**Should We Encourage Foreign Banks in Bangladesh?**

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The other day, I was attending a television talk-show on new banks, along with an esteemed legislator and a business leader. Though the legislator and the business leader did differ on many issues, they seemed to be of the same view about not encouraging any more foreign banks to operate in Bangladesh. They thought our banking sector, especially the local banks, have progressed a lot and more importantly, allowing foreign banks would at this mean allowing more profit to be remitted outside the country. Their principal concern, therefore, was over foreign banks making too much of money and a percentage of that going back to their countries of origin. They, especially the business leader, were not too sure about the ultimate value addition' by the foreign banks in Bangladesh.

Contrary to what they discussed on the issue, I rather felt that our government should encourage foreign banks not because they are the top contributors to the national exchequer in the form of taxes, nor for the huge amount of foreign capital inflow that comes along with the foreign banks; they should be valued because they transfer success.

The history of foreign commercial banks (FCBs) in Bangladesh dates back to our pre-independence period. After liberation, the new government nationalised the banks, based and having operations in the erstwhile, "East Pakistan". However, the foreign banks here continued their operation in Bangladesh as branches of their parent groups without being incorporated locally. Today, in Bangladesh, there are nine FCBs, most of which are regional players. Only two foreign banks, out of nine, are truly global in terms of their size, scale and breadth of operation across the globe, though one of the regional banks has established itself strong as an emerging markets player in Asia, Africa and the Middle East.

The role of foreign banks in this country has not remained limited to only employment generation; rather they play a proactive role in terms of transferring the best practices, developing human resources and providing integrated financial solutions. Foreign banks have introduced new financial products like syndication, securitization, bonds, hedging, and derivatives -- the financial instruments which were unheard of, in the local markets, even a few years back. These banks still are ahead in the local market in terms of structuring financial products; they consider the customer need as the core of their operations. The very first syndication facility in the market was done by a foreign bank; the same is about the first merger and acquisition (M&A) deal in the country and also about the first agricultural loan syndication. The first securitisation of micro-credit receivables in the world was done by a foreign bank. The largest IPO (initial public offering) in the history of Bangladesh capital market was launched by a foreign bank. Leading foreign banks have partnered with the central bank for determining the sovereign rating of Bangladesh and are now working on issuance of sovereign bonds with the ministry of finance. The regulators always found foreign banks beside them in shaping policies. They have also been making significant contribution to developing risk management guidelines and promoting a robust risk-management culture in the banking sector.

Other than product and market developments, the augmentation of technology and innovation was done by foreign banks. Today, online banking, ATM and other alternate banking channel are not buzz words anymore. The technological wisdom that foreign banks brought in, has now become embedded in the local market. Foreign banks also taught the market how to value "banker-customer"relationships and how to win customer loyalty and retain customer by providing superior services. "Client First", "Priority Banking", "Personalised Services" etc., were advocated by the foreign banks. Today a customer knows what services he or she can expect from a bank and within what time-frame. The awareness of "customer rights" was also promoted by the foreign banks. This encouraged differentiation in services and helped promotion of healthy competition in the market.

Furthermore, the role of foreign banks as a facilitator of the country's external trade cannot be ignored, from the macro perspectives. The world looks at "Bangladesh" through the eyes of the foreign banks. Given the weak technological infrastructure and lack of branding of Bangladesh, today a foreign investor gets to know Bangladesh through the research reports of JP Morgan, Goldman Sachs or Citi. These banks send investors the message about our economic prospects like "Bangladesh has been identified as the Next Frontier" or "Bangladesh fights back economic fallout".

Foreign banks have also pioneered the concept of "Corporate Citizenship" in the local market. The world of business is not only limited to "profit" anymore. Now there is increasing focus on 3Ps -- "profit, people and planet". The whole concept of corporate social responsibility (CSR) is going through a paradigm shift from charity to social responsibility. Foreign banks in Bangladesh are doing the same very thing for the last ten to fifteen years. They have been endeavouring to get themselves embedded in the very culture of Bangladesh. They have endeavoured to rediscover the Bangladeshi arts, local traditions and our very own heritage. That is why we get to see that the foreign banks are promoting language competitions, 100 years' songs of Bangladesh or respecting the local talents through "Gunijon Shambardhona". The foreign banks are also developing the youth by challenging them intellectually, through holding financial quiz competitions, IT quiz competition, and mathematics competition and business case presentation. They are also seen partnering with the reputed media organisations, and World Literature centre or Liberation War Museum to promote the age-old legacy and the history of a resilient Bangladesh and its people.

Last but not the least, we all seem to be in agreement that there is a severe dearth of leadership skills in our country. Since the beginning of their operations in this part of the world, foreign banks have been creating leaders in the financial sector and have transferred this success also to the private sector. Foreign banks train up their employees with global practices and outlook and prepare them to compete in the global markets. Today many local banks are catching up with the foreign banks fast, in terms of services and solutions; this has been made possible only because of their visionary leaders, most of whom started their career in foreign banks.

The share of the FCBs in our banking industry, in terms of deposits and lending operations, is still low. On the deposits side, the FCBs have around 7.0 per cent of market share and on the lending side, they account for about 8.0 per cent of total advances. Compared to regional benchmarks, foreign banks' market share can be increased to plus minus 10 per cent in both segments. I was told by a senior central banker that they also do have this kind of informal ceiling in mind.

Truly speaking, there are no 'foreign' banks; rather, they are global banks that ensures the connection of Bangladesh to the global economy. It is a two-way path; while the country benefits from inflow of best management practices, technology, operating systems, products and solutions, we also have the opportunity to export our talents to the global markets. No one can afford to remain isolated in today's world. We are a country having an immense potential and foreign banks, with their local management concentration and global outlook, can provide significant benefits to the country. Foreign banks are and should always remain a partner in progress for a transition economy like that of Bangladesh with their continuous commitment on 'migration of best practices and client solutions building'.

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