



BANK ASIA

A Rouf Chowdhury, chairman of Bank Asia, opens a daylong blood donation programme at its Purana Paltan office in the capital on Friday marking the 18th founding anniversary of the bank. Hafiz Ahmed Mazumdar, chairman of Bangladesh Red Crescent Society, and Md Arfan Ali, president and managing director of the bank, were also present.

China's debt crackdown hits cash loan providers

REUTERS, Beijing

Executives from Chinese companies specialising in offering consumers small, easy-to-get loans became something of a fixture on Wall Street this year.

Led by companies such as Qudian Inc and PPD AI Group Inc, the Chinese micro-lenders raised \$1.2 billion with splashy US listings, cashing in on a boom in borrowing by consumers in China with little access to traditional banks.

However, the fortunes – and share prices – of the micro-lenders have slumped in the past week as Beijing clamped down on risks in the financial system, zeroing in on the fast-growing and loosely-regulated market for unsecured “cash loans”.

On Friday, China's financial regulators introduced new measures aimed at restricting the industry, which is estimated to be worth 1 trillion yuan (\$151.5 billion).

China has long been known as a nation of savers, but consumers are rapidly embracing debt from non-bank online platforms. The number borrowers taking out cash loans from the micro-lenders is growing at an unprecedented rate, according to the lending companies and the government.

For borrowers, the easy loans can be a risky proposition – especially if they fall behind on payments. The loans are usually in the range of 1,000 yuan; interest is typi-

cally about 36 percent annually, and penalty charges and compound interest can quickly add up, according to borrowers.

The number of repeat borrowers is rising, which could signal financial stress on borrowers, analysts say. The companies, however, say the repeat lending is just a sign of the attractiveness of their platforms.

The People's Bank of China and the China Banking Regulatory Commission did not respond to faxed requests for comment.

Angel Xiao, 23, who lives in the southern boomtown of Shenzhen and does not own a credit card, said she borrowed 10,000 yuan last year from two online lenders, PPD AI and Flower Wallet, to attend a jewellery design class.

But after she lost her job as a tutor, she found herself unable to pay back the initial loans. With interest piling up, Xiao eventually took out a series of new loans, with an average maturity of 14 days, from more than 30 other lenders.

“I didn't have money to repay loans coming due,” she said in an exchange on WeChat, a messaging service. “So I took out more loans. Every time when I didn't have money, I used new loans to repay old loans. That's how I got trapped deeper and deeper.” China Rapid Finance Ltd, an online micro-lender that raised \$60 million in an April listing on the New York Stock Exchange, defended its cash loan business.

After hot debate, US tax bill a boon to businesses

AFP, Washington

Is it a giveaway to the rich or a relief for the middle class? A boon for business or unnecessary stimulus for an economy already at full employment?

The sweeping tax reform package adopted by a slim margin of 51-49 early Saturday by the Republican-controlled Senate has sparked fierce debate among economists.

It also has yet to be reconciled with a separate version passed by the House of Representatives.

But the proposal's main planks included a reduction in corporate tax rates from 35 to 20 percent, increasing some deductions for individual taxpayers while eliminating many others and reducing taxation on partnerships.

The White House portrays the new tax package as the largest tax cut in US history and says it is aimed at spurring growth and producing higher wages and corpo-

rate profits while encouraging tax-shy companies to repatriate their wealth.

One of the proposal's main boosters, Treasury Secretary Steven Mnuchin, recently touted a letter from nine economists who asserted that the first comprehensive tax overhaul in three decades would lift annual GDP growth by 0.3 percent over 10 years.

But a University of Chicago study found that among 38 economists, the overwhelming majority doubt growth will increase and nearly all believed it would balloon the national debt.

The Joint Committee on Taxation, a nonpartisan committee which estimates the cost of tax policies, also found Thursday the bill now passed by the Senate would add \$1 trillion to the deficit.

Many economists argue that this kind of stimulus has limited impact when the economy is growing at its full potential pace.

Disagreements have at times

turned personal, with former Labor Secretary Robert Reich, a Democrat, writing in an opinion piece on Wednesday that Mnuchin was either a “fool or a knave,” accusing him of lying about the supposed benefits of the tax overhaul.

Reich cited the findings of the Tax Policy Center, according to which over a decade most of the proposal's benefits are likely to go to the wealthiest one percent of Americans while the upper middle class would likely face a higher tax burden and the poorest would see only small tax cuts.

But according to Douglas Holtz-Eakin, one of the economists who signed the letter cited by Mnuchin, said the modified new tax code aims to boost production and supply, rather than demand.

Entrepreneurs are among the first who stand to gain, with corporate tax rates falling as much as 15 percentage points, supposedly down to a level in line with those in other developed countries.

But US companies have long benefitted from tax deductions that brought their effective tax rate down to around 21 percent.

Another boon for the business world: partnerships and other so-called “pass-through” companies whose profits are enjoyed directly by their owners – and which account for half of corporate revenue and 90 percent of small businesses – will see steep tax cuts.

Multinational companies also will be encouraged to repatriate their profits at a preferential tax rate.

According to Holtz-Eakin, these changes are all incentives for innovation and investment that will drive productivity in the United States.

However, as White House economic adviser Gary Cohn found while attending a business conference recently, many companies plan to use excess cash from the tax cuts to increase their dividend rather than invest in equipment or hire more workers.



PRIME BANK

Tofail Ahmed, commerce minister; Fazle Kabir, governor of Bangladesh Bank; Azam J Chowdhury, chairman of Prime Bank, and Prof Jamilur Reza Choudhury, vice chancellor of University of Asia Pacific, pose at a ceremony organised by Prime Bank Foundation in the capital yesterday. The foundation gave stipends to poor but meritorious students at the university level.

Developers earned \$17b from China App Store: Apple CEO

REUTERS, China

Apple Inc's chief executive Tim Cook said developers using its platform in China number 1.8 million and have earned a total 112 billion yuan (\$16.93 billion), representing roughly a quarter of total global App Store earnings.

Cook shared the data on Sunday during a speech at China's top public cyber policy forum, organised by the Cybersecurity Administration of China (CAC), which oversees

internet regulation including censorship.

Earlier this year, Apple said that developers had earned roughly \$70 billion in total revenue through the store.

Apple is facing criticism from local users and rights groups for bowing to pressure from Beijing cyber regulators after it decided to remove hundreds of apps from its Chinese store this year, including messaging apps and virtual private network (VPN) services, which help users subvert China's

Great Firewall.

Apple counts China as its third-largest region by sales but it has lost market share in recent years as high-end handsets from local rivals continue to gain traction. The firm is hoping to regain momentum following the release of its iPhone 8 and iPhone X models which shipped in November.

The US tech giant said earlier it had moved its Chinese cloud data onto the servers of a local partner in the Chinese province of Guizhou.

Buy it with bitcoin in New York, but it's not cheap

AFP, New York

At Melt Bakery, a hole in the wall that sells ice cream sandwiches in New York's upscale Manhattan neighborhood, you can pay for your guilty pleasure in bitcoin.

And while a few swipes of a mobile app are all it takes to fill your electronic wallet, the novelty, for now, comes at a hefty cost.

Melt is one of several small stores in America's biggest city now accepting the bitcoins, hailed by some as the future of currency.

Investors' interest has been piqued by the virtual currency's surging value while industry insiders see it as an alternative instrument for consumers who want to shop online but don't have access to traditional instruments like a credit card.

It has even triggered an expanding ATM network that lets people turn their cash into bitcoins, and their bitcoins back into cash.

At Melt's checkout counter, each transaction can take several minutes to process and trigger varying fees. That means a \$5 chocolate ice cream sandwich cost \$9.29 for a recent bitcoin purchase.

Though its presence is growing, bitcoin use is still far from widespread at the storefront level.

A New York chiropractor who released a statement in 2014 announc-

ing he would accept bitcoin payments has yet to receive any.

Nick Allen, head of product development at the Blockchain Technologies startup, acknowledges such use is limited. “It's just for promotion,” said the 24-year-old.

“Bitcoin will never be used largely in real life. Transaction fees are too high and an owner is not able to track the transactions made by its employees.”

For his part, Allen converts his entire income into the currency which he then uses to do all his shopping online, including basic groceries.

He buys store gift cards on an online platform where, he says, vendors “want bitcoins more than they want gift cards.” In just a few clicks, he can buy \$100 worth of takeout food delivered by UberEats for just \$36.

But he found himself in a bit of a bind during a recent trip to Amsterdam, where, without a credit card and just 200 euros (\$238) in cash, he couldn't find anywhere to convert his bitcoins.

More and more major companies now accept virtual currency, including Bitcoin but also others, as a valid form of payment -- from booking a flight on Expedia to a new sofa from retailer Overstock.

“We are a big believer that it is good for us,” said Overstock's president Jonathan Johnson. “It is another way

for customers to spend money at our stores and it is cheaper for us because we don't have to pay a credit card transaction fee.”

The firm initially converted all its bitcoins into dollars, but now retains half in order to pay suppliers, and to take advantage of its surging value.

A bitcoin was worth about \$1,000 at the start of the year, but is now more than \$10,000.

At a small grocery store in Harlem, Matthew, a former financier who now works in tech and who gave his first name only, said he bought his first bitcoins in 2016 and was now withdrawing his profits from an ATM.

“Buying bitcoin at an ATM is the easiest and safest way to do it,” he said, adding he did not entirely trust other platforms.

Investors make up 25 percent of the userbase of Coinsource, a nationwide bitcoin ATM network, according to its manager, Sheffield Clark.

The majority of users see the currency as “a medium of exchange to buy things online,” explains Clark, who adds that in the future, bitcoin will likely complement rather than replace real money.

It is especially useful for those who “may not have access to a PayPal account or access to traditional financial services such as a credit card or debit card account,” he adds.



IDLC

Aziz Al Mahmood, chairman of IDLC Finance Ltd, and Arif Khan, CEO, open the 38th branch of the non-bank financial institution in Barisal yesterday.



KOREA EXIMBANK

Ahn Seong-Doo, South Korean ambassador to Bangladesh, and Kazi Shofiqul Azam, secretary of the Economic Relations Division, exchange documents after signing a deal at a programme in the capital yesterday. A representative office of Korea Eximbank will be set up in Dhaka for managing Korea's Economic Development Cooperation Fund.