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## Biswas opens Bangladesh Computer Society convention Computer tech to help speed up country's overall development

President Abdur Rahman Biswas yesterday said the advancement of computer technology has opened up huge potentials for rapid development and it should be utilised to quicken the overall progress of the country, reports BSS.

"Government alone cannot discharge this responsibility and it requires co-ordinated efforts," President Biswas said while inaugurating the annual convention of Bangladesh Computer Society (BCS) here at the Institution of Engineers.

Dr. Abdul Moyeen Khan, MP, Minister of State for Planning attended the function as special guest which was chaired by Prof AM Patwari, President of the Society, Prof RI Sharif, Vice-President and MM Nuruzzaman, General Secretary also spoke.

The President said development of a nation depends on the development of science and technology and its proper application. He said many countries of the world had attained tremendous achievement through practice and application of science and technology. While he said, many countries remained under developed as they were lagging behind in the field of science and technology.

Biswas said considering the problem, Shaheed President Ziaur Rahman created a separate division for the development of science and technology. He said Shaheed Zia could visualise the computer revolution of today and took initiatives with a view to introducing computer in the country and accelerating its progress. He said at his Zia initiative, Bangladesh computer society was established in 1978.

President Biswas said the present government is eager for the development of science and technology and has established a separate ministry named Science and Technology. He said the responsibility of Bangladesh Computer Council had been given to two cabinet members so that nation did not lag behind from the huge activities taking place throughout the world in information field.

He said with the invention of computer the relation among the people in the world has become easier and they could communicate with each other freely and quickly. He said now people are no more confined to themselves rather their thoughts are spread in the international arena.

Biswas called for taking all our efforts to establish rights on information technology as Bangladesh was lagging behind in the field of science and technology.

Dr. Moyeen Khan said that a silent revolution had taken place in the history of human civilization in the form of computer. He said the computer had not only brought people of the world together but it would give the universe a new shape in future.

President Biswas later inaugurated the computer exhibition and went round various stalls.

## StanChart's new branch in Ctg opens

Abdullah Al Noman, Minister for Fisheries and Livestock said that the present government's policy for deregulation of the country's money market has created immense opportunities for banks in the country and they should make best use of that, says a press release.

Abdullah Al Noman made this comment while addressing as the chief guest at the opening ceremony of the new office premise of Standard Chartered (StanChart) Bank's Chittagong branch at 33, Agrabad Commercial Area, Chittagong on Thursday.

The minister added that the present government, at present is working on restructuring of the legal system to facilitate smooth operation of the country's banking sector in this new deregulated environment. He thanked Standard Chartered for its commitment to Bangladesh and wished that StanChart should be more identified in the country's economic development.

The function was also attended by Peter Fowler, British High Commissioner to Bangladesh, Amir Khasru Mahmud Choudhury, MP and Chairman of Chittagong Stock Exchange, John Filmeridis, Regional General Manager Designate for StanChart, Middle East and South Asia (MESA) region as special guests. Other high officials of Standard Chartered Bank - Bangladesh and elites of the country were also present.

The function was opened by the Geoff Williams, Chief Executive, Standard Chartered, Bangladesh. While addressing the audience, Geoff Williams stressed StanChart's global banking strength, its operation and ambition in Bangladesh. He also emphasised the significance of Chittagong as the country's major trading centre and the immense importance the bank gives to this city.

Peter Fowler, British High Commissioner to Bangladesh, said that expansion of Standard Chartered Bank - a reputed British bank, indirectly reflects Britain's interest in the growth of Bangladesh's economy. He wished that Standard Chartered should be able to serve its customers better.



Abdullah Al Noman, Minister for Fisheries and Livestock, inaugurated Standard Chartered Bank's new office in Chittagong on Thursday. Peter Fowler, British High Commissioner to Bangladesh, was present among others on the occasion.

## IUBAT seminar on software industry held

A seminar on the 'Software Industry for Bangladesh' was organised by the International University of Business Agriculture and Technology (IUBAT) at the Conference Room of BMD in the city on Tuesday says a press release.

The seminar was led by Dr Abdus Sattar Syed of Faculty in Computer Science at IUBAT.

Inaugurating the seminar, the State Minister for Science and Technology Prof M A Mannan made a strong plea for development of software industries in Bangladesh for job creation, economic property and foreign exchange earnings.

The State Minister reiterated the commitment of the Government to create necessary conditions for development of technology based industries in the country.

Prof Mannan also assured full support of his Ministry to the noble efforts of IUBAT in the expansion of education and training facilities in science and technology in general and computer in particular.

## 'Aussie economy poised to smash record for continuous growth'

SYDNEY, Aug 4: Australia is poised to smash a 35-year-old record for continuous economic growth, Treasurer Ralph Willis said today, reports AFP.

He said the June quarter national accounts were expected to confirm the economy had been growing for four years, which gave the lie to claims by the Conservative opposition that Australians had only experienced five minutes of economic sunshine.

The (aunt, by opposition leader John Howard, has troubled the government and forced it on to the defensive repeatedly during the last month or two.

"The record of Australian uninterrupted economic growth in the last 35 years is just four years, that is we've never had more than four years without a negative quarter," Willis said in a radio interview.

"Now we're about to reach that four years with June quarter figures. We expect we'll go on to smash that record with continuous growth through '95-96 and beyond.

"So rather than five minutes of economic sunshine we're actually chalking up Australian records for continuous economic growth."

However, Willis acknowledged that some farmers, businesses and unemployed Australians were not enjoying good economic times, but said the government was trying to ensure the benefits of growth were spread as widely as possible.

"We're not saying that everybody in the country should be feeling terrific, but we are saying that in overall terms we are looking at good economic outcomes," he said.

"And very, very importantly, I think, we've done our best to try to ensure that the benefits of that growth have filtered through to all sectors of the economy by looking after the people in disadvantaged circumstances."

### Hannan distributes relief goods at Gazipur

KAPASIA, Gazipur, Aug 4: Jute Minister ASM Hannan Shah said the government has brought a revolutionary change in communication sector particularly in road communication network, reports UNB.

He was addressing a gathering after inaugurating the ferry service in the Sitalakhya river here on Thursday.

The minister also inaugurated a jute purchase centre of Latif Bawany Jute Mills and distributed there some relief goods among the flood victims of the area.

Addressing on the occasion, he said the government will always stand beside the people at the time of their disaster.

General Secretary of Kapasia thana, BNP Tajul Islam, also spoke on the occasion, said a PID handout.

Willis predicted that Australia's main economic trouble-spot, the current account deficit, was set to improve over the coming year, following a "spectacular" turn around in rural exports after a long drought.

The trend from here on is one of improvement," he said. "We're looking at a very considerable turn around in exports. The drought has cost us at least a couple of billion dollars in exports in 1994-95.

"We expect that to turn around quite spectacularly in '95-96."

Australia's current account deficit in June was 2.278 billion dollars (1.68 billion US), down on May's 2.9 billion record, prompting the government to declare it had peaked.

Canberra has forecast a 27 billion dollar current account deficit for 1995-96.

## US consultant pleads guilty to accept Libyan money

WASHINGTON, Aug 4: A New York business consultant pleaded guilty Thursday to accepting 900,000 dollars from Libya for his attempts to remove US economic sanctions on the radical North African country, says AP.

It was the second guilty plea in the case, which remains under investigation. On July 26, Charles Gordon Wade, former chairman of the Republican Party in Kentucky, pleaded guilty to accepting 575,000 dollars from Libya for the same efforts.

The consultant, Arthur William Bodine, 51, president of New York's Investment Advisory Group, also admitted in US District Court to agreeing to help Libya buy real estate in Dallas, Texas, valued at 200 million dollars. Bodine was to have received a commission from the sellers, but the sale was not completed.



Yoji Hamano, General Manager of Sonargaon Pan Pacific Hotel, attended the first anniversary of the "Sakura Family Home" at Salna, Gazipur, on Tuesday. Sakura Family Home is an orphanage which has 16 children at present and Japan-Bangladesh Cooperation Fund is responsible for looking after the well-being of these children. Hamano presented the children with a delicious cake prepared by Sonargaon's Pastry Chef. President, Keisuke Nakagawa and Eiko Hussein, honorary Deputy Director of Japanese Bangladesh Cooperation Fund are also seen with Hamano in the picture.

# Govt regulation on employee profit-sharing needs amendment

By Dr Dhiman Chowdhury

Capitalist economic system is frequently criticised for labour exploitation through lower payment and higher working time. Socialist economy, on the other hand, has 'free riding problem' where efficient employees sometimes take the burden of the less efficient or inefficient employees. Lack of responsibility and accountability are common shortcomings of a socialist economy. Incentive schemes (profit-sharing schemes, share ownership schemes, share option schemes,) which provide employee benefits on the basis of corporate financial measures of performance are claimed to have a role in mitigating both labour exploitation and free riding problems.

On the one hand, in the capitalist countries in USA and UK, there is at least one incentive scheme in the large public companies. On the other hand, in the socialist countries in Russia and China, the recent economic reform prescribes performance-related remuneration which includes various incentive schemes for employees so that employees can participate both in corporate profit and ownership. Incentive benefit systems ensure high financial benefits for high performance and establish workers' claim on 'residuals' thus they enjoy the fruits of their labour. The linkage between pay and performance also helps in reducing the need for monitoring.

It is to be noted that monitoring is a costly way of pursuing employees to work efficiently. This is particularly true in larger companies characterised by the asymmetry of information between the agents (employees) and the principals (owners).

**Profit-sharing schemes**  
 Under a profit-sharing scheme, employees get a share of the corporate profit. Usually 5 to 10 per cent of the profit before tax is set aside and the amount is usually managed by a trust

and the benefit is distributed among employees. The amount is distributed according to basic pay, or equitably, or some other agreed formula. Profit before tax is the surplus of the firm after deducting all usual business expenses but before considering income tax and extraordinary items.

**Extent of profit-sharing**  
 Profit-sharing in industrial enterprises is regulated by the government since 1968 through the Companies Profits (Workers' Participation) Act 1968. Under this regulation every industrial enterprise employing more than 100 employees or with a capital of more than 50 lakhs or with value of fixed assets (at cost) of more than 100 lakhs must create a fund called workers' profit participation fund with 2.5 per cent of profit before tax. In 1989, the Act was amended and profit participation of 2.5 per cent was replaced by 5 per cent of profit before tax. The fund is generally invested in shares and debentures, post office savings certificates and defence savings certificates. From this fund, incentive bonus is given to all regular employees of an equal basis.

I surveyed 55 Dhaka Stock Exchange listed companies. The average profit-sharing benefit is 4.5 per cent of total pay. In 99.7 per cent of sample companies, incentive payment is less than 10 per cent of total pay. Only 4 firms out of 55 paid more than 10 per cent of total pay as profit-sharing benefit.

**Extension of profit sharing**  
 Under the present government legislation (the Companies Profit (Workers' Participation) Act 1968, 85, and 1989), profit participation is allowed in manufacturing industrial enterprises, shipbuilding, electrical energy generating and distribution firms, mines, oil and gas blending, refining and distribution firms. The service sec-

tors viz., advertising, transport and communication, trading which are playing increasing role in the economy (46.4 per cent of GDP in 1989-90) are excluded from the benefit of this government legislation.

It is recognised that the scope of the incentive scheme can be extended to all these important sectors of the economy. It can be argued that if workers' profit participation is accepted on principle to be good for both workers and employers, then there should not be any discrimination among the workers whether they are in manufacturing, agriculture, service, or trading. The objective of profit participation is to motivate workers to work efficiently and thus to align workers' interest with those of owners. This objective is applicable in all the sectors of the economy.

The scope of the legislation also appears to be narrow when one considers the conditions (section 3 above) to be fulfilled for allowing profit participation. Small, cottage and handloom industries provide the majority of our manufacturing employment.

One study in 1993 found that 87 per cent of the firms in engineering industry employed less than 50 employees. The BBS Statistics (1993) disclose that average value of fixed assets in handloom industry is only Taka 24240 and average employment size is only 4.83. The survey of small industries of Bangladesh by Bangladesh Small and Cottage Industries Corporation in 1994 shows that average employment size in 38294 industries is 13.6 persons and average value of fixed assets is Taka 75,0000.

Thus majority of business establishments are excluded from the benefit of the government regulation. Available statistics reveal that total number of registered industrial enterprises is 509000 and the number of industrial enterprises with employment size of 100 or more is 1729.

Thus only 0.34 per cent of the industrial enterprises are covered by the government regulation.

It is to be noted that although classification of business establishments by number of employees and fixed assets is available classification by size of capital is not available to the best of my knowledge. However, if our banking policy of debt-equity ratio of 70:30 is considered, then capital of a small business enterprise should be much lower than Taka 50 lakhs.

Considering that the majority of our business establishments are small and that the increasing importance of the small scale industries in the country and also elsewhere, the conditions appear to be inconsistent. Bangladesh Bureau of Statistics (BBS) study of industrial enterprises with 10 or more employees shows the similar picture where only 2.9 per cent of enterprises have fixed assets of more than Tk 100 lakhs and only 6.8 per cent of enterprises employ 100 or more employees.

According to the Registrar of joint stock companies, the total number of companies up to June 1994 is 27685. It 1729 of them employ 100 or more employees then only 6.2 per cent of companies are covered by the government regulation.

**Profit-sharing in small companies**  
 We knew from the previous section that only 6.2 per cent of companies fulfil the conditions of the Companies Profit (Workers' Participation) Act, 1968 where profit sharing by employees has been made mandatory. Now the question arises whether profit-sharing is practised by choice in 94 per cent of the manufacturing companies which are outside the purview of the regulation. This is however, an empirical issue. I could survey a total of 41 manufacturing companies where number of employees is less than 100, value of

fixed assets is less than Taka 100 lakh, and capital of less than Taka 50 lakh.

The survey shows that not a single company has any formal profit sharing scheme. However, 13 companies paid one festival (Eid) bonus equal to one month's pay and 7 companies paid two Eid bonuses equal to two months' pay.

It is also recognised that in the small companies (closely-held enterprises) the owner recruits his family members and relatives who are loyal to the owner. The owner is the sole authority to decide employees' remuneration. Since there is huge unemployment in the country (18 to 37 per cent of the labour force are unemployed or underemployed) there is little room for wage bargaining. Furthermore, labour union is absent or weak in the closely-held firms. Profit participation is, therefore, a distant issue for the closely-held business. Books of accounts are reportedly considered secret. Workers have no access to the books. Government law forcing agencies have access to manipulated accounts. Accounting standards and company law regulations are widely violated. Audit profession lacks credibility. Government audit is reportedly corrupted. The Registrar of Joint Stock Companies (Company Watchdog) is highly centralised and lacks sufficient manpower to verify the books of accounts.

**Violation of government regulation in garments industry**  
 Garments industry in Bangladesh is of a relatively recent origin. Garments export in late 1970s was insignificant while in 1994 the industry contributed 61 per cent of the total national export earning. Bangladesh Bureau of Statistics (BBS) statistics (1993) show that total number of workers and employees in major manufacturing industries in 1990-91 was 760534. Out of this, 500,000 persons were provided employments by Gar-

ments Industry. Garments Industry is the second largest employment provider in the manufacturing sector after Handloom Industry.

According to BBS statistics (1993), Handloom Industry provided employment to 1027407 persons in 1990-91 while garments industry provided employment to 402000 persons.

According to the conditions of Companies Profit (Workers' Participation) Act 1968, a manufacturing industry employing 100 or more workers must contribute 5 per cent of the profit before tax to the profit participation fund for the employees as an incentive payment. In majority of the garments industry, number of workers is more than 100. The government regulation is however, violated in the garments industry. There is no published data on workers and employees either from individual plant level or from Bangladesh Garments Manufacturers and Exporters Association (BGMEA). So far it is ascertained that labour contract is highly personalised and there is no formal wage structure. Interview with a total of 70 workers, staffs, and officers in 20 factories in Dhaka City reveal that there is no profit-related (or any performance related) incentive bonus system in the garments industry as a whole. Festival Bonus (Eid bonus) of one month's pay is given in some cases.

**Market imperfections - Need for government regulation**  
 In UK and USA, there is no government regulation compelling a business establishment to give workers a share of its profit. The extent of incentive benefits (profit-sharing, share options) to be provided is decided by the owners/shareholders of the enterprise. The government only encourages the introduction of incentive schemes through various tax benefits. The incentive benefits are fixed largely by the market

forces through the interaction of demand and supply of labour. The market for labour in these countries is more competitive than market for labour in Bangladesh.

Since labour market in Bangladesh is largely uncompetitive, the existing government regulation on workers' profit participation appears to be a good labour law. In Bangladesh, still there is feudal or semi-feudal mode of production. In a feudal or semi-feudal society, labour is paid an arbitrary wage, usually a subsistence wage by a landlord or an employer. The Survey of Small Industries by BSCIC in 1994 found that average emoluments of employees is Taka 908 per month which is far below poverty line income.

In Bangladesh, other characteristics of a semi-feudal mode of production are also found: personalised labour contracts, contract enforcement through non-market means, and random breaking of contracts by the employer.

The legislation particularly appears to be important in the small and medium scale industries where the market imperfection is higher compared to large scale industries. However, the existing Companies Profit (Workers' Participation) Act 1968 favours the large industries employing more than 100 workers and ignore the small and medium sized firms with employment size of less than 100 though these sectors employ about 90 per cent of the industrial labour force.

Small industries development is being given increasing importance in the developed countries including Germany, USA, Japan, and UK. In Bangladesh also, the growth of small and medium scale industries is getting increasing importance. Various promotion policies have been taken in Bangladesh for the growth of this sector. It can be argued that amendment of the Companies Profit (Workers' Participation) Act 1968 to cover small and medium scale industry is necessary for sustainable development of the sector.

In USA, typically between 10 and 12 per cent of a firm's net profit is paid as bonuses. In UK, 40 per cent of all establishments have profit sharing schemes. Whereas, in Bangladesh, profit-sharing is allowed in less than one per cent of the industrial enterprises. In UK, usually 15 to 25 per cent of earnings of the employee are incentive related, whereas in Bangladesh, in 92.7 per cent of sample firms, incentive payment is less than 10 per cent. In India, profit-sharing benefit ranges between 8.33 and 20 per cent of salary or wages. Available data on Malaysia, Philippines, and Singapore shows that typically 10 per cent of profit before tax is reserved for employees.

Although the government regulation on employee profit-sharing appears to be a right decision, the regulation however, is narrow and therefore needs to be amended. First, coverage of the regulation can be extended further so that large number of business establishments can reap the benefit of profit-sharing.

It can be mentioned here that the (Indian) Payment of Bonus Act, 1965 is applicable to all factories and all business establishments which employ more than 20 employees. Second, considering that in other countries profit-sharing percentage is more than five per cent the 'just five per cent of profit before tax' provision of the Act can be replaced by 'at least five per cent of profit before tax'. Government should give lucrative tax facilities to those business establishments which have wider incentive schemes.

(The author is Assistant Professor, Department of Accounting, Dhaka University.)