

The pattern of violence must stop The ruling party must adopt a more mature and restrained strategy

The spate of violence that we are seeing as the general election approaches gives the impression that the ruling party has no intention of allowing its main political rival to hold any programme without coming under attack. Unfortunately, the ruling party activists are taking full advantage of having police and administration on its side. These are ominous signs and create a sense of unease among the people.

The recent incident in Cumilla has left 15 BNP members injured, two with gunshot wounds. According to witnesses interviewed by this daily, the BNP was holding a committee meeting when Awami League and Jubo League men swooped on them. It is frightening that guns were involved and that two BNP members were wounded. Surprisingly, police have claimed that they did not find any evidence of gunshots being fired. And, as usual, the AL rejected all the allegations raised by the BNP, claiming that it was the latter who had attacked the former's peaceful rally.

But why is it that various wings of the AL have to hold "peaceful rallies" every time the BNP has a programme? That, in itself, can easily lead to confrontations. Over the last one year, we have witnessed time and again how activists associated with the AL and its wings have scheduled their rallies and processions on the same day as those of the BNP. Meanwhile, law enforcers have arrested thousands of BNP activists and supporters after rallies. Last month alone, about 11,000 leaders and activists of the BNP and its front organisations were sued in 16 cases filed in Dhaka and seven other districts over clashes between supporters of the opposition party, and the Awami League men and police personnel.

Is this going to be the pattern of our politics in the next few months? Will the main opposition party continue to be attacked or incarcerated every time it holds a political programme? It is the government's responsibility to ensure the safety of all its citizens – even those who are their political rivals. That is how a democracy works, with the ruling party, which yields all the governing power, morally and constitutionally obliged to exercise maximum restraint when it comes to dealing with the opposition parties. By allowing its affiliated organisations to create a volatile situation while using its state machineries to legally constrain the opposition, it is hard to see how the ruling party is creating a level playing field in the run-up to the election. Can the general people then be blamed if they have misgivings about how fair or free the upcoming election will be?

Teesta flooding a wake-up call

Bangladesh must push India to sign the treaty without any further delay

The recent flash flood in the Teesta basin in Bangladesh makes us wonder how much worse the situation must get for our farmers and communities living in the area before we revisit the unfulfilled promise of the Teesta agreement. It has been 12 years of futile reassurances from India in signing the Teesta water-sharing treaty, and decades of continuous havoc on the environment and millions of people in Bangladesh. Now, with the increasing threat of climate change, it is more important than ever for Bangladesh to go beyond stated goodwill to finally resort to international policy frameworks and laws to ensure that transboundary rivers are shared equitably.

As of August 27, 2023, hundreds of chars and villages in Kurigram and Lalmonirhat are flooded, millions are stranded, scores of houses, schools, dams and roads are destroyed, and vast agricultural lands and countless livestock are lost. On August 24, India reportedly opened all floodgates at the Gajaldoba barrage following heavy rains in the upstream region, which is the primary cause of the scale and rapid intensity of this flood. Since the construction of the Teesta barrage, the river remains dried up on the Bangladesh side almost throughout the year, which fuels a vicious cycle of stored sediments, accumulation of silts and chars, encroachments, and ultimately erosions caused by flash floods when the floodgates are opened. Dams, barrages and other disruptions to the natural flow of the river in West Bengal, and also Sikkim, have thus directly been affecting millions of people and a vast riverbank in our country.

Despite Bangladesh's persistent push for a mutually beneficial water treaty, and India's repeated reassurances, the obvious step towards a solution has been put aside, mostly by the Indian side. Earlier this year, there were reports of West Bengal's push for two more canals under the Teesta Barrage project, which can further deteriorate the already dire situation on our end. While the recommendation from an Indian parliamentary committee to its government to "initiate meaningful dialogue with Bangladesh on a regular basis" comes as a welcome move, we can't help but question the actual goodwill for a solution in the near future, given that Dhaka is yet to even receive an answer to its query about the canals.

It's time for the Bangladesh government to finally put its foot down regarding the Teesta. And overall, Bangladesh should consider signing and advocating the 1997 United Nations Convention on the Law of Non-Navigational Uses of International Watercourses as an international common ground to seek its fair share of water in Teesta and other transboundary rivers it shares with India.

LETTERS TO THE EDITOR

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Check dengue

This year's dengue outbreak has yet to end, and already it has proven to be the worst bout in the recent history of Bangladesh. We have seen several outbreaks of dengue in the country before, so the authorities concerned should have been able to figure out how to contain it already. Competent people must be employed to deal with this crisis.

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NON-PERFORMING LOANS

Are we aware of the real picture?



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Based on repayment performance, a loan can be categorised as unclassified or classified. If a loan is paid back on time with interest, it is termed an unclassified or performing loan. When a loan is not repaid in full, it is called a classified or non-performing loan (NPL). NPLs can in turn be termed as sub-standard (SS), doubtful (DF) or bad/loss (BL), depending on the period for which it remains due. When a performing loan turns into an NPL, it is termed as SS, then to DF and lastly to BL, as the non-payment situation deteriorates. Hence, in a pool of classified loans, it is better to have a higher number of SS loans than DF or BL ones.

Managing NPLs in a country like Bangladesh is crucial because most financial assets are owned by commercial banks, and the country's economic growth is largely dependent on the flow of funds from the banking system. While NPL rates should not be more than two to three percent for a sustainable banking system, they are unusually high in Bangladesh. In 1991, the NPL rate stood at about 25 percent, which increased to nearly 35 percent in 2000 (*State, Market and Society in an Emerging Economy*, Chapter 10, Routledge). However, over the following two decades, the rate declined quite significantly. The NPL rate was 8.06 percent in 2020. Then it slightly reduced to 7.9 percent in 2021 before rising finally to nine percent in 2022. State-owned commercial banks (SCBs) and specialised banks (SBs) are mainly liable for such high NPL rates. For instance, against the overall NPL rate of nine percent in 2022, the rates were about 22 percent and 12 percent for SCBs and SBs, respectively. The volume of NPLs reached Tk 120,649 crore in 2022 without considering other distressed assets, according to the Bangladesh Bank.

The data on NPLs show that SS and DF loans declined over the 1994-2021 period, while the BL kept on rising, indicating that the quality of NPLs worsened. Of the total classified loans, the SS ones were 19 percent and DFs were 18 percent against the BLs of 63 percent in 1994. The rates of SS and DF loans declined dramatically to five percent and six percent, respectively, in 2000, whereas the BL loans increased abnormally to 89 percent. However, the SS and DF loans increased to 13 percent and eight percent, respectively, in 2010 with the corresponding fall of



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BL to 78 percent. In 2020, the SS and DF loans decreased noticeably to eight percent and five percent, respectively, with a corresponding rise of BL loans unusually to 87 percent. In 2021, the share of BLs in classified loans increased to 88 percent. SS and DF loans constituted about eight percent and four percent, respectively. The long-run increase of BL loans indicates that a major portion of the NPLs has not been performing for long. A question may naturally arise as to the destination of these BL loans.

The BL loans are buried under the technical name of loan write-off – meaning that a loan is no longer counted as an asset by the bank. Loans are written off to clear up the banks' balance sheets. Although loan write-off does not deny banks the right to recover money from the borrowers, the probability of collecting these loans is meagre.

In Bangladesh, a bank can write off a loan that has a minimum chance of recovery and has been classified as BL for at least three years. The bank must maintain 100 percent provision against that loan and has to file a lawsuit against the borrower. Available data shows that the amount of loan write-offs has been on a continuous rise over the 2003-2022 period. It was only Tk 3,700 crore in 2003, which jumped to Tk 17,400 crore in 2010.

The figure again soared to Tk 43,200 crore in 2020, and finally leaped to Tk 60,400 crore in 2022.

The share of loan write-offs by bank types gives different pictures. The SCBs had the share of 31 percent in loan write-offs in 2003, which increased to 41 percent in 2010 and then rose largely to about 56 percent in 2015. It reduced to nearly 38 percent in 2022, however. The contribution of private

Tk 21,300 crore, funds stuck through court stay orders of Tk 79,200 crore, and special account of Tk 27,200 crore to calculate the NPLs. All these produced the total NPLs of Tk 240,100 crore, which accounted for 26 percent of the total outstanding loans. But at that time, the NPL rate reported by the Bangladesh Bank was only 9.3 percent, about one-third of the actual rate. Very recently, the central bank released the

statistics on risky loans, which may be treated as non-performing assets, too. They are the NPLs of Tk 120,649 crore, rescheduled loans of Tk 212,780 crore and written-off loans of Tk 44,493 crore. They produced the NPL equivalent of Tk 377,922 crore, which is 27.23 percent of the total outstanding loans of Tk 13.88 lakh crore.

With NPLs only increasing, banks in Bangladesh have been facing tremendous pressure in terms of provision maintenance. There was a shortfall in maintaining provision almost every year between 1997 and 2022. Although there were ups and downs in the provision maintenance ratio, on average it increased over time.

It is necessary to get an appropriate estimate of NPLs so that the actual performance of the banking sector can be understood. If there is an underestimation, it will have multiple effects. Asset quality will be falsely high and the capital maintained against risk-weighted assets will be lower than what's required. Consequently, an imbalance will be created between asset quality and capital maintenance. Bank profits will be artificially high as they will have to maintain less provision that comes from profits. Some banks will be viable on paper only, and their vulnerability cannot be realised before they go bankrupt.

This is not the complete picture of NPLs in our banking sector, because there are some other loans that also qualify as NPLs. The NPL rate will be much higher if all such loans are taken into account. Such an estimate was made by the International Monetary Fund (IMF) in 2019 considering the loans rescheduled, restructured, written off and stuck in the money loan courts. It took defaulted loans of Tk 112,400 crore, rescheduled loans of

commercial banks (PCBs) to loan write-offs was 34 percent in 2003, which increased to 40 percent in 2010. It rose marginally to 41 percent in 2015 and profoundly to about 60 percent in 2022. The SBs and foreign commercial banks (FCBs) had smaller contributions to the loan write-offs.

By combining non-performing and written-off loans, the actual picture of the overall NPLs will become fairly evident. In 2003, for instance, the non-performing and written-off loan rates produced a combined rate of about 27 percent. This rate dropped to about 17 percent and 15 percent in 2009 and 2015, respectively. The NPL rate of only eight percent with nearly four percent of written-off loans produced the actual NPL rate of 12 percent in 2020. The NPL rate was nine percent in 2022. If the loan write-offs of about five percent is added to this, the real NPL rate becomes 14 percent.

adopted by the UN Office for Outer Space Affairs (UNOOSA), ensures that space exploration is carried out for the benefit of all countries, with an emphasis on the needs of developing countries. In conformity with international laws, such as the UN Charter and the Outer Space

Let's stake our claim to outer space

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Space is beyond the jurisdiction of any one nation. But it has always been occupied by the developed nations due to their advancements in aviation and aerospace. There are five treaties on outer space that have been forged in the United Nations: Outer Space Treaty 1967, Rescue Agreement 1968, Liability Convention 1972, Registration Convention 1975, and Moon Agreement 1979. Among them, only the Outer Space Treaty has been ratified on a large scale – by 113 UN member-states. The Moon Agreement has been signed by only four states – France, India, Guatemala, and Romania; around 18 major space-faring countries have become party to the treaty, but did not ratify.

Though the Outer Space Treaty specifies space as a global common resource, it does not mean that the space is public property. Rather, it gives directions on private ownership over the space, as only a handful of entities can send satellites and other resources into orbit. The objective of the Outer Space Treaty has been to ban and limit the use of nuclear weapons

and prohibit any military activity in space. Article VI of the treaty only creates international responsibility of the state parties for all national space activities, whether carried out by governmental or non-governmental entities. So, countries like Bangladesh and any other state which are a party to this treaty may utilise the resources brought from outer space, but they cannot send or do any space activities without the permission from other state parties. The UN Committee on the Peaceful Uses of Outer Space (COPUOS) provides only a forum for discussion and development. No "body" has been created to monitor or regulate the activities of space explorers in outer space and the orbit of Earth.

The commercialisation of space was initialised with the growing need of entertainment and telecommunication broadcasting. While the treaty highlights aspects regarding uses, exploration benefits and risks, it also covers resource-sharing with the developing countries. The Space Benefits Declaration,

efficient transportation, peacekeeping, security, and humanitarian aid. Being a soon-to-be developing country, Bangladesh complies with space law and joined the Outer Space Treaty in 1986. With the launch of Bangabandhu-1 Satellite in 2018, Bangladesh became the 57th country and the fourth in South Asia to own a satellite, marking a significant advancement in the country's space research efforts. The nation also has the Space Research and Remote Sensing Organisation (SPARRSO), which collaborates on environmental and meteorological research with Japan Aerospace Exploration Agency (JAXA), Nasa, and the European Space Agency (ESA). Using American and Japanese satellites, SPARRSO keeps an eye on Bangladesh's water resources and agro-climatic conditions.

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Treaty, the declaration emphasises worldwide cooperation in peaceful space exploration, utilising space benefits through several policy sectors, including monitoring of the climate and weather, access to healthcare, water management,

Ownership of a satellite and utilising the remote sensing technologies under the Outer Space Treaty makes Bangladesh more relevant to the commercialisation scope of space. The business industry surrounding space exploration was once a public agenda, but the absence of effective regulatory mechanisms leaves narrow scope for countries like Bangladesh to access and utilise the benefits of space exploration. Developing countries like ours must come forth to ratify all the five treaties to protect their rights over the benefits presented by space exploration.