SMALL ENTERPRISE DEVELOPMENT IN BANGLADESH:

A STUDY OF

NATURE AND EFFECTIVENESS OF SUPPORT SERVICES

By

JAHANGIR HOSSAIN SARDER

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Department of Management and Organisation
University of Stirling

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ABSTRACT

This thesis examines empirically the demand for as well as the supply, design and the effects of small enterprise support services in Bangladesh.

Recognition of the role of small enterprises in economic growth and development has resulted in promoting institutions for providing support services to these enterprises in most developing countries. From the very beginning, expectations have been very high on the effectiveness of this supply-side intervention in fostering healthy growth of the small enterprises sector. As a result, there now exist numerous agencies, both in the public and private sector, for providing support services. However, the initial high expectations about the effectiveness of these services now seem somewhat over optimistic or, as in some cases, even unrealistic, giving rise to a re-examination of the effectiveness of these services and the institutions involved, particularly between the public and private sector organisations. In the literature, apart from the question of the nature and need for support services from small enterprises, there is also the issue of how these services can be evaluated.

To address the issues of evaluation, a framework is developed, bringing together major influences on the evaluation process. The framework was applied to a sample of predominantly manufacturing small enterprises, located in the district of Dhaka - the capital city of Bangladesh. Data were gathered through interviews with owner-managers of the small firms. The study also surveyed major public and private support agencies involved in the small enterprise sector.

The findings support a view that, overall, the effect of assistance is low, in terms of growth in sales, employment and value added. Financial assistance, however, seems to have a considerable effect on survival, start-up process, production and sales turnover of small firms. Here, the study underlines the importance of extensive support, comprising financial and non financial components. It uncovered that most firms do not receive the services they need and want. The study confirms the view that an agency - which is private, small, autonomous, closer to its clients in terms of people, processes and structures employed, and provider of financial and non financial assistance - can effectively meet the needs of small firms. Thus, private support agencies are well suited in terms of design and are more effective, perhaps due to their pre-selection of few viable small firms, unlike the public agencies. There is evidence, however, to conclude that public support organisations play a major role in the survival of small firms, usually less attractive to private support agencies. Overall, the study underpins the view that assistance can be a trigger to the development of small enterprises, if it is selective.

Evaluation of support services, as the findings suggest, can be done by an exploration of the supply-demand interaction, viewing supply-inputs through a process to ultimate outputs. Finally, the study recommends, among others, a restructuring by formation of partnership between the public and private support agencies for the promotion and development of small enterprises in Bangladesh.

TO THE MEMORIES OF MY FATHER AND FATHER-IN-LAW

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WORDS USED INTERCHANGEABLY

Entrepreneur = Small Entrepreneur = Owner-Manager = Owner

Firm = Enterprise = Small Enterprise = Small Firm = Industry = Small Industry = Small Business

Support Services = Assistance = Help = Support = Services = Aid

Support Agency = Support Organisation = Institution = Organisation = Agency

Government = Public

CHAPTER ONE

INTRODUCTION

1.0 THE RESEARCH TOPIC

There has been a considerable interest in the development of Small Enterprise (SME[1]) throughout the world in recent decades (ILO, 1961; Bolton, 1971; World Bank, 1978; Birch, 1979; Gibb, 1993). The reasons, often cited for the focus on small enterprises, vary and mainly include recognition of their labour intensity, superior productivity, innovativeness, ability to 'fill out' the local economy, role in poverty alleviation and in providing efficient support structures for large firms (Liedholm and Mead, 1987:1; Rosa, 1992:7). However, whether some of these claims that have been made for the small enterprise sector are justified, or not, is a point of debate (Little, 1988; Scott, 1989).

The recognition of the role of a viable small enterprise sector in sustainable development has prompted the creation of many special programmes and institutions, both public and private, for the promotion and development of small enterprises (Mann *et al.*, 1989; Mahajan and Dichter, 1990). As a result, numerous support programmes and institutions, most of which have been developed in the public sector during the last 25 years, exist and are a standard feature of development strategy in many Third World countries (Gibb and Manu, 1990:10; Timberg, 1992:42). These institutions offer various forms of support services, which are broadly hardware - finance, land, building etc., and software - training, management

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[1] An SME refers to an establishment with a maximum of 49 full-time employees. For more details, Appendix 1.1.

counselling etc., for existing and new small firms. Thus, large amounts of money, for example, the World Bank alone lent at least US $ 3 billion between 1973 and 1989 (Timberg, 1992:42), have already been poured into the sector with the aim of ensuring the healthy growth of small firms.

The experience of developing countries over the last decade and more, however, suggests that their efforts to assist small enterprises have met with only limited success (Hailey, 1991:9). Although it is true that many new and existing small firms have been assisted over the years in many developing countries, most SME programmes and institutions appear to have reached and assisted a fairly small number of the units that exist and are theoretically eligible for support, leaving a vast majority untouched (Farbman and Steel, 1992:32). More importantly, questions are being asked as to what effects support services are having on the assisted small enterprises (Hailey, 1991:1; ILO, 1992:14). This question has received increasing attention not only because of the rapid expansion of support programmes and agencies, but also because there is much pessimism and debate about what benefits the assisted firms derived from support services (Harper, 1984; Gupta, 1990). In fact, knowledge about the impact of support services is quite limited in the context of developing countries (Timberg, 1992:46).

Research results, in general, around the Third World have highlighted limited impact in terms of growth, profit generated or jobs created (Kilby, 1979; Sandesara, 1988), while cases of success, such as some programmes in India (Bhatt, 1988) and the Philippines (Tecson et al., 1989), are rare. This general lack of impact, however, has been traced to the absence of clearly thought-out policies, and the ineffectiveness of the institutions involved (Neck, 1977; Little et al., 1987; Young, 1993:5). As such, calls have been made for a set of policy

guidelines, and the redesign of the support institutions including their delivery mechanism of support services (Gibb and Manu, 1990:10).

In particular, attention has been focused upon the ineffectiveness, and in most cases, failure of the public sector institutions as a mainstream enterprise development agency in the context of developing countries (Gupta, 1990:19; Hailey, 1992:11). On the other hand, success stories about increasing participation of private sector institutions are appearing (Harper and Hailey, 1991). Perhaps, that is why there has been an increasing tendency among international development agencies and donor countries in recent years to favour and support private sector institutions over public agencies as an effective intermediary for small enterprise development in Third World economies (Levitsky, 1990:46).

In this context, there is much debate on what measures and methods are to be used in the evaluation of support services. Here, research offers no consensus (Hitt, 1988:28). For example, some studies (Smith, 1983; Manu, 1988) have used only qualitative measures of effectiveness while many others have applied the quantitative method of 'Volume Criteria' - number of clients assisted, jobs created etc. (UNDP et al., 1989; Webster, 1990). Few studies have applied the rigorous 'Cost-Benefit' analysis (Kilby, 1979; Otero, 1989; Kilby and D'Zmura, 1985). Some combinations of qualitative and quantitative methods have also been used in a number of studies (Sharma, 1979; Tecson et al., 1989). Yet there is another group that have attempted at evaluation using control groups (GTZ, 1982; Saini, 1994). These studies have, however, limited real value since even the sophisticated methods adopted in such studies are often problematical and are contrived in their methodology and results (Gibb and Durowse, 1987:8). As such, some more sophisticated evaluation instruments are called for to assess real 'additionality' of support services - namely, events that would not

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have taken place without support services or results which could not have been obtained by other means (Gibb and Durowse, 1987:8).

In Bangladesh, as in many other developing countries, small enterprise plays an important role in the socio-economic development of the country. Numerically, these enterprises typically comprise over 98 per cent of all industrial units, are responsible for the creation of 4 out of 5 industrial employment opportunities and account for over 46 per cent of the industrial contribution to gross domestic product (GOB, 1992). Because of the employment potential offered by small enterprise and its particular suitability for development, special emphasis has been placed in government policies to produce rapid growth in this sector. It was declared a 'PRIORITY' sector for development in the mid-eighties (GOB, 1986). This emphasis in policy has resulted in the creation of a wide range of support services for this sector. To channel those services, a large network of government agencies has been created and nurtured as a mainstream enterprise development agency during the last twenty years (Ahmed, 1985). In addition, some private agencies, both national and international, have also been found to be involved in the promotion and development of small enterprises since the early eighties (Mannan, 1993). As a consequence, there has been a noticeable proliferation of support activities in Bangladesh.

Despite these substantial efforts by the public support agencies during the last two decades, the growth and development of the SME sector appears to be very slow and unsatisfactory (Reza et al., 1990:149). This has raised a question about the effectiveness of the support services offered by various institutions (Mannan, 1993). Little, however, is known about the nature of the support services provided by different agencies, especially the involvement of private sector support institutions in the promotion and development of small enterprises.

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More importantly, the vital issue of what effect the support service has had on the development of small firms remains unanswered in Bangladesh, as in the wider context of developing countries.

It is clear, therefore, that whether support services are effective, or not, in assisting the development of small enterprises has for a long time been a point of debate and controversy in developing countries in general, and Bangladesh in particular. As such, an examination of the nature and effect of support services and related issues forms the substance of this study.

2.0 THE PURPOSE AND OBJECTIVES OF THE RESEARCH

The purpose of this research is to contribute to a greater understanding of the nature of support services and the effects of such services upon the development of small firms with a special emphasis on Bangladesh. To this end, the study seeks to realise the following objectives:

2.1   To study and describe the nature of the supply of and demand for support services;

2.2   To evaluate the design of support agencies in providing support services to the small enterprise sector, and

2.3   To investigate the effect of support services upon the development of small firms in Bangladesh.

3.0 JUSTIFICATION OF THE RESEARCH

In parallel with the growing interest in SME development, there has been an increase in the range, quality and depth of small firm research not only in the United Kingdom (Curran, 1989:4), but also in most developing countries (Timberg, 1992:42-47). There are various dimensions of the small business research. A considerable body of the existing research has been done on the definitional issue, the role of small firms in economic development particularly employment creation, entrepreneurship development, the growth pattern of small firms, and the rationale for and the best techniques of, promoting small enterprises (Timberg, 1992:42).

Regarding support services, there also exist some studies on different support programmes in the context of developing countries (Manu, 1988). Unfortunately, the body of literature that represents support services is mostly prescriptive, anecdotal and ex-ante in nature. The state of SME evaluation research can best be described, what Hunt (1983:1) found a decade ago, as:

> 'What is available can be combined with an abundant descriptive and speculative literature on the design and implementation and program outcomes to provide some guidance for future evaluation efforts'.

In fact, there is a real shortage of ex-post evaluation of many support programmes in most developing countries (Anderson, 1982). This situation has not much improved even a decade after Hunt or Anderson's observations. In their recent reviews, Timberg (1992) and Farbman and Steel (1992) called for more research to fill this research gap in the context of developing countries. The present study, therefore, is an attempt which has been overdue for a considerable time.

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The second reason, along with the above, is that there has been a considerable growth in enterprise support agencies in Bangladesh since the 1950s. However, little was known until now about the nature and development of these institutions and the services available for the SME sector. More importantly, no systematic attempt has been made to evaluate the effect of support services upon the development of small firms during the last 15 years.

Therefore, given the concern about SME development engulfed by a proliferation of support services, an investigation into the nature and effect of support services is timely, literature based, and fully justified in Bangladesh.

4.0 STRUCTURE OF THE THESIS

This thesis is organised into ten chapters as shown in Figure 1.1. The following is a brief chapter-by-chapter description of the contents of the thesis:

Chapter 1 begins with an introduction to the research topic to be investigated followed by the purpose and objectives of the study. It then describes the major justifications for undertaking the study.

An extensive review of the literature is carried out in Chapter 2 with the aim of identifying the issues of debate and concern relating to the nature and effect of support services. To this end, attempts have been made to review all the relevant available literature, especially in the context of SME development in developing countries. This review has identified specific gaps in existing knowledge about the nature and effect of support services in the wider context of developing countries.

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Figure 1.1
The Plan and Structure of the THESIS

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                    ┌─────────────────────────────────────┐
                    │              CHAPTER 1               │
                    │             Introduction             │
                    │      [An Overview of the Study]      │
                    └─────────────────────────────────────┘
                                      │
                                      ▼
          ┌───────────────────────────────────────────────────┐
    ──────►│                    CHAPTER 2                      │◄──────
          │             Review of the Literature              │
          │ [Existing body of knowledge in Developing Countries] │
          └───────────────────────────────────────────────────┘
  ┌──┐                              │                              ┌──┐
  │T │                              ▼                              │P │
  │h │          ┌───────────────────────────────────────┐         │r │
  │e │          │              CHAPTER 3                │         │a │
  │o │          │   Review of the Literature in Bangladesh and │    │c │
  │r │          │         Background of the Study       │         │t │
  │e │          └───────────────────────────────────────┘         │i │
  │t │                              │                              │c │
  │i │                              ▼                              │a │
  │c │          ┌───────────────────────────────────────┐         │l │
  │a │          │              CHAPTER 4                │         │  │
  │l │          │   Development of a Conceptual Framework and │    │I │
  │  │          │             Hypotheses                │         │m │
  │C │          └───────────────────────────────────────┘         │p │
  │o │                              │                              │l │
  │n │                              ▼                              │i │
  │t │          ┌───────────────────────────────────────┐         │c │
  │r │          │              CHAPTER 5                │         │a │
  │i │          │         Research Methodology          │         │t │
  │b │  [Choice of Research Method,Strategy,Tools,Sample& Field Survey] │i │
  │u │          └───────────────────────────────────────┘         │o │
  │t │                              │                              │n │
  │i │                              ▼                              │s │
  │o │          ┌───────────────────────────────────────┐         └──┘
  │n │          │           CHAPTERS  6,7,8 & 9         │
  └──┘          │   Analyses of the Data and Presentation of the │
                │              Results                  │
                └───────────────────────────────────────┘
                                      │
                                      ▼
          ┌───────────────────────────────────────────────────┐
          │                   CHAPTER 10                      │
          │   Summary, Conclusions and Implications of the    │
          │                   Findings                        │
          └───────────────────────────────────────────────────┘
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Chapter 3 also reviews the literature relevant to small business development in Bangladesh. It presents the context and background against which the present study has been carried out. This includes an overview of the socio-politico-economic situation in Bangladesh, industrial development especially the role and development of small firms, and government plans and policies for the promotion and development of the SME sector. Responses to the need for SME development are outlined and the results achieved so far are critically assessed. It is revealed that the majority of the key issues, identified in Chapter 2, remain unanswered and unresolved for a long period of time in Bangladesh. Therefore, these issues need to be researched empirically.

To address the research questions and issues identified in Chapters 2 and 3, a conceptual framework has been developed in Chapter 4, drawing experiences from existing evaluation models/frameworks relating to the development of SMEs. Some major hypotheses have also been developed to test empirically, using data to be generated from a field survey. Subsequently, the choice of research methods and strategies appropriate to realising the study objectives is described in Chapter 5. Key variables are identified as well as operationalised. Having decided the small business population, the process of selecting sample is stated and the choice of research site is explained. The tools of data collection and analyses are also described.

In the subsequent four chapters, Chapters 6 to 9, the analyses of the data gathered from the field survey and the results obtained therefrom are presented. Chapter 6 reports the results of the survey carried out to identify the nature of the supply of support services offered by different institutions in Bangladesh. The nature of the demand for support services is explored and presented in Chapter 7. An evaluation of the design of support agencies is

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carried out in Chapter 8, while the effect of support services on the growth and development of the study firms is assessed and described in Chapter 9.

Finally, Chapter 10 summarises major findings and their theoretical as well as practical implications. A 'MODEL' has been proposed for evaluating the effect of support services in developing countries. Having outlined the limitations of the study, the chapter has ended with some directions of future research.

CHAPTER TWO

THE DEVELOPMENT OF SMALL ENTERPRISES: A REVIEW OF THE ISSUES RELATING TO THE NATURE AND EFFECT OF SUPPORT SERVICES IN DEVELOPING COUNTRIES

1.0 INTRODUCTION

This chapter reviews the literature and documentation relevant to support services to small firms in developing countries. The aim of this review is to identify key issues of concern and debate about the nature and effect of support services for SME development. To this end, existing available literature, both descriptive and empirical, on the subject is explored. The chapter begins with a short background on the development of SMEs, and then reviews the major roles of SMEs in development. The origin, definition and typologies of support services are discussed. The clients for such services and their assistance needs are described. The major support institutions and the programmes that exist to provide support services to the SME sector are briefly reviewed. Empirical studies, which have evaluated the nature and effect of support services, have been assessed in a greater detail. This assessment has identified a number of unresolved key issues of debate and concern, which need to be researched empirically.

2.0 THE DEVELOPMENT OF SMALL ENTERPRISE - BACKGROUND

There has been a growing interest in the development of Small Enterprise in recent years throughout the world, in the industrialised West as well as in developing countries of the Third World, and even in the newly democratic countries of the former Soviet Union (ILO, 1961; Staley and Morse, 1965; Bolton, 1971; Birch, 1979; Rosa, 1992; Gibb, 1993). This worldwide focus on the development of SME is unprecedented and has resulted from several factors (Manu, 1988:13). In developing countries, in particular, attempts were traditionally made to promote economic development by promoting capital-intensive large-scale enterprises, often based on imported technology (HIID/ESEPP, 1989:2). These efforts, however, have largely failed to achieve the desired results, which include, among others, the reduction of income inequalities, alleviation of poverty, and the creation of employment. Consequently, the majority of the population could not see an improvement in their situation. This disappointing experience from large-scale industrialisation-led development strategies has induced most developing countries to turn their attention to the development of SMEs. In brief, this is the background against which, there has been, over time, much recognition of the role of small firms in sustainable development in most countries of the world (Hailey, 1991:2). The following section presents an outline of the major role of small firms.

3.0 THE ROLE OF SMEs IN DEVELOPMENT

There exits much evidence supporting the actual, or potential, role that the SME sector plays in the development process in the developed as well as in most developing countries. Several arguments, based on the role of small firms, are put forward for the promotion and development of this sector in general, and especially in developing countries. The role

of small firms can be assessed in terms of a range of inter-related economic, social-welfare and political issues. Some of the most important are outlined below.

3.1 ECONOMIC DEVELOPMENT

Generating New Industries. The growth of SMEs is inextricably linked to the development process, if only because of the very high proportion of small firms found in developing economies (Hailey, 1991:5). In Bangladesh, for instance, as in many developing countries, the SME sector comprises over 97 per cent of the total industrial units (Sarder, 1994). It is argued that more small firms mean a more significant role by such firms both in poor and rich societies than is commonly thought (Staley and Morse, 1965). Even in the industrialised UK, high rates of new firm formation are likely to have a crucial effect on economic growth. This is because new firms tend to start off as small firms, and thus, promoting small firms is an important tool for encouraging economic development (Rosa, 1992:7).

The aggregate contribution of SMEs to GDP. Available evidence suggests that SME is the provider of a significant proportion of manufacturing output. In half a dozen developing countries throughout the world, it was estimated that the contribution of SMEs to total manufacturing GDP ranged from a minimum of 22 per cent in 1978 in Jamaica to as high as 64 per cent in 1980 in Burundi (Liedholm and Mead, 1987:17). The corresponding figure for Bangladesh was 50 per cent in 1977-78. Referring to the empirical evidence, Rosa (1992:7) states:

> 'The aggregate contribution of small firms to GDP is significant in all countries. The more small firms there are, the more the contribution will be'.

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Profits, Investment and Efficiency. The return on capital employed by SMEs was estimated significantly higher than that earned in large enterprises in most developing countries (Harper, 1975). In terms of investment, empirical evidence suggests that the total amount of capital used by SMEs is rather modest, which was estimated to be between US $ 654 per firm in Sierra Leone and US $ 4, 225 in Jamaica (Liedholm and Mead, 1987:34). It was established with empirical evidence that the labour productivity in SMEs is unacceptably low when compared to larger firms (Chuta and Liedholm, 1979; World Bank, 1978). It is also argued that small firms utilise capital especially efficiently in certain cases, for example, where products have local markets and high transfer costs (Hunt, 1983).

There are some other economic grounds that have been claimed for some time for the promotion of SMEs. These include, among others, the development of indigenous entrepreneurship, the engine for technological transformation, the role in backward and forward linkages with other sectors, opportunities for developing sub-contracting, the innovation of new products and utilisation of untapped savings.

3.2 SOCIAL-WELFARE

Job creation. Undoubtedly here is the major argument that has been made for promoting SMEs in most countries, particularly in developing countries. Because of the pressure of increasing population, limits on land availability, and the relative scarcity of capital and foreign exchange in most developing countries, concern about the creation of employment has focused attention on the activities and techniques that are labour intensive (Hunt, 1983:6). Perhaps, here lies the superiority of SMEs over other segments of the economy, i.e., large scale industries (Chuta and Liedholm, 1979; World Bank, 1978). There is no shortage of

statistical evidence that the bulk of manufacturing employment comes from the SME sector in most developing countries. For example, these figures were 59 per cent in Kenya in 1969 and 88 per cent in Indonesia in 1975 (Anderson, 1982:915). Almost similar figures were reported in 15 developing countries during 1970s (Liedholm and Mead, 1987). Evidence around the developed nations on the job creation potential of SMEs has generated widespread interest in this sector (Bolton, 1971; Birch, 1979). Interest in small firm development is even becoming increasingly high in the newly democratic countries in Central and Eastern Europe (Gibb, 1993:461).

Poverty alleviation and income distribution. By creating employment, the promotion of SMEs, by implication, generates income and thus reduces poverty. In this sense, the development of SMEs, as Harper (1990:20) says, is ultimately *'all about the reduction of poverty'*. Of related significance, is the role of SMEs in reducing inequalities in economic and material welfare among the mass of the population in developing countries, particularly in South Asia - Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka (Mannan, 1993:42).

Balanced economic growth and the correction of regional imbalances. SMEs have been seen as spreading the benefits of economic development more widely, and introducing the industrial base into less developed regions, particularly in rural areas (Elkan, 1989:234). A number of benefits have resulted from such widespread effects, for instance, the creation of much needed employment for poor people preventing the flow of migration from rural to urban cities in most developing countries (Mannan, 1993). In Malaysia, according to Soon (1983:221-223), the Third Malaysian Plan (1976-80) aimed at reducing economic imbalances between races and regions. Assessing the development of the small industries sector in India

during 1947-91, Sandesara (1992:180) states:

> '*Industrial production has been greatly diversified, modern small industry has emerged as a major sector to reckon with, inter-state as also intra-state disparities in the industrially developed states have narrowed, and the concentration of economic power in private hands has not only not increased, but has declined.*'

Provision of goods and services appropriate to local needs. Evidence suggests that SMEs best serve local needs by providing diverse goods and services. These include, amongst others, bicycle repair, baking, carving, dry cleaning, husking, furniture making, retailing, photography, shoe making, tailoring, transport, welding and so on (Hailey, 1991:6). This diversity of activities simply underlines the importance of the SME sector in all economies.

Other important roles played by the SME sector include mainly the creation of employment and income for special target groups, viz. women in general and particularly disadvantaged women in Bangladesh (Grameen Bank, 1992), *Bumiputra* in Malaysia (Hj. Din, 1992:2), Russian immigrants in Israel (Lerner, 1994). There is also evidence to suggest that the social-welfare role of SMEs includes opportunities for self-fulfilment and greater job satisfaction (Manu, 1988:37).

3.3 POLITICAL CONSIDERATIONS

Advocates of small firms have occasionally suggested a potential for democratization inherent in the expansion of the sector (Manu, 1988:38). In its most simplified form, the argument is that a large number of small firms, spread throughout the society, would presumably bring forth a large new constituency; one which would increasingly gain an understanding of the economic and political systems; which would also acquire resources sufficient to support

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efforts to defend economic and other interests; and which would eventually develop an organisational base sufficient to regularize and stabilise the government (Hunt, 1983:11). For these reasons, the promotion of small firms has been considered necessary, or desirable, in many developing countries, viz. Malaysia (Hj. Din, 1992); Indonesia and Kenya (Harper, 1984). Consequently, new institutions or forums of small firms have been formed in many countries in recent years to represent and preserve the interests of SMEs. In Bangladesh, for example, National Association of Small and Cottage Industries of Bangladesh (NASCIB) has already established some direct links to the government ministers, and thus, influences policy making at least to some extent.

Nowadays, the politicisation of SME development is a fact of life (Hailey, 1992:13). Many governments, for reasons of national self-sufficiency or out of concern to show that governments are doing 'something', have invested huge sums in their efforts to promote the SME sector. However, to the opposite effect, evidence suggests that politicians, keen to maintain the political status quo or protect vested interests, have promoted policies that constrained rather than developed the SME sector (Harper, 1987:21).

It appears, therefore, that SMEs play a significant - even indispensable - role in meeting many developmental challenges. These include, among others, the creation of employment, alleviation of poverty, equitable distribution of income, balanced economic development and democratic institution building. As such, the case for promoting SMEs is a powerful one indeed. However, the arguments for promoting SMEs have not gone unchallenged on a number of grounds, identified by much quoted sources Neck (1977), Harper (1984) and Hailey (1991), as briefly discussed in the forthcoming section.

4.0 QUESTIONING THE ROLE OF SMEs

One of the criticisms against the view of supporting SME promotion is that assistance is 'elitist' - most assistance programmes appear to have reached a tiny number of existing units - leaving a vast majority untouched (Harper, 1982; Timberg, 1992). Related to this, it is argued that the cost of supporting small firms is too high for the community to carry. In fact, here, the point is 'scaling up' of either existing or new programmes cost-effectively (Farbman and Steel, 1992:32).

Recent studies, for instance - Little (1988), have questioned the 'labour-intensity' of small firms. While Little's perceptions have provoked a detailed re-analysis of some of the basic assumptions about the role of SMEs, the study findings are criticised on a number of grounds (Hailey, 1991:7). Firstly, the study used a limited sample of manufacturing ventures that employ less than 50 employees (hardly small) drawn from only two countries (India and Columbia); Secondly, there was a heavy reliance on official statistics that fail to reflect the reality of the informal sector. Finally, Little used only economic measures of efficiency without paying any consideration to other indicators - for instance, the appropriateness of the goods or services offered by the small firms sector.

Further arguments against support for SME development are made highlighting the difficulties of monitoring and controlling the activities of the large number of SMEs, particularly in the informal sector. This argument is also supported by the fact of the unavailability of a data base on which to build sound policies. Moreover, high failure rates, unwanted surplus capacity etc. are also raised against the support for promotion and development of small firms.

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In summary, whilst some of the points stated above are valid, according to Manu (1988:8), these arguments do not on the whole make for a convincing case for not developing measures to support SMEs. They are considerably outweighed by the benefits to be gained from promotion. A fitting conclusion was offered by Hailey (1991:8) as:

> *'In conclusion, despite recent reassessment, the bulk of the evidence suggests that the small business sector was an integral part of political and economic development. SSEs appear to provide new opportunities for both the individual and the community in general. A healthy, viable small business sector which creates new jobs, introduces new techniques, opens new markets, and provides goods and services appropriate to the local community is arguably a prerequisite for equitable growth and balanced development'.*

In response to such a growing realisation that SMEs have a definite developmental role and that outside assistance is warranted, an enormous amount of effort has been made, both at national and international levels, to provide a wide range of support services to ensure healthy growth of this sector. This will be the contents of the forthcoming discussion, while suffice to mention here, for example, that the World Bank alone lent not less than US $ 3 billion between 1973 and 1989 (Timberg, 1992:42).

5.0 ORIGIN, DEFINITION AND TYPOLOGIES OF SUPPORT SERVICES

5.1 ORIGIN AND DEFINITION

The term 'Support Services ', in the context of SME development, usually refers to a number of assistance measures specially set up for the initiation, growth and development of this sector. This might range from the most visible direct financial support (assistance) such as loans, credit, grants etc. to invisible help such as counselling. Perhaps, these sorts of services were first pioneered in India in the 1950s, widely known as 'Indian Model', which has been

followed throughout the Third World during the last couple of decades (Hailey, 1991:8).

Staley and Morse (1971), early proponents of such supply side intervention for promoting

small firms, identified various types of services. During the last three decades, there has been

a proliferation of such assistance in most developing countries, and now-a-days in many

developed economies, including the UK and USA (World Bank, 1978; Manu, 1988; UNDP

et al., 1989; Gibb, 1990). Perhaps, this is why a single definition covering all the assistance

activities has now become a difficult proposition. However, some notable attempts, discussed

below, to define support services have eased the situation.

It appears, after a review of the relevant literature, that the most representative view on

support services has come from Gibb (1990:4) in the following way:

> *'The simple narrow definition, which might be preferred by the policy makers
> concerned with intervention in support of SMEs, could be couched in terms of
> a 'purposive' extension service. This can be defined as a service (usually
> public or publicly subsidised) specifically set up to offer a range of services to
> Small Business'.*

Looking from a wider perspectives Gibb (1990:4-5) continues saying:

> *'Taken in the wider sense, the natural support network for Small Business is
> the total network of contacts, individuals and organisations with whom the
> business deals, in effect the 'task environment', which may be more than that
> necessary and sufficient to its survival.'*

Ball (1991:22), in the context of 13 Commonwealth countries including Bangladesh, has

described 'enterprise support services' as:

> *'A range of provisions designed to promote and foster enterprise, most
> commonly through helping people to start in business, or go into self-
> employment'.*

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In an attempt to define 'Extension Services' - an important form of assistance, Manu (1988:93) states:

> 'Any pro-active service reaching out to SSEs with advice and assistance, being often the first point of contact between the delivery system and the client, and emphasising personal delivery.'

Hale (1984:5) says:

> 'The products or services are the financial or human resources which a body, i.e., a client market provides to client markets in other sectors.'

Following Gibb's (1990) first definition, although Gibb called it 'narrow' and concerned specifically with intervention in assisting small enterprises, small firm 'support services' can be conceptualised as any external assistance, provided by either public or private institutions, attempting to promote and develop entrepreneurs or enterprises. It may cater for existing enterprises or may include entrepreneurship development programmes for initiating and promoting enterprises. It might be provided in an integrated package form or as a single input - one important missing ingredient - crucial for small firm development.

'Support Service', therefore, for the purpose of this thesis has been defined as:

> 'any assistance, financial or non-financial, either subsidised or not, usually provided by organisation/s, public or private, involved directly or indirectly in the small enterprise sector for the initiation, growth and development of small enterprises.'

5.2 TYPOLOGIES OF SUPPORT SERVICES

Since support services are seen as an external assistance of any form to small firms, there are many ways of classifying such services. Here again, some major attempts to typify support services will help to have an idea. These are briefly stated below.

In an early attempt, ILO (1961) has grouped support services into two broad categories. The first group, labelled 'extension services', includes advisory services, counselling, training, research, information and other supporting activities. The other category refers to 'financial and physical facilities'. Financial facilities include loans, grants, subsidies etc., while physical facilities refer to industrial estates, shed, land, water, power, gas and so on.

Gibb (1990) classifies support services as 'Hardware' and 'Software'. The hardware services include all sorts of support in kind - finance, premises, machinery, raw materials, taxation etc. The software services are invisible, not in kind, in the form of counselling, extension services, training, management or entrepreneurship education etc.

Harper (1984) has divided supporting services, in addition to financial support, into the following categories: Infra-structural development; Supply of raw materials; Establishment of information centres; Incentives and tariff restrictions; Assistance with imports; Assistance with marketing; Industrial estates; and Liaison and co-ordination with government departments.

In the view of Manu (1988), support services, including extension services as a distinct category, are: Financial; Management Training, Entrepreneurship Development and Advisory

Services; Technological Development and Training; Industrial Estates, and Other measures, those not classified above.

Neck (1977) identified eight areas where support should be directed. These are as follows: financial; training; access to market for rawmaterials, managerial, technological assistance and community relations. Liedholm and Mead (1987:102) traced a number of assistance activities in a dozen developing countries including Bangladesh. These are broadly credit, technical/production assistance, management assistance, marketing help, and common facilities.

Rahman *et al.* (1979), following a model called 'Entrepreneurship Development Cycle' developed by Akhouri (1977), classified support services into twenty-eight activities. These have been grouped under three main categories: (a) **Stimulatory Activities** - help needed for the emergence of entrepreneurship in a society; (b) **Support Activities** - to enable the entrepreneurs in setting up and conducting their enterprises, and (c) **Sustaining Activities** - to help survive enterprises against the challenge of all odds. A similar classification was also found in six Asian countries - India, Korea, the Philippines, Thailand, Hong Kong and Malaysia (Sharma, 1979).

Ball (1991:24) has traced six types of assistance activities in 13 Commonwealth countries including Bangladesh. These are information, advice/counselling, consultancy, training, logistic support and financial assistance.

It appears, therefore, that in the literature most authors have used a functional classification of support services. These are mainly financial and non-financial. The major financial support

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includes loans, credit, grants etc. On the other hand, the main non-financial support refers to management training, entrepreneurship education, technical assistance, marketing help, information, extension and counselling, and infrastructural facilities, viz. access to power, gas, land, water etc. However, there might be some other typologies of support services, for example, institutional versus non-institutional, local versus central etc.

6.0 CLIENTS AND THEIR NEEDS FOR SUPPORT SERVICES

The various types of support services, discussed in the previous section, are certainly offered in order to meet the need of clients - i.e., the small enterprises. This section will look at the constituents of these clients' market and their needs for support services.

6.1 CLIENTS FOR SUPPORT SERVICES

The population of small firms are widely differential in nature and mostly unorganised and scattered (Harper, 1984:192; Gibb, 1993:477), as are the clients for support services. Therefore, there are numerous ways of classifying these diverse clients' market. As in the words of Mann *et al.* (1989:14): *'There is no limit to the number of ways in which entrepreneurs can be classified but some are indispensable to the design of any project.'*

One way, classified by Manu (1988), is: (A) Existing Entrepreneurs, who may be found in - (i) Traditional small firms with a need for modernisation; (ii) Modern small firms with a need for expansion, and (B) New Entrepreneurs - those wishing to set up business. There are, according to Technonet Asia (1985), three groups of small enterprises: (a) Successful/Promising small firms - characterised by dynamism; (b) Unpromising/Stagnant

small firms - those are set in their ways and their owner-managers are reluctant to absorb new ideas, and (c) Small firms in the intermediate category - those are not dynamic/stagnant.

Gibb (1990) has made a clear distinction between the pre-and post-start up situations in the following way:

Pre-start up situation: (a) **Possible starters** - those who may be potential starters of enterprises without valid ideas; (b) **Probable starters** - those possible starters with a business idea wishing to start a business.

Post-start up situation: (a) **Survival and Maintenance** of Micro business - (i) Survival of those recently started; (ii) Maintenance and survival of those who have no wish to grow but wish to stay at micro level, and (iii) Support of those who are at present at a micro level but with potential for growth.

(b) **First stage business** - defined as firms having employees under 50 either in the process of growing larger on a diversified products/market base or wishing to survive at this level but essentially run by the owner-managers.

(c) **Second stage companies** - Firms those are seeking to develop a new diversified management team concerned with wider product/market development, perhaps also through acquisition or diversification. They may also include the well established business with little penchant or potential for growth but seeking to survive and cope with change at existing levels of turnover or employment. Finally, **Third stage business** - these are those with threshold company with potential for national growth into a public company.

Further, Gibb (1988:10-11) added:

> 'Within each of these broad sectors, ... there are different ways of grouping,
> for example: by industry sector; by technology; by production process type; by
> market scope; by age of business; etc. Another way of segmenting the market
> is by type of problem, opportunity or purpose, for example aiming at those
> firms who wish to take opportunities of: exporting; micro processor
> development; new product development; new technology; etc. '

Therefore, the clients for support services can be segmented on a number of bases. These are mainly: the nature of activity; size of enterprise; ethnic minority and religious identity of owners; age of firms/owners; gender of owners; geographical location of firms, such as rural, urban or in between; educational level of owners; political affiliation of owners; status of membership with trade association; industry sector; development stages of the firms; market coverage of enterprises; formalisation of firms - whether the firm is registered or not (if registered, it may be termed as firm in 'formal sector' otherwise in 'informal sector') and so on.

In Bangladesh, the segmentation of clients for support services is usually done based on employment criteria. There are mainly three types of small firms: (i) **Small Industry**, usually refers to firms employing between 10 and 20 people; (ii) **Cottage Industry**, run by family members but not exceeding 10 employees; (c) **Handloom Industries**, all small and cottage firms in the textile sector. There exists another grouping: **Pre-micro** (employment between 1 and 3), **Micro** (employment between 4 and 9) and **Small Scale Enterprises** (employment between 10 and 49). Furthermore, there are other classifications, such as, **Rural Industries** - small enterprises located in rural areas, and **Urban Industries** - small firms in urban or semi-urban areas.

6.2 THE NEED OF SMEs FOR SUPPORT SERVICES

The needs of SMEs for support services and their problems are interlinked. As such, an assessment of need is usually made in reference to problems/constraints of this sector. Any analysis of the problems *inter alia* needs for support services can be made, as Manu (1988:55) contends, from those relating to (i) the overall climate or policy; (ii) structure; and (iii) operations of the firms. Again, it can be viewed both from the small firm sector as a whole and from the micro points of view - from the view points of the individual entrepreneurs themselves. The latter is the emphasis of the present section.

All business firms face some sorts of problems of varying kinds and intensities, but small firms usually face some of these problems to a much greater extent due to their smallness (Smith, 1978:11). Almost all studies in this field in general, and in the developing countries in particular, have empirically or theoretically identified a number of common difficulties/problems faced by small entrepreneurs. These problems, actual or perceived, are mainly related to policy constraints discriminating against this sector, lack of implementation of policy measures, inefficient institutional mechanism, inadequate provision of finance, restricted access to institutional finance due to collateral and complex procedures, marketing problems, shortage of utility services, technological backwardness and so on. The repetitive citation of similar problems, however, reflects at least the importance as well as need for assistance that can help firms to solve their problems (Manu, 1988). In this context, some findings on the major problems of SMEs revealed by empirical studies are presented below.

In Jordanian economy, Al Ashi (1991:424) reported the existence of several problems perceived by the owner-managers of small firms. According to proportions of multiple

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responses, the first seven of these problems are as follows: competition, 67.4 per cent, lack of finance, 59.4 per cent, government regulation, 46.5 per cent, marketing, 39.6 per cent, accountancy, 35.7 per cent, supervisory skills, 33.3 per cent and consumer behaviour, 27.1 per cent.

Manu (1988), in his study in Ghana, attempted to explore the problems of small firms from three points of time: problems faced in the past, barrier to present desired improvements in the health of business, and problems anticipated with implementing business plans. Replies to all these reflect the major problems of small firms, as in the words of Manu (1988:271), *'the major factors are identical, viz. finance, equipment and raw materials supplies. Management know-how in all cases accounts for less than 5 per cent of responses'.*

There is also empirical evidence to suggest that a similar pattern of the problems stated above exists in the context of Asian developing countries. For instance, Chee's study (1986) in Malaysia revealed almost similar problems, as reproduced in Table 2.1, cited by small entrepreneurs.

Table 2.1

Perceived Problem Areas of Small Enterprises in Malaysia

Multiple Response Category	Problem (N=390)		Most Difficult Problem (N=389)	
	No.	%	No.	%
Finance	312	80.0	180	46.2
Marketing	256	65.6	74	19.0
Labour	214	54.9	50	12.8
Land/building	115	29.5	37	9.5
Government regulation	99	24.4	24	6.2
Management	66	16.9	8	2.1
Raw materials	51	13.1	16	4.1

Source: Chee (1986:81), Table 3.5.

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Finance was viewed by the respondents as their top most difficult problem, while marketing and labour were respectively the second and the third problem.

Even in the context of many developed countries, the major areas of problems of SMEs are more or less similar. For example, in one of the much quoted studies, Bolton Report (1971) in the UK, a number of problems of SMEs were identified two decades ago and have again been identified in more recent studies (Al Ashi, 1991:141). These are related to: finance, costing and control information, organisation, marketing, information use and retrieval, personnel management, technological change, and production scheduling and purchase control.

It appears, therefore, that the major areas of problems of small firms, as perceived by owner-managers, seem to be finance, getting machinery/plant, land/shed and obtaining raw materials. Problems requiring software assistance such as management counselling, training, help in designing etc. are not significantly perceived and recognised by most small firms in general. Now, the following discussion focuses on specific issues of the needs of SMEs for support services under two broad headings: financial and non-financial.

6.2.1 THE NEEDS OF SMEs FOR FINANCIAL SUPPORT

The most common problem, cited invariably in the literature, is the lack of finance (Mann *et al.*, 1989:20). Small entrepreneurs, when asked about their problems, as Harper (1984:26) observes, will most commonly cite a single need - finance, whose fulfilment they believe will solve their problems, and they will tend to choose one - finance, whose solution they consider is beyond their control. The evidence presented in the previous section is also a testimony to

the Harper's observation. Further empirical evidence from four (including Bangladesh) out of six developing countries revealed the shortage of finance as the most pressing problem, as viewed by entrepreneurs (Liedholm and Mead, 1987:103).

Here, the issue is whether the shortage of finance is 'real' or 'illusory'. Many experts consider it as an 'illusion' rather than a real problem, arguing that the problem is not the shortage of funds but of the management of cash and other assets (Harper, 1975; Anderson, 1982). Harper's (1975) study in Nairobi examined the employment of finance in small firms. It was revealed that the problem was not of shortage of finance, as perceived by most owner-managers, but of the management of funds, which could improve effective use of loan capital, and thus, could prevent the shortage of working capital.

Despite the empirical evidence that the shortage of finance is an illusion rather than real, there exists ample evidence to suggest that small firms get very little, if any, institutional credit, and shortage of finance and access to institutional finance do represent a real difficulty at least for some firms, even if the problem is exaggerated somewhat (Manu, 1988:99).

6.2.2 THE NEEDS OF SMEs FOR NON-FINANCIAL SUPPORT

Against the pressing demand for financial assistance, the demand for non-financial support - technical, management training,information, common facilities, and extension services - is not so acute in the views of most entrepreneurs. This may be due to the unawareness of small entrepreneurs of their needs for such assistance, as Liedholm and Mead (1987:109) find:

> 'Small entrepreneurs are generally not aware of their need for this type of assistance and the benefits they may derive from it.'

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As such, the effective demand for such services appears to be very limited. Studies, however, revealed that marketing worries, tied often to perceived difficulties with product demand and inputs, resulting from shortage of working capital, are one of the most pressing problems of small firms (Liedholm and Mead, 1987:109).

There exists a considerable body of literature suggesting that lack of managerial and entrepreneurial skills is a major bottleneck to the development of small enterprises, especially in the informal sector (Stepanek, 1960; Neck, 1983). In practice, however, most entrepreneurs rarely mention the need for management training in the context of many developing countries (Reza *et al.*, 1990:97; Liedholm and Mead, 1987:110). This is evident from a recent study in the Philippines, as Tecson *et al.* (1989:86) state:

> *'The impression derived from the survey results is that the majority were capable of managing their business. In the interviews with entrepreneurs, however, it was observed that much more help was needed than was openly admitted in the survey.'*

The situation is not different in the context of many developed countries, for instance, UK, where many entrepreneurs are reluctant either to admit that they are poor managers or to recognize the need for outside help (Al-Ashi, 1991:177). One explanation for this apathy towards training needs, among others, is that owner-managers can not afford enough time to spend away form their business. This is evident from the following words of Gibb (1983):

> *'It is clear that the time typical owner/manager can afford to spend away from his company on any occasion is small, perhaps only one or two days.'*

It is, therefore, necessary to clearly identify what management training is needed by small firms. Here Gibb (1990a:17) emphasised saying:

'Conventional approaches to management training for small businesses have been inadequate. The competencies of trainers and organizers should be linked to the process of business development, which involves identifying customers and their needs, developing appropriate programs, and marketing.'

Despite assigning such importance to the assessment of training needs of small firms, little is known about this vital issue in the context of most developing countries. Farbman and Steel (1992:30) contend:

'Training in management and technical skills may accelerate growth in output and productivity. Research is needed on the extent to which SSEs desire such forms of assistance.'

Another important type of non-financial assistance is technical support, which can be in the form of advice on processes, design of products, tools, equipment machines, quality control, plan layout and so on. It is generally held that small enterprises lack access to improved production technologies (Manu, 1988:63). Much effort has been made by major donor agencies to provide support for 'appropriate technology' to many developing countries, although entrepreneurs rarely recognise the shortage of technological backwardness as their pressing problem (Liedholm and Mead, 1987:100).

Turning to common facilities, it was reported that this was the second major problem for small firms in Malaysia (Soon, 1983:227). While it is not considered as a serious problem for many enterprises, particularly in the informal sector, many firms in 'formal' mode of operation can not grow facing this problem (World Bank, 1978).

In summary, it appears that finance is the most pressing demand, real or perceived, from the small firms. Contrarily, as expected, evidence suggests a low need of small firms for non-financial assistance. Among the non-financial support, marketing and common facilities,

to some extent, are sometimes recognised as their needs by small entrepreneurs, while they express rarely their needs for other types of non-financial assistance. Here, the issue is whether the needs of small firms for support services are known properly. In this context, Farbman and Steel (1992:31) warn saying:

> 'Care is needed not to assume that the demand of SSEs for assistance is adequately known.'

In fact, there is a considerable shortage of empirical studies, evaluating the demand/needs of SMEs for support services. Observing this specific void in the literature, Scott (1985:6) expresses his concern as:

> 'Surprisingly little work has been done on the nature of the demand from the small enterprise sector for support services.'

Therefore, research is needed to address this vital 'issue' to fill the existing gap in knowledge in the literature.

7.0 THE SUPPLY OF SUPPORT SERVICES

This section, against the needs of SMEs for support services already described, looks at the supply situation of support services for promotion and development of the SME sector. Analyses reveal the existence of a wide variety of support organisations and programmes, offering various types of assistance to small enterprises. Because of the huge diversity of the topic, it is decided to confine the following discussion to developing countries in general, and South East Asia in particular. There are several reasons for this choice. First, apart from the fact that this region is representative of the third world countries, the pioneering lead taken by India is a major consideration. Secondly, availability of materials. Finally, and most

importantly, the context of this study is Bangladesh. However, sometimes references will be made to the situation of developed countries.

7.1 INSTITUTION BUILDING

Massive institution building in the public sector has been the primary vehicle, used by many governments and donor agencies, to foster the development of small enterprises in developing countries for about 30 years (Liedholm and Mead, 1987:100). As such, there is no shortage of evidence to show a massive institution-building in many developing countries (Neck, 1977; UNDP et al., 1988; Mahajan and Dichter, 1990). The emphasis was focused on the provision of an integrated package of inputs to follow the 'Indian Model' developed and applied by Stanford Research Institute and the Ford Foundation (Staley and Morse,1965).

The were several reasons that instigated the efforts of institution building. These are, among others, as follows: (i) Small enterprise, according to UNDP et al. (1988:52), is easily perceived as simply 'weak' - referring to real or perceived problems of this sector. As such, it is argued that small firm needs improvement in its problems. To remedy the weaknesses of small firms, following 'Indian Model' - the supply-led intervention, institution building was the primary thrust to channel support services. (ii) There was also the backing of the literature in favour of the creation of such institutions (Manu, 1988:70). (iii) The easiness of supply-side strategies was preferred by government officers for the implementation of policies (UNDP et al., 1988:52). Lastly, it is an easy way of showing government concern that 'government is doing something' for the promotion and development of SMEs, and thus, for the society (Harper, 1984:114).

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As a result, many different types of institutions have been developed over time, and involved in supplying various forms of assistance to small firms. In some instances, new specialised institutions have been created - for example, the specialised bank for small enterprise in Korea, Columbia and Bangladesh. In India, cited in Harper (1992:51), there are over 700 institutions which offer entrepreneurship education/training. In addition, there exists a large network of national and regional agencies, such as Small Industry Development Organisation (SIDO). In other cases, existing institutions - development financial institutions, commercial banks and so on - have been utilised with respect to the supply of financial assistance. To channel non-financial support, typically public sector agencies such as industrial extension services, special enterprise promotion agencies have been used as a delivery mechanism. In recent years, private institutions, both profit and non-profit making, and traditional non-government organisations have become increasingly active in providing support services to SMEs (Mahajan and Dichter, 1990; Hailey, 1991). Small industry and trade associations are also observed to perform a useful range of services for small firms in many countries like Zambia, Peru, Colombia, the Philippines, Ghana and so on (UNDP *et al.*, 1988:79; Masten and Brown, 1995).

In fact, the participation of private agencies, specially the involvement of NGOs in small enterprise development, is a recent phenomenon in many developing countries (Hailey, 1991). However, little is known about these emerging new institutions. Perhaps, this is the common scenario of most of the Asian developing countries, as Chee (1989:26) finds:

> '*Although there have been many studies on SSB policies in Asian developing countries, much less attention has been paid to the kind of institutional infrastructure which will facilitate SSB promotion.*'

Therefore, there is a specific void in the literature about the nature of support agencies

engaged in offering assistance to the SME sector in general, and particularly in the context of developing countries of South East Asia.

7.2 THE SUPPLY OF SUPPORT SERVICES FOR SMALL ENTERPRISES

It is possible, in reference to the discussion above, to mention an array of support activities that exist in many developing countries for small enterprise development. In order to avoid unnecessary duplication, and for convenience, a short review of the major assistance activities is broadly made under two headings - financial and non-financial.

7.2.1 THE SUPPLY OF FINANCIAL SUPPORT

In parallel with the consistent findings of the pressing need of small firms for finance, it is made available through a variety of ways. The most commonly adopted approach is the obligation by banks to allocate a set minimum proportion of lending to the small enterprise sector as a policy decision of the government. In Bangladesh like many other developing countries, the banks have been directed to lend at least 5 per cent of their investible funds to small enterprises. Examples of such measures could be given, as cited in Manu (1988:76), from Malaysia, Algeria and Nigeria.

Despite this legal obligation, evidence suggests that banks were reluctant to lend to the small enterprise sector on a number of grounds, including high-risk and low profitability (Liedholm and Mead, 1987). To ease this situation, loan guarantee schemes have been introduced in some countries, backed by international financing agencies such as the World Bank. In Indonesia, for example, P.T. ASKRINDO (Indonesia Credit Insurance) and Cooperative

Credit Guarantees provide the guarantee and bear the risk resulting from non-payment of bank credits (Soon, 1983). In Malaysia, the General Guarantee Scheme (GGS) is available for Bumiputera, locally owned entrepreneurs only (Chee, 1986). Similar programmes have been in operation in 27 developed and developing countries throughout the world (World Bank, 1987).

Some special financing institutions have also been set up to provide credit to small enterprises in most of the countries stated above. In Bangladesh, for example, Bank of Small Industries and Commerce (BD) Ltd. (BASIC), a private bank for financing small enterprises, was set up in 1988. In this context, the Gujrat Industrial Investment Corporation (GIIC) is another widely known agency in India (Patel, 1977). There are many other agencies which could be cited in the present context.

Other important financial measures include special credit programmes at subsidised interest and credit subsidies, which may take the form of tax exemption, customs relief and/or other subsidies. Many more could be cited here, perhaps the most notable being venture capital or equity participation by banks, non-bank institutions and other government agencies from most countries in South East Asia and Africa (Manu, 1988:77; Ramachandran, 1993).

7.2.2 THE SUPPLY OF NON-FINANCIAL SUPPORT

Like financial support activities, there are numerous programmes to provide non-financial support services in most of the countries mentioned in the previous section. These activities vary a great deal from country to country. However, a quick reference will be made in this section to shed some light on the major non-financial assistance programmes and activities.

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Firstly, with regard to management/entrepreneurship training, it is already mentioned that in India alone there exist about 700 institutions to provide such assistance. On the hand, in Indonesia for example, only one such organisation was reported (Soon, 1983). In between this two extremes, of course, numerous examples can be cited in this respect.

As far as the technical support is concerned, according to UNDP *et al* (1988:74), there appears to be at least three such programmes in each of the nine countries - Indonesia, Pakistan, Peru, Senegal, Tanzania, Zambia, Colombia, Kenya and the Philippines. Manu (1988:81) also cited many such programmes in the Ivory Cost, Nigeria, India and Ghana.

Looking at industrial estates, it is evident that these support activities have come a long way since they first appeared in Asia some 30 years ago (Abdoolcarim, 1993). There was strong logic and policy support for developing such estates to provide common facilities, viz. industrial land, power, gas etc., to small enterprises. Consequently, including Bangladesh and India, there have been such support activities in most Third World countries for a period of over 25 years (UNIDO, 1978). In most recent years, there have been developed, almost similar to industrial estates, Export Processing Zones (EPZ) in some developing countries, including Bangladesh (Mannan, 1990).

Another important area of assistance activity relates to marketing support for small enterprises. In all nine countries of the study done by UNDP *et al.* (1988:62), there are some programmes to provide marketing support to small enterprises. Here, numerous examples can again be cited in the context of many developing countries. There are also some other non-financial assistance activities, which include extension services, provision of information, research, product development and so on.

In summary, evidence suggests a considerable proliferation of many support services in most developing countries. It is clearly evident that there is apparently no shortage of bodies and programmes, offering support services to small enterprises. As in the words of Manu (1988:72):

> 'Although many of the activities reviewed might appear dated prima facie, the researcher's recent experience of working with two major international development agencies leads to the conclusion that there is little that has changed in current practice. Nor were they new and innovative a decade ago, according to Anderson (1982) who contends that there is, in fact, little that is new to be said on what kinds of programmes to pursue and how to design and implement them, referring as evidence to files and literature 'dating back over 20 or more years'.'

In the literature, therefore, the issue is not the existence of support activities but the question of whether small entrepreneurs need/want all of these services offered by different support agencies. Here, Gibb (1988:3) states:

> 'An over-riding issue, less frequently mentioned, is whether the small or medium firm itself needs or, importantly, wants all of these services. The fact remains, however, that they exist and are numerous.'

In this context, an important question is whether small entrepreneurs receive the assistance they **wanted** and **sought**. It appears that this is an area where the existing literature says a little.

Finally, the most vital 'issue' - often raised in the literature - is what effect the assistance has had on the development of small firms in general, and the performance of the assisted firms in particular (Farbman and Steel, 1992; Timberg, 1992:46; Liedholm and Mead, 1987:111; UNDP et al., 1988:53; Manu, 1988:81). The following section examines this issue in detail.

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8.0 THE EFFECT (IMPACT) OF SUPPORT SERVICES

This section is devoted to examine the empirical evidence concerning the effect of support services on the development of SMEs in developing countries. Based on this and other literature, an attempt will be made to review the measures and methods used, or suggested, in the literature for evaluation of the effect of support services.

8.1 EMPIRICAL EVIDENCE ON THE EFFECT OF SUPPORT SERVICES

In consideration of the diverse nature of studies on this topic, it was decided to review the literature according to types of assistance. The major studies, covering both financial and non-financial support services, will be reviewed first followed by the studies on specific assistance activities. It should be mentioned here that there has been a general shortage of relevant literature on small enterprise research in most developing countries (Neck, 1983:251-254; Chama, 1988:37). With regard to the evaluation of support services, this shortage of empirical evidence is more acute - which is clearly evident from the following few words of Hunt (1983:1):

> 'What is available can be combined with an abundant descriptive and speculative literature on the design and implementation and programme outcomes to provide some guidance for future evaluation efforts.'

The shortage of empirical studies has again confirmed, after an extensive review of the literature, by Manu (1988:73):

> 'Little material exists on ex-post analysis of SSE programmes, and especially on providing a means of assessment on the effectiveness and efficiency of programmes and the extension of their coverage.'

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Most recently, after a review of the major issues that need to be researched empirically in the context of small firm development in developing countries, Farbman and Steel (1992) and Timberg (1992) have called for more research into the ex-post assessment of the effect of support services. Despite such a serious lack of empirical studies, every effort will be made to review the major studies relevant to the present study so far available.

8.1.1 THE EFFECT OF FINANCIAL AND NON-FINANCIAL SUPPORT

In seven Asian countries - Bangladesh, India, South Korea, the Philippines, Thailand, Malaysia and Hong Kong, Sharma (1979) investigated the impact of assistance on the development of small firms. Although the findings are somewhat outdated, they might be an important indication of the effect of support services in the context of developing countries, particularly in South East Asian region. Both quantitative and qualitative measures were used for impact evaluation in all the countries under study except Hong Kong. Despite the use of a number of different criteria, it was clearly evident that assistance appeared to have a very low or insignificant effect, both quantitatively and qualitatively, upon the development of small firms in four countries - Bangladesh, Malaysia, Thailand and South Korea. Only in two countries, India and the Philippines, assistance seemed to produce a considerable effect on the development of the SME sector.

The overall findings about the emerging pattern of the effect of support services can best be understood in the following few lines of the author - Sharma (1979:211):

> 'The small industry movement is of comparatively recent origin ...
> Nevertheless, an analysis of the impact has thrown up a few indications of the
> effectiveness of such programmes. While it has not been possible to make a

very direct assessment of specific individual programmes, some findings have emerged regarding the effectiveness of the programme in their totality ... By an and large, the programmes discussed ... appear to have had a certain degree of positive impact in terms of the growth in the number of units, employment, capital-output ratio and a few other indices. Such an impact has been noticeable to a greater degree in the case of specific instances like the EMTC in Assam (India), programmes in northern States (India) and the Philippines.'

In a recent study, Tecson *et al.* (1989) reported empirical evidence on a considerable effect of support services in the Philippines. In this study, support service - called government assistance - was used as an independent variable, among others, for statistical analyses. Relative success was measured by three dependent variables: growth in sales, growth in employment and capital productivity. Profitability was also calculated. Results reveal that there is a low but positive relationship between total sales, productivity and support services received from government agencies. Using multiple regression, it was reported that profitability is determined by take-up of government support among other factors. The overall conclusion, according to Tecson *et al.* (1989:107), is:

'It appears, therefore, that ceteris paribus government assistance did matter to SMIs that have availed of the assistance. This was seen from the response of a majority of firms that considered government assistance as having significantly influenced their activity.'

As a point of reference, it can be said here that there exist many studies, which have evaluated the effect of support services in many developed countries. For example, Gibb and Scott (1985), Turok and Richardson (1989), Wilson (1992), Read (1994) in the UK; Centaur Associates, Inc. (1983), Chrisman and Katrishen (1994) in the USA. Gibb and Scott (1985), in their longitudinal study, observed the process of development on a sample of 16 firms over a period of 18 months. The sample was divided into four groups consisting of four firms each to examine the impact of assistance received by the first three groups, while the fourth group

was used as a control. The first three groups received education, training and information respectively. It was found that all three groups of firms that received assistance did perform better than the control group. Evidence suggests a positive impact, as in the words of Gibb and Scott (1985:622):

> 'The results of the experiment with action inputs in the research emphasize the importance of providing management resources and frameworks for the company to explore its own potential, particularly in a sustained fashion. In such ways also assistance could provide 'triggers' to development.'

It can be concluded, based on the evidence presented above, that, in general, assistance seems not to be very effective in the context of Asian developing countries. There is, however, evidence to suggest a considerable effect of support services in some countries, India and the Philippines for example.

8.1.2 THE EFFECT OF FINANCIAL SUPPORT

Financial support is the major assistance provided against its pressing need expressed by small entrepreneurs. Despite a considerable growth in the number of financial agencies and schemes for small firms, as reviewed earlier, there is evidence to suggest that only an insignificant proportion of the total number of small enterprises has been covered by such programmes (Liedholm and Mead, 1987:105). Reasons for this low coverage include, among others, the high costs and risk involved in extending loans to the small firm sector (World Bank, 1978). However, little empirical work has been done so far to examine the effect of financial assistance programmes on the growth and development of small firms in developing countries (Farbman and Steel, 1992).

Sandesara (1982) examined the efficacy of long-term finance on small firm performance, using economic and financial indicators. Comparing the performance between assisted and similar non-assisted units, it was reported that the non-assisted firms did better than the firms that received long-term financial assistance. No attempt, however, was made at the evaluation of benefit-cost in this study.

Kilby and D'Zmura (1985) measured benefit-cost, both direct and indirect, of five small scale enterprise projects with financial components and reported positive benefit-cost ratios of all the projects. Levitsky's (1985) review of 10 of the World Bank's lending projects feared no worse but in a few cases better than the conventional loans from development financial institutions for small firm development.

Otero (1989) reported the findings of a study in Honduras. In a sample of 85 existing firms (micro), which have received working capital increased sales, 62 per cent, and income, 50 per cent, over a year period since the loan received. In terms of employment generation, it was reported that in every assisted firm, 3/4 full-time and one additional seasonal employment were created as a result of intervention.

Liedholm (1985), cited in Liedholm and Mead (1987:106-107), examined 11 small enterprise credit-only projects designed to provide to small enterprise loans below US $ 5,000 in Bangladesh, Indonesia, Honduras, Brazil, Burkina Faso, Dominican Republic, Peru, Ecuador, Mauritius, the Philippines and Jamaica. The administrative costs per loan were reported less than 10 per cent in most countries, and the arrears rate were below 10 per cent in all the countries except Bangladesh. It was also revealed that where credit including technical assistance was given, the results were higher administrative costs as well as higher rate of

arrears per loan in four countries - Dominican Republic, Honduras, Brazil and Burkina Faso.

Most recently, Hailey and Westborg (1991) assessed direct benefits to local businesses resulting from the support of traditional NGOs in Kenya. In a sample survey of 39 small enterprises, evidence indicates that since receiving support from local NGOs 37 (94 per cent) had increased sales turnover, 30 (77 per cent) had increased their gross profit and 12 (30 per cent) had increased the number of people employed. Examining wider socio-economic benefits of such small enterprises, it was estimated that 37 (94 per cent) firms had increased their contribution to the national economy since receiving NGO support.

It is clearly evident, therefore, that financial support has a considerable positive effect on the promotion and development of small firms in most developing countries. However, the cost-effectiveness of such support is in question in most cases.

8.1.3 THE EFFECT OF TECHNICAL SUPPORT

Providing technical support to small firms has been an area of focus by the ILO/UNDP in many developing countries since the fifties. Unfortunately, no evaluation was done until 1979, when the first study was carried out by Kilby (1979). Using a cost-benefit approach, eleven projects were evaluated of which only three of the projects showed benefits exceeding costs.

Bhatt (1988) evaluated the nature, characteristics and effectiveness of Technical Consultancy Organisation (TCO) support of the World Bank in India. The effectiveness of the services offered was evaluated qualitatively in terms of the perceptual reactions of TCO-clients. In

addition, the performance of a total of 52 TCO-assisted small firms were compared with that of the 49 small enterprises that received no such assistance. Results suggest that TCO efforts were largely considered effective, as viewed by their clients, in assisting small enterprises. In terms of enterprise performance, the TCO-assisted firms significantly outperformed the TCO-non assisted group. However, no benefit-cost was worked out in this study.

Although the evidence presented above is mixed with respect to the effect of technical support, in general, such assistance seems not very effective in helping small firms in most developing countries.

8.1.4 THE EFFECT OF INDUSTRIAL ESTATES

The Industrial Estate has been an important type of support service in the context of many developing countries since the 1960s. The history of industrial estates in India is longer than in any other developing country. As such, a number of studies have assessed the efficacy of the industrial estates in India - for example, Bhati (1976), Somasekhara (1975) and Sanghvi (1979). In most studies, the performance of small firms on industrial estates were compared with those of the similar firms located outside the industrial estates. Sandesara (1988:290) summarised the major findings of these studies as:

> 'It is seen from the foregoing that only Sanghvi's study strikes a different note. Other studies conclude that the performance of estate small units is inferior that of non-estate units; the former make more economical use of labour, and less economical use of capital than latter. '

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Harper (1984) pointed out that the cost of buildings, services and infrastructure for each job created is higher, US $ 766 per job created as reported by the UNIDO (1978) report on the Industrial Estate at Katmandu, compared to a total cost of under US $ 200 per job in Nepali small industry.

Similar results were revealed by another study in the context of the Kenyan Industrial Estates Programmes (Kilby, 1988:229). Between 1974 and 1985, the firms receiving technical assistance from industrial estates grew at 1.4 per cent per annum while companies which received no such assistance grew at 9 per cent per annum during the same period. These schemes ended up concentrating a large volume of resources on a relatively small number of clients. As such, it is argued that on industrial estates many ingredients - electricity, water, buildings, security and sometimes technical assistance - are provided at a high cost to firms that may need only one or two of these services. As a result, many industrial estates have failed to attract the attention of small entrepreneurs. There is evidence to suggest that industrial plots ready for allocation remain unutilized for a long time in many developing countries. In Bangladesh, for instance, it was estimated that only about 10 per cent of the total industrial plots have so far been utilised by small entrepreneurs (GOB, 1993).

It is evident, therefore, that the measure of industria estate - an important variant of support services - appears to be not very effective in promoting SMEs in developing countries.

8.1.5 THE EFFECT OF TRAINING/ENTREPRENEURSHIP EDUCATION

Training, related to management, technology, entrepreneurship and so on, is one of the important support measures, which has been tried widely at different levels of enterprise

development - from pre-start up to high-growth firms. Despite an emphasis on evaluation of the effectiveness of training, cited in Loucks (1988:48), Patel (1985) points out that:

'Despite a variety of programmes for diverse target groups, in most countries these are not adequately documented and evaluated. An adequate mechanism to monitor the programmes is missing, and therefore data on how many units set up, expected to start, and among those which have started, how many are successful, what is their profile, are not available. '

In India, the Xavier Institute of Social Services has been offering training for village entrepreneurs since 1974. Although only 25.5 per cent of its participants are in business and successful, it was considered very good considering the handicaps of the target groups and their environment (Loucks, 1988:5).

Most recently, Saini (1994) evaluated the impact of entrepreneurship training on business performance in terms of employment, investment generated and sales turnover. Using a control group for comparison, the performance of 34 enterprises started by trained entrepreneurs were compared against the performance of enterprises set up by untrained entrepreneurs during the period 1980-90. While no attempt was made to examine causality, it was reported that trained entrepreneurs generated more employment, achieved higher sales turnover and employed less capital in comparison to untrained ones.

There are many studies in developed countries, evaluating training/education for small firm development (Brown, 1990; Johnson and Thomas, 1983). In the UK, one such cost-benefit analysis was done by Johnson and Thomas (1983) to evaluate the effect of the New Enterprise Programme. Having calculated both cost-benefit, direct and indirect, including displacement effect, it was found that the programme has a positive NPV (Net Present Value) when considering benefits for at least five years. Longer periods will give higher NPV. The IRR

(Internal Rate of Return) of the project was estimated at about 19.9 per cent when Treasury's

Test Discount Rate was only 5 percent. Despite some rigidity in assumptions made when

calculating benefits and costs, the results of training seemed to be very effective in terms of

cost-benefit analysis. The effect in terms of qualitative results was more promising, as in the

words of Johnson and Thomas (1983:20):

> 'The interview discussions suggest very strongly that one of the most important
> contributions an NEP can provide is business confidence. For many trainees
> the courses gave them a greater determination to succeed and a firmer belief
> in the value of their own ideas ... The results of the appraisal are encouraging
> and show the contribution that training can make to business development.'

Walsh (1994) reported a significant positive relationship between the total number of days

management training was received and total employment in Ireland. Another study by Birley

and Westhead (1990) also revealed similar findings, reporting highest growth rates of

employment amongst the firms that had undertaken some management training.

In brief, the literature supports the proposition that training as a measure of small enterprise

support has a significant role to play, and seems to be effective in helping small firms in most

cases in developed countries. In developing countries, in particular, evidence suggests that

such support is not very effective in promoting small firms (Harper, 1989).

8.1.6 THE EFFECT OF EXTENSION AND COUNSELLING SUPPORT

Many experts view extension services as a very powerful instrument of assistance to small

firms, and in some cases, even indispensable (Manu, 1988:39). However, only a few

attempts have been made to evaluate the effectiveness of extension and counselling services in the context of developing countries.

In one of the most quantified studies in Nepal, GTZ (1982) estimated cost-benefit, direct and indirect, as a result of extension services. Four performance measures were used for comparison between 25 assisted and 5 control firms. The measures of performance were increase in sales per month, total investment, value added per month and profit per month. It was reported that assisted firms had a higher increase in sales, value added and profit with lower volume of investment compared to the control group. The change in employment was also calculated revealing a 22 per cent increase by assisted firms against 19 per cent by the control firms. In addition, overall total benefit and cost figures were estimated showing the ratios of 3/1 for value added and 2.21/1 for profits.

Another notable study was done in Egypt, cited in Manu (1988:133), Evaluation of Technical Extension Services (EGY/82/01A/IDA). In this study, the ratio of benefit-cost obtained was 2.3/1 for value added.

A number of studies are available in the USA evaluating the effect of management counselling. The most important are the studies by Smith (1978), Robinson (1981), Centaur Associates (1983), Chrisman et al. (1987) and Chrisman and Katrishen (1994). All these studies assessed the value to and impact of management assistance of Small Business Administration (SBA) programmes on the performance of the assisted firms. The most quantified cos-benefit analysis was done by Chrisman et al. (1987) and Chrisman and Katrishen (1994). In general, findings revealed, a significant positive effect of management counselling and other support services on the performance of the assisted firms.

8.1.7 THE EFFECT OF SUPPORT SERVICES NOT DISCUSSED ABOVE

Different incentives like tax-holiday, discounted interest rate, exemption of income tax and import duties and import restrictions were provided as a measure of support for small enterprise development in many developing countries, particularly in South East Asia.

In India, Sandesara (1982) evaluated the efficacy of incentives upon the performance of small firms. Reservation in some sub-sectors was an important measure for small firm development. In his study, Sandesara (1982) compared the performance of reserve units with that of the non-reserve units. Findings suggest that while the policy of reservation shuts the door to large industry, it increases fierce competition among the reserve firms. As a result, the reserve units did not show superior performance over all other industries. In Sandesara's (1982:1917) words:

> 'At any rate, our findings suggest that, as judged by the relative performance
> of 'reserve' and other industries, reservation does not seem to have rendered
> any special benefit to the industries in this sector. '

In terms of the value of efficacy of different incentives such as tax incentives, subsidies etc., an attempt made, cited in Sandesara (1988a), was by Tulsi. Nine programmes were evaluated with reference to six industries in seven states. The value of the subsidy/incentives for each industry was expressed as a percentage of the ex-factory value of output. It was found that the value of incentives/subsidies varied from 70 per cent of the value of output in cosmetics to 30 per cent in gases. The bulk of incentives came from two principal concessions, namely - excise duty exemption and price preference, given by the central government.

Ramachandran (1993), in his most recent study, identified subsidized input cost, among others, as the most widely used measure of incentives in 36 developing countries. Studying India as a case, which has one of the widest ranges of incentives, the study found that only 9 per cent of small firms under study took up the benefit of tax deductions. It was revealed that most firms availed themselves of the central subsidies and the benefit of subsidized loan. It was also reported that a large number of firms took the advantage of incentives just because they were offered. So far as industrial estate being considered as an 'Incentive Zone', this was not a major consideration in getting started on an industrial estate for most of the cases. The main reason why such a benefit was taken up was 'image factor' of the industrial zone. In addition, perceptions of entrepreneurs regarding government incentives are, according to Ramachandran (1993:40), as follows:

> 'While delays persist, different departments of the government tend to oversell the industrialisation idea to potential entrepreneurs. They glorify the schemes of assistance and create a mistaken notion that starting and running an enterprise is very easy. It is widely felt that the failure of SSEs is at least to some extent due to such overselling.'

As to the effect of policies relating to small firms, there are a few notable studies in developing countries. For instance, Little *et al.* (1987), Mannan (1991), Chowdhury (1991), Sandesara (1992), Young (1993) and so on. Little *et al.* (1987) evaluated policies for supporting small firms in India and Columbia. These policies, in the context of India, have tended to reduce competition, prevent organic growth, artificially skew the market, and thus, have created unreal price differentials. As such, Little *et al.* (1987:232) criticised these policies as *'romantic, rather than economic'*. However, in his most comprehensive assessment of the Indian Industrial Policies during 1947-91, Sandesara (1992:180) expressed his satisfaction saying that: *'My conclusion on overall assessment is that the performance has been, in general, satisfactory'*. On the contrary, in four Asian countries - Bangladesh, India,

Indonesia and the Philippines, Chowdhury (1991) found that most policies relating to import-export, tariff, taxes and duties were naturally biased towards large industries, and thus impacted against the growth of small firms. Similar findings were reported by Chee (1986) in the context of Malaysia. There is also evidence to conclude that government policies seem to be a real barrier to the development of small firms in most developing countries (Harper, 1987:21; Hailey, 1992:13).

In summary, it should be clearly mentioned that generalisation of the results of the empirical studies discussed above is very difficult due to a number of reasons. Firstly, the diverse nature of support services and the myriad of evaluation studies; Secondly, different backgrounds, both economic and cultural, against which the studies have been conducted; Finally, and more importantly, different methods used by different authors to assess the effect of support services, applying various criteria. One thing, however, common across the studies is that they all have, as their main objectives, attempted to evaluate the effect of support services on the development of small enterprises.

The findings, in the context of developing countries, are mixed and inconclusive, except some conclusive evidence on the effect of financial assistance. In general, on overall assessment findings suggest a limited effect of support services upon the development of the SME sector. Nevertheless, the cases of India and the Philippines are rare, where assistance measures seemed to have a considerable effect on small firm development. The findings on the effect of financial assistance clearly revealed a considerable positive effect on the development of small firms in most developing countries. As to the effect of non-financial assistance, there is much debate and pessimism about the effectiveness of such support. In general, however, it seems to be not effective in assisting the development of small firms.

In particular, technical assistance and industrial estates appear to be generally not very effective. Turning to the training, counselling and extension services, it is revealed that these measures are more, or less, effective, but their cost-effectiveness is in question. Finally, the evidence from the studies on other support services, viz. tax incentives, subsidies etc., suggests that these measures seem to be neither attractive nor effective in promoting small firms in most developing countries.

8.2.0 EVALUATION OF EFFECTIVENESS

The studies reviewed earlier have evaluated the effects of support services on the promotion and development of SMEs. Apart from the centrality of the discussion on evaluation, this thesis is in fact all about the evaluation of effectiveness of support services. As such, this section reviews briefly the evaluation literature in general, and the literature relevant to the evaluation of small business support services in particular.

8.2.1 EVALUATION - A BRIEF OVERVIEW

'Evaluation' is an elastic word, covering a wide variety of judgements of many kinds (Weiss, 1972:1). It has been one of the most debated, but the least tackled, issues in many branches of social sciences (Rossi *et al.*, 1979). In many areas in business activity, for instance, evaluation is viewed as 'an inexact science' (Scott, 1991:xliv). There has been, however, a major advances in evaluation theory and research in recent decades (See for details, Piper and Smith, 1989; Easterby-Smith, 1981).

In the literature, there is no consensus among evaluation theorists as to the precise meaning of the term itself and the boundaries of the field. It is a broad field which could be viewed from different perspectives. In general, the term 'evaluation' refers to an assessment of a course of action already undertaken, or to be undertaken, aimed at achieving certain objective/s. It could also be defined as an act, or a process, of assessing certain activity, project or programme (Rossi *et al.*, 1979).

8.2.1.1 PURPOSES, TYPES AND METHODS OF EVALUATION

The task of evaluation could be intended for a diverse reasons, overt and/or covert, from the emotionally rational to the patently political (Weiss, 1972:11). Broadly, these purposes could be outlined briefly as below:

* For management and administrative purposes - to assess the appropriateness of programme shifts, to identify ways to improve the delivery of interventions, and to meet the requirements of funding groups.

* For planning and policy purposes - to help decide on either expansion, or curtailment, and to reach decisions on whether to advocate one programme, or another, and

* For testing purposes - to examine the purpose of a particular social science hypothesis or a professional practice in principle. The particular programme studies in this case may be mainly a matter of convenience.

In reference to the purposes above, there might have various types of evaluation in practice, which could be grouped, as summarised in Table 2.2, under four main categories: Project planning and development evaluation; Project monitoring evaluation; Impact evaluation, and Economic efficiency evaluation.

Table 2.2

Evaluation Research: Purposes, Types and Methods

	Types	**of**	**Evaluation**	**Research**
	Evaluation of Programme Planning & Development	Evaluation of Programme Monitoring and Implementation	Evaluation of Programme Impact	Evaluation of Programme Economic Efficiency
Purposes of Evaluation	Designing programme in conformity with intended goals	Testing implication of programme design	Testing programme effectiveness in reaching goals	Assessing programme economic efficiency
Methods of Evaluation	- Key informant approach; - Community forum approach; - Rate under treatment approach; - Indicator approach; - Survey and - Census	It could be done at three stages: Stage-1: Procedure for monitoring the participation of targets; Stage-2: Monitoring the delivery of services by: - Direct observation; - Service records; - Special providers' information; - Programme participants' information, and Stage-3: Feedback from monitoring.	Rigorous Methods: - Randomised experiment; - Quasi experiment; - Non-randomised experiment with reflexive controls; - Non-randomised experiment with constructed control, and - Combination of statistical controls and control groups. Approximate Methods: (Assessment of programme data on participants) - Before and after measures; - Project follow-up studies; - Participants ratings; - Use of experts, and - Assessment by programme administrators.	Methods Assessing Efficiency: - Cost-Benefit analysis, and - Cost-Effectiveness analysis.

Source: Compiled from Rossi *et al.* (1979)

Still, there are many other ways of classifying and grouping the purposes, types and methods of evaluation studies. For example, Easterby-Smith (1988), concerned with corporate culture, grouped the traditions of evaluation research into three main streams: Scientific, Systems and Naturalistic. In reference to planning in educational curriculum, an important distinction was

introduced by Scriven (1967) as Formative versus Summative evaluation. The main

differences between these two groups of research could be spelled out as summarised in Table

2.3 below:

Table 2.3
Differences between Formative and Summative Evaluation

Formative	Summative
It is done during the development of a programme.	It is done at the end of a programme when it is completely finished.
It produces information during the programme development to help improve the programme.	It produces information about the effectiveness of the programme already completed.
It serves the needs of programme developers.	It serves the needs of those who are considering to adopt/replicate/continue similar programme.
It is usually carried out internally by a trainer as a service.	It is usually carried out externally by a contracted agent for the purpose of accountability. However, Parker's (1986) review of summative evaluation, cited in Smith and Piper (1990:9), revealed that it is generally done by trainers at least in published articles.

Sources: Weiss (1972:17); Smith and Piper (1990), and Cranton and Legge (1978)

8.2.1.2 EFFECTIVENESS - DEFINITION, METHODS AND MEASURES

Since the term 'effectiveness' is one of the main concepts used in this thesis, it warrants

further clarification. It is the most talked about but the least tackled issue in organisation

theory, and devotes virtually all of its attention to the larger firms (Steers, 1975; Robinson,

1981:42).

In general, effectiveness is viewed as 'doing the right thing' (Bedeian, 1984). It is also

defined as the extent, or degree, of meeting or surpassing of certain goal/s (Daft, 1983). In

defining and assessing organisational effectiveness, there are basically three main approaches -

Goal approach, System approach and Process approach (Molnar and Rogers, 1976;

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Bedeian, 1984; Daft, 1983). While a schematic presentation of these approaches could be seen from Sarder (1992b:21), these are briefly:

* **Goal Approach** is concerned with the attainment of goals in terms of outputs. Thus, effectiveness is defined as the extent of meeting certain goals.

* **System Resource Approach** views effectiveness as the extent to which an organisation is successful in acquiring and utilising scarce and valued resources to achieve its goals, and

* **Process Approach** looks at the internal activities of an organisation and assesses effectiveness by indicators such as internal health and efficiency.

In an early attempt, Cunningham (1977) derived seven distinct models, reviewing 54 authors' thoughts on organisational effectiveness. Most recently, concerned with small firms' performance, Brownmiller and King (1994) compared four models developed by Covin and Slevin (1991), Mahmood and Soon (1991), West and Courtney (1993), and Marcoulides and Heck (1993). A fuller discussion on these models can be found in Cunningham (1977) and Brownmiller and King (1994), while it is suffice to mention here that all these models focused on the effectiveness of large firms.

Like the models of organisational effectiveness, there is a serious lack of consensus as to the measures/indicators of effectiveness. In an earlier attempt, Campbell (1973), cited in Steers (1975:546), identified 19 indicators, of which the most frequently used measures are:

* Overall performance, measured by employee or supervisory ratings;
* Productivity, measured typically with actual output data;
* Employee satisfaction, measured by self-reported questionnaires;
* Profit, or rate of return, based on accounting data, and
* Withdrawal, based on archival turnover and absenteeism data.

In another study, Steers (1975) found 15 measures (variables), reviewing 17 multivariate models (See Sarder, 1992b:22, for details). Facing such dilemma, Hitt (1988:29) says: *'Unfortunately, research offers no consensus on the appropriate measure(s) of organisational effectiveness'*. Most recently, after comparing four models, Brownmiller and King (1994:12-13) conclude:

> *'These models again display the problem in defining certain variables for study .... The focus of the models is on the use of financial measures for the determination of success and organisational performance. ... In order to better understand the complexity of the organisational performance issue, future research should at least in some part focus on the non-financial measure issue and provide for the interrelationships as they exist with those financial measures that are currently presented in most models developed by organisational or information technology scholars.'*

8.2.1.3 HIERARCHY IN THE EVALUATION OF OUTCOMES

In evaluation research, assessing outcomes is the central task and depends on the programme intent (Weiss, 1972:39). Outcomes - the results derived from the activities undertaken - could be measured at several levels, from during the programme development (formative evaluation) to at the end of the programme when it is completely finished (summative evaluation) (Smith and Piper, 1990:30). In particular, this sort of evaluation is necessary where it is intended to measure changes applying a complete evaluation format from assessment through to participants' reaction through to learning of knowledge and skills through to behaviour through to organisation and the ultimate end results, i.e., performance (Weiss, 1972:41; Gibb, 1992:23-24). Here, outcomes need to be measured both in short and long periods of time, as well as at micro and macro levels. For instance, entrepreneurship training could be given for the creation of employment, and it might be intended to measure changes at each level from measuring participants' reactions in the short-run to assessing the

number of jobs created in the long-run in an economy. Although imaginary, Figure 2.1 depicts such an evaluation, showing hierarchy in the evaluation of the process outcomes.

Figure 2.1
Hierarchy in the Evaluation of Process Outcomes

	Does training lead to	Does training lead to	Does training lead to	Does training lead to
T R A I N I N G I N P U T	Measuring trainees' reactions to training given - What is the reaction of the trainees?	Improve learning experience and skills, thus change in trainees' attitude.	Change trainees' behaviour as a result of receiving trianing.	Change in organisation as a result of receiving training.	Change in the ultimate outcomes, i.e., no. of jobs created as a result of training given.
	Level - 1	Level - 2	Level - 3	Level - 4	Final Level

Source: Adopted from Weiss (1972:40) and Gibb (1992:23-24)

All the levels, as shown in the Figure above, need to be evaluated, from the training inputs through process (different levels here) to the final outcome level. The measures of outcome at each level need to be identified for evaluation. As shown in the figure, for example, at Level 1 such instrument used in most evaluation studies at great length is the 'happiness' sheet. In particular, this is the case where evaluation is done by the providers of training (Smith and Piper, 1990:8). Perhaps, such 'happiness' rating, along with other measures, could also be utilised at the other end of the figure, i.e, the final level, asking perceptual questions on the effectiveness of training. In general, this sort of 'happiness' indicator of outcomes is used where providers are interested in evaluation to maintain training.

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Evaluation of this kind of course puts a particular slant which makes such evaluation highly suspect. However, many experts emphasis the importance of participants needs assessment, and argue for an evaluation by providers (Baker and Gorman, 1978; Neagle and Fisher, 1985).

8.2.1.4 THE PROBLEM OF DETERMINING CAUSALITY IN EVALUATION

As already stated, evaluation appears to be one of the most difficult tasks in social sciences. Perhaps, this difficulty arises and multiplies from different reasons, such as imprecise goals or inadequate measurement tools, the problem of establishing causality - did this cause that action? - is an important one (Scott, 1991:xliv). Just as there are outcome variables, so are the programme variables including many other factors - internal and external to the programme - which might have significant influences on each level, as discussed in the previous section, down to the final outcome level (Weiss, 1972:45). Therefore, one must consider all the factors relevant to the evaluation of a particular programme. It is also important to note that establishing association between two variables does not indicate causality, because there must have a theoretical basis - reasons for thinking that one event causes another (Goldmark and Rosengard, 1985).

8.2.2.0 THE EFFECTIVENESS OF SUPPORT SERVICES

Having reviewed the evaluation of effectiveness in general, this section looks at the evaluation of effectiveness of support services on the SME sector in particular. The following discussions cover mainly the definition, measures and methods - either used or suggested in the SME literature - of the effectiveness of support services.

In the evaluation literature, as mentioned earlier, there has been a large-firm-biased emphasis on defining and evaluating effectiveness. Perhaps, this is why the existing body of effectiveness evaluation seems to be largely inadequate in the context of small firm research, and is not always applicable in the SME community (Brownmiller and King, 1994). As a result, the evaluation of small business support, as in many branches of social sciences, has for long time been a great challenge to the contemporary researchers in this field. Facing this difficulty in the evaluation of business counselling, Scott (1991:xliv) says:

> *'One of the most difficult tasks facing providers of business counselling is the evaluation of that provision. Evaluation is an inexact science in many areas of business activity, and is beset with problems arising from: lack of clear definitions of objectives; inadequate measurement tools; difficulties in ascribing causality (did **this** counselling cause **that** action?)'.*

Here, one suggestion came from GTZ (1982:12) as: *'The first step in any evaluation must be to determine what was the objective of what is being evaluated'.* In the literature, cited in Manu (1988:127), there are two principal reasons for evaluation:

Firstly, to determine whether the support service is having a positive, or negative, impact upon the economy, and

Secondly, to develop a management tool to ensure reasonable adherence to certain basic, or minimum, standards in performance.

Again, there is a major difficulty in determining 'what indicators should be used with reference to which objectives' because various measures emphasising different objectives are put forward for evaluating small enterprise support services.

Despite the valid problems stated above, some attempts have been made, as reviewed later, to evaluate the effectiveness of support services to small firms. Following the GTZ's (1982) suggestion, the evaluation of assistance can be made with reference to the objectives for which such services have been provided. One of the main objectives of providing support services is to ensure a healthy growth and development in the health of the SME sector. Therefore, any positive change in the health of SMEs as a result of receiving support services can be viewed and defined as the 'effectiveness' of support services.

In practice, however, there might have cases where changes could prove crucial for survival of SMEs without being visible in the overall health of small firms. In some other cases, change in the health of an SME could be strategically planned in such a manner that a firm may be dynamic without demonstrating visible rate of change in its performance (Gibb and Scott, 1985:600).

However, the crucial challenges, posed by development which SMEs ought to address in developing countries, are mainly the creation of income and employment. And support services are provided for speeding up the pace of change in income and employment created, or to be created, by SMEs. Therefore, any positive change/improvement in the levels of income and employment, including productivity and other changes (usually invisible in terms of traditional performance measures but crucial for survival) resulting from the support services received by SMEs, has been defined as the 'effectiveness' of support services in this thesis.

8.2.2.1 MEASURES OF EFFECTIVENESS OF SUPPORT SERVICES

As already stated, different methods and measures have been used to evaluate effectiveness. In fact, there is no consensus as to the measures to be used as indicators of effectiveness. However, two basic financial measures - return on sales and growth in sales - appear to be the widely used measures of effectiveness of support services in the literature of small business (Robinson, 1981:47). Although these measures represent an implied 'goal approach', they do not take into consideration of non-financial objectives - such as, the creation of employment, which is one of the basic objectives of providing support services. Facing problems with such quantitative measures, many empirical studies have used perceptual criteria of effectiveness of support services, for instance, the studies by Smith (1978), Rocha and Khan (1984). Most recently, Ward (1994), after a review of the literature on measures of entrepreneurship education/training effectiveness, suggested the use of both qualitative - client satisfaction, and quantitative criteria, which include, among others, sales and employment growth.

In the present context, to evaluate extension services in developing countries, an ILO (1985) project evaluation report, cited in Manu (1988:131), identified a number of indicators. These are:

- Total clients' profit increases over a period of time;
- Total clients' assets increase over a period of time;
- Total clients' sales volume over a period of time;
- Total jobs added over a period of time;
- Total number of businesses assisted;
- Cost/number of businesses assisted;
- Sales/labour ratio;
- Capital/labour ratio, and
- Willingness of SSEs to pay for extra services.

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In order to construct a hierarchy of objectives and accompanying indicators, an attempt has also been made, as reproduced in Table 2.4, cited in Manu (1988:132). As shown in the table, these objectives are of different types, ranging from the goal of improving general welfare to institutions building. The use of these objectives and indicators is, however, highly subjective and mainly depends on the suitability of the situations and in many respects on the preference of the evaluators.

Table 2.4
Hierarchy of Objectives and Indicators

OBJECTIVES	INDICATORS
General Welfare	Economic activity in the area
Health of Small-Scale Enterprise Sector	Actual profits as determined by extension staff New investment made Willingness to pay for extension Reaction if extension is threatened to be withdrawn Loan repayments
Employment Generation	Jobs created in individual client enterprises
Regional and Sectoral Redistribution	Increased turnover New activities undertaken
Improved Management and Technical Ability	The use of account books as distributed or other systems as taught
Recommending Improved Practices to Owner/Managers of Small-Scale Enterprises	Advice recalled by the client
Providing advice to a Large Number of Enterprises	Calls made as recorded by advisers Clients' recall names and dates of visits by advisers
Institution Building	Number of staff appointed and trained

Source: Harper, M. (1979:14)

In the Philippines, Tecson et al. (1989:363) used 'average success' as an indicator of effectiveness of support services. There are many other studies in small business literature, where 'success' (or failure) was utilised as a measure of effectiveness (Robinson, 1981:42; Rahman et al., 1979). Apart from specificity in definition, this criteria does have minimum

relevance to the main development roles - the creation of employment and income - which are the main target of providing support services. In seven Asian countries including Bangladesh, Sharma (1979) used two types of indices - qualitative and quantitative, as shown in Table 2.5, in order to capture the effect of assistance on the development of SMEs.

Table 2.5
Impact Evaluation Measures in Seven Asian Countries

Name of the Index	Name of the Country
A. Concrete Economic Indices:	
Rate of growth in number of units	Bangladesh, Korea and India (NE Region)
Current capacity utilisation	Bangladesh, Korea, Philippines and Thailand
Growth in sales, income and employment	Philippines
Financial ratios	India (Northern States)
Other economic ratios	Thailand and India (Northern States)
B. Psychological Index:	
Level of clientele satisfaction	Bangladesh, Korea and India (NE Region)

Source: Sharma (1979:157)

Here, many more have been suggested in developed countries. For instance, Storey (1982) suggested the following measures of effectiveness: (a) the proportion of new firms founders actually using the agency, and (b) the proportion of customers who claim satisfaction with the services that received.

To identify the measures used widely in the evaluation of support services, an attempt has been made to review the relevant papers, presented at three international conferences on small business research in 1994. These conferences were: (i) Entrepreneurship Research Conference, June 9-11, Boston, USA; (ii) the 39th International Council for Small Business

(ICSB) World Annual Conference, June 26-29, Strasbourg, France, and (iii) the 4th Internationalising Entrepreneurship Education and Training (IntEnt) Conference, July 4-6, Stirling, UK. It was revealed that the most commonly used quantitative measures include, among others, sales (absolute or growth), profit (gross or net) and employment (absolute or growth). Some perceptual measures have also been used in conjunction with, or without, these quantitative criteria.

Although 'profit' appears to be a widely used performance criteria, many researchers have questioned the 'appropriateness' of profit as a measure of effectiveness in the context of small firms on a number of grounds (Manu, 1988:130). Firstly, profit is such a sensitive issue that owner-mangers of small firms may be unwilling to disclose information. Secondly, there might be reasons, justifiable or not, why profit is inappropriate or just not required. For example, it has the least relevance for those interested in looking at the effect of support services on employment creation. Lastly but most importantly, some experts, for example - Scott, view 'profit' as an efficiency function of 'accountant'. Therefore, it is argued that the more efficient the accountant of a small firm, the lower the volume of profit. This could be the true situation in practice.

The analysis above, therefore, suggests the use of both qualitative and quantitative criteria to evaluate the effectiveness of support services. And three measures have got some prominence in the literature of small business (Mulford et al., 1989). These include, among others, sales, employment and profits, which have been used with, or without, a combination of some qualitative measures, for instance, perceptions of owner-mangers regarding the possible effect of support services.

8.2.3 METHODS OF EVALUATING EFFECTIVENESS OF SUPPORT SERVICES

Related to the discussion above, there is little consensus among researchers as to the method/s to be used for evaluating the effectiveness of support services. In practice, as is evident from the foregoing analysis, different methods have been used by different authors. Perhaps, it is very difficult, if not impossible, to lay down a standard method of evaluation, which can be followed in all the cases of support services (Manu, 1988). Perhaps, this complexity arises due to a wide variety of support services to meet the different needs of a variety of people related to small firm development.

The methods that have been used/suggested for in the literature can be broadly divided as quantitative and qualitative. In the qualitative method, the usual way is to measure the perceptual effectiveness of support services. Sometimes, the perceptions of the owner-managers are quantified, using the conventional scale measure, and then it is analyzed applying various statistical techniques.

Turning to the quantitative method, there are many ways to evaluate the effectiveness of support services. Following Gibb's (1988:27) observation, these are of mainly two types. The first category is all about 'counting the numbers'. Here, effectiveness is measured in terms of figures, such as, how many small firms were assisted or sales or employment generated during a particular period. Loan guarantees and special grant allowance schemes are measured in terms of their take-up and disbursement and so on. This could better be termed as, what Gibb called, 'playing with numbers game'. In fact, this is the measure most government bodies prefer for its simplistic form to present their 'effectiveness', in order to show that 'government is doing something' for small firm development.

The second category is, as in the words of Gibb, a 'holistic cost-benefit approach'. The aim in this case is to identify the 'ultimate effect' of support services in some conventional terms, such as employment creation, added value, profit turnover etc. In general, efforts are made to estimate benefits as well as costs, and then the ratio of benefit to cost is worked out. Many studies have used this method in the context of developing countries (Otero, 1989; Kilby and D'Zmura, 1985).

The approach outlined above has several merits as well as demerits. According to Gibb (1988:28-29):

> 'This simplistic approach ignores wholly the complexity of the start-up process, the wide range of advice taken by people who start a business and imputes a causal connection with may be wholly inaccurate.'

Having faced these difficulties, Gibb has offered two additional criteria to evaluate the effectiveness of the support service network: (i) the creation by intervention of real additionality in terms of programmes, or activities, not previously carried out, and (ii) the creation of increased capability to deliver existing activities. Here again, the question about how to measure 'additionality' comes up, as Gibb himself admits, *'These criteria themselves beg difficulties in measurement'*.

Fortunately, a number of notable attempts have been made to measure *additionality*, gross and net, as a result of support services in the UK. For example, Monk (1990) evaluated the impact of Enterprise Board Investment on job creation of small firms. The method applied here can be defined as 'Stage-by-Stage Analysis', where gross employment is calculated first, and then some adjustments are made to accommodate displacement and deadweight effects. There are some other studies that have examined the additionality, resulting from consultancy

initiatives (Segal Quince Wicksteed, 1991), regional enterprise grants (Leslie Hays Consultants Ltd., 1990), enterprise zone (PA Cambridge Economic Consultants, 1988), and so on. It is interesting to note that no such attempt was found so far, and perhaps, such a method was not applied in the past in developing countries.

Another method of impact evaluation is often termed as 'Match Pair' method. Here, the principle of comparing the performance, at or during a particular time, between two groups of small firms - comparable in terms of a number of characteristics - is very simple. One group comprises of small firms that have received support services, while the other group does not have received such assistance. This method has been widely applied in many developing countries, including India and Nepal (Sandesara, 1988a; Saini, 1994; GTZ, 1982), for impact evaluation of support services. In many developed countries, for instance UK, many researchers have also used this method (Read, 1994; Wilson, 1992).

Still, there is another group of researchers to apply the 'Before-After' method for evaluation of the effects of support services (Robinson, 1981; Chrisman *et al.*, 1987). Here, the actual performance of small firms before getting assistance is compared with that of the situation after receiving assistance. Thereafter, analyses are carried out, using different statistical tools.

Last but not the least, in a number of studies correlations/multiple regressions have been used to examine the relationship between performance and assistance measures (Tecson *et al.*, 1989). It is clear, therefore, that various methods and measures have been used by different researchers in different countries. Given the concern about SME development, this diversity simply underlines the difficulties associated with the task of evaluating the effect of support services. In the words of Gibb and Durowse (1987:14):

'Numerous studies demonstrate how difficult it is to associate limited inputs of advice or assistance to the 'outputs' of companies or individuals receiving the assistance. There are a wide variety of factors involved in determining ultimate success, and inputs of counselling or training usually constitute a very small part.'

In fact, the methodological issue of how to evaluate the effect of support services is a great challenge to the researchers in this field. It remains as an unresolved key issue of concern and debate in the literature of small business in general, and in developing countries in particular.

9.0 OTHER ISSUES OF DEBATE ON SUPPORT SERVICES

As evident from the earlier analyses, support services seem to have a low effect on the promotion and development of small firms in most developing countries. Reasons for this low effect have generally been traced to, among others, inappropriate policies and strategies followed by the governments (Little *et al.*, 1987; Chowdhury, 1991), and partly, ineffective delivery of support services by the agencies involved (Gibb and Manu, 1990). In particular, the latter has given rise to two 'issues' of debate in the literature.

The first issue is whether assistance should be provided in an 'integrated package' or as a 'single input' for SME development (Hailey, 1991). The second issue concerns the selection of the organisation to be used to effectively channel support services for the promotion and development of SMEs (Farbman and Steel, 1992:30). The first issue is discussed in the following section with a special reference to approaches, suggested or used, to SME development in developing countries, following the issue of selecting an effective design of support agencies to effectively meet the needs of SMEs for support services.

9.1 INTEGRATED VERSUS SINGLE INPUT

There is much debate on approaches to be followed in delivering assistance to small firms. In the literature, there are mainly three such approaches: (a) Integrated Approach, (b) Minimalist Approach, and (c) Sub-sectoral Approach.

Staley and Morse (1971) were the early proponents of the integrated approach, which is also known as the 'Indian Model'. According to this model of supply-side intervention, measures are taken to channel a range of necessary support services to small firms through a wide variety of enterprise agencies, credit schemes, marketing organisations and industrial estates. Some protective measures are also a feature of this model. Here, the objectives are to provide small firms easy access to finance; improve performance through training, advice or technical assistance, and to provide a basic infrastructure. This approach has been followed in many countries all over the Third World since the early 1950s, when it was first pioneered in India.

The initial intention behind the supply-side intervention was that the support provided would be interactive and complementary. In reality, however, it became enmeshed in a range of different institutions and agencies. As a result, the measures undertaken following this approach have not produced the desired results, as described in the previous sections. Research studies around the Third World have highlighted limited return of this support in terms of long-term growth, profits generated, or jobs created. These measures are criticised on the grounds of not being effective or cost-efficient, and in the Indian context, they are also criticised as 'romantic rather than economic' (Little *et al.*, 1987:232).

The criticisms described above are the background against which the minimalist has gained a degree of credence. Here, the focus is the supply of one ingredient, finance - no other form of assistance (Levitsky, 1989). The proponents of this approach question the value of providing training or technical assistance, and advocate offering only one single input, what Kilby refers to as the 'missing ingredient' notion. They point out that where intervention provided an integrated set of multiple ingredients, the results are largely failures (Liedholm and Mead, 1987:112). This approach was also supported by those who think technical training is expensive and has little impact on profitability of assisted firms in practice (Harper, 1989:187).

Despite some important achievements of the minimalist approach, it has failed to address a number of important challenges in enterprise development (Boomgard, 1989). The infusion of finance at market interest rate could help improve performance of a tiny fraction of small firms at some stages of firm life, while most of the small enterprises could not be assisted following the above approach. For most firms facing broader constraints and opportunities tied to firm growth and transformation, there remains a need to find a cost-effective way of supporting their development. In response to this need, Boomgard et al. (1992) have reported the development of a new approach, called 'Sub-sectoral Approach'.

The sub-sectoral approach views small enterprises as part of a production/distribution system that includes commerce and transportation cost as well as production activities of all sizes. It examines patterns of linkages and associated transaction costs through which firms are related backward to suppliers and forward to customers. This approach is based on the idea of channels, or steps, through which products pass as they move from raw materials to finished products in the hands of final consumers. Each step can be carried out by separate

enterprises or there may be vertical integration within one channel. The development potentiality of an enterprise within a sub-sector could be judged in terms of how well the channel within which it operates can compete with alternative channels to meet the consumer's demand. To date, some studies have used this diagnostic as well as prescriptive approach to commodity sub-sectors in which small enterprises predominate. Most notable among them are 'Sorghum Beer in Botswana' (Haggblade, 1987) and 'Rattan Furniture in Indonesia' (Davies, 1991).

While there is a long debate about the appropriateness of these approaches, the basic question is whether small entrepreneurs need single input (may be termed as 'limited' support) or a range of services (can be called 'extensive' support) to solve their problems. Despite repetitive emphasis in the literature on providing 'integrated' or 'single input' assistance, little empirical work has been done to support, or reject, this argument. In fact, there is a shortage of empirical studies examining the effect of assistance on the performance of small firms (Farbman and Steel, 1992).

9.2 THE DESIGN OF SUPPORT AGENCIES

The second issue, as mentioned earlier, is the selection of an appropriate organisation design/mechanism to effectively deliver support services to small firms (Farbman and Steel, 1992). It is often argued that public sector institutions, as a main vehicle for channelling support services, are inappropriate, ineffective and unviable (Hailey, 1992:11).

As such, the question arises as to what is the most appropriate and effective organisation to meet the needs of small enterprises. This is an 'issue', on which the literature says a little,

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as in the words of Farbman and Steel (1992:30-31):

> *'Many studies note that a wide variety of organisations are appropriate for assisting SSEs (particularly microenterprises). Research is needed to re-examine the most appropriate institutional forms for channelling assistance ... The first step is to understand the range of institutional types available.'*

An assessment of the existing design of support agencies, therefore, is needed to understand the range of institutional types, and then an evaluation of their organisation design in the delivery of support services will reveal their suitability to the development of SMEs. In this context, one of the notable attempts has come from Gibb and Manu (1990), who suggested that the most effective institutions were the ones *'closest to SSEs with respect to people, structures and processes employed'*. It is also evident that the most effective agencies maintained their operational independence, charged fees and relied on diversified sources of income, remained small, had private sector conditions of service and a flat organisation structure, which allowed staff greater autonomy.

Harper (1987) identified four major characteristics common to all successful programmes for the promotion and development of SMEs. These are: (i) all four programmes were run by private institutions; (ii) minimum use of foreign experts and maximum use of local staff; (iii) all stayed small, and (iv) the people who ran the programmes shared many of the features of the entrepreneurs they helped.

Hailey and Westborg's (1991) study on NGOs (Non Government Organisations) involvement in small firm development suggests that indigenous NGOs having their own 'business oriented culture' appear to be the most appropriate organisation mechanism to the needs of small enterprises. This culture is marked by clients being selected on their business potential with

preference given to individualistic privately owned enterprises. Loans are given at market interest rate, no grants at all, and a tight repayment schedule is enforced.

It appears, therefore, that successful agencies are those that have become embedded in the community, decentralised their operations, employed local people, and adopted a financially sustainable 'business oriented' culture.

10.0 SUMMARY

The chapter has reviewed the literature relevant to support services for SME development in developing countries. As a result, a number of KEY ISSUES of concern and debate have been identified. These issues can be summarised and presented broadly under: the nature of the supply of and demand for support services, and the evaluation of the effect of support services.

10.1 NATURE OF THE SUPPLY OF AND DEMAND FOR SUPPORT SERVICES

* What is the nature of the supply of support services? - i.e., what types of support services are supplied by which agencies for the development of SMEs?

* What is the nature of the demand (need) of SMEs for support services? - i.e., what types of support services SMEs need and want for the development of their enterprises?

* Do the small entrepreneurs receive the support services they need and want?

10.2 EVALUATION OF THE EFFECT OF SUPPORT SERVICES

* What is the most effective/appropriate design of support agency to meet the needs of SMEs for support services?

* What is the effect of support services on the growth and development of small firms in general, and the performance of the assisted firms in particular?

- Is there a significant difference between the performance of assisted and similar non-assisted small firms?

- Is there a significant difference between the performance of small firms receiving extensive support and small firms receiving limited support?

- Is there any relationship between the support services received and the performance of small firms?

* Lastly, and most importantly, there exits a long debate about the entire issue of how to conceptualise and evaluate the effects of support services.

It is evident that the majority of the issues stated above remain unresolved and unaddressed in the wider context of developing countries. These issues, therefore, need to be addressed empirically to which the present study will be directed. To this end, the forthcoming chapter will review small business literature in the particular context of Bangladesh. It will also describe the background against which the research issues will be addressed empirically.

CHAPTER THREE

THE DEVELOPMENT OF SMALL ENTERPRISES
IN BANGLADESH

1.0 INTRODUCTION

The purpose of this chapter is to review small business literature in Bangladesh, and set out

the background against which the present study has been carried out. It introduces Bangladesh

by briefly outlining the contemporary social, economic and political situations of the country.

The chapter then presents the scenario of industrial development in general, and the role,

importance, growth and development of the SME sector in detail. The Industrial Policies of

the government, within the framework of the country's development plans and strategies, are

discussed. Responses to the challenge for the promotion and development of small firms have

been outlined, and the results so far achieved are assessed critically by synthesising the major

studies on SME development in Bangladesh. This assessment has indicated a shortage of

empirical research, evaluating the effect of support services. It is also revealed that some

KEY ISSUES - about the nature and effect of support services - raised in the previous

chapter, have been partially addressed, while most remain unresolved and unanswered in

Bangladesh. These issues, therefore, need to be empirically researched.

2.0 BANGLADESH - A PROFILE OF CONTEMPORARY SITUATIONS

Bangladesh - officially the People's Republic of Bangladesh - emerged on the world map as an independent state on December 16, 1971. The territory, now Bangladesh, was historically under Muslim rule for over five and a half centuries from 1201 to 1757 A.D. Subsequently, it was a part of British-India for about two hundred years (1757-1947). Further, there was a period of 24 years (1947-1971) of internal colonial regime under the banner of East Pakistan - eastern wing of the former Pakistan. The total area of Bangladesh is 143 999 sq. km. (55, 598 sq. miles), bounded by, as shown in Figure 3.1, India on the west, north and east, Burma on the east-south, and the Bay of Bengal on the south (GOB, 1993:3-4).

Bangladesh, according to the 1991 population census, is one of the most densely populated countries in the world, with a population of 108.8 million - growing fast at a rate of 2.47 per cent per annum. It was estimated that the country is expected to reach a population of 139.69 million by the year 2000. As per gender distribution, there was a ratio of 106 males per 100 females. The composition of population was respectively 86.6 per cent Muslim, 12.1 per cent Hindu and the remaining 1.3 per cent others (GOB, 1993:4).

The country, a riverine delta terrain, is characterised by acute poverty with a current GNP (Gross National Product) per capita of around US $ 200 (Mannan, 1993:9), extreme political and economic instability, widespread un- and under-employment and a very low industrial base. The economy is predominantly agriculture and rural in nature. Over 86 per cent of the population live in the rural areas, where agriculture is the main occupation of the people contributing over 46 per cent to the GDP (Gross Domestic Product), two-thirds of the country's exports until 1987, and employing 66 per cent of the labour force (GOB, 1993).

Figure 3.1
Map of BANGLADESH

Source: GOB (1993)

DEMOGRAPHIC PROFILE

Population

108.8 Million

Area (sq mi)

55,598

City Population

☐ Over 1,000,000

☐ Over 500,000

☐ Over 100,000

▫ Under 100,000

⊠ Divisional city

● Capital

Scale

⊢————————⊣
75 mi
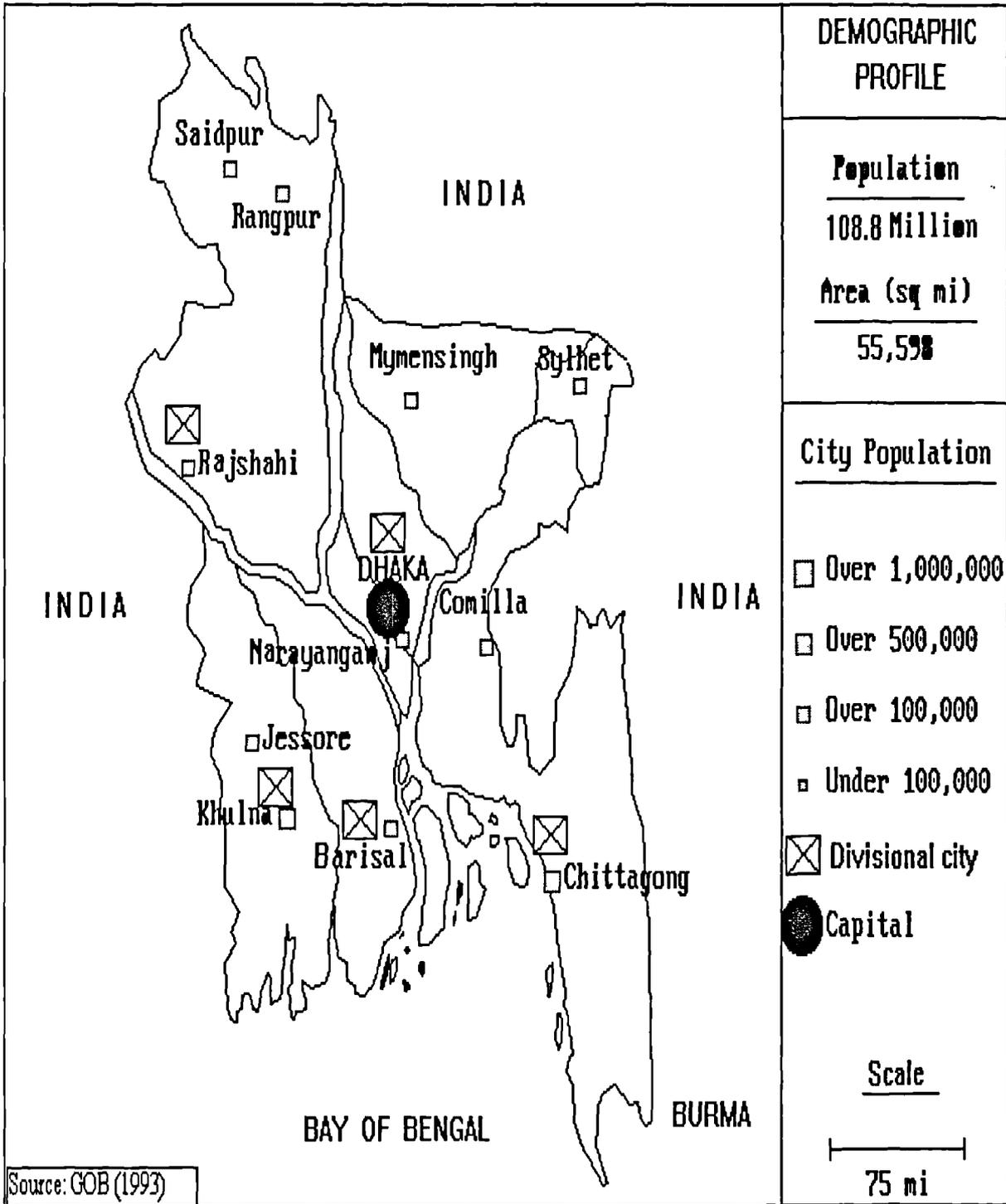
Industries are very few in number and their performance is shocking - accounting for only about 10.5 per cent of GDP, and employing about 14 per cent of the workforce in 1991. Unemployment is huge and chronic - around 30 per cent, the literacy rate is very low - nearly 24.8 per cent in 1991, and the rate of savings is poor around 3.65 per cent of GDP (GOB, 1993). In short, the classic characteristics of a developing country are all present with a great intensity.

The economy, which is basically an agrarian one, is based on the output of a narrow range of agricultural products such as jute, which was the major cashcrop and main source of export earnings until 1987. In recent years, export earnings from ready-made garments increased substantially from 1.2 per cent in 1981-82 to 54.6 per cent in 1991-92 of total export earnings during the last decade (GOB, 1993a). Bangladesh is hampered by a relative lack of natural resources, and a limited infrastructure. It is highly vulnerable to natural disaster such as flood, tornado, cyclone and drought. Other features of the economy are a heavy debt burden - US $ 12.11 billion as on June, 1992 (GOB, 1992-93), and a high average inflation rate of 10.13 per cent per annum (cost of living index) during the last decade (GOB, 1991a).

The people of Bangladesh have been ravaged over years by countless natural disasters and famine. In addition, they have also been subjected to the political wrangling of military coups and their subsequent mismanagement have played piggy in the middle between the former USSR and the USA. The people of Bangladesh have all but surrendered in the fight for regional supremacy of India. On the economic philosophy of the country, it followed the socialist path for a short period (1971-75), only to be hijacked by two successive military coups with the subsequent establishment of military bureaucratic regimes. Until recently, parliamentary democracy has been a dirty word.

Historically, throughout the colonial period, the economic and social development of the country have been continually overlooked, and whatever development strategies there had been were biased towards the colonial powers. The economic condition of the country, just after the war of liberation, can be understood in the following few lines of Sobhan (1982:1):

> 'The systematic drainage of Bangladesh's resources through the mechanism of foreign and internal colonial exploitation left the economy at the outset of liberation with a large external resource gap. This manifested itself through a deficit in the availability of food grains, low levels of internal savings and a high proportion of its population living below the poverty line. The parameters of poverty and dependence bring out a scenario of secular increase in external dependence during the decade of 60s.'

The country, once independent, had inherited a war-racked economy having virtually no significant industrial base, and an industrial bourgeois class of little merit, a fairly small and highly differential middle class, and an almost non-existent working class (Sobhan, 1982). Even after two decades of independence, no significant improvement has taken place in the society. As a result, despite an average economic growth of about four percent in the 1980s (Mannan, 1993:9), the problem of 'poverty' is making its footprints on the faces of the large majority of people, and teeming millions of new as well as existing people are helplessly roaming about in the job market with no sign of improvement in the near future.

3.0 THE SCENARIO OF INDUSTRIAL DEVELOPMENT

At the outset of any discussion on the industrial sector, particularly the SME sector, it should be noted that there is a serious shortage of data in Bangladesh. Whatever information is available mainly relates to the manufacturing enterprises. Moreover, these data are incomplete, partial and sometimes inconsistent including the serious problem of the

underestimation of the real contribution of this sector to the national economy (World Bank, 1992:1). The following discussion, however, was guarded against in two ways: first, by giving all readily available statistics on the industrial sector; and secondly, by relying mainly on published statistics. Therefore, in addition to the present analyses, one would be able to form a clear idea easily and quickly about the industrial situation of Bangladesh on the basis of the material presented here or by referring to the original sources. Before going on to discuss the SME sector in detail, the history and contribution of the industries sector, especially manufacturing enterprises, to the national economy will be discussed briefly.

3.1 INDUSTRIAL DEVELOPMENT IN PERSPECTIVE

As mentioned earlier, either the development of the industrial sector was overlooked or biased towards the colonial powers during the colonial regime. Consequently, no significant progress was made during the colonial period in this sector. In 1947, when the British colonial regime ended and Bangladesh was made East Pakistan, there was only a handful of large scale industries - a few cotton textile mills, sugar mills, a cement factory, and a number of jute bailing and processing units. In 1949, the share of industries in GDP was only 3 per cent, of which the contribution of large scale industries was 0.5 per cent only against 2.5 per cent from the SME sector (Kamal, 1981:24).

During the Pakistani rule, whatever industrialisation took place was in and around the Karachi region because it was the capital city of Pakistan. Moreover, political and administrative factors were a major consideration for developing industries there. As a result, West Pakistan was industrialised substantially within a short period of time, while East Pakistan remained far behind. Gradually, due to political pressure and economic prospects, encouraged by

government initiatives, some industrialists mainly from West Pakistan came forward to establish jute industries in East Pakistan. In fact, bureaucracy played a very crucial role in regulating not only industrial activities but also their ownership. As a result, by 1964, the growth of industries took a definite shape and their contribution to GDP jumped from 5.5 percent in 1949-50 to 12.29 per cent in 1964-65 (Kamal, 1981:25). The East Pakistan Industrial Development Corporation (EPIDC), set up in 1952, took the leading role in establishing industries and providing the necessary support to both public and private sector industries (Sobhan and Ahmad, 1980:39).

Despite owning about three-quarters of the total industrial units, as shown in Table 3.1, the Bangladeshi entrepreneurs had control over less than a fifth of total assets of this sector before independence. This picture reveals not only the weak position of the Bangladeshi entrepreneurs but also the West Pakistan oriented industrialisation of the Pakistani government. After independence in 1972, all major industries were nationalised including banks and insurance companies and were brought under the control and ownership of the government. Only small industries up to a total investment value of Tk. 2.5 million were allowed to function under private ownership. Although the government owned only 13 per cent of the industrial units, as shown in Table 3.1, it was in control of nearly 92 per cent of the total fixed assets.

Very soon after independence, the country's inherited structural weaknesses were aggravated by mismanagement, inefficiency, corruption and labour trouble in the industrial sector. As such, the industrial scenario until 1975 was in a chaotic situation reflecting a blocked and stagnant economy.

Table 3.1
Types and Value of Fixed Assets of Industries[1] in Bangladesh: 1969-72

Types of Industries	1969-70		1972 (After Nationalisation)		1969-70		1972 (After Nationalisation)	
	Units	%	Units	%	Fixed Assets Mil. Tk.	%	Fixed Assets Mil. Tk.	%
Public Sector:								
Under EPIDC	53	1.7	-	-	2097.0	34.1	-	-
Nationalised	-	-	392	12.9	-	-	5637.5	91.9
Private Sector:								
Non-Bangladeshi	725	23.7	-	-	2885.7	47.0	-	-
Bangladeshi	2253	73.8	2178	71.5	1118.8	18.2	208.0	3.3
Foreign	20	0.8	13	0.4	36.0	0.7	36.0	0.5
Absentee Units:(for disinvestment)	-	-	462	15.2	-	-	256.0	4.3
Total =	3051	100.0	3051	100.0	6137.5	100.0	6137.5	100.0

1   Included all industries registered under the Factories Act
Source: Sobhan and Ahmad (1980:192)

In fact, during the first few years after liberation, the country's industrialisation meant re-organisation of the existing production capacity and resuming activities in the industries stopped during the liberation war.

The socialist government was overthrown in 1975, and then the new government redefined its approach to industrial development with a view to enable the private sector to play its 'proper role' by pursuing a policy of disinvestment in some of the nationalised industries. Gradually, many barriers to private investment were removed. As a result, there was a sharp rise in private investment from Tk. 19.02 million (US $ 0.8 million) in 1976-77 to Tk. 61.8 million (US $ 2 million) in 1984-85. During this period, the private sector output in large and medium scale manufacturing industries grew by 8 per cent annually.

Although there was another successful military coup in 1981, the basic philosophy of the previous government was not changed except for more liberalisation in economic and

industrial policies including the financial sector. The pace of the economy of moving towards 'free market system', which was started in the mid-seventies, was further strengthened to ensure a 'constructive competition and meaningful participation' of the private sector in the economic growth of the country. Since 1990, there has been a democratically elected government in power, pursuing the philosophy of the 'free enterprise system' with more speed and intensity. As presented above, there have been a number of changes in the economic and industrial sectors in Bangladesh during the last two decades. Table 3.2 exhibits the latest situation of industrial structure in Bangladesh. Despite the variation that exits in the sources reporting the latest structure of the manufacturing establishments, some positive changes have been observed in this sector in terms of the number of establishments and the increase in employment and output in recent years.

Table 3.2
Basic Indicators of Industrial Statistics in Bangladesh: 1985-93

Characteristics	1985-86[a]	1988-89[b]	1993[b]
Total Establishments (No.)	4 519	23 752	24 945
Ownership: Government	174	NA	NA
Private	4 274	NA	NA
Joint-Venture	25	NA	NA
Fixed Assets (Million Tk.)	30 293	83 279	NA
Total Employment (Person in '000)	497.6	1 175.3	1 979.8
Gross Value Added (Million Tk)	31 954	60 663	NA

a   Includes manufacturing units having 10 or more workers registered with Chief Inspector of Factories;

b   Includes manufacturing units employing 10 or more workers registered or not with Chief Inspector of Factories.

Source: GOB (1993:6 & 252), Table 1, and (1993f:xi), Table 1 and 2.

In order to understand these changes and the significance of the industrial sector, it is necessary to examine the relative contribution of this sector to the national economy of Bangladesh. This will be the content of the forthcoming discussion.

3.2 INDUSTRIAL CONTRIBUTION TO THE NATIONAL ECONOMY

Three ways were chosen by the Bolton Committee (1971) to measure the importance of industries in the economy of the United Kingdom - their share of employment, of output and of the total number of firms. The last measure, the total number of firms in the context of the Bangladeshi economy, has already been discussed in the previous section. The other two measures, employment and output, will be discussed in relation to the contribution of other economic sectors. In addition, the trend in investment generated within the manufacturing sector will be presented to give an idea about the importance of this sector in the national economy of Bangladesh.

3.2.1 INDUSTRIAL CONTRIBUTION TO GROSS DOMESTIC PRODUCT

When the country's national accounts are used as a benchmark for comparison, the share of industrial value added in GDP is found to be only around 10.5 per cent, as shown in Table 3.3, with a situation of stagnation or declining trend during 1986-92.

Table 3.3
Sectoral Share of GDP in Bangladesh: 1986-92

Economic Sectors	1986-87	1988-89	1990-91	1991-92[a]
Agriculture	39.84[b]	37.08	37.60	36.36
Industry	10.04	9.84	9.80	10.12
(Large scale)	(5.67)	(5.56)	(5.69)	(6.05)
(Small scale)	(4.37)	(4.28)	(4.11)	(4.07)
Others	50.12	53.08	52.60	53.52
Total =	100.00	100.00	100.00	100.00

a   Shows provision figure; b Figures in percentage.
Source: GOB (1993:467)

However, the industry sector is the second largest contributor to GDP in the economy of Bangladesh. Interesting to note here that the manufacturing sub-sector provides almost all, about 97 per cent, of the industrial share in GDP (GOB, 1993). The manufacturing value added (MVA), however, registered a declining trend during the 1980s, according to the World Bank (1992:16) report, but compared favourably with that of all the United Nation's Least Developed Countries, as shown in Appendix 3.1. The rates are too low, however, to bring any real change in the LEVEL of per capita MVA to the economy of Bangladesh.

3.2.2 INDUSTRIAL CONTRIBUTION TO EMPLOYMENT

In terms of employment, the share of manufacturing industrial enterprises was estimated at about 13.9 per cent in 1989, as shown in Table 3.4. This sector historically contributed not more than 6 per cent of total employment before 1984. However, it is presently the second largest provider of employment after agriculture. While the employment share of the agriculture sector gradually fell from 84.61 per cent in 1961 to 64.94 per cent in 1989, the share of the manufacturing sector showed a consistently increasing trend during the last two decades. There has been a noticeable increase in manufacturing employment from 4.80 per cent in 1974 to 13.91 per cent in 1989.

Table 3.4
Employment by Major Economic Sectors in Bangladesh: 1961-1989

Sectors	Census-1961	Census-1974	LFS-1984/85	LFS-1989
Agriculture	84.61[a]	78.66	57.67	64.94
Manufacturing Industry	4.80	4.80	5.76	13.91
Trade & Hotel	3.67	3.92	12.45	8.23
Community services	4.50	10.47	8.80	3.57
Others	2.42	2.15	15.37	9.35
Total =	100.00	100.00	100.00	100.00

a   Figure in percentage
Source: Calculated from GOB (1993:92)

It is, therefore, clearly evident that the importance of the industries sector as a 'provider of employment' - the only hope for solving at least partly the unemployment problem of the country in the foreseeable future (Sarder and Rosa, 1994) - is gaining more and more attention from all corners of Bangladesh.

3.2.3 INVESTMENT GENERATION BY MANUFACTURING ENTERPRISES

The investment, generated by the manufacturing sector in absolute figures, was Tk. 6.6 billion in 1981 reaching a maximum at Tk. 17.1 billion in 1987 but again fell to Tk. 6.1 billion in 1990. The annual growth rates were 23.6 per cent during 1980/81-1984/85 and negative (-17.0 per cent) during 1984/85-1989/90 (World Bank, 1992:21). It was estimated that, during the last decade, there was an overall negative growth (- 0.77 per cent per annum) in investment generated by the manufacturing sector. This decrease in overall manufacturing investment in the economy was mainly due to the fall in investment in the public sector.

In summary, the picture portrayed above indicates an overall low industrial base, by all measures, in the Bangladeshi economy. Now, the following discussion examines the role and importance of the SME sector in the economy of Bangladesh.

4.0 THE ROLE AND IMPORTANCE OF SMALL ENTERPRISES

While detail quantitative evidence is very much lacking, as already stated, there are reasons to believe that this sector occupies a unique position in the economy of Bangladesh. It should be noted here that there are at least three sub-groupings within this sector. These are: (i) Small Industries, usually include all enterprises having employment between 10 and 20; (ii)

Cottage Industries, refer to establishments run by family members employing not more than

10 workers; and (iii) Handloom Industries, refer to small or cottage establishments in the

textile sub-sector. Some other terms, such as, 'Microenterprise', 'Rural Industries' etc., are

also popularly in use. However, all these typologies can be well covered by referring to the

term SME.

4.1 RELATIVE IMPORTANCE OF VARIOUS SIZES OF SMEs

The relative numerical significance of the SME sector in the industrial structure of

Bangladesh can be understood in terms of the number of units, of employment and value

added as depicted in Table 3.5. Clearly, there is a superabundance of SMEs in numerical

terms in the total industrial structure.

Table 3.5
Relative Importance of Various Sizes of SMEs in Bangladesh

	Cottage	Small	Handloom	Medium	Large
		Value added in Million Tk.[a]			
1977-78		2 260 (3.11)			
1880-81	2 988 (2.41)		1 713 (1.38)		
1981-82				1 215 (0.85)	12 194 (8.51)
		Employment in Number of persons in '000[b]			
1977-78		322.13	847.60		
1880-81	861.92	(1.10)	(2.88)		
1981-82	(2.74)			51.63 (0.16)	387.46 (1.21)
		Number of Establishments			
1977-78		24 005	197 280		
1880-81	393 670				
1981-82				1 302	497

a   At current market price and figures in parentheses show value added as per cent of GDP;
b   Includes part-time workers and figures in parentheses show employment as per cent of civilian labour force

Source: Reza et at. (1990:73), Table 1.1.

For instance, if only the number of Small Industries is compared with that of the large and medium firms, it is found that over 94 per cent units fall into the category of the SME sector. Even in the employment size of 10 or more, most recent information indicates that over 78 per cent of the total industrial units are from 10 to 49 employment band, and about 56 per cent fall in the 10-19 employment bracket in the manufacturing sector of Bangladesh (GOB, 1993f:xi). As to the total civilian labour force, the contribution of the industrial sector to employment is very negligible, not over 9 per cent during 1978-82. However, the SME sector - as a whole - provides over 87 per cent of the total industrial employment in Bangladesh (GOB, 1993). This sector is also responsible for the creation of over 46 per cent of industrial value added (GOB, 1993).

According to a recent World Bank (1992) study, it was estimated that the real contribution of MVA would be much higher, from 30 to 50 per cent higher than the Census of Manufacturing Industries (CMI) and 10 to 20 per cent higher than Bangladesh Bureau of Statistics (BBS), if underestimation in the official statistics is accounted for. One study recently reported that the contribution of SMEs appeared to be over 52 per cent of the total MVA in the year 1989-90 (Microenterprise News, 1993:2).

4.2 THE GROWTH OF SMALL ENTERPRISES

The growth of SMEs can be seen from Table 3.6. In terms of the number of establishments, the annual growth rates of SMEs were respectively 2.96 per cent, 2.04 per cent and 1.88 per cent for Small, Handloom and Cottage industries. Looking at the employment growth rates, it is evident that the small industry sub-sector is again at the top with 4.55 per cent followed by handloom, 2.75 per cent, and the cottage enterprises, 2.48 per cent per annum. In terms

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of value added, the average annual growth rates were estimated 4.12 per cent for cottage

industries and 0.57 per cent for the small industry. However, these growth rates can be

regarded satisfactory by no standard, compared to neighbouring Indian ones, as reported by

Sandesara (1992:180-182).

Table 3.6
Growth of Small Enterprise in Bangladesh: 1961-1993

Year	Number of Units			Employment (in '000 persons)			Value added (in million Tk. at constant 1980-81 price)		
	Small	Cottage	Hand-loom	Small	Cottage	Hand-loom	Small	Cott-age	Hand-loom
1961	16331	234934	137304	143.8	653.1	521.2	2513	1401.8	NA
1978	24005	280000	197280	322.1	NA	847.6	2772	NA	NA
1981	24590	321000	205874	NA	855.2	897.4	NA	3146.1	NA
1990	38104	403237	NA	NA	1331.0	NA	NA	NA	NA
1993	38294	NA	NA	523.0	NA	NA	NA	NA	NA
Growth[1] (%)	2.96	1.88	2.04	4.55	2.48	2.75	0.57	4.12	-

1   Growth (average annual) rates are calculated based on the available figures of the first and last years; NA Not available
Source: Ahmed (1987:16), Table 1.2, and GOB (1993d:1)

4.3 THE COMPOSITION OF SMALL ENTERPRISES

The importance of the SME sector in the economy of Bangladesh can be better understood

by examining its sectoral structure as shown in Table 3.7. All the sources quoted here

demonstrate that the four sectors - namely food & allied, textile & apparel, engineering and

fabricated metal - are more dominant in the SME structure. Comparing the growth rates

within different sectors of small firms, during the period 1961-78, it was found that these

four sectors are also the fast growth areas compared with that of the other areas (Ahmed,

1987).

Table 3.7
Sectoral Distribution of SMEs in Bangladesh, 1978-1993

Industry Sectors	Small Industry Survey-1978[1] No.	%	Directory of Man.Ind.-1993[2] No.	%	Small Industry Survey-1993[3] No.	%	SMEs listed with BSCIC[4] No.	%
Food & allied	17 358	72	7 623	31	21 080	55	8 152	46
Textile & apparels	1 391	5	5 714	23	3 196	8	741	4
Forest & Furniture	886	4	1 804	7	1 745	5	1 794	10
Paper, printing etc.	1 092	5	1 078	4	2 385	6	590	3
Chemical, Rubber etc.	527	2	1 903	8	2 864	7	1 026	6
Glass, ceramics etc.	218	1	2 359	9	1 113	3	124	1
Basic metal/engineering	1 743	7	483	2	3 078	8	2 987	7
Fabricated metal/electrical.	646	3	3 455	14	1 880	5	1 989	11
Others	144	1	526	2	953	3	245	2
Total =	24 005	100	24 945	100	38 294	100	17 648	100

Source: Compiled from 1 GOB (1981); 2 GOB (1993f); 3 GOB (1993d) and 4 GOB (1993e).

4.4 THE BIRTH AND DEATH SCENARIO OF SMALL ENTERPRISES

There is no data covering the entire SME sector concerning the birth or death of enterprises.

From information shown in Table 3.8, however, a partial picture can be formed about SMEs

between 20 and 49 employment size. Using the entrants and exiters from the CMI during the

period 1974-75 to 1983-84, it was found that about 59 per cent of the net addition in the

number of new enterprises was from the SME sector.

Table 3.8
Birth and Death of Manufacturing Enterprises in Bangladesh: 1974/75-83/84

Employment Size	Entrants No.	%	Exiters No.	%	Net Addition No.	%
20 - 49	674	60.2	186	64.4	488	58.6
50 & above	446	39.8	103	35.6	343	41.4
Total =	1120	100.0	289	100.0	831	100.0

Source: Calculated from Reza et al. (1990:81), Table 1.6.

It was also estimated that there was one death per four new births in the economy during the period under consideration. Expectedly, birth rate was found relatively high in the 20-49 employment size, while death rates vary even more markedly, the 20-49 and 50-99 employment size classes, having even more disproportionately high percentages of deaths compared with the large size class (Reza et al., 1990:81).

4.5 MARKET COVERAGE AND BACKWARD AND FORWARD LINKAGES

One of the very important functions of SMEs is to serve the needs of local consumers by supplying a wide range of products. In Bangladesh, over 90 per cent of SMEs serve the local needs of the people (Rahman et al., 1979:83), and thus, work every day in every economic sphere of the Bangladeshi society. Moreover, it is revealed that there are strong backward and forward linkages between the SMEs and other sectors - such as agriculture - of the economy in Bangladesh (BIDS, 1981:127-133).

The foregoing discussion clearly indicates the numerical significance, one dimension, of the role of small firms in the economy of Bangladesh. The other dimension, what Kohlo (1991:34) called the 'subjective dimension', is that SMEs also provide productive outlets for individuals with independent and enterprising minds. This sector, thus, provides opportunities for developing the 'seed-bed' of indigenous entrepreneurship. In Bangladesh, small enterprises are also regarded as 'engines' of technological innovation, leading to industrial transformation and modernisation in the economy (Ahmed, 1987:7).

It is evident, therefore, that small enterprise is a vital element in the economic legacy of Bangladesh, and that there is much development potentiality in this sector (Sarder, 1990:191-

202). However, every year numerous small firms are developed, while unfortunately many of them disappear, abandoning the potential role they could have played in economic development (Reza *et al.*, 1991:81). To combat this undesirable failure, and to accelerate rapid growth, planned development of this sector forms an essential component of the overall economic strategies in most developing countries including Bangladesh (Ahmed, 1987:18). Mannan (1993:66) observes, however, that *'Whatever development has taken place in the field of small enterprises has been on its own, without concerted assistance from the government.'* Further, Mannan concludes:

> *'... the small enterprises in Bangladesh can grow effectively with a minimum assistance from the state if minimal infrastructural, financial and marketing facilities are provided, in conjunction with a coherent strategy for small enterprise development'.*

It is, therefore, necessary to review what plans, policies and strategies have been pursued by the government of Bangladesh in respect of SME development. This is the content of the following section.

5.0 GOVERNMENT PLANS AND POLICIES AND THE SME SECTOR

The government of Bangladesh and its leaders have for a long time shown concern for the development of small enterprises. The planned development of this sector, within the broader framework of long-term development plans and policies, has been emphasised by the government in the form of statements and recommendations through industrial policy of the country. Therefore, the policies towards this sector will be reviewed in the context of the overall plans and policies of the government.

5.1 DEVELOPMENT PLANS AND THE SMALL ENTERPRISE SECTOR

The concern about development of the industrial sector dates back to the pre-independence days of the 1950s. The Planning Commission - the highest body for macro-economic planning in the country - had first admitted the importance of the role of SMEs in the First Five Year Plan (1955-60) of Pakistan. However, it did not recognise the need for promotion and development of this sector on the ground of low productivity, poor technological level and poor growth potential. Nevertheless, it recommended some measures for their improvement. In the subsequent Second (1960-65) and Third (1965-70) Five Year Plans, high priority had been accorded for industrial development, particularly for large scale industries. As a result, the SME sector did not get due attention during this time. Some lip service, however, was paid through the creation of the Bangladesh Small and Cottage Industries Corporation (BSCIC) - the erstwhile East Pakistan Small and Cottage Industries Corporation (EPSIC) established in 1957.

After liberation in 1971, in a totally changed environment, fresh interest was generated for the promotion and development of SMEs. In the plans and policies of the government, it was recognised that this sector has an important role to play in the socio-economic development of the country, especially in the rural and backward regions. The First Five Year Plan (1973-78) of Bangladesh states (GOB, 1973:52):

> '.... the Government would like to reiterate its faith in the vital importance of the small scale industries in achieving regional development by dispersal of industry throughout the county, in developing a complementary relationship between large and small enterprises and in promoting a pool of trained managers and workers.'

Later, the Two Year Plan (1978-80), the Second Five Year Plan (1980-85) and the Third

Five Year Plan (1985-90) were declared and implemented. Now, the Fourth Five Year Plan

(1990-95), which was formulated as a part of a twenty year Perspective Plan (1990-2010),

is going on. All these long-term plans have strongly emphasised, to varying degrees, the

importance of the SME sector. The latest plan has given high priority to the development

of this sector, envisaging the following objectives (GOB, 1990:VI-25):

> 'The development objectives of the Small and Cottage Industries sub-sector
> during the Fourth Five Year Plan will be, among others, elimination of
> unemployment specially for rural people including women and landless,
> development of entrepreneurship and manpower, promotion of sub-contracting
> linkage between small and large industries, production of import substitution
> and export oriented goods, utilisation of indigenous resources and promotion
> of peoples participation in the industrial development.'

The SME sector, thus, received special treatments in all development plans, which had

envisaged the development objectives of this sector as, among others, elimination of

unemployment, eradication of poverty through creation of income, development of

entrepreneurship, dispersal of industrial base, production of import substitution and export

promotion etc. The long-term plans have laid down the foundation, including guidelines, for

the formulation of industrial policies. Within these guidelines, the Industrial Policy (IP) of

the country has been designed, and strategies have been worked out to implement the policy

decisions. Now, the discussion turns to focus specifically on IP relating to small enterprise

development in Bangladesh.

5.2 INDUSTRIAL POLICY AND THE SMALL ENTERPRISE SECTOR

Since the pre-independence development plans emphasised large scale industrialisation, the development of the SME sector was neglected seriously in the past. Despite the recognition of the vital role of this sector, there was virtually no policy base during the whole Pakistani regime. In fact, the colonial *status quo* was more or less continued until independence in 1971. The government policies concentrated on encouraging large and medium scale industries mainly by the non-Bengali entrepreneurs through provision of liberal credit and other facilities, where necessary. Therefore, the SME sector received very little attention in terms of investment or operational policy formulation and institution building.

The first IP of independent Bangladesh was declared in 1972. In conformity with the constitutional provisions for socialism, the IP-1972 nationalised all the major industries, delimiting the role of private sector investment not exceeding Tk. 2.5 million. It was realised soon that the bureaucratic controls and mismanagement of the industrial enterprises largely failed to bring any good to the industrialisation process of the country. Therefore, the IP was revised twice during 1973, giving somewhat greater scope to private investment by raising the investment ceiling to Tk. 3.5 million. In the following year, this ceiling was again raised to Tk. 30 million for private investment and foreign investment was allowed with local entrepreneurs. A tax holiday was granted, provided 60 per cent of tax-exempt profits were ploughed back into the business. However, this new concession did not woo private investment either by local or foreign entrepreneurs. The SMEs were neither given any incentive nor were they threatened any more.

In 1975, the new IP was the first step towards mixed economy by the new government. Nationalisation was abandoned, allowing private investment up to Tk. 100 million. During the 1975-82 period, a number of steps were taken to encourage private participation in the industrial development of the country. The economy was gradually heading towards a 'free enterprise' system. The IP-1978 was a planned shift from public to private-led growth, a slight change from an import-substitution strategy to export-promotion, and from public ownership to denationalization and the divestment of public enterprises. These changes, however, hardly touched anything relating to the SME sector.

The New Industrial Policy (NIP), declared in 1982, was a continuation of the philosophy of the previous government with more speed and intensity. There was a 'determined push to privatisation' in the NIP, which gave a much needed signal to entrepreneurs of the government posture to promote and stabilise the already started 'free enterprise' system. Some of the time-consuming administrative formalities were simplified and the investment process was shortened by initiating a 'one-stop-service'. The policy intentions, however, were not really translated into action in most cases, although the NIP was implemented speedily.

In the declaration of the IP-1986, the SME sector was given a *priority* status for development in the policy. The ceiling for total investment in SMEs was raised to Tk. 15 million subject to a maximum investment of Tk. 10 million in machinery and equipment excluding taxes and duties. In addition to a number of general measures and incentives applicable to all types of industries, the policy statement provided some special incentives for SMEs. These were:

*   Financial institutions and commercial banks shall have a separate window for financing SMEs;

*   Financial institutions and banks should set apart a definite percentage of their resources for the development of the small firms sector;

*   Debt-equity ratio for small firm shall be 80:20 in order to provide support to SMEs;

*   Small Entrepreneur Credit Guarantee Scheme may be introduced under the joint sponsorship of BSCIC and Sadharan Bima Corporation, and

*   The banking system will arrange necessary funding for sick SMEs and for supporting sub-contracting.

The IP was revised in 1988, 1990, 1991 and most recently in 1992, raising the total fixed investment up to Tk. 30 million excluding the value of land, duties and taxes. In addition to the existing facilities, the latest IP has provided for certain special facilities and incentives for Small Enterprises. These are:

*   Empowerment of the BSCIC for registration of SMEs, ascertaining import entitlements of raw materials and packaging materials, issuance of import pass books, and allotment of plots in the industrial estates:

*   BSCIC would provide financial assistance to special types of SMEs;

*   Special attention would be given to women, educated youths, skilled technical personnel, engineers, wage earners and their dependents;

*   BSCIC would continue its efforts to provide infrastructural facilities both inside and outside the industrial estates;

*   The government, semi-government and autonomous organisations would ensure, in the light of the government purchase policy, the purchase of the SMEs products;

*   The loan operations by the banks and financial institutions would be monitored by the BSCIC, and

*   SMEs would be allowed tax holidays upon recommendation of BSCIC.

In order to implement the policy measures, stated above, a number of strategies had been

envisaged by the government. These are briefly outlined below:

* SMEs through ancillary units would be established, and sub-contracting arrangements would be promoted;

* In selected thana having potential for industrial growth, facilities for repair, maintenance, marketing and credit delivery would be encouraged;

* Industrial unit having high rate of forward and backward linkages with other sectors would be encouraged;

* Special credit programmes would be geared up with simplified credit procedures and flexible collateral requirements;

* Availability of foreign exchange for timely and fair distribution of imported raw materials, dyes, chemicals etc. required for SMEs would be ensured;

* Technical advancement in the SME sector would be strengthened through pursuing necessary policy measures, and

* Adequate protection and incentives would be provided for SMEs products through tariff rationalisation and appropriate fiscal measures.

It appears from the discussion above that the GOB has historically paid ritual tribute to the development of the SME sector in all the long and short term development plans and industrial policies. A number of measures have also been adopted to this end. The need for supporting the development of the SME sector for sustainable development of the country was reflected vividly in the following few words of Mr. Shamsul Islam Chowdhury, Minister for Industry:

> 'There is no alternative way of progress but to pace up industrial development, particularly of Small Industries'.
> - *The Bangladesh Observer, 1992, September 4, p.7.*

In practice, however, this sector has not received enough 'Priority' status as stated theoretically in the plans documents and statements. As shown in Appendix 3.2, this sector

has received a relatively meagre share, not more than 2.17 per cent, of the total public sector investment budget since the 1950s. Even the IP-1986, often termed as 'Small Industry Oriented Policy' (Mannan, 1993:39), was a paper-stunt due to lack of its proper implementation by comprehensive SME development strategies. There has been, however, a modest shift in policy since the early 1980's to rejuvenate the growth in this sector. As a result, the overall policy environment has been slightly elevated because of the declaration of SMEs as a *Priority Sector*.

6.0 RESPONSES TO THE NEED FOR SMALL ENTERPRISE DEVELOPMENT

As described above, the GOB has taken some specific policy measures/steps regarding small firm development since the early 1980s. Accordingly, strategies have been formulated and adopted to achieve the objectives of creating more employment, more income and so on. The measures, followed by the government for small firm development, were general in nature, and in some cases, they were 'targeted' to certain group/s of SMEs. As a result, there has been a gradual increase in a wide array of 'Support Services' - both hardware and software. The range of such services encompasses the provision of information, marketing assistance, finance, training, service sites/industrial estates and extension services (Rahman *et al.*, 1979:106; Ahmed, 1985:246; Reza *et al.*, 1990:139-147).

To channel support services for SMEs, a number of institutions have been created and nurtured mainly in the public sector. The major agencies include, among others, Bangladesh Small and Cottage Industries Corporation (BSCIC), Bangladesh Handloom Board (BHB), Bangladesh Sericulture Board (BSB), Board of Investment (BOI) and National Productivity Organisation (NPO) (Ahmed, 1985:237). In addition, some other institutions have also been

involved in the promotion and development of this sector. The most important are Nationalised Commercial Banks (NCBs), Bangladesh Krishi Bank (BKB), Bangladesh Shilpa Bank (BSB) and Bangladesh Management Development Centre (BMDC).

During the last decade, private sector participation was actively encouraged by the government. As a result, some support agencies in the private sector have been developed to provide support services to small firms. The major private support agencies include, among others, Bank of Small Industries and Commerce (Bangladesh) Ltd. (BASIC), Micro Industries Development Assistance and Services (MIDAS), Small Enterprise Development Project (SEDP) and Grameen Bank. Apart from these special SME development agencies, there are various types of private institutions - private commercial banks, development financing institutions, associations of trades and commerce - which have been indirectly involved in the field of SME development. Most recently some Non-Government Organisations (NGOs), for instance, Bangladesh Rural Advancement Committee (BRAC), Karitas, have come forward with various support services for the SME sector.

Therefore, there now exits a large network of support agencies, both public and private, which, taken together, cater to the different needs of SMEs for support services to foster a healthy growth of the SME sector in Bangladesh.

7.0 AN ASSESSMENT OF THE RESULTS

The creation of some support agencies, as stated above, with or without the encouragement of the government, is not an end to the development of SMEs. An assessment of what has been achieved so far as a result of these efforts is necessary. Such an assessment, however,

is rather difficult, if not impossible (Hj. Din, 1992:49). This involves an *ex-post* evaluation of the incidence and effect of support activities on the development of the SME sector in general, and the performance of the assisted firms in particular. Unfortunately, empirical research of this nature is lacking very much in Bangladesh (Mannan, 1993:38). This section, however, assesses critically the literature relevant to this study, and presents the major findings, relating to the nature of the supply of and demand (need) for support services and the effect of such services on the growth and development of SMEs in Bangladesh.

A brief summary of the major studies, both theoretical and empirical, on small business development in Bangladesh is provided in Appendix 3.3. Each study will be discussed, where appropriate, in the present discussion. At a first glance, the list looks sizeable. There is, however, one noticeable characteristic of the literature on small enterprise research in Bangladesh - the preponderance of prescriptive information lacking empirical evidence to support most conclusions and recommendations. It appears, therefore, the lack of empirical studies, to evaluate the effect of support services, is a critical void in the literature in Bangladesh, as in the wider context of developing countries discussed in the last chapter.

7.1 THE NEEDS OF SMEs FOR SUPPORT SERVICES

Not dissimilar with the findings in most developing countries, almost all studies in this field have identified a number of common problems, as summarised in Appendix 3.3, of small firms in Bangladesh. Very briefly, these are mainly related to policy constraints discriminating against this sector, lack of implementation of policy measures, inefficient institutional mechanism, inadequate supply of finance, restricted access to institutional finance due to collateral and complex procedures, marketing problems, shortage of utility services

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and technological backwardness. The repetitive citation of similar problems, therefore, is a reflection of the importance as well as the needs of SMEs for assistance that could solve those problems.

Rahman et al. (1979:116), the first study of this kind, identified a number of problems. Table 3.9 summarises these problems, as perceived by small entrepreneurs in Bangladesh.

Table 3.9
Problems Perceived by Small Entrepreneurs in Bangladesh

Multiple Response Category	Number	Percentage	Rank
Initial Promotional Activities	12	5.61	V
Financial Support System	80	37.38	II
Technical & Infrastructural Support	30	14.02	III
Supply and Marketing Support	173	80.84	I
Training and Extension Activities	24	11.12	IV
Mis-management & Irregularities	12	5.61	V

Source: Rahman et al. (1979:116), Table 6.8

Against the perceived problems of SMEs, the types of support services required to overcome those shortcomings as well as the assistance received by the sample enterprises were also explored. This is exhibited in Table 3.10.

A vast majority, 88 per cent, of the entrepreneurs under study required financial assistance, and they received it from different institutional sources. The other important types of assistance needed and received were: registration - 62 per cent, plant/machinery - 43 per cent, land - 31.22 per cent, raw materials - 20 per cent, and power and water - 14 per cent. It was reported that no assistance was received in the forms of management consultancy, marketing products, obtaining staff, training or production quality.

Table 3.10
Types of Assistance Needed and Received by Small Entrepreneurs in Bangladesh

Sl. No.	Multiple Response Category	Required and availed (N=237)	Required but not availed	Required but source unknown	Not required
1	Obtaining Finance	88.19*	5.91	1.27	0.84
2	" Registration	61.60	2.11	-	-
3	" Plant/Machinery	43.03	4.22	1.27	1.27
4	" Land/shed	31.22	2.11	0.42	0.84
5	" Scarce raw-material	19.83	7.17	-	0.42
6	" Power and water	13.92	3.38	-	1.27
7	Project preparation	8.44	0.42	0.84	0.84
8	Project identification	8.02	0.42	0.42	0.84
9	Feasibility study	6.33	0.42	0.42	0.84
10	Installation & Layout	4.64	-	-	2.53

* Figure in percentage, and above table shows first 10 out of 18 types of assistance.
Source: Rahman *et al.* (1979:106), Table 6.1

The perceptions of the rural entrepreneurs regarding support need were explored by Ahmed (1985), as shown in Table 3.11. The entrepreneurs under study expressed their needs for assistance in a number of areas.

Table 3.11
Proprietors Own Perceptions of Assistance Need

Areas of Assistance	As first priority	As second priority	As third priority	Total (N=57)
Acquisition of machinery, equipment & other fixed assets	33.3*	45.8	21.7	42.1
Credit for working capital	77.6	22.4	0.0	85.9
Obtaining raw materials	21.7	43.5	34.8	40.4
Marketing of finished goods	10.5	57.9	31.6	33.3
Protection from large ind.& imports	0.0	50.0	50.0	17.5
Product design	20.0	10.0	70.0	17.5
Technical know-how	0.0	14.3	85.7	12.3
Training facilities	0.0	16.7	83.3	10.5
Infrastructural facilities	0.0	33.3	66.7	10.5
Others	0.0	16.7	83.3	10.5

* Figure in percentage;
Source: Ahmed (1985:224), Table 1.

The needs of small firms for support services in order of priority appeared to be supply of

credit for working capital, acquisition of machinery and equipment, raw materials and marketing facilities. In the words of Ahmed (1985:245):

> 'The rural industrial entrepreneurs appear to be more concerned about their immediate needs, and thus want the most pressing needs (working capital, fixed assets, raw materials, etc.) to be met first'.

Similar pattern of needs for support services has been traced in a large survey in the context of rural small enterprises in Bangladesh (BIDS, 1981). In their recent study, Reza *et al.* (1990) studied a sample of 120 manufacturing firms with employment size between 10 and 99 in three industry sectors, textile including apparel, engineering and metal. The major needs for support services, as indicated by small entrepreneurs, include, among others, marketing help, financial assistance - both working and fixed capital, management training, and technical support.

In order to assess whether a financial crisis is 'illusory' or 'real', Ahmed (1984) examined the situation of rural small enterprises in Bangladesh. Adopting what Ahmed called a 'two-prolonged' approach, the perceptions of 1200 entrepreneurs as well as officials from 31 branches of commercial banks and specialised agencies regarding the financial needs of SMEs were explored. The findings, in the words of Ahmed (1984:76), suggest that :

> 'Inadequate availability of credit, flowing particularly from the institutional sources, poses a critical constraint on the growth and sustained development of SCIs in Bangladesh. The small entrepreneurs are found to confront almost insurmountable barriers (i.e. stringent collateral requirements, intricate official formalities, exceedingly high monetary and non-monetary cost and so on) to enter into both formal and informal credit markets.'

It appears, therefore, that the shortage of finance remains a major problem for most small enterprises in Bangladesh. The other hardware assistance - machinery/plant, industrial land and obtaining raw-materials - seemed to be the major areas of support requirements of many small firms. On the other hand, the needs for software services such as training, help in designing and management counselling are not significantly recognised by the majority of the small entrepreneurs in Bangladesh.

7.2 INSTITUTIONAL ARRANGEMENT FOR THE SUPPLY OF ASSISTANCE

The history of institution-building, mainly in the public sector, to channel support services to SMEs dates back to the mid-fifties in Bangladesh, as in many other developing countries. No study, however, looked at the institutional arrangements for small enterprise development until the end of the 1970s.

The first attempt was made by Rahman *et al.* (1979) to review and evaluate the involvement and effectiveness of the major support agencies engaged in the promotion and development of small firms in Bangladesh. The study reported the existence of as many as 26 institutions, having programmes directly, or indirectly, for the small enterprise sector. All of them were in the public sector, although private sector participation was already under way. The study evaluated, in terms of functional coverage, the involvement of three main support agencies, namely, BSCIC, DOI (now BOI) and BSB. The findings suggested a very 'low' involvement of these agencies, revealing an imbalance in providing services to SMEs. In addition, a number of inherent organisational weaknesses have been revealed, which have made these agencies inflexible, bureaucratic, unmanageable and ineffective to meet the needs of small firms.

Ahmed (1985) assessed the involvement and effectiveness of the major agencies concerned with rural small scale enterprises. This study first recognised the involvement of the private sector agencies, particularly NGOs, in the field of small enterprise development. Ahmed (1985:285) says: 'The overall institutional network developed overtime to cater to the needs of industrial development in the country has been in a state of flux.' Summarising the findings, Ahmed (1985:286) continues saying:

> 'There exists an institutional vacuum in certain supply as well as demand areas such as finance, training, research .... The services currently being made available to the SCIs concerning these areas appear to be inadequate in relation to the needs, uncoordinated and also ineffective.'

In another study, Ahmed (1987) analyzed the overall institutional arrangement for finance for small firms in Bangladesh. The findings also portrayed a similar scenario, as described above, in supporting the small firms sector in Bangladesh.

Galway's (1985) study described the major institutional arrangements for helping small firms by providing information and services relating to export. The importance of trade forum/association was recognised in this study. In a background study, NORAD (1986) described the functions of the major public sector institutions, in providing support services to small firms in Bangladesh. This study first explored the involvement of MIDAS in the promotion and development of small firms. Reza et al. (1990) devoted their attention to the public support agencies in the promotion of small firms. Surprisingly, they did not even mention the role of private agencies in the promotion and development of the small enterprise sector.

In his most recent publication, Mannan (1993) listed the names of only thirteen agencies - all

except one are in the public sector. Based on the secondary information from Sharma (1979),

the involvement of three support agencies - BSCIC, BOI and BSB - was evaluated, revealing

an overall low institutional involvement in the development of SMEs in Bangladesh. As to

the performance of BSCIC, Mannan (1993:72) contends:

> *'Available evidence regarding the performance of BSCIC in different functional*
> *areas indicates achievement of some progress is obvious in rendering certain*
> *services like pre- and post-investment counselling, arrangement for credit*
> *disbursement and employment generation, although such progress in relation*
> *to total population and requirements of the country seems to be very*
> *inadequate.'*

Pointing to the annual growth rate of the SME sector during 1961-81, Ahmed (1985) admits

the contribution of support agencies, particularly BSCIC, to the development of the SME

sector in Bangladesh. This is clearly evident from the following few lines of Ahmed

(1985:262):

> *'Though not very encouraging, a rate of growth of 2.0 per cent per annum*
> *experienced by the rural manufacturing sector with respect to number of units*
> *as well as employment over twenty years between 1961-81 may at least in part*
> *be attributed to be the outcome, among other things, of the promotional efforts*
> *being made by the BSCIC as the prime mover organisation in the field.'*

In summary, no study, except some attempts by Rahman *et al.* (1979) and Ahmed (1985),

looked empirically at the overall institutional arrangements for small enterprises in

Bangladesh. The first study assessed the functional coverage of only three public support

agencies. In the second study, the context was rural enterprises. Interestingly, neither studies

revealed any involvement, in terms of programmes and activities, of the private agencies in

the development of SMEs. Overall, the findings suggest that the institutions in the public

sector were not able to meet the support need of SMEs in any effective manner.

7.3 THE EFFECTS OF SUPPORT SERVICES

In most studies, as shown in Appendix 3.3, doubts have been cast on the effectiveness of support services, although very limited empirical evidence has been gathered to support, or reject, such an idea.

Rahman *et al.* (1979) first examined the impact of assistance on the growth and development of small firms in Bangladesh. In this study, impact was measured by applying both quantitative and qualitative measures. In the present context, two relevant findings are:

* BSCIC assistance (promotional support and sustaining activities) has a lower impact on the success status of the entrepreneurs helped, which reflects the weaknesses of the relevant programmes and also of the organisational arrangements needed for better impact.

* The non-assisted enterprises, by virtue of their entrepreneurial qualities alone, have achieved better success than the BSCIC-assisted enterprises. But firms assisted by BSB did better than the non-assisted firms.

In terms of clientele satisfaction, a qualitative measure of impact, it was revealed that small entrepreneurs expressed a low level of satisfaction regarding the effect of support services. Moreover, evidence suggests a low level of awareness among SMEs of the various support services offered by different agencies. The overall findings of the study can be summarised, in the words of Rahman *et al.* (1979:122), as:

> 'It has been found that the overall impact of policies, programmes and development efforts could not be regarded satisfactory, both qualitatively and quantitatively.'

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In another study, Ahmed (1987) assessed the entire situation of the financial assistance programme to the SME sector in Bangladesh. Evaluating the performance of the major credit programmes in terms of meeting the demand of entrepreneurs, the study revealed that the lending operations were not able to meet the requirements of the SME sector in any effective manner. For instance, only 26 per cent of the total amount demanded by the borrowers was extended to them, if measured on the basis of disbursement of financial assistance, before 1984. The same scenario of disappointing performance was reported by the Bangladesh Bank, the central bank of the country, which evaluated commercial banks' loan programmes for SMEs until 1987.

In this context, if the ability to repay loans is taken a measure of entrepreneur performance, there is evidence to believe that Bangladesh has yet to create a viable SME community. According to the latest report by the Bangladesh Bank, the average rate of recovery of the industrial loans was only 14.41 per cent during 1983-92 (GOB, 1993c). Although the low repayment rate of industrial loans could be the poor performance by Bangladeshi entrepreneurs, studies suggest that the incidence of loan default appears to be the lowest among the small borrowers during 1971/72-81/82 (Sobhan and Mahmood, 1982:41). In a recent study, Khan (1992) also confirmed similar findings in terms of relatively better repayment patterns in the case of smaller projects - i.e., small firms. As Khan (1992:105) concludes:

> 'Though the recovery positions were unsatisfactory for all types of projects in general but the recovery position of smaller projects (project size of less than Tk. 15 million) was relatively better.'

At the bottom end of SMEs, often termed as 'very small' or 'micro enterprise', there is some evidence of success stories in Bangladesh, for example, Grameen Bank. The rate of loan

recovery by this bank since its inception in 1976 has been over 97 per cent (Grameen Bank, 1991:3). Hossain (1984) examined the impact of loans from Grameen Bank upon its clients, comparing the performance between assisted and similar non-assisted firms. With respect to employment generation, the study estimated an activity ratio of 30 per cent for Grameen Bank borrowers and 24.3 per cent for the control group. In recent years, there has been increasing empirical evidence on the success history of the Grameen Bank in the creation of income and employment among the rural poor - i.e., micro enterprises (Hossain, 1988).

Most recently, Chowdhury et al. (1991) evaluated the impact of the credit programme of BRAC upon its borrowers. Using a control group, it was reported that the increase in income and employment by BRAC-assisted firms is significantly higher than that of the control group.

Rahman (1982) evaluated the effect of industrial estates programmes on the development of SMEs in Bangladesh. Although no attempt was made to evaluate cost-effectiveness, it was revealed that over a dozen industrial estates remained unutilized by the small entrepreneurs, whilst a number of large and medium industries moved onto such estates.

Export Processing Zone (EPZ) is a new approach in Bangladesh for helping export oriented firms to get some common facilities as well as extra benefits in terms of reduced duties and taxes. Mannan (1990) evaluated the growth and the economic performance of one such zone in Chittagong. Although this descriptive study did not assess effectiveness, or cost-benefit, it was revealed that entrepreneurs have been encouraged to set up industries in this special zone. Moreover, foreign direct investment has been increased significantly, as a result of the development of the EPZ, creating a considerable effect in terms of employment, value added

and exports. Therefore, there is an indication of the positive effects of such industrial Zone in Bangladesh.

As to the impact of training for self-employment on educated youth, Chowdhury (1981) conducted the only study in Bangladesh. Whilst a comparison between those selected and those not selected for training was not made, some attempts were made to assess the effectiveness of the programme. The object of the programme was for trainees to become self-employed. The selection component was assessed on its ability to differentiate those, who will produce a valid project proposal, from those, who will not. The training programme was assessed on the proportion of trainees producing a project proposal acceptable to the Project Appraisal Committee, and the credit component was assessed on the proportion of valid projects implemented and doing well in practice. The results are briefly:

* 306 youths selected, of which 300 submitted project proposals after training;

* 228 projects approved by Project Appraisal Committee, therefore, efficiency of selection + training = (228/306) X 100 = 74.5 per cent.

* 177 doing well in business, therefore, efficiency of credit component = (177/228) X 100 = 77 per cent;

* 177 out of 306 selected doing well in business, therefore, the efficiency of the programme =(177/306)X100 = 59 per cent.

* Total employment created including entrepreneurs is 900.

Although no cost-benefit was estimated, the evidence above suggests a significantly high success rate of training programme designed to promote entrepreneurship and small enterprises in Bangladesh.

Bilkis (1983) evaluated the impact of the Women Entrepreneurship Development Programme (WEDP), funded by the USAID, launched by BSCIC in 1981. It was disclosed that the programme was not successful in terms of employment generation - achievement was only 26 per cent of the target. There was observed, however, some encouraging effects from another entrepreneurship training programme, initiated by a nationalised commercial bank. Rahman (1993:5) states:

'The impact of the training was so impressive that most of the participants developed strong motivation for achieving success in their pursuits.'

Marketing support, viz. sub-contracting, supplying raw-materials etc., is an important type of support services, provided by BSCIC since 1982. Unfortunately, little was known until recently about the effect of such support. However, there is evidence to suggest that BSCIC has been playing a significant role in assisting small firms to market their products (Sarder, 1986). According to the BSCIC annual report, there has been an annual growth in the amounts of work-orders, 63.8 per cent, and the number of small enterprises, 18.58 per cent, receiving such marketing support during 1986-91 (GOB, 1992:28). Chowdhury (1987) assessed empirically the effect of marketing support on the performance of a sample of 70 cottage industries - the small firms at the bottom end of the employment size. The findings, as summarised by Chowdhury (1987:24), are:

'The best performers are the enterprises that do their own marketing. The performance of enterprises that mainly market their products through BSCIC compares unfavourably to that of enterprises that mainly market their products though other specialists handicrafts distributors, if performance is measured in terms of rate of return to total capital employed.'

Different types of incentives, such as tax-holidays, discounted interest rates, exemption of income taxes and import duties, are provided as a measure of support for small enterprise development in Bangladesh. Perhaps, no empirical study has been conducted so far to investigate the effects of these measures on small firm development. Chowdhury (1991), as a part of his study to evaluate the promotional policies in four Asian countries - India, Bangladesh, the Philippines and Indonesia - found that most policies relating to import-export, tariff, taxes and duties were naturally biased towards large industries, and thus impacted against the growth of small firms in Bangladesh.

It appears, therefore, that overall there is an indication of 'limited success' of the assistance measures designed to promote and develop the SME sector in Bangladesh. It is interesting to note, however, that the first empirical study was conducted over 15 years ago (Rahman *et al.*, 1979). Thereafter, a number of important changes have been made in the government policies, and consequently, in the public and private sector support activities, particularly since the early 1980s. Unfortunately, no empirical study has been carried out until now to examine the nature, incidence and effects of support services on the development of the SME *sector in general*, and the performance of the assisted firms in particular. It is evident, therefore, that the majority of the KEY ISSUES, identified in the last chapter, also remain unanswered and unaddressed empirically in Bangladesh. This is, in fact, a real gap in the existing small business research in general, and especially, concerning the nature and effectiveness of support services not only in Bangladesh but also in the wider context of developing countries.

8.0 SUMMARY

The chapter has set out the background against which the study was carried out. It provided a brief sketch of the contemporary socio-politico-economic situations of Bangladesh. The chapter presented the overall industrial structure of the country, focusing on the SME sector in particular. The role, importance, growth and development of small firms has been reviewed, and the policies and strategies, pursued by the GOB for promotion and development of this sector, are described. The responses to the challenge of developing SMEs are presented. The major studies, attempted to evaluate the effect of assistance - both theoretically and empirically, have been assessed critically and synthesised. As a result, specific gaps have been identified in the small business research in Bangladesh. As summarised in Table 3.12, it is clearly evident that some of the key issues, identified in the previous chapter, have been addressed partially, either theoretically or empirically, while most remain unresolved and unaddressed in Bangladesh. Therefore, these issues and problems need to be addressed empirically, to which the forthcoming efforts will be directed.

Table 3.12
Key Issues in Small Business Research in BANGLADESH

Issues in the Literature	Authors addressing this issue
* THE NATURE OF SUPPORT SERVICES	
1. What is the nature of the supply of support services? - what types of support services are supplied by which agencies for the development of SMEs?	All authors. In descriptive way, particularly, Kamal (1981), NORAD (1986), Reza et al. (1990) and Mannan (1993). Empirically but partially, Rahman et al. (1979) and Ahmed (1985 and 1987).
2. What is the nature of the demand (need) of SMEs for support services? - what types of support services SMEs need and want for their firms?	Partially. In descriptive way, Kamal (1981) and Mannan (1993). Empirically. Rahman et al. (1979), Ahmed (1985), BIDS (1981) and Reza et al. (1990)
3. Do small entrepreneurs receive the support services they need and want?	Empirically but partially, Rahman et al. (1979) and Ahmed (1985).
* THE EVALUATION OF THE EFFECT OF SUPPORT SERVICES	
4. What is the most effective/appropriate design of support agency to meet the needs of SMEs for support services?	In descriptive way, Kamal (1981), Mannan (1993), Reza et al. (1990) and NORAD (1986). Empirically but partially, Rahman et al. (1979) and Ahmed (1985).
5. What is the effect of support services on the growth and development of small firms in general, and the performance of the assisted firms in particular?	In descriptive way, Mannan (1993), Reza et al. (1990) and Ahmed (1985 and 1987). Empirically but partially, Rahman et al. (1979), Ahmed (1984 and 1985) and Chowdhury (1987).
- Is there a significant difference between the performance of assisted and similar non assisted firms?	Empirically but partially, Rahman et al. (1979) and Chowdhury (1987).
- Is there a significant difference between the performance of firms, receiving extensive support and firms, receiving limited support?	No author.
- Is there any relationship between support services and the performance of small firms?	No author.
6. How to conceptualise and evaluate the effect of support services? - i.e., what methods and measures are to be used to assess the effect of support services.	No author.

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CHAPTER FOUR

THE DEVELOPMENT OF A CONCEPTUAL FRAMEWORK
FOR THE EVALUATION OF
THE NATURE AND EFFECTIVENESS OF SUPPORT SERVICES
AND RELATED INSTITUTIONS

1.0 INTRODUCTION

The aim of this chapter is to develop a conceptual framework to address empirically the key

research issues identified in the last two chapters. It reviews a number of existing

models/frameworks relating to the promotion and development of small enterprises in general,

and the evaluation of support services and related institutions in particular. This review has

led to the development of a conceptual framework to be used in this study. Some major

hypotheses have also been developed in relation to the research issues and questions to be

addressed.

2.0 A REVIEW OF THE EXISTING MODELS/FRAMEWORKS

The literature review, presented in the previous two chapters, clearly demonstrated a huge

diversity in methodological approaches to the evaluation of the nature and effect of support

services. This diversity underlines not only the problems associated with such an evaluation

but also the need for a sharper conceptual approach capable of addressing the major issues

on the nature and effect of support services and related agencies. In response to this

requirement, fortunately, a few conceptual Models/Frameworks have been formulated in the

context of small enterprise development. Broadly, these are of two types:

* **General Frameworks/Models** - those are related to the promotion and development of the SME sector in general, and

* **Evaluation Frameworks/Models** - those have been developed for the purpose of evaluation of SME support services and related institutions.

Before discussing those frameworks/models, the following section will briefly compare these two terms. In particular, it focuses on definition, a mapping of what may be the relevant factors/elements, and the ability of addressing causal relationships and inter-relationships amongst the elements involved.

2.1 CONCEPTUAL FRAMEWORKS AND MODELS - A COMPARISON

Let us begin with the term 'Framework' - which means different things to different people. According to the Shorter Oxford English Dictionary (1992:Vol.I:800), a framework is *'a structure composed of parts framed together; a frame or skeleton'*. Nachmias and Nachmias (1991:40) say:

> *'The third level of theory is conceptual frameworks. Here descriptive categories are systematically placed within a broad structure of explicit as well as assumed propositions'.*

A framework is also defined as *'a map, set of maps whose structure and layout is guided by theory'* (Morecroft, 1988:14). It is also viewed as a guide in helping to structure problems (Saaty and Alexander, 1981:3). A conceptual framework, therefore, can be described as an orderly presentation/organisation, either graphically or in a descriptive way, of rational thinking on a system or phenomenon. While a framework simplifies problem solving process, it is too imprecise to permit the systematic derivation of propositions, but deductions are

possible. It stands above *taxonomy* - which describes empirical phenomena by fitting them into a set of categories - because the propositions of frameworks summarise and provide explanations and predictions for vast amounts of empirical observations. These propositions, however, are not rigorously and deductively arrived at, and consequently its explanatory as well as predictive powers are limited. As a result, its usefulness for future research is impaired (Nachmias and Nachmias, 1991:40-41).

In contrast, the term 'Model' is well defined in the existing literature (Buffa and Dyer, 1977:10; Saaty and Alexander, 1981:4-5; Williams, 1990:3). Very generally, it refers to 'representation of structure' or 'type of design' (The Shorter Oxford English Dictionary, 1992: Vol.II:134). Broadly defined, a model is a device for aiding rational thinking. More specifically, it is a simplified presentation of a complex system or phenomenon (Buffa and Dyer, 1977:10). It could be a structure built purposely to exhibit features and characteristics of other objects. It may be *concrete* - viz., a model of an aircraft, as well as an *abstract* such as a highly mathematical model of algebraic symbols or purely descriptive like a model of the United States economic system (Williams, 1990:3; Nachmias and Nachmias, 1991:50).

The basic essence of a model is the inclusion of the important features, or elements, of the system or phenomenon under study, and more importantly, its ability of explanations and predictions of the significant inter-relationships amongst the elements that determine cause and effects (Buffa and Dyer, 1977:10). It is an abstraction of a system or phenomenon; it delineates the important elements relevant to the problem under investigation; it makes explicitly the significant relationships among the elements involved; it enables the formulation of empirically testable propositions regarding the nature of the cause-effect relationships (Nachmias and Nachmias, 1991:45-46).

Both conceptual frameworks and models represent systematically a rational thinking on a phenomenon or system, and thus, help in aiding to structure and solve a problem. As in the case of a model, a conceptual framework delineates all the relevant elements in such a way that it simplifies problem solving process. It (a model) definitely goes further, incorporating a list of factors which have been left out and stating the reasons for their exclusion (Hull, Mapes and Wheeler, 1976:5). However, both could be viewed as problem-solving-tools. Despite this similarity, the major dissimilarities between them could be summarised as:

> A conceptual framework provides an orderly good detailing of all the relevant elements relating to a system or phenomenon, but is yet too imprecise to permit the systematic derivation of propositions. Whilst some explanations and predictions are possible, the propositions derived from conceptual frameworks are not rigorously and deductively arrived at. As such, its explanatory and predictive powers are limited, and consequently its usefulness for future research is impaired.

> Contrastingly, apart from an orderly inclusion of the relevant factors/elements relating to a system or phenomenon, a model precisely defines all those elements and their measurements, makes explicitly the significant relationships among the elements involved, enables the formulation of empirically testable propositions regarding the nature of the cause-effect relationships. And thus, its explanatory and predictive powers are profoundly established.

It appears, therefore, that the strength of a model lies in its ability of addressing causal relationships among the elements presented together systematically in explaining a system or phenomenon. Perhaps, a conceptual framework gets closer to a model when it includes all the relevant elements relating to a system/phenomenon, enabling the formulation of empirically testable propositions regarding the cause-effect relationships. In this way, a framework can be a basis for explanation of cause-effect relationships among different elements relating to a system/phenomenon. Now, the following sections turn on the existing models/frameworks relating to the development of SMEs and the evaluation of SME support services.

2.2.0 GENERAL FRAMEWORKS/MODELS ON SME DEVELOPMENT

It appears, after a review of the relevant literature, that several frameworks/models have some relevance to the present discussion. Therefore, all of them are reproduced and discussed briefly in this section.

2.2.1 GIBB'S FRAMEWORK FOR REVIEW OF SMALL ENTERPRISE DEVELOPMENT

Gibb (1993), in his most recent attempt, has developed a framework for review of small enterprise development in the context of countries in the Central and Eastern Europe. As reproduced in Figure 4.1, the health of the small enterprise sector can be considered as a function of:

* **Culture;**
* **Small firm initiation and survival;**
* **Small enterprise growth, and**
* **Supportive infrastructure.**

All the aspects above can be embraced within the framework under the following frames: **Policies, Assistance activity, Institutions,** and **Needs** of small enterprise for support and of society for small enterprises.

Policies for SME Development - Policies, as the framework suggests, might be viewed both from macro perspectives as well as from the perspectives specific to the small enterprise sector.

Figure 4.1
A Framework for Review of Small Enterprise Development
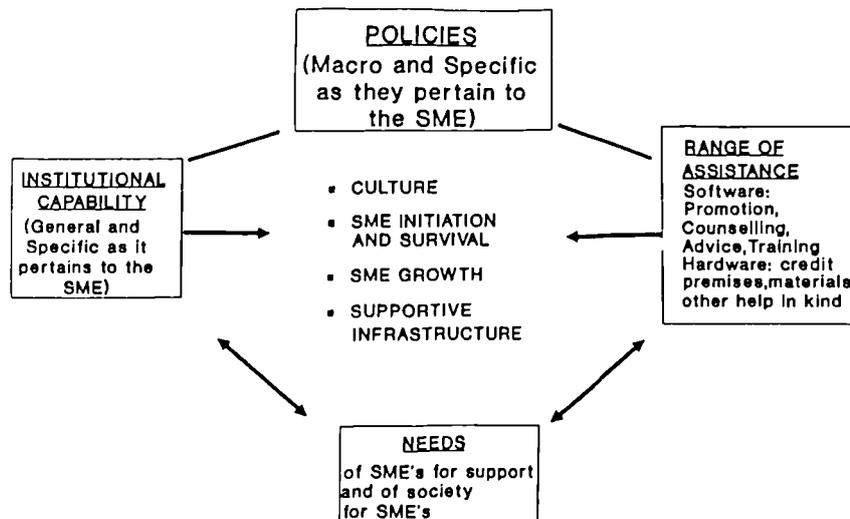
Source: Gibb (1993:466)

According to Gibb (1981), cited in Manu (1988:49), policy frame can be measured by:

- explicit statements of the government (national, regional or local) or other *organisations concerning the way in which small firm development* should be approached;

- inferences from more broadly based statements of governments or other organisations concerning philosophies for economic development at national, regional and local levels, and

- inferences from specific measures taken by the government *et al.* which are designed to effect the SME sector.

Institutions for SME Development - The capability of support institutions can be classified as:

- the degree to which it is private or publicly owned;

- the degree to which it is differentiated throughout the country or standardised nationally;

- the degree to which it is integrated in its activity in organisational terms (or whether the different services are provided by different institutions);

- the degree to which institutions or business associations have been set up to cater specifically to SME needs;

- the age and tradition of the institutions, and

- the relative importance of national as opposed to regional or local institutions.

Assistance to SMEs - The assistance activities can be broadly hardware - finance, premises, materials and other help in kind, and software - promotion, counselling, advice, training and any other help not in kind.

SME Needs - The needs of society for small firms can be considered from the societal point of view - as perceived by government, electors, and representative bodies or interest groups, and the needs of SMEs themselves - wishing to establish new businesses.

Undoubtedly, this is a rare and useful framework to review the needs of small enterprises and entrepreneurs, both from macro and micro perspectives, types of support services and the providers of such services, including the influence of policies on the development of the small enterprise sector. It is, however, a very broad and general framework used to understand the overall capability and interest of a society.

2.2.2 NECK'S TWO-STEP MODEL

Neck (1977) has offered a conceptual model for analysis of support for small enterprise development. As shown in Table 4.1, there are three important factors, Neck calls 'Prime Factors', which are: **Host, Agent,** and **Environment**. Symbolically, these are used as an epidemiological analogy with eradication of malaria.

Table 4.1
Two-Step Model for Small Enterprise Development

Prime Factors	Step-1 Diagnostic Phase (analysis of)	Step-2 Remedial Activity (development of)
I-Host	Training needs of managers and workers knowledge and attitudes	Programmes to provide appropriate skills
II-Agent	Activities and relationships of structures providing assistance	Suitable institutions to provide assistance in matters: - finance; - technological, - managerial and - developmental.
III Environment	Appropriateness of existing elements such as infrastructure, legislation, access to raw materials, information markets, labour and sources of finance	Appropriate policy and Supports

Source: Neck (1977)

The prime factors, for discussion, are labelled as 'host'- the recipient human element, 'agent' - intermediary responsible for developing the causal elements, and 'environment' - immediate surroundings contributing to the conditions which develop. In the context of small enterprise development, the small firm is host, agent stands for the institutions providing support services to host - i.e., small firms, and environment refers to fiscal, legal, economic and cultural conditions of an economy.

There are two steps, as the name suggests, in explaining the model.

Step-1: **Diagnostic Phase** - to analyze the need and appropriateness of the prime factors, and

Step-2: **Remedial Activity** - to take necessary remedial measures, based on the findings in the diagnostic phase, in order to take corrective action for effectively supporting SME development. The model, thus, provides a framework for developing small firms by

improving skills, knowledge and attitudes of the host - small entrepreneurs, assisted by agents - institutions providing assistance, operating in an environment conducive to small enterprise development.

2.2.3 THEOCHAIRDES AND TOLENTINO'S MODEL FOR SMALL BUSINESS CREATION AND SMALL ENTERPRISE DEVELOPMENT

In order to provide an integrated approach, Theochairdes and Tolentino (ILO, 1992) have developed a model for the promotion and development of small firms. As reproduced in Figure 4.2, attempts have been made to show the paths to business creation as well as the development of existing enterprises.

The model, as indicated by arrows, begins with an identification of possible constraints, within a policy regulatory environment, relating to business climate, monetary - fiscal measures, Small Enterprise Development (SED) institutions and enterprise culture, and the economic-business potentialities for small firm development. These factors are considered to have possible influences on the creation of new businesses, providing necessary support services, both software and hardware, which will also be provided to the existing enterprises. Thus, all businesses - formal, informal, women, individual, groups and sectors - can be promoted and developed, by a planned effort incorporating all possible elements into an 'integrated approach' necessary for small firm development.

In summary, the key feature of the models discussed so far is that attempts have been made to link necessary measures, including support services, together to provide small enterprise development efforts in an integrated manner, rather than the contribution of an individual input. Because the models are mostly descriptive and very general, none of them deals with

Figure 4.2
The Paths to Business Creation and SED

Policy regulatory environment

Status – constraints

I Business climate
- Political, socio-economic
- Market mechanisms
- Technical
- Education/skills
- Infrastructure
- Laws/regulations

II Monentary – fiscal
- Credit institutions
- Available credit
- Cost and service
- Fiscal rules

III SED Institutions
- Training, consultancy
- Process, organisation for change and new strategies

IV Enterprise culture
- Men, women, youth

Economic – business potentialities

Priority:
Regional
Sectoral
- Agro Business
- Manufacture
- Process incl.
  - Services
  - Construction
- Etc.

Institutions for
- Studies
- Services
- Business profiles

NEW BUSINESS CREATION
process, institution building and related costs and timeframe

Training

Promotion & selection of entrepreneurs
- Youth
- Women
- Civil servants
- Formal
- Informal

EDP
- General
- Schools
- Universities

Business mgt.
- General
- Functional
  - Marketing
  - Production
  - Finance
- Etc.

Technical guidance
- Products and services
- Technology Info.
- Training

Business plans
- Guidelines
- Training
- Advice
- Proforma profiles
- Feasibility studies

Finance and credits
- Formal
- Informal

Extension services
- Business
- Technical

EXISTING ENTERPRISES
SED process, services and institution building

Needs identification
- Business and management audits
- Training needs

Productivity improvement
- Strategies
- Waste reduction
- Product mix development
- Machine utilisation

Diversification and expansion
- New markets
- Subcontracts
- Franchising
- Exports

Finance
- Long term
- Short term
- Costs

All businesses: Formal, informal, women, individual, groups, sectors

Source: ILO (1992:23), Exhibit 1

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specific aspects necessary for the evaluation of the nature and effect of support services. Whist these models/frameworks can be successful in achieving the objectives - viz., reviewing SME development - for which they have been developed and proposed, none seems to be appropriate, at least, in its present form in the context of this study. However, several elements (components) necessary to formulate a conceptual framework can be identified in the light of these models/frameworks, particularly following the Gibb's (1993) framework.

2.3.0 MODELS/FRAMEWORKS FOR EVALUATION OF SUPPORT SERVICES

This section assesses critically a number of existing models/frameworks developed specifically for the evaluation of small business support services and related institutions.

2.3.1 GIBB AND SCOTT'S MODEL OF GROWTH THROUGH PRODUCT/ MARKET DEVELOPMENT IN THE SMALL FIRM

This model has been constructed based on a longitudinal study characterised by experimental 'action inputs' designed to allow observation of the impact of different types of 'software' (information, counselling, training/education) support on the development of process of small firms. As depicted in Figure 4.3, the overall model looks like, what Gibb and Scott (1985) called, a 'flower pot'.

The starting point of the model is an assessment of the existing performance of a small business, labelled under (1) Where the business is currently (performance), as shown at the bottom of the figure. Next to this is the base potential for development, labelled as (2) The base potential for development. From this bottom end, it is clearly spelled out that, throughout the process of change, there are a number of particularly critical INTERNAL and

EXTERNAL INFLUENCES on the company likely to impinge substantially on the capability of pursuing its development process successfully. The bottom base is made up of performance measures relating to existing performance, on top of which are layered a number of factors influencing the size and growth of change. The process is itself influenced by key internal and external factors, which would lead to a number of OUTCOME(S) with different dimensions.

Figure 4.3
A Model of Growth through Product/Market Development in SMEs
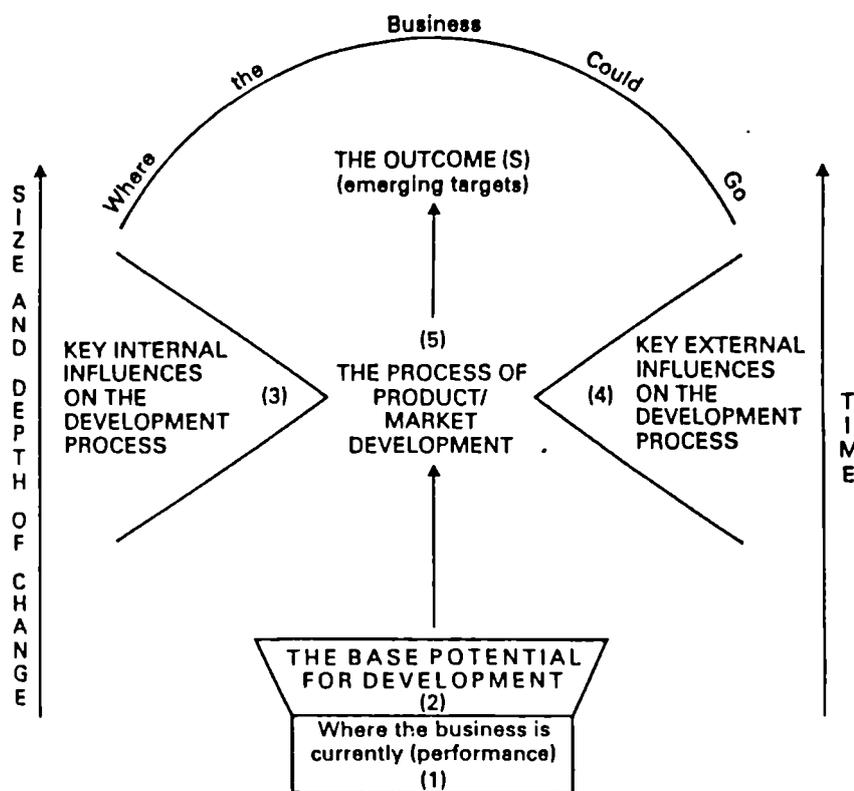
Source: Gibb and Scott (1985:607)

At any particular point in time, as the authors identified, there are performance bases relating to market situation, production situation, and financial and management control situation. Specific parameters to measure each of these bases have also been indicated by Gibb and Scott (1985:608). The internal factors can be in the areas of strategic awareness, management

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team and commitment, and environmental awareness of the entrepreneurs. On the other hand, the major external factors include overall state of demand, administrative and institutional blocks, the level of complexity and uncertainty in the market, influence on competition, and finally, the influence of assistance. Considering all these factors, the possible influence (effect) of 'action input' (support services) on the development process of SMEs can be observed and assessed over a period of time.

This model is useful to understand growth process of small enterprises over time, and examine the influence of support services on the development process of small firms. Its applicability, however, is contingent mainly on a period of time long enough to observe the change process. This suggests a longitudinal study, which does not seem feasible in many cases such as the present one, as described in methodology (Chapter 5: Choice of Research Method).

2.3.2 GIBB AND MANU'S MODEL FOR EVALUATION OF THE DESIGN OF EXTENSION AND SUPPORT SERVICES FOR SMALL-SCALE ENTERPRISE DEVELOPMENT

Gibb and Manu (1990) have developed a model, perhaps the first of this kind, for the design of extension services and related support institutions in developing countries. It is reproduced in Figure 4.4.

The model was built up based on system theory - one important variant of 'Contingency Theory' (Beer, 1980), which views all organisations as dynamic entities taking on structures and processes appropriate to the particular conditions and people.

Figure 4.4

A Model for the Design of SSE Extension and Support Institutions in Developing Countries
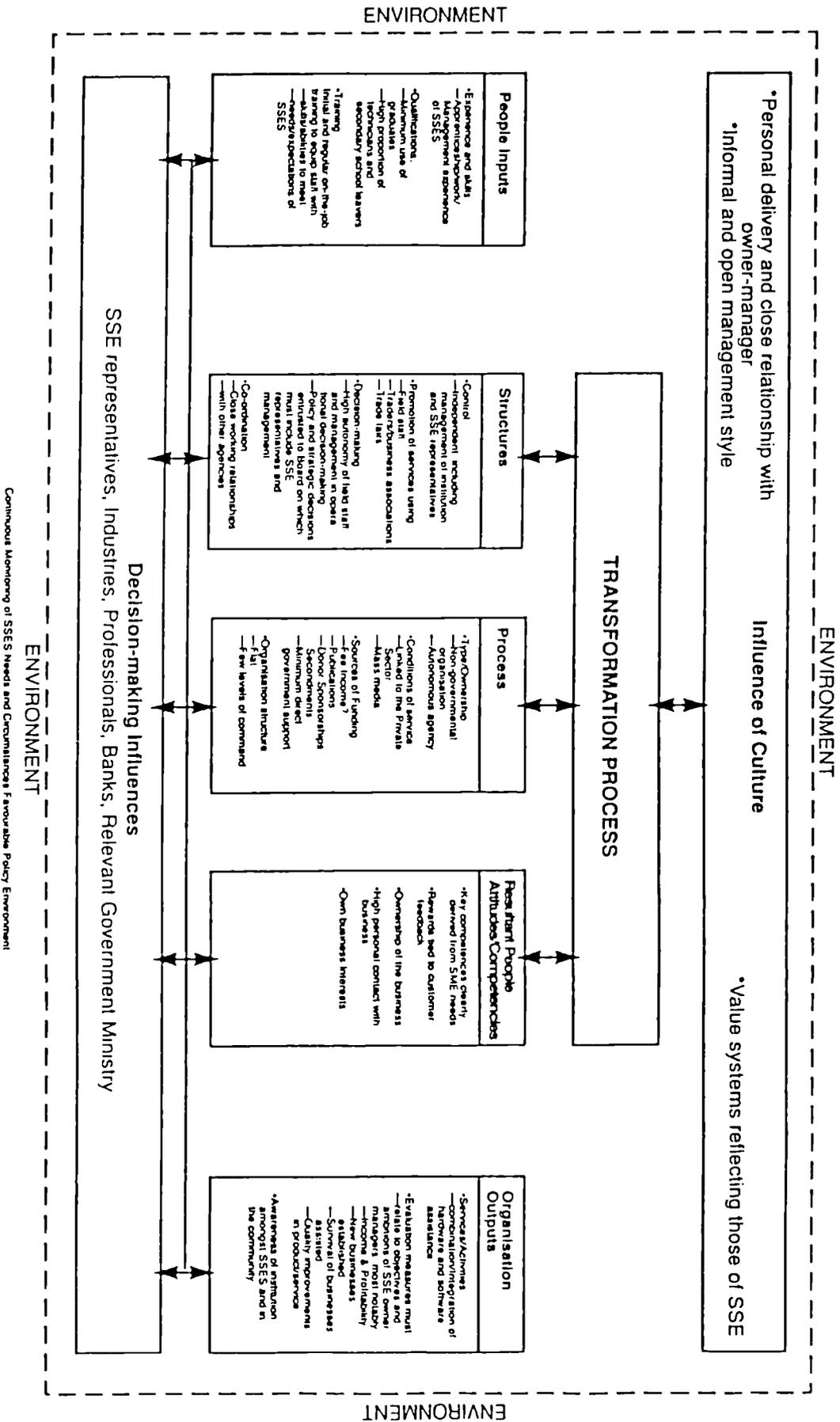
Source: Gibb and Manu (1990:18), Exhibit 4

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According to this model, in the context of small enterprise development, the effectiveness of support institutions, being contingent upon the situation, can be judged by the degree of congruence, or fit, between small firms and support institutions in terms of some key parameters - people, structures and processes employed. The basic hypothesis used to test the model, according to Gibb and Manu (1990:19), was:

> *'The closer the support institution gets to the SSE in terms of people, structures and processes employed, the greater the likelihood of impact.'*

The model was tested empirically in the Ghanaian economy, revealing that the most effective support institution is the one closest to small enterprises with respect to people, structures and processes employed. Whilst the model is self-explanatory in measuring the parameters - people, processes and structures, there are some ambiguities regarding the explanation of culture and transformation process. The model, however, provides some good details of the basic parameters, which can be used to evaluate qualitatively the effectiveness of the design of support institutions. Since this is one of the objectives of this study, the parameters used in the model have particular applicability in formulating a framework. Moreover, the following reasons are of particular consideration:

Firstly, the model has been tested in an economy in a developing country - Ghana (Manu, 1988);

Secondly, to develop the model, BSCIC (Bangladesh Small and Cottage Industries Corporation) - a key organisation, was included in the worldwide background study carried out by the authors, and

Finally and most importantly, the model has already produced some testimony in the evaluation of the design of support services in developing countries (Gibb and Manu, 1990:23; Miller and Masten, 1993).

2.3.3 GOLDMARK AND ROSENGARD'S GENERAL MODEL FOR IMPACT EVALUATION

To conduct an impact evaluation study on a small enterprise promotion project, Goldmark and Rosengard (1985) have proposed a model, as reproduced in Figure 4.5. It has four levels of analyses, which in short are as follows:

(1)   **Donor Level**: Evaluating the Donor Agency's effectiveness and efficiencies in supporting small enterprises and institution building, and achieving other objectives.

Figure 4.5
General Model for Impact Evaluation of SSE Promotion Project

Donor Agency Performance	⟹	Implementing Institutions Performance	⟹	Assisted SSE Performance	⟹	Income, Employment & Quality of life
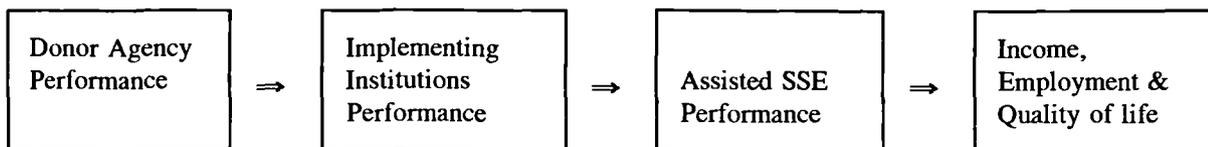
Source: Goldmark and Rosengard (1985:172)

(2)   **Implementing Institutions Level**: Analyses of the Donor Agency's impact on the performance of Implementing Institutions.

(3)   **Small Scale Enterprise Level**: Evaluation of Implementing institution's impact on the performance of assisted small enterprises, and

(4)   **Community Level**: Analysis of assisted SSE impact on community and regional income, employment and quality of life.

The levels of analyses, as shown in the model, are so interlinked that each level has a strong influence on each lower level including the final community level, achieving the ultimate aim of generating employment and income and improving quality of life. This linkage is indicated by the right hand arrow, as shown in the figure. As the name suggests, it is a general model

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of impact evaluation, and perhaps, is helpful to decide the stages/levels of evaluation in the context of small enterprise support services and institutions. Having decided the level of analysis, strategies are provided under 'General Evaluation Strategy', as shown in Tables 4.2A and 4.2B, for choosing strategy of evaluation. There are two parts of the table. The first part, Table 4.2A, shows the hierarchy of strategy to be followed in evaluation work.

Table 4.2A
General Evaluation Strategy
Hierarchy of Strategies for Evaluating SSEs

Evaluation Strategy	Methodology for data Collection and Analysis	Level of Effort
Low	Classification of enterprises according to general trend by examination of records found at implementing agency and conversation with staff	21 - 28 person days
	PLUS	
Medium	Descriptive indepth profile of a few case studies, based on long interviews with SSEs owners, staff and family members	29 - 56 person days
	PLUS	
High	Quantitative analysis of financial performance of assisted SSEs or general trends through data gained by a sample survey	112 - 124 person days

Source: Goldmark and Rosengard (1985:173)

There are three types of strategies - Low, Medium and High. The selection of strategy largely depends on the availability of resources - measured by efforts, time and costs involved - which vary according to the level of strategy to be followed in a particular situation. Having selected the strategy, the next task is to choose the methodology appropriate for collection and analysis of data. This is indicated in Table 4.2B. Here again, the selection of method/s to be used, however, is dictated and decided by the availability of resources as well as by practical consideration of the situation.

Table 4.2B
General Evaluation Strategy
Decision Tree for Determining Appropriate SSE Data Collection Method

---

Do Evaluation users require detailed financial data on clients to meet decision making responsibility?

↓

Yes   No

↓   (Collect qualitative data on trends)

Is it possible to desegregate changes resulting from the SSE programme
from other external factors affecting the SSE with a reasonable degree of confidence?

↓

Yes   No

↓   (Collect qualitative data)

Are assisted SSEs independent activities? Does the entrepreneur separate the assisted
business activity from revenues and expenses of other household activities? Is the SSE
not part of a multifirm group that sets policies to maximise group benefits?

↓

Yes   No

↓ (Reconstruct financial data on all household or group activities
    activities case studies or collect only qualitative data on trends)

Do assisted SSEs have written financial records? ↓

Yes   No

↓   (Collect SSE financial and qualitative information)

Can accurate financial data be reconstructed? ↓

Yes   No

↓   Collect only qualitative information

Reconstruct financial statements

Source: Goldmark and Rosengard (1985:174)   .

The general model, accompanied by evaluation strategy shown in Tables 4.2A and 4.2B, provides an useful guideline for the purpose of evaluating the impact of support services. It is, however, not clear how the model would be operationalised and applied in practice. In addition, measures to be used for impact evaluation are not suggested in the model. Therefore, this model is of limited value in the context of the present study.

2.3.4 SCOTT'S FRAMEWORK FOR EVALUATION OF SMALL BUSINESS COUNSELLING

Scott (1991) has developed a conceptual framework to evaluate the impact of small business counselling. As reproduced in Figure 4.6, business counselling is viewed as a system with inputs, operating procedures, and outputs.

Figure 4.6
Framework for Evaluation of Small Business Counselling

INPUTS	PROCESS	OUTPUTS
• Counsellor skills: • information: resources	• Standard Operating procedures	• micro level: client action • macro level: economic development

EVALUATION *and* QUALITY INDICATION MEASURES

• counselling skills • accreditation • training/skills updating • recruitment/selection criteria	• BITC accreditation • BS5750	• client response • counsellor self evaluation • economic impact studies

FEEDBACK

Source: Scott (1991:xliv)

Measures of evaluation have been provided for each of the inputs, process, and outputs. The way of feedback is clearly shown to take corrective action, if necessary, to make counselling more effective. The framework provides analytical guidelines for evaluation of the impact of business counselling. Although it has been designed to evaluate the impact of one type of support services - business counselling, it can be used to assess the nature and effectiveness of other types of support services. However, the framework has not been tested empirically.

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It appears, therefore, that different models/frameworks have been developed for serving different purpose/s. Most of them are either descriptive or theoretical and have not been applied in practical situations. Only two models, Gibb and Scott (1985) and Gibb and Manu (1990), have got empirical backing. In fact, Gibb and Manu's model has been developed to provide some guidance for effective designing of extension and related institutions, whilst Gibb and Scott's model is particularly suitable to examine the growth process through product or market development of SMEs in a longitudinal context. As such, it is clearly evident that the models/frameworks discussed so far can best serve the purposes for which they have been developed. None of them, however, appears to be adoptable and applicable in its present form to address the research issues to be investigated in this study. Therefore, a conceptual framework is needed, perhaps borrowing ideas from these models/frameworks. This will be the contents of the following section.

3.0 TOWARDS THE DEVELOPMENT OF A FRAMEWORK FOR THE EVALUATION OF SMALL BUSINESS SUPPORT SERVICES AND RELATED INSTITUTIONS

As already mentioned, most of the existing models discussed earlier are either descriptive or very general in nature, having limited applicability to the evaluation of support services and related institutions. Therefore, an attempt has been made here, in the light of the models of Gibb and Scott (1985), Gibb and Manu (1990) and Scott (1991), to develop a conceptual framework capable of assessing the effectiveness of support services and related institutions. Figure 4.7 depicts the proposed framework.

In the proposed framework, there are some basic components (elements), as suggested by Gibb's framework (1993), that are necessary for the evaluation of the nature and effect of

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support services and related agencies. These are SUPPORT INSTITUTIONS and their ASSISTANCE ACTIVITIES, SMALL FIRMS and their NEEDS for support services. The central task of EVALUATION is shown at the centre. For convenience, all these elements are put under different boxes, from F-1 to F-5. Each box contains different components (elements), explanation of which is needed to make the framework clearly understandable as well as useful for the purpose of the study.

Policy relating to the promotion and development of SMEs has been considered a part of the greater environment within which an enterprise has to function. In this greater environment, there are many other factors that interplay with each other and have important influences on the growth and development of small enterprises in a society. Given the policies and environment, a wide variety of support institutions (F-1) provide various types of support services to small firms. On the other hand, small enterprises - the ultimate users of support services - are shown under F-2, which also shows the needs of small firms for support services. Between these two important frames (F-1 and F-2), the task of EVALUATION is at the centre - to evaluate the nature of the supply of and demand (needs) for support services.

The assessment of how effective the support agencies are in meeting the needs of small firms can be done, by appraising the design of support agencies. This is constructed under F-3. Criteria for evaluation, as suggested by Gibb and Manu (1990), are also shown, from F-3a to F-3d. Based on the evaluation results, corrective action may be necessary. This is also accommodated in F-3e: Feedback. The operationalisation of each of the parameters will be discussed under methodology.

Figure 4.7

Framework for Evaluation of Small Business Support Services and Related Agencies

ENVIRONMENT

AGE GENDER EXPERIENCE QUALIFI-CATIONS TRAINING	**CONTROL DECISIONMAK-ING; COMMU-NICATION; COORDINA-TION**	**OWNERSHIP; SOURCE OF FUNDS; ORGA-NISATION STR-UCTURE.**	**ORGANISA-TION GOALS AND CULTURE**

MEASURES OF EVALUATION

F-3a: PEOPLE	F-3b: PROCESS	F-3c: STRUCTURE	F-3d: OTHERS

F-3: APPRAISAL OF THE DESIGN OF SUPPORT AGENCY

F-1: SUPPORT AGENCIES AND THEIR ACTIVITIES

F-1a TYPES OF SUPPORT AGENCIES	F-1b:SUPPLY OF SUPPORT SERVICES

EVALUATION

F-2: SMALL FIRMS & THEIR NEEDS FOR ASSISTANCE

F-2a:NEEDS FOR SUPP-ORT SER-VICES	F-2b:TYPES OF SMALL FIRMS

F-4: EVALUATION OF THE EFFECT/IMPACT OF SUPPORT SERVICES

F-4a: INPUTS	F-4b: DELIVERY OF SUPPORT SERVICES	F-4c: OUTPUTS

F-5: OTHER FACTORS

INTERNAL-Rela-ted to Small Firm & Owner-Manager

EXTERNAL - Re-lated to Market, Policy ect.

MEASURES OF EVALUATION

EXTENT, TYPE & INTERSITY OF SUPPORT SER-VICES.	MEASURES character-ising the procedure of the delivery of support services[Suggested by GIBB (1988)]	MICRO: CLIENTS ACTION & FIRM PERFORMANCE [eg.Sales,Jobs etc.] MACRO:Total jobs value added etc.

F-4d: FEEDBACK

ENVIRONMENT

To evaluate the effect (impact) of support services, frame F-4 has been constructed following

Scott's (1991) framework. Here, support services, received by small firms, are viewed as

'INPUTS' (F-4a), while the actual delivery procedure of such services is shown under F-4b,

and finally, the results derived from the investment of inputs are constructed under F-4c as

'OUTPUTS'. A logical explanation of relationships between inputs and outputs is possible,

considering support services, delivery procedure and outputs as a system, suggested by Scott.

The outputs are considered, for simplification, as a function of inputs, including many other

influencing factors, labelled under F-5: Other Factors. These influencing factors can be both

internal and external, having a considerable influence on the growth and development of

small enterprises. Symbolically, the input-output function can be expressed as:

$$Y = f(X_n + M_j)$$

Where, Y = Outputs; X = Inputs ... nth items and
M = Other influencing factors ... jth items

In practice, outputs can be a function of many factors - 'M', including inputs - 'X'. Outputs

may have several dimensions, and can be measured both at <u>micro</u> and <u>macro</u> levels, as shown

in the model. At micro level, attempts can be made to assess the effect of support services

(inputs) on the performance of assisted small firms (quantitatively), and from the responses

of the small businessman (qualitatively). At macro level, the overall contribution of support

services can be assessed in terms of the total employment created, the contribution of the

SME sector to GDP, the number of small enterprises developed, the proportion of small firms

assisted and so on. Measures of inputs, delivery of services and outputs, are shown under

'Evaluation Measures' in boxes, from F-4a to F-4c. The operationalisation of these measures

will be discussed in methodology. Finally, the path of feedback is also suggested, under F-4e:

Feedback, based on the results of evaluation in order to take corrective action, if necessary.

One of the unique features of this framework is the incorporation and integration of all possible factors in such a manner that attempts can be made to assess, both quantitatively and qualitatively, the nature and effectiveness of support services and related agencies at a point in time. Secondly, perhaps the use and quantification of the measures of support services, shown under F-4a: Inputs - extent, type and intensity, is a new idea in the context of developing countries.

4.0 LINKAGE BETWEEN THE FRAMEWORK AND KEY RESEARCH ISSUES AND DEVELOPMENT OF MAJOR HYPOTHESES

Having developed the study framework, attempts are made here to develop some of the major hypotheses in relation to the key research issues, and to explain their link with the proposed framework. Table 4.3 presents the research issues, questions and the major hypotheses developed.

One of the research issues, as identified through the literature review in the last two chapters, is an exploration of the 'NATURE' of support services supplied by different institutions. This involves an examination of the research question: 'What support services are supplied by which agencies in Bangladesh?'. No formal hypothesis is proposed to examine this research question. In the framework, this aspect is shown under F-1: Support Agencies and their activities. The other dimension of the supply-demand equation of support services is an examination of the 'NATURE' of the demand (needs) for support services. The exploration of this issues relates to the question: 'What types of support services are demanded (needed) by small enterprises in Bangladesh?' Here again, no formal hypothesis is proposed. It is, however, accommodated in the framework under F-2: Small Firms and their support needs. In between the supply of and demand for support services, one of the research issues is

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whether small entrepreneurs **need** and **want** all of the services offered by support agencies. Here, research says a little. Another issue seems to be whether small firms received the support services they needed and sought. In this context, there is evidence to suggest that small firms receive a little of their support needs, particularly finance (Ahmed, 1987). Therefore, the overall hypothesis to be tested is:

> *'There is a significant difference between the support services needed/sought and those received by small enterprises'.*

As to the appropriateness/effectiveness of support agencies in meeting the needs of small enterprises, an important issue is 'What is the effective design of support agency to meet the support needs of small firms?' This is shown in F-3 in the framework. In the literature, evidence suggests that the successful support agencies are those that have become embedded in the community, are private in nature, have adopted commercial culture, are small in size and decentralised in operation, and share many features of small entrepreneurs (Harper, 1987; Hailey and Westborg, 1991). Accommodating all these features, it was found that the most effective organisation is the one 'closest to small enterprises with respect to people, structures and processes employed' (Gibb and Manu, 1990). Therefore, in examining the effectiveness of support agencies in Bangladesh, it is hypothesised that:

> *'The most effective support institution is the one closest to small enterprises in terms of people, structures and processes employed by the support institution and those of the small enterprises'.*

There is a long debate in the literature about the effect (impact) of support services. This aspect is dealt with under F-4 in the framework. Around the developing countries, in general, research studies reveal a low effect of support services on the promotion and development of the small enterprise sector (Hailey, 1991; Sandesara, 1988; Rahman *et al.*, 1979).

Table 4.3
Key Research Issues, Questions and Major Hypotheses Developed

Research Issues and Questions	Major Hypotheses to be tested
* THE NATURE OF SUPPORT SERVICES	
1. What is the nature of the supply of support services?	No hypothesis.
2. What is the nature of the demand (need) of SMEs for support services?	No hypothesis.
3. Do small entrepreneurs receive the support services they need and want?	There is a significant difference between the support services needed/sought and those received by small enterprises
* THE EVALUATION OF THE EFFECT OF SUPPORT SERVICES	
4. What is the most effective/appropriate support agency to meet the needs of small firms for support services?	The most effective support institution is the one closest to small enterprises in terms of people, structures, and processes employed by the support institution and those of the small enterprises.
5. What is the effect of support services on the growth and development of small firms in general, and on the performance of the assisted firms in particular?	Overall, there is a low effect/impact of support services upon the growth and development of small enterprises in Bangladesh.
- Is there a significant difference between the performance of assisted and similar non assisted firms?	There is no significant difference between the performance of small firms, receiving support services and similar small firms, receiving no support services.
- Is there a significant difference between the performance of firms receiving extensive and firms receiving limited support?	There is no significant difference between the performance of small firms, receiving extensive support and small firms, receiving limited support.
- Is there any relationship between support services and the performance of small firms?	Overall, there is a significant, positive correlation between the measures of support services and the performance of assisted small firms.
6. How to conceptualise and evaluate the effect of support services? -i.e., what methods and measures are to be used to assess the effects of support services?	No hypothesis.

Therefore, to examine the effectiveness of support services, the overall hypothesis to be tested in this study is:

'Overall, there is a low effect/impact of support services upon the growth and development of small enterprises in Bangladesh'.

It should be mentioned here that many more hypotheses can be developed in the light of the major hypotheses developed so far. While three of such hypotheses have been shown in the Table 4.3, the others will be discussed and investigated in a greater detail in the relevant chapters later in this thesis. The last, but not less important, issue is the debate about the methods and measures to be used for evaluation of the effect of support services. Evidence suggests to conclude that there is no consensus on this issue. However, no formal hypothesis is proposed to examine this issue.

5.0 SUMMARY

This chapter has been mainly devoted to the development of a conceptual framework for evaluation of the nature and effectiveness of support services and related institutions. A number of models/frameworks have been reviewed critically, relating to the development of small enterprise in general, and the evaluation of support services and institutions in particular. The review has resulted in the development of a conceptual framework to be used for addressing the research issues to be investigated in this thesis. In relation to the research issues, some of the major hypotheses have been developed so far, while the others will be discussed in the relevant chapters later in this study. Now, the next task is to examine empirically the research issues and hypotheses, based on data to be collected from small enterprises and related institutions. To this end, the forthcoming chapter (Chapter 5) deals with research methodology.

CHAPTER FIVE

RESEARCH METHODOLOGY

1.0 INTRODUCTION

The chapter describes the overall research methodology of the study. It states the choice of and arguments for selecting research methods and strategies for data collection. The main reasons for selecting research site, the procedures of identifying small business population and drawing a sample therefrom are described. It presents the major characteristics of the sample firms and examines their representativeness. The key concepts and variables employed in this thesis are identified, and the measures used to operationalise these concepts and variables are described. The process of negotiating access to information and gathering necessary data are presented. Finally, the chapter sets out the major tools used for data analyses.

2.0 CHOICE OF RESEARCH METHOD

Broadly, there are two types of research methods - qualitative and quantitative. A major controversy exits over the application of these methods in many branches of social science (Bryman, 1988:1). In small business research, in particular, there is little consensus among researchers, as described in Chapters 2 and 3, regarding the method(s) to be used for

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researching the nature and effect of support services. Observing this situation, Romano (1989:35) rightfully contends:

'*Currently the small business literature base displays a bewildering assortment of methods with little coherence across topic areas*'.

Quantitative research is typically taken to be exemplified by the social survey and by experimental investigations, while qualitative research tends to be associated with particular observation and unstructured, in-depth interviewing (Bryman, 1988:1). The main emphasis of quantitative research rests on a wide coverage of the range of situations, and when statistic are aggregated from large samples, they may be of considerable relevance to policy decisions (Easterby-Smith *et al.* 1991). These methods are usually used to collect data based on pre-determined structured questions. They do not, however, necessarily allow the respondent to convey or the researcher to learn of, underlying events (Bryman, 1989). On the other hand, the strengths of qualitative methods are usually associated with the 'depth' and 'richness' of the information they provide (Gummesson, 1991; Miles and Huberman, 1984). Such information, however, comes under criticism for being anecdotal and difficult to analyze and generalise to other situations (Bryman, 1989).

It appears, therefore, that each method, either quantitative or qualitative, has its own assets and liabilities. Facing such complexities, researchers, such as Webb *et al.* (1966), have suggested that social scientists are likely to exhibit greater confidence in their findings when these are derived from more than one method of investigation. This suggestion has led to adopt an strategy, known as 'triangulation', which is broadly defined as '*the combination of methodologies in the study of the same phenomenon*' (Denzin, 1978:291). By this triangulation, the researcher's claim for the validity of his, or her, conclusions is enhanced,

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and sometimes, qualitative research facilitates the interpretation of quantitative findings suggested by an investigation (Bryman, 1988:131). According to Crompton and Jones (1988:71-73):

> '.... organisation research . . . is not a mutually exclusive decision between quantitative and qualitative methodology. In reality it is very difficult to study organizations without using both sorts of methods. In any event quantitative data always rests on qualitative distinctions ..... the issue turns on the appropriateness of methods, not with taking sides in the debate between qualitative and quantitative methodologies'.

This study, therefore, did not indulge in debate but used both quantitative and qualitative methods, for evaluating the nature and effect of support services and related institutions. The aim behind the use of 'multi-methods', was, in the words of Kohlo (1991:147), 'exploiting the assets and neutralising, rather than compounding, the liabilities of quantitative and qualitative methods'.

As already stated, both quantitative and qualitative methods could take different forms. As such, which particular method or combination of methods to be used in this study needed further selection. The choice of research methods in this study was, as in all research, based upon the objectives of the study. However, time and resources available and most importantly practical situations that prevail in Bangladesh were, in particular, considered in adopting the research method used in the study.

The main research objective was to examine the incidence and effect of support services on the growth and development of small enterprises. To do this, as shown in the analytical framework, a logical sequence of inputs (support services) and outputs (clients reaction and small firm performance) was indicated. This suggested an adoption of approach that could

adequately examine cause-effect relationships between phenomena. The optimum approach, therefore, seemed to be a 'randomised' or 'true' experiment (Rossi *et al.*, 1979:183). The procedure of examining effects, according to 'true experiment', requires collection of information **before** and **after** an intervention from two groups, 'experimental' and 'control'. The 'experiment group' is given some **treatment** (intervention) while the 'control group' will not be subjected to such treatment. It is also known as 'field experiment' in a natural environment where no controlling over the subject is possible. Sometimes, it is argued that *'in general, the field experiment increases the generalizability of the data, because of its natural groupings and settings'* (Lin, 1976:267). One of such longitudinal experiments was conducted by Gibb and Scott (1985) over a period of 24 months in the UK. This sort of longitudinal experiment is, however, not only difficult but also time consuming and costly in practice. In the present study, it was not possible to meet any of the above conditions. As such, it was decided to adopt a non-experimental method, which does not provide compelling evidence with regard to a cause-effect relationship. This method, however, is useful for demonstrating the existence of relationships between phenomena (Hj. Din, 1992:179).

A number of studies have used 'Match Pair' analysis to assess the effect/impact of support services in both developed and developing countries (Saini, 1994; Sandesara, 1988; Read, 1994). The basic philosophy here is to compare one group that has received support services with a similar (in terms of some characteristics) group that has not received such assistance. The use of this method, however, is subjected to a number of shortcomings, viz. non-availability of comparable groups as well as problems of ensuring comparability between the groups under comparison. The problem of comparability between two groups, if available, could be handled to some extent by using the statistical technique of chi-square. In the present study, it was possible to identify two groups of small enterprises: one group

received support services while the other group did not. These two groups were found similar in terms of a number of firm specific characteristics as discussed later in Chapter 9 (3.1: Assisted versus Non Assisted Firms). As such, it was decided to apply 'Match Pair' analysis to evaluate the effect of support services.

Another quantitative method is 'cost-benefit' analysis, which is usually employed for measuring economic efficiency of a programme or project (Rossi et al., 1979:50). While this approach has been traditionally applied to investment in physical assets (Manu, 1988:207), a number of studies have used it to assess the effects of support services (GTZ, 1982; Johnson and Thomas, 1983; Otero, 1989). However, the use of this method, as an evaluative technique, seemed not adoptable in the present study mainly for two reasons. Firstly, objections raised against this approach are both serious and wide-ranging (for detail see Manu, 1988:211), and Secondly, collection of data to apply this technique from a field like small business in Bangladesh did not appear feasible with the resources available at the disposal of this study.

Perhaps no attempt of evaluation of the effects of support services is complete without reference to the measurement of 'ADDITIONALITY' resulting from support services. In the words of Gibb and Durowse (1987:14):

> 'The real question to ask in evaluating enterprise agency activity, or indeed large company support activity as a whole, is the degree to which it produces real "additionality" namely, events that would not have taken place without the intervention of the company in the first place or results which could not have been obtained by other means'.

Unfortunately, no such attempt was available, perhaps not made until now, as appeared from the literature, reviewed in Chapters 2 and 3, in developing countries in general, and particularly in Bangladesh. In the United Kingdom, a number of such attempts have been made in evaluating the effects of enterprise zones, consultancy initiatives and so on (Leslie Hays Consultants Ltd., 1990; PA Cambridge Economic Consultants, 1988; Segal Quince Wicksteed Ltd., 1991). Following one such method, suggested and used by Segal Quince Wicksteed Ltd. (1991), attempts were made in this study to measure additionality of support services in Bangladesh.

To evaluate the effectiveness of the design of support agencies, the approach adopted was a comparison between support agencies and small enterprises, in terms of a number of parameters - people, processes and structures including culture and outcomes, as suggested by Gibb and Manu (1990). The reasons for selecting these measures were already discussed in Chapter 4 (2.3.2 Gibb and Manu's Model for Evaluation of the Design of Extension and Support Services for Small-Scale Enterprise Development).

It is evident that a longitudinal experiment seemed to be the best method for evaluating the nature and effect of support services in the case of the present study. However, the adoption of this method proved not feasible on the grounds of lack of time and resources available at the disposal of the study. Such an experimental study will be conducted, if possible, in future whenever time and resources are made available. The use of 'cost-benefit' analysis also appeared not feasible for the reasons already stated. Therefore, it was decided to use a non-experimental research method. The study applied 'Match-Pair' analysis. Attempts were also made, based on qualitative investigations, to estimate 'ADDITIONALITY' created as a result of receiving support services.

3.0 CHOICE OF RESEARCH STRATEGY

There is a variety of strategies in social science for empirical investigations which have been in use over the years. These are mainly observation, documentary-historical method and survey methods. Again, there are different types of surveys such as personal interviews, telephone interviews, postal questionnaires, panel or group surveys (Lin, 1976).

The strategy adopted for this study was the personal interview survey. This is, according to Kerlinger (1986:379), '... *the most powerful and useful tool of social scientific survey research'.* It provides *'more private and accurate information'* (Lin, 1976:379). Furthermore, it is regarded as the most rigorous method for conducting needs assessment (Berger and Patchner, 1988:153), which was one of the main objectives of this study.

The interview instrument could take a number of forms from being highly structured through to being totally unstructured. In a highly structured schedule, it is assumed that respondents have a common vocabulary and that they will interpret the questions in the same way (Nachmias and Nachmias, 1982). On the contrary, an unstructured interview schedule is employed with the focus on the subjective experiences of the respondents. Considering the nature of the present study, a combination of structured and unstructured interview schedules was used in order to explore both quantitative and qualitative information. However, observation of the conditions of the small enterprises as well as different aspects of support agencies studied was also a part of the strategy of collecting information. As such, both factual data as well as the views and opinions of the respondents were collected to address the research issues under study.

Two sets of semi-structured interview schedules, as shown in Appendices 5.1A and 5.1B,
were used to collect required information. Figure 5.1 exhibits a brief section-by-section
outline of the contents of the interview schedules.

Figure 5.1
An Outline of the Interview Schedules Used for Data Collection
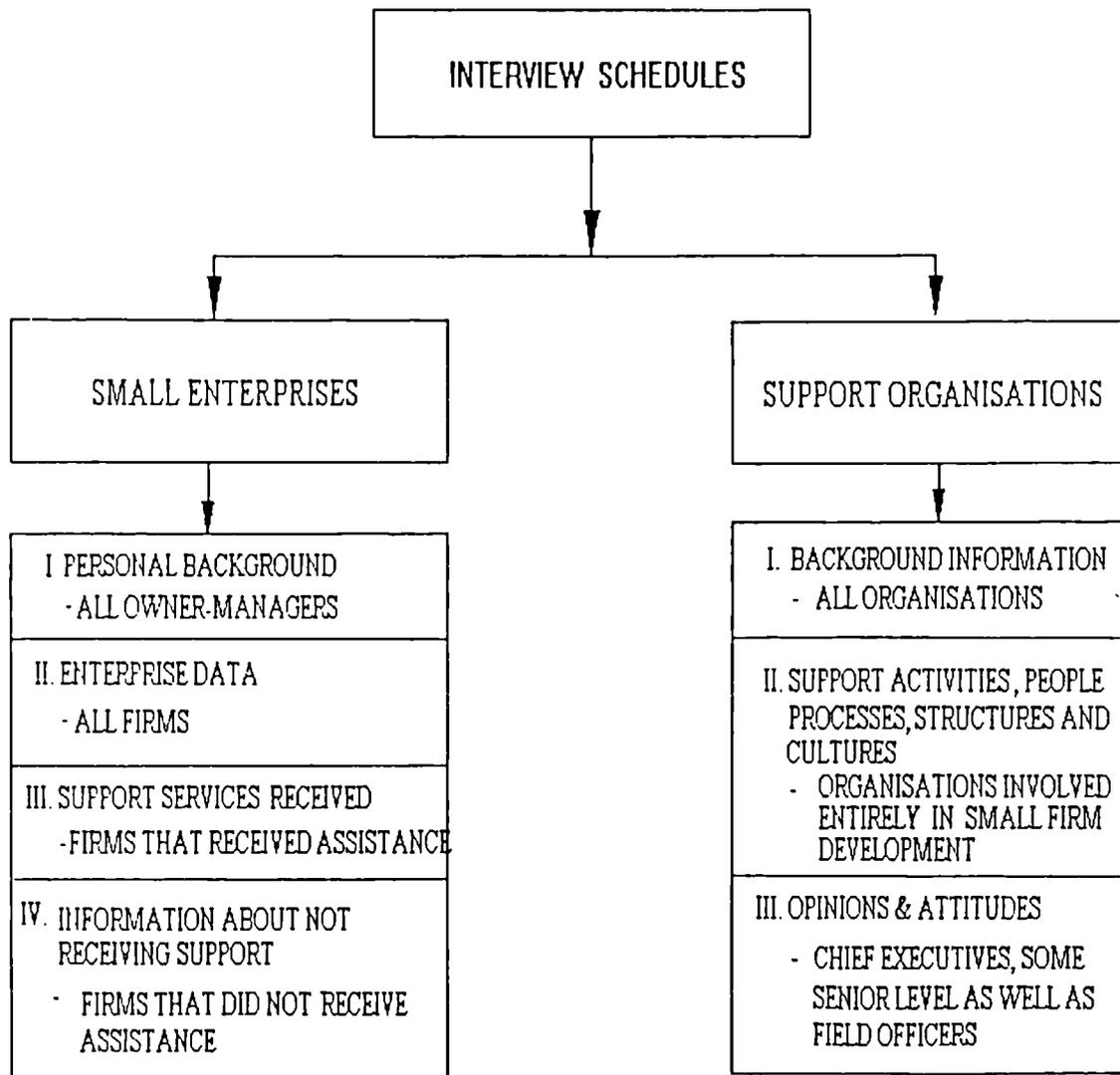
3.1 INTERVIEW SCHEDULE FOR SMALL ENTERPRISES

This schedule, as shown in Appendix 5.1A, had four sections: the first section was about background information of the entrepreneurs, while the second section was designed to collect basic information about the small firms under study. The third section explored detailed information about the support services received and the effectiveness of such services. The last section was very short, designed to gather information from the firms that did not receive or had tried but failed to raise support services from organisations.

To be sure about the questions to be asked and included in the schedule, a number of steps were followed. Firstly, the draft interview schedule was distributed among four experts in this field for their comments. Some modifications were made to accommodate the suggestions of the experts. Secondly, after going back to Bangladesh, discussions were made on the revised schedule with an ILO expert, who was conducting a large survey on organisational mechanism for providing support services to small and cottage industries in Bangladesh. Finally, a <u>PILOT</u> survey was carried out on 15 small entrepreneurs in Bangladesh. Based on the last two steps, some minor modifications were made to finalise the interview schedule. It was decided to interview only the owners of small enterprises. In the case of partnerships or private limited companies, the active owner, who mainly looked after and controlled all affairs of the enterprise, was interviewed.

3.2 CONTEXTUAL INTERVIEW WITH SUPPORT AGENCIES

All the steps taken in finalising the interview schedule for small firms described above were also followed to finalise the interview schedule, as shown in Appendix 5.1B, for support

agencies. This schedule, however, was more structured than that of the small enterprises. There were three sections in this schedule. The first section contained a brief background information about support agencies, while the second section was designed to gather information on people, processes and structures including cultures and outcomes of support agencies. This second section was applicable only to agencies entirely or partially involved in providing support services to the small enterprise sector. The last section contained a number of questions to explore views and opinions of the support agency people about the conditions they offered for their clients and their attitudes to the development of small enterprises in Bangladesh. Where the support agencies were found entirely concerned with SMEs development, mainly the views of chief executives, some mid-level executives and field officers were explored. The views of some chief executives were also gathered from the support agencies partially or occasionally involved in the development of SMEs. In addition, all the relevant information on the functions of the agencies were collected. It was, therefore, possible to form a picture of the entire system of support services, delivery procedure of such services, problems as well as experiences of the agency people about their own systems and the small enterprise sector in Bangladesh.

4.0 CHOICE OF RESEARCH SITE

Two districts, namely Dhaka - the capital city of Bangladesh, and Narayangonj - previously a part of the old Dhaka district, were chosen as study area for this study, as shown in Figure 5.2. The total area covered by the study comes under a radius of about 25 miles from the centre of Dhaka. The main arguments for choosing the study area were:

1. According to the latest survey on SMEs (GOB, 1993d), it was estimated that there was a maximum concentration of the small enterprises in the study area.

Figure 5.2
Map showing the Concentration of SMEs in BANGLADESH

BASIC DATA ON SMALL FIRMS

TOTAL SMEs

38 294 units

☒ Over 5000

■ Over 1000

SMEs in Study Area

⬭ Study Area

Centre Dhaka
Radius 25 miles
SMEs 6 664 units
17.43 per cent of the total number of SMEs in Bangladesh

● Capital
□ Divisional city

Scale

├────────┤
75 mi

Source: GOB (1993d)

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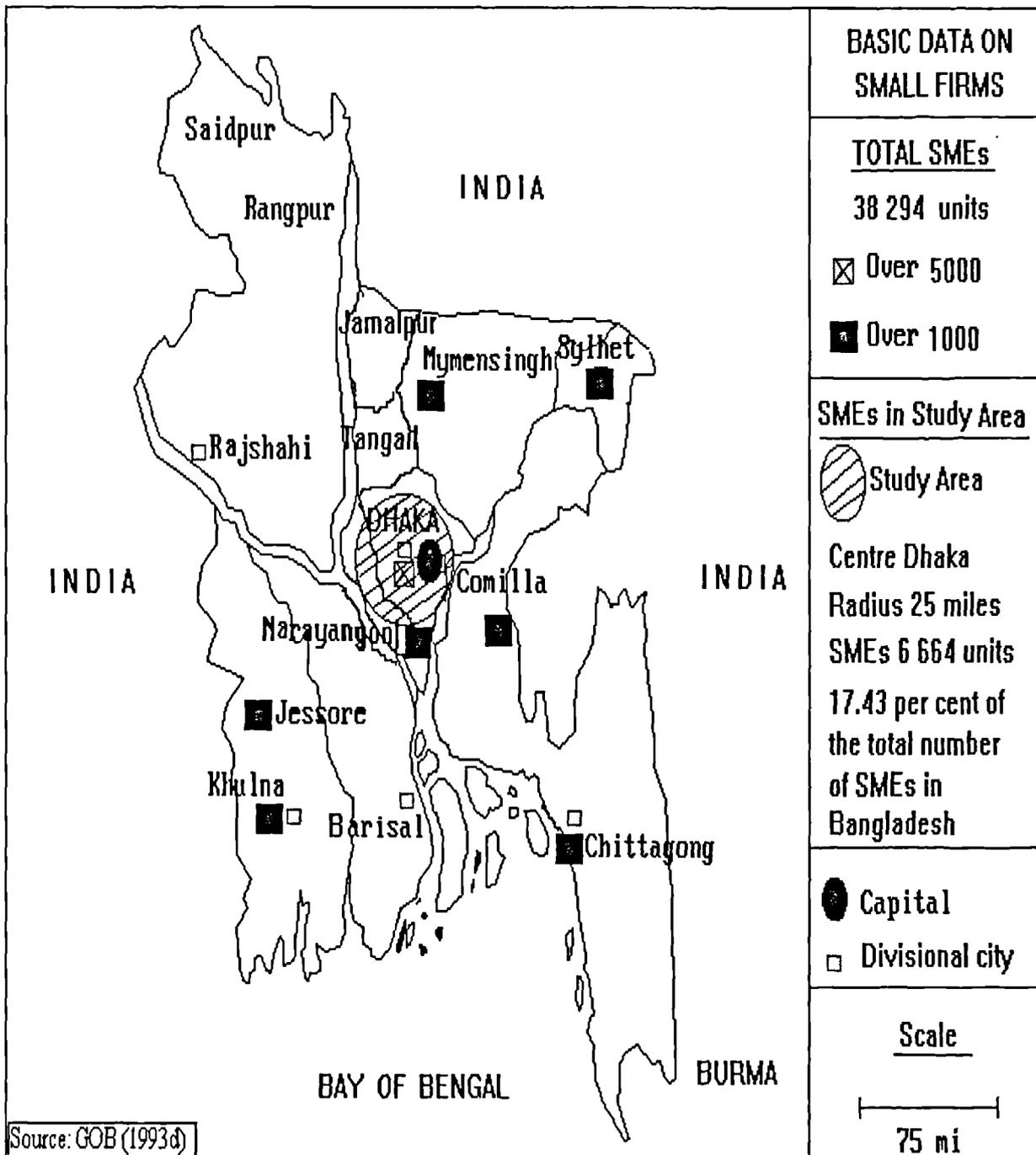
2. Since the assessment of the nature and effect of support services was the main purpose of this study, it was necessary to have most support agencies and their operations in the study area. Evidence suggests the existence of most support agencies, both government and private, and their operations in the area chosen for the purposes of the study.

3. Most importantly, time available for collection of data from the field survey was only six months. Moreover, the cost involved in carrying out the study was also an important consideration.

In consideration of the points stated above, it was believed that the selection of the districts was the most appropriate STUDY AREA to realise the purpose of the study.

5.0 POPULATION OF SMALL FIRMS AND SUPPORT AGENCIES

In Bangladesh, as described in Chapter 3 (3.0: The Scenario of Industrial Development), there are no systematic published statistics about the total number and types of small firms. Moreover, the statistics which are available are inconsistent, inaccurate and non-comparable mainly due to definitional problems. According to the latest survey on small industries (GOB, 1993d), it was revealed that there are about 38,294 small industrial units in Bangladesh. Of these, over 17,648 were listed with the BSCIC during the period 1985-92 (GOB, 1993e). In addition, evidence suggests that there are over 347,000 cottage industrial units and a large number of handloom and powerloom enterprises. Therefore, it was very difficult to choose a reliable and representative population and a sample of SMEs. The operational definition, stated in Appendix 1.1 (Definition of Small Enterprise), however, helped to identify the population and the sample.

There is also a shortage of statistics regarding the population of support agencies, particularly the private sector organisations, involved in the promotion and development of small

enterprises in Bangladesh. Different sources indicate that there are at least 25 public sector institutions and more than 40 (including a number of traditional NGOs) private agencies, directly or indirectly, engaged in providing support services to the small firm sector (Ahmed, 1985; ADAB, 1993). Since the identification of total support services was one of the main objectives, all these agencies were included for interview purposes of this study.

5.1 SELECTION OF SAMPLE SMALL ENTERPRISE

A careful search was carried out to explore all possible sources, government and private, either published or unpublished, on the small enterprise sector in Bangladesh. In particular, the following lists on the number and types of small enterprises, supplied by several agencies, were gathered and consulted:

*   The list officially supplied and published by BSCIC (only government body for registering small enterprises in Bangladesh);

*   The list containing all member small enterprises of the NASCIB (National Association of Small and Cottage Industries of Bangladesh);

*   The enterprises officially registered with the Board of Investment (previously Department of Industry) - an autonomous public agency for the promotion and development of private sector industries, and

*   Several lists of SMEs supplied by BASIC, MIDAS, SEDP and four nationalised commercial banks.

After a careful scrutiny, the list supplied by BSCIC was found most comprehensive and up to date, January 1993, when the field survey began. It contained basic information on location, postal address, age, sector, employment and investment size (at the time of registration) of the small firms, over 17,648 units, throughout the country. In addition, it was found during the sample survey of a previous study that at least one in three firms included

in this list did not receive any sort of assistance from support agencies (Hossain and Sarder, 1992). Therefore, it was decided to use the list of the SMEs, supplied by BSCIC, for sampling purpose on the following grounds: Firstly, it provided most comprehensive, latest and basic information on the listed small firms. Secondly, it would furnish two sub-samples, one group received assistance, while the other group did not receive any such assistance during their life-time. This was necessary for applying the 'Match Pair' method to assess the effect of support services. Finally, it was considered the most reliable source until January 1993 because it was published by the government agency.

After selecting the list of SMEs to be used for sampling purpose, the next task was to ensure that the firms included in the list meet the operational definition of the study. A firm to be included in the sample had to fulfil three criteria:

(a)   *It had to conform to the following operational definition (set out in Appendix 1.1: Definition of Small Enterprise): 'any establishment with a maximum of 49 full time employees and/or total fixed investment of US $ 375 0000 (Tk.15 million) excluding the value of land'.*

(b)   *It had to be located within the study area.*

(c)   *It had to have been in operation, according to information contained in the list, for at least one year before January 1993, when the field survey began.*

The third restriction was necessary in order to ensure that at least theoretically sample firms were in operation for a minimum of one year. Although the one year time period was arbitrary, it was considered as the minimum time needed to allow small firms to furnish information necessary for the purpose of the study. Further, the selection of one year time period was consistent with similar studies (Saini, 1994).

The total number of firms, identified and listed with BSCIC between June 1985 and December 1992 and located in the study area, was 1,362 units. Table 5.1 provides a comparative position of the firms in the study area in relation to the published statistics in Bangladesh.

Table 5.1
Relative Position of Small Enterprises in the Study Area

Industry Sectors	Small Industry Survey:1993[a]		Directory of Man. Ind.:1993		BSCIC listed SMEs:1985-92		SMEs in Study Area:Dec.1992	
	No.	%	No.	%	No.	%	No.	%
Food and allied	21 080	55	7 623	31	8 152	46	241	18
Textile and apparels	3 196	8	5 714	23	741	4	120	9
Forest and Furniture	1 745	5	1 804	7	1 794	10	17	1
Paper, printing etc.	2 385	6	1 078	4	590	3	69	5
Chemical, rubber etc.	2 864	7	1 903	8	1 026	6	208	15
Glass, ceramics etc.	1 113	3	2 359	9	124	1	7	1
Basic metal, eng. etc.	3 078	8	483	2	2 987	17	493	36
Fabricated metal/elec.	1 880	5	3 455	14	1 989	11	147	11
Others	953	3	526	2	245	2	60	4
Total =	38 294	100	24 945	100	17 648	100	1 362	100

a   Shows provisional figure;
Source: Compiled from GOB (1993d) and (1993e).

Having decided the population of SMEs, the next task was to select sample size. Regarding the selection of sample size, *'There is no perfect solution'* as to how large a sample should be (Moser and Kalton, 1971:149). If it is too small, however, it may affect the generalisability of the study (Fowler, 1988). Here, Simon's (1969:170) suggestions, cited in Manu (1988:222), could be a guiding point:

> *'The most common ways of choosing a sample are to find out how big a sample is customary in similar research and to take as big a sample as the budget will allow'.*

Although some mathematical calculations of the sample size may be possible, the selection of sample is a matter of judgement of, among others, two things: firstly, what is 'customary in similar research' (Manu, 1988:222), and secondly, the resources available for the purpose.

Hoinville *et al.* (1983:61) have also supported such an assertion stating that *'deciding what sample size to use is almost a matter of judgement than of calculation'*.

Following the suggestions stated above, it was found that the sample size chosen for analyses was 247 units in one similar study by Rahman *et al.* (1979) in Bangladesh. In their most recent study, Reza *et al.* (1990) used a sample of 120 firms. There are many other similar studies, for example, Sandesara (1988) used 206 units in India; Tecson *et al.* (1989) used 138 firms in the Philippines. In the lights of these studies, accompanied by the consideration of time and cost involved, it was thought that a sample size of around 150 would be reasonable to realise the purposes of the study. On the assumption that some firms, included in the list used may turn out to be 'non-existent' or 'non-traceable' in the field, while some others may not cooperate or may be unavailable for interview purposes, it was decided to build a margin for non-response in the initial sample size. Here again, the question was 'how large it would be?'. Based on the indication of the study by Rahman *et al.* (1979), for a target of obtaining 150 firms for analysis, it was necessary to include at least another 100 units, giving a total of 250 units.

The next decision was the selection of sampling technique. In Bangladesh, the development of some industries, such as engineering firms, has been emphasised by the government since 1986. Therefore, it seemed appropriate to classify the listed firms according to industry sector, as already shown in Table 5.1. In order to give an equal chance to each firm to be selected in the sample, a random sampling technique was found most appropriate. Following the principle of random sampling technique, 20 per cent of the firms in the study area were chosen, giving an initial sample size of 272 units, which was much higher than the initially required 250 firms.

5.2 DESCRIPTION AND VALIDATION OF THE SAMPLE

Of the 272 units included in the initial sample, 161 firms were contacted and interviewed successfully. Therefore, these 161 units comprised the final sample - henceforth called **Sample**. The response rate was over 59 per cent. As shown in Table 5.2, 111 firms were dropped out from the initial sample mainly for three reasons. While 30 firms were reported as shut-down, the owners of 36 firms were not available for interview purposes. The locations of another 45 units were not traceable at the addresses given in the sampling frame.

Table 5.2
Description of the Sample and Initial Sample Firms

Industry sector	Units Dropped out (n=111)				Sample: Units Inter-viewed. (n=161)	Initial sample units (N=272)
	Shut-down	Not-available	Not Trace-able	Sub-Total (n=111)		
Food & allied	5	7	10	22	23	45
Textile & apparels	2	2	3	7	17	24
Paper,printing etc.	-	5	-	5	12	17
Chemical,rubber etc.	4	3	8	15	27	42
Basic metal/engineering	15	15	16	46	53	99
Fabricated metal/elec.	3	1	3	7	22	29
Others	1	3	5	9	7	16
Total =	30	36	45	111	161	272

Source: Survey

5.2.1 SOME CHARACTERISTICS OF THE SAMPLE

While the sectoral composition of the sample firms has already discussed above, some of the major characteristics of the sample enterprises are shown in Table 5.3. The majority of the information given in the table are self-explanatory. The average age of the small enterprises surveyed was 6.45 years, reporting an annual turnover of Tk. 2.234 million per firm in the

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year 1992. In the same year, it was also revealed that the number of average full-time employees was reported 19.87 persons.

Table 5.3
Some Characteristics of the Sample Enterprises

Particulars	No. (N=?)	Mean	Minimum	Maximum
Total Sample Firms	161	-	-	-
Sales in 1992 ('000 Tk.)	146	2 234.72	320	39 000
Full-time employee in 1992 (person)	146	19.87	3	300
Age of firm, January 1993 (year)	161	6.45	1	34
Managerial Experience of Entrepreneurs (year)	161	10.65	1	40
Age of Entrepreneurs, January 1993 (year)	160	41.95	21	70
Educational Qualifications:				
No education/Below SSC	53	-	No	Masters
SSC	24	-	formal	degree
HSC	23	-	education	
Graduate	39	-		
Post-graduate	21			
Form of Ownership of SME:				
Soletrading	108	-	-	-
Partnership	19	-	-	-
Private Ltd. Co.	34	-	-	-

Source: Survey

5.2.2 REPRESENTATIVENESS OF THE SAMPLE

A major impetus for this study was the absence of representative samples in virtually all small business research to date in Bangladesh. None of the earlier studies (Rahman *et al.*, 1979; Ahmed, 1985; Reza *et al.*, 1990) examined the representativeness of their samples. The research findings, however, were indiscriminately generalised to all small firms in the country.

How representative the sample was within the population was examined by using a chi square goodness of fit test. The population and the sample firms interviewed were compared in terms of industry sector. It was revealed that the sample firms contain a proportionate distribution not significantly dissimilar from the population in terms of industry sector in the study area ($X^2 = 5.39$, 8 df, p > .71). The sample firms, therefore, were regarded as representative of the small firm population in the study area.

5.2.3 EXAMINING NON-RESPONSE BIAS

Non-response bias could influence the findings of the study. It was, therefore, examined whether the sample 161 firms significantly differ from those 111 firms that dropped out from the initial sample due to different reasons, as already mentioned. To examine the non-response bias, the method suggested and used by Chrisman and Katrishen (1994) was applied in this study. The distribution of the sample firms was compared with that of the dropped out firms in terms of sector, using chi-square goodness of fit test ($X^2 = 10.16$, 6 df, P > .11). It was, therefore, confirmed that no significant differences were found with regard to sector between the sample firms and the non-responding firms. This suggests that the potential sources of non-response bias had no impact on the findings of the study.

6.0 OPERATIONALISING KEY VARIABLES AND CONCEPTS

The purpose of this section is to operationalise some key concepts and variables that were used in the conceptual framework in Chapter 4, and defined in Chapter 2. Table 5.4 identifies the key concepts, variables used to operationalise these concepts and some moderating variables considered in this study. Support services and effectiveness are two main key

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concepts used in this thesis. Listed below the concepts, in Table 5.4, are variables that were used to operationalise the concepts. A number of moderating variables are also shown in the third column of the Table.

Table 5.4
Key Concepts and Variables

Support Services	Effectiveness (Improvement in the performance of SME)	Moderating Variables
Breadth 1. Extent 2. Type Depth 3. Comprehen- siveness 4. Intensity	1.Percentage change in sales during 1990-92 2.Percentage change in employment during 1990-92 3.Value added per full time employee in the year 1992 4.Sales per full time employee in the year 1992	1. Age of SME 2. Managerial Experience of Entrepreneurs 3. Initial financial condition of the firms 4. Market competition 5. Industry sector 6. Time passed after receiving financial assistance

A brief summary of the measures used to operationalise key variables in this study is shown in Table 5.5.

6.1 SUPPORT SERVICES

Four measures were used to operationalise the concept support services. These are extent, type, intensity and comprehensiveness.

6.1.1 EXTENT OF SUPPORT SERVICES

The extent of support services represents the number of problem areas in which small businessmen received assistance from support agencies. The entrepreneurs under the study

Table 5.5
Operationalising Key Concepts and Variables

Variables used to operationalise key concepts	Operationalising Variables
SUPPORT SERVICES:	
Extent	Number of problem areas in which assistance received by small firms.
Type	Finance, Marketing, Technology, Management Training, Information, Extension and Common facilities
Comprehensiveness	Number of type of support services received.
Intensity	Amounts of loan/s received in Taka.
PERFORMANCE OF SMEs:	
Growth in sales	[{(Sales in 1992 - Sales in 1990)/Sales in 1990}/No. of year]X100
Growth in employment	Calculation as above, using employment figures.
Value added per full-time employee	Total sales in 1992 - (Value of raw materials, wages and electricity, gas etc.)/Number of full-time employees in 1992
Sales per full-time employee	Total sales in 1992/Number of full-time employees in 1992
OTHER FACTORS:	
Age of firm	Number of years as on January 1993
Experience of entrepreneurs	Number of years in similar business
Initial financial condition	Amount of initial investment in Tk.
Market competition	Too many competitors; A few competitors or In between
Industry sector	According to Standard Industrial Code
Time passed after getting support	Number of years passed after receiving support services.

received assistance in as many as 32 problem areas. The number of problem areas in which assistance was received was defined as 'Extent' of support services. For each area one (1) point was assigned in order to count the total number of support a small businessman received from support agency.

6.1.2 TYPE OF SUPPORT SERVICES

Type refers to the major grouping of different problem areas in which support was received by small firms. This was mainly financial and non-financial. Non-financial support was grouped under six major categories - technical, information, extension and counselling, common facilities, marketing and management training. Each of these areas was regarded as a 'Type' of support services.

6.1.3 COMPREHENSIVENESS OF SUPPORT SERVICES

It was measured as the number of 'Type' of support services received by a small firm. Since there was a total of seven types of support services, as stated above, an owner-manger of the assisted firm might have received a maximum of seven types of assistance, while the minimum could be one.

6.1.4 INTENSITY OF SUPPORT SERVICES

The amount of financial assistance received by small firms was used to measure the 'Intensity' of support services. It should be mentioned here that financial assistance is available only in the form of loan/credit in Bangladesh. The quantification of support services

described above was found consistent with a number of studies (Robinson, 1981; Chrisman and Leslie, 1989). It was, however, not applied before in developing countries in general, and Bangladesh in particular.

6.2 EFFECTIVENESS OF SUPPORT SERVICES

This is one of the main concepts used in this study, defined in Chapter 2 (8.2.2.0: The Effectiveness of Support Services). The effectiveness of support services was defined as any change (improvement) in the health of a SME, resulted from receiving support services. Such changes could be reflected in the financial and non-financial performance of the small firms. In this study, as described in Table 5.5, four variables were used to operationalise such changes (improvement) in the performance of a small firm. These are **GROWTH IN SALES, GROWTH IN EMPLOYMENT, VALUE ADDED AND SALES PER FULL-TIME EMPLOYEE.** Value added was used as a 'proxy' measure of profitability, because the use of profitability seemed not appropriate measure of performance in the present context, as examined in the literature review in Chapter 2. The selection of these four performance measures was made considering their prominence in the small business literature (Mulford *et al.*, 1989).

Growth in sales or employment was measured as a percentage change in the figures. Percentage change was preferred to an absolute figure because some respondents mentioned changes in these variables in percentage terms. The selection of the three years under consideration (from 1990 to 1992) was made on the following grounds: First, the development of SME has been a 'PRIORITY' in the government policies, as described in Chapter 3, since 1986. This emphasis in policy resulted in a major growth in support services

for the small firm sector. It was, therefore, necessary to allow a reasonable time to pass for conducting an evaluation study like the present one. Secondly, since 1990 there has been a democratic government in power with political, social and economic relative stability in the country. This stability was a consideration for selecting a period over which the environment, within which SMEs function, remains more or less similar. Finally, the period of the field visits started in January, 1993. Therefore, the selection of a three year period immediately before the start of the field survey was considered most feasible for the purposes of the study.

In addition to quantitative measures, as described above, effectiveness of support services was also assessed by using some perceptual measures. These were qualitative criteria used as complementary to the quantitative measures. A number of questions were asked to explore the perceptions of the respondents on the effectiveness of support services. Replies to some questions were simply 'Yes' or 'No', while the majority of the questions included in the interview schedules were open-ended, designed to explore all possible responses from the respondents. Some questions were in terms of statements, quantified by applying a five-point scale, about the possible influence of support services. Further, to explore the effectiveness of support services, the perceptions of the respondents were quantified on a five-point scale in terms of the following indicators:

Improved profitability;	Increased productivity;	Higher level of output;
Increased capacity;	Introduced new process;	Increased sales;
Eased cash problems;	Improved skills;	Helped to survive;
Increased employment;	Others, if any.	

Finally, respondents were encouraged to express their comments regarding the usefulness of support services, delivery system of such services and about the people involved in the process of providing assistance.

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6.3 MEASURES USED TO ASSESS DELIVERY PROCESS OF SUPPORT SERVICE

As shown in the study framework developed in Chapter 4 (3.0: Towards the Development of a Framework for the Evaluation of Small Business Support Services and Related Institutions), the process of delivery of inputs - i.e. support services, is also an important aspect for the evaluation of the effect of support services. An effective delivery process of support services seems to possess a number of characteristics, as explored by Gibb (1988) and successfully applied by Manu (1988) in the Ghanaian economy. These are reproduced below:

Locally delivered;	Informal;	Easily access;
Problem oriented;	Personally delivered;	Time effective;
Highly visible;	Credible;	Owned by community,
Opportunity;	Simple;	Trustworthy;
Cheap, and	Integrated (as far as possible)	

Respondents were asked to identify as many of the above indicators as they thought an agency possessed in the delivery of its support services. For each of the indicators chosen by the respondents, one (1) point was assigned, and then an average score was calculated for comparative analyses.

6.4 OPERATIONALISING DESIGN PARAMETERS OF SUPPORT AGENCIES

Table 5.6 exhibits a number of evaluation parameters, operationalised by using different variables, for evaluation of the design of support agencies. The quantification of the parameters - people, processes, structures, culture and people attitudes, and goals and outcomes, was similar to those used by Manu (1988).

Table 5.6
Operationalising Parameters for Evaluation of the Design of Support Agencies

Parameters	Operationalisation	Calculation of point
PEOPLE:		
-Age	-Number of year	-For closest match between SMEs and agency people=1
-Gender	-Male or Female	-For highest match=1
-Experience	-Previous experience related to Small Firms	-For highest match=1
-Qualifications	-Educational level such as SSC, HSC, Degree etc.	-For highest match=1
-Training	-Training received or not	-For highest match=1
STRUCTURES:		
-Ownership	-Private or govt.	-If private=1
-Opera. Autonomy	-Autonomy in ownership	-If autonomous body=1
-Service condition	-Pay & service condition	-If private sector cond.=1
-Funding sources	-Sources of fund	-If fees charges=1 -If Selling publica.=1 -If Donation=1 -For minimum govt.fund=1
-Organisation structure	-Organisation type & Levels of command	-Flat organisation = 1 -Fewer command level=1
PROCESSES:		
Control:		
- Independence	-Independence in management	-For maximum independence=1
- Promotion of services	-Use of media in promoting service	-IF use field staff = 1 " trade forum = 1 " trade fair = 1
Decision making:		
- Autonomy of field staff;	-Autonomy of field staff in operational decision making	-For high autonomy = 1
-Involvement of SME in policy and strategic decision	-Participation of SMEs on Board for policy & strategic decision making	-For existence of entrepreneurs in Mgt.Board=1
Coordination:		
-Close working condition with other agencies	-Steps taken for working with other agencies	-If Step/s taken for working with other agency=1
CULTURE & PEOPLE ATTITUDES:		
-Value system reflecting those of small entrepreneurs	-Comparing agency people views on features of a well managed SME with those of entrepreneur	-For highest match= 1
-Evaluation of performance	-Criteria used for evaluation of performance	-1 point each if use: profitability, New business established,Survival rate of assisted firms, Quality improvement of service/product.
-Attitude to customers feedback	-Whether customers views are considered or not as feedback	-If customer views are considered = 1
-Contact with customers	-Frequent contact with customers	-For close contact=1
GOALS-OUTCOMES:		
-Services offered	-Hardware & software -Financial & Nonfinancial	-If both hardware-software=1 -If both financial & non-financial = 1
-Awareness Created	-Responses of entrepreneurs	
-Delivery System	-Characterisation of delivery of services	-For highest score=1
-Usefulness of service	-Usefulness of services viewed by owner managers	-For highest score= 1

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The support agency having closest match with small firms in terms of the parameters contained in the table was given one point for each of such matching, and then total points were calculated for comparative analyses amongst the support agencies under consideration.

6.5 MEASUREMENT OF 'ADDITIONALITY'

Attempts were made to measure **ADDITIONALITY** of support services, following the method used by Segal Quince Wicksteed Limited (1991). The term 'additionality', according to Gibb and Durowse (1987:14), was viewed as events that would not have taken place or results which could not have been obtained by other means - i.e., if support services were not available and received by the small firms. Throughout the analysis, the assumptions made were, what PA Cambridge Economic Consultants (1988:25) used for impact evaluation of enterprise zones in Northern Ireland, as follows:

> *'Firms themselves know best what impact the zone policy has had on their behaviour and decision making and that their answers to survey questions are reliable and provide the best estimates of additionality that can be made available'.*

In the case of this study, the assumption stated above applied in the evaluation of support services. Based on the perceptions of the respondents from small firms, five types of additionality were measured in the study:

a. **Full additionality** - the project/activity that would not have proceeded at all had the support services not been undertaken.

b. **Brought forward effect** - as a result of the support services, a project/activity was brought forward that would have been implemented at a later date.

c. **Scale effect** - the support services caused the firm to carry out higher or lower project/activity than would have been the case otherwise.

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d. **Quality effect** - the project/activity was qualitatively different as a result of the support services received by small firms, and

e. **Deadweight effect** - the project/activity that certainly would have gone ahead in the same way without the support services received by small firms.

7.0 NEGOTIATING ACCESS

Personal communication by the researcher was the main process of negotiation of access to information. As a part of this process, a forwarding letter, issued by the principal supervisor - introducing the researcher and the objectives of the study, was utilised during the field visits. The letter gave the researcher an extra advantage in getting access to the information collected from various government and private support agencies in Bangladesh. With respect to the small enterprises, using addresses from the sampling frame, appointments were made, either through personal visits or over the telephone, for interviews.

At the beginning of the interviews, it was made clear that the purpose of the study was academic and that strict confidentiality would be observed in not disclosing the information to be provided. In was found that most entrepreneurs were quite happy to talk about their problems, perhaps, in expectation that some material external benefits might follow. Interviews began with informal discussion and gradually moved onto the questions included in the interview schedule. Time taken to complete an interview ranged from 1.5 to 4 hours, with an average time of about 2.5 hours. It was observed that respondents were very cautious in their responses at the beginning of the discussion. However, once they got started they became very interested in talking and they disclosed more information, perhaps, more than enough that was necessary for the purposes of the study.

During the field visits, it was discovered that most entrepreneurs with bachelors or masters degrees (about a third of the sample) were graduated from the University of Dhaka. As such, being a teacher (the researcher) from the same university, those entrepreneurs treated the interviewer with high esteem beyond the expectation of the researcher. Respondents were, however, encouraged not to answer any question they considered personal, sensitive or unacceptable.

The above approach of starting the interviews with a very informal discussion and then gradually going through the questions contained in the interview schedule proved successful in gaining access to more insights into the issues under study. Questions were asked in such a way that it was possible to have a clear idea about the effects of assistance, filtering out the influence of other factors. This process could be compared with what is called 'FILTERING OUT' system, where the effect of intervention is examined step-by-step, discerning the influence of the major factors on the performance of small firms.

Due to the busy schedules of entrepreneurs, it was difficult to catch some of the entrepreneurs at the time they had agreed to meet. Moreover, as expected at the time of selecting the initial sample size, there were some refusals. However, total refusals were negligible both from the support institutions people and the entrepreneurs.

8.0 GATHERING, ORGANISING AND PROCESSING DATA

The procedure of gathering, organising and processing data is briefly summarised in Table 5.7, showing the major sources and the nature of information including how the quantitative data were collected. Qualitative data were also gathered at the time of collecting the

quantitative data. As mentioned earlier, six months, from January to June 1993, were spent

in the field for data collection.

Table 5.7
Data Gathering Process

Parameters/Variables	Nature	Sources		Format	Collected by
No. of small firms	Quantitative	Agency	SMEs	Interview	Researcher
No. of employment	"	"	"	schedule	"
Financial Support	"	"	"	"	"
No. of agency Staff	"	"	-	"	"
Support Services	"	"	"	"	"
Volume of Sales	"	"	"	"	"
Full Time Employee	"	"	"	"	"
Age of small firm	"	-	"	"	"
Age of owner	"	-	"	"	"
Experience of owner	"	-	"	"	"
Initial capital	"	-	"	"	"
Time passed	"	"	"	"	"
Raw material	"	"	"	"	"
Gas, electricity etc.	"	"	"	"	"

The next task, after data collection, was organising and processing of the raw data collected.

The volume of information gathered from support agencies was lower than the volume

gathered from small enterprises. For convenience, the data relating to support agencies were

coded first on a separate sheet. Thereafter, using a special data entry package, developed and

supplied by the research guide, the coded data were entered into the computer for analyses

through SPSS^x. Same process was followed for coding and processing information collected

from the small enterprises. The same data entry package was also used. The preliminary data

sheets were compared with the original coding sheets to ensure accuracy of the data entered.

9.0 TOOLS OF DATA ANALYSES

The nature of the data collected was both quantitative and qualitative. In analysing these data, the selection of either parametric, or non-parametric test or both, was a crucial decision. In parametric tests, assumptions are made that certain characteristics of the population from which the sample has been drawn are known. On the other hand, non-parametric or distribution-free tests do not have any such assumption about the precise form of the distribution of the population. Some authors argue that it is only appropriate to use parametric tests when the data fulfil three conditions:

*   The level or scale of measurement is of equal interval or ratio scaling, i.e. more than ordinal;

*   The distribution of the population is normal, and

*   The variances of both variables are equal or homogenous (Bryman and Cramer, 1990:117).

After a review of works of Boneau (1960) and Games and Lucas (1966), Bryman and Cramer (1990:117-118) conclude:

> 'As far as the first condition is concerned, ... it has been suggested that parametric tests can also be used with ordinal variables since tests apply to numbers and not to what those numbers signify. ..... With respect to the second and third conditions, ... a number of studies have been carried out.... where the values of the statistics used to analyze samples drawn from populations which have been statistically set up to violate these conditions have been found not to differ greatly from those for samples which have been drawn from populations which do not violate these conditions. Tests which are able to withstand such violations are described as being robust. The one situation in which tests were not found to be robust was where the samples were of different sizes and the variances were unequal or heterogeneous.'

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As already stated, the data collected were both categorial and non-categorial in nature. For categorical data, the Chi-square test can be applied to three, or more, mutually exclusive groups (Bradley and South, 1981). Since most of the data under study could be classified into two, or more, classes to examine differences, if any, it was decided to use chi-square.

Four variables, namely, growth in sales, growth in employment, value added and sales per full-time employee are non-categorical, interval scale. It was, therefore, necessary to use parametric tests. Since the main two groups under comparison were assisted versus non-assisted small enterprises, it seemed necessary to carry out four separate t-tests to find out differences between them. However, the use of four separate t-tests for four variables was considered inappropriate, on the following grounds (Robinson, 1981:123): the variables were found highly correlated with each other. Under this condition, a set of univariate tests would be positively biased in the sense that any (null) hypothesis would be rejected too frequently. The second reason for avoiding a series of univariate tests is related to the fact that as the number of dependent variables increases, the probability of finding a significant difference by chance alone increases, especially with correlated dependent variables. Under such conditions, it was decided to use MANOVA (Multivariate Analysis of Variance), which avoids the above problems. Taking all four variables as a multivariate concept, two or more groups were compared to find an overall significant difference at a conventional 5 per cent level. Where MANOVA revealed a significant difference, by choosing the Wilks' Lambda value, a follow-up *(a posteriori)* procedure was carried out to identify the contributory variable(s) to the overall difference. For this purpose, in the case of two groups, the results of Univariate F-tests, which were produced as a MANOVA procedure, were used. For more than two groups, the Duncan's Multiple Range Test was carried out to find out variables responsible for an overall significant difference.

Multiple Regression was used to investigate the relationships between support services (predictor variable) and each of the dependent (criterion) variables. It (Multiple Regression) is a general statistical technique which could be used to examine how well the independent variables collectively correlate with the dependent variables (Bryman and Cramer, 1990:240). Moreover, the contribution of each independent variable to the change in dependent variables can also be estimated. Therefore, to predict the effect of support services on the performance variables, it was decided to use Multiple Regression in this study.

In addition, other statistical tools such as simple correlation, descriptive statistics, tables, graphs etc. were extensively used for the purposes of the study.

10.0 FACTORS CONTROLLED IN THE STUDY

A number of factors were controlled through SPSS[x] to examine the effect of support services. In addition, the influence of some other vital factors, eg. death of owner, fire, inflation etc. was taken into account, as far as possible, from the beginning of the study. These factors are of two types: (1) Extraneous or unusual factors; and (2) Economic factors.

10.1 EXTRANEOUS/UNUSUAL FACTORS

These are the variables that might have a substantial influence, positive or negative, upon the performance of firms, sometimes far beyond the control of any human being. These are fire, accident, death of owner, flood and so on. Questions were asked to state whether any such reason(s), which were beyond the control of the owner-managers, led to a major change in business, causing shut-down or disruption of the enterprise for some time since 1990. Where

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the answer was 'yes' and the influence of such event was considered, as viewed by owner-managers, unusually high on the performance of the firms, that unit was dropped from the analyses. 13 firms (included in 30 shut-down SMEs) were kept out of the analysis in order to nullify the influence of such unusual factors on the study findings.

10.2 ECONOMIC FACTORS

The economic environment of the country is a very important factor to consider in any analysis of the development of SMEs. The influence of such factor/s could result from changes in government policy, general trend in inflation and so on. As described in Chapter 5, the economic as well as political situations in Bangladesh had been relatively stable since 1990. The inflation rate remained around 6 per cent, which was below the average of around 9 per cent during the 1980s and the lowest ever since 1978. Since the inflation rate affected the volume of sales via price, it was adjusted using GDP deflator (at 1992 price) during the study period. Thus, the influence of inflation was taken into account to the extent possible in the analysis of the study findings.

Despite the attempts made throughout the study, as described above, in practice, it might be too difficult to exercise proper control over both economic and extraneous factors in analysing the effect of support services. However, some awareness of such factors, from the beginning of the study, helped in understanding and isolating the possible influence and intervention of these factors. Perhaps, the attempts made in this study eased the task of assessing the real effect of support services on the development of small enterprises in Bangladesh.

11.0 SUMMARY

The chapter described the methodology of the study. The choice of using multi-methods in a combination of both quantitative and qualitative criteria was justified. The study adopted the 'Match Pair' analysis, including an assessment of 'additionality', for evaluation of the effects of support services. The choice of personal interview strategy for data collection was stated, and the interview schedules used in the study were outlined. The reasons of and arguments for choosing research site, the procedures of selecting SME population and drawing the sample firms were presented. In the study, the owner-managers of 161 firms were successfully interviewed, and all the major support agencies in Bangladesh were surveyed, during the field work from January to June 1993. The major characteristics of the sample were presented, and the validity of the sample was examined. The possibility of non-response bias was also scrutinised statistically. The key concepts and variables used in the study were described and operationalised. The procedures of negotiating access to information and gathering data were described. The study coded and processed the data collected, using a special data entry package, for analyses through SPSS^x. Both parametric and non-parametric tests were carried out, including a descriptive analysis of the views and opinions of the respondents. The major statistical tools used included, among others, descriptive statistics, tables, graphs, chi-square, simple correlation, multiple regression, and MANOVA. Whilst the influence of some intervening variables was nullified through statistical process, both economic and unusual factors were fully considered from the beginning of the study. Now, the forthcoming four chapters will present data analyses and research findings.

CHAPTER SIX

THE SUPPLY OF SUPPORT SERVICES FOR SMALL ENTERPRISE DEVELOPMENT IN BANGLADESH

1.0 INTRODUCTION

This chapter presents the findings of the field survey carried out to explore the nature of the supply of support services, offered by different institutions, for the promotion and development of small enterprises in Bangladesh. It describes the institutional set up that exists at the time of the field survey for providing assistance to the small enterprise sector. The emergence of the support agencies was outlined briefly, followed by a presentation on the major agencies and their assistance activities. The chapter finally presents the total supply of support services, according to types of assistance, offered by the institutions under study.

2.0 THE INSTITUTIONAL NETWORK FOR SMALL FIRMS

This section provides an overview of the institutional network developed over time for the promotion and development of small enterprises in Bangladesh. It is revealed, as discussed later, that there exist numerous enterprise development organisations concerned one way, or another, with the small enterprise sector. As such, the task of preparation of an overview of all these institutions becomes a difficult proposition. This complexity has been compounded by different sets of objectives, beliefs and attitudes prevailing among the agencies involved

in several stages of the development of small firm. However, in order to understand the existing institutional network, a list of the enterprise support organisations is provided in Appendix 6.1. Although this listing is by no means exhaustive, it includes all of the major agencies engaged in various capacities in development of the small enterprise sector in Bangladesh.

2.1 LEGAL AFFILIATION OF SUPPORT AGENCIES

Inquiry began with the identification of the legal ownership status of the agencies under study. Of the total 60 agencies, as shown in Appendix 6.1, over half, 33 agencies, are from the public sector. The major private sector agencies include, among others, 8 for-profit and 10 non-profit trade associations from different groups of entrepreneurs.

2.2 PROGRAMME INVOLVEMENT OF SUPPORT AGENCIES

In order to assess their involvement in SME development, support agencies were divided into three groups based on programmes offered for small firms. The first group, called 'Wholly Involved', consisted of agencies which had support programmes only for small enterprises. The second group of agencies had some programmes for SMEs including programmes for the purposes other than small firm development. This group of agencies is labelled under 'Partially Involved' category. The final group, called 'Occasionally Involved', refers to support agencies which reported having sometimes some programmes for the development of small firms. Based on this classification, the involvement of the support agencies under study is shown in Table 6.1.

Of the total 39 reporting agencies, as shown in the Table 6.1, 11 organisations appeared to be engaged entirely in providing assistance to the SME sector. While 14 agencies reported their partial involvement, the remaining 14 had an occasional involvement in the small enterprise sector. Looking at the ownership status of the wholly engaged agencies, it is revealed that 6 agencies were public, 4 private and the ownership of one agency was not finalised during the field survey.

Table 6.1
Involvement of Support Agencies in SME Development

Ownership status and abbreviated titles of Support Agencies	Degree of Involvement[1]			(Sub-Total)	Not Involved	Not available	Grand Total
	Who-lly	Parti-ally	Occasi-onally	n=39	n=11	n=10	N=60
GOVERNMENT:							
BSCIC,BHB,BSB,BHMC,BASIC & Grameen Bank	6*	-	-	(6)	-	-	6
NCBs,BKB,BMDC,BRDB,BOI,BSB & NPO	-	7	-	(7)	-	-	7
DCOOP,REB,ICB,BCSIR,DOT, PDB,BEPZA,T&T,TG,EPB & BITAC	-	-	11	(11)	-	-	11
BSI,YDD,DSW,TCB,CCIE,CTL, ILT,DDA & DDAs	-	-	-	-	9	-	9
PRIVATE:							
MIDAS,MEDO,NASCIB & DLEOA	4	-	-	(4)	-	-	4
IDLC,PCBs,NCL,BCI,FCBs, BRAC & KARITUS	-	7	-	(7)	-	-	7
CED,IAT & MAWTS	-	-	3	(3)	-	-	3
FBCCI & Concern	-	-	-	-	2	-	2
IPDC,BPIA,BLEA,BPIA,RCCI, BGMEA,BHMEA,PSW,DOF & BBR	-	-	-	-	-	10	10
OTHERS: SEDP	1	-	-	(1)	-	-	1
Total =	11	14	14	(39)	11	10	60

*   Number of support agencies
1   Wholly = All programmes for small enterprise development;
         Partially = Always some programmes for small enterprises, and
         Occasionally = Sometimes some programmes for small enterprises.
Source: Survey.

All the entirely engaged agencies are specialised organisations set up for the development of small enterprises. Seven government and seven private agencies were partially involved in offering support services to small enterprises. The partially engaged institutions are general purpose agencies, the main purposes of which are other than SME development. These agencies, however, had some programmes for the SME sector. In the occasionally involved category, 11 public and 3 private agencies reported some of their involvement in the small enterprise sector. These are also general purpose agencies with occasional involvement in the development of small enterprises.

2.3 YEAR OF FOUNDING

The year in which the support agencies were set up is exhibited in Figure 6.1. Most of the reporting agencies were set up during the last two decades, showing 1977 as their median year of founding.

Figure 6.1
Distribution of Support Agencies as per Year of Founding
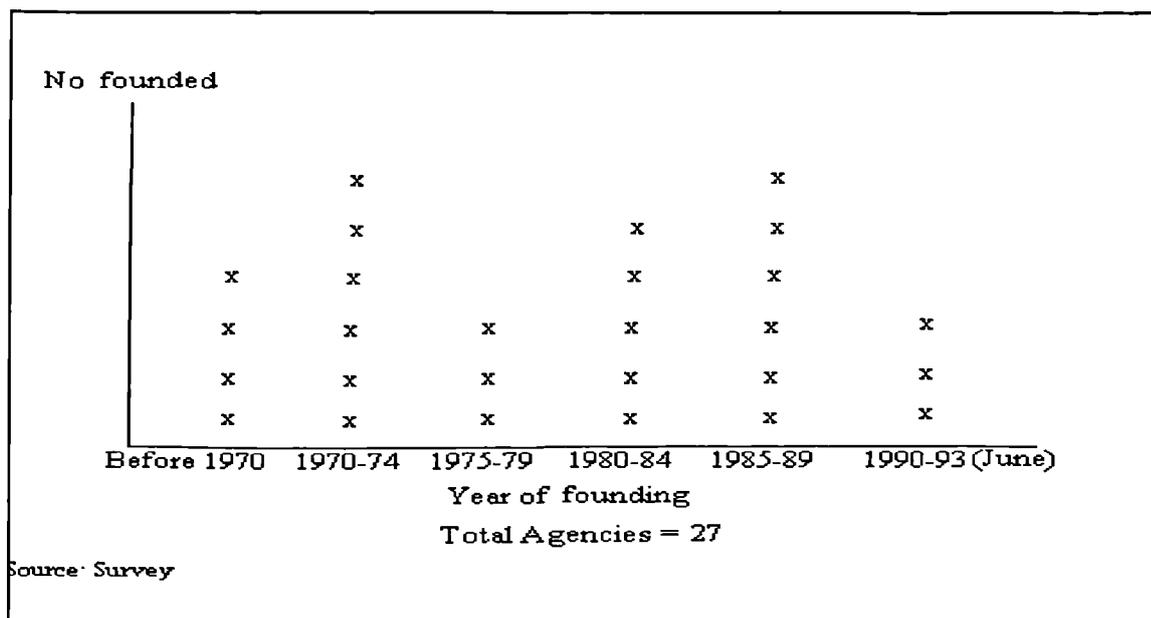
During the 1980s, a total of 11 organisations had been set up and all of them except one were in the private sector. As shown in the figure above, only four agencies began in the 1960s while 6 were developed during the first half of the 1970s. Two private and a project, the ownership of which was not finalised at the time of the field visit, had been set up during 1990-93 (June).

2.4 MISSIONS OF THE AGENCIES

The missions (goals) of the reporting institutions were expressed in a number of ways. Most agencies stated their multiple goals, which are basically inter-related and could be summarised broadly under the followings:

- Economic development through industrialisation;
- Creation of employment;
- Income generation;
- Contribution to gross domestic product;
- Dispersal of industrial base for balanced development;
- Entrepreneurship development, and
  - Others, such as poverty alleviation, human development etc.

2.5 SOURCES OF FUNDING

All the public sector institutions are fully government financed. The main sources of the four private, wholly involved, agencies as well as SEDP are donations from foreign countries/international development agencies such as the World Bank, ILO, ODA, CIDA, USAID, NORAD etc. They have also been trying to be self-sustainable through generating

incomes from internal sources. These include, among others, income from service charges, membership fees, interest on loans and consultancies. In the year 1991-92, the income from such internal sources varied from 10 per cent for SEDP to a maximum of 50 per cent by NASCIB.

2.6 TYPES OF SUPPORT SERVICES OFFERED

The support institutions under study carry out a wide range of activities, offering various types of services for the small enterprise sector. Figure 6.2 summarises the major services offered by a total of 31 reporting support agencies under study. As shown in the figure, most agencies reported having multiple activities.

Figure 6.2
Types of Support Services Offered by Agencies

No. (Agency)

Support Agency(N=31)

Types of Services

Source: Survey
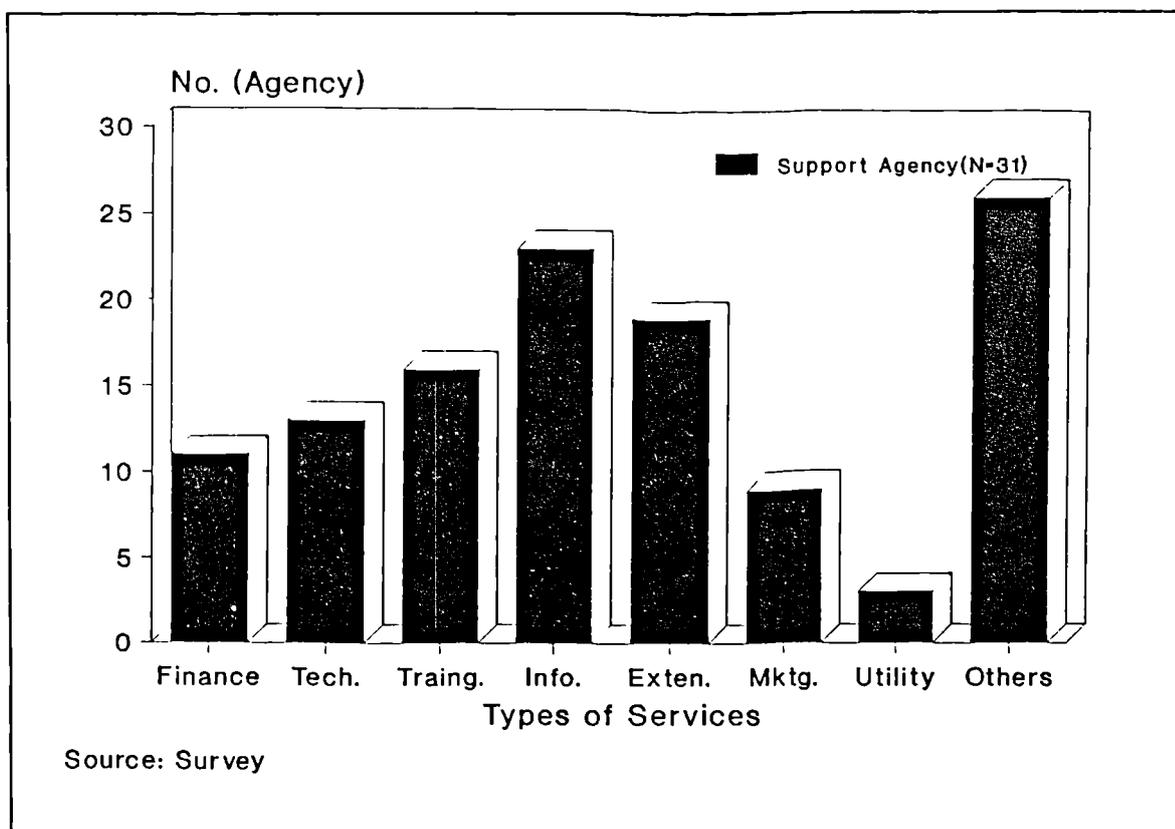
Only 3 agencies offer utility facilities, whilst 9 organisations have been providing marketing support to small firms in Bangladesh. Analysis reveals that 5 (2 public, 2 private and 1 trade forum) out of 11 wholly involved agencies provide marketing assistance. Financial assistance is offered by 11 agencies, of which only 3 (one government and two private) are entirely engaged in offering such help to small firms. On the other hand, most agencies offer software services, viz. information, extension and counselling, training, seminar and workshops.

Therefore, there appears to be a considerable proliferation of software services, such as information and extension services, whilst evidence suggests the involvement of a few support agencies in supplying many essential assistance, particularly utility, marketing, finance and technical help.

2.7 STAFF STRENGTH OF SUPPORT AGENCIES

Attempt was made to explore the manpower strength of the wholly involved support agencies. Data on staff positions furnished by six agencies were shown in Table 6.2, whilst the information furnished by other agencies were not sufficiently complete for such an analysis. All private agencies, as shown in the Table, had a small number of personnel, with professional staff consisting of 60 to 75 per cent of their total manpower. 85 per cent of MIDAS staff are at head office in Dhaka against 65 per cent of its total projects financed within this district. BSCIC has 39 per cent of its total 3 097 staff in head office whilst this proportion was 60 per cent for BOI. All other agencies had less than 14 per cent of their staff in head office.

Table 6.2
Staff Strength of the Major Support Agencies

Support Agencies	Staff Position (June, 1993)			
	Total staff (No.)	Professional staff[1] (%)	Staff in head office (No.)	Staff Received Training[2](%)
GOVERNMENT:				
BSCIC	3 097	41	39	89
BOI	424	17	60	60
BASIC	159	70	8	5
PRIVATE:				
MIDAS	89	60	85	21
NASCIB	350[a]	NA	10	50
OTHERS:				
SEDP	159	75	14	20

1　　Professional staff refer to all officers;　2　Proportion of professional staff;
a　　Figure included elected members;　NA　Figure not available.
Source:　Survey

Looking at the training status, the overwhelming majority of the personnel from the public support agencies received training except BASIC on different aspects of small firms. On the other hand, a maximum of 21 per cent staff from the private agencies except NASCIB, which had about 50 per cent trained staff, received training.

2.8 OPERATIONAL COVERAGE(AREA) OF SUPPORT AGENCIES

According to operational coverage, measured in terms of area covered, of the support agencies, it was revealed that half of the 39 reporting agencies, as shown in Table 6.3, had national coverage. A total of 10 agencies had regional coverage, while another 7 organisations had been functioning locally - revealing a limited operational outreach. Of the wholly involved agencies, 4 public and only one private (trade forum) organisations have national coverage, while two public and three private institutions have been functioning in regional areas. The operation of SEDP is confined to limited areas in the districts of Dhaka and Chittagong.

Table 6.3
Operational Coverage[1] of Support Institutions

Ownership and Involvement	National	Regional	Local	Total
GOVERNMENT:				
WHOLLY:				
-BSCIC,BHB,BSB,Grameen Bank	4*	-	-	4
-BASIC, BHMC	-	2	-	2
PARTIALLY:				
-NCBs,BKB,BRDB,BOI,BSB	5	-	-	5
-NPO, BMDC	-	2	-	2
OCCASIONALLY:				
-DCOOP,REB,ICB,DOT,PDB, T&T	6	-	-	6
-EPB,TG	-	2	-	2
-BCSIR,BEPZA,BITAC	-	-	3	3
PRIVATE:				
WHOLLY:				
-NASCIB	1	-	-	1
-MIDAS,MEDO,	-	2	-	2
-DLEOA	-	-	1	1
PARTIALLY:				
-PCBs,BRAC, KARITUS	3	-	-	3
-IDLC,NCL,BCI,FCBs	-	4	-	4
OCCASIONALLY:		3		3
-CED,IAT,MAWTS	-			
OTHERS:				
WHOLLY:				
-SEDP	-	1	-	1
Total =	19	13	7	39

*	Number of support agencies;
1	National = If there exists presence of activities in all (old) 19 districts;
	Regional = If there exists presence of activities in some of the old districts.
	Local = If there exists presence of activities in particular area/region.

Source: Survey.

2.9 TYPES OF CLIENTS SERVED BY SUPPORT AGENCIES

Different types of small enterprises are served by different support agencies. For convenience, the clients served by different agencies are grouped under: both Micro/Cottage and Small, only Micro/Cottage, and only Small Enterprises. Here, micro/cottage industries refer to enterprises having a maximum of 9 employees, while small industry has up to a

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maximum of 49 employees. BSCIC, BHB, BSB, SEDP and NASCIB serve all types (micro

and small) of small enterprises, both start-up (new) and existing. Grameen Bank is concerned

only about very micro enterprises. MIDAS, BASIC, MEDO and DLEOA serve mainly small

firms, both existing and start-up. They also serve small firms having more than 49 full-time

employees. The clients of NGOs, BRAC and Karitus, are in the micro enterprise sector. In

terms of industry sector, all agencies provide services to all types of SMEs. However, the

manufacturing enterprises are the main emphasis of most of the public and private support

organisations in Bangladesh.

3.0 EMERGENCE OF SUPPORT AGENCIES

This section traces the evolution of the major support agencies in Bangladesh. Since any such

discussion goes back to pre-independence years, before 1971, the following analysis is carried

out in relation to two periods, namely pre- and post-independence eras.

3.1 PRE-INDEPENDENCE (PRIOR TO 1971) SUPPORT AGENCIES

The first support agency was the Pakistan Industrial Development Corporation (PIDC). It

was entrusted with the responsibility of providing equity finance and managerial support to

start and operate a new enterprise. Then, the industry is handed over to private entrepreneurs

at suitable time withdrawing its (PIDC) support both financial and managerial.

To provide financial support to industrial entrepreneurs, the Pakistan Industrial Finance

Corporation (PIFC) - the first credit giving agency, was set up in 1949. It could finance

existing industrial units only. As a result, it failed to play a role in meeting credit needs of

the vast majority of the would-be entrepreneurs. To solve this bottleneck, it was converted into Pakistan Industrial Development Bank (PIDB) in 1961, widening its role to finance both new and existing industrial units. The Pakistan Industrial Credit and Finance Corporation (PICFC), a credit-giving agency, was established at private sector in 1957. It could extend credit to medium and small enterprises up to Tk. 2.5 million. Both PIDC and PIFC (later converted into PIDB) were mainly concerned about the promotion and development of large industrial enterprises.

The other financial institutions involved indirectly in the SME sector included, among others, Investment Corporation of Pakistan (ICP), National Investment Trust (NIT) and Export Promotion Fund (EPF). All these agencies were mainly concerned about the development of large enterprises. The East Pakistan Small Industries Corporation (EPSIC) - the key agency for SME development - was set up in 1957. Other institutions, such as Management Development Centre, Industrial Technical Assistance Centre (ITAC) and Centre for Scientific and Industrial Research (CSIR), were also set up to provide promotional skills, technical knowledge, advice on product and process for the promotion and development of mainly large enterprises, both public and private.

3.2 POST-INDEPENDENCE (AFTER 1971) SUPPORT AGENCIES

After liberation in 1971, two specialised financial institutions, Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Shangstha (BSRS), were created out of erstwhile PIDB, EPF, PICFC, ICP and NIT. In addition, Investment Corporation of Bangladesh (ICB) was set up in 1976 to generate equity and debenture investment for medium and large industrial enterprises. In recent years, Bangladesh Export Processing Zone Authority (BEPZA) was

established (in 1988) to encourage foreign investment in Bangladesh. The BEPZA deals exclusively with large-scale joint ventures to be set up in the export processing zones only.

The key agency EPSIC was renamed as Bangladesh Small Industries Corporation (BSIC) for the promotion and development of small firms. As per Industrial Policy 1973, the BSIC was entrusted with the task of catering to the needs of enterprises with investment up to Tk. 2.5 million, which also fell under the purview of another agency BSB. Moreover, the functioning of BSRS was not clearly specified, leading to a confusion between BSB and BSRS. Because of the growing importance of cottage industries and rural enterprises, which are mostly cottage type, it was decided to set up a separate institute, called Bangladesh Cottage Industries Corporation (BCIC), in 1975, to take care of the cottage industries sub-sector. However, in the following year, BCIC was merged with BSIC under a new name, Bangladesh Small and Cottage Industries Corporation (BSCIC). Under the direct supervision and control of the BSCIC, a subsidiary agency, called Bangladesh Handicrafts Marketing Corporation (BHMC), was established in 1974, to offer marketing assistance to the small enterprise sector. To meet the training needs of this sector, the Small and Cottage Industries Training Institute (SCITI) was established as a department of the BSCIC in 1988.

There are two other separate public sector institutions for the promotion and development of two subsectors - Handloom and Sericulture industries. Bangladesh Handloom Board (BHB), developed in 1977, was assigned with the responsibility of overall promotion and development of handloom enterprises. The other agency, Bangladesh Sericulture Board (BSB), was developed in 1977, to carry out necessary functions for the promotion and development of silk industrial enterprises. The functions of BSB is mainly confined to some parts of Rajshahi district, due to special geographical suitability of the silk industries.

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The Board of Investment (BOI), created in 1988 replacing the previous Department of Industry (DOI), has made a valuable contribution to the development of small enterprises. The function of the BOI, however, has been confined to the promotion and development of private medium and large industrial enterprises since 1992. All the agencies discussed so far are either government department or government funded parasitals.

To finance small firms, Bank of Small Industries and Commerce (BD) Ltd. (BASIC) was established in 1988 by the former Bank of Credit and Commerce International (BCCI) Foundation, Bangladesh. As a consequence of the worldwide bankruptcy of the BCCI, BASIC was taken over by the government of Bangladesh in July 1992. Another notable agency in the field of small enterprise development is Micro Industries Development Assistance Society (MIDAS). It was established in 1983 as a NGO, funded by USAID, and in 1993, was converted into a limited company, renaming Micro Industries Development Assistance and Services (MIDAS).

A new institution called Micro Enterprise Development Organisation (MEDO) has been formed with foreign donations, and is expected to start functioning very soon. The Small Enterprise Development Project (SEDP) was set up in 1991 in collaboration with the central bank of Bangladesh, Uttara Bank Ltd.- a denationalized private bank, and NORAD. In addition, over 800 traditional NGOs have been working in Bangladesh in various capacities to generate income mainly for rural poor people. Some of these NGOs, about 36, have some sorts of programmes relating to small enterprise development, particularly for micro businesses. The best known agency is Grameen Bank, established as a project in 1976, and was converted into a special development bank in the public sector in 1983. The other important NGOs include, among others, BRAC, CONCERN and KARITUS.

4.0 MAJOR SUPPORT AGENCIES AND THEIR ACTIVITIES

This section highlights some important assistance activities and performance of the major support agencies for the promotion and development of small enterprises in Bangladesh.

4.1 BANGLADESH SMALL AND COTTAGE INDUSTRIES CORPORATION (BSCIC)

BSCIC, the successor organisation of the former EPSIC set up in 1957, is the main public sector agency entrusted with the entire task of promotion and development of the small enterprise sector. The operational outreach of this agency goes down to Thana level - administrative tier of the GOB. Within its functional coverage, BSCIC provides all types of assistance to all sorts of small enterprises - Small, Cottage and Handloom industries, both urban and rural, new and existing. It also carries out and implements different programmes and projects relating to the development of small enterprises, as and when assigned by the government. Table 6.4 shows a short summary of the major activities performed by BSCIC. The activities of the BSCIC exhibited in the table are self-explanatory. In addition, it has developed 4 622 industrial plots on 29 industrial estates during 1985-90. There are another 21 district industrial estates under implementation for developing 2 655 industrial plots during 1990-95 period. Of the total 4 841 plots ready for allotment, 1 936 units have been allocated to entrepreneurs so far. However, only 1021 industrial units are reported in operation during the year 1992. BSCIC has also developed one Hosiery Estate for hosiery industries and another Electronics Complex to encourage entrepreneurs to set up industries in these two sub-sectors.

Table 6.4
Activities Performed by BSCIC : 1989-92

Activities	1989-90	1990-91	1991-92
Entrepreneurship Development (No.)	-	12 177	10 920
Development of Project Profile (No.)	427	362	1 071
Project Proposal Development (No.)	16 620	-	15 992
Project Proposal Evaluation (No.): Total-	-	15 651	14 870
Small-	-	2 615	2 870
Cottage-	-	13 036	12 000
Arrangement of Loan (No.): Total-	21 112	13 660	10 445
Small- New	4 630	1 775	607
Existing	-	941	1 026
Cottage-New	16 482	6 819	5 268
Existing	-	4 126	3 544
Enterprises developed with own funds (No.):			
Small-	-	-	995
Cottage-	-	-	923
Enlistment of projects (No.): Total-	20 263	18 656	12 421
Small-	-	2 699	2 671
Cottage-	-	15 957	9 750
Design Development (No.)	-	1 800	1 241
" Distribution (No.)	4 111	4 025	7 349
Supervision of approved project (No.): Small-	-	-	2 230
Cottage-	-	-	8 067
Inspection for loan recovery (No.)	23 602	24 097	16 625
Identification of sick industry & providing suggestions(No.)	1 839	2 303	3 698
Technical information collection and distribution (No.)	679	806	996
Marketing Assistance (Mil. Tk.)	552.6	-	1 637.5
Skill Development (Persons)	8 264	8 921	6 049
Employment Creation (No.)	102 574	79 299	45 697

Source: GOB (1989-90:26) and (1992:5 and 55)

BSCIC carries out a number of activities relating to marketing aspects of the small enterprise sector. During 1986-91 period, its marketing department has distributed 115 awards to Master craftsman, arranged 53 fairs/exhibitions, prepared and published 60 marketing booklets, and

carried out 146 marketing related studies. During 1986-91, as a part of its marketing activity, BSCIC arranged sub-contracting orders amounting to Tk. 380.3 million, while distributed credit for such purposes of Tk. 11.25 million. Providing training to entrepreneurs and officers working with owner-managers is an important function of the agency. Through SCITI, it has provided training to 3 769 persons of which 2 515 small entrepreneurs, 1 052 BSCIC staff, 194 bank officers and 8 foreign participants.

Another important function of BSCIC is the development of 'Model' small industries. It develops an small industry, providing 20 per cent equity from its own resources and arranging 80 per cent of the project costs from banks. It also provides necessary technical and other assistance to develop the industry in cooperation with an associate small entrepreneur. At a later stage, when the industry runs commercially, BSCIC withdraws its financial and non-financial support gradually. As a result, the entrepreneur becomes the full owner of the industry. It has so far developed 5 such industries of which 2 have already been transferred to the owner-managers.

The promotion of small enterprises through Hire Purchase system is another function through which BSCIC has created employment for 300 persons in 33 enterprises. For the development of rural enterprises, under the Development of Rural Industries (DRI) project, it has distributed credit amounting to Tk. 2.10 million, provided skill development training to 26, 911 persons and developed 451 product processes during the period 1985-91. A number of special activities are also carried out by BSCIC, including development of entrepreneurship among special groups, such as women, wage-earners, dependents of wage-earners, engineers and skilled technicians. It has distributed iodized plants to 240 salt industries, and encouraged bee-keeping and rearing among small entrepreneurs.

4.2 MICRO INDUSTRIES ASSISTANCE AND SERVICES (MIDAS)

MIDAS is one of the main private organisations in providing different support services to small enterprises in Bangladesh. Starting as a traditional NGO funded by USAID in 1982, it has now become a private limited company. The main aim of the company is the generation of employment through carrying out necessary activities for the promotion and development of the small enterprise sector in Bangladesh. The physical progress in different functional areas by MIDAS since its inception is depicted in Table 6.5. As shown in the table, it has developed 198 units so far with its assistance during a decade of its operation. During the same period, total employment created in the assisted firms is over eight thousands.

Table 6.5
Physical Progress of MIDAS: 1982-92

Particulars	1982 -'83	1984 -'85	1987 -'88	1989 -'90	1990 -'91	1991 -'92	1982 -'92
Projects Developed (No.)	14	11	27	27	28	23	198
Projects Approved (No.)	6	8	22	25	23	13	153
Projects Financed (No.)	2	9	13	15	10	9	104
Invest. Generated. (Mil.Tk)	3.48	10.48	73.38	132.5	166.1	62.1	634.5
Loan Sanctioned (Mil. Tk.)	1.81	6.65	43.53	71.92	98.85	36.75	366.1
Equity Participation (Mil.Tk.)	-	-	-	7.75	-	-	10.45
Loan Disbursed (Mil.Tk.)	0.65	5.32	19.66	48.63	48.05	16.03	202.5
Loan recovered (Mil. Tk.)	0.1	0.37	3.8	4.82	5.4	11.51	33.14
Service Charges (Mil. Tk.)	0.2	0.39	1.44	4.23	6.96	8.75	13.57
Consultancies (Mil.Tk.)	0.23	2.74	0.92	1.34	2.37	2.66	26.08
Employment generated(No.)	330	775	934	999	1018	371	8340
- Male	136	668	747	812	814	276	6584
-Female	194	107	187	187	204	95	1756

Source: MIDAS (1992:15)

MIDAS has also been carrying out sub-sectoral studies, such as experimenting with 'Incubator Approach', on different aspects of small firm development. It has already successfully completed 5 of such studies. Some innovative experimental projects, such as

commercial rabbit raising, which is completely an idea new in Bangladesh, have also been undertaken by this agency. Most recently, it has established a separate project, Business Advisory Services (BASE) centre with the help of USAID, for providing counselling services to small firms. In order to encourage women into business, it has developed a special cell, entitled 'Women in Development (WID)', to impart entrepreneurial training to would-be women entrepreneurs. For providing technical assistance, it has been collaborating with Canadian Executive Service Organisation (CESO) and Technology For The People (TFTP), Switzerland. It also disseminates the research results and sells World Bank publications.

4.3 BANK OF SMALL INDUSTRIES AND COMMERCE (BD) LTD. (BASIC)

With the sole objective of meeting financial needs of small enterprises, BASIC was established in 1988 as a private banking institution. Its main collaborator was the former Bank of Commerce and Credit International (BCCI) Foundation, Bangladesh. In July 1992, it was taken over by the government of Bangladesh after the worldwide bankruptcy of the BCCI. During this short period, it has already provided term loans to 60 industrial enterprises in addition to its general banking services. During 1991-92, a total of Tk.135.78 million, consisting of Tk. 68.78 million term loans and Tk.67.00 million working capital, was disbursed among entrepreneurs.

4.4 NATIONAL ASSOCIATION OF SMALL AND COTTAGE INDUSTRIES OF BANGLADESH (NASCIB)

NASCIB, as the name suggests, is an association of small enterprises having members all over the country. It has over 6, 000 member small entrepreneurs of which 350 are

executive members on district level bodies working for the association on occasional/part-time basis. The main objective of the agency is to preserve the interests of its members and help them to overcome their problems by offering suggestions and providing necessary information.

Table 6.6 exhibits a summary of the activities and services of NASCIB. In short, it provides all sorts of assistance, particularly software services, to its members and assists in getting loans from financial institutions. In addition, it participates in policy formulation of SMEs with the government from time to time.

Table 6.6
A Summary of Activities and Services by NASCIB

Credit Support:
- Help to get finance from NCBs;
- Help to procure Raw materials from home and abroad;
- Credit support from Special Credit Programme, and
- Advice to the SCI on credit availability.

Marketing:
- Help SCI to crate marketing opportunities;
- Improve the quality of SCI products, and
- Provide information services to SCI for more marketing.

Infrastructural Support:
- Provide SCI to get allotment of industrial plot;
- Help to get Power, Water and Gas facilities, and
- Provide services to get licensing/registration facilities.

Training:
- Provide training on productivity development;
- Provide training on skill development of SCI entrepreneurs, and
- Provide training on how to get credit and how to utilize it properly.

Policy Formulation:
- Participate in policy formulation of SCI with the Government;
- Provide suggestions and recommendations to the Government for SCI development, and
- Help the Government with the solutions of SCI problems through proper dialogue.

Date Base Activity:
- Data collection, storage and analyze;
- Research, and
- Information services to SCI.

Technological Support:
- Intra-technological transfer among SCI;
- Provide appropriate technology to SCI;
- Upgradation of technology of SCI, and
- Provide services to import technology from abroad for SCI.

Dissemination of Information:
- Industrial information;
- SCI activities, and
- Business opportunities.

Source: NASCIB.

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4.5 BANGLADESH HANDLOOM BOARD (BHB)

The BHB was established in 1977 and commenced work in 1978 with the objective of promoting and developing Handloom industrial enterprises. It works as an autonomous body under the Ministry of Industry. As a key agency, the Board performs a wide range of activities. These include, among others, the followings: carries out studies and evaluations to identify constraints and promotional needs of the sector; supplies necessary raw-materials to the weavers at reasonable prices; provides other rare inputs - such as dyes, chemicals etc.; arranges credit facilities, training and research; establishes depots and common facility centres; carries out market promotion at home and abroad, and provides extension and advisory services. The Board conducts its operation through a number of projects, such as Yarn Distribution Programme, Loomless Weavers Credit Programme, Cloth Processing Centre, Handloom Service Centre and Metropolis Sales-cum-Display Centres. It has completed a number of surveys, revealing basic information on the handloom sector in Bangladesh.

4.6 BANGLADESH SERICULTURE BOARD (BSB)

BSB - an autonomous government agency - was established in 1977 to look after sericulture enterprises. Due to a considerable concentration of sericulture industries in Rajshahi, the Head Office of the Board was situated outside Dhaka, at the divisional city of Rajshahi. It has three functional divisions: Finance and Planning, Extension and Publicity and Production and Marketing. The operational networks of the Board consist of 12 sericulture nurseries, 140 demonstration-cum-extension centres, 6 miniflatures, 2 silk factories, 2 marketing centres, and a number of training centres attached to the nurseries. It also carries out various activities

relating to the development of sericulture industries. These include, among others, supplying improved seeds; introducing large-scale eri-worm; rearing and bringing more land under mulberry cultivation.

4.7 SMALL ENTERPRISE DEVELOPMENT PROJECT (SEDP)

As mentioned earlier, SEDP is a project set up in collaboration with NORAD, Bangladesh Bank and Uttara Bank in 1990. The objectives of the project are: to support small enterprises by increasing sustainable enterprises and increasing the employment, and to assist industrialisation activities and institution building by strengthening institutions involved in supporting small enterprises. The major project components include credit management, advisory services, project operation, training and monitoring and evaluation. There are two lines of credit: District Development Credit Line (DDLC) and Innovative Industries Credit Line (IICL). The financial assistance in DDLC ranges from a minimum of Tk. 5000 to a maximum of Tk. 500 000 per enterprise. In the case of IICL, the range of credit varies from Tk. 0.1 million to Tk. 3 million per enterprise. During the year 1992, a total of Tk. 42.2 million was disbursed among small entrepreneurs.

4.8 GRAMEEN BANK

The Grameen Bank started its journey in 1976 as a project. In 1983, it was converted into a specialised bank with its own capital and shareholders. The government has taken up 60 per cent of its initial capital, whilst the remaining 40 per cent is held by its borrowers. Since its inception in 1983 and March 1993, it has disbursed a sum of total Tk. 17861.9 million among 1.5 million borrowers of which 94 per cent are women. The total number of villages

in which Grameen Bank operates - through its 1023 branches - is about 31 591 all over the country. The recovery rate of loans has been not less than 97 per cent since its inception. The bank mainly provides loans to groups, formed by disadvantaged women in the rural areas. By providing one missing ingredient - namely finance, it has now become a successful model for helping rural poor people in over 40 countries including the USA.

4.9 OTHER SUPPORT AGENCIES

In addition to the wholly involved institutions briefly described above, there are a large number of organisations, involved partially in the promotion and development of the small enterprise sector in Bangladesh. Some of them are Board of Investment (BOI), Commercial Banks - both public and private, specialised development agencies, such as BKB, BSB, IDLC etc. In addition, there are a large number of traditional NGOs, such as BRAC, KARITUS, CONCERN, working partially, or occasionally, for small firm development in Bangladesh.

5.0 SUPPORT SERVICES ON OFFER FOR SMALL FIRMS - A REVIEW

This section presents an overview of the supply of support services from a macro point of view to shed some light on the total supply situation of assistance to the SME sector in Bangladesh. For convenience, the discussion is presented according to types of assistance - financial support, marketing help, technical assistance, training, extension and counselling, common/utility facilities, information and research.

5.1 FINANCIAL ASSISTANCE

Since the inception of direct financial assistance to small enterprises in the 1950s, a number of credit programmes have been introduced and implemented by the government through different financial institutions, both private and public. However, the financing of small firms does not constitute a major part of the mainstream credit policies but forms an adjunct to the sectoral credit programmes, pursued by the Bangladesh Bank (the central bank) as and when it is required to meet the credit needs of the small enterprise sector. For example, according to the Industrial Policy-1991, all commercial banks have to lend 5 per cent of their investible funds to the small enterprise sector. Thus, some make-shift arrangements in the form of introduction of various special credit programmes, based primarily on aided funds received from various international donor agencies under bilateral aid arrangements, are being tried to meet the credit requirements of small enterprises. In addition, a number of locally funded credit programmes also form a significant part of the efforts to make finance available to small entrepreneurs. Table 6.7 displays a summary of the major credit programmes for the SME sector in Bangladesh.

It is clearly evident, from the figures in the Table, that there has been a remarkable increase in the supply of different credit programmes for SMEs in recent years, particularly since the early 1980s. About half of the credit programmes were launched during the first half of the last decade. Of the total amounts of Tk.7 719.28 million that were made available as credit under 19 different programmes, about 64 per cent (Tk.4 932.2 million) was made available after 1990.

The disbursement of credit was also significantly increased during the last ten years. As of June 1983, according to Ahmed (1987:65), total disbursement was Tk.685.77 million under 9 credit programmes, while only under three credit programmes, this figure was Tk.1642.1 million during 1990-1992.

Table 6.7
Major Credit Programmes for Small Enterprises in Bangladesh: 1957-1992

Credit Programmes	Amount of Credit Available (Mil.Tk)	Year of Inception	Implementing Agencies
1.EPSIC(BSCIC) Loan Fund	5.75	1957	BSCIC
2.BSCIC-BSB Loan Programme	7.53	1961	BSCIC-BSB
3.BSCIC-Consortium of Commercial Banks	30.80	1967	Commercial Banks
4.1st IDA Credit(353-BD)	46.80	1972	BSCIC,Sonali & Janata
5.Special Credit Programme (Later raised)	60.00 (522.00)	1978	Sonali, Janata,Agrani, Pubali,Rupali & Uttara
6.2nd IDA Credit(825-BD)	158.80	1978	BSCIC,Sonali & Janata
7.3rd IDA Credit(1065-BD)	720.00	1981	Sonali,Janata & Agrani
8.USAID Credit	35.10	1981	BSCIC & BKB
9.IRDP/DANIDA Credit	2.10	1981	Janata
10.UNCDF(Cottage) Credit	75.00	1982	BKB
11.NORAD(Small) Credit	84.60	1982	BKB
12.NORAD(Cottage) Credit	16.60	1982	Sonali & Janata
13.NORAD Grant(BGD-020)	66.80	1982	Sonali,Janata,BKB & RAKUB
14.ADB Loan(773-BAN(SF))	865.20	NA	Agrani & Rupali
15.Saudi Grant	150.00	1983	Janata
16.NORAD Grant(BGD-041)	192.20	1990	Uttara Bank Ltd.
17.ADB Loan(1070-BAN(SF))	1160.00	1991	Sonali,Janata,Agrani Pubali,Uttara,NBL, ABBL,IFIC,BASIC, RAKUB,BSB & BKB
18.Bangladesh Bank Loan	2560.00	1992	NBL,ABBL,IFIC, UCBL & BASIC
19.IDA Credit(2340 BD)	1020.00	NA	IFIC, ABBL & IPDC
Total =	7719.28		

Source: GOB (1993b) and Ahmed (1987:65), Table 3.1

The performance of the credit programmes for the SME sector can be seen from Table 6.8. For the small firm sector, as shown in the Table, during June-1991 and July-1992, a total of

Table 6.8
Financial Assistance to SMEs in Bangladesh: 1991-92

Credit Programmes	Amount Approved (in Crore Tk.)		Amount Disbursed (in Crore Tk.)		Cumulative Outstanding since inception	
	No. of firms	Tk.	No. of firms	Tk.	Tk. (Crore)	Recovery Rate(%)
SMALL INDUSTRIES:						
1.Banks' Own Funds	1364	207.98	1328	204.61	339.63	29.9
2.Special Credit	213	9.76	146	5.35	74.49	42.7
3.ADB Credit	495	25.26	497	26.66	1.45	70.3
4.Microenterprise	92	0.15	11	0.02	0.03	66.6
5.Bank Consortium	-	-	-	-	10.10	39.1
6.Small Engineering	-	-	7	0.36	2.60	9.2
7.OPEC	-	-	1	1.19	2.05	18.5
8.EXIM	-	-	-	-	21.87	4.1
9.IDA Credit	-	-	-	-	27.05	26.6
10.Sub-Contracting	-	-	2	0.10	0.50	64.0
11.SEDP	79	1.54	28	0.33	0.03	100.0
12.Hire Purchase	1	0.09	-	-	0.97	17.5
13.Electrical	2	0.03	1	0.02	-	-
14.NORAD	-	-	-	-	0.80	35.0
15.Saudi Grant	-	-	-	-	2.25	28.0
16.Dholaikhal	-	-	-	-	6.22	3.3
17.USAID	-	-	-	-	3.73	6.9
Sub-total =	2246	244.81	2021	238.64	498.77	30.0
COTTAGE INDUSTRIES:						
1.NORAD	30	2.24	29	2.00	285.35	63.2
2.Disadvantaged Women	995	26.55	955	25.91	111.90	71.8
3.Banks' Own Funds	1430	48.77	1389	41.82	39.75	78.0
4.Kudra Prochesta	676	125.35	348	53.93	6.32	185.0
5.Grameen Bank	212	6.17	206	5.36	2.84	71.0
6.Daridra Bimoson	191	2.91	220	3.24	1.53	56.0
7.UNICEF	143	3.65	143	2.13	0.27	93.0
8.ADB	62	0.62	62	0.62	0.72	100.0
9.Artho-Samajik	77	1.33	77	1.33	-	-
10.BRDB	81	1.74	81	1.74	0.87	55.0
11.Local NGOs	35	0.68	35	0.84	-	-
12.BRAC	12	0.84	12	0.84	-	-
13.DANIDA	12	0.48	12	0.48	-	-
14.UNCDF	2176	100.24	2171	100.42	1180.78	51.0
15.USAID	2686	95.99	2694	96.22	530.16	73.0
16.Special Credit	994	1.35	994	1.35	-	-
Sub-total =	8812	418.91	8438	334.07	2160.49	60.0
Grand Total =	11058	663.72	10459	572.71	2659.26	54.5

Source: Compiled from (1992:93-94)

2, 246 small enterprises received approval of financial assistance under 17 credit programmes. The amounts of loans approved were Tk.2 448.19 million, of which Tk.746.14 (30 per cent of total approval) were for fixed capital during 1991-92. During the same period the actual amounts of loans disbursed were Tk.2 386.4 million, showing an impressive 97 per cent of the amounts of the loans approved for the purpose.

Looking at the cottage industries sector, it is revealed that 8 438 units received a total amount of Tk. 3 340.7 million under 16 credit programmes during 1991-92. Total outstanding loans have been Tk. 21 604.9 million since the introduction of such programmes. Taking together, a total of 11 058 small enterprises (2 246 small and 8 812 cottage industries), received approval of credit amounting to Tk. 6637.2 million during 1991-92. During the same period the actual disbursement figures were Tk. 5 727.1 million among a total of 10 459 units - 2 021 small and 8 438 cottage industries. Since the inception of these credit programmes, the total outstanding loan figure was Tk.26 592.6 million - Tk. 4 987.7 million for small industries and the remaining Tk. 21 604.9 million for cottage industries. The outstanding credit due for repayment was reported to be Tk. 190.1 million in 1983 (Ahmed, 1985:65), while it was Tk. 26 592.6 million in 1992, showing an average increase of over 11 per cent annually over the last nine years.

It appears from the discussion above that there seems to be a considerable growth in the overall supply and disbursement of financial assistance to the SME sector in Bangladesh during the last decade, and since 1990 in particular.

5.2 TRAINING

Training for small entrepreneurs is mainly offered by the Small and Cottage Industries Training Institute (SCITI) of BSCIC. It was established in 1984-85 as a project with the aim of meeting the training needs of small entrepreneurs, staff of BSCIC and other support agencies. It started regular functioning from July 1988. Up to June 1992, SCITI provided training to 3 769 persons, consisting of 2 515 small entrepreneurs, 1 052 BSCIC staff, 194 officers from several commercial banks and 8 participants from abroad. As shown in Table 6.9, SCITI offered 140 courses on five subject areas - entrepreneurship development, inventory management, financial management, marketing management and general management. It arranges training programmes at its own complex as well as on a regional basis. In view of increasing demand for training over years, it has had to double its original plan, re-fixing a target of providing training to 1 448 participants in the year 1992-93.

Table 6.9
Training Courses Offered by SCITI: 1988-91

Particulars	1988-89		1989-90		1990-91		1988-91	
	Cour-ses (No.)	Partic-ipants (No.)	Cour-ses (No.)	Partic-ipants (No.)	Cour-ses (No.)	Parti-cipants (No.)	Cour-ses (No.)	Parti-cipants (No.)
Entrepreneurship Dev.	15	451	15	572	16	521	46	1544
Inventory Management	15	249	12	244	9	139	36	632
Financial Management	4	66	7	133	7	128	18	327
Marketing. Management	7	135	8	169	6	113	21	417
General Management	6	98	7	109	6	105	19	312
Total =	47	999	49	1227	44	1006	140	3232

Source: GOB (1990-91:40)

National Productivity Organisation (NPO) is another public sector institution, set up in 1988, to provide training on productivity to industrial enterprises of all sizes, both public and

private. Its main efforts were, however, devoted to training executives and trade union leaders from large and medium enterprises mainly in the public sector, as shown in Table 6.10. The organisation, however, also arranges training for small entrepreneurs.

Table 6.10
Training Offered by NPO: 1988-92

Year	Total Participants (No.)	Participants from Small Enterprises	
	Officers, Small Entrepreneurs and Labour Representatives	Owner-Managers No.	% of total participants
1988-89	162	23	14.1
1989-90	175	-	-
1990-91	305	40	13.1
1991-92	277	25	9.0
Total =	919	88	9.5

Source: GOB (1993g)

Training for small entrepreneurs is also offered by MIDAS, NASCIB, and SEDP. In the year 1991, MIDAS offered training for 210 participants from BRDB, NORAD and Technonet Asia (Singapore). Of the total 7 programmes, three were conducted on entrepreneurship development while the other four were on business management. BHB is responsible for arranging training for handloom enterprises. Training is also provided for sericulture industries by BSB. BMDC is a major government institution, which arranges training programmes occasionally for small entrepreneurs in Bangladesh.

5.3 MARKETING SUPPORT

A number of agencies have been working to provide marketing support to small enterprises in Bangladesh. Most important among them are BSCIC, MIDAS, SEDP, BHB, BSB and

NASCIB. Export Promotion Bureau (EPB) also provides export related information to the small firm sector. As a prime mover organisation, one of the main functions of BSCIC is to provide marketing help to small entrepreneurs. Its marketing department has two main activities: commercial and promotional. As a part of commercial activities, it has planned to establish 4 sales and display centres and to purchase share of BHMC. The promotional activities include, among others, arranging fairs, exhibitions and organising foreign visits for its senior officers as well as for small entrepreneurs. During the period 1986-91, BSCIC distributed 115 awards to 'Master' craftsman, arranged 53 fairs and exhibitions, prepared and published 60 catalogues, directories and booklets, and conducted 146 marketing studies. In addition, sub-contracting is one of the main marketing functions of BSCIC. Table 6.11 provides a summary of the actual sub-contracting arrangements made by BSCIC since the introduction of such function. Through higher purchase programmes, it also arranged machinery for 50 enterprises, creating employment for about 300 persons from the inception of the programme to 1991.

Table 6.11
Sub-Contracting Assistance Arranged by BSCIC: 1982-92

Activities	Year			
	1989-'90	1990-'91	1991-'92	1982-'92
Work order from big units (in mil.Tk.)	150.2	148.7	163.7	544.4
Actual supply of goods (in mil. Tk.)	109.9	118.2	157.7	435.4
Registration of sub-contracting units (No.)	134	178	94	755
Identification of big industries (No.)	29	2	15	189
Recommendation for sub-contracting (No.)	121	160	81	709
Establishment of sub-contracting (No.)	466	207	86	1861
Identification of sub-contracting tools (No.)	359	452	343	3455
Small firms received work orders (No.)	51	68	61	295
Credit for sub-contracting (in mil.Tk.)	345.0	141.7	100.0	1223.7
Arranging seminars, workshops etc. (No.)	8	7	15	52
Skill development training (No.)	96	53	-	550

Source: GOB (1990-91:28) and (1992:9)

5.4 TECHNICAL ASSISTANCE

A number of agencies, directly or indirectly, provide technical assistance to small firms in Bangladesh. These are mainly BSCIC, BITAC, BSCIR, BSB, MIDAS, IAT, PSW and SEDP. BITAC and BSCIR (two government agencies) and IAT and PSW (two private agencies) are mainly concerned about medium and large industrial enterprises. Among other organisations, which provide technical assistance to small firms, again BSCIC is the main player in offering such assistance, through its design centre, to the SME sector. During 1985-91, it developed over 11 000 designs and distributed among small entrepreneurs.

5.5 EXTENSION AND COUNSELLING SERVICES

Three main government agencies, namely BSCIC, BHB and BSB, offer extension and counselling services to small enterprises in Bangladesh. The other important public sector agencies that also provide these services include, among others, BOI, BSB, BRDB, DOT and BMDC. Here, again BSCIC is the major agency which offers these services, through its nationwide networks, to all small enterprises irrespective of industry sectors and stages of development of small firm. The main private sector agencies seem to be MIDAS, SEDP, CED, NASCIB and DLEOA. While MIDAS and SEDP offer these services mainly to its clients, NASCIB is concerned about its members through a large network all over the country. The activities of CED and DLEOA are confined to some parts of the district of Dhaka.

5.6 COMMON/UTILITY FACILITIES

A number of government agencies, viz. T&T, TG and PDB, have been involved indirectly in providing common facilities, such as telephone, electricity and gas, to small enterprises. In order to provide improved access to land, shed and other infrastructural facilities easily, BSCIC developed 29 industrial estates by 1990, and another 21 district industrial estates are under different stages of implementation. Recently, BOI has also taken steps for developing industrial estates for private industrial enterprises. The Bangladesh Export Processing Zone Authority (BEPZA) has set up its first zone in Chittagong, while the development works of the second zone are going on near Dhaka.

5.7 OTHER SUPPORT SERVICES

All the agencies engaged entirely in small enterprise development provide information services. Regarding research and evaluation, BSCIC, MIDAS and NASCIB are the main three agencies for small firm development. The Social Science Research Council, a cell of the Ministry of Planning, GOB, provides funds for conducting research on the small enterprise sector. Among the educational institutions, BBR and CED (University of Dhaka) and IAT (BUEAT), mainly carry out research in the field of small enterprises. Entrepreneurial education is provided mainly by the Department of Finance and Banking, University of Dhaka. Moreover, BHB and BSB carry out some research and evaluation studies relating to the handloom and sericulture sectors respectively. The Ministry of Industry, in collaboration with BSCIC, BOI, NASCIB and other related departments/institutions, formulate necessary policies for small enterprises as a part of its industrial policy for the country.

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6.0 SUMMARY

The chapter has presented the empirical evidence on the nature of the supply of support services, offered by different agencies, for SME development in Bangladesh. It traced the existence of as many as 60 organisations, of which 33 were in the public sector, directly or indirectly involved in providing support services to the SME sector. Among this large network of institutions, however, only 11 had been involved entirely in the promotion and development of small enterprises. Six of them were government organisations, whilst the remaining five were from the private sector. All the private support agencies had been developed during the last decade, and most public sector institutions were set up in the early seventies, including four in the sixties. A wide range of services, both hardware and software, had been offered by these support organisations, both public and private. The financial assistance had been made available through over 20 credit programmes, showing an average rate of increase over 11 per cent yearly during the last decade. There also appears to be a number of agencies involved in offering various software services, such as information, training, extension and counselling. However, it was revealed that only a handful of the organisations under study had been engaged, directly and entirely, in supplying finance, marketing and utility support to the SME sector. Therefore, it is concluded that there appears to be a proliferation of software services, such as information, extension and counselling. On the other hand, some essential services, particularly finance, utility facilities, marketing support and technical help, are offered by only a few support organisations under study. As such, there seems to be a limited supply of such services for the SME sector in Bangladesh.

CHAPTER SEVEN

THE DEMAND FOR AND RECEIPT OF SUPPORT SERVICES

1.0 INTRODUCTION

The nature of the supply of support services, offered by different institutions, was described in the previous chapter (Chapter 6). This chapter, drawing primarily on evidence gathered from the field survey, presents the nature of the demand for and receipt of support services - the other side of the supply-demand equation. Specific aspects scrutinized include, among others, type, intensity and extent of services, classified by firms' age, industry sector, employment size, status of whether assistance received or not, and support agency. The views of the support agency people on the needs of SMEs for assistance are explored and compared to the views of the small entrepreneurs. In addition, an anatomy of the assistance received by SMEs against the demand (needs) for such services is carried out. Possible reasons blocking the ways of getting required assistance are identified following a summary of the major findings.

2.0 THE DEMAND (NEEDS) FOR SUPPORT SERVICES

The demand (needs) for support services was explored both from the viewpoints of the small entrepreneurs and of the support agency people. Respondents from small firms were asked to answer three open-ended questions on: (a) what problems they faced in starting their enterprises; (b) what problems they had been facing during the period 1990-92, and (c) what

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plans they had for their enterprises in future. The respondents were also asked to mention what assistance, in their views, could help them to overcome those problems or to implement future business plans. The problems - perceived or actual, mentioned by the entrepreneurs, were considered as a reflection of their demand *inter alia* needs for support services. Perceptions of the people of the support agencies were explored regarding the problems of small firms along with the assistance that could solve those problems.

Analyses were also carried out to examine whether there exists any significant variation in the needs of the SMEs under study, in terms of types, intensity and extent of support services. Further analyses were carried out examining the assistance needs of SMEs, classified by firms' age, industrial sector, employment size, support agency, SMEs status of whether support was received or not, and development stages of the small firms under study.

2.1 TYPES OF SUPPORT SERVICES NEEDED BY SMEs

Most respondents from the sample firms mentioned their perceived needs for a variety of support services, relating to several inter-related problems of their enterprises. For convenience, these were grouped under six major categories, as shown in Figure 7.1, finance, marketing, utility, policy related, training/technology/information and others.

The majority of the respondents, as depicted in the figure, gave multiple replies. As expected, finance emerged as the most frequently cited need, as viewed by almost all, 95 per cent, of the cases. The second frequently cited need was in the area of marketing problems, 87.9 per cent of the respondents. The need for utility services, such as land, buildings, gas, power etc., was also important (43.3 per cent), while the problems relating to government policy

were a vital area in the views of over 38 per cent of the small firms under study. Less than

a quarter, 23.4 per cent, of the small entrepreneurs expressed their needs for software

services, especially training, information and technical help.

Figure 7.1
Types of Support Services Needed by Small Enterprises

% of Respondents

Support Services

Types of Support Services

Total Respondents ▪ 141

Source: Survey
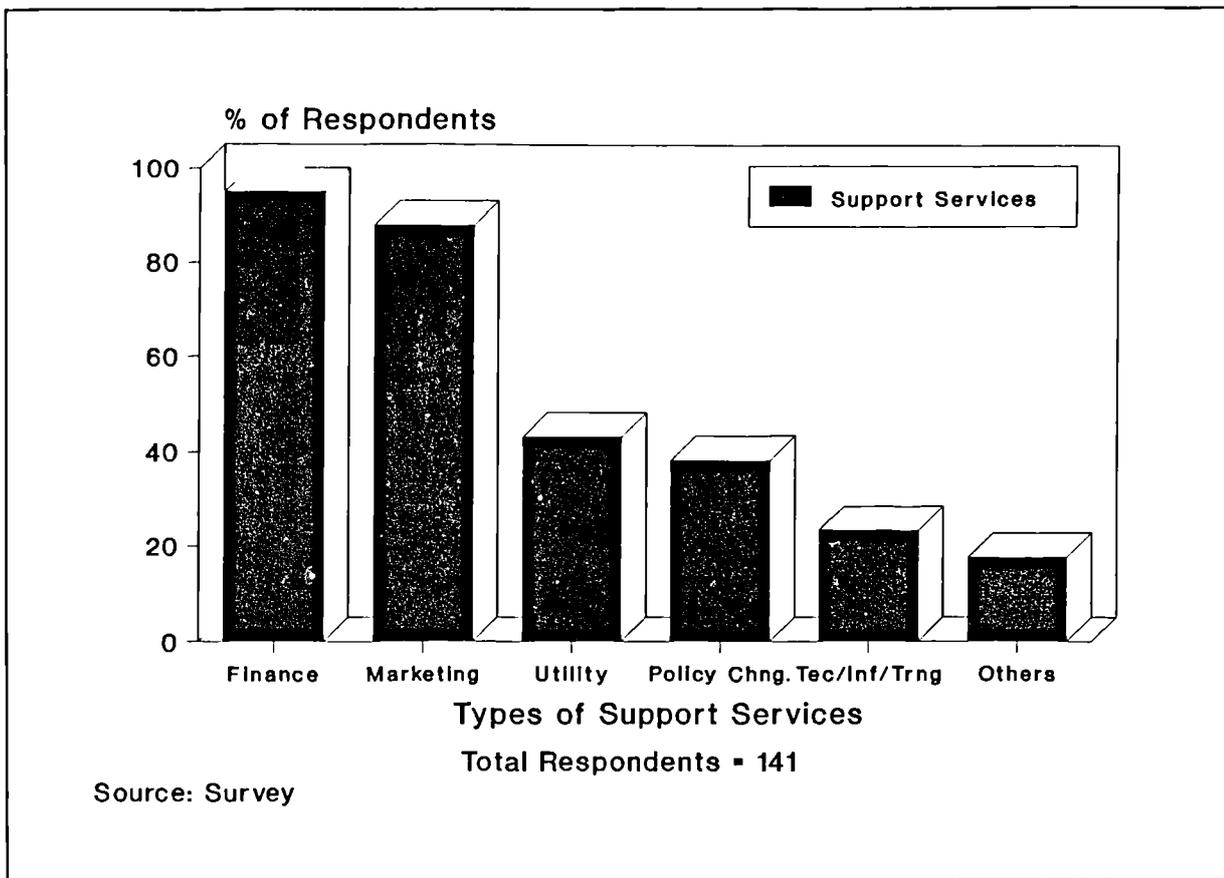
Analyses, however, did not reveal statistically significant differences in the perceived needs

of SMEs in terms of any of the variables examined, except firm size and development stages,

as described below. It appears, therefore, that the major needs of SMEs for assistance, as

viewed by small entrepreneurs, seemed to be finance, marketing, utility facilities and some

favourable changes in the government policies relating to the promotion and development of

small firms in Bangladesh.

2.1.1 TYPES OF SUPPORT SERVICES NEEDED BY FIRM SIZE

The firms under study were classified, according to employment size, into three groups: (a) Very small - employees below 10; (b) Small - employing from 10 to 19 people, and (c) Fairly Small - employing 20 or more people. Figure 7.2 depicts the survey results.

Figure 7.2
Types of Support Services Needed by Firms' Size

Source: Survey

Total Respondents = 140
[CHI-SQUARE=27.43, df.=10 and p=0.00]
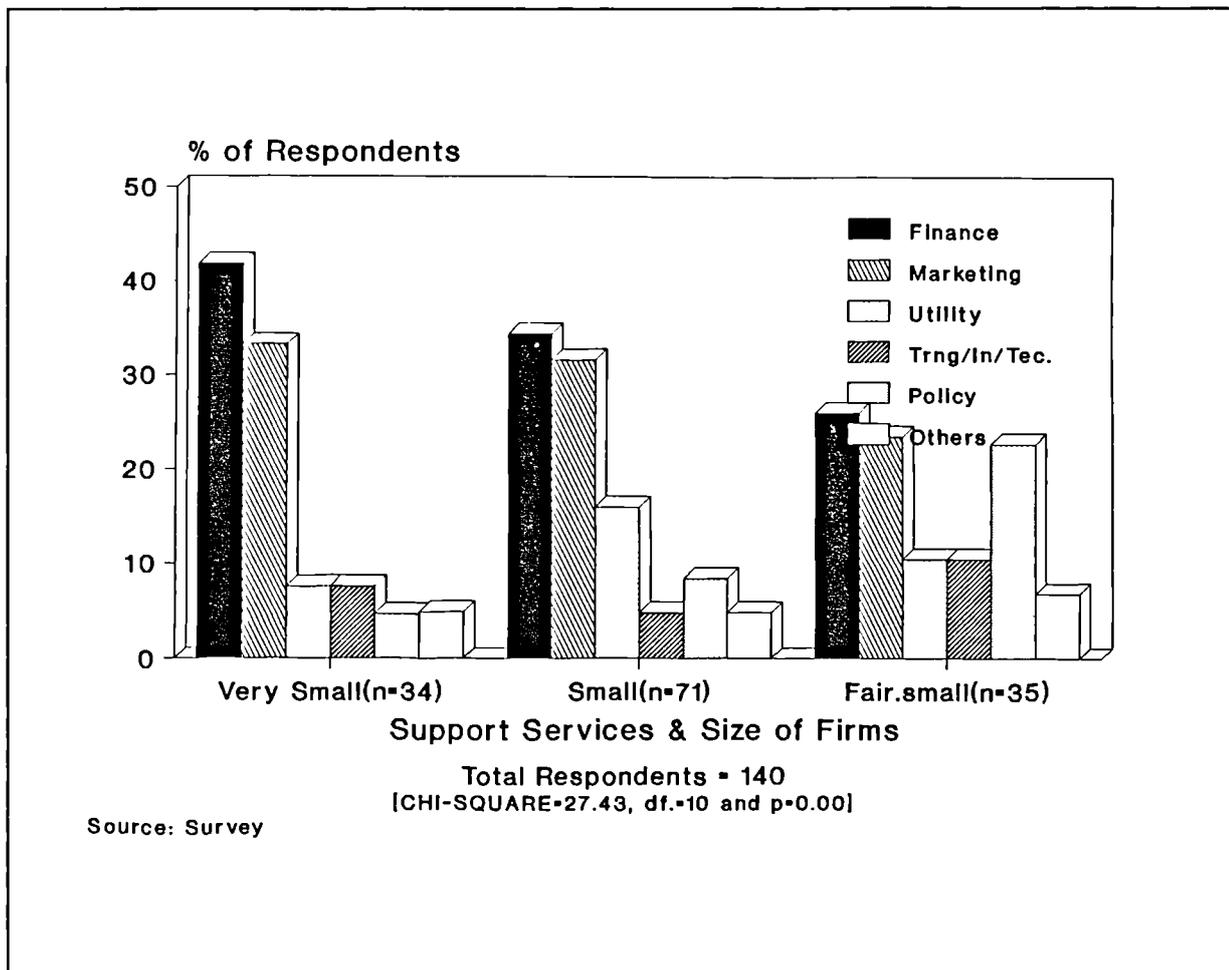
The overall difference in the needs of SMEs for support services across firm size was statistically very significant (χ^2 = 27.43, df. = 10 and p = 0.002). As shown in the Figure, the majority of the respondents expressed their needs for finance and marketing support,

across all three sizes of the study firms. These needs, however, appear to be more acute among the lower size band. On the other hand, the requirements for utility services and improvement in policy matters were more frequently cited by the respondents from higher employment size band. One explanation of this finding may be that with the increase of firm size (measured by number of employees) the needs of SMEs also increase for more utility facilities and some favourable changes in the government policies relating to the SME sector.

2.1.2 TYPES OF SERVICES NEEDED BY STAGE OF SMEs DEVELOPMENT

Three stages of development of small firms were identified to examine whether the perceived needs vary across such development of the firms under study. These are: (a) Start Up - the year of formation of the firm; (b) Post Start up - since start up stage up to 1992, and (c) Future development - plans of the firm, if any, looking at the future time period. Based on this categorisation, the results of the survey data are presented in Figure 7.3. Looking at the start-up situation, expectedly it is evident that finance was the main problem area requiring help, as mentioned by most of the respondents (35.4 per cent). The perceived needs for information, technical and training, and utility services were respectively 19.6 per cent and 14.0 per cent of the total respondents. Over 12 per cent of the entrepreneurs said that they faced problems relating to the government policies in respect of import, finance and so on. Disregarding 'Others' category, the last perceived need was in the area of marketing at the time of starting small enterprises.

After over coming the start up situation, the marketing problem emerged as the main area requiring help for most, 46.4 per cent, of the respondents under study. Financial assistance was second, cited by about 17.9 per cent of the entrepreneurs. Difficulties encountered due

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to changes in government policies were mentioned by 15 per cent of the respondents. The problem of utility facilities was also stated by about 15 per cent of the owner-mangers. An insignificant proportion, only 2.3 per cent, of the total respondents cited their needs for software services in the areas of technical, information and training during the post-start up years.

Figure 7.3
Support Services Needed by Firms' Stage of Development

Source: Survey
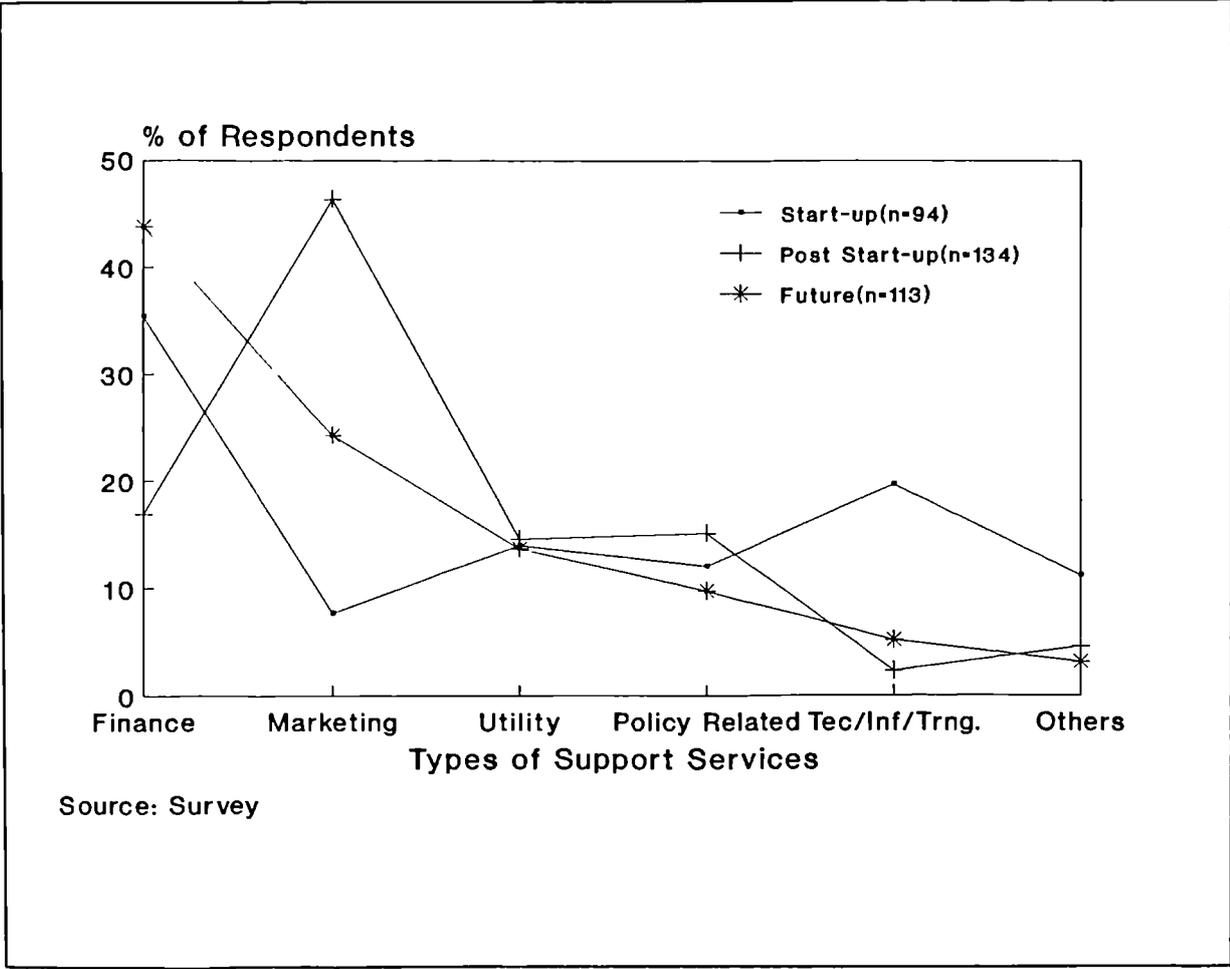
Turning to the future, financial assistance again emerged as the most vital requirement for most, about 44 per cent, of the responding firms. The needs for assistance with marketing, utility, government policy and training were mentioned by 24.3 per cent, 13.7 per cent, 9.8 per cent and 5.2 per cent respectively of the sample firms under study.

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Analyses suggest, therefore, that the needs of small firms vary significantly according to stage of development of small firms, i.e., start up, post-start up and future development (χ^2 = 92.56, df.= 10. and p = 0.00). Further analysis reveals that the perceived needs for marketing and finance vary significantly between start up and post-start up as well as start up and future development of the firms under comparison. No significant difference, however, exists in the expressed needs of SMEs for favourable changes in government policies and utility facilities. This means that the respondents under study face these problems continually from starting their enterprises to the foreseeable future.

2.2 INTENSITY OF FINANCIAL NEEDS OF SMALL FIRMS

It is already stated that finance is one of the most pressing problems, as perceived by most of the entrepreneurs. As such, an exploration of the intensity (amount) of the needs of SMEs for financial assistance warrants some special consideration. To have a clear idea about this vital issue, the firms which availed themselves of such help - finance, from different support agencies were asked to mention the amount of loan/credit they had originally applied for.

It should be noted here that a total of 75 firms received financial help from different support agencies. The following analyses, therefore, are made in reference to these 75 firms. As exhibited in Table 7.1, the survey results show that about one third (32.0 per cent) of the 75 firms approached different support agencies for loans, ranging from Tk. 1 lac to Tk.5 lac. The second frequently requested amount of financial help varied from Tk. 5 lac to Tk. 20 lac. Over a quarter of the respondents applied for Tk. 20 lac or above, while only about 15 per cent tried for loans below Tk. 1 lac.

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Table 7.1
Intensity of Financial Support Sought by Small Firms

Amount of Loan Sought	No. of firms	Percentage
Below Tk. 1 lac	11	14.7
Tk. 1 lac - Tk.5 lac	24	32.0
Tk. 5 lac - Tk.20 lac	21	28.0
Tk. 20 lac - Tk.40 lac	12	16.0
Tk. 40 lac and above	7	9.3
Total =	75	100.0

Source: Survey

Respondents were also asked to mention the nature (types) of financial assistance - working versus fixed capital - they were looking for. As shown in Appendix 7.1, nearly two thirds (61.3 per cent) of the entrepreneurs applied for both fixed and working capital. About a quarter (24 per cent) of the respondents sought only working capital while the remaining firms (14.7 per cent) tried to raise fixed capital only. Further analyses were carried out to examine whether there is any variation in the intensity of financial needs of SMEs, classified by firms' age, size, industry sector and support agency. Here, intensity refers to the amount of financial assistance sought by the study firms. The amount of finance below Tk.5 lac was considered as 'Low' financial need, while Tk. 5 lac or over was treated as 'High' financial need (median is Tk.5 lac). Analysis revealed, as discussed below, statistically significant differences between high and low financial need in terms of firm size and support agency.

2.2.1 INTENSITY OF FINANCIAL ASSISTANCE NEEDED BY FIRM SIZE

Following the size classifications of very small, small and fairly small firms, the survey results are exhibited in Figure 7.4. As expected, there is a direct positive relationship between the size (employment) of small firms and their perceived needs for high financial support. The possible explanation of this finding could be the fact that as the firm size increases, its

requirement for higher amount of financial help also increases, at least in absolute term. Alternatively, with the decrease of the firm size, the number of small firms requiring low financial help also increases. Analysis confirmed a very significant difference between high and low financial needs, across firm size, of the SMEs under study (χ^2 = 20.30 df. = 2 and p ~ 0.00).

Figure 7.4
Intensity of Financial Assistance Needed by Firms' Size

% of Respondents

Financial Needs & Size of Firm

Total Respondents=75 (Very Small=15, Small=38 and Fairly Small=22)

Source: Survey
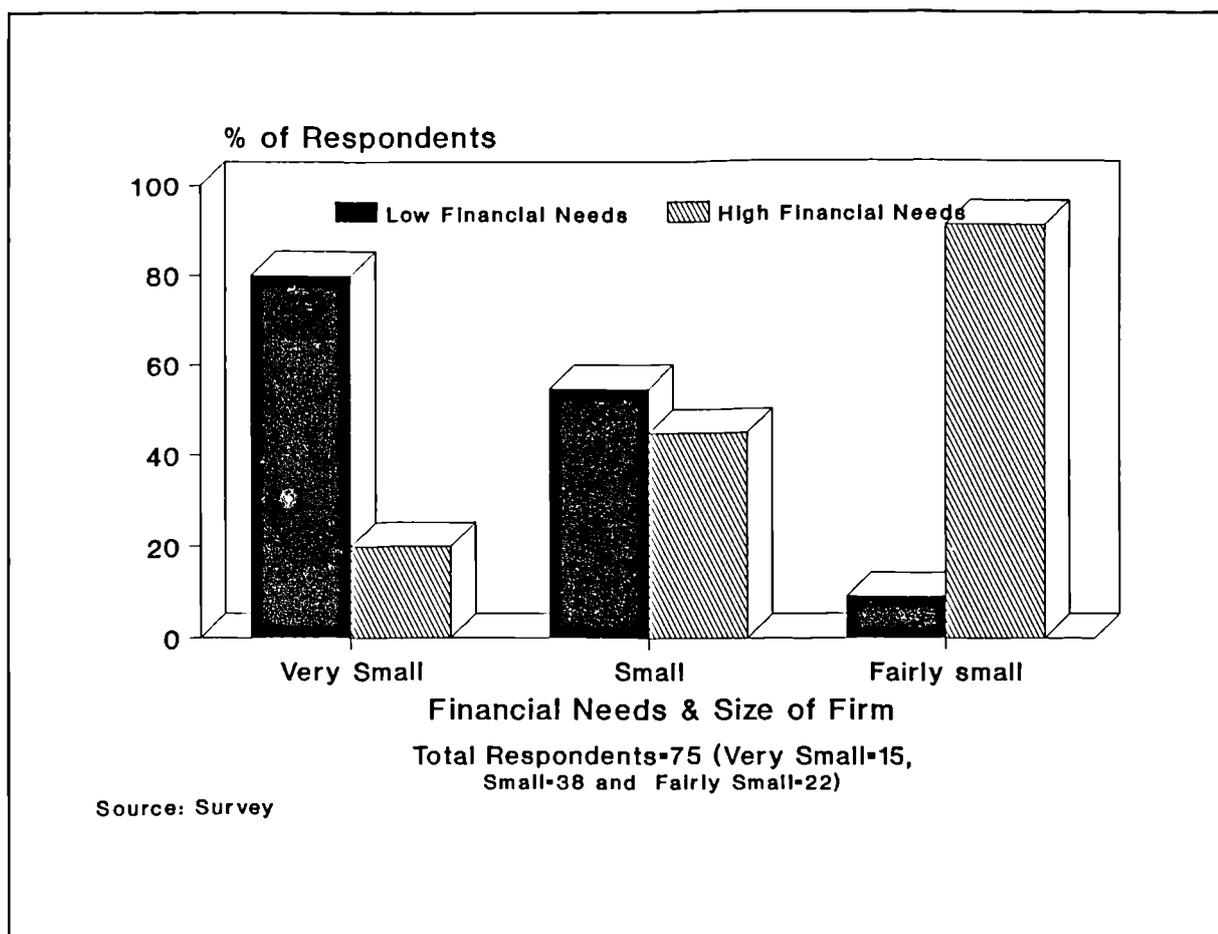
2.2.2 INTENSITY OF FINANCIAL NEEDS OF SMEs BY SUPPORT AGENCIES

The sample enterprises were grouped under three categories of support agencies for analyses. These are BSCIC, MIDAS (including BASIC clients) and Others. The results of analyses are

shown in Table 7.2, indicating that a vast majority (70 per cent) of the BSCIC assisted firms expressed their needs for low financial support. Contrarily, most (68 per cent) of the MIDAS clients required high financial assistance.

Table 7.2
Intensity of Financial Needs of SMEs by Support Agency

Intensity of Financial Support	BSCIC (n=30) No. %		MIDAS (n=22) No. %		Others (n=22) No. %		Total (N=74) No. %	
Low (below Tk.5 lac)	21	70	6	27	7	32	34	46
High (Tk.5 lac or above)	9	30	16	73	15	68	40	54
Total =	30	100	22	100	22	100	74	100

Source: Survey.
$[\chi^2 = 11.84 \quad df. = 2 \quad and \quad p = 0.00]$

As shown above, there is a statistically significant difference between low and high financial needs across the clients of different support agencies, particularly MIDAS and BSCIC. One explanation of this finding could be that, as described in Chapter 6, BSCIC deals with all sizes of small enterprises. On the other hand, MIDAS mainly tries to help a few firms which are financially solvent and have some indications of growth and development.

3.0 THE SUPPORT NEEDS OF SMEs VIEWED BY AGENCY PEOPLE

The perceptions of the support agency people regarding the needs of small firms for different types of assistance are analyzed in this section. Altogether 40 officials, including 21 field officers from the major support agencies, were interviewed. They were asked to express, based on experience, their views on the major problems of small firm development in Bangladesh. They were also asked to mention the assistance that could help solve those problems. Table 7.3 exhibits a summary of the survey results.

About a quarter of the agency people viewed the needs of SMEs for finance, marketing, technical, information and training. 12 per cent of the respondents also mentioned the necessity of utility services, and another 14.4 per cent felt a need for changes in the existing government policies for the promotion and development of the small enterprise sector.

Table 7.3
Needs of SMEs for Support Services Viewed by Agency People

Types of Support Services	Multiple Responses (N=40)	% of Total Responses
Finance	26	23.4
Marketing	27	24.4
Utility Services	13	11.7
Technical, Information & Training, and	29	26.1
Policy Related	16	14.4
Total =	111	100.0

Source: Survey

3.1 THE NEEDS OF SMEs SUPPORT SERVICES VIEWED BY ENTREPRENEURS AND AGENCY PEOPLE

Based on the analyses presented so far, about the needs of small firms for support services, the perceptions of the agency people are compared to that of the small entrepreneurs. Figure 7.5 displays the survey results. A higher proportion of the entrepreneurs under study expressed their needs for mainly finance, marketing and utility services compared to those of the agency people. On the other hand, a considerable percentage of the agency people indicated the requirements of SMEs for software services, especially, training, information and technical assistance, including finance and marketing support.

Whether the perceptions of these two groups, the entrepreneurs and the agency people, vary significantly was examined. Analysis revealed a very significant difference in the perceptions, between the owner-managers and the agency people, regarding the needs of small firms for

support services (χ^2 = 28.03, df. = 4 and p = 0.00). An interesting finding is that both groups, the entrepreneurs and the agency people, recognised the needs for utility facilities and some favourable changes in the existing government policies relating to the development of SMEs. Similar results were revealed when the views of the entrepreneurs, dividing into assisted and non-assisted firms, were compared with the perceptions of the agency people.

Figure 7.5
Needs of SMEs for Assistance Viewed by Entrepreneurs and Agency People

% of Respondents

Entrepreneurs(n=141)
Agency People(n=40)

Finance   Marketing   Utility   Policy Related Tec/Inf/Trng.
Types of Support Services
[CHI SQUARE=28.0, df=4 & p=0.00]
Source: Survey
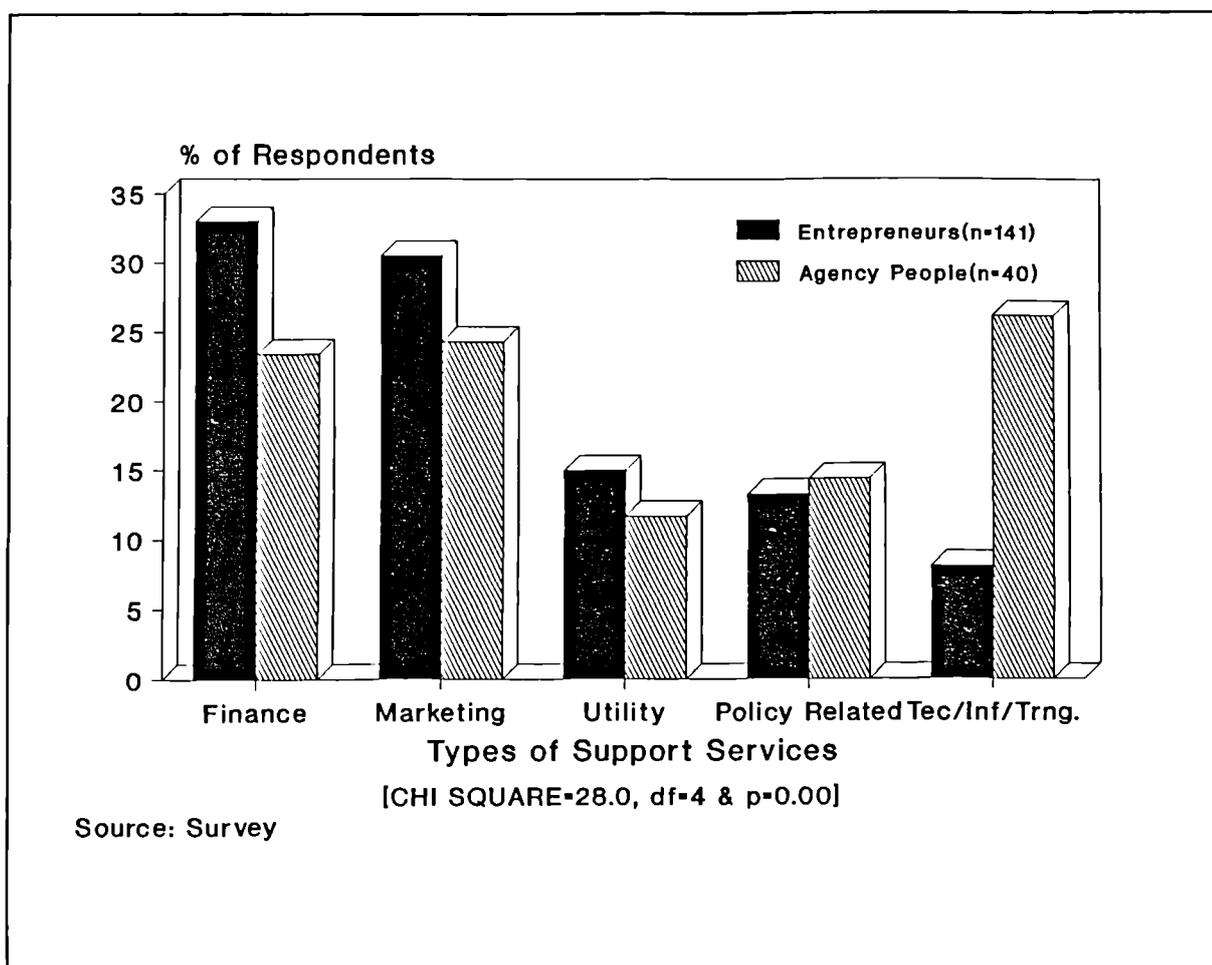
Therefore, evidence suggests that there exist some real problems in the areas of utility services and the existing government policies relating to the development of the small enterprise sector in Bangladesh.

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4.0 SUPPORT SERVICES RECEIVED BY SMALL FIRMS

This section looks at the support services, received by the SMEs under study, from different enterprise development agencies. Apart from type and intensity, the extent of assistance received was analyzed. Since the present analyses are related to those firms that received support services, the sample was divided into two groups. The first group, called 'assisted firms', received assistance from support agencies. The second group, labelled as 'non-assisted firms', did not receive or try to avail of such support services. Based on this classification, the results of the analyses of the incidence of assistance on the study firms are discussed below.

4.1 OVERALL INCIDENCE OF ASSISTANCE ON THE STUDY FIRMS

The overall incidence of assistance is presented in Figure 7.6. The majority of the study firms, a total of 93 firms (57.8 per cent), had received assistance from support agencies, as shown in the figure. The remaining 68 (42.2 per cent) units had been developed without any such help from support agencies. It appears, therefore, that a high proportion of the sample firms was supported by different enterprise development agencies in the study area. This incidence of assistance might be an indication of some success of the efforts by various support agencies in helping SMEs in Bangladesh. One very likely reason for this high incidence of assistance could be the concentration of activities of the major support agencies, as described in Chapter 6, in the study area. As a result, being located in this area, most of the sample firms which sought assistance came into contact with those support agencies, and availed themselves of support services.

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Figure 7.6
Overall Incidence of Assistance on Small Enterprises

% of Firms

Types of Firms

■ Assisted (n■93) ▧ Non-Assisted (n■68)

Source: Survey
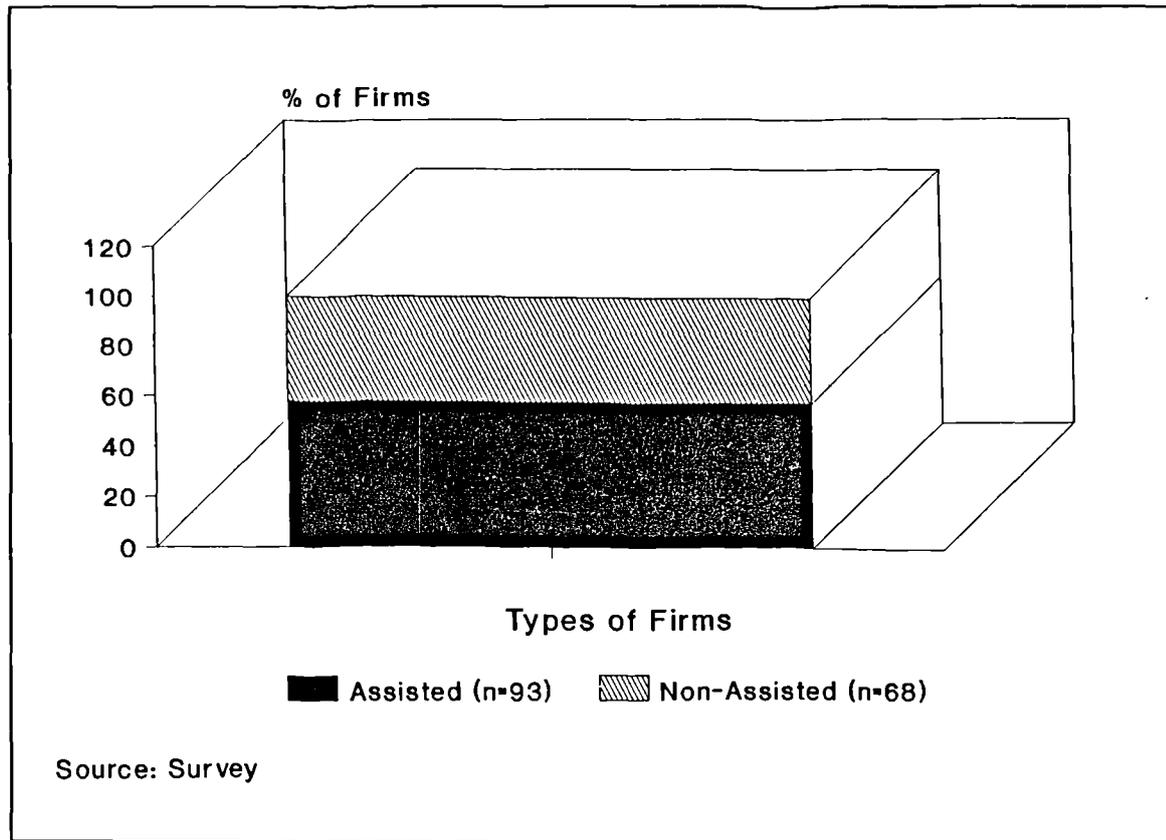
The incidence of assistance was further examined, and significant differences were revealed in terms of firms' age and industry sector. These are discussed in the following sections.

4.1.1 INCIDENCE OF ASSISTANCE BY AGE OF SMEs

Whether the occurrence of assistance varies by firm age was examined by dividing the sample firms into three age groups. These are: Very young - firms in business maximum up to 4 years, Fairly young - firms aged between 5 and 8 years, and Old - firms over 8 years of age. Although this classification was somewhat arbitrary, it was based on the consideration of the average age of 6.45 years of the overall sample. Figure 7.7 portrays the survey results.

Figure 7.7
Incidence of Assistance by Age of Firm

% of Respondents

Assisted (n=93)
Non Assisted (n=68)

Age of Firms (in year)

Up to 4   4 - 8   Over 8

Total Respondents=161
[CHI-SQAURE = 2.71, df.= 1, p = 0.09]

Source: Survey
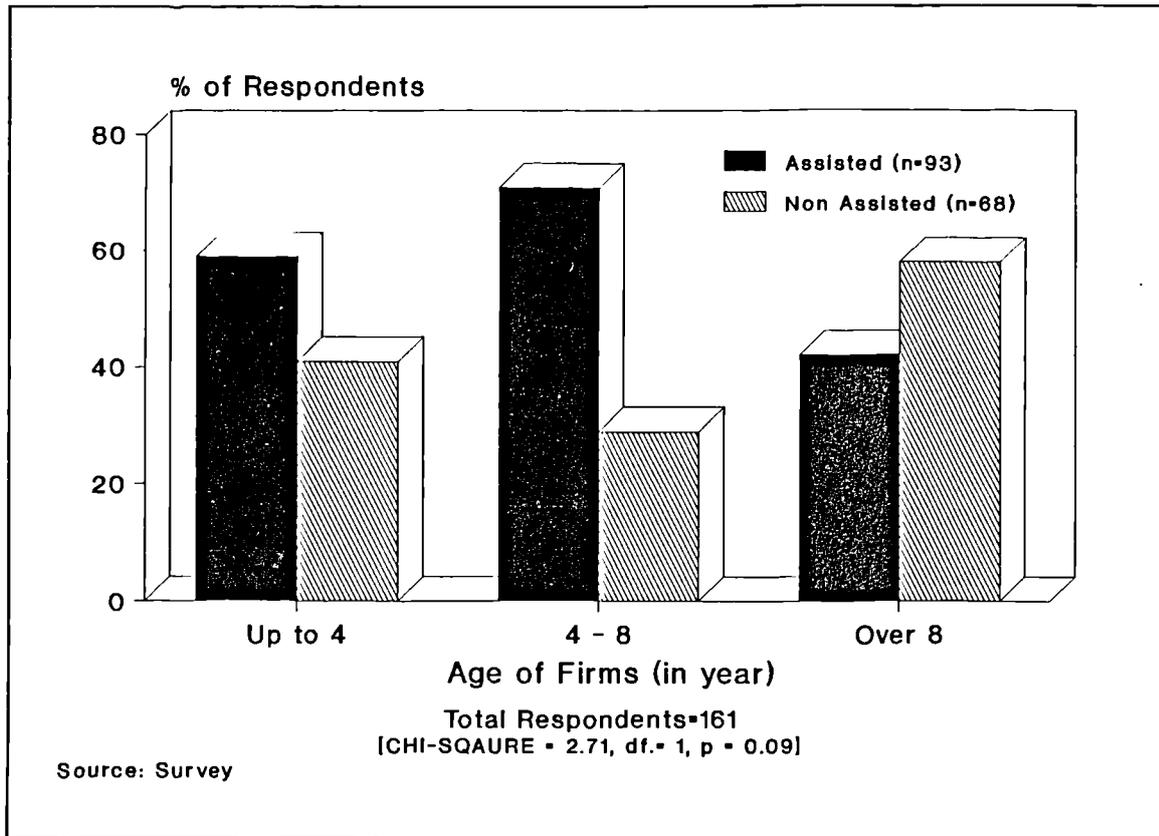
The incidence of assistance, as illustrated above, is significantly higher for younger firms compared to their older counterparts. This finding could suggest that younger firms are more vulnerable during the early stage in their development. Therefore, the owner-managers of such firms are more likely to approach support agencies for assistance in their early stage of development. On the other hand, since the older firms are more stable than their younger counterparts, their owners are less likely to seek out assistance.

4.1.2 INCIDENCE OF ASSISTANCE BY INDUSTRY SECTOR

The incidence of assistance to the study firms was also examined by industry sector. Results are presented in Appendix 7.2, showing no significant sectoral difference in the incidence of

assistance to the study firms. The sample firms, however, were re-organised further into two groups, Engineering and Others. This re-organisation was justified because the engineering sector was the target of the public sector agencies' assistance. Secondly, this single sector represented 34 per cent (54 firms) of the sample firms. Figure 7.8 depicts the survey results.

Figure 7.8
Incidence of Assistance by Industry Sector

% of Firms

Assisted Firms(n=93)
Non-Assisted(n=68)

Engineering Sector   Other Sectors
Industry Sectors

Total Respondents = 161
[CHI-SQUARE = 5.20, df.= 1 & p = 0.00]

Source: Survey
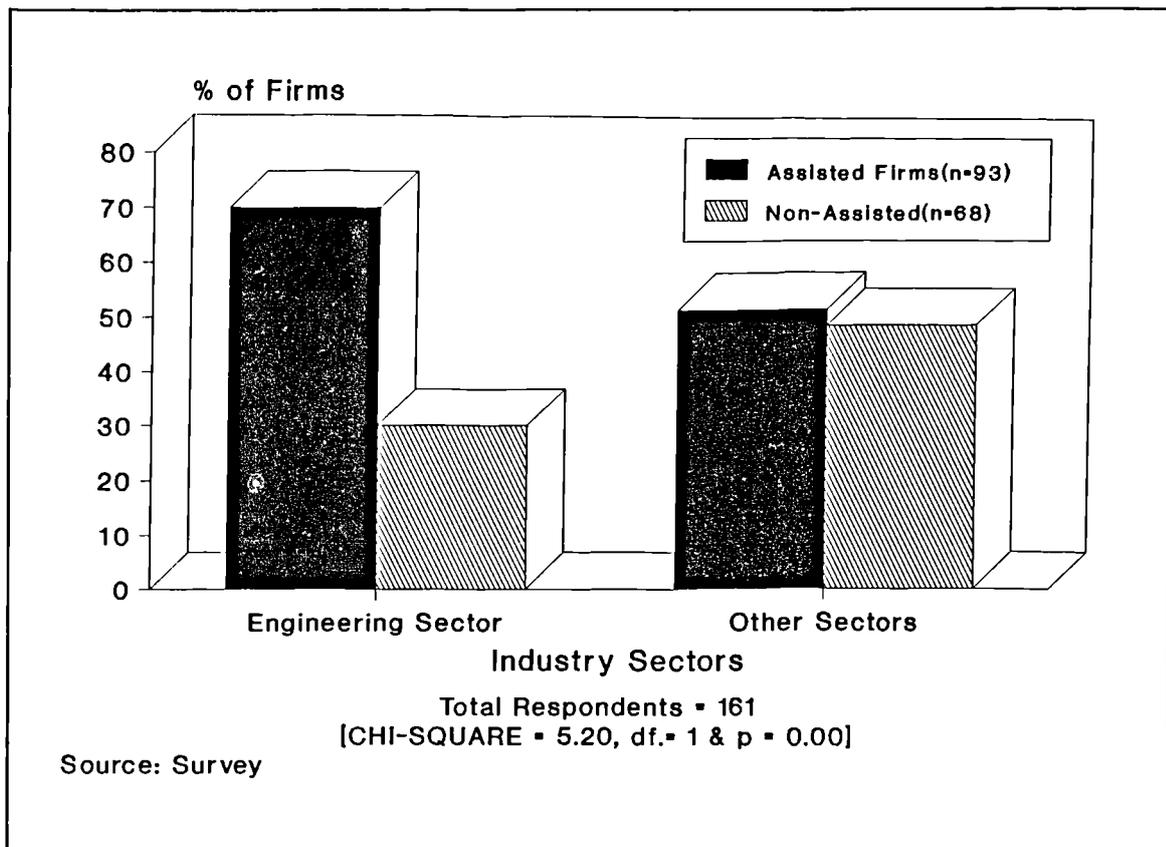
As shown in the figure, there is an overall significant difference between assisted and non-assisted firms in terms of incidence of assistance to the industry sector. Information from the engineering sector shows that most sample firms (70 per cent) received assistance. Turning to the 'other' sector, it is evident that there is no significant difference in the incidence of assistance, revealing almost equal proportion of assisted, 51.5 per cent and non-assisted, 48.9 per cent, of the sample firms.

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Findings, therefore, suggest a high incidence of assistance to the engineering sector, which could be, to some extent, the results of the efforts launched by the major support agencies in Bangladesh.

4.2 TYPES OF SUPPORT SERVICES RECEIVED BY SMEs

The assisted firms under study received a wide variety of support services. These were again grouped under finance, marketing, utility facilities, technical help, training, extension and information services. A summary of the survey data is shown in Figure 7.9.

Figure 7.9
Types of Support Services Received by the Study SMEs

Types of Support Services Received

Total Respondents = 86

Source: Survey

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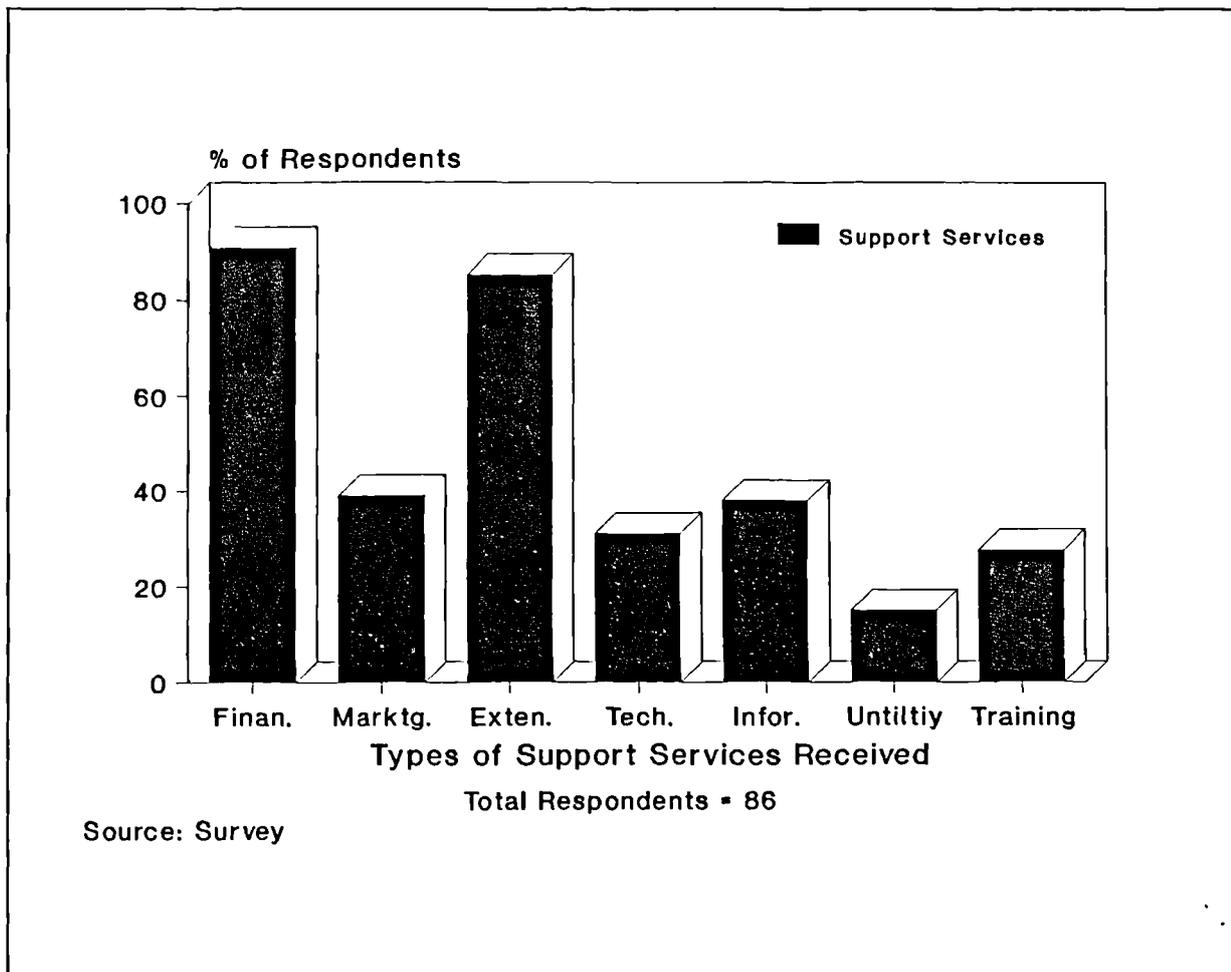
Most of the firms received multiple types of assistance, whilst a vast majority (over 85 per cent) got mainly finance and extension services. About 39 per cent of the assisted firms received marketing help. As shown in Appendix 7.3, over 61 per cent of the assisted enterprises received both financial and non-financial support, while one third got only financial assistance. A very low proportion, about 7 per cent, received only non-financial assistance.

Further analyses of the types of assistance, received by the small firms, did not reveal significant variations in terms of firm age, industry sector and support agency. However, some considerable differences appeared to be present in terms of employment size of the assisted firms under study, which is described below.

4.2.1 TYPES OF SUPPORT SERVICES RECEIVED BY FIRM SIZE

The major types of assistance, received by the study firms, were analyzed according to size of employees. As shown in Table 7.4, a clear trend of the positive relationship is evident between the receipt of marketing help and the size of the firms under study.

Table 7.4
Types of Assistance Received by Firm Size

Particulars	Very Small (n=17)		Small (n=45)		Fairly Small (n=23)	
	No.	%	No.	%	No.	%
Finance	15	33.3	42	34.5	22	26.1
Marketing	4	8.8	15	12.4	15	17.8
Utilities	4	8.8	2	1.6	7	8.3
Training/Info./Tech.	6	13.3	24	19.6	21	25.0
Others (Extension)	16	35.8	39	31.9	19	22.6
Total =	45	100.0	122	100.0	184	100.0

Source: Survey

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The higher the employment size of SMEs the greater the likelihood that the firm is receiving marketing assistance. The same pattern is also evident in terms of some software services, such as technical, information and training. Analyses, however, did not reveal any significant difference, in receiving different types of support services across the size bands of firms at a conventional 5 per cent level ($\chi^2 = 13.08$ df.= 8 and p = 0.10).

4.3 INTENSITY OF ASSISTANCE RECEIVED BY SMEs

This section looks at the amounts of loans received by the assisted firms from different support agencies. The survey results are summarised in Table 7.5. Some 37.3 per cent of the entrepreneurs received loans, ranging between Tk. 1 lac and Tk.5 lac. Slightly less than a quarter of the assisted firms had been given less than Tk. 1 lac, while about 19 per cent got financial help in the range of Tk.5 lac to Tk.20 lac. A fifth of the respondents were provided financial assistance of Tk. 20 lac or above.

Table 7.5
Intensity[1] of Financial Support Received by the Study Firms

Amount of Loan Received	No. of Firms	Percentage
Less than Tk. 1 Lac	18	24.0
Tk. 1 lac - Tk. 5 "	28	37.3
Tk. 5 lac - Tk. 20 "	14	18.7
Tk. 20 lac - Tk. 40 "	9	12.0
Tk. 40 lac & above	6	8.0
Total =	75	100.0

1   Intensity of assistance is defined as the amount of loan received by an SME.
Source: Survey

For further analyses, the amount of loan received below Tk.5 lac was treated as low financial assistance, while Tk.5 lac or above was regarded as high financial support. Although this classification of intensity of loan received is arbitrary, the modal group is Tk. 1 lac to Tk.5 lac, as shown in the table. Based on this division, analyses were carried out to examine

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differences, if any, between high and low intensive support, classified by firms' age, industry

sector, size and support agency. Considerable differences were revealed in terms of firm age,

size, industry sector and financing agency. These are described in the forthcoming sections.

4.3.1 INTENSITY OF ASSISTANCE RECEIVED BY FIRM AGE

The firms under study were divided into two groups: young and old. Firms that had been in

operation for less than 6 years (average age 6.45 years) were considered as 'young firms',

while the firms in operation for 6 years or more were treated as 'old firms'. Based on this

classification, the receipt of loan was classified and shown in Figure 7.10.

Figure 7.10
Intensity of Financial Assistance Received by Firms' Age

% of Respondents

Low Finance(n=46)
High Finance(n=29)

Types of Firms

Total Respondents=75 (Young=35 & Old=40)
[CHI-SQAURE = 2.71, df.= 1, p = 0.09]

Source: Survey
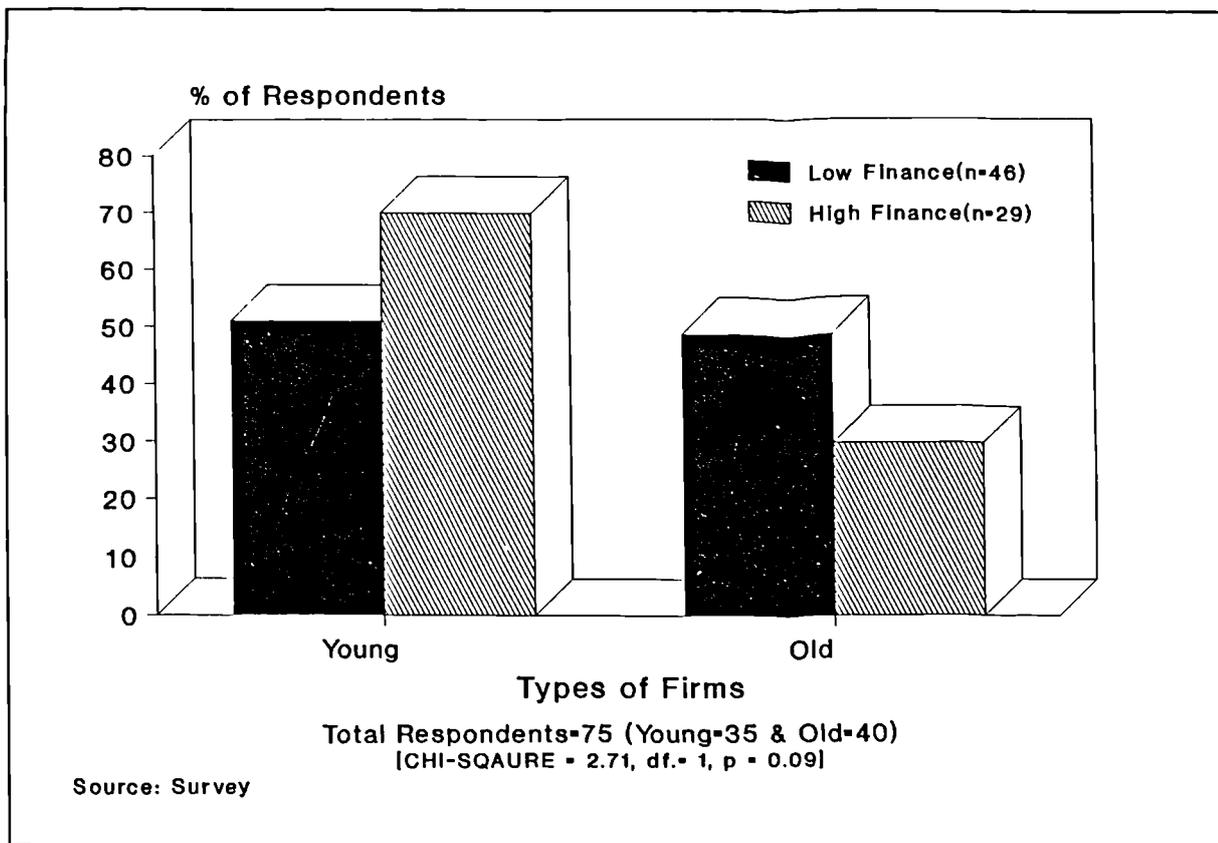
A higher proportion of the young firms received high financial support than their older counterparts. This may happen because younger firms are supposed to require more initial capital as fixed investment to start their enterprises than that of the older firms. As pointed out earlier, since the firms become older and get established, they require low financial help mainly for working capital or for expansion, if they want to expand. This trend appears to be present in the study firms as the majority of the older firms received low financial help. The overall difference, however, was proved not statistically significant between low and high financial support received by the firms under study.

4.3.2 INTENSITY OF FINANCE RECEIVED BY INDUSTRY SECTOR

Whether there is any significant variation in the receipt of financial assistance by industry sector was examined, dividing the firms under study into two groups: Engineering and *Others. Table 7.6 exhibits the results.* Within the engineering sector, a noticeable difference exists between low and high financial assistance received by the firms under consideration.

Table 7.6
Intensity of Financial Assistance Received by Industry Sector

Intensity of Financial Assistance	Engineering (n=42)		Others (n=33)		Total (N=75)	
	No.	%	No.	%	No.	%
Low	33	78	13	39	46	61
High	9	22	20	61	29	39
Total =	42	100	33	100	75	100

Source: Survey

The vast majority of the engineering firms, 33 out of 42, received low financial support, whilst no such variation is evident in the SMEs under 'Others' sector. The overall difference

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was proved very significant ($\chi^2 = 11.96$, df. = 1 and p = 0.00). Therefore, it is evident that the overall difference between low and high intensive support, classified by industry sector, was mainly caused by the difference in the engineering sector.

4.3.3 INTENSITY OF FINANCE RECEIVED BY SMEs SIZE

According to firm size, as presented in Table 7.7, there exists a significant difference between low and high intensive support received by the sample firms. Looking at the high financial support, it is uncovered that, as expected, the amounts of loans received increase with the increase in the firms' employment size, showing a direct positive relationship.

Table 7.7
Intensity of Financial Assistance Received by Employment Size

Intensity of Financial Assistance	Very Small (n=15)		Small (n=38)		Fairly Small (n=22)		Total (N=75)	
	No.	%	No.	%	No.	%	No.	%
Low	14	93	27	71	5	23	46	61
High	1	7	11	29	17	77	29	39
Total =	15	100	38	100	22	100	75	100

Source: Survey

Turning to the lower band of employment size, it is evident that almost all firms except one received low financial help. Analysis found a very significant difference in the receipt of low and high financial support, according to size of the firms under study ($\chi^2 = 21.81$, df. = 2 and p = 0.00).

4.3.4 INTENSITY OF FINANCE RECEIVED BY SMEs AS PER SUPPORT AGENCY

Support agencywise break-up of financial assistance, received by the firms under study, is shown in Table 7.8. All the clients of BSCIC except one received low financial help, i.e., less than Tk. 5 lac as compared with a large majority, 16 out of 22, of the MIDAS-assisted firms, which received high financial support, i.e., Tk.5 lac or above.

Table 7.8
Intensity of Financial Assistance Received by SMEs as per Support Agency

Intensity of Financial Assistance	BSCIC (n=30) No.	%	MIDAS (n=22) No.	%	Others (n=22) No.	%	Total (N=74) No.	%
Low	29	97	6	27	10	45	45	61
High	1	3	16	73	12	55	29	39
Total =	30	100	22	100	22	100	74	100

Source: Survey

4.4 EXTENT OF ASSISTANCE RECEIVED BY SMALL FIRMS

The extent of assistance was measured, as explained in the methodology, by the number of problem areas in which the SMEs under study received assistance. Respondents were asked to identify, from a list containing all possible problem areas, the number of areas in which they had received help from support agencies. The maximum number of areas in which the study firms received assistance ranged from none to a maximum of 32, with an average of 5.32.

The survey results are shown in Table 7.9. Most of the sample firms, 31 per cent, received assistance in 3 to 4 problem areas, while a quarter received assistance in up to 2 problem

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areas. About 15 per cent of the respondents received assistance in between 10 and 15 problem areas, as shown in the table, and over 16 per cent of the assisted firms received support in 16 or more areas.

Table 7.9
Extent[1] of Support Services Received by Small Enterprises

No. of Problem Areas Assistance Received	No. of firms (N=87)	
	No.	%
Up to 2	21	24.1
3 - 4	27	31.0
5 - 9	12	13.8
10 - 15	13	14.5
16 & above	14	16.1
Total =	87	100.0

1   Extent of assistance was defined as the number of problem areas in which SMEs received support services from different agencies.
Source: Survey

For further analyses, the firms that received support services in up to 4 problem areas were treated as having 'Limited' support, while the firms that received support in 5 or more problem areas were considered as having 'Extensive' support. Based on this classification, analyses were carried out to investigate differences, if any, in the receipt of support services, classifying the firms in terms of age, size, industry sector and support agency. Not much variation was evident in the extent of receiving assistance, when analyzed by firm age and industry sector. However, significant differences were revealed in terms of firm size and support agency, as described below.

4.4.1 EXTENT OF ASSISTANCE RECEIVED BY FIRM SIZE

Across three sizes of SMEs, very small, small and fairly small, the extent of assistance received was analyzed, and the results are shown in Figure 7.11.

Figure 7.11
Extent of Support Services Received by Firm Size

% of Respondents

■ Limited Assistance   ▨ Extensive Assistance

Types of Firms by Employment Size

Total Respondents ▪ 85 (Very Small ▪ 17,
Small▪ 45 and Fairly Small ▪ 23)

Source: Survey
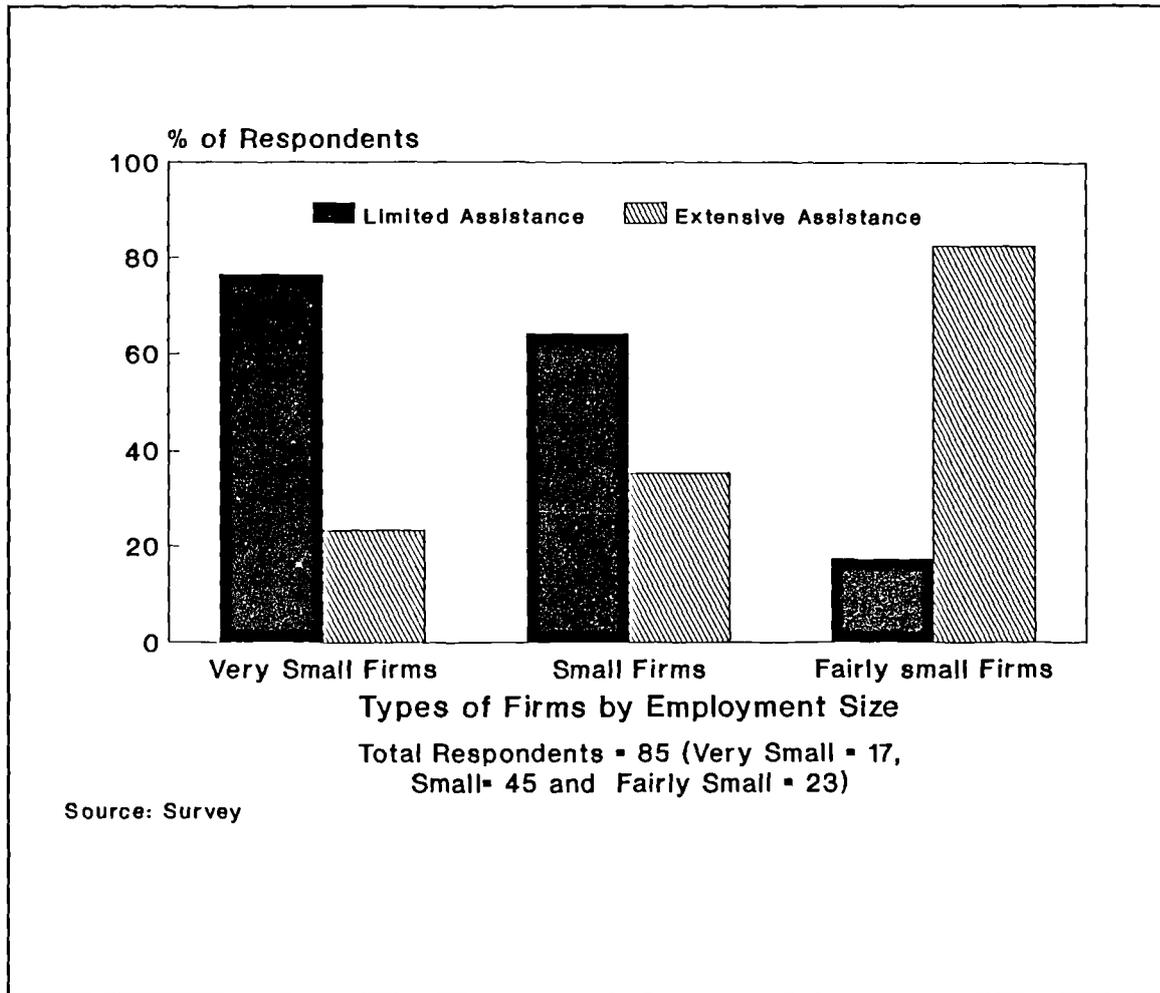
As shown in the figure, there is a direct relationship between the receipt of extensive support and the size of the SMEs under study. The difference between limited and extensive support, received across three sizes of the study firms, was proved very significant (χ^2 = 17.84, df. = 2 and p = 0.00). One possible explanation of the finding might be that, as described earlier under types of assistance received, the firms in the higher size band received more information and software services from different agencies than their smaller counterparts.

4.4.2 EXTENT OF ASSISTANCE RECEIVED BY SMEs AS PER SUPPORT AGENCY

The extent of assistance received by the SMEs under study, classified by support agencies, is shown in Table 7.10. Disregarding 'Others' category, over two-thirds of the BSCIC-assisted firms received limited support as against about a quarter of the MIDAS-assisted firms.

Table 7.10
Extent of Assistance Received by SMEs as per Support Agency

Extent of Assistance Received	BSCIC (n=37)		MIDAS (n=23)		Others (n=23)		Total (N=83)	
	No.	%	No.	%	No.	%	No.	%
Limited	24	65	6	26	15	65	45	54
Extensive	13	35	17	74	8	35	38	46
Total =	37	100	23	100	23	100	83	100

Source: Survey

This difference in the extent of receiving support services was proved very significant (χ^2 = 10.14, df. = 2 and p = 0.00). Interestingly, as described in Chapter 6, although BSCIC has a large institutional networks all over the country, a vast majority of its clients received limited assistance. On the other hand, despite having a very small number of staff, about three-quarters of the MIDAS clients were provided with extensive support.

During the interviews with the firms assisted by MIDAS, it was revealed that most entrepreneurs were supplied with the financial help requested, along with other necessary services. One such client stated:

'MIDAS gave me the amounts of loans I had requested. It also gave me technical, marketing and other necessary services. I got the loan very easily and did not mind paying services charges amounting to Tk. 6000.'

Many non-MIDAS clients believed that MIDAS provides the financial assistance, which is perhaps sufficient for their needs, including other necessary services. This is reflected in the following few words of a non-MIDAS client:

> 'I think, in all respects, MIDAS is the best among the small business support agencies in Bangladesh. Perhaps, it provides sufficient amounts of financial assistance, including other necessary services'.

5.0 ASSISTANCE NEEDED, WANTED/SOUGHT AND RECEIVED BY SMEs

This section assesses whether the SMEs under study received the assistance they needed and wanted/sought. For this purpose, the overall hypothesis, developed in Chapter 4, tested is:

> 'There is a significant difference between the support services needed/sought and those received by small enterprises'.

To examine the hypothesis, the assistance received by the respondents was compared with that of their perceived needs as well as the assistance sought.

5.1 TYPES OF SUPPORT SERVICES NEEDED AND RECEIVED BY SMEs

As already described earlier, the small entrepreneurs under study indicated their needs for a wide variety of support services. Some of them also received such services from different support agencies. A comparative analysis was carried out to examine whether there is any significant difference between the overall perceived needs of SMEs and the assistance received by them. The results of these analyses are graphically presented in Figure 7.12, suggesting an overall significant difference between the perceived needs for assistance and that was received by the sample firms.

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Figure 7.12

Types of Assistance Needed and Received by Small Enterprises

% of Respondents

Received(n=83)   Needed(n=141)

Types of Support Services

[CHI-SQUARE = 56.63, df.=4 & p=0.00]

Source: Survey
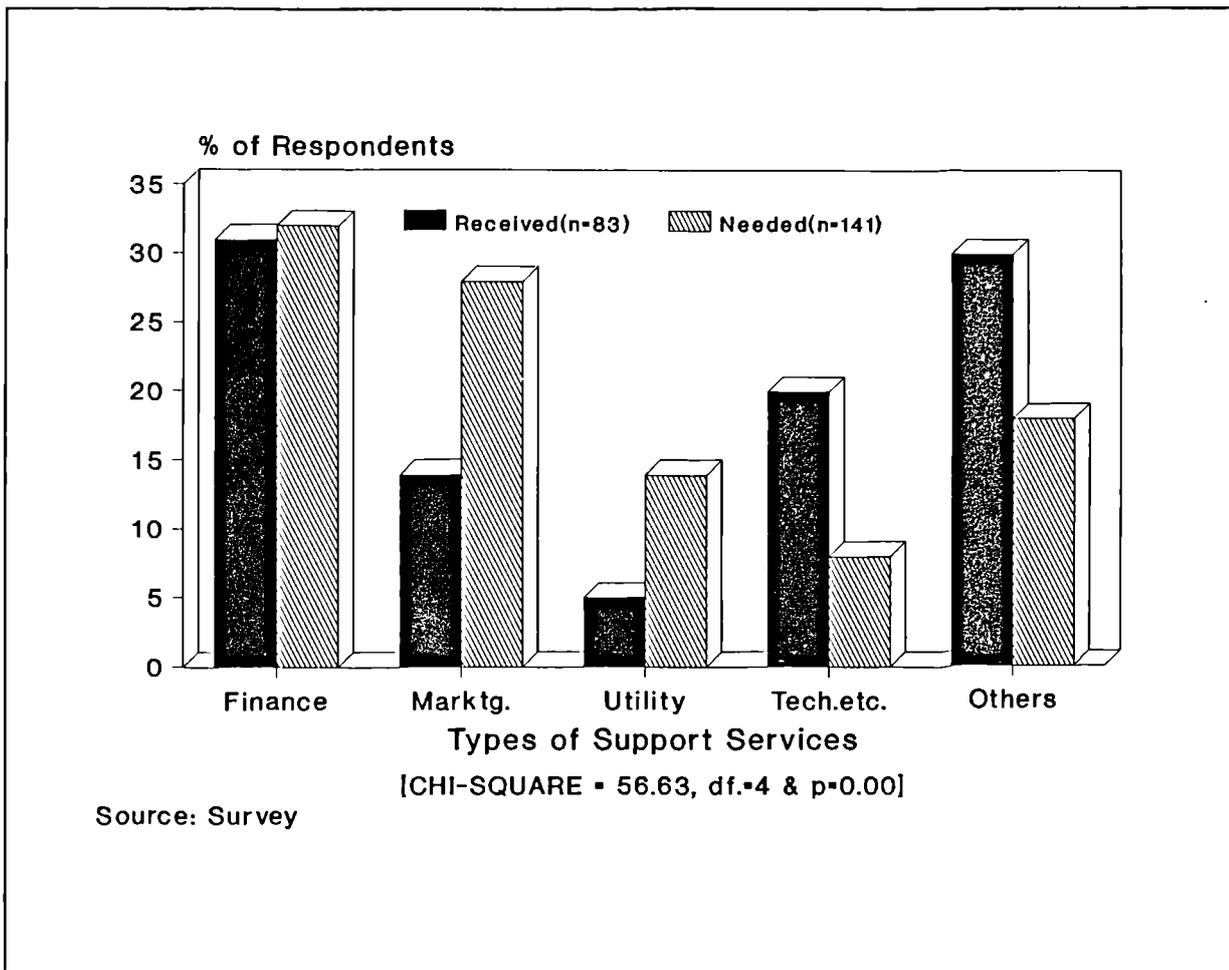
As shown in the figure, except financial support, considerable differences exist in the proportions between the firms indicating their perceived needs for assistance and that of the firms receiving such services from different agencies. A significant proportion of firms did not receive marketing and utility services. On the other hand, interesting to note that although many small firms did not express their needs for some software services, especially information, training and technical help, they received such services. It was revealed during the field visits that most of the assisted firms had to collect different information to explore sources of assistance, and in many cases, the owner-managers of these firms had to go under compulsory training conducted by their support agencies. In addition, SMEs also received technical advice from their financiers as a part of getting financial support.

5.2 TYPES OF ASSISTANCE NEEDED, SOUGHT AND RECEIVED BY SMEs

The assistance needed by the study firms were compared with the assistance sought and received by those firms. Respondents were asked to indicate the types of assistance they looked for and approached support agencies, as exhibited in Figure 7.13.

Figure 7.13
Types of Assistance Needed, Sought and Received by SMEs
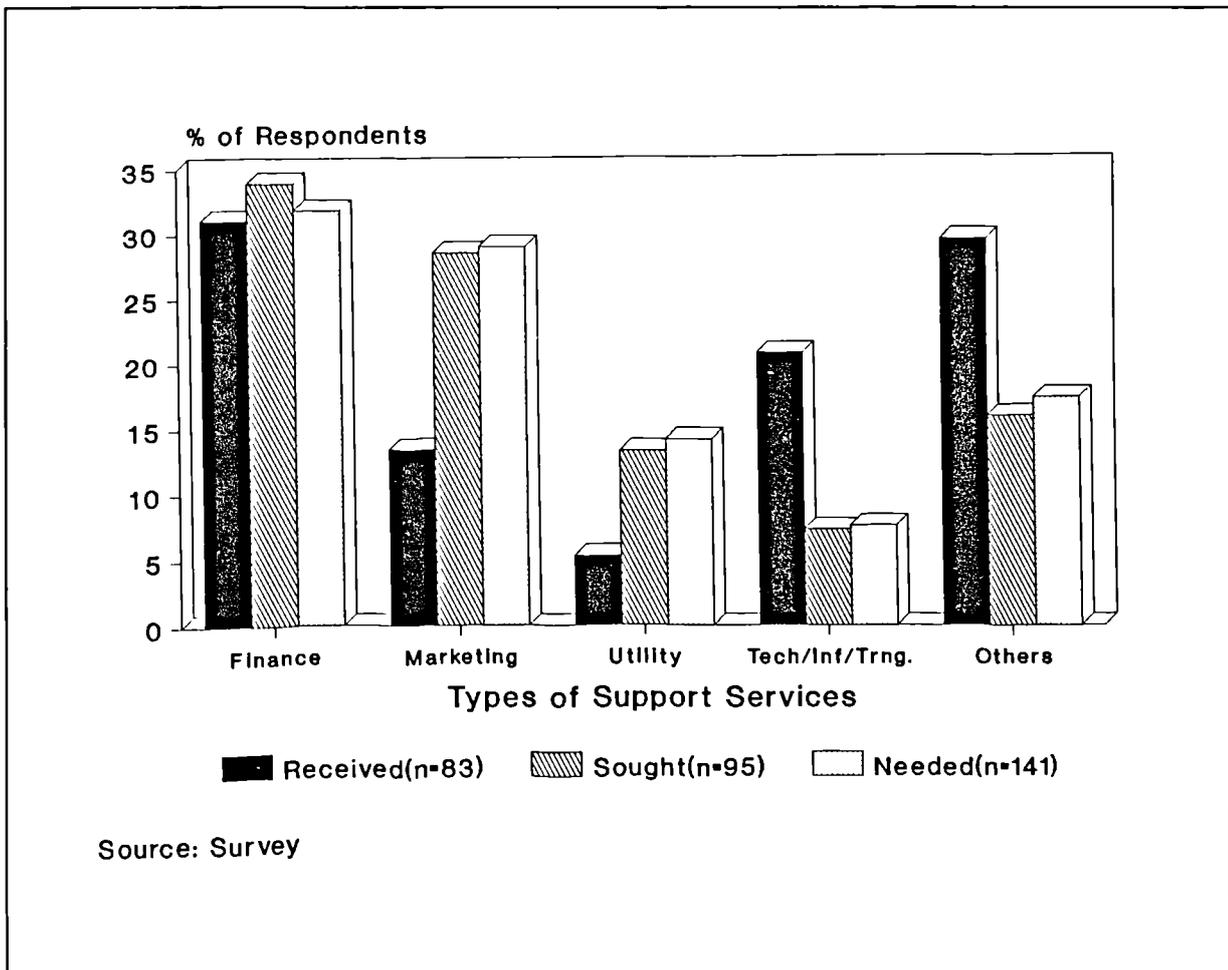
Most respondents indicated that they were looking for a variety of assistance. A comparative picture shows that, as expected, in general the perceived needs for support services seem to be higher than that was sought by the study firms. Only in the case of financial help, a higher

proportion of firms sought than needed such services, as perceived by the respondents under study. However, no significant difference was evident between the services needed and sought (wanted) by the firms under consideration.

As to the comparison between the assistance sought and received, it was revealed that, as expected, a higher proportion of firms sought finance, marketing and utility facilities than actually received by those firms. In particular, a significantly lower proportion of respondents received marketing and utility services than wanted by them. On the other hand, the receipts of the study SMEs were significantly higher than that was sought/wanted by them in the areas of some software services, such as information, technical help and training.

5.3 INTENSITY OF ASSISTANCE SOUGHT AND RECEIVED BY SMEs

Whether the assisted firms received the amounts of finance sought by them was examined by comparing the intensity of finance received with that was originally applied for. The survey results are portrayed in Figure 7.14. The number of firms receiving financial help below Tk. 5 lac was higher than the number applying for this amount. On the other hand, the number of firms receiving Tk. 5 lac or above was considerably below the number of firms that were looking for such support.

It is true, as mentioned earlier, that most of the assisted firms received financial help. However, it is equally true that most of the firms did not receive the amounts they were looking for. Although there exists no statistically significant difference between the intensity of financial help sought (wanted) and actually received, most of the respondents claimed that they were given insufficient amounts of financial assistance.

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Figure 7.14
Financial Assistance Sought and Received by SMEs

% of Respondents

Legend:
- Received (n-75)
- Sought (N-75)

Intensity of Financial Assistance

Categories: Below Tk.1 Lac, Tk.1-5 Lac, Tk.5-20 Lac, Tk.20-40 Lac, Tk.40 & above

[CHI-SQAURE ■ 3.90 df. ■ 4 & p ■ 0.41]

Source: Survey
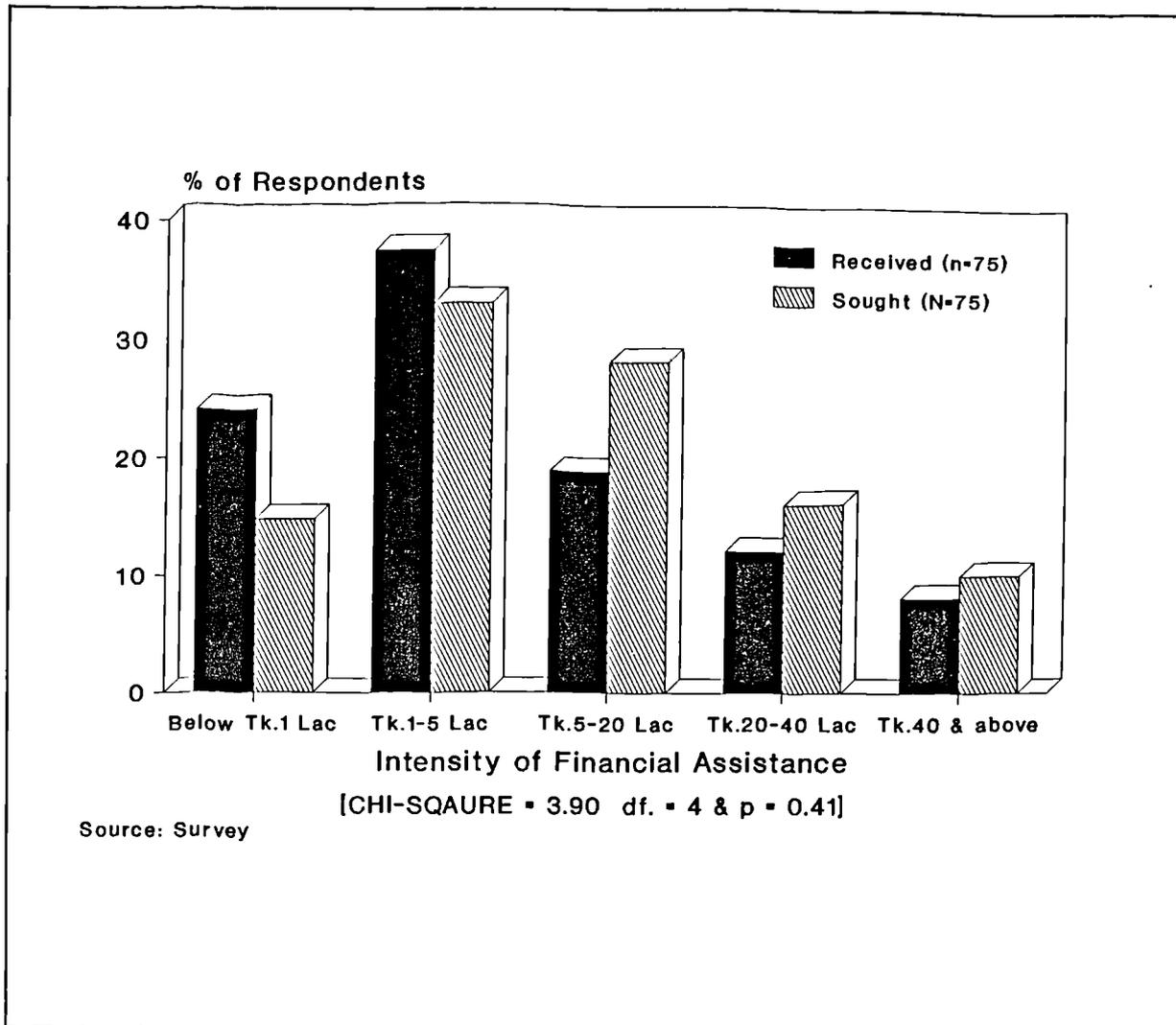
The scenario of the severe shortage of finance is reflected in the following few lines of the

owner-manager (40 year old) of a metallic filament knitting industry:

'I faced a great disaster in 1983, when my export-import business got burst. Being totally frustrated, I was looking for some loans to start a new business. After a long search and discussions, the manager of a local branch of Sonali Bank agreed to give me only Tk. 5 lac against a mortgage, amounting to Tk. 20 lac, on my house. However, I started my present business with that loan in 1985. Despite a good demand for my products, I failed to expand the business due to shortage of capital. I need more working capital to increase production, and about Tk. 20 lac as fixed capital to set up at least two show rooms. But who will give me the money?'

Further analyses were carried out in terms of low versus high level of financial assistance, sought and received by the assisted firms. The results are shown in Table 7.11. It is revealed that there is not much difference between high and low financial help sought and received by the assisted firms.

Table 7.11
Intensity of Financial Assistance Sought and Received by SMEs

Intensity of Financial Assistance	Sought (n=75)		Received (n=75)	
	No.	%	No.	%
Low	35	47	46	61
High	40	53	29	39
Total =	75	100	75	100

Source: Survey

As shown above, almost two-thirds of the firms under consideration received low financing against about 47 per cent of the firms that applied for such help. The overall difference, however, is not significant at 5 per cent level, but it is significant at a slightly higher level (7 per cent). Therefore, evidence suggests that many more firms sought/wanted high financial support than actually availed of such services.

The analyses presented so far, in terms of types and intensity of support services needed and wanted/sought versus actually received by the study firms, lend support to the views that the perceived needs of SMEs for assistance seem to be a reflection of their actual needs for such services. Overall, evidence suggests to accept the hypothesis that there is a significant difference between the support services needed and actually received by the SMEs in Bangladesh. In particular, most of the firms under study have not received sufficient amounts of finance, marketing and utility services.

6.0 REASONS FOR NOT RECEIVING ANY OR SUFFICIENT ASSISTANCE

Attempts were also made to explore the underlying reasons or causes responsible for either

not having any assistance or receiving insufficient amounts of services by the study firms.

The survey results are presented below:

6.1 REASONS FOR NOT RECEIVING ANY ASSISTANCE

As stated earlier, a total of 68 firms, called 'non-assisted firms', had been developed without

any help from support agencies. The respondents from these non-assisted firms were asked

to mention why they did not receive any help from support agencies. As illustrated in Table

7.12, most respondents gave inter-related multiple responses.

Table 7.12
Reasons for Not Receiving Assistance from Support Agencies

Multiple Response Category	Multiple Responses (N=45)	% of Total Responses
Not interested	20	13
Can not provide required collateral	35	23
Can not afford high cost (formal and informal)	27	17
Too much formalities/botheration	30	20
Do not know how to apply	10	7
Others	30	20
Total =	152	100

Source: Survey

Nearly a quarter of the SMEs approached different support agencies for financial help but

failed due to non-fulfilment of collateral requirements. Another group of 17 per cent of the

non-assisted firms tried but failed because they could not afford high cost, both formal and

informal, involved in raising support services. The informal cost was mainly in the form of

payment of an 'under-the-counter' sum of money. This is one kind of bribery, which is called

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'GHOOS' in Bangladesh. To get financial assistance from support agencies, particularly from the public sector agencies, sometimes a significant proportion of the loan has to be paid in advance to some of the people, who have authority in the process of the loan-giving operation. Although people do not generally speak up openly about such a malpractice, some respondents pointed out this reason as they faced it in raising financial help from support agencies. About 40 per cent (17 per cent and 23 per cent) of the non-assisted firms tried to raise support services from different agencies. Only 13 per cent of the respondents were not interested in support services, offered by different agencies. Moreover, about a fifth of the study firms did not try to get assistance fearing 'too much botheration', which would be required to get support services. Some respondents did not try to have support services because they did not know where and how to apply for getting assistance.

6.2 REASONS FOR RECEIVING INSUFFICIENT ASSISTANCE

The respondents, who mentioned that they did not get sufficient assistance, were asked to mention the reasons, in their opinions, for getting insufficient support services. Table 7.13 provides a summary of the multiple responses.

Table 7.13
Reasons for Receiving Insufficient Assistance from Support Agencies

Category of Responses	Multiple Responses (N=55)	% of Total Responses
Insufficient or irrelevant	25	22
Too much formalities/Collateral	29	26
No cooperative attitude of officers	11	10
Can not afford cost, both formal and informal	17	15
Excessive delay making support useless	20	18
Others	10	9
Total =	112	100

Source: Survey

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As shown in the table, over a quarter of the respondents from the assisted firms mentioned that non-fulfilment of the collateral requirements, or other formalities, required by their support agencies, was the main reason for not getting sufficient assistance. Problems with the concerned officers - particularly from the public support agencies, regarding illegal payments 'GHOOS', were also important. This illegal payment, 'GHOOS', is an open secret corruption in Bangladesh. The influence of such corruption is widespread and deep rooted. In the context of SMEs support services, the existence of this serious problem was observed during the interviews with the small entrepreneurs under study. One of the BSCIC-clients expressed his feeling about 'GHOOS' as:

> 'The officer (BSCIC loan officer) I (the respondent) introduced to you (the researcher) does not even speak without money'.

Another main reason, mentioned by the respondents, was excessive delay in delivery of support services. More frustrating is the fact that despite making full-payment (both formal and informal) for getting support from government agencies, particularly BSCIC, many respondents did not receive the assistance after a long wait. One of the clients of BSCIC stated:

> 'I was allocated a plot of land on the Shampur Industrial Estate of BSCIC and full amounts of money (including GHOOS) due for the first instalment were paid timely. Thereafter, no result even after two years of allocation. Now, I doubt very much of getting the plot as in the case of one of my friends'.

In addition, the other major reasons for not getting required amounts of support services include, among others, providing insufficient or irrelevant assistance and non-cooperative attitude of the agency people involved in the process of offering such services. It appears, therefore, that collateral problems seemed to be the main reason why most responding firms did not get financial support or received only a portion of the loan originally applied for. The high cost of getting assistance, including an illegal payment 'GHOOS', was an

important problem, while too much delay or excessive formalities had exaggerated the situations of SMEs in raising assistance from support agencies.

7.0 SUMMARY

This chapter analyzed and presented the nature of the demand (needs) for and receipts of support services. The analyses revealed a number of findings. As expected, the major needs of SMEs, as perceived by small entrepreneurs, seemed to be finance, both fixed and working capital, marketing help and utility facilities. They also felt a need for improvement in the existing government policies towards the SME sector. As expected, it was revealed that some software services, especially training, information, technology and extension services, were the least cited needs of the SMEs under study. There appeared no significant difference in the major needs of the sample firms, analyzed in terms of firm age, industry sector and the status of whether assistance received or not by the firms. However, it was revealed that to start SMEs, the major needs seemed to be finance, technical and information services, whilst once started, marketing support emerged as the most frequently requested support need. Looking at the future, again there seemed to be the needs for finance, help in the areas of marketing, utility services and some favourable changes in the government policies.

The findings suggest that the problems, *inter alia,* the needs of SMEs for support services appeared to be not known properly. Surprisingly, it is not known even to the people who are involved in providing such services to the SME sector. While the perceptions of the agency people seemed to be an underestimation of the needs for marketing help, their views were an overestimation of some software services, especially training, information, technology and extension services. However, evidence suggests to conclude that there seemed to be a real

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need for more utility services and favourable changes in the existing government policies relating to the SME sector. Regarding the incidence of assistance, the study revealed a high incidence of support services, showing that about 58 per cent of the sample firms received assistance from different support agencies. This incidence seemed to be significantly higher to the younger firms as well as to the engineering sector. Most of the assisted firms received both financial and non-financial support, while over a third were supplied with financial help only. An insignificant proportion, only 7 per cent, of the sample firms availed themselves of only non-financial support. In terms of types of assistance received, the study revealed not much variations when analyzed by firm age, industry sector and support agency. However, the firms with higher number of employees seemed to be the receivers of more marketing, technical, information and training assistance. As to the extensiveness, measured by number of problem areas in which support received, analyses found that over 55 per cent of the assisted firms received limited support (up to 4 problem areas). There is a significant direct positive relationship between the receipt of extensive support (5 or more problem areas) and the firm size. According to support agency, most of the MIDAS-clients were provided extensive support compared to the BSCIC-clients.

In general, the study firms did not receive the assistance needed and wanted/sought by those firms. In particular, most of the firms did not receive marketing, utility services and sufficient amounts of financial support. The reasons, most frequently cited by the small entrepreneurs, for not getting any or sufficient amounts of support services seemed to be non-fulfilment of collateral requirements, too many formalities, high cost including GHOOS, excessive delay in delivery of services, non-cooperative attitude of the support providers, and insufficient, or irrelevant, services offered by the support agencies under study.

CHAPTER EIGHT

AN EVALUATION OF THE DESIGN OF SUPPORT AGENCIES

1.0 INTRODUCTION

This chapter evaluates the design of support institutions in meeting the needs of small firms for support services. The aim behind this is to identify the most effective organisation design among the major support agencies engaged in the promotion and development of SMEs in Bangladesh. The chapter begins by stating the hypothesis tested, the parameters used for evaluation, and the support agencies evaluated. It presents in detail the evidence, gathered during the field survey, both from the support agencies and the small entrepreneurs under study. Based on this, a comparative assessment was carried out, assessing the design of support agencies to meet the needs of small firms. Some representative views of the respondents are also presented, following a summary of the major findings.

2.0 HYPOTHESIS, EVALUATION PARAMETERS AND SUPPORT INSTITUTIONS

The evaluation of the design of support agencies in meeting the needs of SMEs was one of the main objectives of this study. To realise the objective, the hypothesis, developed in Chapter 4, tested is:

> *'The most effective support institution is the one closest to small enterprises in terms of people, structures and processes employed by the support institution and those of the small enterprises.'*

The examination of the hypothesis involves an assessment of the closeness between support agencies and small enterprises in terms of a number of organisation design parameters. These parameters, as shown in the conceptual framework in Chapter 4 (3.0: Towards the Development of a Framework for Evaluation of Small Business Support Services and Related Institutions), are people, structures, processes, culture and goals and outcomes. The parameters and related variables are reproduced below:

F-3a: **People**: age, gender, educational qualifications, previous experience and training received by the entrepreneurs and people of the support agencies;

F-3b: **Structures**: Ownership type, sources of funding, and organisation structure;

F-3c: **Processes**: Controlling system, decision making process and, communication and co-ordination system, and

F-3d: **Others**: Organisation culture, goals and outcomes.

Justifications for choosing the above parameters including their operationalisation were described in Chapter 5 (6.4: Operationalising Design Parameters of Support Agencies). The support institutions included for evaluation are:

The Bangladesh Small and Cottage Industries Corporation (BSCIC);
Micro Industries Development Assistance and Services (MIDAS);
Bank of Small Industries and Commerce (BD) Ltd. (BASIC);
National Association of Small and Cottage Industries of Bangladesh (NASCIB);
Small Enterprise Development Project (SEDP), and
Board of Investment (BOI).

The selection of these six support agencies was made on the ground that all of them (except BOI), as described in Chapter 6, were entirely involved in the promotion and development of small firms. Although BOI has been assigned the task of promoting medium and large

enterprises in the private sector since 1992, it was revealed that over 80 per cent of its assisted firms employed less than 49 employees. As such, it was included in the above list for the purpose of evaluation in this section.

There were five other agencies involved entirely in the development of the SME sector. These are Grameen Bank, BHB, BHMC, BSB and MEDO. However, these agencies were not included for evaluation here for a number of reasons. Grameen Bank deals with disadvantaged rural people, mainly women, and works like a traditional NGO, emphasising group formation. These group activities could hardly be described as industrial enterprises. Therefore, it was kept outside the purview of the present analysis. The information furnished by BHB, which deals with handloom enterprises only, was incomplete, whilst the operation of BSB is confined to a limited area outside the study area. MEDO, a new agency, did not start formal operation during the field survey. Finally, BHMC is a subsidiary company, the activities of which were incorporated in the BSCIC.

In fact, the support agencies, chosen above for evaluation purposes, represent virtually all the major institutions involved in the promotion and development of the SME sector in Bangladesh. Now, the next task is to present the evidence collected from the field survey on each dimension of the evaluation parameters relating to the small firms and the support agencies under study.

3.0 PRESENTATION OF EVIDENCE

As already stated, the approach adopted for evaluation is a comparison of closeness, in terms of five evaluation parameters, between the support agencies and the small enterprises under

study. For this purpose, under each parameter and related variables, the information gathered from the study SMEs was presented first, following a comparative presentation of the evidence gathered from the support agencies under study.

3.1 PEOPLE

The term 'People' here refers to a sample of 161 small entrepreneurs, and all staff employed by the support agencies under study. The staff positions (June, 1993) were 3 097, 89, 159, 424, 350 and 159 for BSCIC, MIDAS, BASIC, BOI, NASCIB and SEDP respectively. The profiles and backgrounds of the small entrepreneurs and the agency people are presented under age, gender, educational qualifications, previous experience and training received relating to the development of small firms.

3.1.1 AGE

The distribution of age of the small entrepreneurs and the support agency people is presented in Table 8.1.

Table 8.1
Age of Small Entrepreneurs and Agency People

Age (in year)	Small Entrepreneur (%)	Support Agencies					
		BSCIC (%)	MIDAS (%)	BASIC (%)	BOI (%)	NASCIB (%)	SEDP (%)
Below 30	2.2	7.0	29.5	37.0	4.8	10.0	59.7
30 - 40	39.5	33.2	31.0	45.8	20.2	39.1	35.3
40 - 50	41.4	14.4	30.2	15.7	59.5	35.9	5.0
50 & above	16.9	47.4	9.3	1.5	15.5	15.0	0.0
Total =	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Survey

Over a quarter of the people employed by MIDAS, BASIC and SEDP were under the age band of 30 years compared to only 2.5 per cent of the small entrepreneurs. The corresponding figures for BSCIC, BOI and NASCIB were 7, 4.8 and 10 per cent respectively. Looking at the higher end of the age distribution, it is evident that about 17 per cent of the owner-managers under study were over 50 years old, while over 47 per cent of the BSCIC employees were in this group. NASCIB had about 15 per cent of its members/executives aged over 50 years.

It appears, therefore, that NASCIB has the closest distribution of age to that of the small enterprises. In fact, it is an association of small entrepreneurs, who also work closely for the organisation on different capacities.

3.1.2 GENDER

The gender distribution of the people, small entrepreneurs and agency staff, is shown in Figure 8.1. It is clearly evident from the figure that a very low proportion, only 4.6 per cent, of the small entrepreneurs under study is women in Bangladesh. Most of the support agencies also employed a small number of female staff, showing a maximum of 15 per cent of their total employees except MIDAS and SEDP. While SEDP had female employees about a fifth of its total staff, as shown in the figure, the corresponding figure for MIDAS is about 26 per cent.

Figure 8.1
Gender Distribution of Entrepreneurs and Agency People
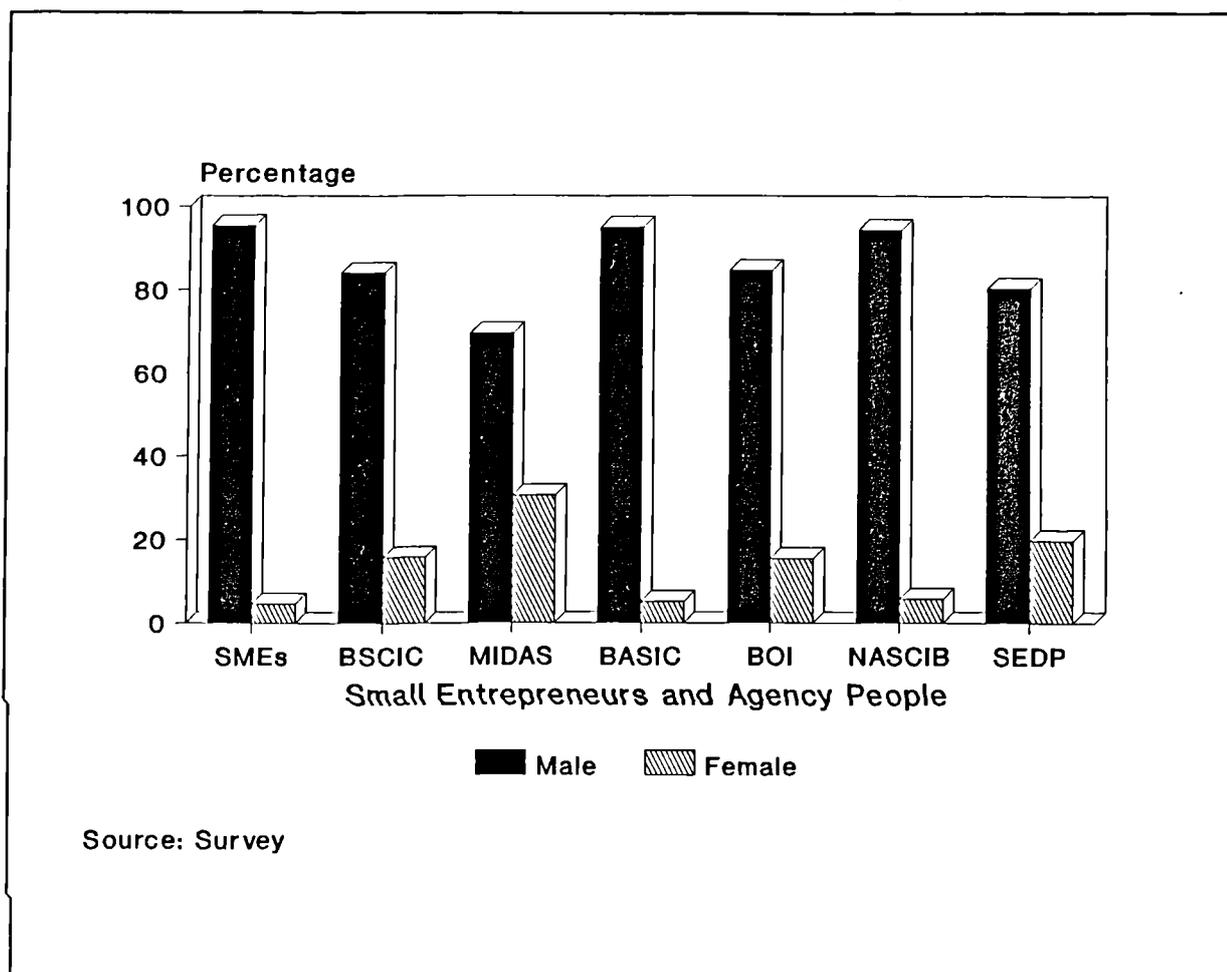
3.1.3 EDUCATIONAL QUALIFICATIONS

The educational attainments of the small entrepreneurs as well as the people employed by support agencies under study are shown in Table 8.2. Slightly over a third of the study small entrepreneurs have no formal education, while 16.3 per cent and 14.2 per cent respectively have secondary and higher secondary school qualifications. About 23.4 per cent of the owner-managers are graduates and the remaining 12.3 per cent postgraduates. Taken together, over a third of the owner-mangers of the sample firms had university degrees.

Contrastingly, most agencies excluding NASCIB employed people with higher education, mainly university degree holders, showing a minimum of 50.1 per cent by BSCIC to a maximum of 89.2 per cent by SEDP. As shown in the table, none of the support agencies had employees without secondary (SSC) education.

Table 8.2
Educational Qualifications of Entrepreneurs and Agency People

Educational Qualifications	Small Entr- epreneurs (%)	People of Support Agencies					
		BSCIC (%)	MIDAS (%)	BASIC (%)	BOI (%)	NASCIB (%)	SEDP (%)
No formal education	33.8	-	-	-	-	15.3	-
SSC or equivalent	16.3	27.9	22.3	14.5	30.0	27.7	5.2
HSC or equivalent	14.2	22.0	24.4	9.5	14.5	31.5	5.6
Bachelor Degree	23.4	25.2	24.5	45.3	19.5	20.4	49.2
Masters Degree	12.3	24.9	28.8	30.7	36.0	5.1	40.0
Total =	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Survey

3.1.4 PREVIOUS EXPERIENCE IN SMEs

A vast majority, 83 per cent, of the entrepreneurs had gathered either working experience or technical knowledge prior to set up their own enterprises, as shown in Figure 8.2. On the contrary, the two main public support agencies, BSCIC and BOI, as per government policy, recruit mainly fresh graduates/postgraduates, giving no consideration to previous experience relating to the development of small firms. As a result, only an insignificant proportion of the professional staff (all officers) of BSCIC and BOI had previous experience in SME development. All private agencies - MIDAS, SEDP and NASCIB, and BASIC employed people, who had some previous experience in SMEs. About 50 per cent of the professional staff of MIDAS had some previous experience, whilst BASIC and NASCIB employed mainly people with previous experience in small firms, showing about 90 per cent of

their professional staff. All the professional staff of SEDP had some previous experience in the promotion and development of small firms.

Figure 8.2
Previous Experience in SMEs of Entrepreneurs and Agency People
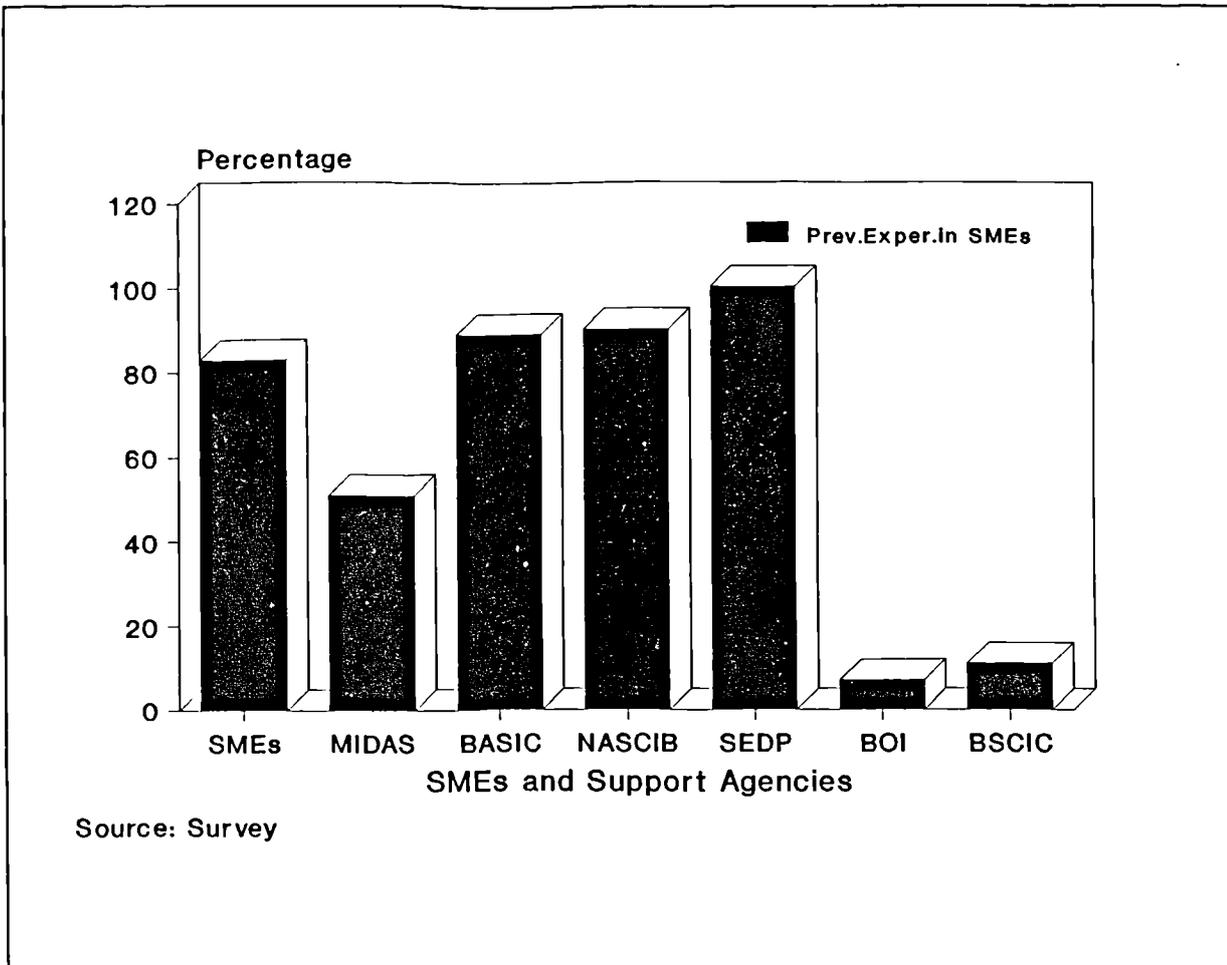
3.1.5 TRAINING

A vast majority, 84.3 per cent, of the small entrepreneurs under study had not received formal training from support agencies, as shown in Table 8.3. Only about 16 per cent had formal training. Turning to the support agencies, it was revealed that none of the agencies under study had systematic training programmes for staff development except BSCIC, which

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had set up an institution, known as SCITI, for providing training mainly to its officers. BSCIC also arranged training courses for small entrepreneurs as well as staff from other agencies. MIDAS and SEDP conduct some training courses on an occasional basis. Most agencies, however, have some staff receiving training relating to SMEs.

Table 8.3
Training Received by Small Entrepreneurs and Agency People

Training Received or not	Small Entre- preneurs (%)	People of Support Agencies					
		BSCIC (%)	MIDAS (%)	BASIC (%)	BOI (%)	NASCIB (%)	SEDP (%)
No	84.3	10.5	70.9	61.1	6.8	30.1	30.0
Yes:							
-Related to SMEs	15.7	89.5	20.4	5.0	60.2	49.9	20.3
-Others	-	-	8.7	33.9	33.0	20.0	49.6
Total =	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Survey

Two main government agencies, BSCIC and BOI, had arranged training for a large majority of their professional staff. These proportions were 89.5 per cent for BSCIC and 60.2 per cent for BOI. Nearly half of the NASCIB staff were also trained. About a fifth of the staff of MIDAS and SEDP received training on different aspects of small firms, while the corresponding figure was only about 5 per cent for BASIC.

The evidence presented so far, therefore, suggests that NASCIB had the closest match to small entrepreneurs in terms of age and prior experience in SMEs, whilst such closeness is evident between MIDAS and small firms in terms of training. In respect of gender, there seems to be a maximum closeness between the people employed by BASIC and the small entrepreneurs under study. Although not clearly evident, maximum similarity appeared in the educational qualifications of the people between NASCIB and SMEs.

3.2 STRUCTURES

Three dimensions of the parameter structures are examined in this section. These are: type of ownership, sources of funding and organisation structure. A brief summary of the evidence on each of these dimensions is presented in Table 8.4.

Table 8.4
Structure of the Study Firms and Support Agencies

	Ownership	Sources of funding	Organisation structure
SMALL FIRMS	Soletrading (67%); Partnerships (12%) and Private Limited Companies (21%)	Family (45%); Own sources (33%); Friends (11%); Banks (7%) and Others (4%)	Owner is the key person. No formal organisation structure. Could best be described as 'One Man Show' organisation.
BSCIC	Government	Government (100%)	Formal civil service type structure. Functional divisions spreading all over Bangladesh.
MIDAS	Private Limited Company	Own Income(29%), Donation (70%) and Fore. Loan(1%)	Formal structure based on functional division having branches in 3 major cities.
BASIC	Specialised Govt. Bank (earlier Pvt.)	Own Income (100%)	Formal structure based on functions in major 17 major cities.
BOI	Government	Government (100%)	Formal civil service structure having offices in all districts.
NASCIB	Private Forum	Own Income (50%) and Foreign Donations (50%)	No formal structure but elected bodies at the centre with district levels elected members from small entrepreneurs.
SEDP	A Joint Collaboration by Central Bank, Uttara Bank and NORAD	Own Income (10%) and NORAD Donation (90%)	Formal structure under the direct control of director(a senior executive from the Central Bank) having operations in two districts.

Source: Survey

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3.2.1 TYPE OF OWNERSHIP

An examination of the ownership pattern of the small firms under study reveals that over two-thirds, 67 per cent, were soletrading. The rest of the firms comprised of 12 and 21 per cent partnership and private limited companies respectively. It was disclosed during the interview that in the case of partnership and private limited companies, the enterprises are run and managed like soletrading. In the case of partnership, it was mainly one of the partners, who owned the majority share of the business, runs the enterprise and takes the major decisions in consultation, if necessary, with other partner(s). With respect to the private limited companies, the directors of the companies are confined mostly to within one family, viz. sons, daughters, wife etc. The managing director, usually the head of the family, runs the enterprise in cooperation with other family members from time to time.

Contrarily, BSCIC and BOI, two key government institutions, are fully controlled by the chief executives, who are the government (political) nominees. Moreover, all the posts at top level, such as directors in BSCIC or Members in BOI, are held by government secretaries, who work on deputation usually for a period of three years. MIDAS is a private support agency, while NASCIB is a national association of small entrepreneurs in Bangladesh. The ownership of SEDP was not finalised during the time of the field survey. As mentioned in Chapter 6, SEDP is a joint project of the Central bank of Bangladesh, Uttara bank - a denationalized commercial bank, and NORAD. BASIC is a specialised banking institution to finance SMEs, and was private until June, 1992, taking over by the government of Bangladesh.

3.2.2 SOURCES OF FUNDING

The initial capital to start small firms mainly comes from a combination of sources, such as past savings, family/relatives, friends, bank loans etc. As shown in Table 8.4 under sources of funding, the proportions of total responses represent 45 per cent, 33 per cent, 11 per cent and 7 per cent respectively for family, own sources, friends/relatives and bank. Therefore, a very big proportion, 89 per cent, of the respondents had to rely on their private sources for initial investment to start their enterprises.

In comparison, the public support agencies, BSCIC and BOI, are fully dependent on the government for developmental as well as operating expenditures. BASIC, now a government bank, was started with the financial loans from the ex-BCCI foundation. Since 1992, GOB has been the provider of the entire equity capital. The operating cost of the bank is met from its yearly operating income. For the remaining three agencies, foreign donations are the main sources of funding, showing 70 per cent, 90 per cent and 50 per cent of their total budgets in 1992 for MIDAS, SEDP and NASCIB respectively. These agencies had been trying to raise income from their own sources, viz, interest on loans, consultancy incomes, fees from members (NASCIB only) and service charges.

3.2.3 ORGANISATION STRUCTURE

As expected, there is no formal organisation structure for most small firms under study. The firms, which are private limited companies, have some structures on paper, consisting of a Managing Director and several Directors. In practice, as mentioned earlier, the managing director - usually the owner and the head of the family - has complete powers

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in all matters of the company. The structures of the small firms, therefore, could best be described as an 'One Man Show' type of organisation structure, where everything revolves around the owner. All the major decisions, particularly concerning financial and policy matters, are taken by the owner. However, some day-to-day operational decisions are sometimes delegated to hired managers or family members.

Compared to the informal organisation structure of the small firms, government agencies have formal structures, mainly civil service type. BASIC has a formal organisation structure, but with fewer tiers in its chain of command. MIDAS and SEDP also have formal but less complex organisation structures, with a small number of personnel. In case of NASCIB, there is no formal organisation structure. In fact, it is run by a small number of people, headed by an elected president and a general secretary at the centre.

3.3 PROCESSES

Three dimensions of this parameter explored are overall processes relating to: (a) the control of internal affairs of the SMEs and the support agencies; (b) the major decision making processes and the parties involved in the processes; and (c) the coordination and communication system within the organisations as well as with the parties external to the SMEs and the support agencies. These are described below.

3.3.1 CONTROLLING

The evidence, presented under Structures, provides some ideas regarding control processes employed by the small firms and the support agencies under study. As described

earlier, all aspects of the small enterprises are controlled by the owners themselves. In some cases they are assisted by their family members or hired managers. Entrepreneurs themselves, however, are the key players in all respects, particularly in financial matters.

On the other hand, the heads of the government institutions, appointed by the government, are the ultimate controllers of all aspects of the organisations. Similarly, in the case of BASIC, the Managing Director - a government appointee - is the chief executive of the organisation reporting directly to the Chairman of the Board of Directors. Again the chairman is a government nominee. Within the organisations, all these agencies have several levels of professional staff, who are responsible for and report to their immediate superiors, and finally, to the heads of the institutions. In the case of MIDAS, the operational aspects are controlled by four directors, headed by the Executive Chairman. The overall control, however, remains in the hands of the Board of Directors, consisting of 4 entrepreneurs out of a total of 9 members. There is only one director for SEDP - a senior executive on deputation from the cental bank of Bangladesh, and he is the controller of its functions. Finally, NASCIB has an elected central body, which looks after every function of the organisation.

3.3.2 DECISION MAKING

As already stated, the owner-mangers of the sample enterprises take all the decisions for their enterprises. Sometimes, however, they consult with their family members, in 50.1 per cent cases, as shown in Appendix 8.1, about their business decisions. The other people with whom they talked about business matters included friends, mangers, employees and support agency people. Only 5 per cent of the entrepreneurs speak to no one.

In contrast, government is the sole decision-maker for the public support agencies, BSCIC and BOI. In the case of BASIC, the Board of Directors, the majority of whom are government appointees, take all the major decisions. MIDAS and NASCIB are two exceptions. As already mentioned, MIDAS has a board of directors consisting of 4 out of a total of 9 members from private enterprises. In fact, the actual decision-makers are the four active directors, who are also paid staff of the organisation. NASCIB has a central executive body, elected by the district level executive elected bodies. The central body takes virtually all the decisions in consultation, from time to time, with the district executive bodies. The district executives are also the entrepreneurs of small firms, elected by the local members of the association.

3.3.3 COMMUNICATION AND COORDINATION

For the small enterprises under study, personal visits are the main medium of communication. Other means, such as postal, telephone and other electronics measures, are hardly ever used by small firms. Over 65 per cent of the sample firms belong to business, or trade, associations, as revealed during the field survey. They, however, use their memberships only occasionally to ease difficulties faced, or expected, concerning material benefits, for example - in getting financial support or procuring sales orders.

On the other hand, the communication systems, used within the support organisations, appear to be very much formal, by moving files, circulating notices, writing letters and using intercoms. It was revealed that none of the support agencies had regular programmes for promoting support activities. This is done on an occasional basis through advertising in newspapers, journals, radio and television. Here, public agencies are far ahead of private

agencies. Presumably, this is simply because of the shortage of funding of the latter. Regarding the coordination of the programmes for SME development among the support agencies, it was revealed that no systematic attempt had been taken in this respect by any of the public or private agencies. However, BSCIC has been trying to co-ordinate collection of information on NGO-assisted enterprises in order to create an up-to-date data base. MIDAS has close linkage with some other support agencies such as SEDP.

3.4 ORGANISATION CULTURE

To assess the culture of the small firms, entrepreneurs were asked to express their views regarding their business achievements, the characteristics of a well managed small firm and the criteria they use to evaluate business performance. Similarly, the support agency people were also asked to state their opinions on the characteristics of a well managed small firm. In addition, the evaluation and monitoring systems of the support agencies were examined. The survey results are discussed below.

3.4.1 ACHIEVEMENTS

Most entrepreneurs, about 31 per cent, as shown in Figure 8.3, regarded 'Surviving', or in other words 'getting firms off the ground', as their most significant achievement to date. The creation of income and employment for their families was also considered as an important achievement by nearly a quarter of the respondents. Another quarter mentioned that they had developed their firms from scratch, which was regarded as their vital achievement. Disregarding 'others' category, the remaining 14.8 per cent of the respondents indicated growth/increase in production or sales etc.

Figure 8.3
Achievements as Viewed by Small Entrepreneurs

% of Respondents

Achievements

Survival   Income   Dev.from Scratch   Growth   Others

Achievements Viewed by Entrepreneurs

Total Respondents ▪ 134

Source: Survey
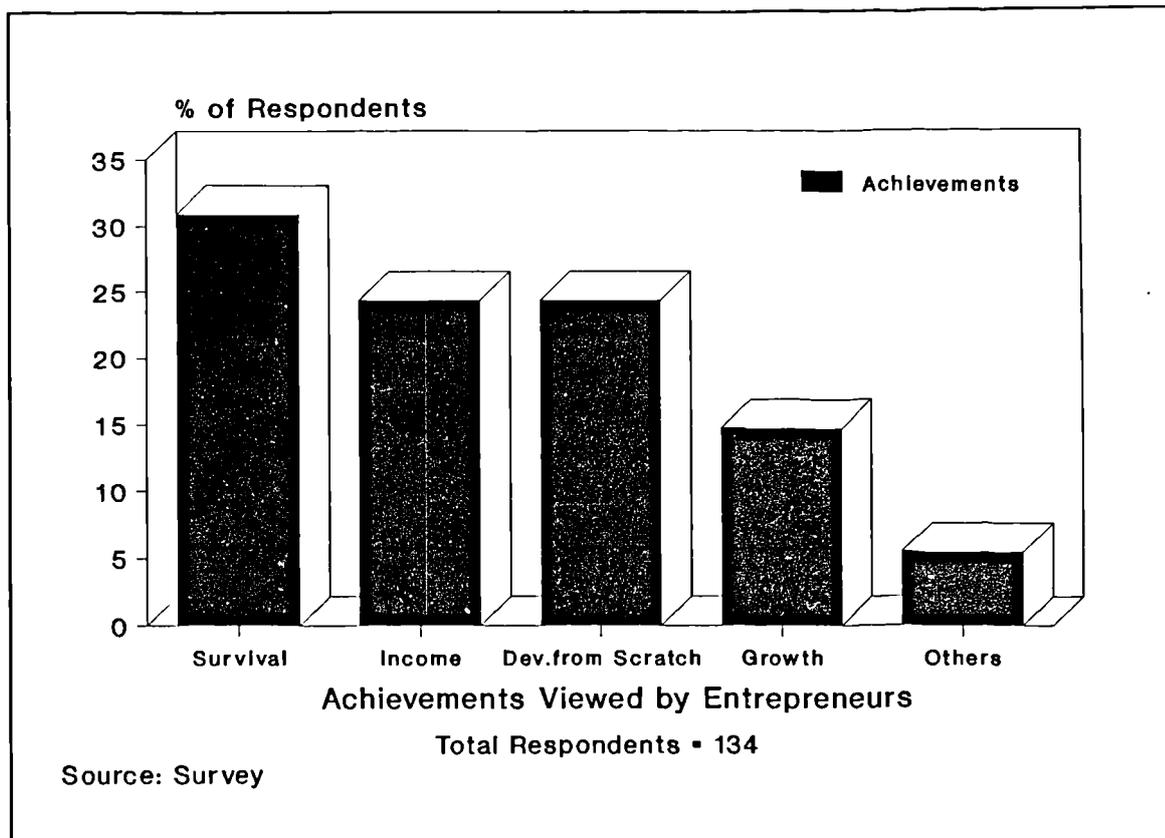
3.4.2 EVALUATION MEASURES

For small enterprises, profitability seems to be the most widely used measure to assess business performance, which is usually informally done by the owners or the persons trusted and appointed by them. At the end of each financial year (following the Bengali calendar year in most cases), an accounting of the business performance of the previous year is made mainly for the consumption of the owners. Sometimes, they had to maintain records for official submission for taxes, loans and so on. The evaluation measures, used to assess business performance, include mainly volume of sales, production, survival, satisfying customers and quality of product.

Support agencies, on the other hand, do not evaluate their performance in the technical sense of the term. In most cases, they mainly carry out in-house assessments, using volume criteria, such as the number of firms assisted, types of services offered, amounts of loans sanctioned and disbursed, amounts of finance released and spent for development projects. The results of such assessments are usually reported in confidential reports, internal papers and annual reports.

MIDAS is an exception to the general practice outlined above. It has recently attempted to evaluate the effect of its support on the performance of the firms assisted so far. Moreover, it collects quarterly information from their clients, and monitors constantly the health of the enterprises of its clients. The monitoring system of the SEDP emphasises the loan repayment schedule, including an observation on causes of defaults, if any. It maintains close contact with its clients.

3.4.3 CHARACTERISTICS OF A WELL MANAGED SMALL FIRM

The respondents, both from the small firms and from the support agencies, were asked to express their views on the characteristics of a well managed small firm in Bangladesh. Figure 8.4 exhibits a summary of the responses given by the respondents under study. Profitability, as shown in the figure, is the main characteristic of a well managed small firm in the opinion of 39 per cent of the respondents. Other important characteristics are not different from what were mentioned earlier under achievements and evaluation measures. These include, among others, proper control, customers' satisfaction, the creation of income and the generation of employment, and having good markets for products.

Figure 8.4
Characteristics of Well Managed SMEs viewed by Entrepreneurs

Income/Profitability 54
39%

Good Controlling 29
21%

Others 17
12%

Satisfying Customers 27
19%

Good Market 13
9%

Total Respondents = 140

Source: Survey
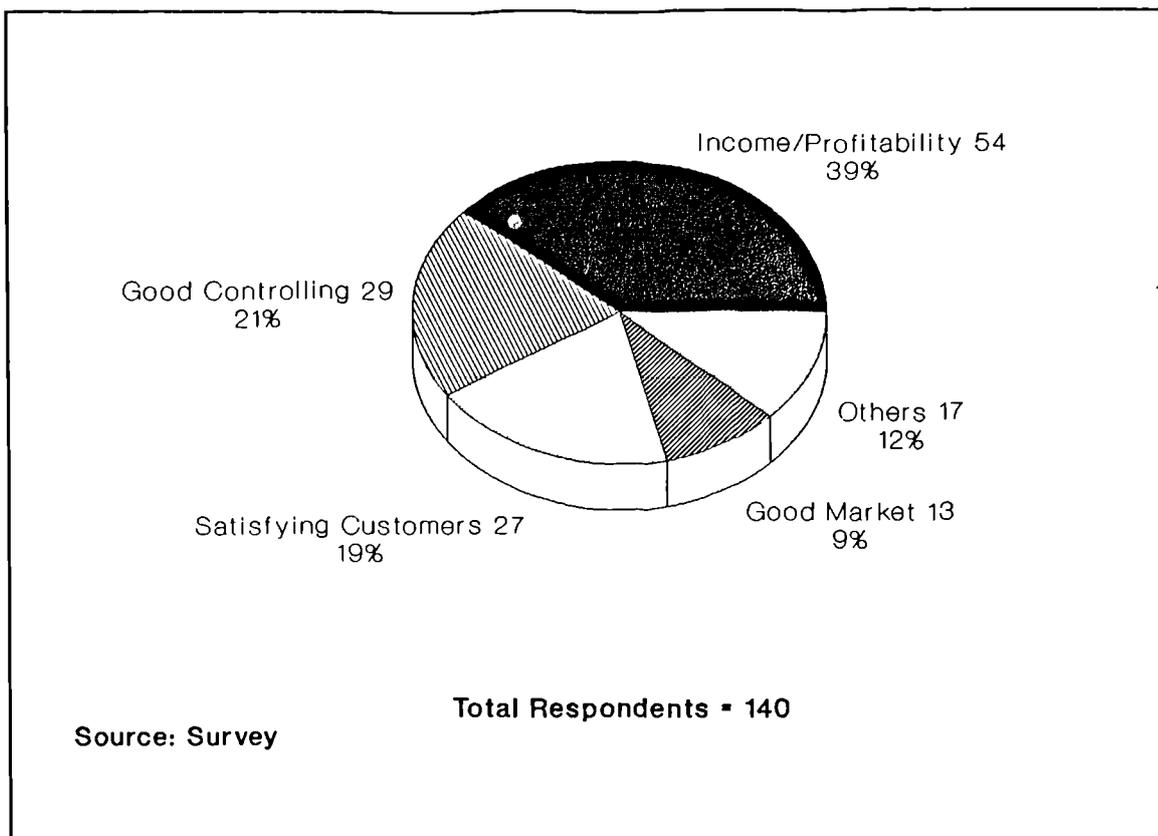
The views of the agency people are shown in Table 8.5 for comparison. The characteristics of a well managed small enterprise, as viewed by the support agency people, included proper controlling, which appears to be a common characteristic mentioned by both groups.

Table 8.5
Characteristics of SMEs Viewed by Agency People

Characteristics	Support Agencies					
	BSCIC (n=15)	MIDAS (n=5)	BASIC (n=5)	BOI (n=5)	NASCIB (n=5)	SEDP (n=5)
Efficiency	25.2*	21.3	11.5	28.2	18.3	10.2
Well Controlling	19.3	18.7	15.3	20.3	20.0	13.4
Growth in production	16.0	12.6	10.2	15.0	25.0	18.6
Proper Accounting	20.2	22.5	30.0	20.0	15.0	30.9
Quality control	15.1	12.4	18.0	13.0	18.5	-
Others	4.2	12.5	15.0	3.5	3.2	26.9
Total =	100.0	100.0	100.0	100.0	100.0	100.0

* Figure in percentage

Source: Survey

The other important characteristics of a well-managed SME, as viewed by agency people, seem to be efficiency, growth, book-keeping and product quality. It is clearly evident that while the agency people emphasised the maintenance of proper accounts, achieving efficiency, quality control etc., the owner-mangers of the study firms were concerned about the survival of their enterprises, profitability, income and so on.

4.0 ORGANISATION PURPOSE AND OUTCOMES

In order to assess the purposes of starting small firms, the entrepreneurs under study were asked to mention the reasons for going into their businesses. They were also asked to mention their business plans, if any, including the assistance needed for implementing those plans. On the other hand, the goals (purposes) and outcomes of the support agencies were examined and analyzed.

4.1 SMALL ENTERPRISES

Reasons behind the establishment of small firms are summarised in Figure 8.5. The utilisation of working experience is a major reason, 35.7 per cent, for going into businesses, whilst about 18.2 per cent respondents indicated that they had inherited their enterprises. Taking the advantage of opportunity (good prospects) was mentioned by 17.6 per cent of the respondents as the reason for starting their businesses. Disregarding 'Others' category, the remaining 15.1 per cent respondents said that they went into businesses for the creation of income and employment.

Figure 8.5
Reasons for Going into Business viewed by Entrepreneurs

Working Experience 48
36%

Inheritance 24
18%

Others 19
14%

Good Prospects 23
17%

Income/Employment 20
15%

Total Respondents ▪ 134

Source: Survey
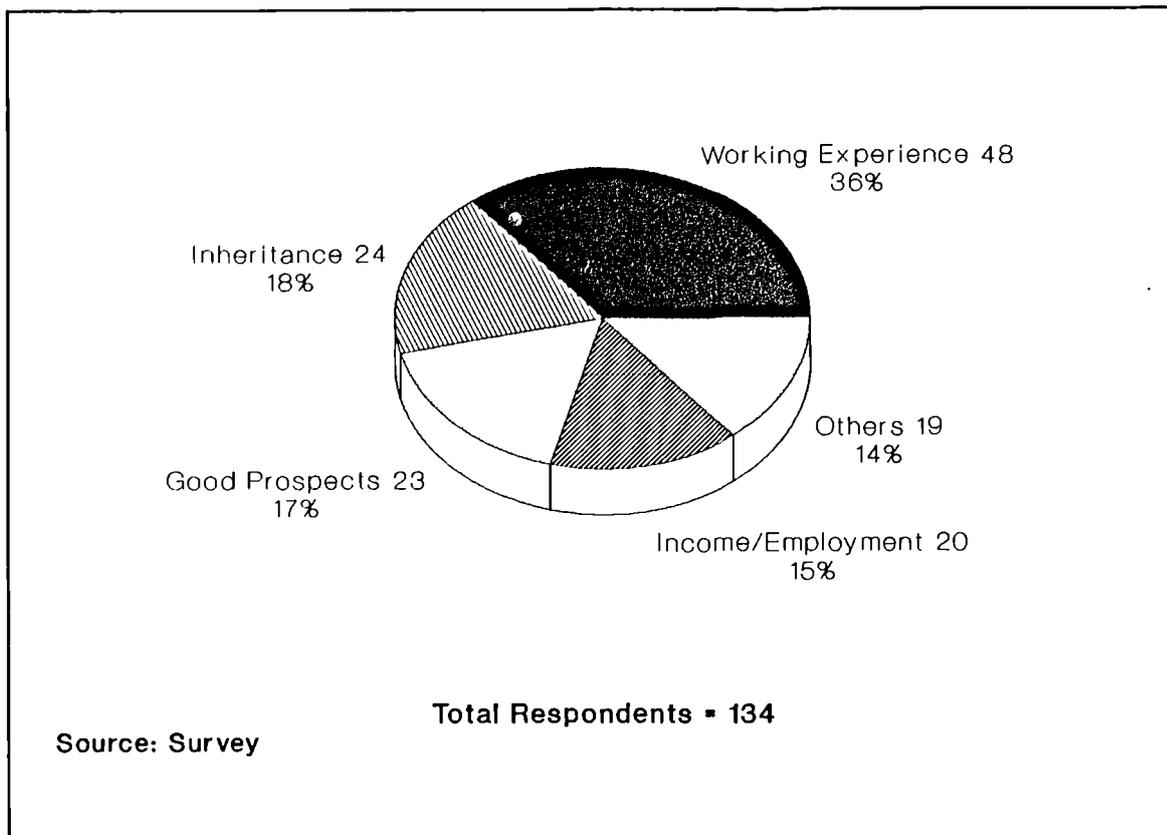
The respondents' future business plans were explored and presented in Figure 8.6. Over 21 per cent of the respondents, as shown in the figure, did not want expansion. Among the remaining firms, about 48 per cent of the respondents said that they wanted expansion, but did not mention the areas of business for such expansion. Whilst 18.8 per cent of the respondents had planned expansion through diversification of business or products, only 6 per cent of the owner-managers expressed their desires for higher volume of production. Only 2 per cent of the small firms had expansionary plans to be implemented through joint venture.

Against the expansion plans of the small firms, the perceived needs for assistance to implement those plans were examined. As already explored and described in Chapter 7, as

expected, finance seemed to be the most pressing need, for the majority of SMEs, to execute future plans. The other major needs, as perceived by the respondents, are related to marketing, technical help, training, utility facilities and some favourable changes in the policies relating to the SME sector.

Figure 8.6
Future Plans of the Study Small Enterprises

Expansion(no expla.)
48%

No Expansion
22%

Others
Exp&n.by Joint Vent.
2%
Expan.by Higher Prod
6%

Diversification
19%

Total Respondents ▪ 113
Source: Survey
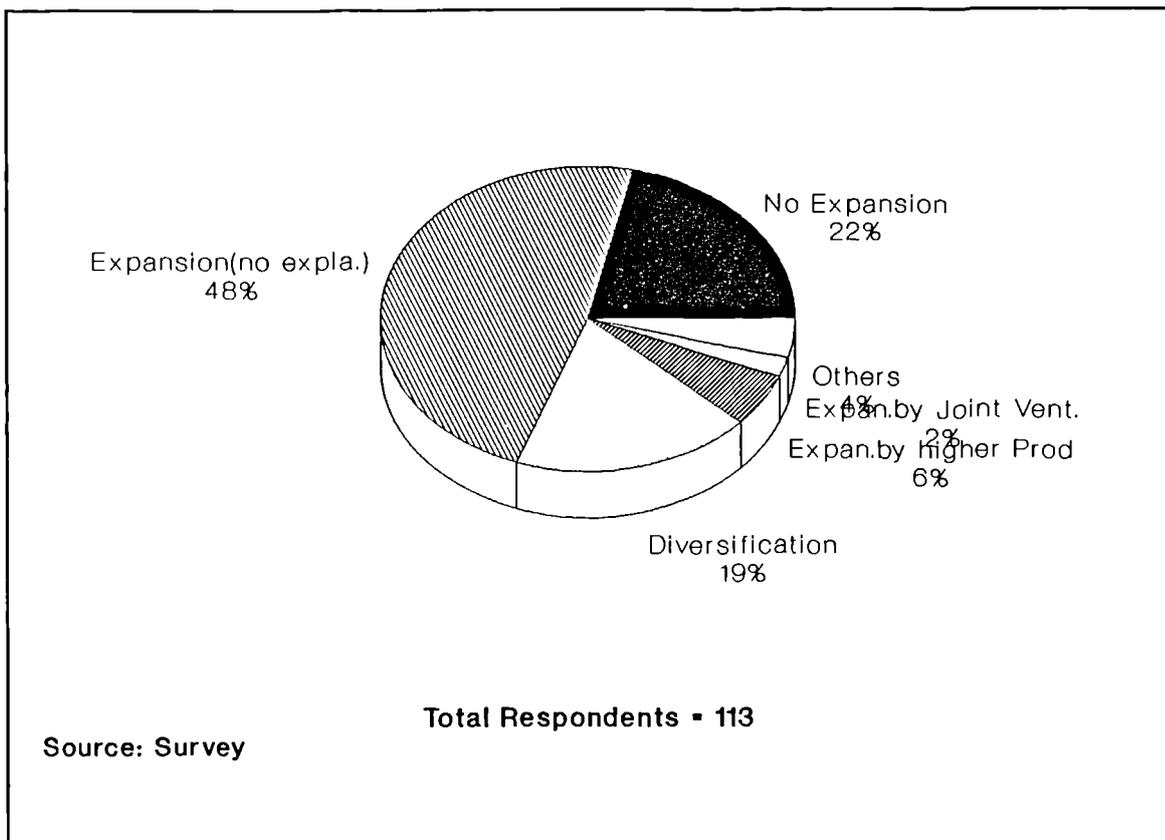
The outcomes of the small entrepreneurs are reflected by their achievements as described earlier. These are mainly the survival, the generation of income, the creation of employment and increased volume of production.

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4.2 SUPPORT AGENCIES

The support agencies under study had stated their goals in different ways. However, their main goals (purposes) can be described as the promotion and development of small enterprises for creation of employment, generation of income contributing to GDP and entrepreneurship development. To achieve these goals (purposes), necessary activities have been carried out by support agencies, as summarised in Appendix 8.2.

Most agencies under study provide both software and hardware services, whilst some hardware services, such as utility facilities, are offered by only one organisation, BSCIC. Financial assistance is offered by BASIC, MIDAS and SEDP for the SME sector. Their activities, however, are confined to a handful of small enterprises because of their recent origin and their limited coverage of operations mainly in and around some major cities. In addition, being private in nature, they have been operating on commercial principles, charging for their services offered and helping only a limited number of SMEs having good prospects for success. As a result, these agencies can help only a small number of clients as opposed to a large number of clients for their services.

The outcomes of the efforts by the support agencies were assessed, using a combination of qualitative and quantitative criteria. The quantitative criteria were used to evaluate the effect of support services on the performance of the firms that received such services. This will be discussed in details in the forthcoming chapter (Chapter 9) because the evaluation of the effect of support services was one of the important objectives of the study. However, for the present analyses, the outcomes of the support agencies are assessed in terms of the following qualitative criteria:

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*   An assessment of delivery process of support services as viewed by small entrepreneurs;

*   The awareness created among small entrepreneurs as a result of the efforts of support agencies, and

*   The effectiveness, as perceived by small entrepreneurs, of the assistance received by the study firms from support agencies. In this context, the perceptions of the agency people regarding the effectiveness of the services offered by them were also explored and analyzed.

4.2.1 AN ASSESSMENT OF DELIVERY OF SUPPORT SERVICES

The delivery process of support services offered by the agencies under study were assessed against the following indicators:

Locally delivered;	Easily accessed;	Timely provided;
Informally provided;	Personally delivered;	Credible;
Accepted by SME community;	Problem oriented;	Trustworthy;
Simple;	Flexible;	Cheap;
Integrated (as far as possible), and	Highly visible	

The reasons for using these criteria were discussed in the methodology, Chapter 5 (6.3: Measures used to Assess Delivery Process of Support Services). Small entrepreneurs were asked to identify as many characteristics as they thought a particular agency possessed in delivery of its services to small entrepreneurs. One point was allocated to each one of the characteristics chosen by the respondents. Then, an average score was calculated for each of the institutions under study.

Figure 8.7 presents the results of the survey. While the average maximum score could be 11, none of the institutions got 6.5 (50 per cent) of the total score. This low scoring indicates generally ineffective delivery systems of the support agencies under study in Bangladesh. The comparative scores of five agencies are shown in the figure because there was one respondent

in the case of SEDP. The view of only one respondent was considered not enough for comparative analyses.

Figure 8.7

An Assessment of the Delivery Process of Support Services
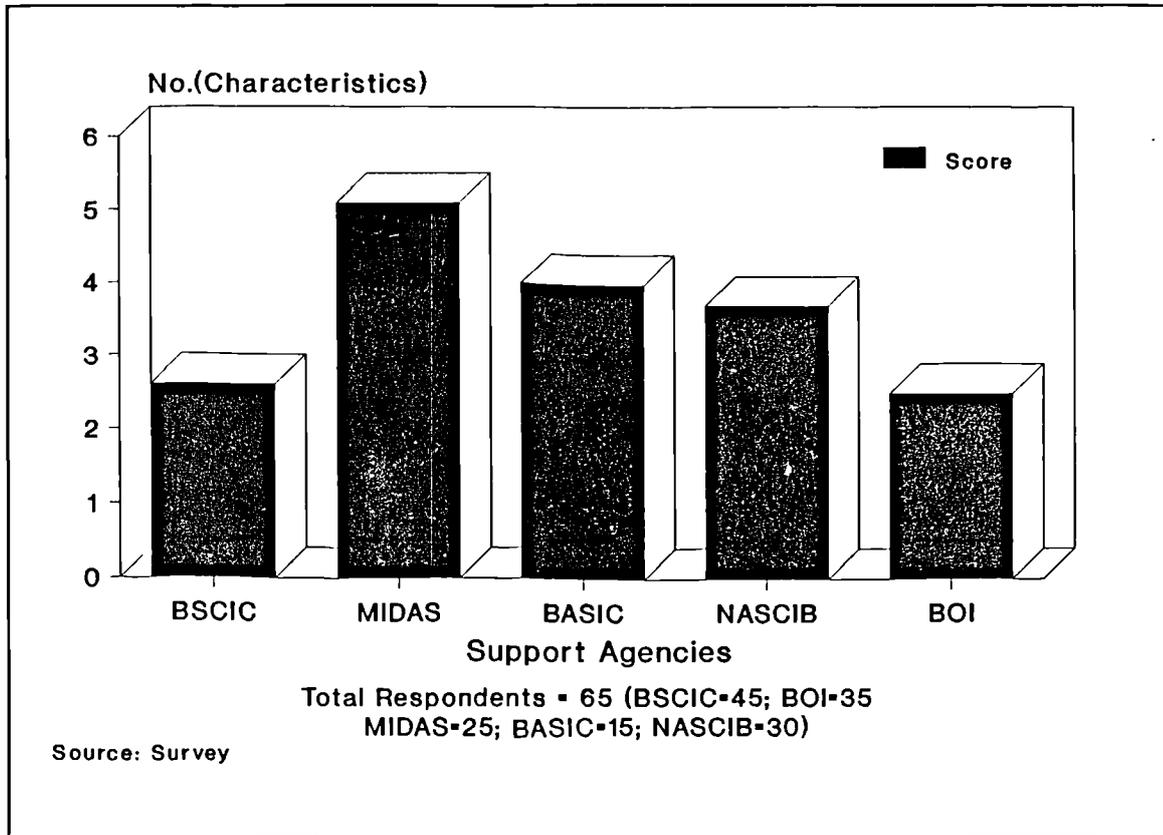
Among the agencies evaluated, MIDAS was awarded the highest average score of 5.1, following 4.0 and 3.7 points for BASIC and NASCIB respectively. The two main public agencies, BSCIC and BOI, were awarded the average scores of only 2.6 and 2.5 respectively.

4.2.2 SMALL FIRMS' AWARENESS OF SUPPORT AGENCIES

To assess the small firms' awareness of support agencies, respondents (small entrepreneurs) were asked to mention the names of agencies (including their services) they had come across

(either met or heard) in addition to the major agencies from which they received assistance. The average number of support agencies cited by the respondents was 3.40, ranging from a maximum of 8 to a minimum 0 (zero). Not surprisingly, the average frequency of citation of the support agency, mentioned by the assisted firms, was twice of that of the non-assisted group, showing 4.18 and 2.13 for the assisted and the non-assisted firms respectively. Table 8.6 shows a breakdown of the survey results according to support agencies.

Table 8.6
Small Firms' Awareness of Support Agencies

Support Agencies	Multiple Responses (N=135)	% of Total Responses
BSCIC	92	36.8
MIDAS	20	7.7
BASIC	11	4.0
BOI	10	3.7
NASCIB	9	3.4
SEDP	3	0.9
Others	115	43.5
Total =	260	100.0

Source: Survey

As shown in the table, except BSCIC, none of the agencies under study was widely known amongst the small enterprise community. In fact, BSCIC is the only agency, which has been working in the field of small enterprise development since the 1950s, and which has a large network all over the country.

To further explore the awareness of support agencies, a question was asked about who they (small entrepreneurs) consulted about their businesses. As presented earlier in Appendix 8.1, over half of the respondents consulted with their family members. 19.7 per cent also talked to their friends, whilst about 16 per cent of the respondents consulted with managers or staff of their businesses. The small entrepreneurs did not consult very much with the agency people

about their businesses, only 8.9 per cent. An insignificant proportion, only 5.4 per cent, of the respondents consulted no one.

4.2.3 THE USEFULNESS OF SUPPORT SERVICES

The usefulness of the support services received was examined from the points of view of the users - the entrepreneurs, and from the suppliers - the agency people. The owner-managers under study were asked to express their perceptions on the usefulness of the assistance received in terms of the following indicators:

Improved profitability;	Increased productivity;	Higher level of output;
Increased capacity;	Introduced new process;	Increased sales;
Improved cash flow;	Improved skills;	Helped to survive;
Increased employment, and	Others, if any.	

The views of the respondents were quantified, by using a five point scale showing very useful (5) to not useful at all (1). For analytical purposes here, all the responses were categorised under three main groups: Least useful (score up to 2), Moderately Useful (3) and Very much useful (4 or above). Figure 8.8 depicts the survey results according to support agency. About three-quarters of the entrepreneurs viewed support services as 'least useful' for their businesses. Only 10.2 per cent of the respondents said that the assistance received was much useful to their businesses, whilst the remaining about 16 per cent regarded the assistance received as moderately useful. Taking very much and moderately useful together, it is evident that MIDAS has emerged as the most effective support agency under comparison.

It appears, therefore, that MIDAS is the most effective support agency, as viewed by small entrepreneurs, following BASIC, NASCIB and SEDP. Certainly, BSCIC has been

successful in creating a considerable awareness of its services among small enterprises in Bangladesh. However, BSCIC and BOI seemed to be the least effective agencies, as viewed by small entrepreneurs, among the organisations under study.

Figure 8.8
Usefulness of Support Services viewed by Small Entrepreneurs

Total Respondents = 65 (BSCIC=45; BOI=35
MIDAS=25; BASIC=15; NASCIB=30; SEDP=5)

Source: Survey
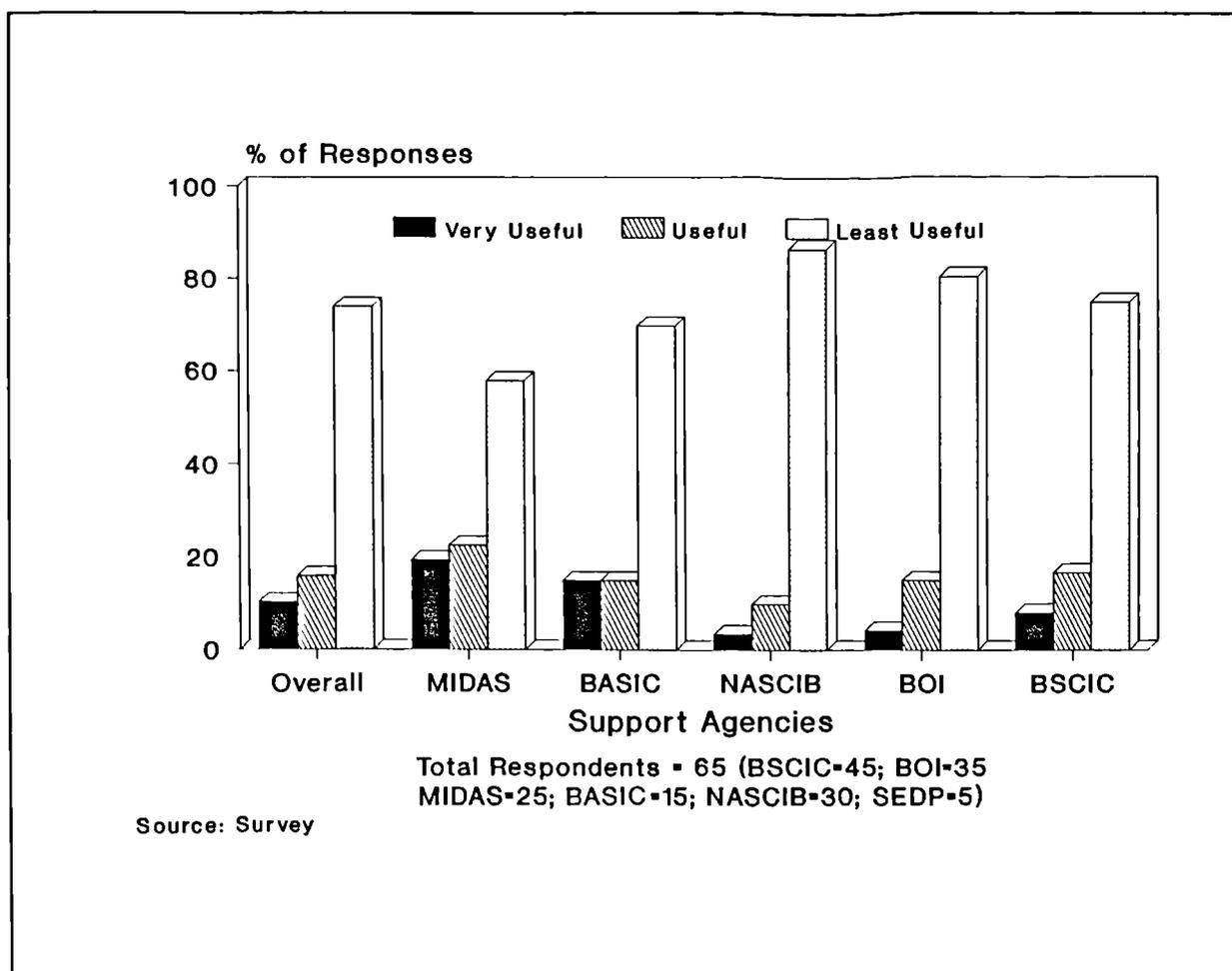
The views of the support agency people on the effectiveness of their services are shown in Figure 8.9. None of the support agency people viewed their services as not useful except BOI and NASCIB. During the field interviews, the respondents from these two agencies admitted that sometimes they could not help their clients due to their inability of offering financial assistance.

Figure 8.9
Effectiveness of Support Services viewed by Agency People

Total Respondents = 40 (BSCIC=15; BOI=5;
MIDAS=5; BASIC=5; NASCIB=5; & SEDP=5)

Source: Survey
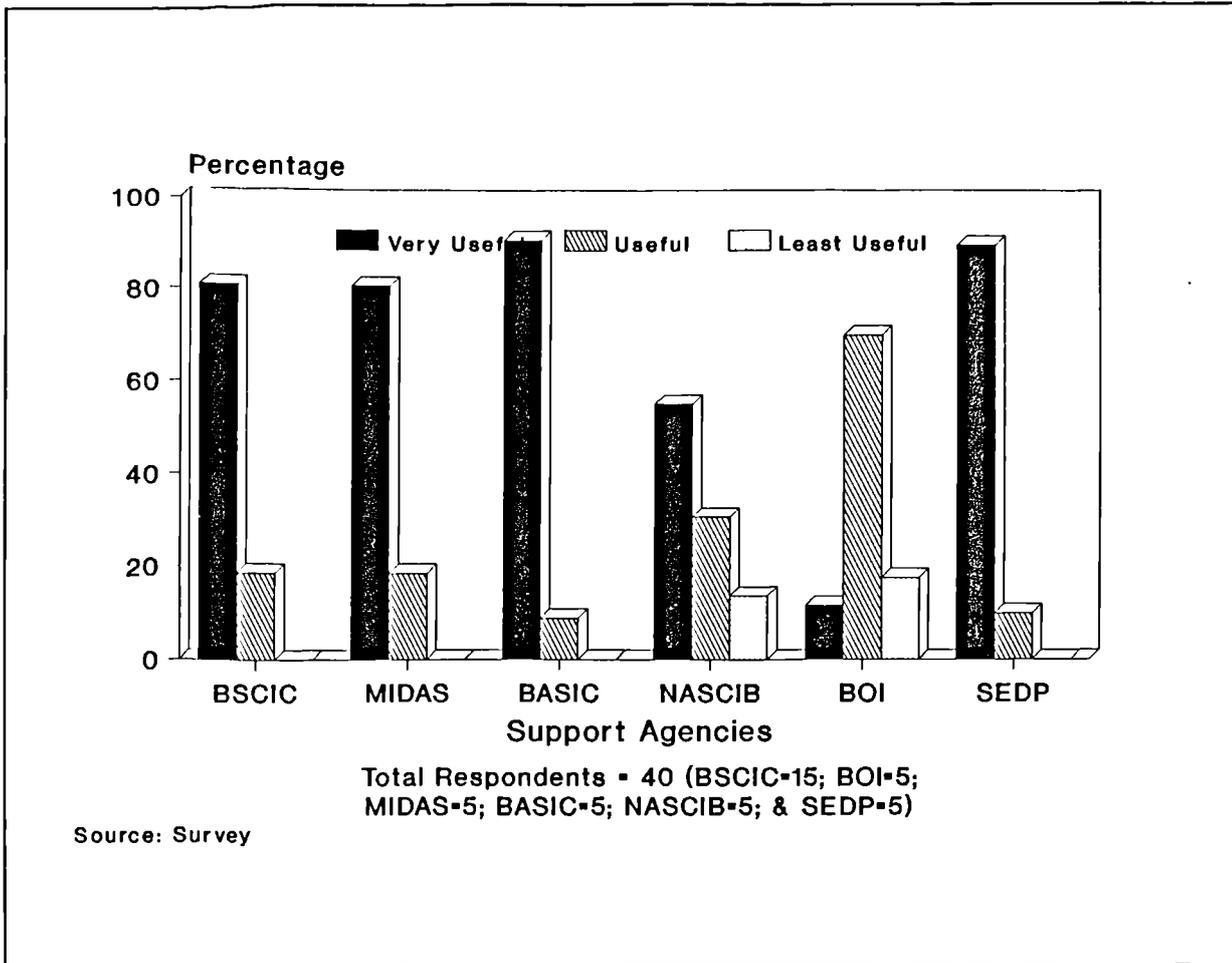
5.0 A COMPARATIVE ASSESSMENT OF SUPPORT INSTITUTIONS

Based on the evidence presented so far and observations made during the field visits, the closeness, between the support agencies and the small firms, was worked out in terms of each dimension of the evaluation parameters. Total 34 dimensions, as shown in Appendix 8.3, were compared between each of the support agencies and the small firms under study. Where the closest match was found, 1 (one) point was awarded to the institution for the match. The calculation of scores is described in Appendix 8.4. Based on this, total scores for each agency were calculated and compared for analyses. Figure 8.10 displays the results.

Figure 8.10
A Comparative Evaluation of the Design of Support Agencies

No. (Score)

Score

Support Agencies

Source: Appendix 8.4
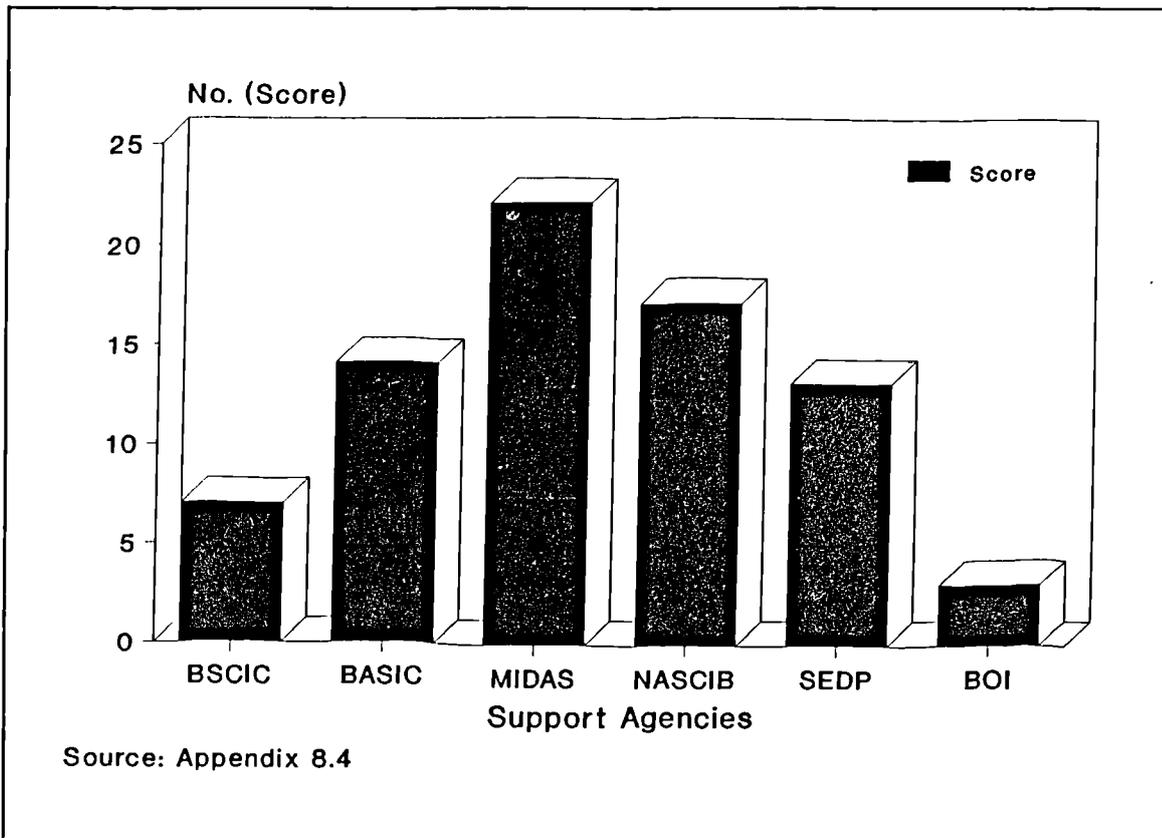
Among the support agencies evaluated, MIDAS got a maximum of 23 points, securing the top position. NASCIB, BASIC and SEDP scored 17 points, 14 points and 13 points respectively. BSCIC, the main public sector support agency, stood 4th with 8 points, while the other government agency, BOI, was the last one, getting only 2 points. Therefore, the evidence suggested that MIDAS has an organisation design closest to the small firms under study in terms of people, structures and processes employed. NASCIB is in the second position, followed by BASIC and SEDP.

Looking back at the evidence presented under purpose and outcomes, in terms of usefulness and delivery of support services, it (MIDAS) has emerged as the most effective agency, as viewed by the small entrepreneurs. It (MIDAS) has also secured the second position in terms

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of the small firms' awareness of support agencies. Although NASCIB is in the second position in terms of design parameters, it was not regarded as an effective agency by the study small entrepreneurs. The reason for this, as pointed out earlier, seems to be its (NASCIB) inability of providing financial help to small enterprises.

In addition to the evidence presented so far, a number of statements, as shown in Table 8.7, were made about the overall relevancy, usefulness and delivery process of services and the people of the major agencies under study.

Table 8.7

A Comparative Assessment of the Major Support Agencies

Statements	BSCIC (n=74)	MIDAS (n=33)	BASIC (30)	NASCIB (n=59)	BOI (n=74)
At your first contact, how helpful were the people of the organisation to your request?	2.3[a]	3.9	3.5	2.5	2.4
How clearly did people understand your problems?	2.7	3.8	3.7	2.8	2.6
How quickly did people try to respond to your request?	1.8	3.7	3.5	2.3	1.8
How appropriate were the overall support to your requirements?	2.7	3.7	3.1	2.2	2.1
How favourably would you rate the organisation to meet your needs?	2.3	4.1	3.3	1.9	1.6

a   Average score on a five point scale, ranging from Very Much (5) to Not at all (1)
Source: Survey

The small entrepreneurs under study were asked to express their perceptions on the major support agencies in terms of each of the statements. To quantify the perceptions, a five point scale was used, ranging from very much (5) to not at all (1). The average score for each of the agencies evaluated was calculated and compared for analyses. As shown in the table, MIDAS has emerged again as the receiver of the maximum average points, ranging

between 3.7 and 4.1, awarded by the small entrepreneurs under study. BASIC is in the second position, following NASCIB, BSCIC and BOI. However, BSCIC was rated more favourably than NASCIB, in terms of the appropriateness of its services to meet the needs of the small firms.

In summary, the findings presented above suggest that MIDAS and BASIC are the two effective agencies, as viewed by small entrepreneurs, to meet the needs of small firms. They have organisation designs closer to the small firms in terms of people, structures and processes employed. While MIDAS is a private support agency, BASIC was private until June 1992. Both of them have a small number of staff, are autonomous in operations and have been offering financial and non-financial support for the SME sector. It is also revealed that NASCIB has an organisation design very much closer to small firms. However, it was considered not effective by the small entrepreneurs under study, although many of these entrepreneurs were members of NASCIB. There is evidence to suggest that the inability of this agency of offering financial support was mainly responsible for considering it ineffective by small entrepreneurs. Overall, the findings lend support to the hypothesis that *the most effective support institution is the one closest to small enterprises in terms of people, structures and processes employed by the support institution and those of the small enterprises*. The findings also suggest that an effective agency is capable of offering both financial and non-financial assistance.

6.0 SOME REPRESENTATIVE COMMENTS AND OBSERVATIONS

During the field visits, small entrepreneurs were encouraged to express their views regarding the support institutions and the people involved in the process of the delivery of support

services. Although these comments are subjective as well as anecdotal, they provide some light on the effectiveness of the support agencies. Therefore, a number of representative comments from the small entrepreneurs and from those related to providing support services, and researcher's observation are discussed below.

It was observed that the MIDAS-assisted entrepreneurs had the feeling that MIDAS had tried to help them in the best possible way. As such, most of the MIDAS clients were more or less satisfied with the services received. One of the clients stated:

> 'I think MIDAS is the best place to approach for both financial and non-financial help. It provides services quite rapidly and takes decisions without unnecessary delay.'

This favourable impression about MIDAS also exists among many non-MIDAS clients. These positive views were also held by the people of other support agencies, such as BSCIC, SEDP, BOI and NASCIB. The founder-director of SEDP, a leading researcher-teacher-senior executive of the Central Bank of Bangladesh, appraised the operation of MIDAS as:

> 'MIDAS has been doing a good job in the field of small enterprise development in Bangladesh. But I think it should go further for serving larger number of clients.'

Quite contrarily, in the case of BSCIC, most entrepreneurs expressed their dissatisfaction either with its delivery mechanism or the officers involved directly in providing services. Some evidence on this point was presented in the last chapter, Chapter 7 (6.0: Reasons for Not Getting Any or Sufficient Support Services). Many small entrepreneurs regarded it (BSCIC) as a bureaucratic agency, calling it a 'white elephant', doing nothing but wasting lots of public money. This idea has been shared by some renowned academics, who have

done studies on this agency in the past. One leading researcher, Dr. A. H. M. Habibur Rahman (Professor of Finance, University of Dhaka), contends:

'BSCIC is so big as a support organisation that it can not bear the weight of its own administrative staff. But it has potentiality. Some reorganisation is a must to make this agency responsive to effectively meet the support needs of small entrepreneurs'.

The internal working environment of BSCIC was found overcrowded due to a huge number of staff at head office. Most of its junior officers do not have separate rooms for working, while many of them had to share a room, and even the same table, with their colleagues. More alarmingly, some staffs (mostly non-officers) do not bother much about working system of the organisation. In practice, BSCIC has several cadres of trade unions and officers, the leaders of which are so powerful that no one wants to say anything against those 'so-called' leaders. At the top, a Chairman (government nominee) and six directors (government secretaries), who work on deputation usually for a period of three years, control the affairs of the organisation. As a result, the BSCIC's own officers do not see any hope of promotions to the key positions of directors. Moreover, due to overcrowding at mid-and-junior level positions, most of the officers are in long queues for promotions to higher levels. Because of this, there exists a general frustration among the staff of BSCIC at all levels within the organisation.

The internal working environment of BOI was found not better than BSCIC, as described above. As a result, both institutions, BSCIC and BOI, have the organisation designs, which seemed to be neither suitable nor effective to meet the needs from small firms for support services in Bangladesh.

7.0 SUMMARY

This chapter has evaluated the designs of six support agencies, all the major institutions involved in the promotion and development of SMEs in Bangladesh. The evidence, obtained from the field visits, was presented in details. Based on this evidence and observations, made during the field survey, the effectiveness of the support agencies was assessed. Analyses divulged that MIDAS has the most effective organisation design, as perceived by small entrepreneurs, to meet the needs of small firms in Bangladesh. It is small in size, private in nature, autonomous in operation, and closest to SMEs in terms of people, structures and processes employed. The second successful agency seems to be BASIC, as viewed by small entrepreneurs. Both agencies offer financial assistance, along with other non-financial support services. Despite having an organisation design closer to that of the SMEs, NASCIB was regarded not effective, mainly due to its incapability of offering financial assistance. As such, the capability of offering financial assistance seems to be, among others, an important element of making an agency effective. Some representative comments and observations also support the findings. The chapter, therefore, concludes that the most effective organisation is the one private, small, autonomous and closest to small firms in terms of people, structures and processes employed. It is evident that an effective organisation is also capable of offering both financial and non-financial support for the promotion and development of small firms.

THE EFFECTS OF SUPPORT SERVICES ON SMALL FIRMS

1.0 INTRODUCTION

This chapter presents the results of assessing the effect of support services upon the growth

and development of the small enterprises under study. It states the hypotheses tested and the

parameters used for evaluation. The quantitative analyses are presented first, followed by the

presentation of the results from qualitative investigations. The consistency, between the

quantitative and qualitative results, is scrutinised. The chapter also presents the analyses of

additionality, created as a result of receiving support services. Some representative comments

from the small entrepreneurs under study are stated, shedding additional light on the effect

of support services. At the end, the chapter summarises the major findings.

2.0 HYPOTHESES AND MEASURES OF EVALUATION

The central research question, guiding this study, was: 'What effects are the support services

having upon the growth and development of small firms?' To investigate this issue, the

overall hypothesis, developed in Chapter 4, is:

> 'Overall, there is a low effect/impact of support services upon the growth and
> development of small enterprises in Bangladesh'.

The hypothesis was examined, based on the data collected during the field survey, using a combination of both quantitative and qualitative measures. For quantitative evaluation, several sub-hypotheses were developed, in line with the main hypothesis, to examine the research issues. There were two sets of hypotheses, as summarised in Table 9.1, examining differences and relationships between two or more groups of the small firms under study. Hypotheses H-1 to H-3.1 examined differences in the performance of the small firms under study.

As described in the methodology, Chapter 5, four performance measures were used. These are growth in sales and employment during 1990-92, sales and value added per full-time employee in the year 1992. The justifications for choosing these measures and their operationalisation were also described in the methodology. An overview of the performance of the study firms is displayed in Figure 9.1, showing the overall sample, assisted and non-assisted firms under study. Support services were operationalised, as described in the methodology, by three measures. These are extent, type and intensity. Justifications as well as operationalisation of these measures were also described in the methodology. As described in Appendix 9.1, the problem of multicollinearity among the measures of support services was thoroughly examined. Since the measure comprehensiveness was very highly correlated with extent, decision was taken to remove comprehensiveness for analyses.

The statistical tools of MANOVA were used, by choosing Wilks' Lambda value at the conventional 5 per cent significance level, to find out an overall significant difference in the average performance, between two, or more, groups of the small firms under study. Having found an overall significant difference, either Univariate Tests (for two groups) or Duncan Multiple Range Tests (for more than two groups) were carried out as a follow-up *(posteriori)* procedure, to identify where the significant differences lie.

Table 9.1
Hypotheses Examining Differences and Relationships

Basis of grouping	Groups examined	Hypotheses
DIFFERENCE		
Assistance status of SMEs	Assisted vs. Non-Assisted	H-1: There is no significant difference between the performance of small firms, receiving support services and similar (size,sector,ownership and process) small firms, receiving no support services.
Levels of Assistance	High vs. Low	H-2: There is no significant difference between the performance of small firms,receiving high level of assistance and small firms, receiving low level of assistance.
Extent	Extensive vs. Limited	H-2.1:There is no significant difference between the performance of small firms, receiving extensive assistance and small firms, receiving limited assistance.
Types	Only financial vs. both financial & non-financial vs. only non-financial	H-2.2:There is no significant difference in the performance of small firms, receiving three types of assistance: only financial, both financial and non-financial and only non-financial assistance.
Intensity	High vs. Low	H-2.3:There is no significant difference between the performance of small firms, receiving high intensive assistance and small firms, receiving low intensive assistance.
Support agency	Public vs. Private	H-3: There is no significant difference in the performance of small firms, receiving assistance from public support agencies and small firms,receiving assistance from private support agencies.
	BSCIC vs. MIDAS vs. BASIC	H-3.1:There is no significant difference in the performance of small firms, receiving assistance from three main support agencies: BSCIC, MIDAS and BASIC.
RELATIONSHIP		
Measures of assistance & Sales	Measures of assistance and sales growth	H-4.1:There is a significant, positive correlation between the measures of support services and the percentage increase (growth) in sales of the assisted small firms.
Measures of assistance & Employment	Measures of assistance and employment growth	H-4.2:There is a significant, positive correlation between the measures of support services and the percentage increase (growth) in the number of employees of the assisted small firms.
Measures of assistance & Value added	Measures of assistance and value added per full-time employee	H-4.3:There is a significant, positive correlation between the measures of support services and value added per full-time employee of the assisted small firms.
Measures of assistance & Sales per full-time employee	Measures of assistance and sales per full-time employee	H-4.4:There is a significant, positive correlation between the measures of support services and sales per full-time employee of the assisted small firms.

Figure 9.1
An Overview of the Performance of the Sample Enterprises

Growth in Employment during 1990-92

% of Firms

Legend:
- Non-Assisted (n-53)
- Assisted (n-83)
- Overall (N-136)

X-axis: Negative, 0-5, 5-10, 10 & above
Growth in Employment (%)
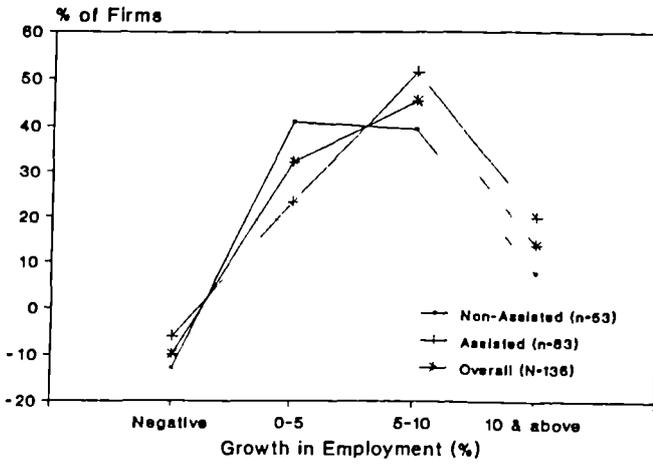
Growth in Sales during 1990-92
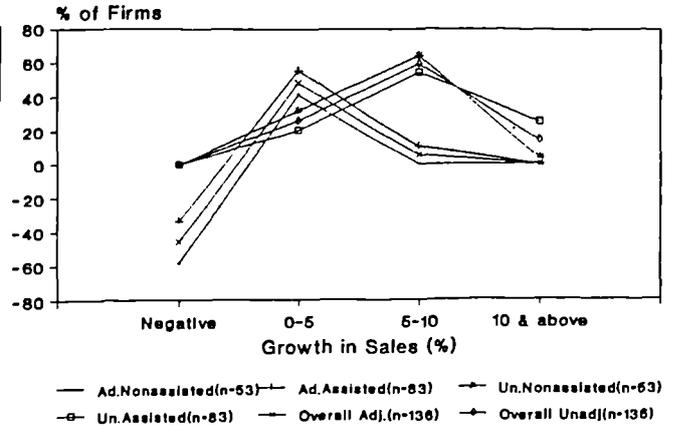
% of Firms

X-axis: Negative, 0-5, 5-10, 10 & above
Growth in Sales (%)

Legend:
- Ad.Nonassisted(n-53)
- Ad.Assisted(n-83)
- Un.Nonassisted(n-63)
- Un.Assisted(n-83)
- Overall Adj.(n-136)
- Overall Unadj(n-136)

Sales per Full-time Employee(1992)

% of Firms

Legend:
- Non-Assisted(n-60)
- Assisted(n-85)
- Overall (N-145)

X-axis: Upto 75, 75 - 100, 100 - 125, 125 - 150, 150 & above
Tk.'000

Value Added per Full-time Employee(1992)

% of Firms

Legend:
- Non-Assisted(n-60)
- Assisted(n-85)
- Overall (N-145)

X-axis: Upto 20, 20-30, 30-40, 40-50, 50 & above
Value added in Tk.'000

288
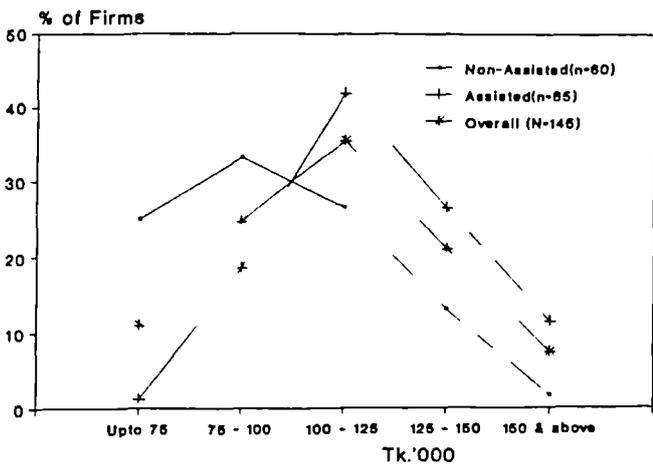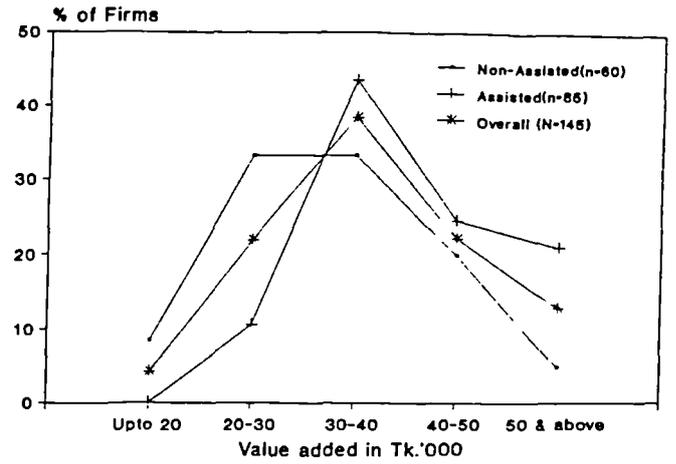
In addition to the variables relating to support services and performance of SMEs, the following moderating variables were taken into consideration during analyses of the effects of support services:

Age of firms;   Managerial experience of owner-mangers;
Market competition;   Initial financial condition of firm;
Industry sector;   Size (number of employees) of firm, and
Time elapsed after receiving assistance.

To examine possible relationships, between the measures of support services and performance of SMEs, four hypotheses from H-4.1 to H-4.4, as shown in Table 9.1 were tested. These hypotheses were developed in the light of the following overall hypothesis:

> *'There is a significant, positive correlation between the measures of support services and the performance of assisted small firms.'*

As described in methodology, Multiple Regression (stepwise) was used to examine the relationship hypotheses. Now, the forthcoming sections present the results of analyses.

3.0 EXAMINING DIFFERENCES

3.1 ASSISTED VERSUS NON ASSISTED FIRMS

H-1:   **There is no significant difference between the performance of small firms, receiving support services and similar (size, sector, ownership and process) small firms, receiving no support services.**

The hypothesis, H-1, was examined by comparing the average performance between assisted firms and similar (size, sector, form and process) non-assisted firms. For this purpose, the firms under study were divided into assisted and non-assisted groups. Using the technique of chi-square, these two groups were found similar in terms of ownership type, employment size

in 1990, production process employed, and industry sector. The values of chi-square analyses ranged from 1.79 to 6.36, none showing a significant difference between assisted and non-assisted firms at the conventional 5 per cent significance level.

The statistical tool of MANOVA was used, controlling for age of firm, managerial experience of owners, initial financial condition and market competition. Results are shown in Table 9.2. Analyses reveal the value of F (4, 97) = 5.55, which is very significant at 5 per cent ($\underline{P}$=.00) level.

Table 9.2
Hypothesis-1
Assisted vs. Non Assisted Firms
MANOVA: F(4,97)=5.55 $\underline{p}$ =0.00
Univariate F(1,100) Tests Results

Variables	Mean		F Values	P Values
	ASEs[1]	NASEs[2]		
Growth in Sales (%)	8.68	6.79	6.31	0.01*
Growth in Job (%)	7.50	5.21	6.83	0.01*
Sales per Job (Tk.'000)	121.75	98.84	16.41	0.00**
Value added per Job (Tk.'000)	40.85	33.29	12.48	0.00**

1	Assisted Small Enterprises;	2	Non Assisted Small Enterprises;
*	Significant at less than 5 per cent.	**	Significant at less than 1 per cent.

Note: Variables controlled - age of firm, managerial experience, market competition, time elapsed after receiving support services and initial financial condition.

Therefore, the null hypothesis of no significant difference, between the performance of small firms, receiving support services and comparable small firms, receiving no such assistance was rejected. Since the overall difference was found significant, it was examined to determine which variables (growth in sales, growth in employment, sales per employee and value added per employee) contributed to the overall difference in the performance. For this purpose, the results of Univariate F Tests were used, as presented in Table 9.2. It is evident that the small firms that had received support services experienced significantly higher growth in sales and employment and higher productivity (sales and value added per employee) than similar small

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enterprises that did not receive such assistance. The differences in performance might be attributable to the assistance received, since the groups compared were not significantly different from each other in terms of size, nature of business, ownership pattern and production processes employed. Moreover, the possible influence of some other variables, such as age of firm, managerial experience, initial financial condition and market competition was neutralised, incorporating these variables into the MANOVA equation as covariates.

It was, therefore, inferred from the analyses above that support services seemed to have a significant positive effect on the growth and development in the performance of the assisted firms.

The findings above, however, should be read with caution, particularly for the following reasons: Firstly, although attempts had been made to neutralise the influence of the major intervening factors, as stated earlier, the effect of support from informal sources (except initial financial condition) was not taken into account in the above analyses. Secondly, it appeared during analyses, as discussed in Chapter 7 (6.0: Reasons for not getting any or sufficient support services), that slightly over a fifth of the sample firms (35 out of 161 units) had tried for support services but ultimately failed, because these firms failed to meet the selection criteria applied by support agencies, particularly private support agencies. Therefore, it appeared that those firms, which fulfilled the selection criteria and received assistance, had already shown some potentially better performance than the non-assisted firms. In fact, **PRE-SELECTION** seemed to be a major factor in explaining the better performance by the assisted firms. Therefore, the influence of selection needs some consideration to analyze the effect of support services. This was, however, revealed through analyses - not at the beginning of this study. Finally, while the overall similarity between the

assisted and non-assisted firms was ensured, one-to-one variation in the firms under study was very difficult to compare, if not impossible.

Further analyses were carried out, to examine more insight into the effect of support services, in terms of age of firm, managerial experience of owners, initial financial condition, and market competition. The results of these analyses are presented in the following discussion.

3.1.1 AGE OF FIRM AND EFFECT OF SUPPORT SERVICES

To examine whether there was any significant difference in the performance between the young and old firms under study, the sample was divided into two groups. The firms that had been in operation below 6 years (average age 6.45 years for the sample) were treated as young firms, while the firms those had been in operations for 6 years, or more, were considered as old firms. The performance of young assisted firms was compared with the performance of similar young non-assisted firms. Results are provided in Table 9.3, showing an overall significant difference.

Table 9.3

Young Firms: Assisted vs. Non Assisted

MANOVA: $F(4,41)=5.62$ $p = 0.00$

Univariate $F(1,44)$ Tests Results

Variables	Mean		F Values	P Values
	YASEs[1]	YNASEs[2]		
Growth in Sales (%)	9.69	7.29	3.24	0.07
Growth in Job (%)	8.24	5.16	5.54	0.02*
Sales per Job (Tk.'000)	129.65	92.69	19.81	0.00**
Value added per Job(Tk.'000)	43.51	31.94	13.56	0.00**

1	Young Assisted Small Enterprises;
2	Young Non Assisted Small Enterprises;
*	Significant at less than 5 per cent;
**	Significant at less than 1 per cent.
Note:	Variables controlled - age of firm, managerial experience of owner, market competition, initial financial condition, and time elapsed after receiving support services.

The young firms, which received assistance achieved significantly higher growth in employment and productivity than that of the similar young firms, which did not receive such assistance. A comparison was also made between the performance of assisted young firms and that of the assisted old firms. The results, as shown in Appendix 9.2, indicate that young firms experienced better performance than old firms, by all performance measures. This overall difference, however, was not proved statistically significant.

Further, the performance of old assisted firms was compared to the old non-assisted firms, as shown in Appendix 9.3. Although the old assisted firms did better than similar non-assisted firms, by all performance measures, the difference was not statistically significant.

Analyses, therefore, suggest that support to younger firms seems to have a considerable positive effect upon the performance of the assisted firms compared to that of the similar young non-assisted firms. This finding has a significant policy implication in the sense that to have the desired impact of assistance, young firms should be given preference, if necessary, over old firms in offering support services.

3.1.2 MANAGERIAL EXPERIENCE AND EFFECT OF ASSISTANCE

Managerial experience was measured, as described in the methodology, Chapter 5, by the number of years an owner-manager had been in same business. Those who were in business for up to 8 years were considered as less experienced owner, whilst the entrepreneurs in the same business for 8 years, or more, were treated as more experienced owners (average of the sample was 8.65 years). Based on this classification, the performance of the assisted firms, with less experienced owners was compared to that of the assisted firms, with more

experienced entrepreneurs, as shown in Appendix 9.4. Although the firms, with less experienced owners achieved higher performance, by all measures, than their counterparts, the overall difference was not significant. However, the growth in employment was significantly higher by the firms, with less experienced owners compared to that of the firms, with more experienced owners. Further analysis was carried out, comparing the performance between assisted firms, with more experienced entrepreneurs and similar non-assisted firms, with more experienced owners, as shown in Appendix 9.5. However, no significant difference was evident between the performance of these two groups.

As illustrated in Table 9.4, the firms with less experienced owners, which had received assistance, outperformed similar firms which did not receive such assistance from support agencies.

Table 9.4
Less Experienced Owners: Assisted vs. Non Assisted Firms

MANOVA: $F(4,43)=5.68$ p $=0.00$

Univariate $F(1,46)$ Tests Results

Variables	Mean		F Values	P Values
	ALEO[1]	NALEO[2]		
Growth in Sales (%)	9.10	6.38	4.21	0.04*
Growth in Job (%)	8.52	5.29	4.52	0.03*
Sales per Job (Tk.'000)	128.04	90.30	19.34	0.00**
Value added per Job(Tk.'000)	43.26	31.50	12.24	0.00**

1	Assisted Firms with Less Experienced Owner;
2	Non Assisted Firms with Less Experienced Owner;
*	Significant at less than 5 per cent;
**	Significant at less than 1 per cent.
Note:	Variables controlled - age of firm, market competition, initial financial condition, time elapsed after receiving support services.

It appears, therefore, that the effect of support services seems to be significantly higher on the performance of the firms, with less experienced owners than that of the similar non-assisted firms under study.

3.1.3 MARKET COMPETITION AND EFFECT OF SUPPORT SERVICES

Competitive strength of the firms may be a significant factor having influence (positive or negative) upon the performance of SMEs. To assess the influence of market competition, owner-mangers were asked to express their perceptions on the strength of competition as: (a) Too many competitors; (b) A few competitors, and (c) In between a few and too many competitors. The firms under study were divided into two groups. The firms those belonged to category (a) were treated as the firms facing 'High' competition, while the firms under other two groups (b) and (c) were considered as the firms facing 'Low' competition.

Based on this classification, the performance of the assisted firms, facing low competition was compared to the firms, facing high competition. Results, as shown in Appendix 9.6, reveal no overall significant difference. The Univariate analyses, however, revealed that the firms facing, low competition achieved significantly higher productivity (value added per employee) than that of the firms, facing high competition. A considerable difference in the performance was also evident between assisted and similar non-assisted firms, facing low competition, as exhibited in Table 9.5.

Table 9.5

Low Competition: Assisted Vs. Non Assisted Firms

MANOVA: $F(4,32)=3.16$ $p =0.02$

Univariate $F(1,35)$ Tests Results

Variables	Mean		F Values	P Values
	ALC[1]	NALC[2]		
Growth in Sales (%)	8.79	8.45	0.32	0.57
Growth in Job (%)	8.26	5.01	3.96	0.04*
Sales per Job (Tk.'000)	128.46	105.46	4.19	0.01*
Value added per Job(Tk.'000)	45.20	34.73	7.51	0.04*

1   Assisted Firm facing Low Competition;   2   Non Assisted Firm facing Low Competition;
*   Significant at less than 5 per cent.
Note: Variables controlled - managerial experience, initial financial condition and age of firm.

As shown in the table, the assisted firms did significantly better than the similar non-assisted firms in terms of all performance measures, except growth in sales. Further analyses were carried out, examining the differences in performance, between assisted and similar non-assisted firms, facing high competition. As displayed in Table 9.6, the assisted firms, facing high competition experienced higher growth in sales, and exhibited better productivity than similar non-assisted firms, facing high competition.

Table 9.6
High Competition: Assisted vs. Non Assisted Firms

MANOVA: $F(4,58)=4.85$ p =0.00
Univariate $F(1,61)$ Tests Results

Variables	Mean		F Values	P Values
	AHC[1]	NAHC[2]		
Growth in Sales (%)	8.59	6.03	11.45	0.00**
Growth in Job (%)	6.96	5.31	2.47	0.12
Sales per Job (Tk.'000)	117.05	95.78	11.99	0.01*
Value added per Job(Tk.'000)	37.80	32.62	6.75	0.00**

1   Assisted Firms with High Competition;   2   Non Assisted Firms with High Competition;
*   Significant at less than 5 per cent;   **   Significant at less than 1 per cent.
Note: Variables controlled - managerial experience, initial financial condition, age of firm and time elapsed after receiving support services.

Evidence suggests, therefore, that irrespective of competitive strength of the firms under consideration, assistance seems to have a positive role in achieving better performance by assisted-firms compared with similar non-assisted firms.

3.1.4 INITIAL FINANCIAL CONDITION AND EFFECT OF ASSISTANCE

The capacity of SMEs of getting assistance may well depend on the firms' initial financial conditions. These differences, in turn, may have considerable influence on the performance of the study firms. Therefore, analyses were carried out to examine whether the performance of the firms under study vary, or not, according to their initial financial conditions. The

performance of assisted firms, with high initial funding was compared to that of the assisted firms, with low initial funding. Results are shown in Table 9.7. As expected, the firms that started with high initial funding achieved significantly higher growth in sales and sales per employee than the firms, that started with low initial funding.

Table 9.7
Assisted Firms: Low vs. High Initial Funding

MANOVA: $F(4,61)=3.65$ $p = 0.01$

Univariate $F(1,58)$ Tests Results

Variables	Mean		F Values	P Values
	AHF[1]	ALF[2]		
Growth in Sales (%)	9.90	7.69	5.03	0.02*
Growth in Job (%)	8.41	6.86	0.81	0.37
Sales per Job (Tk.'000)	129.87	114.07	6.06	0.01*
Value added per Job(Tk.'000)	43.43	39.80	0.29	0.58

1   Assisted Firms with high initial funding;   2   Non Assisted Firms with low initial funding;
*   Significant at less than 5 cent;
Note: Variables controlled - ownership, age of firm, employment size, time elapsed after receiving support, managerial experience of owner and market competition.

The performance of the assisted and similar non-assisted firms, started with low initial funding was compared, as shown in Table 9.8. It is evident that the assisted firms achieved significantly higher productivity, sales as well as value added per employee, than similar non-assisted firms, which started with low initial funding.

Table 9.8
Low Initial Funding: Assisted vs. Non Assisted Firms

MANOVA: $F(4,70)=2.72$ $p = 0.03$

Univariate $F(1,73)$ Tests Results

Variables	Mean		F Values	P Values
	ALF[1]	NALF[2]		
Growth in Sales (%)	7.43	6.17	1.79	0.18
Growth in Job (%)	6.74	5.72	0.28	0.59
Sales per Job (Tk.'000)	114.92	95.69	7.80	0.00**
Value added per Job(Tk.'000)	39.15	32.51	7.94	0.00**

1   Assisted Firms with low initial funding;   2   Non Assisted Firms with low initial funding;
**   Significant at less than 1 per cent;
Note: Variables controlled - managerial experience, market competition, firm age and time elapsed.

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The results of analyses, between the performance of assisted and similar non-assisted firms that started with high initial funding, are presented in Table 9.9. Evidence suggests that by all performance measures, the assisted firms outperformed similar non-assisted firms.

Table 9.9

High Initial Funding: Assisted vs. Non Assisted Firms

MANOVA: $F(4,48)=6.29$ $p =0.00$

Univariate $F(1,47)$ Tests Results

Variables	Mean		F Values	P Values
	AHF[1]	NAHF[2]		
Growth in Sales (%)	9.80	7.36	4.74	0.03*
Growth in Job (%)	8.31	3.93	12.51	0.00**
Sales per Job (Tk.000)	129.04	98.12	15.17	0.01*
Value added per Job(Tk.'000)	43.58	34.99	7.21	0.00**

1   Assisted Firms with high initial funding;   2   Non Assisted Firms with high initial funding;
*   Significant at less than 5 per cent;   ** Significant at less than 1 per cent.
Note: Variables controlled - managerial experience, market competition, firm age and time elapsed.

The analyses above, therefore, indicate that assistance seems to have a significant positive effect on the performance of firms, that started with a strong initial financial (high initial funding) condition compared to similar non-assisted firms. Although the firms with low initial funding, receiving support services showed better performance (higher value added and sales per employee) than similar non-assisted firms, this difference was not statistically significant. One possible explanation for this result could be that due to a strong financial position, assisted firms were able to utilise properly the assistance received from support agencies.

3.2 LEVEL OF ASSISTANCE AND EFFECT ON PERFORMANCE

As described in the methodology, Chapter 5, there are three measures of support services: EXTENT, TYPE and INTENSITY. To have an in-depth analysis of the effect of assistance,

a composite standardized score of these elements of support services was worked out to measure the level of assistance received by small firms. A composite standardized score of 0.01 (Mean 00, Standard Deviation 1, Max. 2.05 and Min. -0.92) was used as a cut-off point. A score of 0.01, or above, was treated as a **High** level of assistance, whilst this score of less than 0.01 was considered as a **Low** level of assistance. Based on this classification, the performance between two groups, firms receiving low versus high level of assistance, was compared, and the results are presented below.

H-2: **There is no significant difference between the performance of small firms, receiving high level of assistance and small firms, receiving low level of assistance.**

This hypothesis was examined, by comparing the performance difference between the firms, receiving high level of assistance and the firms, receiving low level of assistance. Table 9.10 exhibits the results. Analyses revealed an overall significant difference, between the performance of firms, receiving a low level of assistance and firms, receiving a high level of assistance.

Table 9.10
Hypothesis-2
Assisted Firms: Low vs. High Level of Assistance
MANOVA: $F(4,69) = 3.64$ $p = 0.00$
Univariate $F(1,72)$ Tests Results

Variables	Mean		F Values	P Values
	LSS[1]	HSS[2]		
Growth in Sales (%)	8.05	9.59	3.75	0.05
Growth in Job (%)	6.64	8.74	5.08	0.02*
Sales per Job (Tk.'000)	123.73	121.26	0.19	0.66
Value added per Job(Tk.'000)	40.03	43.75	2.64	0.10

1   Firms receiving High Level of Assistance; 2   Firms receiving Low level of Assistance;
*   Significant at less than 5 per cent.
Note: Variable controlled - size of firm measured by number of employees.

Information from the table reveals that firms, receiving a high level of assistance experienced significantly higher growth in sales and employment than firms, receiving a low level of help. Productivity measures did not vary enough to be statistically significant. However, the firms that received a high level of assistance experienced higher value added but lower sales per employee compared to that of the firms that got a low level of support.

Therefore, it can be inferred that a higher level of assistance seems to have a positive effect on the performance of firms that received such help. Analyses were also carried out to examine the influence of age and size of firm, managerial experience of owner, market competition, initial financial condition and industry sector. Statistically significant differences were evident between the performance of the firms, receiving a low level of assistance and firms, receiving a high level of assistance, in terms of managerial experience, initial financial condition and industry sector. These are discussed in the forthcoming sections.

3.2.1 MANAGERIAL EXPERIENCE AND LEVEL OF ASSISTANCE

Table 9.11 provides the results of analyses, between the performance of enterprises, with less experienced owners, receiving low versus high levels of support services. The overall difference was statistically significant, as shown in the Table 9.11. The firms, with less experienced owners, receiving a high level of assistance did better (except sales per employee) than firms, with less experienced owners, receiving a low level of support. The Univariate analyses reveal, however, that the difference in performance was not statistically significant, by any of the performance measures under consideration.

Table 9.11

Firms with Less Experienced Owners: Low vs. High Level of Assistance

MANOVA: $F(4,34)=2.66$ $p =0.04$

Univariate $F(1,37)$ Tests Results

Variables	Mean		F Values	P Values
	LSS[1]	HSS[2]		
Growth in Sales (%)	8.18	10.21	3.59	0.06
Growth in Job (%)	8.28	8.57	0.05	0.81
Sales per Job (Tk.'000)	134.14	121.98	2.63	0.11
Value added per Job(Tk.'000)	42.26	44.88	0.61	0.43

1　　Firms receiving low level of assistance;　2　Firms receiving high level of assistance;

Note:　Variable controlled - size of firm measured by number of employee.

3.2.2 INITIAL FINANCIAL CONDITION AND LEVEL OF ASSISTANCE

The results of comparison in the performance, between the firms, with low initial funding, receiving a low level of assistance and the firms, with low initial funding, receiving a high level of assistance are shown in Table 9.12. There is an overall significant difference in the performance, between these two groups of enterprises.

Table 9.12

Firms with Low Initial Funding: Low vs. High Level of Assistance

MANOVA: $F(4,33)=2.62$ $p =0.05$

Univariate $F(1,36)$ Tests Results

Variables	Mean		F Values	P Values
	LSS[1]	HSS[2]		
Growth in Sales (%)	6.87	8.56	2.03	0.16
Growth in Job (%)	6.18	7.67	1.18	0.28
Sales per Job (Tk.'000)	117.59	110.91	0.92	0.34
Value added per Job(Tk.'000)	38.38	41.87	1.49	0.22

1　　Firms with Low initial funding receiving low level of assistance;

2　　Firms with Low initial funding receiving high level of support;

Note:　Variable controlled - size of firm measured by number of employee.

The firms that started with a low initial funding and received a high level of assistance did significantly better than firms that started with a low initial funding and received a low level

of support services. This difference, however, was not significant, by any of the measures of performance.

3.2.3 INDUSTRY SECTOR AND LEVEL OF ASSISTANCE

The firms under study were divided into Engineering and Other sectors, and the performance of firms, receiving high versus low assistance, was compared. The enterprises in the Other sectors (non-engineering firms) showed an overall significant difference between the performance of firms, receiving a low level of assistance and firms, receiving a high level of assistance. The results of these analyses are depicted in Table 9.13.

Table 9.13
Non-Engineering Firms: Low vs. High Level of Assistance
MANOVA: $F_{(4,27)} = 3.01$ $p = 0.03$
Univariate $F_{(1,30)}$ Tests Results

Variables	Mean		F Values	P Values
	LSS[1]	HSS[2]		
Growth in Sales (%)	8.74	10.90	4.18	0.05
Growth in Job (%)	7.53	9.45	2.08	0.15
Sales per Job (Tk.'000)	137.70	125.33	2.53	0.12
Value added per Job(Tk.'000)	43.23	45.26	0.30	0.58

1   Firms other than engineering receiving low level of assistance;
2   Firms other than engineering receiving high level of assistance;
Note: Variable controlled - size of firm measured by number of employee.

The firms in the Other sectors, receiving a high level of support did show significantly better performance (except sales per employee) than the firms in the same sectors, receiving a low level of assistance. This difference, however, was proved statistically significant only in terms of growth in sales - no other measures of performance.

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3.3 EXTENT OF ASSISTANCE AND EFFECT ON PERFORMANCE

The extent of assistance was measured by the number of problem areas in which SMEs received support services, as described in the methodology, Chapter 5 (6.1: Operationalising Support Services). Assistance received by SMEs in up to 4 problem areas was treated as **Limited** support, whilst assistance in 5 or more areas was considered as **Extensive** support. Based on this classification, the hypothesis that was tested is:

H-2.1 There is no significant difference between the performance of small firms, receiving limited assistance and small firms, receiving extensive assistance.

The above hypothesis was rejected. Table 9.14 provides the results of the analyses. It is clearly evident that there is an overall significant difference in the performance between firms receiving extensive versus limited support.

Table 9.14
Hypothesis-2.1
Assisted Firms: Limited vs. Extensive Assistance

MANOVA: $F(4,71)=3.53$ $p = 0.01$
Univariate $F(1,74)$ Tests Results

Variables	Mean		F Values	P Values
	FLSS[1]	FESS[2]		
Growth in Sales (%)	7.77	9.70	6.26	0.01*
Growth in Job (%)	6.50	8.59	5.32	0.02*
Sales per Job (Tk.'000)	124.10	120.10	0.62	0.43
Value added per Job(Tk.'000)	40.71	42.88	0.92	0.34

1	Firms receiving Limited support services;	2	Firms receiving Extensive support services;

* Significant at less than 5 per cent;

Note: Variable controlled - size of firm measured by number of employee.

The results, revealed by Univariate analyses, show that the firms, which received extensive support achieved significantly higher growth in sales and employment than the firms, which received limited assistance. Looking at the productivity measure, it is evident that firms with

extensive support show higher value added, but lower sales per employee than their counterparts. This difference, however, was not statistically significant. **It is concluded, therefore, that extensive assistance seems to have a significant effect on growth in sales and employment of the firms that received such support services.**

3.3.2 TYPES OF SUPPORT SERVICES AND EFFECT ON PERFORMANCE

The assistance received by the study firms was grouped as: only financial, both financial and non-financial and only non-financial. Based on these categorisations, the performance of the study firms was analyzed, testing the following hypothesis:

H-2.2 There is no significant difference in the performance of small firms, receiving three types of assistance: Only financial, both Financial and Non-financial, and only Non-financial assistance.

The Hypothesis-2.2 was accepted, shown in Table 9.15. The overall difference in the performance of firms across three types of assistance received was not statistically significant.

Table 9.15
Hypothesis-2.2
Assisted Firms: Only Financial, Fin. & Nonfinancial, and only Nonfinancial Assistance
MANOVA: $F(8,146)=1.52$ $p =0.15$
Duncan Multiple Range Test Results

Variables	Mean			F Value	P Value	Groups differed at less than 5 per cent
	OF[1]	BFNF[2]	ONF[3]			
Growth in Sales (%)	7.82	9.11	5.57	3.09	0.05	BFNF vs. ONF
Growth in Job (%)	6.24	8.09	5.98	2.06	0.13	-
Sales per Job (Tk.'000)	123.13	122.00	106.80	0.74	0.48	-
Value added per Job (Tk.'000)	40.28	42.45	32.05	2.54	0.05	BFNF vs. ONF

1   Firms receiving Only Financial assistance;
2   Firms receiving both Financial and Non-financial assistance;
3   Firms receiving only Non-financial assistance;
Note: Variable controlled - size of firm measured by number of employee.

The firms, which received both financial and non-financial assistance, showed better performance, except sales per employee, than the firms, which received either only financial or non-financial assistance. Duncan Multiple Range Tests reveal that the growth in sales and value added per employee of the firms, receiving both financial and non-financial support was significantly higher than that of the firms, receiving only non-financial assistance. **The findings above, therefore, suggest that financial assistance, along with non-financial support, is more likely to have a considerable positive effect upon the performance of small enterprises, particularly in creating higher amount of value added (contribution to GDP) and growth in sales.** These findings were also confirmed by the findings of the Hypothesis-2.1, which revealed that extensive assistance - consisted of more than one type of assistance - appeared to be more effective, to have higher growth in sales and employment, than limited assistance.

3.3.3 INTENSITY OF ASSISTANCE AND EFFECT ON PERFORMANCE

The amount of financial assistance, received by SMEs, was considered as intensity of assistance, which was divided into Low versus High. Loans below Tk. 5 lac were treated as low intensive support, while loans of Tk. 5 lac or above were considered as high intensive support. Based on this classification, the hypothesis that was tested is as follows:

H-2.3 There is no significant difference between the performance of small firms, receiving low intensive assistance and small firms, receiving high intensive assistance.

This hypothesis was accepted since the overall difference, as shown in Table 9.16, was not statistically significant. The hypothesis, however, can be rejected at a slightly higher (at 6 per cent) significance level. It was, therefore, decided to reject the hypothesis. Looking at the

results of the Univariate analyses, it is evident that firms, receiving high intensive support

(higher amounts of loans) showed significantly higher value added per employee than firms,

receiving low intensive (lower amount of loans) assistance.

Table 9.16
Hypothesis-2.3
Assisted Firms: Low vs. High Intensive Assistance

MANOVA: $F(4,69)=2.38$ $p=0.06$

Univariate $F(1,72)$ Tests Results

Variables	Mean		F Values	P Values
	LIS[1]	HIS[2]		
Growth in Sales (%)	8.24	9.34	1.87	0.17
Growth in Job (%)	6.96	8.32	2.05	0.15
Sales per Job (Tk.'000)	119.96	126.20	1.23	0.26
Value added per Job(Tk.'000)	39.08	44.99	7.07	0.01*

1   Firms receiving low intensive support;   2   Firms receiving high intensive support;
*   Significant at less than 5 per cent.
Note: Variable controlled - size of firm measured by number of employees.

The finding above has significant policy implications for the small firm sector. It

could be said that, by offering higher amount of financial support more employment

can not be generated in the small enterprise sector as no significant difference was

evident in employment growth in the above analyses. However, high intensive support

(higher amount of credit) might be helpful for small enterprises to create higher value

added per employee, compared to low intensive support.

3.4 PUBLIC VERSUS PRIVATE SUPPORT ORGANISATIONS

The sample firms were divided into two groups. The first group was consisted of the firms

that received assistance from public support agencies, while the other group of firms received

assistance from private support agencies. Whether there is any significant difference in the

performance between these two groups of firms was examined, testing the following hypothesis:

H-3   There is no significant difference between the performance of small firms, receiving assistance from public support agencies and small firms, receiving assistance from private support agencies.

The results of testing the hypothesis is shown in Table 9.17. It was revealed that there was an overall significant difference in the performance between the firms, receiving assistance from public support agencies and the firms, receiving assistance from private agencies.

Table 9.17
Hypothesis-3
Assisted Firms: Public vs. Private Support Agencies
MANOVA: F(4,47)=3.40   p =0.01
Univariate F(1,50) Tests Results

Variables	Mean		F Values	P Values
	Public[1]	Private[2]		
Growth in Sales (%)	7.55	10.87	9.78	0.00**
Growth in Job (%)	6.06	8.00	8.00	0.00**
Sales per Job (Tk.'000)	115.58	133.81	1.63	0.20
Value added per Job(Tk.'000)	38.53	45.45	2.45	0.12

1   Firms receiving support from public sector agencies;
2   Firms receiving support from private sector agencies;
**   Significant at less than 5 per cent.
Note: Variable controlled - size and age of firm, time passed after getting assistance, managerial experience, industry sector, initial financial condition, market competition and production process employed.

The results from Univariate analyses, as exhibited above, reveal that overall the firms, assisted by private agencies, did better than the firms, assisted by public support agencies, in terms of all performance measures. In particular, the firms those received support from private support agencies achieved significantly higher growth in sales and employment compared to the firms those received support from public support agencies. The findings, therefore, suggest that support, offered by private agencies, seems to be more effective than that of the public support agencies in helping the SMEs under study.

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3.4.1 SMALL FIRMS ASSISTED BY BSCIC, MIDAS AND BASIC

The performance of the sample firms assisted by the major three support agencies, namely,

BSCIC, MIDAS and BASIC, was analyzed and compared. The hypothesis that was tested is:

H-3.1 There is no significant difference in the performance of small firms, receiving assistance from three main support agencies: BSCIC, MIDAS and BASIC.

The results of the analyses are demonstrated in Table 9.18. The overall difference in the

performance among the firms under study, classified by three main support agencies, was

statistically significant. The information from the Duncan Multiple Range tests revealed that

the MIDAS-assisted clients did significantly better than that of the BSCIC-assisted clients by

all the performance measures under consideration.

Table 9.18
Hypothesis-3.1
Assisted Firms: BSCIC, MIDAS and BASIC
MANOVA: $F(8,66)=2.02$ p $=0.05$
Duncan Multiple Range Test Results

Variables	Mean			F Value	P Value	Groups differed at less than 5 per cent
	G1[1]	G2[2]	G3[3]			
Growth in Sales (%)	7.82	11.68	8.77	13.37	0.00	G2 & G1
						G2 & G3
Growth in Job (%)	6.24	10.93	7.81	7.97	0.00	G2 & G1
Sales per Job (Tk.'000)	111.69	135.64	132.12	6.44	0.00	G2 & G1
Value added per Job (Tk.'000)	37.50	45.14	46.94	6.69	0.00	G2 & G1
						G3 & G1

1   Firms receiving assistance from BSCIC;   2   Firms receiving assistance from MIDAS;
3   Firms receiving support services from BASIC.
Note: Variables controlled - size and age of firm, time passed after getting support, managerial experience, industry sector, initial financial condition and market competition.

The MIDAS assisted firms also showed significantly higher growth in sales compared to the

BASIC clients. The enterprises, supported by BASIC, achieved significantly higher value

added per employee than that of the firms assisted by BSCIC. It appeared, as pointed out earlier, that the private agencies, both MIDAS and BASIC, applied strict selection criteria in selecting the firms for their support. These included, among others, certain degree of financial solvency as well as some prospects for development and growth. On the other hand, the firms assisted by BSCIC were not subjected to such rigorous process of pre-selection. Therefore, the firms that received assistance from the private support agencies had already exhibited some indication of either actually or potentially better performance than the firms assisted by BSCIC. Therefore, the process of pre-selection was likely to play a major role in achieving better performance by the clients of the private support agencies than their counterparts. However, one plausible explanation seemed to be the fact that, being pre-selected by support agencies, these firms were more growth oriented, potential or actual, than the firms assisted by BSCIC. As a result, when assistance got in those firms, it (assistance) had accelerated the pace of growth and development, and thus, assistance seemed to be more effective than the support offered by BSCIC.

Evidence, therefore, suggests that the support offered by MIDAS seems to be more effective, on the performance of the assisted firms, than that of the assistance offered by BSCIC. Among the three main support agencies under comparison, MIDAS emerged as the provider of the most effective support services to the small enterprises under study. This conclusion is fully consistent with the findings presented in Chapter 8 (7.0: Summary), where, in terms of organisation design, MIDAS also emerged as the most effective agency, as viewed by small entrepreneurs, in Bangladesh.

4.0 EXAMINING RELATIONSHIPS

To have an insight into the differences discussed so far, possible correlational evidence between the measures of support services and small firm performance was examined. Each dependent (criterion) variable (growth in sales and employment, sales and value added per employee) was regressed against three independent (predictor) variables (extent, type and intensity) of support services. Four hypotheses were tested using multiple (stepwise) regression model. The results of these analyses are presented below.

H-4.1 There is a significant, positive correlation between the measures of support services and the percentage increase (growth) in sales of the assisted small firms.

This hypothesis was tested using multiple regression analysis. The model that was tested is:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3$$

Where, Y = Change in sales; a = Constant value;

b_1 = Coefficient of x_1; x_1 = Extent of support services;

b_2 = Coefficient of x_2; x_2 = Type of support services, and

b_3 = Coefficient of x_3; x_3 = Intensity of financial assistance.

Table 9.19 provides the results of the multiple regression analysis. Hypothesis 4.1 was accepted.

Table 9.19
Hypothesis-4.1 Results

Model $F(3,91) = 9.99$ $P = 0.00$ $R^2 = 0.10$

Parameters	Standardized Beta	F to Enter or Remove	P Values
Extent of support services (b_1)	0.19	1.87	0.06
Type of support services (b_2)	0.00	0.02	0.98
Intensity of financial assistance (b_3)	0.31	3.16	0.00**

**   Significant (at less than 1 per cent) contributor to overall R^2

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Information, given in Table 9.19, revealed that there was a significant positive relationship between the measures of support services and change in sales for the firms those received assistance. The value of R^2, 0.10, indicates that 10 per cent of the variance in sales growth experienced by the assisted firms is explained by the support services measures. The parameter information indicates that intensity (amount of financial assistance) is the main contributor to the relationship with change in sales of the assisted firms under study.

H-4.2 There is a significant, positive correlation between the measures of support services and the percentage increase (growth) in the number of employees of the assisted small firms.

Hypothesis H-4.2 was tested using multiple regression analysis. The model that was tested is:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3$$

> Where, Y = Change in the number of employees;
> a = Constant value; b_1 = Coefficient of x_1;
> x_1 = Extent of support services; b_2 = Coefficient of x_2;
> x_2 = Type of support services; b_3 = Coefficient of x_3, and
> x_3 = Intensity of financial assistance.

Hypothesis H-4.2 was accepted, as shown in Table 9.20. There was a significant positive relationship between the measures of support services and the change in employment of the assisted firms.

Table 9.20
Hypothesis-4.2 Results

Model $F(3,91) = 4.52$ $P = 0.03$ $R^2 = 0.05$

Parameters	Standardized Beta	F to Enter or Remove	P Values
Extent of support services (b_1)	0.16	1.59	0.11
Type of support services (b_2)	0.08	0.80	0.42
Intensity of financial assistance (b_3)	0.21	2.12	0.03*

* Significant (at less than 5 per cent) contributor to overall R^2

The value of R^2, 0.05, indicates that 5 percent of the variance in employment increases experienced by firms that received assistance is explained by the measures of support services. The parameter information shows that only one measure of support services, intensity of assistance, contributed significantly to the relationship with change in employment of the assisted firms.

H-4.3 There is a significant, positive correlation between the measures of support services and value added per full-time employee of the assisted small firms.

Hypothesis H-4.3 was tested using multiple regression analysis. The model that was tested is:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3$$

Where, Y = Change in value added per full-time employee;
a = Constant value; b_1 = Coefficient of x_1;
x_1 = Extent of support services; b_2 = Coefficient of x_2;
x_2 = Type of support services; b_3 = Coefficient of x_3, and
x_3 = Intensity of financial assistance.

Hypothesis H-4.3 was accepted. The results of the analysis are shown in Table 9.21. There is a significant positive relationship between the measures of support services and value added per full time employee in the assisted firms.

Table 9.21
Hypothesis-4.3 Results

Model $F(3,91)$ = 4.77 $\underline{P}$ = 0.03 R^2 = 0.05

Parameters	Standardized Beta	F to Enter or Remove	P Values
Extent of support services (b_1)	0.05	0.50	0.61
Type of support services (b_2)	0.04	0.44	0.65
Intensity of financial assistance (b_3)	0.22	2.18	0.03*

*   Significant (at less than 5 per cent) contributor to overall R^2

The value of R^2, 0.05, indicates that 5 percent of the variance in value added per employee is explained by the support services measures. The parameter information from Table 9.21 indicates that one measure of the support services, intensity of financial assistance, contributed to the change in value added per employee of the firms under study.

H-4.4 There is a significant, positive correlation between the measures of support services and sales per full-time employee of the assisted firms.

Hypothesis H-4.4 was tested using multiple regression analysis. The model that was tested is:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3$$

Where, Y = Change in sales per employee;
a = Constant value; $\quad b_1$ = Coefficient of x_1;
x_1 = Extent of support services; b_2 = Coefficient of x_2;
x_2 = Type of support services; $\quad b_3$ = Coefficient of x_3, and
x_3 = Intensity of financial assistance.

The SPSS[x] programme did not reveal any significant relationship between the volume of sales per full-time employee and the measures of support services. Therefore, the hypothesis of significant positive relations between the measures of support services and sales per full-time employee was rejected.

The results from hypotheses tested so far are summarized, as shown in Table 9.22. Based on information from the inference column, it is evident that support services seem to have a positive effect upon the performance of the study enterprises. However, this effect is 'very low' or 'marginal' since the value of multiple R (multiple correlation) varied from 0.21 to 0.31. This means only 5 to 10 per cent of the variance in the performance was explained by the measures of support services. Alternatively, 90 to 95 per cent of the variance in performance of the firms under study was due to factors/reasons other than support services.

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Table 9.22

Results of Hypotheses Examining Differences and Relationships

Hypotheses	Firms Compared OR Relationships Examined	Results	Inference about Effect of Support Services
Differences	**No Difference between**		
H-1	Assisted Vs. Non-Assisted	Rejected	Positive
H-2	Low Vs. High Level of support services	Rejected	Positive
H-2.1	Extensive Vs. Limited support services	Rejected	Positive
H-2.2	Types of support services	Accepted	Not Positive
H-2.3	Low Vs. High intensity of assistance	Rejected	Positive
H-3	Public Vs. Private support agencies	Rejected	Positive
H-3.1	BSCIC Vs. MIDAS Vs BASIC	Rejected	Positive
Relationships	**Positive Relationship between**		
H-4.1	Growth in Sales and Assistance	Accepted	Positive
H-4.2	Growth in Employment and Assistance	Accepted	Positive
H-4.3	Sales per employee and Assistance	Rejected	Not Positive
H-4.4	Value added per employee and Assistance	Accepted	Positive

In reality, there are a wide range of factors, both internal and external, influencing the ultimate performance of the small firms. Support services usually constitute a very small part of these entire range of influencing factors. Therefore, the contribution of 5 to 10 per cent of support services, amongst many other influencing factors, to explain the performance of the SMEs under study could be an indication of a considerable effect of assistance.

The differences and relationships analyses presented above do not indicate anything about CAUSALITY, which means assistance was the cause of better performance in the assisted firms. While the evidence suggested significantly higher performance by assisted firms than similar non-assisted firms, the regression analyses confirmed a moderate relationship between the measures of performance and support services. However, the existence of such a relationship does not indicate that the better performance was due to the assistance received by the assisted firms. As such, the above analyses could not be regarded as 'Cause-Effect

Analysis' in any way. Some understanding, however, about causality could be developed through analysis of qualitative information gathered, during the field work. This is the content of the next section.

5.0 EFFECT OF ASSISTANCE - PERCEPTIONS OF ENTREPRENEURS

The effect of assistance, as perceived by the small entrepreneurs, on the study firms is examined in this section. The views of the entrepreneurs, about the possible effect of assistance upon the health and performance of their firms after receiving assistance, were explored and analyzed from different angles. The respondents under study were encouraged to express their opinions in an open-ended manner, along with some closed ended questions. Since most of the respondents received financial support with, or without, non-financial assistance, same questions were asked once for financial assistance, and then again for non-financial support. Therefore, the following analyses are presented, showing financial and non-financial responses separately, along with overall multiple responses.

5.1 CHANGES MADE AS A RESULT OF ASSISTANCE RECEIVED BY SMEs

Enquiry began with a very simple question 'Do you (entrepreneur) think you have made any changes in your business as a result of receiving assistance?'. The survey results are displayed in Table 9.23. Information from the financial assistance column indicates that an overwhelming majority, 87 per cent, of the respondents had made changes in their businesses after receiving financial assistance. Only 13 per cent of the respondents did not make any changes in their enterprises, as a result of getting financial assistance.

Table 9.23
Changes Made in Enterprises As a Result of Receiving Assistance

Response Category	Support Services				Overall Total Responses (N=84)	
	Financial (n=77)		Non-financial (n=75)			
	No.	%	No.	%	No.	%
Yes	67	87	32	42	81	65
No	10	13	38	51	39	31
Don't know	-	-	5	7	5	4
Total =	77	100	75	100	152	100

Source: Survey

Turning to the non-financial assistance, it appears that over half of the entrepreneurs, 51 per cent, gave an unqualified negative reply, whilst 7 per cent of the respondents were not sure about whether they had made changes or not. The remaining, 42 per cent, entrepreneurs had made some changes in their businesses, as a result of receiving financial assistance. Looking at the overall responses, it is clearly evident that about two thirds, 65 per cent, of the respondents made some changes as a result of receiving assistance. Negative responses were given by about a third, 31 per cent, of the owner-managers, whilst the remaining 4 per cent entrepreneurs were not sure about whether they had made changes or not, as a result of receiving assistance. Evidence, therefore, suggests that not surprisingly there was some considerable recognition of the possible influence of financial assistance. Contrastingly, there is a little recognition with respect to the possible effects of non-financial support received by the small firms under study.

5.2 TYPES OF CHANGES MADE AS A RESULT OF ASSISTANCE

Those who gave 'yes' replies in the above cases were asked to mention the changes made as a result of the assistance received. Since open-ended answers were explored, a number of

multiple responses were mentioned by the respondents. Table 9.24 provides a summary of these responses. It is evident, from the overall response column, that most of the respondents, 28 per cent, started/restarted their enterprises as a result of getting assistance. The volume of production/sales was increased by about a fifth, 20 per cent, of the assisted firms, whilst 14 per cent entrepreneurs increased working capital.

Table 9.24
Types of Changes Made As a Result of Receiving Assistance

Multiple Response Category	Support Services				Overall Total Responses (N=81)	
	Financial (n=67)		Non-financial (n=32)			
	No.	%	No.	%	No.	%
Restarted/started firms	38	28	24	38	50	28
Increased Production/sales	26	19	14	21	35	20
Increased working capital	26	19	-	-	26	14
Purchased Machinery	24	18	-	-	24	13
Expanded business	18	13	-	-	18	10
Improved production process	-	-	10	16	10	6
Improved product quality	-	-	10	16	10	6
Others	4	3	6	9	7	3
Total =	136	100	64	100	180	100

Source: Survey

Information about the financial assistance reveals that most respondents, 28 per cent, started/restarted their enterprises as a result of receiving financial help. The volume of production/sales was increased by about a fifth of the respondents, while the same percentage of entrepreneurs increased working capital. Turning to the non-financial category, it is revealed that most of the respondents, 38 per cent, indicated that non-financial support helped them to start/restart their enterprises. Improvement in either production processes or product quality was the result of assistance, as viewed by a third of the respondents under study.

5.3 WHAT WOULD HAVE HAPPENED WITHOUT THE ASSISTANCE RECEIVED?

A third indirect measure of the effect of assistance was the perceptions of the respondents on what would have happened without the assistance they received. The survey results are exhibited in Table 9.25. Looking at the financial assistance, it is revealed that most of the respondents, 40 per cent, thought that their volume of production/sales would have been lower without such help. As expected, these responses for non-financial category were from only 16 per cent of the owner-managers under consideration. Interestingly, a fifth of the respondents mentioned that they would not have faced any problem without the financial help they had received.

Table 9.25
What Would Have Happened Without the Support Services Received?

Multiple Response Category	Support Services				Overall Total Responses	
	Financial (n=67)		Non-financial (n=32)		(N=81)	
	No.	%	No.	%	No.	%
No problem/Could Manage	16	20	31	62	40	34
Lower volume of production/sales	32	40	8	16	36	31
Could not survive/start/restart	12	15	-	-	12	10
Had to defer projects	11	14	-	-	11	9
Could not buy machineries	6	7	-	-	6	5
No improvement in quality/process	-	-	9	18	9	7
Others	3	4	2	4	4	4
Total =	80	100	50	100	118	100

Source: Survey

Not surprisingly, it is revealed that an overwhelming majority, 62 per cent, of the respondents could run their businesses without any trouble, if they had not received non-financial assistance. Important to note, however, that a total of 15 per cent of the owner-mangers under study mentioned that they would not have survived or re-started their businesses, whilst 14 per cent would have had to defer their projects without the financial help received. Another 7 per cent of the respondents would not have bought machines, if

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they had not received loans. Financial assistance, therefore, seemed to have helped a vast

majority, about four-fifths, of the study entrepreneurs, having a considerable effect on their

businesses.

Since financial assistance seems to have a significant effect on the assisted firms, the

responses of this category were further classified according to support agencies. Table 9.26

exhibits the survey results.

Table 9.26
What would have happened without the financial assistance received?

Multiple Response Category	Major Support Agencies									
	BSCIC (n=29)		MIDAS (n=17)		BASIC (n=5)		Others (n=16)		Total (N=67)	
	No.	%	No.	%	No.	%	No.	%	No.	%
No problem/Could Manage	3	10	7	39	3	60	3	11	16	20
Lower volume of production/sales	11	37	6	33	1	20	14	52	32	40
Could not survive/start/restart	8	26	2	11	-	-	2	7	12	15
Had to defer projects	5	17	2	11	1	20	3	11	11	14
Could not buy machineries	3	10	1	6	-	-	2	7	6	7
Others	-	-	-	-	-	-	3	12	3	4
Total =	30	100	18	100	5	100	27	100	80	100

Source: Survey

As shown above, a vast majority of the BSCIC-assisted firms, 90 per cent, admitted the

possible effect of financial services, whilst these figures for MIDAS and BASIC were 61 per

cent and 40 per cent respectively. The financial assistance offered by BSCIC appears to be

more effective, as viewed by respondents, than that of the private support agencies, MIDAS

and BASIC. One reason of this finding might be, as described in Chapter 6, that most BSCIC

assisted firms were small in size and less promising compared to MIDAS or BASIC-assisted

firms. As such, the BSCIC-assisted clients were less likely to find alternative sources to raise

the assistance they received from BSCIC. Perhaps this is why, a large majority of the BSCIC

clients viewed financial services more favourably than the MIDAS or BASIC-assisted clients.

Overall, the findings from qualitative analyses are consistent with responses to the questions providing for three indirect measures of the effect of assistance. Positive responses were received from a large majority of the firms that received financial assistance. In particular, financial support helped 31 per cent of the assisted firms to increase production or sales, whilst 10 per cent of the assisted entrepreneurs would not have survived or, started or, restarted without the financial assistance received. Furthermore, without such help 21 per cent respondents would have had to defer their projects or would have not been able to buy machineries or improve product/production process for their firms. As opposed to the significant positive effects of financial assistance, most entrepreneurs viewed non-financial assistance as not having any effect on their firms.

It is, therefore, clearly evident that there is some recognition of a considerable positive effect of financial support, whilst a little with regard to the possible influence of non-financial assistance received by the study firms. The effect of financial assistance seems to be perceived more favourably by BSCIC-clients than that of the MIDAS or BASIC-clients.

6.0 THE USEFULNESS OF ASSISTANCE RECEIVED BY SMEs

A further attempt was made to explore the perceptions of the respondents on the usefulness of assistance received. All possible areas of business in which assistance might have influence were identified. These are:

Improved profitability;	Increased productivity;	Higher level of output;
Increased capacity;	Introduced new process;	Increased sales;
Improved cash flows;	Improved skills;	Helped to survive;
Increased employment, and	Others, if any.	

A five-point scale, ranging from very much (5) to not useful at all (1), was used to quantify perceptions of the owner-mangers. The respondents under study were asked to indicate their views, about possible effect of support services, in terms of the scale. Figure 9.2 summarises the survey results. Information from the financial response category shows that most of the respondents, 39 per cent, believed that the assistance received was hardly useful for their firms. Interestingly one entrepreneur found credit not useful at all. About a quarter, 24 per cent, gave very positive responses, stating either fairly or very much useful. The remaining 35 per cent of the study entrepreneurs found financial help useful.

Figure 9.2
Usefulness of Support Services Viewed by Entrepreneurs

% of Responses

Finance(n=79)
Overall(n=65)
Non-finance(n=70)

Not useful   Hardly useful   Useful   Fairly useful   Highly useful
Perceived Usefulness of Support Services
Total Respondents=86
Source: Survey
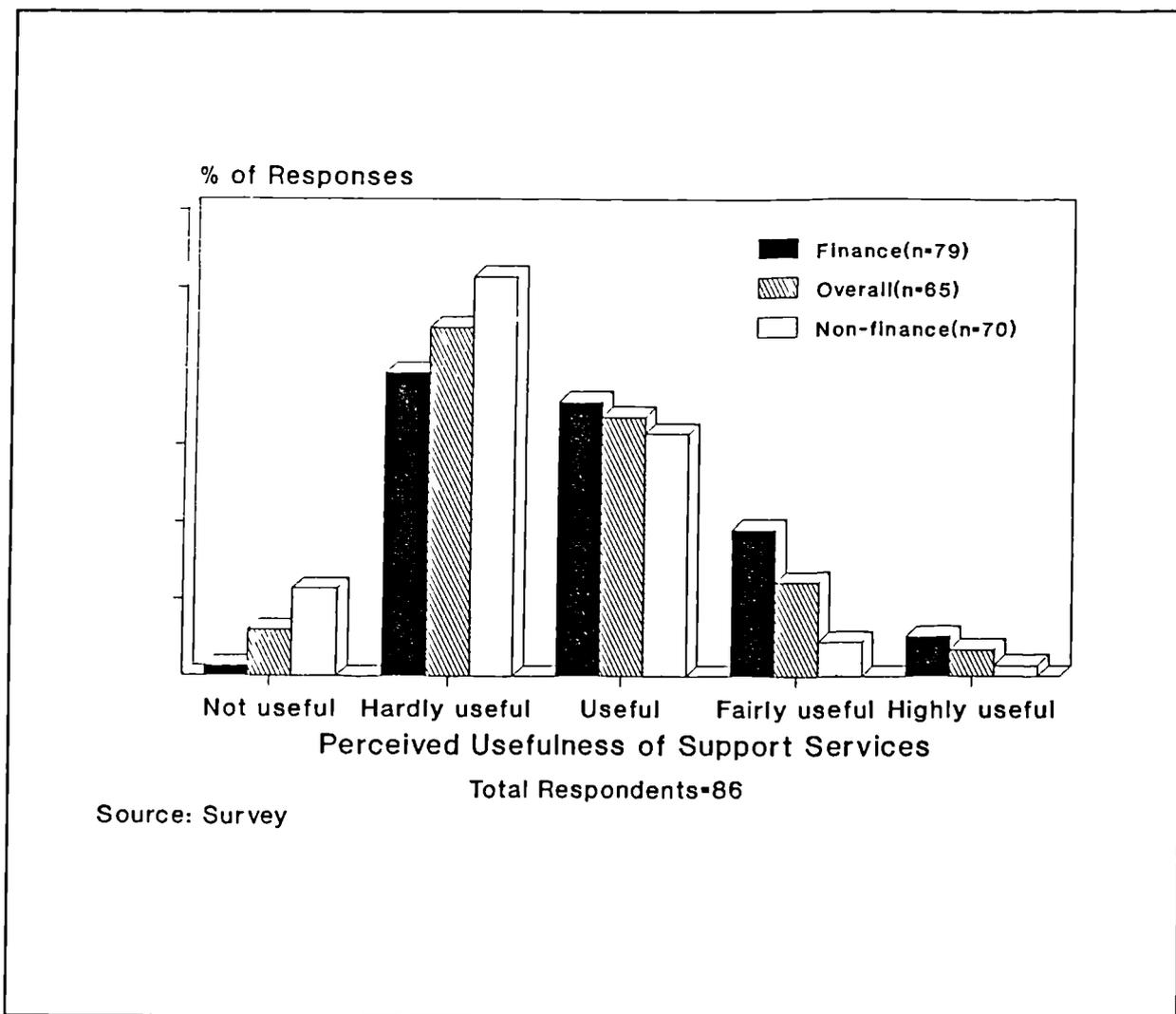
Turning to the non-financial category, in line with earlier responses, it is evident that a large majority of the clients, 63 per cent, regarded such help as either hardly useful or not useful at all. Only 6 per cent entrepreneurs viewed such assistance as fairly or highly useful, whilst the remaining, 31 per cent, respondents gave a positive response - 'useful'. Information from the overall response category indicates that over half, 51 per cent, of the responses were negative, and about a third, 34 per cent, of the respondents were positive, and the remaining 15 per cent were very much positive about the usefulness of assistance. **Evidence, therefore, suggests an overall low effect of support services on the firms under study. However, the findings reveal a considerable positive effect of the financial assistance on the growth and development in the performance of the assisted firms. On the other hand, non-financial assistance seems to be not much effective, as viewed by the small entrepreneurs under consideration.**

6.1 AREAS OF BUSINESS WHERE ASSISTANCE WAS MOST USEFUL

An attempt was made to identify the areas where assistance had most effect. For this purpose, an average score of the areas of business, as already stated, was calculated, and the results are shown in Table 9.27. An average score up to 2 could be regarded as 'Hardly useful', 3 'Useful' and 4 or above 'Highly useful'. Intermediate scores, such as 3.5 or above, can be said to represent 'Highly useful', 2.5 to 3.5 'Useful', 2.0 to 2.5 'Hardly useful' and below 2.0 'Not useful at all'.

Information from the financial response category revealed that support services were viewed as useful by respondents for four areas of business. These are increase in sales, employment, improved cash flow, and help to survive/start. In particular, financial assistance had a

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maximum positive effect on two areas of business, increase in sales and help to survive/start enterprises.

Table 9.27
Areas of Business Where Assistance Had Maximum Effect

Areas of Business	Support Services		Overall Responses (N=65)
	Financial (N=79)	Non-financial (N=70)	
Improved profitability	2.22*	1.59	1.89
Increased productivity	2.08	1.51	1.78
Higher level of output	2.41	1.67	2.04
Increased capacity	2.37	1.70	2.03
New production process	1.65	1.60	1.59
Increased sales	3.28	2.04	2.64
Eased cash problem	2.66	1.70	2.15
Increased skills	1.91	1.13	1.84
Helped to survive/start	3.29	2.61	2.91
Increased employment	2.85	2.19	2.54
Others	2.18	1.90	2.15

* Mean Score of Perceived Usefulness of Support Services, on a five-point scale.

On the other hand, non-financial assistance was perceived 'useful' for one area (helped to survive/start enterprises), while it hardly helped the respondents to increase sales or employment. In all other eight (8) areas of business, such assistance was regarded as not useful at all. Looking at the overall average score, it is revealed that in three areas of business - increase in sales, employment and help to survive/start - the assistance received by respondents had a maximum effect. **Evidence suggests, therefore, that assistance seems to have a low positive effect on sales, employment, survival and easing cash flow problems of the firms under study.**

6.2 RELATIONSHIP BETWEEN PERCEIVED USEFULNESS AND PERFORMANCE

Logically, it may be assumed that owner-managers with higher growth in sales and employment etc., would be more likely to think highly of the support services received,

compared to those who performed less well. This was investigated, using correlations. As exhibited in Table 9.28, growth in sales was positively correlated with 6 of 11 perceptual measures, while growth in employment with 3 of 11.

Table 9.28
Pearsonian Correlations between Performance and Perceived Overall Usefulness

Areas of Business (Perceptual Measures)	Growth in Sales	Growth in Employment	Sales per full-time Employee	Value added per full-time Employee
Increased productivity	0.27*	0.15	- 0.02	- 0.04
Higher level of output	0.26*	0.18*	- 0.09	- 0.07
Increased sales	0.19*	0.15	- 0.02	- 0.04
Helped to survive	0.26*	0.21	- 0.08	- 0.05
Increased employment	0.26*	0.21*	- 0.21	- 0.04
Others	0.30*	0.32*	0.08	0.23

* Significant at less than 5 per cent

Both measures of productivity, sales and value added per employee, were found negatively correlated with all perceptual measures, but were not statistically significant. All the values of correlations appeared to be very low, ranging from - 0.02 to + 0.32. Increase in sales, one of the eleven perceptual measures used, was positively correlated with growth in sales, one of the four performance measures. It (growth in sales) was also correlated with other four perceptual measures increase in employment, productivity, higher level of output and survival. Another perceptual measure, increase in employment, was also significantly related with growth in employment.

The perceptions of those who thought that assistance helped them to survive or start/restart their enterprises were also positively correlated with the two growth measures of performance, sales and employment. **The results from the correlational analyses above confirmed the assumption that owner-managers of those firms having higher performance also highly rated the usefulness of support services.**

6.3 REASONS FOR FINDING ASSISTANCE NOT USEFUL

As revealed in the foregoing analyses that overall assistance, particularly non-financial support, was not useful for most of the small firms under study. Reasons for finding assistance not useful were explored, as summarised and presented in Table 9.29. Most of the respondents, 38 per cent, mentioned that the assistance received in the form of non-financial help was mainly irrelevant for their businesses.

Table 9.29
Reasons for Finding Assistance Not Useful

Multiple Response Category	Number (n=45)	Percentage
Irrelevant (non-financial help)	23	38.3
Insufficient loan	14	23.3
Delay in getting assistance	13	21.8
Could not utilize properly	2	3.3
Others	8	13.3
Total =	60	100.0

Source: Survey.

Slightly less than a quarter, 23 per cent, complained about receiving an insufficient amount of financial help as the cause of finding such help not much useful. Another important reason, as indicated by 22 per cent of the respondents, was delay in the delivery of assistance, making assistance ineffective. These responses were consistent with the responses, presented in Chapter 7, for receiving no or insufficient amounts of support services.

7.0 ANALYSES OF ADDITIONALITY

This section evaluates, based on the perceptual responses presented so far, the effect of support services in terms of additionality. As stated in the methodology, Chapter 5 (6.5:

Measurement of Additionality), additionality refers to the results which would not have occurred or the events that would not have taken place, if support services were not received by the small firms under study. Five types of additionality were estimated from the perceptions of the small entrepreneurs. Figure 9.3 displays the survey results.

Figure 9.3
Types of Additionality Created as a Result of Support Services

Source: Survey
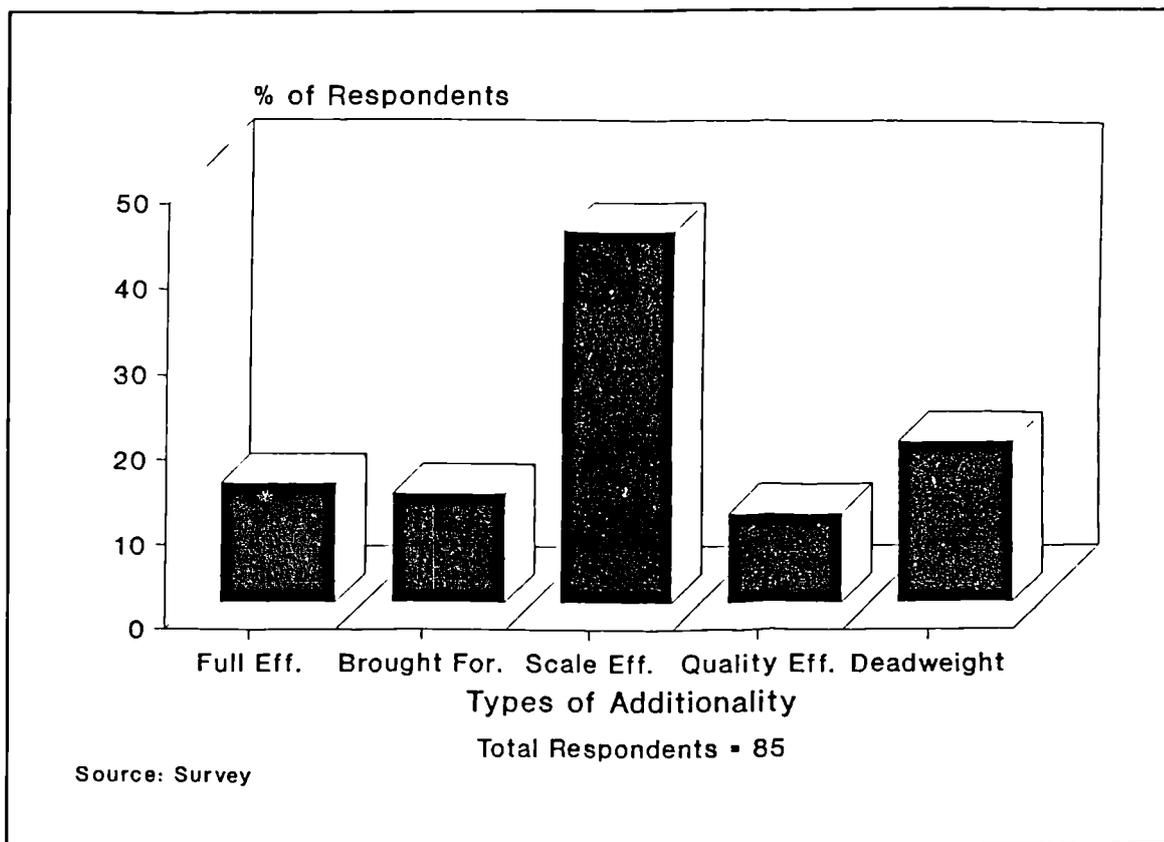
7.1 FULL ADDITIONALITY

Among the assisted firms under study, there were 12 firms, 10 per cent of the overall responses, that would have died out or would have not started/restarted without the support services, particularly finance, received by those firms. This was because these firms were not able to generate funds from sources other than support agencies. Therefore, assistance

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prevented at least 10 per cent of the responding firms from undesirable death or helped to start/restart and thus, saved or created employment by these firms. In addition, different types of partial additionality, in the forms of brought-forward, scale and quality effects were created, as discussed below, among the assisted firms under study.

7.2 BROUGHT FORWARD EFFECT

There were 11 firms (9 per cent) that claimed that without the assistance, particularly finance, received they would have had to defer their projects for the time being. In all these cases, the firms felt that funds from sources other than those presently received would eventually be obtained from internal sources or from other support agencies. However, they would have to wait some time for raising the funds. This delay was estimated, as mentioned by the respondents under study, ranging from a minimum of 6 months to a maximum of 18 months. Therefore, the financial assistance helped these firms to carry out their plans, which would have been implemented at least some times later. This effect can be called time effect of support services.

7.3 SCALE EFFECT

As shown in Figure 9.3, as many as 36 firms, 31 per cent, admitted that assistance enabled them to increase production/sales. All these respondents said that, if such help had not materialised, they would have had a lower volume of sales/production. A total of 6 respondents indicated that they could have not bought machineries without financial help, which would have resulted in lower volume of production as well as sales.

7.4 QUALITY EFFECT

A total of 9 entrepreneurs, 7 per cent, said that non-financial help, particularly technical assistance from different support agencies, enabled them to improve quality of product or production process.

7.5 DEADWEIGHT EFFECT

Deadweight, by definition, is the number of entrepreneurs who thought that they could have run their enterprises without any problem, if they did not receive assistance. They were fully able to raise the assistance from other sources, or could run their enterprises, without hampering the operations of their firms. As shown in Figure 9.3, the number of such firms was 40, over a third, of the assisted firms. Most of these firms pointed out the amounts of non-financial support. The analyses, presented so far under additionality, are more or less consistent with the findings described under the question what could have happened without the assistance received. It is evident that assistance produced some sort of additionality in the case of a vast majority, about two-thirds of the assisted firms. Importantly, for 12 firms, 10 per cent, assistance saved the firms from undesirable closure or helped to start/restart, which was termed as 'full effect' of support services.

8.0 SOME REPRESENTATIVE COMMENTS OF RESPONDENTS

During the interviews, respondents were encouraged to express their free comments about the assistance received from support agencies. Those views were subjective and anecdotal. Nevertheless, as Turok and Richardson (1989:56) say:

'Peoples' perceptions are very important and the comments made may be of some interest to business support agency'.

Therefore, some representative comments from the respondents are quoted below, which will provide some additional insight into the effects of support services. Financial help was the main support services received by most entrepreneurs under study. As mentioned earlier, many firms could not survive or start timely without such assistance. The experience of the President (52-year-old double Masters Degree holder) of Dholikhal Light Engineering Owners Association represents the opinions of many entrepreneurs:

'Now-a-days support institutions offer a wide range of services to Small Firms. Of course, these services are helpful for many firms to solve their problems. But I find those assistance except credit hardly useful for my enterprise.'

Most respondents recognised the significant effect of financial support. For many more owner-managers, however, such help seemed to be a **life-saving-medicine**, preventing their firms from undesirable death. Financial assistance, therefore, was a real help in crisis for many small firms under study. This was reflected in the words of a young owner-manager of an engineering firm:

'In 1988, my firm had been completely damaged by fire. Based on ashes, I was thinking how to restart my business. I approached BSCIC for help, mainly finance, and got it. Although it was a small amount that was granted, but it helped me a lot to restart my firm, and subsequently to survive.'

One of the main criticisms against the support agencies is the inadequacy of the amounts of support services, particularly loans, given to small firms. While such help, i.e. loans, helped many firms to start/restart or survive, the right amounts of loans could have helped many more firms to accelerate growth of their businesses. Some views on this point were quoted during the analyses in Chapter 7 (5.3: Intensity of Financial Assistance Sought and Received by SMEs).

The severe shortage of finance assistance was evident from the following statement of a respondent:

> 'You (researcher) see the condition of my (respondent) industry. I got manpower, enough space, good location and work experience. More importantly, I have successfully produced an excellent import-substitute, ball-bearing for motor cars. What else I need now? It is nothing but capital.'

Is finance the key to all the problems of small enterprise? The answer seems to be 'Yes' at least from the observations, during the field visits. This may, or may not, be true. In practice, however, there were some owner-mangers who did not agree saying:

> 'Undoubtedly, finance is the life blood for every firm. But it is not enough. What can I do with finance if there is no market for my product? Yes, financial help along with marketing assistance can be a real support.'

A number of comments were made about different types of non-financial support. Regarding the usefulness of training, many entrepreneurs were very much sceptical. Perhaps, this was due to the fact that in most cases respondents did not find training appropriate for their practical business purposes. This scenario was reflected in the following statement of a respondent:

> 'BSCIC invited us to participate in its training programme for Small Firms. I participated in that programme. Most parts of those training programme were theoretical rather than practical. As such, it was a total wastage of my time.'

Among non-financial support, marketing help in the form of sub-contracting, arranged by BSCIC, was appreciated by a number of respondents. Despite very occasional nature of such help, the effect of sub-contracting was quite impressive, as viewed by some entrepreneurs. For instance:

> 'I have been arranged sub-contracting only one time to supply spare parts for nationalised textile mills. It was really helpful in increasing my sales. Still I am looking for such help. But now, it is becoming more and more difficult for a variety of reasons.'----- an owner of a sub-contracting firm.'

Above are a few of the many comments made by the respondents under study during the field visits. The generalisations of these comments are very difficult. It was, however, clearly

evident throughout the analyses that, as expected, financial support seemed to have a significant effect, as viewed by most respondents under study. Among the non-financial support, marketing help, particularly sub-contracting, was appreciated by many respondents. Whilst the quantitative analyses revealed a low positive effect, the qualitative responses - quantified and analysed quantitatively - also consistently revealed more, or less, the same results of the low effects of assistance. There was, however, evidence to conclude that a number of firms could not survive, or start/restart, without the financial assistance received. The estimation of additionality of assistance was an additional proof of the positive effect of support services on the growth and development of the firms under study. Finally, the comments offered by respondents shed some light on the effectiveness of assistance. Evidence, therefore, lends support to the overall hypothesis of a low effect of support services upon the growth and development of SMEs in Bangladesh.

9.0 SUMMARY

The chapter evaluated the effects of support services on the study small enterprises. Both quantitative and qualitative analyses were carried out. The quantitative analyses unveiled a significantly higher growth in sales, growth in employment and productivity than similar non-assisted firms. According to level of assistance, firms, receiving a high level of assistance did significantly better than firms, receiving a low level of support. It was also evident that extensive support was more effective than limited assistance. The firms assisted by private support agencies outperformed the firms assisted by public support agencies. In particular, MIDAS-assisted firms achieved significantly better performance than the BSCIC-assisted firms. Apart from support services, the process of pre-selection seemed to be one of the main reasons for achieving higher performance by the firms assisted by private agencies. The

findings also suggest a significant low positive correlation between the measures of performance and support services. In particular, two measures of support services - intensity (amounts of loan) and extent (number of areas support services received) - were significantly correlated with growth in sales and employment.

Further investigation, complementary to the quantitative evaluation, was carried out to assess the effects of support services, using perceptual measures. Overall, the findings consistently indicated a positive effect of assistance, particularly finance, on the performance of the assisted firms. The analyses of usefulness of assistance, using a combination of eleven perceptual measures, disclosed that assistance was hardly useful to a majority of the assisted firms, whilst about a third found such help useful, and the remaining, about 16 per cent, highly useful. The major causes for finding assistance not useful included, among others, irrelevant or inappropriate assistance, insufficient loans and delay in providing assistance. Support services, however, seemed to have maximum effects on four areas of business: sales, employment, survival and start-up process. These findings were consistent with quantitative analyses, showing a significantly higher growth in sales and employment by assisted firms than similar non-assisted enterprises. In addition, the evaluation of additionality, resulting from support services, unveiled that for a vast majority of the study firms, assistance was perceived to have a positive effect. In particular, financial assistance seemed to have a significant effect, either preventing firms from undesirable closure or accelerating the start-up process. The comments, offered by the study respondents, provided an extra testimony to the findings. Support services, therefore, seemed to have an overall low effect on the promotion and development of small firms. There was, however, evidence to suggest a significant effect of assistance, particularly finance, on the survival and start-up process of a number of small enterprises in Bangladesh.

CHAPTER TEN

SUMMARY, CONCLUSIONS AND IMPLICATIONS

1.0 SUMMARY OF FINDINGS AND CONCLUSIONS

The study explored empirically the nature and effect of support services upon the promotion and development of small manufacturing enterprises in Bangladesh. With the recognition of the role of small enterprises in sustainable development, there has been a wave of the creation of many special programmes and institutions, during the last two decades or more, in most developing countries. As a result, a wide range of support services, mostly offered by the public sector agencies, now exist to ensure a healthy growth of the small firm sector in many developing countries.

In Bangladesh, since the creation of Bangladesh Small and Cottage Industries Corporation (BSCIC) in 1957, a large number of support agencies have been developed over time in the public sector. In addition, some private support agencies have been involved in offering support services to small firms in recent years. Thus, substantial efforts have already been made for the promotion and development of the small firms sector in Bangladesh. This supply-led effort in providing assistance had been expected to lead to a rapid growth in the small firms sector. The growth and development of this sector, however, appears to be very slow and unsatisfactory around the Third World in general, and Bangladesh in particular. This disappointing result has given rise to several questions, among others, about the effectiveness of support services and the design of the institutions involved.

In this context, research studies are mostly descriptive, prescriptive and piecemeal, revealing a limited impact of support services in terms of growth, profit generated or jobs created. In fact, there is a real shortage of ex-post empirical studies to address the 'issue' of the effect of support services. Of related significance is the question about whether the small firms need and want all the support services offered by support agencies. In the literature, there is also an issue of what is the effective design of support agencies in meeting the needs of small firms. More importantly, research provides no consensus as to how the effect of support services can be evaluated.

To address the central issue of evaluation of support services, the study developed a conceptual framework in Chapter 4, including a few hypotheses relating to the major issues researched. Adopting a multi-methods approach, as described in Chapter 5, the study tested the hypotheses and examined the research issues, based on the data generated during the field work in Bangladesh. The forthcoming sub-sections present the major findings and conclusions for each of the research issues addressed in this study.

1.1 THE SUPPLY OF SUPPORT SERVICES

Despite a considerable institution building, particularly in the public sector, and a major growth in the provision of support services, a little was known about the nature of the support agencies and the services on offer for the small firm sector in Bangladesh.

The findings of this study reveal the existence of a large number of agencies, most of which have been developed in the public sector, during the last two decades. Only a few them, however, are involved directly and entirely in providing assistance to small enterprises. The

study has also traced the involvement of some private agencies, developed during the 1980s, in the promotion and development of small firms.

With respect to the support services offered by different institutions, the findings were mixed. The research lends support to the views that there seems to be a proliferation of some software support services, viz. information, extension and counselling services,in Bangladesh. It is also unveiled that despite a considerable increase in the programmes for financial support since the early 1980s, there appears to be a limited supply of many essential assistance, particularly finance, both fixed and working capital, marketing and utility facilities.

1.2 THE DEMAND (NEED) FOR SUPPORT SERVICES

A vital issue, often less frequently asked and addressed in the existing literature, was whether small entrepreneurs demand (need) or want all the support services on offer. It has been warned by a number of researchers not to assume that the demand for support services is adequately known. Moreover, there is a shortage of empirical evidence on the issue of whether small firms receive the services they are looking for and have approached support agencies.

In general, the findings appear to support the view that small entrepreneurs are more likely to express their demand for financial support, both working and fixed capital. The research does also reveal a considerable demand for marketing assistance, utility services, and a favourable change in government policies, relating to the promotion and development of the small firm sector in Bangladesh. As expected, the findings suggest that software services, such as training, information, technology and extension services, appear to be the least cited

needs from the small firms under study. Perhaps, as in the words of Liedholm and Mead (1987:109):

'Small entrepreneurs are generally not aware of their need for this type of assistance and the benefits they may derive from it'.

In particular, the study confirms the views that there is a lack of proper understanding of the needs of small firms for support services. Surprisingly, the research suggests that the people, who are involved in the process of providing assistance, appear to be inadequately aware of the needs of small firms. As to the issue of whether small enterprises received the support services they needed and approached support agencies, the evidence of the study is that despite a high incidence of assistance, the majority of the sample firms do not receive the support services they need and want. In particular, a high proportion of small firms did not receive finance, marketing and utility services. The study argues that the limited supply of assistance, as mentioned earlier, accompanied by an ignorance of the agency people about the needs of small firms, might be the main reason why most firms do not get the assistance they need and want. Small entrepreneurs, however, have indicated a number of reasons for either not getting required amounts of support services or not receiving any support services. These include, among others, non-fulfilment of the collateral requirements or other formalities, problems concerning the illegal payment (bribe), excessive delay in delivery of services, insufficient or irrelevant assistance and non-cooperative attitude of the agency people.

1.3 THE DESIGN OF SUPPORT INSTITUTIONS

There has been an increasing question as to what is the appropriate/effective support agency in meeting the needs of small firms. The research appears to support the view that

government agencies seem to be inflexible, overly bureaucratic and run by people with little

business experience, and thus, ineffective to meet the needs of small firms. On the other

hand, the most effective agency is the one private in ownership, autonomous in operation,

has adopted commercial culture, and seems to be closest to small enterprises in terms of

people, structures, and processes employed by the agency and those of the small enterprises.

The study also indicates that an effective support agency is capable of providing financial

support, including non-financial assistance.

1.4 THE EVALUATION OF THE EFFECT OF SUPPORT SERVICES

The central research issue that led this study was what effects the assistance are having on the

growth and development of small enterprises. Here, there was much debate and pessimism

in the context of most developing countries. An indepth assessment was carried out on this

issue in Chapter 9.

The research findings unveiled an overall low positive effect of support services on the

growth and development of small firms. The comparative analyses confirmed a significantly

higher performance by assisted firms than similar non-assisted enterprises. This better

performance was equally evident irrespective of firm age, employment size, industry sector,

managerial experience of owners, market competition, initial financial condition and time

elapsed after getting support. Evidence, however, suggests a significantly higher performance

by young assisted firms than similar young non-assisted enterprises.

More compelling results occurred in terms of higher performance by firms, receiving a high

level of assistance, than firms, receiving a low level of support. This difference was

significant in terms of growth in employment and sales - not by productivity measures (sales and value added per employee). In terms of extensiveness, extensive support seemed to be more effective than that of limited support. It was also evident that support services, comprising of both financial and non-financial components, appear to be more effective than either financial or non financial help. The firms, assisted by private support agencies achieved significantly higher performance than that of the firms, supported by public agencies.

The analyses of relationships led to conclude a significant positive relationship between extent and intensity and increase in sales as well as employment of the assisted firms. However, only about 10 per cent of the variations in the increase in sales was explained by extent and intensity. It appears that intensity was a significant contributor to the increase in employment and value added. The quantitative analyses, in terms of perceptual measures of effectiveness, also revealed a significant positive effect of support services.

The findings from quantitative analyses, revealed a significantly higher performance by the assisted firms, and a significant positive relationship between the measures of performance and support services. However, it was not clear whether assistance had led to have such a higher performance by the assisted firms. More specifically, the study does not suggest the existence of any 'cause-effect' relationships between the assistance received and the extent of higher performance by the assisted firms. However, it was revealed upon analyses that applying strict 'pre-selection' criteria, the private support organisations had chosen more viable firms for assistance, leaving a vast majority unassisted. In this study, a quarter of the sample non-assisted firms came from such unassisted group - those approached for assistance but turned down by the support agencies on a number of grounds. Being pre-selected and

more viable, the firms assisted by private agencies had already shown certain level of actually or potentially better performance than those of the non-assisted firms or the firms assisted by the public support agencies. As such, **pre-selection** seemed to be a major reason for showing a significantly higher performance by the assisted firms, particularly the firms assisted by private agencies. However, subsequent analyses, based on qualitative information, disclosed more insight into the effect of assistance.

The findings from qualitative information consistently revealed a positive effect of the assistance received. It (assistance) was perceived to have been prevented a considerable number of firms from undesirable extinction, and thus saved many jobs. Interestingly, most of these firms received assistance from public support agencies, and performed statistically better than non-assisted firms but less well than the firms assisted by private support agencies. It was also evident that assistance helped many firms to increase volume of production and sales, which would not have been possible without such support. The estimation of additionality, as viewed by entrepreneurs, also disclosed a considerable positive effect upon the growth and development of the firms under study. Furthermore, the opinions and comments, offered by respondents, confirmed the positive effect of assistance, particularly financial help. Here, the findings suggest, what Gibb and Scott's (1985:617) longitudinal study revealed in UK, that:

> *'There was some recognition of the possible influence of 'hardware' support assistance but little in respect of the value of 'software' support (information, training, management skills).'*

In summary, the study concludes that, in general, there seems to be an overall low effect of assistance on the growth and development of small firms. In particular, there is a recognition of the significant influence of financial support, while a little in respect of the effect of non-

financial help. Apart from the quantitative analyses, this finding was consistently evident from the responses of a majority of the small firms that considered assistance, particularly finance, as having significantly influenced their activities or more importantly saved them from possible extinction. Overall, the study findings underpin the view that, given an increasing concern about small firm development, assistance can be a **trigger** to the growth and development of this sector. However, the sheer supply of support services does not guarantee its effectiveness, until it gets into the hands of the people who are in need for such services and their firms have some potential for growth. As such, the study argues that while there is a case for increasing the amount of support services to the small firms in general, it needs to be selective - favouring those firms which exhibit some indication of growth as well as are in need for the assistance to be given.

2.0 IMPLICATIONS OF THE FINDINGS

The findings of the study, as summarised in the previous section, have several implications for theory and practice. This section discusses some of the major implications of the research findings:

* **Theoretical Implications** - the issues in the literature of support services, and

* **Practical Implications** - for small entrepreneurs, support providers, policy makers and others concerned with the promotion and development of the small enterprise sector.

2.1 THEORETICAL IMPLICATIONS

At a very general level, the findings of this study will contribute to the existing stock of knowledge in the literature of small firms in general, and developing countries in particular.

Despite the massive institution building to provide support services to small firms in most developing countries, there was a specific gap in the empirical knowledge about the nature and effect of support services. The findings of this study, therefore, have contributed, at least to some extent, to fill this knowledge gap.

While a little was known about the demand for support services in many South-East Asian countries including Bangladesh, the study revealed that the small firms need not only finance, both working and fixed capital, but also marketing help, utility services and a favourable policy relating to the development of the small firms sector. The study does confirm the fact that there is a lack of proper understanding about the needs from small firms for support services in general, and surprisingly, even among many people directly involved in providing such services to small enterprises. Another important implication of this study is that despite a high incidence, the majority small entrepreneurs do not receive the assistance they need and want. In particular, mismatches exist between the assistance needed/sought and received in the areas of finance, marketing and utility facilities.

Regarding the identification of an appropriate organisational design, the implication of this study is that private organisations, which are autonomous in operation, have adopted a commercial culture, are closer to small firms in terms of people, structures and processes, are more appropriate/effective in meeting the needs of small firms.

In terms of effectiveness, support services have a positive role in facilitating start-up process or improving the performance of the existing small firms. Financial support is of particular value to the small firms those are in real crisis for such services, by saving undesirable closure or by helping them to achieve better performance. Whilst extensive assistance is likely

to have a considerable effect, a combination of both financial and non-financial help will be more effective, as evidence from the findings of this study revealed.

Finally, with respect to the methodological issues of the evaluation of support services, a number of implications can be stated in the light of the experience and findings of the present study. As already stated, the study adopted a 'multi-methods approach' - a combination of quantitative and qualitative methods - to evaluate the effect of support services. The study utilised, among others, some of the sophisticated statistical techniques, such as MANOVA and Multiple Correlations, for analyses. However, it was realised that such a quantitative method can reveal some results in the context of the evaluation of the effect of support service, but seems to be unable of exploring the real effect of assistance. In particular, the issue **pre-selection**, which emerged during analyses, needs to be taken into full account in the evaluation of support services. Considering the pitfalls of the quantitative methods and the point of pre-selection, the study subsequently utilised the qualitative information, gathered during the field work, to examine the effect of support services. The study verified the consistency between the quantitative and qualitative findings, fortunately showing no major signs of inconsistencies in the overall findings.

The qualitative results disclosed that assistance does have significantly helped many firms to survive, improve production, increase sales, ease working capital problem, adopt better production process and design. Therefore, the use of some widely used performance measures, such as growth in sales and employment and productivity in terms of value added or sales per employee, appears to be partial yardsticks of performance or areas of business, on which assistance can have significant effect.

The research findings, therefore, suggest that any attempt to evaluate support services should consider all areas of business which can be influenced by support services. Moreover, the task of evaluation should be capable of exploring the interactions between supply of and demand for support services, linking supply inputs through a particular process to ultimate outputs. In this context, Figure 10.1 depicts a MODEL, developed from the experience gathered throughout this study, for evaluation of the effectiveness of support services.

Figure 10.1
A MODEL for Evaluation of Small Business Support Services

EVALUATION OF EFFECTIVENESS

SUPPLY INPUTS

Support services
- Types of support
  eg Hardware &
  Software.
Measured by Extent,
Type and Intensity
Resources
Policy

PROCESS

Delivery process
of Support Services
Measured by characterisa-
tion of the delivery system
of support services as
viewed by entrepreneurs

OUTPUTS

Micro - Clients
actions & Firms'
performance, eg.
sales, employmnet.
Macro - Contribu-
tion to toal jobs,
Income (GDP) etc.

DEMAND FOR SUPPORT

Different segments of small
Firms and their needs for
Support Services

DYNAMIC INTERACTION : SUPPLY INPUTS - DEMAND COMPONENTS

T I M E

The starting point of the proposed model is the supply inputs, shown at the left hand corner. In a very general sense, inputs are invested to get certain outputs, which are shown at the right hand side of the figure. The conversion of inputs into outputs passes through a certain

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process, as shown in the middle, over a period of time - at the bottom. The supply of inputs is targeted at meeting the demand/need from small firms for such services. This interaction between supply inputs and demand components is accommodated in the model.

The **INPUTS, PROCESS AND OUTPUTS** can be considered in a logical sequence, within the greater environment in which both small firms and support agencies have to function. The technical idea of input-process-outputs was borrowed from Scott's (1991) framework, developed for the evaluation of business counselling. The supply inputs here refer to support services, offered by different support agencies, including policy and any other resources invested for small firm development. Support services can be of different types, such as software and hardware, financial and non-financial etc. Suppliers of such services can be classified on a number of bases, for instance - private and public; formal and informal; local, national and international, etc. The demand for support services comes from small enterprises. Again there are a number of ways of segmentation of these clients markets - young and old; pre-micro, micro, small, medium and large, etc. The process of delivery of support services can be evaluated by a number of indicators, characterising the delivery process. Outputs can be measured both at macro and micro levels, classifying under quantitative and qualitative criteria. The evaluation of the effectiveness should be carried out at each level, starting from supply inputs through process to outputs. Based on the results of evaluation, necessary corrective action can be taken, if necessary.

Having presented the proposed model, how far it allows for, or limits, the evaluation of support services, and thus, causality (cause-effect relationships between inputs and outputs via process) warrants an assessment. This is also important to make the model more transparent in exploration of the effectiveness of support services. Ideally, a model

incorporates systematically all the relevant elements relating to a system or phenomenon to be investigated; it makes explicit the significant relationships among the elements involved; it enables the formulation of empirically testable propositions regarding the nature of the cause-effect relationships among the elements under investigation (Nachmias and Nachmias, 1991:45-46). Applying these criteria, an assessment of the proposed model is possible. As shown in the figure, by linking inputs-processes-outputs systematically, the proposed model incorporates the major elements necessary to evaluate the effectiveness of support services. It also provides possible measures, viz. the measures of support services - extent, type and intensity, necessary to quantify the relevant elements involved. There are, however, other elements/factors, for instance - policy or resources, which need more elaboration and quantification. Alternative measures of quantification of support services could also be tried. More importantly, the model does not adequately allow for quantifying and examining the possible inter-relationships amongst the elements under consideration. By taking system approach, however, the model makes an assumption about the cause-effect relationships about which some testable propositions can be developed, although it does not adequately explain how the inputs transform into outputs, and how environmental factors influence such processes. Moreover, despite showing the direction of changes over time, how all the elements included in the model do change over time is not clear as well as the implications of these changes need further clarification. Of course, the inclusion of time frame makes the proposed model dynamic.

As already pointed out, certainly the proposed model has some limitations not only in incorporating, linking and measuring necessary elements, but also in exploration of the cause-effect relationships. In fact, it has been developed following the conceptual framework used in this study. Some modifications, however, have been brought to the original framework to

convert it into a model, as shown in the figure. Therefore, much more needs to be done incorporating the elements not presently included in the proposed model, but those are relevant and necessary for the evaluation of SME support services. Further, more thinking is needed to examine inter-relationships as well as causality among various elements in order to make the model more transparent. Whilst there is much room for its improvements, it can be applied in practice for the purposes for which it has been developed and proposed, keeping in mind that this is a step forward to the development of an evaluation model of support services. Perhaps, that is the strength of the proposed model.

2.2 PRACTICAL IMPLICATIONS

The finding of this study has important implications for the owner-managers of small enterprises, the ultimate users of assistance. The evidence of the study suggests that the full benefits of support services occur when firms receive assistance in a comprehensive manner - a combination of financial and non-financial assistance. Entrepreneurs should, therefore, go for assistance, what Krentzman and Samaras (1960) suggested 35 years ago, **all the way** --- seek extensive (comprehensive) assistance for their firms to take the full benefits of support services. If available, they (entrepreneurs) should receive assistance from an agency, which is private, small in size and provide both financial and non-financial support - seeking extensive (comprehensive) assistance for their firms to take the full benefits of support services.

The evidence of the research indicates that assistance could be a beneficial ingredient in enterprise development efforts as a part of overall economic development activities. Unfortunately, a vast majority of small entrepreneurs do not receive the assistance for which

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they approach support agencies. In particular, there exists a significant gap between needs and receipt of support services in the areas of marketing and utility facilities. Moreover, the needs of small entrepreneurs are not properly known by the people, who are involved in the field of providing support services to small firms. A support agency, therefore, should invest its efforts in gaining an understanding of the problems and needs of small entrepreneurs so that it can provide the most appropriate assistance needed by its clients. It (the agency) should adopt a 'need based' approach to meet the support needs of small enterprises. Since extensive support is more likely to have a greater effect than limited support, a support agency should be prepared to provide extensive assistance, as and when necessary.

The findings also reveal that all firms do not benefit equally from the support services received. It appears that **PRE-SELECTION** of the firms to be qualified for assistance seems to have a vital influence on the performance of the assisted firms. More stringent the pre-selection process applied by support agency more likely the assistance provided to be effective. However, the finding suggests that the assisted younger firms are more likely to be the effective users of assistance, showing higher growth in the performance compared to their older counterparts. A support agency, therefore, seeking to make its services more useful and effective, should be selective, if necessary, in providing assistance to the small firms, which exhibit some potential for growth as well as are in real need for services.

Since a number of barriers prevented the speedy supply of services, the procedural difficulties should be minimised by quick decisions on the part of the people involved in the decision making and delivery process. In designing the organisation, the support agency should be autonomous, follow commercial cultures and as far as possible be closest in terms of people, processes and structures to the small enterprises to be served.

It appears that government is the main player in the process of the promotion and development of the small enterprise sector. Specifically, the operations of the public sector organisations and initiatives formed to provide, in effect, different support services to small enterprises. The efforts of the government in the form of policy making, however, did not seem to be favourable, as viewed by small entrepreneurs. This implies that some steps are necessary to change the existing policies in order to devise a **Small Firm Friendly Policy** for the overall betterment of the small enterprise sector. The policy of encouraging an involvement of more private sector agencies should be followed, particularly on a regional basis. As a result, new support agencies would come forward with necessary assistance activities, and small entrepreneurs will find greater choice, when choosing the agency and support services best suited to their needs.

Looking at the efforts made by the public support agencies, it was evident that these organisations seemed to be bureaucratic and ineffective in meeting the support needs of small firms. The internal working environments within the public agencies were in a chaotic condition, whilst frustration prevailed among most of the officials working there. Some staffs, who are involved in the process of providing financial assistance, are **CORRUPT**. Specific steps, therefore, should be taken with regard to a thorough reorganisation of the existing public support agencies. This might be brought about by dividing the existing large organisations into small units on a regional basis, giving an autonomous status to each of such bodies. To make staffs and officials more responsive to the needs of small enterprises, the regional organisations should be manned by staff with experience in small enterprise development. Constant monitoring and evaluation of these agencies and their staff should be made regionally by the agency itself as well as by an independent body at the centre. This central body should be constituted with representatives from all sections of support

organisations - public and private, including small entrepreneurs, as shown in Figure 10.2.

Thus, some sort of partnership could be established to bridge between the public and the

private sectors to provide necessary services to the small firm sector. In fact, this sort of

networking is virtually absent among the existing support organisations in Bangladesh.

Figure 10.2
Public - Private Sectors Partnership for Small Enterprise Development

A CENTRAL BODY

| PUBLIC SECTOR | ◄── The \| Bridge ──► | PRIVATE SECTOR |

Support | Services

Banks, BASIC and Other Financing Agencies

Banks, MIDAS & Other Financing Agencies

BSCIC, BOI, BHB,BSB & Other suppliers of non-finan-cial services

NASCIB & Other suppliers of non financial services

SMALL ENTERPRISES
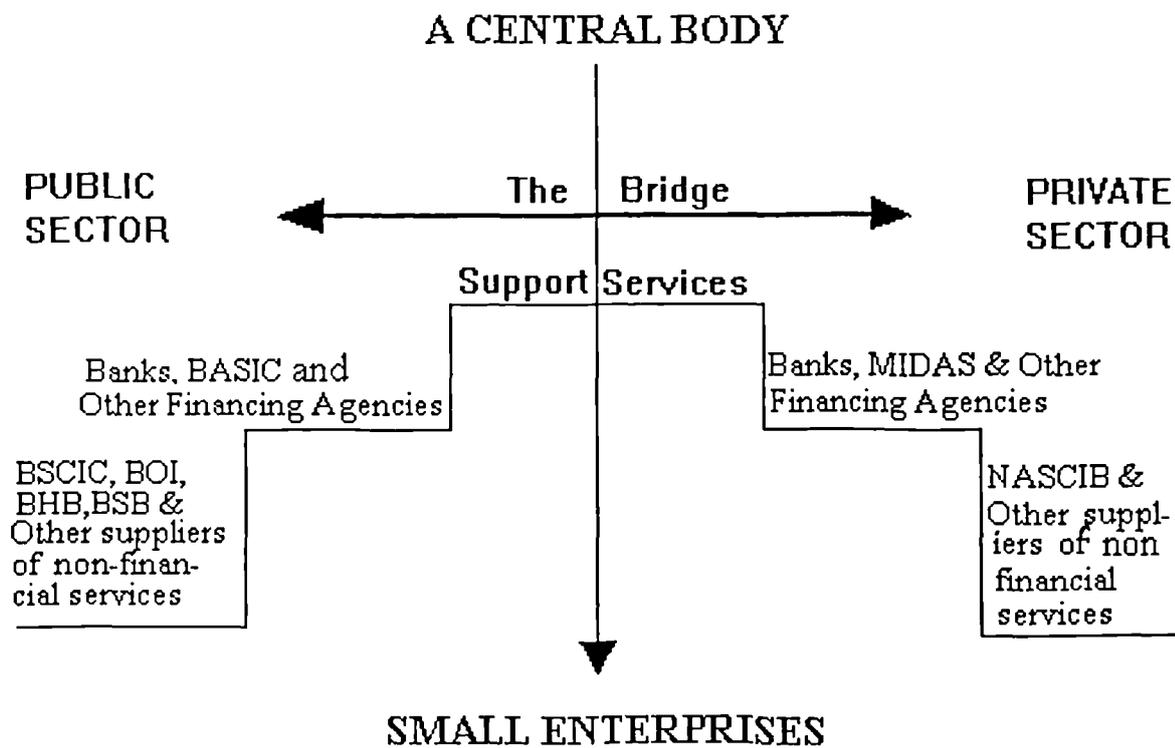
3.0 LIMITATIONS

A 'snapshot study' of such a fluid topic of interest has its limitations, particularly related to

design, measurement and sampling. The main limitation of this study concerns the design

followed in the evaluation of the effect of support services. Although a longitudinal study

seemed to be the best method, it was not feasible to adopt this method in the present study,

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due to the reasons stated in Chapter 5. The research design was basically a non-experimental one with the use of a field survey, following the match-pair method of impact evaluation. While assisted and non-assisted firms were tested to ensure comparability, one-by-one difference within the sample firms was not examined. Moreover, none of the variables used in the study was controlled, or manipulated, to examine the causality of support services. Furthermore, within an open environment where numerous factors, internal and external to firms and their owner-mangers, influence performance, support services as a whole is only one factor of the entire range of such influencing factors. Extensive efforts, however, have been made to examine the effect of assistance, utilising both quantitative and qualitative investigations. Despite the combined use of quantitative and qualitative measures, the analyses do not reveal and/or establish causation.

A second limitation of this study is the measurement of the effect/impact of support services. The quantitative measures of percentage changes in sales and employment, and productivity measured in terms of sales and employment per full-time employee, were used in this thesis. There are many other measures of effectiveness, such as, profitability, survival, diversification in products, cost-efficiency, technological advancement and so on. Fortunately, the qualitative analyses considered some of these measures. It was, however, not feasible to measure cost-effectiveness due to a number of reasons stated in Chapter 5.

A final limitation is the selection of the sample. Although the representativeness of the sample was thoroughly examined, the results could not be generalised to all categories of small firms all over Bangladesh. The sample firms were mainly composed of manufacturing enterprises from one particular region, Dhaka district - the capital city of Bangladesh. The conclusions made, therefore, are applicable to the small firms in the manufacturing sector in the Dhaka

district. Far from being negative, this limitation is in fact positive, since the manufacturing sector is the major contributor to the creation of employment and income. In terms of geographical area, the selection of one particular region eliminates the threats that may arise from regional variations contaminating the results as well as the findings of this study.

4.0 SUGGESTIONS FOR FUTURE RESEARCH

One of the major justifications of this study, as mentioned in Chapter 1, was the paucity of ex-post evaluation of support services in developing countries in general, and Bangladesh in particular.

This study is an attempt to address several issues in the literature of small firms. It has its limitations as stated above, and so it would be enlightening to conduct a follow-up study of the firms involved in this research. In such an investigation, the selection of a well-crafted control group as well as assisted firms is suggested. Information should be collected from both groups before and after assistance is arranged. This sort of longitudinal experiment, accompanied by some case studies, has an enormous potentiality for revealing the true picture of the effect of support services.

The study, as stated earlier, has been confined mainly to manufacturing firms within Dhaka region. Further study, therefore, needs to be conducted covering all types of small enterprises - retailing, services and manufacturing, located all over the country. This would reveal interesting results in terms of variations within industrial sectors and geographical location.

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An important issue is the cost-efficacy of assistance, offered by support agencies, for the promotion and development of small firms. It appears particularly appropriate to examine the cost-benefit of support services so that the most cost-effective way of supporting small enterprises can be worked out.

It was revealed that most small entrepreneurs considered the existing government policies not to be conducive to the promotion and development of small firms in Bangladesh. Therefore, different aspects of government policies that have direct relevance to the small enterprise sector need careful empirical scrutiny, in order to undertake appropriate action in this regard in future. In fact, this is an area where there exists a promising opportunity for conducting future research in Bangladesh.

Finally, although the proposed model needs some improvement for empirical testing, it provides some valuable guidelines and details for evaluation of the nature and effectiveness of support services. Therefore, while there are rooms for its improvement, the model can be used for empirical testing to which direction future research can be undertaken. At the end, a fitting conclusion, as in the words of Chrisman, Hoy and Robinson (1987:327), could be:

> *'No matter which direction future research takes, if entrepreneurial activity is desirable and beneficial .... it should continue to be evaluated.'*

DEFINITION OF SMALL ENTERPRISE

There is a remarkable diversity of definitions of small enterprises. Although the term 'Small Enterprise' is used everywhere, both developed and developing countries, there is no consensus on its definitional issue (Kohlo, 1991:21). In fact, the definition of small firm has undergone several changes over time in most countries, and due to this constant change, it is very difficult, although not impossible, to make an international comparison of this sector (Kamal, 1981:15). However, there is still some value in attempting to reach an agreed definition (Hertz, 1980:20). The adoption of a unified definition, however, is highly improbable due to a number of reasons such as the difference in economic development between countries, the stage of economic development within the country itself, the nature of various types of industries, the period in question and so on. Moreover, there remain precise measurement problems (Rahman *et al.*, 1979; Ho, 1980; Elkan, 1989).

As a result, there have been numerous attempts to define the small enterprise. For example, Auciello (1975) reported that even in the mid-1970s seventy-five different countries had over fifty different formal definitions. These definitions, however, are usually based on either quantitative or qualitative characteristics. Some scholars use qualitative criteria in terms of functional characteristics, for example, specialisation in management, close personal contact between management and customer, lack of access to capital markets and a relatively close integration with the local community. In the U.K., the first qualitative definition was offered by the Bolton Committee (1971). One of such early qualitative definitions was provided by the U.S. Small Business Administration, embodying three distinct elements: independent ownership, independent management and small market share (Robinson and Pearce, 1984). This type of categorisation, however, is not generally valid in the contemporary business world, whilst it does not permit internal as well as international comparability of enterprises, even within the same sector (Ahmed, 1987:3).

In response to this problem, quantitative definitions rely on clearly defined parameters or combinations of parameters such as employment, value added, sales turnover, investment size, profit generated etc. In general, such measures are applied where it is necessary to clearly identify a specific target group. However, quantitative definitions are marked by their range and diversity, and accordingly, are of little use for purposes of international comparison (Hailey, 1991:4). Facing these difficulties, Hollander *et al.* (1967:4-5) emphasised a different approach, using a minimum size requirement accompanied by some value of the qualitative criteria. This unique dimension recognised that neither the measures of number of employees, value of assets, sales volume nor net profits earned can satisfactorily delineate the small enterprise. However, Bates (1971) states *'it probably does not matter much in practice which measure is chosen, provided it is reasonably accurately calculated, has some relevance to the problem under discussion and is used consistently during an investigation.'* In addition, Liedholm and Mead (1987:3) suggest that *'since no single measure is ideal, one must search for and use the 'least objectionable' concept'.*

In a dozen developing countries (except Jamaica) including Bangladesh, employment size up to 49 has been used to define a small enterprise (Liedholm and Mead, 1987:3). In seven Asian countries, Sharma (1979:12) reported the use of a maximum employment of 49 people with, or without, some investment criteria to define a small enterprise. In Bangladesh, as shown in Appendix 3.3, most studies have used either employment size up to 49 in

conjunction with, or without, investment size to define a small enterprise. In fact, the government agencies, mainly for the policy purposes of supporting the SME sector, have used investment size, which has been raised over time, perhaps, for adjustment to inflation. Some international development agencies, such as the World Bank, also apply investment criteria to differentiate small from medium and large enterprises. The foregoing discussion, therefore, reveals that there is a superabundance of employment criteria, in combination with, or without, investment size to define a small enterprise in most developing countries, and particularly in South East Asia. Therefore, the operational definition of a 'Small Enterprise', for the purposes of the present study, will be:

'an establishment with a maximum of 49 full-time employees and/or total fixed investment of US $ 375 000 (equivalent to Tk. 15 million) excluding the value of land. '

The employment size of 49 was used for international comparison, whilst the investment size of a maximum of US $ 375 000 was the limit followed by the government for supporting the promotion and development of SMEs in Bangladesh.

APPENDIX 3.1
Manufacturing Value Added in Bangladesh & other LDCs: 1980-90

Average annual rate of growth:	1981-85	1985-88	1981-88	1981-90
Bangladesh	3.1	6.0	4.3	4.6
All LDCs	2.1	2.9	2.6	-
Per capita MVA	1988	1990		
Bangladesh	20	11		
All LDCs	20	-		
Growth of per capita MVA		1981-90		
Bangladesh		1.8		
All LDCs		0.04		

Source: World Bank (1992:17)

APPENDIX 3.2
Public Sector Allocation in Development Plans for SMEs in Bangladesh: 1955-95

(1) Plan Periods	(2) Total (Mil. Tk.)	(3) For Industry (Mil. Tk.)	(4) For SMEs (Mil. Tk.)	(5) (4) as % of (2)	(6) (4) as % of (3)
FFYPP:1955-60	7 500	NA	86.5	1.14	-
SFYPP:1960 65	11 500	1 170	250.0	2.17	21.60
TFYPP:1965 70	30 000	4 470	316.7	1.05	7.09
FFYPB:1973-78	39 520	7 551	245.0	0.62	3.24
TYPB :1978-80	32 610	5 700	209.0	0.64	3.67
SFYPB:1980 85	201 250	32 750	2 250.0	1.12	6.87
TFYPB:1985-90	NA	58 000	10 000.0	-	17.21
FFYPB:1990-95	NA	85 400	13 600.0	-	15.92

Note: FFYPP= First Five Year Plan of Pakistan; SFYPP = Second Five Year Plan of Pakistan; TFYPP= Third Five Year Plan of Pakistan; FFYPB = First Five Year Plan of Bangladesh; TYPB = Two Year Plan of Bangladesh; SFYPB = Second Five Year Plan of Bangladesh; TFYPB=Third Five Year Plan of Bangladesh; FFYPB= Fourth Five Year Plan of Bangladesh
Sources: Plan Documents of the Planning Commission, Government of Pakistan and Bangladesh.

APPENDIX 3.3

SMALL ENTERPRISE RESEARCH IN BANGLADESH

STUDY	Sample			Methodology	Focus of the study	Main findings relevant to this study
	N=?	Sector	Definition			
Rahman et al. (1979)	247	All	Either fixed investment up to Tk.2.5 million or 49 employees	Interviewed owner-mangers of the existing policies and programmes; An evaluation of the impact of support services on the growth and envelopment of small firms	An appraisal of the existing policies and programmes; An evaluation of the impact of support services on the growth and envelopment of small firms.	(1) Overall, the impact of support services was not satisfactory both quantiatively and qualiatively; (2) Most (72%) SMEs are soletrading; (3) (a) By economic success index: 23% of the assisted firms very successful; 38% successful and 39% least successful; (b) Private limited companies were least successful; (c) Entrepreneurs with no formal educational were more successful than educated entrepreneurs; (d) BSB assisted firms were more successful than that of the BSCIC assisted firms, and (e) Non-assisted firms achieved better success than BSCIC assisted firms. (4) Major problems::Marketing (81%); Financial (38%); Technical & utilities (14%); Training & extension (11%); Initial promotional activities (6%); and Mis-management (6%); (5) Small Firms needed stimulatory, supportive and sustaining assistance; (6) Support agencies gave emphasis on supportive assistance and neglected stimulatory and sustaining activities; creating imbalance approach on SME promotion and development; (7) Major gap existed in policy prescription and implementation; (8) Overall, there was a low awareness among entrepreneurs of the support services, offered by different agencies, and (9) Entrepreneurs' satisfaction in getting different support services was very low: (a) Comparatively the clients of BSCIC were least satisfied; (b) The entrepreneurs, receiving promotional assistance were more satisfied than the firms, receiving other types of assistance.

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APPENDIX 3.3 (Continued)

STUDY	Sample		Methodology	Focus of the study	Main findings relevant to the this study
	N=?	Sector	Definition		
Kamal (1981)	-	Manufacturing	A maximum of up to 49 employees	Reviewed empirical studies and secondary data	Identification of problems of Small and Cottage Industries	(1) Main constraints of SMEs: (a) General problems - inadequate and inefficient infrastructure; inappropriate policies and action of the government; lack of effective implementation of policies; inefficient development institutions; inadequate financial assistance; and absence of a special financial institution.(b) Specific problems - Lack of efficient labour; shortage of entrepreneurial supply; problem with technology and marketing. (2) Recommendations: (a) A separate policy for SMEs; (b) Setting up of necessary institutional networks; (c) Sub-contracting as a means of future development.
BIDS (1981)	1 300	Manufacturing and the repairing of manufactured goods operating on a commercial basis, having up to 50 employees.		Both manufacturing activity and the repairing of manufactured goods operating on a commercial basis, having up to 50 employees.	Sample survey: interviewed owner-managers of small firms	To explore problems and prospects of rural industries	(1) Provided basic profiles on rural industries: (a) About 25% of rural workforce are engaged in industry. (b)Entrepreneurial supply in rural industries seems to be satisfactory; (c) Formal education has a positive impact on entrepreneurial supply; (d) Serious dearth of technical training both through formal institutions as well as through apprenticeship at the enterprise level. (2) Lack of adequate finance is a vital problem. (3) A high proportion of rural firms regarded lack of raw material as their main problem, and (4) Performance with respect to export has been rather poor.
Chowdhury (1981)	306	All	An enterprise established by the people who received training.	Survey: Structured questionnaire	Assessed effectiveness of entrepreneurship training.	(1) 59% participants successfully started enterprises; (2) 97.7% viewed training very useful; (3) Main problem after start-up was lack of finance (57.9%); (4) Areas that needed future training: technical (48%); management (30%); record keeping (13%) and others (9%).

APPENDIX 3.3 (Continued)

STUDY	Sample			Methodology		Main findings relevant to this study
	N=?	Sector	Definition		Focus of the study	
Ahmed (1984)	1 200 SMEs & 31 bank branches	Manufac- turing and repairing firms in rural area	Manufacturing activities and the repairing of manufactured goods, operating on a commercial basis. Having up to 50 employees	Analysed data from BIDS (1981) study and interviewed 31 officials from Nationalised Commercial Banks.	To examine whether the shortage of finance, as viewed by small entrepreneurs is 'real' or an 'illusion'.	Financial difficulties, faced by the small enterprises, are the manifestations of deeper other problems, and thus, are largely illusory does not appear tenable in Bangladesh.
Ahmed (1985)	18 agen- cies and 57 SMEs	All	Rural small scale and cottage enterprises	Interviewed small entrepreneurs as well as agency people	Evaluated the effectiveness of the existing institutional set up for promotion and development of SMEs.	(1) Overall, the institutional network developed to cater to the needs of SMEs has been in a state of flux. (2) The network did not seem to have been built up in response to a conscious strategy towards the development of a viable and self-sustaining industrial sector. (3) Despite a ritualistic emphasis on SME development in policies, no serious attempt seemed to be around towards formulating suitable policy measures or towards instituion building for implementing policies. (4) As a result, the institutional base for SMEs remained rather narrow, and thus, incapable of handling the task needed. (5) Despite the existence of a large number of agencies apart from BSCIC, BHB and BSB, in supporting SMEs, their involvement is only incidental having marginal effect, and (6) There existed an institutional vacuum in supply as well as demand areas like finance, training & research, development & delusion of appropriate technology, and marketing. These services on offer appeared to be inadequate in relation to the needs of SMEs, uncoordinated and ineffective.

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APPENDIX 3.3 (Continued)

STUDY	Sample				Main findings relevant to this study
	N = ?	Sector	Definition	Methodology	Focus of the study	

| Galway (1985) | - | All | No formal definition | Discussions with several people from support agencies, relating to export, and 11 entrepreneurs | To identify export related services available to small businesses, and to make recommendations to USAID about possible assistance that would benefit small firms in exporting their goods. | (1) There is a great potential for exports by small entrepreneurs. (2) Marketing and market information is the area of greatest need for small businesses. (3) The incentives available for export are not as effective as they should be due to complicated procedures in getting such benefits. (4) There are institutions to help small firms export but the system does not function well because: (a) no institutions provides a sufficiently broad range of services; (b) the really competent people are overworked; (c) the staff has no incentive to help small businesses; (d) the staff don't know what services are provided by other institutions;(e) the services are of then misdirected, catering more to other parts of the government than to businesses; (5) The existing information networks function poorly because (a) incomplete information enters the system; (b) the communicators are not sufficiently sensitive to their audience, both in terms of style and content. Rather, they tend to publicise things that are pleasing to their superiors. (6) People experienced in export related areas are available but remain unutilized for a variety of reasons. (7) People working as government employees are regarded with suspicion and assumed to be incompetent and corrupt. (8) Small firms need continual support in their endeavour to export, and (9) All the field officers of the existing organisations are neglected and are not given adequate information or resources to do their jobs properly. |

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APPENDIX 3.3 (Continued)

STUDY	Sample N=	Sample Sector	Sample Definition	Methodology	Focus of the study	Main findings relevant to this study
Ahmed (1987) -	?	All	A maximum of 49 employees or fixed investment up to Tk. 2.5 million	Based on interviews & secondary data	Assessed institutional arrangement to finance SMEs, and compared with the Japanese system	(1) A wide gap exists between the amounts demanded and that received in respect of financial support, and (2) Relatively smaller size (by employment) firms did not have equal access to institutional finance compared to that of their larger counterparts.
HIID/ESEPP (1989) -		All	No formal definition	Based on secondary data	A historical survey of the government policies relating to the promotion and development of SMEs.	(1) Most five-year plans ritualistically paid homage to the role of SME employment and economic development of the country. (2) Little attention had been given for its practical promotion in terms of investment, operational policy formulation, technology development or institutions building. (3) No special support was provided for SMEs until 1986, and (4) Whatever facilities existed, particularly credit, there were few takers for various reasons apart from notorious bureaucratic sloth and administrative complexities.
Sarder (1990) -		All	An enterprise having a maximum investment of Tk. 15 million or 49 employees	Secondary data	Assessed the development potentiality of SMEs	(1) The SME sector constitutes a vital segment of the economic activities; (2) There exists a host of favourable factors, relating to both supply and demand, for the development of this sector, and (3) This sector could be relied upon as a major source for the creation of productive employment and income opportunities in the years to come.

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Appendix 3.3 (Continued)

STUDY	Sample			Methodology	Focus of the study	Main findings relevant to this study
	N = ?	Sector	Definition of firm			
Reza et al. (1990)	120	Food & allied; Apparel/ textile & Eginee- ring	Firms having employment between 10 and 39 employees	Interviewed owner- managers	Analyzed economic performance, barriers to growth and policy impact	(1) Overall, the growth of small and medium firms are unsatisfactory as well as uneven; (2) Inappropriate government policies; (3) Ineffective promotional measures; (4) Problems, among others, are: demand constraints; poor product quality; technological inefficiencies; poor infrastructure; restricted access to institutional finance, and (5) The role of existing promotional agencies is much below desired level.
Mannan (1993)	-	All	A maximum of 49 employees	Based on observations, empirical studies and secondary data	Reviewed policy environment and development of SMEs	(1) Near stagnation in overall industrial sector but the SME sector developed spontaneously without any concerted government efforts; (2) Mere recognition of the role of SME sector in the policy documents without taking any measures for its development; (3) Policy environments favoured large industries blocking the development path of the SME sector; (4) Inadequate and unsuccessful institutional measures at public sector, and (5) There exists an immense development potentiality of SMEs..
Hossain & Sarder (1991)	34	All	Maximum fixed investment of Tk. 15 million excluding the value of land.	Sample survey: interviewed entrepreneurs	To assess the employment of finance	(1) The proportion of fixed to working capital employed was 2.1; (2) Average capital investment was Tk.4,780,000; (3) According to sector, the highest average investment was made in chemical industry due to a huge investment in machinery'; (4) About 50% of the funds invested were loans from institutional sources, and (5) 91% of the entrepreneurs faced acute shortage of finance, both fixed and running capital.

INTERVIEW SCHEDULE FOR SMALL ENTERPRISE

SECTION-I: PERSONAL BACKGROUND

1. Could we please start by asking your year of birth or age? ....
2. Gender: Male [ ]   Female [ ]
3. Are you Bangladeshi by: birth [ ] migration [ ]   Others (Please specify).........
4. What is your maximum educational qualification? ....
5. How long have you been involved in this business?   .... Years
6. How did you become the owner of the present business? ....
7. What did you do before becoming the owner of this enterprise? ....
8. Is any other member of your family involved in business? Yes [ ]   No [ ]
   If 'YES', who they are? ....
9. How many days per week do you spend running the enterprise? ....
10. Do you have any particular training relevant to the enterprise? Yes [ ]   No [ ]
   If 'YES', what type of training?..........

SECTION-II: INFORMATION ABOUT ENTERPRISE

1. What was: a) the year of establishment?   19....
              b) the year of starting production?   19.......

2. What is the form of ownership? ....

3. What are the main functions of your enterprise (eg.,Manufacturing, servicing etc.)? ....
   If 'Manufacturing',
   a) What is the type of production process involved (eg., Old/New, Capital/labour
      intensive, Manual/mechanised etc.)? ....
   b) What was the volume of production in 1992?
      Product/service ..... Units produced .... Price per unit Tk......

4. a) How many people including owner currently work here? ..... Persons
       Full-time .... Male   .... Family .... Skilled   .....
       Part-time .... Female .... Hired   .... Unskilled .....
   b) How many people were employed here? (in No.)
      Mid-1992 .... Mid-1991   .... Mid-1990 ....

5. a) What was, in your best guess, the market value of the total assets in 1992?
      Maximum Tk.......... Minimum Tk. ....
   b) What were the market values of the following fixed assets?

		Land	Building	Machineries	Others
Maximum:	Tk	....	....	....	....
Minimum:	Tk	....	....	....	....

   c) How much money did you spend last year for?
      Raw materials   Tk.... Wages & Salaries Tk..... Electricity & Gas Tk......
      Taxation   Tk....   Rent Tk.......... Others (Please specify)Tk..........

d) Would you please mention the sources of funding of your enterprise in 1992?
Personal capital ...... % Trade credit ....% Profit reinvested ...%
Loan from: i) friends ...... % ii) banks ....% iii) Others (Specify) ...%
Not classified above ......%

6. What was the start-up capital of the enterprise? Tk. .... Sources:...............

7.a) What was the volume of sales in 1992? Tk........
Sales: Within Dhaka .....% Rest of Bangladesh .....% Exports ....%
Sales to: Large firms ..... % Small firms ..... % Consumers .....%
Govt. Dept. .....% Others .....%

b) What was the gross profit (before tax) on sales in 1992? .....% (Approx.)
c) Please state the volume of total sales in the years: 1990 Tk..... 1991 Tk......
d) Do you face? Too many competitors [ ] A few competitors [ ] In between [ ]

8.a) How many owner/s are there in the enterprise? .... person/s
b) How many of them are active manager/s ? ....person/s
c) Who are looking after the day-to-day functioning of the enterprise? ....

9. In the absence of the owner/s, who does look after the business? ....

10. a) Who does take important decisions of the enterprise?
Decisions ...... Decision taking person/s ....
b) Whom do you consult in taking decisions? ....
c) Where do you usually meet them? ....

11. a. How many hired manager/s do you have? .... person/s
What types of speciality they (hired managers) have? ....
What are their main responsibilities? ....
b) Do you hire and fire employees yourself? Yes [ ] No [ ]
If 'YES' : Is it? Formal [ ] Informal [ ] If 'NO', Who does it? ....
c) Do you communicate with support organisation/s? Over Telephone [ ] Fax [ ]
Telex [ ] Letter [ ] Personal Visit [ ] Others (Please specify) ....
d) How do you gather information for your enterprise? Over Telephone [ ] Fax [ ]
Telex [ ] Letter [ ] Personal visit [ ] Others (Please specify) ....

12.a) In your opinion, what is the most significant achievement to date? ....
b) How do you evaluate your business performance? ....
c) In your view, what are the characteristics of a well-managed Small Business? .....
d) What is the key to success of a Small Enterprise? ....

13. What were the reasons for going into this business? ....

14.a) What are your future plans for the business? ....
b) What difficulties will you face in implementing the plans? ....

15.a) What problems did you experience in starting your enterprise? ....
b) What particular difficulties have you been facing in running your enterprise during the last two years? ....
c) What support/s could help you to overcome those problems? ....

16. Did you receive any assistance from support institutions?
Yes [ ] (Go to Section - III) No [ ] (Go to Section - IV)

SECTION - III : FOR SMALL ENTERPRISE ASSISTED BY SUPPORT INSTITUTIONS

1.a) Could you please name the major small enterprise support institution/s (including their services) you have met or heard to date? ....
b) How did you come across the above institution/s? ....

2.a) How many organisations, did you approach for assistance? ....
Name of the organisations ....

b) At what stage of your enterprise? ....
c) For what types of assistance? ....
d) What were the purposes? ....

3. What is the major assistance did you receive from support organisations?

Financial [ ] (Go to next question, Q.4a)
Non-financial [ ] (Go to Q.5)

4.a) What is the name, including branch (if any), of your financing institutions? ....
b) What is the amount, and type of finance you did receive most recently? ....
What percent was the above finance of your own capital? ......%

c) Please mention the year, and the purposes of receiving the assistance: ....
d) What did happen to the enterprise as a result of the financial assistance received? ....
e) Did anybody help you to get the assistance? Yes [ ] No [ ]
If 'YES', Who? ....

f) What were the terms and conditions of the financial help received? ....
g) Was the loan received the most appropriate FORM you wanted? Yes [ ] No [ ]
If 'NO', What form would you have preferred? ....

h) How much of the loan due to date, but you failed to repay? Tk ....
i) What would have happened without the financial assistance received? ......
j) Did the financial assistance received help you to get funding from other sources?
Yes [ ] No [ ]
If 'YES', How much? Tk.....

k) Did you bring any change to the business as a result of receiving financial assistance?
Yes [ ] No [ ] If 'NO', why? .... If 'YES', Changes: ....

l) Did the financial assistance enable you to increase your market share/sales?
Yes [ ]   No [ ] Don't know   [ ]
    If 'YES', what percent of total sales could be attributed to the financial assistance? .... %

m) To what extent, in your best guess, were the financial assistance useful to your firm?
- had it resulted in:

Please circle one number   To a great   Not
against each of the   Extent   at all
followings:

_ Improved profitability	5	4	3	2	1
_ Increased productivity	5	4	3	2	1
_ Higher level of output	5	4	3	2	1
_ Increased capacity	5	4	3	2	1
_ Introduced new process	5	4	3	2	1
_ Increased sales	5	4	3	2	1
_ Improved cash flow	5	4	3	2	1
_ Improved skills	5	4	3	2	1
_ Helped to survive	5	4	3	2	1
_ Increased employment	5	4	3	2	1
_ Others (Pl. specify)	5	4	3	2	1

n) Did you face problem/s in getting financial assistance?   Yes [ ]   No [ ]
    If 'YES', what were the problems? ....
o) How, in your opinion, the above problems could be avoided? ....
p) Would you seek again the financial assistance received?
    Yes [ ]   No [ ]   Why? ....
q) Do you prefer financial assistance timely instead of subsidised assistance?
    Yes [ ]   No [ ]   Why? ....

5.a) What are the major non-financial assistance did you receive?
    Type - 1: ....   From Organisation/s   ....
    Type - 2:.....................   ....
    Type - 3:.....................   ....
    Type - 4:.....................   ....
    Type - 5:.....................   ....
    Others (Please specify)...

5.b) Please find and tick (✓) from the following list of the support services you received
    from support agencies:

[ ] MARKETING:
    [ ] Marketing advice   [ ] Transport of goods
    [ ] Marketing study   [ ] Goods on consignment
    [ ] Participation in buyer-sellers encounters   [ ] Demand supply gap analyses
    [ ] Marketing appraisal   [ ] Marketing directory, catalogue etc.
    [ ] Marketing study tours   [ ] Packaging advice
    [ ] Sub-contracting   [ ] Group advertising
    [ ] Quality improvement of products/process   [ ] Participation in fair/exhibitions etc.
    [ ] Linkage with exporter/local sellers   [ ] Others (Please specify)

[ ] TECHNICAL:
    [ ] Prototype development
    [ ] Pilot production assistance
    [ ] Commercial production assistance
    [ ] Techno-economic studies
    [ ] Product/process adoption

    [ ] Advice on improving designs
    [ ] Patent application help
    [ ] Help in using tools, machineries
    [ ] Help in factory layout
    [ ] Others (Please specify)

[ ] EXTENSION AND CONSULTANCY:
    [ ] Registration of enterprise
    [ ] Recommendation for concessional
        import duties
    [ ] Exemption of import fees
    [ ] Issuance of work permit for foreign labour
    [ ] Help in getting bank loans
    [ ] Arranging suppliers credit

    [ ] Waiving tariff anomalies
    [ ] Diagnosing & rehabilitating sickness
    [ ] Shop-floor consultancy
    [ ] Assessing importable rawmaterials
        and issuance of pass book
    [ ] Recommendation for warehouse facilities
    [ ] Others (Please specify)

[ ] INFORMATION:
    [ ] Market demand studies
    [ ] Directories/booklets/brochures etc.
    [ ] Products catalogues/Newsletters
    [ ] Commercial documentation services
    [ ] Information about support agencies

    [ ] Information about fairs/exhibitions
    [ ] Technical quarry/advice
    [ ] Investment schedules
    [ ] Register of sub-contractors
    [ ] Others (Please specify)

[ ] UTILITY FACILITIES:
    [ ] Power supply
    [ ] Sewerage hook-up
    [ ] Equipment and tools
    [ ] Improved road facilities
    [ ] Common security arrangements

    [ ] Water supply
    [ ] Land/Industrial plot
    [ ] Telephone/Fax/Telex etc.
    [ ] Common workshop facilities
    [ ] Others (Please specify)

[ ] TRAINING:
    [ ] Start-up courses - entrepreneurship development, feasibility studies, how to start a small firm etc.
    [ ] Small enterprise management courses - general management, marketing management, production management, machine management etc.
    [ ] Courses for extension agents and small firms
    [ ] Skill development courses - metal working, electronics etc.

5.c) Please answer the following questions:
    I) Do you think that the assistance received had produced any change in your firm?
        Yes [ ]   No [ ]   If 'NO', Why? .. If 'YES', Changes: ....
    II) What would have happened without the assistance you received? ....
    III) How useful were the non-financial assistance received for your enterprise?
        - had it resulted in:

Please circle one number against each of the followings:	To a great Extent				Not at all
_ Improved profitability	5	4	3	2	1
_ Increased productivity	5	4	3	2	1
_ Higher level of output	5	4	3	2	1
_ Increased capacity	5	4	3	2	1
_ Introduced new process	5	4	3	2	1
_ Increased sales	5	4	3	2	1
_ Improved cash flow	5	4	3	2	1
_ Improved skills	5	4	3	2	1
_ Helped to survive	5	4	3	2	1
_ Increased employment	5	4	3	2	1
_ Others (Pl. specify)	5	4	3	2	1

IV) Would you seek again the non-financial assistance you received?

Yes [ ] No [ ] Why? .... If 'YES', what types of non-financial assistance? ...

V) Do you prefer non-financial assistance timely instead of subsidised assistance?

Yes [ ] No [ ] Why? ....

6.1. The following statements are made about overall relevancy, usefulness and delivery of the services and the people of support organisations. Please name your major support organisations and answer all the questions. Tick (✓) one box, choosing one number against each of organisations chosen.

Statements			Name of Support Organisations				
At your first contact, how helpful were the people of the organisation to your request?	Very Helpful =	5	[ ]	[ ]	[ ]	[ ]	[ ]
		4					
		3	[ ]	[ ]	[ ]	[ ]	[ ]
		2					
	Not at all =	1	[ ]	[ ]	[ ]	[ ]	[ ]
How clearly did people understand your problems?	Very Clearly =	5	[ ]	[ ]	[ ]	[ ]	[ ]
		4					
		3	[ ]	[ ]	[ ]	[ ]	[ ]
		2					
	Not at all =	1	[ ]	[ ]	[ ]	[ ]	[ ]
How quickly did people respond to your request?	Very Quickly =	5					
		4	[ ]	[ ]	[ ]	[ ]	[ ]
		3					
		2	[ ]	[ ]	[ ]	[ ]	[ ]
	Not at all =	1	[ ]	[ ]	[ ]	[ ]	[ ]
How appropriate were overall support to your requirement?	Very Appropriate =	5	[ ]	[ ]	[ ]	[ ]	[ ]
		4					
		3	[ ]	[ ]	[ ]	[ ]	[ ]
		2					
	Not at all =	1	[ ]	[ ]	[ ]	[ ]	[ ]
How favourably would you rate the organisation to meet your needs?	Very Favourably =	5	[ ]	[ ]	[ ]	[ ]	[ ]
		4					
		3	[ ]	[ ]	[ ]	[ ]	[ ]
		2					
	Not at all =	1	[ ]	[ ]	[ ]	[ ]	[ ]

6.2 Do you think that the services offered by the organisations mentioned in Q.6.1 possess the following characteristics?						
	Locally delivered	[ ]	[ ]	[ ]	[ ]	[ ]
	Easily accessed	[ ]	[ ]	[ ]	[ ]	[ ]
	Timely provided	[ ]	[ ]	[ ]	[ ]	[ ]
	Informal	[ ]	[ ]	[ ]	[ ]	[ ]
	Flexible	[ ]	[ ]	[ ]	[ ]	[ ]
	Personally delivered	[ ]	[ ]	[ ]	[ ]	[ ]
	Highly visible	[ ]	[ ]	[ ]	[ ]	[ ]
	Credible	[ ]	[ ]	[ ]	[ ]	[ ]
(Choose one box per organisation against each statement)	Accepted by community	[ ]	[ ]	[ ]	[ ]	[ ]
	Simple	[ ]	[ ]	[ ]	[ ]	[ ]
	Problem oriented	[ ]	[ ]	[ ]	[ ]	[ ]
	Trustworthy	[ ]	[ ]	[ ]	[ ]	[ ]
	Cheaper	[ ]	[ ]	[ ]	[ ]	[ ]
	Integrated (Max. level)	[ ]	[ ]	[ ]	[ ]	[ ]

7. Please feel free to comment, if any, about the people of the support organisation/s:

8.a.What is the distance between your enterprise and your main support agencies? ... miles
  b.Do you think, the above distance is a barrier to getting support from institution/s?
  Yes [ ] No [ ] Why? ....

9. Did the support organisation/s collect information as a follow-up to their assistance provided? Yes [ ] No [ ] If 'YES', Name the organisation/s ......

10.Based on your experience to date, in receiving support services, do you:
  Like to have same support services continue [ ]
  Welcome other sources if available [ ]
  Prefer to be left alone [ ]

11.a) What other non-institutional sources, in addition to support organisations, did you use to start/run your enterprise? .... b) For what types of assistance? ....

12.a) Did you pay for services received from support organisations? Yes [ ] No [ ]
  If 'YES', for what types of services? ....
  If 'NO', why? ....
  b) Are you willing to pay for services from support institutions? Yes [ ] No [ ]
  If 'YES', i. For what type of services? ....
         ii. Under what circumstances? ....
  If 'NO', why? ....

13.Regardless of your experience, do you think such support services could help other Small Enterprises? Yes [ ] No [ ] Don't know [ ]
  Please mention reasons for YES/NO answer ....

14.a)Which aspects/areas of your business could be improved by assistance from support organisation/s? ....
  b)What types of assistance? ....

15.Would you please tell something about Government Policy regarding small enterprise development? a) Positive ....
b) Negative ....

16.a) Which area of your enterprise has been affected by the government policy? ....
  b) What is the degree of overall influence of the policy on your enterprise?
     Very much [ ]   Somewhat [ ]   Not at all [ ]   Don't know [ ]
  c) Which aspect/s of the policy could be improved to help your enterprise? ....

17. Since 1990, have you faced any major incidents, which have affected your business seriously, i.e. closed-down/stopped production? Yes [ ]   No [ ]

   If 'YES', a) What types of incident/s? ....
              b) Year   19.......
              c) What did happen to your business? ....

SECTION-IV: FOR SMALL ENTERPRISE NOT ASSISTED BY SUPPORT INSTITUTIONS

1.a) Could you please name the major Small Enterprise support organisations (including their services) you met or heard to date? ....
  b) How did you come across the above organisation/s? ....

2. Did you seek any assistance from support organisations to start/run your enterprise?
     Yes [ ]   No [ ]   If 'NO', why? ....
     If 'YES',
          a. What were the institutions? ....
          b. For what types of assistance? ....
          c. What were the purposes? ....
          d. At what stage of your enterprise? ......
          e. Why do you think you did not receive the assistance sought? ....

3. a) What were the major assistance did you receive from non-institutional (family, friends etc.) source/s to start/run your enterprise? ....
   b) Please state the source/s ....

4. What did happen to your enterprise as a result of the assistance received? ....

5. What would have happened without the assistance received? ....

6. What are the other assistance, in addition to the assistance received from informal source/s, you needed but failed to receive? ....

7. Do you want to have services, offered by support institutions? Yes [ ]   No [ ]
     If 'YES', a) What types of services? ....   If 'NO', why? ....
               b) From which institutions? ....
               c) Under what circumstances? ....

8. Are you willing to pay for services from support organisation/s? Yes [ ] No [ ]
   If 'YES', a) For what types of services? .... If 'NO', why? ....
   b) Under what situations? ....

9. a) Which areas of your business could be improved by assistance from support
   organisation/s? ....
   b) What types of assistance do you require? ....

10. Would you please tell something about Government Policy regarding small enterprise
    development? a) Positive .... b) Negative ....

11. a) Which area of your enterprise has been affected by the government policy? ....
    b) What is the degree of influence of the policy on your enterprise?
       Very much [ ] Somewhat [ ] Not at all [ ] Don't know [ ]
    c) Which aspect/s of the policy could be improved to help your enterprise? ....

12. Since 1990, have you faced any major incidents, which have affected your business
    seriously, i.e. closed-down/stopped production? Yes [ ] No [ ]
    If 'YES', a) What types of incident/s? ....
             b) Year ....
             c) What did happen to your business? ....

APPENDIX 5.1B

INTERVIEW SCHEDULE FOR SUPPORT ORGANISATIONS

SECTION-I: BACKGROUND INFORMATION

1. Title of the organisation ....

2. Year of establishment: 19.....

3. Which of the following does best describe the nature of ownership?

		Department	Separate Organisation
[ ] Public:	[ ]Pure government	[ ]	[ ]
	[ ]Semi-government	[ ]	[ ]
	[ ]Others (Please specify)		
		Profit Making	Non-Profit
[ ] Private:	[ ]NGO: Bangladeshi	[ ]	[ ]
	Foreign	[ ]	[ ]
	Others (specify)	[ ]	[ ]
	[ ]Bank/financial organ.	[ ]	[ ]
	[ ]Business forum	[ ]	[ ]
	[ ]Others (Pl. specify)	[ ]	[ ]

[ ] Not classified above (Please specify)........

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4. What are the main objective/s of your organisation? (Please state briefly, according to importance) ....

5. Who does formulate the objectives of the organisation? ....

6. What are the major functions of your organisation? (Please attach a booklet) ....

7. Area of operation & extent of operational outreach:

Area covered		Operational outreach (%)	
		Rural	Urban
[ ]	National (all over Bangladesh)	.....	.....
[ ]	Regional (some parts of Bangladesh)	.....	.....
[ ]	Local (limited area only)	.....	.....
[ ]	Others (Please specify)	.....	.....

8. Sources of funding (%):

[ ] Government   .....   [ ] Own fund   .....
[ ] Donation/aid .....   [ ] Foreign Loan   .....
[ ] Own Income   .....   [ ] Others (Pl. specify).....

9. Which of the followings does best describe the involvement of your organisation in small enterprise development? (A small enterprise refers to an enterprise employing not more than 50 full-time people or a maximum fixed investment of Tk. 15 million.)

   _Wholly involved: All programmes for small firms
            (Go to SECTION-II)
   _Partially involved: Always some programmes for small firms
            (Go to SECTION-II)
   _Occasionally involved: Sometimes some programmes for small firms
            (Go to SECTION-III)

SECTION-II: FOR ORGANISATION INVOLVED 'WHOLLY OR PARTIALLY IN
            SMALL ENTERPRISE DEVELOPMENT

1. What are the major programmes does your organisation carry out for small enterprise development in Bangladesh? (Please attach documents) ....

2. Which of the following support services does your organisation offer to small entrepreneurs? Please tick [✔] appropriate box(es).

[ ] CREDIT/FINANCE:
      In kind: Fixed capital   [ ]   In cash: Fixed capital   [ ]
              (eg. Machinery)   Working capital   [ ]
              Working capital   [ ]

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[ ] TECHNICAL/PRODUCTION:

Advice on process	[ ]	Advice on product design	[ ]
" on tools	[ ]	" on layout	[ ]
" on quality control	[ ]	Others (Please specify)	[ ]

[ ] MANAGEMENT:

Book-keeping	[ ]	Accounting & auditing	[ ]
Production planning	[ ]	Training	[ ]
Capital budgeting etc.	[ ]	Others (Please specify)	[ ]

[ ] MARKETING:

Advice on Packaging	[ ]	Merchandising	[ ]
Product demand	[ ]	Raw material procurement	[ ]
Emporia sales/fair	[ ]	Export services	[ ]
Credit insurance	[ ]	Others (Please specify)	[ ]

[ ] COMMON/UTILITY FACILITIES:

Land & building	[ ]	Engineering workshops	[ ]
Power, gas etc.	[ ]	Industrial plots	[ ]
Improved road facilities	[ ]	Others (Please specify)	[ ]

[ ] SERVICES NOT INCLUDED ABOVE:

Identification of project	[ ]	Preparation of Project	[ ]
Feasibility study	[ ]	General advice/information	[ ]
Others (Please specify)	[ ]		

3. If your organisation offers financial assistance to small enterprises, please answer the followings:
a) Amounts of financial assistance distributed in 1991-92?   Tk............
b) What were the forms of the financial assistance distributed?
     Cash loan/credit Tk........   Credit in kind Tk......
     Equity investment Tk...... .   Others (Pl. specify) Tk.......
c) Yearly interest rate in each of the above: ....
d) Service charges: Total amounts Tk ....   or ..... % per hundred annually.

4. PROFILE OF THE PEOPLE
     (Please provide the following information about the people employed by your organisation)
a) Total employees: ... persons
b) How many of the total employees are engaged in activities related to small enterprise development? .... persons   or   ......% of total employees
c) According to academic qualifications:

	Number	OR	Percentage (Roughly)
Masters Degree	.... persons		.... percent
B.Sc.,B.Com.,B.A. etc.	.... ,,		..... ,,
H.S.C. or equivalent	.... ,,		..... ,,
S.S.C or equivalent	.... ,,		..... ,,
No formal education			
Total =	persons		100 percent

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d) According to age:

	Number OR	Percentage (Roughly)
Up to 30 years	.... persons	.... percent
30 - 40 "	.... ,,	...... ,,
40 - 50 "	.... ,,	...... ,,
50 & above	.... ,,	...... ,,
Total = persons	100 percent	
====	====	

e) According to placement:

	Number OR	Percentage (Roughly)
In head office	.... persons	.... percent
In district offices	.... ,,	...... ,,
In field	.... ,,	...... ,,
Total = persons	100 percent	
====	====	

f) According to experience:

	Number OR	Percentage (Roughly)
Previous working experience with small enterprise	...... persons	.... percent
Previous working experience with large business	.... ,,	.... ,,
Professional experience (eg. consultancy, research)	.... ,,	.... ,,
No experience	.... ,,	.... ,,
Total = persons	100 percent	
====	====	

g) According to training:

	Number OR	Percentage (Roughly)
Related to small firm	..... persons	... percent
Not related to small firm	..... ,,	... ,,
No training	..... ,,	... ,,
Total = persons	100 percent	
====	====	

h) According to gender:

	Number OR	Percentage (Roughly)
Male	..... persons	..... percent
Female	..... ,,	..... ,,
Total = persons	100 percent	
====	====	

i) How does your organisation recruit staff? ....

j) What are the criteria for recruiting staff? ....

5. CONTROLLING:

a) Overall functions of the organisation are controlled by: Chief Executive [ ]
Board of management [ ]   Others (Please specify) ....
If by 'Chief Executive', how is he/she appointed? ....
If by 'Board of Management', please state composition of the Board ....

b) Which of the following does describe the overall controlling system?
Formal [ ]   Informal [ ]   Others (Please specify).......

c) In the case of formal system, Please check:
Budgetary control [ ]   Internal audit [ ]   Inspection [ ]   Others (Pl. specify) ....

d) To which external body(ies) has your organisation to report about it's progress? ....

6. DECISION MAKING:

a) In which matter/s the organisation is free to take decision/s? ....
In which matter/s the organisation is not free to take decision/s? ....

b) On which external body(ies) your organisation is to depend for decision making?

c) To what extent, in your opinion, does the external body influence the following
activities of your organisation? Please select one number against each activity, and
tick (✓) the relevant box.

Activities	To a great extent				Not at all
	5	4	3	2	1
_ Setting goal/objective	[ ]	[ ]	[ ]	[ ]	[ ]
_ Internal Management	[ ]	[ ]	[ ]	[ ]	[ ]
_ Setting Programmes	[ ]	[ ]	[ ]	[ ]	[ ]
_ Financing	[ ]	[ ]	[ ]	[ ]	[ ]
_ Implementing programmes	[ ]	[ ]	[ ]	[ ]	[ ]
_ Others (Please specify)...	[ ]	[ ]	[ ]	[ ]	[ ]

7. COMMUNICATION:

a) How do you communicate with your superior? By reporting [ ]
By supplying information [ ] By moving files [ ] By responding to office order [ ]
By notices [ ] Others (Please specify) .....

b) How do you communicate with your subordinates? By reporting [ ]
By supplying information [ ] By moving files [ ] By issuing office orders [ ]
By notices [ ] Others (Please specify) .....

c) How do you communicate with the relevant government department/s?
Through reporting [ ] By supplying information [ ] By moving files [ ]
Others (Please specify).....

d) How do you communicate with small entrepreneurs?

Through press release	[ ]	Distributing pamphlet	[ ]
Radio/TV	[ ]	Personal contacts	[ ]
Letters/telephone etc.	[ ]	Others(Please specify)	

e) In case of 'Personal contacts', how?

Small Entrepreneurs come to your organisation   [ ]
Organisation's people go to Small Entrepreneurs   [ ]
Others (Please specify) ....   [ ]

8. INTER-ORGANISATIONAL COOPERATION AND COORDINATION:

a) Please state the programmes your organisation seeks cooperation from other organisation/s: ....
b) Please state the programmes your organisation cooperates with other organisation/s:
c) Do you have encountered any problems in coordinating above activities?
Yes [ ] No [ ]
If 'Yes', what are the problems? ....
How, in your view, those problems can be avoided? ......

9. INTER-ORGANISATIONAL LINKAGE:

a) How many people did your organisation refer to other organisation/s in 1991-92?
No. of persons ....   Organisation/s ....
b) How many people did you receive referred by other agencies in 1991-92?
No. of persons ......   Organisation/s ....

10.a) How do you best describe the structure of your organisation? (Please attach a copy of the organogram) Simple/flat type [ ] Civil service type [ ] Others (Pl. specify)...
    b) Please state the number of branches, if any, of your organisation: .... branches

11.a) Does your organisation carry out evaluation of its activities? Yes [ ] No [ ]
    If 'Yes': Is it?   Monthly [ ] Quarterly [ ] Half yearly   [ ] Yearly [ ]
      Occasionally [ ] Others (Please specify) ....
    Who does it? Inhouse people [ ] External consultants [ ] Others (Pl. specify) .....

    b) What are the criteria used for evaluation? ....
    c) In what form does the evaluation result report/publish? Internal report [ ]
      Confidential report [ ] External publication or report [ ] Others (Please specify).......

12. Please provide some basic information about the small enterprises assisted by your organisation:

a) Total number in 1992 ....
b) Total number of firms assisted since inception ....
c) Number of employment created in the assisted enterprises during 1992: ....
d) Number of employment created since inception ......
e) Form of ownership of the assisted firms ....

g) According to employment size ....
h) According to gender ......
i) According to stage of enterprise:
Pre-start up ..... Start up .... Existing .... Others (Please specify) ....

j) According to types of assistance:
Finance ...... Training ...... Counselling/advice ..... Information ....
Land/shed ...... Raw materials ...... Others (Please specify)...........

13. a) What were the total expenditures of your organisation in the financial year 1991-92?
Tk. ....
b) What proportion of these expenses could be attributed to the development of small enterprises? ..... percent
c) Would you please give a detailed breakdown of the total expenses in 1991-92: (Please attach an audited balance sheet, if any) ....

SECTION - III : FOR ALL ORGANISATIONS

1.a) What are the main constraints, viewed by you, of small enterprises in Bangladesh?

b) What are the major needs of small firms for support services? ....

2. What should be the characteristics, in your opinion, of a well-managed small enterprise?

3. How helpful, in your opinion, were the support services provided by your organisation? - has it resulted in:

Please circle one number against each of the followings:	To a great extent				Not at all
- Improved profitability	5	4	3	2	1
- Increased productivity	5	4	3	2	1
- Higher level of output	5	4	3	2	1
- Increased prod. capacity	5	4	3	2	1
- Introduced new process	5	4	3	2	1
- Increased sales	5	4	3	2	1
- Improved cash flow	5	4	3	2	1
- Improved Employee skill	5	4	3	2	1
- Helped to survive	5	4	3	2	1
- Increased employment	5	4	3	2	1
- Others (Please specify)	5	4	3	2	1

4.a) Does your agency monitor and collect information about: 'What does happen to the health of the assisted firms as a result of the assistance provided?' Yes [ ] No [ ]
If 'No', why? .... If 'Yes', please answer the following questions:

I. What changes that has your organisation made as a result of the information obtained from feed-back system? ....

II. Does your organisation provide any additional support as a result of feed-back?
Yes [ ] No [ ] If 'YES', what types of supports? ... If 'NO', why ? .....

5.a) What are the major obstacles to provide effective support services by your organisation?
   b) How the services could be made more effective? ....

6.a) Would you please explain the major strengths and weaknesses of the government policy relating to the development of the small firm sector? ....
   b) What are your suggestions, if any, about the government policy?

7.a) Which aspects of your organisation are affected by the government policy?
   b) What is the overall degree of influence?   To a great extent=5 4 3 2 1=Not at all
   c) Does the influence above affect how your agency supports small enterprises?
      Yes   [ ]   No   [ ]
      If 'YES': How?
      To what extent? Very significantly = 5 4 3 2 1 = Very insignificantly

[THE END. THANK YOU VERY MUCH]

APPENDIX 6.1
LIST OF ENTERPRISE DEVELOPMENT ORGANISATIONS IN BANGLADESH

A. GOVERNMENT DEPARTMENTS/INSTITUTIONS:
   1. Bangladesh Small and Cottage Industries Corporation (BSCIC)
   2. Board of Investment (BOI)
   3. Bangladesh Handloom Board (BHB)
   4. Bangladesh Sericulture Board (BSB)
   5. Bangladesh Handicrafts Marketing Company (BHMC)

   6. Bangladesh Shilpa Bank (BSB)
   7. Nationalised Commercial Banks (NCBs)
   8. Bangladesh Management Development Centre (BMDC)
   9. Bangladesh Industrial Technical Assistance Centre (BITAC)
   10.Bangladesh Standard Institution (BSI)

   11.Bangladesh Council for Scientific & Industrial Research (BCSIR)
   12.Investment Corporation of Bangladesh (ICB)
   13.Export Promotion Bureau (EPB)
   14.Youth Development Division (YDD)
   15.Directorate of Textile (DOT)

   16.Bangladesh Rural Development Board (BRDB)
   17.Directorate of Social Welfare (DSW)
   18.Trading Corporation of Bangladesh (TCB)
   19.Controller of Import and Export (CIE)
   20.Department of Cooperatives (DOCOOP)

21. Power Development Board (PDB)
22. Central Testing Laboratory (CTL)
23. Titas Gas Transmission and Distribution Company (TG)
24. Rural Electrification Board (REB)
25. Telegraphs and Telephone (T&T)

26. Institute of Leather Technology (ILT)
27. Bangladesh Krishi Bank (BKB)
28. National Productivity Organisation (NPO)
29. Divisional Development Authority (DDA)
30. District Development Authorities (DDAs)

31. Bangladesh Export Processing Zone Authority (BEPZA)
32. Grameen Bank
33. Bank of Small Industries and Commerce (BD) Ltd. (BASIC)

B. PRIVATE:

I. COMMERCIA/PROFITEERING ORGANISATIONS:

34. Micro Industries Development Assistance and Services (MIDAS)
35. Micro Enterprise Development Organisation (MEDO)
36. Industrial Development Leasing Company (IDLC)
37. Industrial Promotion and Development Company (IPDC)
38. Private (Local) Commercial Banks (PCBs)

39. Foreign Commercial Banks (FCBs)
40. National Credit Limited (NCL)
41. Bank for Commerce and Industry (BCI)

II. NON-PROFIT ORGANISATIONS:

TRADITIONAL NGOs:

42. Bangladesh Rural Advancement Committee (BRAC)
43. KARITUS (Bangladesh)
44. CONCERN
45. Mirpur Agricultural Workshops and Training Services (MAWTS)

TRADE ASSOCIATIONS/FORUM:

46. National Association of Small and Cottage Industries of Bangladesh (NASCIB)
47. Dholikhal Light Engineering Owners Association (DLEOA)
48. Bangladesh Plastic Industries Association (BPIA)
49. Bangladesh Light Engineering Owners Association (BLEOA)
50. Bangladesh Packaging Industries Association (BPIA)

51.Federation of Bangladesh Chamber of Commerce and Industries (FBCCI)
52.Regional Chamber of Commerce and Industries (RCCI)
53.Bangladesh Garments Manufacturing and Exporting Association (BGMEA)
54.Bangladesh Handicrafts Manufacturing and Exporting Association (BHMEA)
55.Productivity Service Wing (PSW), Bangladesh Employers Association

EDUCATIONAL/RESEARCH AGENCIES:

56.Department of Finance and Banking, University of Dhaka
57.Centre for Entrepreneurship Development (CED), IBA, University of Dhaka
58.Bureau of Business Research (BBR), University of Dhaka
59.Institute of Appropriate Technology (IAT), BUET

C. INSTITUTIONS NOT CLASSIFIED ABOVE:

60. Small Enterprise Development Project (SEDP)

APPENDIX 7.1
Types of Financial Assistance Sought by SMEs

Types of Finance	No.	Percentage
Both fixed and working capital	46	61.3
Working capital only	18	24.0
Fixed capital only	11	14.7
Total =	75	100.0

Source: Survey

APPENDIX 7.2
Incidence of Assistance by Industry Sector

Industry sectors	Assisted (n=93)		Non-Assisted (n=68)		Total (N=161)	
	No.	%	No.	%	No.	%
Food and allied	11	12	10	15	21	13
Textiles and apparels	8	9	9	13	17	10
Paper and printing	8	9	8	12	16	10
Rubber, plastic and glass	15	16	12	18	27	17
Basic metal and light engineering	39	42	16	23	55	35
Fabricated metal	12		13	19	25	15
Total =	93	100	68	100	161	100

Source: Survey $[\chi^2 = 6.36$ df. $= 5$ and $p = 0.02]$

APPENDIX 7.3
Types of Assistance Received by the Study Firms

Types of Assistance	No.	Percentage
Financial only	28	32
Financial & Non-financial	53	61
Non-financial only	6	7
Total =	87	100

Source: Survey

APPENDIX 8.1
Consultation about Business

Whom Consulted?	No. (N=141)	Percentage
Family Members	124	50.1
Friends including partners	49	19.7
Managers/Employees	39	15.9
Support agency people	22	8.9
None	14	5.4
Total =	248	100.0

Source: Survey

APPENDIX 8.2
Activities of the Major Support Agencies in Bangladesh

Activities	Agencies	No.
General Advice	BSCIC, MIDAS,BASIC, BOI, NASCIB & SEDP	6
Feasibility/Marketing studies/Research	BSCIC, MIDAS, SEDP	3
Extension services	BSCIC, MIDAS, BOI & NASCIB	4
Training	BSCIC, MIDAS & SEDP	3
Technical assistance	BSCIC, BASIC, MIDAS, SEDP & NASCIB	5
Financial help	BASIC, MIDAS & SEDP	3
Policy recommendations	BSCIC, BOI & NASCIB	3
Registration	BSCIC, NASCIB & BOI	3
Utility support	BSCIC	1
Total =		6

Source: Survey

APPENDIX 8.3
Scoring for Evaluation of the Design of Support Agencies

Parameters	BSCIC	MIDAS	BASIC	BOI	NASCIB	SEDP
PEOPLE: Age	-	-	-	-	1	-
Gender	-	-	1	-	-	-
Experience	-	-	-	-	1	-
Qualifications	1	-	-	-	1	-
Training	-	1	-	0	-	-
(Sub-total=)	(1)	(1)	(1)	(0)	(3)	(-)
STRUCTURES: Ownership	-	1	1	-	1	*
Autonomy	-	1	1	1	1	1
Commercial Service condition	-	1	1	-	1	1
Funding: Fees Income	-	1	1	-	1	1
-Publications	1	1	-	-	-	-
-Donations	-	1	-	-	1	1
-Minimum govt. funding	-	1	1	-	1	1
Org. structure: Flat	-	1	1	-	1	1
-Fewer command level	-	1	1	-	1	1
(Sub-total=)	(1)	(9)	(7)	(1)	(8)	(7)
PROCESS:						
Control-Independence	-	1	1	-	1	1
-Promoting service using						
- Field staff	1	1	1	-	1	1
- Trade forum	1	1	-	-	1	-
- Trade fair	1	1	-	1	-	-
Decision Making:						
- Autonomy of field staff	-	1	1	-	-	-
- Inclusion of SME repre-						
sentative on Mgt.Board	-	1	-	-	1	-
Coordination:						
Close working relations						
with other agency	-	1	-	-	-	1
(Sub-total=)	(3)	(7)	(3)	(1)	(4)	(3)
CULTURE & ATTITUDES:						
Staff views on charac-						
teristics of a SME	-	-	-	-	1	-
Evaluation measures:						
-Income/Profit	-	-	-	-	-	-
-New SME set up	-	1	1	-	-	1
-Survival rate	-	-	-	-	-	-
-Quality improvement						
Attitudes to Customers	-	-	-	-	-	-
High personal contact	-	1	1	-	1	-
(Sub-total=)	(-)	(2)	(1)	(-)	(2)	(1)
GOALS & OUTCOMES						
-Hardware/software service	1	1	1	-	-	1
-Both financial & nonfinancial	-	1	1	-	-	1
-SMEs awareness of Agencies	1	-	-	-	-	-
-Delivery of service	-	1	-	-	-	-
-Perceived usefulness	-	1	-	-	-	-
(Sub-total=)	(2)	(4)	(2)	(-)	(-)	(2)
Grand Total =	7	23	14	2	17	13

* Type of ownership of SEDP not finalised during field survey

Operationalising Design Parameters of Support Agencies

Parameters	Operationalisation	Calculation of point
PEOPLE:-Age	-Number of year	-For closest match between SMEs and agency people=1
-Gender	-Male or Female	-For highest match=1
-Experience	-Previous experience related to Small Firms	-For highest match=1
-Qualifications	-Educational level such as SSC, HSC, Degree etc.	-For highest match=1
-Training	-Training received or not	-For highest match=1
STRUCTURES:		
-Ownership	-Private or government	-If private=1
-Opera. Autonomy	-Autonomy in ownership	-If autonomous body=1
-Service cond.	-Pay & service condition	-If pvt. sector condition.=1
-Funding sources	-Sources of funding	-If fees/ Donation/minimum govt. funding=1
-Organisation structure	-Organisation type & Levels of command	-Flat organisation = 1 -Fewer command level=1
PROCESS :		
Control:- Independence	-Independence in management	-For maximum independence=1
- Promotion of services	-Use of media in promoting service	-IF use field staff = 1 " trade forum = 1 " trade fair = 1
Decision making:		
- Autonomy of field staff;	-Autonomy of field staff in operational decision making	-For high autonomy = 1
-Involvement of SME in policy and strategic decision	-Participation of SMEs on Board for policy & strategic decision making	-For existence of entrepre- neurs in Mgt.Board=1
Coordination:		
-Close working condition with other agencies	-Steps taken for working with other agencies	-If Step/s taken for working with other agency=1
CULTURE & PEOPLE ATTITUDES:		
-Value system reflecting those of small entrepreneurs	-Comparing agency people views on features of a well managed SME with those of entrepreneur	-For highest match= 1
-Evaluation of performance	-Criteria used for evaluation of performance	-1 point for each: profitability, business established, Survival rate, Quality imp. of products.
-Attitude to customers feedback	-Whether customers views are considered or not as feedback	- If customer considered = 1
-Contact with customers	-Frequent contact with customers	-For close contact=1
GOALS-OUTCOMES:		
-Services offered	-Hardware & software -Financial & Nonfinancial	-If both =1 -If both = 1
-Awareness Created	-Responses of entrepreneurs	
-Delivery System	-Characterisation of delivery of services	-For highest score=1
-Usefulness of service	-Usefulness of services, as viewed by owner managers	-For highest score= 1

Examining the Problem of Multicollinearity among
the Measures of Support Services

The problem of multicollinearity was investigated because it may distort the results of any relationship analyses in two ways. Firstly, hypotheses examined the relationships between the measures of support services and respective dependent measures of SME performance. A high level of multicollinearity would influence the results of regression analysis employed to test these hypotheses. Secondly, a number of hypotheses examined the differences attributable to a High versus Low level support services. This was calculated by standardising the elements of support services - extent, type and intensity - and by summering them to get an overall level of assistance received by SMEs. If there exists any high multicollinearity between any two of the elements of support services, then the classification as high versus low support services would be overly influenced by the shared dimension of highly inter-correlated measures.

The procedures, suggested by Robinson (1981:129), were followed to examine multicollinearity. First, Pearsonian product moment correlations were computed between the four measures of support services, as shown below.

Pearsonian Correlations: Measures of Support Services

	Extent	Type	Intensity	Comprehensiveness
Extent	-			
Type	0.58	-		
Intensity	0.23	0.23	-	
Comprehensiveness	0.85	0.74	0.26	-

As shown above, there is an acceptable level of multicollinearity by all measures except one, comprehensiveness. It is highly correlated with extent (r=.85) and type (r=.74). In fact, Extent is the number of areas of assistance, while comprehensiveness was calculated by grouping similar areas of support services into major types. Therefore, it is very logical that both measures, extent and comprehensiveness, are basically measuring the same concept of support services, showing very high correlation. In such a situation, one of them could be dropped by calculating the coefficient of determination (R^2) of each variable, considering other three as independent variables. The results of coefficient of determination would be compared and among the two variables revealing maximum R^2, the first one could be selected dropping the second variable with next highest value of R^2 .This decision was confirmed by calculating the coefficient of multiple determination, R^2, between each independent variable and remaining independent variables. The resulting R^2 values were compared, with the largest value indicating the most significant contributor to multicollinearity as shown below.

R² : Independent Variable with Other Independent Variables	
Independent Variables	Value of R²
Extent	0.85
Comprehensiveness	0.73
Type	0.33
Intensity	0.06

Results revealed that extent shows higher R^2 than that of comprehensiveness, and thus is better measure than comprehensiveness. Therefore, the removal of comprehensiveness left three variables to measure support services: extent, type and intensity. In examining the relationships between support services and performance measures, the regression models would include these three independent measures (extent, type and intensity) and one dependent variables (performance measures). For hypotheses examining differences, in firms receiving high versus low levels of support services, each of the measures of support services was standardised (Mean 0.00 with 1 Standard deviation). The standardised values were added up to provide a composite score for each firm.

Appendix 9.2
Assisted Firms: Young vs. Old
MANOVA: $F(4,53) = .23$ $p = 0.91$
Univariate $F(1,56)$ Tests Results

Variables	Mean		F Values	P Values
	Young	Old		
Growth in Sales (%)	9.87	7.97	0.48	0.48
Growth in Job (%)	8.41	6.90	0.07	0.78
Sales per Job (Tk. '000)	127.61	116.73	0.04	0.83
Value added per Job (Tk. '000)	43.19	40.05	0.49	0.48

Note: Variables controlled - age of firm, managerial experience of owners, year passed after receiving help, industry sector, market competition and initial financial condition.

APPENDIX 9.3
Old Firms: Assisted vs. Non Assisted
MANOVA: $F(4,49) = 1.49$ $p = 0.21$
Univariate $F(1,52)$ Tests Results

Variables	Mean		F Values	P Values
	OASEs[1]	ONASEs[2]		
Growth in Sales (%)	7.83	6.34	3.31	0.07
Growth in Job (%)	6.87	5.27	1.57	0.22
Sales per Job (Tk. '000)	115.13	104.37	2.55	0.11
Value added per Job (Tk. '000)	38.62	34.50	2.91	0 .09

1 Old Assisted Small Enterprises(OASEs);   2 Old Non Assisted Small Enterprises(ONASEs);
Note: Variables controlled - managerial experience, market competition and initial financial condition.

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Appendix 9.4
Assisted Firms: Less vs More Experienced Owners
MANOVA: $F(4,53)=1.44$ $p = 0.23$
Univariate $F(1,56)$ Tests Results

| Variables | Mean | | F Values | P Values |
	ALEO[1]	AMEO[2]		
Growth in Sales (%)	9.44	8.03	0.51	0.47
Growth in Job (%)	8.58	6.36	4.06	0.04*
Sales per Job (Tk. 000)	128.09	113.64	0.39	0.53
Value added per Job (Tk.000)	43.83	38.56	1.10	0.29

1   Assisted Firms with less experienced owners;
2   Assisted Firms with more experienced owners;
*   Significant at less than 5 per cent.
Note: Variables controlled - age of firm, market competition, initial financial condition, year passed after getting help and industry sector.

APPENDIX 9.5
More Experienced Owners: Assisted vs. Non Assisted firms
MANOVA: $F(4,47)=1.10$ $p = 0.36$
Univariate $F(1,50)$ Tests Results

| Variables | Mean | | F Values | P Values |
	AMEO[1]	NAMEO[2]		
Growth in Sales (%)	8.25	7.12	1.80	0.18
Growth in Job (%)	6.48	5.16	1.61	0.21
Sales per Job (Tk.'000)	115.45	105.74	1.90	0.17
Value added per Job(Tk.'000)	38.44	34.74	2.65	0.11

1   Assisted Firms with more experienced owners;
2   Non Assisted Firms with more experienced owners;
Note: Variables controlled - age of firm, market competition and initial financial condition.

APPENDIX 9.6
Assisted Firms: Low vs. High Competition
MANOVA: $F(4,53) = 1.87$ $p = 0.12$
Univariate $F(1,56)$ Tests Results

| Variables | Mean | | F Values | P Values |
	ALC[1]	AHC[2]		
Growth in Sales (%)	8.70	8.87	0.35	0.55
Growth in Job (%)	8.02	7.13	0.32	0.57
Sales per Job (Tk.'000)	126.31	116.96	1.16	0.28
Value added per Job(Tk.'000)	45.34	37.80	5.55	0.02*

1   Assisted firms facing low competition;
2   Assisted firms facing high competition;
*   Significant at less than 5 per cent.

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