

National Bank Limited: Breaking New Grounds in Plastic Culture

Rafiqul Islam Khan, Managing Director, National Bank Limited, spoke to Ziaul Karim of The Daily Star about services offered by NBL and about their coming plastic programmes. Excerpts:

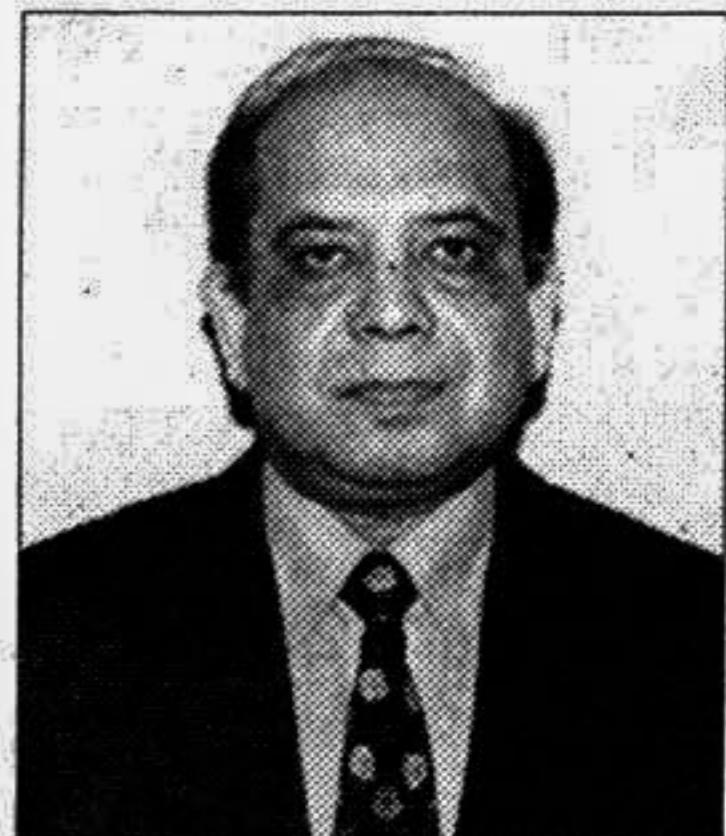
The Daily Star: You are the first bank to introduce truly international credit card in the new plastic money environment in the country. What inspired you to go for a dollar card?

Rafiqul Islam Khan: In Bangladesh, among the private banks, we introduced the international credit card as well as local credit card. Before only the American Express was issuing international credit cards in Bangladesh and only for the reporters. We at NBL thought why not enter into the credit card environment and provide our customers the convenience of the modern banking. We made contacts with the master card and Visa as well and were successful in bringing in the safety and the convenience of plastic money to our clientele. The response we are getting from our customer, particularly from our business community, is tremendous.

DS: What actually is your target group for credit cards?

RIK: For international card we have restricted it to higher income group of people who are frequently travelling outside the country. They need it for their hotel bookings and for making payments also.

For taka card anyone who is in the minimum income group of taka ten thousand per month is eligible to enjoy the facilities of this wonder card. We want to



Rafiqul Islam Khan

make any declaration.

DS: Telecommunication is key to modern banking. Since you do modern banking you are very much under Y2K threat.

RIK: Our credit card is operated in an automated environment. We have got a very smart system. This is an international software brought from Malaysia. We have got Y2K complaint certificate from our software suppliers and it has been approved by our master card. So, we don't see any problem now.

DS: What is your contingency measures?

RIK: We have tested our system. And we are already using Y2K version. The transition is already being done. From December 25 to January 7 we have got some contingency plans.

DS: People are now conscious about service. They now demand safety and convenience from their banks. Do you have plans to go into ATM environment?

RIK: We are contemplating going into it very soon. Our ATMs will be the extension of our credit cards. But the success of high-tech banking depends solely on telecommunication facility. If the telecommunication system is not stable none of the projects will flourish.

Now we have a communication channel from here to Delhi, from Delhi to Singapore and from there to the States. The

communication channel via Delhi is absolutely erratic. We cannot go for big expansion of the network because of the unstable line. We don't want our clients to be frustrated with our system. What we want you to bring under focus is that the government should come up and make telecommunication stable.

DS: Do you agree to the common sense wisdom that credit card allures one to more spending and as a result our savings habit is hampered?

RIK: It's a very narrow outlook. As a bank, our prime concern is how to put our economy on the growth track. With the issuance of a credit card we provide you extra purchasing power. We want you to buy which will eventually contribute to the growth of consumerism. Naturally the economy will grow. In Europe, on an average every person has three cards. In North America the number is double. How come the big supermarkets in the developed countries sustain? They sustain on the credit culture.

DS: Tell us about your expansion programme.

RIK: First we want to expand our card network up to the divisional headquarters. By 2001 we hope that the number of merchants accepting NBL credit card would be more than 10,000.

DS: Thank you for your time.

give our clients extra purchasing power, a little extra comfort in their life. We now offer three types of credit card. One is for exporters. An exporter can use the card for any amount from his export retention quota. Those who are travelling, only they can spend up to four thousand dollars from their card. One thousand for the region and three thousand for the rest of the world annually. Thirdly, you can spend an unlimited amount of money if you have an RFCD (Resident Foreign Currency Deposit) account. You can open an RFCD account with the dollars you have earned in a foreign country. And for up to 5000 dollars you don't have to

ReadyCash: The Magic Wand of the Bed Time Stories

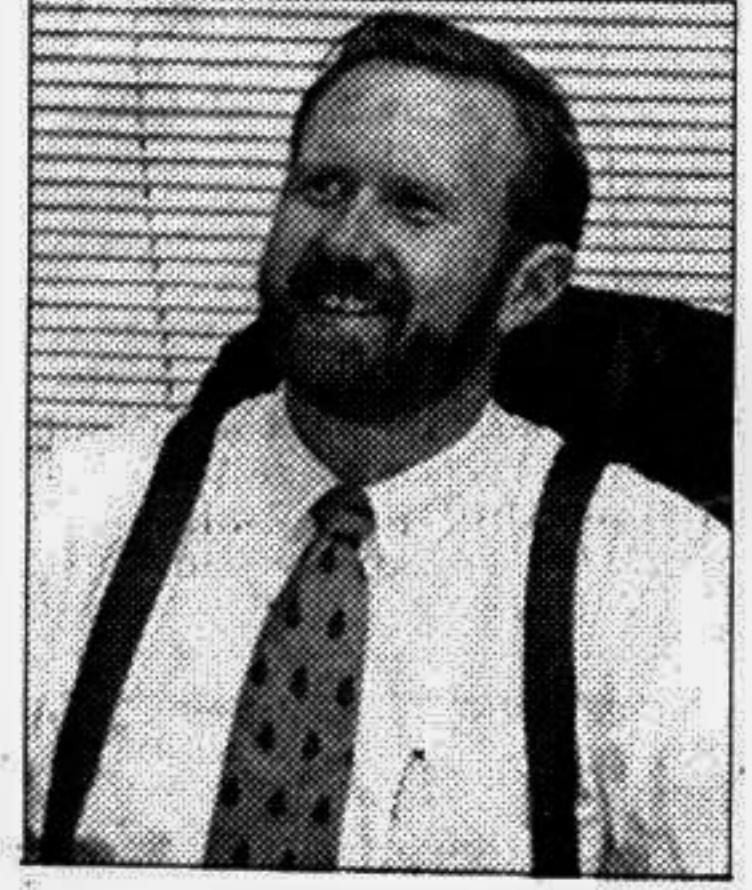
Thayne Whipple, Director of International Business Development, spoke to Ziaul Karim of The Daily Star about ReadyCash and its distinguishing features. Excerpts:

The Daily Star: What was the philosophy behind introducing ReadyCash in Bangladesh?

Thayne Whipple: The ReadyCash card is designed to make people's lives easier. It's a plastic card with a computer chip on the face of the card. It can be used for buying goods and services wherever there is a terminal. We thought particularly in Bangladesh this would be useful because at times it is very difficult to carry cash. This plastic card can hold a very large amount of cash and a very little cash as well. It can be carried safely and securely from one's home to do shopping. Additionally, we thought it would be very useful in making utility payments. Currently it's sometimes quite difficult to go to a bank branch to pay one bill, another branch to pay another bill and so forth. Sometimes it takes a number of days just to perform that task. The technology of the card is such that one would be able to take care of all the business within just a minute or so on one occasion.

DS: How is it different from other plastic cards?

TW: The main difference between the ReadyCash card and the traditional credit cards is the micro-processor chip. With this chip it is not necessary for the merchant



Thayne Whipple

shop to contact the bank for every transaction by telephone.

DS: What are the nitty-gritties of getting a card?

TW: We have developed a very simple form for the client or customer to fill up. It basically has only couple of items, the person's name, phone number, his or her address and a couple of informational things about the person for security purposes. With that he/she can take the application to any participating Janata Bank branch, at this point the branch provides us with the form. We then produce a card within a couple

of days. The application is not complicated; it's not ten pages long. It can be filled either in English or in Bangla.

DS: Does a client have to open a new account with Janata Bank to use the card?

TW: A separate account is not required. With the card a customer can put his/her money into the ReadyCash account at Janata Bank. It's not necessary for the card holder to open a current or savings account. The card holder simply has to load his/her money into the card. We have also set up a ReadyCash window at each participating Janata Bank branch. So, the card customers will not have to wait in a long queue.

DS: Is there any special offer for the card holders like discounts or gift vouchers?

TW: Initially, we feel that the convenience and the safety of the card speak for themselves. However, there are some built-in loyalty programmes and other offers they will be coming up in the future for all those who own a card.

DS: What is the state of the ReadyCash card's present network?

TW: This is a very important question. One of the major complaints of some of the holders of other cards has been, 'I have a card, but can't use it anywhere.' We just started im-

plementing the project over the past three months, and we already have over one hundred retail outlets where the card can be used. Within two years our aggressive implementation programme will have approximately ten thousand outlets available.

DS: What is your main focus now?

TW: Our first months of operation will be focused on Dhaka. However, we already have plans to go to Chittagong very soon and the other major financial centres. By working with Janata Bank which has a very vast network, over 900 branches in Bangladesh, we would like to see the ReadyCash card being used in every corner of the country.

DS: What is the response from the merchants front up till now?

TW: We have had a very positive response from merchants, cardholders and bank employees. We were expecting that perhaps 50 or 60 per cent of merchants of the country would be interested in accepting the cards. But according to our surveys, over 90 per cent of the merchants surveyed are interested in accepting the card. And the percentage is even higher in Chittagong where 99 per cent of merchants have shown their interest in accepting the card.

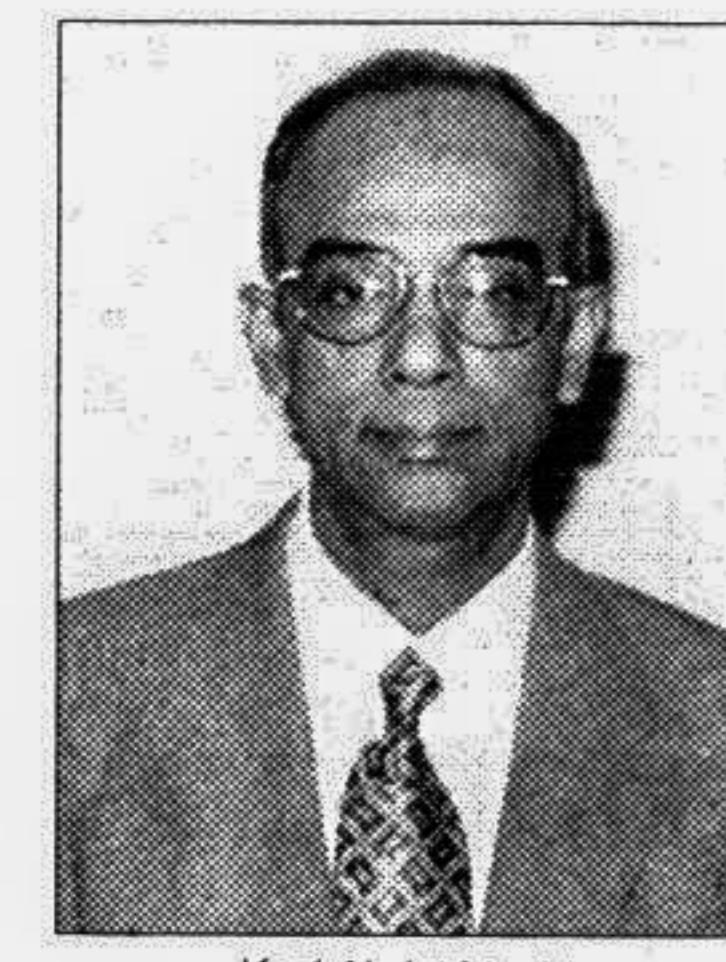
DS: How have you prepared yourself for the Y-2K disaster?

KAM: We are one of the banks which has started working on it for a long time now. We

Plastic Money

Prime Bank Limited: Devoted to Post-modern Banking

Kazi Abdul Mazid, Managing Director, Prime Bank Limited, spoke to Ziaul Karim of The Daily Star about their new millennium programme, their forthcoming products, Y2K preparedness and the country's growing plastic money culture. Excerpts:



Kazi Abdul Mazid

The Daily Star: We have been virtually catapulted into the world of plastic money from a primarily cash based society within a space of only few years. You are a new bank on the block how do you look at the modern banking and what are your millennium plans?

Kazi Abdul Mazid: I think the millennium preparedness is the most important thing now, that is, how we are preparing ourselves to face the challenges of the new millennium should get our undivided attention. The main challenges of the millennium will be the use of information technology in banking system.

DS: But banking can only go hit-tech if we have the infrastructure to support it.

KAM: You are absolutely right, without proper telecommunication you cannot have the state of the art IT in place. But what is happening globally now is the traditional banking is fading out. I recently read a book by Bill Gates in which he said that branch banking costs about one dollar seven cents per transaction which through internet costs only one cent. The Citibank has introduced SUVIDA banking in Bangalore and Chicago. It is still at experimental stage. If you go to a Citibank branch in Chicago or in Bangalore you have pay a fee.

In Prime Bank what we are trying hard despite the limitations we have in the country is to provide as much facilities as possible to our clientele. We have already established the Master Card credit card which will enable the customer to do risk free cashless transaction at business establishments for purchasing goods and services.

DS: Tell us about your forthcoming products.

KAM: We are also thinking in terms of giving debit cards when we are on line. We are talking to Master Card international. They have a debit card called Maestro. For credit card, you can give it to those people for whom you can take credit risk. But you can give debit card to everybody. And that would mean people won't have to come to the bank at all. I think gradually banking is coming to a

situation that you do not require many branches, you only need more outlets. That way with a lesser number of branches, banks will be able to serve more customers. As far as we are concerned we are planning to reap benefits of the IT as much as we can. One of the reasons that we thought of issuing credit cards is that it gives satisfaction to the customers. It helps consumption also. And eventually consumption helps production: if there is more consumption, there will be more production.

DS: Allow me to interrupt you here. Since we are not really a welfare society we need to fall back on personal savings. Isn't credit cards instill into our psyche a habit of spending?

KAM: One thing that should be noted here is that if you spend Tk 100 and give to me it becomes my savings. One's expenses becomes another person's income. Loan creates deposits. If I give a loan of 1000 taka it creates deposit. Although the money goes from book, it goes to somebody else's. Then it has also its velocity: One thousand can become many number. By enhancing consumption what is happening is savings is transferred from one person to another. So a credit given by the bank is also coming in the society. It is creating deposits also.

For example, you are a credit card holder. You go to the market and buy goods worth one lakh taka. We pay the money to the merchant. It's a credit to you but that company has got one lakh taka. And then the company uses the money to make more production. Ultimately what we call the velocity of the money increases. In totality it increases the availability of the resources.

DS: Modern banking is not only based on technology alone you need skilled manpower also.

KAM: We are making hard efforts to improve the quality of our team. For the year 2000 we have taken an executive skill development programme in which we will invite consultants and people with in-depth knowledge of the subject to help skill development of our senior

executives. What will happen in the next millennium is that under the WTO the service sectors will become very competitive. The protective boundaries that we have now will disappear. Unless we prepare ourselves for the competition we might see many foreign banks operating in the market. So unless we are prepared for that it will be difficult for us to survive.

DS: How do you look at the central bank's liberal policy to help grow modern banking in Bangladesh. Are there still bottlenecks for the smooth growth of modern banking?

KAM: Well, the Central bank's openness towards modern banking is very helpful and positive to the growth of modern banking. Even in the 80s there were many restriction in place: The interest rates and exchange rates were fixed by the Central bank, for example. Under the reform programme many of the restrictions have been withdrawn and Central bank's role has become more of a supervisory now as opposed to controlling in the past. This is helpful for the banks. It also helps the banks to strengthen their position. In fact banking sector has become much more stronger today than it was before.

About the stumbling block for the growth of the banking sector I would say we do not have a proper banking software in Bangladesh as of now. Moreover, there are three other important issues that need to be addressed and resolved quickly in the new millennium. They are:

(a) Huge non-performing loans

(b) Provision and capital shortfall in banks

(c) Low level of operational and manpower efficiency.

The main challenge of the Banking sector will be to overcome the above weaknesses. For this we need enabling environment such as effective legal system, improved tele-communication, improvement of law and order situation, and strong and effective supervision of Bangladesh Bank.

DS: Thank you very much for your time.

SMARTER THAN CASH

Janata Bank ReadyCash Card



With the ReadyCash card, you can...

Make purchases from a large variety of stores and commercial establishments in Dhaka.

Earn interest on your spending money kept on the card.

Withdraw cash from any participating Bank branch.

And Now...

Pay your monthly Gas bill with the ReadyCashCard at any participating merchant location.



ReadyCash



FOR MORE DETAILS : 8125294-7, 9114938, 9121882

IA: This is a very good question. Our answer is no, credit card does not discourage our savings habit at all. Let me tell you how. Each credit card we are issuing has a credit limit. The credit card is not an unlimited spending machine. Each individual card holder can use it up to a limit. And that limit is assessed on your income stream. Therefore, if your monthly income is within the range of ten thousand takas ANZ Grindlays Bank will not give you a credit card which has one hundred thousand taka limit. Because if you spend one hundred thousand takas, you will have to pay the bank with your source of only ten thousand takas. We have an assess-

ment process where we try to ascertain what should your credit limit be based on your income stream. Therefore you do not have the scope to overspend.

Secondly in a credit environment you will be getting monthly statement of your card use which will contain details of your monthly spending. With that statement you will know exactly what the amount outstanding and how much more you can spend. So it gives you a management profile on your cash limit.

DS: And a constant reminder.

IA: Yes. And as a result you will be able to manage your cash much more efficiently. Therefore, you will be able to manage your savings much more efficiently. To put it another way your opportunity to save is much more focused because of regular reminder of your cash position through monthly statement.

We at ANZ Grindlays Bank, do not encourage people to overspend. Credit card favours consumerism and it allures card holder into spending more. Since ours is not a welfare society shouldn't you encourage our traditional savings habit?

IA: This is a very good question. Our answer is no, credit card does not discourage our savings habit at all. Let me tell you how. Each credit card we are issuing has a credit limit.

The liberalisation processes set by Bangladesh Bank in various areas of banking are very beneficial to modern banking systems in the country. Bangladesh Bank has opened the windows to the culture of plastic money that has resulted in a number of banks getting into the credit card market in a big way.

DS: What would be the face of future banking?

IA: To answer this I will have to look at it from the point of view of a client. Most customers today are very particular about the service they receive. Customers have become more conscious and particular about value for money. The future of banking is to offer superior value added service to our customers which is most cost effective and, therefore, the lean towards electronic banking and delivery channels. To meet the growing demands for superior service we have to add products and/or services to fulfil almost every conceivable financial needs, e.g., Cash Management, Corporate Treasury, ATMs, PLANZ, SYFANZ to name a few.

DS: Thank you very much for your time.

IA: I would say that the present policies of Bangladesh Bank towards modern banking in general and plastics in particular are very positive and

laudable. The liberalisation processes set by Bangladesh Bank in various areas of banking are very beneficial to modern banking systems in the country. Bangladesh Bank has opened the windows to the culture of plastic money that has resulted in a number of banks getting into the credit card market in a big way.

DS: What would be the face of future banking?

IA: To answer this I will have to look at it from the point of view of a client. Most customers today are very particular about the service they receive. Customers have become more conscious and particular about value for money. The future of banking is to offer superior value added service to our customers which is most cost effective and, therefore, the lean towards electronic banking and delivery channels.