

Japan offers \$1.1b
concessional loan
to India

NEW DELHI, July 26: Japan has offered India concessional loans totalling 1.1 billion dollars for the financial year ending March 31, 1998, a senior Japanese official said on Thursday.

Nobuaki Tanaka, Deputy Director-General in Japan's Foreign Ministry, told Reuters the yen loan package was nearly identical to a dollars 1.15 billion mixture of loans and grants in the 1996/97 fiscal year.

Tanaka said the yen loan package was finalised during a meeting earlier on Thursday between Japan's Foreign Minister Yukihiko Ikeda and Indian Finance Minister P Chidambaram.

An Indian government statement said Chidambaram had urged Ikeda to push for more Japanese investment in India's infrastructure sector.

The statement said Chidambaram sought Japan's help in securing lines of credit to Indian financial institutions for lending to future private sector infrastructure projects.

"In spite of the very low implementation rate we continue to pledge almost the same amount every year," Tanaka said.

"We have expressed our unhappiness at the low implementation rate to India's Finance Minister."

The Indian statement said Chidambaram had told Ikeda New Delhi, "had put in place new procedures for monitoring disbursement and this may help New Delhi to overcome some of the current problems of low disbursement."

Tanaka said, "India seems to have a very, very solid bureaucracy. They have entrenched interests and they find all kinds of excuses to demonstrate their existence by obligating the Japanese side to do this or that."

FAO forecast
World cereal
output to
rise this yr

The world trade in cereals in the current fiscal will be about 189 million tons, which is nine per cent below the volume traded in the last fiscal and the lowest volume since 1990-1991, a forecast of UN Food and Agriculture Organisation (FAO) said, reports BSS.

FAO in a preliminary forecast, world cereal production will be around 1,880 million tons in 1997 which is seven million tons higher than the last year.

The global wheat output will be 590 million tons which will be almost unchanged from the last year, the production is expected to rise in most of the areas of Asia, Europe and CIS but less crops are anticipated in North Africa, South America and the Oceania, the FAO forecast said.

World production output of coarse grains including barley, rye, maize, etc, will be 910 million tons this year, the FAO said.

Production of coarse gains is expected to rise in South America and the CIS but the production will fall in Africa and Europe, the forecast added.

It said, global paddy output in 1997 could be around 565 million tons, almost unchanged from the previous year.

Motia urges agri scientists

Evolve cheap technology to
help boost production

The Minister for Food and Agriculture, Motia Chowdhury, yesterday urged the country's agricultural scientists to evolve less expensive technologies for the farmers to help them boost agricultural production, reports BSS.

Inaugurating a seminar on 'Agriculture research and development in Bangladesh: Present and future' organised by the Bangladesh Association for the Advancement of Science in the Teachers-Students Centre auditorium of Dhaka University, Motia Chowdhury suggested that manually-developed technologies should be provided to the country's financially-insolvent peasants.

Presided over by the president of the association Dr. M A Wazed Mia, the inaugural function was also addressed by its general secretary M Junab Ali, Director General of Bangladesh Institute of Nuclear Agriculture Dr. Anwarul Quader Shaikh presented the key-note speech at the seminar.

The Agriculture Minister said neither the politicians nor the scientists or administrators of the country would claim that they had utilised the last 26 years properly.

It is only the peasants who had utilised the whole period since independence properly, resulting in the increase agricultural production.

Motia Chowdhury noted that remarkable progress had been achieved in the field of agriculture by the farmers despite lot of obstacles in the past years.

She said the use of high-yielding varieties as evolved by the scientists had also helped the farmers in increasing agricultural output.

Referring to the scarcity of land compared the huge population, the minister said efforts must be made to cope with this hard reality of the country.

On fertiliser management, Motia Chowdhury said, a number of farmers lost their lives in the past due to the wrong management in fertiliser distribu-

tion. She said the present government has been handling the fertiliser distribution in a way that would benefit the farmers.

The agriculture minister called for taking specific decisions and correcting the past mistakes in the agriculture sector to prepare the farmers, agricultural scientists and all concerned to enter into the twenty-first century.

She said that agriculture policy would be formulated soon on the basis of the report of the commission on agriculture policy.

The agriculture minister said emphasis must be given on dredging the rivers instead of concentrating more on the construction or repair of embankments to help reduce the effects of off-again-and-on again floods in the country.

She said dredging was not costlier than the construction and repair of the embankments.

In this regard, she said un-

planned construction of embankments had been causing flash floods and water-logging in vast tracts of land. Describing agriculture as the successful private sector, the minister called for huge investment in this field.

In his speech Dr. Wazed Mia underlined the need for strengthening the bases of all sectors, including agriculture, and ensuring the leadership of exports and experienced people in their respective fields for overall socio-economic development of the country.

In his keynote paper, Dr Anwarul Quader Shaikh said rice and wheat production had increased from 10 to 19 metric tons and 0.1 to 1.3 metric tons per acre respectively during the period of 1971-72 to 1995-96.

He said, 'green revolution' was responsible for the increased production in rice and wheat. But, he said, there had not been any appreciable increase in the production cereals like pulses, oilseeds and fibre crops.

Currency rumour denied
'Myanmar won't withdraw
any kyat notes'

YANGON, July 26: The government Saturday denied rumours it was withdrawing some local currency notes from circulation after business was disrupted in the capital, reports AP.

Official newspapers carried a brief announcement from the Central Bank denying rumours that 500 kyat notes with certain serial numbers would be voided to stamp out counterfeiting.

Rumours spread like wildfire Friday afternoon, with some smaller shops closing while department stores, which knew the rumours was false, did brisk business by accepting a flood of 500 kyat notes.

Poorer people with savings in the notes tried to get rid of them by buying cheap items to get change in smaller denominations.

The Myanmar's are extremely sensitive to such rumours, having suffered through three demonetizations over the past two decades. In the latest, 25.35 and 75 kyat notes were withdrawn from circulation in 1987 and never refunded.

Anger over the loss helped spark a countrywide pro-democracy uprising the follow-

ing year which was brutally crushed by the military.

It was the second time in the past two weeks that authorities had to refute rumours that the 500 kyat notes would be voided. After the local currency plummeted to 270 kyat for one US dollar in mid-July, the government denied it would take 200 and 500 kyat notes out of circulation.

Next G-8 summit
in Russia

MOSCOW, July 26: An international economic summit bringing together the world's seven strongest industrial nations and Russia will take place in Moscow next March or April, the Interfax News Agency reported Monday, according to AFP.

Next year's summit will be similar to that held in Denver last month which brought together the leaders of Britain, France, Germany, Japan, Canada, Italy, the United States and Russia to discuss global economic issues.

Jute India '97
begins Oct 20

HYDERABAD, July 26: The Jute Manufacturers Development Council (JMDC) would organise a three-day 'Jute India '97' at Pragati Maidan in New Delhi from October 20, according to JMDC Secretary S Bhattacharya, reports PTI.

Briefing reporters here, Bhattacharya said, it would be for the first time in the country and would include an elaborate exposition, buyer-seller meets, fashion show and seminars on subjects of topical interest.

Jute India will be a platform for exchanging information as well as locating new business opportunities and partners, he said adding the event would provide opportunity to showcase India's export capability especially in diversified jute products.

According to Bhattacharya, the JMDC, a national agency under the Ministry of Textile for promotion of Indian jute and jute products, within the country and abroad, was making efforts to propagate jute usage. Not limiting itself to the traditional use of jute as a packaging material, JMDC has also made efforts to find innovative uses of jute, he said.

The biggest ever show, being organised by JMDC, is designed to attract foreign buyers, subject experts and technologists



Alagoas state police vote to continue their ten-day old strike in Maceio on July 25. Some 30,000 police from several northern Brazilian states have walked off their jobs to demand better salaries. Army troops have been sent to the region to keep order.

— AP/UNB photo

French industrial
production down

PARIS, July 26: A day after the government slapped on new corporate taxes, more bad news came Tuesday for French business leaders with the announcement of a drop in industrial production, reports AP.

The National Statistics Institute said industrial production fell 1.6 per cent in May compared to April but noted the level of output was 2.2 per cent above that recorded in the same time period in 1996.

All important industrial sectors were hit by the weakening in output, especially the automobile industry which experienced a slump of 3.2 per cent.

The slowdown in industrial production followed the government's announcement Monday of a sharp hike in corporate taxes to bring the budget deficit down to qualify for Europe's single currency.

DHL centralises
customer services

DHL, in a move to take customer care a step further, has installed CSM (customer service module) to centralise its systems and provide quality services to its valued customers, says a press release.

The system was implemented in May 1997 and is now operating successfully.

A highly-advanced software, CSM is a UNIX-based customer service application that brings together pick-up details, service query information, tariffs, tracking/tracing and transit time information used within the customer service department.

Flexibly designed and portable the system is linked with other systems in the DHL network making it easier to render prompt services to DHL customers. CSM helps provide quick and efficient information leaving little room for error.

Customer services provided at DHL's Matijheel office have been integrated with the systems at Gulshan through the use of CSM.

Mahathir names US billionaire
as man behind currency attack

KUALA LUMPUR, July 26: Malaysian Prime Minister Mahathir Mohamad on Saturday named US financier George Soros as the man behind a recent wave of speculative attacks on Southeast Asian currencies, that have driven down their value, reports AP.

Mahathir has been saying all week that an American billionaire was responsible for the region's currency problems, but he had refused to name anyone. Press reports said Soros was clearly the target of Mahathir's accusations.

"Today, I am confirming that George Soros is the man that I was talking about," Mahathir told reporters.

Mahathir said Soros was using his financial might in an effort to hurt countries in the

Association of Southeast Asian Nations and keep them from admitting Burma as a member of the group because of its human rights record.

Soros has denied that his Open Society Foundation, which promotes democracy in Myanmar, has any connection or influence on his financial dealings.

Myanmar was admitted to ASEAN on Wednesday, along with Laos, over the opposition of the United States and some European countries, which believe the Myanmar's government should be isolated to pressure it to improve its human rights record.

Soros 'has tried to use his financial clout in the United States to block Myanmar's admission into ASEAN," Ma-

hathir told reporters.

In recent weeks several Southeast Asian currencies have been propelled to new lows by a series of speculative selling attacks. The selling was originally prompted by economic problems in Thailand.

Responsibility for the declines, however, is hard to pinpoint because local banks as well as outsiders have been involved in the selling.

ASEAN foreign ministers, meeting in Kuala Lumpur, expressed strong concern Friday about the currency instability and said they would cooperate in fighting the speculation.

The Malaysian ringgit, Philippine peso, Indonesian rupiah and Thai bath are among the currencies that have lost value in the onslaught.

Equity financing in Bangladesh: Some policy issues — Part-III

It is difficult to imagine the rapid expansion and strengthening of the securities markets within a short span of time in a situation of political, economic, financial instability, and structural impediments prevailing in an economy like Bangladesh.

A suitable base for financial stability must exist before an active securities market can develop and this is essential in order to win the confidence of the investing public in the instruments traded on the exchanges.

In the absence of these conditions it is difficult to mobilise savings and to have a properly functioning capital market. However, stability should not be equated with simply maintaining the status quo. For long term stability the structure must be capable of anticipating and assimilating evolutionary change.

The need for stability in the broadest sense cannot be overemphasised, but this does not mean resisting change; instead the priority must be to ensure that change is allowed to evolve in a reasonable and systematic way. Usually, once the public loses confidence in the process of growth of the market, liquidity declines and the process of collapse continues.

In the present context of Bangladesh, establishment of efficient contractual institutions in private sectors like a mutual fund which presupposes a relatively developed capital market is not likely to come about shortly. Even if such institutions are set up in the private sectors, there is no certainty that they would be able to

acquire sufficient return generating good quality securities in requisite quantities and satisfy the market demand.

In fact, at the present stage of development of the country, the banking system — commercial, investment and development banks — needs to play a dominant role for financing economic development.

Historically, corporate sectors in Bangladesh are less dependent on equity markets and more on bank loans or internal finance. It would then appear that a reorientation of the functions of the banking system in Bangladesh is far more promising and practicable than a swift change in the pattern of asset choice of mass savers.

It is even conceivable that the banking institutions, operating within a circumscribed framework to prevent financial vicissitudes, may display initiative and enterprise reminiscent of the Credit Mobiliser and the German Universal banks.

However, heavy reliance on banks for long term funds may sometimes lead to an extensive increase in money supply or even dispose some of the securities on the face of tight monetary policy. This may cut off the flow of long term funds unexpectedly entailing demoralising effect on the capital market.

Of course, it is not difficult to contain such undesirable developments through suitable measures to be worked out in advance.

In spite of the importance of banking system for corporate financing in the initial stages of development, necessary measures must be directed to remove the discrepancies and odds in

the capital markets so that demand for and supply of equities are matched.

It is desirable that the government should proceed with positive steps to have an integrated programme where the different segments of the financial market will be given due consideration in an orderly fashion. For working of efficient operation of the capital markets, government policy can motivate the fundamentals of it, particularly with regard to:

1. Expansion of participation and ownership base in the industrial sector, its attitude toward monopolies and restrictive practices.

2. Overall credit control mechanism including the level of interest rates.

3. Taxation allowing special incentives and disincentives which can inspire the investment, reinvestment and industrialisation of the country compatible with the national objectives.

4. Encouragement for the gradual development of an institutional structure that will influence industrialisation and financing including securities companies, investment banking in the private sector and enhancing the efficiency of the existing specialised financial institutions and commercial banks working in the field.

Apart from the various aspects of the general economic framework, there is also the indisputable need to institute and implement appropriate regulations and standards covering such issues as the rules of conduct of stockbrokers, accounting and auditing standards and

By Dr M Farid Ahmed

securities exchange and unbending the character of a member, and conducts himself in an improper or disorderly manner or wilfully obstructs the business of the exchange.

It is likely that the asymmetry in information among investors is caused by poor communications and uneven disclosure by companies. This may result in a lack of confidence in the market by investors. Inside trading, even when it is nothing more than a quick reaction to slowly spreading information which is possible in the absence of an efficient information network, may induce others to shun the market.

We like to emphasise the need for official regulation and supervision to ensure full disclosure and wide dissemination of information in order to prevent market rigging and to protect shareholders.

The SEC of Bangladesh which is responsible for overseeing the market needs to give attention to these issues so that proper transparency is ensured and code of conduct of the exchange members is well defined and adhered to. However, SEC should take care of the 'danger of regulatory overkill' which may inhibit capital market development' in applying such rules.

Alternatively, it may drive it underground, as happened in Kuwait. There the well-regulated official market, with only about 40 quoted securities did not provide sufficient opportunities for the financial community. This led to the development of the unofficial

market (Souqal Manakh), where shares of new companies and of other companies in the Gulf, were traded.

Again, about 40 companies' shares were traded, but payments with postdated checks created a forward market in shares and the bubble burst in September 1982. It is, therefore, advisable for the authorities responsible for stock market regulation to follow a path in between under-supervision and over-supervision. Investors should have confidence but not feel overprotected.

Concluding remarks
Divergent opinions about the contribution and development of equity markets prevail among the academics and practitioners. There are indeed obstacles, inherent in the nature of underdeveloped economies like Bangladesh, to the germination and rapid development of securities markets. However, the constraints are not as binding as they appear at first sight.

It appears to be pertinent to note that the appropriate policy for country will depend on the condition of socio-economic structure prevails there. Appropriate supply and demand inducements may have proved to be effective.

However, the experience of securities market development in Japan indicates that it would be better not to impose a securities market upon and economy in which complementary economic and financial developments are not occurring.

In Japan, the new issue market failed to keep pace with the tremendous strides made by the economy along the route of industrialisation, particularly

during the growth period.

An encouraging trend in recent years is observed in the growing participation by domestic as well as foreign investors in Bangladesh stock markets. Such investment can increase the level of activities of the markets and the financial resources to domestic firms. But it is unlikely to serve as a source of adequate long term funds solving the problems of savings mobilisation, investment and growth at the early stages of development.

In view of the present stage of market development associated with various legal and structural constraints as well as corporate practices of the country, there is reason to believe that the development of close relations between banks and industry as a means of promoting economic development appears to be unavoidable.

Increased savings by all classes of investing public and the utilisation of those savings for productive investment, requires the existence of an appropriate network of savings and credit institutions, in particular an efficient banking system.

Development banks are an invaluable source of long term funds in developing countries like Bangladesh. Likewise, surplus funds of the commercial banks can also be made available for industrial financing through efficient maturity transformation.

Pressures for developing the internal efficiency of these institutions may straighten the efficient use of funds. It should be remembered that efforts to

speed up the development of the equity market, although laudable, may not lead to immediate tangible results in the face of various fundamental weaknesses inherent in the market condition of Bangladesh.

Despite the desirability of direct financing, it seems more desirable to give emphasis on indirect financing through financial intermediaries until a later stage of development of the country.

Indirect financing should not be considered as impediment to the development of capital markets, but a necessary step prior to, and facilitating long term enduring growth of the latter.

For promoting economic growth, direct and indirect financing should be considered as complementary but not mutually exclusive. It does not mean ignoring the equity segment of the financial system rather the emphasis needs to be given to other so-called secured vehicles for fund mobilisation.

Simultaneously, regulatory authorities continue supervision of the market development in general and the trading activities in particular to make shares and bonds as attractive investment vehicles.

In the absence of such supervision, investors may justifiably feel too exposed to various market abuses including market manipulation and investment in security markets may decline undesirable.

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