

# Build Your Wealth



DHAKA, TUESDAY, JANUARY 4, 2011, E-MAIL: [business@thedailystar.net](mailto:business@thedailystar.net)

## Retail banking: A paradigm shift

The use of technology has widened the reach of banking services. And a big part of growth of the industry can be attributed to the surge in retail

The retail-banking environment is changing fast. A banker from the 1980s cannot imagine the pace at which banks are operating today. Till 2000, banks carried out conventional banking, offered a few deposit and lending products.

Now days, banks offer loans for housing, cars, education, credit cards, marriage, travel, medical treatment, car CNG conversion, festivals, renovation and what not.

Bankers said the increasing use of modern technology has enhanced both the reach and accessibility of banking services. A big part of growth of the banking industry can be attributed to the surge in retail banking.

Retail banking is typical mass-market banking, where individuals use local branches for banking. Services broadly include deposits, lending, cards and remittance.

Bangladesh is witnessing steep growth in the uptake of retail loans for the past 5-6 years. Retail banking has been growing at double-digits for the past few years, riding on the growing middleclass. Now, all private, both local and foreign, and state-owned banks have come up with more and more retail products to attract customers.

In Bangladesh, the total size of the retail banking industry will be at around \$500 million or Tk 3,500 crore, excluding SME, according to Standard Chartered Bank Bangladesh, the



AMRAN HOSSAIN

A security guard sits in front of an Eastern Bank ATM booth in Dhaka.

pioneer and market leader of retail banking in Bangladesh. Standard Chartered's retail banking is growing at 15 percent a year, against market growth of 13 percent, said Bitopi Das Chowdhury, head of corporate affairs of the bank.

Brac Bank is also moving fast in grabbing market share. The bank is strengthening its foothold, both in terms of network and products.

"We develop products and services on the day-to-day needs of the customers," said Abedur Rahman Sikder, head of alternate banking of Brac Bank.

The bank has developed many products and customer touch points in the last five years. In addition to deposit and lending products, the bank has developed card products, internet banking, mobile banking, e-commerce and automated teller machines (ATM).

Recently, Brac Bank introduced Hajj cards and travel cards for customer convenience. The bank's debit card

business has also been growing fast. It currently has 250 ATMs of its own and developed partnerships with a number of banks to provide easy services to its clients.

"We also want to spread operations in the rural areas with our ATM services," said Sikder.

Bangladesh Bank (BB) statistics show, in view of the growing demand for consumer loans, the commercial banks have come forward with loans in different areas, such as purchase of flats and household durables, educational expenses, and the wider use of credit cards.

A BB study shows the growth of credit for flat purchase was recorded at 35.9 percent at the end of September 2009 from September 2008, while consumer loans in consumer goods, credit cards, and educational expenses showed a growth of 76.8 percent.

Bankers said improvements in the job market have boosted

the salaries of urban consumers, and hence, people feel it is more important to own a house.

"Mass housing sales has been picking up since the second half of 2009, after a lean period of sales in 2007 and 2008, when the army-backed caretaker government was in power," said a banker at a foreign bank.

High-end home sales are also increasing, he said. Banks charge 10-13 percent in interest rate for home loans.

Auto loans are also gaining momentum in line with the increase in vehicle sales.

"We see good demand for auto loans and it is one of the fastest growing segments for us," said an official of United Commercial Bank.

The rate of interest varies between 14.5 percent and 17.5 percent for auto loans.

"Our retail banking is growing faster than expectation," said Mashrur Arefin, head of retail banking of The City Bank.

[sajjad@thedailystar.net](mailto:sajjad@thedailystar.net)

## Still a long way to go

SAJJADUR RAHMAN

**E**VEN though it seems retail banking is booming in Bangladesh, it still ranks low compared to other South Asian nations, let alone global standards.

The Asian Banker, a reputed banking magazine, put only three Bangladeshi banks on a list of 137 banks across Asia in its retail banking rankings for 2009.

Meanwhile, nine Indian banks, five Pakistani and five Sri Lankan banks were on that list.

The magazine looked for 11 indicators in ranking the banks; value for franchise, financial performance, sustainability, transparency in strategy, ethical banking, sales capabilities, risk management, technology and efficiency, penetration and efficiency of distribution channels and people's skill.

From Bangladesh, Sonali Bank took the 114th position, followed by Standard Chartered Bank in 116th and Janata Bank in 126th.

HDFC Bank of India topped the list among the South Asian banks. It took 9th place. State Bank of India and ICICI ranked 39th and 51st.

Retail banking in India has been growing at an average of 25 percent for the past few years, while retail-banking asset is expected to be around \$300 billion at the end of 2010.

Hatton National Bank of Sri Lanka placed 69th position. Pakistan's United Bank placed 79th position.

Banks from Australia, China, Hong Kong, Malaysia and Singapore topped the list of retail banking ranking of the magazine.

Meanwhile, Bangladesh Bank in a circular issued last week capped debt and equity for consumer loans at 50:50 to curb inflationary pressure.

Despite retail banking growing rapidly in Bangladesh, it is still frightfully lower than other South Asian nations.

Most Indian banks have a high composition of retail banking in their portfolio. Some banks have a retail-banking portfolio of as high as 25 percent. Some Pakistani and Sri Lankan banks also have similar exposure to retail banking.

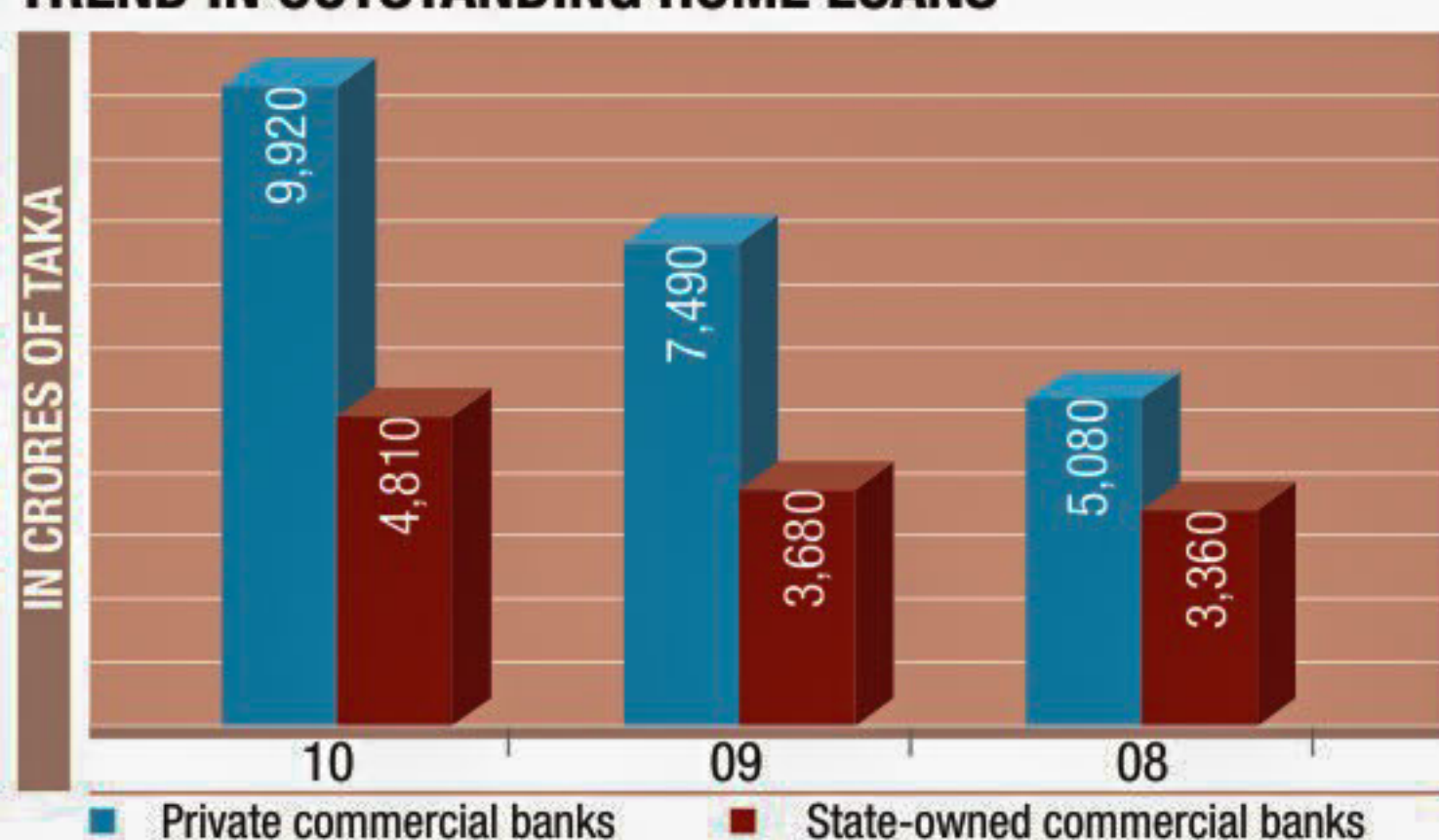
According to top bankers, the retail-banking portfolio is only 3 percent in Bangladesh, much less than many nations.

"It is true that retail banking may cause inflationary pressures. But it is too low for that in the country," said Ali Reza Iftekhar, managing director of Eastern Bank Ltd.

He said higher provisions that are required for retail loans also discourage banks to go for lending.

[sajjad@thedailystar.net](mailto:sajjad@thedailystar.net)

### TREND IN OUTSTANDING HOME LOANS



# The Daily Star

## LEADERSHIP COLLOQUIUM

# WHEN GREAT IDEAS MEET...

## positive change happens

For the first time in Bangladesh, The Daily Star Leadership Colloquium is going to organise it. It is the first of an annual event. Global experts working in leading technology organisations/institutions are going to meet local experts and industry leaders to discuss **Alternative Energy and New Technology**. It is a unique opportunity for you to get solutions to your energy

GLOBAL EXPERTS:

**DR AHMED BADRUZZAMAN**  
Energy scientist from Chevron with expertise in petroleum, nuclear industries and conventional

**PROFESSOR DR SAIFUR RAHMAN**  
Director of Advanced Research Institute at Virginia Tech, an expert in renewable energy.

**DR MD FAROOQUE**  
Senior Vice-President at Fuel Cell Energy (FCE), an expert in higher efficiency power generation and

**DR MEHDI ANWAR**  
Professor, Electrical and Computer Engineering at University Of Connecticut, an expert in electrochemical energy conversion and Storage.

**DR AVNI ARGUN**  
Research fellow at MIT and an expert in highly conductive nanoassemblies for clean and sustainable energy.

Sponsors:

