

Sustainable banking is the way forward

The CEO of Alternative Bank of Switzerland says his goal is not to make profit, but to serve community and environment

MD FAZLUR RAHMAN

FINANCIAL institutions around the world must change their profit-mongering mindset and adopt value-based banking practices for meaningful contribution to the economy once again, said the chief executive officer of Alternative Bank of Switzerland (ABS).

"The banks were established with a very real economic purpose. But they went astray and are now doing a lot of things they should not have been doing. We have to bring them bank on track," Martin Rohner said.

With the value-based approach, profit is not the main goal, but comes in the "triple bottom line of people, planet and profit", Rohner said in an exclusive interview with The Daily Star last week.

"In this system, you are not under pressure from your shareholders to generate as much profit as you can. Here, your mission is to serve the community and the environment, which is a totally different incentive set."

Rohner was recently in Dhaka to attend a conference of the Global Alliance for Banking on Values (GABV).

Launched in 2008, GABV is an alliance of 20 of the world's leading sustainable banks, with the aim to leverage finance to deliver



Martin Rohner

sustainable development to the underserved.

The network's members meet three criteria: independent and licensed banks with a focus on retail banking, have a minimum balance sheet of \$50 million, and, most significantly, be committed to social banking and the triple bottom line.

"Basically, the banks have to look at the social and environmental consequences of their actions."

income."

Rohner said the financial crisis demonstrated the errors of being governed by the singular aim of profit maximisation.

"If all those banks were lending in the real economy I think we would not be in the situation we are in now," he said.

The banker, however, did not completely disregard the role of profits; it is just profitability would slightly be lower for value-based banks, citing the BRAC Bank as an example.

"Since BRAC Bank has been demonstrated that their business strategy is not only helping them stick to value-based banking but also yielding them profits, I can imagine other banks following suit."

The 46-year-old said the sustainable banking practice is gaining recognition and fast catching attention of the traditional banks.

"Due to the banking crisis at the global level, both the public and the policymakers have become much more critical about banking."

He said the banks are also aware that a new model of banking is required and are now considering the GBVA as a possible alternative.

The Swiss national thinks there might be a possible confrontation with mighty traditional banks, though.

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"Of course, there will be competition from the traditional banks. We will have to face it and prove that we have the better model."

The ABS chief said in a growing economy like Bangladesh, there is plenty of opportunity for banks to serve the community and contribute to the country's development.

"Sustainable banking can make a huge difference in terms of poverty reduction, providing opportunities to young entrepreneurs and even to individuals that start up a business. It will be extremely helpful for the broader economy."

As the birthplace of microfinance which has been copied in many developed and developing countries, Bangladesh can be a perfect place for sustainable banking, according to Rohner.

"I think BRAC Bank is a very good example. The way BRAC Bank is targeting this group of business segment is commendable and can be a lesson for other banks."

About 2.7 billion people worldwide, or 70 percent of the adult population in the world's developing countries, have no access to formal financial services, according to an estimate from Asian Development Bank.

"The sustainable banking can take financial services to these people, who are still excluded by the banks focused on corporate clients and speculation-based activities," Rohner said.

The alliance plans to touch the lives of a billion people with sustainable banking by 2020.

"I will be very honest and say that this is a very ambitious target. But sometimes, it is very important to be ambitious. Even if we only get half way there, I would think the goal has already been achieved," said the banker.