

Soley by Economic Yardstick

Prime Minister Sheikh Hasina has announced in Gopalganj that her government intends to give priority to the development of neglected areas of the country. The idea is to ensure a balanced growth of the economy. It is only natural for her to focus on the backward pockets in order that these can be brought at par with the developed areas. We welcome the Prime Minister for raising the issue of symmetrical development of the country.

She has stated that the opposition-dominated areas had been neglected by successive governments during the past 21 years. Hopefully, she does not mean that her government will simply reverse the order of areas to set things right. The important thing is to determine the criteria whereby some areas would be declared backward or neglected and others developed or advanced. In this task, the bureau of statistics can be a guide. While they can supply the basic information about a particular area, it is the various think-tanks, including the BIDS specially, whose assistance might be of great use in this endeavour. The prime minister need not be partisan where facts will speak for themselves.

Let the experts decide the criteria in the light of the infrastructural and other developmental needs of the different geographical areas. For example, those without adequate road communication, electricity, and marketing facilities must be the first to receive priority. Similarly, the areas that are routinely ravaged by natural calamities — such as floods, droughts — or have only limited employment opportunities should easily qualify for early government attention.

Our point is this: Let the development strategy be formulated on the basis of purely economic criteria. This calls for depoliticisation of the development process. We suggest that the area selection exercise be fully transparent and the follow-up measures adopted for areas on the priority list monitored as well. This will be the best guarantee for good use of public money.

Housing Headache

Three fore-locking things are at play in the metropolitan housing sector, the suggestion being that these are tying us hand and foot without any freedom of action kept for the future. The government housing complexes, previously standardised to keep minimum breathing spaces between buildings, in addition to provisions for a playground or a park, are now sardine-packed as more and more look-alike structures have squeezed in. Then we have the high-rise apartment buildings in the private sector put on the commercial dice but many of them sadly unfeatured by uniformity of standards and accessibility to a good market, park or playground, an auditorium or a sprightly school facility. In the third category fall the 4 to 6-storied buildings raised all over Dhaka and its periphery by individual and family initiatives based on HBFC loans or support from banks at a high interest rate. Many of these houses do not have any adequate parking lot, nor are they in the proximity of a good playground or a recreation centre.

The servicing areas have grown girdling the residential enclaves but most haphazardly with a substandard and slimy abdication to top it off giving rise to urban slumming, the very scourge that was sought to be staved off by a rapid expansion in the built-up area in the first place. What an irony! Environmental degradation and unabated civic criminalities followed as if in a chain reaction to our intermittent failures to take control of events.

It is time we reversed the order of happenings in the metropolis and started living up to international standards of town planning. In most world capitals, the logistics, amenities and facilities are first developed and then the new residential areas are allowed to grow in an egg-and-chicken sequence. This approach has the merit of averting what is now an insufferable overlapping of houses, shops and assorted business enterprises.

Strategically, residential zonings ought to form an integral part of the new town planning exercise we are looking forward to.

Now Protect Her

Farida Begum, a slum-dweller of Pallabi in the city has reminded us of that superb womanly trait whereby some of them had taken their endangered child or a husband under their wings and recorded rare feats in surviving with their families.

When a terrorist of an armed extortionist group was about to pull the trigger of a pipe-gum aimed at her recuperating husband Tofazzel, Farida, 30, sprang forth snatching away the weapon from him. What a gutsy woman she must have been to do that: the group had by then terrorised the whole family not merely by injuring Farida's sister and mother but also by reappearing on the scene after July 25 when they had first assaulted her husband wounding him.

The local MP's award of Tk 1000 for the brave woman is a token gesture needing badly to be followed up by monetary support to aid her tangibly in self-employment.

What, however, we are terribly anxious about is how to save her from a retaliatory action by the goons. As it is, the second attack on the spot was in reaction to the filing of a case with the police after the 25th July attack by them. And it is also worth recalling that the local thana had not registered the case promptly either.

If the supposedly long arm of law now fails to protect Farida, we might well be denied of the rare flickers of resistive powers in our folks that so much enrich our life.

Anatomy of Bank Loan Default: It Takes two to Tango

by K Z Islam

WHENEVER I take a loan from the bank I am tempted to think I don't have to pay it back. After all, this is part of our national culture. This phenomenon is eruditely analysed in the article of Prof Muzaffar Ahmed entitled 'The Political Economy of Loan Default — A Quest for a Socio-Political Explanation'. With his permission I have quoted freely from his work. In the global context of bank default we are only small players. The large scale failures of the banks and Savings and Loans Association (SLA) cost the US tax payers billions of dollars as the SLAs were guaranteed by the US Government. More recently the problems of banks in Japan, Mexico and some other South American countries bear testimony to universality of this spectre.

First attempts to investigate bank default was made by a team led by Prof Rehman Sobhan which, however, confined their study to the Development Finance Institutions (DFI). One conclusion that emerged from the study was that the economic factors did not meaningfully explain the default phenomenon. Dr Kamal Siddiqui's tale of the emergence of the new, monied class in the Dhaka City documents the income effect and extra legal access to financial asset of a group of bank directors and their clients and people with connection and access to power have led to stagnating economic activity, emergence of black monied class and misallocation of resources. In his book 'Patron-Client Politics and Baseness in Bangladesh' Stanley A Kochanek concludes that Bangladesh remains a highly traditional individualistic and atomised society in which weak, poorly organised, fictionalised social forces confront an equally weak, poorly organised fictionalised state. Other learned writers have also tackled this subject viz. Dr M Kabir Hussain in his book 'Banking and Finance in Bangladesh'. Some of Prof Muzaffar Ahmed's findings after elaborate research are:

(i) The depositors, who were also the large number of stockholders, play no role in defining organisational goal.

(ii) Despite pressure from

and support accorded by donors, Private Commercial Banks (PCB) have not been able to create professional management or stop deterioration of non-activation of whatever professionalism is there in the Nationalised Commercial Banks (NCBs) because of influence peddling.

(iii)

An investigation into the causes of default in the opinion of financing bankers showed that lack of willingness to pay coupled with diversion of fund, willful negligence and belief that relief may be available in future were the most important causes of loan default.

(iv)

There exists collusion amongst groups in the banks and borrowers, borrowers and the government, banks and the government; such neutrality has been compromised in

allocation to selected sectors were reviewed.

(v) Provisioning for adequate equity capital for banks was made.

(vi) Banks were required to make loan classification and make provision for doubtful and bad loans according to period of bad loan limits were set for insider lending. Special courts were to be established for loan recovery.

(vii) The accounts were to be upgraded by computerisation.

What then were the achievements of the FSRP (which ended on 30th June 1996 after four years of expensive efforts by dozens of expatriate financial experts)? Because of relaxed supervision by the Central Bank due to political muscle of large defaulting banks.

(viii) There exists collusion amongst groups in the banks and borrowers, borrowers and the government; such neutrality has been compromised in

A deliberate bank default is a crime and the defaulter should be punished. But while one is punishing one party, what about his partner in crime? The government is hounding the defaulters and correctly so — but why is it letting their partners in crime scot-free? Behind every rogue borrower is a rogue banker

Senior Officials.

(v) Bureaucratic and Political Cronies.

(vi) The Bank Unions (Coercion of Officials).

As per submission earlier and as evident from international experience, no loan sanction can be envisaged without the involvement of at least two of the above mentioned players with the bank remaining constant. Let us briefly analyse the role of each of the players.

(i) The Banks: As custodians of money they perform play the major role in the disbursement of any loan. Every loan application is subject to intensive appraisal at various tiers of bank management before being placed to the Board of Directors for final approval. No doubt the NCBs, PCBs and the DFIs follow their stringent procedures for sanctioning loans.

(ii) The Borrowers: The Borrowers could broadly be classified in the following categories:

(a) The Good and Credit

Worthy Borrowers who have conformed strictly to the terms of the loan and maintained their accounts to the

full satisfaction of the banks.

(b) The Bad and Credit

Worthy Borrowers who have conformed strictly to the terms of the loan and maintained their accounts to the

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(c) The Good and Credit

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(e) The Good and Credit

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