

# India embarks on \$32.4b state bank recapitalisation

REUTERS, New Delhi

India's cabinet approved a \$32.4 billion plan on Tuesday to recapitalise its state banks over the next two years, in a bid by Prime Minister Narendra Modi to tackle a major drag on the economy that has frustrated this attempts to boost growth.

Once the world's fastest-growing major economy, India has seen its growth rate plummet to the lowest in three years, far below levels needed to create enough jobs to absorb the million Indians joining the work force every month.

Modi's government has tried to respond by stepping up public spending, but the slowdown has stressed its finances, making it imperative for private investment to pick up the slack.

Officials privately admit they have struggled to revive private investment because state-owned banks, which provide much of the credit in the economy, are saddled with a mountain of bad debt that has cramped their ability to offer new credit.

The decision to recapitalise the banks is meant to clear that bottleneck, Finance Minister Arun Jaitley said at a press conference in New Delhi.

"The decision to recapitalize public

sector banks with 2.11 trillion rupees will address the bank balance sheet problem and push growth forward," Jaitley said.

By some estimates, banks need as much as \$65 billion in additional capital by March 2019 to fill the hole left by soured loans and to meet new regulatory capital requirements.

The official announcement, which was followed by a series of tweets from government ministers holding it up as "unprecedented", comes after a flurry of activity in the government over the past few weeks, driven by the prime minister's office.

Modi, who swept to power in a landslide victory for his Bharatiya Janata Party (BJP) in 2014 promising a reform agenda to revive economic growth, faces state elections later this year and a re-election bid by 2019.

He has faced criticisms after a surprise scrapping of high-value bank notes last November and a new goods and services tax effected earlier this year disrupted businesses across the country.

People close to Modi have previously told Reuters he wants to control the political damage and ensure the economic slowdown remains temporary.

Mohan Guruswamy, an economist in New Delhi, said the government

should have taken action three years ago to revive the banking sector.

"Now it's more expensive, and we will not see results soon," Guruswamy said.

Finance ministry officials said the bank recapitalisation would be followed by a series of reforms in the sector. They said the details would come later.

Of the planned 2.11 trillion rupees sum, recapitalisation bonds will account for 1.35 trillion rupees, while 760 billion rupees will come from budgetary support and equity issuance, said Rajiv Kumar, India's financial services secretary.

It was not immediately clear what the impact will be on the country's fiscal deficit, which Jaitley aims to keep at 3.2 percent of GDP for the current fiscal year to March.

"India's banking was the weakest link in the revival of the economy," said N.R. Bhanumurthy, an economist at the National Institute of Public Finance and Policy, a Delhi-based think-tank partly funded by the finance ministry. "The government should complete the process as early as possible."

Bhanumurthy added that the move might have an impact on the government's fiscal deficit target this year.



**Mahmood Malik, CEO of Infrastructure Development Company Ltd, and Ershad Hossain, CEO of City Bank Capital Resources Ltd, exchange documents after signing a deal at a programme. The deal aims to develop a long-term partnership between the two entities for mutual business development and offering of financial services.**

## Select TCB dealers as per MPs' advice

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"There are many allegations against TCB dealers as a section of them sell different essential items in regular markets instead of going for open market sale (OMS)," he said.

The government's OMS programme is meant to provide essential commodities to the common people at relatively low prices.

Sanowar said they made the suggestion so that MPs could oversee TCB dealers' activities.

The practice of MPs recommending TCB dealers existed a long way back.

A TCB representative informed the JS body that there were 2,816 TCB dealers at present and TCB now maintained a certain criteria to select individuals for dealerships.

The criteria stipulates that respective deputy commissioners (DC) will launch investigations to verify applications of prospective candidates, who must have a warehouse capable of storing three to four tonnes of goods and provide bank solvency and income tax certificates.

The minutes of the committee's last meeting on August 8 showed the MPs were trying to justify their suggestion, saying it would ensure that the dealers carried out their jobs.

Awami League MP AKM Bahauddin argued that MP-recommended dealers acted properly.

The committee's final suggestion was that prospective candidates would have to have MPs' recommendations to be eligible to apply for dealerships to DCs.

At the August 8 meeting, MP Motahar Hossain said previously onion prices were Tk 24 to 25 per kilogramme but had risen to Tk 50. "Who will look after the matter?" he questioned.

## India snubs pleas against anti-dumping duty

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In one instance, Prime Minister Sheikh Hasina made the request to the Indian premier, Narendra Modi, during her visit to New Delhi in April this year.

Monir, director of the Bangladesh Jute Spinners Association, said jute and jute goods were one of the major items Bangladesh exported to India.

The Bangladeshi shipments helped to reduce the trade imbalance with India to some extent but the dismissal will further tilt it towards India's favour, he said.

"Now we have little to do at our level. It may help if initiatives are taken from the highest authority of the government."

Jute is the third largest export earning sector of Bangladesh, after garments and leather, and India is one of the biggest markets for these goods.

India accounted for 17 percent or 1.41 lakh tonnes out of 8.25 lakh tonnes of jute goods exported in 2015-16, according to data compiled by the Department of Jute.

The overall export to India was worth \$689 million and the share of jute and jute goods was 37 percent in 2015-16, according to data from the Federation of Bangladesh Chambers of Commerce and Industry.

## BB grills NRBC Bank CEO over loan scandal

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Rahman's hearing is a third instance of such actions taken against managing directors.

The banking regulator earlier arranged such hearings against former BASIC Bank Managing Director Kazi Faqurul Islam and Agrani Bank CEO Syed Abdul Hamid. Both of them were removed from their posts later.

The BB issued the letter to Rahman on March 20 asking him to explain why the central bank would not remove him from the bank for 'failing to ensure the proper management and interest of the depositors'.

The standing committee will finally submit a recommendation about Rahman to the governor whether he will be removed or not, the BB official said.

## Iphone X demand will not be exceptional: survey

REUTERS

Days before Apple Inc's much-awaited iPhone X opens for preorders, a survey by brokerage Bernstein showed that demand for the device will be substantial, but not exceptional, with about a quarter of the respondents planning to buy the phone.

Heightened anticipation around the 10th anniversary iPhone, which opens for preorders on Oct. 27 and begins shipping from Nov. 3, has already dented demand for the just-launched iPhone 8 and 8 Plus.

Apple shares fell last week after reports of iPhone X production delays and weak sales of iPhone 8 models.

"The excitement surrounding the iPhone X appears to be magnitudes higher than actual purchase intent - 48 percent of respondents agreed/strongly agreed that they were 'excited for the iPhone X,'" Bernstein said,

citing a survey of 1,112 iPhone owners in the United States, UK and China.

Apple launched iPhone 8 and 8 Plus last month amid muted reception as fans awaited the iPhone X, and a survey by broker KeyBanc Capital Markets had pointed out that older iPhone 7 models outsold iPhone 8.

While it was doubtful how many iPhone users will upgrade to the \$999 iPhone X, an overwhelming majority will still choose an Apple device, according to the survey.

"Consumer loyalty to iPhone remains remarkably strong, despite persistent complaints about high prices and worries about declining innovation, with only 3 percent of respondents stating that their next phone would \*not\* be an iPhone," Bernstein said.

Apple shares were up 0.5 percent at \$157 Monday afternoon.

## FDI hit record \$2.45b last fiscal year

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Besides, the foreign companies made sufficient profit, which is a positive sign, the BB official said.

Intra-company loans more than doubled year-on-year to \$195.07 million

during the period. Foreign investors are still reluctant to invest in Bangladesh because of infrastructure deficits, scarcity and high prices of land, corruption, political uncertainty and concern over security, the central bank official said.



LR GLOBAL BANGLADESH

**AKM Saiful Majid, director of the Institute of Business Administration (IBA) at Dhaka University, and Rashed Hasan, senior vice president of LR Global Bangladesh, a New York-based investment management firm, attend a press conference at IBA yesterday. IBA Communication Club has teamed up with the firm to organise Finwitz, an inter-university finance-based competition, from November 13.**

## BASIC Bank gets new MD



STAR BUSINESS DESK

Muhammad Awal Khan has recently been appointed as the managing director of BASIC Bank, the state-run bank yesterday said in a press release.

Prior to the appointment, he was the managing director of Bangladesh Krishi Bank.

Khan started his banking career as a probationary officer in Bangladesh Krishi Bank in 1982.

He also served as the managing director of Rajshahi Krishi Unnayan Bank.

Khan served Agrani Bank as deputy managing director and Sonali Bank as general manager.

He completed his post graduation in finance from Dhaka University in 1979.

## MFS providers oppose new pricing model for short messages

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The move will make the MFS services costlier and unattractive to customers, he added.

TIM Nurul Kabir, secretary general of the Association of Mobile Telecom Operators of Bangladesh, said they are observing a lack of transparency in the segment over the last few years.

"We found no transparency here in the charging and revenue sharing policies and we want transparency in place. We think a new model can ensure that."

The session-based pricing model is a global practice and the industry should move towards that, he said.

"We have been running this service on a pilot basis thus far. Now, we need to adopt the global practices," he added.

MFS providers argued that the telecom operators are getting a fair amount of revenue from them, which is increasing every year with the rising popularity of the platform.

In 2016, bKash shared Tk 94 crore with the mobile operators, up from Tk 67 crore a year earlier.

The number of active mobile money transfer accounts stood at 5.7 crore at the end of August, when Tk 32,182.96 crore was moved, according to a monthly report of Bangladesh Bank.



CEMS GLOBAL

**Mohammad Yousuf, additional secretary to the water resources ministry, and Meherun Nessa Islam, group president and managing director of CEMS Global, attend a press briefing at National Press Club in Dhaka to announce that CEMS and the ministry will be organising "Water Bangladesh International Expo 2017" from October 26-28 at International Convention City Bashundhara.**

## Western Marine builds two ships for Indian firm

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Built at Tk 96 crore, the two bulk carriers, JSW Pratapgad and JSW Raigod, are among the ten commissioned by the Indian company in 2015 for a total of Tk 480 crore.

JSW Pratapgad and JSW Raigod have a capacity of 8,000 deadweight tonnages each, making them the largest vessels to be built in Bangladesh to date, according to officials of Western Marine Shipyard.

Both the vessels, which are 122.25 metres long, have been manufactured in compliance with the Indian Register of Shipping, a Mumbai-based globally recognised ship classification society.

India is gunning for 8 to 9 percent of GDP growth over the next few years, meaning there will be about 10 to 12 percent growth in cargo movement, Sharma said.

The neighbouring country is set to expend a trillion dollar on infrastructure itself and out of that 25 to 30 percent is allocated for port and shipping.

"There is a huge opportunity for Bangladesh in this regard as both the countries want to go hand in hand," Sharma said.

He, however, expressed his concern about the higher bank interest rates in Bangladesh.

"Today in India, interest rates are not exceeding 4 to 6 percent. But the interest rates here are very high. That would kill you," Sharma added.

Western Marine Shipyard has successfully navigated the downturn faced by the world's shipbuilding sectors in last 4 to 5 years, said its Chairman Sohail Hossain.

Sakhawat Hossain, managing director of the company, went on to thank the Indian firm for having trust on his company and hoped to get more orders from it in future.

## ADB gives \$1.2b for 2nd phase

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The work will be carried out over 10 years till August 2027, with funding from three more tranches from the facility at intervals, ADB said.

The assistance package will be accompanied by an ADB technical assistance (TA) grant of \$2 million to support the government in updating its Road Master Plan and enhancing, planning and monitoring activities associated with roads.

The TA is to be carried out from January 2018 to December 2023.

ADB has been a partner of the government in improving the Dhaka-Northwest corridor since 1994, when the landmark Jamuna Bridge Project was approved.

The first ADB loan of \$198 million was approved in 2012, what is now considered the phase one of the international corridor project.

This increased road capacity on 70 kilometres of the Joydebpur-Elena section of the road. It also improved operational efficiency of two of the land ports—Burimari and Benapole—that provide gateways to Bhutan and India respectively, said ADB.

Transport infrastructure is the centrepiece of the ADB-supported South Asia Subregional Economic Cooperation programme, which promotes regional prosperity, it added.



CITY BANK

**Sheikh Mohammad Maroof, deputy managing director of City Bank, and Raquibul Kabir, managing director of Union Group, attend a deal signing ceremony at the former's head office in Dhaka. The bank will facilitate cash management and collection services for the group's nationwide cellular distribution divisions.**