

Promoting financial inclusion

INTERVIEW WITH ENRIQUE RAMÍREZ PANIAGUA

ADMINISTRATOR GENERAL, BANRESERVAS



ENRIQUE RAMÍREZ PANIAGUA

graduated from the Instituto Tecnológico de Santo Domingo with a BSc in Economics, and also holds a diploma in advanced English from Georgetown University and an MA in International Business from Webster University. He began his career at Citibank, before joining the American Chamber of Commerce, where he was Regional Coordinator. He subsequently moved to Banco Popular Dominicano, where he held a number of senior positions including VP International & Institutional Division, before assuming his current role at BanReservas in 2013.

When you took over the helm at BanReservas in July 2013, there was speculation that the government’s aim was to shake up a private sector that is seen by some as in need of competition. What is the government’s strategy for BanReservas and its role in the Dominican financial sector?

When I was appointed to BanReservas in July 2013, our goal was to reposition the bank in the commercial banking system as a competitive player. As such, in this first stage the strategy was to stabilise the bank’s financial performance, realise financial and processes efficiencies, and improve customer experience. We have made substantial investments on the back end of the bank’s processes, a project that should culminate by the last quarter of 2016. BanReservas is a 75 year old state-owned bank, and as it is in other countries, we operate as any other private commercial bank while playing a special role in the support of the national productive sectors aligned with the National Economic Development Strategic Agenda.

The Dominican Republic is characterised by low banking penetration and a large informal sector. What role can BanReservas play in educating people about the benefits of banking, and is the bank looking to grow its customer base in this way?

We have several initiatives that promote banking and financial inclusion. One of these initiatives, “Preserva”, is directed at individuals who are not currently participating in the financial system. The programme aims to give these individuals access to banking products and services, encouraging responsible usage of the financial offerings through a strategic plan of educational activities.

Another initiative is focused on bringing banking services closer to the people and to sectors where banking has little presence. “Cerca” is a network of banking sub-agents which eases the execution of banking transactions through affiliate businesses. Currently we have over 1,200 sub-agents across the country.

This is part of the role of a state-owned bank, to educate and make it possible for people to have equal access to financing opportunities.

What are the main policies through which the bank supports small and medium-sized businesses?

We support small and medium-sized businesses by providing them with the proper platform to grow.

As a result, we have implemented key initiatives such as “Prospera” which focuses on designing solutions that have a direct impact on the development of the local economy’s productive sectors, and “Cree” a programme that helps with the development of start-up companies by bringing together entrepreneurs, investors and advisors, providing financial instruments and technical advisory services allowing entrepreneurs to execute their ideas successfully.

The implementation of initiatives such as financial support programmes, technical advice, financial education and programmes intended to improve infrastructure and working capital availability has been proven to be a strong contributor in stimulating small and medium-sized businesses throughout different areas of the economy, creating jobs and improving the quality of life of the population. Today, small and medium-sized businesses, including producers and exporters, have access to bank credit through multiple programmes and services offered to them by BanReservas.

What role is BanReservas playing in the expansion and development of the national infrastructure?

As I mentioned earlier, part of BanReservas’ role is to provide support to key infrastructure projects, in line with the government’s National Development Economic Strategy Agenda. One of them is the trust for the development of affordable housing “Ciudad Juan Bosch”. Through this project, the government aims to guarantee and facilitate the right of every citizen to buy and own a house, thus reducing the country’s housing deficit. We are also participating in the trust for the maintenance and development of the highway infrastructure “RD Vial”. Through this vehicle, the government aims to ensure the proper functioning of the highway network system through the maintenance, rehabilitation and expansion of the current network, including toll road stations and roadside assistance.

What can you tell us about BanReservas’ investment in the country’s key export sectors, such as the pilot project to further develop the banana industry?

In 2015, Banco de Reservas initiated “Prospera,” a programme designed to develop Dominican Republic’s key export sectors through the channelling

of resources to improve the techniques implemented in the production process. Through Prospera, we offer a spectrum of solutions to increment the competitiveness of local producers in terms of assuring sustainability and managing risks.

As part of Prospera, specifically in the banana industry, BanReservas signed an agreement with the Dominican Association of Banana Exporters (ADOBANANO for its acronym in Spanish) which allowed for the approval of RD\$440 million in loans to small producers. ADOBANANO granted a guarantee in order for small producers to access the financing needed. This initiative has benefitted a total of 1,521 producers located in Montecristi, Valverde, Santiago and Azua.

The programme also contemplates a technical component. For instance, a technical team in association with the Dominican Institute of Agricultural and Forestry Research is taking soil and water samples to formulate consistent techniques to be implemented in the production process.

You recently returned from a European tour which included participation at the Spanish travel show FITUR. Where do you see opportunities for the bank to increase its participation in the tourism industry?

BanReservas' executives travel to tourism fairs and summits to meet with hotel executives from all over the world. During these meetings not only do we explore business opportunities, but we also take the opportunity to tell the success story of our bank and our country, leveraging the favourable investment landscape.

We are making every effort to help diversify the country's tourism portfolio, by identifying hotel products and other tourism-related projects that are not present in the country, thus expanding the country's offer with the goal of appealing to a larger range of tourists.

We believe that our bank's growth in this segment is linked to the introduction of new hotel products into the country, such as luxury hotels, themed hotels, as well as shopping malls in tourist destinations and attractions in the cruise ports.

You have a lot of experience in the private sector. In which areas of BanReservas' activities do you most see yourself applying that experience?

Since July 2013, the bank has gone through a transformation process in key aspects, ranging from changes that expedite the opening of a checking account to major investments in technology infrastructure. My experience working in the private sector has contributed to positioning the bank towards a model that is focused on the customers' experience, thus having a positive impact on operational efficiency and the overall financial performance of the bank.

You have said you intend to leverage the bank's network by cross-selling products. How do you intend to work with retail and corporate businesses to increase operational efficiencies?

Currently, BanReservas is immersed in a process of revamping its operating systems in order to increase operational efficiencies. Specifically, we are working with top suppliers to implement new core banking and accounting systems. Similarly, we are in the final stages of installing a Customer Relationship Management (CRM) system. This will allow us to better understand and serve all of our customers' financial needs.

When you assumed your current role, you drafted in specialists to work on the bank's loan portfolio, stripping out and selling bad debts, and improving credit procedures. What have been the results of this "cleansing" process to date?

First, BanReservas has participated in the sale of portions of its loan portfolio, consisting specifically of loans rated "A" by the Superintendency of Banks and that have shown a flawless payment history. These loans have been acquired by top-rated international banks, who have further sold these to international investors. As such, BanReservas has never engaged in the stripping out or sale of bad debts.

Regarding the improvement in the NPL ratio, which as of December 2015 was 1.44 per cent, below the commercial banking average, this was achieved mainly by maintaining a strict focus on risk management and proactive monitoring of the loan portfolio, through constant communication with clients and covenants monitoring. The Risk unit also performs a "Harvest Analysis" of the loan portfolio, which allows monitoring of the evolution of the clients' financial performance and payment behaviour and preventing deterioration of the credit before it occurs. This understanding allows us to predict the impact of our customers' behaviour on our credit portfolios, as well as better understanding our customers, and helping us manage all risks associated with today's banking operating environment.

The Dominican economy has a good growth record, but it is vulnerable to the effects of Fed tapering and rising interest rates. Are you confident you can continue borrowing on the international financial markets?

The latest US\$1 billion Sovereign Bond Issuance in January 2016 demonstrated that global investors have a strong appetite for DR debt. It is important to note that for this transaction the book was 2.8 times oversubscribed. As the country's credit position continues to improve and our outlook remains positive, we are confident that access to international financial markets will continue to be a financing alternative. **E**

The Dominican Republic's largest bank is instituting a series of initiatives to increase banking penetration and support the SME sector