

## 44 YEARS IN BANKING

### A KALEIDOSCOPE OF EVENTS, PERSONALITIES AND CROSSROADS

#### PART I

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*Banking is a special area of economics and of the life of society. It is about money, but people remain the most important. The basis is a system, accuracy, and consistence which, however, cannot lead to self-serving and all-powerful bureaucracy and cannot suppress fantasy, esprit and intelligence. The profit is a measure of success, but a tolerable level of risk and constant strengthening of the favourable image of the bank cannot be forgotten. The competition is a motor of effectiveness, but it cannot go beyond the essential framework of correctness, so that a temporary victory in battles did not mean defeat in the war.*

*The basic characteristic of a banker is the ability to gain the confidence of the client, but in contrast to the fraud, he must be able to keep it permanently because banks work with money, and especially with other people's money. The present-day banker in the most modern conception is a globetrotter, but he cannot undervalue the specifics of a given environment or country. The banker must be an expert, a professional, and adding enthusiasm to this, he cannot do any harm. A banker must have healthy self-confidence, but he must also show some respect and*

*empathy in communication with the client, because without knowledge of the problems and values of others, he can write his own professional death certificate.*

*From the point of view of the values, destinies and priorities of people, communities, companies and regions, banks are literally modern cathedrals, but they cannot become museums. Thus they must respond to any important change in the economy, society or in the life of an important client, and they must be prompt. They should foresee and anticipate development. This constant adaptation to the crossroads of development is another essential characteristic of banks.*

*"Virtuosos can afford much, but they must also know much", said Paganini in his time.*

*Therefore, banks must constantly analyse, devote themselves to marketing and innovation. Banks can do much, but they cannot do everything. Every subjective inadequate reaction of the management or shareholders can have unforeseen results for the position and even the existence of the bank. Many examples of the bankruptcy of banks, even in such stable economies as Germany and Japan, testify to this.*

Studying the development of banking confirms that three main factors have an impact on the level of success and effectiveness of banks:

- The actual effectiveness of the bank given by its human and material and technical capacities;
- The given character of social demand and the given legal and business environment;
- Trends in the development of banking in the world in the given stage of human civilisation.

The history of banking in Slovakia has its own expressive ability from the point of view of its struggles over the values of a democratic society as well as the constitutional arrangement of national identity. Therefore, it is also necessary to pay homage and express thanks to Ing. Š. Horváth and J. Valach who in co-operation with N. Návrat, Š. Jorík and many other enthusiasts in Slo-

vákia worked out the history of finance in Slovakia in a trilogy covering the periods up to 1918, 1918 – 1945 and 1945 – 1950.

In the period of 1950 – 2004, there is a vacuum in the development of Slovakia's banking. The immense deep and broad progress was made in the second half of the 20th century.

I am dealing with this kaleidoscope of events, personalities and crossroads in the development of banking in Slovakia in a series of 5 articles; each devoted to an integrated period and issue. They may lack the exhaustive comprehensiveness of the trilogy by Š. Horváth and J. Valach, but it rather focused on the personal interest and resonance of the atmosphere of the given period as I experienced it in the course of 44 years of my activity in banking.



### The Year 1968 – also a breakthrough in the development of banking

*John Gailbraith: "Adam Smith already concluded in 1776 that among all the activities attempted by people – war, politics, religion, gambling – making money remained the least harmful to society."*

After completing my studies at the Economics University in Prague, I began to work at the State Bank of Czechoslovakia (SBCS) in Banská Bystrica on 1st July 1960. I did not realise at the time that it was exactly the tenth anniversary of the SBCS. It was formed on 1st July 1950 from the Národná banka Československá (National Bank of Czechoslovakia) as the currency issuing bank, 2 commercial banks – Živnostenská banka (Trade Bank) and Slovenská Tatra banka – and Poštová sporiteľňa (Post Office Savings Bank). The documents were saying, "the need to manage the circulation of money and planned distribution of the united state fund of free financial resources by means of credit and concentration of issued credit accounting and cash services into a single directing authority covering the whole state demanded the establishment of this bank". Apart from the SBCS, there were specialised savings banks - Živnobanka, Investičná banka and later the ČSOB.

The strict centralisation in the SBCS also corresponded to the logic of things and the overall administrative bureaucratic system of directing the national economy. The basis of any banking thinking and action was a detailed system of directives, norms and orders, which covered all activities of the bank, and allowed no deviation or variable interpretation of directives. The vertical approach of banking norms prevailed over the horizontal approach of analysis of individual indicators.

An essential component of all these functions of the bank was its supervisory activity. Therefore, the staff member who "discovered" many inadequacies and proposed many "corrective" measures was always better in terms of the SBCS. Conditions for the creation of a purposeful partnership relationship between the bank and the enterprise were not created. In addition, a single corporate expert, who was dealing with 3, 5 or more enterprises, was required to master the problems of dozens of enterprise employees for particular areas.

On the other hand, especially in the fifties and sixties, entirely new enterprises and co-operatives arose as a result of the industrialisation and collectivisation of Slovakia. They literally struggled with "childhood illnesses", found especially in the united farmers' co-operatives, where bank staff were sent to compile basic account statements.

It is necessary to distinguish between the system and

the personnel of the bank. A prototype gradually formed of a disciplined and dedicated employee who was not appreciated either financially or socially.

I still did not fully realise all this when I joined the SBCS in Banská Bystrica where I worked until March 1968. Eight years at the regional branch of the SBCS in Banská Bystrica enabled me to see some aspects of the life of its 12 branches in the region as well as of the life of enterprises. Strict supervisory activity did not suit me; I preferred to discover the positive features of enterprises. I gave priority to relationships based on trust and partnership. I was lucky to deal with the financing of the Regional Union of Consumer Co-operatives that already in the period of business and avoidance of binding bureaucracy was more progressive than a state enterprise. I remember from an excellent co-operation with T. Pech, L. Tallo and the chairmen of the units in the districts who constructed the shopping and restaurant units in the region's towns and villages in the framework of simplified procedures.

I very much like to remember M. Zámečník, director of the regional branch, who later became deputy federal minister of finance and deputy chairman of the SBCS, but also M. Búš, J. Sebín, M. Charvát, O. Kyšek and many others.

I came to a further crossroads on 4th March 1968 when together with J. Hudák and P. Varsík I started to establish services for foreign trade in Slovakia within the newly established branch of the ČSOB in Bratislava. The political warming resulted from the „Bratislava“ and then from the „Prague“ Spring contributed to a more rapid decision to create the institutional basis for increasing the share of Slovakia in the foreign trade of Czechoslovakia. Thus, after 17 years of the centralisation of foreign trade and the appropriate banking services in Prague, foreign trade bodies and the associated banking services also began to be created in Slovakia.

The beginnings of the establishment of the new branch of the ČSOB in Slovakia were not at all easy. Under the strict bureaucracy and centralisation of the directed economy, everything was limited and so inadequate – starting with office space, purchase of furniture and office equipment, and ending with the number of staff. However, we felt that something was emerging and would greatly help the economy of Slovakia, that there was a chance here to train a new generation of professionals in interesting areas. Gradually, as new foreign trade organisations, such as the branch of Keramika later Kerametal, Chemapol, later Petrimex, Drevoúnia, Omnia, Slovart, Technopol, Martimex, Chirana, Interl and Koospol with their headquarters in Slovakia, were created and developed, we had to widen the appropriate banking services.

I remember when Š. Žiak, the general director of



Kerametal, informed me of his plan to separate the importing of Kčs 1 billion of goods from capitalist states from Metalimex in Prague and asked me if we were able to deal with this growth in business. I replied that the ČSOB would be no brake. Then, with a „little unease“, I went to the staff who already worked more than full time in difficult office conditions and I was happy to hear from my fine people that there is time enough „as we have Saturday and Sunday free“.

Our motivation to overcome difficulties was also facilitated by the overall situation in the ČSOB that had fewer detailed directives than the SBCS. For example, in 1970, Slovan football club of Bratislava had to make an advance deposit of 20,000 dollars for plane tickets for their South American tour. We granted them credit under three conditions. First, submitting copies of the contracts for games and agreed payments; second, the Slovak Sports Union (Slovenský zväz telovýchovy) guaranteeing they would pay if the loan was not returned; third, the team would send our exchange office a postcard from every interesting city as a „special bonus“.

The atmosphere in the ČSOB was favourable, especially in the time of its first director Ludovít Kováčik, a native of Čierny Balog and an outstanding man. He personally ensured us that all the appropriate units in the headquarters would co-operate with us as much as possible, especially on our staff training. I have to mention T. Jirásek, director of accounts, J. Štěpánek, director of payments, and A. Bezkoček who accompanied me on journeys to foreign banks. Especially V. Záhalka, V. Trnka, J. Petráš, Dr. Skokan, Dr. Koláček and others later helped us effectively in economic matters.

This help was extremely necessary since Slovakia lacked professionals qualified in the area of foreign exchange operations. I remember my first client Emil Skákal, director of Garden and Recreational Services of Bratislava, who asked me two weeks after I came to the ČSOB, how to switch Moroccan clearing to Dutch guilders. In this period, I actually had nobody in Slovakia to advise on how to deal with this question.

Today, our banks perform hundreds of foreign currency operations a day, but 36 years ago we were beginning from nothing or even deeply below nothing in foreign language and professional qualifications. Therefore, we were immensely proud of any new contact, any new operation regarding smooth payments with K. Lukáčiková, cheques with M. Miklasová, documentary encashment with M. Soldanová and J. Zvonárová, credit letters with G. Sládková, T. Korvinová and M. Holá. J. Hudák was responsible for payments as a whole. Currency changing activity was then in the hands of M. Štrbová, accounts of B. Vančíková, foreign currency parts of P. Varsík and M. Jeloková, foreign currency return credits of T. Mikulová and credit operations of A. Valčák

and M. Dobrovodská. The first significant foreign currency operations included a revolving letter of credit for Contierz of Dusseldorf amounting to 17 million of German marks. We also considered as a success the opening of the first nostro and loro accounts in the corresponding banks in Austria, Germany, France and the USA.

We gradually established and deepened contacts with foreign banks, although at first we had to explain that Bratislava is not in Slovenia and Ljubljana is not in Slovakia. The first foreign visit 3 months after I came to the ČSOB was from the Slovene Kredit banka in Hraničnica. The delegation included nice, soundly self-confident, and highly educated professionals who sought opportunities for foreign co-operation with their enterprises. The lack of supervision and authoritarian approach combined with a very open businesslike, partnership relationship to their clients was a pleasant surprise for me and provided a lot of inspiring ideas for further work in our bank.

Banks from Austria, France, Germany, England, Switzerland and other countries gradually discovered us.

Our branch of the ČSOB also closely co-operated with the SBCS, especially with the foreign currency unit of the central bank, as well as with other central bodies. In co-operation with the FMZO and appropriate bodies in Slovakia, we contributed to working out of further conceptions for the development of foreign trade in Slovakia and the education of new specialists in co-operation with the University of Economics and Institute of Foreign Trade.

Thus, a new generation of specialists in foreign trade and foreign currency business gradually arose and spread in Slovakia in the seventies and eighties. In the nineties, they contributed to accelerated economic reform and more intensive internationalisation of companies in Slovakia.

### Representation of the ČSOB in Paris – a further crossroads

*National artist J. Kovařík: „One must steal when going abroad, but only by seeing and hearing.“*

Paris, my new destination as representative of the ČSOB from 1st September 1976, meant new challenges and possibilities to make myself familiar with banking directly in the conditions of a market economy during my five-year stay.

The first thing, and it literally shook me, was the harsh competition of 400 banks and their branches in France. I needed some time to get acquainted with the structure and profile of individual banks and their representatives.



Representing the ČSOB in Paris was my first assignment in the West. Other representations were in Lebanon, India and Indonesia and the headquarters in Prague were not used to track information from their representatives. In spite of this fact, I was seeking to make full use of the possibilities of working in Paris as an important financial centre and transferring opportunities for us. In the course of five years in the representation office, I had 877 meetings with the different, mostly banking partners and prepared 676 reports, analyses and statements about exchange rate and interest rate movements, payment conditions and possibilities of our exports and imports.

It was an extraordinarily interesting and demanding period. France like the other developed countries was still experiencing the unfortunate results of the first oil shock of 1973 followed by the second one in 1979. Balance of payments deficits reached record levels because of the increased price of oil. This led to decreased production, increased unemployment and higher inflation. The economic crisis was accompanied by monetary and financial crisis and the growth of excessive indebtedness in developing countries and in Central Europe which effected mostly Poland and Romania.

The policy of Czechoslovakia in the area of indebtedness in convertible currency was conservative so in

comparison with other colleagues I did not share their hectic work of obtaining credit and credit lines to pay the interest or capital of existing debts.

In my discussions at many business lunches and dinners, I had a chance to establish co-operation and friendship with outstanding personalities of the banking life in Paris. The first dinner with Mr. Roger Sabot, director of a section of the Société Generale, in his flat at Meudon in October 1976 was symbolic for me. Twenty-five years later, in October 2001, the Mayor of the town of Meudon held the last dinner for me as a Slovak ambassador. M.R. Štefánik spent a third of his life in Meudon.

I was a lucky man as in the period of my stay France was headed by the two visionaries: President V.G. d'Estaing and Prime Minister R. Barre who analysed the given economic and social reality in the conditions of the economic crisis of the first and second oil shocks. In this relation, they set out adaptation measures and mechanisms with the aim to lead the country out of the crisis. Therefore, the phenomenon of risks in foreign markets and the phenomenon of adaptation as criteria of economic effectiveness on the nation-wide, business or individual level became my personal interest.

In the 1970s, I realised that we have a long and demanding road to achieve the values and mechanisms of developed Europe.