Financial Phenomenon

Sanjiv Bhasin, CEO of AfrAsia Bank, gives us his take on banking in Mauritius in the global context.

Q. ***What indicators would you point to in order to best describe the health and competitiveness of the Mauritian banking and financial services sector today?***

The banking industry, which comprises domestic and international banks, is performing well. Profits are very encouraging; returns on equity are exciting and balance sheet growth is healthy. The capital adequacy ratio remains comfortably above the minimum; non-performing loans are in check with sufficient provisioning; liquidity and the associated risks are well in control. At the macro level, currency is stable; inflation in check; deposit growth remains attractive. The challenge is the rise in public debt as a ratio to GDP. But that is very much in focus with a sincere attempt to manage it downwards and with forecasted improvement in GDP, it appears doable. At the industry operating level, there is a liquidity overhang in the system and the credit risk cycle in the region is not entirely encouraging. Banks have to keep a cautious approach. The central bank's proactive stance on this subject suggests that suitable checks and guidance are in play.

Q. ***What are the key trends and performance you've witnessed within the Mauritian and global financial and business service industry?***

One major development has been the renegotiation of the India Tax Treaty, bringing Mauritius at par with other jurisdictions. Mauritius still has a favourable status vis-à-vis withholding tax and this presents an opportunity for a larger play but on the debt side. This will require some changes in the overall local debt market, encompassing stock exchange, liquidity, secondary market and this will require regulator and government intervention. Research reports suggest a very robust capital and wealth availability in Africa itself waiting to be invested in Africa or outside. IMCs who did or do not have a presence in the Indian Ocean region are seeking out acquisition and JV opportunities to establish a presence. New growth for existing business will require further analysis and effort. It will also require improvement in the infrastructure and service standards.

Q. ***How do you see Mauritius taking off as Africa's banking hub? What are the main challenges hindering Mauritius from becoming the premier IFC of Africa, with competitors like Kenya and South Africa?***

Mauritius has very valuable experience. It boasts modern infrastructure; relations are constantly evolving to facilitate growth of this sector. It also has a very favourable cost structure of operations and government policies are geared towards promoting a holistic progress of this business. When you think of competition, you cannot restrict yourself to only view Africa; this business is global and so is competition. The whole sector has to collectively ensure it stays at the front end of developments in technology, regulations, and the availability of talent to ensure that no area weakens growth momentum.

Opening up the country to more foreign professional talent and renowned international players can make a meaningful impact in areas such as asset and wealth management and global corporate advisory services amongst others. The status of the country as a trusted, transparent and well-established international financial centre is testified by its compliance with international standards and its classification as a whitelisted jurisdiction. It's all about effective structuring to achieve decent returns whilst mitigating your risks and the country also combines traditional advantages of an offshore jurisdiction with other comparative advantages such as the DTAAs and IPPAs with several African countries.

Q. ***What are your priority markets for AfrAsia Bank at the moment and what are your plans concerning Africa?***

Our efforts at AfrAsia Bank remain on Africa and Asia. We are focused on building up the capabilities of our South Africa representative offices and collaborate more closely to source deals in East and West Africa. With larger banks pulling out, there is a niche market for AfrAsia Bank to position itself as a bank of regional relevance. The target is to capture the trade and investment flows to and from these two continents, supplemented by direct flows to each of the regions from elsewhere.
The opportunities lying in front of us are considerable and we moreover intend, with the talent pool and global network available, to keep promoting Mauritius as an IFC of choice and the springboard to Africa.