

Underperforming banks should merge

Mercantile Bank CEO talks to The Daily Star on its 18th anniversary

JEBUN NESA ALO

THE banks that are failing to keep pace with the fast-growing financial sector should merge with each other, according to a top banker.

Kazi Mashiur Rahman, managing director of Mercantile Bank, likened the fast-growing banking sector to a busy highway.

"Banks that cannot run in the highway because of a lack of well-trained bankers should merge," he said in an interview with The Daily Star recently on the occasion of the bank's 18th anniversary.

Mercantile commenced its operations in 1999. It now has 119 branches, including five SME branches. The bank has an offshore banking unit in Gulshan and one in the Chittagong Export Processing Zone.

Bangladesh Bank should formulate a merger act and take initiative to help banks amalgamate taking into cognisance their performance, he added.

The banker, who joined Mercantile Bank in January last year, said a robust IT system is a bank's engine and a well-trained banker acts as a driver.

"If a bank is blessed with both, then it will qualify to operate on the highway." "Only some banks are doing well because they possess both, and Mercantile Bank is one of them."

Rahman said the bank posted tremendous growth in all financial indicators by riding on good businesses amid political stability throughout 2016.

Mercantile Bank's deposits grew 6.71 percent to Tk 16,526 crore last year compared to 2015 while its loan portfolio registered a 19.45 percent growth to Tk 15,091 crore, according to the bank's data.

Year-on-year, the bank's export financing rose 20.22 percent and import financing 16.49 percent last year.

Its net profit improved to Tk 222.73

crore last year, 59 percent higher than Tk 139.32 crore in 2015.

"The improvement came not only in terms of numbers but also in terms of quality," said the top executive, who previously served Exim Bank as managing director and Prime Bank as deputy managing director.

The healthy growth of the private bank is in stark contrast to its recent below-par performance.

In March 2015, the central bank appointed an observer to the bank to deal with deteriorating corporate governance. The observer was withdrawn recently.

"It indicates that the corporate governance of the bank has improved and it has performed well," Rahman said.

Mercantile Bank has adopted a plan for the next five years to improve its capital base in line with the Basel-III requirement, the CEO said.

Rahman said the bank would raise capital by declaring stock dividends and issuing bonds.

He said the bank is also deepening its footprint in retail banking and plans to concentrate more on small and medium enterprises in the coming years.

The bank plans to set up a separate subsidiary for its mobile banking unit—MYCash—to facilitate smooth transfer of funds.

Some experts on mobile financial services will be appointed in the subsidiary to fare well in the segment, Rahman said.

The banker said Mercantile is continuously strengthening its IT platform and providing more IT-based solutions to its clients.

"From the very beginning, the bank has adopted modern technologies to provide faster services. We have introduced real time banking, SMS and internet banking."

The CEO also talked about the sluggish growth in remittance flow.



Kazi Mashiur Rahman

"The inflow of remittance has not fallen; rather, more money is entering the country through non-banking channels. It is a failure of the banks as they have not been able to attract remitters to send money through the banking channel. As a result, an alternative channel has gained ground."

The mobile banking channel is being blamed for the slow remittance growth through the banking channel, but Rahman said it is not the fault of the mobile financial service providers.

"Migrants prefer the alternative channel as they are getting better services," he said, adding that the exchange houses of the banks abroad are not performing well because of cost inefficiencies.

Mercantile Bank has an exchange house in the UK, which has reached breakeven. The bank posted consistent growth in remittance, channelling Tk

2,405 crore last year.

Rahman sees the high cost in deposits, now averaging 6 percent, as a key risk for the bank. Mercantile Bank is among those banks that are offering the highest deposit rate for the sake of depositors.

The deposit rate of the bank was 6.65 percent in March against the industry weighted average of 5 percent, according to the central bank data.

As a result, the bank has to maintain higher profit by way of cutting operating costs, the top executive said.

Its lending rate stood at 10.18 percent against a market average of 9.7 percent.

Rahman said the corporate clients mostly account for the higher default rate in the banking sector.

"The writ culture is also a matter of concern for banks as clients continue to get loans despite defaulting on their payments."

Spanish taxis go on strike against Uber, Cabify

AFP, Madrid

Thousands of Spanish taxis went on strike in Madrid and Barcelona on Tuesday to protest against ride-hailing companies such as Uber and Cabify.

In the seaside city of Barcelona, a draw for tourists, taxi drivers stopped work for a full 24 hours while those in the Spanish capital went on strike for 12 hours and protested in the streets.

At Madrid's main Atocha train station, they let off firecrackers and shouted "taxis united, never defeated" while hapless travellers stood by.

Jara and her mother Isabel had just come back from a trip and were going to take public transport instead of a planned cab.

"It's going to take one hour for a trip that would take 10 minutes in a taxi," said Jara, adding she had used Uber before and criticising taxis, which she said were "really expensive".

Taxi drivers complain that Uber-type services are endangering their jobs and that ride-hailing companies are not implementing existing rules.

Spanish regulations stipulate there should be a quota of one licensed vehicle from companies like US-based Uber or Spain's Cabify for every 30 taxis.

But taxis counter the quota is currently one for seven taxis, prompting Spain's transport ministry to pledge to work towards implementing the rule.

Uber does not employ drivers or own vehicles, but instead relies on private contractors with their own cars, allowing them to run their own businesses.

It claims it is a service provider, connecting passengers with these freelance drivers directly and cheaply.

But critics and competitors around the world say this allows it to dodge costly regulations such as stringent licensing requirements for taxi drivers, who undergo hundreds of hours of training.

"We're getting less business, and we have to work way more hours," said David Parrilla, a protesting taxi driver who said he had paid 150,000 euros (\$170,000) for a licence in Madrid, where there are some 15,700 taxis.

He added that he and his wife now take turns driving the cab 16 hours a day to make enough money.

Uber has had a tough ride in Spain, where it was forced out of the country in 2014 by legal pressure and taxi protests.

A Spanish judge ruled in December 2014 that Uber risked breaking the law with its UberPop service that enabled unregulated drivers to drive for money using their own cars.

The US company is now operating a limited version of its UberX service that uses licensed, professional drivers instead of amateurs.

Android software creator unveils 'Essential' phone



Andy Rubin

AFP, San Francisco

A creator of the Android software powering smartphones around the world steps into the hardware market with a handset that promises to tackle the clutter, complexity and rapid obsolescence of current devices.

Andy Rubin said in an online post that he is issuing a high-quality phone called Essential that includes accessories such as a 360-camera that can be attached magnetically.

"For all the good Android has done to help bring technology to nearly everyone, it has also helped create this weird new world where people are forced to fight with the very technology that was supposed to simplify their lives," he said.

The Essential smartphones will first be released in the United States, where they can be reserved at the website www.essential.com for \$699. The 360-camera can be ordered for an additional \$50. Rubin expects Essential phones, which are powered by Android software, to begin shipping in about 30 days.

Rubin said he created the company behind Essential to use "21st-century methods to build products for the way people want to live in the 21st century."

That mission includes letting people decide what features they want on phones, keeping products simple, using premium materials and enabling devices to evolve so they don't "become outdated every year." Google's abandoned Project Ara dabbled with the idea that smartphones users could customize their devices with modular components. Motorola however recently began to sell its own Android-

powered modular smartphone.

Rubin was a co-founder of Android, which Google bought in 2005.

Google makes Android software -- which powers most of the world's smartphones -- available free to device makers. But Rubin left the company about three years ago to launch a fund devoted to cultivating hardware technology startups.

The Essential will have to compete in a crowded field. "Andy Rubin has quite a reputation and anything he launches will be accorded a fair measure of respect," Jackdaw Research analyst Jan Dawson said.

"But the pitch here feels so much like almost every other new entrant in the market," he added.

"I'm extremely skeptical that this phone will do any better than any other recent attempt to change the smartphone market." Rubin showed off the Essential phone during an on-stage interview at a Code Conference in California late Tuesday. He said that his company is also working on a digital assistant device along the lines of Google Home or Amazon Echo.

Essential is creating a new "Ambient" operating system to power the home assistant. Rubin said the goal is to make it capable of interacting with the broad array of smart appliances or household gadgets no matter which company makes them.

"Building bridges is the way we are thinking about this home device."

The Essential home assistant will have a touch screen as well as voice-command capabilities. Rubin wants the device to be able to synch with digital assistant software made by Amazon, Apple, Google and others. "I want to be inclusive," Rubin said at Code.

Layoffs rife India's flagship IT sector

AFP, Mumbai

EXPERIENCED Indian techie Raghu Narayanaswamy lost his job recently and fears he may not get another, as analysts warn of massive layoffs across the country's multi-billion-dollar information technology sector.

IT outsourcing has long been one of India's flagship industries but experts say automation, a failure to keep up with new technologies and US President Donald Trump's clampdown on visas is creating industry-wide upheaval.

India's business dailies have reported that major IT firms are gradually laying off thousands of staff while research has claimed that hundreds of thousands of jobs could disappear in the next four years, although the companies themselves have refused to comment on numbers.

Narayanaswamy was caught up in the turmoil in March when he was let go from one of India's top IT companies after 11 years of service. He says his future prospects appear bleak.

"I have been finding it extremely difficult to find a job these past few months," the 40-year-old, who is based in India's commercial capital Mumbai, told AFP.

India's IT sector boomed for more than two decades as Western companies subcontracted work to firms like Infosys, Wipro and Tech Mahindra, taking advantage of their skilled English-speaking workforce.

The industry employs nearly four million Indians and rakes in revenues of more than \$150 billion, according to the trade body National Association of Software and Services Companies (Nasscom).

Although layoffs are not uncommon in the industry, particularly in the final quarter of the financial year, union chiefs say staff are being made redundant in unprecedented numbers this year as firms



IT outsourcing has been one of India's flagship industries.

deal with narrowing profits.

"Companies are unwilling to talk about the layoffs or how many techies have been served notice to leave as part of their annual appraisal," J.S.R. Prasad, chairman of the National Confederation of Unions of IT Employees, told AFP.

India's top IT companies have been complaining for a while about the difficulty of picking up new clients as businesses explore automation, robotics and innovative technologies such as cloud computing.

So analysts say it should come as little surprise if some are now streamlining operations.

"These changes pertaining to mass layoffs and downsizing have been due for some time and the current chain of events globally have accelerated them," D.D. Mishra at technology research company Gartner told AFP.

Nasscom this month dismissed widespread reports, including in respected Indian newspapers like The Economic Times, Mint and Business Standard, of thousands of layoffs but conceded that the rate of hiring was slowing.

It predicted that up to three million new IT positions would be added by 2025 but warned that the industry must reinvent itself to help companies keep up with demand for more innovative technologies.

Kris Lakshminathan, chairman of Bangalore-based recruitment firm The Headhunters, told AFP the task is huge with around 60 percent of India's four million techies needing to be retrained.

Wipro and Tech Mahindra told AFP that they have retraining programmes but refused to comment on the number of layoffs, saying it was standard practice for employees to lose their jobs if

they failed to meet expectations.

Infosys failed to respond.

While Nasscom is bullish about the future for India's tech titans, HfS Research, a US-based business advisory firm, estimates automation could mean a 14 percent decline in India's IT workforce with 480,000 jobs at risk by 2021.

That's a worrying prospect for the hundreds of thousands of aspiring engineers at India's IT colleges. Analysts are already pessimistic about the potential effect of Trump's curbs on H-1B visas, which India's IT sector uses to send thousands of highly skilled engineers to America every year.

"There is a big tsunami that will affect between 150,000 and 200,000 Indian IT professionals and will continue for a long time until the industry stabilises," Lakshminathan said of the challenges facing the sector.