

শনিবার, ডিসেম্বর ৩, ২০১৬ | **ESTIMATED READING TIME: 4 MINUTES**

Growth of Small and Medium Enterprises as means to Achieve Development



Bijon Islam
in
Uncategorized

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Bangladesh is almost ready to step into 2017 with a mixed year to look back upon. We have been maintaining our GDP growth stride above 6% with emerging industries like footwear, pharmaceuticals, ICT showing strong export potential besides our “big gun” RMG. While roads and highways infrastructure have suffered in terms of implementation time, a significant portion including Dhaka-Chittagong four-lane highway has opened and power generation projects have fared increasingly well. We are even ending the year with Bangladesh beating England in style in the final test match of a very competitive series.

However, as we strive to become to enhance our position as a middle income nation and pave our way towards an advanced economy, the Small and Medium Business (SMB) will have an increasingly pivotal role to play. While our export is largely defined by manufacturing sector the SMBs who generate majority of the employment is often not nurtured and do not get the attention they actually deserve.

Bangladesh ranks 8th in the whole world in terms of population and 5th in terms of density with 160 million consumers packed in a space roughly one-quarter the size of Thailand. Currently, the country has USD 30 billion+ in foreign reserves, USD 210 billion in yearly GDP value and with USD 1,350 per capita income just entered the lower ranks of a middle income nation.

Bangladesh's consumer class is young, technologically adaptable and exhibits high engagement through the mobile internet. As an emerging economy, Bangladesh has embraced technology at a rapid pace. Of the 60 million+ active internet subscribers (BTRC Jul 2016), nearly 96% are on mobile and 12 million use smartphones. With all the basics right we are rightly positioned where SMBs can take advantage of this growing domestic market.



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However, while regional powerhouses like China and India have looked at SMBs including Startups at a national level, Bangladesh is playing catchup. India currently is the third largest start-up location globally second to USA and UK. Companies like Flipkart (from India) has moved into top 10 most valuable startups in the world with a valuation of USD 15 billion. And this SMBs or Startups are from a diversified set of sectors including e-commerce, logistics, healthcare, education, hospitality, media, finance and solving all types of problems.

The Bangladesh government has increasingly looked at the SMB sector with sponsored event largely focused towards ICT like Connecting Startups or Digital World. However, problems remain in three fundamental areas:

Access to Financing: With 56 banks, 31 NBFIs and 1000+ MFIs present in the country this may seem ironic, but we have to remember debt based funding is not often the best solution to a SMB requiring high interest rates or collaterals.



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SMBs are a challenge and even if young businesses can get funding at seed stage it is difficult to raise funding for further rounds of capital for growth. For this to work we also have to ensure exist strategies for the funds that are investing here through a vibrant capital market.

Business Environment and Support Network: SMBs often face an uneven field while doing business. In Bangladesh the power of “lobbying” is often lopsided with larger players, there are artificial barriers to entry and bad payment terms. All this raises cost of doing business. Additionally, while India boasts 100+ accelerators/incubators in Bangladesh we can just name a handful with an even fewer number in actual operations.

Grameenphone runs GP Accelerator and they have just taken in a second batch of 5 Startups and USAID Agro-Value Chain (AVC) Project is running Peer to Peer Accelerator Network Program for Agro-SMBs in the southern region of Bangladesh (from LightCastle we are involved with both programs – with the former in the capacity of a mentor and with USAID AVC we run an accelerator program called “Unnoti” for SMBs in jute and ground nuts sector).

Entrepreneurial Culture and Social Texture: We need young people supported by society to grow our SMBs. While in India, 72% of Startup founders are below the age of 35 while in Bangladesh society often depicts businesses as “entrepreneurship out of necessity as opposed to opportunity” and young people gets discouraged from starting a business. Our education system also needs to act more entrepreneurial and that is the only we are going to get maximum leverage out of her demographic dividend. Business should have at least equal prestige institution compared to other professions.

As we embrace the coming year, we have to collectively address this issues and work together to build Bangladesh as a “Dazzling Delta” where wonderful things happen.

The writer has specialised in business model development, financial structuring and inclusive business design with 10+ years of experience in investment banking, private, development and public sector consulting. He can be reached at bijon.islam@lightcastlebd.com

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