

PM's adviser warns of risky money flow into stockmarket

STAR BUSINESS REPORT

Liquidity supply to the stockmarket through the central bank may not bode well for the market, said the prime minister's adviser on economic affairs yesterday.

"Inflation may increase because of fund support through the central bank," Dr Mashiur Rahman said.

He spoke at the inaugural session of a daylong conference on "Capital market reforms in Bangladesh: demand and supply side constraints" organised by Dhaka Chamber of Commerce and Industry (DCCI) at Hotel Ruposhi Bangla.

Rahman made the remarks

on the back of a declining trend in share prices that market insiders attribute to liquidity crunch in the stockmarket. On the other hand, the country's inflation rate hit a record 10.67 percent in April.

"Risky and irrational behaviour cannot be removed from the stockmarket unless transparency is ensured," the adviser said.

Rahman said the stockmarket base has widened massively in recent times, but the investors were not made aware of the risks involved. "As a result, big incidents such as the latest fall took place in the market," he said.

M Khairul Hossain, chairman of the Securities and Exchange

Commission, said it would be a great challenge for all stakeholders to help regain the confidence of general investors in the stockmarket.

He suggested reforms and changes in the laws which act as constraints in this field so that shares of good companies can come into the market.

In his address of welcome, Asif Ibrahim, president of DCCI, said the prime objective of the conference was to formulate recommendations to restructure the regulatory framework for a realistic, effective and stable capital market so that both supply and demand constraints could be addressed.

He said the capital market is

the lifeblood of business and industry as it helps raising capital.

Hossain Zillur Rahman, former caretaker government adviser, who chaired the conference, emphasised creating reliance on capital market, institutional development of the regulatory body and identifying role of long term vision of capital market for the development of the economy.

Shakil Rizvi, president of Dhaka Stock Exchange, stressed balancing of demand and supply in the capital market. He also underscored the importance of reforming the existing policies and laws to encourage the companies to

come into the market.

Fakhor Uddin Ali Ahmed, president of Chittagong Stock Exchange, echoed Rizvi and said lack of coordination among relevant departments should be addressed.

Prof Salahuddin Ahmed, a teacher of Dhaka University, recommended measures to mitigate the gas and power crisis and urged the central bank to reduce the lending rate. "Government bonds should come into the secondary market," he suggested.

The SEC has to emerge as an effective regulator with operational goals and strategies to meet the challenges of the market, he said.



DHAKA BANK
Dhaka Bank has recently opened six ATM booths at Baridhara, Dhanmondi, EPZ, Goran, New Market and Narayanganj. Khondker Fazle Rashid, managing director of the bank, inaugurated the Baridhara and Dhanmondi booths in the capital.

BEA: inflation major challenge for govt

STAR BUSINESS REPORT

The government faces the challenges of rising inflation and a volatile stockmarket in the upcoming fiscal year, said Bangladesh Economic Association (BEA) yesterday.

"It's time for the government to be cautious about controlling the growing rate of inflation. At present, the rate is as high as 10 percent, which is an alarming sign for any country," said Qazi Kholiquzzaman Ahmad, an economist and member of executive committee of the BEA.

"We think the rate of inflation should not be more than 5 percent, and controlling inflation would be the main challenge for the government in the coming fiscal year," he said.

He was speaking at a pre-budget discussion organised by the BEA at its auditorium in Dhaka.

Ahmad suggested a number of ways to tame inflation.

"The government has to take measures in a way that does not hinder growth but reduces inflation. For this, it has to ensure a proper balance between the fiscal and monetary policies."

The government will have to intervene in the market if necessary, he added.

The economist also suggested the government revamp the Trading Corporation of Bangladesh (TCB) for buying and distributing commodities to the market at a reasonable price.

Creating new employments and increasing investments from local and foreign sources will also help tackle growing inflation, said Ahmad.

The BEA also asked the government to ensure coordination between the capital market and the money market.

"The government needs to take steps to implement the suggestions it received from the probe committee it formed to investigate the recent stockmarket debacle," said Toufic A Choudhury, general secretary of the BEA.

"This time, we don't propose imposing capital gain tax, as we think this would not be realistic now, since many people have lost their investments," he said in the keynote paper.

The BEA prepared a set of recommendations and sent those to the government.

It suggested the government increase budgetary allocations for the agricultural sector and ensure access to better seeds, fertiliser, electricity and diesel for the farmers.

"The government also needs to implement the Land Reforms Act of 1984 and ensure that agricultural lands are not used for industrial purposes, home building or market places."

The BEA asked the government to take measures to distribute 5,534 acres of 'khas farmland' among 34,352 landless families of the country, and to form a land reform commission to hand over lands properly to the landless people.

Choudhury also urged the government to take appropriate measures to reduce the cost of doing business.

"We want an investment-friendly budget. But it is not possible without reducing the cost of doing business."

The BEA also stressed timely implementation of the annual development programme (ADP), and forming a task-force to monitor the implementation.

The association also proposed some tax reforms, including widening the tax net, increasing the income tax threshold and upgrading the tax collection system further.



PALASH KHAN

Job seekers throng a career fair at the North South University campus in Basundhara City in Dhaka yesterday to learn about the available job offerings. The two-day fair ends today.

Buzz at NSU career fair

It gives an opportunity for employers to network with job seekers and helps the youth find the right organisation to work with

STAR BUSINESS REPORT

The seventh national career fair kicked off in Dhaka yesterday to provide an opportunity for employers to see and interact with the prospective job seekers.

The department of career and professional development services of North South University (NSU) organised the fair on its campus in Basundhara. The fair ends today.

AK Azad Chowdhury, chairman of University Grants Commission, inaugurated the fair as the chief guest. Dr Hafiz GA Siddiqi, vice chancellor of NSU, presided over the inaugural session.

Around 70 organisations representing vari-

ous businesses and industries such as banking, telecoms, media, trading, manufacturing, advertising agency and management consulting firms have taken part in the two-day event. It also features seminars, workshops and on-the-spot interviews.

The purpose of the fair is to open a gateway for the participating companies to create employer branding and to interact with the potential career seekers not only from NSU but also from across the country.

The fair provides an opportunity for the employers to recruit candidates and build an image, NSU said in a statement. "At the same time, it helps career seekers to find the right organisation to work with."



Garment leaders demand fund for skills building

STAR BUSINESS REPORT

Garment makers yesterday urged the government to prioritise human resource development in the upcoming national budget for fiscal 2011-12 to overcome the shortage of skilled manpower in the sector.

At present, the country's ready-made garment sector is suffering from 25 percent shortage of skilled manpower.

As a result, the productivity in the sector is not of world standards, said Shafiul Islam Mohiuddin, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), at a press briefing at his office in Dhaka.

Mohiuddin said the government should facilitate setting up of training centres to train aspirant dress-makers to

meet the demand of skilled manpower in the sector.

He said since the production costs have gone high following the price hike of raw materials in the international market, the government should release the fund promised to the sector two years ago.

He said the sector does not need any foreign investment in the basic segment, because the local investors are capable enough to cater to the needs and services there.

"We can allow foreign investment only in the specialised garment segment for producing special products," he said.

Every country has been protecting its local industries in different ways even in the age of trade liberalisation for its own interests, he said adding that Bangla-

desh should also protect its own industries.

For example, recently, Turkey has imposed 17 percent duty on import of apparel items from Bangladesh and other LDCs to protect its own garment sector. In the past, Bangladesh has enjoyed duty-free facilities on exports of apparel items to Turkey.

The BGMEA chief also demanded a special allocation in the budget for building dormitories for the garment workers, so that their accommodation problems could be solved.

The government should build a special industrial zone for the garment sector to reduce the burden on Dhaka city, he said. He demanded elevating the Dhaka-Chittagong highway to have six lanes to facilitate smooth traffic

between the capital and the port.

Besides improving and ensuring power and gas supply to the industrial units, the government should also allocate funds for constructing hospitals and introduction of rationing of basic food for garment workers, Mohiuddin added.

Bangladesh has an immense opportunity in garment export as some new markets like Japan, China, Mexico, Brazil, New Zealand, South Africa, Australia and India are opening up along with the traditional markets including EU-27, USA and Canada, he added.

Mohiuddin suggested the government go for taking land on lease in African countries to produce cotton among other crops to meet the growing demand of 'the white gold' for the garment sector.

Stocks pass dismal week

STAR BUSINESS REPORT

Only after a brief spell of gain, stocks plunged last week amid apprehensions that the government might not come up with investor-friendly incentives in the upcoming budget.

The benchmark General Index of Dhaka Stock Exchange slumped to 5,397 points, registering a fall of 320 points, or 5.6 percent, week on week. The key index of Chittagong Stock Exchange, Selective Categories Index, dropped 2.36 percent to 9,700 points.

Market insiders said the finance minister's firm position on not allowing money whitening through the stockmarket left the share prices in the red in the first half of the last week.

Talk of the government imposing tax on capital gains and mandatory tax identification numbers had also dented investor confidence, they said.

The central bank has extended the deadline for banks to trim down their single borrower exposure limit by four months to December from August. In line with the new circular, commercial banks with merchant banking or brokerage operations would now have to cut its single borrower exposure to 15 percent of their paid-up capital.