

PN - AAR - 247
ISD. 58044

AN OVERVIEW OF SMALL-SCALE ENTERPRISES
IN BANGLADESH

Paper prepared for the Workshop on Small-Scale Enterprise held in Jog-Jakarta, Indonesia (November 30 - December 4, 1981). by A.H.M. Habibur Rahman, University of Dacca.

Table of Contents

	<u>Page</u>
1. Introduction	1
2. Meaning of Small Industry	2
3. Characteristics of Small Industry	3
3.1 Major Product Lines	3
3.2 Form of Ownership	3
3.3 Market Coverage	4
3.4 Geographical Distribution	4
3.5 Linkages	4
3.6 Labour Force	5
3.7 Capital Investment	5
3.8 Profitability	5
3.9 Capacity	5
3.10 Entrepreneurial Characteristics	5
3.	
4. Environment of Small Industry Development	6
4.1 Policy	6
4.2 Incentive and Facilities	7
a) Tax-Holiday	7
b) Customs & Import Duty	7
c) Depreciation and Interest Charge	7
d) Special Concessions and Facilities extended in the Less Developed Areas	7
e) Export-Oriented Industries	8
4.3 Financial Assistance	8
4.4 Infrastructure Investment	10
4.5 Agricultural Policy and Growth	10
4.6 Establishment of MSCIC	11
5. Sources of Finance, Technical Assistance/Extension	11
5.1 Capital	11
5.2 Technical Assistance	11
5.3 Training	12
5.4 Extension and Sustaining Activities	12
6. Problem Issues	12
7. Suggested Actions	14

	<u>Page</u>	
7.1	Definite Policy	15
7.2	Definition	15
7.3	Small Industry Census	15
7.4	Industrial Development Potentiality Survey	15
7.5	Appropriate Technology	15
7.6	Types of Industry	16
7.7	Identification of Assistances Needed	16
7.8	Reservation of Items for Small-Scale Industry Sectors	16
7.9	Need for Promoting Small Industry through sub-contract system	16
7.10	Ancillary Industries Development	16
7.11	Development of the Institute for Small Scale Industry	17
7.12	Credit Support	17
7.13	Supply and Marketing Facilities	17
7.14	Entrepreneurship Development Programme	17
7.15	Integrated Package Assistance	18
7.16	Research and Development Efforts	
7.17	Working Premises	18
7.18	Suggested Specific Programme for Rural Industrialisation	18
7.19	Consideration of Future Programme of BSCIC	19

APPENDIX I

APPENDIX II

AN OVERVIEW OF SMALL-SCALE ENTERPRISES
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1. Introduction:

Under-employment and unemployment is widespread in Bangladesh. The extent of underemployment and unemployment as stated in the Draft Second Five Year Plan (1980-85) is about 33 per cent of the entire agricultural labour force and 48 per cent of the total job aspirants of educated youth.^{1/} The rapid population growth resulting additions to the civilian labour force is posing a great threat to the economic development process of the country. The realities of such economic situations demand topmost priority to policy objectives that will lead to rapid increase in employment opportunities, especially in the rural areas. In this regard, small and cottage industries hold high hopes.

Small industry, involving simple technology and small investment, producing goods mostly for domestic consumption and employing relatively more people compared with large industry has a vital role to play in the economy of Bangladesh. The economy of Bangladesh is predominantly agro-based and about 80 per cent of total population (90 m) depends on agriculture. The agriculture sector contributes over 50 per cent of GDP and accounts for more than 79 per cent of total employed labour force in the country. The manufacturing sector (which includes large, medium small-scale and cottage) account for 8 to 9 per cent of the GDP and absorbs about 5 per cent of labour force. Available evidence suggests that share of small and cottage industry is about 3 per cent. Besides, demand for some small and cottage industry products such as ready-made garments, handicrafts are increasing in foreign market. The small and cottage industries sector contributes about 37 per cent of the total value added generated by the industries sector and employs as much as 75 per cent of total industrial labor force.^{2/}

Small and cottage industries are capable of generating larger employment opportunities. The potentiality for developing this sector in terms of resource endowments (availability of raw materials, cheap supply of labour, vast domestic market, entrepreneurial initiativeness etc.) is

^{1/} Planning Commission, Government of Bangladesh, The Second Five Year Plan (1980-85).P. VI - 5-6

^{2/} Ibid

indeed great. Thus the development of small and cottage industries can play a crucial role in accelerating the economic development by creating impressive opportunities of employment and income in relatively short period of time. One of the major objectives of the Second Five Year Plan (1980-85) which is now in operation is to create optimum employment opportunities. Besides, Dispersal of economic activities, equitable distribution of wealth and balanced regional growth are greatly facilitated through the development of small and cottage industries.

2. Meaning of Small Industry:

At present small industry is defined as an industrial unit having fixed assets upto Tk.3.0 million excluding the cost of land and building and working capital. Till recently the value of land and building was included with fixed assets within the scope of definition of small scale industry. The working capital which constitutes a major part of total capital was excluded from the definition. The Department of Industries has, however, defined small industry as a unit having fixed assets upto Tk.6.00 million excluding the cost of land.^{3/} To distinguish from small scale industry, Cottage and Rural Industries have been defined as:

- (a) An industry which is carried on wholly or mainly by the members of the family either as a whole time or on part time operation;
- (b) Any industry whether using family or hired labour, which does not use motive power for any operation and employs less than 20 hired workers;
- (c) Any industry whether using family or hired labour, which uses motive power for any operation and employs less than 10 workers.

Studies completed recently on small and rural industries have defined them in their own terms. In one study, small industrial enterprises were defined as enterprises engaged in processing, manufacturing, and servicing having fixed assets including land and building upto Tk.2.50 million.^{4/} In terms of employment small enterprises will be defined as 'those having full time employees with less than 50.' In another study the term "Rural Industries" have been defined to include

^{3/} Department of Industries, Government of Bangladesh, Guide to Investment in Bangladesh, May 1977, page 9.

both the manufacturing activities and the repairing of manufactured goods operating on a commercial basis and having employees upto 50. To distinguish between Small and Cottage Industries, the Cottage Industries have been defined in that study as an establishment with three or four workers or an establishment with 10 or fewer workers employing at most two hired workers. 4/

3. Characteristics of Small Industry:

3.1 Major Product Lines:

At present a large number of consumable items, inputs of other industries, spares and components are produced by small industry. Modern small industry based on imported inputs produce agricultural tools and implements, insecticide sprayers, low lift pumps, bicycle parts, bobbins, shuttles for textile mills, building hardware, locks and padlocks, electric fans, fittings and appliances, hosiery, metal containers, knitted fabrics, mosquito curtain, typewriter carbon paper, tyres, rubber footwears, packages, paint, scientific equipment, PVC pipe, sanitary wear etc. The food and allied industries include paddy rice milling, crushing of mustard seeds, flour milling and fish processing; whereas, the wood and forest products include general saw mills, furniture, box making, other groups of products are paper, leather and rubber (leather shoes, suitcases), chemical and pharmaceuticals, glass and ceramic, light engineering, machine shop, metal fabricated liquid storage boxes, metal furniture, wilding, steel revolving etc., electrical goods and servicing industries. Besides, there are some enterprises which produce spares and components for other industries. Mechanised service industries are also classified as small industries such as, automatic laundries and dry cleaners, printing presses, cold storages and automobile repair shops. Both artisan type and handicraft industries produce a large number of products. In fact, small and cottage industries produce hundreds of different items of products and services.

3.2 Form of Ownership:

The small enterprises established so far belong to the following forms of organization namely, sole proprietorship, partnership, private limited company and co-operatives. Study indicate that majority of enterprises representing 72% have legal status of sole proprietorship. The next important form of organization is Private Limited Company and they are generally concerned with the modern small industry.

4/ BIDS, Rural Industrial Study Project, p. X.

3.3 Market Coverage:

Small Industry products are generally sold in the local market although some of the products have a good coverage of regional and national markets. Nature of the products and their use dominate the market coverage factor. Study of 247 units show that 74% of the units sold their products in the local markets. 30% of the units have national market coverage and another 16.60% have regional coverage. Some of the products have also got their demand in the foreign markets. Data in general suggest that small industry products have prospects of extending their market coverage beyond local if the demand for products concerned can be created by appropriate means and measures.

3.4 Geographical Distribution:

The number of Small Enterprises are not correctly known. According to a govt. report the number of small scale enterprises (small, cottage, handicrafts, handloom silk) now in operation comes to approximately ~~660000000~~ 5/

Small industries are widely scattered throughout the country. But more mechanised and larger better managed small industries, however, heavily concentrated in and around the major urban centres of the country.

3.5 Linkages:

One of the major objectives of the planned development of industries should be to see that some kind of linkages be established between small and large and between small and small industries. It has been revealed from a study that agriculture and industry were growing together and were mutually strengthening each other. The food and allied industries were by and large fed by local raw materials (more than 50%). But in other cases, most of the inputs were imported. As a result, the linkage effect has been minimum in the promotion of small industry. The promotional organizations have not worked in the line towards the establishment of linkages between different sizes of industries. But currently BSCIC has taken up a major programme for sub-contracting with World bank assistance.

5/ Administrative Scheme of Bangladesh Small and Cottage Industries Corporation, (BSCIC) RISP Study and BSCIC Industrial Survey.

3.6 Labour Force:

Employment in small industries varies widely from as few as 3 to 5 employees to 40 to 50 employees or higher (in larger and more labour intensive industries). Workers in small industries are not the product of any formal training program but they are either trained in the job or hired from similar types of industries. Study of the characteristics of labour force indicates that there are 60% skilled, 75% operative, 88% male, 86% full-time, 82% hired and 18% family workers. In most cases the owner himself is the manager. The analysis of the employment situation suggests that small industry can be a potential source of employment, particularly for woman, who are lagging behind in contributing to economic development due to lack of proper education and employment opportunities.

3.7 Capital Investment:

Investment in small industry ranges from minimum of few thousand taka to Tk.2.50 million. According to a study relating to investment in fixed assets (including land and building) it was revealed that 75% of 247 enterprises have their investment size upto Tk.0.5 million, 12% of them have the size from Tk.0.5 million to Tk.1.00 million and the remaining enterprises were distributed between the different sizes from Tk.1.01 to 2.51 million and above. However, with the increase of investment cost the maximum ceiling in fixed investment may be raised further.

3.8 Profitability:

Returns on sales are often low, ranging from 5% to 20%, but returns on capital are high and investment can usually be recovered in two or three years. Returns on Investment (ROI) at 50%, 75% and even 100% are not uncommon.

3.9 Capacity Utilization:

Most of the small enterprises particularly those units based on imported raw-materials run below their capacity level. This has serious impact on the profitability of the enterprises.

3.10. Entrepreneurial Characteristics:

According to a research findings, about 89% of entrepreneurs have Bangladeshi origin and the remaining are migrated from neighbouring India. The largest number of entrepreneurs belong to the age group 31 - 40 years (40%). The next important age group is 21- 30 years (29%). A significant proportion

of entrepreneurs belonging to the age-group of 21 - 30 years seems to point out significant elements of entrepreneurial development; students leaving the University belong to this group and they may be encouraged to enter small enterprises. As regards the educational background, it is observed that about 24 p.c. of the entrepreneurs had graduate level and post-graduate level of education. About one-third of the entrepreneurs did not receive school certificate level of education. The highest number of entrepreneurs (54 p.c.) had previous business experiences in one form. The entrepreneurs originated mainly from two types of families with Trade/Business (43.32 p.c.) and Farming (37.55 p.c.) profession.

4. Environment of Small Industry Development:

Growth of small industry is largely dependent on the environment in which it operates. By environment we mean the existence of certain preconditions right from policy prescriptions to socio-economic factors that encourage establishment and growth of industries by the small entrepreneurs.

4.1 Policy:

The policy prescriptions announced by the government in the form of statements and recommendations through different Five Year Plans and other documents show that small industry sector has been recognised as an important sub-sector for supporting the overall economic growth of the country. Different measures were adopted from time to time including those of institutional arrangements, fiscal incentives, tax-holidays, investment allowances, provision of finance through specialised institutions and infrastructural facilities to promote the growth and development of small industry. The Bangladesh Government in its industrial policy, announced in January 1973, reiterated its confidence on the vital role of small and cottage industries in achieving regional development throughout the country. In that policy the government limited the role of private sector in Bangladesh to small and medium sized units with investment in assets not exceeding Tk.2.50 million. Subsequently, the investment ceiling was raised to Tk.30.00 million and again to Tk.100.00 million for private investment. The moratorium clause that industries shall not be nationalised initially for 10 years and later extended within 15 years was deleted in 1975. However, if at all any industrial unit is nationalised on any special circumstances just and fair compensation will be paid in the currency of the country concerned. Incentives and facilities will continue to be offered. As the role of private sector

is duly recognized recognized in the economic policy of the country. ~~the~~ sector expected to play greater role in advising the industrialisation program of the country.

4.2 Incentives and Facilities:

In order to attract and encourage investment in private sector industries, certain incentives and facilities were provided by the Government and for this purpose Government divided the country into Developed Areas and less Developed Areas. The incentives and concessions as offered are stated below:

a) Tax-Holiday: New industrial undertakings of developed areas and less developed areas shall enjoy a tax-holiday for a period of 5 years and 9 years respectively on condition that 30 per cent and 15 per cent of profits of such undertakings are re-invested in approved Govt. bonds respectively.

b) Customs & Import Duty: Payment of 50 per cent customs duty on capital machinery may be deferred for a period of six years from the date of import of machinery and also a rebate of 5 p.c. customs duty may be allowed on such machinery upto Tk.1.00 million in the developed areas. On the other hand, import duty on capital machinery is only 2 p.c. (ad valorem) for industries of less-developed areas and such industries also will enjoy a rebate of 50 p.c. of import duty on spare parts for a period of 5 (five) years.

c) Depreciation and Interest Charge: In the developed areas, the provision of accelerated depreciation (for three years) and a generous investment allowance will continue to be in force until 1980 and 1982 respectively. For industries of less-developed areas, interest charge on loans granted should not exceed 11½ p.c.

d) Special Concessions and Facilities extended in the Less Developed Areas:

- i) At a preferential rate, electricity shall be made available to selected industries for encouraging the growth of industries.
- ii) More liberal standards should be adopted for giving recognition to industries.
- iii) The financing institutions shall fix debt at 70:30 III IDA Credit, 80:20 SCP and 90:10 pilot project equity ratio and the period of repayment of loan may be extended by additional grace period upto five years.

e) Export-Oriented Industries: Additional facilities have been provided by Govt. for export-oriented industries such as: income tax rebate at the rate of 25 per cent, lowest interest rate in the case of pre-shipment and packing credits, allocation of cash foreign exchange from time to time for import of capital machinery, granting of export performance licence which can be sold or utilised for making the products competitive in international markets etc.

In the latest policy prescriptions (1978), Government recategorised the developed areas into (i) Developed Areas, (ii) Priority Development Area and (iii) Development Area. According to the revised fiscal concession policy, the duty on imported machinery for the setting up of new industries or balancing, modernisation, replacement and expansion will be (ad valorem) 15 per cent for developed areas, 5 per cent for development areas and 2½ per cent for priority development areas. Industries located in a BSCIC Industrial Estate in developed areas will be given 5 per cent rebate whereas the rebate will be 2½ per cent for all industrial units irrespective of their location subject to the condition that not less than 80 per cent of their products will be exported. Capital machinery dutiable at 15 per cent will be eligible for deferred payment benefit.

4.3 Financial Assistance:

Majority of the new industries particularly modern industries being established in Bangladesh require institutional credit. Before the birth of the Bangladesh, the BSCIC provided long-term credit to small entrepreneurs under three programme namely: BSCIC Own Fund, BSCIC-BSB loan and BSCIC and Consortium of Commercial Banks. But there has been some changes in the role and functions of BSCIC in post-liberation days. The role of BSCIC as the supplier of credit is now limited to financial projects of new products (90:10) scouting for credit (local and foreign) to be administered by banks and providing guarantee funds to the financing organizations. BSCIC as a promotional organizations scouts for entrepreneurs, helps them with the total package of assistance excluding credit. This reduces BSCIC's effectiveness as a promotional organizations. Moreover, the small entrepreneurs can not and should not be forced to approach more than one organisation. Hence following India's experience the promotional organisation (in our case BSCIC) should refers entrepreneurs scouted by them to financing organizations who should give preferential treatment to these entrepreneurs. If necessary banks may depute a manager to BSCIC's DIC.

At present, there are two loan programmes (i) Special Credit Programme (SCP) and (ii) IDA loan under which Small and Cottage Industries are being provided with credit. The SCP of Tk.6.00 crore (enhanced to Tk.12.00 crore subsequently) was initiated by the Bangladesh Bank in January, 1978 providing credit facilities to Small and Cottage Industries. The main purposes of the loan were to supply working capital, setting up of new small and cottage industries, and expanding the activities of the existing enterprises. The loan is provided in local currency and duration of fixed capital loan will be 5 years and that of working capital vary from 2 to 3 years. The rate of interest would be 11 p.c. with a provision of marginal requirement 25% (equity). The scheme would be production-oriented and not security-oriented.

The nationalised Commercial Banks (NCB) are responsible for operating the SCP and one of the six NCB has been designed as the 'Lead Bank' in each district with responsibilities of disbursement of loans, supervision of end-use of the funds and recovery of loans as per repayment schedule through their relevant branches in each district. The operation of SCP is claimed to have attained considerable success. However, an evaluation study of the same loan programme, has suggested certain changes in the operational activities of the programme so that it may be more effective. Among the changes mention may be made here that the procedures of loan applications be further streamlined, appraisal of project be made quicker by identifying the function of BSCIC and bank personnel, size of the loan be substantially enhanced, loan should also be given in foreign currency, adequate provision be made for financing woman entrepreneurs and cottage industries be adhered to production oriented approach etc.

The other type of loan assistance promoted to small industry is IDA credit programme. This loan programme is administered by the participating commercial banks while the BSCIC scouts for entrepreneurs provides them with counselling and refers them to the banks. The loan is in both local and foreign currencies and made available for creation, expansion and balancing of small-scale industries. The provision for foreign currency loan and other assistances has made this programme relatively more successful and popular.

With the expansion of Small industry development programme further, the demand for long term loan both in local and foreign currency would increase. Therefore, new approaches and new sources of capital should be identified to stimulate investment in the small industries sector.

4.4 Infrastructure Investment:

For promoting the growth of large and small industry there has been substantial progress in the supply of electric power, gas etc. Under rural electrification scheme more than 258 thanas and 1302 villages have so far been electrified. The country has about 1,800 miles of railroad and 6759 miles of roads and roughly 5,000 miles of waterways. The banking system is fairly satisfactory.

The most significant infrastructure facilities offered to small industries is the provision of working premises through the establishment of Industrial Estates. Industrial Estates as a strategy for industrialisation was taken up by EPSIC* in 1960 with a view to providing developed plots to the small entrepreneurs. This strategy appeared to be a right one for Bangladesh where non-availability of suitable land was considered as a serious hindrance for the growth of small industries. BSCIC drew up an ambitious scheme within the framework of the Second Five Year Plan of former Pakistan (1960-65) to develop 20 Industrial Estates, one in each district of the country (formerly East Pakistan). But the evidences suggest that till 1980 all the estates were not fully developed. According to information available, it was found that 854 industrial units were set up during the period from 1960 which represents only 59.51 p.c. of the target units. The achievement by any standard is no doubt low. The reasons for slow progress of this programme are many: major ones relate to inappropriate policy measures, lack of adequate fund and absence of trained professional.

4.5 Agricultural Policy and Growth:

The agricultural policy and the extent of its growth potentiality may accelerate the growth of small industry. Resource analysis of 8 thanas indicate that agricultural resource base is potentially large; even the present situation indicates sizeable surplus in agricultural produce in most of them. The aim of doubling the food production during the Second Five Year Plan would also increase the agricultural produce substantially even if the target is partially realised. There is a possibility of great demand for manufactured products. Such demand will be first felt for additional food-grain processing and processing of other food items. There will also be an increase in the demand for fish, meat, milk, eggs, and poultry items and other consumables, farm implements, inputs of other industries etc.

* East Pakistan Small Industries Corporation functioning under former Pakistan Government.

4.6 Establishment of BSCIC:

Among the Institutional measures, establishment of Bangladesh Small and Cottage Industries Corporation (known as BSCIC) was most significant. The BSCIC is the principal agency with an autonomous character for the development of small and cottage industries in Bangladesh. Its main role has been to assist the promotion and development of small enterprises by (i) developing infrastructure for industry particularly through the establishment of Industrial Estates, (ii) providing technical and investment counselling services and (iii) financing the private sector. Its services include other promotional assistances like training, extension, supply and marketing facilities.

5. Sources of Finance, Technical Assistance/Extension

5.1 Capital:

The major sources of fixed capital are the entrepreneurs' equity and loan from financial institutions etc. On the other hand, the sources of working capital are owners' cash resources, loan from commercial banks, trade creditors etc. Initial capital of the small entrepreneurs were generated from entrepreneurs savings mainly derived from trading activity, construction contracting, launch operations, import-export trading, sale of landed property, provident fund money of the service holders etc.

There are two components of capital - local currency and foreign currency. Modern industry employing imported machinery, imported raw materials and imported spares and components require substantial amount of capital in foreign currency. The foreign exchange component of fixed capital is generally met out of lean capital provided through institutional arrangement and purchase of exchange from open market and earnings of Bengalees abroad. Sanctions of import licences is the major source of foreign exchange component of working capital.

5.2 Technical Assistance:

Technical assistance constitutes counselling in the form of industrial engineering, identification of project feasibility study, management, product development, entrepreneurship development etc. Initially (1964) a project - Small Industry Technical Centre (SITC) was formed to counsel small industrialists having technical or management problems. However, it was soon realised that number of industries requiring technical assistance and the diversity of expertise

required were substantially beyond the capabilities of SITC. Consequently the basic scheme was replanned to include a large organisation with the provision for a broader number of specialists and for a research, information and publication. The revised scheme was named as Small Industries Advisory Services (SIAS). The SIAS, a subsidiary organisation of the BSCIC, undertook the responsibilities of making feasibility studies, counselling industrialists on selection of types of industries, proper listing of machinery, marketing methods, business management, factory design and construction, technical problems solving to conduct research etc. Under the reorganised structure of BSCIC, SIAS was abolished, the Counselling and Industrial Studies Department is performing these functions (including procurement of loan) as a separate Department. Evaluation of the performance of Technical Assistance shows that the programme did not achieve desired success. The feasibility studies, investment briefs prepared by the Corporation are reported to be not very useful to the entrepreneurs, because they were based on inadequate information.

5.3 Training:

Efficient performance of industries depends on the effective utilisation of man, machine and materials. In the small and cottage industry sector it is more important because of its higher inturns of labour. Despite the need for ranging, institutional arrangement has not been made for catering the training needs of the subject. Training is needed for the staff, engaged in the promotion of this sub-sector as well as for entrepreneurs. Training is needed in various aspects of product design, quality control, different techniques of modern production technology and sales promotion.

5.4 Extension and Sustaining Activities:

The extension services refer to all types of post installation support in the form of engineering, management, operational and marketing services from time to time in order to enable the enterprise to run more effectively. Despite the fact that emphasis has been laid on the policy about these services, concentrated efforts were lacking to implement them satisfactorily.

6. Problem Issues:

Despite government efforts, the growth of this sector in pre and post-liberation days has been very slow. Average growth of this sector during the pre-liberation days was only 5.1 p.c. which was much below the growth rate of

large industries; and during the post-liberation days the growth rate was also not satisfactory. An examination of the problem of small industry must take into account the general economic and political problems and their effects on investment climate. The socio-political environment, frequent changes in govt, uncertainties adversely affected the general investment climate.

The major problems that restricted the growth of small industries as revealed by different studies are as follows:

- I. The policy in general emphasised on the number of enterprises and not on entrepreneurship development. Political authority emphasized upon SSE but virtually made no allocation of resources both promotional and credit input.
- II. There existed a wide gap between policy measures and implementation measures.
- III. Appropriate definition of small industry has not yet been devised.
- IV. Problems of large and small industries were viewed by the policy makers from almost the same angle. No major concessions in the form of provision for fiscal facilities was given to small industry as compared with large scale industry sector.
- V. Credit made available to SSI according to an estimate was only 15 p.c. of demand.
- VI. There was no policy regarding the use of technology, adaption of foreign technology, improvement of indigenous technology for the promotion of small industry.
- VII. The policy did not encourage the development of small industry through sub-contract system. Lack of policy and proper action to establish linkages between large and small industry and between small and small industries.
- VIII. Specific types of industries were not exclusively reserved for manufacture by small industry.
- IX. Development of ancillary industries by the private sector have not been encouraged for development.
- X. Integrated Package Assistance consisting of - stimulatory, supporting and sustaining activities for setting up and successfully running the enterprises was not offered satisfactorily.

- XI. Efforts have not been directed towards assessing the objective position of small industry in terms of numbers, capacity, size of employment, import requirements and results of various assistances by conducting a comprehensive census for the sector. The future prospects of small industry development have not been reasonably and adequately identified through systematic potential survey.
- XII. Lack of institutional arrangement to provide training to the personnel engaged in small industry development, to carry out research and development and to conduct entrepreneurship development programme in the country.
- XIII. Absence of marketing support for the promotion of small industry.
- XIV. Lack of working capital has been a major problem to run the enterprises at capacity level.
- XV. Absence of service industries like electro plating, tool making etc.
- XVI. Lack of adequate technical know-how and counselling services.
- XVII. Shortage of foreign exchange.
- XVIII. Difficulties in procuring raw materials.
- XIX. Lack of suitable land for establishing small industries.
- XX. Lack of concerted efforts for entrepreneurial development.
- XXI. Lack of proper Co-ordination among agencies involved for small industry development.

7. Suggested Action:

A number of government policies affecting investment in small and cottage industries need revision including the meaning and scope of small and cottage industries. It is possible to identify modern and traditional industries, but it is indeed difficult to identify rural industries as distinct from small industries. The rural industries may include both modern and traditional cottage industries. There is need to adopt specific policy decisions and actions programme for the promotion of small and cottage industries.

7.1 Definite Policy:

The most important step towards the promotion and development of small industry is to devise a distinctive policy specifically for small and cottage industries within the framework of general economic and industrial policy of the country. The policy statements should clearly spell out in specific terms, the fiscal concessions, priorities, incentives, facilities etc.

7.2 Definitions:

Confusion regarding the definition and scope of small industry should be removed without delay. Small industry should be defined in the terms of fixed investment excluding land and building. Moreover, the number of workers may be used say upto 50 as one of the criteria for defining small industry. Moreover, some relationship need to be established between technology used and workers employed. Taking into consideration the various elements of definition we may venture our own definition for small-scale enterprises in Bangladesh in the context of changing situations. We may employ the criteria of investment, employment, raw-materials, technology and use of power. Small-scale enterprise may be defined as any enterprise having maximum investment ceiling of Tk.10.00 million (equivalent to U.S. Dollars 150,000) including machinery, land and building and working capital, labour, and using mostly local raw materials using simple technology and with or without motor power.

7.3 Small Industry Census:

For preparing a realistic plan and putting it into execution the relevant data base should be improved. A comprehensive Small and Cottage Industries survey should be undertaken immediately to assess the objective position of small industry.

7.4 Industrial Development Potentiality Survey:

Potentiality Survey should be undertaken to identify human and material resources of the country and the existing village technologies and their use to generate self employment.

7.5 Appropriate Technology:

There is an urgent necessity for devising appropriate technology for rural industries so that best use of local resources is ensured.

7.6 Types of Industry:

For devising incentives and supportive assistance plans there is an urgent necessity to classify industry types based on their characteristics and nature of operation and problems. The type-wise classification as suggested by BSCIC Chairman Mr. M. Sirajuddin are: first type, Rudimentary income generating activity, second type, Traditional cottage and small handicrafts and third type, Modern small industry could be an important guideline for such classification.

7.7 Identification of Assistances Needed:

Once the type of industries identified for development, then the nature of assistance should also be specified. Assistance may be of different types starting from pre-investment counselling, project identification and preparation of feasibility study, advice the selection on machinery, financial support, management training and extension services, product design and development etc. The need for such assistances will differ from industry to industry. Therefore, identification of assistances needed by different types of industry and supply of such assistances will be an important step towards the development of small and cottage industry.

7.8 Reservation of Items for Small-scale Industry Sector:

Reservation of items for exclusive production in the small-scale industry sector may be an important policy decisions to boost up small industry development. This will be an important marketing support to the small industry production against undue competition from large scale industry products. Hundreds of items in different groups of industries can be effectively produced by the small-scale industry sector.

7.9 Need for promoting small industry through sub-contract system:

It has become evident that complimentary relationship between large and small industry has not been evolved in spite of some significant development of large industries in the country. In order to provide effective support to small-scale units in securing sub-contracting jobs promotional organisations may take some positive steps.

7.10 Ancillary Industries Development:

Development of ancillary industries in the small industry sector may be another important step towards the development

of small industry. The sector corporations can undertake a study to identify the parts, components etc. which could be manufactured by the small industrial units. Once items are identified, arrangement may be made to provide necessary technical assistance and guidance to the small unit for producing the required items.

7.11 Development of the Institute for Small Scale Industry:

With a view to providing training for the self development of promotional agencies involved in small industry, offering Entrepreneurship Development Training and conducting research on the problems relating to development of small industry is urgently necessary, an Institute for Small Industry (ISI) may be established as soon as possible.

7.12 Credit Support: For providing the bulk of long term financing support, the establishment of Small and Cottage Industries Development Bank may be considered. Small enterprises are required to be supplied working capital along with long-term capital. While sanctioning loan financial institutions should not be guided by traditional lending practices. They should adopt a dynamic approach in examining the suitability of application so that emphasis on it does not deter the potential development. If the banks are satisfied that borrower has enough quality with a positive promise of success loan application should be accepted and loan is granted. The bank should supervise the credit with all responsibilities as are associated with supervised credit. The traditional approach in sanctioning loan against security should be changed. Instead, loan should be given to a person who has entrepreneurial qualities.

7.13 Supply and Marketing Facilities:

The crucial problem for small industry development lies on the shortage of inputs and lack of marketing facilities. To overcome such problems, establishment of a separate marketing organisation may become necessary with functions and responsibilities of providing essential raw materials and providing promotional marketing facilities.

7.14 Entrepreneurship Development Programme:

Entrepreneurship development through formal training should be strengthened and effective. It should be recognised that growth of entrepreneurship can be accelerated by appropriate training programme. Training should be followed

by provision of required supporting assistances to the trained personnel entering in practice into the processes of organizing and managing an identified enterprise. The entrepreneurship development programme should specifically be designed for woman and youth.

7.15 Integrated Package Assistance:

Study of small industry problems indicates that small entrepreneurs have not received from the promotional agencies the required integrated package assistance like pre-investment counselling, support assistance, management services, and extension and sustaining services, which are essential for setting up and then running the enterprises with success. When needed small entrepreneurs should be offered integrated package assistance to make them successful and sustain their entrepreneurship qualities (Cycle given in Appendix - I).

7.16 Research and Development Efforts: In a country where industrial initiative is shy, proper steps need to be taken by Government to convert the innovative knowledge into practical uses. Institutions engaged in innovative knowledge and promotional institutions should work in close-cooperation to transform successful laboratory results on new production processes into commercial applications. Effective programmes are also needed to be undertaken to adapt foreign technology, develop new processes and improve existing processes, product design etc. The barriers that stand in the way of using laboratory findings by promotional agencies should be removed with all necessary measures. Emphasis should be laid on the use of indigenous technologies wherever possible.

7.17 Working Premises: Provisions of working premises through the establishment of Industrial Areas or Estates in both urban and rural areas should be extended further. Common facility services for craftsmen should be organised in important growth centres. Further, important growth centres may be chosen for establishing Industrial Estates. Establishment of industrial estates should be encouraged in private sector.

7.18 Suggested Specific Programme for Rural Industrialisation:

Specific programme should be undertaken to identify the potential entrepreneurs from different parts of the country through training and other supporting assistances.

The main objective of this programme will be to infuse a new consciousness among the prospective entrepreneurs in the rural areas so that they take initiative to set up small

units. At present Government agencies are helping those units which approach them for assistances on their own. The household manufacturers have hardly any access to such urban-based Government agencies. But under the suggested programme, the officers of the agency entrusted with the task of promoting rural industrialisation will have to operate largely in the villages to make the local people conscious about the potentialities of industrialisation based on indigenous raw materials to help the prospective industrialists to solve their problems and to guide them to suitable lines of investment with technical assistances.

7.19 Consideration of Future Programme of BSCIC:

Bangladesh Small and Cottage Industries Corporation being the primary agency for initiating and promoting the small scale industries in Bangladesh, needs to be further strengthened in terms of its organizational structure, manpower and material resources. The expertise knowledge and experiences available in this organization can be more effectively utilised by designing new methods and approaches to its operations and functions. In this connection, the lessons emanating from experiences and evaluative studies of other developed and developing countries may be quite useful for devising new strategy of development, preparing new plans and enhancing readjusted programmes and policies of the BSCIC. The future programme (Appendix-II) drawn by BSCIC for implementation during the Second Five Year Plan should be taken into consideration by any agency - national and international, in devising its assistance programme.

Small-Scale enterprises programmes so far by passed socially handicapped (women, landless peasants, artisans, technicians and the like) segments of the society. Credit approach was security essential and security means mortgaging land which the socially disadvantaged cannot offer. Again most of the SS enterprises are located in urban/semi urban areas creating geographical unbalance in development.

The foreign donors should support programmes aiming at socially disadvantaged group/by passed target groups namely:

- (1) Women - rudimentary, traditional, modern.
- (2) Rural poor: rudimentary
- (3) Artisans - Traditional
- (4) Product development - (traditional & modern)
- (5) Skill development (Training Institute)

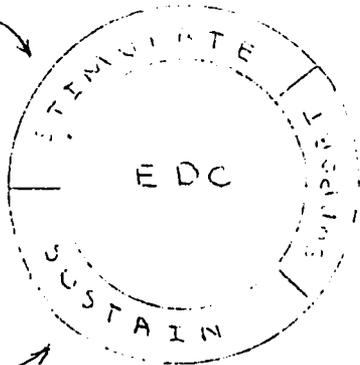
A.H.M. Habibur Rahman
University of Dacca
Dacca, Bangladesh
November, 1981

20

APPENDIX - I

ENTREPRENEURIAL DEVELOPMENT CYCLE*

1. Entrepreneurial Education.
2. Planned publicity for entrepreneurial opportunities.
3. Identification of potential entrepreneurs through scientific methods.
4. Motivational training to new entrepreneurs.
5. Help and guide in selecting products and preparing project reports.
6. Making available techno-economic information and product profits.
7. Evolving locally suitable new products and processes.
8. Availability of local agencies with trained personnel for entrepreneurial counselling and promotions.
9. Organising entrepreneurial forum.



1. Registration of unit.
2. Arranging finance.
3. Providing land, shed, power, water etc.
4. Guidance for selecting and obtaining machinery.
5. Supply of scarce raw materials.
6. Getting licences/import licences.
7. Providing common facilities.
8. Granting tax relief or other subsidy.
9. Offering management consultancy.
10. Help marketing products.

1. Help modernization.
2. Help diversification/expansion/substitute production.
3. Additional financing for full capacity utilization.
4. Deferring repayment/interest.
5. Diagnostic industrial extension/consultancy source.
6. Production units' legislation/policy change.
7. Product reservation/creating new avenues for marketing.
8. Quality testing and improving services.
9. Need-based common facilities centre.

* Akhouri, M.M.P. Dr., 1977 Balancing the imbalances caused by the known factors of Entrepreneurial Development, paper presented in the Workshop on Technology and Entrepreneur, Kuala Lumpur, 25-30 May, 1977.

- 21 -

APPENDIX - II

FUTURE PROGRAMME OF BSCIC (1980-85)

Keeping in view of the requirement as SCI Sector BSCIC has taken up a pragmatic programme for implementation during Second Five Year Plan period which outlined below:

- A. Institutional support for promotion and development of small and cottage industries.
1. National, Regional and District level Institutional network.
- B. Service Group:
2. Promotion of small and cottage industries through publicity.
 3. Development of Rural Industries.
 4. Expansion of Bangladesh Handicraft Marketing Corporation.
 5. Industrial design service.
 6. Industrial Estate Programme.
 7. Integrated Rural Finance.
 8. Survey of Cottage Industries.
 9. Market Survey.
 10. Training institute for development of management capability and product skill.
 11. Logistic support for industrial promotion and extension.
 12. Studies and Evaluation.
- C. Special Regional/Area development programme.
13. Development of cottage industries in Chittagong Hill Tracts.
 14. IRDP, DANIDA project in Noakhali (Small Industries Component).
 15. UNDP Projects (Small industries component).
 16. Integrated development of less developed regions and development of cottage industries.

- 22 -

APPENDIX - II (contd.)

D. Specific product group:

17. Pilot project for new products and processes.
18. Development of Salt industry.
19. Development of coir products.
20. Development of shoe industry.
21. Development of lac-keeping.
22. Development of metal working industries.
23. Prototype and Product Development.
24. Development of SCI Handicrafts (cane, Bamboo, jute, reed, grass, etc.). Pottery, Bell and brass metal, jewelery, gift ware, leather handicrafts, Screen printing, Doll making, Nakshikatha, Wood based products (including common facility and Craft Centres for all these products).

E. Programme for specific target group:

25. Entrepreneurship development of women and youth.
26. Development of SCI among families of workers in the industrial areas.
27. Development of traditional crafts of the Tribal people.

23

APPENDIX - II (contd.)

D. Specific product group:

17. Pilot project for new products and processes.
18. Development of Salt industry.
19. Development of coir products.
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