

## **Women Entrepreneurs in SMEs: Bangladesh Perspective 2017**

This study mainly aimed at exploring the present status of women entrepreneurs in small and medium enterprises. The study was initiated with a number of objectives, which mainly mingle around the goal of understanding the sources of success of women entrepreneurs in the SMEs, socio-cultural and legal barriers faced by women to become entrepreneurs and find out ways to improve the opportunities in the SME sector so that more women may become entrepreneurs. Detail analysis has been provided in different chapters above, from which the following insights could be derived regarding the women entrepreneurs of SMEs in Bangladesh. The discussion in this chapter is based on both the sample survey of 1510 entrepreneurs as well as 6 FGDs at divisional level and KIIs. In addition, the study conducted case studies of the 7 successful women entrepreneurs from different sectors. The questionnaire survey was administered in all divisions, covering 45 districts, including the 34 districts covered in the 2009 study. As has been mentioned above, all these were conducted in 2017 following scientifically acceptable methodology. Three researchers from BIDS were involved in this study:

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### **Women Entrepreneurship in Bangladesh: Gaps in policies, acts, rules and SME programs towards entrepreneurship development**

Women Entrepreneurship refers to ownership and leasing of businesses by a woman. Women entrepreneurship is not only a source of income generation for a woman, but also a way of achieving economic independence. Women enterprises could be of three types: i) owned by women, ii) managed by women and iii) employing women. According to the definition given in the Industrial Policy 2016, a female is an entrepreneur if she is the owner or proprietor of a privately-run business, organization or owns at least 51% share in a joint venture or company listed with the Registrar of Joint Stock Companies and Firms. The Bangladesh Bank (BB) also follows the same definition.

The policies associated with development of women entrepreneurship are quite vast though gaps are also evident. Initiatives to provide special credit support to the women entrepreneurs under the refinancing scheme could not reach the 15% women entrepreneur quota mainly due to weak business plan and poor paper works by the entrepreneurs; unavailability of guarantors and problems similar to this matter.

Women's access and utilization of skill- training provisions offered by various ministries and NGOs are low. Many training facilities are based in urban areas. Some women also feel discouraged to participate in training if the instructor is a male, especially, for training provisions those include hands on courses as in IT based training. The formal TVET and skills institutions provide training on selected items for women. Most training facilities are needed on legal and practical aspects of starting and running a business.

Most policies do not include time bound targets or indicators. Labour related policies focus more on the welfare of factory workers not agriculture or informal workers. Government's monitoring focus on factories and do not address white collar job. Monitoring of minimum wage for informal service or

manufacturing sector is missing, which affects women as most of them are involved in the informal sector.

Policies and other supports cannot ensure the benefits of entrepreneurship development among women if women are unable to empower themselves by those support. When financial matters of a business are mostly directed and controlled by the husband, a women entrepreneur cannot really realize the full benefit of becoming an entrepreneur.

### **Profile of women entrepreneurs in Bangladesh: some important features**

The majority of the women entrepreneurs in Bangladesh belong to the age cohort between 31 to 50 years. Most of them are married, among them 10.8 percent are either separated or divorced or widowed. Only 2% women entrepreneurs are unmarried. This indicates the traditional norm of preference for the salaried job for young unmarried women. It also indicates the difficulty of unmarried women to receive start-up capital from the family. In most of the cases, women can start their business with their savings.

One-fifth of women entrepreneurs are found to have very young children. As such many of them face the difficulty of utilizing their full business potential as they need to take care of their children. Some entrepreneurs have mentioned that they chose to become an entrepreneur so that they can take care of their children as their business is mostly run from home or those are close to home and they can avail flexible working hours.

About 26% of the women entrepreneurs are well educated, having graduate degree, while 24% have education below the secondary school level. The educational status varied across sectors, for example, women entrepreneurs involved in software development, leather, pharmaceuticals, education and health sectors have relatively higher levels of education compared to the average education level in other sectors. It is noted that a large proportion of women entrepreneurs involved in Agra-based business or clothing production have an education level up to SSC. Not much general education is required for this kind of business rather skill of running a business is sufficient.

It was noticed in this study that experience is not always necessary to start a business. However, they struggle in getting necessary information on paper works needed to run a business. Around 67% of the current entrepreneurs have no prior experience of taking part in economic activities. They were housewives before starting the business. This could be one reason for choosing fashion designing as the business as women of Bangladesh culturally have the talent of dressmaking and related activities.

Not all women entrepreneurs are coming from business-oriented parental families, though more than half of the entrepreneurs have a businessman husband. Though it appears that the business orientation of the husband has a positive influence on a woman to become an entrepreneur, it is not a necessary nor a sufficient condition. There are many women who have emerged as entrepreneurs on their own. What they need is proper information on the necessary steps of starting a business formally and financing the business. Women face some social and familial problems just because they are women. It is difficult to solve these problems overnight. However, creating opportunities for women and developing a business-friendly environment will encourage many women to start their business. Most women need support with

easy access to information on business regulations, stories of successful entrepreneurs, startup capital. Skill trainings and support for marketing their products.

### **Characteristics of the establishments: Some important features**

Women entrepreneurs in Bangladesh are involved in different kinds of businesses, such as manufacturing, trading, service and others. The highest proportions (69 percent) of the enterprise are trading category, followed by manufacturing (19 percent) and service (12 percent).

It is evident from the survey that about 96 percent of the enterprises is in a sole proprietorship category and those are solely owned by the women entrepreneurs. However, many of the women entrepreneurs do not have control over the financial matters of the business. They depend on their husband for this and remain associated mainly with the production part of the business. This has implication for the empowerment of women entrepreneurs as women entrepreneurs without control over the financial matters do not actually become economically empowered. Therefore, skill training on financial management of the business is necessary.

One third of the surveyed women entrepreneurs were found to have 6 to 10 years of experience in business. Thus, it appears that prior experience in involvement in business (either before marriage or after marriage) encourages women to take business as a career. However, this is neither necessary nor sufficient condition.

Enterprises run by women are generating employment for many others, and in many cases generating employment for a large number of women. On an average manufacturing enterprise are employing around 70 workers. However, most of the enterprises employ 1 to 10 workers. Thus, businesses run by women entrepreneurs are playing notable role in generating jobs for the economy. They are creating both formal and informal jobs as family members help the women entrepreneurs immensely to run the businesses. Another notable finding regarding employment generation is that women entrepreneurs employed mostly women in their business, on an average, 85 percent of the total employment in their enterprises. Thus, there is a high possibility that increase in the number of women entrepreneurs will generate employment for women in a greater number.

A business owned by women earns a handsome profit on an average (around 25%). The average profit rate varies across sectors- some sectors are found to be more profitable, for example, knitwear and RMG, healthcare and diagnostics, tailoring, beauty parlor, compare to profit in the business of plastic and synthetics, electronics and electrical and transport business etc.

### **Success indicators of women entrepreneurs: as perceived by women entrepreneurs of different kinds of business**

A woman comes in business with the hope of achieving economic freedom and empowerment which come with profit from business and control over that profit. If an entrepreneur can achieve empowerment, that is the real indicator of a successful entrepreneur. The study has found that women entrepreneurs in Bangladesh face various constraints and their success is hindered by those constraints. Human capital

variables, for example, have training, appear important determinants of the profit of an entrepreneur. The women entrepreneurs who received training either prior to the business start or during business provide more knowledge not only how to operate a business, but also provide ideas for product development and access to markets. Who manages the business also an important factor to determine the level of profit, those who are managing their business by themselves earned more profit compared to the others. Having experience as an employee are beneficial to the starting entrepreneur, as they can apply their previous knowledge of business. As regards the amount of assets, the entrepreneur, having a higher asset reduces profitability. This implies that the entrepreneurs involve in business requiring lower capital, i.e. Tailoring, beauty parlor. In order to have success as an entrepreneur, the importance of communicating with family members (social capital) is an important factor. The women entrepreneurs who have a business-oriented family member (parents or husband), become more successful in the business. It was evident that those have access to social capital are more successful (achieving higher productivity in business) comparable to the counterpart

During the FGDs women have mentioned that if they can work hard and get support from husband and his family in their work, they become successful in their endeavor.

Comparison of the situation of women entrepreneurs of 2017 with those of 2009 (Chapter 7), reveals that more educated women in increasing number are becoming women entrepreneurs. They face less social and familial constraints to start and run business. In most of the indicators of financial benefits of a business woman are doing much better than before. All these changes indicate that becoming an entrepreneur is more remunerative than the challenges faced. Therefore, many educated women are opting to take business as their profession rather than salaried jobs.

### **Socio-cultural and legal barriers faced by women to become an entrepreneur and as an entrepreneur**

It is good to note that the majority of surveyed women under this study did not face any constraint from their respective families to start business, though they were not provided with start-up capital for business either. Those who faced obstacles from family mainly faced those from their in-laws. Though the majority of women did not face any social obstacle around half of them did feel the social stigma of people's attitude towards them as entrepreneurs. Women also faced problem to register their business or to expand the business. It is to be noted here that this study has only interviewed the current entrepreneurs, it did not have the scope to study the obstacles faced by women who wished but failed to become entrepreneurs. Moreover, the study has not also covered any woman who had to leave her business after facing obstacles. With this limitation, this study has found that women entrepreneurs of Bangladesh are facing the following challenges from various sources.

At the initial stage, the majority of the female entrepreneurs funded their investment through their own savings (63.38%). A certain proportion of the investment was also funded through husband's earnings/savings (7.03%), private bank loans (18.57%) and loans from NGOs (6.16%).

Adequate access to finance is a major constraint faced by women entrepreneurs. It notes from chapter 5 that women start their business with an average investment of around Tk3 lakh to Tk.4 lakh. At the initial stage, the majority of the female entrepreneurs funded their investment through their own savings. Around half (58%) of the entrepreneurs apply for loans from banks and most of them become successful.

However, the credit limit is inadequate (around 3 lakh Taka loan ceiling) and interest rate and processing time is also very high. As the fund is very limited it can serve only a limited number of entrepreneurs. Therefore, credit through other commercial banks should be strengthened and SMEF can support women entrepreneurs to get access to the credit.

Women entrepreneurs are constrained seriously by limited market access, especially due to lack of local sales center. Many of them also do not have access to district level markets. As a result, they don't get proper price for their products. Sourcing raw materials for production and marketing of the final products are important segments of the value chain of any business and are challenging factors of the women entrepreneurs. They mostly sell in the local markets as they have less mobility for various family and social reasons. In addition, poor networking and communication system constrain women entrepreneurs to access broader markets.

### ***Recommendations and Implementation Strategy***

#### **An effective approach to encourage more women to become entrepreneurs**

Issues related to the development of entrepreneurship should be included in the educational curriculum from an early stage, so that girls can be encouraged to become entrepreneurs from an early age. It is a pity that home-economics is considered to be a subject of girls and it actually encourage girls to become an expert in only household activities. If some topics on business regulations and possibilities could be added to this subject, girls can be encouraged to become entrepreneurs in future.

Skill training dedicated to women should include more women instructors, especially for the courses, where physical interaction is needed during training, such as training on use of computer, method of driving a car etc.

Credit facilities should be more gender friendly. Bank officials should be given credible instruction on this matter. College and university students should be encouraged to have their own bank accounts, which will later help her to get bank credit.

Fund for women entrepreneurs sanctioned in national budget should be utilized properly. Every year government allocates some fund (in the national budget) for the development of women entrepreneurs. This fund is often not properly used and significant part remains unutilized. A yearly plan should be developed with the help of woman's chambers for utilizing this fund. Significant part of this fund should be utilized for training programs and those training programs should include more topics on formal business practices.

Organizing frequent national, international and local level trade fairs could go a long way to expand, market, product diversity and quality improvement in SME business in general and for women entrepreneurs in particular. Duration of the fair should be at least 7-10 days. Participation of women needs to be increased both in national and international fair. Awards and donations should be given to courageous women entrepreneurs.

Sensitization of Bank officials and organizing awareness raising programs at different level are necessary to support women entrepreneurs. In order to sensitize the bank officials and other service providers, awareness raising programs should be organized from the national level to the grassroots (Upazila) level. Challenges and concerns of women entrepreneurs should be shared in those programs. The programs for

awareness-raising may take the forms of workshops, consultations, counseling sessions, etc. and this will make bank officials and other service providers aware of taking preventive and curative measures to support women entrepreneurs.

Leadership of women's chambers is necessary to support women. It is noted that leaders of women's chambers play an important role in assisting women entrepreneurs to get access to bank officials, organizing their papers, managing a loan, receiving guarantee etc. Support should be given to expanding the activities of women's chambers who is actually working with grassroots women. Various women's chambers could lead the process of identifying roles of chambers in different regions. Specially leadership development should be encouraged outside big cities.

Women friendly markets should be developed at the district level. In various government market places, women entrepreneurs should be given priority. In the government owned markets, special facilities could be given to the women entrepreneurs. It has to be made sure that supports go to the real entrepreneurs.

### **Women-focused Programs for basic orientation in business and skill development**

Various organizations need to have programs according to the needs of the women entrepreneurs. According to the findings of this study, women entrepreneurs believe that SME foundation is trying to empower women through-

- Organizing vocational training
- Providing information on SME loan of the Bangladesh Bank
- Providing a business platform for the women
- Assisting development of business leadership among women
- Uplifting courage of the women through a different training and seminars
- Helping women entrepreneurs to manage loans.
- Providing a business platform for the women
- Provided training to become self-independent & self-confident
- Helping women to promote business through SME fair.

Training of sessions on doing business: More training sessions on basic and advance entrepreneurship development, business and account management, bank readiness, etc. are needed to increase knowledge of women entrepreneurs and the rules and regulations of doing a business formally. Some women's chambers have been organizing such sessions in many areas of the country. But the frequency and duration of trainings should be increased and those should be organized in more areas. Women entrepreneurs should be given more information to understand the documents required for a bank loan. Also, special and longer training (say for 7 days) is required for ICT training. Training should be provided to manage locally manufactured raw materials. Some courses are needed for English conversation as women entrepreneurs wish to explore market abroad and many of them find it difficult to communicate with people from other languages.

Some easy business apps may be developed in Bangla to inform entrepreneurs regarding the rules and regulations of formal business.

## **Plan of action and suggests implementation strategy**

### **Short run initiatives (2 years)**

- To increase women's participation in labour force as entrepreneurs and make it sustainable, government needs to invest in child care facilities or encourage the private sector to do so.
- Both government and private sector can help to ensure women friendly work environment. In this connection government needs to extend the system of monitoring the implementation of labour law properly.
- Employees should be given more on the job training by the employers. Better facilities for on the job training can create win-win situation both for employer and employees.
- Government should invest more on improving transportation system so that commutes from home to work, is affordable, easily accessible, reliable and secured.
- Behavior of concerned bank officers dealing with SME loan towards women is often very discouraging. Those officers should be given proper instruction and training (if necessary) to treat prospective women entrepreneurs properly. These officers can help the entrepreneurs by giving them legal advice on risks associated and taxation policy on their new ideas.

### **Medium run initiatives (5 years)**

Following steps could be taken in the medium run to generate more meaningful economic opportunities for women and enhance their labour force participation.

- The human capital endowment is important to get access in the job market. There are about 2 million new entrants to the labor market every year, but only 4% have some type of technical or vocational training. The current skills training systems are inefficient and deliver poor quality of services, which falls short of what is needed by industry. To provide quality training government have to increase the training facilities through government national training institutes.
- To meet the demand for skilled and semi-skilled workers of different growing economic sectors, a major rethinking regarding school curriculum and skill training of the labour force is needed so that the facilities can meet the growing demand for skilled workers. At the same time, we need to develop training modules with the line of market demand and should focus on quantity increase.
- The women friendly market place needs to be developed, where women entrepreneurs will be able to sell their products in a congenial environment. Constructing female washroom, arranging secured overnight staying facilities, improving overall law and order situation can play a notable role in this regard.
- Organizations like SME foundation could organize training on both technical knowledge as well as management of business and finances.
- Private and Public Partnership can encourage women empowerment in many ways, especially the partnership may increase access of women in technology-oriented jobs. Capacity building or training programs should be arranged more widely like community-based programs
- The central bank and relevant agencies of government should think to develop proper profitable investment mechanisms for remittance earner so that they can invest it. The income generating training can be also helpful for the other member of the remittance receiving households; can develop their entrepreneurial capacity.

### **Long run initiatives (10 years)**

- In the long run, we have to put emphasis on technical education same as general education for creating sustainable job opportunities as well as entrepreneurship among women.
- In the long run, women should be able to work for individual needs. The social structure has changed and the demographics have also changed. Women now have a longer life expectancy and bear fewer children, which has increased their ability to work for a full working day. Therefore, professionalism should be developed among both male and female at different levels of education. There should be opportunities to establish a career path and mobility within and into the market should be increased. Social infrastructure must be in place for this to happen.
- Government and NGOs need to work more on raising awareness regarding the economic importance of women and cooperation and support needed for the males in reaping full benefit of economic opportunities. From school level, both boy and girl children should be given training on household activities so that they learn that in the future both of them need to share household activities.
- Fertility regulation could be an important determinant for many women's decisions about taking up livelihood opportunities or employment. This in conjunction with an increasing life expectancy, results in women having more time to take up productive activities.
- Different ministries of the government need to introduce policy measures to deal with issues related to gender discrimination, safety and security, accommodation and reliable transportation among many more issues. Should arrange more policy through different ministry in terms of gender issues, accommodations, safety issues and transport and also in trade policy.
- Implementation of Women Development policy 2011: Many of the interviewees suggested to rearrange the policy that may cover them to help to find financial support from banks, NGOs and private sector. National Women Development Policy 2011 should be implemented properly to decrease gender discrimination in the workplace and in the market.
- More remunerating and secure employment should be created for new entrants into the job market. This will make them shift away from unpaid family work, casual labour especially in agriculture and self-employment. Such secured and decent jobs can only be ensured by proper modernization of technology and implementation of regulations.
- More research is needed to understand why some educated women are withdrawing themselves from work. Moreover, RMG industry is becoming more male dominated, we need to perform research to understand the reasons behind this trend.

### **The areas needed for further research towards women entrepreneurship development**

Women entrepreneurs are moving ahead amidst all odds. Some more effective steps for them can go a long way to create more entrepreneurs, expand the business of current entrepreneurs and ultimately help Bangladesh to move forward. In future research should be initiated on a number of potential sectors for women entrepreneurs. Rigorous survey is needed for both current entrepreneurs and women of comparable age who failed to become entrepreneurs or could not continue after running the business for a while.