

FOCUS

INDUSTRIAL DEVELOPMENT AT CROSSROADS

SMEs Need Priority Attention

There ought to be an effective policy based on easy-to-enforce bankruptcy law so that "industrial adventures" are discouraged and appropriate policy support can be provided to the genuine entrepreneurs in order to ensure sound development of SMEs in the country.

by Mazharul H. Mazumder

BANGLADESH is an agrarian economy with agriculture still contributing lion's share of GDP. Contribution of the agriculture sector to GDP was 32.4 per cent in 1996-97 while that of the manufacturing industries was only 11.1 per cent during the same period (Bangladesh Bureau of Statistics). There is no denying the fact that agricultural development is required for economic advancement of a Least Developed Country like Bangladesh, but development of a strong and vibrant industrial sector is rather inevitable for rapid economic emancipation of the huge poor masses especially in today's rapidly changing global trading environment.

Experiences of the industrially developed countries show that especially Small- and Medium-scale Enterprises (firms employing between 10 and 99 workers) have played an outstanding role in the process of development. The vast majority of the manufacturing establishments of Bangladesh is of small and cottage types. Although different governments of Bangladesh have long been pursuing a private sector-led market-driven economic policy, export trade of the country still depends mostly on the Ready Made Garment (RMG) sector and partly on other non-traditional items such as shrimps, frozen foods, etc. And when after the year 2004 the RMG sector will be challenged under a different world trading order, the economy will certainly

be in jeopardy unless it does not diversify its export base. In order to diversify the export base it is imperative for a resource-scarce country like Bangladesh to shed enough light on development of Small- and Medium-scale Enterprises (SMEs). Because SMEs not only are more efficient than Large Enterprises as far as 'cost per employment' is concerned but traditionally they are labour intensive also. Again for improving the socio-economic condition of the 52 per cent of its population who live below the poverty line Bangladesh must increase their purchasing power, and to do so these people are to be engaged in some sort of economic activity. And this could only be done if development of the SME sector gets a momentum in time. Despite the fact that Bangladesh has one of the most attractive investment policies in the world and that the present government has identified as many as 16 industries as 'Thrust Sector', experience of industrial development in general and development of SMEs in particular is rather absolutely bitter. For instance, Bangladesh was once famous for its Muslin which is now found only in museums; jute, once the golden fibre, has become noose for farmers, and so on. In fact, Bangladesh has rather been moving forward with its back to the future and this course must be changed if the country is at least to retain its already vulnerable competitive edge in the years ahead. *What are the problems?*

People wonder as to why, despite its dire necessity, development of the SME sector has long been neglected in Bangladesh. Moreover, the SMEs already in operation cannot run and expand their business smoothly. Following are the fundamental inhibitors that frustrate SME development in the country.

Financial Constraints: Among scores of factors inhibiting growth of SMEs, finance problem is perhaps the most critical one. In Bangladesh there are hordes of micro enterprises run with support from different micro-finance institutions that after certain stage of business development do not continue funding those enterprises. In most of the cases, due to rigid collateral requirements these enterprises can afford to avail necessary fund from the existing banking system where both 'Takdir' (the predestined limits and potentials bestowed by the Almighty on each person) and 'Tadbir' (some sort of undue persuasion) are the very prerequisites of availing loans even though prospect of those businesses may be unique. Again,

government instruction to commercial banks to allocate certain portion of their loanable funds to the SME sector is probably being flouted at least partly due to anomalies between costs and returns of such loans to the banks, the former often being higher than the latter.

Inadequate Knowledge: Apart from the 'supply side' problems of institutional lending difficulties also are there in the 'demand side'. Many of the entrepreneurs do not possess minimum understanding of lending system of different banks. They cannot even estimate their exact requirement, prepare loan application and complete necessary formalities required for obtaining loan from banks.

Unskilled Labour: In today's world cheap labour alone is not enough for industrial advancement of a country. Instead, the quality of labour force has become a decisive factor. Unfortunately, no systematic attempts have yet been made in Bangladesh to design a human resource development programme for the industrial sector, which result in an unskilled labour force. Moreover, in many cases, unskilled

workers join an enterprise, work there for some time, acquire some skill and then switch over to other enterprises for higher wages. This increases cost of production of the former enterprise and the enterprise in turn loses its competitive advantage over its rivals.

Imperfect Market: According to entrepreneurs, smugglers earn more money than traders do and traders earn more than producers do and with lower costs and risk. This combined with large amounts of imports, consequent upon massive foreign commodity aid and availability of WES funds has created a 'traders' paradise' in Bangladesh. Therefore, small and medium entrepreneurs feel discouraged to set up production enterprises. In addition, due to poor infrastructure and transportation facilities entrepreneurs cannot purchase raw materials and sell their products at reasonable prices.

Inadequate Training: Existing training facilities for small entrepreneurs are inadequate and, in many cases, outdated. Due to lack of necessary training facilities entrepreneurs

cannot improve their efficiency and productivity and hence cannot provide quality products at competitive prices.

Invisible Costs: Without palm greasing, kickbacks, shady deal, exertion of political influence and extortion it is no longer possible to do any business in Bangladesh. From a vendor to the top trader, from a poor blacksmith to the business magnate all are subjected to all sorts of hassle so as to compel them to keep a portion of their capital as 'invisible cost'. With marginal capital resources small entrepreneurs are particularly prone to this problem.

Lack of Exposure: Bangladeshi entrepreneurs have little or no exposure to the international markets. They have limited access to information about global opportunities, future demands and trends. Due to infrequent trade fairs, exhibitions etc. they cannot enter and exploit international markets. *What are the solutions?*

In order to expedite the development of the SME sector so as to make it an engine of economic advancement of Bangladesh the aforesaid problems are to be

solved urgently. Although honest commitment from the government as a facilitator is a must to ensure a vibrant and strong SME sector, following suggestions could be considered to propel sound development of the sector.

First: We must inculcate the banks' loan officers with the significance of SME development in economic advancement of the country so that they feel deliberate to provide the small and medium entrepreneurs necessary working and fixed capital. Different micro-finance institutions like Grameen Bank and BRAC should broaden the limits of their existing loan packages to cover the said entrepreneurs.

Second: Training facilities for small entrepreneurs regarding lending procedures of the institutional sources, technology usage, skill and productivity improvement must be improved. Different NGOs and international development agencies should come forward to impart training to the trainers as well as the entrepreneurs.

Third: The entrepreneurs' organizations and different chambers of commerce should shoulder the responsibility of conducting trade fairs and exhibitions frequently both at home and abroad.

Fourth: While a single rate of interest for both fixed and working capital loans should be charged, the rate should be such that it provides the financial banks enough spread to cover lending costs and reflects opportunity cost of capital.

Fifth: Strict regulation of illegal

imports, procurement of government supplies from the SMEs on a priority basis may be the necessary measures that could be taken to solve marketing problems of the SMEs.

Sixth: The SMEs also suffer from technological dualism with the medium-scale enterprises using relatively modern techniques and the small enterprises using traditional techniques and facing low productivity and low returns. Hence, technological advancement through technological learning and adaptation aimed at raising overall productivity, product quality and design becomes imperative for sustained growth of the sector.

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through random mutations in bacterial DNA, and some are imported from other bacteria. If the collective bacterial flora in a community have no genes conferring resistance to a given antibiotic, the antibiotic will successfully eliminate infection caused by any of the bacterial species in the collection.

Antibiotic-resistant pathogens are not more virulent than susceptible ones: the same numbers of resistant and susceptible bacterial cells are required to cause disease. But the resistant forms are harder to destroy. On a larger scale, antibiotic resistance that emerges in a place can often spread far and wide. The ever-increasing volume of international travel has hastened transfer to the US of multidrug-resistant tuberculosis from other countries. Investigators have documented the migration of strain of multidrug-resistant *Streptococcus pneumoniae* from Spain to the UK, the US, South Africa and elsewhere. This bacterium, also known as *pneumococcus*, is a cause of pneumonia and meningitis, among other diseases.

What should be done?

People must be conscious about the antibiotic resistance and its consequences and stop thinking of antibiotic as harmless.

Doctors, local government officials and patients share responsibilities for preventing indiscriminate use of antibiotics.

Careful control of the use of antibiotics can also slow the process of bacterial resistance. Doctors need to keep themselves fully updated on the dangers, by exchanging information, attending seminars and studying latest literature.

Consumers need to understand that it is critical that prescription be followed at the correct dosage for the entire period prescribed and the leftover not stockpiled for future self-prescribing or "benefit" of relatives.

Government has a responsibility to establish and implement policies to control the availability of antibiotics and to promote their proper use.

To create awareness among the people, mass media can take an essential role. This would be more effective.

The writer is Microbiologist, Dhaka University

ANTIBIOTIC

RESISTANCE

Rationalising the Use

by Dr. Khalilur Rahman

According to an anonymous, the history of medicine as stated in a WHO report, dates back to 2000 BC, when people used to eat roots to cure them. Perhaps, in 2000 AD world is heading back to that pre-antibiotic era to treat their ailments.

The above apprehension has been expressed in a WHO report on infectious diseases 2000 titled "Overcoming Microbial Resistance" at the global spread of drug-resistant infections and called for wiser use of antibiotics.

As antimicrobial resistance is a complex multi-factor problem, its solution also requires multiactor joint collaborative action by all concerned.

The WHO called on doctors to sharply reduce their prescribing antibiotics. It also recommended a major international effort to bring more anti-infection drugs to poor nations. It has presented the action plan for the countries to contain drug resistance that from Bangladesh point of view, includes, among other things, adoption of WHO strategies and policies on disease prevention, treatment and control; education to health workers and the public on the use of medicines; containing disease in the hospital; reduction of use of antimicrobials in animals; building alliances and partnerships to increase access to antimicrobials; making essential drugs available and making effective medicines accessible to the poor. Doctors and patients can perhaps play the most crucial role in ensuring rational use of antimicrobials. In order to effect this, they need education and motivation about the ideal drug usage that involves choice of correct drug, its administration by best route in right amount, at optimal intervals and for the appropriate period after an accurate diagnosis. They should know that when antibiotics are overused, they kill harmless bacteria while the resistant bacteria thrive and multiply. The role of pathological laboratories in the diagnostic process is also very important and the government should take appropriate measures in ensuring the quality and reliability of both public and private laboratories.

Physicians need to get the message loud and clear that overuse of antibiotics must be stopped from the very health point of view. They need to be better educated and updated in order to educate them to improve their diagnostic accuracy and reduce unnecessary prescriptions. They also need to give up their often alleged commercial mentality in treating patients in the greater interest of the society and in the true spirit and belief of

and blood infections, pneumonia and some kinds of meningitis, have developed resistance to two or more antibiotics.

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