



MAHFUZ ANAM
Editor and Publisher,
The Daily Star

Today's roundtable is a follow-up of the supplement we did recently on savings. We have come back to you with feedback of our readers so that you, as leaders of the finance industry, can respond to their concerns. We will go back with your responses to our readers.

In a sense, we are starting some sort of a dialogue regarding the way the financial institutions should be run and the governance and regulations should be carried out.

The major concern expressed by the readers is the lack of confidence in the financial institutions of the country. It does not matter how successful we are when people are not confident about that success.

It is a very stunning feeling to find that in this modern era of the 21st century there are individuals who prefer to keep their money below the mattress instead of banks. The reason behind this situation could be either that we have done something wrong or we might have failed to communicate something right.



MOMINUL ISLAM
MD and CEO,
IPDC Finance

The main factor is trust. Even at low interest rates of 6 percent, people are willing to keep their deposits if they have trust.

There are some practical problems for small depositors. The central bank has introduced the uniform KYC (know your customer). Even for large institutional customers, we see that there is a certain level of irritation from their end due to the kind of information they need to fill up and multiple signatures.

A similar kind of robust disclosure of information might not be necessary for small depositors. Making the KYC process easy for small depositors is likely to encourage them to make more savings. We should immediately introduce e-KYC system.

We also need to introduce long-term deposit schemes.

There should be provision for bank insurance, which will effectively ensure depositors' money.

The absence of a robust bond market is a structural deficiency of

our financial market. A strong bond market can solve the problem of liquidity.



MASHRUR AREFIN
MD and CEO,
The City Bank

In Kenya, people of a certain income level used to keep their money below the mattress. To channel the mattress money to banks, the Mattress Money Management (MMM) system was introduced with the support from the government and the central bank. Through this process the number of depositors in financial institutions in Kenya has increased in huge numbers and the country has achieved the ability to make big investments.

According to a statistic, the amount of money below mattress in Bangladesh is around Tk 2.5 billion. We can learn from the African experiences. A major initiative in this regard can be simplification of our existing cumbersome KYC process.

Our banks should also be more open to larger volume of customers in order to enhance the savings proportion.

The new tax scheme on savings is discouraging people from depositing their money with financial institutions. The banks should be provided with the room to try and channel the mattress money, which is very large in amount compared to Tk 5,000 crore that the government is likely to raise as internal revenue through the new tax scheme.



RAHEL AHMED
MD and CEO,
Prime Bank

Our regulators have established 13 account categories. Everyone can open accounts and keep deposits regardless of the amount. Bangladesh Bank has declared that no charges on cheque books and other fees will be taken from poor customers. However, they didn't forgo the tax on interests. Therefore, this gives rise to a conflicting situation.

Only a handful of banks out of the 60 in Bangladesh are focusing on financial inclusion. A big question lies in the fact that how many sponsors of the banks truly believe that they have to cater to all the people of the country. Most of the sponsors have a short-term view that they will launch a bank, take it to the stock market within

three years, encash their investments and then the bank will operate the way it typically does.

Banks in neighbouring countries like India compete with each other on how fast they can open bank accounts. They open accounts in one to five minutes. This is possible because they have all the information stored in one place. In our country, opening one account requires filling up a 28-page form, which is highly time consuming. We need to work on such bureaucracy and complications to make the processes better.



ARIF KHAN
MD and CEO,
IDLC Finance

The ratio of banking deposits to GDP is 40 percent of GDP. This is discouraging. If we compare with Vietnam, a similar growing economy like Bangladesh, the ratio is 120 percent.

One of the biggest problems of our banking system is NPL (non-performing loan) ratio.

It is important to scrutinise who are the people in the board of the banks that have failed. In the UK no director is allowed in the bank's board without passing the "fit and proper" exam. A similar system should be introduced in Bangladesh.

If the governance failure cannot be fixed, the problem of lack of confidence cannot be solved.

The idea of 'owners of banks' needs to be redefined. There can't be any owner of a bank; there should be only stakeholders. This concept needs to be clarified. We are just the custodians of our clients' money.

There are already savings schemes for small savers with amounts as low as Tk 1,000-2,000. Recently we are implementing mutual fund in systematic investment plan for small amounts. People have started to do savings like that. But when people will again question the security on the basis of the NPL ratio, this amount will shrink.



SYED HAMDADUL KARIM
General Manager,
MetLife Bangladesh

In Bangladesh, currently the penetration of life insurance products is only 0.54 percent. This is very poor compared with our neighbouring countries.

Although Bangladesh's economy is developing at a good pace for many

years, the insurance industry is lagging behind. Trust is a big reason behind this gap. Some companies are unable to give maturity proceeds, claims and other facilities they promised to their customers.

Life insurance companies, especially abroad, provide long-term funds. It is tough to get money for mortgages, which should be coming from life insurance funds. If life insurance companies do not flourish in Bangladesh then our financial sector will also lag behind.

Customers as well make mistakes, where they do not invest in the correct places. Customers need to be educated so that they choose the right options.



MD AHSAN-UZ ZAMAN
MD and CEO,
Midland Bank

Bangladesh's savings rate is around 30 percent. This is a good rate considering all the circumstances in our region. We are a small institution but our empirical evidence points to the increase in deposits countrywide.

The government had introduced agent banking back in 2013. It is digital, biometric and much safer for customers. We have come out of the requirement of signatures and now fingerprints suffice. This sector outnumbers the number of branches in the country.

Tax on small savers is a dis-incentive. In some countries, not all people fall under the same category of tax rates due to income levels. The government provides allowances for the poor, elderly and even freedom fighters. I would suggest that these allowances are paid through tax benefits.

The loan default culture is crippling Bangladesh's financial system.



SELIM RF HUSSAIN
MD and CEO,
BRAC Bank

From the banking perspective, the lack of trust of the customer is all about governance. This is something which will require significant political commitment to be resolved.

Financial inclusion involves investment in SMEs, retail, people, technology, premises and processes. The return on investment on this is very slow. This is why most banks gravitate towards short-term, quick and large transactions. It is only when sponsors invest on a long-term in financial inclusion will we see improvements.

We cannot expect all banks to follow the regulations. The high cost of manual processes, KYC system, contact point verification etc., these are antiquated processes that need to be overhauled completely. In India, account opening forms are much shorter than the ones in our country. The regulatory framework is needed to support digitalisation of the banking industry.

Agent banking is one of the many solutions to improving financial

inclusion in Bangladesh. In this bureaucratic system of ours, it takes at least two months to open a single agent account. This process needs to be simplified.



KHWAJA SHAHRIAR
MD and CEO,
LankaBangla Finance

Plenty of developments have been made for small savers in the past few years. Apart from the banking sector, microfinance institutions are also depository institutions. There are also co-operative societies.

Small depositors need regulatory convenience. Most are scared of even entering a branch. They need tax support as well. Small savers need the required protection. Corporate depositors are mostly short-term depositors – a majority of them are cutting ties after just a few months. However, small depositors actually tend to keep their money with banks for a long time. These groups cannot be exposed to more taxes. They will feel encouraged and larger volumes will be deposited in their accounts if treated correctly.

Microfinance institutions and agent banking have played fantastic roles in accommodating such customers. Banks have even introduced depository products for women and children.

Bankers and financial institutions should target small depositors for their own benefit because these deposits are sticky in nature. Access to funds needs to be ensured in order to counter the problems we are currently facing in terms of liquidity.



FAHMIDA KHATUN
Executive Director,
Centre for Policy Dialogue

When you provide good services, customers will come. It is the most natural way of attracting new business. Ease of operations make it easier for service providers and customers alike. Many of the policies which are being implemented by the central bank do not fit in with the current demand of customers. We have had reforms in the past, with many of them producing positive results. But due to political interference many reforms are not working, particularly in state-owned banks. When rules and regulations are being violated in the public sector, private industry banks also follow suit.

Faulty financial institutions should be allowed to die a natural death. Why do government institutions have to rescue them? Others then get encouraged to take part in such practices. In this process, private greed is being funded by the public money.

The auditing process of financial institutions also needs to be transparent.

Additionally, the monitoring and overseeing capacities of the Bangladesh Bank should be strengthened.



ZAHID HUSSAIN
Former Lead Economist,
World Bank, Dhaka office

We need focus on improving our investment climate. Our savings flow into the financial system and are used as loans later. When it takes the form of loan defaults, it weakens the whole financial system. Since the investment climate is not safe, much of our capital flows out of the country.

A peculiar policy has been adopted recently that imposed tax on retained earnings. If the paid-up capital exceeds 50 percent, one has to pay additional taxes. Undoubtedly, this double taxation system is going to discourage corporate savings. Additionally, the improper management of our national saving certificate schemes creates a barrier to the development of short and long-term bond market, which could have helped the small savers.

We have to take fit and proper criteria into consideration when it comes to populating the board.

We need to consolidate the excessive number of banks. The regulators must play a critical role here to prevent the monopolisation of the banking system. Consolidations should be made through anti-trust legislation. Now the question arises on the governing body that determines the regulatory system: who will regulate the regulators? In this regard, media has a very important role to play.



AHSAN H MANSUR
Executive Director,
Policy Research Institute

Our money supply to the economy ratio is declining. We should be shooting towards 100, but that is coming down to 40. I think, that is a major concern for us today. If we look at India, the money supply-GDP ratio conveniently crosses 100 percent. Our target should be at least more than 100 percent. This is something we should be deeply concerned about because we are having a shallow financial sector. Financial shallowing creates a barrier to the economic growth of our country.

I want to distinguish between domestic savings rates and national savings rates. The domestic savings rate in Bangladesh is very small, which is about 22-23 percent. The number is much low if we compare with the savings rates of India and China. In addition to our remittance, the total savings stand at 30 percent. But our remittance is decreasing in the last seven years in relation to GDP. Therefore, we are facing an imminent threat to our deposit growth.

Bangladesh should make a conscious effort towards a cashless economy despite its political challenges and corruption. There are a lot of benefits involved in a cashless society, including better tax policies, reduced illegal activities, enhanced money deposits in banks, etc.



Keep your savings happy.

JAMUNA BANK

FROM PAGE 12

Win back trust

The loan default culture is becoming endemic, said Md. Ahsan-uz Zaman, managing director and CEO of Midland Bank.

"It is really crippling the financial system."

There are a number of savings schemes for customers, but one has to fill up a 28-page form to open an account, he said, while suggesting linking the account opening form to the national ID card database.

"The KYC system is ridiculous. It is an antiquated processes that needs to be completely overhauled," said Selim RF Hussain, managing director and CEO of Brac Bank.

In India, the account opening form is just one page.

Banks are suffering from an image crisis, which is translating to lack of trust for customers.

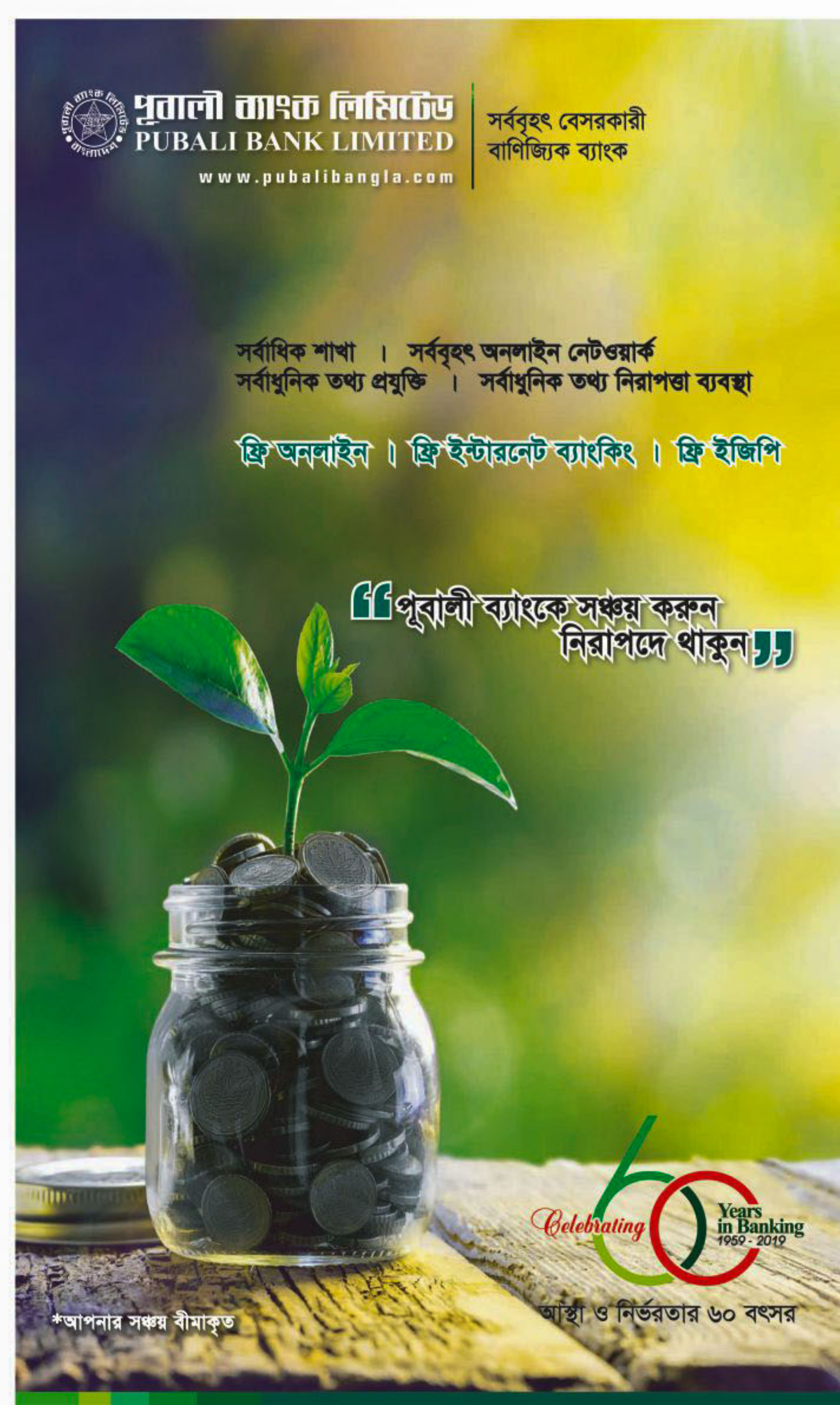
Resolving it will require significant political commitment, he added.

Many people do not come banks fearing regulatory hassles, said Khwaja Shahriar, managing director and chief executive of LankaBangla Finance.

Education of customers are necessary, according to Syed Hammadul Karim, general manager Metlife in Bangladesh.

If there is an industry that is based on trust, it is the banking industry, said Mahfuz Anam, editor and publisher of The Daily Star.

"And we are seeing a deficit of trust here."



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