

## **Investment Banks Role Vital For Savings Mobilisation: Dr. Ishrat Husain**

KARACHI (July 15 2004): State Bank Governor Dr Ishrat Husain said on Wednesday that the emerging role of investment banks was of high importance as the time has come to wake up and play a vital role for mobilisation of savings in the country.

He was speaking at a lunch regarding the opening of Investment Services Centre of Escorts Bank at Karachi Stock Exchange Building.

He said that after separation of role of SBP for commercial banks and Security Exchange Commission for non-bank finance institutions, more clarity was available regarding the functioning of the banks and non-banks.

He said he had some reservations about investment banking in the country and was trying to understand what was going to be the controlling instruments for investment banking.

He said he was pleasantly surprised with the performance of Escorts Bank and the experience he got from the Bank.

He said the role of investment banks was different from commercial banks. Copying commercial banks would not help investment banking as the commercial banks have inherited a number of advantages including the experienced skilled workforce.

He appreciated that investment banking was being taking out of Karachi to Lahore and other cities mobilising the saving activities across the country.

He said that financial sector has yet not reached the middle and lowers middle classes, which is essential for the development of banking. He said that access of middle and lower middle class to financial sector was essential for development.

He said the micro financing, SMEs, consumer banking and Islamic banking are the efforts to reach the middle and lower class.

He was of the view that there was no need for CIRC as the investment banks could do this job. They should restructure the sick units and sell at some premium value. This has been done in China, Malaysia, Indonesia and now in India.

He said depth in the market was required for commercial and investment banking. "It is time for the investment banking sector to wake up," said the Dr Husain.

Earlier, CEO of Escorts Investment Bank Rashid Mansoor said the macroeconomic stability of Pakistan has been restored. A set of well-designed and equally well-timed set of reforms have been implemented towards the consolidation of the banking sector, restructuring and strengthening of the non-banking finance companies and making them an integral part of the financial service industry.

"I had the opportunity of making a presentation to the Governor, on the Background, Objectives and the Operational Strategy of our Five-Year Business Plan - Escorts Beyond 2001. Again this morning, we have declared open our new Investment Services Centre at the Karachi Stock Exchange Building.

"One of the most important objectives of our business plan is to shift from 'pseudo-commercial' banking activities to genuine investment banking," said Mansoor.

He said: "We have made a conscientious choice to remain an investment bank within the non-banking financial company structure designed and regulated by the SECP.

"I believe that the financial sector reforms introduced by the State Bank of Pakistan, coupled with the capital market reforms of SECP have made the stock market more efficient, transparent, accessible and acceptable, in terms of capping of systemic risk and an efficient settlement process."

The shift in the interest rates scenario has put a spotlight on the high costs of intermediation of some of the commercial banks and has also prompted the saving public to turn to stock markets for better returns. All these factors have created an atmosphere that now enables, inspires and encourages investment banks of the country to play their real role of providing high-end services, related to capital markets.

A progressive and proactive institution like Escorts Bank can capture the existing retail and institutional clientele in brokerage services and also create a new demand for retail brokerage services, by creating awareness, and by setting new standards in services offered.

He said: "After today's opening of our 'Investment Services Centre' at KSE Building Karachi, we intend to open five more such centres in major cities of Pakistan.

"From the time when we launched our business plan in January 2002, our assets have grown three times; our net profitability 18 times; EPS has moved from 23 paise to over Rs 3 per share while the return on average equity has increased from around 2 percent to over 31 percent. Share price of Escorts Bank has improved from Rs 5 to around Rs 15. Our credit rating has been upgraded twice. Considerable progress has also been achieved in terms of Asset Quality and Diversity of Revenue Streams; level of hedging against volatility of revenues; systems development and automation, human resource and Brand Visibility."

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