

The battle to stem the demise of global banking brands

The planned indigenisation of banking institutions in Zimbabwe has created grave economic concerns, centred what appears to be a crusade by Minister of Indigenisation and Empowerment, Paul Mangwana's crusade for the demise of international brands in the financial sector.

Harare – Corporate institutions are holding their breath in awe - and lot of concern: amidst the current economic turmoil, foreign-owned banks have easily taken concern of their cross-border financing requirements, and riding on international banking brands has made business easier in a country where the locally-owned institutions have failed to give them support because of lack of offshore recognition.

A growing number of high net worth individuals, whose banking needs are cutting across borders due to travel and other factors, have found the international brands more efficient and useful.

But one man appears more bothered than anyone else by the crusade against the global banking brands in the country: Reserve Bank of Zimbabwe (RBZ) governor Gideon Gono.

Mangwana has appeared like an unstoppable juggernaut, often using the most unashamed language to describe critics of indigenisation project and claiming, when unable to face rational arguments, that the indigenisation campaign had nothing to do with economics but politics.

But Gono has called his bluff.

This week, he charged that the program was earmarked for a clique of well-connected politicians, and his major concern was the “attempts to forcibly push the envelope of indigenisation into the delicate area of banking and finance”. Gono indicated that he knew what it meant to build a banking brand over years: he had presided over the creation of the Commercial Bank of Zimbabwe, now CBZ Bank and the second largest in terms of assets, following the demise of the International Bank of Credit and Commerce.

To win brand recognition offshore, he looked for a strategic partner and brought in South Africa's ABSA, which helped the institution secure much-needed credit lines and guarantees.

But as the central bank governor, particularly with responsibility over the mobilization of offshore credit lines for the country following the termination of all forms of balance of payments support from bilateral and multilateral lending institutions, Gono appreciates the importance of a global banking brand in a struggling economy.

Stanbic Bank Zimbabwe Limited, wholly-owned by South Africa's Standard Bank, indicated that the difficulties being experienced by the country meant that Zimbabwean banks required foreign support in securing international lines of credit including Letters of Credit and guarantees.

Once all banks are made indigenous, the current support relations arising from foreign control of the four Zimbabwean banks – Stanbic, Standard Chartered Bank (Stanchart), Barclays Bank and MBCA Bank – would be severed.

Stanchart and Barclays are British-owned, while MBCA is jointly owned by South Africa's Nedbank and Old Mutual.

Trusted

Currently, the only banks providing offshore funding for tobacco are the four international banks, and with Gono's suggestion that cotton buyers should also start buying cotton through international credit lines, these banks could be called in to play a much bigger role.

One banker told Bizcommunity.com that the foreign-owned banks still enjoyed the best credit ratings.

"They are trusted globally, and for most indigenous banks, they have ridden on the foreign-owned banks to be able to offer VISA and MasterCard services locally," the banker said.

Take-over of the foreign owned banks might, therefore, come at a huge cost.

"The country might have to incur additional expense to find external first class banks to guarantee and support creditworthiness of local institutions," a Stanbic spokesman says about the indigenisation of the foreign-owned banks. He says that international banks of repute are recognizable worldwide by their brand names.

During discussions with Gono on the issue, the foreign-owned banks indicated that relinquishing 51% of their shareholding would result in a loss of control, which would result in the withdrawal of their brand names and intellectual properties belonging to the international groups, forcing the new banks to develop its own brand identity, which would not be immediately recognizable to the outside world.

If the international groups agreed to have the new entities continue using their brand names and other intellectual properties including group software licensing agreements, trademarks and advertising, they could charge punitive royalty fees for such use.

A Stanchart spokesman said they were worried by the diminution in brand equity as a result of the planned take-overs.

"Brand name and equity is critically important to many businesses, whether local or foreign, new or existing. Removal of the possibility to hold a controlling interest may make it difficult for existing companies or potential new investors being able to justify their continued interest in the country," said a Stanchart representative.

The current situation in Zimbabwe does not create a conducive environment for the productive disposal of any equity in a Zimbabwean bank to local partners: there may be challenges in mobilizing sufficient funds to facilitate the purchase of shareholding in the foreign-owned banks.

Acquisition of equity in foreign owned banks, without sufficient funding, would amount to expropriation.

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