

Rising economy, falling stock markets



AHSAN HABIB

WHILE Bangladesh's economic growth is at its peak, the capital market of the country is racing towards its worst condition yet. Hence, even if the government speaks volumes of the rise in GDP, the investors of the stock market, on the other hand, are disheartened and upset.

In the fiscal year of 2018-19, Bangladesh's GDP growth was 8.13 percent. The stock market collapsed right when this news was being shared every day, incurring a loss of almost one trillion taka for investors within just a few months.

The increase in GDP and the contradictions in the stock market bring forth many questions. Is economic growth truly increasing, and the stock market suffering because of structural problems? Or is the condition of the stock market a forecast of economic indicators slowly getting weaker?

In the fiscal year of 2018-19, Bangladesh's GDP growth was 8.13 percent. The stock market collapsed right when this news was being shared every day, incurring a loss of almost one trillion taka for investors within just a few months. After 2012, this is the first time that a 4.5 percent decrease in the premier index of the Dhaka Stock Exchange was recorded within a span of only two days. As a result, the benchmark index of the DSE has come down to 4036 points, which is around the lowest in the past five years, although it jumped up again in the last few days due to an announcement of the government's policy support.

Around the world, stock markets work as an important indicator of the economic conditions of a country. Bangladesh's capital market has never really represented the nation's economic status to that extent, but it would be untrue to say that it has not done so at all. So, what exactly is the current situation? A crisis of liquidity has become apparent in the country's banks in the last few months. Export earnings have started to slow down. Foreign currency reserves are decreasing, especially, when compared to imports. The current account balance is also under pressure. These issues are more keenly observed by foreign share investors than us.

This is because if the economy suffers, the local currency also suffers from depreciation, and foreign investors start to feel the negative impact on their investments. They are clearly worried about this risk, since the selling of shares on their part in the last few months have played an important role in the changes in the market. Foreign investors are probably thinking that given the current economic indicators, the government will not be able to stop currency depreciation, despite their announcement that depreciation will not occur. As a result, foreign investors have sold more shares than they have bought in the last 10 months.

There are also other reasons behind foreign investors selling their shares. After communicating with many of them over email, I found that most of them are unhappy with political interference in the market and with regard to various economic issues in Bangladesh. At the end of last year, the Bangladesh Securities and Exchange Commission (BSEC) suddenly increased the tenure of the mutual funds from 10 to 20 years. At a time when investors are waiting for the fund to mature within



ILLUSTRATION: EHSANUR RAZA RONNY

a few months and yield a lump sum profit, they were told the terms had been changed, that too without asking for their permission. A foreign investor even filed a lawsuit against BSEC, asking how they can make such decisions regarding mutual funds that were set up specifically with investors' money. When the investors understood that this is all possible in Bangladesh, they started to sell their shares. However, these changes were made based on extremely fragile logic—it was claimed that selling shares in order to liquidate the mutual funds will have a negative impact on the market.

Now the question is, when these shares are sold 10 years later, will the market not feel the same negative impacts? Additionally, if investments in the capital market do yield profits, it is extremely rare for that profit to be taken out of the market and used up. Instead, investors tend to reinvest that money into the market again. Despite knowing this, the government caved to political lobbying that ended up frustrating thousands of investors.

This is not all. The conflict between Grameenphone and the telecommunications regulators have gone from bad to worse. The Finance Minister himself announced that the issue will be resolved within three weeks. Four months have passed since then, and if anything,

it has made foreign investors realise that even the Finance Minister cannot resolve this problem. On top of that, despite Grameenphone being a listed company, the Bangladesh Telecommunication Regulatory Commission (BTRC) did not consult with the BSEC while taking any of their decisions against Grameenphone—something which the Chairman of the BSEC has expressed his frustrations about.

This is not the only example—the same thing happened with Titas Gas in 2015. On that occasion, a decision was taken by the Bangladesh Energy Regulatory Commission (BERC) to reduce the service charges of Titas Gas, again without consulting the BSEC. After this, Titas' prices suffered a serious collapse, which further impacted the investors negatively. Even then, the BSEC chairman expressed his frustrations with this decision, but to no avail.

However, the stock market is not suffering purely due to the decisions to sell on the part of foreign investors. Rather, there is a loss of confidence among institutional as well as individual investors that is keeping them from investing and is perhaps even influencing them to sell their shares.

Many are saying that a crisis of liquidity in the banking sector is the reason behind a decrease in investment from institutional investors.

While this is true, it is not the only reason for reduced investments. Speaking to a number of senior officers from different banks have also yielded the same opinions—the irregularities and poor decisions in the market and the lack of punishment for any of these instances mean they are losing the confidence to invest. Even many listed corporate companies are devoid of good governance. Most of them are deceiving investors in various ways; increasing reserves year after year and not paying dividends even after incurring large profits. A lot of company heads are also stepping into the business of shares now. As a result, long-term investments are not as profitable as they should be, and the BSEC is not displaying the resolve that is required to rectify this situation.

The poor condition of the banking sector is also responsible for the fall in the capital markets, since this is still the largest sector in the market. The increase in bad debt and the deterioration of asset value has had severe repercussions for the banking sector—out of 30 listed banks, nine of them have already plunged under the face-value of Tk 10. The interest rate set by the government, at six and nine percent respectively, will have further negative impacts on the sector. The government has their own reasons for these fixed rates. While I do not want to comment on them, it should be remembered that Kenya also tried to set fixed rates of interest and then eventually had to move away from that decision. However, we know for sure that if the conditions of the banking sector do not improve, neither will the stock markets.

While the Bangladesh Bank and BSEC did take some measures to rectify the situation, they have not, however, borne any fruit. This is due to a lack of research behind these initiatives; those concerned with the markets explained its conditions according to their own understanding and convenience, and the policies were implemented on that basis without verifying these "expert" opinions. As a result, the BSEC brought forward 22 policy changes a few months ago. Bangladesh Bank gave scheduled banks the opportunity to take loans and invest in the capital market. However, no one took this opportunity except City Bank, and there was not much of an impact on the market.

This goes to show that the BSEC needs to take a strong stance with regard to good governance in the corporate sector. More well-known and successful companies need to be brought into the market, and no matter how much political lobbying goes into the process, no compromises must be made with regard to meddling in the market. Above all, BSEC needs to work for the investors. Whether it is policy changes in the market or decisions regarding listed companies, there needs to be research and discussion that place the most importance on the interests of investors. This will help gain back their confidence in the market, leading to increased investments and promoting a level of growth in the stock market that will run parallel to the GDP growth of the economy.

Ahsan Habib is a Staff Reporter at The Daily Star. The article was translated by the Editorial Desk.

Adieu my friend, Ambassador Harun ur Rashid

ABDUL HANNAN

THIS is to redeem my pledge to my friend and classmate Ambassador Harun ur Rashid and write his obituary if I survive him. With his death, perhaps one of the rare, genteel specimens of a perfect gentleman from our generation has passed away. After his retirement, he was a regular contributor to *The Daily Star* and a prolific writer. Whenever I appreciated his writing, he jokingly used to say that my articles in *The Daily Star*, which were written after long intervals, were like missiles—precise, hard hitting and lethal, unlike his writings.

I have known Harun since the early fifties, when we were students of the English department in Dhaka University. Harun stood out in the crowd of our batch of 17 students—which included Dilara Hashem, Ruhul Amin Mazumder, Ali Anwar, Masud Ahmed, Amir Ali, Waseq Al Azad, Nazibul Haq Ansari and others—for his sophisticated lifestyle, aristocratic tastes and temperament, impeccable dress, charming personality and inimitable wit and humour. While we were wearing ordinary panjabi pajamas, he looked elegant in his white sharkskin



Harun ur Rashid (1934-2020)

suit and shining shoes.

He became a barrister by accident. While studying for his Masters, he became seriously ill, with severe pains in his leg. He was under treatment in Mitford Hospital for about a year when doctors diagnosed his illness as bone tuberculosis and suggested amputation of his leg. He sat for his final MA examinations while bedridden and received a high second class. Professor Turner, who had a great deal of affection for this student of his, was

not convinced with the diagnosis of this illness and recommended further treatment in London. He wrote a letter of recommendation addressed to whomever it may concern, with a copy for President Ayub Khan, suggesting that Harun was a brilliant student and needed support for his treatment in London. I used to visit him often in the hospital with food prepared for him by my mother. One day, he looked in high spirits and showed me a letter received from the military secretary of President Ayub Khan, telling him to collect his ticket to London from the CIA office in Motijheel. Over there, the doctors diagnosed his illness as arthritis and soon he was cured. He became a teacher in a school and went on to study to become a barrister.

Harun returned home as a Barrister from Lincoln's Inn, started practising in Dhaka High Court, and married Nazma Bhabhi, daughter of Amin Ahmed, the first Chief Justice of East Pakistan. Meanwhile in the 60s, after serving as a Professor of English in Ananda Mohan College, Mymensingh for over four years and a brief stint with APP as a journalist along with Mahbulul Alam, Amanullah, Saiful Bari, Jawadul Karim and Mozammel, while I moved to Islamabad to work as a senior research

assistant in the information ministry headed by the amazing Altaf Gauhar as secretary. One day, to my surprise, Harun showed up at my residence and said he had joined as Deputy Legal Advisor in the foreign ministry. After that, we met often at our residences, dined together and went on sightseeing visits to the Murree Hills, Lahore Fort and Landi Kotal Market in Peshawar.

After the independence of Bangladesh, we worked together in the foreign ministry. He had since left his job as a legal advisor and joined the political desk of DG South Asia. He was later inducted into the foreign service but often felt himself as a stranger among the tribe of his career diplomat colleagues. However, with his legal background, he soon grasped fully to his advantage the negotiating skills needed in diplomacy and acquitted himself as an astute diplomat as Ambassador for Bangladesh in Nepal, Australia, the Philippines and Austria. After retirement, he maintained contact with local diplomats and hosted parties and dinners for them.

Again as first secretary at Bangladesh's Mission in Calcutta, I worked with Harun who was then head of the Mission, but we remained as good friends as ever, with no frayed

nerves between the boss and the subordinate. While I was working in our UN mission in New York in the 80s, I hosted Nazma Bhabhi, who was visiting the US with their daughter Sabrina for her admission into college. Sabrina has since done her PhD and is now teaching at BRAC University. Most of my class friends have passed away. Another classmate, Ruhul

He became a barrister by accident. While studying for his Masters, he became seriously ill, with severe pains in his leg. He was under treatment in Mitford Hospital for about a year when doctors diagnosed his illness as bone tuberculosis and suggested amputation of his leg.

Amin, is in a coma for over a year after suffering a stroke. Their deaths remind me of Donne's poem—"Don't ask me for whom the bell tolls, it tolls for thee." I am in the departure lounge waiting for the last and final call to join my dear, departed friend Harun.

Abdul Hannan is a former diplomat of Bangladesh.

QUOTABLE Quote

MARIANNE WILLIAMSON
(Born 1952)
American author, spiritual leader, politician, and activist.

We are not held back by the love we didn't receive in the past, but by the love we're not extending in the present.

CROSSWORD BY THOMAS JOSEPH

ACROSS

- 1 Aid illegally
- 5 Appear
- 9 Longtime battlers
- 11 "—the top"
- 12 Cloth fold
- 13 Mystiques
- 14 Descartes's conclusion
- 15 Stifle
- 17 Evergreen tree
- 19 Lock opener
- 20 Brown ermine
- 21 Soap unit
- 22 Odor
- 24 Inlet
- 26 — cologne
- 29 Huck's pal
- 30 Catherine the

DOWN

- 1 Jellied dish
- 2 Secures, as ropes
- 3 Not subject
- 4 Pot brew
- 5 Tart
- 6 Cry of discovery

Great, e.g.

- 7 Pencil end
- 8 Like many dorm rooms
- 10 Brook
- 11 Puppy sounds
- 16 Reverses
- 18 Optimistic
- 21 Unfocused sight
- 23 Takes in eagerly
- 24 Proof of purchase, at times
- 25 Current unit
- 27 Modest
- 28 Vivacious wit
- 29 Physicist Nikola
- 30 Sinuous fish
- 31 Counterfeits
- 33 Cincinnati team
- 37 Center

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BEETLE BAILEY by Mort Walker

BABY BLUES by Kirkman & Scott

YESTERDAY'S ANSWERS

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O R A C L E S T A R I D
D A L L A S T A R I S
A N T E S
S W I G G O B S
S C A R T U N I C S
P E C S U E B R A
A N K L E T C L E O
T O A D P H E W
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T U R N G E T S U P
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