

Bangladesh economy is geared to accelerate, says ex-RBI chief Venkitaramanan

By Staff Correspondent

Latifur Rahman presided over the session.

Providing a definition of convertibility, Venkitaramanan said: "It means removal of exchange control restrictions to enable the withdrawal of foreign exchange without having to go through the central bank and without any questions being asked."

"We (in India) have allowed the market to determine the exchange rate under the watchful eye of the central bank as we don't want the Rupee to get too strong, which would harm exports," the former RBI Governor said.

At the start of the discussions MCCI president Latifur Rahman noted that it is absolutely necessary that the commercial banks provide forward cover to clients.

Although the Bangladesh Bank has withdrawn providing forward cover, he suggested the commercial banks take direct cover with foreign banks.

Rahman also pointed out that the commercial banks, who are also the authorised foreign exchange dealers, should set up an inter bank computer network to show demand and

supply of foreign exchange transactions.

Azizur Rashid of Bangladesh Oxygen Limited noted that the commercial banks still provide forward cover but at a premium rate.

Abbasuddin Ahmed, Senior Executive Vice President of the IFIC Bank, expressed his apprehension that in case the Taka becomes stronger, encouraging imports and harming exports.

Over a period of time increased imports would lead to demand for the dollar making the Taka weaker.

Venkitaramanan said, adding:

"The only way to correct the balance of payment is through free market determination of exchange rates."

Asked what would happen if the reserves are depleted because of bad food production, Venkitaramanan said the convertibility scenario should not be predicated by the possibility of a calamity.

Md. Nazimuddin of the Arab-Bangladesh Bank wanted to know if convertibility would increase its outflow of capital given that the interest rate has declined sharply with interest on savings being seven per cent.

The former RBI Governor replied in the negative, saying that the advantage in Bangladesh is better with the seven per cent interest rate on savings, which is attractive compared to the low inflation rate.

Abu Sayed Miah of Rahimulrooz asked what would happen to the balance of payment situation in case the Taka becomes stronger, encouraging imports and harming exports.

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If you are afraid you will never be able to change; the best time to do it is when the situation is good."

He also added that fears of export decline should not deter economic reform.

Forrest E. Cookson, the Financial Sector Reform Project advisor at the Bangladesh Bank, observed that the continued low growth, which has been stuck at about four per cent for the past several years, is one

negative aspect of the macroeconomic management. He noted that the balance of payment situation is satisfactory at the current rate of growth but it would not be enough with a seven to eight per cent growth.

In reply to another question, he said convertibility attracts foreign institutional investors to the share market.

Cookson noted that travel allowances under the deregulation provides less amount of foreign exchange for travel to India, Pakistan and Sri Lanka than in other countries. A similar situation prevails in India, he said. "It seems discriminatory and rather ridiculous."

Venkitaramanan agreed that it was a discriminatory system and assured to communicate it to the Indian authorities.

Replies to a question, he said Indian exporters are allowed to retain 15 per cent of their export earnings at an average, which they are free to use in any manner and added that to avoid speculative runs in the exchange market forward covers are not allowed unless backed by an import or export deal.

Responding to another ques-

tion, Venkitaramanan agreed that it is necessary to offer a two-way bid in the inter-bank forex market to be efficient and to deal with speculation and strategic market manipulation. One-way bids are provided here while there is a two-way bid system in operation in India.

He said India has decided that the time is still not right for it to go for capital account convertibility, which would enable investments abroad.

The secretary general of the MCCI C K Haider strongly advocated the full convertibility of the currency, including capital accounts, as soon as possible. "Having set out to introduce convertibility we should do it in a complete manner because our need for capital inflow is greater."

However, the former RBI Governor advised caution at this stage saying that full convertibility should come in a sequence after the shyness and the fears are removed.

The MCCI president hoped that the discussion helped the participants in understanding the new situation and also hoped that the points raised would be duly noted by the central bank.

Dhaka Stock Prices

At the close of trading on September 28, 1993

Mixed trend

Trading on the floor of Dhaka Stock Exchange (DSE) showed a mixed trend on Tuesday.

The DSE All Share Price Index declined significantly. It fell to 416.1949 from 418.1716 showing a loss of 1,976 points.

The turnover in value also lost by 34.459 per cent dropping to Taka 1235282.25 from Taka 1864751.75. While turnover in volume rose to 29150 issues from 14950 making a gain of 94.983 per cent.

The number of companies taken part in the trading was almost unchanged. It totalled 47 as against Monday's 46. Of them, 19 gained, 13 lost while 15 others were traded at previous rates.

Dominating gainers' list, Dhaka Vegetables eyed a gain of 5.612 per cent in its share price. On the other hand, each share of Apex Tannery suffered a loss of 4.088 per cent leading the losers on the floor.

Traded shares of Zeal Bangla Sugar totalled 18400, the highest number of the day.

DAY'S TRADING AT A GLANCE

DSE Share Price Index 416.1949

Market Capitalisation Tk 16257939879.00

Turnover in Volume 1950

Turnover in Value Tk 1235282.25

Company's name Previous price Tk Closing price Tk Change (absolute) Tk % of over shares traded

Gains (19)

Shares	880.00	890.00	10.00	10.136	02
3rd ICB M Fund	144.00	144.50	0.50	0.347	440
6th ICB M Fund	64.21	64.94	0.730	1.136	440
BGIC	182.23	182.49	0.260	0.142	170
BD Autocars	45.48	46.00	0.520	1.143	10
Howlader PVC	106.45	108.00	1.550	1.456	130
Renwick Jajneawar	81.25	81.50	0.250	0.307	30
Dhaka Veg	62.00	65.48	3.480	5.612	75
Zeal Bangla	5.80	5.94	0.140	2.413	18400
National Oxygen	75.00	77.00	2.00	2.866	10
Eagle Star	14.50	14.60	0.10	0.089	1500
Modern Dying	45.00	47.00	2.00	4.444	190
Talib Spinning	91.00	91.64	0.64	0.703	70
Beximco Pharma	450.00	454.23	4.230	0.940	130
Wata Chemical	124.89	127.00	2.110	1.689	100
Cig Cement	178.94	182.00	3.06	1.710	100
Monro Ceramic	291.94	292.07	0.930	0.319	135
Debenture	—	—	—	—	—
Beximco Infusion	1755.00	1760.00	5.00	0.284	24
Beximco Pharma	1135.00	1138.00	3.00	0.264	27

Losses (13)

Shares	207.25	205.00	2.250	1.097	260
National Bank	95.00	91.50	3.50	3.684	25
4th ICB M Fund	145.25	145.00	0.25	0.172	50
5th ICB M Fund	92.01	92.00	0.010	0.010	110
Green Delta	207.25	207.13	0.120	0.057	100
Singer BD	915.00	910.00	5.00	0.546	35
BTG	76.00	74.00	2.00	2.631	72
BD Oxygen	75.00	74.48	0.520	0.693	894
Amber Pharma	11.45	11.30	0.150	1.310	300
Apex Footwear	176.55	176.26	0.290	0.164	1300
Apex Tannery	361.79	347.00	14.700	0.488	530
Beximco	19.70	18.58	0.120	0.809	1300
Ummaria Glass	270.00	269.25	0.750	0.277	60

Traded at previous rates (15)

Shares: City Bank (10), United Insurance (10), Atlas BD (150), Thai Aluminium (20), National tubes (10), Bengal Food (16), Rupal Oil (900), Ashraf Textile (500), Dulamia Cotton (30), Padma Textile (120), Saiman Textile (200), Beximco Infusion (220), Pharmaco (25), Rahman Chemicals (260), The Ibsinpa (50),

Northern Jute (10), Shilshir Jute (10), Specialised Jute (10), Shine Pukur Jute (10), Sonal Aarush (10/5 108.00)

TENNILLE (20) Alhaj Textile (10/5 112.00), Arbee Textile (10/5 29.30), Ashraf Textile (10/5 10.00), Chand Textile (10/5 10.00), Chand Spinning (10/5 10.00), Desh Garments (10/10 50.00), Dulamia Cotton (10/10 76.00), Eagle Star Textile (10/5 14.60), GMG Ind. Corp. (10/5 10.00), Modern Dying (10/5 47.00), Padma Textile (10/20 165.00), Quasen Silk (10/100 2.50), Qusum Textile (10/50 3.20), Saiman Textiles (10/10 78.00), S.T.M. (ORD) (10/5 20.00), Stylecraft (10/5 130.00), Swan Textile (10/5 8.00), Talib Spinning (10/10 91.64), Tamijuddin (10/10 147.00)

DSE SHARES AND DEBENTURES

Company	FV/ML	Closing Rate (Taka)	Rating (Taka)	Northern Jute	10/50 NT
BANKS (12)	100/5 100.00	100/5 100.00	100/5 100.00	Shilshir Jute	100/5 100.00
Al Baraka Bank	1000/1 890.00	—	—	SPECIALISED JUTE	100/5 114.00
A.B. Bank	100/5 170.00	—	—	Sonal Aarush	100/5 108.00
City Bank	100/5 325.00	—	—	—	—
Eastern Bank	100/20 100.00	—	—	—	—
IDLC Ltd	100/20 205.00	—	—	—	—
I.F.I.C.	100/5 157.00	—	—	—	—
Islamia Bank	1000/1 1401.00	—	—	—	—
National Bank	100/5 91.50	—	—	—	—
Pubali Bank	100/5 100.00	—	—	—	—
Rupali Bank	100/10 68.00	—	—	—	—
U.C.R.I.	100/5 120.00	—	—	—	—
Uttara Bank	100/5 90.00	—	—	—	—

INVESTMENT (06)

ICB	100/5 100.00	100/5 100.00
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