Trust Bank plans to reach the unbanked

Chief Executive Officer Shah Alam Sarwar shares its future plans with The Daily Star

SUMAN SAHA

"We are doing our core banking business with utmost professionalism and are now focusing on small and medium enterprises, renewable energy, rural development and remittance to broaden the financial inclusion," said said Shah Alam Sarwar, chief executive officer of Trust Bank

TRUST Bank Ltd, one of the third generation private commercial banks of the country, plans to expand its reach by opening more rural branches, ATM booths and pay-points countrywide.

"We pursue a financial inclusion model in our business, and want to bring the unbanked population into the banking network through low-cost technology-based services," said Shah Alam Sarwar, chief executive officer of the bank.

Seventy branches of the bank are now in operation and another 10 branches will be opened mostly in rural areas by 2012, Sarwar told The Daily Star in an interview at its head office in Dhaka recently.

"We are doing our core banking business with utmost professionalism and are now focusing on small and medium enterprises, renewable energy, rural development and remittance to broaden the financial inclusion," said the 53-year-old official.

The bank's operating profit from core banking was Tk 1,563.18 million in 2011, up from Tk 1,361.80 million in 2010, according to the banks' annual report for 2011.

The bank disbursed SME loans worth Tk 2,716 million in 2011, marking a growth of 49.64 percent than the previous year, according to the report.

Shah Alam Sarwar

The bank, which recently completed 12 years of its operations, started its mobile banking services under a pilot project in 2010, said Sarwar, who has over 30 years of banking experience.

Around 60 percent population of the country lacks an access to formal banking services due to inadequate number of rural branches, industry insiders said.

The bank, sponsored by the Army Welfare Trust, listed on the country's bourses in Dhaka and Chittagong in 2007. It has already opened 1,000 mobile pay-points countrywide.

The official said its mobile banking operations are not meant for making profits. Trust Bank pursues a bank-led model to provide mobile banking services with the total supervision of the bank, said Sarwar who joined the bank in 2009.

The bank will take full responsibility to ensure depositor's interest in mobile banking.

Sarwar, who started his career as a management trainee with ANZ Grindlays Bank in 1982, said his bank charges Tk 10 to remit money up to Tk 2,000 and beyond that Tk 5 for each Tk 1,000.

"We want to finance more in renewable energy and bio-gas projects to mitigate the nagging power shortage." The bank has so far disbursed over Tk 20 crore in bio-gas projects, he said.

Despite a serious liquidity crisis, Trust Bank remained unhurt in the volatile money market in late 2010, as it judiciously maintained the fund management, he said.

Currently, the bank lends Tk 6.5 billion on an average in the call money market as per its prudent policy, he said.

The bank's consolidated deposit was Tk 65,930 million in 2011, up from Tk 50,537 million in 2010, according to the annual report.

Sarwar said his bank focuses on upgrading its technology to offer supreme customer services.

He said his bank upgraded its technology depending on the rise in the bank's business volume along with different demands from customers.

"We now offer any branch banking services to our clients and are gradually improving our technological platform."

The bank introduced ATM services in 2005. In January 2007, it launched different online banking services, including any branch banking, ATM banking, phone banking, SMS banking and internet banking services.

The bank's customers can now deposit or withdraw money from any of its branches nationwide without opening multiple accounts in multiple branches, he said.

On new private banks, he said: "It will not create an uneven competition in the banking sector that grows at 25 percent annually."

"There is no sacrosanct banking business model in the world," said Sarwar, who got his MSS degree in economics from Dhaka University and an MBA degree from Victoria University, Australia.

"If businesses think they will be able to earn money through opening new banks, let them come to the field. The market force will determine the future of the sector."

Trust Bank traded at Tk 28 on the Dhaka bourse and Tk 27.70 on Chittagong Stock Exchange each share yesterday.

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India: warning lights flash on economic dashboard

REUTERS, *New Delhi*

IT had been another brutal day for the rupee on the foreign exchanges as India's economic crisis escalated and, travelling home from a visit to Myanmar last week, Prime Minister Manmohan Singh summoned journalists on his plane for a briefing.

The one statement he had prepared for the media that night, however, concerned allegations of corruption levelled against him and his cabinet ministers - not the economy.

Quizzed on the Indian currency's precipitous slide to record lows, Singh blamed the global economic slowdown and the euro zone's emergency, and he voiced hope that the G20 would sort these troubles out at a summit in Mexico later this month.

Two days later, when gross domestic product (GDP) data showed India's growth rate had plunged to its lowest level in nine years, Singh's finance minister likewise pointed a finger at "weak global sentiments", as well as the Reserve bank of India (RBI) for its tight monetary policy.

But as warning lights flash on India's economic dashboard - with manufacturing output and consumer demand now fading as well as corporate investment, fiscal and trade deficits ballooning and inflation stubbornly high - few buy the line that it's somehow not the government's fault.

"There is so much denial, but almost all of the problems in India are self-inflicted," said Rajeev Malik, senior economist at CLSA Singapore. "The Indian situation is ... an outcome of policy incoherence, a government that's asleep."

Economists say New Delhi's policy inertia and the absence of significant reforms to sustain growth have now turned India's slowdown from a cyclical one to something that is structural or systemic.

The country is now stuck with lower growth than its potential: not the "Hindu rate of growth" of about 3.5 percent that dogged the state-stifled economy before big-bang reforms two decades ago, but a 21st-century version of that, which Malik calls "growth with a government-incompetence discount".

To be fair, the external environment does partly explain the faltering growth. However, all of Asia's emerging markets have been buffeted by chill winds from the United States and Europe, and yet India has fared worse than others, losing its ranking as the region's second-fastest growing economy.

Last week's news that GDP grew by 5.3 percent in the first three months of this year, a stunning tumble from 9.2 percent in the same quarter of 2011, put India fourth among Asian emerging-market economies behind China,

AFP

An Indian policeman adjusts his cap as he walks past a collage of the new Indian rupee symbol made with signs of the US dollar, the yen, the pound and the euro outside the Bombay Stock Exchange (BSE) in Mumbai.

the Philippines and Indonesia.

For JP Morgan Chase's India chief economist, Jahangir Aziz, what the government needs to do is "begin by admitting that the problem lies not in Greece, but at home".

That doesn't look likely anytime soon: one day after the GDP data, the cabinet met to agree on removing restrictions on the export of skimmed milk powder and broke up without discussing the country's economic predicament.

Western nations might look with envy at a growth rate of more than 5 percent, but not at India's inflation rate of over 7 percent, a current account gap now at its widest since 1980 and a fiscal deficit that has been allowed to swell to 5.9 percent of GDP thanks to a raft of crippling subsidies.

The rash of macroeconomic imbalances has raised the spectre of India's balance of payments crisis in 1991, when the central bank was forced to airlift tons of gold to Europe as collateral for a loan to avert a sovereign default.

Singh, then finance minister, rammed through deep-seated reforms that pulled India back from the brink and set it on the road for a streak of growth that came close to double digits before the global financial meltdown of 2008.

A repeat of the full-blown crisis 21 years ago would be hard to imagine now, not least because India's stock of foreign reserves is comfortable.

But confidence is evaporating fast.

"Goodbye 2020, Hello 1991," the Economic Times newspaper moaned in a front page headline after the weak growth data, referring to India's goal of becoming a developed country by the end of this decade and rubbing shoulders with China.

The trouble is that since it won a second term in 2009 the government led by Singh's Congress party has taken no major policy initiatives to further the liberalisation he pioneered.

Instead, an outcry over corruption and peevish coalition allies that block unpopular reform have frozen the government into inaction.

All this at a time when it needs to be slashing subsidies for fuel, fertiliser and food to fix the country's fiscal credibility and tackling regulatory uncertainty and the high cost of doing business to halt a slowdown in investment.

Samiran Chakraborty, chief economist at Standard Chartered in Mumbai, said one signal that the decline has become more structural than cyclical is that consumption - a driving force behind the growth spurt of recent years - has lost momentum.

"Both investment and consumption seem to be getting impacted now. Both engines are now not functioning," he said, explaining that persistently high inflation has eaten into real wages, negative business sentiment has spread to consumers and a post-boom stagnation of asset prices has hit consumption.

"I don't think the economy has spontaneous power to revive on its own," Chakraborty said. "It's contingent on the policymakers."

The government last week announced austerity measures that included some curbs on state spending, but belt-tightening in response to debt troubles will only drive growth lower.

Asia struggles to ward off impact of European crisis

AFP, *Shanghai*

WEAK manufacturing activity in China and dismal growth data from India have underscored Asia's vulnerability to the European turmoil and sparked fresh calls for government intervention.

Asia was long considered a global bright spot, even a haven from Europe's deepening crisis and the weak US recovery. But the continent is starting to feel the heat as overseas markets deteriorate.

World Trade Organization chief Pascal Lamy said on Thursday that the region was increasingly "interconnected with the rest of the planet and I don't think this relative immunity will be forever".

"I would expect, given what is happening in other parts of the world economy, this region to be more affected than it has been so far," he said.

Lamy's fears were borne out within hours as the disappointing data stoked calls for China's and India's governments to kick-start their economies to escape hard landings, which could worsen the already fragile global outlook.

"China's economic slowdown is more severe than expected. Export orders are continuing to fall, which is definitely related to Europe's debt crisis," said Liao Qun, chief economist for Citic Bank International in Hong Kong.

"Uncertainty in Europe is high. China needs to move faster and more aggressively to speed up loosening of its monetary and fiscal policies."

China's official purchasing managers' index (PMI) for manufacturing indicated a sharper-than-expected slowdown in May, while separate PMI data released by British bank HSBC showed a contraction for the same month.

China has already cut bank reserve requirements three times since December as exports -- a key engine of growth -- have stumbled, causing economic growth to weaken to its slowest pace in three years for the first quarter.

There are signs that Beijing is ramping up spending with infrastructure projects, but officials and state media have ruled out a massive stimulus plan like a four-trillion-yuan ($635-billion) spending spree in 2008.

Meanwhile, India's economy grew at a nine-year low of 5.3 percent in the first quarter, data showed Thursday, as the global downturn hit the emerging market giant.

The unexpectedly grim figure was well below analysts' forecasts for 6.1 percent growth and coincided with China's bleak data, dimming hopes that emerging countries will power the global economy back to health.

HSBC's chief India economist Leif Eskesen said India's weakening economy was like a "gasping elephant".

"The slowdown in growth has proven deeper than expected," he said.

India's other indicators are a source of worry: the rupee is at historic lows against the dollar, annual inflation remains high at around 7.0 percent, and the current account and public deficits are large.

That makes it difficult for policymakers to respond to slowing growth, since the bulging public deficit gives little scope for added government spending and high inflation makes cutting interest rates difficult.

Elsewhere, South Korea's exports - - an indicator for the region -- declined year-on-year for a third straight month in May as the eurozone turbulence and China's slowdown took their toll on the economy, figures showed Friday.

South Korea's shipments to the United States dropped 16.5 percent and those to the European Union fell 16.4 percent.

A PMI reading for resources giant Australia fell deep into negative territory while Taiwan's HSBC PMI fell to 50.5 from 51.2, barely staying above the contraction level of 50.

Asian stocks have taken a further hit, following a miserable May in which most regional markets gave up almost all the gains they had made since the start of 2012 as Europe's debt crisis came back into sharp focus.

Companies are also yanking massive initial public offers, citing the weak market conditions. London-based jeweller Graff Diamonds said Thursday that it had decided to delay its $1.0 billion offer in Hong Kong.

Another glamorous business, Formula One, is waiting for "the most opportune" time to launch its $2.5 billion IPO in Singapore after turbulence returned to financial markets, a source said on Friday.