



Private Sector SMEs in Realizing SDG 1- "No Poverty" in the Context of Bangladesh

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Abstract: Since the Private sector is emerging in Bangladesh, emergence has some crucial impacts. The SMEs-led private sector can effectively play inevitable roles in poverty eradication in many forms. To justify the meaningful relation, this study highlights the relation between SME improvement and extreme poverty reduction and analyzes how private sector SME expansion can help zero poverty achievement. This is descriptive research by type and positive research philosophy by nature. This research work used qualitative and quantitative approaches. Information and data sourced are mainly from published and unpublished local and international secondary sources of journals, magazines, newspapers, and institutional reports of SME contribution and publications on SDG, poverty and SME development, and allied avenues. These data were analyzed using inferential statistics through SPSS software. Study findings show that SMEs have grown scattered across the country without clear objectives as they were scarcely directed to grow in clustered manner. In addition, SMEs could be a catalyst in poverty alleviation if SME development is aligned with hugely economic growth trend, poverty alleviation. This study finding is expected to frame long-term policies of the Government, including appropriate fiscal budget in the national budget. These will also help to design a national poverty alleviation strategy aligning SME sector development, 5-year development plan, and perspective plan for the national socio-economic development.

Keywords: MSMEs, SDG, Millennium Development Goals (MDG), Bangladesh, economic development

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INTRODUCTION

UN took the universal agenda for inclusive and broad-based socio-economic development for all countries in 2015 aiming at people, planet and prosperity and strengthening universal peace. The world leaders earlier framed the MDG in 2000 to create a new global partnership to reduce extreme poverty. Bangladesh has done well achieving five out of eight MDG ([United Nations Development Program, 2015](#)).

The SDG was determined to shift of sustainable and resilient journey with the slogan of leaving no one behind with the legacy of MDG. The SDG has 17 Goals and 169 targets. Zero poverty is the foremost goal as Poverty is prevalent almost everywhere in the world in various forms and dimensions. World Bank made the poverty line in PPP terms at \$1.08 per day which was revised later in 2005 to \$1.25. Around 800 million people still live with earning less than US\$1.25 a day, without adequate food, safe drinking water, and sanitation.

One in ten people in developing regions live in the international poverty line of US\$1.90 and less than 10% of the world population falls within this threshold. Poverty and Shared Prosperity report by [The World Bank \(2018\)](#)

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revised and set two higher value poverty lines at \$3.20 and \$5.50 per day in lower and upper middle-income countries complementing \$1.90 international poverty line. Based on the upper limit half of the world population live below that line. Asia-Pacific has witnessed significant poverty reduction between 2000 and 2015 (Chatterjee, 2017). Meanwhile, societal poverty ideas developed integrating relative and extreme poverty across the regions. However, to make this region poverty-free by 2030, requires considerable efforts. Several countries continue to have high poverty incidence. India, Bangladesh, Lao PDR, Nepal are listed alongside other nations (Mahpara Nodee, 2016; Rahman, 2015). Inclusive growth is believed as the major driver of poverty reduction in the Asia-Pacific region (Chatterjee, 2017). Due to many anti-poverty endeavors like MDG and efforts of Government, poverty has drastically slowed to 24.3%, and extreme poverty reduced to 12.9% in 2016. Poverty was 21.8% and extreme poverty at 11.3% in 2018 (Bangladesh Beureau of Statistics, 2019a). Extreme poverty is on the decline assuming that per capita income and GDP growth are gradually rising in Bangladesh. The share of extreme poverty also dropped from 17.6% in 2010 to 12.9% (Bangladesh Beureau of Statistics, 2019a). However, the poverty reduction rate was faster in the past five years evident in earlier HIES reports in 2005 and 2010. Bangladesh Beureau of Statistics (2019a) indicated the Gini co-efficient is on the rise since 2000 indicating an alarming gap between rich and poor people. Since Poverty is a major concern worldwide, SDG prioritized poverty reduction across the world. Bangladesh is on the journey of poverty elimination enabling the country towards economic prosperity. Over time, SME has grown as a support measure representing micro and financially weaker section of people in Bangladesh. Almost all major sectors of the economy like Industry and Service are largely dependent on formal and informal SME in the backward and forward linkage of their businesses. Bangladesh Beureau of Statistics (2016) stated that the substantial SME growth is contributing to the economic growth of Bangladesh having a 25% share of GDP.

About 6.0 million SMEs are functional in with 31 million employment ensuring a large share of household income in Bangladesh. All kinds of SMEs together contribute around 85% of industrial jobs and 23% of total national employment (Chaudhary, 2018). Bangladesh Bureau of Statistics (2013) reported 7.81 million economic entities in Bangladesh. 88% of economic entities are cottage enterprises, while 11% are SMEs. The 11% of SMEs enable the economy to perform in the right direction with maximum employment and poverty reduction in rural areas and vulnerable sections. And, it indicated that SMEs have a huge strength to lead the economy. The role of SME is indispensable for the overall economic development of Bangladesh. Labour intensive SME was able to increase national income and rapid employment facilitating MDG achievement. SDG 1 has set the milestone of zero poverty. Since poverty alleviation is a continuous need the SDG 1 has got extreme priority. Most of the SMEs have grown under the aegis of the private sector. Private sector development grew over the past decades backed by MSME and large businesses. The SME and private sector development are interconnected. SME growth justifies private sector growth and their positive relationship. SME could be the right means to reduce the poverty to a large extent of gaining zero poverty target.

Statement of the Problem

Though it is largely believed that the private sector played major roles in reshaping the economic context. The economic pattern was massively contributed by the private sector growth. The consistent economic growth of Bangladesh featured by a decade long 6 percent average growth brought poverty in control and positioned the private sector large and SMEs. Bangladesh improved on many economic fronts including export growth, export-oriented industrialization that allow many SMEs to sustain. With that spree, poverty reduction took a shape. Meanwhile, world leaders declared the SDG agenda for an ideal universe through zero poverty and other tangible achievements.

Goal 1 of SDG states no poverty. Zero poverty removes hunger, malnutrition, and famine. And, most of the poverty-stricken countries are struggling to ensure zero poverty. Since hunger and poverty are intertwined. In a resource constraint economy like Bangladesh, poverty causes multidimensional socio-economic challenges. Poverty is linked with various aspects of human lives and poverty also deprives human beings of fundamental rights.

SMEs reflects usually the marginal section of people who work hard for poverty eradication as most SMEs in Bangladesh owned by non-rich people for their socioeconomic comfort and economic independence. SME emerged as the driver of poverty and hunger eradication in LDCs. SMEs in Bangladesh keep playing multiple socio-economic impacts with cascading impacts for a long. SDG has the importance of SME irrespective of developed and developing economies.

The targets of SDG 1-reduction of extreme poverty measured by \$1.25 per day and halving the poverty in all dimensions might be correlated with the private sector. The private sector requires a resilient environment, resource

mobilization, and policy support. The major economic growth target requires focused strategies to fight against poverty. To reduce extreme poverty in Bangladesh in line with SDG 1, SME growth may support this goal and aid other goals. SME dynamics may reduce the extreme poverty subject to their required development. If poverty starts to decline with the SME trend, the other major goals of SDG 2, 3, 5 and 8 representing zero hunger, Good Health, Well-being, Gender Equality and Decent Work and Economic Growth might be realized to some extent.

The Goal 1 is fundamental and attached with future economic needs of Bangladesh. We are required to ensure zero poverty for economic growth desired in line with SDG and facilitating our long-held economic visions ahead. Rural economic development, raising poverty hit people in rural areas, removal of social crises, inequality may be addressed through SME expansion. The contribution of SMEs is undeniable, however, the SME sector is apparently most vulnerable in the current context of Bangladesh. The global trade atmosphere faces a huge transformation. Large and small businesses of Bangladesh often encounter various challenges and SDG brings in a new set of changes and challenges. Businesses in Bangladesh need massive change and compliance to cope with the SDG era. Without battering poverty, the economy will not prosper as expected therefore, the primary goal of a country is extreme poverty reduction. 600 million jobs will be needed by 2030 to fit the emerging global workforce, which makes SME development a priority for many governments. These huge jobs will hit out poverty to a larger degree. Private sector-driven SME development may lead the SDG 1 target as prosperity lies in poverty cut.

PRIVATE SECTOR AND SME STATUS OF BANGLADESH

The private sector plays significant roles in the economic development of Bangladesh through direct contribution to production, investment, trade, and employment. The omnipresence of the private sector has made our economy more dynamic as agriculture, industry, and service sectors are largely driven by the private sector. From agriculture to the industrial sector including financial services, the private sector has been contributing in manifold forms. Private investment contribution reached to 23.25% of GDP in FY2018 (Bangladesh Bureau of Statistics, 2019b). Despite manifold challenges in the economy, private investment soared around five times in the last decade due to their commitment to economic acceleration. Private sector contribution in GDP is \$61 billion based on current investment and GDP ratio. The private sector is represented by diverse SMEs. The private sector SME culture creates formal business sectors adding new dimensions to the economy.

Since SME is considered as the harbinger of our economy. Bangladesh has built a strong legacy of SMEs considering poverty alleviation and private sector self-employment off late. Once industrialization became concentrated into public sector later independence but private sector came forward and engaged in industrial activities through SMEs. 99% of Bangladeshi formal businesses are SMEs in reality (Abdin, 2017). 40% of SMEs are led by women as per the financial needs and attachment and there are 177 SME clusters (natural industrial park) countrywide. And, the value added contribution of the SME sector in the economy is on the rise. Encouraging entrepreneurship culture contributes to

Table 1 *Definition of SME in Bangladesh*

Type of Industry	Nature of Business	Investment in BDT	No. of Workforce
Small	Manufacturing	TK. 7.5 million to TK. 150 million equivalent to .9million–18 million	31 to 120
	Service	TK. 1 million to TK. 20 million equivalent to 120500–2. 4 million.	16 to 50
Medium	Manufacturing	TK.150 million to TK.500 million equivalent to 18million60 million.	121 to 300. For RMG, more than 1000.
	Service	TK. 20 million to TK.300 million equivalent to .2million–3.6 million	51 to 120

Source (Bangladesh Bureau of Statistics, 2016)

economic growth and with various cascading effects on the economy. Alongside the fundamental structure of SMEs, the

formation, nature of SMEs vary across the sectors. Since SDG pushes Bangladesh into a new economic transitional age as SDG is phenomenal and cross-cutting for the entire world. Likewise other countries, Bangladesh will be exposed to various challenges restricting business growth. The highly compliant, resource-efficient, and inclusive targets of SDG demand major changes in the industrial, service operation across the world.

The contribution of private sector investment to GDP growth looked incremental over the past decade. The proportion of private sector and public sector investment is 3:1 to GDP and recorded at 23.4% and 8.13% cumulating 31.53% of GDP. This large percent involves all sorts of private sector investment including investment made in SME sectors.

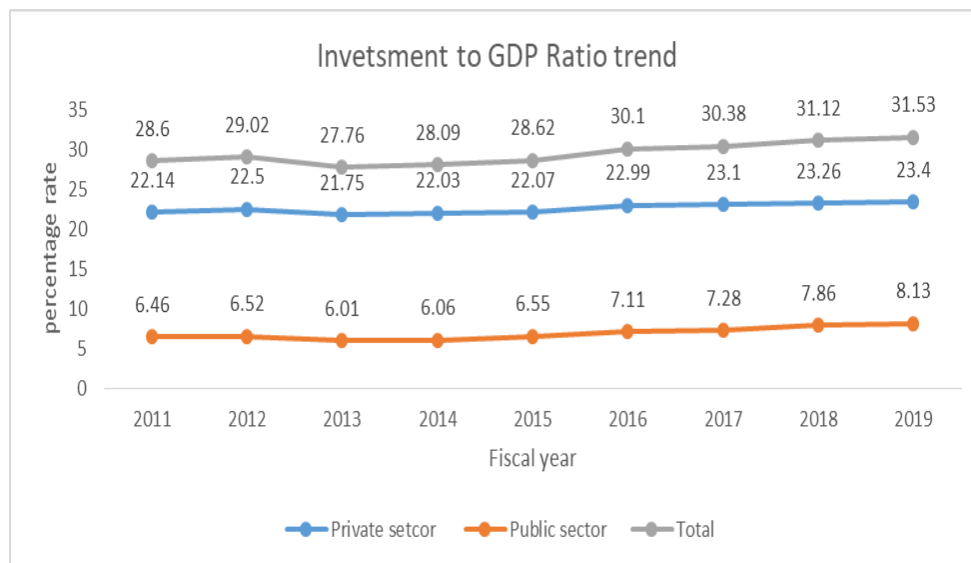


Figure 1 *Investment to GDP Ratio Trend*. Source: *Bangladesh Beaurau of Statistics (2019a)*

Based on the growing trend of private sector investment to the economy, the contribution has been targeted to raise the private investment-GDP ratio to 24.2 in Fiscal Year 2020 from 23.4 in the Fiscal Year 2019 (*Bangladesh Beaurau of Statistics, 2019b*).

Role of the Private Sector in Poverty Eradication

The private sector, comprising formal and informal businesses, has a key role in poverty eradication and the improvement of the standard of living of people (*Olawale & Garwe, 2010*). In a study on pro-poor growth of (*Schlogl, 2004*), the private sector has more formal businesses. IFAD also acknowledges the growing participation of the private sector in poverty reduction.

In the local private sector context, Micro and SMEs are largely confined into a rural area and scattered across the country and play spill-over impacts in reducing poverty and maximizing the contribution of the many informal enterprises, family-run farms, and self-employed people to the economy. Per capita income of Bangladesh has reached US\$1909, GDP growth estimated 8.15% backed by the private sector expansion. And, GDP growth tends to rise over the decade and the private sector is critical in continuous economic advancement. This momentum of higher economic growth is expected to enable Bangladesh to graduate into a developing economy by 2024 and journey towards a developed economy by 2041 aligning with SDG 2030.

Role of SME in Poverty Alleviation

SMEs are largely aligned with large industries and businesses in the global value chain. The growth of large industries considerably ensures the development of SME businesses. In Bangladesh, large industries are well-connected with SME businesses that bring in manifold outcomes with positive cascading effects.

SMEs are conventionally affected by various internal and external factors across the world, which are required to be strategically dealt with. SME sources skilled semi-skilled and unskilled employees and strengthens the base of the micro-level of the economy. Different economies put priorities on different avenues that enable many economies to the proposal in the right direction accordingly. Bangladesh labor force survey (2016-17) by *Bangladesh Beaurau of*

[Statistics \(2017\)](#) stated the employment is 2.7 million and the unemployment rate is 4.2% which is alarmingly rising. And, SME led poverty alleviation scheme can improve poverty and employment scenario.

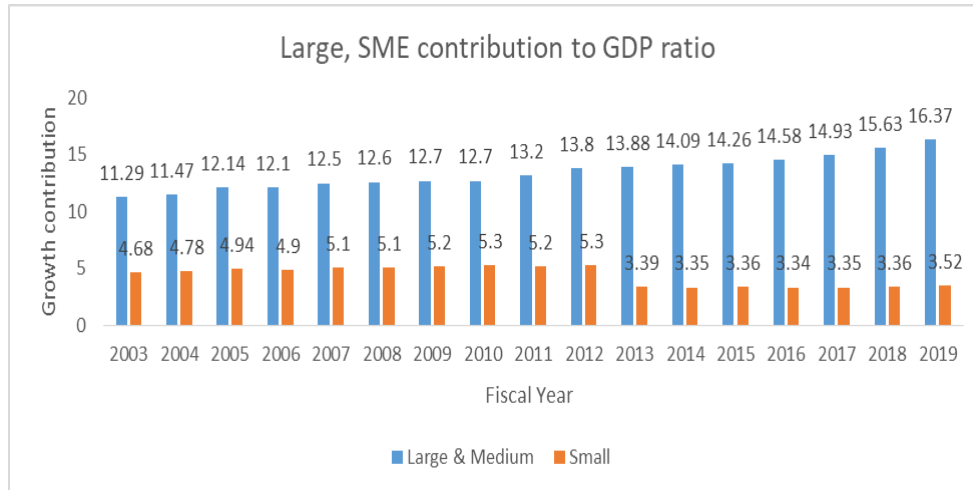


Figure 2 Contribution of Large and Small Industries to the GDP (%). Source: *Bangladesh Beaureau of Statistics (2019a)*

SME in Global Context

SME definition in countries vary. SME share of economic activity is typically larger in OECD economies than in emerging-market economies, reflecting a mix of stronger SME productivity levels (Schlogl, 2004). With the informal sector included, SMEs in emerging economies account for 90% of total employment. SME represents about 90% of businesses and more than 50% of employment worldwide.

The SME will come across diverse challenges in relation to industrial compliance, environmental compliance, technological adaptation, innovation, and regulatory changes alongside common challenges. According to the World Bank about 70% of all MSMEs in emerging markets lack access to credit. Sharafat, Rashid, and Khan (2014) found in an empirical study the relationship between small enterprises and poverty in Pakistan. 99% of EU businesses share SMEs European Commission. SME contribution to GDP in leading economies is significant. The significance of SMEs can be seen in the contribution of SMEs in Asian countries. China, Malaysia, Vietnam, Singapore, Sri Lanka, Philippines, Thailand, Japan have more than 90% SMEs in their businesses (Katua, 2014).

SDG Perspective in Bangladesh

The prime driver of SDG is government as the government sets the rule for industry and business operation. SDG is the combination of social, economic, and environmental impacts, therefore SMEs can cause multiplier socio-economic implications. Considering the current state, the SME is to encounter most of the challenges to tap the likely opportunities and help the economy to support other macroeconomic aspects.

To cope with the dimensions of SDG, stakeholders in business and industry have to face changing circumstances in terms of business operation standards, cost environmental compliance that add cost incidence. In line with this trend, our low investment-backed cross-sector SMEs will undergo the hardest challenges. Rural livelihood improvement programs seem blessed by SMEs. The clear SDG adoption regulation has not been prepared. The implications of poverty in the rural areas are illiteracy, poor access to potable drinking water, inadequate modern agricultural facilities, hunger, limited education, and health care services, job opportunities, and mass urban migration. A mapping entailing Goals and responsible ministries of Government has been designed in Bangladesh. The implementation strategy and transformation of private sector businesses are yet to be sorted. Industry-wise green transformation, funding and technology, risk management, and adoption of new modules are unattended with scattered efforts.

Objectives of the Study

Since the Private sector is emerging in Bangladesh, emergence has some crucial impacts. SME led private sector can effectively play inevitable roles in poverty eradication in many forms. To justify the meaningful relation, the specific objectives of the given study are:

- To highlight the relation between SME improvement and extreme poverty reduction.
- To analyze how private sector SME expansion can help zero poverty achievement.
- To find recommendations in SME led poverty eradication in Bangladesh.

LITERATURE REVIEW

This chapter reviews the literature to identify the role of SMEs in the contemporary world on poverty and the contribution of SMEs on rural poverty reduction with brief implications of it. Evidence regarding the impact of small Businesses on poverty reduction in developing countries is limited, so few studies tried to analyze empirically this relationship of SME and zero poverty led economic growth.

Bosma and Levie (2009) emphasized the co-relation of the level of entrepreneurship in a country and economic growth rate. However, the least focus is given on the impact of economic development on the poor and its cascading effects on them (Lipton, Ravallion, Behrman, & Srinivasan, 1995). Some development economists argued that robust growth and sustained development can be obtained through capital intensive and large-scale enterprises' growth (Loveman & Sengenberger, 1991). FDI is an important contributor to poverty reduction and employment in the production process. Some developing countries were evident with inadequate job opportunities due to insufficient investment. Development often takes place in urban areas than in rural areas as the poor are always deprived of the development process (Adelman & Robinson, 1989). Adelman and Robinson (1989) also said the growth of unskilled labor-intensive sectors may help in poverty alleviation and income equality. The growth of labor-intensive industries ensures greater involvement and utilization of cheaper labor input. If low wages are high enough for poverty reduction and low enough for competing against the rivals, the labor-intensive industries will sustain and reduce poverty. Sen (1960) and Myrdal (1968) underscored labor-intensive industrialization too.

Low investment makes poverty elimination difficult. A lower economic growth rate than population growth pushes more people in poverty threshold (Saravanamuttoo, 1999). Jenkins and Thomas (2002) stated the same relation of lower economic growth and higher poverty.

The importance of SMEs in the economic growth and development of the economies was recognized since SMEs employ more poor and unskilled people in low-income employment and employment is more frequent than large MNCs. The dynamic small firms are the change agents (Audretsch, 2000). SME also creates concern for the policymakers for incremental growth in developing economies. SMEs are a major source of potential employment in LDCs and developing economies. SME is considered a "growth engine" for the attainment of growth targets in developing nations (Advani, 1997). Initiatives for SME development by the governments in developing countries will enable SMEs to achieve socio-economic targets like poverty alleviation (Cook & Nixon, 2000). Maniruzzaman (2017) pointed the SME environment is mainly featured by factors like Customers, Suppliers, Competitors, political, cultural, Technological, Government, Socioeconomic, alongside other factors.

Low cost is associated with job creation in SMEs as they are more labor intensive. Since the SMEs are labor intensive and they are more centred in rural area, these SME help micro level economic stability and employment. Normah (2007) narrated that the concentration of SMEs has a relationship with the dominant economic operation. SMEs lead the world economy in terms of employment and business growth through entire potential remains unspent (Schlogl, 2004).

Mukras (2003) recommended the policies of SME enrichment for poverty reduction. The proponents of SMEs argue entrepreneurship and innovative ventures help to improve economic growth and reduce poverty (Beck, Demirguc-Kunt, & Levine, 2005). Small firms generate competition in economic efficiency, innovation, and growth in productivity. Gebremariam, Gebremedhin, and Jackson (2004) analyzed the relationship between the development of small firms and poverty reduction in West Virginia. Beck et al. (2005) found the same positive relation between SME growth and GDP per capita income. Chenery and Srinivasan (1974) observed that the new approach of SME development emerged because of concerns of low employment elasticity in large and modern production units. Despite having friendly policy supports, this kind of large firm fail to accommodate a large workforce.

Aftab and Rahim (1989) described that poverty does not always happen due to unemployment, some poor were employed in varied small-scale, low-productivity operations. It was thought that one way that poverty cut could reduce the productivity of the workforce engaged in small units. This SME is seen as a means of sustainable job growth, especially for women, vulnerable people (Mayoux, 2001). While women are active, they are challenged in business development (Mayoux, 2001). African continent experienced the same (Haile, 1999; Lipton et al., 1995; Mayoux, 2001). Razzaque critically stated factors that constrain SME market development are quality, marketing knowledge, investment shortage, unskilled workforce, poor entrepreneurial, managerial skills, poor infrastructure, and limited policy and incentives, legal and social environment.

This section efforts to gather the relevant literature on poverty and SME nexus and presents the performance of

SMEs in the international domain. So far, an assessment of the previous academic works has found a resemblance in identifying the relation of SME and economic growth and changed living conditions and some challenges of SME highlighted. Such a study on signifying the private sector SME role in poverty cut targeting SDG has not been made in the academic domain yet. In this study, the focus will be an analysis of how private sector-backed SMEs could be useful to realize the number 1 SDG target resulting in economic development.

Theoretical Framework

Considering the relation of poverty and SME, there are two popular theories developed in SME by [Tambunan \(2006\)](#) the classical and modern theories. Classical theory can be defined as a positive correlation between poverty and SME development. The portion of SME reduced while the economy rapidly progresses and large and medium enterprises dominate the economy. While the higher the proportion of people living in poverty, the more will be the contribution of SME reduces in poverty cut. A modern theory developed in the 1980s based on it. [Tambunan \(2006\)](#) defined Modern theory as featured by specialization, extremely competitive innovation. The SMEs grow faster than large enterprises with efficiency and research-led innovation. The share of SMEs rises in the economy with substantial poverty alleviation during the development phase ([Tesfaye, 2014](#)).

[Tambunan \(2008\)](#) found real GDP, per capita income, and government expenditure is positively correlated with SME contribution to GDP in Indonesia and Pakistan. He also argued the long-term importance and survival of SMEs in LDCs. The World Bank argued in supporting MSMEs in LDCs, in line with the argument of the 'modern' paradigm on the importance of MSMEs in the economy ([World Bank, 2004](#)). MSMEs enhance new enterprises with external effects including efficiency, innovation, and higher productivity, and more labor-intensive jobs. MSMEs in LDCs can exploit the social benefits and ease economic acceleration justifying the conventional roles of SMEs. This classical theory largely fits in the context of developing, least developed countries like Bangladesh. The growth in the micro, small, and medium businesses irrespective of sectors and industries create many formal, informal, temporary, and permanent jobs which reduce their poverty and their dependents. This small employment in SMEs largely helps our limited resource country where scopes of formal and sustainable jobs are relatively low. In least developed countries, the SMEs always contribute to a noticeable economic jump of marginal and vulnerable sections of people with no literacy, formal education, and sellable skills. On the contrary, large businesses and corporates hire skilled, innovative, and educated people to meet their needs. Since a larger number of a young workforce of the country belong to low skilled, low-literate and unskilled group, the growth of small businesses in the rural and urban area help to eliminate poverty of this segment of people. These people are less hesitant to prefer any low-income livelihood for survival. On the other hand, modern theory is the developed thought to SME development. This theory allows more scopes of innovation-led SME growth and engagement of new technology and capital-backed development. But, the harsh reality in the context of high poverty in LDCs is that most SMEs lack capital base, business area, outreach and dimensions, and technology and innovation. And, they are familiar with the conventional approach of business operation and growth plan whereas modern theory can be appropriate in technologically developed economies.

RESEARCH METHODOLOGY

This is descriptive research by type and positive research philosophy by nature. This research work used qualitative and quantitative approaches. Information and data sourced are mainly from published and unpublished local and international secondary sources of journals, magazines, newspapers, and institutional reports of SME contribution and publications on SDG, poverty and SME development, and allied avenues. These data were analyzed using inferential statistics through SPSS software. No primary data sampling design and sampling frame is followed in this work. The discussion was held with leading business leaders of the SME chamber and SMEs for their opinions. To make the sample representative, the discussion was held with the core SME sector chamber and association leaders who represent the association of a large number of SME businesses from the manufacturing, service sector and trading sector.

The range of work covers these secondary sources to demonstrate the cross-country scenario of SME and economic growth scenario. All qualitative analyses and findings of the analyses have been endorsed by some private sector leaders through unstructured open discussion. The data and information were collected from said different secondary sources. For data assessment, parametric tool linear regression was applied.

The correlation was used for the past trend between industry sector growth and GDP value achieved over the last decade as well as regression of these two variables-Manufacturing sectors and GDP value were assessed to justify their

economic and industrial contribution. Upon completion of the data, descriptive analysis was used to illustrate them. We used the BBS report and Economic Review report for some indicative data in this given study. This study did not use any unethical means in data collection. Alongside, Bar charts and line charts were used to show the Industry and SME contribution.

DISCUSSION ON RELATION OF SME IMPROVEMENT AND EXTREME POVERTY REDUCTION

SME sector development was not as expected in Bangladesh. Since SMEs develop from a marginal segment of the country and in a scattered manner, mostly are unaware of their growth and prosperity pathway. Businesses countrywide do hardly know their nature of business whether it is a micro or small business according to Government specification though there are more micro and Small business in form of trading, service of laundry, electric repair, grocery shop and roadside small outlet, restaurants. But, the scattered growth of SMEs somehow helps their family, relatives to get rid of the poverty and support their living. Thus, they get rid of extreme poverty line and reduce social poverty and poverty-related social vulnerabilities. Poverty largely lies in rural areas as the poverty rate is 26.4% and urban poverty is 18.9%r HIES (2016-17). SMEs in a rural area in form of small shops, businesses, and different urban small businesses help to grow and help many families to avoid extreme poverty ensuring survival with minimum living rights.

SMEs have many traditional challenges that hold back their growth. The easy access to finance, technological adoption, business expansion, market expansion, and new market knowledge also create bottlenecks in their business growth process. Their business growth will create new employment for marginalized people and increase their purchasing power. Once people become financially solvent, their sense of social awareness and fundamental rights develop. And, people realize their rights and rational demands. SME can be a strong basis and gateway towards opening the human rights and social development scopes to some extent.

There are definitions and benchmark for traditional service and manufacturing sector SME set by the Government but the Agriculture, farming, poultry, Dairy fishery, furniture, different repair service and other trading business can be considered as SMEs as these are not defined in the SME policy. The SME policy 2018 did not comprehensively entail the definition and threshold of SMEs in non-traditional sectors. The definition and identification of SME benchmark vary from industry policy and the central bank of the country that lead to difficulties and challenges for SMEs. Most SMEs have limited bank and client relations in the modern banking system that also causes concerns for the SMEs. Thus, many businesses will remain excluded.

There is no central sector-wise database of the number of SMEs countrywide. The government has not taken any initiative to identify the actual number of SMEs belonging to all new and existing sectors. The economic survey recorded 7.81 million business enterprises including, large, medium, and small sizes but it has not been updated. A digital, reliable, and inclusive database are essential to enable the Government to overcome the persistent needs and challenges of SMEs. The lack of a central record of SME number deprives them of actual policy, fiscal and non-fiscal benefits which limit their growth potential, and a large number of informal sector SME remains unattended.

SMEs are so scattered and multidimensional by nature as a result there is no clear policy and direction for their gradual development process. There has to be well-defined productivity, efficiency, and quality compliance guidance in the policy for sector wise manufacturing business and other non-manufacturing SMEs should have the quality operation and management guidance for their focused and clear development. Lack of this guidance put them in an uncompetitive stage. The SMEs need huge local and foreign investment in their development journey. Overall inbound FDI is very insignificant with minimum FDI in SME. FDI as Joint venture, merger, technology transfer, debt capital can be useful for helping the growth of linkage sector SMEs and SME business expansion. This FDI injection and promotion mechanisms need to be adopted in the national investment or SME policy.

There is no clearing sector-wise mapping, the process for the SMEs how to follow the innovation support, technology adoption, market access guarantee, supply chain mapping, and value chain linkage guidance and protection measures for SMEs to get connected with value chain process for manufacturing and non-manufacturing SMEs. These supports are critical for SMEs to cope with the changing and digital business ecosystem for expanding its business outreach.

Many SMEs cannot arrange and upgrade new skills required for business expansion as new skills may be expensive and unaffordable to the large extent. But, the re-skilling and up-skilling programs are indispensable in continuous business development. The new skills sourcing or internal skills development may cost time and investment but facilitate more employment and poverty eradication. For the SMEs, there are no provisions for skills development and poverty alleviation guidance or mechanism to implement them to tackle the challenging ambiance as well as lack of an

independent body to monitor sole SME sector needs, challenges, and concerns for their future development and its substantial benefit in poverty cut. No specific ministry looks into these critical issues for holistic SME growth.

DISCUSSION ON PRIVATE SECTOR SME EXPANSION AND POVERTY REDUCTION

The private sector is the key economic driver in any emerging economy. SME growth justifies private sector growth. The private sector is represented through SME businesses. The slow progress in SME development also halts the private sector expansion. [Singh and Chudasama \(2020\)](#) evaluate efficiency using FCM-based simulations of existing poverty alleviation approaches, including community organization through micro-financing, capacity, and social security.

The immense dependence on the private sector in our economy is visible. The government often takes various economic initiatives aiming at a private sector-friendly environment so that the industries in the private sector can grow and deliberately contribute to socioeconomic development including poverty cut, employment, increased income, expenditure, safe accommodation, healthy living conditions, literacy, and others. Poverty alleviation is one of the major indicators that an economy always prefers to keep in control. Poverty alleviation requires employment opportunities through private enterprises. The private sector growth and poverty alleviation are positively correlated. [Geremew \(2018\)](#) also commented Micro and Small scale enterprises are the economic growth vehicle, poverty reduction, and rational resource distribution in developing economies. Private sector investment helps the macroeconomic performance through poverty cut, employment creation, resource creation, and mobilization for the Government to operate all economic activities entailing financing transport, education, health care, food production, and development work.

[Kowo, Adenuga, and Sabitu \(2019\)](#) role found in a study that SME development affects poverty alleviation, providing employment opportunities, harnessing local resources. Higher private sector investment guarantees higher revenue collection and development of a country that creates new investment, industrial growth, and multiple opportunities for literate, educated, skilled, and unskilled people. The private sector can be supplemented by foreign investment.

A private sector friendly business ecosystem is critical for any economy in transformation. The economic terrain largely relies on export-oriented manufacturing and service industries. The local private sector creates opportunities for diverse services, agro-processing, and another allied sector SME growth. The more the economy performs in GDP growth led by the private sector, the better all indicators including poverty cut perform. Once the private sector expands in terms of investment and new credit growth, the opportunities generated around the country with various positive cascading effects and welfare for the people grow to a large extent. [Chaudhary \(2018\)](#) stated despite various measures are taken by the government and private sectors, the achievement is not noteworthy in poverty-free development in the Nepalese context.

The large number of private sector SME contributes to the growth of the value chain of large industries. SMEs have developed in an unplanned manner that does not help the policymakers to know their cumulative contribution to the value chain and national and socio-economic development. The private sector needs to be organized to better serve SME interest. Government planned policy incentives and institutional reforms and hardly reach and benefit the private sector stakeholders due to the conventional nature and classification of SMEs and exclusion of new SME.

RESULTS AND DISCUSSION

Based on the secondary published and reliable data assorted and extracted, it was noticed that the Industry sector comprises of construction, manufacturing, mining, energy sectors. This study has brought the parallel picture of overall industry contribution to GDP and large and SME business contribution to GDP for 10 years. The figure was made to show how influential the manufacturing large and SME is to enlarge the share of industry to GDP ratio. The given figure shows year-wise contribution over the last 10 years in terms of current price share to GDP. It was evident that the large and SME manufacturing businesses comprise lion share and industry to GDP ratio over the decade indicate that manufacturing SMEs largely contribute to the industrial growth of our country. The 10-year data in favor of this is shown below:

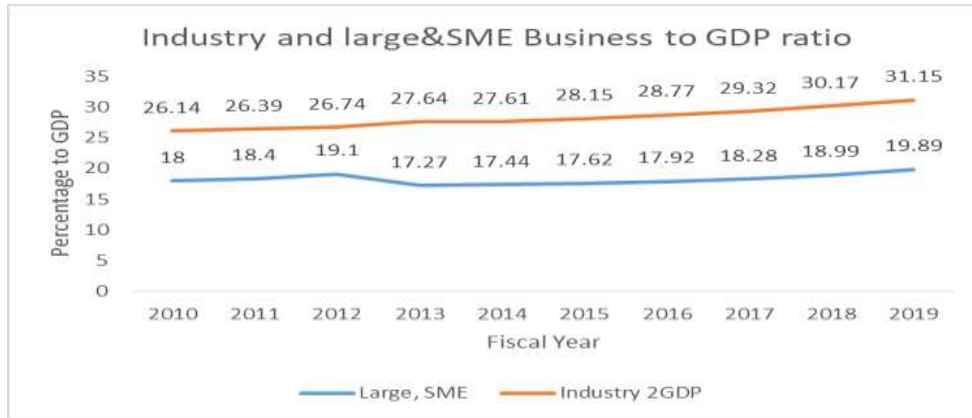


Figure 3 Industry and Manufacturing Sector Contribution to GDP Ratio. (Source: Bangladesh Beaurau of Statistics (2019a))

In another effort, we have also considered the value of the manufacturing sector and GDP over the decade to show their association and nature of correlation. In this regard, the total GDP and manufacturings, etc or value in constant price were shown below:

Table 2 Manufacturing and GDP Value in Constant Price Value in Million Tk

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019
Mnfg.	1096514	1205674	1329941	3535349	1595680	1782228	1977653	2242701	2561179
GDP	6463423	6884932	7298965	7741361	8248624	8835,389	9478975	10224375	11057936

Source: (Bangladesh Beaurau of Statistics, 2019a)

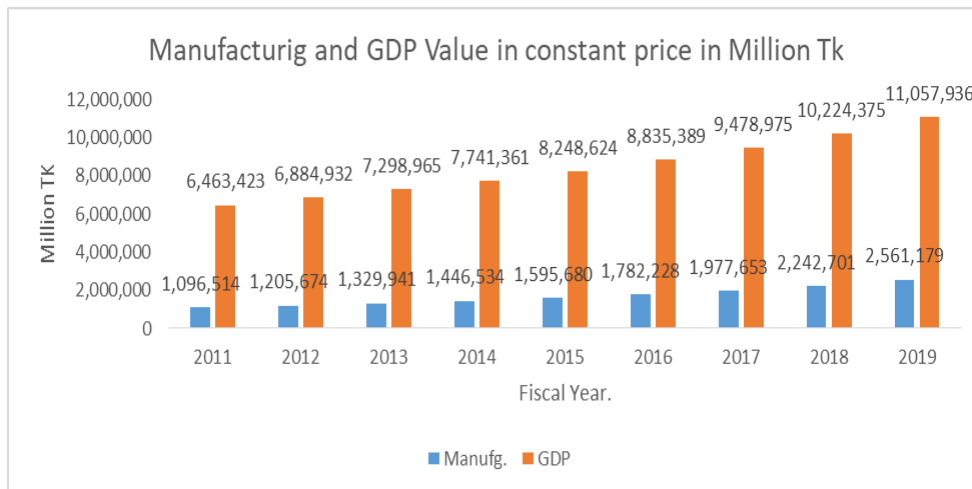


Figure 4 Manufacturing and GDP Value in Constant Price. (Source: Bangladesh Beaurau of Statistics (2019a))

The manufacturing sector is the largest sector bearing SMEs in Bangladesh. Taking this into account, the Correlation will be shown between the Manufacturing sector and GDP value growth for their relationship using the given figure and Table 3.

Table 3 Manufacturing and GDP Value in Million Taka Descriptive Statistics

	Mean	Std. Deviation	N
Gross Manufacturing sector constant value in Million TK	1693122.6667	492468.96906	9
Yearly Gross domestic product Value in Million TK	8470442.2222	1557916.04440	9

Table 4 Correlation of Manufacturing and GDP Value in Million Taka in Constant Price

	Gross Manufacturing Sector Value in Million TK	Yearly GDP Value in Million TK.	
Gross Manufacturing sector constant value in Million TK	Pearson Correlation	1	.998**
	Sig. (2-tailed)		.000
	N	9	9
Yearly Gross domestic product Value in Million TK	Pearson Correlation	.998**	1
	Sig. (2-tailed)	.000	
	N	9	9

There is a degree of association of between these two variables as the value of correlation R is .998 in the given two-tailed test indicating the positive significant relation of two variables manufacturing sector and GDP value. And, mean of the manufacturing sector is TK. 1693122.6667 Million and the average GDP value is TK. 8470442.2222. Million.

To justify the industrial contribution to GDP, the yearly Industry and GDP value in constant price were also assessed through correlation, and Regression assessment was applied between these two variables to statistically prove if the industry has a dependence on GDP value rise. At the 95% level of significance, .05 P -value, the linear regression is assessed. In the following endeavor, the relation of Industry and GDP was assessed using industry share to GDP in Value in Million Taka. For the convenience of interpretation, the local amount of GDP and Industry value can be converted into US dollars. The exchange value of the US Dollar against Taka was indicated below the table.

Table 5 Industry and GDP Value in Constant Price Value in Million Taka

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019
Industry	1691955	1851601	2030084	2195739	2407999	2675137	2948659	3304284	3722924
GDP	6463423	6884932	7298965	7741361	8248624	8835389	9478975	10224375	11057936

Source: (Bangladesh Beaureau of Statistics, 2019a)

Table 6 Industry and GDP Value in Constant Price in Million Taka Model Summary

	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999 ^a	.998	.998	71214.23976

a. Predictors: (Constant), Yearly Industry Value in constant price in Million TK

Table 7 Industry and GDP Value in Constant Price in Million Taka Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	2709840.461	96160.395		28.180	.000	2482457.259	2937223.663
Yearly Industry Value in constant price in Million TK.	2.271	.037	.999	61.819	.000	2.184	2.358

a. Dependent Variable: Yearly Gross domestic product Value in Million TK.

Regression assessment findings table of Independent variable- Yearly Industry Value and dependent variable-Yearly Gross domestic product Value, we found the adjusted R square is .998 and $F(1, 8) = 3821.639$ and unstandardized coefficient Beta $\beta = 2709840.461$ and P -value of the level of Significance is = .000 which is less than .05 and $t = 61.819$. And, it indicates a positive linear correlation of two variables.

We have also found that TK. 1 million in Industry value addition can contribute another TK. 2.271 million value in the annual GDP from the coefficient table. For the convenience of the interpretation in the US Dollar, the covered value is US\$11904.76 can generate US\$27035.71 considering standard \$1= TK. 84. From Table 7, we can deduct that Industry growth has a significant contribution to GDP value and Manufacturing is the largest part of the Industry and large and SME industries belong to Industry and we can also conclude that SME led manufacturing and Industry have positive effects on GDP value growth. We found that industry value growth has a significantly positive relation with GDP value. Discussion with few SME industry leaders also viewed that SME is the largely unaddressed avenue of the economy and further growth need more focused attention and effort to overcome the key challenges of SMEs to be able to cope with the SDG transformation.

FINDINGS

There are diverse findings of the assessed information and publications are:

- SMEs have grown scattered across the country without clear objectives as they were scarcely directed to grow in clustered manner.
- SME could be a catalyst in poverty alleviation if SME development is aligned with hugely economic growth trend, poverty alleviation
- SME industry protection policy and inclusive environment have not been fostered and maintained.
- Market access of SMEs to the global business periphery was not supported by policy makers.
- Comprehensive SME financing access and banking sector support are non-existent.
- SME data bank and designated SME bank may help to overcome financing problems and challenges.
- FDI aiming at SME development is very unsatisfactory. SMEs in the forward and backward linkage of the value chain need FDI and infrastructure development.
- Private sector development is essential for positive changes in socioeconomic changes and employment generation.
- Lower integration with multi-sector industrial value chain process, socioeconomic growth process.
- SDG led socioeconomic transition requires a massive change in fiscal engagement. UNCTAD estimated developing countries will need USD3.3 to USD4.5 trillion (Alam, 2017). The private sector has a major share of it. Without the required finance, private sector SMEs will not flourish.

RECOMMENDATIONS OF SME SECTOR DEVELOPMENT

Taking into account the aforesaid challenges and findings, there are potential way-outs to alleviate poverty. Some recommendations for SME led poverty alleviation are as follows:

- The private sector needs to be well prepared and backed. And, SMEs is not well tuned in line with contributing to poverty alleviation.
- SDG compliance of SMEs needs fiscal support, therefore, SDG abiding SMEs need support from the Government and International agencies.
- Central and coordinated SME database is needed to retain the record of all existing and excluded SME businesses.
- SME definition in the policy needs to be well-defined, updated and inclusive leveraging the changing economic context.
- Special fiscal and non-fiscal incentives, policy reforms are to be in place for creating SME friendly environment.
- Traditional SME policy can be transformed into Micro and SME policy to widen the scopes to better safeguard SMEs. The policy should indicate guidelines on innovation, technology adoption, connectivity with the value chain.
- SME policy should clearly state the guidance of skills development, employment generation mapping for the interest of SMEs including poverty alleviation in this challenging business atmosphere.
- SME infrastructure development is a prerequisite for SME development in an underprivileged rural area.
- Under the SDG reign, global funding and shared market support are needed. FDI and local investment can be attracted for further expansion of SMEs.
- Provision of collateral-free, single-digit SME financing needs to be ensured for available finance of SMEs and an oversight institute is needed to monitor the challenges and focused development of the SME sector.
- Private sector-driven SDG financing tools and models are to be created.

POLICY IMPLICATIONS AND CONTRIBUTION

This study finding is expected to frame long-term policies of Government including appropriate fiscal budget in the national budget. These will also help to design a national poverty alleviation strategy aligning SME sector development, 5-year development plan, and perspective plan for the national socio-economic development.

The government and private sector are jointly working to design collective strategies and actions for implementing SDG targets. Robust plans and policy reforms are needed towards SDG targets and these critical findings may be useful in this regard. Since SME and Private sector are important avenues of economy and SDG, planning and regulations associated with them are often changed where the outcome of the study can play critical roles. All poverty-related regulations and Government planning will find these findings very value additive for SME led poverty and hunger elimination.

LIMITATIONS AND FUTURE SCOPE OF THE STUDY

The study has got overt limitations noticed while the study was conducted. The main limitations are stated hereafter. The SME related secondary statistics are not available from reliable sources. The private sector engagement and efforts were unplanned and to what extent the SME can help to reduce all forms of poverty were unattended. What amount of investment in SMEs can raise and generate benefits to the economy were not measured. Since this study is based on secondary data and mostly qualitative analysis, it didn't measure the impacts on relevant economic variables and poverty alleviation. In Bangladesh, sector-wise value creation and addition across service, industry, and Agriculture and specialized sectors are not maintained for micro, small and medium-sized businesses. And, the SMEs both in formal and informal sectors have different dimensions that are not well recorded. The MSME business varies in a rural and urban areas to a large degree in their wealth and features which remain undealt. These issues may impact this study but their impacts and effects could not be rationalized there. And, the study on private sector advancement and poverty cut in SDG is a rare avenue of study.

This study findings against the targeted objectives and visible limitations opened up the potentials and scopes for new study within the purview of the Private sector-led poverty alleviation and SDG achievement. SDG is a multidimensional topic and there have been diverse poverty-related studies in rural and urban areas and poverty impact on economy and society with social changes. However, SDG, as a relatively new dimension in the world economy, for human prosperity and shared development, has multiple areas for impact study, effectiveness, and achievement. The private sector as a vital actor in this massive agenda has growing importance in various dimensions to bring in positive results in the journey of SDG within the given timeline. Therefore, in the future, while national household income and expenditure and poverty reduction will be measured and sector-wise contribution to poverty reduction

then the impact of the private sector can be measured. To evaluate the poverty reduction in SDG context with private sector-led business efforts, more analytical, descriptive, empirical and cause and effect studies can be made to pin point the accurate poverty reduction with the major private sector SME led endeavors in Bangladesh in the middle of SDG timeline and these findings would be useful for identifying further policy gaps, SME sector contribution in Bangladesh.

CONCLUSION

The SME sector is underperforming utmost. SDG has another 10-year time limit which may be sufficient enough to address the challenges of poverty stated in SDG targets and inclusive growth in Bangladesh provided integrated efforts of private and public sector perform with the relevant course of actions for zero poverty. Poverty alleviation goal is a critical target to achievable stand alone, therefore, unanimous support needs to be ensured. To supplement the zero poverty target, SME development is a critical enabler. The action plans with relevant responsibilities are to be determined for private sector SME improvement. Government has to support ensuring good infrastructure, easy finance, low-cost finance, advanced technology, and innovation. The private sector would contribute, in return, through SME business performance, employment led to poverty reduction. The private sector has the resilience and strength to overcome the challenge of zero poverty of SDG.

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