

Will increase of cash requirement ratio deliver?

ABUL BASHER

The increase of CRR may affect only the 41.2% of our total consumption to some very limited extent through credit channel, the remaining 58.8% will remain unaffected.

BA NGLADESH Bank has recently increased the cash requirement ratio (CRR) by 0.5 percentage points, from 5.0% to 5.5% on daily basis. At the same time, the bi-weekly average has to be 6.0% in the end. This change will be effective from December 15 of this year. The stated objective of this change is "to curb inflationary pressure on the economy." Given the structure of the economy, the main question is, can this policy change really work to curb acceleration of inflation?

Apart from this question, the logic behind announcing a monetary policy change six months before its implementation is not quite clear. The global practice has been to maintain the secrecy of a change in monetary policy until it is announced; and once it is announced, to make it effective immediately. This system does not give any space to economic agents of any kind to make preemptive adjustment to combat the effects of policy change. The Federal Reserve System (central bank of USA) maintains these two principles in case of undertaking monetary policy. If an economic agent can anticipate or know about a forthcoming change in monetary policy, the change does not work as desired.

Coming back to the question; what can this announced change in monetary policy do in the context of inflation? Probably, nothing much! This policy change will reduce the loanable funds at the disposal of banks. As a result, it can potentially reduce the flow of private credit, reduce policy, and control the amount of private credit. It can reduce people's overall demand as well as ability to consume more goods and services. In particular, people will postpone the consumption of goods and services which are usually credit-financed. This will reduce the total demand for consumption in an economy until the source of adequate and easy credit is restored. This is what the economists call decline in aggregate demand. Prices follow the decline in aggregate demand. Inflation goes down as a result. However, the efficacy of the announced change of monetary policy to control inflation depends on (i) how sensitive our overall consumption is to credit, and (ii) how significant would be fall in credit to increase in CRR. Consumption of all commodities is not equally sensitive to credit. There may be some exceptions, but in general, consumption of basic needs is not dependent on credit. On the other hand, demand for consumer durables and entertainment depend mostly on the availability of credit. Not everyone's demand will be equally sensitive to credit either. The attitude towards consumption, i.e., the decision to save or borrow widely, varies even among people with similar level of income.

Consumption of food is relatively price insensitive, and is not significantly linked with credit. Most people consume a certain amount of food, irrespective of their access to credit. There is a proverb in Bangla that says something like, "people borrow money to buy ghee." Limited access to credit would limit the consumption of ghee, not of rice. Those who are required to buy rice with credit due to lack of adequate income lack access to the credit market as well. Therefore, it is less likely that the announced change of monetary policy to contract would reduce the total demand for food.

However, in case of non-food items, it will be an altogether different story. Consumption of most non-food items is residually determined. People usually use whatever amount of income is left after meeting the demand for food to finance the consumption of non-food items, and availability of credit significantly influences their consumption. This is why monetary policy can potentially influence the consumption of such items.

To understand how much the announced change of monetary policy can do to control inflation, one needs to look at the procedural aspects of its estimation in Bangladesh. Inflation, being a general index, is a weighted sum of change in prices of different commodities of diverse nature, some being very responsive to credit and some being not responsive at all, over a period of time. They are broadly classified as food and non-food items in Bangladesh. The weights assigned to food and non-food items are 58.8% and 41.2%, respectively.

The increase of CRR may affect only the 41.2% of our total consumption to some very limited extent through credit channel, the remaining 58.8% will remain unaffected. A policy which is unlikely to affect 58.8% of our national consumption is also unlikely to affect the overall inflation of the country.

Currently, the overall disbursement of credit is not liquidity-constrained. Rather, demand for credit is not adequate. Banks are holding on to idle cash due to lack of adequate demand for loan. Probably, the increase of CRR will impact the idle cash that the banks are currently sitting on rather than creating a liquidity constraint for them to cut the disbursement of loan. As long as no significant demand side improvement is accomplished, the announced change in monetary policy will not be binding on the disbursement of credit, which is already relatively low. Thus, the anti-inflationary effect of this policy change through the credit channel will be very weak.

Loan is not the only asset that the commercial banks invest in. Their portfolio includes a number of other assets also, like investment in stock market, purchase of government bond, debentures, etc. Bangladesh Bank gave them about six months to adjust the current composition of their portfolios. They can easily reduce the other assets while not compromising with the disbursement of loan if it is deemed to be profitable. Therefore, the announced increase of CRR will not necessarily decrease disbursement of credit in the current situation.

Protection of Jamdani

IFTEKHAR IQBAL

GEOGRAPHICAL Indicative Products (Registration and Protection) Act 2013 (GI) was passed in the National Parliament in November 2013. Until the passing of this Act, Bangladeshi products were vulnerable to abuse by other parties. The Act will now enable the registration process of Bangladeshi products under the national and global GI regime, provided that rules are framed as soon as possible.

In the meantime, however, India has registered a few items with its GI regime that distinctively originated in Bangladesh. One of these items includes the Jamdani sari of Dhaka, which is registered by India as Uppada Jamdani. This article deals with the question of reclaiming and protecting of Jamdani as a Bangladeshi product in the light of the GI regime.

Geographical indications for Jamdani can be studied from at least two vantage points offered by Dhaka. First, location and ecological context of production of raw cotton in the region. Second, ecological conditions of production of Jamdani. We will focus here on the extent these geographical factors aided the emergence and development of Jamdani industry in Dhaka region.

To understand the development of Jamdani in Dhaka region, we need to understand the context and conditions of cotton cultivation. The original Muslim and Jamdani were made by a kind of fine cotton produced from cotton plant scientifically known as *Gossypium Herbaceum*. Although this was cultivated all over Bengal and Coromandel its Dhaka variety was special as it provided "exceedingly fine cotton" that was used to produce the "very delicate, beautiful muslins of that place."

The Bengal Delta in general and the Dhaka region in particular were famous for production of Kapas. The Dhaka cotton yarn of unique quality meant for use in the production of muslin grew "only along the banks of the Brahmaputra and branches of the

Meghna." Cotton was produced in Firingi Bazar, Rajendrapur, Idilpur, Bikrampur and Kartikpur. The region around Rajendrapur on the bank of river Shitalakhya is still called Kapasia. Cotton production found its most fertile ground in the regions around the connecting points between the Old Brahmaputra and the Meghna rivers.

In terms of the specific soil ecology, the water of the rivers of the region contained siliceous and calcareous earth mixed with iron, which might have aided the cultivation of a special variety of cotton. The quality and quantity are enhanced if the soil is loamy or contains maximum moisture and heat. The central Bengal Delta, or the regions around Dhaka, seems to have been uniquely fit for such condition.

The process was climatically aided as the freshness of sea air nourished the Kapas cultivations. This is why the British attempt to cultivate the Kapas elsewhere in 1790 and 1791 failed completely.

James Taylor suggested in the mid-nineteenth century that in almost every village of Dhaka district there was some sort of weaving establishment, but the major manufacturing centres were Dhaka city, Sonargaon, Dhamrai, Titabadi, Jangalpur and Bajitpur. Historically, production sites were located around the water networks of Dhaka. Sonargaon, on the Meghna drainage basin, was perhaps the earliest site of production and it expanded northward along the banks of river Shitalakhya. From north to south along the river, the Jamdani production sites existed in Kapasia near Narsingdi, Rupganj (Kazipara, under Rupganj's Tarabo Municipality, along the banks of Shitalakhya, Pabankul, Morgakul, Rupshi, Noapara), and Siddhirganj. At present, the production sites are concentrated in Sonargaon.

What are the reasons for concentration of Jamdani in these places? Firstly, they were located in the middle of places which produced cotton specifically suited to make Jamdani. Secondly, the river system greatly facilitated the supply of raw cotton and distribution and

marketing of finished products.

A third issue relates to the quality of the water of the region. The Shitalakhya river was "remarkable for the purity and coolness of its water." Since water was needed for processing cotton and other production activities, it may be assumed that the water of Shitalakhya had something to do with Jamdani production.

Fourth, in terms of climatic issues, some writers refer to the level of moisture in the region. There were many processes of weaving which were dependent on the right level of humidity and moisture. For example, lack of humidity could cause warp breakage. Fifth, the crisscrossing of rivers offered internal navigation and connected ports to cater to the transaction with the world through the Bay of Bengal. The possibility of connecting to the oceanic trade network made the region a lucrative one for textile production. Sixth, the implements for the making of muslin are easily available in the region.

Seventh, the local ecology inspired most of the Jamdani designs. It seems that in terms of design Jamdani was not a static weaving practice. Over time, the floral designs gave way to a diverse pool of designs, focusing on local flowers and plants, signifying local orientation.

The centrality of Dhaka in the regional and global circulation of Jamdani is well documented. This is important from the GI perspective since the origin of such circulation could be invariably traced to Dhaka. One example is Pocahontas, also known as Rebecca Rolfe (1595-1617), a female American-Indian from Virginia who was a negotiator with English settlers. A contemporary English visitor notes that he saw her in a meeting while dressed "in a simple tunic of white muslin from the looms of Dacca."

During colonial times, when Jamdani lost royal patronage from local rulers, it continued to grace many international exhibitions of Indian products. For example, The London Exhibition of 1862 displayed Jamdani scarfs. The New Zealand Exhibition of 1865 displayed Jamdani sari.

Despite all odds, Jamdani survived its most challenging time in the colonial period and slowly revived in postcolonial times, especially since the liberalisation of Bangladesh market in the early 1990s. Compared to 1,600 Jamdani weavers in 2000, the number in 2013 was around 15,000 from 3,000 families. In the same year the Jamdani weaving industry used about 15,500 weaving units. According to Bangladesh Handloom Board, the total number of Benarasi/Jamdani weaving units is 12,383. It is estimated that about 2,000 pieces of Jamdani saris are being produced per week in the region. The price of saris ranges between Tk. 5,000 and Tk. 40,000. Specially made saris can cost as much as Tk. 150,000.

In addition to meeting domestic demand, the Jamdani industry is supplying saris to South Asia, Europe, Middle East and North America. The increasing demand for Jamdani from Dhaka is corroborated by the report that, in the International Jamdani Taant Bastra Mela (Handloom Textile Fair) organised in 2011 by Bangladesh Weavers Product and Manufacturing Business Association (BWPMB), only spot order was worth Tk. 0.12 billion. It needs to be particularly noted here that it is India which has been the leading importer of Jamdani from Bangladesh. In the fiscal year 2010-11, Bangladesh's export of Jamdani to India was worth \$6.12 million as against \$1.49 million in the fiscal year 2008-9. It is believed that there is export of Jamdani to India for which there is no official data. The total export of Jamdani saris, including to India, jumped from \$4.84 million in 2008-09 to \$10.41 million in 2010-11.

All these figures testify to the once flourishing Jamdani industry of Dhaka. Without a strong historical and geographical base, such revival of a product made by unique intangible cultural skills and practice wouldn't have been possible.

India registered Jamdani as Uppada Jamdani saris from Andhra Pradesh in 2009. The above discussion clearly suggests that the combination of geo-

graphical, ecological, historical or commercial conditions for the production of Jamdani is found only in Dhaka, nowhere else.

Some commentators in Bangladesh argue that India's registration of Jamdani as Uppada Jamdani is not a problem as Jamdani is also known as Dhakai Jamdani. We strongly disagree with this logic for a number of reasons. First, greater Dhaka region was the earliest and sole site of Jamdani production, so Jamdani is automatically entitled to GI tag of Dhaka and doesn't need an additional geographic locator. Secondly, the term Dhakai Jamdani can encourage other countries/places to call Jamdani prefixed by other place names, causing confusing geographical indication. Thirdly, Dhaka had many physical reincarnations in different historical periods and we are not sure if Jamdani existed at a time when this region was yet to be named Dhaka. Foremost of all, Jamdani is not a generic name, it's a brand that combines both fabric and designs. Unesco has also recently recognised Jamdani as a Bangladeshi "intangible cultural heritage of humanity."

As far as Uppada is concerned, this village in Andhra Pradesh is well known for silk products, but we haven't found any historical link with Jamdani. In fact, it appears that in the past two decades, Jamdani motifs and designs have been applied to some of the silk products of Uppada, therefore, the term Uppada Jamdani must have originated fairly recently.

Considering all historical, geographical, commercial and cultural contexts of Jamdani, our research suggests that Dhaka was and still is its only true centre of production. Now that the GI law has been introduced in Bangladesh and that the global community has recognised Jamdani as Bangladesh's own, it is hoped that the government of Bangladesh and international trade regime will take effective measures to restore Jamdani as Dhaka's own product and heritage.

The writer is at the Department of History, University of Dhaka.
E-mail: iftekh@du.ac.bd

Now that the GI law has been introduced in Bangladesh and that the global community has recognised Jamdani as Bangladesh's own, it is hoped that the government of Bangladesh and international trade regime will take effective measures to restore Jamdani as Dhaka's own product and heritage.

CRYPTOQUOTE 6-3

INWYJGRXIOYNWXUJYBBUFMPROGWLSYBOWDGRSRWPQJUNWXQOYXQYEQOYXQMUMVPYNUMRXRX.
- ZYBTWNUVVB

Saturday's Cryptoquote:

COULD A GREATER MIRACLE TAKE PLACE THAN FOR US TO LOOK THROUGH EACH OTHER'S EYES FOR AN INSTANT?

- HENRY DAVID THOREAU

A XYDLBAAXR is LONGFELLOW

One letter stands for another. In this sample, A is used for the three L's, X for the two O's, etc. Single letters, apostrophes, the length and formation of the words are all hints. Each day the code letters are different.

CROSSWORD by Thomas Joseph

ACROSS

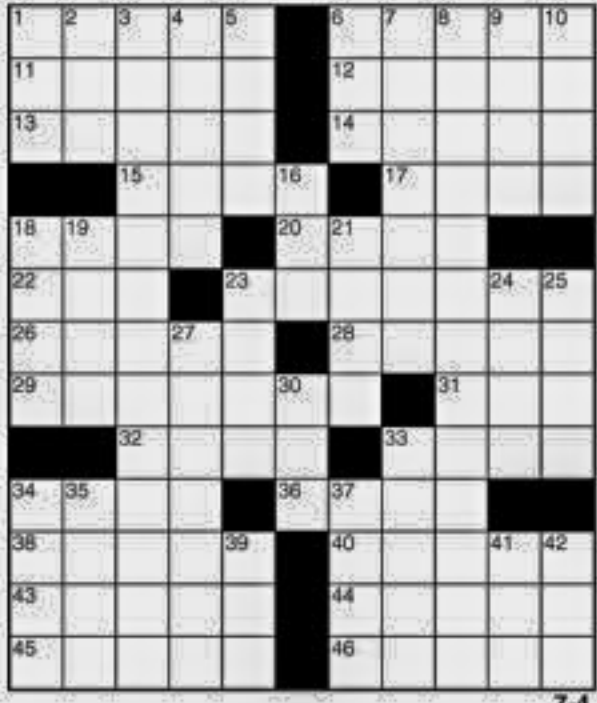
- Light lunch
- Doesn't raise
- Make blank
- Profit
- Show pain
- Opera singer
- Ezio
- Frosh hous ing
- First name?
- Glasgow native
- Regarding
- Sandy's sound
- Warnings

DOWN

- Put in stitches
- "Entourage" agent
- America, in a song
- Fancy neckwear
- Some bucks
- Topper
- Ace, e.g.
- America, in a song
- Judy's daughter
- Criticize harshly
- Win far
- Sintry weather

DOWN

- Pert talk
- Field yield
- Petty argument
- Easy run
- Decree
- Hardens
- Bring to life
- Battlefield letters
- Expose to intense heat
- Sweeping story
- Cal. abbr.
- Game callers
- Toper
- Stunning serve
- Rent out



QUOTABLE Quote

The difference between stupidity and genius is that genius has its limits.

Albert Einstein

INDEPENDENT UNIVERSITY, BANGLADESH (IUB)

Plot-16, Block-B, Affabuddin Ahmed Road, Bashundhara R/A, Dhaka-1229

"Establishing three-way linkage between the academia, the industry and the community"



ADMISSION - AUTUMN 2014

Regular MBA & Executive MBA

(Following the guidelines of AACSB, the highest accreditation body of business schools in USA)

MBA

- Classes held on Sunday to Wednesday (evening)
- Major in Finance, Marketing, HRM, and Banking
- Courses taught by Ph. D. faculties
- 50% discount for sibling & spouse
- 15% merit discount
- Waiver for up to 24 credits
- Installment payment facility
- Teaching Assistantship & Graduate Assistantship



Estd:1993

EMBA

- Classes held on Thursday, Friday and Saturday
- Major in Finance, Marketing, HRM, and Entrepreneurship Development & Management
- 15% corporate discount
- 50% discount for sibling & spouse
- 15% merit discount
- Waiver for up to 15 credits
- Installment payment facility

Application Deadline (MBA & EMBA) : Wednesday, August 6, 2014

Admission Test (MBA) : Friday, August 8, 2014 at 10 am

Admission Test (EMBA) : Friday, August 8, 2014 at 10.30 am

Form Sale : All days of the week from 10 am to 8 pm (except from 25/07/2014 to 02/08/2014)

For admission requirements and other details

Please call: 8402065-76, 8401645-53, Ext: 2111 or visit: <http://www.sb.iub.edu.bd>