

Strategy of Economic Development Reforming the Banking Sector

by M Shamsul Haque

Bangladesh Bank should limit sizes of private sector banks to some extent, such as Tk 1000 crore of deposits for a bank and require at least 30 per cent equity capital. Nothing works better when you put your own money at stake. All public sector banks should be sold out gradually to the private sector.

PROF. Jeffrey Sachs of HIND presented a strategic analysis for economic development of Bangladesh before the members of Bangladesh Economic Association on Jan 15, 2000. He is the proponent of a model of economic development based on geographical conditions of openness to sea and nearness to the economically developed countries. He emphasized new globalised economy comprised of trading in manufactured products as opposed to traditional commodity trades. He considered Chittagong Port as the lifeline of Bangladesh to the rest of the world and suggested its development and most efficient operation. All these he said in favour of his arguments for the export of manufactured goods to be the main focus of economic development for Bangladesh. Prof. Eunus in his year end interview with the Daily Star also suggested relocation of industrial plants from the high labour cost economies as a means to increasing non farm employment and income for the expanding labour force in Bangladesh. Both the economists have suggested the private sector led economic growth and privatisation of SOEs. Sachs said that it was not for any ideological cause that manufacturing and banking should be brought under the private sector. Rather, this should be pursued as a strategy for efficient operation without which domestic products cannot be competitive in the domestic and international markets.

When asked to elaborate on his brief remark on reforming the financial sector he was quite categorical against having banks in the public sector. "Bank credits in the control of politicians is a dangerous thing" he noted. On the other hand he also cautioned against unregulated expansion in the financial sector. He praised South Asian countries for escaping the contagion effect of the financial crisis in most of the ASEAN. Short-term flow of foreign capital could cause such havoc on the external value of a nation's currency. At this point he was kind of overplaying on two counts. First of all ASEAN suffered more from chronic capi-

talism or what he termed as politically motivated lending. Earlier it was reported that about 75 per cent of the listed companies in Indonesia were technically bankrupt before the fall in value of the local currency. Bangkok and Malaysia over invested in many industries for which the local markets did not expand rapidly. That is, fundamental factors became weak before financial crisis set in those countries. It was due to the weakness of the financial sector that resources piled up in some sectors where returns were not that high. IMF and the World Bank are still cautioning these nations for weakness in their financial sectors. It was not the short-term flows that caused the crisis in those countries. On the other hand South Asian countries have never had huge reserves of foreign exchange. Both India and Bangladesh had very little hard currencies in early years of 1990s. At the end of 1996 foreign exchange reserves of Bangladesh was drained by one-third by the stock market scam due to withdrawal of the lock-in-period for foreign portfolio investors in the stock markets. In recent past speculators were active in selling Taka outside the official channel as was revealed by the Bangladesh Bank. Over Tk 1100 crore was sold in such deals. One should not be surprised if Taka was sold short earlier in expectation of devaluation that ultimately took place towards the end of 1999.

The most important point raised by Prof. Sachs was the practice in banking of doing business with OPM — other people's money! Modern corporate form of large business has given rise to the practice of gearing equity with debt. What gearing does in a business is quite similar to what a gear does to speed in an automobile. It helps to accelerate the speed as one gears up an automobile. This is

facilitated by tax laws of a country that allows interest on debt capital as deductible expense. Suppliers of loan capital to a corporation are also given protection by law. That is, in case of business failures creditors are given preferential claims in getting their money back over equity shareholders. Shareholders are residual claimants and therefore they are the principal risk takers in a corporate setup. For example, in a situation with 50:50 debt and equity the market value of the business can go down by 50 per cent due to losses before creditors will be affected. That, of course, requires a valuation framework based on quick availability of information on the market value of the enterprise and an efficient market for trading securities. In reality these two factors work in desired conditions and along with legal costs a much smaller percent decline in the market value of assets can affect creditors' investment. It should be pointed out that gearing works equally in reverse direction. You go down faster when ROI (on total assets) falls below the rate of interest paid on creditors (depositors in banks).

In banking a practice has evolved in developed countries to reduce capitalisation ratios during the 19th and the early part of the 20th century. In the USA total capital averaged almost 50 per cent of bank assets throughout the first half of the 19th century. The ratio declined to 30 per cent or less by the second half of that century. Further decline occurred during the 20th century and the ratio fell to below 10 per cent by 1970s. Rapid economic growth and increasing competition mainly led to the declining capital to asset ratios. Improved regulatory and accounting functions also contributed. The question to be asked in the context of banking in third world coun-

tries such as Bangladesh is what is the stage we are in terms of technological, social and economic development at the beginning of 21st century? There seems to be a link with societal conditions and the kind of institutions we should have. Modern corporate banking with large-scale operations under such low capital to asset ratio does seem to match our socio-economic backwardness. It is comparable to what existed 150 years back in today's developed countries. It may be surprising to say that Grameen Bank type cooperative banks dominated banking in those countries about the same time. That is, the current practice of 80 per cent capital to risky assets ratio may not be equally applicable in Bangladesh conditions. It is human and organisational behaviour that is under question here given the high level of corruption, lawlessness and uncertainty in the country. Despite prudent regulations hundreds of banks failed every year in the early 1990s in the USA. In Thailand, where the ASEAN financial crisis started in 1997, major banks were forced to make substantial provisioning for non-performing loans, worth more than 40 per cent of the loan value at the end of 1999. Reportedly this was holding back recovery for reviving the Thai economy. Mexico had to renationalise banks in 1995/96, four years after they were denationalised when financial crisis hit Mexico.

Under the regime of reforms several new banks have been established in the private sector in the past few years. Excepting one or two, financial health of these private sector banks are not satisfactory. Some of the older private sector banks have issued shares to the public to raise equity capital to meet their fast rising deposit-lending bases. The current Parliament

The writer is a Professor of Finance and Director, MBA Program, North South University.

Democracy and Environment in India The Cogentrix Episode

by Anil Agarwal

Given the state of corruption in the country, the best way for the government to protect the environment would be to further encourage environmental litigation, letting the public and courts take the upper hand. Environmental litigation would have to play an important role in environmental protection.

NOW that Cogentrix has decided to pull out of its offer to build a power plant, India's administrators have suddenly realised that the liberalisation process is being threatened. Therefore, the government is falling all over itself to reassure the foreign company that it is still on board. Hopefully, the company will not disapprove the supreme government. But media commentators are already out with their barbs against environmentalists who had filed an interminable series of petitions against the company and the courts for having entertained such "frivolous" cases. Some are once again raising the hackneyed argument whether a desperately poor country like India should not give greater importance to development as against the environment. These commentators have not got it quite correct. The problem is neither environmentalists nor the courts or public interest litigation, for that matter. These are all part of India's democratic process and the stronger they are, the better it will be for the country. And, if not our people, then at least a US company like Cogentrix understands this fully well. Environmental litigation in the US is just as common, if not more, as in India. And US companies know that they have to deal with the civil society.

The problem here, however, is the extremely poor quality of governance that we suffer from, unlike the US. Protection of the environment is an objective that our lawmakers have put on the country's statutes. This was not something that the environmental community did. But, as has been the case, our lawmakers are quick to pass laws but don't respect them at all.

Few governments have shown any desire to respect and implement the laws that they themselves promulgate, including the nation's environmental laws. Otherwise the state of the country's environment would not be as bad as it is today. Air

and water pollution alone kill at least a million people every year and, with industrialisation growing, there will be more and more deaths in course of time. Do we truly want to pay this price for development?

Politicians are quite happy to make deals with industrial firms and then leave the public to suffer the consequences. The area of the Western Ghats where Cogentrix was going to set up shop has seen numerous protests. But hardly has the Karnataka government or the Central government done anything to translate these protests into policy that thus reassures the people that their environment will not suffer.

The governance of the environment is so poor that the government, once it clears an environmental impact statement of a company, has no mechanism to ensure that the commitments made by the company are actually followed through. It is interesting that one of the protesters against Cogentrix was Maneka Gandhi, a person who is no less than a minister in the current government at the Centre. None of this would have happened if she had done a better job as the environment minister in ensuring that the country's environmental laws are properly followed or, for that matter, to add in her favour, had been allowed by her political colleagues to do so. V.P. Singh had no interest in environmental protection and obstructed her at every stage. Amongst those who followed, H.D. Deve Gowda was also one of those who ranted and raved against environmentalists and not against the state of poor governance.

The key upshot of all this is that hardly anybody has any faith in the implementation of the country's laws. Therefore, with the judicial process opening up to the public, thanks to our honourable judges, people are going to the courts to seek the implementation of pre-

cisely what our own lawmakers have put on the statute books. Until our great bureaucrats and the politicians understand that public confidence in public institutions is today at its lowest point and work hard to restore that confidence, India's democracy will generate protests of all kinds against the current state of affairs.

The government's track record both in environmental protection and in rehabilitation of project-affected people has been nothing but a string of hyperbole and totally false promises, leaving hundreds of thousands totally destitute. The record is nothing short of being pathetic if not downright dishonest. If there was indeed greater confidence in the process of the government, then people would not protest in this way and the courts would also not entertain such petitions. We would argue that given the state of corruption in the country, the best way for the government to protect the environment would be to further encourage environmental litigation, letting the public and courts take the upper hand. In fact, prime minister Rajiv Gandhi, one of the few prime ministers who took a keen interest in the environment, was convinced that environmental litigation would have to play an important role in environmental protection. Of course, it would help compare if the courts had sufficient resources to deal with these cases fast. And that would also arrest any misuse of the judicial process fast. That should be the key task of the government.

So if we want to save the likes of Cogentrix, then our humble suggestion to our media friends is, please take the prime minister and his worthy colleagues to task for this state of affairs. Not India's democracy.

The author is Director, Centre for Science and the Environment, New Delhi.

State of English in Bangladesh

by Monzur Hussain Choudhury

I met some Bangladeshi doctors in New York who obtained much higher marks in USMLE exam than some of the competing Indian or other doctors, but the Bangladeshi doctors failed to secure appointments as Resident Doctor due to their weakness in English during interviews.

ENGLISH is the global language. Even non-English speaking countries in the world today recognise English to be a vital language for internal communication as well as for exchanging thoughts and views with people with a different mother tongue. In some areas one needs to know French for better communication as well as for exchanging with the local people and the same is true for Spanish and some other languages. But with English, one can find somebody almost anywhere with the knowledge of English to assist him. This is not true for any other language. Also it is a well-established fact that English is a very rich language, rich in all respects.

But what about English in Bangladesh? For a long time, it has been the second language in the country. In earlier days, educated people in Bangladesh as in other parts of the sub-continent, had good command over English by virtue of the then prevailing system of education. They were proficient in their mother tongue as well. A person with an Entrance (now SSC) standard education at that time was quite fluent in writing and speaking English. But since the early 20s, when English was withdrawn as the medium of instruction in schools, the proficiency in this language began to decline. Nevertheless, importance of learning and practising English continued to rise.

After liberation, waves of thoughts of promoting Bengali to a predominant language in every sphere of activities in the country, swept over the minds of the intellectuals. They were instrumental in elevating Bengali to the status of being the country's official language and medium of instruction in educational institutions and also encouraged exercises of writing books in Bengali to replace English scientific and other textbooks in educational institutions. No doubt, these were commendable acts. But unfortunately, their efforts didn't remain confined to the lone task of promoting Bengali; they moved forward to remodel the existing system of English education, attaching very little importance to it. Consequently, English education in Bangladesh turned trifle. English syllabus began to receive frequent recasting which worked only to lower its standard. Finally, in the 80s, the literature part from the English textbook of SSC was omitted and replaced with functional English, such as, conversation

over how to obtain passport and fly to Cairo, etc. In-depth study of grammar and composition no longer remained a must in the English syllabus. Contextually, it may be mentioned that our generation had almost mastered all the fundamentals of grammar and composition in the Middle English School (41-45) and could frame complex sentences. But now because of superficial teaching, writing and speaking English has become a very difficult task for students even after so many years of education and the advantage of television. At one stage, when the percentage of students failing in English grew alarmingly high, English was made optional in colleges but it helped but a little. Constant reshuffling of curricula without proper scrutiny of the pros and cons and appraisal of past curricula, has been further exacerbating the system of English education in the country. Lately, a letter to the editor from a senior teacher Mr K M Salimuzzaman, published in 'The Daily Inquilab' on Jan 15, 1999 under the heading 'Regarding the English subject in SSC' also expressed concern over such impetuous changes in syllabus. He observes that the newly introduced English syllabus for SSC exam to be held in March-April 2000, does not comprise of grammar, structural exercises and free writing composition which are the vital foundations of learning the English language. He holds that 'Matching', 'True-False and Seen-Composition' based on comprehensive questions, which the said syllabus consists of, may raise the number of students passing in English, but it will not improve a student's speaking and writing abilities, making it extremely difficult for them to compete in exams like the BCS, TOEFL and GRE.

Watching the malignant wound in the country's education system, festered by law and order situation and political unrest, the intelligent and cautious people including those in the helm of affairs, are sending their children abroad for education, if financial capability permits. Excluding the lucky children of affluent fami-

lies, who receive education either in the country's English medium schools for O-A levels or go abroad including India for better education, the new generation who form more than 85 per cent of the total student population, cannot write or speak English correctly even after university degrees. I had experienced this condition while in service. It is also true for engineers, doctors, masters and Ph.D.s of post-liberation education. After retirement from service, I came across such engineer and Ph.D. colleagues working with me in a consulting firm where projects papers were essentially in English. Most of them could not write correct English and needed assistance. For grammatical mistakes and misuse of tenses as well as for vocabulary deficiency, their writings did not adequately express their thoughts, findings and views and were therefore, confusing. Once a foreign Team Leader of a project, while giving me a paper for necessary corrections, expressed his discontent saying, 'I can not help it. Bangladesh Government has made it compulsory to engage local counterpart experts. But this is the type of their writings that causes wastage of our time and energy.' A couple of years ago, I read the comments of an Additional Secretary in a local daily about the poor knowledge of English of young officials.

He expressed his concern over it in an official meeting with the presageful comment that after some years, Joint Secretaries and Additional Secretaries would need interpreters to understand English reports and correspondences. Though the comment made us laugh, it bore an intrinsic truth. I once happened to read a quarterly magazine of a prominent school. The English teacher of that school contributed an English article there which aimed at interceding a good proposition on learning and teaching, but the expressions were fraught with mistakes, grammatical errors and compositional disruptions. This naturally raises question: What will the students learn from such teachers? Further, the poor quality of examinations in

1972 and 1973 has produced many a poorly educated graduates many of whom are teachers now. What can we expect perhaps not be wise to put a sudden load on higher classes as the present state of their knowledge is poor; stress should commence in the lower classes and go up gradually. English classes must be in English all through. Bengali should hardly be spoken there, except for occasional explanation of the meaning of a word. This is how I had learnt German in Germany in a few months. Private spoken English classes cannot impart useful knowledge unless one is acquainted with basic grammar-composition.

I would like to quote here some comments and suggestions of late Dr Ahmed Sharif, made in a Bengali article by him and published in August 1999 in the magazine named, 'The Mirror of Primary Education' (1st yr, 2nd issue). The title of the article may be translated as 'All types of perversion in the national life sprouted from the grave deterioration in the field of education.' In that article he expressed deep concern over the negligence shown to English in this country. He said that the Western world is the source of all our knowledge and wisdom and in order to understand Western philosophy of arts and science, we must learn English. Highlighting various types of deterioration in education and consequently amongst the youths and outlining the overall grave situation in the country, Dr Sharif suggested some remedial measures in that article: (1) Abolishment of student councils in schools, colleges, universities, halls, hostels, etc. (2) Introduction of English language as the medium of instruction from HSC to post-graduate level. (3) Teaching of English in the SSC level with the same importance as was in the British period. He also said, 'These actions alone ought to improve the level of moral value of the people of the country.' These were his individual views. Our experts should however, give serious thoughts over it or find out alternatives aiming at our survival.

The burden of learning English weighs heavily down the back of our poor country. We must face it or Bangladesh is our country and every one of us

must work for its welfare, for our own survival. In view of the above situation, I would urge the experts at the top to adopt methods to revive English in the country's education system. We have entered the 3rd millennium, which will be extremely competitive and challenging. We must therefore, prepare ourselves with impeccable plans not only to survive but to advance as well. In giving stress now on English, it would perhaps not be wise to put a sudden load on higher classes as the present state of their knowledge is poor; stress should commence in the lower classes and go up gradually. English classes must be in English all through. Bengali should hardly be spoken there, except for occasional explanation of the meaning of a word. This is how I had learnt German in Germany in a few months. Private spoken English classes cannot impart useful knowledge unless one is acquainted with basic grammar-composition.

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Positive Fasting

by Fawzia Rasheed

Perhaps next time Ramadan comes round we might remember to accept that people who join the fast have their reasons — those who do not do, too. All concluding that each person has exactly the same fasting behaviour would be pretty unusual.

THIS article may seem a little untimely coming so long after Ramadan but actually, this is intended. The reasons will probably become clear as you read along — at least I hope so. A series of disappointing events made me think about what it must feel like to be HIV positive and Muslim — and experience the social aspects of the month of Ramadan.

First, I read a superb article, which tried to sum up what was known medically in relation to the pros and cons of fasting for those who were HIV positive. While working in the field of HIV/AIDS I realised how few people, at least here in Bangladesh, seem aware that there may be people in our offices, our families and amongst those who we socialise with, who not only are HIV positive but aware of the fact. I also began to notice our collective arrogance which seems to shut out the possibility that the HIV epidemic which has reached every country in the world might have touched Muslims...well — you know — our kind of Muslims.

Working with colleagues in Bangladesh who have shared their positive status with me has made me aware of the unthinking statements that people make. Nothing brought this home as much as Ramadan.

People who have a short lease on life — very often turn towards spirituality. They start to pray more, dress more conservatively, prepare for death in practical and philosophical ways. Where they have funds, they prepare to part with it — often to charitable causes and where they are short, they pray even harder for some sort of salvation for themselves and their loved ones. This is no different for those who are HIV positive. What is different is that more than half of all HIV infections occur in the under 25-year-old bracket.

It is difficult enough to be young, without a foothold in life and already having to prepare to lose it, without having to cope with the ignorance of society. One can be positive and perfectly healthy for years without any signs of illness at all. Some understandably want to maintain that all is well for as long as possible. Once sick, it is so much easier to get the

needed sympathy and love if you claim to have cancer, rather than to be openly HIV positive — at least this is the way it remains for Bangladesh at the moment. Until more people are able to share their HIV status openly we are likely to continue to have a hidden HIV epidemic without a public identity.

So imagine — you are young, positive, feeling fine, have turned to God. You may have started wearing a headscarf, or growing a beard and people may identify you as having become serious about religion. Praying makes you feel better, stronger and certainly helps cope with the confusion that every-day life presents.

How then do you deal with Ramadan when it comes round? The summary of the sensitively written medical article I referred to earlier, was basically this. There are no conclusive guidelines as no scientific studies have been undertaken. Yet, if you are feeling fine and have not lost weight there seems to be nothing to indicate you should not fast. Some individuals claimed it made them feel much better and suggested this might be related to getting rid of toxins built up through medication. If you are on medication, the article suggested medical advice and possibilities of considering alternative or partial fasts to satisfy the spiritual aspects without sacrificing health. The loss of fluids was anticipated to be a particular problem to be watched. For those who had started experiencing AIDS and weight loss in particular, the article strongly recommended medical advice but fell short of advising against fasting, understanding the sensitivities of entering into a religious debate.

All this is very well, but once you have reached your personal decision on whether or not to fast, how do you cope with the rest of the world? If you are young, where is your excuse not to fast and dart about a usual day's work — particularly if you are now recognised as being 'religious'? Must you lie in this month of Ramadan of all times and eat in secret? Of course, Islam provides for those who are sick not to fast but what if you are the only one who knows that you are harbouring the virus? This is a dilemma that those who are

positive go through many fasting not only because they want to but also because it is socially simpler, albeit at possible great cost to their health.

The casual question of 'Are you fasting?' 'How many *rozahs* have you kept?' can be a nightmare for those who are positive and for whom fasting matters. Worst still are the jibes you get if you are not fasting. Being alienated for not fasting becomes all the more acute and likely to happen at a time when you simply know you must because you have begun to feel weak. You feel pretty miserable anyway and need to feel the support of those around you all the more.

Talking to religious groups who care for those who are HIV positive, you get the feeling that this epidemic provides a real opportunity for those who are religious to test their love for humanity. Thinking about speech and conduct and how it might affect others, providing room for those of all ideologies and showing respect for different ways of practicing religion are of course important and normal aspects of religious practice. Caring for the sick, needy and the rejected are, too. These practices are particularly important for those living with and caring for those who are HIV positive. Sooner or later, this is likely to include most of us.

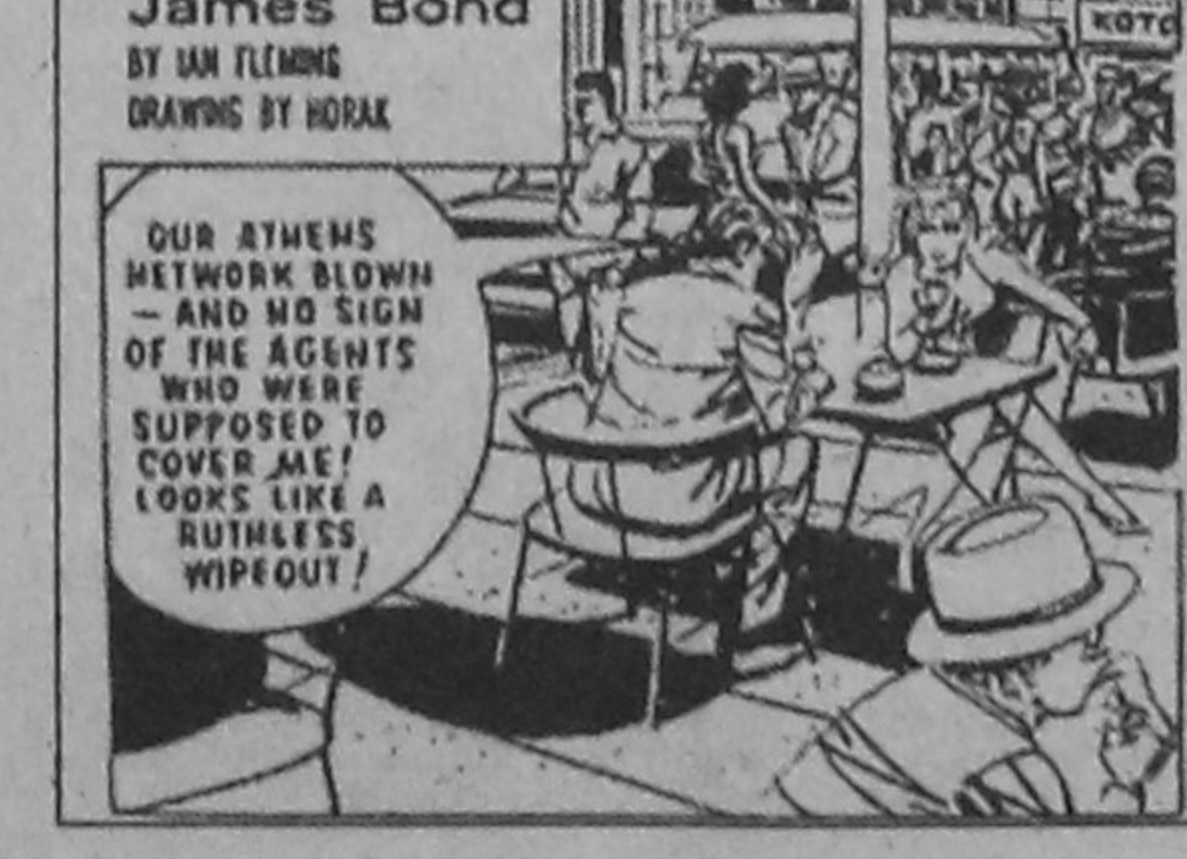
Perhaps next time Ramadan comes round we might remember to accept that people who join the fast have their reasons — those who do not do, too. Both may or may not be religious! Comparing notes on fasting is not going to throw light on anything of much importance. After all, concluding that each person has exactly the same fasting behaviour would be pretty unusual. This conversation is more likely to result in someone feeling superior and the other inadequate. Accepting the common ground we share with those we think of as 'different' may just be more important than showing respect for others. It's certainly harder!

The writer is a Global Health Leadership Fellow, Department of Reproductive Health and Research, World Health Organization, Geneva.

Garfield



James Bond



YOU AND I



IT WILL TAKE PLACE

