

A banker who changed the game

The chief executive of UCB talks about his strategy that turns the bank successful

SAJJADUR RAHMAN

WHEN the banking industry is grappling with high cost of funds and going with higher lending rates, a top banker said the soaring costs of borrowing will threaten the entrepreneurs and the overall economy in the days to come.

"Doing business is becoming costlier as the borrowing cost is getting dangerous. This will have a significant impact on the economy," said M Shahjahan Bhuiyan, managing director of United Commercial Bank, popularly known as UCB.

He was sharing his thoughts on the banking industry in Bangladesh and the regulator's role in helping the sector grow in an interview with The Daily Star at the bank's headquarters in Gulshan recently.

"To stop making local products uncompetitive, the regulator should come up with some control over the banks on the rising borrowing costs," said Bhuiyan who has been in the banking industry for more than 40 years.

He said some industries have already been affected and are being shut down. The UCB boss also talked about the recent exchange rate volatility where he smells manipulation.

Leading business bodies and entrepreneurs have already raised the issue and expressed their concern. They said after the central bank withdrew the cap on lending rates in the last quarter of 2011 commercial banks started to increase the lending interest rates up to 18 percent. Even the banks have increased interest rates for the loans taken a year or more ago.

Bhuiyan's stand may puzzle many bankers, but he argued on strong logical ground.

Why have some banks been facing a liquidity shortage? Why does their cash flow get squeezed? Why are they borrowing from the overnight call money market at higher rates?

He said: "It was because of their (banks) imprudent activities. They invested heavily on speculative market bypassing core banking investments."

"Some banks mismatched their asset-liability management."

Borrowers took their industrial or working capital loans straight to the stockmarket and banks failed to supervise those misdeeds, which he said had an impact



M Shahjahan Bhuiyan

on some banks' cash flow.

He called upon the central bank to carry out an investigation into the banks that are taking deposits at higher rates.

Bhuiyan is a luminary in the banking business. After graduating from Dhaka University he joined the then State Bank of Pakistan in 1970. He worked in Pubali Bank for 16 years before switching to City Bank and UCB in different senior positions. He then served Prime Bank for nine years, of which five and a half years as managing director.

He joined the trouble-torn UCB in 2008 as its managing director and magically turned the bank into a very successful one.

Deposits, loans and advances have gone up nearly

four times between 2008 and 2011. Non-performing loan which is an important indicator in assessing a bank's soundness has come down to less than 2 percent in 2011 from 4.62 percent in 2008.

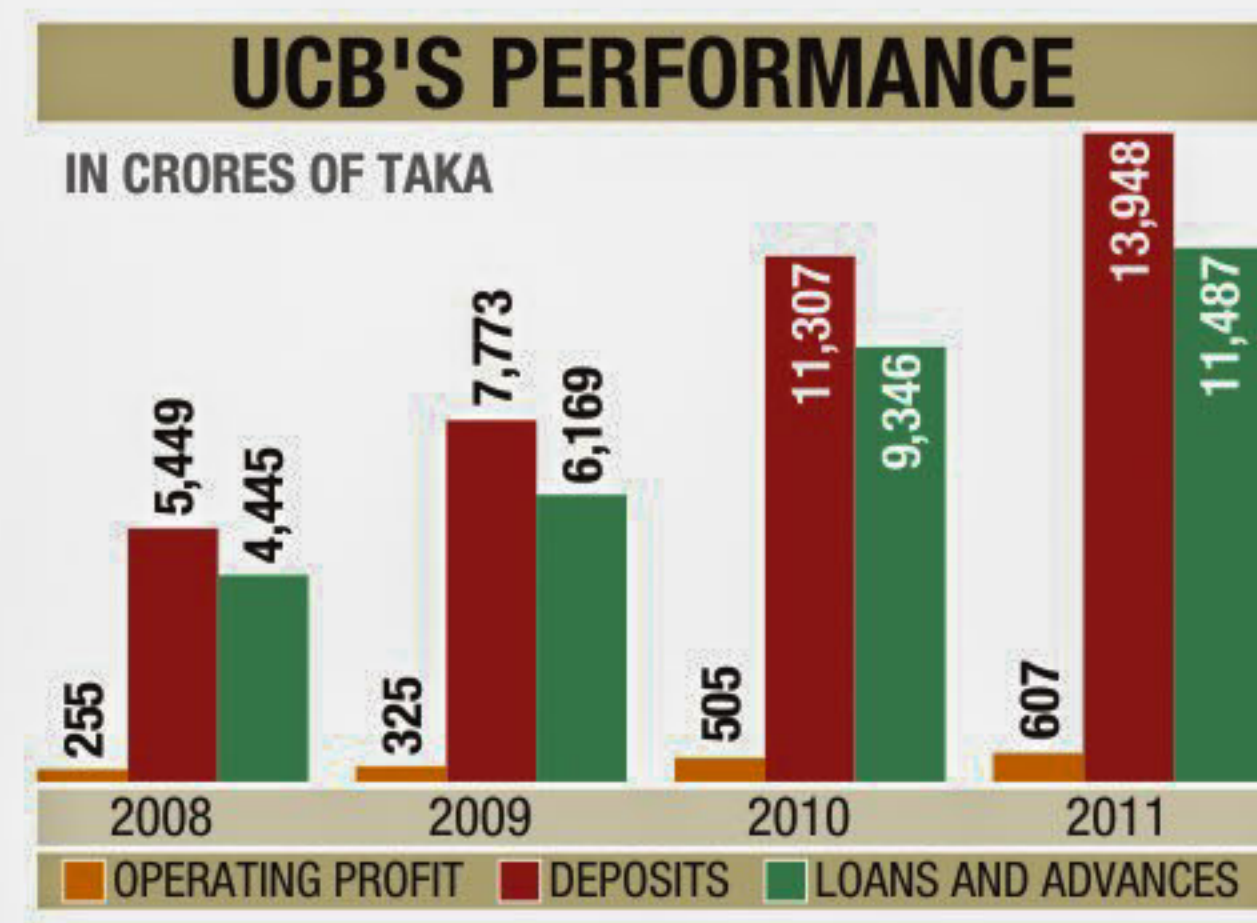
Bhuiyan recently won the country's first-ever best banker award for his outstanding contribution to steering the troubled-bank into a profitable one.

Now Bhuiyan dreams even bigger -- to turn the bank into a model financial institution.

What magic he has played?

"Though late, the board has understood that the bank is missing out huge business potential," said Bhuiyan.

"They (directors) are young, professional business-



men and understand the economy. All they needed a confident and efficient management," he said. "This mixture has worked and the board has seen that it is yielding results for the bank."

He said, a lot of customers who left the bank for its poor services, started coming back. Now customers are marketing for the bank.

All he had to do was an overhaul of the employees' mindset and policies and setting up the goal. He tried to bring a dynamic and enthusiastic environment in the working process.

"UCB as a first generation private bank earlier did not recruit employees on the basis of merit. So, they failed to net and deliver customers," he said.

To him, training the employees is a continuous process. "Not only training, they must be given incentives to be inspired to deliver their best," he said, citing an example of welfare fund established for the employees. He also introduced performance-based incentives and promotions for the employees.

He holds high hopes about Bangladesh. According to him, there is no dearth of ideas, businesses and manpower in the country. Banks have a role to advise and guide new entrepreneurs as they did in flourishing apparel industries in the country, he said.

"Man will get old and die, but not an organisation. A good institution has to adjust with the changes to deliver efficiently."

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Nothing stirs in Japan's nuclear ghost town

AFP, Iitate, Japan

THEY used to raise premium beef cattle in Iitate. But a year after Japan's nuclear disaster it is an irradiated ghost town and those who used to call it home have no idea when they will be able to return.

Around 6,000 people fled this once idyllic farming community on the northeast coast, leaving behind houses and shops that were once the focus of village life.

Post boxes and vending machines are sealed off. The shelves of the grocery store are empty and the lanes that used to echo to the sound of lowing cattle or the rattle of tractors are deserted.

Occasionally, the snow-covered stillness is punctured by the barking of a stray dog or the patrol of a police car sent to prevent looting.

Only a small number of people remain, including 100 residents of a nursing home, too old to move and looked after by staff who commute daily into the village.

Iitate lies just beyond the official no-man's land declared around Fukushima Daiichi after it began spewing radiation in the aftermath of the tsunami last March.

But the leaking reactors' toxic isotopes have not been confined to the 20-kilometre (12-mile) exclusion zone, and Iitate was evacuated when scientists found it was heavily polluted.

Administrative functions have been moved to a small town 20 kilometres away, while villagers have been scattered, many to newly built prefabricated housing.

"I know I will die here," Hatsui Akaihisawa, an 80-year-old rice farmer told AFP as she dried a wet carpet outside her temporary home in Matsukawa, central Fukushima, the biggest refugee housing complex for Iitate villagers.

"Of course, I want to go back home, but it does not mean anything if I can't continue farming," she said. "I'm giving it up now."

The cattle that were raised in the village for famed "Iitate brand" marbled beef have all gone, sold off at steep discounts, or slaughtered because the once-



AFP

A cat crosses a street in Iitate, Fukushima Prefecture. Some 6,000 residents were forced to evacuate after radioactive dust from the crippled Fukushima Daiichi nuclear plant fell on this once idyllic farming village.

prized meat was virtually unsellable.

"Even if we can return home, we won't raise cows anymore," said Masako Kobayashi, a 79-year-old cattle farmer. "We can't grow even a single stalk of rice of straw to feed them because of the radiation."

Tokyo says it plans to redefine the Fukushima evacuation zone by late March to take account of the fact that contamination levels vary widely even over small areas.

This could mean that Iitate will be broken into several different categories, with some places declared safe immediately, others requiring decontamination work and some parts being out of bounds.

Iitate mayor Norio Kanno said the village was "still a ghost town" in a speech he delivered last month when he was invited to a music festival in New York.

Kanno has pledged that all villagers will be able to go home, but many are sceptical.

"The future of Iitate is not rosy but

thorny," said Shigeru Hanai, a 50-year-old barber, who had returned temporarily to his shop in Iitate.

"Even if we are told, 'You may go home,' how could I do business without customers?" Hanai asked.

Masami Sanpei, manager of the nursing home that has become the centre of human activity in Iitate, said he wanted to keep the facility up and running, not just for its ageing residents, but so it can provide jobs for younger people when restrictions are lifted.

"The road to recovery is quite tough," said Sanpei, who commutes by car every day, along with 70 fellow care givers.

"Some people say the village only appears to be dead, but it really is," he said.

In December, Prime Minister Yoshihiko Noda said the country finally had control of Fukushima's leaking reactors, declaring them to be "in a state of cold shutdown".

But the disaster-weary public is only too

aware that the crisis is far from over, with some parts of the no-go zone uninhabitable for decades and decommissioning of the reactors expected to take 40 years.

The task of restoring towns and villages even in lightly contaminated zones is complicated, with high costs and the logistical issues of where to put the soil that has to be removed.

But not everyone believes Iitate is a lost cause.

Mihori Takahashi, 30, says she understands why people of her generation are shunning the contaminated village, particularly those with concerns about their children's health.

"But I am determined to return to Iitate with my husband, no matter what," said Takahashi, an employee at a grocery store that opened in January inside the Matsukawa temporary housing complex.

"Some elderly villagers say they want to return to die there," she said. "But I want to go back to live there."

INNOVATION IN CHINA From brawn to brain

THE ECONOMIST

THE end of cheap China is at hand. Blue-collar labour costs in Guangdong and other coastal hubs have been rising at double-digit rates for a decade. Workers in the hinterland, too, are demanding -- and receiving -- huge pay increases. China is no longer a place where manufacturers can go to find ultra-cheap hands. Other countries, such as Vietnam, are much cheaper. What will this mean for China and the world?

Contrary to conventional wisdom, it will not mean that companies close their Chinese factories and stampede to somewhere poorer. China is still a terrific place to make things. Labour may be cheaper elsewhere, but it is only one cost among several. Unlike its lower-paying rivals, China has reasonable infrastructure, sophisticated supply chains and the advantage of scale. When demand surges for a particular product, the biggest firms in China can add thousands of extra workers to a production line in a matter of hours.

So China is not about to hollow out. But if it is to keep growing fast, it must become more innovative. At present Chinese innovation is a mixed bag. There are some outstanding private firms. Frugal engineers at private companies such as Mindray, which makes medical devices, and Huawei, a telecoms giant, are devising technologies that are cheaper and sometimes better than their rich-world equivalents. Manufacturers operating near China's coast, whether home-grown or foreign, are adept at "process innovation" -- incrementally improving the way they make things. And China's internet start-ups, such as Tencent (a social-networking service) and Alibaba (an e-commerce company), have had a genius for copying Western business models and adapting them to the Chinese market.

But innovation is about more than this. One way of defining it would be as fresh thinking that creates value people will pay for. By that measure, China is no world-beater. Though its sweat produces many of the world's goods, it is designers in Scandinavia and marketers in California who create and capture most of the value from those products.

China's leaders know this, and are pouring billions of dollars into research and development. The current five-year plan calls for "indigenous innovation", which the government thinks it can foster by subsidising "strategic" industries and strong-arming foreign firms to transfer intellectual property to budding national champions.