C-11

JOB OPPORTUNITIES AND BUSINESS SUPPORT (JOBS) PROGRAM

Cooperative Agreement number 388-A-00-97-00013-00

INSTITUTIONAL REFORM AND THE INFORMAL SECTOR (IRIS)

University of Maryland at College Park

Final Report
on
Sub-sector Study on Footwear in Bangladesh

Azim Syed

September 1998

Home Office: IRIS Center, 2105 Morrill Hall, College Park, Maryland 20742, USA
Telephone (301) 405-3110 • Facsimile (301) 405-3020
E-mail: info@iris.econ.umd.edu
World Wide Web http://www.inform.umd.edu/IRIS/

Field Office: JOBS, House 24, Block H, Road 7, Banani, Dhaka
Tele-fax: (880 2) 88 61 54
Email: info@jobsiris.dhaka-bd.net

JOBS is a program funded by the US Agency for International Development in Bangladesh. The views and analyses in the paper do not necessarily reflect the official position of the IRIS Center or the U.S.A.I.D.

Table of Contents

EXECUTIVE SUMMARY

Background & Methodology

Footwear is the subject matter of this report. The report is part of eight sub-sectoral studies commissioned by the Job Opportunities and Business Support (JOBS) Program of the USAID Bangladesh. The other 7 studies in the series are plastic products, electrical small goods, bakery, small metal works & light engineering workshops, steel furniture, specialized handloom, and textile dying and printing.

The objective of the JOBS Program is to create large-scale employment opportunities for the poor men and women in Bangladesh through fostering growth and development of micro, small and medium-scale manufacturing enterprises in the private sector. In order to achieve this broad objective, the present study has been undertaken to identify the strengths and weaknesses and determine the key needs and growth potentials of eight SME sub-sectors. Selection of these eight sub-sectors was done by a Team of Consultants engaged by the JOBS for this purpose in the early months of 1998, as the potential growth-oriented areas of activities within the SME sector in Bangladesh. The results of the present sub-sector studies and baseline surveys are expected to enable the JOBS Program to design and deliver a pragmatic package of non-financial assistance to stimulate their sustained growth and development.

The word 'sub-sector' has diverse and contextual meanings. As for the purpose of this study, it is, therefore, important to define this word. The GEMINI approach defines[3] the meaning of the word 'sub-sector' as a vertically integrated group of enterprises (both large and small) that deal with the *'same product group'*. A sub-sector includes enterprises that produce or procure raw materials, enterprises that process them and enterprises that sell the finished products (both on a wholesale and retail basis). As outlined in the TOR of the study, the study team was advised to follow the GEMINI sub-sector study technique based on a two-pronged approach. These are focus group discussions (FGD) and field survey. Primary data collection was done in two phases first in a focus group discussion (FGD) with the industry association in Dhaka and finally during one to one interview over the period from May to June 1998. The sample included small-scale producers, wholesalers, retailers, input suppliers and consumers, that is, all actors in the vertical chain. In data collection emphasis was not on the statistical precision, rather the aim was to include as many clusters of producers as the resource and time permitted. In that sense, the present study is more of a qualitative research which would lay a foundation for the designing of product group or sub-sector specific intervention plans for the benefit of both would-be and existing entrepreneurs. On August 2, 1998 the study team shared their findings and validated the sub-sector maps. The report has been finalized taking into account the comments of the representatives of the sub-sector. However, a large majority of the participants belonged to the plastic and rubber footwear sub-sector. Only a few from leather and none from textile sub-sectors attended the workshop.

---

[3] The Sub-sector/Trade Group Method: A Demand-Driven Approach to Non-financial Assistance for Micro and Small Enterprises by Frank Lusby, GEMINI Working Paper No. 55, September 1995, Maryland, USA

Findings of the Study

State-of-the-art

Review of state-of-the-art in footwear sub-sector reveals that the single important characteristic of the sub-sector is its diversity in terms of the products produced, scale of production, size of the enterprises, demand and competition, technology in use, skill, the input requirement, risk and profitability and policy. This diversity can be intra and inter sub-sectoral. Matrix I presents this diversity among the product groups in the footwear sub-sector. For example, leather footwear sub-sector has the widest diversity and the plastic has the least. Given such inter sub-sector diversity the report analysed each of the sub-sectors separately.

Matrix I: Sub-sector/ Product Group wise number of channels						
Product Group	Producers	Sub-contractors	Input Suppliers	Wholesalers/ Retailers	Export Agents	Total
Leather	5	2	3	3	1	14
Rubber	3	Absent	1	3	Absent	7
Plastic	1	Absent	1	2	Absent	4
Textile	1	Absent	2	Absent	1	4

In terms of market leather footwear enjoys both domestic and overseas market, rubber and plastic are mass-market products and textile is exclusive export directed sub-sector.

Base Line Survey

As already mentioned in the state-of-the-art earlier that the single important characteristic of the footwear sub-sector is its diversity. This diversity is observed both within a product group (sub-sector) and across the sub-sectors. Given such inter and intra sub-sector diversity it would be logical to analyse each of these separately.

We have used the concept of mini-maxi matrix frame to explain the extent of the economic and efficiency variables like investment, operational results (profits), employment and wages in all of the three sub-sectors covered in this study. These data have been collected in the base line survey.

Investments

(Figure in '000 Taka)

Types of Variable	Leather Footwear		Rubber Footwear		Plastic Footwear	
	Mini	Maxi	Mini	Maxi	Mini	Maxi
Investment in Land	4[1]	150[2]	298[3]	1,800[4]	2,250[5]	6,000[6]
Investment in Machinery & Equipment	8.8	206	195	1,509	427	1,786
Investment in Working Capital	80	121	150	900	200	219
Total Investment	92.8	477	643	4,209	2,877	8,005

Operational Results (Profit)

(figure in '000 Taka)

Output	162	1,237	14,055	6,750	1,725	840
Annual Cost of Direct Materials (RM)	112.7	814	12,599	5,289	814	311
Annual Cost of Indirect Materials (Others)	4.7	57	665	270	287	55
Material Cost	117.4	871	13,264	5,559	1,101	366
Total Salary & Wages	5	180	609	390	42	142
Total Cost	122.4	1,051	13,873	5,949	1,143	508
Profit	39.6	186	182	801	582	332

Price (ex-factory)

(Figures in Taka)

Types of Users	Leather Footwear		Rubber Footwear		Plastic Footwear	
	Mini	Maxi	Mini	Maxi	Mini	Maxi
Men's	300	600	112	210	10	21
Ladies	90	150	Same as above			
Children's	20	45	Not available			

[1] Rental Advance
[2] Same as 3 above
[3] Cost of land and building; this unusual high cost is attributable to its location in Dhaka city.
[4] Same as 5 above
[5] Same as 5 above
[6] Same as 5 above

Employment

(Figure in numbers of workers)

Types of Variable	Leather Footwear		Rubber Footwear		Plastic Footwear	
	Mini	Maxi	Mini	Maxi	Mini	Maxi
Total Number of Worker	3	7	16	18	20	31
Total Number of Administrative Staff	1	3	4	2	4	3
Total Strength of Worker	4	10	20	20	24	34

Broad Characteristics of Employees

(Figure in numbers of enterprises)

Types of Variable	Leather Footwear		Rubber Footwear		Plastic Footwear	
	Hired	Unpaid	Hired	Unpaid	Hired	Unpaid
Factory Worker	25	2	8	0	7	0
Managerial	8	19	4	4	3	5
Administrative Staff	1	5	6	1	1	4

Wages

(Figures in Taka)

Type	Level of Skill	Leather Footwear		Rubber Footwear		Plastic Footwear	
		Mini	Maxi	Mini	Maxi	Mini	Maxi
Factory Worker	Skilled	2,500	5,500	3,000	5,000	2,500	3,500
	Semi-skilled	1,000	2,400	1,800	2,200	1,700	2,000
	Unskilled	600	1,000		1,800		1,400
Managerial	Management	1,800	3,000	1,500	4,000		
Administrative	Management			1,200	2,500		2,000

Factor intensity, factor productivity and output growth

Sub-sector	K/L (Taka)	VA/L	% of Units set up after 1990	Yearly Growth in Output
Leather Footwear	6,574	38,885	29.6	7.5
Rubber Footwear	50,828	50,657	25	1.3
Plastic Footwear	68,887	32,349	28.6	-2.6

Conclusions

This inter-sector comparison reveals that the leather footwear industry is much less capital-intensive than the rubber footwear and plastic footwear sub-sectors but it enjoyed a significantly high level of labour productivity. The incidence of recent entrants and the rate of growth of output have also been higher in the leather footwear compared to that in the rubber and plastic footwear.

CHAPTER I

1.0 STATE OF ART OF THE FOOTWEAR INDUSTRY IN BANGLADESH

1.1 Background & Objectives

Footwear is the subject matter of this report. The study is part of eight sub-sector studies commissioned by the Job Opportunities and Business Support (JOBS) Program of the USAID Bangladesh under the title " Sub-sector Study and Base Line Survey". The other 7 studies in the series are plastic products, electrical small goods, bakery, footwear, small metal works & light engineering workshops, steel furniture, specialized handloom, and textile dying and printing. The immediate objective of all these studies is to supply inputs for designing of sub-sector specific non-financial assistance packages for small and medium enterprises in Bangladesh.

The main objective of the JOBS Program is to create private sector employment for its ultimate customers, poor women and men in Bangladesh who are at least 15 years old and are currently or potentially self-employed. The Program has two separate but complementary economic target groups, namely, the micro enterprises and the small & medium enterprises (SME); policy being the third component of the program. Therefore, the Program excluded large enterprises (enterprises include industry as well) and has targeted its activities to all enterprises under small, medium and micro enterprises of the country. However, the working definitions of these small and medium enterprises, as mentioned in part A of the report, is fairly extended starting from Tk 100,000 to Tk 30 million investment in fixed capital without land and building.

The first part of the report provides a brief account of the present state of art of the industry highlighting such issues as size and structure of the industry, product classification and characteristics, supply channels, and buyers and demand, based on information collected from secondary sources , focus group discussions (FGD), and base-line surveys. The second part of the report deals exclusively with the sample enterprises and the profile of the entrepreneurs, focusing on such aspects as product composition, enterprise location and size, employment characteristics and various functional features of the sample enterprises. The sub-sector promotion policies, incentives and institutional network determining its growth and the constraints, inhibiting its development are also discussed and analysed , indicating the scope and avenues for JOBS intervention .

1.2 Data and Methodology

As outlined in the TOR of the study, the study team was advised to follow the GEMINI sub-sector study technique based on a two-pronged approach. These are focus group discussions (FGD) and field survey. Thus, the common methodology followed by all eight sub-sector studies has been outlined and put in Annex I here. The literature search, FGD meeting, visits to trade associations, sample survey methods, sample selection and design, one-to -one interviews etc. have all been meticulously described in the Annex I on Background, Objectives and Methodology and bears no repetition here. Similarly, the FGD report with the members of the footwear producers association is also appended to this report as Annex II. Names and addresses of the respondents are placed as Annex III at the end of the report.

The major sections of the report are state-of-the-art, baseline survey, dynamics, government policies, support institutions, and sub-sector constraints and opportunities for JOBS' interventions.

1.3 The Present Size and Structure of the Footwear Industry

1.3.1 Size of Employment

As is well known, size of the sub-sector can be measured either in terms of number of establishments, employment, output, value added or fixed assets. However, given the prime objective of the JOBS Program, which is employment creation, we have limited our discussion in this section to the size of employment. Since, the sample survey could not be drawn upon for this purpose, as the sampling design used in the sub-sector survey was not intended to provide macro estimates of the sub-sector. Hence, information on aggregate employment presented below is provided from available macro sources.

The main source of macro data on SMEs is the survey carried out by the Bangladesh is the survey carried out by the Bangladesh Small and Cottage Industries Corporation (BSCIC). The latest available report of the BSCIC Survey was published in 1994 although the reference peroid of the survey was somewhat earlier (1991). The BSCIC survey covers all small and cottage enteprises defined to have a maximum fixed investment of Tk 30 million excluding investment in land and building.

The second source of macro data is the Bangladesh Bureau of Statistics (BBS). The BBS carries out annual Census of Manufacturing Industries (CMI) which covers large and medium enterprises having 10 or more workers. The latest available CMI Report is for the year 1991-92. The BBS also carries out Annual Establishment and Institution Survey (AEIS) covering units fewer than 10 workers; the latest available report of the AEIS is for 1992-93.

Table 1 provides information on employment in the footwear sub-sector obtained from these three sources. In the case of CMI, employment figures have been presented for enterprises having 10-99 workers so as to exclude the large enterprises.

Table 1 Size of Employment in Footwear Sub-sector

Sub-sector	BSCIC Survey	CMI	AEIS
Footwear	14,438	2,370	4,938

Sources: BSCIC, Survey Report on Small and Cottage Industries 1994
BBS, Report on Bangladesh Census of Manufacturing Industries 1991-92
BBS, Report on Annual Establishment & Institution Survey 1992-93

Footwear sub-sector consists of leather footwear and non-leather footwear (mainly plastic and rubber) footwear production. Leather footwear accounted for 74% of the employment in the footwear sub-sector. Bulk of the employment in the footwear sub-sector (71%) belonged to the cottage industry. The relative importance of the Footwear sub-sector and the higher

incidence of micro enterprises in the Footwear sub-sector are also borne out by the CMI and the AEIS data.[7]

1.3.2 Classification of the Sub-sector

For classification of footwear industry the key product group headings used by Bangladesh Standard Industrial Classification (BSIC) are given in Box 1.

Box 1: BSIC Code & Industry Name

BSIC Code	Industry Name
325	Footwear except Rubber
3251	Leather Footwear
356	Manufacture of Plastic Products
3569	Manufacture of Plastic Footwear

Our discussion in this report will also follow the same sequence. However, like many other sub sectors this sub-sector consists of a wide array of products. Traditionally, footwear products are divided into several product groups, namely, leather, synthetics, rubber, textile, and others. Each of them is sub-divided into several large sub-sectors. To make the study product specific (which is the essence of GEMINI sub-sector study approach), we segmented rubber to distinct categories. One is footwear made from recycled plastic and the other category is those made from artificial rubber popularly known as "Eva". These two products are very different in terms of functions performed (closed as against completely open upper), technology involved, raw materials consumed, and investment and employment.

The Census of Manufacturing Industries (CMI) has not covered the footwear made from textiles. This is an exclusively export oriented footwear industry for which statistics are, however, maintained by the Export Promotion Bureau (EPB) only. EPB records international trade statistics under HS code, which is different than another international one called ISC code. Since this report has documented statistics from both the sources definitions of them follow. International Standard Classification is called ISC followed by US Bureau of Census and Harmonised Coding System is called HS followed by the European Union members.

The report has not covered one footwear sub sector, which is the footwear with rubber sole and canvas upper, popularly known as "keds". This omission is intentional, for, because of the time constraint addition of another diversity simply was not manageable. I strongly recommend JOBS Program to update the study and make this document as an authentic source of footwear industry of the country. Sub-sector wise details are presented in the following pages.

[7] Zaid Bakht: Growth Potentials of Small and Medium Enterprises: A Review of Eight Sub-sectors in Bangladesh (Draft), The JOBS Program, August 1998

1.4 Leather Footwear

1.4.1 Product Characteristics

Bangladesh has been producing leather shoes for centuries and the skill transfer was hereditary. Early forms of shoes developed from two basic types, the sandal (or platform type) and the moccasin (or wrapped-under type). Such types of shoes are still sold in the market except that design, raw materials content and the process of production changed considerably. Whatever be the design or process of production materials major combination of a pair of footwear is the type of materials used for sole and upper. At present, 60 percent of the footwear are produced from synthetic materials.

Generally, sandals dominate the market for its wide scale use by all classes of customers from high income to lowest income. Naturally, size of market for this type of footwear is the biggest. One reason is that the users of sandal are both males and females.

A new addition to the range of footwear produced locally with either leather or synthetic is the sports or athletic footwear. A good number of producers are found in this type of footwear.

1.4.2 Market and Demand

Market for leather footwear consists of three types of buyers - household buyers, institutional buyers and overseas buyers. Discussions on each of these three markets are presented below.

1.4.2.1 Household Buyers

Market Segment

Household buyers constitute the single largest buyer of leather footwear in Bangladesh. Like textiles use of footwear is some thing directly proportional to the standard of living. Even with marginal increase of the income of the population consumption of footwear increases. This is because footwear to meet different levels of income is prevalent in the market. Again within household buyers three segments are visible. These are male, female and children.

Size of the present total market potential for footwear in Bangladesh, according to a major footwear producer of the country, is 104 million pairs per annum. The basis used for arriving at such figure is presented in Box2.

Expert in the trade opined that 28 percent of this market potential for footwear is for the leather footwear industry. Therefore, demand for leather footwear alone, computed on this basis, is estimated to be 29,120,000 pairs.

1.4.2.2 Consumers' Buying Dynamics

In this section we explore consumers' buying dynamics in leather footwear sub-sector. For each of the sub-sectors similar discussions are provided in respective places. A opinion

survey conducted as a part of the study confirmed that price and quality are the two important variables that influences consumers' purchase decision making in footwear. The meaning of quality in leather footwear are the raw materials used, durability, design and craftsmanship. Except highly publicized brands, like that of BATA the brand names of other producers hardly influence the decision making. The chapter on base line survey contains further market -related information gathered from the producers.

Box 2: Basis for Footwear Demand Estimation

$$Q = nq$$

Where: **Q** = total market potential

n = number of buyers is the 130 million population of Bangladesh

q = quantity purchased by an average buyer is 0.8 pairs of shoes per year

Assuming that present population of Bangladesh is 130 million and average purchase of a pair of footwear for each person is 0.8 then the total market potential for footwear is 104 million pairs.

Price of a pair of leather footwear of moccasin type and sandal type are presented below. In terms of size market for sandal is much bigger than that for moccasin type of footwear. Use of sandal is extensive all over the country. Shoe stores in selected markets in the city of Dhaka sell foreign made leather (synthetic leather) footwear. The product-mix is fairly extensive from leather to synthetic from moccasin to sandal and from fashion shoe to sports shoe. Prices range from Tk. 2,000 to Tk 4,000 per pair of men's footwear. Mostly bought by the high-income group, this foreign footwear never competes with the local footwear, rather it helps producers to copy the design. However, these shoes are bought by a different segment of the population. Leather footwear is a seasonal product whose peak sales are registered during the two religious festivals of the largest Muslim population of the country. Generally, a good bargain is possible during the lean period and one would not find a general price fall during the lean period.

Table 2: Prices of Leather Footwear (per pair)

Footwear	User Class	Lowest Priced	Medium Priced	High Priced
Sandal	Male			
	Female	90		150
Moccasin	Male	300	600	Imported Ones

Source: Data collected during the survey.

Branding is established either through intensive promotional work exclusively done by the large scale mechanized footwear producers. Brands that are highly publicized are Bata, Jump, Pegasus, Rider, etc. Brands, which are smuggled from Burma to Chittagong market, are Kito and Japu. Both are sandals. The foreign brands are mostly sold by country of origin like made

in Italy or France or similar other countries. Footwear traders have reported that the origins of that foreign footwear are mostly Singapore or Taiwan and not the name of the country the traders often quote.

Non advertised brands are Pocha, Rupali, Bai Bai, Monika, Millad, Rabin, Sohag, Green, Boshila, Shikder, Kohinoor, Melodee, Akhi, Asmer, Sandhan, Proshiddha, ATN, BN, Monkey, Kalo shoe (ladies), Print shoe (ladies), etc.

1.4.2.5 Institutional Market

The institutional market consists of the Armed forces, the Bangladesh Rifles, and the Police and the *Ansars*. Together they buy around 1 million pairs of boots annually. These institutions used to buy boots, which were known as DMS (direct moulding system) boots. Because of the introduction of new technology the design and material composition have changed. Present day boots are much lighter than those in the earlier days. And many new varieties have been included in the range.

Use of footwear as part of uniform is present in selected schools mostly in the urban areas only. In general, with the rise of school going children consumption of children's footwear is growing.

1.4.2.6 Overseas Market

In terms of types of shoes, international trade statistics make fine distinctions between different types of shoes, according to raw materials used for the uppers and the soles. Uppers can be of leather, synthetic leather, plastic, rubber or textile. Outer soles may be of leather, plastic, rubber, wood, cork and other materials. A further classification is be made by end use, for example, ladies', men's and children's footwear and again by purpose the same could be casual, formal, indoor, sports, safety, military, etc. According to International Standard Classification (ISC) System developed by the U.S. Bureau of the Census, the key product codes in footwear are presented in Box 3.

Box 3: SIC Code

3240	-00	Total Footwear, excluding rubber footwear
3240	-01	Footwear, leather, children's
3240	-04	Footwear, leather, men's
3240	-07	Footwear, leather, women's
3240	-10	Footwear, other (sports, orthopedic, etc.
3240	-13	Footwear, house

Among the footwear categories mentioned above, producers from Bangladesh compete only in men's leather footwear category (SIC 3240 -04). Therefore, discussion on the world trade here is limited to men's leather footwear only and not the entire range of the SIC code listed in Box 3. Presented below is the total world market from 1990 to 1995 for **men's leather**

footwear and the market share held by the Asian countries. A sustained growth of the market share of the Asian producers is observed in table 3.

Table 3: Market Share of Asian Producers in the World Market for Men's Leather Footwear						
	1990	1991	1992	1993	1994	1995
Market Share in Mill. US $	68651	83928	78604	65754	80139	66057
World Market in Mill. US $	617505	536492	440913	415018	384836	324266
Market Share in percent	11%	15%	17%	16%	20%	20%

Source: World Trade Statistics, 1995

Country-wise export statistics of Asian suppliers to the world market for men's leather shoe are presented in table 4. Bangladesh as an exporting country is not seen in the table. Perhaps, one reason could be its entry in the world trade after 1995.

Table 4: Export Statistics of Men's Leather Footwear from the Bangladesh's Neighboring Exporting Countries (figure in thousand pairs)						
	1990	1991	1992	1993	1994	1995
Asia	68,651	83,928	78,604	65,754	80,139	66,157
Armenia	-	4,433	3,043	1,532	443	220
Azerbaijan	-	2,358	1,356	1,238	737	324
Cyprus	3,273	3,510	3,003	2,141	2,058	-
Hong Kong	1,459	430	160	188	62	-
India	8,847	11,808	9,018	-	-	-
Indonesia	1,360	142	-	515	18,416	-
Iran	10,915	10,211	8,504	-	-	-
Japan	21,012	21,196	20,343	18,186	18,997	18,535
Croatia	15,946	19,326	19,253	12,534	11,160	10,019
Kirghizistan	-	1,698	984	766	342	147
Macao	-	-	-	55	147	382
Philippines	-	-	-	-	-	-
Tajikistan	-	2,396	1,846	1,245	250	224
Turkey	1,238	1,103	1,271	1,078	962	704
Yemen	-	716	738	258	192	218

Source: World Trade Statistics, 1995

However, to calculate the market share held by the producers from Bangladesh we have to take into consideration another international code system. The reason for such a shift is that Bangladesh Export Promotion Bureau maintains statistics under Harmonized Coding System (HS) which is different than SIC mentioned above. The European Union member countries follow this classification system. Relevant section of the HS code as applicable to footwear is presented in Box 4 below.

Export figures for only two years could be gathered from the EPB which are presented in table 5 below.

Table 5: Export Volume of leather footwear from Bangladesh in million US$		
HS Code 64.05	1995-96	1996-97
Leather Footwear	US$ 19.13	US$ 17.78

Source: Export Promotion Bureau

Box 4: HS Code

64.03.	Footwear with leather uppers
64.04.	Footwear with textile uppers, soles of rubber and plastic
64.05.	Leather Footwear

The market share of Bangladesh is, therefore, only 3 percent of the World market for leather men's footwear.

Like most Asian and other offshore locations, the majority of products manufactured in emerging locations such as Bangladesh fall in the low price range of US$ 15-20 wholesale.

1.4.3 Sub-sector Map

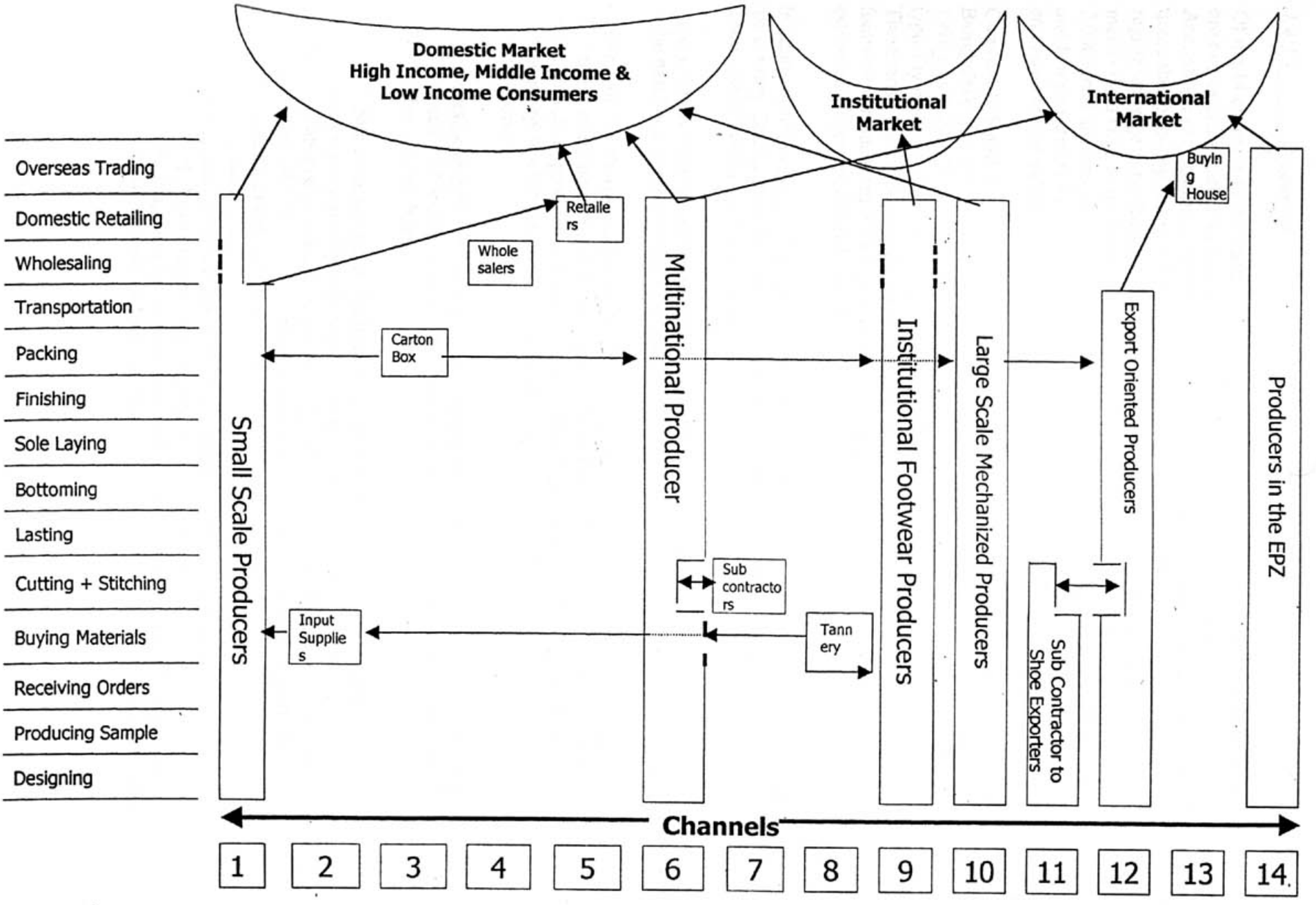
The GEMINI approach to sub-sector analysis recognizes that small firms operate within a large production and distribution system. It is not possible to understand the opportunities and constraints facing small firms, or to develop sensible policies to promote small-enterprise growth, by looking at the small firms alone. We must also examine the large firms that compete with them, supply inputs, and market small-firm output. Sub-sector analysis centers on a schematic map [called sub-sector map] that describes this economic system[8].

As many as 14 channels are found in the leather footwear industry consisting of producers, distributors and input suppliers. Instead of providing information by channel numbers we followed this chain of participants, namely, producers, distributors and input suppliers respectively. A map illustrating different channels is presented as Exhibit I. They supply to a diverse market segments from domestic to overseas and from low income domestic buyers to high income overseas buyers.

[8] Haggblade, Stevan J., Matthew S. Gamser, A Field Manual for Sub-sector Practitioners, GEMINI/USAID, Maryland, USA

Exhibit I

Sub-sector Map of Leather Footwear Industry



1.4.3.1 Producers

Of the 14 channels in the leather footwear industry, 8 represent producers. The other channels are one each for leather and ancillary merchant suppliers, leather producer suppliers. According to one estimate (1985)[9] there are 113 registered shoe producers in the country. We quote the following excerpts from a recent study by the World Bank[10], 'There are about 120 registered large to medium, medium and small footwear enterprises (including 10 mechanized large to medium and 12 semi-mechanized medium to small units), and over 2,000 small andcottage type footwear and leather goods enterprises, producing shoes, sandals and leather garmets for the domestic market'. Presented below are the profile of typical enterprises in the sub sector.

Channel 1: Small Scale Producers: Small producers dominate footwear manufacturing in Bangladesh. According to one study[11] the total number of unregistered shoe producers in 1990 was 2,000. The small-scale footwear industry is scattered all over the country, and typically possesses little machinery other than a hand- or foot-operated sewing machine. These small units make a wide range of footwear including fashion shoes. Most of the footwear is made from imported artificial materials, with leather shoes comprising only an estimated 10 percent of total output.

In addition, following are the names of the three cooperatives found in three major cities of the country. Dhaka Shoe Producers Cooperative, Chittagong Shoe Producers Cooperative and Khulna Shoe Producers Cooperative.

Suvery details about the characteristics of the enterprises and the entrepreneurs are provided in the baseline survey section of the report.

Channel 6: Multinational Producers Bata of Canada (originally Czechoslovakia) is the only largest manufacturer and distributor of shoe in Bangladesh. It is a composite factory having both shoes production as well as finished leather production facilities in Bangladesh. It employs 969 workers in its factory in Tongi. Bata is also the lone subcontractor of domestic footwear.

Total production of different categories of footwear by Bata in 1997 stood at 17.38 million pairs. Of which 4.47 leather shoes, 10.06 million thongs, 2.30 million sandals (PVC) and 0.58 million rubber canvas shoes.

Channel 7: Sub contractors to Multinational Producers: Producer to producer subcontracting is present only with Bata. Almost all the subcontractor producers are small-scale owner-managed producers. At present Bata gets supply from 55 subcontractors. In 1997, total supply of footwear from these subcontractors stood at 1.8 million pairs. Bata provided training to all the 55 subcontractors.

---

[9] International Finance Corporation (IFC), The Leather Products and Shoe Industry in Bangladesh: Export Opportunities, Washington DC, USA, May 1990

[10] Islam, Reazul, et alia, Constraints and Opportunities for Textiles & Related Industries, Bangladesh: Industrial Surveys and Studies Program, The World Bank, Dhaka, Bangladesh, June 15, 1995.

[11] IFC

Channel 8: Large Scale National Producers: Shoe making is a specialized industry and therefore, technology in use determines the type of shoes one can manufacture. Bata is an example of multi product footwear industry and the range covers almost all types of footwear (see other footwear sub-sector maps). In terms of product-mix Homeland Footwear, a local company, claims to be close to Bata Shoe Co. Limited.

One study reported that the total number of registered producers in 1985[12] was 20. They produce shoe and shoe uppers. Some of these producers also export shoes abroad. Export oriented shoe producers are discussed in channel 10.

None of the secondary sources consulted provide exact number of footwear producers. Some sources, however, quoted figures that include leather goods producers as well. Since the focus of the study is small and medium (defined as those maximum limit of investment in building and machinery including installation is 3 crores), we could not include such enterprises in our sample. However, after consulting Board of Investment (BOI), Bangladesh Finished Leather and Leather Goods Exporters Association and Business Advisory Services Project of Dhaka Chamber of Commerce and Industry, we could list 47 enterprises whose principle product is footwear. Names, addresses and other details about them can be seen in Annex IV at the end of the report. Complete information in terms of capacity, employment, investments of these listed enterprises are not available. Nor the BOI could provide current status of any of the enterprises. However, the BOI informed that it is in the process of collecting information from the enterprises. Ideally, without carrying out similar work, that is, by visiting the enterprises any authentic information cannot be provided.

Case study of one large-scale shoe producer, namely, Mark Bangladesh Limited is presented below. It is a public limited company and is a producer of gents and ladies footwear from local finished leather. Its factory is located at Konabari, about 40 kms from Dhaka City. The enterprise presently employs 400 workers. The management feels given the business trend it is experiencing, in five years from now the level of employment would reach 4,000. This is just an example, but the point is some of the large-scale producers will become much larger in future. However, collecting information from each of them is beyond the scope of this study and cannot be provided here.

Channel 9: Producers for Institutional Market: These are the producers who supply special types of footwear to institutional markets. Institutional markets consist of buyers like armed forces, Bangladesh Rifles, Ansars, Police, etc. The producers are all medium scale producers having an investment in plant and machinery not exceeding Tk 3 crores.
Channel 10: Sub contractor to Export Directed Producers

In Chittagong, we found, perhaps, the lone subcontractor to an export directed producer. The name of the enterprise is Chittagong Sewing Enterprise. Owned by an immigrant Chinese lady, the factory is a supplier to one factory located in Chittagong Export Processing Zones.

Channel 11: Export Oriented Producers: Two types of export oriented producers were found operating in Bangladesh. One group operates inside the specialized economic zones, for example in the Chittagong Export Processing Zone while the other group outside EPZ. Here we discuss about the companies operating outside the EPZ. Companies operating inside

[12] IFC

the EPZ are discussed in the next channel. Following is a list of names of the companies operating outside the EPZ.

Presently, in Bangladesh a typical exportable shoe is generally made from locally produced upper from finished leather. A complete list of export oriented shoe producers is not available. However, some of the members of Bangladesh Finished Leather and Leather Goods Association are also producers of leather shoe from local finished leather. Of the 61 members 14 are reported to be shoe producer-cum-exporters. The association opined that this figure represented only 60 percent of the total producers of finished leather in the country. Although registered as export oriented industry, whose products are destined to overseas markets, part of their production goes to local market as well. At least one producer has its own franchising business in the city of Dhaka.

Following is an illustrative example of different cost elements in US $ for a pair of leather shoe:

Upper	Lining	TR Sole	Insole	Toe Pop Counter	Interlining	Adhesive	Box	Material cost	Sold at
2.40	1.20	2.00	0.28	0.38	0.25	0.50	0.25	7.26	8.00
Local	Imported	Imported	Imported	Imported	Imported	Imported	Local		
Leather									

Commenting on number of factories that Bangladesh could develop, one study concluded that[13] annual production rates of 25 million pairs, representing the establishment of 60 factories of the scale developed in the comparative cost analysis. This capacity would represent less than five percent of either of the two largest markets, the US and EC.

Channel 14: Producers Located in the Special Economic Zones: One of the foreign investment promotion tools used by many developing countries is to create physical facilities like building, utility services, infrastructure, etc. and enclave them as special economic zones. Popularly known as export processing zones, these facilities are used exclusively for export purposes. Bangladesh has two such export processing zones one in Dhaka and the other in Chittagong. The Chittagong export processsing zone is the oldest in the country while the Dhaka one is very recent. Bangladesh Export Processing Zones Authority (BEPZA) is the semi-government agency responsible for the development and promotion of all the present and future special economic zones in the country. Since 1988, nine companies obtained registration from Bangladesh Export Processing Zones Authority (BEPZA) but only five of them are in operation. Table 6 lists names of the producers, their production capacity and size of employment.

[13] IFC.

Table 6: Footwear Producers in the EPZs of the Country			
Name	Investment in '000 Tk (1994)	Capacity in 1998	Employment in 1994
Excelsior Shoes Limited	537,631	1,200,000 pairs of outsole	1,887
Impact Shoe Industries[14] Limited	46,770	360,000 pairs of leather sports shoe	611
M.S. Shoe Industries (Private) Limited[15]	Not available	3,000,000 pairs of shoes	Not available
Paragon Leather & Footwear Limited	Not available	600,000 pairs of shoes	Not available
Sanar Industry (Private) Limited	Not avilable	111,600 pairs of shoes 167,400 pairs of shoe uppers	

Source: Bangladesh Export Processing Zones Authority

1.4.3.2 Distribution Channels

Two types of distributors are found in this type of footwear business. These are domestic distribution channel and overseas distribution channel.

Channel 4 & 5: Domestic Distribution Channel: The small-scale producers distribute through wholesalers-cum-retailers and exclusive retailers. Total number of retailers in the Dhaka city who distribute products produced by small scale producers ranges between 200 to 250, followed by Chittagong having close to 100 and Jessore only 6. The types of products handled by them are lsandal made of leather or synthetic, thongs (sponge) made from rubber and plastic footwear made from recycled plastics.

Most of the other cities have a few shoe stores. Average employment ranges between 3 to 5 persons including the owner of the shop. In terms of investment the retailers in Dhaka exhibit a wide range from 300,000 to 1,500,000. At least 80% of which is working capital. The sources of financing for the lower stratum is own and family and for the upper stratum is bank.

In wholesale the terms of business are absolutely credit. While the wholesalers buy on credit directly from the producers they also sell on credit. Because of that the footwear retailers are in a better position. They buy on credit and sale on cash. The period of credit is one year. However, throughout the year some payments are made to the producers but account is settled completely twice during Eid-ul-fitr and Eid-ul-Azha, the two biggest religious festival observed in the country.

Large Scale Wholesalers & Retailers: Large scale producers distribute their products both through their own outlet and through the retail shops. Because of the high quality and high price of their products these retailers are located either in the big market places or special shoe traders zones in Dhaka. In places outside Dhaka such diversity of products are not found. Some of the major markets where shoe retail shops are found are: New Market, Baitul

[14] Other products include leather belt 39,000 pieces, leather handbag 18,000 pieces.
[15] The factory also produces jute sole 1,500,000 pairs, jute braid 1,500,000 pkts, hessian cloth 1,000,000 meter, jute bag 400,000 pieces and fabrics 500,000 meter.

Mukarram, Gulshan Circle 1, Eastern Plaza, Bishal Plaza, Mouchak Market, etc. The most important retailers zone is in Elephant Road in Dhaka. Total number of shops ranges between 120 to 200. A good number of them also sell foreign shoes mostly brought under baggage by persons travelling to other countries.

The Distribution Network of Bata Shoe: The multinational producer Bata owns the biggest distribution chain of footwear in the country. It has 93 outlets all over the country. In every city or town one would find a Bata store. Total employment in these stores is 238 persons. In addition, under franchise arrangement it has 57 stores in different parts of the country.

The Emerging Franchise Stores: Perhaps the biggest producer-cum-exporter of footwear in the country, Apex Footwear Limited has also introduced franchised footwear stores and at least few stores are in business in selected markets in Dhaka city.

The Overseas Distribution Channels: Large majorities of the export-oriented producers have their direct overseas contacts. By attending fairs these producers get orders from overseas buyers. Presence of only one buying house that specializes in leather footwear, similar to what is in practice in the RMG sector, has been reported by some of the export-oriented footwear companies.

1.4.3.3 Input Suppliers

Three types of input suppliers are found in the leather footwear sub-sector. They are: producers and suppliers of leather products. Either they supply directly to producers or traders. Then there are small-scale traders who supply assorted consumables and fittings to producers. One interesting suppliers of an important input to producers are carton box producers. All of them are small-scale producers. An account of each of them is provided below.

Channel 2 & 8:Leather and Other Input Suppliers: Leather (natural and synthetic) and sole are the two major raw materials used for producing leather shoes. Of the 200 small to large tannery of the country, only 65 are mechanized. In all, total annual capacity of them is 180 million square feet in single shift operation per day[16]. Table 7, below presents the total volume of leather export in the last 5 years. However, 15-25 percent of the total output of the leather industry is consumed in the local market for the production of shoes, belts and other leather products. Finished leather for domestic consumption is produced mainly by small and cottage level tanneries. About 75 percent of their products go to retailers and the remaining 25 percent go directly to the manufacturers [17].

[16] Bangladesh Finished Leather & Leather Goods Exporters' Association.
[17] Reazul Islam.

Table 7: Volume of Leather Export from Bangladesh in the last 5 Years		
Year	Quantity exported in million square feet	Corresponding value in crores of Taka
1992-93	138.63	574.62
1993-94	157.43	670.16
1994-95	161.66	810.53
1995-96	155.81	865.86
1996-97	128.61	832.35

Source: Bangladesh Finished Leather & Leather Goods Exporters Association

Sole, the other important component of footwear is produced by wide ranging companies from very small to very large. Small companies generally produce low quality low priced rubber sheets from which small-scale shoe producers cut soles according to shapes and sizes. It cannot be gathered how many of these rubber sheet producers are there in the country.

Generally, sole of shoes are produced from thermo-plastic rubber or TR called in short. BATA, the multinational footwear factory has a plant to produce TR soles but the exporters opined that the quality is not very good. Another local company under the name Apex Polymer Group with head office located at 39-40, Harinath Ghosh Road, Lalbagh, Dhaka 1211 produces different types of rubber and synthetic soles.

Footwear factories uses soles imported from India. Indian producers, under joint venturing with German companies are now producing good quality footwear soles.

The standard practice with export-oriented shoe producers in Bangladesh is to store all imported products in supervised bonded warehouse (SBW). The SBW is a flexible type of bonded warehousing system as against its counterpart in the RMG sector. Under such system the bonded warehouse is within the premises of the factory and some staffs of National Board of Revenue are permanently posted there. But the owner of the factory is paying their salaries.

Small Scale Input Retailers: Another category of input suppliers is very small who supply a wide assorted input to the small-scale producers. The items handled by them are: leather, synthetic leather (Rexene), sole, buckles, button, eyelet, thread, rubber and other pasting solution, polish, etc. Largest concentration of them is in Dhaka and the number is 70. Bhairob having 32 and then Chittagong having 3 follows this.

The size of total investment in this business ranges between 100,000 to 700,000 of which 85% is working capital. Sources of finance is mostly family and friends. Average annual sales ranges between Tk 500,000 to Tk 6000,000 and profit margin ranges from 8 to 15 percent. Enterprises in Dhaka make higher profit than their counterpart in other places of the country. Generally, the owner who is assisted by an assistant manages the business.

Some of them are members of associations but most of them are not. At least we could find two associations. They are Paduka Babosayee Malik Samity (Footwear Business Owners Association) at Kamalpur in Bhairob and Bangshal Metropolitan Business Association, at Bangshal in Dhaka.

Carton Box Suppliers: Use of carton box for packaging of a pair of shoe is almost universal, whether produced for domestic or overseas market, A good number of carton box manufacturers are producing both overseas and domestic quality carton boxes. Their exact number could not be established. However, they are not exclusive footwear carton box producers. Rather carton box is one of the many items they produce. Exact number of carton box producers could not be gathered. However, one would find such producers in most of the slums of Dhaka city.

1.5 Rubber (eva) Footwear

1.5.1 Product Characteristics

Product differentiation is absent in this particular type of footwear either by design or raw materials. However, one will find rubber footwear of different colours in the sub-sector. Popular name of the product is sponge while the standard name is thongs. Bata, the multinational uses this name extensively while referring to the product.

1.5.2 Market & Demand

Thong or sponge is common footwear extensively used by almost all classes of people. Therefore, demand for this type of footwear is countrywide. According to footwear trade circle total market potential for this type of footwear is 40.8 percent. However, this is the total for both plastic and thongs. Of this, 20 percent is for thongs. Following the basis of estimate in Box 2, total market potential for sponge or thongs footwear in the country is 20.8 million pairs per year.

Retail price of rubber footwear ranges from Tk 112 to Tk 210. Use of brand name is very common in the business. Some 227 brand names are advertised in the 1996-97 Annual Report of the Paduka Prostutkarak Samity. However, the purpose is different- to establish names among the distributors and not to consumers. Other than Bata, some of the commonly advertised brands are Howai Chappal, Shahi Noor and Moghul.

1.5.3 Sub sector Map

Seven channels are found in this sub-sector. Among them only three are from the producer's group. A map illustrating different channels is presented as Exhibit II.

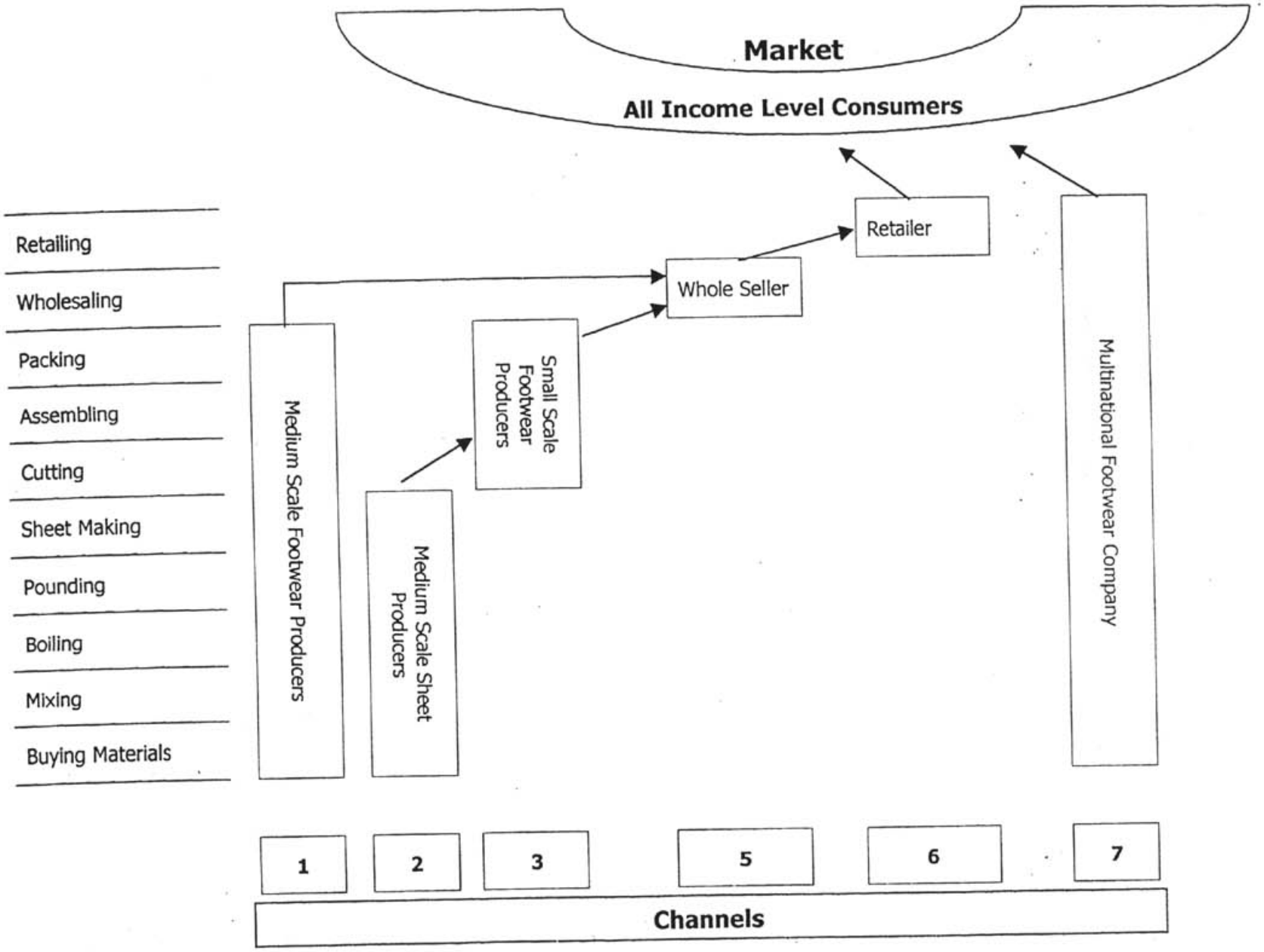
1.5.3.1 Producers

Channel 1: Medium Small Scale Producers: It has been gathered that as many as 48 producers produce thong or sponge footwear in this sub sector. Almost all of them are located in the older part of Dhaka city. They produce rubber sheets and then produce thongs from them. When compared with the channel 3 producers they are owners of composite factory. Some of them also sell rubber sheet

Channel 2: Multinational Producer: Bata, the multinational producer also produces thong or sponge footwear. It is very uncommon for the footwear giant to produce this type of footwear, as well. On the other hand one can easily imagine the wide scale usage of this type of footwear by all classes of people.

Channel 3: Small Scale Footwear Producers: Small-scale footwear producers are those who produces thongs from rubber sheets bought from sheet producers.

Sub-sector Map of Rubber (Eva) Footwear



1.5.3.2 Distribution Channel

Channel 4: Wholesalers: There are wholesalers whose business is exclusively for rubber and plastic. Most of them are located in Chowkbazar in Dhaka city. However, one wholesaler is found in the Kawran Bazar Municipal Market in Dhaka city.

Channel 5: Retailers: Generally, one will not find a retailer whose business is exclusively for sponges or thongs. It is one of the several footwear products they sell. Included in the later group are plastic and leather sandals. Details about them are provided under the distribution channel in the leather footwear sub-sector.

1.5.3.3 Input Suppliers

Channel 7: Suppliers of Rubber Raw Materials: Only one type of input supplier is found. They are rubber sheet producers. They don't produce finished products rather supply 'eva' or rubber sheets to small scale producers.

1.6 Plastic Footwear

1.6.1 Product Characteristics

Footwear of this category is produced exclusively from recycled plastics. Like sponge or thongs, product differentiation is also absent. The products are homogeneous in design, construction and quality.

1.6.2 Market & Demand

This is the footwear of low-income people. Because of its waterproof characteristics use of this footwear is extensive all over rural Bangladesh. Buyers of this category of footwear are the largest in size.

According to footwear trade circle, total market potential for plastics and thongs type of footwear is 40.8 percent of which approximately 20 percent is for thongs.

As estimated earlier, assuming that present population of Bangladesh is 130 million and average purchase of a pair of footwear for each person is 0.8 then the total demand for footwear is 104 million pairs. Therefore, total market potential for plastic footwear in the country is 20.8 million pairs per year.

Price of a pair of plastic footwear ranges from Tk 10 to Tk 21. At least 70% of the 227 brand names advertised in the 1996-97 Annual Report of Paduka Prostutkarak Samity belongs to plastic footwear group.

1.6.3 Sub sector Map

Six channels are found in this sub-sector. A map illustrating different channels is presented as Exhibit III.

1.6.3.1 Producers

Channel 1: Small Scale Producers: Except a few located in other places, all of them are located at a particular place called Islambagh and Water Works Road. There are 96 producers located in those two places.

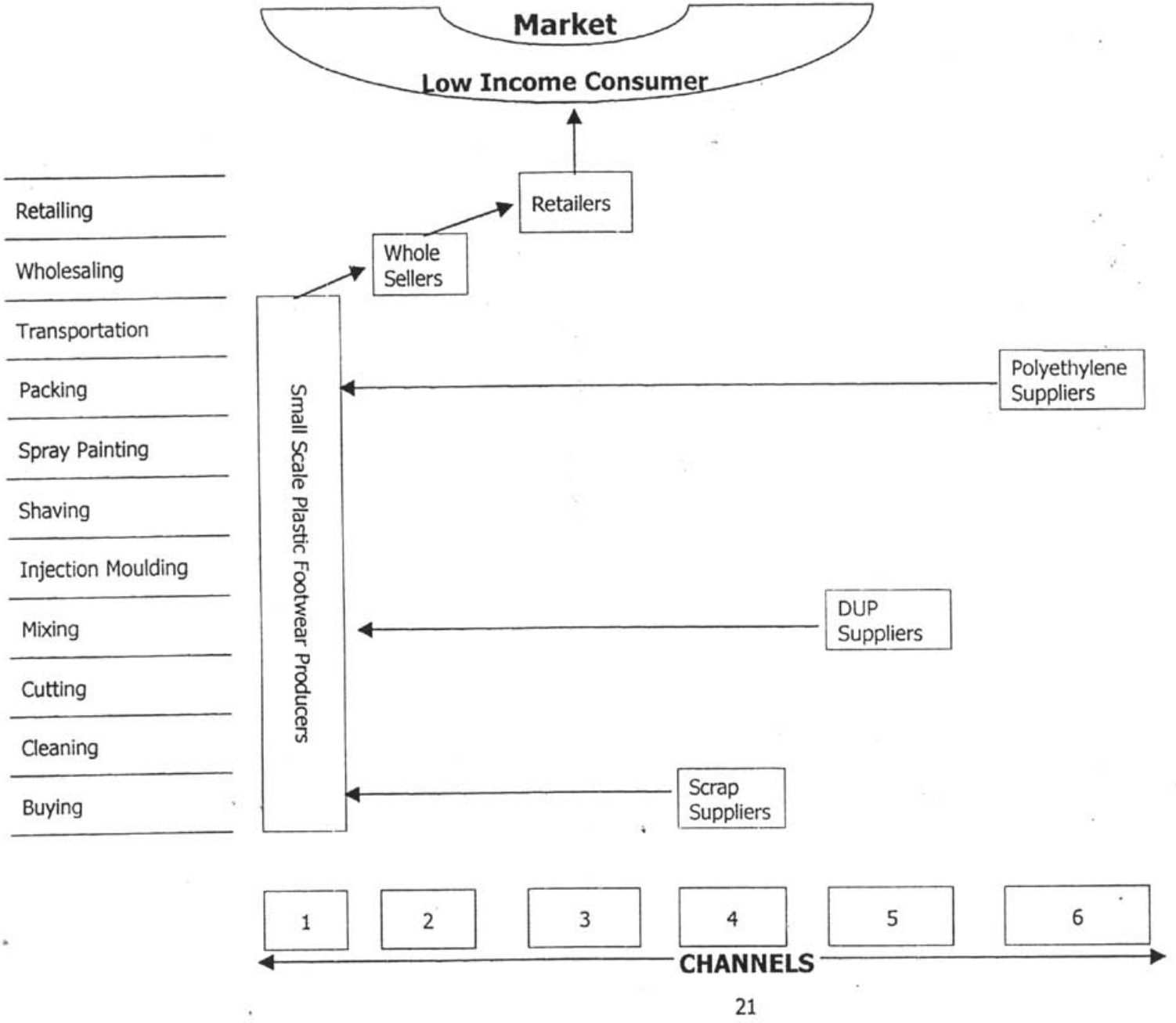
1.6.3.2 Distribution Channels

Channel 2: Wholesalers: Like what has been stated in the rubber based footwear sub-sector, there are wholesalers whose business is exclusively for rubber and plastic. Most of them are located in Chowkbazar in Dhaka city. However, one wholesaler is found in the Kawran Bazar Municipal Market in Dhaka city.

Channel 3: Retailers: As already stated in the rubber based footwear sub-sector, generally, one will not find a retailer whose business is exclusively for sponges or thongs. It is one of the several footwear products they sell. Included in the later group are plastic and leather

Exhibit III

Sub-sector Map of Recycled Plastic Footwear



sandals. Details about them are provided under the distribution channel in the leather footwear sub-sector.

1.6.3.3 Input Suppliers

Channel 4: Recyclable (Scrap) Plastic Suppliers: Recycled plastic is the major raw material used in the production of plastic footwear. It is also a major source of raw materials for the plastic sub-sector[18]. However, some quantity of virgin materials is also used.

The only collection of center for used plastics, which are recycled to produce plastics and PVC footwear is situated on the northern bank of the river Buriganga. The name of the place is Nalgola. There are as many as 254 enterprises doing this business in this locality. Of this 104 are the members of the association, " Nolgola Plastic & Vangary (recycled) Malik Samity".

Grading of the collected plastic items according to the user industry is done here. The recycled businessmen report at least 5 grades of plastic scraps. Of these three, namely, PVC scrap priced between Tk 25 to Tk 20 per kg, scrap container priced between Tk 10 - 15 per KG, scrap ball pen and electronic durable cabinets prices between Tk 5 to 8 are used in the plastic industry. The remaining two grades are used in the plastics footwear industry. The first quality is sold from Tk 10 to Tk 15 and second quality (local name chocolate, perhaps because of its chocolate colour) at Tk 5 to 7.

In terms of size of investment these members can be classifed into large medium and small. The big businessmen are those having an investment of Tk 3 million, medium from taka one half to one million and small Tk 200,000. The scraps are collected from all over the country and delivered to this place. River and road are the main medium of communication used by them. According to the secretary general of the association, Mr. Nurul Islam Master total volume of sale in 1996-97 was close to Tk 520 million. On an average total volume of recycled materials sold in a year is 122,000 tons.

[18] For more information on the use of recycled plastic by the plastic industry, the other sub-sector study in the series titled, 'Plastic Products Sub-sector' by Dr. Momtaz Uddin Ahmed may be consulted.

1.7 Footwear from Textiles

1.7.1 Product Characteristics

Espadrille is a popular type easy to wear footwear and is largely used by holiday makers in the sea beaches andholiday resorts of almost all developing countries of the world. Design is the principle criterion of product differentiation in this type of footwear and one would find wide ranging designs with equally wide ranging prices. However, the simplest one is espadrille with canvas upper type. Compared to other types of espadrilles in price this one is inexpensive and consequently enjoys a mass market in the consumer countries.

The main feature of espadrille footwear is its sole, made of braided jute yarn. To make a complete shoe, a layer of rubber is vulcanized below the sole, which is thus put together with upper by means of stitching. Upper is generally made from textile cloths.

1.7.2 Market & Demand

World trade statistics defines this type of footwear as: Sandals of various types, "espadrilles", "alpargatas" (shoes with canvas uppers and soles of platted vegetable materils) and similar light footwear. Table 8 presents world trade statistics in this type of footwear and the Asian suppliers to the world market.

Table 8: World Trade Statistics of Sandals of Various Types in million US$

Country	1990	1991	1992	1993	1994	1995
Cyprus	3,920	3,800	807			
Indonesia				50,592	51,828	
Macao				440	1,266	1,211
Asia	73,239	73,119	70,126	55,717	57,339	70,124
World Total	277,006	325,913	243,742	223,909	224,934	249,736
Asia as % of World Total	26%	22%	28%	24%	25%	28%

Source: World Trade Statistics, 1995

The above table clearly shows that the market for Asian producers is reasonably good and that the trend is quite stable. A three-year cyclical pattern is also observed.

As mentioned earlier Bangladesh Export Promotion Bureau maintains statistics under Harmonized Coding System (HS). The European Union member countries follow this classification system. Relevant section of the HS code as applicable to espadrille footwear is 64.03. and the title is "Footwear with textile uppers, soles of rubber and plastic.

Table 9 provides 1995-96 and 1996-97 export statistics for espadrille footwear from Bangladesh. Bangladesh Export Promotion Bureau, however, documents this product as jute footwear.

Table 9: Export of Textile Footwear from Bangladesh in million US$		
HS Code 64.06	1995-96	1996-97
Jute Footwear	US$ 3.37	US$ 4.99

1.7.3 Sub sector Map

In this sub-sector 5 channels are found. A map illustrating different channels is presented as Exhibit IV.

1.7.3.1 Producers

Channel 1: Large Scale Producers: Only one type of producer is found in this sub-sector. In all there are three producers, namely, Bangladesh Exports Limited, Sonali Aansh Braid & Shoes Limited and Tropical Shoes Limited. No other data about them could be collected.

Channel 2: Sub Contractor producers for Braided Sole: It has been gathered that there are a few producers in the district of Comilla who produces braided sole from jute twine. However, given the scope and time for the study further information on them could not be collected.

1.7.3.2 Distribution Channels

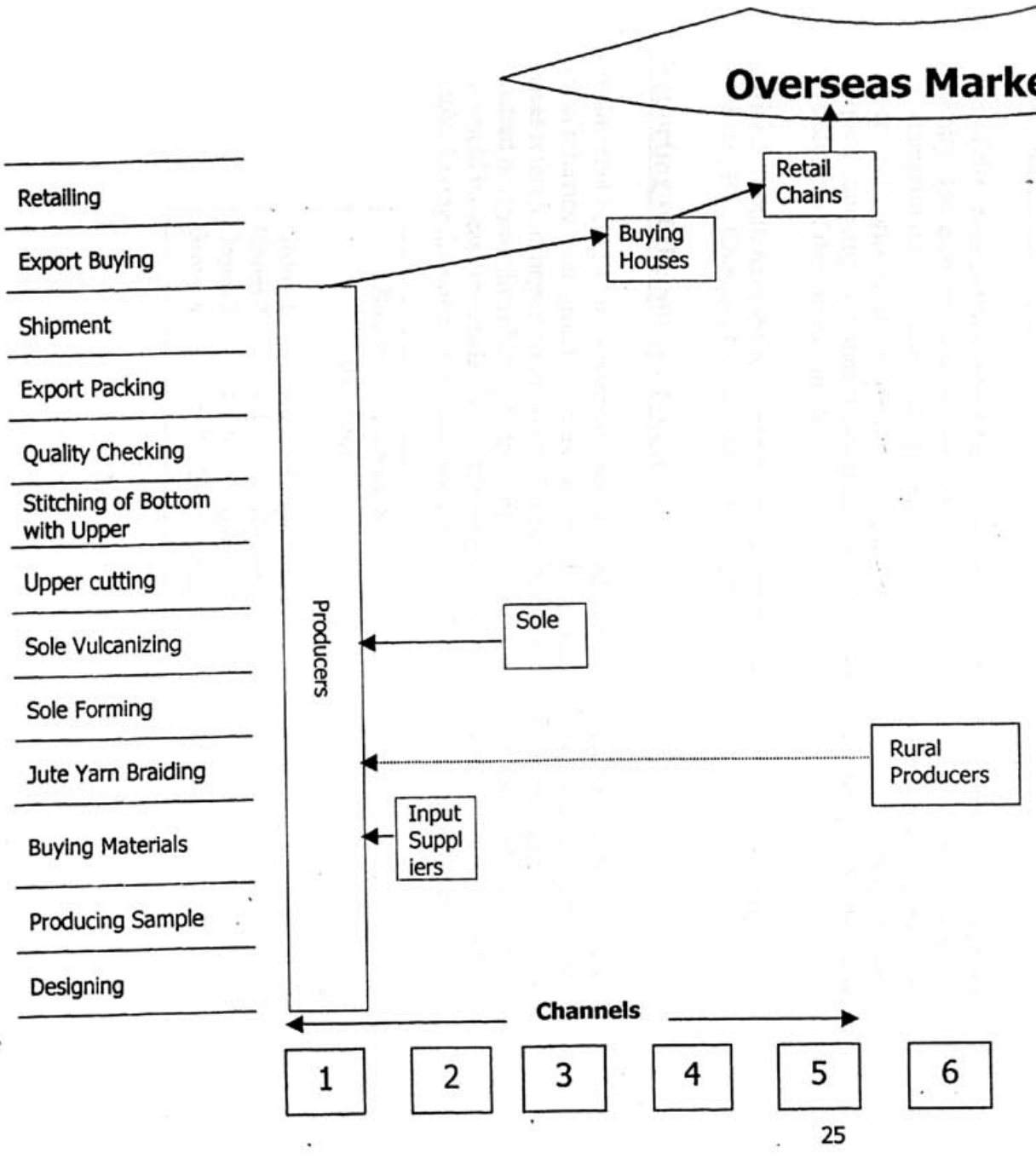
Channel 4: Buying House: Only one company operates as buying house. To maintain the confidentiality of the buying house the name has not been mentioned here.

Channel 5: Overseas Buyers: Like many other export products, a buyer for this product is also identified through attending trade fairs. Generally, buyers of this product visit specialized handicraft fairs. Products from Bangladesh are generally exported to Spain, France and Germany.

1.7.3.3 Input Suppliers

Channel 2: Jute Twine & Rubber Suppliers: Raw materials for this type of footwear is jute yarn and canvas cloth. Both are produced locally. The third input is rubber, which is also grown locally. However, because of the scope of the study further information on this channel was not collected.

Sub sector Map for Footwear from Textile



CHAPTER II
2.0 BASE LINE SURVEY

2.1 Distribution of Respondents

2.1.1 Number of Respondents

In this section we present the findings of a countrywide survey of 40 producer respondents in the footwear sub-sector. Sub-sector wise distribution of the sample is presented in Box 5.

Box 5: Number of Respondents

Leather Footwear	27
Rubber Footwear	8
Plastic Footwear	7
Total Respondent	42

2.1.2 Geographical Coverage

Experiences of the researchers revealed that the enterprises were not evenly distributed all over the country. The enterprises were concentrated in certain selected locations. Given this scenario of enterprise concentrations, the principle that guided the selection of survey units was that every enterprise in these locations was to have a fair chance of being selected. Therefore, quota sampling, a common modification of probability (random) sampling, was applied for selection of the survey sample.

Location-wise distributions of the respondents are as follows: Dhaka (49%), Chittagong (33%), Rajshahi (4%), Comilla (3%) and the rest of the locations 9%.

2.2 Reporting of the Survey Findings

Size of employment being an important indicator to analyse the respondents, we have used a convention of referring them group numbers like group 1, 2, etc. Number of employees each group number refers to is presented in Box 6. Throughout this section we used group numbers instead of repeatedly referring to the range of employment. We believed that such a convention would increase the readability of the interpretations of the data collected from the field. All tables having the same sub-section reference number are placed under Annex V.

Box 6: Group Number Reference

Group 1:	1-5	Employees
Group 2:	6-10	Employees
Group 3:	11-20	Employees
Group 4:	21-30	Employees

2.3 Profile of the Sample SMEs

Enterprise related all information of the surveyed enterprises are presented here except some selected financial information, like investment, operational results (profitability), wages & salaries and numerical values like number of workers, etc. which are presented in the next section. A matrix showing intra and inter sub-sector comparison of the operational results (output and profitability) of the surveyed enterprises are presented in section 2.8 on Economics & Efficiency of the Surveyed SMEs.

2.3.1 The Enterprise

2.3.1.1 Age of Business

Two third of the Group 1 enterprises was established between 85-89 and the remaining ones in 1980-84. 58.3% of the Group 2 firms were set up after 1990, 16.7% in 1975-79, an equal share in 1985-89 and the remaining 8.3% in 1971-74. Majority (47.6%) of the Group 3 enterprises were set up in 1985-89, half that share after 1990 and only 19% in 1980-84. The remaining share was established either in 1975-79 or before 1971. 2/3 of the Group 4 enterprises was established in 1971-74 and the rest in 1985-89.

2.3.1.2 Licenses

The number of respondents in Group 1 who claim to have a regulatory license is twice those who say they do not. Only half the respondents in Group 2 possess a regulatory license. 100% of the enterprises of Group 3 and Group 4 have a legal status.

The types of regulatory licenses in use are trade license, fire license, export-import license, factory license, group license (*from Associations*) and trade mark license

2.3.1.3 Product Composition

The following are the products or services provided by the surveyed enterprises: leather shoes for ladies and gents, leather sandals for ladies and gents, rubber slipper, foam slipper, *chappal*, plastic shoes for ladies and gents, plastic sandals for ladies and gents, shoe sole, rubber sole, children shoes and rubber sheets.

When questioned about the launching of new products with the aid of new technology 50% of the respondents said they would produce rubber slippers with improved technology and the rest opted for plastic sandals for men.

To-third of Group 1, half of Group 2, one-third of Group 3 and all of Group 4 said the products they plan to produce with improved technology are already available in the market. Local small manufacturers9 (42.1%), local large manufacturers (36.8%), multinational companies (15.8) and imports (5.3%) were the sources of the above mentioned products. They rest looked forward to developing innovative products.

2.3.1.4 Reasons for Business Closure

Some of the reasons for which the business remained closed or inactive are : dull season ,no order received, fall of demand for products, machine disorder, laborer problem/crisis, lack of experience, flood, factory burned, cyclone or financial crisis.

2.3.2 Production Related Issues

2.3.2.1 Types of Machinery, Equipment & Hand tools in Use

The machinery and equipment brought for the operation include sewing machine , bop machine/motor, brush off machine, spray machine, dice machine, forma, wood piece, grinding machine, moulding machine/hand/ball pressure, mixer machine, cutting machine, roller, vertical machine, water pump and generator.

The handtools are lohonga, batal/rafi, hammer, jamboree, pensis, pliers, scissors, range-sly, range-round, iron pick, plus, screw driver, tub, cutter are tester.
Raw Materials

The following the major raw materials are used by the respondents in their production processes:
Leather, rexene, foam/eva, sole, rubber, bally pasting, diamond pasting, solution, button, buckles, sticker, hill, art paper, color, blowing agent, plastic cutting, PVC, scrap shoes and sandals, foaming chemical, scrap rubber, chemicals, milk gum .
Thinner, kerosene, powder, package, sewing thread and triangle nails are some of the minor ones.

2.3.2.2 Sub-contracting

Among the 3 classes of respondents, only 13.2% of the Urban respondents admitted to having subcontracting arrangements with other firms.

Among the 3 classes of respondents , only 10.5% of the urban respondents admitted to supplying to a parent company.

The services received from the parent firm are supply of accessories, supply of intermediate goods and production orders.

Low service charge which gets lower still in the event of late delivery are some of the difficulties faced in our dealings with the parent firm.

2.3.2.3 Production Problems

Machine problem, labor problem, low demand for product, lack of adequate finance, power failure, lack of orders, financial crisis, smuggling, strong competition from local and foreign products and low profits are some of the causes for not being able to operate in full capacity.

Given the prospect for increasing market demand and assuming that there are no supply constraints Group 1 is interested to add 6 more days of operation to the month. Group 3

would like to add 13 more days and Group 4 10 days. The Group 2 must be missing a lot many work days because they are interested in increasing the number days by 19.

Given a chance , the semi-urban respondents would increase the number of hours of operation to 10.67 hours. The urban respondents would raise it to 10.57 hours and the BSCIC estate holders to 8 hours.
On the subject of increasing operational output Group 1 would add an additional 33.3 hours to the machine output and Group 3 19.57 hours and Group 4 25 hours. Gr 2 plans on adding only 8.33 machine hours towards maximizing machine output.

2.3.2.4 Types of Business Expenses

Some of the inevitable expenses when running a business are entertainment expense , toll to miscreants, speed money, transport, fire protect machine, calculator and branch

2.3.3 Market Related Issues

2.3.3.1 Buyers

The current buyer list include wholesalers, retailers, foreign importers, exporters, input suppliers, producers, institutions and consumers. Among which wholesalers (38.88%), retailers(23.33%) and foreign importers(13.33%) are the most popular.

8.5% of the products are sold from the producer's own shop, 40.4% from within the town, 36.2% from within the district and 14.9 from outside the district.

57.9% of the respondents felt the market is slowly growing, 5.2% thought there was no growth, 34.2% believed it was gradually declining and the remaining felt it was declining rather fast.

According to the respondents 61.1%of the potential buyer class consists of wholesalers and the rest is made up of retailers.

2.3.3.2 Current State of the Industry

Two-third of Group 1 thought the industry in which they operate was saturated and the rest were hopeful of growth. 9.15 of Group 2 believed the industry was in decline and the rest were equally divided in their opinion of growth and saturation. 28.6% said the industry was growing, 42.9% it was saturated and another 28.6% opined that it was a dying industry. 100% of Group 4 felt that the industry was saturated with no prospects for growth.

The factors responsible for the current state of the industry are:

Government rules/practices
Economic crisis
Quality of input/raw material (pasting, leather, rexene, sole etc. is unsatisfactory)
Poor profit margin
Smuggling of competing goods(Burmese sandal, Italian shoes, Singaporean ladies sandals)

Open market
Lower price of imported goods
Poor quality of output
Rubber/plastic products offset leather products
Overall poor economic condition of the country
Product quality
Competition
Present demand: among these smuggled goods(15.2%), competition(21.74%), poor profit margins(10.9%) and low product quality(10.9%) are the most common.

Taxes in the Industry: 41.67% of the taxes and duties is turn-over tax, 33.3% is license fee and the remaining 25% is Value added tax.

2.3.3.3 Competitors

One third of the Group 1 enterprises said there were 1-4 similar enterprises in the locality. Another third felt their were more than 30. The remaining third were equally divided in their opinion over competitors. One believed their were 10-19 and the thought there were 20-29.

58.3% of Group 2 said their were more than 30 similar enterprises in the locality, 33.3% were split midway between 5-9 competitors and 20-29 competitors and a paltry 8.3% thought the figure was less than 5.

73.7% of Group 3 were of the opinion that the number of similar enterprises exceeded 30. 21.1% said it was less than 5 and only 5.3% felt they had 10-19 competitors.

One-third of Group 4 thought the number of similar enterprises exceeds 30 whereas the rest believed it was less than 5.

2.3.3.4 Competition

The list of competitors included small local firms, big local producers, multinationals, import and smuggling; small local firms(41.67%) , big local producers (29.17%) and smuggling (16.67%) posed the biggest threat.

2.3.3.5 Payment Structure with Credit Sales

According to Group 1 the average discount for cash payments is 3.4%. Group 2 said it was 8.36%, Group 3 7.76% and Group 4 4.5% . 50.83% of the sales of Group 1 were made in credit, 53.63% of Group 2, 60% of Group 3 and 47.5% of Group 4. The average credit period for Group 1 was 104 days, for Group 2 it was 175 days, for Group 3 177 days and for Group 4 104 days only.

2.3.3.6 Growth of Sales

Group 1 felt sales were growing at 5.33%, Group 2 thought it was 12.17% and Group 3 were the optimistic. They believed it was 21%

2.3.3.7 Mediums of Promotion

The business promotions include billboard/signboard, television advertisements, posters/calendars/visiting cards, newspaper/magazine/catalogue ads, tolls to local socio-cultural clubs and eye-catching packaging , of which poster/calendars/visiting cards(36.36%), packaging (18.18%) and billboard/signboard (18.18%) were the most popular.

2.3.3.8 Nature and Extent of Promotional Expenses

On average Group 1 spent Tk.450.00 on promotional works, Group 2 Tk.2750.00 and Group 3 Tk.8866.00 in the fiscal year 1996-97. Producers who did not spend on promotional works generated product awareness through company goodwill, retailers, wholesalers, high product quality, good design and wide availability . Among these wholesalers(28.12%) , company goodwill (18.75%) , retailers(15.62%) and product quality (15.62%) were the most common.

2.3.3.9 Information Issues

The outside information required for the operation of the business is related to market demand and supply, finances, design, quality (control), technology, cost of raw materials, consumer choice, location of quality input, market environment, catalogue, marketing and product prices.

Wholesale market, retailers, input suppliers, subcontracting firm/order suppliers, association/chamber, newspaper/magazine/catalogues, previous experience, similar factories, other markets and customers are some of the sources of information tapped by the respondents.

2.3.4 Management Characteristics

Of the surveyed enterprises 100% of the firms of Group 1 are proprietorship. 91.7% of Group 2 firms are proprietorship and the remaining ones are partnerships. In Group 3 the share of proprietorships is 95.2% and the rest are partnerships. In Group 4 the number of proprietorships is twice that of partnerships.

It was found that the share of sole proprietorship usually falls as the employment size goes up.

2.4 Profile of the Entrepreneurs

2.4.1 Ownership Pattern

100% of the respondents from Group 1 consist of owners. 83.3% of Group 2 are owners and the rest are owner-managers. 52.4% of Group 3 are owners,33.3% owner-managers and the rest manager or accountants In Group 4 the population is split between owners and partners with the former claiming 66.7% of the lot.

From Group 1 to Group 3 the % of owners falls with a rise in the size of the employment. The case ,however , is different in Group 4.

None of the Group 1 and Group 4 respondents own or share any other enterprises. Only 25% of Group 2 and 14.3% of Group 4 said they do.

2.4.2 Age

2/3 of Group 1 became owners of their enterprises between 20-29 . 16.7% between the ages 40-49 and another 16.7% before reaching 20. In Group 2 a share of 8.3% each became owners at 30-39 and 40-49. The rest is identical to the distribution for Group 1. 38.1% and 42.9% of Group 3 became owners at the years 20-29 and 30-39 respectively. And the remaining 9.6% are split equally between the 40-49 and 50+ age categories. A third of Group 4 became owners in the years 30-39 and the rest between 20-29.

83.3% of the respondents in Group 1 received formal schooling and the rest were illiterate. ¾ of Group 2 received formal schooling , 16.7% passed HSC and 8.3% were illiterate. In Group 3 38.1% had formal schooling, 23.8% passed SSC , 14.3% passed HSC , 19% graduates and the remaining 4.8% never went to school. A third of Group 4 were illiterate and the rest were graduates.

2.4.3 Training

Only 41.7% of Group 2 , 14.3% of Group 3 and 33.3% of both Group 1 & Group 4 said they had received training related to their work. Before starting their enterprises the respondents received training on the production of shoe/sandals, sales and marketing from the BSCIC, and various chambers and associations.

The place and type of training received after starting the enterprises are same as above.

2.4.4 Previous Occupation

The entretrepreneurs came from the following occupations: government service, NGOs, business, agriculture, salesman, family business, family tradition/inheritance, smuggling.

2.4.5 Current Occupation

When asked about their present primary occupation the respondents said they were either producers of shoes/sandals/slippers or businessman. Business and agriculture were some of the secondary occupations of the respondents.

The reasons which brought the respondents into the business are given as follows: inheritance, previous experience in a similar industry, the business required little finance, it was a profitable business, bright future prospects, influence from neighbors and availability of raw materials.

2.4.6 Business Start-up Problems or Entry Barriers to Business

Long-term financing, low product prices, high cost of raw materials, insufficient working capital, lack of skilled workers, marketing, government approval/registration, lack of sufficient land/premises, unavailability of quality design, political situation, racism/apartheid, unavailability of raw materials, lack of experience, falling demand, competition from foreign products and machinery disorder/crisis were some of the major problems faced at the time of establishment.

2.5 Employment Characteristics of the Sample SMEs

Employment related qualitative information are presented here. A matrix showing intra and inter sub-sector comparison of number of workers employed and the range of wages & salaries in the surveyed enterprises are presented in section 2.8 on Economics & Efficiency of the Surveyed SMEs.

2.5.1 Sources of Workers

Other factories , training under the guidance of other skilled workers and expert workers, on-the-job training to existing workers, raiding workers from other factories with higher wage and distant places are some of the sources of skilled workers. Among which other factories(36.58%), on-the-job training to helpers(26.82%) and distant places (24.39%) are the most common.

2.5.2 Duration of Employment

Worker turnover is an inevitable subject in the context of duration of employment. The reasons for rather high worker turnover are as follows:
Higher wage claims
Offers from other factories
Worker demand for longer leisure/higher incentives
This happens usually
Unsatisfied with wage
Working environment is not good
Not having good relations with management
Working pressure is high in *Ramadan*
No special incentives provided
Demand for higher wages (26.19%), higher wage offers from other factories (21.42%) and dissatisfaction with the current wage package (14.28%) are the most common causes of worker turnover.

63.63% of the respondents address the turnover issue by offering better compensation packages to the remaining workers. 27.27% leave the issue unattended whereas 9.09% take in workers when production is high and discharge them when production is low.

2.5.3 Opinions about Female Workers

A good majority of the respondents had comments on the subject of female employment. The following are some of the comments on the issue of female workers :

They produce products of authentic quality
Their work is neat and clean
They do not claim higher wages
No difference between the works of male and female workers
They are not hard working
They seek extra facilities which I cannot offer
Women are not fit the job
They work only as semi-skilled workers.

2.6 Functional Characteristics of the Sample SMEs

Investment and technology related qualitative information are presented here. A matrix showing intra and inter sub-sector comparison of investment related information is presented in section 2.8 on Economics & Efficiency of the Surveyed SMEs.

2.6.1 Fixed Capital

All of Group 4, a third of Group 1 , 83.3% and 85.7% of Group 2 and Group 3 respectively said that they had to increase the size of the fixed capital since the beginning of their business. 83.3% of Group 1, 83.3% of Group 2 and 90% of Group 3 planned to expand their fixed investment. None from Group 4 were interested.

2.6.2 Sources of Finances

When questioned about borrowing money for funding the initial investment only 100% of the semi-urban and 71.1% of the urban replied in the affirmative. Popular sources of borrowing are the Janata Bank, the Sonali Bank, The Agrani Bank, BRAC, PROSHIKA, BSCIC, the Shilpa Bank and the sources of personal lending.

2.6.3 Sources of Technology

In the context of technology, Group 1 informed it had been using the existing technology for the last ten years. Group 2 has been operating with the present technology for the last nine and a half years whereas for Group 3 it is twelve years and Group 4 it is 11 years. On average none of the groups have updated their operations technology in the last decade.

Some of the sources of the existent technology are inheritance, previous knowledge, BSCIC Training, experience in other factory, visiting other factories and banks; among these experience in other factories and visits to other factories were the most used (33.3%) followed by inheritance and previous knowledge (13.3%) .

2.6.4 Difficulties with the Existing Technology

66.7% of semi-urban respondents, 40.5% of urban respondents and 100% of the BSCIC estate holders said they faced difficulty in using the present technology. The difficulties are low level of output per worker, high rejection possibility, time consuming, not running smoothly, high labour cost, high cost due to power failure and machine problems. Among these machine problems (36.36%), time consuming (18.18%) and low level of productivity (13.6%) are the most recurrent complaints.

The reasons cited in favour of the current technology are ease of operation, manual method, high quality output, familiarity, faster output and good machine. High output quality (33.3%) and manual method (29.62%) were the popular virtues of the current technology.

66.7% of Group 1, 41.7% of Group 2, 55% of Group 3 and 100% of Group 4 believed in the existence of better technology than the one currently in use. These are power generators, semi-machine, semi-manual, moulding machine and auto injection machine.

75% of Group 1 believed that improved technology could significantly reduce production cost and the rest thought it could reduce only moderately. 100% of Group 2 were confident of a significant fall in production cost with better technology. 54.5% of Group 3 felt that costs would fall significantly, 36.4% thought only moderately and the rest believed it would remain unchanged. 2/3 of Group 4 was very optimistic about advanced technology and the rest believed in moderate fall in production costs.

2.6.5 Comments on New Technology

Only 50% of Group 1, 42.9% of Group 2, 13.3% of Group 3 and 33.3% of Group 4 were planning to introduce new technology. The rest had no plans as yet. 89.45% of the respondents said that high cost makes switching to new technology unaffordable. Other reasons include satisfaction with the existing one and concern for the unemployment of manual shoemakers. 50% of the respondents said they would produce rubber slippers with improved technology and the rest opted for plastic sandals for men

2.6.6 Problems in General

Some of the current problems include:

Wage and salary, working capital, land/premises, financial crisis, electricity failure, dull market/low demand, apartheid/racism, open market, smuggling, high rent, hooliganism/miscreants, skilled labor, machinery, low quality of raw materials, competition, insufficient order, poor profit, credit sell and marketing.

Possible solutions to the above problems as cited by the respondents are bank loan, prevention of smuggling, training, hiring salesman for marketing, advertisement, closed economy, strengthening law and order, reducing rent, improvement of input quality, market promotion or government steps to ensure smooth businesses. The steps taken to get round the mentioned problem are bank loans, training, government steps or negotiations with labor unions.

2.7 Dynamics

2.7.1 MARKET & DEMAND

2.7.1.1 Household Demand

Like basic textile, footwear has also taken the position of a household necessity. At present, the product is in the annual purchase list and the volume of trade is enormous during the month of Ramadan, which ends with the biggest religious festival of the country Eid-ul-fitre.

Market for low cost footwear like thongs and plastic is growing much faster. Compared to these types of footwear, demand for leather footwear is not growing that fast. This slower growth is mainly attributable to the increase in the price of the raw materials used in making leather and synthetic footwear and the declining product durability. The producers hold that the low quality of locally produced bonding agent as the main reason for the later state in the quality.

2.7.1.2 Institutional Demand

Comment on the stage of the market cannot be said due to the unavailability of data. But looking at the growth of some of the enterprises one may conclude that the business is good. Use of footwear in schools, other than selected English Medium schools, like that of uniform is seldom found in the schools.

2.7.1.3 Overseas Demand

The prospect for Bangladeshi companies is immense here. A good number of large scale manufacturers have started production and export to world market. Local availability of finished leather together with increasing availability of skilled labour is likely to fuel the growth of the firms in this industry.

Footwear made from textiles (espadrilles) holds much bigger prospect for Bangladesh. The local availability of all of the major raw materials, namely, jute, rubber and canvas favours production of this footwear in bulk quantity.

2.7.2 GROWTH PROFILE OF SMES

Review of state-of-the-art in footwear sub-sector reveals that the single important characteristic of the sub-sector is its diversity in terms of the products produced, scale of production, size of the enterprises, demand and competition, technology in use, skill, the input requirement, risk and profitability and policy. This diversity can be intra and inter sub-sectoral. Table 12 presents this diversity among the product groups in the footwear sub-sector. For example, leather footwear sub-sector has the widest diversity and the plastic has the least. Given such inter sub-sector diversity it would be logical to analyse them separately.

Table 12: Sub-sector/ Product Group wise number of channels						
Product Group	Producers	Sub-contractors	Input Suppliers	Wholesalers/ Retailers	Export Agents	Total
Leather	5	2	3	3	1	14
Rubber	3	Absent	1	3	Absent	7
Plastic	1	Absent	1	2	Absent	4
Textile	1	Absent	2	Absent	1	4

2.7.2.1 Leather Footwear Sub-sector

In the large-scale industries only one channel seemed to be growing very fast. That is the mechanised shoe producer. Because of the availability of finished leather this channel has become attractive to many investors.

Having 3 percent share of the world market for leather men's footwear is a testimonial for Bangladesh becoming a participant to the world market of footwear. One study estimated that there could be as many as 60 producers becoming export-oriented leather footwear suppliers from Bangladesh.

The lone small scale sub-contractor to shoe producers is an exemplary model for Bangladesh. While no data could be made available due to time but any further study or intervention should look into the prospect of developing and promoting this producer niche.

In the small-scale several features can be observed. A good number of micro level producers are engaged in shoe production. They hold promise because of their good dispersion all over the country, it provides solid on-the-job training, and with this skill they can enter the export-oriented industries, or start their own businesses. Among the clusters, one that is well known for its existence for more than fifty years is at Bhairab.

2.7.2.2 Rubber (Eva) Footwear Sub-sector

One may not pass a sweeping remark about the prospects for growth of this sub-sector, but there are other considerations for which the sub-sector may look attractive. One major consideration is that this sub-sector holds promise for rural dispersion because the technology is simple, the investment is very low and a blanket market is available for the product all over the country. It can become a very good linkage industry as well. Attracted by this big market all over the country the present producers would become the suppliers of rubber (Eva) sheet to these small scale producers.

2.7.2.3 Plastic Footwear Sub-sector

The sub-sector is characterised by its profound linkage with collection of recyclable plastic, which employs thousands of vendors. While social contributions of this sub-sector are immense but competition is also forbidding.

2.7.2.4 Textile Footwear Sub-sector

In terms of prospect this sub-sector holds highest promise for Bangladesh. Although market share of producers from Bangladesh is very small (0.005%) at present but this sector holds prospect for further investment.

This sub-sector holds another prospect of integrating very small scale rural producers through putting out system of sub-contracting. The biggest comparative advantage of producers from Bangladesh is the indigenous availability of raw materials like jute yarn, rubber and textile upper rendering it to be the highest value added export industry for Bangladesh.

2.8 ECONOMICS & EFFICIENCY OF THE SURVEYED SMEs

As already mentioned earlier elsewhere that the single important characteristic of the sub-sector is its diversity. This diversity is observed both within a product group (sub-sector) and across the sub-sectors. Given such inter and intra sub-sector diversity it would be logical to analyse each of these separately.

We have used the concept of mini-maxi matrix frame to explain the extent of the economic and efficiency variables like investment, operational results (profits), employment and wages in all of the three sub-sectors covered in this study. These data have been collected in the base line survey.

2.8.1 Investments

(Figure in '000 Taka)

	Leather Footwear		Rubber Footwear		Plastic Footwear	
Types of Variable	Mini	Maxi	Mini	Maxi	Mini	Maxi
Investment in Land	4[19]	150[20]	298[21]	1,800[22]	2,250[23]	6,000[24]
Investment in Machinery & Equipment	8.8	206	195	1,509	427	1,786
Investment in Working Capital	80	121	150	900	200	219
Total Investment	92.8	477	643	4,209	2,877	8,005

[19] Rental Advance
[20] Same as 3 above
[21] Cost of land and building; this unusual high cost is attributable to its location in Dhaka city.
[22] Same as 5 above
[23] Same as 5 above
[24] Same as 5 above

2.8.2 Operational Results (Profit)

(figure in '000 Taka)

Output	162	1,237	14,055	6,750	1,725	840
Annual Cost of Direct Materials (RM)	112.7	814	12,599	5,289	814	311
Annual Cost of Indirect Materials (Others)	4.7	57	665	270	287	55
Material Cost	117.4	871	13,264	5,559	1,101	366
Total Salary & Wages	5	180	609	390	42	142
Total Cost	122.4	1,051	13,873	5,949	1,143	508
Profit	39.6	186	182	801	582	332

2.8.3 Price (ex-factory)

Sub-sector wise maximum and minimum ex-factory prices of products are presented below:

(Figures in Taka)

	Leather Footwear		Rubber Footwear		Plastic Footwear	
Types of Users	Mini	Maxi	Mini	Maxi	Mini	Maxi
Men's	300	600	112	210	10	21
Ladies	90	150	Same as above			
Children's	20	45	Not available			

2.8.4 Employment

Sub-sector wise minimum and maximun number of employment per enterprise is presented below:

(Figure in numbers of workers)

	Leather Footwear		Rubber Footwear		Plastic Footwear	
Types of Variable	Mini	Maxi	Mini	Maxi	Mini	Maxi
Total Number of Worker	3	7	16	18	20	31
Total Number of Administrative Staff	1	3	4	2	4	3
Total Strength of Worker	4	10	20	20	24	34

2.8.5 Broad Characteristics of Employees

Diversity in terms of hired and unpaid employment by number of enterprises is presented below:

(Figure in numbers of enterprises)

Types of Variable	Leather Footwear		Rubber Footwear		Plastic Footwear	
	Hired	Unpaid	Hired	Unpaid	Hired	Unpaid
Factory Worker	25	2	8	0	7	0
Managerial	8	19	4	4	3	5
Administrative Staff	1	5	6	1	1	4

2.8.6 Wages

Wage range for three sub-sectors are presented below:

(Figures in Taka)

Type	Level of Skill	Leather Footwear		Rubber Footwear		Plastic Footwear	
		Mini	Maxi	Mini	Maxi	Mini	Maxi
Factory Worker	Skilled	2,500	5,500	3,000	5,000	2,500	3,500
	Semi-skilled	1,000	2,400	1,800	2,200	1,700	2,000
	Unskilled	600	1,000		1,800		1,400
Managerial	Management	1,800	3,000	1,500	4,000		
Administrative	Management			1,200	2,500		2,000

2.9 Factor Intensity, Factor Productivity and Output Growth[25]

Factor intensity, factor productivity and output growth in case with leather, rubber and plastic footwear are presented in the matrix below.

Sub-sector	K/L (Taka)	VA/L	% of Units set up after 1990	Yearly Growth in Output
Leather Footwear	6,574	38,885	29.6	7.5
Rubber Footwear	50,828	50,657	25	1.3
Plastic Footwear	68,887	32,349	28.6	-2.6

This inter-sector comparison reveals that the leather footwear industry is much less capital-intensive than the rubber footwear and plastic footwear sub-sectors but it enjoyed a significantly high level of labour productivity. The incidence of recent entrants and the rate of growth of output have also been higher in the leather footwear compared to that in the rubber and plastic footwear.

[25] Zaid Bakht.

CHAPTER III
3.0 INFRASTRUCTURE RELATED ISSUES

The poor infrastructure in Bangladesh is not at all supportive to the development and growth of small-scale industrial sub-sector. Following narrative details can be an eye opener. Two infrastructures are discussed, one is land and building and the other is electricity. These are the opinions of the producers voiced during the focus group discussion and the one-to-one survey.

3.1 Land and building

In order to mitigate the requirement of industrial land Bangladesh Small & Cottage Industries Corporation took a major step to develop lands at suitable locations and then lease out plots to prospective entrepreneurs.

Developing lands for a particular artisan type crafts and for modern industry is also another avenue where examples are also created. The oldest one is the Narayangonj and the most recent one is (complete the name by checking with BSCIC personnel). Recently, some other projects are taken up (ask Matiur for further information).

While this particular strategy is highly publicised and equally criticised but it has some merits as well. Finding demand for industrial plots as remunerative, private investors are taking steps to develop land for selling.

In many of the FGDs conducted as part of this study, the participants sought assistance in the form of developing and distributing lands to a particular type of industry. This is something similar to what BSCIC is doing for artisan clusters for Jamdani Weavers in Demra.

3.2 Electricity

3.2.1 Demand & Supply Situation

The basic utility like electricity, gas and water is a key input for industrialisation. On the positive side a vast area of the country is now under electricity network but on the negative side the supply can no longer match the demand. Against a peak-hour demand for 2300 MW everyday, power plants operated by the Power Development Board (PDB) have been generating around 1900 MW everyday. Normally, PDB should have a reserve of at least 200 MW on top of the peak-hour demand for use if a distribution line or a plant suddenly trips. As a result the country is under load shedding. Although Government is taking some measures but the progress is extremely slow. Some of these measures are setting up of barge mounted power generation plants, etc. on different rivers.

Industrial consumption, account for 49 percent of national electricity consumption. Electricity costs for small industrial users range from Tk 2.05/kwh for off-peak consumption to Tk 4.30/kwh for peak-hour consumption. In addition a demand charge is assessed at the rate of Tk 10/kwh per contracted load.

Because of the severity of load shedding industrialisation is being threatened. Many factories are operating at a level which is much below than their even break-even capacity. The Chambers and Associations are appealing to the government ameliorate this situation. The demands voiced by the participants in the FGD are presented in Box 7.

Box 7: FGD Participants Comments on Electricity
Electricity
Small footwear producers are barred from industrial electricity rates.
Commercial rate, which is higher, is charged to cottage industry operators.
Load shedding is done without any notice.
Supply of electricity frequently stops without notice.
Electricity connection is snapped without checking papers.
Electricity consumption bills are prepared for and submitted to closed down factories.
There is no match between actual and billed consumption of electricity.
2% surcharge on arrears of electricity bills is burdensome to footwear producers.
Authority of rescheduling of arrears bills lies with headquarters only, which is too far from cottage industry

3.2.2 Institutions

While the generation of electricity is the domain of Power Development Board (PDB), the distribution is with a number of agencies. For Dhaka city Dhaka Electricity Supply Authority, for rural areas Rural Electrification Board. Out of a total number of 2 million electricity subscribers 70 thousand are industrial consumers which is 3.5 percent of the total.

Industrial consumers reported a number of problems either in getting a new connection, or for raising the level of electricity consumption. The two most significant complains are (a) the electricity authority does not maintain any transparency on lead shedding and (b) the procedures with the payment of electricity consumed leaves room for electricity supply authorities to abuse their power.

CHAPTER IV
4.0 GOVERNMENT POLICIES

4.1 Institutional Framework for SMEs in Bangladesh

According to the Rules of Business, updated in 1995, the mandate of the Ministry of Industry has been detailed under 40 points. Most of these points either refer to the matters relating to the State-owned-enterprises (SOEs) like, pricing policy of the products of nationalised industries and preperation of schemes for relating to public sector industries, etc. or regulatory roles of the ministry. And only one promotional activity like holding of exhibitions and demonstrations can be seen in the list. However, the institutional mechanism for implementation of many of them is extremely weak.

The overall industry related institutional framework has been illustrated in the Exhibit V[26]. From the Exhibit one could easily find the status of the lone small industry promotion agency the Bangladesh Small and Industries Corporation (BSCIC). Although one would find similar situation with many other countries in the world but the point here is the remoteness of this nationally important function from the mainstream government machinery. Such remoteness does not reflect its corresponding importance that the government attaches to the development and promotion of this segment of the economy of Bangladesh.

4.2 Incentives for Small Scale Industries

Footwear industry comprises of all scales of producers- cottage, small, large, multinational, exclusive export oriented industry, etc. Demand for and supply of capital in each of these segments are not necessarily same. Therefore, financing of footwear cannot be generalised when we talk about the financing issue in the Footwear sub-sector.

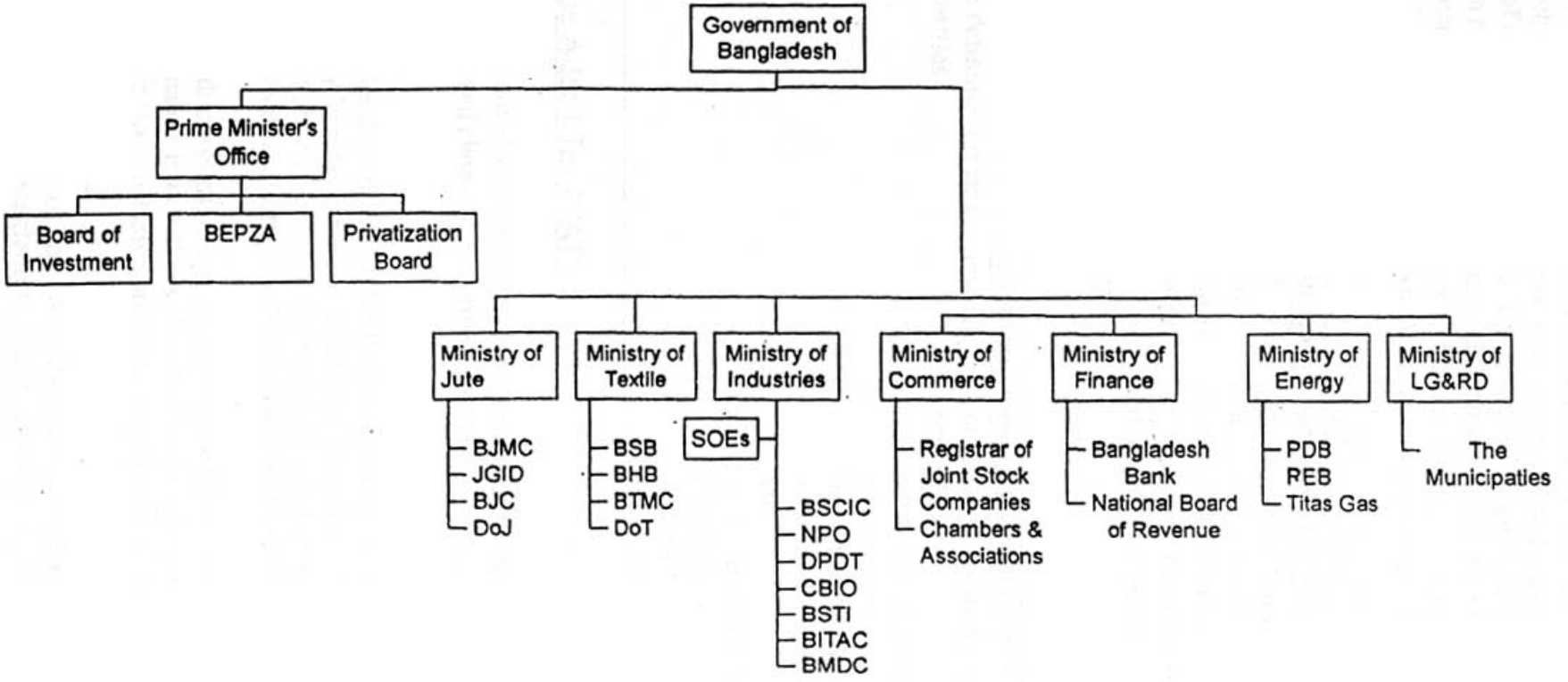
Small and cottage level producers' need for capital is very small. The characteristics of this need, in most cases is working capital for purchase of stocks, for payment of wages and other daily expenses need. The diversity and dispersion of small businesses, combined with the fact that loans are often small, mean that transaction costs per loan are relatively higher than for larger loans. Because of this reason, many small scale lending agencies find this target group to be risky and not commercially remunerative.

---

[26] Compiled from two sources. One is the work of the researcher titled, 'Sectoral Need Assessment Report (SNAT) on Ministry of Industries, prepared for Department of Women's Affairs, November 1996 and the other source is, "North-West Area Development Study Project, Volume 7 on Industry & Finance, Asian Development Bank, Manila, February, 1997.

Institutional Framework for Industries

EXHIBIT V



4.3 Tax Regime

Broadly speaking, an industry owner and his industry are subjected to four different types of taxes, namely, income tax, wealth tax, value added tax and import duty. In all the four cases two types of anomalies are reported. The first is the definition anomalies and the second is the taxation status. The definition anomalies for small industry and cottage industry are found with different policy papers, Acts and Ordinance, Rules, etc. A detailed discussion is beyond the scope of this paper, however, as an illustration we quote the following:

Small Industry	Cottage Industry
In relation to income tax rebate on increased production (SRO 339-1.86)	
Small Industry means and industrial undertaking engaged in manufacturing, process within a total investment upto Tk 15 million, the investment in machinery and equipment not exceeding Tk 10 million, exclusive of taxes and duties.	Cottage Industry means an industrial unit engaged in manufacturing process and generally run by family members either as a full-time or part-time occupation with or without motive power.
For the purpose of exemption from VAT and turnover tax (SRO 246-1/91/31-VAT)	
No separate definition for small, medium or large industries.	Cottage Industry means an industrial undertaking i. which is not a joint stock company ii. whose capital invested in plant. machinery and equipment at anytime does not exceed Tk 3 lacs; and iii. whose annual turnover does not exceed Tk 15 lac, and iv. whose production doesn't include brands owned by other companies.

4.3.1 Value Added Tax (VAT)

For VAT, inclusion of clause (iii) deprives the cottage industries whose annual turnover is above Taka 15 lac and clause (iv) deprives those cottage industries that are the subcontractors of large factories.

In a seminar[27] the speakers reported that the list of products exempted from VAT and supplementary duty have been prepared without considering whether they are manufactured by a small, medium or large industry. It appears that the diseconomies in small volume production by the small and cottage industries have not been recognised by the VAT act.

In the focus group discussions, the participants shared their concern for not being benefited from VAT. The situation is as follows. The small-scale enterprises generally procure inputs from local market at VAT inclusive prices but cannot avail by themselves the benefit of VAT

[27] NASIB, National Seminar or Tax Policy Induced Constraints in Small and Cottage Industries Development in Bangladesh, Dhaka, February 26, 1994.

adjustment during payment of VAT against their sales. This happens only because, they do not get documents relating to VAT payment from their input suppliers and therefore cannot produce the same document for VAT rebate or waiver to VAT collectors.

Box 8: FGD Participants Comments on VAT
Value Added Tax
A temporary VAT exemption lays stresses on the entrepreneur
Cottage industries should be relieved from paying of VAT
15% VAT is too much for cottage industry
Low level of literacy of cottage industry operators inhibit computation of VAT
Low level of income does not support employing a separate person to handle VAT
Goods are held up on roads by different government agencies on the pretext of absence of VAT documentation
Raw Materials
Purchase of raw materials on credit costs 20% higher than that purchased in cash
For small purchase no receipt is provided to avail the benebfit of VAT rebate

Another problem these small-scale producers face is with the necessary computation required for VAT purposes. Since most of them are having either a low level of literacy or does not have time to do all these paper work or cannot afford to keep one accountant in the payroll, they are harassed by the VAT collection clerks of NBR.

Sometime people pretending to be National Board of Revenue (NBR) official demand business documents to be shown to them or pay 'waiver' money. Since there is no procedure/ rule that requires the officials to present their identity card others take advantage of the weakness.

CHAPTER V
5.0 SUPPORT INSTITUTIONS

In this section we discuss some selected issues as far as footwear is concerned. But many of these issues hold equally good for any other industry sub-sectors. A comprehensive review of these is beyond the scope of this study, however, one study[28] commissioned by the World Bank has reviewed institutional weaknesses and recommended a number of strategies.

5.1 Associations

Commenting on business associations in Bangladesh, Donald C. Mead, Professor of Agricultural Economics of Michigan State University in his study[29] in 1985 said, "Bangladesh seems to be country of Associations; everywhere one looks, there are associations of producers of this and that". But to day the situation has changed. In a period when the Bangladesh economy is relying more on the private sector for employment generation and economic growth, the role of their representative associations and chambers in promoting business needs a fresher look. The government now actively seeks support from the chambers and the associations in formulating policy packages than ever before.

The Chambers of Commerce and Industry represent both trading and manufacturing firms; business associations usually include firms producing similar products or services. All major district towns of Bangladesh can claim to have a Chamber of Commerce and Industry while other may have a business or craft association. Dhaka, the capital, can affirm to have numerous business associations and a number of apex bodies, which represent a significant proportion of the business communities of this country. Of all the apex bodies, the Federation of Bangladesh Chambers & Commerce and Industry (FBCCI), with 247 member institutions, of which 56 are chambers and 191 associations.

Commenting on the Characteristics of these organisations one report[30] said, "Chambers and associations, especially those located outside Dhaka and Chittagong, lack institutional capability with unclear and undefined charter of objectives. Often a single person, the President, whose objectivity, foresight, charisma dominates the institution, and absence of transparency dictates the welfare and growth of the organisations. Concurrently, most members are inactive seldom contributing to the day to day activities or in policy making decisions."

Within footwear industry, three associations are found. Names, addresses and other details of them are provided below:

1. Bangladesh Paduka Prostutkarak Samily (Shoe producer Association)
   16/2 Joinag Road, Bakshi Bazar, Lalbagh, Dhaka 1211
   Phone: Mobile 018 221149

---

[28] The World Bank, Prospects for Growth of Small Industries in Bangladesh, Dhaka, November 1993

[29] USAID, Sub Contracting Systems in Bangladesh, Dhaka, July 1985.

[30] Swiss Development Cooperation (SDC), Chambers and Business Associations of Bangladesh: Their Opportunities and Constraints, Dhaka, October, 1995.

Bangladesh Paduka Prostutkarak Samily whose equivalent English name is Bangladesh Shoe Producers' Association is the only registered association of the shoe producers in the country. Founded in 1982 and registered with the government in 1984, the association at present has 234 members, of which only 10 to 15 members belong to leather shoe category. The rest are either plastic or rubber producers. Some 10% of the members produce both plastic and rubber shoes. The association was dormant for the last 10 years and became active since 1996.

In the recent two years the association bought a piece of land (size of the plot is one katha) and constructed therein its own building with CI sheet roofing. The Association has two paid employee, one of them is the secretary and the other is a caretaker. It is now a 'A" class member of the Federation of the Chamber of Commerce and Industry. The executive council of the Association consists of 27 members who are elected for a period of two years.

The association led a 13 member delegation to participate in the Indian Export Fair held last year at Tripura, the eastern division India, to explore the possibility of exporting footwear to the Tripura.

2. Bangladesh Paduka Baboshayee Samity (Shoe Merchants Association)
   1, Jail Road, Dhaka 1100

3. Bangladesh Finished Leather and Leather Goods Exporters Association
   House 70 Road 9/A, Dhanmondi Residential Area, Dhaka 1217
   Phone: 815529

4. Nolgola Plastic & Vungary Malik Samity (Nolgola Plastic and Scrap Association)
   Nolgola, Mitford, Dhaka

5.2 Baseline Survey Responses on Chambers & Associations

Respondents' opinion and comments on various issues relating to chambers and associations were also collected during the survey. A section of the questionnaire was allocated for this purpose. While findings and interpretations are presented here, the source tables having the same corresponding number are placed under Annex V at the end of the report.

5.2.1 Membership with Associations

During the survey views of the respondents on their involvement with association were sought. Their responses are presented below.

66.7% of the semi urban respondents and 71.1% of the urban ones demonstrated awareness of the presence of local business/trade associations . the rest of the semi-urban ones and urban ones and all of the BSCIC estate holders said they had no knowledge of such bodies.

54.5% of Group 2, 85.7% of Group 3 , 100% of Group 4 admitted being a member of their local trade associations. None of the Group 1 members belonged to any such organization.

5.2.2 Reasons for non-membership

50% of the nonmembers said they never had a chance to join an association and 25% reasoned they were not a big producer. The rest of Group 1 and 75% of Group 3 and all of Group 2 saw no need for such an involvement . Only 25% of Group 3 replied they too never had an opportunity to join.

5.2.3 Service from Associations

The following services were availed by the member respondents from their respective trade associations:

Business information
Protection from miscreants
Price fixation
Policy advocacy
Training

Among these protection from miscreants (32.35%), policy advocacy (23.53%) and dissemination of business information were the most sought after.

5.2.4 Services Desired

Services Desired from local trade associations are:

Policy Advocacy
Fund arrangement
Training arrangement
Price fixing of products
Prevention of duplication
Protection from miscreants
Dissemination of business information
Establishment of business contacts
Liaison with bank for loan
Improved technology
Marketing
Use of land premises

Of which fund arrangement (29.54%), policy advocacy (22.73%) and arrangement for training (13.63%) caught the greatest attention.

5.2.5 Support Institutions

All but 38.1% of Group 3 only said they had no institutions assisting their type of enterprises. These 38.1% from Group 3 had received assistance from BSCIC, BRAC, Proshika and Grameen in the form of land/premise, loan and training.

5.3 Financial Institutions

There are only a few agencies offering loan ranging from Tk 100,000 to Tk 500,000. Among them one is the Micro Enterprise Development Unit (MEDU) of Agrani Bank in the public sector and Micro Industries & Development Assistance Services (MIDAS) in the NGO sector are worth mentioning. While a detailed study of these institutions is beyond the scope of this study, but anyone interested to learn more about them may consult the study[31] commissioned by the USAID Bangladesh in March 1996. Institutions covered under this study are lumped under two heading banks and non-bank financial institutions. But the definitions of bank and non-bank financial institutions are missing. Another good very recent source of information on many of these institutions including donors etc. can be seen in a study[32] commissioned by the Swiss Development Co-operation (SDC).

5.4 Training and Skill Development Institutions

As producers enter international market, skill development training in footwear industry is becoming important. Some level of training is always necessary to produce shoe. But the need for training increases as one starts production of quality shoe. For example, quality shoe producing countries have their own skill development schools. Some shoe schools of world repute are Crs Sutoria of Italy, Cordwainers in England and Deutsche Schuhfachschule Pirmasens of Germany.

Bata Shoe Company of Bangladesh trains its subcontractors first then, on the basis of their attainment of a particular level of quality, are selected as suppliers. Unfortunately, the country has not recognised this as a marketable skill and no institution is offering courses on this.

While there are many vocational and technical training institutions in the public sector who are popularly known as VTI (vocational training institute) and TTI (technical training institute) the curriculum and duration of the courses seem not to be suitable to short term market demanded courses. On the other hand, in the NGO sector, one institution with remarkable track record and achievement is UCEP. UCEP runs several vocational training schools whose graduates are in high demanded in the industry.

In the past, some attempts were made. UCEP submitted proposals to SDC to include shoe production skill development course in their present course offerings. But the work was shelved for some reasons not known to the researcher. UCEP is ready to offer a sizeable covered space of its building in Gazipur for building a school on footwear there. Some individual reported that a proposal for a leather footwear-training centre was submitted to the Government Leather Complex at Nayarhat.

One innovative approach to training was implemented by a GTZ assisted programme on skill development training in the past. The physical facilities like space and machinery needed to

---

[31] The USAID, Study on Increasing Employment Opportunities Through Institutional Analysis of Selected Business Organizations, Centre for Advanced Studies, Dhaka March 1996.

[32] SDC, , Bangladesh Unnayan Parisad, Dhaka, June 1998.

impart training was provided by private leather product producing factory one factory. One of the participants of that course is now the owner of a joint venture factory with the famous German leather goods producer Picard. One private company named Superior Footwear Limited offered its closed down factory in Tongi for setting up of a footwear training centre, provided the owners are given the necessary support.

CHAPTER VI

6.0 CONSTRAINTS AND OPPORTUNITIES FOR INTERVENTION

In the preceding chapters we examined the state of the art, analysed data from baseline survey, reviewed the Focus Group Discussion with key industry association and reviewed the relevant government policies and considered the matters relating to the support institutions. At this stage, taking note of our review and examination, we like to draw an inventory of constraints and find out opportunities for interventions. Since this is an inventory taking no attempt has been made to formulate strategy for intervention.

For this we will use the Strength Weakness and Opportunities Threats or SWOT framework. The advantage of using SWOT is that it provides the basis for separating the internal issues from the external ones. The other advantage of using SWOT is that it simultaneously addresses the time frame. For short- term issues a short term time frame and for long term issues long term time frame is logical.

In the language of SWOT, there are a number of issues, which are internal to the enterprise like strengths, and weaknesses and the entrepreneur as an individual can overcome them if assistance packages are designed appropriately. Still there are a good number of issues, which are bothering or affecting his/ her business but to the entrepreneur collectively they are formidable task. Many or all of them are to do with, without which the sector will not thrive, are external issues and most or all of them are do almighty government. To overcome these issues a mega-power is needed.

6.1 Internal Issues (Weaknesses)

6.1.1 Product Development through hard and soft technology

Constraints

1. Many Consumers' complained about the quality of the leather footwear. The producers seem to be aware of the factors responsible for this poor quality. They reported two issues one has to do with hardware, like use of traditional hand tools (hard technology) and the other is design and production skill (soft technology). All of them are accountable for poor quality.

Box 9: FGD Participants Comments on Technology
Technology
Competition from modern technology
Modern technology cannot be introduced because of insufficient capital
Absence of expertise to evaluate the technological options available
Rubber mixing formulation to produce good quality product is absent
No good mould making factory in the country
Skilled mould making workers are not available
Most mould makers are illiterate

2. Footwear, particularly leather footwear is a skill (soft technology) intensive industry. Because of unavailability of such skill in open market, the large-scale producers organise

training course concurrent to construction of their industry. Bata also organises training courses for their sub-contractors before the company engages them as sub-contractors.

3. The quality of some of the inputs particularly the bonding agent is responsible for quality deterioration. For example, price of this bonding agent varies significantly with the source. Products from Bangladesh are traded at a much lower price but the quality of them are not as good. While the traders complain that volume of purchase is so small that at times they are to break the seal and sell the same for a longer period of time affecting the quality.

4. Another input the producers use is the black rubber sheet from which they cut out soles. The qualities of such sheets are very diverse.

Opportunities for Intervention

1. For some of the functions like leather splitting a common service facility may be created at different producers clusters, namely, at Bhairob.
2. Skill development training for leather footwear has the brightest prospect in Bangladesh. It can become one of the highly demanded vocations. Feasibility of developing joint programs with already established institutes like UCEP or VTI may carried out.
3. For design development training courses may be arranged. Training could be on-the-job or mentoring and the other one is group training. While the first one might be expensive but delivering the same in the production clusters might seem feasible.

6.1.2 Strengthening of the Market Linkage

Market linkage can de defined as commercial relationship between large volume buyers and small-scale suppliers.

Constraints

1. Two types of linkages are found in the leather footwear sub-sector. One between small producers and retail stores and the other is between small producers and multinational like Bata. While the later is well developed but the earlier one suffers from a number of pitfalls. The first is the quality, which has already been addressed in the earlier section on product development.
2. The second one has to do with account receivable. Surprisingly, payment to the producers is made throughout the year in very small amounts (something like paying the wages) and the account is settled once in a year.

Box 10:FGD Participants Opinions
Marketing & sales
Sales of footwear is always on credit
Payment is made through post-dated cheque, encashable after 30 days
To meet immediate cash need such cheques are sold at 20% discount

3. A very faint linkage has been reported in the textile footwear sub-sector whereas this linkage holds a wider prospect in terms of involving a number of producers.

Opportunities for Intervention

1. A joint program with Bata on sub-contracting may be explored.
2. One innovative intervention may be considered with the accounts receivable problem. The innovative intervention is to explore the feasibility of introducing factoring. Factoring[33] is an arrangement by which an entrepreneur sells accounts receivable to a financial institution to speed up cash flow. The financial institution may be a bank, a finance company, or an independent business [or in this country an NGO] that is a factoring company. Generally, the factor (the financial institution) agrees to buy the receivables for a specific period, often as long as 1 or 2 years. Factoring is a relatively new financial service activity and has grown in strength in developed countries over the past 30 years and is today a US$ 350 billion business globally. However, it is not known whether factoring experience with small scale enterprises are in practice anywhere in the world. Combined with sub-contracting factoring can really become an effective market linkage development tool.
3. The feasibility of linking textile footwear producers of the country with small producers is worth exploring.

6.1.3 Finance and Financial Management

Constraints

1. Many small-scale producers reported that bank is reluctant to finance the size of business they are engaged in.

Box 11:FGD Participants Comments
Banking
Bank favours big loans, to make their operation profitable and less risky
Bank favours opening of L/C, a more profitable and less risky business
Bank is not interested to grant investment loan or fixed asset loan
The rate of interest on working capital loan (16~18%) is very high for footwear industry
Valuation of collateral to secure working capital loan is very conservatively computed
Standard procedure for computation of collateral is absent leaving room for doing favour
Most footwear factories are in rented premises (hypothecation of machinery is not possible)

2. Not knowing their implications, small scale producers invest cash to buy production equipment and creation of similar assets. There is nothing wrong in doing so but before making such decision one must analyse the cash flow situation of the business. This

[33] Charles R. Kuehl and Peggy A. Lambing, Small Business- Planning and Management, CBS College Publishing, New York, 1987 page 372.

might be one of the common and widely observed problems for borrowers becoming defaulters.

Opportunities for Intervention

1. Dialogue with banks could be initiated. One innovative lending program initiated by Agrani Bank known as MEDU might hold prospect.
2. Training courses on cash flow management to suit small scale producers' needs may be designed. One word of caution; these courses should be carefully designed that meets the adult learning process. For it has already been established that adults learn differently than the way children do. Looking at the contents and the delivery methodology of many of the training courses delivered in the country one has little doubt about their impact on business improvement.

6.2 External Issues (Threats)

6.2.1 Policy Environment

Constraints

1. The present institutional set-up under the Ministry of Industries is not favourable and supportive to the development and promotion of small-scale industries. There is no reflection of the government's priority of the sector in the ministerial set-up.
2. Complain about VAT by small-scale producers has two dimensions. One is a complete waiver of VAT from small-scale producers and the other one is the VAT relief. While the first one is more of general in nature but the second one has some merit for consideration.
3. Being small the producers also purchase small quantity for which no receipts could be collected from the big Supply Company.

Opportunities for Intervention

1. The overall organogram of the Ministry of Industries should be reviewed. The possibility of creation of a separate and high level institutional mechanism may be examined. Feasibility of setting up of a separate Board of Small Industry (BOSI) may also be examined.
2. Dialogue may be initiated with the National Board of Revenue (NBR) to examine the feasibility for a VAT waiver. In this respect, the recent SRO should also be examined. For, this SRO denies benefits to small sub-contractors, too.
3. Dialogue may also be initiated with the raw materials suppliers to find out an innovative method of assisting small scale buyers of raw materials.

6.2.2 Operating Environment/ Infrastructure

Constraints

1. Infrastructure of dire importance is electricity. While the Government's commitment to the generation of electricity is visible. But the hardest problem is now with the unplanned

load shedding. Under the present system no prior information is available with the producers about the timing of load shedding.
2. Electricity being a critical input for industry, the existence of the small-scale producers is now threatened because of the procedural problems with the agency responsible for electricity supply.

Opportunities for Intervention

1. Transparency in load shedding should be observed. Such transparency would allow small-scale producers do their production planning accordingly. To investigate the feasibility of introduction of such a system dialogue and discussion may be initiated with DESA.
2. Discussion may be initiated with PDB and DESA to find out ways and means to support the development and promotion of small industry of the country. One step could be to look into the feasibility of separating out small-scale producers from the general list of customers.

6.3.3 Support Institutions

Institutions dealing finance and training have been discussed in different places under this section. Here we will deal only with Chambers and Associations.

Constraints

1. The role of the chambers and associations are not clear to many of the small-scale producers. Many view them as something not for small-producers. Generally speaking, the role of industry specific associations is more prominent with producers than chambers. But the membership is very limited. For example, while there are a large number of producers in the leather footwear sub-sector but only a few of them are members of the Bangladesh Paduka Prostutkarak's Samity. One explanation to such situation lies in its concentration in a particular location of the country, for example, in Dhaka.
2. Presence of the voluntary informal producers group in leather footwear is an interesting issue worth investigating.

Opportunities for Intervention

1. Initiate discussions and investigate the feasibility of upgrading the association as a national body. Explore the possibility of making associations sub-sector specific. Existing associations can be advised to create separate committees to look into sub-sector specific problems and should be cautioned about the danger of not looking into the interest of the minority members.
2. The voluntary informal group concept can be looked into more seriously and can be given an institutional shape.

CHAPTER VII
7.0 CONCLUSION

My conclusion here is limited to two stages:

At the first stage, I conclude that footwear sub-sector is an important industry that deserves promotion on many accounts. Some of them are:

1. There are small, medium, large multinational producers so all types of businesses benefits from the sub-sector;
2. This is a linkage-promoting sub-sector;
3. This is a high value addition sub-sector;
4. The sub-sector is environment friendly;
5. This sub-sector is a foreign exchange earner;

At the next stage, I conclude that JOBS should be proactive in its approach. By this I mean it should not look for intervention opportunities through systematic investigation of constraints. In order to be able to really do something to employment generation it should also become entrepreneurial. Creativity and innovation should be the slogan for JOBS. Have a final look at the sub-sector map on footwear; not all (sub-sector) product-groups hold promise. Similarly targeting assistance to only small may not bring large impact. The real challenge is to design assistance package that could link small and large enterprises on commercially attractive terms.

BIBLIOGRAPHY

Ahmed Momtaz Uddin
1998 Policy Effectiveness of SME Development Analysis of Industrial Policy 1991 (Revised), Report prepared for DCCI. Dhaka Bangladesh.

Bakht, Zahid
1998 Growth Potentials of Small and Medium Enterprises: A Review of Eight Sub-sectors in Bangladesh, Report prepared for JOBS. Dhaka. Bangladesh.

Bangladesh Bureau of Statistics.
March - 1993 Report on Census of Manufacturing Industries (CMI) of Bangladesh. 1988-89.
Dhaka. BBS Bangladesh.

Bangladesh Bureau of Statistics.
July - 1997 Report on Census of Manufacturing Industries (CMI) of Bangladesh, 1991 - 92. Dhaka. BBS, Bangladesh.

Bangladesh Paduka Prostukarak Samity.
1998 Annual Report 1996-97

Bata Shoe Company Limited
1997 Annual Report 1997

Bangladesh Small and Cottage Industries (BSCIC).
1997 Survey Report on Cottage Industries of Bangladesh. BCIC, Dhaka. Bangladesh.

Bangladesh Small and Cottage Industries (BSCIC).
1997 Survey Report on Small Industries of Bangladesh, BSCIC, and Dhaka. Bangladesh.

Bangladesh Unnayan Parishad (BUP).
1998 Small Enterprise Promotion and Development in Bangladesh. Formulation of a Package Programme, Report prepared for SDC. Dhaka. Bangladesh.

Boomgad, James
June- 1991 A Sub-sector Approach to Small Enterprise promotion and Research. (GEMINI Working paper No- 10) USAED/ GEMINI, Bethesda, Maryland, VSA.

Data International Limited Dhaka
1992 The structure and performance of Bangladesh Manufacturing 1992, The World Bank and United States Agency for International Development.

Swiss Development Cooperation, Dhaka.
October - 1995 Chambers and Business Associations of Bangladesh: Their opportunities and Constraints. Data International Dhaka Bangladesh.

FBCC1
November-17 1997 Annul Report, Dhaka, Bangladesh.

GEMINI
Facilitator's Guide for Training in Sub-sector Analysis.

Government of Bangladesh, Ministry of Industries.
July - 1991 Industrial Policy 1991 Dhaka, Bangladesh.

Grant, William
April- 1992 The Sub-sector Methodology: A field Orientation for CARE/EGYPT January 20 to February 7. 1992. (GEMINI Working paper No- 29) USAID / GEMINI. Bethesda. Maryland.

Gimire, Kapil Dev
October (3-4) 1992 Planning Workshop Chittagong Chamber of Commerce and Industry, Dhaka Bangladesh.

Haggblade, Stevan, J.Malthews.
November - 1991 A Field Manual for Sub-sector Practitioners. GEMINI.

Hossain, Nazmul
1994 Qualitative Impression Survey (QIS) 1994 Data International Bangladesh.

Huda, Mirza Nazmul
February -26 1994 Report on National Seminar on Tax Policy Induced Constraints in Small and Cottage Industries Development in Bangladesh, NADCIB / ZDH-TA, Bangladesh.

International Finance Corporation
May -10 1990 TheLeather Products and Shoe Industry in Bangladesh : Export Opportunities,
Reca System. Inc; Virginia. USA.

IFAD & SDC
August 1989 Micro-Enterprise Development Project
Joint IFAD/SDC Fact Finding Report, Dhaka

IRIS
February - 1998 Identification of Sub-sector for technical and Policy Support to Small and Medium Enterprises in Bangladesh Jobs, Dhaka Bangladesh.

Islam Rezaul et alia
June 1995 Constraints & Opportunities for Textile Related Industries The world Bank, Bangladesh.

Islam Rezaul, J D Von Pischke, J M de Waard
1994 Small Firms Informally Financed: Studies from Bangladesh The world Bank, Bangladesh.

Islam Rezaul. Farouk A . Chowdhury Huda, Nazmul
November - 1993 Prospects for Greowth of Small Industries in Bangladesh. The world Bank .Bangladesh.

JOBS
October-19 1997 Annual Work Plan for the JOBS Program October 1997 - September 1998, Dhaka Bangladesh.

Lusby, Frank
September - 1995 The Sub-sector/ Trade Group Method: A Demand-Driven Approach to Non-financial Assistance for Micro and Small Enterprise. (GEMINI Working paper No- 55)
GEMINI, Bethesda. Maryland. VSA

Liedholm, Carl
JUNE - 1991 Data Collection Strategies for Small Scale Industry Surveys. (GEMINI Working paper No -11)USAID/ GEMINI. Betherda, Marylabd.

Lusby, Frank
September - 1997 Tools Manual for the Dering and Implementation of Subrector Programs. AFE.

Mead, Dhaka C.
July - 1985 Sub. Contracting Systems in Bangladesh. U.S.A.

McPhherson, Michael A., Joan C Parker
February 1993 A Manual for Conducting Baseline Surveys of Micro and Small-scale Enterprises, GEMINI, Maryland, USA.

Miah, MS Alam
March -1997 Report on Institutional Framework of SMES in Bangladesh (Droft)

NORAD
Assistance to Small Scale Enterprises in Bangladesh Draft Sector Study Nordisk Consulting Group

NASCIB
1995 Stratigic Approach for Small and Cottage Industries Development in Bangladesh in the Context of Market Economy. NASCIB.

Rahim, A. M.A., Tasneem Siddique, Mujibul Rahman
March 1996 Study on Increasing Employment Opportunities Through Institutional Analysis of Selected Business Organizations, USAID, Dhaka.

Proshika Muk
1997 A study Report or Foot wear Industry in Dhaka City.
SEED Program, Bangladesh.

Salam Tasneem
February - 1997 Bangladesh North -West Area Development study Project ADB TA No - 2545.
Interin Report Volum No- 7, The Asian Development Bank, Bangladesh.

Syed, Azim
April 1990 Joint Venture Possibilities in Bangladesh: Identification & Selection of Prospective Sectors & Companies, Canadian High Commission, Dhaka.

Syed, Azim et al
October 1990 Survey on Chambers and Associations Related to Small Scale Business in Bangladesh, ZDH, Singapore

Syed, Azim
March - 1997 Workshop Proceedings, Rural Industrialization Regional Workshops UNDP, Dhaka

Syed Azim etal.
May - 1997 Rural Industrialization
UNDP Bangladesh.

Syed, Azim
September - 1989 Market Research on Athlete / Sports foot wear.
MIDAS, Dhaka Bangladesh .

Syed, Azim .
June - 1998 Report on Focus Group Discission on Footwear
JOBS/IRIS Program of USAID Dhaka . Bangladesh

Salahuddin Ahmed ,et al
March - 1998 Main Legal, Regulatory and Administrative Constraints to SME Development in Bangladesh", Paper prepared for the JOBS , Dhaka . Bangladesh .

Tomesens Leana; Muhammed Ali, Yasmin Lashker.
Project formulation Report Assistance to NASCIB
National Association of Small and Cottage Industries of Bangladesh.

Yuzo Ohno
1990 Outline of the Small and Medium Enterprises Policies of the Japanese Government, Japan

ZDH-TA Project
October - 1990 Proceedings of the Cooperation Workshop, Bangladesh. ZDH German Federation of small Business and Crafts.

ZDH Technonet Asia, Dhaka
March (13-14) 1991 Federation / Chamber / Associations Cooperation Workshop Proceeding . ZDH Technonet Asia .

Annex I

BACKGROUND & METHODOLOGY

Table of Contents

1.0 INTRODUCTION

1.1 BACKGROUND AND IMPORTANCE OF THE STUDY

Job Opportunities and Business Support (JOBS) Program, funded by USAID, commissioned sub-sector studies and baseline surveys on eight small and medium enterprise (SME) sub-sectors with a view to designing non-financial assistance programs for SME development in Bangladesh. The purpose is to create large-scale employment opportunities for the poor men and women in Bangladesh through fostering growth and development of micro, small and medium-scale manufacturing enterprises in the private sector. Under the SME component of the JOBS Program, a total of 150,000 new jobs are envisaged to be created over a period of 5 years through providing support to growth-prone, labour-intensive and high-performing SMEs. In order to achieve this broad objective, the present study has been undertaken to identify the strengths and weaknesses and determine the key needs and growth potentials of eight SME sub-sectors which were selected earlier by a JOBS Team of Consultants (JOBS 1998) as the potential growth-oriented areas of activities within the SME sector in Bangladesh. The results of the sub-sector studies and baseline surveys are expected to enable JOBS to design and deliver a pragmatic package of non-financial assistance to stimulate their sustained growth and development.

The importance of undertaking a study of SMEs to generate essential information and ideas required to develop a program direction for promotion and development of a dynamic SME sub-sector in Bangladesh can hardly be over-exaggerated. Bangladesh needs to generate job opportunities for millions of unemployed and under-employed people within the shortest span of time in order to trigger an exit from endemic poverty and put the economy on a self-sustained growth path. But neither agriculture nor the modern industrial sector is capable of doing so because it is now suffering from low and unstable growth and lack of diversification and dynamism. It is thus imperative that SMEs have to be relied upon as the viable option for diversifying the industrial base, accelerating output growth and creating large-scale employment opportunities.

The economic significance of SMEs in Bangladesh is well-rehearsed in the available literature on the subject.[1] The commonly identified merits of SMEs include labour intensity, simple and easily adaptable technology, local entrepreneurship, ease of entry and exit, and dependence on the local markets. The SMEs spread throughout manufacturing and services sub-sectors occupying a unique position in the Bangladesh economy. According to a 1989/90 estimate (Bakht, Z. 1993), small-scale industries require, on average, fixed investments of Tk. 36,000 compared to Tk. 138,000 required by a large-scale industry to generate one unit of employment.[2] The implication is that in a situation of capital scarcity and shortage of modern managerial talents, Bangladesh should concentrate on the development of labour-intensive SMEs to generate employment opportunities on a large scale outside agriculture through formulating and implementing appropriate policies and programs.

---

[1] A recent survey of the relevant literature is available in Sarder, J. (1995); Ahmed M. U. (1992) and Ahmed M. U. (1988)

[2] BSCIC and ADB sources estimated the SME investment requirements for one unit of employment generation to vary between Tk. 50 to 55 thousand

1.2 *TERMS OF REFERENCE (TOR)*

The objective of the task was to carry out studies and baseline surveys into eight identified sub-sectors, for the JOBS Program, focusing on the following specific information:

- clear definition of the firms and actors in each sub-sector

- mapping of each sub-sector's operations and its strengths and weaknesses

- sub-sector level key needs and true firm-level interest in project involvement to expand their employment and incomes

- the potential growth in each sub-sector.

The baseline data were supposed to form a snapshot from which the required sub-sector assistance can be measured.

The scope of work for this task included studies into the following eight sub-sectors identified by JOBS as the prospective sub-sectors in one of its earlier studies:

- Plastic products
- Electrical small goods
- Bakery
- Footwear
- Small metal works and light engineering
- Steel furniture
- Specialized handloom
- Textile dyeing and printing.

The eight sub-sector studies were to be carried out by a study team of eight members, consisting of a Study Team Leader, an SME Specialist (GEMINI approach), and six Researchers. In addition, a Senior Economist was supposed to work in an advisory capacity and to provide technical input to all the studies. For carrying out the baseline surveys, the services of a survey firm were to be hired, which would provide the study team members with logistic support and the services of the field investigators for conducting individual interviews. The SME Coordinator was to provide the overall coordination of the team's work.

At different stages of the study, the team would require to focus on the dual responsibilities of getting an accurate, tightly woven picture of the industry and its activities for baseline purposes, and also identifying both sufficient numbers of active and interested entrepreneurs, and a set of pragmatic and cost-sharing project inputs and interventions to ensure growth in the sub-sector and its employment levels. The study team would follow the GEMINI sub-sector survey approach, which would include the following steps:

i) Team Development
ii) Research to Define Sub-sector Participants
iii) Sub-sector Mapping/Fishbone Analysis with Key Firm Focus Groups

iv) Survey Process
v) Recheck and Report Finalization.

Sub-sector mapping was aimed at showing full production and marketing flows step-by-step, including all sub-contracting. The proposed Fishbone or Ishikawa analysis was a modification of the SWOT analysis that usually looks at the sub-sector goal, and then identifies what in the industry operations works toward and against that goal. The focus group was also required to identify the key persons who had an influence on or impact on the industry, and to discuss the nature and the structure of firms within the industry. It was expected that the output of the focus group discussions would lead to an identification of the "typical examples" of firms in particular sub-sectors, and these would be essentially interviewed at the field survey level.

The deliverables from the study team to the JOBS Program were determined as follows:

- the results of the initial search for industry firms
- the initial results of the focus group
- the final results of the survey in terms of industry baseline, marketing issues, technological issues, management issues, human resource issues, and policy concerns
- determination of the level of interest of the firms in JOBS intervention
- key issues to be addressed in the sub-sector according to the survey
- list of firms which can be followed up for the longitudinal monitoring of sub-sector progress
- list of champions for policy advocacy with respect to the policy issues/constraints identified for the sub-sector, names of appropriate GOB offices, trade associations, and industry leaders.

1.3 THE GEMINI APPROACH TO SUB SECTOR ANALYSIS

The team, as per their scope of work, had been advised to follow the GEMINI sub-sector study approach, and, in addition, were advised to include the following steps-

- Focusing on the dual responsibilities of getting an accurate, tightly woven picture of the industry and its activities for baseline (survey) purposes
- Identifying both sufficient numbers of activities and interested entrepreneurs
- Finding out a set of pragmatic cost-sharing project inputs and interventions to ensure growth in the sub-sector and its employment levels.

The word 'sub-sector' has diverse and contextual meanings. As for the purpose of this study, it is, therefore, important to define this word. The GEMINI approach defines[3] the meaning of the word 'sub-sector' as a vertically integrated group of enterprises (both large and small) that deal with the *'same product group'*. A sub-sector includes enterprises that produce or procure raw materials, enterprises that process them and enterprises that sell the finished products

[3] The Sub-sector/Trade Group Method: A Demand-Driven Approach to Non-financial Assistance for Micro and Small Enterprises by Frank Lusby, GEMINI Working Paper No. 55, September 1995, Maryland, USA

(both on a wholesale and retail basis). The following diagram, as an instance, provides a simplified illustration of the agribusiness sub-sectors.

Fruit Sector		
Fruit juice sub-sector	Dried fruits sub-sector	Raw fruit Sub-sector

Fish Sector		
Dried fish sub-sector	Smoked fish sub-sector	Fresh fish sub-sector

One may find that the agribusiness sectors, such as fruit and fish, can be further broken down into individual product groups (e.g., fruit juices, dried fruits, raw fruits and others). Each of these categories represents an economic sub-sector composed of firms that buy and sell from each other in the production chain from the stage of raw materials finally to eventual retailing of the finished products.

The important point to note here is the "same product group" approach. This approach lends support to the designing of intervention plans because the issues and problems facing the operating firms that share the same economic activities are fundamentally different from firms in the other product groups. Experiences in many countries show that training/ technical assistance, technology, association development, and advocacy, are more effective when they are targeted as product groups.

The conclusion from the above review is that under the GEMINI methodology, a product by itself is a sector and each branch of the product is a sub-sector. This study was conducted considering this particular concept.

1.4 DEFINITION OF SMALL AND MEDIUM SCALE ENTERPRISES

The small-scale industries sub-sector in Bangladesh consists of small-scale and cottage industries and are generally termed as SCIs. In the New Industrial Policy 1997, cottage industries are defined as industrial units having non-land investments up to Tk. 0.1 million and small-scale industries as those having up to Tk. 30.0 million. Though the terms 'SCIs' and 'SMEs' are used synonymously by the researchers, the term 'SMEs' in Bangladesh has a different connotation and needs to be used carefully. Unlike in most other countries where it generally refers to small and medium scale enterprises, SMEs here have implicit reference to small and cottage industries. Since medium scale industries are not treated as a separate category by CMIs and do not have a separate official definition, it seems more appropriate to use the term SCI instead of SMEs for the purpose of this study. But the JOBS definition of SMEs adopted for the study includes firms whose non-land capital investment ranges from Tk. 0.1 million to Tk. 30.0 million. In this case, therefore, the term 'SMEs' can be used interchangeably with the term 'SCIs'.

2.0 APPROACH AND METHODOLOGY

As outlined in the objective and the terms of reference, a two-way approach was followed. These are focus group discussions (FGD) and field survey. The methodology involved in each of these cases are presented below:

2.1 FOCUS GROUP DISCUSSIONS

Generally speaking, the objective of a focus group discussion is to obtain in-depth responses about what the group members (in this case the entrepreneurs) think and how they feel about a particular issue (or question) presented before them. Depending on the objective of the FGD the group could be homogeneous or heterogeneous. It enables the researchers to gain insight into the emotional and contextual aspects of group (entrepreneurs') response to their respective sub-sectors.

The FGDs were conducted at two levels, one with industry association members at Dhaka and the other with cross-sector participants outside Dhaka. In cross-sector FGDs outside Dhaka persons directly or indirectly involved in business attended. Indirect ones include representatives of different agencies involved with industry, included banks and NGOs.

The objectives of FGD with the associations were:

- Sub-sector mapping
- Ishikawa, or Fishbone Analysis
- Contacts
- Typical Firms

2.1.1 Sub-sector mapping

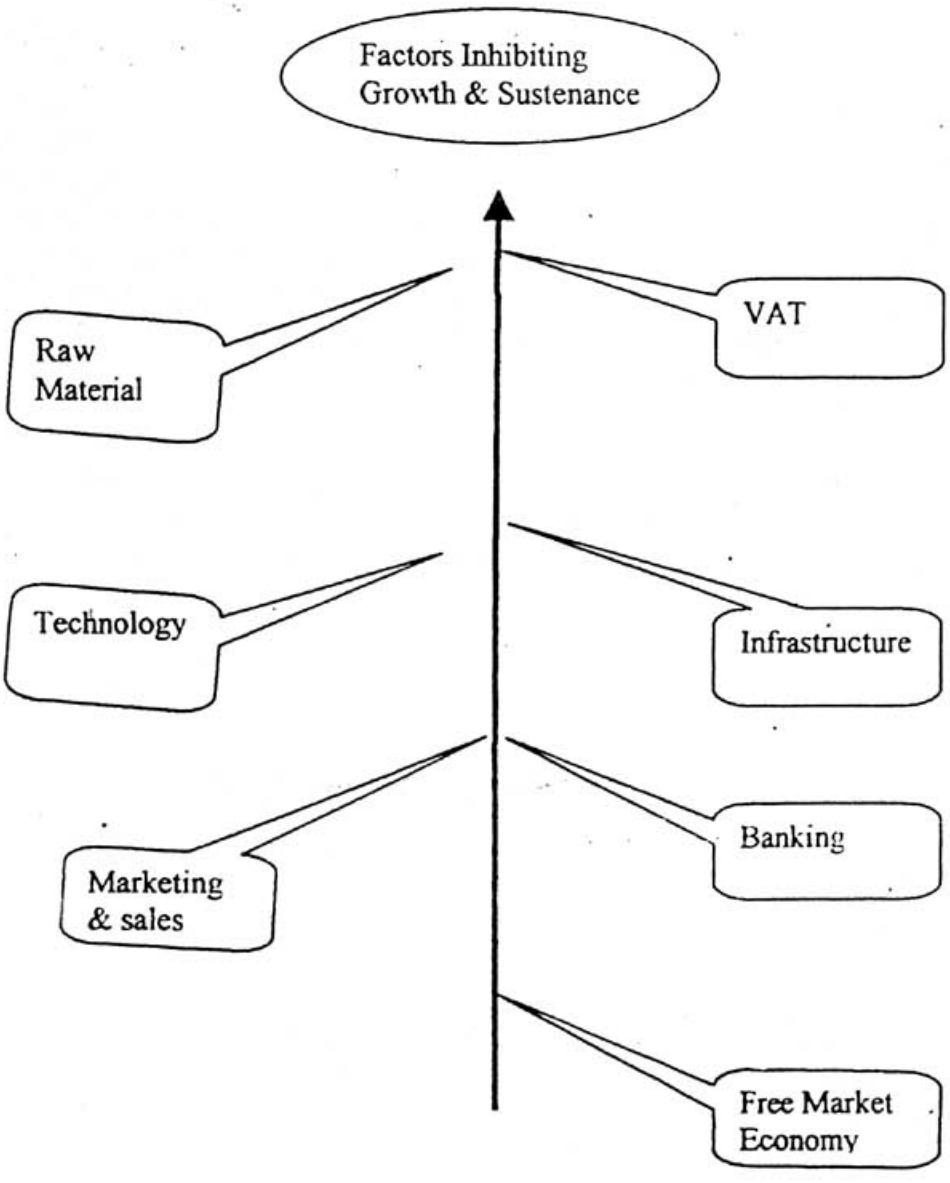
The subsector approach, as formulated in the GEMINI, recognizes that small firms operated within a larger production and distribution system. This approach holds that it is not possible to understand the opportunities and constraints facing small firms, or to develop sensible policies to promote small-enterprise growth, by looking at small firms alone. One must examine the large firms that compete with them, supply inputs, and market small-firm output.

At the heart of the subsector analysis lies the subsector map. It is a schematic map that describes economic relationships between SMEs and other actors in the system. This map summarizes a global understanding of the subsector structure. It identifies the subsector's principal functions, participants, and channels. The functions describe the transformations that take place. The participants indicate who performs them. And the channels describe how products flow among participants, who buys from whom, and how the network hangs together.

The subsector map lists functions vertically along the left-hand pane, starting with raw materials at the bottom and ending with final consumers at the top. When quality differences lead to segmented output markets, the map lists various final markets across the top of the map. The functions and markets form a grid or a map in which the subsector participants operate.

2.1.2 Ishikawa or Fishbone Diagram

This form of diagram was developed by Kaoru Ishikawa (1979) to determine and bread down the main causes of a given problem. Essentially this is cause and effect diagrams and is often called Ishikawa diagrams and sometimes 'fishbone' because of their skeletal appearance. They are usually employed where there is only one problem and the possible causes are hierarchical in nature. The effect is considered to be the head, and potential causes and sub-causes of the problem to be bone structure of the fish. The diagram illustrates in a clear manner the possible relationship between some identified effects and the causes influencing it. Illustration below pictures a typical fishbone diagram in the industrial sector.



The sub-problems with each cluster are listed in a matrix form, in which a long trail of items is listed under the same major heading. An illustration is given below:

Technology
Competition from modern technology
Modern technology cannot be introduced because of insufficient capital
Absence of expertise to evaluate the technological options available
Rubber mixing formulation to produce good quality product is absent
No good mould making factory in the country
Skilled mould making workers are not available
Most mould makers are illiterate

A highly participatory approach was used in conducting the FGD. This was achieved through a number of means. First, the motivational part. The participants were told that they were the expert group as far as their sub-sector is concerned and in a position to advise what could and should be done in their sub-sector. Second, the sessions were more like a brainstorming and none were allowed to criticize others. Third, Delphi method of communication was employed. A question is put to the group, to which everybody gives their individual personal opinion. Fourth, to write their opinions the participants were provided with small rectangular cards of different colours and felt tipped pens. Fifth, none were required to write their names on the cards. Some of the issues needed discussions and the participants also shared elaborate responses with real life experiences. Those were recorded on flip charts and reconfirmed at the end.

As an aid to the brainstorming process, visualized illustration of series of concentric shells portraying the entrepreneur in the center, his/her enterprise, situations surrounding the enterprise and the situation outside the country were explained through a pre-drawn chart.

2.2 *SURVEY DESIGN*

The objective of field survey was to collect information from all actors in the vertical chain namely, the input suppliers, the producers, the wholesalers, the retailers and the consumers. The terms of reference states, " Statistical validity is not necessarily required; but what is needed is an accurate enough formal picture of the sub sector to both measure progress and to ensure JOBS provides the most appropriate and cost-effective assistance for job creation in the sub sectors".

Taking note of the above statement, it may be concluded that the goal of information collection in this survey is not to generate statistics about the population. The goal is rather to identify both sufficient numbers of active and interested entrepreneurs, and a set of pragmatic and cost-sharing project inputs and interventions to ensure growth in the sub-sector and its employment levels. The survey is also expected to generate a list of firms, which have been confirmed as 'typical' for ongoing monitoring in a longitudinal study to indicate industry changes.

2.2.1 Sampling Method

Experiences of the researchers revealed that the enterprises were not evenly distributed all over the country. The enterprises were concentrated in certain selected locations. Given this scenario of enterprise concentrations, the principle that guided the selection of survey units was that every enterprise in these locations was to have a fair chance of being selected. Therefore, quota sampling, a common modification of probability (random) sampling, was applied for selection of the survey sample.

For the purpose of defining the universe for the study, a literature search and review was carried out by studying relevant publications, consulting knowledgeable persons, and visiting a number of institutions. The findings are presented in Table 2.1 below. Finally, these findings were validated in the focus group discussions with key industry associations. These places of concentration are the first sampling unit (FSU).

Table 2 1: Distribution of the Sample Enterprises in the 8 Sub-Sectors by Locations

Sl NO	Area Coverage	Sub- sectors								
		Plastics N-969	Electrical Goods N-599	Bakery N-502	Footwear N- 836	Engineering N- 2264	Steel- Furniture N-508	Textile dyeing & Printing N- 6254	Specialised Handloom N-1012	Total
		%	%	%	%	%	%	%	%	
1	Dhaka	72.55 %	82.14 %	28.88 %	48.80	31.98%	25.20 %	11.53 %	64.0 3%	3969
2	Chittagong	10.11 %	8.01 %	18.73 %	33.25	8.66 %	20.47 %	1.28 %	2.37 %	922
3	Khulna	3.51 %	1.67 %	5.98 %	2.15	3.62 %	8.86 %	1.25 %	0.20 %	299
4	Rajshahi	2.99 %	1.67 %	4.98 %	3.47	1.81 %	3.54 %	1.63 %	0.20 %	256
5	Jessore	1.86 %	0.33 %	1.59 %	0.72	8.88 %	6.10 %	4.80 %	0.30 %	269
6	Sylhet	1.86 %	0.83 %	4.18 %	1.44	2.47 %	4.92 %	1.09 %	4.45 %	250
7	Comilla	1.55 %	0.50 %	5.78 %	2.51	6.40 %	4.92 %	11.19 %	4.55 %	984
8	Rangpur	0.52 %	0.67 %	8.57 %	1.91	2.74 %	3.35 %	0.19 %	0.20 %	161
9	Bogra	1.24 %	0.33 %	3.19 %	0.24	19.52 %	7.87 %	0.35 %	0.20 %	538

Sl NO	Area Coverage	Sub- sectors								
		Plastics N-969	Electrical Goods N-599	Bakery N-502	Footwear N- 836	Engineering N- 2264	Steel-Furniture N-508	Textile dyeing & Printing N- 6254	Specialised Handloom N-1012	Total
		%	%	%	%	%	%	%	%	
10	Pabna	0.21 %	0.17 %	1.39 %	0.36	3.53 %	2.17 %	11.99 %	1.19 %	866
11	Narsingdi	0.21 %	0.17 %	2.59 %	0.24	0.35 %	1.77 %	12.89 %	2.77 %	863
12	Tangail	1.44 %	1.34 %	3.98 %	3.35	0.80 %	2.36 %	4.80 %	4.15 %	442
13	Kushtia	0.52 %	0.50 %	2.39 %	0.48	2.61 %	1.57 %	11.19 %	0.79 %	799
14	Naryangong	0.52 %	0.33 %	1.39 %	0.24	0.49 %	1.57 %	11.99 %	4.55 %	831
15	Manikgong	0.31 %	0.33 %	0.80 %	0.24	0.44 %	1.57 %	1.01 %	0.30 %	95
16	Barisal	0.41 %	0.67 %	3.98 %	0.36	2.69 %	1.57 %	0.13 %	0.20 %	110
17	Sirajgonj	0.21 %	0.33 %	1.59 %	0.24	3.00 %	2.17 %	12.79 %	4.45 %	938
18	Rangamati								2.77 %	28
19	Cox'sbazer								2.37 %	24
	Total	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	12944

2.2.2 Size of the Sample

In the Terms of Reference and Scope of Work, statistical validity of the sample size was not required. Therefore, given the time and resources made available for the survey, the workable sizes in case of the respondent categories were as shown below:

Producers	Input Suppliers	Wholesalers/ Retailers	Consumers	Total Respondents
40	10	10	12	72

Among the four types of respondent categories, the size of the producers' group was kept significantly large. This was done deliberately because of the importance of the producers' group in the JOBS program intervention.

2.2.3 Sample Design (Sampling)

Distribution of the total number of 72 respondents consisting of all the four categories, namely producer, input suppliers, wholesalers/ retailers and consumers over the enterprise concentrations at different locations is presented in the table 2.2 below. These are secondary sampling units or SSU and the identification of them were jointly done, in most cases by the researchers, supervisors and enumerators. A primary list of names and addresses of the producers were collected from respective industry association membership list. However, in case of other respondent groups, selection was done mostly on their availability and willingness to give interview.

2.2.4 Questionnaire Designing

Four sets of questionnaires were used for data collection from four different types of respondents. The four types of respondents were producers or service producers, input suppliers, wholesalers/retailers, and consumers.

For each type of questionnaires a basic data field was developed. The data fields for producers' questionnaire included investment, output, market, technology, and management.

2.2.5 Questionnaire Pre-testing

All the four sets of questionnaires were pre-tested. Besides the common objective of ensuring collection of relevant and accurate information, pre-testing exercise had an important task of formulating a common set of questionnaires that would be applicable to eight different sub-sectors. At least two sets of questionnaires were administered to all four categories of respondents by the enumerators under the guidance of the researchers themselves and extra care was taken to check errors and to maintain consistencies.

Issues reported by the enumerators and supervisors and observations of the researchers were taken into consideration and appropriate modifications were made. The final sets of questionnaires are presented in the attachments.

3.0 SURVEY IMPLEMENTATION

3.1 *FIELD DATA COLLECTION*

Under a contract from JOBS, a non-profit survey logistics company[4] organized collection of data from field. The company recruited 24 enumerators and 3 supervisors and placed them under the research team for training on data collection. The study team prepared, based on the sample design (sampling), the survey mobilization plan and allocated the places and types & number of interviews to be administered by each enumerator.

The geographical coverage of the survey was dissected into three zones, namely, the western zone, Dhaka (Metropolitan area) and the eastern zone. These zones are basically the two sides of the river Jamuna that divides the country into two big masses. Data collection in the western zone was done from 16 to 22 May 1998 and that in the eastern zone from 26 May to 17 June 1998.

3.2 DATA CHECKING AND CLEANING

Most data checking were done in the field. In a number of cases the researchers were available for consultation. In some cases the enumerators were again sent to the respondent for revised data or for any clarification. In one case in Bogra, the researcher identified that the computation of working capital was not appropriate and therefore was sent back to the respondent (Ref: Annexes).

---

[4] BUP (Bangladesh Unnayan Parishad), House 33, Road 4, Dhanmondi R. A., Dhaka-1209

The researchers, before sending the questionnaires for computer entry, randomly selected questionnaires and corrected them. Such corrections were done at two intervals, first on the return of the enumerators from western zone and similarly after completing survey in the eastern zone.

3.3 *DATA ENTRY AND VERIFICATION*

The data entry operators of the Logistics Company entered data into Excel. For all the cases, systematic error (such as appropriateness of the codes, summations, computation of value where quantity and price were collected or units or wrong placement of data, etc.) were identified by the researchers and corrected. Data entry was validated by checking every questionnaire on which responses were recorded.

3.4 *DATA ANALYSIS*

Coding was done at two stages. First during designing of the data collection instruments and then after the data collection was over. In the later case, most open-ended questionnaires were post-coded. Frequency distribution, cross tabulation and other types of processing and computation of data were done by a computer programmer using the SPSS method.

Annex II

Focus Group Discussion Report
On Footwear Sub-sector
Held at BASC
On April 26,1998

This FGD is part of the
Sub-setor Study & Base Line Survey
carried out for 8 sub-sectors including
footwear.

Prepared by

Azim Syed
Consultant
8/10 Block F
Lalmatia, Dhaka
Phone 819985
9113055

Prepared for
Job Opportunities & Business
Support (JOBS) Program of
IRIS/USAID
Dhaka, Bangladesh

July 4, 1998

Table of Contents

INTRODUCTION

Background

This is the 6th in a series of focus group discussions (FGD) with the members of the trade associations. Commissioned by Job Opportunities and Business Support (JOBS) Program, this is part of a multi-sector Sub-sector Study & Baseline Survey whose ultimate objective is to design sub-sector specific non-financial assistance programs for small and medium enterprises in Bangladesh.

The main objective of the JOBS Program is to create private sector employment for its ultimate customers, poor women and men in Bangladesh who are at least 15 years old and are currently or potentially self-employed. The Program has two separate but complementary economic target groups, namely, the micro enterprises and the small & medium enterprises (SME); policy being the third component of the program. Under the SME component of the program, five promising sub-sectors will be supported in each year, with new ones added and non-performing ones dropped at the end of each program year.

This report documents the outcome of a half-day FGD with Footwear Producers' Association. Other FGD reports in the series are electrical goods, plastic products, specialized handloom products, steel furniture, footwears, light engineering workshop, bakery and dyeing & printing. The FGDs were held with respective manufacturers' associations.

Terms of Reference

The focus group discussion is expected to generate the following outputs:

- Sub-sector mapping
- Ishikawa or Fishbone Analysis
- Contacts
- Typical Firms

issues and problems facing firms that share the same economic activity. They are fundamentally different from firms in other product group. Experience in many countries shows that training/ technical assistance, technology, association development, and advocacy are more effective when they are targeted to product group.

The important conclusion of the above review is that under GEMINI methodology, a product by itself is a sector and each branches of the product is a sub-sector. The reader should bear in mind this particular convention while reading these reports.

FGD Approach

A highly participatory approach was used in conducting the FGD. This was achieved through a number of means. First, the motivational part. The participants were told that they are the expert group as far as their sub-sector is concerned and in a position to advise what could and should be done in their sub-sector. Second, the sessions were more like a brainstorming and none were allowed to criticize others. Third, Delphi method of communication was employed. A question is put to the group, to which everybody give their individual personal opinion. Fourth, to write their opinions the participants were provided with small rectangular cards of different colours and felt tipped pens. Fifth, none were required to write their names on the cards. Some of the issues needed discussions and the participants also shared elaborate responses with real life experiences. Those were recorded on flip charts and reconfirmed at the end.

As an aid to brainstorm, visualized illustration of series of concentric shells portraying the entrepreneur in the center, his/her enterprise, situations surrounding the enterprise and the situation outside the country were explained through a pre-drawn chart. A copy of the illustration appears in the **exhibit I**.

FGD Program Schedule

The duration of the workshop was 2½ hours. The workshop started late by an hour because many of the participants either did not know the location or were stuck up in the traffic jam. Any way, the schedule of the FGD was as follows:

- A Short Introduction by JOBS
- Brief Remarks by Mr. Swanson and Ms Raka Rashid

- Brief Remarks by the President of the Association
- Solicitation of Weaknesses and Strengths for Fishbone Analysis
- Solicitation of Information for Sub-sector Mapping
- Solicitation of Selected Information, like, geographical concentrations of producers, wholesalers, retailers, raw materials and other input suppliers, significant changes that took place during the past years, etc.

BACKGROUND OF THE ASSOCIATION

Bangladesh Paduka Prostutkarak Samily whose equivalent English name is Bangladesh Shoe Producers' Association is the only registered association of the shoe producers in the country. Founded in 1982 and registered with the government in 1984, the association at present has 234 members, of which only 10 to 15 members belong to leather shoe category. The rest are either plastic or rubber producers. Some 10% of the members produce both plastic and rubber shoes. The association was dormant for the last 10 years and became active since 1996.

In the recent two years the association bought a piece of land (size of the plot is one katha) and constructed therein its own building with CI sheet roofing. The Association has two paid employee, one of them is the secretary and the other is a caretaker. It is now a 'A" class member of the Federation of the Chamber of Commerce and Industry. The executive council of the Association consists of 27 members who are elected for a period of two years.

The association led a 13 member delegation to participate in the Indian Export Fair held last year at Tripura, the eastern division India, to explore the possibility of exporting footwear to the Tripura.

Political connection of the association is very strong. For, one of the patron of the association is a Member of Parliament from the ruling party. Popularly known as Haji Selim, this MP is pursuing the governement through the Finance Minister to National Board of Revenue to waive Value Added Tax.

The associations has a strong network with other related associations, namely the association of wholesalers and retailers, the association of recycled plastic suppliers and still another of Mould Producers.

PARTICIPANTS

A total of 16 producers attended the FGD. Name, addresses and other particulars of them are presented in the attachment A to this report.

FGD OUTPUTS

Sub-sector Coverage

Based on the similarity of major raw materials used footwear sub-sector can be classified into three distinct product groups. These are leather, plastic and rubber. Although labeled as leather and rubber, footwear under these categories are not necessarily made of natural materials. Synthetic leather and rubber are also used extensively for the production of footwear. Whatever be the classification, sufficient numbers of leather footwear producers were absent. As a result this particular sub sector could not be dealt sufficiently. Time available to conduct the FGD was also insufficient.

Sub-sector Map

Logically three sub-sector maps are needed to define the sub-sector completely. However, because other footwear sub-sectors were not sufficiently represented only one map could be drawn. If other footwear sub-sectors could not be encountered then two maps are expected at a later stage. The rubber and plastic footwear maps are presented in the Exhibit I and II respectively.

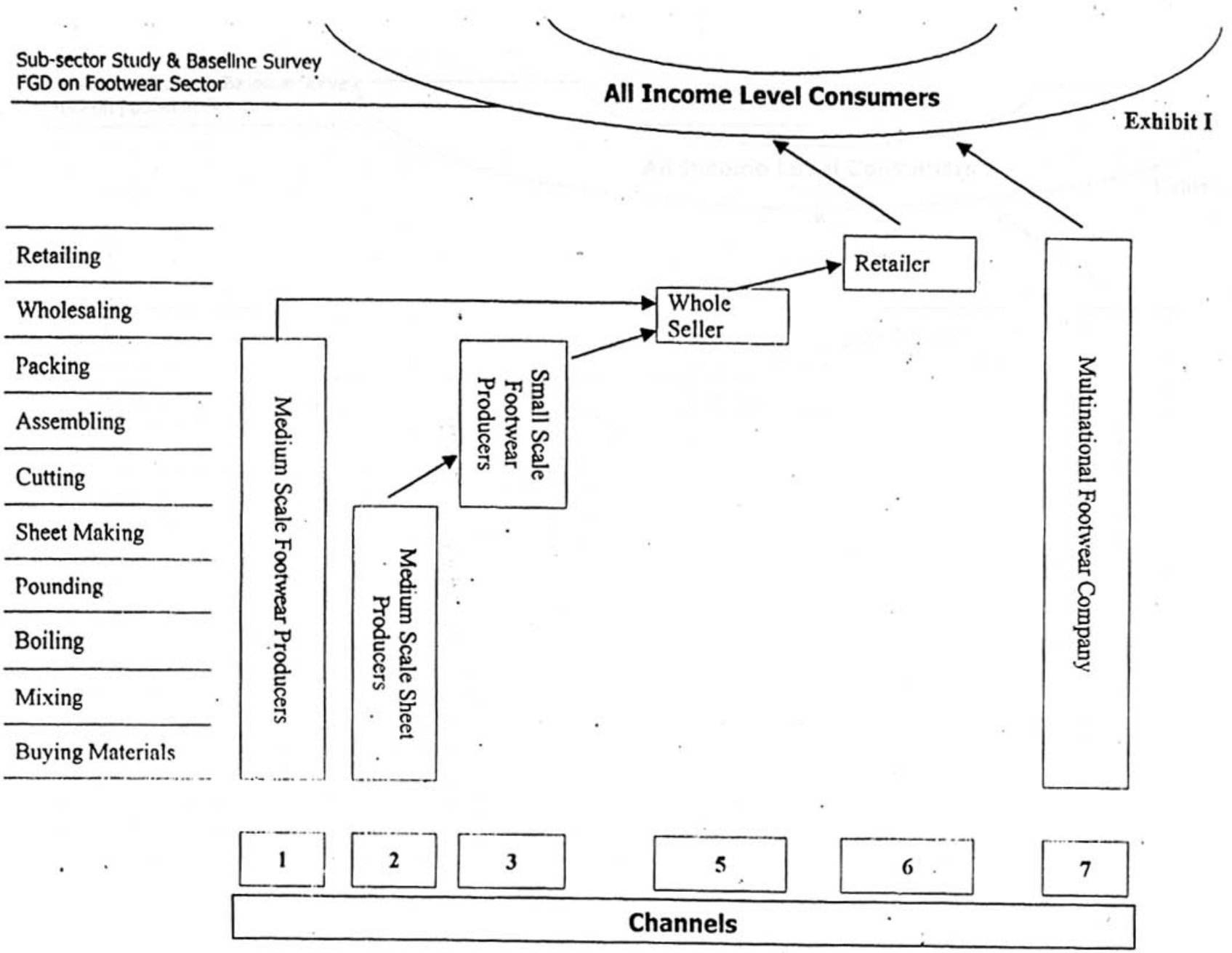
Weaknesses & Strengths

Following are the responses of the participants to the question, "What factors/issues are inhibiting the progress or advancement of their business". Figures in the parentheses are the number of participants' written responses in cards.

- Energy/ electricity related (10)
- Value Added Tax related (8)
- Finance related (9)
- Machinery & technology related (12)
- Traffic congestion (2)
- Economy related (3)
- Raw materials related (2)
- Market related (6)
- Politics related (1)
- Income Tax related (1)
- Industrial plot related (1)
- Terrorism (1)
- Skill related (1)

It is very surprising that no strength cards could be generated. It could not be said whether such behavior is deliberate or arising out of ignorance. However, experience is that in any formal focus group discussions with an association either agreed collective matters or issues where government is the target or both are discussed. Again, constrained by time probing could not be done. Although said timidly, the most significant strength referred to by some was their entrepreneurial initiative. Fact is that a large number of them started from scratch and has been doing business successfully.

In exhibit III (next page) the issues are presented with headings only and exhibit IV (following page) the details (fishbone) under the same headings. Some issues have a longer branching than others do. That reflects the complexities and influences associated with a particular issue.


All Income Level Consumers
Exhibit I
Retailing
Wholesaling
Packing
Assembling
Cutting
Sheet Making
Pounding
Boiling
Mixing
Buying Materials
Medium Scale Footwear Producers
Medium Scale Sheet Producers
Small Scale Footwear Producers
Whole Seller
Retailer
Multinational Footwear Company
1
2
3
5
6
7
Channels

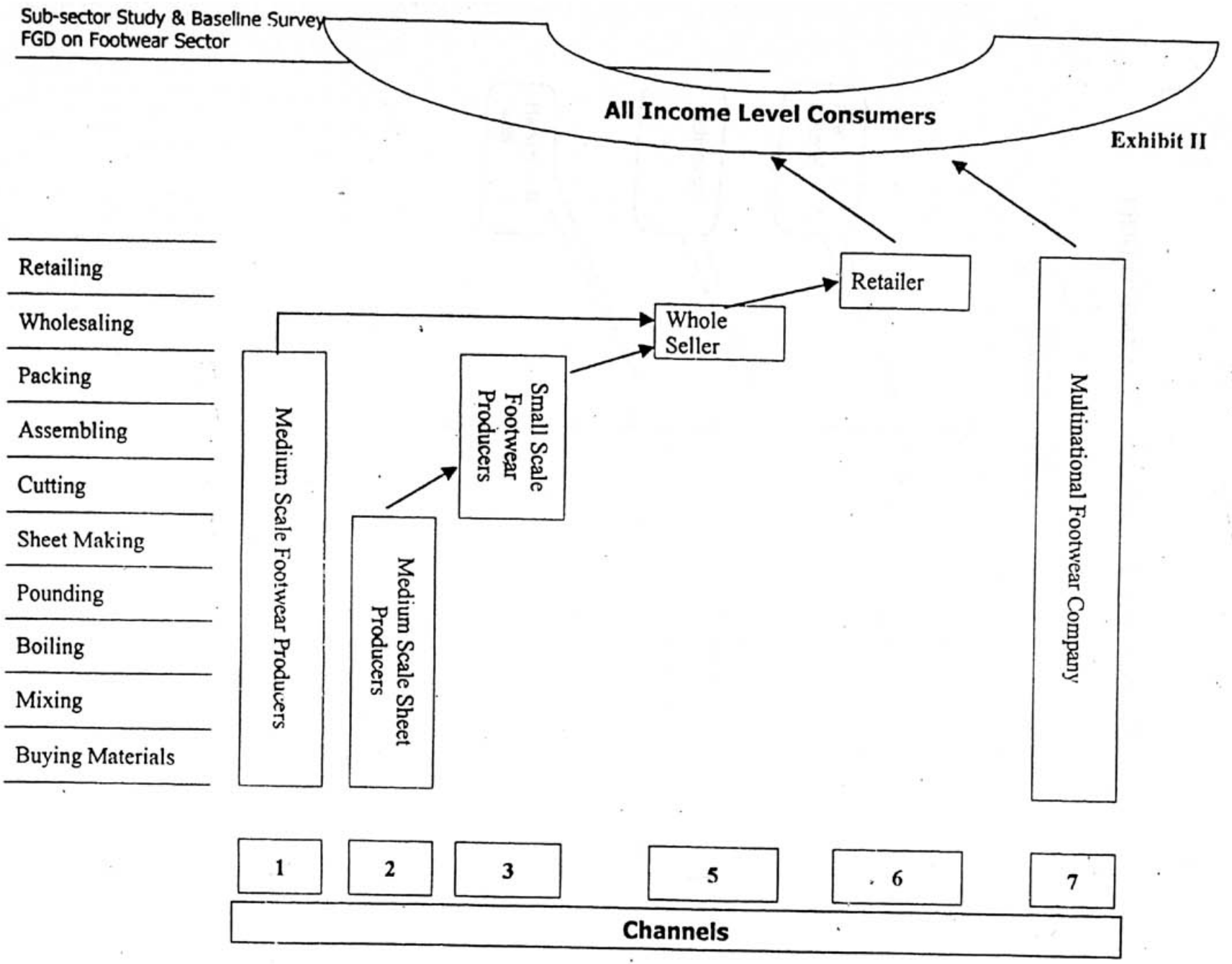

All Income Level Consumers
Exhibit II
Retailing
Wholesaling
Packing
Assembling
Cutting
Sheet Making
Pounding
Boiling
Mixing
Buying Materials
Medium Scale Footwear Producers
Medium Scale Sheet Producers
Small Scale Footwear Producers
Whole Seller
Retailer
Multinational Footwear Company
1
2
3
5
6
7
Channels

Exhibit III

FISHBONE ANALYSIS OF FOOTWEAR INDUSTRY

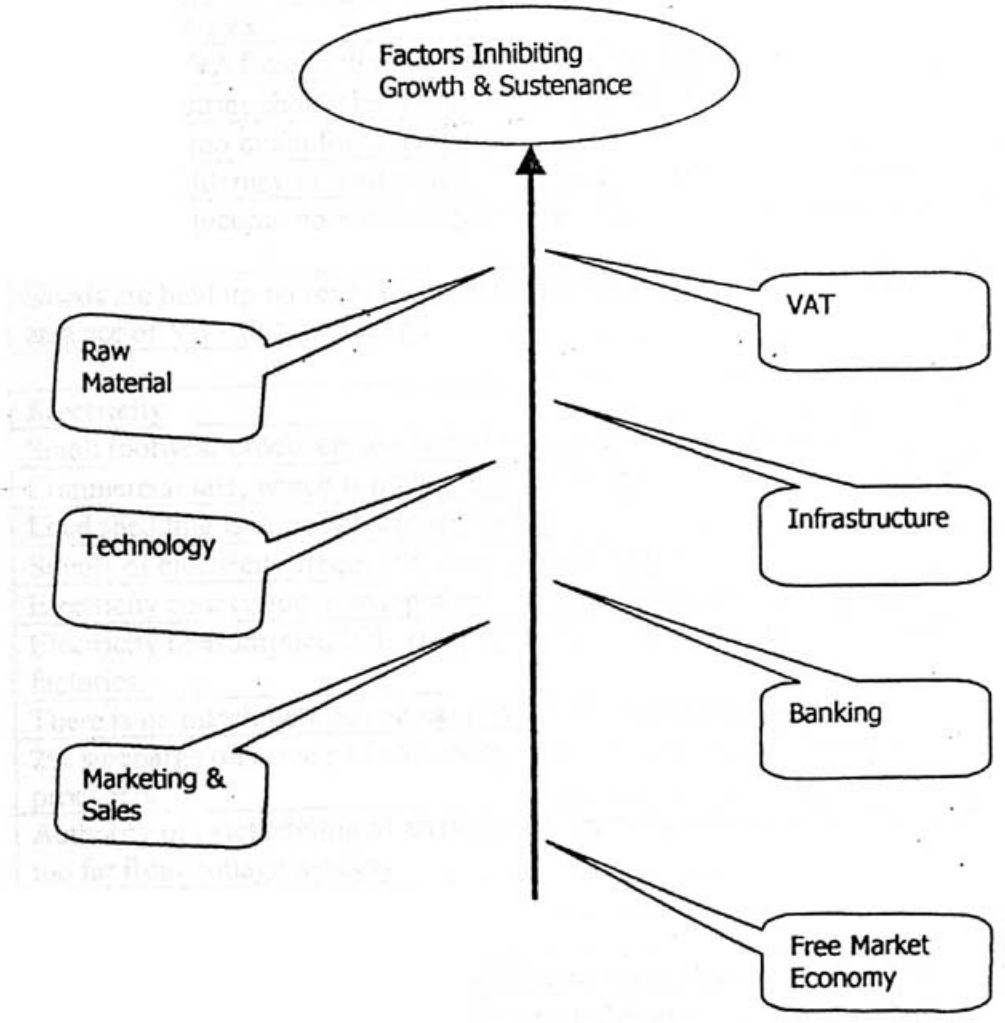


EXHIBIT IV

Fishbone (details) of Footwear Industry

Value Added Tax
A temporary VAT exemption lays stresses on the entrepreneur
Cottage industries should be relieved from paying of VAT
15% VAT is too much for cottage industry
Low level of literacy of cottage industry operators inhibit computation of VAT
Low level of income does not support employing a separate person to handle VAT
Goods are held up on roads by different government agencies on the pretext of absence of VAT documentation

Electricity
Small footwear producers are barred from industrial electricity rates.
Commercial rate, which is higher, is charged to cottage industry operators.
Load shedding is done without any notice.
Supply of electricity frequently stops without notice.
Electricity connection is snapped without checking papers.
Electricity consumption bills are prepared for and submitted to closed down factories.
There is no match between actual and billed consumption of electricity.
2% surcharge on arrears of electricity bills is burdensome to footwear producers.
Authority of rescheduling of arrears bills lies with headquarters only, which is too far from cottage industry

Banking
Bank favours big loans, to make their operation profitable and less risky
Bank favours opening of L/C, a more profitable and less risky business
Bank is not interested to grant investment loan or fixed asset loan
The rate of interest on working capital loan (16~18%) is very high for footwear industry
Valuation of collateral to secure working capital loan is very conservatively computed
Standard procedure for computation of collateral is absent leaving room for doing favour
Most footwear factories are in rented premises (hypothecation of machinery is not possible)

Raw Materials
Purchase of raw materials on credit costs 20% higher than that purchased in cash
For small purchase no receipt is provided to avail the benefit of VAT rebate
Technology
Competition from modern technology
Modern technology cannot be introduced because of insufficient capital
Absence of expertise to evaluate the technological options available
Rubber mixing formulation to produce good quality product is absent
No good mould making factory in the country
Skilled mould making workers are not available
Most mould makers are illiterate
Trained machine operators are not adequately available

Marketing & sales
Sales of footwear is always on credit
Payment is made through post-dated cheque, encashable after 30 days
To meet immediate cash need such cheques are sold at 10% discount

Free Market
Not sufficient time was given to the cottage industry to face free market competition

PLACES OF CONCENTRATION OF THE PRODUCERS

Product Type	Dhaka	Bangladesh
Plastic	Lalbagh Islambagh	
Rubber	Lalbagh Shampur	Chittagong: Madarbari
Leather	Siddique Bazar Bangshal Chowdhury Para	Bhairob Brahminbaria

MAIN RAW MATERIALS AND THEIR ORIGIN

Plastics	Rubber	Leather
PVC Resin (imported)	Raw Rubber (local)	Finished Leather (local)
DOP Chemicals (imported)	China Clay (imported)	Artificial Leather (imported)
	Calcium Carbonate (local)	Glue
		Sole

MOVERS & SHAKERS

Plastics	Rubber	Leather
BATA	BATA	BATA
Pegasus	Homeland	EPSI
Bailey		MARKS

SOME OBSERVATIONS

Universally, when asked about their problems, the entrepreneurs will most commonly cite a single need whose fulfillment they believe should solve all their problems, and they will tend to choose one whose solution they consider is beyond their control[2]. It is, therefore, not surprising that the participants of this FGD voiced almost in the same manner.

[2] "Understanding Small and Micro-Entrepreneurs" in Charles K Mann, Merilee S Grindle and Parker Sipton edited Seeking Solutions: Framework.

Broadly speaking, the three strategies are very common with an entrepreneur - price maximization or cost minimization or a combination of both. Therefore, the entrepreneurs always demand that the tariff should be withdrawn and utility rate should be reduced. But not realizing whether such a strategy is achievable. However, level of understanding or knowledge about other cost minimization strategies could not be ascertained. But the lesson one could take from such a frame of mind of these entrepreneurs is that the entrepreneurs should welcome any non-financial assistance program, which can supplement such strategy formulation.

Names & Addresses of the FGD Participants

1.	Mr. Md. Serajuddin Malik	14 A, Islambagh, Dhaka.
2.	Mr. Md. Alauddin	85/A, Islambagh, Dhaka.
3.	Mr. M. A. Kader	56/4, Islambagh, Dhaka.
4.	Mr. Md. Ahsanullah	45, Islambagh, Dhaka.
5.	Mr. Abdur Rauf	14 F, Islambagh, Dhaka.
6.	Mr. Md. Shahjahan Ali	155/2, Islambagh, Dhaka.
7.	Mr. Md. Serajul Islam	115/2, Islambagh, Dhaka.
8.	Mr. Abdul Gafur	154, Water Works Road, Dhaka
9.	Mr. Md. Billal Hossain	76/25/2D, Islambagh, Dhaka.
10.	Mr. Babu	14/A, Islambagh, Dhaka.
11.	Mr. M. A. Kader	
12.	Mr. Md. Jasmiuddin	30 A, Kamaldha Road, Dhaka.
13.	Mr. Md. Nasiruddin	8, Haranath Ghosh Lane, Dhaka.
14.	Mr. Md. Kalu	9, Abul Khairul Road, Dhaka.
15.	Mr. Md. Tara Miah	Ramna Plastic, Dhaka
16.	Mr. Md. Abdul Barek	Mamun Plastic Industries, Dhaka.

Annex III

NAMES & ADDRESSES OF THE RESPONDENTS

Category: Enterprises

Sub-sector: Footwear

(ID refers to respective data base record numbers)

Sl. No.	ID No.	Name of Entrepreneur	Name and Address of Enterprise
01.	51	Abdul Hye Sarkar	Sader Plastic Industry, 14/D, Islambag, Dhaka
02.	52	Moazzem Hossain	General Shoe Factory, 22, Champatali Lane, Dhaka
03.	53	Md. Abdur Rouf	Lakhi Plastic Industries, 14/F, Islambag, Dhaka
04.	54	Hazi Md. Abul Hossain Sikder	Seven Star Plastic Industries, 115/E, Islambag, Dhaka
05.	55	Md. Mafizuddin	Ananda Rubber & Plastic Industries 1/2, Raja Srinath Street, Dhaka
06.	56	Hazi Masuk Ahmed Nabi	Masuk Plastic Industries, 123, Islambag, Dhaka
07.	57	Hazi Md. Mujubur Rahman	Jamuna Plastic Industries, 105/2(ka), Islambag, Dhaka
08.	58	Md. Manik Mia	Bismillah Leather Factory 49/1, Malitola, Bangshal, Dhaka
09.	59	Jainal Abedin	Green Rubber Industries, Chawkbazar 1, Jail Road, Dhaka
10.	60	Jasimuddin/Mafizuddin	Gumat Rubber & Plastic Industries 30/6, Kamal Bagh, Sarwany Gate, Dhaka
11.	61	Abdul Gafur	Balaka Rubber & Plastic Industries 154, Water Works Road, Lalbag, Dhaka
12.	62	Alhaj Md. Kurshedur Rahman	Fafzur Rahman Rubber Industries 109/4, Islambag, Old Dhaka
13.	63	Jasimuddin	Nipun Paduka Factory, 67/2, Palashnagar Mirpur # 11, Pallabi, Dhaka
14.	64	Laxman Das	Laxman Shoe Factory, 20, Tannery Circle, Dhaka
15.	65	Md. Lablu	Lablu Shoe Factory, 29/1, Malitola, Dhaka
16.	66	Aslam Mia	Aslam & Brother Shoe Store 221/5, Malitotal, Dhaka
17.	67	Hurna Banu	Hasan Shoes, 28, Sinnatuly
18.	266	Md. Ismail Hossain	Ratta Rubber Industries, West Motherbari, Chittagong
19.	267	Nur Mohammad	Jahangir Rubber & Chemical Industries Mugultuli, Chittagong
20.	268	Abdul Malek	Shalimar Sandal, Arakan Road, Chandgaon, Chittagong
21.	269	Probal Chandra Das	Sshohag Shoe Houses, 88, Court Road, Kushtia
22.	270	Ashraful Haque Khan	Khulna Rubber Industries, C-82, BSCIC Shilpa Nagari Dhoulatpur, Khulna
23.	271	Sahabuddin	Anee Shoe and Sandal Factory Nilgonj, Jessore Sadar

24.	272	Delip Rabi Das	Bhai Bhai Shoe Factory, Kandapara Baby Stand, Tangail
25.	273	Belal Sarker	Prachi Shoe Store, Jaleshwari Tala, Kalibari, Bogra
26.	274	Pyer Ahmed	Pakija Shoe, 99, Nasu Inn Lane, Malumbari East Motherbari, Chittagong
27.	275	Jubayer	Jubayer Boot House, Sher-e-Bangla Road, Syedpur
28.	276	A.B. Siddique (Mistu)	Sandan Sandal Factory, 87, Nasumabum Lane East Mother Bari, Chittagong
29.	277	Parvez Aktar	Parvez Shoe Factory, East Motherbari, Chittagong
30.	278	Md. Shahjahan	Popular Shoe Factory, 101, Hazi Nasumalum Lane East Motherbari, Chittagong
31.	279	Kazi Shahabuddin	Promise Shoe,East Motherbari, Kamal Gate, Chittagong
32.	280	Md. Kabir Ahmed	Genuine Shoe, 7, Kamal Gate, East Motherbari, Ctg.
33.	281	Md. Forkan Ali	Seicko Seven Shoes, East Motherbari, Kamal Gate, Ctg.
34.	282	Farooq Mia	Seiko Sandal Factory, Hazi Full Mia Market Kamalpur, Bhairab
35.	283	Ibrahim Mia	Ibrahim Sandal Factory, Hazi Full Mia Market Kamalpur, Bhairab
36.	284	Shariat Mia	Fachlima Shoes, Kamalpur, Madhpar Full Gazi Market, Bhairab
37.	285	Md. Jasim	Jasim Shoe Factory, Kamalpur, Bhairab Full Mia Market
38.	286	Nazrul Islam	Resco Ladies Sandal Factory, Kamolpur Hazi Full Mia Market, Bhairab
39.	287	Nonigopal Bhoi	Raj Shoe Factory,Pathargate, Gurkha Doctor Lane, Ctg.
40.	288	Muzubur Rahman	Resco Sandal Factory, Hazi Full Mia Market Kamalpur, Bhairab, Kishoregonj
41.	289	Ishak Miah	Ananta Sandal Factory, Kamalpur Midhapara Full Gazi Market, Bhairab Bazar
42.	290	Momrez Bhuiya	Laboni Sandal Factory, Fulmia Hazi Market Kamalpur, Bhairab

NAMES & ADDRESSES OF THE RESPONDENTS
Category: Input Suppliers
Subsector : Footwear

Sl. No.	ID No.	Name of Respondent	Name and Address of Enterprise
01.	21	Nurul Islam	Islam Enterprise, 7/8, Shibhatuli, Dhaka-1000
02.	22	Md. Rafiq	Rafiq & Brothers Traders 51, Shikha Tuli, Dhaka
03.	23	Md. Farooq Hossain	M/S. Zhid Enterprise 54/A, Shikka Tuli, Old Dhaka
04.	24	Abtaf Alam Khan	Arif Brothers Dr. Shamsul Haque Road Railway Market, Sayedpur
05.	25	Md. Matur Rahman	Rajani Gaudha, Kawalpur, Bhairab
06.	26	Subrata Badua and Subhashis Badua	Shubrata Private Ltd. Mother Bari, Daroga Hat, Chittagong

NAMES & ADDRESSES OF THE RESPONDENTS
Category: Consumers
Subsector : Footwear

Sl. No.	ID No.	Name of Respondent	Name and Address of Enterprise
01.	1	Dr. Md. Kaysar Hossain	3113, Block-F, Lalmati
02.	2	Md. Rezaul Karim Chow.	Sector # 9, Road # 8, House # 1, Uttara, Dhaka
03.	3	Khurshid Alam	97, Nosumalum Bari, East Mother Bari, Chittagong
04.	4	Anwar Hossain	Kamalpur Bus Stand, Bhairab
05.	5	Anwar Hossain	West Bagicha Gaon, Comilla
06.	6	Md. Mahbubur Rahman Khan	National Motors, Registry Para, Tangail
07.	7	Sirajuddin Ahmed	Bohddarhat, Chittagong
08.	8	Md. Habibur Rahman	15, Kamal Gate East Mother Bari, Chittagong
09.	9	Shamim Ahmed	171, Bara Moghbazar Doctor Goli (Ground Floor), Dhaka
10.	10	Shaha Alam Sarker	201/6, Kabi Jashim Uddin Road, Dhaka
11.	11	Maksed Ali	Vill. North Palash Bari, Thana - Chri Bandar, Dinajpur

NAMES & ADDRESSES OF THE RESPONDENTS
Category: Wholesalers & Retailers
Subsector : Footwear

Sl. No.	ID No.	Name of Respondent	Name and Address of Enterprise
01.	24	Haji Md. Amjad Hossain	Sumon Shoe Store, Central Road, Rangpur
02.	25	Kazi Jashin Uddin	Kazi Shoes, A/7, Nupur Market Station Road Chittagong
03.	26	Md. Abu Baker Siddiq	Masood Shoe Store, N.S. Road, Kushtia
04.	27	Abdul Bari	Bata Padasri, Main Road, Tangail
05.	28	Sohrab Hossain	Nurul Haque & Sons, Thana Road, Bogra
06.	29	Enayet Hossain	Enayet Shoe Enterprise, 33, Shoari Ghat, Dhaka
07.	30	Ismat Ali	Shiuly Shoe Store, Pathautuli, Chittagong.
08.	31	Md. Mojibur Rahman	Bahar Shoes, Oum. 26, M. Market
09.	32	Md. Shariful Islam	Afjal Shoes, 44, H. Mahsin Road, Chittagong
10.	33	Md. Jamal Hossain	Bhai Bhai Shoes, Bara Bazar, Kushtia
11.	34	Ahmed Hossain	Asma Shoe Store, 29, Fulbaria Super Market
12.	35	Kazi Mofizul Islam	M/S. Selim Shoes, 11, Fulbaria Super Market, Dhaka
13.	36	Moberok Hossain	M/S. Baishakhi Shop, Bus Stand, Kamalpur, Bhirab
14.	37	Monir Hossain	Samorat Shoes 50, Fulbaria Municipal Super Market, Dhaka

Annex IV

Names of Registered Footwear Companies

Name & Address / Phone	Source	Investment (Tk '000)	Capacity	Employment
1. Hasina Shoes & Bags Industries 120/1 Elephant Road, Dhaka.	BOI	2.450		44
2. Star Shoes Ltd. 81 Motijheel C/A, Dhaka.		72.100		328
3. Bangladesh Lather Processing & Foot Wear Ltd. 62/1 Prana Palton, Dhaka.		49.700		370
4. Shurma Lather foot Wear Industries Ltd. 34 Bangobondhu Avenue, Dhaka.		133.460		179
5. Harun Lather Ltd. 18 Kamal Ataturk Avenue, Banani. Dhaka.		72.000		127
6. Shinasi Lather Products Ltd. Lal Bhabon,RAJUK Avenue, Dhaka.		46.160		220
7. Standard Lather Industries Plot No. I -2, Road No. 5, Sec.-7 Mirpur, Dhaka.		4.000		110
8. O Universal Ltd. 109/1 Kakrail Road , Dhaka.		108.33		104
9. Dakan lather & Foot Wear Ind. House- 22/9, Block- B, Shamoli, Dhaka.		919.395		135
10. Suprime Aspredrils & Shoes Ltd. 52 Motijheel C/A, Dhaka.		49.987		115
11. Lalmai Foot Wear Ltd. Khan Mansion 6th Floor 107 Motijheel C/A, Dhaka.		40.00		1215
12. Mark Bangladesh Shilpa & Engineering Ltd Road No. -3, House No. - 26 Block - I, Banani, Dhaka.		192.100		500
13. Balley Shoes Ind. Ltd. 240 New Elephant Road , Dhaka.		15.002		125
14. Rex Corporation Ltd. WASA Bhabon, 98 Kazi Nazrul Islam Avenue, Kawran Bazar, Dhaka.		1.50		52

15. Sonargaon Shoes & Lather Ind. 180 Mirpur, Dhaka.	30.000	140
16. Rupali Shoes Farm view,Super Market, Dhaka.	17.320	75
17. Bay Lather Complex Ltd. 21 Hazaribagh, Dhaka.	70.000	245
18. Bay Foot Wear Ltd. 21 Hazaribagh, Dhaka.	71.000	240
19. Amit Foot Wear 2/503 Eastern Tower 20 New Eskaton Road, Dhaka.	13.824	135
20. Bata Shoe Co.(BD) Ltd., Tongi, Dhaka Dhaka	145.000	
21. Bata Shoe Co.(BD) Ltd., Dhamrai, Dhaka Dhaka	297.000	
22. Bata Shoe Co.(BD) Ltd., Tongi, Gazipur. Gazipur	145.000	
23. Meenhar Sports Shoe Ltd. 58, Agrabad c/a, Chittagong	205.267	
24. Apex Footwear Ltd. Dhaka Cham Bidg, 56-66 Motijheel C/A, Dhaka.	74.829	
25. Jennys Footwear Ltd. 53, DIT Extension Road, Nayapaltan, Dhaka.	19.849	
26. Desma Shoe Industries Ltd. Dapa, Idrakpur, Fatullah, Narayangonj	106.592	
27. River- side Leather & Footwear Industries(Pvt) Ltd. R.K.Misson Road, Dhaka.	400.500	
28. Al-Faruque Footwear & Leather Industries (Pvt) Ltd. Ellal Chamber, 8th Floor, 11, Motijheel C/A. Dhaka.	197.500	
29. Inter-Fashion Leather & Footwear		

Industries Ltd. 83, Kazi N. Islam Avenue, Tejgaon, Dhaka. 814742 863452		206.028	
30. Lagacy Footwear Ltd. 64, Shaheed Suhrawardy Avenue, Kakrail, Dhaka. 404384		103.200	3.00 lac Pair worth Tk.273.90
31. Macro Footwear Ltd. 46, Kazi Nazrul Islam Avenue, Dhaka.		120,000	- worth Tk. 172.00
32. Tawakkal Shoe Industries (B?D) Limited 92, Mirhajirbag, Dhamra, Dkaka.		4.050	1.900 lac pairs worth Tk. 6.000
33. Dong Bang(BD) Ltd. House-1, Lane-1, Rd-2, black-G, Halishahar, Chittagong.		32.407	milliion - Worth 138.880
34. Bay Shoes Ltd. Mouchak, Konabari Guzipur. Fac: 21, Hazarbag.		120.000	
35. Mustafa Leather products Ltd. 9/9, Iqbal Road, Mohammadpur, Dhaka 814756		653.641	Worth Tk. 790.875 Million
36. Dong Kwang(bd) Ltd. Mahal-9, Mouza Shreepur, Bhangna,		64.040	Worth Tk. 368.000 Million
37. Dhaka Footwear Limited Mr. M. A Rashid Bhuiyan Managing Director 147, Hazaribagh Tannery Area, Dhaka Phone :504987, 861263 Fax : 863515	BAS		
38. Comfort Footwear Ltd. Mr. Manzoor Ahasan Chairman 86. Laboratory Road (Gr.Floor) Dhaka- 1205 Phone: 862415 Fax : 862415			

39. Desma Shoes Industries
Mr. Kazi Shahid Hossain Ferdouse
Managing Director
10, Kazi Nazrul Islam Avenue (2nd floor),
Karwan Bazar, Dhaka
Phone :814053, 810782-3
Fax : 818282

40. H. N. Shoe Limited
Mr. M Nasir
Managing Director
House 369 Rd 38/A
Dhanmondi R/A, Dhaka
Phone : 811526, 9561133, 956736
Fax : 813348

41. Jenneys Footwear Ltd.
Mr. Naseer Khan
Managing Director
53 DIT Extention Road
Naya Paltan- IF, Dhaka-1000
Phone : 886350, 884885
Fax : 883372

42. Crown Leather Products Ltd.
Mr, Serajul Islam
Managing Director
179, East Kafrul,
Off : 837257, 0880799, 837259
Res : 888374
Fax : 884170
835214

43. Dhaka Footwear Ltd.
Mr. M. A. Rashid Bhuiyan
Managing Directir
147, Hazaribagh, Dhaka.
Off : 404987, 861263
Res : 811373, 415007
Fax : 863515

44. Desma Shoe Industries Ltd.
Mr. Kazi Shahed Hasan Ferdous
Managing Director
10, Kazi Nazrul Islam Avenue (2nd floor)
Karwan Bazar, Dhaka
Off : 814053, 810782-3
Fac : 850568
Res : 813002
Fax : 814536
818282

45. H. N. Shoe Limited
Mr. M. Amirullah
Executive Director
House No . 69, Road No . 8/A
Dhanmondi R/A, Dhaka.
Off : 9111209
Res . 504525

46. Comfort Footwear Ltd.
Mr. Moinul Ahsan
Managing Director
86, Laboratory Road (Ground Floor)
Dhaka -1205
Off : 862415, 500516
Res . 500445
Fax : 862415

47. Inter Fashion Leather & Footwear Ind. Ltd.
Mr. Faruk Ahmed
Managing Director
Dhaka Chamber Building (3rd floor)
Room No -410
65-66 Motijheel C/A
Dhaka - 1000.

Off : 9560591, 9567986, 9801347, 9800643,
9800644
Fax : 88-2-956086, 9800052

Annex V

BASE LINE SURVEY TABLES

2.3 PROFILE OF THE SAMPLE SMEs

2.3.1 The Enterprise

2.3.1.1 Age of the Business

Age	Gr1	Gr2	Gr3	Gr4
Before 1971	-	-	1 4.8%	-
1971-74	-	1 8.3%	-	2 66.7%
1975-79	-	2 16.7%	1 4.8%	-
1980-84	2 33.3%	-	4 19%	-
1985-89	4 66.7%	2 16.7%	10 47.6%	1 33.3%
After 1990	-	7 58.3%	5 23.8%	-
TOTAL	6 100%	12 100%	21 100%	3 100%

Missing = 0

2.3.1.2 Licenses

	Gr1	Gr 2	Gr 3	Gr4
Possess license	4 66.7%	6 50%	21 100%	3 100%
No license	2 33.3%	6 50%	-	-
TOTAL	6 100%	12 100%	21 100%	3 100%

Missing = 0

2.3.1.3 Product Composition

	Gr1	Gr2	Gr3	Gr4
Currently available	2 66.7%	4 50%	2 33.3%	1 100%
Not available	1 33.3%	4 50%	4 66.7%	
TOTAL	3 100%	8 100%	6 100%	1 100%

Missing = 23

Product sources	Gr1	Gr2	Gr3	Gr4
Local small manufacturers 42.1%	2	5	1	-
Local large manufactures 36.8%	1	3	2	1
Multinational companies 15.8%	1	1	1	-
Import 5.3%	-	1	-	-
TOTAL 100%	4	10	4	1

2.3.2 Production Related Issues

2.3.2.2 Sub-contracting

Subcontracting arrangements?	Semi-urban	Urban	BSCIC
Yes	-	5 13.2%	-
No	3 100%	33 86.8%	1 100%
TOTAL	3 100%	38 100%	1 100%

Supply to parent company?	Semi-urban	Urban	
Yes	-	4 10.5%	-
No	3 100%	34 89.5%	1 100%
TOTAL	3 100%	38 100%	1 100%

Missing = 0

2.3.2.3 Production Problems

Increase # of days operation	Gr1	Gr2	Gr3	Gr4
	6	19.5	12.7	10

Increase # of days operation	Semi-urban	Urban	BSCICestate
	10.66	10.57	8

2.3 Market Related Issues

2.3.3.1 Buyers

Location of buyer	Gr1	Gr2	Gr3
From own shop 8.5%	2	-	2
Within the town 40.4%	8	5	6
Within the district 36.2%	3	3	11
Outside the district 14.9%	1	3	3
TOTAL 100%	14	11	22

Market trends	Gr1	Gr2	Gr3
Growing slowly 57.9%	6	6	10
Same 5.2%	-	1	1
Declining gradually 34.2%	3	1	9
Declining 2.6%	-	-	1
TOTAL 100%	9	8	21

Potential buyer class	Gr1	Gr2	Gr3
Wholesaler 61.1%	1	5	5
Retailer 38.9%	3	2	2
TOTAL 100%	4	7	7

2.3.3.2 Current State of the Industry

Condition of industry	Gr1	Gr2	Gr3	Gr4
Growing	33.3%	45.5%	28.6%	-
Saturated	66.7%	45.5%	42.9%	100%
Declining	-	9.1%	28.6%	-
TOTAL	100%	100%	100%	100%

Missing = 1

Factors responsible for the condition of the industry	%	#
Government rules/practices	2.18%	1
Economic crisis	6.54%	3
Quality of input/raw materials	2.18%	1
Poor profit margin	10.9%	5
Smuggling of competitive goods	15.2%	7
Open market	8.72%	4
Low-priced imports	4.36%	2
Poor quality of output	4.36%	2
Rubber/plastic products offset leather products	2.18%	1
Poor overall economic condition of Bangladesh	2.18%	1
Product quality	10.9%	5
Competition	21.74%	10
Present demand	8.72%	4
TOTAL	100%	46

2.3.3.3 Competitors

Number of similar enterprises in locality	Gr1	Gr2	Gr3	Gr4
1-4	2 33.3%	1 8.3%	4 21.1%	2 66.7%
5-9	-	2 16.7%	-	-
10-19	1 16.7%	-	1 5.3%	-
20-29	1 16.7%	2 16.7%	-	-
30+	2 33.3%	7 58.3%	14 73.7%	1 33.3%
TOTAL	6 100%	12 100%	19 100%	3 100%

Missing = 2

2.3.3.4 Competition

Competitors	Gr1	Gr2	Gr3	Gr4
Local small producers	5	9	15	1
Local large producers	4	3	11	3
Multinationals	1	-	1	-
Imports	2	1	4	-
Smuggling	1	3	7	1

2.3.3.5 Payment Structure for Credit Sales

Cash discounts	Gr1	Gr2	Gr3	Gr4
In %	3.4	8.36	7.76	4.5

	Gr1	Gr2	Gr3	Gr4
% of credit sales	50.83	53.63	60	47.5
Average credit period	104 days	175 days	177 days	104 days

2.3.3.6 Growth of Sales

Sales growth per year	Gr1	Gr2	Gr3
	5.33 %	12.17 %	21 %

2.3.3.7 Mediums of Promotion

Type of advertisement/promotional works	Percentage	Frequency
Television advertisement	9.09%	1
Poster/calendar/visiting card	36.36%	4
Ads in catalogues/magazines/newspaper	9.09%	1
Toll given to local socio-cultural clubs	9.09%	1
Packaging	18.18%	2
Billboard/ signboard	18.18%	2
TOTAL	100%	11

2.3.3.8 Nature & Extent of Promotional Expenses

Promotional works 97/98	Gr1	Gr2	Gr3
	Tk 450.00	Tk 2750.00	Tk 8866.66

Methods other than promotional works to generate product awareness among customers	Percentage	Frequency
Company goodwill	18.75%	6
From retailers	15.62%	5
From wholesalers	28.12%	9
Good quality products	15.62%	5
Good design	9.375%	3
Widespread availability	9.375%	3
Others	3.125%	1
TOTAL	100%	32

2.3.4 · Management Characteristics

Type of ownership	Gr1	Gr2	Gr3	Gr4
Proprietorship	6 100%	11 91.7%	20 95.2%	2 66.7%
Partnership	-	1 8.3%	1 4.8%	1 33.3%
TOTAL	6 100%	12 100%	21 100%	3 100%

Missing = 0

2.4 PROFILE OF THE ENTREPRENEURSS

2.4.1 Ownership Pattern

Identity of respondent	Gr1	Gr2	Gr3	Gr4
Owner	6 100%	10 83.3%	11 52.4%	2 66.7%
Owner-manager	-	2 16.7%	7 33.3%	-
Manager-accounts	-	-	2 9.5%	-
Partner	-	-	-	1 33.3%
Others	-	-	1 4.8%	-
TOTAL	6 100%	12 100%	21 100%	3 100%

Missing = 0

Own any more enterprises?	Gr1	Gr2	Gr3	Gr4
Yes	-	3 25%	3 14.3%	-
No	6 100%	9 75%	18 85.7%	3 100%
TOTAL	6 100%	12 100%	21 100%	3 100%

2.4.2 Age

Age when became owner	Gr2	Gr2	Gr3	Gr4
< 20	1 16.7%	2 16.7%	2 9.5%	-
20-29	4 66.7%	8 66.7%	8 38.1%	2 66.7%
30-39	-	1 8.3%	9 42.9%	1 33.3%
40-49	1 16.7%	1 8.3%	1 4.8%	-
50+	-	-	1 4.8%	-
TOTAL	6 100%	12 100%	21 100%	3 100%

Missing = 0

Level of education	Gr1	Gr2	Gr3	Gr4
Illiterate	1 16.7%	1 8.3%	1 4.8%	1 33.3%
SSC passed	-	-	5 23.8%	-
HSC passed	-	2 16.7%	3 14.3%	-
Graduate	-	-	4 19%	2 66.7%
Formal Schooling	5 83.3%	9 75%	8 38.1%	-
TOTAL	6 100%	12 100%	21 100%	3 100%

Missing = 0

2.4.3 *Training*

Training ?	Gr1	Gr2	Gr3	Gr4
Yes	2 33.3%	5 41.7%	3 14.3%	1 33.3%
No	4 66.7%	7 58.3%	18 85.7%	2 66.7%
TOTAL	6 100%	12 100%	21 100%	3 100%

2.5 EMPLOYMENT CHARACTERISITCS OF THE SAMPLE SMEs

2.5.1 *Sources of Workers*

Sources of skilled workers	Percentage	frequency
Other factories	36.58%	15
Training from skilled/expert workers and masters	2.44%	1
On-the-job training to helpers/SSK workers	26.82%	11
Raiding other factories & promising higher wages	9.75%	4
From distant places	24.39%	10
TOTAL	100%	41

2.5.2 *Duration of Employment*

Reasons for worker turnover	Percentage	frequenc
Claims for higher wages	26.19%	11
Higher wages from other factories	21.42%	9
Demand for more leisure/incentives	11.9%	5
Usual happening	4.76%	2
Dissatisfaction with wages	14.28%	6
Poor working environment	2.38%	1
Poor working relations with management	11.9%	5
High work pressure during *Ramadan*	2.38%	1
Lack of special incentives	4.76%	2
TOTAL	100%	42

Ways of dealing the issue of working turnover	Percentage	Frequency
Offer better compensation to the existing workers	9.09%	7
Take in workers when production is high and discharge when low	63.63%	1
Leave the issue unattended	27.27%	3
TOTAL	100%	11

2.6 FUNCTIONAL CHARACTERISTICS OF THE SAMPLE SMEs

2.6.1 Fixed Capital

Increases in fixed capital since inception?	Gr1	Gr2	Gr3	Gr4
Yes	2 33.3%	10 83.3%	18 85.7%	3 100%
No	4 66.7%	2 16.7%	3 14.3%	-
TOTAL	6 100%	12 100%	21 100%	3 100%

Plans to expand investment?	Gr1	Gr2	Gr3	Gr4
Yes	5 83.3%	10 83.3%	18 90%	-
No	1 16.7%	2 16.7%	2 10%	3 100%
TOTAL	6 100%	12 100%	20 100%	3 100%

Missing = 0

2.6.2 *Sources of Finances*

Borrowed fund for initial investment?	Semi-urban	Urban	BSCIC
Yes	-	11 28.9%	1 100%
No	3 100%	27 71.1%	-
TOTAL	3 100%	38 100%	1 100%

Missing = 0

2.6.3 *Sources of Technology*

Length of usage (yr.) of current technology	Gr1	Gr2	Gr3	Gr4
	10.17	9.58	12.05	11

Sources of the existing technology	Percentage	Frequency
Inheritance	13.33%	6
Previous knowledge	13.33%	6
BSCIC Training Center	2.22%	1
Experience in other factory	33%	15
Visits to other factories	33%	15
From bank	4.44%	2
TOTAL	100%	45

2.6.4 *Difficulties with the Existing Technology*

Any difficulty with current technology ?	Semi-urban	Urban	BSCIC
Yes	2 66.7%	15 40.5%	1 100%
No	1 33.3%	22 59.5%	-
TOTAL	3 100%	37 100%	1 100%

The types of difficulties with the existing technology	Percentage	Frequency
Time consuming	18.18%	4
Low level of output per worker	13.6%	3
High possibility of rejection	9.09%	2
Not running smoothly	9.09%	2
High labor cost	4.54%	1
High cost of power failure	9.09%	2
Machine problems	36.36%	8
TOTAL	100%	22

Causes of satisfaction with the current technology	Percentage	Frequency
Ease of operation	14.8%	4
Manually done	29.62%	8
High quality of output	33.3%	9
Familiarity	3.7%	1
Fast-moving	14.8%	4
Good machine	3.7%	1
TOTAL	100%	27

Aware of improved technology?	Gr1	Gr2	Gr3	Gr4
Yes	4 66.7%	5 41.7%	11 55%	3 100%
No	2 33.3%	7 58.3%	9 45%	-
TOTAL	6 100%	12 100%	20 100%	3 100%

Missing = 0

Reduction in production cost	Gr1	Gr2	Gr3	Gr4
Very High	3 75%	5 100%	6 54.5%	2 66.7%
Moderately	1 25%	-	4 36.4%	1 33.3%
Unchanged	-	-	1 9.1%	-
TOTAL	4 100%	5 100%	11 100%	4 100%

Missing = 18

2.6.5 *Comments on the New Technology*

Any plans to introduce new technology?	Gr1	Gr2	Gr3	Gr4
Yes	2 50%	3 42.9%	2 13.3%	1 33.3%
No	2 50%	4 57.1%	13 86.7%	2 66.7%
TOTAL	4 100%	7 100%	15 100%	3 100%

Missing = 12

Reasons for not introducing new technology	Gr1	Gr2	Gr3	Gr4
Takes a lot of money	2	3	11	1
Existing technology runs well	-	1	-	-
Concern for manual shoemakers	-	-	1	-

Products with new technology	Gr1	Gr2	Gr3	Gr4
Rubber slipper	-	-	1	-
Plastic sandal-gents	-	-	-	1

Types of taxes and duties	Percentage	Urban
Value-added tax	25%	3
Turn-over taxes	41.67%	5
License fee	33.3%	4
TOTAL	100%	12

BASE LINE SURVEY TABLES

Respondents Opinions on Support Institutions

5.2.1 Membership with associations

Existence of local trade association	Semi-urban	Urban	BSCIC
Yes	66.7%	71.1%	-
No	33.3%	28.9%	100%
TOTAL	100%	100%	100%

Missing = 0

Member of association?	Gr1	Gr2	Gr3	Gr4
Yes	-	54.5%	85.7%	100%
No	100%	45.5%	14.3%	-
TOTAL	100%	100%	100%	100%

Missing = 1

5.2.2 Reasons for non-membership

Reasons for non-membership	Gr1	Gr2	Gr3
Never had a chance	50%	-	25%
Not a big producer	25%	-	-
No need for involvement	25%	100%	75%
TOTAL	100%	100%	100%

5.2.3 Service from Associations

The services taken from the association as yet	Percentage	Frequency
Business information	20.59%	7
Protection from miscreants	32.35%	11
Fixing of prices	8.82%	3
Policy advocacy	23.53%	8
Nothing as yet	14.7%	5
TOTAL	100%	34

5.2.4 Services desired

Services an association is expected to provide	Percentage	Frequency
Policy advocacy	22.73%	10
Fund arrangement	29.54%	13
Training arrangement	13.63%	6
Price fixation	6.185%	3
Prevention of duplication	2.27%	1
Protection from miscreants	4.54%	2
Dissemination of business information	4.54%	2
Establishment of business contacts	4.54%	2
Liaison with bank for loan	2.27%	1
Provision of improved technology	2.27%	1
Marketing assistance	2.27%	1
Use of land/ premises	4.54%	2
TOTAL	100%	44

5.2.5 Support Institutions

Institutional Assistance ?	Gr1	Gr2	Gr3	Gr4
Yes	-	-	38.1%	-
No	100%	100%	61.9%	100%
TOTAL	100%	100%	100%	100%

Missing = 0

These 38.1% from gr3 had received assistance from BSCIC, BRAC, Proshika and Grameen in the form of land/premise, loan and training .