



SMEs come together in a SHOW OF STRENGTH

SMEs account for about 90 percent of businesses and more than 50 percent of employment worldwide. The contribution of the SME subsector was almost 25 percent of Bangladesh's GDP in 2018, according to a Planning Division report.

JAGARAN CHAKMA, SUKANTA HALDER and SAMAMA RAHMAN

Imagine walking into a shop and finding products that are identical to those at branded outlets but are being sold for only a fraction of the price levied by the well-known companies.

Genuine leather belts can be bought for Tk 500 only while export-quality leather bags, which are shipped to Japan and European nations, can be purchased for only Tk 1,500 to Tk 2,500.

A wide range of ceramic products, including pots, planters, vases and decorations pieces can be bought for as little as Tk 160 while jute bags, some finished exquisitely with leather accents, will cost Tk 400.

Such bargains are made possible by the wonders of small and medium enterprises (SMEs), who came together at the 11th National Small and Medium Industrial Products Fair, organised by the SME Foundation under the Ministry of Industries.

SMEs are considered the lifeblood of any economy, but despite their major role, many believe these relatively modest enterprises simply process raw materials. Others opine that when they do sell goods, the products are not of the ilk of top brands.

In reality, these diligent entrepreneurs have come leaps and bounds in terms of innovation, creativity and quality.

In fact, according to a report by the Planning Division under the Ministry of Planning released in 2019, SMEs accounted for 69.9 percent of total manufacturing value-addition in Bangladesh.

For example, jute was once used only to make sacks. But owing to the innovative minds of entrepreneurs, they have diversified the range of products

over time.

Now, more than 100 jute goods, including bags, rugs and even decorations, are sold at home and abroad, with Bangladesh exporting jute and jute products worth \$912.25 million in the last fiscal year.

To showcase their improvement and boldly challenge any misplaced notions, numerous entrepreneurs have come together in a show of power at the Bangabandhu International Conference Centre in the capital's Sher-e-Bangla Nagar.

Hundreds of products, including ornaments, agriculture machinery, processed agricultural products, and handicrafts were on display alongside numerous boutiques, which boasted Jamdani and Tangail saris.

The growth of such SMEs is also a boon for the economy.

Due to the labour-intensive nature of such ventures, they are leading job creators. Collectively, these enterprises play a bigger role in the economy than any powerhouse in any sector.

According to the World Bank, SMEs account for about 90 percent of businesses and more than 50 percent of employment worldwide.

The contribution of the SME subsector was almost 25 percent of Bangladesh's GDP in 2018, according to the Planning Division report.

Visiting the ongoing SME fair, the realisation dawned that a lot of these enterprises have enhanced their manufacturing capacity.

Md Masudur Rahman, chairperson of the SME Foundation, lauded the quality and diverse range of products. "The capacity of such enterprises and the efficiency of their workers has improved enormously over the past 15 years."

Another heartening fact is that about 60 percent of the enterprises at the fair are led by women entrepreneurs, highlighting the gender inclusive nature of such businesses.

As one ventures through the fair and wanders past the stalls, it becomes clear that every entrepreneur has a story worth telling.

Zuena Ferdous Mitul, owner of Ahllad Fashion in Rangpur, is exhibiting various jute products, including school

"Basically, I went back to Rangpur from Dhaka to help my sister develop a shataranji manufacturing factory, but I realised the bright prospects of jute products," said Mitul.

"When I began, I did not have machines or equipment. In 2022, I finally set up a factory with 10 machines and 13 workers."

Now, Mitul says, she has export orders for eco-friendly jute bags from the Netherlands and Japan. "At present, my

one is located in Narayanganj, and the other is in her home district of Madaripur.

"Around 230 trained workers are employed at my production units, which can produce products worth Tk 70 lakh per month," she said.

She is displaying over 100 types of eco-friendly jute products, including tissue boxes, jewelry boxes, showpieces, and bags which are sought by local retailers and exporters.

Leather goods were also pulling in the crowd, with eye-catching, high-quality products being sold by numerous entrepreneurs. According to them, they export leather goods after meeting demand of large companies such as Apex, Bata, Bay, and Aarong.

Their contributions helped Bangladesh earn \$396.37 million through the exports of leather products last fiscal year, a year-on-year increase of 17.40 percent.

Rubina Akhter Munni, owner of Design by Rubina, said she manufactures more than 100 products, including purses, wallets, laptop bags, and vanity bags.

Not only is she supplying leather goods to local retailers and exporters, she also gets direct export orders from Japan, Europe, and the US.

Nearby, Alim Industries Limited of Sylhet is showcasing agriculture machinery and tools. It manufactures 27 types of farm machinery using local components.

Fayaz Alim Chowdhury, a director of the company, said they have four outlets and also supply their products through over 300 dealers.

According to the SME Foundation, 350 companies are showcasing 100 percent local products at the fair.



bags, canvases, travel bags, and sports bags.

She started her business on a limited scale with a nominal capital in 2018. Interestingly, before blossoming as an entrepreneur, she worked in the film industry as a costume designer.

She likened her foray into entrepreneurship to the voyage of famous explorer Christopher Columbus, who accidentally stumbled upon the Americas while attempting to find a direct sea route to Asia from Europe.

factory can produce jute products worth Tk 50 lakh per month," she noted.

However, Mitul said the profit margin of the business is limited and that it is tough to compete with Vietnam and India in the international market.

Similarly, Nargis Ahmed, owner of Ana Fashion Boutique, started manufacturing handmade cushion covers from jute in 2007 with a minimal capital aiming to utilise her expertise in design and handicrafts.

Now, she has two production units:

Challenges abound for aspiring entrepreneurs



SUKANTA HALDER and JAGARAN CHAKMA

Ashit Chowdhury, managing director of AAPON, a manufacturer of shataranji and various jute home decor products, applied for a loan of Tk 30 lakh from a private commercial bank.

However, he found out in early May that the interest rate rose before the loan was approved. Therefore, he chose

not to go ahead with the borrowing plan.

"Previously, I could secure a loan at a 4 percent interest rate. Now it has escalated to 13.50 percent. Consequently, the business is not maintaining its usual cash flow. This will negatively impact the business in the future," he said.

Chowdhury, who launched his business in 2019 with an investment of

about Tk 11 lakh, has made big strides in the past six years. Now, his business portfolio has ballooned to Tk 55 lakh and he runs two factories, located in Rangpur and Nilphamari, alongside two showrooms.

Annually, he sells products worth approximately Tk 1.5 crore.

Speaking to The Daily Star at the 11th National Small and Medium Industrial Products Fair in Dhaka, Chowdhury said another major factor hindering the growth of his company was the hike in prices of raw materials.

Raw material prices rose 10 percent in the past year, but instead of passing on the full cost to customers and possibly hampering sales, he increased prices by 5 to 7 percent. This calculated risk reduced his profit margin.

"In the last fiscal year, we managed to raise the workers' salaries by only about 3 percent because income and expenditure were not balanced. However, in July, we plan to increase it by 10 percent," he said.

Small and medium enterprises (SMEs) are the backbone of Bangladesh's economy, but entrepreneurs like Chowdhury are facing myriad challenges.

Many SMEs are struggling due to a lack of access to finance. This is one of the biggest obstacles for SMEs, especially as it prevents companies from setting up shops or scaling up existing operations.

Md Masudur Rahman, chairperson of the SME Foundation, said there is a

Tk 25,000 crore revolving fund for the SME sector at the Bangladesh Bank, but it is only one-third of the total requirement.

Furthermore, marginalised entrepreneurs who cannot provide evidence of financial transactions cannot avail loans from the formal sector, he said. "So, they borrow from the informal sector, which charges more. This increases the cost of production."

The chairperson said the state-run agency is working with banks and entrepreneurs to devise a mechanism to ensure access to finance for all entrepreneurs.

Additionally, SMEs also contend with a lack of marketing, shortage of skilled manpower, poor training facilities, undeveloped sales channels, and low levels of financial inclusion.

Kaniz Fatema, a leather goods and footwear manufacturer, thinks the primary challenge is the shortage of skilled workers.

According to the entrepreneur, being a woman meant that she had to face and overcome various social challenges when it came to running business. She, however, added that the full support of her family helped her persevere.

She said the price of raw materials rose by 10 to 15 percent over the past year, squeezing the profit margin. She chose not to increase prices at the same rate to maintain sales, even if it meant lower profits.

Her business, providing only men's footwear, was established in 2019 at an initial investment of Tk 10 lakh. The total investment has since grown to Tk 50 lakh as she has diversified her range of products into 150 different categories.

In the past, Fatema only supplied products to wholesale traders and a few brands, but now she is focusing on e-commerce and also has a showroom in the capital's New Market.

Anjuman Akter, a business partner of Tulika, a jute product manufacturer, said their company was founded in 2009. Initially, they took orders and outsourced production to other factories.

However, the factory that received their first order failed to meet their specifications, resulting in a loss of Tk 50,000.

"Every problem gives us the courage to take on new challenges," she said.

In the current situation, orders and sales have decreased due to high inflation, with yearly orders down by 30 percent.

