ISSN 1684-0054

JOURNAL OF THE INSTITUTE OF BANKERS BANGLADESH

Volume 53, 54 Number 2, 1

July-December-2006 & January-June 2007

HALF-YEARLY JOURNAL
OF
THE INSTITUTE OF BANKERS, BANGLADESH

Journal of the Institute of Bankers, Bangladesh
Volume 53 No-2 June-December-2006 &
Volume 54 No-1 January-June 2007

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Editorial Notes

The financing of economic development warrants two basic issues: first, how best to provide external finance for the industrial sector, and second, how to monitor the behavior and performance of corporate borrowers under an effective system of corporate governance. Internally generated funds are essential for sustainable growth but inadequate especially when firms and economies are rapidly growing. A fundamental choice then is between a stock-market-based system (Anglo-American model) and a bank-based system (Japanese-German model) of external finance. Of course, the choice of the system is crucial in evolving a financial system and developing appropriate incentives and institutions. The securities market might have an edge over the banking sector in that, securities provide relatively liquid means of sharing risks and its holder can liquidate the holdings at any time.

The lagged effects of the global economic crisis and acute power and energy shortages have affected Bangladesh's short-term growth prospects. The decline in exports, the stagnant capital goods import, and negative growth of intermediate goods and industrial raw materials, along with the moderate growth of remittance inflows are the contributing factors. Excess liquidity in the domestic banking system also enhanced along with the inflation in recent months. As more and more financial institutions are engaging themselves in stock market transactions because of the excess liquidity in the banking system, risk to capital from a sudden fall in the market could be large. This excess liquility leads to asset price bubbles in stock market and real estate. To off-load the shares of state owned enterprises and to attaract more and more companies to list in the stock market are to offset excess demand in the stock market partially on the one hand. The liquidity in risk ratios in the banking system needs to be addressed and both stick as well as carrots to reduce the exposure to the capital markets needs to be used on the other. Moreover, infrastructure spending on the energy sector in the next five years could mop up a lot of excess liquidity and be raised from the market by issuing bonds having fiscal incentives.

The first article of this issue focuses on the use of ICT in the central bank, Bangladesh Bank with a vision of making it a paperless institution in a shortest possible time on the road to the development of knowledge based society through digital system by 2021. The vision envisages a digital Bangladesh with all people getting high access to internet connectivity, sharing information and communication technology, and enabling them achieving inclusive growth. Bangladesh Bank has installed Bangladesh Automated Clearing House (BACH) in easing the remittance channel and payment system. The system needs only images and corresponding information of the submitted cheque leaves instead of physical one and then sends them to the Bangladesh Automated Cheque Processing System (BACPS) using secured communication link. CIB report will be available on online soon.