
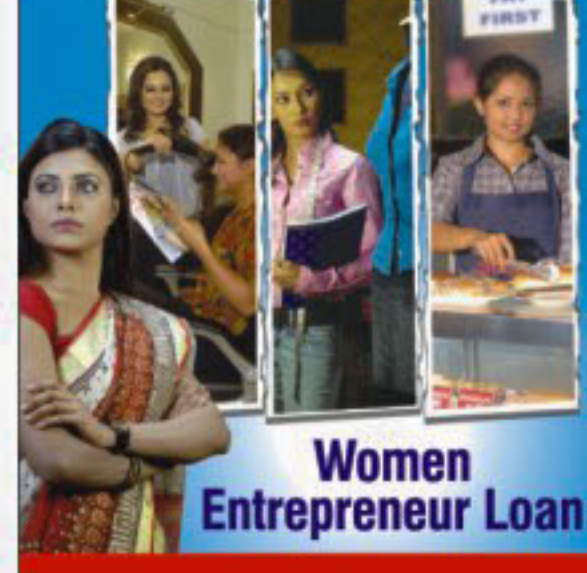


STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
(Week-on-week)		(As of Friday)		(Friday closings)		BANGLADESH BANK					
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY
▲ 16.75%	▲ 6.72%	\$1,315.50 (per ounce)	\$85.27 (per barrel)	▼ 1.54%	▼ 1.13%	▲ 0.31%	▲ 0.13%	BUY TK 71.15	97.46	113.13	0.86
7,385.91	13,562.79			18,395.97	10,360.34	3,229.69	2,752.75	SELL TK 71.15	97.48	113.17	0.86

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DHAKA SUNDAY JANUARY 30, 2011, e-mail:business@thedailystar.net



AMRAN HOSSAIN

Experts attend a roundtable on the "recent stockmarket situation and corporate governance in listed companies", organised by The Daily Star yesterday. (Stories on page 1)

## Money supply to beat govt target BB governor announces monetary policy today

REJAUL KARIM BYRON

Money supply has gone up beyond the government target although the central bank at the start of the current fiscal year vowed to contain credit growth to fight rising inflation.

In its half yearly monetary policy announced in July last year, Bangladesh Bank (BB) targeted to bring down the credit growth to 16 percent by June this year. But instead of coming down, the private sector credit growth that was 24.24 percent in June last year rose to 27.77 percent in November, according to BB statistics.

However, the central bank announces its half yearly monetary policy today, and will continue its previous stance in the next six months, according to a BB official.

BB Governor Atiur Rahman said the central bank will always take required policy decisions. "Information asymmetry prevails in our developing economy. So, the central bank won't step back in taking the required policy decision," he said at a scholarship awards ceremony of Shahjalal Islami Bank at Bangabandhu International Conference Centre yesterday.

A recent BB analysis on the private sector credit growth shows that the highest growth was in trade and consumer credit. Credit to the trade sector went up by 34 percent, while consumer credit rose 47 percent in September last year.

Of the consumer credit, loans for purchasing flats grew by 64 percent, for consumer goods by 45 percent, and for credit cards 42 percent. However, credit in the industrial sector increased by 17 percent, while credit growth to finance working capital was 13 percent.

In the next monetary policy these will not create any hindrance to the credit flow to the productive sector, but credit to non-productive sector will be discouraged, the BB official said. He said such measures will be taken to contain inflation.

The official said the inflation rate stood at 8.14 percent in November on an average basis, which was 7.31 percent in June 2010. In June 2009 it was 6.66 percent.

To contain inflation, the central bank has already increased the commercial banks' cash reserve requirement (CRR), the BB official said. Such steps will continue to bring down credit growth, he added.

The rise in inflation, however, is not due to money supply. The main cause of the recent rise in inflation is an increase in food prices on the domestic and international markets.

In the first five months of the current fiscal year, import growth jumped 36 percent. The situation was opposite in the same period last year, as it went down 12 percent.

Food grain import increased by 92 percent in the July-November period this fiscal year, compared to the same period a year before.

*To contain inflation, the central bank has already increased the commercial banks' cash reserve requirement, a BB official said. Such steps will continue to bring down credit growth, he added*

## Corporate governance comes to spotlight

The Daily Star roundtable points to slack practices at listed companies

STAR BUSINESS REPORT

Rumours and speculation are quite common in the stockmarket. But speculation about the interest rate, inflation or the prospects or threats to the economy is rare. The macroeconomic changes hardly impact the markets in Bangladesh.

Instead, speculation on the possible dividend posting of scrips runs high one or two months ahead of the declaration.

And when the issuer of a particular scrip posts dividend on the bourses, the speculators are found to be right in many cases, indicating leaks of insider information from the company.

Analysts and market stakeholders said the leaks of insider information indicate slack corporate governance practices at the issuer level and creates scope for manipulation due to asymmetry of information.

"If the market knows in advance about the corporate declaration, does it show the practice of corporate governance?" questioned Fakhor Uddin Ali Ahmed, president of Chittagong Stock Exchange, at a roundtable at The Daily Star office yesterday.

The Daily Star organised the discussion on the 'recent stockmarket situation in Bangladesh and corporate governance in listed companies'.

"We have to ensure corporate governance," he said, adding that good corporate governance practices help build investor confidence.

The discussants said manipulation

takes place at company level in the absence of such practices.

They said slack corporate governance practices create scope for spreading price sensitive information early. It also opens room to inflate net asset value and income of the listed securities.

The CSE president said, as most of the companies are family-run, it is difficult to ensure corporate governance practices.

In 2006, Securities and Exchange Commission issued corporate governance guidelines for the listed companies to save the interests of the investors and capital market.

In the guidelines, the regular asked listed companies to appoint non-shareholder independent director.

The speakers said despite a provision of independent director at the board, there is no clear definition or guideline about the qualification for those to be appointed as independent director.

To ensure proper governance, they also said the SEC should be equipped properly with qualified and adequate staffs, chartered accountants and adequate budget. They also focused on the need for increasing the number of professionals in market intermediaries.

"The issue of independent director is not like that I appoint my school friend as an independent director," said AF Nesaruddin, partner of Hoda Vasi Chowdhury & Co, an audit firm.

The discussants said a lack of corporate governance practices and enforcements also creates scope for

some issuing firms to be engaged in collusive activities.

Waliul Maruf Matin, former chief executive of the CSE, said education of the directors is necessary.

"And education must be linked with some certification," he said, adding that there should be some criteria for the independent directors.

Adeeb H Khan, partner of another audit firm, Rahman Rahman Huq, said auditors have limited role in valuation of a company.

"An auditor has nothing to do with valuation. Auditor's role is up to the balance sheet," he said.

Khondaker Golam Moazzem, senior research fellow of Centre for Policy Dialogue (CPD), said discipline should be ensured at the capital market to bring about confidence.

"We hear about the issue of bringing confidence. But we should ensure discipline first and confidence will follow," he said.

The CPD fellow said more than 40 percent issues are overpriced although the market P/E (price earning ratio) is 23.2.

He warned that the market would sustain based on the artificial capital flow.

Discipline is necessary and legal system and legal infrastructure should be developed, he said.

"We should not delay in demutualisation (separation of management from owners) of the stock exchanges. It has to be on board," said Moazzem.

### Summit strikes deals to finance three power projects

Star Business Report

Local Summit Group and US General Electric (GE) signed an agreement on Thursday with IDLC to receive \$115 million from the World Bank's Investment Promotion Facilitation Fund to implement two 341-megawatt power projects in Bibiyana.

On the same day, the two companies signed another deal with Janata Bank and Industrial and Infrastructure Development Finance Company (IIDFC) to raise Tk 1,500 crore through zero-coupon bonds. This fund will be pumped into the Meghnaghat dual fuel 335MW power project.

Summit was awarded the Bibiyana gas-fired projects and the Meghnaghat power project about four months back. The Bibiyana projects will need \$560 million (Tk 3,920 crore) and Meghnaghat Tk2,100 crore investment.

The Thursday's deal ensures a large part of financing for these three power projects expected to begin production in early 2013 of the cheapest electricity costing less than Tk 2 per kilowatt hour.

Summit Group Chairman Muhammed Aziz Khan said Janata Bank and IIDFC would provide Summit with Tk 1,500 crore against a sanction of Tk 2,100 crore financing. The remaining Tk 600 crore is deducted as advance interest for the next four years.

"As infrastructure like this has long gestation periods, zero-coupon bonds enable companies to implement these projects with an optimised cash flow."

The bonds carry a 5 percent discount and 12 percent convertible to the shares of Summit Meghnaghat Power Company at net asset value of the company.

Summit Power Ltd has recently become the lowest in yet two more power tenders, Syedpur 100MW power plant and Shantahar 50MW power plant. Reports say the prime minister signed the work award orders on January 21.



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