



# JOURNAL OF THE INSTITUTE OF BANKERS BANGLADESH

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## Editorial Notes

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*Dr. M. A. Baqui Khalily*

*Dr. M. Sadiqul Islam*

*Dr. Mahmood Osman Imam*

### **Money Laundering Process with Special Reference to Bangladesh: An Analysis**

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### **Call for Papers and Notes to the Contributors**

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## *Editorial Notes*

Bangladesh has achieved its growth of more than 5 per cent with the greater participation of private sector and maintained macroeconomic stability for poverty reduction over a decade by implementing basic policy reforms directed at market orientation and increased integration with the world economy. Agriculture, export of garments, and the service sector (mainly construction) were the main drivers of growth. Among many, progress on food production—improvements in total factor productivity in agriculture, increased rice productivity—and non-income poverty reduction—increased life expectancy, reduced infant mortality, reduced population growth rate, spread immunization, access to water and sanitation, increased girls' education, and increased in primary and secondary enrollment—have been impressive. Scaling up of micro-credit through NGOs and community based organizations (CBOs) helped spur growth in rural areas and led to increased empowerment of women in economic decision making processes at the household level. Deregulation in agriculture and industry, trade liberalization, and generally sound macroeconomic management contributed to growth acceleration and created the necessary conditions for poverty reduction. Bangladesh has been a bit successful in maintaining stabilization of macro-economic policies, as reflected in relatively low inflation, low fiscal deficit to GDP, increasing tax revenue to GDP, and a stable real exchange rate. Inflation has now been reduced to 3-4 per cent annually but increased to around 5.5 per cent very recently and fiscal deficit to GDP has been brought down to the level of 4.6 per cent. Despite these achievements, a number of problems are being encountered and the challenges ahead are formidable.

Despite reforms in financial sectors being undertaken in the 90s, banking sector is still confronted with high classified loans and high default cost, stagnancy of industrial finance, and maturity mismatch problem of commercial banks of extending industrial credit. Given the stagnancy of bank-based industrial finance and high default cost, financial markets are required to be supplemented by a well-functioning developed securities market in order to restore financial discipline, reduce default cost and overcome inefficiency of credit allocation of financial institutions arising from information imperfections. Without increasing operational efficiency in the financial institutions and without corporate governance, the initiatives of further reforms of financial policies will be failed. In the economic arena, Bangladesh will face a daunting challenge posed by the increased intensity of world competition after the expiry of MFA quotas at the end of 2004. In addition, lack of consistent policy and focus on SME development, existence of large trade imbalances, lack of tariff rationalization in a competitive environment of open market economy and liberalization, high degree of underemployment, pervasive corruption, and poor law and order situation, are the pertinent issues to be addressed.

The first article in this issue underscores the need for more macro-economic and financial policy interventions of the government and central bank for bringing the capital market back on the path of sound development. While analyzing the money laundering process with a special reference to Bangladesh, the second article suggests that reducing rent seeking, establishing corruption free society and organization, prevention of terrorism of the country lower the amount of money laundering. The third article focuses on the seasonal adjustments of time series as a



tool for analyzing economic activity and involves regARIMA/X-12 ARIMA models dealing with abrupt changes in the level of times series—additive outlier, level shifts, temporary changes, and ramps—in order to use these for forecasting and policy formulation. As a note, the fourth one provides lessons for bank lending while sharing the author's vast experience and views with other senior bankers on bank's non-performing loans (NPLs).

Policy reforms and direction aim at designing appropriate incentives and ensuring provision for support services towards SME and agriculture development, targeting potential and value addition sectors for promotion, focusing on the improvement of operational efficiency through increased productivity, developing skilled human resources and good governance, and ensuring macroeconomic stability and fiscal accountability.

Poor law and order, pervasive corruption, high degree of underemployment, bribery and extortion across the board dominates the overall economic and social environment of Bangladesh. The weak and deteriorating state of governance becomes the prime concern of all and poses a major challenge not only to further gains in development but also to consolidating the substantial gains achieved so far. At this juncture, reform of institutions and its implication for governance or strengthening institutions for better governance have become a top priority of all reforms if the momentum of policy reforms is to be maintained.

**Mahmood Osman Imam**  
*Editor*

December 31, 2003