

105 tea gardens face loss in Sylhet region

SYLHET, July 24: A large number of tea gardens here are facing huge loss during the peak production season due to disruption in the direct rail and road communications with Dhaka and Chittagong following Magurjhara gas fire incident, reports UNB.

Sources said 90 tea gardens in Moulibazar, five in Habiganj and 10 in Sylhet districts which produced 4.2 million kg of tea in June could not send their products to the Chittagong auction market in time. Tea chests remained dumped in the estate godowns.

The disruption of rail link followed the Magurjhara fire on June 15 and road communication was snapped due to collapse of bridge over river Khawai in Shayestaganj on July 15.

The sources said these 105 tea gardens were now apprehending loss of their international market in the peak season when the prices are high. Besides, they were facing difficulties in payment of wages and repaying the bank loans.

Nomura Securities scandal Senior officials involved

TOKYO, July 24: Junichi Ujiiie, President of Japan's Nomura Securities Co. Ltd admitted today the company and senior officials were directly involved in the nation's pay-off scandal, says AFP.

He made the admission during a hearing held by the finance ministry at which the president was called to give evidence over alleged illegal dealings with a corporate extortionist.

The ministry is expected to announce penalties on the trading in question as early as next week based on the hearing, ministry officials said.

Sonali Bank training on investment scheme ends

By Staff Correspondent

Khondkar Ibrahim Khaled, Managing Director of Sonali Bank, said the trainees should utilise their knowledge in their respective workplaces after receiving the in-service training.

He was addressing the concluding session of a week-long training programme for the branch managers on the Special Investment Scheme yesterday at the Sonali Bank Staff College in the city.

Shamsul Alam, Principal of the Staff College, presided over the function while Khondkar Ibrahim Khaled spoke as Chief Guest at the function.

The objective of the training programme is to help the small and medium entrepreneurs in making investment in poultry, duckery, pisciculture and cattle-breeding at the rural levels apart from crop production. Khaled said "we have enough potentials for increasing production in these fields. So we have to enhance investment in these fields keeping in mind the steps and ways to recover the money invested."

A total of 25 branch managers of different levels participated in this training programme.

Tofael calls on Thai PM Bangkok optimistic about trade ties with Dhaka

The Prime Minister of Thailand, Chavalit Yong-Chaiyudh, yesterday expressed his optimism about development of trade and investment relations between his country and Bangladesh which is putting its best efforts for rapid economic growth, reports BSS.

A message received from Bangkok said the Thai Prime Minister was talking to the visiting Commerce and Industries Minister, Tofael Ahmed when he called on him at his office in the Thai capital.

Expressing his high hopes about the future of the newly formed BISTEC, the forum for economic cooperation between Bangladesh, India, Sri Lanka and Thailand, the Thai premier said, "We are now in the same family and we are going to take some pragmatic steps for future development of the region."

He said, the completion of the construction of Asian Highway will substantially improve economic and transportation linkages of the region resulting in rapid development.

Chaiyudh appreciated the ef-

forts of the Prime Minister of Bangladesh and her government for "good going" in all the areas.

He said, exchanges of ideas and frequent visits of private sector people of the two countries would help take action-oriented projects for mutual benefits.

Reciprocating the sentiment, the Commerce and Industries Minister said Bangladesh has emerged as a spot for gas and petroleum exploration and production companies worldwide, following recent discoveries of many natural gas deposits.

Tofael apprised the Thai Prime Minister of the last two-day discussions and official talks with the Thai cabinet members and business magnates and officials during which both the countries identified some sectors especially energy, textile, food and poultry where the Thai investors will take immediate steps for investment in Bangladesh.

The minister informed the premier that Thai entrepreneurs had shown interest

in relocating their labour-intensive industries to Bangladesh.

He said foreign investors are very positive to the incentives offered by Bangladesh.

He requested the Thai Prime Minister to use his good offices for exploring all avenues for expanded trade and investment seeking to bolster cooperation to confront new global financial challenges.

He underscored the need for taking advantage of opportunities arising from each country's geographic location and potential.

Tofael on behalf of the Prime Minister Sheikh Hasina invited the Thai PM to visit Bangladesh at the earliest convenient time.

The Thai PM accepted the invitation saying "I am also interested to see the ongoing development spree in Bangladesh."

Executive Chairman of BOI Bangladesh Ambassador to Thailand, Additional Secretary of the Industries Ministry and other official were present.

Irregular movement of feeder vessels at Mongla Port

Frozen food exporters facing uncertainty

By Govinda Shil

Banglar Moni' have already been loaded with a total of 60 containers. Now 41 containers are waiting at port jetty for shipment while 33 are ready for loading.

BFPEA president Golam Mostafa told this correspondent last week that the international shipping agents were losing interest to use Bangladeshi ports due to frequent congestion.

The shrimp exporters are worried because delay in shipment would cause huge economic losses. The shrimp should be shipped by July 31.

Khaled said importers are not allowing the exporters to expand the validity of bank documents (mainly Letter of Credits), the principal instru-

ment to transfer foreign exchange for trading purposes.

He said importers are not interested to expand the L.C. period because prices of shrimp and prawn in the international market have fallen.

Quadruple accord on Pak-Turkmenistan gas line project

ISLAMABAD, July 24: Pakistan, Turkmenistan and two international companies signed yesterday an agreement setting a time frame for a two-billion dollar gas pipeline project via Afghanistan, reports AFP.

Unocal of the United States and Delta Oil of Saudi Arabia signed the accord here with visiting Turkmenistan's Oil Minister, Batir Sarjaev, and Pakistani Petroleum and Mineral Resources Minister, Nisar Ali Khan.

The agreement envisages the start of construction on the gas pipeline between Pakistan and Turkmenistan by December 1998, an official statement said.

It forecasts the pipeline would start first delivery of 1,000 million cubic feet of gas per day from the central Asian country to Pakistan by the year 2001.

The planned 1,464-kilometer (910-mile) 48-inch diameter gas pipeline will connect Dauletabad gas field in southeastern Turkmenistan to Multan in Pakistan's central Punjab province.

Approximately 750 kilometers (468 miles) of the pipeline will cross Afghanistan.

Janata Bank's selling and buying rates in cash currency for public:

Buying		
Name of Currency	TT & O.D.	B.C.
US Dlr	43.9700	43.8008
GB Pound	32.2717	72.9727
D Mark	23.9256	23.8280
F Franc	7.0964	7.0674
JP Yen	0.3780	0.3764
C Dlr	31.6368	31.5077
S Franc	29.4284	29.3083
	29.2315	

Selling		Buying
Name of Currency	T.T. & O.D.	B.C.
US Dlr	44.2615	44.3010
GB Pound	74.3153	74.3991
D Mark	24.3205	24.3478
F Franc	7.2127	7.2208
JP Yen	0.3867	0.3871
C Dlr	32.1617	32.1979
S Franc	29.9260	29.9596

Janata Bank's selling and buying rates in cash currency for public:

Selling		Buying
Name of Currency	T.T. & O.D.	B.C.
US Dlr	44.6000	44.1000
GBP	73.3200	71.3200
S Riyal	11.8000	11.4500
UAE Dh	11.9500	11.4500
KUW DI	145.0000	140.0000

Khondkar Ibrahim Khaled, Managing Director of Sonali Bank, addressing the concluding session of a week-long training programme for the branch managers on the Special Investment Scheme at Sonali Bank Staff College in the city yesterday. Principal of the Staff College, Shamsul Alam (left), was also present on the occasion.

With the growth of private corporate sectors the role of securities markets as an intermediate between the investor and the entrepreneur is considered preeminently important.

According to textbook notions, stock markets usually perform the function of monitoring managerial activities through stock price mechanisms of firms and ensure efficient allocation of resources. Providing risk capital for investment, they also encourage risk taking by spreading risk. It can mobilise resources from different sources within and outside the country and direct smooth flow of funds from unproductive sectors to productive sectors ensuring return with reasonable liquidity and safety to the owners of capital.

These markets could speed up the flow of long term savings from the comparatively capital rich countries to the capital hungry developing countries.

The two functions of the capital markets — the domestic function of increasing and channeling the flow of long term funds on the basis of market criteria and the international function of expediting the flow of private long term capital abroad — are very much related as the development of the international capital market is dependent on the efficiency of the capital market in the domestic economy.

Although effectiveness of these functions entails some puzzles, economic roles of secu-

rities markets are being increasingly recognized. A stock exchange can provide marketability for long term securities and this is crucial, since if they could not readily be sold they would not be attractive to buy. Thus, it can perform its functions as a catalyst by which the long term savings of the economy can be converted into physical assets either for the private sectors or for public sectors.

This process is generally referred to as investment. As stock investment relates to ownership, it is always riskier than the investment in bonds or bank deposits. At some points, however, the tradeoff between risk and return begins to favour stock markets. The investor who is knowledgeable about a wider and more diversified universe can be expected to improve his average performance.

The development of an equity market may lead to some optimism about its role for providing sufficient long term funding necessary for industrialisation of the country. Although equity markets record an increasing trend both in terms of

number of the companies listed in the stock exchange and their market capitalisation, a cautious investigation of its performance will result in skepticism. In the following sections an attempt has been made to evaluate its role in providing corporate finance in Bangladesh.

works. According to the life cycle theory of Ando and Modigliani households project their resources or wealth over their expected life time and decide consumption flows that best suit their preferences.

Part of the household wealth is held in the form of stocks. This indicates an increase in stock prices and the resulting corporate gains result in higher wealth, which in turn results in additional consumption expenditure.

In Bangladesh, households are the largest group of shareholders although stock as a percentage of overall household wealth has always been small in the portfolio composition of stock investors, not to speak of the general public. The impact of stock price changes on household consumption should be insignificant.

Another factor that might lead to this outcome is the pattern of distribution of stockholders in Bangladesh across wealth classes. The distribution of stockholding in Bangladesh is skewed in the direction of the relatively wealthy, who, it is argued, are less sensitive to the increases in stock prices when undertaking consumption decisions, because of lower marginal propensities to consume.

Thus, it is imperative that a stock market has or should have important links to the overall economy in which it

stock market as we have mentioned earlier may be attributed to the deficient supply of securities.

Nevertheless, equity offerings could be considerably increased if the more easily available bank loans at less cost could be discontinued and thereby compelling the large corporations to resort to the capital market. However, it may be observed from the analysis that optimism about investment in more advanced form of assets, such as industrial equities, is not warranted.

It is not only the supply of equities which is at fault but also the demand for equities to hold. An array of decisive factors that impedes the development of an equity market — both demand and supply side — in Bangladesh may conveniently be listed as follows:

i) Absence of broad industrial base;

ii) Diffident attitude of the saving public toward more advanced form of assets;

iii) Unwillingness of family controlled undertakings to expand their equity capital;

iv) Prevailing market structure that partly conditions investment and supply of securities;

v) Pursuing a financial policy of a high debt-equity ratio by firms — a tendency encouraged by easy access to bank loans.

These impediments tell upon the development of Bangladesh equity markets. Dhaka Stock Exchange (DSE), country's premier bourse of Bangladesh, resumed its activities with 9 companies in 1976. Simultaneously, Investment Corporation of Bangladesh (ICB) and Controller of Capital Issues (CCI) were set up for market development. The number of securities listed on the DSE stood more than 200 in 1996 with a remarkable rise in market capitalisation.

For getting a better understanding of the equity market performance we should examine its relative contribution in resource mobilisation in Bangladesh. The extent to which the equity market has been successful in mobilising additional resources can be directly analysed with reference to the share of corporate securities to funds mobilised by the other investment opportunities available in Bangladesh like the banking system, postal savings and other government savings schemes.

As can be observed, the portion of funds raised via the stock market are small (around 2-3 per cent) relative to banking system as well as government saving schemes. The increasing popularity of the equity market since 1982-83 is observed due to different tax incentives offered and the denationalisation policy adopted by government.

Indeed, the corporate bond market came into being as a new investment vehicle since 1987. However, the market has not yet been broad based, only some companies have issued bonds. The attractiveness of bank deposits was magnified due to high interest rates until 1991. Government saving schemes were specially attractive due to high interest rate and tax exemption of income from this source.

The ratio of new equity issues to gross domestic investment with some activity ratios can give us an understanding about their performance. The ratio of new issues to gross capital formation can provide a measure of the level of financial development.

In Bangladesh, the share of new equity issues to gross domestic investment is generally around one per cent. Of course, it shows an increasing trend. Besides, turnover of listed securities showed an increasing trend when it is expressed as a per cent of GDP.

This may, perhaps, be due to various incentives for encouraging equity investment and financial market liberalisation policy declared by government together with lowering down the interest rates on bank deposits as well as on government saving schemes.

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