

Ethiopia Requests Indian Banks to Boost Investment

BY ZERIHUN GETACHEW

ADDIS ABABA, Ethiopia, July 18, 2014 (ERTA) --- The Ethiopian government has requested the State Bank of India (SBI) to open a representative office and engage with the country's financial sector.

"Previously the Ethiopian government tried to support (investment funds) by availing investment finance with 70:30 ratio - 70 percent loan and 30 percent equity," Ethiopia's Industry Minister, Ahmed Abetew said.

"But nowadays, the demand for loan is higher than available loan able funds," he said.

"That is why the presence of SBI presence is very crucial here in Ethiopia for availing investment funds for Indian companies as well as other companies," Ahmed noted.

According to him, the purpose of the representative office is to help assist private investors with feasible project ideas by appraising their projects.

This, the minister said, would provide an opportunity for more Indian companies to invest in Ethiopia, and also help identify creditworthy loan able and profitable projects.

"There is a mismatch between the demand for loan and the supply for loan and that is why we insist to have their presence here," he further stated.

The public sector SBI is India's largest bank.

It and its five subsidiaries control almost 23 percent of the subcontinent's banking sector.

Apart from routine banking, SBI also provides investment banking.

"India is a developing country but the banking sector has done a tremendous job in the development of the country by providing various financial services to the public", Subramanian Venkataraman, country head and CEO of SBI said.

"Ethiopia's economy is predominantly agriculture-based and India is also per se the same but the banks in India have done a tremendous job in promoting agriculture and modernising agricultural activity by providing soft loans to agriculturalists."

According to Venkataraman, Ethiopia can learn some of the benefits India has derived because of the banking industry in India.

"If there is an opportunity in Ethiopia, the bank would like to discuss with the government of Ethiopia and work with the Ministry of Finance and Economic Development (MoFED) or National Bank of Ethiopia (NBE)," the senior SBI official said.

Currently, there are 16 privately-owned and three state-owned banks and 12 insurance companies in Ethiopia.

Venkataraman also suggested that the Ethiopian government should start engaging with the Indian government and try to understand how the banking industry has helped the Indian economy to develop.

"Ethiopia has the opportunity and India has the potential if the two governments work together in the financial sector. Our governments could ensure access to our people appropriate financial

products and services needed," he asserted.

The NBE should encourage expansion of bank branches, Venkataraman said, especially in rural areas and semi-urban areas because a significant proportion of Ethiopian households, especially in rural areas, still remained outside the coverage of the formal banking system.

"Mainstream financial institutions such as banks have an important role to play in this effort, not only as a social obligation, but also as a pure business proposition", he stressed.

Minister Ahmed said that the Ethiopian government would give any support to have the presence of SBI as it has learned from the results achieved from the ExIm Bank of India, which also has a representative office in Ethiopia.

In a sign of Africa's growing confidence in India's investment potential to boost its growing economy, Ethiopia has sought that the Indian banking system engage with this East African nation's financial sector despite its banking sector being off limits to foreign banks. **(This story was originally published by ERTA)**