

Raise subsidies to make farm, small industries vibrant

Prof Wahiduddin Mahmud urges government

STAR BUSINESS REPORT

In the face of a changed global scenario, the government should take specific measures like increasing subsidy to make agriculture and small industries vibrant ignoring the International Monetary Fund pressure, eminent economist Professor Wahiduddin Mahmud said yesterday.

"We have no option but to have a vibrant export sector. We need to continue substantial growth in agriculture and small industries to do that. Any opposition by the IMF in providing subsidy should be ignored in that case," he told a discussion on 'Macro Economic Management and Imperatives for National Budget 2003-2004.'

The meeting was organised by the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) at Sheraton Hotel in Dhaka.

Professor Mahmud underscored the need to improve competitiveness in the export sector in the face of changed global environment, identifying poor electricity and port facilities, high cost of funds, role of middlemen in exporting goods, and delays in discharging services at government offices as serious threats to Bangladeshi export sector.

Citing an example, he said arranging own power generation system in different industries is common in Bangladesh but it is not at all an acceptable solution considering the competitiveness in the global market.

Pointing to macroeconomic fundamentals, Prof Mahmud said inflation is now around four to five per cent, rising from 1.4 per cent a year ago. Increase in rice, edible oil, vegetables and fuel prices, apart from hikes in transport fares, are main reasons behind increasing inflation.

Former finance minister M Syeduzzaman made a presentation on the main theme of discussion while National Board of Revenue chairman Dr Shobeb Ahmed, Mustafa K Mujeri of Bangladesh Institute of Development Studies and journalist Enaytullah Khan participated in the discussion as panelists.

In his presentation, Syeduzzaman said one frustrating aspect for the civil society, private sector and development partners is that when reform measures are proposed, few of them are materialise because of political consideration. In case of annual development programmes, it is difficult to stick to a realistic size again due to political considerations -- whether justified or not.

Dr Shobeb said Bangladesh does not have continuity of ADP; ADP changes with change in government. Programmes related to poverty

reduction strategy should not be changed.

Focusing on the governments' plans for the next national budget, he said it will be investment-friendly. "To boost up the economy, some basic changes regarding investment are needed. We are trying to simplify the tax rules. Besides, we are bringing new people under the tax net every month."

Economist Dr Atiur Rahman said global development paradigm has changed due to the war in Iraq. "We have no option but to promote manufacturing sector which will generate employment for the poor. We should not forget that 3.8 crore (38 million) people live on less than one dollar of income though per capita income has increased."

Former deputy prime minister Jamaluddin Ahmed echoed Atiur Rahman, saying steps should be taken

to promote manufacturing sector. "Specific measures should be taken so that people need not go to government offices thus reducing cost of doing business."

Mujeri said more effective monitoring and streamlining of both NBR and non-NBR taxes in the next budget will be required to achieve stipulated targets.

FBCCI Director A Rouf Chowdhury said the government should avoid imposing new taxes. "It is possible to increase revenue substantially by expanding tax net and blocking loopholes."

Former president of Dhaka Chamber of Commerce and Industries Mohammad Yunus said cost of fund here is high due to 40 per cent non-performing loans (NPL) of the nationalised commercial banks. They are collecting deposits at cost and giving loans at higher rates due to such high NPL burden.



PHOTO: CCCI

LGRD and Cooperatives Minister Abdul Mannan Bhuiyan hands over special award to the representative of Thai pavilion at the concluding ceremony of Chittagong International Trade Fair 2003 recently. Foreign Minister M Morshed Khan, State Minister for Environment and Forest Jafrul Islam Chowdhury, Thai Ambassador to Bangladesh Phithak Phrombubpha and President of Chittagong Chamber of Commerce and Industry (CCCI) Amir Humayun Mahmud Chowdhury were also present.

Zero-coupon bonds hit market

SHAHNILA AZHER

Against the backdrop of limited financial products available in the Bangladeshi capital market, a private sector project finance company has come up with a new debt instrument to procure funds.

Industrial and Infrastructure Development Finance Company (IIDFC) Limited has pioneered zero-coupon bonds this month by issuing Tk 100 crore bonds, with three-year maturity periods, for placement with institutional investors.

Zero-coupon bonds do not have the usual interim coupons or interest payments that characterise regular bonds. Instead, they are initially sold at discounts with the full face value paid out at maturity.

In this particular issue, investors will buy one IIDFC bond at the discounted price of Tk 75.13 to receive the face value of Tk 100 after three years.

The difference of Tk 24.87 is the return which will be earned by the investors over three years, effectively implying a compounded return of 10 per cent per year. Secured by loan

portfolio of the institution, the default risk of these bonds is the credit risk of IIDFC itself.

IIDFC was created in 2001 to provide medium and long-term loans and equity investments in attractive industrial and infrastructure projects. The company aims to fill the gap in the financing side created by commercial banks' reluctance to lend long-term.

The strengths it brings to the table are stringent appraisal of project proposals and close monitoring of ongoing undertakings, officials of the institution said.

As a variant from the typical bonds prevailing, zero coupons offer a win-win situation for both issuers and investors. On one hand, the IIDFC is being able to borrow at an interest rate of 10 per cent a rate lower than what it could have managed to borrow at from other sources.

Furthermore, since it does not have to make cash payments in the interim period, IIDFC can lend these funds out for three years. On the other hand, financial institutions buying the bond will pay only a 10 per cent income tax on the return earned from the bond vis-

à-vis the 40 per cent rate that is applicable on regular interest income.

As IIDFC Chairman, M Mariul Islam, explained, this instrument is ideal for mobilizing long-term financing. It helps match the cashflows required to make the bond payments to the cashflows earned from long-term investments.

"Since this is the first of its kind in Bangladesh, management decided to choose a time-frame of only three years. Once local investors get acquainted with the concept, IIDFC officials plan to issue bonds with longer maturities and also target individual investors," Islam said.

Initial response to the issue has been positive, he said.

Zero coupon bonds were first introduced to the US fixed-income market in mid-1982. Today, the three largest issuers of zero coupon securities internationally are federal governments, corporations, and state and local government entities.

The main downside of zero coupon bonds is that an investor can be locked into this investment when market interest rates climb in an upward trend.

Dutch-Bangla Bank branch managers meet

A meeting of branch managers of Dutch-Bangla Bank Limited was held at the bank's training centre in Dhaka recently with Md Yeasin Ali, managing director, in the chair, says a press release.

Abul Hashem Khan, deputy managing director, and other senior executives of the bank were present. The managing director said the bank is going to embark online banking very shortly. To maximize the use and benefits of online banking, he advised the managers to increase the volume of business of the bank.

The managers called for launching new products to meet the demands of customers.

New MD of ONE Bank



Syed Nurul Amin joined ONE Bank Limited as its managing director on Thursday, says a press release.

Prior to his present position, he was the additional managing director of Al Baraka Bank Bangladesh Limited.

Amin also served the City Bank Limited as its deputy managing director for a year. He was a nominated director of the bank in the Board of Directors of IDLC.

After obtaining his graduation from Dhaka University, Amin joined the then Muslim Commercial Bank Limited as an officer in the year 1965 and had an outstanding and diversified career with the bank including assumption of the office of branch manager and in-charge of Foreign Exchange Division.

He also served Rupali Bank Limited as branch manager. His banking career spans more than 3 decades.

He attended many training and seminar sessions on management skills and banking in the USA, the UK, Hongkong, Singapore, Thailand, Japan, India and Dubai.

OPEC chief vows to prevent price collapse

REUTERS, Paris

Global oil over-production has reached around two million barrels a day, OPEC's president said in a newspaper interview published yesterday vowing action to prevent a collapse in prices.

Abdullah al-Attayah told the Le Figaro daily newspaper that the Organisation of the Petroleum Exporting Countries would call a meeting of oil ministers for late April or early May to discuss how to stabilise prices at around \$25 a barrel.

An OPEC spokesman confirmed on Tuesday that the emergency meeting would be held in Vienna on April 24.



PHOTO: PRIME BANK

Shah Md Nurul Alam, managing director of Prime Bank Limited, speaks at the bank's quarterly business review meeting in Dhaka on Saturday. M Shahjahan Bhuiyan, additional managing director, Md Motior Rahman, SEVP, Shafiqul Alam, EVP of the bank, were also present.

More fixed phone-cellular interconnectivity by Oct

Cellular operators, BTTB sign MoU today

MUSTAK HOSSAIN

Four private cellular operators will sign a memorandum of understanding with the state-run Bangladesh Telegraph and Telephone Board (BTTB) today to increase their access to the land phones, a representative for mobile operators said yesterday.

Representatives from the mobile phone companies GrameenPhone Ltd, AKTEL's owning company Telecom Malaysia International Bangladesh (TMIB), CityCell's service provider Pacific Bangladesh Telecommunication Limited (PBTL) and Sheba Telecom will sign the MoU for the \$2.69 million investment with the BTTB officials.

"After completion of the project, private operators will be able to provide 180,000 more subscribers with BTTB access," said an official of the

Telecom Operators' Association of Bangladesh.

Canadian equipment vendor Nortel Networks will supply the switching gear with Japanese Fujitsu Ltd providing the transmission equipment for the venture, which is expected to be completed by October.

The BTTB has a 650,000 fixed-line system but its interconnection facilities are at present inadequate for 1.25 million mobile phone subscribers wanting access to the system.

At present, 90 per cent of Bangladesh's cell phone users are not able to get access to the fixed line network.

"The interconnectivity will reduce high subscription charges of mobile phones with landline connectivity if operators want," said a source in the telecom industry.

He said the subscription charges of

a regular mobile phone with BTTB connectivity ranges between Tk 10,000 and Tk 75,000 depending on service provider and type of mobile set.

Private operators initiated this project a few year's back when the estimated cost was US\$5 million, thanks to technological development and recession in global telecom markets, project cost has now dropped to US\$2.69 million with some additional features.

"The project is a milestone in the history of the country's telecom business and a unique example of cooperation between private and public operators," said an official of a leading mobile phone company.

Private operators will get back their investment by deducting the revenue they pay to BTTB for using its infrastructure.

Prime Bank earns Tk 21.87cr operating profit

Prime Bank Limited has earned an operating profit (unaudited) of Tk 21.87 crore as against Tk 17.70 crore up to March 2002 registering an increase of 24 per cent.

This was disclosed by the managing director of the bank Shah Md Nurul Alam while presiding over the bank's quarterly business review meeting held in Dhaka on Saturday, says a press release.

Return on average assets was 4.41 per cent which may be termed as excellent in banking industry.

The bank deposit rose to Tk 1719.06 crore up to March 31, 2003 as against Tk 1315.08 crore in the same period of 2002 registering an increase of 31 per cent while credit portfolio shot up to Tk 1375.65 crore as on March 31, 2003 from Tk 923.30 crore in March 2002 representing a 49 per cent increase.

The foreign exchange business (import & export) volume also increased by 31 per cent to Tk 961.85 crore as on March 31, 2003 from Tk 732.81 crore in the preceding period. Capital adequacy stood at 12.43 per cent against the statutory requirement of eight per cent at the date.

The bank achieved success in maintaining the percentage of non-performing loans to 1.80 per cent up to March 2003. The credit-deposit ratio was 80 per cent.

HSBC, PHP Group sign credit facility accord

Hongkong Shanghai Banking Corporation Ltd (HSBC)-Bangladesh signed an accord with Peace Happiness and Prosperity (PHP) Group finalising a credit facility of Tk 320 million in term loan and working capital, says a press release.

In a signing ceremony held at the PHP Group premises in Chittagong recently, Adil Islam, corporate banking head of HSBC-Bangladesh, and Mohammad Ali Hussain, managing director of PHP Group, signed the accord.

Mizanur Rahman, chairman of PHP Group, Raquibur Rahman, manager, (Commercial Banking) of HSBC in Chittagong, Abu Nasir, general manager (Commercial) of PHP Group, Md Iqbal Hossain, Director of PHP Group and Rabiul Hasan, relationship manager of HSBC in Chittagong, were also present at the signing ceremony.

Branch managers' confce of Sonali Bank held

The conference of Branch Manager under Dilkusha and Sadarghat Principal Offices, Dhaka of Sonali Bank was held on Sunday in Dhaka, says a press release.

Addressing the conference Managing Director of Sonali Bank Rabiul Hussain said some reform measures of the bank like reducing lending rate of interest, rationalisation of branches, strengthening default loan recovery drive and selling of govt introduced US dollar Investment Bonds and US Dollar Premium Bonds have restored business position to a great extent.

Sonali Bank's image will be restrained by proper implementation of these schemes including disposal of foreign remittance within 24 hours in cities and towns within 72 hours.

Presided over by Mostafizur Rahman, DGM, Principal Office, Dilkusha, the conference was also addressed by S M Aminur Rahman, deputy managing director of the bank.



PHOTO: HSBC

Mohammad Ali Hussain, managing director of PHP Group, Adil Islam, corporate banking head of HSBC-Bangladesh, signed a credit facility accord recently. Mizanur Rahman, chairman of PHP Group, and Raquibur Rahman, manager (Commercial Banking) of HSBC in Chittagong, are also seen in the picture.

Can Jammu and Kashmir woo back tourists?

PALLAB BHATTACHARYA, New Delhi

Can the Indian state of Jammu and Kashmir regain its status as the Switzerland of the East?

A casino in the American city of New Jersey draws more tourists than India. Even the small Indian Ocean island of Mauritius gets more tourists than India.

Referring to these remarks about Jammu and Kashmir, Finance Minister Muzaffar Hussain Baig in a degree of desperation is trying to woo back tourists back into the insurgency-hit region.

The desperation is understandable. After all, tourism has been the mainstay of Jammu and Kashmir's small economy till the insurgency broke out in 1989.

The Jammu and Kashmir government, headed by Mufti Mohammed Sayeed, is pulling out all stops to turn the state into the Playground of the World.

Mufti Sayeed and his Tourism Minister Ghulam Hassan Mir have been visiting different parts of the country talking to tour and travel operators in a bid to bring tourists

from all over India back to the state.

As part of the efforts to develop tourism sector in the state, the government has decided to go for an infrastructure improvement, including introduction of a cable car at the cost of Rs nine crore and setting up of an amusement park and a deer park in the enchanting Pahalgam region.

One of the main methods, chosen by Jammu and Kashmir government, to promote tourism is to lure filmmakers back to the breathtakingly beautiful locales of the state that had formed the backdrop in a number of Hindi super-hit movies of yesteryears.

Old timers would recall movies like "Kashmir Ki Kali", "Jab Jab Phool Khile", and Amitabh Bachchan-starrer "Laawaris" while the younger film buffs would point to the likes of "Mission Kashmir" and "Pukar" which were shot in Jammu and Kashmir.

According to an estimate, nearly one hundred films were shot in Kashmir before the onset of militancy, while just three were made in the last years.

Mufti Sayeed himself had travelled to Bombay, the nerve-center of Indian commercial cinema, in January this

year and interacted with some leading producers, directors and actors and actresses and tried to persuade them to shoot films in Jammu and Kashmir.

Early April, a delegation of leading Hindi film-makers including Yash Chopra, Ramesh Sippy, Manmohan Shetty and Vidhu Vinod Chopra, toured the state at the invitation of the state government and held talks with ministers, officials and leading hoteliers.

Yash Chopra expressed his willingness to shoot films in Jammu and Kashmir and so did some others. But they are concerned about the security.

Ghulam Hassan Mir is understood to have made it clear to the film-makers that all measures would be there to provide adequate security but militancy cannot be washed away overnight.

The stand of the Jammu and Kashmir government is that film-makers and tourists must start visiting the state to signal that the place is far from being a lost case as far as tourism is concerned. A beginning has to be made by someone somewhere.

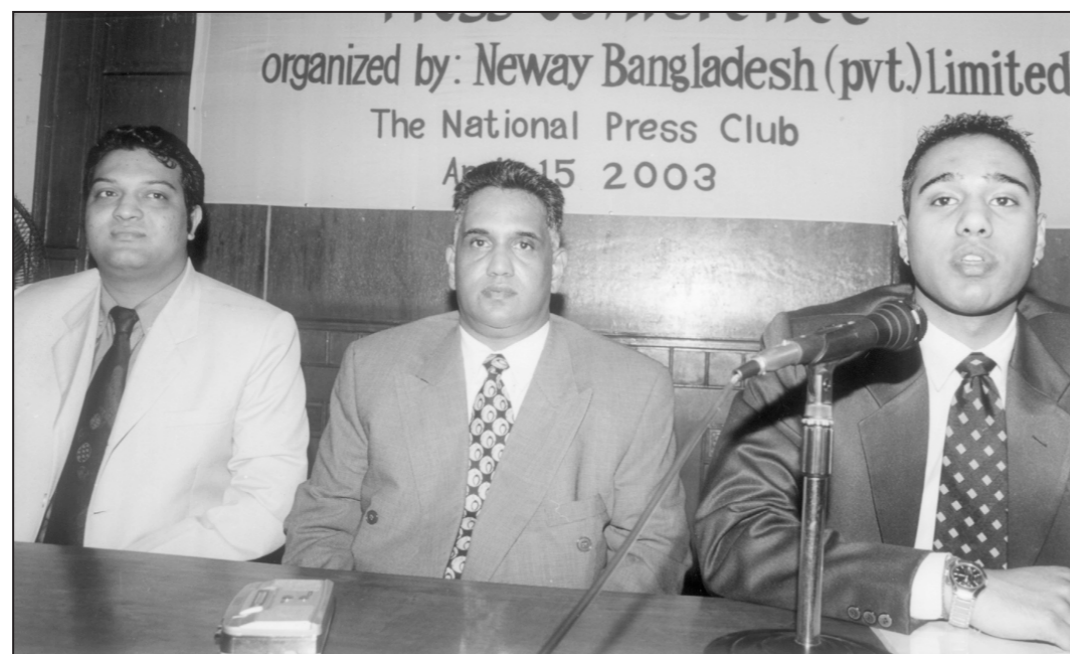


PHOTO: STAR

Murali Srinarayanathas, managing director of multi-level marketing company Neway Bangladesh Private Limited, speaks at a press conference held at the National Press Club yesterday, where he announced the company will hold an Evening of Excellence on April 18 at Bangladesh-China Friendship Conference Centre in Dhaka. Navaratnam Srinarayanathas, chairman, and Rajnish Tiwari, operation manager of the company, were also present at the press conference.