Dhaka Bank to focus more on retail banking

Its CEO says as the bank celebrates its 21st founding anniversary on Tuesday

Sarwar A Chowdhury

THE focus of most commercial banks is currently on one area and that is wholesale banking. Their target groups are also almost the same -- the big and medium industries and the corporate houses. Dhaka Bank had also initially started out with its attention on retail or consumer banking 21 years back, later spreading across to wholesale banking as it gained expertise.

Wholesale banking refers to the services provided by the banks to organisations such as large corporate clients, mid-sized companies, real estate firms and investors, international trade finance businesses and institutional customers, such as pension funds and government entities. This type of banking deals with larger clients, whereas retail banking focuses more on individuals or small businesses.

Simultaneously, Dhaka Bank is refocusing on retail banking, building on its brand value. It aims to re-launch the attention on consumer banking and increase efforts on SME banking, said Syed Mahbubur Rahman, managing director and chief executive of the bank.

Wholesale banking now accounts for around 80 percent of the bank's business portfolio, while retail, SME and others account for the rest, he added. "We want to revise the composition by increasing the ratio to 50 percent for retail and SME banking."

There are some problems with wholesale banking, and one of those is deposits, which is a raw material for bankers. "If I can't get deposits from clients, I can do nothing," he said in an interview with The Daily Star recently.

A bank can even run its business with a negative capital base if it has a huge deposit, and the state banks are the best examples of it, he said. Too much attention on wholesale banking is also a major reason for non-performing loans (NPL), as sometimes bankers provide credit without proper verification or understanding the basic numbers.

Dhaka Bank has a long way to go in terms of strengthening its position in retail banking. For example, the bank has credit cards, but in limited numbers. "We have to fix some bugs first, and then we can go for aggressive marketing," he said.

"We want to introduce new products considering the market demand. We want to be more demand-driven," he said, adding that re-composition of its portfolio will also help the bank diversify its risk profile.

Syed Mahbubur Rahman

There is a huge opportunity in the consumer banking area, as people's lifestyles are changing, per capita incomes are increasing and GDP is growing, according to Rahman, who previously served as the managing director of Brac Bank.

"With all these initiatives, our effort is to take the banking services to people's doorsteps so that they don't physically need to come to the bank."

Dhaka Bank is celebrating its 21st founding anniversary on July 5, and will start the next year with a new vision. Looking back, the bank has left behind many worthy footprints. "This is an awesome feat, we feel, to stay attuned to the changing world and digital age," said Rahman, who took charge of the bank in November last year.

As a financial competitor, the bank has gathered pace, strengthened its base and remained a flawless chaser of its goal. "Our maturity has enabled us to move safer than ever. All these can be summed up in the triple 3Es -- energy, experience and excellence," he said. "We are speeding up with more energy, and we're committed to our positive growth with all our experience to secure excellence in everything we do."

Dhaka Bank operates 87 branches across the country with 1,500 employees; it plans to open ten new branches this year.

"Many banks have a large network of branches. But we did not do that as we believe in quality services first. We are trying to reach customers through digitisation, not by the branch network," said Rahman.

He said although statistics show growth in credit demand, due mainly to government infrastructure works, capital machinery imports did not increase in that way. Capital machinery imports are important for Bangladesh, as it indicates industrialisation and thus, employment generation, he added.

Private sector credit growth rose 15.59 percent in April compared to a year ago, while LC settlement for capital machinery imports was 12.24 percent higher at the same time, according to central bank data. The growth in the import of capital machinery was led mainly by the garment sector.

The low demand for credit resulted in a reduction in the deposit rate, which came down to almost 5 percent.

The fixed deposit rate in many cases is even lower than the current inflation rate. So, it is hard for people to make real income from interest, he explained.

Inadequate infrastructure, non-availability of suitable lands and crisis in gas and power supplies are the main reasons for slow credit demand, he said.

"We have seen many projects that we have financed cannot start production due to a lack of utilities, and have been waiting for the last two years at least. Their interest payment is increasing. How will they pay the loan unless they start production?"

This is where NPL takes lead; with the overall NPL rate at 10 percent at present, Dhaka Bank stands at around 5 percent.

"We can keep the NPL rate low in line with the prescription of the central bank's rescheduling facility in 2014 and 2015. But the NPL will rise this year, as the central bank's initiative was a temporary measure."

"If we cannot mange it now, it will create a big problem in the banking industry," he said, adding that bankers should monitor the issue closely. "We have to evaluate the purpose of the loan, ensure the end use and improve the monitoring and control mechanism."

Dhaka Bank was listed on the stockmarket in 2000. The bank's net profit for 2015 was Tk 151 crore, while the bank deposits 1 or 2 percent of its net profit to Dhaka Bank Foundation, which works for the development of the society in the areas of health, education and sports.

On the Dhaka Stock Exchange on Thursday, each Dhaka Bank share traded between Tk 14.5 and Tk 15, before closing at Tk 15.

Sponsors hold a 39.08 percent stake in the bank, while institutions 23.19 percent, foreign investors 0.13 percent and general public 37.6 percent, according to the DSE.

India to step up efforts to extend air travel boom to smaller cities

REUTERS/FILE

A baggage carousel is pictured inside the Jaisalmer Airport in Rajasthan.

Reuters, *New Delhi*

INDIA will push to get 90 new airports up and running over the next 12 months, under a government plan to service smaller cities that have missed out on the country's air travel boom, officials said on Friday.

India's Prime Minister Narendra Modi wants to accelerate growth in the world's fastest expanding aviation market while encouraging airlines like IndiGo, SpiceJet and Jet Airways to fly more people to and from smaller, often poorer cities.

Scores of new airports have been built around the country but many are yet to open because airlines do not see sufficient demand as ticket prices are too high for the majority Indians.

That has raised worries the government is building infrastructure few can afford to use. Civil aviation ministry officials, however, said on Friday that the government has identified 30 recently built airports, and another 60 nearing completion, that it says it can get airlines to start flying soon.

Individual states will offer free land and emergency service support to all newly built airports, while landing charges and taxes on aviation fuel will be kept at low levels, they said.

"Economic activity should grow to such an extent that these routes are economically viable," Civil Aviation Minister Ashok Gajapathi Raju told reporters.

India's aviation growth has been driven by flights between larger cities, catering to a growing middle class as the country enjoys economic growth of more than 7 percent a year. But the government believes there is latent demand in smaller cities where airports are too small or not yet built.

In Rajasthan, a region the size of Germany, there are only a handful of airports currently open to commercial flights and new airports are not being used.

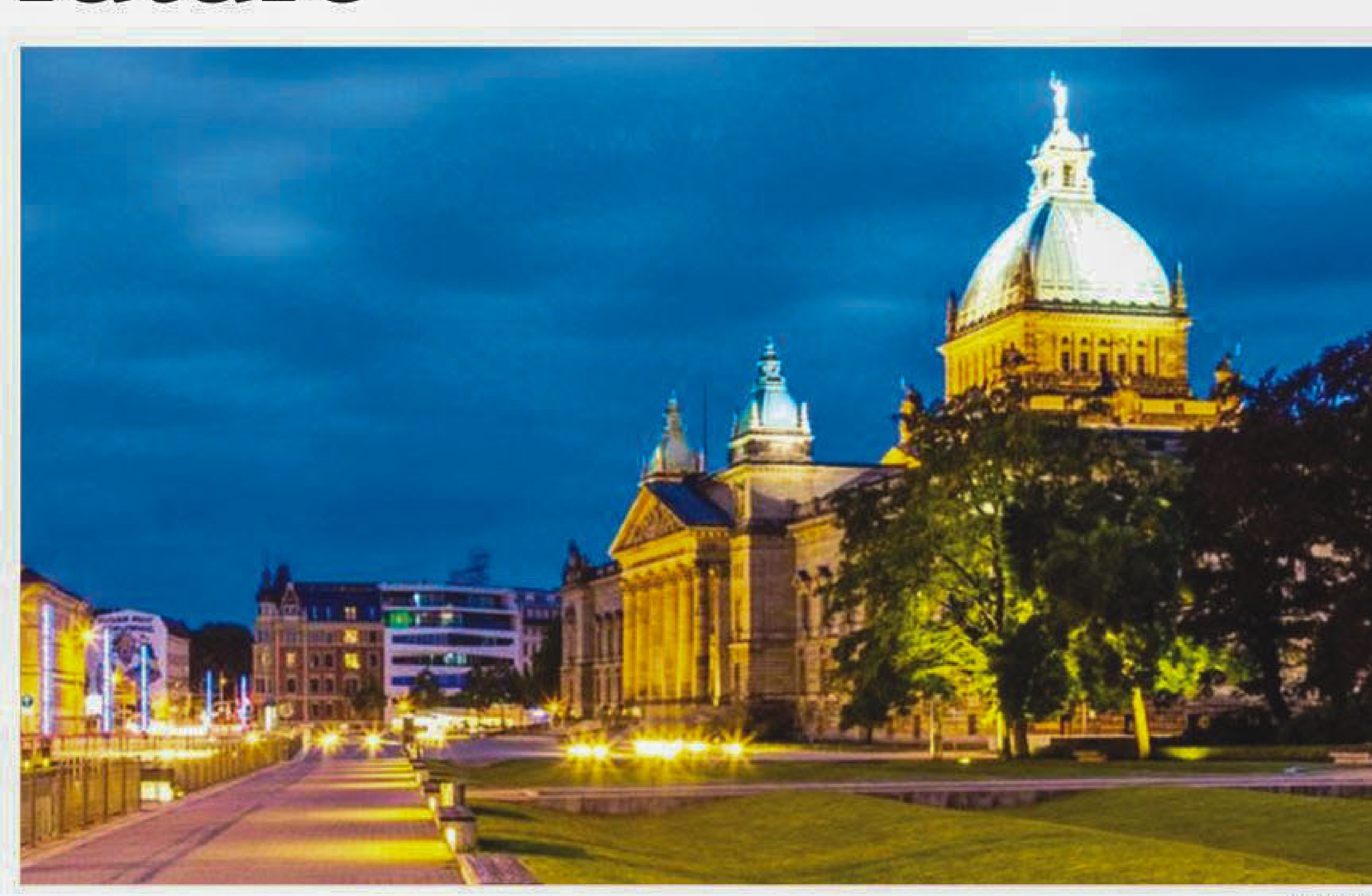
Last month the government approved a policy to cap air fares on services to smaller cities at 2,500 rupees ($37) per hour of travel, with the government providing part of the funding to make it viable.

Raju said on Friday that funding for the scheme would be set at around 5 billion rupees per annum, with states putting in up to 20 percent of the money, or 10 percent in the case of the remote northeast. A small charge to be levied on airlines on major trunk routes would also raise funds.

The draft policy has been put out for public consultation and the rules will be finalised within a month.

Brexit: UK workers in Germany fear for future

BBC News, *Leipzig*



BBC NEWS

Foreign investment has been vital in transforming Leipzig.

ON a sun-soaked street in central Leipzig, a union jack flag flies at half-mast.

Its owner, Dr Sonja Weingarten, runs Der Englandladen, a shop that sells a huge range of British products - from Marmite to Mars bars - to the large local expat community.

"They are asking us whether our shop will still be here," says Dr Weingarten, a committed anglophile.

"All of them thought the 'remainers' would win."

Foreign investment has been vital in transforming this city, once part of the former German Democratic Republic (GDR), and now often referred to as the "boomtown of eastern Germany".

In recent years, business behemoths such as Amazon and Porsche have established bases in Leipzig, occupying rows of warehouses that were derelict and decaying.

Highly skilled workers from across Europe followed in their wake, including Philip Rooke, the British chief executive of Spreadshirt, a thriving e-commerce firm that was founded in the city, and which now has offices and production facilities in Poland and the Czech Republic, as well as in the US.

"I'm slightly devastated," he says, trying to control what are obviously deep emotions.

"We have 22 nationalities working in our office here - it's a very multicultural world - and I feel my home country cutting itself off from that will lose all of those values."

Having access to the EU's open borders has been vital for Spreadshirt, which last year shipped 3.6 million made-to-order T-shirts, mugs and hoodies to more than 180 countries.

For smaller countries outside the EU's economic bloc, Spreadshirt has been forced to offer a reduced service.

"Where we don't have open borders, with Norway and Switzerland, it gets very difficult," says Rooke, "and we end up doing a poor service, and we end up making fewer sales."

The same may soon apply to the UK, he warns.

"This kind of global sales environment would not be possible without open borders. The complexity if we don't end up with open borders, or we end up with the Norwegian system, will go up, and therefore we'll put less effort into the UK."

Rooke, who hails from the English county of Wiltshire, spent many years building up e-commerce companies back in Britain, and is worried about the sector's future.

"There are many of the people I know in the investment community, who are not considering UK e-commerce businesses now, because they would prefer to invest in European ones that can reach a much larger audience in a much easier way. That hurts."

Can he see himself ever returning to the UK?

"Possibly not," he says, after a thoughtful pause.

Jesse Wragg, a fellow Brit working in Leipzig, is slightly more optimistic. UK nationals working in Germany have been hit by the vote, he says, but he's hopeful that the two countries will find a way to maintain freedom of movement.

His clients, 60 percent of whom are based in Britain, "didn't want to talk" on the morning after the Brexit decision, but on Tuesday, it was back to "business as usual", says Wragg.

"People haven't given up on Europe as a whole," he says.

The impact of Brexit is not confined to businesses in the area with British staff and clients.

Birgit Stodtko, the international director of the Chamber of Commerce and Industry for the southern region of the neighbouring state of Saxony-Anhalt - which represents more than 57,000 small and medium-sized companies (SMEs) - says local firms "are all worried" by the result.

Some €1.2 billion (£986 million) worth of goods were sold by SMEs in the region to the UK last year, including chemical and pharmaceutical products, food stuff and metals.

"Great Britain is number two in our export ranking," she says, "and in the last five years we've doubled our exports to the UK."

Now, Stodtko adds: "Everything will be very difficult, especially the bureaucracy, red tape and administrative burden."

Businesses also need Britons to come and work in the area, she says, as Saxony-Anhalt "needs specialists in every area of the economy".

Yet there are strong indications that skilled UK workers might well continue to work in the country's commercial centres.

Carrie King, who works for job search company Jobspotting in Berlin, says there has been a clamour for information on how Brits can ensure their future in Germany.

Blog posts she wrote explaining British expats' options were read so widely on Friday, she says, that the volume of traffic almost crashed the firm's servers.

"The mood is one of disbelief and shock, people are in limbo - they are disappointed and are wondering what is going to happen in the coming months."

Back in Leipzig, Dr Weingarten is hoping Britons in this part of the world find a solution, if only for the sake of her English goods store.

"I hope that it will exist," she says.

"Otherwise, we'll change it into a Scottish or Irish shop."