

Kevin Lenihan

Traditional banking values need of the hour



Kevin Lenihan, President and CEO Indus American Bank

INTRO: A report by the Center for Immigration Studies reveals that America's immigrant population has grown from 9.6 million in 1970 to 28.4 million in 2001. Along with the increase in immigrant population, there has also been an increase in the demand for the financial, housing and business needs of immigrant communities. The Indus is one such bank that caters to service the South Asian community, a bank that you can call home and where personnel welcome you with a polite Namaste. While most banks are finding it tough to survive the economic downturn the Indus American Bank has recorded more than 125 Million in assets and recorded 30 percent growth, Mr. Kevin Lenihan, the bank's CEO and president spoke to The South Asian Times about the bank's business strategy and its success mantra.

At a time when financial markets are facing a slowdown, the Indus has reported 30 percent growth in deposits. Explain how you were able to achieve this?

Mr. Lenihan: We were able to record a growth because of a strong capital base and we offer excellent deposit rates and services beside the fact that we are located in communities where there is high density of South Asians. The communities really responded to our bank because we met their needs and demands.

How is the Indus different from other community banks?

Mr. Lenihan: Every community bank has its uniqueness. The Indian and South Asian community, generally speaking has a number of attributes that are desirable for banks. To start with most South Asians speak English, they are good savers, savvy investors and they give high emphasis to education and family values. They are also astute users of credits and lay high emphasis on networking within the community.

What were some of the challenges you faced upon opening?

Mr. Lenihan: I think in the beginning there was some apprehension within the South Asian community of whether or not we could

compete with the other banks and whether we could offer the competitive services. Also, they were worried if we could execute on a plan that had never been tried before.

From Zero to \$125 million in assets in three years, how did you do it? What is the key to this success?

Mr. Lenihan: We have gone from 0 to 125 in three years. There isn't just one key, there are many keys but essentially I believe that it's the hard-work of everyone involved with the bank. We have a very highly intuitive and driven Board of Directors and also the fact that we have tapped a market that nobody has targeted before.

At a time when most banks and financial institutions are cutting costs, you recently opened a branch in Hicksville, Long Island. How did you manage that?

Mr. Lenihan: Hicksville branch was basically a target branch before we even opened it. It was just matter of time for us moving there. My board is knowledgeable about South Asian communities in the Tri-State area and they felt that Hicksville provided the right mix for a community bank. And what the bank stands for overall, essentially offering products and services to the South Asian community that are not being offered by other larger banks or community or traditional banks there.

Any plans of extending the bank further in the east coast or may be growing towards the west. There are many South Asians living in California.

Mr. Lenihan: At the moment there is enough opportunity in the Tri-State area and we are likely to more or less fill in those areas, especially in the New York - New Jersey area, before venturing out of state. That could change, of course if we do another capital raise and we feel that there is need in the other areas but for now the largest population of South Asians living in America lives in the Tri-State area.

Within the Tri-state area are you planning to open any new branches?

Mr. Lenihan: Yes we are looking forward to expansion but very selectively. We are looking towards Queens, perhaps Manhattan and certain parts of New Jersey.

Do you think immigrants trust a small community bank more than a mainstream bank?

Mr. Lenihan: I think most definitely given the most recent economic down turn and all the major losses that are being announced by the major banks, traditional banking values which community banks have always advocated is where people are now turning. Of course



Indus American Bank celebrated the grand opening of its new Hicksville, Long Island branch on Dec 13, 2008. In the picture Mr. Kevin Lenihan, Indus American Bank's CEO and President (left) congratulates Balram Kakkar of Sands Point, NY, the top cash prize winner of \$250 at the event.

as a community bank we cannot service the needs of the multi-nationals or internationals but to local and small scale businesses we offer a lot of services that even the big banks do not offer them.

How difficult or easy was it to convince people to do business with your bank?

Mr. Lenihan: I'd rather put it this way - sometime back you asked me about the keys to the bank's success; one of the keys was that we hired people from within the community who knew customers who had banked at other institutions. That was helpful in at least having people feel comfortable that we were for real. Obviously having FDIC insurance, having gone through all the tests and having all of our directors qualified and so forth I think bought a credibility factor that the community recognized but to say it was easy would be wrong. But yes it was challenging and highly rewarding.

Since its inception what changes has the Indus seen?

Mr. Lenihan: Four years ago this bank started as an idea and the bank opened officially for three years ago. Well, essentially what happened is as the bank has grown it has added more services and more personnel. We have a good infrastructure which will allow us to ramp up rather easily. The only factor that would inhibit our growth could be the amount of capital, that's sort of the governor of our growth. With more capital you can take on bigger size and that's always the challenge going from one to two to three to five offices it takes a big commitment but we now have the entire infrastructure in place to add on more branches without adding a significant cost. You don't need another president or Vice-President all you need is more branch people to do it.

Tell us something about your money transfer engine scheme?

Mr. Lenihan: We offer free remittance to India; currently we have

an arrangement with the State Bank of India where we send money abroad and for certain account holders this service is free.

The Indus Bank is also involved in a lot of community initiatives, tell us something about that?

Mr. Lenihan: What I've done with other ethnic banks that I worked with previously and with IAB is that we get involved in the local ethnic community, in terms of participating in local cultural events. We sponsored a float in the India Day parade, did a navratri function in Jersey City and another event in Hicksville. We also help to sponsor a lot of organizations and temples in their fund raising affairs and Indian business associations that exist within the community.

Looking forward what is going to be the bank's business strategy for 2009?

Mr. Lenihan: The emphasis for 2009 is primarily to strengthen the foundation of the bank and focus less on growth and more so on earning. To this point we have adopted a growth strategy which is expensive to execute. Every time you open a branch it doesn't break even to usually 18 months to two years. Now we are going to focus to grow the branches to a size where it becomes profitable and the bank overall becomes profitable.

Coming to the current economic crises, buzz is that the South Asian community is immune to the current recession do you agree?

Mr. Lenihan: No I disagree they are as affected as everyone else. We do a lot of businesses with small scale businessmen and I see that they are struggling along with the rest of small scale business in America.

How badly is the community affected?

Mr. Lenihan: It would be hard for me to say that but as far as our loan portfolio is concerned it's very

strong and we haven't incurred anything in the way of delinquencies but our overall feeling is that as the economy slows down there are chances of delinquencies going up.

Do you think we are in recession and if yes when will the economy recover?

Mr. Lenihan: I am not an economist and I really have no idea when things will turn around but I think that the steps that the government and the treasury have taken till now appear to be addressing the situation from a liquidity perspective but I haven't seen any uptick in business activity and quite frankly I don't know what is going to be the driver for the economy going forward.

In light of the current situation what advice would you give the readers of The South Asian Times?

Mr. Lenihan: At this point in time my advice would be to place your money in a safe place until the storm kind of clears. The government has increased the insurance level on accounts, saving accounts, money markets and certificates to deposits to 250,000 per titled account so for the average person there is no need to be concerned with regards to that aspect. As far as investing in other businesses is concerned I'd say it's a difficult time but in hindsight it could also be a good opportunity but at this time I'm not inclined to recommend any sort of investment

How would you define a typical day at work?

Mr. Lenihan: Every day is different and presents new challenges; Indus American is an exciting and dynamic place to be.

Being in the banking sector for 30 years what are the changes that you have witnessed in the industry?

Mr. Lenihan: Technology has developed by leaps and bounds and everything has been computerized now. Earlier checks would get handled many times but now we scan checks and send the files to the systems. Earlier there used to be a lot of secretaries but now everyone does their own typing and work like that. I think the computerization has changed a lot for the better, decision making is quicker and more information is available at the fingertips.

On a personal level, how would you describe the experience of working with Indus American Bank?

Mr. Lenihan: On a personal level, it's really challenged all of my abilities. But I feel that we've been successful in realizing a dream that was the dream of the founders who thought that a bank targeted towards a specific community could be successful even though there are so many banks that exist.