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ASIAMONEY BEST BANK AWARDS 2023: BANGLADESH

THE DYNAMIC TRANSFORMATION OF BANGLADESH'S BANKING SECTOR

Speed, Sustainability, and Superior Service

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Once, the banking sector was meant for physical presence in the branch, and waiting in a long queue to deposit and withdraw funds. However, it has now transformed into digital banking, so people can get almost every banking service through their mobile phones or computers.

funds digitally without footing the branch. Furthermore, they can withdraw funds, buy products, and pay utility bills through a bank account, even sitting in front of their digital devices.

At present, customers can send their

Some of the banks have started lending to small entrepreneurs through mobile financial services, so small entrepreneurs are getting loans easily without facing any challenges of keeping mortgage.

At the same time, the banks are reaching the small borrowers without increasing their operating costs. So, it's a win-win situation for the banks, MFS, and small entrepreneurs.

Over the periods, the banking pattern and behavior of customers have been transformed significantly, so most of the banks are catering the services, more or less, digitally, said Ali Reza Iftekhar, Managing Director and CEO of Eastern Bank.

Once upon a time, for instance, people came to a bank branch and passed half of a day to make any pay order, and/or demand draft or withdrawing a statement only.

However, pay orders and demand drafts are almost obsolete now, and people can send funds to even far-reaching people within a minute just sitting before their computer, he cited.

Young people, especially, do not want to come to the bank branch. What is more, they seek which bank is more advanced digitally and then they chose them for their banking. Yet, senior citizens prefer to come to the

bank branch.

Though digital advancement needs an investment, but it is cost-effective because when people will take services digitally, then it reduces the operating costs of the bank in the long run.

Lower queue in a branch leads us to reduce spaces, and lower manpower, he said, adding the banks are trying to reduce the queues and it is working well.

The veteran banker went on to say that the digital banking system allows the banks to analyze data easily, so the bank can improve services on the spot with a high pace.

Digital banking is the demand of time, and it can make banking competitive, added Iftekhar, who is also the former chairman of the Association of Bankers, Bangladesh (ABB).

The internet banking transactions soared 142 percent year-on-year to Tk 49,930 crore, showed the latest Bangladesh Bank (BB) data. On a month-on-month basis, it was a growth of 12 percent. This is also threefold the amount recorded in the whole fiscal year 2014-15.

Now more than 40 banks

have apps to facilitate customers in carrying out banking digitally. A good number of clients have embraced various digital transaction tools such as credit and debit cards and banking apps.

The use of both credit and debit cards has been on the rise for the last couple of years, and many people purchase goods and services through e-commerce platforms from the convenience of their homes or offices, more than in the past.

The total amount of credit card loans held by lenders stood at Tk 2,506 crore in January this year, up 17 percent year-on-year. Spending through debit cards increased by 49 percent to Tk 36,765 crore, data from the BB showed.

The number of MFS accounts stood at 19.41 crore in January, up 12 percent year-on-year. Transactions in the month increased by 18.6 percent to Tk 100,593 crore.

The transformation of banking has been done not only in the digital arena but also in their product diversification and project The concept in the banking sector has been evolving now. At present, the bankers think twice, before lending, that where they are lending whether it is a harmful project to the society, whether it is environmentally unsafe factory etc, he said.

"The banks now realized that the business is not sustainable until it is participatory and inclusive," added Rahman.

In 2013, no one even considered giving collateral-free loans. Now, some banks are offering collateral-free loans to SMEs.

The landscape of SME financing began to

change after the Bangladesh Bank (BB), the central bank, intervened and directed lenders to increase their SME financing portfolios by 1 percent every year. Furthermore, there is some

relaxation in financing for the SME sector from banks. As a result, there has been positive growth in loan disbursement over the past 10 years.

Today, the total financing

to SMEs stands at around Tk 220,500 crore, which was Tk 85,323 crore a decade ago, according to the BB data. M Jamal Uddin, CEO,

and MD of IDLC Finance,

said SMEs now occupy an important position in the national economy, as they account for about 80 percent of industrial employment.

"We believe that through financing SMEs, we can make a significant contribution to national economic growth and employment generation, which is the key motivation behind our focus on this sector."

However, in the case of financing SMEs, the lenders have to understand their business dynamics, nature of commitment, cash flow,

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IDLC has played a pivotal role in the growth of the SME sector in Bangladesh since 2006. In the past 17 years, it has developed various products considering their requirements, serving more than 45,000 SMEs in Bangladesh, he said.

Since banks stand as an ideal model and safety net for social and economic development, they have the responsibility to contribute back to society, said Arif Quadri, Managing Director & CEO of United Commercial Bank.

With this essence, banks are now more concentrated on CSR and environmental issues.

Over the years, it was considered that the banking business was only involved in monetary transactions. However, recently many changes have occurred, and banks are not solely involved in activities connected to making a profit, he said.

United Commercial Bank PLC is keen on adopting and supporting initiatives, activities, and programs that deliver a positive and sustainable impact on the communities, which have become an integral part of its CSR strategy, he added.

Hassan O Rashid, Managing Director and CEO of Prime Bank, said the inclusion of the ESG perspective in Bangladesh's banking sector has created a sense of awareness and an urge to act more responsibly towards the development of a sustainable future.

This has certainly helped the industry focus more towards driving sustainable initiatives. Such initiatives will surely have a meaningful impact in the overall development of the economy while preserving the environment, he cited. "We want to ensure reduction of carbon footprint and optimal usage of natural resources," he added.



selection.

Once, the banking sector emphasized lending and profit, which has been changed, said Syed Mahbubur Rahman, managing director, and CEO of Mutual Trust Bank.

Now the banks have realized that they have the responsibility to work on gender issues, physically challenged people, and ESG (environmental, social, and governance) through creating jobs and lending to industries.



