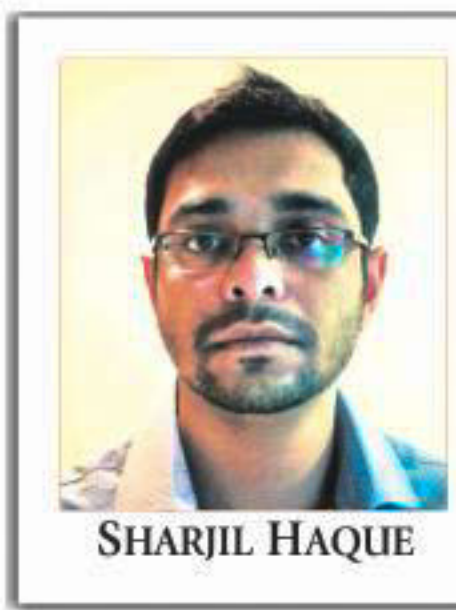


Sanchayapatra: The scapegoat of our financial sector problems?



SHARJIL HAQUE

LAYING the blame game is one of our oldest rituals. When a crisis strikes it's always easier to lay the blame on someone that appears, only on surface, to be the "bad guy" without admitting to more fundamental causes. Sanchayapatra is just that: the scapegoat of our growing economic and financial sector challenges.

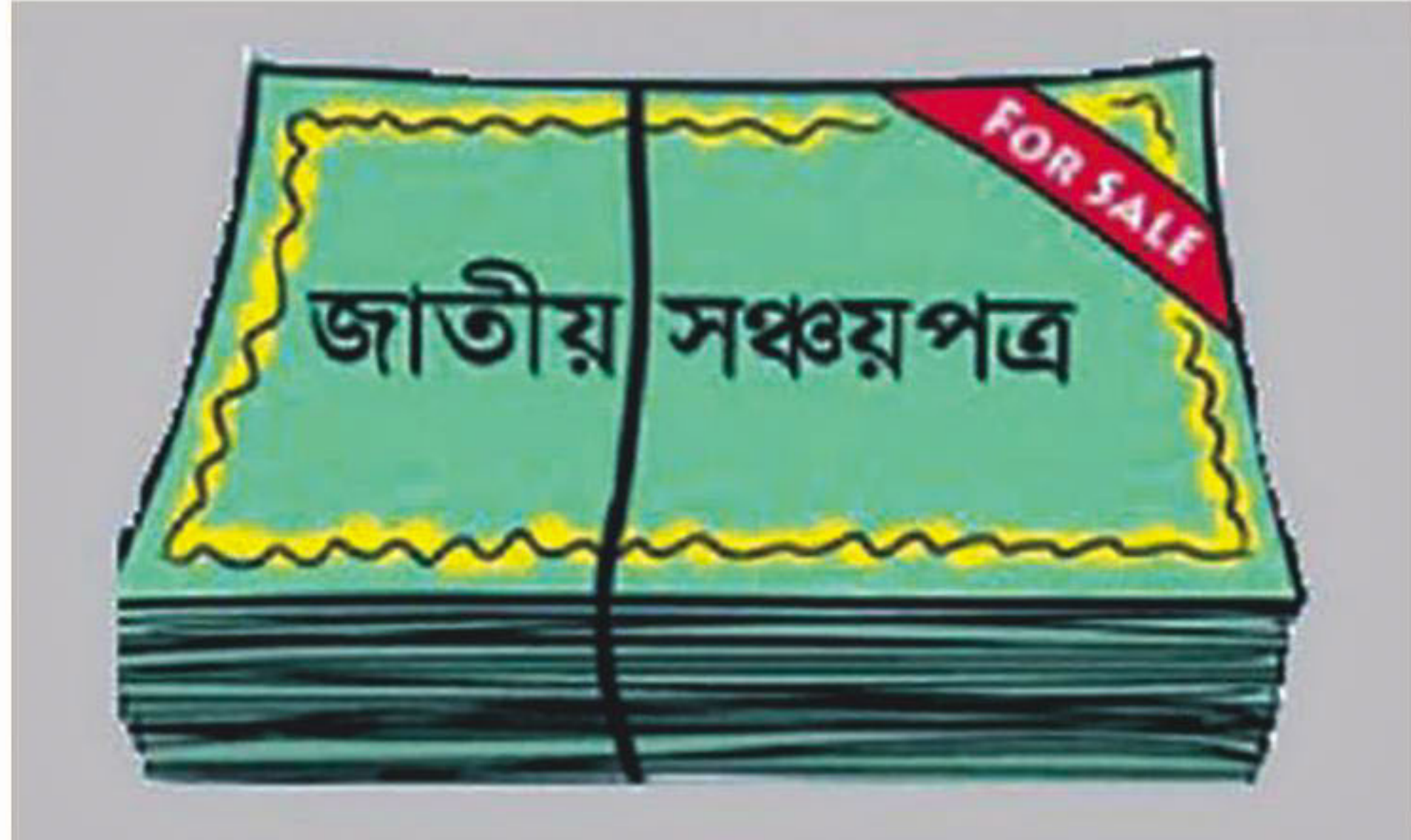
To be sure, economics has long taught us of the benefits of letting supply and demand decide interest rates and Sanchayapatra clearly goes against the spirit of letting markets do the talking. But we all get that this cannot be a universal rule and intervention does indeed have its place in economic literature. Why else would so many countries fix their exchange rates, close capital accounts or need social safety nets?

So then why does Sanchayapatra spark so much criticism? Bankers and experts claim Sanchayapatra lowered growth in bank deposits which drove the ongoing liquidity crisis. Consequently, banks had no choice but to raise deposit rates which obviously pushed up lending rates. Higher lending rates naturally mean lower investments. Facing tighter liquidity conditions, the central bank had to lower Cash Reserve Ratio (CRR) and its policy rate which comes along with the risk of higher inflation.

This chain of events sounds logical in theory except that it leaves out crucial factors that actually led to the liquidity crisis, namely (i) excessive growth in private sector credit; (ii) central bank's intervention to prevent exchange rate depreciation; (iii) borrowers

defaulting or delaying repayment of loans; and (iv) concerns over the Farmers Bank fiasco prompting large depositors to remove their money from several private banks.

For much of the last five years, nominal GDP (real GDP plus inflation) grew at around 13-14 percent while credit growth in the private sector hovered around similar levels. So then there could have been no justifiable reason for private credit to



suddenly shoot up to 18 percent to generate similar growth last fiscal year.

Most likely, banks lent recklessly to inefficient businesses and dished out tonnes of consumer loans while some of the excess capital was siphoned out of the country. The upshot is that the problem is not about Sanchayapatra but more about (i) banks' risk management and lending policy and (ii) why (and how) people are taking money

out of the country.

Meanwhile, excessive credit-fuelled import growth (which obviously includes illicit outflow of funds) plunged our current account into its largest deficit of around USD 10 billion. With so much money flowing out, the central bank injected foreign currency into the interbank market to prevent depreciation of the currency—which means it soaked up even more taka out of the financial

system, worsening the liquidity crisis.

Herein lies the need for greater exchange rate flexibility. Sure enough, allowing greater depreciation would have led to more expensive imports and possibly higher inflation. But cheaper currency also means foreign demand for our exports will rise and over time take our balance of trade to a much stronger level (this is called the J-curve effect in economic parlance). Surely, this would

have been a better option than lowering policy rates and intervening excessively in the foreign exchange market. Perhaps authorities faced strong resistance against greater depreciation from certain segments of the business community.

The issue of weak bank balance sheets and loan defaults of course is not new, and has been excessively discussed in the media (and everywhere else for that matter), but it remains unaddressed. Banks will continue to blame Sanchayapatra for their misfortunes without fixing their own corporate governance and risk management systems unless authorities come down hard on their malpractices.

The governance factor aside, most banks tend to offer similar deposit schemes and hardly have any targeted savings products for retired individuals, housewives or non-resident Bangladeshis. Small wonder they have trouble attracting funds!

That brings us to another well-publicised allegation against Sanchayapatra: that it hurts development of our stock market. Those of us who have been involved professionally in our country's equity market remain convinced that its problems are far more fundamental than higher yields on savings schemes.

For instance, how will removing Sanchayapatra tackle opportunistic gamblers in our stock market who have eroded public confidence over the years? First and foremost, our stock market needs better quality stocks. When strong multinationals are brought to a market, confidence naturally rises and drives more money into stocks. Simplifying and strengthening regulatory processes and lowering tax rates for listed firms are also necessary to improve the market's condition (see "For a vibrant financial sector", *The Daily Star*).

Perhaps the biggest complaint surrounding

savings schemes is that it is serving the rich more than the poor, while driving up fiscal costs. The problem here revolves around how Sanchayapatra is managed by authorities, not Sanchayapatra itself. Surely, it is not incredibly difficult to maintain a centralised database of people who are buying these schemes along with their annual income, and limit the instrument to only eligible individuals and that too only up to a certain amount. Then the fiscal cost in funding low-income families will not be too high, since they will not be able to invest a big amount anyway.

Maybe there is strong pressure from wealthy and powerful individuals who are heavily invested in these schemes. If that is truly the case, it begs the question: will removing Sanchayapatra stop such powerful lobbyists from finding other means of soaking up money from government coffers? Our public banks' sketchy track record should be a good pointer. One way or the other, our fiscal capacity will always be stretched unless authorities generate the will and strength to fend off such pressure. So at the end of the day, the problem centres around institutional strength, not yield on savings schemes.

That said, more targeted transfers to vulnerable income groups can be an alternative to Sanchayapatra. But given the slow implementation process of most public programmes, it makes more sense to first fully operationalise such a programme before removing Sanchayapatra, not the other way around. But make no mistake, even such programmes will do little to solve fundamental and deep-rooted problems plaguing our financial system. Scapegoating Sanchayapatra will not solve anything.

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Are Bangladesh's expectant mothers being coerced into unnecessary, dangerous operations?

FARASHA BASHIR and AKM TARIFUL ISLAM KHAN

THE phrase "too posh to push" was first used by British tabloids in the 2000s highlighting the trend among celebrities choosing to have their babies by caesarean section, as opposed to natural childbirth. In Bangladesh it is not because they are "too posh" rather it is because they are often coerced into having an operation even when it is not necessary. Every year, an astonishing one million C-sections are performed in Bangladesh. There are whole countries whose population does not amount to that figure—Bhutan for example.

Recently, the preliminary report of the Bangladesh Maternal Mortality and Health Care Survey (BMMS) 2016 was published. BMMS 2016 was implemented under the National Institute of Population Research and Training (NIPORT) with technical assistance from MEASURE Evaluation and icddr,b. The report finds that rates of C-sections in Bangladesh have soared from 12 percent in 2010 to 31 percent in just six years, far surpassing the recommendation by the World Health Organisation (WHO) which estimates that less than 15 percent of all births in the global south and less than 9.5 percent in wealthy nations should be caesarean.

While access to facilities for delivery has increased significantly (from 27 percent in 2010 to 47 percent in 2016), alongside improvements in anaesthetics, operating procedures and antibiotics, the C-section still poses a real risk. C-sections often lead to infection, damage to other organs during surgery or haemorrhage. It can also put the baby in danger if the infant's gestational age

has been miscalculated and the child is removed from the womb too early. Risks to the mother increase with each successive C-section, and the procedure isn't recommended for women who plan to have more than two children.

On the other hand, there are cost implications too. The report finds that the median expenditure for C-sections is five times higher than that of a normal facility delivery—indicating that there is commercial incentive to encourage women to opt for the more costly, yet more dangerous option of a C-section.

But here it gets interesting. It was found that C-sections are positively correlated with an increase in household wealth and women's education. More than half (56 percent) of the women in the richest households, and those who have at least completed secondary education, delivered by caesarean. Of all C-section deliveries 79 percent are at private health facilities. And thus, does the phrase "too posh to push" become justified? Delivery by medically trained providers has doubled from 27 percent in 2010 to 50 percent in 2016 but it was also found that rates of C-section are higher in urban than in rural areas.

So, should women be blamed for the ever-increasing rate of C-sections? Absolutely not. Around the world, rates of caesarean sections are soaring, particularly in developing countries. Additionally, we lack data to confirm if it is due to patients' choice. But we do need to do more to counter the message from facilities whose profits increase when women choose to have C-sections.

In another icddr,b study published in PLOS One in November 2017, researchers have analysed data from Matlab Health and



Demographic Surveillance System (HDSS). They found that in icddr,b's service area in Matlab, Chandpur, the facility-based delivery rate in 2013 was 84 percent and population-based C-section rate was 35 percent of all deliveries (Begum et al. 2017), whereas the World Health Organisation has recommended that the population-based C-section rate should lie between five and 15 percent. They also concluded that probability of C-section delivery increased with improved socio-economic status, higher education, lower birth order, higher age, and with greater antenatal care use and presence of bad

obstetric history. Eight maternal deaths occurred, of which five were delivered by C-section.

According to the WHO, caesarean sections should only be done out of medical necessity, because the surgical procedure can put the health of women and their babies at risk. Caesareans save lives for sure, for example, when women are in obstructed labour or their babies are in distress. But two studies show that in countries where they account for more than 10 percent of births there is no evidence that mortality rates improve.

In the Bangladeshi context, according to

BMMS 2016, two out of three deliveries at facilities were performed by C-section. It also finds, only three percent of all facilities had service readiness to provide quality normal delivery services. Insufficient readiness of facilities must be a significant contributory factor to the high number of C-section deliveries in Bangladesh.

Another noteworthy downside of C-sections is that a mother's intestinal and vaginal flora play a significant role in colonising the baby with its first intestinal microbes, known as gut flora. Studies have shown that missing out on these precious microbes when being born via C-section can throw off the whole gut microbiome—possibly for life.

Let's make a call to all the facility owners, doctors and everyone belonging to the obstetrics community to be rational, to be ethical, to be committed to saving lives and put an end to the practice of encouraging women to have unnecessary C-sections.

The focus should be on providing world-class prenatal care, providing education and support on the birthing process and ensuring that we have facilities equipped for safe natural childbirth and only choosing a C-section when it is genuinely necessary.

BMMS 2016 also finds that access to communication has significantly increased—about 94 percent of households now own at least one mobile phone while 60 percent have access to a TV or radio. Let's make a call to all expectant parents to make decisions that are well-informed based on evidence and not on fashion or overzealous promotion.

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ON THIS DAY IN HISTORY

Buhari (L) and Babangida

AUGUST 27, 1985

THE PALACE COUP OF NIGERIA TAKES PLACE

General Ibrahim Badamasi Babangida took over the government after overthrowing the then head of state Major-General Muhammadu Buhari in a bloodless coup.

CROSSWORD BY THOMAS JOSEPH

ACROSS	32 Bureaucratic nuisance	8 Vision
1 Vena -- (major vessel)	34 Court feat	9 "Cheers" barmaid
5 Go by	35 Writer Levin	11 Map division
9 Caravan carrier	36 Stinging insects	15 Do a newspapers job
10 African lilies	38 Doughy ring	19 Corp. bigwigs
12 Female French friends	40 Silver bar	21 Suggestion
13 Parking pro	41 Snail trail	24 More thin
14 Token of love	42 Blissful spots	25 Spots for tots
16 Through	43 Braille bits	26 Announce
17 -- Palmas	44 Steak choice	27 Slow movement
18 Insignificant amount	DOWN	29 Creche part
20 Besides	1 Approached	30 Broadway opening
22 Keenness	2 In the thick of	31 Lairs
23 Prelude	3 Turn suddenly	33 City on the Rhone
25 "Rush Hour" co-star	4 Campaign loser	
28 Toady	5 Like most roads	
	6 Following	
	7 Figured out	

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BEETLE BAILEY BY MORT WALKER

BABY BLUES BY KIRKMAN & SCOTT