



INTERNATIONAL FINANCE INVESTMENT AND COMMERCE BANK LIMITED

Tomorrow's Bank Today



Photo Gallery



Mr. Manzurul Islam, Chairman, IFIC Bank Limited handing over dividend warrant to the Hon'ble Minister for Finance and Planning, Government of the People's Republic of Bangladesh, Mr. M. Saifur Rahman on 04.01.2003 against government shareholdings.



Photograph of 8th Annual General Meeting of Nepal-Bangladesh Bank Ltd. held on 8th April 2003 at Kathmandu, Nepal.



43rd Board Meeting of Oman International Exchange L. C. held at Muscat in December 2002. Mr. Habib A Macki, Vice Chairman, OIE, Mr. Ataul Haq, Managing Director, IFIC Bank Limited, Mr. Mohammad Delwar Hussain, Director, IFIC and Mr. Warith Kharusi, Chairman, OIE are seen in the picture. IFIC holds 25% shares of OIE.



The Chairman and the Directors of IFIC Bank Limited attending the 25th Annual General Meeting of the Bank held on 5th October 2002 at B. D. R. Darbar Hall.



A meeting of the Board of Directors of IFIC Bank Limited being presided over by the Chairman, Mr. Manzurul Islam.

JOINT VENTURES ABROAD

IFIC Bank meticulously followed its original objective of operating abroad. In fulfillment of this objective, it has opened the following joint ventures:

Bank of Maldives Limited: IFIC is the first among the private banks to have operations abroad. Right in 1983 i.e. 20 years ago, the Bank set up a joint venture bank in the Maldives known as 'Bank of Maldives Limited' (BML) at the request of the Government of the Republic of Maldives. It is,

however, now completely owned by the Maldives Government.

Oman-Bangladesh Exchange Company (LLC): In 1985 IFIC Bank established an Exchange Company named 'Oman-Bangladesh Exchange Company (LLC)' in the Sultanate of Oman. IFIC holds 25% of its shares and the balance 75% is held by the Omani sponsors. The name of the exchange company was recently changed to 'Oman International Exchange (LLC)'. The affairs and business of the exchange

company are run and managed by IFIC Bank under a Management contract.

Nepal-Bangladesh Bank Limited: The first joint venture bank between Bangladesh and Nepal known as 'Nepal-Bangladesh Bank Ltd. (NBBL)' came into operation in June, 1984. Management of the Bank is vested with the IFIC Bank.

Nepal-Bangladesh Finance and Leasing Company Limited: IFIC Bank has also established a Joint Venture Finance and Leasing Company in Nepal in 1999 with 30%

equity under the name and style of 'Nepal-Bangladesh Finance and Leasing Company Limited'.

BRANCHES OVERSEAS

In Pakistan, the Bank has two branches. The first overseas branch in Karachi, was opened by the Bank in 1987. Subsequently, the Bank opened its second branch at Lahore in 1993. Both the branches enjoy reputation and goodwill in Pakistan and have been operating profitably.



Financial Performance of IFIC Bank Ltd. from 1998-2002

Banking Training And Education In Bangladesh

1. The banking scenario all over the world has been changing very fast in the recent years because of deregulation, technological innovation and globalization. Now banks must compete in the marketplace as never before, not only with local institutions, but also with foreign ones. To survive in such a competitive banking world, besides development of appropriate financial infrastructure usually by the central banks, development of "professionalism" in the sense of developing an appropriate manpower, expertise and experience is the most important prerequisite. And herein lies the ever-growing importance of banking education and training for infusing "professionalism" in the banking institutions. In this regard, the professional examinations have also an important role to play.

2. In the context of Bangladesh, there are several training institutes in the banking sector. These are: Bangladesh Institute of Bank Management (BIBM) and Bangladesh Bank Training Academy (BBTA). Besides, all the four(4) nationalized commercial banks (NCBs) and a number of specialized banks and private banks have their own training institutes. The major institute is BIBM, which was established in 1974 by Bangladesh Bank and the commercial and specialized banks in order to impart training to mid and senior level officers of the banking system. BBTA was established in 1979 for providing training to Bangladesh Bank officers and staff. The training institutes of the other nationalized commercial and specialized banks were established during 1976-77. A number of private commercial banks (excluding the denationalized banks) established their training institutes during 1980s and 1990s.

3. In the 1990s, the financial sector reforms measures were launched to address the underlying causes for the banking sector's deficiencies under the Financial Sector Adjustment Credit (FSAC) of the World Bank. The planned financial sector reform called for measures to liberalize interest rates, adopt appropriate prudential norms, abolish loan subsidy and priority sector lending, strengthen central bank supervision and regulation of banks, improve the loan recovery environment, improve monetary policy and broaden capital market development. Alongwith the financial sector reform program under FSAC, the USAID provided a parallel grant as technical assistance (TA), known as Financial Sector Reform Project (FSRP) TA. Among many other objectives such as assisting to strengthen bank supervision capability of Bangladesh Bank, improve the efficiency and

financial viability of NCBs, expand PCBs share in total commercial banking etc., the project was aimed at improving the quality of training at BIBM, BB and the NCBs. In this regard, FSRP prepared a Medium-Term Bank Training Strategy (hereinafter called, the strategy) in mid 1990. This was done because of the fact that the sustained improvement in the financial system would require a major increase in quality and quantity of manpower.

4. The strategy aimed at improving the quality of bank training, BB's institutional proficiency, and operational and financial performance of commercial banks. The strategy was based on the assumption that reforms in personnel policies would institutionalize training as a vital part of personnel development and place greater emphasis on performance-based promotion. It incorporated major initiatives for strengthening the institutional capability of Bangladesh Bank and for improving the training capability of BIBM, BBTA and NCB training institutes.

The following programs were incorporated in the strategy: I) BB Overseas Advanced Degree Program; II) Master of Bank Management (MBM) degree program at BIBM; III) Mid-career Banking Course at BIBM; IV) BIBM Development; V) BBTA Development; VI) NCB Training Institute Development; VII) Overseas Training/In-region Study Tours and VIII) Computer Training at BIBM.

5. In terms of implementation status of the strategy, the achievement is not at all encouraging. In regard to development plan for BIBM, it has successfully launched the MBM degree programme with affiliation of the National University in 1997. However, the MBM program has been initiated without any foreign university collaboration (which was suggested in the strategy) and enrolment of students per year has been kept at 50. The BIBM authority has been running the programme very smoothly. Unlike other universities and other degree programmes of the National University, the MBM programme has not yet confronted any session jam (not even for a single day). The proposed fourteen week mid-career banking course for AGMs to make them eligible for becoming DGM could not be installed at BIBM. Rather, the Advanced Course on Bank Management (which was supposed to be upgraded to mid-career banking course), has been further trimmed and shortened and the minimum level of participants has also been lowered to SPO from AGM. Because of these changes, the present ACBM course of BIBM can in no way serve the purposes of mid-career training course for bankers. Because of the inability of the banking community to spare AGMs for such a longer time duration course, BIBM had to bring all these changes in the ACBM course. But at the same time, what BIBM did, it introduced a number of short duration (3/4 days) workshop/training courses for AGMs/DGMs, in order to fill the vacancies created because of modifications brought in ACBM course. BIBM training programmes are continuously being upgraded and modified keeping in mind the global changes and Bangladesh reality. During nineties, alongwith the reform-based training programs, BIBM introduced some new training programs for the banking sector which are deemed useful in the context of the changing banking environment. These are - Financial Derivatives, Investment Banking, Asset-Liability Management, Financial Institutions Risk Analysis, Management of Non-performing Advances, Banking Globalization, Floating Exchange Rate

Management, Treasury Business etc.

6. The implementation status of medium term bank training strategy in the context of BBTA and NCB Training institute development, is not very noteworthy. In regard to sending BB officials for higher degree in foreign countries so as to increase BB capability, only a few have been sent abroad, but the project has, by this time, been discontinued. However, recently Bangladesh Bank has undertaken a number of measures (such as strengthening BBTA, introducing a number of new training programs etc.) for improving the efficiency and quality of human resources under the World Bank financed Bangladesh Bank Strengthening Project. The PSRP consultants also suggested detailed training programmes for NCBs for upgrading their foundation and specialized courses. Though all those (FSRP suggested) programs were not introduced very comprehensively in the NCBs, yet they (NCB training institutes) have started a number of new training programs based on the requirements of current banking needs. PCB training institutes are mostly catering to the needs of newly recruited and junior level officers.

7. Though in terms of structure, contents and sequence, the strategy has been an excellent document, yet it suffers from a number of problems. Firstly, the PSRP did not consider the implementability and sustainability of the training strategy. It must be admitted that within an "adverse training environment", the implementation of such an ambitious training strategy is not possible. The effective implementation of new training methods and contents require upgradation of faculty and trainee selection quality, leadership and vision on the part of senior management and on the whole a congenial training environment, which is not ubiquitous in the NCBs. Secondly, the proposed strategy was heavily dependent on the availability of donor funds. Thirdly, the strategy did not cover the issue of training needs of top executives such as GM, MD, Board Directors etc., for whom round table conference, seminars, workshops etc. should be arranged in and/or outside the country. Moreover, the strategy has overemphasized the role of BIBM asking it to run MBM, mid-career banking course as well as specialized courses and workshops. While in regard to first two (MBM and mid-career course), undoubtedly BIBM is the best place, but for running specialized courses and workshops, the sharing of responsibility between BIBM and NCB training institutes would be needed, because of huge demand of those specialized courses.

8. The fundamental objective of the Institute of Bankers, Bangladesh (IBB) are to promote and encourage banking education and efficiency among the bankers of the country. For the purpose, IBB conducts professional examination to test the theoretical understanding of the candidates about the relevant subjects as well as their practical exposure in the context of constantly changing circumstances, environment and technology. In line with the above purpose, every year the Institute conducts diploma examinations twice in a year for the employees of different banks. Recently, the IBB authority appointed consultants to suggest for improving its examination systems, modifying the examination curricula and preparing suitable reading materials for the candidates.

9. The consultants proposed among other things, the

following changes in the examination system of IBB:

- The examination system of IBB should have two components -
- Banking Certificate/Associate Examination
- Banking Diploma
- The first component will be of two parts - part-I and part-II. The distribution of papers in part-I and part-II will be on the basis of theoretical and practical nature of the papers. Associate examination is a qualifying examination for Diploma, which may be offered in the following areas:
- Diploma in Bank Management
- Diploma in International Banking
- Diploma in Financial Services
- Diploma in Information Technology
- The number of examination centres would be reduced to 8 (eight).
- "Two-examiner for one paper" system may be introduced for greater accuracy and reliability in regard to answer script evaluation.
- IBB should set-up permanent syllabus and question paper moderation committee for each subject.
- In order to encourage and motivate the bank employees, the examinations should be linked up with their promotions.

The consultants also prepared a detailed syllabus for the proposed new examination system which was submitted in 1999. IBB is learnt to have discussed the study findings and proposals at various levels (such as examiners meeting, council meeting etc.) However, it (IBB) is yet to come up with any concrete plan for comprehensively restructuring the examination system based on the findings and proposals of the study.

10. Professional development of the banking sector manpower through education and training, is of vital importance to face the challenges of present day banking. The existing banking education and training environment is undoubtedly far away from meeting the challenges of Bangladesh and global banking. On the other hand, a serious and conscious effort towards an all out development in banking education and training is not forthcoming. At this moment, therefore, what is badly felt, a very well targeted and goal oriented comprehensive and realistic integrated banking education, training and examination programme, obviously under the leadership of Bangladesh Bank. In this regard, BIBM might act as the secretariate of the program. In the mean time, a task force may be employed to look into the proposals of medium-term bank training strategy and the restructuring of IBB examination system, verify their implementation status and further implementability and implications and suggest some immediate action plans.

Toufic A. Choudhury
Professor, BIBM

Growth of Private Sector Banks in Bangladesh

Introduction

Banks and financial institutions play an important role in financial intermediation and thereby contribute to the overall growth in the economy. At present, the financial system in Bangladesh consists of the central bank, nationalized commercial banks, private banks, foreign banks and other non-bank financial institutions. The main focus of the paper would be a review in a general fashion on the gradual evolution of private sector banks in Bangladesh and evaluate their comparative position vis-a-vis other types of banks and their future roles in years to come.

Gradual Evolution of Private Banks

Before independence of Bangladesh on 16 December 1971 all the commercial banks operating here excepting National Bank of Pakistan (now Sonali Bank) and Eastern Mercantile Bank (now Pubali Bank Ltd.) were privately owned. After independence, all the banks operating in Bangladesh (except foreign banks) were nationalized and restructured into six banks. Later on, Uttara Bank and Pubali Bank whose majority shares were held by the Bangladeshis were transferred to the private sector in September 1983 and 1984 respectively.

With a view to ensuring effective and meaningful participation of the private sector in the overall development of the economy and to infuse competition in the banking system, Bangladesh Bank with the approval of the Government issued licenses for opening new banks since early 80s. At present, there are 30 private banks operating in Bangladesh. These private banks are popularly known to the public as First Generation Banks (9 banks opened during 1982-87), Second Generation Banks (8 banks opened during 1992-96) and third Generation Banks (13 banks opened during 1999-01). For our purpose, we will treat all banks together to represent the private sector banks.

Market Share in Deposits and in Advances

The private sector banks in Bangladesh seem to be very aggressive in collecting deposits and in providing advances. Deposits of the private banks increased significantly during the period under study (1985-2003) but the growth rate came down in recent years as compared to earlier years. Deposits increased by 207 percent during 1985-90 and further by 112 percent during 1990-95. The growth rate slowed down to 101 percent and 75 percent during 1995-2000 and 2000-03 (up to March 03) respectively. But, in terms of market share of the private banks to total deposits of the banking system, it showed an increasing trend over the years. The market share in deposits of the private banks increased significantly from 17.58 percent in June 1985 to 24.78 percent in June 1990 and again to 27.46 and 30.30 percent in June 1995 and 2000 respectively. At the end of March 2003, it stood at 37.59 percent.

Now, a question may arise where from these deposits came in to the private banks. One can easily respond to this question by saying that substitution of deposits took place mostly from nationalized commercial banks (NCBs) to the private banks as is evident from the declining share of deposits of the NCBs. The share of NCBs in total deposits of the banking system which was 71 percent in June 1985 and gradually declined to 63 percent in June 1990 and further to 56 percent in June 2000. By the end of March 2003 it came down to 49

percent. This decline in deposits, may be attributable among others to the following factors: (i) relatively better customer services provided by the private banks and (ii) higher interest rate on deposits offered by these banks. The weighted average rate of interest on deposits of the NCBs and the foreign banks was 6.31 percent and 4.39 percent at the end of March 2003, whereas, it was 7.20 for the private sector banks (iii) the relatively aggressive branch expansion program by the private banks. The total number of private bank branches was only 632 (13 percent of total branches) in June 1985, which increased to 1016 (18 percent of total branches) in June 1995 and further to 1231 (20 percent) in June 2000. It again increased to 1416 (25 percent of total branches) in March 2003. The shares of deposits, advances and branches of the private banks in the total banking system are shown below.

Market Share of Private Banks in Bangladesh (in % of total banking system)

Year (End June)	Deposits			Advances			Branches			Classified Loans ^{1/}
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	
1985	16.19	1.26	17.58	11.34	0.96	12.30	7.60	5.06	12.74	N.A.
1990	22.78	1.90	24.78	19.17	1.24	20.41	9.84	5.90	14.03	24.41
1995	24.94	2.52	27.46	24.43	0.57	25.00	11.99	5.40	17.48	38.43
2000	27.60	2.70	30.30	28.50	0.61	29.16	15.08	5.25	20.33	22.01
2003 (March 03)	34.92	2.67	37.59	37.73	0.60	38.53	16.86	5.88	22.74	17.44

Source: Statistics Department, Bangladesh Bank

^{1/} Classified loans as percentage of private banks' total advances and it relate to December data except for 2003 which relate to March 2003 data.

N.A.: Not available

If we look at the composition of deposits and branches of the private banks we see that most of their deposits and branches are concentrated in urban areas. Urban deposits of the private banks which stood at 16 percent of total deposits in June 1985 increased to 25 percent in June 1990 and further to 35 percent in March 2003. Again, urban branches of the private banks which was only 8 percent of total branches in June 1985 sharply increased to 12 percent in June 1995 and again to 15 percent and 17 percent in June 2000 and in March 2003 respectively. On the other hand, the share of rural branches remained at around 5 percent throughout the period since 1985.

One of the important features of the banking system in Bangladesh is that a significant portion of deposits which come from the rural areas is being transferred to the urban areas. The general perception is that the private banks are a vehicle to this process. The share of rural advances of the private sector banks was always lower than that of rural deposits of these banks throughout the period. For example, rural advances were lower at 0.96 percent against 1.39 percent of rural deposits in June 1985. The share of rural advances of these banks declined sharply to 0.57 percent of total deposits in June 1995 whereas rural deposits were 2.52 percent. The same phenomena also continued during the subsequent years. This situation suggests that we have enough resources in the rural areas, but limited opportunities to use those resources there.

A frequently discussed issue among the general public about the health

of the banking system among others is the status of their classified loans. It was as high as 39.43 percent of private banks' advances in December 1995 which gradually declined to 22.01 percent in December 2000 and further to 17.44 percent in March 2003. This has been due to the improved management in the private banks as well as effective supervision and the prudential guidelines given by the central bank. Still the private sector banks in Bangladesh are to go a long way and they need strong consolidation of their operations in all respects rather than expansion.

Habibullah Bahar^{1/}

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CONGRATULATIONS



on completion of
20 Golden Years



Nepal Bangladesh Bank Ltd.
A joint venture with IFIC Bank Ltd., Bangladesh
(Operating in Nepal Since 1994 having 15 Branches)

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Heartiest Congratulations to



IFIC BANK LIMITED

On its grand celebration of
20 YEARS
of Banking Service



(A joint venture of IFIC Bank Ltd.)

Head Office: Muscat
Branches: Ghubra, Mabelah, Suwajiq, Sohar,
Sur, Nizwa & Sallah in the Sultanate of Oman