

## Major fiscal changes key to pro-poor growth

Leading economist says at pre-budget talks

### STAR BUSINESS REPORT

Key fiscal changes are necessary if the government wants the next national budget to achieve pro-poor economic growth, said a paper presented at a recent pre-budget discussion in Dhaka.

The keynote paper prepared by Debapriya Bhattacharya, executive director of independent think tank Centre for Policy Dialogue (CPD), dwelled on issues ranging from personal income tax, corporate income tax and VAT to import duty tiers.

Regarding the personal income tax, the paper suggested exemption level should be raised to Tk

100,000 while the tax base should be broadened to include people in rural areas and current evaders.

Presenting the paper at the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) dialogue titled "Stimulating Growth and National Budget FY04", Bhattacharya cited statistics that shows only 200,000 are effective taxpayers in the country while 51.25 lakh people earn more than Tk 100,000.

He suggested social protection in the form of rebates for senior citizens, pensioners, and physically handicapped people.

On the corporate income tax, Bhattacharya said rate differential

between listed and non-listed companies should be increased from the current 5 per cent to a more meaningful 10 per cent while dividends on listed securities should be tax-exempted up to Tk 50,000 to give incentive to capital market players.

Rebates should be offered to companies that declare dividends within six months of year closing and declare dividends in the 10-20 per cent slab, he said. The current rule offers rebates to only companies declaring more than 20 per cent dividend.

Bhattacharya also said steps should be taken to bring the 13 types of manufacturing and 18 types of service industries under

the VAT net.

Turning to the duties, the CPD executive director suggested reduction in the number of import duty tiers and types of non-tariff duties, such as supplementary duty and advance income tax.

Moreover, reforms in the tax administration stretching from introduction of a universal identification number to electronic filing to outsourcing of non-core activities are crucial for efficiency and transparency in the system, said Bhattacharya.

Fiscal discipline is a must in the context of declining FDI, low foreign aid and uncertain remittance growth, Bhattacharya observed.

## Phoenix Ins declares 20pc cash dividend, 5pc bonus share

Phoenix Insurance Company Limited has declared a 20 per cent cash dividend and a 5 per cent bonus share for the shareholders for the year 2002.

The dividend was announced at the 17th annual general meeting of the company held in Dhaka on Tuesday, says a press release.

The meeting was presided over by its Chairman Deen Mohammad.

During the year 2002 the company earned a total premium of Tk 19.69 crore and a pre-tax profit of Tk 2.91 crore. Total asset of the company in the year 2002 was Tk 42.20 crore.

Vice-chairman Mohammad Shobir and other directors were present in the meeting.

## Islami Bank to give IDLC Tk 40cr loan

Islami Bank Bangladesh Limited will give a Tk 40 crore credit to Industrial Development Leasing Company.

An agreement to this effect was signed between the two organisations in Dhaka Wednesday, says a press release.

Habibur Rahman, senior vice president of Islami Bank Bangladesh Limited, Foreign Exchange Corporate Branch, and Syed Ehsan Quadir, deputy managing director of Industrial Development Leasing Company (IDLC) of Bangladesh Limited, signed the agreement.

Later Abdur Raquib, executive president of Islami Bank Bangladesh Limited, and Anis A Khan, managing director of IDLC of Bangladesh Limited, exchanged documents of the agreement on behalf of their organisations.

Among others Md Velayet Hossain, deputy executive president, ATM Harun-Or-Rashid Chowdhury, executive vice president of the bank, and other executives and officials of both the organisation were present at the ceremony.



Deen Mohammad, chairman of Phoenix Insurance Company Limited, presides over the 17th annual general meeting of the company in Dhaka on Tuesday.

## APEC to assess SARS damage, rebuild business confidence

AFP, Singapore

The Asia-Pacific Economic Cooperation (APEC) forum will assess the economic damage caused by SARS and seek ways to rebuild business confidence in the region, its secretariat said here Friday.

Trade ministers of APEC's 21 member economies will meet June 2-3 in the northeastern Thai province of Khon Kaen and assess information on the impact of Severe Acute Respiratory Syndrome (SARS), an APEC statement said.

Piamsak Milintachinda, executive director of the APEC secretariat in Singapore, said that "in the space of two months this unknown virus has caused disruption to both people's lives and economies of the region."

He said the trade ministers' meeting will be "one of the highest level intergovernmental meetings to discuss the SARS issue," which "could have serious implications to trade and investment in the region."

The forum was formed to promote open trade and investment in a region with a population of more than 2.5 billion and a combined gross domestic product of 19 trillion US dollars. Its members account for almost half of world trade.

The trade ministers will assess the economic and social impact of SARS, look at progress made in containing it, and set plans in motion to enhance business mobility and facilitate trade expansion, Piamsak said.

The aviation industry has been crippled by SARS due to travel restrictions and people's fear of contracting the disease while in transit. Many companies have

sharply restricted business trips to SARS-affected countries.

Piamsak said the trade ministers were expected to agree on joint action to rebuild business confidence.

The worst-hit countries are all APEC members -- China, Hong Kong, Singapore and Canada -- and the repercussions have reached far beyond them.



Abdur Raquib, executive vice-president of Islami Bank Bangladesh Limited, and Anis A Khan, managing director of Industrial Development Leasing Company of Bangladesh Limited, exchange documents after signing an agreement in Dhaka on Wednesday. Under the deal, IDLC will receive a Tk 40 crore credit from the bank.

## US firms to move 5 lakh jobs overseas

AFP, New York

US banks, brokers, insurance and other financial groups plan to move 500,000 jobs overseas in the next five years, with India the most enticing target, a study showed Thursday.

Relocations were expected to save 30 billion dollars a year in operating costs, said the study by management consulting firm A.T. Kearney, which spoke to about 100 financial services firms' executives.

"Any function that does not require face-to-face contact is now perceived as a candidate for off-shore relocation," A.T. Kearney managing director Andrea Bierce, who ran the study, said in a statement.

Jobs being transferred overseas once focussed on back office functions such as data entry or account checking, Bierce said. Now, jobs such as financial analysis and research were going abroad.

"The debate at major financial services companies today is no longer whether to relocate some business functions but rather which ones and where," she said.

Half of the survey's respondents, however, said offshore initiatives so far had been ineffective or that it was too early to measure the impact.

A.T. Kearney issued its own

## SIBL customers' meet held

Social Investment Bank Limited Sylhet Branch organised a 'customers' meeting' for the local customers at its office in Sylhet recently, says a press release.

Mohammed Shamsuzzaman, vice-chairman of the bank, presided over the meeting.

Chairman of Shariah Board Mowlana Obaidul Haque, directors of the bank, Golam Mustafa, managing director, guest and customers were present in the meeting.

## Shahjalal Bank starts on-line banking

Shahjalal Bank Limited (SBL) has started on-line banking.

The Chairman of the Board of Directors of the bank Sajjatz Jumma formally inaugurated the on-line banking at its head office in Dhaka on Wednesday, says a press release.

An account holder of any branch can deposit and withdraw money from any other branch of Shahjalal Bank Ltd.

The Managing Director declared that Shahjalal Bank would introduce ATM services and Islamic Credit Card in near future.

## Visa, MasterCard accept \$3b settlement in debit card case

AFP, New York

Bank card giants Visa and MasterCard settled for some three billion dollars a seven-year-old antitrust case that claimed they strangled competition in the use of debit cards, lawyers said Thursday.

The class-action case was initially filed in 1996 on behalf of as many as five million merchants who argued that the banking giants charged excessive fees and stifled competition from smaller issuers of debit cards.

Visa announced it was settling the case late Wednesday, two days after MasterCard announced its own settlement.

ranking of countries already hosting multinationals and offering mature technology, a skilled labor force, expectations of future development and scope for expansion.

They were ranked according to

cost, environment and people.

India was selected as the best choice for offshore business processing, followed by Canada, Brazil, Mexico, Philippines, Hungary, Ireland, Czech Republic,

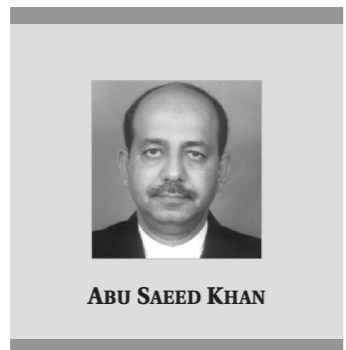
Australia, Russia and China.

China was expected to become increasingly popular as US businesses gained confidence that their intellectual property rights would be protected, A.T. Kearney said.



Sajjatz Jumma, chairman of the Board of Directors of Shahjalal Bank, inaugurates on-line banking service at its head office in Dhaka on Wednesday. Among others, Vice-chairman of Policy Committee of the bank Syed Nurul Arefeen, directors Tofazzal Hossain, Abdul Barez and Abdul Halim, Advisor Ashfaq U Chowdhury, EVPs Md Aftab Uddin and Md Zillur Rahman, VP Md Kalim Uddin and Managing Director Matin Uddin Ahmed were also present at the function.

# It's a pleasure doing business with Chandrababu Naidu



ABU SAIED KHAN

When Chandrababu Naidu became chief minister of Andhra Pradesh in August 1995, this Indian state used to generate only 7,500 engineers annually. He immediately converted an abandoned government building in Hyderabad, the state capital, into a college for computer software engineers.

Today that building houses one of the 300 engineering institutes in Andhra Pradesh, which annually produces 65,000 engineers. This is how Hyderabad has evolved from the capital of an agro-based state economy into a computer programming and pharmaceuticals hub.

Naidu, who is 52 and an MA in economics, masterminded this metamorphosis. He is the only Indian chief minister who receives daily information on virtually every subject and happenings at every corner of his state. Must he be a dictator? No. An integrated electronic information system keeps him updated about every district headquarters.

He monitors the average, minimum and maximum time being taken to receive and dispose the department-wise, minister-wise, officer-wise files. Daily report informs him about the grievous crimes reported till midnight. Custodial deaths and incidence of extremism are also available from that brief. Monthly crime statistics on every district is reported on crime types. The total number of cases being disposed off, charged and property recovered against loss is also made available with him.

Naidu, the son of a middleclass farmer from Hyderabad, uses an irrigation information module. He knows the district wise information of pumps breakdown and

repaired. He knows the season wise crop sowings in different districts, supply of seeds, rainfall information, pesticides and treatment being carried out during the week.

Naidu's tax monitoring system shows target, collection and percentage of achievement division wise and circle wise along with the monthly data on top 10 commodities revenue realisation. It shows current and previous year's gross turnover, net turnover and tax

example.

Naidu has also been one of the first Indian politicians to tackle a problem that has effectively bankrupted most of Indian state governments -- electricity subsidies. State politicians across India have long won elections by promising cheap electricity, a middle-class subsidy in a country where the poor have no access to electricity at all. But Naidu has succeeded in raising electricity prices here by 70 per

cent, using the extra revenue to improve the power supply. Naidu personally monitors the daily status of power generation and distribution, both by the public and private sectors, in his state. He reviews the information on performance parameters with regard to transformers, feeders, pilferage, revenue, cost of generation and projects. He measures the daily reservoir levels of the hydro power plants.

He has also reformed the labour law, requiring the trade union leaders to be workers from the factory or office they represent. Naidu has also allowed laying-off workers, removing a major obstacle that has discouraged many businesses in India from hiring additional employees.

To the anger of public-sector unions in a country famous for its slow-moving and often unresponsive bureaucracy, Naidu has begun measuring state employees against one another and preset targets, and he has instituted surprise inspections. He has fired 50 people just in the state's agriculture department and disciplined many more for non-performance.

**PASSWORD**  
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collections.

These remarkable achievements in governance are derived from Naidu's outgoing and long-term approach to public policy, being harnessed through information technology. As a part of his vision to improve services to citizens through efficient and transparent administration, he is building a wide area network (WAN) throughout Andhra Pradesh for e-governance.

This WAN connects the state secretariat at Hyderabad to all district collectorates and other offices with 2 megabits per second backbone for data voice and video communication. Subsequently, the WAN will be extended to every village.

It offers reliable and dedicated telephone facility to state government departments along with e-mail and Internet facility for all the government departments. It provides high quality videoconference facility that helps in administrative reviews and conferences, distance and on-line training for government officials and demonstration of best practices.

Naidu's successes have made him a celebrity for the last six years at World Economic Forum meetings in Davos, Switzerland, and elsewhere, where he moderates panels and being praised as an

example. Naidu has also been one of the first Indian politicians to tackle a problem that has effectively bankrupted most of Indian state governments -- electricity subsidies. State politicians across India have long won elections by promising cheap electricity, a middle-class subsidy in a country where the poor have no access to electricity at all. But Naidu has succeeded in raising electricity prices here by 70 per

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Naidu was elected in the Andhra Pradesh state assembly in 1978 as a member of the Congress Party. He was then only 28 years old and became the minister of technical

education, the state's youngest assembly member as well as the youngest minister. He also became friendly with N T Rama Rao, the legendary Telugu film star turned politician in Andhra Pradesh. Eventually Naidu married Rao's daughter, which the former claims as an arranged marriage.

Rao established Telugu Desam, a regional party, in 1982 and Naidu joined his father-in-law. Rao had been enjoying unrivalled popular-

rate strategy at Satyam Computer Services, a leading Indian software company, said Naidu has set an example that might influence the other Indian politicians. "Politicians tend to look at 'Can I win my next election?' and if it takes subsidies, then that is often done," Thiagarajan said. "But Naidu looks at something in business terms, in metrics, in measurable things you can improve," he commented.

Naidu maintains extensive rapport with the corporate leaders. "If you do not meet business people and rich people, you will not get investment," he says. Giants like Microsoft and Oracle have been setting up operations in Hyderabad, although Andhra Pradesh has long been one of the poorest states in India.

Naidu decided to tame Bill Gates, chairman of Microsoft, at a dinner party at the US ambassador's house in New Delhi. "I told him I needed 10 minutes exclusively," Naidu told New York Times. "I had a presentation for him on a laptop, and the 10-minute meeting stretched to 40 minutes -- the dinner was late," he said without any regret.

Microsoft later opened a 150-person programming centre in Hyderabad, and Bill Gates announced on a visit to the city on November 14, 2002 that his company would expand the office to 500 people over the next three years.

Carly Fiorina, CEO of Hewlett Packard, addressed the Confederation of Indian Industry Conference at New Delhi in April 25, 2001. She said, "Leadership is no longer about command and control. It's not about hierarchy or title or status. It's not about finding blame. Leadership is about making a difference, creating positive change. It's about getting things done and getting rid of everything else that doesn't contribute. It's about encouraging, enabling and empowering every employee, every worker. It's about reinforcing core values, articulating a vision and then setting people free."

Sri Chandrababu Naidu, the chief minister of Andhra Pradesh, has been setting his people free.

Krishnamoorthy Thiagarajan, the senior vice president for corpo-



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### Successor

Many a times, successful businesses fade away due to failure of succession planning. Most private businesses are owned by the entrepreneur. The hard work the owner puts in leads to little trust for 'outsiders' the people he employs out of necessity to run his business.

Most owners think of their sons and daughters as their heirs. No problem, as long as they are educated and groomed to take over. However, due to cultural nuances these children are anointed as the company's directors and off they go... thinking that they know how to run the business and lavishly spread money around on things that matter the least.

Owning a business and running it is fine for the owner while the scale of operations is manageable. However we come to a threshold when it becomes high impossible for the owner to manage the growing business alone successfully. Unless handled carefully, this breeds resentment in rank and file, people lose interest in the company and take interest in other detrimental activities.

To make sure that your business survives you, you must plan for a successor. To begin with, owners need to trust and build confidence in the people they work with, especially the management team. If the owner thinks his kin will succeed him, then he should train him, bottom up.

Send the successor to the lowest rung of the job ladder, preferably sales. The best training for anyone is to be in sales. This is where you meet your customers face to face. And the ultimate truth of any business is getting customers. Selling will give an enormous uplift to the confidence of a successor to be. This is money coming in and gives a great sense of pleasure and pride to contribute to the treasure chest.

Then the course should take one through finance and accounts. A look at the vouchers give a fair idea of how money flows out of the organisation. It is important that beyond just the profit and loss sheet, eyes must be glued on the cash flow. Cash flow can make or break a business in spite of showing profits. The successor to be has to have a crystal clear idea of how the money flows in, and how it flows out.

Depending on what other departments exist in the organisation, the incumbent successor should do the rounds - spend time in each station to understand how the zig-saw puzzle fits. This way the incumbent not only gets to see and understand the total business but gets to know his own people. It would also bring to surface the hidden talents on which the successor could tap on when it is his turn to sit in the big chair.

If I remember correctly, Shochiro Honda, founder of the famous Honda company made it a point that none of his kith and kin should succeed him in running his successful business. Why? He had the vision to realise that they may not really be professionals in running his business. Instead, he opted to groom up management talent making room for a person who shared his vision and enthusiasm to eventually succeed him. It takes a lot of guts to think this way!

So do you want to leave a legacy of a successful organisation, creating wealth and social well being? Then look beyond today, tomorrow and this year. Look into the distant future and see who is running your organization successfully. Is that person next to you today? If not, you need to wake up and begin sculpting this reality, the sooner, the better.