

**'BCCI is an institution
justifiably proud of.'**

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**The fastest growing bank
in the world**



We can all be

ASHOK H. ADVANI, PUBLISHER, *BUSINESS INDIA*

The March issue of *Business India*, the country's leading magazine on finance and management, carries a major article on BCC. We publish here the letter from the publisher and extracts from a detailed analysis of BCC's performance.

What attracts attention about BCC is the speed with which the organisation has grown, and its success in gaining a widespread international presence. And behind the rapid growth lies financial strength, and soundness. And a high degree of profitability.

It has developed an organisational culture and a loyal customer base, against a backdrop of financial stability.

Since 1975, expansion began in real earnest. BCCI began to span the globe. Branches, subsidiaries, or associate companies were started in countries as diverse as Swaziland or Canada, France or Jamaica, Botswana or Uruguay. Between 1975 and 1980, BCCI commenced fully-fledged operations in 45 different countries, and between 1981 and 1983, it continued to expand and add new territories. Currently it operates in 68 countries across six continents. The list includes India and the People's Republic of China.

And there is little doubt that the pace of expansion has been phenomenal. In recent years, international banking has been very competitive, and most markets could be

described as saturated. In spite of this, the total deposits of the BCCI group increased from \$4.9 billion in 1980 to \$6.7 billion in 1981, and further, to \$8.7 billion in 1982.

BCCI's total assets in these three successive years were \$5.3 billion in 1980, \$7.3 billion in 1981, and \$9.6 billion in 1982. In June 1983, total assets have eventually crossed \$12 billion, and total deposits stand at \$9.3 billion.

Very Conservative

Agha Hasan Abedi, along with his long-time associate and deputy Swaleh Naqvi (who was born in Agra), both insist that swift growth has never meant that BCCI has overstretched itself. "On the contrary, I would strongly emphasise that we have been almost excessively conservative," says Mr Naqvi.

How has this been achieved? What are the reasons behind BCCI's continuing growth? In the initial stages, BCCI took complete advantage of the growth of Middle East trade with developed countries during the petrodollar boom. But quickly BCCI started building in Europe, particularly in Britain where the Asian business community had carved a niche for itself. BCCI also spread quickly through black Africa, particularly West Africa and East Africa. South-East Asia was the next area of focus.

Apart from the Middle East, interestingly BCCI quickly expanded in those areas where Asian businessmen had already established themselves as traders and merchants. Mr Abedi, Mr Naqvi and other BCCI officials attribute their success to the fact that they concentrated on trade related finance, consciously eschewing the more traditional areas of international banking. The strong Asian trading community was a ready customer base for the services offered.

Although Asians had already established themselves very firmly in many territories, they were still eager to expand aggressively. And they found sympathetic bankers, from India and Pakistan, equally anxious to finance trade. "As a third world bank, we had a close knowledge of the markets of our countries of origin," says a BCCI official. "We concentrated almost exclusively on short-term trade lending."

Job Satisfaction

The bankers Mr Abedi had recruited from the sub-continent were amongst the best. They were also fully familiar with the practices and ethics of family-run Asian business. They were able to take decisions not by looking at balance sheets alone, but looking primarily at the people running the business. Having hired the people, the bank gave them a great deal of freedom in taking decisions. Not surprisingly, the

The Bank of Credit and Commerce International (BCCI) is an international success.

BCCI is not an 'Indian' bank but it is a bank of great interest to Indians. The moving spirit behind the BCCI undoubtedly is Agha Hasan Abedi. Mr Abedi was born in Lucknow but then remained in Pakistan after the partition. Then moving to the UK, over a decade ago, he created a remarkable organisation.

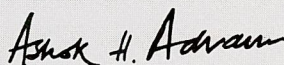
The top posts in the bank are held by persons from the Indian sub-continent – both Indians and Pakistanis (in fact many of them now hold British passports). With the nationalisation of banks both in India and Pakistan, literally hundreds of bankers from the sub-continent have flocked to BCCI. BCCI pays top salaries, but more than that, the culture of the organisation is such as to allow professional challenges and freedom of action. Both combine to give a very high degree of job satisfaction.

Mr Abedi sincerely believes that his staff are his greatest resource and treats them accordingly. This in turn has created a strong team fired by an almost missionary zeal.

The other cornerstone of BCCI's philosophy is its belief in the Third World. It has grown rapidly by financing trade with third world countries. And it has constantly supported businessmen of Asian and African origin, knowing them to be excellent business risks. It has thus created a fiercely loyal customer base. Contrary to all expectations of international bankers, this has proved to be a winning combination.

Clearly there are lessons for the banking community both in India and Pakistan to be learnt from BCCI's successes. Once again it is clear that given the right conditions our businessmen and professionals from the sub-continent can match the best in the world.

BCCI is an institution we all can be justifiably proud of.



Ashok H. Advani
Publisher

professional bankers, working in an internationally competitive environment, responded to this professional challenge. This style of banking is highly management intensive, but Mr Abedi had consciously built a strong management team. He was able to use effectively this enormous human resource that few other international banks have.

The other cornerstone of BCCI's philosophy is its belief in the third world. It saw that its clear role is providing finance for trading with the third world. Quite apart from the fact that these markets were relatively free from competition, BCCI's African and Asian customers, who in any case had extensive trading links in the third world, were only too happy to find an international bank that would back them fully. As is well known, several African countries like Nigeria and the countries of South-East Asia have registered extremely fast rates of growth. All involved in such trade have benefited enormously.

This combination of financing business men of Asian and African origin and concentrating on trade with third world countries has proved to be a winning combination for BCCI.

In the past, there have been some doubts about whether BCCI makes sufficient provision for loan losses. Mr Abedi strongly rebuts this charge, and stresses that his outlook as a banker is essentially very conservative.

"I would only point to the fact that short-term trade-related finance accounts for nearly 58 per cent of our total lending," he says. "Out of our portfolio, about 35 per cent are simply overdrafts, while another 46 per cent of the loans mature within one year. In contrast, only about 3 per cent of loans have a maturity period over five years."

In contrast, one of his deputies talks about what he considers the "laziness" of the larger multinational banks.

"Their tendency is to go in for big customers, reduce staff, and to put it all on a computer," says this BCCI official. "The larger banks like to manage money over longer periods of time. We put in very hard work for short-term lending. This is more labour intensive, but actually more profitable."

Moral Objective

In the management of BCCI, Mr Abedi stresses the over-riding importance of certain intangibles. "In our philosophy, it is not only material success that counts, but also a moral objective, more important than the material, to give as much happiness to as many people as possible, wherever they are." He also constantly refers to the BCCI "family." In his opinion, high morale and

motivation are only the outward manifestation of the "soul" of the organisation. Loyalty can be ensured only through "purity and humility" of all the staff, especially the senior managers.

"Our success so far is purely due to the honesty and integrity of purpose of the entire staff," continues Mr Abedi. "And also a vision – an ability to see and identify what others are unable to do in terms of future possibilities. Management must have the wisdom to relate to Cosmic Intelligence. Faith in one's judgements or actions must be like faith in truth."

Mr Abedi's emphasis on translating his philosophy into action is what motivates his colleagues and subordinates. It is not just the top few managers but right down the executive ladder that they all speak in a similar language and in a similar tone. Mr Abedi sincerely believes that his staff are his greatest resource and treats them accordingly. This in turn has created a strong cohesive team fired by an almost missionary zeal.

Whether or not it would be able to continue its explosive growth rate, the bank is already a significant presence in many developing countries. Its entry into India has been a rather delayed one, and was achieved after a good deal of trying.

Mr Abedi and Mr Naqvi speak of "ties of sentiment" with India. They also speak of their belief in India as an emerging industrial power, and of the great scope that exists for banking and financing activity. "We would be able to offer to our Indian customers services which not many others would be able to provide," says Mr Naqvi. "No Indian or third world bank has our network of branches. We could perhaps also help in promoting economic ties between India and the oil-rich Gulf states."

"We are not involved in the political issues of countries with petrodollar surpluses aiding poorer countries," observes Mr. Abedi. "But we would like to promote trade, and to help in attracting direct investment in areas which have potential. We cannot claim to be a super-government to try and change economic under-development in so many parts of the world. But as a trade and investment agency, we can contribute to the process."

Third World Bank

For some time now, Mr Abedi has floated the idea of a Third World Bank, which could be owned by private and public sector commercial banks in third world countries, together with central banks and other financial agencies. According to his proposal, this bank could act as a vehicle for enlarging trade between member states, and also provide short term balance of payments support, bridge financing, and the like. Mr Abedi says that his initiative has earned the support of a number of bankers in the third world.

Mr Abedi and his lieutenants today speak of "consolidating their position". They stress that the fast-paced geographical growth that has occurred so far has been part of a conscious strategy to aim for a less saturated market in third world countries. In these markets, risks would possibly be a little higher, but so would profitability. And there would be less competition.

The security of petrodollar strength is, of course, very much there. Mr Abedi was among the first to anticipate, in the very early seventies, the prosperity of the oil-producing countries. But it is in third world trade that Mr Abedi sees the maximum potential for BCCI.

Whatever his rivals in Western banks think of him, Mr Abedi has a good deal of clout with many powerful people in developing countries. So far BCCI's success – which means the success of Agha Hasan Abedi – has been unrivalled. There is very little doubt that the bank will continue, in chosen areas, to provide its Western counterparts with a very good run for their money.

Analysis of BCC's loan portfolio

Total loans and advances on 31.12.1983	\$4,105 million
Breakup	%
Short term trade-related loans	56.3
Shipping and transport (commercial)	5.7
Manufacturing	7.8
Construction	7.0
Real estate	6.5
Banks and other financial institutions	3.1
All other loans	13.6
Total	100.0

Geographical distribution of BCC's deposits and loans (as at 31.12.1983)

	Deposits		Loans	
	\$ million	% of total	\$ million	% of total
Europe	1,957	26.5	753	18.3
North and South America	126	1.7	147	3.6
Far East/Asia	587	7.9	632	15.4
Middle East	1,725	23.4	1,058	25.8
Caribbean	1,248	16.9	542	13.2
Africa	1,740	23.6	973	23.7
Total	7,383	100.0	4,105	100.0