the value of domestic equities traded on domestic exchanges divided by GDP. This total value traded ratio is frequently used to gauge market liquidity because it measures market trading relative to economic activity; and to measure the activity of banks Levine uses the *private credit ratio*, which equals the value of financial intermediary's credits to the private sector as a share of GDP. Thus, finance-activity equals the logarithm of the total value traded ratio times the private credit ratio.

Finance-size is a measure of the size of stock markets and intermediaries. To measure the size of the domestic stock market, Levine uses the *market capitalization ratio*, which equals the value of domestic equities, listed on domestic exchanges divided by GDP; and to measure the size of intermediaries Levine uses *private credit ratio*. Thus, finance-size equals the logarithm of the market capitalization ratio times the private credit ratio.

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[6] Khan and Senhadji, "Financial Development," p. 8.

[7] Ross Levine, "Bank-Based or Market-Based Financial System: Which is Better?" *NBR working paper series, No. 9138* (Cambridge: National Bureau of Economic Research, 2002), pp. 1-44.

Finance-efficiency is a measure of financial sector efficiency. To measure the efficiency of stock markets, Levine uses the *total value traded ratio* and to measure the efficiency of the banking sector he uses *overhead costs*, which equals the overhead costs of the banking system relative to banking system's assets. Thus, finance-efficiency equals the logarithm of the total value traded ratio divided by overhead costs.

Finance-aggregate is the first principal component of the first three financial development indicators, such as activity, size, and efficiency.

In nutshell the above discussion can be written in the following way.

- Finance-Activity = Ln (total value traded ratio * private credit ratio).
- Finance-Size = Ln (market capitalization ratio * private credit ratio).
- Finance-Efficiency = Ln (total value traded ratio / overhead costs).
- Finance-Aggregate = Principal component of Finance 1, 2, 3.

However, in the following sections attempts are made to measure and analyze some specific indicators of financial depth with the help of available data.

## VI.2. Financial Deepening Through $M_1$, $M_2$ and Monetary Assets

To measure financial deepening by using $M_1$, $M_2$ and Monetary Asset is one of the simple methods. It has some drawbacks but still through this measure one can assess the financial deepening. From the Table VI-1, it is seen that in the FY 1973-74, the ratio of $M_1$/GDP was 0.098 and at the end of the FY 1999-2000 it slightly rose to 0.105 with annual average SGR of only 0.85 percentages and CGR of 0.24 percentages. It means that according to the ratio of $M_1$/GDP little financial deepening has been occurred in our country through out the period. It is often seen that there are many years when the value of annual SGRs were negative. But it is hard to believe that by this time very little financial deepening has been occurred in our country.

Next, it is seen that the ratio of $M_2$/GDP was 0.16 in the FY 1973-74, but the value increased to 0.39 by 1999-2000 with annual average SGR of 4.09 percentages and CGR of 3.42 percentages. And the growth trend pattern of Monetary Assets/GDP was almost alike that of $M_2$/GDP.

## Table VI-1
## Financial Deepening Through $M_1$/GDP, $M_2$/GDP and Monetary Assets/GDP

| Period | M1/GDP | SGR of M1/GDP | M2/GDP | SGR of M2/GDP | Monetary Assets /GDP | SGR of Monetary Assets/GDP |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1973-74 | 0.098 | | 0.16 | | 0.17 | |
| 1974-75 | 0.064 | -34.68 | 0.10 | -38.35 | 0.10 | -38.47 |
| 1975-76 | 0.080 | 24.43 | 0.13 | 25.02 | 0.13 | 24.90 |
| 1976-77 | 0.084 | 4.89 | 0.15 | 18.46 | 0.15 | 17.76 |
| 1977-78 | 0.084 | 0.51 | 0.15 | -1.69 | 0.15 | -1.90 |
| 1978-79 | 0.088 | 3.93 | 0.16 | 7.55 | 0.16 | 7.23 |
| 1979-80 | 0.088 | 0.82 | 0.17 | 4.37 | 0.17 | 4.24 |
| 1980-81 | 0.086 | -2.84 | 0.18 | 7.97 | 0.18 | 7.76 |
| 1981-82 | 0.078 | -9.50 | 0.18 | -1.74 | 0.18 | -1.74 |
| 1982-83 | 0.090 | 15.26 | 0.20 | 14.16 | 0.20 | 14.00 |
| 1983-84 | 0.100 | 11.64 | 0.24 | 17.77 | 0.24 | 17.48 |
| 1984-85 | 0.104 | 4.05 | 0.26 | 9.65 | 0.26 | 9.57 |
| 1985-86 | 0.106 | 1.64 | 0.26 | 2.23 | 0.27 | 2.25 |
| 1986-87 | 0.098 | -7.66 | 0.27 | 0.59 | 0.27 | 0.60 |
| 1987-88 | 0.085 | -13.39 | 0.27 | 3.23 | 0.28 | 3.24 |
| 1988-89 | 0.083 | -2.06 | 0.29 | 5.26 | 0.29 | 5.24 |
| 1989-90 | 0.086 | 4.30 | 0.30 | 4.52 | 0.30 | 4.59 |
| 1990-91 | 0.086 | -0.01 | 0.30 | -0.87 | 0.30 | -0.43 |
| 1991-92 | 0.091 | 5.51 | 0.31 | 5.01 | 0.32 | 4.87 |
| 1992-93 | 0.096 | 4.94 | 0.33 | 5.70 | 0.34 | 6.03 |
| 1993-94 | 0.108 | 13.38 | 0.35 | 6.21 | 0.36 | 6.98 |
| 1994-95 | 0.113 | 3.91 | 0.36 | 2.23 | 0.37 | 3.05 |
| 1995-96 | 0.111 | -1.36 | 0.35 | -2.66 | 0.36 | -2.08 |
| 1996-97 | 0.108 | -2.69 | 0.36 | 2.81 | 0.37 | 2.39 |
| 1997-98 | 0.103 | -5.07 | 0.36 | -0.17 | 0.37 | -0.87 |
| 1998-99 | 0.099 | -3.26 | 0.36 | 0.52 | 0.37 | -0.05 |
| 1999-00 | 0.105 | 5.50 | 0.39 | 8.58 | 0.40 | 8.17 |
| Annual Average SGR | | 0.85 | | 4.09 | | 4.03 |
| CGR | | 0.24 | | 3.42 | | 3.36 |

Source: Column 2; figure has been derived by dividing $M_1$ of column 8 of the Appendix: Table-19 by the value of *Old GDP* of column 2 of the Appendix: Table-1.

Column 4; figure has been derived by dividing $M_2$ of column 9 of the Appendix: Table-19 by the value of *Old GDP* of column 2 of the Appendix: Table-1.

Column 6; figure has been derived by dividing *Monetary Assets* of column 11 of the Appendix: Table-19 by the value of *Old GDP* of column 2 of the Appendix: Table-1.

At the begging of the period the value of $M_2$/GDP was 1.63 times higher than the value of $M_1$/GDP but at the end of the period this became 3.71 times higher. So, it can be observed that over the years, through the indicator of $M_2$/GDP, financial deepening increased in our country.

In the Figure VI-1, trend pattern of financial deepening has been depicted. It is seen that over the period the difference between M1/GDP and M2/GDP increased.

Table VI-3
Estimated Semi-Logarithmic Trend Lines of $M_1$/GDP, $M_2$/GDP, $M_1$/New GDP and $M_2$/New GDP

| Ratio of Money to GDP | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| $M_1$/GDP (Old) | -1.0980 | 0.0046 | 0.4187 | 1.06 | 4.24 | 0.00 | S |
| $M_2$/GDP (Old) | -0.8997 | 0.0201 | 0.9135 | 4.73 | 16.25 | 0.00 | S |
| $M_1$/GDP (New) | -1.1825 | 0.0114 | 0.5920 | 2.65 | 3.61 | 0.00 | S |
| $M_2$/GDP (New) | -0.6588 | 0.0134 | 0.9142 | 3.13 | 9.79 | 0.00 | S |

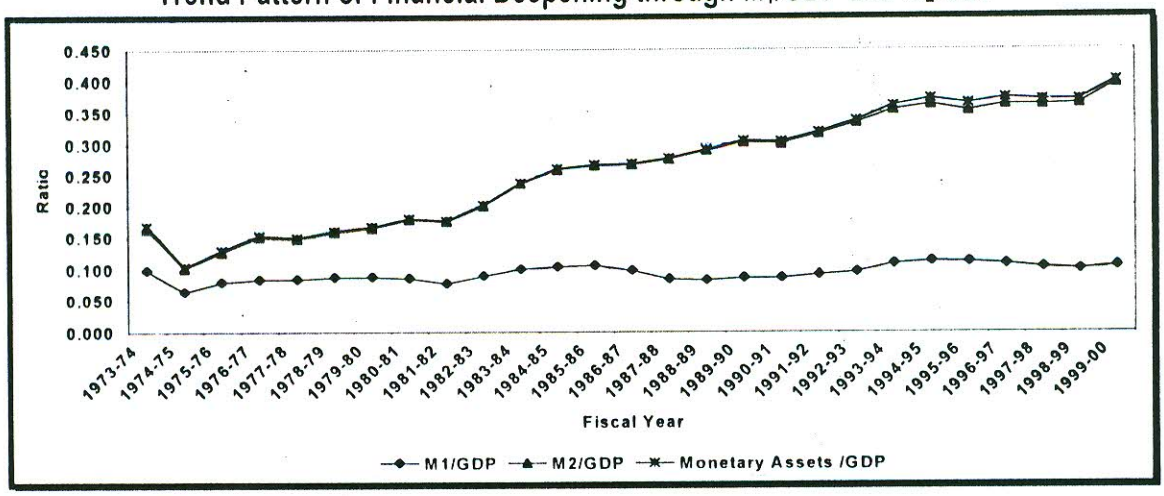
Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
For Old Method the t Table Value at 26 degrees of freedom and 0.05 level of significance is 1.706
For New Method the t Table Value at 10 degrees of freedom and 0.05 level of significance is 1.812

The above table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five percent level of significance. It, therefore, suggests that in the country during the period the values of $M_1$/Old GDP and $M_2$/Old GDP increased with TGR of 1.06 and 4.73 percentages respectively. On the other hand, the value of $M_1$/New GDP and $M_2$/New GDP increased with TGR of 2.65 and 3.13 percentages respectively. It is observed from the table that the value of $M_2$/GDP increased more rapidly.

## VI.3. Financial Deepening Through Credit

Earlier it was mentioned that King and Levine have developed some new indicators to measure financial deepening. According to them ratio of different types of credits with different denominators may be used as indicators of financial deepening. By using ratios of various credits with different denominators they developed three indicators. In the Table VI-4, the values of the three ratios for several years have been depicted and the growth patterns of these ratios have been evaluated.

**Figure VI-1**
**Trend Pattern of Financial Deepening through $M_1$/GDP and $M_2$/GDP**




Source: Table VI-1.

Here, it should be mentioned that from the FY 1989-90 Bangladesh Bureau Statistics has been publishing a new series of GDP data on the basis of SNA'93[8] frame work, and according to this new estimation the value of GDP on the average rose by 30 percent. So, if we measure the above three ratio on the basis of new GDP data the value of financial deepening ratio will be reduced. In the Table VI-2, the above three ratios have been measured on the basis of new GDP.

**Table VI-2**
**Financial Deepening Through $M_1$/New GDP, $M_2$/New GDP and Monetary Assets/New GDP**

| Period | $M_1$/GDP New | SGR % of $M_1$/GDP New | $M_2$/GDP New | SGR % of $M_2$/GDP New | Monetary Assets/GDP New | SGR % of Monetary Assets/GDP New |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1989-90 | 0.063 | | 0.22 | | 0.22 | |
| 1990-91 | 0.065 | 2.68 | 0.23 | 1.80 | 0.23 | 2.25 |
| 1991-92 | 0.069 | 5.97 | 0.24 | 5.47 | 0.24 | 5.33 |
| 1992-93 | 0.072 | 4.65 | 0.25 | 5.41 | 0.25 | 5.74 |
| 1993-94 | 0.082 | 14.08 | 0.27 | 6.87 | 0.27 | 7.64 |
| 1994-95 | 0.086 | 4.78 | 0.28 | 3.09 | 0.28 | 3.92 |
| 1995-96 | 0.087 | 0.61 | 0.28 | -0.72 | 0.28 | -0.14 |
| 1996-97 | 0.084 | -3.45 | 0.28 | 2.00 | 0.29 | 1.58 |
| 1997-98 | 0.079 | -5.43 | 0.28 | -0.55 | 0.29 | -1.25 |
| 1998-99 | 0.079 | -1.08 | 0.29 | 2.79 | 0.29 | 2.20 |
| 1999-00 | 0.084 | 6.80 | 0.32 | 9.92 | 0.32 | 9.51 |
| Annual Average SGR | | 3.0 | | 3.6 | | 3.7 |
| CGR | | 2.8 | | 3.6 | | 3.6 |

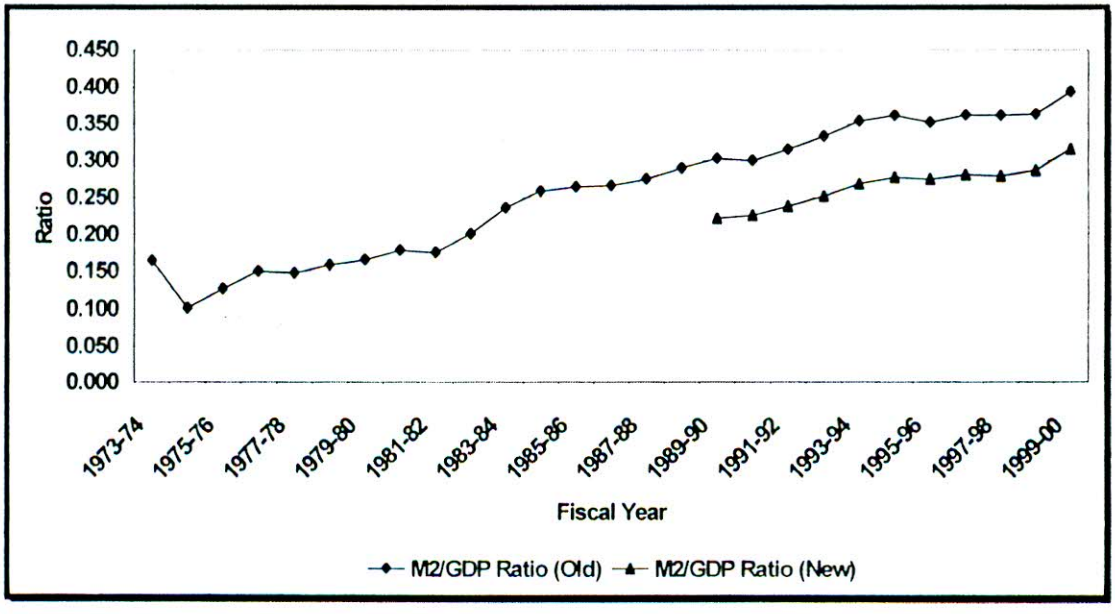
Source: Column 2; figure has been derived by dividing $M_1$ of column 8 of the Appendix: Table-19 by the value of *New GDP* of column 3 of the Appendix: Table-1.
Column 4; figure has been derived by dividing $M_2$ of column 9 of the Appendix: Table-19 by the value of *New GDP* of column 3 of the Appendix: Table-1.
Column 6; figure has been derived by dividing *Monetary Assets* of column 11 of the Appendix: Table-19 by the value of *New GDP* of column 3 of the Appendix: Table-1.

[8] Strengthening National Account' 93 (SNA'93) means National Account has been prepared as per the general concepts and classifications of the 1993 UN System of National Accounts.

From the above table it is vivid that for last eleven years annual average SGR percentage and CGR percentage for the ratio of $M_1$/New GDP were 3.0 and 2.8 respectively, and for the ratio of $M_2$/New GDP the both growth rates were 3.6 and 3.6 percentages respectively. In fact, on the basis of new GDP, the ratio reflects more accuracy.

In the following Figure VI-2, the difference between the value of $M_2$/GDP and $M_2$/New GDP has been depicted. The average difference between these two ratios is 0.07.

**Figure VI-2**
**Difference Between the Trend Pattern of Financial Deepening of $M_2$/GDP and $M_2$/New GDP**




Source: Table VI-2.

## VI.2.1. Trend Equation of Financial Deepening Through $M_1$/GDP and M2/GDP

To compare the growth trends of $M_1$/Old GDP, $M_2$/Old GDP, $M_1$/New GDP and $M_2$/New GDP more critically, semi-logarithmic trend lines are estimated for the period. The semi-logarithmic trend equation shows the relationship between the different ratios (Y) as dependent variable and time (X) as independent variable which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for $M_1$/Old GDP, $M_2$/Old GDP, $M_1$/New GDP and $M_2$/New GDP are shown in Table VI-3.

**Table VI-3**
**Estimated Semi-Logarithmic Trend Lines of $M_1$/GDP, $M_2$/GDP, $M_1$/New GDP and $M_2$/New GDP**

| Ratio of Money to GDP | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| $M_1$/GDP (Old) | -1.0980 | 0.0046 | 0.4187 | 1.06 | 4.24 | 0.00 | S |
| $M_2$/GDP (Old) | -0.8997 | 0.0201 | 0.9135 | 4.73 | 16.25 | 0.00 | S |
| $M_1$/GDP (New) | -1.1825 | 0.0114 | 0.5920 | 2.65 | 3.61 | 0.00 | S |
| $M_2$/GDP (New) | -0.6588 | 0.0134 | 0.9142 | 3.13 | 9.79 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
For Old Method the t Table Value at 26 degrees of freedom and 0.05 level of significance is 1.706
For New Method the t Table Value at 10 degrees of freedom and 0.05 level of significance is 1.812

The above table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five percent level of significance. It, therefore, suggests that in the country during the period the values of $M_1$/Old GDP and $M_2$/Old GDP increased with TGR of 1.06 and 4.73 percentages respectively. On the other hand, the value of $M_1$/New GDP and $M_2$/New GDP increased with TGR of 2.65 and 3.13 percentages respectively. It is observed from the table that the value of $M_2$/GDP increased more rapidly.

## VI.3. Financial Deepening Through Credit

Earlier it was mentioned that King and Levine have developed some new indicators to measure financial deepening. According to them ratio of different types of credits with different denominators may be used as indicators of financial deepening. By using ratios of various credits with different denominators they developed three indicators. In the Table VI-4, the values of the three ratios for several years have been depicted and the growth patterns of these ratios have been evaluated.

It is seen from the following table that the ratio of Bank Credit to Domestic Credit was 0.68 in the FY 1973-74, and the ratio increased to 0.87 at the end of 1999-2000, though the highest value of the ratio was 0.94 in the FY 1994-95. The annual average SGR and CGR were 1.05 and 0.97 percentages respectively. It indicates that over the years, intensity of financial intermediaries increased.

It is proved that the more private sector become stronger in a country in relation to government sector, the more financial development takes place in that country. So, the ratio of Private Credit to Domestic Credit is another indicator of financial deepening. It is observed from the table that at the beginning the value of the Private Credit to Domestic Credit ratio was only 0.24, but at the end of the period the ratio increased to 0.71 with the annual average SGR and CGR of 4.70 and 4.26 percentages respectively.

Another indicator of financial deepening is the ratio of Private Credit to GDP. In the previous paragraph we have mentioned that there is a positive correlation between private sector development and financial development. Again, financial development leads to economic development. However, one can make a conclusion that if the ratio of private credit to GDP increases, then there happens financial deepening. It is depicted from the table that in the FY 1973-74 the value of the ratio was only 0.042, but at the end of the period the ratio increased to 0.266 with annual average SGR and CGR of 8.79 and 7.33 percentages respectively. And if we use new GDP as a denominator of the ratio, the value was 0.16 in the FY 1989-90 and that increased to 0.21 in the FY 1999-2000 with annual average SGR and CGR of 2.63 and 3.06 percentages respectively.

## Table VI-4
## Financial Deepening Through the Ratios of Bank Credit/Domestic Credit, Private Credit/Domestic Credit, Private Credit/Old GDP and Private Credit/New GDP

| Period | Bank Credit/Domestic Credit | SGR of Bank Credit/Domestic Credit | Private Credit/Domestic Credit | SGR of Private Credit/Domestic Credit | Private Credit/GDP (Old) | SGR of Private Credit/GDP (Old) | Private Credit/GDP (New) | SGR of Private Credit/GDP (New) |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1973-74 | 0.68 | | 0.24 | | 0.042 | | - | |
| 1974-75 | 0.67 | -0.43 | 0.19 | -19.56 | 0.023 | -44.97 | - | - |
| 1975-76 | 0.65 | -3.05 | 0.20 | 2.44 | 0.031 | 34.90 | - | - |
| 1976-77 | 0.75 | 14.35 | 0.26 | 31.95 | 0.044 | 41.68 | - | - |
| 1977-78 | 0.75 | 0.14 | 0.29 | 12.44 | 0.050 | 12.00 | - | - |
| 1978-79 | 0.79 | 5.81 | 0.31 | 4.89 | 0.053 | 6.79 | - | - |
| 1979-80 | 0.76 | -3.66 | 0.35 | 15.22 | 0.071 | 33.89 | - | - |
| 1980-81 | 0.71 | -7.05 | 0.33 | -5.42 | 0.076 | 6.96 | - | - |
| 1981-82 | 0.75 | 6.28 | 0.37 | 9.45 | 0.091 | 19.84 | - | - |
| 1982-83 | 0.80 | 6.69 | 0.43 | 18.12 | 0.105 | 15.33 | - | - |
| 1983-84 | 0.84 | 4.39 | 0.52 | 19.24 | 0.138 | 31.41 | - | - |
| 1984-85 | 0.86 | 2.07 | 0.57 | 10.42 | 0.169 | 22.38 | - | - |
| 1985-86 | 0.86 | 0.58 | 0.59 | 3.54 | 0.179 | 5.85 | - | - |
| 1986-87 | 0.87 | 1.45 | 0.59 | -0.51 | 0.166 | -7.14 | - | - |
| 1987-88 | 0.87 | -0.08 | 0.64 | 9.51 | 0.182 | 9.64 | - | - |
| 1988-89 | 0.90 | 3.22 | 0.69 | 8.03 | 0.203 | 11.00 | - | - |
| 1989-90 | 0.89 | -1.50 | 0.69 | 0.20 | 0.217 | 7.13 | 0.16 | |
| 1990-91 | 0.90 | 1.16 | 0.70 | 1.10 | 0.214 | -1.56 | 0.16 | 1.09 |
| 1991-92 | 0.92 | 2.87 | 0.66 | -6.15 | 0.198 | -7.35 | 0.15 | -6.95 |
| 1992-93 | 0.92 | -0.26 | 0.66 | 0.09 | 0.204 | 2.96 | 0.15 | 2.68 |
| 1993-94 | 0.91 | -0.71 | 0.68 | 3.54 | 0.204 | -0.10 | 0.15 | 0.52 |
| 1994-95 | 0.94 | 2.42 | 0.74 | 7.74 | 0.227 | 11.52 | 0.17 | 12.46 |
| 1995-96 | 0.90 | -3.56 | 0.73 | -1.03 | 0.243 | 7.15 | 0.19 | 9.29 |
| 1996-97 | 0.88 | -1.95 | 0.72 | -1.35 | 0.253 | 4.04 | 0.20 | 3.22 |
| 1997-98 | 0.88 | -0.61 | 0.72 | 0.31 | 0.259 | 2.39 | 0.20 | 2.00 |
| 1998-99 | 0.88 | -0.27 | 0.73 | 0.62 | 0.263 | 1.37 | 0.21 | 3.65 |
| 1999-00 | 0.87 | -1.02 | 0.71 | -2.54 | 0.266 | 1.37 | 0.21 | 2.63 |
| Annual Average SGR | | 1.05 | | 4.70 | | 8.79 | | 3.06 |
| CGR | | 0.97 | | 4.26 | | 7.33 | | 2.94 |

Source: Column 2; figure has been derived by dividing *Bank Credit* of column 9 of the Appendix: Table-18 by the value of *Domestic Credit* of column 10 of the Appendix: Table-18.

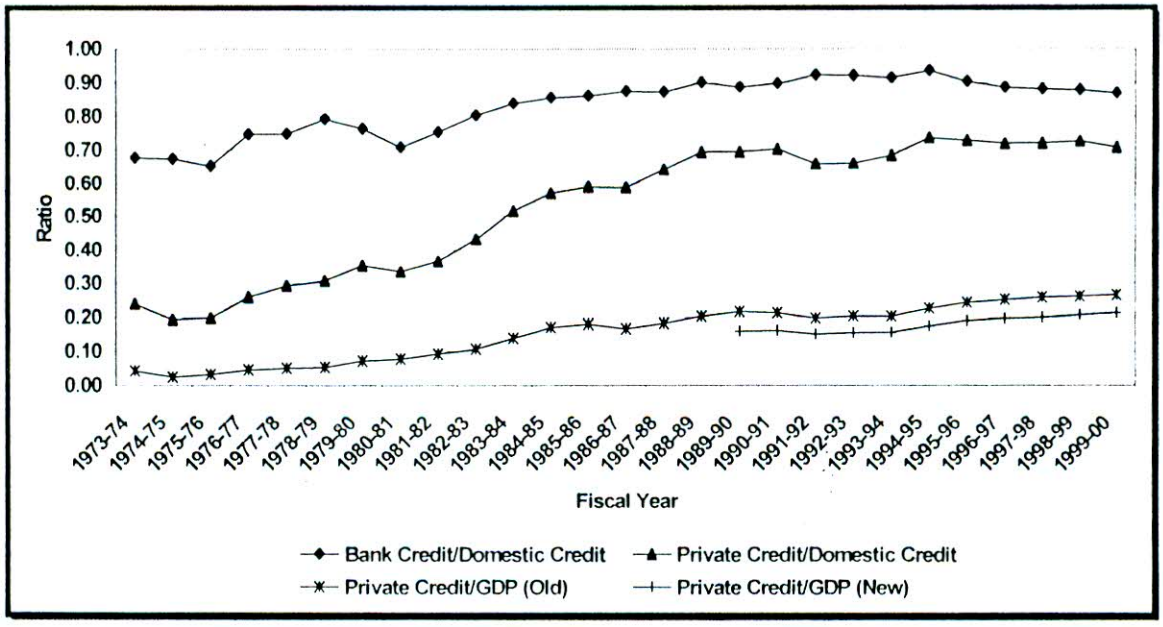
Column 4; figure has been derived by dividing *Private Credit* of column 8 of the Appendix: Table-18 by the value of *Domestic Credit* of column 10 of the Appendix: Table-18.

Column 6; figure has been derived by dividing *Private Credit* of column 8 of the Appendix: Table-18 by the value of *Old GDP* of column 2 of the Appendix: Table-1.

Column 8; figure has been derived by dividing *Private Credit* of column 8 of the Appendix: Table-18 by the value of *New GDP* of column 3 of the Appendix: Table-1.

The trend pattern of the above ratios has been depicted graphically in the Figure VI-3 with a view to show it visually.

**Figure VI-3**
**Trend Pattern of Financial Deepening through Bank Credit/Domestic Credit, Private Credit/Domestic Credit, Private Credit/GDP and Private Credit/New GDP**




Source: Table VI-4.

The figure displays that growth pattern of the ratio Private Credit to Domestic Credit was sharper than that of others. But the growth pattern of the ratio Bank Credit to Domestic Credit went downward in the later part of the period.

## VI.3.1. Trend Equation of Different Credit Ratios

To compare the growth trends of Bank Credit/Domestic Credit, Private Credit/Domestic Credit, Private Credit/Old GDP and Private Credit/New GDP more critically, semi-logarithmic trend lines are estimated for the period. The semi-logarithmic trend equation shows the relationship between different ratios (Y) as dependent variable and time (X) as independent variable which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for the ratios are shown in Table VI-5.

**Table VI-5**
**Estimated Semi-Logarithmic Trend Lines of Bank Credit/Domestic Credit, Private Credit/Domestic Credit, Private Credit/GDP and Private Credit/New GDP**

| Different Ratios of Credit | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Ratio of Bank Credit to Domestic Credit | -0.1542 | 0.0050 | 0.7388 | 1.15 | 8.39 | 0.00 | S |
| Ratio of Private Credit to Domestic Credit | -0.6263 | 0.0224 | 0.8426 | 5.29 | 11.56 | 0.00 | S |
| Ratio of Private Credit to GDP (Old) | -1.4249 | 0.0374 | 0.8589 | 8.99 | 12.33 | 0.00 | S |
| Ratio of Private Credit to GDP (New) | -0.8474 | 0.0158 | 0.8365 | 3.70 | 6.78 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
For Old Method the t Table Value at 26 degrees of freedom and 0.05 level of significance is 1.706
For New Method the t Table Value at 10 degrees of freedom and 0.05 level of significance is 1.812

The table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five percent level of significance. It, therefore, suggests that in the country during the period the ratio of Bank Credit to Domestic Credit increased with TGR percentage of 1.15, the ratio of Private Credit to Domestic Credit increased with the TGR percentage of 5.29, the ratio of Private Credit to GDP (Old) increased with the TGR percentage of 8.99, and the ratio of Private Credit to GDP (New) increased with the TGR percentage of 3.70. It is observed from the table that the ratio of Private Credit to GDP (Old) increased more rapidly.

## VI.4. Financial Deepening Through Assets of Financial Institutions

Until now, in the previous sections, financial deepening has been measured only through inclusion of bank related indices. But in an economy there also exist very different kinds of non-banking financial institutions, i.e., insurance companies and stock exchanges. So, it is obvious that the contribution of these institutions should be incorporated for measuring the financial deepening of an economy. So, in the following sections financial deepening has been measured by incorporating the influence of these institutions. In the first case (Goldsmith's View), influence of bank, insurance and stock exchange has been incorporated; and in the next case (Levine's View), influence of stock exchange has been incorporated with the influence of banks.

## VI.4.1. Goldsmith's View

Goldsmith first exhibits how financial deepening can be measured through inclusion of all categories of financial institutions' assets. However, Goldsmith used the terminology 'Financial Development' instead of 'Financial Deepening'. For this measure three categories of assets: assets of the scheduled banks, assets of the insurance companies and value of market capitalization of stock exchanges have been integrated. It should be mentioned that the data of the assets of scheduled banks are available from the year 1973, and the data of the market capitalization are available from the year 1986, but the data of the value of total assets of the insurance companies are available from 1996 only. So, we are forced to calculate financial deepening by using financial assets of only for five years, from the year 1996 to 2000.

In the Table VI-6, we have depicted the growth trend of financial development by using financial assets of all categories banks including central bank, insurance and stock exchanges. It is seen from the table that, according to old estimate of GDP, in the year 1996 ratio of total financial assets to GDP was 1.88 and at the end of 2000 it rose to 1.90 with the annual average SGR of 0.42 percentages and CGR of 0.31 percentages. On the other hand, according to new estimate of GDP, in the year 1996 total financial assets to GDP was 1.46 and at end of 2000 it increased up to 1.52 with annual average SGR and CGR of 1.05 and 0.93 percentages respectively. As usual the ratio, which is derived from new GDP, is lower than the other ratio, which is derived from old GDP. This is because new GDP on an average is higher by 30 percent than old GDP.

**Table VI-6**
**Financial Deepening Through Financial Assets/GDP and Financial Assets/New GDP**

| Financial Deepening | | | | |
|---|---|---|---|---|
| As on 31 December | Total Financial Assets/GDP (Old) | SGR of Total Financial Assets/GDP (Old) | Total Financial Assets/GDP (New) | SGR of Total Financial Assets/GDP (New) |
| 1 | 2 | 3 | 4 | 5 |
| 1996 | 1.88 | | 1.46 | |
| 1997 | 1.76 | -6.61 | 1.36 | -7.14 |
| 1998 | 1.78 | 1.50 | 1.39 | 2.51 |
| 1999 | 1.80 | 0.82 | 1.43 | 2.55 |
| 2000 | 1.90 | 5.95 | 1.52 | 6.30 |
| Annual Average SGR | | 0.42 | | 1.05 |
| CGR | | 0.31 | | 0.93 |

Source: Column 2; figure has been derived by dividing *Total Financial Assets* of column 7 of the Appendix: Table-15 by the estimated value of *Old GDP* of column 5 of the Appendix: Table-1.

Column 4; figure has been derived by dividing *Total Financial Assets* of column 7 of the Appendix: Table-15 by the estimated value of *New GDP* of column 6 of the Appendix: Table-1.

### VI.4.2. Levine's View

In the beginning of this chapter, it has already been mentioned that Levine, in one of his articles in 2002, segmented the financial sector into two-group bank-based finance and market-based finance. And for measuring the financial deepening, he introduced three indicators: Finance Activity, Finance Size, and Finance Efficiency. Through the measuring of these three indicators, from these two segments of the financial sector, Levine tried to assess the overall financial deepening of an economy. But in the following section, we have tried to measure the financial deepening by using only two indicators: Finance Activity and Finance Size.

For measuring the indicators of Finance Activity and Finance Size, we first need to calculate three ratios: Market Capitalization Ratio, Value Traded Ratio and Private Credit Ratio. And in the Table VI-7, it is depicted that over the years, the value of these three ratios' increased, i.e. at the beginning of the FY 1975-76 the value of the ratio of Market Capitalization was only 0.001 but at the end of the period in the FY 1999-2000 the value of the ratio increased to 0.064 with an annual average SGR and CGR of 29.65 and 17.48 percentages respectively; the value of the ratio of Value Traded was only 0.0001 in the FY 1985-86, but it increased to 0.0280 in the FY 1999-2000 with annual average SGR and CGR of 105.88 and 49.29 percentages respectively. As usual the value of the Private Credit Ratio was 0.031 in the FY 1975-76 and it went up to 0.266 at the end of the period in the FY 1999-2000 with annual average SGR and CGR of 9.94 and 9.32 percentages respectively. In fact, in all cases the growth rates of the ratios were very high. It indicates that over the period financial deepening increased.

## Table VI-7
## Growth Pattern of Capitalization Ratio, Value Trades Ratio and Private Credit Ratio.

| Period | Market Capitalisation Ratio (Old) | SGR of Market Capitalisation Ratio (Old) | Value Traded Ratio (Old) | SGR of Value Traded Ratio (Old) | Private Credit Ratio (Old) | SGR of Private Credit Ratio (Old) |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1975-76 | 0.001 | | - | | 0.031 | |
| 1976-77 | 0.002 | 61.06 | - | - | 0.044 | 41.68 |
| 1977-78 | 0.002 | -1.81 | - | - | 0.050 | 12.00 |
| 1978-79 | 0.002 | 7.56 | - | - | 0.053 | 6.79 |
| 1979-80 | 0.002 | -1.50 | - | - | 0.071 | 33.89 |
| 1980-81 | 0.003 | 16.97 | - | - | 0.076 | 6.96 |
| 1981-82 | 0.003 | 20.21 | - | - | 0.091 | 19.84 |
| 1982-83 | 0.004 | 31.41 | - | - | 0.105 | 15.33 |
| 1983-84 | 0.006 | 54.30 | - | - | 0.138 | 31.41 |
| 1984-85 | 0.009 | 35.10 | - | - | 0.169 | 22.38 |
| 1985-86 | 0.012 | 43.21 | 0.0001 | - | 0.179 | 5.85 |
| 1986-87 | 0.023 | 91.19 | 0.0003 | 221.04 | 0.166 | -7.14 |
| 1987-88 | 0.023 | -3.39 | 0.0002 | -33.91 | 0.182 | 9.64 |
| 1988-89 | 0.023 | 2.51 | 0.0003 | 20.96 | 0.203 | 11.00 |
| 1989-90 | 0.016 | -33.09 | 0.0003 | 0.16 | 0.217 | 7.13 |
| 1990-91 | 0.012 | -19.98 | 0.0001 | -47.46 | 0.214 | -1.56 |
| 1991-92 | 0.014 | 8.88 | 0.0005 | 248.30 | 0.198 | -7.35 |
| 1992-93 | 0.019 | 40.70 | 0.0006 | 26.46 | 0.204 | 2.96 |
| 1993-94 | 0.041 | 112.36 | 0.0042 | 581.61 | 0.204 | -0.10 |
| 1994-95 | 0.069 | 70.01 | 0.0055 | 31.43 | 0.227 | 11.52 |
| 1995-96 | 0.242 | 251.30 | 0.0278 | 408.77 | 0.243 | 7.15 |
| 1996-97 | 0.075 | -68.86 | 0.0185 | -33.54 | 0.253 | 4.04 |
| 1997-98 | 0.059 | -21.51 | 0.0313 | 69.03 | 0.259 | 2.39 |
| 1998-99 | 0.047 | -20.92 | 0.0291 | -7.03 | 0.263 | 1.37 |
| 1999-00 | 0.064 | 35.83 | 0.0280 | -3.57 | 0.266 | 1.37 |
| Annual Average SGR | | 29.65 | | 105.88 | | 9.94 |
| CGR | | 17.48 | | 49.29 | | 9.32 |

Source: Column 2; Figure has been derived by dividing *Aggregate Market Capitalization* of column 10 of the Appendix: Table-13 by the value of *Old GDP* column 2 of the Appendix: Table-1.

Column 4; Figure has been derived by dividing *Aggregate Annual Turnover* of column 7 of the Appendix: Table-13 by the value of *Old GDP* of column 2 of the Appendix: Table-1.

Column 6; Figure has been derived by dividing *Private Credit* of column 8 of the Appendix: Table-18 by the value of *Old GDP* of column 2 of the Appendix: Table-1.

By using the above ratios, we have measured finance-activity, which equals to the logarithm of the total value traded ratio times the private credit ratio, and finance-size, which equals to the logarithm of the market capitalization ratio times the private credit ratio. It is depicted in the Table VI-8, which shows that over the years, the negative value of Finance Activity and Finance Size was being reduced (Both are logarithmic value). It means over the years, Finance Activity and Finance Size were being enlarged in our country.

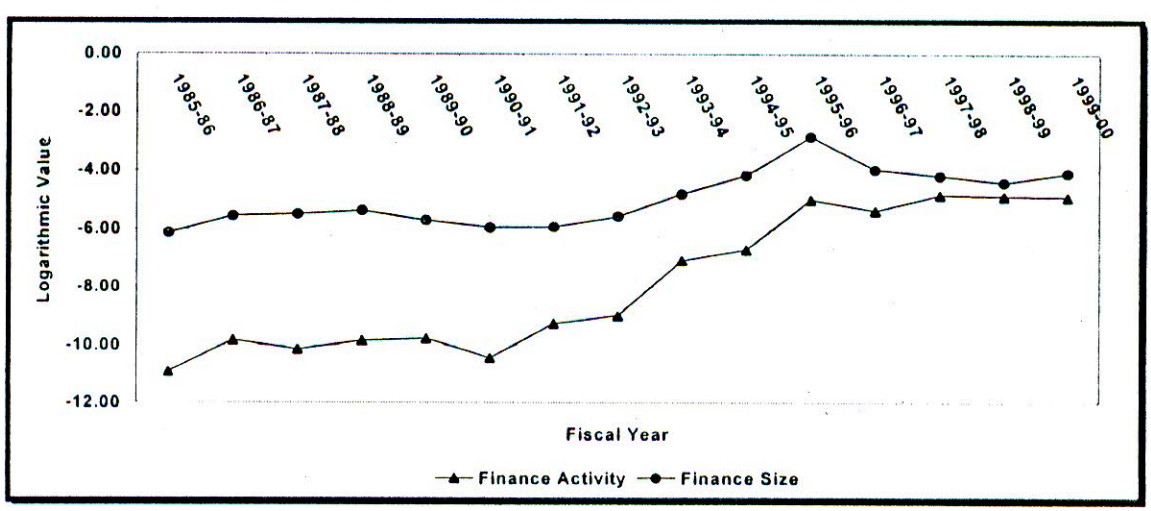
**Table VI-8**
**Financial Deepening Through Finance Activity and Finance Size**

| Period | Value Traded Ratio | Private Credit Ratio | Finance Activity | Market Capitalisation Ratio | Private Credit Ratio (Old) | Finance Size |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1985-86 | 0.0001 | 0.179 | -10.90 | 0.012 | 0.179 | -6.12 |
| 1986-87 | 0.0003 | 0.166 | -9.81 | 0.023 | 0.166 | -5.54 |
| 1987-88 | 0.0002 | 0.182 | -10.13 | 0.023 | 0.182 | -5.49 |
| 1988-89 | 0.0003 | 0.203 | -9.84 | 0.023 | 0.203 | -5.36 |
| 1989-90 | 0.0003 | 0.217 | -9.77 | 0.016 | 0.217 | -5.69 |
| 1990-91 | 0.0001 | 0.214 | -10.43 | 0.012 | 0.214 | -5.93 |
| 1991-92 | 0.0005 | 0.198 | -9.26 | 0.014 | 0.198 | -5.92 |
| 1992-93 | 0.0006 | 0.204 | -8.99 | 0.019 | 0.204 | -5.55 |
| 1993-94 | 0.0042 | 0.204 | -7.07 | 0.041 | 0.204 | -4.80 |
| 1994-95 | 0.0055 | 0.227 | -6.69 | 0.069 | 0.227 | -4.16 |
| 1995-96 | 0.0278 | 0.243 | -5.00 | 0.242 | 0.243 | -2.83 |
| 1996-97 | 0.0185 | 0.253 | -5.36 | 0.075 | 0.253 | -3.96 |
| 1997-98 | 0.0313 | 0.259 | -4.82 | 0.059 | 0.259 | -4.18 |
| 1998-99 | 0.0291 | 0.263 | -4.88 | 0.047 | 0.263 | -4.40 |
| 1999-00 | 0.0280 | 0.266 | -4.90 | 0.064 | 0.266 | -4.08 |

Source: The three ratios 'Value Traded Ratio', 'Private Credit Ratios' and 'Market Capitalization Ratio' have been taken from the Table VI-7.

In the Figure VI-4, trend pattern of the Finance Activity and Finance Size has been displayed. From the figure it is seen that from the FY 1985-86 to the FY 1995-96, the negative value of finance activity and finance size reduced; but from the FY 1996-97, both took downward trend. An important feature of these two values is that their growth trend patterns are identical; and over the years, the difference of these values reduced.

**Figure VI-4**
**Trend Pattern of Finance Activity and Finance Size**




Source: Table VI-8.

## VI.5. Financial Deepening Through Contribution of Financial Sector to GDP

Financial deepening can also be measured through the ratio of contribution of financial sector to GDP. Growth trend of the ratio of the contribution of financial sector to GDP is analyzed in the Table VI-9. In the table, two ratios have been measured. The first ratio is measured on the basis of old GDP, and the second ratio is measured on the basis of new GDP. Old GDP is measured traditionally and the new GDP is estimated according to SNA'93 framework, and according to new estimation, the value of GDP on an average increased by 30 percent. But the value of new GDP is available only from the FY 1989-90. The table shows that the first ratio (Old method) increased from 1.08 from the FY 1972-73 to 1.88 in the FY 1999-2000 registering annual average SGR of 2.35 percentages and CGR of 2.00 percentages. It also shows that the second ratio was 1.34 in the FY 1989-90, which increased to 1.54 with the annual average SGR and CGR of 1.42 and 1.27 percentages respectively. The above analysis shows that both the growth rates were higher for old method than that of new method.

**Table VI-9**
**Ratio of the Financial Sector's Contribution to GDP and its Growth Trend**

| Year | Value Added of Banking & Insurance to GDP (Old) | SGR % of Value Added of Banking & Insurance to GDP (Old) | Value Added of Financial Intermediations to GDP (New) | SGR % of Value Added of Financial Intermediations to GDP (New) |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 1972-73 | 1.08 | | - | |
| 1973-74 | 0.97 | -9.92 | - | - |
| 1974-75 | 0.91 | -6.03 | - | - |
| 1975-76 | 1.04 | 13.83 | - | - |
| 1976-77 | 1.13 | 8.47 | - | - |
| 1977-78 | 1.08 | -3.77 | - | - |
| 1978-79 | 1.31 | 20.81 | - | - |
| 1979-80 | 1.58 | 20.85 | - | - |
| 1980-81 | 1.66 | 5.25 | - | - |
| 1981-82 | 1.62 | -2.81 | - | - |
| 1982-83 | 1.57 | -2.67 | - | - |
| 1983-84 | 1.68 | 6.53 | - | - |
| 1984-85 | 1.69 | 0.91 | - | - |
| 1985-86 | 1.92 | 13.20 | - | - |
| 1986-87 | 1.88 | -2.10 | - | - |
| 1987-88 | 1.91 | 2.07 | - | - |
| 1988-89 | 1.99 | 3.92 | - | - |
| 1989-90 | 2.05 | 2.95 | 1.34 | - |
| 1990-91 | 1.95 | -4.65 | 1.34 | 0.24 |
| 1991-92 | 1.96 | 0.48 | 1.37 | 2.16 |
| 1992-93 | 2.07 | 5.36 | 1.44 | 4.92 |
| 1993-94 | 2.09 | 0.90 | 1.48 | 3.01 |
| 1994-95 | 1.98 | -5.29 | 1.47 | -0.60 |
| 1995-96 | 2.03 | 2.53 | 1.51 | 2.76 |
| 1996-97 | 2.03 | 0.29 | 1.53 | 0.91 |
| 1997-98 | 1.97 | -3.22 | 1.49 | -2.13 |
| 1998-99 | 1.89 | -3.93 | 1.53 | 2.06 |
| 1999-2000 | 1.88 | -0.61 | 1.54 | 0.86 |
| Annual Average SGR | | 2.35 | | 1.42 |
| CGR | | 2.00 | | 1.27 |

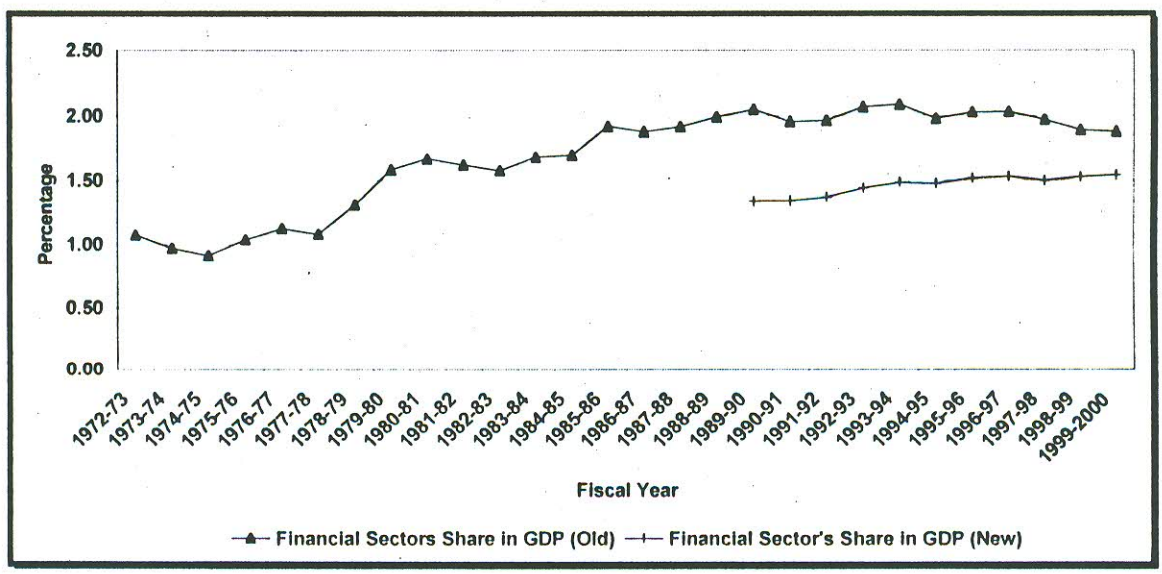
Source: Column 2; figure has been derived by dividing *Value Added of Banking & Insurance* of column 4 of the Appendix: Table-14 by the value of *Old GDP* of column 2 of the Appendix: Table-1.

Column 4; figure has been derived by dividing Value Added in Financial Intermediaries of column 20 of the Appendix: Table-14 by the value of *New GDP* of column 3 of the Appendix: Table-1.

Annual SGR of the first ratio (Old method) is all most erratic over the years, with the highest and lowest value of 20.85 in the FY 1978-88 and (-)9.92 in the FY 1973-74. Annual SGR of the second ratio (New method) is comparatively smoother.

In the Figure VI-5, difference between the financial sector's contributions to GDP on the basis of two types of GDP has been depicted. It is seen that average difference between the two values is about 0.5 percent.

**Figure VI-5**
**Trend Pattern of the Ratio of Financial Sector's Contribution to GDP**




Source: Table VI-9

## VI.5.1. Trend Equation of Financial Sector's Contribution to GDP

To compare the growth trends of the ratio of the contribution of financial sector to GDP more critically, semi-logarithmic trend lines are estimated for the period. The semi-logarithmic trend equation shows the relationship between the ratio of the contribution of financial sector to GDP (Y) as dependent variable and time (X) as independent variable which has been fitted by the least square method and the significance of the coefficient of time has been tasted by the t test technique. The estimated semi-logarithmic trends for the ratio of the contribution of financial sector to GDP are shown in Table VI-10.

**Table VI-10**
**Estimated Semi-Logarithmic Trend Lines of the Ratio of the Contribution of Financial Sector to GDP**

| Ratio of the Contribution of the Financial Sector to GDP | Estimated Statistics of the Equation: LogY=A+BX | | | | | | |
|---|---|---|---|---|---|---|---|
| | A | B | $R^2$ | Trend Growth Rate (TGR) | $CR_t$ of B | P | The t test result |
| Contribution Ratio (Old) | 0.0350 | 0.0121 | 0.7487 | 2.89 | 8.80 | 0.00 | S |
| Contribution Ratio (New) | 0.1252 | 0.0063 | 0.8522 | 1.46 | 7.20 | 0.00 | S |

Note: Y= Dependent Variables
X= Time Period in Years
A= Intercept of the Trend Line
B= Estimated Trend Coefficient
$R^2$= Coefficient of Determinant
Trend Growth Rate (TGR)= {Anti-log of (B) - 1}*100
$CR_t$= Critical Ratio for a t Test for Slope
P= Probability that samples comes from a population with a Slope of zero
S= Significant at 0.05 level of significance
For Old Method the t Table Value at 26 degrees of freedom and 0.05 level of significance is 1.706
For New Method the t Table Value at 10 degrees of freedom and 0.05 level of significance is 1.812

The table shows that each of the trend line equation has positive slope (i.e., the sign of the coefficient of time denoted by 'B' is positive) and the slopes are found statistically significant at five percent level of significance. It, therefore, suggests that the first ratio (based on old method) increased with TGR of 2.89 percentages in the country during the period. It is also obvious from the table that the second ratio (New method) for the period from 1989-99 to 1999-2000 increased with TGR of 1.46 percentage. As usual, TGR percentage was greater for old method.

## VI.6. Chapter Summery

Financial deepening is an indicator of financial development. It is assumed that in an economy the higher the value of this measurement; financially that economy is more developed. There are various measurements to assess the financial deepening of an economy. In this chapter, we have measured financial deepening of Bangladesh with nine ratios. All these ratios show that over the years, financial deepening in Bangladesh increased. And it is happening that if the new value of GDP is used as denominator in lieu of the old value of GDP, the value of the measurement of financial deepening is reduced. However, the country was continuously progressing in her financial development. The next chapter examines the reforms, problems and gives some suggestions.

# Chapter VII

## The Reforms, Existing Problems and the Suggestions

1. Introduction
2. Banking Sector
   a. Reforms in Banking Sector
   b. Outcome of the Banking Sector Reforms
   c. Existing Problems in Banking Sector
   d. Suggestion for Banking Sector
3. Insurance Sector
   a. Reforms in Insurance Sector
   b. Existing Problems in Insurance Sector
   c. Suggestion for Insurance Sector
4. Stock Exchange
   a. Reforms in Stock Exchange
   b. Existing Problems in Stock Market
   c. Suggestion for Stock Market
5. Chapter Summary

# Chapter VII

## The Reforms, Existing Problems and the Suggestions

### VII.1. Introduction

This chapter on reforms, problems and suggestions is divided into three main sections on the banks, insurance and stock exchanges. Each section again deals with reforms, problems and suggestions on relevant sector. It however, gives a brief account of financial sector's reforms, issues, problems and their possible solutions.

### VII.2. Banking Sector

The banks and financial institutions in Bangladesh used to operate under a regime of rigid regulations. The regulation covered interest rates on deposits and advances, direction of credit to public sector enterprises and targeted sectors/areas by the government. At times, the legal administrative-framework could not stand on the way of undue influence making inroads into the decision-making process, resulting in misdirection of credit, partial waiver of dues and even complete write-off. Classification of bank advances was made by the Bangladesh Bank mainly based on subjective evaluation of their auditors. All these combined to yield sub-optimal contribution of the banks and financial institutions to the economy. Spread between rates of deposits and lending turned out to be partly irrational and largely irrelevant; management cost exceeded a level which could be termed as normal; classification of loans and advances were manifestive of puffed up situation and transparency in accounts and operations blurred. In this gloomy situation the questions of reformation in the financial sector came in front. But, it should be mentioned that the urge on the part of banking system to adopt reform measures was not that strong till mid-1980s. Because of inappropriate accounting and reporting system and non-compliance of international accounting standard, the problems of banking system were not exposed to public, which delayed the formation and adoption of reform measures in the banking sector of Bangladesh[1].

Actually the process of financial sector reform was initiated in 1982 by the privatisation of two nationalized commercial banks (NCBs) and through permitting a

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[1] Centre for Policy Dialogue, *Policy Brief on "Financial Sector Reforms,"* (Dhaka: CPD, 2001), pp. 2-3.

number of private commercial banks (PCBs) to come into existence.[2] But in 1984, formally a national *Commission on Money, Banking and Credit* was appointed by the government to suggest ways means to improve the efficiency of the banking system which made its recommendations in 1986.[3] After a detailed examination of various problems of the banking sector such as bank rate and refinancing policy of Bangladesh Bank, overdue loans of NCBs and DFIs, supply of inadequate loans to rural and agriculture sector, supervisory problems of Bangladesh Bank and Bank Managements, frauds and forgeries in the banking sector etc., the National Commission on Money, Banking and Credit submitted a long list of recommendations to the government in 1986. Subsequently a number of steps (such as fixation of recovery targets for NCBs and DFIs, prohibiting defaulters from getting new loans etc.) were taken, yet the deterioration in banking efficiency could not be stemmed.[4]

The World Bank also made an in-depth study of Bangladesh's financial sector in the mid-1980s. A wide ranging banking reform measures were undertaken on the basis of the recommendations of a World Bank Consultative Mission under Financial Sector Adjustment Credit (FSAC) just at the beginning of 1990s. For successful implementation of the reform measures in the banking sector, one Financial Sector Reform Project (FSRP) office [Technical Assistance (TA) Project] was instituted at the Bangladesh Bank in 1992.[5] In order to address the issue of increase in efficiency in the banking sector, the FSAC classified the problems of banking into four distinct groups: Economic, Prudential, Institutional and Legal. According to FSAP, the rate of interest could not reflect real risk and price because of excessive control. Moreover, direct credit to priority sectors and absence of appropriate loan classification and provisioning led to deterioration in the overall loan management quality. On the other hand, flexibility and forbearance in terms of ensuring proper enforcement of prudential regulations (like capital adequacy, loan classification etc.) were also observed. Weakness in relation to loan screening and supervision were among the most important institutional problems. Another institutional problem was very weak management information system of the banks. The loan default

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[2] Debapria Bhattacharya, "The State of Governance in Bangladesh's Banking Sector: Perspectives on the Reform Measures," *Crisis In Governance A Review of Bangladesh's Development 1997* (Dhaka: UPL & CPD, 1998), p. 131.

[3] Omar Haidar Chowdhury, "The Review of Financial Sector Reform in Bangladesh," *A Review of Bangladesh's Development 1996* (Dhaka: CPD & UPL, 1997), p. 55.

[4] Policy Dialogue, *Financial Sector Reforms*, p. 3.

[5] Bhattacharya, *State of Governance*, p. 131.

problem continuously accumulated because of procrastination and inadequacy of the legal system. Under the above circumstances, the World Bank determined the following objectives for the financial sector reform programme:

- Gradual deregulations of interest rate structure with a view to improve the allocation of resources;
- Providing market oriented incentives for priority sector lending;
- Making subsidies in the priority sector more transparent;
- Adoption of appropriate monetary policy;
- Improvement in the debt recovery environment; and
- Strengthening of the capital market.

After the expiry of FSRP in 1996, the GOB formed a Banking Reform Committee (BRC) to evaluate the situations arising in the banking sector and place recommendations to GOB in December 1999 in regard to the following matters.[6]

- Improving debt recovery environment of the banks,
- Strengthening supervisory capacity of BB,
- Increasing income and reducing expenditure, and
- Improving the personnel quality of the banks.

Another two Task Forces constituted by the government in the latter half of 1990s, one to accelerate the loan recovery drive and the other to look into the functioning of the labour unions in the banking sector. More over the World Bank supported *Commercial Bank Restructuring Project* (CBRP) was launched at that time.[7]

The basic tenets of the past reform measures in Bangladesh's banking sector, addressed the following issues:

- Allowing the entry of both domestic and foreign private banks;
- Privatisation of government-owned commercial banks;

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[6] Policy Dialogue, *Financial Sector Reforms*, P. 11.

[7] Bhattacharya, *State of Governance*, p. 132.

- Liberalization of interest rates;
- Providing increased incentives for priority sector lending and making subsidies in these sectors conspicuous and transparent;
- Introduction of market based instruments of financial control;
- Relaxation of directives covering credit allocation;
- Removal of restrictions on the types of activity that the banks can undertake;
- Improving loan recovery through establishment of efficient loan recovery procedures and enactment of new legislation;
- Institutions of improved management and operational tools.
- Strengthening the capital market in the country.

## VII.2.1. Reforms in Banking Sector

The major areas of progress under the Liberalization and Reforms of Financial Sector (LRFS) are outlined in the following sections.

### VII.2.1.1. Privatization of NCBs and introduction of Private Banks

Just after the liberation of Bangladesh, the whole banking system (excepting a few foreign bank branches) was restructured and nationalized according to the economic objectives of the government. During 1972-1982, the banking system used to operate under a regime of rigid government control and central bank regulations. During the period, the banking system expanded very rapidly, especially for providing banking and credit services in the rural areas. On the other hand, the banks were motivated and directed to channelize credit to national priority sectors such as nationalized industries, small entrepreneurs, farmers etc. it is a fact that, because of rapid expansion of bank branches and services, the financial soundness as well as quality of services were adversely affected to a great extent. Consequently, the government denationalised two nationalized commercial banks (NCBs) and a number of private commercial banks (PCBs) were allowed to operate in the banking sector with the expectation that because of competition between NCBs and PCBs the overall quality of services of the NCBs would be improved.[8] The decision to disinvest Pubali and Uttara banks was related to the fact that

[8] Policy Dialogue, *Financial Sector Reforms*, p. 1-2.

their previous owners were Bangladeshi, and thus no legal entanglements were expected. The process of disinvestments was, therefore, limited to negotiating only with the previous owners. However, to make it politically acceptable, a portion of the shares was reserved for the employees and a small part for the Government.[9]

### VII.2.1.2. Interest Rate Liberalization

In fact interest rate policy in Bangladesh can be separated into four stages since liberation.[10] The first decade was characterized by interest rates being fixed by the central bank for both deposits and advances, the deliberate direction of credit to achieve the resource allocation that the government felt appropriate, and pervasive negative real rates. The financial policy of the 1970s reflected the belief of the national economic managers that the real economic decision should be made by the government rather than directed by interest rates (price). All banks and financial institutions were to comply with such fixations and regulations without any flexibility. Thus neither the banks could compete with each other nor the depositors/debtors had option to bargain for deposits and advances. This stood in the way of determination of real prices of money. As a result, the market suffered from distortions and the prevailing interest rates did not reflect the opportunity costs. To the end of removing distortions and allowing market forces to play their roles, Bangladesh Bank implements some successive regulations.

In the 1980s, the second stage of interest rate policy was characterized by an important change, which raised deposits rates to a level generally higher than the inflation rate, which resulted in positive returns to holders of fixed deposits.

In the early 1990s, the third stage was initiated. Interest rate bands were established for eleven lending categories, which covered all possible loans. For lending rates below a shadow rate determined by the central bank, the Government paid subsidies to the banks, thus making subsides transparent. This reform allowed the banks to set interest rates freely as long as they remain inside the bands. Deposit rates were freed except that a floor and ceiling for saving and fixed deposits were established. At the same time directed lending was stopped and the central bank initiated a rediscount facility at a uniform interest rate.

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[9] Chowdhury, "Financial Sector," p. 66.

[10] Ibid. pp. 67-68.

Finally, the fourth stage was initiated in 1992. The bands were removed from all but three of the 11 lending sectors (exports, agriculture and small industry) and the banks were permitted to set any rates for advances that they believed to be appropriate, but lastly -excepting export- all the ceiling, floor or band were removed[11]. Floors on saving and fixed deposits were continued, while ceiling were removed. The deposits' rate floor was to be related to the inflation rate, keeping the floor ½% -1% above the inflation rate, and the banks are now permitted to divide their clients into three risk groups within each lending category, with the maximum difference between the highest and lowest rates not exceeding 2%. Thus the fixed interest rate regime determined by the Bangladesh Bank transformed into a market-determined regime.

The number of subsidized sectors and the rates of subsidy have been reduced. Initially there were six subsidized sectors with varying rates of subsidy. Gradually the number of subsidized sectors has been reduced from six to one. At present, subsidy is admissible at the rate of 3% only in the case of lending to small and cottage industries.

### VII.2.1.3. Indirect Monetary Control

The Bangladesh Bank has been pursuing a policy of indirect control in management of Monetary and Credit programmes, which are phased quarterly, are monitored regularly. In line with the policy of financial liberalization and indirect control in monetary management, the Bangladesh Bank introduced different securities with different maturity periods.[12] In the past basically government treasury bill of 3-month maturity at predetermined rates was transacted. But gradually different categories of treasury bills were introduced and finally on 6 September, 1998 four categories of treasury bills (30-day, 90-day, 180-day, and 1-year) were replaced by the newly introduced six categories of treasury bills (28-day, 91-day, 364-day, 2-day, 2-year and 5-year). Bangladesh Bank also introduced two categories of Bangladesh Bank Bills (91-Day and 30- day), but later on, from March 1997, the auction of Bangladesh Bank Bill was suspended.[13]

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[11] Policy Dialogue, *Financial Sector Reforms*, p. 4.

[12] Government of Bangladesh, *Bank Shangoskar Committeer Protibedon*,[Report of the Bank Reconstruction Committee], (Dhaka: GOB, 1999), p. 5.

[13] *Banglapedia* (Dhaka: Asiatic Society, 2003), s.v. "Money Market," by Syed Ahmed Khan and Abdus Samad Sarker.

### VII.2.1.4. Provisions and Classification

New procedures and rules for loan classification and provision as well as suspension of interest on classified loans have been introduced in 1990s. Provisions are made in accordance with some set of rules on the basis of assessment of individual loans or against the entire portfolio. As a part of the reform programme, the Bangladesh Bank introduced regulations requiring the banks to classify their loans and advances according to a set of detailed instruction. During 1994-98, the loan classification norms were changed five times.[14]

Lastly, Bangladesh Bank introduced new accounting policies with respect to loan classification, provisioning and interest suspense with a view to attaining international standard over a period of time. Revised policy for loan classification and provisioning was upgraded on 31st December, 1998.[15] Revised policy calls for independent assessment of each loan on the basis of qualitative factors and objective criteria. Each loan is branded with the worst level of classification resulting from these independent assessments.

- If a Continuous Credit or a Demand Loan remains non-performing for 6 months or more it is classified as Sub-standard. It is classified as Doubtful if it remains non-performing for 9 months and classified as Loss if non-performing for 12 months or more.
- In case of Term Loan, which is repayable within a maximum period of 5 years, if any instalment is not repaid within the specified period and if the time-equivalent of such unadjusted balance is 6 months it is classified as Sub-standard. Term loan is classified as Doubtful and Loss if the time-equivalent of unadjusted balance is 12 months and 18 months respectively.
- In case of a Term Loan, which is repayable within a period of more than 5 years, if any instalment is not repaid within the specified period and if the time-equivalent of such unadjusted balance is 12 months it is classified as sub-standard. It is classified Doubtful and Loss if the time-equivalent of unadjusted balance is 18 months and 24 months respectively.
- Agricultural Loan and Micro-Credit is classified as Sub-standard if non-performing for 12 months, Doubtful if non-performing for 36 months and Loss if non-performing for more than 60 months.

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[14] Policy Dialogue, *Financial Sector Reforms*, p. 5.

[15] Government of Bangladesh, *Bank Shangoskar*, p. 5.

Under the existing system scheduled banks are required to maintain provisions against unclassified and substandard loans in addition to doubtful and loss loans. They are allowed to book interest against classified loan only on cash basis.

Whether a credit is classified or not under the objective criteria, it is subjected to classification under qualitative judgement if any doubt arises regarding repayment of loan. Provisions are required of 1 percent for unclassified, 10 percent for sub-standard, 50 percent for doubtful and 100 percent for bad or loss.

### VII.2.1.5. Capital Adequacy

A closely related concept introduced as a part of financial reform is the legal requirement of capital adequacy. Prior to this, legislation for capital requirement was applied to the foreign banks and in licensing agreement with private banks. However, there was no such requirement for the NCBs. Since the purpose of the capital adequacy requirement is to protect the depositors in case of a crisis in the bank's financial condition, no need was felt to look into the capital adequacy or for that matter the asset position of the NCBs because it was assumed that the Government will fully compensate the depositors in case of a run on any NCB.

All nationalised and denationalised banks are undercapitalised according to the previous and current standard of loan classification. Previously capital adequacy was based on the volume of demand and time liabilities, the required amount were fixed at 6 percent of total deposit liabilities.[16] In January, 1996 BB announced a new policy on capital adequacy along the lines recommended by the Basle Committee on banking supervision. This revised policy on capital adequacy requiring 8% capital ratio captures off-balance sheet risk as well as risk in different types of assets. Till 1998, both NCBs and PCBs were suffering from capital inadequacy. However, as on June 2000, the capital of NCBs further reduced to 5.08 percent, whereas that of PCBs improved substantially to 11.29 percent and for the overall banking system, it stood at 7.54 percent.[17]

The Government to re-capitalize the NCBs, issued special bonds worth of Tk. 1,729 crore in favour of the NCBs to meet their shortfall in the provision and capital as per their December 1989 accounts. The government also issued special Treasury bond

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[16] Ibid.

[17] Policy Dialogue, *Financial Sector Reforms*, p. 7.

worth Tk. 1,460 crore in favour of the NCBs in November 1993 in order to meet up their December 1991 shortfall in capital as well as to enable them to pay for other claims.[18]

### VII.2.1.6. Strengthening the Supervision of BB

A number of measures have been taken for strengthening Bangladesh Bank's supervision on banks and non-bank financial institutions. Bangladesh Bank has adopted a report based on off-site technique of bank supervision as a continuous process. For evaluating the overall condition of each bank BB has introduced CAMEL-rating system, based on the respective banks' capital, asset quality, management capability, income and liquidity level.[19] Based on CAMEL rating, BB used to identify the problem banks and if necessary also provide Early Warning Signal (EWS) to any bank.

### VII.2.1.7. Modernizing the Bank Related Information System

Credit Information Bureau has been established in BB to collect, store and provide detailed information about borrowers and their credit in order to take quick and right decision on credit proposal with a view to assist the banks and financial institutions.

### VII.2.1.8. Introduction of New Management and Operational Tools

Under the banking reform programme, the management efficiency of NCBs was thought to achieve through introduction of a number of new management and operational tools such as[20] :

- Lending Risk Analysis (LRA),
- Management Information System (MIS),
- New Loan Ledger (NLL),
- Performance Planning Sysem (PPS) etc.

The above management and operational tools were mainly focussed on improving the credit screening and monitoring process of the banks, for which adequate knowledge, skill and willingness of the credit officer were very essential.

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[18] Chowdhury, "Financial Sector," p. 64.

[19] Policy Dialogue, *Financial Sector Reforms*, p. 7.

[20] Ibid., p. 8

### VII.2.1.9. Improvising Regulatory Act:

For proper enforcement of financial contract, what is most necessary is the establishment of a quick and effective legal framework. A weak legal infrastructure is largely responsible for non-recovery of default loan and thus for deterioration in the quality of overall credit management in Bangladesh. For improved recovery of overdue bank loans, the Government has promulgated the Financial Loan Court Act and has set up a number of Financial Loan Courts. The Government has made necessary amendments to the Act for expediting recovery of amounts decreed by the Financial Loan Courts. During 1990s a number of enactments, e.g. financial Loan Court Act (1990), the Bank Companies Act (1991), the Financial Institutions Act (1993), the Securities and Exchange Commission Act (1993), the Bankruptcy Act (1997) etc. were introduced for improvement in the debt recovery environment and for making discipline in the financial sector of the country[21].

## VII.2.2. Outcome of the Banking Sector Reforms

The World Bank driven reform measures of 1990s could not generate expected results. However, it is a fact that the banking reform programme had been successful in exposing the banking sector problems to general public and raising their consciousness.

One of the most important reasons for not getting expected result was the overemphasis on economic deregulation without broad basing and consolidating the prudential and supervisory regulatory framework. The final report on FSRP-TA states that without introducing efforts to overcome the structural weakness (huge bad debt, lack of competition etc.) of the banking system, interest rate reform efforts alone are not sufficient to address the banking problems.[22] The performance audit report (PAR) of the World Bank related to FSAC also admitted, "The project was not successful"[23]. In the reform process demand constraints were not at all considered; consequently, resource allocation especially to national priority sectors was badly affected. Though the World Bank driven reform measures were basically supply-led, yet it is undeniable that the supply aspects were not also adequately covered in the supply-led measures, especially the concerns of implementation stakeholders were largely bypassed. The knowledge, experience and skill of bank executives and employees, their attitude towards market

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[21] Ibid., pp. 8-9.

[22] Ibid., p. 9

[23] Ibid., p. 10

based actions, their accountability and incentive structures, internal control mechanism of the banks, undue influence of CBA and employee union leaders in banking decision making etc. were largely bypassed in the reform programme. All these drawbacks are responsible of these unsatisfactory performances.

## VII.2.3. Existing Problems in Banking Sector

The experience of financial sector reformation of the last decades makes it clear that the steps have been taken are not enough to remove all the problems of the banking sector. In spite of bringing more than one amendment in banking related laws, still there are many lacking and weaknesses. Due to methodical and institutional difficulties the execution of existing laws becomes futile in many cases. The present-day banking sectors are facing the following problems.

### VII.2.3.1. Autonomy of BB

Bangladesh Bank was established as a Central Bank and it is carrying its activities under the Bangladesh Bank Order 1972. The objectives of BB are to set and implement monetary, credit and exchange rate policy to establish new banks and financial institutions and to take necessary step to maintain economic development. For these activities autonomy of BB is necessary. It can be cited that on the one hand, some rules of Bangladesh Bank Order are contrary to autonomy of BB; on the other hand, BB's autonomy becomes futile due to government's directives in spite of BB's autonomy. The members of the Board of Directors of BB hold office at the pleasure of the government, while the Governor and Deputy Governors may be summarily removed by the government.

Bangladesh Bank as a central bank has important role to establish discipline in the banking sector. With overall assessment it is apparent that the weak supervision system of BB is mostly responsible for the difficulties in banking sector. But for effective supervision, autonomy of BB is imperative. According to existing laws and Banking Companies Act 1991, some powers that are necessary to bring banking sector into discipline, are kept at the hand of the government instead of BB. Major parts of the banking sector, i.e. NCBs are out of control of BB. These are mainly under the control of Ministry of Finance of the Government of Bangladesh. The legal base for setting and implementing of monetary policy is also not clear for BB.

### VII.2.3.2. Personnel Policy of BB

The existing personnel policy of BB is not fit for creating efficient manpower for BB. There exist many problems relating to personnel policy of BB, these are the followings.

#### VII.2.3.2.1. Excessive number of employees

The numbers of employees of BB are about 6,600. Among them 65% employees are engaged in branch offices. More than 50% employees are service-providing personnel.[24] It indicates that BB is a labour intensive institution.

#### VII.2.3.2.2. Unsatisfactory Recruitment Process

Direct recruitment system as in the officer post is not satisfactory in BB. In BB seniority gets more priority than merit for promotion or recruitment. Most of the posts of the officers are full filled through promotion from the lower posts. In the last decade, 90% posts of the officers were full filled by promotion of the employees and only 10% of those through direct recruitment. As a result, the efficiency of BB is gradually deteriorating.[25]

#### VII.2.3.2.3. Low Salary and Inadequate Financial Facilities

In comparison to other central banks or even to our neighbouring central banks, the absolute and relative salary of the employees of BB is the lowest. In most of the countries and particularly in the neighbouring countries, there is a different and higher salary structure for the employees of central bank.[26] So, for the recruitment of efficient and eligible personnel for BB, higher and different salary structure has to offer.

#### VII.2.3.2.4. Lacking of Necessary Training

There is no alternative to training for making efficient manpower. Bangladesh Bank Training Academy was established in 1979, and from then it is giving training to the personnel of BB but the quality of training is not satisfactory. The quality of personnel of Training Academy is not satisfactory.[27]

#### VII.2.3.2.5. Lacking the Quality of Economic Policy Analysis

The main task of BB is Economic Policy Analysis. It is a very technical job. But due to lack of appropriate manpower, BB can't analyse all these very efficiently.

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[24] Government of Bangladesh, *Bank Shangoskar*, p. 18.

[25] Ibid.

[26] Ibid., p. 19.

[27] Ibid.

### VII.2.3.3. Problems of NCBs

With the overall assessment, it appears that all the nationalised banks are in critical condition. All these four banks are enclosed with various problems. Though for last ten years, diversified attempts for banking sector reformation have been launched but the result is not satisfactory. At best we can say that due to reformation measure deterioration of banking atmosphere has been thwarted. Still the banking sector is suffering from the following problems.

#### VII.2.3.3.1. Political Influence in Loan Allocation

It is a common practice in Bangladesh that in some cases long term and big loans are granted for political reasons without economic considerations. During granting these loans, proper measure and collateral is not taken, as a result, the total loan become the burden on the NCBs. Ultimately, for the lack of proper documents, all the efforts to recollect overdue loan become futile. The experience proves that no banking officer has been punished for the collusion with this corruption.

#### VII.2.3.3.2. Domination of the Banking Division of Ministry of Finance

The government uses the Banking Division in imposing its own priorities on the NCBs and very often the Banking Division issues orders in sheer violation of the fundamental legislation (i.e. Presidential Order 26) and guiding (i.e. BR PD Circular Order 26) of the NCBs to the detriment of the latter's commercial autonomy.[28] In this context, the very objectives of explicit and implicit interference of the Banking Division have to be reviewed.

#### VII.2.3.3.3. Bearing the loss burden of SOE

NCBs are used as a source of finance to the loss bearing State Owned Enterprises (SOEs). According to the estimate, on 30 June 1999, Tk. 20,650 million (46% of the total loan) became overdue out of total lone of Tk. 45,000 million, which was given in favour of SOEs.[29] For the sake of these SOEs, NCBs are bearing losses, which is not appreciable.

#### VII.2.3.3.4. Loan Amnesty

As a part of the political commitments to the electorate, successive governments in Bangladesh have often announced loan amnesty to various categories of borrowers, e.g. farmers and handloom wavers. The owners of the "sick industries" have also been

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[28] Bhattacharya, *State of Governance,* p. 137.

[29] Government of Bangladesh, *Bank Shangoskar*, p. 50-51.

awarded such interest exemptions from time to time. This gesture undercut the financial discipline in the banking sector.[30]

#### VII.2.3.3.5. Lacking the Accountability of the Employees

There is no clear-cut process of accountability in the NCBs. No job specification and target fixing process is available for the employees. The transfer mechanism of the personnel also hinders to ensure accountability. After doing some misdeed, the employee is transferred to other post; as a result, the immediate consequence is not borne by that employee. The present mechanism of ACR does not ensure at all any accountability.

#### VII.2.3.3.6. Defective Promotion Procedure

Unlike PCBs and FCBs, the promotion policy of the NCBs is defective. Neither efficiency nor merit, only seniority gets priority during promotion process in the NCBs. Most of the officers are promotee officers who got promotion from sub-standard posts. In the promotion process, there is no scope to consider any skill of any officer. As a result, after getting job none become willing to develop skill in the banking occupation.

#### VII.2.3.3.7. Excessive Manpower

One of the main problems of NCBs is excessive manpower. According to latest information the number of employees of NCBs are about 65 thousand. A comparison shows that in PCBs' deposit per employee is Tk. 7.8 million but in NCBs' deposit per employees is only Tk. 5.0 million. Though it is true that due to rural banking this ratio may be lower in NCBs than PCBs but still the specialists argue that one-third employees of NCBs are excessive.[31]

#### VII.2.3.3.8. Lacking of Efficient and Appropriate Manpower

In every level of NCBs, there is a lacking of efficient manpower. Though there are some efficient personnel in the NCBs, their tendency of departing from NCBs to PCBs and FCBs is increasing. On the other hand due to many reasons, at least 70% officers have been promoted from the lower posts. As a result, disequilibrium exists in personnel management.[32] The FSRP-TA project evaluates by stating that due to lack of required leadership and vision on the part of senior management, effective incorporation of new operational tools was not possible.

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[30] Ibid., p. 51.

[31] Ibid., p. 46.

[32] Ibid., p. 45.

#### VII.2.3.3.9. Inadequate Salary

The salary of the employees of NCBs is lower than that of the PCBs in our country. But the workload and responsibilities are almost the same. The salary of the employees of PCBs on the average is ten times higher than that of the NCBs. Historically, in banking occupation, employees get higher salary due to its risky nature. But, the salary structure of the NCBs in our country is equal to national standard though prior independence the employees of the domestic banks enjoyed higher salary and better financial facilities. After independence, with the nationalization of all domestic banks, the salary structure of NCBs was also merged with national pay scale. But this equivalent salary structure is contrary to the banks' employees' workload and risk. In different countries where there are public owned banks, the governments used to provide them different salary structure consistent with private banks' salary structure.[33]

#### VII.2.3.3.10. Undesirable Activities of CBA

There are now on an average five to six trade union organizations operating in each bank most of which maintain explicit political affiliations. These unions mostly use their leverage within the NCBs to appropriate rent, extract sectional benefits and attempt to influence management decisions for individual gain. So for better running of the NCBs, these depraved unions have to be curb down.[34]

#### VII.2.3.3.11. Spread of Corruption

Corruption has spread in every stage in NCBs. Still, the example of taking action against these corrupted employees is rare. [35]

#### VII.2.3.3.12. Existence of Non-Profitable Branches

Due to supply driven approach to financial sector development in the seventies, a huge number of bank branches were expanded in rural areas. Only between 1976 and 1980, 1,800 new branches of NCBs were opened. Then, no attention was given to its profitability and economic feasibility. As a result, at least 1,300 branches of NCBs are now become non-profitable.[36] This huge burden of loss making branches makes the NCBs vulnerable.

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[33] Ibid., p. 46.

[34] Ibid., p. 48.

[35] Ibid., p. 47.

[36] Ibid.

#### VII.2.3.3.13. Delaying in Auditing

For analysing the real financial condition of the banks, it is necessary to get the last year's audit report in due time. According to Company Order, audit report has to be produced to BB within three months after finishing the accounting year. But, in practice, NCBs make huge delay to produce it to BB and BB in respond does not take any action against the NCBs for this delaying.[37] As a result financial analysis in due time becomes impossible.

#### VII.2.3.3.14. Insufficient Non-Interest Income

Income from non-interest sources is very insufficient in the NCBs. Non-interest earning of PCBs and FCBs is about 40% of their total income, on the other hand it is only 20% for the NCBs.[38] According to the GOB's instructions, the NCBs, without charging any commission are now obliged to collect bills on behalf of the Power Development Board (PDB), Dhaka Electricity Supply Authority (DESA), Rural Electrification Board (REB), Telephone and Telegraph (T&T) Board, Water and Sewerage Authority (WASA) and City Corporations etc. Whereas, these agencies are holding their deposits in banks (often from the private sector) offering them maximum interest rates and charging minimum fees on foreign trade related transactions of the third public entities.

#### VII.2.3.3.15. Deprivation from Interest

In many circumstances, the NCBs use their funds for carrying government's orders and are deprived from getting interests. For example, provisionally the government use the fund of NCBs for the payment of pension allowance to retired persons or for the payment of food collection programme without giving any interest to them, later on, the government and related directorate readjust these transactions. This fund adjustment process usually takes few months; as a result, the NCBs are deprived of getting interest from using reserves for some months.[39]

### VII.2.3.4. Problems of PCBs

In the last decade banking business in private sector spread tremendously, but in many cases due to imprudence in management and the tendency of organising directors to take unfair financial benefit in a large scale; impede the purpose of introducing private

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[37] Ibid., p. 54.

[38] Ibid., p. 55.

[39] Ibid.

banking system. The overall evaluation makes it clear that there is huge lacking in transparency, accountability and business ethics in private banking.

### VII.2.3.5. Un-recovered Loan

The most difficult problem in banking sector is un-recovered loan. The whole process of loan recovery in Bangladesh's banking system works in favour of the defaulters and, thus, penalizes the good borrowers. The reasons behind the problems of bad loans are lacking of loan screening skill, absence of accountability of the employees, high interest rate, risky economic environment, corruption and unethical attitude of the employees. Financial loan court act has not succeeded in collecting worth mentioning volume of bad loans of the banks. At the end of 2000, there were ninety (90) Money Loan Courts (MLC); but only 9.41 percent of total litigated amount was made able to be recovered until the end of 1999.[40] Another noteworthy point is that most of the settled loan cases of MLC are small loan defaulters, indicating that big and influential defaulters are still outside the ambit of legal framework. Two bankruptcy courts are established-one in Dhaka and another in Chittagong-under Bankruptcy Act of 1997. Unfortunately, the performance of this court is frustrating. Up to December 2000, the Bankruptcy court at Dhaka settled only 97 cases, and 44 individuals and companies were declared bankrupt, but so far 10 government nominated receivers have not yet been able to recover the decreed money. The receivers have failed to enforce court decree because of unholy alliance between administration and influential defaulters. This reflects overall lawlessness and poor governance of the country. For such a situation one may claim that the following factors are responsible for such solution.

- Paucity of judges
- Frequent stay-orders and undue delays of the courts
- Unethical support of administration, and
- Influential defaulters and corrupt bank officers.

There is no evidence of trial and punishment of the offending after disclosing of corruption and forgery. Even, it is not clear which government organ will take legal action

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[40] Policy Dialogue, *Financial Sector Reforms*, p. 9.

against these corruption and forgery. The quality of loan portfolio is generally reflected by the volume of classified loan. In the Table VII-1, overall picture of classified loan for the decade of 1990s has been depicted. From the table, it becomes clear that over the time loan portfolio of FCBs and PCBs improved in spite of gradual stringent (During 1994-98, the loan classification norms were changed five times in order to raise the norms to acceptable international standard) of the norms of loan classification. But the classified loans of NCBs increased from 28.55 percent to 38.58 percent over the years. As a result, classified loans of all Banks increased from 27 percent to 35 percent. Due to change of the norms of classification, it is difficult to compare between the statuses of classified loans of NCBs over the years. Yet it can be easily argued that 35 percent classified loan cannot indicate distribution of 'quality' loan portfolio by any standard.

**Table VII-1**
**Classified Loans of Different Banks (In Percentage)**

| Year | NCB | PCB | FCB | All Banks |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 1989 | 28.55 | 25.23 | 18.55 | 27.06 |
| 1990 | 29.00 | 25.00 | 21.00 | 27.00 |
| 1992 | 27.49 | 31.10 | 12.64 | 27.87 |
| 1993 | 32.22 | 44.80 | 10.46 | 35.01 |
| 1994 | 31.93 | 44.32 | 8.82 | 34.65 |
| 1995 | 31.00 | 39.21 | 5.40 | 31.98 |
| 1996 | 32.55 | 34.77 | 4.72 | 36.86 |
| 1997 | 36.57 | 31.38 | 3.58 | 37.48 |
| 1998 | 40.38 | 32.96 | 4.14 | 41.07 |
| 1999 | 46.98 | 28.98 | 4.19 | 43.07 |
| 2000 | 38.56 | 22.01 | 3.38 | 34.92 |

Source: Centre for Policy Dialogue, "Policy Brief on National Sector Reforms" CPD Task Force Report, (Dhaka: CPD), P. 27

### VII.2.3.6. Short fall of Provisions

Due to un-recovered loan, it is necessary to maintain required provisions according to Basel Accord. But except FCBs, NCBs and PCBs failed to maintain that required provision. In the Table VII-2, the shortfall of the required provision has been depicted. It is seen that for FCBs only in three years required provisions have been fallen short and in the rest of the years provision were above the required level. But for NCBs and PCBs, shortfall of required provisions occurred in every year, but there was a trend of reducing this short fall for PCBs.

**Table VII-2**
**Shortfall of Provisions of Different Types of Banks (In Percentage)**

| Year | NCBs | PCBs | FCBs | All Banks |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 1989 | -85.00 | -83.70 | -41.14 | -83.60 |
| 1990 | -83.12 | -66.79 | -4.59 | -76.65 |
| 1991 | -7.24 | -64.21 | 9.51 | -20.59 |
| 1992 | -31.72 | -35.21 | 3.13 | -31.97 |
| 1993 | -25.09 | -66.65 | 4.40 | -39.51 |
| 1994 | -33.05 | -54.26 | 3.20 | -39.82 |
| 1995 | -51.19 | -53.20 | 20.40 | -50.69 |
| 1996 | -51.18 | -45.61 | 22.46 | -39.96 |
| 1997 | -54.75 | -43.89 | 33.61 | -42.25 |
| 1998 | -61.49 | -43.72 | 30.71 | -46.50 |
| 1999 | -64.11 | -41.23 | -3.33 | -48.73 |
| 2000 | -62.65 | -32.51 | 21.45 | -42.30 |

Source: Centre for Policy Dialogue, "Policy Brief on National Sector Reforms" CPD Task Force Report, (Dhaka: CPD), P. 27

### VII.2.3.7. Flexibility and Contradiction in Default Act

In April 2001, the Parliament of Bangladesh changed the definition of loan defaulter by amending Bank Company Act, 1991. The amendment says that, an individual or institution will be considered as a defaulter only if its loan becomes overdue by six months. Before the amendment, the limit was three months for current or demand loan and six months for term loan. The amendment also stipulates that a public limited company will not be considered as a business concern related to a defaulter unless the defaulter is a director or holds more than 25 percent shares in that company. On the other hand, a private limited company will be considered as a business concern of a defaulter only if he holds over 20 percent share of it. The introduction of such flexibility in terms of defining a loan defaulter, after attaining international standard of loan classification norms, does not bear the testimony of firm commitment for resolving loan default problems of Bangladesh. The amendment also created some scope for theoretical contradiction. Because, on the one hand, the loan will be classified but on the other hand, the loanee cannot be treated as a defaulter (up to six month after overdue), as a result, the defaulter cannot be stopped from taking new loan up to six months. Consequently, there is a possibility that classified loan may increase in future instead of declining.[41]

[41] Ibid., p. 13-14.

### VII.2.3.8. Default Loan Related Other Problem

The default culture of Bangladesh has created multidimensional problems. Because of default in repayment, it is not only putting adverse impact on capital and liquidity management, but also raising the cost of lending substantially. Again, due to increase in cost of lending, good borrowers are affected and in some cases, they have been influenced not to repay bank loans. International banking operations of the domestic banks are at stake because of their erosion of capital due to loan default.

### VII.2.3.9. Hindrance to Loan Recovery

For the recovery of default loan, the main hindrance at this moment is, existing framework and its lengthy procedure. In spite of enactment of several acts in 1990s the progress to recovery of default loan, is not significant. The poor progress might be because of gaps between formulation and application of legal frameworks and/or between application and effectiveness of legal system. For the delay in settlement of cases, the law itself is not responsible. For example, there is a provision in the Money Loan Court (MLC) Act that a loan default case is to be settled within six months, but it is not becoming effective. The Banks become completely helpless because of stay orders of the courts. It is observed that in many cases, the right of prosecuting default suits are impeded through stay orders. Sometimes, it is observed that the legal process has been delayed because of lack of cooperation of the bank officials and legal advisers. The parties, which are involved in lawsuits, are: plaintiff or complainant, defendant, lawyer and judges. Without having proper ethics, cooperation and sincerity of the involved parties, not only the legal process will be delayed, but also to be obstructed.[42]

### VII.2.3.10. Capital Inadequacy

The new method of capital requirement calculation has revealed that almost all the banks suffer from capital inadequacy and provisioning shortfall. Capital shortfall in the NCBs has aggravated due to government actions, including[43]

- Delay in transfer of bonds.
- Directed loan forgiveness and segregation.
- Non-serving of dues by the State Owned Enterprises (SOEs).

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[42] Ibid., p. 15-16.

[43] Bhattacharya, *State of Governance,* p.139.

To ensure the NCBs', capital adequacy the government should immediately initiate a process for clearing its dues, and the remaining NCBs' shortfalls have to be provisioned in phases from their operating profits. Like NCBs the provisioning criteria and capital adequacy requirement is being violating by the various private banks. So, under all circumstances, an international standard based audit of the loan portfolio, assets and liabilities, and capital adequacy has to be performed in all the banks in order to make full and proper disclosure of their financial situation. In the Table VII-3, capital adequacy has been depicted for different types of banks. Since 1996, minimum capital requirement of the banks was fixed at 8 percent of risk-weighted assets. It is shown that over the years, only FCBs were able to maintain capital adequacy above the minimum requirement level, and the PCBs, only on June 2000, surpassed the minimum requirement level. But, the NCBs could not yet attain the required level of capital adequacy.

**Table VII-3**
**Capital Adequacy of Different Banks (In Percentage)**

| Year | NCB | PCB | FCB | All Banks |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 1992 | 4.29 | 5.00 | 10.12 | 5.81 |
| 1993 | 5.72 | 5.29 | 11.34 | 6.76 |
| 1994 | 5.18 | 4.97 | 13.90 | 6.50 |
| 1995 | 4.91 | 4.97 | 13.17 | 6.30 |
| 1996 | 5.36 | 7.02 | 20.03 | 6.79 |
| 1997 | 5.25 | 7.34 | 18.79 | 6.70 |
| 1998 | 6.42 | 7.90 | 18.22 | 7.43 |
| 2000 June | 5.04 | 11.29 | 16.77 | 7.54 |

Source: Centre for Policy Dialogue, "Policy Brief on National Sector Reforms" CPD Task Force Report, (Dhaka: CPD), P. 28.

### VII.2.3.11. Wide Spread Rate of Interest:

One of the important indicators of competitiveness in the financial market is interest rate spread (the difference between lending and deposits' rate of interest). Higher is the level of competitiveness, lower the interest rate spread. However, it has been observed that the spread is increasing over the years in Bangladesh. In Bangladesh differences of interest rate between deposits and advances in some cases is 7% to 8%, though in developed banking system, the difference is only 1% to 2%.[44] It indicates that the desired competitiveness of the reform measure of interest rate deregulation is yet to be achieved; rather market distortions have increased instead of being declined. In the Table VII-4, weighted average interest rate on deposits and advances has been shown.

[44] Government of Bangladesh, *Bank Shangoskar*, p. 4.

From this table, it becomes clear that over the years, spread rate has reduced by about 1%; but still the rate is very high according to international standard.

**Table VII-4**
**Rate of Interest on Scheduled Banks (Weighted Average as at end Quarter)**

| Year (End in June) | Deposits | Advance | Difference |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1974-75 | 3.51 | 11.28 | 7.77 |
| 1975-76 | 4.23 | 11.62 | 7.39 |
| 1976-77 | 4.32 | 11.03 | 6.71 |
| 1977-78 | 4.22 | 10.66 | 6.44 |
| 1978-79 | 4.27 | 11.12 | 6.85 |
| 1979-80 | 4.31 | 11.04 | 6.73 |
| 1980-81 | 6.98 | 13.07 | 6.09 |
| 1981-82 | 7.29 | 13.53 | 6.24 |
| 1982-83 | 7.36 | 13.55 | 6.19 |
| 1983-84 | 8.11 | 13.75 | 5.64 |
| 1984-85 | 8.13 | 14.50 | 6.37 |
| 1985-86 | 8.54 | 14.66 | 6.12 |
| 1986-87 | 8.59 | 14.70 | 6.11 |
| 1987-88 | 8.69 | 14.66 | 5.97 |
| 1988-89 | 8.88 | 14.68 | 5.80 |
| 1989-90 | 9.06 | 14.83 | 5.77 |
| 1990-91 | 9.11 | 14.99 | 5.88 |
| 1991-92 | 8.11 | 15.12 | 7.01 |
| 1992-93 | 6.51 | 14.39 | 7.88 |
| 1993-94 | 5.34 | 12.78 | 7.44 |
| 1994-95 | 4.86 | 12.22 | 7.36 |
| 1995-96 | 6.11 | 13.41 | 7.30 |
| 1996-97 | 6.67 | 13.69 | 7.02 |
| 1997-98 | 7.07 | 14.02 | 6.95 |
| 1998-99 | 7.28 | 14.16 | 6.88 |
| 1999-2000 | 7.21 | 13.86 | 6.65 |

Source: From 1974-75 to 1989-90; Bangladesh Bank, *Economic Trends*, vol. XXI, no. 12 (Dhaka: Statistics Department, BB), p. 9.
From 1990-91 to 1999-2000; Bangladesh Bank, *Economic Trends*, vol. XXVII, no. 12 (Dhaka: Statistics Department, BB), p. 9.

### VII.2.3.12. Obstacle to Credit Access in Rural and Small Entrepreneurs

It is appeared in one of the very recent studies that the access to credit has not at all improved for the rural and small entrepreneurs. In the recent past, the flow of credit to the agriculture sector declined in real terms; even rural deposits are not being fully invested within the rural economy.[45] Apart from the branches of the NCBs and two denationalised banks namely Uttara and Pubali, there are no branches of FCBs and PBs in the rural areas. The recent tradition is that these two denationalised banks including NCBs are cutting their branches from rural area. The unmet need for farm credit is remaining unfulfilled. So, a change has to be made both in rural banking technology and as well as in credit policy in order to address the credit needs of the largest real sector of the

[45] Bhattacharya, *State of Governance*, p.140.

economy. For the rural sector, 52.68 percent of eligible borrowers have no access at all to credit. Even after taking into account the Micro Finance/Credit Institutions' (MFIs) noteworthy contribution, more than half of the rural people are outside the ambit of institutional credit market. For the small entrepreneurs, it is observed that 50.53 percent of eligible borrowers do not have any access to credit.

For access to credit, the constraints from the demand side are:

- Bribe,
- Time consuming and complicated procedure,
- Lack of collateral,
- Inability to fulfil loan covenants, and
- High incidental costs etc.

On the other hand, the supply side constraints (from the view point of bankers) are:

- High risk and transaction cost,
- Outsider influence,
- Inadequate collateral, and
- Ineffective and inappropriate legal structure for collecting default loans etc.[46]

For the above reasons, the flow of credit to rural and small entrepreneurs cannot be increased. Unfortunately, the banking reform programme did not take any effective measures towards removing all those demand and supply constraints of credit allocation. Rather, it was thought that through interest rate and portfolio deregulation the competition as well as efficient resource allocation could be ensured.

### VII.2.3.13. Industrial Finance

The industrial sector of Bangladesh is currently in starving of credit. The different types of financial institutions are blocked up with various problems.[47]Therefore:

- The NCBs, given their present liquidity position, are barely able to service the demand for investment in this sector.

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[46] Policy Dialogue, *Financial Sector Reforms*, p. 6.

[47] Bhattacharya, *State of Governance*, p.140.

- The private banks are even less equipped to undertake term financing on an adequate scale and in any case remain disinclined to do so because of their habit of risk aversion.
- The traditional sources of industrial term lending, the development financial institutions (DFIs), are virtually defunct and have now been cut-off by the aid agencies as vehicle for term lending.
- The experience with investment companies in Bangladesh has been rather disappointing as most of these are currently operating like retail bankers.
- The capabilities of the non-banking financial institutions, including the leasing companies, remain limited.
- The probability of the stock market to finance for industrialization is very little.

## VII.2.4. Suggestions for Banking Sector

The solution of these problems has to be found out within the socio-economic reality. Most probably the top most obstacle to the reformation of banking sector is the resistance of influential and unscrupulously self-seeking persons. For this the utmost importance should be given to the political commitments to carry on the reformation programme.

### VII.2.4.1. Political Commitments

Besides other things, for the meaningful reforms and continued progress in the banking sector, first and foremost requirements are firm political willingness and commitment and establishment of rule of law in the country.

### VII.2.4.2. Enforcement of Legal System

For effective and quick enforcement of legal system related to banking, the requirements are:

- Improvement in overall law and order situation.
- Finding out means for stopping frequent stay-orders by the courts.
- Making provisions to allow only large loans (Tk. One crore) to make writ application to special bench of Higher Court.
- Extending cooperation to loan defaulters by the party in power should be stopped.

- Providing severe punishment to corrupt bankers.
- Asset Management Company (AMC) should be given the responsibility of receiving overdue loans.
- Ensuring the maintenance of ethical standard and effective cooperation among the bankers, legal advisers and the judges.

### VII.2.4.3. Ensuring Autonomy of Bangladesh Bank

The Bangladesh Bank (BB) should cease to exist as a mere extension of the Banking Division of the Ministry of Finance and devote itself to designing, implementing and operating monetary policy with statutory objective of maintaining price stability. For enforcing monetary policy effectively autonomy of BB is required. For this the requirements are:

- Making the post of Governor a constitutional one seems to be quite in order to allow the BB to fulfil its statutory responsibilities.
- The Directors also need to be provided with more statutory protection. In fact, the whole selection process of the central bank's top management needs to be revamped so that professionally competent people may be appointed in a transparent fashion and allowed to operate without any influence.
- The Charter of the BB needs new revision so that it is protected from making to the government advances of unlimited amount, particularly for unlimited period.
- The BB needs to be endowed with budgetary independence, other than possibly in the area of appropriation of profit.

### VII.2.4.4. Supervision of Bangladesh Bank

For making the supervisory system of BB more intensified and effective, the requirements are:

- Keeping BB free from all sorts of influences and rationalizing and increasing the efficiency of the manpower.
- BB may be given the responsibility of awarding new banking licenses.
- Not only entry policy (for new entrants), exit policy (for existing banks) should also be formulated.

- Political considerations should not be given importance while awarding banking licenses.

- In addition to these, coordination among different departments (of BB) engaged in bank examination, coordination between on and off-site supervision, rationalization of small branch and good banks' examination, formulation of an action plan for implementation of examination findings, formation of a Bank Supervision Committee, etc are necessary.

### VII.2.4.5. Ensuring Efficiency of the NCBs

The scheduled banks need to be put fully under the regulatory oversight of Bangladesh Bank. The selection of the members of Board of Directors including the Chairpersons of the NCBs needs to be done through a process of public hearing under the auspices of parliamentary Standing Committee. Members of the political parties should be barred from membership in the Boards of the banks. Similarly, loan defaulters will also not be eligible to be in the Boards of the banks. For ensuring competition in the banking sector, the prime necessity is to increase the efficiency of the NCBs, for which the requirements are:

- Delegating of adequate power to NCBs' Boards, stopping interference of MOF and the executives and allowing the Board to work freely.

- Nomination of those in the board of NCBs, who have social acceptability and efficiency beyond doubt.

- Rationalization and increasing the efficiency (especially in terms of credit management) of manpower and prevent the illegal activities of trade unions.

- Strengthening and ensuring internal control mechanism in NCBs.

### VII.2.4.6. Transaction with GOB

NCBs used to deal various transactions with GOB without considering commercial benefit. This custom should be changed. In the following cases the change is necessary.

- The obligation of Commission free services by the NCBs should have to be annulled, and it is to be allowed with some percentage charge on the amount of collected bill so that they can collect their costs relating to this collection.

- To address the situation of interest charge payment for some purposes on behalf of the government, the related office may be asked to hold deposits

in interest free account with the NCBs for the purpose of these types of payments, so that the NCBs not suffer for the causes of government.

### VII.2.4.7. Increase Efficiency in PCBs

To further increase the efficiency of PCBs, the requirements are:

- Bank Managements should be protected from illogical interference and influence of the sponsors.
- Bangladesh Bank has to ensure such an environment in the PCBs, where the broads will be allowed to formulate credit policy, and the bank management will be concerned with credit decision, disbursement and monitoring.

### VII.2.4.8. Ensuring Accountability

For increasing accountability in the banks, the requirements are:

- Publication of the list of defaulters.
- Cancellation of parliament membership, if he/she turns out to be a loan defaulter after election.
- Rescheduling should not be allowed for more than two times.
- Publication of the banks' financial statements in at least two widely circulated Bengali Newspaper.
- Expose sensitive banking indicators to general public.
- All employment in the banks should gradually be made contractual.

### VII.2.4.9. Recovering Default Loan

In order to give credibility to the present loan recovery drive the following initiatives should be taken:

- Quicken legal process.
- Consideration may be given by the GOB to the establishment of the institutions such as Debt Collecting and Loan Discounting Agencies in order to strengthen the loan recovery process.
- Formation of Loan Workout Department or Problem Loan handling department in the individual banks.

- The government should earnestly try to liquidate all its dues to the NCBs.
- The maximum period of three years for settling default loans by the Loan Courts should be followed strictly.
- The capability of the Credit Information Bureau (CIB) of the BB needs to be enhanced and the analysis as well as reporting on non-performing assets of the banks has to be done regularly.

### VII.2.4.10. Attitude to SOEs

The state owned enterprises (SOEs) as client should be judged at par with other borrowers. If the government finds it necessary to provide financial support to the SOEs through the banking system, the following requirements are to be fulfilled:

- The government will have to make proper refinancing arrangement.
- The basic guiding principle of bank-client relationship – 'no new loan facilities to a defaulter'- should be equally applicable to the SOEs.
- The NCBs should also have the same authority to recover the debts of the SOEs, and in case of privatisation of SOEs the dues to the NCBs have to be cleared before inaction.

### VII.2.4.11. Suspend Loan Amnesty Culture

The gesture of loan amnesty undercut the financial discipline in the banking sector. This culture should be suspended. Nevertheless, if any government want to forgive any loan to any quarter the government should reimburse the equivalent amount to the banks through direct budgetary allocation in a transparent fashion.

### VII.2.4.12. Ensure Credit to Priority Sector

In order to increase the flow of credit to priority sectors, the following measures should be taken:

- Reforms should be demand oriented.
- Arrangement of Wholesale finance.
- Prior fixation of a portion of total loan for priority sectors.

### VII.2.4.13. Curbing Trade Unions

For preventing the illegal activities of the trade unions in banking, the requirements are:

- Firm commitment of the political parties for not to patronize the trade unions.
- Ensuring ideal trade union activities in banks according to national and international rules and regulations.

### VII.2.4.14. Humane Resource Development

Utmost importance should be placed on Human Resource Development (HRD), which requires:

- Drastic change in the "direct – promotee" mix in the structure of officers.
- Ensuring promotion based on merit, and not on seniority.
- Arranging appropriate training and ensuring adequate salary and congenial working environment.
- Rationalizing excess manpower.
- Gradually making all jobs contractual.
- Establishment of effective HRD division in all banks.

### VII.2.4.15. Expansion Product Base

For reducing risk and increasing income of the banks, expansion and diversification of product base (such as leasing, merchant banking, asset- securitization etc.) should be thought of. In order to facilitate economic growth as well as to ensure financial discipline, there is a need to diversify the assets/product base of the banks through, financing venture capital, factoring, assets-securitization, leasing and consumer product financing. On the other hand, with a view to increase domestic savings and encourage financial intermediation, the banks need to introduce new liability products such as insurance linked deposit schemes, mutual funds, card business and certificates of business.

### VII.2.4.16. Introducing Computer Base Product

For the matter of survival in the competitive world market, the expansion of banking automation and ICT based product market are necessary. For these, integrated computerization of the banks and up-gradation of the professional skills of the officials has to be addressed with some urgency, and attempt should be made to install syndicated automatic teller machines.

### VII.2.4.17. Incentive Structure for Upgrading Skills

Separate pay scale should be introduced in the NCBs to match with the salary structure of private commercial banks. As autonomous institutions, it should have authority to introduce incentive package to stop the drain of efficient officers from NCBs to private banks.

### VII.2.4.18. Strategic Business Plan

All banks will have to undertake exercises for drawing up respective Strategic Business Plans (SBPs) based on an assessment of their strength, weakness, opportunities and threats. The SBPs should also identify rationalization requirements of the respective banks in the areas of their branch network development and human resource management. If the SBPs indicate that there is excess manpower in the NCBs, a generous severance scheme has to be instituted.

### VII.2.4.19. Privatisation of the NCBs

The issue of privatisation of the NCBs may be considered only after the banks are made solvent following completion of the restructuring process. In the mean time, an all out effort should be made to promote the growth of an efficient private sector based banking system capable of commanding an increasing share of the credit market. Under any circumstances, decision on bank privatisation should thus be made on empirical rather than ideological grounds.

## VII.3. Insurance Sector

### VII.3.1. Reformation in Insurance Sector

The first reformation in the insurance sector, after the nationalization of insurance business, happened in the year 1984 by the promulgation of two ordinances [The Insurance (Amendment) Ordinance, 1984 and the Insurance Corporation (Amendment) Ordinance, 1984] through which permission for participation in insurance business has been given to private companies.

For the second time question for reformation arose due to severe criticism to Sadharan Bima Corporation (SBC) for the monopoly rights of insurance business with public sector, and criticism to Jiban Bima Corporation (JBC) and SBC for the monopoly opportunity of reinsurance with all private companies. Till then 100% Public property had to be insured only by the SBC; and every private insurer registered and carrying on insurance business in Bangladesh will have to re-insure with JBC or the SBC, as the case may be; and the JBC and SBC had to re-insure with other insurers in Bangladesh.

But through the amendment of the Insurance Corporation Act, 1973 (V of 1973) and the Insurance Amendment Act, 1984, in 1990, the monopoly right of insurance business of SBC with public sector has been curtailed. From then fifty percent of all insurance business relating to any public property or to any risk or liability appertaining to any public property shall be placed with SBC and the remaining fifty percent of such business may be placed either with that Corporation or with any other insurer in Bangladesh. (Section-2).

Like insurance, share of reinsurance has also been curtailed for SBC. Fifty percent of all re-insurance of general insurance business from then has been placed compulsorily with SBC and the rest fifty percent may be placed to private insurance companies.

Life insurance companies also got the freedom to place re-insurance of the whole or any portion with any insurer outside Bangladesh.

Payments of commission on general insurance business are dissolved.[48]

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[48] Sajjad M. Jasimudin, "Privatisation Policy: The Case of Bangladesh Insurance Sector," *Insurance Journal* (Dhaka: Bangladesh Insurance Academy, June 1994), p. 29.

## VII.3.2. Problems in Insurance Sector

Though the insurance industries are proved to be an effective means of capital formation besides creating new avenues for employment. But still the sector is suffering with various problems. These are the following:

### VII.3.2.1. Outdated Insurance Act

The legal bases of insurance business in Bangladesh are the Insurance Act of 1938 and the Insurance rules of 1958. Both are the legacy of past,[49] though many amendments have been made since then but the basic character of the Act remained virtually unchanged.[50] And by this time a lot of change has been occurred in the field of insurance business. So, the outdated portions of the laws are required to be revised.

### VII.3.2.2. Lack of Skill Personnel

This sector's growth is presently hindered by an acute dearth of qualified and skilled personnel.[51] There is absence of professionals and technical persons both in private and public insurance sector. As a result not only public insurance business but also the private insurance business, is not properly manned.

In Bangladesh, due to lack of eligible actuary no data on mortality of assured lives are available. One has to depend on the mortality data of foreign countries for calculation of premiums.[52]

### VII.3.2.3. Ministry of Commerce

Department of Insurance under Ministry of Commerce is not doing well as the staffs are inadequately trained, and there is absence of insurance professionals. There is a shortage of staff and officers in the Department of Insurance.[53]

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[49] M U A Quader, "The Insurance Scenario of Bangladesh," presented in the Tokyo Executive Seminar on Insurance Regulation and Supervision on January 10-11, 2002. p. 5.

[50] Shafat Ahmed Chaudhuri, "Life Insurance in Bangladesh: An Insurer's View," *Insurance Journal* (Dhaka: Bangladesh Insurance Academy, June 1994), p. 8.

[51] Quader, "Insurance Scenario", p. 5.

[52] M. Sohrab Uddin, "Problems and Issues of Life Insurance in Bangladesh," *Insurance Journal* (Dhaka: Bangladesh Insurance Academy, June 1989), p. 24.

[53] Quader, "Insurance Scenario", p. 6.

### VII.3.2.4. Conflict of Interest:

There is a conflict of interest between state run Insurance Corporation and private insurance sector. SBC's exclusive right to underwrite 50% of the Government business and at the same time acting as the Re-insurer of the private sector companies irritates the private sector insurers. [54] In the case of JBC all sums assured under its policies are guaranteed as to their payment by the Government.[55] All these give the state run insurance corporation extra opportunity than the private companies. The private companies are also noticing that in any dispute arising between the state's run insurance and the private companies the authority, for some reason is always found to take a position against the private companies and in favour of the state run insurance corporation.[56] This type of discriminatory attitude does not indicate a sincere believe in free market concept.

### VII.3.2.5. Poor Client Service

The claim of an insured (customer) is not properly dealt with. There is an inordinate delay to settle the claimed cases. The insured also fails to submit necessary documents with claims both in the cases of general and life insurance. There is no proper assessment of loses by the surveyors.[57] Therefore, payment of claim generally takes lengthy period, which makes the general people avert to insurance. For this there is a common saying that obtaining money from an insurance company is a near impossible job.[58]

### VII.3.2.6. No Research & Innovation

Insurance is not just a risk covering element, but also an attractive instrument of savings. This mixture of saving with risk coverage gives opportunity for creation of many innovative product designs. In a dynamic insurance market one can expect to see new products coming out every now and then. But, till recently one hardly saw any new product.[59] While the industry is stuck to the traditional insurance services, the world is changing fast. The need for innovation is felt frequently which the industry cannot

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[54] Ibid.

[55] Uddin, "Life Insurance," p. 23.

[56] Chaudhuri, "Life Insurance," p. 12.

[57] Quader, "Insurance Scenario," p. 6.

[58] Chaudhuri, "Life Insurance," p. 8.

[59] Ibid.

provide. Unless the insurance industry devotes its attention to innovative needs of the economy, neither the economy nor the insurance industry is likely to flourish. The insurance sector is still unable to provide appropriate cover to intensive shrimp culture, long tailed risks, pollution risks, professional liability risks, overseas travel cum medical risks and many such risks.[60]

### VII.3.2.7. Weak Savings Instrument

Partly for reasons of drastic fall in money value in the post-liberation days and partly for reason of nil or low bonus addition resulting from a combination of high management expenses and low investment return, life insurance has ceased to look as an attractive savings medium.[61]

### VII.3.2.8. Limited Investment Opportunity

The investment opportunities in Bangladesh are very limited i.e., lack of sufficient number of tradable shares, limited number of approved government securities, absence of bond and limited number of debenture.[62] Not only that the yields on government securities are also very low. Due to higher inflation rate some years' real yield from treasury bills became negative.[63] Least scope for investment for the development of capital market may be the causes for slow progress of insurance business.[64]

### VII.3.2.9. Excessive Management Cost

Available data on expenses and premium income indicate that for most insurance companies'/corporation in Bangladesh, the renewal expense ratio is very high compared to that allowed under the insurance rules.[65]

### VII.3.2.10. Absence of Business Ethics

Absence of business ethics is another major element causing indiscipline and irregularity in the insurance market. In competitive market, some insurance companies

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[60] K. M. Rafiqul Islam, "Progress and Problem of General Insurance," *Insurance Journal* (Dhaka: Bangladesh Insurance Academy, December 1993), p. 14.

[61] Chaudhuri, "Life Insurance," p. 8.

[62] Nesar Uddin, "Investment Pattern of General Insurance Companies: A Broadbased Review and Comparison," *Insurance Journal* (Dhaka: Bangladesh Insurance Academy, December 1990), p. 35.

[63] Uddin, "Life Insurance," p. 24.

[64] Quader, "Insurance Scenario," p. 6.

[65] Uddin, "Life Insurance," p. 25.

use some business tactics, which violate the standard business practices and provisions of insurance act.[66] Unholy competition, business in credit, issuing cover note instead of policy documents, unauthorized payment of commission are the unhealthy sides of insurance business.[67]

### VII.3.2.11. Regulated Price Structure

The price (premium rate) of general insurance products is determined by the ministry of commerce with the assistance of local re-insurer (SBC). All general insurance companies have to follow this price structure. Due to rigid price structure, the companies cannot offer lower price to their clients. Therefore, reputed and well-managed companies cannot enjoy comparative advantage in price over other companies.[68]

### VII.3.2.12. Other Problems

- The Re-insurer does not pay proper attention to the cases submitted by the insurers.[69]
- Policy drops out, lapse, surrender and policy paid up, insolvency of the customer, lack of supervision and monitoring etc. are some other bottlenecks to the further growth of insurance.[70]
- Lack of capacity building both in public and private sector has been marked as a serious problem.[71]
- There is no accountability and transparency both in public and private sector insurance companies.[72]
- Delay in decision-making and lack of co-ordination at the upper level is also a problem in the insurance sector.[73]

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[66] Md, Masudur Rahman, "Insurance Industry of Bangladesh and its Future Prospects," *Dhaka University Journal of Business Studies, vol. XXI, no. 1* (Dhaka: Faculty of Business Studies, June 2000), p. 153.

[67] Quader, "Insurance Scenario," p. 6.

[68] Rahman, "Insurance Industry of Bangladesh," p. 154.

[69] Quader, "Insurance Scenario," p. 6.

[70] Ibid.

[71] Ibid.

[72] Ibid.

[73] Ibid.

### VII.3.3. Suggestions for Insurance Sector

- It is necessary to reduce the lapse ratio of life insurance.
- It is also necessary to go into the rural areas to seek expanded market for insurance.
- It is essential to generate own actuarial database for insurance sector.
- It is felt necessary to bring down the premium rates and increase the profitability of road accident insurance for automobiles of various categories.
- Due to moral hazards, risks in insurance business in Bangladesh are high. This sort of risk should have to reduce.
- The sector should have 'Insurance Year Book'. This will not only enlighten the industry with necessary statistics but will also satisfy consumers with authentic information about the industry and to enhance the confidence of the consumers.
- Insurance is a field where it is possible to train up technical manpower for export purposes. India and Pakistan, on a regular basis, are exporting this sort of manpower.
- Explanation of the concepts of valuation of liabilities vis-à-vis assets and their future earning potentials are essential to determine the expense coverage of the risks.
- Some mechanisms should be introduced to check the negative impact of inflation rate.
- Out dated Insurance Act and Rules should be revised immediately.
- Capacity building of Department of Insurance as well as of public and private insurance sector is a demand of time.
- There should be professionals and trained persons in the Department of Insurance, in public and private sectors. Human Resources Development should have to be increased and training and academic facilities need to be expanded. The Bangladesh Insurance Academy was established in 1973 to train the officials of only two corporations and its management was also made accordingly. Up to December 2003, at least 57 insurers were carrying on insurance business in the country of which 55 were from the private sector. As such it has become necessary to expand the activities of the

Academy to cater to the present enhanced needs. This may be implemented by changing the present status of Academy through greater participation of private insurers and Bangladesh Insurance Academy may be given autonomous status similar to Bangladesh Institute of Bank Management.

- The Chief Controller of Insurance should be recruited from professionals through open competition.
- Insurance cover notes should not be allowed for releasing imported goods from custom authority.
- Payment of Commission for general insurance should be stopped.
- It is recommended that SBC's exclusive right to underwrite 50% of the Government business should be withdrawn. SBC should also cease to operate as a Re-insurer. A new Public Limited Company should be established with all the Insurance Companies as sponsors to carry on the business of Re-insurance only.
- Issuing further licenses for new private insurance company may be withheld for limited time only.
- Encouraging merger of companies.
- Restriction on Management Expenses should be imposed.
- Urgent steps should be taken to introduce new products and incentives to bolster the capital market.
- Improving customer services.
- Strengthening supervision and monitoring jobs.
- Ensuring accountability and transparency.
- Sharp decision making at the upper level.
- In exploring the new investment avenues especially for general insurance companies, the following proposals may be considered[74].
    - Issuance of Bond and Debentures with a reasonable yield (after tax) by DFIs with government guarantee for timely pay back of principal amount

[74] Nesar Uddin, "General Insurance," p. 36.

of investment and interest thereon so that insurance companies can invest its fund.

- Insurance companies should be allowed to operate in the Call Money Market like the scheduled banks.
- Insurance Companies should participate, in secondary market operation and also be allowed to underwrite new issue of share and debentures by public limited companies.
- In case of new and good issue of shares or debenture a certain portion may be reserved for insurance companies, among others, as institutional investors.
- Insurance companies may be allowed to extend loan to new companies provided the rate of return is good and the loan is secured.
- Insurance companies should be allowed to sponsor or finance any profitable venture provided the same is approved by the Board of Investment and Controller of Insurance irrespective of any restriction in the relevant Insurance Act and Rules.
- Tax rate for public traded insurance companies should be lower to enable them to maintain a stable dividend policy to encourage small investors and to widen investment participation.
- Project feasibility and prospects should be examined professionally and in that should be taken as 'Approved Investment'. Besides before publishing the prospectus, decision should be made on the approval of investment.

- Since there are a few actuaries in the country, who cannot cope with the requirements of the industry, qualified actuaries from other countries may be utilised to meet the requirements and necessary steps may be taken to train more personnel within the country.
- The Department of Insurance under the Ministry of Commerce is the authority, which directly supervises and regulates the activities of the insurers in the country as per the Insurance Act. 1938 and the Insurance Rules 1958. With the expansion of insurance in private sector as well as with the increase in number of insurers in recent days, it is necessary to strengthen this Department with sufficient trained manpower and logistics.

## VII.4. Stock Exchanges

### VII.4.1. Reforms in Stock Exchanges

The Stock market crash of 1996 revealed structural weaknesses of the market. So, market reforms became essential. Rules, laws and guidelines were framed and implemented to improve the infrastructure and foundation on which the stock exchanges can operate effectively. The major notable features of stock market reforms implemented so far include the following:[75]

- Reorganising SEC in order to strengthen infrastructural capabilities and build capacity.
- Updating rules, laws and guidelines to improve regulation framework, such as:
  - Amendment of SEC Act, 1993, to empower SEC with a vetting power and financial penalty power with a view to monitoring and enforcing compliance of rules. SEC is also allowed to conduct special audit to detect window dressing in the accounts of the listed firms, if it is suspected.
  - Information disclosure rule specifying the requirements to comply with the International Accounting Standard (IAS) and International Standards of Auditing (ISA) for timely and quality information disclosure in the market.
  - In the new issue rule, the pricing of Initial Public Offering (IPO) has been delegated to the issue manager.
  - In the merchant bank[76] regulation, three activities, viz., issue management, underwriting[77] and non-discretionary portfolio management, are restricted to merchant banks operating in Bangladesh.

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[75] Mahmood Osman Imam, "Capital Markets Development in Bangladesh: Problems and Prospects," *Portfolio* (Chittagong: Chittagong Stock Exchange, n.d), p. 53-54.

[76] Sometimes known as accepting houses, these banks owe their name to the fact that in most cases the banking and financial sides of their business originally developed as a sideline to their trading activities. As merchant they tended to specialise in trade with particular parts of the world, and as a result they came to posses unrivalled knowledge of the financial standing of merchants in those areas. This became the basis for their acceptances business-accepting bills of exchange, on payment of fee, drawn on merchants in the area with which they were familiar. The growth of their acceptance business led them to hive off their financial business from their ordinary trading activities. In addition to their acceptance business they also began to undertake some ordinary banking business. See, J L Hanson, *A Dictionary of Economics and Commerce* (6th ed, London: Pitman Publishing, 1987), p. 259.

[77] To guarantee to buy a proportion of any unsold shares when a new issue is offered to the public. It is usually done in exchange of commission and a number may combine together to buy all the unsold shares, provided that the minimum subscription stated in the prospectus has been sold to the public. See, *A Dictionary of Business* (2nd ed, New York: Oxford University Press, 1996), p. 513.

- Separation of the management from the ownership at both DSE and CSE.
- Inclusion of the representatives of the listed companies and the investors on the governing bodies of both DSE and CSE.
- Automation of trading at both DSE (August 10, 1998) and CSE (June 2, 1998) introducing order-driven system replacing out-cry system.
- Amendment of the Trust Act, 1882 enabling pension fund, insurance fund for investing in securities market and thereby create demand for securities.
- Enactment of the Central Depository Act enabling national securities limited Companies to the establish CDS. The implementation of the on-line CDS will in fact avoid problems of "fake shares" and "short sale" to a great extent.
- Restructuring Investment Corporation of Bangladesh (ICB) by creating three subsidiary companies caring out the function of merchant banking, fund management and securities brokerage house.

However, a few important reform measures are still pending. These include, among others:

- Divesting government holding in State Owned Enterprises (SOEs) and Multinational Corporations (MNCs) through securities market
- Issuing government securities with medium-term and long-term maturities on a regular basis through the securities market.

## VII.4.2. Problems in Stock Market

There are many fold problems existing in the stock market relating to all the parties of the capital market. Some of the problems are related to listed securities itself, and others are related to stock exchanges, controller of capital issues, Investment Corporation of Bangladesh and others. In the following sections, all these problems in nutshell are described.

### VII.4.2.1. A Small Number of Investors

In developed countries, investment banks, commercial banks, and insurance companies are major buyers and sellers of securities. But this institutional buyers'/sellers' role is insignificant in Bangladesh. Bangladesh stock market is characterised by a small number of investors with a peculiarity that 80 percent of total demands for securities

emanate from retail investors while the rest of the demands come from institutional investors. Such peculiarity is not conductive to the stability of a share market for the reason that the frequency of share transaction by retail investors is high, and most of them invest on a short-term basis due to small capital and desire to earn quick capital gains.[78] Outdated laws and ineffective enforcement of existing laws are largely responsible for the non-participation of these institutions in the securities market.[79]

### VII.4.2.2. Few Listed Companies

The number of listed companies in general is very small in Bangladesh in comparison to that in our neighbouring countries. There are about 1000 companies registered with the register of joint stock companies. Among them, only 241 (up to December 2000) were enlisted with DSE, of which 165 were also enlisted with CSE.[80] The absence of different types of bonds and a developed bond market are major reasons for the insufficient securities.

### VII.4.2.3. Problem relating to company itself

There are some problems, which are related to listed companies itself. Inadequate disclosure requirements and different mechanism of the companies, non-holding of Annual General Meetings, irregular payment or non-payment of dividends, diversion of profit from one sector to another sector of the same group of industries, erratic publication of financial statements, misrepresentation of financial statement of the company and thereby cheating the stockholders, delay of disbursement of excess application money, inappropriate monitoring mechanism, and failure of the auditor to protect the shareholders are some of the many impediments heavily affecting the natural growth of the capital market.[81]

### VII.4.2.4. Tendency of Concentrating Ownership

The inclination of individuals and family groups towards concentrating ownership and control of holdings of their companies appears to be one of the fundamental

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[78] Md. Golzare Nabi, "Bangladesh Stock Markets: Their Necessity and Potential," *Portfolio* (Chittagong: Chittagong Stock Exchange, January-March: 2000), p. 37.

[79] Zahidul Haque, "The Bangladesh Capital Market: Old Problems Persists in the New Era," Portfolio (Chittagong: Chittagong Stock Exchange, January-March: 2000), p. 26.

[80] Appendix: Table-13.

[81] Haque, "Bangladesh Capital Market," p. 26.

problems stalling the growth of the stock market in Bangladesh. Companies are reluctant to float shares for fear of losing control. Bureaucratic culture and time-consuming formalities encourage these companies to keep away from the capital market to a greater extent. For example, as reported in the Daily Star,[82] the SEC's negligence was responsible unnecessarily delaying the floatation of the first private mutual funds in the capital market by Assets and Investment Services (AIMS).

### VII.4.2.5. Problems relating to the Controller of Capital Issues (CCI)

Rules and regulations regarding capital issue are not well designed and those are not compatible with the practical problems and investors' interests. Security regulations are not well taken care of to protect the investors' interest with regard to declaration of dividend, allotment of share, refunding of money to unsuccessful applicants on time and so on. There is a complain that the CCI does not take any corrective actions against companies which fail to hold AGM, publish financial statement, and declare dividend regularly. Not only that, sometimes the permission to offer bonus share and right shares is not given by the CCI on time. Moreover, bonus share and right share are not delivered on time and this creates adverse reaction among the security holders.[83]

### VII.4.2.6. Problems relating to Investment Corporation of Bangladesh (ICB)

There is a weakness in the evaluation procedure of the companies financed by the ICB. As a result some of the companies are not functioning well, which were evaluated earlier, and are not paying dividend. On the other hand, most of the ICB Investors' Accounts are now dormant/ inoperative because of: curtailing of loan facilities to the investors' account holders, unethical transactions of securities in the ICB through some ICB officials, lengthy and complicated transaction process, and lethargy in making credit entry, getting the share certificate on time. There is also lacking of proper guidance to the investors' account holders from the ICB.[84]

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[82] *The Daily Star*, March 5, 2000.

[83] M. Shah Jahan Miya, "Problems of Security Market in Bangladesh," *Insurance Journal* (Dhaka: Bangladesh Insurance Academy, December 1991), p. 16.

[84] Ibid.

### VII.4.2.7. Market Inefficiency

There exists inefficiencies in the capital market; as a result the inefficient market is not capable of providing accurate information regarding the economy, financial market, and the company itself to the investors.

### VII.4.2.8. Interest on Loan

In 1990s, increasing number of financial institutions started to supply loan for securities trading in the security market, but interest rates of these financial institutions were not equal. Moreover, it happened that the real interest rates on their loan became higher than average dividend.

### VII.4.2.9. Lack of Awareness

There exists lack of awareness among the general mass about the security market. The operation of the security market is limited within a very few individuals in Dhaka City but the people of the rest of the country are apparently ignorant and remain outside the facility of the security market operation.

## VII.4.3. Suggestions for Stock Market

Presently, in order to generate more confidence among investors, Bangladesh stock market needs to be strengthened through improved market liquidity and competitiveness. To rectify the problems of stock markets in Bangladesh, the authorities have to introduce favorable environment within which market flaws could be mitigated, conspiracy of any syndicate would be ineffective and exposure of investors to various market abuses including market manipulation should be reduced. To establish this sort of environment, the following improvements are necessary:

- Existing rules and regulations regarding capital markets e.g. the Securities and Exchange Rules 1987, Depository (User) Regulation 2003, Merchant Banker and Portfolio Manager Regulations 1995, Mutual Funds Regulations 1997, SEC (Stock-Dealer, Stock-Broker & Authorised Representative) Regulation 1994, Prohibition of Insider-Trading Regulations 1995, Appeal Regulations 1995, Depository Regulation 1999, Depository Regulation 2000 etc. have to be implemented thoroughly in the right earnest.

- Regulatory body has to be strengthen enough for the prevention of unrestrained speculation, market rigging and insider trading, so that erosion in public confidence can be forestalled.

- Order-driven system[85] of automation have to be made flawless, so, the scope of market manipulation, by instituting risk management module, is eliminated, and have to set up a limit for the amount of trading order, beyond which the system would automatically alert the participants.

- Have to introduce a new and wide range of investment instruments targeting general investors that will provide minimum return with certainty, such as preferred stocks, sweeteners accompanying debt and equity warrants and so on. This will improve the supply side of the securities' market development endeavour.

- It is needed to give opportunity to open up membership of sock exchanges to institutions and corporate sector with adequate capital, improvement of information flow, introduction of a system of market-maker with the prevailing order-driven system, credible quicker settlement and the development of over-the-counter markets for large Greenfield projects and non-listed securities.

- Both DSE and CSE have to update their own rules and regulations in order to facilitate surveillance and to enforce compliance with the rules.

- Have to develop professionalism among market operators, especially among dealers and brokers; simultaneously it is needed to empower the administration of exchanges to ensure close monitoring, transparency and accountability of the trading of the exchanges.

- In case of any due allegation against registered Chartered Accounts (CAs) in certification procedure, ICB must suspend or withdraw license from them. This will certainly prevent issuers interested in cooking the books of accounts.

- A pragmatic mechanism has to be introduced for proper co-ordination among the offices of the CSE, DSE, investment companies, ministers, and other parties related to the security market.

- The listed companies that pay regular dividends should be given tax incentives and tax rebates to motivate rest of the listed companies for paying dividends regularly.

- For improving the supply of securities in the securities' market and to deepen the securities market, privatisation procedure of the SOE should have to be

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[85] Denoting a market in which prices are determined by the publication of orders to buy or sell shares, with the objective of attracting a counter-party. See, *A Dictionary of Business* (2nd ed, New York: Oxford University Press, 1996), p. 361.

implemented through the public issuance of shares. For this the government may off-load its equity holding in SOEs and MNCs through the stock market. Diffusing ownership will bring discipline in the market.

- There is no secondary bond market in Bangladesh. So, it is needed to develop a secondary bond market. Moreover, the implementation of government securities with medium-term maturities will also broaden the base of the bond market.

- A separate judicial security tribunal has to be established for dealing with cases related to securities market.

- Merchant banks have to play their due role in revitalising the stock market since capital market development is related with the financial deepening, which, in turn, depends on effective financial intermediation as well as the availability of a wide variety of financial instruments. The following are the measures that can be initiated to remove constraints, impeding merchant banks to make them effective:

  - Merchant Banks (MBs), currently not allowed to deal in secondary securities on their own account, should be allowed to do so.

  - MBs should provide price supports/stabilization of their underwritten IPOs in the immediate aftermarket. If MBs could access funds at softer rates they would be able to offer market-making activities in primary and secondary markets and would be able to extend loans to their clients for the margin buying of securities.

  - Capital market stabilisation/development funds should be established at Bangladesh Bank to counter-finance merchant banks through commercial banks for financing their clients' investment activities. Otherwise, merchant banks should obtain refinancing facilities from BB on a certain margin basis. This will make MBs active, and inject fresh fund into the securities market.

## VII.5. Chapter Summary

The journey of the financial sector of Bangladesh began under the rigid control of the government of Bangladesh. But that phase of financial sector did not keep pace with the progressive trend of the financial world. So, the question of reform began and the first initiatives to reform in the banking sector of Bangladesh may be traced back to the beginning of the 1980s, when the denationalisation of *Uttara Bank* and *Pubali Bank* took

place and permission was given to private sector to operate banking business. From then to the end of 2000, many attempts were taken to address the problems and carry out the reform. The *Money, Banking and Credit Commission* was constituted in 1986 to define the scope and modalities of the early phase of the reforms. But financial sector reform started in an intensive way in the beginning of the 1990s under the *Financial Sector Adjustment Credit*, which Bangladesh contracted with the World Bank. After the expiry of FSRP/TA in 1996, the Government of Bangladesh formed a *Bank Reform Committee*. By this time with the initiation of various reform activities the following actions were taken: Decentralisation of two NCBs, giving permission to operate private banking, liberalisation of interest rate, introducing of indirect monetary control, implementation of the provisioning and classification of loan, implementation of the criteria of capital adequacy, strengthening the supervision of BB, modernizing the bank related information system, introduction of new management and operational tools, improvise regulatory act., etc. Though all these reform efforts can not claim 100 percent success, but it can claim that the banking reform programme had been successful in exposing the banking sector's problems to general public and raising their consciousness. Still there are many problems yet to be settled. These are: lacking of autonomy of BB, inefficient personnel policy both in BB and in the NCBs i.e. excessive number of employees, unsatisfactory recruitment process, low salary and inadequate financial facilities, lacking of necessary training, lacking of the qualified personnel to make economic policy analysis; political influence in loan allocation, domination of the banking division on NCBs, bearing the loss burden of SOE by the NCBs, culture of loan amnesty by the GOB, undesired activities of CBAs, existing of non-profitable branches of NCBs, delaying in yearly auditing, insufficient non-interest income of NCBs, huge unrecovered loan, shortfall of provisions, capital inadequacy, flexibility and contradiction of default act, wide spread rate of interest, obstacle to credit access to rural and small entrepreneurs, starved industrial finance, etc.

The first reformation in the insurance business after independence took place in the year 1984 through giving permission to private sector to participate in the business. After that, the monopoly rights of insurance of SBC with public sector, and the monopoly right of reinsurance of JBC and SBC with private companies were partially seized. Like the banking sector, stock market and insurance sector were not given that much attention so

that those could keep pace with other financial sub sectors. This sector (insurance) is suffering from various problems e.g. outdated insurance act, lack of skill personnel, incapability of the ministry of finance, conflict of interests between public owned corporation and private companies, poor client service, lacking of research and innovation, limited investment opportunity, excessive management cost, absence of business ethics, etc.

Stock market was not considered for reform till devastating stock market crash in 1996. This crash made the authority cautious about the weakness of the capital market in general and particularly for stock exchanges, and compelled them to take necessary reform initiatives to make the capital market healthy. The major notable features of capital market reforms implemented so far include: reorganising SEC, updating rules, empowering SEC to force the listed companies to obey rules, implementing international accounting standard and international standard of auditing, separation of management from the ownership, inclusion of representative from listed companies on the governing bodies of stock exchanges, introducing automated trading, etc. Still the capital market is facing various problems e.g. a small number of investors, few listed companies, concentrating ownership, market inefficiency, lacking of awareness, etc. Suggestions were offered in this chapter to improve the conditions of financial sector. The next chapter states the summary of the thesis, policy recommendations and conclusion.

# Chapter VIII

## Summary, Recommendations and Conclusions

1. Preamble and Methodology
2. The Findings
   a. Financial System in Bangladesh
   b. Growth of Central Bank and Money Supply
   c. Growth of Scheduled Banks
   d. Growth of Non-Bank Financial Institutions
   e. Financial Deepening
   f. The Reforms, Existing Problems and the Suggestions
3. Policy Recommendations
4. Conclusions
5. Suggestions for Further Research

# Chapter VIII

# Summary, Recommendations and Conclusions

## VIII.1. Preamble and Methodology

For economic development, financial sector acts as catalyst, since it generates savings and helps to form capital. It is argued that a developed financial sector is helpful for carrying out the modern economic activities. In fact, the more developed is the financial sector of a country; the more smoothly the economic activities of that country can be executed. It is observed in the economic history that economic development and growth of financial infrastructure go hand in hand. Such relationship exists between the two, that without the growth in the financial infrastructure, there can be no development; and the latter in turn changes the shape and size of the financial institutions. Realizing the same Van Horne states that efficient financial markets are extremely important to ensure sufficient capital formation and economic growth in a modern economy.[1] The financial structure is made up of a large number and an intricate system of specialized institutions. It should provide risk-sharing services to facilitate the capital accumulation process, and it should provide liquidity in the market to support non-financial activity. The structure of financial system of Bangladesh is composed of different categories of financial institutions: the Central Bank, Scheduled Banks, Non-scheduled Banks, Development Financing Institutions (specialised banks), Co-operative Banks, Insurance Corporations and Companies, Investment, Finance and Leasing Companies and the Post Office Savings Banks. The guardian of the financial institutions of Bangladesh is the Bangladesh Bank. But the financial structure of Bangladesh is underdeveloped. Huda in his one article states that, "the financial sector in Bangladesh is smaller and less developed than that in most countries in South and East Asia. Despite resent modest gain in financial depth, the system remains shallow."[2]

Bangladesh became independent thirty-two years ago. By this time she has progressed in many directions. But there are failures as well. In this background, it is a

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[1] James C. Van Home, *Financial Market Rates and Flows* (2nd ed., Englewood Cliffs, NJ: Prentice-Hall, Inc., 1984), p. 4.

[2] Md. Nazrul Huda, "Bangladesh's Financial Sector: An Overview", *Bank Parikrama,* Vol. XXII, Nos. 3 &4(Sep. & Dec. 1997), p. 32.

mater of interest to analyse the growth and development pattern of the financial sector of Bangladesh with a view to know how much it has progressed so far. And there should be a clear documentation of the development of this sector for identifying shortcomings and for making prescription for removing those shortcomings.

However, this study aims at measuring the present level of financial development in Bangladesh, analysing its past growth trends, identifying the constraints to its growth and progress and suggesting the measures for its improvement. The specific objectives of this research are as follows: to delineate the financial structure of Bangladesh; to analyse the evolution of the progress of different financial institutions and instruments; to measure the growth trends of main financial institutions and instruments over the years; to compare the relative contributions of the main financial institutions and instruments; to measure the level of financial deepening; to analyse the past reforms and identify existing problems in the financial sector; and to suggest measures for improvements.

The analysis of this research is primarily quantitative in nature, but qualitative method has also been applied. To measure growth trends of the selective indices, three categories of growth rates are widely used throughout this dissertation. These are Simple Growth Rate (SGR), it simply gives change over the previous year; Compound Growth Rate (CGR), it indicates change for given period on the basis of the values of the initial year and the terminal year; and Trend Growth Rate (TGR), it observe the general performance of two groups of variables more meaningfully and objectively by comparing their growth patterns over the period rather than on a year-to-year basis. Besides assessing growth trends, percentage shares of different indices and regression trend lines are also measured. Content analysis or documentary analysis method is mainly used here. In addition to that observation method and very selective opinion survey was used for the execution of this study.

## VIII.2. The Findings

A short summary of the findings is added to the end of each of the foregoing chapters. However, this section presents more elaborate chapter wise summary of the findings.

## VIII.2.1. Financial System in Bangladesh

The contribution of financial sector to GDP is very poor in Bangladesh. It was only 1.54 percent in the year 2000. Among the neighbouring courtiers of South Asia and South East Asia, the contribution of financial sector to GDP is much higher than that in Bangladesh. Presently Bangladesh has four categories of banking financial institutions: Nationalised Commercial Banks, Private Commercial Banks, Foreign Commercial Banks, and Specialised Banks. She has six categories of non-bank financial institutions: Insurance Companies, Leasing and Finance Companies, Co-operative Banks, Postal Savings Bank, Micro-Finance Institutions and Stock Exchanges. Prior to 1980s private participations was restricted to financial sector. Only the exceptions were private foreign banks. From 1980s, this sector became open for private participants. So, private commercial banks, insurance companies, and leasing and finance companies were established as the outcome of this open economic policy. Despite these institutions, there are instances of some new growing financial institutions, e.g. discount house, and money exchanger. These are the instances of late 1990s.

Money market of Bangladesh has three segments: inter-bank money market, call money market, and bill market. Inter-bank deposits as percent of total deposits varied between 2 and 5 percents during 1986-2000. Prior to 1980s, there was no need of call money market due to non-existence of private banking sector. After that, call money market became a very sensitive part of money market. It was observed that over the years, the highest, the lowest and the average monthly weighted average call money market rates for borrowing and lending were reduced gradually. Bill market in Bangladesh is further divided in to two segments: government treasury bill market and commercial bill market. After many changes and corrections, from September 1998, six categories of new bills (28-days, 91-days, 182-days, 364-days, 2-years and 5-years) were introduced. The other sub-segment, the commercial bill market remained very narrow in the country largely due to a low level of industrialisation and slow growth of trade and commerce.

The present day capital market in Bangladesh has two segments, namely, securities segment and non-securities segment. Securities and Exchange Commission is one of the regulatory bodies of money market, which, up to December 2000, issued licence to 27 institutions to act in the capital market. Out of them, 19 institutions were

Merchant Bankers and Portfolio Managers while 7 were only Issue Managers and 1(one) acted as Issue Manager and Underwriter.

Bangladesh Bank (BB), as the central bank, has legal authority to supervise and regulate all the banks and other financial institutions. For better performance of monetary policy, it introduced various policies in the 1990s, e.g., interest rate policy, capital adequacy policy, loan classification and provisioning policy, foreign exchange policy, exchange rate policy, and banking licence policy, which were introduced to maintain international standard.

The relative importance of different types of scheduled banks of Bangladesh in respect to some important banking variables, such as, the amount of deposits, advances, value of assets, number of manpower and branches reveal that NCBs dominate the banking system in Bangladesh. As on December 2000 those accounted for 55 percent of total deposits, 47 percent of total amount of advances, 69 percent of total amount of investment, 43 percent of total amount of assets, 58 percent of total employment, and 59 percent of total number of branches of all scheduled banks in Bangladesh.

Twenty-two private leasing and finance companies (except House Building Finance Corporation (HBFC), and Investment Corporation of Bangladesh (ICB)) were operating in the country as on December 2000. Of these institutions, ten were local and the rest twelve were established under joint venture with foreign participation.

In Bangladesh insurance businesses are of two types: general insurance and life insurance. Both types of insurance in Bangladesh are divided into two groups public sector insurance and private sector insurance. In Bangladesh as on June 2000, there were 14 domestic private, 1 foreign private, and 1 public life insurance companies; and 41 domestic private, and 1 public general insurance company.

A rapidly growing segment of Rural Financial Market (RFM) in Bangladesh is the member-based cooperative type institutions. The largest member based institution is the Grameen Bank. All others are Non-Government Organizations (NGOs), biggest among them are BRAC, ASA and Proshika.

There are two stock exchanges namely Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE), which are dealing in the secondary capital market.

1975 to 2000 were 17.83, 16.95, 16.81; 15.30, 12.91, 14.02; and 15.18, 12.18, 12.40 respectively. And annual average SGR, CGR, and TGR percentage of over all assets/liabilities were 14.41, 12.81, and 13.78 respectively.

Assets of issue department are classified here into three heads: (1) 'foreign assets', (2) 'taka coin', and (3) 'securities of Bangladesh government, internal bills of exchange, and other commercial paper's. Annual average SGR, CGR and TGR percentages of these heads for the period from 1975 to 2000 were 29.90, 17.75, 19.23; 33.9, 3.23, 9.09; and 15.70, 14.43, 12.59 respectively. Accordingly liabilities of issue department are grouped into two heads: (1) 'notes in the banking department', and (2) 'notes in circulation'. Annual average SGR, CGR, and TGR percentages of these heads for the period from 1975 to 2000 were 150.47, (-)0.26, (-)3.66; and 15.55, 15.17, 14.57 respectively. And annual average SGR, CGR, and TGR percentages of over all assets/liabilities were 15.54, 15.16, and 14.57 respectively.

The income statement of BB shows that percentages of annual average SGR, and CGR of 'total income', 'total expenditure', and 'net profit' for the period from 1972 to 2000 were 19.14, 116.94; 24.66, 117.32; and 22.25, 116.72 respectively.

Annual average SGR, CGR and TGR percentages of the components of money supply: (1) 'currency outside banks', (2) 'narrow money', and (3) 'broad money' for the period from 1973-74 to 1999-2000 were 14.66, 14.08, 15.29; 13.79, 13.46, 13.92; and 17.35, 17.06, 18.08 respectively. Accordingly, annual average SGR, and CGR percentages of the sources of money supply: (1) 'claims on government sector (net)', (2) 'claims on financial sector', (3) 'claims on private sector', (4) 'foreign assets (net)', and (5) 'net other assets' for the period from 1973-74 to 1999-2000 were 14.82, 12.82; 12.25, 11.36; 22.48, 21.49; 47.32, 20.84 and 19.18, 14.50 respectively.

Annual average SGR, and CGR percentages of the components of reserve money: (1) 'BB notes in circulation', (2) 'government notes and coins in circulation', (3) 'deposited money banks' deposits in BB', and (4) 'reserve money' for the period from 1974-75 to 1999-2000 were 16.20, 15.78; 8.22, 7.96; 21.02, 18.00 and 16.64, 16.09 respectively. Accordingly, annual average SGR, and CGR percentages of the sources of reserve money, (1) 'net foreign assets of BB', (2) 'claims on government (net)', (3) 'claims on public sector', (4) 'claims on deposited money banks', (5) 'other net assets of

BB' for the period from 1974-75 to 1999-2000 were (-)57.97, 17.55; 17.05, 12.18; 21.02, 16.06; 18.96, 15.72; and 27.07, 9.10 respectively.

The value of money multiplier through out the period, in successive years increased at the rate of 4.3 percentages.

## VIII.2.3. Growth of Scheduled Banks[3]

Scheduled banks consist of four categories of banks: nationalised commercial banks (NCBs), private commercial banks (PCBs), foreign commercial banks (FCBs), and specialised banks (SBs).

Bangladesh inherited from Pakistan a commercial banking system with a network of 1089 branches including 2 Bangladeshi banks with 155 offices, 10 Pakistani banks with 920 offices and 3 foreign banks with 14 offices. Because of the absence of Pakistani owners and pre-election (1970) commitments of the ruling party, all the banks were nationalised excluding foreign banks. The small banks were merged with big ones and the numbers of banks were reduced to mix only. But from 1980s, banking sector became open for private sector and that started through the denationalisation of two nationalised banks.

Assets of Scheduled banks are classified here into five heads: (1) 'cash in hand and at banks, money at call and short notice, and foreign currency balances', (2) 'bills', (3) 'advance', (4) 'investment', and (5) 'other assets not included elsewhere'. Annual average SGR, CGR, and TGR percentages of these heads for the period from 1974-75 to 1999-2000 were 21.04, 19.89, 19.92; 17.11, 15.69, 15.15; 18.51, 18.13' 18.16; 19.01, 17.55, 17.73; and 34.28, 23.23, 23.08 respectively. Accordingly liabilities of scheduled banks are grouped into four heads: (1) 'paid-up capital and reserve', (2) 'deposits', (3) 'borrowing, and foreign liabilities', and (4) 'other liabilities not included elsewhere'. Annual average SGR, CGR, and TGR percentages of these heads for the period from 1974-75 to 1999-2000 were 21.34, 20.04, 19.59; 18.79, 18.54, 18.87; 18.28, 16.32, 15.79; and 35.14, 23.17, 22.91 respectively. And annual average SGR, CGR, and TGR percentages of over all assets/liabilities were 24.15, 21.29, and 21.14 respectively.

At the beginning of the study period share of assets of NCBs was more than 80 percentages and gradually it began to reduce and reached below 50 percentages in the FY

[3] Here Bangladesh Samabaya Bank Ltd. also included in these categories.

1991-92. Again, it rose to around 70 percentages in the FY 1994-95. The share of assets of SBs was below 10 percentages from the FY 1974-75 to 1980-81, then 1982-83 to 1993-94 its share varied between 10 and 15 percentages, again in the FY 1994-95 its share reduced to below 10 percentages and continued to reduce. The share of PCBs varied between 9 and 26 percentages, and the share of FCBs varied between 3 and 12 percentages.

Aggregate growth rate of the expansion of bank branches were slightly above 6 percents for the study period from 1972-73 to 1999-2000. In this period share of NCBs branches gradually reduced from 90 percentages to 55 percentages. Share of SBs' branches never exceeds the boundary of 20 percentages during the study period. But for the first six years, its share was around 10 percentages. The share of PCBs branches increased over the period from 1984-85 to 1999-2000. At the initial year its share was around 14 percentages and at the terminal year its share increased to around 20 percentages. And most of the time the share of foreign banks' branches was less than 1 percentage.

Aggregate growth rate of the expansion of manpower of all scheduled banks were above 6 percentages for the study period from 1972-73 to 1999-2000. In this period share of NCBs manpower gradually reduced from above 80 percentages to below 50 percentages. Share of SBs' manpower varied between 11 and 20 percentages during the study period. The share of PCBs manpower increased from 14 percentages from the FY 1984-85 to 25 percentages in the FY 1999-2000. And except initial five years share of foreign banks' manpower was less than 2 percentages.

NCBs' share in total deposits was always higher during the study period from 1974-75 to 1999-2000, but the trend was decreasing. At the beginning its share was around 90 percentages and at the end of the period its share came down to around 55 percentages. The share of SBs was smooth and steady and it varied between 2.5 and 6.5 percentages. Gradually the share of PCBs increased from 7 percentages to above 31 percentages. The share of FCBs was consistent and smooth; it varied between 4 and 10 percentages. For the study period, the aggregate growth rate of deposits for all banks was slightly above 18 percent. But the highest growth rate accredited to private banks; its annual average SGR and CGR were 32.11 and 26.39 percentages respectfully.

NCBs' share in total advances remained always higher than other types of banks; but the trend was downward moving from 75 percentages to 45 percentages. The share of SBs was smooth and its share varied between 15 and 25 percentages.

Gradually the share of PCBs increased from 5 percentages to above 33 percentages. The share of FCBs remained consistent and smooth and it varied between 4 and 7 percentages. For the study period from 1974-75 to 1999-2000, the aggregate growth rate of advances for all banks was slightly above 18 percent. But the highest growth rate credited to private banks. They had 33.05 and 26.97 percentages of annual average SGR and CGR respectively.

The growth rate of money transaction was almost $2^1/_2$ times higher than the growth rate of cheques cleared through clearinghouse. The average growth rates were above 7 percent for the cheques and above 19 percent for money transactions.

In the study period from 1974-75 to 1999-2000, the growth rates of deposits, advances and expansion of bank branches were higher in rural areas than those in urban areas. The average growth rates for these variables were around 17, 18, and 4 percentages respectively for urban areas; and those were around 23, 29, and 6 percentages respectively for rural areas.

Over the years, NCBs' share in aggregate income decreased; the share of PCBs increased; the share of SBs was inconclusive, and the share of the FCBs increased very slightly. The comparison of the ratios of total income of the initial year and that in the terminal year; and the ratios of total expenditure of the initial year and that in the terminal year indicate that in case of NCBs and SBs the ratios of expenditure were higher than that of income. But the opposite was true for PCBs and FCBs. This hints to the relative business efficiencies of FCBs and PCBs and business inefficiencies of NCBs and SBs. The picture of net profit was also very dim for NCBs and SBs. Over the study period (1972-2000) NCBs, SBs, FCBs and PCBs made net profits of Tk. 1,529.20 million; Tk. (-) 22,751.90 million; Tk. 11,776.00 million and. Tk. 10,678.50 million respectively. This means overall banking sector over the period of 28 years made profits only Tk. 1,231.80 million. This tragic picture of the banking sector is due to the chronic losses of NCBs and SBs in various years.

### VIII.2.4. Growth of Non-Bank Financial Institutions

Besides the banking institutions, there are six categories of non-bank financial institutions: (1) leasing and finance companies, (2) money exchanger, (3) insurance companies/corporation, (4) cooperative banks, (5) postal savings and (6) stock exchanges. Most of the development of these institutions occurred in the decade of 1990s.

Up to December 2000, there were 22 leasing and finance companies in Bangladesh, excluding House Building Finance Corporation (HBFC), and Investment Corporation of Bangladesh (ICB). Out of these 22 institutions, 9 were established during the period from 1990/91 to 1995/96. The annual average SGR and CGR percentages of (1) deposits, (2) loan and advance, (3) investment, and (4) assets of these institutions, for the period from 1997 to 2001, were 125.96, 112.98; 33.93, 33.73; 78.65, 62.73; and 30.82, 30.75 respectively. The contribution of value added of these institutions to GDP was very insignificant and that was less than 0.0004 percent; but the average growth rate was above 9 percent.

The beginning of insurance business started in the Indian subcontinent in the year 1818 through the establishing of a life insurance company named 'The Orient Life Insurance Company' by the Christian missionaries. But at the time of independence of Bangladesh, 67 insurance companies used to operate in here. According to nature of business, out of these 67 insurance companies, the number of life insurance companies, general insurance companies, and composite insurance companies were 9, 6, and 50 respectively; and the rest 2 were provident fund societies. According to the country domicile, the number of Bangladeshi companies, foreign companies and Pakistani companies were 15, 29, and 23 respectively.

For the study period (1995-2000), the annual average SGR and CGR percentages of gross premium for over all insurance sector were 15.41 and 15.31 respectively. For investment, both the growth rate percentages were 17.36 and 17.13 respectively. For total assets, the growth rate percentages were 13.54 and 13.52. Among four categories of insurance companies, the highest growth rate of premium accredited to private sector life insurance companies, which accounted for above 30 percent. The highest growth rate of investment accredited to private sector general insurance companies, which accounted for around 38 percent. The highest growth rate of assets accredited to private sector life insurance companies, which accounted for around 30 percent. The overall growth rate performance was dim for public sector general insurance companies. The contribution of value added of insurance sector to GDP was very insignificant and that was less than 0.003 percent and average growth rate was also moderate with less than 4 percent.

The background of Co-operative banking in this region dated back to the year 1901, when the Strachey Famine Commission, 1880 recommended for the establishment of mutual credit association to deal with the problems of agricultural credit. Bangladesh Samabya Bank Ltd., acts as the apex credit institution of co-operative banking, which borrows money from the central bank for lending to its members. For the study period (1981-2000), the annual average SGR, CGR, and TGR percentages of total assets for all co-operative banks were 6.19, 5.69 and 5.68 respectively. The all categories of growth rate percentages for deposits were 7.95, 4.82 and 5.19 respectively. Annual average SGR, CGR and TGR percentages of advances were 6.53, 5.53 and 6.19 respectively. One of the distinguishing features of co-operative banks was that its total advances were eight to thirteen times higher than its total deposits.

The postal savings bank deposit scheme introduced in this region at least hundred and fifty years ago, has a legacy with British rule in India. Now, there are two types of savings accounts in Post Office Savings Bank: Ordinary Account, and Fixed Deposit Account. However, the postal savings bank until 1992 maintained two other accounts: named, Bonus Accounts and Bonus-cum-profit Accounts. For the study period (1975-2000), annual average SGR, CGR, and TGR percentages of ordinary progressive outstanding balance were 36.53, 9.02 and 5.75 respectively. The all categories of growth rate percentages for other progressive outstanding balance were 20.19, 18.16 and 22.57 respectively. Annual average SGR, CGR and TGR percentages of total outstanding balance of all deposits were 16.81, 14.79 and 18.93 respectively. At the begging of the study period about 60 percent share accredited to ordinary progressive outstanding balance, but gradually its share began to reduce and reached to less than 1 percent, the ever lowest, in 1992. From then again, its share began to increase and reached to above 16 percent at the end of 2000, the reverse direction was true for other progressive outstanding balance.

The Grameen Bank is the pioneer in the field of micro-credit program, the largest member based institution and the only formal institution of its type. Realizing the success of this model, hundreds of non-governmental organizations (NGOs) started operating micro-finance programs in rural and urban areas. For the study period (1996 - 2000), annual average SGR and CGR percentages of (1) reported micro-finance (MF) NGOs, (2) active members (3) net savings, (4) cumulative disbursement of loan, (5)

outstanding loan, and (6) outstanding borrowing were 13.73, 13.62; 16.42, 16.39; 39.12, 38.77; 46.02, 45.75; 33.62, 33.23; and 26.70, 26.49 respectively. On the other hand, annual average SGR and CGR percentages of (1) deposits and other assets, (2) investment, (3) loan and advances, (4) cumulative loan disbursement, (5) assets, (6) branches and (7) members covered, and (8) no. of village covered by Grameen bank were 45.19, 41.31; 60.75, 36.46; 39.73, 34.11; 156.71, 102.79; 41.32, 35.06; 72.22, 34.18; 115.87, 67.50; and 84.24, 55.54 respectively. It is observed for the second half of 1990s that gradually in micro finance activities MF-NGOs were progressing at faster rate than Grameen Bank.

In Bangladesh, there are now two stock exchanges, Dhaka stock exchange (DSE), and Chittagong Stock Exchange (CSE). Annual average SGR, CGR, and TGR percentages of (1) number of listed securities, (2) value of securities, (3) annual turnover, and (4) market capital for DSE were 15.27, 14.68, 14.78; 18.53, 17.93, 18.14; 121.00, 61.78, 71.59; and 39.78, 28.73, 31.15 respectively. Accordingly, annual average SGR, CGR, and TGR percentages of (1) listed securities, (2) annual turnover, and (3) market capital for CSE were 9.17, 8.97, 8.39; 24.76, 20.76, 19.81; and (-)10.39, (-)20.83, (-)20.47 respectively. Though CSE is too young to compare with DSE; but share in total annual turnover, CSE accounted for 20 percent and in total market capital, it accounted for almost 50 percent for the study period (1996-2000).

## VIII.2.5. Financial Deepening

Financial deepening is the indicator of financial development. It is assumed that the higher will be the value of this measurement; financially that economy will be more developed. In this study eight indicators have been used, i.e. (1) $M_1$/GDP, (2) $M_2$/GDP, (3) Ratio of Bank Credit to Domestic Credit, (4) Ratio of Private Credit to Domestic Credit, (5) Ratio of Private Credit to GDP, (6) Ratio of Financial Assets to GDP, (7) Market Capitalisation Ratio, and (8) Value Traded Ratio to measure financial deepening. For the study period, the annual average SGR and CGR of the above indicators were 0.85, 0.24; 4.09, 3.42; 1.05, 0.97; 4.70, 4.26; 8.79, 7.33; 0.42, 0.31; 29.65, 17.48; and 105.88, 49.29 respectively. From all the indicators it can be concluded that over the years, financial deepening increased and the growth rates were significant at 5 percent level of significance. There is a tendency of reducing the value of financial deepening, if the new GDP is used as denominator in lieu of the old GDP.

## VIII.2.6. The Reforms, Existing Problems and the Suggestions

In Bangladesh reforms in the financial sector started in the middle of 1980s through the privatisation of two nationalised banks and by giving permission to the private banks to operate business. But in 1984, formally a national Commission on Money, Banking and Credit was appointed by the government to suggest ways and means to improve the efficiency of the banking system. The World Bank also made an in-depth study of Bangladesh's financial sector in the mid-1980s and recommended some suggestions. To implement their suggestion, WB initiated a project named Financial Sector Reform Project (FSRP). After the expiry of the WB project in 1996, the GOB formed another Banking Reform Committee to evaluate the situation in the banking sector.

The gist of the suggestions of these various commissions were to allow the entry of both domestic and foreign private banks, privatisation of government-owned commercial banks, liberalization of interest rates, providing increased incentives for priority sector's lending, and making subsidies in these sectors conspicuous and transparent, introduction of market based instruments for financial control, relaxation of directives covering credit allocation, removal of restrictions on the types of activity that the banks can undertake, improvement of loan recovery through establishment of efficient loan recovery procedures and enactment of new legislation, introduction of improved management and operational tools, strengthening the capital market in the country, etc. Some of these suggestions were implemented.

The reform measures could not generate expected results. However, it was a fact that the banking reform programme had been successful in exposing the banking sector's problems to general public and raising their consciousness. One of the most important reasons for not getting expected result was the overemphasis on economic deregulation without broad basing and consolidating the prudential and supervisory regulatory framework. Interest rate reform efforts alone were not sufficient to address the banking problems.

The experience of financial sector reformation, particularly for banking sector, of the last decades makes it clear that the steps had been taken were not enough to remove all the problems relating to the banking sector. At the end of 2000, the banking sector was facing various problems, e.g., BB had not enough autonomy to execute its objectives outside the influence of Ministry of Finance. The existing personnel policy of

BB was not fit for creating efficient manpower. Excessive number of employees, unsatisfactory recruitment process, low salary, lacking of training was dominating in the personnel policy of BB. With the overall assessment, it appeared that all the NCBs were in critical condition. Political influence in the loan allocation, domination of the Banking Division of the Ministry of Finance, bearing the loss burden of SOEs, loan amnesty, defective personnel policy, undesirable activities of CBA, delaying in auditing, insufficient non-interest income, deprivation from interest were making problems in NCBs. There were also problems in PCBs. Not in every PCB, but some of the early established PCBs were bearing the burden of huge bad loans. The foremost difficult and anxious problem in banking sector was un-recovered loan. Financial loan court act did not succeed to collect bad loans of the banks. At the end of 2000, there were 90 Money Loan Courts (MLC), but only 9.41 percent of total litigated amount were recovered until the end of 1999. Except FCBs, NCBs and PCBs failed to maintain required level of provision. Except FCBs, NCBs and PCBs also failed to maintain required level of capital adequacy. To reduce the spread rate of interest was not only failed but it was observed that the spread rate of interest was being increased over the years in the decade of 1990s. The access to credit did not at all improve for the rural and small entrepreneurs. And the industrial sector of Bangladesh was also starved of credit. For meaningful reformation, it was felt that political commitment, enforcement of legal system and ensuring autonomy of BB was utmost necessary.

After independence insurance business was nationalised, exception was American Life Insurance Companies (ALICO). But in 1984, the door was opened for private companies with some monopoly reservations for SBC and JBC. From 1984 to 1990, SBC enjoyed the 100% monopoly right of the businesses of the public sector insurance, and the 100% reinsurance right of the private sector companies. But from 1990, both of these monopoly facilities were curtailed to 50% for SBC. Like SBC, JBC also enjoyed 100% reinsurance facilities of the private companies; but from 1990, this right was also curtailed and the private companies got the freedom to place re-insurance of the whole or any portion with any insurer outside Bangladesh.

Still there existed many fold problems in the insurance sector. These were the outdated insurance act, lack of skill personnel both in companies and in concern controlling offices, conflict of interest between private and public insurance companies, poor cliental services, no research and innovation activities, weak saving instruments,

limited investment opportunities of the fund, excessive management cost, excessive policy dropout, unholy competition between companies, etc.

To remove all these problems, many things had to do; but the following were the most important among many recommendations: to reduce lapse ratio of life insurance, to go into rural area to seek new market, to generate own actuarial database, to publish insurance year book, to reduce negative impact of inflation, recruitment of Chief Controller of Insurance from professionals, cease rest of the right of underwrite and re-insurer of SBC, restriction of management expense, and the exploration of new investment avenues, etc.

The debacle of DSE in December, 1996 led the government to take agenda for market reforms, and by 2000 due regulations were framed, and all most all necessary corrective measures were taken for reorganization of SEC, updating rules for regulatory framework, separation of the management from the ownership of the stock exchange, inclusion of the representatives on the governing bodies of the stock exchanges, automation of trading, amendment of the Trust Act 1982, and for restructuring of ICB.

In spite of implementation of reforms, still the capital market was suffering from the problems like: presence of small number of investors, few listed companies, lacking of controlling power over listed companies in regard to ensure payment of dividends, tendency of concentrating ownership, and the inefficiencies in the office of CCI and ICB.

To overcome the existing problems, the foremost duty was to build confidence of the investors. For doing so, all the possibilities of the market manipulation had to be eliminated and all the efforts, how little it might be, had to be initiated. Merchant Banks had to give opportunities to play their due role in revitalising the stock market. To ensure payment of dividend of the listed companies, tax incentives had to be introduced, and to expand the size of the capital market, government has to off-load the share of SOEs.

## VIII.3. Policy Recommendations

This is a descriptive research. The intentions of this descriptive research are to present the various dimensions of the development pattern of the financial sector of Bangladesh. This is done in the previous chapters of this dissertation. In chapter seven, after discussing various reforms of the three major financial sub-sectors and their

existing problems, many suggestions have been offered to overcome those problems. Though a descriptive research does not demand policy recommendation, still some policy recommendations have been given in the following paragraph.

It is seriously felt that there should be a central authority for collecting and publishing data of all financial institutions regularly. The insurance sector and leasing and finance companies should bring a central publication for each year and that should publish aggregate data of these subsectors very elaborately. All these categories of data have to be published either according to fiscal year or according to calendar year. There should be similarities in year wise arranging of different categories of data. This will help the analysts and policy makers to draw inferences and conclusions from the analysis of those data. The reforms so far done are not adequate to remove the problems. More reforms are necessary to remove the hindrances in the financial sector, especially to tackle the problem of bad and overdue loans. Revitalization of capital market in Bangladesh remains at the top of the agenda for attracting local and foreign investments for industrialisation of this country. Expansion of micro credit to millions of poor households is still necessary to bring fifty percent of population up from below the poverty line.

## VIII.4. Conclusions

The government's controlling attitude and nationalisation of the banks, insurance companies and the industries in the early 1970s, was a set back to the growing financial sector of Bangladesh. In the early 1980s, it began to recover. The real growth of the sector took place in 1990s and onward. By now, the sector achieved countable growth and development, though yet it is not comparable with that of the neighbouring countries. But in the decade of 1990s, the foundation of this sector was set on a strong base with many reformations. Beyond 1990s, it began to give satisfactory results. The sector is growing steadily and smoothly. If the present trend continues, it is expected that by the end of the current (2010) decade, this sector will achieve remarkable growth and development.

## VIII.5. Suggestion for Further Research

This is the first attempt to cover in a single study all the segments of financial sector of Bangladesh for the period of first three decades after independence. But to deal with all the issues of this vast sector for a long period in a single thesis is neither

possible nor desirable. Many dimensions could not be dealt with due weight. Generally, a research raises multifarious issues and identifies more new dimensions than it proposes to solve. It is expected that the present study would motivate and even provoke further researches to explore new dimensions in the arena of financial sector. In the light of experience of the present study, a few suggestions for further researches are given below.

- In every case in this study growth trend has been analysed with current data. In future these growth trends can be analysed with constant data. In that case current figure has to be converted into constant figure.

- In this study time span for measuring growth trend was not equal for every sub-sector, e.g. data was available for scheduled banks from the year 1975 to 2000. But for non-bank financial institutions' data of earlier years were not available. So, it is suggested that in future a new study can be done on the basis of data of equal time span for every sub-sector.

- In the last half of 1990s, some very new financial intermediaries e.g. discount house, money exchanger were introduced in our country. In future these new categories of intermediaries can be included in this type of study.

- At different periods, the Ministry of Finance and monetary authority introduced new rules and regulations regarding money, banking and finance. What was the basis of the introduction of those rules and regulations and what were the consequences of those can be analysed very critically in some of the study in future.

- Financial deepening could be measured by more sophisticated method with more improvised techniques.

- Balance sheet of different categories of financial institutions could be analysed more critically so that growth trend and consequences of every single component can be outlined.

- A comparative study of financial development between Pakistan era and Bangladesh era may be done.

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http://www.secbd.org

# Appendix

# Appendix: Table- 1

| Gross Domestic Product at Current Price (Taka in Million) | | | | | |
|---|---|---|---|---|---|
| Fiscal Year | Old GDP | New GDP | Calendar Year | Old GDP estimated for Calendar Year | New GDP estimated for Calendar Year |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1972-73 | 49,853 | - | 1973 | 62,802.50 | - |
| 1973-74 | 75,752 | - | 1974 | 100,060.50 | - |
| 1974-75 | 124,369 | - | 1975 | 117,344.50 | - |
| 1975-76 | 110,320 | - | 1976 | 113,161.50 | - |
| 1976-77 | 116,003 | - | 1977 | 130,598.50 | - |
| 1977-78 | 145,194 | - | 1978 | 159,620.50 | - |
| 1978-79 | 174,047 | - | 1979 | 185,048.50 | - |
| 1979-80 | 196,050 | - | 1980 | 213,741.50 | - |
| 1980-81 | 231,433 | - | 1981 | 245,224.00 | - |
| 1981-82 | 259,015 | - | 1982 | 276,602.00 | - |
| 1982-83 | 294,189 | - | 1983 | 324,687.00 | - |
| 1983-84 | 355,185 | - | 1984 | 381,059.00 | - |
| 1984-85 | 406,933 | - | 1985 | 436,580.00 | - |
| 1985-86 | 466,227 | - | 1986 | 502,714.00 | - |
| 1986-87 | 539,201 | - | 1987 | 568,169.00 | - |
| 1987-88 | 597,137 | - | 1988 | 628,367.50 | - |
| 1988-89 | 659,598 | - | 1989 | 698,584.50 | - |
| 1989-90 | 737,571 | 1,003,288 | 1990 | 785,981.50 | 1,054,234.50 |
| 1990-91 | 834,392 | 1,105,181 | 1991 | 870,447.00 | 1,150,302.50 |
| 1991-92 | 906,502 | 1,195,424 | 1992 | 927,283.50 | 1,224,559.00 |
| 1992-93 | 948,065 | 1,253,694 | 1993 | 989,215.00 | 1,303,908.50 |
| 1993-94 | 1,030,365 | 1,354,123 | 1994 | 1,100,313.00 | 1,439,650.50 |
| 1994-95 | 1,170,261 | 1,525,178 | 1995 | 1,235,930.50 | 1,594,209.00 |
| 1995-96 | 1,301,600 | 1,663,240 | 1996 | 1,352,322.50 | 1,735,126.50 |
| 1996-97 | 1,403,045 | 1,807,013 | 1997 | 1,475,689.50 | 1,904,389.50 |
| 1997-98 | 1,548,334 | 2,001,766 | 1998 | 1,642,982.00 | 2,099,359.00 |
| 1998-99 | 1,737,630 | 2,196,952 | 1999 | 1,818,010.00 | 2,283,904.00 |
| 1999-00 | [P]1,898,390 | 2,370,856 | 2000 | 1,977,997.17 | 2,476,767.50 |
| 2000-2001 | 2,057,604 | [P]2,582,679 | 2001 | - | - |

Note: [P]Provisional Data.

Source: For Column 2 from 1972-73 to 1999-2000: Government of Bangladesh. *Bangladesh Arthanaitik Jarip 2000 [Annual Economic Survey 2000]* (Dhaka: Finance Division, Ministry of Finance, GOB, June 2000), p. 182-183.

For Column 2 for the year 2000-2001: Old GDP figure for the year 2000-2001 has not published, so it has drawn applying OLS Regression method. In this regression model new GDP has been used as independent variables and old GDP used as dependent variables.

For Column 3 from 1989-90 1998-99: BBS, *National Accounts Statistics of Bangladesh (Revised Estimates, 1989-90 to 1998-99)* (Dhaka: BBS, Statistics Division, Ministry of Planning, GOB, 2000), p. 49.

For Column 3 from 1999-2000 to 2000-2001: BBS, *Statistical Yearbook of Bangladesh* (Dhaka: BBS, Planning Division, Ministry of Planning, GOB, 2000), p. 456.

For Column 5 and 6: Value for any specific calendar Year has been derived applying arithmetic mean on the data of that specific fiscal year and on the consecutive fiscal year.

# Appendix: Table- 2

| Contribution of Financial Sector of the South East Asian and South Asian Countries to GDP for the Year 2000 | | | | | | |
|---|---|---|---|---|---|---|
| Name of the Country | GDP by Industrial Origin | Contribution of Financial Sector | Ratio of Financial Sector's Contribution to GDP | Period Average Exchange Rare Per US $ | Unit of Measure | End of the Period |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Bangladesh | 2,371 | 36.5 | 1.54 | 52.142 | Billon Taka | 30-Jun |
| Viet Nam | 444,139 | 8,457.0 | 1.90 | 14,167.700 | Billon Dong | 31-Dec |
| Bhutan | 21,127 | 1,324.1 | 6.27 | 44.942 | Million Ngultrum | 31-Dec |
| Pakistan | 2,952 | 234.1 | 7.93 | 53.648 | Billon Rupees | 30-Jun |
| Sri Lanka | 1,125,259 | 91,186.0 | 8.10 | 77.005 | Million Rupees | 31-Dec |
| Nepal | 354,088 | 36,919.0 | 10.43 | 71.094 | Million Rupees | 15-Jul |
| Malaysia/a | 340,706 | 38,748.0 | 11.37 | 3.800 | Million Ringgit | 31-Dec |
| India | 18,958 | 2,366.5 | 12.48 | 44.942 | Billon Rupees | 31-Mar |
| S. Korea | 521,959 | 98,977.0 | 18.96 | 1,131.000 | Billon Won | 31-Dec |
| Singapore/b | 159,888 | 40,909.7 | 25.59 | 1.724 | Million S. Dollar | 31-Dec |

Note: a/ Refers to finance, insurance, real estate and business
b/ Covers financial and business services

Source: All the data has been compiled from, ADB, *Key Indicators of Developing Asian and Pacific Countries-2001*, Vol. XXIV (Manila: Economics and Development Resource Centre, ADB).

# Appendix: Table- 3-A

| Banks and Their Branch Office Operating in Bangladesh | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Nationalised | | | | Specialised Banks | | | | | Non-scheduled Banks | | | |
| Year | Bangladesh Bank | Sonali | Janata | Agrani | Rupali | BASIC Bangladesh Ltd. | Bangladesh Krishi Bank | Rajshahi Krishi Unnayan Bank | Bangladesh Shilpa Bank | Bangladesh Shilpa Rin Sanghsta | Ansar V D P. Unnayan Bank Ltd. | Bangladesh Samabay Bank Ltd | Grameen Bank | Karma Sangstan Bank |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| 1972 | 4 | 274 | 261 | 249 | 159 | - | 75 | - | 7 | ? | - | - | - | - |
| 1973 | 4 | 306 | 286 | 282 | 200 | - | 75 | - | 7 | ? | - | - | - | - |
| 1974 | 6 | 359 | 312 | 289 | 209 | - | 136 | - | 7 | ? | - | - | - | - |
| 1975 | 6 | 400 | 322 | 305 | 227 | - | 146 | - | 7 | ? | - | - | - | - |
| 1976 | 6 | 450 | 377 | 351 | 258 | - | 171 | - | 7 | ? | - | - | - | - |
| 1977 | 7 | 600 | 507 | 510 | 362 | - | n.a | - | 7 | ? | - | - | - | - |
| 1978 | 7 | 709 | 634 | 602 | 450 | - | 197 | - | 7 | ? | - | - | - | - |
| 1979 | 7 | 847 | 721 | 690 | 490 | - | 371 | - | 14 | ? | - | - | - | - |
| 1980 | 7 | 1014 | 815 | 775 | 533 | - | 412 | - | 14 | ? | - | - | - | - |
| 1981 | 7 | 1034 | 823 | 775 | 538 | - | 555 | - | 14 | ? | - | - | - | - |
| 1982 | 7 | 1055 | 826 | 776 | 467 | - | 653 | - | 14 | ? | - | - | - | - |
| 1983 | 7 | 1214 | 826 | 777 | 467 | - | 818 | - | 14 | ? | - | - | - | - |
| 1984 | 7 | 1233 | 832 | 789 | 483 | - | 936 | - | 14 | ? | - | - | - | - |
| 1985 | 7 | 1266 | 845 | 789 | 485 | - | 942 | - | 14 | ? | - | - | - | - |
| 1986 | 7 | 1150 | 845 | 815 | 499 | - | 1010 | - | 14 | ? | - | - | - | - |
| 1987 | 7 | 1252 | 856 | 837 | 501 | - | 800 | 254 | 14 | 5 | - | - | - | - |
| 1988 | 7 | 1261 | 865 | 856 | 504 | - | 823 | 267 | 14 | 5 | - | - | - | - |
| 1989 | 7 | 1269 | 875 | 866 | 514 | 4 | 852 | 278 | 14 | 5 | - | - | - | - |
| 1990 | 9 | 1284 | 941 | 881 | 520 | 8 | 853 | 280 | 14 | 5 | - | 1 | 781 | - |
| 1991 | 9 | 1350 | 945 | 940 | 546 | 11 | 857 | 294 | 15 | 5 | - | 1 | 915 | - |
| 1992 | 9 | 1293 | 947 | 891 | 517 | 14 | 861 | 295 | 19 | 5 | - | 1 | 1015 | - |
| 1993 | 9 | 1360 | 948 | 894 | 543 | 17 | 914 | 295 | 19 | 5 | - | 1 | 1164 | - |
| 1994 | 9 | 1364 | 943 | 959 | 545 | 18 | 941 | 298 | 17 | 5 | - | 1 | 1045 | - |
| 1995 | 9 | 1304 | 942 | 963 | 518 | 18 | 886 | 343 | 17 | 5 | - | 1 | 1055 | - |
| 1996 | 9 | 1376 | 944 | 903 | 544 | 20 | 886 | 343 | 19 | 5 | - | 1 | 1079 | - |
| 1997 | 9 | 1369 | 945 | 958 | 543 | 21 | 825 | 338 | 19 | 6 | - | 1 | 1079 | - |
| 1998 | 9 | 1311 | 897 | 903 | 514 | 22 | 837 | 300 | 19 | 5 | 38 | 1 | 1137 | 1 |
| 1999 | 9 | 1306 | 898 | 903 | 513 | 23 | 837 | 301 | 15 | 5 | 62 | 1 | 1149 | 6 |
| 2000 | 9 | 1293 | 898 | 903 | 512 | 25 | 854 | 301 | 15 | 5 | 72 | 1 | 1160 | 32 |

Source: From 1972 to 1980: BBS, *Statistical Yearbook of Bangladesh 1982* (Dhaka: BBS, Planning Division, Ministry of Planning, GOB, 1983), p. 476.
From 1981 to 1990: BBS, *Statistical Yearbook of Bangladesh 1991* (Dhaka: BBS, Planning Division, Ministry of Planning, GOB, 1991), p. 446.
From 1991 to 2000: BBS, *Statistical Yearbook of Bangladesh 2000* (Dhaka: BBS, Planning Division, Ministry of Planning, GOB, 2002), p. 383.

# Appendix: Table- 3-B

| Year | Banks and their Branch Office Operating in Bangladesh | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Private Bank | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Pubali Bank Ltd. | Uttara Bank Ltd. | The City Bank Ltd. | United Commercial Bank Ltd | Arab Bangladesh Bank Ltd | IFIC Bank Ltd. | Islami Bank Bangladesh Ltd. | Albaraka Bank Ltd | Eastern Bank Limited | National Credit & Commerce Bank Ltd | Prime Bank Ltd. | South East Bank Ltd | Dhaka Bank Ltd. | Al-Arafa Islami Bank Ltd. | Social Investment Bank Ltd. | Dutch Bangla Bank Ltd. | Mercentile Bank Ltd | Standard Bank Ltd | One Bank Ltd. | Bank of Bangladesh | Bangladesh Comerce Bank Ltd | Mutual Trust Bank Ltd | Firs Security Bank Ltd | Premier Bank Ltd. | Bank Asia Ltd. | The Trust Bank Ltd | National Bank Ltd. | I.C.B. |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 |
| 1972 | 101 | 57 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1973 | 134 | 66 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1974 | 166 | 72 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1975 | 182 | 85 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1976 | 200 | 90 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1977 | 273 | 95 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1978 | 355 | 127 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1979 | 396 | 161 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1980 | 431 | 200 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1981 | 433 | 201 | - | - | 1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1982 | 376 | 182 | - | - | 3 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1983 | 376 | 182 | 5 | 2 | 6 | - | 3 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 8 | - |
| 1984 | 376 | 182 | 14 | 16 | 10 | - | 6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 15 | - |
| 1985 | 383 | 183 | 15 | 17 | 10 | - | 7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 16 | - |
| 1986 | 376 | 182 | 21 | 24 | 16 | 5 | 12 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 18 | - |
| 1987 | 359 | 183 | 24 | 33 | 18 | 20 | 21 | 1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 29 | 5 |
| 1988 | 363 | 184 | 34 | 42 | 22 | 23 | 22 | 5 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 38 | 6 |
| 1989 | 363 | 190 | 48 | 50 | 29 | 28 | 29 | 16 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 47 | 6 |
| 1990 | 365 | 194 | 53 | 64 | 35 | 32 | 49 | 22 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 50 | 6 |
| 1991 | 376 | 195 | 56 | 72 | 33 | 39 | 63 | 24 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 58 | 6 |
| 1992 | 376 | 195 | 61 | 73 | 46 | 42 | 79 | 27 | 5 | 2 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 57 | 6 |
| 1993 | 371 | 210 | 63 | 55 | 48 | 47 | 81 | 28 | 6 | 2 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 42 | 6 |
| 1994 | 368 | 212 | 70 | 76 | 52 | 51 | 81 | 29 | 12 | 2 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 66 | 6 |
| 1995 | 369 | 211 | 75 | 78 | 54 | 51 | 96 | 33 | 15 | 2 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 66 | 7 |
| 1996 | 369 | 211 | 78 | 79 | 56 | 51 | 101 | 34 | 17 | 2 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 66 | 7 |
| 1997 | 368 | 211 | 78 | 81 | 58 | 52 | 110 | 34 | 29 | 2 | - | 11 | 9 | 21 | 6 | - | - | - | - | - | - | - | - | - | - | - | 70 | 7 |
| 1998 | 351 | 211 | 76 | 79 | 59 | 54 | 105 | 33 | 21 | 27 | 18 | 12 | 11 | 30 | 10 | 9 | 4 | 4 | 1 | 2 | | 1 | 1 | 2 | 1 | 5 | 70 | - |
| 1999 | 350 | 198 | 76 | 79 | 62 | 54 | 110 | 34 | 21 | 27 | 20 | 12 | 12 | 35 | 12 | 6 | 4 | 4 | 1 | 2 | 24 | 1 | 1 | 2 | 1 | 5 | 66 | - |
| 2000 | 350 | 198 | 76 | 79 | 62 | 54 | 116 | 34 | 21 | 27 | 21 | 12 | 14 | 37 | 14 | 9 | 10 | 9 | 4 | 7 | 24 | 4 | 4 | 6 | 5 | 8 | 66 | - |

Source: From 1972 to 1980: BBS. *Statistical Yearbook of Bangladesh 1982* (Dhaka. BBS. Planning Division, Ministry of Planning, GOB, 1983), p. 476.
From 1981 to 1990: BBS. *Statistical Yearbook of Bangladesh 1991* (Dhaka: BBS. Planning Division, Ministry of Planning, GOB, 1991), p. 446.
From 1991 to 2000: BBS. *Statistical Yearbook of Bangladesh 2000* (Dhaka: BBS. Planning Division, Ministry of Planning, GOB, 2002), p. 383.

# Appendix: Table- 3-C

| Banks and their Branch Office Operating in Bangladesh | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Foreign Bank | | | | | | | | | | | | | | |
| | American Express International Banking Corporation | Standard Chartered Bank | A N Z Grindlay's Bank PLC | Habib Bank Ltd | State Bank of India | Credit Agri-cole Indosuiz | National Bank of Pakistan | Muslim Commercial Bank Ltd | City Bank N A. | The Bank of Nova Scoshia | Hanvit Bank Ltd. | The Hongkong & Sanghai Banking Corp Ltd | Faisal Islamic Bank of Bahrain E.C. | Bank of Credit and Commerce International Ltd. | Banque De L' Indo-chine Et De Suez |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 1972 | 2 | 2 | 10 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1973 | 2 | 2 | 10 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1974 | 2 | 2 | 10 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1975 | 2 | 2 | 10 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1976 | 2 | 2 | 10 | - | - | - | - | - | - | - | - | - | - | | - |
| 1977 | 2 | 2 | 10 | 1 | 1 | - | - | - | - | - | - | - | - | 2 | - |
| 1978 | 3 | 2 | 10 | 1 | 1 | - | - | - | - | - | - | - | - | 5 | - |
| 1979 | 3 | 2 | 10 | 1 | 1 | - | - | - | - | - | - | - | - | 3 | - |
| 1980 | 3 | 2 | 9 | 1 | 1 | - | - | - | - | - | - | - | - | 3 | - |
| 1981 | 3 | 2 | 9 | 1 | 1 | - | - | - | - | - | - | - | - | 3 | 1 |
| 1982 | 3 | 2 | 9 | 1 | 1 | - | - | - | - | - | - | - | - | 3 | 1 |
| 1983 | 3 | 2 | 9 | 1 | 1 | - | - | - | - | - | - | - | - | 3 | 2 |
| 1984 | 2 | 2 | 9 | 2 | 1 | - | - | - | - | - | - | - | - | 3 | 2 |
| 1985 | 2 | 2 | 9 | 2 | 1 | - | - | - | - | - | - | - | - | 3 | 2 |
| 1986 | 2 | 2 | 9 | 2 | 1 | - | - | - | - | - | - | - | - | 3 | 2 |
| 1987 | 2 | 2 | 9 | 2 | 1 | - | - | - | - | - | - | - | - | 4 | 2 |
| 1988 | 2 | 2 | 9 | 2 | 1 | - | - | - | - | - | - | - | - | 4 | 2 |
| 1989 | 2 | 2 | 9 | 2 | 1 | - | - | - | - | - | - | - | - | 4 | 2 |
| 1990 | 2 | 2 | 9 | 2 | 1 | 2 | - | - | - | - | - | - | - | 4 | 2 |
| 1991 | 2 | 2 | 9 | 2 | 1 | 2 | - | - | - | - | - | - | - | 4 | 2 |
| 1992 | 2 | 4 | 9 | 2 | 1 | 2 | - | - | - | - | - | - | - | 5 | 2 |
| 1993 | 2 | 2 | 14 | 2 | 1 | 2 | - | - | - | - | - | - | - | 6 | 2 |
| 1994 | 2 | 4 | 9 | 2 | 1 | 2 | 1 | 1 | - | - | - | - | - | 25 | 2 |
| 1995 | 2 | 3 | 10 | 2 | 1 | 4 | 1 | 2 | - | - | - | - | - | 27 | 4 |
| 1996 | 2 | 3 | 14 | 2 | 1 | 4 | 1 | 2 | - | - | - | - | - | 27 | 4 |
| 1997 | 2 | 4 | 10 | 2 | 1 | 2 | 2 | 2 | - | - | - | - | - | 29 | 2 |
| 1998 | 2 | 5 | 10 | 2 | 1 | 2 | 1 | 2 | 1 | 1 | 1 | 2 | 1 | - | - |
| 1999 | 3 | 6 | 13 | 2 | 1 | 2 | 1 | 2 | 1 | 1 | 1 | 2 | 1 | - | - |
| 2000 | 3 | 6 | 11 | 2 | 1 | 2 | 1 | 2 | 2 | - | 1 | 2 | 1 | - | - |

Source: From 1972 to 1980: BBS, *Statistical Yearbook of Bangladesh 1982* (Dhaka: BBS, Planning Division, Ministry of Planning, GOB, 1983), p. 476.
From 1981 to 1990: BBS, *Statistical Yearbook of Bangladesh 1991* (Dhaka: BBS, Planning Division, Ministry of Planning, GOB, 1991), p. 446.
From 1991 to 2000: BBS, *Statistical Yearbook of Bangladesh 2000* (Dhaka: BBS, Planning Division, Ministry of Planning, GOB, 2002), p. 383.

# Appendix: Table- 4-A

Scheduled Banks and Some of Its Main Indicators for the Year 1999-2000 (Taka in Million)

| | Name of the Institutions | Year or Date of Establishment | Authorised Capital on 2000 | Paid-up Capital on 2000 | Reserve Fund on 2000 | Deposits on 2000 | Loan and Advance on 2000 | Investment on 2000 | Total Assets on 2000 | Total Income | Total Expenditure | Total Manpower on 2000 | Total Branches including Foreign on 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| | **Nationalised Banks** | | | | | | | | | | | | |
| 1 | Sonali Bank | - | 10000 | 3272 | 2180 | 202,977 | 133,347 | 44,253 | 238,397 | 14,926 | 13,979 | 26,046 | 1,292 |
| 2 | Janata Bank | - | 8000 | 2594 | 533 | 104,678 | 80,952 | 20,368 | 128,568 | 9,296 | 8,465 | 16,947 | 894 |
| 3 | Agrani Bank | - | 8000 | 2484 | 319 | 100,527 | 76,549 | 28,172 | 109,086 | 9,182 | 8,416 | 13,242 | 903 |
| 4 | Rupali Bank | 14/12/86 | 7000 | 1250 | 188 | 44,557 | 33,783 | 9,640 | 46,552 | 3,745 | 3,643 | 5,778 | 511 |
| | **Specialised Bank** | | | | | | | | | | | | |
| 1 | Bangladesh Krishi Bank | 1973 | 2000 | 1000 | 821 | 31,438 | 49,022 | 1,453 | 69,820 | 2,910 | 5,550 | 11,255 | 854 |
| 2 | Rajshahi Krishi Unnayan Bank | 15/3/87 | 1500 | 980 | 208 | 5,054 | 12,575 | 2 | 19,869 | 1,199 | 1,178 | 3,737 | 301 |
| 3 | Bangladesh Shilpa Bank | ?/?/72 | 2000 | 1320 | 644 | 568 | 21,321 | 1,290 | 24,002 | 916 | 3,969 | 880 | 15 |
| 4 | Bangladesh Shilpa Rin Sanghsta | 31/10/72 | 2000 | 700 | 756 | 89 | 17,854 | 280 | 18,835 | 190 | 123 | 195 | 5 |
| 5 | Bank of Small Industries and Commerce Bangladesh Ltd. | 21/1/89 | 500 | 300 | 398 | 5,769 | 4,619 | 1,074 | 7,731 | 877 | 573 | 452 | 25 |
| | **Foreign Private Bank** | | | | | | | | | | | | |
| 1 | American Express International Banking Corporation | ?/2/96 | - | - | 533 | 8,405 | 1,770 | 2,483 | 10,081 | 1,075 | 787 | 165 | 3 |
| 2 | Standard Chartered Bank | ?/?/48 | 675 | - | - | 10,989 | 10,173 | 2,012 | 30,899 | 2,708 | 1,658 | 221 | 6 |
| 3 | ANZ Grindlays Bank PLC | ?/?/05 | - | - | 66 | 23,688 | 16,582 | 4,405 | 27,886 | 3,309 | 1,913 | 351 | 13 |
| 4 | Habib Bank Ltd. | 28010 | - | 80 | 14 | 1,002 | 819 | 320 | 2,598 | 203 | 128 | 72 | 2 |
| 5 | State Bank of India | 27519 | - | 540 | - | 1,004 | 714 | 190 | 1,831 | 197 | 77 | 40 | 1 |
| 6 | Credit Agri-col Indosuiz | ?/?/80 | - | - | 857 | 6,694 | 3,437 | 1,950 | 8,658 | 1,012 | 541 | 138 | 2 |
| 7 | National Bank of Pakistan | 31/8/94 | 113 | 113 | - | 243 | 122 | 40 | 572 | 42 | 21 | 18 | 1 |
| 8 | Muslim Commercial Bank Ltd. | 21/9/94 | - | - | 100 | 855 | 484 | 143 | 2,608 | 137 | 96 | 62 | 2 |
| 9 | City Bank NA | ?/?/87 | 474 | - | 71 | 1,793 | 1,443 | 640 | 3,083 | 225 | 95 | 41 | 2 |
| 10 | Hanvit Bank Ltd. | 21/9/96 | - | 540 | - | 545 | 995 | - | 3,875 | 254 | 96 | 20 | 1 |
| 11 | The Hongkong and Sanghai Banking Corp. Ltd. | 17/12/96 | - | 442 | 73 | 3,234 | 2,055 | 251 | 3,888 | 412 | 363 | 172 | 2 |
| 12 | Shamil Bank of Bahrain EC | ?/8/97 | - | - | 164 | 965 | 833 | - | 1,282 | 186 | 135 | 45 | 1 |

Source: All the data has been compiled from, Government of Bangladesh. *Bank O Arthik Pratistanshamuher Karjabali 2001-2002* [Activities of Bank and Financial Institutions] ( Dhaka: Ministry of Finance, Peoples Republic of Bangladesh. 2002).

# Appendix: Table- 4-B

**Scheduled Banks and Some of Its Main Indicators for 1999-2000 (Taka in Million)**

| | Name of the Institutions | Year or Date of Establishment | Authorised Capital on 2000 | Paid-up Capital on 2000 | Reserve Fund on 2000 | Deposits on 2000 | Loan and Advance on 2000 | Investment on 2000 | Total Assets on 2000 | Total Income | Total Expenditure | Total Manpower on 2000 | Total Branches including Foreign on 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| | **Local Private Bank** | | | | | | | | | | | | |
| 1 | Pubali Bank Ltd. | ?/?/84 | 5000 | 160 | 645 | 30,096 | 21,572 | 3,853 | 36,371 | 3,074 | 2,226 | 5,032 | 350 |
| 2 | Uttara Bank Ltd. | ?/9/83 | 200 | 100 | 661 | 25,942 | 22,307 | 3,184 | 31,419 | 3,015 | 1,973 | 2,955 | 198 |
| 3 | National Bank Ltd. | 23/3/83 | 1000 | 430 | 1115 | 23,616 | 18,555 | 2,627 | 47,148 | 2,989 | 2,065 | 2,025 | 66 |
| 4 | City Bank | 28/3/83 | 400 | 160 | 265 | 13,804 | 9,965 | 1,614 | 17,208 | 1,357 | 1,168 | 1,674 | 76 |
| 5 | United Commercial Bank Ltd. | 29/6/3 | 1000 | 230 | 349 | 12,387 | 9,444 | 2,163 | 15,920 | 2,137 | 1,831 | 1,842 | 79 |
| 6 | Arab Bangladesh Bank Ltd. | 30289 | 800 | 410 | 430 | 16,596 | 12,682 | 2,430 | 25,168 | 1,782 | 1,623 | 1,555 | 62 |
| 7 | IFIC Bank Ltd. | ... | 500 | 279 | 684 | 16,456 | 16,234 | 3,375 | 19,324 | 2,144 | 1,610 | 1,700 | 54 |
| 8 | Islami Bank Bangladesh | 30/3/83 | 1000 | 320 | 2075 | 32,112 | 27,437 | 34 | 39,362 | 3,208 | 2,878 | 2,685 | 116 |
| 9 | Albaraka Bank Bangladesh Ltd. | 20/5/87 | 600 | 260 | 60 | 10,736 | 8,760 | - | 11,303 | 1,041 | 965 | 637 | 34 |
| 10 | Eastern Bank Limited | ?/8/92 | 1000 | 600 | 1260 | 12,375 | 8,141 | 1,812 | 16,880 | 1,916 | 1,242 | 652 | 21 |
| 11 | National Credit and Commerce Bank Ltd. | 17/5/93 | 750 | 390 | 187 | 10,462 | 7,965 | 1,722 | 18,903 | 1,375 | 945 | 691 | 27 |
| 12 | Prime Bank Ltd. | 17/4/95 | 1000 | 400 | 574 | 11,169 | 7,668 | 1,525 | 12,846 | 1,516 | 922 | 518 | 21 |
| 13 | Southeast Bank Ltd. | 35036 | 500 | 330 | 235 | 8,570 | 7,062 | 1,370 | 11,711 | 1,481 | 1,129 | 528 | 12 |
| 14 | Dhaka Bank Ltd. | 34826 | 1000 | 276 | 225 | 10,749 | 5,415 | 814 | 11,646 | 1,203 | 948 | 406 | 14 |
| 15 | Al-Arafah Islami Bank Ltd. | 27/9/95 | 1000 | 253 | 963 | 7,308 | 3,728 | - | 85,849 | 748 | 592 | 674 | 37 |
| 16 | Social Investment Bank Ltd. | 22/11/95 | 1000 | 260 | 32 | 4,863 | 3,523 | 0 | 6,688 | 641 | 405 | 307 | 14 |
| 17 | Dutch-Bangla Bank Ltd. | 35130 | 400 | 180 | 65 | 6,119 | 4,588 | 742 | 6,966 | 767 | 528 | 248 | 9 |
| 18 | Mercantile Bank Ltd. | 36197 | 800 | 245 | 104 | 8,635 | 3,913 | 450 | 9,365 | 669 | 477 | 219 | 10 |
| 19 | Standard Bank Ltd. | 36225 | 750 | 200 | 10 | 2,054 | 752 | 222 | 2,335 | 339 | 287 | 244 | 9 |
| 20 | One Bank Ltd. | 14/7/99 | 1000 | 203 | 3 | 2,210 | 1,630 | 240 | 2,722 | 85 | 54 | 109 | 4 |
| 21 | Export Import Bank of Bangladesh Ltd. | 36227 | 1000 | 225 | 18 | 3,935 | 2,171 | 345 | 4,301 | 187 | 88 | 237 | 7 |
| 22 | Bangladesh Commerce Bank Ltd. | 27/1/86 | 2000 | 920 | 0.38 | 1,608 | 1,311 | 33 | 1,224 | 114 | 140 | 372 | 24 |
| 23 | Mutual Trust Bank Ltd. | 24/10/99 | 1000 | 200 | 8 | 1,674 | 602 | 125 | 1,914 | 178 | 158 | 68 | 4 |
| 24 | First Security Bank Ltd. | 28/10/99 | 1000 | 200 | 1 | 1,203 | 868 | 150 | 10 | 159 | 142 | 148 | 4 |
| 25 | The Premier Bank Ltd. | 26/10/99 | 1000 | 222 | 3 | 1,856 | 1,089 | 140 | 2,832 | 224 | 199 | 127 | 6 |
| 26 | Bank Asia Ltd. | 27/11/99 | 800 | 218 | - | 1,512 | 1,114 | 130 | 2,123 | 153 | 133 | 92 | 5 |
| 27 | The Trust Bank Ltd. | ?/5/99 | 1000 | 250 | 5 | 1,109 | 526 | 202 | 1,428 | 85 | 10 | 72 | 8 |

Source: All the data has been compiled from Government of Bangladesh. *Bank O Arthik Pratistanshamuher Karjabali 2001-2002* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, Peoples Republic of Bangladesh. 2002).

# Appendix: Table- 5-A1

Statement of Affairs on Assets of Bangladesh Bank Banking Department (Taka in Million)

| End of Period | Notes &Coin | Bill Purchased and Discount | Balanced Abroad | Loans & Advances | | | Governments Debtor Balance | Investments | Other Assets | Total Assets |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Govt. | Other | Total | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1975 | 9.90 | 404.70 | 1,296.20 | 200.00 | 1,896.50 | 2,096.50 | 99.90 | 1,659.60 | 121.70 | 5,688.50 |
| 1976 | 13.70 | 618.00 | 3,317.00 | 200.00 | 835.00 | 1,035.00 | 91.00 | 1,721.80 | 120.70 | 6,917.20 |
| 1977 | 13.20 | 788.60 | 1,384.70 | 200.00 | 2,394.50 | 2,594.50 | 90.60 | 1,593.70 | 213.10 | 6,678.40 |
| 1978 | 0.90 | 1,097.40 | 2,688.90 | 142.50 | 3,298.00 | 3,440.50 | 0.00 | 336.50 | 417.80 | 7,982.00 |
| 1979 | 11.30 | 2,667.00 | 3,485.80 | 200.00 | 3,182.50 | 3,382.50 | 90.60 | 1,237.60 | 2,002.50 | 12,877.30 |
| 1980 | 18.40 | 2,728.10 | 3,902.80 | 200.00 | 4,850.60 | 5,050.60 | 0.00 | 3,632.10 | 1,006.00 | 16,338.00 |
| 1981 | 4.70 | 4,370.90 | 2,217.30 | 153.90 | 6,931.30 | 7,085.20 | 0.00 | 4,972.10 | 1,216.30 | 19,866.50 |
| 1982 | 8.00 | 3,173.00 | 3,849.50 | 200.00 | 12,083.40 | 12,283.40 | 0.00 | 3,073.70 | 3,061.70 | 25,449.30 |
| 1983 | 8.50 | 801.00 | 11,701.40 | 183.70 | 7,957.20 | 8,140.90 | 0.00 | 1,512.20 | 5,239.10 | 27,403.10 |
| 1984 | 8.20 | 3,197.90 | 8,008.00 | 200.00 | 11,826.10 | 12,026.10 | 0.00 | 1,667.90 | 4,675.30 | 29,583.40 |
| 1985 | 7.10 | 2,043.80 | 7,622.90 | 0.00 | 15,210.60 | 15,210.60 | 0.00 | 5,377.90 | 6,075.20 | 36,337.50 |
| 1986 | 5.00 | 910.50 | 6,995.90 | 0.00 | 12,758.90 | 12,758.90 | 0.00 | 3,640.50 | 8,289.30 | 32,600.10 |
| 1987 | 9.30 | 4,000.20 | 23,009.60 | 200.00 | 12,396.90 | 12,596.90 | 0.00 | 5,417.00 | 9,932.40 | 54,965.40 |
| 1988 | 8.50 | 2,586.90 | 30,846.00 | 200.00 | 8,449.50 | 8,649.50 | 0.00 | 6,243.90 | 12,412.40 | 60,747.20 |
| 1989 | 4.90 | 3,959.90 | 12,804.50 | 200.00 | 13,606.20 | 13,806.20 | 0.00 | 13,636.20 | 13,023.10 | 57,234.80 |
| 1990 | 6.20 | 3,958.20 | 20,192.60 | 0.00 | 15,294.70 | 15,294.70 | 0.00 | 10,170.90 | 14,727.30 | 64,349.90 |
| 1991 | 3.70 | 4,244.90 | 45,889.80 | 200.00 | 9,384.40 | 9,584.40 | 0.00 | 7,089.70 | 16,367.40 | 83,179.90 |
| 1992 | 3.70 | 247.60 | 61,070.90 | 200.00 | 6,292.50 | 6,492.50 | 0.00 | 6,862.90 | 18,469.20 | 93,146.80 |
| 1993 | 0.30 | 204.00 | 74,086.40 | 0.00 | 9,342.40 | 9,342.40 | 0.00 | 4,466.40 | 22,356.10 | 110,455.60 |
| 1994 | 7.30 | 0.00 | 91,625.60 | 0.00 | 11,821.30 | 11,821.30 | 0.00 | 5,209.70 | 16,688.70 | 125,352.60 |
| 1995 | 7.80 | 0.00 | 54,193.00 | 200.00 | 9,274.70 | 9,474.70 | 0.00 | 23,299.50 | 16,463.80 | 103,438.80 |
| 1996 | 6.50 | 0.00 | 37,291.00 | 640.00 | 14,763.60 | 15,403.60 | 0.00 | 34,636.60 | 18,308.50 | 105,646.20 |
| 1997 | 0.80 | 329.50 | 29,944.10 | 640.00 | 11,507.20 | 12,147.20 | 0.00 | 28,251.40 | 21,151.70 | 91,824.70 |
| 1998 | 3.00 | 90.60 | 52,403.30 | 640.00 | 16,349.00 | 16,989.00 | 0.00 | 34,744.40 | 26,247.60 | 130,477.90 |
| 1999 | 9.20 | 0.00 | 42,647.90 | 640.00 | 17,725.80 | 18,365.80 | 0.00 | 43,695.10 | 27,245.90 | 131,963.90 |
| 2000 | 8.90 | 149.00 | 40,018.90 | 0.00 | 20,038.10 | 20,038.10 | 0.00 | 29,321.00 | 26,203.50 | 115,739.40 |

Source: For 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 21, 23.
For 1990-91 to 1999-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III & IV (Dhaka: BB), p. 35.

## Appendix: Table- 5-A2

Statement of Affairs on Liabilities of Bangladesh Bank Banking Department (Taka in Million)

| End of Period | Paid up Capital | Other Funds | Deposits | | | | Bills Payable | Other Liabilities | Liabilities |
|---|---|---|---|---|---|---|---|---|---|
| | | | Govt. | Banks | Other | Total | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1975 | 60.00 | 122.50 | - | 719.90 | 2,226.10 | 2,946.00 | 1.60 | 2,558.40 | 5,688.50 |
| 1976 | 60.00 | 162.50 | - | 933.10 | 3,618.70 | 4,551.80 | 0.80 | 2,192.90 | 6,968.00 |
| 1977 | 60.00 | 202.50 | - | 1,106.70 | 3,414.60 | 4,521.30 | 0.70 | 1,893.90 | 6,678.40 |
| 1978 | 60.00 | 242.50 | 5.00 | 1,285.10 | 3,810.40 | 5,100.50 | 1.00 | 2,578.00 | 7,982.00 |
| 1979 | 60.00 | 325.00 | - | 2,003.20 | 6,575.50 | 8,578.70 | 0.50 | 3,918.50 | 12,882.70 |
| 1980 | 60.00 | 575.00 | 10.00 | 2,375.20 | 8,682.50 | 11,067.70 | 0.90 | 4,634.30 | 16,337.90 |
| 1981 | 60.00 | 885.00 | 5.10 | 2,437.80 | 11,630.60 | 14,073.50 | 0.70 | 4,847.30 | 19,866.50 |
| 1982 | 60.00 | 1,195.00 | 12.60 | 3,090.20 | 15,305.70 | 18,408.50 | 0.90 | 5,784.90 | 25,449.30 |
| 1983 | 60.00 | 1,510.00 | 5.00 | 3,773.70 | 17,193.90 | 20,972.60 | 1.80 | 4,858.70 | 27,403.10 |
| 1984 | 60.00 | 1,890.00 | 6.50 | 5,382.30 | 15,892.40 | 21,281.20 | 0.90 | 6,351.30 | 29,583.40 |
| 1985 | 60.00 | 2,270.00 | 10.20 | 5,938.00 | 18,713.30 | 24,661.50 | 2.20 | 9,343.80 | 36,337.50 |
| 1986 | 60.00 | 2,650.00 | 9.90 | 7,309.20 | 17,128.00 | 24,447.10 | 0.80 | 8,112.20 | 35,270.10 |
| 1987 | 60.00 | 3,030.00 | 12.00 | 16,482.70 | 22,282.20 | 38,776.90 | 1.90 | 13,096.50 | 54,965.30 |
| 1988 | 60.00 | 3,410.00 | 11.60 | 18,494.20 | 25,393.70 | 43,899.50 | 1.10 | 13,376.60 | 60,747.20 |
| 1989 | 60.00 | 3,672.30 | 9.00 | 21,275.30 | 20,137.10 | 41,421.40 | 1.60 | 12,079.50 | 57,234.80 |
| 1990 | 60.00 | 4,057.80 | 12.40 | 23,087.30 | 25,198.50 | 48,298.20 | 1.70 | 11,932.20 | 64,349.90 |
| 1991 | 60.00 | 4,446.90 | 10.90 | 19,410.40 | 42,995.60 | 62,416.90 | 902.90 | 15,353.20 | 83,179.90 |
| 1992 | 60.00 | 5,905.90 | 7.90 | 25,040.80 | 51,013.40 | 76,062.10 | 902.20 | 10,216.60 | 93,146.80 |
| 1993 | 60.00 | 5,368.50 | 6,054.70 | 35,086.80 | 49,025.10 | 90,166.60 | 1,453.10 | 13,407.40 | 110,455.60 |
| 1994 | 60.00 | 5,748.40 | 895.40 | 42,473.70 | 50,746.20 | 94,115.30 | 4,004.90 | 21,424.00 | 125,352.60 |
| 1995 | 60.00 | 5,687.80 | 12.60 | 24,747.90 | 47,183.70 | 71,944.20 | 2,760.20 | 22,986.60 | 103,438.80 |
| 1996 | 60.00 | 6,367.90 | 8.80 | 28,630.10 | 40,233.20 | 68,872.10 | 7,379.40 | 22,966.80 | 105,646.20 |
| 1997 | 60.00 | 7,047.90 | 12.80 | 28,608.50 | 32,364.20 | 60,985.50 | 4.00 | 23,727.30 | 91,824.70 |
| 1998 | 60.00 | 7,727.90 | 13.80 | 40,701.20 | 43,674.00 | 84,389.00 | 8.30 | 38,292.70 | 130,477.90 |
| 1999 | 60.00 | 8,407.90 | 9.40 | 35,074.80 | 47,714.50 | 82,798.70 | 6.50 | 40,690.80 | 131,963.90 |
| 2000 | 60.00 | 9,087.80 | 11.00 | 34,198.70 | 27,103.30 | 61,313.00 | 5.10 | 45,273.50 | 115,739.40 |

Source: For 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 22, 22.
For 1990-91 to 1999-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III & IV (Dhaka: BB), p. 34.

## Appendix: Table- 5-B1

| Statement of Affairs on Assets of Bangladesh Bank Issue Department (Taka in Million) | | | | | | |
|---|---|---|---|---|---|---|
| Period | Foreign Assets | Domestic Assets | | | | Total Assets |
| | | Taka Coin | Securities of Bangladesh Govt. | Internal Bills of Exchange & Other Commercial Paper | Total | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1975 | 700.0 | 87.9 | 2,955.8 | - | 3,043.7 | 3,743.70 |
| 1976 | 1,000.0 | 105.6 | 2,815.9 | - | 2,921.5 | 3,921.50 |
| 1977 | 2,000.0 | 101.2 | 3,156.4 | - | 3,257.6 | 5,257.60 |
| 1978 | 2,000.0 | 47.2 | 4,686.5 | - | 4,733.7 | 6,733.70 |
| 1979 | 2,846.1 | 35.0 | 2,005.4 | 2,575.0 | 4,615.4 | 7,461.50 |
| 1980 | 1,349.6 | 21.2 | 4,924.5 | 2,592.4 | 7,538.1 | 8,887.70 |
| 1981 | 835.0 | 27.9 | 6,429.1 | 2,592.4 | 9,049.4 | 9,884.40 |
| 1982 | 803.0 | 56.5 | 6,151.1 | 3,592.4 | 9,800.0 | 10,603.00 |
| 1983 | 936.5 | 24.7 | 6,767.6 | 6,882.4 | 13,674.7 | 14,611.20 |
| 1984 | 2,411.3 | 34.1 | 5,442.8 | 11,292.4 | 16,769.3 | 19,180.60 |
| 1985 | 2,400.2 | 21.2 | 5,143.9 | 12,322.4 | 17,487.5 | 19,887.70 |
| 1986 | 2,515.9 | 27.9 | 2,698.2 | 16,072.4 | 18,798.5 | 21,314.40 |
| 1987 | 2,712.2 | 61.2 | 5,499.4 | 16,972.4 | 22,533.0 | 25,245.20 |
| 1988 | 2,774.5 | 26.7 | 2,747.1 | 22,672.4 | 25,446.2 | 28,220.70 |
| 1989 | 2,692.5 | 84.8 | 3,660.7 | 24,130.8 | 27,876.3 | 30,568.80 |
| 1990 | 2,742.8 | 177.3 | 5,260.4 | 25,420.8 | 30,858.5 | 33,601.30 |
| 1991 | 2,831.1 | 130.5 | 2,552.0 | 29,990.8 | 32,673.3 | 35,504.40 |
| 1992 | 10,886.2 | 86.6 | 3,406.9 | 27,300.8 | 30,794.3 | 41,680.50 |
| 1993 | 23,033.3 | 246.1 | 2,489.9 | 23,160.8 | 25,896.8 | 48,930.10 |
| 1994 | 35,092.9 | 576.8 | 2,050.3 | 23,990.8 | 26,617.9 | 61,710.80 |
| 1995 | 41,096.2 | 320.5 | 2,046.9 | 26,690.8 | 29,058.2 | 70,154.40 |
| 1996 | 41,188.9 | 103.4 | 7,754.2 | 24,950.8 | 32,808.4 | 73,997.30 |
| 1997 | 41,147.8 | 492.8 | 10,535.4 | 30,360.8 | 41,389.0 | 82,536.80 |
| 1998 | 41,081.2 | 375.1 | 16,442.0 | 30,040.8 | 46,857.9 | 87,939.10 |
| 1999 | 41,001.6 | 195.8 | 26,681.5 | 35,790.8 | 62,668.1 | 103,669.70 |
| 2000 | 41,599.8 | 194.5 | 50,153.3 | 35,700.8 | 86,048.6 | 127,648.40 |

Source: For 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 17, 19.
For 1990-91 to 1999-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III & IV (Dhaka: BB), p. 33.

## Appendix: Table- 5-B2

| Statement of Affairs on Liabilities of Bangladesh Bank Issue Department (Taka in Million) | | | |
|---|---|---|---|
| End of Period | Notes in the Banking Department | Notes In Circulation | Total Notes Issued/Liabilities |
| 1 | 2 | 3 | 4 |
| 1975 | 9.50 | 3,734.20 | 3,743.70 |
| 1976 | 13.50 | 3,908.00 | 3,921.50 |
| 1977 | 12.60 | 5,245.00 | 5,257.60 |
| 1978 | 0.90 | 6,732.80 | 6,733.70 |
| 1979 | 11.30 | 7,540.20 | 7,551.50 |
| 1980 | 18.40 | 8,869.30 | 8,887.70 |
| 1981 | 4.70 | 9,879.70 | 9,884.40 |
| 1982 | 8.00 | 10,595.00 | 10,603.00 |
| 1983 | 8.60 | 14,602.60 | 14,611.20 |
| 1984 | 8.20 | 19,172.40 | 19,180.60 |
| 1985 | 7.10 | 20,150.60 | 20,157.70 |
| 1986 | 5.00 | 21,309.40 | 21,314.40 |
| 1987 | 9.30 | 25,235.90 | 25,245.20 |
| 1988 | 8.50 | 28,212.20 | 28,220.70 |
| 1989 | 4.80 | 30,564.00 | 30,568.80 |
| 1990 | 6.20 | 33,589.10 | 33,595.30 |
| 1991 | 3.70 | 35,500.70 | 35,504.40 |
| 1992 | 3.70 | 41,676.80 | 41,680.50 |
| 1993 | 0.30 | 48,929.80 | 48,930.10 |
| 1994 | 7.30 | 61,703.50 | 61,710.80 |
| 1995 | 7.80 | 70,146.60 | 70,154.40 |
| 1996 | 6.50 | 73,990.80 | 73,997.30 |
| 1997 | 0.80 | 82,536.00 | 82,536.80 |
| 1998 | 3.00 | 87,936.10 | 87,939.10 |
| 1999 | 9.20 | 103,660.50 | 103,669.70 |
| 2000 | 8.90 | 127,639.50 | 127,648.40 |

Source: For 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 16, 18.
For 1990-91 to 1999-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No III & IV (Dhaka: BB), p. 32

# Appendix: Table- 6

| Some Important Indicators of Bangladesh Bank | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Period | Total Income (Tk. in million) | Total Expenditure (Tk. in million) | Net Profit (Tk. in million) | No. of Branch | No. of Employees | Expenditure Per Branch (In Taka) | Expenditure Per Employees (In Taka) | Profit Per Branch (In Taka) | Profit Per Employees (In Taka) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1972 | 146.50 | 52.20 | 94.30 | 4 | 2,562 | 13,050,000.00 | 20,374.71 | 23,575,000.00 | 36,807.18 |
| 1973 | 172.40 | 61.00 | 111.40 | 4 | 2,693 | 15,250,000.00 | 22,651.32 | 27,850,000.00 | 41,366.51 |
| 1974 | 342.20 | 68.20 | 274.00 | 6 | 2,854 | 11,366,666.67 | 23,896.29 | 45,666,666.67 | 96,005.61 |
| 1975 | 365.10 | 141.70 | 223.40 | 6 | 3,106 | 23,616,666.67 | 45,621.38 | 37,233,333.33 | 71,925.31 |
| 1976 | 422.00 | 93.80 | 328.20 | 6 | 3,411 | 15,633,333.33 | 27,499.27 | 54,700,000.00 | 96,218.12 |
| 1977 | 614.30 | 308.00 | 306.30 | 7 | 3,645 | 44,000,000.00 | 84,499.31 | 43,757,142.86 | 84,032.92 |
| 1978 | 988.10 | 437.80 | 550.30 | 7 | 3,944 | 62,542,857.14 | 111,004.06 | 78,614,285.71 | 139,528.40 |
| 1979 | 1,498.50 | 488.00 | 1,010.50 | 7 | 4,099 | 69,714,285.71 | 119,053.43 | 144,357,142.86 | 246,523.54 |
| 1980 | 1,955.30 | 645.20 | 1,310.10 | 7 | 4,448 | 92,171,428.57 | 145,053.96 | 187,157,142.86 | 294,536.87 |
| 1981 | 2,597.60 | 1,456.90 | 1,140.70 | 7 | 4,565 | 208,128,571.43 | 319,145.67 | 162,957,142.86 | 249,879.52 |
| 1982 | 2,646.80 | 1,505.80 | 1,141.00 | 7 | 4,584 | 215,114,285.71 | 328,490.40 | 163,000,000.00 | 248,909.25 |
| 1983 | 3,218.00 | 1,621.30 | 1,596.70 | 7 | 5,082 | 231,614,285.71 | 319,027.94 | 228,100,000.00 | 314,187.33 |
| 1984 | 4,940.60 | 1,568.70 | 3,371.90 | 7 | 5,267 | 224,100,000.00 | 297,835.58 | 481,700,000.00 | 640,193.66 |
| 1985 | 4,273.20 | 1,924.50 | 2,348.70 | 7 | 5,524 | 274,928,571.43 | 348,388.85 | 335,528,571.43 | 425,181.03 |
| 1986 | 3,908.40 | 2,060.10 | 1,848.30 | 7 | 5,568 | 294,300,000.00 | 369,989.22 | 264,042,857.14 | 331,950.43 |
| 1987 | 4,643.90 | 2,505.70 | 2,138.20 | 7 | 5,558 | 357,957,142.86 | 450,827.64 | 305,457,142.86 | 384,706.73 |
| 1988 | 5,723.40 | 3,098.50 | 2,624.90 | 7 | 5,756 | 442,642,857.14 | 538,307.85 | 374,985,714.29 | 456,028.49 |
| 1989 | 6,691.70 | 3,652.10 | 3,039.60 | 7 | 5,749 | 521,728,571.43 | 635,258.31 | 434,228,571.43 | 528,718.04 |
| 1990 | 7,367.70 | 3,090.50 | 4,277.20 | 9 | 6,076 | 343,388,888.89 | 508,640.55 | 475,244,444.44 | 703,949.97 |
| 1991 | 7,658.00 | 2,298.00 | 5,360.00 | 9 | 6,233 | 255,333,333.33 | 368,682.82 | 595,555,555.56 | 859,939.03 |
| 1992 | 6,903.20 | 1,681.70 | 5,221.70 | 9 | 6,497 | 186,855,555.56 | 258,842.54 | 580,188,888.89 | 803,709.40 |
| 1993 | 6,651.30 | 1,887.10 | 4,764.20 | 9 | 6,435 | 209,677,777.78 | 293,255.63 | 529,355,555.56 | 740,357.42 |
| 1994 | 8,380.60 | 2,393.30 | 5,987.30 | 9 | 6,345 | 265,922,222.22 | 377,194.64 | 665,255,555.56 | 943,624.90 |
| 1995 | 8,406.40 | 3,104.40 | 5,302.00 | 9 | 6,281 | 344,933,333.33 | 494,252.51 | 589,111,111.11 | 844,133.10 |
| 1996 | 9,360.30 | 3,016.90 | 6,343.40 | 9 | 6,215 | 335,211,111.11 | 485,422.37 | 704,822,222.22 | 1,020,659.69 |
| 1997 | 10,593.90 | 2,887.50 | 7,706.40 | 9 | 6,129 | 320,833,333.33 | 471,120.90 | 856,266,666.67 | 1,257,366.62 |
| 1998 | 11,715.60 | 3,847.00 | 7,868.60 | 9 | 6,178 | 427,444,444.44 | 622,693.43 | 874,288,888.89 | 1,273,648.43 |
| 1999 | 11,593.50 | 3,633.70 | 7,959.80 | 9 | 6,061 | 403,744,444.44 | 599,521.53 | 884,422,222.22 | 1,313,281.64 |
| 2000 | 11,725.80 | 4,566.40 | 7,159.50 | 9 | 5,926 | 507,377,777.78 | 770,570.37 | 795,500,000.00 | 1,208,150.52 |

Source: From 1972 to 1989; Bangladesh Bank, *Economic Trends*, vol. XXI, no. 12 (Dhaka: Statistics Department, BB), p. 58.
From 1990 to 2000; Bangladesh Bank, *Economic Trends*, vol. XXVII, no. 12 (Dhaka: Statistics Department, BB), p. 70.

# Appendix: Table- 7-A

**Statement of Affairs on Assets of All Deposited Money Banks (Taka in Million)**

| Period | Cash in Hand & at Banks | | | | | Money at Call & Short Notice | Foreign Currency Balances | Bills | | | Advances | | | | Investment | | | | Other Assets Not Included Elsewhere | Total Assets |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes & Coins | Balances with Bangladesh Bank | Balances with Deposit Money Banks | Balances with Other Financial Institutio0ns | Total | | | Export & Foreign Bills | Import & Inland Bills | Total | To Government | To Banks | To Others | Total | Government Securities & Treasury Bills | Foreign Securities | Others | Total | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 1974-75 | 266.2 | 917.7 | 89.5 | 7.1 | 1,280.5 | 276.1 | 231.4 | 868.0 | 211.1 | 1,079.1 | 557.0 | 0.9 | 7,510.7 | 8,068.6 | 1,533.8 | 0.3 | 751.4 | 2,285.5 | 12,987.5 | 26,208.7 |
| 1975-76 | 342.9 | 981.9 | 132.3 | 0.1 | 1,457.2 | 421.7 | 171.3 | 1,226.0 | 92.7 | 1,318.7 | 316.0 | 10.3 | 9,168.5 | 9,494.8 | 1,754.2 | 2.0 | 801.9 | 2,558.1 | 12,572.9 | 27,994.7 |
| 1976-77 | 654.7 | 1,060.2 | 186.2 | 0.1 | 1,901.2 | 467.2 | 281.9 | 916.0 | 158.7 | 1,074.7 | 650.0 | 28.2 | 11,237.2 | 11,915.4 | 2,454.0 | 2.7 | 845.5 | 3,302.2 | 14,564.1 | 33,506.7 |
| 1977-78 | 663.6 | 1,086.4 | 320.6 | - | 2,070.6 | 512.9 | 373.9 | 950.0 | 839.6 | 1,789.6 | 493.0 | 11.7 | 13,980.6 | 14,485.3 | 2,507.4 | - | 1,351.4 | 3,858.8 | 19,441.8 | 42,532.9 |
| 1978-79 | 800.0 | 1,536.5 | 321.4 | 26.3 | 2,684.2 | 384.2 | 594.4 | 1,466.0 | 950.6 | 2,416.6 | 861.0 | 29.3 | 17,780.0 | 18,670.3 | 2,609.7 | - | 2,101.3 | 4,711.0 | 24,657.7 | 54,118.4 |
| 1979-80 | 1,032.3 | 2,492.7 | 536.3 | 0.8 | 4,062.1 | 442.9 | 537.1 | 1,707.0 | 1,222.9 | 2,929.9 | 1,551.0 | 13.6 | 23,856.2 | 25,420.8 | 2,354.1 | - | 2,391.6 | 4,745.7 | 33,903.3 | 72,044.8 |
| 1980-81 | 1,261.9 | 2,643.0 | 453.0 | - | 4,357.9 | 304.0 | 2,485.0 | 2,099.0 | 1,129.3 | 3,228.3 | 1,372.0 | 57.9 | 29,539.1 | 30,969.0 | 3,328.0 | - | 3,185.6 | 6,513.6 | 40,607.1 | 88,464.9 |
| 1981-82 | 1,355.6 | 2,536.0 | 548.7 | - | 4,440.3 | 188.3 | 2,707.7 | 2,105.0 | 1,553.9 | 3,658.9 | 1,217.0 | 43.1 | 39,928.8 | 41,188.9 | 3,623.0 | - | 3,628.7 | 7,251.7 | 51,080.3 | 110,516.1 |
| 1982-83 | 1,464.9 | 2,579.1 | 972.8 | 0.8 | 5,017.6 | 463.0 | 3,263.3 | 1,490.0 | 2,058.3 | 3,548.3 | 1,247.0 | 51.4 | 45,820.2 | 47,118.6 | 6,087.5 | 2.1 | 4,219.0 | 10,308.6 | 61,413.7 | 131,133.1 |
| 1983-84 | 2,354.7 | 4,059.8 | 1,340.6 | 87.8 | 7,842.9 | 1,333.5 | 3,041.4 | 2,219.0 | 3,003.3 | 5,222.3 | 3,821.0 | 203.8 | 60,541.1 | 64,565.9 | 8,878.3 | 2.1 | 6,120.2 | 15,050.6 | 99,672.7 | 196,729.3 |
| 1984-85 | 2,756.9 | 6,133.4 | 1,993.7 | 170.6 | 11,054.6 | 1,691.9 | 4,028.5 | 2,074.0 | 4,140.3 | 6,214.3 | 3,680.0 | 475.9 | 82,027.2 | 86,183.1 | 8,510.0 | 2.1 | 8,333.9 | 16,846.0 | 147,467.1 | 273,485.5 |
| 1985-86 | 3,384.1 | 6,757.5 | 2,059.2 | - | 12,200.8 | 1,829.8 | 5,964.7 | 2,373.0 | 3,070.2 | 5,443.2 | 1,902.0 | 165.9 | 102,660.7 | 104,728.6 | 9,538.2 | 2.7 | 9,013.2 | 18,554.1 | 213,290.8 | 362,012.0 |
| 1986-87 | 3,613.2 | 9,681.5 | 2,904.6 | - | 16,199.3 | 2,851.7 | 5,096.7 | 3,003.0 | 3,226.6 | 6,229.6 | 1,765.0 | 14.7 | 111,127.1 | 112,906.8 | 12,509.7 | 2.1 | 10,283.7 | 22,795.5 | 262,738.6 | 428,818.2 |
| 1987-88 | 4,023.0 | 18,822.7 | 1,518.4 | 175.1 | 24,539.2 | 5,266.8 | 9,667.4 | 3,084.1 | 4,690.7 | 7,774.8 | 5,512.8 | 12.6 | 127,902.5 | 133,427.9 | 10,631.7 | 2.1 | 10,598.9 | 21,232.7 | 122,023.6 | 323,932.4 |
| 1988-89 | 4,325.4 | 20,670.5 | 4,381.0 | 214.0 | 29,590.0 | 3,553.9 | 12,334.1 | 2,872.2 | 4,903.4 | 7,775.6 | 3,336.1 | 1.3 | 155,531.4 | 158,868.8 | 13,405.8 | 725.0 | 10,118.3 | 24,249.1 | 141,768.9 | 378,140.4 |
| 1989-90 | 5,059.6 | 22,297.0 | 2,473.8 | 0.6 | 29,831.0 | 2,516.6 | 15,858.6 | 3,767.3 | 6,310.9 | 10,078.2 | 4,306.5 | 60.0 | 186,017.7 | 190,324.8 | 12,603.3 | 521.1 | 9,542.6 | 22,667.0 | 145,198.5 | 416,474.7 |
| 1990-91 | 6,239.5 | 23,025.1 | 2,360.1 | 2.2 | 31,626.9 | 2,515.0 | 13,391.5 | 3,391.7 | 6,666.4 | 10,058.1 | 4,694.0 | - | 207,762.5 | 212,456.5 | 16,459.6 | 490.5 | 9,312.1 | 26,262.2 | 152,271.4 | 448,581.6 |
| 1991-92 | 5,987.0 | 19,855.6 | 2,526.4 | 8.1 | 28,377.1 | 2,216.6 | 16,179.0 | 4,530.6 | 7,301.4 | 11,832.0 | 4,253.7 | - | 211,604.7 | 215,858.4 | 40,678.1 | 501.9 | 8,545.0 | 49,725.0 | 201,984.1 | 526,172.2 |
| 1992-93 | 5,389.1 | 38,213.0 | 4,385.5 | 18.3 | 48,005.9 | 2,560.1 | 14,584.8 | 5,472.9 | 7,880.4 | 13,353.3 | 3,062.5 | - | 228,861.4 | 231,923.9 | 48,165.5 | 5.2 | 8,292.2 | 56,462.9 | 233,288.9 | 600,179.8 |
| 1993-94 | 6,915.0 | 48,499.5 | 7,612.8 | 1.3 | 63,028.6 | 2,348.0 | 18,263.4 | 6,454.2 | 7,624.1 | 14,078.3 | 4,105.0 | - | 235,122.0 | 239,227.0 | 52,823.1 | 5.2 | 8,556.7 | 61,385.0 | 246,257.0 | 644,587.3 |
| 1994-95 | 6,234.5 | 30,162.7 | 8,617.9 | 12.1 | 45,027.2 | 4,575.0 | 25,954.4 | 9,617.0 | 11,212.6 | 20,829.6 | 4,437.9 | - | 277,814.0 | 282,251.9 | 61,949.2 | 5.2 | 21,957.7 | 83,912.1 | 1,253,995.9 | 1,716,546.0 |
| 1995-96 | 7,759.7 | 25,042.3 | 7,682.8 | - | 40,484.8 | 4,305.0 | 28,207.9 | 10,835.1 | 12,330.5 | 23,165.6 | 3,720.1 | - | 329,682.9 | 333,403.0 | 61,784.5 | 32.5 | 19,762.6 | 81,579.7 | 1,402,314.3 | 1,913,460.2 |
| 1996-97 | 8,800.5 | 31,995.8 | 16,174.3 | - | 56,970.6 | 5,267.0 | 31,135.1 | 13,041.7 | 16,818.3 | 29,860.0 | 3,677.5 | - | 367,347.8 | 371,025.3 | 66,287.0 | 291.8 | 16,284.5 | 82,863.3 | 1,618,082.2 | 2,195,203.5 |
| 1997-98 | 9,233.0 | 37,753.6 | 15,510.0 | 0.6 | 62,497.2 | 9,178.5 | 33,328.7 | 13,914.5 | 20,054.3 | 33,968.8 | 4,834.1 | - | 414,437.2 | 419,271.3 | 76,332.1 | 753.9 | 14,056.2 | 91,142.2 | 1,810,674.4 | 2,460,061.1 |
| 1998-99 | 10,267.7 | 43,766.4 | 24,287.7 | 1.8 | 78,323.6 | 10,720.0 | 39,796.0 | 15,324.5 | 20,402.6 | 35,727.1 | 8,027.6 | 225.0 | 464,756.4 | 473,009.0 | 89,291.7 | 770.9 | 15,357.2 | 105,419.8 | 2,072,944.6 | 2,815,940.1 |
| 1999-00 | 10,883.5 | 41,441.6 | 42,137.6 | 366.8 | 94,829.5 | 18,375.1 | 53,303.0 | 18,508.0 | 22,708.9 | 41,216.9 | 6,074.2 | 70.0 | 513,188.1 | 519,332.3 | 116,571.0 | 551.9 | 13,062.9 | 130,185.8 | 2,406,974.7 | 3,264,217.3 |

Source: For 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 34-41.

For 1990-91 to 1999-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III & IV (Dhaka: BB), p. 44-47.

# Appendix: Table- 7-B

**Statement of Affairs on Liabilities of All Deposited Money Banks (Taka in Million)**

| Period | Paid-Up Capital (If Bank Incorporated in Bangladesh) | Reserves | Deposit | | | | | | Borrowing | | | | | Foreign Liabilities | Other Liabilities not Included Elsewhere | Total Liabilities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | From Banks | From Government | From Others | | | Total Deposit | From Bangladesh | From Government | From Deposit Money Banks | From Other Financial Institutions | Total Borrowing | | | |
| | | | | | Demand Deposit | Time Deposits | Total | | | | | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 1974-75 | 300.00 | 106.80 | 183.20 | 449.00 | 5,089.00 | 4,604.00 | 9,693.00 | 10,545.60 | 1,088.20 | 427.10 | 218.30 | 331.20 | 2,064.80 | 136.10 | 13,055.40 | 26,208.70 |
| 1975-76 | 350.00 | 363.50 | 217.70 | 672.00 | 5,522.00 | 5,147.00 | 10,669.00 | 11,957.40 | 646.60 | 233.70 | 408.90 | 447.60 | 1,736.80 | 260.50 | 13,326.50 | 27,994.70 |
| 1976-77 | 450.00 | 456.10 | 266.90 | 546.00 | 6,164.00 | 7,670.00 | 13,834.00 | 15,004.00 | 1,158.60 | 117.20 | 439.20 | 601.00 | 2,316.00 | 340.40 | 14,940.20 | 33,506.70 |
| 1977-78 | 458.50 | 497.70 | 463.80 | 695.00 | 7,195.00 | 9,169.00 | 16,364.00 | 17,691.60 | 2,296.40 | 515.20 | 552.50 | 290.20 | 3,654.30 | 408.80 | 19,822.00 | 42,532.90 |
| 1978-79 | 485.80 | 529.70 | 682.10 | 467.00 | 9,114.00 | 12,352.00 | 21,466.00 | 23,011.60 | 3,647.90 | 664.20 | 390.00 | 371.00 | 5,073.10 | 294.80 | 24,723.40 | 54,118.40 |
| 1979-80 | 471.80 | 660.80 | 1,097.20 | 1,288.00 | 10,382.00 | 15,311.00 | 25,693.00 | 28,216.50 | 7,240.50 | 1,126.50 | 277.40 | 358.60 | 9,003.00 | 321.60 | 33,368.10 | 72,041.80 |
| 1980-81 | 555.10 | 674.50 | 943.30 | 1,217.00 | 10,713.00 | 21,497.00 | 32,210.00 | 34,825.50 | 9,212.70 | 1,333.00 | 96.70 | 390.30 | 11,032.70 | 1,487.80 | 39,889.30 | 88,464.90 |
| 1981-82 | 842.20 | 611.80 | 632.90 | 1,320.00 | 11,345.00 | 25,365.00 | 36,710.00 | 39,140.50 | 13,396.00 | 2,094.80 | 191.50 | 422.50 | 16,104.80 | 1,802.20 | 52,014.60 | 110,516.10 |
| 1982-83 | 1,420.80 | 777.90 | 1,059.00 | 1,891.00 | 14,950.00 | 32,639.00 | 47,589.00 | 51,178.40 | 12,188.60 | 2,802.90 | 281.40 | 536.30 | 15,809.20 | 499.60 | 61,447.20 | 131,133.10 |
| 1983-84 | 1,714.90 | 1,389.60 | 2,070.70 | 2,579.00 | 19,934.00 | 48,359.00 | 68,293.00 | 73,749.50 | 12,749.50 | 4,013.20 | 656.20 | 813.00 | 18,231.90 | 836.00 | 100,807.40 | 196,729.30 |
| 1984-85 | 2,187.00 | 1,065.60 | 2,391.60 | 3,278.00 | 25,087.00 | 63,024.00 | 88,111.00 | 93,780.60 | 20,807.70 | 4,791.30 | 849.60 | 1,103.50 | 27,552.10 | 1,615.30 | 146,296.10 | 273,485.50 |
| 1985-86 | 2,322.70 | 1,499.70 | 3,369.70 | 4,151.00 | 29,743.00 | 74,102.00 | 103,845.00 | 111,365.70 | 22,774.80 | 6,301.90 | 1,320.30 | 3.90 | 30,400.90 | 2,312.80 | 212,999.00 | 362,012.00 |
| 1986-87 | 2,680.80 | 1,950.30 | 4,238.80 | 5,277.00 | 32,950.00 | 91,031.50 | 123,981.50 | 133,497.30 | 19,531.00 | 6,017.80 | 1,266.50 | 3.90 | 26,819.20 | 1,461.40 | 262,399.20 | 428,808.20 |
| 1987-88 | 2,998.00 | 2,200.40 | 4,720.90 | 11,509.20 | 24,667.90 | 115,262.10 | 139,930.00 | 156,160.10 | 26,030.50 | 3,961.10 | 3,111.60 | 137.20 | 33,240.40 | 5,790.50 | 123,543.00 | 323,932.40 |
| 1988-89 | 3,281.10 | 2,937.40 | 5,712.30 | 13,975.00 | 28,451.00 | 136,174.00 | 164,625.00 | 184,312.30 | 32,544.40 | 4,109.30 | 2,409.50 | 100.00 | 39,163.20 | 7,437.10 | 141,009.30 | 378,140.40 |
| 1989-90 | 3,635.50 | 2,830.00 | 3,600.00 | 13,717.50 | 31,804.00 | 159,289.40 | 191,093.40 | 208,410.90 | 41,176.60 | 4,080.10 | 2,015.70 | 138.10 | 47,410.50 | 7,495.80 | 146,692.00 | 416,474.70 |
| 1990-91 | 3,731.10 | 3,621.00 | 3,904.00 | 16,857.80 | 35,919.00 | 178,006.50 | 213,925.50 | 234,687.30 | 41,751.50 | 4,388.60 | 1,720.80 | - | 47,860.90 | 8,889.40 | 149,791.90 | 448,581.60 |
| 1991-92 | 8,614.30 | 3,874.40 | 4,484.40 | 21,072.40 | 41,846.30 | 202,688.30 | 244,534.60 | 270,091.40 | 36,288.40 | 4,940.60 | 1,147.00 | 100.00 | 42,476.00 | 11,334.80 | 189,781.30 | 526,172.20 |
| 1992-93 | 10,778.30 | 3,978.90 | 6,613.10 | 26,893.10 | 45,825.00 | 224,730.00 | 270,555.00 | 304,061.20 | 30,803.20 | 5,178.50 | 595.80 | - | 36,577.50 | 10,526.90 | 234,257.00 | 600,179.80 |
| 1993-94 | 15,413.50 | 4,851.80 | 8,597.10 | 29,495.60 | 57,511.00 | 252,359.00 | 309,870.00 | 347,962.70 | 26,873.90 | 5,360.40 | 3,255.80 | - | 35,490.10 | 11,437.80 | 229,431.40 | 644,587.30 |
| 1994-95 | 16,082.60 | 5,217.20 | 10,060.10 | 34,238.90 | 66,142.50 | 290,885.00 | 357,027.50 | 401,326.50 | 30,015.30 | 6,057.80 | 6,256.10 | - | 42,329.20 | 12,089.90 | 1,239,500.60 | 1,716,546.00 |
| 1995-96 | 17,398.30 | 5,920.40 | 10,278.00 | 32,960.50 | 73,360.70 | 313,006.70 | 386,367.40 | 429,605.90 | 36,223.20 | 6,274.30 | 5,721.40 | - | 48,218.90 | 17,590.20 | 1,394,726.50 | 1,913,460.20 |
| 1996-97 | 17,911.40 | 8,028.30 | 21,728.40 | 34,991.10 | 75,923.70 | 355,440.00 | 431,363.70 | 488,083.20 | 39,284.90 | 6,769.10 | 6,519.00 | - | 52,573.00 | 20,119.30 | 1,608,488.30 | 2,195,203.50 |
| 1997-98 | 19,469.70 | 10,353.80 | 18,000.00 | 41,726.20 | 77,350.20 | 399,805.00 | 477,155.20 | 536,881.40 | 40,413.50 | 7,107.10 | 10,208.90 | - | 57,729.50 | 24,593.20 | 1,811,033.50 | 2,460,061.10 |
| 1998-99 | 18,837.30 | 13,630.40 | 26,361.60 | 48,915.60 | 85,627.20 | 457,769.60 | 543,396.80 | 618,674.00 | 49,562.90 | 6,712.40 | 11,061.60 | 483.90 | 67,820.80 | 25,713.60 | 2,071,264.00 | 2,815,940.10 |
| 1999-00 | 22,103.70 | 17,056.30 | 38,806.80 | 56,151.90 | 97,380.10 | 548,479.80 | 645,859.90 | 740,818.60 | 45,661.10 | 5,903.90 | 15,090.50 | 197.70 | 66,853.20 | 29,426.30 | 2,387,959.20 | 3,264,217.30 |

Source: For 1974-75 to 1989-90; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 42-45.

For 1990-91 to 1999-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III & IV (Dhaka: BB), p. 48-49.

# Appendix: Table- 8

| Assets of Different Scheduled Banks (Taka in Million) | | | | | |
|---|---|---|---|---|---|
| Period | Nationalised Commercial Bank | Specialised Banks | Private Bank | Foreign Bank | Asset's of All Banks (2+3+4+5) |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1974-75 | 21,667.20 | 2,386.70 | - | 2,154.80 | 26,208.70 |
| 1975-76 | 23,618.40 | 2,487.40 | - | 1,888.90 | 27,994.70 |
| 1976-77 | 28,547.90 | 3,047.10 | - | 1,911.70 | 33,506.70 |
| 1977-78 | 36,148.30 | 3,768.20 | - | 2,616.40 | 42,532.90 |
| 1978-79 | 45,890.80 | 4,661.40 | - | 3,566.20 | 54,118.40 |
| 1979-80 | 59,276.80 | 6,173.10 | - | 6,591.90 | 72,041.80 |
| 1980-81 | 73,042.40 | 7,848.70 | - | 7,573.80 | 88,464.90 |
| 1981-82 | 86,530.30 | 11,190.10 | - | 12,795.70 | 110,516.10 |
| 1982-83 | 100,543.80 | 15,328.20 | - | 15,261.10 | 131,133.10 |
| 1983-84 | 139,544.00 | 23,663.90 | 18,765.60 | 14,755.80 | 196,729.30 |
| 1984-85 | 157,589.10 | 45,399.20 | 52,017.50 | 18,479.70 | 273,485.50 |
| 1985-86 | 227,952.50 | 47,442.60 | 63,811.90 | 22,805.00 | 362,012.00 |
| 1986-87 | 272,768.80 | 49,493.60 | 77,679.40 | 28,866.40 | 428,808.20 |
| 1987-88 | 170,334.30 | 49,063.90 | 72,083.80 | 32,450.30 | 323,932.30 |
| 1988-89 | 189,626.20 | 54,504.00 | 90,716.70 | 43,295.30 | 378,142.20 |
| 1989-90 | 215,262.30 | 59,104.30 | 95,138.70 | 46,969.30 | 416,474.60 |
| 1990-91 | 225,570.40 | 65,485.60 | 110,587.20 | 46,938.40 | 448,581.60 |
| 1991-92 | 258,481.80 | 87,494.50 | 124,450.10 | 55,745.80 | 526,172.20 |
| 1992-93 | 310,632.80 | 91,566.40 | 155,015.20 | 42,965.40 | 600,179.80 |
| 1993-94 | 349,902.80 | 93,083.80 | 157,834.00 | 43,766.70 | 644,587.30 |
| 1994-95 | 1,254,570.80 | 161,752.10 | 241,900.30 | 58,322.80 | 1,716,546.00 |
| 1995-96 | 1,419,438.80 | 162,724.20 | 257,930.00 | 71,107.90 | 1,911,200.90 |
| 1996-97 | 1,620,988.60 | 183,612.60 | 305,308.10 | 85,294.20 | 2,195,203.50 |
| 1997-98 | 1,817,959.60 | 220,558.30 | 330,575.80 | 90,967.40 | 2,460,061.10 |
| 1998-99 | 2,077,719.70 | 240,751.70 | 390,308.10 | 107,160.60 | 2,815,940.10 |
| 1999-00 | 2,339,626.30 | 256,352.00 | 531,770.20 | 136,468.80 | 3,264,217.30 |

Source: For Column 2 from 1974-75 to 1989-1990; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 51, 53.
For Column 2 from 1990-91 to 1999-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*,Vol. XXIX, No. III & IV (Dhaka: BB), p. 53.
For Column 3 from 1974-75 to 1989-1990; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 63, 65.
For Column 3 from 1990-91 to 1999-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*,Vol. XXIX, No. III & IV (Dhaka: BB), p. 59.
For Column 4 from 1983-84 to 1989-1990; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 71, 73.
For Column 4 from 1990-91 to 1999-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*,Vol. XXIX, No. III & IV (Dhaka: BB),p. 65.
For Column 5 from 1974-75 to 1989-1990; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 83, 85.
For Column 5 from 1990-91 to 1999-2000; Bangladesh Bank, *Bangladesh Bank Bulletin*,Vol. XXIX, No. III & IV (Dhaka: BB), p. 71.

# Appendix: Table- 9-A

| Some Important Indicators of Nationalised Bank (Taka in Million) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Period | Total Income | Total Expenditure | Net Profit | No. of Branch | No. of Employees | Expenditure Per Branch (In Taka) | Expenditure Per Employees (In Taka) | Profit Per Branch (In Taka) | Profit Per Employees (In Taka) | Period |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1972 | 384.40 | 351.80 | 6.30 | 1,116 | 16,277 | 315,232.97 | 21,613.32 | 5,645.16 | 387.05 | 1972-73 |
| 1973 | 760.30 | 618.70 | 63.80 | 1,291 | 19,951 | 479,240.90 | 31,010.98 | 49,419.05 | 3,197.83 | 1973-74 |
| 1974 | 1,090.10 | 930.90 | 64.10 | 1,431 | 22,942 | 650,524.11 | 40,576.24 | 44,793.85 | 2,794.00 | 1974-75 |
| 1975 | 1,490.40 | 1,177.00 | 109.90 | 1,523 | 24,921 | 772,816.81 | 47,229.24 | 72,160.21 | 4,409.94 | 1975-76 |
| 1976 | 1,825.90 | 1,489.10 | 81.00 | 1,728 | 28,680 | 861,747.69 | 51,921.20 | 46,875.00 | 2,824.27 | 1976-77 |
| 1977 | 1,984.00 | 1,641.20 | 108.20 | 2,366 | 35,293 | 693,660.19 | 46,502.14 | 45,731.19 | 3,065.76 | 1977-78 |
| 1978 | 2,363.50 | 2,103.20 | 99.00 | 2,911 | 42,290 | 722,500.86 | 49,732.80 | 34,008.93 | 2,340.98 | 1978-79 |
| 1979 | 2,649.30 | 2,325.30 | 141.30 | 3,290 | 47,706 | 706,778.12 | 48,742.30 | 42,948.33 | 2,961.89 | 1979-80 |
| 1980 | 3,371.00 | 2,941.50 | 133.40 | 3,473 | 51,333 | 846,962.28 | 57,302.32 | 38,410.60 | 2,598.72 | 1980-81 |
| 1981 | 4,474.50 | 4,292.40 | 87.60 | 3,697 | 54,393 | 1,161,049.50 | 78,914.57 | 23,694.89 | 1,610.50 | 1981-82 |
| 1982 | 5,782.70 | 4,894.80 | 232.80 | 3,678 | 53,053 | 1,330,831.97 | 92,262.45 | 63,295.27 | 4,388.06 | 1982-83 |
| 1983 | 6,347.40 | 5,390.10 | 305.90 | 3,834 | 57,868 | 1,405,868.54 | 93,144.74 | 79,786.12 | 5,286.17 | 1983-84 |
| 1984 | 6,804.60 | 5,734.70 | 434.90 | 3,343 | 54,233 | 1,715,435.24 | 105,741.89 | 130,092.73 | 8,019.10 | 1984-85 |
| 1985 | 9,152.00 | 7,874.10 | 358.90 | 3,393 | 56,334 | 2,320,689.66 | 139,775.27 | 105,776.60 | 6,370.93 | 1985-86 |
| 1986 | 10,344.60 | 9,188.90 | 276.80 | 3,435 | 59,035 | 2,675,080.06 | 155,651.73 | 80,582.24 | 4,688.74 | 1986-87 |
| 1987 | 11,033.00 | 10,374.50 | 194.00 | 3,482 | 58,634 | 2,979,465.82 | 176,936.59 | 55,715.11 | 3,308.66 | 1987-88 |
| 1988 | 12,179.20 | 11,705.00 | 75.00 | 3,536 | 61,601 | 3,310,237.56 | 190,013.15 | 21,210.41 | 1,217.51 | 1988-89 |
| 1989 | 14,061.20 | 14,045.10 | 5.10 | 3,560 | 63,053 | 3,945,252.81 | 222,750.70 | 1,432.58 | 80.88 | 1989-90 |
| 1990 | 15,493.00 | 16,094.20 | -601.20 | 3,580 | 64,001 | 4,495,586.59 | 251,467.95 | -167,932.96 | -9,393.60 | 1990-91 |
| 1991 | 17,380.00 | 17,768.40 | -388.40 | 3,596 | 63,455 | 4,941,156.84 | 280,015.76 | -108,008.90 | -6,120.87 | 1991-92 |
| 1992 | 16,651.40 | 18,371.70 | -1,720.30 | 3,603 | 63,034 | 5,099,000.83 | 291,456.99 | -477,463.23 | -27,291.62 | 1992-93 |
| 1993 | 17,833.00 | 17,697.00 | -319.00 | 3,612 | 64,624 | 4,899,501.66 | 273,845.63 | -88,316.72 | -4,936.25 | 1993-94 |
| 1994 | 17,025.60 | 16,832.40 | 188.20 | 3,619 | 63,801 | 4,651,119.09 | 263,826.59 | 52,003.32 | 2,949.80 | 1994-95 |
| 1995 | 19,820.80 | 18,691.10 | 1,123.70 | 3,628 | 63,803 | 5,151,901.87 | 292,950.17 | 309,729.88 | 17,612.02 | 1995-96 |
| 1996 | 22,491.10 | 22,205.00 | 281.10 | 3,631 | 63,731 | 6,115,395.21 | 348,417.57 | 77,416.69 | 4,410.73 | 1996-97 |
| 1997 | 25,740.80 | 25,568.10 | 167.70 | 3,629 | 62,723 | 7,045,494.63 | 407,635.16 | 46,211.08 | 2,673.66 | 1997-98 |
| 1998 | 28,151.70 | 28,086.90 | -59.80 | 3,627 | 63,583 | 7,743,837.88 | 441,736.00 | -16,487.46 | -940.50 | 1998-99 |
| 1999 | 31,612.60 | 31,647.90 | -166.60 | 3,621 | 62,419 | 8,740,099.42 | 507,023.50 | -46,009.39 | -2,669.06 | 1999-00 |
| 2000 | 37,262.70 | 35,321.60 | 245.80 | 3,609 | 62,091 | 9,787,087.84 | 568,868.27 | 68,107.51 | 3,958.71 | 2000-01 |

Source: From 1972 to 1989; Bangladesh Bank, *Economic Trends*, vol. XXI, no. 12 (Dhaka: Statistics Department, BB), p. 58-59.
From 1900 to 2000; Bangladesh Bank, *Economic Trends*, vol. XXVII, no. 12 (Dhaka: Statistics Department, BB), p. 68.

# Appendix: Table- 9-B

| Some Important Indicators of Specialised Bank (Taka in Million) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Period | Total Income | Total Expenditure | Net Profit | No. of Branch | No. of Employees | Expenditure Per Branch (In Taka) | Expenditure Per Employees (In Taka) | Profit Per Branch (In Taka) | Profit Per Employees (In Taka) | Period |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1972 | 78.20 | 61.70 | 6.20 | 108 | 2,821 | 571,296.30 | 21,871.68 | 57,407.41 | 2,197.80 | 1972-73 |
| 1973 | 95.60 | 76.40 | 4.20 | 142 | 3,050 | 538,028.17 | 25,049.18 | 29,577.46 | 1,377.05 | 1973-74 |
| 1974 | 143.00 | 102.50 | 18.90 | 153 | 3,556 | 669,934.64 | 28,824.52 | 123,529.41 | 5,314.96 | 1974-75 |
| 1975 | 191.30 | 141.40 | 34.10 | 158 | 3,594 | 894,936.71 | 39,343.35 | 215,822.78 | 9,488.04 | 1975-76 |
| 1976 | 202.60 | 162.30 | 17.70 | 177 | 3,814 | 916,949.15 | 42,553.75 | 100,000.00 | 4,640.80 | 1976-77 |
| 1977 | 266.90 | 219.20 | 22.00 | 206 | 4,616 | 1,064,077.67 | 47,487.00 | 106,796.12 | 4,766.03 | 1977-78 |
| 1978 | 333.70 | 281.30 | 31.70 | 261 | 4,853 | 1,077,777.78 | 57,964.15 | 121,455.94 | 6,532.04 | 1978-79 |
| 1979 | 466.40 | 367.60 | 32.40 | 426 | 5,951 | 862,910.80 | 61,771.13 | 76,056.34 | 5,444.46 | 1979-80 |
| 1980 | 701.40 | 547.20 | 60.20 | 573 | 6,990 | 954,973.82 | 78,283.26 | 105,061.08 | 8,612.30 | 1980-81 |
| 1981 | 894.20 | 712.60 | 59.20 | 667 | 7,455 | 1,068,365.82 | 95,586.85 | 88,755.62 | 7,940.98 | 1981-82 |
| 1982 | 1,138.30 | 903.40 | 69.50 | 873 | 8,375 | 1,034,822.45 | 107,868.66 | 79,610.54 | 8,298.51 | 1982-83 |
| 1983 | 1,600.80 | 1,327.90 | 92.90 | 914 | 14,665 | 1,452,844.64 | 90,548.93 | 101,641.14 | 6,334.81 | 1983-84 |
| 1984 | 2,421.70 | 2,038.70 | 137.00 | 981 | 15,301 | 2,078,185.52 | 133,239.66 | 139,653.41 | 8,953.66 | 1984-85 |
| 1985 | 2,906.60 | 2,651.00 | 95.60 | 1,028 | 16,069 | 2,578,793.77 | 164,976.04 | 92,996.11 | 5,949.34 | 1985-86 |
| 1986 | 3,525.30 | 3,208.50 | 126.50 | 1,067 | 16,203 | 3,007,029.05 | 198,018.89 | 118,556.70 | 7,807.20 | 1986-87 |
| 1987 | 3,861.70 | 3,474.20 | 177.50 | 1,104 | 15,982 | 3,146,920.29 | 217,382.05 | 160,778.99 | 11,106.24 | 1987-88 |
| 1988 | 3,753.20 | 3,262.60 | 215.60 | 1,124 | 16,419 | 2,902,669.04 | 198,708.81 | 191,814.95 | 13,131.13 | 1988-89 |
| 1989 | 4,249.70 | 3,617.60 | 245.40 | 1,146 | 16,662 | 3,156,719.02 | 217,116.79 | 214,136.13 | 14,728.12 | 1989-90 |
| 1990 | 4,014.50 | 3,802.70 | 153.80 | 1,165 | 16,798 | 3,264,120.17 | 226,378.14 | 132,017.17 | 9,155.85 | 1990-91 |
| 1991 | 2,389.00 | 4,278.50 | -1,934.50 | 1,167 | 16,712 | 3,666,238.22 | 256,013.64 | -1,657,669.24 | -115,755.15 | 1991-92 |
| 1992 | 3,487.90 | 4,399.30 | -971.40 | 1,169 | 16,662 | 3,763,301.97 | 264,031.93 | -830,966.64 | -58,300.32 | 1992-93 |
| 1993 | 1,866.80 | 5,112.60 | -3,306.90 | 1,186 | 16,871 | 4,310,792.58 | 303,040.72 | -2,788,279.93 | -196,010.91 | 1993-94 |
| 1994 | 3,106.30 | 6,177.30 | -3,071.00 | 1,168 | 16,856 | 5,288,784.25 | 366,474.85 | -2,629,280.82 | -182,190.32 | 1994-95 |
| 1995 | 2,359.70 | 5,280.40 | -2,920.70 | 1,151 | 16,459 | 4,587,662.90 | 320,821.44 | -2,537,532.58 | -177,453.07 | 1995-96 |
| 1996 | 4,108.80 | 6,153.80 | -2,045.00 | 1,170 | 16,273 | 5,259,658.12 | 378,160.14 | -1,747,863.25 | -125,668.28 | 1996-97 |
| 1997 | 4,404.80 | 7,015.00 | -2,610.20 | 1,177 | 16,342 | 5,960,067.97 | 429,262.02 | -2,217,672.05 | -159,723.41 | 1997-98 |
| 1998 | 4,929.10 | 7,667.70 | -2,967.00 | 1,179 | 16,114 | 6,503,562.34 | 475,840.88 | -2,516,539.44 | -184,125.61 | 1998-99 |
| 1999 | 5,984.50 | 7,660.00 | -5,323.70 | 1,200 | 16,036 | 6,383,333.33 | 477,675.23 | -4,436,416.67 | -331,984.29 | 1999-00 |
| 2000 | 8,203.40 | 7,363.60 | 798.10 | n.a | 16,164 | - | 455,555.56 | - | 49,375.15 | 2000-01 |

Source: From 1972-73 to 1989-90; Bangladesh Bank, *Economic Trends*, vol. XXI, no. 12 (Dhaka: Statistics Department, BB), pp. 2-3.

From 1900-91 to 1999-2000; Bangladesh Bank, *Economic Trends*, vol. XXVII, no. 12 (Dhaka: Statistics Department, BB), pp. 2-3.

# Appendix: Table- 9-C

| Some Important Indicators of Private Bank (Taka in Million) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Period | Total Income | Total Expenditure | Net Profit | No. of Branch | No. of Employees | Expenditure Per Branch (In Taka) | Expenditure Per Employees (In Taka) | Profit Per Branch (In Taka) | Profit Per Employees (In Taka) | Period |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1972 | 0.00 | 0.00 | 0.00 | - | - | - | - | - | - | 1972-73 |
| 1973 | 0.00 | 0.00 | 0.00 | - | - | - | - | - | - | 1973-74 |
| 1974 | 0.00 | 0.00 | 0.00 | - | - | - | - | - | - | 1974-75 |
| 1975 | 0.00 | 0.00 | 0.00 | - | - | - | - | - | - | 1975-76 |
| 1976 | 0.00 | 0.00 | 0.00 | - | - | - | - | - | - | 1976-77 |
| 1977 | 0.00 | 0.00 | 0.00 | - | - | - | - | - | - | 1977-78 |
| 1978 | 0.00 | 0.00 | 0.00 | - | - | - | - | - | - | 1978-79 |
| 1979 | 0.00 | 0.00 | 0.00 | - | - | - | - | - | - | 1979-80 |
| 1980 | 0.00 | 0.00 | 0.00 | - | - | - | - | - | - | 1980-81 |
| 1981 | 0.00 | 0.00 | 0.00 | - | - | - | - | - | - | 1981-82 |
| 1982 | 0.00 | 0.00 | 0.00 | - | - | - | - | - | - | 1982-83 |
| 1983 | 0.00 | 0.00 | 0.00 | - | - | - | - | - | - | 1983-84 |
| 1984 | 1,921.70 | 1,727.90 | 83.90 | 628 | 11,562 | 2,751,433.12 | 149,446.46 | 133,598.73 | 7,256.53 | 1984-85 |
| 1985 | 2,801.70 | 2,450.10 | 139.80 | 653 | 11,813 | 3,752,067.38 | 207,407.09 | 214,088.82 | 11,834.42 | 1985-86 |
| 1986 | 3,183.60 | 2,810.30 | 158.50 | 693 | 12,756 | 4,055,266.96 | 220,312.01 | 228,715.73 | 12,425.53 | 1986-87 |
| 1987 | 4,149.80 | 3,657.30 | 219.40 | 715 | 13,552 | 5,115,104.90 | 269,871.61 | 306,853.15 | 16,189.49 | 1987-88 |
| 1988 | 4,967.10 | 4,384.80 | 249.90 | 771 | 14,810 | 5,687,159.53 | 296,070.22 | 324,124.51 | 16,873.73 | 1988-89 |
| 1989 | 6,177.00 | 5,938.10 | 141.90 | 824 | 16,107 | 7,206,432.04 | 368,665.80 | 172,208.74 | 8,809.83 | 1989-90 |
| 1990 | 7,092.50 | 6,760.10 | 19.80 | 865 | 16,909 | 7,815,144.51 | 399,793.01 | 22,890.17 | 1,170.97 | 1990-91 |
| 1991 | 7,743.30 | 7,649.70 | -207.70 | 902 | 17,450 | 8,480,820.40 | 438,378.22 | -230,266.08 | -11,902.58 | 1991-92 |
| 1992 | 8,426.70 | 8,237.20 | -100.20 | 942 | 18,034 | 8,744,373.67 | 456,759.45 | -106,369.43 | -5,556.17 | 1992-93 |
| 1993 | 8,359.20 | 8,135.10 | 32.30 | 943 | 18,276 | 8,626,829.27 | 445,124.75 | 34,252.39 | 1,767.35 | 1993-94 |
| 1994 | 8,518.90 | 8,012.50 | 148.00 | 1,000 | 18,794 | 8,012,500.00 | 426,332.87 | 148,000.00 | 7,874.85 | 1994-95 |
| 1995 | 9,438.90 | 8,319.90 | 565.60 | 1,065 | 20,083 | 7,812,112.68 | 414,275.76 | 531,079.81 | 28,163.12 | 1995-96 |
| 1996 | 11,322.30 | 9,397.50 | 1,314.90 | 1,081 | 21,140 | 8,693,339.50 | 444,536.42 | 1,216,373.73 | 62,199.62 | 1996-97 |
| 1997 | 14,142.20 | 11,800.40 | 1,444.80 | 1,120 | 22,194 | 10,536,071.43 | 531,693.25 | 1,290,000.00 | 65,098.68 | 1997-98 |
| 1998 | 16,964.60 | 14,578.30 | 1,583.50 | 1,153 | 22,893 | 12,643,798.79 | 636,801.64 | 1,373,373.81 | 69,169.62 | 1998-99 |
| 1999 | 20,945.10 | 17,609.20 | 1,784.40 | 1,219 | 24,281 | 14,445,611.16 | 725,225.48 | 1,463,822.81 | 73,489.56 | 1999-00 |
| 2000 | 32,676.20 | 24,620.90 | 3,099.70 | 1,273 | 25,975 | 19,340,848.39 | 947,869.10 | 2,434,956.79 | 119,333.97 | 2000-01 |

Source: From 1984-85 to 1989-90; Bangladesh Bank, *Economic Trends*, vol. XXI, no. 12 (Dhaka: Statistics Department, BB), pp. 2-3.

From 1900-91 to 1999-2000; Bangladesh Bank, *Economic Trends*, vol. XXVII, no. 12 (Dhaka: Statistics Department, BB), pp. 2-3.

## Appendix: Table- 9-D

| Some Important Indicators of Foreign Bank (Taka in Million) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Period | Total Income | Total Expenditure | Net Profit | No. of Branch | No. of Employees | Expenditure Per Branch (In Taka) | Expenditure Per Employees (In Taka) | Profit Per Branch (In Taka) | Profit Per Employees (In Taka) | Period |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1972 | 28.40 | 28.40 | -0.10 | 14 | 679 | 2,028,571.43 | 41,826.22 | -7,142.86 | -147.28 | 1972-73 |
| 1973 | 43.30 | 39.90 | -0.50 | 14 | 683 | 2,850,000.00 | 58,418.74 | -35,714.29 | -732.06 | 1973-74 |
| 1974 | 56.00 | 50.40 | -1.30 | 14 | 575 | 3,600,000.00 | 87,652.17 | -92,857.14 | -2,260.87 | 1974-75 |
| 1975 | 89.20 | 71.90 | -2.90 | 15 | 707 | 4,793,333.33 | 101,697.31 | -193,333.33 | -4,101.84 | 1975-76 |
| 1976 | 117.10 | 95.80 | -6.90 | 18 | 771 | 5,322,222.22 | 124,254.22 | -383,333.33 | -8,949.42 | 1976-77 |
| 1977 | 121.60 | 97.40 | 2.00 | 20 | 785 | 4,870,000.00 | 124,076.43 | 100,000.00 | 2,547.77 | 1977-78 |
| 1978 | 160.70 | 116.60 | 11.40 | 20 | 855 | 5,830,000.00 | 136,374.27 | 570,000.00 | 13,333.33 | 1978-79 |
| 1979 | 210.10 | 138.30 | 26.10 | 19 | 907 | 7,278,947.37 | 152,480.71 | 1,373,684.21 | 28,776.19 | 1979-80 |
| 1980 | 327.70 | 197.10 | 30.70 | 21 | 912 | 9,385,714.29 | 216,118.42 | 1,461,904.76 | 33,662.28 | 1980-81 |
| 1981 | 453.90 | 245.80 | 81.80 | 21 | 984 | 11,704,761.90 | 249,796.75 | 3,895,238.10 | 83,130.08 | 1981-82 |
| 1982 | 607.50 | 319.30 | 111.80 | 21 | 999 | 15,204,761.90 | 319,619.62 | 5,323,809.52 | 111,911.91 | 1982-83 |
| 1983 | 755.80 | 454.00 | 119.90 | 20 | 1061 | 22,700,000.00 | 427,898.21 | 5,995,000.00 | 113,006.60 | 1983-84 |
| 1984 | 986.70 | 616.50 | 150.30 | 20 | 1042 | 30,825,000.00 | 591,650.67 | 7,515,000.00 | 144,241.84 | 1984-85 |
| 1985 | 1,244.50 | 766.30 | 179.40 | 20 | 1051 | 38,315,000.00 | 729,115.13 | 8,970,000.00 | 170,694.58 | 1985-86 |
| 1986 | 1,376.00 | 984.40 | 143.10 | 22 | 1064 | 44,745,454.55 | 925,187.97 | 6,504,545.45 | 134,492.48 | 1986-87 |
| 1987 | 1,661.80 | 1,185.00 | 221.50 | 22 | 1114 | 53,863,636.36 | 1,063,734.29 | 10,068,181.82 | 198,833.03 | 1987-88 |
| 1988 | 2,019.30 | 1,461.50 | 210.00 | 22 | 1124 | 66,431,818.18 | 1,300,266.90 | 9,545,454.55 | 186,832.74 | 1988-89 |
| 1989 | 1,803.90 | 1,465.30 | 65.20 | 22 | 1123 | 66,604,545.45 | 1,304,808.55 | 2,963,636.36 | 58,058.77 | 1989-90 |
| 1990 | 1,406.70 | 943.30 | 165.10 | 18 | 788 | 52,405,555.56 | 1,197,081.22 | 9,172,222.22 | 209,517.77 | 1990-91 |
| 1991 | 1,580.10 | 994.00 | 253.20 | 18 | 789 | 55,222,222.22 | 1,259,822.56 | 14,066,666.67 | 320,912.55 | 1991-92 |
| 1992 | 1,518.00 | 654.90 | 356.60 | 18 | 826 | 36,383,333.33 | 792,857.14 | 19,811,111.11 | 431,719.13 | 1992-93 |
| 1993 | 1,951.00 | 918.50 | 543.60 | 18 | 826 | 51,027,777.78 | 1,111,985.47 | 30,200,000.00 | 658,111.38 | 1993-94 |
| 1994 | 2,423.60 | 1,057.40 | 683.20 | 19 | 888 | 55,652,631.58 | 1,190,765.77 | 35,957,894.74 | 769,369.37 | 1994-95 |
| 1995 | 3,356.50 | 1,513.90 | 907.60 | 23 | 966 | 65,821,739.13 | 1,567,184.27 | 39,460,869.57 | 939,544.51 | 1995-96 |
| 1996 | 4,084.60 | 2,217.30 | 987.20 | 25 | 1016 | 88,692,000.00 | 2,182,381.89 | 39,488,000.00 | 971,653.54 | 1996-97 |
| 1997 | 5,641.00 | 3,356.40 | 1,342.10 | 28 | 1125 | 119,871,428.57 | 2,983,466.67 | 47,932,142.86 | 1,192,977.78 | 1997-98 |
| 1998 | 5,855.90 | 3,266.20 | 1,494.30 | 29 | 1262 | 112,627,586.21 | 2,588,114.10 | 51,527,586.21 | 1,184,072.90 | 1998-99 |
| 1999 | 7,136.50 | 4,473.90 | 1,497.00 | 31 | 1311 | 144,319,354.84 | 3,412,585.81 | 48,290,322.58 | 1,141,876.43 | 1999-00 |
| 2000 | 9,675.00 | 5,480.80 | 2,204.60 | n.a | 1280 | | 4,281,875.00 | | 1,722,343.75 | 2000-01 |

Source: From 1972-73 to 1989-90; Bangladesh Bank, *Economic Trends*, vol. XXI, no. 12 (Dhaka: Statistics Department, BB), pp. 2-3.

From 1900-91 to 1999-2000; Bangladesh Bank, *Economic Trends*, vol. XXVII, no. 12 (Dhaka: Statistics Department, BB), pp. 2-3.

# Appendix: Table- 10-A

| Some Important Indicators of Leasing and Finance Companies (Taka in Million) | | | | | |
|---|---|---|---|---|---|
| Name of the Leasing and Finance Companies | Date of Establishment | Beginning of Activities | Authorized Capital On December 2000 | Paid-up Capital On December 2000 | Assets On December 2000 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Saudi-Bangladesh Indus & Agril Invest Com. Ltd. | 15/05/83 | 1986 | 60 | 60 | 4253 |
| Industrial Development Leasing Com. Of Bd. | 23/05/85 | - | 1000 | 150 | 3891 |
| G.S.P Finance Com. Ltd. | - | April'96 | 1000 | 170 | 581 |
| Bangladesh Industrial Finance Com. Ltd.(BIFC) | 10/8/96 | 19/02/98 | 1000 | 25 | 116 |
| Vanik Bangladesh Ltd. | | 10/10/97 | 1000 | 100 | 609 |
| U.A.E. Bangladesh Investment Com. Ltd. | June'87 | June'89 | 500 | 158 | 390 |
| Phoenix Leasing Com. Ltd. (PLC) | 19/04/95 | - | 500 | 100 | 1143 |
| Bay Leasing and Investment Ltd. | - | May'96 | 500 | 40 | 61 |
| Prime Financial and Investment Ltd.(PFIL) | 10/03/96 | 25/04/96 | 500 | 50 | 207 |
| Delta BRAC Housing Financial Corp. Ltd. | 11/05/96 | - | 500 | 200 | 980 |
| International Leasing Financial Services Ltd. | - | 19/02/96 | 300 | 82.8 | 77 |
| Bahrain-Bangladesh Financial Services Ltd. | - | May'96 | 250 | 85 | 190 |
| Industrial Promotion and Development Com. of Bd. Ltd | 1981 | 1983 | 1000 | 450 | 2083 |
| Uttara Finance and Investment Ltd. | - | 01/11/95 | 250 | 120 | 916 |
| United Leasing Com. Ltd.(ULC) | 27/04/89 | - | 1000 | 70 | 1482 |
| Union Capital Ltd. (UCL) | 12/08/98 | - | 500 | 50.5 | 5 |
| Peoples Leasing and Financial Services Ltd. | 12/08/96 | - | 500 | 41.8 | 2.8 |
| Infrastructure Development Com. Ltd. | May'97 | - | 0.1 | 0.1 | 74 |
| National Housing Finance and Investment | 18/08/98 | June'99 | 2000 | 300 | 7 |
| MIDAS Financing Ltd. | - | 1982 | 150 | 55 | 73 |
| First Lease International Ltd.(FLIL) | 28/06/93 | - | 250 | 25 | 290 |
| Bangladesh Finance and Investment Com. Ltd. | 10/05/99 | - | 500 | 50 | 93 |
| **Assets** | | | | | **19523.8** |

Source: All the data has been compiled from, Government of Bangladesh. *Bank O Arthik Pratistanshamuher Karjabali 2001-2002* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, Peoples Republic of Bangladesh. 2002).

# Appendix: Table- 10-B

| Assets of Leasing and Finance Companies (Taka in million) | | | | | | |
|---|---|---|---|---|---|---|
| Name of the Institutions | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Saudi-Bangladesh Indus & Agril Invest Com. Ltd. | 2,762.0 | 3,397.0 | 3,820.0 | 4,098.0 | 4,253.0 | 4,429.0 |
| Industrial Development Leasing Com. Of Bd. | 770.0 | 2,051.0 | 2,412.0 | 2,946.0 | 3,891.0 | 4,559.0 |
| G,S,P Finance Com. Ltd. | - | 117.0 | 205.0 | 218.0 | 586.0 | 706.0 |
| Bangladesh Industrial Finance Com. Ltd.(BIFC) | - | - | 40.0 | 86.0 | 116.0 | 524.4 |
| Vanik Bangladesh Ltd. | - | 79.0 | 148.0 | 313.0 | 609.0 | 791.0 |
| U,A,E, Bangladesh Investment Com. Ltd. | 219.0 | 232.0 | 240.0 | 370.0 | 421.4 | 453.3 |
| Phoenix Leasing Com. Ltd. (PLC) | 60.0 | 539.0 | 598.0 | 871.0 | 1,143.3 | 2,776.7 |
| Bay Leasing and Investment Ltd. | - | - | 22.0 | 53.0 | 61.0 | 637.0 |
| Prime Financial and Investment Ltd.(PFIL) | - | 52.0 | 56.6 | 71.0 | 207.0 | 604.0 |
| Delta BRAC Housing Financial Corp. Ltd. | - | 33.0 | 205.0 | 470.0 | 1,065.0 | 1,744.0 |
| International Leasing Financial Services Ltd. | - | 3.5 | 17.0 | 49.0 | 77.0 | 516.0 |
| Oman-Bangladesh Leasing and Finance Ltd. | - | 67.0 | 81.0 | 64.0 | 191.0 | 253.0 |
| Industrial Promotion and Development Com. of Bd. Ltd | - | 726.0 | 1,054.0 | 1,499.0 | 2,083.0 | 2,810.0 |
| Uttara Finance and Investment Ltd. | - | - | - | 688.0 | 915.0 | 1134 |
| United Leasing Com. Ltd.(ULC) | 497.0 | 956.0 | 1,143.0 | 1,169.0 | 1,482.0 | 1,518.0 |
| Union Capital Ltd. (UCL) | - | - | - | 3.0 | 5.0 | 4.0 |
| Peoples Leasing and Financial Services Ltd. | - | - | 0.3 | 3.2 | 2.8 | 2.4 |
| Infrastructure Development Com. Ltd. | - | - | 22.0 | 40.0 | 74.0 | 114.0 |
| National Housing Finance and Investment | - | - | - | 4.0 | 6.5 | 16.1 |
| MIDAS Financing Ltd. | - | - | 52.0 | 53.0 | 72.6 | 91.4 |
| First Lease International Ltd.(FLIL) | - | - | 207.0 | 199.0 | 289.1 | 337.7 |
| Bangladesh Finance and Investment Com. Ltd. | - | - | - | 93.0 | 93.0 | 98.4 |
| **Total Assets** | **4,308** | **8,252.5** | **10,322.9** | **13,360.2** | **17,643.8** | **24,119.3** |

Source: For December 2001-2000: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 2001-2002* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2002).

For December 1999: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 2000-2001* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2001).

For December 1998: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 1999-2000* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2000).

For December 1997: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 1998-1999* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 1999).

For December 1996: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 1997-1998* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 1998).

# Appendix: Table- 10-C

| Investment of Leasing and Finance Companies (Taka in Million) | | | | | |
|---|---|---|---|---|---|
| Name of the Leasing and Finance Companies | 1997 | 1998 | 1999 | 2000 | 2001 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Saudi-Bangladesh Indus & Agril Invest Com. Ltd. | 650.00 | 677.00 | 751.00 | 1,008.00 | 925.00 |
| Industrial Development Leasing Com. Of Bd. | - | - | 15.00 | 1.00 | 62.00 |
| G.S.P Finance Com. Ltd. | 4.00 | 1.00 | 1.00 | 2.00 | 5.00 |
| Bangladesh Industrial Finance Com. Ltd.(BIFC) | - | 19.00 | 17.00 | 13.00 | 212.50 |
| Vanik Bangladesh Ltd. | - | 25.00 | 31.00 | 32.00 | 167.00 |
| U.A.E. Bangladesh Investment Com. Ltd. | - | 24.00 | 24.00 | 23.50 | 50.50 |
| Phoenix Leasing Com. Ltd. (PLC) | | 7.00 | 3.10 | 280.03 | 1,411.53 |
| Bay Leasing and Investment Ltd. | 33.00 | 0.21 | 23.00 | 17.00 | 203.00 |
| Prime Financial and Investment Ltd.(PFIL) | 12.00 | 11.50 | 10.00 | 9.00 | 24.00 |
| Delta BRAC Housing Financial Corp. Ltd. | 9.00 | 86.00 | - | - | 20.00 |
| International Leasing Financial Services Ltd. | - | 262.00 | - | - | - |
| Oman-Bangladesh Leasing and Finance Ltd. | 11.00 | 12.00 | 13.00 | 14.00 | 14.00 |
| Industrial Promotion and Development Com. of Bd. Ltd. | - | 772.00 | 1,176.00 | 1,550.00 | 1,800.00 |
| Uttara Finance and Investment Ltd. | - | - | 36.00 | 14.00 | 18.00 |
| United Leasing Com. Ltd.(ULC) | - | - | - | - | 65.00 |
| Union Capital Ltd. (UCL) | - | - | 18.00 | 17.00 | 19.00 |
| Peoples Leasing and Financial Services Ltd. | - | 325.00 | 34.20 | 36.10 | 39.97 |
| Infrastructure Development Com. Ltd. | - | - | - | - | - |
| National Housing Finance and Investment | - | - | - | - | - |
| MIDAS Financing Ltd. | - | 15.00 | - | - | - |
| First Lease International Ltd.(FLIL) | - | - | - | - | - |
| Bangladesh Finance and Investment Com. Ltd. | - | - | - | - | 5.19 |
| **Total Investment** | **719.0** | **2,236.7** | **2,152.3** | **3,016.6** | **5,041.7** |

Source: For December 2001-2000: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 2001-2002* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2002).

For December 1999: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 2000-2001* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2001).

For December 1998: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 1999-2000* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2000).

For December 1997: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 1998-1999* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 1999).

For December 1996: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 1997-1998* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 1998).

# Appendix: Table- 10-D

| Loan and Advances of Leasing and Finance Companies (Taka in Million) | | | | | | |
|---|---|---|---|---|---|---|
| Name of the Leasing and Finance Companies | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Saudi-Bangladesh Indus & Agril Invest Com. Ltd. | - | 1,803.00 | 2,205.00 | 2,345.00 | 2,230.00 | 2,094.00 |
| Industrial Development Leasing Com. Of Bd. | 1,573.00 | 1,984.00 | 2,283.00 | 2,698.00 | 3,599.00 | 4,294.00 |
| G,S,P Finance Com. Ltd. | - | 62.00 | 116.00 | 346.00 | 543.00 | 663.00 |
| Bangladesh Industrial Finance Com. Ltd.(BIFC) | - | - | 18.00 | 67.00 | 130.00 | 294.36 |
| Vanik Bangladesh Ltd. | - | - | 46.00 | 152.00 | 452.00 | 697.00 |
| U,A,E, Bangladesh Investment Com. Ltd. | - | - | 24.00 | 22.00 | 18.71 | 26.66 |
| Phoenix Leasing Com. Ltd. (PLC) | 135.00 | 415.00 | 393.00 | 574.00 | 687.18 | 894.39 |
| Bay Leasing and Investment Ltd. | - | 125.00 | 86.00 | 47.00 | 302.00 | 363.00 |
| Prime Financial and Investment Ltd.(PFIL) | - | 8.00 | 26.03 | 35.00 | 122.00 | 447.00 |
| Delta BRAC Housing Financial Corp. Ltd. | - | 11.00 | 11.00 | 191.00 | 827.00 | 1,458.00 |
| International Leasing Financial Services Ltd. | - | 66.93 | 274.00 | 427.00 | 674.00 | 1,110.00 |
| Oman-Bangladesh Leasing and Finance Ltd. | - | 40.00 | 48.00 | 41.00 | 92.00 | 140.00 |
| Industrial Promotion and Development Com. of Bd. Ltd. | - | 4.00 | 100.00 | 283.00 | 474.00 | 500.00 |
| Uttara Finance and Investment Ltd. | - | - | - | 79.00 | 642.00 | 822.00 |
| United Leasing Com. Ltd.(ULC) | - | 1,025.00 | 1,335.00 | 1,688.00 | 2,049.00 | 2,463.00 |
| Union Capital Ltd. (UCL) | - | - | - | 42.00 | 140.00 | 267.00 |
| Peoples Leasing and Financial Services Ltd. | - | - | - | - | 0.10 | 0.01 |
| Infrastructure Development Com. Ltd. | - | - | - | - | - | - |
| National Housing Finance and Investment | - | - | - | 69.00 | 402.69 | 710.07 |
| MIDAS Financing Ltd. | - | - | 20.00 | 16.00 | 25.00 | 70.95 |
| First Lease International Ltd.(FLIL) | - | - | 206.00 | 185.00 | 254.00 | 302.23 |
| Bangladesh Finance and Investment Com. Ltd. | - | - | - | - | 20.00 | 113.40 |
| **Total Loan and Advance** | **1,708** | **5,543.9** | **7,191.0** | **9,307.0** | **13,683.7** | **17,730.1** |

Source: For December 2001-2000: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 2001-2002* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2002).

For December 1999: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 2000-2001* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2001).

For December 1998: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 1999-2000* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2000).

For December 1997: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 1998-1999* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 1999).

For December 1996: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 1997-1998* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 1998).

# Appendix: Table- 10-E

| Deposits of Leasing and Finance Companies (Taka in Million) | | | | | | |
|---|---|---|---|---|---|---|
| Name of the Institutions | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Saudi-Bangladesh Indus & Agril Invest Com. Ltd. | - | - | - | - | - | - |
| Industrial Development Leasing Com. Of Bd. | - | - | 25.00 | 39.00 | 386.00 | 728.00 |
| G,S,P Finance Com. Ltd. | - | - | 9.00 | 36.00 | 78.00 | 33.00 |
| Bangladesh Industrial Finance Com. Ltd.(BIFC) | - | - | - | 5.00 | 9.00 | 241.75 |
| Vanik Bangladesh Ltd. | - | - | 25.00 | 74.00 | 145.00 | 282.00 |
| U.A.E. Bangladesh Investment Com. Ltd. | - | - | - | - | - | - |
| Phoenix Leasing Com. Ltd. (PLC) | 31 | 174.00 | 149.00 | 177.00 | - | - |
| Bay Leasing and Investment Ltd. | - | - | 26.30 | 35.00 | 89.00 | 529.00 |
| Prime Financial and Investment Ltd.(PFIL) | - | - | 15.00 | 8.00 | 86.00 | 267.00 |
| Delta BRAC Housing Financial Corp. Ltd. | - | - | - | 191.00 | 514.00 | 813.00 |
| International Leasing Financial Services Ltd. | - | - | - | - | - | - |
| Oman-Bangladesh Leasing and Finance Ltd. | - | - | 47.00 | 46.00 | 45.00 | 49.00 |
| Industrial Promotion and Development Com. of Bd. Ltd | - | - | - | - | - | - |
| Uttara Finance and Investment Ltd. | - | - | - | 346.00 | 265.00 | 301.00 |
| United Leasing Com. Ltd.(ULC) | - | - | - | - | - | 100.00 |
| Union Capital Ltd. (UCL) | - | - | - | 10.00 | 103.00 | 220.00 |
| Peoples Leasing and Financial Services Ltd. | - | - | - | 0.20 | 0.20 | 0.10 |
| Infrastructure Development Com. Ltd. | - | - | - | - | - | - |
| National Housing Finance and Investment | - | - | - | 123.00 | 9.95 | 15.89 |
| MIDAS Financing Ltd. | - | - | - | - | - | - |
| First Lease International Ltd.(FLIL) | - | - | - | - | - | - |
| Bangladesh Finance and Investment Com. Ltd. | - | - | - | - | - | 0.50 |
| **Total Deposits** | **31** | **174.00** | **296.30** | **1,090.20** | **1,730.15** | **3,580.24** |

Source: For December 2001- 2000: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 2001-2002* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2002).

For December 1999: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 2000-2001* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2001).

For December 1998: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 1999-2000* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2000).

For December 1997: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 1998-1999* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 1999).

For December 1996: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 1997-1998* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 1998).

# Appendix: Table- 10-F

**Income Statement of Leasing and Finance Companies (Taka in Million)**

| Name of the Institutions | 1998 | | | 1999 | | | 2000 | | | 2001 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Income | Expenditure | Profit | Income | Expenditure | Profit | Income | Expenditure | Profit | Income | Expenditure | Profit |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| Saudi-Bangladesh Indus & Agril Invest Com. Ltd. | 187.00 | 46.00 | 141.00 | 232.00 | 56.00 | 176.00 | 194.00 | 59.00 | 135.00 | 272.00 | 56.00 | 216.00 |
| Industrial Development Leasing Com. Of Bd. | 832.00 | 716.00 | 116.00 | 939.00 | 813.00 | 126.00 | 1,138.00 | 993.00 | 145.00 | 1,458.00 | 1,281.00 | 177.00 |
| G.S.P Finance Com. Ltd. | 74.00 | 61.00 | 13.00 | 152.00 | 115.00 | 37.00 | 211.00 | 145.00 | 66.00 | 303.00 | 194.00 | 109.00 |
| Bangladesh Industrial Finance Com. Ltd.(BIFC) | 2.00 | 2.00 | 0.00 | 16.00 | 14.00 | 2.00 | 44.00 | 38.00 | 6.00 | 90.63 | 80.80 | 9.83 |
| Vanik Bangladesh Ltd. | 18.00 | 27.00 | -9.00 | 84.00 | 83.00 | 1.00 | 160.00 | 159.00 | 1.00 | 282.00 | 280.00 | 2.00 |
| U.A.E. Bangladesh Investment Com. Ltd. | 10.00 | 2.00 | 8.00 | 137.00 | 7.00 | 130.00 | 56.79 | 7.02 | 49.77 | 39.24 | 7.35 | 31.89 |
| Phinix Leasing Com. Ltd. (PLC) | 260.00 | 242.00 | 18.00 | 266.00 | 339.00 | -73.00 | 316.43 | 283.49 | 32.94 | 454.65 | 381.03 | 73.62 |
| Bay Leasing and Investment Ltd. | 69.00 | 63.80 | 5.20 | 36.00 | 33.00 | 3.00 | 79.00 | 68.00 | 11.00 | 157.00 | 130.00 | 27.00 |
| Prime Financial and Investment Ltd.(PFIL) | 11.50 | 12.50 | -1.00 | 28.00 | 3.00 | 25.00 | 45.00 | 40.00 | 5.00 | 147.00 | 119.00 | 28.00 |
| Delta BRAC Housing Financial Corp. Ltd. | 14.00 | 6.00 | 8.00 | 44.00 | 17.00 | 27.00 | 107.00 | 76.00 | 31.00 | 199.00 | 143.00 | 56.00 |
| International Leasing Financial Services Ltd. | 88.00 | 72.00 | 16.00 | 162.00 | 143.00 | 19.00 | 239.00 | 209.00 | 30.00 | 366.00 | 326.00 | 40.00 |
| Oman-Bangladesh Leasing and Finance Ltd. | 17.00 | 18.00 | -1.00 | 19.00 | 23.00 | -4.00 | 26.00 | 30.00 | -4.00 | 43.00 | 43.00 | 0.00 |
| Industrial Promotion and Development Com. of Bd. Ltd | 169.00 | 59.00 | 110.00 | 251.00 | 129.00 | 122.00 | 422.00 | 277.00 | 145.00 | 570.00 | 420.00 | 150.00 |
| Uttara Finance and Investment Ltd. | - | - | - | 215.00 | 179.00 | 36.00 | 261.00 | 189.00 | 72.00 | 411.00 | 328.00 | 83.00 |
| United Leasing Com. Ltd.(ULC) | 687.00 | 583.00 | 104.00 | 844.00 | 713.00 | 131.00 | 1,014.00 | 864.00 | 150.00 | 1,186.00 | 1,001.00 | 185.00 |
| Union Capital Ltd. (UCL) | - | - | - | 21.00 | 22.00 | -1.00 | 43.00 | 36.00 | 7.00 | 104.00 | 32.00 | 72.00 |
| Peoples Leasing and Financial Services Ltd. | 2.10 | 1.00 | 1.10 | 3.80 | 3.50 | 0.30 | 3.40 | 4.10 | -0.70 | 3.13 | 3.20 | -0.07 |
| Infrastructure Development Com. Ltd. | 2.00 | 0.80 | 1.20 | 18.00 | 16.00 | 2.00 | 25.00 | 24.00 | 1.00 | 27.00 | 26.00 | 1.00 |
| National Housing Finance and Investment | - | - | - | 9.00 | 12.00 | -3.00 | 47.60 | 13.12 | 34.48 | 102.15 | 57.74 | 44.41 |
| MIDAS Financing Ltd. | 3.00 | 3.00 | 0.00 | 3.00 | 3.00 | 0.00 | 11.76 | 8.86 | 2.90 | 18.09 | 14.61 | 3.48 |
| First Lease International Ltd.(FLIL) | 101.00 | 99.00 | 2.00 | 143.00 | 132.00 | 11.00 | 157.26 | 159.13 | -1.87 | 159.33 | 159.33 | 0.00 |
| Bangladesh Finance and Investment Com. Ltd. | - | - | - | - | - | -! | 10.00 | 11.00 | -1.00 | 22.98 | 21.48 | 1.50 |
| **Total** | **2,546.60** | **2,014.10** | **532.50** | **3,622.80** | **2,855.50** | **767.30** | **4,611.24** | **3,693.72** | **917.52** | **6,415.20** | **5,104.54** | **1,310.66** |

Source: For December 2001-2000: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 2001-2002* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2002).

For December 1999: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 2000-2001* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2001).

For December 1998: Data has been compiled from, GOB, *Bank O Arthik Pratistanshamuher Karjabali 1999-2000* [Activities of Bank and Financial Institutions] (Dhaka: Ministry of Finance, GOB. 2000).

## Appendix: Table- 10-G

| Comparison of Deposits, Advance, Investment and Assets Between Leasing Companies* and Scheduled Banks**Tk. in Million) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| As on 31December | Deposits of Leasing Companies | Deposits of Scheduled Banks | Ratio of Deposits between Leasing Companies and Scheduled Banks | Loan, Advance and Lease of Leasing Companies | Advance of Scheduled Banks | Ratio of Advance between Leasing Companies and Scheduled Banks | Investment of Leasing Companies | Investment of Scheduled Banks | Ratio of Investment between Leasing Companies and Scheduled Banks | Assets of Leasing Companies | Assets of Scheduled Banks | Ratio of Assets between Leasing Companies and Scheduled Banks |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1996 | | 473,676.00 | | | 355,544.30 | | | 84,314.70 | | | 2,093,348.10 | |
| 1997 | 174.00 | 525,438.40 | 0.0003 | 5,543.93 | 401,271.60 | 0.0138 | 719.00 | 93,415.40 | 0.0077 | 8,252.50 | 2,361,613.20 | 0.0035 |
| 1998 | 296.30 | 592,219.70 | 0.0005 | 7,191.00 | 447,448.70 | 0.0161 | 2,236.70 | 108,422.10 | 0.0206 | 10,322.90 | 2,671,195.30 | 0.0039 |
| 1999 | 1,090.20 | 685,286.00 | 0.0016 | 9,307.00 | 489,090.00 | 0.0190 | 2,152.30 | 126,542.00 | 0.0170 | 13,360.20 | 3,013,452.00 | 0.0044 |
| 2000 | 1,730.15 | 805,517.30 | 0.0021 | 13,683.70 | 550,118.70 | 0.0249 | 3,016.60 | 149,789.70 | 0.0201 | 17,643.80 | 3,481,919.10 | 0.0051 |
| 2001 | 3,580.24 | 934,788.20 | 0.0038 | 17,730.10 | 635,887.90 | 0.0279 | 5,041.70 | 139,176.50 | 0.0362 | 24,119.30 | 3,938,735.70 | 0.0061 |

Notes: *Here Leasing Companies means leasing and Finance Companies.

** Bangladesh Samabaya Bank Ltd., also include in here.

Source: Data has been compiled from, Bangladesh Bank, *Bangladesh Bank Bulletin*, (Dhaka: Department of Public Relations and Publications, BB). Various Years.

# Appendix: Table- 11

| Insurance Companies in Bangladesh | | | |
|---|---|---|---|
| Name of Insurance | Year & Date of Registration | Name of Insurance | Year & Date of Registration |
| **Public Life Insurance** | | **Private General Insurance** | |
| Jiban Bima Corporation | 1973 | Phoenix Insurance Co. Ltd. | 04.12.86 |
| Postal Live Insurance | 1972 | Federal Insurance Co. Ltd. | 17.11.87 |
| **Private Life Insurance** | | Central Insuance Co. Ltd. | 30.11.87 |
| National Life Insurance Co., Ltd. | 23.04.85 | Reliance Insurance Co. Ltd. | 07.04.88 |
| Delta Life Insurance Co., Ltd. | 27.11.86 | Rupali Insurance Co. Ltd. | 02.06.88 |
| Shandhani Life Insurance Co., Ltd. | 25.04.90 | Purabi Gen. Insurance Co. Ltd. | 03.11.88 |
| Meghna Life Insurance Co. Ltd. | 01.06.96 | Prime Insurance Co. Ltd. | 31.03.96 |
| Homeland Life Insurance Co. Ltd. | 15.09.96 | Provati Insurance Co. Ltd. | 31.03.96 |
| Rupali Life Insurance Co., Ltd. | 29.12.00 | Meghna Insurance Co. Ltd. | 31.03.96 |
| Golden Life Insurance Co. Ltd. | 11.01.00 | City General Insurance Co. Ltd. | 31.03.96 |
| Progressive Life Insurance Co. Ltd. | 29.02.00 | Pioneer Insurance Co. Ltd. | 13.05.96 |
| Progati Life Insurance Co. Ltd. | 11.04.00 | Mercentile Insurance Co. Ltd. | 13.05.96 |
| Padma Life Insurance Co. Ltd. | 30.04.00 | Northern General Insurance Co. Ltd. | 13.05.96 |
| Baira Life Insurance Co. Ltd. | 30.04.00 | Bangladesh National Insurance Co. Ltd. | 18.06.96 |
| Sunlife Insurance Co. Ltd. | 30.05.00 | Nitol Insurance Co. Ltd. | 18.11.99 |
| Sunflower Life Insurance Co. Ltd. | 30.05.00 | Standard Insurance Co. Ltd. | 23.12.99 |
| Far East Islami Life Insurance Co. Ltd. | 30.05.00 | Paramount Insurance Co. Ltd. | 28.12.99 |
| **Foreign Life Insurance** | | South Asia Insurance Co. Ltd. | 29.12.99 |
| American Life Insurance Co. Ltd. | 1974 | Islami Insurance Bangladesh Ltd. | 29.12.99 |
| **Public General Insurance** | | Islami Commercial Insurance Co. Ltd. | 29.12.99 |
| Shadharan Bima Corporation | 1973 | The Loyeds Insurance Co. Ltd. | 03.02.00 |
| **Private General Insurance** | | Continental Insurance Co. Ltd. | 20.02.00 |
| Bangladesh General Insurance Co. Ltd. | 29.07.85 | Desh General Insurance Co. Ltd. | 02.03.00 |
| Peoples Insurance Co. Ltd. | 31.07.85 | Agrani Insurance Co. Ltd. | 03.04.00 |
| United Insurance Co. Ltd. | 15.10.85 | Sonar Bangla Insurance Co. Ltd. | 26.04.00 |
| Bangladesh Co-operative Ins. Co. Ltd. | 24.10.85 | Global Insurance Co. Ltd. | 29.04.00 |
| Green Delta Insurance Co. Ltd. | 30.12.85 | Asia Pacific General Insurance Co. Ltd. | 04.05.00 |
| Pragati Insurance Co. Ltd. | 30.01.86 | Express Insurance Co. Ltd. | 18.05.00 |
| Eastern Insurance Co. Ltd. | 15.07.86 | Asia Insurance Co. Ltd. | 30.05.00 |
| Eastland Insurance Co. Ltd. | 22.11.86 | Republic Insurance Co. Ltd. | 30.05.00 |
| Karnaphuli Insurance Co. Ltd. | 25.11.86 | Crystal Insurance Co. Ltd. | 12.06.00 |
| Janata Insurance Co. Ltd. | 30.11.86 | | |

Source: Bangladesh Bureau of Statistics, *Statistical Yearbook of Bangladesh 2000* (Dhaka: Planning Division, Ministry of Planning, GOB), p. 402-403.

# Appendix: Table- 12

**Some Important Indicators of Insurance Companies (Taka in Million)**

| End of the Year | General Insurance | | | | | | Life Insurance | | | | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Private Sector General Insurance | | | Shadhran Bima Corporation | | | Private Sector Life Insurance | | | Jiban Bima Corporation | | | | | |
| | Gross Premium | Investment | Total Asset | Gross Premium | Investment | Total Asset | Gross Premium | Investment | Total Asset | Gross Premium | Investment | Total Asset | Gross Premium | Investment | Total Asset |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 1995 | 2,541.89 | 747.46 | 5,251.41 | 627.92 | - | 4,962.15 | 1,322.14 | - | - | 919.32 | 2,074.66 | 2,705.45 | 5,411.26 | - | - |
| 1996 | 2,795.85 | 1,377.25 | 6,363.16 | 640.99 | - | 5,731.20 | 2,019.85 | 2,484.13 | 4,423.24 | 1,066.00 | 2,409.87 | 3,167.47 | 6,522.69 | - | 19,685.07 |
| 1997 | 3,225.66 | 2,313.79 | 6,890.43 | 645.70 | 3,073.90 | 5,824.21 | 2,659.62 | 3,225.99 | 5,895.07 | 1,275.70 | 2,853.20 | 3,785.90 | 7,806.69 | 11,466.87 | 22,395.61 |
| 1998 | 3,164.05 | 2,561.74 | 7,530.63 | 636.38 | 3,115.36 | 5,118.41 | 3,555.88 | 4,222.10 | 7,845.09 | 1,401.90 | 3,135.75 | 4,205.20 | 8,758.21 | 13,034.94 | 24,699.33 |
| 1999 | 3,239.07 | 2,239.23 | 7,848.59 | 616.87 | 2,776.50 | 5,353.20 | 4,017.17 | 5,868.13 | 9,935.37 | 1,619.49 | 3,549.71 | 4,921.95 | 9,492.59 | 14,433.57 | 28,059.11 |
| 2000 | 3,645.50 | 3,194.84 | 9,178.11 | 617.40 | 3,304.95 | 5,268.13 | 4,920.94 | 7,935.30 | 12,629.27 | 1,849.81 | 3,993.38 | 5,615.08 | 11,033.65 | 18,428.46 | 32,690.59 |

Source: Bangladesh Insurance Association, "Progress at a Glance," Report has been prepared for the association's purpose (Dhaka: Bangladesh Insurance Association).

# Appendix: Table- 13

| Indices of Stock Exchange (Taka in Million) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Period | Number of Listed Securities in DSE | Number of Listed Securities CSE | Aggregate Number of Listed Securities | Annual Turnover in DSE | Annual Turnover in CSE | Aggregate Annual Turnover | Market Capitalisation in DSE | Market Capitalisation in CSE | Aggregate Market Capitalisation |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1976 | 9 | - | 9 | - | - | - | 146.73 | - | 146.73 |
| 1977 | 11 | - | 11 | - | - | - | 248.49 | - | 248.49 |
| 1978 | 14 | - | 14 | - | - | - | 305.39 | - | 305.39 |
| 1979 | 18 | - | 18 | - | - | - | 393.74 | - | 393.74 |
| 1980 | 23 | - | 23 | - | - | - | 436.87 | - | 436.87 |
| 1981 | 26 | - | 26 | - | - | - | 603.23 | - | 603.23 |
| 1982 | 29 | - | 29 | - | - | - | 811.56 | - | 811.56 |
| 1983 | 44 | - | 44 | - | - | - | 1,211.26 | - | 1,211.26 |
| 1984 | 58 | - | 58 | - | - | - | 2,256.47 | - | 2,256.47 |
| 1985 | 72 | - | 72 | - | - | - | 3,492.64 | - | 3,492.64 |
| 1986 | 82 | - | 82 | 47.85 | - | 47.85 | 5,730.62 | - | 5,730.62 |
| 1987 | 92 | - | 92 | 177.66 | - | 177.66 | 12,670.98 | - | 12,670.98 |
| 1988 | 111 | - | 111 | 130.03 | - | 130.03 | 13,556.87 | - | 13,556.87 |
| 1989 | 116 | - | 116 | 173.73 | - | 173.73 | 15,350.53 | - | 15,350.53 |
| 1990 | 134 | - | 134 | 194.58 | - | 194.58 | 11,485.92 | - | 11,485.92 |
| 1991 | 138 | - | 138 | 115.66 | - | 115.66 | 10,397.33 | - | 10,397.33 |
| 1992 | 149 | - | 149 | 437.66 | - | 437.66 | 12,299.12 | - | 12,299.12 |
| 1993 | 153 | - | 153 | 578.84 | - | 578.84 | 18,098.73 | - | 18,098.73 |
| 1994 | 170 | - | 170 | 4,287.94 | - | 4,287.94 | 41,770.70 | - | 41,770.70 |
| 1995 | 201 | 61 | 262 | 6,380.92 | 19.67 | 6,400.59 | 56,518.14 | 24,139.00 | 80,657.14 |
| 1996 | 205 | 117 | 322 | 30,137.11 | 6,082.20 | 36,219.31 | 168,106.19 | 147,043.00 | 315,149.19 |
| 1997 | 222 | 141 | 363 | 17,404.68 | 8,544.25 | 25,948.93 | 49,968.92 | 55,832.00 | 105,800.92 |
| 1998 | 228 | 150 | 378 | 34,368.57 | 14,036.17 | 48,404.74 | 50,254.02 | 41,383.00 | 91,637.02 |
| 1999 | 232 | 159 | 391 | 38,964.71 | 11,538.59 | 50,503.30 | 44,781.15 | 36,542.00 | 81,323.15 |
| 2000 | 241 | 165 | 406 | 40,273.20 | 12,933.80 | 53,207.00 | 62,923.60 | 57,760.00 | 120,683.60 |

Source: For Column 2 and 8 for the Year 1976 to 1985: Dhaka Stock Exchange, *Fact Book 1994* (Dhaka: Dhaka Stock Exchange, 1994), p. 41.

For Column 2, 5 and 8 for the Year 1986 to 2000: Data has been collected from Dhaka Stock Exchange's internal source.

For Column 3, 6 and 9 for the Year 1995 to 2000: Data has been collected on 6th February 2002 from CSE's web page:www.csebd.com\market_summary.html.

# Appendix: Table- 14

**Summary of Value Added In Financial Intermediations (Banks, Insurance, Stock Exchange, Leasing & Money Exchanger) at Current Price (Taka in Million)**

| Period | Value Added of Banking & Insurance (Old Method) | | | Value Added of Financial Intermediations (New Method) | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Value Added of Banking | Value Added of Insurance | Total | Central Banks | National Banks | Local Commercial Banks | Foreign Commercial Banks | Specialised Financial Institutions | Other Financial Institutions | Total Value Added (5+6+7+8+9+10) | Life Insurance | Non-life Insurance | Total Value Added (12+13) | Dhaka Stock Exchange | Chittagong Stock Exchange | Total Value Added (15+16) | Leasing Companies | Money Exchanger | Gross Value Added in Financial Intermediaries (5 to 19) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| 1972-73 | 403.00 | 134.00 | 537 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1973-74 | 581.00 | 154.00 | 735 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1974-75 | 951.00 | 183.00 | 1134 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1975-76 | 1,014.00 | 131.00 | 1145 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1976-77 | 1,109.00 | 197.00 | 1306 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1977-78 | 1,310.00 | 263.00 | 1573 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1978-79 | 1,973.00 | 305.00 | 2278 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1979-80 | 2,736.00 | 365.00 | 3101 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1980-81 | 3,436.00 | 417.00 | 3853 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1981-82 | 3,707.00 | 484.00 | 4191 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1982-83 | 4,061.00 | 572.00 | 4633 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1983-84 | 5,270.00 | 689.00 | 5959 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1984-85 | 6,170.00 | 719.00 | 6889 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1985-86 | 8,100.00 | 835.00 | 8935 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1986-87 | 9,109.00 | 1,007.00 | 10116 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1987-88 | 10,230.00 | 1,205.00 | 11435 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1988-89 | 11,529.00 | 1,597.00 | 13126 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1989-90 | 13,271.00 | 1,839.00 | 15110 | 3,603.00 | 2,817.00 | 2,139.00 | 876.00 | 1,583.00 | 301.00 | 11,319.00 | 275.11 | 1,642.27 | 1,917.38 | 3.54 | - | 3.54 | 192.18 | - | 13,432.10 |
| 1990-91 | 15,188.00 | 1,111.00 | 16299 | 4,799.00 | 3,309.00 | 2,045.00 | 712.00 | 1,750.00 | 296.00 | 12,911.00 | 425.55 | 1,266.90 | 1,692.45 | 2.94 | - | 2.94 | 224.74 | - | 14,831.13 |
| 1991-92 | 16,050.00 | 1,743.00 | 17793 | 5,918.00 | 3,750.00 | 2,003.00 | 825.00 | 1,627.00 | 249.00 | 14,372.00 | 499.63 | 1,238.45 | 1,738.08 | 3.49 | - | 3.49 | 274.99 | - | 16,388.56 |
| 1992-93 | n.a | n.a | 19607 | 5,771.00 | 3,639.00 | 2,788.00 | 1,432.00 | 1,928.00 | 409.00 | 15,967.00 | 516.06 | 1,220.92 | 1,736.98 | 4.53 | - | 4.53 | 325.32 | - | 18,033.83 |
| 1993-94 | n.a | n.a | 21500 | 5,380.00 | 4,345.00 | 3,499.00 | 1,696.00 | 2,042.00 | 589.00 | 17,551.00 | 740.11 | 1,371.27 | 2,111.38 | 15.52 | - | 15.52 | 386.09 | - | 20,063.99 |
| 1994-95 | n.a | n.a | 23127 | 6,744.00 | 4,154.00 | 4,165.00 | 1,770.00 | 1,860.00 | 608.00 | 19,301.00 | 1,042.14 | 1,619.34 | 2,661.48 | 32.65 | 4.75 | 37.40 | 463.12 | - | 22,463.00 |
| 1995-96 | n.a | n.a | 26373 | 6,045.00 | 5,799.00 | 4,220.00 | 2,221.00 | 1,663.00 | 1,075.00 | 21,023.00 | 1,391.37 | 1,974.61 | 3,365.98 | 56.55 | 6.89 | 63.44 | 530.95 | 188.70 | 25,172.07 |
| 1996-97 | n.a | n.a | 28512 | 7,060.00 | 6,051.00 | 4,248.00 | 2,206.00 | 1,707.00 | 1,162.00 | 22,434.00 | 1,652.38 | 2,323.62 | 3,976.00 | 192.21 | 109.78 | 301.99 | 683.48 | 200.53 | 27,596.00 |
| 1997-98 | n.a | n.a | 30452 | 8,570.00 | 5,963.00 | 4,250.00 | 2,220.00 | 1,692.00 | 1,215.00 | 23,910.00 | 2,041.02 | 2,665.84 | 4,706.86 | 176.90 | 101.06 | 277.96 | 806.57 | 216.46 | 29,917.85 |
| 1998-99 | n.a | n.a | 32832 | 8,952.00 | 6,531.00 | 5,056.00 | 2,575.00 | 1,823.00 | 1,451.00 | 26,388.00 | 2,454.40 | 3,199.78 | 5,654.18 | 180.48 | 73.68 | 254.16 | 976.21 | 238.63 | 33,511.18 |
| 1999-2000 | n.a | n.a | 34871.5 | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | 36,475.00 |

Source: For column 2 to 4 for 1972-73 to 1991-92: BBS, *Twenty Years of National Accounting of Bangladesh (1972-73 to 1991-92)* (Dhaka: BBS, Statistics Division, Ministry of Planning, GOB, 1993), p. 88-89

For column 4 for 1992-93 to 1999-2000: Government of Bangladesh. *Bangladesh Arthanaitik Janp 2000 [Annual Economic Survey 2000]* (Dhaka: Finance Division, Ministry of Finance, GOB, 2000), p. 182-183.

For column 5 to 20 for 1989-90 to 1999-2000: BBS, *National Accounts Statistics of Bangladesh (Revised Estimates, 1989-90 to 1998-99)* (Dhaka: BBS, Statistics Division, Ministry of Planning, GOB, 2000), p. 217.

# Appendix: Table- 15

| Assets of Different Financial Institutions and Market Capital of Stock Exchange (Taka in Million) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| As on 31 December | Assets of Banking Department BB | Assets of Issue Department BB | Assets of DMBs | Assets of Insurance Business | Total Value of Market Capitalisation | Total Value of Financial Assets (2+3+4+5+6) | Estimated GDP (Old) at Current Market Price | Estimated GDP (New) at Current Market Price |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1996 | 105,646.20 | 7,399.73 | 2,093,348.10 | 19,685.07 | 315,149.19 | 2,541,228.29 | 1,352,322.50 | 1,735,126.50 |
| 1997 | 91,824.70 | 8,253.68 | 2,361,613.20 | 22,395.61 | 105,800.92 | 2,589,888.11 | 1,475,689.50 | 1,904,389.50 |
| 1998 | 130,477.90 | 8,793.91 | 2,671,195.30 | 24,699.33 | 91,637.02 | 2,926,803.46 | 1,642,982.00 | 2,099,359.00 |
| 1999 | 131,963.90 | 10,366.97 | 3,013,452.00 | 28,059.11 | 81,323.15 | 3,265,165.13 | 1,818,010.00 | 2,283,904.00 |
| 2000 | 115,739.40 | 12,764.84 | 3,481,919.10 | 32,690.59 | 120,683.60 | 3,763,797.53 | 1,977,997.17 | 2,476,767.50 |

Source: For column 2: Bangladesh Bank, *Bangladesh Bank Bulletin*, (Dhaka: Department of Public Relations and Publications, BB). Various Years.

For column 3: Bangladesh Bank, *Bangladesh Bank Bulletin*, (Dhaka: Department of Public Relations and Publications, BB). Various Years.

For column 4: Bangladesh Bank, *Bangladesh Bank Bulletin*, (Dhaka: Department of Public Relations and Publications, BB). Various Years.

For column 5: Column 16 of Table Appendix-Table-11.

For column 6: Column 10 of Table Appendix-Table-12.

For column 8: Column 5 of Table Appendix-Table-1.

For column 9: Column 6 of Table Appendix-Table-1.

## Appendix: Table- 16

| Facts of Grameen Bank (US$) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Average Dollar Rate of the Year | Deposits and Other Fund | Investment at Cost | Loan and Advance | Cumulative Loan Disbursement | Revolving Fund | Assets | No. Branch | Member Covered | No. of Village Covered |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1976 | 15.05 | - | - | - | 498 | - | - | 1 | 10 | 1 |
| 1977 | 15.43 | - | - | - | 5,316 | - | - | 1 | 70 | 2 |
| 1978 | 15.12 | - | - | - | 22,487 | - | - | 1 | 290 | 4 |
| 1979 | 15.22 | - | - | - | 200,000 | - | - | 2 | 2,200 | 17 |
| 1980 | 15.49 | - | - | - | 470,000 | - | - | 25 | 14,830 | 147 |
| 1981 | 16.26 | - | - | - | 2,040,000 | - | - | 25 | 24,128 | 218 |
| 1982 | 20.07 | - | - | - | 3,600,000 | - | - | 54 | 30,416 | 422 |
| 1983 | 23.80 | 777,713 | 1,113,445 | 3,120,689 | 6,080,000 | - | 4,992,721 | 86 | 58,320 | 824 |
| 1984 | 24.94 | 1,536,996 | 5,874,098 | 7,116,211 | 14,080,000 | - | 15,101,898 | 152 | 121,051 | 1,288 |
| 1985 | 25.96 | 3,074,915 | 8,416,795 | 9,478,296 | 28,780,000 | - | 21,032,990 | 226 | 171,622 | 2,777 |
| 1986 | 29.89 | 4,850,819 | 14,570,090 | 11,072,946 | 55,950,000 | - | 30,108,916 | 295 | 234,343 | 5,170 |
| 1987 | 30.63 | 7,342,545 | 13,328,436 | 21,027,318 | 86,990,000 | - | 41,221,368 | 396 | 339,156 | 7,502 |
| 1988 | 31.24 | 10,482,682 | 12,780,090 | 35,047,881 | 136,110,000 | - | 58,797,771 | 501 | 490,363 | 10,552 |
| 1989 | 32.14 | 15,940,170 | 19,974,207 | 49,571,650 | 203,460,000 | - | 86,373,351 | 641 | 662,263 | 15,073 |
| 1990 | 32.92 | 28,411,839 | 32,737,576 | 64,318,666 | 294,600,000 | 27,079,103 | 120,398,982 | 781 | 869,538 | 19,536 |
| 1991 | 35.68 | 38,705,911 | 40,659,918 | 71,501,295 | 389,250,000 | 35,820,344 | 135,653,592 | 915 | 1,066,426 | 25,248 |
| 1992 | 38.15 | 57,046,298 | 34,108,344 | 115,961,668 | 546,230,000 | 62,476,891 | 180,438,165 | 1,015 | 1,424,395 | 30,619 |
| 1993 | 39.14 | 80,485,719 | 44,579,075 | 223,903,187 | 848,560,000 | 72,147,852 | 313,658,236 | 1,040 | 1,814,916 | 33,667 |
| 1994 | 40.00 | 103,314,043 | 80,046,485 | 276,323,642 | 1,234,210,000 | 77,231,700 | 414,352,530 | 1,045 | 2,013,130 | 34,913 |
| 1995 | 40.20 | 118,587,183 | 90,906,953 | 278,014,734 | 1,595,830,000 | 86,364,415 | 441,480,366 | 1,055 | 2,065,661 | 35,533 |
| 1996 | 40.86 | 127,572,377 | 148,348,392 | 268,077,806 | 1,838,330,000 | 64,913 | 479,021,144 | 1,079 | 2,059,510 | 36,420 |
| 1997 | 45.45 | 127,708,518 | 101,215,898 | 276,987,700 | 2,224,100,000 | 22,274,654 | 435,141,469 | 1,105 | 2,272,503 | 37,937 |
| 1998 | 48.50 | 111,431,993 | 37,252,403 | 292,828,683 | 2,652,200,000 | - | 393,075,816 | 1,137 | 2,368,347 | 39,045 |
| 1999 | 51.00 | 117,914,073 | 93,869,357 | 239,363,325 | 2,978,200,000 | - | 401,449,011 | 1,149 | 2,357,083 | 39,706 |
| 2000 | 54.00 | 122,441,655 | 96,831,536 | 201,899,271 | 3,248,060,000 | - | 364,338,889 | 1,160 | 2,378,356 | 40,225 |

Source: For column 2, 3, 4, 5, 7, and 8, data has been collected on 22nd August 2001 from Grameen Bank web page: www.grameen-info.org/bank/balan87-83.html, www.grameen-info.org/bank/balan92-88.html, www.grameen-info.org/bank/balan97-93.html, and www.grameen-info.org/bank/balan98.html.

For column 6, 9, 10, and 11, data has been collected on 22nd August 2001 from Grameen Bank web page: www.grameen-info.org/bank/hist79-76.html, www.grameen-info.org/bank/hist80-85.html, www.grameen-info.org/bank/hist86-91.html, www.grameen-info.org/bank/hist92-97.html, www.grameen-info.org/bank/hist2001.html

## Appendix: Table- 17

| Performance of Micro finance Program | | | | | | |
|---|---|---|---|---|---|---|
| As of June | No of Reported MF NGOs | Active Member | Net Savings (Tk.) | Cumulative Disbursement (Tk.) | Outstanding Loan (Tk.) | Outstanding Borrower |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| December 1996 | 351 | 6,006,419 | 2,390,715,594 | 27,837,243,305 | 6,951,724,817 | 3,120,555 |
| December 1997 | 380 | 6,743,091 | 3,381,511,793 | 43,987,427,572 | 9,563,747,390 | 4,257,872 |
| December 1998 | 459 | 7,864,004 | 5,216,263,963 | 66,565,503,128 | 13,737,070,920 | 5,415,490 |
| December 1999 | 533 | 9,433,974 | 6,921,661,170 | 92,436,197,178 | 18,692,169,125 | 6,892,446 |
| December 2000 | 585 | 11,021,663 | 8,866,023,244 | 125,607,608,411 | 21,903,472,489 | 7,988,831 |

Source: *CDF Statistics* (Dhaka: Credit and Development Forum), p. 6-7.

# Appendix: Table- 18

| Total Domestic Credit (Taka in Million) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Period | Government (Net) | | | Other Public Sector | | | Private Sector DMB/Private Credit | Total DMB Credit/Bank Credit (3+6+8) | Total Domestic Credit (4+7+8) |
| | Bangladesh Bank | DMB | Total | Bangladesh Bank | DMB | Total | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1973-74 | 4,032 | 2,387 | 6,419 | 306 | 3,460 | 3,766 | 3,203 | 9,050 | 13,388 |
| 1974-75 | 4,597 | 1,672 | 6,269 | 319 | 5,556 | 5,875 | 2,894 | 10,122 | 15,038 |
| 1975-76 | 5,797 | 1,415 | 7,212 | 306 | 6,585 | 6,891 | 3,463 | 11,463 | 17,566 |
| 1976-77 | 4,728 | 2,585 | 7,313 | 305 | 7,056 | 7,361 | 5,159 | 14,800 | 19,833 |
| 1977-78 | 5,892 | 2,351 | 8,243 | 356 | 8,895 | 9,251 | 7,232 | 18,478 | 24,726 |
| 1978-79 | 5,405 | 3,157 | 8,562 | 909 | 11,447 | 12,356 | 9,258 | 23,862 | 30,176 |
| 1979-80 | 7,593 | 2,830 | 10,423 | 1,816 | 13,297 | 15,113 | 13,963 | 30,090 | 39,499 |
| 1980-81 | 12,967 | 3,661 | 16,628 | 2,427 | 16,047 | 18,474 | 17,630 | 37,338 | 52,732 |
| 1981-82 | 12,894 | 3,730 | 16,624 | 3,097 | 21,255 | 24,352 | 23,646 | 48,631 | 64,622 |
| 1982-83 | 10,466 | 5,598 | 16,064 | 3,658 | 20,968 | 24,626 | 30,975 | 57,541 | 71,665 |
| 1983-84 | 10,136 | 10,554 | 20,690 | 5,295 | 20,224 | 25,519 | 49,145 | 79,923 | 95,354 |
| 1984-85 | 10,721 | 9,162 | 19,883 | 6,774 | 25,521 | 32,295 | 68,906 | 103,589 | 121,084 |
| 1985-86 | 11,083 | 7,449 | 18,532 | 8,706 | 31,022 | 39,728 | 83,562 | 122,033 | 141,822 |
| 1986-87 | 10,640 | 9,147 | 19,787 | 8,809 | 34,747 | 43,556 | 89,740 | 133,634 | 153,083 |
| 1987-88 | 12,360 | 4,815 | 17,175 | 9,322 | 34,275 | 43,597 | 108,963 | 148,053 | 169,735 |
| 1988-89 | 9,860 | 2,844 | 12,704 | 9,338 | 36,999 | 46,337 | 133,597 | 173,440 | 192,638 |
| 1989-90 | 16,783 | 3,364 | 20,147 | 9,281 | 40,835 | 50,116 | 160,045 | 204,244 | 230,308 |
| 1990-91 | 16,777 | 5,101 | 21,878 | 9,326 | 44,251 | 53,577 | 178,229 | 227,581 | 253,684 |
| 1991-92 | 11,969 | 24,287 | 36,256 | 9,026 | 47,410 | 56,436 | 179,392 | 251,089 | 272,084 |
| 1992-93 | 14,478 | 24,743 | 39,221 | 8,826 | 51,517 | 60,343 | 193,174 | 269,434 | 292,738 |
| 1993-94 | 10,096 | 36,724 | 46,820 | 16,359 | 34,048 | 50,407 | 209,725 | 280,497 | 306,952 |
| 1994-95 | 12,540 | 33,600 | 46,140 | 10,568 | 38,498 | 49,066 | 265,647 | 337,745 | 360,853 |
| 1995-96 | 30,368 | 32,734 | 63,102 | 11,955 | 42,869 | 54,824 | 316,598 | 392,201 | 434,524 |
| 1996-97 | 44,889 | 35,283 | 80,172 | 11,926 | 46,819 | 58,745 | 355,049 | 437,151 | 493,966 |
| 1997-98 | 52,955 | 39,765 | 92,720 | 14,048 | 48,454 | 62,502 | 401,180 | 489,399 | 556,402 |
| 1998-99 | 63,599 | 48,887 | 112,486 | 13,656 | 46,554 | 60,210 | 456,382 | 551,823 | 629,078 |
| 1999-00 | 80,980 | 66,749 | 147,729 | 13,207 | 48,511 | 61,718 | 505,443 | 620,703 | 714,890 |

Source: Bangladesh Bank, *Economic Trend*, vol. XXI. p. 12-13 & vol. XXVII, p. 12-13.

# Appendix: Table- 19

| Money Supply (Taka in Million) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Period | Bangladesh Bank Notes & Coins | Govt. Notes & Coins | Currency in Tills of Deposit Money Banks | Currency Outside Banks (2+3-4) | Demand Deposits | Time Deposits | Narrow Money (5+6) | Broad Money (7+8) | Post Office Deposits | Monetary Assets | Period |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 1973-74 | 3,246.00 | 276 | 211 | 3,311 | 4,140 | 4,992 | 7,453 | 12,445 | 342 | 12,787 | 1973-74 |
| 1974-75 | 2,829.00 | 339 | 266 | 2,902 | 5,089 | 4,604 | 7,992 | 12,596 | 320 | 12,916 | 1974-75 |
| 1975-76 | 3,332.00 | 309 | 343 | 3,299 | 5,522 | 5,147 | 8,822 | 13,969 | 348 | 14,317 | 1975-76 |
| 1976-77 | 3,909.00 | 309 | 654 | 3,563 | 6,164 | 7,670 | 9,729 | 17,399 | 365 | 17,764 | 1976-77 |
| 1977-78 | 5,337.00 | 370 | 664 | 5,043 | 7,195 | 9,169 | 12,241 | 21,410 | 386 | 21,796 | 1977-78 |
| 1978-79 | 6,510.00 | 423 | 800 | 6,133 | 9,114 | 12,352 | 15,248 | 27,600 | 411 | 28,011 | 1978-79 |
| 1979-80 | 7,479.00 | 487 | 1,032 | 6,934 | 10,382 | 15,132 | 17,318 | 32,450 | 450 | 32,899 | 1979-80 |
| 1980-81 | 9,842.00 | 568 | 1,262 | 9,148 | 10,713 | 21,497 | 19,863 | 41,360 | 501 | 41,861 | 1980-81 |
| 1981-82 | 9,543.00 | 585 | 1,356 | 8,775 | 11,345 | 25,366 | 20,121 | 45,487 | 508 | 45,995 | 1981-82 |
| 1982-83 | 12,213.00 | 638 | 1,465 | 11,386 | 14,950 | 32,640 | 26,343 | 58,983 | 563 | 59,546 | 1982-83 |
| 1983-84 | 17,219.00 | 699 | 2,355 | 15,563 | 19,934 | 48,359 | 35,499 | 83,858 | 684 | 84,542 | 1983-84 |
| 1984-85 | 19,193.00 | 793 | 2,757 | 17,229 | 25,087 | 63,024 | 42,318 | 105,342 | 816 | 106,158 | 1984-85 |
| 1985-86 | 22,056.00 | 859 | 3,384 | 19,531 | 29,748 | 74,102 | 49,279 | 123,381 | 950 | 124,271 | 1985-86 |
| 1986-87 | 23,463.00 | 906 | 3,620 | 20,749 | 31,879 | 90,903 | 52,628 | 143,531 | 1,070 | 144,601 | 1986-87 |
| 1987-88 | 27,241.00 | 932 | 4,023 | 24,150 | 26,327 | 113,603 | 50,477 | 164,080 | 1,409 | 165,489 | 1987-88 |
| 1988-89 | 29,309.00 | 1,172 | 4,325 | 26,156 | 28,451 | 136,174 | 54,607 | 190,781 | 1,922 | 192,703 | 1988-89 |
| 1989-90 | 35,663.00 | 1,280 | 5,060 | 31,883 | 31,804 | 159,289 | 63,687 | 222,976 | 2,551 | 225,527 | 1989-90 |
| 1990-91 | 41,024.00 | 1,333 | 6,239 | 36,118 | 35,919 | 178,007 | 72,037 | 250,044 | 2,692 | 252,736 | 1990-91 |
| 1991-92 | 45,344.00 | 1,369 | 5,987 | 40,726 | 41,846 | 202,687 | 82,572 | 285,259 | 2,689 | 287,948 | 1991-92 |
| 1992-93 | 48,852.00 | 1,338 | 5,389 | 44,801 | 45,825 | 224,730 | 90,626 | 315,356 | 3,954 | 319,310 | 1992-93 |
| 1993-94 | 59,662.00 | 1,413 | 6,915 | 54,160 | 57,511 | 252,359 | 111,671 | 364,030 | 7,222 | 371,252 | 1993-94 |
| 1994-95 | 70,305.00 | 1,580 | 6,234 | 65,651 | 66,143 | 290,885 | 131,794 | 422,679 | 11,845 | 434,524 | 1994-95 |
| 1995-96 | 77,180.00 | 1,813 | 7,760 | 71,233 | 73,361 | 313,006 | 144,594 | 457,600 | 15,615 | 473,215 | 1995-96 |
| 1996-97 | 82,492.00 | 2,055 | 8,801 | 75,746 | 75,924 | 355,440 | 151,670 | 507,110 | 15,157 | 522,267 | 1996-97 |
| 1997-98 | 88,522.00 | 2,244 | 9,233 | 81,533 | 77,352 | 399,805 | 158,885 | 558,690 | 12,643 | 571,333 | 1997-98 |
| 1998-99 | 94,786.00 | 2,349 | 10,269 | 86,866 | 85,628 | 457,773 | 172,494 | 630,267 | 10,571 | 640,838 | 1998-99 |
| 1999-00 | 110,346.00 | 2,298 | 10,884 | 101,760 | 97,053 | 548,811 | 198,813 | 747,624 | 9,670 | 757,294 | 1999-00 |
| 2000-01 | 125,470.00 | 2,858 | 13,545 | 114,783 | 108,691 | 648,268 | 223,474 | 871,741 | 10,392 | 882,133 | 2000-01 |

Source: From 1972 to 1989; Bangladesh Bank, *Economic Trends*, vol. XXI, no. 12 (Dhaka: Statistics Department, BB), pp. 2-3.
From 1990 to 2000; Bangladesh Bank, *Economic Trends*, vol. XXVII, no. 12 (Dhaka: Statistics Department, BB), pp. 2-3.

# Appendix: Table- 20

| Money Multiplier | | | |
|---|---|---|---|
| End of the Year | Broad Money Supply | Reserve Money | Money Multiplier |
| 1 | 2 | 3 | 4 |
| 1974-75 | 12,596 | 4,094 | 3.08 |
| 1975-76 | 13,969 | 4,622 | 3.02 |
| 1976-77 | 17,399 | 5,464 | 3.18 |
| 1977-78 | 21,410 | 6,868 | 3.12 |
| 1978-79 | 27,600 | 8,562 | 3.22 |
| 1979-80 | 32,450 | 10,438 | 3.11 |
| 1980-81 | 41,360 | 13,353 | 3.10 |
| 1981-82 | 45,487 | 12,804 | 3.55 |
| 1982-83 | 58,983 | 16,245 | 3.63 |
| 1983-84 | 83,858 | 22,359 | 3.75 |
| 1984-85 | 105,342 | 26,755 | 3.94 |
| 1985-86 | 123,381 | 32,715 | 3.77 |
| 1986-87 | 143,531 | 37,419 | 3.84 |
| 1987-88 | 164,080 | 50,575 | 3.24 |
| 1988-89 | 190,781 | 54,688 | 3.49 |
| 1989-90 | 222,976 | 63,173 | 3.53 |
| 1990-91 | 250,044 | 65,007 | 3.85 |
| 1991-92 | 285,259 | 69,121 | 4.13 |
| 1992-93 | 315,356 | 89,948 | 3.51 |
| 1993-94 | 364,030 | 115,079 | 3.16 |
| 1994-95 | 422,679 | 111,250 | 3.80 |
| 1995-96 | 457,600 | 113,025 | 4.05 |
| 1996-97 | 507,110 | 123,945 | 4.09 |
| 1997-98 | 558,690 | 136,176 | 4.10 |
| 1998-99 | 630,267 | 147,427 | 4.28 |
| 1999-00 | 747,624 | 170,645 | 4.38 |
| 2000-2001 | 871,741 | 189,274 | 4.61 |

Source: For Column 2 from 1974-75 to 1989-1990; Bangladesh Bank, *Economic Trends*, vol. XXI, no. 12 (Dhaka: Statistics Department, BB), pp. 3.

For Column 2 from 1990-91 to 1999-2000; Bangladesh Bank, *Economic Trends*, vol. XXVII, no. 12 (Dhaka: Statistics Department, BB), pp. 3.

For Column 3 from 1974-75 to 1989-1990; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXII, No. 3 (Dhaka: BB), p. 208, 210.

For Column 3 from 1990-91 to 2000-2001; Bangladesh Bank, *Bangladesh Bank Bulletin*, Vol. XXIX, No. III & IV (Dhaka: BB), p. 190.

## Appendix: Table- 21
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11. Papia Rahman
    Research Officers, Bangladesh Insurance Academy
12. S.M. Ibrahim Hossain
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    Former Secretary and Chairman, Board of Revenue,
    Govt. of the People's Republic of Bangladesh,
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