



# Challenges and Policy Actions for Vibrant MSMEs in Asia and the Pacific (Bangladesh Context)

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# Bangladesh Economy: Snapshot

## Key Economic Indicators

- GDP Growth Rate is 6.03%
- GDP Size is \$460 billion (contribution of SMEs is around 35%)
- Per Capita Income is \$2,850

## Key Exports

- Readymade garments (RMG) is the key sector for export earning (80%)
- Other export are under SME sectors like:
  - Jute and Jute Goods
  - Leather and Footwear
  - Agro Processing
  - Handicrafts, Home Décor etc.

## Major Sectors

- Industry with 37% of GDP (increasing trend)
- Agriculture with 12% of GDP and 40% of workforce
- Services with 51% of GDP (including IT, finance, and retail)

# SME Development Policies and Strategies: Focused Areas

The **National Industrial Policy-2022** and the **SME Development Policy-2019** are the major strategic documents for SME development in Bangladesh. These documents focused on

- **Skill and capacity development** (for new and existing entrepreneurs with special focus to youth and women)
- **Increase access to local and global market** (through product diversification, increase of competitiveness, promote import substitution, expedite export etc.)
- **Ensure easy access to finance** (through financial literacy, increase institutional capacity of lending agencies, adopt risk reducing tools like credit guarantee scheme by BB, Credit Wholesaling program of SMEF, rating agencies etc.)
- **Promote ICT, technology & innovation** (to increase productivity and competitiveness)
- **Women entrepreneurship development** (to ensure women participation in economy)
- **Cluster development** (to promote regional employment creation and industrialization)

# Implementation of SME Policy: Success & Barriers

## Success in implementation:

- ❖ Ensured inclusive, coordinated and holistic supports for SME development (through public and private sector participation)
- ❖ Tailor-made support programs for SMEs, particularly for new, youth, women, rural entrepreneurs have been increased
- ❖ Focus of development partners like ADB, WB, UNDP and JICA has been increased
- ❖ Potential sectors like jute, leather, agro-processing got priority and momentum
- ❖ Women entrepreneurs has significantly increased (more than 100% during last decade)

## Barriers to implementation:

- ❖ Access to bank credit and global market for SMEs have not significantly increased
- ❖ Budgetary support by the government is still inadequate
- ❖ Overlapping and redundancy of actions are wasting resources and misleading entrepreneurs

# Formalization of Informal Sector in Bangladesh: Key Initiatives

- ✓ Government formulated policy documents (NSD Policy 2020) to promote informal sector integrating into formal economy.
- ✓ Registration process has been simplified, issues of TAX & VAT and other government mandatory requirements has been relaxed.
- ✓ Country wide awareness, capacity building training, financial literacy, are extending through local government and private sector agencies like trade bodies and associations
- ✓ Banks are directed to design special loan programs to serve informal business through relaxing their terms and conditions (master circular of the Central bank)
- ✓ Development partners like ILO, UNCDF have been implementing projects to support and promote the informal sectors

# E-Commerce Adoption by SMEs : Opportunities & Barriers

## Opportunities:

- Significant number of new entrepreneurs (mostly informal, women, students) have been getting involved to economic activities through e-commerce and f-commerce
- Increased online base business playing pivotal role in employment generation and promoting linked businesses (like logistics, packaging etc.)

## Major Barriers:

- Limited digital literacy with low awareness and skills, especially in rural areas
- Inadequate infrastructure, particularly high cost but poor internet facility
- Access to credit for online based business (banks are reluctant)
- Trust & cyber security is becoming another concern for this potential sector
- Inefficient and poor supply chain system is one of the big concern (delivery cost is high)
- Regulatory issues are still complex for new and micro online and e-commerce business

# Key Initiatives for Women, Youth, and Entrepreneurs

## Women Entrepreneurship Support

- Government enacted National Women Development Policy-2011 to promote and integrate women in economic mainstream
- Government agencies like SME Foundation, Joyeeta Foundation, BSCIC have been implementing special skill and capacity building programs for women entrepreneurship development
- Central bank and SME Foundation took special credit programs with banks (low cost fund, collateral-free loans, dedicated desk in bank)

## Youth Entrepreneurship Support

- SME Foundation, DYD have special programs for create and promoting youth entrepreneurship
- Central bank provides low and soft fund to banks for lending to youth entrepreneurs
- Government established Startup Company for funding and promoting startups

# Promoting Green MSMEs in Bangladesh: Initiatives & Challenges

## Initiatives

- Government developed Green Transformation Fund (GTF) to promote eco-friendly infrastructure in export sectors like garments and leather.
- Central bank issued Sustainable Finance Policy for promoting banks to on-lend green business, also provide funding support for green product lines, including renewable energy and waste management.
- Solar Home System and biogas projects of IDCOL with the support of ADB to promote green technology adoption through NGO partnerships.

## Challenges

- High Initial Costs for upfront investment needed for green technology adoption.
- Many MSMEs lack understanding of Environment, Social and Governance (ESG) principles and green technologies.
- Insufficient availability of green loans and financial support.
- Limited government incentives for green investments.
- Weak enforcement of green standards and market barriers for MSMEs.



# Role of Private Sector in MSME Growth and Policy Implementation

Private sectors play a vital role in demand-side preparation by raising awareness about market trends, regulatory requirements and sustainability.

- Business associations, chambers, and trade bodies provide technical, managerial, and financial training
- Associations, including Federation of Business and Chamber of Commerce and Industries (FBCCI) district chambers & women chambers advocate for simplified regulations, tax reforms and gender-sensitive policies.
- Organizes trade fairs, B2B meetings and promotes e-commerce to expand SME market reach.
- Support SMEs in adopting sustainable business practices and ensuring compliance with global standards.

Thank you so much