STAR

MA Mannan, *third from right*, state minister for finance and planning; Mohammed Farashuddin, *extreme right*, former governor of Bangladesh Bank, and Nihad Kabir, *centre*, president of Metropolitan Chamber of Commerce and Industry, attend a discussion on "Budget 2017-18 : instant views of business community" organised by the chamber at Lakeshore Hotel in Dhaka yesterday. The discussants urged the government to reconsider imposition of excise duty on bank deposits, in the upcoming budget for 2017-18. Story on page 1

Norway's $960b fund wants banks to disclose carbon footprint of loans

REUTERS, *Oslo*

NORWAY'S $960 billion sovereign wealth fund will ask the banks in which it has invested to disclose how their lending contributes to greenhouse gas emissions, its chief executive told Reuters on Friday.

The world's largest wealth fund, which is managed by Norges Bank Investment Management and invests in stocks, bonds and real estate outside Norway, has in the past measured the carbon footprint of its investments in equities and bonds.

"The third level is to look at the banks," Chief Executive Officer Yngve Slyngstad said. "What kind of loans do they have and how are their loan books specifically exposed to this issue? In practice that will mean the corporate loan books."

The financial industry is the biggest single sector in the fund, known as the Government Pension Fund Global, accounting for 23.8 percent of its equity portfolio.

Holdings include Credit Suisse, Deutsche Bank, HSBC, Citigroup, Wells Fargo, Barclays and Nordea, among others. In total it is invested in close to 9,000 companies worldwide.

"Going into project specifics I don't think is within the scope for us within the next few years. But the overall direction of their policies is something that we expect to come," Slyngstad said.

The fund, along with other investors such as BlackRock, is pushing companies to disclose both their carbon emissions and their plans to handle the risk of climate change.

The Norwegian fund sends its expectations on these issues to the boards of companies it has stakes in and holds meetings to ensure its views are heard.

"In 2017, we will have more than 4,000 company meetings. Last year, nearly half of the meetings raised the issue in the environmental, social and governance area," he said, adding that most meetings would be with CEOs and some with chairmen.

Britain is the fund's second-largest investment location after the United States, accounting for 9.1 percent of its portfolio at the end of 2016.

Slyngstad reiterated the fund would remain a long-term investor in the country after it leaves the European Union.

"I have a hard time seeing that any aspect of this whole Brexit discussion and the negotiations around it will affect our investments in the UK," he told Reuters at his office in Oslo.

The fund owns shares in most large British companies and holds $11 billion in British government bonds. It co-owns Regent Street, one of London's premier shopping areas.

"Because our starting point is that we invest relative to the size of the equity market and the size of the economies, it is the case for the UK, as it is for the rest of Europe."

The fund does not plan to change the weighting of its biggest country-holding, the United States, which accounted for a record 37.2 percent of its investments at the end of 2016.

"We are a long-term investor in the U.S. and our investments are aligned with the mandate of the (finance) ministry. There is no current plan in that direction (to change the weighting)," said Slyngstad.

In China, Slyngstad expected the majority of its investments to remain in equity markets.

"A very small proportion of it is in the bond market. So our exposure to the bond and currency markets is much lower. I think going forward this is our long-term strategy," he said.

Globally, its fixed-income holdings would continue to focus on four currencies: the U.S. dollar, sterling, yen and the euro. "That is the bulk of our holdings both on the corporate bond side but first of all on the corporate side. Government bonds may be more dispersed," he said.

Bring momentum in SME financing for inclusive growth

PRASHANTA K BANERJEE

THE aggregate increase in per capita income of a country does not necessarily ensure poverty reduction, particularly in a developing economy like Bangladesh.

According to the World Bank data, the per capita income in the Dominican Republic between 2000 and 2010 increased 3.62 percent and the poverty indices rose 2.07 percent. In Egypt, the per capita income rose 2.84 percent and the poverty indices increased 3.81 percent in the same period.

As a result, in place of aggregate growth, inclusive growth of the economy is being contemplated as a main driving force for reducing poverty and income inequality in many developing economies. With this realisation, Bangladesh has set 'Accelerating growth, Empowering Citizens' as the core theme in its 7th five-year plan (FY2016-FY2020).

The ongoing five-year plan encapsulates a strategy for inclusive growth, which empowers people by creating employment opportunities, fostering the scope for greater women labour force participation and supporting skill development in response to market demand.

Promoting small and medium enterprises (SMEs) is of foremost importance for implementing the strategies set in the five-year plan, as these sectors have a leading role worldwide to achieve inclusive growth.

SMEs are large in aggregate numbers and thus, have significant capacity for generating employment, promoting inter-sector linkages, raising exports and developing entrepreneurial skills. Their location-flexibility is also an advantage in achieving inclusive growth.

An uninterrupted flow of finance with less hassles matters for the growth of SMEs. The government, in collaboration with Bangladesh Bank, provides all-out support, making relatively cheaper finance available for the sector.

In a recent meeting of the Metropolitan Chamber of Commerce and Industry, Bangladesh Bank Governor Fazle Kabir urged banks to lend more to the SMEs to ensure the quality of credit operations.

Hence, the BB is guiding the facilitation and promotion of access to finance for SMEs with the help of banks, the private sector and the international development partners. As a result, the number of recipients of SME credit increased to 460,511 as of September 30, 2016, from only 8,000 in 2007-08.

The central bank has reserved 15 percent of all SME loans for women entrepreneurs at a maximum interest of 10 percent, in an attempt to enhance more female participation in the productive sector.

According to a study of the Bangladesh Institute of Bank Management (BIBM), SME financing has a significant contribution to job creation, household income, GDP growth, a rise in the share of the industrial and service sectors to GDP and reduction of poverty in rural and urban areas.

Empirical analysis also indicates that these types of enterprises have an instrumental role in decreasing poverty.

It is therefore necessary to give more thrust on SME financing across the country to achieve inclusive growth. The most important obstacle in expanding SME finance is an absence of financial literacy among entrepreneurs.

This is augmented by a heterogeneous academic discipline of bankers, their risk-averse mindset and a lack of proper training on SME finance. The situation is aggravated in sub-urban and rural areas.

Thus, financial literacy for SME entrepreneurs as well as bankers, particularly in sub-urban and rural areas, is crucial.

Another hurdle is collateral requirements, which, however, make sense from a banker's point of view for repayment assurance. However, entrepreneurs owning SMEs usually face a problem in fulfilling this requirement.

In this perspective, the central bank governor has suggested banks consider skills, training and education as intangible collateral for SME financing.

Additionally, psychometric tests, social security, credit guarantee schemes, the trend in cash flow in the borrower's account, future prospect of the business, and the experience of the borrower in that line of business can be alternative measures of collateral security.

Other issues such as expansion of quality banking systems through agent banking, developing appropriate financial products and services, bridging information asymmetry, adjusting interest rate and repayment period, and financing SMEs owned by ethnic minorities are also necessary to foster inclusive growth.

The writer is a professor and director at Bangladesh Institute of Bank Management.

Indian tycoon tries to soothe RelComm investor fears

AFP

Indian industrialist and Reliance ADAG CEO Anil Ambani speaks during a news conference in Mumbai on Friday.

AFP, *Mumbai*

INDIAN billionaire Anil Ambani insisted Friday that debt-saddled Reliance Communications had a bright future as he moved to reassure investors who are worried that the telecoms company is close to defaulting on loans.

The 57-year-old tycoon, whose telecommunications business is being squeezed by his brother's own mobile network venture, made a rare address to the media a day after Fitch Ratings downgraded RelComm to junk status.

Fitch said Thursday that RelComm's debts of 440 billion rupees ($6.84 billion) meant that a loan default was a "real possibility". It came after Moody's also downgraded RelComm's status this week, citing a "fragile" liquidity situation.

"We are taking steps now to reduce our debt by 60 percent. Reliance Communication's future is bright and I assure all investors they'll be happy with our performance," Ambani said in Mumbai.

He told a hastily arranged press conference that RelComm would pay off 250 billion rupees of its debt to lenders by the end of September, owing to its proposed merger with Aircel and the sale of its mobile tower business.

In December RelComm announced it was selling its towers to Canadian asset management giant Brookfield for $1.6 billion while it is in the process of merging with Aircel to form a new telecoms venture called Aircom.

RelComm's finances have been badly hit by the arrival of Reliance Jio, backed by conglomerate Reliance Industries, into India's hugely competitive telecommunications market last year.

Jio is owned by Mukesh Ambani -- India's richest man and Anil's older brother -- and has sparked a price war since launching in September, forcing rivals to scramble around to match its deep pockets.

Some 33.1 billion rupees ($513 million) has been wiped from RelComm's market value this year, according to Bloomberg News, with its shares down around 40 percent since the start of 2017.

"We were disappointed with the recent downgrade by rating agencies and will work and engage with them to restore our credit ratings," Anil Ambani whose net worth is $2.7 billion according to Forbes, told reporters.

RelComm's travails also come as India tackles a major debt problem in the country. Indian banks are saddled with some of highest levels of non-performing loans in emerging markets, according to the International Monetary Fund.

Putin promises economic reform, but does little

AFP, *Saint Petersburg*

FROM President Vladimir Putin down, Russian officials have long agreed the country's economy needs to reform or risk prolonged stagnation as it edges out of the longest recession in 20 years.

But nine months ahead of a presidential election he looks set to contest and win, it remains to be seen if Putin will ever make good on repeated pledges to overhaul the country's creaking economy.

WHY REFORM?

The economic model that saw high energy prices fuel meteoric growth during Putin's first two terms in power from 2000 to 2008 has run its course. Now, relying on Russia's vast oil and gas supplies is no longer enough.

Even before the drop in oil prices and sanctions over Ukraine sparked the latest crisis in 2014, growth had already slumped.

In a recent study French credit insurer Coface cited "a shortage of manpower" and "the lack of investment" as the "major impediments" to diversifying the economy.

In December Putin warned lawmakers that growth risks "remaining stuck at around zero for years."

WHICH REFORMS?

Putin has enlisted two respected figures to come up with competing reform plans covering the next presidential term from 2018 to 2024.

Former finance minister Alexei Kudrin, a proponent of budgetary rigour, is calling for more money to be spent on education -- instead of the current vast spending on the military -- and an overhaul of the overweening judiciary and bureaucracy.

Meanwhile business figurehead Boris Titov argues the government needs to loosen its purse strings and start spending in a bid to bolster growth.

At the moment the government is sticking to a cautious track: cutting spending and keeping interest rates high in a bid to curb inflation without tackling the underlying structural issues.

Officials are trying to maintain a competitive edge for Russian firms caused by the fall in the ruble by attempting to stop the currency climbing back up too high and funding a cut in companies' social benefits contributions through raising VAT.

AFP

Russian President Vladimir Putin gives a speech during a session of the St. Petersburg International Economic Forum in Saint Petersburg on Friday.

EMPTY WORDS?

Despite Putin's repeated insistence each year at Russia's showcase Saint Petersburg economic forum that the country will liberalise, there have been few signs the Kremlin boss is willing to make good on those words.

Instead, under the former KGB officer the role of state giants has grown and the reliance on energy supplies remains as strong as ever.

Now as Russia has edged out of recession and oil prices have recovered at least partially, some fear there will be even less incentive for the Kremlin to make changes.

Analyst Andrei Kolesnikov from the Carnegie Center said that Putin might take something from the reform plans put forward by Kudrin and Titov but cautioned there won't be "radical change."

German car sales rev up as diesel sputters

AFP, *Frankfurt Am Main*

Registrations of new cars in Germany spiked in May compared with the same month last year, official data showed Friday.

The number of new cars on German roads grew 12.9 percent last month compared with May 2016, reaching 324,000, the KBA transport authority reported.

Observers watch new car sales in Europe's powerhouse closely as an indicator of the health of the economy.

The number of vehicles bought for corporate fleets -- some 64 percent of the total -- grew faster, at 15.5 percent, while individual purchases showed a smaller but still sharp jump of 8.5 percent.

Among German manufacturers, Volkswagen remained the largest by registrations, with 18.6 percent of the market despite falling sales, followed by Mercedes with a 9.7 percent share and VW subsidiary Audi at 8.4.

The most popular imported brands in Germany were Skoda -- another VW subsidiary - - Renault and Fiat.

Over the first five months of the year, car sales had increased some 3.7 percent to almost 1.7 million, the KBA figures showed.

But while overall registrations had increased thanks to an extra shopping day in the month compared with May last year, diesel-engined cars continued to lose ground, analysts at consultancy Ernst and Young noted.

In May, petrol-powered cars represented 57 percent of cars sold, while diesels fell back to 40 percent -- down from some 46 percent a year ago. It was "the biggest decrease since 2009," the analysts said.

Diesels' popularity has taken a blow in Germany from Volkswagen's emissions cheating scandal, in which the carmaker admitted to installing software to fool emissions tests on some 11 million cars worldwide.

The city of Stuttgart, home to historic carmakers Porsche and Daimler, will ban diesel cars not meeting the latest, strictest Euro 6 standards from its centre at times of peak pollution from 2018.