

Financial sector needs homegrown reforms

BEA seminar observes

STAR BUSINESS REPORT

Homegrown reforms are needed to bring discipline in the country's financial sector, speakers at a seminar said yesterday in Dhaka.

They also said the IMF (International Monetary Fund) has failed to find out the basic problems of Bangladesh's banking system.

They said the reform process started after the liberation of Bangladesh but the country is yet to reap the benefit, thanks to lack of political commitment and effective monitoring by the Bangladesh Bank (BB).

The speakers also stressed the need for enhancing authority of the BB governor. They said if the governor can utilise his power independently, the ongoing reform process will be successful.

They were speaking at the seminar on financial sector reform, presided over by Kazi Kholiuzzaman, president of Bangladesh Economic Association (BEA). BEA organised the seminar where Jamaluddin Ahmed and M Taher Uddin, members of BEA, presented two keynote papers.

Speaking at the seminar, Bangladesh Bank Governor Salehuddin Ahmed said, "Definitely, the reforms process of the financial sector should be homegrown. But we should not avoid all the ideas from foreign advisors. We can take their



PHOTO: STAR

Salehuddin Ahmed (2-L), governor of Bangladesh Bank, speaks at a seminar on financial sector reform yesterday in Dhaka. (From left) Abul Barakat, secretary of Bangladesh Economic Association (BEA), Kazi Kholiuzzaman, BEA president, and Khondokar Ibrahim Khaled, managing director of Pubali Bank Ltd, are also seen.

good advice matching with our ideas."

The governor said the central bank's surveillance activities are very strong now.

"We should be pragmatic in carrying out reforms in the market economy. Market fundamentals decide the flow of market economy where central bank has nothing to

do," the governor said.

Salehuddin also said political commitment above all is the key to reform process in the financial sector.

Managing Director of Pubali Bank Ibrahim Khaled said market should fix the dollar prices. BB should not intervene in free-floating system of money market.

He also stressed the need for

reforms in nationalised commercial banks.

BEA General Secretary Prof Abul Barakat and Bangladesh Institute of Bank Management's Prof Towfiq Ahmed Chowdhury also spoke at the seminar.

Oracle to buy majority stake of Indian I-Flex for \$900m

PALLAB BHATTACHARYA, New Delhi

The US software maker Oracle has announced on Tuesday a \$ 900 million deal to buy out majority stake in India's blue chip financial software services company I-Flex Solutions, signalling another round of consolidation in Indian information technology industry.

Oracle, which had hit the headlines across the world by snapping up the Peoplesoft for \$ 10.6 billion in January this year, will buy Citigroup Venture Capital's 41 percent stake in I-Flex Solutions, the Bangalore-based company, for \$ 593 million and make a mandatory open offer to secure an additional 20 percent of equity from remaining shareholders at a cost of \$ 316 million.

The Indian company has carved a niche in highly-competitive global market to provide software services for corporate banking, consumer banking, investment banking, internet banking and asset management and investor services. It has provided services for 575 banks in 115 countries. The Indian firm was set up in 1992 with funds from Citigroup.

Oracle Corporation President Charles Phillips said with the acquisition of I-Flex, Oracle will get a lot of muscle in banking and financial service sectors.

Saifur for Dhaka-Jakarta air link to boost trade

UNB, Dhaka

Finance Minister Saifur Rahman has urged the Indonesian government to take steps for introducing direct air link between Dhaka and Jakarta to boost bilateral trade.

He also proposed deal on crude oil between the two countries.

Saifur was talking to Indonesian Foreign Minister N Hasan Wirajuda on Wednesday on the sidelines of the Regional Ministerial Meeting on Millennium Development Goals (MDGs) being held in Jakarta, according to a message received in

Dhaka yesterday.

Highlighting the commitments made by the two countries over the last three years, the two sides expressed satisfaction at the growing bilateral relations.

Referring to the eight agreements signed between Bangladesh and Indonesia, Saifur expressed the hope that the two countries would take necessary steps to translate these into concrete actions.

He invited the Indonesian foreign minister to join the first-ever joint commission meeting between the two countries to be held in Dhaka in

September.

Saifur hoped that the scheduled meeting would "usher in a new era of bilateral trade".

The finance minister in this connection expressed his optimism that Indonesia would ratify the existing agreements at an early date.

Meanwhile, Saifur also met his Indonesian counterpart Anwar the same day and discussed issues of mutual interest.

Both the ministers observed that the two countries should work together for the betterment of their respective countrymen.

Mobile phones to reach 2b subscribers this year

ABU SAEED KHAN

The worldwide mobile phone market will cross two billion subscribers this year and be approaching three billion by the end of 2010, according to the latest edition of the Global Mobile Forecasts to 2010 report, yesterday published by London-based research company Informa

Telecoms and Media.

The report says that overall market growth was boosted in 2004, with 91 million more new customers during the year than there were in 2003. Although the annual growth rate is feared to fall into single digit within a couple of years, over one billion new customers are due to be added between now and the end of

2010.

Almost half of these new customers will be in the Asia Pacific region. Two huge Asian markets - India and China - will account for over 30 percent (371.6 million) of the region's total. The Middle East and African markets will also show the greatest growth. Their combined markets will be more than double in size, with over 200 million new customers signing up for mobile services by 2010.

As a result of the continued growth, several countries are already reporting penetration rates of over 100 percent and Western Europe's regional penetration is set to breach 100 percent in a couple of years. By 2010, the global penetration is expected to be 43 percent.

It's not all good news, though average revenue per user (ARPU) is still falling. "While the industry has tended to underestimate subscriber levels, it has been over-optimistic on ARPU levels," says Mark Newman, Informa Telecoms and Media's Chief Research Officer.

Operators were hoping that the introduction of 2.5G and 3G would start pushing ARPU upwards but this is not proving to be the case. The 3G or third generation mobile operators are pricing voice services at low levels to attract new customers and this is putting downward pressure on the overall ARPU. Voice revenue per user will continue to decline as conventional voice applications become more commoditised.

The increasing use of enhanced services over 2.5G and 3G networks will lead to an increase in data ARPU and revenues from data services are forecast to increase by 83 percent between 2005 and 2010. However, this increase will not be enough to counteract the effect of falling voice revenues as the growth in the overall market declines and negative growth is forecast for total revenues in 2009 and 2010.

Govt team visits Benapole to probe allegation of age-old truck import

OUR CORRESPONDENT, Jessore

A high-powered government team Wednesday visited Benapole land port to look into the allegation of import of age-old Indian trucks violating rules.

A section of dishonest importers with the connivance of customs officials are allegedly importing Indian reconditioned trucks, which are ten to 15 years old, while the existing rule permits import of trucks only aged within four years.

The importers also reportedly evade huge amount of government revenue by under-invoicing during the import.

"Such import of environmentally hazardous age-old trucks may pose threat to the country's ecology and will hinder government's overall revenue generation," a member of the team said.

Led by Chief Controller of Export and Import Ismail Hossain, the team includes BRTA Chairman M Momen, Director MA Bari and Deputy Secretary of commerce ministry Abdus Samad.

They will prepare a report soon, which will be forwarded to the ministry for further action.

Canadian co to invest \$1.289m in Adamjee EPZ

UNB, Dhaka

Canadian company Hy-Lan Sweater International Limited will set up a computerised hi-speed sweater manufacturing factory in Adamjee Export Processing Zone (EPZ).

The wholly foreign owned company will invest US\$ 1.289 million -- the first in Adamjee EPZ - to manufacture annually 3.6 million pieces of sweater and knitwear.

An agreement to this effect was signed between Bangladesh Export Processing Zones Authority (Bepza) and Hy-Lan Sweater International Ltd here yesterday.

Member (investment promotion) of Bepza Md Shahjahan and Director of Hy-Lan Sweater International Isaac Cohen signed the lease agreement on behalf their respective organizations.

Lankan tourist arrivals up 42pc, but hoteliers unhappy

ANN/ THE ISLAND

Tourism authorities say tourist numbers to the island are increasing but hoteliers and inbound tour operators say the industry is in dire straits.

According to Tourist Board statistics tourist arrivals increased 35 per cent in May and 42 per cent in June, compared to the same months last year.

Total arrivals for the first six months increased by 13 per cent.

But inbound tour operators and hoteliers say occupancy rates outside Colombo have reduced by a massive 60 per cent and bookings, even for the next season, are discouraging.

"Even after terrorist attacks arrivals improved after a few months, but after the tsunami it is taking longer. This is because there is a bad perception about the country," said Malin Hapugoda, president of the Tourist Association of Sri Lanka.

FBCCI ELECTION

No verdict of hearing at arbitration board

SARWAR A CHOWDHURY

The FBCCI arbitration board yesterday heard an appeal, which sought permission to submit nomination papers of a candidate afresh for the biennial election of the country's apex trade body, but returned no verdict.

The High Court on August 1 ordered the arbitration board to immediately hold the hearing of the appeal filed by Bazlur Rahman, vice-president of Narayanganj chamber, and give a verdict as soon as possible.

Earlier on July 31, the FBCCI arbitration board failed to hold the scheduled hearing of the appeal due to legal obligations.

The election board of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) cancelled Rahman's nomination paper alleging that the 'authorisation letter submitted for his candidature and issued by Narayanganj Chamber of Commerce and Industry, was false'.

Challenging the cancellation, Rahman then took the issue to a five-member arbitration tribunal headed by FBCCI President Abdul Awal Mintoo. The tribunal on Sunday told him that it failed to hold a hearing of his appeal due to quorum crisis, as three of the five-member board were not present.

On August 1, the High Court

stayed the publication of a valid list of candidates and issued a show cause notice on the government and the FBCCI to explain within a week why the cancellation of Rahman's nomination would not be declared illegal.

The court passed the order after hearing a writ petition filed by Rahman, challenging the cancellation of his nomination paper.

Meanwhile, following a writ petition filed by Bangladesh-China Chamber of Commerce and Industry (BCCCI), High Court on Wednesday ordered the FBCCI to include BCCCI on its voter list and allow the Chamber to contest for directorship in the FBCCI election 2005-07, scheduled for August 21.

Graft, red tapes, poor infrastructure up cost of business

DCCI seminar told

STAR BUSINESS REPORT

Corruption, poor infrastructure facilities and bureaucratic tangles in Bangladesh are increasing the cost of doing business, speakers at a seminar observed in Dhaka Wednesday.

In the face of the obstacles in business, price of Bangladeshi products rises by 10 to 12 percent compared to that of some neighboring countries, they added.

They were speaking at a seminar on 'Cost of Doing Business in Bangladesh'. The Dhaka Chamber of Commerce and Industry (DCCI)

organised the seminar in cooperation with the Center for International Private Enterprise (CIPE), an affiliate of the US Chamber of Commerce, Washington, DC.

Bangladesh is one of the costliest countries in Asia when it comes to starting a business, the speakers noted.

Economist and management consultant Prof Feroz I Faruqi presented a keynote paper in the seminar while business representatives from different sectors were present.

Faruqi said problems in infrastructure are seriously hampering the business growth in Bangladesh.

Electricity and gas problems stymie firms in Bangladesh, he said.

Faruqi said, "Since 1973 Bangladesh taka has undergone devaluation 48 times, which is also a reason for increased cost of doing business in Bangladesh."

DCCI Acting President Manzur-Ur-Rahman said, "About 70 percent

of the DCCI members are from the SME sector. The various categories of SMEs account for 80-85 percent of total industrial employment. But the SMEs are facing problems due to high cost of doing business."

Citing a DCCI survey conducted in August- November 2003, he said cumbersome investment rules and regulations, registration and licensing procedure, and low productivity are some of the reasons for high cost of doing business in Bangladesh.

"It is not possible to eliminate business obstacles overnight but we have to take a move to minimise it."

The seminar also recommended mandatory registration for political parties to reduce corruption.

Among others, M H Rahman, former president of DCCI, spoke at the seminar.

SEC extends time for securities firms to become limited cos

BDNEWS, Dhaka

The Securities and Exchange Commission (SEC) yesterday extended the deadline for conversion of proprietorship-based securities firms into limited companies by six more months, official sources said.

The deadline was earlier set at December 31, 2005.

The decision to extend the time was taken at an SEC meeting following a request by Dhaka Stock Exchange (DSE).

The SEC also extended the deadline for separation of brokerage and dealership functions by another year to September 2006.

Besides, the SEC allowed the proprietorship-based firms to deposit securities like shares and bonds worth Tk 2.5 million as capital

in place of equivalent amount of cash for conversion into limited companies, sources said.

When asked, Mansur Alam, executive director of the SEC, told the news agency that the time was extended following a DSE request for it on the ground that it would be difficult for some companies to comply with the December 31, 2005 deadline.

Sources said nearly 90 brokerage firms affiliated with the DSE are proprietorship-based, while 83 others have been transformed into limited companies. Besides, more than 100 firms are performing both brokerage and dealership functions, sources said.

"Separation of the brokerage and dealership functions will reduce the conflict of interests," said Mansur Alam.

ROK, S'pore ink free trade agreement

AFP, Seoul

South Korea on Thursday signed a landmark free trade agreement (FTA) with Singapore, a first with an Asian country, the foreign ministry here said.

Officials said the agreement would boost South Korea's competitiveness in the service sector and expand Singaporean companies' investment here.

Under the agreement, almost 75 percent of Singapore's exports to South Korea, worth more than three billion dollars, will enjoy immediate tariff elimination.

Companies in Singapore will be also granted tariff concessions on consumer electronics, precision engineering, biomedical sciences, chemicals and agricultural products.

Singapore's service industries will also benefit from enhanced access to the South Korean services market in areas such as education, logistics and environmental services.