

**THE BUSINESS ENVIRONMENT AND THE ROLE
OF SUPPORTING AND REGULATORY INSTITUTIONS:**

An Assessment of a District Town in Bangladesh

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(% of respondents)

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Acronyms

BBS	Bangladesh Bureau of Statistics
BDS	Business Development Services
BSIC	Bangladesh Standardized Industrial Classification
CMI	Census of Manufacturing Industries
DFID	Department for International Development
DI	Data International
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
FI	Field Investigators
GDP	Gross Domestic Product
GOB	Government of Bangladesh
GVA	Gross Value Added
IFC	International Finance Corporation
ISS	Industrial Strategies Studies
LFS	Labor Force Statistics
LGED	Local Government Engineering Department
ME	Micro Enterprise
MOF	Ministry of Finance
NGO	Non-Government Organization
NVA	Net Value Added
SDC	Swiss Development and Cooperation
SME	Small and Medium Enterprise
USAID	United States Agency for International Development
VA	Value Added
VAT	Value Added Tax
VSB	Very Small Businesses
WOB	Women-Owned Businesses

The Business Environment and the Role of Supporting and Regulatory Institutions: An Assessment of a District Town in Bangladesh

FOREWORD

Economic growth in Bangladesh has benefited from two decades of liberalization policies that aimed to increase private sector activity. While reforms have eased licensing and regulatory burdens, particularly for the export sector, the domestic private sector continues to face formidable challenges to growth. This is particularly the case for small enterprises that account for the bulk of private business in Bangladesh. Weaknesses in financial markets, burdensome regulation, and prohibitive policies create market distortions that reduce local competitiveness. The combined effect of poor infrastructure, weak public service delivery, corruption, and security concerns constrain the ability of businesses to function efficiently. While many businesses depend on patronage links to survive, small business owners typically lack the resources and political connections to combat regulatory and informal barriers to business. As a result, a weak enabling environment imposes disproportionately greater constraints to small business growth.

Many programs have been undertaken to assist the small and medium enterprise (SME) sector in Bangladesh, the majority of which have focused on larger, export-oriented businesses or home-based micro-entrepreneurs. To date, studies on SMEs have tended to focus on a particular sector or size of firm. The research summarized in this report was designed to complement current understanding of the business environment in Bangladesh by examining commercial economic activity in a medium-size town. The findings challenge some established notions. For example, is the government definition of SMEs adequate to cover the bulk of the economy? Do law and order problems and corruption pose as serious a constraint to small business growth as is often perceived? We hope these findings will contribute to dialogue and debate on the policy environment for private sector development in Bangladesh and inform the strategies of Government and other development partners.

The Mymensingh study and the recommendations that flow from it reflect The Asia Foundation's commitment to support private-sector led growth by easing

policy constraints that affect the enabling environment and mobilizing domestic constituencies for reform from the private sector, civil society, and government. The Foundation implements economic reform and development programs across Asia that work to eliminate obstacles to economic growth, improve market competitiveness, foster entrepreneurship, and attract investment. These programs fall broadly in the areas of: supporting private sector development (with a particular emphasis on SMEs); improving and reforming corporate governance practices; increasing the use of eCommerce; and strengthening regional and international trade and investment.

This study builds upon The Asia Foundation's innovative SME activities in other countries. With funding from USAID in Indonesia, The Foundation has been working with a network of local associations of small businesses to improve the regulatory environment by removing barriers to growth. The experience there demonstrated the importance of conducting preliminary diagnostic research to identify the most critical disincentives to growth and to map the relationships between the private and public sectors as a means of determining potential future engagement on reform initiatives. This research in Bangladesh and similar activities in Cambodia, East Timor, Mongolia, Sri Lanka and Vietnam take advantage of the Foundation's extensive network of country offices and local relationships to take lessons learned in one country and adapt, rather than replicate, them to the unique country contexts elsewhere. The implementation of this research was facilitated by the Foundation's past work in Bangladesh on economic reform issues with a wide range of academic and private sector partners.

To develop and adapt this research project in a manner that took full account of local conditions and past work on related issues, The Asia Foundation was fortunate to collaborate with Data International Ltd., a leading research institute with a long track record of SME-related work in Bangladesh. Established in 1991, Data International has conducted dozens of research, qualitative analysis, and other assignments in the fields of trade and industry, health economics, and education. This study adds to a long list of SME-related studies Data International has been associated with since its inception in 1991. Aside from research in the area of industry and trade, Data International has worked in the areas of education, health economics and rural energy.

We look forward to building on the results and recommendations of the Mymensingh study through support for activities that will strengthen the policy environment for SME development.

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বাংলাদেশের ক্ষুদ্র ও মাঝারি শিল্প প্রতিষ্ঠানের জন্য সহায়ক পরিবেশ: একটি জেলা শহরের উপর পর্যবেক্ষণমূলক গবেষণা

সংক্ষিপ্ত

শ্রম সৃষ্টি এবং দরিদ্রতা কমানোর ক্ষুদ্র ও মাঝারি প্রতিষ্ঠানের ভূমিকা অত্যন্ত গুরুত্বপূর্ণ। সনাক্ত এক এ দৃষ্টিকোণ থেকে বাংলাদেশের প্রতি অসংখ্য দেশ ও দাতা সংস্থার দৃষ্টি আকৃষ্ট হয়েছে। বাংলাদেশ একে কতটা কার্যকরী উপায় ব্যবহার করা যায় তা বোঝার জন্য সেক্ষেত্রে বিভিন্ন অনেকগুলো গবেষণা কার্যক্রম হচ্ছে দেখা যাচ্ছে যাতে করে এ কার্যকরী প্রতিষ্ঠান উন্নয়নের পক্ষে প্রতিবন্ধকতা এবং সুযোগসমূহ নির্ণয় করা সম্ভব হয়। এসব গবেষণায় পণ্য অথবা প্রতিষ্ঠানের অক্ষমতার উপর ভিত্তি করে একটি নির্দিষ্ট ক্ষেত্রে প্রতিবন্ধকতাসমূহ নির্ণয় করা হয়েছে যা কিনা বাংলাদেশের প্রতিষ্ঠানসমূহের কার্যক্রম ও কার্যক্রম অত্র ও ভালভাবে বোঝার ক্ষেত্রে সহায়তা করছে। এমনও এটা ব্যাপকভাবে স্বীকৃত যে সেক্ষেত্র বা অক্ষমতার নির্দিষ্টপক্ষে বাংলাদেশে বেসরকারী পরিবেশে বিনিয়োগ পরিবেশের খরচ অনেক বেশী।

বেসরকারী পরিবেশে শ্রম সৃষ্টি ও অর্থনৈতিক অবদানের ক্ষেত্রে একটি পতিশীল উৎসের সম্পূর্ণ সম্ভবভাবে যাতে পাঠানোর পক্ষে যেসব প্রতিবন্ধকতা রয়েছে তা নির্ণয় করতে দি এশিয়া ফাউন্ডেশন এ গবেষণায় সহায়তা প্রদান করেছে। গবেষণায় বেসরকারী ক্ষেত্রে, বিশেষ করে ক্ষুদ্র ও মাঝারি প্রতিষ্ঠানসমূহ ব্যবসায় পরিবেশকে বিচারে মূল্যায়ন করে তা বিশ্লেষণ করা হয়েছে। গবেষণাটি করা হয়েছে সময়সন্ধিহীন ফেলা শহরের প্রশাসনিক এলাকার মধ্যে অর্থাৎ সব ধরনের ক্ষুদ্র ও মাঝারি শিল্প প্রতিষ্ঠানসমূহের উপর।

তিনটি মূল উদ্দেশ্যকে সামনে রেখে গবেষণাটি করা হয়েছে। প্রথমত, বাংলাদেশের একটি, ফেলা শহরের বেসরকারী খাতের কার্যক্রমের সর্বিট মিত্র ভূমি ধরা দ্বিতীয়ত, স্থানীয় অর্থনৈতিক প্রবৃদ্ধি অর্জনে প্রধান প্রধান বাধাগুলোকে চিহ্নিত করা, এক তৃতীয়ত, এই বাধাগুলো মোকাবেলা করার জন্য বিভিন্ন ব্যবস্থা প্রতিষ্ঠান, ব্যবসায়ী সংগঠনসমূহ এবং সরকারের বিভিন্ন সংস্থাগুলো কি কি পদক্ষেপ গ্রহণ করেছে তা জানা। মহিলাদের ক্ষেত্র পরিমার্জিত ব্যবস্থা প্রতিষ্ঠান সম্পর্কে বিস্তারিত ভাবে জানার জন্য মহিলাদের পাশাপাশি বিশেষভাবে পর্যবেক্ষণ করা হয়েছে যাতে তাদের পরিপূর্ণ সমতার অর্থে প্রতিফলিত হয়।

এই গবেষণার প্রাথমিক তথ্য সংগ্রহ করা হয়েছে তিনটি পদ্ধতির মাধ্যমে। প্রথম ছিল, সময়সন্ধিহীন পৌর এলাকায় অর্থাৎ ব্যবস্থা প্রতিষ্ঠানসমূহের পরিচয় করা, বেনমা এ ধরনের তথ্য বিভিন্ন কোম্পানি এয় অর্থে তৈরী করা হয়নি। দ্বিতীয়ত, কার্যক্রমের ধরনের মাধ্যমে নির্বাচিত কিছু ব্যবসায়ীক প্রতিষ্ঠানের উপর অত্রো বিস্তারিত তথ্য সংগ্রহের করা। এবং সর্বশেষ ছিল, দলীয় অধ্যয়নের মাধ্যমে সময়সন্ধিহীন শহরের ব্যবসায় সুযোগ সুবিধা ও বিদ্যমান সমস্যা সম্পর্কিত গুরুত্বপূর্ণ তথ্য সংগ্রহ করা।

হরিপেয় অঞ্চলয় নয়ননসিহহ শহরে একটি স্থায়ী স্থাপনা থেকে ব্যবসা পরিচালনা করছে এরকম সকল উৎপাদনশীল প্রতিষ্ঠানসমূহকে জমা হয়েছে এবং পৃথিবিতিক কালক্রমে কাল নেয়া হয়েছে। হরিপেয় শিল্প প্রতিষ্ঠানসমূহে শ্রমিক কর্মচারীর সংখ্যা, বিএসআইসি কোড অধ্যয়নী উৎপাদিত পণ্য এবং শিল্পের মালিক নারী না পুরুষ তা অন্তর্ভুক্ত করা হয়েছে। হরিপেয় তথা থেকে রেডম স্যাম্পলিং (random sampling) এর মাধ্যমে প্রবেশনর মূল তথ্যতাত্ত্বিক নির্বাচন করা হয়েছে। এই পদ্ধতিতে কলিকটগরের মাধ্যমে তালিকাভুক্ত ৭,৪১৬টি প্রতিষ্ঠানের (মহিলা মালিকদায়ীন প্রতিষ্ঠানসমূহ বাদে) মধ্যে ৩৮০ টি নির্বাচিত করা হয়েছে। একই পদ্ধতি অনুসরণ করে মহিলা মালিকদায়ীন ৭০টি প্রতিষ্ঠানের মধ্যে থেকে ৫০টি কে হরিপেয় অঞ্চলয় জমা হয়েছে। সর্বমোট ৪৩০টি প্রতিষ্ঠানের উপর প্রবেশনটি করা হয়েছে।

নয়ননসিহহের ব্যবসা প্রতিষ্ঠান সম্পর্কে সন্নিবিষ্ট কনি :

হরিপ অধ্যয়নী নয়ননসিহহ শহরে ৭,৫৬১টি ব্যবসা প্রতিষ্ঠান রয়েছে এক এই প্রতিষ্ঠানগুলোতে অনুমানিক ৩,২০,০০০ লোক কালে নিয়োজিত রয়েছে। এসব প্রতিষ্ঠানের উল্লেখযোগ্য সংখ্যকই (৯৯.৪%) সেবা খাতে নিয়োজিত। এসব প্রতিষ্ঠানগুলোর মধ্যে সবচেয়ে বেশী সংখ্যক (১২.৪%) স্থলা খুচরা মুদি দোকান এক ফেনারেল স্টোর। তারপর রয়েছে ঔষধ ও ঠিকিলা সামগ্রীর খুচরা বিক্রেতা (১১.৪%) এবং কয়লা, কাপড় ও চামড়া মাত্রীয় পণ্য বিক্রেতা (৯%)। সকল প্রতিষ্ঠানের মধ্যে এক তৃতীয়ই এই তিন শ্রেণীভুক্ত।

যদিও সব প্রতিষ্ঠানগুলোর মধ্যে মাত্র শতকরা ১০.৬ ভাগ উৎপাদকারী প্রতিষ্ঠান, তাপি সেবা প্রধানকারী প্রতিষ্ঠানগুলোর তুলনায় এসব প্রতিষ্ঠান অপেক্ষাকৃত বড়। হরিপেয় স্থায়ী অধীনত্রে এসব প্রতিষ্ঠানের গুরুত্বপূর্ণ ভূমিকা যুটে উঠেছে। শ্রম শক্তির হিসাব সেগালে দেখা যায় মোট শ্রমিকের ১৬ ভাগেরও বেশী উৎপাদন খাতের সঙ্গে সম্পৃক্ত। উৎপাদন খাতের মধ্যে ১৭১টি প্রতিষ্ঠান পইলা এবং এ সংক্রান্ত অসংখ্য সামগ্রী উৎপাদন করছে যা মোট উৎপাদনকারী প্রতিষ্ঠানের শতকরা ২০ ভাগেরও বেশী। বর্ডের তৈরি অসংখ্য-পত্রের প্রতিষ্ঠান (১৮.৫ ভাগ) এক চল কল (১৩.৯ ভাগ) সংখ্যায় বিচারে উৎপাদনকারী প্রতিষ্ঠানসমূহের মধ্যে তাল্যার্থপূর্ণ অবস্থানে রয়েছে। মোট প্রতিষ্ঠানের অর্ধেকেরও বেশী প্রতিষ্ঠান প্রধান তিন শ্রেণীভুক্ত। এবং সেবা খাতের ক্রমে উৎপাদন খাতই বেশী মনোযোগ অর্জুই করছে।

সকল ধকার ব্যবসার মধ্যে মহিলা মালিকদায়ীন ব্যবসার অংশ মাত্র শতকরা ১ ভাগ এবং মোট জনশক্তির মধ্যে তাদের অবস্থান অল্পও নগণ্য। ৭০ জনের মধ্যে মাত্র ৩ জন (শতকরা ৪.৩ ভাগ) মহিলা ব্যবসায়ী উৎপাদন খাতের সাথে মড়িত। বিভিন্ন প্রতিষ্ঠানের সাধারণ লোকসংখ্যায় মধ্যে এটি ধায় এক তৃতীয়ংশ (১০.৬%)। এই প্রবেশণায় দেখা যায় অনেক ক্ষেত্রে ব্যবসায় মূলধন মহিলায় বিস্ত ঐ মহিলায় পরিচালনের পুরুষ সদস্যরা প্রকৃতপক্ষে ব্যবসা দেখাশোনা, হিসাব থেকে

অফ করে সবকিছুই পরিচালনা করছে। মহিলা মালিকানাধীন প্রতিষ্ঠানের মধ্যে অসামান্য ব্যবসার তুলনায় গুরুত্বপূর্ণ এক উদ্ভবের দোফান অঙ্গস্বাকৃত বেশী।

মহিলা দেখা যায়, উদ্যোগযোগ্য সংখ্যক প্রতিষ্ঠান সাম্প্রতিক সময়ে ব্যবসা কার্যক্রম শুরু করেছে। এর মধ্যে প্রায় ২৮ ভাগের কার্যক্রম শুরু হয়েছে পঁচ তিন বছর ধরে, অর্থাৎ ২০০০ সাল থেকে। বাকিদের মধ্যে ৪৬ ভাগ প্রতিষ্ঠান চালু হয়েছে ১৯৯১-২০০০ সময়ের কোন এক সময়ে। প্রতিষ্ঠানের সংখ্যা বাড়ছে না একই ধরনে তা এক বছরের অধিক উপর ভিত্তি করে বলা যাবে না। খাও জা থেকে দেখা যায় যে, প্রতিষ্ঠানের সংখ্যা কমে যাওয়ার পরিমল উদ্যোগযোগ্য। তাছাড়া, প্রতি বছর প্রায় ১০ ভাগ হয়ে রাখনা প্রতিষ্ঠান বাড়ছে এক এটা শহরের অসামান্য ক্ষেত্রে উন্নতির সাথে সংশ্লিষ্ট কিনা তা ক্যা বর্তন। বর্ষী সংখ্যার দিকে চুই দিলে দেখা যাবে যে, নতুন প্রতিষ্ঠিত প্রতিষ্ঠানের বর্ষী সংখ্যা, পুরাতন প্রতিষ্ঠানের তুলনায় কিছুটা কম। মনশতির শতকরা ২৪ ভাগ নিয়োজিত লেনব প্রতিষ্ঠানে, যেগুলো পঁচ তিন বছরে প্রতিষ্ঠিত এবং শতকরা ২৮ ভাগ বর্ষী অসামান্য প্রতিষ্ঠানে নিয়োজিত।

সমসনকিহ শহরের মাল্যরি আকারের প্রতিষ্ঠানগুলো বছরে ৩১০ দিন এবং প্রতিদিন পঁচ ১২.৫ ঘণ্টা খোলা থাকে। প্রায় শতকরা ৯৭ ভাগ প্রতিষ্ঠান একক মালিকানাধীন প্রতিষ্ঠান হিসেবে রেগিষ্ট্রিত হয়েছে। এখন উদ্যোগ যে, বেশীর ভাগ একক মালিকানা প্রতিষ্ঠান পরিবার কেন্দ্রিক। আর এসব প্রতিষ্ঠানকে একক মালিকানাধীন ক্যা হলেও এগুলো অসমলে পরিবারিকভাবে অংশীদারী প্রতিষ্ঠান।

সমসনকিহ শহরের বেশীর ভাগ প্রতিষ্ঠান একটাই ছোট যে, এগুলোকে ১০-৯৯ মন বর্ষী বিশিষ্ট ছোট ও মাল্যরি শিল প্রতিষ্ঠানের সংখ্যার সাথে এক করে দেখা বইকর। সমসনকিহে প্রতিষ্ঠানসমূহে পঁচ শ্রমিকের সংখ্যা ২.৫ মন এবং মাত্র ২ ভাগ প্রতিষ্ঠান রয়েছে যেখানে শ্রমিকের সংখ্যা ১০ মনের বেশি। মালিক নিজেই শ্রমিক, এককম প্রতিষ্ঠানের সংখ্যা মোট শিল প্রতিষ্ঠানের প্রায় এক তৃতীয়াংশ। এক্ষেত্রে খাও অর্থাৎ সূক্ষ্মভাবে বিচার করলে এবং তার উপর ভিত্তি করে ছোট ও মাল্যরি প্রতিষ্ঠানকে একটু অসামান্য সংজ্ঞায়িত করা ঙ্গত্বস্বূর্ণ, কেননা, এখনই মোট মনশতির শতকরা ১২.৬ ভাগ নিয়োজিত। অসমল এটাও হ্রত পারে কু কু শিল প্রতিষ্ঠানগুলো শহরের বাইরে অবস্থিত যেখানে মাল্যরি করা স্থানি। তাছাড়া, নূনতম বর্ষীসংখ্যা ১০ মন ধার্যক নাও হ্রত পারে কেননা, এর যলে কোথা যাবে যে সমসনকিহ শহরে বেশীর ভাগই ক্ষুদ্র প্রতিষ্ঠান। কিন্তু যেখানে বাংলাদেশের প্রায় সর্বত্রই ক্ষুদ্র ঙ্গদল প্রতিষ্ঠান রয়েছে, সেখানে এটা পরিষ্কার নয় যে, সামান্য প্রশ্ন মূলেয় বিনিময়ে অসকল শহর কেন্দ্রিক এসব প্রতিষ্ঠান ক্ষুদ্র ঙ্গণ পারে কিনা। যদিও পক্ষেপায় দেখা যায় যে, কম সংখ্যক প্রতিষ্ঠানই এ কর্মসূচির অংগস্বাকৃত হয়েছে। মনশ্রমভিত্তিক এসব প্রতিষ্ঠান, প্রতিষ্ঠানিকভাবে আধ্যায়িত ছোট বা মাল্যরি প্রতিষ্ঠান আর অধ্যায়িতভাবে আধ্যায়িত ক্ষুদ্র প্রতিষ্ঠান এ দুয়ের মাল্যরণে অসমল করার যলে ঙ্গণ প্রতিভে সমসময় পড়ে। এ পক্ষেপায় উদ্যোগে মনশতির উপর ভিত্তি করে প্রতিষ্ঠানসমূহকে তিনটি

শ্রেণীতে বিভক্ত করা হয়েছে: ছোট বা মাঝারি ব্যবসা প্রতিষ্ঠান (১০ থেকে ১০০ জন কর্মী বিশিষ্ট); খুব ছোট ব্যবসা প্রতিষ্ঠান (৩ থেকে ৯ জন কর্মী বিশিষ্ট) একে ক্ষুদ্র প্রতিষ্ঠান (১-২ জন কর্মী বিশিষ্ট)। আর এ ক্ষেত্রে অনুসারেও দেখা যায় যে, শতকরা ৪০ ভাগের মতো কর্মী সংখ্যা নিয়ে ধার্য দুই-তৃতীয়াংশ প্রতিষ্ঠানই ক্ষুদ্র প্রতিষ্ঠানের অন্তর্ভুক্ত। শতকরা ৩১ ভাগ প্রতিষ্ঠান ক্ষুদ্র প্রতিষ্ঠানের অন্তর্ভুক্ত একে এসব প্রতিষ্ঠানে শতকরা ৪৭.৫ ভাগ কর্মী নিয়োজিত। শতকরা মাত্র ২ ভাগ প্রতিষ্ঠান ছোট বা মাঝারি প্রতিষ্ঠানের অন্তর্গত একে এসব প্রতিষ্ঠানে শতকরা ১২.৫ ভাগ কর্মী সংখ্যা নিয়োজিত।

পঁয়ষট্টি বছরী ভাগ ক্ষেত্রে হয় মণ্ডলিক দিকে (৭১.২%) বা তার পরিবারের একজন সদস্যের সম্পর্ককে নেয়া হয়েছে। উত্তরদাতাদের পঁয় ছয় ৩৬ বছর এবং নবম শ্রেণী পর্যন্ত লেখাপড়া করেছে। পুরুষ ব্যবসায়ীদের পঁয় ছয় ৩৪ ও মহিলা ব্যবসায়ীদের ৩৬ বছর। ধার্য ৮৪ ভাগ ব্যবসায়ী বর্তমান মণ্ডলিক কর্তৃক প্রতিষ্ঠিত এবং শতকরা ১২ ভাগ উত্তরাধিকার সূত্রে ধার্য। শতকরা ৯০ ভাগেরও বেশী ব্যবসা প্রতিষ্ঠানের স্থাপনের উদ্দেশ্যে নিম্নে সম্পত্তি একে ঋণদানকারী প্রতিষ্ঠানের উপর নির্ভরশীলতার হার অতি নগণ্য। পঁয় মণ্ডলিক বিক্রয়ের পরিমাণ ধার্য ৮৬,১০০ টকা, যার মধ্যে ৯০% নগদ টকায় বিক্রি হয়ে থাকে।

যদিও প্রতিষ্ঠানগুলো তাদের ক্রেতাদের বিষয়ে তেমন কোন তথ্য/স্বীকৃতি গ্রহণত করেন না তথাপি উত্তরদাতাদের মতে ধার্য তিন-চতুর্থাংশ ক্রেতাই মায়নসিইহ শহরের। ব্যবসায়ীদের ধারণা যে তাদের ক্রেতাদের এক-পঞ্চমাংশ মায়নসিইহ শহরের বাইরের কিন্তু কোথায়ই অসম্য এশাক্য থেকে আসত। শহরের ব্যবসা প্রতিষ্ঠানসমূহের পণ্য বা সেবায় যে চাহিদা তা স্থানত আসে স্থানীয় কিংবা বিদেশীয় এশাক্য কনসামারত মনসন থেকে।

মায়নসিইহের শিল্প প্রতিষ্ঠানগুলোর অর্থিক বর্ণনা :

উত্তরদাতাদের নিম্নে অসম্য অসম্য ভাবে সম্পূর্ণ ব্যয়ের পূর্ণাঙ্গ হিসাব নেয়া হয়েছে এবং এই ব্যয় পূরণকে দুইভাগে বিভক্ত করা হয়েছে: (ক) প্রত্যক্ষ পরিচালন ব্যয়; এবং (খ) পরোক্ষ পরিচালন ব্যয়, যার মধ্যে রয়েছে- ভাড়া, সুদ, পণি, প্যাস, এবং বিদ্যুৎ ব্যয়। পরোক্ষ পরিচালন ব্যয়ের মধ্যে আরও রয়েছে সুযোগ ব্যয় (opportunity cost) যাকে আসসা অসভাবে ক্রতে পরি অপ্রতিষ্ঠানিক ব্যয় যা সাক্ষরের বিভিন্ন প্রতিষ্ঠান থেকে বিভিন্ন সেবা পাওয়ার বিপরীতে অধবা হারানি থেকে রক্ষা পাবার জন্য নেয়া হয়। সেবা প্রদানকারী প্রতিষ্ঠানের তুলনায় উৎপাদনকারী প্রতিষ্ঠানের কাঁচামাল/যোগ্যন ব্যয় তুলনাতুল্যকভাবে বেশী (৮২, ৭২০ টকা)। পঁয় শতকরা ১৫ ভাগ বিক্রি কাঁচতে করা হয়।

মোট আর একে প্রম খরচ ব্যতীত সফল পরিকর্মনশীল ও স্থির খরচের পার্থক্যই হলো স্থান্য সর্বোচ্চন (value added)। স্থান্য সর্বোচ্চনের মধ্যে রয়েছে প্রমিকের অবদান ও উদ্যোক্তার

এক ঐক্য ধনত অঙ্গের উত্তেজনা পরিমাণ অনেক সঞ্চিত বড়ি/বড়িকর্ষ। স্বাক্ষর করা করতে হলে বা স্বাক্ষর চাপতে হলে স্থানীয় মন্ত্রণালয়ের "দৃশ্য" রাখতে হবে- দুর্কণ শাসন ব্যবস্থা এটা হলে অক্ষয় নবির।

অইন-শুভা : অইন-শুভা শব্দে স্মরণকিত্ব শব্দে পিরোদ্যোচনের একটা চক্রবর্তী অভিজ্ঞতা রয়েছে যা সচরাচর দফা বা অদ্যাদ্য নথি বা শব্দে চোখে পড়ে না। এখানে দুই তৃতীয়ত্ব (নবী পুরুষ নিকি-শব্দ) লোক শব্দের নিয়মতা ব্যবস্থায় সত্যের ধারণা করেছেন। বিশেষ সংক্ষেপ লোক কাজের, সামগ্রিক অইন-শুভা পরিষ্কৃতি ভাষা। শিল্প প্রতিষ্ঠানের মণিফরম বয়েছেন স্বাক্ষর প্রতিষ্ঠান পরিচালনা করতে গিয়ে তারা কোন অপরাধমূল্যে কর্তব্যের সুযোগমুখী হয়েছেন না। অইন-শুভা পরিষ্কৃতির এই অবস্থা দফা বা চিঠিমাফ হলে কোন বড় শব্দের চেয়ে বিশেষভাবে ভাষা বলা যায়।

তথাপি শিল্প প্রতিষ্ঠানমূহের এক-তৃতীয়ত্ব উত্তরাদাতা ইঙ্গিত দিয়েছেন যে, সরকারি ও কেন্দ্রকারী নিয়মতা ব্যবস্থা নিয়ে তারা অসন্তুষ্ট। স্বাক্ষর পরিবেশ উন্নয়নে ১৮ টি ধারণা মধ্যে 'দৃশ্য', মূর্তি এক 'অনিয়ম' প্রধান পাঁচটি বিষয়ের একটি হিসেবে চিহ্নিত হয়েছে। মহিলা পিরোদ্যোচনের সঙ্গে অঙ্গাঙ্গীভাবে এই তথ্য বেরিয়ে এসেছে যে- তারা তাদের পুরুষ সহকর্মী বা কেবলদের কক্ষ থেকে স্থানান্তরিত শিবির হন। চাঁদা এবং টোল অঙ্গায় প্রদর্শন ক্রিয়াক্রমে তারা তারা মননে যে পুরুষ ব্যবসায়ীদের তুলনায় তারা দ্বিগুণ করে এ সমস্যার সৌকর্য্য করে থাকেন। তৎকালে, শতকরা ৯৩ ভাগ মহিলা স্বাক্ষরী বিশ্বাস করেন যে অধিকাংশ সংক্ষেপ মহিলা উদ্যোগে ব্যবসায় না আসার একটি বড় কারণ হলে তারা প্রতিষ্ঠান/দেওয়ানে নিয়মিত বোধ করেন না।

নিয়ন্ত্রণ কোর্স : এটা প্রমিত একটা ধারণা যে বাংলাদেশে রেজিস্ট্রেশন এবং লাইসেন্স (যেমন: স্বাক্ষর লাইসেন্স, ভাট রেজিস্ট্রেশন এবং ট্যাক্স নক্স) এর যে পদ্ধতি তা অত্যন্ত জটিল, কঠিন ও সময় সাপেক্ষ। এক্ষেত্রে প্রতিষ্ঠানের অফার-অনুতির কোন জেদজেন নেই, তাই এটা সূত্র ও মধ্যমী শিল্প প্রতিষ্ঠানের জন্য একটা বড় কোর্স।

কিন্তু, এসব পদ্ধতি যতটা কঠিন হলে ধারণা করা হয়ে থাকে, এই জটিলতার অধ্যাদেশের তা কঠিনতা নয়। উদাহরণস্বরূপ, ২৫০ টি প্রতিষ্ঠান যারা লাইসেন্স করতে চেয়েছে, তাদেরকে পড়ে ৪ দিন করে অপেক্ষা করতে হয়েছে। বিভিন্ন ভাবে চিহ্নিত ১৮টি সমস্যার মধ্যে ব্যবসা লাইসেন্স ও অনুমোদন সংক্রান্ত সমস্যা ১১ তম, ফোল্ডার রেজিস্ট্রেশন সংক্রান্ত সমস্যা ৯ তম, এক ট্যাক্স সংক্রান্ত সমস্যা ১০ম স্থানে রয়েছে।

অনুষ্ঠানিক বৈধতা পেতে সময় এক-অধিক মূল্য তেমন সমস্যা হিসেবে দেখা না হলেও, এর সাথে সম্পর্কিত অদ্যাদ্য অইনদৃশ্য পরীক্ষা সমস্যার কারণ হিসেবে দেখা দিতে পারে। অদ্যাদ্য

কমতাই বিভিন্ন সরকারী প্রতিষ্ঠানের পরিদর্শনের বিভিন্ন সুবিধা অর্জন করে এবং বর্ষে অর্জন করে সুযোগ করে দেয়। দুর্নীতিতে তাই ব্যবসায় উন্নয়নের পথে ৪র্থ খণ্ডিতকর্তব্য হিসেবে মিলিত করা হয়েছে। কোথাও অর্থাৎ প্রথম পরিদর্শকের পর পর পরিদর্শন কে সমস্যা হিসেবে মিলিত করা হয়েছে যেমন কর্তৃপক্ষ জানা যায় একটি প্রতিষ্ঠানে প্রথম পরিদর্শক ৫২ বার পরিদর্শনে এসেছেন। কিন্তু পরে বেসী পরিদর্শনে আসেন তখন, তাই এক পৌর অধিকার কর্মচারীকৃত। এমন কর্মচারী প্রায় অর্ধশতাধিক সময় ধরে পর্যবেক্ষণ করেন। অর্থাৎ কিছু তম কর্মচারী অর্থাৎ, যাঁদের ২ বর্ষের মধ্যে পরিদর্শন করা শেষ হয় না। কত পিঠ প্রতিষ্ঠানের ক্ষেত্রে রয়েছে তাই তাই খণ্ডনের ক্ষেত্রে কতটি সমস্যা সোফাফো করা হয় এবং কত ব্যবসা প্রতিষ্ঠানের ক্ষেত্রে পরিদর্শনের একটি কত অংশ অর্থাৎভাবে খণ্ডন করতে হয়।

পুরুষ ব্যবসায়ীদের তুলনায় মহিলা ব্যবসায়ীদের জন্য টায়ম কোড এবং অ্যান্ডা নিয়ম-কানুন একটি বেশী কঠিন। মহিলাদের প্রতি টায়ম কর্তৃপক্ষের সহায়নি আর্থিক-এ ওয় অর্থাৎ একই সময় পুরুষদের প্রতি অর্থাৎ যে সহায়নি তা আর্থিক-এ সে। এ থেকেই মহিলা এক পুরুষ ব্যবসায়ী/উদ্যোক্তাদের প্রতি ব্যবসায়িক পরিবেশের পার্থক্যটা সুস্পষ্টভাবে প্রতীয়মান হয়।

অর্থকর্তৃপক্ষ : অর্থকর্তৃপক্ষের সমস্যাগুলোর মধ্যে অর্থাৎ সর্বোচ্চ-মহিলা-অর্থকর্তৃপক্ষ ও পয়ঃনিকাশন এক রকমের অর্থাৎ অর্থাৎ। প্রায় শতকরা ৪০ জন মহিলা-অর্থকর্তৃপক্ষ নিকাশনে অর্থাৎ, শতকরা ৩০ জন মনে করেন শহরের পয়ঃনিকাশন ব্যবস্থা একটি কত ধরণের সমস্যা এবং প্রতি তিন মাসের মধ্যে ১ জন মনে করেন যে রকমের অর্থাৎ অর্থাৎ অর্থাৎ উন্নয়নযোগ্য সমস্যা। কত কত শহর এবং পিঠ এলাকায় মতো ময়মনসিংহ শহরে, যেখানে বেসী তাই খুব স্টেট সেবা খণ্ডনকারী প্রতিষ্ঠান, সেখানে বৈদ্যুতিক সমস্যা তেমন একটি নয়। কোথাও শতকরা ২ জন কিছুই সমস্যা কথা বলেছেন, প্রয়োজনে ব্যক্তিগতভাবে মেনেইরিয়ের মাধ্যমে উপস্থিত বিদ্যুতের মাধ্যমে সে সমস্যার সমাধান অর্থাৎ করা সম্ভব বলে উল্লেখ করেছেন।

স্থানীয় সরকারের বাসনিক বহুতলের দিকে দৃষ্টি রাখলে দেখা যায় যে, ময়মনসিংহ শহরের বাসনিকদের জন্য মাধপিছু কার্যের পরিমাণ অর্থাৎ ন্যায্য। যেখানে জাতীয় কমেটে মাধপিছু কার্যের পরিমাণ কত্রে ৩,৩০৭ টকা, সেখানে ময়মনসিংহ শহরের বাসনিকদের জন্য মাধপিছু কার্যের পরিমাণ কত্রে মাত্র ১১২ টকা (প্রায় \$ ১১০)। অর্থাৎ, স্থানীয় সরকারের বহুতলের ৮০ শতাংশই কেবল ও অর্থাৎ খণ্ডনিক কার্যে ব্যয় হয়, অর্থাৎ মাত্র শতকরা ১৫ ভাগ ব্যয় হয় উন্নয়ন খাতে। তাই, স্থানীয় সরকারের সম্পদের পরিমাণও সীমিত। অর্থাৎ তাই, ব্যবসায়ীরাও রাস্তা-ঘাট মেরামত ও উন্নয়ন, ট্রেডিংপল এবং অর্থাৎ সেবা পাওয়ার জন্য স্থানীয় সরকারের নিকট তেমন কিছু একটি আশা করতেও পারেন না। দলীয় অর্থাৎ জানা যায়, বিভিন্ন স্কেল বা পরিমিতমাত্রা মহিলা-অর্থকর্তৃপক্ষ নিকাশনে অর্থাৎ মাত্রের সহযোগিতা খণ্ডন করে থাকে।

স্বাক্ষর উন্নয়ন সেবা : কেবল বাংলাদেশেই নয়, উন্নয়নশীল বিদেশে সব খানেই- উন্নয়ন সহযোগী প্রতিষ্ঠান এক সাক্ষর, স্বল্প ব্যয়ে স্বাবস্থাপনা, কন্সিগারি বা বৃত্তিমূলক প্রশিক্ষণ দিয়ে থাকে, যা স্বাক্ষর উন্নয়ন সার্ভিস (বিডিএস) হিসেবে পরিচিত। এতেটা শাক্ষণীয় বিষয় হওয়া- বেসরকারী খাতে স্বাক্ষর উন্নয়নসেবা সেবা প্রদানকারীর সংস্থা অপেক্ষাকৃত কম। সাম্প্রতিক পরবেশা থেকে দেখা যায়, প্রমিত সেবা এবং উদ্যোক্তাদের যে ধরণের সেবা ধরোজন দুয়ের মধ্যে বেশ পার্থক্য রয়েছে, যন্ত্রপ্রতিভে স্বাক্ষর উন্নয়নসেবা কার্যক্রমগুলো বাস্তব রূপ ধারণ না করে অকার্যকর হয়ে যাচ্ছে। জুপরি, এসব কার্যক্রমে অনেক ক্ষেত্রেই স্বল্প স্বাক্ষরীদের চাহিদাকে ওলটু দেওয়া হয়না। অনেক স্বল্প ব্যবসায়ীরা এই কর্মসূচিতে অংশগ্রহণের ব্যাপারে অস্বস্তি প্রকাশ করে না যত্নে দেখা পিয়েছে। সময়সীমাহীন ৯৯ জন স্বাক্ষরকারীর বিডিএস কর্মসূচিতে অংশ নেয়ার কোন অভিজ্ঞতা নেই। স্বাক্ষর পরিধি বৃদ্ধির পরে প্রধান প্রতিষ্ঠানকর্তৃপক্ষসমূহ নির্ণয় করতে সক্ষম হওয়া ১০ টি সম্ভাব্য সমস্যার মধ্যে উল্লেখ্যতমসমূহ ট্রেনিং এর সাথে সম্পর্কিত সমস্যাকে (যেমন: শিক্ষা ও দক্ষতার অভাব) ৬৪টি হিসেবে চিহ্নিত করেছেন।

স্বর্ণ : হোটেল প্রতিষ্ঠানের জন্য স্বর্ণ বিষয়টি একটি বড় ধরণের সমস্যা, তাই এটাকে মূল্যায়ন করতে হবে সর্বাঙ্গীণর সাথে। অপেক্ষাকৃত কম সুদে এক কম আয়সময়ের বিনিময়ে প্রতিষ্ঠানসমূহ অধিক পরিমাণে স্বর্ণ গ্রহণে অগ্রসর। সময়সীমাহীন পরে এই পরবেশা থেকে এ সংক্রান্ত বিশ্র তথ্য পাওয়া পিয়েছে। উক্ত পরবেশা থেকে স্পষ্টভাবে ধর্তব্যমত যে, ধার্মিক মূলধনের উৎস হিসেবে স্বাক্ষর তেমন ওলটুপূর্ণ নয়- শতকরা ৯৫ ভাগেরও বেশী প্রতিষ্ঠানের ধার্মিক মূলধনের উৎস তাদের নিজস্ব আয়সমূহ অর্থাৎ বা সম্পদ এক বড় বা পরিবার থেকে সহায়তা লেন, এবং কোন প্রতিষ্ঠানই ধার্মিক মূলধনের উৎস হিসেবে স্বাক্ষরকে ব্যয়স্থলি করেনি। উল্লেখ্যতমের দুই-তৃতীয়াংশেরও বেশীর ভাগে, স্বাক্ষর স্বর্ণের উপর সুদের হার, পাওয়ার তুলনায় বেশী, যাচ জন্য তারা স্বাক্ষর স্বর্ণ নিতে অগ্রসর নয়। যদিও অনেক মধ্যে ৩ জনই স্বাক্ষর, এই মুহুর্তে প্রয়োজন নেই বলেই তারা স্বর্ণ নিতে চান না।

অনেক উল্লেখ্যতম স্বল্প ব্যবসায়ীদের স্বর্ণ না নেয়ারে একটি বড় সমস্যা হিসেবে আঞ্চলিক করেছে। ধার্মিক প্রতিষ্ঠান স্বর্ণ প্রদানকারী সংস্থাই স্বর্ণ দানের শর্ত হিসেবে স্থায়ী সম্পদ আয়সমূহ হিসেবে রাখবে; স্বর্ণ গ্রহণের হার কম হওয়ার পিছনে এটাও অনেকটা কারণ। হোটেল স্বাক্ষরকারীদের মধ্যে শতকরা ৬০ ভাগেরও বেশী স্বর্ণের জন্য অবেদন করেছে, যাচ মধ্যে আয়সময়ের অভাবে অবেদনকারী বেশী সংখ্যক অবেদনকারীর আবেদন সফল হয়ে যায় (অন্য এই সমস্যা কতটা ওলটু তা নির্ণয় করা কিছুটা কঠিন এ জন্য যে, পূর্বে স্বর্ণ সহ আরো অনেক বিষয়কেই স্বাক্ষরকারীরা স্বর্ণ না পাওয়ার কারণ হিসেবে উল্লেখ করেছেন)। স্বাক্ষর গ্রহণের পরে স্বর্ণের জন্য আয়সমূহ শর্ত পূরণ করাকে পুরুষ এক মহিলা উল্লেখ্যতমের ধার্মিক সবাই একক ভাবে সমস্যায় ওলটুপূর্ণ সমস্যা হিসেবে চিহ্নিত করেছেন।

কার্যকরী মূলধনের উৎস হিসেবে অন্যান্য উৎসসমূহ কিছুটা বেশী গ্রহণ পায়ছে। শতকরা ২ ভাগ প্রতিষ্ঠান ব্যাংকের এক ৪ ভাগ প্রতিষ্ঠান Supplier credit ব্যবহার করেছেন। দলীয় অ্যাকাউন্ট থেকে চান্স যায় অ্যাকাউন্ট করা এক ভাগ অ্যাকাউন্ট পাওয়ার মধ্যে দীর্ঘ সময় ব্যয় হওয়ার বিষয়টি ঋণদানকারী প্রতিষ্ঠান থেকে ঋণ নেয়ার ক্ষেত্রে প্রধান বাধা।

পুরুষ ব্যবসায়ীদের মত বিপুল সংখ্যক মহিলা শিল্পোদ্যোগে ব্যক্তিগত উৎস বা স্বামী অর্ধ দিয়ে ব্যবসা শুরু করার উপর নির্ভর করতই বেশি ব্যবসায়বোধ করেন। মহিলা উদ্যোগীদের মধ্যে যারাই অসুষ্ঠানিক বা অসামুষ্ঠানিক ঋণদানকারী প্রতিষ্ঠানের কাছ থেকে ঋণ নিয়েছেন তাদের প্রায় সবসময়ই নানা ঋণসেবা পেয়েছে হয়েছে। তাদেরকে পরিবর্তনের অন্য সদস্যদের কাছ থেকেও ব্যস্ত নিতে হয়েছে ঋণ পাওয়ার জন্য। ঐতিহ্যগতভাবেই মহিলারা ব্যবসা শুরু করার কোনো বর অর্ধই এবং তাদেরকে একেবারে পারিবারিক বাধ্যতা সোফাবেলা করতে হয়। এ সবকিছুই তাদের জন্য বাধা চাপ। কিছু সর্ভিত রয়েছে যারা ঋণ খণ্ডন করে এসব বাধা দূর করার চেষ্টা করছে। এসব সর্ভিতের কাছ থেকে জানুয়ারী প্রয়োজনে ঋণ পাওয়া যাচ্ছে। কিন্তু, সর্ভিত থেকে দেয়া ঋণের উপরও সুদ ধার্য থাকবে এবং একই সম্ভবপর্যন্ত হওয়া সত্ত্বেও মাসভিত্তিক প্রয়োজন হয়তো পূরণে পারে।

মহিলা মালিকানাধীন ব্যবসা : সময়বিক্ষেপে শহরে অল্প সংখ্যক মহিলা মালিকানাধীন ব্যবসা প্রতিষ্ঠান রয়েছে। বাংলাদেশে যে সব সামাজিক ও সাংস্কৃতিক বাধা রয়েছে তাতে এখানকার অনেক স্থান কিছু নেই। এসব মহিলা মালিকানাধীন ব্যবসা প্রতিষ্ঠানের অল্প কিছুই প্রকৃত অর্থে মহিলা কর্তৃক পরিচালিত হয়ে থাকে। এর একটি কারণ হতে পারে টাকার অভাব এবং অন্যান্য কারণে প্রকৃত মালিকদেরকে অন্তর্ভুক্ত রেখে নামকরণেও প্রতিষ্ঠানের নাম মহিলাদের নামে নিবন্ধীকরণ করা। অন্য সম্ভাব্য কারণ হতে পারে এই যে, সামাজিক প্রেক্ষাপটে অংশগ্রহণ প্রকৃত মালিক মহিলা হওয়া সত্ত্বেও দৈনন্দিন কাজ করবে ঋণসেবা এড়ানোর জন্য পরিবারের পুরুষ সদস্যদের হাতে দায়িত্ব ছেড়ে দেয়া হয়। সময়বিক্ষেপে মহিলা সদস্যদের নিয়ে পরিচালিত ব্যবসা প্রতিষ্ঠানের শতকরা ৯৮ ভাগের রেজিস্ট্রেশন স্থানি।

বেশ মহিলা হওয়ার কারণে অনেক ক্ষেত্রে মহিলা উদ্যোগীদেরকে বাধা ঋণসেবা সোফাবেলা করতে হয়। মহিলাদের উৎসাহযোগ্য সংখ্যকই মনে করেন ব্যবসায়িক সংর্গঠনে। তাদেরকে সদস্যপদ দেয়ার ক্ষেত্রে অতিরিক্ত নয়। এই নৈরী অবস্থা বেশি ব্যবসায়িক পরিমতেই নয়; নিজেদের মধ্যে এ প্রতিবন্ধকতা উৎসাহ করার মত। নারীদের ব্যবসা শুরু করার ক্ষেত্রে পারিবারিক আশ্রিতই হচ্ছে দুই নম্বর প্রধান সমস্যা।

বিভিন্ন কারণে মহিলা ব্যবসায়ীদের সংখ্যা তেমন একটা বৃদ্ধি পায়ছেনা। এখানেও, প্রায় ৯০ শতাংশ মহিলা উদ্যোগেরই মূলধন সদস্যদের তাদের ব্যবসার জন্য অর্ধ ও প্রধান সমস্যা হিসেবে চিহ্নিত করেছেন।

স্থানীয় ব্যবসায়ী সংগঠনসমূহ ও সরকারের সাথে ব্যবসায়িক সম্পর্ক :

পঞ্চমতায় ১৫টি ব্যবসায়ী সংগঠন এবং ৩৬ টি বাজার ভিত্তিক সমিতি (স্থানীয় বাজারে যেসব ব্যবসায়ী সমিতি থাকবে) খুলে পাওয়া গেছে। জেলা পর্যায়ে অধিব্যাপ ব্যবসায়ী সংগঠনই দুর্বল ও অকার্যকর। এর ফলে হেট পরিসরে পড়ে ওঠে সমিতিগুলোর ওরফু কাড়ছে, কেননা সরকার, নিয়ন্ত্রণে বিভাগ এক সফট ইন্সট্রুমে ব্যবসায়ীদের পক্ষে সমিতিগুলো কার্যকর তুলিকা পালন করছে।

অগ্রিম দেখা যায়, ব্যবসা প্রতিষ্ঠানের মাত্র ৪.৭ শতাংশ সদস্যের অস্বাভাবিক বা ব্যবসায়ী সংগঠনের সদস্যপদ রয়েছে। যদিও ২৪.৪ শতাংশের বেশি ব্যবসায়ী বিভিন্ন সমিতি সঙ্গে সম্পৃক্ত। এদের মধ্যে ৮০ ভাগই সদস্যপদ বাজার রাখার জন্য মনিক কি দিয়ে থাকেন। সমিতিগুলোয় সাধারণ নির্দিষ্ট কোন বিষয় নিয়ে তেমন উত্সাহী হতে দেখা যায় না। এদের স্বীকৃতি কিছুটা কম হওয়া সত্ত্বেও এই বাজার সমিতিগুলো অধোম একটি ওরফুপূর্ণ উৎস এক উন্নয়নের ওরফুপূর্ণ অংশীদার।

এই সমিতিগুলো অস্বাভাবিক ব্যবসা সহায়ক কর্তব্যের বিকল্প বৈশিষ্ট্য হিসেবে পরিচিতি লাভ করলেও এখনও সেভাবে এগুলো কার্যকর নয়। সমিতিগুলোর বেশিরভাগই অর্ধ শূন্য এক বিভিন্ন মার্কেটের দৈনন্দিন সমস্যাগুণি মোকাবেলা করছে। শুধু ব্যবসায়ীরা দিলে দিলে স্থানীয় মাল্ সদস্যদের অর্ধ ঠান্ডা আদায়সহ তাদের উৎপাদ ও সরকারি কর্তব্যকর্তব্যের স্থায়িত্ব রক্ষা দিয়েই পঠন করেছে এই সমিতি। ব্যবসায়ীরা মনে করুন, ব্যবসা সহায়ক সংগঠন হিসেবে সমিতিগুলো স্থানীয় সেবারে চেয়ে অধিক কার্যকর।

অবৈ সমিতিগুলোকে অনেক সীমাবদ্ধতার মধ্যে বাছ করতে হয়। সমিতির সদস্যদের একটি বিশাল অংশই শুধু এবং অতি শুধু ব্যবসায়ী। একারণে সব ব্যাপারেই রয়েছে সীমাবদ্ধতা। উদ্রেক করা হতে পারে, ব্যবসায়ীরা নানা প্রতিবন্ধতা মোকাবেলা করতে পিছে অনেকটা বাধা হয়ে এসব সমিতি পঠন করেন। একারণে এসব সমিতির বেশির ভাগেরই তেমন কোন অধিষ্টি, লক্ষ্য বা পরিচালনা নেই।

জেলার শীর্ষ ব্যবসায়ী সংগঠন চেম্বারের দুই বৃহত্তম ও শ্রুত ব্যবসা প্রতিষ্ঠানের দিকে। চেম্বারের সদস্য সংখ্যা বর্তমানে ৪৩। চেম্বার সদস্যদের সাথে অযোগ্যসময় দেখা গেছে, তারা সমিতিগুলোর আচরণ ও কর্মকাণ্ডে অসন্তুষ্ট। চেম্বারের কতক হচ্ছে সমিতিগুলোও চেম্বারের সদস্য হতে পারে। কেননা, চেম্বার হচ্ছে একটি সমন্বিত সংগঠন। তবে সুনির্দিষ্ট কোন বিষয়ে ঠান্ডাশয়ন করলে বা কোন সফট নিয়ন্ত্রণে চেম্বারের সহায়তার প্রয়োজন দেখা দিলে বা প্রকৃত সূত্র প্রয়োজনীয়তা দেখা দিলেই কেবল সমিতিগুলো চেম্বারের সদস্যপদ নেয়ার জন্য আসে। অর্ধময় তারা চেম্বারের সঙ্গে সম্পর্ক রাখার ব্যাপারে অগ্রহ দেখায় না।

সমিতিগুলোর সাথে চেম্বারের যোগাযোগ শূন্যতা রয়েছে। যদিও উভয়ই তাদের নিজস্ব পতিতে নিজ নিজ সমস্যা সমাধানে অগ্রসর। সম্প্রতি চেম্বার ও সমিতি ১৫ জন ভাট নির্ধারণের ক্ষেত্রে যৌক্তিকভাবে আবেদান করে। ঐকমত্যভাবে তারা এর বিরুদ্ধে সভা, সমাবেশ করে। জাতীয় সরকারি কর্মকর্তাদের সঙ্গে দেন দরবার করে। তবে ভাট ইস্যুটি এখনো অসিদ্ধমত রয়েছে। তবে সমিতি ও চেম্বারের সমঝোতা এই ইস্যুতে সরকারের সাথে আলোচনায় একটা ইতিবাচক ফলাফল করে আসতে সক্ষম হবে বলে তাদের ধারণা।

সরকারী সমিতিগুলো ক্ষুদ্র ব্যবসায়ীদের সমস্যা সমাধানে যে ভূমিকা রেখে চলেছে তাতে এটা নির্দিষ্ট নয়। যার যে, সমিতিগুলো চেম্বারের চেয়ে অনেক বেশি কার্যকর এক প্রকৃতিপন্থকভাবে এই সমিতি গুলো যেসব অসামর্থ্যের সমস্যা মোকাবিলা করতে প্রস্তুত যদিও বর্তমানে কিছু নির্দিষ্ট কাজের মধ্যে তাদের দায়িত্ব সীমাবদ্ধ। কৃষকসহায়কভাবে নীতি ধারণায়ে চেম্বারের ভূমিকা ব্যাপক। অপরদিকে সমিতিগুলোকে কাজ করতে হয় অনেক সীমাবদ্ধতার মধ্যে দিয়ে। তবে অভিন্ন ইস্যুতে সমিতি ও চেম্বারের মধ্যে পরিশ্রমী যোগাযোগ পড়ে উঠলে কেম্বার সামগ্রিক ব্যবসায়িক পরিবেশের উন্নয়ন ঘটবে।

উপসংহার :

পশ্চিম সেক্টর বিষয়গুলো সর্বাঙ্গিক ওরিয়েন্টেড দাবী রয়েছে। অনেক নতুন প্রতিষ্ঠানের অস্তিত্ব দেখে বোঝা যায় বাজারে তাদের ধারণা কোন সঠিক ব্যাপার নয় এবং উত্তরনতজরার বাহু থেকেও জানা যায় অধিশিষ্ট রেকর্ডিং প্রতিষ্ঠানও অর্থসহযোগী নয়। এছাড়া অনান্য আইনসূচ্য ব্যাপার যেমন, প্রসিক আইন, ক্ষুদ্র শিল্পের জন্য সহায়ক নয়। অবার ইস্যুটির ও ট্যাক্স কর্মকর্তাদের অসীম স্বত্তা ও দন দন পরিদর্শন প্রতিষ্ঠানের অধ্যক্ষসিদ্ধি খরচ বাড়িয়ে তোলে।

পরিবেশ বিশেষ করে অস্বচ্ছন্দতা, পল্লীস্বাস্থ্য এক সড়ক পথ ব্যবসা-বাণিজ্য সম্প্রসারণে অত্যন্ত বাধা হিসেবে কাজ করেছে। এসব সমস্যা সমাধানে জাতীয় সরকারের সীমাবদ্ধতা রয়েছে ফর্মটি। ঋণ দান, স্বাস্থ্য সেবার ঘাটতি বা দক্ষতার চেয়ে মৌলিক সেবাখাতগুলো অত্রো বেশি বাধা সৃষ্টি করেছে।

ব্যবসায়ীদের মূল স্পর্শবিন্দুর ব্যবসায়ীদের বর্ধ স্পর্শবিন্দু বিষয়ে উল্লেখযোগ্য কোন তথ্যরূপা লক্ষ্য করা যায় না। এ কারণে সময়সীমারে ৫ ভাগেরও কম স্পর্শবিন্দু এর সন্দেহ রয়েছে। এর মধ্যে কিছু ক্ষুদ্র সন্দেহ প্রতিষ্ঠান আছে যারা বৃহত্তর ব্যবসায়িক বর্ধের প্রতিশ্রুতি করেন। তাই নানা সমস্যার কারণে সময়সীমারে চলা হয়েছে বিভিন্ন সমিতি। এখন এই সমিতিগুলোই জাতীয় ব্যবসায়ীদের নানা সমস্যা সমাধানে এগিয়ে আসছে। এই সমিতিগুলো ব্যবসায়ীদের ঋণ প্রদানসহ নিয়ন্ত্রণ প্রদান ও ব্যবসা স্পর্শবিন্দু নানা সীমিততা নিরূপন করছে। সমিতিগুলোর সন্দেহ সংখ্যা ব্যবসায়ী স্পর্শবিন্দুর চেয়ে ৫ গুণ (২৪.৪%) বেশি এবং এরা সরকার ও ব্যবসায়ী স্পর্শবিন্দুর

দায়িত্বের অনেক কাজ সুষ্ঠুভাবে করতে পারে যেমন: ব্যবসায়ীদের ফেল্ডার পঁচের সমন্বয়ে বিভিন্ন দাবী দায়িত্ব তুলে ধরা। আরেকটি গুরুত্বপূর্ণ বিষয় হলো সরিতিগুলোকে নতুন সদস্য গ্রহণ এক একে পর্যাপ্ত সহযোগিতা প্রদান করতে বাধ্য করা যায় না। সরিতি ও ব্যবসায়ী সংগঠন এবং সরিতি ও স্থানীয় সরকারের মধ্যে অযোগ্যতার পরিবেশ সৃষ্টি করা একান্ত প্রয়োজন।

সহিষ্ণুতা সর্বাঙ্গীণ ব্যবসা প্রতিষ্ঠানের সংস্থা অনেক কম। এটা পরিষ্কারভাবে খুঁটে উঠেছে যে, ব্যবসা করতে গিয়ে সহিষ্ণুতা বাড়তি সংকটের মধ্যে পড়লে, বেলাহেলা করতে হচ্ছে অতিরিক্ত সমস্যা। নারীরা কেবল তাদের ব্যবসা প্রতিষ্ঠানেই নয় বৈষম্যের শিকার হচ্ছে তাদের পরেও।

এ প্বেক্ষণা থেকে দেখা যায় যে, ময়মনসিংহ শহরের ব্যবসায়ীদের অভিজ্ঞতা, ঢাকা শহরের সঙ্গে বড় শহরের বিহীন বৃহত্তর ফেল্ডার সঠিক সঠিক ব্যবসায়ীদের অভিজ্ঞতা থেকে অনেকটাই অভিজ্ঞ। এই সব ব্যবসা প্রতিষ্ঠানের আকার সরকার খণ্ডিত ক্ষুদ্র ব্যবসা প্রতিষ্ঠানের (বেলাহেলা ২% ব্যবসা প্রতিষ্ঠান ১০ জনের উপরে কর্মচারী আছে) আকারের চেয়ে ছোট। সরকারের নীতি হচ্ছে ক্ষুদ্র ব্যবসা প্রতিষ্ঠানকে বিশেষ সুবিধা প্রদান করা যাবে করে বড় প্রতিষ্ঠানগুলো এ থেকে উপভুক্ত হয়। এই প্বেক্ষণা, বাংলাদেশের একটি ফেল্ডা শহরের সঠিক তুলনা করে, প্রাপ্তিত নিয়ন্ত্রণমূলক পলিসি, সহায়ক প্রতিষ্ঠান এক প্রতিষ্ঠান উন্নয়নমূলক কর্মসূচি- বর্তমান কর্মসূচির সশপুত তা নিয়ে বেশ সন্দেহ পোষণ করছে। প্রতিষ্ঠানিকভাবে স্বীকৃত প্রতিষ্ঠানগুলো যেমন, বাহা, ব্যবসা সংঘ এবং এসবকি ব্যবসা উন্নয়নমূলক কর্মসূচি (বিটিএস)- ফেল্ডা কর্মসূচির পরিচালনা করে খাজ তহবল কেন্দ্রীয় পর্যায়কে ছোট এক খুব ছোট ব্যবসা সমূহকে অগাধা অগাধা ভরণ করার সমন্বয়ে তাদের প্রয়োজনগুলোকে মূল্যায়ন করতে পারে। প্বেক্ষণায় প্রাপ্ত ফলাফলে দেখা যায় ময়মনসিংহ শহরের সঙ্গে একটি সমষ্টি আকারের শহরের ব্যবসা প্রতিষ্ঠানসমূহের উন্নয়নে বিশিষ্ট এক সমন্বিত পদ্ধতি ও কর্ম-পরিচালনা গ্রহণ করা অত্যন্ত গুরুত্বপূর্ণ।

EXECUTIVE SUMMARY

The crucial role of small and medium enterprises (SMEs) in job creation and poverty reduction is widely acknowledged, and has received considerable government and donor attention in recent times in Bangladesh. To understand how best to maximize these benefits in Bangladesh, a number of sectoral studies have been undertaken to identify constraints and opportunities to enterprise development. These studies have tended to focus on constraints specific to a sector, whether in terms of product or enterprise size, and have contributed to a better understanding of the structure and performance of Bangladeshi enterprises. Yet it is widely recognized that Bangladesh is a high-cost environment for the private sector regardless of sector or enterprise size.

The Asia Foundation commissioned this study to focus directly on factors in the broader business environment that impede the private sector from reaching its full potential as a dynamic source of job creation, economic growth, and poverty reduction. To examine how the private sector, particularly SMEs, experience the business environment, this study examines all types of businesses within a specific geographical and administrative area: the district town of Mymensingh.

The three main objectives of the research were: to provide a detailed portrait of private sector activity in a secondary city in Bangladesh; to identify the most important impediments to local economic growth; and to understand what networks of relationships businesses, business associations, and government agents use to address those concerns. Because of special interest in the concerns specific to women-owned businesses, the general survey was supplemented by additional coverage of these firms to ensure that the data set would allow more detailed investigation into their situation.

The study was designed to gather primary information through a three-pronged approach. The first step involved conducting a census of business establishments that were located within the borders of the Mymensingh municipality, as no such comprehensive listing or database existed. The second step was to solicit more detailed information from a random sample of firms using a structured questionnaire. The third approach collected qualitative data regarding the constraints and

opportunities of doing business in Mymensingh through a series of focus group discussions (FGD).

The census activity compiled a listing of all manufacturing and service related units operating from a fixed location within Mymensingh town, not including home-based workers. It also provided a distribution of enterprises by employment size, product type according to BSIC Code, and gender of owner. This data provided a basis for the survey sample. A simple random sampling method was followed for the survey. Of 7,491 enterprises (excluding women entrepreneurs) identified by the census, 380 enterprises were selected by using computer-generated random numbers. Similarly, a random sample of 50 women-owned businesses was drawn from the population of 70 women-owned firms identified by the sample. Combined, a total of 430 firms were surveyed.

A Brief Description of the Business Community in Mymensingh

According to the census, there are 7,561 business establishments in Mymensingh town catering to its roughly 320,000 inhabitants. The vast majority of these enterprises (89.4%) are in the service sector. Retail grocery and general stores are the single largest category of firms, accounting for 12.4% of all firms in the service sector. Retail sellers of pharmaceutical and medical goods (11.4%) and textiles, clothing and leather goods (9.0%) are the next most common types of firms in this sector. With less than a third of all firms falling into the three largest categories, there is considerable diversity in the service sector.

Although the manufacturing sector accounts for only about 10.6% of all firms, these firms are larger, on average, than firms in the service sector. As a result, the simple count of these firms understates their importance to the local economy. In terms of share of the labor force, more than 16% of all workers are employed in the manufacturing sector. Within the manufacturing sector, the 171 firms producing jewelry and related materials account for more than 20% of all manufacturing firms. Firms producing wooden furniture and fixtures (18.5%) and rice millers (13.9%) also represent significant manufacturing categories in terms of the number of firms. With more than half of all firms falling into the three largest categories, the manufacturing sector appears to be more concentrated than the service sector.

Women-owned businesses (WOBs) account for less than 1% of total businesses. Only three (4.3%) of the 70 WOBs in Mymensingh were in the manufacturing sector, roughly one-third the level found in the general population of firms (10.6%). Akin to the overall sample, the distribution of women-owned enterprises suggests that managing retail grocery stores and drug stores are more common than any other business. In many cases, women provide the capital for the business but the detailed survey conducted found that about half of all reported WOBs are actually managed and operated by the male members of the female owner's family.

The survey revealed that a significant proportion of firms were started very recently. Roughly 28% of all businesses began operations in the past three years (i.e., since 2000). Another 46% were established sometime during the period 1991-2000. This proportion of young firms suggests that barriers to entry cannot be too high. With only one year of data, it is not clear whether the pace of new business creation is accelerating, stable or declining; nor is it possible to determine the pace of exit. The data do seem to suggest, however, that there is significant exit (otherwise the business community would be growing by roughly 10% per year, and this is not easily reconciled with other perceptions regarding growth in the city). If one takes into account the number of workers in each firm, it appears that the new firms tend to be slightly smaller than the firms that have survived a longer period. Firms created during the past three years account for 24% of the workforce, while representing 28% of all firms.

The median enterprise in Mymensingh operates 310 days a year and 12.5 hours on average per day. About 97% of the business establishments are registered as sole proprietorships. It should be noted, however, that many single owner units are family-based operations. Hence, they are effectively partnership businesses with the status of a proprietorship on paper.

The survey found that the vast majority of enterprises operating in Mymensingh town are very small, in fact, even smaller than the official SME definition of 10 to 99 workers. **The average size of employment is 2.5 persons.** Only about 2% of enterprises employ over 10 workers (i.e. officially defined as SMEs), while owner-

operated, one-person establishments constitute more than one-third of all units. However, a closer inspection of the data suggests that SMEs may be more important than is implied by the data, as they account for 12.6% of the workforce. It is also possible that larger enterprises operate in outer districts rather than in the town of Mymensingh where the survey was conducted. Further, the official cut-off of 10 employees may be misleading in the sense that it suggests that micro-enterprises dominate Mymensingh. But while Bangladesh is well served by microfinance institutions, it is not clear whether many of these urban enterprises, despite their small labor payrolls, would qualify for microcredit. In fact, the research demonstrated that very few have ever participated in such schemes. As a result, these firms may face unique credit constraints, as they exist in limbo between an official designation as an SME and unofficial recognition as a microenterprise. For the purpose of this study, we have chosen to divide the population of firms into three size categories: SMEs (10-100 employees); very small businesses (VSBs, with 3-9 employees); and microenterprises (1-2 employees). Microenterprises, defined in this manner, still account for roughly two-thirds of all firms and 40% of all employees. VSBs account for 31% of all firms and 47.5% of all employees, while SMEs account for 2% and 12.5%, respectively.

In most cases, either the owner (71.2%) or a member of his/her family (19%) was interviewed. The average respondent is around 36 years old with about nine years of formal schooling. The median age of the male entrepreneur is 34 years while that of his female cohort is 36 years.

About 84% of the businesses were established by the current owners, while 12% were inherited. Over 90% of the businesses finance activities from their own resources or savings, while reliance on formal lending institutions is insignificant. Further insights into the role of the financial sector are given under the discussion of impediments to growth. Average monthly sales are about Taka 86,908, of which over 90% are sold on cash.

While enterprises generally do not maintain records of their customers' identities, survey respondents indicated that roughly three-fourths of customers are from within Mymensingh town. Entrepreneurs believe that almost one-fifth of their customers are from outside the municipality area but from within the district of

Mymensingh. In short, businesses view that demand for their product or services are derived from the local population and from the adjacent areas.

A Financial Description of Firms in Mymensingh

Respondents were asked to provide detailed breakdown of costs. Costs were broken down into: (a) operating costs, and (b) non-operational costs, which included rents, interest, utilities. Also included under non-operational costs is “facilitation expense”. Alternatively this can be termed as unofficial payments to avoid harassment or expedite a service, often from a public authority. Monthly average raw material costs for manufacturing is higher (Taka 82,720) compared to service sector units. On average, nearly 9% of the sales are made on credit.

Value Added (VA) is defined as the difference between total revenue and all variable and fixed costs excluding labor cost. VA includes labor costs plus profit to the entrepreneur. Since ascertaining profit from labor contributions in this type of activity is difficult, estimation of VA is an appropriate option. Earnings per day is another indicator of the rates of return from labor. Comparison of this estimate with the prevailing farm and non-farm daily wages of the locality is a good indicator of the attractiveness of a particular occupation. Average net earnings per day have been estimated by dividing VA by person days of paid and unpaid labor.

From the revenue and cost estimates, economic and financial returns for the enterprises have been attempted. Net Value Added (NVA) in terms of investment yield a return of 15%, with manufacturing demonstrating a relatively higher return (20%) compared to the service sector (14%). NVA includes profit, wages and shadow wage for unpaid family labor. Annual average NVA for the manufacturing units is significantly higher (Taka 431,644) compared to the service sector (Taka 191,566,). Per day earnings are around Taka 209 for an average entrepreneur of Mymensingh town. This translates into Taka 5,434 monthly based on 26 working days earnings. Net profit estimates have been attempted under various assumptions regarding depreciation rates and financial cost of capital. Businesses make a modest net profit as a ratio of investment or revenue — around 2% for the overall sample; 1.5% and 4% for the service and manufacturing sectors respectively.

Impediments to Growth in the Business Environment

Poor governance and corruption is endemic to Bangladesh. Throughout the country, entrepreneurs must deal with bribery, illegal tolls, kickbacks, and the need to draw on professional or political influence to establish or operate a business. The laws and regulations that govern business are out of date, inadequate and/or ineffective in dealing with the business world today. Allegations that entrepreneurs have to make informal payments in whatever dealings they have with public sector officials are widespread. Coupled with the time required to obtain basic services, these practices make running a business unnecessarily expensive. However, rent-seeking behavior of public sector officials is dependent on the collusive behavior of the entrepreneurs themselves. Secondary sources indicate that tax evasion and loan default are prevalent. Entrepreneurs come to an understanding with the relevant officials; they pay the authorities less than what is due and an unofficial percentage ends up in the concerned officials' pockets. Another manifestation of the poor governance syndrome is that entrepreneurs must keep local *mastaans* (hoodlums) "happy" in order to open a business and/or stay in business.

Law and Order. Unlike their counterparts in Dhaka, entrepreneurs of Mymensingh town appear to have better experiences with respect to the impact of the law and order situation on their businesses. Almost two-thirds — both male and female — reported that security services (public and private) were satisfactory. The vast majority also agreed that the overall law and order situation was good and that entrepreneurs could operate their businesses without too much interference from criminal elements. This perception of the law and order situation is undoubtedly better than perceptions reported in the major cities of Dhaka or Chittagong.

Nonetheless, security concerns represent a significant problem for many businesses in Mymensingh. One-third of responding firms indicated that public and private security services are unsatisfactory. In a ranking of factors likely to enhance business conditions, improvements in "crime, theft and disorder" were ranked fifth in importance out of 18 categories. Moreover, discussions with female entrepreneurs revealed that they faced harassment from their male counterparts and customers. Women business owners experienced extortion and tolls at roughly twice the frequency as their male counterparts. Further, 93% of women entrepreneurs believe

that one reason there are not more WOBs is because women feel unsafe having a shop.

Regulatory Burden. It is conventional wisdom in Bangladesh that registration and licensing procedures (such as trade licenses, VAT registration, and Tax Identification Number) for entrepreneurs are complex, requiring considerable time and paperwork. These procedures frequently do not discriminate between size categories of enterprises, thereby imposing a proportionately greater regulatory burden on SMEs.

But while the procedures appear cumbersome, the data from this survey suggest that these issues may not be as prohibitive as is generally thought at least for smaller businesses. For example, of the 259 firms that obtained an operating license, the average wait was only four days. In the ranking of problems, business licensing and operating permits ranked only 11th out of 18 categories, and company registration ranked 18th. In part, this may be due to the small number of firms required to register with the Registrar of Joint Stock Companies. Even tax rates and administration, when separated from issues of corruption, ranked only 10th.

While the time and financial costs associated with obtaining formal legal standing do not appear to be a critical problem, the cost of complying with other regulatory requirements appears to be a more serious concern. The discretionary powers of “inspectors” of the various governmental agencies are broad, creating opportunities for rent-seeking and collusive behavior. Corruption ranks as the 4th most important constraint to growth. Inspections from the labor office were cited as a concern, with at one extreme, a firm reporting 52 visits from the labor inspector. However, the most common regulatory visitors are the income tax collectors, municipality officials, and VAT authorities. The average length of such visits is just under half an hour, with some tax authorities extending their visits to two hours. Large enterprises report significant additional problems related to payment of the VAT. But smaller businesses pay a higher percentage of profits in unofficial fees.

The problems related to the administration of the tax code and other regulations also appear to hit women business owners harder than their male counterparts. For women, the perceived threat from tax authorities was a more significant disincentive to expansion, ranking 3rd, while for men this problem was ranked 5th.

Physical Infrastructure. Waste disposal, sewerage, and poor road conditions are the most commonly cited infrastructural constraints. Almost 40% of respondents are highly dissatisfied with the waste disposal services, 36% cite poor sewerage management as a serious problem, and one out of three reported poor roads as a serious problem. The much cited power problem in large-city and industrial areas is less of a concern in mid-size towns like Mymensingh, which are dominated by very small service-oriented enterprises. Only 2% reported power as a constraint, but this may reflect the ease of self-providing electricity through generators when necessary.

An overview of the local government's annual budget outlays and receipts suggest that per capita allocation is meager for Mymensingh. The local budget per capita is Taka112 (approximately \$1.93) per person per annum while the central government budget per capita is Taka 3,307. While over 80% of local government budget is apportioned to salaries and other administrative costs, only 15% is used for development purposes. As is evident, the local government has access to very limited resources. Businesses therefore cannot expect significant assistance from the local government in improving roads, telephone and other supporting facilities. Focus group discussions indicated that many informal business associations, or samities (local or sector-based associations of businesses in local markets) provide waste disposal services to their members.

Business Development Services. The Bangladesh government, and a number of donors, offer a variety of subsidized management, technical, or vocational training commonly referred to as business development services (BDS), not just in Bangladesh, but also throughout the developing world. One consequence is that the number of private sector BDS providers is often relatively low. Recent studies indicate an inconsistency between available BDS and the types of BDS actually desired by entrepreneurs, resulting in underutilization and ineffectiveness of BDS programs. Smaller entrepreneurs' interest in accessing BDS appears to be negligible. In addition, smaller businesses and businesses with low growth rate are less likely to seek BDS opportunities — the implication being clear in an industrial sector dominated by small scale industries that subsist on marginal profits.

This description seems generally relevant for Mymensingh, where approximately 99% of business owners have never participated in any form of BDS. When asked

to identify the main barriers to business expansion, training-related limitations (e.g., lack of education, skills) was ranked 6th out of 10 possible problems.

Credit. The issue of credit as a problem for small businesses needs to be addressed carefully. A poorly phrased question can easily yield the predictable result that firms would like more loans, cheaper loans, with less collateral. In Mymensingh, the survey yielded mixed information regarding the importance of credit. It demonstrated quite clearly that the formal banking system is not an important source of start-up capital — more than 95% of all firms used personal savings and loans from friends and family to start the business, while not one firm had used a formal bank. More than two-thirds of all respondents strongly agree that they were not interested in taking a loan because the profit would not justify the current interest rate. Three out of five strongly agree that they do not want a loan because it is not currently required.

At the same time, a number of responses suggest that limited access to credit is a major concern for small businesses in Mymensingh. Access to credit is limited since almost all formal financing institutions require collateral in the form of fixed assets. More than 60% of small businesses have applied for a loan, of which roughly half were rejected at least partly because of the lack of collateral (it is difficult to assess how binding this constraint is, as many respondents cited multiple reasons for not receiving credit, including outstanding loans). Both male and female respondents cited collateral requirements as the single most important barrier to expansion.

More formal mechanisms become slightly more important as sources of working capital. Two percent of firms accessed formal banks, and 4% utilized supplier credit. Focus group discussions also indicated that the complexity of borrowing procedures, requiring time to apply and be approved, posed a significant barrier to using formal credit institutions.

Like their male counterparts, the vast majority of female entrepreneurs rely on personal resources or savings to start up and operate a business rather than on any external sources. Of the women entrepreneurs who have obtained credit from either formal or non-formal credit institutions, over three-quarters required a signature

from another family member to access that credit. As traditionally women are less encouraged to initiate a business enterprise and may even encounter resistance from the family, this requirement poses an additional barrier to them.

Some samities have activities that address credit constraints, such as revolving credit circles and emergency loans. These loans are provided with an interest rate, and the borrowers' standing in the community may address some of the risk concerns collateral is meant to allay.

Women-Owned Businesses. Not surprisingly given cultural barriers in Bangladesh, there are only a few women-owned enterprises in Mymensingh town. As has been mentioned, only a handful of these are actually operated or managed by women entrepreneurs. One possibility may be that these businesses are registered in the names of the female family members of the "real owners" for taxation or other purposes. Another possibility may be that while the women are the real owners, the cultural context may make it less problematic to have a male family member assume the day-to-day operation of the public aspects of the business. At least 29% of the women-operated enterprises remain unregistered.

Women entrepreneurs also face additional problems that relate to gender. A significant number reported that business associations do not welcome their membership. This hostility is not confined to the public market place; considerable impediments exist at home as well. Family disapproval ranked second to access to capital among barriers to women going into business.

The structured questionnaire explored the reasons that the number of women entrepreneurs did not increase at a higher rate. Again, access to capital emerges as the most significant problem for entrepreneurs with 90% of the women entrepreneurs strongly agreeing with this as the reason more women do not own businesses.

Business Relationships with Local Business Associations and Government

Fewer than 15 business associations were identified in Mymensingh, compared to 36 individual market samities. Most formal district-level business associations appear to be weak and ineffective, and respondents identified samities as more

active in dealing on behalf of businesses with government, security, and market issues.

Of the enterprises surveyed, only 4.7% were members of formal trade or business associations. However, more than 24.4% were associated with some type of samity, and more than 80% of these pay a monthly membership fee. Samities are generally not seen as representing a sectoral interest, but despite their less-than-formal status, market samities can be a significant source of information, as well as a potential partner in development.

These samities have evolved as alternative mechanisms to formal business support structures that exist but are inactive or ineffective. The majority of samities deal with problems related to law and order and the day-to-day operations of the market places. A major reason groups of small businesses created these samities was to deal with illegal toll collection by *mastaans* or harassment by public officials. Entrepreneurs perceive samities as being significantly more effective as business support bodies compared to the local chamber.

However, samities do operate under certain limitations. The large majority of the samity members fall under the small and very small size class of businesses. The time, effort, and resources they are able to allocate to the samities/associations are therefore very limited, no matter how enthusiastic the entrepreneurs may be. As has been mentioned, the samities evolved as a response to certain constraints encountered by the entrepreneurs. Hence, none of these samities have developed future plans or visions.

The chamber is geared toward the larger and more formal business sector. With 400 members, the chamber can hardly be said to be representative of the business class of Mymensingh town. Discussions with the chamber members revealed their dissatisfaction with the behavior and performance of the samities. The chamber's view is that the samities could very well obtain membership with the chamber as a collective body instead of having individual members, thereby reducing costs to themselves and gaining in influence. However, the samities only obtained membership when they needed the chamber's assistance or influence on selected issues and once the issue was resolved, did not bother to remain with the chamber.

There appears to be a communication gap between the samities and the chamber — a gap that neither side acknowledges or thinks of bridging. However, in their own ways, both these mechanisms can facilitate the creation of a business-friendly environment and are capable of working together when the need arises. Recently, the chamber and the samities collaborated in a protest against the 15% VAT legislation. Collectively they held rallies and meetings and met with local government officials to discuss solutions that both parties could be comfortable with. The issue of VAT is still pending, but both the samities and the chamber communicated that they feel that they have been able to make a positive impact with the government on this issue.

Although the market samities are increasingly proving to be relatively more effective than the chamber in dealing with the problems of the small entrepreneurs, by their very nature, these organizations are crisis-driven and at present capable of only very limited actions and activities. The chamber, by contrast, is more influential as a policy advocacy medium but is not geared to cater to the individual smaller entrepreneurs. Both sides express clear and direct reservations regarding the methods and efficacies of the other. Yet, they are capable of collaborating successfully. Building stronger linkages between the two on common issues would facilitate improvement of the overall business environment.

Conclusions

The most important conclusions relate to the general policy environment. Entry for new businesses does not appear to be difficult, as evidenced by the large number of new firms and the responses indicating that official licensing requirements are not unreasonable. However, the other aspects of the regulatory environment, particularly labor laws, may not be appropriate to small enterprises and inspectors or tax collectors have discretionary powers that offer opportunities for costly unofficial fees and inconvenient visits, with implications for efficiency and profitability.

The physical environment, especially waste, sewerage and roads, represent significant constraints for business expansion, but local governments have extremely limited resources to address these concerns. Significantly, basic services are identified as a more serious constraint than credit or lack of business services or skills.

Formal business associations appear poorly positioned to represent the interests of the broader business community, as membership includes less than 5% of firms in Mymensingh. Those firms that are members, moreover, tend to be larger, more established firms that do not represent the broad business sector. Samities appear to be the preferred forum for businesses to overcome certain concerns, including security and credit. Samities, with membership almost five times higher (24.4%) than that of formal associations, fulfill many functions normally provided by governments and chambers, such as providing a forum for businesses to raise concerns and to seek forms of redress. However many of these public goods are hard for businesses to provide independently. There is also the concern that samities are not automatically obliged to accept new members and provide the most basic services. Increased dialogue between business associations and samities and between samities and local government is desirable.

Women-owned businesses represent a very small share of the total community and presumably there is a loss to the economy of excluding so many potential entrepreneurs. While their profile is not all that different from businesses owned by men, it is clear that women business owners face additional constraints, and that prospective women entrepreneurs face additional constraints both at home and in the marketplace.

The findings of this study seem quite different compared to what entrepreneurs experience in the major cities, such as Dhaka city, or when broad sectors are examined. Average firm size is much smaller than the government definition of SMEs (only 2% of businesses have more than 10 employees). Government policies that provide special privileges for SMEs therefore may in fact be subsidizing the larger businesses. Accordingly, this study cast doubt over the relevance of existing regulatory policies, supporting institutions, and intervention strategies for enterprise development in the context of secondary towns in Bangladesh. The likelihood that the best-known formal institutions, such as formal banks, formal business associations, and even formal BDS delivery programs, can address the needs of a private sector characterized to such an extent by small and very small businesses seems remote. Our findings suggest that a different mix of approaches and strategies are essential for enterprise development in mid-size towns like Mymensingh.

The Enabling Environment for SMEs in Bangladesh: A Case Study

I. Introduction

1.1 Background to the Study

The crucial role of small and medium enterprises (SMEs) in job creation and poverty reduction is widely acknowledged, and has received considerable government and donor attention in Bangladesh in recent times. To understand how best to maximize these benefits in Bangladesh, a number of sectoral studies have been undertaken to identify constraints and opportunities to enterprise development. These studies have tended to focus on constraints specific to a sector, whether in terms of product or enterprise size, and have contributed toward a better understanding of the structure and performance of Bangladeshi enterprises. Yet it is widely recognized that Bangladesh is a high-cost environment for the private sector regardless of sector or enterprise size.

The Bangladesh Bureau of Statistics (BBS) undertakes periodic Economic Census and manufacturing sector surveys that attempt to cover all fixed business establishments across the country. While potentially a useful exercise, these surveys have made limited contributions towards understanding enterprise development for a number of reasons, including: (a) very limited level of information collected on enterprises; (b) long delays in completing the surveys (the Economic Survey 2000 is not yet finished); and (c) difficulties in accessing the databases by non-government groups. All of these issues have compromised the usefulness of the BBS business-related surveys.

The Asia Foundation commissioned this study to focus directly on factors in the broader business environment that impede the private sector from reaching its full potential as a dynamic source of job creation and economic growth. To examine how the private sector, particularly SMEs, experience the business environment, this study examines all types of businesses within a specific geographical or administrative area.

The district town of Mymensingh was selected for the study for a number of reasons. First, Mymensingh is an old town with strong linkages with the smaller towns and the rural community of the district. Second, the size and characteristics of the town are representative of a typical district headquarter town. Third, its proximity to Dhaka allowed the research team to conduct more extensive research, including both focus group discussions and return visits to firms included in the survey, than would have been possible in a remote location, and enabled staff from The Asia Foundation to be more deeply engaged in the actual conduct of the research activities.

1.2 Objective

The three main objectives of the research were: (a) to provide a detailed portrait of the manufacturing and service sector enterprise activity in a secondary city of Bangladesh; (b) to identify the most important impediments to local economic growth; and (c) to understand which networks of relationships businesses, business associations, and government agents to address those concerns. Because of special interest in barriers specific to women-owned businesses, the general survey was supplemented by additional coverage of these firms to ensure that the data set would allow more detailed investigation into their situation.

1.3 Approach

The study was designed to generate primary information through a three-pronged approach. The first step involved conducting a census of business establishments that were located within the borders of the Mymensingh municipality, as no such comprehensive listing or database existed. The second step was to solicit more detailed information from a random sample of firms using a structured questionnaire. The range of information collected in the survey included key economic and financial indicators including investment, production, employment, and rates of return in various sub-sectors. The survey also attempted to assess the business and regulatory climate as well as the respective roles of supporting institutions including banks, business associations, and various local government authorities. The third approach collected qualitative data regarding the constraints and opportunities of doing business in Mymensingh through a series of focus group discussions

(FGDs). The FGDs were conducted with men and women entrepreneurs, business association leaders, and bankers.

1.4 Organization of the report

The paper is divided into seven sections. Following the introduction, Section II provides a short profile of Mymensingh town. Section III presents a brief overview of the enabling environment for SMEs in Bangladesh collated from secondary data. The findings from the census are presented in Section IV of the report, while Section V lays out the statistical technique used in selecting the sample. The findings of the sample survey are presented in Section VI. Finally, implications and policy recommendations aimed at improving the enabling environment in Mymensingh are presented in Section VII of this report.

The report also has an annex which presents a detailed description of the distribution of enterprises from the census and the survey by the standardized Base Station Identity Code (BSIC).

II. A Brief Profile of Mymensingh Town

2.1 Putting Mymensingh Town in Context

There are 64 administrative districts in Bangladesh, each having a *pourashava* (or district headquarters).¹ The *pourashavas* have strong administrative, judiciary, and business linkages with the relatively smaller surrounding towns and the rural areas of the district, as well as strong commercial, communication, and administrative linkages with the divisional headquarters and the country's capital, Dhaka.

Mymensingh town is located approximately 100 kilometers north of Dhaka, and has been the headquarters of the greater Mymensingh district since the British era. The district of Mymensingh is a major rice producing area. Situated on the banks of the river Brahmaputra, Mymensingh town is better known for its educational institutions — it has a medical college hospital, as well as the country's only agricultural university — than for its commercial activities.

Under this study, fixed business establishments located within the *pourashava* boundaries were studied. The municipality covers 21.2 square kilometers, and has good road connections with Dhaka and a number of other small and mid-size towns nearby. The total population of the municipality is 316,898, with a density of 14,595 per kilometer. The literacy rate for males over 7 years of age is 66%, while the comparable rate for females is 53% (Rahman, Bazlur, et al, 2002).

As an indicator of participation in the democratic process, the citizens of the municipality were active in their voting behavior in the past national parliamentary elections as well as in the recent local elections. While the national average participation rate in the 2001 parliamentary elections was 76%, in Mymensingh town it was 90% (The Asia Foundation, 2002). Comparable figures in the municipality elections also reveal higher participation than the national average.

¹ Divisions are the largest administrative unit in Bangladesh. There are six Divisions in Bangladesh, which are further sub-divided into Districts (64), Thanas (507) and Unions (4,484). A Union may consist of several villages (Source: BBS, 2001, Bangladesh Population Census 2001, Preliminary Report).

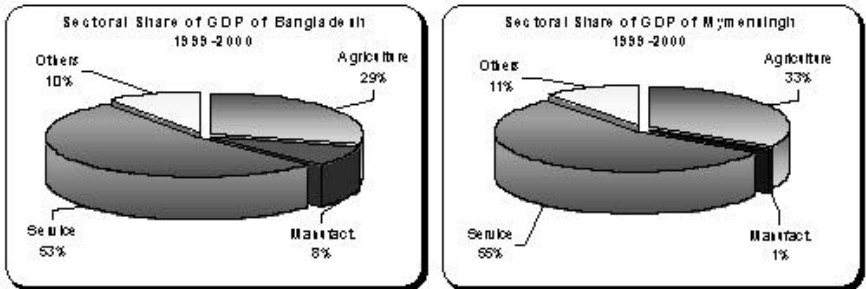


Figure 2.1: Sectoral share of GDP: Bangladesh and Mymensingh District

Sources: Bangladesh Bureau of Statistics, 2002; *2000 Statistical Yearbook of Bangladesh*, Rahman, Bazlur, and Mohammad Abdus Sabur, 2002; and *Pourashava Statistical Yearbook of Bangladesh 1998-99*.

Figure 2.1 presents a comparison between the sectoral breakdown of the national Gross Domestic Product (GDP) and the sectoral breakdown for Mymensingh district for the year 1999-2000 (Rahman, Bazlur, et al. 2002; Bangladesh Bureau of Statistics 2002). The shares for agriculture (which includes forestry and fisheries), the service sector, and “Others” (which includes mining and quarrying and the public sector utilities) are similar for both the national and Mymensingh district estimates. However, a significant difference exists in the share for the manufacturing sector, which accounts for 8% of the national GDP, but only 1% of the value of economic activity in Mymensingh.

2.2 Role of Local Government in Creating an Enabling Environment

Resources available to the local government to implement the services it provides — such as waste disposal and maintaining the sewage system, traffic control, repair and upkeep of selected roads within the municipality, and street lights — are very limited. An overview of the local government’s annual budget outlays and receipts suggest that per capita allocation is meager for Mymensingh (Rahman, Bazlur, et al. 2002; MOF 2000), translating into roughly Taka 112 (or approximately \$1.93²) per person per year while the central government budgetary allocation is Taka 3,307 (or approximately \$56.99) (Table 2.1).

²Using an exchange rate of US\$1 = Tk. 58.031

Characteristics	Mymensingh	National Pourashava Avg.	National
Area square kilometer	21.72	16.26	147,570
Population (adjusted 1999) (in lakhs ³)	3.17	0.58	1,115
Population density/square kilometer	14,595	3,554	755
Total Consolidated Non-Development Net Expenditure ⁴ (in crore ⁵ Taka)	3.0	N/A	23,158
Total Consolidated Development Net Expenditure ⁶ (in crore Taka)	0.5	N/A	13,695
Total Expenditure (Non Development+ Development) (in crore Taka)	3.6	1.03	36,853
Per capita Expenditure (Non Development) (in Taka)	95.90	N/A	2,078
Per capita Expenditure (Development) (in Taka)	16.57	N/A	1,229
Per capita Expenditure (Overall) (in Taka)	112.5	1.78	3,307
Ratio of Mymensingh to Overall Pourashava average	63%	100%	
Ratio of Mymensingh Pourashava Expenditures per capita to total central Govt. expenditure	4%	5%	100%

Table 2.1: Per capita allocation of pourashava and national government expenditure, 1998-99
Sources: Local Government Engineering Department (LGED), Pourashava Statistical Yearbook of Bangladesh 1998-99; Ministry of Finance, GOB, Annual Financial Statement (Budget Estimate) 1998-99.

While over 80% of the local government budget is apportioned to salaries and other administrative costs, only 15% is used for development purposes. About three-fourths of revenue source is from local taxes, tolls and fees; the remaining one-fourth is derived from the central government budget or project loans and grants. Table 2.2 and Figure 2.2 provide a summary of receipts and expenditure for fiscal year 1998-99 for Mymensingh *pourashava*.

³ One lakh equals 100,000

⁴ Non-development expenditure is from the revenue budget, which pays for the normal functioning of the government and is intended to be fully financed from domestically generated sources

⁵ One crore equals 10,000,000

⁶ Development expenditure is from the development budget, which is made up of donor aid. It pays for financing for projects including investment projects, technical assistance projects, and public sector-funded projects.

Receipts	Amount (in 0.1 million Taka)	Percent
Income (Tax, rates, fees & others)	296	78
Other receipts	10	2
Govt. grant	0	0
Development fund	75	20
Project loan/ grant	0	0
Total Receipts (1998-99)	360	100
Expenditure		
Wages, salaries, other overhead costs	293	82
Education, tree plantation, others	0	0
Other expenditure	11	3
Development expenditure	53	15
Project expenditure	0	0
Total Expenditure (1998-99)	356	100

Table 2.2: Local government annual total expenditure, total receipts, 1998-99

Sources: Local Government Engineering Department (LGED), Pourashava Statistical Yearbook of Bangladesh 1998-99; Ministry of Finance, GOB, Annual Financial Statement (Budget Estimate) 1998-99.

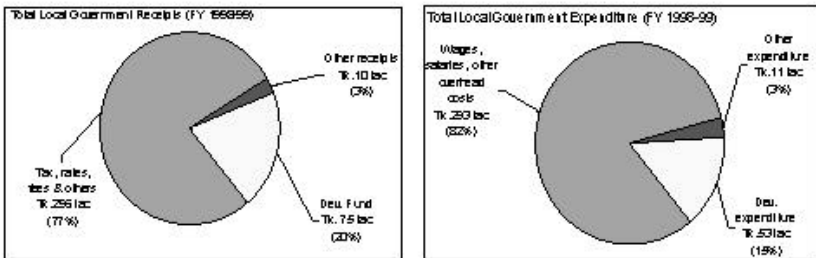


Figure 2.2: Local government annual total expenditure, total receipts, 1998-99

Sources: Local Government Engineering Department (LGED), Pourashava Statistical Yearbook of Bangladesh 1998-99; Ministry of Finance, GOB, Annual Financial Statement (Budget Estimate) 1998-99.

The overview suggests that the local government has access to very limited resources to bring improvements to the existing infrastructural and communication facilities. Businesses therefore cannot expect significant assistance from the local government in improving roads, telephone, and other supporting facilities. The long-term strategy should be to enhance the resource base of the local government to assist the business community with improved facilities. In the short and medium term, local government should lobby for support in this area through national and donor funded project/grants.

III. Overview of the Enabling Environment for SMEs in Bangladesh

3.1 Definition of SMEs and MEs

This section provides an overview of factors affecting the SME sector in Bangladesh gathered from secondary sources. These factors influenced the design of the survey but are not intended to provide comprehensive information on the subject.

In Bangladesh, there is considerable ambiguity relating to definition (or classification) of enterprises by their size class. In the Industrial Policy 1999, the Government of Bangladesh (GOB) defines SMEs in terms of employment (10 to 99 workers) as well as investment (up to US\$6 million). Currently, the GOB is considering revising the definition of SMEs.

Financial institutions encounter practical difficulties in adhering to the dual criteria. Accordingly, they tend to use modified definitions, sometimes opting to use asset value as the sole criterion (CPD, 2001). Development partners, too, have used varying definitions. For instance, the Department for International Development (DFID) defines SMEs as enterprises with 5 to 400 employees, while the International Finance Corporation (IFC) and the World Bank use different definitions in different publications. The IFC categorizes enterprises with 50 to 500 employees and with total assets between \$250,000 and \$10 million as SMEs. Understandably, the lack of a proper definition of “SME” makes it difficult to distinguish between SMEs and enterprises at the two ends of the SME spectrum — microenterprises and large enterprises (Hossain, 2002).

To circumvent the definitional challenges and limitations (and in the interest of simplicity), this report classifies three types of enterprises based solely on their employment characteristics:

- Micro Enterprises (MEs): 1-2 Employees
- Very Small Businesses (VSBs): 3-9 Employees
- Small and Medium Enterprises (SME): 10-100 Employees⁷

⁷ There were no large enterprises (with over 100 employees) within the Mymensingh town limits.

3.2 Small Businesses in the Bangladesh Economy

Using the government definition, small and medium enterprises constitute the dominant source of industrial employment (80%) in Bangladesh. About 90% of industrial units fall into this category. Of these businesses, more than 50% are small enterprises that employ less than 20 workers. SMEs are further estimated to contribute 40% of total industrial value added (Hossain, 2002). These statistics make it clear that SMEs are an important source of employment and GDP in the Bangladesh economy. Table 3.1 below provides a breakdown of the manufacturing sector in Bangladesh by employment, size, and value.

Segments	No. of firms	Fixed assets	Employment	Labor cost	Industrial cost	Gross investment	Gross output	Gross value added	Net value added
Household based units, excluding handloom (1989/90) ⁸	171,294	n.a.	397,075	614	6,328	75	10,544	4,215	3,283
Household based and small handloom units, with under 10 workers (1990) ⁹	19,662	3,232	717,006	1,910	8,555	n.a.	13227	6,073	n.a.
Private units with under 10 workers, excluding handloom (1989/90) ¹⁰	109,425	n.a.	311,600	2,527	18,128	311	26,999	8,661	8,240
Handloom units with 10+ workers (1990) ¹¹	15,804	1,916	310,401	1051	4,708	n.a.	10,052	3,943	n.a.
Private units with 10+ workers, excluding handloom (1991/92) ¹²	23,277	160,163	1,663,030	32,693	255,684	8,690	363,441	93,266	84,683
State-owned enterprises (1992/93) ¹³	161	99,934	210,097	9,956	n.a.	4,437	23,012	9,821	6,129

Table 3.1: Manufacturing sector in Bangladesh: estimates of key variables (in million Taka)

Notes: a) In the Handloom Census Report, size distribution is shown in terms of number of looms.

Units with 1-5 looms on average have fewer than 10 workers. Enterprises with over 5 looms are considered in the 10+ workers category.

b) n.a.: not available.

c) excludes depreciation for state-owned enterprises and private sector units with 10 or more workers, otherwise value added at factors cost.

Source: Industrial Strategic Studies (ISS), World Bank, 1994.

⁸ Report on Integrated Annual Survey of Non-farm Economic Activities 1989-90, BBS.

⁹ Report on Bangladesh Handlooms Census, 1990, BBS.

¹⁰ Report on Integrated Annual Survey of Non-farm Economic Activities 1989-90, BBS.

¹¹ Report on Bangladesh Handlooms Census, 1990, BBS.

¹² ISS Survey.

¹³ Audited Balance Sheet (1992-93) Of Public Manufacturing Enterprises, Monitoring Cell, ABW, Ministry of Finance.

Table 3.2 shows that there have been a number of important changes in the structure of the job market since 1985. Employment levels in agriculture, forestry and fishing jumped sharply in the late 1980s (perhaps reflecting a change in definitions or data collection techniques) but since the 1990s, slow job growth in this sector has translated into a declining share of total employment. There was a slight upturn in the number of jobs in the manufacturing sector during the second half of the 1990s, but this sector has also experienced a gradual decline in the share of the workforce it employs. In contrast, the service sector has experienced steady growth in both the number of jobs and the share of total employment during the 1990s. In a previous section, Figure 2.1 illustrated how Mymensingh compares to the national average, with both agriculture and service sectors accounting for a larger share of economic activity than is seen in the national economy.

Sector	1985-86	%	1989-90	%	1990-91	%	1995-96	%	1999-2000	%
Agriculture, Forestry, Fishery	17,464	57	32573	65	33303	66.4	34530	63.2	36217	62
Manufacturing	3,019	10	6,977	14	5,925	11.8	4,085	7.5	4,300	7
Service	10,037	33	9,694	19	10,876	21.7	15,856	29.0	17,051	29
Others (Mining, Public utilities, etc.)	41	0.1	904	2	55	0.1	126	0.2	499	1
Total	30,561	100	50,148	100	50,159	100	54,597	100	58,067	100

Table 3.2: Relative share of employment by sector

Source: Labour Force Statistics (LFS) 1985-86, 1989, 1990-91, 1995-96 & 1999-2000, Bangladesh Bureau of Statistics.

3.3 Regulatory Regime

To establish an enterprise, an entrepreneur is required to procure a trade license from the local government body by paying statutory fees under the Companies Act 1994. Enterprises registered as private and public limited companies are also required to register with the Registrar of Joint Stock Companies.

Under the Factories Act of 1965, manufacturing units employing more than 10 employees must be registered with the Office of the Chief Inspector of Factories and Establishments, which oversees the working and safety conditions of the factory.

However, regarding safety and working conditions, this regulation does not differentiate between size categories of enterprises. In recent years, the Department of Environment clearance certificate has gained more and more importance to various manufacturing sub-sectors (e.g., brickfields, textiles, leather products).

3.4 Financial Sector

The financial sector in Bangladesh is largely bank based, with specialized banks providing support to the industrial sector. The banking sector operates under the Banking Companies Act 1991. Enforcement of this regulation is carried out by the central bank, the Bangladesh Bank. However, Bangladesh Bank relies mainly on government directives to operate and lacks functional focus and accountability. The banking sector suffers from non-performing loans, low recovery rates and insider lending. Selective improvements have been undertaken in the form of new laws on debt recovery and bankruptcy (Bankruptcy Act 1997). However, without an autonomous and authoritative central bank, it will be difficult to develop a banking sector that acts as a facilitator for the entrepreneur.

Outside of the large formal banks, Bangladesh also possesses a large microfinance system that includes over a thousand local non-governmental organizations (NGOs), 10-15 large microfinance institutions (MFIs), as well as micro-credit schemes run by the government and international NGOs. The local NGO sector alone includes more than 9 million active members, of which more than 6 million are active borrowers. Net savings are in the amount of Taka 6 billion, and total loans outstanding stand at Taka 16 billion. The Grameen Bank has 2.37 million members, collective savings of Taka 9 billion, and outstanding loans of Taka 15 billion (Rahman 2000). FGDs indicate businesses such as SMEs, VSBs, and MEs, are considered too small and risky to borrow from large banks, and too large to access credit from the microfinance sector.

3.5 SMEs and Governance

Poor governance — translating into lack of transparency and accountability and corruption — is endemic to Bangladesh, having an adverse impact on the business community as it does on every other sector. Entrepreneurs must deal with the

prevalent demand for bribery, illegal tolls, kickbacks, using professional or political influence for personal gains to establish or operate a business. The majority of the laws and regulations that govern the business sector are out of date — they are neither adequate nor effective in dealing with the issues of the business world today.

Allegations that entrepreneurs have to go through the process of making informal payments in whatever dealings they have with public sector officials — be it an application to obtain a trade license to obtaining a phone or an electrical connection or even just paying the bills or even paying taxes — are widespread (see, for example, World Bank, 1996). Coupled with the time that needs to be spent to obtain or use these basic services, these practices make running a business increasingly expensive (Table 3.3).

Service	Standard Waiting Time	Informal Payment for Faster Service (in Taka)
High Tension Electricity Connection		100,000-150,000
Low Tension Electricity Connection		10,000-15,000
Gas	3 months	40,000
Water	3-4 months	14,000-20,000
Phone	10-12 years	50,000-70,000
Trade License for Garments Factory	1 year	5,000-8,000

Table 3.3: The hidden cost of service

Source: Government That Works, Reforming the Public Sector, The World Bank, 1996.

However, rent-seeking behavior on the part of public sector officials also depends on the collusive behavior of the entrepreneurs themselves (Data International, 1999). Tax evasion and loan defaulting are prevalent problems in Bangladesh. Entrepreneurs come to an understanding with the relevant officials; they pay the authorities less than what is due and an unofficial percentage lands in the concerned officials pockets.

Another manifestation of bad governance is that entrepreneurs must keep local *mastaans* “happy” to open a business and/or stay in business (Siddique, 2001).

There is a strong perception among economic observers in Dhaka that law and order represents a critical constraint to growth in Bangladesh.

3.6 Business Development Services (BDS)

Business Development Services (BDS) aim at making substantive improvements to an enterprise in terms of productivity and efficiency through technical assistance or training. Donors as well as the government have emphasized the importance of BDS, with a number of programs offering a variety of services at subsidized prices. These programs have distorted the market for business services, and constrained the emergence of a dynamic market-based system of purely private sector BDS providers.

Recent studies (Sarder 2000, Chemonics International 2001) have shown that the BDS on offer in the marketplace, and the types of BDS that the entrepreneurs feel that they need do not match. This has resulted in underutilization and ineffectiveness of these subsidized BDS programs. In addition, the entrepreneurs' interest in accessing BDS appears to be negligible, raising more questions about the efficacy of these programs. Swiss Contact, implementing a BDS-related project that is funded by the Swiss Development and Cooperation (SDC), reports that technical and production-related training services account for only 12% of BDS accessed by businesses. In addition, smaller businesses and businesses that experience a low rate of growth are less likely to seek BDS opportunities — the implication being clear in an industrial sector dominated by small-scale industries subsisting on marginal profits.

IV. Census Findings

4.1 Purpose

No reliable and recent data on the national distribution of enterprises by size class or any other criteria exist — especially for the service sector. The annual Census of Manufacturing Industries (CMI) of the Bangladesh Bureau of Statistics (BBS), and various other studies, such as the Industrial Strategies Studies (ISS), attempt to estimate characteristics of the manufacturing sector. However, similar efforts for the service sector are absent. Given that almost two-thirds of all businesses in Mymensingh were established in the past two years (a finding that emerged from the census described below), it is clear that any source of data is quickly rendered obsolete.

From the outset, this project aimed to produce a detailed and reliable description of the business environment and the problems faced by small businesses. The project quickly determined that the conduct of a census of all existing business establishments within the perimeter of the Mymensingh municipality was a prerequisite, as no such comprehensive listing or database existed that could be used to draw a representative sample. The census data therefore formed the basis for drawing the survey sample of enterprises.

The census included all commercial activities with a visible physical location, such as a storefront. During the conduct of the census, the data collection team determined that significant economic activities take place within homes, often with some connection to city-based aggregators that link Mymensingh (and, presumably, other cities) with production or distribution centers elsewhere. Because there exists no exhaustive household-based census of economic activities, the project decided to exclude this sector from the study, rather than include the data in an ad hoc manner (the project did not have sufficient resources to undertake a complete household survey).¹⁴ While it is unfortunate that these activities could not be included, the logic of focusing on enterprises is not seriously undermined by the exclusion of home-based workers. But it is important to keep this in mind,

¹⁴The same rationale explains the decision to exclude independent mobile vendors. It would have been impossible to ensure complete coverage in a census, and would have required a more expansive definition of business establishment, including differentiating among owner-operators, self-employed vendors who rent their equipment, and hired employees working for others. As with home-based workers, including mobile vendors may have increased the level of participation in the economy of women, and both sectors merit attention in the future.

especially when considering aspects of the local economy, including the employment of women that might look very different if these activities had been included.

4.2 Census Methodology

A brief questionnaire was developed to obtain the census data. The census activity aimed for very basic information and compiled a listing of all manufacturing and service-related units operating from a fixed location within the administrative boundaries of Mymensingh municipality. It also provided a distribution of enterprises by employment size, product type and gender of owner.

After a one-day training session, Field Investigators (FIs) were deployed in Mymensingh town to conduct the census. FIs were instructed to cover fixed establishments of all sizes within the boundaries of the Mymensingh municipality. FIs combed the whole area and prepared the listing.

Almost all the entrepreneurs were concerned that the information collection activity was somehow related to the tax authorities. Although not many, there were a few cases where the entrepreneurs refused to provide any information. Repeated reassurance by the FIs that the information would not fall into the hands of the government was needed to get the entrepreneurs to cooperate. It was envisaged that as the actual survey questionnaire required detailed information as well as information related to costs and profit, the FIs would encounter more resistance there. However, when the FIs returned for the actual survey, in the majority of cases, entrepreneurs were more forthcoming as they were already aware of the study because of the census activities.

4.3 Profile of Enterprises

Activities

The census obtained information regarding the types of goods produced or services rendered by the business establishments. The Bangladesh Standardized Industrial Classification (BSIC) was used to standardize the types of enterprise. Information regarding the enterprises collected by the census has been listed under the four-

digit BSIC classification (see Annex Tables A1 and A2).

The census identified 7,561 business establishments in Mymensingh town catering to its roughly 320,000 inhabitants. In terms of size, the census findings indicate that micro enterprises (MEs) with less than three employees, and not small and medium enterprises, dominate mid-size towns like Mymensingh, accounting for 67% of all businesses (Figure 4.1). MEs constitute an even larger share in the service sector (70.3%). In the manufacturing sector, Very Small Businesses (VSBs), with three to nine employees, account for 55.4% of enterprises, while only 39.6% are MEs (Figure 4.4).

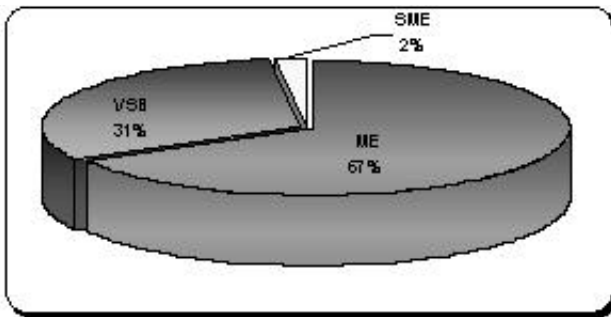


Figure 4.1: Distribution of enterprises by size class

The vast majority of the enterprises (89.4%) are in the service sector. Retail grocery and general stores are the single largest category of firms, accounting for 12.4% of all firms in the service sector. Retail sellers of pharmaceutical and medical goods (11.4%) and textiles, clothing and leather goods (9.0%) are the next most common types of firms in this sector. With less than one-third of all firms falling into the three largest categories, the service sector is characterized by considerable diversity.

Annex Tables A1 and A2 present the percentage distribution of business establishment for each category of BSIC classification. They also provide an overall ranking in terms of number of units belonging to each category. Ranking within manufacturing and within service is also presented. Under the four-digit classification, the 841 grocery and general stores (BSIC code 5215) account for more than any other type of business establishment in Mymensingh. The 771 retail sellers of pharma-

ceutical and medical goods earn the category of second rank in terms of number of establishments.

Although the manufacturing sector accounts for only 10.6% of all firms, these firms are larger, on average, than firms in the service sector. As a result, the simple count of these firms understates their importance to the local economy. In terms of share of the labor force, more than 16% of all workers are employed in the manufacturing sector. Within the manufacturing sector, the 171 firms producing jewelry and related materials account for more than 20% of all manufacturing firms, the largest single BSIC category. Firms producing wooden furniture and fixtures (18.5%) and rice millers (13.9%) also represent significant manufacturing categories in terms of the number of firms. With more than half of all firms falling into the three largest categories, the manufacturing sector appears to be more concentrated than the service sector.

Age of Enterprise

While around 28% of the businesses began operating after 2000, 46% of them came into existence during the period 1991-2000 period. Only 4% of the existing businesses were established before the country's independence in 1971. The high proportion of relatively new firms suggests high level of entry and possibly exit; the latter is not possible to verify under the scope of this study.

Figure 4.2 presents the increase in the number of enterprises by size class in recent years. The data show a steady increase in the numbers of MEs, while the number of larger firms (both VSBs and SMEs) appears to have decreased through time. Of the businesses established in the post-2000 period, about 75% fall within the ME category. In that same period, SMEs accounted for only 1%.

The interpretation of these data is somewhat problematic, however, because we lack information regarding the firms that have failed and exited. The data are entirely consistent with the assertion that the role of SMEs and even VSBs has declined fairly consistently during the past 30 years. However, the data are also consistent with the notion that the composition of business started each year has not changed, but that MEs have a lower success rate. If that were true, the more

rapid attrition of MEs would leave business cohorts with a declining share of MEs over time, exactly the pattern revealed in Figure 4.2 below.

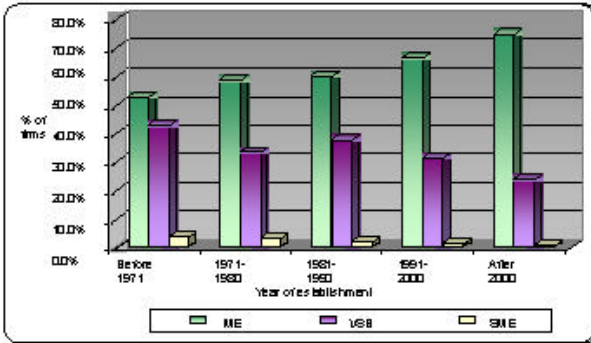


Figure 4.2: Year of establishment of enterprise

Hours of Operation

The median enterprise in Mymensingh operates 310 days during a calendar year. Both the manufacturing and the service-oriented businesses operate 12 to 13 hours on average during a 24-hour period (Table 4.1).

Business Category	N	Mean	Median
Manufacturing	801	12.2	12
Service	6,780	13.1	13
Total	7,581	13.0	13

Table 4.1: Average daily hours of operation of the enterprises

Ownership Structure

Almost all (about 97%) business establishments are single owner units (or proprietorships). There are only a handful of partnership operations (2.6%), and the number of private or public companies is insignificant (Figure 4.3). It should be noted that many single-owner units are family-based operations. Hence, they are effectively partnership businesses, with the status of a proprietorship on paper.

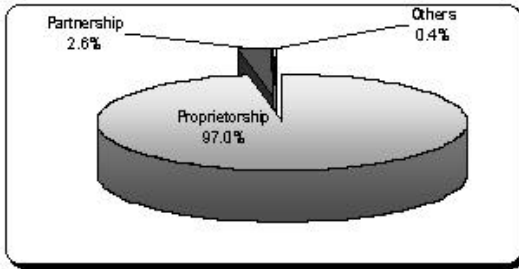


Figure 4.3: Legal status of the enterprises

Note: The "Others" category includes Private Ltd. and Public Ltd. companies, cooperatives and trusteeships.

Employment Status

The mean and median size of employment is around three persons. Micro enterprises (with one to two employees) dominate the Mymensingh business environment, comprising almost 67% (Table 4.2 and Figure 4.4). These are followed by enterprises with 3 to 9 employees, identified as Very Small Businesses (VSBs) for the purposes of this study. Enterprises with 10 to 100 employees, which fall under the official SME category, constitute a mere 2% of businesses. However, VSBs constitute the majority for the manufacturing sector, while the service sector is dominated by MEs.

Size	Business Category		Total no. of Enterprises
	Manufacturing	Service	
ME (1-2)	317	4,753	5,070
VSB (3-9)	444	1,911	2,355
SME (10-100)	40	96	136
Total	801	6,760	7,561

Table 4.2: Employment size of the enterprises

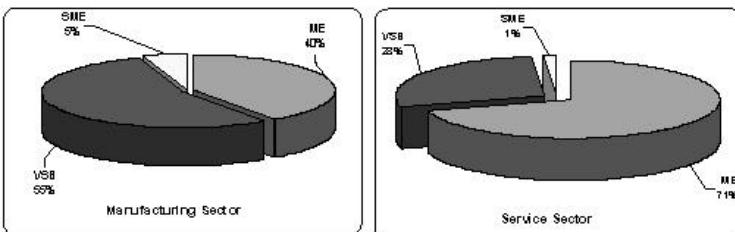


Figure 4.4: Distribution of enterprises by employment size by sector

Part-time workers, defined as those working less than 40 hours per week, comprise less than 10% of full-time employees. Approximately 91% of the enterprises have more full-time employees than part-time staff (Table 4.3). The remaining establishments employ roughly the same number of part- and full-time staff. Only about one-half of 1% of the firms employ more part-time staff than full-time workers. About 2.5% of the workers are female, with no discernible difference between the manufacturing and service sectors

Ratio	Category		Total	
	Manufacturing	Service	Count	%
Below 1	758	6,089	6,847	90.6
One	30	643	673	8.9
Above 1	13	28	41	0.5
Total	801	6,760	7,561	100

Table 4.3: Ratio of part-time and full-time employees

4.4 Women-Owned Businesses

According to the census, only 69 of the 7,561 business establishments are registered in a woman's name, accounting for less than 1% of total businesses.

However, because they are slightly larger than average in terms of employment, women-owned businesses (WOBs) account for a slightly higher proportion (1.4%) of the total workforce. Only three of the 69 WOBs (4.3%) in Mymensingh were in the manufacturing sector, roughly one-third the level found in the general population of firms (10.6%). Akin to the overall sample, the distribution of registered women-owned enterprises suggests that managing retail grocery stores and drug stores are more common than any other business activity (see Annex Table A2).

These WOBs are small in number, but they have a different employment profile than the average firm. Not only do they employ slightly more workers, a much higher share of these employees are women. Only about 2.5% of the workers in all businesses are female; however, within WOBs, women comprise roughly 14.3% workforce. One reason for this higher share is the importance of female owner-

operators in the employment statistics and the small average size of the firms.

This data on WOBs, however, are difficult to interpret. Even the small number of WOBs identified in the census may exaggerate the share of businesses actually owned by women, as the study revealed that a large number of these enterprises are women-owned in name only. The detailed survey (explained in the next section) found that roughly half of all reported WOBs are actually managed and operated by male members of the female owner's family.

V. Survey Findings

5.1 Methodology

During the November 2002-February 2003 period, data were collected through three methods. Primary data collection was conducted through a sample-based survey using a structured questionnaire; secondary data was obtained from a number of sources including relevant publications and local government offices. The instrument used in the primary data collection process underwent an extensive pre-testing in the field. The data collection form was finalized incorporating feedback from the field investigators on their pre-testing experience as well from The Asia Foundation and Data International researchers. In addition, a number of focus group discussions (FGD) were held with male and female entrepreneurs, an assorted group of business associations, locally known as “samities,” as well as the local chamber of commerce and banks.

The sample was drawn based on the listing of enterprises compiled from the census. A simple random sampling method was followed for sampling purposes. The census found 7,561 enterprises in Mymensingh town. Among these 70 businesses were identified as legally owned by women. Out of the listed 7,491 male-owned enterprises, 380 businesses were selected by using computer-generated random numbers. Similarly, a random sample of 50 women-owned businesses was drawn from the population of 70 firms. Combined, a total of 430 firms were surveyed.

To determine the minimum sample size of the enterprises owned by men, the following formula was used:

$$n_0 = \frac{z^2}{d^2} \cdot pq$$

and

$$n = \frac{n_0}{1 + \frac{n_0}{N}}$$

Where:

N = Population size

n = Desired sample size

no = Estimated sample size

z = Statistical certainty chosen: 1.96

p = Estimated prevalence: 0.5

q = 1-p: 0.5

d = Precision desired: 0.05

Using the formula above, the minimum sample size for business enterprises in Mymensingh town has been determined to be 365 for a statistical certainty of 95% and a precision of 0.05.

Sampling Weights

During the data analysis process, calculations in preparing the findings used sampling weights to obtain an accurate picture of the businesses of Mymensingh. The sampling weights were estimated both by size class and by gender.

The figures derived from the survey were adjusted with the census findings to eliminate bias in the statistics that might otherwise have been generated by the intentional oversampling of two sub-populations (male-owned SMEs and female-owned enterprises of all sizes). For example, there were 5,042 male-owned micro enterprises identified in the census. This number was divided by the number of male-owned MEs (216) drawn in the sample to derive a multiplier of 23.34 to be used as the appropriate weighting factor. The weighting factor for female-owned MEs was 1.47, which was determined in the same manner. The smaller weight reflects the intentional overrepresentation of these firms in the total sample and the necessity to reduce their weight in the calculation of city-wide statistics.

Appropriate weighting factors were used for each size class by gender of the owner. Table 5.1 presents the distribution of enterprises in the census and the survey as well as the sampling weights used.

Firm size	Census			Survey			Sampling Weights	
	Male	Female	Total	Male	Female	Total	Male	Female
ME (1-2)	5,042	28	5,070	216	19	235	23.34	1.47
MSB (3-9)	2,319	36	2,355	151	27	178	15.36	1.33
SME (10+)	131	5	136	13	4	17	10.08	1.25
Overall	7,492	69	7,561	380	50	430		

Table 5.1: Distribution of enterprises (Census and Survey) and Sampling Weights

5.2 Profile of Surveyed Firms

A structured questionnaire formed the basis for collecting information from 430 business establishments of Mymensingh town. Of the 430 units, 380 were registered as owned by men, while 50 were registered as owned by women.

Tables 5.2-5.4 present a profile of the respondents and the role of owners in managing the firms. In most cases, either the owner (71%) or a member of his or her family (19%) was interviewed. The remaining 10% of the respondents were employees, as the principal owner was absent during the visit. The average age of the respondent was around 36 years with about nine years of formal schooling. A breakdown of ownership by gender reveals very little difference in the ages of male and female owners.

<i>Gender</i>	<i>Mean</i>	<i>Median</i>	<i>Minimum</i>	<i>Maximum</i>
Male	36	34	18	78
Female	37	36	18	71
All Firms	36	34	18	78

Table 5.2: Age of the respondent

<i>Relationship</i>	<i>Percentage</i>
Owner	71.2
Family Member	19.0
Employee	9.9

Table 5.3: Relationship of respondent to owner

<i>Legal Status of Firm</i>	<i>% Managed by Owner</i>
Proprietorship	88.5
Partnership	79.8
Co-operative	100.0
All Firms	88.1

Table 5.4: Role of owner in management by firm's legal status

Consistent with the census findings, proprietorship is the principal form of ownership among the enterprises surveyed. Not a single respondent is registered as a private limited company. While about one-third of the female-owned enterprises

have family members involved, no more than one-fourth of the male entrepreneurs rely on their families in running their operations. Figure 5.2 demonstrates that male business owners tend to spend a higher percentage of their working time (85%) in the business covered in this study than the female business owners (43%). Approximately 83% of the total annual income for the entrepreneur is derived from the business, with men depending to a higher degree on business income than female entrepreneurs (Figure 5.2).

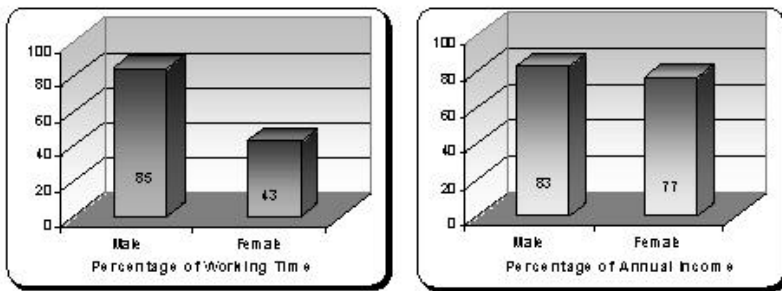


Figure 5.2: Working time and percentage annual income of entrepreneurs

An overwhelming 84% of the businesses have been established by the current owners, while 12% have been inherited (Table 6.4). Inherited businesses are older compared to the businesses acquired in other ways, with an average of 18 years. Average age of businesses not inherited is seven years. Inherited businesses also appear to be larger in size — with average employment coming to 3.6 as opposed to average employment of 2.6 of the others. More than 90% of all businesses finance their activities from their own resources or savings at startup as well as in running the business. Reliance on formal lending institutions is insignificant (Table 5.6).

Mode	Number	Percent
Inherited	910	12.0%
Self established	6,328	83.7%
Purchased	79	1.1%
Gifted	244	3.2%
Total	7,561	100.0%

Table 5.5: Mode of acquisition of enterprise

Sources of Finance	At Start (in %)	At Present (in %)
Own resources/savings	93.8	90.1
Personal borrowing	2.6	1.4
Money lender	0.0	0.0
Private commercial bank	0.4	1.2
NGOs	0.4	0.6
Nationalized commercial bank	0.5	1.3
Partnership/shares	1.6	1.4
Credit from suppliers	1.0	4.3
Other	0.1	0.0
Total	100	100

Table 5.6: Distribution of sources of finance

5.3 Economic and Financial Analysis of the Enterprises

Whether judged by employment criteria or investment, almost all businesses interviewed in Mymensingh town are too small to qualify officially as SMEs. The largest enterprise, in terms of employment, has 51 workers. In terms of assets, the current market value of total assets of the average enterprise is around Taka 1 million (\$17,250). Table 5.7 presents alternate asset value estimates.

Assets		Current Market Value	Replacement Cost	Cost if Purchased new
Land	Median	200,000	200,000	200,000
	Mean	429,461	483,509	429,323
Building	Median	200,000	20,000	40,000
	Mean	138,527	157,640	303,056
Machinery	Median	10,000	10,000	20,000
	Mean	120,004	57,938	77,637
Other Assets	Median	7,000	9,000	15,000
	Mean	96,680	122,483	113,570

Table 5.7: Distribution of investment on assets (in '000 Taka)

Major products of Mymensingh entrepreneurs include: bricks, poultry, fishery and other agro-processing activities. This research was designed to look solely at firms within the municipal boundaries, so these other business operations were not included. To supplement this study, businesses located in the adjacent areas of Mymensingh town may be studied in the future. According to government officials in Mymensingh, most of the larger businesses are located outside the city limits, and so were not covered by the census and the ensuing survey.

Revenue Function

Average monthly sales for a Mymensingh firm are valued at about Taka 86,908, of which more than 90% are conducted on a cash basis, while the remaining one-twelfth (8.8%) is transacted on credit (Table 5.8). The median monthly sales value is considerably lower (Taka 35,879), suggesting that a few firms with high sales figures skew the calculation of the mean.

Gender		Monthly cash sales	Monthly sales on credit	Total monthly sales
Male	Median	30,500	0	35,700
	Mean	78,880	7,808	86,412
Female	Median	38,596	0	38,596
	Mean	133,977	6,803	140,780
Total	Median	30,500	0	35,879
	Mean	79,383	7,598	86,908

Table 5.8: Sales value of services by type of owner (in Taka)

Although enterprises do not maintain records of customers' identities, their perception is that roughly three-fourths of all customers are from within Mymensingh town (Figure 5.3). Entrepreneurs believe that a further one-fifth of their customers are from outside the municipality area but from within the district of Mymensingh. In short, businesses view that demand for their product or services are derived from the local population and from the adjacent areas.

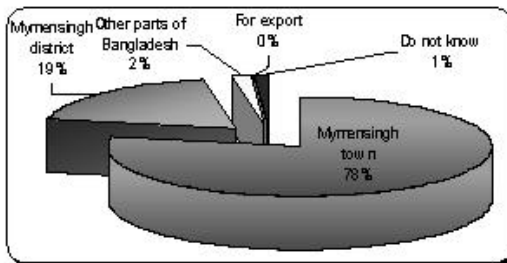


Figure 5.3: Percentage distribution of customers/client's location

Cost Function

Respondents were asked to provide detailed breakdown of their costs. Costs have

been broken down into two categories: (a) operating costs, and (b) non-operational costs, which included rents, interest, utilities, etc. Also included under non-industrial costs is “facilitation expense.” Alternatively this can be termed as unofficial payments made to avoid harassment or to expedite receipt of a service often from a public authority. Table 5.9 presents the average monthly expenditure for raw materials and inputs for the manufacturing and the service sector. It also provides a breakdown of the receipts on cash or as credit. The monthly average raw material costs for the manufacturing sector is higher (Taka 82,720) compared to the service sector units. On average, 15% of the purchases are made on credit.

Category		Monthly cash purchase of inputs	Monthly purchase of inputs on credit	Total monthly purchase of inputs
Manufacturing	Median	24,550	0	29,350
	Mean	74,491	8,217	82,720
Service	Median	21,000	0	23,150
	Mean	58,582	10,388	67,089
Overall	Median	21,400	0	24,800
	Mean	58,348	10,154	68,630

Table 5.9: Monthly Expenditure on Inputs (in Taka)

Profitability

Value Added (VA) is defined as the difference between total revenue and all variable and fixed costs, excluding labor costs. Therefore, VA includes contributions of the labor plus profit to the entrepreneur. Since ascertaining profit from labor contributions in this type of activity is a difficult task, arguably estimation of VA is an appropriate option. Earnings per day are another indicator of the rates of return from labor. Comparison of this estimate with the prevailing farm and non-farm daily wages of the locality is a good indicator of the attractiveness of a particular occupation. In this section, average net earnings per day of labor have been estimated by dividing VA by person days of paid and unpaid labor.

From the sales (revenue) and cost estimates, economic and financial returns for the enterprises have been attempted. In Table 5.10, annualized value added and earnings per day for the entrepreneurs have been estimated. Net Value Added (NVA) in terms of investment yields a return of 15%, with manufacturing demonstrating a relatively higher return (20%) compared to the service sector (14%).

Net Value Added (NVA) includes profit, wages and shadow wage for unpaid family labor. Annual average NVA for manufacturing units is significantly higher (Taka 431,644) compared to the service sector (Taka 191,566). Per day earnings is around Taka 209 for an average entrepreneur of Mymensingh town. When translated into monthly (26 working days) earnings, a typical entrepreneur makes Taka 5,434 per month.

	Manufacturing	Service	Overall
Total Revenue ('000 Taka)	1,879	1,238	1,315
Total Cost ('000 Taka)	1,581	1,075	1,136
Variable cost ('000 Taka)	1,500	1,025	1,083
Fixed cost ('000 Taka)	82	49	53
Gross Value Added (GVA) ('000 Taka)	478	222	253
Net Value Added (NVA) ('000 Taka)	43	192	223
Total Investment ('000 Taka)	2,117	1,338	1,430
GVA / Investment	23%	17%	18%
NVA / Investment	20%	14%	15%
Gross Earning per laborer per day	212	250	240
Net Earning per laborer per day	191	216	209

Table 5.10: Value Added, Earnings Per day for Entrepreneurs

Note: GVA= Total Revenue -Variable cost- Fixed cost

VA = Gross Value Added - Depreciation

Variable cost = Raw materials and other non-labor inputs used in production/service

Net profit estimates have been attempted under various assumptions regarding depreciation rates and financial cost of capital. Businesses make a modest net profit as a ratio of investment or revenue — around 2% for the overall sample; 1.6% for the service sector and around 5% for the manufacturing sector (Table 5.11).

	Manufacturing	Service	Overall
Total Revenue	1,878,912	1,237,625	1,315,176
Total Cost	1,791,406	1,218,248	1,287,560
Inputs	1,365,392	996,573	1,041,175
Non-Industrial Inputs	35,812	19,074	21,098
Depreciation	46,063	30,412	32,304
Actual labor wage	134,197	28,657	41,420
Financial Cost	209,942	143,532	151,563
Net Profit	87,505	19,377	27,615
Total Investment	2,116,693	1,338,360	1,429,909
Net Profit / Investment	4.13%	1.45%	1.93%
Net Profit / Revenue	4.70%	1.57%	2.10%

Table 5.11: Cost Benefit Analysis-without opportunity cost (in Taka)

Net Profit=Total Revenue-Total cost

Total Cost=Inputs+ Non-industrial inputs+ Depreciation+ Actual labor wages+ Financial cost

5% Depreciation on building; 10% Depreciation on machinery; 20% Depreciation on other assets; 14% financial cost on working capital

Implications of Cost Analysis

Several conclusions can be drawn from the finding that economic and financial returns to the enterprises are moderate or low. First, as evidenced from the census data, there is a high degree of entry and exit. The market structure can be described as competitive or, to a lesser degree, as characterized by monopolistic competition, implying that the product or service produced or rendered is homogeneous or similar. In such an environment, low rates of return on capital and labor are expected. Many entrepreneurs can be assumed to enter into business ownerships due to lack of alternative job opportunities, and are content with low to moderate earnings.

Second, the government and several donors are keen to see that businesses pay higher taxes. Efforts are being made to extend the Value Added Tax (VAT) to smaller businesses. The burden of increased taxes typically is shared with consumers, producers, and retailers. In the absence of good governance, corruption and tax evasion are already common with respect to VAT implementation in Bangladesh. Inclusion of very small firms within the VAT net, therefore, has both equity and efficiency implications. Increased official and unofficial payments may lead to many of these firms exiting, thereby having an adverse impact on employ-

ment and income. Accordingly, the wisdom of including these small firms within the tax net may be questionable. If including these very small firms under the tax regime is important, perhaps a tax rate below the current 15% VAT should be designated. Even this policy, however, could have perverse consequences by providing an incentive to firms to stay small.

Recent Financial Performance

Quantitative estimates on economic and financial indicators for the enterprises during the past 12 months were attempted. To gauge relative performance in recent years, respondents were asked to provide qualitative ranking for 2002, 2001 and 2000. Respondents were asked if there have been improvements (or worsening) in terms of employment, investment, sales, and working capital utilization over the three-year period.

The data (Table 5.12 on the following page) provide a surprisingly positive description of the past three years in Mymensingh. In each of the three years, far more firms reported growth than reported declines in each of the four variables. One must be cautious with interpreting the data, however, as the data provide no indication of the size of these changes. It is possible, for example, that a smaller number of firms characterized by large declines would swamp the impact of a larger number of firms reporting growth. However, the weighing of impacts could go the other direction, as well, implying that the growth could actually be larger than suggested by the data. Further research may investigate recent growth dynamics in the town and their causes.

Year	Percentage change		
	Increase	Decrease	Nochange
Change in Employment			
2002	14%	4%	82%
2001	10%	3%	86%
2000	10%	2%	88%
Change in Investment			
2002	35%	10%	55%
2001	38%	8%	54%
2000	38%	1%	63%
Change in Sales			
2002	48%	37%	15%
2001	62%	22%	16%
2000	55%	8%	37%
Change in Working capital			
2002	41%	27%	32%
2001	55%	16%	29%
2000	53%	7%	41%

Table 5.12: Trends in growth

5.4 Constraints to Business Growth

Poor access to credit, high levels of corruption — a manifestation of weak governance — and infrastructural facilities have been cited as major constraints enterprises encounter (Chemonics 2001, Ahmed and Syed 2000; Ahmed and Meagher, 2000). Under this Mymensingh town study, an attempt was made to gauge entrepreneurs' perceptions about the severity of these types of problems. The responses are detailed below.

Governance Issues

Transparency International, an international NGO, attempts to work as a watchdog on issues relating to governance. In their global ranking of countries in terms of corruption, Bangladesh has consistently been ranked among the poorer performers in recent years. Corruption and poor governance have been blamed as major deterrents to domestic and foreign direct investment (FDI) in this country, and their prevalence and negative impact on the formal business sector involving medium and large enterprises have been documented in various studies (World Bank 1996; Siddique 2001; Draper and Hossain 2001). However, no definitive conclusions have been drawn relating to the environment in mid-size towns such as Mymensingh. Rather, it has generally been assumed that these systemic

constraints that are highly visible at the national level are equally troublesome at lower administrative levels.

A number of questions were asked to assess the severity of poor governance and corruption encountered by businesses in Mymensingh. It is widely believed that to obtain a license, permit, or to solicit utility connections, entrepreneurs experience hassle, delays, and demand for bribes from the issuing authorities. Table 6.12 presents the mean and median time required from date of application, in days, to obtain selected utility connections or licenses or permits. The table also includes the official (statutory) fees and the unofficial payments entrepreneurs have to pay to obtain the services.

According to Table 5.13, obtaining or renewing a municipality license is the most prevalent interaction with government authorities. The mean and median waiting time period is four and two days respectively. Unofficial payments ranged from Taka 60 to Taka 20,000. Both in terms of waiting time and size of bribe, getting a telephone installed appears to be more cumbersome than an electrical connection. Gas connections are relatively recent, and are being used by a very few enterprises. Only one out of the four enterprises with gas connections claimed to have paid unofficial fees with an average of Taka 20,000. The Mymensingh findings suggest that the difficulties and level of corruption in obtaining government services is significantly lower in a mid-sized town than in bigger cities. A lower ability to pay coupled with demand not exceeding supply at the official rates are arguably major reasons for the relatively low levels of unofficial payments.

Services	Total waiting time (days)			Official fees			Unofficial payments		
	% of Firms	Mean	Median	% of Firms	Mean	Median	% of Firms	Mean	Median
Telephone connection	6.9%	134.6	90	6.9%	16,419.5	18,400	6.9%	2,833.3	2000
Electrical connection	9.7%	21.3	15	8.6%	2,763.1	23.00	7.8%	974.2	900
Construction permit	0.2%	7.0	7	0.2%	200.0	200	0.2%	0	0
Registrar of Joint Stock Companies	0.4%	4.4	4	0.4%	132.3	150	0.4%	0	0
Municipality/operating license	56.9%	4.2	2	56.4%	326.8	200	52.1%	212.4	25
Gas connection	0.8%	64.6	45	0.5%	38,080.5	35,000	0.1%	20,000	20,000

Table 5.13: Waiting time, official unofficial payments to obtain illustrative utility connections, permits, license

Note: The "% of Firms" column refers to the share of firms reporting payments made for selected services. The mean and median figures refer to those firms making payments. Responses include those entrepreneurs who sought such services within the past one year.

Average unofficial payments made by different size class enterprises to access and ensure various services or permits (e.g., phone, electrical or gas connection, municipality operating license) are presented in Table 5.14. Of those entrepreneurs who made these payments, the mean value of the payment is Taka 1,290. As is evident, the size of unofficial payments made to access these services increases with the size of the firm — the larger the firm, the more they have to pay. However, the table also reveals that the burden of unofficial payments rests heavier on the smaller enterprises — the smaller the enterprise, the more they have to pay in proportion to their revenue.

Size	% of Firms	Minimum	Maximum	Mean	Mean as % of Sales
MIE	9.6%	20	10,000	864.1	7.2
MSB	5.0%	20	14,000	1,627.7	4.1
SME	0.7%	200	20,000	4,900.0	1.2
Total	15.2%	20	20,000	1,289.8	5.9

Table 5.14: Annual average unofficial payment by size class

Note: The "% of Firms" column refers to the share of firms reporting payments made for selected services, and other values refer to those firms making unofficial payments. Here, unofficial payments refer to one-off payments made to obtain services or permits.

Visits by regulatory and administrative officials are supposedly aimed at monitoring and assisting enterprises to adhere to safety, sanitary, environmental, and tax regulations and statutes. Nevertheless, too many visits compounded by lengthy sojourn can be viewed as counter-productive and ill motivated in most instances. Excessive monitoring and supervision can be construed to be harmful to the businesses in terms of time lost to the entrepreneurs and implicit pressures to pay bribes (Table 5.15).

Authorities	% of Firms	Min	Max	Mean	Median
Municipality	9.3%	1	12	2.1	1
Sanitary inspector	2.3%	1	12	4.0	4
Labor inspector	3.0%	1	52	6.4	4
Fire and building safety	1.9%	1	4	1.9	1
Land registration office	0.5%	1	1	1.0	1
Police	1.0%	1	12	2.8	1
Income tax authorities	23.6%	1	12	1.5	1
VAT authorities	9.2%	1	12	2.9	1
Environment	0.5%	1	1	1.0	1

Table 5.15: Number of visits by regulatory and administrative authorities annually

Note: The "% of Firms" column refers to the share of firms reporting payments, other values refer to those firms reporting visits.

Entrepreneurs were asked if they paid any bribe during the past 12 months, and 1.4% acknowledged having paid some amount of bribe. In other words, the vast majority of firms in Mymensingh town do not report paying any bribe — arguably quite a different scenario than that which prevails in Dhaka and Chittagong, where the perception is that paying bribes is the rule rather than the exception. Visits by labor inspectors are the most common (after tax inspectors), with a mean amount of Taka 400 paid annually by those who acknowledged paying to this regulatory official. A comparison of male and female enterprises shows that the latter group on average pays a lower amount of bribes to regulatory agencies (Table 5.16).

Gender	Count	Min	Max	Mean	Median
Male	1.4%	120	12,000	2,831.4	600
Female	0.0%	600	600	600.0	600
Total	1.4%	120	12,000	2,804.1	600

Table 5.16: Yearly bribes to regulatory agencies by male and female entrepreneurs

Note: Here, the term "bribes" describes payments made on a regular basis, with the frequency depending on the schedule of visits by inspectors or other government officials. It is noteworthy that a far higher percentage of firms (15.1%) made unofficial payments than made bribes (1.4%), perhaps reflecting that most firms in Mymensingh are too small to warrant regular visits from most government officials.

Law and Order

The study began with the hypothesis that poor law and order conditions have a significant adverse effect on day-to-day business operations. Accordingly, entrepreneurs were asked to respond on the propensity of selected disruptive scenarios. The findings (Table 5.17) reject the hypothesis that most enterprises are severely constrained or disrupted in running their business by hoodlums, extortionists, and an unstable law and order situation. Unlike their counterparts in the larger cities, entrepreneurs of Mymensingh town appear to have better experiences in terms of the law and order situation.

Statement	Over once a year	Once a year	Never
Pressure to purchase goods or employment through particular channels not of your own free choice	1.4%	1.0%	97.6%
Pressure to pay tolls to move goods in or out of your factory	4.4%	1.1%	94.5%
Experience difficulty in making delivery times or ask for additional time due to demand for tolls	1.4%	0.8%	97.9%
Lack of law and order having adverse impact on operations	2.4%	1.1%	96.5%

Table 5.17: Severity of weak governance and poor law and order conditions (in percentage)

The story for women entrepreneurs can be interpreted in two ways. First, the level of problems reported is much lower than expected, with roughly 10% of these firms reporting each of the four types of problems posed (the number of firms reporting any one of these problems, of course, could be higher than the 10% figure). However, compared to the overall incidence of these problems (Table 5.17), the relative frequency of problems reported by women (Table 5.18) is much higher — women report pressure to purchase goods through specific channels (row 1) at four times the rate of the general population. This practice almost certainly raises the cost of doing business for these business owners, and reflects a real disincentive to women entrepreneurs.

Other problems are also experienced with greater frequency by women. Focus group discussion revealed that women in business encountered some harassment from male customers as well as their male counterparts. The mixed message is that the problem is not as bad as generally thought, but nonetheless much worse for women business owners than for their male counterparts.

Statement	Over once a year	Once a year	Never
Pressure to purchase goods or employment through particular channels not of your own free choice	4.3%	5.8%	89.9%
Pressure to pay tolls to move goods in or out of your factory	4.3%	5.8%	89.9%
Experience difficulty in making delivery times or ask for additional time due to demand for tolls	4.3%	4.3%	91.4%
Lack of law and order having others impact on operations	4.3%	5.8%	89.9%

Table 5.18: Severity of weak governance and poor law and order conditions for women entrepreneurs (in percentage)

Infrastructure

Entrepreneurs were asked to rank a wide range of public services important to business activities. Respondents had the option to respond to a list of services in the following ways: no problem, moderate problem, severe problem, no access, and do not use. To highlight the more definitive responses, Figure 5.4 presents the percentage distribution of those who do not perceive the prevailing quality and quantity of services as a problem. The figure also presents the percentage of the sampled enterprises that view the respective services as serious problems.

Inadequate waste disposal, sewerage services, and poor road conditions are the three infrastructural constraints most commonly experienced by entrepreneurs. Roughly one out of three respondents viewed poor road conditions as a serious problem, while even slightly higher percentages of entrepreneurs reported high levels of dissatisfaction with the sewerage (36%) and waste disposal (39%) services. The problem of power that is frequently cited in large cities and industrial areas was not reported to be a serious constraint in Mymensingh, a finding that may be generalizable to other mid-size towns which, like Mymensingh, tend to be dominated by very small service-oriented enterprises (this constraint might be more pervasive among the larger manufacturing firms located outside the municipal boundaries). A look at the responses of the women entrepreneurs (data not shown here) suggests a similar pattern of responses to that of the overall sample.

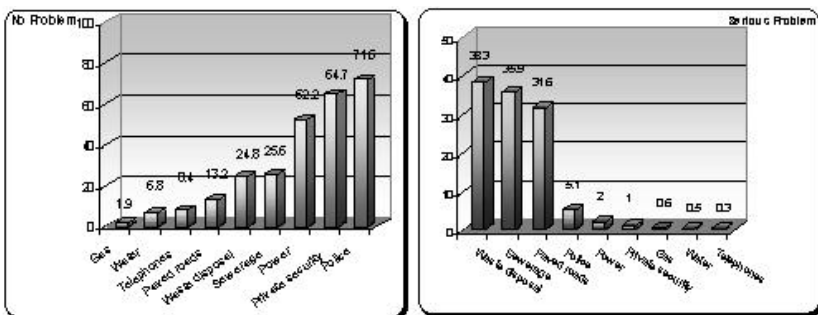


Figure 5.4: Perceptions of infrastructural services

Access to Credit

Access to credit has been cited again and again as a major problem for the smaller entrepreneur. In a recent study (Sarder, 2000) that ranked the support services required by SMEs, the overwhelming majority of respondents selected financial assistance as their number one priority. (One reason for this common response is that business owners around the world would like to have cheaper credit, which they believe is implicitly suggested by the question of access to credit.) The requirement to provide fixed assets as collateral acts as a strong deterrent for the small entrepreneur — and especially for women entrepreneurs.

Very few enterprises surveyed have an outstanding loan from a financial institution. The data in Table 5.19 identify reasons entrepreneurs opt not to seek credit. Relatively high rate of interest was cited as the major reason that entrepreneurs did not seek formal credit. However, this is closely followed by lack of perceived productive use of additional credit.

Statement	Average Score	Strongly Agree	Somewhat Agree	Do Not Agree
I am uninformed regarding banking/loan procedures	2.0	50.3 %	0%	49.7 %
I am not interested to seek any loan as it is not required either as working capital or for new investment	1.7	60.8 %	4.4%	34.8 %
I am not interested in obtaining a loan because the profit from expansion would not be higher than the interest rate	1.6	68.4%	6.6%	25.0%

Table 5.19: Reasons for not accessing credit from banks

Note: The lower the score, the greater the degree of agreement from respondents. Average were calculated by scoring "strongly agree" with a 1, "somewhat agree" scoring a 2, and "Do not agree" being given a 3.

Table 5.20 presents data from the entrepreneurs who have attempted to access credit from banks but have been refused. The issue of collateral is ranked as the most important barrier. Discussions with entrepreneurs revealed that the time factor in accessing formal loans also acted as a constraint. Often, especially during the peak season of business, the need for working capital is immediate; the formal procedures involved in obtaining a loan from a bank are sufficiently lengthy to provide an incentive for entrepreneurs to seek alternative sources of credit (e.g., moneylenders) who provide them with the necessary loans at high rates of interest but in a timely manner.

I have sought to obtain a loan, but the bankers are unwilling because:	Average Score	Strongly Agree	Somewhat Agree	Do Not Agree
I do not have collateral in terms of fixed assets	2.0	47.0 %	4.7 %	48.3 %
I've an outstanding loan	2.7	12.7 %	1.7 %	85.6 %
I am a first time borrower	2.6	18.8 %	2.9 %	78.3 %
I do not know how to complete a loan application	2.7	11.7 %	2.1 %	86.2 %
My loan application was refused without reason(s)	2.9	3.3 %	0 %	96.7 %

Table 5.20: Reasons for not accessing credit from banks*

Notes: The lower the score, the greater the degree of agreement from respondents. Average were calculated by scoring "strongly agree" with a 1, "somewhat agree" scoring a 2, and "Do not agree" being given a 3.

*This table reflects responses made by the firms that attempted to access loans.

Attitudes Toward Investment, Expansion, and Diversification

If the often-cited constraints to business expansion and diversification are not applicable in Mymensingh, what factors inhibit their growth? A series of illustrative statements were posed to the entrepreneurs in an attempt to identify the seeming affinity toward remaining small. The responses (Table 5.21) reveal risk aversion and a sense of opportunities. Of course, these characteristics may reflect very reasonable reactions to the existing business environment.

Statement	Overall		Male		Female	
	Mean	Rank	Mean	Rank	Mean	Rank
It is too risky to explore new ventures	1.6	1	1.6	1	1.6	1
Demand for my product/services are insufficient to warrant expansion	2.3	2	2.3	2	2.5	6
I do not have enough time to undertake the activity	2.3	3	2.3	3	2.3	4
My family and friends would not support such a venture	2.3	4	2.3	4	2.1	2
If I expand, income authorities will ask about source of funding	2.5	5	2.5	5	2.2	3
I do not have the education or experience to undertake larger activities	2.6	6	2.6	6	2.7	10
Customers do not pay on time and some are delinquent	2.6	7	2.6	7	2.6	9
If I expand, maastans and other pressure groups (police, politicians) are likely to harass me for toll	2.7	8	2.7	8	2.4	5
Suppliers/subcontractors do not abide by verbal/written contracts	2.7	9	2.7	9	2.5	7
There is a shortage of skilled labor in my type of business	2.8	10	2.8	10	2.5	8

Table 5.21: Perception on investment, expansion and diversification

Note: Strongly agree=1, Somewhat agree=2, Do not agree=3.

The study also explored entrepreneurs' perceptions of various types of problems (Table 5.22). As expected, access to finance again emerged as the most severe problem for the majority of entrepreneurs. Entrepreneurs also identified high interest rates as a high-ranking problem. Although company registration procedures and obtaining operating licenses for businesses is commonly held to be a significant constraint, these appeared to be less important for entrepreneurs compared to access to land, and governance issues.

Obstacles	No Problem	Minor/ Moderate Problem	Major/Severe Problem
Access to financing (collateral)	36.8	10.7	52.7
Cost of financing (e.g. interest rate)	53.2	9.2	37.6
Access to land	59.3	16.9	23.8
Corruption	66.0	17.0	17.0
Crime, theft and disorder	62.8	20.3	16.9
Macroeconomic instability (inflation, exchange rate)	69.4	18.8	11.7
Economic policy uncertainty	77.8	12.0	10.1
Transportation	62.7	28.6	8.8
Electricity	47.9	45.8	6.3
Tax rates and administration	87.9	6.3	5.8
Business licensing and operating permits	90.6	6.1	3.2
Customs and trade regulations	94.0	3.1	2.9
Anti-competitive practices	77.2	20.3	2.5
Telecommunications	100	0.0	0.0
Water	96.0	3.2	0.7
Labor regulations	95.1	4.3	0.6
Gas	99.8	0.4	0.0
Company registration	96.8	3.2	0.0

Table 5.22: Perceptions of the severity of different types of problems (% of respondents)

5.5 The Experience of Women Entrepreneurs

Akin to the overall picture of Mymensingh town, women-owned and -operated enterprises are dominated by service sector firms — mostly retail stores selling groceries (18%) and drugs, cosmetics and toiletries (13%). Tailoring is another service accounting for a significant number of women-owned businesses (10%). A break down of the types of businesses owned by the women sample for this study is provided in Annex Table A4.

Not surprisingly given the limited public role for women in Bangladeshi society, there are only a few women-owned enterprises in Mymensingh town. The majority of the female business owners are married (87.8%), while the rest are single, divorced or widowed. As has been mentioned, only about half of these businesses are actually operated or managed by women entrepreneurs. Most of the businesses reported to be owned by women are registered in the names of the female relatives of the “real” male owners for taxation or other purposes. At least 29% of the women-operated enterprises remain unregistered.

Differences in Perceived Constraints

All entrepreneurs revealed dissatisfaction with a range of infrastructural services, including the sewerage system, waste disposal, and the maintenance of roads. Perceptions regarding the quality of these services were similar and were ranked exactly the same regardless of the gender of the entrepreneur.

Access to credit is a problem for the vast majority of the small enterprises, as almost all formal financing institutions require collateral in the form of fixed assets (land or building). Access to credit — especially because of the requirement for fixed assets as collateral — was cited as a major constraint by both men and women entrepreneurs. However, it should be mentioned that this problem affects women entrepreneurs more acutely, because typically women do not own property that might be considered as collateral by banks.

Akin to their male counterparts, the vast majority female entrepreneurs rely more on personal resources or savings to start up as well as in running a business rather than depend on any external sources (Table 5.25). It appears that more women than men have had access to credit from NGOs.

Source of Finance	At Start (in %)			At Present (in %)		
	Male	Female	Overall	Male	Female	Overall
Own resources/savings	93.8	93.7	93.8	90.1	90.6	90.1
Personal borrowing	2.6	0.0	2.6	11.4	0.0	1.4
Money lender	0.0	0.0	0.0	0.0	0.0	0.0
Private commercial bank	0.4	0.0	0.4	1.2	0.0	1.2
NGOs	0.4	1.0	0.4	0.6	0.4	0.6
Nationalized commercial bank	0.5	0.0	0.5	1.3	2.7	1.3
Partnership/shares	1.6	2.9	1.6	1.4	2.9	1.4
Credit from suppliers	1.0	0.0	1.0	4.3	1.9	4.3
Other (specify)	0.1	2.5	0.1	0.0	1.5	0.0
Total	100	100	100	100	100	100

Table 5.23: Distribution of source of finance by gender

The following table (Table 5.24) demonstrates that three-fourths of the women entrepreneurs who have obtained credit from either formal or non-formal credit institutions required a signature from another family member to access that credit. As women are traditionally less encouraged to initiate a business enterprise or to join the formal labor force (and may be actively discouraged by other family members), this requirement places additional pressure on them. The table also shows that half of the women who did obtain credit from a formal source were required to provide collateral in terms of fixed assets.

Statement	Yes		No	
	Number	%	Number	%
Obtained credit from a bank or NGO	47	75.2	15	24.8
Organization required signature from family member for credit	23	50.0	23	50.0
Required collateral for credit	23	50.0	23	50.0

Table 5.24: Credit from a bank or NGO

During the open discussions, a number of the women entrepreneurs reported harassment from male customers or even their male counterparts. Survey findings indicate that this is an occasional rather than frequent problem (Table 5.25). The survey found that unofficial payments as share of revenue is almost twice as high for women entrepreneurs (2.04%) compared to male entrepreneurs (1.06%) among those firms that reported making such payments.

Harassment from:	Frequently	Occasionally	Never	Mean
Customers	26.6	8.9	64.5	2.38
Male employees	28.0	22.4	49.6	2.22
Competitors	24.6	5.3	70.1	2.45
Law enforcement authorities	11.0	41.0	48.1	2.37
Mastaans or influential people	26.6	7.9	65.6	2.39
Others	21.4	9.2	69.4	2.48

Table 5.25: Harassment encountered in running a business (percent)

Note: Frequently=1, Occasionally=2, Never=3.

The structured questionnaire explored the reasons that the number of women entrepreneurs did not increase at a higher rate (Table 5.26). Again, access to capital emerges as the most significant barrier to becoming entrepreneurs, with 90% of the women entrepreneurs identifying this as the reason that other women do not own businesses. Difficulties in finding workspace have been identified as another important reason — a problem that again stems from lack of resources. Another strong deterrent for women entrepreneurs appears to be family disapproval.

Reasons	Strongly Agree	Agree	Do not agree	Mean	Rank
Family disapproves	63.4	34.4	2.1	1.4	2
Lack of capital	90.0	6.8	3.3	1.1	1
Difficult to find work space	47.6	30.1	22.3	1.7	3
Women feel unsafe having a shop	39.6	53.5	6.9	1.7	4
Lack of skills	31.9	12.1	56.0	2.2	5
Difficult for women to obtain licenses/permits/registration	23.3	14.4	62.3	2.4	6

Table 5.26: Reason more women do not own business (in percentage)

5.6 The Role of Supporting Institutions

The survey identified fewer than 15 formal business associations with membership among the survey sample. However, 36 individual samities (local and/or sector-based associations of businesses in local markets) were discovered to be operating in various areas and marketplaces in Mymensingh town. Of the enterprises surveyed, only a small number of entrepreneurs were members of formal trade or business associations — about 4.7%. However, almost one-fourth (24.4%) were associated with market samities.

These market samities have evolved as alternative mechanisms to formal business support structures that exist but are inactive or ineffective for a variety of reasons. The majority of these samities deal with problems related to law and order and the day-to-day running of the marketplaces (e.g., keeping the market places clean, retaining private security). In fact, during discussions, the entrepreneurs responded that one of the primary reasons that these samities came into being was to deal with illegal toll collection by local *mastaans* and with harassment by public sector officials. Waste disposal was among the issues that ranked high on the entrepreneurs' list of constraints (Figure 5.4) and is one of the major services that the samities provide members. A number of samities also run informal credit circles or emergency funds for members.

Entrepreneurs perceive samities as being significantly more effective as business support bodies than is the local chamber. Table 6.26 suggests that while neither the chamber nor the samities were reported to be overwhelmingly effective in providing support to businesses, a significantly larger proportion of business owners reported that the samities were more effective. However, when asked whether their respective organizations — whether association or samity — looked after their overall sectoral interest, only 25.7% responded positively.

Issues	Chamber	Samity	Neither	No Comment	Don't know
Solving local mastaan problems	1.2	27.6	38.0	22.9	10.2
Dealing with income tax and VAT authorities	0.2	6.5	50.1	19.8	22.4
Dealing with public utility authorities	0.0	10.1	46.3	20.2	23.4
Help in resolving conflict with clients/ suppliers /others	0.0	21.1	47.1	19.5	12.2
Law and order (police protection)	0.7	12.3	47.3	19.7	19.9
Advocating pro-business policy changes	0.0	5.1	36.6	22.1	36.2
Marketing	0.0	3.4	53.5	20.5	22.6
Getting information on legal or regulatory changes/requirements	0.0	9.3	36.9	21.0	32.8
Help in obtaining credit	0.0	1.4	56.7	19.1	22.8

Table 5.27: Perceptions of samity and chamber effectiveness (in percentage)

Monthly fees paid by members are the only sources of funding for samities. Among the member businesses, about 83.7% pay regular monthly fees to their respective samities. Table 5.28 presents a comparison of monthly subscription rates for the associations and members. Apart from the monthly fees, samity members do not pay any other types of dues to their organizations.

	Association				Samity			
	% of Firms	Mean	Minimum	Maximum	% of Firms	Mean	Minimum	Maximum
Monthly fee/subscription	4.7	96.7	0	1,825	20.5	75.0	10	480
Entry fee	4.7	147.4	0	750	20.5	NA	NA	NA

Table 5.28: Monthly fees paid to associations and samities

The samities operate under certain limitations. The large majority of the samity members fall under the small and very small size class of businesses. As such, the members have a difficult time in keeping their businesses afloat. The time, effort, and resources they are able to allocate to the samities are, therefore, very limited no matter how enthusiastic the entrepreneurs may be. As has been mentioned, the samities evolved as a response to certain constraints encountered by the entrepreneurs. Hence, none of these samities have well worked out future plans or visions.

In defense of the chamber, while most small business owners do not perceive it to be very effective, by its very nature the chamber is geared toward the larger and more formal business sector. With 400 members, the chamber can hardly be said to be representative of the business class of Mymensingh town. However, discussions with the chamber members revealed their dissatisfaction with the behavior and performance of the samities.

The chamber responded to the unsurprising allegation that the chamber virtually ignored the very small businesses by saying that the samities could, as a group, obtain chamber membership instead of having individual members, thereby reducing costs and gaining influence. However, the samities only obtained membership when they needed the chamber's assistance or influence on selected issues and once the issue was resolved, did not bother to remain with the chamber.

There appears to be a communication gap between the samities and the chamber — a gap that neither side acknowledges or thinks of bridging. However, in their own ways, both these mechanisms can facilitate the creation of a business-friendly environment and are able to work together when the need arises. Recently, the chamber and the samities collaborated in a protest against the 15% VAT legislation. Collaboratively, they held rallies and meetings and met with local government officials to discuss solutions that both parties could be comfortable with. The issue of VAT is still pending; but both the samities and the chamber communicated that they feel that they have been able to make a positive impact with the government on this issue.

VI. Implications of the Research

Approximately 7,500 businesses cater primarily to the 320,000 inhabitants of Mymensingh town. The study found that average firm size was much smaller than the existing government definition of SMEs, with barely 2% meeting that designation of more than 10 employees. As a result, government policies that aim at providing special privileges for SMEs and small-scale businesses may, in fact, miss the great majority of firms and end up subsidizing larger businesses. Almost 90% of these businesses are in the service sector and the remaining 10% are involved in manufacturing.

Formal business or trade associations appear to be neither geared toward small businesses nor representative of the majority of businesses. The same holds true for the local chamber. However, the informal or semi-formal market-based samities have evolved to meet actual business needs and, consequently, fulfill some of the functions typically associated with both the government and the chamber.

Despite the structural and resource limitations of the samities, these forums are potentially effective business bodies that will serve their members' interests. The samities already respond to the needs of the member entrepreneurs as is evidenced by the fact that they deal with issues that the entrepreneurs have identified as major constraints. The chamber and the formal business associations, although not geared to the individual smaller entrepreneurs, may nonetheless be more influential as a policy advocacy tool, but the positions they take may not be guided by input from the vast majority of firms in the community. Increased dialogue between business associations, the chamber and samities, and samities and local government is desirable to maximize benefits.

Although there has been increasing focus on the provision of management and skills training by both the government and the development partners, businesses themselves do not place such a high emphasis on these services. In their perception, access to and the quality of local infrastructure and basic services appear to be more formidable constraints than weaknesses internal to the firm. Among those who have sought to obtain formal credit, the requirement of providing fixed assets as collateral has appeared as a major problem. In addition, with the low levels of

educational attainment of most of the entrepreneurs, lack of familiarity with the banking system also plays a role.

Contrary to popular knowledge, licensing regulations do not appear to be a serious barrier for smaller entrepreneurs. However, other aspects of the regulatory regime, particularly labor laws, may not be appropriate to small enterprises. In addition, government inspectors or tax collectors have discretionary powers that leave scope for unofficial payments.

The number of women-owned businesses (WOBs) in Mymensingh is very small, with less than 1% of businesses reporting this status, and perhaps only half that amount actually being owned by women. Any casual observer of Bangladesh will be familiar with some of the cultural barriers faced by female would-be entrepreneurs, but this research highlighted a number of practical dimensions that emerge in the business environment. WOBs not only face forms and levels of harassment that their male counterparts never see, they also sometimes face higher levels of the kinds of harassment meted out to men, as well. For example, women business owners face pressure to use specific marketing channels four times as often as their male counterparts. And while female entrepreneurs are less frequently targeted for bribes, they face higher levels of payments when opposite a corrupt official. These problems suggest that informal mechanisms to support and encourage female business owners may need to be supplemented with other formal protections that account for the more hostile environment that they face.

Studying the business climate of a single district is an approach attempted for the first time in Bangladesh. Given the varied characteristics of different parts of the country, it is difficult to draw definitive conclusions from this single attempt. To form substantive opinions about the business climate in a typical mid-sized town of Bangladesh, it would be necessary to study other towns. In addition, to gain a clear picture of how the economy of the town works, it is also necessary to examine businesses in the adjacent areas to study backward and forward linkages, and differences in the respective market structures.

Entrepreneurs in Mymensingh town are not seriously constrained by difficulties in accessing credit, abysmal governance, and poor law and order conditions. On the

other hand, improvements in infrastructural conditions such as roads and waste disposal are coveted. With the exception of the Labor Inspectorate and the VAT officials, other regulatory and administrative bodies are not viewed as major impediments to their business operations.

The findings of this study deviate significantly from studies of entrepreneurs in locations such as Dhaka or when sectoral paradigms are focused upon. Accordingly, this study casts doubts over the relevance of existing regulatory policies, supporting institutions, and enterprise development intervention strategies. A different mix of approaches and strategies are essential towards enterprise development in mid-size towns like Mymensingh.

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Annex I: Distribution of Enterprises – Census and Survey**Annex Table A1: Type of male-owned enterprise by category
by four-digit BSIC Code (Census)**

BSIC Code	Type of business	Count	%	Rank Order	
				Within Sector	Overall
	<i>Manufacturing</i>				
1515	Edible vegetable oil except hydrogenated vegetable oils	11	0.1%	9	55
1535	Rice milling	112	1.5%	4	23
1541	Bakery products	22	0.3%	6	44
1549	Manufacture of other food products	1	0.0%	13	77
1609	Tobacco manufacture	12	0.2%	7	53
1712	Dyeing, bleaching and finishing of textiles	1	0.0%	13	77
2010	Saw milling and planing of wood	11	0.1%	9	55
2109	Manufacture of other articles of paper and paper board	9	0.1%	11	59
221	Printing	25	0.3%	5	42
3611	Manufacture of wooden furniture and fixtures	149	2.0%	3	18
3621	Wood, cane and bamboo decorative handicrafts	9	0.1%	11	59
3691	Manufacture of jewelry and related articles	170	2.2%	2	14
3699	Other manufacturing	269	3.6%	1	8
	<i>Subtotal</i>	<i>801</i>	<i>10.6%</i>		

Annex I: Distribution of Enterprises – Census and Survey**Annex Table A1: Type of male-owned enterprise by category
by four-digit BSIC Code (Census)**

BSIC Code	Type of business	Count	%	Rank Order	
				<i>Within Service</i>	<i>Overall</i>
	<i>Service</i>				
123	Growing of nursery products	2	0.0%	60	71
159	Live stock and poultry services	19	0.3%	42	48
4510	Site preparation	10	0.1%	48	57
5041	Maintenance and repair of motorcycles and related parts	183	2.4%	12	13
5043	Repair of bicycles and cycle rickshaws	188	2.5%	11	12
5050	Retail sale of automotive fuel	26	0.3%	36	40
5111	Wholesale on a fee or contract basis (agents and brokers)	5	0.1%	53	64
5131	Textile, yarn and thread	19	0.3%	42	48
5134	Footwear	101	1.3%	21	25
5135	Leather and leather substitute products	17	0.2%	44	50
5137	Household furniture, appliances, cutlery, lighting articles	169	2.2%	13	15
5138	Medical goods, stationery, etc.	769	10.2%	2	2
5139	Games, toys, sports goods (including bicycles), watches, etc.	75	1.0%	24	28
5141	Wholesale of liquid and gaseous fuels and related products	3	0.0%	57	68
5143	Wholesale of construction materials, hardware, plumbing, etc.	115	1.5%	19	22

Annex I: Distribution of Enterprises – Census and Survey**Annex Table A1: Type of male-owned enterprise by category
by 4-digit BSIC Code (Census)**

BSIC Code	Type of business	Count	%	Rank Order	
				<i>Within Service</i>	<i>Overall</i>
	<i>Service</i>				
5145	Fuel wood and charcoal	31	0.4%	34	38
5147	Fertilizers and pesticides	25	0.3%	37	42
5158	Electrical apparatus, equipment and supplies	131	1.7%	16	19
5190	Other wholesale	5	0.1%	53	64
5212	Pan, cigarettes, biddies, betel nuts and tobacco	341	4.5%	4	4
5213	Confectionery	122	1.6%	18	21
5214	Rice, pulses, wheat and flour	75	1.0%	24	28
5215	Grocery and general stores	836	11.1%	1	1
5221	Meat - beef, mutton, or pork	37	0.5%	33	37
5222	Poultry	48	0.6%	29	33
5223	Fish and seafood	58	0.8%	27	31
5224	Fruits Shop	97	1.3%	22	26
4114	Vegetables Shop	123	1.6%	17	20
5226	Sweetmeats Shop	39	0.5%	32	36
5228	Beverages (any kind of drink except water)	7	0.1%	51	62

Annex I: Distribution of Enterprises – Census and Survey

Annex Table A1: Type of male-owned enterprise by category
by four-digit BSIC Code (Census)

BSIC Code	Type of business	Count	%	Rank Order	
				<i>Within</i>	<i>Overall</i>
	<i>Service</i>				
5231	Drug Store, cosmetics and toilet articles	312	4.1%	6	6
5232	Textile, clothing, hosiery, footwear and leather goods	608	8.0%	3	3
5234	Hardware, paints and glass	109	1.4%	20	24
5238	Timber and lumber	5	0.1%	53	64
5239	Retail sale in specialized stores	241	3.2%	8	9
5240	Retail sale of secondhand goods (clothing, etc.) in stores	42	0.6%	30	34
5262	Electrical repair	9	0.1%	49	59
5265	Welding and repair of iron and steel articles (blacksmith)	18	0.2%	43	49
5266	Repair of tire and tube	12	0.2%	46	53
5269	Repair	20	0.3%	40	46
5512	Hotels, rooming houses, camps, and other lodging places	15	0.2%	45	51
5521	Restaurants and non-residential hotels	338	4.5%	5	5
5523	Tea stalls	274	3.6%	7	7
6302	Storage and warehousing	23	0.3%	38	43
6412	Courier Service	1	0.0%	65	77

Annex I: Distribution of Enterprises – Census and Survey**Annex Table A1: Type of male-owned enterprise by category
by four-digit BSIC Code (Census)**

BSIC Code	Type of business	Count	%	Rank Order	
				<i>Within Service</i>	<i>Overall</i>
	<i>Service</i>				
6420	Telecommunications	190	2.5%	10	11
6601	Life insurance	1	0.0%	65	77
6712	Security Dealing Activities	2	0.0%	60	71
7290	Other computer-related activities	67	0.9%	26	30
7411	Legal activities	4	0.1%	55	66
7496	Photocopying	1	0.0%	65	77
8511	Hospitals, nursing homes and clinics	21	0.3%	39	45
8513	Homeopathic physicians	57	0.8%	28	32
8514	Unani and Ayurvedic physicians	10	0.1%	48	57
8515	Dental services	7	0.1%	51	62
8517	Outdoor clinics, dispensaries and rural health centers	2	0.0%	60	71
8518	Medical and dental laboratories	28	0.4%	35	39
8520	Veterinary activities	2	0.0%	60	71
9219	Other entertainment activities (Cable TV)	3	0.0%	57	68
9220	News Agency	1	0.0%	65	77

Annex I: Distribution of Enterprises – Census and Survey

Annex Table A1: Type of male-owned enterprise by category by region, BSIC Code (Census)

BSIC Code	Type of business	Count	%	Rank Order	
				Within Sector	Overall
	<i>Manufacturing</i>				
3611	Manufacture of wooden furniture and fixtures	1	1.43%	2	22
3691	Manufacture of jewelry and related articles	2	2.86%	1	14
	<i>Subtotal</i>	3	4.29%		
	<i>Service</i>				
5041	Maintenance, repair of motorcycles and related parts	1	1.43%	21	22
5050	Retail sale of automotive fuel	1	1.43%	21	22
5137	Household furniture, appliances, cutlery, lighting articles	3	4.29%	9	9
5138	Medical goods, stationery, etc.	6	8.57%	3	3
5143	Wholesale construction materials, hardware, plumbing, etc.	2	2.86%	14	14
5212	Pan, cigarettes, biddies, betel nuts and tobacco	2	2.86%	14	14
5213	Confectionery	2	2.86%	14	14
5215	Grocery and general stores	8	11.4%	2	2
5226	Sweetmeat Shop	1	1.43%	21	22
5231	Drug Store, cosmetics and toilet articles	9	12.9%	1	1
5232	Textile, clothing, hosiery, footwear and leather goods	4	5.71%	6	6

Annex I: Distribution of Enterprises – Census and Survey**Annex Table A2: Type of female-owned enterprise by category
by four-digit BSIC Code (Census)**

BSIC Code	Type of business	Count	%	Rank Order	
				<i>Within Service</i>	<i>Overall</i>
	<i>Service</i>				
5234	Hardware, paints and glass	3	4.29%	9	9
5239	Retail sale in specialized stores	2	2.86%	14	14
5512	Hotels, rooming houses, camps	1	1.43%	21	22
5523	Tea stalls	2	2.86%	14	14
6420	Telecommunications	2	2.86%	14	14
7290	Other computer-related activities	1	1.43%	21	22
8511	Hospitals, nursing homes and clinics	4	5.71%	6	6
8513	Homeopathic physicians	4	5.71%	6	6
8518	Medical and dental laboratories	1	1.43%	21	22
9302	Hairdressing and other beauty treatment	2	2.86%	14	14
9304	Tailoring services	4	5.71%	6	6
9306	Other service activities	2	2.86%	14	14
	<i>Subtotal</i>	<i>67</i>	<i>95.7%</i>		
	Total	70	100%		

Annex I: Distribution of Enterprises – Census and Survey**Annex Table A3:** Type of enterprise (overall) by category
by four-digit BSIC Code (Survey)

BSIC Code	Type of business	Count	%	Rank Order	
				<i>Within Sector</i>	<i>Overall</i>
	<i>Manufacturing</i>				
1535	Rice milling	3	0.7%	6	34
1541	Bakery products	7	1.6%	4	19
1605	Manufacture of Zarda	1	0.2%	10	52
1921	Manufacturing of leather footwear	1	0.2%	10	52
2010	Saw milling and planning of wood	1	0.2%	10	52
2221	Printing	3	0.7%	6	34
3611	Manufacture of wooden furniture and fixtures	12	2.8%	2	12
3615	Manufacture of metal furniture and fixtures	2	0.5%	7	42
3621	Wood, cane and bamboo decorative handicrafts	1	0.2%	10	52
3691	Manufacture of jewelry and related articles	7	31.6%	4	19
3699	Other manufacturing	14	3.3%	1	6
	Subtotal	52	12.1%		
	<i>Service</i>				
159	Livestock and poultry services	3	0.7%	29	34
5041	Maintenance and repair of motorcycles and related parts	13	3.0%	8	9

Annex I: Distribution of Enterprises – Census and Survey**Annex Table A3: Type of enterprise (overall) by category
by four-digit BSIC Code (Census)**

BSIC Code	Type of business	Count	%	Rank Order	
				<i>Within</i>	<i>Overall</i>
	<i>Service</i>				
5043	Repair of bicycles and cycle rickshaws	4	0.9%	25	29
5050	Retail sale of automotive fuel	3	0.7%	29	34
5111	Wholesale on a fee or contract basis (agents and brokers)	2	0.5%	36	42
5134	Footwear	2	0.5%	36	42
5135	Leather and leather substitute products	1	0.2%	43	52
5137	Household furniture, appliances, cutlery, lighting articles	10	2.3%	14	16
5138	Medical goods, stationery, etc.	6	1.4%	18	22
5139	Games, toys, sports goods (including bicycles), watches, etc.	2	0.5%	36	42
5143	Wholesale of construction materials, hardware, plumbing, etc.	6	1.4%	18	22
5145	Fuel wood and charcoal	3	0.7%	29	34
5158	Electrical apparatus, equipment and supplies	1	0.2%	43	52
5190	Other wholesale	2	0.5%	36	42
5212	Pan, cigarettes, biddies, betel nuts and tobacco	41	9.5%	2	2
5213	Confectionery	8	1.9%	15	17
5214	Rice, pulses, wheat and flour	1	0.2%	43	52

Annex I: Distribution of Enterprises – Census and Survey**Annex Table A3:** Type of enterprise (overall) by category
by four-digit BSIC Code (Survey)

BSIC Code	Type of business	Count	%	Rank Order	
				<i>Within Service</i>	<i>Overall</i>
	<i>Service</i>				
5215	Grocery and general stores	62	14.4%	1	1
5221	Meat - beef, mutton, or pork	2	0.5%	36	42
5223	Fish and seafood	1	0.2%	43	52
5224	Fruits Shop	5	1.2%	21	25
5225	Vegetables Shop	6	1.4%	18	22
5226	Sweetmeats Shop	3	0.7%	29	34
5231	Drug Store, cosmetics and toilet articles	23	5.3%	4	4
5232	Textile, clothing, hosiery, footwear and leather goods	29	6.7%	3	3
5234	Hardware, paints and glass	13	3.0%	8	9
5239	Retail sale in specialized stores	11	2.6%	13	15
5262	Electrical repair	2	0.5%	36	42
5266	Repair of tire and tube	1	0.2%	43	52
5269	Repair	2	0.5%	36	42
5512	Hotels, rooming houses, camps and other lodging places	3	0.7%	29	34
5521	Restaurants and non-residential hotels	14	3.3%	5	6

Annex I: Distribution of Enterprises – Census and Survey**Annex Table A3:** Type of enterprise (overall) by category
by four-digit BSIC Code (Survey)

BSIC Code	Type of business	Count	%	Rank Order	
				Within Sector	Overall
	<i>Manufacturing</i>				
5523	Tea stalls	12	2.8%	11	12
6420	Telecommunications	13	3.0%	8	9
7290	Other computer-related activities	5	1.2%	21	25
7496	Photocopying	2	0.5%	36	42
8511	Hospitals, nursing homes and clinics	5	1.2%	21	25
8513	Homeopathic physicians	4	0.9%	25	29
8518	Medical and dental laboratories	4	0.9%	25	29
8520	Veterinary activities	17	0.2%	43	52
9231	Library and reading room activities	7	1.6%	16	19
9301	Washing (and dry cleaning) of textile and fur products	4	0.9%	25	29
9302	Hairdressing and other beauty treatment	11	2.6%	13	15
9304	Tailoring services	13	3.0%	8	9
9306	Other service activities	12	2.8%	11	12
	<i>Subtotal</i>	<i>378</i>	<i>87.9%</i>		
	Total		100%		

Annex I: Distribution of Enterprises – Census and Survey**Annex Table A4:** Type of female-owned enterprise by category by four-digit BSIC Code (Survey)

BSIC Code	Type of business	Count	%	Rank Order	
				Within Sector	Overall
	<i>Manufacturing</i>				
3615	Manufacture of metal furniture and fixtures	1	2.0%	3	18
3691	Manufacture of jewelry and related articles	2	4.0%	1	9
3699	Other manufacturing	1	2.0%	3	18
	<i>Subtotal</i>	4	8.0%		
	<i>Service</i>				
5050	Retail sale of automotive fuel	1	2.0%	16	18
5111	Wholesale on a fee or contract basis (agents and brokers)	1	2.0%	16	18
5137	Household furniture, appliances, cutlery, lighting articles	3	6.0%	6	6
5212	Pan, cigarettes, biddies, betel nuts and tobacco	1	2.0%	16	18
5213	Confectionery	2	4.0%	9	9
5215	Grocery and general stores	7	14.0%	2	2
5225	Vegetables Shop	1	2.0%	16	18
5231	Drug Store, cosmetics and toilet articles	7	14.0%	2	2
5232	Textile, clothing, hosiery, footwear and leather goods	4	8.0%	4	4
5234	Hardware, paints and glass	3	6.0%	6	6

Annex I: Distribution of Enterprises – Census and Survey**Annex Table A4:** Type of female-owned enterprise by category by four-digit BSIC Code (Survey)

BSIC Code	Type of business	Count	%	Rank Order	
				Within Sector	Overall
	<i>Manufacturing</i>				
5239	Retail sale in specialized stores	1	2.0%	16	18
5512	Hotels, rooming houses, camps	1	2.0%	16	18
5523	Tea stalls	1	2.0%	16	18
6420	Telecommunications	2	4.0%	9	9
8511	Hospitals, nursing homes and clinics	1	2.0%	16	18
8513	Homeopathic physicians	2	4.0%	9	9
9231	Library and reading rooms activities	1	2.0%	16	18
9302	Hairdressing and other beauty treatment	2	4.0%	9	9
9304	Tailoring services	4	8.0%	4	4
9306	Other service activities	1	2.0%	16	18
	<i>Subtotal</i>	<i>46</i>	<i>92.0%</i>		
	Total	50	100%		