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What good is an admission?

Action required on loan defaulters

WHILE we appreciate the finance minister coming clean in parliament that Tk 65,602 crore is now the bad loan amount (which is nearly 11 percent of all loans disbursed over the last decade), what we really would like to know is what is being done to fix the weaknesses in the banking sector? The information has been there for ages. What has been done about it?

Committees have been formed and probe reports have pointed fingers at individuals serving either on the management of banks or their boards. Reports and recommendations have been furnished after every major scam that has rocked both state-owned banks and now, more recently, privately-owned institutions, like BASIC Bank and Farmers Bank.

And every time such a problem surfaces, we see the same foot-dragging by the central bank and we go through the motions of an investigation, a report and recommendations, which are seldom made public and hardly ever put into action.

We have been furnished with a significant list of companies that have defaulted on loans. We acknowledge that there are two categories of defaulters, ones who default due to economic compulsions out of their control. The other category consists of those that are habitual and perennial defaulters, who manage to get out of the list of defaulters by rescheduling their loans using their political links, or get reprieve by the court. What is the government doing about it? What message does the repeated rescheduling of loans to a selected few recurring defaulters, give to the people? Such policies breed more ill-discipline and push the banking sector into deeper morass.

Treat labourers with dignity

Improve safety standards

A front-page picture of a worker unloading coal from a supply truck in Anu Majhir Ghat in Chittagong city's Sadarghat area, published by *The Daily Star* on Thursday, tells everything that is wrong with our informal labour market. The man in the picture is seen offloading coal with no safety gear on to thwart the effects of exposure to harmful coal dust or prevent bodily harm in the event of an accident. His whole appearance is a throwback to the pre-industrial times. But this is not just a question of safety in hazardous jobs like coal mining or offloading; it's also about basic human dignity that all people, irrespective of the kind of work they do, are entitled to.

The safety and health of the workers are perhaps most neglected in our informal labour market, which is largely unregulated and employs about 87 percent of the entire labour force. The wage labourers and other hired labour are the most vulnerable, as they have to face abuse, insufficient wages, or hazardous working conditions—or all three simultaneously. The way they are reduced to mere beings is preposterous. The image has also captured the underbelly of a country aspiring to get into the club of middle-income-countries, with its appalling safety records in areas involving manual labour.

The greed and lack of awareness of the employers also make it difficult to effect changes. The government should pay more attention to improving the work environment and safety standards for the vast community of wage labourers to ensure that they are treated in a manner they deserve as human beings.

LETTERS TO THE EDITOR

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Discipline in the banking sector

The banking sector in Bangladesh has never been in a worse state than it is today. And this raises serious questions about the government's ability and willingness to fix the problems lurking in the sector. The financial state of some banks is so bad that unless the central bank bails them out, they would most certainly go bankrupt.

We used to hear about banks being robbed at gunpoint in times past. But today we see the bank's management stealing money from the public constantly. While this is going on, the government seems to have done little to nothing to recover the stolen money and to bring the culprits to justice.

Without a genuine effort by the government, there is no chance for discipline to be restored in our banking sector. And if the government continues to fail in that regard, surely that would spell disaster for the entire national economy.

AKM Ehsanul Haque, *Dhaka*

PHOTO: AFP

Untapped potential

Why academia-industry partnership in the software sector in Bangladesh is crucial

MOHAMAMD ANWARUL KABIR

THE software industry is flourishing in Bangladesh. Due to increased demand at both the local and global level, the market for software development in the country has been expanding rapidly. Outsourcing work of software development, in recent times, has increased dramatically and it is expected that within the next decade, software development will be the major source of foreign remittance—competing with the RMG sector.

At present, Bangladesh is exporting software and IT-enabled services to more than 30 countries, including the US, Canada, Australia, Japan and various European countries. Seeing potential in the software industry here, many international software organisations like Microsoft, Accenture, Oracle, etc., have opened up their offices in Bangladesh. It is therefore high time we promoted this industry as a Bangladeshi brand.

Software firms in the country are improving gradually. At present, at least 10 firms so far have achieved Capability Maturity Model Integration (CMMI) at level three and one firm (DataSoft) at level five. CMMI is one of the major indicators for measuring the quality of software firms and the highest score for this measurement is level five. However, we remain far behind compared to our neighbouring country India where more than 300 firms have achieved level three or higher on the CMMI scale.

The key ingredients in developing software are the capabilities, skills and efforts of technical people like designers, analysts, programmers, and testers who play an active role in the entire process. The majority of these people have a bachelor's degree in computer science. At present, there are 37 public and more than 80 private universities which have programmes in computer science, computer engineering or other relevant subjects. Apart from this, there are many affiliated colleges under the national university-run undergraduate programme in computer science. Each year several thousand graduates in this field are being produced by these institutions.

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Yet, the prevailing situation is that the majority of these graduates are not being able to fulfill the industry demand, especially when the question of quality arises. Many software firms complain about not getting quality graduates of the calibre that they expect. Their claim, though frustrating, cannot be discarded given the harsh reality. One of the major reasons behind this is the absence of academic-industry partnership in the country.

Academia and industry share a symbiotic relationship. Academia produces graduates required by the industry. If academic institutes are to produce graduates who can efficiently fulfill market demands in this rapidly changing environment dominated by computer technology, establishing academia-industry partnership is a must. Academics will then be able to visualise the real demands of the market so that they can formulate the course curriculum in their respective institutions keeping the market needs in mind. In the domain of software development, the programming tools, design techniques, development methodology, and even the hardware platforms, are evolving rapidly and so, through proper communication with the industry, academics will be able to learn the market trends with a view of updating the course curriculum.

Academic institutes, for their computer science programmes, should introduce internship in the industry so that the students can get hands-on industrial experience. (Most of the universities of the developed countries have already integrated the internship aspect into their curricula in their computer science programmes, which has further enhanced the academia-industry partnership.) Some universities have introduced a one-semester-long internship for their final-year students. However, many software firms do not take an interest in recruiting interns due to various reasons. This attitude should change and they should understand that recruiting interns will help in the long run.

In the context of academia-industry partnership, another important issue that should be discussed is research. For the development of unique innovative software, research is crucial. In developed countries most universities conduct industrial research which, in turn, provides benefits to both the industry and academics. Following the research outcomes, the industry will have implemented innovative software systems that have commercial value. In Bangladesh, the leading software companies should think about taking initiatives in this regard with a view to producing unique software products for the global and local markets.

Ensuring high quality of software systems is another major issue. Most software firms in the country lack the expertise in this arena. The concerned academicians will have much to contribute towards improving the quality of software products being developed in the industry.

In order to improve the capabilities of the software industry in Bangladesh, promoting academia-industry partnership is a must. Fortunately, some academic institutes have understood this reality. For instance, AIUB recently conducted a workshop on capacity building where stakeholders from some major software firms in the country participated. They had discussions in this regard and agreed upon one thing: For the sound development of the software industry, both the academics and their industrial counterparts should work hand in hand. And a common platform is what's needed.

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PROJECT SYNDICATE

Asia's central banks should prepare to raise interest rates

LEE JONG-WHA

FINANCIAL markets around Asia are preparing for a Goldilocks economy in 2018—not too hot, not too cold, with strong growth and stable prices. The region's export-oriented emerging economies are benefiting from the recovery in global trade, while its largest players—China, Japan, and India—remain dynamic. Throughout the region, accelerating economic growth, together with positive corporate earnings expectations and persistent capital inflows, are driving up stock prices. And inflation will remain in check, owing largely to the slow rise in wages and import prices.

Yet there remains plenty of cause for concern. For one thing, Asian markets will undoubtedly face capital-flow volatility, driven by the major advanced economies' monetary policies. For another, large debts could increase financial risk in some Asian economies, damaging growth prospects. The region's central banks will be integral to managing these risks.

In the wake of the global economic crisis, Asia's central banks, like their counterparts in the advanced economies, assumed a leading role in supporting domestic growth. But, as the global economic recovery gains momentum, the time has come to begin tightening monetary policy.

The major advanced economies' central banks are already on that path. The European Central Bank, the Bank of England, and the Bank of Japan are moving to rein in their swelling balance sheets and raise interest rates. But it is the US Federal Reserve that is leading the way.

With low growth in wages and consumer prices keeping inflation subdued, the Fed is likely to continue pursuing gradual interest-rate hikes. But if, as is likely, the tax cuts recently enacted by President Donald Trump and congressional Republicans accelerate economic and price growth enough to raise the risk of economic overheating, the Fed will need to act more assertively.

This broad monetary tightening will have a profound impact on Asia's emerging economies, which are highly integrated into global markets and thus open to foreign capital flows. In particular, changes in global liquidity conditions are likely to send Asia's financial and foreign-exchange markets on a roller-coaster ride, fuelling pressure to keep up with interest-rate hikes in the advanced economies.

To be sure, some economists still argue that Asia's central banks should maintain low interest rates, owing to persistently subdued inflation. They worry that, at a time when many households and businesses remain laden with debt, a sharp rate hike would undermine consumption and investment, potentially impeding economic growth.

But the truth is that large debts and overvalued risky assets are the result of sustained monetary expansion. If central banks continue to postpone interest-rate increases for much longer, asset bubbles might develop—not just in the stock and housing markets, but also in, say, virtual currencies—leading to another financial crisis.

The best way to avoid such an outcome is for emerging Asian economies to increase rates gradually and predictably. This does not mean that Asia's central banks should simply bow to external pressure. Rather, each central bank should pursue monetary-policy normalisation at a rate appropriate to safeguarding macroeconomic stability without damaging domestic economic activity.

The good news is that Asia's central banks seem to recognise this, and are already moving toward tightening, with the Bank of Korea in the lead. On November 30, against a backdrop of rapidly accumulated household debt and distortions in capital allocation, the BOK raised rates by 25 basis points, from a record low of 1.25 percent.

Monetary authorities in countries like Malaysia, Taiwan, Thailand, and the Philippines are expected to follow suit, timing their interest-rate hikes according to economic conditions. In China, too, monetary tightening will be needed to mop up excess liquidity and reduce leverage. Otherwise, according to Zhou Xiaochuan, the governor of the People's Bank of China Governor, the country might face a "Minsky moment," in which excessive optimism and debt-financed investment culminate in financial crisis.

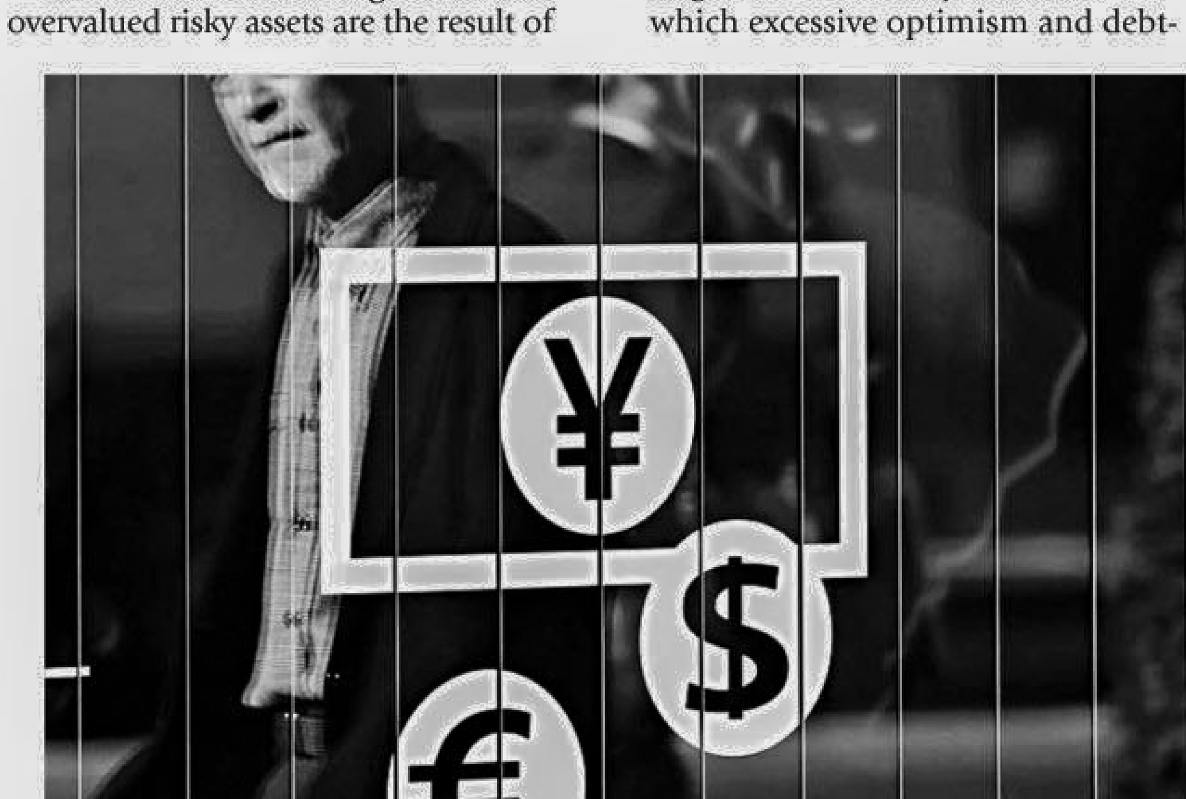

PHOTO: ISSEI KATO/RUETERS

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The main potential hitch in this process is political: because ultra-low interest rates amount to an easy form of economic stimulus—much easier than, say, labour, tax, or regulatory reforms—politicians might put pressure on central banks to delay rate hikes. But central banks, leaning on their hard-won independence, must not succumb. Though the active monetary policy used since the global economic crisis has caused some to question central-bank independence, compromising it for the sake of political accountability would, as Barry Eichengreen has put it, be tantamount to "throwing the baby out with the bathwater."

Standing up to politicians may not be easy for central bankers, not least because, in many countries (including China, Indonesia, Japan, South Korea, and Taiwan), the central bank's governor is due to be replaced or reappointed in the coming months. The new leaders will need to enter their positions with confidence, and remain steadfast in their decision-making in the face of large-scale uncertainty.

That said, central bankers should not be solely responsible for supporting low and stable inflation and maintaining financial stability. They certainly cannot be expected to drive job creation and output growth in the long term. That is why they must cooperate with policymakers, including fiscal authorities and financial regulators, to ensure the right mix of monetary and fiscal policy, as well as structural reform.

A decade after the global economic crisis began, the world economy is on the path toward normalcy—a path that demands the gradual tightening of monetary policy in Asia and the West alike. It is now up to central banks to meet that demand, without derailing the recovery.

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