Want to be the best bank within 5 years

Pubali Bank MD tells The Daily Star

Akm Zamir Uddin

AT a time when many banks are struggling to arrest default loans stemming from a lack of corporate governance, Pubali Bank can be a role model for them given its stunning performance in bringing down the bad debt.

"The success has not come overnight. We have given our all-out effort to achieve it," Md Abdul Halim Chowdhury, managing director of Pubali Bank, told The Daily Star in an interview recently.

During the 1990s the lender's bad debt had skyrocketed to 40 percent of its outstanding loans and net losses Tk 90 crore -- enough to label Pubali a 'problem bank' by the Bangladesh Bank.

"But Pubali did not break down and explored different windows to get rid of the unpleasant situation."

Its turnaround began after Khondker Ibrahim Khaled had joined the bank as managing director in 2001, he said.

Khaled, also a former deputy governor of the central bank, controlled the situation with iron hand and perked up the financial health months after he had joined the bank.

The then-management introduced fresh recovery models to realise delinquent loans and gave special attention to upgrading the corporate governance related guideline in tandem.

The board of directors also helped implement the new agendas and it has yet to intervene in the daily operations of the bank.

Thanks to the initiatives, the bank successfully managed to shake off the title of 'problem bank' in 2003.

"Since then, Pubali has been progressing its business steadily day by day," said Chowdhury, who joined the bank in 1988.

Default loans at Pubali stood at Tk 1,477 crore last year, down 29 percent year-on-year.

The ratio of default loans is 5.46 percent of the bank's outstanding loans, which is below the industry average of 10.30 percent.

But the bank is not satisfied with the achievement.

On the occasion of its 60th founding anniversary, the private bank has taken up a plan to bring down its bad debt to less than 5 percent this year, Chowdhury said.

Pubali has cautiously avoided loan concentration to a particular sector. Its exposure to any one sector is at most 12 percent of its total outstanding loans.

"So we are in a safe zone," he said.

The bank gave out Tk 3,348 crore in loans so far to the garment sector, which is 12 percent of its total outstanding loans.

The bank is now working on a life cycle scheme to clients, facilitating them to get banking service from their student life to working age.

Under the scheme, the lender selects clients by way of offering school banking and then it provides scholarship to them based on their academic qualification, he said.

Credit facility will be offered if they show interest in running businesses after completing their higher studies.

"But the tech-savvy young clients are now expecting more service from a bank," said Chowdhury, who was promoted to the post of managing director in 2014.

The bank is now focusing on digital and online banking to provide financial services to customers in real time.

As part of the move, the lender will increase ATM booths to 473 within the next two years from the existing number of 150.

"Our operational cost for ATMs is also lower than the other lenders as we do not need to hire any outsourcing company to maintain them. The ATMs are attached with our branches and our branch officials feed money to them."

Besides, the bank is not charging any fee to settle transactions online, helping corporate entities to run their businesses at a lower cost.

Corporate clients are also gravitating to Pubali in recent years given its capacity to make payment for any large amount instantly.

"We do not have any liquidity crisis as the bank never goes for aggressive lending."

The bank is enjoying available liquid fund at a time when the entire banking sector is facing fund shortage.

Besides, the lender has a remarkable number of branches in rural areas historically, which also pump a good amount of fund into the bank's exchequer.

"Any lender can bag success if they follow corporate governance properly and take time-befitting business models."

For instance, the bank has recently laid emphasis on need-based training for its officials to enhance efficiency and to ensure the necessary knowledge, skills and competencies, Chowdhury said.

Last year, the bank sent 3,154 of its officials to take part in 494 workshops at home and abroad.

"We think skilled human resource is pivotal. A skilled workforce helps the bank to achieve its desired success in the days ahead by way of exploring new avenues of business to keep pace with time."

The average age of 85 percent of its employees is below 40, which is another hope for the lender's future success.

The bank has also recruited dedicated law officers for all its regional and corporate branches to verify the documentation of the credit proposals -- a big reason for its lower default loans.

Before financing to an industrial project, the bank's dedicated engineers carry out detailed surveys and report back to the management on whether the proposed loan will be viable.

"We want to be the number one performing bank within the next five years. And it will be possible if the ongoing trend continues," said Chowdhury, who obtained a post-graduate degree from the Chittagong University.

Pubali has also created a success story in the banking sector on how a feeble state-run bank has turned into a good lender after it was denationalised in 1983.

The bank commenced its operation in 1959 in the name of Eastern Mercantile Bank and it was nationalised in 1972.

The bank is also working for the underprivileged people, rolling out different deposit products.

For instance, "Pubali Shadhin Shanchay" is a monthly profit-based small deposit scheme where people from the lower income groups are allowed to deposit any amount of funds at any time of a month.

The lender provides 9 percent interest rate for the depositors of the scheme and its duration is between 3 years and 10 years.

"Pubali Shapno Puran" is another deposit scheme, whose core goal is to enable the small depositors to invest in procuring equipment, livestock, setting up small firms, constructing house and so on.

An account holder can deposit more than one instalment in a month and its size is not fixed.

Payment will be made once the balance of the account exceeds the target as defined by the depositors.

Interest rate of the scheme is between 8.5 percent and 9 percent and the minimum duration of the scheme is six months.

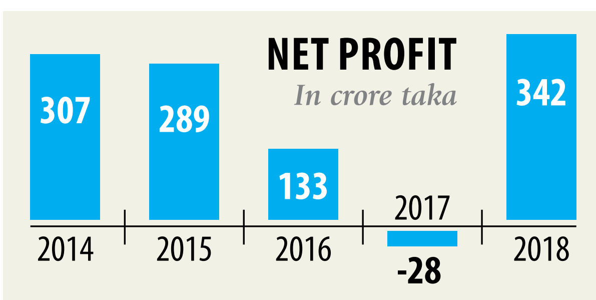
Chowdhury has also touched upon some important issues confronting the banking sector, saying a good amount of Pubali's default loans has been stuck with the courts.

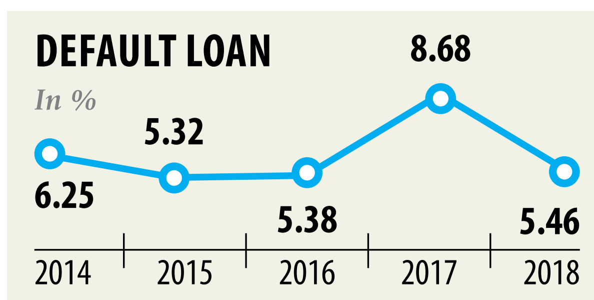
The authority concerned should think on a priority basis how to settle the pending cases for the sake of bringing down the banking sector's total default loans, he said.

The ongoing liquidity crisis will be eased if the default loans can be recovered from the wilful defaulters.

"Besides, some good borrowers have also become defaulters due to financial hardships. Banks should extend their hand for the businesses' survival be offering relaxed rescheduling facility," he said.

Md Abdul Halim Chowdhury





IMF warns increasing US tariffs could cut China growth sharply

Afp, *Washington*

CHINA'S economy already is slowing amid the trade conflict with the United States, but if Washington were to ramp up tariffs even further it could cut Chinese growth sharply, the IMF warned Friday.

The International Monetary Fund already had trimmed its growth forecast for China to 6.2 percent this year, assuming no new tariffs are imposed.

But US duties of 25 percent on Chinese goods not yet facing tariffs would slow the economy in the following year, the IMF said in a report.

The annual review of China's economy -- known as the Article IV report -- was completed before President Donald Trump announced plans to impose 10 percent punitive tariffs on $300 billion in imports.

That new tranche means that all products from China will be subject to duties starting September 1 in the intensifying trade war.

The Washington-based global crisis lender once again called for a quick resolution to the trade conflict between the world's economic superpowers, warning of "significant negative spillovers globally." For China, the report said, "A further escalation of the trade tensions, for example the US raising tariffs to 25 percent on remaining imports from (China), could reduce growth by around 0.8 percentage points over the following 12 months." James Daniel, the IMF's mission chief to China, said Friday the 10 percent tariffs Trump announced could slow the nation's growth by 0.3 points in the coming year.

While he declined to comment on the current status of the conflict, Daniel told reporters the fund's recommendations to China in the event conditions deteriorate is to provide more fiscal stimulus and allow its currency to move freely to "help absorb the tariff shock." The situation "requires some kind of response," Daniel said on a conference call. But China's currency "should remain flexible and market-determined," which would mean "less intervention." However, when Beijing allowed its currency to weaken Monday following the tariff announcement, Trump angrily accused China of manipulating its currency to gain a trade advantage over US companies.

China's central bank then intervened to stabilize the exchange rate to prevent it from falling further.

Trump earlier Friday cast doubt on the chances for a trade deal, and signaled he might cancel talks planned for September.

Relations have soured further in the past week after Trump announced the new round of punitive tariffs, despite a truce agreed with President Xi Jinping in May, and Beijing responded by halting all purchases of US agricultural goods.

The US Treasury then declared China a currency manipulator, after the yuan dropped below seven to the dollar -- a psychological threshold.

While Trump has crowed over the slowing Chinese economy, Daniel stressed that the gradual decline in growth is part of a process "to successfully switch from high-speed to high-quality growth." The report projects growth will moderate to six percent in 2020 and to 5.5 percent by 2024.

But there is "an awful lot China can and should be doing" as part of that process, he said, including continuing reforms to open up more sectors of the economy, reducing impediments to trade and boosting consumption.

It is "very much in China's interest," Daniel said.

A woman stands next to the logo of International Monetary Fund at its headquarters during the IMF/World Bank annual meetings in Washington.

REUTERS/FILE

REUTERS

US President Donald Trump arrives at the Morristown Municipal Airport in New Jersey for a vacation on August 9.

US-China trade deal in doubt, Trump says US 'not ready'

Afp, *Washington*

PRESIDENT Donald Trump cast more doubt on chances for a trade deal with Beijing on Friday, signaling he might cancel talks set for September amid an intensifying US-China trade war.

"We'll see whether or not we keep our meeting in September," Trump told reporters at the White House before heading out for fundraisers in New York and then vacation at his New Jersey golf resort.

Relations have soured further in the past week after Trump announced a new round of punitive tariffs on Chinese goods, despite a truce agreed with President Xi Jinping in May, and Beijing responded by halting all purchases of US agricultural goods.

The US Treasury then declared China a currency manipulator, after the yuan lost value in the face of the new round of tariffs due to take effect September 1.

"We're not ready to make a deal but we'll see what happens," Trump said. "We have all the cards. We're doing well." US and Chinese negotiators met in Shanghai in late July for the first time since talks collapsed in May, and were due to hold another round in September.

"Whether or not they're canceled, we'll see," Trump said.

He also said the US will not do business with Chinese tech titan Huawei, despite earlier pledges to allow American firms to file for waivers from national security restrictions on the company's operations.

His comments sent US stocks sharply lower, losing as much as 250 points, undercutting a recent recovery from the continued concerns the trade war will cause a slowdown in the global economy. Shares recovered somewhat but still closed in the red.

The countries have imposed tariffs on $360 billion in two-way trade, and with the new round announced by Trump all Chinese goods would be subject to punishing duties.

Beijing on Monday allowed the yuan to sink below seven to the dollar -- a key psychological threshold -- but then intervened to halt the decline.

Trump again accused the country of "depressing their currency," but his comments on the trade talks sent the exchange rate even lower.

"The Chinese yuan, which has been in the spotlight all week is edging closer to its recent decade-long low," Gorilla Trades strategist Ken Berman said in a note.

But an IMF official said Friday that allowing the currency to adjust freely to economic factors is one of its recommendations to Beijing.

James Daniel, the IMF's mission chief to China, said the situation "requires some kind of response." China's currency "should remain flexible and market-determined," which would mean "less intervention," he told reporters.

In a series of tweets on Thursday, Trump lamented the strength of the US dollar which puts American manufacturers at a disadvantage, and once again demanded the Federal Reserve lower interest rates to counteract that.

He pressed his relentless campaign against the US central bank on Friday, but backed away from calls for a weaker exchange rate for the dollar.

"No I wouldn't do that," Trump said when asked if he wanted to devalue the dollar.

However, "If the Federal Reserve would bring down interest rates over a period of time, I would love to see a point or a little more than that." The Fed raised the benchmark US interest rate four times last year, a total of a full percentage point, but pulled back with a rate cut last week.