



“Your Development Partner”

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**BDB** | Bhutan Development Bank Limited

BDB Newsletter 2021



Issue 43

## Greetings from the CEO’s desk!

Dear BDB family members,

The holiday season - Blessed Rainy Day, Dashain and other Tshechu holidays – have and will soon come in between us and our work. Despite the distraction we need to remain focused in our endeavor to reduce the NPL and improve the 2021 financial performance. We have few months to roll out the NPL reduction strategy and improve our financial performance. Through these initiatives we are preparing ourselves to remain resilient and also to support the efforts in recovery of the economy during and after the pandemic.

It was a nice meeting most of you during the virtual meeting (NPL strategy) in good health and high spirits. Although the pandemic has disrupted the economy and affected many livelihoods, His Majesty The King’s peerless leadership has kept us safe and unaffected. Even the clients and the banks have been kept afloat and stress free by His Majesty’s kidu. In return, we need to put in extra effort to offer our humble services, dedication and commitment to serve the nation and its people during the times of need.

The pandemic has provided us an opportunity to review the way we conduct our business and when the pandemic is left behind we should have created a more robust, dynamic and appropriate bank that provides the required financial services keeping in view the needs of the clients. The

pandemic has taught us to think deeper about embracing technology to remain relevant as we move into an unpredictable future. We need human talent to manage our CBS – Finacle and the future technological plans.

The progress of the fin tech and the Banking 4.0 is slowly becoming the norm. The advancement is rapid and disruptive. Clients are beginning to experience digital banking that is efficient, secure and inexpensive globally. Although heavy investments are required for the digital transformation it is inevitable. As we move ahead, we all need to surrender our idea and thoughts of not changing if we care about our jobs and livelihoods.

The financial services are slowly being provided using AI, robotics and big data. Consumers no longer want to wait in long queues to avail services. The user experience has changed dramatically. Clients, bulk of which are made of millennials, no longer want to deal with humans and related attitudes. There is a shift towards real time transaction and instant gratification is gaining ground. Coders and creators of payment systems are sharpening their algorithms to meet the fast-changing needs of the consumers. SIRI and ALEXA will soon be performing financial transaction at the command of the mobile owners. This will render many manual services obsolete. While we consider investing in such platforms

and channels to deliver banking services, our human resources managers need to respond by planning and providing trainings that will support Bank 4.0. The cost and disruption in this transition from in-person based services to digital services will be challenging.

The delivery of services needs to evolve by taking cognizance of the transformation taking place around us. Our human capital and talent building must be in sync with the evolution of the

digital services. The transition will not happen overnight but external forces will compel us to change. In the next few years technology driven services will be hurled at us by developers and there will be mounting pressure from the clients for real time experiences. I urge all our colleagues to mentally prepare for this change. To do so I am attaching a copy of Brett King's book titled Bank 4.0: Banking Everywhere, Never at a Bank. To get a glimpse of the how the banking landscape is changing I submit an excerpt from the book.

When we talk about Bank 4.0 it is good to establish both a timeline and a definition for clarity:

**BANK 1.0:** Historical, traditional banking centered around the branch as the primary access point. Started with the Medici family in the 12<sup>th</sup> century.

**BANK 2.0:** The emergence of self-service banking, defined by the first attempts to provide access outside of bank working hours. Commenced with ATM machines and accelerated in 1995 with the commercial internet.

**BANK 3.0:** Banking when and where you needed it as redefined by the emergence of the smartphone in 2007, and accelerated with a shift to mobile payments, P2P and challenger banks built on top of mobile; channel agnostic.

**BANK 4.0:** Embedded, ubiquitous banking delivered in real time through the technology layer. Dominated by real time, contextual experiences, frictionless engagement and a smart, AI-based advice layer. Largely digital omni-channel with zero requirements for physical distribution.

“The bankers of tomorrow are not bankers at all—the bankers of tomorrow are technologists who enable banking experiences your customers will use across the digital landscape. The bankers of today, the bank artifacts of today, the bank products of today, are all on borrowed time”

The above revelations are about what the banking landscape will be in the near future. The twenty first century is becoming exciting. Technology has been leveraged like no other times in the history of mankind. You name it, from politics to space exploration, education to health services, and now in the banking sphere with the advent of blockchain platform and cryptocurrencies, conventional banking will have to give way to fin techs and their likes.

While I tried to highlight the intrusion of the Bank

4.0 which is driven primarily by technology, we also need to consider our immediate situation. We are faced with many challenges brought about by the pandemic but, as the saying goes “life must go on” and we cannot slag. The immediate need is for us to cooperate and tide over the pandemic. We need to come together as one team and use the human intellect and manual perseverance to overcome the immediate challenge of high NPL. We have discussed the contents of the NPL Strategy to be implemented within December 31, 2021.

It is time for us to make coherent plans at every Branch and Gewog Field Office to create awareness about NPL strategy. We need to sell the idea about the huge financial benefits the NPL clients can enjoy if they are able to fulfill the requirements spelt out in the strategy. Further, they will be free of financial obligations and also remove their names from the Credit Information Bureau's database to participate in the business activities. Our efforts need to support His Majesty The King's concern on reviving the economy, building a robust economy capable of creating job opportunities and livelihoods of our people. Our banking services must remain relevant.

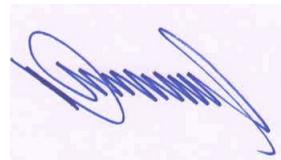
While moving ahead with the NPL reduction, please be mindful about the problematic loans that have been parked in the Asset Pending Foreclosure (APF). Once approved to be parked in the APF, the loans will be transferred from loans and advances to APF under Tier two capital, which will have a direct impact on the credit growth. The loan outstanding will be reduced by the amount in APF which means we will have to put in extra effort to achieve our credit growth target.

The Credit Department with the support from the ICT Department have more or less

completed the task of account reversal. This has been one of the biggest challenges we have faced during the pandemic. Once the reversal is fully completed the ICT Department has been asked to take over and ensure all the information in the CBS are fully updated on a real time basis. We have been assured that they have discussed and made plans with the L2 support team to resolve all the issues. This will facilitate in the implementation of the NPL reduction plans made by Branch and Gewog Field Offices.

We are now excited to hear about the plans and more importantly about the progress that has been made so far by our colleagues in the field. We have three months to improve our financial performance and we are certain everyone will give their 100 percent. We would like to wish everyone all the best. Let the remaining three months be the most productive in terms of resolving the NPLs and improving the financial performance.

#StaySafe #Takecare



*Phub Dorji*

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## Training on Strategic Procurement Process

Employees from Bhutan Development Bank Ltd. (BDB), Head office from various Departments attended a five-day training program on Strategic Procurement conducted by Financial Institutions Training Institute Ltd. (FITI) from 26th July to 30th July 2021.

Various topics were covered including both the theory and practical exercise on Opening





and Introduction, Refresher on Procurement Manual, Introduction to Design Thinking, Introduction to procurement cycle from CIPS, Procurement cycle till issue of Bid, Preparation – Floating and Selling, Design Thinking – Empathies (Practical), Procurement Cycle- Bid submission, Opening, Evaluation and Award, Procurement Cycle- Delivery and receiving,

Contract performance, Supplier Relationship Management & Asset Management and Modern & Future Procurement

A session was also taken by the CEO, FITI on the effective presentation.

*-Procurement Division*

**BDB**  
Your Development Partner

*Bridge your education gap with BDB*

**Education Loan**  
Maximum amount : Nu.700,000  
Term : 5 years  
Interest rate : 10 %

*kadvinchey*  
for Banking with us

# Story-Central RM: "37 years in Service of Bhutan's Rural Development"

“His Majesty the Fourth King always looked for the welfare of rural communities. Rural Credit Division was functioning under RMA which later was Commanded to institutionalize as BDFC in 1988. As an eldest son to a retired army and a farmer, I had to thrive in sustaining minimal income. I joined as a Rural Credit Officer in RMA at Nu. 600 a month. Later I was fortunate to join BDBL as one of the first pioneering employee. Today, reflecting my 37 years of service at BDBL, had let me travel to the most remote places & giving out loans of as much as Nu. 80 to villagers then.

It was in Bumthang Dzongkhag my first placement as RCO in August 1985. Inspired by His Majesty's noble vision to provide financial service to the rural communities. I'd set off on journeys through thick forest, icy mountains & lonely paths with a satchel full of money. Basically, to reach loan service at doors. In the villages, micro credits helped with the plantation of new crops. Without us, local money lenders monopolized imposing heavy interest & it took years before they could be paid off.

In 2000-2002 during my tenure as Sr. Dzongkhag Credit Officer (DCO) in Trashigang Dzongkhag, a childless 70 years old lady from Radi Geog couldn't pay a loan of Nu 280 & it accumulated to 680 after a few years. I cleared it for her, & the very next day, she left for the Gomba to pray. Each time I visited the Geog on Farmer's Outreach Program (FOB), she came down to update me on her mani counts. She'd say that half of them is for me.

In the 1990, I was transferred to S J/khar from B/thang at the peak of southern issue. In the back of a truck with an infant huddled in the

severe cold crossing Sengor. The cold was unbearable. My wife and baby literally cried from discomfort.

My role was to arrange compensation. At night, leaving baby and wife at home, I patrolled the borders with police and army. It was the riskiest part of my job ever. We made groups & kept guards for each other from a distance. One evening, the group who left before us was ambushed & killed before our eyes. The trauma of that night will stay on for a life.

After that trying time, we had to give loans for a first resettlement projects loan to ex. Military personnel in Samdrupcholing Dungkhag.

Years later, I was in Phobjikha where every potato season, around 600 families would need loans to buy seeds & fertilizers. We'd travel to the village, & hand people their loans instead of them travelling to Wangdue for a meagre amount. The private money lenders even came charging at us for this.

At times, people were reluctant to take loans & I'd convince and even beg some of them to do so. A farmer who agreed after a long persuasion & took a small loan about Nu.500-1000. Today, from subsistence, he went on to become a millionaire over the years. Another who started with a Nu.1000 loan, climbed his way to a successful business.

In 1996, I got an opportunity to attend Trainer of Trainees (ToT) training for introducing special Group Guarantee Lending Scheme (GGLS). I was identified/selected to train the field staff in all the regions and branches along with formation of first GGLS group in Mongar, Punakha and Zhemgang. Today, these GGLS groups are most operating successfully

with visible impacts. Such scheme of BDBL specially was targeted and benefited rural people who are not eligible for conventional banking credit facilities.

This is my last year in govt service as Regional Manager and I see my life's work reached and impacted in all the 203 gewogs (Except Laya and Lunana in Gasa dzongkhag) and 100s of rural communities. With various meritorious recognition awarded I am most satisfied to be part of BDBL in fulfilling willed Visions of our Monarchs.

I feel and believed, your integrity, hard work and commitment are three driving forces in excelling your performance"



-Pema Tashi, Central RM

## Effective Internal Audit

On July 3, 2021, the IA department received an e-mail from the HR department, informing the department that it is about to conduct training through very professional resources. Mr. Karma Jambayang, Asst. Auditor General, Royal Audit Authority. The staff is pleased with the news that the new study is about to start with 23 participants from all financial and non-financial institutions.

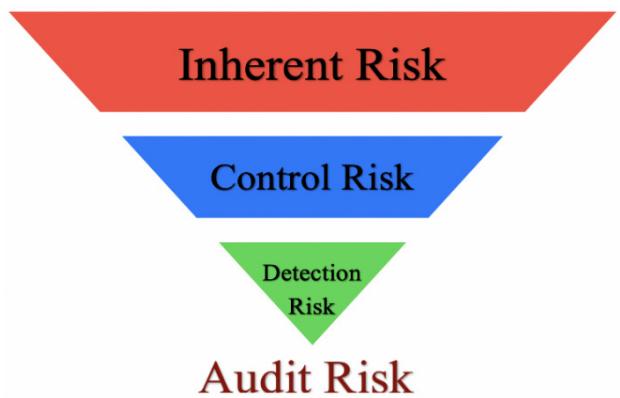
The resource manager introduced the topic of "Effective Internal Audit". He looked at the participants and reminded them that the meeting will be a two-way process full of interaction, questioning and discussion. Mr. Karma Jambayang introduced the themes and their learning results in detail. The subject is mainly related to the daily work of auditors, but uses effective and modern methods. Some of the main highlights of training are the ethics that internal auditors should possess, and the use of modern methods, theories and standards to conduct effective audits of financial institutions and any organization.



We understand that the most important value of internal audit is that it provides assurance for the organization's governance, risk management and control systems to achieve its strategic, operational, and financial and compliance objectives. The participants were also able to understand and learn theories such as Fraud Triangle, which will help to detect fraudulent activities, professional audit report writing skills, the objectives of the report, and future actions to strengthen the internal control system.

On the last day of the training, participants were divided into several groups and had to choose each activity related to their daily work in order to learn more about effective examination plans and how to identify the different risks associated with different activities. We understand that effective planning and auditing begins at the desk where we sit, because for auditors, desk scoring is one of the most critical steps in determining the effectiveness of an audit. The course is finally over.

From the session it was clear to us that auditors should not believe in things, but rather experiment with facts and figures and live them thoroughly so that we can say for ourselves that it is true and never say "I believe in" because that is the statement of an ignorant



auditor. The most important outcome is how we can use this knowledge to benefit the bank in the future. The training materials are only one source of information for the audience, but the change in our work has to start internally.

*-Kinzang Tobgay, Internal Audit Department*

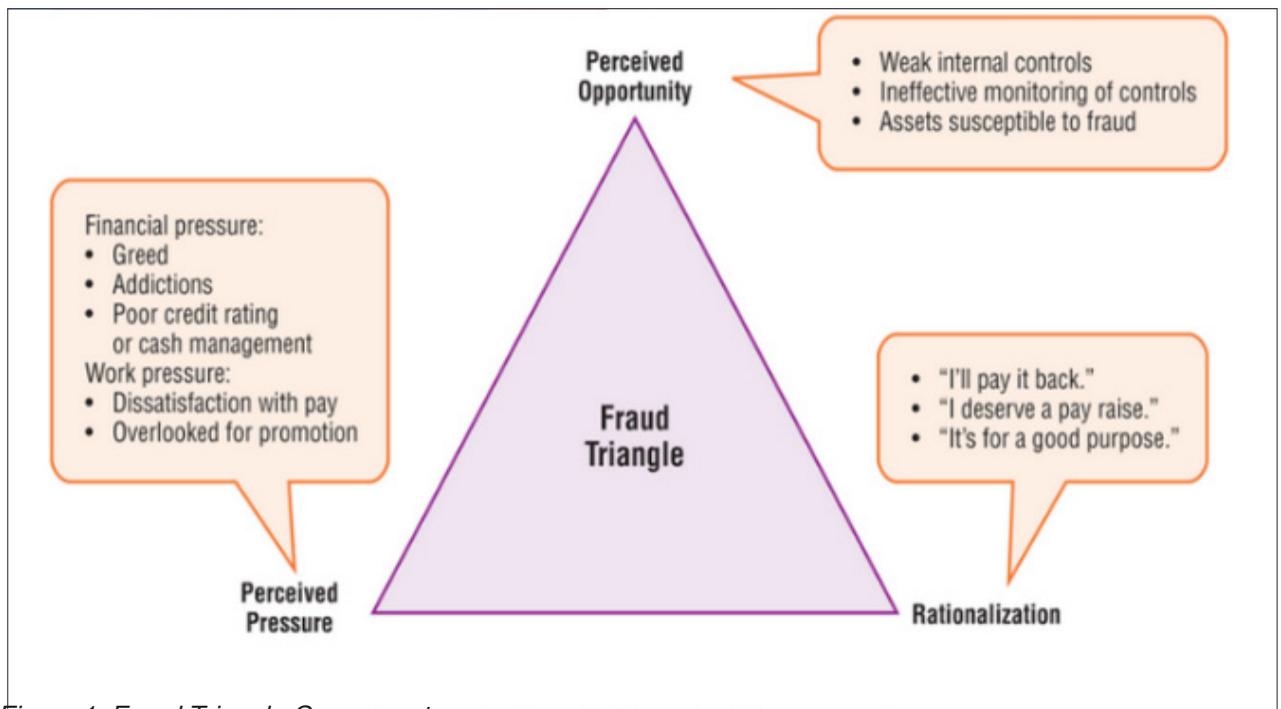


Figure 1: Fraud Triangle Components

# A TRIBUTE TO .... EMPLOYEES PAST AND PRESENT

The spectacular golden color of the autumn paddy  
The ripen reddish apples on the tree top  
Vegetables in varied colors, flavors and shapes  
Pigs in sty, cows in shed, chickens in coop  
Settlements, infrastructures and modern amenities spread around  
Easy access to money for meeting the needs and hopes  
Testimony of BDB to uplift the livelihood of rural populace  
Crossed we have the rivers, ridges and forest  
Climbed we have the mountains, valleys, gorges and hills  
Master we have the different dialects of the rural folks  
Weathered we have the rain, shine, chill and thunder  
Slept we have under the open sky, by the fireplace and makeshifts  
Yet! rise we must to the causes and calls of the customers

The sun kissed forehead from the scorching sun  
Dripping sweats from the rising temperature  
Chilling pain on the legs from the uphill combing  
Fear of animals and creeping sounds in darkness and dense jungles  
The hunger, thirst and fatigue from the miles covered  
Anguish from the loads of money carried on the back

All put to rest by .....

The smiles and innocence on the people's faces  
Houses for shelter and ease of living  
Sound of the engines easing the burden of the aching backs,  
Children in uniform heading to schools  
Varieties on the plates and improved quality of living  
Banking services spread till the Gewog centers and a click away  
Rejoice silently for being the driver of rural economy

To the architects of BDB, past and present  
Striving to live with the identity - FARMERS BANK  
Endures to reach the services to unreached  
Banking the unbanked  
Unconventional Banking at the door step  
One stop banking – Farmers Outreach Banking!  
Future lies in embracing digital banking

CONTINUE WE MUST TO SERVE THE COMMUNITY!!!!!!

*-Pee Cee*



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