IDLC's dreams of growth

The chief of the non-bank financial institute sets his target higher

SARWAR A CHOWDHURY

IDLC Finance aspires to be the best financial brand in Bangladesh with innovations, talents, diversified products and services, says its managing director, Selim RF Hussain.

The non-banking financial market in Bangladesh is still a small one. There are major opportunities for companies with the right vision, energy, creativity and most of all, right talents, he says.

Seeing the opportunity, IDLC Finance has been working hard especially over the last two years to tap the potential in the non-banking financial market.

"We have, over the past two years, built up our skills and capacity. We have recruited more than 350 new staff members, opened 16 new branches and added to our customer deposits and loans by 72 percent and 60 percent respectively," Hussain says.

As an opportune next step, IDLC has recently re-branded itself by changing its logo. "The re-branding is aimed at re-emphasising our traditional strengths of corporate governance," Hussain says.

The performance of IDLC in the past few years shows signs of growth and what it may achieve in the coming days.

Customer deposits rose to Tk 1,682 crore in 2011 from Tk 825 crore in 2008. Customer loans and advances, excluding margin loans or share credit, were Tk 1,249 crore in 2008, which soared to Tk 2,187 crore in 2011.

The trend of non-performing loans shows that the loan recovery rate of the company is in good shape. The non-performing loans in 2008 were 3.97 percent, which came down to 2.32 percent at the end of 2011. It stood at 1.6 percent in March.

"We are extremely bullish about the future because we are confident about our strategy and policies, our skills and capabilities and the way we do business," Hussain says. "We are continuing to invest heavily in people, our processes, premises, technology and brand."

"We are very confident that the traditional 'banking' business will continue to grow very strongly. We plan to become a Tk 5,000 crore asset company by 2014 and there is no reason we should not be able to double that amount by 2017," he says.

"We will be very aggressive and are determined to achieve quality growth."

Established in 1985 as a lease financing company, IDLC now equally focuses on corporate, retail and small and medium enterprises as well as capital market through its merchant banking and brokerage subsidiaries.

"The IDLC will continue to be a role model for transparency, corporate governance, statutory compliance and ethical standards in the capital market. We do business the right way and others can and should learn from us," Hussain says.

Selim RF Hussain

The company's diversified product portfolio includes corporate and structured finance solutions to local and multinational corporate houses, personal financing products such as deposits, personal loans, home loans and car loans, financing facilities for SMEs, merchant banking solutions such as portfolio management and issue management, and brokerage services through.

Listed on the stockmarket in 1992, IDLC is a blue-chip security that pays out healthy dividends to shareholders every year. In 2010, it disbursed 35 percent cash 65 percent bonus dividends and announced 25 percent stock dividends in 2011.

Talking about the country's non-banking financial institution (NBFI) sector, Hussain says after many years of relative lethargy, the sector grew satisfactorily in the recent years with customer assets growing by approx 25 percent a year. "In recent years, we have seen a major thrust into the capital market arena," he says.

While 2010 was a bumper year for most NBFIs because of the huge returns from the capital markets, it also signalled a loss of focus on traditional and more sustainable financing business which should really be the core focus of all NBFIs. "2011 was a difficult year for everybody because of both the liquidity squeeze and stockmarket crash which really began in end-2010," he observes.

He identifies finance sourcing as a major challenge for the NBFIs. "Almost all NBFIs depend mainly on corporate and inter-bank borrowings to fund their customer assets. As a result, when liquidity becomes scarce, these sources dry up or become very expensive. This is a severe threat to the NBFI sector's profitability," he says.

The solution lies really in the sector's attaining self-sufficiency in funding by shifting their funding focus to customer deposits -- something that the IDLC has done since the start of 2011. "Today 75 percent of the IDLC's funding is from retail, institutional and corporate customer deposits," he says.

The NBFI sector has lagged in the banking sector in attracting qualified professionals into its ranks over the years. The NBFI sector has lacked sustained leadership from management and vision from sponsors and has therefore never really grown with vigour or momentum, he says.

It has marginalised the sector and made it less attractive to the best talents in the country -- which has, in turn, continued the marginalisation of this sector via-a-vis banking. "If the NBFI sector is to grow much more rapidly, it must find ways to recruit, develop and retain the best young professionals in the country," he says.

The IDLC boss says the Bangladesh stockmarket reached incredible heights in 2010 and then crashed. "We are still suffering from the after-effects of the crash even after 14-15 months. There is still a lack of confidence in the market although stock prices are now very attractive," he says.

The stockmarket must find ways to discourage trading and encourage long-term investors to come to the market. "What we need for the mentality of our stockmarket players to change from being 'trading-focused' to 'investment-focused'," he says.

One should not come to the stockmarket if he does not have surplus savings to invest or is not willing to invest funds for three to five years, he says.

IDLC was the biggest gainer yesterday as it closed 9.75 percent higher at Tk 100.

Businesses back Odommo Chattagram

ARUN BIKASH DEY, *Chittagong*

BUSINESSPEOPLE in Chittagong have extended their full support to The Daily Star in organising the Odommo Chattagram (Indomitable Chittagong) festival between March 30 and April 10.

The campaign is meant to brand Chittagong and project culture, history, heritage and prospect of the port city to policymakers.

The country's most-read English newspaper is being helped by the business community, cultural activists and intellectuals of Chittagong.

"Odommo Chattagram is an inspiration for the common people as well as for the business community," said Nasir Uddin Chowdhury, first vice-president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

"The festival will also provide a clear idea about the tradition and heritage of Chittagong to the new generation," Chowdhury said.

Businesspeople will benefit from attending the events on business at the festival, he said.

Mahbubul Alam, president of Khatunganj Industries and Traders' Association, said: "Odommo Chattagram is a unique festival from the perspective of Chittagong and its people."

Alam said he rediscovered himself after attending the inaugural of the two-day The Daily Star-Heritage Chatigram History Conference at Theatre Institute Chittagong on March 16 held as a prelude to the festival.

"At the conference, I was spellbound by the lecture of Prof Ranabir Chakravarti, who talked about the glorious history of Chittagong," he said.

"The way The Daily Star is projecting Chittagong through this festival is really appreciable and we are grateful to The Daily Star for this mega initiative," said Alam.

M Nasir Uddin, managing director of Pacific Jeans, said: "Branding Chittagong is essential for the development of the country."

The festival is focusing on the potential of Chittagong that will impact the economy of the country, he added.

"As a son of this soil I feel proud to hear the announcement of this festival," he said.

"This is our festival and we will cooperate with it in all respects."

The young generation, especially the students, will be benefited by knowing about the culture, heritage, history and potential of Chittagong through different events at the festival, said Zahirul Islam, director of PHP Group.

The initiative will help not only the local people, but also others from the rest of Bangladesh to enrich their knowledge about the region's heritage and prospects, Islam said.

Morshed Murad Ibrahim, president of Chittagong Chamber of Commerce and Industry (CCCI), said the people of Chittagong are enthusiastic about the festival.

Ibrahim said the businesspeople are excited to join the festival. Discussions on 'Chittagong Economic Direction' and 'Economic Conference' will help the businesspeople and policymakers make decision, he added.

"I think the festival will play a vital role in projecting the glorious past as well as the potential of the port city."

Tariq Ahmed, director (operations) of TK Group, said the festival will be an eye-opener for the policymakers of the country as it will project the potentials of Chittagong at the national level.

Chittagong has tremendous potential and the young generation will be inspired by the festival, he said.

"General people don't know much about the glorious history of Chittagong," he said, adding that Chittagong has been playing a vital role in regional connectivity since the mediaeval age.

Thanks to the initiative by The Daily Star to project the history of the city, people from both Chittagong and outside will have an opportunity to know about it.

SM Abu Tayyab, president of Chittagong Club Ltd, said the 'Odommo Chattagram' festival will bring history, heritage, prosperity and problems of Chittagong together under the same roof.

INDIA'S ECONOMY

Losing its magic

Politics is preventing India from fulfilling its vast economic potential

THE ECONOMIST

INDIA is a land of large numbers: a place of over a billion people, a million mutinies and a thousand different tongues. But it is not too much of a stretch to say that since independence in 1947 there have only been two kinds of Indian economy.

The first produced slothful growth, mind-bending red tape and suffocating bureaucracy. The second revved up gradually after liberalisation in the 1990s, so that by the mid-2000s India was a land of surging optimism -- open and full of entrepreneurs who overcame a retreating but still cranky public sector. The country seemed destined to enjoy a long spurt of turbocharged growth, thanks to its favourable demography, fired-up firms, gradual reforms and willingness to save and invest.

But lately, like a Bollywood villain who just refuses to die, the old India has made a terrifying reappearance. The main reason is the country's desperate politics.

India's acceleration in trend growth, from an average of about 6 percent in the late 1980s to as much as 10 percent (and, some hoped, beyond), may sound modest. But extrapolated over several decades it promised to transform the country and Asia. Hundreds of millions of Indians would escape poverty faster. Firms the world over licked their chops at the prospect of a vast new middle class. Strategists in the Pentagon began to see India as a superpower-in-waiting and a democratic counterweight to China.

No one doubts that India's economy will keep getting bigger. But the angle of its economic trajectory has dropped. Growth slowed to 6.1 percent in the past quarter. Even if, as the government hopes, it bounces back, plenty of people worry that trend growth is now unlikely to be much above 7 percent.

Three recent episodes illustrate the muddle at the top. First, the government announced that it was at last opening its inefficient retail industry to foreign firms -- only to change its mind within days. This month, to protect industry at home, it banned the export of cotton, upsetting India's farmers and trading partners; within days, it backtracked. And last week the government moved to overrule the Supreme Court and change the tax code to tax foreign takeovers retroactively, not least Vodafone's purchase of its Indian arm. Some worry that the rule of law, one of India's great strengths, is being eroded.

No wonder business is in a sulk and investment is falling. Red tape and corruption, always present, seem to have got worse -- in recent state elections so many banknotes were doled out that they help explain a liquidity problem in the banking system. Longstanding bottlenecks have not been tackled. Partly as a result, inflation is high and stubborn.

Every one of these problems involves the state, still huge and crazy after all these years. Few ever thought it could be reformed easily. But the hope was that a wily private sector would allow India to sprint to prosperity regardless. That view now looks romantic. It is not just a matter of a lack of the public services, from roads to power, that any economy needs, particularly if manufacturing is to thrive -- as it must in India if the millions entering the workforce every year are to find jobs. Lately the state has found other ways to muck things up.

Its borrowing binge in the past few years (India's overall fiscal deficit is approaching a tenth of GDP) has crowded out the private sector and made it hard for the central bank to cut interest rates. New industries that had largely escaped the bureaucracy, such as mobile telecoms, now feel its clammy grip.

This dispiriting scene is in turn mainly caused by two political problems. The gradual fragmenting of voters' allegiances has made India's parliamentary arithmetic excruciatingly tight. The Congress party, which has ruled the country since 2004, depends on fickle and populist coalition partners. Congress itself is in a mess. The elderly ministers who run the country serve at the behest of Sonia Gandhi, the hereditary chief; an attempt to promote her son Rahul as the next dynast has gone badly. The government has not passed a big reform for years and seems preoccupied by holding a ragged coalition together until national elections in 2014.

The second kind of political problem has to do with limited ambition. The recent budget saw tweaks to tax rates, debt quotas and duties, all implausibly heralded as big steps. Struggling to pass reforms such as a new nationwide goods and services tax, and unwilling to tackle state monopolies and vested interests in industries like energy, even reforming politicians now settle for yanking a few rusty levers of the bureaucratic machine. Administrative improvisation is being taken as a substitute for genuine reforms that open up the economy.

India's politicians point out that growth of 6 percent or 7 percent is far faster than most other countries. But that is complacent. Just as China is said to need 8 percent growth in order to maintain social stability, India probably needs to grow at 6 percent or more to maintain financial stability. Lower growth than that would make the public debt harder to bear and scare off the foreign capital that India needs to fund its current-account deficit and pay for its imported energy. And whereas for a rich country, failing to fulfil its potential is a disappointment, for India, so full of poor people and so badly in need of jobs, it is a tragedy.

Eventually, fragmenting politics may become a source of hope. Some states are still forging ahead. And although local elections this year featured the usual graft and hereditary candidates, some voters discarded the old politics of grievance, caste and religion, chucked out useless politicians and voted in more promising ones. Yet at the national level it may take years for a new generation of politicians to break through today's crowd of gerontocrats. The main opposition party, the BJP, is scarcely in better shape than Congress.

For now, then, it is up to the existing lot to get India back on track. One motivation should be fear. A slower-growing India will be more financially vulnerable, poorer, full of frustrated young people and taken less seriously by the rest of the world. India's political class will not enjoy the consequences. India is a place that has fallen out of love with reform. It needs to get the magic back.