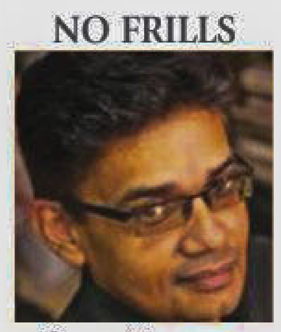
A LOAN DEFAULTING EPIDEMIC

Over two lakh privileged institutions!

NO FRILLS



SYED MANSUR HASHIM

THE information disclosed by the finance minister in parliament this month, as a response to a question by a member of parliament, is quite an eye opener. As per Bangladesh Bank data the country now has 230,658 defaulters: companies and institutions that have defaulted on bank loans totalling Tk 1.31 trillion until June 2018. We are further informed by the honourable finance minister that many of these defaulters are heavily involved in the management of 88 banks and financial institutions. The bulk of the default loans belong to the State-owned Commercial Banks (SCBs) where Sonali Bank leads with Tk 186.62 billion, followed by Janata Bank (Tk 148.4 billion), Agrani Bank (Tk 92.84 billion), Rupali Bank (Tk 49.01 billion), Basic Bank (Tk 85.76 billion), Bangladesh Krishi Bank (Tk 21.78 billion), and Bangladesh Development Bank Tk 23.32 billion. In the private sector, things aren't particularly rosy either with the National Bank defaulted loan amount at Tk 50.76 billion, Islami Bank Tk 35.20 billion, and Prime Bank Tk 35.85 billion.

The finance minister deserves a round of applause for making public a list of 100 top defaulters which included some of the top business houses and a horde of lesser known names. What comes as a surprise of course is what happened between last June and September of this year, i.e. back in June, the finance minister had hinted that special measures were being taken to address the banking crisis that would come into effect within a month. He is quoted to have said in this paper that "I admit that the conditions of state banks are not up to our expectations and we are continuing to recapitalise these banks. But we need to understand that these banks often cannot operate on commercial basis."

True. Needless to say, the finance minister must be finding himself between a rock and a hard place because of reasons beyond our comprehension, nothing substantial has been done to bring back financial discipline in the banking sector; neither in SCBs, nor in private sector banks. The situation in the privately-owned banks is getting to be as bad as the situation in SCBs. By his own admission, and I quote here, "The problem of the private banks is that they help each other and one bank's director gets loans from another bank". One must ask the question then why was the Banking Company Act amended to allow for four members of the same family to sit on the board of a bank? Again allowing for a person to hold the position of a director of a bank for nine years is counterproductive for good governance.

As pointed out by the International Chamber of Commerce's (ICCB) News Bulletin (Jan-Mar, 2018): "According to a Bangladesh Bank study five years (during CY2012 to CY2016) average ratio of gross NPLs to total loans were about 27.1 percent, whereas, it was 4.9 percent for PCBs, 6.5 percent for FCBs & 22.56 percent for SCBs. The percentage of classified loan to total outstanding stood at 10.1 percent in June 2016. The percentage was highest for the SBs 26.1 percent, for the PCBs 5.4 percent, for the SCBs 25.7 percent and for the FCBs 8.3 percent."

The recurring scams remain unsolved which has only encouraged the culture of default and that is reflected in the rise of NPLs. When we look at CPD's "State of the Bangladesh Economy in FY2017-18 (Third Reading)" released to the media on June 3, 2018, we find observations that tell us that this seemingly unstoppable rise in NPLs is primarily due to a number of reasons: "The general trend of NPL has been consistently high for the last few years. Financial frauds, lack of proper due diligence during loan sanctions, political influence on loan disbursement, and the failure to undertake strong measures against loan defaulters and wrong-doers have contributed to high NPLs in the banks. Additionally, the legal framework for dealing with non-performing loans, which consists of the Money Loan Court Act 2003 and Bankruptcy Act 1997, has become more or less dysfunctional. The number of judges dealing with non-performing loan cases is inadequate, and as a consequence, the backlog of cases is a long one."

Interestingly enough, the general conversation in media has been focused on NPLs. We seldom talk about irrecoverable loans (which is part of NPLs) or loans that banks treat as "written off" and that amount, as of December 2017 (according to CPD) stands at Tk 64,618 crore, which is "87 percent of total classified loans and 8 percent of total loans". That means Tk 8.70 out of Tk 10 non-performing loans will not be returned!

And still we have statements being issued by policymakers that what is printed in news media is rubbish. Unfortunately, the facts speak otherwise. Our central bank cannot move against top bank management despite having ample proof of irregularities in loan sanctioning. Hence, media reports may be awash with irregularities being committed in SCBs but Bangladesh Bank can only advise and not act.

When we look at our banking sector, it is clear as day that we have too many banks and yet policymakers (in their infinite wisdom) continue to grant licenses for more of them. One of these was the ill-fated Farmers' Bank that has been repeatedly bailed out by government largesse but we are yet to see any real effort to bring those responsible for the fiasco to justice. The irregularities that have led to repeated scams and the lack of assertive action to check these irregularities have become all too obvious. Our financial sector and its guardians have succumbed to political pressure and the end game is to use the banks to misappropriate public money. That basically is the bottom line.

Syed Mansur Hashim is Assistant Editor, The Daily Star.

PROJECT SYNDICATE

Journalism's Comeback

ALEXANDRA BORCHARDT

AFTER years of ill health, the news industry is finally showing signs of a modest recovery. According to the Digital News Report 2018—the most comprehensive survey of digital media consumption—subscriptions are trending up while consumer confidence has stabilised. For a much-maligned business that trades in trust, these fragile gains amount to meaningful progress.

To be sure, the world's media remain troubled; the report, produced by the Reuters Institute for the Study of Journalism, shows that only 44 percent of news consumers believe what established media brands publish. But that represents an increase of one percentage point from last year, suggesting that the industry's trust deficit has either stopped growing or is actually narrowing.

Other surveys are even more bullish; for example, the annual Edelman Trust Barometer found that journalists are regaining their credibility, while overall trust in traditional and online-only journalism is at its highest point in seven years. These findings prompted the firm to declare that "the return of experts" is upon us.

Although it may be too early for media executives to declare victory just yet, these are clearly good signs for an industry that has had its reputation battered in recent years. Political polarisation has made people suspicious of media outlets that don't support their views, while cost cutting in newsrooms has degraded the quality of journalism on offer. But, as the new data suggest, journalists appear to be finding ways to address these challenges.

Perhaps the most revealing trend in this year's Digital News Report is the growing distrust in news shared via social media. For example, our study found that only 23 percent of respondents trust news they find on social media, and just 34 percent believe what they turn up in search engines. These figures will likely trouble Google, Facebook, and other tech giants whose businesses are no less reliant on trust than traditional media organisations.

But while platforms like Facebook stumble, many traditional media outlets are finding their footing; subscription trends support this conclusion. Of the 74,000 survey respondents, 14 percent said they paid for digital news at least once during the previous 12 months, while the average in the Nordic countries was closer to 30 percent. In the United States, President Donald Trump's attacks on so-called "fake news media" have had the opposite effect, pushing more people to support independent journalism than ever before. In 2016, for example, only 9 percent of American consumers paid for news online; that share rose to 16 percent in 2017 and has held steady this year.

Even in countries like the United Kingdom, which has no shortage of free news websites, people are investing in quality reporting. *The Guardian's* model of soliciting donations or membership payments is fuelling a financial turnaround. In nearly every country surveyed, young people on the political left demonstrate the highest propensity to pay.

FILE PHOTO: REUTERS/PAUL HACKETT

Commuters read copies of the Evening Standard newspaper at Victoria rail station in London.

Some critics argue that the media's payment model contradicts the original spirit of the Internet as a place for the free exchange of ideas, news, and information. Moving the best stories behind paywalls, opponents say, will give rise to second-rate news for second-class citizens.

But this argument misses three key points. For starters, the number of digitally connected people who cannot afford to pay for news at all can be presumed to be quite small; willingness to pay is much more a question of spending priorities. Moreover, paying for something that one perceives as valuable helps make it so, as the move to prioritise membership models over purely transactional approaches illustrates.

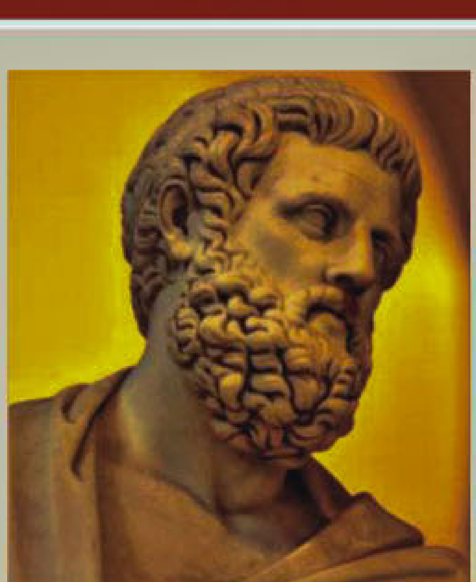
Finally, for those who truly cannot pay, there are viable options for bringing quality journalism to low-income households. For example, tax codes could be reformed to make the practice of journalism more affordable, while government or foundation funding could increase support for public media programming.

When people pay for content, journalists gain an incentive to deliver. They scrutinise their products for value, check facts thoroughly, innovate, and cut down on the cheap, attention-grabbing noise that plagues so many social-media platforms. Best of all, these trends are mutually reinforcing; the better the journalism is, the more consumers will value it.

It has been a long time since the media industry had good news to report about itself. Now that we do, it is imperative that we work harder than ever to sustain the trend toward quality, credibility, and financial viability.

Alexandra Borchardt is Director of Strategic Development at the Reuters Institute for the Study of Journalism.

QUOTABLE *Quote*



SOPHOCLES

(497/496 – 406/405 BC)

Ancient Greek Tragedian

Rather fail with honour than succeed by fraud.

CROSSWORD BY THOMAS JOSEPH

ACROSS

1 Put away
5 Green hue
10 Entertained
12 Poet's concern
13 Superior group
14 Baffled
15 Brouhaha
16 Stretching muscles
18 Affectionate
20 Cobbler's cousin
21 Pale tan
23 Complete
24 Small change
26 Bout site
28 Pop's mate
29 Long account
31 Egg cells
32 Muscle connector
36 Lease signers
39 French article
40 Market action
41 More than plump
43 External
44 Famous
45 Forgo frugality
46 Kitchen collection

DOWN

1 Work byproduct
2 Senor's squiggle
3 Burger topper
4 Dripping
5 Yemen neighbor
6 "Why dont' we!"
7 Reply to a knocker
8 Off course
9 Made blank
11 Spots
17 Miscalculate
19 Beast abode
22 Incites
24 Part of many a scandal
25 Issue
27 Writer Fleming
28 Sayings to live by
30 Court worker: Abbr.
33 Because of
34 Beginning
35 Calls for
37 Yemen port
38 Uncool fellow
42 Jazz Variety

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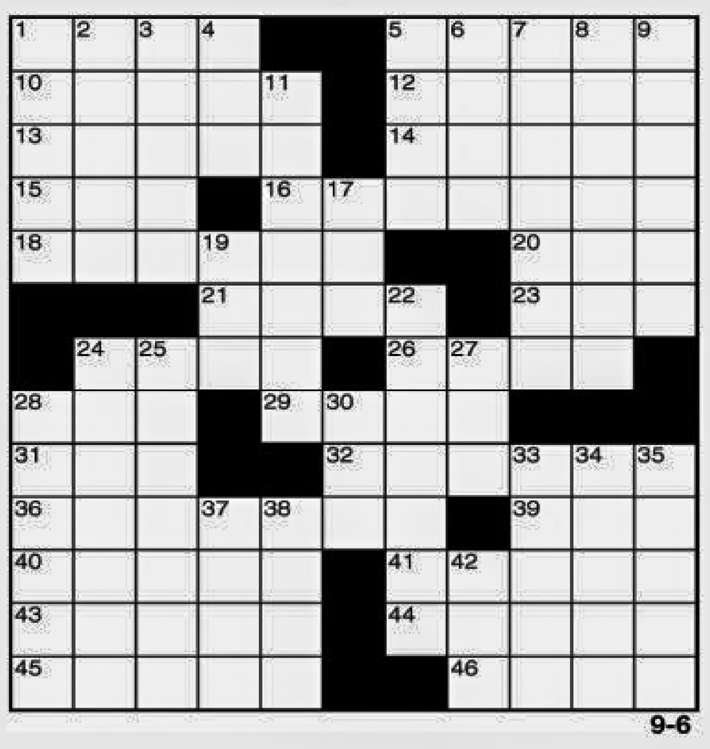

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YESTERDAY'S ANSWER

A	R	I	S	E	S		S	C	A	M
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			L	E	T	O	F	F		
S	A	C	K			G	L	O	A	T
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M	E	N		O	L	E		M	E	A
I	N	F	I	E	L	D		E	N	D
S	T	I	N	T			A	D	D	S
		R	E	S	U	L	T			
J	A	M	S		T	O	R	R	I	D
A	L	E	S		A	P	I	E	C	E
W	I	D	E		H	E	A	D	E	R