Fund diversion fuelled non-performing loans

Anis A Khan says as he retires after 37 years in banking

SAJJADUR RAHMAN

DIVERSION of funds by borrowers is the major reason for the higher non-performing loans in Bangladesh, according to Anis A Khan, a career banker who retired a few days ago after serving the industry for nearly four decades.

To him, the NPL is the scourge of the banking system and a war should be waged against the curse. Too many banks and their weak fundamentals are another major concern, which, he thinks, should be addressed through merger and consolidation.

"Borrowers divert funds to buy land and start new businesses which are not their core competency," said Khan, one of the most respected bankers of his time.

He blames corporate borrowers for 95 percent of the country's bad loans.

"Small borrowers pay banks and if they fail, they come to the lenders. On the other hand, big ones go to courts and delay payments."

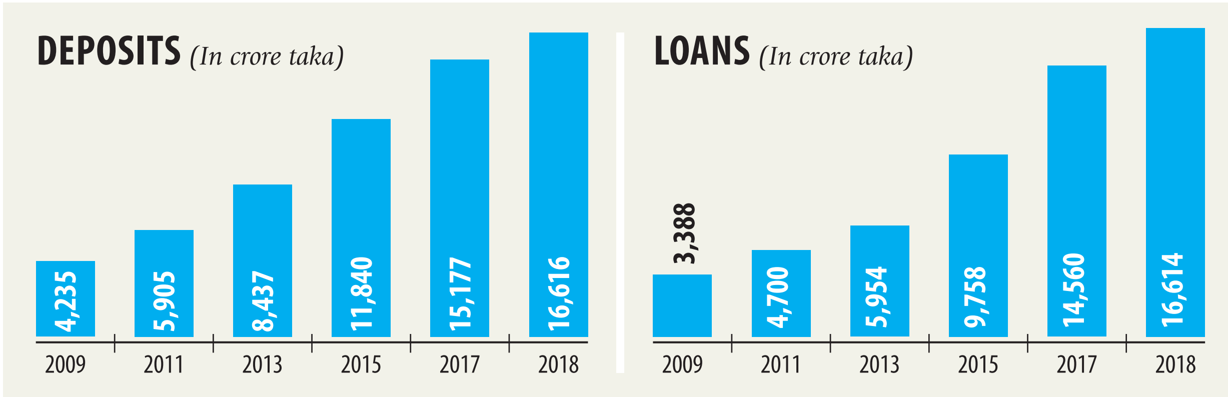
"What do they [defaulters] do with the money? Banks are the mere custodian of public money. Borrowers should also be considerate and diligent," Khan said, while giving his farewell interview with The Daily Star recently.

There are few CEOs in the banking industry in Bangladesh who are as brilliant and successful as Khan. When he began his banking career at ANZ Grindlays Bank in 1982, there was no private bank in the country.

But at the time of his retirement from Mutual Trust Bank (MTB) as its managing director and CEO, 59 banks are in operation, of which 41 are private lenders.

Wherever he worked, he made the institution one of the best, no matter how fierce the competition was.

For example, when the industry's average NPL was nearly 12 percent at the end of September, the MTB stands tall with only 5.5 percent. The MTB's loans, deposits and assets witnessed double digit growth last year whereas



SOURCE: MTB ANNUAL REPORTS

its peers struggled with liquidity crisis.

The number of customers neared nine lakh at the year's end from just one lakh when Khan joined the bank 10 years ago. Loans and deposits soared by four and a half times to Tk 18,000 crore each during the period.

When he joined the bank as CEO in 2009, its monthly profits were Tk 12 crore and it has gone up to Tk 50 crore by this time.

Under his management, the number of branches rose by 100 to 136 and he introduced ATMs, banking booths and agent banking. The MTB is now the sixth largest remittance recipient bank, leapfrogging from 26th in 2009.

All these speak volumes of his class as a leader.

Customers' trust and continued expansion and diversification have also helped the MTB become a choice for investors, both at home and abroad.

Norfund, owned by the Norwegian government, bought 10 percent equity shares in the bank at more than Tk 173 crore last year. This is the first time the Norfund has purchased equity in a bank in Bangladesh. The Asian Development Bank and the Netherlands' development finance company FMO also gave low-cost funds to the MTB.

Khan's commitment and dedication helped the bank become a respected lender in just two decades since its inception. A professional board of directors led by the country's legendary entrepreneurs such as Samson H Chowdhury of Square Group and Syed Manzur Elahi of Apex Group has complemented his works.

The board empowered him with an authority to lend Tk 25 crore without taking any approval, an amount no other CEO in Bangladesh could think of.

Known for his professionalism and ethics, the flamboyant banker had the experience of working abroad. He worked for Standard Chartered in Dubai in 2001-03 where he got first-hand knowledge on product development. He was in the legal and control division, from where every product must be vetted before commercial launching.

"That was an exciting period of my career," Khan recalled.

But his first banking job at Grindlays, where he went on to take on an array of senior roles over a period of 21 years, shaped his career and helped achieve higher positions.

After returning from Dubai, he took the helm of IDLC Finance in 2003 and served the country's finest financial institution for six years.

Khan said his successor at the MTB is capable of keeping up the growth momentum of the bank.

The veteran banker also talked about technologies that are reshaping banking services and the prospects of the Bangladesh economy.

Bangladesh's economic growth and per capita income is one of the highest in the world and banks have an important role there.

"Banks prosper when a country prospers," said Khan.

He said banking business models are changing very fast riding on rapid technological advancement. Customers are becoming tech-savvy and their demand for services is changing.

"Banking services are now wrapped around technologies and banks have to embrace latest reliable technologies to provide seamless services to customers," he noted.

Khan feels that consolidation of financial institutions in Bangladesh is an urgent issue.

"Consolidation can make smaller banks a big one with a strong balance sheet. We have to bite the bullet."

Although merger among banks and NBFIs in the US, Europe, China and India is common, the concept is yet to gain traction in Bangladesh.

"Merger can help financial institutions pool resources and improve technology to render better services," said Khan, a former chairman of the Association of Bankers, Bangladesh, and currently vice-president of the Bangladesh Association of Publicly Listed Companies.

Anis A Khan

He also shed lights on the condition of NBFIs and the struggling stock market.

According to him, the condition of NBFIs has deteriorated because of bad corporate governance, insider-lending and interference. "The industry should be salvaged soon."

Bangladesh's market doesn't have enough trading stocks, Khan said, adding that sound companies are also not interested to go public. He also lamented the absence of a bond market.

Though he has officially ended his 37-year banking career, he doesn't intend to slow down anytime soon. He will sit on the board in a number of organisations to guide them with his vast knowledge and experience.

"Also, I will be involved in teaching," the 65-year-old concluded.

AFP/FILE

Google CEO Sundar Pichai speaks during the Google I/O 2019 keynote session at Shoreline Amphitheatre in Mountain View, California.

Google's Sundar Pichai named CEO at parent firm Alphabet

AFP, *San Francisco*

GOOGLE chief executive Sundar Pichai will assume the CEO role at parent firm Alphabet in a shakeup at the top of the Silicon Valley titan, the company said Tuesday.

Pichai will take over from Larry Page, a co-founder of the internet giant, at the holding firm which includes Google as well as units focusing on "other bets" in areas including self-driving cars and life sciences.

Page and Google co-founder Sergey Brin "will continue their involvement as co-founders, shareholders and members of Alphabet's board of directors," the company said.

In a letter to employees, Page and Brin wrote: "We've never been ones to hold on to management roles when we think there's a better way to run the company." They added that Pichai "brings humility and a deep passion for technology to our users, partners and our employees every day" and that there is "no better person to lead Google and Alphabet into the future." Alphabet was formed in 2015, giving a separate identity to the original company Google and other projects such as autonomous car unit Waymo and smart cities group Sidewalk Labs.

The 47-year-old Pichai, born in India, takes the helm at a time when Page and Brin have been noticeably absent and the company faces a torrent of controversies relating to its dominant position in the tech world.

Pichai is likely to fill a void at the company as it faces antitrust investigations and controversies over privacy and data practices in the United States and elsewhere.

The company has also faced allegations of failing to adequately address sexual harassment in the workplace and of straying from the ideals espoused by the founders in the company's early code of conduct which included the motto "don't be evil." "He's a technologist but he's been a steady hand for the last few years and has proven his ability to conduit business at the highest level," said Roger Kay, analyst at Endpoint Technologies Associates.

Kay added the move "ratifies that the (Google) founders have stepped aside almost entirely." Pichai will have a new role as he faces up to claims from President Donald Trump of "bias" in internet search results, and the latest charge from Amnesty International that its business model leads to human rights violations by enabling surveillance of users.

Why India's diesel demand is contracting, and what it means

REUTERS, *Mumbai*

INDIA'S demand for diesel is slowing as the country's car fleet shifts predominantly to gasoline, trucks get more efficient and solar pumps displace diesel-fed units across the countryside.

The combination of these changes has led analysts, academics and company officials to speculate that diesel demand growth in the world's third-largest crude oil consumer may have peaked, with significant repercussions for the firms that produce and sell the fuel.

In addition to the longer term trends mentioned above, 2019 diesel demand was also curtailed by a prolonged monsoon which brought rural demand to a near standstill this autumn.

Widespread flooding hampered mining, construction and freight movement across parts of the country.

Slowing factory output also stymied diesel demand.

India's industrial output fell at the fastest pace in more than six years in September, while power demand in October posted its steepest decline in over 12 years.

New legislation that has allowed truckers to carry 10-15 percent higher loads has also reduced the number of trips they need to make.

India consumed 83.5 million tonnes of diesel in the 2018/19 fiscal year, according to Ministry of Petroleum and Natural Gas data.

Most of it was produced and sold by Indian state refiners - Indian Oil Corp Ltd, Bharat Petroleum Corp Ltd, Hindustan Petroleum Corp Ltd and Mangalore Refinery and Petrochemicals Ltd.

Private refiners Reliance Industries Ltd and Nayara Energy Ltd also produce diesel, but most of that is exported.

India's diesel demand growth taps the brakes here

A breakdown of diesel fuel usage by industry for 2018/19 is not available. But a government website showed that transportation accounted for about 86 percent of total use in 2017/18.

Fuel retailers also sell around about 7 percent to state road transport companies, shipping lines and railways.

The remainder is divided among the mining and quarrying, manufacturing, power generation and agriculture sectors.

Diesel accounts for 40 percent of total refined fuel production in India, so refiners are taking steps to counter the impact of stagnating demand for their highest-volume product.

REUTERS/FILE

A worker prepares to fill a jerry-can at a fuel station in Kolkata.

Hyundai Motor eyes thrust on electric vehicles in $52b investment plan

REUTERS, *Seoul*

HYUNDAI Motor plans to invest about 61.1 trillion won ($51.81 billion) between 2020 and 2025, the company said on Wednesday, with a third of the expenditure focused on electric and autonomous vehicles, but analysts want to see it deliver.

The South Korean car maker unveiled a "Strategy 2025" roadmap that envisages annual average spending of 10 trillion won, exceeding that of previous years, and up from a 2018 figure of 6.1 trillion won.

Shares in Hyundai rose as much as 2 percent on the news, only to give up most of their gains by the close of trade, with analysts waiting to see how its intentions translate into action.

"Its announcement of investment plan and loans is full of good words, but not real results yet," said Lee Han-joon, an analyst at KTB Investment & Securities. "The plan itself also wasn't an amazing one."

South Korea's top automaker is accelerating efforts to catch up in the race to bring self-driving cars to market.

Hyundai Motor is also looking at developing flying cars, which could be commercialized ahead of the most advanced self-driving cars, its executive vice chairman, Euisun Chung, has said.

France, US seek to avert trade war in digital tax row

AFP, *London*

FRANCE and the United States on Tuesday said they would seek to ward off a trade war after Washington threatened tariffs on French products ranging from sparkling wine to handbags and Paris warned of retaliation backed by the entire EU.

The French parliament infuriated the administration of President Donald Trump in July by adopting a law taxing digital firms like Google, Apple, Facebook and Amazon for revenues earned inside the country.

Talks to resolve the issue have so far failed, and on Monday Washington threatened to impose tariffs of up to 100 percent on $2.4 billion in French goods including champagne, cosmetics, yoghurt and Roquefort cheese.

"We were in contact yesterday with the European Union to ensure that if there are new American tariffs there will be a European response, a strong response," French Finance Minister Bruno Le Maire told Radio Classique.

The EU backed up his comments, with commission spokesman Daniel Rosario saying that "as in all other trade-related matters the EU will act and react as one and it will remain united." The full list of French products subject to potential duties includes cosmetics, porcelain, soap, handbags, kitchen equipment, butter and several kinds of cheeses, including Roquefort, Edam and Gruyere.

But despite Trump's repeated threats to retaliate against French wines, only sparkling wine like Champagne made the tariff list.

The measures could be imposed after January 14, the last date set by the US authorities for comments on the action.

But speaking at talks with Macron at the NATO summit in Britain, Trump said that the US had a "lot of trade" with France and that the dispute was "minor".

"I think we'll probably be able to work it out, but we have a big trade relationship and I'm sure that within a short period of time things will be looking very rosy," he said.