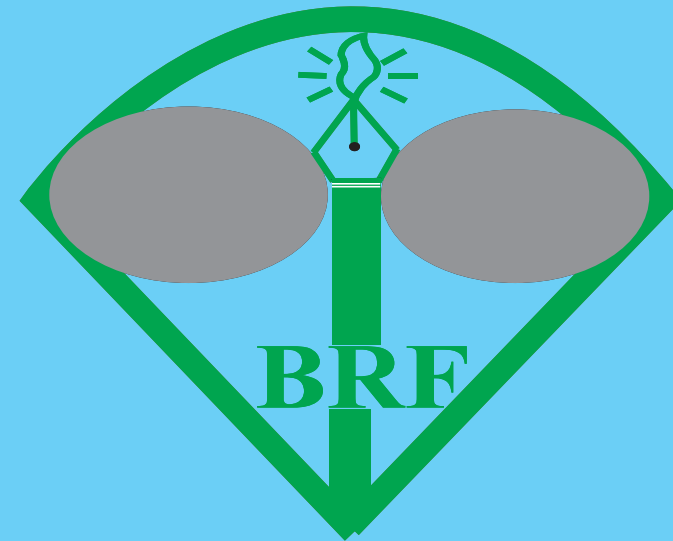


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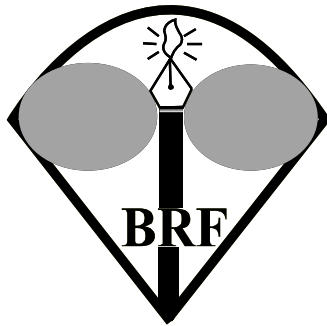
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Corporate Governance Practices in Banks: A Case Study on the Compliance Report of Dutch-Bangla Bank Limited (DBBL)

Dr. Habibur Rahman*

Abstract

Corporate Governance is the system of internal controls and procedures used to define and protect the rights and responsibilities of various stakeholders. For making corporate governance work, we are supposed to go through a profound metamorphosis and develop an inner value system which prides on equity, legitimacy, transparency and values dissent and diversity. Sound corporate Governance Principles are the key to obtaining and maintaining the trust of investors. They are also vital to creating an environment of respect where all investors, employees, customers and partners participate. There are Country Codes and Sector Codes of Corporate Governance in various countries including one for Bangladesh. In the context of Bangladesh, Securities and Exchange Commission (SEC) and Bangladesh Bank have established the Codes of Conduct for the compliance with all corporate governance guidelines. DBBL continually looks for ways to strengthen its corporate governance policies and procedures at all levels across the Bank. DBBL has been recognized by the Institute of Cost and Management Accounts of Bangladesh (CMAB) for Best Corporate Award for its published Accounts and Reports, Capital Adequacy, Asset Equality, Profitability, Liquidity, Corporate Governance, Market Share, CSR, Contribution to the National Economy, Risk Management, Regulatory Compliance, and Disclosure. This study makes an attempt to examine the current practices of Corporate Governance of DBBL in Bangladesh. The result of the study is satisfactory. From the findings of the study different firms may comply or implement the code in their own way, but it should be maintained strictly in the practices, policies, regulations, disclosures, and procedures of the Banking Sector in Bangladesh.

Key Words: Corporate Governance, Transparency, Accountability, Responsibility, Disclosure, Bangladesh Bank and SEC's Guidelines, Audit Committee, Board of Directors' (BOD) Compliance, Documentation, Risk Management, Rules and Regulations, Best Practices, Ethical Behavior, Stakeholders, etc.

Prelude

Corporate Governance is the system, in which a corporation (Company) is governed and dealt with the various interests of its consumers, shareholders, employees, and society at large. And it is the set of processes, customs, policies, laws and institutions affecting the way a company or a corporation is directed and controlled and is the relationship between all the stakeholders in a company. This includes the shareholders, directors, and management of a company, as defined by the corporate charter, bylaws, formed policy, and the role of law. It is based on principle that corporations or companies are accountable for their actions, and therefore broad-based systems of accountability need to build into the governance structures of companies. It is also a voluntary code of conduct that company directors are expected to follow in managing a company. The code contains expectations and provisions that are more extensive than any statutory, professional, or capital market requirements. They are also vital to creating an environment of respect where all investors, employees, customers, and partners participate. Corporate governance and its structure, dimension, effectiveness, and arrangements vary widely from country to country.

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Evolution of Corporate Governance

In the past 50 years technological advances in practically every field have exploded, nearly all traceable to the invention of the transistor. With the subsequent development of digital technology, we have seen revolutions in electronics, communications, and manufacturing, leveraged by an exponential increase in our ability to gather and disseminate information. The worldwide attention to corporate governance is a result of the Enron Collapse in 2001, followed by additional scandals and corporate failures in the USA.

After several corporate scandals, focus on corporate governance has increased rapidly and led to implementations of “codes of best practices” in many countries of the world. There are country Codes and Sector Codes of Governance in various countries including one for Bangladesh. In February 2006, Securities and Exchange Commission (SEC) imposed some conditions for the compliance by the companies listed with any stock exchange in Bangladesh in order to enhance corporate governance in the interest of the investors and the capital market. Countries like China, Russia, CIS, East European countries, etc. which are yet to take off from their socialistic economic frameworks have taken a shape in their corporate governance practices, while we are by born living in a by and large free economy is yet to take any shape of it. By corporate nature and culture we start when others finish and tremendously hesitant to through away any old and outdated things; may be for boasting of having antiques. That is why, the history of corporate governance in Bangladesh is not very old. Fifty-five years back from now, the land, which is now in Bangladesh, had a few bodies incorporated under Companies Act. With industrialization and setting corporate bodies, Corporate Governance has gained momentum role to play in a developing country like Bangladesh.

Elements of Corporate Governance

The corporate governance structure specifies the distribution of rights, and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the mean of attaining those objectives and monitoring performance. This structure includes the following elements:

- The legal issues: What does the law require?
- The ethics: How does the organization define and fulfill its obligations to its constituencies or stakeholders in view of conflicting interests?
- Effectiveness: How does the board ensure that it and its management make effective decisions in an efficient and timely manner?
- The Boards relationships: How does the board maintain effective relationships with its constituencies particularly shareholders and management?
- The Group Dynamics: How well does the board function as a group or team?

Literature Review

Corporate Governance is a field in economics that investigates how to secure or motivate efficient management of corporations by the use of incentive, mechanisms, such as contracts, organizational designs and legislation. This is often limited to the question of improving financial performance, for example, how the corporate owners can secure or motivate that the corporate managers will deliver a competitive rate of return (Mathiesen). Victoria Wise et al 2009, (AIUB-BUS-ECON-2009-05), explained that Good Corporate Governance is expected to underpin effective and efficient corporate social responsibility within the firms. It indicates the policies and procedures applied by firms to attain certain sets of objectives, corporate missions and visions with regard to stockholders, employees,

customers, suppliers, and different regulatory agencies and the community at large. The role of governance is to maximize shareholders' wealth. In true sense, it is concerned with methods, laws and policies that direct control and administer important functions of corporation (Zakaria et al). In other words, corporate governance is a system in which companies are directed and controlled. Vittal (2000) states that corporate governance calls for three factors; These are: (i) transparency in decision making (ii) accountability which follows from transparency because responsibilities could be fixed easily for actions taken or not taken, and (iii) the accountability that is for safeguarding the interests of the stakeholders and the investors in the organization. For simplifying the idea about corporate governance system the following principles have been outlined by the Organization of Economics Co-operation and Development (OECD): (i) protecting the rights of shareholders (right to ownership and full disclosures, voting participations in all kinds of general shareholders so as to investors see themselves as owners, not just investors.), (ii) Equitable treatment of shareholders, (iii) Role of stakeholders, (iv) Ensuring disclosure and transparency, (v) clarifying responsibilities of the board. The Cadbury Report stipulated that the Board of Directors should meet regularly, retain full and effective control over the company and monitor the executive management. There should be a clearly accepted division of responsibilities at the head of the company, which will ensure the balance of power and authority. Reserve Bank of Indian states, in its Banking System, that the following categories of corporate governance would have: (a) Transparency (b) Off-site surveillance (c) Prompt Corrective action. Transparency and disclosure standards are also important constituents of a sound corporate governance mechanism. From 1990, Bangladesh commenced a move towards a free market economy. A floating exchange rate mechanism was introduced from 2003. Yet the capital market of the country has still not fully developed. But it is not about pure corporate governance practice. In the article of Abide and Taneem, 2007, it is concluded that although the number of companies are making social disclosures, the quantity of information disclosed is very low. In the context of Bangladesh, it is observed that the ownership concentration is not widely held in most of the listed companies (Salim Uddin, 2008). A literature survey on the model of corporate governance has been explained in the following table:

Table: A simple Classification of Corporate Governance Model:

Differnet Firm	Role of Principal and Agent
Widely Held Firm	Strong Managers, Weak Owners
Closely Held Firm	Strong Blockholders, Weak Minorities
Family Firm	Strong Managers, No Outsiders
Transitional Firm (A Firm in a Transitional Economy)	All Powerful Managers, little Resistance
Development Firm (A Firm in a Developing Economy)	Strong Managers, Related Investors.

(Source: *Journal of Cost and Management*, Ap-March '08).

Moreover, Bangladesh Enterprise Institute (BFI), (2004), mentioned that the following items should be included in the "*Directors Report*" such as: (a) Explanation of results (b) Explanation of compliance and non-compliance with the code of Corporate Governance (c) Explanation of deviation of International Accounting Standard (IAS), (d) Sales and market share for domestic and foreign markets, (E) Current market value of he company, (f) Ownership structure including disclosures of shareholders owning more than 5% of shares, (g) Details of loans to directors, any investments, including shares, government bonds and other securities, (h) Directors' shareholding and any change therein, their remuneration and compensation, (i) Key result information for division or businesses

segment, (j) Critical accounting policies used in preparation of financial statements, (k) Disclosure of the basis of estimates used in financial reporting, (l) Compliance of certain Standard of Accounting to increase the level of compliance such as IAS-12 Deferred tax, IAS-18 Revenue, IAS-23 Borrowing costs, ISA-25 Accounting for investment, IAS-27 Consolidated Financial Statements, IAS-34 Interim Financial Reporting and, (m) Statements of a going concern. Batra, Kaur and Dangwal (2007) argue that in order to achieve high standards of corporate governance, internal pressures such as peers and market competition should be more effective than enforcement by regulating agencies. It is also imperative that the regulators should expand their role and take effective measures to propagate the concepts of best practices in ushering an era of good corporate governance.

Objectives of the Study

The purpose of the study is to examine the status of compliance with corporate governance reporting conditions imposed by the SEC's Notification (No. SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006 issued under section 2CC of the Securities and Exchange Ordinance, 1969, of DBBL and reporting of the Audit Committee of the Board as per Securities and Exchange Commission Notification (No. SEC/CMRRCD/2006-158/Admin/02-08, on Corporate Governance, dated February 2006 of the DBBL. With a view to achieving the main objectives of our study, the following some specific objectives have been focused:

- i. To know about the corporate governance and its disclosure in different organizations.
- ii. To know the corporate governance practices in banking sectors.
- iii. To assess the extent of compliance with corporate governance reporting by the SECs, and audit Committee of SECs.
- iv. To find out the adequacy of corporate governance disclosure on a voluntary basis of DBBL.
- v. To give some recommendations for improving corporate governance reporting practices for the banking sectors.

Methodology of the Study

This study has been made on the basis of secondary data and this is a description type of research in nature. Annual Report of DBBL in 2008 is considered as the only means of information communication in the context of Bangladesh. Secondary data have been collected and analyzed from different journals, articles, news dailies, periodicals, magazines, websites, etc. For the betterment of this paper a special attention was on the Annual Report of DBBL in 2008.

Sound Corporate Governance Principles

The following principles draw on supervisory experience with corporate governance problems at banking organizations and are therefore, designed to minimize such problems. These principles are viewed as important elements of an effective corporate governance process:

Principle-1: Board Members should be qualified for their positions having a clear understanding of their role in corporate governance and be able to exercise sound judgment about the affairs of the bank.

Principle-2: The Board of Directors (BOD) should approve and oversee the bank's strategic objectives and corporate values those are communicated throughout the banking organizations.

Principle-3: The Board of Directors (BOD) should set and enforce clear lines of responsibility and accountability throughout the organization.

Principle-4: The Board should ensure that there is appropriate oversight by senior management consistent with board policy.

Principle-5: The Board and senior Management should effectively utilize the work conducted by the internal credit functions, external auditors, and internal control functions.

Principle-6: The bank should maintain sound internal control functions, including an effective compliance with corporate governance rules, regulations, codes, and policies to which the bank is subject and ensures that deviations are reported to an appropriate level of management or it appropriate to the Board of Directors (BOD).

Principle-7: The bank should be governed in a transparent manner.

Principle-8: The Board and senior Management should understand the bank's operational structure, including where the bank operates in jurisdictions, or through the structures, that impede transparency (i.e, Know-Your-Structure); Source: Enhancing Corporate Governance for Banking Organization, February 2006, Published by Bank for International Settlement Ch-4002 Based, Switzerland. pp-9-12)

The principal categories for calculating corporate governance risks are: Transparency, Dilution, Asset Transfer or Transfer Pricing, Mergers or Restructuring, Bankruptcy, Ownership, and Voting Restrictions, Corporate Governance Initiatives, Registrar Quality, etc.

German Practice

A dual board (Management Board and Supervisory Board) system is prescribed by law for German Stock Corporations.

Management Board

- a) It is responsible for independently managing the enterprise.
- b) It develops the enterprise's strategy, coordinates with the Supervisory Board and ensures its implementation.
- c) It ensures all provisions of law which are abided by and works to achieve their compliance by group companies (if any).
- d) It ensures appropriate Risk Management and Risk Controlling in the enterprise.

Supervisory Board

- a) The task of Supervisory Board is to advise regularly and supervise the Management Board in the management of the enterprise. It must be involved in decision of fundamental importance to the enterprise.
- b) The Supervisory Board appoints and advises the members of the Management Board: Together with the Management Board it shall ensure that there is a long-term succession planning.

Canadian Good Governance Guidelines

The Chartered Secretaries of Canada recommended the following functions of the Board of Directors for Good Governance:

1. Having strategic and policy planning
2. Setting mandate and charter
3. Agreeing the role of the board secretary and promulgate and secretary's role in governance
4. Complying with all securities legislation and/or statutory obligations

5. Exercising fiduciary duty
6. Taking risk assessment
7. Respecting confidentiality and privacy
8. Monitoring the audit functions
9. Establishing executive compensation guidelines
10. Following CEO and board succession planning
11. Performing the monitoring of board and management
12. Establishing a code of ethics and set values.
13. Growing relationship among the public, shareholders, the board and management
14. Acting in a socially and environmentally fashion
15. Establishing disclosure principles for material information.
16. Having endorsement of competence in director selection while understanding the values of independence.
17. Addressing committee mandates composition and frequency of meetings
18. Ensuring liability insurance commensurate with risk.
19. Monitoring corporate finance matters.
20. Making the most of the AGM and
21. Separating the functions of Chair from that of CEO

Corporate Ethical Behavior

It is imperative to recognize, appropriate ethical behavior accomplished by organizational personnel. All personnel in an organization need to understand their role in the internal control process, ethical practice and be fully engaged in the process and to communicate and provide clear guidelines for ethical behavior and must be clearly visible from top to bottom and to encourage periodical discussion on ethical value through rewarding for ethical conducts. (Source: *A Review of Capital Market and National Economy by CSE*. January-June 2005 pp. 25-31).

Five Major Areas as Specified by SEC's

1. Board of Directors.
2. Chief Financial Officer, Head of Internal Audit and Company Secretary.
3. Audit Committee.
4. External/Statutory Auditors.
5. Reporting the Compliance in the Director's Report.

Corporate Governance Practices by DBBL

Dutch-Bangla Bank Limited started operation in Bangladesh as first joint-venture Bank. The Bank was an effort of local shareholders which spearheaded the founder Chairman and The Dutch Company FMO.

The Board

The Board is comprised of directors having diverse skills, experience and expertise to add value towards better corporate governance of the Bank as well as to maximize value for all stakeholders. The Board discharges its responsibilities itself through various committees. The Board meets on a regular basis to discharge its responsibilities. The Board is made up of 10 (ten) directors including a Chairman and 5 (five) directors representing shareholders, one Independent Director, two Directors from depositors and the Managing Director as follows:

Chairman
Nominee of Ecotrim Hong Kong Limited.
Elected from General Shareholder's Group
Independent Director
Director from the Depositors
Director from the Depositors
Ex-officio Director

Key Objectives of the Directors

The Board is responsible for ensuring governance and performance of the company by directing and overseeing activities of the executive management by making them transparent, accountable and responsible. The directors are expected to protect the long-term interest of the shareholders and all stakeholders by setting key objectives for the management and by monitoring and ensuring that those objectives are achieved by the management in a sustainable way while maintaining transparency and accountability at every stage of operations. The Board must be satisfied that sufficient risk management systems are in place to mitigate core risks of the Bank and that there are adequate checks and balances in the internal control system to protect the value and quality of assets of the Bank. The Board of Directors is entitled to timely, accurate and adequate information & data to ensure effective control over operational, financial, strategic, compliance, governance and risk management issues of the Bank.

The Board is responsible for ensuring the following

- Setting key targets of the Bank and monitoring progress towards achievement of such targets.
- Approval of major policy decisions and long term strategic plans to achieve key objectives in an efficient and effective way.
- Disclosure of accurate, timely and reliable information to shareholders.

They are expected to

- Demonstrate the highest professional and ethical standard.
- Be fully independent from management.
- Be knowledgeable about the business and challenges that DBBL is facing.
- Apply prudence and judgment in decision making.
- Display commitments to the Bank and its all stakeholders through participation in the affairs of the Bank.

Number of Board Meetings held in 2008 and the attendance of each Director are shown in **Annexure-A** of Corporate Governance Guidelines of SEC.

The Committees of the Board of Directors

As per Bangladesh Bank guidelines, the Board has two committees namely the Executive Committee and the Audit Committee. Each Committee operates under specific TOR that sets out its responsibilities and composition. The TORs are designed and reviewed to ensure that the objectives of each committee are achieved in an effective way and that regulatory obligations and obligation to shareholders are fulfilled. The Committee regularly evaluates progress towards key objectives. Accordingly, time and efforts are dedicated to focus on responsibilities those are central to achieve the core objectives of respective committees.

Executive Committee (EC)

Responsibility of Executive Committee

The responsibility of Executive Committee of the Board is clearly delegated by the Board. Accordingly, the EC Exercises all the powers and functions on behalf of the Board in regard to:

- approving credit proposals, monitoring risk status and quality of loan portfolio,
- administrative affairs and
- financial affairs

However, all policy matters and strategic issues are dealt with by the Board of Directors of the Bank. The Executive Committee is comprised of seven directors where exists the Chairman along with five members.

Audit Committee

Responsibility of the Audit Committee along with Report of the Audit Committee as per Bangladesh Bank guidelines has been maintained. The Audit Committee is consisted of five directors where involves one Chairman and four members.

Relations and communications with shareholders

The Bank attaches highest importance on two-way communications with the shareholders. The Bank believes that the shareholders should have access to all relevant information about the Bank to make informed judgment and decisions. All the relevant information is placed in its website (www.dbb.com.bd) for convenience of the shareholders. As per SEC guidelines all the price-sensitive information having any possible impact on share prices of the Bank are communicated to the shareholders by publication in national dailies and through DSE, CSE and SEC. Half-yearly financial statements are communicated to all the shareholders. Audited yearly Financial Statements are published in the national dailies. The half-yearly and yearly results are also made available in its website. The Annual General Meeting provides very good opportunities for communication with shareholders. All the suggestions or recommendations made by the shareholders in AGM or any time during the year are taken very seriously for compliance and better corporate governance of the Bank.

Preparation of Financial Statements

Financial statements of DBBL give a true and fair view of the state of affairs of the Bank and the result of its operation and cash flows. All the applicable Bangladesh Accounting Standards adopted by ICAB are complied with for preparation of financial statements. The financial statements are prepared by the management and approved by the Board of Directors and audited by auditors appointed in the Annual General Meeting.

External Audit

Hoda Vasi Chowdhury & Co, Chartered Accountants (Independent Correspondent Firm to Deloitte Touche Thmatsu) is the statutory auditor of the Bank. They do not provide any other accounting, taxation or advisory services to the Bank except audit of cash incentives payable to exporters.

Compliance with Bangladesh Bank Regulations

As a commercial bank, DBBL is regulated and supervised by Bangladesh Bank under the Bank Companies Act, 1991 and rules and regulations made there under, DBBL attaches highest priority to strict compliance with all regulatory requirements of Bangladesh

Bank in terms of core risk management, capital adequacy ratio, foreign exchange regulations, liquidity management, KYC and anti-money laundering compliance, etc.

Audit and Inspection by Bangladesh Bank

Bangladesh Bank also undertakes audit & inspection of DBBL at regular intervals. Compliance with observations and recommendations made by Bangladesh Bank help the Bank improve internal control, risk management, corporate governance and regulatory compliance maximizing benefit for all stakeholders.

Compliance with Corporate Governance Guidelines of Bangladesh Bank

DBBL has also adequately complied with Corporate Governance Guidelines of Bangladesh Bank (BRPD Circular no 16 Dated July 24, 2003) in terms of overall business activities of the Bank including credit and risk management, internal control, human resource management as well as income and expenses. Segregation of financial, operational and administrative authorities and responsibilities between Board and Management have also been ensured.

Compliance with SEC Regulations

As a listed company, DBBL is regulated by Securities and Exchange Commission (SEC). As detailed in Annual Report, this has adequately complied with corporate governance guidelines issued by the Securities and Exchange Commission.

Credit Rating of the Bank

In line with Bangladesh Bank's BRPD Circular No. 06 dated July 05, 2006 and in order to improve the risk management and corporate governance system of the Bank and to safeguard the interest of investors, depositors, creditors, shareholders and the Bank Management as a whole, surveillance credit rating of the Bank for the year 2007 was done by Credit Rating Information and Services Limited (CRISL), a credit rating agency established under joint venture with credit rating agencies of Malaysia and Pakistan. The date of rating by CRISL was 30 June 2008. CRISL upgraded long-term rating of DBBL from 'A' to 'A+' (pronounced as single 'A' plus) and maintained short-term rating at ST-2. CRISL has also assigned stable outlook to DBBL and believes that the Bank will be able to maintain its good fundamentals in 2008. Credit rating will be done regularly on a yearly basis and credit rating of 2008 will be completed before June 30, 2009.

Awards

DBBL was awarded with ICAB National Award for best published Accounts and Reports for the year 2007 in the Financial Sector-Banking Category. DBBL's Annual Report was also adjudged as Recipient of a Merit Certificate for the year 2007 in the category of Banking Sector by South Asian Federation of Accountants.

Status of compliance with the conditions imposed by the Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/ Admin/02-08 Dated February 20, 2006 issued under Section 2CC of the Securities and Exchange Ordinance, 1969.

Condition No.	Title	Compliance status (put√(tick) in the appropriate column)		Explanation for non compliance with the condition
		Complied	Non-Complied	

1.00: Board of Directors

1.1 Board's size	The number of the Board members of the company should not be less than 5 (five) and more than 20 (twenty).	√		
1.2 Independent Directors	(a) At least one tenth (1/10) of the total number of the Company's Board of Directors, subject to a minimum of one, should be independent directors.	√		
	(b) The independent director(s) should be appointed by the elected directors.	√		
1.3 Chairman & CEO	The positions of the Chairman of the Board and the Chief Executive Officer of the Company should preferably be filled by different individuals. The Chairman of the Company should be elected from among the directors of the company. The Board of Directors should clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	√		

1.4: The Directors' Report of Shareholders

	(a) The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	√		
	(b) Proper books of account of the issuer company have been maintained.	√		
	(c) Appropriate accounting policies have consistently been applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	√		
	(d) International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.	√		
	(e) The system of internal control is sound in design and has been effectively implemented and monitored.	√		
	(f) There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	√		
	(g) Significant deviations from last year in operating results of the issuer company should be highlighted and reasons thereof should be explained.			Not applicable
	(h) Key operating and financial data of at least preceding three years should be summarized.	√		
	(i) If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof should be given.			Not applicable
	(j) The number of Board meeting held during the year and attendance by each director should be mentioned clearly.	√		
	(k) The pattern of shareholding should be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:- i) Parent/Subsidiary/Associated companies and other			

	<p>related parties (name wise details);</p> <p>ii) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor Children (name wise details);</p> <p>(iii) Executives; and</p> <p>(iv) Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).</p>			
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2.00: Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary

2.1 Appointment	The company should appoint a Chief Financial Officer (CFO), a Head of Internal Audit and Company Secretary. The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the Company Secretary.	√		
2.2 Requirement of Attending Board Meeting	The CFO and the Company Secretary of the companies should attend meetings of the Board of Directors, provided that the CFO and/or the Company Secretary should not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to the CFO and/or the Company Secretary.	√		

3.00: Audit Committee

	<p>The company should have an Audit Committee as a sub-committee of the Board of Directors. The Audit Committee should assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.</p> <p>The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee should clearly be set forth in writing.</p>	√		
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3.1: Constitution of Audit Committee

	(i) The Audit Committee should be composed of at least 3 (three) members.	√		
	(ii) The Board of Directors should appoint members of the Audit Committee who should be directors of the company and should include at least one independent director.	√		
	(iii) When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until expiration of the service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board of Directors should appoint the new Committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee.			Not Applicable

3.2: Chairman of Audit Committee

	(i) The Board of Directors should select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee.	√	
	(ii) The Chairman of the Audit Committee should have a professional qualification or knowledge, understanding and experience in accounting or finance.	√	

3.3: Reporting of the Audit Committee

3.3.1 Reporting to the Board of Directors	(i) The Audit Committee should report on its activities to the Board of Directors.	√	
	(ii) The Audit Committee should immediately report to the Board of Directors on the following findings, if any:		
	(a) Report on conflicts of interests		Not Applicable
	(b) Suspected or presumed fraud or irregularity or material defect in the internal control system		Not Applicable
	(c) Suspected infringement of laws, including securities related laws, rules and regulations and		Not Applicable
	(d) Any other matter which should be disclosed to the Board of Directors immediately.		Not Applicable
3.3.2 Reporting to the Authorities	If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee should report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 9 (nine) months from the date of first reporting to the Board of Directors, whichever is earlier.		Not Applicable

3.4: Reporting to the Shareholders and General Investors

	Report on activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.3.1 (ii) above during the year, should be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.	√	
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4.00: External/Statutory Auditors

The issuer Company should not engage its external/statutory Auditors to perform the following services of the Company namely:

	(i) Appraisal or valuation services or fairness opinions;	√	
	(ii) Financial information systems design and implementation;	√	
	(iii) Book-keeping or other services related to the accounting records of financial statements;	√	
	(iv) Broker-dealer services;	√	
	(v) Actuarial services;	√	
	(vi) Internal Audit services; and	√	
	(vii) Any other service that the Audit Committee determines.		Not Applicable

Report of the Audit Committee of the Board as per Securities and Exchange Commission Notification No. SEC/CMRRCD/2006-158/Admin/02-08, on Corporate Governance, dated February 20, 2006.

The Audit Committee of Board was duly constituted by the Board of Directors of the Bank in accordance with the BRPD Circular Number 12 dated December 23, 2002 of Bangladesh Bank.

The objectives of the Audit Committee are to assist the Board of Directors mainly in the following areas:

- Establishing a culture of adequate internal control system to ensure that sufficient risk management system is in place to manage core risks of the Bank and that financial reports disclosed by the Bank are reliable.
- Developing an adequate Information Technology (IT) and MIS and establishing sufficient control system in IT operations to protect the Bank against any operational risk.
- Ensuring true and fair presentation of financial statements in compliance with Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards and applicable regulatory requirements.
- Reviewing the internal audit procedure of the Bank to ensure that the internal audit can pursue their activities without any hindrance. Reviewing the adequacy and effectiveness of internal audit and also reviewing whether management is complying with recommendations made by the internal audit.
- Recommending appointment of external auditors and special auditors and also reviewing audit works and reports submitted by external auditors and special auditors to ensure compliance and regularization of recommendations made by the auditors.
- Reporting to the Board of Directors on mistakes, frauds and forgeries and other irregularities for guidelines.
- Ensuring compliance to all applicable legal and regulatory rules and regulations and the directives made by the Board of Directors of Bank.

In pursuance of the objectives, the Audit Committee of the Board of Directors held five (05) meetings during the year 2008. The Committee reviewed compliance of policy issues, regulations and applicable laws in general and interim reports submitted by Bank's Internal Control & Compliance Division as well as reports of external and special auditors.

Upon review of 33 reports on 31 branches submitted by Bank's Internal Control & Compliance Division, and interim report for 2006 (third and fourth quarter) submitted by special auditor M/s. Hoda Vasi Chowdhury & Co., the Audit Committee issued a number of instructions and provided guidelines to improve the state of operation, internal control and compliance procedure and risk management system of the Bank including operational risk, credit risk and documentation.

The Committee instructed for immediate compliance of all issues raised and stressed the need for compliance on the part of Head of all Branches to review the progress on a regular basis and to submit updated Compliance reports to Internal Control & Compliance Division.

The Committee puts special emphasis on the following areas:

- To comply with all the requirements of the regulatory circulars meticulously provided by the regulatory authority like Bangladesh Bank.
- To give emphasis on the Retail & SME business in the branches.
- To form compliance unit of Anti Money Laundering in terms of Bangladesh Bank circular immediately.
- To comply with the observations at the earliest made by the external Auditors M/S. Hoda Vasi Chowdhury & Co.
- To maintain Departmental Control Functions Check List (DCFCL) as per regulatory guidelines.
- To collect Commission, VAT & postage Charges which were not realized against OBCs from the respective account holders.
- To give emphasis on account opening.
- To improve delivery of inward remittance, to take necessary action for undelivered ATM cards, etc.

The Committee also reviewed the audited financial statements as of 31 December 2007 audited by M/s. Hoda Vasi Chowdhury & Co., the annual report of 2007 and half-yearly financial statements as of 30 June, 2008 of the Bank. While reviewing financial statements, the Committee thoroughly reviewed adequacy of provisions made against loans & advances and other assets, provisions for deferred tax and capital adequacy ratio. The Committee also recommended list of eligible auditors to the Board of Directors for appointment of auditors for the year 2008 by the shareholders in the 12th Annual General Meeting held on April 17, 2008. The Committee stressed the need for close co-ordination between external auditors and Internal Control & Compliance Division for continuous improvement of internal control procedure and risk management system of the Bank.

Findings of the Study

(1) The Banks has adequately complied with all the Corporate Governance Guidelines of Bangladesh Bank and SEC. It is ensured by the Board that all activities and transactions of the Bank are conducted in compliance with internationally best practices to protect the highest interest of all the stakeholders. (2) Maximizing value for shareholders through performance with good governance is the responsibility of corporate management. In line with the best practice, the corporate governance systems and practices in DBBL are designed to ensure adequate internal control in operational process, transparency and accountability in doing business; and proper and timely disclosures in financial reporting so that value is maximized for all the stakeholders. (3) Responsibilities and functions are segregated in a way to strike the right balance between the Board and the Management. The Board provides leadership and direction of the Bank, approves strategic plans and major policy decisions and supervises performance of the management. The Board is responsible for ensuring and encouraging compliance, ethical standard and integrity throughout DBBL. (4) The Bank has a policy for delegation of authority. Accordingly, authorities are delegated to CEO, other senior management and cross functional management committees comprising head of functional divisions and senior management of review achievements of key objectives. The Board has also clearly delegated authorities to Board committees with specific terms of reference which sets out their objectives and responsibilities. From the above mentioned findings and practices of DBBL on Corporate Governance as per the guidelines of Bangladesh Bank and SEC's, it is apparent that the sample Bank has been following and respecting the compliance policies as well.

Recommendations

The Bank's corporate values should recognize the critical importance of timely and frank discussion of problems. In this regard employees should be encouraged and able to communicate, with adequate corporate protection from reprisal, legitimate concerns about illegal, unethical or questionable practices. Because such practices can have a detrimental impact on a Bank's reputation, it may prove highly beneficial for banks to establish a policy setting forth adequate procedures, consistent with national law, for employees to communicate material and bona fide concerns directly or indirectly (e.g. through an independent audit, or compliance process or through an ombudsman) and confidentially to the Board independent of the internal "chain of command". The Board and senior management should, in turn, address such legitimate communications. Any process for reporting material concerns should include mechanisms to protect employee's confidentiality. The Board and Senior Management should appropriately protect employees who report illegal, unethical or questionable practices from direct or indirect disciplinary action or other adverse consequences taken at the behest of the bank. Supervisors should provide guidance to the banks on sound corporate governance and the proactive practices that should be in place and consider this as one element of depositor protection. They should determine whether the Bank has adopted and effectively implemented sound corporate governance policies and practices. They should assess the quality of the banks' audit and control functions and evaluate the effects of group structure through their supervisory efforts. They should be attentive to any warning signs of deterioration in the management of the bank's activities. When supervisors believe that the Bank has taken risks that it is unable to fully measure or control, they should hold the board of directors and senior management accountable and require that corrective (remedial) measures be taken in a timely manner. Banking Industry Association can play effective role through initiatives related to voluntary industry principles and agreement on the publication of sound practices. Finally, it is clear that corporate governance can be improved by addressing a number of legal issues; such as: protecting and promoting shareholders rights; clarifying governance roles of corporate bodies; ensuring that corporation function in an environment that is free from corruption and bribery; and promoting the alignment of the interests of managers, employees, and shareholders through appropriate laws, regulations and other measures. All of these can help promote healthy business and legal environments that support sound corporate governance. These enhancements will likely evolve overtime as countries move at different paces from a level of minimum compliance with regulatory requirements to increasing commitment to sound corporate governance.

Concluding Remarks

DBBL strives to ensure its practices meet or exceed all local and international standards and requirements. The Bank practices corporate governance fully complied with the SEC's listed Companies Corporate Governance Standards and our corporate governance guidelines of Bangladesh Bank (BB). Its commitment to operating with integrity is rooted in a strong corporate governance structure and culture, based on principles of accountability and disclosure. DBBL's Corporate Governance Policies are designed to maintain the independence of the Board of Directors and its ability to effectively supervise management's operation of the Bank. The Board, which is composed of independent directors, audit committee, internal auditor, external auditor, depositor director, and nominated director by the institution, maintains responsibility for the Bank's corporate governance structures and procedures. Strong internal compliance procedures and comprehensive risk management policies are also part of the day-to-day operations of the Bank. With elements of good corporate governance, sound investment policy, appropriate internal control systems, better credit risk management, focus on newly-emerging business

areas like micro finance, commitment to better customer service, adequate automation and proactive policies on house-keeping issues, co-operative banks will definitely be able to grapple with these challenges and convert them into opportunities since the real success of our financial sector reforms will, however, depend on primarily the organizational effectiveness of the Banks including co-operative Banks, for which initiatives will have to come from the banks themselves. We hope and firmly believe that the commitment and efforts of DBBL are to ensure strong corporate governance structure as an exemplary for the other financial institutions.

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Dark Heart inside White Skin: A Quest for Savagery in *Heart of Darkness*

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Abstract

This paper focuses on Joseph Conrad's ironical portrayal, in Heart of Darkness, of how the white European people assume themselves to be 'civilized' and regard the black people of the Dark Continent Africa to be 'uncivilized' and 'savage'. Thus, he asserts on the bitter irony lying in the fact that the people who are portrayed as apparently civilized in the novel are extremely savage in reality. In fact, lust for power, jealousy and greed for ivory have led them towards their hateful metamorphosis into corrupt, monstrous and brutal beings exploiting the natives as their slaves for their selfish purposes and then throwing them away like wastes. Their extreme brutality is exposed when they violate the natives and their land by transplanting the trappings of their own civilization to the native environment in the name of 'civilizing venture'. So, the binary image of 'civilization and savagery' appears as a powerful weapon for Joseph Conrad to offer a radical critique of our easily assumed cultural norms: "What are the criteria of civility and savagery? Are the European really civilized and the Africans really savage?" Thus, Conrad, through Heart of Darkness, in a way questions the stereotyped values of the white civilization and the reasonability of the transplantation of its values to the so-called 'primitive' countries in the name of 'civilizing mission'. This paper explores the actual 'savagery' hiding under the Eurocentric cloak of 'civilization' and the real darkness lying inside the cover of white skin.

Introduction

The dichotomy of 'savagery and civilization' is one of the most disputed concepts in different areas of studies. The definition of 'uncivilized' is given in the OED as "existing in the lowest stage of culture" (Ashcroft, Griffiths and Tiffin 209). And, in European epistemologies and colonial ideologies, the term 'savage' has got a significant position.

Literature Review

While citing Joseph Conrad's *Heart of Darkness* in "An Image of Africa", Chinua Achebe points out how Africa is used by the Europeans with a view to defining and establishing their superiority as a 'civilized' nation distinguished from the 'darkness' of a 'primitive' Africa. And, for Conrad's way of presenting Africa and portraying the natives as "niggers" and "common savages", Achebe gets the scope to label him "a bloody racist" (285). Like Achebe, some other critics also cast a cloak of racism upon the back of Conrad. They base their allegations upon the novel *Heart of Darkness*, calling it a vile and most ungodly novel that only seeks to set the black race as a footstool of the white race. In addition to that, Pamela St. Clair doubts the objectivity of Conrad's point of view while he himself is a white portraying the blacks. She remarks, "We learn about reality through the various and often second hand accounts of others. Hence, which account is 'real'?" ("Discriminating Black from White")

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Objective of Research

However, it is worth claiming that Conrad has ironically presented the white European as 'civilized' and the black people of Africa as 'savage'. Actually, he has attempted to portray how the colonizers were executing the colonized and how they were reacting during the British colonial exploration in 'Dark' African Continent, and how the so-called civilization was turning into savagery. Thus, he focuses on the bitter irony lying in the fact that the people who are portrayed as apparently civilized in the novel are extremely savage in reality. *Heart of Darkness* refers to the hearts of the colonizers which are full of darkness covered inside the mask of white skin. In fact, lust for power, jealousy and greed for ivory have led them towards their hateful metamorphosis into corrupt, monstrous and brutal beings. That is why, the binary image of 'civilization and savagery' appears to be a powerful weapon for Conrad to offer a radical critique of the cultural norms that we have assumed so easily; and to raise the question which is the yardstick to judge civility and savagery. In fact, what are the criteria to prove that the Europeans are really civilized and the Africans are really savage? Here is an attempt to discover the irony lying in the depiction of 'civilized' and 'savage' in the novel to justify that Conrad actually attempts to expose the real dark heart of the European colonizers inherent in their cloak of white skin.

Methodology

The sole concern of this paper is to reveal how Joseph Conrad depicts, in *Heart of Darkness*, the white 'civilized' and their so-called 'civilizing' ventures in the 'Dark' Continent Africa in the name of bringing light to the Continent. So, a close observation and analysis of the discourses in the text seems to be a fruitful method for this paper. The data collected through discourse analysis of the text as well as other related books of criticism are evaluated from different perspectives to prove that Conrad actually exposes the real savagery or darkness hidden inside the cloak of white civilization in his novel, *Heart of Darkness*.

The Range of the Study

The work is, in fact, based on the textual discourses in *Heart of Darkness* that Conrad has used to expose the true picture of the so-called civilized white Europeans. This paper attempts to offer an objective observation of those discourses. The main idea of this paper is achieved by reading different books of criticism on Joseph Conrad's *Heart of Darkness* written from postcolonial perspective.

The Skeleton of Research

The paper is divided into five chapters. The first chapter, that is, the present one, is titled "Introduction" which offers a literature review and discusses the objective of the paper including a thesis statement. It also outlines the methodology and specifies the range and the design of the study. The second chapter "Conrad's Treatment of the White and the Black" focuses on the terms and issues Conrad uses in *Heart of Darkness* to expose the savagery of the whites. The third chapter "Kurtz as a Representative of Inherent Savagery" discusses how Kurtz being a representative of the so-called white civilization indulges himself in utterly savage activities. The fourth chapter "Politics of Representation" focuses on 'intertextuality' or 'discourses' in representing the whites as civilized and the blacks as savage. The final Chapter "Conclusion" summarizes the essay in brief.

Conrad's Treatment of the White and the Black

To begin with the aspect of colonial motive, almost all the white-skin characters included in Marlow's tale take part in the so-called 'civilizing' enterprise for selfish purposes. The narrator unconsciously points to the two symbols of that enterprise, "the

sword” and “the torch” (Conrad 19), through which he is, in fact, referring to violent and brutal forces, and to the negation of indigenous culture by the so-called light of ‘civilization’. We find his aunt very much satisfied with herself as she is helping to send Marlow to Africa as one of the workers and as an “emissary of light” (Conrad 19). She is totally occupied with the notion that the motive behind colonialism is to ‘civilize’ the primitive black people of Africa, “weaning those ignorant millions from their horrid ways” (Conrad 20). But, Marlow finds, in reality, the irony behind this motive and comments that “the work” is nothing but an irrational and meaningless violation of the land and its people. The colonizers’ transplanting the trappings of their own civilization such as the boiler and the railway-truck in Africa in a totally different situation and its violent effect on the land like the blasting on the hillside appears to be much irrational in this context. Moreover, they seem to show no effort to understand the population alien to them whom they are exploiting as “raw matter” (Conrad 30).

The expression of Marlow’s traveling companion can be a notable example of the implicit darkness of the white. He tells Marlow that “of course” (Conrad 35) his main intention to come here is to make money. We also find the agents of the manager who are almost worshipping ivory as a god. In the meantime, While the central figure Kurtz is supposed to turn his station into “a centre... for humanizing, improving, instructing” (Conrad 48), instead he has made it the “fascination of the abomination” (Conrad 21) as the human heads on the poles around his house indicate. Besides, though the Europeans set out their mission in Congo as the saviour and light bearer, ironically they are found to do nothing beneficial for the natives rather than suppressing, oppressing and degrading them.

Politics of representation is another significant issue related to the novella. The words that Conrad has used to describe the black African—“shapes”, “bundles of acute angles”, “phantoms” (Conrad 37)— imply the actual facts how these people have been reduced to mere objects; how they have been squeezed out of life through hard labour and then abandoned. Moreover, Marlow’s repeated emphasis on blackness, disease and death indicates that what the white Europeans have brought with them to Africa is not light but extreme darkness in reality.

The narrator and important character Marlow meets the natives for the first time at the Company Station. Here, we find the expression of his horrified impression regarding their misery and wretchedness. There are several scenes which bear the testimony of aggressive and futile activity done by the colonialists upon the so-called criminals, iron-collared and chained, whose ribs and joints are visible “like knots in a rope” (Conrad 35). They are reduced to the “black shadows of disease and starvation” like green gloom if the trees hopelessly awaiting their breathing last. And, the root of all kinds of evil done by the colonizers upon the so-called savage is the greed for ivory which is regarded as the beautiful luxury of the obsessed civilized men. In Conrad’s words:

They were dying slowly- it was very clear. They were not enemies... not criminals... nothing but black shadows of disease and starvation, lying confusedly in the greenish gloom... lost in uncongenial surrounding, fed on unfamiliar food, they sickened, became inefficient, and were then allowed to crawl away and rest. (*Heart of Darkness*, 44)

Here, Marlow’s remark is notable that he has previously experienced the devil of violence, the devil of greed, and the devil of hot desire; but, for the first time, he is now facing the “devil of rapacious and pitiless folly” (Conrad 34). From this comment, it is very much obvious that the total responsibility of such states of the blacks goes upon the

indifferent attitude of the whites. This also conveys to us the callousness of the so-called civilized colonizers towards the so-called savage colonized. At one moment of his journey, Marlow notices a warship anchored off the seacoast and engaged in aimless firing at the forest without any target in view. Such action of the people in the warship proves to be a sort of insanity to Marlow. The cannibals, however, maintain a measure of self-restraint rather than eating the whites. Here, besides emphasizing the savagery of the pilgrims compared with the “nobility” of the cannibals, Marlow also tries to indicate what it is that really deserves some measure of respect. Though he feels the necessity to eliminate this darkness, he becomes unable to cope with the forces of savagery and malevolence within him that the wilderness brings out because of the lack of moral equipment and the greed for money and power.

Thus, lust for power and wealth is such an instinct that corrupts humanity to a large scale and reduces into savagery. The central figure Kurtz, being an agent of the ‘civilized’, loses self-restraint for his devotion to fulfill his lusts. Similarly, the ‘reclaimed’ or ‘detribalized’ native helmsman is killed because of having no restraint. In fact, none of the characters in the story possesses any restraint except those apparently savage, half-starved cannibals on the steamer who restrain themselves from tucking into the pilgrims. Thus, they appear to be more civilized than the whites. However, Marlow’s negative attitude toward the natives as ‘cannibals’ is largely criticized, because we find no instance of their eating human flesh. The critics also do not restrain themselves from accusing Conrad to be a racist for attributing the cannibalistic expression in the mouth of the African slaves: “Catch ‘im,” he snapped, with a bloodshot widening of his eyes and a flash of sharp white teeth- “catch ‘im. Give ‘im to us.” “To you, eh?” I asked; “what would you do with them?” “Eat ‘im!” he said curtly.’ (Conrad 78)

Besides that, the whites seem to be totally unconcerned about the necessities and problems of the blacks, without whose labour and toil their steamer could not go ahead at all. Since Marlow belongs to the so-called civilized whites, very naturally his treatment of the natives is a little bit brutal. For example, instead of helping the dying helmsman, he throws the dead body into the river; and brutally remarks: “During life he was a second class worker, but now he might be a first class food for the fishes”. (Conrad 79)

Again, Mr. Kurtz, who is supposed to ‘civilize’ the ‘savage’ native people and bring them education, is actually representing the decay and corruption of the colonial imperialists. His hunger for power and wealth ultimately leads him to sell his soul for ivory business. This obsession materializes his deserved encounter with horrors at his eleventh hour and leads him toward his ultimate dehumanization. A representative of the forces of civilization in Congo with a supreme intellectual power like Kurtz finally instigates and partakes in unspeakably savage rites. His sense of self-appointed duty taken by the whites to govern and ‘civilize’ non-white societies prompts Kurtz to write a seventeen page report on the “Suppression of Savage Customs” to the white authority which concludes with the exhortation: “Exterminate all the brutes!” (Conrad 87). But, his degradation is justified as the influence of barbaric Africa.

However, this ‘civilizing mission’ proves to be a ludicrous issue for both the society whose customs are overthrown and the other whose morals are sacrificed in the name of conquest. Actually, the intention behind these ventures is just to enhance wealth and power of the white European the by-products of which are the exploitation of the native population and the moral degradation of the traders. Thus, the whites take the advantage of the weakness of the blacks and exploit them in many ways with a view to making themselves

more powerful. They use the natives as their slaves just to fulfill their selfish purposes. Finally, they will go back to their own society with ivories from this Dark Continent and the natives will remain abandoned and become more savage. In this way, the actual savagery is hidden under the cloak of 'civilization' and the real darkness lies in the heart covered with the white skin.

Moreover, Marlow's referring to the city of Brussels as a "whited sepulchre" (Conrad 24) also implies the evil inside the white society. "Whited sepulchre" means a place which outwardly seems to be pleasant and righteous; but inwardly corrupt and evil. Here, Conrad uses Marlow's imagery and objective observation to establish a criticism of the 'civilized' society. For instance, in the very opening paragraphs of the text, Marlow depicts a dark image of London, the centre of civilization during Conrad's time: "A haze rested on the low shores that ran out to sea in vanishing flatness. The air was dark above Gravesend, and farther back still seemed condensed into mournful gloom, brooding motionless over the biggest, and the greatest, town on earth" (Conrad 65). Here, the dichotomy of dark imagery paired with the implication of "light" which civilized London represents- shows an extended contrary of light and dark with civilization and brutality. Although this continually contradicting imagery of light and dark appears to be somewhat inconsistent at first, it serves to bring about the connected idea that civilization or light contains in itself an inherent element of the savage or the dark.

Kurtz as a Representative of Inherent Savagery

Some critics say that Mr. Kurtz represents extreme savagery in himself. In spite of his being an individual 'civilized' man, he presides over the midnight dances of the natives that always end with "unspeakable rites". This incident actually reveals his inherent instinct in taking pleasure in human sacrifice, in the shedding of human blood, in sexual perversions, and in similar other violent passions. In Marlow's words, "All Europe contributed to the making of Kurtz." Thus, Marlow exposes an inconsistency between the public utterances of the white and their actions which implies the failure of the white civilization to put its ideas into practice. In other words, Marlow in a subtle way undermines the destructive self-employed interference of the white civilization in the natives' enterprises, exposing its shortcomings and deceptions. At the same time, his calling Africa and its people an "enigma" implies his recognition that they have a specific character which the white people should try to understand. The isolated moral values that Marlow learns in Congo help him measure the hypocrisy and false idealism of European civilization. Indeed, the behaviour that the white men show in Africa appears to be worse than the so-called 'cannibalism' of the black men. In this way, the Europeans, unable to identify with the African environment, become hollow men, empty of humanity and of hollow heart dwelled by darkness and utter savagery.

Again, pathetically the blacks are treated by the whites as animals only for their physical features and are portrayed as ant-like being without human qualities. Furthermore, they are portrayed as silent, naked robots ready to act as the white people will since their minds are captured by the gun power of the intruders. The whites implement this process of dehumanizing the blacks so that they can glorify and establish their own 'superiority' in the world. Indeed, Conrad depicts the African black people with all the negative associations with a view to asserting the hegemony of the Europeans.

An important fact deserves to be mentioned here that Conrad evidently believes that there exists evil in the African black people, too. Of course, he does not depict them as totally free from cruelty and violence. He certainly exposes the horrifying and barbarian

customs of the black people which are utterly savage. So, here is a warning to the western from his side to be aware of falling a prey to the barbarism of the savages whom they conquer. Conrad depicts the blacks in a favourable light too, but he is not unconscious of the obnoxious customs of the 'primitive' people and his intention is also to make the 'civilized' people alarmed of the menace of those customs.

Politics of Representation

Now, regarding the history of a system of representation, the issue of 'intertextuality' or 'discourse' occupies a large area in the field of criticisms of Conrad's *Heart of Darkness*. This novella largely depicts a great extent of 'cultural texts' rich in images and assumptions about Africa and the African as 'primitive' which prevailed in the mid and late nineteenth century European culture. Here, 'cultural texts' is identified with various kinds of media which presented Africa and the Africans for the western people's understanding in such ways that produced stereotypic images of this 'other' or 'savage'. Thus, till today, these media have been injecting their propaganda in our mind only to make their evil scheme successful. What Conrad does in his novella is attributing such qualities to the 'savages' which are shared by the 'civilized'. In this way, he attempts to undermine the 'progressive' force of the Darwinian view of evolutionary social development by suggesting that the 'civilized' are nothing more than the 'primitive' dressed up in "pretty rags- rags that would fly off at the first good shake" (Conrad 69). Furthermore, looking at the savages, the truth and dark underside of the 'civilized' people themselves can be seen, stripped of the 'cloak' of time.

If we look at the text from cultural perspective, the weird incantations and drum beats of the natives can be considered as the brutal instincts which turn 'civilized' Kurtz into wilderness. Actually, it is the wilderness that Mr. Kurtz possessed inside his dark heart. Sedimented by the outwardly righteous European society, the dark instinct in his mind finds the way to expose itself in the wilderness of the Dark Continent. In this regard, the title of *Heart of Darkness* indicates the heart of the white Europeans full of darkness. In sum, Conrad presents the novella as a radical question to the stereotypic binary opposition 'civilized/ savage'. According to Anthony Fothergil's views on *Heart of Darkness*:

If the black savage doesn't actually exist, it has to be invented by the European to define not the alien 'darkness' but the European self. Whether radical or complacent, the concept 'European' entails and needs the concept 'savage', which paradoxically reaffirms ethnocentricity. On the complacent Darwinian 'progressive' view, the European is defined via negation- the European civilized is what the savage is not (and vice versa). (p.83)

But the fact is—

However mysterious and inscrutable, savagery is not something so utterly alien that it has no connection with European men. On the contrary, the wilderness mirrors what is present and lurking beneath the skin of civilized people were they but to know and acknowledge it. (Fothergil 84)

Therefore, Kurtz's last cry "horror! horror!" is remarkable which can mark his withdrawal from the European brutality in Africa. Thus, it also offers a judgment on the failure of white civilization.

Conclusion

To wrap up, the binary image of ‘civilization and savagery’ appears as a central theme and creates a quite far-reaching issue in this fiction. Conrad’s *Heart of Darkness* in a way questions the stereotyped values of the white civilization and the reasonability of the transplantation of its values to the so-called ‘primitive’ countries in the name of ‘civilizing mission’. At the same time, Conrad depicts the so-called civilized whites as greedy monsters obsessed with the fascination of the natives’ wealth, especially ivory, who compete among themselves to suck the blood of the ‘backward’ people of the earth. After all, the story focuses on the colonial greed and oppression of the colonizers upon the natives, and the huge gap between the civilized white people’s good intentions, high ideals and what they actually do. And, Marlow finally reveals the darkness existing not in the black people of the Dark Continent, but all around and inside the so-called civilized whites. He insists on the dark heart full of ignorance inside the white skin which is one of the major issues in the novella. But, the problem arises— who has the restraint necessary to ‘tackle’ it? Above all, the novella relies heavily and unconsciously on viewing the natives from stereotypic view of the ‘savage’ from the European perspective, dealing with the ethnocentric cultural representations of the ‘other’. Thereby, the dispute over whether Conrad is a ‘racist’ or not, is overshadowed by his critical insight in using ‘savagery’ as a metaphor for the hierarchical relationship between Europe and Africa.

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Study on the Density and Porosity of Concrete Using Rice Husk Ash with Alum

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Abstract

Density and porosity of concrete are the most important factors for durable construction. To increase the density and decrease the porosity of concrete, Rice Husk Ash (RHA) is one of the promising materials. It consists of non-crystalline silicon dioxide with high specific surface area and high pozzolanic (siliceous and aluminous) activity. RHA was used in concrete which demonstrated significant influence to improve the density and reduce the porosity followed by durability of concrete. RHA of 5, 10 and 15% were mixed with 1% (of total mixture of OPC & RHA) of alum as partial replacement of cement. Density, porosity and comprehensive strength for seven and twenty eight days were monitored and compared with concrete fabricated by ordinary Portland cement. Optimum value for bulk density of 2.35 and apparent porosity of 09.44% with a maximum compressive strength of 6688Psi was obtained after the curing of 28 days.

Key Words: Rice husk ash, pozzolanic activity, density, porosity and alum.

Introduction

Portland cement concrete has clearly emerged as the material of choice for the construction of a large variety of structures in the world today. Sustainable development of the cement and concrete industry requires the utilization of some natural material produced as industrial and agricultural waste components. Now a day, the utilization of such a component like RHA to be added with concrete mixture to improve its performance by increasing density, decreasing porosity and finally increasing the compressive strength (De Sensale, 2006, Foletto et al. 2005 and Feng et al. 2004, M. Saifuddin, 2008). Therefore, it is of high interest to study on the effect of rice husk ash with alum on the properties of concrete. In Bangladesh, more than 39.3 million tons of rice is produced annually (Mustafi, 2005) which generate about 2 million tons of rice husk ash (RHA) during pre-boiling of rice in rice mills. This ash is treated as a waste material usually dumped at the backyard causing unforeseen environmental hazards. It is badly needed to find a proper use of RHA for the betterment of our society. Therefore, our interest is to pay attention to the study on the effect of RHA to improve the density of concrete which decrease the porosity and increase the strength. We used RHA in concrete composition with alum at different percentage.

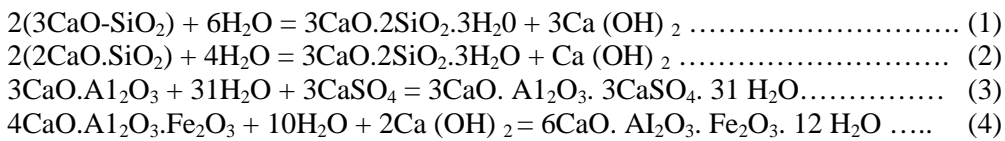
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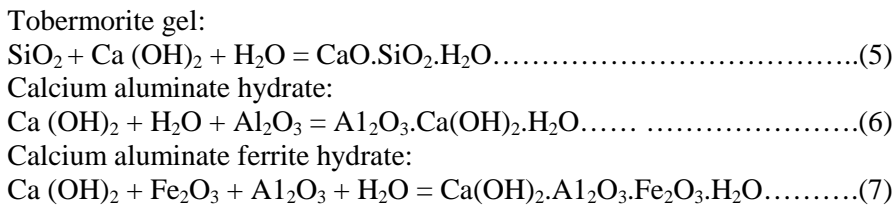
On the other hand, aluminum compound alumina (Al_2O_3) is the composition of Ordinary Portland Cement (OPC). We supposed that other aluminum compound such as alum can play a positive role on the properties of concrete through the changes of its density and porosity. Therefore, it has been used with water in the composition of OPC & RHA. However, research in the use of RHA with alum in concrete has still been limited. Our interest is to study of RHA with alum on the properties of concrete.

Mechanism of Hydration Reaction in Cement

Calcium silicate hydrate (C-S-H) and calcium hydroxide ($Ca(OH)_2$, or CH) are produced in the hydration of tri-calcium silicate (C_3S) and di-calcium silicate (C_2S) (Omotoso et al., 1995) where C, S represent CaO and SiO_2 . Hydration of C_3A and C_4AF (A and F symbolize Al_2O_3 and Fe_2O_3) is also important. The following reactions occur in hydration of cement (Englehard et al., 1995):



The C-S-H gel generated by the hydration of C_3S and C_2S in equations (1) and (2) is the main strengthening constituent of concrete. Calcium hydroxide and Ettringite ($3CaO \cdot 3CaSO_4 \cdot 31H_2O$, equation 3) that are crystalline hydration products are randomly distributed and form the frame of the gel-like products. Hydration of C_4AF (equation 4) consumes calcium hydroxide and generates gel-like products. Excess calcium hydroxide can be detrimental to concrete strength, due to tending the crystalline growth in one direction. It is known that the additional pozzolanic reaction occurs when a siliceous or aluminous material get in touch with calcium hydroxide in the presence of humidity to form compounds exhibiting cementitious properties (Papadakis et al., 2002) and the most essential asset of RHA is the amorphous phase substance that identifies pozzolanic activity. The production of rice husk ash can leads to the formation of approximately 85% to 95% by weight of amorphous silica (Della et al., 2002). Addition of pozzolanic material to the concrete mixture, the pozzolanic reaction only start when CH is released and pozzolan/CH interaction begin (Villar Cocina et al., 2003). In the pozzolan-lime reaction, OH^- and Ca^{2+} react with the SiO_2 or Al_2O_3 - SiO_2 framework to form calcium silicate hydrate (C-S-H), calcium aluminate hydrate (C-A-H), and calcium aluminate ferrite hydrate:



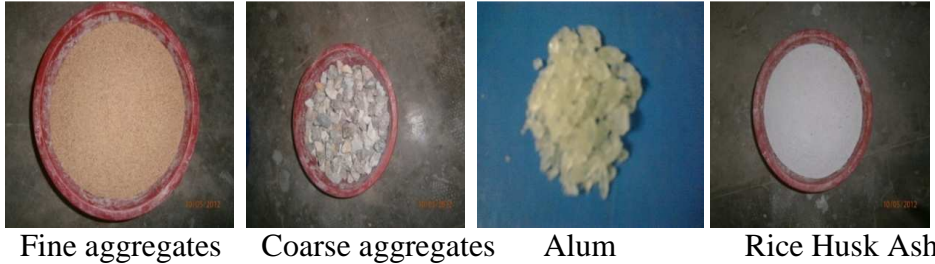
The extra gel compound of C-S-H and C-A-H, which are called cement gel, hardened with the formation of a continuous binding matrix with a large surface area and is responsible for the development of the cement paste (Kassim et al., 2004).

Materials and Method

Cement is produced by grinding clinker formed by burning materials (argillaceous and calcareous) primarily consisting of lime (CaO), silicate (SiO_2), alumina (Al_2O_3), and iron oxide (Fe_2O_3). Hydraulic cement is known as Ordinary Portland Cement (OPC) which

Study on the Density and Porosity of Concrete Using Rice Husk Ash with Alum

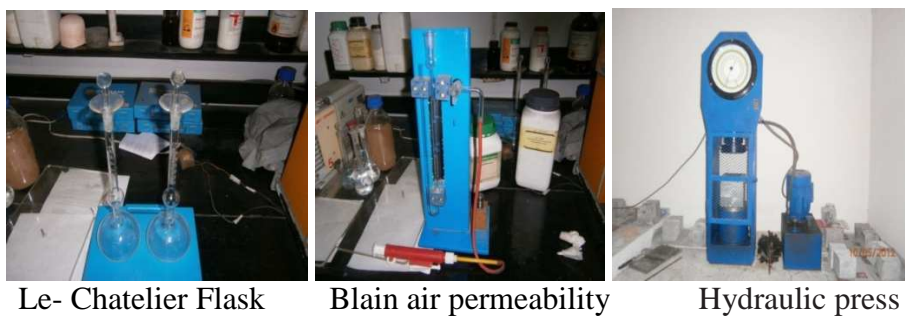
was used in this experiment. RHA is produced from the burning of rice husk. Rice husk ash exhibits high pozzolanic characteristics. It consists of amorphous or non crystalline silica with about 85% - 90% cellular particle. Aggregates are mixed with concrete to control shrinkage of concrete, reduce heat during hydration process and produce concrete which is suitable for its usage besides reducing cost. In this experiment fine aggregates (sand) was used which was smaller than 0.595 mm and coarse aggregates were larger than eight mm.



The quality and quantity of water in the mixture of the concrete should be considered. Water used in this experiment is tap water. Alum of 1% of the total mixture of OPC & RHA was used with water.

Working procedure

For the composition of concrete we used the ratio of cement (OPC): sand: coarse as 1:2:3. RHA of 5%, 10% and 15% were used in concrete composition. At first control composition was made with OPC, sand, coarse and normal water. After that the RHA was used in our concrete composition with alum (alum was used only 1% of the total amount of OPC-RHA mixture in water). Manual mixing process was done in this experiment. Whenever finished the mixing then the mixing materials were put into a block and started tempering. Tempering was taken care of as it is composition. After that vibration was done for the uniform composition by a vibrating machine and blocks were taken into the desiccators for one night. Curing process was done for 7 & 28 days of those blocks. Finally compressive strength was measured by hydraulic press.



Results:

Table 1: Chemical composition of OPC & RHA

Name of component	LOI %	IR %	CaO %	SiO ₂ %	Fe ₂ O ₃ %	Al ₂ O ₃ %	MgO %	SO ₃ %	Na ₂ O %	K ₂ O %
OPC	0.78	0.35	64.06	21.10	3.22	6.75	1.37	0.75	0.20	0.25
RHA	3.35	---	1.55	90.52	0.33	0.39	0.41	---	1.52	1.65

LOI: Loss on Ignition, IR: Insoluble Residue.

Table 2: Particle size, surface area and specific gravity of OPC and RHA

Name	Particle size (smaller than 0.044mm)	Surface area (m ² /kg)	Specific gravity
OPC	79.57%	403.26	3.85
RHA	74.80%	590.43	2.19

Table 3: Density, porosity and compressive strength of OPC and RHA with alum for 7 days

Name of composition	Bulk Density (BD)	Apparent Porosity (AP) %	Compressive strength (CS) in psi
For Seven (7) Days			
Control (OPC)	2.13	13.59 %	5339.22
5% RHA & 1% Alum	2.19	13.43 %	5845.03
10% RHA & 1% Alum	2.14	15.09 %	5058.20
15 % RHA & 1% Alum	1.98	20.70 %	3934.15

Table 4: Density, porosity and compressive strength of OPC and RHA with alum for 28 days

Name of composition	Bulk Density (BD)	Apparent Porosity (AP) %	Compressive strength (CS) in psi
For Twenty eight (28) days			
Control (OPC)	2.16	11.65 %	5788.83
5% RHA & 1% Alum	2.29	11.24 %	6575.75
10% RHA & 1% Alum	2.35	09.44 %	6688.07
15 % RHA & 1% Alum	2.09	16.99 %	5901.24

Discussion

Table 1 shows the chemical composition of OPC and RHA. In RHA, silica content is more than four times of OPC. Therefore, addition of RHA makes some extra cement gel through the pozzolanic activity and makes the concrete more densely. RHA gives high surface area which is shown in Table 2. The increase in the early hydration rate of C₃S is attributed to the high specific surface area of the rice husk ash (Feng et al., 2004). Table 3 and 4 shows the data of density; porosity and compressive strength obtained using OPC and RHA with alum in concrete composition. The RHA particles can fill the voids between the larger cement grains because of their smaller (74.8% smaller than 0.044 mm) size, as shown in Fig. 1. The pozzolanic reaction products fill the pores existing between cement grains and results in dense calcium silicate hydrate (C-S-H). Pozzolanic effects of RHA play an

important role to refine the pore structure in bulk paste matrix and interfacial transition zone of concrete. RHA also reduces width of the interfacial zone between the paste and the aggregate. The pore refinement occurring due to the secondary reaction between RHA and $\text{Ca}(\text{OH})_2$ makes the microstructure of concrete denser and improves the interfacial bond between aggregates and binder paste. As a result, the density improved which is responsible for strength development and porosity reduced.

In the presence of water, the RHA actively reacts with $\text{Ca}(\text{OH})_2$ produced during cement hydration (pozzolanic reaction) and resulted additional secondary calcium silicate hydrate (CSH), as shown in Equation-8 and 9.

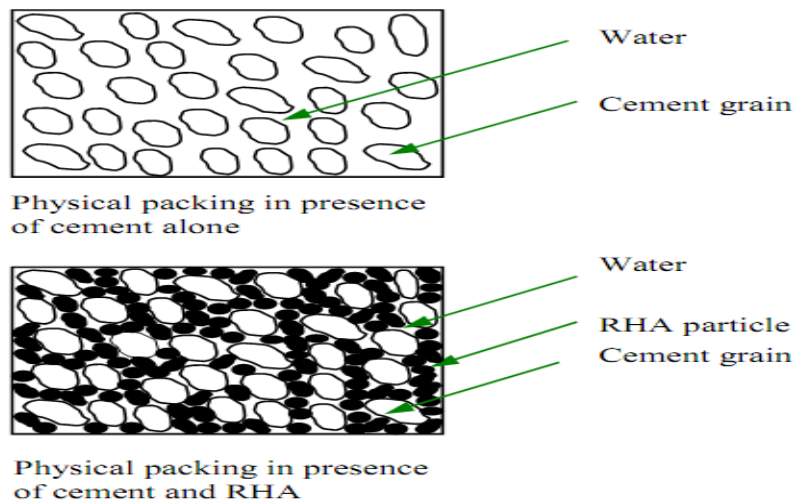
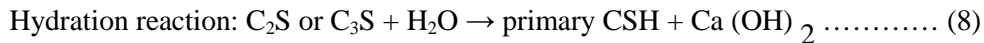


Figure 1: Micro filling effect of RHA

Figure 2 and 3 shows the bulk density and apparent porosity of different compositions of control (OPC) and RHA with alum after 7 and 28 days. We used 1% alum with 5, 10 and 15% RHA. A little increase in the density observed in the case of 7 days. On the other hand, the density significantly increases with the amount of RHA with alum for 28 days and found maximum at 10% of RHA.

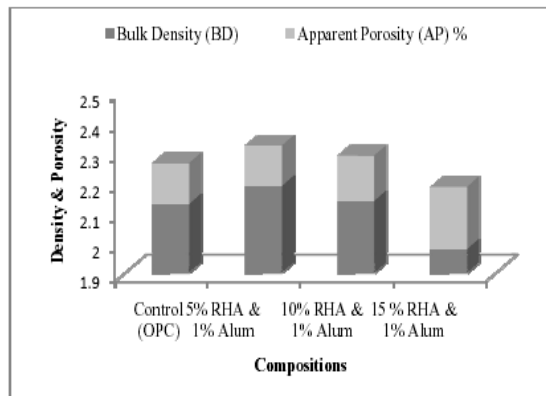


Fig 2: Bulk density and apparent porosity for 7 days.

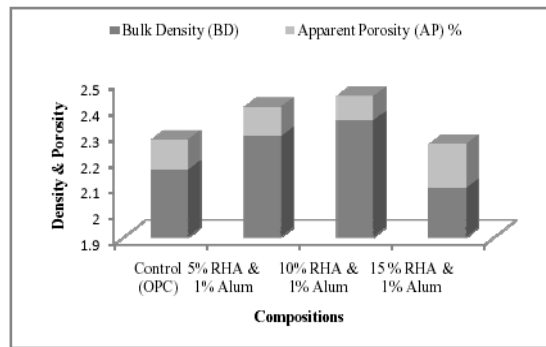


Fig 3: Bulk density and apparent porosity for 28 days.

Figure 3 shows the better density and less porosity at 28 days and this might be due to the slow pozzolanic mechanism. Figure 4 shows the compressive strength of concrete mixed with RHA and Alum after 7 and 28 days. No significant increase in the strength was observed in the case of 7 days. The strength was increased with the amount of RHA with Alum for 28 days and found maximum at 10% of RHA. The better compressive strength at 28 days and this might due to much density and less porosity.

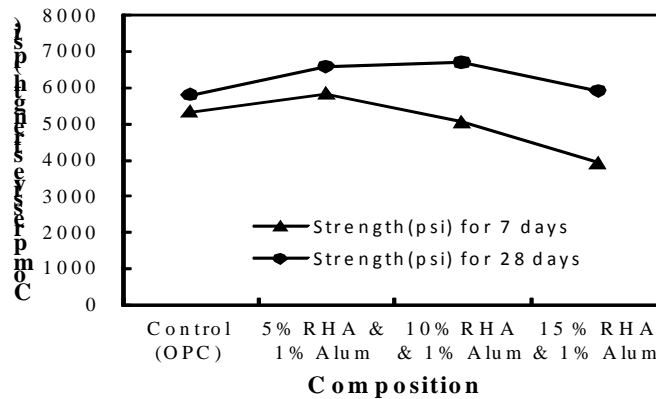


Figure 3: Compressive Strength for OPC and different composition of RHA with alum.

Addition of alum might increase the alumina content and it might contribute to increase the bulk density followed by the additional pozzolanic activity through the consumption of calcium hydroxide and generate gel-like products. Rahman et al reported that increase of aluminum in alumionsilicate zeolite composition increases the activity of zeolite (Rahman et al, 2011). Therefore, inclusion of alum might increase the density by creating additional C-A-H jell (eq. 6). The pozzolanic reaction products (C-A-H gel) fill the pores existing between cement grains and results in dense concrete which leads to develop the strength of concrete.

Conclusion

The use of RHA with alum as partial replacement of cement in concrete has been extensively investigated in our experiment. The better density and less porosity come out from the composition of 10% rice husk ash with 1% alum. The optimum result for bulk density is 2.35 and apparent porosity is 9.44% with compressive strength of 6688.07 psi. where, the bulk density of 2.16 and apparent porosity of 11.65% with 5788.83 was found in normal concrete composition. Therefore, the use of RHA with alum in concrete composition has gained considerable importance because of the requirements of environmental safety and more durable construction in the future.

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Islam and Democracy in the Middle-East: an Overview in the Context of Recent Political Movements

Akkas Ahamed*

Abstract

It is very important to know the present international politics; hence the present world order is shifting to other dynamic political circumstances; especially in the case of Middle-East. The Arab world or Middle-East has been under dictatorial rules for several decades; but in the recent time, there has begun mass upsurge and revolution against those autocratic regimes. Already some of the Arab autocrat leaders have been ousted from their position and fled the countries in the fear of killing and prompt trial. Such as the former Tunisian president, Ben Ali has resigned and fled Saudi Arabia; another autocrat president of Egypt, Hosni Mubarak is now under trial in Egypt. The Libyan leader, Muammar Gaddafi has been ousted and was killed by the national transitional council of Libya. Since democratic movements have begun in the soil of the Middle-East, it is important to review the compatibility of democracy with Islam and Islam with democracy vice-versa. There has already begun debates and arguments on the relationship between Islam and democracy. Some Muslim scholars opine that Islam has its own democratic features which may replace democracy and communism. And also some of the Western and Muslim scholars researched and found the concept of Islamic democracy. To understand the implications of an Islamic democracy, it is time enough to liberate our attention and imagination from the confines of the European history and turn to our history that has been misinterpreted and misunderstood for a very long time. Islam envisages a society enlightened for the success of democracy, irresponsible, false and baseless criticism has been highly discouraged and disapproved. So, it is very important in terms of the present world whether democracy is compatible with Islam or not. Furthermore, a large number of Muslim countries in the Middle East have come under the process of democratization; and some are trying to shifting their political system into democracy. This paper is an attempt to study Islam in relation with democracy and its compatibility with democracy. Moreover, there have also discussions on the Arab uprising and future of democracy in the Middle East; and characteristics of Islamic democracy which are relevant to modern democracy.

Introduction

There are some groups with two broad agreements on the issue of Islam's compatibility with democracy between Muslim scholars and Christian scholars. Some Muslim scholars think that Islam is not compatible with democracy, because, in Islam, sovereignty belongs to only Allah. But in democracy sovereignty belongs to people. This is a matter of research that though in democracy, sovereignty belongs to people and parliament; they cannot formulate any laws and ordinances superseding the conventions of religions and traditions. So the western democracy and parliament is not absolutely sovereign or its sovereignty is limited. Here is the main point that Muslim believe in the sovereignty of Allah and somehow the western democrats, who have also faith on the sovereignty of God. Not only that the politicians and policy makers of other religions such as Judaism, Buddhism and Hinduism, also cannot or do not formulate any kind of law subjugated to their religions and religious values. If the Muslim and Islamic countries have faith on the sovereignty of Allah and other civilized nations have also faith on the sovereignty of God in accordance with their religious rules and regulations. So it is understandable that Islam may accept democracy hence the democrats are accepting the sovereignty of God. Moreover, Islam does not have major contradiction with democracy and its practices.

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Islamic thinkers and Muslim people want their right to vote, rule of law, and a government that is to be elected by the people. The term 'democracy' means all these things. Taking everything into consideration we can say that there is no problem to accept the term 'democracy under certain conditions. Moreover, we see different constitutions and Islamic scholars conditionally accepted the term 'democracy'. Muslim community can accept this term. This will help remove misunderstandings about Islam that is for violence and dictatorships. Some of the Islamic scholars and western scholars have pointed out to the fact that *Quranic* views of political matters are open to interpretation and have suggested that Islamic scripture, *Sunnah*, and *Hadith* may be able to serve as a blueprint for the construction of democracy. The Islamic concept of *Shura*(consultation), *Ijma*(consensus), and *Ijtihad*(informed, independent judgment) seem to be compatible with democratic concepts and ideals. Islam also stresses racial equality and religious tolerance. In short, the *Quran*, *Sunnah*, and the *Hadith* are to interpretation; rather than serving solely as the basis of authoritarian and fundamental dogma, they may be able to act as the foundation for the development of Islamic democracy. In a number of countries where Muslims are majority, many Muslim believe that Islam is a support for democracy even though their particular political system is not explicitly defined as Islamic. Some extend the argument to affirm that under the conditions of the contemporary world, democracy can be considered a requirement of Islam. Muslim scholars bring historically important concepts from within the Islamic tradition together with the basic concepts of democracy as understood in the modern world. The process in the Muslim world is similar to that which is taking place within other major religious traditions. All of the great world faith traditions represent major bodies of ideas, visions, and concepts fundamental to understanding human life and destiny. In this context, it is clear that Islam is not inherently incompatible with democracy. Political Islam is sometimes a program for religious democracy and not primarily an agenda for holy war or terrorism. This paper is an attempt to study Islam in relation with democracy and its compatibility with democracy. Moreover, there have also discussions on the Arab uprising and future of democracy in the Middle East; and characteristics of Islamic democracy which are relevant to modern democracy.

Objectives of the Study:

This is an attempt to study Islam in terms of democratic values and norms to see if these are relevant with democracy or not. The objectives of this paper are-

- to study the importance of Islamic democracy both for the democratic society and the Muslim countries.
- to find out the views of Muslim scholars and the western scholars on the compatibility of Islam with democracy.
- to have an idea, in particular, about the present democratic movements in the Arab world.
- to have a better understanding on the future of democracy in Middle East.

Moreover, there have been attempts to find out compatibility of Islam with democracy.

Research Methodology:

In preparing this article, some of the useful social research methods have been used. It is based on qualitative research method. It is an analytical, observational, descriptive paper. Books on Islamic terminology and scholarly writings of Islamic scholars have been used in this paper. Moreover, writings on democracy and Islam have also been used from different books, journals, magazines and a few numbers of data collected from Internet.

Here, some comments of Muslim and Western scholars have also been put to understand the relationship and compatibility between Islam and democracy.

Islam and Democracy: An Overview

There are more arguments whether Islam is compatible with democracy or not. According to Muqtedar Khan, the director of the International Studies at Adrian College in Michigan, and also an Islamic scholar: 'Islam is quite compatible with democracy and he points out that the Quran, holy book of Islam, contains a number of ideas that some Islamic scholars say support democratic ideals. One is *Shura*, or consultative decision making and the other is *Ijma*, or the principle of consensus'. However, Muslim scholars disagree – whether these terms have political applications. That is, whether *Shura* is obligatory or merely desirable; whether it is binding or non-binding. Another powerful argument for democracy emerges from the principles in the Constitution of Medina (*Madina Sanad*) which was written by the prophet Mohammad (S) in 622 AD. The document sets down the rules of the community of Medina, as agreed to by Muslims and Jews of the city - and grants equal rights to Jews and Muslims who follow its law.¹ In the Medina state of Mohammad all people irrespective of religions and castes enjoyed equal citizenship rights and other administrative and judicial rights. So, it proves that in the system of Islamic democracy there remain all kinds of democratic facilities and tradition. A scholar says about the Islamic democracy: 'The outwardly dazzling civilization of capitalism and scientific socialism particularly are on mood of revisionism. If Islam can correctly be presented to them by example in the manner the prophet Muhammad (PBUH) did it, then the thirsty peoples of the East and West will embrace Islam in no distant future for their material and spiritual welfare.'² Prominent Islamic scholars, intellectuals and groups also argue that Islam and democracy are compatible. Some extend the argument to the extent that under the conditions of the contemporary world, democracy can be considered, and Muslim scholars bring historically important concepts from within the Islamic tradition together with the basic concepts of democracy as understood in the modern world. 'The Islamic democratic system is a divinely ordained order, free from prejudice and other social evils.'³ Islam does not classify among the human beings into different sections or castes. In Hinduism, the human being are divided into four castes: the *Brahman*, *Khatriya*, *Baishya* and *Shudra* and in Christianity clergyman and layman in roman patrician and plebian; but in Islam there is no class as prophet says: no one is superior to another except in respect of righteousness. All men are descended from Adam...further an Arab has no superiority over a non-Arab, nor a non-Arab over an Arab; neither does a white man possess any superiority over a black man nor a black over a white one, except in relation to righteousness. Righteousness is thus the only standard of greatness.⁴ In the democratic concepts of Islam, 'here any exasperated majority does not conduct persecution on its minorities in the name of national security. In an Islamic democracy neither capital governs nor is labor exploited, nor are individuals deprived of their basic human rights. It is a democracy in the sense that all people, irrespective of race and creed, are regarded equal before law. The ultimate aim is to reach the goal of social justice and public welfare. Again, the minorities are a sacred trust in the Islamic democratic government; they are at a more advantageous position than the Muslims, because they enjoy the same privileges as Muslims without discharging obligations enjoined upon Muslims.'⁵ Many argue that in Islamic democracy sovereignty only belongs to almighty Allah; it is true, but who represents his sovereignty in this universe? The men have practiced sovereignty on His behalf. 'First that sovereignty belongs to God and God alone. But does not it mean a revival of the old theory of the divine right of kings? The answer is clearly in the negative because the sovereignty of God is not delegated to any individual or any group such as the '*Ulema*' (Islamic Clerics). Sovereignty is to be exercised by the people and no one else. The representatives of God in Islam do not imply any idea of

theocracy as it is understood in western political thought. Islam does not recognize any priesthood which alone can exercise authority or interpret the injunctions of God.

It is the people and their elected representatives, their elected head of state, who will exercise powers as given by God: so there is no conflict between the Islamic concept of the sovereignty of God and the idea of popular sovereignty which is the fundamental ingredient of democracy.⁶ Allah has created this world for the welfare of human beings and His creatures besides His worship, the prayer. Though He is the only creator, sustainer and master of this universe, He handed over the political, economic, social and other rights to His human being to govern this globe on His behalf as representatives. So, in the concept of Islamic democracy, all representatives will have to be accountable to the mass people and hereafter they will have to be accountable to Allah. A more responsive approach from the Islamic world towards democracy, Goddard finds, is that of Syrian scholar, Bassam Tibi, as well as another scholar, in Morocco, Fatima Mernissi: they not only believe in the compatibility of Islam and democracy, but also affirm a type of democratization of the Islamic idea of government. The former suggests a trans-cultural theory of democracy and human rights, whereas the latter, displaying a more welcoming view of Western democracy, assumes that if Muslims can legitimately adopt the automobile and the telephone from the West, they can, for the same reason, adopt democracy, though all are foreign to the Muslim world. This view can be called the democratization approach to the relation of Islam and democracy.⁷

Democracy in Early Islam: Khulafa-e-Rashedin

Though Allah is sovereign, He transferred this sovereign power to His *Khalifa* (the representative) to practice it in the world and He also advised to follow His instructions provided in the holy *Qur'an* and *Hadith* so that the human being can be benefited by following His instructions and prohibitions. The first four *Khalifs* of Islam had fully followed the rules and regulations of *Quran* and *Sunnah* and that period is considered as the example of the best democracies in the world. The third caliph of Islam, 'Uthman' followed the *Qur'an* and the *Sunnah*, and Muslims found him further to follow the footsteps of his two illustrious predecessors. He also believed in rule by consultation and upheld the *Shariah*. It is true that he refused to submit to the insurgents demand for his resignation. This is because they came not from *Ahl al-Shura* but from insurgents and that too at the point of sword. In fact, one leading member of the *Shura*, Muadh Ibn Jabal, advised the caliph not to resign so as not to make a precedent for posterity.⁸ It was clearly observed that the four *Khalifas* of Islam had completely followed the democratic process, which are applicable in the present context. If any country's political system follows the rules and laws of *Khulafa-e-Rashedin*, that country's political system will certainly be successful; and may be termed as democratic political system. If we study the political system of *Khulafa-e-Rashedin*, we will certainly find the fundamental elements of democracy in that political structure. So, the present world regardless of regions, times and classes may accept Islam not only as a religion but also as a democratic political order in these changing societies.

Islam and Social Equality

The distinguishing feature of Islam lies in its complete human equality, every individual, irrespective of origin, creed, wealth, position or sex, enjoys exactly the same status and privilege, socially, politically and economically. In any social behavior, including religious ritual like holding prayer in congregation, there is no room for any special privilege for anybody, be he the Caliph or the slave. The position accorded to women and slaves is unparalleled and proverbial. Islam conceives a society immune from class distinctions and vested interests, and hence free from the virus of class conflict, which threatens modern capitalist countries, with deep-seated economic maladies.⁹ The ordinary

theory of landlordism that resulted in the development of feudalism and the essential features of capitalism with private ownership of means of production and concentration of capital in a few hands are unknown to Islam. In Islam, land as natural resource belongs to none but God and such can be treated as state property under the decree of the *Malikul Mulk* and the state as well as individuals can hold the rights of use as trustees. Hence, private landlordism in the usual sense has no place in it. In the Islamic order of things there cannot be any exploitation of labor by capital, whatever the structure of landlordism, the distinction between a worker and a capitalist is simply unrecognized by Islam. Labor is not despised but, idle finance capitalism is despised. Islam provides an absolutely classless society.¹⁰ However, under Islamic politico-economic order, an individual has the right to enjoy his earned income and property but only to the extent necessary for maintaining a reasonable standard of living. Hoarding of wealth to create inequality of status and artificial social stratification is denounced in Islam. The erection of poor-houses, workman's compensation, old age pensions, unemployment insurance, etc., are only a few of the numerous measures of the Islamic scheme of things recently adopted by some modern countries in order to neutralize the instabilities of the capitalistic framework. There is no example except Islam, says a writer,

"In human history of any other religion, civilization, commonwealth, which has done so much practically in the conquest of race, class and color and the achievement of social justice for the poor, the weak, the orphans, the widow, the slave, the women and the depressed classes of humanity".¹¹

Islam, *Ummah* and Universal Brotherhood:

The term *Ummah* occurs most frequently in various traditions of the prophet (SAAS). He is reported to have referred to his followers as *Ummah* and stressed greatly preserving the organic unity and psychological cohesion of the nascent social order. The conceptualization of the *Ummah* was, however, sharpened by the Prophet (SAAS) in what Hamidullah calls the first written constitution in the world, the constitution of Medina.¹² The deciding basis for *Ummah* is neither race, language and geography. It is a universal order enclosing the entire collectivity of Muslims inhabiting the globe, united by the bond of one strong and comprehensive ideology of Islam. It is indispensable for the actualization of the Divine Will in space, time and for the achievement of happiness in this world and salvation in the hereafter.¹³ However, Montgomery Watt believes that the Constitution uses the term *Ummah* in a 'religious, social and political sense, granting certain privileges to and imposing certain duties on its all members, Muslims, Jews and Pagans'.¹⁴ Many scholars admired the concept of *Ummah* for relationship between Islam and democracy; and they opined that it is somehow helpful to develop the relations between Islam and democracy. The Muslim *Ummah*, as defined by al-Faruqi, is therefore, "a corporate organic, civic body, which is not limited to land, people, race, culture, universalist, totalist, and responsible in its corporate life as well as in that of every one of its happiness in this world and the next, for every actualization of the divine will in space-time."¹⁵ The concept of *Ummah* in Islam, negates eclecticism, which in the eyes of the Qur'an is so abhorrent that it explicitly and emphatically states that 'believing men and women' are the bearers of this responsibility. Next, it is also in conformity with the conception of the *Ummah* which is universal, organic and egalitarian based on goodwill, cooperation and brotherhood. Finally, the acceptance of this responsibility by the *Ummah* has served, throughout Muslim history, as a great impetus for revolution and change in the Muslim world.¹⁶ '*Muwasaat*' means helping brethren in Islam and extending material support to them. It has a great importance in religion due to the reason that it plays a vital role in the betterment of depressed classes and creates feeling of love amongst Muslims. It is considered as an essential virtue of every Muslim and brings divine blessings in return.

It should be remembered that all Muslims are duty-bound to propagate the teachings of Islam in their pristine purity. Especially, they must acquaint their youths with the divine teachings, so that the spirit of brotherhood and cooperation (which is a living factor of Muslim society) becomes stronger and stronger; and under the protection of that brotherhood and cooperation we march forward to prosperity and happiness.

Islam, Justice, and Democracy

Justice is one of the basic human values established by Islam and made it one of the main pillars of individual, family and social lives. The *Qur'an* made the establishment of equality – justice – among people, the main objective of all the heavenly messages. Love and hatred do not mar the establishment of justice in Islam. Justice does not discriminate on the grounds of family and lineage, or authority and wealth. Justice also does not discriminate between Muslims and non-Muslims. Justice is the right of everyone living on an Islamic soil, be those Muslims or non-Muslims and whether or not those people like or dislike one another. Islam commands justice and encourages its establishment. Identically, it prohibits injustice strictly and resists injustice strongly, either injustice toward oneself or toward others, particularly the strong people's injustice toward the weak, the rich people's injustice toward the poor and rulers' injustice toward the people they rule. Islam orders each Muslim to balance between his own rights, his God's rights and other people's rights.

Most of the recent western legal concepts such as supremacy of law, equality before law, judicial independence and impartiality, juristic personality, legal representation, presumption of innocence, etc, were never alien to Islam. Muslims can take just pride in the fact that from the beginning their judicial system was placed on lines that in substance are no different from those of the best systems of today. In Islamic legal system, no ruler and no official can claim to be above the law. No acts, procedures, and decisions of any authority, howsoever high it may be, can be valid and binding as to the people they affect, save to the extent they are in consonance with the law. The Amir of an Islamic polity is legitimate in so far as, he ensures the application of the *Shariah*. That is to say, the *Amir* performs his functions within immutable legal parameters laid down in advance. His performance has to be under constant scrutiny.¹⁷

The *Qur'an* and the *Sunnah*, which are the primary sources of Islamic law, put great emphasis on equality. Consequently, in Islamic legal system there cannot be one law for the ruler and one for the subject; one for the powerful and one for the weak; one for the rich and one for the poor:

Our leader is one of us; if he implements among us the teachings...of the *Qur'an* and the *Sunnah*, we shall have him over us. If he goes against it, we shall depose him. If he commits theft, we shall amputate his hand; if he commits adultery, we shall flog him... He will not hide himself from us, nor will he be self-conceited...He is a person as good as we are.¹⁸

Government authorities enjoy no special privileges or immunities from the application of law. Even the Prophet of Islam did not consider himself or his family above the law. Instead of claiming any immunity from the law, he laid down the rule that even the head of the state may be challenged, in both official and private capacity, in the court. Also, during the course of his last sermon, the Prophet publicly offered to the community that if he owed anything to anyone, or had done any harm to anyone's life or property, he was available to answer for it. The occasion of the revelation of the above-given verse was a dispute between a Jew and a Muslim, in which the Prophet decided against the Muslim. The

Muslim, supported by his tribe, had falsely accused the Jew of theft. In a time when help was sorely needed for the defense of Islam, a verdict against a man supported by his tribe meant the loss of that tribe.

But such considerations did not carry any weight with the *Prophet* and he cleared the Jew of the charge. Thus, the verse lays down that dishonesty must be punished, and the balance of justice must be held equal between friends and foes and between Muslims and non-Muslims.¹⁹

The Prophet was known for his fair and impartial administration of justice. Along with Muslims, non-Muslims would also come to him for settlement of their disputes and he would adjudicate in accordance with their laws. He strictly observed the *Qur'anic* instructions regarding equality before law, and never made any distinction between litigants on the basis of religion or relations. The extent to which impartiality is expected of a judge is also well illustrated in the story concerning Caliph Umar. He once had a lawsuit against a Jew. When both parties went before the judge, the latter rose in his seat out of deference to Umar. Umar looked upon this act of deference to one party as an unpardonable judicial weakness.²⁰ In Islamic legal system; judiciary is independent of executive control. Judges can perform their functions without any interference and none can influence the course of justice with his authority or wealth. The following portion of a letter that was written by Caliph Ali to one of his governors, excellently explains the notion of independence of judiciary in Islam. Since law, in Islam, stands at the apex of social organization, those who administer the law must likewise be elevated and kept free of all executive control. In Islamic legal system, justice is administered free of cost. All citizens, regardless of their financial status, can get justice without incurring any expenses in the form of court fee, stamp duty, etc. In Islam, the concept of justice is more comprehensive, vital, and sacred than in any other system of life. It is one of the fundamental objectives of the Islamic state to provide justice. Not only justice is considered to be a trust, a sacred responsibility, which is to be performed in conformity with the provisions of the *Qur'an* and the *Sunnah*; but the dispensation of justice also constitutes one of the most important acts of devotion.²¹ Why is justice so important in Islam? The core article of faith is the oneness of God, reflected in the unity of His creation in its totality. This unity is reflected in harmony and balance. Injustice destroys harmony and upsets balance thereby provoking disorder. The Muslim is commanded to give primacy to prayer throughout his life and, in all that he does, to remember God. He who is called "the Just" commands justice both in society and in every aspect of human relations. Since, in Islam, all things are inter-connected – this is an aspect of unity – it might even be said that every act of injustice jars on the cosmos as a whole like a discordant note in a piece of music.

Islam is a very realistic religion and the *Qur'an* itself recognizes the reality of human weakness. Those who are injured are permitted to take retaliation but they are reminded at every turn that it is better to forgive and to seek reconciliation. Muslims are commanded to return good for evil, thus breaking the vicious circle of animosity. Justice might have required their punishment, but there is no contradiction here since there is more than one way to achieve balance which, after all, is the ultimate objective of justice. Islam describes itself as "the middle way", a religion of moderation in everything except the love and worship of God. Muhammad condemned extremism with the greatest severity and today's Muslims have a greater need to be reminded of this than ever before as they do of his saying that "anger burns up good deeds just as fire burns up dry wood".²² So far as human justice is concerned, the Prophet counseled all those who are obliged to sit in judgment over their fellows to "avert penalties by doubts" and this is clearly in accordance

with the requirement of the British legal system that guilt must be proved “beyond reasonable doubt”.²³ In the present age, at least in the West, the notion of justice and, in particular, of rights has taken on a coloring that is specifically modern. People are unwilling to accept that misfortunes are a part of life and not necessarily the fault of someone else or of the system. Earlier generations in the West were taught the virtue of resignation, as are Muslims still to this day. The cry “It’s so unfair!” is heard now on every side and the subjective conviction that one has suffered injustice or that one’s rights have been infringed is a source of bitterness and unhappiness. The Muslim, while he must uphold justice so far as he can, has no right to such self-indulgence or to suppose that he can be judge in his own case. So, by the above discussion, it can be said that Islam is compatible with democracy.

Islam and Compassion

Compassion is a virtue in which the emotional capacities of empathy and sympathy, for the suffering of others, are regarded as a part of love itself, and a cornerstone of greater social interconnection and humanism. There is an aspect of compassion which regards a quantitative dimension, such that individual's compassion is often given a property of "depth," "vigor," or "passion." More vigorous than empathy, the feeling commonly gives rise to an active desire to alleviate another's suffering. It is often, though not inevitably, the key component in what manifests in the social context as altruism. In ethical terms, the various expressions down the ages of the so-called Golden Rule embody by implication the principle of compassion.²⁴ In the Muslim tradition, foremost among God's attributes are mercy and compassion or, in the canonical language of Arabic, *Rahman* and *Rahim*. Each of the 114 chapters of the Quran, with one exception, begins with the verse, "In the name of God the Compassionate, the Merciful."²⁵ The Arabic word for compassion is *Rahmah*. As a cultural influence, its roots abound in the Quran. A good Muslim is to commence each day, each prayer and each significant action by invoking God the Merciful and Compassionate, i.e. by reciting *Bism-i-llah a-Rahman-i-Rahim*. The womb and family ties are characterized by compassion and named after the exalted attribute of God "*Ar-Rahim*" (The Compassionate). The Prophet also was great forgiver. As far as possible he would forgive even worst of his enemies. When he conquered Mecca without shedding a drop of blood, he declared he would not punish anyone provided they did not fight and gave up arms. His enemies, who had indulged in inhuman persecution of the Prophet and his companions, feared for the worst but were pleasantly surprised that Prophet pardoned all of them.

The Muslim scriptures urge compassion towards captives as well as to widows, orphans and the poor. *Zakat*, a toll tax to help the poor and needy, is obligatory upon all Muslims. One of the practical purposes of fasting or *Sawm* during the month of Ramadan is to help one empathize with the hunger pangs of those less fortunate, to enhance sensitivity to the suffering of others and develop compassion for the poor and destitute.²⁶ The distributive aspect of *Zakat* is much more significant. Under the influence of this principle, the spending power of the community as a whole is widely and evenly distributed, eliminating the dreadful tendency of concentrating incomes in fewer hands. The state takes away the by way of *Zakat* a substantial portion of surplus spending power from wherever it exists, and distributes the pooled surplus over the have-nots to increase their spending power.²⁷ Now, it can be argued that the compassion is related to both democracy and Islam. And the issue of Islam and democracy is not just for Muslims, but for the rest. As Esposito argues, democracy in the West is arguably not a model of perfection at the end of history; rather, a re-conceptualization of democracy is viewed as a continuous imperative. Since we are not at the end of history, it is as important for us to continually adapt to changing conditions as it is for Muslims. The Islamic concept of *Shura*

(consultation), *Ijma*, (consensus), and *Ijtihad* (informed, independent judgment) seem to be compatible with democratic concepts and ideals (Esposito & Voll, 1996).²⁸ ‘The democratic ideals of freedom of speech and diversity of thought appear to be upheld by the following words of the prophet Mohammad; ‘differences of opinion within my community is (sic) a sign of God’s mercy.’²⁹ Islam also stresses racial equality and religious tolerance. The latter notion is exemplified by the *Qur’anic* verse ‘let there be no compulsion in religion’, as well as examples from the life of Mohammad.³⁰ However, others have pointed out to the fact ‘the *Qur’anic* views of political matters are open to interpretation and have suggested that Islamic scripture, *Sunnah* and *Hadith* may be able to serve as a ‘blueprint’ for the construction of democracy.

Views of Western Writers about Democracy in Arab World

Marc Plattner, the co-director of the International Forum for Democratic Studies at the national endowment for democracy, says about the lack of democracy in the Arab world: ‘for example, oil has been a factor, entrenching elites and slowing the development of market economies and the political freedoms that can accompany them. Tribalism and patriarchal social systems also play a role. Political manipulation of the Arab – Israeli conflict, in which Muslim leaders channel domestic unrest into criticism of Israel and the West, is also a factor. Other scholars point to additional issues: repression by monarchies and military governments; the lack of independent political parties, traditional mindsets that consider Western style democracy a foreign, non-Islamic invention; an ideological obsession with unity; and a long standing policy of US and Western support for many autocrats in the Arab world.’³¹ The US and Western countries have supported the Arab autocrats, since they had cut deal on the issue of oil and other national security issues. Another key reason has been the fear that if autocrats fell, they would be replaced by radical regimes. The most powerful opposition to entrenched leaders in many Arab nations are the Islamists, groups that embrace a political view of Islam and reject secular form of government. However, in the recent time, democratic movements and uprising are on the increase in the Arab countries following an uprising in Tunisia resulting in the president out of power and the country.

Democracy, the Arab World and the U.S

Since many critics blame the US for not having democracy in some of Arab countries, the U.S and other Western power need to play due role in this democratization process there. Democracy is one of the greatest ideologies in the world. Democracy has its own characteristics, which is considered pioneer of the modern ideologies. Democracy always talks about equality, justice and rights to uphold the human beings. A large number of scholars think that the U.S and its allies are not interested in democratization of the Arab world; because if the Arab world is democratized, the U.S and its Western allies will not be able to dominate the Arab world. The U.S does not want to lose its control over the Middle East; since it has politico-economic interest in the Arab world. If democracy is established in the Arab land, the U.S and its allies will lose their interests there. And Islamic political forces may rise in Arab countries including Saudi Arabia and rest of the gulf countries. So, the U.S and other western powers should be clear on the intention of establishment of democracy in the Arab land. They should leave the interest of oil and must show the interest in democracy only and peoples’ rights. Also the Arab countries must not be invaded in the name of democratization, what is taking place now in the Arab countries including Iraq, Libya and other countries. Democracy should be established by the people of their own country; not by the other forces.

Islam, Christianity and Judaism

Some argue that Islam, Christianity and Judaism have essentially come to turn with modernity, as represented by Western pluralistic societies such as the United States and don't view modernity a threat. Is Islam opposed to modernity? Do these thinkers include orthodox Jewish practices in Israel and the role of religion in Israeli laws such as citizenship when they raise this question? Modernity had repressed Christianity and to some extent Judaism through reformation, but Christianity is experiencing resurgence in the Americas and Africa. Many believe that modernity helped Europe colonize the Muslim world, but it failed to wipe out Islam, and therein lies the difference. Moreover, Islam has built a tradition of *Ijtihad* (independent thinking), which facilitates reform and reinterpretation. If encouraged, *Ijtihad* can help modernize and revitalize Islamic societies. However, it does not mean that everything about modernity is good and well; the holocaust, the world war, nuclear weapons, and environmental degradation and climate change are some of the consequences of modernity. Terrorism is also a modern phenomenon. Non-Muslims who argue that Islam and democracy are incompatible fall in two subcategories. One group feels this way to assert or underscore that democracy is a new, Western value and institution. Some also are afraid that a democratic outfit of the Muslim world might undermine the current Western domination. After all, these are backward people. Modern ideas are unsuitable to them. These people are better suited for autocratic, repressive rules either under current despots of the Western puppets. This group of non-Muslims suffers from acute Islam phobia based on their stereotypical understanding of Islam and prejudice viewpoint of the Western interest.

Secular fundamentalists believe that Islam and democracy are incompatible and argue that in order to democratize the Muslim world, the project of *Islamization* must be discarded and liberalize or essential reform Islam itself to accommodate democracy. This argument is based on one theoretical assumption that democracy and *Shura* (Islam) are not compatible and democracy must be a 'secular' concept. One empirical assumption that Muslims strongly adhere to Islamic principles. But in order to argue that democracy is missing from the Islamic world because of Islam, it must be demonstrated that Muslims indeed practice Islam. So Islam is quite compatible with democracy. Muslim scholars as well as the people of Muslim *Ummah* should talk anything against the democratic development in the Muslim world. Democracy is also helpful to spread Islam and tradition in the Muslim world, according to many scholars of the West and the East. The whole Muslim world should be democratized and come out as an important force in the present world order. If the whole Muslim *Ummah* is democratized, they would be able to play an important role in the arena of International Politics.

Islam, Muslim Countries and the International Organizations

Though there are a large number of Muslim countries, there is no seat in the United Nations Security Council (UNSC) for the representation of the Muslim countries. The Muslim *Ummah* (Community) and the OIC (Organization of Islamic Countries) should try their best to have its membership in the UNSC. It will be much easier to achieve this goal if the Muslim world is democratized. We may now say that Islamic countries have no problem in adopting democracy and democratic reformation, since Islam advocates establishing egalitarian society on the basis of equality and justice throughout the world. 'The Islamists who are opposed to democracy should work to develop a vibrant, open, prosperous and healthy Muslim world. Once there is this openness, Muslim societies will have room for all visions of Islam, and then we can return to debating each other about whose understanding of Islam is better. All Muslims work together to make a Muslim society free from tyranny, poverty, corruption, illiteracy, injustice and also, the Muslim must not forget, from the

humiliating domination of the West. The Muslim need to emancipate the Muslim world, from the self as well as from the others.

Some scholars think about the compatibility of democracy with Islam: "The debate about the compatibility of Islam and democracy is not a 'special' kind of debate: it is a debate about the separation or conjunction of church and state". If perfectly active democracies are based on the unity of church and state, can the same be true for Islam? The groups and practices above cannot be enough to condemn Islam as anti-democratic when similar examples can be given in the West. For example, Christian extremists in America have committed terrorist acts by assassinating doctors who perform abortions. In spite of this, we accept that Christian Democrats (CDU) play a legitimate role in government in countries such as Germany. The debate about Islam is a debate about the compatibility of religious sovereignty and popular sovereignty.³² Moreover; other scholars believe that Islam itself is a democratic system where Islam has a divinely ordained, participatory government. Legislative assemblies can exist and elections can take place so long as they are consistent with Islamic teaching and are not corrupt. There are some basic elements of democratization which are remaining in the Islamic democracy: 'education, social equality, limited capitalism, equal distribution of resources, welfare economy, social security, middle class, civil society, civic culture, homogeneous population, human empowerment and emancipative values and previous experience with democracy.'³³ Though Islam approves of the democratic rule and its practices, there are a large number of Muslim states where democracy is not prevailing at all and are dependent on Western countries.

The Arab Spring and Future of Democracy in Middle East: an Overview

In recent times, democratic movements have begun in Middle East following the mass upsurge in Tunisia. Many political analysts and theorists think that Arab spring and democratic movements bear a significant agenda in the arena of global politics and Middle East politics. There are two groups: one supports the Arab spring and democratic uprising and the other does not support these movements. Some critics opine that both the groups have their own interests in favor of their stand. We observe that after the mass uprising in the Middle East, there has been a significant change in the political scenario of the region, which is still continuing across Syria and Yemen. Libyan leader, Muammar Gaddafi, toppled and killed by the rebellious forces of National Transitional Council of Libya. Later his son, Saif al Islam al-Gaddafi, also was arrested and detained and now under trial. Democracy is considered as one of the world's leading political ideologies. But no one is sure that democracy will come and sustain in the Middle East because the big powers, the USA and its allies are always looking into their interests. Thus, they may create barriers to development of democracy in the Middle East. They also feel that if democracy is established in this region, their political and economic interests will be jeopardized for long times. They also fear that Islamists may take over political power in this democratic transition

In the recent elections of Tunisia, the Islamist political party, Annahda, has won a landslide victory, after its former President, Ben Ali, resigned and self-exiled in Saudi Arabia. Moreover, they are also worried that if democratic elections are held in these countries, the Islamists political parties will certainly come to power, which might not be beneficial to the political and economic interests of the West. A small number of the US and Muslim scholars opine that the US policy is now showing a positive outlook towards the Islamists political parties of the Muslim world. Arab spring and democratic uprising has some advantages and disadvantages in terms of political stability and economic mobility throughout the Middle East. Although democratic uprising carries importance, it is now

posing serious threat to the financial stability and development of not only the Middle Eastern countries but also the countries involved in business and exporting human resources to the Middle East. And this political instability is affecting the whole world, especially the South Asian countries like India, Pakistan, Bangladesh, Afghanistan, Maldives, Sri Lanka and Nepal; they are supposed to be the victims of this political turmoil. Many political analysts argue that the autocratic leaders of the Middle East should resign from their positions without further delay. They also suggest forming political parties and other necessary political institutions within their political systems.

As I mentioned earlier it is not very clear whether democracy will come or not in the Middle East. Another democratic movement has begun against Egyptian army, which grasped power after the toppling of the then President, Hosni Mubarak, in the democratic elections held few days ago. The Muslim Brotherhood, a political party of the Islamists in Egypt, has won majority of the seats. Moreover, in Libya there has not been any formal democratic election after the killing of the Libyan leader, Muammar Gaddafi. There have emerged some Western minded aristocratic classes who are now ruling this country. These ruling classes have also a good official diplomatic relations with the Western powers. Muslim countries and their leaders think that the Middle Eastern countries should come to the path of democratization for the betterment of their own country and people. They also think that the US and its allies must not invade any Muslim country in the name of establishing democracy. But in fact, a few leaders of Muslim countries are supporting the US and its alliance's role in the process of democratization in the Muslim countries.

The US policy towards Iraq and Afghanistan has failed to achieve the expected goal. As a result, the US policy towards Middle East, in most of the cases, has been unsuccessful to achieve its interests. Thousands of US and British soldiers are being killed and injured in the battleground of Iraq and Afghanistan. Furthermore, the US is spending billions of dollars of its budget in the immoral wars in Iraq and Afghanistan; and the American taxpayers are compelled to pay on these irrational expenses of wars. That money was supposed to be disbursed in the creation of job opportunities for the US citizens and also for the poverty alleviation of the poorer nations of the World.

This is time to realize that the US and other Western countries are in the hub of wrong doing. This is why, not only the civil societies of the present days, but also many of the US and Western writers urge the US and its allies not to invade the Muslim countries including any other sovereign nation of the developing countries. Peace can never come through the means of war and confrontation. Negotiations and equal sharing for both sides in the implementation of peace accord may bring the *de facto* peace and stability across the regions.

We know that democracy can never be established within a timeframe; it is a matter of evolution and development. On this occasion, the World Community and its leaders should allow sufficient times to the Arab countries and their leaders to make the political systems and institutions of these countries democratic.

To sum up, it may be said that people of all religions, should come forward to create a world where everyone can survive in an environment of equality, freedom and justice irrespective of caste, creed and religion.

Conclusion

There are a large number of Western scholars who support the idea of compatibility of Islam with democracy. They are namely: John L. Esposito, John O. Voll, J. Benin, J. Stork, D. F. Fickleman, J. Piscatori, J. P. Entails, G. Salame, H. Smith and many others. To conclude, we have tried to make point in the above discussion that Islam is compatible with democracy. Islam and its principles, cultures and traditions are applicable for all ages. It is also significant to make a peaceful world that all of the human beings irrespective of religions, castes, creed and ethnicity should have to work united. Islam always gives emphasis on universalism, internationalism, idealism and humanism, which are aimed at ensuring a better world for all communities. Moreover, in recent years, a large number of Islamic political parties have operated within the framework of democratic political systems, and democratic Islamic movements have played key roles in attempts to liberalize extremist and authoritarian regimes. Further, a large number of Muslim states are now under the process of democratization. Recently, some democratic movements have arisen in the Arab countries such as Tunisia, Egypt, Libya, Yemen, Bahrain and Syria. The authoritarian president of Egypt is on trial now and the Tunisian corrupt president is in exile following the mass uprising against their autocratic regimes. Though some of the Muslim scholars may criticize the present process of democratization, one can hope that it will ultimately be long lasting and fruitful way to topple these authoritarian leaders. Many think that if the Muslim world becomes democratized, it will be positive for both the Western countries and the Muslim countries, where they can work together aimed at achieving a tolerable, peaceful and affluent world for all. Thus, for this everyone should work together on the basis of mutual cooperation and coexistence and not by enforcing the means of attack and bombing. Muslim societies are somehow ready to democratize their countries across the world. The United Nations, the US, the Western powers and other major powers should pursue the path of diplomatic solution in the process of democratization in the Muslim countries; and they should not attack any Muslim country in the name of democratization. And the US and other big powers of the world must not support the Muslim autocratic leaders, who are in power for long.

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Common Mistakes in Writing English Composition at Higher Secondary Level: A Case Study in Savar Municipal Area, Dhaka, Bangladesh

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Abstract

A good number of students in Bangladesh make some common mistakes in writing composition in English, as the language is a second language here and the environment of teaching and practising English is not satisfactory as well in educational institutions, or in day-to-day life. However, the field of study has been narrowed in this research paper to Higher Secondary level and the case study has been done only at Savar Municipal Area adjacent to Dhaka, the capital city of the country. This study took place among some students of Savar (University) College, Savar Model College, Mofazzal Momena Chaklader Mohila College, BPATC School & College, Savar Laboratory College, Savar Bigyan (Science) College, and College of Finance and Management; and it aims at finding out some common mistakes the students make as they write English composition under communicative syllabus. Here the mistakes of the students have been identified, reasons behind their mistakes have also been discovered, and some solutions to the problems have been prescribed as well.

1. Introduction

1.1 The Problem:

Writing is one of the basic four skills - Listening, Speaking, Reading and Writing of communicative competence. In the communicative English syllabus of Higher Secondary Certificate (HSC) examination, 100 (40+60) marks out of 200 (100+100) in the Paper-I&II respectively have been allocated for writing composition to inspire the students in order to acquire proficiency in this skill (NCTB, 2008, P.38, P.41). It is observed that the students in Higher Secondary level face difficulties of 'Forms' and 'Language' in writing composition, and so they make some common mistakes in this field. This seriously affects their academic results as well as linguistic progress. As in Savar, almost the same situation is prevailing in other suburbs of the country.

1.2 Purpose of the Study

This study aims at:

- i. defining composition
- ii. discussing the 'form' and the 'language' of composition
- iii. discussing the common mistakes of the HSC level students in writing composition
- iv. exploring the reasons behind their mistakes
- v. suggesting some ways to overcome the problem.

1.3 Significance of the Study

The significance of the study lies in four major parts: 'Writing Composition', 'Higher secondary level', 'Common Mistakes' and 'Savar Municipal Area', as the title includes.

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Firstly, writing composition is very essential in life in this age of globalization, as people are to write reports, articles, statements; they are to write and send letters, messages etc. Sometimes they are to summarise a long statement or reports, or complete a writing thoughtfully, or to edit it logically to make their communication a success.

Secondly, Higher Secondary level, class XI and XII, is the gateway to the Tertiary level education in Bangladesh. So, to make a good result in Higher Secondary Certificate (HSC) examination in order to get access to Tertiary level as well as to do better there, the students of Higher Secondary level are to acquire proficiency in writing.

Thirdly, common mistakes occur frequently and they devalue the acceptance or the standard of writing composition. Therefore, it is essential to identify those mistakes to make the students aware of the fact so that they can make a good result in HSC, and thus they may have an easy access to higher education.

Fourthly, Savar Municipal area is one of the suburbs of the country which represents all the areas where mid-standard students are found available in the educational institutions, especially in colleges. So, if the students of this area are treated minutely i.e. if their problem are analysed critically, and if the proper suggestions can be prescribed, it can be a great help to the HSC students of other suburbs in the country.

1.4 Background of the Study

Every year nearly 1500 students from different colleges appear at the HSC examination. It is found that most of the students who fail in the HSC examination, actually fail in English, because of their weakness in writing, especially in writing composition what they call 'free hand writing'. Moreover, the condition of the students passed is not satisfactory too. Even the A+ securers' proficiency in English is unsatisfactory compared to their success in other academic subjects. That is why, they face great difficulty in getting admission into universities. When interviewed, it was also learnt that almost the same scenario was also prevailing in most of the areas in the country, says different dailies. However, this alarming condition has led this study to move the concerned venues in order to identify the problems in this field and find out the solutions to them.

2. Literature Review

2.1 From Reference Books:

Composition: A S Hornby defined composition (in Language) as "a short text that is written as a school exercise; a short ESSAY" (*Oxford Advanced Learner's Dictionary*, January 2000 6th edition, New Delhi, P.248). According to *Longman Dictionary of Applied Linguistics*, composition (in Language teaching) is: longer than a sentence, such as paragraphs, essays, and reports. Two types of composition are commonly used: (a) free composition, in which the student's writing is not controlled or limited in any way, such as essay questions, or writing about a particular topic. (b) Controlled composition in which the student's writing is controlled by various means, such as lay providing questions to be answered, sentences to be completed, or words or pictures to follow (P.53). Maurice Imhoof and Herman Hudson (1975) say:

A *composition* is any organized, self-contained piece of writing written-or 'composed'-for a special purpose, often an assignment in class. The term is frequently used for writing assignments in an English or composition class, where it usually means a self-conscious process in which you may make thoughtful decisions concerning what to say, how to organize and develop your ideas, and what words.

(From *Paragraph to Essay*, Page-xiii)

2.2 Composition in Higher Secondary Syllabus: Writing composition covers the 60% of the total syllabus in the Paper-II for the Higher Secondary Certificate (HSC) examination 2010 as follows:

A. Grammar: Marks 40

- 1) Fill in gaps (with/without clues) with right form of verbs
- 2) Fill in gaps (with/without clues) with appropriate prepositions
- 3) Fill in gaps (with/without clues) with appropriate articles
- 4) Fill in gaps (with/without clues) with linking words/reference words/phrases and idioms
- 5) Changing the form of speech
- 6) Transformation of underlined sentences in a given passage
- 7) Making tag question from the given sentences
- 8) Completing sentence parts (complex sentences)
- 9) Cloze test without clues

B. Composition: Marks 60

- 1) Writing a paragraph from a model/answering questions and an information table
- 2) Writing a short composition about ceremonies/festivals/visits/travels/shopping/experiences/arguments/opinions
- 3) Writing a dialogue from a given situation
- 4) Completing a story/an imaginary situation
- 5) Writing a summary
- 6) Writing a report on a situation/event/incident
- 7) Writing a formal letter/CV

Distribution of Marks

A. Grammar: 40
Each type of test item carries 5 marks. Any 8 items out of 9 will be tested in an examination

B. Composition: 60

Paragraph/Report	10
Short composition	15
Completing a story	15
Writing a summary/dialogue..	10
Formal Letter	10
	60

(NCTB P.40-41)

Besides, there are three types of Guided writing for 40 marks in the Paper-I as follows:

Writing: Guided

There will be a number of writing tasks. The following types of exercise should be given:

- i) producing sentences from substitution tables
- ii) reordering sentences, and
- iii) answering questions in a paragraph

Here, producing sentences from substitution tables carries 12 marks, 'reordering sentences' carries 14 marks; and answering questions in a paragraph carries 14 marks of total 40 marks for guided writing. (All Board Questions of HSC 2003-2009)

Now we can look at different types of composition and their writing process below:

a) Paragraph:

According to Jack Richards, John Platt and Heidi Weber (1985), a paragraph is:

A unit of organization of written language which serves to indicate how the main ideas in a written text are grouped. In TEXT LINGUISTICS, paragraphs are treated as indicators of the macrostructure of a text. They group sentences which belong together, generally, those which deal with the same topic. A new paragraph thus indicates a change in topic or sub-topic. In English a paragraph is usually set in from the margin (i.e., indented).

(*Longman Dictionary of Applied Linguistics*, P.206)

However, in short, a paragraph may be defined as "a group of related sentences dealing with central idea" as says professor Sadruddin Ahmed (1988) in his book *Learning English: The Easy Way* (P.239), or according to Johurul Islam (1991) it may be said that "A paragraph is a unified piece of prose" (*A Handbook of Paragraph Writing*, P.1)

Regarding the 'form' of a paragraph it can be said that it generally begins with a *Topic Sentence (TS)* which expresses the theme of the paragraph as well as the attitude of the writer. For example, *Mr. Hasan is my neighbour* should not be a *Topic Sentence* in the paragraph *My Neighbor* as it expresses only a fact. On the other hand, *Mr. Hasan is one of my good neighbours* can be a *Topic Sentence* in that case as it expresses both the fact as well as well as the attitude of the writer. A *Topic Sentence* must be attractive or magnetic in expression so that it deserves to be explained by other sentences which form the *Body* of the paragraph and they are called *Developers*. They are to maintain unity with the *Topic Sentence* and *coherence* among themselves with the help of *cohesive devices* and *rhetorical devices*. The concluding sentence of the paragraph is called *Terminator* or *Restatement* as it echoes the statement of the *Topic Sentence* anew. A paragraph must have a unity, a beginning, middle and an end. Moreover, its first line should be *indented*. Sometimes it contains *Context Modulator*.

According to Professor Sadruddin Ahmed (1988), *Developers* are interconnected and their *coherence* is maintained by five types of cohesive devices: Sentence Connectors, Reference, Substitution, Ellipsis, Lexical Cohesion. And based on the subject-matter, paragraphs may be of three types: *Narrative*, *Descriptive*, and *Expository* (Page 240-245). It may be mentioned here that *Narrative* paragraph states happening, event or incidents. It gives an orderly account of events forming a story maintaining a sequence of event in chronological order. For example, a paragraph on *A Road Accident*, *A Marriage Ceremony*, etc. *Descriptive* paragraph is to describe a person, a place, or an object in words. For instance, a paragraph on *My Father*, *Our Village*, *My Favourite Book*, etc. *Expository* paragraph explains something; e.g. *Causes of Student's Failure in English*, etc.

Whatever the subject-matter, different Sentence Connectors or *Linkers* are used to link the *Developers* of the *Body* of the paragraph based on their purpose or style of presenting the data. For example,

- i) *First/firstly*, *Second/secondly*, *Third/thirdly* etc., and *Another*, *Still another*, *as well*, *Moreover*, *Lastly/finally*, *next* and so on are used in *Listing method* to show the sequence of the *Developers*, as in the paragraph *Qualities of a Good Actress* and also in *Classification method* as in *Literature*.

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- ii) *And, for example, another example, still another example, for instance, another instance, yet another instance, also, moreover, furthermore* and so on are used in Example method as in *Women's Contribution in Modern Society*.
- iii) *Similarly, in the same manner, in the same way, likewise, also, too* and others as in Comparison method - *Similarities between Novel and Short Story*. And the sentences are presented as follows:

a. point-by-point method	or	b. block method
TS		TS
X1		X1
Y1		X2
X2		X3
Y2		Y1
X3		Y2
Y3		Y3
CS		CS

Here 'X' refers to the first paragraph while 'Y' the second.

- iv) *But, on the other hand, on the other side, on the contrary, while, whereas, in contrast, unlike, however, nevertheless* - these transitional words are used in Contrast method as in *Classicism and Romanticism*. And the sentences are presented as of Comparison method.
- v) Contrast and Comparison method may include both the *Linkers* of Contrast method and of Comparison method. And the sentences are presented as of Comparison method.
- vi) *And, furthermore, also, moreover, besides, in addition, etc.* are used to add points as Developers.
- vii) *In fact, indeed, certainly, as a matter of fact, etc.* are used to show emphasis on the statement.
- (viii) *So, as a result, therefore, hence, consequently, accordingly, etc.* introduce a result of the arguments.
- viii) *In short, to sum up, in conclusion, finally, in a word, etc* introduce the conclusion on the statement.

b) Report Writing:

Though reports may be of different types - Voluntary report, Authorised report, Routine report, Special report, Internal report, Informational report, Analytical report, etc. (Faruk and Haider, 2007, Page-335), they can be mainly divided into three types - Official report, Research report and Newspaper report. Again Official report may be of two types - Regular reports involving monthly reports, annual reports, etc. and Adhoc or Special purpose reports involving the introduction of a new company programme or the result of a credit investigating (Ashley 2003, Page-260). Of the different types of reports only

Newspaper report has been placed in the SAMPLE QUESTION PAPER for class 11-12 and HSC Examination for English Second Paper provided by NCTB.

Regarding the layout and language of Newspaper reports it can be said that they must have:

1. Eye Catching Headline
2. Reporter's rank/identity; e.g., Staff correspondent, District correspondent, etc.
3. Date and place; e.g., Dhaka, Dec. 17
4. Introduction and Lead answering the questions of 5W-1H: *where, when, what, why, who, how* of the event.
5. Body or description of the event
6. Conclusion or Ending.

c) Short Composition/Essay:

In HSC level there is *Short Composition* which may refer to a short essay, an anecdote; a memoir, a traveling, a letter to the problem page of a newspaper, a joke, a short story, a short poem, a leaflet, an election manifesto, a riddle, an allegorical story, a moral tale on a proverb, etc. (Faruk and Haider, 2007, Page-398). But, as per the SAMPLE QUESTION provided by NCTB, it mainly indicates a short essay. So, an essay or short essay must have the elements **same to** the paragraph, though in a larger shape; as an essay in the larger shape of a paragraph. Hence an essay generally begins with Introduction/Introductory paragraph which is similar to Topic Sentence of a paragraph. The introduction is followed and explained in some paragraphs which form the Body of the essay as developers (some sentences) do in a paragraph. An essay must have a conclusion as a paragraph must have a Terminator or Restatement. Moreover, each paragraph in an essay must have the qualities of a paragraph independently and they must be linked up logically as linkers bind the developers in a paragraph.

d) Letter Writing:

Formal letter has been included in the composition chapter of HSC level, the letters include Personal/Social letter and official letters such as application for a job, Curriculum Vitae/Resume, application to the Principal, etc. the letter one i.e. official letters have been given more importance. The layout of an official letter should be as follows (A. Ashley P.8)

1. Parts of a Letter (first writer)

- i) Sender's address (If not with a letter head), placed in the top right hand corner or less commonly in the top left-hand corner of the page.
- ii) Date written directly below the sender's address, separated from it by a space.
- iii) Inside address, written below the date and on the left hand side of the page.
- iv) Attention line, written below the inside address and on the left hand side of the page
- v) Salutation.
- vi) Body of the letter.
- vii) Complimentary close.
- viii) Signature and name with identity.

Here are things that should be maintained that if the salutation is sir/madam, the complimentary close will be 'Yours faithfully'; otherwise it will be 'Yours sincerely'.

2. Parts of the Letter (Second writer/written in answer)

This letter includes all the items mentioned above and adds some more points e.g. a new part named 'Reference' is written below the date on the right hand side of the passage.

3. Some More Parts:

- i) In the letter (written on a Letter Head/Letter Pad) it does not need Senders address to be written again as printed address is enough.
- ii) If the letter is written by someone else on behalf of the sender or the answerer, p.p. (per pro) is written before the name of the senator.
- iii) If something is attached with the letter, Enc. (Enclosure) is written last of all on the left hand side.
- iv) Sometimes the status of the letter e.g. Conditional/Private/Strictly confidential I is written bellow the inside address.
- v) Sometimes Subject-line is written below the salutation.
- vi) Sometimes copies (C.C) are mentioned bellow the signature.

4. Application for Job/Cover Letter

Cover letter is needed to apply for a job. Its main parts are- 'Opening' which mentions how the information of vacancy has been learnt, 'Body' of the letter which mentions reasons for leaving a job, previous experiences skills, reasons for applying, and 'Closing' which includes the signature and name, as well as enclosure.

5. Curriculum Vitae (CV):

There are a number of ways of presenting information in a CV. Traditionally, it mentions Name, Address, Contact number - Telephone/mobile phone, E-mail address, Profile, Education, Work experience other qualification, Information References, etc.

e) Completing a Story:

While completing a story, it should be kept in mind that creative thought and imagination can help in this regard. The last sentences of the incomplete story must match with new sentences and logical consistency must be maintained up to the end. The language must be alive with the correct use of tenses, voices and narrations or speeches. Much practice in the art of story writing must be ensured.

f) Writing Summary:

A summery is a condensation of the original. So, to write a summery one should:

- i) read the material or text carefully;
- ii) put the original text aside while writing the summary to avoid picking out original sentence;
- iii) avoid ornamental words, phrases and long sentences;
- iv) write only the main ideas in own words;
- v) use easy language;
- vi) limit the size within one-third of the given text;
- vii) make the summary complete and self contained.

g) Writing Dialogue:

According to Faruk and Hider (2007) a dialogue is neither a pure spoken text nor a pure written text (Page-471). So dialogue should be often in complete sentences, often dramatic in expression, less loosely structured and less often rambling, less repetitive, but with shared information.

3. Experimental Design

3.1 Methodology:

The study has been designed mainly on the basis of primary data collected from different target groups. Here the main target group was the HSC students, especially the students of class XII of colleges situated in Savar Municipal area. Firstly, writing English composition was studied and analysed in this research. Especially writing paragraph, short composition, short essay, newspaper report, letter, application for job, CV/Resume, dialogue, story have been discussed in this paper. After having the primary data, the target groups were interviewed to make cross check of the data. To make the data authentic, some teachers and some principals were also interviewed to know the field in detail. A few students who have just passed HSC were also interviewed in order to make the evaluation more clear. This study was conducted to meet the goals and objectives listed below:

- i) To find out the problems of the students in writing composition.
- ii) To identify the reasons responsible behind the problems in the field.
- iii) To suggest some solutions to solve the problems easily.

3.2 Design and Administration

The study was designed into different phases as mentioned below:

Firstly, the number of sampling was targeted as many as 60(Sixty) students from different academic departments - Science, Humanities and Business Studies - who were living in Savar municipal area.

Secondly, the students were given the questionnaire to test their writing on different composition items. The same group was also provided with the questionnaire of different topics for every individual so that they could not exchange help among themselves in writing; and that they had to write the composition freely and separately.

Thirdly, some answer scripts of internal examinations as well as Board Final examinations were also checked and observed to find out the mistakes the students generally make.

Fourthly, the written composition was analysed and the mistakes were identified as well as recorded to be discussed.

Fifthly, then the targeted students were interviewed under specific questionnaire based on their writing topics and the answers were preserved.

Sixthly, it was found that their some answers were related to the responsibility of the subject teachers; and so some English teachers were also interviewed to do a cross - check of the data provided by the students.

Seventhly, when the teachers were interviewed, it was found that some steps of the colleges were responsible to some extent for the problems the students faced. That is why, some honourable principals were also interviewed so that the full situation became clear.

At last, this research paper was prepared based on the data collected from the respondent's statement or writing.

3.3 Scoring Procedures:

The tasks were analysed and the mistakes were counted against the total number of the respondents. Then the ratio of the mistake makers was calculated as percentage (%).

3.4 Findings

The process of sampling for the study was at random, but the representation of the respondents belonged to all the colleges of Savar Municipal area. Total number of respondents was 70 of whom 60 were students, 6 teachers, and 4 were principals. After analyzing the data collected from them the following findings were recorded.

a) Form Related Mistakes

SL No.	Areas of Mistakes	No. of Participants	Percentage of Mistake Makers
01	Form of Paragraph	60	80%
02	Form of Short Composition	60	80%
03	Form of Letter	60	60%
04	Form of Job Application	60	60%
05	Form of Dialogue	60	20%
06	Form of Report	60	60%
07	Form of Completing a Story	60	20%
08	Form of Summarising	60	60%

b) Language Related Mistakes

SL No.	Areas of Mistakes	No. of Participants	Percentage of Mistake Makers
01	Sentence Structure	60	60%
02	Sequence of Tense	60	90%
03	Use of Passive Voice	60	90%
04	Use of Articles	60	70%
05	Use of Possessives	60	50%
06	Use of other Determiners	60	50%
07	Use of Comparatives	60	45%
08	Use of Number	60	55%
09	Use of Appropriate Vocabulary	60	55%
10	Capitalisation	60	80%
11	Punctuation	60	90%
12	Spelling	60	80%
13	Use of Preposition	60	70%
14	Linkers	60	50%
15	Non-finite Verbs	60	80 %
16	Subject-Verb Agreement	60	70%

3.5 Reasons for Making Mistakes as Students Said:

When interviewed, almost 80% of the students said that they were not taught 'forms' in the classroom in detail. Moreover, they did not get chance to practise writing paragraphs in the classroom regularly. Rather, they were mostly given some 'common' compositions as home task or as preparation for examination. So, they have become habituated in memorising paragraphs or other compositions. Only 20% students said that they tried to write compositions freely.

Regarding language, the students said that they had language problems as grammatical practices were not done sufficiently. It was also found that many students were familiar with grammatical terms, but they also made mistakes in writing due to lack of enough practices.

3.6 Reasons for Making Mistakes as Some Teachers Said:

When interviewed, all the teachers said that they had tried to teach the 'form' and 'language' of different types of composition to the students in the classroom, but they could not succeed enough as the students had been admitted to the colleges with a poor proficiency in English inherited from Secondary level. Secondly, most of the students prefer 'short-cut' way to pass the examination to learning basic and theoretical knowledge of writing. Thirdly, as the syllabus is bigger than the time allocated and as the class size is too big to be monitored minutely, it cannot be always possible to make the students write composition in the classroom and check them regularly.

The teachers admitted that they gave the students suggestions for some 'common' paragraphs and other composition items to memorise so that they could pass the examination easily as the college authorities as well as the guardians earnestly demanded raising 'pass-rate' as a whole; and that is why, they were to take the test of 'common' paragraphs mainly though sometimes they also took the test of 'uncommon' paragraphs to test the ability of the students in writing composition.

3.7 Reasons for Making Mistakes as Some Principals Said:

When asked, the principals said that most of the students who failed in the examination failed in English. Even those who passed made a poor result in the subject. Most of them got the lowest GPA in the subject. The principals also said that most of the students were admitted into their colleges with poor GPA obtained in SSC. There was a report that the students had fear about English, added the principals. When asked about the preventive measures, all the principals said that they had sent their English teachers to Teachers' Training arranged by the Ministry of Education of the Government so that they can teach the students properly. When they were asked, "Do you give importance on learning English or only to raise 'pass rate' in the examination?", the principals answered almost the same way. One principal said, "We give more importance on learning, because we believe 'good learning ensures good results'." Another principal said, "We give more importance on learning, at the same time we try to raise the 'pass rate' of our students." The principal asked as third said, "Raising pass rate is very important for any college now a days. None can ignore it. So, we also give importance on it. But it does not mean we ignore learning. Actually, there is relationship between learning and raising pass rate". The principal asked as fourth said, "We mainly give more importance on learning, and it raises our pass rate also."

4. Summary and Recommendations

4.1 Summary of the Results:

As mentioned above, most of the HSC level students at Savar Municipal area have made mistakes in maintaining 'Form' of Paragraph, Short Composition, Letter, Job Application, Dialogue, Report, Completing a Story, Summary, etc. They also make mistakes in using/maintaining Sentence Structure, Sequence of Tenses, Passives, Articles, Possessives, Determiners, Comparatives, Numbers, Appropriate Vocabularies, Capitalisations, Punctuations, and Spellings at different levels in writing composition in English. It is also found that they make these mistakes due to their low nursing at previous stage, their fear of English as a foreign language, result based, not learning based, examination system, and lack of proper teaching and monitoring system in the institutions.

4.2 Recommendations:

Based on the data, observation and interview it can be said that the solution to the problems includes various steps. For example,

a) Solution related to students: To overcome the problem of making mistakes related to 'language' the students have to take some steps as follows:

- i. They have to write, at least, one page daily, and then show his writing to the teachers to seek correction and suggestion to improve it.
- ii. They have to do grammatical exercises regularly, especially of those fields where they make mistakes.
- iii. They have to study certain chapters of reference books which can give them the information in detail.
- iv. They have to consider learning English as an essential skill for life, not as an academic discipline only.

To overcome the problem of making mistakes related to 'form' the student have to take some steps given below:

- i. They have to study writings regularly from different sources e.g., reference books, text books, newspapers, journals, magazines, etc. and follow their style of writing in his writing composition.
- ii. They have to follow the latest form or layout, and consult with the teachers in this regard.

b) Solution Related to the Teachers: To help the students avoid mistakes related to 'language' in writing, the teachers can do some tasks. For example,

- i. The teachers should convince the students of the fact that learning ensures making a good result as it develops basic skills which can help the students answer the questions though they are 'uncommon' in the examination.
- ii. The teachers should concentrate on developing the basic skills of learning, especially writing skill instead of focusing on raising the 'pass rate' only. They themselves should have the confidence that developing basic skills, not completing the 'model guide' can ensure making good results in the examination.
- iii. The teachers should check students' writings regularly and make their mistakes correct with explanation and then make the students write again to know whether students perceived the explanation or not.
- iv. The teachers should be selective in teaching grammatical exercises to follow the sequence of grammatical items in order to present the full concept of the language before the students. At the same time they should teach a single topic with so many examples enough for the students to understand.

- v) The teachers should make the students practice a single grammatical item with more exercises, first at sentence level and then at discourse level, so that the items can be fully understandable to the students.

To help the students overcome the mistakes related to forms the following step can be applied:

- i) The teachers should teach the students possible and accepted forms, especially the latest forms of every type of composition in detail, and make them practice the forms very often so that they can gain mastery over the 'forms'.

c. Solution Related to the College Authorities: The authorities should also take some steps to help the students overcome the problems in writing composition. For example,

- i) The authorities should contact the English teachers regularly to know the development of their teaching and the improvement of learning of the students.
ii) They should also contact the students or visit the English classes time to time in order to see the performance of the students. Besides, regular classes, sometimes presentation classes may be arranged to see such type of performance of the students.
iii) Sometimes the authorities should arrange workshop or other programmes like this with the presence of any specialist in English for the students, and then collect data to know the condition of the students.

d. Solution Related to the Question Setters: To convince the students, to improve their writing skill and to inspire them to know correct English, the question settlers should set easy but uncommon questions in examination.

5. Implications and Conclusions

5.1: Implications of the Study:

This study prescribes some important suggestions to improve writing skill of the students, not only of Higher Secondary level but also of Secondary, and Tertiary levels as the findings are the basic elements of writing at every level of education. The study has identified the weaknesses of the students both in forms and language as these are the key factors in writing composition. Though the study was done in a suburb, many of the respondents were the products of the schools situated in rural areas.

5.2: Limitations of the study:

This study has limitations in the sense that its sampling for collecting data was done in a suburb adjacent to Dhaka, the capital city of the country. As a result, the results or the findings have been found based on the performance of that locality. Therefore, the findings may not fully represent the condition of the students of remote villages and of City Corporation areas.

5.3: Conclusion:

The study has searched the major problems of the students at Higher Secondary level in Savar Municipal area, a suburb adjacent to Dhaka in writing composition in English and it has found out the common mistakes done by the students, analysed them elaborately, sorted out the reasons responsible behind them, and also suggested some solutions related to different factors here. To conclude, it can be said that though the study has some limitations, its implications can be a great help for the students of Higher Secondary level in developing their writing skill, especially writing composition.

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Existential Aspects in Beckett's *Waiting for Godot*

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Abstract

With Beckett a new era began in existential drama. What is existentialism? In what sense Beckett is an existentialist? Does Waiting for Godot really carry the aspects of an existentialist play? Is absurdity also a dominant element in the play? How are time and space related with existentialism? How does our life suffer from meaninglessness, boredom and circularity? How is waiting connected with existentialism? How does language fail to communicate the individuals? How does fragmentation of language imply the fragmentation of selves? Does the play show any optimistic view? Or is it nothing but a play of mere pessimism? We intend in the paper to look at these few aspects of existentialism and seek answers to these questions.

According to Sartre, human beings are born into a moral and metaphysical void. There is no plan for their lives, no definition of their essential being. They can face themselves the awful absurdity of their predicament which recognizes that they are alone, that there are no rules and no one to tell them what to do. It is important from the existentialist viewpoint that human awareness of this situation go beyond mere intellectual comprehension. People have to feel the horror of the meaninglessness. As it is anchored in individual dilemma, existentialism has been as much a literary movement as a philosophical development. The works of Albert Camus, Simone de Beauvoir, Samuel Beckett, Eugene Ionesco, Jean Genet, and Harold Pinter, as well as the novels and plays of Sartre himself, are proof of its pervasiveness.

In simpler terms, existentialism is a philosophy concerned with finding self and the meaning of life through free will, choice, and personal responsibility. The belief is that people are searching to find out who and what they are throughout life as they make choices based on their experiences, beliefs, and outlook. And personal choices become unique without the necessity of an objective form of truth. An existentialist believes that a person should have the freedom to choose and be responsible without the help of laws, ethnic rules, or traditions.

In the light of existential terms, existence is prior to essence. Vladimir and Estragon's waiting for Godot symbolically is the "meaning of essence of life which follows upon the actual living of life, that is existence" (Haq, 87). But Godot never comes and throughout the text he is "perceived in various ways: Savior, god, a vindictive tyrant, a rich employer" (Malick, 16). Even after that they do not recognize that they are condemned to be free as per the existential philosophy and persist in waiting for Godot: "What are we doing here, that is the question. And we are blessed in doing this; that we happen to know the answer."

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Yes, in this immense confusion one thing alone is clear: “We are waiting for Godot to come” (110)- says Vladimir, unlike Requentin, the protagonist of *Nausea* (1938) by Jean Paul Sartre, a French existentialist, who recognizes his immense freedom and to avoid the absurdity of life wants to write “a novel” (252) in order to live an aesthetic life; whereas Vladimir and Estragon want to live with the illusion of waiting for Godot. This illusion as per Sartre’s view is bad faith which states that we have no freedom and are not responsible for our lives; we are only victims of circumstances, passive products of our conditioning.

In a nutshell, the essence of existentialism depends on one’s freedom of choice; that is, human being should not be controlled by any external force such as God, religion, state law etc. He should do whatever he likes as Vladimir and Estragon have decided to wait for Godot without any prior guidance. Vladimir says, “we are no longer alone, waiting for the night, waiting for Godot, waiting for... waiting” (*Godot*, 130). Though their waiting is meaningless, the choice of waiting is their self made. Nobody forces them to wait.

Albert Camus who is an existentialist writer opines that boredom or waiting is such a psychic mania that it leads an individual to think and rethink about his own identity. In the present text, the two tramps, Estragon and Vladimir, are the typical examples of this psychic disorder. When a character suffers from such turmoil, he frequently questions himself- what should I do? What is my aim? Where should I go? Even he finds his existence in searching trivial things like boot. Estragon looks for the boot of Vladimir and consoles himself that he exists: “We always find something, eh Didi, to give us the impression we exist?” (*Godot*, 119)

If we concentrate on time we find, Beckett’s time is like T.S. Eliot’s Christian time– wheel which turns yet remains ‘forever still’. But in direct contrast to Eliot, in Beckett there is no possibility of its redemption through a vertical intervention by some transcendental power- a God or Godot. For, in the latter, physical nature follows its own cyclical movement– man is born , grows old and dies; the sun rises and sets; bare trees sprout leaves and will be bare again– but Godot, the only but irredeemably absent possibility of escape from this existential trap, never comes.

This circularity, repetitiveness is the metaphor of “Nothing happens, nobody comes, nobody goes, it’s awful!” (*Godot*) ironically in the sense that signifier “action” is devoid of its signified when something occurs in a circle again and again. It is as if Vladimir and Estragon were thrown into existence on earth and they found no meaning in life. Thus they “always find something... to give us the impression we exist” that “It’s pass time” and Estragon cannot break away from this circle of meaningless existence as he “always come[s] crawling back” (*Godot*). When Pozzo says, “I don’t seem to be able... (long hesitation)... to depart”, Estragon retorts “such is life” as if there were no escape from these absurdity, meaninglessness and emptiness of life. The same emptiness prevails in T.S. Eliot’s *The Wasteland* in the utterance:

What shall I do now? What shall I do?
I shall rush out as I am, and walk the street
With my hair down, so, what shall we do tomorrow?
What shall we ever do? (*Godot*, 130)

Furthermore, Beckett’s philosophy of time is more clearly explained in Pozzo’s following speech which reflects the ridiculousness of the traditional way of calculating time:

(Violently) Don't question me! The blind
have no notion of time. The things of time
are hidden from them too. (*Godot*, 142)

Pozzo, who lived by his watch in the first act, has lost his 'notion of time' along with the eyesight. But in his blindness, he acquires a new, more meaningful insight into the nature of time and human existence, and recognizes the absurdity of measuring time with the clocks and calendars. His furious outburst here summarizes, in Ruby Cohn's words, the situation of finite man in an infinite universe. His view of life recalls Heidegger's statement: "As soon as a man is born, he is old enough to die." According to Eva Metman, this passage might be called Pozzo's leitmotif. The hopeless vision of life as a brilliant moment between the womb and the tomb is stressed and explained by the words, "one day like any other day, one day he went dumb, one day I went blind, one day we'll go deaf, one day we were born, one day we shall die, the same day, the same second, is that enough for you?" (*Godot*, 146). "If one day is like any other there is nothing but fruitless repetition and no transition can take place." (Esslin, ed., *Samuel Beckett*, 127)

But to Vladimir the notion of time is somehow different from that of Pozzo. He pronounces:

Was I sleeping, while the others suffered?
Am I sleeping now? Tomorrow, when I
Wake, or think I do, What shall I say of today?
That with Estrago my friend, at this place,
Until the fall of night, I waited for Godot?
.....
Astride of a grave and a difficult birth.
Down in the hole, lingeringly, the
grave-digger puts on the forceps .We have
time to grow old. (*Godot*, 147)

It is noteworthy that this speech is largely interrogative. It reformulates the play's basic themes such as sleep, blindness, suffering, night, waiting, death, time etc. as questions. It repeats part of Pozzo's angry tirade about time and life, but with this important difference: that blind Pozzo's 'an instant' becomes 'lingeringly' here; there is 'time to grow old'. We also notice that whereas Pozzo's speech moves from the personal to the general (from 'I' and 'he' to 'they'), Vladimir's speech returns to the first person at the end but with 'more inclusive pronouns', 'we' and 'our'. (Cohn, *Just Play*, 59)

In the similar fashion, Beckett displays the sheer randomness of life through the events of the play. Life is portrayed as unfair, risky and arbitrary. Estragon shows the chance involved in the health of his lungs stating, "My left lung is very weak! ... But my right lung is as sound as a bell!" Estragon and Vladimir ponder why one out of the three thieves was saved, which displays the luck or misfortune involved in life. The chaos of this world portrays the absurdity of the characters within the play.

Beckett has used fragmented language to depict the predicament of isolation of post-war modern people. The world is cultivated by billions of men; still every individual is terribly isolated. We are deaf to each other's feelings, dumb to sharing sorrows. When Vladimir expresses his loneliness and fragmented-self to Estragon saying- "I felt lonely", Estragon replies- "I had a dream". But Vladimir does not pay heed to his dream rather he

says –“Don’t tell me”. The mental distance between them becomes evident when Estragon says- “Who am I to tell my private nightmares to if I can’t tell them to you?” (*Godot*, 50). This conversation shows the failures of language as a means of communication. Another example of this failure of language is found in Act-2. In this act Vladimir says to Estragon, “I missed you ... and at the same time I was happy” (*Godot*, 105). Then Estragon being “shocked” questions about the use of the word “happy” and in response to that Vladimir says, “perhaps it’s not the right word” (*Godot*, 105).

We find more examples of the disintegration of language in Lucky’s following speech which is a metaphor for the fragmentation of the western world:

Given the existence as uttered forth in the
Public works of puncher and Wattmann of
A personal God quaquaquaqu with white
beardquaquaquaqu outside time without
extension who from the heights of divine
apathia divineathambia divine aphasia

It is possible to discern a certain method in Lucky’s mad ‘holocaust of phrases’. This long speech can roughly be divided into three parts: 1) we are told about an uncaring and arbitrary God, whose very existence is in doubt; 2) in spite of all learning and progress, man is seen to ‘waste and pine’; 3) there is cosmic petrification and the earth appears to be an abode of stones ‘in the great cold the great dark’. The speech parodies and travesties rational, scholarly discourse. It denies the presence of logic in the world by subverting the logical order of language itself. This is evident in the distortion of words and sentence structures. Further, its incomplete and repetitive character also subverts the notion of economy of utterance which is the measure of rationality in language. By mocking at the belief in God, faith in learning and notion of progress, it captures and demonstrates, as some critics have pointed out, the utter breakdown and disintegration of 300 years of western intellectual history.

Indeed, the world of *Waiting for Godot* is a world of alienation where the minds of the people are segregated from each other. There is a gulf of distance among the souls. People here talk to each other but the words they use are not properly set. Disorder prevails in the expressions. So in the world of isolation only one thing is true and it is disintegration which we once again notice in Eliot’s *The Waste Land* where the London Bridge is seen to fall down. The poet says: “London Bridge is falling down, falling down, falling down” (L. 426). There is again silence all around the world. This silence is a metaphor for utter emptiness, loneliness and isolation.

Now, what is the way to get relief from this boredom of isolation? Different people have different opinions. But Beckett believes in separating people from their emotions which Buddhists and early Greek philosophers also believed. This is the best way as Beckett suggests through Vladimir and Estragon to anesthetize the pain of living. For this reason, the two tramps always try to converse calmly. They even do not dare to laugh any more. Their every action ends in inaction which makes them nothing but living dead. We also see that Meursault, the protagonist of Albert Camus’s famous novel *The Outsider*, separate himself from the boredom of isolation and alienation by embracing death at the end of the novel.

Next, if we meditate on answering the question whether the play is optimistic or pessimistic, we face some difficulties because the play contains the elements of both

optimism and pessimism. If we observe the following conversation we find the note of optimism:

VLADIMIR: He didn't say for sure he'd come.
ESTRAGON: And if he doesn't come?
VLADIMIR: We'll come back tomorrow.
ESTRAGON: And then the day after tomorrow.
VLADIMIR: Possibly.
ESTRAGON: And so on.
VLADIMIR: The point is-
ESTRAGON: Until he comes. (*Godot*, 48)

The fact is that if we consider waiting as their main occupation, they are resolute in doing that because they firmly believe that Godot must come and save them. For this hope they give up the act of hanging themselves. At the end of the play the tramps say:

VLADIMIR: We'll hang ourselves tomorrow. (pause)
Unless Godot comes.
ESTRAGON: And if he comes?
VLADIMIR: We'll be saved. (*Godot*, 152)

Therefore, we can say that if they were totally pessimists they might hang themselves because a pessimist bears no hope for future and ultimately terminates life's innings. But, since the tramps possess some hope for salvation they decide to continue on earth and keep on waiting. Besides, at the beginning of the Act 2 of the play we notice that the tree has four or five leaves which is a sign of optimism. But what the tramps lack is action. Their very inaction is the sign of their pessimism. Throughout the play they hardly exhibit their valor, movements, wits and working ability. They always engage themselves in trivial jobs and silly conversation. They are lethargic like Lotus-Eaters in Tennyson's poem that prefer slumbering to making a journey into the world of action. We can say that they are passive optimists who endlessly wait for Godot to come and change their life. But in the modern world we believe man is the architect of his own fortune. We also believe in Darwin's dictum "Survival of the fittest". So people like Vladimir and Estragon will not survive in this adverse world. We cannot be optimistic about their smooth existence in this competitive world which is full of action. They are stagnant in a pond like frogs. The vastness of the ocean hardly attracts them. That is why, they do not show any sign of movement. The ending line proves their anti-movement attitude which is an ingredient of most of the existential plays.

To terminate our discussion, we can say that throughout the play Beckett, through two major iconic characters Vladimir and Estragon, attempts to show the existential crisis which almost every human being faces in his life. In fact, Beckett was stuck by the smooth European life which was shattered by the two world wars. The world of "waiting for Godot" is a world where there is no hope, no aspiration, and more importantly there is no escape from these sufferings. The irony is that the Godot, for whom Vladimir and Estragon wait till the end of the play, is never seen to come. So the question arises in the audiences as well as in the readers' mind "is there anything like Godot really?" Is the waiting for Godot meaningful or timeless meaninglessness? We think the waiting is meaningless, absurd, and purposeless which are the basic aspects of existential dramas. So we can conclude saying that *Waiting for Godot* covers all the aspects of an existential play.

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A Study on Prospects & Problems of Communicative Language Teaching (CLT) in the Secondary Level Education in Bangladesh

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Abstract

This project attempts to trace out the effectiveness of Communicative Method of English language teaching and the barriers of learning faced by the students in the Secondary Level educational institutions in Bangladesh. The present system of English language teaching in the Secondary Level in Bangladesh is Communicative Method, a replacement of the previous Grammar-Translation Method, and it has been introduced in our country for the last few years. But the scenario of learning English as a compulsory subject at this level is not satisfactory. Now the question arises whether the latest system is appropriate or not in Bangladesh perspective. Being scientific, the authenticity of Communicative Language Teaching (CLT) in field level is unquestionable; then what are the obstacles to the attainment of success of CLT in Bangladesh – is it using the system without its prerequisites or otherwise? Who are responsible – the teachers, the students, the authority, or the socio-economic condition of the country? The research concludes that the method itself is fruitful, but the context and the classroom environment are not favorable. So there needs an attempt to reform the textbook, the classroom environment, the examination system and intensive teachers' training.

Key Words: CLT, textbook reform, exam reform, classroom environment, teachers' training.

Introduction

The present age is marked as an age of globalization and for many different reasons English has achieved the prestige of being a global language. So to pace with the global context English is a must and like other countries nowadays it is used in Bangladesh not only as a foreign language but also as a second language. The Government of Bangladesh is trying its best to make the students of Bangladesh efficient in English. That is why they have introduced the latest and the most scientific method of learning English. As a result, now we have the Communicative method amalgamated with grammar in exchange of previous pure Grammar-Translation method. Before coming to Bangladesh perspective, we would like to have a quick look at the global perspective and the history of Syllabus Design and different methods of language learning. There are four prevalent methods of language learning which the renowned linguists of different ages have approved as below:

- 1) Grammar Translation Method
- 2) Direct Method
- 3) Audio-lingual Method
- 4) Communicative Language Teaching Method

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Grammar Translation Method (GTM) deserves most importance in the history of language learning. The study of classical Latin-works of Virgil, Ovid, Cicero and an analysis of its grammar became the model for foreign language study from the 16th and 17th to the 19th centuries. The system emphasizes on detail analysis of its grammar rules and it requires little emphasis on speaking. The motto of this system is- “to know everything about something rather than the thing itself.” GTM dominated from the 1840s to the 1940s and in modified form it continues to be wisely used in some parts of the world today. In the mid and late 19th century, we find Reform Movement (in some European countries) and opposition to GTM gradually developed.

On the other hand, Direct Method is quite opposite to GTM which originated in the 1960s, and this method is supported by Gouin, L. Sauveur (1826-1907) & F Franke. This method claims that Second Language can be learned if the learner is emerged in the target language environment and its culture. It emphasizes on context, meaning and correct pronunciation.

Another method namely Audio-lingual Method emerged during the Second World War, especially to teach foreign languages to the soldiers of different European countries. Emphasizing on extensive oral practice, it aims mainly to advocate listening and speaking. Here model dialogues are used containing key structures, and each structure is practiced repeatedly until learning it. Memorizing and imitating play the main role in this method.

Finally appears the Communicative Language Teaching (CLT) Method which borrowed the ideas from Direct Method and Situational Language Teaching Method. The communicative approach is essentially a manifestation of the 1970s, in the sense that this was the decade when the most explicit debate took place, especially in the UK. Its aim is to achieve “communicative competence” through learning four basic language skills i.e. Listening, Speaking, Reading and Writing. Its origins are many, in so far as one teaching methodology tends to influence the next. The communicative approach could be said to be the product of educators and linguists who were dissatisfied with audio-lingual and grammar-translation methods of language instruction. Some renowned scholars and distinguished linguists like Christopher Candlin (1976), Henry Widdowson (1979), John Firth (1957), MAK Halliday (1973), D.A Wilkin (1976) supported this method. In fact, CLT makes use of real life situations that necessitate communication. The teacher sets up a situation that the students are likely to encounter in real life. It is noteworthy that the real life simulations change from day to day. The students’ motivation to learn excites their desire to communicate in meaningful ways about the topics.

CLT is a new method in Bangladesh as it is introduced in our educational institutions during mid-1990s. In this method, the learners are encouraged to interact among themselves in both the classroom and their surroundings. Now the question is how much effective it is in Bangladesh perspective. This method is already recognized worldwide, yet there are certain high estimated prerequisites that involve the success in this method. It needs a favorable environment such as small class size, proper content selection, long duration of class, audio-video or computer facilities and above all trained and efficient teachers etc. But in most cases, the third world countries are not able to afford the expenses of the requirements entirely. That is why the CLT cannot work properly all the time.

However, we liked to find out the effectiveness of this method and the shortcomings if there is any. For doing so we chose four schools from rural areas of Comilla district. The

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aim of this research was to trace out the prospects and problems of CLT in Bangladesh, especially in rural areas where the students are truly neglected.

Methodology

The teachers as well as the students are the most important factors in CLT as the formers motivate the latter, and the latter have to take the main role. In order to find out their attitudes in CLT in the language classes of Secondary Level in the region, a survey was conducted among teachers and students. Following 'Quantitative Method' the interview was conducted with a pre-set questionnaire for the teachers with sixteen questions, and a separate questionnaire for the students with ten questions related to CLT. Most of the questions were closed, but there was also an open-ended question so that they could offer their own views on the topic.

Study Design:

It was a cross-sectional study with a semi-structured questionnaire on a total of 200 student-respondents and 10 teacher-respondents from the same area.

Study Area:

The study area selected was a rural area of Comilla district. Data was collected from four schools of Titas Thana territory.

Study Instrument:

The semi-structured questionnaires (one for teachers and another for students) were developed in English. Both of them contained questions about place of interview, date, name of respondent with education and teaching experience, opinions about CLT, teachers' and students' activities in the classroom, the text and examination system, and opinions for further improvements of CLT.

Study Period:

The questionnaires were filled up by interviewing the randomly selected respondents during the period of November 2011.

Procedure and Data Collection:

The data was collected through face to face interview using a semi-structured questionnaire. Before that a draft questionnaire was developed. Then the questionnaire was pre-tested. After the pre-test, the questionnaire was modified, and finally it was developed as a standard one. Then going to the pre-selected area, data was collected successfully.

Data Processing and Analysis:

After collection, the data was checked, verified, cleaned and finally edited. Respective tables and graphs were prepared as required with the help of a personal computer using MS Office programs and other software. Calculations were made with the help of a scientific calculator. The tabulated data was analyzed carefully and critically and subsequently interpretation was made accurately.

Data Analysis and Discussion

(A) Interpretation of Findings of Students' Response on CLT

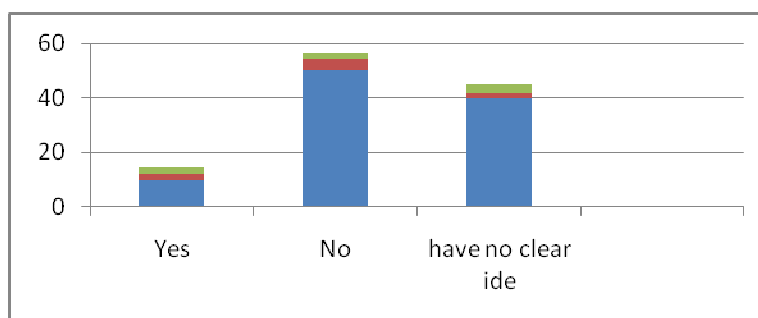
Span of learning English:

Question no.1 was designed to know for how long the students have been learning English. It has been seen that they have been learning English for about 9 to 10 years.

Communicative Competence:

Having knowledge about CLT and its goal

Having knowledge about CLT and its goal	Frequency	Percentage
Yes	20	10
No	100	50
Have no clear idea	80	40
Total	200	100



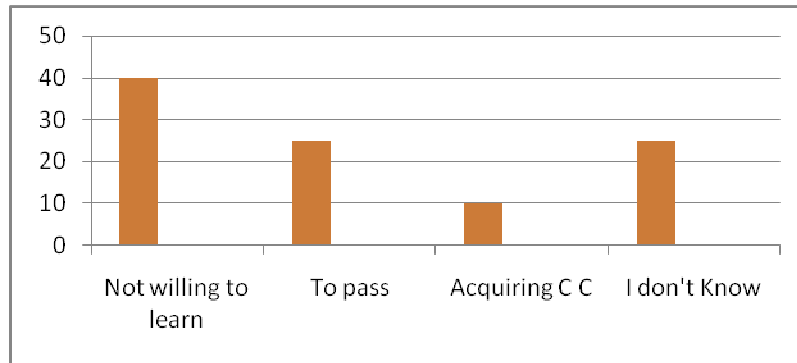
Question no.2 was designed to know how many students know about communicative competence and why they learn English and their feelings about it. It is seen that about 40% students have no clear idea on CLT, 50% students are completely unaware of CLT and its goal i.e. communicative competence, and only 10% students know about this method. Now the question arises how the CLT will be fruitful when its users do not know what they are learning and why.

Feelings of English:

Reasons of learning English

Reasons of learning English	Frequency	Percentage
I am not willing to learn it but bound to learn	80	40
To pass the stairs of exam	50	25
Acquiring Communicative Competence	20	10
I do not know	50	25
Total	200	100

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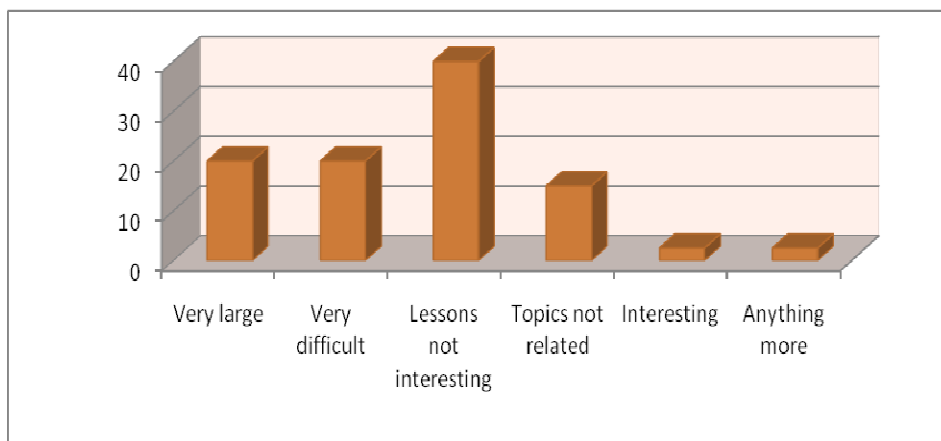


Question no.3 and 4 were about their aims of learning English and their feelings regarding it. It is found that 25% students of rural areas learn English only to pass the examination which is a matter of serious concern. And so they do not feel interest in English rather English is fearful or disgusting to them. And a big portion of the students i.e. 40% are bound to learning English. 10% students learn it to acquire communicative competence and 15% students feel interested in English. Besides, English is very much hard to 50% students and boring to 20% students. At the same time, it is quite a big issue for us that 25% students do not know about their reasons of learning.

Feelings with the Text:

Feelings with the Textbook

Feelings with the Textbook	Frequency	Percentage
It is very large	40	20
Very difficult	40	20
Most of the lessons are not interesting	80	40
Most of the topics are not related to everyday life	30	15
Interesting	5	2.5
Anything more	5	2.5
Total	200	100



Question no.5 was about their feelings with their Textbook (i.e. *English For Today* for class 9 & 10). Most of the students think that many of the lessons are not interesting to them whereas 20% students think it is very difficult, another 20% think it very large, and

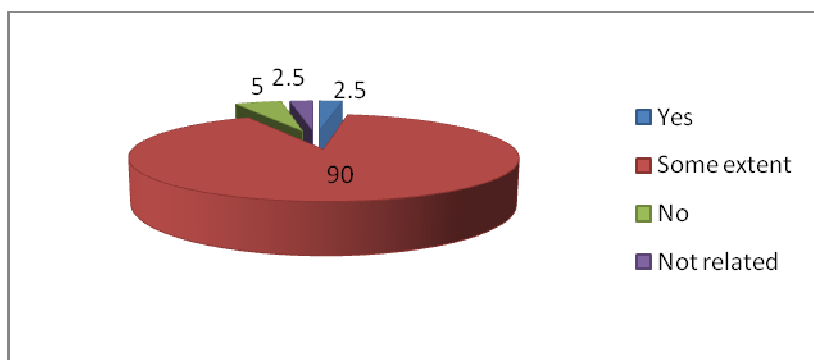
15% think that most of the topics are not related to everyday life. Only 2.5% get interested learning it. So many students feel boring or lazy in learning it spontaneously.
 Conducting CLT activities by teachers:

Question no. 6, 7 & 8 were about their teachers and their using communicative tools or activities in CLT classes. Listening and speaking are the most important skills of CLT. But these two skills are totally neglected as all the students claim. Reading, Writing, Grammar and Model question solving etc. are done well, but importance on the Vocabulary is not given so well.

It is horrifying as many students (25%) claim that most of the teachers do not conduct group or peer work, pair work, role play and English debating etc. which are the main factors of CLT. 15% students demand about group work, 10% about pair work, 15% about role play, and 35% about telling jokes and making fun.
 Ability to use English after getting A⁺ or A in English subject:

Ability of using practical English by getting A+ or A in English in SSC

Ability of using practical English by getting A+ or A in English in SSC	Frequency	Percentage
Yes	5	2.5
To some extent	180	90
No	10	5
Getting A+ or A is not related to practical English at all	5	2.5
Total	200	100



Question no.9 was very important as it was about their ability to use English language relating to getting A or A+ in English subject. The fact is that 90% students agree that they cannot use English language properly in their everyday activities or in their real life situations. 25% students think that they are able to speak in English and 5% students completely deny about their ability and another 2.5% think that getting A⁺ or A is not related to use of English language practically at all.

English syllabus:

Question no.10 suggests that 20% students want change in English syllabus by making it more interesting as many of the contents of the textbook seem to them not interesting and rather it is hard (see ques.5). They want it to be easy with separate sections for all the language skills for learning as well as for exam system and think that then 10 years will be enough for learning communicative English. It is more noticeable here that

those 80% students have no idea about their syllabus whereas 2.5% students do not want any change in the syllabus.

(B) Interpretation of findings of Teachers’ Response on CLT

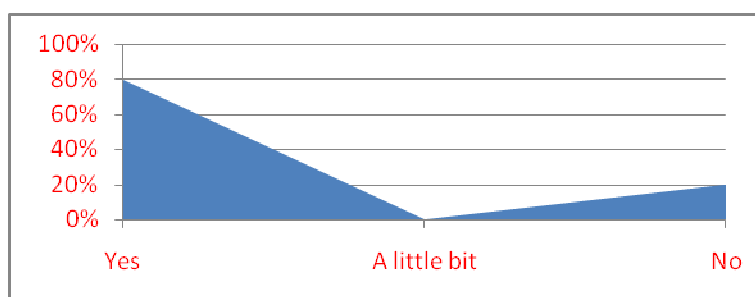
Class size & duration:

1, 2, 15 and 16 were about the existing class size, duration, expected ratio of students and teacher and expected duration of a CLT class. 40% teachers inform that they have 80–100 students in an average and another 40% have more than 100 students in their class. 10% teachers claim that they have 60–80 students and another 10% claim 30–45 students in their class. So it can be easily imagined that the horrifying condition which is quite contradictory to a CLT class is environment. Hence, most of the teachers (60%) opine that the appropriate ratio of students and teacher should be 45:1; i.e., 45 students in a CLT class is rational, 30% teachers think it 30:1 and 40% think 20:1. However, a class with only 20 students is not possible in Bangladesh perspective. The existing class hour is 45 minutes. Most of the teachers (40%) claim that the existing duration of each CLT class is not enough; it should be of one hour.

CLT & its aim:

Effectiveness of CLT in learning English

Effectiveness of CLT in learning English	Frequency	Average
Yes	8	80
A little bit	0	00
No	2	20
Total	10	100

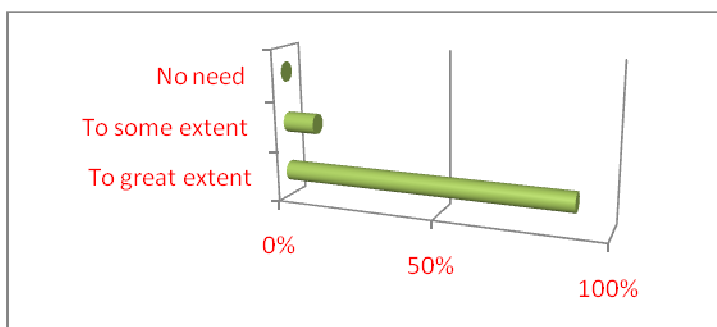


Question no.3 and 4 were about communicative method and its objectives. It is indicating that all the teachers (100%) think the motto of the students should be acquiring communicative competence. If we compare it with the students’ view, the glimpse indicates incongruity because 25% students’ aim is only to pass in the examination, not to acquire the target language. However, 80% teachers think this method is effective in learning English while 20% teachers deny its effectiveness in learning English.

Teaching Procedure:

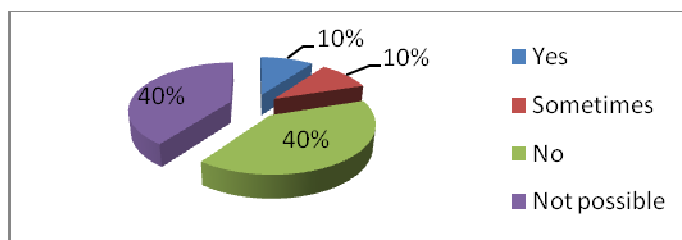
Importance of following the “Teacher’s Guide”

Importance of following the “Teacher’s Guide”	Frequency	Average
To a great extent	9	90
To some extent	1	10
No need to follow	0	00
Total	10	100



Teaching the four basic language skills in class

Teaching the four basic language skills	Frequency	Average
Yes	1	10
Sometimes	1	10
No	4	40
Not Possible	4	40
Total	10	100

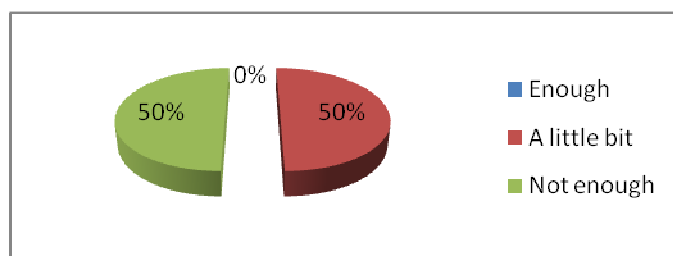


Question no.5, 6, 7, 8, 9 and 10 were about their teaching procedures. The most striking feature is that 90% teachers admit the necessity of following "Teacher's Guide" prescribed by NCTB, though 70% teachers do not have it. Another point I want to mention here is that the schools I visited are under Monthly Payment Order (MPO) status. They get the feedback from the government and National Curriculum and Textbook Board (NCTB). The teachers are supposed to be sent for training on the teaching principles and methods from National Academy for Educational Management (NAEM), but senior teachers as well as junior teachers seemed to have no training at all. It is staggering that only 10% teachers teach four basic skills (i.e., Speaking, Listening, Reading, Writing), 40% teachers do not teach the skills, 10% teaches sometimes, and another 40% think it impossible in the existing classroom stream albeit all of them consider the target is to acquire communicative competence. Some of the teachers manipulate the answers of the questionnaire as they say they teach all the four basic language skills using language lab, projector, and by giving lecture with textbook though they do not have the former two materials in those schools. Again, 50% teachers think textbook or prescribed materials are enough to practice skills while another 50% think otherwise. It is evident from these questions that a great portion of the teachers have no clear idea on CLT. It is denoting that many of the teachers (20%) give only traditional lecture, another 20% practice model questions in the CLT class, 10% conduct group work, another 10% pair work, others (10%) use fun and games, but no role play is done, where 30% teachers perceive the need of all of them.

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Whether the textbook is enough to practice the skills or not

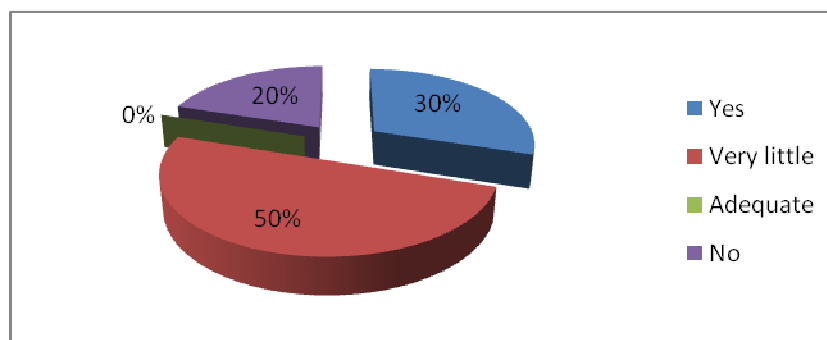
Whether the textbook is enough or not for the skills	Frequency	Average
Enough	0	00
A little bit	5	50
Not enough	5	50
Total	10	100



Evaluation process and reform in textbook and examination:

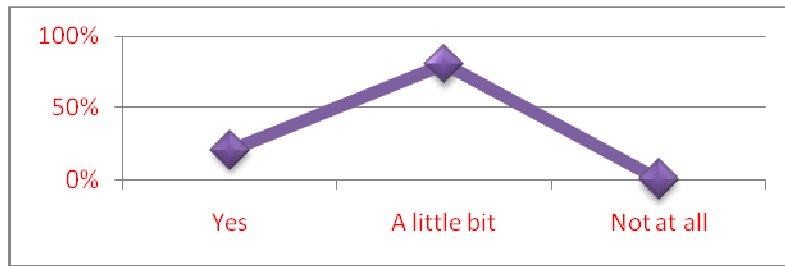
Achieving Communicative Competence after having A+/A/A- in English

Achieving Communicative Competence after having A+/A/A- in English	Frequency	Average
Yes	3	30
Very little	5	50
Adequate	0	00
No	2	20
Total	10	100



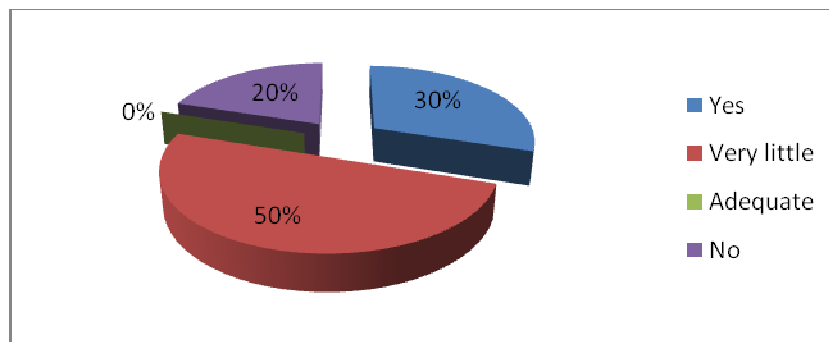
Whether the question system is appropriate or not in achieving Communicative Competence?

Appropriateness of Question System	Frequency	Average
Yes	2	20
A little bit	8	80
Not at all	0	00
Total	10	100



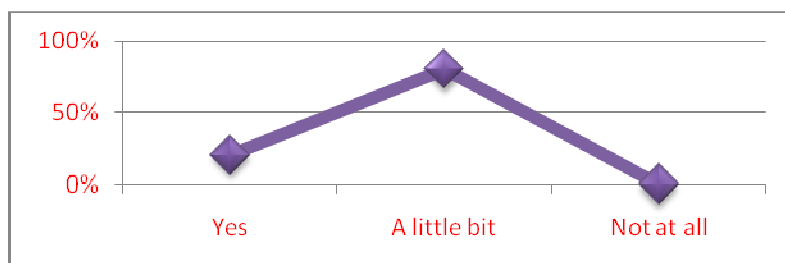
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Achieving Communicative Competence after having A+/A/A- in English	Frequency	Average
Yes	3	30
Very little	5	50
Adequate	0	00
No	2	20
Total	10	100



Whether the question system is appropriate or not in achieving Communicative Competence?

Appropriateness of Question System	Frequency	Average
Yes	2	20
A little bit	8	80
Not at all	0	00
Total	10	100



Question no.11, 12, 13 and 14 were concerning question format or evaluation system and reformation in textbook and examination as well. Question no.11 was very important and so are the findings. 50% teachers think that students achieve very little communicative competence even after having A⁺ or A in English in S.S.C, 20% completely

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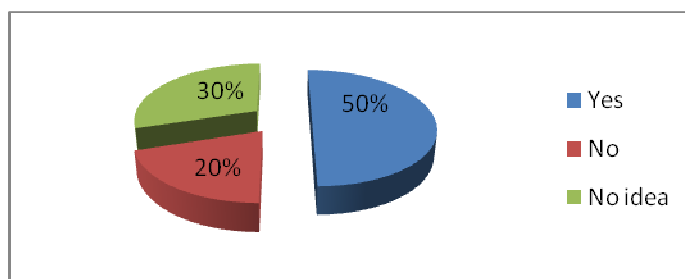
think that no practical knowledge of using English is achieved through A⁺ or A and 30% claim about acquiring it. What are the reasons behind it? 80% teachers esteem the testing system inappropriate. 50% teachers want Listening, Speaking and Vocabulary testing separately through examination. 20% have no idea about it and another 20% says that it is not possible in Bangladesh. For testing different skills, reformation of textbook is required and it should include separate sections for Listening, Speaking, Reading, Writing, Vocabulary Log and Grammar.

Suggestions:

In suggestion portion, many fruitful suggestions have come out from the teachers on how the Communicative Language Teaching method or CLT can be effective in a third world country like Bangladesh. Most of the teachers are in favor of introducing Listening and Speaking items and viva voce in the testing system, enhancing the class duration to 60 min, dividing the students according to their merit levels, reducing the average class size, and definitely making the course shorter and more interesting. More importantly training should be available for the teachers regarding method.

Necessity of separate sections for Listening, Speaking, Reading, Writing, Vocabulary Log & Grammar

Necessity of separate sections	Frequency	Average
Yes	5	50
No	2	20
I have no idea	3	30
Total	10	100



Recommendations:

It is evident from the study that CLT is practiced in our educational institutions but not in its original form aiming at acquiring ‘communicative competence’ rather as a tool of passing the examination or achieving more marks. The study encloses the real spectrum of using CLT in Bangladesh not maintaining its minimum requirements either by the Government or the concern authorities. It is anguishing that there is visibly no one to measure the reality and what is going on in the CLT classes. Obviously time has come to do something and to apply pragmatic decision regarding the overall situation in Bangladesh. Therefore, the following points may be considered:

Reasonable class size and class management:

1. The class should be of at best 40 to 45 students.
2. The CLT class should be divided in accordance with the merit levels of the students.

3. The duration of each CLT class should be 60 min.

Teachers' Activities:

1. The teacher's role should be a facilitator and helper to guide the students to develop effective learning habits.
2. Teaching should start with speaking and listening.
3. English should be used in classes frequently.
4. Use of translation should be limited.
5. The teacher should make the students practice all the communicative activities like pair work, group or peer work, role-play etc. within the class.
6. Appropriate encouragement should be given to students to reinforce their initiatives.

Teacher-Training:

It is quite unfortunate that most of the teachers are not trained up and so some of them are not up to the standard. The inability of the teachers in using CLT method is quite evident, especially in the rural areas. In the Preface of the Textbook *English for Today* for classes 9 and 10, the then Chairman of the NCTB admits that it has been developed on the basis of CLT and the use of various classroom techniques in teaching-learning situation through pair work, group work as well as individual work. But it is definitely difficult particularly for the untrained teachers. But the reality is that almost none has training on CLT with a very exception, and even a lot of teachers do not have the Teacher's Guide. So,

1. The teachers should be given in-service or pre-service training on CLT.
2. The training may be short but must.
3. The government should appoint a number of mobile trainers who can train the teachers going to training centers established in the Thana or district levels, so that all the English teachers of a particular area may have the training reducing the cost of the government or the authority.

Textbook Reform:

1. The textbook-size should be reduced to two-thirds of its present original size.
2. It should be easier and the unnecessarily used tough words should be replaced by easy synonymous words.
3. It should be more interesting and based on real life along with contextualized.
4. There should have separate sections for Listening & Speaking Module and it should be easy with basic rules of pronunciation and Vocabulary Log.
5. Grammar items should be more specific, short and easy.

Test Reform:

1. Testing system should be divided into Listening & Speaking, Reading Comprehension, Writing, Grammar and Vocabulary Log segments.
2. Stress should be given on assignment which will increase the creativity of the students.
3. As students are interested in acquiring marks, marks should be allotted in practical use of English and so 'viva-voce' must be included in every term of examinations; i.e., in the year changing, Pre-test, Test and final S.S.C Examination.

Others:

1. There should have language club provided with English newspapers, magazines, audio cassette players and should have arrangement to organize English debate among the students.
2. Essential material like audio-visual facilities, computer etc. may be used if there is any scope.
3. Use of seminar/ tutorial discussions should be introduced as part of teaching process.
4. Group or peer work, role-play, question-answer session on reading topics etc., which are possible to use in the classroom, may be practiced in the language club at least once a week.
5. Students' involvement should be ensured in topic selection process to the aforesaid items in order to attract their interest.

It is apparent from the study that CLT is not working to fulfill its purpose in Bangladesh as the core aim is being skipped. As CLT aims at 'communicative competence', students might be more competent in the use of English for communication. Now it has come to our realization that teaching English is not only teaching or memorizing something; rather the true mastery of a language involves communicative competence. But in Bangladesh there should be a mixed method based on CLT. Finally to achieve the jest of this method, the government should execute a policy ensuring congenial atmospheres in CLT classes and employ sufficient economical supports in this field.

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A Literature Review on Green Banking in Bangladesh: Policy Guidelines for Banking and Issues

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Abstract

The planet earth is the abode of human beings where they have been living for thousands of years. During this time human beings have gone through the evolution to be the modern Homo-sapiens and surely with its unimaginable endeavor have built the modern world. The modern world runs through energy and the use of fuel causes the rise of temperature in the Earth's atmosphere which is known as green house effect. As a modern economic mechanism, Banking sector consumes a lot of energy and thus in a way increases the temperature of the world. As a measure of corporate social responsibility the banking sector has a responsibility to contribute to lessen this depletion of the nature. Green banking is such a measure and banks in the western world as well as in Asia are taking measures to contribute in this sector. Bangladesh Bank has also decided to implement such ideas in Bangladesh banking sector. For that purpose they have published a policy guideline to be followed by the banks operating in Bangladesh. This paper tries to evaluate that policy guideline by comparing it with some other countries' policy guidelines and also recommends some measures that needs to be included in the guideline.

Introduction

Climate change is the most intricate issue that the world is facing and around the globe there have been continuous efforts to measure and to mitigate the risk of climate change caused by human activity. Many countries of the world have made commitments necessary to mitigate climate change. As a proponent of the process, Bangladesh Bank has published the policy Guideline for Green Banking. As socially responsible corporate groups Bangladeshi banks have a major role and responsibility in supplementing government efforts towards a green world. Although banks are considered environment friendly and do not cause great impact to the environment through their own 'internal' operations, the 'external' impact on the environment through their customers' activities is significant. The banking sector is one of the major source of financing industrial projects such as steel, paper, cement, chemicals, fertilizers, power, textiles, etc., which grounds most carbon emission. Therefore, the banking sector can play a mediator role between economic development and environmental protection, for advancing environmentally sustainable and socially responsible investment. 'Green banking' refers to the banking business performing in such arenas that helps the overall diminution of external carbon emission and internal carbon footprint. To support the reduction of external carbon emission, banks should finance green technology and pollution reducing projects. Even though, banking is never considered a polluting industry, the present scale of banking operations have considerably increased the carbon footprint of banks due to their substantial use of energy (e.g., lighting, air conditioning, electronic/electrical equipments, IT, etc), high paper wastage, lack of green buildings, etc. Therefore, banks should espouse technology, process and products which result in significant reduction of their carbon footprint as well as develop a sustainable business.

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Internationally, there is a growing concern about the responsibility of banking and institutional stakeholders for environmentally responsible/socially responsible investment projects¹. The banking and other financial institutions are more effective towards achieving this goal for the kind of mediator role they play in any economy and for their potential reach to the number of investors. Environment is no longer the exclusive agenda of the government and the express polluters, but also the other partners and stakeholders in the arena like financial institutions such as banking institutions can play a vital role in nurturing linkage between economic development and environmental protection. To enhance quality of service, the accomplishment of environmental preservation measures, support to the underprivileged section of the society, apprehension regarding the quality of life and nature are the crucial ideology that the financial institutions are relying on in their business policy in recent years.

The banking operation aims at a confident long-term rate of return on their credit and investment. Nevertheless, every credit extension and investment carries the menace of non-payment and diminution of value (in case of direct investment) due to environmental responsibilities. Therefore, it is important for the banking sector to pursue certain environmental estimation of the projects before financing. There are evidence showing constructive link between environmental performance and financial performance (Hamilton, 1995; Hart, 1995; Blacconiere and Pattern, 1993). Thus, it is crucial for the financial institutions in the current situation to consider environmental performance in deciding whether to invest in corporation or advise clients to do so. The formation of different policy for environmental administration like resource preservation, clean water act, clean air act, toxic substance control act are also viewed as potentially major contributor to the recent increase in environmental liability for banking institutions. Adoption of these principles will proffer major benefits to financial institutions, to consumers and also the stakeholders.

There have been endeavor to adopt sustainable development strategies from various quarters at international level². Multilateral agencies, international consortiums, multilateral financial and development institutions have been advocating for environmental standards and strategies to evaluate investment projects³. In the past few years, the International Organization for Standardization (ISO) has issued a number of comprehensive guidelines for integrate environmental fortification and pollution prevention objectives into industrial activity worldwide, known collectively as ISO 14000. It would certainly give the much required momentum for the banking industry to enlarge the use of environmental information in their credit extension and investment decisions. In this scenery, the paper aims to discuss the issues of sustainability in Banking and the importance of the policy paper for sustainable growth and development, in the context of Bangladesh.

Importance of Green Banking

Environmental concerns have come to focus recently to the business orientation of banks and financial corporation. By tradition, banking sector's apprehension regarding the environmentally degrading actions of clients is considered as something like intrusive in

¹ Earth Summit in 1992, the United Nation Environment Programme Initiative on the Environment and Sustainable Development" was established in order to initiate a constructive dialogue between UNEP and Financial Institutions.

² The UNEP statement by Financial Institutions on the Environment and Sustainable development in 1992 showed that 80% of the signatories (200 financial institutions) made some kind of assessment of environmental risks of investment projects before financing.

³ Green banking in India, Provakar Sahoo.

their business affairs. But, at present it is being considered that environment preserving activities reduces risks to their business. Although the banking and financial corporations are not directly affected by the environmental degradation yet there are circuitous expenses to banks. As a result of strict environmental disciplines imposed by the proper authorities across the countries, the industries would have to pursue definite standards to conduct their business. In the case of failure, it would direct to closure of the industries leading to a likelihood of default to the bank. For instance, the enactment of Comprehensive Environmental Response, Compensation and Liability Act in 1980 (CERCLA) in the US in late 1980s has caused huge loss to the banks in the US as banks were held accountable for the environmental pollution of their clients and had been made to pay for the remediation cost. Because of this, banks in the US are at the forefront of other countries in incorporating environmental issue into their business operations. In the recent years a number of other countries especially in Europe are incorporating policies that have made banks responsible for the wrong doings of their clients. For this reason, the financial corporations need to engage themselves proactively with the stakeholders on environmental and social policy issues and appraise the impacts of their client's venture. On the other hand, this would force the customers to be careful in making their investment. This should cover all project financing activities across all industries. The magnitude of Green Banking is enormous for both the banks and economy and for that reason the following risks must be given proper attention.

Credit Risk: Due to climate change and global warming, there have been direct as well as indirect costs to banks. It has been found that due to global warming, there have been extreme weather conditions which affect the economic assets financed by the banks, thus leading to increase incidence of credit default. Credit risk can also arise indirectly when banks invest to companies whose businesses are negatively affected by the current climate change scenario. The expenditure of meeting new requirements on carbon emission levels seems to be sufficient to drag some companies out of business⁴. Credit risks in such case may be higher as the chances of customer default which might result from uncalculated expenses for capital investment in production facilities, loss of market share and also from third party liability claim. In addition to this, risk of loan default by debtors due to environmental liabilities, because of fines and legal liabilities and due to reduced priority of repayment under bankruptcy. Few cases also show that banks have been held responsible⁵ for actions occurring in which they held a secured interest (see Schmidheiny and Zorraquin, 1996 and Ellis, Millians and Bodeau, 1992).

Legal Risk: Legal risk can happen in many forms. First of all, banks like other companies are at risk if they themselves do not fulfill relevant environmental legislation. But they are also at the risk of direct lender liability for clean up costs or claims for damages. This would happen if they have actually taken possession of contaminated or pollution causing assets.

⁴ Example, in United Kingdom, the breach of terms of the license given by integrated pollution prevention control would lead to prohibition, financial penalties and enforcement notice. All such notices can have significant financial implications for the business and as well as the financial institutions those who have put money into it. Thus banks/financial institutions need to take actions before financing the project. The enactment of CERCLA in USA in 1980s has resulted in huge loss to the banks in USA as banks.

⁵ Some US courts (H. Thomson) have sought to hold banks and other financial institutions liable for the environmental damage caused by their customer's actions, such as clean up costs and other damages associated with hazardous wastes. For example Fleet Factors case in 1990 where the bank (Fleet factor corporation) was held liable for environmental damages incurred in the foreclosure process by a firm they hired to auction off assets.

An environmental management system facilitates a bank to reduce risks and costs, to boost its image and to take advantage of revenue opportunities.

Reputation Risk: In every case, due to the growing awareness regarding environment safety, banking institutions are more likely to lose their reputations if they are engaged in big projects, which are scrutinized as socially and environmentally detrimental. There are also incidents where environmental management system has positive result in cost savings, increase in bond value etc (Heim, G *et al*, 2005). In few cases, the environmental management system resulted in lower risk and increased in operating profit.

The adoption of green banking policies will facilitate the bank to cope up with these risks implicated in their business function. Green banking strategies incorporates mainly two components-- (1) managing environment risk and (2) identifying opportunities for innovative environmentally oriented financial products (IFC, 2007). To manage environmental risk, the banks have to plan proper environmental management systems to calculate the risks involved in the investment projects. The risks can be internalized by launching differential interest rates and other relevant techniques. Also, bank can pull out itself from financing highly risked projects. The second component of green banking refers to the creation of financial products and services that provides support for commercial development with environmental benefits. These incorporates investment in renewable energy projects, biodiversity conservation, energy efficiency, investment in cleaner production process and technologies, bonds and mutual funds meant for environmental investments etc.⁶.

The above segment leads to the idea that the banking and financial corporations should plan an environmental risk and liability guidelines on development of protective policies and reporting for each project they finance or invest (Jeucken, 2001). They can also have an environmental appraisal for the projects seeking finance from them. Banks also can issue Environmental hazard management procedures for the each project and follow through⁷. The prominent international financial institutions like International Financial Corporation (IFC), Japan Bank for International Cooperation (JBIC) have incorporated environmental management into their business operation. All project proposals are stratified according to its potential environmental impact taking into account of factors such as -the sector and scale of the project, the substance, proposed project site, the degree and uncertainty of its potential environmental impact. In most cases, the World Bank's loans and grants are allied with certain level of commitment of the beneficiary countries to incorporate environmental protection measures.

It is very much rational to mention that the perception towards complying with environmentally norms and standards has gone through a number of changes over the time and it keeps changing. Adherence to environmental norms and standards has been considered costly and it is one of the main hindrances to development. Considering the economic benefits in terms of health care, productivity and insurance lead to the idea that the benefits are much higher than the cost. A study confirms that only air pollution causes

⁶ The growing market for sustainable investment funds such as Scudder Environmental Value Fund (WBCSD, 1997) and the UBS Eco performance portfolios (UBS 1999) is a good example for this trend.

⁷ In Philippines, the Land Bank and also Development Bank of the Philippines has set up a specific environmental unit to analyse environmental aspects of project financing, to finance waste and water projects and to incorporate environmental factors into its lending operations. They also expanded their environmental units for technical evaluation of each projects.

the loss of 200 million working days and the resulting losses in productivity and medical expenses costs around 14 billion pound to the European Union (Stavros Dimas, 2005). If all the impacts of environmental degradation are considered and costs are measured, then it would open the door to a huge economic benefit, which these protection measures bring in. Environmental friendly technologies also make economic sense for the industries by actually lessening the financial burden. As the cost of pollution is rising with more awareness about these issues all over the world, the polluting industries face more confrontation and often enforced to shut down or face huge boycott by the customers. This sort of resistance adds to their cost enormously. Environmental concerns are integrated into the international trade policy and often act as trade barrier for environmentally sensitive goods (ESGs). So, it can be said that adopting environmentally sustainable technologies or modes of production is no more considered as a financial burden; rather it brings new business opportunities and higher chance of profit. Green banking helps to save costs, minimizes the level of risks, enhances banks reputations and contributes to the common good of environmental sustainability as a whole. So, it serves both the commercial purpose of the bank as well as its social responsibility to the society.

Green Banking: International Initiatives

The financial sector's growing concern to environmental management system is a result to the direct and indirect pressures from international and local Non Governmental Organisations (NGOs), multilateral agencies and in some cases by the market through the consumers. In the early 1990s, the United Nations Environment Programme (UNEP) launched what is now known as the UNEP Finance Initiative (UNEPFI). Some 200 financial institutions around the globe are signatories of this enterprise to uphold sustainable development within the framework of market mechanisms towards common environmental goals⁸. The objective of this is to integrate the environmental and social dimension and risk associated with it in the financial sector. According to the commitment of this UNEPFI statement, sustainable development is regarded as the basic to the sound business management. It advocates for a preventive approach towards environmental management and recommends integrating environmental considerations into the customary business operations, asset management, and other business decisions of the banks⁹. The environmental unit of IFC was established in 1991 for reviewing each project for environmental assessment. Similarly, the US Export-Import Bank regularly reviews while financing exports on the ground that whether they are environmentally sound or not. It is important to mention that Netherland-based ABN-Amro bank has developed certain Reputational Risk Management (RRM) policies to identify, asses and mange nonfinancial present within it business engagements. Likewise, some of the big international banks around the globe like ABN Amro, Deutsche, Standard Chartered, HSBC Bank etc. look at environment issues discussed under Kyoto Protocol while financing a project. In addition to this, it is also noteworthy to mention that the Dutch Government has made a formal request to banks in achieving sustainable development.

⁸ 34 international banks follow codes of conduct in the lines of UNEP, environmental reporting, environmental management systems, environmental policy and environmental risk assessment and guidelines to reduce environmental impact, both internal and external (Jeucken, 2001).

⁹ In the similar lines, the city of London in 2002 launched the London Principles on Sustainable Finance at Johannesburg Earth Summit. It focuses on the provision for eco-innovation and access to finance for disadvantaged communities. The London principles constitute seven principles that address the environmental and social impact of the financial sector and emphasized such issues as transparency, risk management and equitable access to capital.

There is the instance where Earth (FoE) and the Rainforest Action Network (RAN) challenged the industry with high-profile campaign that highlighted cases in which commercial banks were “bankrolling disasters” in 2000 in the US. In 2002, a global coalition of NGOs formed a network named ‘BankTract’ to promote sustainable finance in the commercial sector. This coalition came up with a resolution constituting of six principles promoting environmental protection and social justice by banks which is popularly known as Collevocchio Declaration. The six principles include commitments to sustainability, no-harm, responsibility, accountability, transparency and sustainable market, and governance. More than 200 organizations have certified this declaration and unrelentingly urged the banks to incorporate these commitments into their business operation. The declaration states that “Finance and Commerce has been at the center of a historic detachment between the world’s natural resource based production and consumption. As we reach the boundaries of ecological boundaries of the ecological limit upon which all commerce relies, the financial sector should take its share of responsibility for reversing the effects this detachment has produced”.

These issues for sustainable finance have compelled the banking institutions to come up with a common and coherent set of environmental and social policies and guidelines that can be used to evaluate the projects. In October 2002, A small group of banks along with IFC came together to initiate the process of designing the common guidelines and it was prepared by June 2003 which is known as *Equator Principles*. At the beginning, 10 leading commercial banks adopted these voluntary set of principles. This equator principle was afterwards updated and the new revised sets of principles were launched in July 2006. The coverage of projects being financed was expanded in the revised set of principles by lowering the finance threshold from \$50 million to \$10 million. At present, 46 financial institutions from 16 countries with business operation in more than 100 countries have incorporated these principles in their business. So, it can be said that this principle has become a common standard of project finance that incorporated environmental and social issues in project finance and thus it is praise worthy initiative by the international banking community.

The functions of the equator banks (banks adopting equator principles) are being observed and reviewed by NGOs worldwide and are being published whenever it is realized that they are not committed to Equator Principle. In 2006, IFC along with the Financial Times initiated ‘Sustainable Banking Award’ and more than 104 financial institutions out of 151 entries from 51 countries have made it to the final lists of award in 2007. The number of banks applying was up by more than 100 per cent compared to the previous year's 48 banks from 28 countries.....

The initiatives towards integrating environmental concerns into business operation by the international banks are voluntary in nature and are meant to promote a common good of a better world. According to Provakar Sahoo “Voluntary commitment has its own shortcoming in a competitive market. Unless the market for green money will increase, the lenders will always have an incentive to procrastinate their social commitment and prioritize the commercial interest in the short run. So demand for green money is a precondition of green banking if it will be voluntary. A Government legislation that makes banks accountable for the misdeeds of their clients will help promote green banking.”¹⁰ Along with the comment and the context of Bangladesh it can be said that the publishing the green banking policy is a timely decision by Bangladesh Bank. It is high time for the banks to

¹⁰ Green banking in India- Provakar Sahoo.

adopt the policy and to take strategies that would lead to a greener world. The rest of the essay would suggest some strategies for green banking and also some recommendation that can be incorporated in the policy Guidelines for better Green banking.

Banking and Sustainability

The course of sustainable development entails all sectors in the economy – Government, NGOs, corporates, citizens and of course, the financial sector. Banking is associated with formal and rigid approaches and the sector generally perceives itself as environmentally neutral. The context in which banking operates is, however, continuously changing. Although banks themselves are generally environment friendly and do not impact the environment much through their own ‘internal’ operations, in view of the relationship between the banking sector and the firms who are users of banks’ products, the ‘external’ impact on the environment through these entities is substantial. Banks that are serious about sustainable development put principles at the heart of decision-making. This includes fundamental issues, such as, how deals are done and loans are made, in searching proactively for opportunities and even in establishing and adhering to policy frameworks that deliberately preclude involvement in certain investments. For example, an investment in a factory that pollutes heavily (and passes on the costs to the society at large) will generally have a higher financial rate of return than a factory that invests in expensive pollution control technology, as a result showing a lower rate of return. How will banks assess the two and which one of the two will be considered first for lending, although everyone knows that the second case will clearly be a better investment option in the long run?

Environmental issues highlight both risks as well as opportunities. While on the risk side there is pollution, soil degradation, etc. on the opportunity side, there are investment possibilities through highly successful ‘sustainability funds’ or ‘green funds’ in which there is apparently no dearth of investors. Banks, as financial intermediaries, are seen as efficient assessors of risk. The investors who themselves do not have the wherewithal to assess the risk in projects or companies, prefer to invest in the banks offering environment or sustainability linked products. Sustainability Indices (such as the Dow Jones Sustainability Index - DJSI) are now used to track the performance of leading sustainability-driven companies. A different positioning of environmental issues is also happening through the Kyoto Protocol in the form of carbon emission targets which may provide long term benchmarks in corporate planning. Driving forces for sustainability come from all the stakeholders of a company – the investors, shareholders, employees, board of directors, customers, etc. With the market for investment in sustainable investment funds growing, a win-win situation has been created both for a bank and an investor. It is true that a bank in such case does not aim for the highest financial return, but the highest sustainable return and being profitable in the long run.

Policy Guidelines for Green Banking and some Issues

As an advocate of green banking Bangladesh Bank has already taken some initiatives even before publishing the policy guidelines. Some of the important policy the banks in Bangladesh has to follow is -Commercial Banks are now required to ensure necessary measures to protect environmental pollution while financing a new project or providing working capital to the existing enterprises. Banks have been advised to facilitate their clients with utmost care in opening Letter of Credit (L/C) for installation of Effluent Treatment Plant (ETP) in the industrial units. Banks have been advised to finance in Solar Energy, Bio-gas, ETP and Hybrid Hoffman Kiln (HHK) in brick field under refinance programme of Bangladesh Bank. The comprehensive Guideline on Corporate Social

Responsibility (CSR) issued by Bangladesh Bank also talks about the responsibility of the corporate group towards environment.

One must appreciate the attempt by the Bangladesh Bank towards Green Banking. The green banking policy is published in a time when the whole world is turning towards the concept. Bangladesh bank also nods its head in the positive direction by mentioning-

We are aware that global warming is an issue that calls for a global response... ..Green finance as a part of Green Banking makes great contribution to the transition to resource-efficient and low carbon industries i.e. green industry and green economy in general... .. In line with global development and response to the environmental degradation, financial sector in Bangladesh should play important roles as one of the key stake holders. (Policy guideline for Green Banking)

According to the Policy guideline for Green Banking, The green banking policy will be implemented in three phase. In the First Phase banks have to develop green banking policies and strategies and must approved them by a committee comprised of directors and in case of foreign bank it must comprised of their top management personnel. Bangladesh bank also makes it clear that “Bank shall approve a considerable fund in their annual budget allocation for green banking.” **According to our view it would have been better if the entire budget has come under green banking. As, otherwise their might be opportunity for the banks to make a meager investment as an eye wash.** One must appreciate the policy that tells that “Banks are required to establish a separate Green Banking Unit or Cell having the responsibility of designing, evaluating and administering related green banking issues of the bank “this establishment would make green banking more focused. Regarding the **“Incorporation of Environmental Risk in CRM”** it seems that there is some confusion. The paper first speaks of the inclusion of detailed guideline on Environment Risk Management (ERM) in consideration of a part of green banking policy. But the paper does not make clear distinction on Environmental Risk Management (ERM) and Environmental Due Diligence (EDD). According to their definition it is known that ERM is a part of EDD. So there is the opportunity for Bangladesh bank to make clear notion regarding the term and also to clearly mention under whom, who will come. Regarding **“Initiating In-house Environment Management”** it seems that the bank has a very clear view. But it comes to us that the inclusion of flexible hours for the employee would have helped the bank to be greener. Regarding the **“Creation of Climate Risk Fund”** one must appreciate Bangladesh Bank policy. As an disaster prone country Bangladeshi people specially in the coastal area are always under the threat of disaster. As a result, the emergency fund would be very much helpful. It must be mentioned here that in the recent years there has been much talk regarding the possibility of a massive earth quake in Bangladesh. The policy may include this fact in the paper so that as a part of their CSR the banks can help the affected people. The emergency fund must also be used for disaster preparedness. As pre disaster activities are more effective than the post one, surely there is the need for assistance after disaster occurs but pre disaster efforts could save more life. Regarding **“Online Banking”** it comes to us that to ensure effective use of the online system it must be made secure. Nothing would work until people feel that their money is safe. Regarding **“Disclosure and Reporting of Green Banking Activities”** it comes to us that more clarification is needed, Specially regarding ‘targets’, ‘actual footprint’ and ‘methodology’ the Bangladesh Bank must provide more specific requirement to the banks. More care should be given for the time frame for the three phase of implementation. At present, all the phase has equal time distribution. But the level of effort required to implement them is different in different levels. That is why, the time frame needs to be re-adjusted for the proper implementation of the policy.

Green Banking Strategies:

Now let us focus on some of the strategies that the banks can incorporate to implement the green Banking policy and also to be benefitted by it. They are-

Carbon Credit Business: Under the Kyoto protocol, it is stated that Clean Development Mechanism (CDM) provides for co-operation between annexure –1 and non annexure-1 (developing) countries. The operational mechanism of CDM’s involves an investment by a legal entity from an annexure-1 country into a project in non-annexure-1 country, which results in emission reduction. These emission reductions have to be certified by an appropriate authority and these certified Emission Reductions (CERs) which are commonly known as carbon credits can be used to meet the commitments of annexure-1 countries under the Kyoto protocol. These carbon credits are traded in the markets. CDM projects are those projects that contribute to credible and sustained reduction in GHG emissions. According to the market for the purchase of carbon has grown exponentially since its conception in 1996. The following is the estimated size of the worldwide carbon market according to the World Bank and the size of the market up to 2009 was-

Year	in millions of USD		
	Main Allowances & Spot Markets	Project based transactions	Total Market Size
2005	7,971	2,937	10,908
2006	24,699	6,536	31,235
2007	50,394	13,641	64,035
2008	1,27,769	7,297	1,35,066
2009	1,40,365	3,370	1,43,735

Source- IIDFC website.

Bangladeshi banks can engage themselves in carbon credit business, in which they can offer all the services in the area of CDMs and carbon credits including services of identification and funding of CDM projects, advisory services for registration of CDM projects and commercialization of CERs under different structures to meet the requirements of its clientele. They can act as a mediator for buying CERs on behalf of end-users or carbon funds, financing against CERs and CERs receivables, and other related banking services. In case of Bangladesh there is huge prospect of it. According to a report of the daily “Prothom-alo” only the Sundarbans area can provide BDT600000000000 as carbon trade. Some of the companies have already started doing this.

Green Banking Financial Products: Bangladeshi banks can introduce innovative green banking financial products which will indirectly or directly support in the reduction of carbon emissions. These banks can introduce a ‘Green Fund’ to offer climate conscious clients the alternative of investing in environmental friendly projects. Banks can also introduce green bank loans with financial concessions for environmental friendly products and projects. This will inspire entrepreneurship in this arena. Besides introducing specific green banking products, banks should incorporate an Environmental Impact Assessment (EIA) in their project appraisal while financing any project to measure the nature and magnitude of environmental impact as well as suggest environmental risk mitigation measures and this must be done according to the policy guideline. Banks should also perform environmental audits of the financed projects. Banks need to remodel their credit products to assist SMEs to adopt quality and conform to environmental standards. Banks

should also include green guidelines in their credit policies to raise the green loan portfolio. Bank can also introduce Green bank share in the stock market.

Green Mortgages: World famous banks such as Citigroup Inc., Bank of America, and JP Morgan Chase & Company are just a few of the renowned mortgage lenders offering special discounts on mortgages used to build or update buildings and homes to be more green. One of the reasons for the thrust for green mortgages is that green building and rebuilding tends to incorporate more energy-efficient materials and building plans. Following such thing will also help the bank to be in line with the green banking policy.

There are two types of green mortgages: (1) The Energy Improvement Mortgage – it is to be used to upgrade a home or building to make it energy efficient. This would be done by installing energy saving items such as solar panels and improved insulation. Here it must be made clear that this loan is used to reconstruction of houses only. (2) The Energy Efficient Mortgages for the construction of new energy efficient homes and buildings.

There are many states in the USA getting in on the green mortgage by offering subsidized green mortgages so that more home-owners and business owners can “green-up” their buildings. In addition to helping save the environment by using less energy, these mortgages offer many advantages to customers by reducing money spent on high utility bills and on high costs of obtaining a mortgage. The Residential Energy Services Network reported on a recent study showing that the market value of a home increases \$20 for every \$1 decrease in energy costs.

Carbon Footprint Reduction: Carbon foot-print is a measure of the impact of our activities on the environment. It relates to the amount of GHG we are producing in day-to-day business while burning fossil fuels for electricity, heating, transportation, etc. Banks can reduce their carbon footprints by adopting the following measures:

Paper-less Banking: As commercial banks in Bangladesh have computerized their branches, there is sufficient opportunity for doing paperless or at least less-paper banking. Mostly the banks use huge quantities of paper for office correspondence, audit reporting, recording public transactions, etc. These banks can switch over to electronic correspondence and reporting. Banks should encourage their customers also to switch over to electronic transactions and popularize e-statements. In case of Bangladesh most of the private banks have already established on line banking but they need to make e-Banking more popular. One of the ways of it can be through the establishment of more ATM booths.

Energy Consciousness: Developing energy- consciousness, adopting effective office time management and automation solutions and using compact fluorescent lighting (CFL), can help banks save energy consumption considerably. Banks can conduct energy audits in all their offices for effective energy management. They can also switch over to renewable energy (solar, wind, etc.) to manage their offices and ATMs. Bank must also take steps regarding the use of their air condition as it is one of the major sources of carbon emission and it must be calculated in their energy audit.

Using Mass Transportation System: The banks can become fuel efficient organization by providing common transport for group of officials posted at one office. This would also help to reduce the traffic jam of Dhaka city.

Green Buildings: The Bangladesh banking industry uses a huge space for their offices and residential houses throughout the country. These banks should develop and use green buildings for their office and employee accommodation. These measures will not only help banks reduce their carbon footprint but also save the operational costs considerably and also it would be way to inspire people to be greener and also to increase the reputation of the bank.

Social Responsibility Services: As part of the green banking strategies, Bangladeshi banks can initiate various social responsibility services such as tree plantation camps, maintenance of parks, pollution check-up camps, etc. It is not only their social responsibility to do that, but they can also do it as a major work against the carbon emission done by the banks.

Green Banking in Bangladesh

Bangladesh is on a higher growth trajectory for the last one decade and the industrial sector plays a very important role in its growth. However, Bangladeshi industry faces the challenges of controlling environmental impact of their business i.e. reducing pollution and emission of their clients. Though government has been trying to address the issue by framing environmental legislations and encouraging industry to follow environmental technologies and practices, they would not be enough for the poor track records of enforcement, public awareness and inability to derive competitive advantage by producing eco-friendly products. Still there are companies who have come forward to be green. For instance, there is collaboration between Rahimafrooz Renewable Energy Ltd and Akij Group of Industries for developing carbon emission reduction projects. Bangladesh Carbon, an initiative of Rahimafrooz Renewable Energy, will act as specialised CDM project developer and help ensure carbon revenues from various carbon emission reduction initiatives of Akij Group. It includes CO₂ captured from the exhaust of boiler and generator in Akij Food and Beverages Ltd, and heat generation from the biomass collected from the production wastage in Akij Particle Industry. This will, in turn, save carbon emission and reward the project participant with CDM credits, and is likely to achieve CER of \$10 million in 10 years during the project period. This CDM service agreement was the first private sector initiative to develop and commercialise CDM projects through a CDM developer in Bangladesh. Efficient Lighting Initiative of Bangladesh (ELIB) is another project that has been signed between Bangladesh government and Danish government. It is a small scale project which would reduce carbon emission 17,540 metric tonnes CO₂ equivalent per annum. There is also a joint collaboration between Bashundhara Paper Mills and Rahimafrooz Renewable energy to Develop Carbon Emission Reduction Projects. Rahimafrooz, a pioneer company in this field, is producing energy saving Bulbs and other products and thus helping the reduction of carbon emission. The Industrial and Infrastructure Development Finance Company (Bangladesh) has also signed agreement with Danish Energy agency for carbon trading. Though there are initiatives, yet the number of companies promoting them is very few. Without an all out effort it will not be possible to reduce carbon emission to the desired level. EXIM Bank has formulated Green Banking Policy and taken many steps to ensure protection of environmental degradation in line with Bangladesh Bank directives. The EXIM Bank has made it mandatory for clients having textile, spinning and dyeing factories to install water treatment and effluent treatment plants to qualify themselves for having investment/finance from the Bank. According to the official ,environmental infrastructure such as renewable energy project, clean water supply project, waste water treatment plant, solid and hazardous waste disposal plant, bio-gas plant, bio-fertilizer plant are getting preferences by the Bank at the time of selection of the project/proposal. EXIM Bank installed Solar Power System in one of its premises at Gulshan, Dhaka. The Bank has incorporated Environmental Risk in Investment Risk

Management Guideline to assess/select a prospective investment customer, wherein they issue different checklist for compliance of different sectors investment customer which will play supportive role for environmental risk management. "In line with our thrust on green banking, the Bank is encouraging for inventory of the consumption of water, paper, electricity, energy etc by its offices and branches in different locations, measures to save electricity, water and paper consumption, minimizing the use of printed documents, Online communications, ensuring double side printing and using of scrap paper as note pads to ensure paper less banking.

BRAC Bank has launched its first solar power branch in Manikganj. The solar power will be used as an alternative power source. As a part of their corporate social responsibility they have adopted the following green banking approach.

- ➔ Insist on double-sided printouts and photocopies wherever relevant.
- ➔ Paper communication between the divisions/Customer centers of BRAC Bank has been replaced with on-line communication where possible, resulting in significant reduction in paper usage.
- ➔ Converted selected staff training sessions into E-learning process, which has resulted in reduced paper usage on training materials.

Known as the world's local bank HSBC Bangladesh has also taken many steps to ensure green banking. They are also inspiring others to it. As a part of it in 2011 they awarded five companies for green banking initiative. The list is given below:

CLIMATE CHAMPIONS HONOURED AT THE HSBC – THE DAILY STAR CLIMATE AWARDS 2011

This initiative - currently in its second year – seeks to recognize individuals and organizations for their efforts to make a difference in saving our environment through green business practice, voluntary approach or valuable research-work. The winners were selected from numerous submissions for their efforts to address a global concern – climate change. Award Category	Climate Champion
Climate Champion in Green Business	Energypac Electronics Limited – For their pioneering role in promoting, popularizing and manufacturing energy efficient CFL light-bulbs in Bangladesh.
Climate Champion in Green Operation – 100% Bangladeshi owned companies	The Bengal Glass Works Limited - For ground breaking success in reducing energy consumption, waste management, heat/carbon emission and water and paper recycling.
Climate Champion in Green Operation – Companies with full or partial foreign ownership	Grameen phone Limited - By converting 39 BTS sites into renewable-energy-run ones, and aiming to convert 160 more by 2012.
Climate Champion in Knowledge Management	Radio Today - For raising awareness about saving the environment among urban dwellers especially youth through the campaign 'Green Radio'.
Climate Champion in Community Engagement	Rural Development Academy (RDA), Bogra - This government-run academy enabled rural women to fight poverty through eco-friendly, efficient and commercially viable seed production, preservation and marketing skills.

Standard Bank goes for Green Banking. To encourage environment friendly investment bank has already approved policy for solar panel finance for home, commercial building & industrial building, establishment of ETP, renewal energy sector, Bio-gas plants etc.

Environmental Management and Role of the Government

At the present time, most of the business lending process in different parts of the world inspects projects with a set of tools by involving environmental apprehensions in their day-to-day business¹¹. According to Provakar Sahoo, “The financial institutions should encourage projects which take care of following points while financing them viz., (a) sustainable development and use of natural renewable natural resources (b) protection of human health, bio-diversity, occupational health and safety, efficient production, delivery and use of energy (c) pollution prevention and waste minimization, pollution controls (liquid effluents and air emissions) and solid and chemical waste management and (d) there should be a third party expert to draw a plan for the environment management plan.”

It has to be made mandatory by the T financial institutions that the client is ready to abide by environment management plan during the construction and operation of the project and provide customary reports, by experts from the organization as well as third party experts. There should be a straight communication between the lenders and monitoring group. However, much less concentration is given for the environmental risk management after the post transaction period. Recently, western financial institutions use environmental criteria with credit risk management activities than with formulating overall lending or investment strategy. The job of the credit officer to compare firms regarding environmental management and measure the relative environmental liabilities and risks has become easier through the introduction of ISO 14000 and development of information network. Though commercial banking has been more attentive to the investment banking than the environmental problems, the environmental liabilities would play a larger role in their investment decision in the near future (Schmidheiny and Zorraquin, 1996). According to Sahoo, “the environmental audits are very much essential to determine the environmental status of a facility, property, and operation and to categorize authoritarian compliance status, past present problems and potential environmental risks and liabilities associated with the project.” Which, he thinks, that should be done by an independent body or by any environment investigation team. He also adds that to ensure all these work there should be legislation, which will enforce the standards along with training and demonstration skills. Now, Government should enact legislation to force banks to consider producing a formal environmental policy statement and making this publicly available. It is important to quote Provakar Sahoo that “Though Schmidheiny and Zorraquin (1996) conclude from their primary study that banks are not hindering the achievement of sustainability, banks can also play a hindering role for sustainable development because (1) they prefer short-terms payback periods where as sustainable development needs long-term investment (2) investment which take into account of environmental side-effects usually have lower rate of return in short-term (Jeucken and Bouma, 1999). Therefore, sustainable investments are unlikely to find sufficient funding within current financial markets.” So we can say that government ought to design suitable legislation of environmental rules for banks and also to ensure the enforcement of it. The problems in Bangladesh is that things are not strictly enforced, but things can change overnight resulting in degrading major compliance problems for the companies concerned and increased risk for the banks that have lent money

¹¹ The Development Bank of Philippines (DBP) initiated an environmental management system (EMS) in 1997 and recently obtained ISO 14000 certification.

to them. Concerning to environmental matters, there should be continuous dialogue with relevant audiences, involving stakeholders, employees, customers, governments and the public.

Conclusion

In a rapidly growing market economy which is subject to change at any moment and where globalization has intensified the competition, the industries and firms are vulnerable to stringent public policies, severe law suits or by consumer boycotts. This can severely affect the banks and financial institutions to recuperate their return from the investment of theirs. Thus, the banks should play a pro-active role to incorporate the strategies from the policy guideline as a part of their lending principle which would compel industries to ensure environmental management, use of appropriate technologies and management systems. If implemented properly Green Banking will surely act as an effective *ex ante* deterrent for the polluting industries that give a pass by to the other institutional regulatory mechanisms. There has not been much initiative in this regard by the banks and other financial institutions in Bangladesh though they play an active role in Bangladesh's growing economy. Bangladeshi banks need to be made fully aware of the environmental and social guidelines to which banks worldwide are agreeing to. As far as green banking is concerned, Bangladeshi banks are far behind their counterparts from developed countries. If the banks desire to sustain, it is important that they recognize their environmental and social responsibilities. The survival of the banking industry is inversely proportional to the level of global warming. It is time now that Bangladesh government takes some major steps to implement the strategies of the policy guideline for the peace, progress and the prosperity of Bangladesh.

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Application of the English Law in Malaysia

Md. Zahidul Islam*

Abstract

The law of Malaysia is mainly based on the English law legal system. This is, in fact, a direct result of the colonization of Malaya, Sarawak, and North Borneo by Britain from the early 19th century to 1960s. The purpose of this Study is to focus on how the English law has been established in Malaysia. The article also attempts to highlight and discuss the history about how people were influenced by the English law and how they took it for their own. Here, secondary resources have been used. The information has been taken from many readings, articles, books, cases and Judgements. The result is that Malaysia has been following the English law for a long time. It has not been integrated in their legal system within a short time. Many centuries ago, the British came here for the purpose of trading but they governed this areas long time. In the same time, the British King imposed some charter to govern them properly. For this reason, the British law got opportunity to enter into their legal system.

Key Words: English law, Comparative study, Application, Malaysia, Legal system.

Introduction

The application of the English law or common law is specified in the statutes. Section 5 of the Criminal Procedure Code state that the English law shall be applied in cases where no specific legislation has been enacted. The application of English Law throughout Malaysia is based on the provisions of the section 3 and 5 of the Civil Law Act, 1956.¹ According to the Section 3 of the Civil Law Act 1956 of Malaysia, The English law means "the common law of England and the rules of equity." According to the Article 160 of the Federal Constitution of Malaysia, "the common law in so far as it is in operation in the federation or any part thereof." The common law is the body of rules developed by the old common law courts- Court of Exchequer, Court of Common Pleas, and Court of king's Bench as distinction from the old Court of Chancery, all of which are now extinct. The common law is based essentially on customs common throughout England (hence the name "common law") in contrast to local customs, which was applied in England before the common conquest in 1066.

Thus, the common law is the unwritten or unenacted law of England, the law based solely on decisions of the courts. The Malay states had a basic law before the British intervention; .ie., Malay *adat* law was modified by principles of the Syariah.

The basic law is often described in the other way round, as 'Moslem law varied by local custom', an expression which reflects not only the importance which the Malays accorded to Islam, but also their efforts to 'Islamize' Malay *adat* law, a process which was arrested when the British came. Malay *adat* law was applied to the Malays. The non-Malays were governed by their personal laws.² That means, different laws were applicable in different places according to their customs.

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¹ Ahmad Ibrahim et al, *The Malaysian Legal System*, 99, 1987.

² Wan Arfah Hamzah, *A first look at the Malaysian Legal System*, 124 (2009).

Application of English Law in Malaysia

The British period began with the occupation of Penang in 1786 and from that time the English law got opportunity to enter into the Malaysian law. Followed by that, they conquered Singapore in 1819 and the acquired Melaka from the Dutch in 1824.³ Different states of Malaysia were affected by the English law in different periods.

Penang:

Penang was the first territory in the Malay Peninsula acquired by the British. It is not clear how Penang became a British possession. According to a general principle of the common law, if a newly acquired territory is terra nullius (territory not previously owned or occupied), discovered and settled by the British, English law to the extent it is applicable, becomes the law of the territory on the date of settlement. On the other hand, if the territory, previously owned or occupied, is acquired by the British through cession or conquest, the previously existing law continues to be in force until changed by the British.⁴ Penang was occupied on 12 August 1786 by a marine force by Captain Francis Light. The occupation was made in the name of King George III, for the use of the English East India Company (EIC).⁵ The occupation was based on an agreement between the Sultan of Kedah and the EIC. Francis Light reported that Penang was uninhabited when he landed. Judicial opinion backed his view. Such belief conflicted with the contents of a note, dated 1795, found in an old register of survey.⁶ That note mentioned a fairly large Malay kampong, about eighteen acres, on the south bank of the Penang river and that the land had been occupied for ninety years. Another small kampong in further south was also mentioned. However, what law existed among the inhabitants was not known. For that reason, the Privy Council in *Ong Cheng Neo v Yeap Cheah Neo* in 1872 decided that:

It is really immaterial to consider whether prince of Wales Island, or as it is called Penang, should be regarded as ceded or newly settled territory, for there is no trace of any law having been established there before it was acquired by the East India Company. In either view the law of England must be taken to be the governing law so far as it is applicable to the circumstances of the place, and modified in its application by these circumstances.⁷

The task of maintaining order was left to the Superintendent. He was assisted by a magistrate and second assistant. There was no separation of the judiciary from the executive. Francis Light was the first superintendent. Requests from Light and his successors for a more regular form of government and a proper system of administration of justice drew from the EIC (East India Company) and the Governor-General in India as only vague instructions in the form of letters in 1788 and 1800 respectively.⁸ In 1794, just before his death, Light received some written regulations from Governor-General Lord Teignmouth. These, supposedly the *lex loci* until the grant of first charter of justice in 1807, were rarely acted upon. The 1800 instructions given to Sir George Leith, the first Lieutenant-Governor, after Penang was upgraded from a Superintendency to a Residency, included a direction to establish a court, appeal from which lay, in the first instance, to the Lieutenant-Governor

³ Wan Arfah Hamzah et al, *An Introduction to the Malaysian Legal System*, 100 (2003).

⁴ Calvin's Case [1608] 77 ER 377; Campbell v Hall [1774] 98 ER 1045.

⁵ An English corporate body which had quasi-sovereign powers over territories in its possession, but which it held in trust for the British Crown.

⁶ P.P. Buss- Tjen "Malay Law" AJCL, 7 (1958):248, 254.

⁷ [1872]1 ky. 326,343-4.

⁸ Penang was administered as part of British India until the Straits Settlements were transferred to the Colonial Office in London in 1867.

and, thereafter, to the governor-General of India. The court was to apply "the law of different peoples and tribes of which the inhabitants consist, tempered by such parts of British law as are of universal application."⁹

Whatever the reality the Privy Council decisions in *Ong Cheng Neo v Yeap Cheah Neo* ended the long-standing controversy of whether Penang was ceded or settled. In any event, that question became academic in 1807 when the first charter of justice was granted by King George III in the form of "Letters Patent" to the EIC, presumable with knowledge of the chaotic state of affairs.¹⁰ The charter established a court of judicature which was to exercise the jurisdiction of the superior court in England "as far as Circumstances will admit" and jurisdiction as an ecclesiastical court "as far as the several religions, Manners, and Customs of the inhabitants ... will admit."¹¹ Although the Charter did not in express terms introduce the English law, its provisions were interpreted by the judiciary as having introduced the English Law, as it stood in England on 25 March 1807, into Penang.¹² The Charter was also significant as constituting the first statutory introduction of the English law in the Malay Peninsula.

Singapore:

Stamford Raffles sailed into Singapore on 28 January 1819. He was an agent of the East India Company. He got opportunity for the East India Company to establish a 'factory' (a trading agency) by agreement with Temenggung Abdul Rahman who nominally controlled Singapore and with Sultan Hussain Mahomed Shah of Johor. Raffles appointed his colleague, Major Farquhar, as the first Resident (EIC official in charge). Singapore ceded to the East India Company by the Sultan and the Temenggung under the Treaty of Friendship and Alliance 1824. When Raffles returned to Singapore for the last time in October 1822, he concluded at the beginning of June 1823 an agreement with the Sultan and the Temenggung which was intended to lay down general rules in the interests of Singapore and to define the rights of all parties.¹³ That Memorandum, among other matters, provided that in all cases concerning religion, marriages, and inheritance, the "law and customs of the Malays", where not contrary to "reason justice or humanity", would be respected. In all other cases, the English law would be enforced "with due consideration to the usages and habits of the people." In the same year, just before his final departure from Singapore, Raffles appointed twelve magistrates who were to try minor civil and criminal cases under the general supervision of the Resident. Raffles also drew up a set of laws, based on the English law, for the administration of justice. These were very general and left large powers of discretion to the magistrates. The Resident administered Malay and Chinese customary laws, but had no authority over the Europeans. Legal chaos prevailed until the grant of the second charter of Justice in 1826 by King George IV to the Straits Settlements.¹⁴

⁹ J.N. Matson, "The Conflict of Legal system in the federation of Malaya and Singapore", ICLQ, 6(1957): 243,244.

¹⁰ Letters Patent Establishing the Supreme Court of Judicature at Prince of Wales Island in the East India, Prince of Wales's Island: Gazette press, 1887.

¹¹ Ibid.,p.16

¹² *Kamoo v Basset* [1808] 1 KY.1; *Rodyk v Williamson*; Unreported decision of 1834 but noticed in "In the goods of Abdullah" [1835] 2 Ky .Ecc.8, 9; *Moraiss v de Souza* [1838] 1 Ky.16; *Fatimah v Logan* [1871] 1 Ky. 255.

¹³ William George Maxwell and William Sumner Gibson (eds.), *Treaties and Engagements Affecting the Malay State and Borneo*, London: Jas. Truscott & Son Ltd., 1924, pp. 121-2.

¹⁴ Wan Arfah Hamzah et al, *An Introduction to the Malaysian Legal System*, 104 (2003).

Melaka:

The British occupied Melaka peaceably in 1795, but had to return it to the Dutch in 1818. Melaka was retroceded to the British under the 1824 Anglo-Dutch Treaty that the British planned to establish a regular administration of law.¹⁵ In 1826, when Melaka became part of the Straits Settlements, the second charter of justice granted in that year introduced the English law into Melaka and abrogated the Dutch law existing previously.¹⁶

Reception of the English law in Malay State:

The Malay states had a basic law before the British intervention; i.e., Malay adopted law modified by principles of the Syariah. The non-Malays were governed by their personal laws. The British intervention in the Malay States began in the second half of the nineteenth century. This time, the rulers of Malay states agreed to accept the British advice for protecting their state against external attack. The British advisers advised about all matters except those concerning Islam and Malay custom. Through the so-called Residential system, the British imposed indirect rule over the Malay states. Perak, Selangor, Negeri Sembilan, and Pahang formed the Federal Malay States (FMS) in 1895. The five Malay states stayed out of the federation. They were collectively called the Unfederated Malay States (UMS). The omnibus introduction of the English law took place in the FMS only in 1937, through the Civil Law Enactment passed by the FMS Federal Council. The UMS received the English law formally when the FMS enactment was extended to them by the Civil Law (Extension) Ordinance 1951.¹⁷ English law was introduced informally and indirectly through the Residential System in two ways:

- i) The enactment, on the advice of the British administrators, of a number of specific legislation modelled on Indian legislation which, in turn, was based on the English law. For example, the Contract (Malay States) ordinance 1950 was modelled on the Indian Contract Act 1872 and the penal code was copied from the Indian Penal Code 1860.¹⁸
- ii) The decision of the courts established by the British administrators. The higher ranks of the judiciary were mostly filled by the English or the English trained judges who naturally turn to the English Law whenever they were unable to find any local Law to apply to new situation (particularly of a commercial character) caused by the very fact of the British influence.

The development of the English law in the Malay state was not uniform. The British influence was greater in the FMS and in Johor (because of its location next to Singapore and modernization introduced by Sultan Abu Bakar, who ascended the throne in 1862).

Development of the English Law in the Federation of Malaysia:

The Federation of Malaya was found on 1 February 1948. After the Federation of Malaya, the civil law Enactment 1937 of the FMS was extended to the UMS by the civil law Ordinance 1951.¹⁹ Section 3(1), Section 5, and Section 6 of the civil law Ordinance

¹⁵ *Id*

¹⁶ *Rodyk v Williamson*: unreported decision of 1834 but noticed in the *Goods of Abdullah* [1835] 2 Ky. Ecc.8; *sahrip v Mitchell* (1877) Leic.466 at 469.

¹⁷ No.49 of 1951.

¹⁸ No.14 of 1950 and FMS Cap.45 respectively.

¹⁹ No.49 of 1951.

1956 was related to the application of English. By these three sections, the English law was developed in the Federation of Malaya.²⁰

Reception of the English Law in the Borneo State:

North Borneo (now Sabah) and Sarawak were the British protectorates from 1888 to 1946. The formal reception of the English law occurred earlier than in the Malay states. Sarawak preceded North Borneo with Order L-4 (Laws of Sarawak Ordinance) 1928 which introduced the English law subject to notifications by the Rajah. The English law was received again and in larger measure in Sarawak and North Borneo state in 1949 and 1951 respectively. Section 2 of the Sarawak Application of Law Ordinance 1949 and of the North Borneo Application of Law Ordinance 1951 provided for the reception of common law and doctrine of equity.²¹

The present Situation of the English Law in Malaysia:

When Malaysia was formed in 1963 there were three separate statutes authorizing the application of the English law:

- *The CLO 1956 in Peninsular Malaysia;
- *Application of Laws Ordinance 1951 in Sabah; and
- *Application of Laws Ordinance 1949 in Sarawak.

After the formation of Malaysia, the CLO 1956 was extended to Sabah and Sarawak by the Civil Law Ordinance (Extension) Order 1971 with effect from 1 April 1972.²² Today, it is the Civil Law Act 1956 (Act 67) (Revised 1972) (CLA 1956) incorporating all the three earlier statutes which is the statutory authority for the application of the English law in the whole of Malaysia. The extent of the application of the English law is prescribed in sections 3, 5, 6 and 27.²³

Section 47(1) of Partnership Act 1961 (Act 135) (Revised 1974) states: The rules of equity and of common law applicable in partnership shall continue in force, except so far as they are inconsistent with the expressed provision of this Act.

Conclusion:

The Malaysian people are practicing the English law for a long time. So the application of the English Law is very strong in Malaysia. Overall, it is clear that the English Law has already mixed with the Malaysian legal system. If we want to avoid it, it is not possible now. Recently, the Malaysian legal system is efficient by the English Law.

²⁰ Wan Arfah Hamzah et al, *An Introduction to the Malaysian Legal System*, 109-10 (2003).

²¹ Wan Arfah Hamzah et al, *An Introduction to the Malaysian Legal System*, 110-11 (2003)

²² P.U (A) 424 of 1971.

²³ Wan Arfah Hamzah et al, *An Introduction to the Malaysian Legal System*, 111 (2003).

Trafficking Persons, Especially Women in Bangladesh: Problems and Prospects

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Rokshana Shirin Asa**
Kazi Abdur Rahman***

Abstract

The Almighty Allah encourages doing halal business. But today we don't think of it rather we engage ourselves with various types of illegal business -- one of which is human trafficking. Trafficking in persons for any reason is a gross violation of human rights and is a serious crime against human dignity as well as humanity. For different purposes irrespective of sex, domestic servitude, organ removal and several other known or unknown purposes of exploitation persons are trafficked. The actual aim of our article is to give a clear view about human trafficking both from national and regional level, to find out the reasons, who are mainly victims of trafficking, their condition, legal framework concerning trafficking, critical appraisal of these legal framework and recommendations for harmonizing anti-trafficking legal framework.

01. Introduction

Woman and child trafficking is a perennial problem in our country. It is not only a problem for Bangladesh rather it is a global problem. Trafficking is lucrative and linked with criminal activity and corruption. It is often hidden and hard to address. Day-by-day it is increasing and taking various shapes worldwide. Trafficking always violates the human rights to grow up in a family environment. It is common in poor regions, or politically unstable countries. But girl trafficking for sex trade is common in every country. It is a high profitable business. There are two types of trafficking -- human trafficking within the country (internal) and international trafficking. It is found that over 1 million women and children have been trafficked out of the country in last 30 years. A UNICEF report says that approximately 400 women and children in Bangladesh become victims of trafficking each month. Another study reports that approximately 300,000 Bangladeshi children and women between the ages of 12 and 30 have been trafficked to India alone in last 10 years¹.

02. Objectives

The main focus of this article is to set its objectives properly. The proposed study focuses mainly on trafficking in human particularly poor and distressed men, women and children and related laws of Bangladesh, international organizations and most importantly laws of Islamic states. The objectives of the proposed study are:

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¹ <http://www.unicef.org/>

1. To identify the causes of trafficking in Bangladesh;
2. To analyse legal framework of crime of trafficking in Bangladesh;
3. To evaluate the constitutional provisions of Bangladesh concerning human trafficking;
4. To examine the loopholes of existing laws and legal procedures;
5. To inspect some of the regional instrument working in these regard;
6. To put forward recommendations for anti trafficking strategies to make them more effective;

03. Concept and Internalization of Trafficking Problem

The Bangla equivalent of the word ‘trafficking’ is *pachar* (dispatch). It has a mild connotation which means transfer from one place to another. If the term *pachar* is used in reference to women and children, in Bangla the phrase *nari o shishu pachar* means illegal transfer of women and children from one place to another.

Trafficking, which is a serious problem and is considered a violation of human rights, is yet to be internalized emotionally by society at large in Bangladesh and also in other South Asian countries. It is yet to be emotionally internalized regarding what happens when an adolescent girl is abducted and taken to a brothel, threatened, beaten, and raped, and is compelled to submit for sex with men, seven days a week. Eventually she can become ill which may sometimes result in death. The crux of the issue is that civil society in Bangladesh is yet to internalize the mindset that trafficking and flesh trade are as bad as *hatta* (murder), *dharshan* (rape), or *chhintai* (mugging). When one hears or reads news about trafficking, it does not create the same reaction as other criminal activities create, such as, rape, murder, or mugging.

International organizations use various definitions for describing trafficking. The definitions tend to focus on gender, age, reason for trafficking, and the issues of coercion and violence that are often associated with trafficking. Although the dimension of sex work is an important element, trafficking activities are not only carried out for sex work or prostitution, but also for other purposes. Thus, definitions tend to be general and encompass not only the sex and age of trafficked persons, but also the different purposes for which people are trafficked.

The countries of the South Asian Association for Regional Cooperation² (SAARC) adopted a definition in their Convention for Preventing and Combating Trafficking in Women and Children. Nevertheless, a consultation workshop, organized by the Resistance Network in Bangladesh in August 1999, made suggestions for changes in the convention.

The following definitions were proposed in the workshop:

² The South Asian Association for Regional Cooperation (SAARC) is an organization of South Asian nations, which was established on 8 December 1985.

“Trafficking in women consists of all acts involved in the procurement, transportation, forced movement, and/or selling and buying of women within and/or across border by fraudulent means, deception, coercion, direct and/or indirect threats, abuse of authority, for the purpose of placing a woman against her will without her consent in exploitative and abusive situations such as forced prostitution, forced marriage, bonded and forced labour, begging, organ trade, etc.”

“Trafficking in children consists of all acts involved in the procurement, transportation, forced movement, and/or selling and buying of children within and/or across border by fraudulent means, deception, coercion, direct and/or indirect threats, abuse of authority, for the purpose of placing a child against her/his will without his/her consent in exploitative and abusive situations such as commercial sexual abuse, forced marriage, bonded and forced labour, begging, camel jockeying and other sports, organ trade, etc.”

04. Meaning of Human Trafficking

International organizations use various definitions for describing trafficking. The definitions tend to focus on gender, age, reason for trafficking, and the issues of coercion and violence which are often associated with trafficking.

In the case of children, in 1998, a research report by Archavanitkul titled “Trafficking in Children for Labour Exploitation including Child Prostitution in the Mekong Sub-region”, compared definitions used by the UN General Assembly, Global Alliance Against Trafficking in Women (GAATW), International Organization for Migrations (IOM), and the International Labour Organisation (ILO).

After considering these definitions, the authors concluded that important dimensions of child trafficking include the performance of a profitable act by person(s) other than the children themselves who transport a child within or across the national borders usually using false or deceptive information for the purpose of work or services in destructive and exploitative work conditions by means of violence, abuse, or other forms of coercion. For their study, a trafficked child refers to-

“A child who is recruited and transported from one place to another across a national border, legally or illegally, with or without the child’s consent, usually but not always organized by an intermediary: parents, family member, teacher, procurer, or local authority. At the destination, the child is coerced or semi forced (by deceptive information) to engage in activities under exploitative and abusive conditions”.

In case of women, the same dimensions seem to be important. For instance, the US President’s Interagency Council on Women, defines trafficking as:

“All acts involved in the recruitment, transport, harboring or sale of persons within national or across international borders through deception or fraud, coercion or force, or debt bondage for purposes of placing persons in situations of forced labor or services, such as forced prostitution or sexual services, domestic servitude, or other forms of slavery-like practices”.

Article 3, paragraph (a) of the UNODC³ Protocol to Prevent, Suppress and Punish Trafficking in Persons defines Trafficking in Persons as the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs⁴.

The United Nation's definition of human trafficking is "The recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation".

Operational Definition:

In the context of Bangladesh, the BNWLA⁵ adapted the definition of the Global Alliance against Trafficking in Women, so that it could be applied to situations involving both women and children. Thus, the BNWLA defines trafficking as "All acts involved in the recruitment and/or transport of a woman (or child) within and across national borders for work or services (or marriage) by means of violence or threat of violence, abuse of authority or dominant position, debt bondage, deception or other forms of coercion". Arriving at an appropriate definition of the phenomenon of trafficking is essential for identifying the magnitude of the problem and ways to address it.

05. Trafficking and Development

Bangladesh, like other neighbouring countries, is at risk of entering into the HIV/AIDS era. Prostitution of Bangladeshi girls in foreign countries, with a background of trafficking, is one of the major reasons for a great threat of this pandemic disease in the country. The association between trafficking and the threat of HIV/AIDS conjures up a picture of a looming disaster that can affect the whole direction of development in such a less-developed country, like Bangladesh, and can have a significant impact on economic and social structure.

³ United Nations Office on Drugs and Crime, UNODC is a global leader in the fight against illicit drugs and international crime. Established in 1997 through a merger between the United Nations Drug Control Programme and the Centre for International Crime Prevention.

⁴<http://www.unodc.org/unodc/en/human-trafficking/what-is-human-trafficking.html>.

⁵ Bangladesh National Woman Lawyers' Association (BNWLA) is a non-profit, non-political organization established in 1979 through committed efforts of some of the prominent women lawyers in Bangladesh and subsequently registered as a legal body in 1981 under The Societies Registration Act 1860 (Act XXI of 1860). Later the organization took registration with the Ministry of Women Affairs and NGO Affairs Bureau of the Government of Bangladesh.

Labour-intensive work will be affected due to the shortage of a healthy and productive workforce. A study in Africa found that, in areas with a high prevalence of HIV, crop yield is less. Soil fertility is declining. Pest and plant disease is spreading which results in a lower yield. Crops of low-nutritional value are replacing labour-intensive traditional crop. Support systems will falter with growing high demands, overburden of caregivers will aggravate the situation, and the society will have to bear the economic burden of caring for orphans.

Trafficking also deprives the trafficked population of the opportunity to pursue education and develop socially and psychologically to achieve their full potential. Thus, it deprives a nation of vital human resources for development and contributes to the persistence of a vicious circle of exploitation and poverty that generates a mal-distribution of wealth and results in feminization of poverty.

Most studies outline the health consequences of trafficking and the physical and emotional aspects of violence, human rights abuse, and sexual exploitation. Further research on morbidity and mortality effects of trafficking and its impact on overall national productivity is needed. There is also very limited and inconclusive information on the consequences of organ transplant and employment of children in sports, such as camel races.

06. Factors Leading to Trafficking

If we want to eradicate some bad things from our society then the first thing is to identify the reasons that give the chance to happen. In case of trafficking there are some driven factors which lead our people in the path of human trafficking. A study on Trafficking in Women and Children in India, for which an extensive literature survey was carried out, points out that there seems to be a broad agreement on the factors that can lead to trafficking, though there is some uncertainty about their precise roles⁶.

The causes of trafficking and the factors leading to this apparent increase are multiple and complicated. These factors are embedded within the socioeconomic structure of the country and require an in-depth analysis. However, for the present purpose the factors have been categorized into two groups. The 'push' factors, the first group: there are the conditions in the environment of the 'sending' communities or countries that ensure a supply of people for trafficking. These factors include low employment opportunities, low social status of women, economic and social vulnerability of women and children, urbanization, migration, etc. The second group refers to the set of 'pull' factors that support the demand for trafficking activities. These include wage employment and bonded labour, labour migration and prostitution, and cultural myths. All these factors have been explained in this report. Among the major vulnerability factors identified by various studies in Bangladesh also are poverty, illiteracy, lack of awareness, unemployment, lack of means of livelihood and landlessness; status of women and girls in society, globalization, industrialization and most importantly lack of morality and lack of deterrent punishment. I am making a small effort to give a short idea about these reasons under different headings.

⁶Gupta, Rina Sen, 'Trafficking of Persons: A Human Rights Challenges', Paper presented at Human Rights Summer School organized by the Empowerment through Law of the Common People (ELCOP), 15 December 2002.

6.1. Illiteracy:

Illiteracy is the number one cause of trafficking. In our villages, most of the people are illiterate and they are not aware about the cleverity of trafficker. The traffickers can easily influence these uneducated village people and consequently they become the victim of trafficking. But the first verse of the Holy Quran is.. “Read in the name of your Lord who creates you.”⁷ Allah (Swt) said again ...“Those who know and those who don’t know are they similar⁸?” If we want to rescue ourselves from trafficking then we ought to earn knowledge. Holy Prophet Muhammad (Sm) said- “To acquire knowledge is mandatory for every Muslim.”

6.2. Dowry⁹ System:

Many women of our society become the victim of so called dowry system. If they fail to fulfil the demand made from their in laws side then they become divorcee. The inability to fulfil dowry commitments affects a young bride’s treatment by the relatives of her husband and increases her vulnerability of being abandoned and trafficked for immoral purposes or bonded labour. Traffickers made this helpless women as their target by giving them unreal dream of job within own country or abroad. Our Conventional law as well as Islamic law prohibits this types of dowry or extra demand from bride or bridegroom’s side. Allah (Swt) states in the Holy Quran...“Oh! You who believe, Do not grasp others property illegally¹⁰.”

6.3. Illicit Adoption:

The need for giving up children for adoption arises when the biological parents or near relatives of a child are not able to look after the child or when the child is abandoned with no trace of the parents. For this reason, the demand of children for adoption has been increasing rapidly and trafficking of children becomes a more profitable business than any other to the traffickers.

6.4. Divorce:

In case of divorce, the women become mentally distressed and helpless. Traffickers by using their helplessness traffick these women. But two acts have been recognized in Islam as the lowest halal - one is begging and another is divorce. So it is our foremost duty not to exercise this types of act(divorce) and if it becomes inevitable then it should be given in such a way that the women never become helpless and never fall in a danger, even Islam urges the other party to give her maintenance during the Iddat period.

6.5. Poverty:

Poverty can be said to be one of the most important factors that make persons vulnerable to trafficking. People who are living in poverty would look for any means to improve their situation.

⁷ Al Quran, Surah Alak,-1.

⁸ Al Quran , Al-Jummar-9.

⁹ According to section 2 of the Dowry Prohibition Act 1980- “dowry” means any property or valuable security given or agreed to be given either directly or indirectly- (a) by one party to a marriage to the other party to the marriage; or (b) by the parents of either party to a marriage or by any other person to either party to the marriage or to any other person;

¹⁰ Al Quran , Sura Nisa-29-30, & Bakkara, 188.

6.6. Unemployment, Lack of Means of Livelihood and Landlessness:

The existence of these factors would imply, in the case of people living in or on the brink of poverty that they do not have any immediate or visible means of improving their situation. Though it is mentioned in the Holy Quran - "After completing your *salah* (Prayer), speed on the earth in search of work and seek the blessings of Allah and earn your livelihood and remember your Lord again and again"¹¹."

6.7. Discriminatory Social and Religious Practices:

Although significant stride has been made for empowerment of women in Bangladesh, they continue to fight the exploitative structure of a patriarchal society where religious, social and legal systems collude with one another to subjugate them. Discriminatory religious practices and cultural attitudes also perpetuate gender based violence against women in Bangladesh. The personal laws and social and religious norms posit women's subordination in our society, which results in discrimination against women in the areas of inheritance, marriage, divorce and guardianship of children. The discriminatory practices restrict women's access to land, employment opportunities, and often compel poor women to migrate from one place to another and in this way most of the women have no access to decision making processes which can deeply affect their lives. Although dowry¹² and child marriage are prohibited under the existing laws of Bangladesh, still they persist in pervading form, exposing women and girls to the vulnerability of being trafficked.

6.8. Economic Globalisation:

The concept of economic globalization has generated a lot of controversy in recent times. Although economic globalization has created many employment opportunities, it also exacerbated global inequalities. In particular, manufacturing sectors have been flourished in many developing countries including the South Asian countries a result of promotion of trade liberation and open market, and in these sectors, many young rural women are employed which give them a source of economic independence and empowerment. As, with the expansion of export manufacturing industries such as ready-made garments, increasing number of young women have migrated to Dhaka to work in garment factories. But at the same time, due to global economic downturn, many industries may be shut down which may result in laying off large number of staff, for example in the garment sector in Bangladesh. Without alternative job opportunities or adequate safety nets in place, many young women who are laid off may be vulnerable to trafficking as they may be lured by false promise of alternative job opportunities.

6.9. Internal Displacement:

Internal displacement which is caused by natural or manmade disaster causes mass uproot of people from their habitat and ends up in slums where they can be allured to be given better life and fallen prey to trafficking. Landlessness caused by river erosion can cause poor people to migrate to the urban areas. Finding no means of survival in urban

¹¹ Al Quran , Juma-28 para.

¹²According to section 3 of the Dowry Prohibition Act 1980 It is prohibited and punishable as it stated "If any person, after the commencement of this Act, gives or takes or abets the giving or taking of dowry, he shall be punishable with imprisonment which may extend to 1[five years and shall not be less than one year, or with fine, or with both].

areas, poor women who are victims of internal displacement can be lured by the traffickers to better life and ultimately can be trafficked. In Bangladesh there is no policy to deal with internally displaced persons.

6.10. Trading of Organ:

Trafficking for the purpose of organ trade is a new phenomenon in Bangladesh. Various information from the newspaper and reports prepared by different NGOs working in this arena clearly indicates that trafficking for organ is a lucrative business for the traffickers. There have been reports of trafficking in organs in Bangladesh¹³.

6.11. Lack of Safety and Security in Workplace:

Bangladesh is dependent on two sources for its foreign exchange earnings: garment exports and remittances sent by migrant workers. But policy makers have shown little concern for the safety and the protection of large work force that makes this possible. In garment industries women and children are often subjected to abuse, sexual exploitation and torture, are not fairly paid for their work and labour laws are routinely violated. In the way of escaping such abusive working environment¹⁴, they fall prey to the traffickers whose main target is garment industry related persons for trafficking.

6.12. Child Marriage¹⁵:

Child marriage still exists in our country and so does dowry. If we see the situation closely then we see that any man who does not claim a “dowry” at the time of marriage is considered as the perfect groom and the daughter is carelessly “disposed in marriage”. The girls are thus trafficked in the name of marriage. The groom may be no less than a pimp looking for a new victim. Many girls as a result are trafficked in the name of marriage.

6.13. Domestic Violence:

Bangladeshi women have little economic emancipation especially in the family sphere. On the other hand, some of them may be regularly subjected to domestic violence and abuse, from family and friends. So the woman is forced to opt out of such situations. Many women who opt out or escape often find themselves vulnerable. The children from such situations are vulnerable to run away situations and experiments when they get into the hands of traffickers.

6.14. False Promises and the Lure of Job/Marriage/Love:

Many children are lured out of their homes by false promises of love, marriage or work. They may accompany their friend or lover or acquaintance and then find themselves trapped in a vulnerable situation.

¹³ Report on Regional workshop on Improving and Developing the Strategies for the Protection of Trafficked Survivors, BNWLA, Dhaka, November, 2005.

¹⁴ At least 110 people died in the 24 November 2012 fire at the Tazreen factory, in the Ashulia district on the outskirts of the capital, Dhaka. the number of dead may be reduce if the collapsible gate is not locked at the time of outreaching of fire.

¹⁵ According to section 4 of The Child Marriage Restraint Act 1929 It is a publishable offence if a male adult above twenty one years of age or female adult above eighteen years of age marrying a child.

07. Overview of Legal Framework to Combat Trafficking

7.1. Constitution of Bangladesh:

- Article 32 of Bangladesh Constitution through incorporating the provision for protection of life provides a basis for a legal framework to combat trafficking. Life within the meaning of Article 32 of the Constitution means something more than mere animal existence. Right to life includes the right to live consistently with human dignity and decency. The meaning of “life” also includes the right to freely move about and mixing and co-mingling with fellow human beings. Liberty, on the other hand, encompasses a wide range of things. It means the right of an individual to be free in the enjoyment of all his/her faculties;...to live and work where s/he wills. The term “Liberty” under law extends to all those conducts which an individual is free to pursue and which cannot be restricted except for a proper governmental purpose.---(20)trafficking of persons is one of the most despicable forms of human dignity and decency.
- Article 34(1) prohibits all forms of forced labour and discourages prostitution and states that trafficking of persons for forced labour is a violation of fundamental rights guaranteed in the Constitution. Any act in contravention of this provision is punishable as a criminal offence.
- Despite some limitations, Bangladesh Constitution has some provisions that can be used to combat trafficking effectively. For instance, Article 28(4)¹⁶ creates the space for state to make special laws for women, children and backward section of people. Women and children friendly special laws can help reduce trafficking from Bangladesh.

7.2. Specific Laws Related to Counter Trafficking:

- **The Penal Code, 1860** contains provisions for penalizing crimes related to abduction, kidnapping, subject to slavery, keeping in confinement, buying or disposing any person as a slave and selling for purpose of prostitution which in general cover trafficking. Sections 360, 362, 363, 365, 366(A), 366(B), 367, 368, 369, 370, 371, 32, 373 and 370, of the code have provisions for penalizing such crimes.

The penalty for kidnapping any person is imprisonment of either description for a term, which may be extended to seven years along with fine. For kidnapping a person under the age of ten years and to be engaged in slavery, the punishment is death sentence or life imprisonment or rigorous imprisonment for a term, which may extend to 14 years and shall not be less than 7 years. If the kidnapped person is a major one, the punishment is imprisonment for either description for a term that may extend up to 10 years and fine also.

- **The Suppression of Immoral Traffic Act¹⁷, 1933:** This Act was enacted for suppression of brothels and of trafficking in women and girls for immoral purposes. if any person detains a female under the age of 18 years against her will, he shall be punished with imprisonment, which may extend to 3 years or with fine of Taka 1000 or with both. Section 12 of the Act provides punishment for encouraging or abetting the seduction or prostitution of a girl under 18 years¹⁸.

- **The Children Act, 1974** deals with the custody, protection and treatment of children and also for trial and punishment of young offenders by juvenile courts. Chapter V

¹⁶ Article 28 titled (Discrimination on grounds of religion etc.) of the Constitution of the Peoples Republic of Bangladesh, October 2011.

¹⁷ Act No. VI of 1933.

¹⁸ Section 11 of The Suppression of Immoral Traffic Act18, 1933.

of the Act deals with care and protection of destitute and neglected children while Part VI includes special offences in respect to children. This part describes penalties for different kinds of offences committed against a child, such as cruelty, employing for begging, handing over intoxicated liquor or dangerous drugs, exploitation, alluring the child to brothel, encouraging seduction and so forth. Whoever allows a child over the age of 4 to reside in or frequently to go to a brothel, shall be punishable with imprisonment for a term extending up to 2 years or fine or both¹⁹.

- **The Cruelty to Women (Deterrent Punishment) Ordinance, 1983:**

This was the first legislation in Bangladesh, which provides penalty for crimes related to “trafficking in women” specifically. According to this Ordinance ‘whoever imports, or sells, lets to hire or otherwise dispose of or buys, hires or otherwise obtains possession of any women of any age with intent that such women shall be employed or used for the purposes of prostitution or illicit intercourse with any person or for any unlawful and immoral purpose, or knowing it to be likely that such women will be employed or used for any such purpose shall be punishable with death sentence or imprisonment for life or with rigorous imprisonment for a term which may extend to fourteen years, and shall not be less than seven years and shall also be liable to fine²⁰.’ Earlier the punishment for kidnapping any person was of either description for a term, which may extend to 10 years and fine also. So the law of 1983 has increased the penalty.

- **The Prevention of Repression Against Women and Children (Special Provision) Act, 1995:** Unlike the 1983 Ordinance the 1995 Act has some special features. The new law provided provisions for trial of offences relating to oppression on women and children by special courts²¹. There should be a special court in every district headquarter for training the crime covered by the 1995 Act²². The government could also establish special courts in other places, if necessary, by Gazette Notification. The court would be formed with a District and Session Judge. This also included Additional District and Session Judge.

- **The Prevention of Repression Against Women and Children Act, 2000:** Section 5 and 6 of this Act deals with trafficking of woman and children for prostitution and other immoral purposes.

Punishment for Women Trafficking: Whoever imports or traffics or sends any woman abroad with the intention of using that woman in prostitution or for unlawful or immoral purposes or buys or sells or lets to hire or hands over for any kinds of torture or for similar purposes keeps a women in his possession, care or custody, shall be punished with death sentence or life imprisonment or imprisonment for not more than 20 years and not less than 10 years and with fine²³.

Punishment for Child Trafficking: Whoever imports or sends any child in abroad or traffics or buys or sells that child for unlawful or immoral purpose or for similar purpose keeps a child in his possession, care or custody, shall be punished with death sentence or life imprisonment or imprisonment for not more than 20 years and not less than 10 years and with fine²⁴.

¹⁹ Section 41 of The Children Act, 1974.

²⁰ Section 5 of The Cruelty to Women (Deterrent Punishment) Ordinance , 1983.

²¹ Section 15 of The Prevention of Repression Against Women and Children (Special Provision) Act, 1995.

²² Section 16, *Ibid*.

²³ Section 5 of The Prevention of Repression Against Women and Children Act, 2000.

²⁴ Section 6, *Ibid*.

Punishment for Rape and Rape related Death: If a man rapes upon women death sentence and shall also, in addition to that, be liable to monetary fine.

- **The Bangladesh Labour Code, 2006** prohibits the employment of children and young persons. Section 34 of the Code states that no children shall be required or allowed to work in any profession or establishment. Again it provides that "no parents or guardian of a child can make contract of employment of a child giving permission to work with anyone²⁵".

7.3. Complimentary Laws Relating to Anti Trafficking Legal Regime in Bangladesh:

- **The Dowry Prohibition Act, 1980:** As it has been mentioned earlier that one of the root causes of women trafficking is our so called dowry system, this Act provides that if any person demands, directly or indirectly, from the parents or guardians of a bride or bridegroom, as the case may be any dowry, he/she shall be punishable with imprisonment which may extend from 1 year to 5 years or with fine or with both. On the other hand, giving, taking or abetting the giving or taking of dowry is punishable with imprisonment or fine or with both.

- **The Extradition Act, 1974** points out the following acts related to trafficking:

1. Rape
2. Procuring or trafficking in women or young persons for immoral purposes
3. Kidnapping, abduction or dealing in slaves
4. Stealing, abandoning, exposing or unlawfully detaining a child
5. Aiding and abetting any person in committing the above mentioned offences.

- **The Labour Code 2006:** The Act prohibits employment of children whose labour has been pledged and discourages such a practice as it has elements of compulsion and exploitation. The Act provides that parents or guardians making agreements for pledging labour of their children shall be punished with a fine. But the law is hardly enforced.

08. International Instruments Relating to Human Trafficking

- Convention for the Suppression of Trafficking in Persons and Exploitations of the Prostitution of others, 1949
- Supplementary convention on the Abolition of Slavery, Slave Trade and Institution and Practices similar to Slavery, 1956
- Convention on the Rights of the Child, 1989
- Convention on the Elimination of all forms of Discrimination Against Women, 1979
- Optimal Protocol to the Convention on the Rights of the Child on the sale of the children, child prostitution and child pornography, 2000

²⁵ Section 35 of The Bangladesh Labour Code, 2006.

- ILO Convention concerning the Prohibition and Immediate Action for the elimination of the Worst Forms of Child Labour (no.182), 1999
- International Covenant on Economic, Social and Cultural Rights, 1966
- International Covenant on Civil and Political Rights, 1966
- Optional Protocol to CEDAW²⁶, 1999
- International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families, 1990
- Convention on Consent to Marriage, Minimum Age of Marriage and Registration of Marriage
- Convention on Abolition of Forced Labour, 1957
- Convention Against Discrimination (Employment and Occupation), 1958(No.111)
- Convention on Equal Remuneration, 1951(No.110)

09. Weaknesses in the Legal Framework on Prevention and Punishment of the Crime of Trafficking

To combat trafficking at the regional level, the South Asian Association for Regional Cooperation (SAARC) member states adopted the Convention on Preventing and Combating Trafficking of Women and Children for Prostitution (hereinafter "SAARC Trafficking Convention" or "Convention") in January 2002 at the Kathmandu SAARC Summit. Following its ratification by all seven-member states, the Convention came into force in 2006. Afghanistan subsequently signed it in 2007. The Convention is significant because it represents a regional political commitment to combat trafficking in women and children in South Asia. It is also a legally binding instrument that confers obligations on state parties to adopt effective legislative and other measures to address trafficking in women and children for the purpose of prostitution²⁷. In spite of this through the following points the researchers try to draw an outline regarding the weakness' for combating trafficking problem which may be summarised as follows-

- The Bangladesh Constitution does not provide any definition of trafficking in persons.
- Bangladesh is a party to many international and regional instruments dealing with various aspects of trafficking, yet most of them are not directly applicable as Bangladesh follows the dualist theory in applying international law in state territory.
- The Penal Code, 1860 does not have specific provision for child pornography nor has it provision against incest or sex tourism. It also does not have any provision on organ trade.
- The Suppression of Immoral Trafficking Act, 1933 imposes no bar against prostitution of the women who are above 18 years. The provision enacted in the Act does not declare prostitution to be punishable offence which runs counter to Article 18(2) of the Bangladesh Constitution.

²⁶ Convention on The Elimination of All Forms of Discrimination against Women, Details can be found in <http://www.un.org/womenwatch/daw/cedaw/>

²⁷ <http://www.thedailystar.net/newDesign/news-details.php?nid=204475>.

- The Women and Children Repression Prevention Act, 2000 does not incorporate any provisions for the security and protection of the witnesses in litigation involving trafficking. In case of prostitution, the Act provides punishment for pimps and dalas but no punishment for the clients. Also, the law is not in conformity with the UN Convention on Rights of the Child (CRC) 1989 as regards the definition of child.
- There is no single legislation which exclusively deals with the problem of trafficking. The existing legal framework is mostly concerned with the criminalization of trafficking and law enforcement but does not address preventive mechanisms on trafficking.
- The legal framework is also deficient with respect to children and preventive and protective measures around children's particular needs, vulnerabilities and rights.
- The existing law of Bangladesh does not address the aspect of 'repatriation' and 'rehabilitation' of the trafficked persons.
- There is no separate agency with members having adequate knowledge, skills and training for the investigation of cases pertaining to trafficking.
- Cases relating to trafficking are tried by the courts openly like other crimes without any special treatment/procedure, etc. An amendment in the Prevention of Repression against Women and Children Act, 2003 has however, introduced a provision for in camera trials of offences under that Act.
- The Evidence Act, 1872 obliges the state to discharge the burden of proof of guilt beyond reasonable doubt and many traffickers escape punishment due to the failure of the prosecution to prove the charge against accused trafficker beyond reasonable doubt. First Information Report (FIR) recorded under Section 154 of the Criminal Procedure Code is not considered as substantive evidence.

10. Recommendations

Legal and Policy Reforms:

1. The relevant laws dealing with Trafficking must be amended in conformity with international law standards and norms of anti trafficking.
2. Inadequacy in procedural laws should be addressed.
3. Use of video conferencing and other technological tools should be used for prosecution of traffickers.
4. An independent investigation system for traffic related cases should be established.
5. Bangladesh should ratify all the international instruments on trafficking and implement them.
6. Legal framework should clearly recognize trafficking as a gross violation of human rights.
7. Legal aid should be extended to the traffic victims in the legal proceedings as a matter of rights.

Efforts at Regional Level:

1. Regional courts for prosecution should be established.
2. Regional laws on anti trafficking should be harmonized.

3. The SAARC Convention on anti-trafficking should address different forms of trafficking such as camel jockeying, organized begging, sale of organs.
4. The SAARC Convention should be implemented on urgent basis to prevent human trafficking in Bangladesh in particular and SAARC region in general. Political willingness is a key to the successful implementation of the Convention.

Reform of Criminal System:

1. A gender sensitive and child friendly approach should be adopted in investigation of cases relating to trafficking.
2. The law enforcement agencies must recognize victims of trafficking as victims of serious crime that must not be re-victimized and must treat them in accordance with their human rights.
3. Witness protection schemes should be set up for women and children victims so that they will testify against their traffickers. Such schemes should assist the police in presenting evidence before the courts and would help secure a higher rate of conviction.
4. Once charge sheet is given against accused traffickers after investigation, their bank account should be seized in order to break out the criminal network and to prevent the use of money to influence illegally the law enforcing agencies.
5. A database information on traffic victim should be in place.
6. A national institution for information resource on women and children rights and status should be created for collecting information and undertaking research on anti-trafficking. The proposed national institution shall also be responsible for controlling of trafficking and rehabilitation of the victims of trafficking.

Preventive Strategies:

1. Mobilization of civil society, social activists, media as extra-legal measures as anti-trafficking tool.
2. Community based initiatives to promote legal literacy and legal empowerment are critical ingredients in any anti-trafficking strategy be undertaken.
3. Community vigilance on trafficking should be developed and improved.
4. Educational initiatives should be taken for children and women at worksites in the evening and afternoon.
5. Educational campaign to dissuade parents from sending their wards to work.
6. By empowering the women through education and improving their economic status can be an important means to fight poverty which is a root cause of poverty.
7. Educational programmes like theater, video, short film, leaflets should be extensively used as a means of awareness programme.

Repatriation and Rehabilitation:

1. Informed and voluntary repatriation having focus on the best interest of the survivors and responsibilities of the states should be taken at both demand and supply side.

2. Government–NGO partnership in anti-trafficking strategies should be further developed to improve rehabilitation and reintegration services for the rescued victims including psychological counseling and care.
3. The special vulnerability and needs of child trafficked victims should be recognized in practice. As minimum standard children victims must have access to the school system and vocational training taking into account these special needs.
4. Developing effective victim support mechanisms and building community-police partnership to combat trafficking.
5. Adequate provision should be made for safe shelter home for the trafficked women and children instead of keeping in police custody.

11. Conclusion

From the above discussion it may be said that the legal framework for combat trafficking is not that much old. So many factors intensify the trafficking incident. In case of a developing country like Bangladesh the poverty levels play a significant role in this regard and the northern side of Bangladesh, along with the border it shares with neighbouring country India, are the primary reasons why women trafficking takes place on such a scale. Dinajpur is one such bordering district in the north-eastern part of Bangladesh. Four upazilas (Hakimpur, Birampur, Nawabganj and Ghorahat) out of 13 upazillas of the district have borders with the Indian State of West Bengal. It is also reported that children are assembled here from other parts of the country and trafficked through these ports to India, Pakistan and Middle Eastern countries. So in order to reduce human trafficking specially women and children, in national level government need to enact new and pragmatic law and make sure the existing law is properly exercised. Along with this regional cooperation it is needed to be ensured. So with the combination of these two tasks it can be possible to reduce the human trafficking in Southeast Asian region.

Causes and Consequences of Money Laundering in Bangladesh

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Abstract

Money laundering covers all the procedures to change the illegally identity to obtain money from a legitimate source. The effects of money laundering on economic development are difficult to quantify, however, it is clear that such activity damages the financial institutions, reduces productivity in the economy's real sector by encouraging crime and corruption, and can distort the economy's external sector. This paper analyzes the causes for resorting to underground or alternative banking system commonly known as "Hawala" or "Hundi" in Bangladesh and the techniques adopted in money laundering. Its adverse potential consequences on the economy have also been discussed in this paper. Some important measures taken by banks and other financial institutions for combating money laundering such as Know Your Customer Principles, compliance with laws, and recognition of suspicious transactions have been highlighted in this paper. Finally, some policies have been recommended for building effective anti-money laundering mechanisms in Bangladesh.

Key Words: Money Laundering, Drug Trafficking, Black Money, Dirty Money, Bank Management.

1.1 Introduction

Money Laundering is a new challenge on banker in Bangladesh. It is a kind of processing the black money into white money through the banking channel. It's a process to create the white money from the illegal sources of income. Money laundering system is adopted to avoid income tax against the government. Money laundering means to utilize in the form of drug business, black-marketing, illegal transaction and hundi. This term was introduced in different newspaper in 1973 in America.¹ At that period no rule was provided for controlling money laundering.

At first, it was identified as crime in America in 1986 and provided hard punishment for money laundering. The laundering of money derived from illicit drug trafficking and other serious crimes including financial crimes has expanded throughout the world and affects almost all countries. In the last few decades crime has become more organized, more sophisticated and increasingly international in nature. It has also become more profitable. Today, money laundering has become a critical issue for any significant criminal enterprise, because criminals need to conceal the true ownership and origin of the money; they need to control the money, and they need to change the form of money.

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¹ *Money laundering Act-2002*, Yousuf, M. A., Monthly issue "Banker".p.10.

Funds from the illicit drug trade and other crimes, which are 'laundered' through banks and other financial institutions, threaten the integrity and stability of financial system and can even weaken Governments. It is, therefore, money and if their proceeds are removed, the incentives to continue their money laundering makes macro-economic management more difficult by accumulation of criminal capital that can be used to infiltrate illicit business, encourage corruption and creates vested interest in the continued activities of the criminal organizations. Therefore, increasing international attention to countering money laundering and on seizing the criminal assets is highly required. Money Laundering termed as 'turning the dirty money into clean money' has expanded throughout the world. 'Money Laundering' means the transfer of money obtained from crime to foreign banks, legitimate business etc. so as to disguise its sources.² In other sense, 'Money Laundering' is most often described as "turning the dirty money into clean money".³

1.2 Statement of the Problem

It is very difficult to estimate the size of the problem, since money laundering is a concealed activity. In 1987, the UN estimated drug trafficking world wide at US \$ 300 billion, much of which would be laundered. Other estimates have been made that US \$ 300 billion to US \$ 500 billion of 'dirty money' is placed into world financial system each year or roughly 2% of global GDP. International Monetary Fund (IMF) has made a recent estimate⁴ "While we can not guarantee the accuracy of our figures the estimates of the present scale of money laundering transactions are almost beyond imagination 2 to 5 percent of Global GDP that would probably be a consensus range". Australia made some efforts to quantify money laundering in that country and estimated the most likely figure is around \$ 3.5 billion (within the range between A \$ 1.0 billion and A \$ 4.5 billion). It is evident from the above estimates that money laundering is a significant problem faced by the world amounting to hundreds of billions of dollars a year. Banks and financial institutions may unwillingly be used as intermediaries for the transfer or deposit of money derived from criminal activity.⁵ The use of the financial system in this way is a matter of direct concern to bank supervisors, bank management and law enforcement agencies. Public confidence in banks may be undermined through their association with criminals. For clear representation, this paper has been organized by the following sections: section 2 briefs the objectives of the study; section 3 mentions the methodology of the study; section 4 reviews related literature regarding money laundering; section 5 briefs the scope and area of money laundering; section 6 describes the steps of money laundering; section 7 identifies causes and means of money laundering along with mentioning the reasons to stop money laundering; section 8 briefs macro-economic implication and identifies red flags/indications for money laundering; section 9 explains the role of financial system in combating the issue; section 10 identifies the socio-economic of money laundering and finally section 11 draws conclusion and possible policy recommendations arising out of the study.

1.3 Objectives of the Study

The major objectives of the study are as follows:

- i) To highlight the concepts of money laundering and its present scenario in Bangladesh.
- ii) To identify the causes and consequences of money laundering in Bangladesh.
- iii) To identify the techniques and stages of money laundering.

² Oxford Dictionary, p.460.

³ Guide Book on Money Laundering Protection, Department of Money Laundering Protection, Head Office, Bangladesh Bank, Dhaka.

⁴ Bangladesh Economic Review, Economic Advisor's Wing, Finance Division, Ministry of Finance, 2004.

⁵ Mashud Kulijhan, Money Laundering, Bank Parikrama, Vol. xxiv, No. 2, June 1999, p.54.

- iv) To evaluate the role of financial system in combating money laundering.
- v) To explain the scope of money laundering in Bangladesh.
- vi) To identify the causes and means of preventing money laundering
- vii) To focus the socio-economic impact of money laundering in Bangladesh and finally.
- viii) To focus the macro-economic implications of money laundering and to identify the symptoms/red flags in order to predict about money laundering issue.
- ix) To draw conclusions and possible policy recommendations arising out of the study.

1.4 Methodology of the Study:

Correct and smooth completion of research work requires adherence to some rules and methodologies. Rules are followed with a view to easing the data collection procedure. Correction of study depends on the information and data analysis. The study has been conducted mainly on the basis of secondary information. For this purpose, different recognized banks, government rules and regulations, policies have been consulted. Various seminar papers and summary of discussions in those seminars, taskforce report of research organizations and some periodicals, national and international journals, newspapers, magazines, Bangladesh Bank publications have been surveyed. Some bank specialists have also been personally interviewed in order to collect some primary information used in this study. Besides this, internet resources have been used as another source of information.

2.1 Review of Related Literature

On the basis of available literature on money laundering selected articles have been reviewed in this section. The context of Bangladesh, in keeping with the focus of the study, has been given exclusive priority. The reviewed literature includes mainly books, articles and reports of both government and non-government organizations.

M.A. Khaleque⁶ wrote an important feature as a Banker on “Effectiveness of Money Laundering Act”. He highlights the various Acts regarding money-laundering issues. Under the study he mentioned why this Act is more important & should be properly implemented for the economic development of Bangladesh.

Mashud Kulijhan⁷ conducted an important study on “Money Laundering”, where he described money laundering as “turning the dirty money into clean money”, and has been expanded throughout the world. International Monetary Fund has recently estimated it as 2 to 5 per cent of Global GDP. He also identified the causes of money laundering for resorting to underground or alternative banking system commonly known as “Hawala” or “Hundi” in the sub-continent. It has adverse potential impact on the economy in a country.

Lucky Rahaman⁸ made an important study on the topic “Money Laundering: A new challenge on banker.” She stated in her study that money laundering is the process of black money to white money. It also is a banking channel to white the money from the illegal sources to avoid income tax. Further she mentioned that money laundering occurs in the form of drug business, black-marketing, illegal transaction and handy. This term “money laundering” was introduced in different newspaper on 1973 in America. At that period no rules was provided for money laundering. At First, it was identified as crime in America on 1986 and provided hardly punishment for money laundering.

⁶ Khaleque, M.A., “Effectiveness of Money Laundering Act” Daily News Paper “Prothom Alo” Sunday, 7th January, 2007, p.2.

⁷ Ibid.

⁸ *Money Laundering Act-2002*, Yousuf, M. A., Monthly issue “Banker”.p.10.

Jefry Rabinson says in the book named “The Laundrymen” - It is a turning process to change the white money or fresh money or legal money or clean money from illegal or dirty money through the transaction cycle by the bank commonly is called ‘Money Laundering’. However, this simple definition does not fully capture the full dimensions of laundering. The problem of drug traffickers and other criminals is that dirty money are vulnerable to seizure by law enforcement, consequently, the criminals want to hide the source of their ill-gotten resources. So, money laundering is the process whereby proceeds (derived from criminal activity) are transported, transferred, transformed, converted or intermingled with legitimate funds for the purpose of concealing or disguising the true nature, source, disposition, movement or ownership of those proceeds. The goal of the money laundering process is to make funds derived from illicit activity appeared as legitimate. The 1988 Vienna Convention (Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances) defines money laundering as a process of conversion of illicit cash to a less suspicious form, so that the true source or ownership is concealed and a legitimate source is created. The Vienna Convention’s definition applies to laundering of drug profits. Subsequently, there has been more to extend the definition of money laundering to include proceeds of other serious criminal activities including smuggling, fraud and serious financial crime. A 2000-2001 survey by the Financial Action Task Force (FATF) of money laundering measures noted that along with drug trafficking, financial crimes (bank fraud, credit card fraud, investment fraud, advance fee fraud, embezzlement and the like) were the most frequently mentioned sources of proceeds of crime.⁹

3.1 Scope and Areas of Money Laundering

Based on existing literature, investigations and research some areas have been identified where money laundering occurs frequently. Among those the most important areas are - Drug issues, Black-marketing, Hundi (money exchange by illegal operation), Weapon Business, Fraud & forgery, Wagering, Crime, Bribe, Anti-social activities, Brokerage, Illegal transaction (financial & social), Tax Evasion, Under & Over invoicing etc. Money laundering occurs in the following circumstances more frequently:

- Hiding of the proprietor of the money and the sources of the money.
- No disclosure of the actual authority of the money
- Change of money notes, such as small note to large note, large note to small note, and securities purchase, share / bond purchase by cash, purchase of artesian goods.
- Distorting the sources of income or evading the sources of income exactly &
- Span of supervision of money.

Stages of Money Laundering

There are three stages of money laundering during which the launderers make numerous transactions.¹⁰

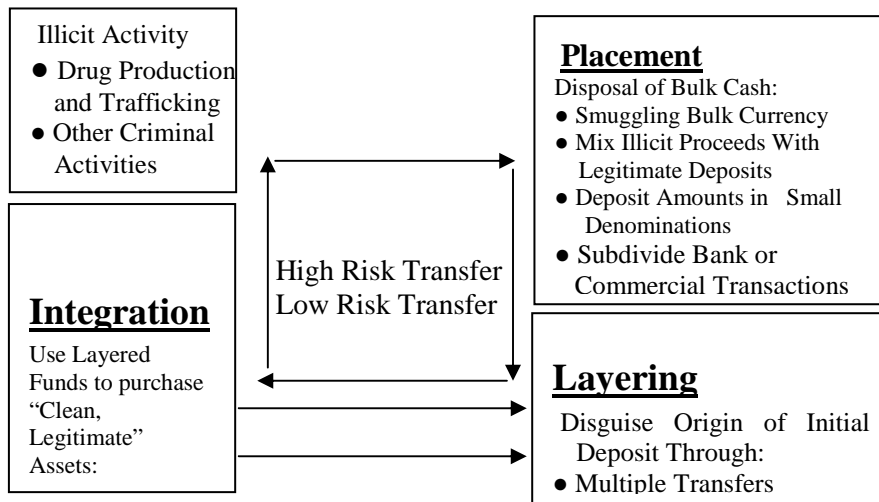
Placement: The physical disposal of cash proceeds derived from illegal activity.

Layering: Separating illicit proceeds from their source by creating complex layers of financial transaction to conceal the money’s origin. At this level, money is often sent from one country to another and then broken up into a variety of investments, which are moved frequently to evade detection.

⁹ Financial Action Task Force (FATF), Report on Money Laundering Typologies, Feb. 1997.

¹⁰ Mashud Kulijhan, Money Laundering, Bank Parikrama, Vol. xxiv, No. 2, June 1999, p. 55.

Integration: The provision of apparent legitimacy to criminally derived wealth. In this stage, funds have been fully assimilated into the legal economy. The following chart illustrates the laundering stage in more detail



Causes and Means of Money Laundering

People move for money abroad mainly due to three causes: Legitimate purposes, Under Ground Banking and Criminals causes.

i) **Legitimate purposes:** Legitimate purpose includes a variety of causes. Among them the most important and frequent happening issues are mentioned as to invest the unutilized money, to speculate surplus money, to lend money for interest, to meet trading/personal obligations and to safe guard assets against theft or seizure by repressive regimes.

ii) **Under Ground Banking:** Mainly, due to following causes people are interested to go to under ground banking (UGB): Socio-economic & political reasons, Higher returns Anonymity Non availability of banking channel Avoidance of local taxes and Illiteracy/ Semi-literacy of people. There have also been uses of under ground or alternative banking system commonly known as 'Hawala' or 'Hundi' in the Sub-continent. This system works without a paper trail. A 'Hawala' banker issues neither a written receipt for the sum received nor an order for payment. What he does make is a firm verbal commitment to the seller of dollars to make an equivalent rupee payment at the agreed rate of exchange, through his agent in the particular country. Then he sends a coded message to his agent containing the designated recipients name, time & date and address for the payment.

iii) **Criminals Movement:** According to Mashud Kulijhan, due to following causes all criminals' movement goes to money issues such as ¹¹ Dealing in arms & ammunition, Drug trafficking, Financing for terrorist activities, Evasion of exchange regulations/control, Evasion of government taxation, Disguise or remove proceeds of theft / fraud / bribe, Making black mail payments and Paying ransom for kidnapers. The banking system remains one of the most important avenues for money launderers. The use of the bearer certificate of deposit, bank drafts, writes transfers to transmit funds internationally and establishment of loan back scheme are commonly used banking instruments around the world. New methods are constantly being used to avoid detection. These may include

¹¹ Mashud Kulijhan, Money Laundering, Bank Parikrama, Vol. xxiv, No. 2, June 1999, p. 55.

simple measures as “Smurfing” or structuring that is making numerous small deposits which would fall below a suspicious cash transaction report, using relatives, third party or false names on accounts or more sophisticated measures such as use of shell companies. A recent study by FATF found increasing use of non-banking financial institutions (Money Changers, remittance business etc) to provide services attractive to launderers since these institutions are subject to fewer regulatory requirements than banks.

Because of increasing profit from the drug trafficking and other criminal enterprises, money launderers are adopting new techniques, employing specialized expertise’s who can provide sophisticated methods of laundering and various other financial services. “Techniques used included false invoicing (over-invoicing, under-invoicing), Commingling of legal and illegal monies, the use of bank loan arrangements (whereby the launderer, transfers proceeds to another country and uses them as security for a bank loan which is sent back to original country) and layers of transactions through off-shore shell companies. In addition, a significant amount of illegal proceeds has been invested in real estate. However, because of the introduction of anti-money laundering counter measures in different countries, money launderers constantly seek new ways to circumvent regulation and minimize the likelihood that the funds from drug trafficking and other illicit enterprises will be subject to seizure. Methods that work tend to be replicated in different locations or may be used with some modifications.

Reasons to STOP Money Launderers

The obvious reasons to STOP money launderers may be enumerated as under:

- a) To stop them from enjoying the benefits of their profits (which may act as a deterrent as well as punishment).
- b) To prevent them from re-investing their funds in future criminal activities.
- c) To help law enforcement to detect criminal activities through the audit trail.

The main negative consequence of money laundering can have on the financial system. A large-scale money laundering operation may put at risk a smaller nation’s financial system through loss of credibility and investor confidence. The impact of the demise of the BCCI is a case at point. The BCCI had grown to become world’s seventh largest private bank with assets of US \$ 23 billion and operation in 72 countries. The victims of the bank’s malpractice were depositors and the government in developing countries.

In 2001, the Seychelles announced that anyone placing \$10 million or more in certain investment would be immune from prosecution. This was viewed as invitations Money Launderers. The UK, USA, EU, condemned this law and a warning was issued to all banks about entering into financial transactions with the Seychelles. The law has now been shelved.

Socio-economic Consequences of Money Laundering

In short the socio- economic impact of money laundering can be represented by the following aspects:¹²

¹² Money Laundering Protection Guide Book, Department of Money Laundering Protection, Head office of Bangladesh Bank, Dhaka, p. 1.

Causes and Consequences of Money Laundering in Bangladesh

- Its crime to an inspiration, such as drug dueler, black market, terrorism and a crime of government employee,
- To protect money laundering which control to increase government expeditors
- Money laundering are decrease government tax and indirectly loser which paying income tax.
- Unequal distributions are change of assets and price by money laundering.
- It influence economic power establish to crime.
- Economic institution lost goodwill or faith.

Macro-economic Consequences of Money Laundering

A recent paper by the IMF indicated that the level of money laundering is highly significant in determining currency and money balances and may have a perceptible influence on economic growth rates. Potential macroeconomic consequences of money laundering may be summarized as follows:

- Policy mistakes due to measurement errors in macroeconomic statistics arising from money laundering;
- Volatility in exchange and interest rates due to unanticipated cross border transfers of funds;
- Development of an unstable liability base and unsound asset structures of individual financial institutions creating systemic crisis and hence monetary instability.
- Adverse effects on tax collection and the allocation of public expenditures due to misreporting of income and wealth;
- Misallocation of resources due to distortions in relative asset and commodity prices arising from money laundering activities.
- Contamination effects on legal transactions due to the perceived possibility of being associated with crime.

It may be noted that money launderers do not allocate illicit funds around the world on the basis of expected rate of return but on the basis of ease of avoiding national controls. This contributes to a misallocation of resources on a large scale. As some countries become more aware of the adverse impact of money laundering they will become more suspicious of engaging in financial relationships with countries that are known to be used by money launderers. This may result adverse impact on financial transactions and relations between countries.

Red Flags for Money Laundering

Based on existing literature and investigation the following points have been identified as red flags/ indications for money laundering:

- Poor balance in the account but high-level amount is transacted by the accountholder.
- Without named/another named/ short named are used for the purpose of account opening in the different banks in Bangladesh.
- Incidentally huge amount deposited in the account is so much harmful for the same.
- Try to transfer the deposited amount to the others in order of cash/cheque/TT/DD/Drafts etc.
- Try to deposit amount into the account regularly & with down at a time by a cheque.
- When many accounts are maintain in the different banks & try to accumulate the deposited fund at a time.

- When in the unused account, huge amount is deposited at a time from the foreign country or local account.
- Rapid transfer the fund in to another account, ▪ Change of account design like CC to SD, SD to CC, CC to FDR, and FDR to SD, SD to SOD etc.
- When no consider the transactional fees / charges etc.
- Necessary information is not disclosed according to the desired of the bank.
- When abnormal & doubtful transaction is maintained.
- High-level transaction is may be treated as doubtful for the same.
- When TT/DD/ MT is sent with out any relation with the receiver of the amount.
- Unnecessary third party is used for deposit the money & third party is used for lend the money.
- High risk bearing accountholders such as wrong address, post box, business fault, try to undue facility draw, information hidden, previous address use, requesting matters etc.

Role of Financial System in Combating Money Laundering

Banks and other financial institution may be willingly or unwillingly used as inter media rises for the transfer of deposits of funds derived from criminal activity. Criminals and their partners use the financial system to make payments and transfer of funds from one account to another account and to provide storage for bank notes as safe deposit. Money laundering threatens the stability of financial institutions and the entire international financial system.¹³ Therefore, establishment of an effective financial/regulatory mechanism to deny access to national and international financial system by criminals and their illicit funds is gaining momentum. United Nation convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1988, (Vienna Convention) requires all member states to declare Money Laundering a punishable offence and to adopt measures to detect, investigate, prevent and prosecute money laundering by:

- a) Identifying, seizing and confiscating the proceeds of crime and illegal transitions.
- b) Inclusion of money laundering in mutual legal assistance agreements to ensure assistance in investigations, court cases or financial proceedings.

The Basle Committee on Banking Supervision issued a statement of principles (December, 1988) on prevention of criminal use of the banking system for the purpose of money laundering.

- Ensure vigilance against Money Laundering
- Identification of customers & significant transactions.
- Compliance with laws
- Co-operation with law enforcement authorities.

The banks & financial institutions can deny use of the system to those involved in money laundering by application of the following principles.

- i) **Know Your Customer (KYC):** Banks should make reasonable efforts to determine the customer's true identity and should have enough information about their clients. KYC programme should act as primary defense against money laundering and other illegal activity. Banks should do business only with the customers who are involved in legitimate business activities and whose income and wealth are derived from legitimate sources. For this purpose a client profile for each client may be prepared which should be updated regularly.

¹³ Mashud Kulijhan, Money Laundering, Bank Parikrama, Vol. xxiv, No. 2, June 1999, p. 60.

- ii) Recognition of Suspicious Transactions:** Suspicious activity of clients should be monitored and be reported to the regulators and law enforcement agencies. A suspicious transaction is one, which is inconsistent with a customer's known legitimate business or personal activities or with the normal business for that type of account. The following suspicious signs in existing accounts may be watched carefully:
- Deposits of large amounts of cash without reasonable explanation.
 - Transactions that don't make business sense.
 - Transaction levels that seen unusual for the type of business.
 - Sudden, unexplained changes in account activity.
 - Third party paying off loans.
 - Repeated request for transfers to Non-business area.
 - Multiple cash deposits under reporting limits.
- iii) Compliance With Laws:** Bank management should ensure that business is conducted in conformity with high ethical standards, that laws and regulations are adhered to and that a service is not provided where there is good reason to suppose that transactions are associated with laundering activities.
- iv) Cooperation with Law Enforcement Agencies:** Banks should co-operate fully with national law enforcement authorities to the extent permitted by specific local regulations relating to customer's confidentiality.
- v) Policies, Procedure and Training:** Banks should develop its own strategy of money laundering; these programs should include as a minimum-
- The development of internal policies, procedures and controls, including the designation of compliance officers at management level and adequate screening procedures to ensure high standards when hiring employees.
 - An ongoing employee training programmes.
 - An audit functions to test the system.

Money laundering involves a constant struggle between the launderer who seek the paths of least resistance and lowest risk and government agencies / regulators who seek to detect disrupt and prevent the completion of the laundering cycle. As a result, the money laundering is both innovative and dynamic. With the advent of technological revolution in banking, the criminals are much more interested in exploiting this system (i.e. electronic transfer mechanism). Electronic money (e-money, dig cash etc.) has the potential to make it easier for criminals to hide the source of their proceeds and moves these proceeds without detection. At present, this electronic fund transfer is still in infancy in our country but may be a future concern.

Findings and Discussions:

Bangladesh is neither a drug producing nor a major consumer country for drugs. However, our country's proximity to Golden Triangle in the East and Golden Crescent in the West rendered her vulnerable to drug trafficking and drug related problems.¹⁴ In Bangladesh, no drug Cartel, drug syndicate or organized groups of drug dealers have been intercepted till to day. It appears from our seizure records that biggest consignment of heroin handled by the drug dealers (street sellers/petty whole sellers) never exceeded 3 to 4 Kgs. At present phensedyl, heroin, cannabis ranks respectively first, second and third position in order of prevalence of drug in the country. An approximate price of drugs seized

¹⁴ Mashud Kulijhan, Money Laundering, Bank Parikrama, Vol. xxiv, No. 2, June 1999, p. 59.

in a year by the Department of Narcotics Control stands at around US \$ 263,246 only. Even if the actual turnover is four times higher than this figure, it may be concluded that the influence of drug money is not yet felt to pose a major concern for us. However, money laundering is no less significant in our economy. Consolidated Information of Suits filed & settled under the Money Loan Court (Artha Rin Adalat) during 2010¹⁵ represents the present scenario of money illegal money transactions status in terms of identified aspects i.e. our study has identified that both black money and dirty money are being laundered in various ways such as:

- Conversion of local currency into foreign currency from black market, smuggle it out of the country and deposit it in any foreign bank.
- The use of T.T and Hundi to send money overseas.
- The use of bearer instruments (drafts, cheque, stock certificates, etc.)
- Operating business enterprises, which hardly makes profits, but showing large profits and pay taxes to cover and legalize dirty money.
- The use of third party or false name accounts at financial institutions.
- The purchase of items of value (such as luxury goods, gold, vehicles, Real estate).
- Invoice manipulation in the form of over invoicing/Under invoicing.
- Create investment companies in which fictitious persons deposit money and invest in shares, stock, and bonds.

No reliable estimates of the amount involved are available since money laundering is a concealed activity. However, if we use the minimum of IMF range of 2% of national GDP at current prices we can well imagine the magnitude of the problem. Since volume of drug related money is not very large here and the size of the banking & economy is small even a conservative estimate of 1% of GDP at current prices may turn around several hundred cores of Taka per year. These estimates of black money and dirty money are not authoritative because no launders and criminals will give you any reliable statistics of their transactions.

Conclusion and Recommendations

Effective anti-money laundering mechanisms invariably includes co-operation between the bank management, regulators (i.e. Central Bank) and law enforcement agencies. Therefore, it is in the best interest to develop interaction & co-ordination between the above parties. However, bank secrecy was a major obstacle to the gathering of financial information. Without turning bankers into police informants, it became necessary to find legal means of enabling anti-money laundering agencies to trace laundering operations. Since the end of 1980s most of the developed countries instituted anti-money laundering legislation requiring banks to reporting particular banking operations. This applies particularly to those specific kinds of operation to be used as a cover for laundering. India has also placed its anti-money laundering bill in the present parliament, which is awaiting approval. In Bangladesh, no such legislation or specific prudential regulations against money laundering is available. Although relevant Bangladesh laws provide maintenance of Customer's secrecy in banking operation, they do not in any way interfere with criminal investigation. Under the Bankers Books Evidence Act, 1891, banks under direction of courts can disclose information relating to any customer. The Bank Companies Act, 1991 also empowers Bangladesh Bank to issue any directions to the banks / financial institutions to safeguard public and national interest. In Bangladesh, banks have been advised to exercise utmost surveillance against opening anonymous accounts/ suspicious accounts and remittances through such account. Based on our study findings and existing literature

¹⁵ Annexure No. 1

regarding money-laundering issue, we can draw the following recommendations in order to prevent money laundering. Financial institutions should be taken appropriate steps for executing the following guidelines in preventing money laundering:

- **Identification of the Client:** To store and collect the accurate information and real identity of the client. Customer identification should be introduced & clearly explained through Know Your Customer.
- **Maintenance of Account Number:** To close the account of the client's minimum five-year transactions should be maintained due to safety of the customers.
- **Activities of the Bank:** Necessary steps should be taken for the clients by the head office, zonal or branch office of each bank or financial or institution for the same.
- **Withdrawing Limit:** To indicate the abnormal transaction, bank should be preserved the minimum & maximum limit of the transaction, which should be disclosed by the clients to protect unlimited transaction that should also be preserved by the bank.
- **Doubtful Transactions:** Doubtful transactions against of any client for any branch, which should be reported to head office and the central unit, sent to Bangladesh Bank.
- **Information:** Regarding this, any information should not be disclosed at any point.
- **Reporting Systems:** Doubtful transactions or unlimited transactions of any branch should be informed to the BD Bank time to time.
- **Seminar, Workshop, Symposium:** Banks and financial institution should be arranged to take necessary steps of the employees for their training through seminar, workshop, symposium etc.
- **Safety and Security:** During the account opening period all types prescribed documentary paper should be collected to protect the money-laundering theme.

Each of the commercial bank already been arranged like seminar, workshop, symposium to protect the same. Necessary steps should be taken by strictly controlling system of money laundering by the help of Bangladesh Bank such as under & over invoicing, pay ransom for kidnappers, drug trafficking, financing terrorist activities, evasion of exchange regulation or control, disguise or remove proceeds of theft /fraud/ bribe, foreign education & medical treatment cost, cow and buffalo import, baby and women kidnap, black marketing etc.

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Causes and Consequences of Money Laundering in Bangladesh

Annexure # 1
Consolidated Information of Suits filed & settled under the Money Loan Court
(Artha Rin Adalat) during 2010

Type of Banks	Banks	Suits filed		Suits Settled (Cumulative)			Suits under Trial			
		No. of Suits	Amount Claimed	No. of Suits	Amount Claimed	Amount Received	No. of Suits	Amount Claimed	Amount Recovered	
NCBs	Sonali Bank	18124	373998.00	9388	20043.00	20398.00	8752	359085.00	19641.00	
	Janata Bank	12800	262790.90	5146	26308.50	26308.50	7654	236482.40	13253.20	
	Agrani Bank	12478	258050.00	3600	29666.00	28238.50	8878	228384.00	10037.80	
	Rupali bank	10346	162429.90	3587	21189.80	8050.60	6759	141240.10	4123.00	
	Sub Total	53748	1057268.80	21721	97207.30	82995.60	32043	965191.50	47055.00	
SCBs	BKB	5913	52978.40	2519	12074.40	6736.20	3394	40904.00	2220.50	
	BSB	355	135385.00	139	35022.00	0.00	216	100363.00	0.00	
	RAKUB	14877	20318.90	7755	11361.60	4234.10	7122	8957.30	260.70	
	BSRS	37	24967.00	8	4221.00	1955.90	29	20746.00	17.20	
	BASIC	63	2867.00	15	112.00	112.00	48	2755.00	212.70	
		Sub Total	21245	236516.30	10436	62791.00	13038.0	10809	173725.30	2711.10
PCBs	Pubali Bank	2987	52925.40	1245	16676.90	3970.50	1742	36248.50	3871.80	
	Uttara Bank	2211	102800.20	1415	27354.20	13843.0	796	75446.00	48616.80	
	AB Bank	645	37171.00	297	7177.20	5157.30	384	29993.80	2379.20	
	IFIC Bank td	510	66454.60	114	4932.90	2438.90	396	61521.70	1178.00	
	IBBL	3711	41962.00	1730	9459.50	7928.20	1981	32502.50	4677.10	
	NBL	1505	91886.40	849	27578.20	6575.40	656	64308.20	1624.40	
	City Bank	626	25108.00	208	4199.20	352.00	418	20687.20	0.00	
	UCBL	531	40201.20	254	3700.40	2833.50	277	36500.90	2539.50	
	Oriental Bank	260	50415.30	106	18933.50	7522.90	154	31481.80	1206.50	
	EBL	48	2972.00	2	67.00	67.00	46	2905.00	67.00	
	BCCI	167	21555.00	38	4736.00	1272.00	129	16819.00	98.00	
	NCCBL	332	13695.60	80	1633.00	1287.30	252	12062.10	171.10	
	Prime	119	2408.50	29	126.70	101.50	90	2281.80	138.30	
	South East	74	7113.90	0	0.00	0.00	74	7113.90	34.80	
	Dhaka	33	2391.90	5	315.50	284.20	28	2078.50	5.30	
	Al-Arafa	108	4310.90	40	1183.00	141.40	68	3127.90	51.40	
	SIBL	93	1543.00	19	170.00	170.00	74	1373.00	26.00	
	One Bank Ltd.	18	405.80	3	607.90	0.40	15	3427.90	12.60	
	Premier Bank	4	237.10	1	12.70	12.70	3	224.40	0.00	
	Frist Securities	14	1178.10	0	0.00	0.00	14	1178.10	0.00	
	Standard Bank	9	414.10	0	0.00	0.00	9	414.10	0.00	
	BCBL	405	11122.60	53	552.70	462.60	352	10569.80	180.00	
	Bank Asia Bank	6	387.80	3	116.40	80.00	3	271.50	271.50	
		Sub Total	14416	578660.40	6491	129532.90	54501.70	7961	452537.60	67149.30
	FCBs	Am. Express	11	6007.90	5	282.80	93.60	6	5725.10	53.90
		Comm.	141	9603.00	127	6516.00	4865.00	14	3087.00	973.00
Standard Chard.		93	5973.00	38	1349.00	613.00	55	4624.00	146.00	
SBI		36	520.80	36	520.80	274.10	0	0.00	0.00	
	Sub Total	281	22104.70	206	8668.60	5845.70	75	13436.10	1172.90	
	Grand Total	89690	1894550.20	38854	298199.80	156381.20	50888	1604890.50	118088.30	

Source: Bangladesh Economic Review, Economic Advisor's Wing, Finance Division, Ministry of Finance, 2010, p. 51.

Ballooning and Melting down of Capital Market: A Crafted Crisis in Bangladesh.

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Abstract

The crucial part of an economy is Stock Market which acts as an intermediary for the movement of funds between surplus units and deficit units. Well-functioning capital markets play a significant role in mobilizing savings and investments for organizing the production of goods and services, creating employment opportunities and enhancing economic development. But any sort of disorders in this sector may negatively affect the economy as a whole. The study makes an effort to present the various mechanisms associated with the Bangladesh capital market in influencing the price rise and then fall bearing a question whether it was smartly manipulated by a class of investors or not.

Key Words: Stock Market, Bangladesh Bank, Manipulation and Regulators.

1. Introduction

The indispensable part of an economy is Stock Market which acts as an intermediary for movement of funds between surplus units and deficit units. It is a place to raise capital by means of issuing share and hence transacting it on a regular basis among the participants. Thus, a share is just like a commodity sold in the stock market through stock exchange. By purchasing shares of a company an investor become the owner of that company up to the intrinsic value of his shareholding and also become entitled to the profit or loss of the company proportionate to his share.

Currently share market is well known to all. It is known that the economic stability and prosperity of a country depend on the condition of her share market. Many brokerage houses are now operating in our country to help the investors. When Bangladesh economy looks like a good shape based on capital/share market, that time Trading on the Dhaka Stock Exchange index was halted after it fell by 660 points, or 9.25%, in less than an hour. Chittagong Stock Market also met a similar fate. An abrupt crash of the market sparked violent protests from the Bangladeshi investors. It was the biggest one-day fall in its 55-year history. It is estimated that over three million people - many of them small-scale individual investors - have lost money because of the plunging share prices. The benchmark index had climbed by 80% in 2010 but has lost more than 27% since early December. Investment in the share market is a popular business among the educated middle class people of Bangladesh who were left frustrated with the sudden loss to their capital. They were finding ways and means to exit from the market in order to minimize the losses. Why this happened is the question.

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The experts give their comment that the immediate reason for this crash was the policy of the regulators of the market who laid down a limit for investment by the banks and other financial institutions in the stocks. This was done in order to avoid the market being overvalued. As the banks and other big investor institutions withdrew the capital from the market, the panic ensued.

2. Objectives of the Study:

The study is carried out in line with the following objectives:

1. To examine the economic and psychological factors that contributed to rising stock prices.
2. To explore the roles played by the various machineries associated with the stock market in influencing the price rise and fall.
3. To identify whether the whole cycle of ballooning and crash has been a smart manipulation by a class of investors or not.
4. To provide some recommendations to avoid such crisis in the stock market in future.

3. Methodology of the Study:

The present study is done based on the following methodology -

Data Sources: Secondary data were used for completion of the study. The data were taken from different relevant studies, national and international dailies, websites of SEC, Bangladesh Bank, DSE, and CSE.

4. Reasons behind ballooning of the Bangladesh Capital Market:

After the Bangladesh stock market debacle in 1996, the market recovered gradually and had been growing steadily until 2008. In view of lower rates of interest on bank deposits, tax-free income benefit, overseas remittance, fair rate of return on investments and lack of sufficient avenues for investment by individuals, investors were encouraged recently to invest more in the stock market. The market became reasonably stable until 2008. In 2010, the share price index started rising and it became abnormally high in late 2010 creating an alarming situation and a concern among the experts.

From mid 2009, the Bangladesh Stock Market has been experiencing a prolonged bull run. The market returns has been amongst the world's highest over the period. Even in 2010, only Sri Lanka (+110%) and Mongolia have probably beaten our market where prices grew roughly by about 90%. Now while this sounds great, people frequently forget the risks of investment in such times of "irrational exuberance". It can be thought of for quite a while that the market will undergo a correction. However, for better or for worse the market stuck to its upward trajectory. But I believe that this has made the situation even riskier. Let's first look at what made the market go up in the first place.

Commercial banks have been involved heavily in the stock market business in the last few years. Allowing merchant banking has exaggerated the situation. They became the key player in the stock market. Undoubtedly, any policy to control banks' exposure to the stock market could have significant impact on the capital market. Monetary easing during last two or more years (money supply was more than 22 percent during the period) could have helped stock market remain buoyant during these days.

Perhaps, Bangladesh Bank (BB) was not much aware about banks' exposure to the stock market. Because, surprisingly, banks profit from share business seemed to be negligible according to their income statement or balance sheet although there is a wide

perception that banks are making handsome profits from investing in shares and debentures. Proper data on their exposure to the capital market remained unknown, which was a failure from the part of the central bank as a supervisory agency.

5. Reasons behind Falling the share price:

Bangladesh stock market has crashed for some conventional factors such as economic and psychological factors and failure of Regulatory bodies and has been crashed by some smart manipulations over the market.

5.1 Economic Factors:

Stock market crashes are triggered by various factors, but economic and psychological factors play the most prominent role in the crash. Various factors can lead to a stock market crash, a prominent one being the investor sentiment. In a growing economy, wherein the gross domestic product is rising, consumer confidence is very high, and therefore there are more investments in the market. In such a situation, if the economy slows down considerably, or the growth rate declines and goes below the expected growth, there is panic among the investors and they start selling off their stocks. This excessive selling of stocks eventually triggers a stock market collapse that can be one of the reasons in the Bangladesh Capital Market.

5.2 Mob Psychology and Negative Attitude:

As making money is a primary goal for stock market participants, emotional or psychological factors exert a significant influence on changes taking place in the stock exchange. At times, a single event, such as a terrorist attack or a change in government, can also trigger a stock market crash. This most often happens when a single event creates panic in the market and investors are unsure about the future, and start to sell off their stocks. When some of the top investors leave the market, owing to the particular unfortunate event, other investors follow them. As most of the investors were particularly interested in selling off their stocks remembering the crash in 1996 which was also happened in the tenure the then Awami league government, thus, the price of various stocks decline.

5.3 Lack of knowledge about Stock Market:

Most of the investors in Bangladesh have a very little knowledge about Stock market. Most of them take their investment decision based on rumor. Since stock market is not a place of gambling, rather it's a place of knowledge based game. So, many of them have to return home with a great loss & stun. Share value is generally its current book/asset value plus anticipated gain from the expected profit. Besides this fundamental another main catalyst to share value appreciation in the share market is people's perception on its expected performance and profitability that is purely derived from the emotional gain in future.

5.4 Delusive Speculations:

When a particular stock is expected to gain value in the market, investors buy it with the aim of making profits in near future. As a number of investors buy this stock to make profits, there is a rise in the demand and resulting in the price hike of that stock. This inflates the price of the stock to a price beyond its actual value, and at a particular point it reaches a level, wherein it becomes clear that the price is miscalculated, as opposed to its real value. This triggers a race to sell off the stock, and hence the price of the stock starts to fall. The panic caused by the decline in price further leads to more people selling off their stocks, eventually leading to the market collapse which has occurred in the Bangladesh Capital Market.

5.5 Role of Regulatory Bodies and their Failure:

5.5.1 The Government:

It is natural from micro point of view that an individual will plan his investment on the basis of fiscal policy of the government which is expressed through the annual budget in the Parliament. Similarly from the macro point of view, it is important to through light on future national economic policy by means of budget. So, it is obvious that everybody will look for a clear indication of the government plan regarding the activities of a fiscal year including its thinking about the capital market. Thus, government plays an important role in the growth of capital market. But unfortunately, the government failed to do so in the recent years which brought the mighty blow on the stock market. In the fiscal year 2010-2011 the government has taken some risky decisions which helped to create a bubble in the market. Such decisions included the reduction of interest rate, imposing tax on Government Saving Certificates, providing facilities to enter black money in the stock market and so on. It is worth mentioning that both of the big plunges of 1996 and 2010 have been followed by the permission of whitening the black money through stock market. Moreover, the government has changed several regulations through SROs and other ways which brought the ailing fruits.

5.5.2 Bangladesh Bank:

Bangladesh Bank, as the regulatory body of financial market, has the responsibility to materialize the plan of the government regarding financial market through controlling the activities of Banks and other financial institutions (Merchant Banks, Insurance Companies, Mutual Funds and Non-Banking Financial Institutions). Paradoxically Bangladesh Bank has failed to control the activities of financial market throughout the 2010-2011 fiscal years. During that period, most of the banks and their merchant banking wings invested in the stock market without following any rule. Even in some cases they invested money in capital market which they ought to invest in other industrial sectors. Bangladesh Bank did not take steps to abstain them from such activities until the last month of 2010. But all on a sudden it realized the results of such unproductive investments and in December, 2010 it forced the banks to readjust its investments. Through a circular in December 2010, Bangladesh Bank increased Cash Reserve Requirements (CRR) from 5.5% to 6.00% and Statutory Liquidity Ratio (SLR) from 18.5% to 19.00%, the obvious result of which was the liquidity crises. As a result, a huge sales pressure helped the acceleration of the pace of the slump of capital market. The small investors think that the Bangladesh Bank and the Securities and Exchange Commission are responsible for the stock market crash in an unholy alliance with the corporate culprits and the bankers believe the central bank is holding back and creating the liquidity pressure in the market. Some bankers feel the central bank is more interested in dabbling in 'esoteric banking' and has touch with the real world (Ali, M.A, 2011).

Increasing the cash reserve ratio (CRR) was a double debacle for the banks. Naturally, big players had to sell huge volumes of shares due to liquidity constraints, which caused share prices to decline. This also casts doubt on the reported amount of excess liquidity in the banking sector in BB's published reports. Withdrawal of banks' large investments from the stock market appears to be the main reason for the recent crash in the capital market in Bangladesh.

Now, the question is, whether BB had any good reason to stop banks from substantially investing in the share market this time? There might have been a few reasons behind the decisions, such as (i) to control inflation, (ii) to channel more credit to the real sector, and (iii) to protect the interest of the bank depositors by limiting them from risky investments.

If BB did so to control the supply of money due to rising inflation trends, it would rather be said that the issue was not analyzed properly. The money that was running behind stocks had some multiplier effect in accumulating more stocks. Thus, it appears not to contribute to inflation to that extent, as it was not channeled directly to food prices or other non-food prices -- that are the main components of inflation.

From these viewpoints, BB's policy does not strongly justify their action against banks' investment in the stock market.

5.5.3 SEC:

Security and Exchange Commission (SEC) is the supreme regulatory body of capital market. So, it must have a formal plan of actions to regulate the activities of stock market. But ironically its failure in doing so is a matter of shame. Though it needs to impose rules considering the future growth, it became a kind of joker by frequently changing its own decisions. Even it has record of changing own decision within an hour of making it. It had to undergo a lot of criticism when its members made some very sensitive decision whimsically. The main reasons of such meaningless decisions are the lack of coordination among the members and involvement of many of them in share trading in others' name. Moreover, the manpower required to operate such an organization is not sufficient in SEC. It is unfortunate that SEC has no software of its own. Even it does not have any Chartered Accountant to ensure accurate audit report.

5.5.4. DSE and CSE:

Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) should have played vital role in monitoring the activities of brokerage houses as well as the smooth functioning of stock market through giving permission of listing companies, delisting a certain company for violation of rules and other reasons, placing a company in a specific category (e.g. A, B, Z, N) and queering unusual price hike of a particular script. It is a matter of sorrow that both of the stock exchanges failed to ensure proper monitoring. Especially two activities of DSE played pivotal role behind the recent surge and plunge in the capital market. The first one is the circulation of news that within a very short period of time a huge number of Beneficiary Account (B/O) has been opened which was an indicator of the confidence of investors towards the capital market and can be compared with the provocation for investing money in the capital market. Thus it worked as a catalyst of price hike. Again DSE called for a press conference on 13th October, 2010 through which it urged people not to invest in the stock market as it became a risky sector according to them. It was a clear indication of upcoming crash. Thus it spread threat among the investors and they put a huge sell pressure even the institutional investors were also involved in force sell and trigger sell considering all the negative factors. Such a panic situation even provoked people to sell fundamentally strong shares.

5.5.6. Credit Rating Agencies:

Investors get a clear picture of a company through its credit rating because such rating indicates the financial strength, management efficiency and growth potential of a company. At present, there are four credit rating agencies in Bangladesh namely, (a) Credit Rating Agency of Bangladesh (CRAB), (b) Credit Rating Information and Services Limited (CRISL), (c) National Credit Rating Limited (NCRL) and (d) Emerging Credit Rating Limited (ECRL). But most of the listed companies are being rated by none of the above mentioned credit rating companies. As a result, investors are deprived of proper information about those companies which is one of the major obstacles of making informed investment decision.

The capital market regulator introduced regulations one after another which neither gave any clear direction nor set any "standards" for the market. It introduced "lock-in" on shares on July 02, 2009. The result was restriction on supply, creating an imbalance between demand and supply.

5.5.7 Other Factors:

When markets rose too high within a short span, single negative news has created havoc in stock markets. Markets discounted negative news like Crude rise, taka appreciation and inflation concerns in U.S after fed rate cut and slowdown in economic growth etc. How long investors will discount all these negative news? Shrewd investor always book profits just before every crash whether it is in 1996 or 2010. Greedy investors always lose money in every crash.

5.6 Manipulation:

Manipulation can occur in a variety of ways, from insiders taking actions that influence stock prices to the release of false information or rumors in Internet chat rooms, e.g., accounting and earnings manipulation such as in the case. Moreover, it is well known that large block trades can influence prices. For example, by purchasing a large amount of stocks, a trader can drive the price up. Bangladesh stock market has been manipulated by a class of investors in the following manner.

5.6.1 Price Manipulation:

Market manipulation has been less thoroughly examined in the academic literature but is a growing concern on many emerging stock markets. The possibility that the markets can be manipulated is an important issue for both the regulation of trading and the efficiency of the market. Security regulators generally prohibit market manipulations on the basis that the manipulators distort prices, hamper price discovery, and create deadweight losses. In particular, many Asian stock markets have securities that are thinly traded and therefore more susceptible to manipulation.

In modern financial markets, manipulations are often done in hidden ways that cannot be easily detected and outlawed. While manipulative activities seem to have declined on the main exchanges, it is still a serious issue in the Bangladesh's capital market. Although several theories on stock market manipulation have been investigated, empirical evidence about stock manipulation is still scarce. When investigating the possibility of a manipulation, there are many signs that may indicate whether price rigging has occurred.

The sudden debacle in the stock market in Bangladesh is definitely a result of market manipulation which has left general investors with a great loss of their invested capital even there were warning signs in the market before the crash which were not been grasped by the general investors.

This emotional factors can be used to manipulate the share value if one has a controlling stake or a large chunk of shares of a company by speculation. There are various rules and regulations to control the excessive speculation and manipulation from within insider trading.

1996 crash of share market that not only depleted the market value and volume of DSE it ruined many families mainly the middle class who were enticed by few manipulator or speculators. When thousands made to put in their last stake inflating the share values every day, then at its pick insiders took away their profit by selling and leaving the market

and siphoning the cash outside the country. This happened while the government was in full function and regulatory bodies were active.

5.6.2 Sudden Activity in Thinly Traded securities:

Manipulators often look to thinly traded shares because their price is generally easier to influence. Here, prices can be altered with only a limited number of buy or sell orders. Conversely, it is difficult to manipulate the price of share that is widely held, well-capitalized and actively traded.

5.6.3 Statements about the Future Price of Securities:

In an effort to raise the price of a script, the company or its promoter may begin issuing encouraging reports which suggest that a share is undervalued or predict that investors can expect the price to rise in the near future.

5.6.4 Trading in "Benami" Accounts:

To disguise their activities, manipulators often resort to trading through accounts opened under the names of family members, business associates or companies that they control. This practice aids the manipulators in concealing their activities.

5.6.5 The Circulation of Rumors:

Sometimes manipulators will actively spread rumors about a company in hopes of creating interest in a particular script. These rumors are sometimes published in the financial press.

5.6.6 Consistent Late Trades:

The financial press regularly prints price of the shares but people look more to the closing price of a share. A person wishing to create the appearance of a rising price might succeed by making a series of end-of-day purchases, on a regular basis, over a short period of time.

5.6.7 Direct Financial Benefit to Manipulators:

Persons attempting to manipulate the price of a script will almost invariably have a direct financial interest in the success of their scheme. Evidence of direct financial interest is often a conclusive way to prove intent.

Persons associated with the securities market often engage in activities that cause the price of a security to rise or fall, but that are not illegal since there is no intent to manipulate. For instance, a large investor may attend a shareholder meeting and conclude that the share of the company is overvalued. Based on this conclusion, the shareholders may decide to sell their securities. This action may depress the price of the share. Similarly, a member of the financial press may write a positive news story about a company based on the performance of a new management team. This action may cause a rise in the price of the script of the company. In both examples, individuals took action that caused a change in the price of a share.

From the aforementioned discussion, it can be reached that the recent crash in Bangladesh capital market was happened for manipulations along with some imprudent decisions whether these might be intentional or unintentional.

Recommendations of the Study:

It is crystal clear that for the sustainable development of stock market all the parties concerned must work in a harmony as failure of any of them may lead the market to a further long decline towards a deep dark tunnel. So, we would like to suggest a few recommendations for different stakeholders of capital market.

6.1 Recommendations for the Government:

There is no doubt that the failure of the government in making various decisions regarding capital market played role behind the recent crash which was also admitted by the Planning and Finance Minister in his different speech. Thus, the govt. should ensure the followings:

- i) Government should ensure the supply of fundamentally strong shares in the market to meet the demand which will make the market efficient as investors would not go for buying junk shares. For ensuring the supplies of such shares, Government can offload the shares of different companies which it possesses now. It also can urge the private limited companies to go public by offering tax benefits through fiscal policy. Even it can offer shares to the public for infrastructural development work like constructing big bridges, highways and power stations.
- ii) Government must ensure the appointment of skilled and capable personnel in different regulatory bodies and must give punishment to the persons responsible for any kinds of irregularities.
- iii) The responsible persons of the Government should refrain from delivering irrelevant, irresponsible and sensitive speeches which many of them did before.
- iv) Government should ensure more active merchant banks to participate in the smooth building of a sound stock market.
- v) Government must ensure that the chairman and members of the Investment Corporation of Bangladesh (ICB) are honest and skilled. Any sort of direct or indirect involvement of any of the ICB members and officials in the stock market must be stopped in any way.
- vi) Government should delegate all power to the SEC to take legal actions against the criminals. Even if necessary, new Act may be passed in the Parliament in this regard.
- vii) Flow of black money in the capital market must be restricted as it can never bring any good results in the long run other than creating bubble in the stock market, the blast of which nothing but a disaster.

6.2 Recommendations for Securities and Exchange Commission (SEC):

SEC as the guardian of capital market should play significant role in its forward march. It must ensure the followings:

- i) SEC must ensure that neither of its members nor any of its officials is involved either direct or indirectly with the transactions in the stock market.
- ii) The monitoring and surveillance should be strengthened so that none can get chance to gamble.
- iii) SEC must have its own certified Chartered Accountants to ensure the accuracy of the Financial Statements of the listed companies and they should give punishment if the books of accounts are not accurately audited.
- iv) SEC must rethink about the rule of disclosure of quarterly financial reports by the companies because many of the companies misused it as a vehicle of misguiding the investors. In fact, it became a common practice of most of the listed companies to show high quarterly EPS in its un-audited quarterly report to bring down P/E ratio. In some cases, it is seen that a few companies' annual audited EPS for the year ended 2010 was lower than its accumulated EPS of three quarters.

- v) It must ensure speedy disposal of decision for market operation and all the decisions should be taken considering the long term effect on the market.
- vi) To bring fundamentally strong private companies in the capital market, there is no alternative of Book Building Method of IPO. So, the postponed Book Building Method must be reintroduced with necessary correction to resist all sorts of manipulation.
- vii) It is high time for SEC to take a decision regarding the stocks in the OTC market because huge amount of money has been blocked due to inefficient OTC market. The companies in the OTC market should either be de-listed and their assets and liabilities should be settled or these companies may be bring in the main market through acquisition by the Government or by the interested entrepreneurs restarting production of those enterprises.

6.3 Recommendations for DSE and CSE:

Both Dhaka and Chittagong Exchanges have important role to play as the monitoring authority of the Broker Houses. So, they need to play vital role by ensuring the followings:

- i) They must ensure proper monitoring of the brokerage houses for which more skilled manpower should be appointed in the Monitoring and Surveillance Team.
- ii) Any sort of irregularities in case of trading should be identified promptly and immediate action should be taken.
- iii) The operating software of both the stock exchanges should be updated as often these fail to take immediate sale or buy order especially that of CSE is very poor. Sometimes, it is seen that trade in DSE is on progress but due to technical problem CSE has postponed its operation which is really a big problem as it creates a gap between the prices of script in two stock exchanges. So, they must bring new software within the shortest possible time.
- iv) Now there is a common practice by DSE and CSE to ask for query for price hike of any script which is nothing but a routine work. To make such query fruitful, visible action should be taken if any involvement of sponsor/directors is identified.
- v) To aware investors having no or insufficient skills about the investment in stock market should be trained through different training programs, seminars and motivating fair.
- vi) Last but not the least that the stock exchanges need to be demutualized as it is the demand of time now to have a new corporate governance structure for more effective conflict management among market participants, and to make more quick decision with greater flexibility (Chowdhury, A.K.M., 2005).

6.4 Recommendations for Bangladesh Bank:

Though Bangladesh Bank is the regulatory body of Money Market; but its decisions are also reflected in the capital market as the money market and capital market are interrelated. In this regard it has the following roles to play:

- i) It must ensure that the Banks and Other financial institutions' exposures do not exceed the limit from the very beginning. But in the recent slump it failed to do so as it could not monitor the involvement in the early periods while it put pressure on the banks to readjust their capital market exposures at the eleventh hour which accelerate a huge sale pressure from their side.
- ii) It must ensure the proper functioning of the Merchant Banks through arranging money from the parent company to mitigate liquidity crisis.
- iii) It should keenly monitor the loan of the commercial banks to industrial sector and take regular feedback so that no industrial loan may flow to the capital market. It is

found that in case of recent catastrophe, it failed to do so as about 72 crore taka taken for industrial loan has directly been invested in capital market according to the report of newspapers published in most of the dailies as on 5th December, 2010. Moreover, Bangladesh Bank has identified a Ready- made Garments Exporter to take loan of Taka 36 crore and 74 lac for his business purpose and to invest in the capital market while a Berth Operating Organization of Chittagong port did the same amounting to Tk. 5 crore and 1 lac. According to a report published in the Daily Prothom-Alo on 5th November, a listed company has taken loan from a Government owned bank and invested in the stock market. There are many other such examples which urge for proper monitoring of Bangladesh Bank on time.

6.5 Recommendations for Institutional Buyers:

Institutional Buyers (Mutual Funds, Merchant Banks etc.) ensure balance in capital market through reacting according to the interaction between demand and supply. But in recent past they completely did the opposite as when there was huge sales pressure in the market instead of buying, they also sold shares in a large scale resulting further decline. Their behavior in that case was not different from individual investors. Hence, they need to act in the way mentioned below:

- i) They must show mature behavior to ensure balance in the stock market by buying shares when there is sale pressure and vice-versa.
- ii) In providing margin loan, they must follow the rules as prescribed by SEC as well.
- iii) They should advice their client giving emphasis on the benefits of the clients instead of thinking their own benefits only.
- iv) At the time of huge decline they should not be involved in forced/trigger sale of clients' shares without giving them any chance to adjust their loan.
- v) All sorts of transactions through omnibus accounts should be restrained.

6.6 Recommendations for Individual Investors:

No matter what is the reason of a crash, individual investors are the ultimate losers. Hence, it is their own duty to take care of their own money and they ought to consider the following things while taking investment decisions:

- i) Before investing in a particular script they must analyze the key factors of that company to justify whether the company is fundamentally strong. Such factors include EPS, P/E Ratio, NAV, future growth, industry average etc.
- ii) In analyzing financial strength of a company they must consider the audited annual reports instead of quarterly un-audited report as often these information is not accurate or do not reflect the real position of the company.
- iii) They must restrict themselves from buying junk shares and taking whimsical investment decision.
- iv) They must build their portfolio in a way which will involve at least three or four different types of fundamentally strong shares from different industries. It should also contain shares considering both long term and midterm benefits.
- v) Instead of being traders, the retail investors need to think of being investors.
- vi) They ought to keep some cash for emergency so that they might buy more shares (fundamentally strong) which they bought earlier when there is a big decline in price.
- vii) They should not buy on the basis of rumor or following advices of the persons who do not possess sufficient knowledge about capital market investment.

- viii) They ought to participate in different seminars and training programs relating to stock market to enhance their knowledge and skill in making stock market investment decisions.
- ix) They must know that both gain and loss are the indispensable parts of stock market. Instead of looking for gain, sometimes they must accept loss with patience so that they may recover the loss in future through higher gain.
- x) Above all, they must understand that perseverance and patience is the key to success in investing in capital market.

7. Conclusion:

As an important part of the economy of the country, well-functioning of the capital market is a must for the industrialization process of an un-industrialized country like Bangladesh but instability in the sector may negatively affect the total financial system. Therefore, all stakeholders of Bangladesh capital market including Government, Regulatory bodies, Listed Companies, Brokerage houses, Institutional Investors, and Retail Investors can follow the recommendations suggested here in this study and should act rationally to maintain the stability in the capital market for the greater interest of the country as well as themselves.

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Price Hike in Bangladesh: Causes, Effects and Solutions

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Abstract

Nowadays price hike is a buzz word and distressing problem in Bangladesh. Every day we face this problem in a new look. People are bound or forced to buy essential commodities at a high rate of price. As we find, high population growth, fuel price, exchange rate, business syndicate, power problems, transportation etc. are the basic reasons for price hike. Beside these we see that market mismanagement is another curtail part for price hike. In recent years price hike is in two digits. Indeed, this is alarming for us. High growth of population creates high demand of products to such extent that control of price is not possible in recent years. Still we cannot generate excessively required products to meet our people's demand. So our dependence on imports influences on our price hikes regularly. Government control and business ethics are not effective either. Only the cumulative steps from different perspectives can make the price hike reasonable.

Introduction

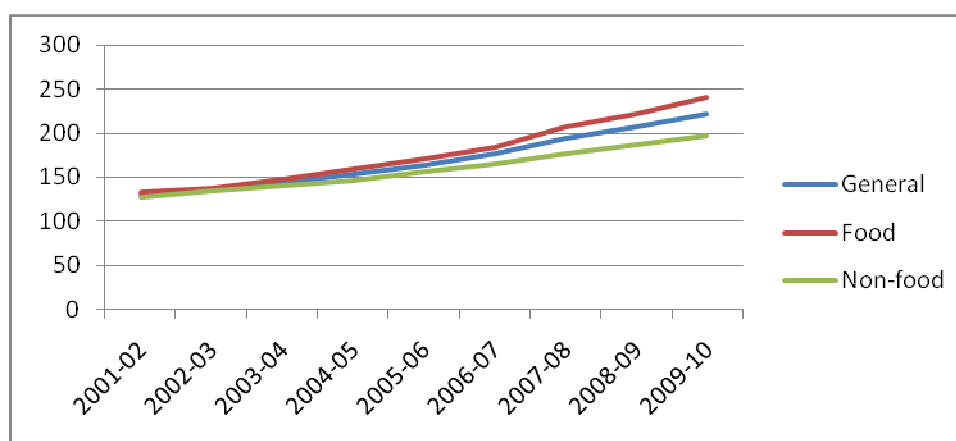
The primitive age of human beings was an image of life where they lived with nature. Nature gave everything to them and the demand of essential products was in a certain limit. But, day by day the population boost in the world and the necessity of essential products increase at geometrical rate. Nowadays the price hike is the most buzz word all over the world. Commodities are available in the market but price is so high that common people cannot buy products to meet their need. Thereby, price hike is one of the most severe problems in Bangladesh. And people of Bangladesh are always facing the heat of price everyday.

Again, price hike of products is now the silent tsunami in the world. Everyday Bangladesh gets new experience about magic of the price. Price is not stable in the market of Bangladesh in the last couple of years. There are a lot of reasons behind the price hike; some of which are directly related to our country's socio-economic conditions and some of which are related to the international standpoint. The daily *Prothom Alo* carried a report on its front page on October 5, 2010 based on a study of retail food prices by the Trading Corporation of Bangladesh (TCB). According to the report, the food price has increased more than 28% on an average in a year and over 9% month-on-month. The prices of the major foodstuffs went up by up to 122% year on year. The prices of rice and wheat have increased 44% and 52% respectively in a year whereas the price of edible oil increased 35%. The current price hike scenario has been given in the following table:

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Index	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
General (% change)	130.26 (2.79)	135.79 (2.79)	143.90 (5.83)	153.23 (6.48)	164.21 (7.17)	176.06 (7.22)	193.54 (9.93)	206.43 (6.66)	221.53 (7.31)
Food (% change)	132.43 (1.63)	137.01 (3.46)	146.50 (6.93)	158.08 (7.91)	170.34 (7.76)	184.18 (8.12)	206.79 (12.28)	221.64 (7.18)	240.55 (8.53)
Non-food (% change)	127.89 (4.61)	135.13 (5.66)	141.03 (4.37)	147.14 (4.33)	156.56 (6.40)	165.79 (5.90)	176.26 (6.32)	186.67 (5.91)	196.84 (5.45)

Source: Bangladesh Bureau of Statistics



It is obvious that the inflation in all side shows a sharp price hike. In the entire price hike, food staff rises strongly. Therefore, sometimes marginal people fail to buy food by their income. There are a lot of causes from different sides of price hike. Some of these are syndicate, corruption, power failure, traffic frame, load shading, international price hike of basic commodities, illegal toll collection etc. In present time the oil price directly hits the price level of different products because the production is directly or indirectly connected to the fuel of any shorts.

International fuel market is totally vulnerable. In most of the times the fuel price is increasing. We totally depend on imported fuel. And our production of all types is dependent on fuel. Besides, price of most commodities directly changes with international fuel price. Not only that, our population is very large. We are depending on imported materials because we cannot make all products by our own. So international price system directly affect us in many ways. As we depend on international commodity, the dollar or exchange money rate is an important factor for our price level.

Hypothesis

There are many reasons behind this price hike in Bangladesh. But I think dependencies on imported goods, fuel price, subsidies in fuel to produce electricity, dollar rate, natural disaster, transportation problems, illegal toll collection, corruption, lack of co-ordination etc. are the basic causes of price hike. The rate of this price hike is very fast. Even the drive against the business people makes the price hike irritable. The government cannot control the unethical process of price hike in business. In other words, the government mechanism is totally absent from the market to control the price hike. But, the agency controlled by the government, i.e. TCB, can perform a magnificent role to control

the price in the market. The government is also bounded by the IMF and the World Bank to increase the fuel price due to getting loan from them. However, our business group should be very concerned about their ethical duty to ensure the products' supply to the common people in reasonable rate. Our cooperative mentality can solve the problem in shortest possible time.

Reasons of Price Hike in Bangladesh

There are many reasons of price hike in Bangladesh. Some of these directly and some indirectly affect the price of different products. Some important reasons of price hike are stated below:

Fuel Price:

In the year of 2001, per liter petrol was 21 taka. Diesel was 14 taka. Recently in 2011 the price of these fuel are respectively 85 taka and 78 taka. In 10 years' gap the price hike in fuel are near about 300% and 450% respectively. As our production of food depends on imported fuel, the price of food increases with fuel price. Fuel is essential to carry products as well. So carrying cost of products has also been increased exponentially which affects the price again. We get electricity which also depends mostly on imported fuel. Thus, it indirectly affects the price of products. So the fuel price is important material by which the price level is increased dramatically.

International Market:

Price of different products has increased exponentially in the international market. As we mostly depend on the imported goods, the price of our necessary products has increased in a great extent. In the year of 2008 and 2009 the food production of the world decreased and the supply of products in the world market was narrow. As a result, we got little chance to get our respective products in cheap rate because demand was high but the supply was not sufficient.

Natural Disaster:

Not only Bangladesh but also all over the world was affected by the natural disaster in the last couple of years. So price of products in international market as well as in the local market has increased drastically.

High Population Growth:

Our population growth is now 1.32%. In 2001 our total population was near 11 crore. Now it is near about 16.44 crore. A huge population needs huge products to consume. So we fail to decrease our need from products imported from abroad. In 2004-05 our total production of food grain was 264.89 lac metric tons and now it is 341.13 lac metric tons. Production is not sufficient to meet the huge demand of food grains. It is not only the reality for the food grain but also the reality of other materials. High population growth is the basic cause of high demand and the high price hike. And it is also true that every day we are facing the change of price level to the upwards.

Population and Food Grain Production

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Population in Crore	10.25	10.77	11	11.41	12	14	16	16.41
Food Production in Lac M.Ton	276.44	264.89	277.87	289.42	311.21	328.96	341.13	370.42

From the above data we get that population from 2003-2004 to 2010-11 increased in an alarming rate but at the same time we failed to grow food to meet our increased people. Still we import food from abroad. The total import of food from international market was 34.54 lac metric tons in 2009-2010 fiscal year. Projected import for the year of 2010-11 was 31.43 lac metric tons. So we can not get remedy from high demand of food which makes the high velocity of price hike.

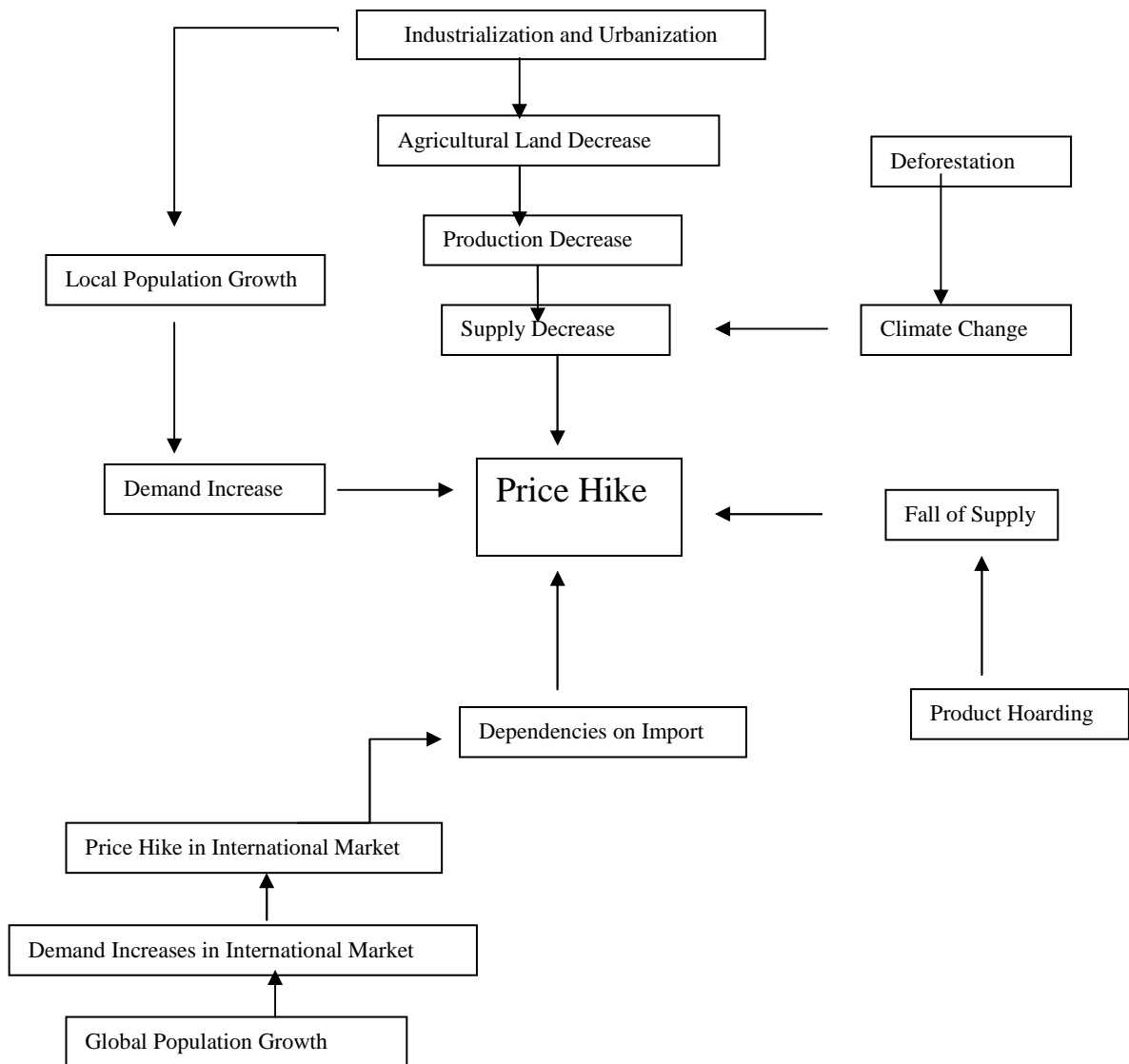
Dependencies on Import:

We mostly depend on the import. Our production of different products is not sufficient as per our population. In the year of 2010 we produced food grain 341.13 lac metric tons and import was 34.54 lac metric tons. This is a common scenario in our country. In every year we commonly import products of different areas to meet our basic needs. So we largely depend on international price level.

Exchange Rate (Dollar Rate):

As we mostly depend on imported materials and fuel price, the exchange rate i.e. dollar rate affects the price of the products. We produce electricity from imported fuel. Electricity is mostly important in every production of materials. So the exchange rate pushes the price level high in recent time because the rate of dollar in 2001 was 45 taka and now it is 85 taka. Inflation of the rate of dollar is near about 88%.

Ballooning and Melting down of Capital Market: A Crafted Crisis in Bangladesh.



Climate change:

Climate change is nowadays a true factor for increasing the price level of the essentials. It directly hits the production level. Climate change causes the natural disasters all over the world. It also decreases the production land of raw materials and food grains. So the production of food grains and raw materials decreases to a high extent which causes the price hike.

Syndication:

In recent time some businessmen form syndicate and import food grain from abroad. They sometimes do not supply these essential products available in the local market. When products vanish from the market it causes price hike. So the syndicate pulse the price level high to a great extent.

Corruption:

The corruption is the main disease in every aspects of our life. We failed to strengthen the TCB to manage the market for corruption. The syndication can be formed as the corrupted people or government official help them.

Transportation Problem:

Transportation problem is one of the basic causes of price hike. It directly hits the price hike. Nowadays transportation cost is very high which makes the price level high. And the transportation facilities are not sufficient in our country. Our high ways are not so wide that the vehicles can travel smoothly. Roads are not so smooth. There are a lot of holes and broken area in our high ways. Traffic jam is a common scenario in our high ways now. It takes 3 to 4 times time to reach any destination. So price of all shorts of commodities goes up without any hurdles.

Illegal Toll Collection:

In our high ways some people collect tolls illegally from vehicles through political or different union banners. This pushes the price of the commodities high because the carrying cost rise up for this illegal money expending. Sometimes this expenditure is so high to the same of carrying cost.

Market Management:

Our market management is poor. There are a lot of differences between the wholesale price and the retail price. Businessmen of different area accuse each other for these types of price differences. This is totally the fault of our market management. We can not maintain our market in such a way that the price of all commodities can follow a unique rule in the wholesale market and in the retail market. Price in the retail market and wholesale market should be coordinated. Difference should not be so high that it may affect the general people's consuming capacity.

Still we failed to introduce the strong TCB as the biggest government market manipulator. It is totally corrupted. But through TCB we can manage the market in an efficient way.

Decrease of Agricultural Land:

Production of any product needs raw materials. Most of the raw materials come from the agricultural land. As the agricultural land is decreasing drastically for high rate of population growth, the production of raw materials is decreasing exponentially. If we have a lot of land we can easily do better in our production in raw materials as well as food grain. As we do not have this land capacity and which we have is also decreasing day by day, this affects the cost of production and hike the price level.

Supply –Demand problem:

Sometimes the supply of products is available but the price is not near to the people. Again sometimes the supply is not sufficient and the price is not near to the people. Let the demand be same for a certain period of time. When the supply is available but price is not near to the people, it is undesirable but happening. The question arises- for what? Most important cause is that the people are not so thinkable and their demand does not affect the market. The business people know so widely that people must buy products. So they wait. It is a game of time. They know that the common people cannot strive.

Lack of Government intervention and Control:

In the era of free market economy, government intervention and control is not expected. But government has a lot of duty to control the price level of precuts in the third world country like us. As government has a little or no control over the market, businessmen get over control on market and increase the price level. Without the control of the government price hike gets an extra speed which can not be controlled by general people. So the government control is essential to make a good market situation where the price is so uniform.

Hoarding of Products:

Businessmen sometimes store products for high profit. It causes the price hike when the products are not available in the market. Sometimes some extra cautious people buy more when they listen the price level will be upward in future and store the product for their future purpose which causes the deficiency in the market. It also hikes the price of the products extremely.

Dollar Crisis in International Foreign Exchange Market:

Dollar crisis in the international foreign exchange market is another reason for price hike. Nowadays most of the dollar reserve goes to the Chinese Central Deposit. So they have a lot of foreign exchange reserve and they control the reserve system. As the dollar is the main exchange mediator all over the world, those crises of dollar in the international market impulse the price hike.

Interest Rate of Banks:

Interest rate of banks is very much important for price hike. In recent time bank interest rate has increased which affects not only the industrial area of production but also the agricultural market. The fact is that, many businessmen take loan from banks to do business. So the interest rate of banks affects the price level of most commodities. In recent time the interest rate of every loan of banks increased nearly by 20% which directly affects the price hike.

Suggestions

- We have to produce electricity from local technology and low cost material other than fuel which is costly.
- We should do higher export and lower import.
- Foreign exchange rate should be uniform.
- Foreign dependencies should be reduced.
- We have to control the highest population growth.
- Bank interest rate in agricultural sector should be low.
- We have to upward our foreign exchange reserve.
- We should have a good market management.
- Action should be taken against product hoarding.
- Demand supply should be uniform.
- We have to introduce a good transportation system so that products can move easily.

Conclusion

Bangladesh is a small country but it has a large population. That is why, the demand of products is so high that price cannot be controlled by the market most of the time. There are a lot of gradients which affect the price level other than the demand. Bangladesh exports products in international market and earns foreign exchange which does not meet the import payment. Mostly we depend on foreign remittance earned by our manpower working abroad. When foreign remittance from manpower goes down, we have a little scope for payment of the import. Then dollar rate increases and subsequently price hike occurs. So, to control the price hike of essentials we have to export most diversified products and make fewer dependencies on imported goods.

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Effectiveness of Bank Audit in Bangladesh: A Comparative Study of Public Sector Commercial Banks and Private Commercial Banks

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Nur Muhammad Shipon**

Abstract

The study investigates the improved effectiveness of financial audit of banking companies operating within Bangladesh. The scope of bank audit has also been examined. The audited financial statements of 08 sample banking companies have been considered. The study identifies sample companies that have actually overstated their profits by under-provisioning of provision for classified loans. The study questions the level of independence, objectivity and competence of the auditors assigned for auditing banking companies. This study recommendation include the adoption of IAS; the adoption of new International Standards on Auditing in addition to existing international standards; the elaboration of a comprehensive Bank Management reform program; the improvement of accounting and auditing skills through better recruitment and training practices.

Key Words: Bank Audit, Effectiveness, Default, Nonperforming Loan, Standards, Reports.

1.0 Introduction

Bank is a very old financial institution that is contributing toward the development of any economy and is treated as an important service industry in the modern world. For the survival and growth of the banking sector, it is imperative that the sector has the confidence of public. The confidence of the public would depend on the financial and operational performance of the bank. The efficiency of commercial bank depends on its productivity, profitability, maintenance of accounting standards and disclosure thereof. The functioning of the bank would have to be certified by an auditor who conducts the audit in accordance with applicable ethical and auditing standards, including independence, due professional care, objectivity, adequate planning and supervision. Thus, the role of an auditor of a bank is immense.

2.0 The Study Rational

Ministry of Finance (MoF) mentioned that there was an increasing trend on deposit of the private commercial banks. But Bangladesh Bank in its evaluation report highlighted the variation in profitability of the State-Owned Commercial Banks (SCBs) and private

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commercial banks (PCBs) due to severe constraints in auditing system and credit management practices. The overall net profit position of public sector commercial banks in Bangladesh showed the lower profitability while private commercial banks had the favorable profitability position during recent period. Practically, SCBs had the decreasing trend for net profit & PCBs had the increasing trend for net profit in previous years. SCBs & PCBs are functioning in the same banking market in Bangladesh yet. SCBs are not capable to earn profit on the basis of target, but PCBs are totally capable to earn the target profit in the same economy in Bangladesh. What are the reasons that should be identified for the betterment of the banking system in Bangladesh through the selected competitive study? Taking clues from all these ideas the present study is planned.

After a detailed examination by many studies, various problems of the banking sector are found; such as, bank rate and the refinancing policy of Bangladesh Bank, overdue loans, supervisory problems of Bangladesh Bank and Bank Managements, frauds and forgeries in the banking sector etc.

Many studies have highlighted profitability, productivity & operational efficiencies of SCBs & PCBs, but not a single study is done on this vital aspect; i.e., effectiveness of proper audit system. Financial Sector Reform Program (FSRP) has also identified the problems of overdue and default culture problems due to lack of proper audit system. So proper audit system is the crying need for the banks in Bangladesh.

Now, the numbers of 30 PCBs were established during period 1984 - 2011. Many of the researcher studies have highlighted the operational efficiency of the SCBs in Bangladesh, performance evaluation of SCBs in Bangladesh, profitability of the private commercial banks in Bangladesh, risk management of credit of banks, necessity of proper audit in banking sector etc. But no specific study has been done considering this gap. So, the purpose of the study is to analyze the effectiveness of bank audit of public sector and private commercial banks in Bangladesh comparatively.

3.0 Objectives of the Study

- To find out and compare the effectiveness of audit between public sector commercial banks and private commercial banks.
- The provisioning procedure on classified loans and its adequacy has also been taken on board.
- To examine the effectiveness of audit of companies that falls under the purview of accounting and auditing standards and other regulatory and legal compliance.
- To find out the limitations of audit practices done in public sector commercial banks and private commercial banks.
- To find out the solution for proper audit methods for the public sector commercial banks and private commercial banks.

4.0 Methodology & Research Design of the Study

4.1 Sample of the Study

The study considers the whole banking sector of Bangladesh. But specifically the sample of the study includes four state-owned commercial banks and four private commercial banks out of the 30 private sector commercial in Bangladesh. These are as follows:

A. State-Owned Commercial Banks (SCBs)

- i) Sonali Bank
- ii) Janata Bank
- iii) Agrani Bank
- iv) Rupali Bank

B. Private Commercial Banks (PCBs)

i) AB Bank ii) City Bank iii) Uttara Bank iv) Shahjalal Islami Bank.

All the Banks are purposively selected on the basis of length of establishment, number of branches and easy availability of data.

4.2 Sources of Data & Data Collection

Both primary & secondary sources of data are used for the study. The first hand information for this study has been collected through interviews with bank managers, accountants and auditors. Secondary source of information is based on the published annual reports of commercial banks, BIBM, resume of the activities of the financial institutions, publications of the ministry of finance, Bangladesh Bank Bulletin, economic trend, planning commission, statistical year book, ADB and world bank publication, library & modern information technology, i.e. internet. Quantitative data are collected through the different sets of questionnaire and qualitative data are collected from the sources of official records and operational information. Special information is arranged through personal visit from the head offices of both the selected banks.

5.0 Limitations and Scopes of the Study

The study has been conducted with taking an only 08 sample bank out of 30 private commercial banks in Bangladesh and in which 4 are SCBs and 4 are PCBs.

It is noted, however, that some other banks' data could not be retrieved due to lack of published data for those banks. For example, some of those banks did not consistently meet the standards of disclosure of public information through annual reports, regular submission of their performance and position to the central bank (BB). Arguably this study is comprehensive for the private commercial banking sector.

6.0 The Overall Framework of Audit Effectiveness

6.1 The Role of the Bank's External Auditor

The ordinary objective of audit of financial statements by the independent auditor is the expression of an opinion on the fairness with which they present, in all material respects, financial position, results of operations, and its cash flows in conformity with generally accepted accounting principles. The auditor's report is the medium through which he expresses his opinion; or if circumstances require, disclaims an opinion (*AICPA Code of Professional Ethics, 2011*).

The auditor has a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud and irregularities (AU Section 312, 316, 317 of *AICPA Code of Professional Ethics, 2011*) that the certified quantitative information reflects a "true and fair view" of the state of the business. Because of the nature of audit evidence and the characteristics of fraud, the auditor is able to obtain reasonable, but not absolute, assurance that material misstatements are detected (AU Section 230 of *AICPA Code of Professional Ethics, 2011*). Thus, an audit report is a means of comparing the performance of an entity against some established criteria.

An effective audit of financial statements, i.e. the mandatory audit, should detect irregularities involving the misuse of funds, identify weaknesses in management control, determine the reliability of the financial data and identify patterns of waste and inefficiency.

Besides, it should provide reliable data about project results as a basis for future adjustments in plans, policies and budget allocations (Havens and Larsson, 2000).

6.2 The Auditor's Standard Report

Depending on the degree of "material" errors and irregularities, the audit opinions may be classified as "unqualified" or "qualified".

6.2.1 Unqualified Audit Report

An unqualified opinion states that the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with generally accepted accounting principles. This is the opinion expressed in the standard report.

6.2.2 Qualified Audit Report

Reports other than an unqualified report may be classified as qualified opinion, adverse opinion, and disclaimer of opinion depending on the degree of audit scope limitations, material misstatements, fair presentation and failure to follow generally accepted accounting principles (GAAP).

When the auditor discovers an error material to the financial statements, including the use of an inappropriate accounting policy, an asset valuation with which he does not agree or a failure to disclose essential information, he requires that the financial statements be adjusted to correct the error. If management refuses to make the correction the auditor issues a qualified or an adverse opinion on the financial statements. Likewise, an auditor would not issue an unqualified opinion if he has not been provided with all the information or explanations he requires.

6.3 The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern

The auditor conducting an audit of financial statements in accordance with generally accepted auditing standards with respect to evaluating whether there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statements being audited (hereinafter referred to as a reasonable period of time). There are a number of symptoms, such as, high gearing, inability to repay loans, substantial recurring losses, slowdown in loan collection rate from debtors etc. that may be used to diagnose going concern difficulties.

If the auditor believes there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, he should (1) obtain information about management's plans that are intended to mitigate the effect of such conditions or events, and (2) assess the likelihood that such plans can be effectively implemented (*AU Section 341 of AICPA Code of Professional Ethics, 2011*).

After the auditor has evaluated management's plans, he concludes whether he has substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. The auditor's report would include either a matter of emphasis paragraph, or a qualified or adverse opinion, depending on whether or not the financial statements fully disclose the event and condition as well as the material uncertainty about the entity's ability to continue as a going concern (*AU Section 341 of AICPA Code of Professional Ethics, 2011*).

7.0 Audit of Banks: External Audit Issues

Banks play a vital role in economic life and the continued strength and stability of the banking system is a matter of general public concern. The separate roles of external auditors are important in this regard. In carrying out the audit of a bank, the external auditor recognizes that banks have the following characteristics, which the auditor takes into account in assessing the level of inherent risk:

- Banks have custody of large volumes of money, including cash and negotiable instruments, whose physical security has to be assured. This applies both to the storage and the transfer of money and makes banks vulnerable to misappropriation or fraud. Therefore, banks need to establish formal operating procedures, well defined limits for individual discretion and rigorous systems of internal control.
- Banks engage in a large volume and variety of transactions both in terms of number and value. This necessarily requires complex accounting and internal control systems and widespread use of computerized information systems.
- Banks are regulated by governmental authorities and regulatory requirements often influence generally accepted accounting and auditing practices within the industry. Non-compliance with regulatory requirements could have implications for the bank's financial statements.

The primary objective of an audit of a bank by an external auditor is to enable the auditor to express an opinion as to whether the published financial statements of the bank give a "true and fair view of" (or "present fairly") the bank's financial position and the results of its operations for the period for which such statements are prepared.

The auditor's report is normally addressed to the shareholders, but is used by many other parties, such as depositors, other creditors and supervisors.

The auditor's opinion helps to establish the credibility of the financial statements. In particular, auditor is concerned about the recoverability and consequently the carrying value of loans, investments and related assets and about the identification and adequate disclosure in the financial statements of all material commitments and liabilities, contingent or otherwise.

The auditor assesses the risk that fraud and error may cause the financial statements to contain material misstatements and designs audit procedures to obtain reasonable assurance that misstatements arising from fraud and error that are material to the financial statements taken as a whole are detected. In forming an opinion on the financial statements, the auditor carries out procedures designed to obtain reasonable assurance that the financial statements are prepared in all material respects in accordance with an identified financial reporting framework. The auditor plans and performs his audit with an attitude of professional skepticism, recognizing that circumstances may exist which cause the financial statements to be materially misstated.

8.0 Oversight of Banking Structure in Bangladesh

The banking sector of Bangladesh comprises four categories of scheduled banks. These are state-owned commercial banks (SCBs), state-owned development financial institutions (DFIs), private commercial banks (PCBs) and foreign commercial banks (FCBs). The total number of banks is 47 in year 2010 and same in 2011. Total numbers of banks are showed in the following tables having number of branches, total assets & total deposit position during 2010-2011.

Table 8.0 Banking System Structure (Billion, Taka)

Bank Types	2010					
	Number of Banks	Number of Branches	Total Assets	% of Industry Assets	Deposits	% of Deposits
SCBs	04	3447	1384.3	28.5	1044.9	28.1
DFIs	04	1382	295.4	6.1	183.4	4.9
PCBs	30	2828	2854.6	58.8	2266.5	60.9
FCBs	09	72	320.8	6.6	227.1	6.1
Total	47	7729	4855.1	100.0	3721.9	100.0
Bank Types	2011 (June)					
	Number of Banks	Number of Branches	Total Assets	% of Industry Assets	Deposits	% of Deposits
SCBs	04	4148	1564.9	28.8	1123.6	27.5
DFIs	04	1388	317.0	5.9	205.9	5.0
PCBs	30	2912	3205.4	59.0	2505.9	61.4
FCBs	09	74	344.2	6.3	247.3	6.1
Total	47	8522	5431.5	100.0	4082.7	100

Source: Annual Report of Bangladesh Bank 2010-2011

9.0 Loan Default Scenario

Total classified loan for July-September of year 2009-10 stood at Tk. 2385.43 crore, registering a decrease of almost 6.63 per cent over the corresponding figure of July-September of year 2008-09 (Table 9.0). Local private banks accounted for an increase of almost 6.80 per cent as of September of year 2009-10 over the same period of the previous year. Foreign banks, which were unable to make any progress in reducing classified loans, registered an increase by 50.16 per cent over the above mentioned period. However, state-owned commercial banks were able to show significant improvement in terms of reducing their classified loans by 16.66 per cent.

Table 9.0: Classified Loans

Bank Type	As of September 2009 (Tk. Cr)	As of September 2010 (Tk. Cr)	Percentage Changes
SCBs	14343.79	11954.28	-16.66
PCBs	6716.78	7173.28	6.80
FBs	249.83	375.15	50.16
DFIs	3761.74	3906.8	3.86
Total	25072.13 2	23409.51	-6.63

Source: Bangladesh Bank 2010

9.1 Non-Performing Loans (NPL)

Non-performing loans (NPL) refer to those financial assets from which banks no longer receive interest and/or installment payments as scheduled. They are known as non-performing because the loan ceases to “perform” or generate income for the bank.

Looking at the performance of our financial sector for the last decade, it is observed that that our banking sector is heavily burdened with a high percentage of non-performing loans (NPLs).

All those adverse impacts of NPLs on banks' financial health such as low profitability and low capital base are clearly reflected in Bangladesh banking sector.

9.2 Present Status of Non-performing Loans

Non-performing loans include three categories of loan- sub-standard, doubtful and bad/loss, all of which are calculated on the basis of uniform criteria followed by each bank. The overall trend of NPL has been presented in the Table below.

Table 9.2: Status of Classified Loans

	TCL as % of TL	Sub-standard Loans as % of TCL	Doubtful Loans as % of TCL	Bad/loss Loans as % of TCL
2005	13.55	8.66	6.96	84.37
2006	13.15	13.13	7.15	79.72
2007	13.23	9.75	7.51	82.74
2008	10.79	9.43	9.42	81.14
2009	9.21	12.24	8.35	79.41
2010	7.05	13.44	8.44	78.11

Source: Banking Regulation and Policy Department (BRPD), Bangladesh Bank 2010-2011.
TL = Total Loan, TCL = Total Classified Loan

The table shows the non-performing loans ratio from the year 2005 to 2010. The peak was in 1999 with a rate as high as 41.1%. After that, an encouraging declining trend of the rate and latest data reveals that 7.05% of total loan is adversely classified. The consistent decline of the non-performing loans was mainly the result of strengthened loan recovery mechanism by the commercial banks and write-off measures recently introduced in the banking sector. One should, however, always be cautious in interpreting the above figures as rescheduling and relative increase in credit flow may also contribute to lowering NPLs ratio.

The table also presents the category-wise percentage of NPLs, that is, sub-standard, doubtful and bad loans as percent of total classified loans. To make the things worse, the share of bad/ loss loan, which has no possibility of recovery other than legal measures, is very high. A high percentage 78.11% of bad loans in FY 2010 out of total classified loans indicates the importance of having a strong and effective legal system. That is, the success of the recovery attempt of this huge amount of bad loan will ultimately depend on how quickly banks can realize the loans through the legal process.

10.0 Policy for Loan Classification & Provisioning

10.1 Basis for Loan Classification

According to the revised guidelines of Bangladesh Bank regarding provisioning for classified loans, all troubled loans are then further reclassified as special mention account (SMA), sub-standard, doubtful and bad/losses to comply with international norms of loan classification.

Table 10.1.1: Subjective Criteria for Loan Classification

Classification	Characteristics
Sub-standard	High degree of risk for non- payment of loans. Reasonable prospect that loan conditions can be improved
Doubtful	Chance of recovery is uncertain
Bad/Loss	No security held and borrower not traceable. No hope of recovery of time-barred loan.

Source: Bangladesh Bank for Loan Classification on Subjective Criteria

In order to strengthen credit discipline and bring classification and provisioning regulation in line with international standard, Bangladesh Bank issued a master circular on loan classification and provisioning through BRPD circular no 5 dated June 5, 2006. The revised policy covers an independent assessment of each loan on the basis of objective criteria and qualitative factors which is appended below.

Table 10.1.2: Current Loan Classification and Provisioning System in Bangladesh

Period Overdue	Status of classification	Rate of provision
Type of Loan: Continuous Loan & Demand Loan Less than 6 months 3 months or more but less than 6 months 6 months or more but less than 9 months 9 months or more but less than 12 months More than 12 months	Unclassified SMA Sub-standard Doubtful Bad/Loss	1% (except SE&CF) 5% 20% 50% 100%
Type of Loan: Fixed Term Loan Payable Within 5 Years Less than 6 months If the default amount of installment is equal to or more than the installment payable in 3 months If the default amount of installment is equal to the installment payable in 6 months If the default amount of installment is equal to the installment payable in 12 months If the default amount of installment is equal to the installment payable in 18 months	Unclassified SMA Sub-standard Doubtful Bad/Loss	1% (except SE&CF) 5% 20% 50% 100%
Type of Loan: Fixed Term Loan Payable in More than 5 Years If the overdue amount of installment is equal to or more than the installment payable in 3 months but less than 12 months. If the default amount of installment is equal to the installment payable in 12 months If the default amount of installment is equal to the installment payable in 18 months If the default amount of installment is equal to the installment payable in 24 months	SMA Sub-standard Doubtful Bad/Loss	5% 20% 50% 100%
Type of Loan: Short Term Agricultural Credit (STAC)/ Micro Credit Less than 12 months 12 months or more but less than 36 months 36 months or more but less than 60 months More than 60 months	Unclassified Sub-standard Doubtful Bad/Loss	5% 5% 5% 100%

Source: Banking Regulation & Policy Department circular no. 34, 16, 9 and 14. Financial Sector Review, June 2006, Bangladesh Bank. SE & CF: Small Enterprise and Consumer Financing.

10.2 Maintenance of Provision

We observe from the Table 10.2.1 a huge shortfall in whole during the years from 2005 to 2011.

Table 10.2.1: Required Provision and Provision Maintained-all Banks (billion Taka)

All banks	2005	2006	2007	2008	2009	2010	2011 (June)
Amount of NPLs	175.1	200.1	226.2	224.8	224.82	227.1	243.8
Required provision	88.3	106.1	127.2	136.1	134.8	149.2	158.0
Provision maintained	42.6	52.9	97.1	126.2	137.9	142.3	152.3
Excess (+)/shortfall (-)	-45.7	-53.2	-30.1	-9.9	3.1	-6.9	-5.6
Provision maintenance ratio	48.2	49.9	76.3	92.7	102.3	95.4	96.4

Source: Bangladesh Bank Annual Report 2010-2011.

Table 10.2.2: Comparative Position of Provision Adequacy (Billion Taka)

Year	Items	SCBs	DFIs	PCBs	FCBs
2009	Required provision	66.0	17.5	46.5	4.6
	Provision maintained	79.5	8.9	43.6	5.9
	Provision maintenance ratio (%)	120.5	50.9	93.8	128.3
2010	Required provision	70.6	19.1	53.3	6.2
	Provision maintained	69.9	13.3	51.8	7.4
	Provision maintenance ratio (%)	98.9	69.7	97.1	119.4
2011 (June)	Required provision	69.8	20.6	60.0	7.5
	Provision maintained	69.8	14.3	60.0	8.2
	Provision maintenance ratio (%)	100.0	69.4	100.0	109.3

Source: Bangladesh Bank Annual Report 2010-2011.

Our banking sector is characterized by low profitability and inadequate capital base. The crux of the problem lies in the accumulation of high percentage of non-performing loans over a long period of time. The problem is most severe for SCBs and DFIs. However, starting from a very high rate of 41.1% in 1999 it came down gradually to 7.05 % in 2010 according to the latest published data. Still, it is very high by any standard.

11.0 Findings: Audit Requirements Outlook

11.1 Audit opinions

For the purpose of this study, a sample of 08 banking companies including four SCBs and four PCBs are used. The audit opinions found in the year of 2010 and 2011 are shown bellow.

Table 11.1: Opinions of Auditors about Loan Provision

Bank	Year	Loan Provision Excess/(Shortfall) (in crore Taka)	Year	Loan Provision Excess/(Shortfall) (in crore Taka)	Opinions
Sonali Bank	2010	13.00	2011	-	Adequate provisions
Janata Bank	2010	-	2011	-	Provisions has been made to the satisfaction of the auditors
Agrani Bank	2010	-	2011	-	Provisions has been made to the satisfaction of the auditors
Rupali Bank	2010	13.98	2011	-	Adequate provisions
AB Bank	2010	5.79	2011	20.82	Adequate provisions
City Bank	2010	20.52	2011	19.20	Adequate provisions
Uttara Bank	2010	2.81	2011	2.95	Adequate provisions
Shahjalal Islami Bank	2010	8.87	2011	12.68	Adequate provisions

Source: Bangladesh Bank, December 2010-2011.

Of the 08 sample banking companies, shortfall of provisions was not found in six companies in FY 2010 and four companies in FY 2011. Loan provision amount of two SCBs (Janata Bank and Agrani Bank) was not found in both years. But provisions of 02 companies were not at satisfactory level (Uttara, Shahjalal Islami Bank). However, of the audit firms auditing these all companies, none expressed a qualified opinion and only three expressed unqualified reports with modified wording.

11.2 Determining & Compliance Applicable Standards

This paper looks at compliance of banking companies with international accounting standards conform to all Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Standards on Auditing (BSA) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and the implementation of time frame given by ICAB. Lists of accounting and auditing standards of sample 08 banks are referred to in the auditors' reports which are shown below.

Table 11.2: Accounting and Audit Standards

Name of Institution	Accounting Standards	Audit Standards
Sonali Bank	BFRS	BSA
Janata Bank	BFRS	None
Agrani Bank	BFRS	BSA
Rupali Bank	BFRS	BSA

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AB Bank	BAS, BFRS	BAS
City Bank	BAS, BFRS	BSA
Uttara Bank	BAS, BFRS	BSA
Shahjalal Islami Bank	BAS, BFRS	BSA

After detailed examination of sample company's financial statements, we identify that eight of 08 banks referred to BFRS and 04 did not refer to accounting standards BAS, which is itself a violation of international and local auditing standards. Out of eight, only 04 banks complied in detail with the requirements of IAS (BAS) 30 regarding non-performing loans and provisions for loan losses. However, there was systematic non-compliance with the disclosure requirements in BAS 30 regarding liquidity, related parties and concentrations of risk. Compliance with disclosure for related parties was incomplete.

The disclosure for investments was inconsistent. While none of SCBs disclosed the fair value of assets and liabilities other than investments. They used lower of cost or market to account for investments; 04 PCBs used historical cost; and one bank (Janata Bank) did not disclose its accounting policy. All the banks are reporting with historical cost and noted that the general reserve was adequate to cover any losses.

There was also inconsistent compliance with the disclosure requirements for presenting an analysis of liquidity. Instead, the information was disclosed in widely separated footnotes without showing net positions.

12.0 Observations and Recommendations

It is obvious that NPLs reduce banks' profitability, as banks cannot appropriate interest income from their classified loans. NPLs reduce loan able funds by stopping recycling. Banks need to set aside a portion of their income as loan loss reserve to make up bad debt. A bank with a high percentage of NPLs suffers from erosion of the capital. All those adverse are impacts of NPLs on banks' financial health such as low profitability and low capital base are clearly reflected in Bangladesh banking sector (Islam et al., 1999; Moral et al., 2000).

Looking at the performance of our financial sector for the last decade or so, we observe that our banking sector is heavily burdened with a high percentage of non-performing loans (NPLs). The latest data reveal that 7.05% of total loans are classified in our banking sector. Although the ratio was as high as 13.55% in 2005 and it came down gradually to the present level of 7.05% in 2010, still it is much higher than the internationally accepted tolerable range and that is a threat to our banking sector. Unless it can be lowered substantially we will lose competitive edge in the wave of globalization of the banking service that is taking place throughout the world. We have had a two-decade long experience in dealing with the NPLs problem and much is known about the causes and remedies of the problem. So, it is very important for the lenders, borrowers and policy makers to learn from the past experience and act accordingly.

The problem of non-repayment could have been minimized if there were sound and effective legal recovery mechanism. But, at least until very recently the enforcement status of lender's recourse related laws were weak.

Table 10.2.1 shows the amounts of provision required to be maintained and the amounts actually kept by the banks from 2005 to 2011. We observe a huge shortfall in maintenance of the required provision by the banks as a whole during the years from 2005 to 2008. The main reason for the continuous shortfall in provision adequacy is the inability of the SCBs to maintain of the required provision and some of the PCBs including those in problem bank category cannot make sufficient provisions due to inadequate profits and also transferred provision for write-off.

Unfortunately, SCBs are exempt from the main provisions of the Banking Companies Act and hence do not fall under the full jurisdiction of Bangladesh Bank. The problems faced by the SCBs stem from poor governance. They are criticized for insider lending, fraud and mismanagement. Moreover, gross interference in management by Government and labor unions compound the problems.

Indeed, not much improvement in this area is expected unless there is strong political commitment and we can introduce a system of 'reward and punishment' in the banking sector. Loan recovery effort of banks is subject to limitation of their resources. This necessitates the importance of putting emphasis on recovery of big loan.

Lack of transparency and inadequate information disclosure were believed as partly responsible for financial crisis in the last decade. Legal requirement of transparent and adequate information flow makes the bank management more accountable to the owners of banks and thus, helps to bring back the market discipline.

Banking companies that are striving to conform to international standards should prepare and have their accounts audited to conform to full IAS. A company that is working to comply with IAS should establish a timeline by which time compliance will be achieved.

Among the IASs that have been adopted by ICAB, those listed below are particularly important to ensure accurate and reliable financial reporting, but the level of compliance with them is low. Companies should comply with the following standards: 1. IAS 12 - Deferred Tax, etc. 2. IAS 18 - Revenue 3. IAS 21 - Effects of changes in foreign exchange rates 4. IAS 23 – Borrowing Costs 5. IAS 25 - Accounting for Investment 6. IAS 27 - Consolidated Financial Statements 7. IAS 30 - Disclosures in financial statements of banks 8. IAS 34 - Interim Financial Reporting.

In a developed capital market the range of portfolio selection is wide and people can compare the return and security of their investment among the banks and the securities market. As a result, banks remain under some pressure to improve their financial soundness.

13.0 Concluding Remarks and Potential Future Research

Bank financial statements give a misleading picture; specifically, (a) income accrual is too liberal on non-performing loans, (b) loan classification and disclosure is too lax, provisioning too low, and investments are not valued at their market prices, thus overstating assets and capital, (c) audit standards are low. Bank branches may not be audited at all. This is partly due to bad choice of auditors and partly to inadequate terms of reference of audit. Bank audit reports, even where the statement qualifies them that bad loans are under-provided, do not always spell out the effect of this on the reported profit. Yet, no legal case has ever been brought against an auditor by a depositor or shareholder. Nor has Bangladesh Bank ever disqualified an auditor. Recently, the ICAB issued IAS (BAS) 30 as the standard for bank financial statements. This requires disclosure of movements in the provision for bad debts. The Banking Companies Act needs to be amended for this disclosure standard.

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In Bangladesh, a major concern for the monetary authority is the adverse effect on bank's balance sheets arising out of high NPLs of the banks. Along with other measures, Bangladesh needs to strengthen asset management companies to quicken recovery and improve efficiency in the banking sector. Bangladesh Bank's recent directives to the banks are to take precaution while extending loans to high risk sectors and prioritize loans to productive sectors which would help to further improve the NPL situation in the country.

This study is intended to make some contributions to international accounting literature by examining the compliance with local or international accounting standards by banks of Bangladesh. Recent information indicates that the local accounting and auditing firms are trying to align with the IAS, IFRS and ISA to build a better image in the markets. We have not made the thorough examination of compliance of these standards regarding accounting and auditing works. So, future studies should discover the degree of alignment by the local firms with the international standards for their audit work.

In this context, the challenge of the commercial banks is to improve their performance by way of adopting effective risk management techniques and undertaking efficient monitoring of its credit portfolios. Side by side, a more coordinated use of monetary and fiscal policies is required to create appropriate initiatives for banks to discharge their agency duties perfectly and limit unlimited competition, fragmentation and distortion which are currently prevalent in the banking system of Bangladesh.

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