Sustainable banking is the way forward

The CEO of Alternative Bank of Switzerland says his goal is not to make profit, but to serve community and environment

MD FAZLUR RAHMAN

FINANCIAL institutions around the world must change their profit-mongering mindset and adopt value-based banking practices for meaningful contribution to the economy once again, said the chief executive officer of Alternative Bank of Switzerland (ABS).

"The banks were established with a very real economic purpose. But they went astray and are now doing a lot of things they should not have been doing. We have to bring them bank on track," Martin Rohner said.

With the value-based approach, profit is not the main goal, but comes in the "triple bottom line of people, planet and profit", Rohner said in an exclusive interview with The Daily Star last week.

"In this system, you are not under pressure from your shareholders to generate as much profit as you can. Here, your mission is to serve the community and the environment, which is a totally different incentive set."

Rohner was recently in Dhaka to attend a conference of the Global Alliance for Banking on Values (GABV).

Launched in 2008, GABV is an alliance of 20 of the world's leading sustainable banks, with the aim to leverage finance to deliver

Martin Rohner

sustainable development to the underserved.

The network's members meet three criteria: independent and licensed banks with a focus on retail banking, have a minimum balance sheet of $50 million, and, most significantly, be committed to social banking and the triple bottom line.

"Basically, the banks have to look at the social and environmental consequences of their actions."

Rohner, who holds an MPhil degree in environment and development from the University of Cambridge, does not think sustainable banking is unfeasible.

"In fact, GABV issued a study in March this year that compared the performances of the alliance's members with large and very well-known international banks. It turned out that the GABV members had better growth in assets, deposits and income."

Rohner said the financial crisis demonstrated the errors of being governed by the singular aim of profit maximisation.

"If all those banks were lending in the real economy I think we would not be in the situation we are in now," he said.

The banker, however, did not completely disregard the role of profits; it is just profitability would slightly be lower for value-based banks, citing the BRAC Bank as an example.

"Since BRAC Bank has been demonstrated that their business strategy is not only helping them stick to value-based banking but also yielding them profits, I can imagine other banks following suit."

The 46-year-old said the sustainable banking practice is gaining recognition and fast catching attention of the traditional banks.

"Due to the banking crisis at the global level, both the public and the policymakers have become much more critical about banking."

He said the banks are also aware that a new model of banking is required and are now considering the GBVA as a possible alternative.

The Swiss national thinks there might be a possible confrontation with mighty traditional banks, though.

READ MORE ON B3

State banks to give Tk 385cr loans to tanners

REJAUL KARIM BYRON

STATE-OWNED commercial banks will give Tk 385 crore loans to tanners ahead of the Eid-ul-Azha, up from Tk 365 crore last year.

The state banks account for around 90 percent of the loans given for the purpose.

"The customers who repaid loans in time last year will get new credit," said Janata Bank Managing Director SM Aminur Rahman.

Janata has started giving loans to tanners in line with the bank's plan to disburse Tk 170 crore this year -- the same as last year -- among 22 borrowers, Rahman said.

Sonali Bank will disburse Tk 65 crore in loans to three customers.

"The three customers will get the loans in a couple of days," said Sonali Bank Managing Director Pradip Kumar Datta. "We are giving loans to those who repaid loans in time."

Agrani Bank will give Tk 102 crore in tannery loans this year, up from Tk 80 crore last year. Rupali Bank will disburse Tk 48 crore, down from Tk 50 last year.

Around Tk 400 crore has remained stuck in the tannery sector as default loans. Most of the loans were given in the first half of the 1990s but could not be realised yet, according to data from the state banks.

A high official of Sonali Bank said the tannery owners in the past used to start lobbying on the eve of the Eid-ul-Azha and would create pressure on the banks for loans.

The official said the media also used to carry out a propaganda that the banks were not giving loans to the tannery owners to buy rawhide and so leather was being smuggled out.

About five years back, the central bank formulated guidelines for giving loans to the leather sector. The banks now strictly follow the policy in giving loans and face much less pressure.

Bangladesh Bank has set up an exit policy to the effect that if the old default borrowers pay their principal amount, they will be given scope to go out of the default borrower tag.

FBCCI launches websites of 15 chambers and associations

UNB, *Dhaka*

THE Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) yesterday launched the websites of 15 chambers and associations to help keep them posted about latest happenings in trade and industries.

The websites were facilitated by the governing body of FBCCI to improve the linkages and the capacities of its subordinate business associations and district chambers, an official of the apex trade body said in Dhaka.

The chambers and associations include Feni Chamber of Commerce and Industry, Bagerhat Chamber of Commerce and Industry, Nilphamari Chamber of Commerce and Industry, Bangladesh Tanners' Association and Bangladesh Kali Prostutkarok Malik Samity.

"The present governing body of the FBCCI has a target to facilitate the website building of 100 associations and chambers functioning under the umbrella of FBCCI," said FBCCI First Vice President Md Jasim Uddin.

READ MORE ON B3

India needs to dig deep to keep lights on

REUTERS, *Dhanbad*

THE slick mechanised operations at the Piparwar open-cast mine in eastern India, an ugly gash in the landscape bigger than New York's Central Park, could lead the casual observer to conclude that the country's coal industry is on a roll.

Piparwar, run by the state miner, produces some of the lowest-cost coal in India, just what's needed for a country struggling to get enough of the "black diamond" to fix a power crisis that recently plunged half a billion people into darkness and chokes economic growth.

With oil and gas output disappointing and hydropower at full throttle, Asia's third-largest economy still relies on coal for most of its vast energy needs. About 75 percent of India's coal demand is met by domestic production and, according to government plans, that won't change over the next five years.

The hitch is that India is running out of cheap open-cast coal from existing mines like Piparwar. Unless it starts investing now in underground mines, within a decade it will face a huge leap in energy import costs that could derail industrial projects, crimp economic growth and drive up inflation.

"With the ballooning demand for coal in India, open-cast mining has become the easy option, albeit at a great cost to the environment and society," said a senior executive at a power company, speaking on condition of anonymity.

"This easy option is likely to be exhausted within the next 10-12 years when the shallow seams amenable to open-cast mining dwindle."

WRONG DIRECTION

Coal India Limited, the state-run miner that produces 80 percent of the country's coal, recognises the need to raise the amount that underground mining contributes to total output from just one tonne out of every 10.

But the higher costs and lower output of deep mining - Coal India's chairman has said its existing underground mines are loss-making - are pushing it in the wrong direction.

Its plans for new mines target a contribution from underground of only about 7 percent.

REUTERS

A man carries sacks of coal on his bicycle taken from an open coalfield in the eastern Indian state of Jharkhand.

That would be disastrous, argues D.C. Panigrahi, director of the Indian School of Mines in Dhanbad, a mining town in the heart of Jharkhand, the country's most productive coal state.

He says that unless Coal India cuts its dependence on open cast mining by around 5 percentage points per year, overall output will start to stagnate around the end of this decade.

If India is going to meet its output targets of 750 million tonnes by 2016/17 - a rise of nearly 40 percent from the current financial year - it needs to act soon. It takes on average six years from planning to production for an underground mine.

India used to mine most of its coal underground, just as the world's biggest producer, China, currently does for its huge output of more than 3.5 billion tonnes a year. But it was not getting enough out of the ground fast enough to meet demand.

"When everything was underground, the growth rate was less than 2 percent per annum. We needed more than 5-6 percent growth and that could only come from open cast," said Partha Bhattacharyya, a former chairman and managing director of Coal India.

Open-cast mining strips away topsoil, or "overburden", to expose the seams underneath. It is much more economical than underground mining, where up to 70 percent of the coal must be left to act as support for the tunnels and galleries.

But while India has ample coal reserves - at about 286 billion tonnes, they are the world's fifth-largest, according to BP - not all of that is accessible by simply removing topsoil.

LAND PROTESTS

The other problem with open cast is the need to buy vast tracts of land, far more than underground mines, whose shafts, winding gear and offices can be set up on as little as 2.5 acres (1 hectare).

"Getting the land is becoming more and more difficult in a democratic country like India," said Panigrahi.

Protests highlighting land rights and acquisition issues have stalled industrial projects across India, including the country's biggest foreign investment - a $12 billion steel plant in Odisha planned by South Korea's POSCO that has been on the drawing board since 2005.

In Dhadu village, about 75 miles (120 km) from Jharkhand's capital, Ranchi, Electrosteel Castings Ltd has managed to buy just 435 acres of about 2,800 acres it needs to set up an open-cast mine and steel plant.

It now faces further uncertainty, with the government threatening to take back the concession amid the fallout from a wider corruption scandal over the awarding of coal blocks.

"We've given away our land happily to the company. But now, it has been four years. Nothing has come up and we are getting old. Our youngsters are unemployed," said 70-year old Asim Mia, who along with his two brothers gave up 1.5 acres of land each for the North Dhadu coal block.

Russia's Rosneft to buy TNK-BP in two-step deal

REUTERS, *London/Moscow*

STATE-CONTROLLED Russian oil company Rosneft has struck a two-part deal worth about $55 billion to buy privately-owned TNK-BP and make British oil company BP a near-20 percent Rosneft shareholder with two seats on the board.

The first part of the Kremlin-backed agreement announced by Rosneft on Monday folds BP's half of TNK-BP, Russia's third-largest oil company, into Rosneft, in exchange for cash and Rosneft stock in an agreement worth about $27 billion including $12.3 billion of cash and the rest in stock.

In stage two, AAR would get $28 billion in cash, but the two deals are independent of each other and the AAR deal is still subject to negotiations, Rosneft said.

With the whole of TNK-BP on board, Rosneft, which is already Russia's top oil producer, will control nearly half of Russia's oil output and pump more oil and gas than Exxon Mobil, the world's top international oil company.

The deal gives Rosneft extra output and cash flow to finance exploration of Russia's vast reserves to replace ageing and depleting fields. It keeps BP's expertise in Russia and provides the "quality" private shareholder President Vladimir Putin wants in order to show his critics he is pursuing a real privatization agenda.

"This is a very good signal for the Russian market. It is a good, large deal. I would like to thank you for this work," Russian President Vladimir Putin told Rosneft CEO Igor Sechin.

It allows BP to end a stormy relationship with AAR, and to pursue closer ties with a Kremlin that exerts a much tighter hold on the oil industry than it did in the 1990s when BP first invested in Russia.

TNK-BP is highly profitable and provides a quarter of BP's total production, but its fields are mature, and the Soviet-born tycoons who own the other half through AAR have blocked BP's search for growth in Russia through closer ties with Rosneft.

"It's certainly a historic deal and a historic day for BP and Rosneft and TNK-BP," said Santander analyst Jason Kenney.

"I do think Rosneft is the winner in this. They get a lot of credibility by having a western investor on the board and involved in its Russian resource and operations, and it's a good partner to have. For BP, they get an early monetisation of its current Russian asset base, they shake off the political troubles that it had by having that stake, but a lot of the upside for BP is probably long-dated and it's difficult to see how it's going to be valued into BP's share price on a near-term basis."

Executives at TNK-BP have in the past had run-ins with Russian law enforcement at times of friction between the shareholders, with two managers arrested in 2008 amid a dispute over strategy that forced then-CEO Bob Dudley, who now heads BP, to flee Russia.

Should the deal survive a months-long approval process, BP's exposure to Russia would be lower, but with seats on the board it has closer ties than any of its rivals to Sechin, who has a significant say in energy policy.