

# 200 YEARS CITI



Citibank NA, Bangladesh on Friday honoured some individuals who significantly contributed to the development of Bangladesh and received international recognition for their outstanding work, at the bank's 200th anniversary celebration in Dhaka.

## Citi celebrates 200th anniversary

STAR BUSINESS DESK

**C**ITI Bangladesh celebrated the bank's 200th anniversary with clients, stakeholders, regulators, civil society and community partners at a hotel in Dhaka on Friday.

The bank honoured individuals who contributed significantly to the development of Bangladesh, according to a statement of the bank yesterday.

Recipients of the honours included: Sir Fazle Hasan Abed for being conferred Knight Commander of the Order of St Michael and St George in 2010; Latifur Rahman for Oslo Business for Peace Award in 2012, and Ramon Magsaysay awardees: Tahrunnesa Ahmed Abdullah, Zafarullah Chowdhury, Reverend Father Richard William Timm, Angela Gomes, Prof Abdullah Abu Sayeed, Matiur Rahman, and AHM Noman Khan.

The other Bangladeshi Magsaysay award recipients -- Prof Muhammad Yunus, Mohammed Yeasin and Rizwana Hasan -- could not attend the event.

Sir Abed, who is also the founder and chairperson of BRAC, presented the keynote paper on financial inclusion, and Latifur Rahman, chairman and chief executive officer of Transcom Group, spoke on ethical business practices.

Rashed Maqsood, managing director and Citi country officer, and Terence K Cuddyre, Citi cluster head of Bangladesh, Brunei and Sri Lanka, were also present.

# Most NBFIs see a fall in profits

GAZI TOWHID AHMED

**O**f the 22 listed non-bank financial institutions (NBFIs), 17 have registered negative profit growth in the first nine months of 2012.

A lack of new investments, thanks to a liquidity shortage, cast a gloom over the NBFIs in the last nine months (January-September) of the year, said Asad Khan, president of Bangladesh Leasing and Finance Companies Association.

"Most of the NBFIs could not borrow from the banking sector as per their demand and hence the decline in their incomes," added Khan, who is also the managing director of Prime Finance and Investment.

The higher provisioning requirements for non-performing loans and losses from stockmarket investment, he said, ate into the profits of the NBFIs.

"The NBFIs could not collect enough fund from the money market because of high borrowing cost, which impacted their profitability," said Akter H Sannamat, managing director of Union Capital.

The borrowing cost in October stood between 15 percent and 20 percent, he added.

The call money rate fluctuated between 14 percent and 16 percent in August, according to Bangladesh Bank data, with a higher call money rate signifying a liquidity shortage in the money market.

"The stockmarket was a major source of income for the financial institutions. But almost all the NBFIs incurred losses from stock investment due to the volatility," said Sannamat.

The benchmark general index of Dhaka Stock Exchange was hovering around the 4,500-point level between July and September.

Loan holders from the NBFIs failed to repay loans as they invested in the unproductive sectors, he said, while revealing that most of the NBFIs provided loans without proper client and need assessment.

IDLC Finance, a leading NIFI, however, saw a year-on-year rise -- by 66.9 percent -- in profits in the last nine months of the year.

"Almost all NBFIs depend mainly on corporate and inter-bank borrowings to fund their customer assets. As a result, when liquidity becomes scarce, these sources become very expensive," said Selim RF Hussain, managing director of IDLC.

"This is a severe threat to the NIFI sector's profitability," he said, while adding that most of the NBFIs' incomes declined due to the stockmarket volatility.

He suggested other NBFIs should create alternative sources of funding that focus on customer deposit, something that IDLC has done since the start of 2011.

"Today 75 percent of the IDLC's funding comes from retail,

PROFIT RISES	FIGURES IN MILLION			
	NET PROFIT AFTER TAX	Jan-Sept 2011	Jan-Sept 2012	GROWTH IN PERCENTAGE
NBFIs				
GSP Finance	37.5	51.7		38.1%
IDLC	336.1	560.8		66.9%
Islamic Finance	36.8	66.0		79.2%
Phoenix Finance	228.7	247.8		8.3%
Uttara Finance	580.6	691.7		19.1%

institutional and corporate customer deposits," he said.

The company's customer deposits rose by 27 percent in the last nine months, while customer lending rose 33 percent.

"We are mobilising deposits like a commercial bank," added Hussain.

Non-productive loans of many NBFIs went up sharply and pushed down their profits, but IDLC's non-performing loan quotient declined in October, he said.

"We also developed some strategy to investment in the stockmarket. We formed a committee to take investment decisions in the stockmarket, and we are making profits, as a result."

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PROFIT DECLINES	FIGURES IN MILLION			
	NET PROFIT AFTER TAX	Jan-Sept 2011	Jan-Sept 2012	GROWTH IN PERCENTAGE
NBFIs				
Bay Leasing	184.8	137.0		-25.9%
BD Finance	(15.8)	36.8		-333.0%
BIFC	5.7	(86.4)		-1613.1%
DBH	533.0	301.9		-43.4%
Fas Finance	61.3	(17.4)		-128.4%
First Lease	95.6	89.0		-6.9%
ICB	3,055.4	1,421.0		-53.5%
ILFSL	129.7	43.7		-66.3%
IPDC	23.3	14.7		-37.1%
LankaBangla Finance	795.3	379.4		-52.3%
Midas Financing	44.4	(81.0)		-282.6%
NHFIL	107.9	(2.5)		-102.3%
PLFSL	495.3	279.2		-43.6%
Premier Leasing	70.0	5.4		-92.4%
Prime Finance	763.3	60.4		-92.1%
United Leasing	155.7	142.2		-8.7%
Union Capital	184.2	52.8		-71.4%

# Very small farmers: are they really marginal?

RUSHIDAN ISLAM RAHMAN

**B**ANGLADESH is a land-scarce country. Arable land per rural household has been continuously declining during the last two decades. It is not, therefore surprising that a large majority of farms are of small sizes.

Another related feature that has so far remained unnoticed is that the number of tiny holdings of less than one acre has been growing. Holdings below half acre (or one acre) are often referred to as marginal farms.

The notion instantly flashes their low importance within the farm sector. This group attracted attention as candidates for safety net allocations or poverty reduction strategy.

In the process, important aspects of the role of this group of tiny farms (in this write-up referred to as 'very small farms') in the rural and agricultural growth have been lost sight of.

In the following discussion two issues will be addressed in turn.

Share of very small farms and the factors contributing to the rise in the number of such farms;

Whether this group demonstrates productive efficiency

Less than one acre-sized farms constitute about 52 percent of all farms while only 15 percent farms own above 2.50 acres. However, the very small farms own only 17 per-

cent of all agricultural land while the medium and large owners own 49 percent.

The very small farm size group which accounts for more than half of the total farms should not be relegated to an unimportant position by viewing them as 'marginal' farms.

Moreover, the share of very small farms is increasing with an addition of about one lakh farm households sliding down to less than half acre group annually.

One obvious question is that as long as the owners of the small farms intend to continue as farmers, why do they not purchase more land and become owners of a more viable or economical size of farm?

On the contrary, they may also give up farming, sell the farm land and invest in alternatives.

Land market situation provides answers to these questions. Land price is so high that low income people cannot buy a significant parcel of land. Moreover, land price is escalating and such price expectation explains why they cling to the possession of the land.

The reason behind the rise of land price is that arable land frontier has already been reached, and there is no scope of bringing in new land for cultivation.

In fact, not only arable land has been exhausted, a process of decline of total arable land has already set in due to the non-farm

## PADDY PRODUCTION AND FAMILY LABOUR DAYS PER ACRE BY FARM SIZE

Farm size (acres)	Production of paddy (Kg per acre)	Days of family labour per acre of land
Less than 0.99	1746	465
1.00-2.49	1647	183
2.50-4.99	1587	112
5.00+	1337	61

uses of land.

Decline of total farm land makes it clear that the situation is irreversible with no scope that the farms with very small size will have better chance of getting access to land in future.

A farm area of less than an acre can be hardly sufficient for the subsistence of a family. Although there is no readily available figure of standard size of farm that can ensure subsistence of an average family, many studies have used 2.5 acres as the norm.

Using the recommended rice consumption per person, expenditure share of low income groups on non-food, the current rice production per acre and assuming an average family size of four persons, simple calculation has been done to obtain an estimate of the area of farm needed for ensuring subsistence.

This estimate stands at two acres, as productivity per acre has

more efficient than small and larger ones.

However, the question of efficiency of farms of smallest size did not receive separate attention.

Analysis of HIES data on households' farm production shows that production per acre of land of small farms is higher than large and medium farms and for the smallest farm size, it is even higher.

Identification of the factors contributing to their highest land productivity can have useful policy implications and therefore the major factors are being highlighted. They have the required motivation.

Therefore, they aim to obtain subsistence from the tiny holding. They use larger dose of family labour to achieve this.

This 'self-exploitation' of self-employed farmers has been borne out by analysis of HIES (2010) data. According to the analysis, the smallest holdings use much larger days of family labour per acre of land.

Data analysis also shows that total labour use, including family and hired labour, per acre is also smaller among large and medium farmers.

One will obviously look for strategies and policies for raising the productivity of large farmers and for increasing the labour use in those farms.

One of the ways to raise productivity is that they resort to mechanisation of some of the operations of

cultivation. This may further reduce their labour input per acre.

At present, women and young persons of large and medium farms contribute only a small share of family labour in field crop production. The constraints here are mainly social factors. Therefore, overcoming this barrier requires a change in social attitude.

Farming should be made an attractive occupation for young men and women and this requires such transformation that cultivation will be viewed as farm enterprises. Awareness raising and application of modern devices can contribute to such change.

Evidences of higher productivity of very small farmers give a clear message that they are by no means marginal farmers. They deserve policy attention to improve their access to credit and farm inputs.

At the same time, the paper presents an encouraging picture by highlighting the fact that production per acre can be increased through application of more labour input in medium and large farms.

The findings also have implications for land redistribution. Whenever possible, khas land should be distributed to very small farmers. This will not only reduce inequality but will raise productivity.

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