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The Daily Star BUSINESS

DHAKA, MONDAY, JANUARY 31, 2000

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Unrest, weak infrastructure pose disincentives for investors

Govt inaction on pvt container port a wrong signal to foreign cos: FICCI

Star Business Report

The Foreign Investors' Chamber of Commerce and Industry (FICCI) yesterday said that the government's lack of commitment to setting up the private container terminal at Chittagong has sent a wrong signal to the foreign investors.

"We can only hope that the government will take immediate steps to remove the hurdles to enable the project see the daylight," said Waliur Rahman Bhuiyan, President of FICCI, at its monthly luncheon meeting.

Industries Minister Tofail Ahmed was present in the meeting as the guest of honour.

Waliur also mentioned that the disturbing law and order situation and political unrest along with the lack of infrastructural facilities, high corporate income tax and port problems continued to be disincentives for both local and foreign

investments. Later, speaking at the meeting, Industries Minister Tofail Ahmed hoped that with the passage of the Public Safety Act, the law and order situation would improve.

"The government would do its best to safeguard public life, property and investment," he said.

Tofail also assured that there was no scope for misusing the law purposefully. "This new law would bring peace to the mind of the people and all would appreciate the Awami League government for enacting it."

He said that the government had taken initiatives to change the banking law so that an enterprise is not denied credits because of loan defaults of another unit under the same group.

The Industries Minister said that the law should take its own course in case of willful defaulters, but the circumstantial defaulters should not be punished for the things they did not do.

He said that the cumbersome process for getting loans and poor utility services sometimes make the industrial units sick.

FICCI President Waliur said that the current restriction on foreign investment in ready-made garments, bank, insurance and other financial sectors was a deviation from the avowed government policy of pursuing a free-market economy.

But Tofail pointed out that there was no restriction on joint venture projects in the garments sector.

Waliur also said that the requirement to get prior approval

from the Board of Investment (BOI) for obtaining foreign loans and suppliers' credit by the private sector would delay the investment process and encourage bureaucratic red-tapism.

"As it is, things have slowed down at the BOI of late. We feel that BOI should have an executive committee headed by the Industry Minister to closely monitor its activities. Otherwise it will be just another government department," the FICCI president said.

He also said that non-availability of proper investment related data and the practice of policy changes through the issuance of Statutory Regulatory Orders (SROs) also discourage FDI.

Hurdles in obtaining multiple-entry visas and work permits for expatriate employees is

another disincentive for FDI, Waliur said.

"The situation has recently aggravated with the issuance of a Home Ministry circular to all the Bangladesh missions abroad advising them to issue only private investors' (PI) visas to prospective expatriate employees," Waliur said.

The FICCI president said that rigorous implementation of a policy package of macro-economic reforms in past several years resulted in the successful stabilisation of the fundamentals despite a persistent negative image of the country.

"The country has earned significant gains in the last few years, both in terms of economic development as well as its image due to the role played by the garments and software entrepreneurs," Waliur said.

Kibria tells JS July-December revenue earnings fall short of target by 12 pc

Finance Minister Shah AMS Kibria informed the Jatiya Sangsad yesterday that Tk 6,623.46 crore has been earned as revenue under different heads under the National Board of Revenue during July-December 1999, which is 12.01 per cent less than the target, say reports.

Replying to a question from Chulana Mohammad Quader (JP-Lalmohirhat), he said Tk 2,014.77 crore has been earned as import duty, Tk 2,264.56 crore as Value-Added Tax (import and local), Tk 1,137.42 crore as supplementary duty (import and local), Tk 90.94 crore as excise duty, Tk 1,010.77 crore as income tax and Tk 110 crore as other taxes and duties.

He further said that Tk 319 crore as revenue collection has been achieved till September 1999 as taxes outside the National Board of Revenue. The target on this head was Tk 1,135 crore for the whole and the earning is 28 per cent.

5,362 cases awaiting disposal at Tax Appellate Tribunal

A total of 5,362 cases are awaiting disposal at the Tax Appellate Tribunal. Finance Minister SAMS Kibria told Parliament yesterday.

The minister, replying to a question from Haji Mohammad Selim (AL), said the government has set up six benches for quick disposal of the cases. Of the benches, four have been set up in Dhaka and one each in Chittagong and Khulna, he said adding that no other step has been taken in this regard.

5.2 pc economic growth posted in FY '98-99

Finance Minister Shah AMS Kibria informed the Jatiya Sangsad yesterday that 5.2 per cent economic growth rate has been achieved during the 1998-99 financial year, according to the provisional estimates, reports BSS.

Replying to a question from Mustafizur Rahman (AL-Chittagong), he said that the Five-year Plan has been prepared to increase this rate of growth.

Motia for using high yielding seeds

KISHOREGANJ, Jan 30: Agriculture Minister Begum Motia Chowdhury has said the present government by reaching the technology to the farmers have succeeded in raising food production, reports BSS.

The agriculture extension workers should be encouraged to grow vegetables and fruits along with cereals, the Minister said while opening a week-long exhibition titled 'Transfer of Farm Technology Fair-2000' here yesterday. Kishoreganj Agricultural Extension, Department organised the fair.

Motia said since about 8000 hectare of farm land are lost every year due to river erosion, the need for optimum utilization of the limited lands and raise production by using high yielding seeds should be emphasised. She expressed the hope that product diversification and modernisation would improve the condition.

Nearly one hundred stalls including six belonging to NGOs have been set up at the exhibition.

NCB default loan stands at Tk 13,057.36 cr

Finance Minister says in parliament

The total default loan of four state-owned commercial banks as of September 30, 1999, stood at Tk 13,057.36 crore, reports UNB.

Finance Minister SAMS Kibria disclosed it in the House yesterday, replying to a question from Nurul Amin Talukder (AL).

Giving a breakup of the amount, the finance minister said the default loan of Sonali Bank till the period was Tk 5,920.39 crore, Janata Bank Tk 2,762.75 crore, Agrani Bank Tk 3,030.70 crore and Rupali Bank Tk 2,334.52 crore.

Meanwhile, another report

says: Kibria told the Parliament that there were now 28 private commercial banks in the country.

Replying to a question from Sarwar Jamal Nizam (BNP), the minister said the government is not considering any proposal for setting up any new private bank in the country.

In reply to another question from Sahjahan Khan (AL), he said that permission was given for setting up 11 private commercial banks since July 1996.

The 28 private banks are: Pubali Bank Ltd, Uttara Bank Ltd, Arab Bangladesh Bank Ltd,

IFIC Bank Ltd, Islami Bank Bangladesh Ltd, National Bank Ltd, City Bank Ltd, United Commercial Bank Ltd, Al Baraka Bank Bangladesh Ltd, Eastern Bank Ltd, National Credit and Commerce Bank Ltd, Prime Bank Ltd, South East Bank Ltd, Dhaka Bank Ltd, Al-Arafah Islami Bank Ltd, Social Investment Bank Ltd, Dutch-Bangla Bank Ltd, Mercantile Bank Ltd, Standard Bank Ltd, One Bank Ltd, Export Import Bank of Bangladesh Ltd, Premier Bank Ltd, First Security Bank Ltd, Mutual Trust Bank Ltd, Bank Asia Ltd, Trust Bank Ltd, Bangladesh Commerce Bank Ltd and BRAC Bank Ltd.

FC Bank Ltd, Islami Bank Bangladesh Ltd, National Bank Ltd, City Bank Ltd, United Commercial Bank Ltd, Al Baraka Bank Bangladesh Ltd, Eastern Bank Ltd, National Credit and Commerce Bank Ltd, Prime Bank Ltd, South East Bank Ltd, Dhaka Bank Ltd, Al-Arafah Islami Bank Ltd, Social Investment Bank Ltd, Dutch-Bangla Bank Ltd, Mercantile Bank Ltd, Standard Bank Ltd, One Bank Ltd, Export Import Bank of Bangladesh Ltd, Premier Bank Ltd, First Security Bank Ltd, Mutual Trust Bank Ltd, Bank Asia Ltd, Trust Bank Ltd, Bangladesh Commerce Bank Ltd and BRAC Bank Ltd.

SME access to credit, movable asset-based lending

By Dr Zia U Ahmed and P Meagher

Continued from yesterday
In order to widen the use of secured finance (i.e., movable asset-based lending) for SMEs in Bangladesh, a number of priority reforms in the existing system are needed. The options include convincing the bankers to overcome their own institutional rigidities, carrying out legislative reforms, strengthening information flows, and improving legal enforcement.

An important change that is needed is in the orthodox mindset of the bankers, which currently places more emphasis on the collateral itself than on the entrepreneurs and their ventures. Instead of focusing primarily on the collateral, bankers should emphasise the merit of the business, the skills of the entrepreneurs and supervisor of loans. The merit of a business refers to cash flow, growth potential of the industry in which the business is operating, production capability, marketing capability, sales pattern of the business, its previous track record, business assets like raw materials, finished goods, machinery, inventory, etc, and government policies affecting

the industry in which the business is operating and so on. The skills of the entrepreneurs refers to knowledge about the business and industry, the ability to develop a proper business plan including cash budgeting, financial production, and marketing plans, etc.

Upon the disbursement of a loan, the bankers must maintain close supervision of the business performance of the borrower. Close supervision helps in recouping the disbursed loans on time and reduces the chances of bad debts. If bankers follow this practice of credit analysis, then movable asset-based lending to SMEs can become a reality. The high recovery rates of the consumer loan schemes of ANZ Gridlays Bank and Islami Bangladesh Bank Limited, MIDI loans to women entrepreneurs of MIDAS, SEED loans of Proshika and the handloom loans of BKB in Mirpur are good examples of the potential for movable asset-based lending for SMEs in Bangladesh.

It is just as important to bear in mind that banks, like enterprises, find it difficult to engage in efficient and profitable transactions when the institutional framework for finance offers poor incentives. The need for institutional reform in this sector is well known, and the priorities for change have been examined and discussed at length in recent years. These changes involve the infrastructure supporting information flows, the legal basis of secured finance and the mechanisms for adjudication and enforcement of loan agreements.

Improving information flows will help reduce the risks of fraud and creditor conflicts, thus helping increase access and reduce the costs of lending. This can be achieved through stronger and more integrated security registries, more efficient and widely available credit reporting, and inter-bank cooperation. The legislative basis for secured finance also needs priority attention. Bangladesh can and should make the leap into the modern financial world by amending its laws to broaden the types of movable assets that can be used

as security, clarifying the priority rights among different categories of creditors, and drastically simplifying the procedures available for creditors to enforce their agreements and to repossess the security asset. With appropriate safeguards, such enforcement procedures should include the fastest option of all: self-help. Last, adjudication and enforcement remain a severe and widely-lamented problem. Procedural reforms and the strengthening of alternative forums such as the Artha Rin Adalat and arbitration can bring rapid improvement. Reforming the civil courts and their administration is also necessary.

The authors are respectively Senior Policy Advisor and Legal Consultant, JOBS. This article is based on a presentation made at the JOBS-FICCI Seminar on 'Policy Issues Relating to Small and Medium Enterprises (SME) in Bangladesh' held on October 8, 1998 which was based on the research conducted by JOBS, particularly Patrick Meagher's report on 'Secured Finance For SMEs in Bangladesh.'

Aptech launches training centre at Narayanganj

Aptech Saturday launched its 17th IT training centre at Narayanganj through a pre-launch press conference a Hotel Purbani with the business partner Flora Systems Ltd, a pioneering IT company of Bangladesh, says a press release.

The press conference was attended by Md Nurul Islam, Chairman, Flora Systems, Tarun Mitra, Country Operations Head of Aptech, Mustafa Rafiqul Islam, Managing Director, Tapan Kanti Sarkar, Executive Director of Flora Systems Ltd, Rama Kanta Bhattacharjee, Business Head of Aptech and other distinguished personalities and businessmen of the city.

Aptech provides career courses in IT as well as Information Management in 29 countries, including Bangladesh. It earns 25 per cent of its revenue from software development and has recently entered the business of e-commerce and ERP.

Prime Insurance annual confce held

The Annual Conference 2000 of the Executives, Branch In-Charges and Development Personnel of Prime Insurance Company Ltd, was held on Saturday at BRAC Center for Development Management (BCDM) at Rajendrapur in Gazipur, says a press release.

Qazi Saleemul Huq, Chairman of the Board of Directors, inaugurated the conference as the chief guest while Directors of the company and the Managing Director were present.

M Zahirul Alam, Executive Vice President (F&A) and Company Secretary, Jesmin Akhter, Executive Vice President (Dev), and other senior executives, branch in-charges, and development personnel from all branches attended the conference.

The performance of the company during the year ended 31st December, 1999 was reviewed. The meeting was told that the company achieved a growth rate of 31.37 per cent during 1999 compared to 1998.



M N Islam, Chairman of Flora Systems Limited, speaks at the pre-launch press conference of Aptech Narayanganj Centre at a local hotel on Saturday. The picture also shows (from the left) Tapan Kanti Sarkar, Executive Director, Mustafa Rafiqul Islam, Managing Director, M N Islam, Chairman of Flora Systems Limited, Tarun Mitra, Managing Director, Rama Kanta Bhattacharjee, Area Head, Aptech-Bangladesh Ltd, and Hossain Shahid Firoz, Director of Flora Systems Limited. — Aptech photo

SEC serves showcase to Satcom Securities

Alleged involvement in helping JH Chemicals siphon off huge amount of money

By M Shamsur Rahman

The Securities and Exchange Commission (SEC) has served a notice to a merchant banker to explain why its licence would not be cancelled for its alleged involvement in defrauding the general investors.

The notice was served to Satcom Securities on Thursday after the SEC unearthed its involvement in helping the sponsors of JH Chemicals siphon off a huge amount of money by deceiving the investors.

The company has been asked to reply within 15 days.

SEC has also formed a two-member inquiry committee to dig into the allegations against the merchant banker. The SEC move came in the wake of an investigation, which in mid-November last year revealed that the directors of JH Chemicals in collusion with its issue manager Satcom Securities and Management Ltd, the company auditor and a Dhaka Stock Exchange stock dealer, injected a huge number of forged allotment letters into the stock market.

Satcom was appointed to oversee the share flotation activities of JH Chemicals and was responsible for processing the applications of the interested investors.

In June 1998, the company

issued 3.30 lakh shares. Of these, 1.65 lakh shares were offered to the public, while the directors of the company purchased the remainder. A three-year lock-in has been slapped on the directors' shares preventing them from selling those before June 2001.

However, in April, the DSE surveillance officials unearthed the presence of 32,200 shares in excess of the initial public offerings. They found that on March 24 and 25, 1,97,200 shares were deposited with the clearing houses of the Dhaka and Chittagong exchanges.

The surveillance officials informed its policy-making council about the excess shares. The council later suspended trading of the company until the matter was resolved.

DSE withdrew the suspension after the company declared that some of its allotment letters were fake and referred the matter to the SEC in June last year.

After a month-long investigation, the SEC submitted the report stating that "of the 1.65 lakh shares offered to the general public, only 19,650 were subscribed by the investors while the rest 1,45,350 were shown as subscribed by the

company directors in collusion with the company auditor and issue manager". "Against this fictitious subscription, false allotment letters were issued," the report said. "The directors of the company then sold these allotment letters to different people and misappropriated the money in connivance with the issue manager and others without depositing the money in the company accounts."

Following the outcome of the investigation, the SEC lodged a share price manipulation, forgery and fraud complaint against five directors of JH Chemicals, its auditor, the issue manager and the stock broker with Motijheel Thana.

On last Thursday, the SEC also decided to issue the show-cause notice and form the inquiry committee to dig into the affairs of the issue manager.

In the showcase notice, the Commission said that Satcom illegally filled in application forms with false names and addresses and issued allotment letters for these non-subscribed shares, without having any funds deposited against these. "Your action resulted in a loss of Tk 1,45,35,000 in capital account of the company," the showcase letter said.

Prime Insurance Company Limited
ANNUAL CONFERENCE OF THE EXECUTIVES
BRANCH IN-CHARGES & DEVELOPMENT PERSONNEL 2000
CONFERENCE OF ACTION & VISION
Date : January 29, 2000
Venue: BCDM, RAJENDRAPUR, GAZIPUR

Qazi Saleemul Huq, Chairman of Prime Insurance Co Ltd, addresses the Annual Conference of the Executives, Branch In-Charges and Development Personnel held at BRAC Centre for Development Management (BCDM), Rajendrapur, Saturday. Directors of the company and the managing director were present. — Prime Ins photo

Directorate General Defence Purchase
Ministry of Defence
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Tender Notice

(1st Time)

1. Sealed tenders are invited in local currency from bonafide Manufacturers/Dealers/Suppliers/Indentors (Enlisted Firm's and Firm's Applied for Enlistment) for supply of the following items for Bangladesh Army:

| Sl No. | Nomenclature | Date of selling | | Date of opening | Currency | Tender No |
|--------|---------------------------|-----------------|-----------|-----------------|----------------|-----------|
| | | From | To | | | |
| a. | Dal Chana-100 metric tons | 13-2-2000 | 05-3-2000 | 06-3-2000 | Local currency | 571/P-3 |

2. Tender schedule with detail specifications will be available on payment (Not-refundable) as per 1/T selling rate during office hours between 0800 hours to 1300 hours. The tender will be dropped latest by 1000 hours and opened at 1005 hours on concerned opening dates in front of tenderers present at that time.

ISPR/Misc/2000/63
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