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Chairman speaking:

Good morning. And we welcome you to public accounts committee 9th meeting 2020. And I would like to apologize for squeezing all of us into one table. Because we could not get the bigger room, there is another meeting going on. Anyway, what we would like to know is the challenges and the legislative changes that you would like to have in order to operate and provide better service to customers in Maldives. So, I would give you a small brief of how the meeting will be conducted. First of all, I will give each bank an opportunity to come up with the challenges and issues that you face. I will give 5 minute per bank. And then after that will give the floor to the honorable members to ask questions. So, I will start from here. And then after 5 minutes we will give you an opportunity of 5 minutes and then the next bank and we will go on. So, I will give the floor to BML now. Thank you.

Director of Business- Bank of Maldives Mr. Kuldip Paliwal Speaking:

Good morning Honorable Members. It is a pleasure to be here. And coming directly to the point with the bank of Maldives is almost the 50% of the market share, so we have listed down a couple of challenges we have as per the agenda items. First thing we feel that the legal systems on the recovery aspects of it, I think that is little bit more professionalize and in a commercial course where it is understood well legal framework in order to recover the loans. I think, that’s what we feel because many times it takes many many years to recover the loans and it impact the bank adversely in order to recover the assets and it’s not helping borrower either. Because the interest will keep going up. Such as It is in benefit to everyone that the court system is little bit more professional in terms of commercial cases like bank recovery of the loans. Just one point. Second point is that you know, most of the banks asks for a collateral assets. So,

but there is no framework of a movable assets. There are a lot of movable assets people have stock, book debts, plant machinery, equipment to create a mortgage on the movable assets. There is no legal framework in the country right now. If that kind of frame work is available for us bank, will be starting lending against those who got their trading very visible charge on those assets which will be easy for a bank to lend more or rather than asking for a plant and also sorry asking house and land, at least movable asset also will be come in security. It will help a bank to enhance their portfolio further. The other thing which we feel that we all know that Maldives is a import denominator economy. Nearly 2-billion-dollar import happens every year and the dollar is always in terms of we are not able to support almost all the traders. As a bank, we deal with nearly 9000 companies and various small medium enterprises. And we are able to support sometimes 20% of their requirement, 25% of their requirement sometimes 30-40% requirement. But still there is huge gap between demand and supply of the dollar. So, there Should be somethings that will be more availability of the dollar through the central bank or any other source if something worked out. I think It will help economy a lot and as a bank we want to do more dollar supply to the country for trading purposes. Because 2 billion dollars is an import in the country. So, that's the point. Other thing is that when talk about the business or if I leave apart the large corporate customer predominantly, I think more than 90%, 95% business are a small and medium enterprises in the country. And we need to think about them. Lot of awareness is not there with them. As a bank we always do, various atolls we have gone we have a standard presentation. We keep giving financial, how to maintain your books, how to maintain account, what are the products available. Which products suitable for you. That we do. But little bit more effort required from other government agencies or any other relevant body. So, that to create and what should be done. What kind of skillset should we develop? Southern atoll is good into this area. Can we double up those kind of skillset on that. Northern maybe good in the boat building. Can we develop more on that? Some island maybe good in agriculture develop and some island maybe good on service-related skill development. If those kinds of development happen and definitely as a bank, we will be able to support more of those endeavor. We invent the wheel if it is a proper guideline given. Okay this area we are focus on this and this is a skillset we want to develop, and I am sure that as a bank will be able to support more I think that's what I will say four, five points which I feel. thank you.

Chairman speaking:

Now I will give the floor to commercial bank.

MD/CEO- Commercial Bank of Maldives Mr. Dilan Rajapakse Speaking:

Thank you, sir. Thank you for giving this opportunity to us to let you all you know the challenges faced by the banks. We also agree with the things that the BML has mentioned. In our case like being the latest bank. So, we find difficult to find the positions to meet the customers imports. There also the amount that we get from MMA dollar support is very small. You know like It's same for all the banks. But the people who have dollars, they don't encash, they keep it to use to their inter-company needs. So, their imports. So, provision is very difficult task for us for the normal importers. And also, we find difficult to find long-term funds to support the approved loan schemes like affordable housing loans. So, our tanners are very short. Like people don't go for long-term savings. And also, there is a mismatch in rufiyaa and dollar portfolios. Like Mostly our portfolios, deposits are in dollars. So, the demand for lending is from the MVR size. So, we need more and we are liquidating the market. And also, the litigating process as other banks said, but we have not faced that yet luckily because we in the investment bank. But I know in time to come this has to be like streamline and the court decision should be you know constructive and final rather than you know like not loving the other parties to challenge. Because our commercial bank of Ceylon is facing one of the problems. Like it has been dragging for many years and courts have issued the decisions many times, but these decisions have been changed by making a lot of RPs and other things which is very unreasonable for the banks, I think. So, and also, I would like to talk about this income tax pay bill recently introduced and we were supposed to you know like make payments after withholding tax. Because these, there are certain payments that we make the banks pay for the international venders. That is very essential to run the banking business like swift, Reuters and other co-banking licenses etc. So, if we are to pay withholding tax, suppliers will not agree to get the deducted reduce money. So then, we have to gross up and at the cost to the banks normal expenses, normal costs. It is how we are planning to do if we are to do with. But still we need more clarification because some there is there are ambiguity like some tax advices say some are taxable, some are not withholding taxable. So, if we have to gross it up actually the cost will go up again. So, now we want our aim is to provide the banking services at low cost. So, this will impact the bank's cost structure. So, anything else. So, that's all sir.

Chairman speaking:

Thank you. Now I will give the floor to SBI.

Senior Vice President Audit & Compliance- SBI Mr. Siraj Basha Papasaheb Speaking:

Good morning sir. There are two major concerns facing by us. mainly one is MPA, its's nearly 15% of our gross advances the MPA figure, we are having 60 million dollars. 60 and we are unable to recover them since 2008 sir. There is no stringent securitization act. And even our head office from Mumbai, just stopped us financing also to new customers. Because of they have given one limit country execution limit. We cannot go beyond that. That is a main concern. If these inquests were recovered, then we can request them to increase our exposure limit so that we can help our local customers also...

For a legal framework, but exactly, I mean what is the difference between a house, and because the Maldives you see, we have 90% in waters. Most removable assets are boats and dhoani and stuff you know. So, why can't you know, you can, why can't you support to those areas. That's a one of the main area where we see that people have concerns as well. Thank you.

00:29 Senior Vice President Audit & Compliance- SBI Mr. Siraj Basha Papasaheb Speaking:

Its compare to the risk that you know, even though having property mortgage, we are not in position position to recover. Than it was the removable how, what will happen. That is a problem. If there is effective, sir, if there is effective you know legal frame work and infrastructure procedures that banks can recover with in sort of period. In Sri Lanka more than five million rupees, no need to go to courts. We can pass that you know, three year resolution from the board of directors, we can publish in three gazette and three newspapers, more than five million per party we can sell without going to courts. That we call, they don't pirate right. Banks has parate right in Srilanka. So, that in here even though we have billons of dollars you have to go to courts and wait there for more than two, three years. Then that's why that is in other way it affects to there high rates of international market. If which is that, if that the bank has very you know, comprehensive that very reliable procedure to recover, if we don't have that risk we can reduce that two, three percent by the rates.

Chairman speaking:

Thank you very much. Now I will give the floor to honorable Abdul Ghafoor Moosa.

Member of Hanimaadhoo constituency, Abdul Ghafoor Moosa Speaking:

I think you have come up with your problems. So, we need a solution. So, it's better to send all the suggestions in writing to the committee. We will take actions on that one, whatever we can. And also we just want to know that you know even the grey market we are talking about. Even Singapore they have grey market. Singapore they have grey market and all Asia it's happening. Only thing is we cannot eliminate, we can minimize it. That is the only thing, but we also know that you know who, you know better who are the people, who are in the grey market. Resort owners, they make lot of money on that. So, there are lot of difficulties for us also you know, to do things, but we can do our best to do all these things. And it is very important to have a commercial court, it's very important. We will try to work out on these things and whatever we can willing to work out on those. And also we want to open a new bank branches in the islands. Even all the MP's and you know, government is also willing to do these even whatever the facilities you are looking for, we can help them to provide those things in the islands. Even leasing of lands and you know, all things can be arranged. Because, we are talking about more exposure to the banks. Even the Bank of the Maldives is doing it. And you know, sometimes they may be dominating the whole Maldives if you are not opening up a branches in the islands. Because, all the areas tourism are coming up there. So, there need a commercial facilities to be available those areas. Very few places at the movement is available. I know there is a issues of record keeping. So, if you can give us a suggestion what we can adjusted in the law to minimize the, I know you have to keep the huge places for the record keeping and all these things. So, even we can electronize it whatever the legal framework we can make on that. That will be more important to do. So, it is important you know, we have a very good discussion and if you can send us to your issues, we will discuss with the governor and also finance minister and all concerns authorities. I think we can come a solution. Hope that will be start and things will work out better way. And also we want to provide a good service to our people with the low interest rate. Thank you.

Chairman speaking:

Make it brief.

04:17Speaking:

Just one quick one I didn't come up. The availability of long-term funding for banks. Lot of customers they would want not to have extended tenor in their

loans, you know like six, seven years or even ten years. Some of the banks I know but a huge risk they are doing that, huge maturity mismatch I heard from some of the banks. So, if we can allow the private banks you know except, some of the banks I know they have access to like government you know pension fund and including insurance premium you know money. But not all the banks. So, if you can actually you know, get some sort of mechanism to have other banks access those funds well. Thank you.

Chairman speaking:

Thank you very much. Now I will give the floor to honorable Hassan Afeef.

Member of Vilufushi constituency, Hassan Afeef speaking:

Thank you chair. Well, we have heard your complains, your challenges and we will do our best to bring a solution to these things. As, honorable Member Ghafoor has mention we like to have all these your or these challenges in writing to us. So that, when we formulate our acts of parliament that we can look in to those things. And as you have mentioned, I also feel that we should have a separate commercial court you know. So, that they can only look into the commercial disputes. Then the other question I would like, I don't know whether you have this figure. But how much is the total requirement of US dollar's or foreign currency that is required per year for this country to meet the imports. If you have a rough figure, I just like to know that

06:12 Speaking:

That know the equity import balance for MMA rate is more than two billion dollar. Yeah 2.5 billion dollar, and if you see that export figure is somewhere around three hundred, four hundred million. That's what the figure counts from the MMA. So, roughly one and half billion balance of trade deficit we are generating around every year on the country. Sorry. Yeah, I am telling they are not including that in to that export. That is only the fisheries export. Absolutely.

Chairman speaking:

All right. Now I will give the floor to honorable Ilyas Labeeb.

Hulhudoo constituency member Ilyas Labeeb speaking:

Thank you. I think the main issue is legal system on the recovery side. I think we are aware of this issue also. We have a judiciary committee in the Parliament,

and we will raise this issue to our judiciary committee and we will work to solve this issue. I think in our Parliamentary group we have discuss this issue and we are trying to finished these bill within middle of this year before. We have some tentative timeline. So, we are working on it. I think hopeful you get it by end of our second session right? May be end of July or August, I think. So, that we are addressing on it. The thing is this dollar issue we have to work with MMA and the government and we have get the government's position on it, as Mr. Ghafoor mention. we will work with that. And I think we can try to make, try to bring a solution on this. And I think we are in a position to do it now, and we must to do it. Thank you.

Chairman speaking:

All right. would any bank representative would like to add anything on it?

8:24 speaking:

With regard of this corresponding banking relationships, you know the existing banks also will be on a threat. The existing relationship will be closed over. So, we have to get US correspondent relationship. So, for that they require this English translation of MMPRC report. So, if we can get a copy of that English translated one. we try to search but we could not find. So, then immediately one corresponded bank will agreeable to come.

Chairman speaking:

It's still an ongoing case, and still...

9:01 Head of Retail Banking- Bank of Maldives Mr. Moosa Nimal Speaking:

Just, interest rates for touched on at the moment we are looking into where we can cut down interest rates. So, yeah some changes will happen and in terms of supporting SME's, we coming up with new products. Maybe next two months will be announcing really good products for SME's as well and we continue to, I mean, it was asked whether banks are making more profits. We do make profits and we re-invest them in community in terms of new branches, ATM's, supporting individuals and business. And like that I think eighteen new ATM's will come this year. We are going to open new business center in Kulhudhufushi. We have one in Addu. So, the investments will continue and we are working on improving our services to the public.

Chairman speaking:

Thank you very much. Thank you for sharing all the concerns and issues that you face and our main reason behind having this meeting with you is to enhance these issues that you, I mean to look in to it and to find more solutions in terms of the legislation amendments and other government policy changes. So, that we could help you in the issues that you face and as pushing down the interest rates and to give better service to the customers. And since, we are also, the oversight committee who is responsible for central bank, Maldives Monetary Authority. So, we will also work with them to see what are the challenges that we have. So, I would like to as, Honorable Ghafoor has requested, I would like to request all the banks to send in writing in more detail what are the proposed changes that you would like to see and what other areas that you would like to engage in getting this to a better position in the economy. So, once again thank you very much for coming and sharing the issues with us. And we would assure you that we would find a, may be not everything, but we would try to find a reasonable solution for the issues that you have. Thank you very much.
