

New banks, old banks and banking system in Bangladesh

Mamun Rashid

Knowing my background, an editorial member of a vernacular business daily wanted me to write more on banking and also on issues such as banking, rather than softer social and political issues. He thought, I may soon lose my lustre by becoming a 'potato', trying to be a part of all curries. I thought his message though little 'harsh', may be applicable to many of us who are out to earn popularity by getting engaged in all possible discussions.

The person wanted to know my opinion on the recently approved new bank licenses granted to three commercial banks to be owned by non-resident Bangladeshis (NRB) and six by local entrepreneurs. My spot reaction was- yes, the NRBs have been trying to be more identified in the development process of the country for long. Our finance minister has been talking about granting one or two commercial bank licenses to the NRBs for last two years. However, I thought the number of commercial banks owned by NRBs to be kept within one or two. With three licenses granted, things may become pretty tough for all the parties.

My journalist friends were pretty critical of licenses being granted to six local groups, all the drivers except one being political leaders belonging to the ruling party. I again came up with the answer- since 1982, all the commercial bank licenses, especially the private sector ones were granted on political consideration. This time, it is being seen at least three of the chairmen of the proposed banks know 'where the shoe pinches' and possibly have better visibility about their destination. Rather I wanted to be sure whether the regulators did a comprehensive 'health check' on the private entrepreneur, who has also been granted a license. I don't get to hear good things about his banking track record or financial discipline from the other banker friends.

I have reservation about the position paper prepared by the watchdog agency. Their story of Bangladesh GDP becoming larger over the years, bank deposits growing, so is the lending did not hold water with me as well as many of my 'number crunching' friends. Nor was the case of 'financial inclusion'. None has raised a few questions such as: why did we not ask the existing banks to open more rural branches?; why did Bangladesh Krishi Bank, or Sonali Bank or Bangladesh Development Bank fail to play their due role in building up an 'inclusive financial sector' in Bangladesh?. Does 'financial inclusion' only meant to increase rural branches of the commercial banks?. What are the micro-finance institutions doing?.

We are often filled with dismay by the failure of some regulatory bodies to withstand undue pressure from outside. This is not at all a good trend. We are already shocked the way 'Yunus case' was handled by one such regulatory agency.

I was attending a three day long 'banker's summit' at Brac Centre for Development Management (BCDM) at Savar recently. Dr. Farashuddin, the distinguished former governor of the central bank, supported the new bank case as he was particularly disappointed with the 'product scarcity' or very few product availability in our banking sector. Our large business houses are increasingly finding our banking offers to be inadequate or shallow to serve their emerging need. Not to talk about very few 'retail banking' or 'investment banking' products, most of our banks are not able to come up with forward looking capital market or corporate banking solutions too. They are stuck with age old -cash credit, secured overdraft, temporary overdraft, letters of credit, loans against trust receipt, short term loan or term loan (all with recourse) only. They don't have much to say, when the clients want them to package a solution to raise cross border financing, dual currency financing, debt-equity blended solution or offshore discounting. Treasury management or liquidity management or data mining is weak in most of the banks. They do have well-decorated branches but no retail banking. Most of the energy of the marketing or sales staff goes after mobilizing term deposits, while transaction banking has already been proven as a better tool to bring down deposit expenses with better payable and receivable management. Less and less number of bank CEOs are ready to talk about their age old information technology platform. One does not need to go far, if he or she just looks at India, Sri Lanka or even Pakistan, their banking sector have diversified product base with 'state of the art technology' to attend the emerging demand of the clientele.

Yes, we have come across a long way with regard to 'dictated lending', 'classified loans' or 'interest suspense' culture -- by the courtesy of our development partners. The way our private sector has come up, the way their solution demand has increased, all our age old 'service model' would soon become redundant. Things are going to be fiercely competitive in the coming days with our good and large clients demanding more and more; their successors becoming ruthless' regarding which bank should get their bulk of the business. Our entrepreneurs want to invest abroad in their 'core competence' areas, they want their wealth to be better managed by their bankers, their life style to be more smoothly handled, budding entrepreneurs to get real help in putting up or growing their businesses, their financial costs to go down further with the improvement displayed in their balance sheets and so on. None of the 56 banks (9 new ones included) should forget that its clients especially the good ones now have 56 options but for it -- only one option, to be able to serve its' client better to get a better pie of their wallet. That can't happen if our banks, new or old, do not continuously invest on their people, more products and most importantly processing or delivery platform. People, product and technology platform would be increasingly the deciding factors for the banking in Bangladesh. Irrelevant would be the regime which granted them the license or even the regulators which was seen loudly committed to protecting their interest.

(Mamun Rashid is a banker and economic analyst. Email: mrashid1961@gmail.com)