Transfin Trading Limited

100, Kazi Nazrul Islam Avenue, Dhaka-1215 Telephone: 815306-09, 819625-29, Fax: 813062

Dus Baily Star DUSINESS



CARS THAT MAKE SENSE

World Bank President calls on critics

Help devise better strategies to promote Third World dev

wledging that the World Bank has made mistakes. Prestdent James Wolfensohn called on critics to help the bank devise better strategies for promoting Third World development, reports AP.

'If we've got it wrong, I'm prepared to listen." Wolfensohn said repeatedly in a ment Association. speech and later at a news conference on the closing day of the UN's Fourth World Conference on Women.

Wolfensohn said the bank is committed to the confer-

Enam A Chaudhury re-appointed IDB's Vice-President



The Board of Directors of the Islamic Development Bank (IDB) has decided to reappoint Enam A Chaudhury as Vice President in-charge of operations and projects of the bank, says a press re-

The board took the unanimous decision at its last meeting.

The post fell vacant on the departure of the former Vice-President, Operations and Projects, Ousmane Seck who became the President of the West African Economic and Monetary Union. It may be recalled that Enam A Chaudhury initially joined the IDB in the beginning of 1993 on his election by the Board of Executive Directors as a Vice-President.

Born in Sylhet in 1937 Enam A. Chaudhury obtained his education and professional training in Dhaka Oxford and Lahore.

BEIJING. Sept 15: Ackno- ence's goal of empowering women, and plans to set aside about 900 million dollars a year for loans to promote girls education.

But he cautioned that this goal won't be met if rich countries cut back funding for the bank's soft-loan arm. the International Develop-

"I think it is well understood that by educating girls. the return is not just in reading and writing, it is in the development society," he told conferees.

The meeting hall was halfempty, with many delegates apparently catching up on sleep after meeting until nearly 5 am to vote on a document for women's advance-

Many Third World governments and private development agencies have accused the World Bank of forcing debtor countries to restructure their economies in ways that harm the poor, including women. They have charged the bank with arrogance in refusing to take special local conditions into account.

2-week training

on lending risk

opens at RBTI

gramme on Lending Risk

Analysis organised by Rupali

Bank Training Institute began

on Wednesday, says a press

Managing Director of the

bank graced the inaugural

session as chief guest. Patrick

J. Vath. Team Leader of

FSRP attended the session as

special guest. It was also at-

tended by M A Hashem,

General Manager of the

bank, Tony A Berned,

International Advisor, FSRP,

Abidur Rahman, national ad-

presided over by Ayub Ali

Chowdhury, Director, RBTI

The inaugural session was

visor, Rupali Bank FSRP.

and DGM, Rupali Bank

Rafigul Karim Chowdhury.

A two-week training pro-

"I'm prepared to say in advance I've made mistakes." Wolfensohn, who became bank president only three months ago, told the news conference. He said he's been told repeatedly "how unfeeling, how ignorant, how bad

are our policies." "My objective is to try and work with governments, with NGOs and with anybody who's got good ideas to try and see how it is that the lending we're doing is constructive,"

"There are not 11,000 people in the bank trying to dream up ways to ruin Africa. We don't sit there every morning and say, how can we ruin a country?"

He said the bank was right to insist on "a reasonable macroeconomic framework" before putting its money into development programmes, but said he was open to discuss what sort of framework.

Wolfensohn refused to give any details of the bank's recent efforts to find a solution for countries heavily burdened by international debt. The Financial Times

last week reported that the bank was considering setting up a trust fund to make debt payments on behalf of the debtor countries.

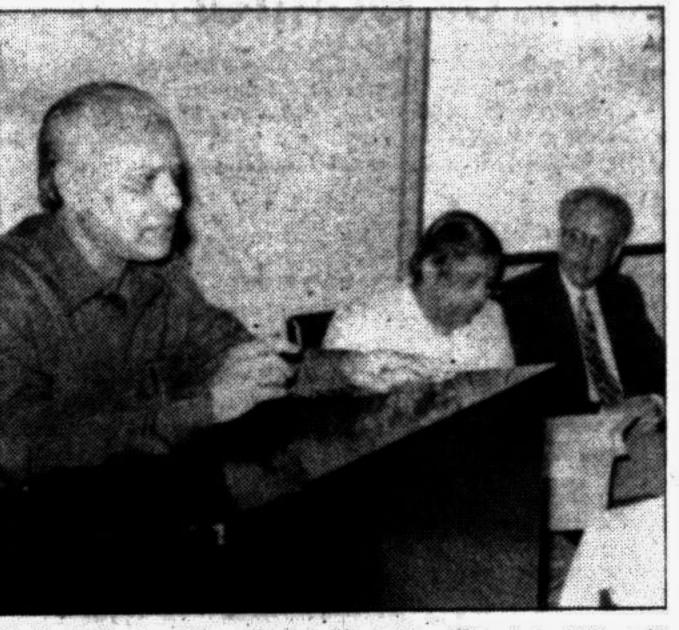
Any such programme would need the approval of the creditor countries.

Wolfensohn rejected a common charge that the bank only funds wasteful, large-scale projects that give their governments prestige but help few poor people.

Referring to another speaker Friday, Peruvian President Alberto Fujimori, who described his government's new family planning programme, Wofensohn said, "Who don't have a sign up above President Fujimori saying: Sponsored by the World

"Have we made mistakes? Yes. Did we do too many projects in the past, some of which didn't work? Of course. Have we had some disasters? Yes.

"If you give us time to talk and if there's a dialogue, may be, over the next one or two years we can reduce the level of rhetoric and together be effective."



Rafiqui Karim Chowdhury, Managing Director of Rupali Bank, seen addressing the inaugural function of a training course on lending Risk Analysis organised by the bank's training institute on Wednesday.

Consider demands of jute, textile workers, Shawkat tells owners

As jute and textile work ers are going on a 96-hour strike from September 17 the labour minister urged the owners to consider their "reasonable demands" holding a dialogue with them, reports UNB.

But the owners, in a meeting with Minister Mir Shawkat Ali yesterday, expressed their "inability" to raise wages, the main demand of the workers, for some factors incapacitating them.

Representatives Bangladesh Jute Mills Association (BJMA) and Bangladesh Jute Spinners' Association (BJSA) mainly pointed out that the privatesector mills were running at "great financial losses".

Workers in jute and textile sectors are scheduled to en force a four-day industrial strike and road-rail blockade from Sunday to press the authorities to accept their demands.

BIBM course on loan review. monitoring' ends

A course on loan review and monitoring, conducted by Bangladesh Institute of Bank Management (BIBM). concluded yesterday, says a press release.

The Director General of BIBM, A H M Nurul Islam Choudhuri, chaired the concluding session of the course and awarded certificates to the participants.

A total of 34 officers from different banks and financial institutions participated in the course. Speaking on the occasion, Choudhury said the aim of this course was to acquaint the participants with the techniques of loan review and monitoring for efficient handling of loan portfolios of

Under the present socioeconomic condition of the country, timely review and monitoring of loans are very important, he added.

The course contents, interalia, included loan portfolio management, loan disbursement procedures and supervision, review of loan classification and provisioning. loan recovery process and supervision, loan monitoring techniques etc.

Indian rupee falls to record low

BOMBAY. Sept 15: The Indian rupee fell to a record low of 35.00 to the dollar on Thursday before recovering on market rumours of possible intervention by the central Reserve Bank of India (RBI), dealers said, reports Reuter.

The rupee bounced back to 34.00 per dollar on rumours of the intervention. although there was no confirmation that the RBI would step in at 0600 GMT it was trading at 33.45/95.

"The market has been talking about it but no one

Pakistani rupee closes higher against dollar KARACHI, Pakistan, Sept

15: The Pakistani rupee closed at 32.53 to the dollar in the kerb market, up from its opening at 32.53 to the dollar in the kerb market, up from its opening at 32.54 on ample supply of the US currency, dealer Shabbir Abu Talib said, reports Reuter.

He said dollar inflows from the Gulf and dull trading due to strikes and holidays had helped strengthen the rupee.

has any confirmation," one dealer said.

The certificate awarding ceremony of "Fares and Ticketing Refreshers Course" for

Biman outstations personnel (GSA & PSA Executives) was held at BATC on Thursday.

Director Administration, Biman, Raisuddin Ahmed, distributed the certificates to the

participants of the week-long course which began on September 9. Picture shows the

Chief Guest with the participants and BATC high officials.

CERTIFICATE AWARDING CEREMONY

RBI officials were not immediately available for comment-- dealers said they were hopeful that the central bank would send singles to cool the market.

"The RBI has said it is a free market and the rupee rate has to be determined by market forces, so where is the question of their intervention?" one dealer said.

"In any case the RBI had kept a cap to prevent the rupee from rising. It must be happy that the rupce has depreciated," he said.

The rupee opened a 34.14. after falling to a record low in late trade on Wednesday. The rupee was quoted at

33.90 in late trade on Wednesday, below the previous record low of 33.78 on Hebruary 11, 1993.

The fall to the 35.00 level in early trade on Thursday was because of poor liquidity and resistance from importers, dealers said. At the 35.00 level, the rupee had dropped 3.5 per cent in the past two days and 11.6 per cent in the past month.

"The importers have really panicked today, pushing the rupee to 35.00 from the 34.15 opening," said Ashok Shetty, dealer with Societe Generale in Bombay.

A dealer with a state-run bank in Bombay said:" Though there is obviously a good appetite for dollars, since most of the buying at the moment is from importers who have to pay for near-term deliveries, the demand may not last too long."

A foreign banker added:" The market volumes are very low and most of the supply is changing hands. Quotes are available but the rate is obviously not to one's linking."

Canadian dollar falls

TORONTO. Sept 15: The Canadian dollar fell Thursday for the second day of panicked sell-offs, prompting the central bank to intervene twice in unsuccessful attempts to prop up the currency, reports AFP.

Foreign investors were scared off the Canadian dollar ahead of next month's referendum on Quebec's independence. traders in Toronto

The currency lost 0.60 cents Wednesday to close at 73.64 US cents and fell to 72.90 Thursday.

enterprises was very poor. In

majority of the enterprises.

Employee Share Ownership: A necessary condition for successful privatisation

An employee share ownership plan (ESOP) is a formal incentive scheme where the employees including the executives take some shares in their employers' companies. The objective of such a scheme is to develop and strengthen a sense of belonging among the employees. If employees own and hold shares in their companies they are not only employees but also owners and they have thus higher motivation for companies' wealth maximisa-

Thus ESOP is said to help the alignment of interest between workers and owners. Capitalism in USA and UK now-a-days is called peoples capitalism where employees are substantial owners of their companies.

Research on ESOP in USA predicts that by the year 2000, more than 15 per cent of a quarter of publicly traded companies will be owned by employees. All the largest 500 companies in UK have some form of share schemes. In Russia, among the recently privatised enterprises, the state and workers control the largest blocks of shares.

Employee share ownership in offloaded state enterprises

Employee share ownership in our country was absent up to 1986. As far as it can be ascertained that employee share ownership had been initiated by some privatised enterprises under various corporations during 1987-88. Dhaka Vegetable Oil Industries Ltd, an enterprise of Bangladesh Sugar and Food Industries Corporation (BSFIC) had initiated an employee share ownership scheme in 1987.

Dhaka Vegetables, offloaded in 1987, had offered 15 per cent of the issued capital to its staff, workers, and officers. Other corporations viz. Bangladesh Chemical Industries Corporation (BCIC) and Bangladesh Steel and Engineering Corporation (BSEC) introduced employee

share ownership schemes in 1988. The corporations which offloaded some of their enterprises issued shares in the following ratio: Government/corporations 51 per cent, employees 15 per cent, and general public 34 per cent. Employee share owner

ship offer was not, however,

accepted by employees at all enterprises. There are reasons for nonacceptance First, employees were against privatisations policy. Second. the enterprises were losing concerns. There is a tendency of acceptance in the enterprises with better performance (profit and market to book (M/B) ratio being higher) and non-acceptance in the enterprises with poor performance (huge losses, and M/B ratio being closer to 1.) It can be mentioned here that M/B ratio is the ratio between market price of a share and the face value of the share at a particular time. The value greater than indicates the opportunity for growth and the value of 1 or less than 1 indicates a stagnant situation. In BSEC, employee share ownership was accepted in Atlas Bangladesh which had a M/B ratio of 3.10 while ESOP was not accepted in Metalex Corporation and National Tubes with M/B ratio of 1.23 and 1.14 respectively. In BSFIC, only 2 per cent shares was accepted in Dhaka Vegetables with M/B ratio of 2.44 whereas, ESOP was not accepted in Zeal Bangla Sugar Mills and Renwick Jajneswar with M/B ratio of 0.97 and 1.11 respectively. ESOP was accepted in full in all the four BCIC of-

Poor workers can not afford shares: Need for some preference

floaded enterprises which

had relatively higher M/B ra-

Staff and workers in Bangladesh live by hand to mouth. According to Bangladesh Bureau of Statistics, 47 per cent of population

remained below poverty line (below 2122 calories per adult per day) during 1988-89. They can not afford to invest in shares. In the enterprises where ESOP was accepted, share money from the employees were collected by instalments from their monthly pay-bills. Some employees surrendered a part of their provident fund (which is a last resort). It could be mentioned that workers had approached management to arrange bank loan for financing share ownership. However, it was not implemented during that period. In India, however, financial assistance equivalent up to six months' wages was allowed to the employees for the purpose of buying shares in their companies.

ESOP in our state enterprises was offered at normal selling price; no discount was allowed. In Hungary and Poland, during their privatisation in 1989, employees were granted special preferences in the way of discount. In Hungary, share's were available for purchase by workers, staff and managers at a discount of up to 90 per cent of selling price. According to the Polish privatisation law, employees can purchase up to 20 per cent of state enterprise shares at half the selling price. In Germany also employees can buy shares in their employers companies at a discount of up

to 50 per cent. **Employee share** ownership in DSE listed firms in 1994

Employee share ownership in the Dhaka Stock Exchange-listed private firms (other than corporations) started in 1994. Out of total 23 new share issues in 1994. only 14 companies provided 5 per cent of public share issue for the employees. It should be noted that 5 per cent of the public offer is in fact equivalent to 2 per cent of the total new issue. Typical new share issue is as follow:

Directors/sponsors 50 per

cent Investment Corporation of Bangladesh 10 per cent public 38 per cent, employees 2 per cent. It should also be noted that an employee get a maximum 100 shares of Taka 10000. I surveyed the 23 companies and found that the firms with ESOP are significantly larger then firms without ESOP (market capitalisation being used as a proxy for firm size). There is, however, no difference between the firms with resect to directors' ownership and debt-equity ratio.

Employee share ownership and

performance Average return on equity of firms with employee share ownership plan (ESOP) is about 2.1 times higher than average return on equity of firms without ESOP (19.3 per cent as against 9.1 per cent). Market to book value ratio of firms with ESOP is also significantly higher than that of firms without ESOP (2.8 times to 1.2 times). Since higher market to book ratio is considered as the future investment options or growth opportunity of firms, the firms with ESOP appear to have higher growth opportunities than firms without ESOP.

Issue of shares at premium can also be taken as a proxy for firm performance. Premium is charged for company's goodwill. A company has goodwill when it earns abnormal profit i.e when it earns profit in excess of normal profit in the industry. Therefore, I consider the issue of Shares at premium as a proxy for company performance. It is found that 7 firms which issued shares at premium all of them have provided for ESOP. In other words, no firm with goodwill is without ESOP. From a different perspective it can be argued that employees had higher motivation to bargain for ESOP in firms which have goodwill. This reasoning ap-

pears to be stronger when we

By Dr Dhiman Chowdhury see that 9 out of 16 firms without goodwill have no ESOP. This could be due to the possibility that employees did not bargain enough for ESOP because the companies had no goodwill.

Need for a retention clause

ESOP in the DSE-listed firms has no provision for a minimum retention period. Consequently, employees sell their shares when they receive them. I had surveyed 7 offloaded enterprises under various corpotations where employees had accepted ESOP ranging from 2 per cent to 15 per cent. It is found that employees now own 0.7 per cent of the total issued capital. Thus the objective of ESOP appears to be frustrated. One of the objective of ESOP is to generate long-term perspective among the employees. For the fulfilment of this objective, employees must hold their shares for a minimum period which is 3 years usually considered in the international context. Pension funds (the biggest investors in Britain). on average hold each share for around five years. Some retention period is also in practice for foreign investors buying shares and securities in host countries. Once in India and Sri Lanka, foreign investors, particularly institutional shareholders had to hold purchased shares for some minimum period ranging from three to five years. The SEC in Bangladesh has recently fixed a minimum retention period of one year.

Bank loan for employee share ownership

At the Bangladesh Share Investors Forum's conference held on January 9 this year. small investors demanded bank loan so that they can buy shares in the open market. Shah Abdul Hannan. Deputy Governor of Bangladesh Bank, who presided over the conference agreed in his speech with the investors' demand in principal and he informed the

audience that the bank is considering the issue. Subsequently Bangladesh Bank issued a circular advising the commercial banks to give loan against shares listed with the DSE.

According to this circular credit up to 40 per cent of value of shares (average price of previous one month) or 80 per cent of the face value whichever is higher can be allowed to an individual subject to a maximum of Taka 5 lakh. The similar demand has been raised by the employees of DSE listed firms to finance for share ownership offered by their companies. It appears that loan from banks or employers can be arranged with minimum rate of interest to facilitate employee share ownership. In India employees now demand increased financial assistance from six months' wages to twelve months' wages as loan for buying shares in their

employer companies. Problems in employee share ownership Available data and interview suggests that employee share ownership in the disinvested units under the corporations was not successful. In most of the enterprises. either shares were not accepted by the employees or. if accepted, they could not hold the shares. Where shares were accepted by the employees there had been serious problems in the management of some of the enterprises. With the increased power, because of share ownership, the CBA interfered in the day to day management and they influenced tender and other business affairs. The CBA also resisted further privatisation effort of the government. Thus ESOP could not strengthen the sense of belonging among the employees. Employees rather became short-term oriented and were busy in buying and selling of company shares. Our workers are not well

educated, disciplined, trai-

ned, and motivated for the

long-term perspective ESOP: consequently they

misused the plans. Recent government policy

From the concerned authority it is learned that because of problems of ESOP in the previous offloadings, government/corporations now decided future privatisations without providing for employee share ownership as a preferential right. Recent policy of the Ministry of Industries is to offload the enterprises in phases. ESOP has been ignored in the new policy. Ministry of Industries has now decided to sell 5 to 10 per cent of the shares of some enterprises through the DSE without reserving any shares for the employees.

The units are: Eastern Tubes (BSEC), Bangladesh Insulators and Sanitary Wares (BCIC), Karu & Company (BSFIC), Palash Shar Karkhana (BCIC), Pragati Industries (BSEC), TSP (BCIC) and Karnafuli Paper Mill (BCIC). It has also been decided to sell the remain ing government/corporations' shares in the multina tionals without reserving any shares for employees as a preferential right. The multinational companies are GEC (25.47 per cent), Fysons (51.47 per cent), Lever Brothers (39.24 per cent), and Reckit & Colman (10.45

Need for a second thought

A 15 per cent employee share ownership offer in offloaded state enterprises in 1987-88 was generous if considered in the international context. Even in UK. the institutional shareholders' committee guidelines set a maximum of 10 per cent of issued share capital for employees. Research in USA suggests that 15 per cent employee share ownership is expected to be achieved by the year 2000. However, implementation of the schemes in the offloaded

employees rejected to accept the offer. In enterprises where it was accepted, employees could not hold the shares in their possession rather they sold them in the open market or transferred them to the directors and executives. Thus the objective of long-termism was frustrated. There are several reasons for this. First, most of the enterprises were loosing concerns and, therefore. employees suffered from lack of confidence in the viability of this investment. Second employees had anti privatization policy for fear of job losses. Third, poor workers and employees can not afford to invest in shares unless they are granted some preference in the way of discount and loan from the employers or banks. Last, most of the workers, staff, executives, and trade union representatives were not ademately communicated with he benefits of share ownership schemes. In the above light, gov

ernment/corporations should reconsider their privatization policy in relation to ESOP. It is believed that ESOP in 1987-88 offloading was not well thought, particularly relating to the need for loan to workers, some preferential discount, and adequate communication to the workers about the rationale for ESOP. Moreover, workers have to realise the interna experience where tional workers and employees are gradually becoming significant owners. They should also learn from the development countries how to reduce trade unionism and politicism in their work place. For success of ESOP there should be a climate of trust and good working relationship between manage ment and workers.

(The author is Assistant) Professor. Department Accounting. Dhaka Univer-