

Seminar on
Tax Policy and Enterprise Development in South Asia
Dissemination Programme with Students

Thursday 27 February 2014 at 3.00 pm
Conference Hall, Faculty of Business Studies
University of Dhaka

Inclusive growth continues to remain a challenge for South Asian economies. Experts now agree that the missing link between growth and inclusivity is labour market outcomes that generate gainful and productive jobs. Most non-agricultural employment in South Asia is concentrated in small and medium enterprises characterised by low productivity and wages.

A major share of these entrepreneurs is involved in wholesale and retail trading followed by community, social and personal services and manufacturing activities. Research indicates that small and medium enterprise (SME) development and employment generation is strongly linked to tax policy.

First, tax exemptions and concessions are largely skewed to favour large enterprises. *Second*, SME development is affected by taxes such as the Value Added Tax (VAT). *Third*, SME development is affected by weak local property taxation. The gender dimension of small enterprise development in South Asia has been ignored in policy and research. Majority of the enterprises did not have any organisational registration which implies informal nature of their operation. Most of these are small and medium scale businesses (SMEs).

These problems need to be researched through an integrated framework from the national and international perspectives. **Centre for Policy Dialogue (CPD) has undertaken a study on the impact of tax policy on SME development in Bangladesh. The study is a part of a regional research programme on the stated themes. The other four South Asian countries include India, Nepal, Pakistan, and Sri Lanka.**

These studies is being conducted by National Institute of Public Finance and Policy (NIPFP), New Delhi; Institute for Integrated Development Studies (IIDS), Kathmandu; Beaconhouse National University (BNU), Lahore; and Institute of Policy Studies of Sri Lanka (IPS), Colombo respectively. The regional research programme is coordinated by Governance Institutes Network International (GINI), Islamabad with support from International Development Research Centre (IDRC), Ottawa.

The studies will fill research gaps, inform policy, and provide opportunities for shared learning outcomes at the regional level. In the process, CPD conducted a perception based primary survey with 262 enterprises, interviewed key informants and other actors related to tax and enterprise development, and also organised a focus group discussion session for an interactive communication with the stakeholders and experts.

The studies will put forward specific policy suggestions with regard to small and medium entrepreneurial development in the country.