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The Village In Bangladesh : A Survey

AKBAR ALI KHAN

One of the basic axioms in received doctrines of South Asian studies is the ubiquitousness and universality of village communities in the sub-continent. Despite Baden Powell's caution regarding "the impossibility of disposing of the 'Indian village community' by referring the whole of the phenomena to some one theory or generalized view of the subject", there has been little progress in understanding and explaining the regional variations of the rural settlements in South Asia since the publication of "The Indian Village Community"¹ in 1896. The existence of village communities in all parts of South Asia is assumed to be an indisputable reality. There was, therefore, no serious attempt to construct and elaborate conceptual frameworks for analysing the patterns of rural settlements in different regions of South Asia. As a result, there is today, as Andre Beteille puts it, "a dearth of clear statements on Indian villages"². It is not, therefore, surprising that most of the studies on socio-economic life in the territories which constitute Bangladesh are also influenced by platitudes and preconceptions on the Indian village community. So far there has been hardly any systematic attempt to define and analyse the characteristics of the village in Bangladesh. In view of lack of meaningful research and paucity of data on life in rural Bangladesh, scholars found it convenient to draw heavily on the existing literature on the village communities in India. Obviously the old paradigm of village community can not be discarded till a new conceptual framework is developed.

The first step towards conceptualising the characteristics of village in Bangladesh should be an analysis of the available quantitative evidence on the subject. The purpose of this paper is, therefore, to survey the existing data on villages in Bangladesh. Hopefully, this survey will be helpful in identifying the issues which need to be clarified for a theoretical formulation of the rural settlements in Bangladesh. This paper is divided into four sections.

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The first section analyses the trends in the growth of villages in Bangladesh during last ninety years and also examines the reliability of the existing statistics on villages. The second section describes the patterns of regional variations in the size of villages in Bangladesh and discusses some hypotheses on the determinants of this size. The third section presents a comparison of rural settlements in Bangladesh with typical village communities which are assumed to be the hallmark of South Asian society. The last section summarizes the findings of this paper which may be helpful for further research on rural life in Bangladesh.

I. TRENDS IN THE GROWTH OF VILLAGES IN BANGLADESH

An analysis of trends in the growth of villages in Bangladesh is essential for an understanding of evolution of the concept of village in this region. The absence of any significant trend in the number of villages will support the hypothesis of unchanging nature of villages. On the other hand, rapid fluctuations in the number of villages may be interpreted to be consistent with the hypothesis of inchoate character of villages in Bangladesh. A consistently positive trend in the growth of villages will raise several interesting questions. First, what is the relationship between old and new villages? Second, how are these new villages formed? Third, is there any significant variation in the rates of growth of villages in different regions of Bangladesh? Fourth, is it possible to identify the factors that facilitate the formation of new villages and the subdivision of old ones?

No systematic attempt to collect the statistics on villages in the South Asian subcontinent was made before 1870s when the first population census was undertaken in different provinces. Even in the absence of quantitative evidence, it is not difficult to identify the factors that influenced the formation of new villages in the sub-continent.

It is unlikely that inhabitants would move out of the ancestral site unless the old village is over-crowded. Obviously a rapid increase in population would lead to colonization of uncultivated lands and the establishment of villages in the newly settled areas. The available evidence indicates that there was no significant upward trend in South Asia's population till 1850s. According to Kingsley Davis, the population in the sub-continent remained virtually stationary for two thousand years preceding the establishment of the British rule.³ The density of population in South Asia was low in the pre-British period. In Irfan Habib's opinion the extent of cultivation in Moghul India was "about half of what it was about the beginning of this

century in the middle Gangetic basin of Central India"⁴. Morris D. Morris described the sub-continent as "a virgin land as late as 1800"⁵. According to Palit the total acreage under cultivation in Bengal at the time of the Permanent Settlement in 1793 was only 3 million acres whereas the cultivated area in Bengal in 1867 was estimated at 70 million acres⁶. The main reason for not bringing the waste land under cultivation is the absence of any market for selling the surplus output. Consequently the stationary character of population would discourage the formation of new villages.

Secondly, because of the strong emotional attachment to the land of their forefathers, the villagers in South Asia are often very reluctant to migrate from the ancestral village. This feeling was well described by Charles Metcalfe in his celebrated minute⁷ in 1830 :

"If a country remains for a series of years the scene of continued pillage and massacre so that the villages can not be inhabited, the scattered villagers nevertheless return whenever the power of peaceable possession revives. A generation may pass away, but the succeeding generation will return. The sons will take the place of their fathers, the same site for the village, the same position for the houses, the same lands will be reoccupied by the descendants of those who were driven out when the village was depopulated and it is not a trifling matter that will drive them out for they will often maintain their post through times of disturbance and convulsion and acquire strength sufficient to resist pillage and oppression with success."

This respect for ancestral land is also sanctified by various rites in Hindu religion.

The above analysis indicates that there was perhaps no significant variation in the number of villages in the sub-continent for a long time prior to establishment of the British rule. It, of course, does not imply that new villages were not at all established in the Pre-British India. However, the number of villages did not perhaps significantly increase as the formation of new villages was very often accompanied by the disappearance of some old villages. There are a number of factors which may impel the villagers to desert the old village site. First, the old village site may be washed away by the river. Second, the productivity of an area may fall as a result of physical changes such as the change in the course of rivers. Third, an area may experience recurrent epidemics. Fourth, the inhabitants of an area may be subjected to oppression on political or religious grounds. In such cases the villagers may desert the ancestral village and migrate to new sites. Obviously the formation of such new villages would not result in any perceptible increase in the number of villages in the sub-continent.

The rate of change in the number of villages may, however, vary from region to region although the number of villages in the sub-continent as a whole remained static. First, the villagers from one region may migrate to another region. Consequently, the number of villages may decrease in regions sending the migrants while the number of villages may increase in regions receiving the immigrants. It is likely that frontier areas such as Bangladesh would be considered a safe haven by the political malcontents or religious dissidents from North India. Thus the inflow of migrants to Bangladesh in the Pre-British times may exceed the outflow. Second, the emotional attachment for ancestral land is likely to be less strong in active deltas like Bangladesh where the erosion of the old village site as a result of the change in the course of rivers is a common occurrence. The partial erosion of a village site may lead to the splitting of the old village. The people affected by the erosion may move to a new site and may form a new village. However, increase in the number of villages may be offset by the amalgamation of small villages into a single village. Moreover, the rate of immigration in Bengal is not likely to be very high in the Pre-British times. The available qualitative evidence, therefore, suggests that the number of villages in Bangladesh in the centuries preceding the British rule either remained static or increased very slowly over time.

This scenario changed as 1850s approached. First, the growth of population in Bangladesh accelerated since the middle of the nineteenth century. Consequently, new villages had to be formed when the old village could not accommodate the increased population. Secondly, with the emergence of an international economy in the second half of the nineteenth century, the peasants in Bangladesh started growing crops for exports. The colonization of waste lands now became profitable. The landlords and the Government encouraged the clearing of the forest areas. For example, a large part of Chittagong district was uncultivated when the British acquired the district in 1760s. In order to encourage cultivation, the British offered rent holiday for five years for those who cleared the waste land. This led to the establishment of a big Zamindari by Joynarayan Ghosal who claimed to have cleared vast tracts of land in the district. Nearly 67 percent of the total area in Chittagong district is known as "noabad" (which literally means newly cultivated land) which was brought under cultivation after the settlement of 1764. Similar colonization also took place in the Sundarbans, in the Barind area, in the Modhupur forests and the areas adjoining the forests in Assam and Hill Tippera.

Though statistics on villages in Bangladesh were collected since the

Census of 1872, it is very difficult to compile consistent data on the growth of villages in Bangladesh for two reasons. First, the total area of Bangladesh varied from census to census. Because of recurrent alluvion and diluvion, the total area of a deltaic region like Bangladesh is not constant over time. Moreover, the estimates of actual area of some districts were changed during cadastral surveys. Consequently, the census statistics on districts may not relate to the same area. Secondly, the administrative boundaries (such as thana and district boundaries) were changed occasionally. The boundaries of some districts were reconstructed after the Radcliffe Award in 1947. Thus census data on villages prior to 1947 should be used with caution. In order to make the data of different censuses comparable, statistics on the number of villages in Bangladesh were collected for this study by adding the statistics on thanas. As the thana boundaries during the censuses of 1872 and 1881 could not be clearly identified in some cases, data on the number of villages from the first two censuses are not presented in table I.

Table I. Growth of Villages in Bangladesh, 1891-1981.

Year	Total No. of Villages	Total Area (in sq. mile)	Village per sq. mile.
1891	78912	50824	1.34
1901	85039	48700	1.74
1911	91221	54515	1.67
1921	60464	52411	1.15
1931	64575	53502	1.18
1941	59393	54091	1.09
1951	61424	54141	1.13
1961	64493	55126	1.17
1974	68385	55598	1.23
1981	85650	55598	1.54

Source : Appendix I

Table I shows the trends of growth of villages for the period 1891-1981. Though the area of Bangladesh varies from census to census, data on total number of villages and on number of villages per square mile show similar trends except for the years 1911 and 1941. Three phases may be identified on the basis of data in Table I. The first phase which lasted from 1891 to 1911 shows a significant increase in the number of villages. The

total number of villages in 1891 was 78714. It increased to 85039 in 1901. The number of villages stood at 91221 in 1911. The second phase which covered the period 1911 to 1941 witnessed considerable fluctuations in the number of villages. The number of villages dramatically decreased from 91221 in 1911 to 60654 in 1921. In the next decade there was a slight increase in the number of villages. It was followed by a decrease in the number of villages in 1941. The last phase began in 1941. There has been a steady increase in the number of villages in this phase. The total number of villages in Bangladesh increased from 59393 in 1941 to 85650 in 1981.

The data on the number of villages in Table I do not seem to be consistent with the data on population (see Table 2). Table I shows that the number of villages in Bangladesh decreased from 91221 in 1911 to 85650 in 1981. The population in Bangladesh during this period increased from 31.5 million to 89.9 million.

Table 2. Growth of Population in Bangladesh 1891 - 1981.

Year	Total Population (in thousand)	Average Population per Village.
1891	26811	340.6
1901	28920	340
1911	31550	345.8
1921	33250	548
1931	35600	560
1941	41996	706
1951	41932	682
1961	50841	788
1974	79479	1162
1981	89940	1050

Source : Appendix II

What puzzles most is the frequent decrease in the number of villages. There may be three reasons for the decrease in the number of villages. First, the old villages may be washed away by the rivers. Second, small villages may be amalgamated into large compact villages. Third, the villages may be abandoned because of recurrent epidemics or a fall in the productivity of land in the area. The first factor is unlikely to contribute to a decline in the number of villages as the new villages are formed by the people affected by erosion of rivers. The Settlement Reports of various districts support

this hypothesis. For example, the Revisional Settlement of Bakerganj district shows that 29 village settlements were diluvated in that district during the period 1911 to 1952. In the same period 100 new villages were established in this district. The second factor also can not explain for the decrease in the number of villages. Settlement Reports, which are more reliable than Census Reports, do not indicate any major trend towards amalgamation of villages. Moreover, there was no steady decrease in the number of villages. There were wild fluctuations in their numbers. These fluctuations can not be explained by amalgamation of villages. The third factor also does not appear to have any significant influence. The steady increase in population shows that there were very few pockets of unhealthy areas in Bangladesh.

It appears that the most important reason for the fluctuations of the number of villages from census to census is the frequent change in the definition of village. Ever since the Census of 1872, it was time and again emphasised that the village in Bangladesh is different from its counterpart in other areas of the sub-continent. The difficulties in defining a village in Bangladesh were expressed in the Census of 1901 in the following words :

“A village may be either a collection of houses having a separate name or else the mauza i.e. the area treated as a village in the survey. The latter has the advantage of a definite unit regarding which there can be no manner of doubt so long as the boundaries laid down at the survey are known, but it does not at the present time necessarily correspond to the residential village. One of the latter may spread over two mouzas or survey villages or two may lie in the same mauza or the mauzas may be altogether uninhabited. On the other hand, if the survey unit is neglected, it is very difficult to say with any precision what constitutes a village. There are many collections of houses which would be by one person called separate village while another would treat these as hamlets of other villages in the neighbourhood. In Bengal the records of Revenue survey have not been kept up to date and in most districts the survey mauza is no longer clearly traceable. Generally, therefore, a village was taken for census purposes to mean a residential village i.e. a collection of houses having a separate name with its dependent hamlets”⁸.

There are three concepts of village in Bangladesh ; viz., the survey village or the *mauza*, the ‘local’ village and the census village. A mauza is an artificial unit which was defined for the purpose of cadastral survey. In the districts of Dinajpur, Rajshahi, Bogra, Pabna, Rangpur and Jessore,

each parcel of land belonging to a separate landlord (i.e. an estate) was classified as a mauza. This approach, which was based on the experience of survey in Bihar, was discarded in the eastern districts. In most of the districts of Bangladesh, a *mauza* comprises a block of land which can be conveniently surveyed. Consequently, the natural boundaries of a terrain were taken into account in demarcating a *mauza* and there is a close relationship between a mauza and a local village in the eastern districts. *The Bengal Survey and Settlement Manual* lays down that the boundaries of the new villages should be formed "in accordance with locally recognized boundaries"⁹. Unlike mauzas, a local village may not always be a corporate unit territorially. They may not be located in a map easily. A local village is a mental entity. It is very difficult for an outsider to define a village. Only the inhabitants of a village have a clear perception of what village is their own. The definition of the census village, however, changed over time. Initially, local villages were treated as census villages. The definition of village was changed in 1921. An inhabited rural *mauza* was defined as a village in that census. Because of this change in definition, the number of villages dropped from 91221 in 1911 to 60654 in 1921. In the subsequent censuses till 1974, the rural *mauzas* were treated as villages. This is why, the fluctuation in the number of villages since 1921 can not be attributed to changes in the definition of the census village alone. It may, however, be argued that the early censuses were defective and the results of later censuses which were undertaken after the partition of the sub-continent may be more reliable because the national data on the number of villages since the census of 1951 seem to be in line with the demographic trend. However, the disaggregated district data do not show similar patterns; the number of villages occasionally decreased in some districts despite a steady increase in population in those districts. In order to test the reliability of data on villages in the recent censuses, the relationship between the percentage change in the number of villages in the districts with the percentage change in population and percentage change in the total area of the districts may be examined. If the statistics on villages are reliable, one would expect to find on the basis of cross-section data on districts a significantly positive correlation between the percentage change in the number of villages and the percentage change in population. Similarly, the relationship between the percentage change in the number of villages and the percentage change of the total area of the districts is expected to be positive. The correlation coefficients for these variables for the periods 1951-61, 1961-74 and 1974-1981 are shown in Table 3.

Table 3. Correlation between the Percentage change in the number of Villages and the Percentage change in Population and in area of districts in Bangladesh.

Period	Correlation between the % change of number of villages and the % change of population.	Correlation between the % change of number of villages and % of the area of the district.
1951-61	0.147 (0.57)	0.072 (0.28)
1961-74	0.292 (1.18)	0.135 (0.52)
1974-81	0.412 (1.75)	0.00 (0.00)

(Bracketed number shows t—statistics)

Source : Appendix I and II

The correlation between the percentage change in the number of villages and the percentage change in population in districts, though positive is statistically insignificant for the decade 1951-1961. The same correlation turns out to be negative for the period 1961-74. This implies that the rates of increase in the number of villages were lower in districts which experienced higher rates of population growth. There is no obvious explanation for such an inverse relationship between the growth rates of population and the number of villages. The correlation between these two variables is positive for the period 1974-81. This relationship is not, however, statistically significant. Table 3 also shows that the variations in the number of villages are not significantly related to the changes in the territorial size of the districts.

There is no satisfactory explanation for the fluctuations in the number of villages in the districts. This casts serious doubts on the reliability of the census data on villages. These data are neither consistent nor accurate. For example, the Census of 1981 shows that in Khulna district, where population increased by nearly 8 lakh during the period 1974-81, the number of villages fell from 3853 in 1974 to 3512 in 1981. It appears that the defini-

tion of village as enunciated by the census authorities was not consistently followed at the local level; the definition of village varied from district to district. The Census Reports of 1951 and 1961 state that "villages" were defined as "rural *mauzas*". However, the total number of villages in these censuses exceed the number of mauzas. Similarly in 1981, there were 60315 mauzas in Bangladesh whereas the number of villages was estimated at 85,650.¹⁰ Thus the available statistics on villages in Bangladesh are not at all reliable for analysing the trends in the growth of villages. The qualitative evidence seems to be more reliable for this purpose than the quantitative evidence. There is no justification for the fluctuations in the number of villages during last ninety years. During this period, the population in Bangladesh increased and the area of Bangladesh was enlarged as a result of accretion. It is, therefore, obvious that there was a steady increase in the number of villages during the period 1871-1981.

Despite the experience in conducting population census over a century, no satisfactory statistics on villages in Bangladesh are available as yet. The fault lies not with the agencies for the collection of data but with the concept of village itself. The villages in Bangladesh, to borrow Bertocci's phrase, are elusive.¹¹ No reliable statistics can be collected on this subject till the concept itself is clearly defined.

II. REGIONAL VARIATIONS IN THE SIZE OF VILLAGE

A village in Bangladesh is not only elusive and ill-defined, it is also far from homogeneous. Available records indicate that the size of village in Bangladesh varies from less than twentyfive households to more than one thousand. The qualitative evidence suggests that the average population per village increased as a result of the dramatic increase in population in this century. The census data also, by and large, support this hypothesis. The average population per village in Bangladesh increased from 340 in 1891 to 1162 in 1974 (see Table 2). However, the average population per village fell in 1981 because of a large increase in the number of villages in the 1981 census. As a result of the rise in average population per village, the proportion of small villages (in terms of population) has decreased. This will be evident from a comparison of the size of villages (in terms of population) in 1891 and 1981 (see Table 4).

Table 4. A Comparison of the Percentage of Villages according to Population Size in 1891 and 1981.

Size of Population.	Percentage of Villages in 1891.	Percentage of Villages in 1981.
Less than 500	76.08	38.49
Between 500 and 999	16.20	26.11
Between 1000 and 1999	6.40	19.95
Between 2000 and 2999	0.87	6.86
Between 3000 and 5000	0.32	5.32
Over 5000	0.13	3.27

Source ; Census of Bengal 1891 and Preliminary Estimates of Census of Bangladesh, 1981.

In 1891, 76.08 percent villages contained less than 500 people. In 1981, the percentage of villages with less than 500 inhabitants declined to 38.49. On the other hand, there was a remarkable increase in the proportion of villages with population over 5,000. Because of a rapid increase in population and lack of opportunities for migration, the size of villages in terms of population has gradually increased.

The village studies in Bangladesh seem to be based on the assumption that all villages are alike. They tend to ignore the variations in the size of villages as minor aberrations. This is why, most of the case studies on village life in Bangladesh relate to small and medium villages. There are two major issues here. First, what are the consequences of the variations in the size of villages ? Is there any significant difference in the socio-economic structure and physical layout between a small and a large village ? Second, what are the causes for the variations in the size of villages ? Does the average size of a village vary from region to region ? Is it possible to identify the factors that determine the size of villages ?

No meaningful analysis of the first issue is possible till data on all sizes of villages are collected. At this stage, therefore, only some conjectures may be made which may be useful for future research. First, it is often argued that small villages are tightly knit communities where kinship ties tend to be strong. This is why, social authority may be stronger in small villages than in large ones. Second, it is hypothesized that intra-village rivalries are acute in large villages. The large villages tend to be more thickly populated than small ones. According to Kindersley, the thick

density of population in Chittagong district accounts for the prevalence of wide-spread litigation in rural areas. As Kindersley puts it¹²,

“In so thickly populated a land the soils differ so widely within the same village, every inch of land is highly valued and law suits both civil and criminal are brought and fought to the bitter end over particles of land”.

Third, most of the large villages happen to be older than small ones. The distribution of land may be more skewed in small villages which were established by one or two influential persons in the recent past. On the other hand, inequality in the distribution of land may be less pronounced in large villages where there were continuous subdivisions of ancestral properties over a long time. Obviously an understanding of these differences between large and small villages is essential for formulating realistic policies for rural development in Bangladesh.

In view of the inaccuracies in the census data it is not possible to undertake a statistically rigorous analysis of the regional variations in the size of Bangladeshi villages. It may, however, be argued that even if data on villages which were collected during the census operations may not be numerically accurate, these statistics may be useful for making well-informed guesses on this subject. It is interesting to note that there is considerable degree of agreement among last ten censuses on the ranking of districts in terms of average population per village. The fact that average population per village in Chittagong district was the highest in all the censuses since 1891 can not be dismissed as a mere statistical fluke. Similarly nine out of last ten censuses indicate that Sylhet district had the lowest average population per village (see Table 5). Statistically, the degree of agreement among last ten censuses on the ranking of districts in terms of average population per village can be tested by calculating the Coefficient of Concordance¹³. This coefficient is estimated to be 0.713 and is statistically significant at one percent level. This clearly suggests that despite the frequent changes in the definition of the term “village”, it is possible to rank the districts on the basis of average population per village. Broadly speaking, the districts in Bangladesh may be divided into three categories : (a) the districts where an average village tends to be large (b) the districts where an average village tends to be small, and (3) the districts where medium size villages are predominant. The available data show that Chittagong, Noakhali and Bakarganj districts have much higher average population per village than other districts in Bangladesh. For example, according to the Census of 1981 the average population per village in Chittagong district is

Table 5. Average Population Size of a Village in a District and Ranking of Districts on the Basis of Village Size from 1891-1981.

Name of the District.	Average Population and Ranking.	1981	1974	1961	1951	1941	1931	1921	1911	1901	1891
Chittagong	A.P.	2855	2756	2464	2309	2340	1651	2605	1176	939	1045
	Rank	I	I	I	I	I	I	I	I	I	I
Noakhali	A.P.	1848	1735	1279	1143	1173	990	784	434	435	384
	Rank	II	II	II	II	IV	III	III	V	IV	IX
Bakarganj	A.P.	1581	1596	1144	1111	1257	967	953	521	497	454
	Rank	III	III	III	III	III	IV	II	IV	II	IV
Dhaka	A.P.	1313	868	943	789	895	612	657	337	369	355
	Rank	IV	XIII	VI	IX	VI	VIII	VII	X	XII	XI
Khulna	A.P.	1239	833	887	849	1699	1423	732	706	364	366
	Rank	V	XIV	VIII	V	II	II	IV	II	XIII	X
Kushtia	A.P.	1200	1115	704	656	803	593	699	583	490	500
	Rank	VI	VIII	XII	V	VIII	X	V	III	III	III
Rangpur	A.P.	1137	1408	1080	792	433	264	391	199	200	242
	Rank	VII	IV	IV	VIII	XV	XVI	XIV	XVI	XVI	XIV
Comilla	A.P.	1075	1049	854	900	963	726	471	355	375	278
	Rank	VIII	X	X	IV	V	V	XIII	IX	IX	XIII
Jessore	A.P.	1043	888	630	484	501	459	499	368	369	385
	Rank	IX	XII	XIV	XV	XIV	XIV	XI	VII	X	VIII
Chittagong Hill Tracts.	A.P.	1019	1285	946	804	657	566	476	381	420	104
	Rank	X	V	V	VII	XII	XII	XII	VI	V	XVII
Mymensingh	A.P.	990	1095	869	716	757	6000	659	363	3999	436
	Rank	XI	IX	IX	X	X	IX	VI	VIII	VII	V
Pabna	A.P.	941	966	790	563	711	569	546	331	383	391
	Rank	XII	XI	XI	XIII	XI	XI	X	XI	VIII	VII
Faridpur	A.P.	798	1145	889	805	804	637	613	329	365	408
	Rank	XII	VII	VII	VI	VII	VI	IX	XII	XI	VI
Bogra	A.P.	767	1196	630	513	518	486	389	280	222	193
	Rank	XIV	VI	XIII	XIV	XIII	XIII	XV	XIV	XV	XV
Rajshahi	A.P.	712	691	445	359	395	301	339	277	236	280
	Rank	XV	XVI	XVI	XVI	XVI	XV	XVI	XV	XIV	XII
Dinajpur	A.P.	455	830	553	616	433	264	391	199	200	242
	Rank	XVI	XV	XV	XII	XXV	XVI	XIV	XVI	XVI	XIV
Sylhet	A.P.	566	540	389	322	291	215	218	190	172	157
	Rank	XVII	XVII	XVII	XVII	XVII	XVII	XVII	XVII	XVII	XVI

Source : Census Reports, 1891—1981.

Note : (i) A.P.—Average Population

(ii) Rank—Rank of the district in terms of average size of population.

more than five times larger than that in Sylhet (see Table 5). The Census of 1974 shows that 84.13 per cent villages in Sylhet was inhabited by less than one thousand people whereas only 33.4 per cent of the villages in Chittagong district belonged to this category. There are three districts which may be clearly classified as having much less than the average population per village in other districts. They are : Sylhet, Dinajpur and Rajshahi. While the districts with higher than average population per village are contiguous, the districts with less than average population per village are dispersed.

The differences in the average size of village among districts may be attributed to socio-economic factors or physical characteristics of the area. A large number of socio-economic variables may influence the size of the rural settlements. For example, a difference in the patterns of inter-family relations may contribute to regional variations in the size of villages. The role of a village as a social entity may also vary from region to region. The degree of economic interdependence among the households in an area may be a determinant of village size. Moreover, the village size may be influenced by the size of the family in the area. On the other hand, the average size of a village may also be determined by a number of physical factors such as population density, the type of the source of water-supply, the proximity to forests and hills or the peculiarities of the terrain. A rigorous testing of any hypothesis on the determinants of the size of a village will require data on the characteristics of individual villages. However, in the absence of adequate data on villages, the aggregate data on the districts may be used as proxies for village statistics. From the statistical point of view, the tests based on these data suffer from serious weaknesses and the results of these quantitative analyses should, therefore, be interpreted with caution.

Three hypotheses on the size of villages in Bangladesh may be examined on the basis of available data. First, it is often argued that the size of a village may be related to the size of house-holds in that area. Large households may imply strong kinship ties. As kinship ties tend to be strong in small villages, people who prefer large households may also prefer small villages. The correlation between the average size of village and the average size of household in districts on the basis of 1974 census data appears to be negative (see Table 6). However, this relationship is not statistically significant. The relationship between these two variables on the basis of census data of 1981 also appears to be statistically insignificant. These results suggest that the average size of a village is not significantly influenced by the household size in that area.

Table 6. Correlation of the Average Size of a Village in a District with Other Variables on the Basis of Census Data of 1974 and 1981.

Name of the variable with which the average size of village in a district is presumed to be related.	Correlation on the basis of data of 1974 census	Correlation on the basis of 1981 census data.
1. Average size of a household in a district.	-0.205 (0.84)	0.054 (0.229)
2. The density of population per square mile in a district.	0.083 (0.032)	0.193 (0.834)
3. The net cropped area per head in a district	-0.435 (1.87)	-0.628 (3.41)

(bracketed number shows t—statistics)

Source : Appendix III

Second, the size of a village in a district may be determined by the density of population in that district. Where the average density of population is high, the average size of a village in terms of population may be large. Thus there may be a positive relationship between these variables. The correlations between these two variables for both 1974 and 1981 censuses appear to be statistically insignificant. Thus the hypothesis on the positive relationship between the density of population and the size of village in an area is not supported by the available evidence.

Third, it may be hypothesised that the average size of a village in a district is related to the size of the cultivated area (net cropped area) per head. The villagers in Bangladesh like to have their houses as close to their cultivated lands as possible. Thus the size of the net cropped area per head (or the density per cultivated acre) may be more important as the determinant of the size of village than the density of population per square mile (which also includes uncultivated and uncultivable lands). If per capita net cropped acreage in an area is low, the average size of a village (in terms of population) in that area is likely to be large. Thus a negative relationship between the average population per village and per capita net cropped acreage is expected. The correlation coefficients for these two variables on the basis of data for 1974 and 1981 censuses appear to be negative. These coefficients are much stronger than the correlation coefficients for other variables (see Table 6). The correlation coefficient of these two variables on the basis

of 1981 census data appears to be statistically significant at one per cent level. This suggests that villages are large where the density of population per net cropped acre is high. The per capita net cropped area on the other hand tends to be low in areas which are very fertile. Thus it may be argued that the size of a villages in areas with high productivity of land is likely to be large.

Apart from the density per cultivated acre, a large number of physical characteristics of the terrain may also determine the average size of village in an area. For example, the average size of village tends to be large in forest areas. A village in a forest area can not survive without the close cooperation of villagers for two reasons. First, the fields once laboriously cleared in the forest areas must be kept clean ; otherwise the forest will encroach on the cultivated land in a few weeks or months. Thus close cooperation among the villagers is necessary to keep the cultivated areas clear. Secondly, a small population is not usually capable of preventing the harassment of wild animals. This physical threat of wild animals is reinforced by the psychological fear of the demons of the woods and the spirits of the solitude. So a village in forest area tends to be large and the village solidarity in such cases tends to be very strong. It may be mentioned here that a large number of villages in Chittagong and Barisal districts are situated in areas adjacent to forests. It is, therefore, necessary to ascertain whether the presence of forests in Southern areas influenced the size of villages in those districts.

Another physical characteristic of Southern districts in Bangladesh, where the size of population per village in most of the cases is above the national average, is the proximity to the Sea. These areas are liable to tidal influence. In such areas it is necessary to construct embankments and to dam the small creeks to keep out the salt water which renders land unfit for cultivation. The construction and maintenance of embankments and dams require close cooperation of a large number of villagers. Moreover, labourious excavation of tanks is also required for the supply of water in these areas. Thus a large number of physical characteristics such as productivity of land, proximity to forest areas, proximity to the Sea, the source of water-supply etc. may determine the size of village in an area.

Obviously, there are serious limitations of the above analysis. The available data are inadequate for any systematic study of the causes and consequences of the differences in the size of villages. This section is, therefore, primarily based on well-informed guesses. Despite these limitations of the analysis, the hypothesis that all villages in Bangladesh are alike in origins and structures does not seem to be acceptable.

III. A COMPARISON OF VILLAGES IN BANGLADESH WITH TYPICAL VILLAGE COMMUNITIES IN SOUTH ASIA

The term *gram*—the vernacular expression for village in Sanskrit refers to “clan”, “community” or “host” and “aggregate”. On the basis of its lexicographic meaning, Baden Powell infers that *gram* refers to a “tribal grouping of limited number of families”¹⁴. Though the expression *gram* or its dialectic forms (such as *gaon*) is used to refer to units of rural settlements over a large part of South Asia, the forms of village vary from region to region. There are two main views regarding the relationship between various forms of villages. According to one school of historians, different forms of villages relate to different stages of history. At the earliest stage, the joint ownership of land by a whole clan prevailed. This form of village communities dissolved in later stages into ownership of land by isolated joint families which led to the formation of different types of villages. According to the other school, the different types of villages originated separately in different environments and it is not possible to determine which was the earliest form of village.

The colonial administrators in the nineteenth century classified two forms of villages in South Asia from the point of view of land revenue system. They are : (1) *Raiyatwari* village and (2) Joint Village. There are two main differences between the *raiayatwari* and joint villages. First, the leadership in the *raiayatwari* villages lay in the hands of a hereditary village - headmen (*Patel*). A joint village was ruled by a village aristocracy consisting of a number of heads of houses (locally known as the *Panchayat*). Second, in the *raiayatwari* village, the ownership of wasteland of the villages vested in the state though the villagers commonly used the adjoining waste. In the joint villages, the adjoining waste was considered as an integral part of the village property and was at the absolute disposal of the owners as much as any other land.

There are two categories of Joint villages, viz., *pattidari* and *bhaiachara*. The main difference in these two forms of joint villages lies in the procedure for the distribution of land. In the *Pattidari* village, land is divided on the basis of ancestral share of an individual in the property. In the *bhaiachara* village, land is distributed in accordance with the size of labour force in a household or the rank of the individual holder. The distribution of land was, therefore, more egalitarian in *bhaiachara* villages than in *Pattidari* villages. Among the *Pattidari* villages the distribution of land was most unequal in *Zamindari* villages which were owned by the landlords.

According to Baden Powell, the *raiayatwari* villages were established by the Dravidian tribes who had originally cleared the land. The Joint villages were formed by the invading tribes who acquired the lordship of existing villages or founded new villages as overlords of the area¹⁵. This is, however, merely a conjecture which is yet to be substantiated by historical research.

The classification of villages on the basis of the system of land revenue ignores other important differences among the villages. Starting with the assumption that villages in South Asia has a distinctive design based on the values of its civilization, Andre Beteille divides the villages of South Asia into two categories: (1) the core village, and (2) the peripheral village¹⁶. The core villages are mostly located in the heartland of Indian civilization and were shaped by the Brahmanical tradition. There are three interrelated features of a 'core' village. Firstly, it was a system of multiple gradation associated with an elaborate division of labour. Secondly, in a core village there were innumerable vertical ties of a diffuse and enduring nature between families and persons. Thirdly, there was a general acceptance of hierarchical values among different members of a "core" village. The 'peripheral' villages tended to be smaller, more homogeneous and less stratified. These villages were based on tribal and non-Brahmanical traditions. There are two main weaknesses of Beteille's classification. First, there is no objective criteria for differentiating the "peripheral" from "core" villages. Secondly, this classification does not take into account the regional variations in the designs of the peripheral villages.

Despite the diversity of forms of Indian villages, three interrelated characteristics of ideal-typical villages of South Asia can be easily identified. First, a village is a distinct administrative unit. Second, a village is an economic isolate. Third, a village is a social entity.

As an administrative unit, a village performs three main functions. First, a typical village government is responsible for the collection of land revenue and for the management of the wasteland adjacent to the village. Second, a typical village has its own machinery for the maintenance of law and order and for the settlement of intra-village disputes. Third, the village government undertakes the works which require the co-operation of all villagers (such as the construction and maintenance of irrigation systems and roads and the observance of village festivals). Each village had, therefore, an effective government. In the *raiayatwari* villages, the village government was headed by a *Patee* who was a hereditary headman. The headman had magisterial powers and various duties of police and protection. In the joint

villages, the functions of the village government were exercised by the *panchayat*. The *Patels* or the *Panchayat* were assisted by a host of village officers. A village employed a *patwari* or village accountant. The village government also employed village watchmen and servants belonging to the untouchable caste. The following extract from a British Parliamentary Report in 1812 describes the functions of typical village officers in the early nineteenth century.¹⁷

“The *potail* or head inhabitant who has generally the superintendence of the affairs of the village, settles the disputes of the inhabitants, attends to the police and performs the duty of collecting the revenue within his village, a duty which his personal influence and minute acquaintance with the situation and concerns of the people render him the best qualified for this charge. The *Kurnum* keeps the accounts of cultivation and registers of everything connected with it. The *Tallier* and the *totie*, the duty of the former of which consists in gaining information of crimes and offences and in escorting and protecting persons travelling from one village to another ; the province of the latter appearing to be more immediately confined to the village, consisting among other duties, in guarding the crops and assisting in measuring them. The boundary man who preserves the limits of the village and gives evidence respecting them in cases of dispute. The Superintendent of Tanks and Water Courses distributes the water for the purpose of agriculture. The Brahmin, who performs the village worship. The schoolmaster who is seen teaching the children in a village to read and write in the sand. The calendar – Brahmin or astrologer, etc. These officers and servants generally constitute the establishment of a village ; but in some parts of the country it is of less extent ; some of the duties and functions being described above united in the same person ; in others it exceeds the above-named number of individuals.”

Another stylized characteristic of a village is its economic self-sufficiency. As Beteille says, the people had conception of an ideal village comprising different categories of people and they tried to make their particular village correspond as closely as possible to this ideal.¹⁸ Each village attracted to itself a body of resident craftsmen and menials, who were not paid in cash but were employed by the village on fixed remuneration. These remunerations were sometimes paid in the form of a bit of rent-free land or in the form of small payments in kind at the time of harvest. The list of such artisans includes blacksmith, potter, shoemaker or cobbler, carpenter, barber and in some cases astrologers and priests. A typical village in the words of Karl Marx was “based on domestic industry, in that peculiar combination

of handweaving, hand-spinning and hand-tilling agriculture which gave them self-supporting power”¹⁹.

A village/ is also a social organism. As an expression of the solidarity of the social group, each village had a central place of its own. In some villages, the house of the headman was the central place and in others temples or mosques are the hubs of social life. The close interrelationship between the villagers engenders a sense of solidarity or “village patriotism”. On the basis of these characteristics of a typical village as an administrative unit, an economic isolate and a social entity, Munro described villages in South Asia in the nineteenth century as “little republics.”

Of late, however, there has been some revisionist tendencies among the scholars regarding the classical interpretation of idyllic village communities in South Asia. Some scholars are of the opinion that the village community was not a general phenomenon in South Asia in the nineteenth century. The existence of such communities was confined to a small area in the country between Agra and Delhi which needed a defence organization against the raiders from the neighbouring desert in the last days of the Moghul rule. Daniel Thorner came to the conclusion that the simple form of village community in South Asia as described by Karl Marx was “perhaps a quite exceptional one.”²⁰

According to the canonical interpretation of South Asian history, the village communities in their idealized forms existed before the establishment of the British rule. These “primitive stereotypes”, as Marx described them were destabilized by the monetization of the rural economy in the wake of innovations introduced by the British imperialists. This interpretation is based on the assumption that a village community represents a “natural economy” or what Hicks described as a “customary economy” that came into being to cater to the simple needs of the people in an area²¹. However, this assumption may not be correct. The village communities may also be interpreted as “command economies” which were created by the State as a expedient means for the collection of land revenue. As Max Weber points out, the literature on the origins of the Russian *mir* (village) suggests that a village in Russia was not a primitive institution but a “product of taxation system and serfdom”.²² The village government in Russia was responsible for the collection of revenue from all the inhabitants in the village. This is why, even if an individual member of a Russian village left the ‘*mir*’ to take an entirely different calling, the village retained the right to call him back at any time to impose upon him the share of common burdens. Thus the

Russian land revenue system intensified the solidarity of the villagers. Similarly it may be argued that the land revenue system introduced by the British rulers bolstered the village communities in those provinces of South Asia where all villagers were jointly made liable for the payment of land revenue. The British rulers also created the institution of *lambardar* (who virtually acted as a headman) in areas where there was no recognized headman. Though the economic innovations introduced by the British rulers seriously undercut the self sufficiency of the villages, their administrative measures in some provinces worked in the opposite direction by rejuvenating the dying village communities.

The colonial administrators in Bengal in the early nineteenth century, however, were not very enthusiastic about the village government. In Bengal where Zamindari system was introduced in perpetuity in 1793, land revenue was collected through intermediaries and local government was considered to be the preserve of the landlords. As the British officials became gradually acquainted with the rural life in Bengal, they noticed the peculiarities of rural settlements in the eastern districts. Browne and Hunter emphasized the absence of organized villages in Tippera district. The differences between the typical villages in northern India and the rural settlements in Bengal were also highlighted in the Census Reports. While conducting the first census in 1871 Beverley noticed that though some forms of village organization existed in Bihar and West Bengal, village in the traditional sense did not at all exist in East Bengal. As Beverley observed,²³

“Villages in Bengal proper are scattered about to a degree unknown in Northern India and there is almost a total want of communal organization and sympathy.”

This view about the conspicuous absence of village communities was expressed in all the subsequent Census Reports. Thompson wrote in the same vein in 1921.²⁴

“The word village in the sense in which it is ordinarily understood in India and indeed in all parts of the world should not be used without qualification in respect of rural Bengal. The picture which the word conjures up in the mind is that of a close collection of houses belonging to cultivators and agricultural labourers employed on the land for two or three miles around, the village watchmen or other village servants, a money lender and a few shopkeepers and artisans, potter, cobbler, tinsmith etc., a more pretentious house belonging to a landlord or middleman, some sort of common meeting place frequented by the villagers and a place of public worship, a temple in

a Hindu village or a mosque in a Mohammadan village. Such villages are not to be found in Bengal except in parts of Burdwan district."

Unlike its north Indian counterpart, a village in Bangladesh is not a distinct administrative entity. The institution of village headman was never officially recognized in Bangladesh. The role of influentials and elders in Bangladesh villages is not comparable to that of *Patels* and *lambardars* in other parts of India. It is interesting to note that there is no uniform designation for village influentials in Bangladesh. In Comilla district the village influentials are known as *sardars* and *matbars*.²⁵ In Dhaka district they are also known as *murabbis*.²⁶ In Rangpur district, they are addressed as *mohot*, *Paramanick* or *Dewani*. In Bogra district, they are styled as *mondols*.²⁷ In some areas, there are informal councils of elders, which are known as *panchayats* or *bichar sabhas*. There are also informal social groups (which may embrace more than one village) which are described as "*Samaj*", *reyai* or *mallot*.²⁸ However, these councils and groups never exercised the formal functions of village government; they may at best be described as instruments of social control. They were different from village government in North India in two ways. First, as the Report of the Land Revenue Commission of 1959 emphasized, there was never any joint liability for the rent of all lands in the entire village.²⁹ The typical village government in India was responsible not only for the collection of revenue but also for the management and distribution of village wasteland. It was a distinct tier of revenue administration which was recognized by the people as well as the government. In Bangladesh where Zamindari system came into being a long time back, the village government had no say in the revenue administration. Secondly, there was no system of employment of village officers in Bangladesh. The post of *Patwari* or village accountant did not exist here. The only village official who was occasionally employed in some villages was the village watchman or *chowkidar*. The posts of other village officials were conspicuously absent in Bangladeshi villages.

A village in Bangladesh was not also an economic isolate. There are two reasons for hypothesizing that villages in Bangladesh were not usually self-sufficient. First, the available statistics show that most of the villages in Bangladesh were very small. For example, the Census of 1891 shows that 33,420 villages in Bangladesh contained less than 200 people per village. Buchanan Hamilton's accounts also show that most of the villages in the early nineteenth century Bengal were very small. It is unlikely that such villages were ever self-sufficient. The recent village studies also show that the level of specialization in Bangladesh villages today is low. It is doubtful

whether the villages in Bangladesh ever contained all the castes and occupations required for a self-sufficient village. This point was stressed by Gait in the Census Report³⁰ of 1901 :

“The village organization with its complete outfit of servants and artisans, who render it independent of all outside help, which is so common in other parts of India, never seems to have fully developed in the greater part of Bengal proper and there is often a great dearth of local craftsman which is now being met by the settlement of immigrants from Bihar.”

The same report states that a large number of villages in Bihar and Orissa approximated the ideal of autarky. Whenever a new village was formed in Bihar and Orissa, the founders of the village used to secure their own staff of village servants and artisans who were induced to come by small grants of land averaging about an acre in area, which they enjoyed in addition to their customary remunerations from the villagers they served.

Second, one of the main reasons for the economic isolation of the villagers was the absence of a transportation system. As Karl Marx³¹ said :

“The village isolation produced the absence of roads in India and the absence of roads perpetuated the village isolation. On this plan a community existed with a given scale of low inconveniences almost without intercourse with other villages, without the desires and efforts indispensable to social advance.”

This picture of isolation of the villages does not seem to be valid for Bangladesh. In this deltaic region, most of the villages were connected with each other through waterways. In some parts of Bangladesh, one village is not more isolated from another village than a house is separated from another house in the same village.

In short, the village in Bangladesh is merely a social entity. The feeling of village solidarity finds its expression occasionally in the observance of religious festivals and social ceremonies. But this feeling is rather tenuous. It is attenuated by communalism, factionalism and class conflicts³². Even as a social entity, a village in Bangladesh is different from its North Indian counterpart. There is no central place in most of the villages in Bangladesh. As Beveridge³³ described a Bakarganj village :

“The houses are scattered and there is little of collectivist village life. Each house stands by itself on its mound, surrounded by a thicket of fruit trees as there is no house in sight or nearer than 100 yards”.

Bertocci³⁴ described the peculiarities of the villages in Comilla district in the following words :

“The village can not be seen, as peasant villages elsewhere have often been described, as a territorially-bounded residential system. Rather it is at best an intervening organization in an institutional constellation which is geographically expansive and demographically inclusive in character in which both formal and informal groups are flexibly relevant or not relevant to the individual depending on social control.”

There is, however, a difference of opinion as to whether villages in Bangladesh were more organized in the pre-British times. According to the proponents of “de-institutionalization hypothesis”, the village government in Bangladesh was undermined by the imperialist rulers in two ways. First, the Permanent Settlement in 1793 conferred on the Zamindars the right to collect land revenue. The Zamindars preferred to deal directly with the tenants through their own agents like *naibs* and *gomasthas* rather than through the village elders. The recognition of the traditional powers of village leaders would have weakened Zamindar’s authority. Thus the Permanent Settlement “proved pernicious to autonomous, non governmental channels of decision-making and social control.” Secondly, the economic basis of village communities was eroded as the rural economy was monetized as a result of the collection of rent in cash (rather than in kind) and the large-scale import of machine-made goods. This hypothesis of de-institutionalization does not appear to be consistent with the findings of recent historical research. First, the Zamindari system existed in Bengal long before the establishment of the British rule. The system of Zamindari in Bangladesh can be very easily traced back at least to the sixteenth century. Thus the decay of the village communities can not be attributed to the Permanent Settlement. On the contrary, there is no definite proof that organized village communities existed in Bengal before the establishment of the British rule. It may be mentioned here that in Bengal not a single estate has been settled with a village community as such or with a village head-man. Second, the self-sufficient character of the village communities has been over-emphasised in the literature. In Bangladesh rent was collected in cash long before the establishment of the British *Raj*. According to Irfan Habib,³⁵ cash nexus was firmly established in almost every part of the Moghul Empire. Thus the British rule can not be blamed for eroding the self-sufficient basis of village communities. Analysing the evidence on Rangpur district, Vas, the author of the District Gazetteer came to the conclusion that village communities “died out long before the British rule”.³⁶ According to J. H. Lindsay, the village community was a myth as far as Bengal is concerned ; it also did not exist in the pre-British times.³⁷

Though there is consensus among the scholars regarding the absence of well-defined and organized villages in Bangladesh, the factors which influenced the peculiarities of rural settlements in this area have not been carefully analysed as yet. Several hypotheses may be put forward in this connection. One possible reason for the uniqueness of villages in Bangladesh is the frontier character of these settlements. Bangladesh was located at a distance from the main routes of invasions and migrations to South Asia. Thus the need for common defence which was one of the potent factors of village solidarity was never acutely felt here. As Baden Powell³⁸ observed :

“In unsettled times, cultivation is hardly possible except within the reach of some chief’s fortress or other place of refuge ; and in those provinces where the open level country has allowed village settlements, the families keep together for mutual help. Each group has to be prepared to defend itself against sudden attack. Accordingly, in many parts of India, the village dwelling place has been built with mud walls and stout gates within which the cattle may be secured and the cultivators find refuge against a foray.”

As compared to other parts of South Asia, the depredations of the invading armies and raids of predatory hordes were less frequent in Bangladesh. This is why, the open pattern of settlement was preferred to fortified settlement in rural areas. Of course, these settlements were vulnerable to attack and when an invading army approached, the villagers had to abandon their indefensible settlements. However, in view of low probability of such invasions, the costs of fortification exceeded its benefits.

Another explanation for the uniqueness of villages in Bangladesh was put forward by Browne. According to him, the eastern districts of Bengal like Comilla were underpopulated. Consequently, the peasants of these areas were “as migratory as swallows and (they) usually change the place of residence at that time of year when heaviest instalment of land revenue falls due.” These frequent migrations undermined the village communities. Browne³⁹ described the conditions of Comilla district in the nineteenth century in the following words :

“The district of Tippera is remarkable for the total absence of village municipal institution. In other districts of Bengal it is customary for the inhabitants of a village to pay some sort of respect to some individuals, usually the oldest resident *ryot* and to obey the orders implicitly in all ordinary matters (. . .). But in the district there are no such functionaries and although men of an influential position command a certain amount of respect, I have in the course of my numerous tours, been much struck by the total

absence of all recognized village authorities, a want of which (. . .) attributed to the nomadic character of the peasantry." According to Schendel, similar conditions also prevailed in Rangpur district.⁴⁰ In the early nineteenth century, the rural population in Rangpur was rather unsettled and tended to move away easily if the exploitation of landlord became intolerable. However, migration is not costless. Migrations will be less frequent in places where the clearing of forest or wasteland is difficult. In the deltaic regions of Bangladesh, the clearing of forests is easy as compared to the central and southern parts of India. It is, therefore, likely that migrations were more frequent in Bangladesh than in other parts of South Asia.

Another major determinant of the pattern of rural settlements in a region is the source of water-supply. If a household has an independent source of water supply, it does not require the protection of the village organization and it can afford to stay in isolation from other households. For example, Baden Powell reports that villages are non-existent in those areas of Multan district where water is procured from wells.⁴¹ In such areas, there never has been any community of interest ; in very many cases there is not even a common village-site. Each settler in the areas irrigated by well used to obtain his grant direct from the state, sink his well and erect his homestead upon it.

Water is required by the villagers for irrigating land and for drinking and bathing purposes. Because of the abundance of rainfall, the need for artificial irrigation in Bangladesh was minimal. Moreover, each homestead has independent source of water supply for drinking and bathing purposes. In Bangladesh, water supply can be obtained by sinking a well or digging a tank equally well in almost any spot. Whenever a new homestead is constructed on low lands, tanks have to be dug or some irregular excavations have to be made in order to obtain earth to raise the site for building the house. Thus households in Bangladesh do not have to depend on others for the supply of water.

IV. AREAS FOR FURTHER RESEARCH

A survey of the available literature indicates major gaps in village studies in Bangladesh. Most of these works are based on participation-observation method and focus on the power structure in the rural areas. It is not possible to generalize about the nature of Bangladeshi villages on the basis of these case studies alone. The intertemporal changes in the concept of village and the spatial variations in the structure of villages have not been

explored as yet. There have so far been only feeble attempts by anthropologists and sociologists to document the rural power structure. The villages in Bangladesh should also be studied from the angles of historians, geographers and economists for a more comprehensive understanding of the rural life. However, this is not a very easy job. This survey suggests that there is as yet no reliable data on villages in Bangladesh. Data on all types of villages should be collected for a meaningful analysis. The processes of formation, amalgamation and subdivisions of villages and differences in the social structures and settlement patterns of old and new villages should be investigated. Hopefully, the issues raised in this paper will be helpful for such investigations. Moreover, the difference between large and small villages should be analysed. An understanding of the nature of village is essential for formulation of realistic policies for rural development.

Despite the limitation of the existing data, this study strongly suggests that villages in Bangladesh are significantly different from their counterparts in other regions of South Asia. The little republics, as portrayed by Munro, did not flourish here. The villages in Bangladesh had always been less organized and more inchoate and tenuous. The available evidence in Bangladesh seems to be at variance with the Marxist model of "Asiatic Society" or "Asiatic Mode of Production". According to Karl Marx, the village community was the main obstacle to socio-economic development. In the words of Marx. "We must not forget that these idyllic communities, inoffensive though they may appear, had always been the solid foundation of oriental despotism, that they restrained the human mind within the smallest possible compass, making it the unresisting tool of superstition, enslaving it beneath traditional rules, depriving it of all grandeur and historical energies."⁴²

The village communities in the traditional sense never existed in Bangladesh. Consequently, the people in Bangladesh were less tradition-bound than the people in other parts of South Asia. Bangladesh had always been a land of the heterodoxy, heresy and esoteric cults. The relative success of Islam in this region may be attributed to the absence of organized villages. It is indeed a paradox of South Asian history that Islam failed to attain significant success in areas like the U.P. which contained the seats of Muslim power and culture. On the contrary, Islam thrived in areas like Bangladesh where the hold of the central government was rather weak. Two major hypotheses are usually offered on this subject. First, the conversion of the people in this region to Islam was a reaction to Brahmanical oppression. This hypothesis does not seem to be acceptable for the simple reason that

the oppressions of the Brahmins were much more rampant in South India and Bihar. Islam could not make much headway in those areas. The second hypothesis is that the Buddhists constituted a majority in this area. This can not be clearly proved. Even if this is assumed to be correct, a question arises why Hinduism failed to supplant Buddhism in this region. The simple answer to this question appears to be the fact that the village communities in Bangladesh were very weak. Thus there was no effective check to individual conversion. In areas like Bangladesh, ostracism by the village did not entail any major punishment.

The ostracized households may move away to the outskirts of the village and lay the foundation of a new village. This was not possible in other areas where village communities regulated the water-supply, where migration was expensive and where collective defence against the invading armies was a compulsion. Thus the absence of organized village may largely account for the unique historical developments which led to the emergence of Bangladesh in this part of South Asia.

The informal and unorganized character of villages in Bangladesh has also important policy implications. The Village Government in Bangladesh does not mean a return to the past ; it implies a major institutional innovation. What Thompson said sixty years back is also relevant for Bangladesh to-day⁴³ :

“The absence of villages . . . means the absence of the germs of corporate life. To develop any form of local Government in rural areas something more is necessary than to stimulate village organizations already in existence and endow village officials with increased powers. A Local Authority has to be constituted where nothing of the sort existed before and, what is a matter of great difficulty, a sense of the public duty, a will to subordinate private wishes to public advantage, has to be grafted where it is in a wide sense a novelty”.

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APPENDIX I

No. of Villages in Bangladesh, by District, 1891-1981.

Name of the District	1981	1901	1911	1921	1931	1941	1951	1961	1974	1981
Dinajpur	3874	5625	5855	3115	4623	3077	2197	3089	3152	5658
Rangpur	3412	5343	7610	4142	4154	3710	3683	3699	3713	5708
Bogra	4223	4014	3618	2778	2265	2434	2488	2497	1912	3644
Pabna	3872	3705	4294	2537	2438	2385	2813	2748	2887	3632
Rajshahi	7310	8248	7229	5962	6442	5561	6145	6312	6192	7384
Kushtia	1609	1824	1443	1118	1267	1144	1286	1580	1649	1893
Jessore	4355	4377	4257	3118	3276	3316	3361	3473	3760	3848
Khulna	3213	3478	1952	2008	1267	1144	2424	2760	3883	3512
Bakergonj	4708	4999	5009	2984	3230	3032	3276	3723	3497	4116
Faridpur	4403	4961	5946	3359	3369	3338	3446	3512	3665	5970
Dhaka	6813	7199	8695	4735	5276	4717	5283	5417	6568	7653
Mymensingh	7959	9855	12130	7346	8327	7956	8076	8069	9022	11546
Comilla	6318	5428	6916	4015	4108	4007	4213	5137	5754	6397
Noakhali	2625	2359	2725	1718	1561	1738	1796	1862	1941	2063
Chittagong	1234	1572	1384	668	1135	996	1088	1170	1317	1918
Chittagong Hill Tracts	1029	295	401	363	375	376	357	407	378	732
Sylhet	11955	11757	11757	10498	11462	10452	9492	8978	9195	9976
Total	78912	85039	91221	60464	64575	59383	61424	64493	68385	85650

APPENDIX II

Population of Bangladesh by District, 1891-81 (Figures in Lakh)

Name of the Area	1891	1901	1911	1921	1931	1941
Dinajpur	9.42	11.25	11.67	12.19	12.33	13.35
Rangpur	21.91	22.02	24.34	25.54	26.46	29.23
Bogra	8.17	8.84	10.16	10.28	11.21	12.60
Rajshahi	20.50	19.02	20.00	20.27	19.93	21.98
Pabna	13.62	14.17	14.25	13.85	14.37	16.96
Kushtia	8.06	8.85	8.41	7.82	8.07	9.19
Jessore	16.80	16.18	15.68	15.57	15.22	16.62
Khulna	11.77	12.67	13.79	14.71	16.29	19.44
Bakergonj	21.53	24.84	26.12	28.43	31.97	38.10
Mymensingh	34.72	39.22	45.30	48.42	51.35	60.29
Dhaka	24.20	26.17	29.29	31.71	34.49	42.23
Faridpur	17.97	18.09	19.56	20.58	21.92	26.82
Sylhet	18.82	20.30	22.40	22.97	24.66	28.31
Comilla	17.62	21.38	24.54	26.95	36.56	38.60
Noakhali	10.09	10.27	11.83	13.47	15.67	20.30
Chittagong	12.90	14.68	16.28	17.40	19.36	3.31
Chittagong Hill Tracts	1.07	1.24	1.53	1.73	2.12	2.47
Total	268.11	289.2	315.5	332.5	356.0	419.0

APPENDIX II (Continued)

	1951	1961	1974	1981
Dinajpur	13.55	17.10	25.71	32.00
Rangpur	29.16	37.96	54.47	65.10
Bogra	12.78	15.74	22.31	27.28
Rajshahi	22.05	28.81	42.68	52.70
Pabna	15.84	19.59	28.15	34.26
Kushtia	8.84	11.66	18.84	22.92
Jessore	17.03	21.90	33.27	40.20
Khulna	20.76	24.49	35.57	43.29
Bakergonj	36.42	42.62	54.27	65.16
Mymensingh	57.85	70.19	96.48	114.64
Dhaka	40.73	50.96	76.11	100.14
Faridpur	27.10	31.79	40.60	47.64
Sylhet	30.59	34.90	47.59	56.56
Comilla	37.92	43.89	58.19	68.81
Noakhali	22.74	23.83	32.34	38.16
Chittagong	37.92	43.89	58.19	68.81
Chittagong Hill Tracts	2.88	3.83	5.08	7.51
Total	419.32	508.40	714.78	871.20

Source : (1) Census of East Pakistan, 1961, pp. 1194, 97
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APPENDIX III A.

Some Indicators of Socio-economic Life in Bangladesh by District, 1974.

District	Average population per village	Average size of households	Density of population per sq. mile.	Net cropped area per head.
Chittagong	2756	5.98	1665	0.148
Noakhali	1735	5.83	1693	0.264
Barisal	1596	5.73	1293	0.312
Rangpur	1408	5.96	1567	0.289
Chittagong Hill Tracts	1285	5.63	106	0.295
Bogra	1196	6.94	1582	0.244
Faridpur	1145	6.06	1619	0.280
Kushtia	1115	6.55	1494	0.315
Mymensingh	1095	5.81	1611	0.287
Comilla	1049	6.01	2390	0.197
Pabna	966	6.47	1572	0.306
Jessore	888	6.52	1370	0.350
Dhaka	868	6.35	2879	0.150
Khulna	833	6.12	830	0.267
Dinajpur	830	5.67	1049	0.839
Rajshahi	691	6.22	1244	0.373
Sylhet	540	5.88	1059	0.253

Source : Bangladesh Bureau of Statistics. *Statistical Yearbook of Bangladesh*, 1980

APPENDIX III B.

Some Indicators of Socio-economic Life in Bangladesh by district, 1981.

District	Average population per village	Average Size of households	Density of poulation per sqr. mile	Net cropped area per head.
Chittagong	2855	6.36	1907	.102
Noakhali	1848	5.74	1810	.221
Barisal	1581	5.80	1480	.287
Rangpur	1137	5.52	1757	.258
Chittagong Hill Tracts	1019	5.67	148	.235
Bogra	767	5.57	1817	.266
Faridpur	798	5.70	1793	.255
Kushtia	1200	6.42	1726	.272
Mymensingh	990	5.74	1808	.260
Comilla	1075	5.91	2701	.186
Pabna	941	6.19	1874	.269
Jessore	1043	6.36	1584	.311
Dhaka	1313	6.08	3472	.125
Khulna	1239	5.95	922	.246
Dinajpur	455	5.50	1262	.384
Rajshahi	712	6.21	1443	.318
Sylhet	566	6.16	1152	.299

Source : Bangladesh Bureau of Statistics, *Statistical Yearbook of Bangladesh*, 1985.

The Sociology of Organization Theory : Implications for its Teaching and Practice in Developing Countries

A. T. M. SHAMSUL HUDA

Among the legacies of technical assistance in Public Administration to developing countries, the most notable is the network of institutions devoted to training, education and research in the field.¹ The failure of *American* Public Administration did not necessarily lead to a rejection of Public Administration as a worthy subject for continued study and research. Rather such a failure was responsible for an intensive search to find out as to what had gone wrong in the field. The outcome of the process has informed subsequent generation of academicians and practitioners about the dangers of indiscriminate transfer of technologies developed in the western world to the developing countries. Even when some technologies that may seem relevant will need considerable modification prior to their introduction in a different culture. What has come to be known as "ecology" in Public Administration is considered an important determinant in technology transfer.

PURPOSE OF THE STUDY

One of the identified areas of relative success of technical assistance in Public Administration to developing countries is the transfer of management technology. This technology, conveniently labeled as organization theory, now forms a core in the curriculum of Public Administration teaching in many developing countries. It has also occupied a major place in the agenda for their research. The preponderance of organization theory in teaching and research of Public Administration is due to a received tradition about its instrumental nature and neutral posture.

Organizations are instruments in the hands of their masters but they are not neutral tools as claimed by some. They cannot be neutral for the

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reason that the circumstances of their creation and the subsequent pattern of their maintenance are deeply influenced by the surrounding cultural milieu. Organizations are culture-bound instruments for purposive action. This fundamental fact is easily ignored by theorists because the cultural values are out there so naturally. These values have considerably circumscribed the conceptual and substantive considerations of organization theory by limiting it to only questions of techniques. Organization theory has thus developed as a technology of organizations. In that conceptualization, it has a limited role ; it ignores values and concentrates on techniques. But however organization theory may ignore values, it cannot avoid its impact. Values have not only dictated the terms of organizational governance, they have also aided the acquiescence of the men to their dominance by organization.

The purpose of this paper is to undertake a critical examination of the evolution of organization theory in America as a case study for a determination of the role of culture in shaping current knowledge. It will be argued that :

- a. Organization theory, like any other social theory, is culture-bound.
- b. A number of past and continuing movements have driven the American society to a highly rationalistic order.
- c. The dominance of the rational order at the social level has also permeated the field of organization theory and has also given it a rationalistic paradigm.
- d. The level of sophistication of organization theory has changed in response to changes in the nature of society and its production process.
- e. The organizational society with its rationalistic paradigm has become so pervasive that in post-industrial America a reformulation of the extant paradigm does not seem a probability in the near future.
- f. These insights into the sociology of organization theory will have significant implications for its teaching and practice in developing countries. These implications need to be understood clearly for avoiding the disillusionments associated with the practice of Public Administration in the recent past.

FRAME OF ANALYSIS

This study is predicated on the premise that culture is an important determinant of the nature of organization theory. The frame of analysis comes from a particular form of sociology of knowledge. What follows is a brief review of the frame.

Social Origin of Knowledge : Substantive Sociology

All knowledge is historically conditioned and socially derived. The social scientist is a part of the history from which his knowledge is constructed. This is the essence of the theory of sociology of knowledge. The theory itself has been criticized for its "fundamental dilemma of relativism"² and for its "alienation of the intellect from the grounds of assurance and certitude."³ Within the field, there is no agreement as to the nature of the existential basis beyond a 'formal consensus' that such a basis does indeed exist.

Most of these criticisms, however, relate to the epistemological consequences of the sociology of knowledge and not to what has been called substantive sociology. In this respect Mannheim's division of sociology of knowledge into two forms is a useful distinction to keep in mind.⁴ One form, that is called substantive sociology now, is concerned with a purely empirical investigation into the social determination of knowledge; the other is concerned with the epistemological consequences of this interrelationship from the point of view of validity. Mannheim mentions that the two forms "are not necessarily connected and one can accept the empirical results without drawing the epistemological conclusions."⁵

Taking a slightly different view, Weber also emphasized the distinction between the source of a belief and its validity.⁶ The truth of a proposition can be assessed quite independently of how it happened to be arrived at; the source of a belief is logically irrelevant to its validity, whatever criteria of validity are involved. As Weber emphasized, any choice of conceptual framework entails an evaluation. To explain just how the framework came to be chosen may elucidate the evaluation, but cannot mitigate or diminish it.

Reasons for Social Determination of Knowledge :

The Problem of Social Construction of Reality

The statement that all knowledge is socially derived immediately raises the question : why is that so ? The answer is an involved one and concerns the social construction of reality. As has been shown by Schutz, this involves, on the one hand, the transcendence of nature and society into the individual biographical situation and, on the other, the limit imposed by this transcendence for defining that situation.⁷ What follows is a summary of Schutz's treatment of this important matter.

Every man is born into this world in a "biographically determined situation" which is unique to him. Through his natural attitude he takes this world for granted as his reality. He confronts the reality around him in the perspective of his own desires and motives that are called "the purpose at hand". This purpose at hand calls into being the "system of relevances" in the common-sense thinking in everyday life.⁸

But soon the individual realizes that his "system of relevances" cannot be put into operation in a private world of his own. The world he is born into is an intersubjective world, experienced and interpreted by others. To realize his purpose at hand, he has to come to terms with this world common to all fellow beings. This is done through the "reciprocity of perspectives."⁹

The reciprocity of perspectives implies an attitude of "taken for granted". Taken for granted means "to accept until further notice our knowledge of certain states of affairs as unquestionably plausible"¹⁰ Thus, under the idealization of interchangeability of standpoints, there is the mutual assumption that two persons would have typically the same experiences of the common world if they changed places. Under the idealization of the congruency of the system of relevances, it is further assumed that despite different biographical situations, two persons can select and interpret the actually or potentially common objects and their features in an identical manner. In other words, these two idealizations mean that the sector of the world taken for granted by one is also taken for granted by the other. In this way, knowledge transcends the boundaries of private domains of individuals and becomes objective and anonymous.¹¹

The social construction of reality is based on a world taken for granted. But why is the world taken for granted? This is because the world taken for granted is the individual's "stock of knowledge at hand." It is this knowledge, typified and standardized in socially approved ways that ushers the individual to the threshold of social knowledge. It is on this basis that he confronts his current problems and tries to comprehend the future ones. Without this knowledge, there would be no common ground for individuals to effect "reciprocity of perspectives" and without this reciprocity there would be no intersubjective communication. The taken-for granted world is the most crucial element in the socialization of knowledge and maintenance of meaningful social structure.

This paper is divided into four sections. The first section discusses the cultural foundations of organization theory. In the second section, the

evolution of organization theory is traced and analyzed in the mode of a case study. The third section deals with future outlook of theoretical development in the field while the last section tries to bring out the implications of this study for the teaching and practice of organization theory in developing countries.

I. THE CULTURAL FOUNDATIONS OF ORGANIZATION THEORY

Having reviewed the basis of the social origin of knowledge, I will now try to identify and discuss the movements that have contributed to the "stock of knowledge" of the organization theorists. Any attempt at the reconstruction of the cultural basis of current thought of a society is fraught with severe methodological problems. Ideas that become effective forces in shaping culture are themselves intertwined with each other to such a degree that individual evaluation of their contribution is next to impossible. Movements influencing the course of human thought are so diverse and may be so remote that seeking to find a strict causal relationship would be stretching things too far. However, acknowledging these limitations, I would try to capture the essence of the cultural foundations of organization theory. This I propose to do by discussing a few movements and noting their main thrusts in shaping modern American thought and society.

Scientism

This represents the scientific world view of the New Science first earnestly espoused by Galileo and Newton and reinforced by their successors. The Universe of the New Science is one of perfect symmetry and absolute precision: certainty, predictability and control are its essential values. In such a universe, there cannot be anything that is not amenable to scientific explanation. The affective elements are of no concern to the schemes of New Science. Only the objective things matter. The systematic reduction of all knowledge to the dimensions and categories of science and to the postulates of neutral objectivity and analytic reductionism has come to be known as Scientism.¹² This mode of thinking has been dominating the western mind for three centuries now.

Social Darwinism

The world view of classical physics found new allies in the life sciences. One of the outstanding contributions of nineteenth century thought was the

notion of survival drawn from Darwinian biology. All creatures are in competition to survive. There must be a natural selection of the fittest. And this is also true of man.

When applied to human society, the Darwinian theory of evolution became an ideology of business groups in modern society.¹³ In the American context particularly, the economic growth after the Civil War showed the unlimited possibilities of success. The pessimism of a Malthus was more than overcome by an optimistic construction of evolutionary theory. In that view, "success and riches were regarded as signs of progress and as the reward of those who had proved themselves in the struggle for survival".¹⁴ The rich are the fittest and worthy of possessing their wealth while the poor, having failed to make their mark, are justifiably condemned to poverty. The most forthright exponent of this thorough-going conservatism in America was William Graham Sumner. To him, man was the creature of nature and the latter decided the ways things are. Man, of course, has a part to play in this world, but such efforts are of little consequence in changing the outcome as already decided by the laws of nature. "There can be no rights against nature except to get out of her whatever we can, which is only the fact of the struggle for existence stated over again".¹⁵

Social Darwinism at bottom is the logical extension of the hegemony of nature into the affairs of man. It is based on the assumption of the helplessness of "man" in the face of circumstances beyond his control and subjects man to nature and its laws. Social Darwinism views man merely as an instrument in the evolutionary mechanism of nature.

Behaviorism

Behaviorism in social sciences has come to embrace a variety of viewpoints but its origin can be traced to the Darwinian revolution in biology and the all-pervasive impact of scientism in the west. It all started as a distinct movement in psychology with a rigorous natural science methodology to fit man into a determinate and predictive world of science.¹⁶

The discovery of the conditioned reflex in animal psychology by Pavlov gave the signal to the experimental psychologists to apply the objective physiological methods to human species without any reservation. One of the enduring legacies of early behaviorism is the belief that human conduct can, indeed, be conditioned. If man can not be made perfect to the requirements of a technological society, behaviorism proclaimed his indefinite malleability and manipulability. Early behaviorists made the fundamental

assumption about the irrational and involuntary character of all human behavior. That the impact of this assumption has not been lost upon the present generation of psychologists is evident from the work of Clark L. Hull and B.F. Skinner.

Functionalism

The impact of Darwinian theory is felt in yet another nineteenth century movement known as functionalism. The basic postulate of functionalism consists in its vision of society as a system of interdependent parts where most parts serve functions enabling the system to survive. Functionalist analysis treats the system "as an already established and going concern."¹⁷ In order to survive, such a system must reflect the dominant value system. There may be strains to the equilibrium from within or from outside : the reaction of the system to strains is to adjust and to adopt toward a new equilibrium. Conflict is thus viewed as pathological or dysfunctional. Functionalism visualizes individuals as harmoniously coordinated in groups and groups harmoniously coordinated in the social system. In such a vision of society, the dominant value system is to be accepted as the undisputed first premise that can only be contested at the peril of resurgence of the Hobbesian state of nature.

Positivism

Positivism seeks to explain happenings in the world exclusively in terms of experience. In the modern world, it is almost synonymous with the attempt to make the procedures of science the norm of all effective thought. As a movement in thought, it takes physical science as its model, liberalism as its political faith, material progress as its practical concern and religion and institutionalism as its enemies.

The positivistic view of the world nurtures an ontology that shows the "natural order" as a condition of rest : any vitality, unrest, change are suspected as aberrations. As Orion White has shown, in this model "the motive of action becomes a problem".¹⁸ Any disequilibrium in natural order can only be remedied by action. Action in turn is formulated with reference to a relativistic perspective gained from experience. Thus self is totally divorced from the construction of reality. Reality based on experience that can be conceived in causal sequence can only claim to be data for scientific enquiry.

Rationality

Rationality as a concept has been amenable to diverse interpretations. From my standpoint, I would try to comprehend rationality in the manner it has affected the evolution of the modern world and has persisted as an ideal of the industrialized societies. Max Weber introduced the concept of rationality to explain the uniqueness of the western civilization.¹⁹ In a masterful analysis of the rise of modern capitalism in the west, he convincingly argues that this particular development has been possible only in the west because of the rise of “rational conduct on the basis of the idea of calling” born of Protestant asceticism. This specific rationality is opposed to all forms of traditionalism and legitimations based on it.

In the pre-capitalist west, people were beholden by the magical and religious forces and derived their ethical ideas of duty from them. Early capitalism was viewed by religion as selfish acquisition of wealth and was, therefore, morally reprehensible. Calvinism by stressing this-worldly asceticism transplanted the ascetic devotion to hard work to the mundane affairs of economic life. What Weber calls the spirit of capitalism is essentially a transformation of pursuit of wealth as an end in itself to a fruit of labor in a calling.

The growth of bourgeois capitalism and the rise of modern science are integral parts of the progressive rationalization of modern world. As a historical phenomena, rationalization means “the extension of the areas of society subject to the criteria of rational conduct” and the replacement of old forms of legitimations by new ones congruent with the altered situation created by extended rationality. The concept of rationality is linked with the concept of legitimacy of systems, for, as will be seen, rationality not only helped the emergence of the modern west, it has also subsequently become the basis of legitimation of the new social order.

The concept of legitimate order is crucial to Weber’s analytical scheme. All conceivable factors would not be enough for “a system of imperative coordination” unless there is a *belief* in the existence of a legitimate order. This link between legitimacy and rationality has been explicated by Habermas in his reformulation of the Weberian concept of rationality.²⁰ Within the institutional framework of a society, there are subsystems in which sets of purposive rational actions are institutionalized while at the same time there are other subsystems such as family and kinship structures where affectual norms predominate. In the traditional societies, the institutional framework is legitimated by mythical, religious or metaphysical interpretations of

reality. Such a society would tolerate technical innovation and organizational development to the extent that its traditional bases of legitimacy are not called into question by the new forces. "Traditional societies exist as long as the development of subsystems of purposive-rational action keep within the limits of the legitimating efficacy of cultural traditions".

Capitalism, as the handmaiden of rationality, made possible for the first time in human history a continuous expansion of the subsystems of rational purposive action and thereby overturned the traditionalist superiority of the institutional framework to the forces of production. To the extent that technical advancement and science have invaded the traditional institutional framework and transformed them, the traditional form of legitimation has broken down. The capitalist mode of production has not only guaranteed a permanent expansion of the subsystems of rational action but also has created a new economic legitimation in place of the traditional one. This is the process of rationalization through which Weber perceived the uniqueness of Western civilization.

II. ORGANIZATION THEORY: THE NATURE OF ITS EVOLUTION

All the movements discussed in the last section, along with many others that could not be touched upon in this brief essay, have imperceptibly and unmistakably driven modern societies to a rationalistic order. This is not to suggest that positivistic rationality has been the only ideological movement in the modern world. On the contrary, a counter ideology has been crystallizing since the turn of the nineteenth century in the form of romanticism. Its strands are as diverse as those of rationality, but its intellectual themes like glorification of the aesthetic, a philosophy of subjectivity, consciousness and creativity give it a thematic unity.²¹ What is suggested here is that despite occasional dissents, rationality is the dominant ideology in the modern societies. It is only natural that this dominance would permeate the field of modern organizations.

The Rationalistic Paradigm

Organization theory, since its early construct, has maintained a stable, rationalistic paradigm.²² The term paradigm is used here to mean the "entire constellation of beliefs, values, techniques, and so on" held by the main-line organization theorists.²³ The term rationality as used in organization theory is hard to define. As an abstract principle, it is taken to be some-

what comprehensive that has to deal with both ends and means, facts and values; but when used in organizational context, it becomes partial, more concerned with means rather than ends.²⁴ This is essentially the position taken by Simon who designates operational efficiency as rationality. Efficiency "in its broadest sense" is rationality; it "is implied in all rational behavior".²⁵ What is efficiency then? According to Simon, the criterion of efficiency as applied to administrative decisions is strictly analogous to the concept of the maximization of utility in economics. Thus, he defines efficiency as "that choice of alternatives which produces the largest result for the given application of resources."²⁶ In other words, an organization is rational, that is, efficient when it can reduce the cost of inputs relative to that of the output.

As will be seen, by importing the concept of efficiency as operational surrogate for rationality, Simon was codifying the predominant ideas and beliefs about the rationale for organizations. Ever since the beginnings of modern organizations, efficiency has continued as the ideal to be achieved. Scott has traced the origin of the rationalistic paradigm to the particular nature of American political economy enshrining the values of growth, abundance and consensus.²⁷

In order to grow, an organization must create a surplus; a surplus can be created by a lower cost of production, and finally, cost can be lowered by greater efficiency. Efficiency is not an end in itself, but is linked with the broader societal concerns of growth and abundance.

Efficiency/rationality is an ideal to be achieved: it is not something given and efforts must be made to achieve it. In other words, efficiency is a problem requiring solution. The problem is more acute in human organizations because (1) not all men are equally suited to perform all jobs, and (2) not all members of an organization have the similar perception about the organizational goals. The rationalistic paradigm of organization theory solves these problems by creating its own imperatives. It assigns the stewardship function for carrying out the organizational goals to a managerial class and ordains that class to achieve internal consensus as a necessary condition for success. The rationalistic paradigm takes for its practical ideal the goal of efficiency, achievable under the guidance of a managerial class and conditions of perfect harmony.

The main focus of this section is to reassert the position already taken by some that organization theory has maintained a stable paradigm over the many years of its evolution. The different theories of organization based

on different models of man deal with the means rather than the ends constituting the paradigm. The different models are articulated not to achieve goals different from the existing ones, but to achieve the same goals by somewhat different means.

NATURE OF EVOLUTION

Within the framework of rationality, organization theory evolved in stages in response to gradually unfolding requirements of an industrializing society. The division of this body of technology into classical, neo-classical and modern is for analytical purposes and is not intended to indicate mutually exclusive categories. Each of these signifies the dominance of a particular focus at a particular period of its development : the overshadowing of one focus by the other does not at all mean the total abandonment of the former by the latter. Each is vitally and logically related with the other in the gradual evolution of management thought.

Classical Theory

The classical theory of organization was born at the first stage of modernization of industry and bureaucracy in America. At that time, there was too much inefficiency and too little harmony in the plant. Government was getting bigger and bigger but with no corresponding improvement in its output. Taylor's own investigation showed him that for the unsatisfactory state of affairs both management and workers were to be blamed. "Workers loafed, but managers flopped, too ; they failed to provide incentives for work and efficient means to do work. If workers were naturally lazy at work, then managers were naturally lazy at management."²⁸

The classicists assumed that man is primarily motivated by economic incentives : therefore, the greater the prospect of economic gain, the greater the effort he would be willing to put in. This prospect could be made better by a "complete mental revolution" on the part of both workers and management. The method of revolution propounded by Taylor was a method of science. Efficiency in industry consisted in discovering "the one best way" and this could be found only by a scientific study in place of rule of thumb. Structure or the anatomy of organization was the focus for the application of the methods of science. The goal of classical organization theory was the discovery of the principles of scientific management or the principles of administration. Time and motion study and the span of control were its inevitable outcome.

Neo-Classical Theory : Human Relations

The classical theory provided an answer to the emerging needs of a pre-industrial society. With rapid industrialization, new problems arose to which the classical doctrines proved inadequate. Classical organization theory postulated economic incentives as the chief motive for work in industry. The Hawthorne studies dramatically discovered that it was not money that mattered so much as the desire of the workers to stay close to their work group. Based on these experiments, a new model of man was conceived by the early industrial psychologists giving rise to the movement known as "human relations" in industry. This model of man is called social because the individual worker is believed to derive satisfaction from his social association with the work group. The social man perspective is articulated, among others, in the works of Mayo and Roethlisberger and Dickson. The foundations of Mayo's social man theory began to be firmly laid out of his deep concern at 'the developing social disorganization' accelerated in part by rapid scientific and technical advance.²⁹ High labor mobility and a clash of cultures had seriously damaged the traditional routine of intimate and family life in America. The old "established" society was decaying but new conditions, conducive to the emergence of "adaptive" society, were not being put into full play. This failure, Mayo ascribes to what he calls, the "rabble hypothesis" of economic theory that had been dominating management thought until his time. According to that hypothesis (1) society consists of unorganized individuals, (2) every individual acts in a manner calculated to secure his self-interest, and (3) every individual thinks logically.

Mayo challenged all these assumptions. He pointed out that man is basically motivated by social needs and obtains his identity through groups. He further pointed out that most people do not think logically most of the time. They do so upon failure of social routines. Man is born morally neutral. Whatever man is, he is because of social conditioning. Man is guided in his action by socially sanctioned standards and not by his personally defined self-interest. Social association thus makes logical thinking unnecessary normally and a measure of last resort exceptionally. In this view, economic self-interest is an exception rather than the rule. Workers increase their output not in response to economic incentives, but in their desire "to stand well with (their) fellows."

Mayo and his associates believed that industrialization would lead to disintegration of traditional social groups like the family, village, community

and the religious groups. They predicted the disappearance of the intermediary bodies between the state and the individual as mass society evolved. Mayo visualized the plant as a new home providing social security to the atomized individual. The industrial plant thus forms the basic unit of analysis from the vantage point of a social system.

Neo-classical theory : Industrial Humanism

The human relations movement emphasized man's social needs as a measure of both human happiness and industrial productivity. Some industrial psychologists found this to be an inadequate appreciation of human motivation. They argue that worker dissatisfaction is not related so much to his social needs as to man's inherent drive for self-actualization. The coming of post-industrial society in America brought about an affluent society where men were no longer considered to be motivated by money alone or by proximity to his social group. Known as industrial humanists, these theorists drew heavily on the work of psychologist Abraham Maslow. Maslow held that human behavior in regard to work is motivated by a hierarchy of needs, in ascending order : physical, safety, social, egoistic, and self-actualization. A higher need does not provide motivation unless the lower needs are satisfied, and once a basic need is satisfied, it no longer motivates. Maslow describes self-actualization "as the desire to become more and more what one is, to become everything that one is capable of becoming what a man *can* be, he *must* be".³⁰

The traditional management theories view man as recalcitrant by nature and resistant to change. This, industrial humanists think, is long out of date and argue that workers' hostility toward management is not inherent in their personalities but is a reaction to the frustrating organizational environment. One of the notable industrial humanist, McGregor, is deeply concerned about the plight of the rank and file in organization but he does not dismantle the organization as such nor even its authority structure. He tells us that man cannot achieve his potential for personal development outside of a group-oriented society. As he emphasized : "The 'good society' whatever form it may take will be created only by organized human effort".³¹ Organizations are, therefore, a prerequisite to man's self-actualization because they are the only place where men make most of their sustained efforts. Following the intellectual lead from Maslow, a whole generation of theorists have devoted their attention to the design of organizations that will integrate the needs of the individuals with the goals of the organizations.

Modern Theory

The complexities and uncertainties characteristic of a post-industrial society have made the organizational revolution highly ambiguous and less comprehensible than earlier times. A number of researches have shown that none of the earlier theories fully explains the actual organizational phenomena.³² They indeed help to increase organizational effectiveness in some cases, but do not work at all at other times. These theories are considered to be too oversimplified to explain complex organizational phenomena. Positing one dominant characteristic such as rationality, sociability or self-actualization as the basic nature of man is vastly inadequate to capture the complexity of the situation he is required to handle. Such conceptualization becomes all the more vulnerable when environment is included in the frame of analysis. Some theorists have consequently drawn a vastly complex model of man that is capable of tackling a diverse task environment composed of both internal structures and external realities. This model rejects the idea of one best approach and emphasizes a fit between task, people and organization. A few of the notable constructs are discussed below.

Katz and Kahn build their theory on an open system framework taking a limited organic analogy.³³ Although organizations share the properties of an open system, they have properties of their own. For one thing, organizations are essentially contrived systems and not born. They consist of the patterned activities of a number of individuals. The contrived nature of human organizations and the unique properties of a structure consisting of acts rather than unchanging physical components make the control mechanisms crucial for the survival of the system.

Lawrence and Lorsch look at organizations from a systems perspective and try to identify the factors which make for effectiveness in different kinds of organizational environment. They do this by systematically building up the concepts of differentiation and integration and indicating the possible ways of managing them.³⁴

While the empirical reality is the fact of differentiation, the goal of organization remains effectiveness. This can be achieved by a process called integration—"a process of achieving unity of effort among the various sub-systems in the accomplishment of the organization task."³⁵ The authors, however, found that differentiation and integration are inversely related. They are essentially antagonistic, and the one can be obtained only at the cost of the other.

The fundamental problem for organization is in what ways it can meet the environmental demands for high differentiation and close integration if these two are, in fact, antagonistic. Lawrence and Lorsch indicate that organizations can be more effective when they meet environmental pressures and at the same time allow their members to achieve their individual goals. Differentiation, by its very nature, would lead to conflict and the success of an organization consequently depends on the mechanism of conflict resolution. The authors, however, do not suggest that there is one best way of conflict resolution. The highly differentiated and effective organization anticipates conflict and establishes integrating subsystem whose primary task is to work with the other subsystems in conflict. The integrating subsystem maintains a middle position between the departments in terms of their time, goal, interpersonal and structural orientations. This position leads to effective resolution not through simple compromise but rather through direct confrontation between the conflicting parties.

There is no one best way to achieve organizational effectiveness. Complex organizations are complex in more ways than just their structure. Among other things, effectiveness is contingent upon task, people, and organization, and their appropriate fit with each other.

III. THE RATIONALISTIC PARADIGM : THE FUTURE OUTLOOK

Herbert Marcuse has argued that the drive towards progressive rationalization leads to a one-dimensional society where "the web of domination has become the web of reason itself".³⁶ The obsession for instrumental rationality limits choice to alternatives that are functional and removes the total social framework of interests from the scope of reflection. The choice is further conditioned by the possibility of technical control, whether of nature or of society. Technology becomes a language capable of supplanting other language games including the administration. It thus becomes a vehicle for reifications whose consequence is undetected service to the dominant values of the society.

ORGANIZATION THEORY AND POLITICS

One-dimensional thought in its all-pervasiveness has aided organization theory to hold on to its rationalistic paradigm. There are differences among the theorists on many substantive matters like normative concerns

and methodological issues but most of them converge on the fundamental goals. In a functionally rationalized society, organizations have been largely viewed "as essentially mobilizational instrumentalities" where human relations techniques are employed not for the purpose of increasing the inherent worth of man, but for increasing organization effectiveness.³⁷ The ideology of liberal capitalism, the virtual sway of positivism in the social sciences and the spurious plausibility of the "end of ideology" analysis further reinforced the instrumental nature of organization theory. In this kind of organizational analysis, politics is seen as irrelevant and excluded from consideration. Even in functionalist systems theory, the political system is not analytically isolated and summarily treated as part of the larger environment. The sublimation of politics to large-scale organizations was effected by submerging matters political "in favor of an emphasis on administration as a generic process susceptible to scientific study if freed from the trammels of political, value or moral dimensions."³⁸

The political sterility of organization theory buttresses and is buttressed by functional rationality. It not only engenders one-dimensionality but it is itself a mechanism for its perpetuation. In this sense, organization theory is a "technology of power". It is, therefore, not surprising that organization theory is a bulwark of ideological orthodoxy with very little possibility of internal subversion. That organization theory has been able to maintain its rationalistic paradigm ever since it began is an indication of internal consensus as regard its objectives. As of now, there is little evidence to show that this consensus is in jeopardy by any work of any significant organization theorist.

ANTI-BUREAUCRATIC UTOPIAS : THE NEW PUBLIC ADMINISTRATION

The internal stability of organization theory, however, has been vulnerable to outside attacks. Its historical links with Public Administration have exposed it to the critique of the anti-bureaucratic utopia in particular and to the trammels of politics in general. In the last years, the conservatism of organization theory has been matched by severe changes in the general social situation of many advanced industrial countries. The changed general situation is often characterized by the phrase "politicization of administration."

Until the end of the Second World War, the politics-administration dichotomy was congruent with the tenets of liberal capitalism and political

pluralism. The operating economic principles of free market and competition were transposed into the political arena in the form of bargaining and compromise among the interest groups. Following the war, while the unreality of the politics-administration dichotomy in Public Administration was being assailed by a new generation of scholars, the New Deal expanded greatly the use of public administration as an instrument of social progress. The erosion of apolitical paradigm of Public Administration was followed by severe attacks on the chief values of pluralist democracy. The policy of maintenance of the political and social systems, acceptance of "the rules of game" in social interactions, use of limited and legal power only and negotiation and compromise as dominant and accepted methods of political action are increasingly questioned and violated. Politicization of administration reflects the change of functional requirements of political activity in modern capitalist societies.

While politicization had traumatic effects on Public Administration, it had limited impact on organization theory. Unperturbed by the outside developments, it concentrated on developing a truly management science. Organization theory could have successfully avoided being drawn into the political arena had the politicization of administration been a success as a strategy. The events of the 1960s showed the inadequacies of the American system to many radical critics who found organizations to be the chief villain for all social maladies. It is believed that the public realm in America is dominated by bureaucratic rule and that the most influential bureaucracy of all is the public bureaucracy. The failures of administration have largely been perceived as failures of organizations.

The significant attack on the paradigm of organization theory has come from the ranks of young Public Administrationists known as the "New Public Administration".³⁹ The main thrust of the movement has been recognized by many observers as utopian in the sense in which Mannheim used the concept.⁴⁰ The "New Public Administration" is utopian in as much as it addresses itself to problems in the existing order but the solutions go significantly beyond its present framework.⁴¹

The themes of the movement flowed from the central question : Knowledge for what? Analysis of the contemporary American situation revealed the pernicious impact of positivism, political and ethical neutrality, and rationality on the larger society. The movement, accordingly, tended to reject the belief that the scientific study of Public Administration qua organization theory could be conducted in an ethically neutral context and asser-

ted that normative values should be the principal concern of any such study. The 'New Public Administration' in so far as it identifies its concerns to be relevant to post-positivism, adopting to turbulence, new organizational forms and a client focus has both political and utopian orientation. It is political to the extent that it views the resolution of administrative difficulties as a problem in the restoration of authentic politics. The focus is not toward a rearrangement of the administrative state, for that would bolster the apolitical sterility of organization theory ; but the recreation of that state where interrelations between power, administration and public policy would lead to more social equity. The knowledge for what would not solely be answered by reference to the need for improvements in the technologies of organizations but also by an assessment of its impact on the human condition.

The utopian orientations of the new movement can be glimpsed from its attempted theory-building, however incomplete it may be. Hierarchy is rejected as a central organizing principle and in its place a new "conso-ciated" model is presented. Weberian legal-rational mode of bureaucracy is supplanted in favor of a phenomenological model. Professionalism, permanence, impersonality, routine and anonymity are replaced by such concepts as ambiguity, temporariness, multivalent authority, and authentic interpersonal relations as criteria for new organizational designs.

THE GROWTH PSYCHOLOGY AND RATIONALITY : THE REENFORCED PARADIGM

While the antibureaucratic utopias in general and the New Public Administration in particular had the portent of bringing about paradigm reformulation in organization theory, that just did not occur. Much of the power of organization theory to withstand the outside onslaught derives from the weaknesses of its adversaries.

The anti-bureaucratic utopias, indeed, have suggested alternatives but they are incomplete at their best. The question of knowledge for what does receive its proper attention in the utopias but only for a brief moment. The attention is further distorted by an ambivalence towards technology; they want its fruits but reject the means through which the goods and services are produced. In this respect the utopian tradition is no different from the industrial humanist tradition and it is no wonder that both should have been equally eclipsed by the forces they are assailing.

IV. IMPLICATIONS OF THE FINDINGS FOR TEACHING AND PRACTICE OF ORGANIZATION THEORY

A deeper understanding of the sociology of organization theory is important in designing curricula for teaching and in recommending techniques for increasing organizational efficiency in developing countries. Contrary to the tradition of Public Administration teaching in the West in general and America in particular, an unintended communication barrier has kept the academicians and the practitioners apart in many of the developing countries. This state of affairs is partly an inheritance from Comparative Public Administration when knowledge was sought for knowledge's sake. While American Public Administration has been overwhelmingly practitioner-oriented, Comparative Public Administration sought to build theories of development on the tradition of the grand theorists. It is not the intention here to argue that academic learning should not be a quest for knowledge for knowledge's sake. Indeed, it is essential to inform the students of Public Administration about all the technologies relating to the evolution of modern organizations as a general framework. This theoretical framework needs to be developed as an essential aid to the practice of some useful technologies in the context of one's own situation.

FOCUS OF TEACHING

What is being argued here is that Public Administration teaching, of which organization theory is a core technology, must have a focus. It ought to be a focus of broad relevance and applicability. Public Administration teaching cannot be an esoteric academic pursuit only : it has to make itself valuable to its large student community by making these teachings amenable to meaningful practice. In order to bring that focus particularly in the teaching of organization theory, there is a need for a total restructuring of the curriculum of the subject. It will also need a reorientation in the treatment of the subject by the concerned instructors effected through a proper appreciation of the field in terms of the assumptions, basic values, tradition and ideology surrounding a body of technology.

Such a focus and reorientation in the teaching of organization theory in developing countries will demand attention to the following issues at the least.

First, the unquestioned acceptance of organization theory as a neutral tool capable of being used in any culture must be abandoned. The pre-

sent study has amply demonstrated that organizations are not neutral instruments but are created to serve specific purpose under distinct cultural milieu. While it is useful to know about the development of a technology, there ought to be incisive scrutiny about its replicability in another culture. Nothing should be taken for granted.

Second, while it is true that technology is culture-bound and so is organization theory, it would be absurd and simplistic to cast aside the accumulated knowledge just on that ground. There are components of a technology that can more or less be used across cultures. Organization technologies relating to methods, standards or procedures are the ones that have been transferred with the least resistance for administrative improvement. The O & M techniques, fiscal and budgetary procedures are now integral part of administrative culture of many countries. Currently techniques and procedures relating to project management are being widely used in many developing countries. All concerned with Public Administration teaching should be able to identify the hard core from the soft for treatment of technologies according to clientele needs.

Third, it is important to recognize that organization theory has developed in stages, each successive stage meeting the inadequacies of a previous one. It has thus developed from a relatively simpler to a more complex level of technology. This development is continuous and not exponential. In other words, there was no jump from classical to modern theory. In the circumstances of the evolution of organization theory in America, it was not possible either. As has already been shown, the development of this theory has been a function of the development of industrial and post-industrial society in America. If this evolution as a case study has any relevance for developing countries, it is this : consideration of any segment of organization theory for application to a country or to any particular organization should take into account the level of development of that particular subject. First thing must be done first. Structure is the basis of any organization. If there is no sound structure, there cannot be any process. Organizational deficiencies in many developing countries relate to the structural defects : in such a situation, OD techniques may not be of much avail. The teaching of organization theory is bedeviled by many stereotypes or reifications. Siffin has talked about the sub-optimization and formalism affecting the efficacy of organizational technology.⁴¹ What kind of intervention will produce the desired outcome will depend upon a perfect fit between level of development and level of technology.

Fourth, it is worth remembering that organization theory is a “technology of power”. It is an instrument in the hands of its creators. It can be used for good or eternal evil. These technologies are intended to create conditions to bring about rationality in organizations, to increase their efficiency and effectiveness. Organizational interventions, however, require behavior changes or shifts in the existing power structure. But it is beyond the capacity of an organizational expert to initiate those changes or shifts. The regime elites and vested interests will not let these interventions succeed if these jeopardize their interests too severely. A knowledge of organizational technology must be moderated by a knowledge of institutional dynamics of a particular country. While known western organizational technology may not be immediately installed, there will be opportunities for trying less threatening methods on an incremental basis. The faith about the efficacy of a given organizational technology should not be technocratic : it ought to be judged in the context of the political economy of the country.

INTERACTION BETWEEN TEACHING AND PRACTICE

All this talk about the focus of teaching is meaningless unless the things taught at the academic institutions are tested in the field. This need is urgent and inevitable. If organizational study aims at increasing our understanding of organizational dynamics and equipping us with the necessary skills for increasing organizational effectiveness, there is no alternative to a constant and purposive interaction between its teaching and practice. As has amply been demonstrated in this paper, American organization theory cannot be a substitute for theories tested and developed in individual developing countries. What is true in the development of that theory on the soils of America do not most of the time hold good for most of the developing countries.

The benefit of the American organization theory for developing countries is that it offers a storehouse of ideas or hypotheses that need to be tried and tested. Formulation of hypotheses is a long way forward in the making of relevant theories and this opportunity should not be missed through benign neglect. There is an urgent need to link researchers with practitioners for applied research on organization. This essential linkage will foster joint programmes, engender common methods based on comparative experience, help incorporate tested organizational practices and adopt them by trial and error to specific local conditions. It is through this mutually beneficial and co-operative enterprise that we can hope to invent technologies for the organizations of our societies.

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Mobilization of Rural Savings in Bangladesh*

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Bangladesh has one of the lowest rate of domestic savings. While the average savings rate as percentage of GDP of Low Income Asian Countries varied from 21-26% over the period of 1970-1981, the average rate of savings in Bangladesh as a percentage of GDP fluctuated from less than 1.0 to 3.5 percent. If Bangladesh has to ensure even the basic minimum standard of living to its people by the turn of the century, it will require an annual investment of 19-22% of the GDP over the next 15 years. According to an estimate, given the aid climate not more than 9% of the GDP can be expected from foreign savings including foreign remittances. This implies that Bangladesh has to mobilize about 10% of the GDP from domestic savings. Rural areas which generate over 50% of the GDP and provide livelihood to over 80% of the people will have to generate bulk of this additional savings. Thus innovative measures of mobilizing rural savings have become imperative.

ESTIMATES OF THE RATES OF SAVINGS IN THE RURAL AREAS

There has been little work to evaluate the savings in Bangladesh prior to liberation, let alone savings in the rural areas. Whatever data were published either by the Pakistan Planning Commission or the Central Statistical Office in Pakistan presented gross national savings in Pakistan and nothing was known about the savings originating in Bangladesh. Among the early studies relating to rural savings was that of Habibullah¹ which was concerned with some aspects of rural capital formation, based on a sample survey of

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500 households drawn equally from 5 Unions selected from different geographical areas of Bangladesh, but it was inadequate to derive any conclusion about the total sectoral savings in Bangladesh. One of the earliest attempts made to segregate urban and rural savings in Bangladesh was that of Alamgir and Berlage. Based on certain assumption of rural income, they worked out a time series on rural savings of Bangladesh for the years 1959-60 to 1969-70. However, no further work appears to have been done by anybody to segregate rural savings from urban for the post-liberation period. The estimate of Alamgir and Berlage² of rural savings may be seen in Table 1.

Table 1

Rural and Urban Savings (at Constant 1959/60 Market Prices)

(Taka in million)

Year	GDP		Savings		Total Savings	Total Investment	Rural Savings as % of Total Savings	
	Rural	Urban	Rural	Urban			Total Savings	Total Investment
1959/60	11119	3042	471	427	898	970	52.40	48.6
1960/61	10955	3911	533	438	971	914	54.84	58.3
1961/62	11577	4410	587	551	1138	1113	51.55	52.7
1962/63	12329	4743	412	568	980	1361	42.03	30.3
1963/64	12554	5263	729	805	1534	1619	47.56	45.0
1964/65	12739	5334	850	752	1602	1661	53.08	51.2
1965/66	13074	5612	711	1113	1824	1492	38.99	47.7
1966/67	13159	5710	730	889	1619	1906	45.08	38.3
1967/68	14351	6185	844	946	1790	2320	47.15	36.4
1968/69	14442	6697	805	1045	1850	2321	43.48	34.7
1969/70	14766	6738	923	1095	2018	2815	45.73	32.8

Source : Alamgir & Berlage Tables 7, 10 & 11.

TABLE 2
Rural and Urban Savings at Constant 1959/60 Prices and
Average and Marginal Propensity to Save in Bangladesh.

Year	Savings		Average Propensity to Save		Marginal Propensity to Save	
	Rural	Urban	Rural	Urban	Rural	Urban
1959/60	471	427	4.24	14.04		
1960/61	533	438	4.87	11.20		
1961/62	587	551	5.07	12.49	23.40	14.18
1962/63	412	568	3.57	11.98		
1963/64	729	805	5.81	15.37		
1964/65	850	752	6.67	14.10		
1965/66	711	1113	5.44	19.83		
1966/67	730	889	5.55	19.57		
1967/68	844	946	5.88	15.30	12.53	-1.60
1968/69	805	1045	5.57	15.60		
1969/70	923	1095	6.25	16.25		

Average Rate of Saving : 1959/60-1964/65 1964/65-1969/70

Rural— 5.04 Rural— 5.74

Urban—13.20 Urban—16.51

Source : Alamgir, *Bangladesh Development Studies*, October, 1974, pp. 787.

It is obvious from Table 1 that total amount of savings in the rural areas went up by 95% during the sixties, rising from Rs. 471 millions in 1959/60 to Rs. 923 million in 1969/70 (at constant prices of 1959/60), thus registering an annual compound growth rate of 6.9%. As against this, urban savings rate grew at a compound rate of 9.9% over the same period. Contribution of rural savings to the total savings during the above period fluctuated between 55% and 39% with a downward trend. As

a percentage of total investment, the share of rural savings went down from 58.3% in 1960/61 to 33% in 1969/70 due to increase in the level of investments and decreasing per capita income in the rural areas. However, the fact that the rural sector, which accounted for over 70% of the GDP in the sixties, contributed around 40-50% of the total national savings has major implications for mobilization of domestic resources.

Table 2 shows the average and marginal propensity to save in the rural and urban areas during the period of 1959/60 to 1969/70, as worked out by Alamgir³.

From Table 2 it would be observed that the trend of average propensity to save in the rural areas may be divided into two periods, the first extending from 1959/60 to 1964/65 when the average rate of savings goes up from 4.24% to 6.7% (except for the year 1962/63 when the rate went down to 3.6%), followed by a sudden drop to 5.4% in the year 1965/66. Again it slowly went up to 6.25% in the year 1969/70. The average propensity to save in the rural areas, however, seemed to be about 1/3rd of the urban areas with an average rate of 5.39% in the rural areas compared to an average of 15% in the urban areas.

The marginal propensity to save in the rural areas for the period of 59/60—64/65 and 65/66 to 69/70, according to this estimate works out to 23.4 and 12.53% which suggests a higher rate of return on investment in the rural sector than urban.

Segregation of savings by rural and urban by Alamgir and Rahman is based on certain arbitrary assumption and the CSO data on which this calculation is based suffered from severe inadequacies in as far as data regarding provident fund, benefit fund of industrial workers and individual holdings of gold and jewelleries in the non-corporate private sector were not available⁴. Moreover, as these estimates are not presented in terms of different socio-economic groups in the economy it is difficult to draw any meaningful inference. Besides, these estimates have become somewhat outdated. Socio-economic situation has changed considerably since 1971 and the relative prices confronted by rural sector vis-a-vis urban sector and the intra-sectoral groups have also changed. Thus it is necessary to have some updated estimates on rural savings in order to examine the scope and potential for its mobilization.

Bangladesh Bureau of Statistics carried out some household sample surveys and brought out a set of monthly household income and expenditure

data for 1973-74, 76-77 to 78-79, by urban and rural areas. But they do not provide any data on savings as such nor they are classified by socio-economic groups and they have not been utilized to estimate any savings function, global or sectoral. Therefore, an attempt is made in this paper to estimate the rates of savings of the household sector by rural and urban areas based on these data on current income and current expenditures.

TABLE 3
Estimates of the Propensity to Save in the Rural and Urban Households
in Bangladesh

Year	Average Rate of Savings			Marginal Rate of Savings		
	Rural	Urban	National	Rural	Urban	National
1973-74	-0.058	-0.022	-0.055	0.202	0.077	0.177
1976-77	0.259	0.357	0.271	0.633	0.664	0.641
1977-78	0.119	0.087	0.109	0.384	0.180	0.287
1978-79	0.114	0.111	0.113	0.409	0.120	0.382

Source: Statistical Year Book of Bangladesh, 1979, 1981, 1982 and 1983-84

Table 3 shows net dis-saving for the year 1973-74. The country having just come out of the war, this is not difficult to explain. Disaggregated data on income and expenditure showed that except for the income group of Tk. 2,000 and above no other group had any saving in the year 1973-74⁵. Being an atypical year, the savings rate for the year 1973-74 is hardly useful for the purpose of any forecast.

From Table 3 it would appear that the average rate of savings for the year 1976-77 was extraordinarily high. Prices of foodgrains in 1976-77 were near the lowest in the post-liberation period. The price of rice in particular was at its lowest and this may partly explain the high rate of savings in the household sector. Average rate of savings in the years 1977-78 and 1978-79 appears to be comparable to the rate of growth of savings in the non-corporate private sector for the years 1959-60 to 1969-70.

TABLE 4
Correlation between Household Income and Savings
in Bangladesh by Regions

		Linear Corre- lation Co- efficient	Linear Co- efficient of Determination	Student t Value
		(r)	(R) ²	(t)
1973/74	National	0.701	0.491	3.26
	Urban	0.872	0.760	5.63
	Rural	0.683	0.466	3.10
1976-77	National	0.988	0.976	21.22
	Urban	0.991	0.982	24.55
	Rural	0.988	0.976	21.22
1977-78	National	0.970	0.941	13.83
	Urban	0.978	0.956	16.15
	Rural	0.955	0.912	11.15
1978-79	National	0.968	0.937	13.16
	Urban	0.865	0.748	5.97
	Rural	0.970	0.941	13.83

Marginal propensity to save estimated by linear regressions adopting LSQ method show that the marginal propensities to save for both the urban and the rural sectors were fairly high for all the years and they varied widely from 7.7 % for urban 1973-74 to 66.4 % for urban 1976-77. These probably indicate unreliability of a linear fit.

From regression of current savings on current income in Table 4, a strong correlation between savings and income is suggested. Except for 1973-74, the value of r^2 is above 90 %. Thus, variation in savings is largely explained by the variation in current income.

Scatter diagrams of the savings function further revealed that linear regression lines consistently over-estimated savings at low income levels and under-estimated savings at high income levels, indicating that savings were better estimated by an increasing function of income, such as a quadratic function ($y = a + bx + cx^2$). Therefore, data for 1976-77 through 1978/79 were pooled to estimate the savings function. 1973/74 being an atypical

year was ignored. (No correction was made for annual inflation on the assumption that this could apply to values for income and savings equally).

The lines of best fit (quadratic), and corresponding co-efficients of correlation (r), were calculated as follows* :

National	$Y = 168.7 - 0.0338 x + 0.000054 x^2$	($r = 0.848$)
Urban	$Y = 156.4 - 0.2142 x + 0.000091 x^2$	($r = 0.870$)
Rural	$Y = 1.1 + 0.089 x + 0.000057 x^2$	($r = 0.973$)

It may be noted that both the national and urban functions contain negative co-efficients, which means that savings fall with increasing income before bottoming out and starting to increase as expected. This is particularly true of urban savings which are at a minimum at an income level of Tk.1177 a month. This can be explained on the assumption that the urban people probably aim at a threshold standard of living to keep up with the Joneses, upto which the discount rate attached to future consumption is rather high. But once this threshold is reached then his preference function is probably guided by the concept of a permanent income.

In the rural areas, the absolute level of consumption is lower than that of the urban. But risk and uncertainty of income and employment is higher particularly for those at the lower levels of income. Hence the propensity to save in order to hedge against future risk and uncertainty may outweigh the premium attached to present consumption. What, however, is of particular interest from the point of view of resource mobilization is that the marginal propensity to save is higher in the rural sector in the income range exceeding Tk. 500. But the savings rate for all groups was higher in urban than in the rural sector for all the above years.

RFEP⁶ found strong correlation between the average gross income and savings in the rural areas surveyed. However, the value of correlation coefficient varied from 0.91 to 0.32 in various areas and was 0.99 with all the areas taken together, indicating near perfect correlation. Alam in a recent study of two villages, with respect to the adoption of modern irrigation and its relation to income and savings, however, found it difficult to provide any strong conclusions about the nature of the relationship between household savings, income and new investment opportunities in the rural areas⁷. But this, he thought, was due to lack of dependable data on savings and household income in the rural areas.

The above estimates indicate that there is a scope for considerable increase in mobilization of resources in the rural areas beyond what is being done currently by the banks and other financial institutions.

*Y—Current Savings. X—Current Income.

TABLE 5

**Estimate of Resource Mobilization in the Rural Areas
by the Institutional Sector**

(Taka in Crores)

	As on June 1982	As on June 1983	Current Mobilization in 1982-83
All Scheduled Banks	593.79	854.35	260.56
Co-operatives*			
(a) Traditional	77.42	89.41	11.99 (x)
(b) TCCAs	15.55	19.22	3.77 (@)
Sanchaypatras	2.97	3.84	0.97
Postal Savings	10.00	7.20	-2.80
Provident Fund of **			
Primary Teachers	—	—	6.00
Premium Income from Life Insurance ***	—	—	1.68
			282.16

Source : Annex III-1, III-2 and Tables 3.4, 2.6, 2.7, 2.8

* Savings generated by Co-operatives are assumed to be wholly rural.

** Estimated on the assumption that 80% of all primary teachers are in the rural areas and contribute 8% of their salary to the Provident Fund.

*** Assuming that about 10% of the Life Insurance is subscribed by the rural people.

(x) Includes Reserves & Shares.

(@) Includes Shares.

Table 5 shows that hardly 2.04% of agriculture's share of GDP is being currently mobilized through various institutional sources, whereas the average and marginal propensities to save estimated above indicate much higher possibilities.

INADEQUACIES OF THE EXISTING INSTITUTIONS

There has been a considerable expansion of branches of scheduled banks in the rural areas but increase in mobilization of savings have lagged far behind the rate of expansion. Rapid proliferation of branches have led to

overlapping and concentration of the rural branches in thana headquarters and semi-urban areas, whereas about 50% of the unions remain uncovered by scheduled bank branches. Although the Postal Savings Bank and the Co-operative Banks including Upazila Co-operative Credit Associations have filled up this vacuum, they failed to mobilize any significant deposits.

The Co-operative Banks have failed due to loss of image, lack of expertise and problems of management. It failed to attract the deposits also because they were not equipped to provide the basic banking services. The Post Office Savings Bank despite good reputation and familiarity with the rural people failed to mobilize any significant amount due to limited scope, bottlenecks in withdrawal procedure, insufficient attention to the task of savings mobilization and its inability to extend loan.

National Savings Scheme did not succeed in making much of a headway in the rural areas, as the financial instruments did not fit into the size and term structure of rural savings on the one hand and unfamiliarity of the rural people with these form of assets on the other. Procedural bottlenecks in encashment of the savings certificate added to this unpopularity. Although high administrative cost of mobilizing numerous small savings in the rural areas are said to be a major impediment in mobilizing rural savings by the financial institutions, in reality lack of motivation, inexperience and lack of training of the personnel posted to the rural branches have rendered mobilization efforts ineffective. Liberal refinancing facilities offered by the Central Bank for rural credit programmes again left little incentive for the institutions involved in building-up their own source of credit financing.

The institutional sector also failed to create a sense of confidence and trust in the rural clients that their money will be secure with the banks and that they would be able to draw them in emergencies without difficulty. Cultural barriers between urban-based bankers and the rural clientele also adversely affected their performance. Widespread illiteracy among the rural people exacerbated these problems.

Mobilization of savings was an important element in some of the special programmes, like Grameen Bank, Swanirvar, ASARRD etc. but their contribution to the total deposits was very small. RFEP (Rural Finance Experimental Project) which had mobilization of savings as one of its major objectives also did not put the emphasis it deserved and failed to achieve significant results.

Major inadequacies of the banks and financial institutions, in mobilization of rural savings, emerging from the above review are as below :

(a) **Lack of Focus :** Lack of emphasis on securing deposits, both at the Government level and at the level of individual institutions, has been the primary cause of poor performance in the rural areas by the institutional sector. The focus of rural banking has been on expansion of credit, hence little attention has been paid to mobilize savings and build up self-financing capacity. Even RFEP, a major objective of which was mobilization of savings, also admitted in its terminal report that this aspect did not receive the attention it deserved for a considerable period of the programme.

(b) **Lack of Motivation and Training :** Generally bank employees posted in the rural areas are reluctant to go to villages and start lobbying for a transfer back to the city as soon as they are posted. Reasons for their reluctance are : (1) absence of urban amenities ; (2) lack of incentives either in financial terms or in terms of career prospects ; (3) lack of motivation and commitments and (4) cultural barriers. Employees of the banks and financial institutions feel ill at ease in dealing with the rural clientele and the rural depositors also feel uncomfortable both with the procedure and the people in the banks who represent urban culture. As a result necessary interaction needed for successful mobilization does not take place. Most often it is the junior, inexperienced and inadequately trained personnel who get posted in the rural branches although the situation demands just the opposite. As a result banks were unable to generate sufficient confidence in the rural people that their money will be secure in the bank and they will be able to get it in times of emergency without difficulty. Therefore, lack of motivation on the part of the employees, on the one hand, and their incapacity to motivate the clients that it was to their interest to deposit their savings in a bank, on the other, led to poor results.

(c) **Unplanned Geographical Distribution of Rural Branches :** Expansion of rural branches was unplanned and ill-coordinated resulting in overcrowding in some areas and lack of facilities in others. Besides, they tended to concentrate on thana headquarters. Consequently, many of them became non-viable, while the majority of the masses remained outside the reach of banking services.

(d) **Procedural Bottleneck :** Banking procedure to deposit and withdraw requires some paperwork. They appear cumbersome to an illiterate or half educated rural depositor. Encashment procedure of savings certificate is bothersome and discourages investors.

(e) **Lack of Integration between Deposits and Credit Facilities :** Deposit in a bank creates a credit window but all institutions mobilizing deposits

in rural areas e.g. Postal Savings Bank, cannot extend credit. Hence these institutions cannot attract deposits. Again Co-operatives have wider coverage in the rural areas but they cannot provide basic banking services and hence hold little attraction for the depositors.

(f) **Zero or Negative Real Rate of Return :** The interest rates offered hardly offset inflation. Hence a potential depositor finds it more profitable to invest in real estates or hoarding and speculation than putting the funds in a bank.

(g) **Lack of Suitable Financial Instruments :** Savings of rural households are small, seasonal and of short duration. The existing savings certificates do not suit these characteristics of rural savings.

(h) **Lack of Incentives for the Institutions :** Because of elaborate paraphernalia and inappropriate method of collection, mobilization of numerous small deposits becomes costly for the institutional intermediaries. Therefore, they cannot offer attractive deposit rates. Besides, in presence of liberal counterfinancing facilities extended by the Central Bank for rural credit programmes, these institutions have little incentive for mobilizing deposits.

(i) **Propaganda and Publicity :** Last but not the least, lack of publicity, innovation and poor public relations fail to attract depositors.

CONSTRAINTS TO MOBILIZATION OF RURAL SAVINGS

Poverty, unemployment, illiteracy, population pressure and the existing production relations are some of the fundamental constraints to generation and mobilization of savings in the rural areas.

The more common view of the Keynesian economists is that savings is a function of current income. But another leading group of economists are of the opinion that consumer behaviour is the result of an attempt by rational individuals to maximise utility by allocating life-time stream of earnings to an optimum life-time pattern of consumption.

According to some recent studies, it was found that there was a strong correlation between gross current income and savings in the rural areas of Bangladesh. The co-efficient of correlation varied from 0.32 to 0.97 from region to region but the overall co-efficient was 0.99⁸. Therefore, low per capita income is considered to be the biggest obstacle to mobilization of savings in the rural areas.

Table 6 shows per capita income in the rural and urban areas in Bangladesh.

TABLE 6
Rural-Urban Income Distribution
(Average Household Income per month)

Surveys	Rural	Urban	Rural Income as % of Urban Income
1963/64	Rs. 148.3	Rs. 208.9	71.0
1973/74	Tk. 463.7	Tk. 629.5	73.7
1976/77	Tk. 679.9	Tk. 962.8	70.6
1977/78	Tk. 552.8	Tk. 819.5	67.4
1978/79	Tk. 865.0	Tk. 1161.0	74.5

Sources : SFYP and Statistical Yearbook 1979—1983-84

The per capita income in the rural areas as a percentage of the urban per capita income slightly improved in 1973/74 but it again went down in 1976/77. This was due to change in the relative prices. The prices of agricultural products, particularly foodgrains, went up considerably, turning the terms of trade in favour of agriculture as compared to industry in 1973-74, whereas the position was reversed in 1976-77. Over the period of 1973/74 to 1976/77, industrial output index went up to 109 while agriculture went up to 101 only, with 1969-70 as the base. Wholesale price index of agriculture went up by 21.7% while that of industry went up by 30.4% and the price of aman paddy at harvest rose by 11.4% over the same period. Thus the relative improvement of rural sector in 1973-74 over the urban was washed away by subsequent events.⁹

Although per capita income in Bangladesh increased on an overall basis, the effect of planned development of the last two decades did not trickle down. As a result, income distribution in the rural areas got worse. This is demonstrated by the distribution of rural income over the sixties and seventies shown below :

TABLE 7

Percentage Share of Current Incomes of Different
Fractiles of Rural Households (1963-64 to 1976-77)

Fractile Groups	1963-64	1966-67	1968-69	1973-74	1976-77	1977-78
Bottom 40 %	20.1	20.5	23.6	19.2	18.3	18.0
Middle 40 %	38.0	38.1	39.4	40.1	39.0	38.5
Upper Middle 15 %	24.2	25.2	23.9	24.6	25.4	26.1
Top 5 %	16.8	16.2	13.1	16.1	17.3	17.4
Concentration Ratio	.342			.340	.403	

Source: Osmani and Rahman, 'A Study on Income Distribution in Bangladesh'. BIDS, Dhaka 1981.

Table 7 shows that distribution of income in the rural areas improved to some extent in the late sixties. The share of income of the bottom 40 % rose from 20.1 % in 1963-64 to 23.6 % in 1968-69 while the top 5 % fell from 16.8 % to 13.1 %. But the situation worsened in the seventies. The share of the bottom 40 % plummeted to 18.3 % in 1976-77 while the share of the top 5 % increased to 17.3 % during the same period, a trend which was maintained in 1977-78, with the share of the upper middle class going up slightly at the cost of the middle class. This tendency of increasing concentration of wealth, although it may help generate savings, as pointed out earlier, the savings of the rural rich have not gone into socially productive assets and hence were counter-productive.

Land Distribution and Tenure System :

The savings behaviour of a household is also determined by the stock of assets at its command. It is, however, difficult to arrive at a reliable estimate of assets/wealth of a rural household and therefore it is difficult to test this 'hypothesis'. However, land being the most important asset in a rural household in Bangladesh, this is likely to provide a good proxy for assets. According to a Survey Report of RFEP, no definite pattern of correlation between levels of landholding and levels of saving emerged. However,

the survey found a positive correlation between the size of landholding and the size of savings but the correlation co-efficient varied widely from 0.71 to 0.025 between various regions. The co-efficient for all regions taken together was found to be 0.26¹⁰. Thus distribution of land is likely to affect savings mobilization in the rural areas.

Apart from the land distribution pattern, the terms of sharing of output between the factors of production viz. land, labour and capital determine the distribution to various groups of people as well as investment in land, thus affecting generation and mobilization of savings.

Rural economy of Bangladesh is characterized by small family farms with widespread sharecropping and growing landlessness and a high concentration of land in a few hands at the same time, although absolute sizes of land holdings are not very high. According to Land Occupancy Survey (LOS) 1977, 78.2% of the rural households claiming ownership of cultivable land have a farm size of 3 acres or less, 50% of the households are functionally landless and 38.5% of the farm households are either tenant or owner-cum-tenant, cultivating 46.05% of total land of which about 22.87% of the land is taken on sharecropping and other forms of tenancy. Pure tenant holding is a little over 4% of the total owned land. On the other hand, 14.7% of the rural households claim ownership of 62.2% of land, less than 1% of whom hold 15 acres or above. LOS further suggested that there is a growing tendency of concentration of land in the hand of a few.

A recent indepth study of two villages in Bangladesh viz. Pradeeptala and Tinmahajan by the author showed that 34% of households in the former and 20% in the latter did not own any cultivable land, while another 18.4% in the former and 11% in the latter were functionally landless¹¹. On the other extreme 37% of the land in Pradeeptala and 17% in Tinmahajan were owned by 2% of the households as against the country figures of 20%, indicating simultaneous operation of growing landlessness and concentration of wealth. This study also showed that the percentage of households dependent on sharecropping is fairly extensive, but the tenant land as a percentage of total cultivable land was not high. Of the two villages mentioned above, 11% of households dependent on land sharecropped to a significant extent while the extent of this dependence in Tinmahajan was 25%.¹² It further showed that 5% of the households in village Pradeeptala were pure tenants cultivating 2.4% of the total area on sharecropping, while in Tinmahajan 5.8% of the total households were pure tenants and were cultivating 2.9% of the total area on sharecropping,

compared to 4.7% of the households as pure tenants cultivating 4.39% of the total area in Bangladesh. Terms of contracts of sharecropping are generally verbal and renewable every year or every cropping season and the landlord's share is 50% of the crops with the tenant bearing all the costs. This arrangement leaves little room for incentives and is obviously not conducive to production and hence generation of saving.

Non-Institutional Rural Money Markets :

Apart from the behavioural determinants, access to formal machinery for intermediation also determines the rate as well as the magnitudes of savings. Rural money market in Bangladesh is dualistic with a small institutional sector and a large non-institutional sector. It is characterized by heterogeneity and fragmentation on both the demand and supply side. It lacks institutions for efficient mobilization, intermediation and allocation of resources. With the launching of 100 crore taka SACP in 1977 and induction of the NCBs into agricultural credit, the flow of credit has substantially increased in rural areas through institutional outlets, but it still constitutes not more than 30% of the agricultural credit as would be seen from Table 8. Contribution of institutional sector to non-agricultural activities is even less. About 0.6% of all rural industrial entrepreneurs took loans from the institutional sector although they took 21% of the total loans of the rural industries. Thus non-institutional sector still finances the bulk of credit needs of the rural areas.

Table 8

Distribution of Agricultural Credit between Institutional and Non-Institutional Sources.

	1956	1966	1974	1979
Institutional	4.53	13.89	14.00	20.04
Non-Institutional	95.47	86.11	86.00	79.96

Source : M.H. Rashid, "Informal Credit and Interest Rate in an Under-developed Rural Economy." Table 1—2.

The informal credit market consists of localized transactions in cash as well as goods and services among friends and relatives, neigh-

bours, barga-maliks, traders and shopkeepers and "Mahajans" with their clients, for production and trade as well as consumption. Access to informal credit depends on potential rather than actual collaterals. Rates of interest vary depending on the degree and kind of personal ties with the lender and range from zero to over 300%. They are often interlinked with the various non-credit objectives and rural power structure. Therefore, although a village money-lender may optimize utility he does not maximize profits: so this does not necessarily lead to generation of monetary surplus. On the other hand, exploitative terms of credit in the informal market result in a transfer of not only the surpluses of a borrower but also the collaterals pledged, accelerating the pauperization process. Besides, the different types of interest rates generated by the rural money market and the interlinkages, render the relationships between interest rates in the formal and informal markets rather weak and ineffective. This is corroborated by the study of the author where it was found that the level of informal rates of interest was higher in a banked village than in an unbanked village¹³.

The very existence of a large unorganized money market minimized the use of bank credit, prevented growth of financial assets through which an intermediation between savings and investments could take place and hindered effectiveness of monetary policy in a large part of the economy. Besides, various studies including that of the author indicate that the indigenous money-lenders conduct their business mostly from their own funds. Although the practice of relending funds borrowed by well-to-do farmers is not unknown, the relationship between the formal and informal market is rather limited and tenuous. Thus there is a need for integration of the two markets for an effective credit and savings policy.

Informal Credit and Land Mortgage System (Usufructuary Mortgage) :

Usufructuary mortgage and its relation to the informal credit system is another constraint to the generation and mobilization of savings. Under this system of rural credit, a borrower has to cede the use of a piece of land to the creditor on mortgage, usually known as "Bandhaki" with its variants, "Khai Khalashi", "Dai Shudi", "Saf-Kabala" depending on the terms of contract. The creditor retains the right to use the land until the loan is repaid in full (with or without interest) or is extinguished through use as in the case of "Khai Kalashi".

This system of credit reduces the productive capacity of the borrower, making him more and more dependent on the lender for further loans. Cumulative loan obligations combined with extreme terms of loans often result in the eventual transfer of land to the lender. The general practice with respect to usufructuary mortgage is to give out the usufruct land to the borrower on sharecropping, linking up credit with sharecropping, and the tenant-borrower is thus subject to double exploitation by the lender.

In a recent study of two villages by the author it was observed that 28% and 15% of the households in two villages had mortgaged out 15% and 14% of the lands held against credit on usufructuary mortgage respectively and that in both the villages there were net outflow of use rights to land (and hence effective control over land) from the small and middle peasants to rich peasants. A time series on transfer of land also showed a definite trend of transfer of ownership from the small peasants to the rich and semi-rich¹⁴. Combined with the trend of transfer of use right due to mortgage transactions this shows a definite tendency to a greater concentration of productive assets in the rural areas. While this led to pauperization in the rural areas and alarming growth of landlessness, what is more exasperating is that this concentration of land did not lead to any significant investment in land by the big land owners as they have depended more on sharecropping. Moreover, savings of the well-to-do rural people went into real estate acquisition, which did not contribute to value addition and hence were counter-productive on both counts¹⁵.

Rural Power Structure :

Savings behaviour is not an isolated matter in a rural scenario. It is a function of complex interlinkages which affects the decision-making process of an individual of which land and power relations are important variables. It has already been indicated how the processes by which existing distribution of land and relations to land affects generation and mobilization of savings. Here an attempt is made to discuss the processes by which the rural power structure, built primarily around the distribution of land and tenancy system affects economic activities and impedes mobilization of saving.

Various studies have indicated that rural power structure which derives its strength basically from land relations has remained the most potent force which has successfully resisted all attempts at land reforms and rural development¹⁶. The rural rich have deprived the *Bargaders* of their surplus product once through cropsharing and again through usuary¹⁷. Any attempt at agri-

cultural development which has the potentiality of freeing the small peasants from their bondage of debt has therefore been throttled by the rural power structure and thus thwarted the development processes. In the post-1947 era, the rural rich also captured the storage and marketing trade which were previously the domain of the Hindu "Banias", thus reinforcing lack of specialization¹⁸. It has also been observed that the rural elites discouraged small farmers from seeking institutional finance to protect their control over the rural money market¹⁹. The Government have also reinforced their control over the rural money market by using them almost as a conduit of credit distribution.

The profit returns from all these pursuits have mostly gone into investments in real estate, gold and ornaments or in forging social relationships with urban power groups either through marriage or friendship and in muting the progressive voice, in litigation and other socially unproductive channels.

Thus the rural rich have extended their grip over the rural poor in every facet of life through diversification of economic, social and political activities and impeded generation and mobilization of savings in the rural areas.

Rate of Interest and Savings :

Bangladesh has been experiencing an inflation rate of about 15% on an average since its inception. During the period of 1973/74 to October 1980, while the general price index of rural families in Dhaka rose by 182% the rates of interest on deposits did not change significantly. However, in October 1980 a substantial upward revision in the deposit and lending rates took place. Interest on savings account was raised from 6-7% to 8.5-10% and fixed deposit rates from 7-10.25%. Thus, for the first time, deposit rates were barely able to beat the inflation rate.

The real rate of interest, it is widely believed, may influence the intertemporal choice of consumption of an individual and increase propensity to save. However, empirical confirmation of rational response to change in interest rates on the part of the savers has been rather tenuous. Work of McKinnon and Shaw in case of Korea and Indonesia to establish positive relationship between real interest rates and savings behaviour, however, gave some empirical support to this thesis. Yusuf and Peters in a recent econometric work on the savings behaviour in Korea discovered a clear association between savings and real interest rate but further incentives in terms of interest rate in view of low elasticity of interest with respect to gross domestic savings, they felt, might prove counterproductive to investment. They also observed

that in view of anticipated decline in inflation rate and expected small change of 1-2% in deposit rates in the medium run was not likely to contribute greatly to the savings rate in the Korean economy²⁰. However, Korean economy has attained a level where fine tuning of interest rates may be of significance but in a country like Bangladesh where the money market is underdeveloped and the rates of interest are fixed by administrative fiat, Korean experience may not really be very relevant. This would be particularly true of the rural areas, where non-economic factors are also important in the determination of savings behaviour.

Table 9 shows change in quarterly total deposits by the scheduled banks in the rural areas both prior to the change of deposit rates as well as after change in 1980. Assuming that the response to interest rates occurs with a lag, even after one and a half years from the date of revision of the rate, deposits in the scheduled banks did not show any significant rise. If anything, in fact, the rate of change has been decreasing. The same trend was observed when the rate was revised once before in July 1976. That there has been substantial increase in deposits in December 1980 should not confuse the matter as substantial increase in mobilization in June and December, it would be observed, has been a regular phenomenon irrespective of the prevailing rate of interest due to the stepping up collection at biannual closing of accounts in these months.

In addition to regular increase of deposits in December 1980, total deposits of the scheduled banks (urban and rural taken together) showed a one time increase in January 1981. This was mainly on account of increase in time deposits, mostly in the urban areas. Apart from this, there has hardly been any noticeable increase due to increase in deposit rates. There has been a slow but steady switch from demand to time deposits, perhaps due to relatively higher returns on time deposits.

Rural Finance Experimental Project, jointly sponsored by the Govt. of Bangladesh and USAID and recently completed, also experimented with varying interest and deposit rates in the process of experimenting with various models of credit delivery in the rural areas. The report found that there was no statistically significant relationship between the amount of savings and the rate of interest for small variations of deposit rates between 11-15%. But on segregating the data by target and non-target groups,* the report concluded that the non-target groups were sensitive to interest rate changes and that their deposits were 4 times higher at rates of interest of 14-15% than at 11-

* Under RFEP, target groups were defined as family heads owning 2 acres or less of crop land, with an annual gross cash income of Tk. 6,000 (\$ 400) or less.

12%²¹. The target group depositors who were also borrowers were reluctant to save where the interest rate was substantially higher than the deposit rates. Thus the empirical basis of the relationship of the rate of interest to savings is rather tenuous.

TABLE 9
Effect of Upward Revision in Interest Rates :
October, 1980 and July 1976

(Taka in Thousands)		
Quarter	Rural Deposits	Change
31.3.1980	331,75,73	—
30.6.1980	404,18,10	72,4237 (21.83)
30.9.1980	413,10,49	89,239 (2.20)
31.12.1980	519,88,56	106,780 (25.84)
31.3.1981	472,21,79	-47,6677 (-9.16)
30.6.1981	559,89,37	87,6758 (18.56)
30.9.1981	539,49,40	-20,3997 (3.64)
31.12.1981	633,76,76	94,2736 (17.47)
31.3.1982	547,09,79	-86,6697 (-13.67)
30.9.1975	88,03,56	—
31.12.1975	106,72,02	18,6846 (21.22)
31.3.1976	105,33,33	-1,3869 (-1.29)
30.6.1976	106,26,13	9280 (0.88)
30.9.1976	106,38,50	1237 (0.11)
31.12.1976	134,48,06	28,0956 (26.40)
31.3.1977	134,11,68	-3638 (-0.27)
30.6.1977	155,17,90	21,0622 (15.70)
30.9.1977	145,65,33	-9,5237 (-6.13)

(Figures in parenthesis indicate percentage change)

Savings and Inflation :

Rural economy consists of a large non-monetized sector and most of its savings are in the form of physical assets. Financial assets constitute a very small part of the savings in the rural areas. Value of financial assets constituted 9% of the total assets of a rural household in the year 1977-78²². Inflation, by disturbing relative prices, tends to reduce the value of financial assets and results in a shift of the portfolio from financial to physical assets. Apart from restructuring of the portfolios, inflation may depress private savings due to wealth effect and increase government savings by transfer of resources from holders of money to the state. Various micro-level studies on rural capital formation indicate a trend towards acquisition of land and houses, gold and jewellery during inflationary period. Lag in wage price adjustment favours savings by the rich at the cost of the poor and a transfer between creditors and debtors may also lead to accumulation of savings. Thus while inflation does erode the capacity of poorer groups of people and effectively reduces their income and thus affects capacity to save, on a macro-level, it may lead to greater generation of savings. However, most of the people in the rural area live at subsistence level and hence inflation affects their capacity for savings adversely whereas the fortunate few who stand to gain by it invest their savings in socially unproductive assets as mentioned above. Thus on the whole the inflation may result in an erosion of savings in the rural areas as a whole and worsen income distribution.

Bangladesh experienced a spiralling inflation in the early seventies, arising from (1) the ravages of war and consequent shortages of consumer goods, (2) government deficit financing and (3) the effects of world-wide inflation. Bad harvests and famine of 1974 added fuel to the fire. During 1973/74 and 1974/75 the rate of inflation exceeded 40% per annum. Following a major devaluation and some credit control measures in 1975 and 1976, rate of inflation abated temporarily but occasional bad harvests, developmental credit needs and high level of foreign aid during the latter half of the seventies led to considerable expansion of money supply. Table 10 shows growth of money supply in the post-liberation period.

TABLE 10
Money Supply
 (1972-1984)

(Taka in Crores)

Year	Currency outside Banks	Demand Deposits	Narrow Money (M1)	Time Deposits	Total Liquidity (M2)	Annual Average Aggregate Rate of Inflation (%)
June, 1972	175.60	271.18	446.78	306.43	699.25	40.6
June, 1973	286.43	290.60	577.03	412.08	989.11	71.2
June, 1974	331.14	380.82	711.96	504.57	1216.53	23.9
June, 1975	293.12	411.71	704.83	582.87	1287.70	3.2
June, 1976	338.05	428.95	767.04	671.04	1438.04	14.9
June, 1977	378.66	574.31	952.97	877.64	1830.61	6.5
June, 1978	521.47	638.83	1160.30	1060.96	2221.26	16.6
June, 1979	605.21	884.04	1489.25	1411.64	2900.89	5.8
June, 1980	720.14	978.45	1698.59	1732.07	3430.66	10.7
June, 1981	935.12	1215.10	2150.22	2222.31	4372.53	12.0
June, 1982	905.67	1249.90	2155.57	2563.09	4718.66	12.0
June, 1983	1158.07	1505.98	2664.05	3361.02	6025.07	
June, 1984	1586.31	1832.50	3419.10	4596.63	8015.73	

Table 10 shows that narrow money supply (M1) increased rapidly by more than six times while total liquidity (M2) increased by over 10 times. Currency outside banks increased by about 9 times. These figures indicate broad scope for mobilization of savings. While except occasional slack, the rate of inflation continued to remain at the level of 12-16% changes in relative prices particularly of foodgrains improved the rural terms of trade in favour of agriculture and benefitted the surplus farmers but it reduced income of deficit farmers and other fixed income groups badly. Thus it reduced the capacity of the agricultural labour and other fixed income groups to save and it increased the saving capacity of surplus farmers and traders in the rural areas. This calls for a target approach to mobilization of savings through taxation.

Policies and Structure of Agricultural Taxes :

Agriculture and rural sector generates over half of the GDP, but it is taxed very lightly. This partly accounts for low tax/GDP ratio in Bangladesh which is currently around 8%.

Since liberation of Bangladesh in 1971, except for occasional slack, the prices of agricultural products rose more sharply than the industrial prices and in fact the terms of trade became more favourable to agriculture than to industry. But due to inelastic nature of land revenue and rigidity in the tax base and rates, direct tax revenue from the agriculture sector did not keep pace with the process and has remained more or less static although it rose considerably in the non-agricultural sector. (see Table 11)

TABLE 11

Trend of Revenue from Direct Taxes from Agriculture and Non-agriculture as percentage of GDP at current price for 1972-73 to 1983-84.

(in million Taka)

	GDP		Taxes on Wealth and Income		Direct Taxes as Percentage of Sectoral GDP		
	Agri.	Non-Agri.	Agri.	Non-Agri.	Agri.	Agri. as % of Non-Agri.	Non-Agri.
1972-73	26,100	19012	27	139	0.103	14	0.731
1973-74	41,501	29585	56	340	0.135	12	1.149
1974-75	78,623	47118	88	762	0.112	7	1.617
1975-76	57,339	50119	170	1248	0.296	12	2.490
1976-77	53,671	51690	182	1089	0.339	16	2.11
1977-78	72,248	58042	251	1252	0.347	16	2.15
1978-79	78,745	66029	280	1431	0.355	16	2.17
1979-80	93,299	81568	189	947	0.203	18	1.16
1980-81	95,434	100588	197	743	0.206	28	0.74
1981-82	102,209	117125	223	3110	0.218	8	2.66
1982-83	118,515	134300	248	3157	2.209	9	2.32

The incidence of indirect tax on the rural sector is also lower than that of the urban sector. Per capita income in the rural areas is lower than that of the urban and consumption patterns are different. Generally households with lower income tend to spend more money on food and other staples which

are not subject to taxes, and urban households spend a higher part of their income on manufactures and processed goods. Therefore, excise taxes are principally borne by the urban sector.

Data on Household Expenditure Survey 1973-74,²³ show that although per capita income in the rural areas is lower, 13.38% of the households in the rural areas compared to 25.47% in the urban areas have the capacity to pay taxes.* This implies that the revenue from direct taxes in the rural areas should have been about 52.5% of the urban. It would, however, be seen from Table 11 that direct tax on agriculture varied from 12-18% of revenue from non-agricultural tax in the seventies and 8-9% in 1981-82 and 1982-83. But the incidence of direct taxes in rural areas was much less than urban and does not reflect the capacity to pay. Table 12 indicates the differential incidence of direct taxes on the urban and rural sectors.

TABLE 12

Rural-Urban Direct Tax Incidence by Income Groups, 1973-74

Monthly Household Income Group (Tk.)	% of Households in the group		Rural Effec- tive Tax Rate	Urban Eff- ective Tax Rate
	Rural	Urban		
750-999	6.91	10.19	0.18	0.40
1000-1499	4.87	10.01	0.25	0.31
1500-1999	0.87	2.77	0.23	0.32
2000 and above	0.73	2.50	.25	—

Source : Kamal Siddiqui (1982)

Incidence of indirect taxes has also been much lower than on urban households. The net tax burden on the rural sector is even less than apparent due to increasing flow of public funds into the rural sector in the recent years. Apart from the fact that the existing taxes appear discriminatory between urban and rural, they accentuated inequality of wealth in the rural areas. The savings arising from the lower level of taxes have gone into land speculation by the large farm households, thus resulting in concentration of lands in the hands of a few, as observed by the LOS Report and the study by

* Assuming that households having an income of Tk. 9 000 p. a. and above at the price level of 1973-74 are able to pay taxes.

Rashid.²⁴ That the average size of the land-holdings by large households in 1970 has not changed much over that of 1960, despite population pressure and proliferation of families is *a priori* evidence of this.

The above analysis indicates considerable scope for mobilizing resources from the rural sector. A higher tax on richer households, although likely to give rise to a tendency to sub-division of the farms, is expected to release savings from unproductive and speculative investment. Strengthening of land transfer tax, combined with change of tax base to potential income is likely to result in higher mobilization of rural savings and at the same time discourage fragmentation. A simultaneous campaign for rural savings mobilization, offering an attractive rate of return on bank deposits is called for in this situation. Besides, various studies have shown that small farms in Bangladesh are not necessarily more inefficient than large farms and hence any fragmentation resulting from taxes is not likely to have much of an adverse effect on the economy.

Peculiarities of Rural Savings :

It has been observed that the majority of the households in the rural areas put away some savings, however small, sometimes in kind. But most of these savings are seasonal and cannot be invested for a long duration. The womenfolk in particular in rural households put away in their private tills small sale proceeds of the kitchen garden produce or the poultry reared primarily for household's consumption.²⁵ But if these resources would be mobilized, they would form a substantial fund, which could then finance the local credit programmes of the institutions without having to rely on the Central Bank for refinance.

Access to these funds, however, requires intimate knowledge and special relationship with the rural households which can be had only through friendly relations developed over a long period of time. This requires that the bank personnel live in the villages, take keen interest in the day to day activities of the villagers and develop intimate knowledge of the portfolio of their assets and liabilities and inculcate in them the habit of savings and the benefits of putting them away in a bank, at opportune times.

Another interesting feature is that the term structure of savings and lending of various groups in the rural areas are complementary. The problem is one of intermediation between potential savers and investors. This is what is often achieved by indigenous bankers or community organisations in the rural areas, wherever they exist. To bring these savings into the institutional fold requires a different approach to banking.

Illiteracy and other Socio-Economic Constraints

Illiteracy is widespread in the rural areas. This poses a barrier not only in terms of ability to deal with the banks but also affects attitudes towards thrift and savings. The illiterate villagers are often afraid that the money that they keep in the banks may not be secure and that they may not get the money in times of emergency. These fears, however, have not been without foundation. Villagers in the past have had unpleasant experience with the co-operatives where they incurred losses due to management failures. Besides, the banks are often surrounded by touts who take advantage of the ignorance of the illiterate villagers. Consequently, rural savers find it more desirable to either invest their saving in real-estate money-lending or in keeping it in the form of gold and jewellery. Norms and value systems which put a premium on possession of these kinds of assets also have been responsible for such investments. Lack of education in the villagefolk also create cultural barriers between the potential clientele and the bankers, the latter mostly representing urban culture.

Religious attitudes towards interest income also discouraged keeping money in the banks, although such sentiments are on the wane. Fatalistic attitude to life has been another disincentive to save. The belief that God will provide in times of adversity made people indifferent about saving for the rainy days. Therefore, inculcating savings habits constitute a major problem in the mobilization of rural savings.

RECOMMENDATIONS

From the preceding discussions it is evident that although current income appears to be an important variable in determining the level of savings, there are a host of other socio-economic constraints which directly or indirectly affect ability as well as decisions to save. Prominent among these factors are land tenancy system and opportunity for employment, inflation and real rate of return on capital, tax structures, level of education and habits of savings. Realised savings often cannot be mobilized for lack of intermediation, problems of access to banks and financial institutions, inappropriate institutional forms and lack of suitable financial instruments, interception by unorganised money markets and the rural power structures, lack of motivation and imagination on the part of the existing institutions and prejudices and cultural barriers. In this section, an attempt is being made to recommend some measures to resolve some of these problems. Evidently, given the political will, some of these constraints can be removed in the short and the medium run, while others can only be resolved in the long run and are subject to political expediencies.

Short and Medium Term Policies

(a) Rationalization of the Rate of Interest :

It has been observed that the relationship between interest rates and savings is weak and sensitivity of savers to changes in deposit rates vary from one group to the other. This suggests the need for some fine tuning of interest rates addressed to specific clientele. Before 1980, the deposit rates have been exceedingly low. Even the revised rates probably did not offer a positive real rate of interest. Consequently they did not elicit expected response from even the urban savers, not to speak of the rural savers (See Table 9). Cheap money policy followed in the past, on the other hand, not only created inflationary pressure but the concessional loans extended particularly to the industrial sector led to widespread misallocation and defaults.

At present tea and jute goods enjoy a concessional rate of 12% as against 16% charged to others. In view of the favourable markets for tea in particular there appears to be little justification for such concessional rates.

Despite a large increase in credit and money supply during the last couple of years, an excess demand for funds, particularly in urban wholesale and retail trade sector, is evident from an analysis of the distribution of scheduled bank loans by purpose.²⁶ Besides, it would appear to even a casual observer, that the rate of return in trade and commerce sector is quite high suggesting scope for possible increase in lending rates.

RFEP experience showed that the non-target group savers were responsive to interest rates of 14-15% which suggest scope to mobilize further resources particularly from the richer section of rural population by offering attractive interest rates. RFEP experiments also showed that interest rates in the range of 12-36% were acceptable although loans at higher rates were contracted for non-agricultural purpose. Thus there is a case for upward revision of both the lending and deposit rates. Therefore, for efficient allocation of resources, lending rates need to be raised in the urban trade and commerce sector and concessional rates withdrawn from the industries sector except in the less developed areas. On the other hand, deposit rates need to be enhanced particularly in the rural areas.

The higher cost of attracting the rural savings into the institutional sector may in fact be subsidized by the higher incomes from higher lending rates in the urban sector. This may begin a socially and politically desirable reverse flow for a change and divert the surplus funds with the rural rich to more productive purposes.

(b) Flexible Rates of Interest :

To cater to specific clientele, depending on the interest rate elasticity of demand and supply of money, it is necessary to provide some flexibility to the institutional sector with respect to interest rates. With private sector banks coming up, a flexible interest rate would be conducive to competition and efficiency as well. It is, therefore, recommended that the Central Bank may prescribe a range for lending and deposit rates, the flexibility with respect to various sectors being left to the individual banks. This will provide them with the necessary cushion to venture on innovation and experiments.

(c) Diversification of Financial Instruments :

Majority of the rural people have some savings but they cannot put it away for long. Mobilization schemes have to take care of this peculiarity. The range of financial instruments offered at present, however, does not suit the portfolio of the rural savers and hence needs to be further diversified in terms of maturity and yield.

According to a RFEP Survey Report, only 8.31% of the RFEP saver population bought prize bonds or savings certificates.²⁷ This rate is likely to be even lower in the rural areas in general. Illiteracy and a lack of awareness of the benefits, inadequate access to facilities, lack of publicity, and high denomination and long maturity of savings certificate, are some of the factors responsible for such low participation in the National Savings Schemes. Encashment is often difficult. Generally, the authorities insist on encashment in the same office/area where purchased and are subject to clearance from the head office. This procedural bottleneck scares away the marginal savers and needs to be simplified.

The financial instruments should also be diversified so as to reflect the interest and aspirations of the savers. Public issues of bonds and shares of public utilities, and special purpose bonds for financing projects of special significance, such as a public issue of say Jamuna Bridge Bonds which may provide one with a sense of ownership and participation in nation-building, may generate response. Government may also issue short-term bonds with high discount rates such as Fertilizer Bonds, which can be encashed to finance purchase of agricultural inputs, enabling the BKB/BADC to mobilize seasonal savings of the rural farmers to finance a part of its transactions without burdening the national exchequer. These would call for a more innovative approach in devising financial instruments.

(d) Savings for an Objective :

Often it is easier to mobilize savings for achieving an objective like acquisition of real estate, or a deep tubewell. A saver may be required to subscribe in regular instalments for a fixed period after which he becomes entitled to achieve his objectives, say acquisition of a house. The financial institutions can use funds so raised to finance forward purchase and thus benefit from the economy of scale and time and allow considerable discount to the savers.

(e) Linking Mobilization Efforts to Finance Local Programmes :

Capacity for savings also depends on how much of the amount saved is ploughed back for the welfare of the savers. This brings in the question of tying up the mobilization efforts with financing of local programmes. Such interlinking in fact has been in practice in traditional communities since time immemorial which financed common services of the rural communities. With the impact of western culture emphasizing individual welfare, these systems have become weak and gone underground. Instances of mobilization of local savings for local purposes particularly for religious and educational purposes are still prominent in some of the rural areas. This spirit can be used in mobilization of rural resources.

It is, therefore, suggested that government/institutions may organize special programmes of mobilization of rural savings by linking them with financing of well defined local projects by offering medium term bonds. Matching finance from the government/institutions for local purposes may provide further impetus to mobilization of savings. In order to reach the largest clientele such projects should be of larger benefit to the largest number. Such efforts at mobilization may be most effective in income-generating projects such as roads and ferries, hats and bazars etc. This method may also be used to reach specific interest groups such as religious communities and other smaller interest groups such as fishermen/weavers etc.

During an indepth study of two villages in Bangladesh, it has been observed that most of the Muslim households put away a handful of rice every time they cook, which is then collected by one person at the end of the week and pooled centrally by the community to defray the expenditures of mosques and the religious institutes. The example of Didar village in Comilla which started with a savings of 9 anna (0.56 paisa), and now has mobilized as much as Tk. 60 lakhs, by gathering small coins saved by its members, is another successful instance of mobilization of local savings.

(f) Measures to Improve Performance of the Existing Institutions :

Scheduled banks have expanded their branches considerably but their geographical distribution has not been uniform and they have tended to concentrate in semi-urban and commercial centres. Consequently, there has been overcrowding in some areas with vacuum in others. On the other hand, there has been considerable overlap between the traditional Co-operative Banks and UCCAs. These have rendered many of the rural branches non-viable. Therefore, there is an immediate need to rationalize the geographical as well as functional distribution of bank branches in the rural areas. This has been recognized by the GOB/World Bank Agricultural Credit Review Report also.²⁸

Again deposits have lagged far behind the expansion of branches. Lack of motivation and faulty personnel policies, rather than high cost of administering small loans, have been responsible for this. Therefore, a set of dedicated workers with sufficient incentives to live in the villages are needed. This will require reorientation in the personnel policies of the banks. A rural bankers' cadre with added promotional opportunities and higher pay scales than the urban may therefore be introduced.

BSBL and the Co-operatives need some image lifting. They must strengthen the skill in banking and accounts and sufficient emphasis must be placed on motivation and training. Like the scheduled banks they also need a special cadre of rural bankers, with added incentives to work in the villages. In addition, the Co-operative Banks, to be effective in mobilization of savings, must provide basic banking services, e.g. collection of cheques, issue of drafts and transfer of funds and facilities for current and term deposits, pension fund schemes etc. Co-operatives may also be allowed to pay higher deposit rates than the commercial banks.

The Postal Savings Bank, being the oldest and most familiar deposit window for the villagers, has a high potentiality for mobilizing savings. But to play its role, withdrawal procedures need to be simplified and capacity and authority to handle cash strengthened. This would require strengthening of accounts and security of the rural post offices.

The National Savings Scheme needs to be diversified and the procedure for encashment simplified. Authority should be delegated to all offices of National Savings Bureau and where there is no such office, all scheduled banks and post offices who are entitled to sell the National Savings Certificates should be empowered to redeem them.

Bangladesh Krishi Bank in a recent experiment employed female saving assistants for mobilizing savings in the rural areas by visiting from house to house and canvassing the housewives. This got encouraging response and its mobilization figure suddenly showed considerable increase.²⁹ The scheduled banks and co-operatives may also try such innovations.

(g) Strengthening Contractual Savings :

Insurance is a highly potential instrument of mobilization of savings but it requires a high level of awareness and enlightenment. Insurance schemes in general have not made any significant headway in Bangladesh. Their acceptance has remained very poor in the rural areas. Therefore, the insurance companies must mount a vigorous campaign to educate the village folk of the benefits of insurance in a language that they understand. The insurance company must, more than anything else, show sufficient evidence that the policy holders would be paid their claims promptly and allay their fear that their investments may go waste. To do that they must be careful about choosing their agents in the countryside.

“Gramin Bima” introduced by Jiban Bima Corporation recently, and Crop and Livestock Insurance schemes introduced by Sadharan Bima on experimental basis, are some steps in the right direction, but perhaps it is the lack of confidence of the rural people for which it has not been able to create any impact. Vigorous work to educate and create trust in the people is a *sine quanon* for success in this task.

Another possible area of contractual savings in the rural society is marriage insurance. Inability to give a daughter or a sister in marriage at an appropriate age is considered to be a matter of great shame on the part of the head of the household and daughter's marriage is often the cause of loss of land.³⁰ Dowry system being predominant in the rural areas, the poor farmers find it very difficult to defray the expenditures of marriage from savings and consequently are compelled to part with whatever little land they have. Therefore, if a low premium marriage insurance scheme can be developed to take care of marriage expenses, it may be popular in the rural areas.

Recently government has expanded its scope of grants to private schools and colleges all over the country. Entitlement to grants, if subjected to pension/provident fund and groups insurance schemes, may mobilize substantial sums in forced savings.

(i) Education on Thrift and**Promotion of Awareness :**

Due to lack of education, the benefits of savings are not always clear to the rural households. Besides, they are afraid that the deposits in the banks will not be secure and withdrawal in emergencies would be difficult. Therefore, it is necessary to mount special campaigns to educate and impress upon the rural people the benefits of savings and allay their fears. This calls for an intensive personal approach.

People in the rural areas being mostly illiterate, modern advertisements have little effect. It is the verbal and personal publicity which may yield results. It would require motivated employees who should live in the villages and carry the mobilization campaigns from door to door advising people about the need for the methods of savings, and the importance of local savings bank in putting these to use for their benefit. People should be made to understand that the banks are their own and not projects undertaken to let some people make money out of them. Thus a personal touch at image building for the institutional agencies and an education on thrift are important requirements in mobilizing rural savings. Localised Savings and Credit Banks which may integrate savings with credit and investment within the locality are likely to be most effective institutional forms to accomplish this task.³¹

Direct incentives in the form of possibility of getting valuable prizes as in case of Prize Bonds may be helpful devices to promote savings. But unlike Prize Bonds, to be effective, these incentives should be more direct such as gifts on opening an account and maintaining it for a certain term, as practiced by some developed countries. Sometimes lotteries and games of chances with high payoffs may be organized to attract savings. Special "sign in" campaigns in fairs and exhibitions may be undertaken to promote savings and its benefits.

Protection of real value of savings by periodic revaluation of deposits as practised by some countries may attract savings away from investments to socially unproductive assets, such as real estate speculations intended to prevent erosion of the value of savings. Deposit insurance recently announced by the government to eliminate risk of bankruptcy is a positive step but this needs publicity in the rural areas.

Constant media campaigns dwelling on the benefits of savings and their role in the development of the village folk need to be highlighted.

Long Term Measures

(a) New Forms of Institution

(i) Rural Savings and Credit Bank :

The necessary conditions for successful mobilization of savings in the rural areas by a bank are (a) that a depositor is satisfied that his money is secure and is in forms that ensure sufficient liquidity, (b) that it suits the portfolio of numerous small savers, (c) that it serves as a conduit to credit and (d) that saver preferably can trace back the benefits of investments made out of his savings to his locality. For the above to take place, a bank has to field dedicated personnel who have sufficient access to rural households, are ready to help the villagers inculcate savings habit and can convince them of the merits of depositing their small savings in a bank.

Fulfilment of these conditions would call for a different breed of bank a bank which operates close to the people, on no-profit basis, has a stake in uplift in its operating area, offer attractive facilities of savings and helps the local people to generate surplus. Such banks should have a work force which is highly motivated to local development and has access to the rural households including the womenfolk. Savings and Thrift Banks of the type developed in the western countries, with franchise limited to a given locality to mobilize savings and to help the small savers to invest their funds to nationally gainful purposes as well as to offer credit in times of need, would perhaps meet this requirement. The important point is that these local banks should generate feelings among the depositors as if it was their own bank. Thus under this form of institution, savings mobilized in an area could be invested within the area for greater good of the locality including that of the depositors. This would provide the depositors with a sense of participation in their development process and enable them to identify their broader self-interest through the Bank.

(ii) Commodity Bank :

Various studies have shown that a large part of the informal credit transactions consists of credit in kind including terms of repayment in kind.³² It is this practice which makes the poor farmers most vulnerable to exploitation by the rural rich and money-lenders and deprives them of their surpluses. Lack of marketing and storage facilities further adds to their dependence on the rural rich, who again mostly control trade and commerce in the rural marketing centres.³³ Consequently, the small farmers are constrained to sell their products to the big "Aratdars" and "Beparis" at lower prices.³⁴ It is

here that a significant mobilization can take place if the small borrowers can be saved from the clutches of the "Mahajans" and "Beparies".

It is further observed that it is the acceptance of repayment in kind which accounts for a very high rate of recovery in the informal credit market. A mechanism to accept repayment of institutional loans in kind may enable this sector also to attain high rates of recovery.

Commodity Bank concept emanates from these lessons of the informal credit market and may be utilized in an institutional framework to integrate delivery of credit and mobilization of savings, and save the small peasants from the clutches of the "Mahajans" and the "Beparis".

Organized around a village as a public limited company with government subscribing most of the shares to begin with, a *Commodity Bank* may be designed as a combination of storage and marketing facilities for a given rural area. It would develop marketing and storage facilities and deal in sale and purchase (including storage) of agricultural produce delivered to the bank by the local producers operating on no-profit basis. Every small cultivator (whose cultivable land may not exceed 2 acres, for example) may be entitled to become a member on purchase of at least one share and open a commodity account with this bank and be entitled to use the facilities at a small charge. To make the proposition viable, borrowing facilities against stocks held in store up to certain percentage of the goods (as may be decided) should be provided by this Bank. Each member would be issued a pass book and all transactions whether in cash or kind would be recorded in this book.

In addition to offering facilities of storage and marketing and credit, the bank would be responsible for providing the farmers with regular marketing intelligence and promote market awareness.

(b) Tax Incentives :

Agricultural income at present is almost tax exempt and Land Development Tax which includes land revenue is minimal. Hence exemption of income from deposits may provide little incentives in mobilization of savings in the rural sector under the present tax regime. However, a case evidently has been made for agricultural tax reforms both on the grounds of equity and ability to pay. The Taxation Enquiry Committee of 1979 recommended a graduated land tax on land value and a presumptive land tax based on potential income. This recommendation of the Committee offers a rational as well as pragmatic system of agricultural tax but this would call for a very elaborate tax administration machinery. Its introduction is also likely

to meet with resistance from the rich landowners, and would need both popular support and political will and hence is a candidate for long-term policy measure. However, a beginning towards an equitable agricultural tax system made through upward revision of land taxes, as a starting point, merits consideration. To smoothen the transition to new tax system, exemption may be provided on earnings from savings held in the form of long-term bonds. This would also prevent liquid funds in the hands of the rural rich from being invested in socially inefficient channel.

(c) Land Reform :

The existing land distribution and tenancy system, characterized by semi-feudal production relations, were not conducive to generation and mobilization of savings. It was also indicated that the rural power structure built around the existing distribution of land and tenancy system also worked as an impediment to the development of the farmers and of agriculture, on the one hand, and strengthen the exploitative mechanisms in the hands of the rural elites, on the other.

Loosening this stronghold of the rural elites over the small farmers and peasants, calls for a major operation : transfer of ownership of land to the actual cultivators. Anything short of that would degenerate into mere window-dressing. Such land reform alone can dilute the exploitative powers of the rural elites over the masses and release their productive forces. After all land is the source of all pomp and power in all agricultural societies and lies at the root of all inequality of people on earth, as aptly stated by Henry George :

“The great cause of inequality in the distribution of wealth is the inequality in the ownership of land. The ownership of land is the great fundamental fact which ultimately determines the social, political and consequently the intellectual and moral condition of a people. Everywhere, in all time, among all peoples, the possession of land is the base of aristocracy, the foundation of great fortunes, the source of power.” (“Progress and Poverty” 1902).

Land reforms introduced by Land Reforms Ordinance 1984 provide some protection to sharecroppers, but the existing rural power structure subverts the existing legislation. Till drastic land reforms become politically acceptable, strict enforcement of existing land laws should be ensured.

(d) Reforms of the Local Government Institutions :

It is essential to liberate the productive forces of the rural masses from the clutches of exploitative rural power structure. This calls for democratization of the rural institutions, particularly at the union and village levels. Restructuring union partishads on the basis of proportional representation of various economic and occupational groups may succeed in dislodging the rural elites out of office from local councils and in electing the representatives of the toiling masses.

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Public Sector Carpet Mills : A Case Study Of An Ailing Industry

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The case study is limited to two carpet factories established under the public sector in 1980, namely, Baghdad-Dhaka Carpet Factory (BDCF) and Furat-Karnaphuli Carpet Factory (FKCF). It describes the background leading to the setting-up of the mills and their operational experience in the field of production, marketing and finance. Problems faced in each of these fields have been highlighted while noting BJMC's attempts at resolving these. The paper ends with a survey of the current management dilemma as to how to ensure profitability of the two carpet factories. A few steps have been suggested which may be considered for evolving a rescue package for the sick industry.

SCOPE AND METHOD

Due to different constraints, the paper has not dealt with the Amin Carpets under BJMC or the private carpet factories in Bangladesh.

Figures regarding production, employment, sale and profit were obtained from the factories while those on cost have been obtained from Directorate of Finance, BJMC. Personal interviews with factory managers, accountants and marketing personnel were also conducted. Consultations with members of the BJMC Board provided useful insight. Available documents like Consultants' Reports, PPs etc. have been extensively used as source material.

The case study is presented in 3 sections : Section II provides the background to the setting up of the two mills and describes the assumptions in the PPs underscoring their viability.

Section III describes the main features of the operational experience of the mills in the field of production, marketing and finance. The outstanding problems in each field is also identified while the achievements in

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resolving initial problems have been briefly noted. Section IV considers the various options to ensure profitability of the mills.

II. BACKGROUND

In this section it is proposed to discuss the background information relating to the setting up of new jute carpet factories and to identify the assumptions made of the viability of the two projects in the public sector.

Bangladesh inherited the experience of manufacturing jute carpets via the Amin Jute Mills which, among other jute products, had a carpet component. This unit was set up in 1959, with 8 looms and its total production was marketed within Pakistan. There was negligible or no export. As a result when Bangladesh came into being, Amin carpets faced problems of marketing—the local market was not big enough, while the product had no established export market. However, the position improved substantially with years. In 1977, the Government decided to establish four new jute carpet mills. It is relevant to note here that BJMC did not initiate any proposal for such investment. The draft PP prepared in 1978 for one of the new mills under BJMC refers to a direction (dated 16.8.77) from authority that “...priority be given to the setting up of four jute carpet mills...” It was decided to set up two of these new jute carpet mills in the public sector under BJMC. No feasibility report was prepared and no systematic market study made before setting up the mills. It is interesting to note that as per available record in 1976-77 Amin Jute Mills’ carpet division had an unsold stock of over 16000 sq. mtr. of finished carpets and over 30,000 sq. mtr. of unfinished carpets. In 1977-78, the unsold stock was over 17000 sq. mtr. and over 20,000 sq. mtr. respectively. The unsold stock was between 17% to 18% of finished production for those years. The investment decision regarding the mills was taken without considering the lessons of experience. Iraqi credit on soft term was made available for meeting the foreign exchange requirements of the two mills under BJMC. The local currency component was supplied by G.O.B. Work on the mills was started in right earnest in 1978 and completed in 1980 when the mills—Baghdad-Dhaka Carpet Factory (BDCF) and Furat-Karnaphuli Carpet Factory (FKCF) went into trial production. Each of these mills were set up with 10 looms—brand new machines bought from a European company. So we have a situation where BJMC, when it was finding it difficult to sell approx. 1,00,000 sq. mtr. of (Amin) carpets annually, was saddled with the task of doing so for approx. 1 m. sq. mtrs. with no background preparation having been made for the purpose.

To add to the problems further, the Government allowed sanction for setting up four (or five) more jute carpet factories in the private sector. Three of these mills—namely M/s. Bengal Carpet Ltd., with 12 looms, M/s. Ismail Carpet Industries Ltd. with 10 looms and M/s. Saleh Carpet Mills Ltd. with 10 looms went into production in 1981. No market study was done before sanctioning these projects. DFIs and commercial banks which funded these projects arrived at investment decision on these projects without any systematic marketing study. So, in 1981-82 Bangladesh had vastly expanded manufacturing capacity (i.e. installed capacity) in jute carpets—1.5 m. sq. mtr. in the private sector and 1.00 m. sq. mtr. approx. in the public sector. Another carpet factory in the private sector M/s. Arjan Carpet Factory with 10 looms, imported the necessary machinery in 1981-82 and installed those reportedly in 1983. It has not yet come into production.

The private sector was a newcomer in the carpet industry. So it had neither experience in production nor in marketing. BJMC also had little marketing experience. It had no organisation or personnel with relevant experience or with even a general idea of carpet export market—the size of export demand in different countries, the taste and style in design and colour, marketing channels, market promotion techniques or export price. However, jute carpet was relatively an unknown product in the fiercely competitive carpet markets of the world. The idea that quality carpets of competitive value can be made of jute was yet to be introduced—far less, established. On the production side, the Amin experience was also not sufficient, since the new carpet mills adopted different product specifications and different methods of production relating to dyeing, weaving and finishing.

With this brief background to the investment decision leading to setting up of the new carpet factories in Bangladesh, it would be relevant to note some of the stated assumptions implying operational and economic viability of the two carpet factories under BJMC—BDCF and FKCF.

We would highlight the assumptions relating to production, marketing and financial arrangements as stated in the two Project Proformas (PP).

Production. It was assumed that 10 looms in each factory will operate 2 shifts a day for 300 days a year. Working at 40% efficiency, each factory would produce annually 5,65,000 sq. yds (i.e. equivalent to 4,72,408 sq.mtrs) of $\frac{1}{2}$ pile-high carpets. Emphasis was laid on the need for modern machinery for producing carpets—“What we require is most modern tools and plant/machinery and skill.” (PP for FKCF/BDCF, p 3). Cost advantage and

market demand were taken for granted. Ensuring quality production or training of manpower at different levels of production and management found no consideration with the authors of the project.

Marketing. The total production of each mill was to be exported. The export price was expected to be \$ 7.90 per sq. yd. (equivalent to \$ 9.45 per sq mtr FOB in one P.P. prepared in 1978 for BDCF) and \$ 8.25 per sq. yd (equivalent to \$ 9.87 per sq. mtr) FOB in another PP. (revised PP. for FKCF prepared in 1980). Amin fetched £ 2.90 per sq. yd (in 1978-80) equivalent to £ 3.47 per sq. mtr. The revised PP. for FKCF ('80) stated that the sales price had been arrived at with 20% mark up on total operating cost to cover commission and profit (PP/FKCF, p.4), whereas PP/BDCF/78 (p.4) mentions 20% mark up on cost of production. It was presumed that the demand for jute carpet would be around 6.246 m. sq. yd. annually by 1980 and the BJMC production capacity would be able to meet only 20% of this demand, leaving a gap of 4.996 m. sq. yd annually. The only reason shown for this demand "estimate" was the price advantage of jute carpets over those of woolen and synthetic and "other technical superiority" (PP. FKCF, p.4). It was felt "likely" that in the face of inflation in the western economies "...the small and middle income group and young married couples starting life would much prefer jute carpet..." (PP, FKCF & BDCF, p.4). Jute carpet was thus expected to erode the market share of other carpets and displace those to establish itself. There is no mention of any need for market promotion for a new product and no allocation of fund for the purpose. The crux of the issue appeared to be production of jute carpet in most modern machineries while the international market was only waiting to buy those up.

Finance. The following investment costs were estimated in the PPs.

		In lac Taka
	PP ('78)	Revised PP. ('80)
FKCF	1313.71	1461.03
BDCF	1333.73	1421.34

The foreign exchange component in the revised PP was approx. Taka 895.65 lacs for FKCF and Taka 837.00 lacs for BDCF. This foreign exchange need was to be met out of Iraqi credit, while the local currency was expected from GOB as interest-free loan or equity. Debt-equity ratio was to be 49:51. The Iraqi loan carried 2% interest and $\frac{1}{2}$ % service charge per annum and was repayable in 10 years, with 3 years grace. The principal

amount was repayable in twenty equal instalments while the interest was to be repaid in ten equal instalments. Payment was to begin from September 1983. Benefit-cost ratio and internal rate of return were suitably worked out in line with the various assumptions on which the PPs were built. It was proposed to recover the cost of the two projects by selling their products. The cash flow statements in the two PPs showed comfortable cumulative cash surplus after meeting the requirements of loan payments, income tax and dividend.

III. OPERATING EXPERIENCE AND DEVELOPMENTS

In this Section, we will deal with the operating experience—mainly the problems faced and the responses of the two public enterprises during the last five years (80-85). We will also compare their performance with the assumptions mentioned in the preceding subsection. Our discussion will be restricted to illustrative reference to the following areas—production, marketing and financial operation of the two mills.

PRODUCTION

We propose to highlight only the following aspects of production of carpets : the social organisation of production and the technical process of production including quality control and product designing.

Social Organisation of Production. FKCF went into production in July 1980 and BDCF in September of the same year. At full capacity utilisation, it was predicted that BDCF will employ 610 people and FKCF 726. The following Table shows the number of looms in operation in each mill over the years and the number of employees (i.e. officers, staff and permanent workers).

TABLE 3.1

	1980-81		81-82		82-83		83-84		84-85	
	BDCF	FKCF	BDCF	FKCF	BDCF	FKCF	BDCF	FKCF	BDCF	FKCF
1. Operated Looms	8	6.5	6	4.68	4	3.80	2	2.13	2	2.46
2. No. of Employees	674	700	787	746	665	655	562	581	527	556

It is also apparent that at every point of time the mills had been paying for more people than planned or called for by the number of looms under

operation. It is also apparent that while loom operation was being reduced continuously, it was not accompanied by either proportionate or reasonable reduction in manpower. This possibly reflects the socio-political environment in which public industrial enterprises have operated in our country. This was bound to adversely affect cost and profitability.

Some of the officers and technical hands from Amin Jute Mills were placed with the two new mills to help overcome the initial obstacles. However no systematic training programme was undertaken for technical or management cadre. A training centre was proposed to be built in BDCF (PP, BDCF, p. 14) but never came into being. However, thanks to a UNDP Project for promotion of jute carpet, two designers received systematic training abroad and their ability and confidence improved appreciably, as noted by follow-up reports from Design Consultants under that Project (Abrahams, '82-83). Two Managers were also sent for short trips abroad under the same Project. The company which supplied machineries did not provide any training. It sent one representative who supervised the erection of the two factories. Specialised training of quality control people and Production Managers were ignored even though carpet as a product has a demanding export market primarily sensitive to quality.

It appears that the assumptions made regarding demand for jute carpets in the export markets and the role of price in automatically establishing such demand help to explain the inadequate appreciation of training needs for ensuring production of quality carpets. Moreover, once the two new carpet factories were erected, these were left to themselves and did not receive the attention normally provided by supervisory production personnel at BJMC's regional offices at Chittagong or in Dhaka Hq. We will discuss about the reasons later.

These inadequacies of project conception and implementation influenced production efficiency and quality.

TECHNICAL PROCESS OF PRODUCTION

Loom Operation and Output

In the first year of production i.e. 1980-81, BDCF ran 8 looms (out of 10 installed looms), 2 shifts and managed a weaving production of over 69,000 sq. mtr. of carpet, out of which the finished production was only 38,000 sq. mtr. FKCF ran only 6.5 looms, 2 shifts and turned out weaving production of 63,000 sq. mtr., of which only 35,000 sq. mtr. were made into finished carpets. A number of things may be noticed :

Though looms operation was about 72 % of capacity, production efficiency was only a fraction of that assumed as achievable—about 14 % instead of 40 %. There was a wide gap between weaving production and finished production of carpets indicating, among other things, gross inadequacies at the finishing level. The concerned factory Manager of the time had blamed the absence of skilled people for this gap between weaving production and finished production.

The position in subsequent years may be seen below :

TABLE 3.2

	1981-82		1982-83		1983-84		1984-85 (July-March)	
	BDCF	FKCF	BDCF	FKCF	BDCF	FKCF	BDCF	FKCF
No. of looms operated	6	4.68	4	3.80	2	2.13	2	2.46
Weaving Production (in sq. mtr.)	1,18,547	99,430	94,351	78,234	46,492	36,094	33,231	29,930
Finished Production (in sq. mtr.)	1,27,190	99,757	1,13,667	93,490	47,754	38,221	31,27	26,122

It appears from above that both the factories could adequately resolve the problem of finishing carpets—at least in quantity after the first year. However, there is considerable difference in efficiency between the two factories—BDCF giving more production loom than FKCF. However, difference in efficiency per loom between years for the same mill can also be noticed. More significant is the fact that only 20 % of the installed capacity was utilised in 83-84 with finished production being less than 7 % of the target. The position appears to have worsened in the current year.

Quality of Output. Bangladesh entered into an arrangement with UNDP for international jute carpet market study in May, '79 (Project No. BGD /79/019). Two market studies were conducted under that project—one between January and March 1981 in the UK, USA and three European countries, and the other, between third week of October and the first week of December 1983 in Singapore, New Zealand, Australia and Japan. The first market study which carried sample production from the two BJMC mills led the Marketing Adviser to conclude that "...from all the evidence Bangladesh has not got adequate carpet products at present. The mills are, of course, producing rolls of carpet, rugs and carpet squares and, indeed, small quan-

tities have been sold in free market economies. However, it must be stated quite clearly, there is no possibility of developing stable markets in free economies unless and until the carpets are produced more efficiently, costed more accurately, finished to a higher standard, designed and coloured to the requirements of the market place" (Denvir, . . June, 1981, p.2). It is a measure of inexperience and callousness towards quality on BJMC's side that the special samples provided by it for the market survey contained serious faults. The pile-heights of the carpets varied widely beyond tolerable limits of labelled pile-height. The back finish on the carpet varied between unsatisfactory to poor. None of the sample colourways were considered satisfactory. There was apparent streakiness of yarn on the plain sample and one sample had so much latex "wicking" through the pile giving it a hard lumpy feel that a new sample had to be requested. However, the carpets evoked considerable surprise for their high standard of 'feel' and 'handle'. Some of the faults were the result of inherent weakness of the technique of production adopted in Bangladesh. Hence 'streakiness' could be traced to the inherent limitation of the 'yarn dyeing' system adopted in the Golden Tiger Carpet as compared to 'fibre dyeing' (used in Amin carpets). Moreover, jute yarn appears to "...show a tendency to lose twist fairly easily" (Denvir, p.4 1981). Twist is an important factor in appearance retention and actual wear. But the other faults mentioned followed from inefficiency and lack of skill. The faults in finishing found during the first market survey like poor fringing, serging and tapeing were all amenable to improvement. In fact, once the problems were identified, these were considerably reduced so that nowadays these are not cause for customer complaint. Pile-height variations have also been brought under reasonable control as has been the 'wicking' through piles. Pile-height has been reduced in an attempt at controlling excessive fibre shedding. The problem thereby appears to have been partly reduced. When the second market survey was undertaken with Golden Tiger Carpets in late 83, the reaction to quality was found to be "quite remarkably good" (Denvir, 1984 p.2). In spite of considerable improvements, some of the problems related to inherent limitations of jute as a fibre and of the specific type of production technology in use need to be seriously researched into. BJMC would stand to gain by appointing a carpet production expert to look at the whole production process with special reference to the remaining production problems.

Quality Control. Carpet is a fashion product and its users are sensitive even to minor flaws. So "factors other than cost and quality are crucial."

It is significant that Mr. Denvir found quality control function in the Bangladesh carpet mills as "very inadequate" (Denvir 1981 p. 8). He suggested that quality standard be set and control system be established to check out second quality carpets. Machineries for basic testing facilities were lying unused till very recently. These are yet to be fully operated. Properly trained inspectors and well-lit inspection facilities, as suggested by Mr. Denvir in 1981 are yet to be put in place.

Design. The initial designs were all borrowed from Belgium, but the colourways were not found appropriate to Western taste in the 1981 survey. Moreover, it was considered essential that Bangladesh carpets establish their own identity which could only be achieved with adequate design output (Denvir, 1981 p. 37). A Design Studio was set up in BDCF and two designers received carpet training abroad and benefitted from contacts with the Design Consultants of the UNDP Project who paid four visits to Bangladesh between 1981 and 1983. In late November 1982, they made the following comments: "It is gratifying to see that the studio can originate design and colourways of such good standard. ... The personnel of the studio appears to have developed in confidence and competence, the quality of their work being of good order." (Abrahams, Nov. '82. The comments are contained in their notes on visit to FKCF and the Design Studio at BDCF. The pages of the draft report are not numbered). A design policy was finalised in late 83 in response to the market reactions received through the 83 Market Study and through participation in two major international carpet fairs. A clear policy was formulated in favour of adopting six designs in place of dozens of designs under production. These were to be produced in 4 colourways and in 4 sizes (except one design which was to be produced in only 3 sizes). It was also proposed to add 2 new designs (may be as a replacement of 2 less popular ones) annually. Designers need to reflect the change of taste in colour and design-trend in the market but also have to take into account the reality of production process and its requirements of efficiency and cost. However, keeping abreast of market trends require presence in international fairs and visit to export markets, both of which have cost implications.

Marketing. We have already noted the quality problems of the carpets. BJMC tried to market in the major carpet markets such as UK, W. Germany and the USA. Moreover, there was such a multiplicity of designs being offered that it failed to build a distinct image as compared to those of established manufacturers. This was further compounded by the absence of a consistent marketing policy.

It appears that these difficulties can be traced to at least three limitations affecting BJMC's carpet marketing :

- (a) As would be natural with a new product, BJMC lacked detailed knowledge of world carpet markets—their needs, their tastes and the specific way in which BJMC products could meet those. BJMC's counterpart to Mr. Denvir (the Marketing Adviser under the UNDP Project) got exposure of different markets during the Market Surveys in 1981 and 1983. As a result, BJMC's Carpet Marketing Section came to recognise the difference between (i) rugs, rolls and squares, (ii) tufted and woven carpets, (iii) machine made and hand-made carpets, (iv) woolen, synthetic carpets and those made from natural fibres—like jute, sisal and cocos (the last two do not compete with wool and synthetics and have developed their image as fashion items). Each of these categories have different size of market demand, different types of customers and specialised channels of marketing with which to reach them. On top of this, the first Market Survey (1981) came to the shocking conclusion that "...here is effectively no market for jute carpets" as such ; that "in the past jute did not perform satisfactorily in comparison to other carpet fibres with which it was directly competing"; and that "...jute carpets have an extremely bad name in particularly Sweden, the FRG and France .."(Denvir, 1981 p. 35).
- (b) BJMC has considerable experience and expertise in selling jute goods but lacks skill and experience in marketing consumer durables. Moreover, within the Marketing Division of BJMC which is overwhelmingly occupied in selling jute products like sacks and CBC etc., there remains an attitudinal limitation to marketing a fashion product—where customer preference for design, colour shades etc. continuously change, where quality rather than price is of primary consideration and where reasonable price stability over a period of time needs to be ensured.
- (c) It may also be noted that BJMC (and Bangladesh) attempted to introduce the new carpets in the market economies at a time when those were going through one of the longest periods of recession of recent years. Slow recovery started from 1983 and is still continuing. To add further to the extremely difficult sales situation, there was substantial world-wide over-capacity of carpet production as noted by the consultants in 1981 and 1983. (Denvir, 1981 p. 36 and Abrahams, 83, para 7b).

Developments in the local market are also relevant here. Faced with similar or perhaps worse situation in export market, the private carpet manufacturers offloaded their goods aggressively in the local market. They offered liberal term credit to the local carpet dealers and padded them with attractive sales commission.

BJMC failed to match these measures and lost a portion of the remunerative local market to the private competitors.

However, in response to the market situation stated above and in line with its market experience, BJMC has been able to establish a distinct design and product policy. Plethora of designs have been replaced by standardisation of designs to six only, in four sizes and four colourways as mentioned earlier. Moreover, to establish a distinct image, all carpets of the new factories are now being sold in the market under one brand name—the Golden Tiger Carpets. Sole distributors have been appointed for Australia and Canada while a number of steady distributors have been developed for the USA, New Zealand and FRG markets. A lot still needs to be done to establish market presence in the main carpet markets. With quality improvements and the experience of the last few years, the time may be right for entering into determined sales promotion in target markets.

The following Table provides the sales performance of the Golden Tiger Carpets :

TABLE 3.3

Year	Finished Production Sq. Metres	Sales		
		Foreign Sq. Metres	Local Sq. Metres	Total Sq. Metres
1980-81	72,710	13,261	37,488	50,749
1981-82	2,27,947	65,808	38,035	1,03,843
1982-83	2,07,157	2,16,098	50,040	2,66,138
1983-84	85,975	63,008	44,923	1,07,931
1984-85	58,049	40,495	28,079	68,574
(upto March '85)				

Highest sales was obtained in '82-83 in export because there was a massive Russian order for over 1,17,000 sq. mtrs and in local sales there was a big

order from the National Assembly. Russia has proved itself to be the biggest buyer of Golden Tiger Carpets. In 81-82, she bought 75,000 sq. mtr, and in '83-84, 32,900 sq. mtrs. Currently an order for over 80,000 sq. mtrs is under negotiation for '85-86. The fluctuating level of the Russian demand reflects the uncertainty of the official mechanisms which determine its volume i.e. the composition of barter trade and the debt repayment relation between Bangladesh and Russia. There is, therefore, a need for BJMC to broaden its sales base to obtain an even spread.

Countrywise sales figure show steady sales, apart from USSR, to Australia, Canada, USA and Germany in that order. Recently Nepal has been buying considerable quantity. Table 3.3. indicates more sales than production from '82-83 onwards. This has been done to bring down stock of unsold carpets which accumulated sharply in the first three years (i.e. '80-81 to '82-83). Capital blockage and interest on capital due to heavy stock aggravated the mounting loss of the BJMC carpet mills. As a defensive move, BJMC drastically cut down loom operation and consequent production from '83-84 to reduce loss through reduced sale. Since the sales price covers less than 50% of cost of production, the volume of loss can be minimised by lesser amount of sales. However, with lesser sale the unit cost of production rises, thereby further widening the gap between cost of production and income from sales. We will take up the issue a little later.

As for local sale, it seems to have stabilised around 45 to 50 thousand sq. mtrs whereas Amin Carpets sell around 40,000 sq. mtrs. in the local market. In view of higher price obtained in the local market, BJMC now needs to review its local sales methods including those which can attract the local dealers. However, the local market is limited in size and Bangladeshi carpet manufacturers—in the public and private sector will have to expand export and establish steady export demand, if they hope to survive as an industry. The crucial problem now is not so much of demand but of costing and finance.

Finance. Financial analysis of the cost of production of Golden Tiger Carpets provides a critical dimension to the main problem of the carpet industry—its profitability. Therefore, in this subsection we propose to discuss the following issues—the cost of implementation of the project, an assessment of the profitability of the two concerned factories over time and an analysis of various components of cost so that it is possible to evaluate their relative roles.

Cost of Implementation. The following Table summarises the situation :

TABLE 3.4

(in lac Taka)						
Original Estimate			Actual Implementation			
	F.E.	Local C.	Total	F.E.	Local C.	Total
BDCF	837.00	496.73	1333.73	895.27	519.92	1415.19
FKCF	788.48	525.23	1313.71	873.05	648.49	1521.54
			2647.44			2936.73

The Table shows that the cost of actual implementation was approx. Tk. 3 crore more (11 % higher) than the estimate. This cost escalation has obvious implication for product costing. We will discuss about the financing pattern of the two projects and their implication for loan liability a little later. Before that let us take a look at the profitability position of the two mills over the years.

Profitability Position. The picture has been very depressing, as the Table below indicates :

TABLE 3.5

(in lac Taka)			
Year	BDCF	FKCF	Total
1980-81	44.41	68.68	113.09
1981-82	177.96	148.05	326.01
1982-83	223.55	201.85	425.40
1983-84	204.76	213.85	418.61
* 1984-85 (April)	153.57	118.82	272.39
	804.25	751.25	1555.50

* Preliminary Estimate

BJMC is now loaded with a loss liability of over Tk. 15 crore on an investment of around Tk. 30 crore, after operation of the two industries for

five years. Such a situation contrasts sharply with the picture drawn in the concerned PPs of cumulative cash surplus for the period. It may be recalled that BJMC slashed down loom operation and production to reduce sales and losses since 83-84 and yet accumulated a loss of about Tk. 7 crore during the last two years.

This makes one wonder about the pattern of cost and its constituents.

Cost Analysis. Table 3.6 shows the average cost break-up, sales rate and loss per sq. mtr. of export from the mills.

TABLE 3.6

	(per sq. mtr.)			
	1983-84 (Taka)	%	1982-83 (Taka)	%
Material cost	97.99	19%	100.84	30%
Depreciation	141.09	27%	42.52	13%
Interest	172.43	34%	90.40	27%
Other cost	102.59	20%	102.28	30%
Total cost	514.10	100%	336.04	100%
Export Sales price	165.86	32%	159.27	47%
Loss per Sq. Metre	(318.28)	68%	(171.65)	53%

Payment of Iraqi loan (principal plus interest) started from 1983-84 after the grace period of 3 years. This contributed to the sharp rise in the proportion of interest to total cost. However, the depreciation burden also shows high variation between the two years. What is remarkable is the relatively limited role of material cost in the total cost structure. It may also be noticed from the figures of 1983-84 that more than 60% of the unit cost of carpets was completely outside the scope of intervention of the factory managers (accounted for by interest and depreciation).

Table 3.7 gives the cost breakdown of a sq. mtr. of carpet and loss on export and local sale for the current year for all the three carpet mills under BJMC. This is a provisional estimated average.

TABLE 3.7

	BDCF		FKCF AMIN	
Raw Jute	53.00		52.92	52.05
Other Direct Materials	68.98		66.91	69.81
Material cost		121.98		119.83
Depreciation		84.78		120.39
Interest		265.83		184.43
Other cost		47.38		126.41
Total cost :		519.97		551.06
Export Sales Price	194.00		194.00	88.67
XPL on Export	29.10	223.10	29.10	223.10
Local Sales Price		282.00		282.00
Loss per Sq. Mtr.				
On Export Sale		296.87		327.96
Loss per Sq. Mtr.				
On Local Sale		237.97		269.06

The role of depreciation and interest is as prominent in the current year as in '83-84 for BDCF and FKCF. Amin being an old mill, the position is vastly different there as regards the relative role of cost of materials, interest and depreciation. However, a comparison of export price earnings for the last three years show a steady rise in value (in Taka) per sq. mtrs. Yet the local price remains more remunerative for BDCF and FKCF—about 26% higher than export earning (i.e. export price + XPL). The most important point to note is that average income from sales does not even cover 50% of the cost of production. Given the limitation of recovering this income gap from sales price, the only option to closing down the mills lies in exploring possibility of restructuring cost as at present. As can be seen from Table 3.6 and Table 3.7, the two principal components of cost are interest and depreciation on one side and materials cost, on the other, the former being predominantly critical. So no attempt at restructuring cost can be meaningful without intervention in the predominant component.

Financing Pattern and the Loan Burden. The financing pattern of the two mills set the nature and amount of their loan burden. As per cost of implementation, for example, FKCF required Tk. 873.05 lac in foreign exchange and Tk. 648.49 lac in local currency. The Government, however, converted

Tk. 638.59 lac into equity, leaving Tk. 9.90 lac as loan (bearing 9% interest p.a.). The project financing cost for FKCF was therefore as follows :

F.E. Loan (Iraqi credit)	Tk. 873.05 lac
Local C. Loan	9.90 lac
Local C. Equity	638.59 lac
	1521.54 lac

Recently, however, the Ministry of Finance has directed BJMC to enter into relending agreement for the amount of Iraqi credit. This has serious implications. Whereas under the terms of the Iraqi Credit Agreement, the involvement of FKCF (for principal and interest) is Tk. 1425.55 lacs, the involvement as per the proposed relending agreement will be Tk. 3298.53 lacs. In case of BDCF, the involvement will rise from Tk. 1465.96 lacs to Tk. 3392.02 lacs. BJMC obviously has shown little interest in the relending proposal. Ministry of Finance has, however, made the long-outstanding problem of converting local currency funding of BDCF into equity contingent upon signing the relending agreement.

We had noted at Table 3.5 that BJMC has already incurred a liability of over Tk. 15.50 crore from losses of the two carpet factories. Added to it is the cost of fund (as interest) on this amount as well as on account of operating funds. Unless some reasonable relief can be given, the combined burden of loan and loss is bound to lead to liquidation of the two carpet factories.

IV. WAY OUT

The grave problem of loan burden, high cost and loss in carpet mills is reportedly common to the private sector mills as well. The Planning Commission, in its anxiety to devise ways for strengthening export of non-traditional manufactures, included the study of the problems and prospects of jute carpet industry in the TIP project. Since the field study made by the Project Consultants more than six months back, BJMC has not heard from them. In the meanwhile, debates are raging within BJMC and also within the Ministry of Jute about what is to be done under the grim circumstances.

Production Options and Viability. BJMC is carrying out a costing exercise with four options of production to find out their comparative financial effects. The options relate to running the factories in each of the four ways : (i) for producing only export jute yarn and no carpet ; (ii) only carpets

and no export yarn ; (iii) 5 looms, 3 spinning frames, 2 shifts of carpets combined with producing yarn in 5 spinning frames in 3 shifts (iv) 5 looms, 2 spinning frames, 1 shift of carpet combined with yarn produced on 6 spinning frames in 3 shifts. ¶The preliminary results of this exercise show that assuming 25% weaving efficiency (for carpets) and 85% spinning efficiency (for yarn), all the options result in massive loss, the lowest being the second option (i.e. production of 100% carpets). This option would result in a yearly loss of nearly Tk. 1 crore. But this option has assumed that the total quantity of carpets produced would find ready market and that 44% of the carpets would be sold in the local market. In the export market, the highest that Bangladesh ever exported was less than 2.6 lac sq. mtrs. This option would involve a steady export of 2.9 lac sq. mtrs. Moreover, the local carpet market would be most probably much smaller than this option assumes and the market share of Golden Tiger Carpets would yield a still smaller market. The most important point which this exercise suggests is that under assumptions of 25% efficiency and the present load of interest depreciation, the mills can only add to further loss. Such an option is obviously not acceptable.

Other responses. The debate in BJMC has brought to light two types of reactions to the problem. One tends to suggest that the carpet weaving sections be closed down, spinning be continued to produce export yarn, carpet looms and auxiliary machines be sold out except a couple for experimental production with blended fibre and that F.E. and local currency loan be converted to government equity. This line of argument has the obvious advantage of resolving the problem by eliminating carpet production itself. With no carpets to produce and to sell, there will be no further loss. It may obviously have implementational difficulties. But the burden of loan, operating losses and interest on credit will seriously distort the cost of export yarn proposed to be produced in the mill. The relationship between the resultant cost of production of yarn and expected export price need to be analysed for examining the merit of the suggestion. It may be noted here, however, that all the Bangladeshi carpet factories produced export yarn in their mills to cash in on the demand and price upsurge of jute yarn this year. The other suggestion of producing experimental carpets with blended yarn can be examined only if there is a realistic idea about actual market demand for such a product and export price vis-a-vis cost of production and marketing. It could be a better idea, instead, to concentrate energy on improving the quality of jute carpet and producing at higher efficiency. Given the experience of past five years, such an effort may be more fruitful and effective.

The second reaction which has surfaced in BJMC suggest the following :

(i) that the government convert the foreign and local currency loans and the liability of the Nationalised Banks against cash credit account into equity, (ii) that the factories be allowed not to charge depreciation for at least the next 5 years, and (iii) that factories are run at full capacity at achievable efficiency and that the cost of production is realised through sales.

It may be noted that both the reactions have suggested similar methods of lessening the burden of interest. However, the second one refers also to the loan from the Banks and rescheduling of cost of depreciation. The second suggestion, however, holds the opposite view about continuing production of jute carpets. Moreover, it seems to leave room for intervention to determine the level of achievable production efficiency and to manipulate both cost and sales price. The merit of this suggestion is critically dependent on the progress that can be made in raising the level of production efficiency from the present low level, reducing cost of production and getting better sales price.

Faced with these two opposing views, BJMC has very recently decided to set up a committee to examine the various issues involved and on the basis of its findings to submit proposals for information and action by the Government. The committee consists of a representative each from Directorates of Marketing and Production to be co-ordinated by a representative of the Directorate of Finance.

Elements of a Rescue Package. Our review of the operation of the two carpet factories makes it evident that the crucial problem facing jute carpet industry is how to make it viable i.e. profitable. This can be ensured only if the carpet factories can reduce cost of production drastically and also obtain sales price high enough to cover cost.

In a situation of adequate supply of carpets in the international market-place and intense competition, jute carpets could be able to fetch higher price on the basis of quality and supply consistency. However, under the most optimistic conditions, the present export price cannot be raised enough to cover cost (the difference is between 60% to 50%). Therefore, if viability is aimed at, cost of production must be brought down to a level where the current sales price appears adequate. However, in view of the urgency of the situation a firm time-frame should be fixed within which this target would be achieved. Failure to reach the target within time could be interpreted to indicate the non-viability of the industry under existing circumstances.

Determined attempts to bring down price has to be made at two levels simultaneously: one, internal to the factory, where improvements in production efficiency and quality are to be ensured ; second, external circumstances given to the factory manager which influence cost, like the burden of loan repayment and depreciation. It may be relevant to identify some of the areas under both these levels which may be considered for intervention. Following is a list, by no way exhaustive.

1. Areas of Internal Intervention

Production.

- (a) Production efficiency must increase from the very poor current levels. Unit cost falls when production increases. All-out attempts should be made immediately to establish what could be the highest achievable level of efficiency under present technical (not socio-political) conditions. Time-bound steps may be taken for raising worker's skill and efficiency. Profitability of jute carpet manufacturing may not be ensured in the long run if 40% efficiency cannot be reached (Mr. Denvir considered this target too low and suggested that it should be doubled). If this level cannot be reached within next 2 years, then BJMC may take steps to liquidate the two Golden Tiger factories.
- (b) Quality improvements and product consistency has to be ensured. Strict quality control measures need to be instituted—trained Q.C. Inspectors should be in place and enforce quality consistency. This is an achievable task, with little additional cost.
- (c) Continuous research would be needed in order to make quality improvements, reduce wastage, increase production and economy in the production process. Presently, no systematic effort is being made in this direction.
- (d) Quality of finishing needs to be improved. Attempts may also be made to replace the present machine-fringing by hand-fringing. This change, if properly executed, may help improve looks of carpets and fetch better prices.
- (e) All avenues of reducing overhead and operating cost should be explored. Examples : The present over-staffing has to be rationalised in relation to loom operation ; Gas may be used as replacement of electric energy wherever possible.
- (f) Greater control may be exercised in buying main material inputs—raw jute, dyes and cotton yarn at lesser price.

- (g) Performance standards must be immediately set up for all processes of production. Unfortunately this is yet to be introduced. A system of monitoring performance in relation to these standards will also have to be enforced. In view of BJMC's wide experience in managing the production floor, this would be relatively easy to introduce.

Marketing.

- (a) A product policy has to be developed for the factories which in addition to producing carpets will offer a range of diversified products also like jute yarn, tape, mats, felts etc. Research in the production and marketing side has to be continuously made for finding out a range of profitable products. This will provide greater flexibility of operation and greater opportunity for achieving viability of the factories.
- (b) Packing and storing of finished carpets can be improved to ensure their unimpaired quality.
- (c) Maintaining regularity of shipment as per contract is a must. Apart from buyer's satisfaction, this reflects on possibility of expansion of demand and efficiency of production.
- (d) The absence of marketing skill in carpets needs to be offset initially by borrowing expert in the field. A programme of training up local talents for the purpose should be able to meet future needs.
- (e) Greater effort may be made for target market promotion in the foreign markets and the local markets. Sale through local dealers may be encouraged ; instead of asking for payment in advance, they may be supplied carpets against bank guarantee of a fixed amount.
- (f) Export sales to markets other than USSR has to be explored up in right earnest to provide even spread of export.

Areas of External Intervention.

- (a) In view of the burden of repayment of foreign loan, negotiation may be taken up by the GOB with the Government of Iraq on the following alternatives : Converting the loan into an outright grant ; failing it, to obtain extension of repayment period with the same rate of interest and service charge—repayment to be made in jute goods, carpets or other jute products which Iraq buys in cash from BJMC in large quantity every year. Considering the present foreign exchange difficulty of Iraq, she may find the proposal acceptable.

- (b) The burden of local currency loan has to be reduced by converting it to grant or equity or any other acceptable formula.
- (c) Depreciation may not be reflected in cost of production for five years, as has been suggested.
- (d) BJMC's top management must learn to view carpet not like the other jute products, but as a consumer durable where quality is of essence, not just price. It should adjust itself to the idea that it cannot influence market price, product range or quality of world market of carpet as it does in the field of traditional jute products. It has yet to prove itself a reliable supplier.
- (e) Mechanism of organisational co-ordination within BJMC among Production, Marketing, ROC and Finance has to be devised for closer supervision of different aspects of the carpet industry. At present, no one really likes to own the industry.

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RESEARCH NOTES

Train Accident In Bangladesh : Causes And Remedies*

M. A. RAHIM

The success of a public transport organisation like the railway depends largely upon the standard of safety and efficiency of the service rendered by it. The lack of public faith in its ability to operate without endangering the life and property of the users may undermine the financial viability of the organisation. There is no accident-free transport system. However, an accident has more consequences for the railway system than for other modes of transport. This is because railway accidents have a two-fold effect, namely, loss of life and property and an adverse effect on traffic mobility as it takes time to clear the railway track and make it fit for further train movement.

TYPES OF TRAIN ACCIDENTS

In broad terms, train accidents may be attributed to the following factors:

- (a) Human failure
- (b) Equipment failure of loco and rolling stock components
- (c) Failure of track, bridge, formation and signalling gear
- (d) Wheel-track interaction leading to derailment
- (e) Natural hazards like floods, earthquakes, breaches, storms, landslides etc.
- (f) Anti-social activities, i.e. sabotage.

* This article is an abridged version of a seminar paper entitled "Train Accidents, their Causes and Remedies : A Study of Bangladesh Railway" presented by the author in the Senior Staff Course attended by him at the Bangladesh Public Administration Training Centre, Savar, Dhaka.

For statistical purposes, train accidents are divided into the following four categories :

- (1) Collision
- (2) Derailment
- (3) Train Fire, and
- (4) Train running into obstruction.

Derailments caused in yards and engine failures are not, however, included in this list.

Unlike other modes of transport, a train must always move on a guided path, namely, the railway track. As a result, the driver of train has no control on its direction other than forward and backward movement. If a train meets another train on the same track, the driver cannot steer his train away to give way to the other. In such situation, if the trains cannot be stopped clear of each other, there is collision.

Bangladesh Railway follows the "Absolute Block System" in which the railway line is divided into a number of block sections with block stations at their ends. No train is allowed to leave a block station and enter the block section unless permission to approach (commonly known as "line clear") has been received from the block station in advance and the same communicated to the driver through a token tablet or the taking off Starter and Advanced Starter signals. Thus, once a train enters a block section with proper line clearance, theoretically there is no possibility of another train entering the same section at the same line and there should not be normally any collision in the block section. But such a collision may occur in the following circumstances :

(a) If the driver of a train enters a block section without "line clear" and in disregard of the signal when another train enters the same block section from the opposite direction, or

(b) If there is a train parting and a part of the train is left behind in the block section and the station master on duty gives "line clear" to another train without ascertaining whether the whole of the previous train has arrived, or.

(c) If a station master gives permission to a train to approach his station and at the same time through a wrong manipulation of the block instrument, gives "line clear" to another train from his station to enter the same block section.

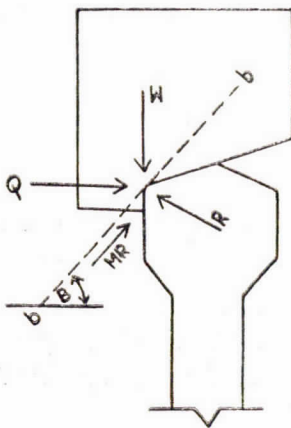
For the reception and despatch of a train, the levers actuating the points and signals are required to be operated by the cabinman in the following order—(i) setting the points for the desired route, (ii) locking the points and (iii) lowering the corresponding signals. The omission of a cabinman to

follow this order of operation may lead to a collision or derailment. To prevent this, the pulling of levers in a systematic order is ensured through the mutual locking of the levers so that any wrong operation will not be possible either inadvertently or intentionally. This mutual locking is called interlocking which may be done either by a mechanical or an electrical device. Out of 328 block stations on the Bangladesh Railway, 192 are provided with different types of interlocking systems, viz. 61 relay-interlocking, 80 double-wire mechanical interlocking, 6 electro-mechanical interlocking and 45 conventional mechanical interlocking.

The wheels of the locomotive and rolling stock (carriages and wagons) run on the rails when a train moves. If due to some unbalanced force one or more wheels fall off the rail, a derailment is caused. Derailments may occur in the block section, on the points and crossings or in the station yard itself. Derailments are normally caused by the following :

- (1) Wheel-track interaction
- (2) Improper setting of the point resulting in two-road
- (3) Excessive wear of the points and crossings
- (4) Excessive number of unserviceable sleepers
- (5) Overspeed on curves and points
- (6) Uneven loading of the wagons
- (7) Breakage of any component of the rolling stock
- (8) Sudden application of brake
- (9) Defects in track like slack gauge, tight gauge, improper superelevation on curves, etc.

The derailments caused by wheel/track irregularities are a cumulative effect of a number of factors developed due to what is called 'wheel-track inter-action' causing the instability of a vehicle. The forces at the point of rail-wheel contact are shown below :



Q = Flange force i.e. the lateral force at the point of contact

W = Weight on rail

R = Reaction at point of contact

M = Co-efficient of friction between wheel and rail

B = Flange angle

At the critical stage of equilibrium, by putting summation of all horizontal and vertical forces equal to zero, we get

$$\frac{Q}{W} = \frac{\tan B - M}{1 + M \tan B}$$

On the Bangladesh Railway the flange angle $B=68.50$ and the average value of the co-efficient of friction $M=0.25$. Putting these values in the above equation, we get the critical value of the ratio $\frac{Q}{W} = 1.4$.

Now, the greater the actual value of QW , greater is the chance of derailment.

In the above context, the factors contributing to derailment are as follows :

- (i) Higher flange force (Q) which may be caused by excessive wear on flange or gauge face of rail, excessively tight gauge, angularity of wheel axle with respect to the track, excessive side contact of wheel flange with the rail, specially on curves, overspeeding on a curve, etc.
- (ii) Lower wheel load (W) arising out of instantaneous reduction in wheel load due to any defect in track or rolling stock, sudden application of brake, etc.
- (iii) Higher value of co-efficient of friction (M), thereby lowering critical value of the ratio Q/W

Fires in trains are primarily caused by any of the following :

- (a) Electrical short circuit in the carriages
- (b) Open flames carried by hawkers during the night
- (c) Flames of hurricane lanterns sometimes carried by passengers returning from village 'hats'
- (d) Unburnt portions of cigarettes/bidis
- (e) Rubbing of brake shoe with the wheel in case of brake binding
- (f) Explosion of firework

Normally, fires originating from electrical short circuits are of low intensity as the nominal voltage used for train lighting purposes is quite low viz, 24 volt D.C. Moreover, with the replacement of wooden carriages with steel carriages the possibility of spreading the fire is also low in the absence of combustible materials. However, if some inflammable materials are present in the carriages, there is a likelihood of a rapid spread of fire endangering the safety of passengers, whatever the source of fire.

In this connection the tragic fire on the Simanta Express train which occurred during the night of the 12/13th January, 1985 near Bheramara Station may be recalled. The train fire took as many as 30 lives in addition to causing injury to many others and damage to three passenger carriages. During the enquiry it was revealed that rectified spirit from M/S Carew & Co., Darsana, used to be carried without authorization in this train from Darsana to different places. Records also showed that M/S Carew & Co. had sold about 60 gallons of spirit on that day to their agents at Bogra, Jamalpur and Dhaka. It is believed that a bulk of that spirit was being carried in the ill-fated carriage in which the fire originated. Cloth was also being carried in the carriage by the local cloth merchants returning from a nearby 'hat'. These combustible materials contributed to the spreading of the fire within a short time, which might have originated from flames or candles, unburnt portions of bidis or cigarettes or an electrical short circuit.

A train may run into obstructions at level-crossings such as trucks, buses, cars, etc. Such an obstruction may also be caused by cattle grazing near or on the railway track or by trees falling across the track.

Authorised level-crossings may be manned or unmanned. Unmanned level-crossings do not have barriers but a proper caution board is displayed on both sides of the track. But there are a number of unauthorised level-crossings where neither any barrier nor any caution board exists. Such level-crossings are unauthorisedly developed and used by the people of the locality without the permission of the railway authorities. There is every possibility of accident at unauthorised as well as unmanned level-crossings. However, there are instances of accident at manned level-crossings also. These are usually due to the negligence of the gateman in closing the gate or rash driving. There are 453 manned and 1375 unmanned level-crossings on Bangladesh Railway in addition to a sizeable number of unauthorised ones.

ENQUIRY AND COMPENSATION

In case of a train accident there should invariably be an enquiry. The main object of an enquiry is to ascertain fully the causes of the accident with a view to preventing its recurrence as also to fixing responsibility. The scope of the enquiry should be extended to embrace a wider field and ascertain whether there has been any laxity on the part of the concerned personnel and also to determine other indirect causes of the accident.

The following types of enquiry into a train accident may be held :

- (i) Departmental Enquiry : These are held only by the officials of the

department concerned, when the cause is clear but the remedy is obscure or where the cause is obscure but only one department is concerned.

- (ii) Joint Enquiry : These are held by representatives of more than one department, when the cause is not clear and no one department accepts the responsibility.
- (iii) Government Inspector's Enquiry : These are ordered and conducted personally by the Government Inspector for Bangladesh Railway.
- (iv) Magisterial or Judicial Enquiry : Whenever an accident as described in Section 83 of the Railway Act, 1890 has occurred in the course of working the railway, the Deputy Commissioner or any other Magistrate, who may be appointed in this behalf by the Safety Controlling Authority, holds such an enquiry.

The liability of the railway administration in respect of accidents to trains carrying passengers has been defined under Section 82A of the Railways Act, 1890 amended by the Indian Railways Amendment Act, 1943. The provisions of this section are as follows :

(1) When in the course of working (the railway) an accident occurs, being either a collision between trains of which one is a train carrying passengers or the derailment of or other accident to a train or any part of a train carrying passengers, then, whether or not there has been any wrongful act, neglect or default on the part of the railway administration such as would entitle a person who has been injured or has suffered loss to maintain an action and recover damages in respect thereof, the railway administration shall, notwithstanding any other provision of law to the contrary, be liable to pay compensation to the extent set out in sub-section (2) and to that extent only for loss occasioned by the death of a passenger dying as a result of such accident, and for personal injury and loss, destruction or deterioration of animals or goods owned by the passenger and accompanying the passenger in his compartment or on the train, sustained as a result of such accident.

(2) The liability of (the railway) administration under this section shall in no case exceed taka ten thousand in respect of any one person.

It appears that the maximum limit of compensation, i.e. Tk. 10,000/- as provided under clause (2) above was fixed in 1943 by the Indian Railways (Amdt) Act 1943 which was applicable to both the Indian Railways and the Pakistan Railways at the time of partition in 1947. In the meanwhile, the Indian Railways have enhanced the maximum limit several times, the last being in March 1983 raising the limit to Tk. 100,000/-

The maximum compensation for casualties caused by road accidents, which is covered by 'Third Party Insurance' and 'Passenger Life Insurance', is Tk. 20,000/-. This amount is also quite low. The railway, being a Government organisation, does not come within the purview of compulsory 'Third Party Insurance' scheme. However, it is considered that the maximum limit of Tk. 10,000/- which was fixed many years ago, needs to be enhanced in line with present day market conditions.

TRENDS IN TRAIN ACCIDENTS IN BANGLADESH

It is very important to keep a systematic record of various categories of accidents and their causes so that a close watch can be kept on the trend of accidents and the contributory factors for adopting remedial measures. The number of train accidents on the Bangladesh Railway/erstwhile P.E. Railway and resulting casualties for the years 1962-63 to 1964-65 and 1979-80 to 1983-84 as collected from the statistical branch and BR Information Book 1984 respectively, are shown in Table 1. To draw a comparison with the situation on other railways the number of train accidents for the years 1979-80 to 1983-84 occurring on one of our neighbouring railways, namely, the Indian Railways, is shown in Table 2.

TABLE 1
Train Accidents in Bangladesh

Year	Colli- sion	Derail- ment	Fire in Train	Train running into obstruc- tion	Total	Incidence per mill- ion train-km	Casualties	
							Killed	In- jured
1962-63	7	74	5	27	113	6.7	164	1035
1963-64	8	67	13	22	110	6.3	138	1062
1964-65	9	60	11	22	102	5.9	197	935
Total	24	201	29	71	325	6.3	509	3032
1979-80	11	200	9	8	228	14.7	83	606
1980-81	16	212	3	8	239	15.2	79	889
1981-82	15	180	—	4	199	12.5	63	757
1982-83	11	176	—	15	202	12.8	53	388
1983-84	20	144	1	6	171	10.9	47	575
Total	73	912	13	41	1039	13.2	325	3215

TABLE 2
Train Accidents in India

Year	Collision	Derailment	Fire in Train	Train running into obstruction	Total	Incidence for million Train-km.
1979-80	72	692	21	115	900	1.8
1980-81	69	825	29	98	1013	2.0
1981-82	87	936	23	84	1130	2.2
1982-83	54	653	20	70	797	1.5
1983-84	48	621	17	82	768	1.4
Total	330	3727	110	441	4608	1.77

(Source : Indian Railways Year Book 1980-81, 1981-82 and 1982-84).

The following conclusions are suggested by the available data of train accidents in Bangladesh :

- (i) The total number of accidents as well as incidence per million train-km was much lower during the pre-liberation period.
- (ii) Although the number of incidence per million train-km during the post-liberation period showed a slightly declining trend, the overall situation is not satisfactory.
- (iii) Derailment is the major category of accident. It alone constituted 62% and 88% of total accidents during the pre-liberation and post-liberation periods respectively.
- (iv) Derailment is also the major cause of accident in the Indian Railways where the share of derailment is 80.5% of the total accidents.

The high rate of derailment causes serious bottlenecks in train operation as in most of the cases the running line is blocked due to derailment. In addition, dragging after derailment causes damage to the track and rolling stock involving a heavy financial loss.

The causewise analysis of the accidents for the years 1962-63 to 1964-65 of the erstwhile Pakistan Eastern Railway, 1981-82 to 1983-84 of the Bangladesh Railway and 1980-81, 1981-82 and 1983-84 of the Indian Railways are shown in Table 3, 4 and 5 respectively.

TABLE 3

Causes of Train Accidents in East Pakistan, 1962-63 to 1964-65.

Causes	No. of incidence			Percentage of total		
	1962-63	1963-64	1964-65	1962-63	1963-64	1964-65
1. Human failure	20	12	19	17.7	11	18.6
2. Technical defects.	31	36	23	27.4	32.7	22.6
3. Miscellaneous.	62	62	60	54.9	56.3	58.8
Total	113	110	102	100	100	100

TABLE 4

Causes of Train Accidents in Bangladesh, 1981-82 to 1983-84.

Causes	No. of incidence			Percentage of total		
	1981-82	1982-83	1983-84	1981-82	1982-83	1983-84
1. Human failure	68	114	84	34.2	56.4	49.2
2. Technical defects						
Mechanical	36	18	33	18.1	8.9	13.3
Track	40	46	27	20.1	22.8	15.8
Signalling	7	3	10	3.5	1.5	5.8
Others	—	8	11	—	4.0	6.4
3. Miscellaneous	18	13	6	24.1	6.4	3.5
Total	199	202	171	100	100	100

TABLE 5

Causes of Train Accidents in India, 1980-81 to 1983-84.

Causes	No. of incidence			Percentage of Total		
	1980-81	1981-82	1983-84	1980-81	1981-82	1983-84
1. Human failure :						
Railway Staff	592	761	500	58.5	67.3	65
Other Persons	112	100	79	11	9.1	10.3
2. Equipment failure :						
Mechanical	160	139	72	15.8	12.3	9.1
Track	24	26	15	2.4	2.3	2
Electrical	2	1	3	—	—	0.4
3. Sabotage	9	12	12	1	1.1	1.5
4. Miscellaneous.	114	88	79	11.3	8	11.7
Total	1013	1130	768	100	100	100

The following salient features are observed from the above tables regarding causes of accident :

- (i) The human element is the major constituent factor causing accidents. The average figure is about 47% for the Bangladesh Railway and 73% for the Indian Railways.
- (ii) The second major factor for the Bangladesh Railway is technical defects which is about 42% on an average. This factor for Indian Railways is, however, much lower (about 15%).
- (iii) The percentage of human failure was quite low during the pre-liberation period, but at the same time the percentage of miscellaneous causes was very high.

Table 6 shows the situation of train accidents in a developed country like Japan.

TABLE 6
Train Accident in Japan, 1979-83.

Year	Train accidents	Level-crossing accidents	Other accidents
1979	61(0.09)	839(1.35)	0
1980	51(0.08)	846(1.40)	0
1981	33(0.05)	771(1.30)	2
1982	34(0.05)	689(1.19)	1
1983	49(0.08)	738(1.17)	0

(Figures in parenthesis indicate the number of accidents per million train-km and train accidents denote train collisions, derailments and fires. Source : Japanese National Railways, Facts and Figures, 1979 and 1984 Edition.)

It appears that accidents per million train-km other than those at level-crossings on Japanese National Railways are negligible. This may be due to the fact that in addition to the proper maintenance of track, vehicles and equipment, Japanese National Railways uses such safety devices as the Automatic Train Stop (ATS), the Automatic Train Control (ATC) and the Centralised Traffic Control (CTC) systems, thereby minimising the human element in train operation. Continued measures like the elimination of level-crossings by relocating tracks, constructing underpasses and overpasses, the installation of automatic barriers or warning signals and the closing of some level-crossings have also resulted in a significant reduction in level-crossing accidents in recent years.

Comparison of Road and Train Accidents

For the purpose of comparison let us have a look at the accidents in another important transport subsector, namely, the road subsector. In 1983, a study was carried out by a committee set up to identify the causes of road accidents and suggest remedial measures. Data regarding vehicle-wise road accidents in Bangladesh as collected by that committee are presented in Table 7.

TABLE 7
Road Accidents in Bangladesh, 1981-83.

Types of vehicle	Accident statistics		
	1981	1982	1983 (Upto June)
1. Truck	9911(29.35)	929(29.8)	557(31.49)
2. Bus/Mini-bus	1122(36.14)	1131(36.59)	631(35.67)
3. Motor car, Jeep, Station Wagon, Pick-up.	541(17.43)	517(16.59)	305(17.24)
4. Auto-Rickshaw/ Motor Cycle.	206(6.64)	270(8.66)	139(7.86)
5. Cycle Rickshaw, etc.	324(10.44)	270(8.86)	137(7.74)
Total :	3104	3117	1769

(Figures in parenthesis indicate percentage)

The total number of road accidents in 1983 and 1984 were 3071 and 2648 respectively as reported in the deliberations in a seminar on "Road Accidents and their Remedies" held in Dhaka from the 7th May to the 9th May, 1985. One important point is that there is no machinery to record all road accidents occurring all over the country and hence the actual figures may be higher. The number of road accidents as such may not be comparable to the number of train accidents because of dimensional variation in these two modes of transport. A comparison may, however, be made between the casualties caused by these accidents. The share of passenger traffic using different modes of inland transports are—rail 34%, road 30% and water 36%. This means that the proportion of passengers carried by rail is slightly higher than those carried by road. But the casualty figure for road accidents is abnormally high. While the average casualty per year in railway accidents is 75.6 deaths and 660 injuries inclusive of passengers, railwaymen and other persons for the years 1974-75 to 1983-84, the figures for road accidents are 784 and 1824 respectively for the years 1979 to 1983. These have increased during the recent years.

forgetfulness, improper application of rules, absent-mindedness, fatigue caused by over-work, negligence, etc. In the context of Bangladesh, the most predominant factor is perhaps negligence which may comprise sleeping on duty, reliance upon less responsible staff, adoption of short-cut methods in violation of rules and prescribed procedures, temporary absence from duty place, use of intoxicating drug while on duty, allowing handling of equipments by unauthorised persons, etc.

RECOMMENDATIONS

The following measures may be taken to minimise accidents :

- (i) Emphasis should be placed on toning up the system by intensive inspection and frequent surprise checks to ensure the observance of correct procedures by the staff connected with train operations. Exemplary punishment to the delinquent staff for causing accidents and rewarding the staff with accident-free service may improve the situation. Vigilance which prevents accidents should be recognised, rewarded and advertised.
- (ii) In addition to adequate training of all categories of staff connected with train operations, drivers should be deputed from time to time to educate support staff and inculcate a greater degree of safety consciousness. Regular observance of safety weeks/fortnights for this purpose, which in fact, is sometimes done by the Bangladesh Railway will help to improve the situation.
- (iii) It has been observed that most cases of 'disregard by drivers' occur during the later part of the night and in winter, specially in foggy weather. To keep the drivers free from drowsiness in the later part of night, special care should be taken while assigning drivers for night trains in respect of their physical and mental fitness and the provision of adequate rest. An extensive use of fog signal should be ensured during foggy weather to put the drivers on alert. It should also be ensured that all the signal lamps are lit and kept burning during the night time.
- (iv) There was a vacuum after liberation in the skilled and semi-skilled categories of staff on the Bangladesh Railway. The situation has not improved significantly owing to frequent bans on recruitment. There should be a firm policy in this matter and recruitment should be made on a regular basis according to requirement with provision of proper training.

- (v) Various technological safety devices like track circuiting, axle counters, panel interlocking, etc. may be adopted gradually. For minimising collisions, the most serious type of accident involving the loss of human life, the Auxiliary Warning System may be provided. This system gives an audio-visual warning to drivers about the signal aspect and if the driver does not respond, the brakes are automatically applied to bring the train to a halt. However, the priority for such technological developments should be fixed in accordance with the resources available.
- (vi) In order to prevent the recurrence of similar accidents, it is necessary to learn what mistakes were committed in the past which could have been avoided. The apparent causes of accidents need to be analysed objectively to find out the fundamental maladies so that the same can be eliminated through timely action. As it is too costly to learn through one's own mistakes, the benefit of the enquiry findings should be extended even to those who are not directly involved in the accident. Every employee should be told where a fellow employee had failed and why.
- (vii) To minimise accidents at level-crossings, the use of unauthorised level-crossings should be stopped. Arrangements should also be made to convert the unmanned level-crossings into manned ones gradually.
- (viii) There is need for publicity concerning the prevention of accidents and for creating safety consciousness in the railway staff as well as among the members of the public. The printing of suitable safety slogans on railway time tables, Railway Gazette, etc. may be extensively done. Other publicity media, e.g. posters, radio, T.V. and the newspapers, may also be used for this purpose.
- (ix) A safety organisation may be set up in the Railway for the prevention of accidents.
- (x) Occasional seminars should be held on "train accidents, their causes and remedies."

I conclude with a slogan printed in the working Time Table of the Bangladesh Railway.

"The best safety device known is a **CAREFUL MAN.**"

Transfer Of Rural Funds Through Branches Of Commercial Banks : A Note*

A. R. KHAN

The major thrust of the present paper is to find relevance in Bangladesh of the thesis developed by Myrdal¹ with regard to the flow of transfer of funds from less developed areas to the more developed ones. This process is termed by him as “backwash effects.” The logic of such fund transfer, as shown by him, lies in the possibility of getting relatively higher return from investing funds in the more developed areas. It may be noted here that the present study is limited to the rural operations of commercial banks in Bangladesh. Commercial Banks are selected for this purpose mainly because the same appears to be relatively more prominent² in terms of the volume of transactions compared to other agencies operating in the rural financial market of Bangladesh.

In Bangladesh, 87% of her total population live in rural areas. As such, any organised effort to develop Bangladesh should be directed to the villages i.e. rural Bangladesh. Realising this, successive Governments of Bangladesh have been pursuing a consistent policy of bringing more and more rural Bangladesh under bank credit facilities in order to generate and intensify economic activities in the areas hitherto neglected. The result of such policy is apparently found to be encouraging as is evident from the growth of rural branches, rural deposits and rural credit.

The number of rural branches in 1971-72³ was only 34; it increased to 3225 in 1983-84 showing more than nine-fold increase since liberation. During the same period, rural deposits and rural credits increased by 26.5 times and 376 times respectively. This is shown in Table I.

* The author acknowledges his gratitude to Professor B.S.R.Rao, Reserve Bank of India Professor of Finance, Centre for Research in Banking and Finance, Gokhale Institute of Politics and Economics, University of Poona, who had very kindly read and commented on an earlier version of the present paper.

TABLE I

Performance of Rural Branches of Nationalised Commercial Banks

(Tk. in million)

	71-72	79-80	83-84
1. Number of rural branches	349	2103	3225
2. Rural deposits	461	3900	12215
3. Rural credit	45	1703	16912
4. Transfer of rural fund	-307	-1222	+ 7751
5. Per branch transfer	-0.86	-0.58	+ 2.40

+ indicates inflow of funds to the rural areas.

Source : Bangladesh Bank Statistics

Government of Bangladesh instructed the rural branches to extend more and more credit in the rural areas in order to achieve a C-D ratio of 75%. Taking this C-D ratio, it can be seen in Table I that Tk. 307 million was transferred from the rural areas in 1971-72 through the operations of commercial banks in rural Bangladesh. Such transfer of fund quadrupled to Tk. 1222 million in 1979-80. The situation was reversed in 1983-84 when additional inflow of funds instead of transfer was made to the rural areas to the tune of about Tk. 8000 million. It can also be gleaned from the Table that per branch transfer of funds was gradually declining before the position was reversed. Possible explanation for this trend was rapid expansion of branches both in number and in sizes as well as in working experiences besides increasing familiarities of the rural people with the use of bank credit.

However, performance of the rural branches with regard to transfer of funds as indicated above gives an aggregate of their operations and does not show individual performance of different types of rural branches. This paper is, therefore, devoted to an examination of the transfer of rural funds, if any, from a sample of 69 rural branches⁵ selected at random in order to find out :

- (i) whether or not and to what extent transfer of rural funds, if any, was made by our sample branches ;
- (ii) the characteristics of the branches transferring funds ;
- (iii) the sectors from which and to which transfer of funds takes place ;
and
- (iv) the directions of rural regions where transfer of funds, if any, takes place.

ANALYSIS OF DATA

It was found that 69 branches in the sample mobilized a total deposit of Tk. 144.9 million of which Tk. 62.97 million was extended as credit to the rural people. But if we consider the target C-D ratio⁶ declared by the Bangladesh Bank, loans extended should have been Tk. 108.7 million. In practice, the sample branches seem to have transferred Tk. 45.7 million from the rural areas to the semi-urban and/or urban areas.

i. Transfer by Size⁷ of Branches

Of the amount transferred by the sample branches, 66% was made by large branches and 24% by the medium branches. An average-sized large branch transferred Tk. 1.8 million while it was Tk. 0.5 million in case of a medium branch. Per branch transfer of deposits was the lowest in case of small branches i.e. Tk. 0.1 million only. This is shown in Table II.

TABLE II
Per Branch Distribution of Credit by Size of Branches
(Tk. in '000)

Size of Branch	Farm	Non-Farm	Total	C-D Ratio (%)
1. Small	668 (73 %)	243 (27 %)	911 (100 %)	64.98
2. Medium	703 (65 %)	372 (35 %)	1075 (100 %)	48.01
3. Large	431 (60 %)	284 (40 %)	715 (100 %)	21.51
4. Total	620 (68 %)	293 (32 %)	913 (100 %)	43.46

Source : Survey Data.

ii. Transfer by Branches according to Age⁸

When transfer of rural savings by branches of different ages is examined, the available data suggest that 97% of the amount transferred was made by the old branches while middle-aged branches not only made no transfer but also made available Tk 1.7 m. in addition to their own loanable deposits.

Mean amount of transfer by an old branch was Tk. 2.7 m. while it was only Tk. 38 thousand for a new branch. Contrary to this, an average-sized middle-aged branch made additional inflow of Tk. 78 thousand into rural areas. These can be seen in Table III.

TABLE III
Per Branch Deposit and Credit by Age

Particulars	Deposit (Amount in '000 Tk.)	Credit	C-D Ratio
New	712	487	68.40
Middle Aged	1895	1559	82.27
Old	3262	1003	30.75

Source : Survey Data.

iii. Inter-sectoral Transfer

The transfer of rural funds was more from business followed by agriculture. Of the total transferred amount through our sample branches, 74% was from business as may be seen in Table IV.

TABLE IV
Deposit and Credit Performance by Sectors

Particulars	Deposits (Amount in '000 Tk)	Credit	C-D Ratio (%)
Cultivators	62100	42778	68.89
Entrepreneurs	6900	4854	70.35
Business & Others	75900	15341	20.21
Total	144900	62973	43.46

Source : Survey Data.

This finding is in sharp contrast to the general belief that fund transfer is more from agriculture sector. The relatively better loaning of funds to the agricultural sector is a consequence of target-oriented aggressive crop-loan operations pursued by the Government of Bangladesh since 1977.

iv. Inter-Regional Transfer

a. Inter-Administrative Divisional Transfer

An examination of the transfer of rural savings through our sample branches reveals that there was transfer of funds from three out of the four divisions. Of the total transfer, 43 % was from Chittagong Division, 36 % from Khulna Division and 21 % from Rajshahi Division. On the other hand, Dhaka division got an additional inflow of Tk. 2.7 million with a per branch average of Tk. 0.17 m. Mean amount of transfer per branch was more from Khulna Division at Tk. 1.2 m. followed by Chittagong Division at Tk. 1.1 m. These data are given in Table V.

TABLE V
Transfer of Funds by Administrative Regions

Regions	Deposit	Target credit	Actual credit	(Tk. in million) Transfer
Dhaka	27.0*	20.25	23.0*	+2.75(0.17)
Chittagong	41.6*	31.2*	11.0*	-21.2(1.1)
Rajshahi	35.7*	26.78	16.4*	-10.38(0.55)
Khulna	40.5*	30.38	12.6*	-17.78(1.2)
	144.8*	108.61	63.0*	49.36

*Figures in the bracket indicate per branch transfer of deposits.

Source : Survey Data.

b. Transfer among Regions at Different Levels of Development

A further analysis by different regions according to their levels of development is attempted. In the absence of any agreed criteria for determining the levels of development, we categorised rural Bangladesh into three⁹ regions : developed, developing and less developed depending on the per acre value added from agriculture by districts.¹⁰

It is found that C-D ratio was the lowest in the developing districts (30%) and the highest in the least developed districts. Of the 58% of the total fund transfer made by the sample branches, 48% was from the developed regions and 39% from the developing regions. However, per branch transfer was slightly higher from the developing regions (Tk.0.9m) compared to the branches in the developing regions (Tk. 0.8m). Per branch transfer

from less developed regions was the lowest i.e. 3 m. These can be seen in Table VI.

TABLE VI
Per Branch Distribution of Credit by Regions

	Farm	Non-Farm (Tk. in '000)	Total	C-D Ratio (%)
Dhaka	1317	120	1437	85.00
Chittagong	169	409	578	26.43
Khulna	649	194	840	31.08
Rajshahi	463	400	863	45.88

Source : Survey Data.

CONCLUSION

From the above analysis, we may conclude that relatively older and larger branches were important in transferring funds from the sample branches. There was no significant inter-regional transfer of funds in the rural Bangladesh ; on the other hand, the transfer was relatively more from the developing regions and less from the least developed regions. Relatively better credit operation in the developed regions can partly be attributed to the existence of higher demand for credit due to better infrastructural facilities in the region while that in the least developed regions was partly due to administrative pressure from both Government of Bangladesh and the Bangladesh Bank.

While looking into the trends of transfer of rural deposits through commercial banks, one should not also forget that commercial banks are not the only agency transferring rural savings to non-rural areas. Large number of rural Post Offices, Insurance Companies (mostly life) through rural premiums and other Public Limited Companies entitled to accept deposits from the members of public are also acting as agents for transferring rural funds to non-rural areas. Another important point to be borne in mind is that lending operations of commercial banks in rural areas can be different in different regions depending on a number of factors such as level of infrastructural development, availability of inputs, and magnitude of cooperative loan operations. Therefore, it will not be proper to put the entire blame on some

of the commercial banks' branches for not lending the total loanable funds in the rural areas.

However, commercial banks, particularly the nationalised ones, as the prime mover in the rural financial market should make all-out efforts to minimise transfer of funds from the rural areas. They should, in pursuance of Government commitments, make additional inflow of funds from non-rural areas in order to help faster development of rural areas. Appropriate credit planning based on reliable relevant information for each of the rural branches depending on its size, age and location could do a lot in this regard. For this purpose, proper credit requirement estimates need be made by each of the individual branches for its command area. And such estimates should be comprehensive enough to include specific needs of different asset groups of rural populace indicating detail needs of various types of economic activities.

FOOTNOTES

1. Gunnar Myrdal, *Economic Theory and Underdeveloped Region*. (Bombay, 1958).
2. A.R. Khan, *Institutional Finance for Rural Development—A Comparative Study of India and Bangladesh*. Gokhale Institute of Politics and Economics, University of Poona, India, 1983, Table 6.1*6.2, pp. 270-71.
3. A.R. Khan, *Ibid*, Table 4.1 to Table 4.4, pp. 172-75.
4. Bangladesh Bank "Scheduled Bank Statistics", Statistics Department (April-June, 1984).
5. A.R. Khan, *Ibid*, Chapter VII pp. 277-320.
6. Government of Bangladesh declared 75% C-D ratio for rural branches since 1979-80.
7. Sizewise classification of the branches was made taking the volume of deposits mobilized by the branches i.e. small branches (up to Taka 100 m.); medium branches (above Taka 1.0 m. to Taka 2.0 m.) and large branches (above Taka 2.0 m.).
8. Branches upto 3 years of age were considered 'new branches'; branches above 3 years but not exceeding 7 years were considered 'middle aged branches' and those of above 7 years of age were considered 'old branches'.
9. a. Developed districts : Noakhali, Chittagong H.T., Dhaka, Comilla, Pabna, Mymensingh and Sylhet.
b. Developing districts : Kushtia, Barisal, Faridpur, Rajshahi, Tangail and Dinajpur.
c. Less developed districts : Patuakhali, Jamalpur, Rangpur, Bogra, Khulna, Jessore and Chittagong.
10. Government of Bangladesh, *Statistical Year book of Bangladesh*, Bangladesh Bureau of Statistics., 1980.

BOOK REVIEW

Development : The Upazila Way by Yusuf Hyder (Dhaka : Dhaka Prakashani, 1986) Price Tk. 145 US \$ 8 Page 183.

Goethe in his dying moments is reported to have said "Light ! more light." In the ailing socio-economic scenario of Bangladesh for the last five years, the battle cry seems to be Upazila, more Upazila ! The virtues of Upazila are being preached almost daily by people in authority from all available platforms, mass media, writings and conversations. Even prospective leaders have made it their stock-in-trade. Different people have found different meanings in the Upazila. To some it is a totem, a watchword, a revolutionary concept in administration, to some it is a panacea for our national ailments. Many consider it to be a harbinger of prosperity in the rural life of the people. It is holding out promises of different nature and dimensions. It has in its basket sufficient attractions to cater to different needs and expectations. A few have started thinking that development activities have no other direction to move except in the Upazila way. As I write, there is a news in the press about thousands of people marching in the streets of Nasirnagar demanding the removal of the Chairman, Upazila Parishad for a long catalogue of misdeeds and corruption. Similar reports of public resentment have been reported from quite a few Upazilas. The novelty of the Upazila and the expectations it has built have given rise to a plethora of literature. A series of seminars and workshops in the country have been organised in the last three years and debates on its efficacy are going on in full swing.

The book, *Development : The Upazila Way* by Brigadier (Retd.) Yusuf Hyder is a welcome addition to the burgeoning literature on the Upazila system and deserves encouragement. The author was an Additional Secretary, Ministry of Establishment for more than 4 years and the book seems to be a product of his experience and visits to the 40 Upazilas. The print of the book is legible and the get up reasonably good. The

life size photograph of the author at the back cover could perhaps have been avoided for the sake of decency and taste.

It is common knowledge that the theme and objectives of a book determine its scope and treatment. This is closely linked with the methodology which is usually set out in the beginning to help the reader proceed with the author as he unfolds his thoughts. In this book the author does not let us know the details of his research, his questionnaire in acquiring the benchmark statistics, the persons he interviewed in the Upazilas and at the national level. Besides, there is no cross reference with regard to the data he used.

The book which contains a forward by the President, People's Republic of Bangladesh, is divided into six chapters with four annexures, five tables and a bibliography. The first chapter narrates the genesis of Upazilas, the phases of upgradation of thanas and later as "Upazila," the election of the Union Parishads, Presidential election and Upazila election, political-administrative relationship, conflict areas, sharing of power, resource allocation, non-partisan politics for Upazila, group decision, cadre distinction, relations between the Upazila Chairman and Deputy Commissioner, Upazila Chairman and Member of Parliament and unitary control of Upazila. It is not clear if the views expressed in the book are semi-official or essentially personal.

The concept of development in developing countries varies from country to country depending on the environment. To a few it is largely economic and the author seems to favour this view. He focuses attention mainly on the productivity, employment and growth in the Upazila context. Throughout the book there is hardly any analysis of social regeneration and cohesion, development of attitudinal communication, moral rejuvenation, national ideology and identity both at the national and Upazila level. These are considered essential prerequisites to development. Had he defined his terms with more care and precision and confined the scope of the book to specifics, he could have done a better job. Leaving the canvas wide open, he has opened the pandoras' box which naturally diffused his thoughts and in the span of 181 pages he had to cram whatever he could of so vast a theme like development in the Upazila context.

The battle for the Upazilas is yet not over. Its philosophy is yet to crystallise. While the votaries of the system consider it to be a means and an end, its opponents think that it is, at best a means and by no

means, an end in itself. The renewed emphasis on Upazila makes one wonder whether there is at all any cogent reason to maintain the Union Parishads. Both the Union Parishads and Upazila Parishads are manned by elected representatives and work in their separate spheres. Are the Union Parishads not miniature Upazila Parishads in spirit? Or these are mere appendages to the Upazila Parishads? In the last session of the Parliament, Member after Member rose to attack the Upazila system, pointed out the flaws in its working and wanted the whole matter to be discussed afresh to apportion the responsibilities of the Members of Parliament in the system. Not to be outdone, the Association of the Chairmen of Upazila Parishads called a press conference next day to vindicate their justification and warned the Members of the Parliament off the Upazila Parishads which they thought was their natural, moral and legal sphere of activity. There was also a pen down strike by the Chairmen in the Upazilas as a consequence.

It would, therefore, be seen that Upazila as a tier of local government has become a centrepiece in the political process in Bangladesh. Political forces were at work in the Upazila elections from behind the scenes. Political parties and organisations have long been wooing the Chairmen and a large number of them overtly or tacitly have thrown their lot with the political forces. The Union Parishads had earlier elected their Chairmen and members on a three year tenure. On the eve of the general elections they clamoured for its increase to five years. This was agreed to by the authorities. Similarly, the Upazila Chairmen who were elected on a three years mandate have now been able to have it raised to five years. *Prima facie* involvement and conduct of the elected representatives in the political arena has belied the contention of the author that the Upazila functions in a non-partisan political world. One wishes that there was a separate research study on the subject to bring out the impact and involvement of party politics in Upazila Development.

The author writes in page 26 "The success of the Upazila scheme largely depends on how best the local leadership, the government officials and the people interact in an environment of cooperation and partnership. If this trinity exists, Upazila exists". How can one divorce local leadership from political identity? Development never worked in a political vacuum in Bangladesh and non-political leadership has been a myth. In page 27 he says that "the Upazila movement has a Bangladesh flavour. It is a departure from the concept of integrated rural development." To the best of my knowledge, the integrated rural development is a corner-

stone in the Upazila development process. It forms part of the Upazila Parishad activities. Its use of cooperative societies as a means of development, despite its drawbacks, has been a time-tested phenomenon. The Upazila concept too has the elements of democratic cooperation and believes in the coordinated and integrated approach to self-reliance. It is not clear on what evidence the author finds the upazila concept to be a departure from the integrated rural development approach.

The Upazilas are dependant on the government grants for their upkeep. Their income from their tax base as well as the local resources is inadequate and unless this base is widened, which might take a longer time than the author would make us believe, the dependency on the central government grants would continue. There must be a specialised study on the appraisal of taxation policy at the Upazila. It is rather long overdue. A Chairman, for sheer survival, has to keep the ruling authorities in good humour. Apart from purse strings, the threats of suspension, supersession or removal are sufficient enough to bring the independents, recalcitrants and dissidents back in the fold. The experience in the last fifty years have shown that, by and large, many of the elected representatives in the local government belong to only one party and that is the ruling party. Till political education and commitment takes a firmer root in the country, the situation in this field is likely to remain fluid for many years to come.

In the second chapter on the concept of Upazila development, the author has put cogent reasons for developing Upazila planning model through systematisation of relevant benchmark data, mobilisation of local resources to go in for production-oriented activity to ensure maximisation of employment. He then analyses the concepts of planning from below as well as from the top and argues that the two concepts have to match and merge at the Upazila level. As ideas, these are excellent and at the first impulse, one is likely to go with the author. But a few facts have to be borne in mind. In the first place, all plans, be it in the Upazila or union or at the national level, have to percolate down to the clientele. This is a *sine qua non* in any process. Without this, planning will be a hand-maiden of the privileged few. This envisages a constant flow of communication from the top to the bottom and from the bottom to the top. This can be done only through education. The major failure of our plans has been the failure of the planners to reach the real beneficiaries. If the Upazila plan has to succeed, it must communicate itself to the target groups. Project documents of national schemes are not usually made available to

the Upazilas. Strange enough, copies of one of the biggest and national priority schemes in the education sector, i.e. Universal Primary Education Project are not available to the Upazila Primary Education Officers, although primary education is a transferred subject.

Decentralization in power sharing has been subject to extrenuous situations and has sometimes been conditioned by socio-political culture. Let us take the case of primary education which is a transferred subject. Although the construction of primary schools is the responsibility of Upazila Parishads, they have been shorn of this responsibility. Primary Schools are constructed on a type plan and it is within the competence of Upazila Parishads. In each Upazila, there is a Upazila engineering set-up which undertake all kinds of construction work and they could easily do the school construction even better.

Despite loud clamour from the Upazila Parishads, the work has been kept centralized and the reasons have been kept back. The Upazila Parishads themselves are not very clear about their role in respect of all foreign-assisted schemes on transferred subjects. This calls for a reappraisal by the Planning Commission.

It goes without saying that the development of Upazilas must balance the social development with the economic improvement. In the ultimate analysis, the strength of the performance of the Upazila system would lie in its weakest link i.e. in improving the quality of life of its most disadvantaged groups, like women and children, who constitute more than sixty percent of the population. The guidelines for sectoral allocation in the Upazila plan of activities have no doubt been laid down on paper but in actual analysis, the disadvantaged groups have not received due priority in the scheme of things. Experience has shown that at the time of preparing the Upazila development budget, there is a scramble for the share from all the pressure groups setting in motion the condition of "pull and push." The Upazila plan book is a time-honoured document. In reality, this book has been honoured more in breaches than in observance. Coming down to the question of preferring quicker gestation period schemes to long gestation ones, why have we not been able to persuade the local representatives to see the interests of the Upazila as a whole in the broader perspectives instead of being stuck to their respective villages? Why public money or investment has not gone to the deserving people? These questions call for more and more education of our leadership in attitude formation.

A couple of years back there was a talk of building up "model" Upazilas. The model Upazilas were to have more government inputs ; more infrastructures were to be created and other facilities were to be pumped in to make them real showpieces for others to emulate. The Upazila system is now in the fifth year. The "model" Upazila concept has either been quietly shelved or is maintaining a low profile. The craze for models, be it a "model" village, a "model" Upazila, a "model school or "model project", continues.

The third chapter on the evaluation of Upazila performance has been well-written. The treatment of Upazila survey is penetrating. However, in the matter of performance from 1983 to 1985, a few things stand out. The first one is the utilization of funds. Depending on population and other criteria, on average, an average Upazila received per year about four million taka from the government. This is released in two instalments. The method of release is extremely time-consuming. The first allotment of 1986-87 Annual Development Plan was received in the Upazilas after long six months and although there are hardly three months left for the year, the second instalment is yet to be released.

Many Upazilas could not easily make up their mind whether to get the work done through project committees or public tender. In two Upazilas that I recently visited, the elected members were all for the project committee whereas the official members were for public tender. Sometimes a compromise is reached after endless debates which consume both time and energy. Closely linked with it is the management of Upazila Parishad. If the Parishad is to be worth its name, it has to communicate with its beneficiaries and the target groups. One would have liked to hear from the author how this process of communication was to be strengthened for the future. The criticism that the affairs of the Parishad are conducted with lesser public knowledge and participation needs to be debunked at the earliest. Besides, without strengthening the Union Parishads, the Upazilas cannot stand on their feet. There has been a loud demand for more attention to the Union Parishads whose condition has over the years been moribund. One of the main reasons for failure of the "Gram Sarker" was that the authorities shifted the centre of gravity to the new institution at the expense of the Union Parishads which were left to their fate. Time has come to strike a balance in emphasis in the Upazila and Union Parishads so that in our zeal for Upazilas we do not weaken the Union Parishads.

Similarly, the development of Upazila activities go hand in hand with public accountability. One of the measures of ensuring public accountability is audit. Upazila funds are to be audited by the Auditor and Comptroller General every year. The Upazila Parishads, too, are required to conduct internal audit to keep their books and accounts ship shape. There has been disquieting reports of misuse, unauthorised and irregular use and misappropriation of public funds in quite a few Upazilas. One wished the author to have come up with his findings of the audit reports of his sample Upazilas for a better appreciation and evaluation of development activities there.

In the chapter on appropriate technology, the author has taken pains to elucidate the stages of technology needed for our economy. The lure of intermediate technology is quite heady but the question again arises how fast the people are mentally prepared to go along? Here again comes in the appropriate education for motivation and change of attitude. Without community education, which includes mass literacy, we cannot aspire to reach the goals of development in the Upazilas. Mass literacy has to be the focal point of development and without this, our attempts will at best be lop-sided and half-hearted. One wished the author to dwell on this strategy.

In the fourth chapter, the author has elaborated on models on rural industry and farming which he thinks appropriate to our conditions and could be replicated. These prescriptions, to a large extent, depend on the improved land tenure and proper land use which has long been eluding a stable solution. The pressure of population is depriving the country every year of a sizeable farmland and this has got to stop. To the best of my knowledge, no legislation exists on restricting construction of houses on fertile arable land in the rural areas. Can the Upazilas make a beginning in this regard to stem this tide? Land acquisition is a central process. Could not this be given to the Upazilas who could do a better assessment of land needs and save much of the land? Implementation of the laws relating to share-croppers and agricultural labour wages is virtually absent. Can we think of rural infrastructure without these two vital matters unsolved? Here the Upazila Parishads could play a significant role and, in all fairness, the Upazila Parishads should be entrusted with their implementation.

In the postscript, a perspective five year plan for Bajitpur Upazila has been given. The plan is likely to face heavy weather on the following grounds :

a) He has enlisted 84 projects. It has nowhere been mentioned who selected the schemes, who prepared the estimates and whether people's participation at the planning stage was ensured and if so, how. It would be quite interesting to know how communication was established between the planners and the target group in this regard.

b) No mention at any stage of the book has been made whether the non-government organisations have any role to play in the Upazila development. In Bangladesh, there are over 8000 registered voluntary agencies. Should they not have a positive role in the nation-building activities, particularly at the Upazila level? There has, of late, been a growing realisation that the NGOs should provide the missing link between the local government and the people. Their voluntary efforts should go to sustain the spirit and commitment of the people to improve the quality of life. As most of the members of the NGOs are comparatively young, their drive and energy could be better suited to give the development activities a greater push. The flexibility and mobility of the NGOs have great potential to increased productivity and income generation programmes. No Upazila can afford to ignore the NGOs in their scheme of things and any plan that does so is bound to misfire.

The development plan that has been prepared for Bajitpur Upazila to run 84 projects does not mention the training of managers as well as the ancillary staff to get things going. One has to train the whole lot of management authorities in the Upazila in batches and in phases. Much would depend on the nature and pattern of training which is likely to be motivational as well as demonstrative enough to transmit skill to the people. The summary perspective plan in page 180 seem to have overlooked this aspect. It suggests appointment of consultants to prepare the scheme which apparently look scientific. But how to build up the consultants in the Upazilas in the long run ?

After all has been said and done, one must thank the author for having produced a useful and timely book on development in the Upazila setting. His bibliography at the end contains only seven published official documents and omits works of other writers in the field. There has already been a large number of publications on the Upazila and one hopes that he would include them in the next edition.

A.K.M. Hedayetul Huq

General Equilibrium Analysis: Studies in Appraisal by E. Roy Weintraub (Cambridge: Cambridge University Press, 1985). Pages IX+191

General equilibrium analysis is the cornerstone of modern economics. Multifaceted in dimension, the analysis has remained a subject of continued interest both to mathematical economists and econometricians since its coinage. But to general readers, it is an inaccessible area due to its sophistication in analysis and the mathematical intricacies which shaped its anatomy. Weintraub regards the previous methodological investigations as distorted and biased on the ground of its affiliation with the physical science.

Divided into three parts, this book introduces the idea of general equilibrium analysis in a novel way. Weintraub, currenty Chairman, Department of Economics, Duke University opened the preface with an appealing tone for general readers. "Although I am a teacher, I am not the teacher whom you will presently meet. Neither are my students to be confused with A, B and C (or with their later instantiations as α , β and γ)." This candid expression demonstrates the author's intention of elucidating the concept in non-technical way.

Contents at each part of the book is enriched by classification into several chapters: Part I contains five chapters, Part II four chapters and part III three chapters.

Chapter I of part I provides a number of entry points to the concept of general equilibrium. The author opened the discussion in a very lucid style, "I shall begin the examination of general equilibrium analysis as simply as I know how." He tries to present the idea in a three entity environment: three agents, three commodities world in which agents hold different initial stocks of the goods. This brings the interdependence of the analysis in the limelight. In this context, he also outlines the basic tenets of general equilibrium: the concept of maximization of objective functions and the search for a mutually consistent set of decisions which give an equilibrium status. However, in the formalization of the model, the introduction of mathematical tool may pose difficulty for potential non-technical reader. Although no one could deny that this might be inevitable in presenting such an analysis, yet the author could postpone this mathematical presentation at a later stage of his analysis.

Chapter 2 introduces the classroom interlude I where the author tries to present the analysis in the form of a discourse. Technical in nature, the content is understandable to an undergraduate student of Econo-

mics. Chapter 3 deals with the appraisal issues of general equilibrium which poses the questions, "Is general equilibrium analysis a theory? Is it associated with a scientific research program? Can the program be described? What is the role of empirical tests, of corroborations of falsifications? In what sense, if any, can there be said to have been progress in general equilibrium analysis? How would the answers to each of the previous questions change were they to be asked of the work in 1920? 1930? 1940? today?" These questions give the reader a gamut of field where he can pursue successively the intellectual pursuits in understanding the basic tenets of analysis.

Chapter 4 brings the classroom interlude II where the author tries to present the connections of general equilibrium analysis with mathematical tool. Here the author, in a nutshell, describes the role of mathematics as a supplementary science which gives the idea of structuralism as "a reflection of basic structure of the human mind." Chapter 5 provides an inventory of general equilibrium analysis in historical as well as in philosophical perspective. The contributions of Alan Coddington, Frank Hahn, Mark Blaug and Vivian Walsh are outlined by the author.

Part II attempts to reveal the mazes and delicacies of Part I and tries to answer some of the questions posed in chapter 3 of part I. The basic issue of general equilibrium, "The existence of a competitive equilibrium; 1930-1954" is presented through several case studies. This chapter is purely technical in nature and the author acknowledges the contributions of Gustav Cassel (*Principles of Scarcity*) in the determination of prices by a system involving interrelated supply and demand in product and factor markets. Discovery of European connection in as late as 1914 is interesting and the contribution of Karl Schlesinger as a predecessor of Walras, the progenitor of general equilibrium analysis, is amply documented through several worthy quotations. Schlesinger's *Theorie der Geld-und Kreditwirtschaft* (1914) made him the only immediate follower of Walras, other than Wicksell, to advance Walras' Theory of Money. John Von Neumann connection is interesting too. Part II also traces the westward movement of the idea during the late 1930's in the face of the Nazi invasion in Europe. In fact, the formulation of Cowles Commission in Colorado Springs at the initiative of Alfred Cowles generated spree because of migration of good number of mathematical economist to the U.S.A. from Europe. Chapter 7 draws several inferences about general equilibrium analysis and chapter 8 introduces a number of issues associated with the appraisal.

Part III deals with basic issues : the role of economist as a contributor to philosopher's model of the growth of knowledge and the role of mathematics in explaining economic phenomena. Chapter II of this part could have rather constituted an introductory part of the book.

This book is well written and the style of presentation is excellent. The book presents the reader with an idea of erudition of the author. It could be an interesting piece of work if the author could delineate the historical background of the analysis in an organized way and present the findings in a separate volume for lay readers.

Mir Obaidur Rahman

Politics and Land System in Bangladesh by A. M. M. Shawkat Ali.
(Dhaka : National Institute of Local Government, 1986), 384 pp.

Politics implies policy and power. Among other sources of power, land constitutes one. Feudal lords, by virtue of their economic affluence are found to wield the shield of power and thereby influence the political forces of a country whose economic system is characterized by private ownership of land or property. Government, which holds the instrumental power of policy-making, is dependent greatly for its survival and continuance on the rural landlords who exert powerful influence and control over the landless peasants constituting the major portions of a country's electoral roll. All these are also true of Bangladesh.

Politics and land system are apparently two diverse fields. The book entitled *Politics and Land System in Bangladesh* by Dr. A. M. M. Shawkat Ali demonstrates that politics and land system influence each other. The book is the fruit of three years of Dr. Ali's intensive research work. A busy and dedicated civil servant, Dr. Ali managed to complete this work at the cost of his normal rest and respite. This reflects the commitment and zeal of the author in accomplishing the formidable task he undertook. Dedicated to the peasants of Bangladesh, the book records the historical events on and personal reactions to the development that took place between 1793 and 1984 regarding land system in Bengal. In this book, the author discusses in coherent and chronological order our land system in the socio-political perspective. He has taken pains to unify the disjointed

fact and information available and gives a clear picture of our land system linking it with the socio-political forces that shaped and influenced its pattern. Let us now embark upon a chapter-wise discussion on the subject.

In the first chapter, the author traces the evolution of the land administration system in Bangladesh from 1793 to 1983. He begins with the background of the Permanent Settlement and its impact on the structure and functions of the administrative and judicial institutions of Bengal. Dr. Ali describes how the Zamindars exercised their rights in collecting dues from the peasants. "A defaulting Zamindar could be punished with death or otherwise divested of his authority." Thus the Zamindars were merely like "flies to the wanton boys." The author in this chapter furnishes in detail the entire organizational structure that functioned in creating and collecting revenues to be deposited to the sovereign; he describes comprehensively the role of the functionaries like Zamindars, the khudkast raiyat, paikast raiyats, assignees, headman and talukdars. This chapter also speaks of the Farming System of 1757 and the Direct Management System of 1760 introduced by the East India company by way of rationalizing the existing land administration system.

The British never bothered "to protect the interest of the tenants." "The trial and error policy of the colonial authority aggravated the process of social integration." The author critically examines and evaluates the various procedures adopted by the colonial rulers and concludes that "the basic feature which led to the contradictions in the land policy during the earliest phase of the colonial rule was that collection of rent was viewed as an end in itself." Analysing the character of the Zamindars, Dr. Ali comments: "Below the level of the colonial government, their combined group, from the head raiyat to the Zamindars, constituted the class which exploited the peasantry." Corruption, fraud and mismanagement permeated the entire environment. The absence of a rational land policy aggravated the state of chaos and confusion. Dr. Ali also refers to the sporadic peasant agitation that broke out in Mymensingh, Pabna and Dhaka in 1868, 1873 and 1875 respectively. The continual peasant agitation opened the eyes of the colonial rulers who started thinking of introducing new legislations. From this time on, the peasantry became associated with politics. The Proja Party led by A.K. Fazlul Huq and the Swarajya Party began to exert pressure on the government for agrarian reforms to protect the interests of the peasants. The Proja Party gradually grew strong and in coalition with the Muslim League helped in abolishing

the Zamindari system in 1950. From 1972 to 1981, no significant reform could be made to improve the land policy. In Dr. Ali's words :

"The social factors retarding the governmental capacity to the peasant reform measures will arise mainly out of the class interest and the dominating influence of the affluent section of the peasantry on the rural social order and their linkage with the bureaucracy and the political parties. Politically also the government will be handicapped by the fact that the government access to rural votes in the existing situation is contingent on the support of the rural power structure."

Chapter II seems to be the first amplified version of what has already been told in brief in chapter I. It is exclusively concerned with the ominous effects of the Permanent Settlement on the peasants and consequent peasant reaction to the deprivation and oppression they were subjected to. It draws on the reports of the civil administrators like Deputy Magistrates and Collectors of Dinajpur, Chittagong and Rajshahi whose accounts reflect the hard-heartedness of the colonial rulers and helplessness of the peasants. In this chapter, the author devoted much time and space in giving an elaborate and critical treatment of the Bengal Tenancy Act, 1885. This Act gave rise to a new class called "middle class" between the zamindars and the peasants. It was rather instrumental in "contributing to the perpetuation of the colonial rule." This chapter gives one the impression that whatever legislative and administrative measures the British adopted were merely the mechanisms of protecting the colonial interests.

In chapter III, the author has shown the interplay between politics and land reform measures between 1838 and 1937. He discusses the functioning of various political, administrative and social organizations that sprang out in the wake of various land reform measures undertaken "to regulate the land system." He discusses how the Landholders' Association, the British Indian Association, the Indian National Congress and the Muslim League came into being and how these associations, being the creation of landed gentry, began to "influence the government" for "protecting the interests of the zamindars." This chapter shows how the mahajans, big businessmen and lawyers, emerged as interest groups and how by dint of their affluence and education became involved in politics and administration of Bengal in 1884. After 1885, a new class called "educated middle class" arose on the political scene. They began to replace the zamindars and influence the government decision-making. At this time, Communism and Marxism began to influence the villagers

who readily lent their support to the Proja Party and rose against existing land administration policy. The author describes the role of Kriśak Samities in creating consciousness among the peasants.

Chapter IV demonstrates how the political forces responded to the question of the continuity of the existing land system ; it shows how the peasant rising began to impact the manifestoes of the major political parties such as the Congress and the Muslim League. The chapter gives the minute details of the roles of the anti and pre-tenant organisations and the emergence of the celebrated Tebhaga Movement. The advent of the All India Kisan Sabha in 1936 made a major breakthrough in the peasant movement. The Congress began to feel that a thorough change of the land tenure and land revenue system is a must. To win the sympathy of the masses, the Congress and the Muslim League thought it necessary to alter their policies. Being influenced by the Proja Party, the Muslim League turned pro-tenant and decided to cooperate with A.K. Fazlul Huq. This political development during 1937 led the Congress to champion the cause of the peasant who formed the major chunk of Indian electoral roll. At this time the Kriśhak Proja Samities began to expand and a massive peasant uprising set in. The common demand of the political parties at last turned to be the end of the colonial rule.

In chapter V, Dr. Ali intends "to provide an analytical overview of the political and administrative responses to land and agrarian reform measures" adopted by the Pakistani rulers between 1947 and 1971. During this period, some significant developments such as promulgation of East Bengal State Acquisition and Tenancy Act, 1950 (EBSATA) and implementation of land reforms of 1958 in West Pakistan took place. The author here presents a critical review of the EBSATA and other reforms. The chapter records the stories of confrontation between the rightist and the leftist forces.

Chapter VI addresses the various administrative and political measures taken up to improve the land system since the birth of Bangladesh. The author at first critically examines the steps taken by the Awami League (AL) government concerning land system. The Land Revenue Committee formed by the AL Government in 1974 did not introduce any reforms as the Government had to contend with a number of management and administrative issues. The succeeding Government of Ziaur Rahman "did not do anything in regard to reforms in the land system." Under the Ershad Government, some agrarian reform measures have been taken through Land Reforms Ordinance, 1984. Under the existing law, ownership

limit of land has been fixed at 20 acres. Before this Ordinance, a Land Refoms Committee was set up in 1983. The author devotes some exclusive paragraphs to discuss the measures of the Ershad Government. Extensive field administration experience and research enabled Dr. Ali to examine the strengths and weaknesses of the measures implemented according to the recommendations of the Committee.

Chapter VII epitomizes what has been dwelt upon in earlier six chapters. Here Dr. Ali seeks to draw the conclusion that there exists no dichotomy between politics and land system; rather these two are inextricably linked with each other. Dr. Ali recapitulates and reviews analytically the events that took place since 1793 regarding land administration system in Bangladesh and with a note of pity and despair winds up saying :

“Although the zamindars were rooted out of the land *in paper*., they remained part of the social fabric and the alliance with the middle class remained unbroken the basic scenario remained unaltered. . . . The ageold dyadic relationship between the fact and the fiction of law will continue”.

The chapters of the book are closely interwoven; with a switch-over to a new chapter, the reader will not get lost since beginning from chapter II, Dr. Ali in a few sentences summarizes what he spoke in the preceeding chapter to let the reader recapitulate the contents he went through in the previous part. The entire study is seemingly based upon a logical framework model. On the basis of five premises built with five chapters (excluding “Overview” chapter), the author gives his conclusion in a deductive manner and this he puts in chapter VII. Lists of abbreviations, acronyms and annexures have been systematically incorporated to help the readers truly comprehend what Dr. Ali intends to communicate.

Printer’s devil seems to be very active in this book. Quite a number of printing errors that remain sprinkled over the pages reflect the casuality and inaccuracy of proof-reading. The quality of printing is also not very seductive. Despite these minor pitfalls, this book, I believe, will be of immense utility to the students of history, law and to those who are concerned with the making of policies on land system and its implementation.

Syed Naquib Muslim

Bangladesh Journal of Public Administration

The Bangladesh Public Administration Training Centre (BPATC) is a statutory public authority. It was established in 1984 by merging the Bangladesh Administrative Staff College, the National Institute of Public Administration, the Civil Officers' Training Academy and the Staff Training Institute. The BPATC is the apex training institution of the country and conducts regular training for a wide range of clientele from the support staff in various organisations to the highest functionaries of the Government. Besides organising training courses, the Centre also undertakes substantive research and publishes books, periodicals and reports on administration and development. The *Bangladesh Journal of Public Administration* is being published to disseminate latest research on public administration and social services in Bangladesh.

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