

Rundheersing Bheenick: Brief look at the commercial banking sector in Mauritius

Address by Mr Rundheersing Bheenick, Governor of the Bank of Mauritius, at the official 100th Foundation Day Celebrations of the Bank of Baroda, Port Louis, 20 July 2007.

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Honourable Deputy Prime Minister and Minister of Finance and Economic Development
His Excellency the High Commissioner of India
The Vice President of the Bank of Baroda
Distinguished Guests
Ladies and Gentlemen

It gives me great pleasure to be present today and share this historical moment with you.

Let me first congratulate Bank of Baroda on reaching this milestone in its history. Allow me also to commend all those whose work and dedication have positioned the bank as a successful and respected global bank.

A centenary should indeed be celebrated.

This celebration, however, cannot start without saluting the founder of Bank of Baroda, Maharaj Sayajirao. Under his rule, a hundred years ago, Maharaj Sayajirao erected a tiny building in the princely town of Baroda. His vision, I understand, was to set up a bank which would “prove to be a beneficial agency for lending, transmission and deposit of money and a powerful factor in the development of art, industries and commerce of the state of Baroda and adjoining territories”.

The vision of the Maharaj is today a legend which has etched footprints in the sands of time.

The small Baroda building has today grown into an empire with an impressive network of around 2700 branches in India. Bank of Baroda has also created history beyond the frontiers of India. The bank migrated with the Indian diaspora and settled in over 20 countries, of which our very own.

Indeed, this year marks the 45th year of close association of Bank of Baroda with Mauritius. Bank of Baroda started operations in Mauritius in 1962 at a time when we were still an underdeveloped country. We had, at that time, only three full commercial banks; the Mauritius Commercial Bank Ltd, Barclays Bank DCO and Mercantile Bank of India. There were, in addition, two other quasi banks, namely the Mauritius Cooperative Central Bank, a “bank” operating for the benefit of cooperative societies, and the Post Office Savings Bank.

We cannot overlook the contribution of the Bank of Baroda in the economic and social development of our country over the years. We all recognise the social mission of the bank. Bank of Baroda brought banking to the unbanked. It pioneered mobile banking giving access to banking services to needy segments of the population in villages throughout the country. The mobile bank is today a legacy.

Bank of Baroda also made significant contributions towards financial literacy and commercial education. A couple of years later, Habib Bank joined the Bank of Baroda in this mission, followed by the State Bank of Mauritius Ltd.

A centenary bank has past successes. However, it cannot afford to be complacent about its success stories. A centenary should also be an occasion to look at challenges ahead.

The world today is fiercely competitive. Innovation, creativity and re-engineering should be on the business agenda of our banks. Our banking sector should be always on its toes and tap new markets.

The banking sector will be faced with stronger competition by the end of this year with the opening of three new banks, which have been granted banking licences last year. Also, as part of the outfall of the Honourable Prime Minister's visit to China, we expect a Chinese bank to be part of our financial landscape before long.

The sector is becoming more and more competitive and consumers can only stand to gain in this process. As the regulator and watchdog of the banking sector, we at the central bank shall keep an eye on developments to ensure that credit standards are not lowered, that depositors' interest are safeguarded and that our reputation as an international financial centre is not at risk. Our consumers expect no less from its central bank.

Mauritius enjoys cultural and economic ties with Asia and Africa and offers huge potential for the provision of banking services in the region. I strongly urge our banks to take full benefit of opportunities that lie ahead.

Islamic financial services are being introduced. In this context, I will shortly be meeting with the Islamic Financial Services Board of Malaysia to discuss the adherence of the Bank of Mauritius to this international standard setting body comprising regulatory and supervisory agencies worldwide which have interest in enhancing the soundness and stability of the Islamic Financial Services Industry.

I believe that the time is now right to envisage a suitable currency exchange system between our two countries. There has been significant expansion in trade and tourism between India and Mauritius. I understand that around 50,000 tourists from India are expected to visit Mauritius this year and that 20,000 Mauritians would have travelled to India. This measure will avoid the inconvenience for travellers having to convert their Indian rupee banknotes into a foreign currency first when travelling to Mauritius and secondly, to reconvert them into Mauritian rupees for spending in Mauritius. I believe that the flow of tourism between India and Mauritius may be enhanced under a suitable exchange system between our two countries. Bank of Baroda can be called upon to play a prominent role in this respect. The application of a mechanism similar to this one has helped to maintain a steady and growing level of tourism between South Africa and Mauritius over the years. South African rand banknotes are today freely exchanged by South African travellers in Mauritius.

I now wish to commend the recent marketing initiatives of Bank of Baroda to make itself more visible in our banking industry. "Rapid Funds2India", a service free of cost to the bank's customers in Mauritius and India, is a laudable effort towards lower cost of banking services. The bank has made substantial investment in IT and its entire banking operations have now migrated to state-of-the-art IT platform enabling global connectivity. It is a fact that technological innovations have today significantly brought down administrative costs. I strongly believe that such reductions in costs should be passed on to customers through lower fees and charges.

In today's world of financial globalization, banks can no longer limit themselves to geographical areas. I understand that Bank of Baroda ranks among the top 400 banks worldwide and they are not alone. Two other Indian banks namely, the State Bank of India and ICICI are also performing very well.

I again congratulate the Bank of Baroda on its 100th Foundation Day and wish it another 100 years of success.

Thank you for your attention.