

India finding it hard to end love affair with cash

AFP, New Delhi

Fat wads of bank notes move across counters in Old Delhi's gold and diamond district in one of many challenges to six months of Indian government efforts to suffocate the black market.

Cash has been king in the musty narrow streets of Chandni Chowk since the jewellery market was set up by Emperor Shah Jahan in the 17th century. The owners now largely shrug off "demonetisation" by modern day ruler Prime Minister Narendra Modi.

In a shock move on November 8 last year, Modi cancelled all 1,000 (\$15) and 500 rupee notes in circulation, rendering about 86 percent of India's currency void.

Amid street protests, the decision triggered massive queues outside banks as the authorities struggled to print enough new notes.

Chandni Chowk is not alone in resisting the digital economy. At least 80 percent of business in India is estimated to be conducted in cash, much of it avoiding tax as well as fuelling

corruption.

"I'm sticking to cash," one gold and diamond dealer, Kapil, who declined to give his last name, told AFP at his store in the backstreets.

"There have been many raids on the shops here so I don't keep as much stock of ready jewellery as I used to, but I don't take any cheques or cards," he said. "Only cash."

Most of the gold, silver and diamond dealers approached in Chandni Chowk told AFP that while a percentage of their transactions had switched to digital cards, cash still dominates.

Last year Kapil sold jewellery worth nearly 10 million rupees (\$155,000) but declared sales of just 500,000 rupees (\$7,770).

But it is not just the sellers who prefer the tax-friendly cash system. "Customers still want to pay in cash to save paying tax," Ranjeev Panjali, whose family has been in the jewellery business for the past 60 years.

The government followed up the bank note action by banning all cash transactions above 200,000 rupees in March. It has promoted e-

wallets and offered incentives for businesses that adopt digital payments.

The government said that the amount of tax collected in February was 10 percent higher than for the same month last year. It insists it is looking for long-term change.

But the action so far has not deterred wily and wary Indians. All sales witnessed by an AFP reporter during a visit to the gold market on a recent afternoon were in cash.

"Demonetisation has had no impact at all," said the proprietor of a store who declined to give his name. "You can never remove cash from our system."

Cash withdrawals from bank machines are rising. In March the figure stood at 2.2 billion rupees, up 0.6 percent from the same month last year.

And the government action hit the economy, at least temporarily. India's impressive growth fell to 7.0 percent in the final quarter of 2016 from 7.3 percent in the previous three months. That could yet be revised down as the full picture emerges.

Agriculture and real estate are as

sensitive to the cash economy as Old Delhi gold dealers.

"Property sales have slowed in Delhi, but not just because of demonetisation," said a real estate agent in the capital, who asked that his name not be revealed.

"Cash is more difficult, but more often than not there are big piles of notes on the table," he added.

Ironically, jewellers made money in the initial days of the government cash ban as stunned consumers swapped suddenly worthless notes for gold, a traditional safe haven.

"There is not a single shop in this entire market that didn't make money during demonetisation," one shop owner, who declined to be named, said with a laugh.

The owner said he doubled sales last year to 20 million rupees owing to the government action.

The government's "longer-term success will depend on whether Indians return to cash in large numbers," the Stratfor consultancy said in a recent report.

It predicted that Modi will not give up attempts to "steer India's economy away from cash."



Mohammad Ashrafal Alam, chief operating officer of Aarong, opens an outlet of it on Nawab Bari Road in Bogra yesterday.

ICAB gets new secretary

STAR BUSINESS DESK

Muhammad Imrul Quayes has recently been appointed as the secretary of the Institute of Chartered Accountants of Bangladesh (ICAB).

Quayes retired from Bangladesh Army in 2014, the institute said in a statement yesterday.

He also served



Bangladesh Institute of International and Strategic Studies as director general and CEO and the Counter Terrorism and Intelligence Bureau of Directorate General of Forces Intelligence as the director.

He was commissioned in 1979 as the second lieutenant in the Armoured Corps of Bangladesh Army, according to the statement.



Ruhul Amin Molla, CEO of Orion Footwear Ltd, opens an outlet of the company at Sobhani Ghat in Sylhet.

Turkish trade with Gulf below potential: Erdogan

AFP, Kuwait City

Turkish President Recep Tayyip Erdogan said Tuesday his country's trade with the energy-rich Gulf had yet to reach its full potential, as he visited a region where Ankara aims to strengthen ties.

"We want to develop trade volume with the Gulf states, which last year reached \$17.4 billion (15.9 billion euros)," Erdogan said in Kuwait.

"Compared with the potential we have, this size is below the required level," the Turkish leader said.

Negotiations between Ankara and the six countries of the Gulf Cooperation Council (GCC) are under way for a free trade agreement.

The GCC groups Bahrain, Kuwait,

Oman, Qatar, Saudi Arabia and the United Arab Emirates.

Erdogan, who told reporters he was happy with his government's political ties with the GCC, had previously said he aims to boost cooperation in the economic and defence sectors.

The Turkish president arrived in Kuwait on Tuesday to lay the foundation stone for an airport terminal project awarded to Turkish firm Limak Holding and a local partner, Al-Kharafi International.

The expansion of Kuwait International Airport will triple capacity to 25 million passengers a year and is the largest contract to date for a Turkish company in the Gulf state.

The new terminal was initially scheduled to be completed within six

years, but Limak chairman Nihat Ozdemir predicted it may be done within four years.

The project is part of an \$8.2 billion (7.5 billion euros) strategic development plan for the Kuwait airport that also includes a new runway, a control tower and a smaller passenger terminal, civil aviation chief Sheikh Salman Humoud Al-Sabah said.

The development plan is expected to be completed in 2020.

Turkish firms have been involved in projects worth a total of \$6.5 billion (5.9 billion euros) in Kuwait.

Turkish companies have been awarded around \$51 billion (46.79 billion euros) of contracts across the GCC over the past 14 years, Erdogan said.

Mobile money to flourish if stakeholders collaborate: analysts

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Currently, an MFS provider cannot send money to another operator's wallet. "Interoperability can facilitate customers and agents to get maximum benefits, which is now missing in this market," said Mujeri.

Abul Kashem Md Shirin, managing director of Dutch-Bangla Bank that runs mobile financial service 'rocket', said they are facing challenges in getting connectivity from mobile operators. That is why only two banks are visible even though 19 banks are in service.

He pointed out that over the counter transactions are a problem and digital 'hundi' is another obstacle.

Kamal Qadir, CEO of bKash, said they generated a huge volume of data in the last six years of its operations, the analysis of which is sufficient to find the criminals in this area.

This same data would be able to point towards a solution that will help increase foreign remittance, he added.

Sudipto Mukerjee, country director of United Nations Development Programme (UNDP), said there is a lacking in the collaboration between the mobile operators and banks.

TIM Nurul Kabir, secretary general of the Association of Mobile Telecom Operators of Bangladesh, said competition should be open and a healthy collaboration is needed between the operators, regulators and law enforcing agencies.

Some top officials of the operators became angry and left the event when the moderator was not giving them an opportunity to speak. Feisal Hussain, regional coordinator of UNCDF Asia, moderated the open discussion.

In the panel discussion, SK Sur Chowdhury, deputy governor of Bangladesh Bank, said the central bank will not allow mobile operator-led mobile financial services as they are conservative.

"We will not allow any mobile operator-led model, only a bank-led model."

He said they have been awarded for their regulation processes and current policies from world leading agencies, and they are happy with it.

Chowdhury said current services help narrow the income gap and to send money from urban to rural areas, which is a big part of financial inclusion.

Eunusur Rahman, secretary of the Banking and Financial Institutions Division, said mobile financial service is the only alternative to deliver financial services to 60 percent of the unbanked adult population of the country.

First Security to buy floor space in Italy for exchange house

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Of them, 35 are now in operation, 10 closed and 22 did not set up shop at all.

Since most exchange houses did not turn out to be profitable ventures, banks are now concentrating their focus on a business model similar to agent banking, bankers said.

The BB is allowing banks to go for agency agreement for opening exchange houses to serve non-resident Bangladeshis, a complete U-turn from its earlier stance.

German economy barreling ahead, data shows

REUTERS, Berlin

German industrial production fell by less than expected in March following two strong months while exports and imports both hit record-highs in March, data showed on Tuesday, suggesting Europe's biggest economy picked up steam in the first quarter.

In another sign for a continued upswing and improved labor demand, job vacancies hit an all-time high in the first three months of 2017.

The overall robust readouts are the latest in a batch of solid economic figures that are likely to help Chancellor Angela Merkel burnish her economic credentials ahead of a Sept. 24 federal election, when she will seek a fourth term.

Her gap with the main opposition Social Democrats has already been widening. The economic numbers also underline the strength of the German economy compared with its peers.

Foreign Minister Sigmar Gabriel, a Social Democrat in Merkel's coalition, has urged her conservatives to adopt a less rigid stance in fiscal policy toward France after the election of the pro-reform centrist Emmanuel Macron as president.

"German exports had an impressive first quarter," BGA trade associa-

tion head Anton Boerner said, adding that business with other European Union countries and overseas markets such as China and the United States China was flourishing.

"It is astonishing how the German economy is defying global risks, whether politically or economically," Boerner added.

Germany's quarterly economic growth, to be released on Friday, is now expected to pick up to 0.6 percent in the first quarter from 0.4 percent in the final three months of last year.

Industrial output edged down by 0.4 percent on the month in March, beating the consensus forecast for a drop of 0.6 percent, data from the Economy Ministry showed on Tuesday.

In the first quarter as a whole, industrial production increased by 1.4 percent on the quarter.

The Economy Ministry said the industrial upswing had gained momentum. "Industrial orders and sentiment indicators suggest a continuation of this positive trend," it added.

While construction remains a powerful source of growth, industry output and investments are set to finally catch up with the rest of the economy, ING economist Carsten

Brzeski said.

"All in all, despite the small drop in March, industrial production should have returned as a growth driver for the German economy," Brzeski added.

Separate data released from the Federal Statistics Office showed that seasonally adjusted exports rose by 0.4 percent on the month to hit a record high of 105.4 billion euros.

Imports jumped by 2.4 percent also to hit the highest value recorded in a month of 85.8 billion euros. This narrowed the seasonally adjusted trade surplus to 19.6 billion euros.

"Germany is clearly benefiting at the moment from the revival of the global economy," Sal. Oppenheim economist Ulrike Kastens said, adding that German firms still seemed to offer the right products, such as cars and machines, which are in demand all over the world.

The good trade figures will likely increase the pressure on Germany to reduce its high trade surplus. But higher public investment, as demanded by France and others, will not solve the problem alone, Kastens said. More private sector investment in equipment and machinery was also needed, she noted.



Shahid Hossain, managing director of Social Islami Bank, and Syed Mohammad Kamal, country manager of MasterCard Bangladesh, exchange the signed documents of a deal at a programme at the corporate office of the bank. The bank became a principal member of MasterCard.

Policy on use of state mills' idle lands on cards

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The framing of the policy will allow effective utilisation of unused lands of state enterprises for expansion of investment, said Kazi M Aminul Islam, executive chairman of BIDA after an inter-ministerial meeting on the issue yesterday.

The draft policy was approved in principle at the first meeting of the BIDA governing board chaired by Prime Minister Sheikh Hasina in November last year.

It was sent to various ministries and government agencies for comments in the middle of March, the agency said in a statement. So far, the industries, land and railway ministries and the Bangladesh Economic Zones Authority have sent in their comments.

The final draft is expected to be placed at the next meeting of the governing board.

The agency said it is conducting a survey on selecting unutilised land of state enterprises.

Earlier, Privatisation Commission carried out a survey on 148,999 acres of 39 state-owned mills and primarily found 1,516 acres to be sitting idle.

The entities are under the Bangladesh Textile Mills Corporation, the Bangladesh Sugar and Food Industries Corporation, the Bangladesh Chemical Industries Corporation, the Bangladesh Steel and Engineering Corporation and the Bangladesh Jute Mills Corporation.

Of the mills, 18 are running, 18 are closed and three partly under operation, it said.

Kunming Steel in talks with BSRM to invest \$2.2b

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Paban Chowdhury, executive chairman of BEZA, said officials of both the companies met him and collected forms to apply for land allotment at the Mirsarai economic zone. It is near the Bay of Bengal and gives access to the easy transportation of goods by seaways.

Chowdhury said the proposed company wants to set up the steel mill with a production capacity of 2 million tonnes of steel products a year. BEZA will allocate the land if the company fulfils the conditions.

Such a huge investment proposal from China proves that Bangladesh is a lucrative destination for investment, said Abdul Matlub Ahmad, president of the Federation of Bangladesh Chambers of Commerce and Industry, at a programme on Bangladesh-China business and investment at Westin Dhaka hotel on Monday.

During Chinese President Xi Jinping's visit to Bangladesh last year, 13 Bangladeshi entities signed joint venture agreements with Chinese companies, involving \$13.6 billion.

Under the agreements, Chinese investors will spend on infrastructure, power, railways, sports and special economic zone.