

Intervention causes crisis in banking

Plea to restore disciplines in financial sector

Star Economic Report

Presidential Adviser for Planning Professor Rehman Sobhan on Thursday called for restoration of discipline in the financial institutions. Without this, all development efforts will be exercise in futility, he felt.

The Adviser was speaking as chief guest at a day-long open discussion on 'Financial Management in Bangladesh', organised by Bangladesh Finance Association at Dhaka University Teacher-Student Centre (TSC).

Shagufta Bakht Chaudhury, Governor of Bangladesh Bank was the special guest on the

occasion. Professor Sobhan said that intervention and not management inefficiency was responsible for the 'existing crisis' in the banking sector. He called upon the politicians to take steps so that the financial institutions could be run by the professionals without any influence-peddling from the outside.

The Planning Adviser said most credits by the financial institutions were utilized by persons having both influence and affluence. "Credit worthiness" of the borrowers was hardly considered while sanctioning funds, he observed. This resulted in very poor recoveries of credits, he added.

He observed the poor and the under-privileged have proved themselves to be the most credit worthy. This is borne out by the fact that the recovery rate of Grameen Bank loan is 95 per cent, he cited.

Professor Sobhan pointed out, 90 per cent of the loans disbursed by Development Financial Institutions (DFIs) are still to be recovered.

The recovery rate of only 10 per cent, which is one of the world's lowest, is alarming, he observed.

He said the new generation entrepreneurs are being ignored by the banks. This has sapped the vitality of a competitive private sector, he added.

Bangladesh Bank Governor Shagufta Bakht Chaudhury gave a picture of how the bank loans were given to various sectors.

He said agriculture, fisheries and forestry got 23 per cent of the loan while industrial sector accounted for 35 per cent. Thirtyone per cent went to trade and the rest to construction, electricity and energy sectors.

He said doubtful and bad loans constitute about 27 per cent of total bank loans while the comparative figure in India is 12 per cent, in South Korea seven per cent and in Malaysia only six per cent.

The Bangladesh Bank Governor said efficiency of the banks can be judged from the figures showing how smooth the recycling of money was.

Finance Association President Professor A. H. M. Habibur Rahman Presided over the inaugural session which was followed by two business sessions.

Eminent economists, academicians, civil servants and financial experts and leaders of chamber bodies took part in the deliberations.

Topics discussed were management of banking and insurance sector, capital market, specialised financial institutions, financing development plans in Bangladesh, management of public sector enterprises and financing private enterprises.

The organisers said the major objective of the discussion was to share the ideas of professionals and academicians in different areas of finance and provide a direction towards an efficient management in Bangladesh.

Quasem Drycells, the lone loser, on the day declined Taka 0.25 to Taka 7.75.

Quoted Prices of Traded Stocks

February 14

	FV/ML	Closing (Taka)	Changes (Taka)
Banks			
PLC	100/5	144.00	(+3.00)
National Bank	100/5	112.00	(+2.28)
Rupali Bank	100/10	79.00	(+4.00)
Uttara Bank	100/5	209.00	(+7.44)
3rd ICB M. Fund	100/5	146.00	(+1.00)
4th ICB M. Fund	100/10	136.00	(+3.00)
5th ICB M. Fund	100/10	117.81	(+0.81)
6th ICB M. Fund	100/10	89.58	(+1.58)
Insurance			
United	100/10	109.00	(+1.00)
Engineering			
B. Thal Aluminium	100/10	78.00	(+2.00)
Quasem Drycells	10/50	7.75	(-0.25)
Food & Allied			
Chg. Vegetable	100/10	95.00	unchanged
Dhaka Vegetable	100/5	153.42	(+0.42)
Pharma & Chem			
Amber Pharma	10/50	14.50	(+0.25)
Beximco Pharma	100/5	152.00	(+1.24)
Pharmico	100/5	43.00	(+3.00)
Textile			
Modern Dyeing	100/5	35.00	(+2.00)
Miscellaneous			
Apex Tannery	100/5	140.00	unchanged
Beta Store	10/100	38.00	(+1.00)
Chittagong Cement	100/5	141.00	(+1.24)
Debt			
Apex Tannery	1000/1	990.00	(+2.00)
Beximco Pharma	1714/1	1660.00	(+0.81)

* FV = Face Value, ML = Market Lot

* Changes: Plus sign means gain and minus losses.

Dhaka Stock Exchange Market Profile February—14

133 Listed stocks

19 Gains 1 Losers 113 Unchanged

* 113 unchanged stocks include two traded on the day at the previous day's quoted prices.
DSE All Share Price Index = 335.4853
Issued Capital-Taka 4,602,377,190.00
Market Capitalisation-Taka 9,586,578,431.00
Turnover = Taka 159,150.00 (Value) 2862 (Volume).



Export of lobsters and prawns to Middle East was stopped since the outbreak of Gulf war. Lobsters are available in city markets, but the price remains prohibitive. One kg of large-size lobsters sells at Tk 300 to 400 even after exports declined. — Star photo

Fair bidding suggested for international procurements

Star Economic Report

Several ministries including Planning Commission have received innumerable complaints about procurement of overvalued equipment and machinery for "development" and commercial projects in the past several years.

The complaints have come from trade and business circles, mostly agents or indentors for foreign suppliers. These are now under examination and investigation by the relevant ministries and agencies.

The allegations about 'bad' deals have one common theme. This relates to procurement procedures followed by the ministries, government departments and public sector bodies. How to make the professional arrangements transparent to avoid shoddy deals and to make business operations "fair" and "free" is the moot issue in this context.

This is a policy issue which will have to be addressed by the political government, highly placed sources in Planning Commission said.

Meanwhile, one complaint

with the Planning Ministry about an alleged foul deal in telecommunications sector suggested that there should be international bidding before allocation of a specific foreign credit or grant for a project.

The system for such a competitive bidding process was there in the past too. But that was "in paper only," according to the complainant.

"Invitation of such tenders was more a case of formality to comply with the procedure of the loan giving countries rather than to obtain correct or competitive bid prices from the suppliers of those countries," he noted in the representation. He said, "The prices were variably inflated where there was a lone manufacturer in a country. When there were more than one manufacturers, prior arrangements were made for the award of the favours."

He suggested that arrangements should be institutionalised on a firm basis "to invite open international bids and awards may be made to the lowest bidder providing suitable credits or grants from the

respective country of origin". Our country must not be allowed to become the dumping ground of overvalued equipment," he concluded.

The complainant alleged bidding prices in most cases of "development" projects in the past years were inflated with prior arrangements within the vested interest groups.

A private firm has sent a memorandum to the Planning Ministry alleging that international tenders have been allocated to parties even though their bidding prices are much higher than other parties.

It also alleged that bidding prices are being inflated with prior arrangements made in favour of the vested parties.

He cited the case of the 225 million French Franc credit for microwave and telecom project in 1989. The credit was accepted by spurning the offers of grants from Finland and Belgium, he claimed. The "award" of the contract was to a "favoured" party though government itself was the "ultimate loser," he alleged.

Global banking activities up despite Gulf crisis

BASLE(Switzerland), Feb 14 : International banking activity rose sharply in the third quarter of 1990 despite the Gulf crisis and an economic slowdown in several major industrial nations, the west's leading central bank agency said on Thursday.

A revival of Japanese banks' interbank activity, was the principal factor behind this sharp turn-around, the Bank for International Settlements (BIS) said in its latest quarterly review.

The Basle-based institution said net international lending jumped to 145 billion Dollars from 60 billion Dollars in the second quarter last year.

The BIS, which acts as a central bank for western central banks, based its study on data reported by banks in the Group of 10 industrialised countries and other important European and offshore centres.

About 15 billion Dollars of the growth in third-quarter lending was due to German monetary and economic union in early July, since figures to

the end of September included Eastern German banks as reporting institution for the first time.

But the main factor behind the lending increase was a recovery in the international activity of Japanese banks, which had virtually ground to a halt in the first half of 1990 when the Yen was weak and Japanese share prices fell, the BIS said.

The room for expansion created by the first-half full combined with the Yen's subsequent recovery to give Japanese banks "sufficient scope to increase their international activities during the third quarter," it added.

Japanese entities were also said to be a major factor behind a jump to 63.2 billion Dollars in the number of new international bond issues announced in the third quarter, from 55.5 billion Dollars in the previous quarter.

The BIS said the reopening of the market for equity-related issues for Japanese borrowers released pent-up borrowing demand.

The BIS said banking activ-

ity with Iraq and Kuwait was seriously disrupted after the Iraqi invasion of its smaller neighbour on August 2 and the subsequent international agreement to freeze business with both countries. But the impact on banks' outstanding positions regarding Iraq and Kuwait was marginal.

The BIS reported a shift in bank and non-bank deposits from the Middle Eastern members of the Organisation of Petroleum Exporting Countries (OPEC) to Britain, Switzerland and the United States. But it gave no figures.

BIS pleads for aid to E. Europe

Another report on BIS review adds: Commercial banks are shying away from lending in Eastern Europe and official aid must step in if reforms in the new democracies there are to succeed.

The BIS said commercial lending shrank in the first nine months of 1990 by 6.8 billion Dollars after adjustment for exchange rate changes.

Pak remittance loss \$ 400 m

ISLAMABAD, Feb 14 : Pakistan's Gross Domestic Product (GDP) grew at a 5.5 per cent rate in the first half of the fiscal year despite the impact of the Gulf war, Finance Minister Sartaj Aziz said Wednesday, report AFP.

The Minister told a press conference the economy had shown its resilience in recording "respectable" 5.5 per cent annual growth and an improvement in its balance of trade.

The growth rate in fiscal 1989-90 was 4.6 per cent. Analyzing the economic performance during the first half of fiscal 1990-91, which ends June 30, he said oil and gas production increased by 25.1 per cent and 4.1 per cent respectively.

Installed electricity generation capacity was up from 7,894 megawatts in June to 8,314 mw in December, he said, adding that total industrial production was 7.5 per cent higher than in the same period in 1989-90.

Production targets for cotton, sugarcane and basmati rice in 1990-91 will be achieved but IRRI rice and maize shortfalls were anticipated, Mr. Aziz said.

Exports rose by 28.8 per cent during the six months compared to the same period last year, the Minister said.

The increase in exports offset a current account shortfall of 500 million dollars that resulted from Gulf-related factors, including the losses of 400 million dollars in hard currency remittances from workers, Mr. Aziz said.

He said remittances during the 1990-91 fiscal year were projected at 1.8 billion dollars.

The Minister said the Gulf war would cause Pakistan and estimated two billion dollar current accounts deficit in 1990-91.

Mr. Aziz, in an interview published Wednesday, said he hoped that the suspension of US Aid to Pakistan would not affect disbursements from other bilateral and multilateral donors.

The United States suspended about 570 million dollars in annual economic and military assistance in October because of its concerns over Pakistan's nuclear programme.

The Minister said he expected an early disbursement of the balance of a 140 million dollar loan from the International Monetary Fund after renewed negotiations later this month.

If the talks are successful, this will also pave the way for Pakistan's entitlement to another 380 to 400 million dollars of an emergency oil credit, he said.

Indian grain output rises by 3m tons

NEW DELHI, Feb 14 : The Indian Prime Minister Chandra Shekhar said the country's grain output would have to be raised by 7 million tons a year to meet the requirement of the growing population, local press reported here, reports Xinhua.

At present, the production was rising by about 3 million tons a year. Ideally, the country should look forward to an annual increase of 10 million tons, he added.

Inaugurating the golden jubilee symposium of the Indian Society of Genetics and Plant Breeding here, the Prime Minister said despite impressive advances in agriculture, the country could be described only as "almost self-sufficient" in food. Many people did not get the calories they needed because they did not have the necessary purchasing power.

The Prime Minister also cautioned the scientists against creating ecological problems for the future in their anxiety to get immediate results. The science of genetics and plant breeding had

given new hope to mankind but research should not disturb the natural balance, he said.

India has huge population of more than 820 million and produced 176 million tons of grain in 1989-90, according to official statistics.

PTI adds: While some agricultural experts hailed growing international cooperation in crop research, others warned that India's liberalised seed import policy may open the gates for new diseases.

India has only four plant quarantine facilities as present which are inadequate to test all the imported seeds for the presence of pests and diseases, experts attending the international symposium on Genetic Research and Education said here.

Private companies are importing thousands of tonnes of seeds and with no guarantee of their health status. The seeds may be a source of hitherto unknown diseases several years later, some experts from the International Potato Centre (IPC) cautioned.

Political will for technology-led growth stressed

Speakers at a seminar in Dhaka on Thursday morning stressed the need for political will to pursue a technology-led growth process for overall development of the country, reports UNB.

Vice-Chancellor of Bangladesh University of Engineering and Technology (BUET) Prof. M.H. Khan inaugurated the seminar emphasising on human resource development for proper utilization of technology in accelerating the pace of development.

Organised by BUET Teachers' Association at the University's auditorium the inaugural session of the seminar on "Technology for Sustainable Development" was presided over by its President Jasm-uz Zaman and was also addressed by General Secretary Dr. Nizam Ahmed.

Presenting the key-note paper at the opening session, Prof. Iqbal Mahmud said the primary initiative for injecting technology in the economy for higher productivity should be taken by the public sector institutions.

"While we try to follow the policy prescriptions for liberalization, the vital catalytic role of the government in promoting technology should be appreciated," he said.

BSS adds: The seminar was also addressed, among others, by Dr. Kamal Hossain, member of the Presidium of Bangladesh Awami League, Renowned economist Prof. Mozaffar Ahmed and Dr. Nizam Ahmed, General Secretary of BUET.

Prof. Mosharraf Hossain Khan said "technological development depends on political sincerity". Politicians and other professionals shall have to take initiatives for technological development, he added.

Dr. Kamal Hossain stressed patriotism, national dedication and public participation for sustainable national development. Prof. Mozaffar Ahmed proposed for modernization of engineering academic curriculum.

Allies contribute 88 p.c. of Operation Desert cost

WASHINGTON, Feb 14: US Allies have contributed 9.7 billion dollars of the 11.1 billion dollars spent in 1990 on Operation Desert Shield, or 88 per cent of the total, the White House announced Wednesday, describing the Allied payment as remarkable, reports AFP.

The White House said it did not have specific cost figures on the current phase of the Gulf conflict since the beginning of this year, or since the onset of Operation Desert Storm January 17, but said more up-to-date statistics should be available as early as next week.

Of the 11.1 billion dollars spent by the United States between Iraq's invasion of Kuwait August 2 and the end of 1990, Kuwait, Saudi Arabia and the United Arab Emirates (UAE) underwrote 62 per cent while Germany, Japan and South Korea picked up another 26 per cent of the tab.

Of the 9.7 billion dollars in Allied contributions, 7.1 billion already have been transferred to the United States, and another 2.6 billion dollars will be paid out shortly, the White House said.

More than 70 per cent of the 9.7 billion dollar figure has been paid in cash with the remaining amount contributed in the form of funds, petroleum, water and transportation and other logistical services.

HIDES & SKIN (Wet/Salted)

February 14

Taka per 100 pieces)

Cow	12,000.00	15,000.00
Light	25,000.00	30,000.00
Medium	35,000.00	40,000.00
Heavy	50,000.00	55,000.00
Very heavy	65,000.00	70,000.00
Rejected	25,000.00	30,000.00

Goat

Big & heavy

Light & medium

Rejected

Sheep

BUFFALO

Source: Department of Agricultural Marketing

Snippets

Manila hosts world trade fair

MANILA, Feb 14 : The Philippines will host from Friday a world trade fair here with top industrialists from twenty three countries in attendance, local reports said today, reports Xinhua.

The 8th Philippine international trade fair (PITF) will feature trade booths and pavilions of 100 exhibitors.

Products on display at the fair will include robotic trucks, robots, hydraulic and pneumatic products, transport vehicles, diamond cutting discs, pharmaceuticals, irrigation equipment, and office and school supplies.

Britain cuts interest rates

LONDON, Feb 14 : Britain's Conservative government cut interest rates on Wednesday as the Economy headed deeper into a recession, reports Reuters.

The Bank of England (central bank) signalled that bank base lending rates should be cut by half a percentage point to 13.5 per cent when it cut its money market lending rate by that amount, dealers said.

BA fare cut blocked

WASHINGTON, Feb 14 : Transportation Secretary Samuel Skinner has blocked British Airways (BA) bid to slash round-trip fares by 33 per cent between Britain and the United States this summer, reports AFP.

The U. S. action late Tuesday gives Mr. Skinner an edge with the British government over landing rights at London's Heathrow Airport, analysts said.

Landing rights for United Airlines and American Airlines at Heathrow are key to the two airlines' agreements to buy U. S. London routes from Pan American World Airways and Trans World Airlines.

Indonesian gas field contract

PERTH (Australia), Feb 14 : The Indonesian subsidiary of a western Australian engineering company has won a 150 million dollar (117 million US dollar) contract for the development of a major gas field near the island of Bali, the western Australian company said, reports AFP.

P. T. Petrosea, a subsidiary of Clough Engineering, of Perth, had beaten three other bidders for the first phase of the design and development work for the new project, the company said.

Price Barometer: Essentials

February 14

RICE	(Taka per Kg)
Amam Very fine	17.00-17.50
Amam (fine)	14.00-15.00
Pajam	13.00-14.00
Ufshi	11.50-12.50
VEGETABLES	(Taka per kg)
Potato (White)	3.50-4.00
Brinjal	6.00-8.00
Lady's finger	15.00-17.00
Carrot/flower 1 piece	6.00-8.00
Karola	18.00-20.00
Lalishak	5.00-6.00
Green Banana (Four Pieces)	5.00-8.00
OTHER FOODSTUFFS	(Taka per Kg)
Flour	12.00-14.00
Atta	11.00-12.00
Wheat	9.50-10.00
FISH	(Taka per kg)
Rubi (big)	120.00-130.00
Katla (big)	80.00-90.00
Hilsha	65.00-70.00
Shrimp (big)	90.00-110.00
Singi	60.00-65.00
Koi	75.00-80.00
PULSES	(Taka per Kg)
Mashur	32.00-38.00
Moogh	32.00-35.00
Chholah	24.00-26.00
Mator	27.00-28.00
Khesari	18.00-20.00
MEAT	(Taka per Kg)
Beef	Not Available
Mutton	"
OIL	(Taka per Litre)
Mustard	46.00-50.00
Soybean	32.00-33.00
Coconut (Colombo)	60.00-64.00
Vegetable Ghee	44.00-52.00
SPICES	(Taka Per kg)
Onion (new)	12.00-16.00
Garlic	40.00-48.00
Chillies	65.00-70.00
Turner (Round)	40.00-46.00
" (Long)	42.00-50.00
Green chillies	18.00-20.00
Ginger	16.00-20.00
Cinnamon* (10gms)	3.00-3.50
Cardamom* (large)	4.00-5.00
Jira (50gms)	7.00-7.50
MISCELLANEOUS	(Taka)
Ghee	220.00-230.00
Sugar	32.00
Molasses	16.00-18.00

Source: Department of Agricultural Marketing

Marking

Gold & Silver

February 14

(Taka for 100 grams)

Gold

Silver

Source: Department of Agricultural Marketing