

**Speech by Mr. Md. Sabur Khan, President, DCCI in the program on "Joint initiatives of Bangladesh Bank and CIRDAP for Development of SMEs" jointly organized by Bangladesh Bank and CIRDAP (Centre on Integrated Rural Development for Asia and the Pacific). Venue: CIRDAP International Conference Centre, Date: July 14, 2013 at 11:00 a.m.**

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**BISMILLAHIR RAHMANIR RAHIM,**

Hon'ble Chief Guest Dr. Atiur Rahman, Governor, Bangladesh Bank;

Chair of today's program Dr. Cecep Effendi, Director General, CIRDAP;

Distinguished Guests and Participants;

Representatives of media both print and electronic;

Ladies and Gentlemen;

**Assalamu Alaikum and very Good Afternoon**

At first, I would like to express my thanks and gratitude to Bangladesh Bank and Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP) for jointly organizing a program on "**Joint initiatives of Bangladesh Bank and CIRDAP for Development of SMEs**" and inviting me in such an important program.

**Distinguished Gatherings,**

- The government has targeted the SFYP outlay of Tk 13.47 trillion, setting the objective of reducing the poverty level to 22% from existing level of 31.5%. About 77.2% of the investment of the Sixth Five Year Plan (SFYP) will be undertaken by the private sector. To achieve 8% growth by 2015, the government has emphasized manufacturing and organized services sectors, the investment ratio to GDP will be increased by 8 percent by the end of the plan period to 32.5% from the existing around 26.58 percent.
- Small and Medium Enterprises (SMEs), the life blood of Bangladesh Economy has been contributing about 25% of GDP to the value addition in manufacturing sector in Bangladesh. We believe that SMEs are critical to our future economic prosperity. It is imperative that we listen to the voice of SMEs and ensure we are putting in place the right frameworks and structures (legal, regulatory, taxation, competition policy and financing) to encourage entrepreneurship and make it easier for SMEs to focus on what they are in business to do.
- SMEs are the largest employers and the largest contributors to GDP. Empirical studies have shown that SMEs contribute to over 55% of GDP and over 65% of total employment in higher income countries. SMEs and informal enterprises, account for over 60% of GDP

and over 70% of total employment in lower income countries, while they contribute about 70% of GDP and 95% of total employment in middle income countries.

- SMEs are the major growing force behind the fastest growing economy of China, in terms of contribution to the national GDP (accounting for 40%), scale of assets, diversification of products, and the creation of employment. Similarly, the role of SMEs is well acknowledged in other countries such as Japan, Korea, and all other industrialized economies in terms of creating employment, reducing poverty and increasing the welfare of the society. Ninety-eight percent of all businesses in Australia are SMEs and they provide private sector jobs for nearly 4.8 million Australians.
- Bangladesh's inclusive growth strategy views SMEs as crucially important drivers of sustained broad based output, employment and income generation. Government and civil society organizations are active in supporting and promoting SME initiatives, working for removal of the financial and nonfinancial impediments to their commercial sustenance in the supply chains of the goods and services they produce.
- Experts and economists are unanimous about the role and importance of small and medium enterprises in the development of Bangladesh economy. Without a few fertilizer factories, pharmaceuticals companies, cement factories, steel and telecom companies all other business entities in Bangladesh are SMEs. An estimated number of these SMEs in Bangladesh are about 6 million (60 Lac) about 75% of which are located in rural areas. These are producing around 50% of our industrial output each year, generates highest number of employment, producing low cost quality products and contributing in import substitution and saving foreign currencies.
- Financing the productive capacity of the economy is critical to long term economic success of SMEs. While large businesses have various options open to them, including the capital markets, SMEs are heavily dependent on the banking system. Access to strategic financial advice is one of the biggest challenges that SMEs face. SMEs in our country are labour intensive with capital which matches our abundant supply of cost efficient labour. But higher costs of funds are deterring this sector to grow to its fullest level.
- The barriers or challenges that SMEs in Bangladesh face are: poor infrastructure and utility supply, unavailability of collateral free bank loan, limited access to information, traditional technology, low productivity of labor, lack of entrepreneurship development program, lack of sector specific skilled manpower, complicated bureaucratic procedures, lack of marketing knowledge, high bank interest rate, lack of government support to search export market, lack of testing facility, loose imposition of IP law, absence of skilled channel of distribution to ensure fair price of growers and absence of SME support centers etc.

- Entrepreneurship is universally recognized as critical resource in the economic development process of a country. Entrepreneurs will continue to play a dominant role in the economic growth particularly industrial growth during the 21st century. Bangladesh has adequate potential for entrepreneurship development as essential qualities such as, innovativeness, risk-taking, perceiving economic opportunities, strong commitment, vision etc. is available among a good number of educated and young people of the country. Given the opportunities and with needed support they can be emerged as future winning entrepreneurs.
- Bangladesh adds 2 million people to its labor force every year and a significant portion has great potentials to be self-employed. They can be engaged to create a revolutionary force for effective economic growth through exploring entrepreneurial opportunities. In order to achieve the employment targets, industrial growth, improved socioeconomic structure and keep positive impact to GDP aligned with the targets of the government announced policies, Dhaka Chamber of commerce and Industry (DCCI) in association with Bangladesh Bank has come forward with an innovative idea of **Creating 2000 New Entrepreneurs in 2013** along with a parallel event of an expo titled Entrepreneurship and Innovation Expo-2013. This is an outstanding and unique initiative in the country as the Entrepreneurship Talent Hunting has already been started throughout the country to collect talents form every nook and corner of the country.
- In order to support the business community of home and abroad, especially the SME entrepreneurs, Dhaka Chamber of Commerce and Industry (DCCI) has established DCCI Helpdesk at its own premises. All the distinguished members of DCCI and the business community will get services regarding registration, trade, commerce, business and investment from this help desk.

### **Distinguished Gatherings,**

I personally believe that:

- A healthy SME sector is critical to the development of Bangladeshi economy,
- The ability of this sector to access finance is key to future growth and the creation of jobs in the country,
- Banks committed to SMEs must put in place frameworks, including skilled bankers, tailored to meet the unique needs of SMEs.

There are some key structural and regulatory factors that are influencing the ability of SMEs to access finance.

Government should take initiatives to promote SMEs and attract investors from home and abroad. This is because we have some opportunities to offer appropriate policy frame work, huge pool of easily trainable manpower and consistent commitment from government and private sector.

Dhaka Chamber of Commerce and Industry (DCCI) is the largest and most active Chamber of the country and act as the private sector representative. DCCI is always in favour of the activities that are necessary for the development of private sector and national economy. I assure all types of cooperation from DCCI.

I do not like to prolong further. I would once again thankful to you all for being with us.

Thank you all once again

Khoda Hafez

**Md. Sabur Khan**  
**President, DCCI**  
**July 14, 2013**

