

# Star BUSINESS

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## SMEs in rural areas to reduce regional income disparity

### Finance adviser tells SME Foundation launch

#### STAR BUSINESS REPORT

As regional income disparity is growing across the country, setting up small and medium enterprises (SMEs) in remote rural areas could be the best instrument to help reduce the disparity, said Finance and Commerce Adviser Mirza Azizul Islam.

He said this while formally launching SME Foundation at a function in Dhaka yesterday.

The adviser vented his disgruntlement over the commercial banks' mindset towards women entrepreneurs, saying most of the banks do not duly encourage financing women businesses.

The SME Foundation would help ensure gender equality in industrialisation, credit wholesaling, employment generation and poverty reduction, Mirza Aziz hoped.

He said the government in the current budget has allocated Tk 100 crore for the SMEs as endowment, and the money will be disbursed soon from Bangladesh Bank Small

Entrepreneur Fund.

Industries Adviser Geeteara Safiya Choudhury chaired the function where Country Director of Asian Development Bank Hua Du, Bangladesh Bank Governor Dr Salehuddin Ahmed, SME Foundation Chairman Abdul Mueyed Chowdhury, President of the Federation of Bangladesh Chambers of Commerce and Industry Mir Nasir Hossain, Industries Secretary Nurul Amin and Project Director of SME Foundation Aiyub Miah spoke.

The finance adviser hopes if the current industrial growth continues, the country will be able to achieve the millennium development goals (MDGs) in time.

He has expressed optimism as the industries ministry has prepared an action plan for women entrepreneurs and a niche has been carved for them at the SME Foundation.

He called upon the commercial banks to provide fund for women entrepreneurs through evaluating their specific projects, not through

traditional collateral system.

If the banks do not give collateral-free loans to women entrepreneurs, they will never get bank financing since most properties such as land and house are generally owned by male.

Geeteara Safiya said SME Foundation can help women entrepreneurs get fund, technical expertise, identify markets for expansion of their enterprises, and find new areas for making investment.

Suggesting that the foundation be developed as a corporate body, Hua Du said the most challenging task before the SME Foundation is to make it effective, productive and sustainable.

The central bank is working out ways on how the commercial banks can provide the SMEs with collateral-free loans, said Dr Salehuddin Ahmed, adding that more collaboration is needed between the commercial banks and financial institutions to help the SMEs best.

### DSE turnover hits new high at Tk239.54cr

#### STAR BUSINESS REPORT

Turnover on the Dhaka Stock Exchange (DSE) yesterday reached a new high at Tk 239.54 crore amid a continued rally of share prices.

The previous highest turnover was Tk 234.44 crore on June 26.

The Securities and Exchange Commission (SEC) however has advised small investors to be more cautious, as the market regulator found prices of some shares overvalued.

"The SEC is concerned with the present price level and prices of some shares seem overvalued," said SEC Chairman Faruq Ahmad Siddiqi talking to The Daily Star.

"The small investors should be very careful in investing," he suggested.

Market operators attributed the rally in share prices to the ongoing half yearly financial disclosures by the companies.

They said the companies have already started disclosing their half yearly financial assessments, which encouraged the investors including institutional and foreign investors to become very active.

The institutional investors account for 65 percent and foreign investors around 10 percent of the total turnover on the DSE yesterday, said DSE Chief Executive Officer Dr Salahuddin Ahmed Khan.

He said from the recent trend it was witnessed that the investors' attention was only to a few shares whose prices are going up excessively. "But, there are more other shares with good fundamentals whose price-earning (PE) ratios are quite good and the investors should analyse the PE ratios before making investment," he said.

Along with turnover, market capitalisation also stood at all time high at Tk 51,150 crore, surpassing the previous high of Tk 50,186 crore on Monday.

The price indices also went up on the DSE. The benchmark DSE General Index shot by 49.44 points, or 2.19 percent, to close at 2298.85 points while the DSE All Share Price Index went up by 39.93 points, or 2.16 percent, to finish at 1883.86 points.

UNB adds: Trading on Chittagong Stock Exchange (CSE) closed higher yesterday with the gainers dominating the losers.

CSE All Share Price Index increased by 2.15 percent or 17.59 points to close at 5555.62 points. The CSE-30 Index also rose by 3.12 percent to close at 5261.24 points.

A total of 109 issues were traded. Of them, 60 gained, 39 declined and 10 remained unchanged.

### Executive body tenure of FBCCI extended by 90 days

#### UNB, Dhaka

The tenure of the present FBCCI executive committee has been extended by 90 days to December 12 this year to facilitate the holding of its election for the next two-year term (2007-09).

The Ministry of Commerce issued a notification in this regard on Monday asking the executive committee to complete the election within the extended time. The tenure of the present executive committee is to expire on September 5.

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) received the order yesterday.

The apex trade body had sought the time extension to comply with the commerce ministry restriction debarring loan defaulters, tax defaulters, and convicts in criminal, corruption and moral turpitude cases from contesting the election.

Earlier on July 10, the ministry suspended the FBCCI executive committee election for the 2007-09 term until further order.

The FBCCI Election Board convened an emergency meeting immediately after receiving the order and conveyed the suspension order to all the affiliated member-bodies of the FBCCI.

The suspension order was issued when the Election Board was receiving nomination papers for the election scheduled for August 16. The deadline for submission of nomination papers expired Thursday.

The commerce ministry has the authority to extend the tenure of the existing executive committee or appoint an administrator until a new executive committee is installed through election, a senior FBCCI executive said.

## Regional resource allocation for uplift projects biased

### Economic Research Group study finds

#### STAR BUSINESS REPORT

A study on policy implementation for reducing poverty has suggested immediate revisions of regional resource allocation for development projects as it found such an allocation biased.

It said this bias dims the actual objective of development projects that are implemented by both the government and non-governmental organisations (NGOs).

The study titled 'Implementation of Policies for Reducing Chronic Poverty PRS Country Study: Bangladesh' was conducted by the Economic Research Group during October 2006-May 2007.

It looked into issues of policy implementation at 3 tiers: Identification of pro-poor programmes and projects at policy levels; implementation of policy within each programme/project to identify activities; and implementation of activities that are considered pro-poor.

The team said targeting poor and the process of identifying poor are major challenges and suggested innovation of new programmes that have the right balance of operational criteria.

They lamented that 'biases in the selection of project areas are often influenced by the constituency of the civil servants or political leaders having the authority to approve the project.'

The team also found that disproportionate negligence of the southern coastal regions in the poverty maps drawn from small area estimation exercises had influenced resource allocations in government programmes, as well as the spatial distribution of NGO programmes.

Finding worsening poverty situation in the south, they felt it urgent to immediately revise such regional bias in allocation of resources.

The study group comprising of economists Sajjad Zohir, Abante Harun, Naser Farid and Iftekharul Huq also remarked that the Poverty Reduction Strategy Paper (PRSP) had failed to account for the current misallocation of resources arising out of ill-constructed spatial poverty mapping.

The study found no homogeneous category of chronic poor in the country and recommended appropriate multiple approaches to face the problem.

A special emphasis is required

to initiate the process of innovating pro-poor technologies, it suggested, also asking for modifying implementation designs through learning.

In the process of the study, areas where improvements might be made in policy and policy processes relevant for reducing chronic poverty in the country have also been identified.

In realizing the broad objective of assessing progresses made in executing policies (in PRSP) aimed at reducing chronic poverty, the team undertook a mapping exercise and identified policy space meant for the chronic poor.

The study involved desk reviews and analyses of secondary data. The team also undertook field studies through interviews and FGDs for selected programmes/projects in selected areas.

While one would hesitate to predict on any outcome, there is a broad consensus that politics, policymaking and policy implementation will no more be the same in Bangladesh. In such a context, the findings of the study will be useful inputs to shaping a new future, the Economic Research Group hoped.

The group in its study said

unfortunately, there is no common understanding, at the level of policymakers, of a policy category called the 'chronic' (or, extreme or ultra) poor. The PRSP, put together with the assistance of local consultants, has dealt with the terms 'poor', 'extremely poor' and 'pro-poor growth', but the main body of the report never mentioned of 'chronic poor'.

The agencies that consider PRSP as guideline for many of their actions are also stuck with similar limitations, the study remarked.

A review of the documents reveals presence of inconsistencies and overlaps of goals, targets and actions. Initial consultations with relevant government and project officials; and the search for linking real world activities with policies recorded in the PRSP document reveal that

activities observed at the implementation stage are not necessarily the fallouts of policies taken (pre-dating the activities). On the contrary, it may often be the case that policies are packaged to accommodate on-going project activities.

## Good brands make emotional connections with consumers

### Brand expert tells The Daily Star

#### STAR REPORT

Kevin Roberts is the worldwide CEO of Saatchi & Saatchi, one of the world's leading creative organisations with a team of 7000 people across 83 countries. Its clients include some of the world's best-performing companies including Procter & Gamble, Toyota, JC Penney and Novartis. Under his leadership at Saatchi & Saatchi, the agency network has grown revenue year by year and achieved success at the Cannes International Advertising Festival. Roberts, who was born in England, started his business career in the late 1960s with influential London fashion house Mary Quant. Ahead of the Global Brand Forum, due in Singapore on August 6-7, The Daily Star, one of the media partners of the event, interviewed the expert recently through e-mail.

#### Excerpts:

**There is a new voice emerging in the business world that brands are dead. Consumers do not want to pay a premium for a product, which is functionally similar. What is your opinion?**

I agree. Brands are running out of juice. Even great brands are in danger of becoming commodities. And people refuse to pay a premium for commodities. The brands that have escaped the commodity trap have tapped into something unique. The way forward, like most good ideas, comes down to simplicity: people want to feel love for the long term. The consumers of Lovemarks are loyal beyond reason. Lovemarks emotionally connect their customers and constantly strive to make the world a better place. In return, those customers give love unconditionally.

**Does your response hold true for a country like Bangladesh?**

For what motivates and moves people, Bangladesh is no different from nations with more developed markets. When the consumer has options and the resources to exercise them, he/she is in the driver's seat, and commoditised goods, services and experiences get relegated.

Globally, technology and choice have shifted control from companies into the hands and hearts of people. For Bangladesh this is acutely qualified by an economy that constrains abundance and choice. Overcoming poverty is a key issue for Bangladesh, and there are encouraging signs. Led by the microlending of Grameen Bank, the country's annual poverty-reduction rate has doubled since the beginning of the decade.

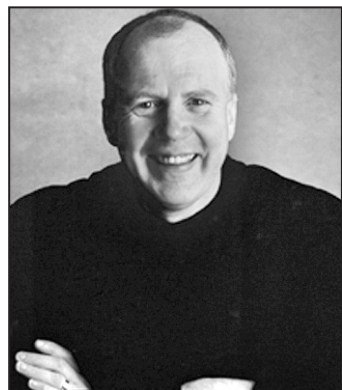
**In your book 'Lovemarks' you identified love as the key tool to build an enduring brand. Can you elaborate on that a little?**

Human beings are powered by emotion, not reason. And the most powerful emotion is love. When I first suggested that love was the only way to transform business, CEOs turned a deaf ear. But I knew that love was the only way to ante up the emotional temperature and create the new kinds of relationships brand needed. I knew that love was the only way businesses could respond to the rapid shift in control to consumers.

Most brands focus on earning high respect. But respect is now a table stake. To go quantum from incrementalism, that takes love. Super-evolved brands make emotional connections with consumers in astonishing new ways. Through mystery, sensuality and intimacy they become Lovemarks. Lovemarks inspire loyalty beyond reason. They make brands not just irreplaceable, but irresistible as well.

**Can that be a universal approach or is it applicable only for developed markets?**

Lovemarks are as universal as the human condition. What drives



Kevin Roberts

behavior in developing markets is no different from what drives behavior in more developed markets. All humans are drawn to the sensuality, intimacy and mystery that infuses Lovemarks.

Consumers in developing markets share the same hopes, dreams and aspirations as people elsewhere. Their economic situation may be different, but the fundamental drivers are not. Simply put, they want to

experience a better world.

**What is the role a brand can play for a developing country like Bangladesh where new categories are being developed? Should a company focus on brands in that phase?**

Companies should focus first on what they do best, where a market opportunity exists. Creating and innovating in new categories is however a powerful way to differentiate and accelerate share. If you connect with real emotion, you can jump shift from being a product right across brands to become a Lovemark and define your category.

**In today's world everything influences business, poverty, global warming, religion and politics. Where do brands fit in there?**

We're in a time where, because of the internet, everything connects with everything, and everything affects everything. Brands have many dimensions, from responsibility through to irresistibility. The first role of a brand is to create a product, service or experience that

in its entirety has a positive impact, not a negative one, on our planet and our people.

**What is the biggest challenge of business in the days to come for countries like Bangladesh?**

Stability, increased foreign investment and innovative financing are a major challenge. There is a need to balance entrepreneurship and enterprise with commercial discipline and social consciousness. To commit to the long term, businesses need a stable operating environment, both in terms of government and corporate governance.

Bangladesh needs heavy foreign investment in its economy to support the growing population. Microlending really has been one of the country's resounding success stories, but other innovative approaches to financing are needed to spark the economy and attract foreign investment. The idea advanced by Muhammad Yunus that marries commercial values with social well-being, is a superb and sustainable model.



PHOTO: STAR

Finance Adviser Mirza Azizul Islam speaks at the launching ceremony of SME Foundation in Dhaka yesterday. Country Director of Asian Development Bank Hua Du (L), President of the Federation of Bangladesh Chambers of Commerce and Industry Mir Nasir Hossain (R), and Chairman of SME Foundation Abdul Mueyed Chowdhury, are also seen.

### BEPZA ACTIVITIES-II

## Salary hike creates labour-friendly atmosphere in EPZs

#### JASIM UDDIN KHAN

A labour congenial atmosphere in the country's export processing zones (EPZs), especially at Savar and Chittagong EPZs, that has been sustained due to Bepza's (Bangladesh Export Processing Zones Authority) time-befitting and proper measure now encourages some other labour-unrest-prone industrial zones to replicate the Bepza successes, according to official sources.

The Bepza initiative to enhance wages to around Tk 2550 crore for about 2 lakh workers at the industrial units at Savar and Chittagong EPZs in the last one year has cooled down the agitated workers, which tremendously helped improve the atmosphere.

The units also started complying with creation of provident fund, group insurance, termination benefit and different kinds of leave.

The Bepza intervened following a persistent stalemate arising out of workers' agitation over poor pay-

ment at different industrial units at the Savar EPZ in April and May last year.

On his takeover as the Bepza executive chairman in April 2006, Brigadier General Ashraf Abdullah Yussuf made it mandatory to pay wages and other benefit to the workers as per EPZ rules.

"Industries at the EPZs have to pay minimum wage of US\$30 per month with \$15 other benefits as per the EPZ rules, but most of those did not obey the rules resulting in workers' protest," Ashraf Abdullah Yussuf told The Daily Star.

He said he does not see any probability of labour unrest at these zones as EPZ guidelines have strictly been enforced there.

The Bepza chief called on the garment factory owners to follow what successes the EPZs earned and replicate those at their industrial units.

As many as 900 workers have already been trained up at the two Bepza training institutes in the last one year, he

said, hoping that these institutes would be able to up skills of 50,000 workers more in the next one year.

"The workers are being deprived of their due wages due to lack of proper training. If we provide them necessary training they would get the maximum benefit from investors. However the new investors prefer hiring trained workers to unskilled workers," he added.

The Bepza has established two foot over bridges, waiting rooms, toilet, medical centre and ambulance facilities for the workers at the Chittagong EPZ.

The American Federation of Labour-Congress Industrial Organization (AFL-CIO) recently expressed satisfaction over allowing limited trade unionism at EPZs under the EPZ Labour Organization Relationship Rules.

A regular monitoring on compliance issues has improved the workers-owners relationship in the EPZs, according to the Bepza sources.