Women Small and Medium Enterprise Entrepreneurs, Business Life Cycle, and Sustainable Development Goal 4.4: Bangladesh Perspective

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Abstract

This study identified challenges faced by women small and medium enterprise (SME) entrepreneurs in different stages of their business life cycle (BLC). Bangladesh is one of the signatories of the sustainable development goals (SDGs), and women entrepreneurship development is one of the key goals. To achieve SDG 4.4, Bangladesh needs to ensure the growth of women entrepreneurship in SMEs sector through amiable investment-friendly policy. A focused group discussions with prominent and start-up women entrepreneurs had identified outstanding concerns in four generic areas: Marketing, quality, finance, and production. A total of 133 women entrepreneurs were selected randomly for the quantitative survey. The research found that challenges related to marketing and quality are consistently positively related in different stages of BLC. Women SMEs are struggling more in their growth and maturity stage to ensure marketing and quality. Considering optimal production level and decision-making process, they do not invest in new machineries and marketing campaigns as it is not economically viable despite the fact that they have better access to finance at this stage. Finally, the paper covered a set of actions that can be taken for further research to carry out the actual problems of women SMEs in Bangladesh.

Keywords: Small and Medium Enterprise; Women Entrepreneurs; Small and Medium Enterprise in Bangladesh; Small and Medium Enterprise Problems; Exploratory Study on Small and Medium Enterprise

1. Introduction

Bangladesh has been placed among the top 35 of the 150 countries in the World Economic Outlook of October 2012 by IMF, with a gross domestic product (GDP) growth of almost 6% so far in FY 2013, as the country has shown the proof of a resilient economy (the World Bank, 2012). A reason behind this resilience against the negative global economic impact was the generation of exports and employment through small and medium enterprises (SMEs). As such, the SME market is expected to expand in recent future. Despite the promises, there still exist various challenges in this sector, especially for the women entrepreneurs.

Vibrant SME sector is one of the principal driving forces in the development of a market economy. The commonly perceived merits often emphasized for their promotion, especially in the developing countries like Bangladesh including their relatively high labor intensity, dependence on indigenous skills and technology, contributions to entrepreneurship development and innovativeness, and growth of industrial linkages. Previously, there was a misconception that large industries were the only contributors to an economy. However, the recent studies have shown that the compatibility of SMEs
with developing as well as developed countries is significantly high (Chowdhury, 2011). Majority of firms worldwide are SMEs, and they play a significant role in the economy.

The case for fostering SME growth in Bangladesh is irrefutable as these industries offer bright prospects for creating large-scale employment and income earning opportunities at relatively low cost for the underemployed, especially in the rural areas strengthening the efforts toward achieving high and sustained economic growth which are critically important prerequisites for triggering an exit from endemic poverty and socioeconomic deprivation (Philip, 2011). Even in the developed market economies, SMEs account for a large share in output and employment (UNECE, 2003).

Even though there are countless benefits that have been achieved from SMEs, their true potentials have yet to be reached. There are various constraints that have slowed out the pace at which SMEs’ contribute to the economy. The economy has inadequate infrastructure, limited funding sources, unavailability of resources, and political instability. Another major constraint lies in Bangladesh demographic usage. Looking into the demographic pattern of Bangladesh, we can see that almost half of the population consists of females. Creating new employment opportunities for new women labor force entrants through supporting women’s self-enterprise development can be an option to involve women in the country’s economic development. However, women have restricted employment and financial-dependence opportunities because of various reasons such as lack of education, low self-confidence, and many socioeconomic obstacles.

This paper aims to identify the major problems that these women entrepreneurs face in the SME sector of Bangladesh. The paper initially starts off with a review of the existing literature on the contribution of SMEs to Bangladesh economy, and then, the role that women play in this contribution. Then, it discusses the methodology used for this research, followed by the findings and the final understanding of the researcher.

2. Literature Review

SMEs are being focused on the least developed countries to bring about structural changes in the economies. In the context of Bangladesh, SMEs have assumed special significance for poverty reduction programs and potential contribution to the overall industrial and economic growth (Mintoo, 2004). BSCIC estimates suggest that there are currently 55,916 small industries and 511,612 cottage industries excluding handlooms (Chowdhury, 2011). Including handlooms, the number of cottage units shoots up to 600,000 units indicating a numerical abundance of small and cottage industries in Bangladesh. The most recent private sector survey estimates that the contribution of the micro, SMEs is 20–25% of GDP (Financial Experience, 2013). The average annual growth rate of small and cottage units is 3.15% (Mintoo, 2006). Food and allied products, textiles and apparels, and engineering and fabricated metal products are currently dominant in the SME sector. However, there is an increasing number of SMEs in sectors such as light engineering, readymade garments, printing and publishing, and wood and wood products.

The contribution of SME to Bangladesh economy is indeed promising. Various categories of SMEs together are reported to contribute between 80 % and 85 %of industrial employment and 23% of total civilian employment (The World Bank, 2012). SMEs stimulate private ownership and entrepreneurial skills, are flexible in nature, and can adapt quickly to changing market demand and supply situations, generate employment, help diversify economic activity, and make a significant contribution to exports and trade. Even in the developed market economies, SMEs account for a large share in output and employment (UNECE, 2003).

Regardless of the various benefits that are expected to receive from SMEs, we have to keep in mind that Bangladesh has basic weaknesses such as in case of unavailability of basic capital, lack of infrastructure, lack of skilled labor, and lack of supplies. Hence, the government needs to step in and make necessary contributions. Furthermore, due to the complexity of the international business environment and the comparative scarcity of resources, small- and medium-sized firms are at a disadvantage if they decide to compete internationally (Seringhaus, 1986). Donthu and Kim (1993) argued with empirical evidence that those who use more outside export assistance from federal, local government, and private
agencies tend to have higher export growth than those who do not use them. Another study also revealed that national export promotion policies serve as an export stimulus for managers that positively influences export performance (export goal achievement) (Katsikeas et al., 1996).

The emergence of women entrepreneurship in SMEs is a new phenomenon all over the world. In Bangladesh, women entrepreneurship started developing in fact after the Liberation of Bangladesh. Very few women entered the profession of business before the seventies. Bangladeshi women entrepreneurs need to have an extra quality in the form of dogged determination and resilience since this is needed to fight with adverse situations which seem to confront the female entrepreneurs than their male counterparts in the present-day context. (Chowdhury, 2011). It is publicly understood that the lack of entrepreneurship skills with limited capital and technology are the main causes of economic backwardness. Previous studies explored many issues which are facing women to participate in economic activities at the national and international level (Faridi et al., 2009).

Women are also facing multidimensional problems including violence worldwide, and it is considered as a crime. Violence against women and girls continues to be a global wave that kills, tortures, and maims physically, psychologically, sexually, and economically, and violence against women is present everywhere in the world, thus cutting across boundaries of culture, class, education, income, ethnicity, and age (Laura, 2003). Due to lack of education, women face another major issue in their business activities such as lack of awareness about the market and lack of knowledge about how to arrange finance for their business and social network. These issues lead to lack of confidence in women in making effective decision and encountering the challenges in their businesses.

Bangladesh’s population consists of approximately 49% of female, so it is clear that women have a sizeable portion of the population and demand more attention. They are considered as a supporting factor in the economic development of the country and can have a considerable effect on overall business and economic activities. Laura, 2003 emphasized that the role of women as an entrepreneur is vital toward the economy of a nation with respect to economic development and poverty reduction.

The demographic differences are not the only factors that are pushing Bangladesh backwards. There are various constraints that hinder the development of SMEs in Bangladesh, such as lack of medium- to long-term credit, limited access to market opportunities, technology, and expertise and business information. Lack of suitable incentives, inefficient, and limited services from relevant government agencies as well poor capacity of entrepreneurs are other reasons for the slow growth of SMEs (Alam and Ullah, 2006).

Other problems such as corruption, power shortage, political unrest, rising inflation, and natural disasters have withheld the true potential of the economy as a whole. The government should provide favorable environment for entrepreneurship development in terms of favorable financial, economic, sociocultural, legal policies, and functional infrastructure (Laura, 2003; Phillip, 2011) and (Laura, 2003) argued that entrepreneurship can play a significant and a positive role in the development of the economy in developing countries. Problems in maintaining high quality, especially for SMEs which target to grow in size, were highlighted in the paper by Hossain et al., 2009. Similarly, for businesses which have been successful in the SME, other challenges for their growth include obtaining economies of scale and getting hold of cost-effective raw materials, to keep and enable them to compete in the market (Chowdhury, 2007).

So far, it could be seen from the above literature review that there is a lack of quantitative or analytical study done on the SMEs in Bangladesh. However, based on the existing literature, it can be said that the SME sector of Bangladesh shows promise and it does have the potential to develop the economy of the country and have contribution to the alleviation of poverty. As such, the paper aims to bridge the gap in terms of carrying out quantitative analysis to validate existing literature present on SMEs and also to act as stepping stone for further research in SMEs in Bangladesh.

3. Methodology

The study is exploratory in nature, as it aims to identify crucial problems faced by the women entrepreneurs in the SME sector of Bangladesh. As such, the reasoning was based on deductive
methodology - involving both qualitative and quantitative data collection and analysis (Denscombe, 2002). The researchers used stratified random sampling to identify a sample which accurately represents the present composition and contribution of women in the SME sector of Bangladesh. The sampling stage was important because a wrong sampling of the existing scenario would lead to findings of the study which are inconsistent with the real-life scenario (Anderson et al., 2010) of Bangladesh. As such, special care was given while selecting a sample population for the study. The sample selected was 133 experienced women SMEs who came from different areas and specializing in different sectors of the industry.

Initially, qualitative data analysis was done through focused group discussions with groups consisting of four members each (Denzin and Lincoln, 2008). The target of the focused group discussion was to talk about the problems that they face every day. The outcome from this initial focused group interview would be categorized as set of problems that the entrepreneurs have discussed about mostly.

The next step was to generate a questionnaire which included all the problem categories that emerged in the discussion phase. The target of the questionnaire was to find the opinion of all the individuals in the sample in regard to the problems. The opinions were measured through the use of Likert Scales, and every effort was made to make sure that all the respondents understood the questions and their opinions were not biased or polarized (Anderson et al., 2010). The data collected on this stage were initially analyzed to observe trends, and then, multiple regressions were carried out to further determine whether any statistically significant relationship exists and whether the findings support literature review.

3.1. Data analysis and interpretation

The last section discussed on the methods that were used to conduct the research. This section discusses the analysis and the findings.

The first set of focused group discussions targeted to find the problems that were faced by the women entrepreneurs. Transcripts of the focused group discussions (FGDs) were analyzed, and the following four groups of problems were found:

1. Marketing problems - All the participants discussed about the problems that women entrepreneurs face in marketing their product and competing in the market with the settled and larger brands. Of the diverse nature of topics discussed, problems related to gaining access in new and more profitable markets, pinning down the best location for the business, handling competition, and properly allocating the small budget for marketing were mentioned by the majority of the respondents.

2. Quality problems - From the discussions, the issues related to the quality of the products the entrepreneurs sell were found to be related to ensuring a consistent standard of good quality and also at an affordable price.

3. Financial problems - The participants were keen to point out the extent of problems that they face in doing business in terms of getting access to funds. Furthermore, another financial issue was competitiveness, as they were forced to keep lower profit margins.

4. Production problems - This was the last category of problems discussed by the respondents in FGD. The production-related problems were mostly related to recruiting and then retaining skilled labor, and also obtaining sources of cost-effective and good quality raw materials.

Based on these findings, a questionnaire was designed to find the importance that the women entrepreneurs place on each of these major categories of the problems. The detailed methodology has already been discussed in the previous section.

For the questionnaire survey, the variables that were used to define the sample’s characteristics were the length of business and the stage in business life cycle (BLC). The length of business is categorized into three groups - start-ups, medium experienced businesses, and the highly experienced businesses. On the other hand, the variable stage in BLC is divided into three groups as well - loss-making project, project breaking even and profitable project. Based on these two defining categories, further analyses have been done. The data collected on the four categories of problems were based on a Likert scale, where one stood for least important and five being most important. The data were
collected on different subcategories under the major problem categories. Then, based on the assumption that all the subcategories were given equal importance, a mean score for each category was calculated. Further analyses have been carried out based on these mean values and the grouping variables.

First of all, the average values for the problem factors were plotted in a line chart. The trends for the problems for different lengths of business are shown below:

Figure 1 shows that, for the marketing related problems and the production-related problems, all the lengths of businesses are more or less given the same amount of importance. Highly experienced businesses give higher importance to the quality problems. This validates the existing literature (Chowdhury, 2007) that, for SMEs to be sustainable, they need to offer good quality products. Another interesting trend can be observed for the financial problems. In case of the start-up business, access to finance for setting up initially in business is important. Similarly, experienced women entrepreneurs have also given importance to financial issues, which again validates the findings from theory that having access to finance is a demanding issue for all those businesses who have intend to expand into new markets, due to being successful in the existing market.

Figure 2 shows the trend of problems for different stages of SME BLC.

Consistent with the findings from Figure 1, marketing problems were observed to be of similar importance to all the entrepreneurs. Businesses that have broken even and are on the verge of becoming profitable also gave importance to production problems. This validates the concept that, after a certain stage of doing business, competitive advantage also lies in production-related issues (Chowdhury, 2007). The trends for quality and financial issues are also consistent with Figure 1 and the existing concepts - businesses that tend to lose money and need to break-even highly required funds and have products of good quality. For business that is profitable, the entrepreneurs know that the profitability stems from good quality products in the market and so they give higher importance to the quality-related issues. Furthermore, for profitable businesses, a big challenge is to grow further, avoid the decline stage of a business lifecycle, and become a larger business. Moreover, to expand in size, as the literature review has already shown, a major barrier again is accessed to funds.

The next step was to carry out two multiple regressions - one for length of business and the other for the stage in business lifecycle, where the independent variables were the problem factor averages that have been identified and calculated. The results of these regressions are summarized in Table 1.

It can be seen that the importance of marketing related problems does not vary much by different lengths of experiences for entrepreneurs and also by different stages in BLC. This is because the test regression results generated by this variable are not statistically significant ($\beta = 0.01$, $P = NS$;

Figure 1: The length of businesses and the problem factors of the women entrepreneurs in Bangladesh
In case of problems related to quality, there is a positive relation with both length of business experience ($\beta = 0.46$, $P < 0.001$) and the stage of BLC ($\beta = 0.22$, $P < 0.01$). This result can be supported by both theory and the exploratory graphs, which inferred that better quality is an increasing concern for business having higher experience and better performance (Hossain et al., 2009). On the other hand, concerns for access to funds decrease good performance over time ($\beta = −0.18$, $P < 0.05$; $\beta = −0.34$, $P < 0.01$). This is because when businesses are considerably successful, it gets easier for them to get funds. This fact can be supported by the outcomes of the FGDs and also from the initial review of existing literature (Alam and Ullah, 2006; Khalique et al., 2011). Finally, for problems related to production, the regression output was not significant for entrepreneurs doing businesses for different years ($\beta = −0.15$, $P = NS$). A different picture can be observed for business lifecycle stages, which showed that for successful business put more emphasis on production ($\beta = 0.29$, $P < 0.01$). This supports the theory of competition, wherein a perfectly competitive market, profit can be made through efficient and cost-effective production procedures (Abimbola, 2001).

Based on the $R$, $R^2$, and the adjusted $R^2$ scores, it can be concluded that both the regression models were statistically robust and can be used to make inferences about the data collected. Furthermore, the results from the ANOVA further confirm the fact that the Beta’s obtained were statistically significantly significant.

### Table 1: Regression table

<table>
<thead>
<tr>
<th>Variables</th>
<th>Length of business</th>
<th>BLC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$B$</td>
<td>$SE$</td>
</tr>
<tr>
<td>Marketing problems</td>
<td>0.01</td>
<td>0.08</td>
</tr>
<tr>
<td>Quality problems</td>
<td>0.46</td>
<td>0.09</td>
</tr>
<tr>
<td>Financial problems</td>
<td>−0.18</td>
<td>0.12</td>
</tr>
<tr>
<td>Production problems</td>
<td>−0.15</td>
<td>0.13</td>
</tr>
<tr>
<td>$R$</td>
<td>0.445</td>
<td></td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.200</td>
<td></td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.178</td>
<td></td>
</tr>
<tr>
<td>$F$</td>
<td>8.001</td>
<td></td>
</tr>
<tr>
<td>Significance ($F$)</td>
<td>$0.000^{***}$</td>
<td></td>
</tr>
</tbody>
</table>

* $P<0.05$, ** $P<0.01$, *** $P<0.001$, NS: Not significant, BLC: Business life cycle, SE: Standard error

$\beta = 0.07$, $P = NS$).
different from each other. Hence, models developed were reliable, and coefficients indeed have an impact on both the dependent factors (Anderson et al., 2010).

3.2. Outcomes and recommendations

The FGDs with the respondents highlighted four categories of problems being faced by the women SME entrepreneurs in Bangladesh. An opinion survey carried out based on these findings gave insight to the following outcomes:

- In general, with increasing experience and better business performance, the women entrepreneurs put more emphasis on the quality issue to maintain competitiveness in the market.
- A major challenge for women entrepreneurs at their starting up phases is getting access to bank loans, without mortgage, and at a reasonable interest rate. On the other hand, successful and experienced businesses find it easier to get this finance.
- All the women entrepreneurs have given more or less equal importance to the marketing-related problems, which concerns mostly catering to the needs of the market, making their products more appealing to the market, and advertising their product within a meager marketing budget.
- For women entrepreneurs who have reached the maturity phase of their business lifecycle, production-related problems are of major concern.

Based on these findings, the following set of recommendations can be suggested to any organization or to the government of Bangladesh to improve the present situation of women SME entrepreneurs in Bangladesh:

- Means of improving quality of the products without extensively increasing the cost.
- Support in obtaining finance at lower interest rates and possibly without substantial collateral to expand business.
- Help in marketing the products. This can be in the form of training workshops, subsidized advertisement campaigns, etc.
- Access to a skilled pool of labor with a low turnover rate.

4. Conclusion

This paper aimed to explore the problems faced by the women SMEs in Bangladesh. It set out to show the growth of women entrepreneurs in the SME sector and the role that they play. This was followed by a literature review, which showed that despite the importance of this role, there is a diverse nature of problems that hinder their growth. Based on the literature, a methodology was discussed to identify the nature of the problems and the level of importance they are given by the entrepreneurs. Based on this methodology, research was carried out. The last two sections have discussed the findings, implication, outcomes, and the recommendations of the research.

The research carried out here was of exploratory nature, and as such, the objective was to find the outstanding issues. Due to the limitation of time and resources, the further relationship among the various factors could not be analyzed. These analyses can act as a direction for future research in this area. Another area that has been slightly touched in this paper was developing solutions for the women SME entrepreneurs. Further research can be carried out in this area as well, to develop a concrete set of policies or models, having measurable impact on the SMEs.

References

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