

SME Studies and Research: Bangladesh Perspective and Some Critical Issues

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1.0 Introduction

The purpose of these discussion notes is to throw some light on the current state of SME studies and research works in Bangladesh and also clarify some critically important issues which remain insufficiently addressed by most studies on the subject in general. Though discourses and deliberations on SMEs galore these days at different forums in Bangladesh, serious research and analytical studies, especially in the academic circles are rather scanty. Only some consultancy reports are available at times which are prepared by selected competent academics and professional researchers, sponsored by the development partners and different government agencies. These are tailor-made to fulfill specific requirements of the sponsors, hardly facilitating learning and knowledge creation and dissemination among potential users of various types. These studies also delve little into making efforts toward using any theoretic frameworks and analytical approach required to shed enough light on all relevant factors determining contributions of the SMEs towards national economic growth.

This narrative may be noted by many as an over generalisation, though not unfounded and/or questionable. I have valid reasons to stand by my views and observations as elaborated below.

1.1 Ground Realities in Bangladesh

As a dedicated researcher and specialist in the field, I try to remain updated about recent trends in the work process of SMEs by reading and consulting relevant published and unpublished materials on the subject through making frantic searches. Unfortunately, I fail to come across any theoretical and/or empirical work of repute being done by Bangladeshi academics and researchers on the SMEs.

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More importantly, as the chief editor of the peer reviewed journal: 'International Journal of SME Development' published by the SME Foundation, I feel the pinch of lack of interest of the Bangladesh academia and researchers' in the subject as an area of learning, teaching and research. Consequently it is exceedingly difficult to procure rigorous research based articles of high standards through advertisements as well as head-hunting. In fact, the current editorial board is facing difficult challenge to bring out the present issue of the journal due to lack of enough response from the potential contributors. One possible explanation of such inertia could be that the academics, public commentators, and professional researchers may not think it worth-while to take much trouble in collecting necessary information and statistics about SMEs which continue to be rather abysmal. While structural, legal and statistical factors make it difficult to research them, some kind of academic agnosticism also seems to exist about the virtues of smallness per se.

Added to these, as some SMEs appear to be inefficient, traditional and family-driven, the sector as a whole is mistakenly considered inimical to progress and professionalism. It is also important to remember that as compared with the large enterprises, SMEs are generally at a disadvantage in terms of input costs (c. e. raw materials prices), ability to hold stocks, obtain quantity discounts, borrow at low interest rate, technical and market information and various management weaknesses and inefficiencies. While the small enterprises can at their best compensate for these drawbacks by greater flexibility, specialisation and entrepreneurial drives, they need policy support to ensure an enabling business environment and non-discriminatory regulatory framework.

In my opinion, another important factor explaining this sorry state of affairs in pursuing research and studies in the SME issues is the absence of arrangements for teaching of the subject at colleges and university levels. Hence, the knowledge gap and lack of interest of the academics and researchers in the institutes of higher learning in Bangladesh. This situation can surely be improved through introduction of teaching programmes on SME development in our educational institutions without wasting any more time. In fact, it needs to be taught as a compulsory (core) course for effective learning and teaching of human resource development and entrepreneurship promotion as these three issues are closely inter-related.

Next, some brief explanations are provided in the remaining paragraphs noting how the absence of knowledge and information base adversely affect policy making and the efforts towards boosting up sustainable development of the SME sector in Bangladesh.

1.2 Lack of Conceptual Clarities

Conceptual clarity and complete understanding of what constitutes SMEs and why and how should they be developed are important prerequisites for designing appropriate policies and support incentives to realise their full potentials to contribute to national economic growth. Lamentably, these issues remain only casually touched and narrowly conceived.

To start with, a naive and harmful perception of many observers is that SMEs start small and grow big as part of historical inevitability. The underlying belief is that the advent of giant corporations puts unstoppable pressures towards bigness; as a result small enterprises are eventually pushed aside or perhaps even squeezed out completely. Yet another view which emanates from the consequence of the declining share of SMEs in economic activities overtime in the "efficiency-driven" and "innovation-driven" stages of development (Zolton, I. Acs et al. 2008) is considered apparently as a universal process, without however thinking: will this trend continue indefinitely? The answer is no, because the trend towards bigness is not an 'all-consuming one' (J. Boswell 1972). Empirical evidence abounds, showing that moderization and technological changes also favour growth of 'new generation' SMEs such as plastics, electrical and electronic goods, scientific instruments, software, computers etc. Thus the role of SMEs in renewing the corporate sector from the bottom through entries into diverse activities taking advantage of cutting-edge technologies may still be fulfilled, conceivably even better than before. This would also reverse the conventional views of treating the small enterprises as 'transitory phenomena' and the seedbeds for large firms of the future.

Another school of thought looks at the SMEs from a perspective of comparative merits of the small and large enterprises in a small verses large context based on their relative economic performance and efficiencies. The research findings based on casual empiricism using inadequate information, faulty methodologies (i.e. comparing productive efficiencies of tiny small firms with large enterprises, obviously the two incomparable entities), emotional cults of size, such as "bigger is better", and ignorance about the internal dynamics of small enterprises are at best mixed and not conclusive⁸.

There is indeed some evidence exhibiting relative lower economic efficiency of SMEs in particular industry types (i.e. declining and

⁸ Empirical examples supporting the statement are plenty across industry types and across countries (Ahmed M. U. 1976)

technologically handicapped SMEs) which require policy support for modernization and rationalization to enhance their productivity and growth. An important caveat is that unfounded generalizations should not be made writing-off SME virtues citing truncated evidence and ignoring their internal dynamics, striking differences in economic and social behaviour within the sector and the reasons for such differences.

Contrary to the sceptical views about the virtues of smallness per se, wide spectrum of researchers and scholars identify the small enterprises as productive outlets for enterprising and independent-minded people, facilitate entry into business for new entrepreneurial talents, create jobs for millions including women and youth, and provide an important source of innovation in products, techniques and services. Additionally, in the economies where ever-larger multi-product firms are emerging SMEs provide competition, and some checks on monopoly profits including inefficiencies which monopoly breeds, hurting consumers and social welfare.

Thus, the SMEs are expected to perform many important functions to nurture resources which are indispensable to the emerging economics like Bangladesh for sustainable growth: a continued supply of entrepreneurs, proliferation of new businesses emerging into big industries, willing and able to take risks, to innovate and be agents of change and modernization besides being providers of large chunks of output and employment. These evidence should be enough to discourage opportunities to launch smearing campaigns unfavorable to much needed SME sector growth in Bangladesh and elsewhere in a environment of pro-SME policy making designed to create level playing fields for firms and enterprises of all sizes in the country.

1.3 Definitional Issues

Though critically important to have a commonly acceptable definition of the SMEs to create a national data base and effective policy making for the sector, developing a precise definition is a difficult task.

SMEs are extremely heterogenous entities and operate in a wide array of economic activities ranging from an artisan shop in a village to a sophisticated engineering or software firm selling in the overseas markets. This points to the fact that within the traditional 'general category of SMEs' there exists plurality of small enterprises. Hence looking to find a precise single definition for such entities may be pointless. Though statistical definitions (based generally on employment,

capital investment, and turnover or sales) are used, all of them suffer from various drawbacks and fall short of being satisfactory indicators of enterprise size (Ahmed M. U. 1796, 2017). More importantly, these quantitative measures are incapable of capturing the important economic, social, psychological, behavioral and organizational characteristics which play important roles to explain why and how small businesses emerge, develop and sustain.

In any study of SMEs, emphasis on their dominant characteristic features such as relative privacy, owner-management, family influence, flexible decision-making, innovativeness etc. needs no apology. These special characteristics of SMEs need to be meticulously highlighted not only to distinguish them from their large counterparts but also to pin-point their functional and behavioral characteristics, which are important for pro-SME policy making and strategy development. Hence studying pure smallness per se without looking at them in their full perspectives may be doing so, staging a true case of 'Hamlet without the prince'.

The implicit suggestion here is that a small enterprise/firm should be looked at in an integrated way as an economic entity along with insights derived from the study of its qualitative features linked with history, sociology, psychology and the social institutions, all of which influence their performance.

1.4 Concluding Remarks

Let me wind up this discussion paper by emphasizing once again the urgent need for promoting SME education and research in Bangladesh. Properly designed teaching courses on the subject should be included in the curriculum of the institutions of higher learning without wasting any more time. This along with the arrangement for strengthening entrepreneurial education and training facilities are expected to encourage entrepreneurial activities, enterprise development, boost up sustainable SME growth and help achieve inclusive development in Bangladesh.

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