

Commentary

Industrialisation should be left to market mechanism, not DFIs

By Abu Ahmed

Industrialists who were once given funds for setting up industries by the development financing organizations like BSB, BSRS, and ICB, popularly known as DFIs are again asking for further loans, this time to cure their sick industries. The DFIs which are facing the most serious financial crisis since their creation turned an about face at such requests.

But the owners of sick industries are pressuring hard. They are saying that if the sum of money they are asking is not given, the whole investment so far will be wasted since the sick industries will not be able to go into operation on a scale warranted for commercial results.

The owners of sick industries are blaming the credit agencies including banks, which provided them with cheap fund, for the sick state of their enterprises. They complained that the credit agencies did not provide them with adequate funds at the initial stage nor did they help them in procuring working capital from other sources. They also allege that the money was not released on time and cost of borrowing to the interest rate was too high. The industries started from a very disadvantageous position right from the beginning and even some of the industries finally went into operation. Those could not maintain a sustainable level of operation.

The financing agencies, on the other hand argue that the sick industries are sick because it pays the owners, in the form of tax concession and interest waiver. The credit agencies also allege that in many cases the owners of sick industries diverted funds to other uses including personal consumption and now label their industries as sick just to avoid loan re-payment.

Which of these opposing arguments has the validity? For an answer we can look into the source of funding of sick industries.

The evidence shows that the DFI funded industries have

gone sick more often than those of the self-financed ones. This, to an extent, disproves the argument by the owners of sick industries.

Apart from this, it seems that there is a dispute between creditors and the debtors over the issue of repayment. The latter wants more money from former which, they argue, will enable them to repay ultimately the total amount including the previous dues. But the creditors are afraid to give the debtors more money as they have already proved themselves as bad-debtors.

The credit agencies, however, are in a losing position in this fight. The credit agencies do not have any tool in their hand except to go to courts, where it will take a decade or more to settle a claim. The defaulters know this weakness of credit agencies and are trying to pull the string from behind to squeeze more fund from them. The collateralists that the credit agencies like BSB, BSRS, ICB received against loans in some cases do not match the amount of loans given. How did this happen? It happened in a collusive way. Some corrupt officials in collaboration with borrowers overvalued the mortgaged assets.

Irony is that in many cases the DFIs also did not ask for cash equity from the borrowers. All the money involved in thus DFIs' money and now everything will be lost if the demand of the owners of sick industries are accepted.

How many industries are sick in Bangladesh? Almost all are: 100 per cent in jute sector and 70 per cent in textile sector. Ten sub-committees formed by the Board of Investment (BOI) to suggest ways and means for healing the sick industries have already received 1780 applications of which over 400 were in textile sector alone. Everyone is trying to avail of this good opportunity of receiving same money from the government or the DFIs, which is free of cost.

There was a definitional problem as to which of the industries were to be called sick. The BOI resolved the issue by defining those industries sick which could not earn normal profit within three years of their operation and also those which suffered loss due to the reasons beyond the control of the industries concerned. But whatever criteria the BOI applies to identify sick industries, problems will remain. What is after all a normal profit? This is an accounting result which can be defined in many ways. Moreover, exactly what are the "reasons beyond control"? These may be many and of varied nature. For example, if demand and supply conditions change, which is a normal phenomenon in a market economy, should we call it a "reason beyond control"? If we list the reasons beyond control in this manner then we will soon have a never-ending list.

The problem of sick industries should be tackled by the owners themselves. The government should not involve itself in this no-end-in-sight problem.

Our industrialisation programme was messy from the beginning and DFI dependent industrialisation policy contributed most to it. The psychosis of not paying creditors' money developed over time by way of allowing various concessions to the borrowers. In the past, hardly any of their demands was rejected. They demanded protection against foreign exchange rate fluctuation and their demand was fulfilled though large-scale credit to the industrialists was the reason for this fluctuation of exchange rate.

The owners of sick industries already got concessions in the form of postponement of measures for recovering over dues by legal measures. To this end, they had a DO written by the Ministry of Industry to the Ministry of Finance. Initially the Ministry of Finance advised them to avail the 75 per cent interest

waiver scheme which was already decided in their favour. But they are not happy with it and they want the whole concession. They want one hundred per cent concession and also some extra money. As is heard, they are already successful as no new law suit is to be instituted against them till the issue of 'sick industry' is settled. Thus in Bangladesh no demand goes in vain.

The government of Bangladesh embarked on a faulty industrialisation programme, which was excessively dependent on the DFI financing. The DFIs proved to be good as distributing agencies but bad as collecting agencies. But so long as they are there, the potential industrialists, who are more potential as defaulters, will always come and get some cheap money.

Why don't we then do away with the DFIs? The idea deserves serious consideration. The existence of DFIs is thwarting the cause of market mechanism in one hand, and wasting government fund on the other hand.

Why do we provide fund for industrialisation from the DFIs at a cheaper rate? Perhaps no one can answer it correctly excepting saying that the intention is to help industrialisation. Cannot market mechanism help industrialisation? DFIs cannot do what market fails to do - this is a very simple fact. As long as we do not recognise this, we will remain in the present quandary.

Cheap money has its cost too and in Bangladesh much money has been misused by following the wrong industrialisation process. But why are we so hesitant to give market mechanism a chance to perform the job of industrialisation? Out of our ignorance, perhaps. But isn't it high time that we learn from our past mistakes and start a new future?

(The writer is an Associate Professor of Economics at Dhaka University.)

External balances hit record

By Staff Correspondent

The external balances of Bangladesh Bank were all-time high on January 30 since the new year's day, according to the latest statement of affairs of the Bank.

After an initial decrease in the external balance compared to December, the figure steadily climbed up during January to stand at Taka 4871.93 crore on January 30. It was Taka 4600 at the end of December.

However, the notes in circulation increased by about Taka 54 crore in the month since the end of December. It stood at Taka 3654.46 crore on January 30.

The Asset Side of the Banking Department on January 30 showed notes amounting to Taka 88.07 lakh. Subsidiary Coin of Taka 1000. Government Treasury Bill Holdings of Taka 400.25 crore, other Loans and Advances amounting to Taka 1046.47 crore. Investments of Taka 634.05 crore while Taka 1633.92 crore as other Assets and the External Balances.

On the Liabilities Side of the Banking Department, the deposits showed an increase of Taka 121 crore in a month. The amount was Taka 6360.65 crore. The allocation of Special Drawing Rights was constant at Taka 91.74 crore. The Bills Payable decreased slightly and

stood at Taka 90.18 crore. Other Liabilities of the Bank rose up by about Taka 157 crore on January 30.

Different fund sectors remained almost unchanged during the period. The Reserve Fund stood at Taka three crore, Rural Credit Fund was Taka 164.90 crore, Industrial Credit Fund amounted to Taka 51.78 crore, Export Credit Fund stood at Taka 53 crore and Agricultural Credit Stabilisation Fund stood at Taka 175 crore. The Capital Paid Up stood at Taka three crore.

The Asset Side of the Issue Department showed rise in internal bills of exchange and other commercial papers holdings by Taka 90 crore. It was Taka 3104.08 crore on January 30.

The Gold Coin and Bullion Holdings stood at Taka 83.37 crore. The Taka-Coin holdings stood at Taka 12.97 crore and Government Securities Holdings at Taka 254.93 crore. The Approved Foreign Exchange Holdings size was Taka 200 crore.

On the Liabilities Side, the total notes issued stood at Taka 3655.37 crore. They include Taka 88.07 lakh as notes held in the Banking Department and the rest in circulation.

Shipping Intelligence

Chittagong Port

Name of Vessels	Berthed	EID	Berth	Port No	L. Agent
Songrim	17/02	29/02	J/1	Kand	RRSA
Banglar Banri	14/02	21/02	J/2	Mong	SSL
Black Whale	17/02	21/02	J/3	Hong	PROG
Banglar Kallol	26/02	27/02	J/6	Hunda	BSC
Paerl One	19/02	26/02	J/7	NA	NA
Lok Vivek	15/02	27/02	J/9	Kand	OWSL
Euroliberty	16/02	24/02	J/10	Champ	EOSL
Ivestiva	18/02	22/02	J/13	Sing	CT
Mu Du Bong	18/02	28/02	MPB/2		PSAL
Sa Rhapsody	29/02	24/02	CCJ	Pada	HIL
Panormos Bay	19/02	27/02	TSP	NA	NA
Ronjay	09/02	27/02	RM/4	Col	PSAL
Na Mu Hu	18/02	20/02	RM/5	Sing	ECSL
Endurance Sea	02/02	29/02	DDI	Aqaba	UMAL
Tanta	15/02	01/03	RM/8		
Banglar Swapano	05/02	28/02	RM/9	Dead	BSC

Vessels Ready at Outer Anchorage

Name of Vessels	Ready	L. Port	L. Agent
Nil			
Not Ready			
Ronjay Victory	18/02	Sing	PSAL

Vessels Due at Outer Anchorage

Name of Vessels	ETA	L. Port	L. Agent
Dooyang Frontier	19/02/92	Aust	LAMP
Rujin	20/02/92		LAMS
Fong Yun	21/02/92		BDSHIP
Infinity	21/02/92		RSL
Q He Cheng	21/02/92		BDSHIP
Banglar Mamata	22/02/92	Kara	BSC
Ping He Cheng	21/02/92		BDSHIP
Qing Starosting	24/02/92	Sing	CT
Infinity	22/02/92	Sing	RSL
Andrian Concharov	22/02/92	NA	CT
Green Sland	23/02/92		KARNA
Pearl One	18/02/92	Sing	CLA
Hang Loy	17/02/92	NA	H&H
New Genlord	20/02/92	Sing	BDSHIP
Safina-e-Rahmat	25/02/92		ASLL
Sun Flower	17/02/92	Sing	TSLL
Kamaleverett	24/02/92		EBPL
Fong Yun	20/02/92	Sing	BDSHIP
Al Swamuz	27/02/92	NA	ASLL
Eastern Ruby	23/02/92		BEA
NQS Ranger	26/02/92		BDSHIP
Fong Shin	26/02/92		BDSHIP
Harmony	29/02/92	Araba	TSLL
Thlera Breeze	1/3/92	Col	RSL

Mongla Port

Name of Vessels	ETA	ETD	L. Port	L. Agent
Shalmar	24/01	31/01	Chittagong	BSC
Sea Carol	28/01	NA	Vizag	HIL
Banglar Banri	28/01	NA	Chittagong	BSL
Al-Baahir	30/01	NA	India	TMIL
Yom Bun Jin	30/01	NA	Dprk	GREENLAND
Felicity	05/02	NA	Chittagong	OWSL
Mun Su Bong	05/02	NA	China	GREENLAND
Gold Future	15/02	NA	Chittagong	AGM

NOTE: Berthed=Vessels at Port Jetty. ETD= Expected Time of Departure. ETA= Expected Time of Arrival. NA= Not Available. ETB= Expected to Berth. Source: AQUAMARINE LIMITED.

Price Index

Essentials		Hides & Skin		Gold & Silver	
Item	Price	Item	Price	Item	Price
RICE (Taka per kg)		Cow	15000.00	Gold	(Taka for 11.66 grams)
Aman(fine)	15.00-15.50	Chhola	24.00-25.00	Tejbal	NA
Pujan	13.50-14.00	Ohari	14.00-15.00	Osana	6400.00
Uthi	NA	Shari	14.00-15.00	Silver	200.00
VEGETABLES (Taka per kg)		Mustard	52.00-54.00		
Peas	5.00-6.00	Soybean	38.00-39.00		
Brinjal	8.00-10.00	Coconut (Colombo)	90.00-100.00		
Karafi	18.00-20.00	Vegetable Ghee	48.00-50.00		
Lalhui	4.00-5.00	SPICES (Taka Per kg)			
Pepp	4.00-5.00	Onion	7.00-8.00		
Green Banana (Four Pieces)	4.00-5.00	Garlic	12.00-16.00		
Flour	14.00-14.50	Chillies	70.00-75.00		
Ata	11.50-12.00				
FISH (Taka per kg)					
Rohibig	130.00-140.00				
Katibig	90.00-100.00				
Hilsha	60.00-70.00				
Pargus	140.00-150.00				
Shrimp(big)	90.00-100.00				
Sing	90.00-100.00				
Koi	100.00-120.00				
MEAT (Taka per kg)					
Beef	55.00-60.00				
Mutton	80.00-85.00				
CHEESEN (Taka per kg)					
Large	62.00-64.00				
Medium	66.00-68.00				
Small	70.00-72.00				
TEA (Taka per kg)					
Best (Plain)	70.00-80.00				
Best (Spiced)	11.00-11.50				
Dusk	11.00				
Film	11.00-11.50				
FULSES (Taka per kg)					
Market	28.00-30.00				

Tk 1119.78 crore LCs opened in Dec

By Staff Correspondent

The value of Letter of Credits (LCs) opened for import of commodities and industrial raw materials in December registered a rise by Taka 69 crore over the previous month's figure.

The LCs opened under loan, credit, grant, barter, Special Trading Agreement (STA), Secondary Exchange Market

(SEM), cash and Wage Earners Scheme (WES) amounted to Taka 1119.78 crore on December 31.

However, the value of outstanding LCs also increased by about Taka 81 crore during the period. It stood at Taka 4367.29 crore on December 31. The total value of LCs during July-December period was

Taka 5758.53 crore. New LCs for milk food items recorded a fall by about Taka two crore in December. LCs worth Taka 20.7 crore were opened.

In contrast, LCs for capital machinery sharply increased and stood at Taka 36.34 crore. The value was Taka 27.92 crore in November.

On the other hand, LCs for chemical sector, dropped, valuing only about Taka 81.82

crore. In December as against Taka 107 crore in November.

The highest value of the LCs was for textile fabrics worth Taka 270 crore. Of these, LCs of Taka 226 crore were opened through back to back LCs. LCs worth Taka 167 crore were opened for crude oil. Taka 39.1 crore for edible oil. Taka 26.89 crore for cement. Taka 7.12 crore for motor vehicles. Taka 6.04 crore for tobacco. Taka 1.82 crore for computer, spares parts and accessories. Taka 3.82 crore for electronics and electric components. Taka 6.40 crore for tyre and tube. Taka 1.10 crore for paper. Taka 0.98 crore for watches and components. Taka 2.83 crore for power tiller and Taka 19.23 crore for cotton.

CORRECTION

The headline 'Italy will give \$ 91m soft loans' in a news item published in page 7 of our Friday's issue should have read 'Italy will give soft loans for development'. The mistake is regretted.



Mohammad Abul Hashem was recently promoted as General Manager of Rupali Bank Ltd.

Notice Inviting Tenders

Sealed tenders are hereby invited in Bangladesh Form No. 2911 from the approved Class-I (one) Bldg. Contractor of PWD, Class-II (two) Bldg. Contractor of PWD Zone, Khulna and Class-III (three) Bldg. Contractor of PWD Circle, Jessore for the work of "Improvement to site attached to constn. of 200 bedded Hospital at Faridpur (Block-C)" and will be received by the undersigned as well as by the Executive Engineer, PWD Division, Kushtia, Rajbari, Narail, Chuadanga, Meherpur and Magura of PWD Circle, Jessore in their respective Offices up to 12-00 Noon of 4-3-92. The estimated cost of the work is Tk 8,27,376/- only and the Earnest money Tk 16,550/= in Bank Draft (CD, SDR, PO, etc.) of any scheduled Bank of Bangladesh, Treasury Challan, Pratirakkha Sanchaya Patra, 5 Years BD Sanchaya Patra and Bonus Sanchaya Patra must accompany each tender duly endorsed to the Executive Engineer, PWD Division, Faridpur otherwise his/their tender shall be declared informal. No tender Form schedule of items, Additional terms and conditions etc. will be sold after 2-3-92. The tender papers, schedule of items, additional terms and conditions etc. may be obtained from any of the Divisions under PWD Circle, Jessore.

Details may be seen from the Office of the undersigned during Office hours.

DFF(G) 2400-16/2 Executive Engineer, Faridpur PWD Division, G-186

Tender Notice

Sealed tenders in Bangladesh Form No. 2911 are hereby invited from First Class (Building) approved contractors of Public Works Department, Second Class (Building) contractors of Public Works Directorate Zone, Khulna, Third Class (Building) Contractors of Public Works Directorate Circle, Jessore for the work earth filling (Block-A) under Faridpur 200-bed Hospital Construction Project. Tenders will be received by the undersigned and Executive Engineer, Public Works Department, Jessore, Kushtia, Jhenidah, Rajbari, Narail, Magura, Chuadanga and Meherpur at their respective offices up to 12-00 Noon on 4-3-92. Estimated cost of the work is Taka 4,84,880/00 and Taka 9,700/00 as earnest money must be submitted with each tender in favour of Executive Engineer, Public Works Department, Faridpur, through (CD, SDR, PO etc.) from any scheduled bank in Bangladesh, Treasury Challan, Pratirakkha Sanchaya Patra, 5-year Sanchaya Patra and Bonus Sanchaya Patra.

Per set of Schedule at Tk 400/00 and each form 2911 at Tk 25/00 (both non-refundable) can be bought from the offices of Executive Engineer, Public Works Department, Faridpur/Jessore/Kushtia, Jhenidah/Rajbari, Narail, Chuadanga, Meherpur and Magura any time during office hours up to 2-3-92.

DFF(G) 2399-15/2 Executive Engineer, Public Works Department, Faridpur, G-183

Dhaka Stock Exchange

At the close of trading on Feb 22, 1992
Star Economic Report

Business sloppy

Business was sloppy at Dhaka Stock Exchange (DSE) Saturday. Trading both in terms of value and volume increased. The transaction valued Tk 476,000.00 against Wednesday's Tk 4.19,146 while trading in volume more than tripled to 15,747 from previous day's 4,363.

The day's trading was dominated by the losers. They outnumbered gainers by six to four. Only four papers were traded at previously quoted prices.

The DSE Composite Price Index stood at 295.8253 showing a decline of 0.7743 points.

THE DAYS TRADING AT A GLANCE

DSE All Share Price Index	295.8253
Market Capitalisation (Tk)	8,460,728,860
Turnover (in value Tk)	47,600.00
(in volume)	15,747

Company	FV/ML	Previous Day's price	Closing price	Gain/loss	Change (% over previous price)
Gains(04)					
Shares:					
Al Barka Bank	1000/1	1080.00	1090.00	+10.00	0.925
IFIC	100/5	180.00	181.00	+1.00	0.555
6th ICB M Fund	100/10	63.50	63.56	+0.06	0.094
Green Delta	100/10	129.00	129.91	+0.91	0.007
Losses (06)					
Shares:					
3rd ICBM Fund	100/5	131.00	130.00	-1.00	0.763
Salmah Textile	100/10	77.00	76.50	-0.50	0.649
Ambee Pharma	10/50	12.50	12.25	-0.25	2.000
BGIC	100/10				