

BB's welcome steps

Realism shouldn't be read as a sign of weakness

BANGLADESH Bank governor Dr Fakhruddin Ahmed has announced measures to tidy up the loan portfolio mess besetting commercial banks. Three things are envisaged: writing off of bad debts; a provision for legally chasing defaulters even after the write-off; and a new loan rescheduling guideline. There is nothing novel about jettisoning bad loans; rather it's a standard practice in the banking world. Debts that eluded recovery for over five years are not only bad they are even pernicious. They get reflected over the balance sheets of the banks year after year giving a false clean chit of health, even an image of profitability to them. The decision, therefore, to ease off such debts has been a step in the right direction. Overall, a big chunk of the operational time of banks hitherto devoted to paper-work on such loans will be freed up.

However, the central bank need to send out a clear message to the commercial banks that it's basically a one-off waiver of that magnitude. We support the BB's write-off provision only as an exceptional step aimed to streamline the messy fund management.

'Hate the sin, not the sinner' -- may be a commendable counsel in human affairs but insofar as the massive bank default goes, such a charitable dispensation of pardon can be suicidal for the economy.

The loan defaulters need to be placed in two categories: the wilful shirkers and those who failed to repay under the weight of genuine circumstances. There is the high profile category who have clearly identifiable assets, who splurge at home and abroad and do everything in style except repaying their debts. Yet they proverbially rise with each 'crisis'.

Why the bad loans -- is a question that needs to be addressed in the first place. Political influence peddling has been one of the major causes for the default culture. The ruling party stalwarts often weighed with the NCB managements or the directors of private banks who either had a party label or complied with requests from party high-ups to ingratiate themselves to the latter.

Added to this was the intrusive trade unionism and bank officials being in league with dubious loan applicants which were reflective of a deliberate eschewal of professionalism in the banks. Once given, there is hardly any monitoring of loans either. All of that has to go before we pile up another bad debts portfolio.

The new guideline for loan rescheduling is a fairly reasonable one. The earlier proposal to reschedule loans time and again by paying only 10 per cent of the dues on cash has been rejected. A third timer would now have to pay 50 per cent of the defaulted amount up-front to be eligible for re-scheduling his loan. This sounds reasonable. But isn't a policy as good as its implementation?

Life on chill

The affected need emergency relief

THE cold wave, which has claimed lives of a few hundred people across the country over the last few days, has made us realise once again how poor the poor and the marginalised of our society really are. They do not have basic warm clothes to negotiate the chill. While the very thought of people, old and young, freezing to death sends a shudder down our spines, what hurts even more is a lack of the society's collective endeavour to see the poor and the marginalised through the wintry spell. The prime minister has touched off a relief operation which needs to be taken forward. Many a minister has already taken a cue from her and distributed warm clothes to the homeless people in the capital. More leaders of both the ruling and opposition parties might follow suit. Unfortunately, as we have seen on many such occasions before, photo opportunities get the better of philanthropic considerations while the neediest of the needy remain outside the relief coverage.

The cold spell has also cruelly exposed our inability to plan ahead for such an eventuality. The measures have always been ad hoc rather than part of a comprehensive disaster management plan. The government appears more in the habit of acting after a problem snowballs into a crisis. No, this is not to suggest that the cold wave poses a calamity; at least not yet. However, the authorities should have anticipated the toll a cold of more-than-a-mild intensity could take on the poor. Anyway, in the immediate term, the government, NGOs and voluntary organisations should undertake a countrywide programme to collect warm clothes, new and used, from those who can afford to donate them for the needy people. In the longer term, there should be a programme to raise funds to build multi-purpose centres that can also be used as shelter-homes for the chill-bitten poor.

The diesel-driven dilemma



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THE price of diesel has been raised recently. It is the second time -- during its tenure of twelve months or so -- that the present government resorted to a rise in fuel price. Generally (and historically too) two arguments are placed to justify the action. First, a lower price of diesel in Bangladesh encourages smuggling of the product to India where the diesel price is reported to be relatively high. Second, a rise in international price of diesel, unless covered by a rise in the domestic price, could cost the exchequer in terms of subsidy.

We would like to argue that none of the above mentioned premises seem to hold water in the context of Bangladesh. First, if relatively lower price of diesel in Bangladesh results in smuggling, then why is not kerosene oil being smuggled into Bangladesh in the face of relatively higher price in Bangladesh compared to India? Again, large scale smuggling of this sensitive item would necessitate large number of lorries and trucks to carry the product on the other side of the border. Is it possible to do the job in the presence of customs and security forces? If for argument's sake we suppose it to be what is in fact happening, then the whole gamut is a question of governance where the government should raise efficiency of the border security personnel rather than the price of diesel.

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