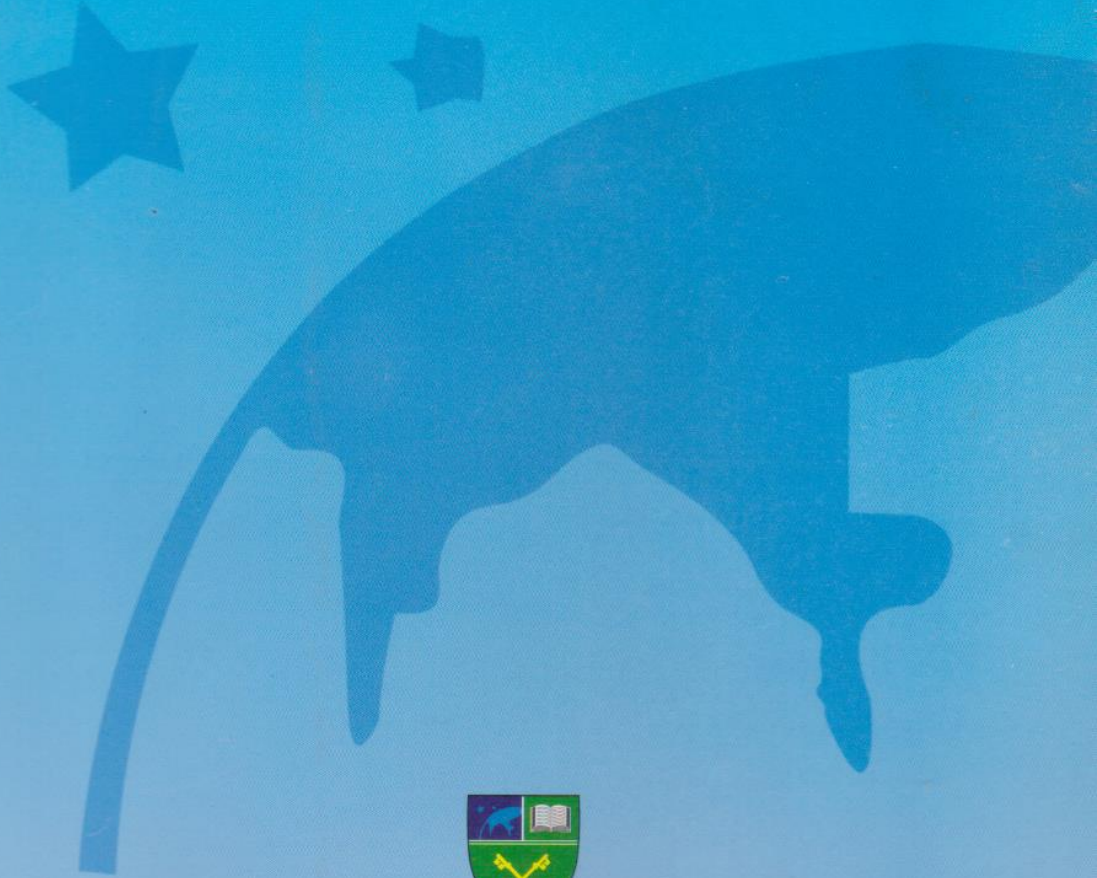


# ASIAN REVIEW

Volume 4      Number 1      2015

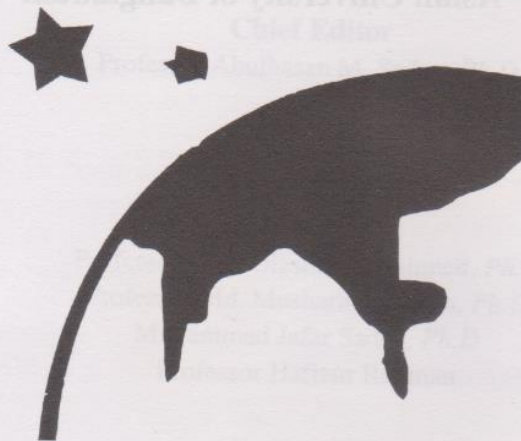


ASIAN UNIVERSITY OF BANGLADESH

# ASIAN REVIEW

ISSN: 1729-5122

Volume 4 Number 1 2015



ASIAN UNIVERSITY OF BANGLADESH

**ASIAN REVIEW**  
**JOURNAL OF ASIAN UNIVERSITY OF BANGLADESH**  
ISSN: 1729-5122

Volume 4      Number 1      2015

**Asian University of Bangladesh**



**Published by**  
Asian University Press  
House 25, Road 5, Sector 7  
Uttara Model Town, Dhaka-1230  
Phone: 891661, 8912366, 8922992  
Fax: (880-2) 8916521  
E-mail: info@aub-bd.org  
Website: www.aub.edu.bd

Price: Tk. 100.00 / US\$5.00

**ASIAN REVIEW**  
**JOURNAL OF ASIAN UNIVERSITY OF BANGLADESH**  
ISSN: 1729-5122

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## **Causal Links between Money, Price, and Output in Bangladesh: A Cointegration and VECM Approach**

*Bikash Chandra Ghosh\**  
*Md. Khairul Islam\*\**  
*Md. Elias Hossain, Ph.D\*\*\**

### **Abstract**

*The present study is an effort to investigate the relationship among money, price and output for Bangladesh over the period 1974 to 2012. The estimated results of vector error correction model based on VAR indicate the existence of long-run bidirectional causality between money supply and output, and unidirectional causality from price level to money supply and output. However, in the short-run, the bidirectional causality is found between money supply and price level, and unidirectional causality is found from output to price level. The results suggest that money supply is responsible for increasing price level and thereby inflation is a short-run monetary experience.*

### **Introduction**

Bangladesh is a least developed country in the world. It suffers from imperfection in both money and good markets (Ali and Islam, 2010). Despite the existence of imperfection in markets, the economy of the country has grown by around 5.7% per year on average since 1996 (ADB, 2003). However, to keep the growth rate stable, price stability is necessary. Bangladesh Bank, the central bank of Bangladesh, seeks to achieve price stability through the management of money supply and it uses half-yearly monetary policy to guide economic growth by controlling gradual increase in general price level and stabilizing currency. Again, the Bank influences reserve money through indirect market based instruments such as Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), repo, reverse repo, open market operations, and moral suasion (Alam, 2014, Islam 2008). To conduct monetary policy, the Bank targets the broad money (M2) as an intermediate instrument. The supply of M2 money in the country has increased over the time. It was Tk. 63027.10 crore in fiscal year 1998-99 and increased to Tk. 546028.44 crore in the fiscal year 2012-13 (Bangladesh Bank, 2014). However, an increase in

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money supply increases the general price level or inflation. The rate of inflation in our country has fluctuated over time. In 1996, the rate of inflation in the country was 2.45% and it was 8.12% in 2010 and 6.8% in 2013 (CPD, 2014). Inflation has negative effect on output growth. It can affect the macroeconomic condition of a country by creating uncertainty in investment in terms of future profitability, reducing export competitiveness through making it more expensive and distorting, borrowing and lending situation etc. Thus, high inflation associated with high price variability can lead to different negative externalities in an economy and a large effect on the economy's efficiency (Sarel, 1995). The growth rate of Bangladesh has also fluctuated over time. It was 4.6% in 1996 and 6.0% in 2013 (GOB, 2014). Since, the money supply influences general price level and an increase in price level influences growth rate. Therefore, it is necessary to explore the causal relationship between them to understand the direction of causality. Thus, the objective of the present study is to examine the existence of causal relationship among money, price and output and to explore the direction of causality among them.

### **Theoretical Framework**

The co-movements of money supply, price level, and national output have significant implication in analyzing macroeconomic performance of a country (Sims, 1972). The proposition that when money supply increases, real output will first increase before the price level increases but real output will die down more rapidly than prices (Chow and Shen, 2005). There is a possibility that money supply may be independent of output and prices, and being an exogenous variable, it may affect output and price level. On the other hand, output and prices may be the major determinants of supply of money, reflecting endogeneity of the money supply (Mishra et al., 2010). Thus, money supply has both endogenous and exogenous properties. Money supply is endogenously determined by changes in real sector in the short-run and in the long-run money supply is determined exogenously (Cagan, 1965). Keynesians argued that changes in income cause changes in money stock through demand for money implying that there exists a unidirectional causality from income to money. In fact, money does not play any significant role in changing income and prices. Similarly, changes in prices are mainly caused by structural factors (Chimobi, 2010). The Monetarists disprove the Keynesians' ideas, and they evident that changes in money supply changes in income and prices. Increase in money supply may lead to increase in output in the short-run, but in the long-run it influences prices only. Hence, the direction of causation runs from money to income and prices without any feedback (Mishra et al., 2010). In view of such theoretical arguments and hypotheses of macroeconomics, it is essential that the issue of short-run and long-run causality among money, price and output should be reinvestigated. It is with this backdrop, the present study revisits the issue in the context of Bangladesh.

## Literature Review

There are many empirical studies on the relationship among money, price and output. These studies investigated the long run relationships as well as the impact of monetary policy on income and price level in the context of different countries over different sample periods yielding conflicting evidences on this issue.

Sharma *et al.*, (2010) investigated whether money supply Granger causes output and prices in the context of Indian economy. They examined the issues in order to decompose Granger causality between money supply, prices and output in frequency-domain. They conclude that there is evidence for money-output trade-off in the short-run, but in the long-run, money supply determines prices, not output. The empirical results also found that output and prices do not Granger cause money supply reflecting exogeneity of money supply. Al-Fawwaz *et al.*, (2012) analyzed the short run relationship between money, price, and gross domestic product (GDP) growth in Jordan. They used time series methods for the annual data for the period 1976-2009. The results of the study found that there is no short-term relationship between money supply (M1) and GDP growth. Thus, they summarized that monetary policy has not had any impact on the Jordanian macroeconomic variables, while it found out that there is a causal relationship from money supply to inflation, with a very low degree.

Chowa and Shenb (2012) studied the stability of monetary relations in the course of China's economic development. An error-correction model is used to explain inflation from 1954 to 2002. They found that the relationship among price level, output, and money supply support the Friedman proposition that output reacts to money shocks first but the effect is short-lived and prices react later but the effect lasts longer. Budina *et al.*, (2002) studied the relationship among money, inflation and output in Romania for the period 1992-2000. The authors applied the Johansen procedure for co-integration to test the co-integrating relations between output, inflation and money. They also used vector error correction mechanism, which showed that excess supply of real money contributes significantly to the short-run dynamics of inflation and real money. The evidence suggests that in the period considered, inflation was largely a monetary phenomenon.

Zulkhibri (2007) examined the causality relationship among monetary aggregates, output and prices in the case of Malaysia. The study used a vector auto-regression (VAR) model applying the Granger no-causality procedure developed by Toda and Yamamoto (1995). The results indicate a two-way causality running between monetary aggregates, M2, M3, and output, which are consistent with theoretical conjectures by the Keynesian and Monetarist views whereas there is a one-way causality running from monetary aggregate, M1 to output. In addition, the results suggest that all monetary aggregates have a strong one-way causality running from money to prices but no evidence for the opposite causality. Thus, the results add the empirical support to the argument in the literature that inflation is a monetary phenomenon.

Using time series data from 1960 to 2008 Climobi and Uche (2010) found that M2 has a strong unidirectional causal effect on the real output as well as on prices. Majid (2007) also found similar result for Malaysian economy. Yadav (2009) examined co-integration and causality between money and income for the Indian economy. Using the data for the period 1950-51 to 2006-07, the study found bidirectional causality between GNP and money supply. Psaradakis *et al.*, (2002) applied different econometric techniques to examine the money output relationship. Using a VAR model with time varying parameters for the U.S. data for the period 1959:1 to 2001:2, the paper found that causality relationship between money and output changes over time.

As to the empirical evidence on Bangladesh, there are some studies (Jones and Sattar 1988, Chowdhury *et al.* 1995, Ahmed 2000) which linked money, prices, income and interest rate. However, there is no substantial study using appropriate econometric methodology considering the time series properties of data. To the best of our knowledge, no study has been conducted to look into long-run causal relationship among Gross Domestic Product (GDP), Money supply (M2) and the Price level (CPI) in the context of Bangladesh. This paper seeks to redress this gap by examining the short-run and long-run causality between money, price and output. Moreover, this study is an improvement over the existing studies as it examined the stationarity of the data and applied co-integration and error correction approach to understand the short-run implication of the long-run relationship among the considered variables.

### Data and Methodology

This paper investigates the dynamics of the short-run and long-run relationship among money, price and output in the context of Bangladesh for the period 1974 to 2012. The study uses annual data for the variables- Money Supply (M2), Consumer Price Index (CPI), and output provided by Real Gross Domestic Product (RGDP). The data on money supply and real GDP are collected from World Development Indicators (World Data Bank Online Version) for the period 1974 to 2012. Both variables are measured in Bangladeshi taka (million). Data on CPI for the period 1974 to 2012 are collected from various issues of Bangladesh Bureau of Statistics published by the Ministry of Planning, Bangladesh. All the considered variables are transformed into their natural logarithms and denoted as LCPI, LRGDP and LM2.

The estimation methodology employed in this study is the co-integration and error correction modeling techniques. The entire estimation procedure consists of three steps: first, unit root test; second, co-integration test; and third, the error correction estimation.

#### 4.1 Unit Root Test

In the time series econometric methodology, a stationarity property of each time series under consideration is required to examine. In the present study, Augmented Dickey-Fuller (ADF) unit root test is employed to examine the stationarity of the data series. It is performed by running a regression of the first difference of the series against the series lagged once, lagged difference terms and, optionally a constant and a time trend. This can be expressed as follows:

$$\Delta Y_t = \alpha_0 + \alpha_1 t + \alpha_2 Y_{t-1} + \sum_{j=1}^p \alpha_j \Delta Y_{t-j} + \dots \quad (1)$$

The purpose of inclusion of additional lagged terms is to ensure that the errors are uncorrelated. In this ADF procedure, the test of unit root is conducted on the coefficient of  $Y_{t-1}$  in the regression. If the coefficient is significantly different from zero, then the hypothesis that  $Y_t$  contains a unit root is rejected. Rejection of the null hypothesis implies stationarity. Precisely, the null hypothesis is that the variable  $Y_t$  is a non-stationary series ( $H_0: \alpha_2 = 0$ ) and is rejected when  $\alpha_2$  is significantly negative ( $H_A: \alpha_2 < 0$ )

The decision about the stationarity of data series is taken by comparing the ADF values with McKinnon's critical values. If the calculated value of ADF statistic is higher than McKinnon's critical values, then the null hypothesis ( $H_0$ ) is not rejected and the series is non-stationary. Failure to reject the null hypothesis leads to conducting the test on the difference of the series, so further differencing is conducted until stationarity is reached and the null hypothesis is rejected. If the time series (variables) are non-stationary in their levels, they can be integrated with  $I(1)$ , when their first differences are stationary.

#### 4.2 Co-integration Test

Once the unit root test is performed, a co-integration test is pursued in the next step to examine whether there exists a long-run equilibrium relationship among the variables. The existence of long-run equilibrium (stationary) relationships among economic variables is referred to in the literature as co-integration, which is very significant in avoiding the risk of spurious regression. The Johansen procedure (Johansen, 1991), which is a VAR approach, is employed in examining the existence of co-integration and provides not only an estimation methodology but also explicit procedures for testing for the number of co-integrating vectors as well as for restrictions suggested by economic theory in a multivariate setting. Engel and Granger (1987) pointed out that a linear combination of two or more non-stationary variables may be stationary. If such a stationary combination exists, then the non-stationary time series are said to be co-integrated. The VAR is based on co-integration test using the methodology developed in Johansen (Johansen, 1991). Johansen's methodology takes its starting point in the vector auto-regression (VAR) of order  $p$  given by

$$y_t = A_1 y_{t-1} + A_2 y_{t-2} + \dots + A_p y_{t-p} + \varepsilon_t \quad (2)$$

Where,  $I$  is an  $n \times 1$  vector of  $\hat{I}$  variables that are integrated of same order commonly denoted by  $I(t)$  and  $\varepsilon_t$  is an  $n \times 1$  vector of innovations. Thus, VAR can be rewritten as

$$\Delta y_t = \pi y_{t-1} + \sum_{i=1}^{p-1} \tau_i \Delta y_{t-i} + \varepsilon_t \quad (3)$$

Where,  $\pi = \sum_{i=1}^p A_i - I$  and  $\tau_i = \sum_{j=i+1}^p A_j$

To determine the number of co-integrating vectors, Johansen (1988, 1989), and Johansen and Juselius (1990) suggested two statistic tests, viz., the trace test statistic, and the maximum eigenvalue test statistic.

#### A. Trace Test Statistic and Maximum

The trace statistic is used to examine the number of co-integrating equation(s) which confirm us whether there is long run relationship among variables. In the trace test, the null hypothesis of  $r = 0$  is tested against the alternative of  $r + 1$  co-integrating vectors. The trace test statistic can be specified as:

$$\tau_{trace} = -T \sum_{i=r+1}^k \log(1 - \lambda_i)$$

Where,  $\lambda_i$  is the  $i^{\text{th}}$  largest eigenvalue of matrix  $\Pi$  and  $T$  is the number of observations? In the trace test, the null hypothesis assumes that the number of distinct co-integrating vector(s) be less than or equal to the number of co-integration relations ( $r$ ).

#### B. Maximum Eigenvalue Test

The maximum Eigenvalue test examines the null hypothesis of exactly  $r$  co-integrating relations against the alternative of  $r+1$  co-integrating relations with the test statistic:

$$\tau_{trace} = -T \log(1 - \lambda_{r+1})$$

Where  $\lambda_{r+1}$  is the  $(r+1)^{\text{th}}$  largest squared Eigenvalue.

It is well known that Johansen's co-integration test is very sensitive to the choice of lag length. Therefore, a VAR model is fitted first to the time series data in order to find an appropriate lag structure. The Akaike Information Criterion (AIC), Schwarz Information Criterion (SIC) and the Likelihood Ratio (LR) test are used to select the number of lags required in the co-integration test.

#### 4.3 Vector Error Correction Model (VECM)

If co-integration is confirmed to exist between variables, then it requires the construction of error correction mechanism to model dynamic relationship among

the series. The purpose of the error correction model is to indicate the speed of adjustment towards long-run equilibrium. A Vector Error Correction Model (VECM) is a restricted VAR designed for use with non-stationary series that are known to be co-integrated. Once the equilibrium conditions are imposed, the VECM describes how the examined model is adjusting in each time period towards its long-run equilibrium state. Since the variables are supposed to be co-integrated, then in the short-run, deviations from this long-run equilibrium will feedback on the changes in the dependent variables in order to force their movements towards the long-run equilibrium state. Hence, the co-integration vectors from which the error correction terms are derived are each indicating an independent direction where a stable meaningful long-run equilibrium state exists. The co-integration term is known as the error correction term since the deviation from long-run equilibrium is corrected gradually through a series of partial short-run adjustment. In this study, the error correction model as suggested by Hendry has been used. The general form of the VECM is as follows:

$$\Delta X_t = \alpha_0 + \lambda_1 EC_{t-1} + \sum_{i=1}^m \alpha_i \Delta X_{t-i} + \sum_{j=1}^m \alpha_j \Delta Y_{t-j} + \varepsilon_{1t} \quad (4)$$

$$\Delta Y_t = \beta_0 + \lambda_2 EC_{t-1} + \sum_{i=1}^m \beta_i \Delta Y_{t-i} + \sum_{j=1}^m \beta_j \Delta X_{t-j} + \varepsilon_{2t} \quad (5)$$

Where,  $\Delta$  is the first difference operator;  $EC_{t-1}$  is the error correction term lagged one period;  $\lambda$  is the short-run coefficient of the error correction term ( $-1 < \lambda < 0$ ); and  $\varepsilon$  is the white noise error term. The error correction coefficient ( $\lambda$ ) is very important in this error correction estimation as greater the co-efficient indicates higher speed of adjustment of the model from the short-run to the long-run. The error correction term represents the long-run relationship. A negative and significant coefficient of the error correction term indicates the presence of long-run causal relationship. If the both the coefficients of the error correction terms in both the equations are significant, this will suggest the existence of bi-directional causality. If only  $\lambda_1$  is negative and significant, this will suggest a unidirectional causality from Y to X, implying that Y drives X towards long-run equilibrium but not the other way around. Similarly, if  $\lambda_2$  is negative and significant, this will suggest a unidirectional causality from X to Y, implying that X drives Y towards long-run equilibrium but not the other way around.

The lagged terms of  $\Delta X_t$  and  $\Delta Y_t$  appeared as explanatory variables in the VECM, indicate short-run cause and effect relationship between the two variables. Thus, if the lagged coefficients of  $\Delta X_t$  appear to be significant in the regression of  $\Delta Y_t$ , this will mean that X causes Y. Similarly, if the lagged coefficients of  $\Delta Y_t$  appear to be significant in the regression of  $\Delta X_t$ , this will mean that Y causes X.

## 5. Empirical Analysis

In time series analysis, it is required to test the stationary property for all considered variables at the first step. Therefore, the Augmented Dickey-Fuller unit

root test has been employed to check the stationary property of the data series—money supply (M2), price level (CPI) and real GDP (RGDP), and the results are represented in Table 1.

**Table 1: Results of Augmented Dickey Fuller Unit Root Test at Levels and at First Difference of the Variables (1974-2012)**

Variables	Level	1st Differences	MacKinnon Critical Values for Rejection of Hypothesis of a Unit Root		
			1%	5%	10%
LCPI	-2.133942	-4.991777	-3.632900	-2.948404	-2.612874
LM2	-1.902950	-4.243754	-3.632900	-2.948404	-2.612874
LRGDP	-1.459870	-3.733942	-3.632900	-2.948404	-2.612874

Table 1 shows that all the variables are non-stationary at levels. This can be verified by comparing the results of ADF test statistics (in absolute terms) with the critical values (also in absolute terms) of the test statistics Asian Review Vol. 4, No. 1, 2015

at 1%, 5% and 10% level of significance. Since the absolute values of ADF test statistic are lower than the absolute critical values at 1%, 5% and 10% level of significance, therefore, the null hypothesis is accepted and there is unit root problem in the variables at level. On the other hand, all three variables are stationary at first difference because the absolute values of ADF test statistic are greater than the critical values at 1%, 5% and 10% levels of significance. Thus, the variables are integrated of order one, i.e.  $I(1)$ .

**Table 2: Results of Johansen's Cointegration Test**

Hypothesized Number of Cointegrating Equations	Eigen Value	Trace Statistic	Critical Value at 5%	Maximum Eigen Statistic	Critical Value at 5%
None*	0.4832	33.05	29.68	23.10	20.97
At Most 1	0.1989	9.94	15.41	7.76	14.07
At Most 2	0.0604	2.18	3.76	2.18	3.76

\*Denotes rejection of the hypothesis at the 5% level of significance

In the next step, we investigate the existence of any unique equilibrium relationship(s) among the stationary variables of the same order of integration. The Johansen VAR based methodology approach has been used for this purpose. The results based on VARs are sensitive to the lag length and this compelled us to devote a considerable time to the selection of the lag structure. The selected lag length(s) are those that reduce autocorrelation in the model. In the present study,

the appropriate lag is 2 which is chosen by minimizing the Akaike Information Criterion (AIC). The results of Johansen's co-integration test are presented in Table 2. The results of Trace test indicate the existence of one co-integrating equation at 5% level of significance and the Maximum Eigen value test makes the confirmation of this results. Thus, the two variables have long-run equilibrium relationship between them.

However, in the short-run there may be divergences from this equilibrium. Therefore, it is necessary to verify whether such disequilibrium converges to the long-run equilibrium or not. Vector Error Correction Model is used to make sure this short-run dynamics. Error correction mechanism provides a rate of adjustment at which disequilibrium is corrected in the next period. The results of error correction model with the computed *t* values of the regression coefficient are presented in Table 3.

**Table 3: Estimation of Error Correction Model**

Dependent Variable: LM2t Independent Variable: LCPIt and LRGDPt							
EC <sup>1</sup> t-1	ΔLM2t-1	ΔLM2t-2	ΔLCPIt-1	ΔLCPIt-2	ΔLRGDPt-1	ΔLRGDPt-2	Constant
-0.087*	-0.142	-0.487*	0.176*	0.179	-0.276	0.009	0.190*
(-4.048)	(-0.687)	(-2.823)	(3.192)	(0.767)	(-0.562)	(0.039)	(4.648)
Dependent Variable: LCPIt Independent Variable: LM2t and LRGDPt							
EC <sup>2</sup> t-1	ΔLM2t-1	ΔLM2t-2	ΔLCPIt-1	ΔLCPIt-2	ΔLRGDPt-1	ΔLRGDPt-2	Constant
-0.178	0.776*	0.393*	0.068	-0.035	0.741*	0.672*	0.049*
(-1.585)	(3.412)	(2.658)	(0.981)	(-0.375)	(2.915)	(3.007)	(2.985)
Dependent Variable: LRGDPt Independent Variable: LM2t and LCPIt							
EC <sup>3</sup> t-1	ΔLM2t-1	ΔLM2t-2	ΔLCPIt-1	ΔLCPIt-2	ΔLRGDPt-1	ΔLRGDPt-2	Constant
-0.037*	-0.192	-0.587	-0.227	-0.005	0.997*	-0.199	0.020
(-3.741)	(-0.304)	(-1.116)	(-1.165)	(-0.011)	(2.667)	(-0.339)	(0.965)
Note: Figures in the parentheses indicate t-statistic							

It is observed that the estimated coefficient of error-correction term in the LM2 equation is negative and statistically significant at 1% level. This indicates that there is a long-run equilibrium relation between the dependent and independent variables, and its relative value (-0.087) for Bangladesh shows the rate of convergence to the equilibrium state per year. This result shows that the speed of adjustment between short-run and long-run disequilibrium is 8.7% in money supply in each year. In the second equation, i.e., in LCPI equation, the estimated

coefficient of the error term is negative but not statistically significant. It means that the error term has no contribution in explaining the changes in price level. However, in the LRGDP equation, the estimated coefficient of the error term is negative and statistically significant at 1% level. As a result, the error term is able to explain the changes in output. Furthermore, the existence of co-integration implies the existence of Granger causality at least in one direction (Granger, 1988). The negative and statistically significant value of the error correction coefficient indicates the existence of a long-run causal relationship between the variables. Table 3 shows that, there exist bi-directional causalities between money supply and output, but unidirectional causalities from price to money supply and price to output in the long-run.

In LM2 equation, the coefficient of the first difference of LCPI is statistically significant, indicating the existence of short-run causality from price level to money supply. In LCPI equation, the coefficient of LM2 lagged one period and the coefficient of LRGDP lagged two periods are statistically significant. This result indicates the existence of short-run causality from money supply to price level and from output to price level. However, in LRGDP equation, no such causality is found. In order to verify the result of short-run causality among  $\Delta$ LM2,  $\Delta$ LCPI and  $\Delta$ LRGDP based on VECM estimates, a standard Granger causality test has also been run based on F-statistic.

Table 4 reports the Granger causality results for the variables LM2, LCPI, and LRGDP. The results indicate that in the case of LCPI and LM2, at 1% level of significance, the null hypothesis of  $\Delta$ LCPI does not Granger cause  $\Delta$ LM2, and  $\Delta$ LM2 does not Granger cause  $\Delta$ LCPI are rejected. Thus, these results support that there exist a bi-directional causality between money supply and price level in the short-run. Again, the null hypothesis of  $\Delta$ LRGDP does not Granger cause  $\Delta$ LM2, and  $\Delta$ LM2 does not Granger cause  $\Delta$ LRGDP are accepted. It indicates that there exists no short-run causality from output to money supply or from money supply to output. Furthermore, the null hypothesis of  $\Delta$ LRGDP does not Granger because  $\Delta$ LCPI is rejected at 1% level of significance while the null hypothesis of  $\Delta$ LCPI does not Granger Cause  $\Delta$ LRGDP cannot be rejected. This result indicates that there is a unidirectional causality from output to price level. These results support the previous results obtained from VECM about the existence of short-run causality.

**Table 4: Results of Granger Causality Test**

Null Hypothesis	F-Statistic	Probability	Decision
$\Delta$ LCPI does not Granger Cause $\Delta$ LM2	4.60948	0.01796	Rejected
$\Delta$ LM2 does not Granger Cause $\Delta$ LCPI	12.4794	0.00011	Rejected
$\Delta$ LRGDP does not Ganger Cause $\Delta$ LM2	1.67302	0.20472	Accepted
$\Delta$ LM2 does not Granger Cause $\Delta$ LRGDP	0.43672	0.65020	Accepted
$\Delta$ LRGDP does not Granger Cause $\Delta$ LCPI	4.83313	0.01515	Rejected
$\Delta$ LCPI does not Granger Cause $\Delta$ LRGDP	0.00479	0.92799	Accepted

(Number of Appropriate Lags = 2)

Based on the co-integration and causality tests, it can be said that change in the money supply and change in output causes each other in the long-run. Secondly, change in price level causes change in money supply both in the short- and long-run. Thirdly, change in the price level causes change in output in the long run but not in short-run. In the short-run, change in output causes change in price level.

### **Summary and Conclusion**

The present study is an attempt to analyze the causal relationships among money supply, price level and output in the context of Bangladesh employing time series analysis techniques for the period 1974-2012. The stationary test performed by the Augmented Dickey-Fuller unit root test indicates that all the three data series are non-stationary at level but stationary at first difference. That is, the data series are I(1). Using the Johansen's co-integration test procedure one co-integrating equation is found which means that the variables have a long-run equilibrium relationship among them, although they have disequilibrium in the short-run. The estimation results from vector error correction model implies the existence of long-run bi-directional causality between money supply and output while unidirectional causality is found from price level to money supply, and price level to output. However, the Granger causality test shows that in the short-run, bi-directional causality exists between money supply and price level, and unidirectional causality exists from output to price level. The long-run bidirectional causality between money supply and output confirm that money is not neutral in its effect and thus, disproves the Keynesian belief and supports the Monetarists view. In addition, the evidence of short-run bidirectional causality between money supply and price level indicates that inflation is a monetary phenomenon in the short-run only. This evidence regarding the short-run dynamics adjustment among money supply and price level indicates that active monetary policy to stabilize short-run fluctuation in prices must be handled with caution, as it would increase price fluctuations in the long-run. Moreover, the effective coordination between monetary and fiscal policy would enable to achieve price stability within the environment of high and sustainable economic growth.

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## **Socio-economic Status of Slum Dwellers: A Case Study of Uttara Periphery, Dhaka**

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### **Abstract**

*The present study was an attempt to assess the living status of slum dwellers at Uttara periphery, Dhaka. A slum is a heavily populated urban informal settlement characterized by substandard housing, squalor, lack of sanitation services, supply of clean water, reliable electricity, and other basic services. Analysis showed that the average money spending on food and groceries was Tk.2,757.41 (44.86%) whereas the average monthly house rent including utilities was Tk.1,968.33 (32.02%). It was noted that educational expense of children was Tk.555.00 (9.03%) per month, while cost for health care per month was Tk.457.5 (7.44%). It was observed that they lived in unhygienic surroundings. In the slum area, the youngest and adult age group (0-24 years) had morbidity rate of 30.8% followed by population in the age group 35-39 years (17.9%). Morbidity was lowest (5.1%) for the population belonging to age group 30-34 years, followed by morbidity of population aged 40 and above (each group has morbidity rate 12.8%). Slum people were found to be engaged in day labourer, small job services, rickshaw pulling, and little business.*

### **Introduction**

Bangladesh, as the rest of the developing world, is urbanizing rapidly; around one-third of the country's population comprising 50 million people, live in urban areas. In recent years, urban population is growing at an increasing rate in Bangladesh (at an annual rate of between five to six per cent). Urban population has grown 5 million in 1970, 22 million in 1990, and about 52 million in 2010. Even though level of urbanization is low in Bangladesh, the magnitude of urban population (more than 50 million) is larger than the national population of many countries in the world (Australia, Canada). It has been projected that the share of urban population will be 44.3% of total population by 2030 (UN 2002), and more than 50% of the population will live in urban areas by 2050 (UN 2007).

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### **Historical Development of Slum Dwellers**

Slums and squatters are characterized by crowded living conditions, unhygienic surroundings and lack of basic amenities such as garbage disposal facilities, water and sanitation. Generally, slum grows unsystematically in government owned or private vacant land. The walls and roofs of slum houses are generally made of straw leaves, Gunny bag, polythene paper, bamboo, a tin shed house etc. Sometimes slum houses may be a building, if it situated within the purview and environment of a slum. The physical and hygienic conditions of such houses are far below those of a common urban residential area. Generally, this segment of people are distressed and forced to live in such unhygienic condition due to economic reason.

Slums are also defined as settlements with a minimum of 10 households or a mess unit with a minimum of 25 members and predominantly very poor housing; very high population density and room crowding; very poor environmental services, especially water and sanitation; very low socio-economic status; lack of security of tenure. Usually poor people migrated from village and very poor people in urban areas live in slum. They choose the slum to live, because they are maximum landless.

Slums were common in the 19<sup>th</sup> and early 20<sup>th</sup> centuries in the United States and Europe. New York City is believed to have created the world's first slum, named the Five Points in 1825, as it evolved into a large urban settlement. More recently slums have been predominantly found in urban regions of developing and undeveloped parts of the world, but are also found in developed economies.

There were 41 urban areas in present day Bangladesh at the census of 1901 and 1911 which increased to 51 in the census of 1921, 59 in 1931, 60 in 1941, 64 in 1951, 78 in 1961 and more than 300 in 2001. Bangladesh is a speedily urbanizing country where the urban base has expanded dramatically, from less than a tenth (around 7%) of total population in 1974 to about a third of total population in 2011.

The overall population of Bangladesh will increase by 64.6 million to roughly 217.9 million people in the quarter century from 2005 to 2030 (UN-POP 2007). Three-fourths of this growth will occur in urban areas, bringing the urban population to nearly 89.5 million (from 39.4 million in 2005). The urban population would thus be more than double over this interval, while the rural population will grow by roughly 13 per cent.

The rapid urbanization of Bangladesh is likely to have profound implications for the health profile of her population. Accompanying this rapid pace of urbanization,

there has been a faster growth in the population residing in slums and squatters. It is estimated that slums represent the fastest growing segments of the urban population, which is almost double the growth of overall urban population.

According to the report of the Census of slum areas and Floating Population 1997, the largest number of slum situated in Dhaka city followed by 100-Paurashavas and 14 cities respectively. While in 2005, Dhaka remained the first followed by Chittagong, Rajshahi SMA and Barisal accordingly. In addition to that, the report confirmed that, 1579 slums and cluster were situated in Dhaka SMA whereas this figure reached at 4966 in 2005 with a broad definition of slums. The percentages of these numbers recorded as 52.9 and 54.9 respectively. Between 1997 and 2005, the percentages of slum in Chittagong SMA, Khulna SMA and Sylhet fluctuated in the range of 5 to 8. In 2005 census, 641 slums founded in Rajshahi SMA while it was only 84 in 1997.

### **Rationale of the study**

Dhaka city is one of the most densely populated cities in the world. The city alone contains more than one-third (36.4%) of the total urban population, which is a matter of great concern. In 2001, 8.6 million people resided in Dhaka city alone. Besides, most of the headquarters of important government offices, trade bodies and other metropolitan facilities are located and that's why most of the migrants move towards this capital city in far more numbers than the other destinations. Most of Dhaka's growth is due to migration from rural areas, rapid migration is causing Dhaka's population to grow much faster than the rest of the country.

Due to mass population secure shelter is a major challenge for the urban poor. As migrants continue to arrive, they often end up in illegal settlements on precarious lands with major environmental concerns. The present study has been undertaken to study these problems. This study has also tried to identify the status of their current living conditions, and the difficulties that they face in Dhaka city.

### **Objectives of the Study**

The main purpose of the study is to find out the living status of slum dwellers living in the slum areas of Uttara periphery of Dhaka. The specific objectives are:

- i) To find out the livelihood status of slum dwellers
- ii) To assess the levels and patterns of morbidity by age, gender, education and socio-economic conditions of slum dwellers
- iii) To make recommendations on the basis of the findings for the improvement of the living status of the slum-dwellers

In the present study, an attempt has been made to analyse the demographic and socio-economic conditions of slum dwellers. In this paper it has been tried to give a brief description of slum dwellers of Uttara with some policy suggestion.

### **Review of Literature**

Review of related literature in any research is essential because it provides a scope for knowing the available stock of knowledge relevant to the proposed research. This knowledge provides a guideline in designing the future research problem and validating the new findings.

**Alamgir, M. S., et al. (2009)** conducted a study to determine the factors affecting the livelihood of the socioeconomic improvement of migrants and to analyze the causes of rural-urban migration in slum areas. Analysis showed that migration and taking in micro credit were beneficial for the slum dwellers. Due to participation of slum dwellers in NGOs, their economic, social and decision making improved substantially. Finding showed that 56% people migrated to Dhaka city for economic reason. The study recommended that, there is a need for proper training for sustainable results for slum dwellers in the long run.

**Democracywatch (2002)** conducted a study on “An Assessment on the Uprooted Slum Dwellers” in some selected slums in Dhaka city. The study was based on survey methodology and case studies. This study discovered the reasons for increasing the slum dwellers of the city and the problems they faced. The study found out that the slum dwellers are deprived of important fundamental rights like accommodation, pure water supply, education etc. They also showed that the dweller’s lifestyle is a barrier for modern urban development and a sound environment.

**Hossain (2005)** examined ‘Livelihood Framework’ in Dhaka City, Bangladesh concluded that slum people invariably live below the poverty line and have little access to employment in formal sectors. They have failed to secure a sustainable livelihood in the city despite living for a long period of time. The poor communities are vulnerable in terms of their physical and social capital. They have little access to the city’s social and political structure, which also shows their vulnerable situation. Urban government has little initiative to create opportunities for the poor sections of city’s population. The poor communities cope with urban life through ‘household strategies’ such as: putting more family members into the work force, through petty trading, avoiding many basic goods, which represent luxuries to them, increasing their household size by inducting more relatives, withdrawing their children from education, constructing their own shelter, using kinship as social capital, and establishing patron-client relationships with local leaders.

**Hossain, B. (2014)** Investigated 28 years data for 1986-2014 periods on the living standard of slum dwellers of Bangladesh and presented the different forms of their deprivations, sufferings and miseries from basic needs including social, constitutional and economic rights. More specifically, the wretchedness of slum dwellers in housing, drinking water, sanitation, food intake, healthcare, education, employment, income patterns, social status and security, economic and public assistance has been explored. In addition, poverty scenario and services of social organization among slum people has been focused in this paper. Finally, it recommended some policies to improve the living conditions of slum dwellers in Bangladesh.

### **Methodology**

The study is based on primary data from household survey conducted in slum areas of sector no. 6, 7, 8, 9, 10, 11 of Uttara periphery in Dhaka. A sample of 60 households living in the slum clusters have been selected for the present study. Both quantitative and qualitative data have been collected for the present survey. Detailed information was collected on background characteristics including education, occupation, and monthly income of respondents. We have used SPSS software for analysis of this study. The present study also used some secondary data for analysis.

### **Results and Analysis**

#### **Socio-economic Characteristics of the Respondents**

The present study is based on primary data collection in slums located in Uttara region of Dhaka city. As already mentioned, information was obtained from 60 slum households and from every household one member was interviewed. In the interview 61.7% were male and 38.3% were female respondents (Table 1). Most of the respondents were overwhelmingly poor and illiterate. Most of them belonged to households having monthly income not exceeding Tk.5000. About 75% of the interviewees were married, 21.7% were unmarried and 3.3% were divorced.

#### **Age of the Respondents**

The average age of the respondent was 33 years. Among them, 43.3% of the respondents were aged below 30 years, 23.3% of the respondents belonged to age group 30-39 years, 15% was in the age group 40-44 years, 8.3% was in the age range 45-49 years, while 10.0% of the respondents were aged 50 years and over.

**Table 1: Respondents Socio-economic Characteristics**

Characteristics	No.	%
<b>Respondents sex</b>		
Male	37	61.7
Female	23	38.3
Total	60	100.0
<b>Marital Status</b>		
Married	45	75.0
Unmarried	13	21.7
Divorced	2	3.3
Total	60	100.0
<b>Age of Household Head (in years)</b>		
Below 24 years	20	33.3
25-29 years	6	10.0
30-34 years	5	8.3
35-39 years	9	15.0
40-44 years	9	15.0
45-49 years	5	8.3
50+ years	6	10.0
<b>Mean Age</b>	<b>33</b>	

Source: Field survey

### Education of the Respondents

Level of education is negatively correlated with the level of poverty. Table 2 provides distribution of the respondents by educational level. About a half (41.7%) of the respondents were illiterate, without any formal education; about a sixth (16.7%) of the respondents can sign only; about a third (33.3%) had education beyond Primary level; about twentieth (5.0%) of the respondents had education beyond High School level; and only an insignificant proportion (3.3%) of the respondents had education beyond secondary level.

**Table 2: Education of the Respondents**

Years of Schooling	No.	%
Illiterate	25	41.7
Can sign only	10	16.7
Primary (1-5)	20	33.3
Class 6-9 completed	3	5.0
Secondary & Higher Secondary completed	2	3.3
Graduation completed	0	.0
Total	60	100.0

Source: Field survey

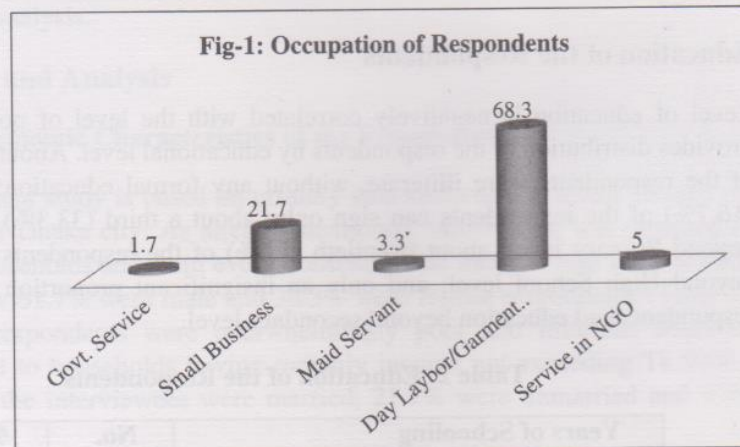
### Occupation of the Respondents

The slum dwellers mostly have low-paid jobs in the informal sectors of the urban economy. There is a predominance of day labouring among this poor group of city dwellers. The highest proportion of slum households are working as Day Labour/Garment Worker (68.3%), about a fifth of the respondents (21.7%) are involved in small business; only 6.7% of the respondents are found to be salaried employees (either with the Government or in the private sector) (Table 3).

**Table 3: Occupational Distribution of Respondents**

Occupation	No.	%
Govt. Service	1	1.7
Small Business	13	21.7
Maid servant	2	3.3
Day Labor/Garment Worker	41	68.3
Service in NGO	3	5.0
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Field survey



### Earning Member of the Respondents Family

Table 4 provides information on the number of earning members – 40% of the slum households have single earning member. It is evident that around 38.3% of slum households have two earning members, 18.3% have three earning members and 3.3% households have at least 4 earners per household.

**Table 4: Number of Earning Members**

Member	No.	%
1 member	24	40.0
2 members	23	38.3
3 members	11	18.3
4 members	2	3.3
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Field survey

Information on the number of earning members helps to understand the level of income of the household as well. If assume that the household size is more or less the same, then higher number of members involved in income generating activities would indicate higher level of poverty of the households. It is because of extreme financial crisis that more and more members (especially women and children) from poorer households are forced participating in income earning activities to supplement household income.

### **Household Income of the Respondents**

The findings show that 51.7 percent of slum households live on a monthly income, which does not exceed Tk.5000. About a third of the households (38.3 percent) live on a monthly income ranging between Tk.5,001 to Tk.10,000. On the other hand, only 1.7 percent of the households belong to the monthly income group exceeding Tk.1,5000.

**Table 5: Monthly Income of Respondents**

Income Group	No.	%
Up to 5,000 Taka	31	51.7
5,001-10,000 Taka	23	38.3
10,001-15,000 Taka	5	8.3
15,001-20,000 Taka	1	1.7
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Field survey

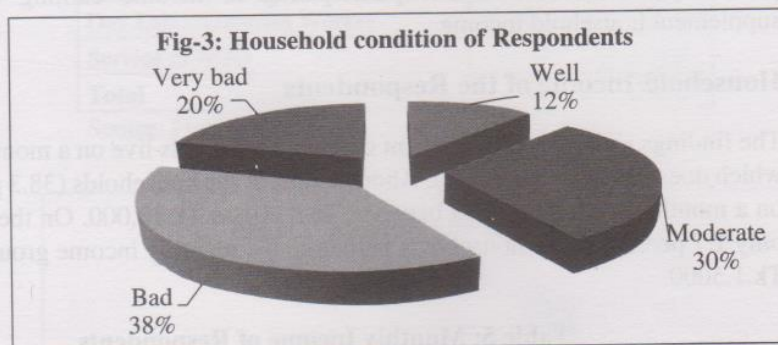
### **Household Condition**

Table 6 shows that 88.3% of households live in rental house and 5% of them has own house (house built in govt. land-free of cost). Household condition of them was 11.7% well, 30.0% moderate, majority percent is bad (38.3%) and 20% is very bad.

**Table 6: Housing Category of Respondents**

	No.	%
<b>Respondents sex</b>		
Housing category		
Own	3	5.0
Rental	53	88.3
Others	4	6.7
<b>Total</b>	<b>60</b>	<b>100.0</b>
<b>Household condition</b>		
Well	7	11.7
Moderate	18	30.0
Bad	23	38.3
Very bad	12	20.0
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Field survey



### Morbidity of the Respondents

Morbidity means incidence of sickness/injury/pain affecting a person in the household. It can be measured either by clinical (observed) or self-perceived reporting. No clinical reporting would allow us to measure the pain and suffering of an individual except through self-reporting. Data was collected (by non-medical personnel) from household head/ other members of the household. Therefore, the responses to survey questions can only be taken as an approximation while estimating the burden of morbidity since some of the respondents might have little knowledge about what constitutes sickness, and in the process there is a tendency to ignore minor ailments and health problems.

In order to have an idea about the type of diseases suffered by household members in the rural area, the respondents were asked whether any member of the household suffered from any sickness during the three months prior to the survey. Information was also collected on the type of disease/ problem suffered by household member.

**Table 7: Morbidity during Last Three Months**

Morbidity during last three months	No.	%
Yes	39	65.0
No	21	35.0
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Field survey

**Table 8: Distribution of Patients: by Gender**

Respondents sex	No.	%
Male	21	53.8
Female	18	46.2
<b>Total</b>	<b>39</b>	<b>100.0</b>

Source: Field survey

The findings show that out of the 60 surveyed slum-households covered by the survey, 65 percent of the households (39 households) had an episode of illness in their households at the time of the survey or during three months preceding the survey, while the remaining 35 percent of households did not experience any illness during the reference period.

The distribution of patients by gender shows (Table 8) that the incidence of sickness for males was higher compared to their female counterparts in slum area. In the slum area, 53.8 percent of males were sick during three month preceding the survey, the corresponding figure was 46.2 percent for females.

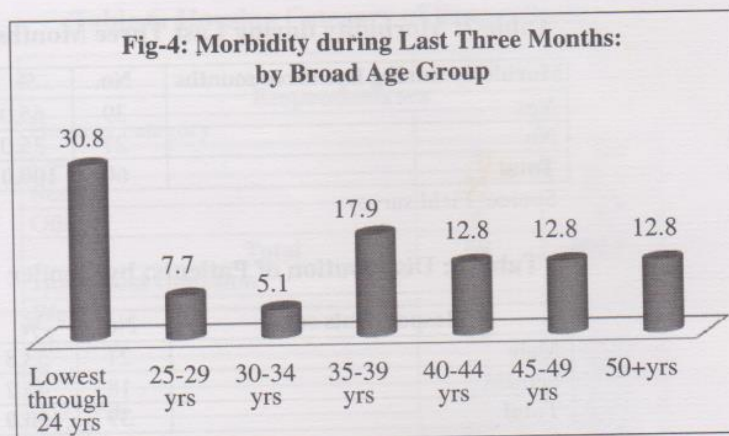
### **Morbidity by Age of the Respondents**

In the slum area, the youngest and adult age group (0-24 years) had morbidity rate of 30.8% followed by population in the age group 35-39 years (17.9%). Morbidity was lowest (5.1%) for the population belonging to age group 30-34 years, followed by morbidity of population aged 40 and above (each group has morbidity rate 12.8%) (Table 9).

**Table 9: Morbidity during Last Three Months by Broad Age Group**

Respondents age	No.	%
Lowest through 24 yrs	12	30.8
25-29 yrs	3	7.7
30-34 yrs	2	5.1
35-39 yrs	7	17.9
40-44 yrs	5	12.8
45-49 yrs	5	12.8
50+ yrs	5	12.8
<b>Total</b>	<b>39</b>	<b>100.0</b>

Source: Field survey



### Morbidity by Education of the Respondents

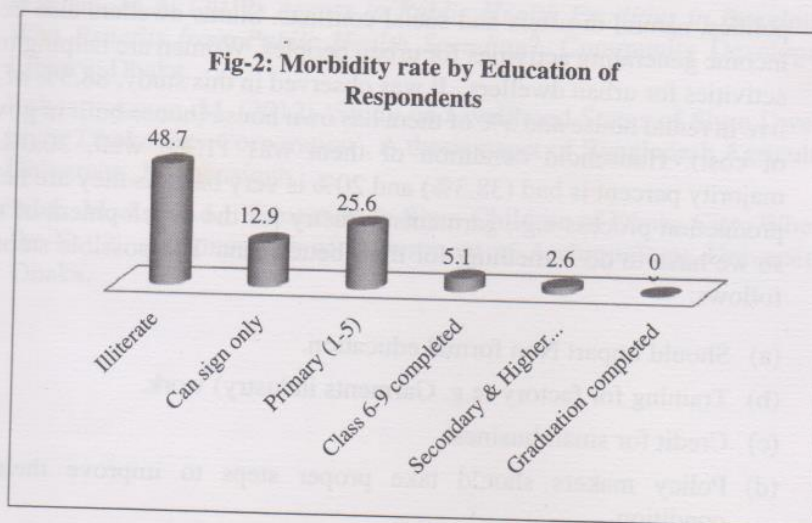
The morbidity rate in the slum area does not show any consistent pattern with regard to education of household head. Morbidity was lower for households headed by illiterate persons having no formal education, compared to those having some years of schooling. This goes against the popular notion that persons belonging to households headed by illiterate Asian Review Vol. 4, No. 1, 2015

persons are likely to experience higher rate of morbidity. This might be explained by the fact that perception of being sick and reporting of the state of health (i.e. illness) is likely to be worse for the illiterate segment of the population, because of their lack of awareness regarding what constitutes illness affecting health and well-being.

**Table 10: Distribution of Population who were Sick during Last Three Months by Education of Respondent**

Education of Respondents	No.	%
Illiterate	19	48.7
Can sign only	7	17.9
Primary (1-5)	10	25.6
Class 6-9 completed	2	5.1
Secondary & Higher Secondary completed	1	2.6
Graduation completed	0	.0
<b>Total</b>	<b>39</b>	<b>100.0</b>

Source: Field survey



### Average Expenditures of the Respondents

Table 11 shows that the average money spend for food and groceries was Tk.2,757.41 (44.86%) whereas the average monthly house rent including utilities was Tk.1,968.33 (32.02%). It was note that educational expense of children was Tk.555.00 (9.03%). per month while cost for health care per month was Tk.457.5 (7.44%). It was observed that they live in unhygienic surroundings.

**Table 11: Monthly Average Expenditure of Respondents**

	Educational expense o children	Monthly house rent including utilities	Money spent for food and groceries	Transportation cost per month	Cost for healthcare per month	Cost for travelling to work and home
Mean	555.00 (9.03%)	1,968.33 (32.02%)	2,757.41 (44.86%)	319.83 (5.20%)	457.50 (7.44%)	88.33 (1.44%)
Std. Error of Mean	135.514	102.992	319.135	63.120	65.170	36.753

Source: Field survey

### Concluding Remarks and Recommendations

Rural people migrate to urban areas by reason of landless and flood; some causes include economic stagnation and depression, high unemployment, poverty,

politics, natural disasters and social conflicts. Slums dwellers also help to create income generating activities for urban peoples. Women are helping in household activities for urban dwellers. It was observed in this study, 88.3% of households live in rental house and 5% of them has own house (house built in govt. land-free of cost). Household condition of them was 11.7% well, 30.0% moderate, majority percent is bad (38.3%) and 20% is very bad. As they are helping in our production process e.g., garments industry for the development of the country, so we have to do something for their betterment. The possible steps may be as follows:

- (a) Should impart Non formal education.
- (b) Training for factory (e.g. Garments industry) work.
- (c) Credit for small business.
- (d) Policy makers should take proper steps to improve their livelihood condition.

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## **Challenges to the Life of Hazardous Child Labour: A Study on their Working Environment and Food Habits**

Md. Saiful Islam\*

### **Abstract**

*Child labour, particularly the hazardous form, is a matter of great concern in Bangladesh. It is considered to be a major violation of child rights. The term 'labour' does not suit to a 'child' by any means. By implication, the term child labour stands as a gross contravention of human rights. Yet, it is a reality in the socio-economic situation of Bangladesh. This study attempts to portray current scenario of child labourers, and their working place and food habit. The objectives of this study are to know the situation of child labourer, who is working at risk, and how these experiences can contribute effectively towards future actions for a child labour free Bangladesh. The study is based on primary and secondary data. After collecting necessary data from secondary sources, a sample survey was conducted to collect primary data. Data were collected on the basis of a questionnaire, and the samples were drawn purposively. The significant findings of the study reveal that child labourer is highly exploitative and his working condition is unsuited. Finally the study suggests that the exploitation of child labourer will be stopped by increasing social awareness, by carrying out activities to improve the working condition. By establishing child rights and eradicating child labour once for all from the soil of Bangladesh.*

### **Introduction**

Child labour is a crucial issue all over the world. Millions of children are to work in order to supplement family income. UNICEF estimates that around 150 million children aged between 5 to 14 in developing countries about 16 per cent fall within this age group who are involved in child labour (UNICEF-2011). ILO estimates that throughout the world, around 215 million children under 18 works many of them are in full-time. In Sub Saharan African countries 1 in 4 children aged 5-17 work, compared to 1 in 8 in Asia Pacific and 1 in 10 in Latin America (ILO-2010). Numbers suggest that more boys than girls are involved in child labour. It is estimated that roughly 90 per cent working children involved in domestic labour are girls (UNICEF-2011). Even though the prevalence of child labour is decaying in recent years everywhere exception Sub Saharan countries where it is increasing with regard to children aged 5-14 (ILO-2010).

Like other developing countries, Bangladesh is not free from the curse of child labor. It is estimated that almost 4.7 million or 12.6% of children aged below 14 in

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the work force (UNICEF -2011). Another 6.8% between ages 7 to 14 who, while going to school, also work (USDL-2012). In some slums of Bangladesh, only 25% of children below the age of 18 go to school, and the rest – work as child laborers (UNICEF-2012). Out of the child laborers engaged in the work force, 83% are employed in rural areas and 17% are employed in urban areas. Employment ranges from jobs in the formal sector, such as the garment industry, and jobs in the informal sector such as agriculture and domestic service (BBS-2006).

In 2006, Bangladesh passed a Labour Law setting the minimum legal age for employment as 14 (UNICEF-2011). Nevertheless, the enforcement of such labour laws is virtually inapplicable in Bangladesh because 93% of child laborers are employed in the informal sector such as small factories and workshops, on the street, in home-based businesses and in domestic employment (UNICEF-2011).

### **Review of Literature**

Notwithstanding a very high child labour participation rate in Bangladesh, this issue has attracted academic attention only recently after the implementation of the Child Labour Deterrence Act (Harkin Bill 1993) in 1995. After the mid-nineties a small number of papers have focused on the issue of child labour in Bangladesh. Among these, Rahman, et al. (1999), Ravallion and Wodon (2000), Delap (2001), Amin, Quayes and Rives (2004, 2006a and 2006b), Salmon (2005), Khanam (2004 and 2006) and Khanam and Rahman (2007) are notable. However, not all of these papers have focused on the determinants of child labour in Bangladesh. For example, Rahman et al. (1999) evaluated the impact of Harkin's Bill on Bangladesh. Ravallion and Wodon (2000) examined the effectiveness of a targeted enrolment subsidy (Food-For-Education Programme) to increase school attendance and to reduce child labour in rural Bangladesh. Khanam (2004) explored the linkages between child work and both school attendance and school attainment of children aged 5–17 years using data from a survey based in rural Bangladesh. The central message from this study is that child labour adversely affects the child's schooling, which is reflected in lower school attendance and lower grade attainment. Amin et al (2006) investigated whether a child and a parent are substitutes or complements in the family labour supply decision. They found that for market work, fathers and children are substitutes or complements whereas mothers and children are complements in the family labour supply decision. Khanam (2006) focussed on the trends, patterns and policy options of child labour in Bangladesh particularly during the 1990s.

For example, a high child labour participation rate from the South Asian average and the world average

A small number of papers have focused on the determinants of child labour. For example, using the 1995-96 Household Expenditure Survey (HES) of Bangladesh, Amin et al. (2004) examined the role of poverty as a determining factor of child

labour in Bangladesh. Their result found that household poverty is an important factor in explaining child labour in Bangladesh. Subsequently, using the 2000 Bangladesh Labour Force Survey, Salmon (2005) found support of Amin et al. finding that poverty compels children to work in Bangladesh and children are the last economic resources of the household. Using data collected from Dhaka Slums, Delap (2001) however argued that socio-cultural factors are more important than economic rationality in explaining child work in urban Bangladesh. Khanam and Rahman (2007) examined the role of birth position of a child in explaining child work and schooling in Bangladesh and found that being a first-born child increases the probability of work. The present study contributes to this small but growing literature that explains the determinants of child labour in Bangladesh. As previously discussed, good understanding of the key determinants of child labour is essential for formulating appropriate policies that will reduce child labour.

### **Objectives of the study**

The main objective of the study is to know the situation of the hazardous child labourers who are working at risk, and to find out the ways and means to a child labour free Bangladesh. However the specific objectives are as follows.

- a) To know the working environment of the child labourers,
- b) To identify the problems they face regularly in their daily life,
- c) To collect information from child labourers about their food habits.
- d) To investigate the degree of fulfilment of basic human needs of the child labourers,
- e) Make suggestions to overcome problems of the child labour

### **Methodology of the Study**

**Method:** This is an empirical study and therefore, by its nature the study requires in-depth information. After collecting necessary data from secondary sources a sample survey was conducted to collect primary data from the field.

**Area of the study:** The study was conducted throughout the whole of 30 wards of Barisal city. In selecting study area, the highest concentration of the types of working children and their variations in these areas got prime importance as far as the study objective is concerned.

**Population of the study:** The population of the study consists of all the working children between the ages 7 to 17, engaged in 10 types of hazardous work out of 67 types identified.

**Study sampling:** In terms of selecting sample, total 300 samples selected from 10 occupational groups. The first consideration was to select at least 137 children from tobacco factory. The rest 163 children were selected from other occupational groups like wastage (Bhangari) collection, Automobiles, Biscuit factory, Textile,

Dock laborer, Electronic goods, Workshop labourer, Load carrying labourer and hotel or restaurant labourer out of 67 jobs hazardous for children.

**Technique of data collection:** Since it is an empirical study an in-depth investigation was required. For collecting data form the field interview and observation technique were followed. A questionnaire was prepared and pretested. Data was collected from the respondents through this questionnaire.

**Data processing, analysis and interpretation:** After completion of field study efforts were made to compile and edit the collected data to ensure the accuracy and validity of the information. Emphasis was given on qualitative interpretation while quantitative analysis was also done where necessary. Simple statistical method such as percentage, mean has been applied in some cases.

**Presentation of data:** The analyzed data have been presented efficiently. Bar diagram, Column diagram, and other presentation tools have been used with the data table.

**Findings of the Study:** The empirical findings revealed that in terms of child rights situation in family and working place of child labourer, it was evident from both primary and secondary data that child labour not only delayed the proper physical and mental development of a child but also denied adequate recreational facilities and sleeping time even sleeping place in some cases. Other notable findings are as follows

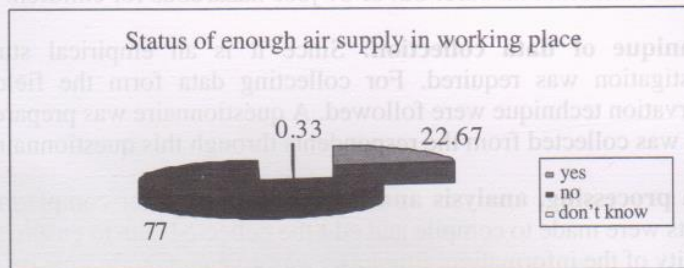
#### **Working condition that exists**

Congenial working condition depends on various infrastructural advantages like enough space, enough light, enough air supply and adequate toilet and water facility. Moreover, good working relation between owners and workers is also crucial. Status of enough air supply in working place of child labourers' can be viewed by the following graph:

**Table- 1 Distribution of child labourers by their status of working place facilities**

Characteristics	Air supply		Safe water		Enough light		Toilet	
	Number	Percent (%)	Number	Percent (%)	Number	Percent (%)	Number	Percent (%)
Yes	68	22.67	72	24.0	135	45.0	53	17.67
No	231	77.0	227	75.67	161	53.67	247	82.33
Don't Know	1	.33	1	.33	4	1.33	-	-
Total	300	100	300	100	300	100	300	100

Figure-1



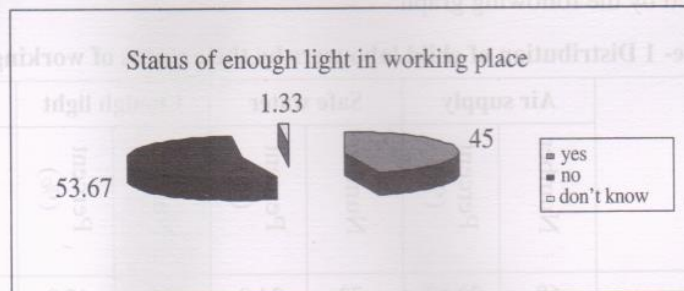
Source: Data Collected from the Study

The study explores the infrastructural advantages that exist in their working places. As far as enough air supply is concerned, most of the surveyed children informed that they found their working places with insufficient air supply; (77%) respondents informed that provision of air supply in their working places is not enough. But (22.67%) respondents felt that they have enough air supply in their workplace.

In terms of enough light in the working place, more than half of the respondent (53.67%) is not happy with the existing lighting facilities in their working places. Unlike air supply, in terms of light, a good number of respondents (45%) seem that provision of light was enough in their working places. A small segment of respondents were not aware of it.

Status of lighting facilities in working place of child labourers' can be viewed by the following graph:

Figure-2

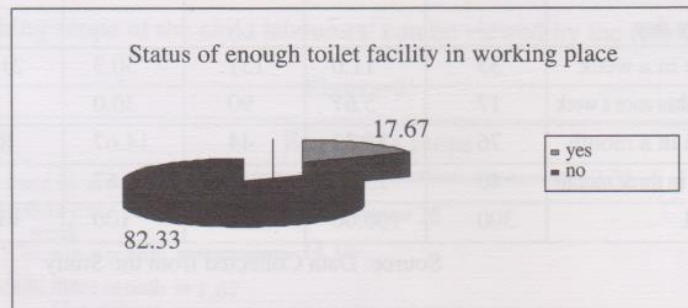


Source: Data Collected from the Study

In terms of enough space the respondents expressed their high dissatisfaction. A huge number of respondents informed that space in their work place was not enough (83.33%) workplace. Only (11.67%) of children felt that their working

places have enough space. A segment of children is not sure whether they work in spacious place or not. A huge number of respondents show their dissatisfaction towards the toilet facility they have. Most of the respondents (82.33%) seem that the toilet facility at their work place is not adequate. The rest of the children, around (17.67%), felt that the toilet facility they have was adequate for them. Status of enough toilet facilities in work place of child labourers' can be viewed by the following graph:

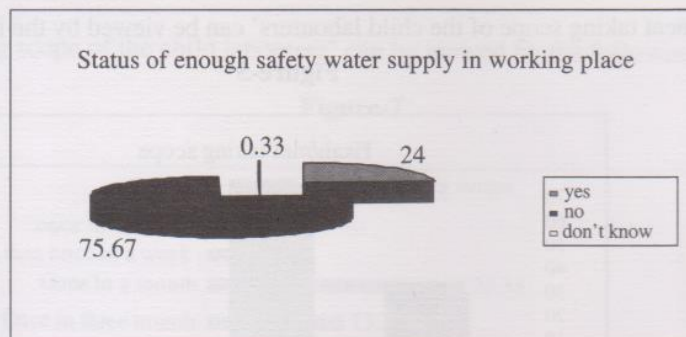
Figure-3



Source: Data Collected from the Study

Availability of safe drinking water is another important element in terms of ensuring a congenial working environment. The data reveals that more than three fourth of the respondents, (75.67%) informed that they do not have safe drinking water. The rest (24%) of respondents think that safe water was available in their work places. Status of enough safety water in work place of child labourers' can be viewed by the following graph:

Figure-4



Source: Data Collected from the Study

## Food habits of child labourer

Table- 2 Distribution of food habits among children

Characteristics	Milk drinking scope		Egg eating scope		Fish/meat taking scope	
	Number	Percent (%)	Number	Percent (%)	Number	Percent (%)
Cannot eat/ drink	134	44.67	10	3.33	-	-
Every day	-	-	-	-	8	2.67
Once in a week	33	11.0	151	50.3	210	70.0
More than once a week	17	5.67	90	30.0	-	-
Once in a month	76	25.33	44	14.67	82	27.33
Once in three month	40	13.33	5	1.67	-	-
Total	300	100.00	300	100	300	100

Source: Data Collected from the Study

The food habit or scope plays an important role for the physical and mental growth of the children. Hypothetically it was believed that these working children did not have enough scope to take or drink three major foods and lacking of these foods might create nutritional deficiency among children; these foods are fish/meat, egg and milk.

The data reveals that apart from few exceptions these major foods are not taken by children on a daily basis. In terms of fish/meat, the data shows that the highest number of children, more than half of the children (70%) eat fish/meat once in a week. The second position holds more than one fourth of the children who eat fish/meat once in a month. The lowest number of children, only (2.67%) of children, can eat fish/meat daily.

Fish/meat taking scope of the child labourers' can be viewed by the following graph:

Figure-5

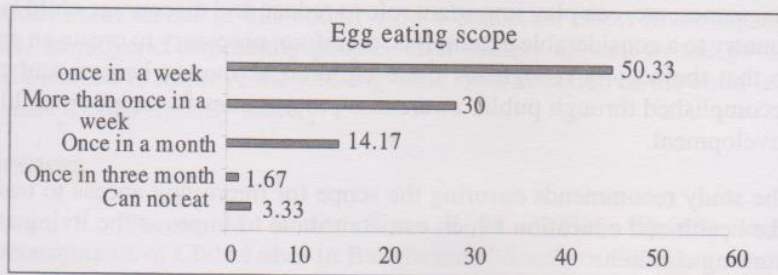


Source: Data Collected from the Study

In terms of drinking milk which is considered as ideal food for the children, the data shows that the highest number of children basically cannot drink milk; about half of the children (44.67%) children are deprived of drinking milk. The second highest is more than one quarter of the children (25.33%) can drink milk once in a month. Drinking milk more than once in a week is a privileged option for only a small segment of children (5.67% children). 11% informed they can drink milk once in a week. For a considerable number of children, (13.33%), children drinking milk once in three months.

Milk drinking scope of the child labourers' can be viewed by the following graph:

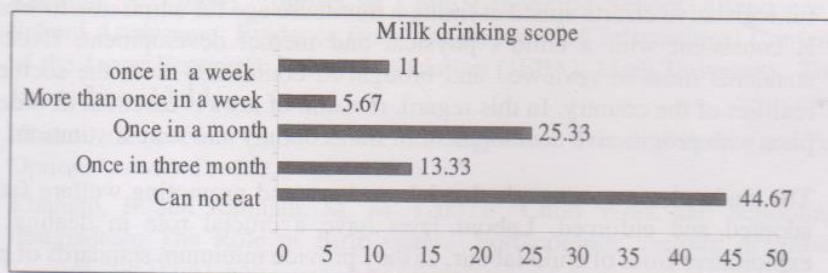
Figure-6



Eating eggs is a relatively easy option for these children compare to milk. The highest number of children, (50.33%) of the children, can take egg once in a week. Moreover, in case of milk, (45%) of children found they cannot drink it; but in case of egg (3.33%) of children found that they cannot eat egg. A considerable number of children, more than one fourth of the children, (30%) of children can eat egg more than once in a week. A segment of children, (14.67%) of children can afford egg once in a month. A small portion of children (1.67%) children can eat egg for once in three months.

Egg eating scope of the child labourers' can be viewed by the following graph:

Figure-7



Source: Data Collected from the Study

## Recommendations

Along with the survey, a good number of literatures were reviewed. All the studies, including the current, show that both push and pull factor mainly stems from poverty, forcing children to enter hazardous works. Extreme poverty, lack of access to education, unemployment problem in the rural areas, lack of scope for institutional skill development, lack of knowledge about the harm of child labour are push factors. Pull factors like cheaper wage, easier handling of children than that of adult's etc. promotes child labour.

Initiative should be taken to publish the harmful aspects of child labour especially in hazardous sectors. Different media like television, radio, newspapers, magazines, etc. can play important role to reduce and discourage child labour in the country to a considerable extent. It is, therefore, necessary to create an environment so that the society recognizes these children as human beings, and this can be accomplished through public awareness programmes focusing on child rights and development.

The study recommends ensuring the scope for improving access to basic services like health and education which can contribute to improve the living standards of working children.

Pragmatic actions against child labour require collaborative intervention by the Government NGOs, and member of civil society.

The study also recommends ensuring children's participation in making decision for child labour elimination initiatives. There is a growing consensus that, the children should be given a voice to express what do they need, what are their best interests how they feel about the social responsibility in addressing their issues. In this regard, consultation with children on matters affecting them is a crucial strategy for ensuring children's participations in decision making. This initiative would help to develop an agenda for strengthening the social, economic and political position of children, in which they live and work.

The study recommends a strong commitment from the Government of Bangladesh for legislative efforts aimed at fixing a minimum age for admission to work, which is consistent with a child's physical and mental development. Existing legal standards must be reviewed and brought in conformity with the socioeconomic realities of the country. In this regard, revision of laws is essential in order to keep pace with progressive development of the economy and state institutions.

The study also recommends that labour laws and promoting welfare facilities be adopted and enforced. Labour laws have a crucial role in dealing with the exploitative from of child labour, as they provide minimum standards of protection in situations where child is inevitable and unavoidable.

## **Conclusion**

In this research we got some new findings which are unparallel to other studies. Findings of this study reveal that most of the children are working to earn their livelihood, while there are children who were found disinterested to education. Long working hours; less payment; risky and unhealthy environment of the working places are harmful to their well-being and development. Most of the employers/owners are interested in employing children as they (children) are easy to be exploited; As a result the hazardous child labourer is highly exploitative. So, the rights of child labourer should be established for the great interest of children. It is hoped that the study will facilitate and influence in assisting policy makers, researchers and other interested stakeholders to effectively combat the problem of hazardous child labour in this country. So a concerted effort involving children, parents, employers, community people, civil society as well as the government should be taken to improve the existing child right situation of the child labourers and create a child friendly society.

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## Search of the Lost Body in Things Fall Apart and Heart of Darkness: Genders in Conflict

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K. M. Monirul Islam\*\*

### Abstract

*An awareness of gender is important when approaching post colonial texts such as Things Fall Apart by Chinua Achebe and Heart of Darkness by Joseph Conrad, because women undergo experiences very differently from colonial and post colonial world. The experience of women within empire was often one of double oppressions. Whereas colonized men had to be subservient to their colonial masters, colonized women often had to be subservient to both their colonial masters and to the patriarchal nature of their own societies. For the most part, empire itself was strongly patriarchal, so that women from both colonizing and the colonized groups were marginalized and controlled. However, when approaching post colonial writing it should be kept in mind how different the portrayal of women in different regions, discourses, symbols from different classes and at different times can be. This diversity is important as it emphasizes the distinctive and the individual nature of women's experiences. In this paper we wanted to show that always women are the lost bodies in the conflicts of gender.*

### Introduction

The novels, *Things Fall Apart* by Chinua Achebe and *Heart of Darkness* by Joseph Conrad, as a side topic also explore the position of women in a modern African society influenced both by traditional and European values and firmly within the context of colonialism. The importance of gender based approaches to post-colonial literature reflects a growing awareness of the need for women to determine how they are represented and to assert their own histories and cultures. Indeed male writing can be seen as reflecting the values of the patriarchal society to which it belongs. Feminist literary criticism has a particular relevance in a post colonial context. Though both colonialism and patriarchy have been closely entwined historically an end to formal empire has not meant to an end to the oppression of women in the former colonies. On a literary level post colonial feminist point to the ways in which women continue to be stereotyped and marginalized, ironically by post colonial authors who might themselves claim to be challenging a culture of

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oppression. So, gender issues include the theoretical approach, social and ideological approach, psychological approach, discourse, categorized dependency relationship with historical differences, character representation, symbols, double colonization point of view and the visible body. These are what accessible in this composition.

Gender inequality or conflict is the unequal and biased treatment between the two sexes. It is strongly believed that the unequal treatment of women is something that should have stayed in primitive times. Materialistic theories define gender inequality as a result of how men and women are tied to the economic structure of society. They believe that women's role as a mother and wife are devalued by society and deny access to highly respected public opportunities. Lost bodies are the existences that are lost or defeated in the perennial conflict. Therefore the proposition of the topic is to show gender conflict with power play and the ultimate visible power in the texts. So, on the process feminism and colonialism may recurrently show up.

### Literature review

Feminism has always been a fascinating topic for African writers like Chinua Achebe, Wole Soyinka, and Joseph Conrad etc. Piles of literary works are done on this topic. In *An Image of Africa: Racism in Conrad's Heart of Darkness*, Chinua Achebe talks about feminism where he shows women's position in African society. Mezu, another critic remarks that Chinua Achebe's novels "have helped to develop what is known as African literature today" and showed the positive role female in his essay by stating Women constituted the "core of the rural workforce". While criticizing *Heart of Darkness* Gilbert and Gubar point out, 'Kurtz's mistress is a silent hieroglyph in the language strange that articulates both her mysterious history and her threatening hysteria'. In *Feminist Perspective of Heart of Darkness* Marlowe's view of women embodies the typical 19<sup>th</sup> century view of women as the inferior sex.

### Discussion

The position and image of women in *Things Fall Apart* is an important topic. Unfortunately, people have not paid much attention to it beyond going along with the assumption that this novel presents women as a sadly oppressed group with no power. A man belongs to his fatherland when things are good and life is sweet. But when there is sorrow and bitterness he finds refuge in his motherland. That is why it is said that mother is supreme. Women constituted the "core of the rural workforce" (Mezu). In fact, their extensive and strenuous labor makes possible the agrarian society Achebe portrays. As Uchendu tells Okonkwo, a woman has a

life-giving power that is to be revered on some level; this is why "Mother is Supreme" (Achebe 94-95) and this mysterious power is also why a woman, Chielo, can be priestess- "women know the secret of life since they are the source of life" (Okafor 9-10). Women are time and again thought of as the weaker, more vulnerable of the two sexes. In the novel *Things Fall Apart* by Chinua Achebe, women are scrutinized as second-class citizens, toothless and defenseless to the authority of men. Women are not respected as man, but as property, laborers, and the producers of children. A woman has no identity of her own; the status and position of her husband defines her. Achebe offers a precise depiction of the role of women in a male-dominated society in *Things Fall Apart*. Women are the primary educators of children. Through storytelling and other forms of interactions, they educate and socialize the children, inspiring in them intellectual curiosity about social ethics, relationships, and the human circumstances. The stories the women tell moreover builds up the artistic consciousness of the children, over and above entertaining them. Through their labour, they are an important pillar of the society. An excellent example of powerful women in the Ibo village is found in the role they play in the Ibo religion. The presence of Chielo, the priestess in *Things Fall Apart* is instructive. She is a spiritual leader, whose authority is unquestioned. It can also be run across the male chauvinism in the Okonkwo's obsession to manliness. For a female spirit to possess such an important role in the success of the yam crops is indicative of the actual deep-rooted power of women. When Okonkwo breaks the Peace of Ani, Ezeani proclaims,

*"The evil you have one can ruin the whole clan. The earth goddess whom you have insulted may refuse to give us her increase, and we shall all perish"* (Achebe 50-52)

Sometimes Uchenda's words reveal that women are viewed as the foundation of the clan and its people. They are the constant that can be relied upon; they are the nurturers and caretakers of the people. These are not insignificant, powerless roles. But again:

*"No matter how prosperous a man was, if he was unable to rule his women and his children (and especially his women) he was not really a man"* (Achebe 45).

Women are bought to become a man's "wife", which shows that they are thought more of as play toys, slaves, or property, rather than companions. Men are the only sex allowed to own land in the villages, which shows the purpose of men to make a profit and support his family. His oppositional values are those of art, in tandem with a playful irony and an amorality that resounds with his relaxed disposition to the world.

In Joseph Conrad's novella, *Heart of Darkness*, the representation of women is extremely limited. Conrad's portrayals are extreme stereotypes meant to depict the entire female gender. Through these extreme stereotypes, Conrad is able to illustrate his themes of darkness and brutality. Joseph Conrad depicts only three main women in his novel: the aunt of Marlow, as well as the mistress and his fiancée. These roles though limited in their descriptions, are meant to represent the commonly perceived (as well as extremely stereotypical) positions of women in society, i.e.: the mother, the whore and the dutiful Lady/virgin. The juxtaposition of the Intended with Kurtz's mistress highlights the traits of the culturally constructed Victorian woman. She has assembled for herself a tomb of darkness, where everything personifies the sterile and lifeless existence of her kind. All of the women in Conrad's novella are depicted in an unthreatening manner, easily dominated and controlled by men. These representations allow the central themes to be illustrated for the author, showing that they are of male phenomenon.

If in the modernist context the discourse is considered then it is very humiliating for women in both the texts. The narrator mentioned that the word for a man who had not taken any titles was "agbala", which means "woman." Again:

*'The crime was of two kinds, male and female. Okonkwo had committed the female, because it had been inadvertent'.* (Achebe, 34).

*'...it was clear from the way the crowd stood or sat that the ceremony was for men. There were many women, but they looked on from the fringe like outsiders'.* (Achebe, 62).

To level the accusation as Petersen does that *'the obvious inequality of the sexes seems to be the subject of mild amusement for Achebe'*, is truly unfair (Kristen 23).

In the deconstructive method, Marlow is not only the narrator of the story, but also a character within the story itself. His comments about women, and his response to the "dead negro" - show him as a typical Englishman capable of insensitive jokes. Secondly, he uses an overt male language.

*The mind of man is capable of anything - because everything is in it, all the past as well as all the future. What was there after all? Joy, fear, sorrow, devotion, valour, rage - who can tell? - but truth - truth stripped of its cloak of time. Let the fool gape and shudder - the man knows, and can look on without a wink. He must meet that truth with his own stuff - with his own inborn strength* (Conrad 51).

Here, Marlow is not only universalizing a relative concept like truth, but also making it an all-male meta-narrative which only men can comprehend because of

their vast intellectual capacity: and thus, he is excluding women from the realm of wisdom without a second thought. But his assertion that male speech "*cannot be silenced,*" already implies the ironic displacement within itself. Is there, then, a possibility of silencing it? It seems so, since the male voice feels threatened by this possibility, and resists this displacement. This masculine language connects itself with the masculine value system, in other words, with the culture and ideology of Western societies which place it in a complex interrelationship to the patriarchal and imperialist ideologies.

The contrast between Kurtz's Intended and his Mistress reveals to the contemporary reader this undeniable Victorian provenance - women are effectively marginalized from power and silenced by the text's endorsement of British values. The figure of the African woman in *Heart of Darkness*, inasmuch as she functions as a silent hieroglyph, can be reduced neither to a one-dimensional other, nor understood and hence assimilated into Marlow's world-view in the way Barthes has outlined. Furthermore, by depicting the native woman as speechless, Conrad places her at the center of issues of colonialism. Frantz Fanon, in a somewhat different yet related context argued, "*I ascribe a basic importance to the phenomenon of language...one of the elements in the man of color's comprehension of the dimension of the other.*" For it is implicit that to speak is to exist absolutely for the other". France Fanon argues further that Existence is language, and language is always a matter of politics ("*Black Skins*", 18). Thus, existence is a product of language and the colonized subject must learn the master's language in order to be human. By portraying the woman as mute, Conrad makes her less than human and powerless to engage in a dialogue with her master, Kurtz, except through her sexual power. So on the one hand, as representative of the native people, she possesses animal instincts and is incapable of being civilized. Also in case of the representations both the texts play games and ironies.

*guardians of the door of darkness" usher the men into another world altogether - that of the uncivilized jungle (Conrad 8).*

The passage that we are about to quote exhibits the text's divided attitudes toward female power: on the one hand, Conrad/Marlow fears the savage woman's sexual mystery, on the other hand he admires and is fascinated by it. As Gilbert and Gubar point out, '*she is a silent hieroglyph in the language strange that articulates both her mysterious history and her threatening hysteria*'. Her presence suggests another silence in the text, the taboo which Conrad never addresses openly, namely her sexual liaison with Kurtz. Ironically, the text reveals Conrad's African version of womanhood and sexuality as real and potent while the Intended is a pure Victorian fantasy, a tradition of the English novel which includes such stereotypes of the fair, insipid heroine, as Amelia in Thackeray's *Vanity Fair*, a tradition which

Conrad inherited. In a recent study of *Vanity Fair*, Suvendrini Perera uses the term oriental misogyny to describe the representation of gender relations in the English novel:

*she was superb...wild eyed and magnificent and like the wilderness itself* (Conrad 56)

She symbolizes dynamic energy. For closely linked to this issue of female power is the power of language versus the power of silence. In this passage we see that the power to describe is one exercised through language by Marlow. Yet, in the final analysis, the silent gaze of the 'savage' woman is more articulate and powerful than Marlow's words. But through different images Conrad shows that men are dominating. The sea is a man's world where he goes through trials and initiations that test his manhood, and why? Is there an obsession in the past history and today with manliness and manpower? The final irony in the novel may be that Kurtz's last cry is her name and a desperate pronouncement in the spuriousness of one-sided idealism:

*The last word he pronounced was your name* (Conrad 178)

The initial quarrel between Earth and Sky reflects *Things Fall Apart's* basic conflict: The struggle between masculine and feminine powers and principles for the Earth is the Goddess Ani, the source of all fertility and the sky is the God. Okonkwo is consistently associated with masculinity and opposes femininity. Christianity embodies the qualities that Okonkwo considers womanish-love mercy, affection etc. Like Nietzsche Achebe seems to consider the warrior culture healthy and he a healthy pagan master morality overcome by Christianity and believes Christianity levels everybody down. As Audre Lorde says:

*Women of today are still being called upon to stretch across the gap of male ignorance, and to educate men as to our existence and our needs. This is an old and primary tool of oppressors....*

### Findings

These male-centered writing has created the conventions by which all our literary thinking has been conditioned. But, it is powerfully challenged and re-adjusted by feminist literary criticism. Postmodern texts displace the centre of authority and origin in texts, and they question the very premises these origins are based on. Hazel Carby advocates that black feminist criticism should be critically regarded as a problem not a solution. The histories of both colonized and colonizer are written in the male point of view- women are peripheral if they appear at all. Colonial custom and practice stemmed from a world's view which believes in the absolute

superiority of the human over the non-human and the subhuman...the masculine over the feminine. One major thesis that emerged from this is that African women suffered from 'double colonization': one from the European domination and the other from the indigenous tradition imposed by the African men. For females, colonization was a two folds process of racial inferiorization and gender subordination. Women often gas had multiple identities and it was one of the social motive to categorize women.

### **Conclusion**

According to the schema of Darwinism man has not been created specially or separately from other animals-nor has women. It is the socio cultural phenomenon that has created 'survival'. The twin specters of degeneration and apocalypse haunted the final years of the 19<sup>th</sup> century. One of the main objects of this is to examine the complex discursive conjunctions of gender and their relationship to the social apocalypse. The coupling of post colonial with woman, however, almost inevitably leads to the simplicities that underlie unthinking celebrations of oppressions, elevating racially the female voice into a metaphor for the 'good' Such metaphoricity cannot be exactly called essentialist but it certainly functions as an impediment to a reading that attempts to look beyond questions of good and evil. So, women in *Things Fall Apart* are insulted and oppressed, but their contribution to farm and family is at least in places acknowledged. Women in *Heart of Darkness*, on the other hand, are isolated and protected; White women, that is. Black women in *Heart of Darkness* are depicted as more like Achebe's Ibo women of *Things Fall Apart* than like their European counterparts. But the ultimate proposition is that in both the texts females are the lost bodies in the conflicts of Gender.

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## **Job Satisfaction of Private and Public Banks' Employees in Sylhet City: An Evaluation**

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### **Abstract**

*Job satisfaction is an important and burning researchable issue for academicians and researchers. The success or failure of any organization especially banking sector largely depends on employees' job satisfaction. The main purpose of this paper is to find out some important factors that affect the employees' job satisfaction and to compare between private and public sector banks. The sample consists of 80 bank employees taking 40 from 4 public sector banks and 40 from 4 private sector banks. Questionnaire method is used to collect information. The questionnaire consists of two parts including demographic part and another part is on factors affecting job satisfaction. A five point Likert scale has been used to rank the collected data. The researchers have used percentage, mean, standard deviation and t test to analyze the collected data. The major findings of this study are the employees of public banks perceive greater satisfaction with job security and compensation packages as compared to private banks employees. On the other hand, private sector banks employees have expressed greater satisfaction with salary and co-worker relationship as compared to those of public sector banks employees.*

### **Introduction**

At present, human life has become more stressful and complicated. The needs and requirements of the people are increasing and changing. When needs are not fulfilled, they become dissatisfied. Dissatisfied peoples' contributions are very low. Job satisfaction is one of the most popular and widely researched topics in the field of organizational psychology (Spector, 1997). Locke (1976) defines job satisfaction as 'a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences'. Employees who have higher job satisfaction are usually less absent, less likely to leave, more productive, more likely to display organizational commitment, and more likely to be satisfied with their lives (Lease, 1998), (Sharma and Khanna, 2014). Job satisfaction is the

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positive and negative attitude towards the job of employee. When a person says that he has high job satisfaction, it means that he really likes his job, feels good about it and values his job dignity. Job satisfaction is important technique used to motivate the employees to work harder. It is often said that “a happy employee is a productive employee” (Chahal et al. 2013). A satisfied, happy and hardworking employee is an important asset of any organization, including banks. Banking financial institutions are the backbone of a nation's economy; so the efficient human resources management and the maintenance of higher job satisfaction levels affect the entire economy's growth and performance. Mizan et al. (2013) said that the environment of banking sectors in Bangladesh is fairly competitive and they need to ensure the employees job satisfaction to perform efficiently. There are a variety of factors that can influence a person's level of job satisfaction. Some of these factors include Organizational policy and strategy, salary, promotion, bonus and rewards, job security, relationship with coworkers/supervisors, work culture, working condition, motivation, training and Efficiency, etc. Banking sectors are growing fast in last ten years in Bangladesh. The banking sector comprises four categories of scheduled banks: i) State Owned Commercial Banks (SOCBs), ii) Specialized Banks (SDBs), iii) Private Commercial Banks (PCBs): a) Conventional PCBs b) Islami Shariah based PCBs and iv) Foreign commercial banks (FCBs). There are now 14 non-scheduled banks in Bangladesh, (Bangladesh Bank, 2015). Workforce of any bank is responsible for its productivity and profitability. So, for the success of banking, it is very important to manage human resource effectively and to find out whether it's employees are satisfied or not. High job satisfaction indicates well managed organization. It is a measurement of supportive working environment in an organization.

### Objectives

The main objectives of this study are as follows:

- i. To identify the factors those satisfy the bank employees in Bangladesh.

Job Satisfaction of Private and Public Banks' Employees in Sylhet City

### Hypothesis

**H<sub>0</sub>:** The Level of job satisfaction in private sector banks is lower than public banking sectors.

**H<sub>1</sub>:** There is no significant difference between the employees of public and private banks in respect of their job satisfaction.

## Methodology

Data collection is one of the major requirements to conduct any research. In this paper data has been collected from two sources:

**i) Primary Sources:** A high structured questionnaire has been used to collect the data from four public and four private banks in Sylhet city. From each bank ten employees are selected by the researchers. Here judgmental sampling has been used to collect the data from the respondents. Judgmental sampling is a non probability sampling where the researchers select the units to be sampled based on their knowledge and judgment. This type of strategy is termed as purposive sampling technique.

**a) Population:** All the employees of the selected banks such as managers, senior officers, officers and junior officers have been addressed in this study.

**b) Sample Size:** The total number of sample is 80 bank employees. 40 employees are taken from public banks and 40 employees are taken from private banks. Here is a table of collected data.

**Table No. 1: Name of the banks and number of employees.**

Public Banks	Total	Male	Female	Private Banks	Total	Male	Female
Sonali Bank	10	6	4	Southeast Bank	10	7	3
Agrani Bank	10	6	4	City Bank	10	8	2
Rupali Bnak	10	10	0	Dutch Bangla Bank	10	5	5
Janata Bank	10	10	0	Trust Bank	10	8	2
<b>Total</b>	<b>40</b>	<b>32</b>	<b>8</b>	<b>Total</b>	<b>40</b>	<b>28</b>	<b>12</b>
<b>Percentage</b>	<b>100</b>	<b>80</b>	<b>20</b>	<b>Percentage</b>	<b>100</b>	<b>70</b>	<b>30</b>

Source: Authors' Compilation based on Field Survey, 2015

Total respondents are 80 employees and of them male are 60 (75%) and female are 20 (25%) in numbers. The questionnaire has two parts. Part 1 has demographic information and part 2 has factors influencing job satisfaction. To find out the influencing factors relating to job satisfaction, fourteen factors have been considered as independent factors and only one factor is considered as dependent factor that is job satisfaction. These fourteen factors are rated by Five Points Likert Scale. These are: 1=Strongly Dissatisfied, 2=Dissatisfied, 3=Average, 4=Satisfied, 5=Strongly Satisfied. To verify the collected data relating to influencing factors several statistical analysis i.e., descriptive analysis and t test were conducted.

**ii) Secondary Sources:** Secondary data has been collected from websites, journals, books etc. Several articles from various journals have been consulted to develop the leading ideas.

**Limitations**

There are some limitations of this study. They are:

- 1) The data have been collected from only the Sylhet region. So it is difficult so show the whole scenario of job satisfaction both in private and public commercial banks' employees throughout Bangladesh.
- 2) At the time of data collection, it is found that some respondents feel hesitate to provide actual information about their job. So, it may affect the actual results of the study.
- 3) The ratio of female respondents is comparatively lower than the male respondents. The percentage is only 25%. So, it is difficult to know the actual situation of female employees' job satisfaction.
- 4) Sample size is only 80 employees (public 40 and private 40). Actually this sample size is small to compare the public and private employees' satisfactions in Bangladesh.
- 5) Satisfaction level differs from person to person.

**Literature Review**

Literature reviews help a researcher to develop his or her ideas about a certain theme. There are thousands of research papers on job satisfaction because no organization can go a single day without employees. If employees are happy the organization can succeed very soon. For this reason the researchers try to find out the influencing factors of job satisfaction and try to compare between the employees of private and public banks. To conduct this research the researchers take help from the following authors' writings.

(Bora, 2014) observed that degree of job satisfaction of private sector banks was found to be comparatively slightly lower than in public sector banks. The main reasons for job dissatisfaction in Private sector bank were job security, salary not at par with experience, not much value or credit was given for the tasks accomplished and monotonous nature of job. Employees of private sector banks perceive that their jobs are not secure. In public sector banks, welfare policies are clearly defined and legally enforced. Retirement, pensions, gratuity, and other related welfare policies are effectively executed. So there is no problem with social security. In private sector banks, welfare activities are neither well planned nor well executed. Employee turnover is very high and job

security is very low. She also showed the factors that affect the job satisfaction. These are (1) Communication & information flow, (2) Interpersonal relationship, (3) Credit / value to work, (4) The job itself, (5) Degree of motivation for the job, (6) Current career opportunities, (7) Level of job security, (8) Involvement & identification with org goals, (9) Nature of supervision, (10) Implementation of change & innovation, (11) Kind of tasks required to be performed, (12) Extent of personal growth & development, (13) Conflict resolution, (14) Association of job with individual aspiration and ambition, (15) Participation in decision making, (16) Degree of skill utilization, (17) Flexibility & independence, (18) Organizational climate, (19) Level of salary with respect to experience and (20) Satisfaction with organization structure.

**(Pragya and Sandeep, 2015)** observed that degree of job satisfaction of private sector banks was found to be significantly lower than in public sector banks. At least three reasons were found to be responsible for the low job satisfaction level of employees of private sector banks. These are (i) Pay, ii) Work relationships and iii) Use of skills and abilities. In the study, Job satisfaction was measured on the basis of four variables. These are (i) Pay and promotion potential, (ii) General working conditions (for example, safety, heat, noise, and dust), (iii) Work relationships (for example relation with superiors, peers, subordinates and workers) and (iv) Use of skills and abilities. Private sector jobs do not have the required reputation and prestige as compared to government jobs. If it is a private company then satisfaction will be very low and people will try to switch to a government job. Government jobs are symbols of status, prestige, security and social acceptance. Private sector jobs are the second choice.

**(Padhy and Bhuyan, 2015)** indicated that significant differences exists between employees of Public Sector and Private Sector Banks regarding various aspects of job satisfaction, pays, supervision, security, acknowledgement. But they are significant in case of the aspects, secure, promotion, relation with co-workers, employee's empowerment, supervision, and nature of job. They observed that degree of job satisfaction of private sector banks was found to be comparatively slightly lower than in public sector banks. The main reasons for job dissatisfaction in Private sector bank were job security, salary not at par with experience, not much value or credit was given for the tasks accomplished and monotonous nature of job. Employees of private sector banks perceive that their jobs are not secure. In private sector banks, the environment is highly competitive and job security is based on performance and various other factors. Though it is true that this environment provides a challenging job profile, it also creates a less secure environment.

Industriousness, dedication, devotion, and commitment are not enough to secure a job. On the other hand in public sector banks, welfare policies are clearly defined and legally enforced. Retirement, pensions, gratuity, and other related welfare policies are effectively executed. So there is no problem with social security. In private sector banks, welfare activities are neither well planned nor well executed. Employee turnover is very high and job security is very low.

(Chothani, 2015) said that 'After extensive literature review, Sowmya and Panchanatham (2011) reveals that job satisfaction is dependent on supervisor behavior, coworker behavior, pay and promotion, job and working condition and organizational aspects. In the case of job satisfaction aspects, commercial banks employee perceived pay and promotion as an indispensable factor to decide their satisfaction level. Public Bank Employees and Private Bank Employees differ significantly in their job satisfaction. Public Bank Employees have high level of job satisfaction than Private Bank Employees. The main reasons for job dissatisfaction in Private bank were job insecurity, salary not at par with experience, not much value or credit was given for the tasks accomplished and monotonous nature of job.'

(Devi and Suneja, 2013) found that significant difference exists between employees of Public Sectors Banks (PSBs) and Private Sector Banks (PVSBS) regarding pay increments. The employees of PVSBS are more satisfied with pay increments and revision than that of PSBs employees. No significant difference has been found regarding various aspects of relation with co-workers which indicates that employees of both PSBs and PVSBS feel same level of satisfaction in their organization. They also found that no significant difference exists between employees of Public Sectors Banks (PSBs) and Private Sector Banks (PVSBS) regarding various aspect of employee empowerment except two. Employees of PVSBS are more satisfied than the employees of PSBs regarding the statement 'I am happy with the amount of freedom I have to decide how I approach my work and 'the amount of time I have to perform various job activities'. Thus, in both statements the level of satisfaction has been found more in case of employees of PVSBS than those of PSBs. Again they showed that employees of both PVSBS and PSBs are satisfied with their supervision. The significant difference has been found in the mean scores regarding the statement 'I am comfortable with how much direction I receive from my boss'. It indicates that employees of PSBs are more satisfied than the employees of PVSBS in this regard. In short they said that significant differences exists between employees of Public Sector and Private Sector Banks regarding various aspects of job satisfaction, pay and fringe benefits, supervision, training and development. But they are significant in case of the

aspects, relation with co-workers, employee's empowerment, supervision, performance appraisal and nature of job.

(**Sehgal, 2012**) indicated that there is not much difference in the level of job satisfaction between public (UCO) banks and private (AXIS) banks, but regarding some factors like job security, salary offered to employees, benefits given to the employees and experience, the satisfaction level differs in both the banks. The employees of public Bank are highly satisfied with the level of job security as compared to the employees of private bank, as UCO Bank is public sector bank whereas AXIS Bank is a private sector bank. When it comes to salary package in relation to the experience of employees, the employees at public Bank are more satisfied than the employees of private Bank. The employees at the public Bank are also happy regarding the benefits they get like promotions appraisals, incentives etc. The author also showed that highly experienced employees at public Bank are more satisfied with their job as compared to the employees at private bank.

(**Jain et al. 2012**) observed that degree of job satisfaction of private sector banks was found to be significantly lower than in public sector banks. Job satisfaction was measured on the basis of five variables. These are (i) pay, (ii) work condition (for example, safety, heat, noise, and dust), (iii) service conditions (for example, security, promotion, and welfare), (iv) relation with superiors, peers, and workers, and (v) company as a whole. Among four variables, the degree of difference is not noticeable. But low scores of the third variable, service conditions, were found to be responsible for overall low degree job satisfaction in private sector banks. Employees of private sector banks perceive that their jobs are not secure. In public sector banks, welfare policies are clearly defined and legally enforced. Retirement, pensions, gratuity, and other related welfare policies are effectively executed. So there is no problem with social security. In private sector banks, welfare activities are neither well planned nor well executed. Employee turnover is very high and job security is very low.

(**Monga et al. 2015**) found that factors of salary, inter-personal relationship, and communication, attitude of superiors, working conditions and team work are more significant in determining job satisfaction of employees.

(**Varshney and Malpani, 2014**) said that Job satisfaction is a psychological concept and it is mostly depend upon the internal feeling of employees. There are a lot of independent variables on which job satisfaction is depending. These are educational qualifications, nature of work, pay, job security, promotional opportunities and family & work life balance. The employee's satisfaction improves the productivity and profit. So it is important both employees and employer also.

(Parveen and Khan, 2014) showed Salary, Compensation & Benefits; Promotion; Career Development & Training; Interpersonal Relations and Working Conditions (Independent variables) and Job Satisfaction (dependent variable) play a significant role in employee satisfaction, resulting in increased employee satisfaction and loyalty. They also showed that very high degree of positive correlation between the independent variables (working conditions and Career Development & Training) and the dependent variable Total Job Satisfaction.

(Sharma and Khanna, 2014) indicated that factors including salary of employees, performance appraisal system, promotional strategies, employee's relationship with management and other co- employees, training and development program, work burden and working hours are found important for improving job satisfaction of bank employees in banks. Increase in level of these factors improves overall satisfaction of employees.

(Sattar and Ali, 2014) determined that all the variables promotions, work environment, leadership behaviour and job satisfaction have significant relationship with employees job satisfaction.

(Chahal et al. 2013) defined job satisfaction as an extent of positive feelings or attitudes that individuals have towards their jobs and it is mainly depend on various factors such as salary of employees, performance appraisal system, promotional strategies, employee's relationship with management and other co-employees, training and development program, work burden and working hours, nature of job, working environment, incentives linked job, promotional methods, etc., Employee's welfare measures and Job security should be given utmost importance, so that the employee's turnover may be restricted. If these factors are given little more care, the company can maintain good workers with high level of satisfaction, organizational commitment and involvement. This will in turn lead to effectiveness and efficiency in their work which leads to increased productivity. Researcher concluded that overall the job satisfaction of bank officers though is not very high but still satisfactory. But there is still considerable room for improvements. An organization should try to take every possible step to enhance job satisfaction among employees because if employees are satisfied then customers associated with it will also be satisfied.

(Hong et al. 2013) indicated that work environment, pay and salary and promotion criteria significant impact towards employees' level of job satisfaction whereas fairness of the company do not have significant impact towards the employees' level of job satisfaction.

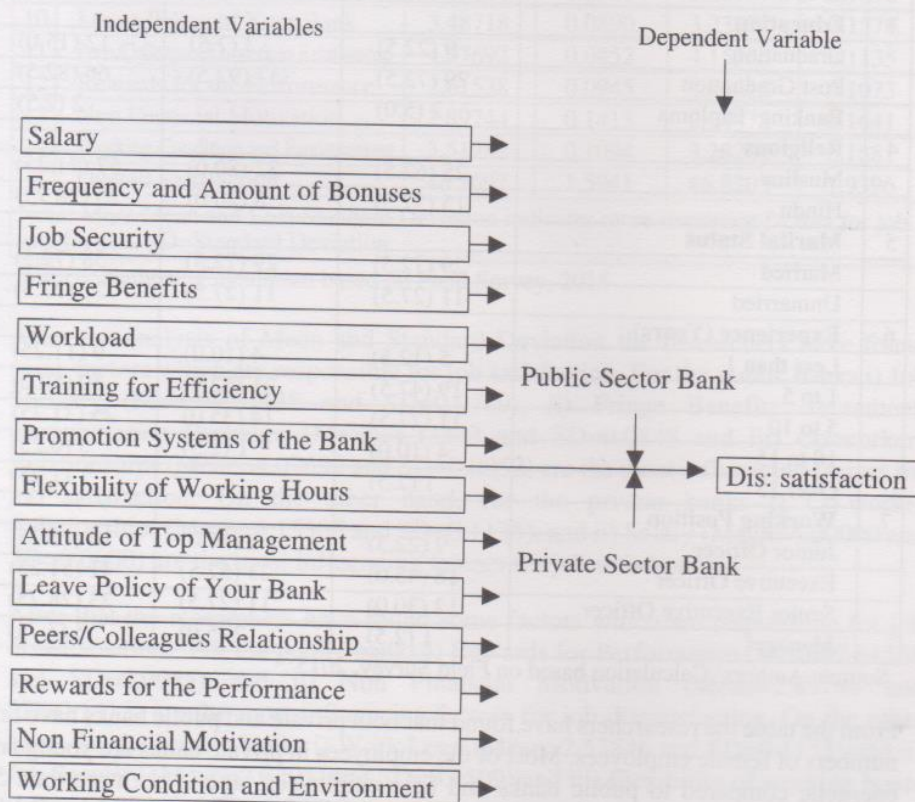
(Islam and Zaman, 2013) identified organizations with pleased employees tend to be more helpful than associations with displeased employees. This

learning accepted the affiliation between independent variables (motivation and job security) and dependent variable (job satisfaction). Because, high level of job satisfaction increases employees work involvement and task performance.

(Saleem et al. 2013) found that job stress, communication and personality have a significant but weak impact on job satisfaction whereas recruitment & selection procedures, organizational policy & strategy and nature of work have a significant and strong impact on employee job satisfaction.

On the basis of introduction and literature reviews, the researchers have formulated a research model which is given here.

**Chart No. 1: Research Model**



Source: Authors' Compilation, 2015

This research model shows that hypothetically independent variables affect the dependent variable.

## Analysis and Findings

### Demographic Information

**Table No. 2: Profile of the Respondents**

Sl. No.	Demographic Profile	Public Banks	Private Banks	Total
1	<b>Gender</b>			
	Male	32 (80.0)	28 (70.0)	60 (75.0)
	Female	8 (20.0)	12 (30.0)	20 (25.0)
2	<b>Age (Years)</b>			
	Less than 30	6 (15.0)	16 (40.0)	22 (27.5)
	31 to 40	23 (57.5)	20 (50.0)	43 (53.75)
	41 to 50	6 (15.0)	4 (10.0)	10 (12.5)
	51 to 60	5 (12.5)		5 (6.25)
3	<b>Education</b>			
	Graduation	9 (22.5)	3 (7.5)	12 (15.0)
	Post Graduation	29 (72.5)	37 (92.5)	66 (82.5)
	Banking Diploma	2 (5.0)		2 (2.5)
4	<b>Religious</b>			
	Muslim	25 (62.5)	32 (80.0)	57 (71.25)
	Hindu	15 (37.5)	8 (20.0)	23 (28.75)
5	<b>Marital Status</b>			
	Married	29 (72.5)	29 (72.5)	58 (72.5)
	Unmarried	11 (27.5)	11 (27.5)	22 (27.5)
6	<b>Experience (Years)</b>			
	Less than 1	5 (12.5)	4 (10.0)	9 (11.25)
	1 to 5	19 (47.5)	21 (52.5)	40 (50.0)
	5 to 10	11 (27.5)	14 (35.0)	25 (31.25)
	10 to 15	4 (10.0)	1 (2.5)	5 (6.25)
	Over 15	1 (2.5)		1 (1.25)
7	<b>Working Position</b>			
	Junior Officer	9 (22.5)	4 (10.0)	13 (16.25)
	Executive Officer	18 (45.0)	23 (57.5)	41 (51.25)
	Senior Executive Officer	12 (30.0)	11 (27.5)	23 (28.75)
	Manager	1 (2.5)	2 (5.0)	3 (3.75)

Source: Authors' Calculation based on Field Survey, 2015

From the table the researchers have found that both private and public banks have few numbers of female employees. Most of the employees in private banks are young and energetic compared to public banks and here employees' age is no more than 50 years. Most of the employees are highly educated compared to public banks. So the private banks' manpower is greater than public banks. These are the demographic information of the 40 respondents from public and 40 from private banks employees.

**Factors Influencing Job Satisfaction**

**Table No: 3 Descriptive Analyses**

Sl. No.	Factors	Public Banks		Private Banks	
		Mean	SD	Mean	SD
1	Salary	2.97436	0.1298	4.00000	0.0900
2	Frequency and Amount of Bonuses	2.87179	0.1769	3.61538	0.1139
3	Fringe Benefits (Increment, Compensation)	4.33333	0.0848	3.02564	0.1663
4	Job Security	4.61538	0.0789	2.82051	0.1509
5	Workload	3.33333	0.1122	2.53846	0.1153
6	Training for Efficiency	3.71795	0.1216	3.61538	0.1252
7	Promotion Systems of the Bank	3.25641	0.1546	3.53846	0.1153
8	Flexibility of Working Hours	3.61538	0.1197	2.89744	0.1829
9	Attitude of Top Management	3.46154	0.0961	3.30769	0.1690
10	Leave Policy of Your Bank	3.48718	0.0890	3.23077	0.1578
11	Peers/Colleagues/Co-workers Relationship	4.07692	0.0852	4.15385	0.1135
12	Rewards for the Performance	2.61538	0.0945	3.84615	0.1073
13	Non Financial Motivation	2.89744	0.1413	2.94872	0.1641
14	Working Condition and Environment	3.51282	0.1094	3.28205	0.1681
	Overall Satisfaction	48.7692	1.5941	46.8205	1.9396

Note: More Mean and Less Standard Deviation indicates more important factors for job satisfaction. SD=Standard Deviation

Source: Authors' Calculation based on Field Survey, 2015

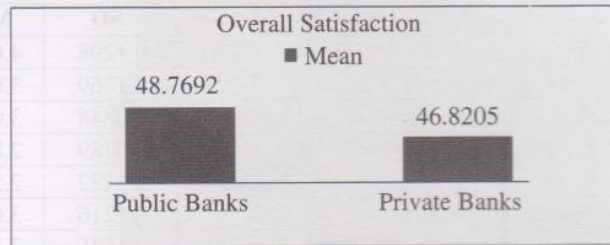
After the analysis of Mean and Standard Deviation the researchers have found some factors which are responsible for job satisfaction. For the public banks i) Job Security (Mean=4.61538 and SD=0.0789), ii) Fringe Benefits: Increment, Compensation Packages (Mean=4.33333 and SD=0.0848 and iii) Co-workers Relationships (Mean=4.07692 and SD=0.0852) are the most influencing factors for job satisfaction. On the other hand, for the private banks i) Co-worker Relationships (Mean=4.15385 and SD=0.1135), and ii) Salary (Mean=4.00000 and SD=0.0900) are the most influencing factors for job satisfaction.

After that the researchers have found some factors which are responsible for job dissatisfaction. For the public banks i) Rewards for Performance (Mean=2.61538 and SD=0.0945) and ii) Non Financial Motivation (Mean=2.89744 and SD=0.1413) are the most influencing factors for job dissatisfaction. On the other hand, for the private banks i) Work Load (Mean=2.53846 and SD=0.1153) and ii) Job Security (Mean=2.82051 and SD=0.1509) and iii) Flexibility of working hours (Mean=3.200 and SD=0.887).

Finally, the researchers have found that overall satisfaction of public banks employees is greater than the private banks employees because of public banks

have higher Mean of overall satisfaction than private banks. Public banks have Mean value of 48.7692 and Standard Deviation of 1.5941. On the other hand private banks have Mean value of 46.8205 and Standard Deviation of 1.9396.

**Chart No. 2: Overall Satisfaction**



Source: Authors' Calculation, 2015

So, it can be said that the employees of public banks are more satisfied than the employees of private banks

**Hypothesis test**

**H<sub>0</sub>:** There is no significant difference between the employees of public and private banks in respect of their job satisfaction.

**H<sub>1</sub>:** The level of job satisfaction in private sector banks is lower than public banking sectors.

**Table : 4 Mean, SD and 't' values of overall satisfaction scores of Public and Private Banks Employees.**

	Overall Satisfaction			't'
	N	Mean	SD	
Public Banks	40	48.7692	1.5941	4.9110**
Private Banks	40	46.8205	1.9396	

\*\*Significant at 0.01 levels. (2.639)

From the table, the calculated 't' value is found '4.9110' which is higher than the table value of '2.639' at the significance level of 0.01. Hence the Null Hypothesis "There is no significant difference between the employees of public and private banks in respect of their job satisfaction" is rejected. That means, there is a significant difference between the employees of public and private banks employees in respect of their job satisfaction. The Mean value indicates that the public bank employees scored better than private bank employees in respect of job satisfaction. So, Alternative Hypothesis "The Level of job satisfaction in private sector banks is lower than public banking sectors" is accepted.

### **Recommendation**

The main cause of dissatisfaction of private banks employees is that they feel insecure in their job. The cause of higher job satisfaction of public banks is that welfare policies are clearly defined and legally enforced in public banks. Retirement pension, gratuity and other related welfare policies are carefully executed. So, there is no problem of social security. On the other hand, in private sector banks, welfare policies are neither well planned nor well executed. So they have demand pensions, security and sometimes an easy lifestyle. For the public banks, salary is not satisfactory, so it should be increased. Jain *et al.* (2012) provides General suggestions for any organization to keep its employees satisfied are:- i) Understand employee first, ii) Understand his requirement, iii) Understand his interest of domain, iv) Understand his problems, v) Understand how much time is devoted to his family, vi) Understand his family problems, vii) Understand his any financial issues, viii) Understand what he is thinking about his manager or team lead, ix) Understand any exploitation, x) Understand any mind teasing is any. For both public and private banks, i) Salaries to employees must be given in accordance to their experience in the job, ii) Work should be given according to their abilities and knowledge, iii) There should create healthy and flexible work environment iv) Healthy relationship should be maintained in the organization, v) There should have rewards and appreciations for good works and good decisions, vi) There should be special benefits for achieving goals. The researchers think that these benefits will increase the job satisfaction among both public and private banks employees.

### **Conclusion**

Employees are the assets of any organization. Efficient human resource management and maintaining higher job satisfaction level in banks determine not only the performance of the bank but also affect the growth and performance of the entire economy (Jain *et al.* 2012). So, it is essential to keep them satisfied for the success of banking sector as well as prosperity of the economy. It is very important to handle human resource effectively and to find out whether they satisfied or not. Only if they are satisfied, they will work with commitment and project a positive image of the organization.

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## Financial Performance Evaluation of Lanka Bangla Finance Limited: A Case Study

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### Abstract

The study attempts at evaluating the financial performance of Lanka Bangla Finance Limited for the period 2006 to 2013. The financial performance of this firm was extremely rich due to continuous profit. Analysis of the current ratio reveals that the firm has shortage of working capital because of excessive current liability over current assets. Profitability position of the firm is mostly positive, so they have ability to pay their short term or long term loans from their assets. Due to efficient financial management, the positive return on asset and return on equity over total assets utilization implies that there is something left for the owners. Therefore, necessary steps should be taken to balance the financial position of the firm, which in turn, would improve the risky position of the firm.

### Introduction

Ratio analysis is a widely-used tool of financial analysis. It can be used to compute the risk and return relationships of firms of different sizes. It is defined as the systematic use of ratio to interpret the financial analysis so that the strengths and weakness of a firm as well as its historical performance and current financial condition can be determined. The term ratio refers to the numerical or quantitative relationship between two items or variables (Khan & Jain, 2008). This relationship can be expressed as (i) percentages, (ii) fraction and (iii) proportion of numbers. These alternative methods of expressing items which are related to each other are for the purpose of financial analysis referred to as ratio analysis. Ratio analysis is a powerful tool of financial analysis. In financial analysis, a ratio is used as a benchmark for evaluating the financial position and performance of a firm. The absolute accounting figures reported in the financial statements do not provide a meaningful understanding of the performance and financial position of a firm. An accounting figure conveys meaning when it is related to some other relevant

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information. For example, Tk. five crore net profit may look impressive but the firm's performance can be said to be good or bad only when the net profit figure is related to the firm's investment. The relationship between two accounting figures, expressed mathematically is known as a financial ratio or simply as a ratio. Ratios help to summaries large quantities of financial data and to make qualitative judgment about the firm's financial performance. For example, consider current ratio, it is calculated dividing current assets by current liabilities; the ratio indicates a relationship- a quantified relationship between current assets and current liabilities. This relationship is an index which permits qualitative judgment to be formed about the firm's ability to meet its current obligations. It measures the firm's liquidity. The greater the ratio, the greater the firm's liquidity and vice versa. The point to note is that a ratio reflecting a quantitative relationship, helps to form a qualitative judgment, such is the nature of all financial ratios (Pandey, 2002).

### **Literature Review**

**Rahman (2013)** describes that financial statement analysis provides a piece of information of the financial status and the present situation of the company as well as able to forecast about their future plan. The investors, creditors, suppliers are interested to know about the financial position of the firm. Ratio analysis is widely used as a tool of financial analysis to determine to determine the strengths and weakness of a firm. This study is an attempt to analyze the financial performance of Rural Power Company Ltd. for the period of 2009 to 2011. Net income profit ratio and EPS ratio are performing well. It indicates the company's efficient management in manufacturing, administrating and selling power. It means economic condition of the firm is good. On the other hand Current Ratio, Liquidity Ratio, Debt Equity Ratio, Operating Income Profit Ratio, and Return on Equity (ROE) ratio are not satisfactory well. These ratios are lower than that of standard which deserves attention for future improvement.

**Raihana B. (2012)** describes financial performance was extremely poor due to continuous loss. Analysis of the current ratio reveals that the firm has shortage of working capital because of excessive current liability over current assets. Profitability position of the firm is mostly negative, so they don't have ability to pay their short term or long term loans from their assets. Due to inefficient financial management, the negative return on asset and return on equity over total assets utilization implies that there is nothing left for the owners.

**Mohammadi and Afagh (2012)** denote that accounting principles are useful tools in executing and improving a successful practice management plan. In today's competitive environment, evaluating the financial performance is crucial for companies in manufacturing sector. The analysis of financial performance reflects the financial position of the company, the level of the competitiveness in the same sector, and a thorough knowledge about the cost and profit centres within the firm.

Managers, investors, and creditors can then apply this accounting information provided by financial analysis in their strategic planning and investment decisions. This study investigates the financial performance of an investment company in Malaysia for a three-year period from 2009 to 2011, which is assessed using financial ratios. The findings pointed out that overall company performance reduced remarkably in the last year of the analysis. This study principally emphasizes on how accounting information aids budgetary decision-makers to evaluate the company financial performance, determine its future obligations, and makes better investment decisions.

**Abraham A. (2004)** Measurement of financial performance by ratio analysis helps identify organizational strengths and weaknesses by detecting financial anomalies and focusing attention on issues of organizational importance. Given that the mission of a nonprofit organization is the reason its existence, it is appropriate to focus on financial resources in their relationship to mission. Turk et al (1995) suggested that the key to analysis and measurement of the financial and operational control and impact is related to the central question: What is the organization's mission? Their model reflects the interrelationship between a series of questions about the mission and the financial resourcing and control of the organization. They suggest that such a framework provides an appropriate analysis for past performance which will help an organization chart its future direction. This paper analyses financial performance by considering ratio analysis in order to identify anomalies and focus attention on matters of significant concern to NPOs. It discusses the centrality of mission in the use of financial ratio analysis and extends Turk et al's (1995) financial performance model for analysis and measurement of financial and operational control. The paper also identifies the limitations of such analysis and suggestions for how the model can be applied to individual non-profit organizations.

### **Objective of the Study**

The main objective of the study intends to analyze the financial health of the sample firm. The specific objectives of the study are as follows:

- (i) To analyze the financial performance of Lanka Bangla Finance Ltd.
- (ii) To identify the problems in the areas of financial performance of the Lanka Bangla Finance Ltd.
- (iii) To recommend the ways and means to improve the financial performance of the financial Institute.

### **Methodology of the Study**

This sample is selected purposively because of the easy access of the researcher in to the institute. This study has been conducted on the basis of secondary data and

this is an analytical type of research in nature. Annual reports of Lanka Bangla Finance Limited in year 2006-2013 are considered as the sources of information. Secondly, information was collected from concerned officials, annual reports and other published documents of the financial institute.

### **Rationale of the Study**

Ratio analyses are relative figures reflecting the relationship between variables. They enable analysts to draw conclusions regarding financial operations. The use of ratios as a tool of financial analysis involves their comparison for a single ratio, like absolute figures, fails to reveal the true position (Pinches, 1990). The most firms are used the financial ratios for:

- a) Financial statements prepared according to generally accepted accounting principles (GAAP). These data are presented in various financial publications and reported to the firm's stakeholders in the annual report.
- b) Tax reporting statements. Because of differences between what is allowed for tax reporting (internal revenue service regulations) and what is required for GAAP purpose, separate tax statements are prepared. Tax consequences are of vital concern because the payment of taxes is a direct cash outflow for the firm.
- c) Report for internal management. Firms often develop their own internal reporting requirements, which are based on divisions, cost centers or some other unit. Included are such items as direct costing, contribution margin analysis, standard costs and variances and transfer pricing.

The interest is in financial statement analysis but it must specify which financial statements. The statements we are interested in are those prepared for external use based on GAAP. The objective of those principles is to provide a consistent and objective account of the firm's financial status based on historical costs, where revenues and expenses are matched over the appropriate time periods. It should be noted that computing the ratio does not add any information not already inherent in the above figures of profits and sales. What the ratios do is that they reveal the relationship in a more meaningful way so as to enable equity investors; management and lenders make better investment and credit decisions.

### **Financial Statement Analysis**

The financial statements provide a summarized view of the financial position and operations of the firm (Khan & Jain, 2008). The annual report that a firm issues to stakeholders contains important financial information. The primary financial statements are the income statement and balance sheet. The income statement

records the flow of revenue and related expenses of the firm over some period of time, typically a year. The balance sheet mirrors the financial position on a particular date in terms of the structure of assets, liabilities and owners' equity. These along with the cash flows statement and the footnotes to the statement provide an accounting picture of the firm. In recognition of the importance of cash flows, cash flows statement must now be reported along with a firm's balance sheet and income statement. This new cash flow statement replaces the former statement of changes in financial position.

Financial statements report what happened to the firm in terms of sales, assets, liabilities, earnings, dividend and so forth, over time. This information is one of the inputs investors and general investment community use to form expectations about the required returns and risks of the firm. As investors form and revise their expectations about the magnitude, timing or risks of the firm's returns, the market price of the firm's stock will be affected. Understanding the annual report is therefore important for investors and for the firm's management (Pinches, 1990).

### **Theoretical Discussion of Financial Ratios**

Financial analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the items of the balance sheet and income statement account. Financial analysis can be undertaken by management of the firm or by the parties outside the firm, viz owners, creditors, investors and others. The nature of analysis will differ depending on the purpose of the analysts. Trade creditors are interested in firm's ability to meet their claims over a very short period of time. Their analysis will, therefore, confine to the evaluation of the firm's liquidity position. Suppliers of long-term debts or other arise are concerned with the firm's long-term solvency and survival. They analyze the firm's profitability over time its ability to generate cash to be able to pay interest and repay principal and the relationship between various sources of funds (capital structure relationships). Long-term creditors do analyze the historical financial statement but they place more emphasis on the firm's projected or pro forma, financial statements to make analysis about its future solvency and profitability. Investors, who have invested their money in firm's shares, are most concerned about the firm's earnings. They restore more confidence in those firms that show steady growth in earnings. As such, they concentrate on the analysis of the firm's present and future profitability. They are also interested in the firm's financial structure to the extent in influences the firm's earnings ability and risk. Management of the firm would be interested in every aspect of the financial analysis. It is their overall responsibility to see that the resources of the firm are used most effectively and efficiently and that the firm's financial condition is sound (Pandey, 2002).

Several ratios, calculated from the accounting data, can be grouped into various

classes according to financial activity or function to be evaluated. As stated earlier, the parties interested in financial analysis are short and long-term creditors, owners and management. Short-term creditors' main interest is in the liquidity position or the short-term solvency of the firm. Long-term creditors, on the other hand, are more interested in the long-term solvency and profitability of the firm. Similarly owners concentrate on the firm's profitability and financial condition. Management is interested in evaluating every aspect of the firm's performance. They have to protect the interests of all parties and see that the firm grows profitably. In view of the requirements of the various users of ratios, we may classify them into the following important categories (Pandey, 2002).

Liquidity ratios, which indicate the firm's ability to meet its short-term obligations. Asset management ratios, which indicate how efficiently the firm is using its assets. Debt management ratios, which deal with the amount of debt in firm's capital structure and its ability to service or meet its legal obligations. Profitability ratios, which relate net income to sales, assets or stock holders' equity. Market ratios, which indicate what, is happening to the firm's relative market price, earnings and cash dividends (Pinches, 1990). Each of those ratios is discussed below:

- (A) Liquidity Ratios: Liquidity ratios measure the firm's ability to fulfill its short-term commitments out of current of liquid assets. These ratios focus on current assets and liabilities and are often of lesser importance when considering the long-run viability and profitability of the firm (Pinches, 1990). The two primary liquidity ratios are-
  - i) Current Ratio is a measure of the firm's short-term solvency. It indicates the availability of current assets in currencies for every one currency of current liability. A ratio of greater than one means that the firm has more current assets than current claims against them (Pandey, 2002).
  - ii) Quick Ratio also called the acid test ratio that is a measure of the near-term ability of the firm to meet its current liabilities without using its inventory. Quick ratios of less than 1.0 are not alarming in and of themselves. Very high quick ratios suggest excess cash, a credit policy that needs revamping or a change needed in the composition of current versus long-term assets (Pinches, 1990).

(B) Asset Management Ratios: Asset management ratios are sometimes called activity ratios. They look at the amount of various types of assets and attempt to determine if they are too high or too low with regard to current operating levels. If too many funds are tied up in certain types of assets that could be more productively employed elsewhere, the firm is not as profitable as it should be (Pinches, 1990). The basic asset management ratios are-

- i) Inventory Turnover commonly measures the actively or liquidity of

a firm's inventory. A higher inventory turnover ratio suggests efficient inventory management. Low inventory turnover figures often indicate obsolete inventory or lack of effective inventory management (Pinches, 1990).

- ii) Average Collection Period or Average Age of Accounts Receivable takes on average to collect the sales of the firm (Pinches, 1990).
- iii) Average Payment Period or Average Age of Accounts Payable is calculated in same manner as the average collection period (Gitman, 2004).
- iv) Total Asset Turnover provides an indication of the firm's ability to generate sales in relation to its asset base. A high total asset turnover normally reflects good management, while a low ratio suggests the need to reassess the firm's overall strategy, marketing effort and capital expenditure program (Pinches, 1990).

(C) Debt Management Ratios: To judge the long-term financial position of the firm, debt management or leverage or capital structure ratios are calculated. These ratios indicate mix of funds provided by the owners and lenders. As a general rule, these should be an appropriate mix of debt and owner's equity in financing of firm's assets. It focuses attention on the right-hand side of the balance sheet and income statement. The common debt management ratios are-

- i) Debt Ratio measures the proportion to total assets financed by the firm's creditors. The higher this ratio, the greater the amount of other people's money being used to generate profits (Gitman, 2004).
- ii) Debt-Equity Ratio reflects the relative claims of creditors and shareholder against the assets of the firm. Alternatively, this ratio indicates the relative proportions of debt and equity in financing the assets of a firm (Khan & Jain, 2008).
- iii) Capital-Equity Ratio is yet another alternative way of expressing the basic relationship between total capital and equity (Pandey, 2002).
- iv) Interest Coverage Ratio or Time-interest-earned Ratio is used to test the firm's debt servicing capacity. It is computed by dividing earnings before interest and taxes (EBIT) by interest charges (Pandey, 2002).

(D) Profitability Ratios: The profitability ratios are calculated to measure the operating efficiency of the company. Besides management of the company, creditors and owners are also interested in the profitability of the firm. Creditors want to get interest and repayment of principal regularly. Owners want to get a required rate of return on their investment. This is possible only when the company earns enough profit (Pandey, 2002). The profitability ratios, which focus on the profit-generating ability of the firm are-

- i) Net Profit Margin measures the percentage of each sales amount remaining after all costs and expenses, including interest, taxes and preferred stock dividends have been deducted. The higher the firm's net profit margin, the better (Gitman, 2004).
- ii) Earnings per Share (EPS) is generally of interest to present or prospective stockholders and management. It represents the number of amount earned during the period on behalf of each outstanding share of common stock (Gitman, 2004).
- iii) Return on Asset (ROA), often called the return on investment (ROI) measures the overall effectiveness of management in generating profits with its available assets. The higher the firm's return on total assets, the better (Gitman, 2004).
- iv) Return on Common Equity (ROE) measures the return earned on the common stakeholders' investment of the firm. The higher this return, the better (Gitman, 2004).

(E) Market Ratios: The market ratio relates the firm's stock price to its earnings, cash flow and book value per share. These ratios give management an indication of what investors think of the company's past performance and future prospects. If the liquidity, asset management, debt management and profitability ratios all look good, then the market ratios will be high and the stock price will probably be as high, as can be expected. The market ratios are-

- a. Dividend per Share (DPS); the net profit after taxes for shareholders. But the income which they really receive is the amount of earnings distributed as cash dividend. Therefore, a large number of present and potential investors may be interested in DPS rather than EPS. DPS is the earnings distributed to common stock shareholders divided by number of common stock (Pandey, 2002).
- b. Dividend-Payout Ratio or simply payout ratio is DPS divided by the EPS (Pandey, 2002).
- c. Dividend and Earnings Yield; dividend yield is the dividends per share divided by the market value per share and the earnings yield is the earnings per share divided by market value per share (Pandey, 2002).
- d. Price-Earnings (P/E) Ratio is commonly used to assess the owners' appraisal of share value. The P/E ratio measures the amount that investors are willing to pay for each amount of a firm's earnings. The level of P/E ratio indicates the degree of confidence that investors have in the firm's future performance. The higher the P/E ratio, the greater is investor confidence (Gitman, 2004).

- e. Market-Book (M/B) Ratio provides an assessment of how investors view the firm's performance. It relates the market value of the firm's share to their book (strict accounting) value (Gitman, 2004).

### Analysis and Findings of the Study

Now it begins the process of ratio analysis. To show the process, we will refer the financial Statement for Lanka Bangla Finance Limited (LBFL) for eight consecutive years (2006 to 2013). Data from these statements are used in calculating the financial ratios are indicates described in the remainder of this paper. When the ratios require other data, these data are provided in the calculations. We use data covering eight years as a basis for their financial analysis, because some trends can be detected only a long time span. However, the eight-year data used here are sufficient to demonstrate some basic techniques of financial analysis. Lanka Bangla Finance Limited is a non-banking financial institution (NBFI). It is a mature firm in a mature sector. The company provides loans and lease, its products and services to business firms and enterprises. The chief financial officer (CFO) of LBFL analyzes the company's financial condition periodically to assess its strengths and weaknesses. Then, he knows what actions are necessary to keep Lanka Bangla in time with its long-range plans. The first part of the analysis evaluates a wide range of financial ratios in indicators. As part of the analysis, the firm's ratios are compared with averages for the standard ratio. The ratios are divided into four broad categories; liquidity, debt management, profitability and market ratios. The quick and assets management ratios would not be shown here, due to the company is service-oriented firm. The ratios, remember, are diagnostic tests. A single diagnostic test does not provide enough information about a company for its current condition to be accurately evaluated. Therefore, many tests are used to obtain a complete picture. Accordingly, a summary of 14 financial ratios is presented Appendix-2 at the end of this paper.

**Current Ratio:** The current ratio is broad measure of liquidity derived by dividing current assets by current liabilities. It is considered broad because it includes all current assets and current liability (Benton,1987). The current ratio for LBFL is 1.07 in year 2006 and increased in 2007 to 2009 are 1.14; 1.16 and 1.20 per year respectively but decreased and then increased 1.14; 1.04; 1.84 and 1.29 in 2010 to 2013. The current ratio suggests that LBFL has sufficient funds to meet its current liabilities. It may also suggest that LBFL to liquid firm.

**Debt Ratio:** The debt ratio indicates what proportion of a firm's total assets is financed with borrowed funds. We find it by dividing total liabilities by total assets (Benton,1987). In the case LBFL, 85% of total assets were financed by borrowing in 2006 and increased to 90% in 2007. 75%; 74%; 74% and 78% of assets were financed by borrowing respectively in 2010 to 2013, down sharply from the previous year's level. This is a result of substantial reductions in short and long-term liability.

**Debt-Equity Ratio:** The debt-equity ratio is the ratio of total outside liabilities to owners' total funds. In other words, it is the ratio of the amount invested by outsiders to the amount invested by the owners of business (Khan & Jain, 2008). The data for LBFL reveal a decline in debt-equity ratio in 2006 to 2013. The reduction in debt reduce the financial risk of the firm.

**Net Profit Margin:** Net profit margin is profitability can be measure in terms of operating revenue. The net profit margin on service revenue computed by dividing earning after taxes (EAT) by operating revenue is the percentage of profit earned for each amount of money of service revenue (Benton,1987). The profit margin for LBFL has increased 18% to 41% in year 2006 to 2010, but decline in 2011 to 2013.

**Earnings per Share (EPS):** EPS is the statistic quoted most often when profitability is discussed. The reason for its popularity is that it is easy to understand and to relate to stock prices. It may recall that EPS is derived by dividing earnings available for common stock by the average number of shares outstanding (Benton, 1987). For LBFL 35 million shares of common stock were in 2006 and 2007 and 38.50, 44.275, 53.13 in year 2008, 2009, 2010 respectively. The Tk. 2.43; 5.47; 9.81; 14.00; 32.00; 9.61; 1.77 and 4.58 in year 2006 to 2013, now the EPS is increased.

**Return on Asset (ROA):** Here, the profitability ratio is measured in terms of the relationship between net profits and assets (Khan & Jain, 2008). The operating return on assets can be refined to take interest and taxes into account. When this is done, we compute the ratio by dividing net income by total assets (Benton, 1987). As we might expect, LBFL's ROA's increased 3.00% to 8.80% in 2006 to 2010, but declined 3.53% to 2.98 in 2011 to 2013. This indicates increasing efficiency in asset base utilization.

**Return on Equity (ROE):** The ROE measures the rate of return on the owners' investment and is calculated by dividing net income by total shareholders' equity (Benton, 1987). This will reveal the relative performance and strength of the company in attracting future investments (Pandey, 2002). LBFL has no preferred shares outstanding. Common shareholders were happy about the company's performance in 2007. But it was decreased in 2008 and 20013, it was slight improved than 2013.

**Dividend per Share (DPS):** DPS is the dividends paid to the equity shareholders on a per share basis. The DPS would be a better indicator than EPS as the former shows what exactly is received by the owners (Khan & Jain, 2008). LBFL's DPS was Tk. 1.21 in 2006 and increased its up to Tk. 23.10 in 2010, but decreased in 2011 to 2013. So, it was not good symptom for the company.

**Dividend Payout Ratio (DPR):** The extent to which cash dividends are paid to common shareholders is called the DPR and is computed by dividing dividends per share by earnings per share (Benton, 1987). LBFL DPR 49.73% in 2006, increased 76.50% in 2007, decreased 69.45%, 44.15% in 2008, 2009 but increased 72.49% in 2010, and decreased 31.22%; 56.60%; 43.67% in 2011 to 2013 .

**Dividend Yield:** The dividend yield is computed by dividing the cash dividend per share by the market value per share (Khan & Jain, 2008). Since returns from investing in stocks come from cash dividend and appreciation or loss in market price, this is part of the total return expected by investors (Pinches, 1990). LBFL with high growth prospects have relatively low cash dividends and a relatively high market price, meaning they have a low dividend yield.

**Price-Earning (P/E) Ratio:** In LBFL P/E ratio indicates that investors were paying TK. 8.19 for each TK. 1.00 of earnings in 2006. The ratios were increased 18.30, 20.04 and 22.40 in the years 2007, 2008 and 2009. But the ratio was decreased to 15.56 to 14.52 in 2010 to 2013.

**Market-Book (M/B) Ratio:** The ratio of a stock's market price to its book value gives another indication of how investor regards the company. Companies with relatively high rates of return on equity generally sell at higher multiples of book value than those with low returns (Brigham, 2001). In LBFL's M/B ratio is 1.99 in 2006. This M/B ratio means that investors were paying Tk. 1.99 for each Tk. 1.00 of book value of LBFL's stock. The stocks of LBFL that are expected to perform well, improve profits and increase their share market price typically M/B ratios increased 1.99 to 6.65 in 2006 to 2013.

### Conclusions and Recommendations

Based on Lanka Bangla Finance Limited (LBFL) financial statements during 2006 to 2013, presents the following:

1. Liquidity of LBFL has remained constant in the last eight years. This suggests LBFL has adopted a more conservative working capital policy position.
2. Debt of LBFL is down sharply and as a result if substantial reductions in short and long term liabilities.
3. Net profit margin and return on equity is high.
4. Finally, P/E ratio is higher, suggesting that the firm is regarded as somewhat riskier than most, or as having higher growth prospects, or both. In addition, LBFL has paid out about the increased percentage of its earnings as dividends. However, because of its higher market price, it provided lower dividend yield to the investors.

Our financial analysis suggests that LBFL has had some problems. It has adopted an aggressive financing position, has higher market prices, is generating higher revenues and is capital-equity ratio its capital employed less frequently than overall situation. At the same time, it has improved its profit margin and is attempting to bring its return on equity up. This may have increased the growth and cash flow prospects for LBFL, but it has also increased its financial risk ness.

### Appendix

#### Ratio Analysis of Lanka Bangla Finance Limited

Particulars	Usable Formula	2006	2007	2008	2009	2010	2011	2012	2013
Current Ratio	Current Ratio = $\frac{\text{Current Asset}}{\text{Current Liability}}$	1.07	1.14	1.16	1.20	1.14	1.04	1.84	1.29
Debt Ratio	Debt Ratio = $\frac{\text{Total Liability}}{\text{Total Asset}}$	0.85	0.90	0.89	0.84	0.75	0.74	0.74	0.78
Debt-Equity Ratio	Debt-Equity Ratio = $\frac{\text{Total Debit}}{\text{Shareholders' Equity}}$	5.67	8.68	7.79	5.4	3.03	2.92	2.91	3.66
Capital-Equity Ratio	Debt-Equity Ratio = $\frac{\text{Capital Employed}}{\text{Shareholders' Equity}}$	0.83	0.59	0.42	0.21	0.11	0.14	0.29	0.30
Interest Coverage Ratio	Interest Coverage Ratio = $\frac{\text{EBIT}}{\text{Interest}}$	1.41	1.50	1.53	1.79	2.67	1.57	1.15	1.49
Net Profit Margin	Net Profit Margin = $\frac{\text{EAT(for Com. Stock)}}{\text{Service Revenue}}$	0.18	0.22	0.24	0.31	0.41	0.23	0.10	0.19
Earnings per Share (EPS)	EPS = $\frac{\text{EAT(for Common. Stock)}}{\text{Number of Common Stock}}$	2.43	5.47	9.81	14.0	32.00	9.61	1.77	4.58
Return on Asset (ROA)	ROA = $\frac{\text{EAT(for Common. Stock)}}{\text{Total Asset}}$	3.00%	4.89%	4.66%	5.54%	8.80%	3.53%	1.37%	2.98%
Return on Common Equity (ROE)	ROA = $\frac{\text{EAT(for Common. Stock)}}{\text{Shareholders' Equity}}$	19.32%	41.23%	40.94%	35.42%	35.49%	13.83%	5.04%	13.96%
Dividend per Share (DPS)	DPS = $\frac{\text{Dividend to Common. Stock}}{\text{Number of Common Stock}}$	1.21	4.18	6.81	6.18	23.20	3.00	1.00	2.00
Dividend-Payout Ratio	Dividend-Payout Ratio = $\frac{\text{DPS}}{\text{EPS}}$	49.73%	76.50%	69.45%	44.15%	72.49%	31.22%	56.60%	43.67%
Dividend Yield	Dividend Yield = $\frac{\text{DPS}}{\text{Market Value per Share}}$	5.03%	2.50%	1.53%	1.12%	1.10%	1.76%	1.69%	3.01%
Price-Earnings (P/E) Ratio	P/E Ratio = $\frac{\text{Market Value per Share}}{\text{EPS}}$	8.19	18.30	20.04	22.4	15.56	17.72	33.39	14.52
Market-Book (M/B) Ratio	M/B Ratio = $\frac{\text{Market Value per Share}}{\text{Book Value per Share}}$	1.99	10.00	19.66	31.38	49.79	17.02	5.90	6.65
Share Market Price	Closing Price Per Share	19.90	100.10	196.60	313.80	497.9	170.00	59.00	66.50

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## Role of Private Jute Mills in Reawakening of Golden Fiber in Bangladesh: A Study on Bangladesh Jute Mills Association

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### Abstract

*Jute is called the golden fiber of Bangladesh which has important contribution to the country's economy. The worldwide awareness on the environment is the reason for the maximum use of Jute. It has environment-friendly characteristics. Jute is considered to be a vital sector from economical, agricultural and commercial point of view in Bangladesh. But the Jute Mills Corporation incurred loss to the tune of Tk. about 3 crore during 1975-76 to 2011. According to the Export Promotion Bureau (EPB), Bangladesh export earnings from jute and jute goods in the fiscal year 2012-2013 showed an increase of 6.54 percent over the previous year and earnings from the jute sector were US\$ 1.01 billion, the export of jute bags and sacks increased by 28.16 percent year-on-year to fetch US\$ 237.42 million in foreign exchange for Bangladesh. It is also seen that the exports of jute yarn and twine showed an increase of 8.24 percent and earnings were at US\$ 506.74 million. The research aim is to show the role of the 111 running jute mills which are under private sector controlled by BJMA for making new upwards growth of jute and jute goods of Bangladesh.*

### Introduction

Jute, a natural fiber used universally, is the bark of a slender shrub of tropical and subtropical origin. It belongs to the family of Tiliaceae. Fibers of two species of this family viz *Corchorus Capsularies* and *Cochorus Olitorius* are used to produce jute goods. Bangladesh is unique in providing for centuries all the physico-climatical elements for rich and luxuriant growth and high yield of jute crop because of its geographical location as an alluvial plate crisscrossed by innumerable rivers and tributaries sandwiched between the Himalayas in the North and East and the Bay of Bengal in the South. Blessed with this specialized habitat and climatic condition, every year about half a million hectares of land is cultivated

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to yield about 1.0 million tons of jute fibers of different grades to meet the local industrial and domestic needs as well as for export to other countries for their consumption as industrial raw materials. Jute is Bangladesh's most ancient industry. Jute industry of this region dates back to the Fourteenth Century when jute cloths were used in matrimonial ceremonies, Pujas, voluntary religious ceremonies and in other occasions in addition to regular use. The total acreage under jute in undivided Bengal in 1936-37 was 21,992,500 acres, and nearly one-fourth of this area was in one greater district of present day Bangladesh – Mymensingh (Haque, M. A., 1980). In 1936-37 the Bangladesh part of the then Bengal produced, if we take 90% of the total production, about 94 lac bales (400 lbs., i.e., 181.44 kg each) of jute. The production of jute was the virtual monopoly of this province. In 1947 In the pre-partition period the Railways and Steamer Companies, other transport agencies, insurance concerns, brokers, balers, exporters, middlemen, and dealers, in fact everyone in the chain used to get a good return in the shape of profit or income from the distribution, manufacture and export of jute fibers and jute fabrics. The industry itself and every section of the trade were highly organized, resourceful and well-informed and used to get their quota of gain in the shape of wages, dividends, income and profits from export of the fabric and manufactured goods, even though the industry was not a monopoly of the province, i.e., pre-1947 Bengal. Jute production varied from 1,222,000 tons in 1947-1948 to 1,244,000 tons in 1961-1962 in Pakistan, i.e., East Pakistan, which is now Bangladesh (Akhtar, S. M., 1963). West Pakistan produced no jute. According to another estimate jute production in the second-half of 1960 in the then East Pakistan was 60 lac bales (400 lbs i.e. 181.44 kg each) which might vary from say 60 to 68 lac bales corresponding to an area of 20 to 23 lac acres (Rahman, S. H., 1977). Pakistan made its debut in modern Jute Industry with the establishment of Adamjee Jute Mill No 1, in Narayangang, which went into production in December 21, 1951. Thus from nothing up to December 1951, within 19 years from 1952 to 1970, the world's second largest jute manufacturing industry came to be established in erstwhile East Pakistan, i.e., Bangladesh, providing employment to 760,000 people and making an overwhelming contribution to the nation's foreign exchange earnings. In 1959/60 (July-June) total foreign exchange (estimated) earnings from raw jute (Rs. 760.40 million) and jute goods (Rs. 223.30 million) were Rs. 983.70 million, which is 91.12% of the total foreign exchange earnings from all commodities amounting to Rs. 1079.58 million. In 1969/70 (July-June) total foreign exchange (estimated) earnings from raw jute (Rs. 765.80 million) and jute goods (Rs. 778.40 million) were Rs. 1544.20 million, which is 94.16% of the total foreign exchange earnings from all commodities amounting to Rs.1640.00 million. The average earning of foreign exchange from raw jute and jute goods over the said period was 93.83% of the total earnings from all commodities and in no year over the said period it was less than 91% and in some

years it was as high as 98%. Thus it is evident that the prosperity and adversity of the country was heavily linked with the prosperity or otherwise of the jute economy of the country. Prior to 1969/70, earnings from raw jute exceeded that of jute goods and only at that year earnings from jute goods exceeded earnings from raw jute by an amount of about Rs. 4.6 million. According to the Planning Commission the installed capacity of the jute industry in 1972/73 was 792,000 tons, against which only 446,308 tons were actually produced in that year. This represented 56.35% capacity utilization as against 74.18% in 1969/70. This slow recovery had been due to several causes emanating from war dislocation, post-war pilferage and abrupt changes in industrial and commercial policies, besides organizational and management gaps of that period (Ahmed, R., 1974). These falling trends in jute industry could not be recovered in the successive decades to reach or exceed the pre-liberation war trends in jute production; rather the trend ran from bad to worse, which means the erosion in the jute economy in particular and the Bangladesh economy in general, started with the very birth of the liberated Bangladesh. "Even though we brand our economy as war devastated, the fact is, all our factories were intact up to 16 December (1971). The materials that have disappeared from the factories are an incident of post 16 December (1971). Though all the equipments were intact, production could not continue because of the lack of skilled managerial hands and the absence of the facilities to import raw materials even if the new destructive mentality of the workers is ignored. Our leaders during the Pakistan period repeatedly said "The only cause of your misery is exploitation". Today, that is a boomerang on them (Huq., M., 1974)." Soon after the assumption of power in 1982 the then government announced The New Industrial Policy in June 1982, whereby it committed itself to a programme of large-scale disinvestment of public sector manufacturing industries (Sobhan, R., & Mahmood, S. A., 1991). "Following the denationalizations of 1982/83, production fell by some 3.5% in 1983/84, in the private sector mills. In the same year, production fell by around 5.5% in the 33 retained mills, thus indicating that while production, in general, maintained its secular decline after 1982/83, the newly denationalized mills performed slightly better than their public sector counterparts in having somewhat lower rate of decline in production (Sobhan, R., & Mahmood, S. A., 1991)." "...the change in ownership has failed to bring about any improvement in performance; if anything, performance has been relatively poorer in the private sector mills" (Sobhan, R., & Mahmood, S. A., 1991). As regards financial positions, in 1984/85 all mills in both sectors suffered huge losses, the losses in the private sector being a bit lesser. Such losses in subsequent years culminated in the eventual shutting down of Adamjee Jute Mill, the nation's and the world's biggest one, along with some others. As jute industry is the mother industry of our country. In recent times, it again becomes the most important industry of Bangladesh in terms of production, export and employment. It plays a dominant role in the

economy of Bangladesh. About 50 million people of this land are directly or indirectly involved in various activities related to jute and jute manufacturing. About 35 million farmers are engaged in cultivation of jute, 0.3 million skilled workers are directly associated in manufacturing process, about 0.2 million people are directly engaged in trading of jute, jute goods, transportation and other related business and contribution of jute sector in the GDP is about 5%. Contribution of Jute and Jute manufacturing in the national employment is about 10% to 15%. Such contribution is managed by the help of three jute related organizations such as Bangladesh Jute Mills Corporation (BJMC), Bangladesh Jute Mills Association (BJMA) and Bangladesh Jute Spinners Association (BJSA). In 1982-83 the Government disinvested about 35 jute mills and placed under the ownership and management of private sector and closely managed jute mills under the supervision of Bangladesh Jute Mills Association (BJMA) for decreasing and removing the year after year loss by BJMC. Though this organization started with 35 mills but since November 2014 the numbers of mills become about 146 from them 38 are denationalized. About 108 mills produce traditional and nonconventional jute goods where 4 is carpet mills, 2 is twin and yarn mills, and new established is 102 mills. And since November 2014 the number of mills running is 111 out of 146. BJMA produces mainly Hessian cloth, different types of Hessian bags, sacking cloth, different types of Sacking bags, Yarn, Geo-jute, Blanket, Jute canvas and Carpet Backing Cloth (CBC) etc from jute, the longest natural fiber in the world. Thus, it contributes considerably to the national economy for earning foreign exchange of Bangladesh and also satisfying the local demands of the country.

### **Literature Review**

An attempt has been made to review recent literatures related to role of private owned jute industries in Bangladesh. It is thought that a critical review of various empirical studies on jute industry would provide a background for explanation and understanding the role of private owned jute mills of Bangladesh. It is important to note that during the past decade numerous research works have been completed on various aspects of jute mills by the renowned researchers, but comprehensive literature on the present study is too limited to make a rich review. To the best of my knowledge no research was conducted on the role of private owned jute mills in Bangladesh. The researchers therefore, have an attempt to review the recent available literature related to present study in both private and public jute industry in Bangladesh.

**Khan M. M., (2008)** have studied on the titled "Overall Performance of Private Sector Jute Mills in Bangladesh" and identified that the overall performance of private sector jute mills to be better than the public sector because of higher labor and other factors' productivity, lower wastage, better utilization of raw materials,

lower cost of production hence lower operating loss, which they achieved with smaller manpower, higher per employee sales income and comparatively smaller stock of unsold jute goods to carry, and due to economical and effective use of men, machine, material and money. Un-utilization of capacity, ever-increasing cost of production of jute goods, very low labor and machine productiveness and trend towards production of lighter fabrics, high internal debt servicing cost and interest expenses on working capital finances, and above all very unfavorable international prices of jute goods comparing synthetics, all these contributed significantly towards making the jute textile sector depend on spoon feeding by the Government.

**Moazzem and Rahman (2009)** have studied on the titled “Jute Manufacturing Sector of Bangladesh: Challenges, Opportunities and Policy Options”. The study has conducted as part of CPD’s Independent Review Bangladesh’s Development (IRBD) programme. The major objective of the study is to access the viability of jute and jute sector of Bangladesh, and to come up with a long term strategy for development of this sector. The focus of the present paper is on economic, technological and worker related issues of jute mills, opportunities and challenges faced by the jute manufacturing industry, and possible policy options with a view to develop a viable and an efficient jute manufacturing sector in the country.

**Karmakar, S., S. (2009)** has opined in his paper “efficiency of the Jute Industry in Bangladesh,” holds the idea that the development of jute industry largely depends on the improvement of management system. He highlighted that until now, there has not been any integrated system of managerial control over the operations. The management information system is yet to develop in this sector so as to assess the real achievement and failures in this industry. Managerial effectiveness of the industry can better be judged by computing a series of indicators reflecting productivity aspects than by comparing either financial result or production in physical units.

However, in terms of figures, **Iqbal, T., (2013)** mentioned in his study titled “prospects of Jute and Jute Products in Bangladesh” that jute manufacturing sector has emerged in East Pakistan (current Bangladesh) in the yearly 1950s, In 1960s and 1970s, major share of national income and manufacturing employment was largely contributed by jute sector. Export of jute and jute products was the most important sources of foreign exchange of Pakistan during the 1950s. However, both share and importance of jute and jute goods in manufacturing, export and overall foreign exchange earnings, and the Gross Domestic Product (GDP) have gradually declined over time. In the year, this sector accounted for a more 3.9 per cent of the country’s total, which is of extremely low compared to its contribution in the overall export observed during the 1970s (89.9 per cent in 1973).

The above reviewed literature mostly indicates that jute and jute industries of Bangladesh is a fallen sector and bringing loss for the country. But the fact remains that jute will continue as Bangladeshis major industry, major foreign exchange earner and major industrial employer for some time to come. We cannot think of economic progress without jute as it is the life blood of our economy at the moment and is expected to continue to be so far an unforeseeable future period of time. Therefore every effort must be made to undertake measures that will improve the efficiency and hopefully, the profitability of the country's most private jute mills under the supervision and operations by BJMA. Based on this, the researchers feel that there is necessity to illustrate and analyze the present upwards growth of jute and jute goods of Bangladesh by using data and information of privately owned mills under BJMA.

### **Objective of the Study**

Based on the notions mentioned in the literature review, the main objective is of the present study is to analyze the resuscitation golden fiber of Bangladesh that is considered to be the back bone of growth of jute and jute goods by private mills under BJMA. To accomplish this main objective, the following specific objectives are given below:

- i. To conduct the comparative analysis of production, export, export earnings and raw jute consumption of jute and jute goods over year to year;
- ii. To find out and illustrate the prospects of jute industries in Bangladesh; and
- iii. To provide the recommendations to overcome the existing barriers and development of jute industries of Bangladesh.

### **Research Methodology**

This present study is analytical one. The secondary data are used to conduct the study. Secondary data were collected from Bangladesh Jute Mills Corporation (BJMC), Bangladesh Jute Mills Association (BJMA), Bangladesh Bureau of Statistics, Export Promotion Bureau, Bangladesh Economic Review, Books, Journal, Newspaper and Website. Data has been taken of production, export, export earnings, local delivery quantity and value and yield of jute and jute goods in recent years. The study has used MS-Office and simple statistical techniques like table, graphs, percentage and growth for analysis of collected data and drawing inferences.

## Analysis and Results

It is apparent from table 1 that the production of jute goods of BJMA members mills from the year 1982-83 to 2012-13. The following table is showing the information regarding the production of jute goods of BJMA members' mills.

**Table-1 Production of Jute Goods of BJMA Members Mills**

Period	Quantity (Metric Ton'000)					Total
	Hessian	Sacking	CBC	Yarn/Twin	Other	
1982-83	61.843	83.567	24.914	0.114	-	170.438
1983-84	79.516	90.723	28.360	7.706	-	206.305
1984-85	69.765	92.274	24.698	8.092	-	194.829
1985-86	59.639	94.364	20.951	8.635	-	183.589
1986-87	64.493	106.012	26.435	13.707	-	210.647
1987-88	67.343	98.326	25.108	6.867	-	197.644
1988-89	63.028	91.418	23.588	7.749	-	185.783
1989-90	69.143	100.807	25.697	11.186	-	206.833
1990-91	67.217	73.213	22.000	11.008	-	173.438
1991-92	59.803	73.646	20.360	18.471	-	172.280
1992-93	37.623	84.142	18.256	22.844	-	162.865
1993-94	29.747	78.006	16.745	24.109	2.050	150.657
1994-95	28.344	69.921	15.035	34.351	2.050	149.656
1995-96	20.058	57.530	13.562	36.997	2.114	130.261
1996-97	19.518	66.690	12.132	38.731	2.147	139.218
1997-98	18.229	82.088	9.995	41.625	1.657	153.594
1998-99	15.715	71.215	9.720	34.428	0.984	132.062
1999-00	18.782	53.599	8.881	21.965	0.973	104.200
2000-01	17.041	40.658	7.837	15.448	0.834	81.818
2001-02	16.221	35.585	5.955	13.310	0.623	71.692
2002-03	16.859	47.925	5.710	13.494	0.894	84.882
2003-04	16.336	62.482	6.044	12.741	2.943	100.546
2004-05	17.210	57.126	3.986	22.426	2.439	100.843
2005-06	20.936	69.715	8.828	21.558	1.324	121.058
2006-07	22.139	73.100	8.227	42.041	2.400	145.513
2007-08	23.892	90.733	9.057	42.579	2.244	166.265
2008-09	20.713	99.974	5.149	42.996	2.325	168.832
2009-10	17.029	87.240	4.561	47.714	-	156.544
2010-11	17.125	80.484	4.021	35.742	-	137.766
2011-12	18.564	107.222	5.403	45.851	8.565	177.040
2012-13	16.703	125.100	4.500	87.900	3.030	234.203

Source: Bangladesh Jute Mills Association Report

The quantity of production of hessian, sacking, CBC and yarn/twin are 61843, 83567, 24914 and 114 metric tons jute goods respectively and the total quantity of production 170438 metric tons. The production has been increased in the very next year but it falls in the 1984-85 to 1985-86 consecutively. Although from the very next year the production became increased but it cannot be kept. From the year of 1990-91 the production was decreasing year to year although a new production line was added. Till 2001-02 the production of jute goods the production is seen very lowest that is the total production became 71692 due to the fall of the use and export of the jute goods that is the golden fiber is in the darkest zone. But BJMA has played a vital role to getting back of the golden fiber which is about 3 times of the year 2001-02 that is the total production of jute goods is 2,34,203 metric tons. We know demand helps to increase supply.

**Table-2 Year-wise Export of Jute Goods of BJMA Members Mills**

Period	Quantity ( in Metric Ton '000)						Export Value (in Lac Taka)					
	Hes	Sac	CBC	Yarn Twin	Car	Total	Hes	Sac	CBC	Yarn Twin	Car	Total
1982-83	62.6	62.8	19.5	-	-	144.9	9087	6785	3935	-	-	19807
1983-84	71.9	82.8	30.3	1.1	-	186.3	12527	10344	5447	213	-	28531
1984-85	58.8	76.3	23.8	1.7	-	160.8	14472	12940	6013	482	-	33907
1985-86	60.4	101.5	23.2	2.7	-	188.1	13896	17521	4792	652	-	36861
1986-87	62.7	87.4	23.0	6.3	-	179.6	11532	11902	5322	1455	-	30111
1987-88	56.1	87.5	24.2	6.3	-	174.2	11506	11189	5698	1400	-	29793
1988-89	44.6	82.1	22.4	7.5	-	156.8	10207	10898	5416	1872	-	28393
1989-90	63.9	67.6	23.6	10.3	-	165.5	15230	9292	5542	2689	-	32753
1990-91	60.3	55.4	22.3	8.6	-	146.7	15920	8087	5307	2500	-	31814
1991-92	48.8	46.5	18.6	15.0	-	129.1	12627	6949	4823	5180	-	29579
1992-93	35.0	45.7	16.5	18.4	-	115.8	7738	7117	4325	5449	-	24629
1993-94	30.9	48.4	17.4	20.4	.930	118.2	7055	7520	4340	5558	822	26259
1994-95	26.7	36.5	14.3	26.7	-	104.4	7262	5819	4110	8128	-	25319
1995-96	16.3	20.3	12.1	27.9	.978	77.8	6032	4433	4157	8657	1026	24305
1996-97	14.6	32.2	11.2	31.8	1.10	91.0	5730	8057	3834	10258	1199	29078
1997-98	12.0	25.8	8.4	29.3	.513	76.2	4141	6020	2880	8443	606	22090
1998-99	12.4	30.9	8.1	27.0	.410	78.9	4115	6049	2657	6801	492	20114
1999-00	15.2	24.5	8.3	1.1	.181	67.5	5823	5030	2758	5026	121	18758
2000-01	13.6	14.9	6.5	7.4	.140	42.7	5477	3232	2387	2172	174	13442
2001-02	14.0	11.3	5.4	9.0	.064	39.9	6168	2782	2047	2545	83	13625
2002-03	13.7	13.7	5.3	6.9	.028	39.7	6449	3676	1988	1989	35	14137
2003-04	14.6	18.9	5.6	12.8	.024	52.1	6552	4939	2030	4365	32	17918
2004-05	15.0	14.3	3.4	12.5	.001	45.3	8019	3940	1539	5724	2	19224
2005-06	29.3	33.6	7.9	14.1	.008	85.0	18384	11615	4489	5563	80	40131
2006-07	14.6	40.7	8.0	27.9	5	91.3	9939	17015	4471	13363	8	44796
2007-08	19.0	50.0	7.4	33.0	-	109.5	13949	20191	4889	15210	-	54239
2008-09	12.6	50.5	4.1	20.2	-	87.6	9681	23999	2686	10156	-	46522
2009-10	13.8	55.2	4.4	40.0	-	113.6	12471	33358	3462	25323	-	74614
2010-11	14.4	45.0	3.6	18.0	-	82.1	17306	34047	3247	13552	-	68152
2011-12	16.1	61.3	4.4	32.1	-	113.9	20720	44164	5117	21975	-	91976
2012-13	15.5	72.5	3.2	57.1	-	148.4	19707	51810	3099	36815	-	111431

Note: He-Hessian, Sa-Sacking

Source: Report of Bangladesh Jute Mills Association

If the table 2 will be analyzed, it can be seen that the export quantity of jute goods of BJMA member mills 1, 48,427 metric tons which is higher from the recession times of few years ago as well the export value is the highest earnings compare with any year that is 1,11,431 Lac taka.

**Table-3 Comparative Recent Years Production, Export, Export Earnings & Raw Jute Consumption between BJMC and BJMA**

Period	Bangladesh Jute Mills Corporation				Bangladesh Jute Mills Association			
	Pr.	Ex.	Ex. E.	RJC in Lac	Pr.	Ex.	Ex. E.	RJC in Lac
2008-09	110045	89392	433.18	6.16	168832	87642	465.18	9.45
2009-10	145919	106237	654.69	8.17	156544	113604	746.14	8.77
2010-11	152138	117855	938.53	8.52	137766	82178	681.52	7.71
2011-12	179828	128082	1069.04	10.07	177040	113983	919.76	9.91
2012-13	192405	177703	1365.35	10.77	234203	148427	1114.31	13.11
2013-14	167101	85133	628.78	9.36	207183	145265	959.25	11.60
2014-15 (July to Dec.)	46122	43655	307.82	2.58	87281	51925	344.53	4.89

Note: Pr-Production, Ex-Export, ExE-Export Earning, RJC- Raw Jute Consumption,  
Source: Report of Bangladesh Jute Mills Association

The table 3 shows the comparative production, export, export earnings and raw jute consumptions of BJMC and BJMA in very recent years. And this table is showing the picture of the role of BJMA for reawakening of the golden fiber of our Bangladesh. In every year the data is showing higher quantity and higher value of export and export earnings of BJMA mills than those of BJMC. The picture of production is also same. The production, export, export earnings and raw jute consumptions in 2008-09 are 1,68,832 metric tons, 87,642 metric tons, 465.22 crore taka and 9.45 Lac B/S and increased in 2013-14 about 2,07,183 metric tons, 1,45,265 metric tons, 959.25 crore taka and 11.60 Lac B/S respectively which are always higher than those of BJMC. The local sale of jute goods of BJMA is also higher than the BJMC.

**Table-4 Bangladeshi Export to Top-Five Countries**

Sl.	Country	Value in M. US\$				
		2006-07	2007-08	2008-09	2009-10	2010-11
1	USA	3,441.02	3,590.65	4,050.78	3,950.47	4,838.03
2	Germany	1,955.38	2,174.81	2,271.74	2,187.35	3,438.70
3	UK	1,173.95	1,374.03	1,502.80	1,508.54	2,065.38
4	France	731.76	953.13	1,032.04	1,025.88	1,537.98
5	Netherlands	459.01	653.87	974.51	1,016.89	1,107.13
	<b>Sub-Total</b>	<b>7,761.12</b>	<b>8,746.49</b>	<b>9,831.87</b>	<b>9,689.13</b>	<b>12,987.22</b>
	<b>Year-end Total</b>	<b>12,177.86</b>	<b>14,110.80</b>	<b>15,565.19</b>	<b>16,204.65</b>	<b>22,924.38</b>

Source: Export Promotion Bureau

Finally Table 4 is showing of export value to top five countries of the jute and jute goods from Bangladesh, where USA is in the top most. And year after year the export value increasing which one is the symbol of coming back of golden fiber empire.

From the above tables and above picture it is clear that Bangladesh market and international market as well has seen some downwards trends in the past but lately market for jute and jute goods is experiencing an upwards trend by the help of BJMA. This trend is utilized properly will provide Bangladesh with better opportunity in coming years. Some of the factors contributing to the prospects of jute and jute products of Bangladesh are:

People all around the world are looking for environmental friendly ways of doing business rather than profit making and industrialization only because it creates both health and environmental hazard such as deadly diseases, global warming, climate change and many frequently occurring natural disasters. For this now the whole world is looking into natural fibers for everyday use. The United Nations declared 2009 as the 'Year of Natural fiber' in order to popularize the use of natural fibers in manufacturing goods. Consumers are now more interested to go for eco-friendly natural goods rather than synthetic materials which is now creating a positive trend for jute and jute products.

The government in June, 2014 framed new rules to enforce the compulsory use of jute sacks to pack food grains and other items, although the law was passed in October 2010 which will create increased internal demand for jute products.

Moreover, no rice miller and trader can use plastic bags to pack grains from January 2014, according to a notification from the jute and textiles ministry that has mandated the use of jute sacks instead. The gazette says all private rice millers and traders will have to use up their stock of plastic bags by December 31. The decision is expected to boost the use of the eco-friendly product locally and provide the jute industry a cushion against fluctuations in global demand. The government, in the gazette, has also made the use of jute sacks compulsory for packaging fertilizer, 50 percent of the fertilizers available in the market, both locally-produced and imported, will have to come in jute bags.

Due to environmental concerns, renewed interest is been shown by European Union and South and North American countries on jute and jute products. There is a very good possibility for European Union and South and North American States to ban plastic bags and accept jute as a substitute for polythene in essential packaging and shopping bags. This will boost the current demand for jute and jute products and Bangladesh can be a beneficiary of this positive trend. According to International Jute Study Group (IJS) the future demand of jute bags is likely to be 32 million bags a year, while the present supply is only 12 million bags.

The global market for jute has moved beyond simple packaging materials. The range of

diverse products includes shopping bags, rugs, wall coverings, apparels etc. A number of industries ranging from fashion to automobile have started to see new possibilities in jute. Moreover, Indian fashion designers have led the way in experiencing with a wide variety of clothing ranging from sharees to suits made of jute. The blending of jute with cotton produces a material called Juco can be used to make clothing. Another major application for jute is geo-textiles (Iqbal, T., 2013). Our existing jute mills under BJMA discovering other diverse usages such as shoes, ribbon, braid, ladies bags, felt, mat, tape, tarpaulin etc. which are another important wing for jute's prospect in future.

Apart from growing demand in western countries, the demand for jute is consistently increasing in many Asian countries like Japan, Thailand, and Vietnam. These are the emergence of new markets of our jute and jute goods.

Recently new genome sequence of jute was discovered by Bangladesh. This will hopefully play role in producing bulk amount of quality jute in lower cost.

### **Conclusion and Recommendation**

Earlier, the jute industry was considered to be the backbone of our economy for several decades and continues to be one of the mainstays of our rural economy even today. The livelihood of about 25 million people (almost one - fifth of the total population) is dependent on jute - related activities in agriculture, domestic marketing, manufacturing and trade. Jute, as a renewable natural fiber, is also bio- degradable and environmentally friendly, it is one of the few crops, which can be grown in the monsoon season, and can be rotated with rice to restore the soil fertility and structure. The state-run and privately owned jute mills made a net profit after 29 years from 2010-11. Due to environmental concerns by United Nations, European Union and South and North American countries will boost the current demand for jute and jute products and Bangladesh. For meeting the divergence domestic demand the mills under BJMA is producing shoes, ribbon, braid, ladies bags, felt, mat, tape, tarpaulin etc other than shopping bags, rugs, wall coverings, apparels, sharee, suits, automobile's apparels, cotton cloths etc. The above study is showed that the government's new jute policy is expected to focus on enhancement of the country's production capacity, diversification of the product base and growth of export earnings. It is true that jute industry is beset with certain very serious problems such as tariff barriers, non-tariff barriers, substitute of jute products, lack of proper attention by the government, lack of proper support from the countrymen, lack of proper knowledge, lack of financial resources, lack of automatic and efficient machineries etc but there is growing feeling in the mind of the people that this industry which fed with locally produced indigenous raw materials should be able to stand on its own legs by effective and efficient husbanding of human and material resources. Some measures could be taken to overcome the current barriers faced by the industries and resuscitation golden fiber empire of Bangladesh. The researchers mentioned some of the possible measures as their recommendation; such as

The government must take necessary actions for implementing the Jute Packaging Act immediately to create and face internal and international demand for jute and jute products.

Bangladesh Jute Mills Association (BJMA) urged the government to reduce tax at source and increase cash incentive for the jute sector as jute price fell on global market.

The association proposed cutting tax at source from 0.80% to 0.25% and rising cash incentive to 15% from 10% this will boost the jute industries.

Both tariff and non-tariff barriers hamper export for the sector. These barriers should be removed through negotiation and policy formation. Attempts should be taken to resolve dispute with the trading countries (Iqbal, T., 2013).

Both long-term and short-term strategies should be formulated by government and private sector as a team to capture and sustain in domestic and international market.

It is essential to focus on research and development in technology and plantation, marketing etc to survive in dynamic market. For this it is required to introduce new technologies for meeting new demand of jute and jute goods.

Bangladesh should focus on innovating variety of jute products because the international market demand has become more dynamic. Demand of diversified and innovative products like paper from jute or soil erosion control product made out of jute etc are increasing.

Small and medium enterprise in this industry is suffering from lack of capital, financing, automation, proper market information which is affecting the whole industry. These SMEs need proper attention and help from government to recover from current situation.

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## **An Empirical Study of Capital Market Collapse in Bangladesh: 1996 & 2011**

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Aysha Ashraf\*\*

### **Abstract**

*The Bangladeshi Capital Market has experienced two big crashes since its inception. In 1996, the market was crashed because of a speculative bubble, whereas; it was an asset bubble in the year 2011. The stock price was overvalued this time. Price was inflated about 500-700 percent compared to the face value. DGEN Index scrambled at point 8918.51 on December 05, 2010 which signaled a steeper bubble. The study hypothesizes the present scenario of Bangladesh Stock Market through various quantitative and qualitative data which are extracted from the secondary sources. Quantitative data are gathered from the web site of Dhaka Stock Exchange and other qualitative data are collected from published research journals, newspapers, websites, etc. This study has discovered that, Gap between the Demand and Supply of stock, extraordinary over pricing of stock, market manipulation, lack of knowledge about the stock market mechanism among the general investors, price distortion, inefficient regulations, political unrest, etc. caused the crash of DGEN Index in the FY2011. Security and Exchange Commission (SEC) of Bangladesh and government should encourage more public limited companies to offer more shares to meet the current demands. In order to get back the confidence among the existing investors, regulatory body may introduce an Income tax rebate, Injection of Market Stabilization Fund, Mandatory holding certain percentage of shares among the board of directors, short term incentive packages etc. Moreover, this study showed the trends of some capital market exogenous variables like, market capitalization, market all share index, the market value of the transaction, Number of deal and inflation over the last ten years. Ordinary least square method of log linear regression analysis was used to analyze the data.*

### **Introduction**

The Sound Capital Market is an indispensable part of an Economy. Without sound and efficient capital market, rapid economic development could be hampered as capital market provides long term funds to entrepreneurs. Capital Market of Bangladesh is still highly speculative and lacks transparency due to the poor regulatory framework. In Bangladesh, financial sector was historically driven by banks and capital market had fewer rules to play as people had mixed perception

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about the risk pattern in the capital market that discouraged them mostly to invest there. But in the mind of ninetieths of the last century capital market started to show vibrant behavior that makes people interested about the stock exchanges. As the index was rising sharply and everyone was making money, many people started to invest their money in the heated market that made a bigger bubble and finally the bubble bursts. Benchmark index came down to 700 points in November 1997 from its highest 3600 points in November 1996. Thousands of investors lost their money that made them reluctant to invest in the capital market again. It took one decade for them to forget the history of collapse.

After that, regulators had taken many steps to stabilize the market. Hundreds of new issues came to the market. Central depository, circuit breaker, online trading, etc. were introduced in the market to attract investors. As a result, the market started to grow again. Investors started to forget the history of 1996 and started to invest again. This time most investors were new and young with little knowledge about stocks and did not care about market risk. They invested their money and finally lost everything when the bubble started to burst in December, 2010 that had started to grow from the year 2009. This time Benchmark index came down to 3616 points in early February 2012 from its highest point 8918 in December 2010. Millions of investors lost their money and came down to the street. This is the small picture of stock market crashes in Bangladesh. In both cases, regulators had failed to take proactive measures to not grow the bubble and caused losses for millions of investors when the bubble burst. When analysts were anxious about the bubbles, regulators were ignoring them and even defended the bubbles.

The recent volatility of the capital market of Bangladesh is an abnormal phenomenon and such volatility tends to economic instability. I believe it will be interested enough to look into the causes of the problem. As such volatility affects mass people (many investors), it is essential to try to minimize such volatility by identifying the causes (esp., Regulatory failure) and solving the problems. In my study, I will try to identify the reasons of this volatility and also to recommend some suggestions to minimize such volatility in the future.

#### **Justification of the Study**

1. This study will be helpful for the concern academic discipline of economics, finance and capital market development of the country.
2. The policy maker of the GOB, SEC, DSE and the investor may be benefited from the findings of study for taking decisions.
3. This study would point out the problems or impediments which are prevailing for strengthening the economy and overall development of the country.

### **Objectives of the Study**

- i. To describe the component of the capital market.
- ii. To find out the reasons of capital market crash in Bangladesh.
- iii. To show the comparative study on share market crash in 1996 & 2011.
- iv. To analyze the relationship between capital markets and economic growth of Bangladesh.

### **Review of Related Literature**

The United States experienced the Nasdaq bubble in the late 1990s. The fluctuations beliefs generated by overconfidence among Bangladesh investors led to larger speculative component in stock prices, and the technical bubble of the U.S. market was identified as the result of “exuberance” (Shiller, 2000; Chen, Hong, and Stein, 2002). Given that markets in the advanced economies seemed to be more susceptible to speculative bubbles and crashes, and many emerging markets also display similar evidence, it seems reasonable that no one should look forward to these phenomena disappearing from the Bangladesh markets (Ahmed *et al.*, 2006).

A market is an economic bubble which occurs when Market participants drive stock prices above their value in relation to some system of stock valuation. A bubble occurs when speculators note first rise in the stock value and decide by in expectation of further rises rather than because shares are undervalued. Numerous factors have been responsible for the formation and collapse of stock bubbles from early times. One is the availability of easy credit approval and fungible investments funds that are invested in the market for buying company shares (Craven and Islam, 2008). Intermediary effects imply things one the one hand, there are interlinks consecutive or successive bubbles (Allen and Gale 2002) and also some mediatory dynamics cause to shape the bubbles on the other (Craven and Islam 2008). The interlinks can be interpreted as an existence of a long memory or long dependency of intermediate factors and stock bubbles (Ashraf and Rodriguez, 2006). There were also flows of information between London and Paris and other financial centers in Europe such as Amsterdam and asset price movement were independent (Craven and Islam, 2008). Similar Observation has been shared by Rahman (2010) in the case of Dhaka Stock Exchange (DSE) in which painful memories of 1996 bubble is linked with the recent-scenario of the highly inflated asset prices in early 2010 that is being termed as bubble because DSE has been risen by nearly 125 percent over the period from March 2009 to February 2010. Many times the asset price bubbles might result in economic downfall (Lewis et al 2010).

### **Methodology of the study**

The study uses secondary information. Publications of both printed and electronic sources of different banks, Bangladesh Bank, Ministry of Finance and different organization of the Govt., International agencies like the IMF, World Bank, Asian Development Bank have been used as sources of data. This study is mostly qualitative in nature and employed annual time-series data from 1996 to 2012. In this study, we have used the multiple linear regression models to find out the relationship between capital markets and economic growth. After data collection, necessary screening has been performed before tabulation and graphical presentation. Finally, based on the findings and analyses, policy recommendations have been made. Statistical, financial and accounting tools and concepts have been applied in this study where appropriate.

### Empirical Model Used in the Study

The model is used in this research work is based on Demirgüç - kunt and Levine (1996). They investigated the linkage between the stock market and economic growth. Their model specified that socioeconomic development (proxy by Gross Domestic Product) is significantly influenced by the capital market indices (market capitalization, market all share index, no. of deals, inflation and value of transaction.

### Multiple Linear Regression Model:

$$GDP = \alpha_0 + \alpha_1 MC + \alpha_2 MASI + \alpha_3 ND + \alpha_4 MVT + \alpha_5 INF + \mu \dots \dots (i)$$

GDP = Gross Domestic Product

MC = Market Capitalization

MASI = Market All Share Index

MVT = Market Value of Transactions

ND = Number of deals

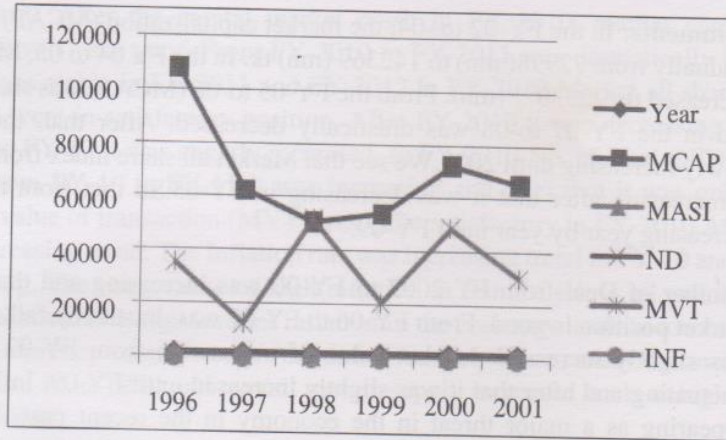
INF = Inflation

$\mu_i$  = Error term

### Impact of Crash in Capital market trend

Year	1996	1997	1998	1999	2000	2001
MC	107827	62264	50748	54004	72168	65518
MASI	1111.55	676.47	546.79	561	716.06	819.74
ND	471.1	523.21	533.54	685.69	739.46	1003.5
MVT	35414	12616	51894	20825.52	49094.68	30596
INF	2.42	5.2	8.27	6.31	2.39	1.94

Source: Information collected from Annual report from 1996 to 2001

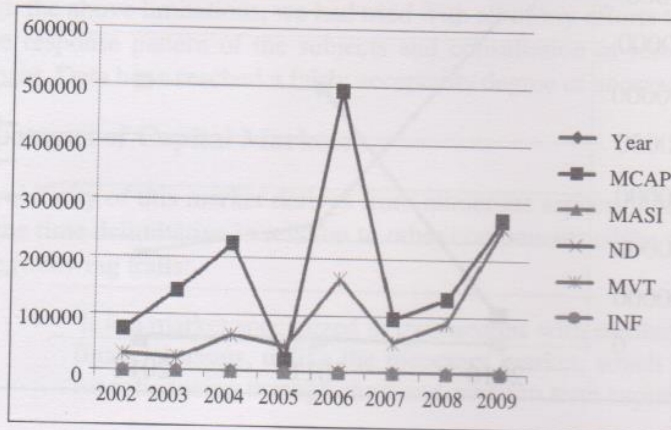


**Comment:** After the capital market crash in FY 1996, market capitalization (MCAP) was very poor. After that it was slightly decreasing. After FY-1996 MASI and No. of deal were drastically fall from FY 1996 to FY2001 MVT was unstable.

**The Trend of Capital Market after and Before stock market Crash (FY 02-03 to FY 09-10)**

Year	2002	2003	2004	2005	2006	2007	2008	2009
MCAP	72998	142369	224611	22530	491684	96480	131277.3	270074.5
MASI	823.14	1318.92	1713.17	1040.47	1764.18	2588.03	2520.15	5111.63
ND	1045.6	1187	1250.06	1552.3	1898.2	229.2	313.6	773.84
MVT	30596	24769.8	65172.9	45992.8	164670.9	54328.43	89378.92	256350.5
INF	3.37	5.59	7.62	7.03	6.77	9.07	8.94	5.43

Source: Information collected from Annual report from 2002 to 2009



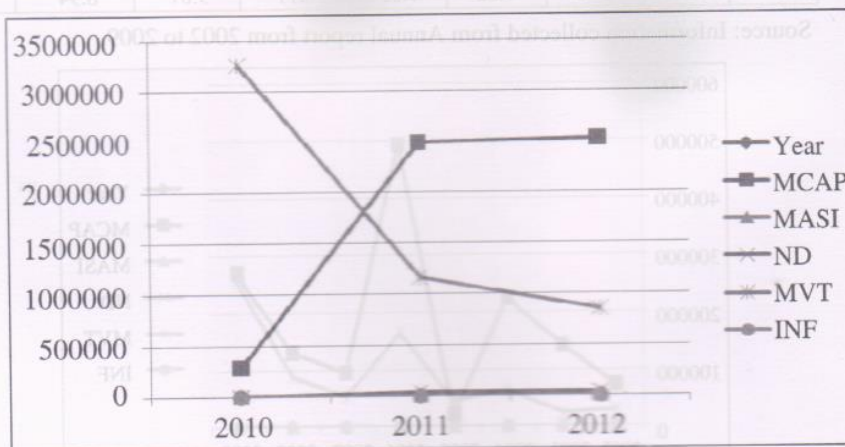
**Comments:** In the FY-02 to -04, the market capitalization (MCAP) was increased gradually from 72998( mn) to 142369 (mn) tk. In the FY 04 to 05, MC was slightly decreased tk. 22530 (mn). From the FY-05 to-06 (MCAP) was sharply increased and in the FY-07 to-08 was drastically decreased. After that, the (MCAP)was slowly increasing until 2009. We see that Market all share index from FY-02 to -04 is increasing after that it was decreasing in FY-05. So that from the FY-06 was increasing year by year until FY-09.

Number of Deal from FY-2002 to FY-06 was increasing and that indicates the market position is good. From FY-06 to FY-07 was drastically fall and after that it was slightly increased. Market value of transaction from FY-02 to FY-07 was fluctuating and after that it was slightly increased until FY-09. Inflation has been appearing as a major threat in the economy in the recent past. Inflation had a moderate trend up to 2003 within 6%. It started increasing from 2004 and got a sharp rise in 2008 -2009.

**The Trend of Capital Market after Stock market Crash (FY 10-11 to FY12-13)**

Year	2010	2011	2012
MCAP	285389.2	2491613	2530246
MASI	5093.19	3877.64	4385.77
ND	2009.6	37343.2	42286.7
MVT	3259126	1171451	857089.7
INF	8.15	10.33	8.78

Source: Information collected from Annual report from 2010 to 2012



**Comment:** After the capital market crash in FY 2010, market capitalization (MCAP) was very poor. From FY-2010 to FY-2011 was dramatically increased, then it was stable in FY-2011 and FY-2012. In FY-2010 Market all share indexes (MASI) were in satisfactory position. After FY-2010 it was decreasing and from FY-11 to FY-12 it was slightly increased. In FY-2010 No. of Deal (ND) was very poor. From FY-10 to FY-11 it was increasing and after that it was quite stable. Market value of transaction (MVT) was quite satisfactory in FY-2010. After that it was decreasing trend. The Inflation rate was increasing trend in FY-10 and was still continuing. The main cause of high inflation in Bangladesh is oil and food price hike in abroad. The high level of inflation in the economy leads to lower the value of local currency taka. To cover the deficit budget, Government borrowings from the Central Bank (BB) and overall money supply increased leads to high inflation in the market.

### **Limitations of the study**

To make a report various aspects and experience is needed. But, We have faced some barriers for making a complete and perfect report. This study only focuses on the role of the SEC and DSE. It ignores the role of Bangladesh Bank as the central bank of the country and its monetary policy which affected the market heavily in different time periods. These barriers or limitations, which hinder our work are as follows:

1. Due to short time, we could not collect enough necessary data about the study to prepare the report.
2. Some of key peoples of DSE were very much busy with their duties that they could seldom manage time to answer the questions.
3. Investors are not fluently giving opinion due to some restriction.
4. The researcher could not find sufficient data because of DSE great secrecy.

Though the above limitations, we had tried with all of my efforts to know and find out the response pattern of the subjects and consultation of relevant record and document. Data have reached a fairly acceptable degree of accuracy.

### **Components of Capital Markets**

The specificity of this market derives from numerous aspects, but defining and at the same time delimitative in relation to other components of the financial market are the following traits:

- It is a market specialized in transactions with medium and long term financial assets, unlike the monetary market, which offers solutions for refinancing through short and medium term capitals;

- It is a public, open and transparent market, in the sense that anyone can be a participant in this market, without there being a notable entry or exit barriers, the transactions having a public character;
- The dissemination of information on this market, through its volume or, quickness and with the possibility of equal reception by all participants, is probably the best one of the ones existing in the structures of a market economy;
- The capital circulation vehicle is represented by securities, characterized through negotiability of the price and immediate transferability with very low transaction costs;
- The transaction is made through intermediaries, who have an essential role in connecting the owners or issuers of securities with the owners of capitals;
- It entails risks, both for the issuer and for the investor, specifically for each financial instrument in question, but at the same time it also offers complex solutions for minimizing and dispersing it, both the financial and the operational one;
- It is an organized market, in the sense that the transactions are performed according to certain principles, norms and rules known and accepted by the participants. This does not mean the administration of the market, but its regulation with the purpose of creating or preserving the conditions for the unfolding of free competition, so a system for guaranteeing the free and open character of all transactions.

In a market economy, the role of the capital market is of first rate. The well functioning of the capital market is vital in the contemporary economy in order to be able to perform an efficient transfer of money resources from those who save towards those who need capital and those who succeed to offer it a higher capitalization; the capital market can significantly influence the quality of the investment decisions.

Depending on the moment when the transaction is performed, the capital market is divided into two temporal dependant segments: primary and secondary.

### **Comparisons of Capital Market Collapse (1996 – 2011)**

#### **The Capital Market Collapse In 1996**

There was a large surge in the stock market in the summer and fall of 1996 evidenced by a large increase in the market capitalization. The monthly closing index was 775.65 in January, 1996 which increased to 3064 in November, 1996.

After an increase in the general index of DSE for a brief period, the index started to fall dramatically. On December 1996 the index falls down to 2300.15. The short time quick profit generation persuaded the investors to invest more in the capital market. The confidence of the investors, however, damaged significantly because of excessive speculations, allegedly aggravated by widespread irregular activities.

### **The Capital Market Collapse In 2011**

In July 2009, the general index of DSE was 2914.53 which increased and reached at 5654.88 in April 2010. Finally, in November 2010, the general index reached at the peak and became 8602.44, which was the peak of the capital market before the crash. After that, the general index started to fall.

In November 2009, the general index of DSE increased about 30.22 percent than the previous month. During the consecutive twelve months, the general index rose at an average of 1 to 12 percent per month. This long time growth continuum of the capital market index made a greater confidence among general investors. Consequently, in this period, no greater market price volatility of general index was observed. As a result, a continuous trend of a larger profit-seeking behavior induced general investors to reinvest their profits along with additional capital. During this time, the game planners collected the liquid money from the capital market by selling the shares. Therefore, the supply of shares increased and made the general index to fall. In December 2010, the general index first started to fall by 3.62 percent than that of the previous month. In February 2011, the general index decreased by 30.5 percent and reached at 5203.08. This falling trend of general index of DSE had been continuing and finally, fall to 4410.14 in October 19, 2011.

### **Tabular view of Comparison**

<b>Market crash in 2011</b>	<b>Market crash in 1996</b>
Trading was automated	Trading was automated
Surveillance was strong	Surveillance was strong
Circuit breakers and international protections were in place	Circuit breakers and international protections were in place
Being automated there were no forged shares traded and the kerb market.	Being automated there were no forged shares traded and the kerb market.
There were also omnibus accounts in the market	There were also omnibus accounts in the market
The BO account value was 35 less	The BO account value was 35 less
The 2011 crash was an asset bubble	The 2011 crash was an asset bubble
While in 2011 it lost up to 660 points, nearly 10 percent	While in 2011 it lost up to 660 points, nearly 10 percent

### Reason behind the crash of the capital market in Bangladesh

From our research and findings, the main reasons behind the crash in the stock market are as follows:

1. Banks and other financial institutions, including MFs have increased their participation directly in the markets and also through loaning money to BO a/c holders for trading on margins. Banks and also many other brokerage houses have been allowed to open brokerage houses in divisional and district making it easier and attractive to trade in shares. As a result, the number of BO accounts shoots up to 33 lakh from below five lakh. These BO account holders also acted as intermediaries of their friends and relations from all corners of the country as they were given promises of higher returns compared with savings accounts in banks and bonds. The lure of making a fast buck always attracts people.
2. The upsurge began a year or so back when Grameen Phone offered a large IPO (over 4000 crore) with much higher value over the face value of Tk. 10 only. There was a big jump in the index about 1000 points. So the faulty index gave the wrong signal to investors and the upward rise never stopped thereafter.
3. Around the same time some foreign firms set their feet into the market and created further push up. Since there was no capital gains tax on the earnings and no restrictions were placed by Bangladesh Bank on transferring their capital plus gains they took advantage of super returns and transferred money out of the country by buying dollars from the curb markets.
4. The book building method was allowed to raise prices of IPOs by using faulty accounting practices and many low earning companies took advantage of the system in private placements and then going to market with much higher valued IPOs without due regard to P/E ratios.
5. During the last two weeks of the crisis, Bangladesh Bank supplied Taka 400 crore to ICB to hold prices up by buying shares. That gave investors signal that more such bail out funds would be forthcoming. That did not come and the market collapsed in a free fall due to circuit breaker on the last day before it was closed for four days at a stretch.
6. By all these and other means a bubble was created and the small investors were sucked into the spiraling up prices in the markets while government functionaries were claiming super confidence of the people in the government. The bubble has burst and the lives of millions of people have been ruined like a weapon of mass destruction.
7. As the money that was pumped into the market from all over the country, it will create a crisis in confidence for these and other people to come forward to invest again.
8. Again, some fraud Multi Level Marketing (MLM) companies offering high profit against investment attracted general public and investors to withdraw

money from the market and invest in those companies which caused the price fall of the shares and liquidity crisis in the market. Finance Minister Abul Mal Abdul Muhit accused these companies as the main culprits in the share market fall, though there were many other big reasons stated above.

### Empirical Analysis

Multiple Linear Regression Model:

$$GDP = \alpha_0 + \alpha_1 MC + \alpha_2 MASI + \alpha_3 ND + \alpha_4 MVT + \alpha_5 INF + \mu \dots (i)$$

#### Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.936	.572		6.884	.000
MC	9.768E-7	.000	.829	.470	.648
MASI	5.483E-5	.000	.095	.256	.802
ND	-4.853E-5	.000	-.671	-.398	.698
MVT	-1.660E-7	.000	-.144	-.483	.639
INF	.211	.095	.582	2.222	.048

a. Dependent Variable: GDP

**Comment:** In Multivariate regression model (i), if we change one unit of ..... (MC) and MASI, GDP will increase on an average 9.768E-06 Tk. And 5.483E-05 respectively but GDP decrease on an average 4.853E-05 tk and 1.660 E-07 for ..... (ND) and ..... MVT variable respectively. Again, if we change one unit of INF, GDP will increase on an average 0.211 Tk. We conclude that there, is more an effect of GDP on INF.

#### ANOVA<sup>b</sup>

Model	Sum of Square	Df	Mean Square	F	Sig.
Regression	6.986	5	1.397	2.179	.131a
Residual	7.053	11	.641		
Total	14.039	16			

a. Predictors: (Constant), INF, MVT, ND, MASI, MC

b. Dependent Variable: GDP

**Comment:** Statistically, it is not significant for the variable GDP on INF, ND, MASI, MC, and MVT.

## Findings and Recommendation

### Findings:

1. The regression result confirms that, there exists a negative relationship between the capital market and economic growth. The relationship is statistically insignificant. This in essence means that, the impact of the capital market on economic growth is weak and insignificant.
2. Another key outcome of the study is that, an unit increase in market capitalization results in an increase in GDP. It indicates that, the economy responds favorably to measures taken to increase MC in Dhaka Stock Exchange.
3. There was a big bubble in 1996 followed by a catastrophic crash. DSE index jumped from 957 on 2 November 1996 to a record high of 3649 on 5 November 1996. The index continued a downhill march thereafter with the lowest level record on at 463 on 3 May 1999. Since then the market remained in a state of doldrums. It started on a path of resurgence from 2003 (Islam, 2005).
4. Finally abnormal rise of share prices started to fall and Bangladesh stock market experienced its first crash of the history in 1996. The index lost over 233 points on Nov 6, 1996. After the bubble burst DGEN index dropped to its lowest point and stood at 957 in April 1997. It stood at around the same point where it was 10 months before and DSE General Price index lost almost 70 percent from its highest point of November 1996.
5. The capital market of Bangladesh holds the dramatic faces since its inception. It flipped in FY11 after a high rise in FY10. DSE index lost 36.6% in 2011 while the return was 83% in 2010. This scenario almost destroyed, "the confidence" of the investors. This two sides of scenario turned the most investors almost empty hand while very few people made money out of nothing. This scenario began during FY 10 without any major correction, finally burst on December 19, FY10 while DGEN recorded the steepest till date single day fall of 552 points or 6.7% to 7654 since FY09. The negative slope of the industry continued till January 10, 2011. That set new records and breaks.
6. The stock markets of Bangladesh witnessed another bout of wild crash in 2010. The general index of Dhaka Stock exchange stood at 4535 at the end of December 2009, nearly doubled in less than a year to 8912 on 5 December 2010, suffered drastic loss of more than 1200 points over a period of two days to dip to 6499 on January 2011 and then regained more than 500 points on the next day to reach 7512 following some policy pronouncements by Securities and Exchange Commission (SEC) and the Bangladesh bank. The index was 7378 on 17 January 2011. The downward march continued thereafter. As of now, index seems to have reached unjustifiably low level equalizer at around 4500.
7. The constructive result of the market capitalization implies that funds raised by the industries and governments in the capital market are spent on productive sector which enhance economic growth.

8. The optimistic results of the market all share index and number of deals implies that, the market is a expansion, so that, the investors try to invest in the market and the capital market (DSE) is competent to attract more investors to invest. As a result, the capital market is moved with enormous fund and economic growth is upward.
9. The unenthusiastic impact of a number of deals also called for shocking policies to be implemented so as failed to attract more investors to invest in the market.
10. The depressing result of the value of transaction in the capital market means that, the simplicity in buying and selling of securities hasn't any potentiality to influence economic growth positively.
11. During this time the rate of inflation is bit constructive so that, it has optimistic consequence on economic growth.

### **Recommendations**

- To bring more companies which have good track record in terms of financial performance tax gap between listed and non-listed companies could be made in such a way that they are encouraged to enlist in the market. For this purpose, for different sectors different margins can be considered as well.
- Government can also take pro-active role in building a stable market through tapping the growing interest of general people in the market by increasing supply of shares.
- The market should be free from fake certificates. The government should offer income tax rebate on the income of share market and encourage the banks and non banking institutions to come to the market directly. Some incentives package for the investors like getting financing at a low cost has to be offered to bring back the investors in the market. Market stabilization fund must be introduced so that it can help to meet up with crisis situation.
- Off-loading State Owned Enterprises (SoEs) in the capital market will entail government to sell corporations in a profitable manner and will also diversify the market.
- Public utilities and infrastructure related projects can also be asked to raise a part of debt through issue of marketable bonds.
- Considering the growing interest of mass people, facilities of share business e.g. brokerage house should be spread all over the major points of the country. In this connection, expansion of information technology, especially availability of internet facilities at root level can be very helpful.
- Spread of capital market educational program up to root level needs to be strengthened, as to protect the interest of new investors minimum level of knowledge on capital market is very important.
- Finally, setting up a separate judiciary mechanism for settlement of disputes in the share markets (within a specified time limit) and restore the investors' confidence can be considered seriously.

To guide and restore the confidence of individual investor in capital market, the regulatory authority should take necessary actions to encourage corporate governance rating among listed companies, which will enable investors to differentiate the good governance companies from the rest and can then attach higher value to those firms as well. And, without improving the governance of the market and eliminating scope of manipulation, it will be difficult to attract good scripts at the desired level. In this endeavor, regulators must adapt continuously to the changes in the economy and the pressures of globalization.

### Conclusion

The study tries to initiate some problems like – Big Gap between the Demand and Supply of stock, astonishing over pricing of stock, market manipulation, liquidity problems, lack of knowledge about the stock market mechanism among the general investors, price distortion, inefficient regulations, political unrest and unnecessary intervention of Bangladesh Bank etc caused the steepest downward fall of the DGEN Index in the FY2011. As a result, about millions of investors lost their capital, which turned them empty within a few months. Security and Exchange Commission (SEC) of Bangladesh and government should take the short term and long term initiatives to stabilize the market. They should encourage more public limited companies to offer more shares to meet the current demands. Income tax rebate, Injection of Market Stabilization Fund, Mandatory holding certain percentage of shares among the board of directors, short term incentives packages should be introduced to get back the confidence among the existing investors. Regulatory bodies of the Bangladesh stock market must educate the current and potential investors about the market mechanism and provide them the accurate information so that investors trade their shares carefully. Unless, there are any corrective measures, the Bangladeshi stock market will be facing this irrational downward of DGEN Index again in the near future.

The government should announce incentives through SEC to attract companies to the capital market. The government should also take long-term actions in the market. Actions should be taken against those who were involved in the recent stock market crash. Improvement in security laws and penalties for breaking rules, balancing of demand and supply of shares, and protection against any kind of manipulation should be ensured.

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