



## SMEs and our development goals

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Small and medium enterprises (SMEs) are the most important segment of any economy in the world. SMEs are getting the highest priority from policymakers due to their already proven multidimensional contribution to the socio-economic environment of a country. These enterprises are easy to start, require only minimum capital, employ a comparatively higher number of people, and produce goods that meet local demands as well as contribute to export earnings. Definition of SMEs is based mainly on indicators of replacement cost (invested amount), number of people employed, yearly revenue, etc. Size of the indicators varies based on the socioeconomic condition of the country or even the region. Table 1 shows how the government of Bangladesh has defined SMEs in its latest industrial policy, the National Industrial Policy of 2016.

### Contribution and significance of SMEs

The 2013 National Economic Census conducted by the Bangladesh Bureau of Statistics shows that there are in total 7.81 million economic entities in Bangladesh. About 88 percent of these economic entities are cottage enterprises, while 11 percent are SMEs. But in reality, about 99 percent of Bangladeshi formal business enterprises are SMEs (ADB Institute, 2016). They constitute about 75 percent of non-agricultural employment and contribute about 25 percent to the national GDP. This 25 percent is contributed by only the manufacturing SMEs. However, this amount could in fact be much higher if the contribution of service sector SMEs could be calculated. Till now there has been little data available on service sector SMEs of Bangladesh, even though this sector

contributes around 56.34 percent to the GDP, making it the largest contributor.

The significance of SMEs can be clearly observed if we take a look at the contribution of SMEs in some select Asian countries. For example, about 97.3 percent of enterprises in China, 97.3 percent in Malaysia, 97.5 percent in Kazakhstan, and 97.7 percent in Vietnam are SMEs. Furthermore, about 99.4 percent of enterprises in Singapore, 99.5 percent in Sri Lanka, 99.6 percent in the Philippines, 99.7 percent in Thailand, 99.7 percent in Japan, and finally, 99.9 percent in the Republic of Korea are SMEs.

SMEs also play a vital role in

terms of export earnings, about 42.4 percent of export earnings in India comes from SMEs, 41.5 percent in China, 26.3 percent in Thailand, 20 percent in Sri Lanka, 18.8 percent in the Republic of Korea, and 15.7 percent in Indonesia.

### Targets of Bangladesh in Vision 2021

Vision 2021 has eight broad objectives that are to be achieved by 2021, the golden jubilee of our independence. Objectives of this perspective plan include: (i) caretaker government, democracy, and effective parliament; (ii) political framework, decentralisation of power, and people's participa-

ing the national election of 2008, it aims to transform the socioeconomic environment of Bangladesh from a low income economy to the first stages of a middle income economy. Along with higher per capita income, Vision 2021 lays down a development scenario where citizens will have a higher standard of living, be better educated, enjoy better social justice, have a more equitable socioeconomic environment, and the sustainability of development will be ensured through better protection from climate change and natural disasters. The associated political environment will be based on democratic principles, with emphasis on human

path to middle income status. In the sphere of education, the government targeted 100 percent net student enrolment at primary level by 2010; free tuition up to degree level by 2013; full literacy by 2014; and a population skilled in information technology by 2021.

In water and sanitation, the government aimed to supply pure drinking water for the entire population by 2011, and bring all households under hygienic sanitation by 2013.

By 2012, they hoped to attain self-sufficiency in food production; and by 2021, 85 percent of the population are targeted to have standard, nutritional food.

The ten-year plan aimed for eight percent annual growth by 2013, and sustained 10 percent growth by 2017. Agriculture is to constitute 15 percent of the GDP, industry 40 percent, and services 45 percent by 2021. Employment in agriculture is to reduce to 30 percent in 2021 from the present 48 percent; while employment in industry is to rise to 25 percent from the present 16 percent; and employment in services is to rise to 45 percent from the present 36 percent. Unemployment is targeted to decrease to 30 percent in 2021 from the present 48 percent, and poverty rate is to decrease to 15 percent from the present 45 percent.

7,000 megawatts of electricity was set to be produced by 2013, 8,000 megawatts by 2015, and 20,000 megawatts by 2021.

All contagious diseases are targeted to be eliminated and longevity is to rise to 70 years by 2021. Infant mortality is to drop to 15 per thousand from 54 per thousand in 2010, maternal mortality to 1.5 percent from 3.8 percent, while the use of birth control will rise to 80 percent.

TABLE 1: DEFINITION OF SMEs IN BANGLADESH

TYPE OF INDUSTRY		REPLACEMENT COST (EXCLUDING LAND AND FACTORY BUILDING COST)	NUMBER OF WORKERS EMPLOYED
Small industry	Manufacturing	BDT 7.5 million to 150 million	31 to 120
	Service	BDT 1 million to 20 million	16 to 50
Medium industry	Manufacturing	BDT 150 million to 500 million	121 to 300. But for RMG/labour intensive industries, not more than 1,000
	Service	BDT 20 million to 300 million	51 to 120

SOURCE: NATIONAL INDUSTRIAL POLICY 2016

employment in these countries. For example, SMEs make up 87.7 percent of employment by enterprise in the Republic of Korea, 80.3 percent in Thailand, and 71.8 percent in Cambodia. Similarly, SMEs are contributing to GDP growth and increasing export earnings of these countries. They generate 60 percent of GDP in Indonesia and China, 47.6 percent in the Republic of Korea, 45 percent in Singapore, and 43.7 percent in Japan.

tion; (iii) good governance through establishing rule of law and avoiding political partisanship; (iv) transformation of political culture; (v) a society free from corruption; (vi) empowerment and equal rights for women; (vii) economic development and initiative; (viii) branding Bangladesh in the global arena, etc.

As the election manifesto of the current Awami League government led by Prime Minister Sheikh Hasina dur-

rights; freedom of expression; rule of law; equality of citizens irrespective of race, religion and creed; and equality of opportunities. The Bangladesh economy will be managed within the framework of a market economy, with appropriate government interventions to correct market distortions, ensure equality of opportunities, and ensure equity and social justice for all.

Vision 2021 comprehensively lays down milestones for the country on its