

**CHAPTER 4**  
**SEPCIALIZED CREDIT**  
**INSTITUTIONS**

## **CHAPTER - 4**

### **SPECIALIZED CREDIT INSTITUTIONS IN JORDAN**

#### **4.1 INTRODUCTION :**

The specialized credit institutions have been set up by the government of Jordan with the sole aim of providing medium and long term loans. The specialized credit activity being a post-independence phenomenon, the need for such an institution was realized when there was dissatisfaction with respect to meeting the financial needs of specific important sectors of the economy by the commercial banks, as these banks were not assigned the facility of extending long term loans suitable for the financing of development projects in various economic sectors of Jordan.

In order to evaluate the extent to which the specialized credit institutions have contributed to the Jordanian economic development, particular attention has been given to the following questions in this chapter :

1. What was the evaluation pattern of these specialized credit institutions and how did it influence the developmental process ?
2. What were the roles offered by the annual development plans to these specialized credit institutions and how far have these institutions been able to fulfill the assigned roles ?
3. What is the contribution of these specialized credit institutions in financing industries and the manufacturing sectors ? How far has it succeeded in fulfilling the role of industrial financing in the country ?

4. Have the establishment of specialized credit institutions in Jordan been able to fill the financial gaps that had crept up in the economic progress of the country ?
5. Analysis of the total assets and liabilities of specialized credit institutions have also been done with a view to judge their operational policies and achievements.

#### **4.2 OBJECTIVES :**

Objectives and functions of Specialized Credit institutions being quasi-governmental, they have been established with the initiative of the government recognising the need for them. There has been a growing importance of the industrial, agricultural, housing, and local governmental sectors as reflected in Jordan's national development plans published annually.

The primary objective of creating such quasi-governmental institutions was to bridge the financial gaps that had cropped up in Jordan's economy because of the inability of the market forces to attract adequate finance to these sectors.

The scarcity of finance had an adverse impact on the growth of almost all the sectors of the economy. This distinctive gap between financial requirements and finance given led to the creation of the specialized credit institutions in order to finance the needs of specific important sectors of the economy, inadequately served by already established banks.

#### **4.3 FUNCTIONS :**

As specialized credit institutions are closely related to the provision of finance for developmental purposes, they are often referred to as development banks. These banks

serve a dual purpose of satisfying the profitability of investment thus stabilizing their position as financial institutions and at the same time, they are very much interested in the economic development of enterprises concerned, in turn promoting the overall economy of the country.

1. Therefore, the principal financial function of specialized credit institutions is to provide medium and long term capital.
2. As direct equity participators in various domestic enterprises, development banks assist in providing an adequate channel for long term finance.
3. The specialized credit institutions again, help to stimulate the flow of private savings towards long term financial development by underwriting attempts of borrowers to raise equity or debt.
4. Other than the provision of financial assistance, these banks also behave as a major source of technical assistance by providing managerial guidance and technical advice thereby generating public confidence in domestic industries.<sup>(1)</sup>

Before the data analysis to answer the above questions is done, a general description about the working of the specialized credit institutions has been given in section I.

Section II comprises of the description of the contribution of the specialized credit institutions to the overall economic development of Jordan.

Section III deals with the analysis of the assets and liabilities of these institutions.

Section IV discusses the financial repression and sectoral investment of specialized credit institutions credit in Jordan.

## **SECTION I**

### **4.4 SPECIALIZED CREDIT INSTITUTIONS (SCI) IN JORDAN**

#### **4.4.1 Introduction :**

The specialized credit institutions have been set up by the Government of Jordan with the sole aim of providing medium and long term loans. The specialized credit activity being a post-independence phenomenon, the need for such an institution was realized when there was dissatisfaction with respect to meeting the financial needs of specific important sectors of the economy by the commercial banks, as these banks were not assigned the facility of extending long term loans suitable for the financing of development projects in various economic sectors of Jordan.

Earlier, the Currency Board System failed to correct the existing bias in banks' credit towards the economic sectors nor was it able to set up any influential specialized credit mechanism that could overcome this bias of banks. This above mentioned credit gap widened through the first 15 years of independence primarily because the monetary authorities continued to pursue the same type of monetary policies. In spite of efforts made to establish the Municipal and Village Loan Fund (1957) and the agricultural credit corporation (1959), the credit disbursement to the numerous sectors did not undergo much change. It was only after the establishment of the Central bank of Jordan in 1964 that the seven year development plan 1964-70 following its establishment attached significant importance to the setting up of a smooth and efficient financial system in the country. The plan emphasised the satisfactory role played by the commercial banks which was mainly oriented towards short-term credit to the agricultural and industrial

sectors, but it showed that it was proving to be inadequate to meet the long term needs of the private sector. On the other hand, the plan remarked on “establishment of financial institutions which could participate actively in the development effort and pursue policies consistent with national economic objectives for self sustained economic growth”.<sup>(2)</sup>

Proposal 9-7 of the same plan has established the view that the single greatest obstacle to private industrial development in Jordan is the lack of access to long-term capital on suitable terms.<sup>(3)</sup> The plan also realized that credit supplying agencies were not only important to provide direct financial and entrepreneurial assistance, but it was also essential to credit the public confidence in these sectors, thus attracting further private investment. The importance of the specialized credit institutions was further emphasised in the five year plan of 1976-80. The plan required these institutions to strive towards the identification of new investment prospects and increase the resources of the specialized credit institution by attractive time deposits and issuing bonds at competitive rates of interest.<sup>(4)</sup> The third five year development plan of 1986-90, stressed upon the growing importance of Jordan as a regional centre for financial institutions.<sup>(5)</sup>

It should also be emphasised that the various development plans have pointed out the operational deficiencies faced by these institutions which may be overcome by adopting the policies and strategies needed for their smooth and efficient functioning. Undoubtedly the government of Jordan has taken keen interest in encouraging the activities of the specialized credit institutions as reflected in the three year and five year plans for economic development as well as the increasing assets and loans granted by these institutions between 1976 and 1990.

Therefore, the growth of specialized credit institutions is perhaps one of the most outstanding developments in the field of industrial finance and has had far reaching effects on the industrial growth in Jordan even though commercial banks continued to dominate the banking system in extending credit. The direct financial (medium and long term loans) and entrepreneurial facilities provided by the specialized credit institution have served as essential tools for meeting the sectoral objectives of the economy.

Therefore, the aim of this chapter is to essentially analyse the role of the specialized credit institutions in the economic development of Jordan and the relevance of their participation in the developmental process.

Jordan has established six such specialized credit institutions as channels for the effective mobilization of savings and their utilization in meeting the long term domestic needs of the country. They include :

1. Agricultural Credit Corporation,
2. The Industrial Development Bank,
3. The Cities and Villages Development Bank,
4. Jordan Co-operative Organisation,
5. The Housing Corporation, and
6. The Housing Bank.

Credit is extended on easy terms to the agricultural, industrial, tourism and housing sectors in order to promote the overall economic sector. These institutions primarily depend upon their capital and internal and external borrowing for their sources of funds, with the exception of the Housing Bank which depends primarily on deposits as a source of funds, as it is the only institution that accepts deposits.

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Before we delve into the detailed analysis of the six specialized credit institutions established in Jordan, it is essential to highlight the characteristics that distinguish these specialized institutions from the conventional ones.

The major distinguishing characteristics of these banks from the conventional ones being their ability to work in accordance with the working strategies and business principles laid down keeping in mind the major objectives for economic and social upliftment rather than merely functioning as a “bank” that primarily keeps an account of the profit or loss incurred on it. Again, as explained earlier in this chapter, the main purpose of setting up an specialized credit institution was to bridge the gap between upcoming industrial and other establishments and their demand for medium and long term loans facilities on reasonable terms. Again, conventional banks concentrate on their ability to provide liquidity to the incoming investments.

However, the specialized credit institutions, thus established, rely upon their role as ‘development banks and are created to cater to the financial needs of new real investment, generally being fixed assets.’<sup>(6)</sup>

Now, let us have a look at the development of the specialized credit institutions (SCIs) sectorwise.

#### **4.4.1 Specialized Credit Institutions in the Agricultural Sector :**

Agriculture constitutes the most important sector of the Jordanian economy, occupying 7.07% of the GNP in 1990 and employing 12% of the total labour force. Mainly due to the high risks and uncertainties involved in the agricultural investment, the commercial banks and private sector funds were reluctant to invest in this sector.

The explanation in chapter 3 shows that only a small average of 2.6% of commercial banks credit went in favour of the agricultural sector. Small farmers and artisans were reduced to obtaining funds from other sources such as moneylenders and shopkeepers to meet their financial requirements against high rates of interest. It was this critical situation that led the government of Jordan to set up a specialized credit institution viz the Agricultural credit corporation to cater to the financial needs of the agricultural sector for its overall progress.

- The Agricultural Credit Corporation (ACC) :

The Agricultural Credit Corporation was established in 1959 to replace the three inefficient existing specialized agencies operating in the agricultural sector - The Agricultural Bank, The Village Loan Scheme and the Agricultural Co-operative. The three agencies were technically and financially inefficient to meet the demands of the farmers. Finally, the government decided to create the Agricultural Credit Corporation in 1959 which thereby became the major source of finance for the agricultural sector.

The Agricultural Credit Corporation is a semi-autonomous government institution which aims at -

- Providing the creditworthy farmers a source of credit
- Increasing farm production
- Increasing the income level of farmers.
- Eradicating the system of farmers resorting to merchants and money lenders for finance who charge upto 50% annually on loans.

- In addition, the extension of credit for agricultural projects and agro-industries would also have an immediate impact on agricultural output.<sup>(7)</sup>

Seasonal or short term loans, medium and long term loans, all are granted by the Agricultural Credit Corporation.

- Short term or seasonal loans are used to finance current farm expenses, such as payment of labour cost and purchasing of seeds and fertilizers.
- Medium term loans are used to finance the purchase of agriculture machinery, improvement of agricultural land, and for the promotion of livestock and poultry industries.
- Long term loans are issued for construction of farm buildings, irrigation projects and the establishment of agricultural industries and marketing facilities.

The rates of interest charged for all the above types of credit are comparatively lower than those charged by commercial banks. Loans are approved by the ACC technical staff and these loans pass through various stages before final approval. The project plan is discussed elaborately, revealing its financial aspect and profitability and the specific purposes of the loan required. Loans given range from 6-8.5% depending upon the nature of the project as well as the size of the loan. Farmers also have been provided the facility to avail for seasonal loans at the rate of 8%.

#### **4.4.2 Specialized Credit Institutions in the Manufacturing Sector :**

With the breaking out of the 1967 Arab-Israeli war as well as the recurring civil disturbances of 1970-71, commercial banks became all the more conservative with

investments pouring in highly liquid forms instead of being diverted into long term activities such as industries and tourism projects. A need therefore arose to diversify the industrial structure by developing its manufacturing sector. The government of Jordan responded by creating a special financial institution namely the Industrial Development Bank.

Though the manufacturing sector has grown rapidly over the past two decades, the relative contribution of manufacturing to GDP accounting for 16.5% in 1976 as compared to 17.9% in 1990, yet its developmental process was largely impeded by the political upheaval faced by the country between 1967-70.

As clearly indicated in Chapter 3, the commercial banks could not meet the needs of the medium and small scale industries as the long-term credit facilities needed to develop this sector was lacking. Hence, the Industrial Development Bank was evolved to function as a gap filler.

- The Industrial Development Bank (IDB)

The Industrial Development Bank was established in 1965 to absorb the activities previously undertaken by the Development Bank of Jordan, (IDBJ) the Industrial Development Fund (IDF) established in 1957 to finance the manufacturing and tourism industries. Due to lack of the required resources, both the institutions failed to bring about any far reaching effects on the credit extension to the industrial sector.

The Industrial Development Bank now operates in accordance with the legislative framework provided by the permanent law no. 5 of 1972. According to this law, the bank

is empowered to offer banking services as well as other promotional functions related to industrial development. The law also enables the Industrial Development Bank to participate in the ownership of domestic enterprises and to issue guarantees for loans in order to assist the industrial companies to raise capital.

Today, the Industrial Development Bank's function is to extend Credit to the Manufacturing, Mining and Tourism Industries and to provide technical assistance to this sector. In terms of finance, the extension of loans has been the largest sector of activity of the Industrial Development Bank.<sup>(8)</sup>

How far has the Industrial Development Bank been successful in fulfilling these financial demands of the industrial sector will be discussed later in the chapter.

#### **4.4.3 Local Government Credit Institutions :**

The development of a society in which there is the provision of public services to various regions of the country requires a strong municipal and village council which is primarily oriented towards the social and economic upliftment of the society. This essentially requires the equitable distribution of services through the balanced population.

The need for specialized credit services arose when there was rapid migration of population from the rural to the urban areas, resulting in an extraordinary increase in the urban population. This population explosion had adverse effects on the essential public services offered such as electricity, water supply, education and other services. At the village level, implementation of developmental projects to curb the rural to urban

migration required local resources which were insufficient and could not be provided by the ruling village or municipal council. Commercial banks did not take keen interest in satisfying the long term needs of this sector. This instigated the establishment of a special institution, the Cities and Village Development Bank (CVDB) in 1979, in accordance with the Law No. 38 of 1979.

Prior to its establishment, the municipalities and village councils were empowered by the local government to satisfy the basic facilities of the population. However, due to limited participation and interaction of municipalities and village councils as well as due to lack of financial resources and basic facilities required in the cities and villages, development bank was established with an authorized capital of JD 10 million. The main aim of establishing such a bank was to provide an easy flow of finance to the municipal and village projects.<sup>(9)</sup>

The organizational measures adopted by the government in order to enable it to play an active role in regional development included improvement to be brought about in its operational policies and local human resource, equipping it with technical machinery and supplementation of greater financial resources. The income generating projects have thereby assisted remarkably in improving the standard of living of the Jordanian population.

By 1985, 90% of the population in Jordan were served by municipal or village councils, the rest being served by voluntary groups.<sup>(10)</sup>

Law no. 38 of 1979 specifies that the cities and villages development bank is a bank that would provide financial assistance to the local authorities. However, its

function does not end here. In accordance with Article 5 of the same law, the cities and villages development bank is also capable of selecting projects for providing finance based on the criteria of operational and economic feasibility and future gains. It is also empowered with the facility of providing technical assistance as well as adequate training of the staff. The bank's act also emphasises that it should be able to directly interact with local authorities with the aim of systematic management of its loans.

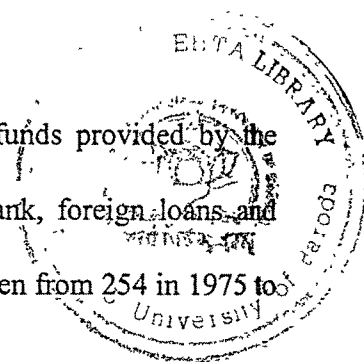
#### **4.4.4 The Jordan Co-Operative Organisation (JCO) :**

Yet another essential tool for achieving Jordan's sectoral objectives in terms of the long term domestic investment was the Jordan Co-operative Organisation (JCO).

The establishment of a co-operative law no. 39 was issued with the purpose of setting up a co-operative organization which was mainly agricultural. This sector aims at enhancing the potential capabilities of citizens and propagating the cooperative spirit among the citizens by increasing their awareness of the co-operative movement, and mobilising industrial capabilities in the field of production, consumption and services".<sup>(11)</sup>

The co-operative society expanded in number and size with the Jordan general co-operative union (JCCO) being established in 1959, followed by the establishment of the co-operative Training Institution in 1963 and Co-operative Audit Union (CAU) in 1964. Their co-operative base being incomplete, law no. 55 of 1968 saw the establishment of the Jordan co-operative organisation (JCO) to replace all the co-operative societies operating in the country.<sup>(12)</sup>

The Jordan Co-operative Organization is supported by funds provided by the government in the form of credit facilities from the Central Bank, foreign loans and technical assistance. The number of co-operative societies have risen from 254 in 1975 to 359 by the end of 1980.<sup>(13)</sup>



The Jordan co-operative organisation basically aimed at assisting the development of different co-operatives, the small and medium sized farmers being given more attention. The Jordan co-operative organisation addressed the twin problem faced by these farmers, that is, it played a role as an organisation which provided various types of loans to the farmers as well as the necessary technical expertise and trained staff members which helped to promote the overall growth of co-operatives.

Loans were lent by the Jordan co-operative organisation to all the co-operative societies in order to enable them to meet their specific goals.

One major distinguishing characteristic between the loan disbursement pattern of the Agricultural Credit corporation and the Jordan co-operative organisation is the inability of any co-operative to take further loans from Jordan co-operative organisation unless the previous loans due for recovery are paid up. This proved to be a reason for the relative success of the Jordan co-operative organisation in collecting loans as compared to the Agricultural Credit Corporation.

The Co-operative Bank being an active department of the Jordan Co-operative Organisation provides banking services to its co-operative members as well as non-members. This bank focusses on the extension of credit to the small scale rural



industries, artisans and agricultural projects. It also encourages the upcoming co-operative projects and co-operatives related to housing activities by providing them with loans.<sup>(14)</sup>

It also has rights to hold deposit accounts in the commercial banks of Jordan.

#### **4.4.5 Specialized Credit Activity in the Housing Sector :**

Till a long time after independence, Jordan suffered from a shortage in suitable housing especially for the low income group people. The reasons cited for this were a natural population growth, a steady migration from rural areas to cities as well as the flow of foreign workers into Jordan. The three year plan of 1973-75 cited a serious housing problem being faced by Jordan. Prior to 1967, the housing investments were the responsibility of the private sector which could however not meet all the housing requirements. The housing problem continued to aggravate due to a natural population growth at the rate of 3.1%.<sup>(15)</sup>

Further the rural housing no longer met the need for modern living and forced migration from the west bank in 1967 further worsened the situation. This called for the co-operation of public and private efforts to provide low-cost housing. The result was that the supply for housing exceeded the demand made by the various income groups particularly the low income groups (LIG).

The first serious attempt made by the government of Jordan to improve upon the housing situation of the Kingdom was made in 1966 when the Housing Corporation was established. The Housing Corporation was established for the organisation and

construction of special housing projects such as those for government employees and low income groups. Law No. 27 of 1968 allowed the Housing Corporation to practise promotional and financial activities. From the time of its establishment to the end of 1975, the housing corporation financed about JD 9.8 million of these investments.<sup>(16)</sup> The housing sector attracted about 21% of the fixed total investment during the five year plan period of 1976-80.

During the time period 1981-85, the housing corporation had made plans for materializing 25 housing projects, at a total establishment cost of JD 18.4 million. These projects underwent completion by the end of 1981.

Problems such as small and scattered nature of housing projects, lack of private sector investment in housing, the growing needs of middle and low-income groups, the rising cost of construction and many others still persisted.<sup>(17)</sup>

Law No. 6 for 1983 amended the housing corporation law no.4 of 1974 in which the housing corporation was given the right to rent land housing unit as owned by the corporation as well as set up development projects within its housing schemes.

#### **4.4.6 The Housing Bank :**

The Housing Bank was set up in 1974 to meet the greater parts of the housing needs of the population. Law No. 4 of 1974 specifically quotes that the housing bank's major function is to ensure service oriented and facility integrated housing projects, specially in areas where the private sector fails to meet the needs of the population particularly the low income groups. This stimulates the necessary building material as

well as to authorize a higher priority towards the building projects involving governmental offices.

The housing bank has also given priority to individuals working directly or indirectly as members of the housing cooperative societies.

The five year plan of 1976-80 encouraged the expansion of the housing bank operations network through the establishment of branches throughout the country primarily in regions under developmental projects.

After this period, the activities of the housing bank expanded considerably with more specialized corporations being established. The five year plan of 1981-85 and also that of 1986-90 required the housing bank to support the establishment and development of local building materials industries, and give priority in its lending operations to housing units for middle, limited and low-income groups. The plan also committed the bank to extend individual loans not exceeding JD 3000 each at a low rate of interest to beneficiaries in rural and agricultural areas.<sup>(18)</sup>

## **SECTION - II**

### **4.5 THE CONTRIBUTION OF THE SPECIALIZED CREDIT INSTITUTIONS IN THE ECONOMIC DEVELOPMENT OF JORDAN :**

This part of the chapter essentially deals with the contributions made by the six specialized credit institutions established in Jordan to its economic development in relation to their respective sectors of work. As development agencies, the specialized credit institutions of the country have undoubtedly promoted the growth of varied sectors in the economy. Analysis of these institutions include the lending activities of the specialized credit institutions and the balance sheet operations, that is, growth of the assets as well as the liabilities of these institutions. As the relative importance of specialized loans has increased over the years, the significance of specialized credit is in fact related to its long-term nature which is necessary to finance the development requirement of numerous sectors. Attention is also paid to the changes undergone in the overall conduction of the specialised credit institutions activities both quantitative as well as qualitative.

#### **4.5.1 Outstanding Loans of Specialised Credit Institutions :**

Loan disbursements occupy the top most priority in the working of the specialized credit institutions. The value of specialised credit institution loans has increased from JD 53.9 million in 1976 to JD 552.8 million in 1990 or by 16.7% annually over the whole period 1976-1990. The annual compound growth rate of specialized credit institution loans in the early period from 1976-80 was 24.7% which then declined to 10-8% per annum between 1981-90. The rapid expansion and

increasing stability in the extension of outstanding loans for specialised credit institution has co-incided with the commencement of the five year plan of 1976-80. The relative importance of the specialised credit institution to the various sectors of the economy rose tremendously with the subsequent commencement of the five year plan for economic and social development of 1981-1985 and 1986-1990.

#### 4.5.1.1 The Specialised Credit Institutions and Agricultural Loans :

##### (A) Agriculture Credit Corporation (ACC) :

The significance of Agricultural credit corporation is emphasised by the fact that their specialised credit was largely extended to projects with a close connection to development programmes. Priority was given to finance projects that fell within the framework of development plans.

The specialised credit institutions loans to agriculture increased from JD 9.7 million in 1976 to JD 36.6 million in 1990, at a compound growth rate of 9.2%. Comparing these figures with the total specialised credit institutions loans, it can be seen that, the percentage contribution of Agricultural Credit institutions accounted for 18% of the total credit given by the specialised credit institutions in 1976. However, this proportion declined in agriculture but relative increase in the share of the specialised credit institutions was due to the improvement in the specialised activities of other credit institutions such as industrial development bank. Jordan co-operative organisation and particularly due to the commencement of the Housing Banks in 1974. The increase in the lending of credit to the agricultural sector by the commercial banks was another reason for the decline in the credit activity of the Agricultural Credit Corporation during the

later years of the time span of study. The total outstanding loans rose from JD 25.9 million in 1985 to JD 36.6 million in 1990 or 6.6% of the total outstanding loans of the specialised credit institution.

The five year plan of 1986-90 specialised the growing failure of the agricultural sector to meet its plan goals in absence of integrated development and support policies. This resulted in a relative underdevelopment of the agricultural sector in comparison with other sectors.

The Agricultural Credit Corporation law was amended to enable the corporation to finance the export of agricultural products.

#### The decline in the relative importance of the specialised credit institutions credit to the agricultural sector

The main reasons cited for the decline in the activity of the Agricultural credit corporation with a fall in the relative importance of the specialised credit institutions credit to agricultural sector over the last few years has been the lack of co-ordination among agencies serving the agricultural sector, low levels of production in terms of both quality and quantity, weakness of research and lack of adequate training for farmers.<sup>(19)</sup>

Moreover, the initiation of large agricultural projects require large investment, their wide margin of profitability making it convenient for them to borrow from commercial banks that charged 9% interest as against 7% of the Agricultural Credit corporation.

(B) The Jordan Co-Operative Organisation (JCO)

The loans outstanding of the JCO increased from JD 3.1 million in 1976 to JD 9.8 million in 1990. However, in terms of percentage of the total loans of specialised credit institution, the Jordan co-operative organisation's contribution declined from 5.8% in 1976 to 1.8% in 1990, with an annual compound growth rate of 7.9%. Between 1981 and 1990, a negative compound growth rate of 0.78% was noted.

Loans were primarily directed to agricultural and non-agricultural societies to meet their seasonal needs for finance for a period not exceeding 14 months.

This decline in the credit activity of the Jordan co-operative organisation was once again due to the rise in the proportion of Commercial Bank credit to the agricultural sector from JD 5.2 million in 1976 to JD 53.7 million in 1990 which implied an annual growth rate of 16.8% [See chapter (3) on commercial bank].

The relative size of the agricultural societies in the co-operative sector also showed a continuous decline over this period which was also a result of the noticeable expansion of the co-operatives to cover areas other than the agricultural sector. The five year plans of 1976-80 and 1981-90 also revealed that due to the insufficient coverage by the Jordan co-operative organisation in the country, attempts should be made to expand the co-operative movement. A large number of small farmers were unable to obtain credit from these co-operatives. However, the specialised credit granted by these institutions that is Acc and Jco formed a major source of agricultural finance next to the commercial bank credit.

#### 4.5.1.2 Specialized Credit Institution and Industrial Loans :

Outstanding loans to the industrial sector (manufacturing, mining and tourism) rose from JD 7.9 million in 1976 to JD 49.6 million in 1990, at a compound growth rate of 13.0% annually. Loans extended by the specialized credit institutions to the industrial sector comprised of 14.6% of the total specialised credit institutions credit in 1976 and 11.1% in 1980 to 9% in 1990. A major part of the specialised credit institutions credit to the industrial sector went for manufacturing and mining projects and the remainder to tourism projects.

Expansion of the loans outstanding of the industrial development bank occurred in the later period which coincided with the increasing demands of the development projects as postulated in the five year plans of 1976-80 and 1981-85. By far, the industrial development bank's largest sector of activity has been the extension of loans.

The loan applications cover numerous fields of industry such as pharmaceuticals, detergents, plastic, food, garments, and leather in addition to tourism projects. These loans exhibit a regional distribution throughout the country including Amman, Zarka, Karak, Irbid, Jerash and many others, a major proportion of the loans being approved for industrial units being set up at Amman.

The number of loan applications received annually had increased beyond 69 loan applications received in 1990.<sup>(20)</sup>

By 1990, tourism projects accounted for 12.2% of approved loans.



Till 1975-76, the industrial development bank concentrated on extending loans to the large-scale industry and well-established enterprises. However, since the industrial development bank has been categorised as a development bank, it cannot overlook the essential needs of small-scale industries. In Jordan, the manufacturing sector confines itself mainly to the small scale industries and handicrafts. The percentage contribution of industrial development bank loans to these small sector enterprises had exhibited an upward trend of 8.79% between 1976 and 1990.

Loan by the industrial development bank being of a medium and long term nature are in sharp contrast to the short term loans extended by the commercial banks.

The operational lending policies of the industrial development bank have had a direct promotional impact on the industrial development. As explained earlier, a major bulk of these fixed assets have been utilized in the purchase of machinery and equipment followed by construction as well as purchase of raw materials.

The industrial development bank still continues its efforts to diversify and expand its services in providing term financing to industrial and tourism projects particularly in the less developed regions of the country.

#### 4.5.1.3 The Specialized Credit Institutions Housing Loans :

The specialised credit institution credit to the housing sector rose from 43.4% of the total outstanding credit in 1976 to 62.1% in 1990, in the case of housing bank; and from 4.1% to 11.7% (during the same time period) in case of the housing corporation, which implied the compound growth rates of 19.6% and 25.2% per annum respectively.

The housing corporation exhibited the highest growth rate of 25.2% in comparison with the growth rates of the specialised credit institution loans to other sectors. During 1978-83, credit extension by the housing co-operation fluctuated to a certain extent in accordance with the implementation of housing projects. The housing credit extended by the specialised credit institution to the housing bank picked up tremendously from JD 11.7 million in 1985, that is, 2.8% of the total outstanding loans to JD 64.8 million, that is, 11.7% of the total outstanding loans. This was also due to a rise in the specialised credit institution credit to the housing bank from JD 278.2 million in 1985 to JD 343.1 million in 1990.

A speculative rise in the credit extended by the housing sector was also observed during certain periods of time which in turn decreased the relative importance of the specialised credit institutions credit.

A remarkable rise in the activities of the housing sector can also be reflected through the area covered for housing purposes, that is, from a total of 1600 thousand square meters that was constructed in 1976, to the area of 4.3 million square meters covered in 1991.<sup>(21)</sup>

During the early years of operation of the housing bank, credit grants were restricted to individuals and housing co-operative societies, the Temporary Law No. 49 of 1975 enabling the bank to transform loans into equity capital and industrial units as well. A preferential treatment was offered for loan extension to co-operative housing societies which helped in providing low cost housing.<sup>(22)</sup>

#### 4.5.1.4 The Specialized Credit Institution's Municipal and Village Council Loans :

The specialised credit institution credit to the local government authorities of municipalities and village councils rose from JD 7.6 million in 1976 to JD 48.9 million in 1990, that is, by 13.2% annually. With the establishment of the Cities and Villages Development Bank (CVDB) in 1979, the relative contribution of the specialised credit institution to this sector improved.

In terms of percentage, contribution of the specialised credit institution loans to this sector, not a very significant rise was seen, with the number rising from 8.2% in 1980 to 8.8% in 1990.

Loans were primarily extended to local governments, that in turn financed projects in their respective areas.

Table. 4.1

## Outstanding loans of specialized credit institutions during 1968-90

(J-D million)

Year	Cities & villages development bank	Industrial development bank	Housing corporation	Agricultural credit corporation	Jordan co-operation organization	Housing bank	Total Loan of SCI's 2-3-4-5-6-7
1	2	3	4	5	6	7	8
1968-75	37.6 (26.8)	23.5 (16.7)	11.1 (7.9)	54.8 (39.1)	7.0 (5.0)	6.3 (4.5)	140.3 (100)
1976	7.6 (14.1)	7.9 (14.6)	2.2 (4.1)	9.7 (18.0)	3.1 (5.8)	23.4 (43.4)	53.9 (100)
1977	9.1	10.9	2.8	10.6	3.8	43.0	80.2
1978	11.0	13.4	2.5	11.6	4.8	61.2	104.5
1979	12.5	15.6	2.3	12.7	6.8	81.5	131.4
1980	13.4 (8.2)	18.1 (11.1)	5.0 (3.1)	14.0 (8.6)	9.3 (5.7)	103.1 (63.3)	163.0 (100)
1981	15.3	24.6	4.7	17.3	10.6	124.0	196.5
1982	23.4	30.8	6.0	20.2	18.8	155.8	255.0
1983	31.6	35.9	8.4	22.0	21.8	198.0	317.7
1984	36.1	37.8	9.6	22.5	22.0	247.1	375.1
1985	39.6 (9.5)	38.3 (9.2)	11.7 (2.8)	25.9 (6.2)	22.9 (5.5)	278.2 (66.8)	416.6 (100)
1986	45.3	39.3	20.1	28.0	11.3	297.3	441.3
1987	49.5	40.3	59.5	30.3	11.6	310.8	502.0
1988	52.4	42.2	74.3	32.4	11.6	322.4	535.3
1989	50.6	46.4	69.1	33.8	10.5	333.8	544.2
1990	48.9 (8.8)	49.6 (9.0)	64.8 (11.7)	36.6 (6.6)	9.8 (1.8)	343.1 (62.1)	552.8 (100)
Compound growth rate (Percentage per annual)							
1976-80	12.0	18.0	17.8	7.6	24.5	34.5	24.7
1981-90	12.3 (12.4)	7.2 (9.5)	30.0 (26.2)	7.7 (9.1)	-0.78 (0.47)	10.7 (11.5)	10.8 (11.7)
1976-90	13.2	13.0	25.2	9.2	7.9	19.6	16.7

Source : Central bank of Jordan  
monthly statistical Bulletins  
December 1989 - pp. 33  
August 1992 - pp. 32.  
Figures in parenthesis indicate percentage

### SECTION - III

#### 4.6 ASSETS AND LIABILITIES OF SPECIALIZED CREDIT INSTITUTIONS :

##### 4.6.1 Assets of the Specialized Credit Institutions :

Total assets of the specialized credit institutions rose during the period from JD 72 million in 1976 to JD 1029 million in 1990. The compound growth rate of the specialised credit institutions total assets averaged 19.4% during the same time period.

The compound growth rate of the specialised credit institutions total assets averaged 28% and 11.9% during 1976-80 and 1981-90 as against 15.6% and 4.8% of GNP during the same period.<sup>(23)</sup>

Deposits of the specialised credit institutions with the central bank rose from JD 0.2 million to JD 25.1 million between 1976 and 1990, at an annual average growth rate of 38%, whereas those with the licensed banks rose from JD 7 million to JD 162.6 million during the same time period, depicting a growth rate of 23.3%.

Treasury bills and bonds which are also liquid assets of specialised credit institutions rose at an annual compound growth rate of 26.7%. Deposit with licensed banks accounted for 9.7% of the total assets in 1976 which rose to 15.8% in 1990.

Loans and advances made to individuals and private enterprises as well as municipalities rose tremendously from JD 42 million and 11.9 million respectively in 1976 to JD 356.5 million and JD 198.3 million in 1990. Loans to private enterprises and individuals formed a major bulk of the total assets of specialised credit institutions as also explained in detail in table 4.2. However, its percentage share declined from

Table 4.2

## Assets of the specialized credit institutions during 1967-90

Year	Cash in vaults	Deposits with the Central bank	Deposits with the licenced banks	Treasury Bills and Bonds	Individual & private enterprises	Municipalities & public enterprises	Loans & Advances to negotiable Assets	Fixed Assets Land & Building	Other Assets	Total Assets 2 to 10
1	2	3	4	5	6	7	8	9	10	11
1967-75	0.1 (0.0)	1.4 (0.7)	22.4 (11.0)	2.7 (1.3)	110.2 (54.3)	44.4 (21.9)	14.4 (7.1)	4.0 (2.0)	3.4 (1.7)	203.0 (100)
1976	0.1 (0.1)	0.2 (0.3)	7.0 (9.7)	1.5 (2.1)	42.0 (58.3)	11.9 (16.6)	6.0 (8.3)	2.0 (2.8)	1.3 (1.8)	72.0 (100)
1977	0.3	0.3	9.7	0.0	59.9	20.2	8.9	3.7	2.5	105.5
1978	0.3	0.0	19.2	4.1	76.0	28.6	12.7	5.9	2.9	194.7
1979	0.5	0.4	22.0	6.2	101.6	29.9	17.6	7.9	4.3	190.4
1980	1.3 (0.5)	1.4 (0.6)	42.3 (17.1)	1.6 (0.6)	129.0 (52.2)	34.0 (13.7)	18.4 (7.4)	11.1 (4.5)	8.3 (3.4)	247.4 (100)
1981	0.7	1.2	74.3	2.2	154.8	41.7	38.1	12.6	8.4	334.0
1982	1.0	1.6	46.9	2.7	184.7	70.3	63.0	20.8	14.6	405.6
1983	1.2	0.9	48.0	6.4	241.4	76.4	90.6	23.4	20.2	508.5
1984	1.4	1.2	40.2	7.9	284.3	90.8	11.8	29.3	24.2	591.1
1985	1.6 (0.2)	3.0 (0.5)	55.7 (8.4)	10.4 (1.6)	285.7 (42.8)	130.9 (19.6)	127.5 (19.1)	33.7 (5.0)	19.0 (2.8)	667.5 (100)
1986	1.6	1.2	74.9	14.3	291.5	149.8	147.4	32.5	24.9	738.1
1987	1.8	13.6	88.1	20.6	341.1	161.0	145.0	35.9	24.7	831.8
1988	2.5	7.9	118.4	20.4	361.5	173.9	126.9	37.4	31.9	880.8
1989	3.3	26.8	142.0	39.0	351.9	192.3	122.8	38.7	40.4	957.2
1990	3.6 (0.3)	25.1 (2.4)	162.6 (15.8)	52.4 (5.1)	356.5 (34.6)	198.3 (19.3)	145.7 (14.2)	39.0 (3.8)	45.8 (4.5)	1029.0 (100)
Compound growth rate (percent per annum)										
1976-80	67.0	47.5	43.3	1.3	25.1	23.3	25.1	40.8	44.8	28.0
1981-90	17.7	35.5	8.14	37.3	8.6	16.8	14.3	11.9	18.4	11.9
1976-90	26.9	38.0	23.3	26.7	15.3	20.6	23.6	21.8	26.8	19.4

Source : Central Bank of Jordan  
yearly statistical series (1964-1993)  
October 1994. pp. 18.  
Figures in parenthesis indicate percentage

58.3% in 1976 to 34.6% in 1990, while other assets, particularly the negotiable assets, deposits with licensed banks and fixed assets showing an upward trend.

Negotiable assets rose from JD 6 million in 1976 to JD 145.7 million in 1990. Negotiable assets represented 8.3% of total assets in 1976, 19.1% in 1985 and 14.2% in 1990. The annual growth averaged 23.6% between 1976 and 1990.

Investments in other assets rose from JD 1.3 million in 1976 to JD 45.8 million in 1990. The relative importance of this item to the total assets rose from 1.8% in 1976 to 3.4% in 1985 and finally 4.5% in 1990, the annual growth in other assets being 26.8%.

A point to be noted here is that only loans extended to the public and private sector exhibited a continual growth without experiencing any negative impact on its growth rate.

- **Ratio of specialized credit institutions assets to GNP**

Another parameter that may particularly help to assess the role played by the specialized credit institutions in the economic development of the country is the ratio of the specialized credit institutions assets to the GNP of Jordan. The value of this parameter observed between 1976 and 1990 has been shown in the table 4.3.

Table No. 4.3

Ratio of Specialised Credit Institutions assets to GNP during 1976-90

J.D. Million			
Year	Total Assets of SCIs	Total GNP at market price	Ratio of 2 : 3
1	2	3	4
1976	72.0	572.5	0.12
1977	105.5	688.9	0.15
1978	194.7	797.3	0.24
1979	190.4	972.9	0.19
1980	247.4	1183.6	0.20
1981	334.0	1484.2	0.22
1982	405.6	1702.5	0.23
1983	508.5	1815.0	0.28
1984	591.1	1905.0	0.31
1985	667.5	1965.1	0.33
1986	738.1	2097.3	0.35
1987	831.8	2112.5	0.39
1988	880.8	2129.9	0.41
1989	957.2	2206.4	0.43
1990	1029.0	2375.9	0.43

% per annum

Compared growth rate	19.4	9.9
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Source : Central Bank of Jordan  
 yearly statistical series (1964-1993)  
 October 1994.  
 Total Assets pp. 18  
 GNP pp. 47  
 Figures in parenthesis indicate percentage



This table brings to light the significance of the relationship between the asset structure of the specialized credit institutions and the overall growth in the economy of Jordan as becoming evident by its GNP. As reflected in the table, the total asset structure of the specialized credit institutions has exhibited a linear pattern of growth, the total GNP at market prices showing a similar trend.

The calculated average annual growth rate of the specialized credit institutions total assets was 19.4% between 1977 and 1990 as against the annual average growth rate of GNP during the same period being 9.9%, this being about half the average annual growth rate in specialized credit institution's total assets.

The ratio of total assets to the GNP at market prices shows a rise from 0.12 percent in 1976 to 0.43 percent by the end of 1990. Once again a linear pattern of growth in the ratio can be observed.

#### **4.6.2 Liabilities of the specialized credit institutions :**

The table 4.4 depicts the growth in the variable that constitutes the liabilities of specialized credit institutions during the 15 year period of study.

The deposits of the specialized credit institutions have risen from JD 22.8 million to JD 523.7 million during 1976-90, at an annual compound growth rate of 19.4%. During the early period from 1967 to 1978, growth of these deposits was slow, the rate of change being significantly higher during the later period between 1979 and 1990. From occupying 31.7% of the total liabilities of specialized credit institutions in 1976 the

percentage rose to 50.8% by the end of 1990. Deposits of these specialized credit institutions form a major bulk of their liabilities.

As indicated earlier in this chapter, deposits are held by only one specialized credit institution viz, the Housing Bank with a tremendous rise in the housing needs of the population, the housing co-operatives fulfilled the credit demands for housing purposes through the housing bank. By 1990, the annual need for housing was approximately 25,000 units, indicating that the problem of housing still persisted.

- **Capital and Reserves**

The capital of the specialized credit institutions increased from JD 22.4 million in 1976 to JD 69.2 million in 1990, with an annual growth rate of 7-8%. Its relative importance in terms of percentage of total liabilities however declined from 31.1% in 1976 to 6.7% in 1990. This rapid decline in the importance of capital as a source of funds in the later years was due to the growing importance of the housing bank which accepted deposits on a considerably large scale after its establishment in 1974.

Reserves as a portion of the total source of funds rose from 2.2% to 5.9% during 1976-90, increasing by 27.3% annually.

**Table No. 4.4**  
**Liabilities of the specialized credit institutions during 1976-90**

(J.D. million)

Year	Deposits	Borrowing from Central Bank	Foreign Institutions	Government	other	Total 3,4, 5,6	paid-up capital	Reserves & Allowances	Grants & Aid	Other Liabilities	Total Liabilities 2 to 11
1	2	3	4	5	6	7	8	9	10	11	12
1967-75	13.8 (6.8)	10.0 (4.9)	34.4 (17.0)	13.8 (6.8)	3.0 (1.5)	61.2	107.0 (52.7)	6.6 (3.3)	4.7 (2.3)	9.6 (4.7)	202.9 (100)
1976	22.8 (31.7)	8.9 (12.4)	6.3 (8.8)	1.7 (2.3)	2.5 (3.5)	19.4	22.4 (31.1)	1.6 (2.2)	1.6 (2.2)	4.2 (5.8)	72.0 (100)
1977	36.7	12.9	13.4	1.5	1.2	29.0	29.1	3.7	1.6	5.3	105.5
1978	61.6	16.5	10.0	1.5	12.4	40.4	32.4	5.8	1.7	7.8	149.7
1979	86.2	16.7	14.2	1.5	13.2	45.6	35.4	7.8	2.0	13.4	190.4
1980	122.6 (49.6)	19.7 (8.0)	16.4 (6.6)	1.3 (0.5)	19.9 (8.1)	57.3	38.6 (15.6)	10.2 (4.1)	1.6 (0.6)	17.1 (6.9)	247.4 (100)
1981	170.0	32.3	19.1	1.2	26.2	78.8	45.4	14.6	0.3	24.9	334.0
1982	189.4	53.5	20.9	2.1	39.2	115.7	52.2	18.8	0.3	29.2	405.6
1983	234.3	76.5	26.1	2.0	54.7	159.3	56.1	23.1	0.3	35.4	508.5
1984	270.8	88.1	30.8	2.1	63.4	184.4	49.1	28.7	0.0	48.1	591.1
1985	291.5 (43.7)	100.9 (15.1)	32.9 (5.0)	2.2 (0.3)	66.9 (10.0)	202.9	60.5 (9.1)	28.3 (4.2)	0.1 (0.0)	84.2 (12.6)	667.5 (100)
1986	325.3	107.8	38.0	2.3	69.5	217.6	62.8	32.8	0.1	99.5	738.1
1987	374.3	108.5	45.3	2.2	69.4	225.4	63.2	37.4	0.0	131.5	831.8
1988	407.9	107.1	47.3	3.0	69.8	227.2	65.1	44.8	0.0	135.8	880.8
1989	464.8	91.8	50.6	2.8	70.2	215.4	68.3	47.4	0.0	161.3	957.2
1990	523.7 (50.8)	90.2 (8.7)	50.0 (4.9)	2.9 (0.3)	80.9 (7.9)	224.0	69.2 (6.7)	60.3 (5.9)	0.0 (0.0)	151.8 (14.8)	1029.0 (100)
Compound growth rate (% per annum)											
1976-80	39.9	17.2	21.0	-5.2	51.4	24.1	11.4	44.8	-	32.4	28
1981-90	11.9	10.8	10.1	9.2	11.9	11.0	4.3	15.2	-	19.8	11.9
1976-90	23.2	16.6	14.8	3.6	26.0	17.7	7.8	27.3	-	27.0	19.4

Source : Central bank of Jordan  
yearly statistical series (1964-1993)  
October 1994. pp. 19.  
Figure in parenthesis indicate percentage

- **Grants and Aids :**

Grants and aids have rapidly declined over the time period of the study from 2.2% of the total liabilities in 1976 to nil in 1990. This can primarily be attributed to the tremendous rise in the other sources of funds such as deposits and capital of the total liabilities of specialized credit institutions.

- **Borrowings from Central Bank, Foreign Institutions and Government :**

Borrowings from the Central Bank, foreign institutions and the Government have declined in terms of percentage share of liabilities of specialized credit institutions over the past few years indicating a relative decrease in the dependence of the specialized credit institutions on these institutions. However, borrowing from central bank formed a major bulk, its value amounting to JD 90.2 million in 1990.

## SECTION - IV

### 4.7 FINANCIAL REPRESSION AND SECTORAL INVESTMENT IN JORDAN :

Deviations in the annual values of the ratios on an average period can be of three types.

- Firstly, a regular periodic fluctuation can be seen,
- Secondly, a regular acceleration or deceleration in the rate of growth, and
- Thirdly, highly irregular movements following any war or sharp inflations.

Financial repression occurs when the ratio obtained is low and no drastic changes are observed over the years. On the other hand, financial deepening occurs when the calculated ratio is high and exhibits a continuous rise.<sup>(24)</sup>

Fluctuations in the ratio of specialized credit to sectoral investment is clearly observed in the subsequent table, wherein an overall picture exhibits a regular acceleration following a sinusoidal pattern between 1976 and 1985 for all the sectors. This financial deepening that is a regular rise in the ratio calculated, has been easily handled showing no drastic repression in the economy.

Ratios between 1986 and 1990 show a drastic decline over the previous years except for the construction and agricultural sectors which reflects a financial repression. Reasons for this difference from sector to sector, details of which are handled in the previous few pages, on the basis of the sector wise analysis of the ratio of total money invested to the loans disbursed by specialized credit institutions.

- **Ratio of specialized credit to sectoral investment**

The table 4.5 gives an account of the ratio of loans extended by the various specialized credit institutions to the sectoral investment as allocated in accordance with the three five-year plan periods ranging from 1976 to 1980, 1981 to 1985, and 1986 to 1990. The achievement of the goals set forth by the three plans has necessitated the adoption of a set of policies and measures related to investment and sources of finance that has aimed at improving economic efficiency.

One major goal of the plans was to invest in the various economic sectors at rates much higher than those of the previous year. This can be reflected in the three five year plans, where the total fixed investment was estimated to be JD 765.0 million, JD 3300.0 million and JD 3115.5 million respectively during 1976-80, 1981-85 and 1986-90.

On analysing the relative ratio of the total capital invested for the development of these sectors to the total loans extended by the specialized credit institutions, various conclusions may be drawn.

On observing the money invested amongst the different economic sectors of Jordan, during the plan period of 1976-80, the largest amount of JD 229.1 million was allocated to the industry and mining sector followed by JD 86 million to the construction and housing sectors.

A similar trend was observed during the plan period between 1981 and 1985. However, between 1986 and 1990, the capital investment that took place in the housing and construction sector, amounted to JD 657.3 million as compared to JD 393.2 million

invested in the industrial and mining sectors. This being followed by an amount of JD 293.8 million being invested in the agriculture and co-operative sectors. The total investment to the municipal and rural affairs amounted to a comparatively lower amount of JD 154.1 million during the plan period of 1986-90.

Sectorwise ratio analysis of the total money invested to the loans disbursed by the specialized credit institutions show that for the municipal and rural affairs sector, the ratio exhibited a compound growth rate of 5.2% between 1976 and 1985. However it declined by 10.4% between 1985 and 1990. This was primarily due to a reduction in the amount of money invested in this sector which declined from JD 175.6 million in 1981-85 to JD 154.1 million between 1986 and 1990. In terms of percentage, contribution of the specialized credit institution loans to this sector too, not a very significant rise was seen.

A similar trend was observed with respect to the ratio of money invested in the industrial sector to the IDBJ loans which rose from 3.47 to 4.53 between 1976 and 1985 but declined to 1.80 during the third five year plan period of 1986-90. In this sector, expansion of loans outstanding of the IDBJ co-incided with the increasing demands of development projects as per the five year plans of 1976-80 and 1981-85.

However, money invested in this sector was much lower during 1986-90, due to a diversion of capital invested in response to the increasing demands of the housing sector, thus there being a decline in the ratio of the industrial sector by 14.2%.

A linear increase in the ratio of money invested in the construction and housing sector to the Housing Corporation and Housing Bank loans rising from 0.26 to 0.29 and

0.34 during the three five year plan periods respectively. This was primarily due to an active development of the activities performed by the Housing Bank and Housing Corporation, with a major emphasis being given by all the three five year plans which required the Housing Bank to extend loans to local building material industries as well as for the construction of housing units. There was also a tremendous increase in the area covered by the Housing Bank for housing purposes thus indicating its relative importance. The five year plans also required these banks to give a higher preference in its lending operations to the building of housing units for the middle and lower income groups as well as the rural and agricultural areas.

Ratio of loans to the agricultural sector showed an upward trend of 7.4% between 1976 and 1990. This was, because inspite of an insignificant rise in the loans extended by the ACC, JCO as explained in table 4.5, investments in this sector rose from JD 40 million to JD 293.8 million between 1976 and 1990.

After having studied in detail about the working, economic significance and role played by these government established institutions, the final question that may be asked is that why are specialized credit institutions not privately owned in Jordan ?

The relevant data on specialized credit activities in a developing country like Jordan shows that these institutions are “supply leading” rather than “demand following”. This essentially implies that these institutions were established in Jordan in advance of the demand made upon their services.

Profit expectations of these institutions primarily from the agricultural and manufacturing sectors are highly uncertain. A constant rise in the administrative expense



and high default probability involved were other reasons for the reluctance of the private institutions to invest in these agencies. Hence, private institutions for financing such activities could not be evolved in the market.

In contrast to this, developed countries expanded their financial system in accordance with the increasing demands made upon their services which is demand-inducing pattern. Hence, private profit considerations are sufficient enough to induce further financial specialization.

Therefore, in developing countries, the task of evolving specialized credit institutions to bridge the financial gaps in the economy have been shouldered by the Central Bank.

**Table 4.5**

**Table - Ratio specialized credit to sectoral investment in the five year plans during 1976-90**

(J.D. million)

Year	CVDJ Loan	Invest- ment in Muni- cipal & Rural Affairs	Ratio $4=\frac{3}{2}$	IDB Loan	Indus- try & Min- ing	Ratio $7=\frac{6}{5}$	HC,H B Loan	Constr- uction & Hous- ing & Govt. build- ings	Ratio $10=\frac{9}{8}$	JCO, ACC Loan	Agri- culture & Co- opera- tive	Ratio $13=\frac{12}{11}$
1	2	3	4	5	6	7	8	9	10	11	12	13
1976-80	53.6	38.8	0.72	65.9	229.1	3.47	327.0	86.0	0.26	86.4	40.0	0.46
1981-85	146.0	175.6	1.20	167.4	758.8	4.53	1043.5	308.1	0.29	204.0	234.5	1.14
1986-90	246.7	154.1	0.62	217.8	393.2	1.80	1895.2	657.3	0.34	215.9	293.8	1.36
Total	446.3	368.5	0.82	451.1	1201.1	2.66	3265.7	1051.4	0.32	506.3	568.3	1.12

Sources :

- (1) National Planning Council five year plan 1976-1980 pp. 38
  - (2) National Planning Council five year plan for economic and social development 1981-85 pp. 59
  - (3) Ministry of planning  
Five Year Plans for Economic and Social Development (1986-90) pp. 95.
- \* Figure in parenthesis indicate percentage

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