

Building a vibrant software services industry in Bangladesh

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We live in an extraordinary era. Never before was the competition so intense, opportunities so huge and challenges so daunting. It is because of one significant phenomenon: globalisation.

To me, globalisation is sourcing capital from where it is cheapest, sourcing talent from where it is best available, producing where it is most cost-effective and selling where it is most profitable -- without being constrained by national boundaries.

In this globalised or flat world, every nation that has something to contribute to the global bazaar can improve the lives of not just its own people but people throughout the globe -- the rich and the poor, the urban and the rural, the powerful and the weak, the educated and the not-so-well-educated.

Never before in the last 200 years did the developing countries have an opportunity to take their share of limelight as they do today and it is all thanks to globalisation. In fact, currently, more than half of the world's GDP (measured on purchasing power parity) is accounted for by the developing countries.

The globalised world is essentially about how fast you can innovate and develop new ideas, implement them and gain competitive advantage in the marketplace so that you can create a better company, society, country and world. Thus, hardworking and well-educated people are the key differentiators for a nation in this flat world.

It is quite natural for people to wonder whether technology, in general, and software technology, in particular, have any major role in helping the poor in such a world. They do and let me elaborate. Technology makes the life of human beings more productive and more comfortable by reducing cost, improving productivity, saving time and improving comfort.

Let me give you a few examples to illustrate the power of IT for the poor. Fishermen in Pondicherry use wave pattern data on the high seas broadcast by the US Navy to improve their yield by as much as 40 percent.

NASSCOM of India used IP-based videoconferencing to bring joy and relief to a taxi driver and his family at Mumbai by connecting him with his family in a remote village in Uttar Pradesh. A balance inquiry at a manned bank counter costs Rs 40. The same transaction costs Rs 8 at an automated teller machine while the internet brings the cost down to just Rs 2.

Technology is a great leveller. It does not distinguish between the rich and the poor. The use of the e-governance paradigm for deployment of inexpensive, efficient, quick and corruption-free community services is another case in point. Information technology enhances transparency in decision making and, thus, improves the confidence of people in the government.

Now, let me come to an important reason for why Bangladesh with its large educated population should embrace global software opportunities. Today, we live in a global village. No country can afford to isolate itself from the global market.

Even countries that did so for a few decades realised their mistake and got back to the global bazaar and have succeeded in improving their prosperity by enhancing the share of exports in their GDP. We have to focus on an export orientation for a number of reasons.

First, every country leverages its competitive advantages to trade in the global bazaar products and services that leverage these advantages. This is the best way to create jobs in Bangladesh.

Second, you have to maintain a certain healthy proportion of exports and domestic revenues in order to ensure balanced and de-risked growth in the economy.

Third, an export orientation helps Bangladeshi enterprises benchmark their products and services on a global scale. If you succeed in the highly-competitive global market, you are likely to provide high-quality products at the best prices even in the domestic market.

Now, let me come to what areas of software export Bangladesh can focus on. Given its huge population and its large educated workforce, the export of services based on remote application development and

maintenance (ADM) and business process outsourcing would be viable for Bangladesh for a long time. This model would succeed as long as the opportunity for outsourcing of software development and maintenance remained.

The opportunity for outsourcing would remain as long as the

enabling, empowering and retaining the best and the brightest. This can happen through hygiene factors like competitive compensation, good career planning, protecting dignity of the professionals as well as enabling factors like 24 week-long entry-level and week-long continuous training and certification programmes.

In the software services industry, scalability is of paramount importance and analytical reasoning is critical.

Therefore, your talent pool is a unique asset. Your youngsters will succeed if they are willing to unlearn old ideas, learn new ideas, apply them and move from "reactive

Capability Maturity Model (CMM) of the Software Engineering Institute form the process quality benchmarks for the Bangladeshi software industry.

Bangladesh must provide easy access to latest hardware and software technologies from advanced countries. Further, consultancy services in software development, marketing, branding, quality and productivity related areas from developed nations must be made available to Bangladeshi companies.

Broadband communications infrastructure will help Bangladeshi companies implement the global delivery model and use local talent to service customers across the globe.

Bangladesh may like to introduce economic reforms to abolish industrial licencing, rationalise taxes, create a strong thrust on exports, reduce import tariffs, simplify foreign exchange regulation, introduce free pricing of IPOs, encourage foreign participation in your capital markets and to create a regulatory framework that permits employee stock option plans.

Venture capital should be available in plenty for your entrepreneurs. Further, debt finance should be available from banks as well as from state-owned institutions even for companies that do not have large physical assets.

Bangladesh must provide at least limited convertibility on the capital account to Bangladeshi global software corporations.

Acquisition guidelines must allow proven Bangladeshi software companies to acquire software companies in the developed world.

Bangladesh must invite leading software companies from across the globe to set up captive software development activities there.

Bangladeshi software companies must improve their brand image to move up their price points.

If Bangladesh implements most of the suggestions, I have no doubt that Bangladesh will become a vibrant player in the global software services market.

The author is the founder of Infosys Ltd. This is an abridged version of the keynote speech he delivered at the 18th DHL-The Daily Star Bangladesh Business Awards ceremony in Dhaka on Friday.



NR Narayana Murthy

Bangladeshi software services companies introduce new IT service areas through innovation.

It is important to remember that these new services require the application development and maintenance skills though they may use different languages, operating systems, data bases, object orientation and a host of other new tools and paradigms.

The Bangladeshi software services companies must invest resources to continue to explore new opportunities in services by innovating new ideas and build on what they have already done. They have to focus on attracting,

You have to invest in the latest technology and tools infrastructure, in new methods of requirement elicitation, analysis, design and software development and in new methods of improving quality and productivity.

You have to train your youngsters in understanding the difference between value (what the customers obtain from your company) and price (what your company gets from your customers). Your challenge is to enhance value leverage or the ratio of value to price.

A big advantage of Bangladesh is its pool of well-educated, high-quality, English-speaking people.

problem solving" to "proactive problem identification and solution" for your customers.

The bulk of software services opportunity is in the US. The 10 to 13 hours difference in time zones between Bangladesh and the US facilitates efficient project execution with compressed timeframes and through seamlessly-integrated cross-border teams. The resulting 24-hour virtual workday enables Bangladeshi software services companies and their clients to leverage the benefits of globalisation.

Quality is a hygiene factor for software services companies. Quality models like the ISO 9000 and

US-China trade officials aim to talk next week, officials say

AFP, Washington

US and Chinese officials are working to schedule a top-level trade talks by telephone next week but a face-to-face encounter has not been scheduled yet, US officials said Friday.

Efforts to pencil in a new round of negotiations come a week after President Donald Trump and Chinese counterpart Xi Jinping met in Japan and agreed to restart their stalled negotiations. But Beijing this week showed no

due to resume in Beijing next week.

US stocks appeared to react positively to word talks will resume, erasing some of the losses from earlier in the day when a strong jobs report called into doubt a hoped-for cut in interest rates by the Federal Reserve.

Trade talks with Beijing have been stalled since May, when Trump accused Chinese negotiators of renegeing on core commitments made over prior months of negotiating.

But at their meeting last week on the



REUTERS/FILE

US President Donald Trump and China's President Xi Jinping arrive at a state dinner at the Great Hall of the People in Beijing, China.

sign of softening its position, with the Commerce Ministry announcing Thursday that any resolution would require Washington to lift the steep tariffs it imposed on Chinese imports last year.

"I know they're working on coming up with a date for so-called face-to-face meetings. That will happen," top White House economic advisor Larry Kudlow told Fox Business Network on Friday.

"I don't know if that's this coming week. I think the phone calls are this week. The face-to-face may not be for another week, but I don't want to get ahead of that curve," he said. An official with the US Trade Representative's office confirmed to AFP that efforts are underway to schedule a call between top negotiators for next week.

Meanwhile, The South China Morning Post also reported Friday that talks were

sidelines of the Group of 20 summit in Japan, Trump agreed to soften the hardline stance on Chinese telecommunications giant Huawei, a company US officials claim poses a national security threat.

The decision triggered a backlash among lawmakers on Capitol Hill but White House officials said the changes should not create any additional risk to US national security. The White House also said this week it had no intention of easing a ban on Huawei's participation in the development of 5G wireless networks in the United States.

Beijing and Washington have hit each other with tariffs on \$360 billion in two-way trade since last year, rattling markets and weighing on the manufacturing sector while fueling concerns about a weakening global economy.

India's cautious budget puts onus on central bank to spur growth

REUTERS, New Delhi

THE Indian government's annual budget statement on Friday included measures aimed at improving the investment climate but lacked any direct steps to stimulate a sagging economy, adding to pressure on the central bank to provide more immediate help.

Indian Finance Minister Nirmala Sitharaman stuck to the government borrowing target announced in an interim budget in February and cut the fiscal deficit target to 3.3 percent of gross domestic product for the current year ending March 31, 2020, from an earlier, upwardly revised target of 3.4 percent. Some forecasters had expected a deficit as high as 3.7 percent.

Economists questioned whether the cautious budget was enough to counter severe headwinds, including weak monsoon rains, debt-burdened banks and trade tensions with the United States.

"There was widespread expectation of a stimulus to combat the current slowdown," said Anagha Deodhar, economist at ICICI Securities. "The budget did not announce any stimulus. On the contrary, (it) raised some of the taxes."

She added that the downward revision of the fiscal deficit target was surprising.

Sitharaman, presenting her first budget since her appointment to the finance ministry last month, did propose giving foreign investors a bigger role in India's giant insurance and aviation sectors.

The move is intended to help reverse weakening investment flows that have led to a drop in economic growth that threatens to take the shine off Prime Minister Narendra Modi's recent landslide general election victory.

"India's government announced a lower fiscal deficit target for fiscal 2020, while maintaining its support for growth and incomes. Achieving these competing goals will be very challenging," said Gene Fang, associate managing director, Sovereign Risk Group at Moody's Investors Service.

Benchmark 10-year bond yields dropped as much as 19 basis points intraday to 6.56 percent following the release of the deficit numbers, which suggested India was planning to keep its borrowing under control.

It opens up the possibility that the Reserve Bank of India (RBI) may cut its benchmark rates by more than 25 basis points at future meetings, according to some traders and analysts.

"No fiscal slippage means growth is now in RBI's domain, so more than 25 bps rate cuts possible," said a senior fixed income trader at a private bank, who declined to be identified. "Also, sovereign bonds may mean lower domestic issuance and not just this fiscal year

but going forward this may be a new trend."

The Indian economy has been weakening sharply in the past year. In the fourth quarter of the fiscal year to last March 31, economic growth slumped to 5.8 percent, the slowest pace in 20 quarters. Growth for the full year ended in March was 6.8 percent, also a five-year low.

And more recent indicators, such as plummeting industrial output and a near 8-year low in automobile sales, have stoked fears of a deeper slowdown. That, in turn, has been hitting tax collections and reducing government revenue.

The central bank has cut interest rates by 75 basis points since February and investors are

A shortfall in the current monsoon rains is one new area of concern for the government, as the farm sector that employs nearly half of India's working population is completely dependent on it. Any shortfall or untimely rains could lead to massive losses in crops, reduce farm incomes and hurt consumption.

Another concern is continued trade tensions with the United States - as well as a weakening global economy - that together are likely to keep exports in check.

But Sitharaman and the RBI did on Friday announce a series of measures to try to deal with one major obstacle to a more robust economy - the debt-burdened state-owned



A policeman stands guard at the entrance of the Reserve Bank of India headquarters in Mumbai.

now expecting at least one more rate reduction in August.

"Their (government) emphasis remains on dealing with slowing growth but they have approached the problem differently," said Radhika Rao, an economist with DBS Bank in Singapore.

"Monetary policy will do much more burden-sharing at this point. Global environment and domestic inflation gives the RBI the leeway to do much more. If yields correct, policy rates correct and borrowing costs go down that is also a boost to growth."

The government has projected growth of 7 percent in 2019/20, lower than its declared ambition to get growth above 8 percent. But some say this is still too optimistic.

banks and a liquidity-deprived shadow banking sector.

That included an injection of 700 billion rupees into the banks.

The difficulty small businesses and consumers have had in getting financing for purchases has been hurting a number of industries, including automakers.

The increased spending that Sitharaman did lay out in her statement - particularly on infrastructure - is largely being funded through higher taxes on the rich and increased duties on imported products.

If economic growth doesn't pick up, though, it will be difficult for the government to meet its fiscal deficit target as muted activity will nibble away at tax collections.