

India in Africa

Role of Indian Banks in Trade and Investment Relations with Africa

India and Africa share a long trade history. But post-independence, India focussed on developing its economic and trade ties primarily with the West. After the financial crisis of 2008, attention has once again reverted to rekindle its trade and investment relations with Africa.

Three major factors that were responsible for the renewed thrust comprise an India-Africa Summit in 2008, the global financial crisis and a lesser subtle factor is China's growing footprints across the African continent.

The Commerce Ministry of the Government of India has made a concerted and strategic effort after 2008 to push exports to African countries. Moreover, India also diversified its oil purchases by increasing imports from Nigeria.

The two-way trade between India and Africa has improved as a result: from US\$4.5bn during 1996-97 (April-March) to US\$67.85bn by 2013-14, reflecting a compound annual growth rate of 28 percent. However, this impressive performance hides two facts: that trade will miss the US\$90bn target set for 2015, and India imports more from Africa than it exports.

Banks as change agents

Indian banks have traditionally been present in areas with a large concentration of ethnic Indians, such as Uganda, Kenya, or Mauritius. For example, Bank of Baroda, which has traditional ties with Indians settled in Africa – has branches in South Africa, Mauritius, Seychelles; subsidiaries in Uganda, Kenya, Botswana, Tanzania, Ghana, and a joint venture in Zambia. The footprints of most of the other Indian banks operating in Africa – Bank of India, State Bank of India (SBI), Industrial Credit and Investment



Corporation of India (ICICI) Bank, and Housing Development and Finance Corporation (HDFC) Bank – is similar.

In contrast, Indian banks have no presence in Nigeria, which is one of India's largest oil suppliers. SBI presence is through a token 11.81 percent shareholding in Sterling Bank Nigeria plc; Save for Bank of Baroda's two offices in Ghana through its wholly-owned subsidiary, Indian banks have bypassed all of West Africa. The same, unfortunately, also holds true for North Africa, with the exception of SBI's loan representative office in Cairo. Lack of this restricted banking has cost implications, especially in the provision of export credit and other fee-based services.

Some building blocks for resolving the situation already exist: for instance, Indian Government's Export Credit Guarantee Corporation tie up with the African Trade Insurance (ATI) Agency in 2013 to provide insurance cover to exporters and importers in both the areas. Once the insurance cover is in place, banks can take over and provide pre-shipment or post-shipment financing against the cover as collateral.

These facts provide a pioneering opportunity for Indian banks to open their business options in Africa. For example, Ghana in West Africa has

seen some traction in its financial services sector post 2003 reforms and has praise from multilateral institutions, including the International Monetary Fund (IMF). Such reforms usually lead to an improved credit delivery system and the fostering of a robust entrepreneurial culture. Indian banks should be tapping into this trend.

Indian vs Chinese Investments

India traditionally sees China as a strategic competitor *vis-à-vis* China's presence in Africa. The difference in their presence is based on three factors: One, India's traditional and historic ties with many African countries and people. Two, Chinese investments are mostly made by state-owned companies while Indian Foreign Direct Investment (FDI) is spearheaded by the private sector. The former being largely concentrated in extractive industries and India's investments are mainly in manufacturing. Three, due to the nature of their investments, Indian companies employ local labour and material, which upgrades skills and provides some boost to the local economy.

Though the above-mentioned aspects have helped in limiting the adverse local reactions to Indian investments in Africa but also have resulted in the total volume of investment being smaller as compared to China's inflows into Africa.

Thus it is logical that if India wants to increase and reinforce its trade relations with Africa, and synchronise it with the efforts being made in the development cooperation, it should also overcome this drought in trade-finance. A viable alternative is to establish greater physical presence on the African continent.

Airtel Sells Telecom Towers

Bharti Airtel, the India's largest mobile operator by revenue and subscribers, has sold its 1,100 telecom towers in Zambia and Rwanda to African mobile phone operator IHS Holding Ltd. Airtel will take the same towers on lease, under a 10-year contract whose financial terms were not disclosed.

Likewise, this will enable Airtel to focus on its core business and customers, reduce debt and capital expenditure on passive infrastructure in these African markets, Airtel stated in a statement. Following the transaction, IHS portfolio of towers will increase to 21,000, giving it the scale needed to provide shared telecoms infrastructure solutions in Africa.

The agreement was signed through its subsidiary company Bharti Airtel International (Netherlands) BV and is subject to statutory and regulatory approvals.

(www.timesofindia.indiatimes.com, 15.12.14)

Rwanda Woos Investments

The President of Rwanda, Paul Kagame, has outlined specific investment areas to the Confederation of Indian Industry (CII).

Rwanda is pushing for irrigation projects, where an investment of US\$200mn is needed for 35,800 hectares of farmland.

Moreover, in the health sector, Rwanda is seeking investors to construct health centres and specialised clinics, such as surgery facilities. A new \$700mn airport, a billion-dollar rail line, oil pipeline and a cross border energy transmission line are also in the pipeline. *(www.busiweek.com, 09.11.14)*

India: Best Overseas Market

India's booming economy and rising disposable incomes were major draws for small traders from South Africa who participated in India International Trade Fair (IITF) held during November 14-24, 2014.

According to these traders, the trade in many other countries has

India to Boost Investment in Africa

India aims to boost investment in industrial, economic and social sectors of Africa as the 54-nation continent tries to ramp up development to alleviate poverty, said Amit Narang, a Counsellor at India's UN Mission in the UN General Assembly session on New Partnership for Africa's Development (NEPAD). Narang said, "India attaches high importance to the programme's goal of 'broad-based and equitable economic growth' that allows Africa to reduce poverty and better integrate into the global economy".

The UN Secretary General Ban Ki-moon noted the growing cooperation in his NEPAD progress report and said, "Indian investment in Africa has surged, with major investments in information and communications technology, energy, engineering, chemicals, pharmaceuticals and automobiles sectors".

Furthermore, a report from KPMG (consulting firm), said, "India has become one of the leading investors in African countries, with investments in joint ventures and wholly owned subsidiaries touching the US\$33bn mark". Further, a report by the World Trade Organisation (WTO) and Confederation of Indian Industry (CII) said India-Africa trade is projected to reach US\$ 90bn by 2015.



(www.ndtv.com, 19.10.14)

slowed down, denying them a reliable platform for their products. The fact that China is at present a global manufacturing hub and not too keen on buying products from other countries along with the slowdown in Europe, makes India the perfect choice, the traders stated.

As per the Trade and Investment Department, South Africa has budgeted US\$426,000 for the India International Trade Fair (IITF). Overall, \$160mn has been budgeted for the department in 2014, which is expected to rise to US\$185 mn in 2015-16.

(www.business-standard.com, 23.11.14)

Enhancing India-Africa Ties

Indian Prime Minister Narendra Modi is planning to visit South Africa in 2015, marking the 100th Anniversary of Mahatma Gandhi's return to India to partake in the freedom movement. The sources have stated that the dates will be finalised shortly.

Furthermore, the Indian Prime Minister is keen on boosting the India-Africa ties and is looking forward to turn the occasion of '100th Anniversary of Gandhi's Return' into a fruitful one.

During his meeting with President Jacob Zuma, on the sidelines of the Brazil, Russia, India, China and South Africa (BRICS) Summit in July 2014, the Prime Minister had spoken at length of the unique ties between the two countries.

(www.hindustantimes.com, 02.10.14)

Raising Agriculture Marketing

The credit for the African nations being currently traded in reforming agriculture marketing system, including infrastructure, goes to the National Institute of Agricultural Marketing (NIAM), Jaipur, which trains delegates from countries, such as Kenya, Liberia and Malawi, under the US Agency for International Development (USAID), India and Africa Trilateral Agreement.

The programme aims at strengthening the agricultural marketing and market advisory services in African nations through exposure to Indian training and best practices.

Visits undertaken by the delegates to Agricultural Produce Marketing Committee yards in Vadodara and a few in Karnataka have helped them understand the nuances of marketing farm produce.

(www.thehindubusinessline.com, 16.12.14)