

MINISTERIAL STATEMENT

CASH SHORTAGES AND QUEUES AT BANKS

THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT (HON. CHINAMASA):

Thank you Madam Speaker. Madam Speaker, last week the House asked that I give a Ministerial Statement on cash shortages or queues outside the banks. It is now my pleasure to make my brief Ministerial Statement and this will cover two important issues namely:

- The main causes of the cash challenges; and
- The initiatives that Government is taking to address these challenges.

Causes of cash shortages

Madam Speaker, high fiscal deficit that is further exacerbated by the current account deficit have contributed to the current cash shortages and queues for cash at banks. There is a direct association between high fiscal deficits and current queues at banks.

Government employment cost at above 93% of tax revenue, combined with Government legacy debt of over 40% of tax revenue means that Government expenditure is above Government revenue. This shows that we are living beyond our means through borrowing from the market by way of Treasury Bills that translate into Government overdraft at the Reserve Bank on maturity.

Further, Government funds its employees' salary accounts through electronic transfers over the Real Time Gross Settlement (RTGS) platform. On the contrary, employees would want to obtain physical cash from banks. This misalignment is the greatest cause of queues at banks for cash as both the Reserve Bank and banks would be required to withdraw foreign exchange from their Nostro Accounts to meet cash demand.

Madam Speaker, non-banking of cash by traders is also a major cause of cash shortages and queues for cash at banks. This indiscipline is counterproductive and cannot continue to be tolerated. Money is like blood, it needs to circulate for the economy to survive. Money should be circulating in order to deal with queues at the banks. To date, three traders have been hauled before the courts for not banking their sales proceeds in line with the laws of the country from as far back as June 2016. They have all pleaded guilty to the offence and they now await their sentences after the Easter holidays.

Mr. Speaker Sir, there is also pressure for Government to monetise the overdraft or Treasury Bills to physical cash. Monetising Treasury Bills means that physical

foreign exchange cash is being withdrawn from banks without a corresponding foreign exchange receipt to fund Government's position at banks.

Strategies to address cash shortages

Mr. Speaker Sir, Government, through the Reserve Bank, is advocating for the use of plastic money in order to ameliorate the mismatch or gap between electronic salary transfers and the demand for cash from banks. Embracing plastic money preserves foreign exchange in the Nostro Accounts for use of foreign payments whilst at the same time mitigating against non-banking of cash by traders. Government is also considering removing the 5c tax on plastic money in order to reduce the cost of transacting.

The non-banking of cash by traders is currently being attended to by the Reserve Bank and the police under the Bank Use Promotion Act [Chapter 24:24] which compels traders to bank their surplus cash on a daily basis when banks are open for business. Best practice is that traders in the reserved sectors of the economy should be locals as is required in terms of the Indigenisation and Economic Empowerment Act. These reserved businesses include the following:-

- Transportation, passenger buses, taxis and car hire services;
- Retail and wholesale trade;
- Barber shops, hair dressing and beauty salons;
- Employment agencies;
- Estate agencies and Real Estates;
- Bakeries;
- Grain milling;
- Tobacco processing;
- Advertising agencies; and
- Provision of local and craft, marketing and distribution.

In Zimbabwe, the opposite is true and as a result we have noted with great concern the deliberate disregard to the laws of the land by these traders. Such unscrupulous traders should not continue to enjoy the freedom of being in the reserved sectors without compliance. The net is closing on those players who continue to disrespect our laws.

Conclusion

Mr. Speaker Sir, the factors underpinning cash challenges are beyond banks. Banks find themselves in a difficult position where they are compelled to ration cash withdrawals in order to meet their customers' demand. Banks have, therefore, continued to explore pragmatic measures to meet their customers' demand for cash.

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