

SME: a driver of growth

TARIQUE AFZAL

THE struggle for independence will go in vain if the sectors of economic development, resource utilisation in an efficient fashion and overall maximisation of benefits for all remain unattended.

In pursuit of development, the nation duly experienced the taste of growth in microfinance and SME.

Prime Minister Sheikh Hasina took pragmatic measures to boost small and medium entities to create opportunities of economic growth and development.

Today, SME remains the engine of economic growth and considering the population of Bangladesh, SME offers large-scale employment and income earning opportunities at relatively low costs, especially in the rural areas. It strengthens efforts to achieve high and sustainable growth, which is a prerequisite for an exit from wide-spread poverty and socio-economic deficit.

In the convergence of growth in SME, women entrepreneurship plays a pivotal role. The obligations of society towards such events remain unattended and incomplete.

The prime minister continues to seek and communicate to all and her words -- "Our aim is to achieve the goals of 'Digital Bangladesh' and become a middle-income country by 2021."

I believe it is time for all to contribute and convert this vision into a sustainable reality.

A combined interaction of the forces of population, technological advantages, banking support and market coordination will create opportunities for SMEs to grow and prosper at all levels of development, which are often ignored by the traditional approach to their economic strengths and development potential.

The significance of the SMEs is that it is a source of new business creation and employment generation in the developed countries. The recent structural shifts in industrial production from the so-called industrial approach of mass production in USA to a more flexible and adaptable production regime in response to constantly changing market opportunities have led to a notable resurgence of these industries in the west. The re-emergence of the SMEs in the developed world makes economic case for fostering development of these industries more robust than ever before.



RASHED SHUMON

Visitors crowd the fifth SME Fair that opened at Bangabandhu International Conference Centre in Dhaka yesterday. SMEs have the potential to cut poverty.

Defining the potential of women entrepreneurship in support of SME development, the educational status of women in Bangladesh shows that they are being increasingly educated.

The employment statistics highlight that women in the rural sector are either self-employed or employed in family-based enterprises that include both agricultural and non-agricultural sectors. These activities that include homestead agriculture, livestock and poultry rearing, fish farming, nursery and tree plantation, tool making, fish net making, food processing, tailoring, and rice processing have been regular and invisible sources to family income supplementation.

A sector-wise distribution of employed persons in rural areas shows that agriculture is the predominant source of female employment, followed by the manufacturing sector. Women in Bangladesh are employed in low category jobs. Most of them are employed in agriculture, forestry and fisheries, where the share of the women employees is 78 percent.

Together, the various categories of SMEs are reported to contribute between 80 to 85 percent of industrial employment and 23 percent of total general employment (SEDF, 2003). However, discussions surround their relative contribution to Bangladesh's industrial output due to rarity of reliable information and different methods used to estimate the magnitude.

The most commonly quoted figure by different sources (ADB, World Bank, Planning Commission and BIDS) relating to value-added contributions

of the SMEs is seen to vary between 45 percent and 50 percent of the total manufacturing value added.

We are in a new era of economic development involving diversified models, and at times, the nation's weakness can become its greatest strengths.

It is time to strive on the route and uphold the momentum; SMEs have the potential and can create such dimension to reduce poverty to a satisfactory level.

As a core partner, the financial sector is probably amongst the fastest growing segments of most economies. Because of the very nature of the industry, special attention is warranted for improving good governance not merely for domestic efficiency and better flow of international finance but also to avert contagion effects and systemic risks. The opacity, illiquidity, informational asymmetry, and coordination problems aggravate the agency issue in this sector thus calling for substantial regulation and supervision. In recent times the hard and steadfast situations could have been avoided if the investments of the said sector were delegated in many and qualitative folds mainly in SMEs. The risks are low and the returns are equally higher due a mass volume. A time for a focus shift at large appears imperative for all.

To conquer and uphold the vision of our nation's independence, the fore path of development of SME shall steer along as our methodology should be to decentralise financial investments throughout the nation in sections of SME, encourage women entrepreneurs to participate in

the event and minimise the bureaucracy of funding into the sector. The intentions are to be wide-spread based on a similar tune to predict a uniform method to attain success.

To conclude, and determine the way forward, one must realise that functioning financial intermediation is of critical importance for SME development, however it is also useful to emphasise that the success of any financial intermediation depends on several factors.

The good practices in financial intermediation, especially for SMEs, fall into three broad areas; first, the investment climate must improve through rational policies, better access to finance, and stronger institutions.

Second, the financial sector needs to become broader, competitive, and efficient to provide entrepreneurs with alternative sources of investment capital, a diversified selection of new and innovative products, competitive rates, and efficient services to make their investments viable.

Third, ratings, improving skills, trades, entrepreneurship, and other business development advisory services would ensure success and help strengthen financial intermediation for SMEs.

Thus, a three-pronged programme where the elements are mutually complementary needs to be adopted to build a strong foundation for an efficient and effective financial intermediation system that will support private-sector development and help accelerate economic growth.

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Stockmarket: what next?

KH ASADUL ISLAM

IN the past two years, the Bangladesh capital market expanded geometrically with the index almost touching the 9000 level mark. But by the end of 2010, the market encountered a series of shocks and continues to be unstable.

Many experts and non-experts have given statements and retracted them at times, only to make those statements a little more acceptable, while still getting bogged down in a blame-game. The situation continues to worsen.

The Bangladesh capital market is important today and everyone has their own sweet opinion about who is responsible for the situation, who ought to have been more responsible in their policies, who took the wrong steps and who couldn't take a step in the right direction and in the right time.

It is true that the market does not move on its own accord, there are forces that impel its movement and there are those who are responsible for the situation today, whether they would like to take that responsibility or not. But leaving the blame game aside and the painful past behind, what can now be done now to stabilise our capital market is the important issue.

The capital market is a necessity for rapid industrial growth, as has been seen in the rise of other economies around the world. As a nation, we cannot allow our

pace of growth to slow down, and certainly cannot afford to allow it to stagnate. This does not mean the capital market requires excessive preferential treatment. Neither does it mean that it should be given a step-motherly treatment by government organs.

The capital market like any other financial institution requires a guardian. The guardian must implement regulations that are stable and be committed to protecting the market not only from unlawful means but even be prepared for accidents and disasters, and be able to steer the market away from danger. As condescending as it may sound, this guardian must be sympathetic towards the market in times of need.

There has to be, from now on, strong coordination between regulatory bodies like Bangladesh Bank (BB), the Securities and Exchange Commission (SEC) and the finance ministry.

Considering the size of the market, the SEC should be composed of professionals and must be allowed to work independently. Like a country's independence, its economy belongs to its people.

The concept of a single party exposure limit for banks might be rethought in case of subsidiary. The margin finance rule can be more transparent and accountable -- as KYC remains with the lender -- the lender has a better knowledge about the margin extended to its clients.

Auditors should be properly supervised; auditors' fees should be increased for

better services, to ensure transparency and accountability.

We expect the media to inculcate a more responsible attitude and therefore, show greater maturity and restraint in expressing opinions. Experts should be allowed to comment on market trends, not anchors.

To avoid confusion in a sensitive place like the capital market, it is better to have appropriate spokespersons from the government, who on behalf of the government shall disseminate information, concern, or comments to the public.

Diversified investment instruments like bonds and index-traded funds must be introduced to strengthen the capital market base along with existing equity instruments.

It has been a raging question for some time. Diversification is the future trend of all capital markets and it must be done if we are to keep up with the world at large.

The central bank may have a capital market stabilisation fund, which will work as a refinancing model to create a win-win situation. It will also certainly act as a check during unstable trends.

In India, for example, during the 2008 global financial crisis, the government arranged to provide in advance a sum of Rs 25,000 crore to the banking system under the debt waiver and debt relief scheme.

We are facing rising instability in financial and foreign exchange markets. We expect the government's supportive policy



STAR

Stock investors demonstrate in front of the Dhaka Stock Exchange recently to protest the fall in share prices.

roles to maintain economic performance. The regulatory bodies should be reinforced to be able to work independently and transparently, as openness and free trade hold the key to prosperity, and also to improve competitiveness and productivity.

It is not a new phenomenon as Bangladesh has faced challenges in the past and has overcome them. Our nation has the strengths to overcome the current chal-

lenges. It is essential that we all rise to the occasion and convert the challenge into an opportunity to establish new highs. This is the time for unity of purpose and resolute action.

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