

# Structural Reforms For Our Banks

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Guest columnist

Our banks are old-fashioned British styled banks having headquarters in a big city, and then spreading out the branches all over the country. This type of banking, in student's textbooks is known as branch banking.

There is another type of bank, specially found in the North America known as unit banking. Under this pattern, an organisation which deals in money and is authorised by a central bank agency, to call itself a bank. In this sense, banks do not necessarily require to have branches, every branch is like a bank by itself. In the unit banking system, there are hundreds of banks in country just like any other business organisations, operating in the economy, the difference is only that, the former are heavily controlled and watched by the central bank.

In the United States alone, there are 12,000 such banks. What is the logic of having such a banking system? The logic is to have more intense competition in money and financial sectors. More banks are expected to bring more competition, and the consumers — here the depositors and loanees, are to be the biggest beneficiary from such a competition. In this system bank failures are also high, but the depositors' deposits are insured up to a level.

In the USA, the FDIC (Federal Deposit Insurance Corp) provides insurance

cover service for upto \$100,000 per depositor or account holder. The insurance coverage takes off much worries of the central bank about protecting depositors' interest in the form of ensuring safety of deposits. The central bank finds more time to concentrate on monetary policy and market evaluation.

We in Bangladesh never thought to have a unit-type banking system. We also banks having one headquarter preferably at the capital city, and then branching all over Bangladesh. Exactly in England, this is the way banks operate. The important limitation of such a system is that a country can not have many banks unlike unit banking system. In the British-style branch banking system, a country may have hundreds of branches, but they are not banks. Banks are, in real sense, their headquarters which are based in big city-centres. It has some merits, but demerits in the present time has overtaken them. We cannot allow other people who want to do banking business to open banks under the present system.

This country cannot afford to have probably more than two dozen big commercial banks at present. If more banks are permitted all banks

will have less of business, and economically they may not be viable. How to overcome the problem? Only way is to switch on to an unit banking system and requiring insurance coverage for the depositors' deposits. Had there been a unit banking system introduced in this country at the beginning of '80s, by this time we would have a few hundred banks in the country. Now, about 26 banks operate in this country's economy — all doing traditional business — supplying money to export-import business and for short-term working capital. No bank, till now, developed any monetary instruments such as CDs, CPs, Reps etc. Neither they developed electronic automatic banking system which allows the customers to have banking services round the clock.

Our banks are totally outdated, and there need to be a rehauling of the system. Government by force can not achieve the modern banking, it is to come from the operation of market system in its own way. For this markets, specially bank and financial markets, need to be competitive. To make these markets competitive we need to allow more banks in the economy under the modern unit banking system. From a competitive banking new instruments and new

style banking services will be developed.

Why advance rates in the Bangladesh money market are falling so slowly, though both deposits and bank rates fell sharply in the recent years? One of the reasons is the formation of cartel among the few banks we have now. More or less, they decided to follow the same level of interest no matter what other opportunity cost of money-use prevail in the country. Oligopoly-style cartel hampers the smooth competition in the financial markets which make fund availability for transactions more costly.

We do not have any discount market in the economy for financial instruments. Why? This is also partly due to this. A formal discount or secondary market for bill of exchanges is very much necessary for having good money-market. At the moment we have bill of exchanges, but the holders or the drawers are to wait till they mature.

Our banks close up by noon. Is there any country in the world where banks-close by noon and at the same time call it a market economy? We are changing very slowly in every respect. When others will have already overtaken us, then running hard will not bring any fruit. At least the notion of unit banking system needs to be examined. The sooner, the better.

# WDB takes up 45 projects

Bangladesh Water Development Board (WDB) has taken up 45 projects including 30 investment and 15 technical assistance projects for implementation under the current year's ADP, reports BSS.

Out of the total, 15 projects have been targeted for completion in the current financial year. A total of Taka 713.70 crore has been allocated for implementation of these projects.

Besides, a bulk allocation of Taka 38.80 crore has been sanctioned for implementation of greater Dhaka integrated flood protection project.

This was disclosed at an inter-ministerial review meeting held at WDB conference room in the city Tuesday with the Minister of State for Irrigation, Works Development and Flood Control Mosharraf Hossain Sajahan in the chair.

The minister urged WDB officials to work hard with sincerity and dedication to complete the projects before June 30 next. Sajahan emphasised the need for expeditious design and tender work and laid stress on depositing last year's

# Dhaka Stock Prices

At the close of trading on October 26, 1993

## Turnovers surge, index continues to leap

The turnovers on the Dhaka Stock Exchange (DSE) surged and the index continued to leap up on Tuesday.

The turnover in volume term reached 67961 from 27702 showing a gain of 145.328 per cent. And the turnover in value increased by 199.182 per cent rising to Taka 5881815.00 from Taka 1965962.50.

The DSE All Share Price Index leapt from Monday's 439.2630 to 444.6551 bringing a gain of 5.392 points.

The number of issues transacted also rose. It reached 50 from 45. Of these, 15 gained, 20 lost while 15 others traded at previous rates.

No issues experienced significant gains in share prices. But the Monsoon Paper dominated the losers' list with 10.00 per cent fall in its share prices.

The traded shares of GQ Ball Pen totalled 40150, the leading volume of the day.

## DAY'S TRADING AT A GLANCE

DSE Share Price Index	444.6551
Market Capitalisation Tk	67961
Turnover in Volume	5881815.00
Turnover in Value Tk	17390202614.75

  

Company's name	Previous price Tk	Closing price Tk	Change (absolute) Tk	Change (% over price)	Number of shares traded
<b>Gains (15)</b>					
Shares:					
1st ICB M Fund	406.67	415.00	8.330	2.048	10
6th ICB M Fund	68.00	69.21	1.210	1.779	570
Eastern Cables	65.00	65.15	0.150	0.230	250
Howlader PVC	110.00	111.00	1.000	0.909	10
Bengal Food	114.58	114.64	0.060	0.052	70
BTC	80.00	85.00	5.000	6.250	186
Tulip Dairy	60.00	61.71	1.710	2.850	70
Saham Textile	75.17	75.50	0.330	0.422	10
Bata Shoe	52.88	56.76	3.880	7.337	2660
Cig Cement	182.04	182.67	0.630	0.346	4610
GQ Ball Pen	77.33	78.00	0.670	0.866	40150
Monno Ceramic	310.00	315.20	5.200	1.677	125
New Dhaka Refac	82.00	85.00	3.000	3.658	20
Islam Jute	81.00	82.00	1.000	1.234	10
Sonali Aansh	120.71	125.00	4.290	3.553	05
<b>Losses (20)</b>					
Shares:					
IDLC	220.00	218.34	3.66	1.66	160
Islami Bank	1393.00	1390.00	3.00	0.215	02
BGIC	181.17	180.37	0.800	0.441	470
Thai Aluminium	82.00	81.27	0.730	0.890	220
Quasem Drycells	10.98	10.00	0.980	0.891	100
Zeal Bangla	6.40	6.30	0.100	1.562	3000
BD Oxygen	88.67	88.22	0.450	0.507	562
Dulama Cotton	76.88	76.75	0.130	0.169	70
Dulama Textile	165.47	165.22	0.250	0.151	320
Quasem Silk	2.50	2.45	0.050	2.000	200
Rahim Textile	98.00	95.00	3.000	3.010	185
Tally Spinning	90.50	90.08	0.420	0.464	420
Amber Pharma	10.78	10.44	0.340	3.153	5000
Beximco Infusion	285.50	270.14	15.360	5.380	370
Beximco Pharma	530.00	511.43	18.570	3.503	192
Pharma Aids	187.00	185.00	2.000	1.197	05
Monsoon Paper	20.00	18.00	2.000	10.000	20
Apex Footwear	215.18	213.00	2.180	1.013	20
Beximco	21.31	21.21	0.100	0.469	3200
Umanita Glass	300.00	298.88	1.120	0.373	1940

# Shipping Intelligence

## CHITTAGONG PORT

Berth position and performance of vessels as on 26/10/93

Berth No	Name of Vessels	Cargo	L Port	Local Agent	Date of Arrival	Date of Leaving
J/1	Zheng He	—	Tanju	—	25/10	29/10
J/3	Jin Jiang	Sugar	Xiyu	OWSL	22/10	03/11
J/5	Vishva Karuna	R Seed	Chin	Litmond	30/8	29/10
J/6	Rafah	M Seed	Jybo	Dynamic	18/10	27/10
J/9	Knud Jaspersen	Cont	Sing	CT	25/10	28/10
J/10	Taganrosky Zaltv	E/L	Mong	OWSL	23/10	27/10
J/11	Fridrich Engels	MOP (P)	Pere	EOSL	01/10	28/10
J/12	Boris Gorvator	Salt (TCB)	Kand	GEL	18/10	28/10
J/13	Iran Eiham	E/L	Mong	OWSL	21/10	30/10
MPB/1	Eponymia	Cont	Sing	CTS	22/10	26/10
MPB/2	Banglar Robi	Cont	Mong	BSC	24/10	27/10
CCJ	Al Shams	Repair	Mong	KSL	02/10	28/10
TSP	United Spirit	R Phos	Aqaba	SSST	18/10	01/11
RM/4	Ronjari Victory	Cement	Sing	PSAL	15/10	31/10
DOJ	Banglar Jyoti	C Oil	—	BSC R/A	26/10	—
DD	Al Salma	Repair	Yang	ASL	28/9	30/10
DDJ/1	Banglar Asha	Repair	—	BSC R/A	30/10	—
RM/8	Dolores	—	—	Seacom R/A	01/11	—
RM/9	Banglar Kakoli	Repair	Cal	BSC	18/10	02/11
CUFJ	Samudra Samrat	Repair	Kand	SSL	25/8	28/10

## VESSELS DUE AT OUTER ANCHORAGE

Name of Vessels	Date of Arrival	Last Port	Local Agent	Cargo	Loading Port
Virginia	27/10	—	GEL	TSP (P)	—
Ingenuity	27/10	Col	BTSA	Cont	Col
Imke Wehr	27/10	Sing	APL/B	Cont	USA Fe
Fong Yun	27/10	Sing	BDSHP	Cont	Sing
Petr Starostin	28/10	Sing	CT	Cont	Sing
Saadi	31/10	—	SSL	GL	B Abbas
NGS Ranger	29/10	Sing	BDSHP	Cont	Sing
Kamaleverett	28/10	Sing	EMPL	GI	Japa Fe
Sea Nymph	29/10	—	USTC	Cement	—
Optima	29/10	—	RSL	Cont	Sing
Meng Lee	29/10	—	AML	Cont	Sing
Banglar Mont	29/10	Sing	BSC	Cont	Sing
Golden Lake	29/10	—	Prog	GI	—
Sheng Yuan	30/10	—	Seacom	—	—
Loyal Bird	30/10	Mong	Litmond	—	—
Sea Tradition	30/10	—	AML	—	E African
Amangal Dignity	01/11	Dunk	LTL	Wheat	—
Nour (E/L)	01/11	—	LTL	E/L	Suean Suez
Peral of Fujairah	01/11	—	Seacom	C Clinic	—
Safar	02/11	—	PSAL	Cement	—
Fong Shin	02/11	Sing	BDSHP	Cont	Sing
Kota Buana	02/11	Sing	RSL	Cont	Sing
Lanka Mahapola	03/11	Mong	Bardhi	Cont	Col
Golden Chase	04/10	—	OWSL	TSP	—
Amer Jyoti	10/11	—	USTC	Cement	—
Indian Glory	15/11	—	USTC	Cement	—

## TANKER DUE

Name of Vessels	Date of Arrival	Last Port	Local Agent	Cargo	Loading Port
Ajon	26/10	—	CT	CPO (RM/3)	—
Global Mars	27/10	—	TSL	CPO (RM/3)	—
Everton	28/10	—	Seacom	CPO (RM/3)	—
Zakharly Palishvili	30/10	—	Seacom	CDSO (RM/4/3)	—
Chloe-2	02/11	—	SW	CPO (RM/3)	—

## VESSELS AT KUTUBDIA

Name of Vessels	Cargo	Last Port	Local Agent	Date of Arrival
Leonidas	C Oil	—	BSC	—
Banglar Shourabh	C Oil	—	BSC	R/A

## VESSELS AT KUTUBDIA

Name of Vessels	Cargo	Last Port	Local Agent	Date of Arrival
Leonidas	C Oil	—	BSC	—
Banglar Shourabh	C Oil	—	BSC	R/A

## VESSELS READY

Name of Vessels	Cargo	Last Port	Local Agent	Date of Arrival
Andavia	Sugar	Shan	Seacom	24/10
Vishva Madhury	Salt (TCB)	Tuti	UMAL	R/A
Meng Kiat	Cont	Cal	AML	25/10
Zara	GI	Okha	CLA	26/10
Andrian Goncharov	Cont	Sing	CT	26/10
Indian Valour	Salt (TCB)	Kand	MSPL	20/10
Taxirhis P	Wheat (G)	Dunk	LTL	22/10
Banglar Doot	Wheat (G)	—	BSC R/A	(21/10)
Nearchos	Mop (P)	Ilyi	MSA	19/10

## VESSELS NOT ENTERING

Name of Vessels	Cargo	Last Port	Local Agent	Date of Arrival
Rio Santa Rosa	Scraping	Duba	UMAL	02/10
Frio Antarctic	Scraping	Sing	ARL	19/10

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

# Exchange Rates

The following are the Sonali Bank's dealing rates (Bangladesh Taka for one unit of foreign currency) to public for some selected foreign currencies effective as on Oct 25.

Currency	Selling B.C.	T. T. (C)	Buying OD Transfer
US Dollar	39.9500	39.7100	39.4900
Pound Sterling	59.1500	58.0322	57.7107
DM	24.0130	23.6171	23.4863
FF	6.8679	6.7552	6.7178
Indian Rupee (AMU)	1.2768	1.2665	1.2508
Pak Rupee (AMU)	1.3296	1.3187	1.3024

  

Indicative Rates	Selling T.T. & O.D.	Buying O.D Transfer
S Riyal	10.6500	10.5200
D Guilders	22.1600	21.9000
S Kroner	5.9500	4.9800
Singapore Dollar	25.5200	25.2100
UAE Dirham	10.8600	10.7500
Kuwait Dinar	134.1100	132.2000

Note: AMU—Asian Monetary Union.

# Benazir firm to recover bank loans from defaulters

ISLAMABAD, Oct 26: The Pakistani government led by Prime Minister Benazir Bhutto decided Monday to conduct a "forceful" campaign to recover bank loans from defaulters, reports AFP.

An appropriate strategy will be drawn up to get back the loans, minister for parliamentary affairs, Sir Afghan Niazi, told reporters after a federal cabinet meeting chaired by Bhutto.

The drive, originally initiated by the former caretaker Premier Moeen Qureshi during his three-month tenure, will also cover those who evaded tax and charges of utility services.

Bad loans amounting to 800 million rupees (20.16 million dollars), in addition to 1.5 billion rupees (50 million dollars) arrears on utility bills, were paid back before Qureshi, a former World Bank executive, handed over power last week following the general election.

Niazi said the government would take steps to get back deposits of thousands of people whose savings were swindled by private cooperative societies, a scandal that surfaced during the government of former premier Nawaz Sharif last year.

The cabinet resolved to continue the policy of privatisation and create public-private partnership, a concept advocated by Bhutto to encourage the growth of facilities and small business undertakings in the countryside.

The government will concentrate on the social sector to improve sanitation, education and population welfare facilities, Niazi said.



Jiban Bima Corporation (JBC) settled death claim of Taka six lakh ten thousand and eight hundred only against a life policy of Taka three lakh with double accident benefit. A K M Mostafizur Rahman, Managing Director, JBC handing over the cheque to Maria Zaman, wife of late Faruq-uz-Zaman of the Samsons group who died in a road accident last month.

# IFC urges India to sweep away restrictions on foreign investment

BOMBAY, Oct 26: A World Bank affiliate urged India to sweep away restrictions on foreign investment and said Bombay could become a major financial centre if the country implemented bold financial reforms, reports Reuters.

Sir William Ryrrie, head of the International Finance Corporation (IFC), said too many restrictions remained on foreign investment that did not exist in competing Asian countries.

"I believe India could achieve a lot more if it swept away these restrictions," he said, arguing that 100 per cent foreign ownership was not something to be scared of.

He told a press conference that India needed huge sums to update its flagging infrastructure. This capital would no longer come from the government, but through the private sector, including foreign investment.

He said India had long deterred foreign investment, and it now faced a long battle to get across the message that it actively wanted overseas capital to help underpin its liberalisation programme.

"The potential is much, much greater than what is happening now," he said.

Direct foreign investment in India in the first seven months of calendar 1993 reached 11.23 billion rupee, up from 6.75 billion in the whole of 1992, according to government figures.

At least 400 million dollar has also been invested by foreign fund managers in India's stock markets during the period, brokers say.

Ryrrie said that India should push through financial sector reform, including development of an active domestic bonds market and privatisation of major banks.

If all these things happen, Bombay can become a major financial centre, he declared.

Analysts said there is renewed pressure on the government to accelerate the pace of its economic reforms after an apparent slowdown ahead of crucial elections next month.

# Ecuador seeks to increase oil reserves

QUITO, Oct 26: Ecuador has sufficient oil reserves for 17 years but hopes to add another one billion barrels in reserves through expanded exploration, Energy Minister Francisco Acosta said Monday, reports AP.

Acosta said proven reserves total 3.3 billion barrels, enough at the current rate of production to last until the year 2010.

Ecuador, a former member of the Organization of Petroleum Exporting Countries, produces 340,000 barrels a day and exports 236,000 a day. Oil export earnings provide 50 per cent of government income.

Acosta said the government is preparing to put up for bidding on January 24 a dozen blocks in the jungle interior of Ecuador and on its Pacific coast.

He said nine blocks of 200,000 hectares each will be available for bidding in the Lago Agrio area in Ecuador's Amazon jungle region 180 kilometers (108 miles) northeast of Quito.

Most of Ecuador's current proven reserves are in the Lago Agrio area.

Bids also will be taken on three blocks on the Santa Elena peninsula 105 kilometers (63 miles) west of Guayaquil on the Pacific coast.

The area is 375 kilometers (225 miles) southwest of Quito.

Two of the blocks are offshore and one is on the peninsula.

Acosta also said that at some point next year the government will take bids on construction of a pipeline from jungle oil fields to the coast. It will run parallel to the existing 500-kilometer (300-mile) pipeline.