

SMEs and our development goals

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So where do we stand on the path to realising Vision 2021? Though we have had remarkable achievements in power generation, we failed to achieve eight percent GDP growth by 2013, and it will be tough increasing the contribution of industry up to 40 percent by 2021. The only way forward is to promote SME growth, entrepreneurship development, and industrial cluster development, through a congenial investment-friendly policy. In this regard, establishing 100 special economic zones (SEZ) was a praiseworthy initiative and a step in the right direction.

However, experience shows that making an SEZ functional takes up to ten years or even more. While we may be lagging behind in achieving our aspirations, the ball has begun to roll, and late is better than never.

Ecology of SME development and challenges

Chapter 5 of the National Industrial Policy of 2016 concentrates on the development of micro, small, and medium enterprises and cottage industries. Special initiatives by the government are in place to eliminate the still existing barriers to SME development. Major commitments include the provision of collateral-free, single-digit SME

loans; refinancing of SMEs; cluster-based SME development; a 15 percent quota for women entrepreneurs taking SME loans; continuous training for capacity building of SME entrepreneurs; special drive to increase market access and market linkage of SME products; special incentives for procuring environment friendly and productive machineries; priorities for export oriented SMEs to get fiscal and

non-fiscal incentives, etc. The National Council for Industrial Development (NCID) headed by the Prime Minister, Executive Committee of National Council for Industrial Development (ECNCID) headed by the Minister of Industries, Bangladesh Small and Cottage Industries Corporation (BSCIC) and SME Foundation are among the various entities working hard to create and maintain an SME friendly policy regime in Bangladesh. Despite so many achievements till now, there remain some mentionable challenges toward SME development in Bangladesh. These have been laid out in Table 2.

We could sum up the findings in this article on the note that SMEs are important for self-employment, generating employment opportunities for others, increasing GDP growth, contributing to export earnings, supplying livelihoods to stakeholders, and poverty alleviation of the country. Cluster-based SME entrepreneurship development could be an effective tool to accomplish Vision 2021. But existing challenges like creating skilled manpower as per sectoral demands, providing product-specific manufacturing skills to the youth, improving productivity and product quality by adopting new technologies, increasing investment capacity by creating and maintaining an enabling environment through harmonisation of government policies, must be addressed if we are to achieve our development goals.

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TABLE 2: CHALLENGES OF SMES IN BANGLADESH

CORE CHALLENGES

1. Absence of skilled manpower

2. Use of old machineries

3. Lack of product diversity, new product design and development

4. Lack of information

5. Poor quality of products

6. Limited and complicated access to finance

7. Limited support from regulatory government agencies

8. Absence of harmonised tariff and non-tariff policies

9. Absence of export orientation of capable SMEs

10. Absence of skills in demand in the market in academic curriculum

ISSUE SPECIFIC CHALLENGES

1.1 Absence of modern machine operators and trouble shooters
1.2 Absence of qualified managers and innovators
1.3 Absence of trained designers and researchers
1.4 Higher educated but unemployed young generation

2.1 Poor quality of products
2.2 Low productivity
2.3 Higher cost of production
2.4 Wastage of raw materials and other resources

3.1 Same products being saturated over time
3.2 Small product basket
3.3 Lack of product diversification

4.1 Lack of market access
4.2 Lack of market share

5.1 Inability to achieve quality certification
5.2 Limited ability to meet buyer specifications
5.3 Losing market share to imported products

6.1 Absence of promotional schemes like startup financing, credit guarantee, export guarantee, modernisation of machinery, innovative product development, etc.
6.2 Limited investment capacity
6.3 Higher interest rate

7.1 SMEs are yet to receive proper support from law enforcement agencies, the Department of Environment, Department of Inspection for Factories and Establishment, NBR, and other government agencies

8.1 Tariff on raw materials and finished goods yet to be harmonised
8.2 Many investment promotion commitments of the government are yet to be implemented by NBR and other regulators

9.1 Single product dependency to export
9.2 Rural SMEs are outside export business circle
9.3 Limited export destinations

10.1 Unavailability of required skills
10.2 Higher educated but unemployed young generation
10.3 Absence of product specific manufacturing skill training

SOURCE: AUTHOR'S RESEARCH FINDINGS

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