

Business

Intervention causes crisis in banking

Plea to restore disciplines in financial sector

Star Economic Report

President's 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).

Sheguya 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 Sheguya 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, academics, 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 academics in different areas of finance and provide a direction towards an efficient management in Bangladesh.



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

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

Quoted Prices of Traded Stocks

February 14

	*FV/ML	Closing	Changes	
		(Taka)	(Taka)	
Banks				
IFCIC	100/5	144.00	(+3.00)	
National Bank	100/5	12.00	(+2.28)	
Rupali Bank	100/10	79.00	(+4.00)	
Uttara Bank	100/5	209.00	(+7.44)	
Investment				
3rd ICB M. Fund	100/5	146.00	(+1.00)	
4th ICB M. Fund	100/10	126.00	(+3.00)	
5th ICB M. Fund	100/10	117.81	(+0.81)	
6th ICB M. Fund	100/10	86.56	(+1.58)	
Insurance				
United	100/10	109.00	(+1.00)	
Engineering				
BST Aluminum	100/10	78.00	(+2.00)	
Quasem Drycells	10/80	7.75	(-0.25)	
Food & Allied				
Ctg. Pharma	100/10	95.00	unchanged	
Dhaka Vegetable	100/5	153.42	(+0.42)	
Pharma & Chem				
Ambex Pharma	10/80	14.80	(+0.25)	
Bextimo Pharma	100/5	152.00	(+1.24)	
Pharmaco	100/5	43.00	(+3.00)	
Fertilizers				
Modern Dying	100/5	35.00	(+2.00)	
Miscellaneous				
Axes Tumery	100/5	140.00	unchanged	
Bata Shoe	10/100	38.00	(+1.00)	
Chittagong Cement	100/5	141.00	(+1.24)	
Debtors				
Axes Tumery	100/10	990.00	(+2.00)	
Bextimo Pharma	1714/1	1660.00	(+0.61)	
* FV = Face Value, ML = Market Lot				
** Changes : Plus signs mean gain and				
(+) signs losses.				

Exchange Rates

February 14

SELLING AND BUYING RATES offered by Commercial Banks, for Bank Cheques, (ICCs) and Overseas Drafts (ODs)

One Unit of Foreign Currencies (FCs) for Taka

FCs Selling Buying

US Dollar 35.9226 35.4432

UK Pound Sterling 71.3684 70.5425

German Deutsche 24.7069 24.3596

Mark

French Franc 7.2461 7.1465

Saudi Riyal 9.6101 9.4819

Dutch Guilders 21.9174 21.6117

Pakistani Rupee 1.6160 1.6006

Lira

Singapore Dollar 20.9902 20.7101

UAR Dirham 9.8141 9.6831

Kuwait Dinar Not available

Indian Rupee

AMU 1.9177 1.8991

S. Krone 6.5792 6.4825

*AMU-Asian Monetary Union

SECONDARY EXCHANGE MARKET

Wage Earners Fund/ Export

Performance Benefit (XPI) Fund

Buying Selling

US Dollar 36.48 36.53

UK Pound 72.52 72.57

Sterling

* The rates of Pound Sterling are decided every day, based on the cross-rates of New York market

Source: Sonali Bank

** Changes : Plus signs mean gain and

(+) signs losses.

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 indents 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 procedural arrangements transparent to avoid shoddy deals and to make business operations 'fair' and 'free' is the moot issue in this context.

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.

Meanwhile, one complaint

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.

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.

Japanese entities were also said to be a major factor behind this sharp turn-round, the Bank for International Settlements (BIS) said in its latest quarterly review.

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.

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ties 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.

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