

Good governance key to higher economic growth

Farm, SMEs and retail are the engines of growth, says a deputy governor of BB

STAR BUSINESS REPORT

GOVERNANCE in the financial sector is crucial to steering the economy towards a higher growth trajectory in the long-term, said a top central banker.

Shitangshu Kumar Sur Chowdhury, deputy governor of Bangladesh Bank, said a low level of development in a country is possible even if institutions are weak.

"But for the long term, corporate governance of the financial sector becomes a key element for growth."

The economy is well on track to achieving the middle-income country status by 2021, said Chowdhury. He has been with Bangladesh Bank for more than 30 years now, having a wealth of experience in key central banking areas including banking regulation and policy, financial institutions and markets, agricultural credit, forex reserve and treasury management.

He lauded the agriculture sector, small and medium enterprises and retail initiatives as the engine of the growth. "Our growth, therefore, is inclusive in nature."

The deputy governor reflected on the deteriorating portfolio of the state banks and portfolio problems of the private banks that resulted in non-performing loans (NPL) of an average 10 percent in the past couple of years.

The issue of NPL is not a new phenomenon in Bangladesh. In fact, the country has been carrying the NPL legacy from the very early stages of its independence, he said.

"We began with a financial sector regime with fixed interest rates and directed credit. This is not to underplay the gravity of the issue. True, there are failures on the part of the banks to contain and lower the NPL level, but it would be unwise to take away the focus from many other external factors associated with it."

The inability to pay instalments due to project failure, weak infrastructure, delay in receiving export proceeds, lingering money suits against borrowers, political instability,

unexpected financial downturn, and the culture of borrowers' unwillingness to repay also contributed to the NPL, according to the deputy governor.

The central bank is working on two broad perspectives to establish an enabling environment for proper management of NPLs. It has put in place conducive laws and regulation and beefed up supervision, monitoring and inspection.



SK Sur Chowdhury

"We are now considering the introduction of a movable collateral registry and widening the availability and scope of credit information. While significant progress has been made in dealing with NPLs, we firmly believe that a lot more can be done by exploring new and innovative approaches."

Many analysts think the current monetary policy is a conservative one. But Chowdhury said BB thinks the credit growth set for the private sector is sufficient to accommodate

the projected GDP growth of 7.2 percent.

"Therefore, Bangladesh Bank's stance on private sector credit is not conservative at all."

The central bank has set a limit on monetary expansion at 15.5 percent for 2016-17, considering a higher GDP growth of 7.2 percent and moderating inflation at 5.8 percent. Private sector credit growth has been set at 16.5 percent, much higher than the target of 14.8 percent in the previous fiscal year.

He touched upon the topic of the government forming a sovereign wealth fund with Bangladesh Bank's foreign currency reserves and finances from multilateral donor agencies. Bangladesh needs to invest in infrastructural projects to reduce the huge gap, he said.

Poor infrastructure adversely affects growth-stimulating indicators such as foreign and domestic investment, the business ecosystem, consumer confidence, employment generation, and connectivity and trade, he added.

He referred to the World Bank's 'Ease of doing business' ranking where Bangladesh came in at 174 out of 189 reporting countries in 2016.

"The cost of doing business is high in Bangladesh, and most of the problems can be attributed to the poor state of infrastructure."

"Given the huge infrastructure investment need and the low rate of return on our foreign assets, it would be worthwhile if a certain part of the foreign assets can be utilised to fund domestic infrastructure projects."

He also said the expansion of microfinance institutions (MFIs) in Bangladesh has addressed the question of financial inclusion well but issues of level playing field are yet to be resolved.

Chowdhury said micro-borrowers' graduation from small to medium and large is not easy, and they are yet to be integrated in the commercial and specialised banking network.

The borrowing cost for micro-borrowers is much higher compared to clients of commercial and specialised banks, he said.

Micro deposit and micro insurance are two vital instruments for creating a level playing field, he added.

"Introducing savings instruments will reduce the cost of funds for MFIs and the initiation of insurance product will provide a risk mitigation tool. Both of these will help reduce borrowing costs for micro-credit and create a level playing field for all players."

S Korea approaches WTO over China economic retaliation

AFP, Seoul

South Korea has approached the World Trade Organisation (WTO) in connection with measures imposed by China over the deployment of a US missile defence system, Seoul's trade ministry said Monday.

Beijing has forced dozens of South Korean retail stores in the country to shut their doors and banned Chinese tour groups from visiting the South.

The moves are seen in the South as economic retaliation for the installation of the Terminal High Altitude Area Defense (THAAD) system to guard against threats from the nuclear-armed North, which Beijing sees it as a threat to its own military.

The trade ministry asked China to "comply with its obligations" and raised the issue of possible violation of WTO rules with the Geneva-based organisation, minister Joo Hyung-Hwan told Seoul lawmakers.

But the move was not a legal step to seek WTO dispute settlement, a spokeswoman for the ministry said. That could mean it was more of a symbolic move intended to raise international awareness. China is the South's largest trading partner and a major consumer of South Korean electronic gadgets, cosmetics and cultural products including popular TV dramas.

Lotte -- the South's number five business group focused on retail and hotel chains -- has been hit hardest after it agreed to provide land for the US missiles.

Nearly 90 percent of its Chinese Lotte Mart stores have been forced to close either by authorities or angry demonstrations amid growing boycott threats in China against other South Korean firms.

Vodafone, Idea in \$23b deal to create new Indian telecom leader

REUTERS, Mumbai

BRITAIN'S Vodafone Group and Idea Cellular agreed on Monday to merge their Indian operations in a \$23 billion deal, creating the country's biggest telecoms business after the entry of a new rival sparked a brutal price war.

The combined entity would have almost 400 million customers, overtaking market leader Bharti Airtel to account for about 40 percent of revenue of the world's second-biggest mobile phone services

implied deal price for Idea was well below the stock's close on Friday. Vodafone shares were flat in London trading as of 0942 GMT.

Idea said the rough deal price worked out to 72.5 rupees per share but stressed that was only for illustrative purposes and was not the actual price. Idea's shares closed at 108.10 rupees on Friday.

Vodafone, the world's second-largest cellphone operator, will own 45.1 percent of the merged entity, after it transfers about 4.9 percent to promoters of Idea or



REUTERS

Left, Kumar Mangalam Birla, chairman of Aditya Birla Group, speaks to Vittorio Colao, CEO of Vodafone Group, during a news conference in Mumbai yesterday.

market by users after China.

The deal underscores how India's mobile industry is being transformed by the launch last year of Reliance Jio Infocomm's 4G mobile broadband network. Built at a cost of more than \$20 billion by India's richest man, Mukesh Ambani, Jio has offered free services for months.

That has forced India's three biggest operators - Bharti, Vodafone and Idea - to slash prices and accept lower profits, and sparked a wave of consolidation in the sector.

"We are very complementary," Vodafone Chief Executive Vittorio Colao told a news conference in Mumbai after the deal was announced. "Idea is strong where Vodafone is weaker, Vodafone is strong where Idea is weaker."

The two companies, which announced in January that they were in talks, will have to shed spectrum in some areas to meet India's rules, although Colao said it would be "small". The deal is expected to close in 2018.

Shares in Idea rose as much as 14.3 percent immediately after the news but then fell 9 percent as traders said the

their affiliates for 38.74 billion rupees (\$592.15 million) in cash, Idea said.

Aditya Birla Group, the majority owner of Idea, will own 26 percent while other shareholders will own the remaining 28.9 percent. Aditya Birla and Vodafone eventually aim to own an equal share of the joint venture, with a combined enterprise value of \$23.2 billion.

Idea would have the sole right to appoint the chairman, while Vodafone would appoint the chief financial officer. The appointment of a chief executive officer and a chief operating officer would require the approval of both companies, which would get the right to nominate three board members each.

Vodafone, which will cut its net debt by about \$8.2 billion with the deal, has endured a tumultuous ride since it entered India in 2007, with a high-profile tax battle and a long-delayed Indian listing. The South Asian country contributes more than 10 percent of its revenues.

Colao said on Friday the pending case, with India demanding more than \$2 billion in taxes, will not affect the deal, which needs regulatory approval.

Tourism to food, Buddhist Thailand hunts halal gold

AFP, Bangkok

FROM hotels with segregated swimming pools to jelly made from seaweed instead of pig bones, Buddhist Thailand is chasing halal gold as it welcomes Muslim visitors and touts its wares to the Islamic world.

Inside the cavernous dining hall of the five-star Al Meroz hotel in a Muslim suburb of Bangkok, an elderly man with a wispy beard recites verses of the Koran as a nervous-looking groom awaits the arrival of his bride.

The young man bursts into a smile as his soon-to-be wife appears, clad in a brilliant white dress with matching headscarf.

The ceremony is one of dozens of marriages held over the last few months at the Al Meroz -- the city's first entirely halal hotel.

Thailand has long been a draw for the world's sun-seekers and hedonists, drawn to its parties, red-light districts, cheap booze and tropical beaches.

But it has also seen a huge influx of visitors from Muslim countries, part of a quiet but deliberate strategy by the Southeast Asian nation to diversify its visitor profile.

"Considering there are 1.5 billion Muslims around the world, I think this is a very good market," explains Sanya Saenboon, the general manager of the hotel, one of a growing number of businesses serving a boom in Islamic tourists.

The hotel opened its doors last year, setting itself apart with its attention to all things Islamic.

For a start there is no alcohol on sale, while the top floor swimming pool and gym has specific times for when men and women can use the facilities.

Everything in the building has been ticked off against stringent checklist for practicing Muslims, from bed linen washed in a particular way, to ensuring toiletries are free of alcohol or animal fat -- making everyday goods "permissible" for the faithful.

Sanya, who is Muslim, says such checks give visitors "peace of mind" so clients never have to ask themselves "can I eat this?"

Despite a decade of political turbulence, Thailand has seen an explosion in tourist arrivals, from 13.8 million annual visitors in 2006 to a record 32.5 million last year. Western arrivals have largely remained a constant. The biggest increase in arrivals comes from China, skyrocketing from just 949,000 arrivals 10 years ago to

high quality hotels are the primary draws. Baharden says the Islamic travel market is one of the world's fastest growing thanks the growth of cheap flights and booming Muslim middle classes.

He estimates the number of Muslim travellers has surged from around 25 million a year in 2000 to 117 million in 2015.

gelatin from the pork source to be from a seaweed source," she said.

Thailand's junta has set the goal of turning the country into one of the world's top five halal exporting nations by 2020.

Some outsiders might be surprised to see an overwhelmingly Buddhist nation embrace halal. But Dr Winai Dahlan, founder



AFP/FILE

Guests choose food items during a wedding reception at the Al Meroz hotel in Bangkok.

8.7 million visitors in 2016.

But Muslim countries are also sending their citizens.

An AFP analysis of government figures shows visitors from key majority Muslim nations in the Middle East and Asia have risen from 2.63 million in 2006 to 6.03 million last year.

"Thailand was ahead of the curve," says Fazal Baharden, founder of the Singapore-based Crescent Rating, which rates which countries are most welcoming to Muslim travellers.

Thailand routinely places in the top two for non-Muslim majority nations alongside Singapore in Crescent Ratings' annual survey of halal destinations.

"They've really recognised the Muslim consumer market is worth tapping into," he explains, adding medical tourism, shopping and

But it is not just at home that Thailand has gone halal.

From chicken and seafood to rice and canned fruit, the country has long been one of the world's great food exporters.

Now a growing numbers of food companies are switching to halal to widen their customer base. Against a backdrop of humming machines churning out butter, Lalana Thiranasornkij, a Buddhist, explains how her family turned their three factories -- under the KCG Corporation banner -- halal to access markets in Indonesia, Malaysia and in the Gulf.

But going halal sometimes required some clever workarounds, such as how to avoid animal based gelatin to make jelly.

"In the past we used gelatin from pork but... we changed our

of the Halal Science Centre at Bangkok's Chulalongkorn University, says Thailand was well placed to make the change.

Five percent of its population is Muslim and -- outside of the insurgency plagued southern border region -- is well-integrated within the Buddhist majority.

It was local Thai Muslims who first began asking for the country's halal testing centre, a business that scours products for any banned substances and has since boomed.

"Fifteen years ago there was only 500 food plants that had halal certification. Now it's 6,000," Winai told AFP as female lab technicians in headscarves tested food products for traces of pork DNA. Over the same period the number of halal certified products made in Thailand has gone from 10,000 to 160,000, he added.