BB

Nurul Islam, *extreme right*, a renowned economist and researcher, speaks at a workshop at the office of Policy Research Institute in Dhaka yesterday.

Don't manipulate economic data for political upper hand

Economist Nurul Islam says at a workshop

STAR BUSINESS REPORT

BANGLADESH often fails to produce credible statistical data due to political pressure, causing a serious impact on policymaking, renowned economist and researcher Nurul Islam said yesterday.

"Quality data is essential for making a good policy," he said at a workshop on policymaking and institutions in Bangladesh, co-organised by Policy Research Institute (PRI) and Bangladesh Economists Forum at the PRI office in Dhaka.

Islam, the first deputy chairman of planning commission of Bangladesh, also expressed doubts about the accuracy of GDP figures, saying political parties often force agencies to manipulate data.

"It is a big challenge for the country where democracy is not fully realised," he said, while calling for central bank independence.

Planning machineries, the statistical agency and the central bank are the three key institutions for making reliable data, Islam said.

Atiur Rahman, governor of Bangladesh Bank, echoed the same.

A key challenge in BB's policymaking and implementation efforts is in dealing with external pressures resisting various policy reforms, he said.

Policy reforms include scaling down of capital market exposure of banks and enforcing international best practices for asset classification and provisioning, he said.

Government interferences in performance of statutory licensing and disciplining responsibilities of BB and other financial sector regulators have obstructed them in their jobs of fostering corporate governance excellence, according to Rahman.

Along with political influence, a lack of qualified staff is another hurdle to make quality statistics in the country, economist Islam said, while advising the government to place specialised staff to run the planning commission and statistical agency instead of "economic cadres".

"Economic research is a highly technical job -- six months of training cannot groom a person."

Wahiduddin Mahmud, an economist and a former caretaker government adviser, said reliable statistics is a capital asset for any country as it is important for calculation of trade data and credit rating.

He agreed that the estimation of GDP growth in the country is a "little weak". The government should not allow wholesale political patronisation in project selection for the sake of the country's development, Mahmud said.

AB Mirza Azizul Islam, another former adviser to the caretaker government, said the estimation of GDP growth is somewhat ambitious.

The planning machineries and statistical agencies cannot function up to international standards due to poor knowledge base and personnel selection, he said.

Mustafa K Mujeri, director general of Bangladesh Institute of Development Studies, stressed strong political commitment to improve statistical data.

He also urged the government to "put the right person in the right place" for efficient functioning of the statistical agency.

Salehuddin Ahmed, a former BB governor, called for continuity of policies after changeover of power.

It is a common phenomenon to change policies after the government changes, he added.

Shamsul Alam, a member of the General Economics Division of the planning commission, also agreed that there are some weaknesses in statistical calculation.

He stressed more political commitment to improve the performance of statistical agencies in the country.

Zaidi Sattar, chairman of PRI, also

Impact of automatic rice milling on performance of marketing system

SA SABUR *and* SK RAHA

IN the past few years, rapid technological change occurred in the rice milling sector of Bangladesh. Several hundred automatic and semi-automatic rice mills were set up in various areas across the country. Between 2007 and 2012, the number of semi-automatic and automatic rice mills increased from 457 to 650 and from 142 to 350, respectively. For instance, in Kushtia, one of the important rice milling hubs, the share of rice processed by automatic rice mills rose from only 12 percent in 2009 to more than 60 percent in 2011. What are the factors behind this development? This sector has attracted many large investors to establish automatic rice mills as demand for better-quality rice with a longer shelf life has risen substantially. Other factors include an overall increase in the production of whole grains as well as higher prices of grain and bran produced in automated mills, and which can be sold under branded names.

Automatic rice mills perform nearly all activities through mechanical methods, including sorting of stones and empty grains, grain soaking, boiling, drying, milling, polishing and bagging. These new mills may have impacts on performance of the rice marketing system.

Recent study commissioned by National Food Policy Capacity Strengthening Programme (NFPCSP) provided some information on impact of technological change on milling and marketing of rice in Bangladesh. Among different types of mills, the capacity utilisation of automatic mills is the highest (56 percent). The profit of automatic mills is almost three times higher than that of husking mills and about twice that of semi-automatic mills. This is due to a combination of (i) substantially lower labour requirement per tonne of rice (8.6 man hours compared to 21.1 man hours in husking mills) that largely compensates the higher costs for energy and machinery, and (ii) higher revenues given the possibility to sell at higher prices the higher quality rice and bran produced. Rice recovery is also higher for automatic mills: 68 percent and 66 percent for automatic and semi-automatic mills, respectively, compared to 65 percent for husking mills.

Automatic rice mills are financially more viable as their internal rate of return is 33 percent compared to 19 percent and 25 percent for husking and semi-auto rice mills, respectively. The milled rice from semi-automatic and automatic rice mills is good in terms of brightness, colour, size, etc. and is sold at higher price in the market. However, experts argue that this polished rice is not good in terms of nutrient content as some nutrients are lost during over-polishing.

Relatively high buyer concentration exists in village paddy markets: on average the four largest buyers account for about 60 percent of total paddy traded within a village market, with a minimum of 30 percent and a maximum of 85 percent. Although price is set mainly through bargaining, automatic rice millers are in a better position to set the price compared to husking rice millers. Compared to local paddy markets, more competition exists among rice mills as the four largest mills process on average only 11 percent of total product milled in each district, which varies between 24 percent in Dhaka and only 1 percent in Bogra. There is evidence of exit of rice mills, particularly husking mills, from the market and the main reason is identified as the loss in the business.

Of all intermediaries, the millers take the highest share of total profit at 45.7 percent. Next to millers, the share of total profit is the highest for rice retailers (17.9 percent), followed by rice wholesalers cum retailers (12.7 percent), rice wholesalers (7.7 percent), paddy middlemen (5.3 percent), paddy traders (4.4 percent), paddy stockists cum wholesalers (4.1 percent), and rice stockists (2.2 percent). Rice markets are found more integrated now domestically and internationally.

Under changed situation caused by technological changes, various measures can be adopted for smooth functioning of marketing system of rice in Bangladesh. Farmers' marketing cooperatives/associations may be formed for increasing the bargaining power of paddy famers in the local market so that they can sell paddy jointly to the traders or can send to distant markets for getting higher prices. NGOs may help in this process. Contractual arrangements between growers and millers may ensure more attractive and stable prices for farmers, as well as regular supply of quality paddy to millers. The buying prices of paddy should be publicly displayed in all markets by buyers' association/market committee. Dissemination through cell phone of paddy prices in local markets can also enhance competition. Credit facilities can be made available to support the modernisation of husking mills to semi-automatic or automatic mills.

However, many husking mill owners will eventually need to find alternative sources of income. They should not be forced to abandon their mills, but it is inevitable that the total number of mill owners will decline in the future. Given the rapid evolution of the milling technologies, it is appropriate to assess the nutritional value of refined rice obtained from automatic rice mills through different stages of processing, for example, polishing and whitening.

To adequately inform consumers on the quality of different types of rice, labelling of rice bags should be made mandatory and include information on its nutritional value. In order to enhance market monitoring, a database on all types of intermediaries including rice mills should be maintained. This could be based on a centralised listing of all business licences granted to different types of intermediaries. Market integration implies that price stabilisation interventions in some main markets in consumption area can be effective even in distant markets in producing area within Bangladesh.

The authors are professors at the Department of Agribusiness and Marketing at Bangladesh Agricultural University, Mymensingh. This article is largely based on a study commissioned by NFPCSP, FAO, Bangladesh.

REUTERS/FILE

Kingfisher Airlines' passenger jets are seen parked at an airport in New Delhi in India in 2012. Trading in the shares of bankrupt Kingfisher Airlines will be suspended, India's two main trading exchanges announced Saturday, putting another nail in the coffin of the carrier founded by self-crowned "King of Good Times" tycoon Vijay Mallya. The decision to suspend trading in shares of Kingfisher Airlines from December 1 is due to the company's failure to declare its financial results for two successive financial quarters in March and in June.

Chocolate maker ISIS changes its name after drop in sales

THE INDEPENDENT, *UK*

THE Belgium chocolate maker "ISIS Chocolates" has changed its name to "Libeert" after the company experienced a slump in sales due to its name association with the Islamic terrorist group.

The company was founded in 1923 as "Italo Suisse" but the name was changed to "ISIS" at the close of last year because the chocolate maker was no longer associated to either Italy or Switzerland.

However, 2014 has seen the terrorist group the Islamic State of Iraq and the Levant (Isis) dominate international news headlines after its growth in Syria and Iraq and its beheadings of UK and USA nationals on internet videos.

The director of the company, Ignance Libeert told SBS News that sales had dramatically shrunk since Isis became so infamous.

"When we saw that the orders, which were planned to get in at the beginning September for this Christmas, they didn't come in from the States or the UK, and we said: 'What's going on here?'" Libeert said.

"And they said yes, we have orders but the name ISIS is actually disturbing because our consumers are very upset with that name."

The Belgian chocolatiers are not alone in having an unfortunate association with Isis.

The creators of television cartoon Archer confirmed last month that any future references to the fictional spy agency in the show, Isis, had been dropped due to the emergence of the jihadist group.

Unfortunately for the newly-named "Libeert", their chocolates have already been sent to shops for Christmas and the name change will not be complete until January 2015. Hopefully Easter 2015 will be more fruitful for the company.

JPMorgan cutting 3,000 more retail banking jobs

AFP, *New York*

JPMORGAN Chase will cut 3,000 more jobs than previously planned this year in its retail banking business, bringing the total to 11,000, a senior executive said Friday.

The US banking giant had announced in February it would trim its retail banking unit by about 8,000 by the end of the year.

But Gordon Smith, chief executive of Chase Consumer & Community Banking, told a Boston conference that the company was moving more swiftly in downsizing.

In the non-mortgage consumer banking business, where about 2,000 jobs had been planned for elimination, Smith said the company was on track to exit the year with 4,000 fewer people.

The mortgage business will see an additional 1,000 jobs cut, for a total of roughly 7,000, he said.

The staff reductions at the largest US bank by assets are part of a cost-cutting program aimed at reducing spending by $2 billion in the mortgage business and by 1.0 percent for the rest of the retail banking operations.

More pain ahead for Indian banks as bad loans pile up

REUTERS, *Mumbai*

INDIA'S state-owned banks warned growth in bad loans may continue into next year as they posted a rise in troubled loans for the September quarter with a weakening economy causing debt-laden sectors such as infrastructure to default on payments.

The bleak assessment means these and other banks, including private sector banks, may have to make higher provisions in their books against the souring loans which could eat into their profits at a faster pace.

It also means lenders will need more capital to act as a buffer against the losses from the bad loans. The lenders are already estimated by analysts to need as much as $110 billion in new capital through March 2019 to comply with new global regulations.

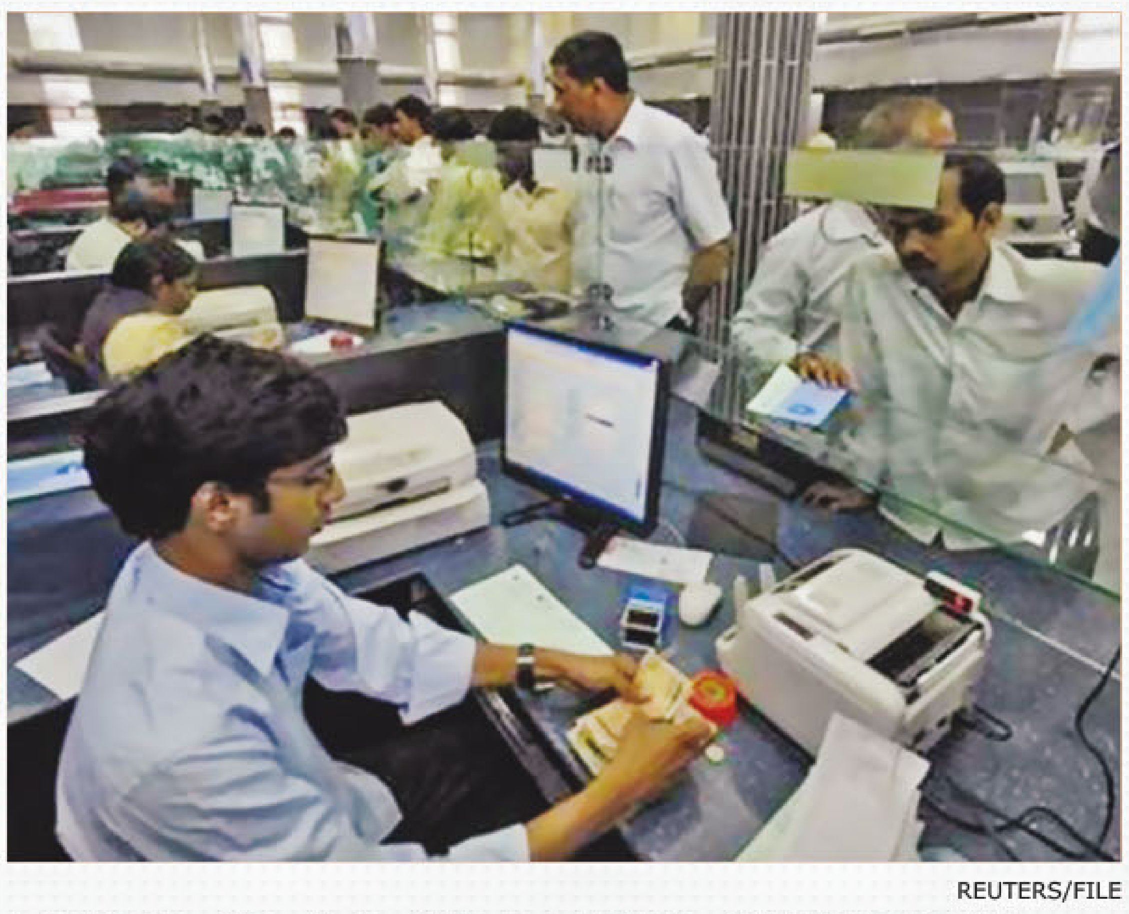
Bank of Baroda and Bank of India, two of India's biggest state-controlled lenders, were among those that announced this week higher bad loans for the quarter ended Sept. 30 and forecast further deterioration in asset quality in the current fiscal year to March 2015. State Bank of India, India's top lender, will report next week.

India's banking sector is sitting on roughly 6 trillion rupees' worth of stressed loans - or nearly 10 percent of the total advances - according to estimates from credit rating agency Fitch's local unit.

About 45 percent of the loans have already gone sour, while the remainder is in the "restructured" category - troubled, but for now requiring banks to set aside only minimal reserves.

But from April, new rules will abolish the "restructured" category and prompt banks to either chase customers for payment or set aside billions more in reserves.

As India's economic growth slipped below 5 percent in the past two fiscal years - the weakest spell since the 1980s - banks' bad loans jumped to more than 4 percent of their total assets this year from 2.4 percent in 2011.



REUTERS/FILE

A cashier counts currency notes as customers wait inside a bank in Hyderabad, India.

Credit growth, meantime, has fallen to its lowest in more than a decade.

"The stress in the sector may continue for at least one or two quarters (more)," said P. Srinivas, an executive director at No.2 lender Bank of Baroda, which saw a fall in profit and higher bad loans. He expected additions to bad loans to be at current levels.

The pace of economic growth is widely expected to quicken this fiscal year and next as a new government led by Prime Minister Narendra Modi speeds up clearance for big projects and implements reforms to attract investments.

That recovery, banks hope, will begin to feed through to corporate balance sheets.

But results on Friday showed there will be pain to be endured until that comes through.

Of the 34 lenders that have reported their earnings for the fiscal second quarter to end-September, 25 reported a rise in bad loans as measured by gross non-performing loans as a percentage of total, according to data compiled by Thomson Reuters.

India has 40 publicly traded lenders, with 24 of them majority owned by the government.

Sectors such as metals and mining, infrastructure and textiles have been major stress areas for banks. A Supreme Court ruling scrapping most coal extraction permits given to companies over two decades is also seen weighing on loans.

India Ratings and Research, Fitch's local unit, said it expected banks to restructure loans worth between 600 billion rupees and 1 trillion rupees in the next five months as the Reserve Bank of India (RBI)'s new rules removing the difference between restructured loans and non-performing loans kicks in from April.

"The sum and substance is: what is currently 6 trillion rupees, may very well, by the end of the financial year, be 6.6 (trillion rupees) or 7 (trillion rupees)," said Deep Mukherjee, a senior director at India Ratings and Research.