

SIBL cares about social causes

Using surplus liquidity properly is the major challenge for banking sector, says CEO of Social Islami Bank

MD FAZLUR RAHMAN

SOcial Islami Bank Ltd (SIBL) made a foray into the country's financial sector in 1995 to become not just a lender with a solid financial foundation but also one that cares for society.

"We started with a goal to alleviate poverty, and our initial slogan was to work together for a caring society," said Md Shafiqur Rahman, managing director and chief executive of the second generation bank. Twenty years later, its goal remains the same, he added.

The bank has been able to contribute to the social and economic development to some extent in its two decades of operation, he said.

Rahman said the bank's vision itself is unique for a financial institution.

Since inception, SIBL reached out to the neglected segments of the population such as the micro, small and medium sized borrowers, and focused on its corporate social responsibility, apart from extending banking services to the formal sector.

The bank was also the first financier in the country to roll out 'cash waqf', where profits are spent on areas approved by Islam.

In its initial days, SIBL lent to businesses as small as makeshift roadside shops. Though those lending activities slowed later on, the bank has revived it under Rahman's leadership.

For a long time now, the bank has been lending to a group of sharecroppers without any collateral in Comilla so they can farm fish during off seasons. These people repay the money within six months of the farming. Today, there are a dozens of such groups, borrowing crores of taka from the bank. These people supply fish to Dhaka, Chittagong and Comilla.

The bank also launched a product, the Family Empowerment Islamic Microfinance Programme, for poor families who do not have any property other than their homesteads.

Under the programme, a cluster is formed consisting of several families, and they are lent Tk 20,000-Tk 80,000 as a group. The bank's field officers guide them and help them market their products.



Md Shafiqur Rahman

The product, which was launched last year, was piloted in four branches in northern Bangladesh.

The success in the pilot stage convinced the bank to expand the programme. Now the product is available in 11 branches and outstanding loans in the category amount to more than Tk 2 crore.

"I hope these borrowers will become micro-entrepreneurs in the next one year. Our target is to empower families," Rahman said.

The product will be available in all of its 50-plus rural branches, as the number of marginalised people is not low in Bangladesh. "If we can implement this programme successfully and expand it, we will be able to contribute to poverty alleviation."

As part of its social responsibility, the bank works in the areas of health and education, spending about Tk 9 crore in 2015. The amount is increasing every year.

It finances five camps set up for slum children in Dhaka where the underprivileged receive primary education.

The SIBL Foundation has set up a diagnostic and dialysis centre on Green Road, Dhaka, where people get services at lower rates. The bank has a plan to turn it into a full-fledged hospital.

The bank also plans to set up a vocational school for prospective migrant

workers so they receive training before going abroad for jobs; it will ensure that they get well-paid jobs.

SIBL is the first Shariah-based bank in Bangladesh to roll out real time online banking. All of its 111 branches are fully online. The bank will open 10 more branches this year.

The bank is now awaiting approval from Bangladesh Bank to roll out its mobile banking service. "Everything is ready to launch it," said Rahman.

Financial inclusion is the demand of the time, as Bangladesh has the lowest number of banked people above 15 years among the Saarc nations, he said.

"If we can bring the unbanked people under the formal financial system, there will be a transformational change across the country."

Agent banking is the way to reach out to the unbanked population in the areas where banks cannot go, he added.

SIBL has tied up with Rural Services Foundation, a non-profit organisation of Rahimafrooz Group, to advance its agent banking activities.

Rural Services Foundation has more than 500 outlets across the country, which will work as the agent of SIBL. Seven branches are already working as agent outlets of the bank.

The bank is increasingly moving

towards small and medium enterprises, which are considered the bedrock of any economy around the world. Of its total loan portfolio, 22 percent of accounts are of small and medium enterprises. "We are also focusing on SMEs and agro-finance, instead of just on corporate borrowers."

As of December 2015, the bank's total outstanding loan was Tk 12,959 crore, which was Tk 10,369 crore a year ago. Its operating profit was Tk 522.21 crore last year, up 22 percent from that in 2014.

Rahman, who joined SIBL in 2010 as a deputy managing director and became managing director in 2013, also discussed the challenges confronting the banking sector. How best to use surplus liquidity and get good returns is the major challenge for the sector, he said.

High non-performing loans stand in the way of lowering the interest rate to a single digit as per demands of the business community, he added.

"NPL is a cancer," he said, adding that their NPL stands at 4.05 percent, much lower than the industry average of 9.5 percent. "Now our target is to lower it to below 3 percent."

Rahman said the recent scams in the banking sector have put pressures on the sector. The very latest fraud involving ATMs has also shaken people's trust, he added.

"The strengthening of internal control and compliance can curb financial irregularities in the banking sector. If exemplary punishment could be given to the perpetrators, future scams could be averted."

On the investment scenario, he said businesses will invest money in hopes of making profits. "In order to convince them, they have to be given infrastructure and utility support as well as a strong law and order situation."

"The way things are now, I think it will improve in the coming months. We have to dispel uncertainty, as investors want lasting stability."

Rahman began his banking career in 1977 at Sonali Bank. He became its general manager in 2003 and was transferred to Agrani Bank. He was brought back to Sonali Bank again later.

Rahman will retire in January next year when he turns 65.

Australia's economy expands faster than expected

AFP, Sydney

AUSTRALIA'S economy strengthened last year supported by consumer and government spending, data showed Wednesday, with the better-than-expected figures raising hopes the resource-dependent nation is emerging out of a recent slump.

Economic growth expanded by 0.6 percent in October to December to take the annual rate of expansion to a surprise 3.0 percent, figures released by the Australian Bureau of Statistics showed.

The figures beat market expectations of fourth-quarter growth of 0.4 percent for year-on-year growth of 2.5 percent, and sent the Australian dollar jumping almost half a cent to 72.19 US cents.

"Today's December quarter national accounts show once again that Australia continues to successfully manage the transition from the largest resources investment boom in our history to broader-based growth," Treasurer Scott Morrison told reporters in Canberra.

"We are growing faster than every economy in the G7, growing well above the OECD average. We are growing faster than the United States and the United Kingdom, more than twice the pace of comparable resource-based economies like Canada."

The healthy figures were further supported by an upwards revision of the September quarter growth rate from 0.9 percent to 1.1 percent, the strongest three-month reading since March 2012.

Household spending contributed 0.4 percentage points to the December quarter growth while public gross fixed capital formation -- which includes construction and infrastructure spending -- added 0.2 percentage points to GDP, the data showed.

The gains were offset by a fall in business spending, which weakened the quarterly growth reading by 0.2 percentage points, as investment in the mining sector continued to soften.

The Australian economy has slowed as the country exits an unprecedented mining investment boom that has helped it avoid a recession for 24 years, with the jobless rate hovering around a decade high and wage growth and business investment outside the resources sector both tepid.

The central Reserve Bank of Australia has been trimming interest rates since November 2011, with the last cut in May 2015 taking it to a record-low of 2.0 percent, as it sought to boost growth in non-mining sectors.

But the labour market showed signs of strengthening in late 2015, while consumers appeared to be more willing to open their wallets amid a booming residential housing sector.

Jewellers across gold-loving India strike over tax

AFP, Mumbai

JEWELLERS across gold-loving India started a three-day strike on Wednesday in a bid to force the government to shelve plans for a controversial excise tax announced in this week's budget.

Indian finance minister Arun Jaitley on Monday proposed to reintroduce a one-percent levy on some jewellery transactions as he laid out his budget for the financial year 2016-17, angering the industry.

"Today we are left with no options but to go for 72 hours' token strike," Ashok Minawala, an All India Gems and Jewellery Trade Federation (GJF) representative said in a statement late Tuesday.

"Pan India, all retail jewellers, manufacturers and wholesalers have decided to join the strike expressing their anguish over the government apathy towards the industry," he added.

At the normally bustling Zaveri Bazaar -- the centre of India's jewellery trade -- in the western city of Mumbai, the majority of shops were closed but some opted to stay open on Wednesday.

Union leaders hope the industrial action, which runs until Friday, will be as successful as a three-week nationwide strike in 2012, which forced the previous Indian government to drop its plans for

an excise tax.

A one percent excise duty was also introduced in 2005 before being quickly dropped.

Industry officials say the planned tax will damage growth as it will make certain purchases more expensive for buyers, at a time when demand is already weak due to the global financial slowdown.

Long-running strike action by the jewellery industry would pose a major headache for Prime Minister Narendra Modi as he bids to kick-start economic growth and bolster his government's flagging popularity.

India vies with China for the title of the world's biggest consumer of gold and has an insatiable appetite for jewellery, with diamonds and bangles proving popular gifts at weddings and festivals.

India is believed to have around 20,000 tonnes of gold lying idle in temples and homes and Modi is also currently trying to bring this wealth into the formal economy through a gold monetisation scheme.

India is now the world's fastest-growing major economy but Modi is struggling to push much-needed reforms through parliament.

Protests over jobs turned deadly recently while the ruling Bharatiya Janata Party received a hammering in state elections late last year.

Italy announces record haul from crackdown on tax fraud

AFP, Rome

ITALY recovered a record 14.9 billion euros in unpaid tax in 2015, helped by a new "no questions asked" appeal to suspected dodgers to put their affairs in order.

The national tax agency said Tuesday the total raised from anti-evasion activities was up from 14.2 billion euros in 2014 and had more than tripled in the last decade.

The amounts raised remain tiny in comparison to Italy's huge losses to endemic tax avoidance, but do appear to reflect a more pro-active approach on the issue.

A total of 315,000 residents were sent letters last year inviting them to quickly correct potential "errors or oversights" in their annual returns with an assurance they would only be liable for reduced penalties. Nearly half of them (156,000) took up the offer, bringing in 250 million euros.

Italy's government last year estimated the country's total losses to tax evasion at 90 billion euros a year.

The employers' organisation Confindustria put the figure at 122 billion -- the equivalent of 7.5 percent of GDP -- in a report published in December.

Nearly half the total is accounted for by non-payment of VAT and a third relates to the avoidance of payroll taxes -- both factors related to the size of Italy's black economy.

The size of the untaxed economy is one of the reasons why Italy's public finances are in such a perilous state.

Latest figures published on Tuesday showed the national debt at the end of last year had risen to 132.6% of annual output.

Airbus starts work on new China facility

AFP, Tianjin

EUROPE'S largest aircraft manufacturer Airbus started construction Wednesday on a new facility to deliver wide-body planes in China, as it faces off against bitter US rival Boeing for market share in the world's second-largest economy.

At a ceremony in the northern port of Tianjin Airbus CEO Fabrice Bregier and Chinese officials officially broke ground for the completion and delivery centre that will produce two A330 planes per month.

The centre is an expansion of the firm's existing final assembly plant for A320 single-aisle aircraft in the city.

It comes with China's economic growth at its weakest in a quarter of a century and concerns over its outlook sending shivers through global stock exchanges.

But Bregier said that "this is not true for our market", adding that increased middle-class incomes and easing visa rules were driving a boom in Chinese air travel.

The world's second-largest economy is already Asia's biggest aircraft buyer as a growing middle class takes to the skies in ever-increasing numbers. The country is forecast to have 1.7 billion air passengers by 2034, and is poised in the next two decades to become the largest civil aviation market in the world.

The new \$150 million centre is the company's first such facility for wide-body aircraft outside Europe, and "marks a new milestone for Airbus' international footprint", Bregier said.

It will take flyable unpainted aircraft from their headquarters in Toulouse, France and add cabins, furnishings and paint, before they are delivered to customers.

Boeing also plans to open a completion centre in China, it announced last year. The company sold 300 aircraft worth a record \$38 billion during President Xi Jinping's visit to the US in 2015.

The two firms have been in a fierce battle for market share in China, where Airbus says it has gone from 27 percent in 2004 -- before it opened the Tianjin final assembly line -- to roughly 50 percent today.

The country is now Airbus' largest market, accounting for nearly a quarter of the planes it delivered in 2015. Days before the ground-breaking, Air China announced orders for 12 wide-body aircraft for \$2.9 billion.



Airbus CEO Fabrice Bregier leaves the stage after delivering a speech during a ceremony to mark the beginning of construction on a new Airbus facility in Tianjin yesterday.

"I understand that our competitor is trying to mimic" the Airbus strategy by opening a facility, CEO Bregier said in Tianjin, but added: "It's not really state-of-the-art."

A Boeing spokesman retorted: "Partnership is defined by more than a few buildings," calling its relationships in the country "second to none" in supporting the development of Chinese aviation.

Beijing has made building up its aerospace industry a strategic priority, considering it a crucial component of an advanced economy.

Investing in new plants in China is not only a way to increase production, but also a way to win the approval of the government, which controls the airline industry.

"Our industrial cooperation serves a purpose, and that purpose is to facilitate our sales... to China," said Andreas Ockel, general manager of the Tianjin assembly facility. "It's a give and take."

The Airbus A320 assembly plant is a joint venture in which Chinese stakeholders control 49 percent, and the European firm has joint operations with partners across China manufacturing doors, wings, and other parts for A320 family aircraft.

"In China the sales are not limited purely to the commercial dimension," said Eric Chen, president of Airbus China. "You need also to explore industrial cooperation to reinforce the relationship."

For its part Boeing has joint ventures in Boeing Tianjin Composites and Boeing Shanghai Aviation Services as well as a manufacturing innovation centre.

But even while it has encouraged partnerships with foreign firms the government is investing heavily in building up domestic champions such as state-owned Commercial Aircraft Corp. of China (COMAC).



An Indian man sits outside closed jewellery shops at Zaveri Bazar -- the centre of India's jewellery trade -- in Mumbai yesterday.