

# Scams: a wake-up call

Helal Ahmed Chowdhury, MD of Pubali Bank, shares his take on banking sector

REJAUL KARIM BYRON

THE scams of last year have served an important lesson to the banking sector, a top official of a private bank said.

"The banks have scrutinised the irregularities and are strengthening the framework so that no-one can resort to wrongdoing again," Helal Ahmed Chowdhury, managing director of Pubali Bank, said in an interview.

Compliance has been increased to prevent a repeat of the irregularities, while citing the improved monitoring at his own institution, he said.

"The audit teams now visit the branches frequently, with the big branches being audited every two months. It is not like there was no auditing before. Of course, there was -- but they were not as stringent and scheduled."

Chowdhury, also the vice-president of Association of Banks Bangladesh (ABB), commended the steps Bangladesh Bank (BB) has taken in the aftermath of the scams.

"Banks have come out of the mess thanks to the central bank steadying the ship."

Regarding the rise in loan defaults of late, the Pubali Bank MD said the defaults came mainly from the ship-breaking and cotton sector and commodity and real-estate loans.

"The deflating real-estate market and the fluctuating commodity prices badly impacted the fate of the loans," Chowdhury said.

In some cases, loans were diverted to other sectors, mostly precarious ones, without the



Helal Ahmed Chowdhury

banks' knowledge.

"Many have a tendency to take loans and not return them. But, there are some who fail to pay not because of any want for intentions," the Pubali Bank MD said, citing many of their trusted borrowers who have defaulted due to circumstances.

He added that those who default for genuine reasons "must be rescued", while calling for strict actions against wilful defaulters.

"A good banker will have to be a friend of the entrepreneurs, as it will accelerate employment and growth."

Chowdhury, who has been serving as Pubali Bank's MD since 2006, said due to the bank's extensive reach it cannot be guaranteed that no irregularity will take place anywhere.

"However, if any irregularity is detected stern action is taken -- straight away."

The bank has introduced an

"innovative" scheme so that no-one can pander to wrongdoing out of greed, along with providing training that is robust to such misdeeds.

"Our management receives the board's full cooperation in all of bank's activities. Our board is very prudent and comprises senior personalities of the country who are established in their respective fields."

Although the loan defaults are on the rise, the banks also write-off loans every year, he said.

Pubali Bank has written off about Tk 648 crore so far, while realising more than 50 percent of the amount, owing to the bank's initiative and assistance from two private recovery agents.

"The loans which had minimal recovery prospect were delegated to the private recovery agents. And, it yielded good results."

Chowdhury, who has been in banking for 36 years now, is

receptive of the new loan classification policy BB introduced in December, to much debate.

"[The loan classification policy] will have a positive impact -- on a wider scale. It would be helpful in restoring credit discipline to the sector."

However, he feels that the BB should wait until January 2014 to fully implement the policy to give banks "some time for preparation".

Regarding the entry of new banks to the scene in the near-future, he feels it is good for the sector on the whole as it will create "healthy competition".

He, however, stressed the importance of being watchful of the lenders, by all banks, old and new alike.

"If the same people get loans from different banks, it will create an unfair advantage. Besides, loan diversion will increase and all banks will face danger."

Chowdhury also praised BB's role in ensuring the spread between interest rates on deposit and credit remains small.

He also reserved some word of praise for Pubali Bank, describing it as a "role model" that successfully transformed itself from a state bank to a private one.

The bank has built up its online banking system by itself, and some 384 branches now operate on a real-time basis.

Chowdhury mentioned the bank's corporate social responsibility activities, particularly the Tk 600 crore investment the bank made in the health sector with the aim of making health care affordable to the low-income demographic.

# Trust Bank to fund 5,000 biogas plants by 2015



Trust Bank celebrates its financing for 1,000 biogas plants at Radisson Blu Water Garden Hotel in Dhaka yesterday.

STAR BUSINESS REPORT

TRUST Bank plans to finance 5,000 biogas plants by 2015 to boost green banking activities, the bank's top official said yesterday.

"We should emphasise green banking activities for the sake of environment," said General Iqbal Karim Bhuiyan, chairman of Trust Bank, a leader in green bank financing.

The bank, which came in first for green financing in 2012, plans to finance the biogas plants to supply clean fuel across the rural homesteads, said Bhuiyan, also the chief of army staff.

The plans were disclosed at a programme, held to celebrate the bank's financing for 1,000 biogas plants, at Radisson Blu Water Garden Hotel in Dhaka.

"Bangladesh could be the first green country in the world if we could set up 40 lakh biogas plants," said Mozammel Haque, chairman of Enterprise Development Company.

Environment and Forests Minister

Hasan Mahmud echoed the army chief's views, urging all commercial banks to increase their green banking activities, at least for the sake of the future generation.

"Our tensions over the environment will be reduced if we could establish at least one biogas plant at every village of Bangladesh," said Mahmud.

Bangladesh Bank Governor Atiur Rahman said green banking would ensure a sustainable development path for Bangladesh.

"The central bank will set an agriculture financing limit for all foreign commercial banks to gear up green banking activities," Rahman said, while praising the green actions of Dutch-Bangla Bank, Eastern Bank, Mutual Trust Bank, HSBC and The Daily Star.

Trust Bank awarded Saleha Begum and Sabur Mia as the most environment-friendly male and female farmers respectively at the event, while Riya Chowdhury was felicitated as the most environment friendly entrepreneur.

They took loans from Trust Bank to set up biogas plants.

# India budget: High on expectations again

NIPUN MEHTA, for Reuters

IT'S budget time in India once again, the annual month of anxiety and expectations that everyone awaits with bated breath.

Budget 2013 will be especially important on two counts. Coming as it does ahead of crucial state elections, the Feb 28 budget could be outrageously populist. But with the government not really following through on its policy reforms in recent months, the question is how intent can translate to concrete action. Tough decisions are needed with a greater focus on growth.

While Finance Minister P Chidambaram visited Singapore as part of a four-city tour to woo global investors and boost capital flows into India, he did little to convince the corporate sector in the country to make additional investments.

The government may be going out of its way to attract foreign direct investment but it has to do more to gain the confidence of local businessmen and turn around the investment cycle. Which is why this year's budget is important.

Pre-election budgets in independent India have always been used to seek votes, a subsidy-filled exercise that turns a blind eye to one key parameter: the fiscal deficit.

If one views it from this perspective, we could be in for more rural development schemes, greater focus on farmers, more primary education schemes and more government spending on rural healthcare.

It's important to understand that all these are an essential part of a good budget. But if spending increases on funding and subsidies with little focus on economic growth, it's not going to help things.

Forget ambitious targets which are unachievable, New Delhi needs to come up with a clear road map to control fiscal deficit. This should be backed by a cut in subsidies.

Growth remains key. What India needs today is an out-and-out focus on growth in the budget, and one doesn't need to be a Nobel Prize winning economist to



know that.

The country needs a budget which further fuels the India consumption story. We need a budget that gives India its much needed infrastructure. The supply chain is another concern and the government needs to address this to get inflation under control.

Clarity on implementing the Direct Taxes Code (DTC), the Goods & Services Tax (GST) and land and labour reforms will be eagerly awaited. Above all, we need a budget that creates a healthy industrial environment where the investment cycle stimulates adequate capital expenditure and a surge in economic growth in the next few years.

This list is not too ambitious and should be an important part of the budget in any growth-focused economy. Anything less would only show a lack of intent by the government to follow up on the reforms already announced. Anything more and the economy will move towards that 8 percent growth mark sooner than later.

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# Another ill-advised rush towards Euro-pessimism

ZACHARY KARABELL, for Reuters

AFTER a pleasant lull over the past six months, panic over the fate of Europe has flared once again. Just weeks ago the elites of Davos exuded confidence that the crisis had passed; the events of the past weeks showed how ephemeral such certainty can be.

But the easy resumption of dark prognostications is just that: easy. The siren call of Euro-pessimism should be ignored. It was wrong in 2010, and it will be wrong now. Europe faces hard years with no clear path, but that is not the same as dissolution and chaos.

So what changed? The British government of David Cameron spoke with atypical candour about the possibility of Great Britain leaving the Union. Scandals rocked the Spanish government of Prime Minister Mariano Rajoy, and Rajoy himself was accused of accepting illegal payments. In Italy, one of the larger banks, Monte dei Paschi, revealed that it had lost close to \$1 billion in hidden derivative transactions. More worrisome, looming parliamentary elections that have seen the incredible (for anyone outside of Italy) resurrection of former Prime Minister Silvio Berlusconi, who has managed to surge in the polls even while on trial for paying an underage woman for sex. The prospect of Berlusconi's return coupled with a crippled Spanish government have raised the prospect that neither country will continue their long march to structural economic reform.

The reaction of financial markets has been swift and predictable. Bond yields on Spanish and Italian debt jumped after months of calm. Soaring costs of borrowing led to a sell-off in Europe's stock markets. Said one analyst: "Investors are once again being spooked by political uncertainty



REUTERS/FILE

Mario Draghi, president of the European Central Bank, smiles after unveiling the new 5 euro note in Frankfurt on January 10.

from both Spain and Italy as both countries ... could derail ongoing and future reform." As we saw in 2010, 2011 and again in 2012, once that cycle begins, it can deteriorate quickly. Now, Cyprus has asked for financial assistance from Europe. While Cyprus is even smaller than Greece, even that was enough to further unsettle an already unsettled situation.

The sudden reemergence of Euro-fear says something about how easily the financial world and its media slip into pessimism about the current and future state of the world. Signs of stability and the ebbing of crisis are viewed instead as false dawns and head fakes. Hints of crisis and deterioration, however, are given oracular weight and accorded the greatest respect.

Yes, unemployment is eye-blinkingly high in Spain, with official figures at 26 percent and rising; Italy still feels more complacent than urgent; France more sourly perplexed, and Germany still adamant about fiscal rectitude above all. The government of the European Union remains more toothless than it should be about pressing matters such as

pan-European banking regulations, and more powerful than anyone wants about minutia such as sports policy. Few who have been intimately involved in the various summits, high and low, over the past four years have departed feeling enlivened about the future prospects of European leaders arriving at bold answers and will then be actively endorsed by their various publics.

Euro scorn is thoroughly in vogue, in the United States and throughout Europe. You will find no greater dismissiveness than on the streets of London. And when the EU was awarded the Nobel Prize last October, Greeks derided it as a cruel joke. We're in the midst of economic war and being turned into a colony, scoffed one politician. On Wall Street, I regularly hear traders snicker about the fate of Europe -- when they're not in full panic mode. In Europe itself, the mood is often far darker.

And yet, the union prevails. The point of the Nobel award was to highlight how remarkable an achievement this has been, and what better time to highlight that than at a dark hour. Seventy years ago, European nations were anni-

hilating one another, and they had been fighting bloody wars almost without respite for centuries and centuries. Now, worst-case scenarios have Greece returning to the drachma; Catalonia becoming independent; and London taking leave of an organization of which it has never fully been a part. Today's worst-case scenarios would have been yesteryear's dreams.

Even those scenarios appear unlikely. Analysts all have opinions here, and they are just that. The Citigroup economists who boldly predicted last year that there was a 75 percent chance that Greece would depart the EU by Jan. 1, 2013 also just had an opinion, however numerically expressed. Yes, the European Union with the euro as a unified currency is fraught to the point of existential angst in its current form. But as has been true at each juncture over the past years, there is no way out of the current impasse except through it. There is no exit strategy, no Grexit strategy, no viable path to unwind the union or the euro except at such monumental cost that the pain of trying to move forward is a better trade than the agony of dissolution.

And that, truly, is the only litmus test for what will happen: Which alternative is worse? That is not the stuff of dreams, but it is often the axis of struggle. The European Union was born of hope for security and prosperity sealed by common bonds of currency and government. It has achieved that. Now, all are searching for the next formula for a different demographic and global future. It's a hard struggle, but a worthy one.

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