complex, time-consuming and expensive as opposed to not only developed countries but also many developing countries. There are shortcomings to provide online registration, one-stop-shop services, and varieties of financial support for start-ups.

**7.2.11 Absence of Better Legislation and Regulation for SMEs:**

There is absence of legislation that can encourage development of SMEs in Bangladesh. There is also does not exist easy regulation for SMEs in Bangladesh. It is to be noted that the World Bank's Index on Ease of Doing Business has ranked Bangladesh 176th among the 190 countries. There is an urgency to make rules and regulations as easy as possible for establishing business enterprises in Bangladesh.

**7.2.12 Inadequate Preparation to Capture Opportunity for Relocation of Industries to Bangladesh:**

A good number of developed countries are seriously considering relocate their companies from China. Particularly, Asian advance economy Japan and South Korea are very serious about relocating some production enterprises from China to Bangladesh. To take advantages of this prospect, the rules and regulations should be made attractive to foreign investors.

**7.2.13 More Effective Representation of SMEs' Interests:**

There exists a smaller role of effective representation of SMEs' interest due to the lack of active role of industrial, business or SME associations in setting up structured consultation mechanisms with government agencies in policy formulation and advocacy process in order to represent SMEs' voice and interests domestically and internationally. Most SME associations still lack resources, and technical and research capacities to provide high quality services and access to regional and global production networks. A close coordination with sectoral trade bodies is important for further development of the SME sector.

**7.2.14 Problems with SME Statistics:**

Lack of comprehensive national level SME statistics precludes proper estimates of various indicators relating to SMEs contributions to the economy, such as contribution to GDP, gross value addition, exports etc. Therefore, a national level uniform database of SMEs is necessary to assess this sector's contribution to the economy and formulate proper target-based policies. In this context, the Industrial Policy-2016 underscored a need for a comprehensive SME census which needs to be done with utmost care involving relevant experts' opinions.

**7.2.15 Utilization of Potentials of SMEs for Achieving SDGs:**

A set of seventeen Sustainable Development Goals (SDGs) have been set by United Nations (UN) General Assembly in 2015 to help the countries developing or developed to achieve sustainable development. The seventeen SDGs form an integrated agenda covering all three dimensions of development – economic, social and environmental.

In Bangladesh, SMEs can be linked to achieve Goal-1: "End poverty in all its forms everywhere", Goal-8: "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" and Goal-9: "Build resilient and sustainable industrialization and foster".

SMEs comprise 99% of productive enterprises in Bangladesh. The product and services line of these SMEs are not diversified enough to enable them contribute to achievement of the three SDGs that can be linked to SME sector.

### 7.2.16 SME Development in Economically Backward Districts:

The study has found that SMEs are concentrated in districts. The districts that have very insignificant number of SMEs are Bhola, Barguna, Cox's Bazar, Bandarban, Gopalganj, Rangamati, Khagrachhari, Rajbari, Madaripur, Shariatpur, Sherpur, Netrakona, Chuadanga, Magura, Satkhira, Narail, Meherpur, Joypurhat, Gaibandha, Kurigram, Lalmonirhat, Thakurgaon, Panchagarh and Sunamganj. Thirty four districts have moderate number of SMEs.

The district that have minimum number of SMEs can be divided into three groups:

1. Riverine districts;
2. Hill districts; and
3. Plain land districts.

For the districts belonging to first group such SMEs can be developed to produce products that meet local demand. The products of such SMEs can be transported to distant places through river transports. Some innovative measures can be initiated so that by making use of locally available raw-materials marketable products can be developed like cricket bats industries in Nessarabad upazila of Pirojpur district. Southern districts of Barishal Division can be given support in the long term to develop SMEs by taking advantages to be given support by Pyra Port Authority (PPA).

For hilly districts, the SMEs to be developed should be the ones that produce products that are saleable in the local markets. These districts have raw-materials using which SMEs can develop products which can be easily carried and transported through road transports to other areas. Within these and nearby districts.

The remaining districts in this category have no problem similar to the ones belonging to these two groups. For these districts rigorous awareness programs need to be undertaken to encourage local people to develop enterprises at least micro enterprises.

For all these districts, availability of energy i.e, electricity and gas will be a problem. In such areas renewable energy i.e, solar energy can be a solution.

### 7.2.17 Not fully utilizing SMEs to contribute to solve unemployment problem:

Since 1990s contribution of agriculture to GDP has been declining. In 1990-91, agriculture contributed 29.23% to GDP and in 2017-18 it came down to 14.23%. In case employment, share of agriculture has been decreasing too. In 2002-03 agriculture contributed 50.77% to overall employment and in 2016-17 it was 40.62% . On the other hand, share of industry in GDP and in total employment has been increasing. During 1990-91, industry contributed 21.04 to GDP and in 2017, it reached 33.66%. In the case of employment generation in 1995-96 industry accounted for 13.22% of total employment, in 2016, it was 20.21%. SMEs should, therefore, be given supports so that the subsector can help create more and more employment and help absorb large number of underemployed persons released by agriculture sector.

### 7.2.18 Low Level of Products Diversificaton :

Industrial Policy-2016 emphasizes taking innovative approaches to diversity SMEs. This study has estimated that the share of

SME sector in Bangladesh's total exports for 2017-18 to be 31.6%. Quality of items, that can be exported, is very closely linked with use of innovation in production process. One of the principal determinants of SME's competiveness in both local, regional and international market is innovation.

In Bangladesh, some researches in their laboratories based on locally available raw-materials are carried out by Bangladesh Council of Scientific and Industrial Research (BCSIR). BCSIR has laboratories in Dhaka, Chattogram and Rajshahi. Dhaka and Chattogram have large number of SMEs. Rajshahi Division has only a few industries (except Bogura District). Sixteen districts of Rajshahi and Rangpur Divisions produce abundant agricultural produces and BCSIR lab in Rajshahi can be supported to undertake research and development activities on use of locally produced raw-materials to innovate development of new products, which can be sold in the local markets. SMEs particularly small and micro enterprises can be developed to produce such products.

**7.2.19 Lack of Inclusion of Intermediate Goods in Export Basket:**

Export in Bangladesh mostly depend on export of finished goods. It may be possible to export intermediate goods. For this to happen SMEs can be developed as backward linkage industries.

**7.2.20 Conglomerates are a Threat to Growth of SMEs:**

In Bangladesh large industrial organizations have started producing consumer goods like salt, chanachur, wheat, flour, spices etc. which can be produced by micro and small SMEs. This deters growth of SMEs that could be developed in by agro-processing in districts that produce large volume of agricultural products. Some policy support in this aspect may be considered.

**7.2.21 Lack of up-to-date Expertise in ICT Sector:**

ICT enterprises play very strong role in meeting technological advances in both manufacturing and service sectors. Although many universities in the public and private sectors offer IT courses, there is still serious dearth of IT expertise in Bangladesh. There is an aim to export substantial IT services, but in reality it could not come near the target. So, realistic approaches need to be taken so that potentials can be utilized to export IT services to enable earning foreign exchange which in turn can be used to enrich the ICT sector.

**7.2.22 Inadequate Exploring of Port and Shipping Based SME Expansion:**

The study sample includes clearing and forwarding agencies which are SMEs in the service sector that are involved in providing documentation support based services to exporters and importers. The survey covered Chattogram Port, Mongla Port and Benapole Dry Port. Due to rapid expansion of international trade in Bangladesh, the Shipping and Port based services are very fast growing services business. It is highly likely that districts under Barishal division will be able to take advantage of the new Pyra Port if planning process can be started at the earliest.

**7.3 Some Specific Recommendations**

7.3.1. Industrial Policy- 2016 has set a requirement to conduct a comprehensive census on SMEs. To fulfill the requirement, it is recommended to conduct a census on SMEs at the earliest.

7.3.2. There is a serious crisis of data on SMEs in Bangladesh. Even Statistical Year Book published by BBS, does not include any significant data on SMEs. It is, therefore, recommended to prepare a yearly publication on countrywide SME data.

7.3.3. A major portion of SMEs are still not getting loans from banks easily. For the purpose of providing loans to the SMEs, Bangladesh Bank has specific policies and guidelines for the banks and non-banking financial institution. Implementation of the policies, guidelines and instructions of Bangladesh Bank should be ensured for timely and smooth credit flow to SMEs.

7.3.4. Presently, banking & non-banking financial institutions feel insecured to provide loan facilities particularly to micro and small enterprises because of their inability to provide necessary collateral securities for loans. In such circumstances, to overcome these problems a credit guarantee scheme can be a good solution.

7.3.5. Development of nationwide SME credit risk data base where a system is to be developed to accumulate and analyze credit risk data and to measure credit risk and categorizing SMEs based on their credit worthiness

7.3.6. Undertake a strong Research and Development Program nationwide for SME sector. Bangladesh Council for Scientific and Industrial Research (BCSIR) should be actively supported and their capability should be enhanced to conduct research on innovation in SME subsector. BCSIR has laboratories in Dhaka, Chottogram and Rajshahi. For facilitating development of SMEs based on raw-materials particularly agro-products in districts of Rajshahi (except Bogura) and Rangpur Divisions BCSIR can be given support so that it can carry out lab-based research and development programs at its Rajshahi Centre.

7.3.7. As revealed from the survey, interest rate of SME financing is very high in Bangladesh. Commercial banks are also very reluctant to finance SME sector due to high operational expenses and relatively high risk involvement. So, development of a SME bank or regional SME banks for enhancement of financing of the SME sector could prove to be highly beneficial to the entrepreneurs.

7.3.8. Ensuring training facilities for the entrepreneurs on the different aspects of management such as financial and management literacy, recording accounting transactions, marketing, risk taking techniques, use of appropriate technology, etc.

7.3.9. Upgrading the testing laboratories in keeping with the current needs of the country is a sine quo non. Bangladesh Standards and Testing Institute (BSTI) should take lead to ensure that all testing facilities to all SMEs is facilitated.

7.3.10. Marketing of products / services is a major problem faced by the entrepreneurs. It has been observed that during the SME fairs that are held in different district headquarters, sales of SME product pick up significantly. However, such fairs, being a periodic event and held for a short period of time, generally for a week, it is recommended that a permanent arrangement in the form of sales outlets that would exclusively cater to the needs of the SMEs be set up in the district headquarters.

7.3.11. Motivational and incentive programs to be taken at the enterprise level to generate the sense of ownership and belongingness among the employees of the SMEs.

7.3.12. In order to encourage and motivate educated youth towards self employment and employment generation, technical and vocational institution and universities should incorporate SME development in their curriculum.

7.3.13. Programs need to be undertaken so that women may diversify their entrepreneurial works to develop SMEs in areas other than traditional sectors like boutiques, handicrafts, beauty parlour, etc.

7.3.14. Promotional campaigns like fairs, rallies, seminars etc. shall have to be organized by the concerned authorities at the field and national levels in order to increase public awareness about SMEs.

7.3.15. As SMEs are concentrated in Dhaka, Narayanganj, Chattogram, Narsingdhi, Cumilla, Bogura and Jashore, steps need to be taken both from the public and private sectors to expand SMEs to other areas that have low concentration of SMEs.

7.3.16. Since SMEs are run by traditional practices of management, productivity of the workers and managers are far below the standard. Hence, HR functions should be formalized and institutionalized to improve the value addition of the HR.

7.3.17. SMEs can be made supportive to help achieve relevant SDGs.

7.3.18. More SMEs can be developed and existing ones strengthened to create more employment so that dependence on agriculture for development can be further reduced in line with vision 2021.

7.3.19. Universities and Training Institutes can be encouraged to update their curricula to help enhance ICT expertise base in the country.

7.3.20. ICT is a promising sector. As the ICT entrepreneurs are concentrated in Dhaka, steps need to be taken to develop ICT entrepreneurs in other parts of the country, at least in Divisional Headquarters.

7.3.21. Women are seriously underrepresented in the SMEs. Steps need to be taken for mainstreaming the women in SMEs. Access to finance for women entrepreneurship is to be ensured.

### 7.4 Action Plans and Timeframe for Implementations

Based on review of study findings and observation a number of Action Plans have been formulated. Timeframe for each action plan has been suggested. Three time periods for implementation have been suggested: Short-term, mid-term and long-term. These have been defined as under:

| | **Implementation period** |
|---|---|
| Short-term | Up to 2 years |
| Mid-term | Up to 5 years |
| Long-term | 6 to 10 years |

### 7.4.1 Suggested Action Plan to Implement the Recommendations

The following table gives a number of recommendations and suggests Action Plans to implement those:

| Sl. No. | Recommendations | Proposed plan category for implementation | Major responsible Ministries / Division | Department / Directorate under the Ministry | Whether enactment of an Act needed |
|---|---|---|---|---|---|
| 1. | Conducting a comprehensive SME census | Short to Medium-term | BBS, Ministry of Industries | BSCIC, SMEF | -- |
| 2. | Initiate a process to prepare a yearly publication on country-wide SME statistics | Short-term | Ministry of Industries | SMEF | -- |
| 3. | Ensure implementation of the policies, guidelines and instructions issued by Bangladesh Bank from time to time for timely and smooth credit flow to SMEs | Short-term | Ministry of Finance Bangladesh Bank, | Commercial Banks | -- |
| 4. | Development of Credit Guarantee Scheme for the micro and small enterprises which may be a good solution against the barrier of collateral security | Medium-term | Ministry of Finance, Bangladesh Bank | Sadharan Bima Corporation Commercial Banks | -- |
| 5. | Development of nationwide SME credit risk data base. | Medium-term | Ministry of Finance, | Bangladesh Bank | -- |
| 6. | Ensure development of an SME Bank or regional SME banks for enhancement of SME sectors financing | Long-term | Ministry of Finance, Ministry of Industries, Ministry of Commerce, Ministry of Law | Bangladesh Bank | Yes |
| 7. | Undertake Research and Development Program on SMEs. | Mid to Long-term | Ministry of Science and Technology, Ministry of Industries | BCSIR | -- |
| 8. | Ensure training facilities for the entrepreneurs on financial literacy, business management, recording of accounting transaction, marketing, risk taking techniques, use of appropriate technology, etc. | Short to Medium-term | Ministry of Industries | SCITI, SMEF | -- |

| | | | | | |
|---|---|---|---|---|---|
| 10. | Develop district-based market for SME products. | Medium-term | Ministry of Industries, Ministry of Commerce, Ministry of Local Government & Cooperatives | LGIs | -- |
| 11. | Conducting research on innovations in production process of SMEs | Mid-term | Ministry of Science and Technology, Ministry of Industries | BCSIR | -- |
| 12. | HR functions in SMEs should be formalized and institutionalized | Short to Medium-term | Ministry of Industries | SMEs | -- |
| 13. | Skill development of the entrepreneurs, employees and workers is of utmost importance. Therefore, entrepreneurship development program and skill development program is needed to enhance capacity at enterprise level. | Short to Medium-term | Ministry of Industries | TTCs, SMEs | -- |
| 14. | ICT is a promising sector. The ICT entrepreneurs are concentrated in Dhaka. Steps need to be taken to develop ICT entrepreneurs in other parts of the country, at least at Divisional Headquarters. | Short-term to Medium term | Ministry of Information and Communication Technology, Ministry of Industries | BCC | |
| 15. | SMEs are unevenly distributed in the districts. These are concentrated mostly in Dhaka, Chattogram, Narayanganj, Cumilla, Bogura and Jashore. Steps need to be taken to develop SMEs in other districts that have low number of SMEs. | Long-term | Ministry of Industries, Ministry of Commerce | | |

| | | | | | |
|---|---|---|---|---|---|
| 16. | Mainstreaming the women in SMEs along with access to finance for women entrepreneurship to be ensured. | Short-term to Medium term | Ministry of Women and Children Affairs. Ministry of Industries, Ministry of Finance | Department of Women and Children Affairs, SMEF, BSCIC | |
| 17. | Steps need to be taken to make SMEs supportive of achievements of SDGs | Short-term to Medium term | Ministry of Planning, Ministry of Industries | | |
| 18. | More SMEs can be developed and existing ones strengthened to create more employment so that dependence on agriculture for employment can be further reduced in line with vision 2021. | Short-term to Medium term | Ministry of Industries, Minnistry of Finance | SMEF, Bangladesh Bank | |
| 19. | Universities and Training Institutes should update their curricula in ICT courses to help enhance ICT expertise base in the country. | Short-term | Ministry of Education | University Grants Commission | |

# BIBLIOGRAPHY

# Bibliography


Ahmed, Feroz, Rahman, Md. Mizanur & Haque, Monimul 2011, 'Constraints of Manufacture based Small and Medium Enterprise (SME) Development in Bangladesh', Journal of Social and Development Sciences, vol.1, no.3, pp. 91-100.

Ahmed, M.U. (2002), —Globalization and Competitiveness of Bangladesh's Small Scale Industries (SSIs): An Analysis of the Prospects and Challenges, *CPD/UPL published, Bangladesh facing the Challenges of Globalization*, IRDB. pp:2.

Ahmed, MU 2002, "Globalization and Competitiveness of Bangladesh's Small-scale Industries (SSIs): An Analysis of the Prospects and Challenges." in Bangladesh Facing the Challenges of Globalisation: A Review of Bangladesh's Development 2001, Centre for Policy Dialogue (CPD) and The University Press Limited (UPL), Dhaka.

Ardic, Oya Pinar and Mylenko, Nataliya and Saltane, Valentina, Small and Medium Enterprises: A Cross-Country Analysis with a New Data Set (January 1, 2011). World Bank Policy Research Working Paper No. 5538. Available at SSRN: https://ssrn.com/abstract=1747441

Ayyagari, M., Beck, T. and Demirguc-Kunt, A. (2007). Small and Medium Enterprises Across the Globe. *Small Business Economics*, 29(4), pp.415-434.

Bakht, D. and Basher, D. (2014). Strategy for Development of the SME Sector in Bangladesh.

Bakht, Zaid and Basher, Abul (2014), "Strategy for Development of the SME Sector in Bangladesh", Background paper for the Seventh Five Year Plan, Bangladesh Institute of Development Studies (BIDS)

Bala-Subrahmanya, M. H. (2005). 'Technological Innovations in Indian small enterprises: dimensions, intensity and implications', Int. J. Technology Management Vol. 30 Nos 1/2, pp. 188 -204.

Basis.org.bd. (1997). *BASIS*. [online] Available at: https://basis.org.bd/

Beck, T., Demirguc-Kunt, A. and Levine, R. (2005). SMEs, Growth, and Poverty: Cross-Country Evidence. *Journal of Economic Growth*, 10(3), pp.199-229.

Bhattacharya, D and Hossain, SS 2006, 'An Evaluation of the Need and Cost of Selected Trade Facilitation Measures in Bangladesh: Implications for the WTO Negotiations on Trade Facilitation', ARTNeT Working Paper Series No. 9, Trade and Investment Division, Economic and Social Commission for Asia and the Pacific (ESCAP), Bangkok

Birch, David G.W., The Job Generation Process (1979). MIT Program on Neighborhood and Regional Change, Vol., 302 pp 1979. Available at SSRN: https://ssrn.com/abstract=1510007

Cheshire Paul C. And Edward J. Malecki (2004) *Growth, development, and innovation: A look backward and forward.* Papers in Regional Science 83, pp. 249-267.

Chowdhury, M.S., Islam, R., &Alam, Z. (2013), Constraints to the development of small and medium sized enterprises in Bangladesh: An Empirical Investigation,‖ *Australian Journal of Business and Applied Sciences*, Vol. 7 No.8, pp. 690-696.

Chowdhury, Priyabrata & Zaman, Farhana & Mosharraf Hossain, Md. (2013). Contribution of Micro and Small Enterprises of Bangladesh: An Empirical Study. Journal of Management Studies,

Dalberg. (2011). Report on support to SMEs in developing countries through financial intermediaries. Washington, D.C

Economic Census, (2013). *Bangladesh Bureau of Statistics.*

ENSR (1993-1997). (n.d.). *Home - ENSR*. [online] Available at: http://www.ensr.eu/

European Commission - European Commission. (2002). *European Commission*. [online] Available at: https://ec.europa.eu/commission/index_en

F Ahmed, MM Rahman, M Haque (2011). Constraints of Manufacture based Small and medium Enterprises (SME) development in Bangladesh - Journal of Social and Development Sciences.

GoHelmsing A. H. J. Bert (2003) *Local Economic Development: New Generations of Actors, Policies and Instruments for Africa.* Public Administration and Development, 23, pp. 67-76. Published online in Wiley Interscience www.interscience.wiley.com

Government of Bangladesh (2010). The Industrial Policy, Ministry of Industries, Dhaka

Government of Bangladesh (2011). Sixth Five Year Plan, Ministry of Planning, Dhaka

Government of Bangladesh (2015). Seventh Five Year Plan, Ministry of Planning, Dhaka

Hayashi, M. (2002). *SME development and subcontracting in Indonesia : a comparison with Japan's historical experience*. [online] Hdl.handle.net. Available at: http://hdl.handle.net/1885/148591

Hayashi, Mitsuhiro, (2002), The role of subcontracting in SME development in Indonesia: Micro-level evidence from the metalworking and machinery industry, *Journal of Asian Economics*, 13, issue 1, p. 1-26, https://EconPapers.repec.org/RePEc:eee:asieco:v:13:y:2002:i:1:p:1-26.

Hossain, M, Yoshno, N and Taghizadeh-Hesary, F. (2018). Local Financial Development, Access to credit and SMEs Performance: Evidence from Bangladesh, ADBI working paper, No. 906, 2018.

Iadb.org. (2019). *Inter-American Development Bank - IADB.org*. [online] Available at: https://www.iadb.org/en [Accessed 25 May 2019].

Ibarraran, Pablo and Maffioli, Alessandro and Stucchi, Rodolfo, SME Policy and Firms' Productivity in Latin America. IZA Discussion Paper No. 4486. Available at SSRN: https://ssrn.com/abstract=1493862

Islam, N., Zohir, S., and Hossain, Monzur (2009). "SMEs Development in Bangladesh with Emphasis on Policy Constraints and Financing" in M. K. Mujeri and ShamsulAlam (eds.) *Economic Sectors: Background Papers for the Sixth Five Year Plan, Vol. 2, 2011*

J.R. Macrae, Donald. (1992). Characteristics of High and Low Growth Small & Medium Sized Businesses. Management Research News. 15. 11-17. 10.1108/eb028201.

Jennings, P.L. and G. Beaver (1995). The Managerial Dimension of Small Business Failure in Journal of Strategic Change, 4(4): 185 – 200.

Julien, P.A. (*edited*), (1998), *The state of the art in small business and entrepreneurship*, Ashgate, Aldershot.

Kachembere, J. (2011, October 15). ICT boom: Zimbabwe"s opportunity to catch up. The standard Zimbabwe. Retrieved from http:www.the standard.co.zw/index.php 13 June 2012.

Khandker, Abeer (2014), "Constraints and Challenges of SME Development in the Developing countries: A Case Study of India, Pakistan and Bangladesh", International Journal of SME, Vol. 1, No. 1, April 2014

Lged.gov.bd. (2019). *7th Five Year Plan*. [online] Available at: http://www.lged.gov.bd/UploadedDocument/UnitPublication/1/361/7th_FYP_18_02_2016.pdf

Lindquist, L., Carlsson, G. and Jemt, T. (1996). A prospective 15-year follow-up study of mandibular fixed prostheses supported by osseointegrated implants. Clinical results and marginal bone loss. *Clinical Oral Implants Research*, 7(4), pp.329-336.

Loveman, G. and Sengenberger, W. (1991). The re-emergence of small-scale production: An international comparison. *Small Business Economics*, 3(1), pp.1-37.

MacRae, D, 1991. Characteristics of high and low growth small and medium-sized businesses, paper presented to 21st European Small Business Seminar, Barcelona, September.

McKinsey & Company. (2011). *McKinsey & Company*. [online] Available at: https://www.mckinsey.com/

McMillan, D. (1996). Sense of community. *Journal of Community Psychology*, 24(4), pp.315-325.

McMillan, John, and Christopher Woodruff. 2002. "The Central Role of Entrepreneurs in Transition Economies." Journal of Economic Perspectives, 16 (3): 153-170.

Ministry of Industry (2005). National SME Policy Strategy, 2005

Ministry of Industry (2016). Industrial Policy 2016, Bangladesh.

Nager, T., E. Swanepoel and M.A. van der Merwe (1999). Introduction to Entrepreneurship and Small business management. Pretoria: UNISA Press.

Natarajan, Ganapathy & A. Wyrick, David. (2011). Framework for Implementing Sustainable Practices in SMEs in the United States. Proceedings of the World Congress on Engineering 2011, WCE 2011. 1. 750-754.

Raghavendra, N. and Subrahmanya, M. (2006). Development of a measure for technological capability in small firms. *International Journal of Innovation and Learning*, 3(1), p.31.

SEDF (2003). Experience of SMEs in South and South-east Asia, SEDF, Dhaka

Sengenberger Werner, Gary Loveman, and Michael Piore, 1990, *The Re-emergence of Small Enterprises: Industrial Restructuring in Industrialized Countries*, Geneva: International Institute for Labour Studies.

Shinkai, N. and Hossain, M. (2011). Productivity and Performance of IT Sector in Bangladesh: Evidence from the Firm-level Data, *Bangladesh Development Studies*, Vol. XXXIV, No. 2, June 2011

Sixth Five Year Plan FY2011-FY2015. (2011). [online] Available at: http://nimc.portal.gov.bd/sites/default/ files/files/nimc.portal.gov.bd/.../SFYP_Part-2.pdf

SME Foundation (2006/0 7). Report on the Survey of Six Sectors: Baseline, Profile Performance and Plan for Upgrading SME Foundation (2013). SME Clusters in Bangladesh.

*INSPIRED SME Survey* (2013). *Ministry of Industries, Government of Bangladesh (Under a European Union funded project).*

SMEF, (2016). *SME Industrial Policy*. [online] Available at: http://www.smef.org.bd/v2/ index.php?popup_ anywhere_preview=true

*Survey of Manufacturing Industries (*SMI), (2012). *Bangladesh Bureau of Statistics.*

V. Raghavendra, N & Mungila Hillemane, Bala Subrahmanya. (2006). Development of a measure for technological capability in small firms. International Journal of Innovation and Learning. 3. 10.1504/IJIL.2006.008178.

Visser Evert-Jan (1999) *A comparison of clustered and dispersed firms in the small-scale clothing industry of Lima.* World Development Vol. 27 No.9, pp. 1553-1570. Elsevier Science Ltd.

National Private-Sector Survey of Enterprises in Bangladesh (2003), International Consulting Group (Prepared for: Department for International Development, United States Agency for International Development, Swiss Agency for Development and Cooperation Swedish International Development Cooperation Agency in October 2003)

# Annex-1

## Number of SMEs surveyed from each district

## Annex-1

Table-5(B) Number of SMEs surveyed from each district

| Division | District | | Manufacturing | Service | Trading | Total |
|---|---|---|---|---|---|---|
| Barishal | 1 | Barishal | 16 | 8 | 6 | 30 |
| | 2 | Jhalakathi | 5 | 3 | 4 | 12 |
| | 3 | Pirojpur | 12 | 5 | 5 | 22 |
| | 4 | Patuakhali | 12 | 4 | 4 | 20 |
| | 5 | Bhola | 6 | 4 | 4 | 14 |
| | 6 | Barguna | 6 | 4 | 4 | 14 |
| | | Sub-Total: | 57 | 28 | 27 | **112** |
| Chattogram | 7 | Brahmanbaria | 24 | 8 | 8 | 40 |
| | 8 | Chandpur | 12 | 4 | 6 | 22 |
| | 9 | Chattogram | 80 | 50 | 30 | 160 |
| | 10 | Cox's Bazar | 6 | 10 | 6 | 22 |
| | 11 | Bandarban | 3 | 4 | 3 | 10 |
| | 12 | Feni | 20 | 5 | 5 | 30 |
| | 13 | Laxmipur | 10 | 3 | 3 | 16 |
| | 14 | Noakhali | 16 | 6 | 6 | 28 |
| | 15 | Cumilla | 112 | 50 | 30 | 192 |
| | 16 | Khagrachhari | 3 | 4 | 3 | 10 |
| | 17 | Rangamati | 6 | 6 | 4 | 16 |
| | | Sub-Total: | 292 | 150 | 104 | **546** |
| Dhaka | 18 | Dhaka | 250 | 150 | 100 | 500 |
| | 19 | Faridpur | 20 | 12 | 10 | 42 |
| | 20 | Gazipur | 94 | 16 | 10 | 120 |
| | 21 | Gopalganj | 6 | 4 | 2 | 12 |
| | 22 | Narayanganj | 220 | 40 | 20 | 280 |
| | 23 | Narsingdi | 46 | 6 | 8 | 60 |
| | 24 | Rajbari | 6 | 4 | 4 | 14 |
| | 25 | Munshiganj | 113 | 32 | 10 | 155 |
| | 26 | Manikganj | 16 | 8 | 6 | 30 |
| | 27 | Madaripur | 8 | 4 | 3 | 15 |
| | 28 | Shariatpur | 4 | 3 | 3 | 10 |
| | | Sub-Total: | 783 | 279 | 176 | **1238** |
| Mymensingh | 29 | Mymensingh | 24 | 12 | 8 | 44 |
| | 30 | Tangail | 80 | 20 | 10 | 110 |
| | 31 | Jamalpur | 12 | 3 | 3 | 18 |
| | 32 | Sherpur | 6 | 4 | 4 | 14 |
| | 33 | Kishoreganj | 90 | 20 | 10 | 120 |
| | 34 | Netrokona | 10 | 6 | 4 | 20 |
| | | Sub-Total: | 222 | 65 | 39 | **326** |
| Khulna | 35 | Bagerhat | 10 | 6 | 4 | 20 |
| | 36 | Chuadanga | 10 | 4 | 4 | 18 |
| | 37 | Jashore | 340 | 40 | 20 | 400 |
| | 38 | Jhenaidah | 18 | 6 | 4 | 28 |
| | 39 | Khulna | 53 | 17 | 10 | 80 |
| | 40 | Kushtia | 68 | 20 | 12 | 100 |
| | 41 | Magura | 6 | 2 | 2 | 10 |
| | 42 | Satkhira | 6 | 6 | 4 | 16 |
| | 43 | Narail | 5 | 3 | 4 | 12 |
| | 44 | Meherpur | 5 | 5 | 4 | 14 |
| | | Sub-Total: | 521 | 109 | 68 | **698** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Rajshahi | 45 | Bogura | 236 | 30 | 15 | 281 |
| | 46 | Chapai Nawabganj | 20 | 6 | 6 | 32 |
| | 47 | Joypurhat | 10 | 3 | 3 | 16 |
| | 48 | Naogaon | 40 | 16 | 10 | 66 |
| | 49 | Natore | 30 | 12 | 10 | 52 |
| | 50 | Pabna | 80 | 25 | 12 | 117 |
| | 51 | Sirajganj | 100 | 30 | 10 | 140 |
| | 52 | Rajshahi | 60 | 12 | 10 | 82 |
| | | Sub-Total: | 576 | 134 | 76 | 786 |
| Rangpur | 53 | Gaibandha | 6 | 3 | 3 | 12 |
| | 54 | Kurigram | 6 | 3 | 3 | 12 |
| | 55 | Lalmonirhat | 6 | 3 | 3 | 12 |
| | 56 | Rangpur | 16 | 6 | 3 | 25 |
| | 57 | Nilphamari | 26 | 10 | 8 | 44 |
| | 58 | Dinajpur | 24 | 10 | 8 | 42 |
| | 59 | Thakurgaon | 6 | 3 | 3 | 12 |
| | 60 | Panchagarh | 6 | 4 | 3 | 13 |
| | | Sub-Total: | 96 | 42 | 34 | 172 |
| Sylhet | 61 | Sylhet | 26 | 10 | 6 | 42 |
| | 62 | Sunamganj | 7 | 5 | 3 | 15 |
| | 63 | Maulavibazar | 24 | 10 | 6 | 40 |
| | 64 | Hobiganj | 15 | 6 | 4 | 25 |
| | | Sub-Total: | 72 | 31 | 19 | 122 |
| | | Grand Total: | 2649 | 838 | 513 | 4000 |

**Table-3A**

Distribution of manufacturing SMEs by inspiration of entrepreneur to establish the enterprise

| Sl. No. | Inspiration | Micro Number (%) | Small Number (%) | Medium Number (%) |
|---|---|---|---|---|
| 1. | To create job opportunity | 470(60.6) | 928(60.3) | 233(70.2) |
| 2. | To alleviate poverty | 71(9.1) | 156(10.1) | 40(12.0) |
| 3. | To earn profit and to achieve economic development | 479(61.7) | 835(54.3) | 198(59.6) |
| 4. | To set up new industrial unit so as to use his (entrepreneur) skill and capability | 52(6.7) | 77(5.0) | 16(4.8) |
| 5. | To reduce the dependence of raw-material import | 12(1.5) | 26(1.7) | 10(3.0) |
| 6. | To build up export oriented business units | 39(5.0) | 130(8.4) | 42(12.7) |
| 7. | To increase the production as per demand and to ensure the quality of the products | 94(12.1) | 175(11.4) | 27(8.1) |
| 8. | To develop transportation and road communication and also to develop infrastructure | 2(0.3) | 21(1.4) | 7(2.1) |
| 9. | To provide services | 53(6.8) | 67(4.4) | 15(4.5) |
| 10. | Others | 24(3.1) | 68(4.5) | 10(3.0) |

**Table-4A**
Reasons given for choosing the enterprise belonging to the class

| Sl. No. | Reasons given | Number | % |
|---|---|---|---|
| 1. | High demand | 1742 | 65.8 |
| 2. | Profitable | 1068 | 40.3 |
| 3. | Understanding this business | 1734 | 65.5 |
| 4. | There is no scope any other business | 110 | 4.2 |
| 5 | Others | 16 | 0.6 |
| Note: Multiple response | | | |

**Table-5A**
Fuel / energy used in the manufacturing enterprise

| Sl. No. | Reasons given | Number | % |
|---|---|---|---|
| 1. | High demand | 1742 | 65.8 |
| 2. | Profitable | 1068 | 40.3 |
| 3. | Understanding this business | 1734 | 65.5 |
| 4. | There is no scope any other business | 110 | 4.2 |
| 5 | Others | 16 | 0.6 |
| Note: Multiple response | | | |

**Table-5A**
Fuel / energy used in the manufacturing enterprise

| Sl. No. | Fuel Used | Number | % |
|---|---|---|---|
| 1. | Electricity | 2503 | 94.6 |
| 2. | Natural Gas | 486 | 18.4 |
| 3. | Furnace Oil | 36 | 1.4 |
| 4. | Diesel | 457 | 17.3 |
| 5. | Coal | 71 | 2.7 |
| 6. | Others | 112 | 4.2 |
| Note: Multiple response | | | |

**Table-6A**
Opinion on child labour in the enterprise

| Sl. No. | Presence of child labour | Number | % |
|---|---|---|---|
| 1. | Yes | 106 | 4.0 |
| 2. | No | 2541 | 96.0 |
| | **Total** | 2647 | 100 |

**Table-7A**
Opinion of presence of foreign employees in the enterprises

| Sl. No. | Opinion | Number | % |
|---|---|---|---|
| 1. | Yes | 60 | 2.3 |
| 2. | No | 2587 | 97.7 |
| | Total | 2647 | 100 |

**Table-8A**
Reasons given to employ foreign employees

| Sl. No. | Reasons for employing foreign employees | Number | % |
|---|---|---|---|
| 1. | To appoint the foreign employees for imparting training to our employees | 3 | 14.3 |
| 2. | To create skilled manpower | 14 | 66.7 |
| 3. | Foreign employees are appointed for handling new machinery | 2 | 9.5 |
| 4. | To take advice from the foreigners, to increase production | 3 | 14.3 |
| 5. | To meet up the demand for innovative technology | 2 | 9.5 |
| Note: Multiple response | | | |

**Table-9A**
Name of the materials produced

| Sl. No. | Name of Material | Number | % |
|---|---|---|---|
| 1. | Bamboo | 42 | 8.8 |
| 2. | Cotton | 35 | 7.4 |
| 3. | Jute | 50 | 10.5 |
| 4. | Wool | 55 | 11.6 |
| 5. | Rubber | 25 | 5.3 |
| 6. | Fish | 27 | 5.7 |
| 7. | Clay (black soil) | 30 | 6.3 |
| 8. | Mango | 28 | 5.9 |
| 9. | Cane | 22 | 4.6 |
| 10. | Coconut | 23 | 4.8 |
| 11. | Mustard | 35 | 7.4 |
| 12. | Soyabin | 15 | 3.2 |
| 13. | Sunflower | 13 | 2.7 |
| 14. | Maze | 40 | 8.4 |
| 15. | Tomato | 30 | 6.3 |
| 16. | Potato | 32 | 6.7 |
| 17. | Gas | 21 | 4.4 |
| 18. | Coal | 26 | 5.5 |
| 19. | Natural stone | 29 | 6.1 |
| Note: Multiple response | | | |

**Table-10A**

Expected support from the Government

| Sl. No. | Response | Number | % |
|---|---|---|---|
| 1. | Loan procedures are to simplified | 1448 | 60.6 |
| 2. | Import and export raw-materials and produces are to be ensured | 535 | 22.4 |
| 3. | To improve the communication system and road and water communication and transportation system are to be developed | 356 | 14.9 |
| 4. | Govt. should arrange modern and updated training of the workforce and manpower | 87 | 3.6 |
| 5. | Market price and business environment is to be maintained inflexible. | 79 | 3.3 |
| 6. | As per demand, production of raw-materials is to be arranged and supply is to be ensured. | 126 | 5.3 |
| 7. | Medical treatment and security more to be ensured properly. | 49 | 2.1 |
| 8. | Steps are to be taken to increased the women entrepreneurs and the employment opportunity for the women is to be created | 19 | 0.8 |
| 9. | One stop service is to be introduced in the case of license | 51 | 2.1 |
| 10. | Prices of fuel is to be reduced | 381 | 16.0 |
| 11. | Others | 189 | 8.0 |
| Note: Multiple response | | | |

Table-11A, Opinion given by entrepreneurs

| Sl. No. | Response | Number | % |
|---|---|---|---|
| 1. | Efficient manpower is to be built-up through skill development training program | 119 | 8.4 |
| 2. | Work oriented environment is to be created | 464 | 32.9 |
| 3. | Government cooperation should be offered to the SME enterprises properly and timely | 508 | 36.0 |
| 4. | In the industrial sector, one stop service needs to be introduced | 61 | 4.3 |
| 5. | Modern and innovative technology should be used | 70 | 5.0 |
| 6. | To reduce the rate of VAT and Tax | 28 | 2.0 |
| 7. | To reduce the rate of loan interest | 40 | 2.8 |
| 8. | To sanction loan at easier and simple terms and condition | 23 | 1.6 |
| 9. | To sanction loan to the women entrepreneurs without requiring collateral. | 9 | 0.6 |
| 10. | Easily availability of raw-materials is to be ensured | 60 | 4.2 |
| 11. | Export oriented atmosphere needs to be created | 103 | 7.3 |
| 12. | To make easy for taking gas, electric lines water lines etc. and to reduce the prices of those utilities | 15 | 1.1 |
| Note: Multiple response | | | |

# Annex-2

## KII, Focus Group Discussion & Case Studies

## Annex-2(A): Key Informant Interviews:

**Key Informant Interviews (KIIs) were conducted among 20 (twenty) officials belonging to different professions. The summary of each KII is presented here:**

### 1. Yasmeen Sultana, Joint Secretary, Ministry of Industries

Contribution of the industrial sector in the economy of Bangladesh is continuously increasing. Again, the role of SME in industrial sector is commendable.

Small and Medium Enterprises have been considered as the principal medium of industrial development in the Industrial Policy-2016. To develop the subsector in a proper way, she mentioned the following:

- Making SME policy easy and flexible
- Giving importance to the manufacturing and industrial sector by the government
- Providing investment support for creating new entrepreneurs
- Offering credit / loan without security
- Giving the entrepreneurs single digit loan
- Offering the SME entrepreneurs training on development of SMEs and internal market extension
- Assisting entrepreneurs in taking innovative approaches for diversification of products
- Access to finance to be made simple
- Women should be informed to get promotional loans and other benefits
- As regards ensuring quality of products manufactured by SMEs she expressed the opinion that government and NGOs will have to coordinate measures for mass awareness program for SMEs to upgrade the quality level of their products
- SME Foundation and BSCIC can take proper measures for development of the quality products

About reducing import dependency and increasing export of SME products the following opinions have been mentioned:

- Identifying the potential sectors
- Giving incentives
- Encouraging them to export
- Giving loan at low interest
- Accelerating market linkage as well as supply of goods
- Making quality products

While responding to practical measures for making ICT application based entrepreneurs, she recommended the following:

- SME related organizations need to achieve more capacity and train up the entrepreneurs
- Those who work with SME need proper instructions.

About women's role in SME development, it was mentioned women's role is very much important in development of SME. There is immense potential of innovative power within women. It is necessary to create entrepreneurial opportunities for the women entrepreneurs and connect / link them with the large industrial institutions so that their business can work on sub-contract basis. Also, there is felt need to help the women entrepreneurs in marketing their produced goods.

The following were mentioned about risks of SME subsector:

- Financing
- Infrastructural development
- Facilitating centre
- Trainings
- Clusters
- Conservation / Preservation system (for example, use of cold storage, ETP for environment conservation, etc.)

**2. Sheikh Md. Selim, General Manager, SME Cell, Bangladesh Bank**

- This Central Bank, Senior Officer gave very relevant and constructive information about present situation of SMEs in Bangladesh and their contribution in the national economy. He mentioned that cottage, micro, small and medium enterprises constitute 99.93% of industries in Bangladesh. They contribute 25% to GDP, 40% to employment. In industries sector, they contribute 80% to employment. This subsector is labor intensive and production period is short, so, it can make significant contribution to national development.
- Mr. Selim mentioned that under value chain financing mechanism through linking micro, small and medium enterprises with forward / backward linkages increased results can be achieved from SMEs. He said that the Industrial Policy-2016 had identified SME as the main vehicle to develop industries sector. In his view to achieve this, three measures need to be taken. These are: (i) the entrepreneurs can be encouraged by providing them proper training to introduce and use modern technologies in their enterprises; (ii) at district level a super shop can be organized where these entrepreneurs can display and sell their products; and (iii) identify innovative efforts taken by the entrepreneurs and produce export of such products. He mentioned that if proper guidance and support given to SMEs, they can produce products that are alternative to imported ones and those that can be exported.
- The Bangladesh Bank officer mentioned that it was very essential to develop ICT based SME. In this context, he emphasized on providing appropriate training to entrepreneurs and creating awareness among them. He also suggested to make internet services cheaper all over the country.
- To enhance rate of participation of women entrepreneurs in SME subsector, he mentioned that Bangladesh Bank had developed a policy that commercial banks provide a loan up to an amount of Tk. 25 lac to women entrepreneurs without any

collateral security. In his view, women entrepreneurs face such problems as social barriers, lack of proper training, lack of experience, lack of confidence and problem of capital. Integrated measures need to be taken to solve these problem.

- The Bangladesh Bank General Manager has mentioned the need for improved relationship between entrepreneurs and bankers. He also emphasized the need for enhancing financial linkage of SME entrepreneurs.
- Mr. Selim has mentioned that rapid changes are observed in the SME Sector. He gave a prediction that in coming three years SMEs would increase use of ICT and there would be more ICT based SMEs, in five years SME would form more cluster to protect them from assail of large industries or conglomerates and in next 10 years SMEs would play large part in our economy.

**3. Mr. Md. Shafiqul Islam, Managing Director, SME Foundation**

The Government of Bangladesh has considered SMEs as a very important sector in its Industrial Policy-2016. To this end, SME entrepreneurs along with women entrepreneurs should be encouraged to enhance their creative endeavors.

The following steps can be undertaken for further development of micro, small and medium level industrial enterprises to augment the contribution of the SME sector in our economy:

- The entrepreneurs can be provided with technology, skill and business development related trainings;
- Provisions can be made for internalization of modern technology and "technology development fund" to achieve technological excellence;
- Assistance can be offered in terms of marketing of the produced goods and services, campaign and spread of the goods and identifying the new and promising global markets of these goods.
- Provisions for granting loan on easy terms and low / single digit interest need to be made for the SME entrepreneurs. Women entrepreneurs can be given preference in terms of distribution of SME credit.
- Infra-structural development is very much necessary for development of SME sector.
- The entrepreneurs can be given assistance to get quality raw-materials.
- The entrepreneurs need to be encouraged in use of ICT and they can be provided with practical concept on e-commerce and e-marketing.
- Apart from ensuring proper implementation of the Women Development Policy for developing women's entrepreneurship, modern and up-to-date training can be organized or arranged for them.
- Tax / VAT and other registration processes can be made easier. Tax holiday can be given for the new SME entrepreneurs.
- Research and other development works need to be strengthened to facilitate the development and growth of the SME industrial sector. The matter of corporate investment can be considered in this regards.

- Reducing import dependency and increasing export are the two objectives of our industrial policy.
- Measures need to be taken to protect the local industries for the sake of industrialization. The SME entrepreneurs need to be supported in terms of finance, ICT, technology, training and others to ensure the alternative to imported goods in Bangladesh. The import tariff / excise for all the raw-materials of the SME industrial sector can be kept at the lowest level.
- To encourage more participation of women in SMEs, up-to-date training for women entrepreneurs needs to be arranged. Women entrepreneurs, in addition, need to be given priority in terms of providing SME credit.
- Financing is considered as an impediment in the SME sector. Most of the SME entrepreneurs are not being able to obtain loan from banks for failure in providing the collateral security. Besides, the high rate of interest, lack of efficiency of the SME credit receivers, lack of information about the credit, complexities regarding the paper works as demanded by the banks are the major obstacles in terms of financing.
- In many cases, the banks do not feel comfortable in financing SMEs because of lack of confidence in respect of whether the loan will be recovered. To overcome this situation more emphasis needs to be given to the banker entrepreneur relationship.
- Risk factors involved in the development of SME sub-sector are: competition with foreign goods and services, lack of modern technology, high rate of job change among the employees, lack of information, lack of business efficiency, problem of marketing, ensuring quality level, innovation and consumer satisfaction etc.
- Area-wise industrial development planning can be undertaken and implemented towards the goal of industrial development in the districts lagging behind in industrialization.
- Cluster based development planning can be undertaken to encourage development of SME to produce products by using raw-materials that are produced in different areas. SME Foundation has marked / identified 177 SME clusters across the country. This planning can be undertaken by offering trainings to the entrepreneurs for product diversification and exporting them on the basis of the demands in the market.

**4. Mohammad Helal Hossain, DC of Khulna**

Contribution of the industrial sector in economy of Bangladesh is continuously increasing. Again, the role of SME in industrial sector is encouraging further development of small and medium enterprises. He suggested the following:

- Making campaigns at school and college level about SME entrepreneurs;
- Appropriate counseling and grooming;
- Introducing on line based service;
- To help the entrepreneurs in financial transaction and business extension via Mobile Apps;
- Observing SME fairs / SME weeks (at district and upazila level besides the national level);
- Giving preference to the SME sector to implement the SDGs;

- To inspire the lowly educated and unemployed youths to build up their career by SME campaigns at cities and the villages.
- Rapid implementation, monitoring and evaluation of the decisions taken by NCID and ECNCID.

**The following measures were suggested to ensuring quality of product:**

- BSTI needs to properly monitor the quality of SME products.
- Digital records and the list of goods of all the industrial organizations and other information relating to quality level of the goods should be publicly available so that the institutions become encouraged to develop their quality.
- Stringent steps need be undertaken for quality monitoring and maintenance via mobile court in the industrial factories.

**Reducing import dependency and increasing export are the two objectives of our industrial policy. About these two issues, he mentioned the following:**

- Enhancing country or home based production is essential to reduce import dependency and SME sector will be able to play significant contribution for any sort of production.
- SME industries can be made in the sectors like garments, agriculture, milk and dairy, leather industry, fisheries and ICT sector.
- SME will be able to contribute in the sustainable development everywhere by investing small capital.

**About SME and ICT he mentioned that:**

Economic development is possible through eradicating unemployment by creating / making entrepreneurs in ICT sector.

Foreign exchange earnings is possible by offering clients services through web designing, software development and graphics designing works at very low cost.

About the problems and prospects of women's participation in the development of the SME sub-sector, he mentioned the following:

**(i) Positive Aspects**

- Enhancing income capacity / Economic freedom
- Employment generation
- Private sector development
- Gender equality

**(ii) Challenges**

- Crisis of financing
- Social and family non-cooperation
- Only 5.9% women entrepreneurs in SME sector