



INTERVIEW WITH DR. **GAMINI WICKRAMASINGHE**, CHAIRMAN

BANK OF CEYLON

WHAT ARE YOUR THOUGHTS ON THE POST WAR ECONOMIC PROSPECTS?

There is considerable optimism stemming from the dawn of the new economic era after the cessation of the war. We have always had a resilient economy. Our sustainable growth rates while the war was going on, were on average around 6%. At the time due to the country risk and various political risks among emerging markets, Sri Lanka lost its place as a great investment opportunity. Now there is renewed interest as the war and political risks are behind us.

During the time of the war, the North and the East were sub-optimal in economic performance. Peace has paved the way to the growing

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involvement of the North and East in economic value addition. According to the Central Bank, the ending of the

war alone should add at least 2% to economic growth.

Generally, Sri Lanka has certain sectors which have vast untapped potential. There are underbanked and underinvested markets and industries. Peace has given the opportunity to explore these sectors both for local investors and entrepreneurs as well as foreign interests. Also the outlook for Asia as a whole is promising. As current policies focus on investment in infrastructure which has a multiplier effect on growth, and due to the other reasons I mentioned, the optimism is justifiable. This optimism has prompted the government to plan doubling of the per capita income by 2016.

WHAT IS THE TRANSFORMED ROLE OF THE FINANCIAL SECTOR POST-WAR AS PART OF THE COHESIVE EFFORT OF THE GOVERNMENT AND PRIVATE SECTOR TO MAXIMISE GROWTH?

The overall policy for growth and development is to recognize the importance of infrastructure development and associated investments in the service economy and swiftly move towards domestic value addition in production, integrated rural and agriculture development whilst placing trust on both private and public sector. At present the services of the financial sector is limited.

Approximately, 50% of the total number of bank branches are situated in 5 districts such as Colombo, Gampaha, Kandy, Kalutara and Kurunegala. The number of bank branches per 100,000 persons is 26 in Colombo and 13 in the country as a whole. Thus, in addition to financing the growth, it is the responsibility of the financial sector to remove this asymmetry and integrate every citizen in the country into the mainstream economy to allow them to reap the benefits of growth and development.

WHAT PART CAN MICRO FINANCE PLAY ON THE WAY FORWARD?

There is growing pressure for the micro-finance industry to start agriculture finance in many countries as in Sri Lanka. The private sector has tended to gravitate away from rural borrowers because there are particularly challenging areas. For example microfinance in low population density areas can be less than cost efficient. The transportation

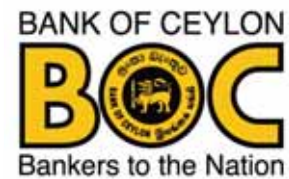
networks can be poor and low income levels tend to translate into impracticably small financial transactions. Agricultural finance is also notoriously risky.

Many farmers need credit to purchase seed and other inputs, as well as to harvest, process, market and transport their crops. The cold-chain infrastructure is increasingly important in this supply. Natural disaster, a decline in market prices, unexpectedly low yields, the lack of a buyer, or loss due to poor storage conditions are only some of the factors that can result in lower than-expected revenues. Such a fall in revenues can often lead to high default rates on agricultural loans.

Micro financiers must uniquely cater to the needs of a country and find a customized solution. The financier has to overcome challenges like reaching rural clients efficiently and cost effectively; maintaining liquidity in agriculture-dependent areas within seasonal income cycles, mitigating agricultural risk and adapting loan products to meet the specialized needs of rural borrowers. It is also essential to create a rural microfinance culture and developing technical capacity at the local level. I believe that several State institutions including the State commercial bankers are doing a commendable job with this sector.

WHAT ARE THE MOST STRIKING ECONOMIC OPPORTUNITIES IN SRI LANKA AND WHAT IS THE STRATEGY OF THE BOC IN THAT CONTEXT?

Sri Lanka would bank on peace dividends. In the immediate to short-run, the tourism, agriculture and



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fisheries sectors are expected to expedite growth with the opening up of two thirds of the country's coastal belt and almost 25% increase in the land mass for economic activity previously not available due to conflict.

The revival of tourism is already clearly visible. Construction and refurbishment of hotel infrastructure and hotel value chains, expedited infrastructure investments will no doubt stimulate a lot of economic activities.

There will be investments facilitated in the ventures in communication and information technology as well. The bank is committed to finance the growth in all these sectors. We now have significant exposure to the hotel sector and wish to finance some of the BPOs in the IT sector.

Our strategy includes both growing in financial intermediation whilst opening up non traditional avenues like investment banking to maximize on these opportunities.

WHAT ARE THE NEW PRODUCTS BOC IS PLANNING TO RELEASE TO THE MARKET?

The advent of a new era of peace last year resulted in an increased appetite for equity investment and investment banking activities in Sri Lanka. BOC has launched an investment banking division to capture this potential.

So other than the commercial banking products, we are now involved in structuring investment banking products for corporates and the public at large. Broadly we provide capital market products and corporate advisory solutions in addition to considering private equity investments. Other products include mutual funds, unit trusts products such as investment funds, asset backed papers, opportunities to participate in Initial public offerings.

These are the most striking additions to our product mix. Amongst the structured products our own debentures as well as the recently concluded UDA bond are good examples of our ability to deliver non – traditional financial products.

Our Infinity and Vishrama retirement plans provide viable solutions for the socio-economic issue in Sri Lanka- the absence of a strong and flexible pension scheme for all Sri Lankans irrespective of the employer, whether the state or the private sector. These deposits will help us build a long term fund base to finance the country's long term growth.

WHAT IS THE SCOPE FOR ISLAMIC BANKING IN SRI LANKA AND WHAT ARE YOUR BANK'S PLANS FOR THE SAME?

Sri Lanka's legislation provides flexibility for banks to establish Islamic Banking windows and introduce Islamic financial products. In spite of this positive, the sector is heavily under-banked. The microfinance sector is visibly under-banked. Also shari'ah compliant banking sector potential exists for inter-bank /corporate business. Sri Lanka's planned long term investments in infra structure expansion signify opportunity in this sector. I think that we are in a position to establish the island as an Islamic banking hub for the South Asian region particularly in the absence of such alternative financing models in India and Maldives. We have launched an Islamic banking unit within the Bank of Ceylon and

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are working towards the necessary system changes. We have had considerable interest from the market. Some of our strategic alliances have also put us together with international industry players.

WHAT IS BOC'S ROLE IN UTILIZING THE SRI LANKAN DIASPORA?

The Diaspora has unique insights that are very valuable to policy and need to be supported institutionally and given the space to contribute their ideas. They do contribute even now in varying scales through remittances and financial support, establishing small businesses, and contributing to the development of knowledge transfers. Our Diaspora remitted US\$3.3Bn in to the home country in the year 2009.

This volume was more than sufficient to off set the entire trading account deficit of the Balance of Payment. Recognizing the importance of Diaspora, we have taken steps to become a very Diaspora friendly bank especially in making remittances and investment meaningful. We allow migrants to open foreign currency accounts. This is a major incentive for migrants to invest on a long-term basis in the home country. We continue to upgrade the system infrastructures to better serve the Diaspora and take some important measures to facilitate remittances.

A plan for offering economic incentives through innovative products such as diaspora bonds, creating a special status for Diaspora who wish to work in collaboration with the home country on the lines of honorary posts and national prizes as examples. The creation of short and long term job placements are some aspects to be looked in to. ■





The Future

Over seven decades, Bank of Ceylon has been the strength of each and every Sri Lankan, holding your trust and respect, safeguarding your childhood through important milestones of your life through challenging and changing times, encouraging and driving you towards success.

Celebrating our 71st anniversary, Bank of Ceylon has only a clear vision of times ahead. We are committed to helping every Sri Lankan grow and work to expand and develop our industries to compete with global business standards. We remain steadfast to strengthen our relationships with Sri Lankans world over and build new ties with those in need of restructuring their lives and moving forward.

We have entered a new era; a time for hope, reconciliation and development. Bank of Ceylon is determined to play a pivotal role in the future growth of both the economic and social development of Sri Lanka and stand by its people, united as one nation.

