

The State of the Banking Sector

"To date, the amount of money borrowed by the defaulters is about fourteen thousand crore Taka and its non-payment has been disrupting the banking system".

Give the Nation a Break

We are relieved. But only as long as it contributes in averting yet another bloody clash or a disruptive incident on the campus. History says this so-called rehabilitation of the students and activists banished from their dormitories by their rivals after every hall capturing incident is not a particularly durable device to bring back the elusive peace and normalcy on the campus. There is no guarantee that AL's student front BCL which had hitherto been resisting the return of students and activists belonging to opposition BNP's JCD after having captured all the university halls of residence, would not indulge in the same crudely nasty and illegal throwing out game again. Things can get back to square one anytime. It only needs a spark.

It is this inherent weakness of these adhoc peace measures which calls for a return to the root of the problem — the nexus of these student organisations with political parties. It is they who are injecting doses of moral transgression into the students day by day. It is because of them that the head of an institution that should have ideally meant a body of people engaged professionally, full time, in the teaching of a corpus of knowledge has to sit with student fronts for purely administrative issues like boarding and admission. After all, who are these student fronts and leaders to decide who should stay and who should not stay on the campus?

This latest abomination of hall capturing is an illustration of the rotting process that began in the educational institutions since independence. Apparently political leaders are under the illusion that hall capturing helps them steal a march over rivals in politics. We want to tell them unequivocally that they could not have made a more compelling case of living in fool's paradise. We are not sure what short term targets you achieve by using these impressionable minds but there is no doubt whatsoever in our mind that you are giving the nation the rope by sticking to your vicious course.

DU authorities, or for that matter all university authorities, can only chip in as far as the situation allows them to. The real initiative lies with the political leaders who have to mean what they say and dissociate themselves from the student fronts.

Follow it Up

The general impression has been that standard of medical education in the country has fallen sharply over the years. This was reinforced by the knowledge of poor equivalence rating our medical graduates had been regularly receiving vis-a-vis their counterparts abroad. But now comes a more solid and in-depth analysis of our medical education realities. An independent reviewers' team from the UK took a close look at Dhaka, Chittagong and Rangpur medical colleges and found out that their teaching standards were "extremely poor." There is, of course, more to medical education than mere teaching. Curriculum, student guidance, performance assessment and environment are equally important components of it. The British evaluators' team shed light on all of these areas and gave grades to each of the medical colleges on the basis of a set of presumably international criteria.

All their suggestions are with the government now. Hopefully, no stone will be left unturned in implementing their recommendations at the earliest. Their work relates to the government-run medical colleges but this must hold equally good for the medical institutions in the private sector. Without spreading its limited resources thin on new medical college projects, the government should concentrate on improving the quality of education being now sloppily imparted by the existing medical colleges.

We appreciate the government's imaginative step to have had some renowned educationists from abroad take a hard look at our medical education system and suggest ways to perfect it. But all this might go waste if it is not followed up with implementation sooner than later. What we must ensure is: (a) the quality of medical education is uniform within the country; and (b) it conforms to international standards. Surely we do not want to be thrown by the wayside before the tremendous advances made by medical science.

Ball in Tel Aviv's Court

Even as Netanyahu repeats his rejection of US peace formula and declines requests to attend Washington talks, US envoy Jennis Ross keeps trying to persuade him to change his mind.

The much-vaunted London talks had failed to get Netanyahu's approval on a US proposal for 13 per cent withdrawal from the occupied territories on the West Bank. This had already been agreed to by Yasser Arafat. The Palestinian leader has also promptly indicated his readiness to join the forthcoming Washington talks thus rolling the ball full motion into Netanyahu's court.

Yasser Arafat had originally asked for a 19 per cent pull-out from the West Bank in addition to roughly 27 per cent that has already been achieved on the ground. By scaling down the Palestinian demand to 13 per cent which is at par with the percentage sought in the US-brokered peace formula, Arafat has diplomatically added to the American pressure on Israel.

The emissarial bid of the US in Tel Aviv is billed to produce a two-some result: Netanyahu has to relent on his sticking point of 9 per cent pull-out and agree to put his signature on a raised quantum of troops withdrawal by joining the Washington meet.

When fundamental questions on the status of Jerusalem and Palestinian statehood remain unresolved there is no time for dithering on the rudimentary process of autonomy and devolution launched quite a few years ago. Extremists on both sides need not get an upperhand through complication that seem so avoidable.

RESIDENT Justice Shahabuddin Ahmed deserves heartfelt congratulations and strong moral support from all well-meaning, law abiding and fair minded people from all walks of life for his bold statement on bank defaulters in course of delivering his Nurul Matin Memorial Lecture on Ethics and Banking in BIBM on Wednesday last week. The full text of his address appeared in *The Daily Star*, on Saturday, May 9, 1998.

As I have been emphasizing in this column over the last few years, the entire banking sector has been brought to a point of precipice by wrong and politically dictated lending policies and corrupt practices. Ethical norms, accountability, efficiency criteria and discipline were sacrificed while a philosophy of "borrow now and never pay" was pursued by powerful groups of people.

By and large, this philosophy has given rise to a rotten culture these days. Vast amounts of loans have remained unrealised, or to use the currently popular vocabulary, willfully defaulted. In order to minimise the adverse effects of such defaulted loans, some past policy makers permitted many new private banks (which was certainly a good policy), reduced central bank's lending rates to commercial banks (6.5% now) and allowed considerable freedom for the latter to set the current borrowers' substantial margins in the hope that these policies would promote more businesses, inject competition in the banking market and help the commercial banks make greater profits from which larger provisioning for bad loans could be kept.

Not only these policies did not succeed in increasing

larger provisions for bad debts, which will be shown below, but also, as I argued then, banking system in Bangladesh being an oligopoly market with dominant and follower banks, interest rates to the borrowers have not come down (it is now prevailing somewhere between 14% to 18%) and also realising high interest rates from the current generation of borrowers to cover the losses due to willful default amounts to sheer injustice to the present generation of borrowers. Why should the present generation pay for the sins of the past generations?

Further, I also argued then that such freedom to the commercial banks to charge high interest rates would act as a crunch on the economy. This is what we are witnessing today. There are very few industries in the country in which the net value-added is more than 15% to 20%. If interest rate is about 15%, on the average, and a bribe of at least 10%-12% has to be paid to the bank officials, which sensible entrepreneur will borrow money from banks to start an industry? In addition, industrial loans have become not only expensive but also scarce in recent years. No wonder, industrial growth which was taking place at about 7%-8% a few years ago is now hovering around 4%-5% and thousands of (according to FBCCI, it comes to about 7,000) industrial units have been closed down.

However, getting back to the point of effects of loan defaults on the banking system, how can the existing banks forgive, or be lenient about realising, such a huge amount of loans ly-

ing with the defaulters? Some simple arithmetic on the size of the defaulted loans would be eye openers to many readers.

In Justice Shahabuddin's address, it has been mentioned that "To date, the amount of money borrowed by the defaulters is about fourteen thousand crore Taka and its non-payment has been disrupting the banking system". Fourteen thousand crore Taka at the current exchange rate of say \$1 = TK 46 comes to \$ 3.04 billion, which is about 150% of the annual aid commitments that

The other aspect of this vast amount of defaulting loans is the stagnating effect on the country's economic growth through decreased flow of productive loans to the genuine entrepreneurs. The losses of potential output and income to the participating factors of production have not worked out by any body.

Without any doubt whatsoever, the short, medium and long term effects of \$3 billion investment on income, savings/ investment and employment would be enormous in the financial side, the availability of this \$3 billion cash in the financial system would have a salutary effect on interest rate and investment incentives which would stimulate further economic growth. All these beneficial effects have been lost to the economy due simply to the default culture.

However, there are three questions that would be of interest to everyone: (i) Who are the beneficiaries of this vast scale of loan default? How could such an enormous scale of default be tolerated? (ii) What is the present state of bank loans in the country? Or what is the current state of classified/ bad loans? and (iii)

what can be done to rid the banking sector of its ills? Or how to restore accountability, efficiency and discipline in the banking sector?

Beneficiaries of the Default Loans

There was a long list of defaulters running over two thousand or so published in various national dailies recently. But it is not the small defaulters who are the major beneficiaries. As President Justice Shahabuddin Ahmed quoted from some recent press reports saying that "51 political leaders and their supporters including some members of parliament belonging to different political parties are bank loan defaulters".

He gave a vivid description of a bank official who was arrested but later succeeded in getting scot free. He further pointed out that these are the major borrowers who are the worst defaulters and it is they who pose the threat to the national economy. These defaulters, according to him, "walk tall, talk loud, influence public authority and even threaten bank if it presses for realisation of its dues". To add to this graphic description, they also get their due payment rescheduled with much difficulty.

The roots of the trouble, or the "default culture", lie here. The nexus of political power, some (politically backed) members of the business community and some corrupt bank officials created this rotten culture. Once men at the top indulge in corrupt practices with some accomplices here and

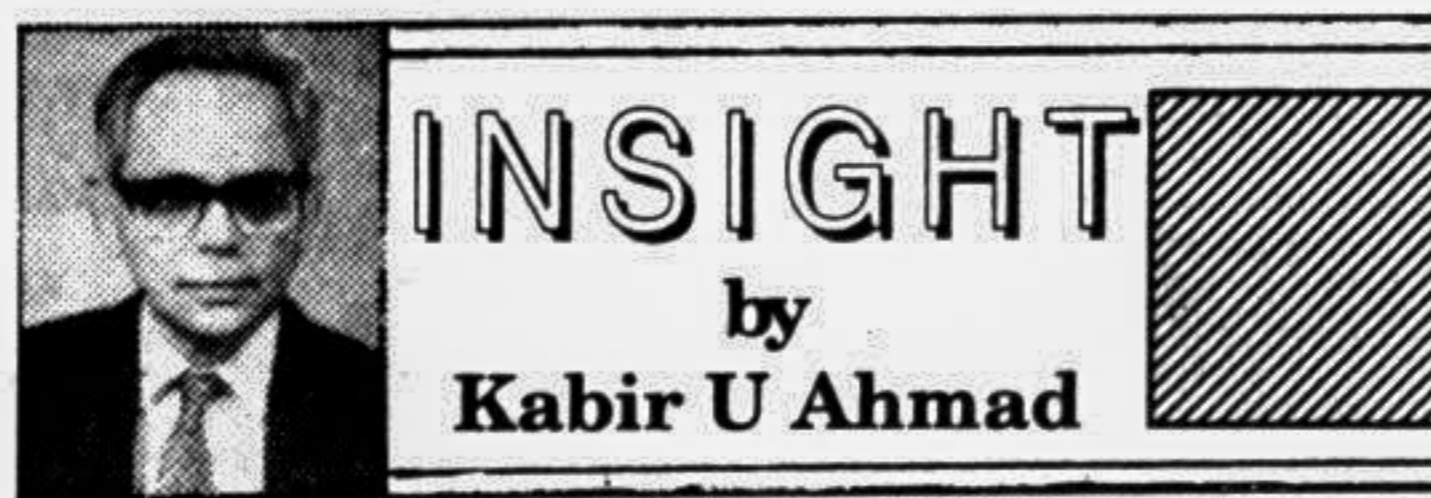
there, men and women below them get the courage to follow the same path. A new set of unwritten rules and behaviour become the norms which come into direct conflict with the established legal and ethical norms.

Over the years the former gets widely practised while the latter gets vitiated and loses its force. Once this culture of defiance of law and morality spreads to the warp and weft of the society, who can prevent widespread terrorism, extortion of money and wealth, rape and murder, and other kinds of violent behaviour? This is what is happening in the society today.

To answer the question raised above, it is now easy to see who are the beneficiaries of this culture and how the government and the banking institutions tolerated such defaults. No one can deny that governments knew very well what was happening but was unwilling to punish them. But now that a new awareness has dawned on the present government about realising these willfully defaulted loans, the business community has been consistently articulating their grievances about bank loan facilities, and the highly respectable person like President Shahabuddin Ahmed is forcefully presenting his case against willful defaulters, there is hope that there will be a social movement against such culture.

One also hopes that new laws will come into existence not only to realise these defaulted loans but also to combat and eradicate this sickness of "default culture" from the society at large.

(To be concluded next week)



by Kabir U Ahmad

Bangladesh government gets from the donors, or twice the annual amount of aids and loans disbursed every year. With this amount of money, Bangladesh could have constructed more than three Jamuna Bridges (the cost of the Jamuna Bridge was initially estimated at \$800 million). Or alternatively, with \$3 billion, Bangladesh government could have totally eliminated the country's entire poverty in a period of about 3-4 years.

Anyone who talks of poverty alleviation and at the same time becomes soft or lenient to the loan defaulters does not mean what he/she says about poverty or speeding up of economic growth of the country.

Bangladesh economy. On the financial side, the availability of this \$3 billion cash in the financial system would have a salutary effect on interest rate and investment incentives which would stimulate further economic growth. All these beneficial effects have been lost to the economy due simply to the default culture.

However, there are three questions that would be of interest to everyone: (i) Who are the beneficiaries of this vast scale of loan default? How could such an enormous scale of default be tolerated? (ii) What is the present state of bank loans in the country? Or what is the current state of classified/ bad loans? and (iii)

Sino-Indian Ties

Remark of Indian Defence Minister and its Ripples

Mr Fernandes is known for a long time as a critic of China and favours the independence of Tibet, whose spiritual leader Dalai Lama now lives in India in exile and campaigning for freedom of the Tibetan people.

ties remains unresolved.

However, Mr Pawar said that Mr Fernandes is a senior political leader known for his calibre and knowledge and it is expected that he would restrain his views on sensitive issues. The matter has not stopped in India — as China and Myanmar, which also figured in the remarks of the Indian defence minister, have joined the issue with disapproving views.

Myanmar said the policy of the new Indian government as regards to China and involving Myanmar what Yangon said "unnecessarily" in the subject may be a pretext for New Delhi to go for building nuclear weapons in the south Asian region.

Some Indian newspapers have criticised the comments of the defence minister while some other felt that the minister might have touched upon the reality of Indian defence parameters by once again highlighting the China factor.

In his first observation on China, Mr Fernandes soon after taking the office, said that India's security threat mainly comes from that country and not from arch-rival Pakistan. He then followed it up by saying, China makes every effort to harm India's security when he said Beijing was much behind Islamabad's recent test-firing of the 'Ghauri' missiles.

The defence minister was more specific and hard-hitting in his last views about his country's giant neighbour when he delivered a commemorative speech in New Delhi on late Mr V K Krishna Menon, who was the defence minister of India during the Sino-Indian border clash in 1962 which was disastrous for New Delhi, and Mr Menon had to resign. Mr Fernandes said on the occasion that China is assisting Myanmar in strengthening the latter's defence capabilities, and in the process, developed a modern surveillance system in the

"Coco islands" in Myanmar with an eye on India.

He said Beijing is also expanding and modernising some airfields in the Tibet region to make them capable of dealing with supersonic combat aircraft and obviously, the target is India. Then even after his remarks have come in for criticisms from China and Myanmar as well as from opposition circles in his own country, Mr Fernandes said there is no question of slackening of Indian military strength along the Chinese border while the process of normalisation would continue between the two neighbours.

Some of the remarks of the defence minister came close on a number of party leaders including Mr Laloo Prasad Yadav, who was the chief minister of the state.

Later, Mr Yadav himself quit the Janata Dal and formed the Rastriya Janata Dal after falling with party's leadership that included former prime minister HD Deve Gowda and Sharad Yadav, Janata Dal leader from once again the Bihar state. The party of Mr Fernandes is small but because of its crucial support and his own image, he has not only become the defence minister in the new government but also made another 'Samata party' leader Mr Nitish Kumar as the important railways minister of the country.

Some of the remarks of the defence minister came close on

tributed to the hostile nature of the bilateral ties.

Evidently, Indian security dimensions took a new turn with the 1962 border clash and both New Delhi and Beijing looked askance at each other's designs. It took a long time to begin and continue the process of normalising the relationship. Today's Prime Minister Mr Vajpayee as the external affairs minister of the Janata party government visited China in the late '70s and that worked in improving the ties. Late Prime Minister Rajiv Gandhi visited China in 1988 which further contributed to the development of the state of the bilateral ties. The two countries said they would seek to improve the bitter relationship although there was no progress in resolving the main cause of hostilities — the border dispute. India says China illegally occupies more than 40,000 sq miles in the Kashmir area while China maintains that India is in control of Chinese territory in the Arunachal area.

I remember, Mr VK Krishna Menon was in Dhaka immediately after Bangladesh's independence, and during discussions with journalists at the press club he said China does pose a threat to India. However, it was a matter of past and now things have changed in the relationship even though the main stumbling block to the betterment of ties remains in existence.

Why has then the new defence minister raised the "China factor" which otherwise seems untimely or may not be relevant at this stage? According to Congress leader Mr Salman Kurshid, the former minister of state for external affairs, Mr Fernandes is seeking to inject his own policy into the BJP-led government. His senior leader Mr Sharad Pawar was more caustic. Prime Minister Vajpayee who holds the external affairs ministry, some re-

ports said, has advised Mr Fernandes to be restraint in comments. However, the defence minister said what he spoke was concerning the reality of country's security climate.

China has castigated the remarks of Mr Fernandes that Beijing is New Delhi's "Number One enemy" while Myanmar dismissed as "wrong" on facilities give to China on Coco Islands.

Mr Fernandes and the new Indian government is known to be favouring the need for the country having nuclear weapons. Previous governments did not rule out the options of building nuclear arms. India tested a nuclear device in 1974 but exercised a moratorium on "building nuclear weapons. Some feel that new government is expanding its base of security bars so that new ground for having the same is justified.

It is possible that the Prime Minister Vajpayee would ask Mr Fernandes to be more restrained although it does not look like that the new government is much upset over the defence minister's remarks since the BJP, which is the dominant force in the coalition, maintains that India would seek friendship with neighbours but also play a role in the international and more particularly in the regional affairs, worth of what the party feels of size and prowess.

The utterances of the defence minister may be in line with its policy where the government wants to be seen as assertive and opening a bedate on attitude towards China may as well fall in that category. However, all in the coalition government or even in the BJP may not see eye to eye on this aspect of the policy. Prime Minister Vajpayee's era as external affairs minister 20 years ago represented a period of friendship with neighbours for which he earned praises.

The new debate on Sino-Indian ties may die down but certainly it has caused some new ripples in bilateral ties.



Zaglul Ahmed Chowdhury

the heels of the first ever visit to India by the chief of the general staff of the Chinese army.

Mr Fernandes is a novice in Indian political scene. He does not belong to the BJP which is the main constituent of the new coalition government. Known as a firebrand socialist, out-spoken Mr Fernandes was a senior minister also before and has been an experienced parliamentarian for many years.

In the early eighties, I had the occasion to his oratory in the Parliament. His "Samata party" is confined in Bihar state where it helped the BJP to make inroads in the state and in the process crumbled the hitherto bastion of the Janata Dal Mr Fernandes himself was a leader of the Janata Dal but parted ways following differences with

Mr Fernandes is known for a long time as a critic of China and favours the independence of Tibet, whose spiritual leader Dalai Lama now lives in India in exile and campaigning for freedom of the Tibetan people.

But what has really prompted the new defence minister to raise issues against China at a time when two countries have succeeded in normalising their once-belligerent ties? This has raised eye brows in several quarters.

India and China were once close friends and "Hindi-Chini Bhai Bhai" phrase is not unknown. The relationship turned sour over claims and counter-claims on each other's territory which led to the border war in '62. Moreover the closeness of Pakistan, the traditional rival of India, with China at that time also con-

To the Editor...

M M Shirazi's views

Sir, In his article captioned "Hussain (AS) - The Greatest Martyr of Islam", Mr. M.M. Shirazi has expressed certain views which are not supported by any Sahih (authentic) hadith or by historians. Mr. Shirazi has mentioned that the Holy Prophet (S.M.) nominated Hazrat Ali (R.A.) as Imam after his death. This view has not been supported by either hadith or by historians. Again Hazrat Abu Bakr (R.A.) was elected Caliph, not nominated by Hazrat Umar (R.A.). And again it is true that Hazrat Umar (R.A.) was nominated by Hazrat Abu Bakr (R.A.) but he was supported by all leading Sahabis of the Holy Prophet (S.M.) including Hazrat Umar (R.A.).

Our Holy Prophet emphatically forbade Muslims to cast aspersions on any of his companions. Hazrat Muawiyah, after his entrance into Mecca, was a great companion to our Holy Prophet, a great military commander who participated in many military expeditions for spread of Islam and a writer of Ohi (verses of Allah). I am shocked to see that Mr. Shirazi has termed him as a "Despot". In these days, Mr. Shirazi, while trying to glorify Hazrat Ali (R.A.) and his sons (R.A.) has maligned greatest souls like Hazrat Abu Bakr (R.A.), Hazrat Umar (R.A.) and others. His views are partial and biased ones and in some cases demonstrated distortion of history.

Undoubtedly we also believe that the four Caliphs of Islam known as "Khulaphaiye Rashideen" and the grandsons of Prophet Muhammad (S.M.), Imam Hassan (R.A.) and Imam Hussain (R.A.) are the champions for the cause of Islam. Please do not try to malign any of them.

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"Crisis in BUET"

Sir, I read with interest Mr M M Rezaul Karim's article "Crisis in BUET". The article, though well written, bore some strong chauvinistic BNP tinge. I am decurrent that surfaced from time to time in his deep angst about the crisis in BUET. But what surprised me most is his misinformation about Professor Iqbal Mahmud although he claimed that he had worked with him in PKSF (Pall Karma Shahayak Foundation) for a short spell. I wonder how could Mr Karim discover that Professor Iqbal Mahmud was an advisor to the caretaker government in 1996.

On the other hand Mr Karim's remote sensing that the present government's obduracy will turn professor Iqbal Mahmud into a hardcore BNP-man or its sympathiser is somewhat a wild guessing. Dr Mahmud has categorically told the na-

tion that he was not a BNP-man and he was only a technocrat minister in Zia's cabinet and the moment there arose a conflict in principle, he quit the job and came back to his profession of teaching. It would be a superb show of statesmanship and not in any way a measure of weakness on the part of the chancellor of BUET to persuade Professor Mahmud to withdraw his resignation and keep this reputable institution crisis-free and running smooth running.

Moazzem Hossain
Shyamoli, Dhaka

Shazneen and us

Sir, It is now over two weeks since we heard the shocking news of Shazneen's rape and gruesome murder, but still we can't seem to forget her, even for a moment. The thought and the fear that goes with it is always there — lurking at the back of our minds — no matter what we may be doing. The ruthlessness and the brutality of the whole episode has left a pall of gloom over our lives. Because it is not the end but rather a beginning of such horrible crimes, which show no sign of decline but are ever on the rise with each passing day. Whom can you trust, nobody seems to be trustworthy nowadays. Neither employees, nor relatives, nor neighbours (a boy raped his two year old neighbour). Any body

can be a potential rapist or a child molester.

A Swedish lady once remarked that she didn't want to live at all if she couldn't trust any man! For we have to live side by side with them, all the time. This general degradation of our society, only recent though, has to come from a general affect of something. It could be the exposure of still immature but highly sensitive and emotional minds of young boys and adolescents to the obscene pictures, dramas, series etc shown on our TVs through satellites these days.

Day by day, more and more cable lines are being laid and more and more TVs are getting hooked to these, extending now from cities to small towns. Misleading more and more such young minds to ruthless acts and violence, learned from sexy and crime infested scenes, so commonly shown these days on the TVs.

They not only arise lustful desires in young people but also give them the ideas how to carry on such acts of sex and violence. Newer and bolder ideas are given by each picture or cinema. Few can hold the temptation of copying it. Especially when they see that none is being punished. But the government seems to be least bothered about its affect and is in fact encouraging the invasion by foreign media of our culture and of our minds.

Who will shake them up to

face the bitter reality and to put an end to this cultural invasion and its degrading and devastating affect on our young minds — the future generation. Whose ruin means the whole nations ruin.

Another reason could be the smuggling of drugs into the country and the liberal consumption of liquor by our people these days — which was never so much before. These have an over-stimulating and perverse affect on minds and can therefore lead to such grievous and horrendous crimes. So there must be a complete ban on these too.

Dr Sabrina Q Rashid,
Dhaka Cantonment, Dhaka

One-eyed king? No Mr Chowdhury

Sir, Thanks to Mr A A Chowdhury for his delightful piece of writing published on a fine Friday morning in the DS on 24th April which was in response to my previous letter "What are they trying to prove?" How right he is when it comes to his judgement.

All I did in my letter was point out what was the most obvious from a neutral point of view. But unfortunately Mr Chowdhury is taking sides. And because of that I have no choice but to take sides too. The other thing he mentioned was that I was living in a "kingdom of

blinds", that too is true, as he is another fine example.

Mr Chowdhury, I have, for your information, read Mr Anam's fine commentary on the 17th of April. But what struck me as extremely unusual was your comment on that. You said, and let me quote, "Mr Anam's fine commentary in the April 17 issue of the DS while expressing his very partial views".

"VERY PARTIAL VIEWS" — Mr Chowdhury doesn't sound very convincing now, does it? After all the main reason why you wrote was to show that I was taking sides, and if Mr Anam's article was "partial" too, then am I the only person to be blamed? No, as a matter of fact it wasn't I or Mr Anam who was partial, but it was you. So I wonder who that "one eyed king" is now.

Mr Chowdhury, the Speaker has the power to change the norms of the Parliament as he sees fit. Mr Anam tried to say in his article that even if the Speaker had made a grave error by letting the Minister speak first, what the Opposition had done in return was a hundred times more worse. Dr Badruddoza Chowdhury is a highly efficient person as a politician. There is no doubt about that. But the particular day it seemed that the Opposition was simply waiting for a chance to be destructive.

Masroor Ahmed Deepak,
Dhaka