

# Sustainable banks outperform too-big-to-fail banks

STAR BUSINESS REPORT

Sustainable banks have outperformed global banking giants in growth in loans, deposits, assets, equity and income as a latest study finds the ethical banking system is resilient, supports real economy and provides stable returns.

Between 2002 and 2011, the loans at the world's biggest banks or Global Systemically Important Financial Institutions (GSIFs) as they are called grew at 7.8 percent, which is 19.7 percent in case of sustainable banks.

GSIFs deposits rose by 10 percent compared to 19.6 percent of sustainable banks. Its assets, equity and total income grew by 10.4, 11.5 and 6.9 percent respectively compared to 19, 20.1 and 16.6 percent respectively of sustainable banks, according to the report -- Strong and Straightforward: The Business Case for Sustainable Banking -- that was released yesterday.

The report, which examined the performance of banks over the last decade to 2011, showed that dominant big banks lend less, attract less deposit and have a weaker capital base than sustainable banks, according to a statement of BRAC Bank.

The Global Alliance for Banking on Values (GABV) released the report,

comparing the financial performance of 22 sustainable banks, and 28 of the world's GSIFs, which includes, among others, Bank of America, Bank of China, Bank of New York Mellon, Barclays, BNP Paribas, Citigroup, Commerzbank, Credit Suisse, Goldman Sachs and HSBC.

The study revealed that sustainable banks are investing more in a greener and fairer society, and their business model is more robust and resilient.

The GABV, an independent network of 20 of the world's leading sustainable banks, believed the results of the study demonstrated the strength of values-based banks in this unique comparison.

"This study is crucial because it highlights the fact that the banks that dominate the current banking system have relatively low levels of lending to the real economy and relatively low capital positions," said Peter Blom, chair of the GABV and CEO of Triodos Bank.

"Sustainable banks haven't developed their banking models because of regulations. They operate a different business model because of their values-based approach. The evidence now shows that this approach means a commitment to the real economy, a demonstrable resilience, and steady and reasonable returns."

Syed Mahbubur Rahman, managing director of BRAC Bank, which is a member of GABV, said: "In line with our philosophy of People, Planet and Profit, we, at BRAC Bank, focus on meeting financial needs of small entrepreneurs at grassroots level, who were missed out in traditional banking system, for their financial inclusion."

"After this remarkable performance of sustainable banks comparing to world's biggest banks we hope more banks will adopt sustainable banking practices to serve people, community and environment."

"For some time sustainable banks have quietly gone about their business, focusing on financing the real economy and adopting a prudent approach to their capital position, precisely because they view profit as a means to an end, not an end in itself," said Thomas Jorberg, CEO of GLS Bank.

"This new study is crucial, because it exposes how the world's biggest banks have disconnected from the real economy. Regulators have a chance to learn from these findings and move the banking industry on to a surer, fairer footing. We call on them to take it."

GABV members have combined assets of over \$26 billion, and operate in 24 countries.

# Atiur's record for pro-poor efforts

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Bangladesh Bank Governor Atiur Rahman has recently been awarded a certificate of world record by a Hong Kong-based body, World Record Association, as the central bank governor undertaking the highest number of pro-poor and financial inclusive programmes in the world.

Rahman participated in nearly 90 financial inclusive outreach programmes, mostly in the rural areas, in the last three and a half years to facilitate corporate social responsibility activities; promoting lending to agricultural, small and medium enterprises, renewable energy, and women entrepreneurs.

He also worked on introducing mobile banking and other financial services to the unbanked and underserved communities in the country, Bangladesh Bank said in a statement yesterday.

Rahman pioneered the opening



Bangladesh Bank Governor Atiur Rahman poses with a certificate of world record, given by the World Record Association, for taking the highest number of financial inclusive programmes in the world as a central bank governor.

of no-frill bank accounts with minimal Tk 10 deposits for farmers and extreme poor that improved transparency in the government's agricultural subsidy and social safety net payments.

Net inclusion of nearly half a million sharecroppers in the BB refinanced agricultural lending through BRAC is another significant milestone in his financial inclusion drive, according to the statement.

# SGS Bangladesh opens garment lab in Ctg

STAFF CORRESPONDENT, Ctg

Nasir Uddin Chowdhury, acting president of Bangladesh Garments Manufacturers and Exporters Association, opened a garment and textile laboratory of SGS Bangladesh Ltd in Chittagong on Wednesday.

He said the laboratory will help

the local apparel market ensure sustainable growth by providing quality testing services and will play a vital role in developing business in the port city as well as in the country.

The initiative of establishing such a lab will promote the prospects of Chittagong, said Urs Herren, ambassador of Switzerland, who attended

the event as the special guest.

SGS will provide both physical and chemical testing facilities in the state-of-the-art laboratory, said Ariel Miranda, managing director of SGS Bangladesh.

SGS Group is the global leader and innovator in inspection, verification, testing and certification services, he said.



Bank Asia Chairman A Rouf Chowdhury cuts a cake to mark the bank's 13th founding anniversary at its corporate head office in Dhaka on Tuesday. Vice Chairman Mohammed Lakiottullah, Director and Chairman of the Board Audit Committee Rumea A Hossain, Directors AM Nurul Islam, Sohana Rouf Chowdhury, Shah Md Nurul Alam and President and Managing Director Md Mehmood Husain were also present.

# ADB's \$48m fund for smooth movement of goods

The lender also signed a \$300 million deal for Bangladesh's stockmarket

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The Asian Development Bank (ADB) is providing \$48 million to help goods move more smoothly in and out of Bangladesh, Bhutan, and Nepal, by overhauling time-consuming, costly and often opaque customs procedures that are inhibiting intraregional trade.

The Manila-based lender also signed a deal yesterday to provide \$300 million in loans to help Bangladesh stabilise its financial markets to make them more attractive places to invest.

Iqbal Mahmood, senior secretary of the Economic Relations Division (ERD), and M Teresa Kho, country director of ADB's Bangladesh Resident Mission, inked the deal at the ERD in the capital.

"Removing many non-tariff barriers which currently impede trade will have a major multiplier effect on trade volumes across South Asia," Emil Bolongaita, public management specialist in ADB's South Asia Department, said about the \$48 million fund.

"Automated, user-friendly, transparent customs systems will cut business costs, reduce informal activity, and give a real lift to importers and exporters, including women entrepreneurs," said Bolongaita.

The project will help the three countries, all members of the South Asia Subregional Economic Cooperation (SASEC) programme, adopt an international customs administration protocol, upgrade existing automated customs management systems, and establish web-based electronic trade portals.

These measures will give importers and exporters timely and accurate information, ADB said in a statement yesterday.

India, which is also a SASEC member, is not included in the programme as it is funding its own trade facilitation reforms and is significantly ahead of its neighbours, according to the statement.

The programme, which targets a 7.5 percent rise in intraregional trade volumes by 2018, will complement SASEC cross-border transport projects to improve connectivity, and planned investments in projects across the transport, trade facilitation and energy sectors.

ADB, which acts as the secretariat for SASEC, has already provided \$3.4 billion and has more commitments in the pipeline, according to the global lender.

SASEC was set up in 2001 as an initiative of Bangladesh, Bhutan, India, and Nepal with an aim to promote domestic and regional prosperity through stronger transport links.

About the \$300 million loan, ADB said the assistance will also strengthen capital market reforms to improve financial stability by reducing concentration in the banking system, and mitigate the negative impact that financial market instability has on the real economy and the plight of the poor.

The assistance for the Second Capital Market Development Programme will pursue, among other issues, demutualisation of the stock exchanges, strengthening the Securities and Exchange Commission, and boost the insurance sector.

# India allows talks on FDI in retail sector

PALLAB BHATTACHARYA, New Delhi

The four-day logjam in Indian parliament over foreign investment in retail sector ended yesterday with the presiding officers of the Lok Sabha and the Rajya Sabha deciding to allow separate discussions on the subject under a rule that entails voting.

"I have received 30 notices for discussion on FDI in multi-brand retail under Rule 184 (which entails voting). I have admitted the motion to allow the discussion. The date and the time will be decided later," Meira Kumar, speaker of Lok Sabha, announced in the House yesterday.

Her remarks came soon after Sushilkumar Shinde, leader of the House; Kamal Nath, parliamentary affairs minister, and Sushma Swaraj, leader of the opposition, met her in her chamber before the House met for the day.

Md Hamid Ansari, Rajya Sabha chairman and Indian vice president, also admitted notices for a discussion in the upper House on foreign direct investment (FDI) in retail under a rule that entails voting.

Confident of its numerical strength, the Congress-led UPA government had given enough hints on Wednesday that it has no problem in having a discussion on FDI under a rule that entails voting after Nath consulted Swaraj and her Rajya Sabha counterpart Arun Jaitley.

Asked whether the government opposed voting as it lacked the numbers in parliament, Nath said: "I have always maintained that we have the numbers."

Welcoming the speaker's decision yesterday, Swaraj assured Meira Kumar that the House will function smoothly.

Although a vote against FDI in retail in Indian parliament would not lead to fall of the government, it will be a big setback to the major economic reform

# FBCCI president pledges to work for lower bank interest rates

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The newly-elected president of Federation of Bangladesh Chambers of Commerce and Industries (FBCCI) yesterday vowed to work towards lowering bank interest rates to single digits to minimise operational costs of business.

"We will work together with the government, banks and entrepreneurs to fix interest rates to single digits to create a better business environment," said Kazi Akramuddin Ahamed, the FBCCI president.

"Entrepreneurs should consider the business of banks as well. Most of the banks registered negative growth for the quarter that ended on September," said Ahamed, also the chairman of Standard Bank.

The comments came at the handing-

in ceremony of Ahamed, held at the FBCCI headquarters.

"The new committee will finish our unfinished work," said the outgoing president AK Azad, while urging the new committee to work to cut the bank interest rates to single digit within six months.

He also requested to the new committee to negotiate with the government to ensure gas connection for all new factories.

"I know some entrepreneurs who brought machineries but failed to go for production due to gas crisis," he said.

He recommended the new committee to hold dialogues with the government for the completion of the four-lane Dhaka-Chittagong Highway and opening of the Pangaon Inland Container Terminal waterways route, for the sake of boosting business activities.

# Emami to set foot in Bangladesh soon

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The Egypt facility would cost Rs 35 crore and production would start in one year's time, he said.

Mohan said the domestic demand in Bangladesh was large enough and the plant would only cater to this country. International business contributed 13 percent of the overall turnover of Emami's revenue, while the MENA region accounts for 20-30 percent of global business.

Mohan said the FMCG portfolio was the biggest revenue earner for the group. The turnover from this segment last year stood at Rs

is brought to bear on the decisions of the board.

Under the existing Act, the power of removing the chairmen, directors and other high officials, including the managing directors of state-run and specialised banks, has been kept with the government instead of with the Bangladesh Bank.

The IMF recommended the government should amend the Act, paving the way for the central bank to oversee the state-run and specialised banks like all other commercial banks.

any director or official of all commercial banks on charges of irregularities, except for the government-nominated chairman, director or chief executive.

In case of irregularities by any government-picked official, the BB can only submit a report to the government for the latter to consider.

The final draft of the amendment to the Act proposed no changes to that provision other than inserting it in Article 47.

In defence of keeping the provision intact, the draft says the gov-

ernment as the "owning authority should retain the power of abolishing the board of directors of any state-owned or specialised bank".

According to sections 4 and 121 of the Act, the government has the power to suspend or exempt any particular bank from the purview of the Act after consultation with the BB.

The lender recommended vesting the power in the central bank, instead of the government.

The IMF said the act leaves room for political interference in BB's supervisory actions.

# BB spurs financial institutions on e-statements

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The circular also said banks have to submit their annual branch opening plan with the approval of their respective boards by November.

If any bank fails to open its branches by December, the BB approval in this regard will be cancelled automatically, it said.

Banks have to apply in specific formats for opening small and medium enterprise/agriculture branch and launching ATMs (automated teller machine) with approval of their respective boards.

The circular has also defined evening banking with two additional hours of regular banking time.

The central bank also asked the banks to be cautious in spending money for decorating their branches.

# IMF wants changes in six sections of Banking Companies Act

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The finance ministry official said negotiations are going on but the government is yet to take any decision on bringing the changes.

Another ministry official said the government has almost agreed to other conditions, tagged with the release of the fund, but has not yet reached any consensus with the IMF on amending the Act.

The IMF mission recommended introduction of a new subsection to require an adequate number of independent directors for every bank. This will ensure that more independent judgment