

Banks limping with bad loans

by Enamul Huq

Problems in banking sector are multifarious. Most important among them is probably the lack of recognition of "management as the fifth factor of production".

This was the consensus among the discussants at a recent seminar on "Financial Management in Bangladesh" in Dhaka. A detailed report on the seminar was released to the press on Saturday by its organisers Bangladesh Finance Association (BFA).

The report noted that Professor M. Habibullah of the Department of Accounting, Dhaka University identified some major problems in the banking sector.

The major problems noted by Prof. Habibullah were: Doubtful and bad loans, the problem of liquidity, impediments in skill development, orientation for entrepreneurs, the social responsibility of banks, and the outdated laws and rules. Banks and Development Finance Institutions (DFIs) are failing to manage

bad debts, he said. The employment market is not conducive to absorbing the educated people, Professor Habibullah observed.

The deposits are mobilized throughout the country while loans are sanctioned for and disbursed to selected localities, especially in around large cities, he pointed out. This promotes regional disparity and contradicts the concept of balanced growth, the Professor said. There was a broad agreement among the discussants on the issues raised by Prof. Habibullah.

Another prominent banker Lutfur Rahman Sarkar said: Loans are issued under dictates by external pressures and directives by top level government administration. Credits go to sectors, individuals and firms without proper justification. Defaulters in most cases are the incidences of dictated

loans.

Mr. Sarkar suggested that government should take some steps in order to remove:

- a) preparation of a list of defaulters of bank loans and making it public;
- b) formulation of a "code of conduct" for the trade union organisations in banks and financial institutions;
- c) limiting the practice of granting interest rebates or debt write-offs at the cost of the lending institutions;
- d) monitoring of loan disbursements by different banks for ensuring that the same person may not get loans from multiple sources;
- e) treating defaulters under specially formulated laws, rules and regulations in order to stop punishing good clients and rewarding the bad ones.

The participants broadly endorsed the suggestions made by Mr. Sarkar.

EC to enforce economic discipline

BRUSSELS, Feb 23: European Community (EC) Finance Ministers will pursue their efforts to weld the community into Economic and Monetary Union (EMU) when they meet on Monday to consider ways of enforcing economic cohesion, reports AFP.

Diplomats say they will deal particularly with differences over how to enforce economic discipline, whether to punish members who run up big-spending deficits and whether to help members in trouble.

The EC decided last year to advance gradually towards a outstripped actual payments in 1989.

The data also showed cash flow savings for 17 poor African states who have rescheduled under the so called Toronto terms the latest available concessions on official bilateral debts were only 100 million Dollars a year.

Dutch finance Minister Jan Pronk suggested writing off all official bilateral debt owed by the poorest states.

US economy to need shot in arms

WASHINGTON, Feb 23: An end to the Gulf war would give the U. S. economy a much needed shot in the arm but it would not clear away many of the countries' deeply entrenched financial problems, economists said on Friday, reports Reuter.

"We won't be out of the woods but there'll be a few less trees," said Robert Hormats, Vice Chairman of Goldman Sachs International.

Consumer and corporate confidence, which nosedived after Iraq invaded Kuwait last August 2, is likely to revive once the war is over, helping to lift the economy out of recession.

Economists said Iraq's invasion tipped an already weak economy into recession by sapping consumer and business confidence. The steep rise in oil prices that followed hit consumers power

Gas supply to brick fields save \$ 30m a year likely

By Shahzad Monju

The recent decision of the interim government on gas supply to the brick fields will take effects in the next winter season.

The formalities for resumption of gas supplies will not be completed before that.

Titas Gas Company used to supply gas to the brick fields until it was stopped last in June 1988. The Company had already submitted a proposal to Petro Bangla. The proposal includes fixation of gas prices and others preparatory works. Petro Bangla is the supervising agency for managing the overall gas supply arrangements.

Titas Gas Co has already proposed the new gas rate at Taka 120.00 for one thousand cubic feet gas. In 1988, the rate was Taka 90.00.

The gas supply was stopped in June 1988 by Ershad government without showing any cause or placing any note to the brick field owners, Titas

Gas Co. or Petro Bangla.

The resumption of gas supply to the brick fields under the decision of the interim government is likely to lead to an annual import saving of 30 million US dollar. Five lakh tons of coal for 2,012 brick fields are needed a year as fuel for brick-burning in the absence of gas supply.

Titas Gas Co used to supply gas to the 180 brick fields from mid-70s. Following a government order issued in 1988, the Company disconnected gas supplies to 80 brick fields. Earlier, it had stopped supplies to 100 brick fields for non-payment of outstanding gas bills, Titas sources said.

An amount of Taka 9.50 crore is yet to be recovered from the gas field owners, Petro Bangla sources said, adding the defaulter-owners will get new gas connections only after settling arrear claims against them.

Meanwhile, Kazi Anisur Rahman, General Secretary of Bangladesh Brick Field Manufacturing Owners' Association said that the genuine businessmen in brick manufacturing had already cleared off their arrear bills.

He alleged that only a section of dishonest businessmen having connections with the past government, did not pay their bills.

He stated that the brick manufacturing industry was thrown into a deep crisis due to arbitrary decisions of the past regime for withdrawing gas supply facilities from the brick fields. The owners have suffered a lot and the prices of bricks also shot up, he said.

Mr. Rahman also alleged that the past government did not recognize the brick fields as an industry. The gas price rate for the brick field users was almost double than that for other industrial users.

Snippets

\$ 1b belongs to Indian frozen

DELHI, Feb 23: About one billion US Dollars belonging to 26 Indian construction companies have been frozen in Iraq due to war in the Gulf, reports IAN.

Over 60 per cent of all construction projects in Iraq were handled by Indians. Despite huge losses, local entrepreneurs are optimistic.

They believe that the war will end soon, and Indian builders who have accumulated ample expertise in desert construction methods will be asked to restore all damaged installations.

Kuwait rebuilding to cost \$ 50 b

MANAMA, Feb 23: The reconstruction of Kuwait could cost up to 50 billion Dollars, a senior Kuwaiti government official said on Friday according to the KUNA news agency received here, reports AFP.

Fahd Al-Hassawi, Minister of State for Municipal Affairs, said the exact amount needed would be only be known after Iraq troops had quit the Emirate.

He also believed that two to seven years would be needed to rebuild the Emirates' main facilities.

\$ 1b EC food aid to USSR

FRANCE, Feb 23: The European Parliament on Friday released more than one billion Dollars in food aid to Soviet Union, reports AP.

The European Community's 518-seat assembly had suspended the aid package, worth 750 million European Currency Units last month because of alarm about the Soviet crackdown in the Baltic republics and problems finding money in the EC budget.

In a measure passed in a hand vote, the parliament urged the EC executive Commission to ensure the food aid winds up the hands of the people who need it most.

1,100 workers to be terminated in UK

LONDON, Feb 23: British Steel has announced that it was to cut 1,100 steelworkers jobs at its plant at Ravenscraig, near Motherwell in Scotland.

The Friday announcement came just, week after the company announced the closure of the plants Strip Mill with the loss of 770 jobs and meant that more than 3,000 job losses have been announced in the Scottish steel industry in the last six months.

9.7 p.c jobless in Israel

JERUSALEM, Feb 23: Unemployment hit 9.7 per cent in the last quarter of 1990 in Israel, giving an average of 9.6 per cent for the year, officials said Friday, reports AFP.

The Central Bureau of Statistics noted that the jobless rate had hit 10.2 per cent in the second quarter and that the latest figures compared with an average 8.9 per cent in 1989 and 6.4 per cent in 1988.

\$ 9b Japanese aid for war-hit states

TOKYO, Feb 23: If the Gulf war ends, Japan's contribution of nine billion Dollars to the US-led forces fighting Iraq will be used to rebuild war-affected Gulf nations, Vice Finance Minister Masami Kogayama said Friday, reports Reuter.

Kogayama told a news conference that Japan's aid was originally aimed at restoring peace to the Gulf, so it was natural that it should be used for reconstruction.

\$ 39,800 gold confiscated

KATHMANDU, Feb 23: Gold worth 39,800 US Dollars was confiscated from an Australian national, a Tribhuvan International Airport customs officials said Friday, reports AFP.

Stephen Pressner had arrived here Thursday aboard a Thai International Airways flight from Bangkok and was taken into custody at the airport, the official said.

The gold weighing 2.31 kilograms (5.08 pounds) was found hidden inside the camera batteries.

Call money market

Money rates in the call money market during the week ended 20 February, 1991 ranged from 10.00 per cent to 12.25 per cent, reports BSS.

A Bangladesh Bank press release said Saturday during the same week interest rates offered by the banks on certificate of deposits varied from 19.25 per cent to 13.75 per cent. The bank rate, however, remained unchanged at 9.75 per cent.

Joint venture in fisheries opens Economic ties with Rangoon to grow

RANGOON, Feb 23: The first Bangladesh-Myanmar joint venture project in the fisheries sector has been formally launched with the hope of promoting economic cooperation between the two countries, reports UNB.

Bangladesh Ambassador to Myanmar, Mustafa Faruque Mohammad inaugurated the Bangladesh-Myanmar Fisheries Project and its head office at a simple ceremony here on Thursday.

Chairman U Han Tun and Managing Director S. M. Huq of the joint venture scheme spoke on the occasion. The Director General of Fisheries of the government of Myanmar was also present.

Speaking on the occasion,

the Bangladesh Ambassador expressed his confidence that the project would act as a bridge of friendship between Bangladesh and its neighbour and stand as glowing example of South-South cooperation.

He said it would also open up a new vista of cooperation in trade and industry between the two countries.

The Managing Director, S. M. Huq said the scheme had been on trial operation since October last over an area of 1200 acres at the Maungdong district of Rakhaine State bordering Cox's Bazar.

In the last four months, he said it exported shrimps produced in the area and earned a huge amount of foreign exchange.

Sugar mills exceed production targets

A Star Economic Report

Four sugar mills exceeded their production targets by achieving a combined output of 42,921.8 tons of sugar during the current crushing season until February 20, says a press release of Bangladesh Sugar and Food Industries Corporation (BSFC).

The production target of four sugar mills was set at 39,664 tons for the current season 1990-91. The Mills are at Thakurgaon, Panchagar, Setabganj and Natore.

Manikganj chamber body formed

By Staff Correspondent

A 21-member adhoc committee of the proposed Manikganj Chamber of Commerce and Industry was formed at a meeting on Wednesday at the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

Alhaj Md. Akram Hossain, President, Federation of Bangladesh Chambers of Commerce and Industry, was made convener of the committee.

Africa growing more desperate Rich states forget aid pledges

NAIROBI, Feb 23: Africa, the worlds poorest continent, is growing more desperate as the rich nations pour their financial resources in to Gulf war, African economic officials say, reports Reuter.

They say Western and other creditor countries have forgotten pledges made only last year to help Africa, which is plagued by a 150-billion-Dollar debt crisis that is being aggravated by the conflict in the Middle East.

"There's no action (on debt reduction) - It's just pronouncements", Abdelrahim Dirar, Director, of the Economic Developments' Department at the Organisation of African Unity (OAU), said by telephone from Addis Ababa.

He said that despite a drop in spot oil prices from their 1990 highs to around 17 Dollars a barrel, financial fallout from the Gulf crisis is still hurting black Africa's fragile economies.

Many of them have lost special deals with Middle East producers since Iraq invaded Kuwait in last August.

Transport costs for all imports have been due to higher freight and insurance charges.

East coast states especially are being hit by soaring shipping rates through the Suez canal.

"Sub-Saharan countries will have to divert whatever. Re-

Oil prices poised to decline

SINGAPORE, Feb 23: Oil prices are set to fall whether peace breaks out in the Middle East or the United States launches a ground offensive or to drive Iraq out of Kuwait, oil industry sources said here, reports Reuter.

Whatever happens, the end stage of the war is in sight, said a trader for a major oil company.

Once there is a decisive strike against Iraq, people will say its 'all over', a European trader said. We may have a bit of a price fluctuation but it will come down lower because of the oversupply.

Once the Gulf war ends, the focus of attention will switch to the abundant supplies or crude oil hanging over the market, traders say.

The Organisation of Petroleum Exporting Countries (OPEC) is pumping more oil than before the Gulf crisis began, despite the throttling of exports from Iraq and Kuwait.

Tanks are brimming worldwide and the Northern

hemisphere winter is coming to an end.

Oil prices have already shot half their value since the Gulf war started on January 17.

On that day, the price of Britains internationally-traded Brent Blend crude shot briefly up to 33.50 Dollars a barrel. On Friday it fluctuated between 16.20 and 16.80 Dollars for April, first falling down on Iraq's positive response to the plan, then edging back up due to the cool US reaction.

An all-out ground war is likely to give the market a psychological boost but traders said unless chemical or nuclear weapons were used any gains would be short-lived.

They said the price of Brent could fall to around 15 Dollars when the war was over.

Oil ministers from four key OPEC countries will meet in Vienna on Monday to discuss how to stop an oil price collapse.

OPEC suspended oil production quotas in September

to allow members to boost output to compensate for the gap of more than four million barrels caused by an international boycott on oil from Iraq and Kuwait.

This has allowed total group output to actually rise above the level produced prior of the August 2-Iraqi invasion of Kuwait.

Raw Jute

February 23

Kutchha bales
FOB * Narayanganj/Daulatpur
Varieties (Tk. per 100 Kg)

	White	Tossa	Meshta
Medium	1393	1500	1125
Bot. (B)	1340	1447	1098
Bot. (C)	1208	1286	1045
Bot. (X)	1072	1125	857

* FOB - Freight on board
* Bot. - Bottom

Pucca bales FOB * FOB (Sight)**

White bale* MT*

BW SPL	3450	575
BWA	3350	570
BWB	3300	550
BWC	2900	480
BWD	2600	410
BWE	2000	365

Bangla Tossa

BT SPL	3500	595
BTA	3450	580
BTB	3400	560
BTC	2950	490
BTD	2650	420
BTE	2100	375

White Rejection (WRS)/Tossa Rejection (TRS):

Habibaji, Cut Ropes

BWR	1650	290
BW1	1300	220
BTR	1750	300
BTH	1400	230
BCR	1250	230

White/Tossa:

Cutting

BWCA	1450	235
BWCB	1300	220
BTCA	1600	250
BTCB	1500	235

Meshta

Spl.	1950	355
A	1900	345
B	1800	330
C	1600	295

SPL, Cuttings 1000 175

Ord. Cuttings 900 170

SMR 1125 200

* FOB ready - Narayanganj

** FOB sight - Chittagong/Mongla Ports. Indicative Price at which sales may be considered for EPC registration.

The \$ prices are exclusive of any selling commission. O. D. (Sight non-traditional/appliable to export bills). One \$ = Tk. 35.4956

* MT - Metric Ton

Imports/arrivals of Kutchha bales at Narayanganj were seven to eight thousand mounds while at Daulatpur at six to seven thousands mounds. (One mound is equal to 37.3241 KGs.)

Marked rise in share trading

Star Economic Report

The week began on Saturday at Dhaka Stock Exchange (DSE) with a marked rise in trading activities.

Most traded issues advanced in prices. Though the gainers were modest, yet they had a larger share in value-wise trading. This led to a rise in DSE All Share Price Index.

The Index, which is a broad indicator of price movements of all the listed stocks advanced 1.1919 points to 339.8622 compared with 338.6703 at last week's closing of trade.

Twentyfour stocks were traded on the floor. Of them eleven gained, eight lost and five remained unchanged at their previous quoted prices.

In all 6041 shares and debentures changed hands compared with Wednesday's 1.743. Traded issues valued Taka 328312.50. It was Taka 174568.00 on last Wednesday.

On Thursday last, trading was closed because of a public holiday on account of Eukhesa February.

Kohinoor Chemical advanced Taka 2.24 to Taka 76.50 at closing.

Eastern Cables and Renwick Jaineswar gained Taka 2.00 each to Taka 92.00 and Taka 58.00 respectively.

Bata Shoe, Rupali Bank, Bangladesh Text Aluminium, National Tubes, Oxygen, Ashraf Textile, Eagle Star and Beximco advanced within the range between Taka 0.08 and Taka 1.70.

Among the losers N.T.C. in the Food and Allied sector got the major slash. It declined Taka 20.00 to Taka 220.00.

Dhaka Vegetable and Howlader PVC lost Taka 5.00 and Taka 2.00 to Taka 149.00 and Taka 113.00 respectively.

Chittagong Cement, Metalex Corp. Aftab Automobiles, BGIC and United Insurance declined within the range between Taka 0.15 and Taka 1.00.

Quoted Prices of Traded Stocks

February 23

	*/V/ML	Closing (Taka)	**Changes (Taka)
National Bank	100/5	100.00	unchanged
Rupali Bank	100/10	86.00	(+1.00)
Investment	100/10	149.00	(+2.00)
1st ICB M. Fund	100/5	405.00	unchanged
6th ICB M. Fund	100/10	88.00	unchanged
Insurance	100/10	104.00	(+0.67)
United	100/10	109.00	(+1.50)
Engineering	100/5	194.00	(+0.15)
Alfab Automobiles	100/10	92.50	(+0.08)
B. Thak Aluminium	100/5	92.50	(+2.00)
Eastern Cables	100/10	113.00	(+2.00)
Metalex Corp.	100/5	75.50	(+0.37)
National Tubes	100/10	118.00	(+1.50)
Renwick Jaineswar	100/5	58.00	(+2.00)
Food & Allied	100/10	95.00	unchanged
Og. Vegetable	100/5	149.00	(+5.00)
Dhaka Vegetable	100/5	220.00	(-20.00)
N.T.C.	100/5	220.00	(-20.00)
Fuel & Power	10/50	54.00	(+1.00)
Oxygen	100/5	76.50	(+2.24)
Kohinoor Chemical	100/5	76.50	(+2.24)
Textile	10/50	31.00	(+1.00)
Ashraf Textile	10/50	34.00	(+1.00)
Eagle Star	100/10	85.00	unchanged
Beximco	10/100	40.70	(+1.70)
Bata Shoe	10/100	9.00	(+0.25)
Chittagong Cement	100/5	149.00	(+1.00)

* FY - Face Value, ML - Market Lot

** Changes: Plus signs mean gain and (-) signs losses

Dhaka Stock Exchange

Market Profile

February - 23

134 Listed stocks

11 Gains	8 Losers	115 Unchanged
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* 115 unchanged stocks include five traded on the day at the previous day's quoted prices.

DSE All Share Price Index = 339.8622

Issued Capital - Taka 4,620,377,190.00

Market Capitalisation - Taka 9,711,649,904.00

Turnover = Taka 328312.50(Value) 6041(Volume).

Gold & Silver

February 23

Gold (Taka for 11.90 grams)	6,000.00
Tyabli	6,000.00
Guinea	6,300.25
Silver	200.00

Source: Department of Agricultural Marketing

HIDES & SKIN

(Wet/Salted)

February 23

Taka per 100 pieces)

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