

# Conceptualizing the Role of Financial Capital, Human Capital and Innovation Capacity in the Development of Microenterprises in Bangladesh

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## Abstract

*Microenterprise creates an opportunity to generate income and employment for a significant number of workforces in rural and urban areas through the production of basic goods and services such as the making of traditional foods, fisheries, livestock & poultry, handicrafts, small trade & business, timber business/carpentry, garments & tailoring, etc. for the need of rapidly growing populations. Thus, the development of microenterprises has attracted the attention of regulators, governments and other stakeholders either in developing or least developed countries. In Bangladesh, Microfinance Institutions are, therefore, providing the loans to increase the income level of poor people along with achieving the prime goal of poverty reduction. However, in the literature, several studies have examined the determinants of microenterprises development, yet, there are several venues that need to be examined. After reviewing previous studies and based on the underpinning theoretical ground, the study finds that human capital and innovation capacity are the factors that have received little attention. Based on the human capital theorist, an individual's skills help enterprises to perform better in business. As enterprises that possess proper skills and competencies are more likely to have higher levels of growth and profitability. Consequently, the innovation on new products can increase sales volume and market share, which can attract new consumers, while maintaining the loyalty of old consumers. Subsequently, studies on service innovation professed that providing new services can enhance the profitability of existing businesses. Therefore, these relevant issues are principally interesting to explore in the context of an emerging economy such as Bangladesh as a country has the vision of becoming a truly middle-income country and is setting ambitious targets to help achieve the UN's Sustainable Development Goals (SDGs). This finding provides useful implications for the stakeholders and policymakers and contributes to future literature.*

**Keywords:** Microenterprise, Human Capital, Innovation, Microfinance Institutions, Bangladesh