

Commentary

We need to turn our attention to Bangladesh Bank Order, 1972

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Guest Columnist

The Bangladesh Bank, our central bank, was founded in 1972 by a presidential order known as the Bangladesh Bank Order, 1972. It was created to carry out the basic functions of a central bank, such as issuing notes, maintaining their value etc. The Order was promulgated in the backdrop of a socialist oriented economy. In other words, the Bank was given a shape and mandate suitable to a public sector dominated economy.

But Bangladesh in later periods, especially from the beginning of 1980s, switched on to a market-oriented economy. It took many pronounced steps towards allowing an increasing role to its private sectors. A central bank created to serve a socialistic economy naturally could not cater to the needs of a market economy.

In a market economy, a central bank is neither a controller, nor a dictator. It is rather a regulatory body with the primary aim of maintaining price stability. A central bank not shaped to fulfill the needs of a market economy, takes upon itself many other functions other than issuing notes and maintaining their values, in the name of development and social objectives.

These other functions are supplying cheap credit to government designated priority sectors, especially for industrialisation, and above all, becoming an easy source of money for the government. These functions, when examined carefully, go against the means of achieving the vital objective of a central bank — that is, maintaining the value of the notes it issues. When notes issued by a central bank lose value quickly, then the reason for its very existence is eroded.

It is found that notes issued by a central bank enjoying independence do not lose their value. Where notes lose value through price spiral, central banks come under intense pressure to issue more notes to fill up government's deficit spending. A central bank can resist government pressure only when it is independent. Otherwise it succumbs to pressure.

Maintaining price stability is an important issue in any market economy, because with it is related to investment and saving. That is why there is an increasing advocacy throughout the world to allow more independence to central banks. In fact, in a globalised economy the need for independence of central banks is to be felt more acutely in the coming days.

Bangladesh Bank was assigned many other tasks apart from note issue and maintaining price stability. These tasks were issuance of debentures and loans to the scheduled banks or financial institutions, giving loans and advances to corporations when certified by the government, and guaranteeing funds to scheduled banks for agricultural credit operations. Surprisingly, nowhere in the Order it was said that the Bank was to maintain price stability.

Issuing loans and debentures hampers a central bank's prime task of maintaining price stability, because, these are the tools which are used to take out high-powered money from a central bank. The high-powered money or reserve money is to be issued by a central bank by taking into account the conditions of demand and supply in the economy and without outside interference — in order to have a credible price stability in the economy.

The huge amount of debentures and other loans now piled up with financial institutions against Bangladesh Bank advances is the result of tying up these functions with other important ones in the Order. Over years, Bangladesh Bank offered hundreds of crores taka to Bangladesh Shipha Bank (BSB), Investment Corporation of Bangladesh (ICB), and the

House Building Finance Corporation (HBFC) wherefrom it did not receive back the money. The money advanced through debentures was in excess of overall money supply programme of Bangladesh Bank.

From the beginning of 1980s till the middle of that decade, Bangladesh government borrowed heavily from the Bangladesh Bank against promissory notes which were never redeemed. The result was high inflation through out 1980s in the country. Bangladesh Bank could not do anything except passively accepting government pressure.

The issue of independence of Bangladesh Bank became more vital in the changed scenario of switch to a market economy. The main element of independence for any central bank emanates from the enacted law. In case of Bangladesh Bank, the enacted law was not adequate to ensure its independence. The Order of 1972 provides a governor's appointment, who is to be the chief executive of the Bank, for a five-year period. It is not a too short period for a governor to exercise his duties independently, but in other countries the tenures are for eight to ten years so that they overlap political governments. If the tenure of a central bank governor overlaps that of a political government, it provides a better opportunity for an independent monetary policy. Governments go and governments come, but monetary policy remains, offering a sense of confidence to the consumers, savers and investors.

Though the Order provides for the appointment of the Bangladesh Bank governor for five years, only one governor out of the six appointed till now was able to fulfil his whole tenure. At least two were released before their term expired. The government also reserves the right to appoint a governor for less than the five-year period.

There is a subtle preference on the part of government to appoint administrative personnels as governors to banking service personnel. Only two out of six governors came from the latter group, again for very short periods.

There is a Board of Directors for Bangladesh Bank, but the Board is dominated by the government's nominees, majority of whom again come from administrative service. In fact, there is no provision for election of a Board member. Government has the absolute right of nominating all. Also the functions of and the relations between the Board and the governor are not well defined. The latter was very often found to be consulting the officials of the Ministry of Finance to arrive a decision, bypassing the Board.

Even today Bangladesh Bank is found to do very little on its own. Its functions are dictated almost at every step by the IMF or counselled or desired by the Ministry of Finance. The recent liberalisation of interest rates and the introduction of 91-day Bangladesh Bank Bill were also the outcomes of such dictates from the IMF.

Time has come to redraw and restructure the old Bangladesh Bank Order. The governor can be made accountable to constitutional body in place of the Ministry of Finance. When a governor runs between his office and his controlling ministry with files and papers, he undermines the dignity of the central bank he serves. Bangladesh Bank now issues press notes about money and monetary policy matters which the common men do not understand. The governor should occasionally come before the press to explain an issue. People must know how independent our central bank is, so that they can take judicious decisions regarding savings and investments.

Oman, India sign MOUs on gas supply refineries

DUBAI, Mar 14: Oman and India signed two Memorandums of Understanding (MOU) on Saturday on an underwater gas pipeline and the building of two oil refineries in India, deals that could be worth billions of dollars, reports Reuter.

The official Omani news agency said the governmental Oman Oil Company Ltd would carry out an economic feasibility study before starting to build the proposed 900-mile, 42-inch (1,450 km, 1.07 metre) pipeline from Oman to India.

It said that as proposed the pipeline would be laid on the continental shelf, meaning it would follow the coastline of Pakistan and possibly Iran all the way to India.

The Omani agency said the amount of gas pumped would depend on India's needs. MEED said the proposed line would carry 50 million cubic metre (1.8 billion cubic feet) of gas a day.

Oman, a small oil producer which controls with Iran the entrance to the Gulf, signed an agreement with Kazakhstan last year to form a consortium to build a pipeline for the former Soviet republic's potentially large oil exports.

Shipping Intelligence

CHITTAGONG PORT

Berth position and performance of vessels as on 14.03.93

Berth No	Name of Vessels	Cargo	L Port	Local Agent	Date of Leaving
J/1	Santa Marguerita	GI	Sing	Prog	06/03 19/03
J/3	General Kazim Orbay	GI	Saka	ISC	12/03 19/03
	Arktika Brezee	Copra	Sing	ISL	28/02 14/03
J/4	Marine Three	Cement/CI	Tutt	BML	26/02 16/03
J/5	Stella F	C Peas	Gulf	MSA	28/02 14/03
J/6	Tanary Star	Cement	Mad	PSAL	10/03 22/03
J/7	Banglar Kallol	GI (SPL)	Tanj	ISC	13/03 18/03
J/8	Tarbela	Cement (P)	Sing	ISC	11/03 16/03
J/9	Samudra Samrat	GI	Kara	SSL	09/03 20/03
J/10	Endurance Sea	Repair	Aqaba	EOSL	25/01 31/03
J/11	Arhon	GTSF (P)	Sing H & SL	24/12	18/03
J/12	Thai Binh	Fert	Alba Seacom	15/02	18/03
J/13	Ocean Credit	GI (SPL)	G Zhu	BDSHIP	10/03 16/03
M/B/2	Myitachi	Cement	Sing	USTC	08/03 18/03
CGJ	Saigon-1	Cement	Tutt	USTC	05/03 14/03
GSJ	Vinta	Wheat (G)	Aqua	R/A	16/03
TSP	Stefanos	R Phos	Safa	SSST	10/03 19/03
RM/5	Chitham Castle	ISD	Sing	MSPL	12/03 15/03
RM/6	Lise	Cement	Sing	Paragon	17/02 18/03
DDJ/1	Labroy-90	GI	Sing	ILA	31/01
DDJ/2	Banglar Asha	Repair	ISC	R/A	18/03
CUKJ	Al Mohammed	Urea	Mong	KSL	06/03 19/03

VESSELS DUE AT OUTER ANCHORAGE

Name of Vessels	Date of Last Port	Local Agent	Cargo	Loading Port
NGS Express	14/03	Mong	BDSHIP	Cont Sing
Ronjay Choomte	14/03	Mad	PSAL	Cement
Andrian Goncharov 1/315/03	15/03	Sing	CT	Cont Sing
Banglar Baari	15/03	Kara	R/RSA	GI
Hanjant	15/03	Sing	EBPL	GI
Tiger Sun	15/03	Hong	Prog	GI
Meng Kiat 9/3	17/03	Cal	AML	Cont Sing
Zhen Xing	17/03	H & H	Cement	
Yamburenko 10/3	17/03	Sing	CT	Cont Sing
Armas	18/03	Mong	OWSL	Sing
Long Xu	18/03	L Shan	Khanoson	Cement
Hue Ocean	18/03	Mong	BOAL	GI
NGS Ranger 9/3	19/03	Sing	BDSHIP	Cont Sing
Karavivertti	19/03	Sing	EBPL	GI
Banglar Sampad	19/03	Kara	ISC	GI
Oplima 11/3	19/03	Sing	ISL	Cont Sing
Bernvalla 11/3	19/03	Sing	ULA	Cont USA/Japm
Alair Lee	19/03	Bright	Cement	
Huaxing	20/03	USTC	Cement	
Banglar Robt 11/5	20/03	Sing	ISC	Cont Sing
Jiang Cheng	20/03	Sing	BDSHIP	GI
Banglar Gourab	21/03	Sing	ISC	GI
Tiger Force 11/3	22/03	Col	ISC	Cont Col
Banglar Urmi	23/03	Sing	ISC	GI
Ingenyut 13/3	23/03	Sing	ISC	Cont Sing
Sam Houston	24/03	Karna	GI (Lash)	
Orang Berani	30/03	Sing	IFB	GI

TANKER DUE

Global Venus	15/03	TSLC	P Oil/CTL	
Leontias	14/03	Rast	DSLL	C Oil
Ararat	16/03	Col	City	C P Oil
E Guatemala	16/03	Sing	MSPL	SKD
Equity	21/03	Solex	Lube Oil	
Varino	23/03	Seacom	CSO	
Jhuan Kesumba	25/03	Seacom	CSO	

VESSELS AT KUTUBDIA

Name of Vessels	Cargo	Last Port	Local Agent	Date of Arrival

VESSELS AT OUTER ANCHORAGE

Ready on				
Pong Shin	Cont	Sing	BDSHIP	13/03
Kota Duana	Cont	Sing	CTS	13/03
Mergul	Cement	L Kou	Acka	12/03

VESSELS NOT READY

Ard	GTSF (P)	Ind	H & SL	16/01
Paulina	C Clink	Sing	Khanoson	02/03

VESSELS AWAITING INSTRUCTION

Banglar Shourabh		ISC	R/AIS/3
Banglar Jyoti		ISC	R/AIS/3
Banglar Shobha	Repair	ISC	R/AIS/3

VESSELS NOT ENTERING

Trans Asia		Sing	BOAL	01/02
Vector	Scraping	D Sea	Royal	23/02
Trans America		BOK	BOAL R/A	27/02
Early Star	Cement	Sing	Aeka	04/03
Akademik Filatov	Cement		Khanoson	12/03
Safira-e-Nalam			ASLR/A	11/03

Movement of Vessels for 15.03.93

Outgoing	Incoming
J/13 Ocean Credit	J/13/5 A Goncharov
CGJ Saigon-1	DOJ Banglar Shourabh
RM/5 C Castr	J/5 Banglar Baari
J/12 Thai Binh	J/12 B Shobha
	RM/3 G Venus

The above were the Sunday's shipping position and performance of vessels of Chittagong Port as per berthing sheet of CIA supplied by HRC Group, Dhaka.

Exchange Rates

The following are the Commercial Banks' BC selling and TT (C), OD transfer buying rates for some selected foreign currencies effective on March 14, 15 and 16.

Currency	Selling B.C.	T. T. (C)	Buying OD Transfers
US Dollar	39.1326	38.3087	38.6339
Pound Sterling	56.0295	55.7351	55.3594
DM	23.5101	23.3616	23.1966
FF	6.9182	6.8749	6.8264
S Riyal	10.4002	10.4003	10.3269
I Quilners	20.9209	20.7846	20.6378
S Kroner	5.0202	4.9883	4.9631
Singapore Dollar	23.7614	23.6254	23.4585
UAE Dirham	10.6911	10.6299	10.5548
Kuwait Dinar	127.8853	127.1636	126.2556
Indian Rupee (AMU)	1.2375	1.2319	1.2258
Pak Rupee (AMU)	1.4719	1.4653	1.4579

Authorised dealers will apply T.T. cheap buying rate for purchase of remittances of Bangladeshis working abroad. Note: AMU—Asian Monetary Union.

Dhaka Stock Prices

At the close of trading on March 14, 1993

Transactions almost static

Transactions at Dhaka Stock Exchange (DSE) slightly improved on Sunday. Volume hardly changed against Saturday's finish. It finished at 5811 issues from Saturday's 5804 issues rising by only 0.121 per cent. Prices or value rose by 92.33 per cent closing at Tk 693029.00 from Saturday's Tk 360322.50.

As many as 37 stocks traded on the day against 34 on Saturday. Eighteen stocks gained prices while eleven lost prices. Among gainers changes were slightly higher than other days. Ambee Pharma traded with the highest issues involving 1100 issues.

The Composite Index slightly gained from Saturday's 384.5816 to 385.2295 adding 0.64 point.

DAY'S TRADING AT A GLANCE

DSE Share Price Index	358.2295
Market Capitalisation (Tk)	11,011,776,945.00
Turnover in Volume	5811
Turnover in Value (Tk)	693029.00

Company's name	Previous price Tk	Closing price (absolute) Tk	Change (absolute) Tk	Change (% over price)	Number of shares sold
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Gains (18)

Rahim Textile	79.00	83.96	4.96	6.278	445
Green Delta	172.14	180.79	8.65	5.025	750
NTC	200.00	210.00	10.00	5.000	05
2nd ICBM Fund	171.00	179.00	8.00	4.678	25
IGIC	158.50	161.20	2.70	1.703	50
Aziz Pipe	224.40	228.11	3.71	1.653	45
Dhaka Veg	92.50	94.00	1.50	1.622	20
Zoal Bangla	8.00	8.15	0.15	1.875	200
Padma Textile	175.00	176.00	1.00	0.571	20
Beximco Infusion	225.00	226.00	1.00	0.444	30
Beximco Pharma	430.00	431.00	1.00	0.233	65
3rd ICBM Fund	145.00	145.00	2.00	1.379	05
145.00	145.00	147.00	2.00	1.379	05
Singer Bangladesh	1055.00	1060.00	5.00	0.474	50
B Thai Aluminium	76.03	76.40	0.37	0.487	240
United Ins	189.92	190.00	0.08	0.042	50
6th ICBM Fund	61.05	61.50	0.45	0.737	10
City Bank	268.00	270.00	2.00	0.746	10

Losses (11)

Metalax Corp	46.00	43.00	3.00	6.522	10
Ambee Pharma	12.20	12.02	0.18	1.475	1100
Quasem Silk	3.20	3.10	0.10	3.125	100
Tallu Spinning	102.00	101.78	0.22	0.216	460
4th ICBM Fund	146.00	145.00	1.00	0.685	190
Eagle Box	14.10	14.00	0.10	0.709	500
Therapeutics	82.90	82.00	0.90	1.086	15
Paper Processing	34.00	32.75	1.25	3.676	10
Cig Cement	248.00	247.08	0.92	0.371	120
Sevar Refac.	85.00	84.33	0.67	0.788	15
Bengal Food	141.19	140.29	0.90	0.637	630

Traded at previous rates (08)

Shares: Shine Pukur Jute (162), Kohinor Chemical (10), Wata Chemical (60), Bangladesh Monnospool Paper (05), Apex Tannery (130), Bata Shoe (100), Usmania Glass (150).
Debenture
Beximco Pharma (02)

DSE SHARES AND DEBENTURES

Company	FV/ML Tk	Share Price	Debt Price
Shine Pukur Jute	100/5	125.50	
Sonali Aarsh	100/5	100.82	

BANKS (10)

Al Baraka Bank	1000/1	915.00
A.B. Bank	100/5	182.00
City Bank	100/5	270.00
I.F.I.C	100/5	172.50