

## Economy needs breather urgently

### Retail sales drop dangerously

BAKINGHAM Shop Owners' Association representing 25 lakh retailers has put across an SOS to political leaders to rescue them from impending ruination. After the big business' desperate call to end indefinite blockade and hartal, it is the turn for medium and small retail businesses to add their voice to the mounting anxiety over economic slump.

The daily average retail sales have dropped by 70 per cent dipping from Tk. 3,000 crore to Tk. 900 only. At this rate, the cumulative loss over more than a month in the retail sector alone exceeds Tk. 63,000 crore. Add to this discomfort, the plight of 24 lakh hawkers and street vendors who see a sharp fall in the number of buyers due to fears of arson and bomb attacks.

All the same, the operating costs like rents, utility bills and salaries will have to be borne by shop owners to stay afloat. But how long can the shop-owners meet such recurrent expenditure, including bank loan repayment installment in the face of falling demands and sales? With their fast shrinking staying power they risk being shuttered down as unemployment hits the usually employable manpower.

Let's not forget, when many an economy tumbled through the knock-on effects of the long-drawn global economic meltdown, steady domestic demands in Bangladesh economy helped us weather the storm. The supreme irony is that such an inherent strength of our economy is being frittered away -- thanks to the short-sighted, ego-centric politics preying on the primacy of national economy which is a given in other countries.

## A large number of arrests in one month

### Smacks of persecution

ACCORDING to information received from the Dhaka Metropolitan Police, the DMP has arrested more than a thousand people on political grounds between January 5 and February 6. 76 per cent of those are BNP cadres and the rest Jamaat's. More interestingly, of the thousand arrested, only 157 have been arrested from the spot of occurrence of the incidents while the more than 800 of those arrested have been rounded up as a preemptive measure to prevent, according to the DMP, destructive acts.

While this only gives the picture of the arrests in the capital city we wonder what the figure of such political arrests, particularly the anticipatory arrests, might be in other places of the country. Our cause for concern stems for the so-called anticipatory arrests and the basis of those. As the leading Bangla daily has reported yesterday, in Dhaka city it is from the list prepared by local AL leaders that the so called preventive arrests are being made by the police. We wonder why the police have to depend on the ruling party cadres for this purpose. And if it does not smack of political vengeance against opposition than what does?

We are all for the police and law enforcing agencies to stop the ongoing violence remaining within the laid down rules. But such reckless method of arresting on the basis of information from ruling party cadres sets a bad example and basically corrodes public confidence in the rule of law. Further, we feel that such examples may be replicated in future.

# Being a big loan defaulter pays!

SYED ABU NASER BUKHTEAR AHMED

THE recent circular issued by the Bangladesh Bank (BB) on loan restructuring does not seem to be equitable because it is giving a special facility only to a certain group of people. BB is entrusted with the responsibility of looking after interests of all the customers of all the banks, not just a few. It is difficult to recall another example of according special privilege to big defaulters. This has set a bad example before us.

The policy is not evenhanded because the restructuring facility will be applicable to only those who have loans of Tk. 500 crore or more. And the percentage of such defaulters will not be more than 4%-5%. So, 95% of the customers will be deprived of this benefit. The small borrowers have also been suffering the same difficulties like the large borrowers. When these general customers approach the banks for loan restructuring they are generally refused. Thousand of certificate cases are pending in various courts. The cases were filed against poor farmers who failed to repay the loan, which hardly goes above Tk.30,000. In some cases, the bank acquires their properties and even puts them behind bars to recover the debt.

And what about the big defaulters? They enjoy the best facilities of the country and lead luxurious life but do not repay their loan. Their debt amount is unthinkable. But no bank dares to ask them for repayment. This is ridiculous. Shouldn't they be put under the legal framework of the country?

The next point at issue is that BB has given the restructuring facility of 12 years for term loan and 6 years for demand loan at cost of fund plus 1% with moratorium period of 12 months. BB also allowed only 1% down payment for outstanding loans over Tk.1,000 crore

and 2% for outstanding over Tk.500 crore. They have not suggested any restructuring strategy for outstanding loans below Tk.500 crore. This policy of the central bank defies logic.

BB has stated that the affected large borrowers have significant importance from the socio-economic and employment generation perspective. That's why they have been given the special dispensation. What about the small and medium enterprises? They are the worst sufferers. Why not give them the same facility? If large industries cannot sustain the pressure how can small and medium entities survive? This is a question that needs an answer from BB.

Loan restructuring has become a culture in the country. This happened in the past also. And banks went bankrupt and directors were imprisoned. But the defaulters were out of reach. In 1996, big loan defaulters raised money from capital market but did not repay the loan.

Sometimes big companies approach a bank for rescheduling and put pressure through various political quarters. But our bankers should have the courage to say no when such exceptional request comes from powerful individuals/groups.

Defaulters can go for bond market and IPO for raising money or find equity partners to run their business. Why from the bank? This is the money of depositors. If someday any bank says to its depositor that it cannot give him money then what will happen? These things happened in the past. Banks failed to pay the depositors on demand. This practice severely damages the economy.

If such policy of large loan restructuring exists, it will create a non-payment cycle. Those who have previously taken huge amount of loan from different banks are now enjoying the restructuring facility. After restructuring, they can again draw money from the banks. So the cycle of nonpayment and restructuring

will go on.

Our weak legal structure is a major reason behind such malpractices. In our country, there is Artha Rin Adalat where a bank can sue a customer and foreclose his or her property without any intervention from the court. But here the customer goes to court and takes stay order. So the Artha Rin Adalat has little effectiveness in this respect. There is an important point to consider in this regard. If the customer goes to the lower court he is supposed to deposit 25% of the debt and ask for stay order. But if the customer goes to the High Court he can get stay order without giving any deposit. The policy makers were repeatedly requested to rectify this law, without success.

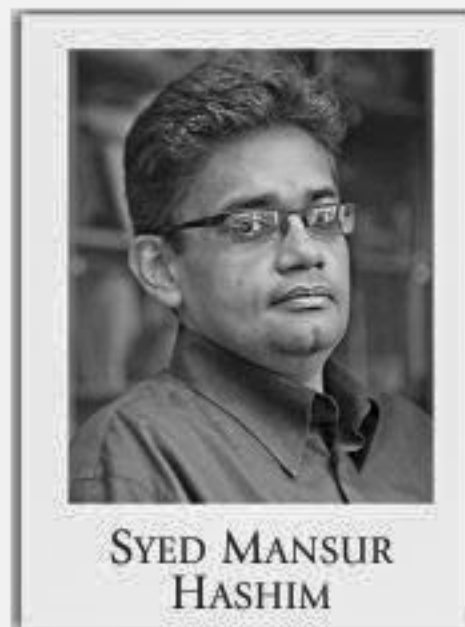
Besides malpractices by some willful defaulters, especially a few such large borrowers, there are also other reasons behind loan default. In Bangladesh, banks charge very high interest rate. This is also not proper because for the development of industry and business, loans should be given if possible at single digit interest rate. In this case, the regulatory authority should try to bring down the interest rate through moral persuasion. There are also other problems like weak infrastructure, fall of price in international market, etc. behind loan default.

Bangladesh Bank has taken some excellent initiatives for financial inclusion of various groups of people. It deserves credit for that. But giving special privilege of loan restructuring to some specific groups tarnishes the Bank's good reputation. It should immediately reconsider the policy or extend the facility with acceptable down payment as per cash flow and security arrangement to all eligible customers of all banks for similar period.

The writer is a former Managing Director & CEO, Agrani Bank Limited, Bangladesh. He served in national and international banks at various capacities.



# ENERGY is not a service



SYED MANSUR HASHIM

THE recent public hearings organised by the Bangladesh Energy Regulatory Commission (BERC) and the sorry state of preparedness of the Bangladesh Power Development Board (BPDB) and its subsidiaries, gas distribution and transmission companies including TITAS and Gas Transmission Company Ltd. (GTCL) leave a lot to be desired. What surfaced during the hearings is that officials of companies like GTCL, TITAS gas, Pashimanchal Gas Co.failed to make convincing cases to BERC for upward price revision. This sorry state of affairs has come to pass primarily because, perhaps the company officials are not prepared to appear before a public hearing where there would be various consumer groups and other stakeholders asking questions.

The other thing that became clear as day is that government bodies involved in the business of providing energy need to consider that the resource they sell must be assessed on market basics. Till date, state bodies had a monopoly. Natural gas, the major commercial primary energy source, has so far had been marketed without considering the resource value. The gas producing companies assumed that the well head price of natural gas per unit is Tk.25. Again the bench mark (Tk.25 per unit) is a figure proposed without making it clear on what basis it was done.

Subsequently, these companies failed to demonstrate clearly the cost of production and distribution of the per unit gas to the consumer. Unfortunately, there was no sincere effort to do so. Company officials claim that they have huge operational costs for reaching

gas to end consumers. From BERC's end there were suggestions that the said operation costs include a significant part of unnecessary and partly unaccounted for expenditures. From the utility companies' end easy efforts are made to transfer the huge 'operational costs' to the consumers. There were few or no statements confirming that the gas companies have concrete plans to increase efficiency in management for reducing cost of operations. If the utility companies (including gas companies) hope to make some real difference in marketing energy commodities they need to operate on market principles. They need to realise that in the near future local 'cheap gas' will be blended with costly imported gas (to be imported in LNG form). So far available information suggests that per unit import gas (LNG) will be ten times costlier than the local gas. Therefore, a small share of import gas if blended with local gas the price has to be raised significantly.

On the other hand, with the market evolving in terms of competition in both primary and secondary energy supply market fundamentals for pricing energy as a commodity has emerged. Now it has become imperative for BERC to create a reasonable level playing field. And since government companies are going to be in the market for the long haul, they need to work out the cost of the commodities and justify their prices.

In our country, any price hike of gas and electricity is a contentious one. Precisely what fundamentals are considered to increase prices is unknown to people. That much has been established through the latest round of hearings where BPDB failed to provide satisfactory answers to questions fielded by BERC's technical committee. Obviously things cannot go on like this. Energy and power need to be allowed to be traded "on the basis of their economic pricing." Again total laissez faire cannot be allowed to take place and BERC as

regulator and protector of consumers' interests has a role to play. The cost of extraction of natural gas, its transmission to power plants and the transformation of that gas into electricity entail costs at every single stage. All these need to be factored into the cost of the commodities known as energy and power. Unless we take into account these cost elements and profit margins, there can be no cost recovery for the entities involved in power generation of distribution. And without cost recovery, new investments cannot be made to new exploration fields.

Now comes the tricky part. How are these "commodities" to be priced for end users? As has been revealed in the latest hearings, the various stakeholders other than BPDB have no clue as to what monies have been expended to produce the electricity. Any realistic price mechanism needs to be transparent in nature so that consumers are not taken for a ride. The government has to ensure that necessary readjustment of gas and power tariff are realistic, given the realities on the ground. Cost recovery and profit mark-ups cannot come at the behest of business and consumers. As long as political considerations take precedence over market principles, the pricing of gas and electricity will remain unrealistic and unsustainable. Experts agree that the price of gas in Bangladesh "trades" at a price that is below international prices. This is a trend that was set in motion in the early '80s because conditions were conducive then. The situation is no longer conducive. Today bilateral and multi-lateral agencies giving Bangladesh loans on energy development have added the "price adjustment" clause to ensure that the pricing of the resource is economic. What we should be doing is quite different from what is being done.

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The writer is Assistant Editor, The Daily Star.

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## LETTERS TO THE EDITOR

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### Ekushey Book Fair

Ekushey Book Fair highlights the vibrancy of Bangla language and literature. Young people nowadays are more internet and Facebook oriented. This fair promotes among them the habit of reading. The Fair venue acts as a meeting place where the readers can meet their favourite authors.

However, the present political stalemate has cast a shadow on the Fair. Due to hartals and continuous blockades, readers and writers from outside of Dhaka cannot make it to the Fair. So I think book fairs like that should be held in other big cities too.

Zabed Wali, Chittagong

### A Catch-22 situation

It's a Catch-22 situation so to say. There is no step back from the brink and no let up in the chain of violence. The scream of the dead and the dying reverberates while the air reeks of the smell of charred remains of body parts. The vicious cycle of bombing and arson is intensified by a calibrated hardening of government's position. It seems that there is no blockade without force and violence and without blockade there is no way of forcing a national dialogue on the government, which is growing increasingly irresponsible.

Over the last twenty days 'online public opinion' conducted by major dailies favour a dialogue between the government and the opposition for tackling the crisis peacefully. Who does not want democracy and a truly representative government formed through a free and fair election? But nothing is desirable at the cost of human lives. International concerns that have stake in Bangladesh want the matter resolved through democratic means. Stop the bloodshed for God's sake.

Yusuf Azad  
Chief Evaluation Officer (Retd.)  
Education Board Office  
Rajshahi

## COMMENTS

"We have repeatedly said our movement is completely peaceful and systematic."

-BNP chairperson Khaleda Zia

### Shihab Rahman

Either there is a blindfold over Khaleda Zia's eyes, or she is just a lost soul. Politicians nowadays value the 'masnad' of Bangla more than the people of this country.

### Saleh Tanveer

Sheikh Hasina did it in '96 and now the other one is following the same playbook more feverishly.