

Focus on stock market

Institution needed to invest small savings

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Bangladesh is a least developed country having low income, savings and investment. Because of its low income, its saving is also low, resulting in low investment. Its low savings are again in small holdings scattered over the whole country. In order to transform the small, scattered savings into investment, an institutional framework is required. Stock exchange is one of the institutions which plays a pivotal role in transforming small, scattered savings into investment.

Dhaka Stock Exchange Limited (DSE), the country's lone secondary securities market, was established during Pakistan-period. Its activities, however, were suspended after liberation of the country. Only in 1977, its activities were re-started. In the earlier years of its operations, its turnover and composite price index, and the public offer of shares and debentures and subscription there against were quite low.

The activities of DSE, however, picked up momentum from mid-1980s. Turnover of shares and debentures in-

creased by 2229.14 per cent, 48.29 per cent and 271.27 per cent in 1985, 1986 and 1987 respectively. Total number of listed securities increased from 53 in 1985-beginning to 111 at 1988-end. Number of public issue amounted to 19, 9, 9 and 21 during 1985, 1986, 1987 and 1988 respectively. Public issues were over-subscribed by 70.81 per cent, 51.10 per cent 72.82 per cent and 138.17 per cent in 1985, 1986, 1987 and 1988 respectively. Composite price index almost doubled during the first five months of 1987, and remained in the similar range during 1987 and 1988.

Shares and debentures became household word; stock exchange and investment

companies became busy places; and money started flowing from banks to securities market.

The days of momentum in the stock exchange, however, were limited. The securities market started limping from February 1988. Turnover has fallen. Composite Price Index has been reduced to almost a half. Public issue has disappeared from the market. Shares and debentures have been heavily undersubscribed. People have developed hatred to securities losing hard-earned savings. Stock exchange and investment companies have become no men's land. And brokers, because of working capital shortage, have started begging loan from

banks.

The crash in the stock exchange was not, however, unexpected. In fact, experts forecast in as early as 1988 that absence of an institutional framework, and undesirable practices (in relation to securities-tradings, corporate reporting, security-issues, meetings and dividends) were leading us towards a stock market crash. The crash was brought nearer by improper implementation of 'holding company scheme' by the previous regime, and economic depression (caused by floods, political unrest and cyclones) that was prevailing in the country since end-1988.

There are two schools of thought on the causes of crash

of securities market in Bangladesh. The management of DSE thinks that the causes of limping in securities market include - (a) absence of automation in the stock exchange, (b) absence of banking support for the brokers, (c) absence of operations of foreign brokers an investment companies in the stock exchange, (d) non-sale of shares of multinational companies to the general public, (e) non-shifting of office of the Controller of Capital Issues from 'the Secretariat' to 'an outside location,' and (f) lack of interests on the part of insurance companies to invest in securities.

Automation is not a necessity for securities market re-

covery. It can only improve the efficiency of the market but can not, by itself, increase tradings in the market so necessary for its recovery.

Brokers are supposed to act for the general public, not on their own account which only jobs can do. So, brokers should have adequate own capital to gain confidence of the general public, and should not borrow from banks. Only jobbers with adequate own-capital may be allowed to borrow from banks and investment companies to avoid bankruptcies.

Presence of foreign brokers and investment companies would bring confidence in the market. Such confidence, however, would be short lived if an institutional framework is

not developed, and undesirable practices are not eliminated.

Sale of shares of multinational companies to the general public would encourage them to invest once again in securities. Such interests, however, would be short-lived if inherent lapses are not removed.

Shifting of office of the Controller of Capital Issues will not help the general public, but the stock exchange and the quoted companies. What is required is not shifting of the office, but the constitution of separate Corporate Laws Authority to ensure conformity of laws with practices.

Under the present circumstances, the insurance com-

panies and banks are prudent for not investing in securities. Only development of an institutional framework and elimination of undesirable practices can persuade the insurance companies and banks to invest in securities.

The problems identified by DSE are not, therefore, the real problems, and solutions thereof would not cause recovery of the securities market. DSE favours white-washing, instead of removing the roots of the problems.

In this commentary on the operations of Dhaka Stock Exchange (DSE) the writer focuses on factors, fettering the growth of the securities market in general and the stock exchange in particular in Bangladesh. The commentary is a three-part series which The Daily Star serialise under the caption, Focus on Capital Market, from Today in Business Page. The views, expressed here, are those of the writer's own and not necessarily that of The Daily Star. —Economic Editor

Steps to rescue specialised textile units

By Shahiduzzaman Khan

The government is considering a number of steps to rejuvenate the ailing specialised textile sector. Textile Ministry sources say.

A Committee formed by the Ministry formulated a set of recommendations after holding discussions with the Bangladesh Specialised Textile Mills and Power Looms Association (BSTMPLA), mill owners, experts and public sector representatives.

BSTMPLA President Col (Rtd) Selimuddin told The Daily Star on Friday that the association was expecting a positive decision from the government to redress the sufferings of the owners of the specialised textile mills and power looms.

Col Selim said nearly 95 per cent of country's specialised textile mills and power looms were already closed down following ineffective government policy on textiles. Imported fabrics have flooded the entire market and took firm control of the market mechanism driving away the locally produced textiles.

He said there are 1775 specialised textile and power looms all over the country but only 500 of them are members of the association. In the ab-

sence of a uniform policy and government patronage, most of the mills and looms were forced to shut down.

The recommendations which will be placed before the Council of Ministers shortly include uniform rate of interests on loans taken by the owners, adequate sizing facilities, Balancing, Modernisation, Renovation and Expansion (BMRE) of the sick industries and formation of a joint unit comprising a number of 20-loom units to make them viable, the Ministry sources said.

After tremendous success of the specialised textile sector in the '80s, the local entrepreneurs went on a mad rush to set up these mills and power looms. An estimated 2000 specialised Textile Mills were set up comprising over 25,000 looms in an unplanned manner.

During the late '80s, the specialised mills and power looms were beginning to incur huge loss as imported fabrics required for the export-oriented garments industry continued to flood the local market. These fabrics were available at a cheaper price as their imports were duty free. As a

result, most of the mills faced closure.

The situation went beyond anybody's control in the '90s and in the absence of adequate government support, nearly 95 per cent of the mills and looms were closed and the remaining few running mills were incurring huge financial losses, the sources say.

The sick units are mostly of 20 looms or less and facilities for back processing are absent. In the absence of adequate sizing machines, the mills could produce only artificial fibres.

Bank interest rate was 14 per cent before 1986 and debt service ratio was 60:40 and 80:20 for the specialised textile units. But for the units set up under BSCIC, the rate of bank interest was 10 and equity ratio was 80:20. As a result, serious anomalies cropped up in the process and these small units were burdened with heavy loans and liabilities.

The Committee has, of late, recommended a uniform policy on the rate of bank interest and debt service ratio. It suggested quality control of the locally produced fabrics to be used in the export-oriented garments industry, timely de-

livery of the products and its adequate supply to the users.

The recommendations include formation of groups with 200 looms in each locality and support these groups by setting up a sizing machines and back processing machines. Besides, the establishment of dyeing units was recommended for unique dyeing and finishing facilities for the products.

The process call for an investment of Taka 30 crore which the committee suggested that this money should be channelled through private sector credit.

At present only two per cent of the locally produced fabrics are consumed by the garment industry. If the local specialised textile sector is given proper incentive it is possible to export locally manufactured fabrics in a bigger way, experts suggested.

Informed circle believes that problems of the sick textile industries should be identified first and real sick units should be also identified. Allegations are galore that many entrepreneurs had taken loans in the name of specialised textiles but invested the loan money elsewhere.



R M H Duncan, Managing Director of Bangladesh Tobacco Co Ltd handing over a cheque for Taka 1.5 lakh as donation to Alamgir M A Kabir, President of Diabetic Association of Bangladesh. Also seen is R A Mazumdar, Corporate Affairs Manager of BTC.

BTC donates Tk 1.5 lakh to DAB

Bangladesh Tobacco Company Ltd (BTC) has donated Taka 1.5 lakh to the Diabetic Association of Bangladesh (DAB). The money will be utilised to buy lottery tickets as part of DAB's annual fund raising campaign, says a press release of BTC issued Friday.

The press release added that, if any of these tickets win prizes these will also be donated to DAB. R M H Duncan, Managing Director, BTC handed over a cheque of Taka 1,50,000 to Alamgir M A Kabir, President DAB on Thursday in a simple ceremony.

The DAB provides free treatment to poor diabetic patients and depends largely on

Jute prices down in Kushtia

KUSHTIA, Oct 4 : Jute prices have gone down abnormally in the local markets creating widespread dissatisfaction and financial hardship among the growers, reports UNB.

About 15,000 jute growers in six upazilas of the district have been passing their days in helpless condition as they return home with their produce unsold due to dearth of buyers.

Jute growers representatives said, the prices of jute ranged between Taka 250 to 275 according to quality which was far below their minimum production cost.

The growers alleged that they were being deprived of even cost of production due to encroaching of middlemen locally known as farias. The farias, deployed by the traders, come up only when the growers agree to sell their produce at a very low price.

Jute cultivators said that the jute market was down because of reluctance of jute buyers and traders. After visiting different markets, UNB correspondent found that there was no buyer in Sadar, Bheramara and Daulatpur upazilas.

Meanwhile, Bangladesh Jute Corporation having two offices, one at Paragpur and the other at Bheramara, purchased jute from the growers and small traders last year on credit, but has not yet paid off the outstanding dues amounting to Taka 50 lakh.

Small traders who supplied jute to the shippers in Khulna and Narayanganj are yet to get back their money amounting to Taka 20 lakh.

As a result, these two buying agencies could not open their purchasing centres.

BCIC unaware of KAFCO reaction

Bangladesh Chemical Industries Corporation (BCIC) Thursday denied any knowledge of Karnaphuli Fertilizer Company's (KAFCO) sharp reaction to the government decision for renegotiation terms of the proposed fertilizer project under joint venture, reports UNB.

"We are not aware of the statement purported to have been issued by KAFCO shareholders", said a spokesman of BCIC which holds 30 per cent share in the 459 million Dollar project.

An unsigned 'press release' in white paper reached to selected newspapers on October 1 said "all shareholders of KAFCO have expressed their dismay at yesterday's decision of the Cabinet...".

The Cabinet meeting presided over by Prime Minister Khaleda Zia on September 30 had considered recommendations of the Special Cabinet Sub-Committee on KAFCO. It directed the Sub-Committee to renegotiate the agreement on pricing of gas and letter of guarantee against foreign credit for the project.

The Japanese who are major partners in the project sharply reacted to the government decision.

The BCIC spokesman told that they were neither consulted by anyone nor aware of who issued the unsigned press release which was published in a section of the press.

Agreements on the export-oriented fertilizer plant under joint venture were signed by shareholders (BCIC, Japanese, Danish, Dutch and British) at

Withdrawal of VAT on hotels, sweetmeat shops demanded

Star Economic Report

Dhaka City Hotel and Sweetmeat Shop Owners Association on Friday reiterated their demand to withdraw Value Added Tax (VAT) from them.

Khandakar Ruhul Amin, President of the Association speaking at a meeting of owners at a local hotel here said the fixation of turn over tax barrier at Taka five lakh instead of the previous Taka six lakh limit affect their business. He said there were no tax up to the income of Taka six lakh previously. But now two per cent tax has been imposed on annual sale of upto Taka five lakh.

The association also demanded lower rate for electricity, gas and water. The meeting viewed that the lowest rate for gas was Taka 272 in 1987. But this has increased to taka 20,000. It said most of the hotel owners are not well off to pay such high gas bills.

Market Prices of Listed Shares and Debentures with Dhaka Stock Exchange

At the close of trading on September 26 and October 3, 1991.

Company	EV/ML	1990-91			
		September 26	October 3	High	Low
BANKS (Ten)					
Al Baraka Bank	1000/1	770.00	786.000	1010.00	725.00
AB Bank	100/5	180.00	180.00	185.00	135.00
City Bank	100/5	275.00	275.00	290.00	178.00
LFIC	100/5	177.00	177.00	202.00	140.00
Islami Bank	1000/1	1190.00	1190.00	1400.00	1000.00
National Bank	100/5	118.00	118.00	125.00	102.00
Pubali Bank	100/5	86.00	87.00	110.00	86.00
Rupali Bank	100/10	77.87	75.00	110.00	75.00
U.C.B.L.	100/5	119.00	119.00	138.00	119.00
Utara Bank	100/5	190.00	190.00	230.00	180.00
INVESTMENT (Eight)					
LCB	100/5	92.00	92.00	100.00	90.00
1st ICB M.Fund	100/5	390.00	390.00	400.00	390.00
2nd ICB M.Fund	100/5	154.00	154.00	200.00	150.00
3rd ICB M.Fund	100/5	135.00	134.00	186.00	130.00
4th ICB M.Fund	100/10	131.00	131.00	157.00	123.00
5th ICB M.Fund	100/10	106.00	102.25	139.00	94.00
6th ICB M.Fund	100/10	68.50	67.00	100.00	59.50
ICB Unit Cert.	115/0	115.00	115.00		
Sales Price	110.00	110.00			
Re-purchase					
INSURANCE (Four)					
BGC	100/10	107.50	105.38	117.50	104.00
Green Delta	100/10	117.50	116.75	122.00	104.50
Peoples	100/10	128.00AL	128.00AL	130.00	108.00
United	100/10	123.50	123.50	124.00	105.00
ENGINEERING (Nineteen)					
Alfab Automobiles	100/5	205.00	201.00	220.00	194.00
Alfab Bangladesh	100/5	40.00	39.50	44.00	36.00
Acta Pipes	100/5	280.00	285.00	300.00	218.00
Bangladesh Autocare	100/5	96.00	91.00	123.00	91.00
Bangladesh Lamps	105/5	285.00	285.00	290.00	230.00
B-Tab Aluminium	100/10	91.89	90.63	110.00	75.00
Bengal Carbide	100/5	250.00	250.00	250.00	250.00
Bengal Steel	10/50	18.00	18.00		
Eastern Cables	100/5	78.00	79.00	109.00	75.00
Howlader PVC	100/10	104.00	100.00	122.00	97.00
Karim Pipe	100/5	128.00	136.00	138.13	110.00
Metalex Corp.	100/5	114.00	116.00	115.00	75.00
Monno Stafflers	10/50	200.00	200.00	200.00	200.00
Monno Jutez	100/5	210.00	210.00	210.00	210.00
National Tubes	100/10	109.00	109.00	137.00	103.00
Panther Steel	10/50	6.00	6.00		
Quasem Drycells	10/50	7.90	8.00	9.30	7.50
Reznick Jutezwear	100/5	70.00	70.00	74.00	43.00
Singer Bangladesh	100/5	990.00	990.00	1125.00	990.00
FOOD & ALLIED (Twenty one)					
Alfa Biscuits	100/5	180.00	180.00	200.00	180.00
Alpha Tobacco	10/50	48.00	48.00	48.00	48.00
Amman Sea Food	100/5	36.00	36.00	40.00	39.00
Apex Food	100/5	340.00	340.00	340.00	270.00
Aroma Tea	100/5	85.00	80.00	85.00	45.00
Bangla	100/5	305.00	305.00		
Bengal Food	100/5	128.19XR	128.19XR	255.00	125.00
BLTC	100/5	600.00	600.00	600.00	600.00
BTC	10/50	40.00	37.00	83.00	35.00
Chig. Vegetable	100/5	99.00	99.00	117.00	92.00
Dhaka Vegetable	100/5	139.00	134.77	175.00	127.00
E.L. Comella	100/5	700.00	700.00	700.00	500.00
Frogging Export	10/50	4.50	4.50	6.75	4.00
Gemini Sea Food	100/5	100.00	100.00	100.00	100.00
Modern Industries	100/5	180.00	180.00	180.00	135.00
N.T.C	100/5	270.00	270.00	280.00	220.00
Robyta Flour	10/100	NT	NT		
Rupam Oil	10/100	6.06	6.06	7.50	6.00
Tolly Dairy	100/10	95.00	94.00	105.00	90.00
Young Flour	10/50	NT	NT		
Zal Bangla	10/50	8.25	8.10	10.00	7.50
FUEL & POWER (Three)					
Padma Oil Co.	10/50	40.00	40.00	45.00	40.00
Eastern Lubricant	10/50	14.00	14.00	81.50	46.50
Oxygen	10/50	53.00	50.00		
JUTE (Twelve)					
Abad Jute	100/10	NT	NT		
Anonara Jute	10/50	NT	NT		
Delta Jute	10/50	8.50	8.50		

Sales-Purchase-Tender & Employment News

- Wanted**
- Dhaka University invites applications for the post of UD Assistant in the Department of Physics. Candidates must be graduate and have 5 yrs experience. Please apply on plain paper stating full particulars with attested copies of certificates and testimonials along with Bank Draft Tk 10/- to the Registrar. Applications should reach to Chairman of the Department of Physics on or before 16.10.91.
 - Dhaka University invites applications for the post of Asst-cum-Typist in the office of Dean of the Faculty of Biological Sciences. Candidates must have passed in SSC exam and have type writing speed of 25 and 30 word per minute in Bengali and English respectively. Applications on Plain paper stating full particulars with attested copies of certificates and testimonials along with a Bank Draft Tk 10/- to the Registrar, should reach the Dean of the Faculty of Biological Sciences on or before 16.10.91.
 - The Advertiser, GPO Box No 4185, Dhaka requires "Accounts and Audit Officer" to be based in Faridpur. Applicant must be a graduate in accounting with 8-10 yrs experience having cleared at least C.A. intermediate examination. Please apply with three copies of bio-data, names and address of two references and recent photographs by 15.10.91.
 - A multinational company requires a graduate Mechanical Engineer for their factory at Chittagong. Candidates must have experience in Engineering industry. Please apply with complete bio-data and a PP size photograph to GPO Box No. 601, Chittagong before 20.10.91.
- Tender**
- Executive Engineer (Electrical) (Incharge), University of Dhaka invites sealed tenders in Dhaka University form "Tender for works" from 1st & 2nd class enlisted contractors (Electrical) of Dhaka University for the works of special repairs & replacement to the damaged Electrical installation in the Jute & carbohydrate Project Laboratory of the Department of Chemistry, Dhaka University. Tender schedule available from the above office upto 12.00 noon on all working days. Tenders will be received by the above office upto 12.00 noon of 10.10.91.
 - Executive Engineer, Water (C&D) Division Dhaka WASA invites sealed tenders from 1st class bonafide contractors of tubewell sinking work for sinking 5 (five) ft dia deep tubewell by imported materials at Greater Dhaka Metropolitan city area. Tender schedule available from Chief Accounts Officer of Dhaka WASA, WASA Bhaban, 98 Kazi Nazrul Islam Avenue, Dhaka and all MODS Zone offices of Dhaka WASA. Other detailed information may be known from the above office. Tenders will be received upto 12.00 noon of 10.10.91.
 - General Manager, KPM Ltd. Chandraghona, Rangamati invites sealed tenders from bonafide brick manufacturing contractors for manufacturing and supplying of 15 (fifteen) lacs of kiln burnt brick. Tender documents available from the office of (i) KPM Ltd. Chandraghona (ii) 92, Sadarhat Road, City (iii) BCIC, BCIC Bhaban, 30-31, Diluaha C/A, Dhaka upto 15.10.91. Tenders will be received at (i) KPM Ltd. Chandraghona, (ii) 92, Sadarhat Road, Chittagong & (iii) BCIC, BCIC Bhaban, 30-31, Diluaha C/A, Dhaka simultaneously upto 11.00 am of 16.10.91.

Blood selling, buying termed social crime

'October Service Week' of the Lions Club began in the city Friday with a pledge to serve the distressed humanity, reports BSS.

The week is being observed here and elsewhere around the globe from October 1, World Lion Day, will be celebrated on October 8.

The Dhaka based Lions Club Friday brought out an anti-drug rally participated by 25 Lions club from Shishu Park premises to the National Press Club and it was followed by blood donation campaign.

Abdul Mattin Chowdhury, Minister for Home Affairs, attended the function as the chief guest.

Chaired by Ln Mohammad Mohsin, it was addressed among others by Ln J M Bhoumik, Ln Governor Mohammad Shahajahan and Ln S G Raouf.

Speaking on the occasion, the minister termed the blood donation as a human deed, and said selling or buying of blood is a social crime.

The minister said the members of the Lions Club could contribute a lot towards alleviation of the sufferings of the destitutes.

Describing the detrimental effect of drug abuse, Chowdhury said he had already directed officials concerned to put in their utmost endeavour to curb drug trafficking.

"It is our sacred duty to save the drug addicted youngsters and stop decadence of the moral values," the minister said.

Referring to the unrest and campus violence, the minister expressed his firm pledge to restore congenial academic atmosphere and maintain the law and order in the society.

Meanwhile, Lions Club International District 315-B, Bangladesh has chalked out a week-long programme, including tree plantation sight testing, dental care of school children, blood group test, serving improved food to the orphanages and hospital.