Chapter 6

On the Road to SME Sector Development in Bangladesh: A Guideline Based on Current Challenges and Opportunities

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ABSTRACT

Entrepreneurship has been deliberated as multidimensional and multidisciplinary study. From the economic point of view entrepreneurship is the central force for economic development for any nation. Scholars and policy makers now have started to see entrepreneurship as panacea for inclusive growth. Entrepreneurships are most widely popular and discussed area. Study on small and medium sized enterprises (SMEs) has been maturing for the last decade as it has been regarded as significant player for the social development along with the economic development. In Bangladesh, SMEs account for a large proportion of the total establishments in various sectors. Considering the importance of the SME sector in Bangladesh, this study intends to explore and sketch-out the landscape of current SME setting in Bangladesh. With this aim the study has extensively carried out literature review, observed and understood the secondary data obtained from various organizations, and finally presented a policy driven recommendation (micro and macro level) which would enable to develop the SME sector in a developing country like Bangladesh.

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INTRODUCTION

Entrepreneurship is considered as multifaceted and multidisciplinary study. It has adopted different unit of analysis, theoretical standpoint and methodologies. (Low & MacMillan, 1988). From the economic point of view entrepreneurship is the central force for economic development for any nation (Ahmad, Halim, Ramayah, & Rahman, 2013). Scholars have observed increasing evidence that there is a substantial causal relationship between entrepreneurship, economic growth and poverty reduction (Chowdhury, 2007). It is believed that the growth of the entrepreneurship ventures increase the money flow in the economy, in other words triggers the circulation of money within the economy, create job opportunities, and ultimately enhance the living standard of the society and of an economy. Therefore, scholars and policy makers now have been started to see entrepreneurship as panacea for inclusive growth, where inclusive growth refers to the contributing to profit, as well as the society (Hall, Matos, Sheehan, & Silvestre, 2012). Considering the size of the entrepreneurship, Micro, Small and Medium Entrepreneurships are most widely popular and discussed area. Study on small and medium sized enterprises (SMEs) has been maturing for the last decade as it has been regarded as significant player for the social development along with the economic development. It is perhaps one of the major economic growth engine and backbone of the economic wellbeing for the developing countries. It has also been observed that SMEs are playing vital role on the rapid socio-economic growth of the developing countries and least developed countries.

In Bangladesh, one of the least developed countries, SMEs account for a large proportion of the total establishments in various sectors. Considering the importance of the SME sector in Bangladesh, this study embarked upon to explore and sketch-out the landscape of current SME setting in Bangladesh. The issues of entrepreneurship are complex and not enough and in-depth studies have been carried out in the context of Bangladesh (Chowdhury, 2007). This chapter book institutes a scope of further comprehensive study and expected to contribute to better apprehend the opportunities, challenges, dynamics, and future course of actions for the development of SME sector in Bangladesh. With this aim the study will extensively carry out literature review, observe and understand the secondary data obtained from various organizations, and finally present a policy driven suggestions for policy makers, researchers, and businesses which would enable to develop the SME sector in a developing country like Bangladesh.

OBJECTIVE AND RESEARCH METHODOLOGY

The critical and in-depth literature comprising a holistic picture of the entrepreneurship development in Bangladesh found to be rare (Chowdhury, 2007). Till now not enough significant studies have been conducted in the academic field which would give an inclusive illustration of the small-medium enterprises in Bangladesh. In addition, discussion on the opportunities, challenges, and possible guidelines also found to be sparse. Therefore, considering the frail state of studies conducted in Bangladesh, this study has made an attempt to provide a comprehensive sketch on the geo-politic and socio-economic portrait of the country. The snapshot on such areas has triggered to embark on the main objective of the study. The main objective of the study is to offer a policy guideline for the SME development in Bangladesh based on the prevailing challenges and opportunities of the SMEs. To fulfill the objective the study will carry out review from the extant literature on Bangladeshi SMEs, identify the challenges and opportunities for growth of the SME sector in Bangladesh.