

No plan to liberalise capital account fully: Kibria Global economic crisis may have impact on Bangladesh

Finance Minister Shah AMS Kibria has hinted an economic downturn in the country caused by global economic recession, reports UNB.

"We were passing through a stable economic situation... but it's not possible to avert the impact of the global slump," he told a day-long national seminar here yesterday.

"Rest of the world, barring USA, is suffering from the recession," Kibria said adding that the growth rate of international trade has dropped by 2-3 per cent last year.

He said USA has enjoyed an economic growth continuously for last eight years, but their trade deficit is now going up day by day.

"Our export growth has fallen and it affected the industrial production... I think, the growth of investment has also fallen," he said. "We could maintain stability in the rural economy due to our right macroeconomic steps."

The finance minister said it had been possible to maintain stability in the rural economy by infusing massive agricultural credit, issuing VGF cards among 42 lakh families and increasing the Food for Work Programme.

"We will have to stimulate investment, industrial production and rest of the service sectors," he said adding that the government was taking steps in these regards. "But the banks must have the leadership role."

Bangladesh Institute of Bank Management (BIBM) organised the seminar on "Implications of WTO on the Banking and Financial Sector in Bangladesh" at its seminar room with Bangladesh Bank governor Dr. Muhammad Farshuddin in the chair.

Kibria said the government has no plan to liberalise the full capital account in the backdrop of globalisation. "We will not do it... it's not possible until our economy stands on a strong base."

The government has liberalised the current account fully and the capital account partially, he added.

Referring to the recent South Asian economic crisis incurred

due to short-term lending from abroad, he said Thailand faced a serious setback as soon as the country opened up its strong economy.

"We don't expect short-term lending from abroad... we have to check the temptation. Of course, we need capital, we always welcome foreign capital as equity for any sector, including export oriented industry."

Besides, he said foreign capital for productive sector with attractive duration will be appreciated. "We may have to face problems, if we bring foreign capital for 1-2 years with high rate of interest."

In the backdrop of globalisation, Kibria said developed countries were imposing standards on various fields like health, environment and child issues, which they did not achieve in the primary stage of their economy.

Criticising a section of businessmen in the country for their default culture, Kibria

said the government must have to bear the burden if they (businessmen) don't repay the foreign debts as per their tradition.

"The South Asian countries had to face the same problem," the finance minister said.

The finance minister also denounced the new private sector commercial banks for their charging high rate of interest on loans against a lower deposit rate. "The government has liberalised the banking sector, but the lending rate is still too high."

He said it would not be possible for the default loan burdened commercial banks to reduce the lending rate, but the new banks should come forward.

Kibria also spoke of hundreds of complaints against banks that came to him everyday and ask the bankers to dispose of any loan proposal very quickly.

"Rejection should be prompt, firm, final and clear," he said and called upon the bankers to take decision on any loan proposal within three months. "In case of any appeal, dispose it also within the next three months."

About inflation, the finance minister said around five per cent of inflation is now prevailing in the country, which is not very high. In respect of non-food items, the figure is not above four per cent.

He said the price of food items increased by about six per cent during July-December period of 1998, but the rising trend came to an end by December 1998.

Kibria said IMF estimated the inflation at a rate of 7.5 per cent without taking into consideration the phenomenon of flood last year.

"The IMF estimate will come down to five per cent if we avoid the price hike during the flooding," Kibria said.



Conductors for ISO 9000, Quality Institute of America, and personnel of Bangladesh American Tobacco who attended a two-day training programme on "Understanding and Implementing ISO 9000" pose for photograph.

AIMS First Mutual Fund goes public next month

Star Business Report

AIMS First Guaranteed Mutual Fund, the first private mutual fund in the country, is expected to invite public subscription by the second week of next month.

A trust deed between the fund sponsors will be signed Sunday next at a city hotel with Finance Minister Shah AMS Kibria attending it as the chief guest.

The officials hope to get the authorities' approval within a week from the day of the deed signing.

The fund will be raised and managed by Asset and Investment Management Services (AIMS) of Bangladesh, a fund manager.

The sponsors of the fund include IPDC, IDLC, Sandhani Life Insurance, Sandhani Credit, Pangaea Partners (BD) Ltd, Uttara Finance Ltd, Southeast Bank and Bangladesh Industrial Finance Company.

AIMS of Bangladesh is coming up with the fund years after the promulgation of the Securities and Exchange Commission Mutual Fund Regulation.

The face value of each unit of the fund will be Tk one with 2500 units making a lot.

Bangladesh General Insurance Company (BGIC) will act as trustee of the fund while Standard Chartered Bank will provide the custodian service.

Unlike traditional mutual funds in Bangladesh, the fund will be invested in both equity and fixed income securities.

The size of the new mutual fund will be Tk five crore. Of the total amount, 40 per cent or Tk two crore will be provided by the fund sponsors, while the rest 60 per cent will be raised through private placement and public offerings.

The fund, which is meant to enjoy a five-year tenure, will be liquidated on its maturity at the end of the fifth year.

The fund will be a guaranteed one, meaning that investors will be assured of getting his or her money back, at least in the form of the face value, on its maturity or redemption.

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