

An ominous sign for food security

Latest WFP findings must be carefully analysed and acted upon

A new study has painted a worrisome picture about food security in Bangladesh. The World Food Programme (WFP), after a survey conducted in May-August this year, found that as many as 24 percent of people in the country were suffering from different levels of food insecurity. The situation is far worse for the poor people, with 46 percent of the ultra poor living in food insecurity, according to the survey. Earlier in July, five UN agencies, including the WFP, revealed that 5.2 crore people in Bangladesh were struggling with varying degrees of food insecurity, of whom 1.87 crore were facing the most severe form of food crisis.

The situation is quite distressing, to say the least. Evidently, despite reassurances from the authorities, a significant part of our population is not getting square meals for a prolonged period, which means they are unable to meet their daily nutritional needs. When asked for comments, the secretary of the food ministry rejected the WFP survey, saying the government had over 15 lakh tonnes of rice and 1.5 lakh tonnes of wheat in stock, and had several initiatives underway to provide basic food items at affordable prices to the disadvantaged people. If that is the case, why are so many still suffering from food insecurity?

During the survey period, 71 percent of families identified the high food prices as their primary concern, while 70 percent said they were cutting down on food intakes, borrowing money, selling off assets and buying food items on credit to make ends meet. This shows that those government initiatives are hardly helping them. The government's efforts to control food prices don't seem to be working either, thanks to some vested groups who seem to be beyond all regulations and can easily manipulate prices. Meanwhile, people who are already struggling financially are further getting trapped in debt just so that they can buy food.

We urge the government to carefully consider the WFP findings rather than dismissing them out of hand. It is unacceptable that a quarter of the population are going to bed hungry every day, and suffering from malnutrition, which is affecting their productivity and subsequently their ability to earn a living. The government must deliver on its promise of food security for all and employ real-life solutions – like putting a stop to price manipulation – so that everyone can afford proper meals.

Why are many still dying of dengue?

Timely access to hospitals remains a challenge for critical patients

For those who were hoping that there would be a significant reduction in dengue cases and deaths this month following the end of the traditional peak season (August-September), October has proved to be equally unrelenting, in a fitting nod to a year that has already broken all records of dengue in Bangladesh. It is past mid-October now, and still so many people are getting infected or dying every day. In fact, the health directorate has come up with a shocking revelation: of all the deaths recorded in the first two weeks of October, over 70 percent occurred within 24 hours of hospital admission. Reportedly, it was around 50 percent till August.

What could be responsible for this increase in hospital-related deaths? While it is a fact that most hospitals are not properly equipped to treat critical dengue patients, it is also true that patients often arrive when it is too late – when they are already experiencing the dengue shock syndrome or suffering from organ failures and internal bleeding. Which brings us to the question: why are patients coming to hospitals at the last hours?

There could be two explanations: one, many people are still not aware of the true extent of danger that dengue poses, and two, many who live outside Dhaka do not have the scope to get tested as quickly as those living in the capital. Since dengue has now spread all over the country, more critical patients are now being transferred to Dhaka for lack of local treatment options. And precious time is being lost in the process, which is eventually leading to the deaths.

This has once again exposed the weaknesses of our healthcare system, where people in many areas are still deprived of much-needed services. It is really unfortunate that we have learnt so little from the Covid-19 pandemic. We urge the authorities to quickly address this situation, raise awareness among the public and adequately prepare all healthcare facilities across the country. Otherwise, the dengue situation will only get worse.

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The excessive level of noise in our capital city has become unbearable and is having a serious impact on our health and well-being. In Dhaka, drivers use their horns for everything, from signalling to expressing their impatience. The government should take strict action to address the problem of excessive horn use in Dhaka. Possible ways of achieving this can be banning the use of loud horns, increasing public awareness about the dangers of noise pollution, enforcing stricter traffic regulations, and promoting a culture of respect and patience on the roads.

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EDITORIAL

What's really driving our NPLs up?



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Non-performing loans (NPLs), or defaulted loans, are an unavoidable consequence of lending, because they arise from varying risks – some controllable, others not so much – related to lenders, borrowers, and the economy. For example, a lender may fail to select a creditworthy borrower, and the borrower may not use the loan productively, leading to a default. Even if a creditworthy borrower is selected, the loan may be defaulted because of poor economic conditions – a systematic risk beyond the control of both parties.

However, the recent rise of NPLs in Bangladesh – to an all-time high of Tk 156,039 crore in June 2023, from the previous highest of Tk 134,396 crore in the third quarter of 2022 – is not due to purely economic reasons. This abnormal rise is not surprising given our banking sector's prevailing nature, and the three fundamental reasons behind this can be identified clearly.

Business-politics nexus

It is alleged that a group of politically-connected people took out large loans from state-owned commercial banks (SOCBs) and intentionally defaulted on them. Later, these swindled funds were used to establish private banks, while the defaulters became their directors. They then started taking loans from the private banks and repeated the strategy of not repaying. Likewise, many unscrupulous businessmen also took loans from banks and defaulted. To avoid legal consequences, a good number of them sought refuge in politics. Political parties also utilised the defaulters, as the former cannot persist without financial support from the latter. And this is how a business-politics nexus took shape in Bangladesh.

Many politicians and businessmen have been syphoning money out of banks since the country's independence. Over the years, large loan defaulters emerged from different political parties; they became outstandingly powerful with political patronage and created dangerous situations in the banks. Meanwhile, to institutionalise their position in lawmaking, the businessmen grabbed a good number of seats in parliament.

In national elections between 1973 and 2018, the number of business-turned-lawmakers increased on average. In 2018, around 61 percent of the lawmakers were from this group, up from just 13 percent in 1973 (*State, Market and Society in an Emerging Economy*, Chapter 10). With such dominance, it is quite unlikely that they would pass any laws that would punish them or their associates.

Due to all this, several banks went through irresponsible lending practices, ignoring rules and regulations. Loans

Nevertheless, a few banks appointed more than the number of family members allowed as directors.

In 2018, cash reserve requirements were cut down, allegedly due to the pressure of private bank owners. The government approved state entities to deposit 50 percent of their funds in private commercial banks (PCBs), up from 25 percent. Then in 2019, the defaulters were allowed to remain as

credit management of banks.

In Bangladesh, the money loan court was introduced in 2003 for the quick resolution of disputes between banks and clients over loan repayment. There are only seven such courts in the country: four in Dhaka and one each in Chattogram, Khulna, and Mymensingh. Hence, the existing courts are overburdened with cases, which has made the loan recovery



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VISUAL: BIPLOB CHAKROBORTY

were sanctioned to those politically connected, facilitated by pressure from the banks' boards. The defaulters enjoyed leniency from the authorities, which implies a strong association between business and politics.

Lack of corporate governance

Accountability, transparency, fairness, and responsibility are the basic principles of corporate governance. A firm with good governance has the interests of all stakeholders aligned, and one with bad governance creates doubts about its operations. The many financial scams that occurred in the country, which raised serious concerns among stakeholders, resulted from a lack of governance.

According to central bank rules, a loan can be rescheduled three times after a down payment has been made. In 2015, however, the Bangladesh Bank allowed for a special loan restructuring facility to 11 business groups that were already enjoying the rescheduling facility. The performance of those loans is disappointing. In the Banking Companies (Amendment) Act, 2017, the tenure of a private bank's director was increased from six to nine years; the number of directors who could be from the same family was also raised from two to four. The tenure was further extended to 12 years in the Bank Company (Amendment) Act, 2023, while three directors from the same family can now be appointed.

While the Bangladesh Bank is responsible for punishing rule violators, it changed the rules in some areas, which worked in favour of defaulters and directors. Family-controlled banks were established by changing the rules, a move that was against public sentiment and expert opinions. Such violations have become common in the banking sector. For example, it was disclosed in parliament that PCB directors took loans worth Tk 171,616 crore (11.21 percent of total outstanding loans) from various banks, exceeding their loan limits. Due to the lack of corporate governance, many banks are now loaded with distressed assets and NPLs.

Legal infrastructure

Adequate legal infrastructure – relevant laws, courts, and impartial judges – are necessary to enforce decisions

in a timely manner. A strong legal infrastructure largely supports the

regular borrowers just by making two percent repayment of their outstanding loans. These borrowers were also given 10 years, with one year grace period, to repay their loans. A special policy on loan rescheduling and one-time exit scheme for defaulters was also permitted. The central bank eased the loan classification rule in 2019, deviating from international standards. Loans were also not classified in 2020 and 2021 considering the effect of Covid-19 on borrowers.

process lengthy. According to the central bank, the number of cases reached 72,189 in December 2022; the amount of money stuck in these cases was Tk 166,886 crore.

The money loan courts have been unable to meet the time limits to dispose of the cases; there is undue delay in filing cases, framing charge sheets, and delivering verdicts. Plus, defaulters can always appeal to the higher court, and in most cases, get a stay order in their favour. This lengthy process encourages borrowers to default intentionally and choose to wait it out for years as the courts move at snail's pace. Hence, a strong legal infrastructure is urgently needed to deal with disputed loans.

To expedite disposal of the cases, the law ministry has sent its proposal to the public administration ministry to set up 17 more of such courts: 13 in Dhaka and four in Chattogram. It is expected that the courts will help dispose of the cases once they are established.

But setting up more courts will not bring the desired results if they are not allowed independence in their operations. The authorities must also have the intent to put habitual defaulters on trial and punish them accordingly to establish financial discipline in the banking sector. Thus the courts must be kept free from any kind of interference. Otherwise, from having the second highest default rate among the South Asian countries, we may rank first soon enough.

INTERNATIONAL DAY FOR THE ERADICATION OF POVERTY

Identify pockets of poverty early on

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Endeavours to reduce poverty usually do not have a uniform effect; pockets of poverty always seem to emerge. For instance, while developing countries have made remarkable progress in poverty reduction since 2000, as much as 80 percent of the total extreme poor continue to inhabit the regions south of Sahara in Africa and those in southern Asia. Pockets of poverty prevail in middle- and high-income countries as well.

The incidences of moderate and extreme poverty in Bangladesh have been declining throughout the 2000s and, as of now, the extreme poverty rate in the country stands at 5.6 percent. But even so, at the district level, there are a number of areas that have consistently found their place in the high poverty lists referred to in several five-year plans.

The major factors behind this include adverse climate, poor infrastructure for connectivity, low market access, distance from urban centres, susceptibility to natural and/or human-made disasters, low population density, insufficient economic and/or social

services, low income, unfavourable agricultural environment, and hard-to-access geographical location.

If seen from a poverty reduction perspective, some of these may work as primary factors and some as tertiary factors in the formation of a poverty pocket. The interrelation between these factors is intricate. However, almost all the factors connect back to three points: remote geographical location, adverse climate, and poor infrastructure related to connectivity. With these three being the primary factors, the rest can be considered as tertiary ones.

The background studies of the Eighth Five Year Plan (FYP) of Bangladesh lists 20 districts as poverty hotspots – five districts based on income poverty, 12 districts based on social deprivation, and three districts based on both income poverty and social deprivation. Many of these districts feature poor transportation facilities causing poor connectivity, particularly with urban centres. Some of the districts on the border regions fall in this category, which makes it difficult for other parts of the country to connect with them.

Kurigram, for instance, has been listed in the sixth, seventh and eighth FYPs. Remote charlands, particularly those in Jamalpur and Sherpur, are another common theme in this discussion. The Chittagong Hill Tracts (CHTs) also fall in this category, where poor infrastructure makes transportation difficult to and from the rest of the country. This leads to poor market access, resulting in a low level of economic services as well as low income.

Bangladesh sits alongside six other countries on top of the index for those at risk for climate change impacts and natural disasters. The Global Climate Risk Index 2021 identified Bangladesh as the seventh extreme disaster-risk-prone country in the world. Tropical cyclones, tornadoes, floods, coastal and riverbank erosion, droughts, and landslides are the major climate-induced hazards in Bangladesh, with different locations facing challenges typical to their geographic and climatic regions. While chars, haors, and riverside areas tackle floods and riverbank erosion, the Barind Tract in the northwest is prone to extreme heat and droughts. To cope with adverse climate impacts on agriculture, people in those regions need access to alternative livelihoods in the non-farm sector. But as opportunities for alternative livelihoods are very limited and connectivity is poor, people in the river erosion belts and at chars in Kurigram, Lalmonirhat, Gaibandha

and Jamalpur have remained among the extreme poor in Bangladesh for decades.

Having an early warning system for spotting emergent pockets of poverty can be highly significant for the development agenda. To build such a system, identifying both primary and tertiary factors is crucial. Although primary factors can exist independently of tertiary ones, they have a decisive role in paving the way for tertiary factors to transpire. Tertiary factors are also highly influenced by different stakeholders such as the government, development organisations, and so forth. As such, the focus should be on identifying the tertiary factors while depending on the primary factors to direct us towards them.

But while all this can be a starting point for developing an early warning system for imminent pockets of poverty, further research and programmatic intervention from all stakeholders is indeed a necessity. A possible way forward is to allocate sufficient resources to design and implement a pilot for understanding how an intervention of this sort can be effectively developed. Surely, such a pilot would require the involvement of various agencies and interest groups. In the event that an early detection method of poverty pockets is truly modelled, the development journey of ending poverty in all forms can, in fact, take an important turn.

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