

Money and Credit

Stance and Performance of Monetary and Credit Policy

4.1 Bangladesh Bank's (BB) monetary policy stance (MPS) always laid emphasis on maintaining price stability along with promoting sustainable economic growth. Accordingly, Monetary Policy stance for FY19 was formulated with the target of keeping inflation at 5.6 percent as well as attaining GDP growth rate at 7.8 percent. In tune with government's medium and long term development agenda, BB's monetary and financial sector policies for FY19 were designed to support the government's inclusive and sustainable growth objectives by fostering price and macro-financial stability. These growth supportive policies aimed at generating more jobs in environmentally sustainable production pursuits through supporting micro, small and medium enterprises (MSMEs) in the manufacturing, agriculture and service sectors. BB continued its focus on macro-prudential initiatives in FY19 that includes bank's adherence to the Asset-Liability Management (ALM) and Forex Risk Management guidelines along with intensive surveillance on credit quality without restricting credit flows to the productive sectors. All the monetary programme and policies and the ongoing implementation of macro-prudential policies were aimed at supporting Government's growth and inflation targets along with promoting domestic and external sector stability. As all

Table 4.1 Monetary and Credit Programme and Actual Development

(In billion BDT)

Particulars	End June 2018		End June 2019
	Actual	Programme	Actual
1. Net foreign assets	2630.3	2541.1	2687.4
	(-4.2)	(-3.4)	(2.2)
2. Net domestic assets (a+b)	8461.9	9882.2	9500.9
	(+14.2)	(+16.8)	(+12.3)
a) Domestic Credit (i+ii)	10130.7	11743.1	11387.1
	(+14.6)	(+15.9)	(+12.4)
i) Credit to the public sector ¹	1055.4	1170.4	1284.5
	(-2.4)	(+10.9)	(+21.7)
ii) Credit to private sector	9075.3	10572.7	10102.6
	(+16.9)	(+16.5)	(+11.3)
b) Other items (net)	-1668.8	-1860.9	-1886.2
3. Narrow money (i+ii)	2541.3		2725.1
	(+6.1)		(+7.2)
i) Currency outside banks	1409.2		1542.9
	(+2.5)		(+9.5)
ii) Demand deposits ²	1132.2		1182.2
	(+11.1)		(+4.4)
4. Time Deposits	8550.9		9463.2
	(+10.2)		(+10.7)
5. Broad money (1+2) or (3+4)	11092.2	12423.3	12188.2
	(+9.2)	(+12.0)	(+9.9)

Figures in the parentheses indicate y-o-y percentage changes.

¹ Govt. lending fund is treated as deposit in calculating claims on Govt. (net).

² Demand deposits of monetary authority are excluded.

Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

the monetary aggregates remained within the target level along with the steady domestic and global inflation outlook, BB kept repo and reverse repo rates unchanged in FY19.

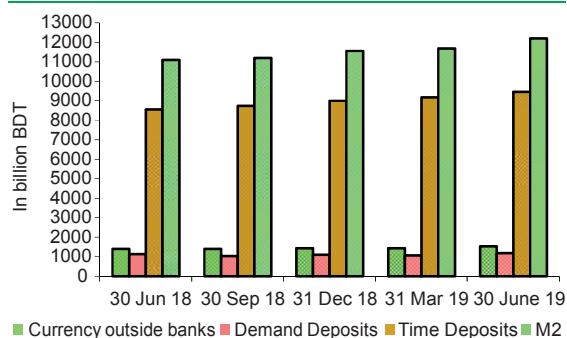
4.2 The key target and objectives of monetary policy was largely met for FY19 with an impressive growth outlook alongside the containment of inflation below the target level. Amid tepid global growth outlook, real GDP for Bangladesh economy grew robustly at 8.15 percent in FY19 against the targeted 7.8 percent due to buoyant domestic and external demand reinforced by strong remittance inflows, sustained export growth

as well as FDI inflows. Aided by moderating food inflation emanated from lower rice prices and enough food stock procured by the government, twelve month average inflation stood at 5.5 percent at the end of June 2019 against the target level of 5.6 percent; although non-food inflation followed an upward trend due mainly to increasing energy prices, depreciation of BDT against the USD and steady rise in commodity prices.

4.3 Almost all the monetary aggregates remained below the programmed paths indicating attainment of key objectives of monetary and credit programme and policies for FY19. As a result, inflation outcome was in favorable condition for FY19. Although credit to public sector experienced a faster growth than the projected level, domestic credit growth remained below the programme with a moderate growth of 12.4 percent due mainly to slow pace of growth in credit to private sector. However, the moderating pace of broad money as well as domestic credit growth posed no hindrance to attainment of high 8.15 percent real GDP growth; this moderation in growth trends of money and credit was arguably an indication of declining frothiness of domestic credit markets created by over-exuberant engagement of some banks in dubious quality lending eventually ending up as non performing loans.

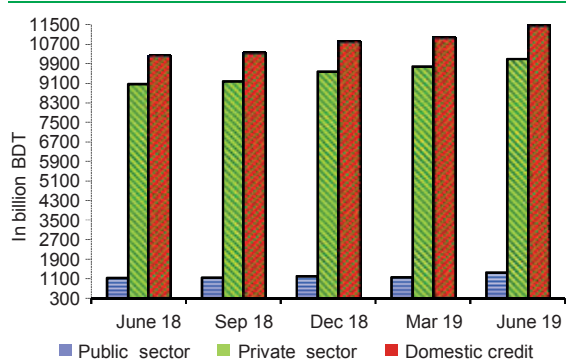
4.4 Although substantial amount of deficit in current account balance emerged from high import growth posed a challenge for Bangladesh economy in FY18, this

Chart 4.1 Movements in the Components of Broad Money (M2)



Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

Chart 4.2 Movements in Domestic Credit and its Components



Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

challenge has successfully handled in FY19 monetary policy stance and monetary programme. Policy support measures in overcoming flood related setbacks in food crop output, slow and steady depreciation of BDT, stricter monitoring on compliance with macro prudential advance-deposit ratios and declining inflation worked together well to moderate import demand and accelerate FDI and workers' remittance inflows and, thereby, contributes to narrow down current account deficit to USD 5.25 billion by end June 2019 from USD 9.57 billion at the end of June 2018. Liquidity tightening situation emerged

from spiking FY18 BoP current account deficit and sharp NFA depletion improved in FY19, but improving BoP outcomes, NFA growth recovery together with the liquidity supporting measure taken by BB eased liquidity crunch in both BDT and USD interbank markets, restoring full normalcy by the end of fiscal year, needed little or no day to day market intervention by BB. The depreciating trend in exchange rates improved with only 0.95 percent depreciation in BDT against the US dollar at the end of June 2019 relative to 3.70 percent depreciation at the end of June 2018. However, supported by surplus in financial account balance as well as significant amount of inflows from remittances and exports, foreign exchange reserve stood at USD 32.72 billion at the end of June 2019. As a whole, the comfortable amount of foreign exchange reserve as well as stability in the exchange rate are now strengthening the confidence of foreign investors on the strength and stability of the growing Bangladesh economy. With the market in comfortable balance and the economy was running at full steam with high sustained economic growth, BB perceived no obligation of easing policy rates in FY19.

Money and Credit Situation

4.5 To support growth supportive monetary policy stance and to meet the inflation target, all the important anchor of monetary policy and programme including broad money (M2), reserve money and domestic credit were programmed to grow at 12.0 percent, 7.0 percent and 15.9 percent respectively; while, NFA was anticipated to

Table 4.2 Actual and Programmed Growth of Reserve Money and its Components
(In Billion BDT)

Particulars	End June 2018	End June 2019	
	Actual	Programme	Actual
Net foreign assets ^{1/@}	2430.4	-	2458.8
Net foreign assets ^{2/@}	2413.9	2366.5	2422.2
Net domestic assets ^{1/}	-100.5	-	-4.8
Net domestic assets ^{2/}	-84.1	126.4	31.8
Domestic Credit	236.9	245.9	335.0
	(40.4)	(+3.8)	(+41.4)
Credit to the public sector ^{3/}	181.5	190.5	281.5
	(44.4)	(+5.0)	(55.1)
Credit to deposit money banks ^{4/}	55.4	55.4	53.5
	(28.8)	(+0.0)	(-3.4)
Other items (net)	-321.0	-119.5	-303.2
Reserve money	2329.8	2492.9	2454.0
	(+4.0)	(+7.0)	(+5.3)
Currency issued	1549.4	1832.7	1703.9
	(+2.4)	(+18.3)	(+10.0)
Deposits of banks with BB ^{5/}	780.4	660.3	750.1
	(+7.3)	(-15.4)	(-3.9)
Money multiplier	4.76	4.98	4.97

[@] Excluding foreign currency clearing account balance and offshore bank account.

Note: Figures in the parentheses indicate y-o-y percentage changes.

^{1/} Calculated from monetary survey using end of period exchange rates.

^{2/} Calculated using constant exchange rates of end June 2018.

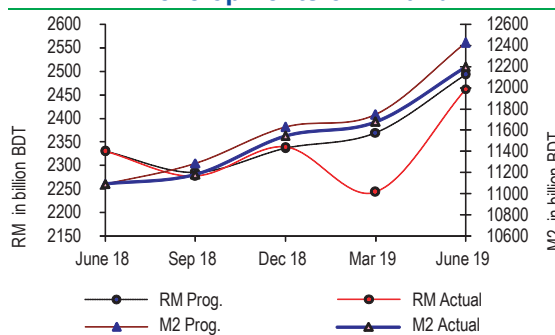
^{3/} Govt. lending fund is treated as deposit in calculating net credit to Govt. ^{4/}

^{4/} Considers only loans and advances to DMBs.

^{5/} Excluding foreign currency clearing account balance and non-bank deposits.

Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

Chart 4.3 Programmed and Actual Developments of M2 and RM



Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

decline by 3.4 percent for the fiscal year 2019. It may be mentioned that broad money grew by 9.9 percent at the end of June 2019 against the target level of 12.0 percent. Although actual NFA was higher than the

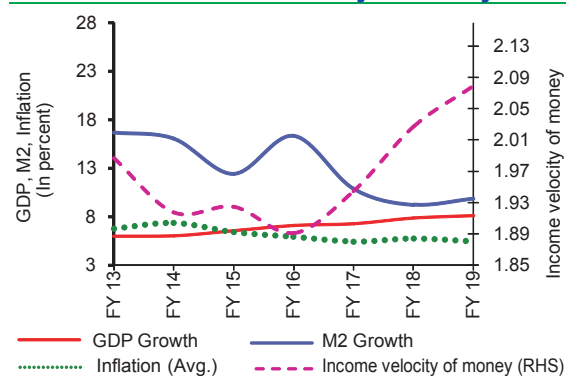
programme path due to a faster improvement of current account deficits stemming from increase in export earnings and remittance inflows, broad money growth was moderate and remained below the target level as NDA kept below the programme level due to slow pace of private sector credit growth. Credit to private sector also remained moderate and constitute 11.3 percent growth against the target growth of 16.5 percent emerging from higher base effect, lower imports due to having enough food stock and piling-up of capital machinery in the previous year. However, public sector credit experienced a robust growth of 21.7 percent as compared to the programmed growth of 10.9 percent due to higher ADP implementation at the end of the fiscal year along with the implementation of mega infrastructure and power projects. Domestic credit grew moderately at 12.4 percent against the target of 15.9 percent due to slow pace in credit to private sector, despite robust growth in credit to public sector including government. As the adequate amount of credit flows continued to the productive and green initiatives, the moderating growth pace of domestic credit as well as broad money posed no hindrance to attain the high GDP growth of 8.15 percent in FY19. The monetary programme vis-à-vis actual outcome and development of the components of broad money are presented in Table 4.1 and Chart 4.1 respectively. Movement of domestic credit and its components are also shown at Chart 4.2.

Table 4.3 Income Velocity of Money

Year	GDP at current market prices	Broad Money (M2) (end period)	Income velocity of money
FY13	11989.23	6035.06	1.99
FY 14	13436.74	7006.24	1.92
FY 15	15158.02	7876.14	1.92
FY 16	17328.64	9163.78	1.89
FY 17	19758.17	10160.76	1.94
FY 18	22504.81	11099.81	2.03
FY 19	25424.84	12196.12	2.08

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

Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

Chart 4.4 : Movement of GDP Growth, M2 Growth, Rate of Inflation and Income Velocity of Money

Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

Reserve Money Developments

4.6 Bangladesh Bank uses reserve money (RM) as an operating target to modulate liquidity consistent with the overall monetary projection as well as keeping broad money (M2) in line with the target path to attain the price stability. Bangladesh Bank's own instruments along with Government's treasury bills and bonds were used to track

RM for maintaining M2 growth within the projected level.

4.7 In line with the projected broad money growth, monetary programme set 7.0 percent growth of RM for FY19 while actual growth stood at 5.3 percent. Although net foreign assets (NFA) grew faster than the programmed growth path due to increase in exports and remittances, reserve money growth slowed down against the target level due to slow pace of growth in net domestic assets (NDA). NDA of Bangladesh Bank increased by BDT 115.9 billion in FY19 against the programmed increase of BDT 210.5 billion. Domestic credit, the major component of NDA registered 41.4 percent growth in FY19, while it was projected to increase by 3.8 percent in FY19. Domestic credit growth substantially increased due to increase in Bangladesh Bank's credit to the public sector. BB's credit to public sector increased by BDT 100 billion or 55.1 percent as compared to the programmed increase of BDT 9 billion or 5.0 percent. Against the projected liability of BDT 119.5 billion, other items (net) stood negative at BDT 303.2 billion at the end of June 2019 due to increase of other liabilities. Rise in NFA as well as robust growth in public sector borrowing from Bangladesh Bank created an upward pressure on reserve money; while enhanced liability in other items (net) due mainly to increase in BB's retained earnings to be paid to the government created a downward pressure on reserve money. Moreover, BB's credit to deposit money banks decreased by BDT 1.9 billion and

Table 4.4: Quarterly Positions of Bank Credit*
(In Billion BDT)

Outstanding as of	Advances	Bills	Total
30 Jun 18	8712.94 (96.86)	281.99 (3.14)	8994.93
30 Sep 18	8844.77 (97.12)	262.36 (2.88)	9107.14
31 Dec 18	9258.94 (97.09)	277.84 (2.91)	9536.78
31 Mar 19	9455.38 (96.96)	296.85 (3.04)	9752.22
30 Jun 19	9736.14 (96.96)	305.68 (3.04)	10041.81

Figure in parentheses indicate percentage shares of total bank credit.
* Excluding foreign bills and inter bank credit.
Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

Table 4.5: Quarterly Positions of Bank Deposits*
(In Billion BDT)

Balances as of	Demand deposits	Time deposits	Govt. deposits	Total deposits
30 Jun 18	1132.17	8550.87	757.90	10440.95
30 Sep 18	1031.62	8739.59	715.87	10487.08
31 Dec 18	1100.76	8999.05	773.33	10873.14
31 Mar 19	1063.40	9168.67	739.65	10971.71
30 Jun 19	1182.18	9463.18	827.79	11473.15

*Excluding interbank and restricted deposits.
Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

stood at BDT 53.5 billion at the end of June 2019 as compared to the programmed level of BDT 55.4 billion. In spite of having robust growth in domestic credit (DC), growth of NDA slowed down due to increase in liability of other items (net) in BB's balance sheet which also made reserve money growth lower and, thereby, contributed to attain benign inflation outcome. Actual and programmed growth of RM during FY19 can be seen in Table 4.2. Actual developments of M2 and RM against their respective programmed paths can also be seen in Chart 4.3.

4.8 Money multiplier increased to 4.97 in FY19 as compared to 4.76 in FY18. Money multiplier is usually affected by the behavior

of banks, individuals as well as central bank due to change in reserve-deposit ratio and currency-deposit ratio. Reserve-deposit ratio decreased to 0.086 in FY19 from 0.095 in FY18 and currency-deposit ratio also decreased to 0.145 in FY19 as compared to 0.146 in FY18. Although currency deposit ratio remained relatively stable in FY19, significant decrease of reserve-deposit ratio led to increase the money multiplier.

Income Velocity of Money

4.9 The income velocity of money slightly increased to 2.08 in FY19 from 2.03 in FY18 (Table 4.3). The growth of income velocity of money for the last three fiscal years remained positive, indicating that the growth of nominal income was faster than the growth of M2¹ due to buoyancy in economic activities and a historically high growth of net sales in national savings certificates (NSCs) which is not considered as component of M2. Alternatively, income velocity of money might have increased in the recent years after a continued declining trend since FY13 due to financial development and innovation. Movement of GDP growth, M2 growth, inflation and income velocity of money during FY13-FY19 are shown in Chart 4.4.

Bank Credit

4.10 Outstanding bank credit (excluding foreign bills and inter-bank items) in FY19 rose by BDT 1046.9 billion or 11.6 percent to BDT 10041.81 billion against the increase of 16.5 percent in FY18. The rise in the bank

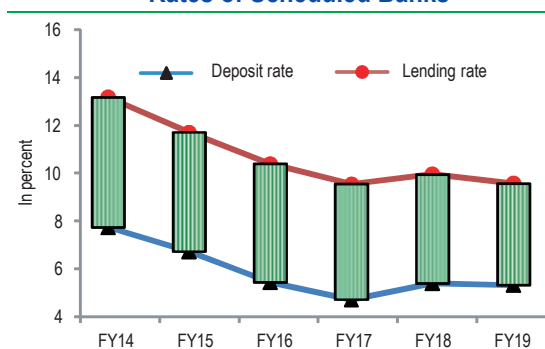
¹NSCs are considered as component of M3.

Table 4.6 Trends in Weighted Average Interest Rates of Scheduled Banks and their Spreads

Items	As of end June (in percent)				
	FY15	FY16	FY17	FY18	FY19
Deposit rate	6.80	5.54	4.84	5.50	5.43
Lending rate	11.67	10.39	9.56	9.95	9.58
Spread	4.87	4.85	4.72	4.45	4.15

Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

Chart 4.5 : Trends in Weighted Average Interest Rates of Scheduled Banks



Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

Table 4.7: Liquidity Indicators

As On	ADR	LCR	NSFR	Call Money Rate	Credit deposit ratio
30 Jun 2018	76.66	175.29	109.08	2.77	0.86
30 Sep 2018	76.36	174.54	109.68	4.02	0.87
31 Dec 2018	77.51	173.26	109.40	4.61	0.88
31 Mar 2019	78.26	166.09	109.49	4.54	0.89
30 Jun 2019	77.49	177.28	111.56	4.54	0.88

ADR and call money rate are shown in percentage.

Source: Department of Off-site Supervision and Monetary Policy Department, Bangladesh Bank.

credit occurred due to increase of advances by banks and also increase in their bills purchased and discounted.

4.11 Advances increased by BDT 1023.2 billion or 11.7 percent in FY19 against the increase of 17.2 percent in FY18. Bills purchased and discounted increased by BDT 23.7 billion or 8.4 percent in FY19 against the decrease of 2.6 percent in FY18. The

quarterly position of bank credit and its components are given at Table 4.4.

Bank Deposits

4.12 Bank deposits (excluding inter-bank items) increased by BDT 1032.2 billion or 9.89 percent to BDT 11473.15 billion during FY19 against 10.8 percent increase in FY18. The rise in total bank deposits was shared by all kinds of deposits. Demand deposits increased by BDT 50.0 billion or 4.4 percent to BDT 1182.2 billion in FY19 against 11.1 percent increase in FY18. Time deposits increased by BDT 912.3 billion or 10.7 percent to BDT 9463.2 billion in FY19 against the increase of 10.2 percent in FY18. Government deposits increased by BDT 69.9 billion or 9.2 percent to BDT 827.8 billion in FY19 against the increase of 17.2 percent in FY18. Quarterly position of bank deposits has been shown at Table 4.5.

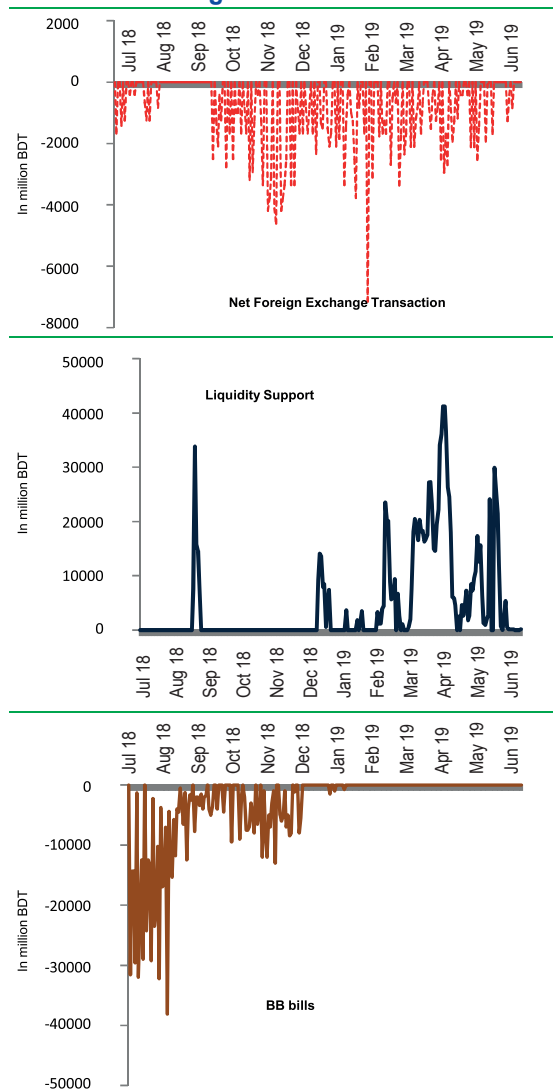
Credit/Deposit Ratio

4.13 The credit/deposit ratio of the scheduled banks excluding the specialized banks was 0.88 at the end of June 2019 which was 0.86 at the end of June 2018. Marginal increase in credit to deposit ratio indicates that credit growth was slightly faster than the deposit growth.

Scheduled Banks' Borrowing from Bangladesh Bank

4.14 Scheduled banks' borrowings from Bangladesh Bank increased by BDT 30.4 billion or 9.4 percent to BDT 353.7 billion at

Chart 4.6 : Liquidity Management Operations During FY19



Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

the end of June 2019 against the increase of 32.5 percent at the end of June 2018. It may be noted that a slow import growth, moderate domestic credit as well as private sector credit growth influenced the scheduled banks to borrow at a lower rate from BB in FY19.

Box 4.1 Sukuk Rules and Feasibility Issuance of Sukuk in Bangladesh

Investment *Sukuk* (hereinafter also referred to as '*Sukuk*') means a certificate of equal value which evidences the undivided shares in the ownership of the tangible assets, usufruct and services or (in the ownership of) the assets of particular projects or special investment under the Islamic Shariah compliant investment contract. *Sukuk* as an alternative viable financing tool has been gaining popularity worldwide in project financing both in Muslim majority and non-Muslim majority countries since early 2000s. Muslim majority countries of South East Asia and Middle East use *Sukuk* widely in financing infrastructure projects. The outstanding of *Sukuk* stood at USD 530.4 billion at the end of 2018 (Islamic Financial Stability Report 2019, IFSB).

The Bangladesh Securities and Exchange Commission (BSEC) has issued rules on *Sukuk* titled the Bangladesh Securities and Exchange Commission (Investment *Sukuk*) Rules, 2019 on May 5, 2019 in order to introduce *Sukuk* for financing projects in Bangladesh. These rules shall be applicable for the issues of all types of Investment *Sukuk* structured in line with the Shariah with due approval of the Shariah Supervisory Board, either privately placed or being publicly offered, by any issuer to any investor. Investment *Sukuk* Rules have four chapters containing 17 (seventeen) sections and 2 (two) schedules. The first chapter focuses on title and applicability, and definitions of relevant terms such as investment *sukuk*, assets and Shariah etc. Different components of *Sukuk* governance and management structure are analyzed in the second chapter which includes body entrusted with governance, body entrusted with management and *Sukuk*'s Shariah Supervisory Board (SSB) etc. The third chapter highlights eligibility and requirements for the issue of investment *sukuk* which include conditions to be fulfilled for the issue of Investment *Sukuk*, naming of Investment *Sukuk* and eligibility of member of Shariah Supervisory Board (SSB) etc. The fourth chapter focuses on miscellaneous issues relating to trading and listing of investment *sukuk*, underwriter of the *sukuk* issuance and credit enhancement, utilization of *sukuk* proceeds and management of *sukuk* assets etc.

Since traditional sources of funds are inadequate in financing infrastructure projects, Bangladesh may issue *Sukuk* as alternative financing tool vis-a-vis using traditional sources for financing infrastructure projects. To this end, *Sukuk* rules have already been issued for transparent legal and regulatory framework. Other requirements include developing Islamic Shariah Governance structure, offering fiscal incentives and promoting human resource in both public and private sectors for handling *Sukuk* market properly.

Scheduled Banks Balances with BB and their Cash in Tills

4.15 Balances of scheduled banks with Bangladesh Bank decreased by BDT 30.3 billion or 3.9 percent to BDT 750.1 billion at the end of June 2019 against the increase of 7.3 percent at the end of June 2018. Cash in tills of scheduled banks increased by BDT 20.8 billion or 14.8 percent to BDT 161.0 billion at the end of June 2019 against the increase of 2.1 percent as of end June 2018.

Cash Reserve Requirement (CRR)

4.16 The Cash Reserve Requirement (CRR) for the scheduled banks with the Bangladesh Bank remained unchanged in FY19 which was reduced by 100 basis points to 5.5 percent of their total demand and time liabilities towards the end of FY18. It may be mentioned that banks are required to maintain CRR at the rate of 5.5 percent on bi-weekly average basis provided that the CRR would not be less than 5.0 percent in any day with effective from 15 April, 2018.

Statutory Liquidity Ratio (SLR)

4.17 According to the amendment of sub section (2) under section 33 of the Bank Company Act, 1991, it was decided that banks should have maintained SLR separately, (a) for the conventional banks the statutory liquid assets inside Bangladesh, which also includes excess reserves with Bangladesh Bank, will not be less than 13.0 percent of their total demand and time liabilities, and (b) for the shariah based Islami banks, this rate shall not be less than 5.5 percent. This became effective on February 01, 2014 and remained unchanged in FY19.

Bank Rate

4.18 The bank rate remained unchanged at 5.0 percent in FY19 which became effective on November 6, 2003. It may be noted that after introducing repo and reverse repo windows for banks the use of the bank rate has become very much limited. Bank rate is used mostly for providing refinance facilities to banks and for penalizing them if they fail to maintain CRR and SLR as set down by BB.

Interest Rates on Deposits and Lending

4.19 The weighted average interest rates on deposits followed a downward trend from FY15 to FY17; while it increased to 5.5 percent in FY18 but further marginally decreased to 5.4 percent in FY19. Similarly, weighted average interest rates on lending also followed a downward trend for the above mentioned period, although it

Table 4.8: Excess Liquid Assets of Various Bank-groups (In billion BDT)

As On	State-owned Banks	Speci- alized Banks	Private Banks (Other than Islamic)	Islamic Banks	Foreign Banks	Total
30 June 2018	512.74	0.07	231.28	57.97	144.84	946.89
30 Sept 2018	430.64	0.58	188.32	45.33	146.00	810.88
31 Dec 2018	336.58	0.10	202.79	52.27	172.19	763.93
31 March 2019	309.23	0.04	158.70	33.88	140.64	642.49
30 June 2019	397.03	0.00	274.64	58.37	126.12	856.16

Source: Monetary Policy Department, Bangladesh Bank.

marginally increased to 9.95 percent in FY18 but finally decreased to 9.58 percent in FY19. Weighted average interest rates on deposits and lending were in upward trend in FY18 due to increased credit demand following buoyant domestic production and investment activities, elevated inflationary pressure in the domestic economy as well as tightening of financial condition in advanced and emerging economies. However, downward trend of weighted average interest rates on deposits and lending rate in FY19 was the reflection of favorable domestic inflation outlook. Interest rate spread between the two narrowed to 4.15 percent in FY19 from 4.45 in FY18. Table 4.6 and Chart 4.5 contain weighted average interest rates of scheduled banks on deposits and lending along with the spread during FY15 to FY19.

Liquidity Management Framework

4.20 Prudent liquidity management ensures stability in call money rate, long term interest rate as well as exchange rate and, thereby, promotes economic growth. Through controlling liquidity in the banking system by using various monetary policy instruments, BB tries to keep reserve money within the

target path for achieving price stability. Though banking system experienced some-what a liquidity tightness in FY18 due to sharp decline of net foreign assets as well as higher demand for credit, the liquidity situation has gradually been improved since FY19 due to increase of net foreign assets in the banking system stemming from high export earnings and remittance inflows and from liquidity easing policy measures taken by Bangladesh Bank including reduction of CRR by 1 percentage point and repo rate by 75 basis points along with extension of repo tenure towards the end of FY18 which initially induced to pull down interest rate in call money market but finally remained stable at around 4.54 percent level (well below the reverse repo rate) by end June, 2019. Cautious use of Bangladesh Bank bills, government treasury bills and bonds also contributed to maintain stability in the call money market in FY19. Credit-deposit ratio also remained within the range of 0.86 to 0.89 in FY19. Advance-deposit ratio remained stable in FY19 with a marginal

increase to 77.49 percent in FY19 from 76.66 percent in FY18 (Table-4.7).

4.21 All the indicators by which liquidity situation of the economy can be assessed indicate that credit demand as well as liquidity situation of the economy was broadly stable in FY19. Quarterly trend of excess liquid assets (in excess of CRR and SLR) of scheduled banks exhibits declining trend with minimum fluctuation, indicating there has been a demand of liquidity in the banking sector. It may also be mentioned that among all the group of banks, private commercial banks had little difficulty in collecting low cost deposits because of high yielding national saving instruments taking away major portion of the household savings. State-owned commercial banks had higher surplus liquid assets with access of low cost government deposits. Chart 4.6 and the Table 4.7 contain liquidity management operations and liquidity indicators, while Table 4.8 exhibits excess liquid assets of various bank groups during the last two fiscal years.