
An Effort to Bring the Positive Change of SMEs: A Study on the Capacity Development Program of SME Foundation



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ABSTRACT: The number of SMEs is creasing in our country tremendously. But most of these cannot run for a long time because the SME entrepreneurs have no enough knowledge to manage every activity related to their business. Besides, some of them can hardly utilize their money and resources properly. So, the capacity of the SME employee and entrepreneurs should be built through providing demand-based training. SME Foundation plays an important role by arranging different training programs in all over the country. The main objective of this study is to discuss the role of capacity building program for the development of institutional as well as individual capacity in the SME sector. The limitations identified in this study such as, problems in the types, duration, and training place disrupt the smooth activity of the training program. Besides, lack of specialized trainers, small number of training programs and lack of modern technology are also identified in this study. The study the suggest recommendation to overcome the barriers to develop capacity in SME sector.

KEY WORDS: Capacity Development, SME, SME Foundation. Entrepreneurs.

1.1 INTRODUCTION

The SMEs are spatially widely dispersed, such that the benefits of their growth will be evenly distributed. SMEs also ensure a robust growth of employment across the country—a key condition for poverty reduction. The number of SMEs is creasing in our country tremendously. But most of these cannot run for a long time because the SME entrepreneurs have no enough knowledge to manage every activity related to their business. Besides, some of them can hardly utilize their money and resources properly. So, the capacity of the SME employee and entrepreneurs should be built through providing demand-based training. SME Foundation plays a vital role in human resource development of SME sector by adopting various strategies.

1.2 OBJECTIVE OF THE STUDY

The main objective of this study is to discuss the role of capacity building program for the development of institutional as well as individual capacity in the SME sector. There are some other objectives;

- a) To analyses the capacity building programs the SME Foundation.
- b) To identify the drawbacks exist in this program.
- c) To identify the demand of the people related to training of SME.

1.3 JUSTIFICATION OF THE STUDY

SME foundation is a newly organized institution and no research work has been done on SME foundation. Capacity development program is one of important programs of SME Foundation. Results of the study related to the capacity development program of SME foundation will be helpful for the professional bodies working in the SME sector. The output of the study will also be used as reading material for academic institution and will also be helpful for SME entrepreneurs.

1.4 METHODOLOGY

To collect information and data from both the primary and secondary sources, multiple methodologies are used in this study. These are as follows:

- **Survey Method:** The contribution of SMEs in the socio-economic development of Bangladesh is enormous. Survey method has been used to collect data from the selected number of people. Structured questionnaire is used here to collect data from the SME entrepreneurs and other SME related people.
- **Interview Method:** It is the most significant method to get direct and accurate data from primary data sources. In this method, the interviewer, asks each respondent in a face to face situation with a list of predetermined questions, and records the replies

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of the respondents in the space provided in the questionnaire. In this study, selective cases have been interviewed for primary data collection following both the structure and unstructured questionnaire.

- **Content analysis:** Content analysis is essential to know expert opinion. Literature and research documents have been analyzed to get a clear conception on SMEs.

1.5 SAMPLING METHOD AND SAMPLE SIZE

In this study random sampling has been followed here in selecting respondents from the mass people. The total populations of this study were 75 and the study has selected 63 samples (Krejcie and Morgan's Sample Size with 5.0% error) by the random sampling method. The following table shows the details about total population and sample size:

Name of the training courses and the number of the respondents:

Name of the training categories:	Name of the training courses	Number of the trainees	Number of the respondents	Percentages of the respondents
Training on Leadership development and Modern Market Management program	Quality Management of SME	15	10	15%
	MS Office and Internet for Professional Excellence	10	8	13%
Technology based Training	Heat treatment	10	8	13%
	Welding	8	8	13%
Cluster based Program on skill development	Food Safety Management for SMEs	10	9	14%
	Home Textile and Fashion Design in SME	7	6	10%
Productivity Improvement Strategy	Productivity improvement	10	9	14%
	BSTI Quality Certification for SMEs	5	5	8%
	Total	75	63	100%

Source: Information collected from the field study and the SME Foundation

The above table presents the number and percentages of the respondents who participate in different training programs under four categories. The 15% respondents are selected from the quality management of SME and 13% are selected from MS Office and Internet for Professional Excellence courses. The number of respondents on heat treatment and welding are respectively 13% .14% respondents are also selected from Food Safety Management for SMEs and 10% from Home Textile and Fashion Design in SME. Besides, the percentages of respondents on Productivity improvement is 14% and 8% of BSTI.

1.6 LITERATURE REVIEW

Ahmed Ali Sha in his paper "Capacity Building in SME Sector" focuses on the importance of capacity building of SME sector. He identifies the main objectives of capacity building taken by the SME Foundation. He also finds out the problems of capacity building in Bangladesh like, lack of information about the training to the trainee, communication gape among the training institutions, and discriminations among the certificates of various institutions. He further shows some ways to overcome these problems like, taking necessary steps for maintaining properly human resource development as well as skill development programs, arranging capacity building program for the national, corporate, enterprise and organization level, identifying training need assessment in various sectors, establishing co-ordination among the training courses in the various training institutions of the country and so on.

Najmul Hossain in his paper, "Constraints to SME Development in Bangladesh" finds out various constraints related to the trade and fiscal policy, which disrupt the development of SMEs. He also identifies some legal, regulatory and administrative constraints to obtain trade license, clearance from the department of Environment and registration with sponsoring agency. He

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further identifies some financial constraints like access to finance, project preparation and evaluation cost. He then stresses bureaucratic corruption for which the development of SME sector is hampered. He also gave suggestions to overcome all of these problems.

Al-Husain told that the SME sector is easy to be developed in Bangladesh, as it needs less capital and less skill to run. More people can be engaged in this sector (agriculture, forestry, fisheries etc.) that ensures maximum production and human resource development. He also explains how many employment opportunities can be ensured by SME. He further adds that poverty can be reduced by the development of SMEs. He then identifies the attributes, which are essential for a good entrepreneur. These are; initiative, persuasive power, creativity, leadership power, hard work etc. He also finds out the factors, which are responsible in disrupting the progress of the development of SMEs.

Uddin says that SMEs can make enormous contribution to the economic development of a developing country since SMEs are relatively flexible. He also identifies some socio-economic advantages, which ensure the development of SMEs, such as: lower capital investment, lower job creation cost, shorter start-up period, lower energy cost etc. linkage between the SMEs and other sectors. He said that there are mostly three types of sub sectors in which SMEs are operating. These are:

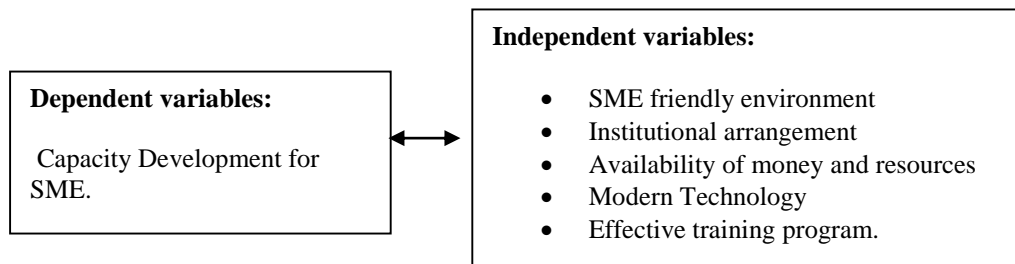
- a. Machinery and equipment.
- b. Chemicals, electrical and electronic products and transport equipment.
- c. Textiles, furniture and food processing industries.

Knowledge gap:

There are lots of literatures related to SMEs in Bangladesh. But no empirical study has been done on capacity building on SME Foundation. So, this study tries to find out various aspects of capacity development program of SMS Foundation.

1.7 CONCEPTUAL FRAMEWORK

The following figure presents the conceptual framework of SME and its related variables:



According to conceptual framework capacity development in SME sector depends on the SME friendly environment, Institutional arrangement for capacity development, availability of money and resources, modern Technology, Effective training program and so on

1.8 CONCEPTUAL ANALYSIS

Capacity building:

Capacity building often refers to assistance which is provided to entities, usually developing country societies, which have a need to develop a certain skill or competence, or for general upgrading of performance ability.

UNDP defined 'capacity building' as *the creation of an enabling environment with appropriate policy and legal frameworks, institutional development, including community participation (of women in particular), human resources development and strengthening of managerial systems*, adding that, *UNDP recognizes that capacity building is a long-term, continuing process, in which all stakeholders participate (ministries, local authorities, non-governmental organizations and water user groups, professional associations, academics and others).*

Ann Philbin defined capacity building as the "process of developing and strengthening the skills, instincts, abilities, processes and resources that organizations and communities need to survive, adapt, and thrive in the fast-changing world." .

1.9 ANALYSIS AND FINDINGS OF THE STUDY

1.9.1 Education qualification of the training participant

Table 2: Education of the trainees

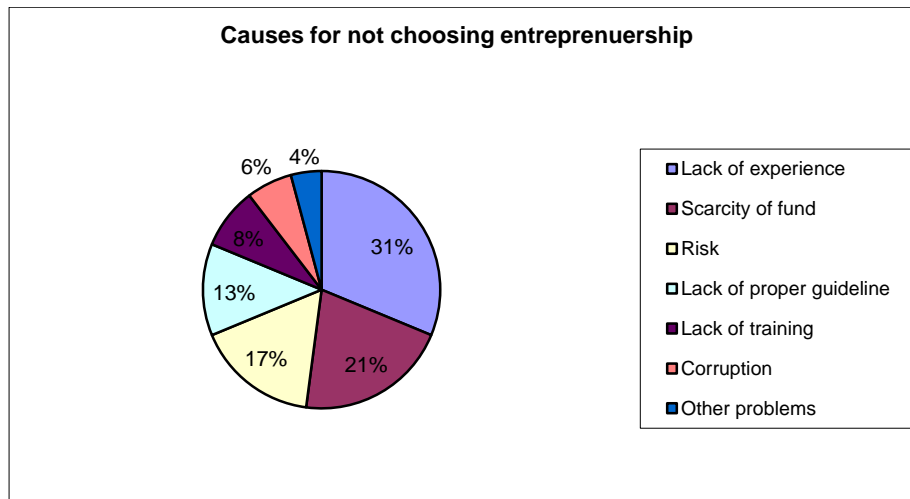
Education qualification	Participants				Total
	Women	(%) of Women	Men	(%) of Men	
Under SSC	10	25%	3	13%	13 (21%)
SSC	8	20%	4	17%	12 (19%)

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HSC	9	22%	8	35%	17 (26%)
Honors	8	20%	5	22%	13(21%)
Masters	5	13%	3	13%	8(13%)
Total	40	100%	23	100%	63 (100%)

Source: Field study from January to April 2021.

The table represents the number of participant of training in different areas and their qualification. The table shows that the educational qualification of 21% participants is below SSC. The number of SSC, HSC, Honors and Masters are respectively 19%, 26%, 21% and 13%. Although these small number of participants can not give the information about the educational qualification of all the participants but actual scenario is that the number of graduate and post graduate trainees are fewer than those of the SSC, HSC and below SSC. There are some causes for not choosing entrepreneurship by the educated people. The following chart presents some of these causes:



The major two problems for not choosing entrepreneurship by the educated people are lack of proper experience and scarcity of fund. Most of them like to do any job rather to start a business. As there is no availability of money and proper guideline 17% of them do not prefer to take any risk. The number of lack of training, corruption and other problems are respectively 8%, 6% and 4%. On the other hand, the uneducated and low educated people try to come out from the vulnerable situation. As they have no quality to get a job, they try to start a business with their small amount of money and resources.

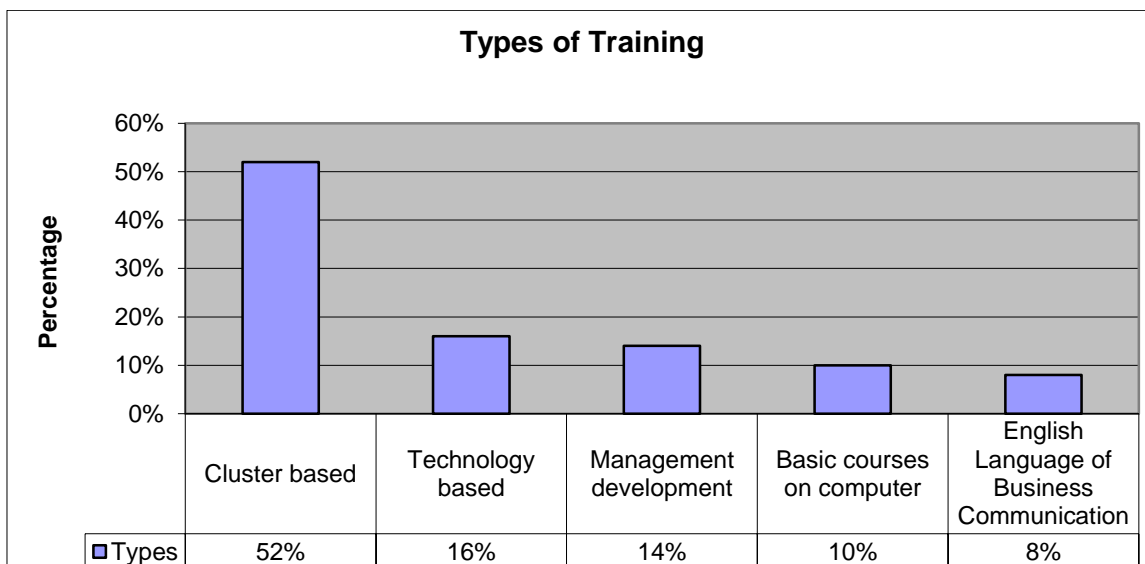
1.9.2 Types of training:

Table 3: Satisfaction on the types of training

Types of training	Satisfactory	Average	Dissatisfactor y	Total
Number of women	20 (50%)	12 (30%)	8 (20%)	40
Number of men	12 (53%)	7 (30%)	4 (17%)	23
Total	32 (51%)	19 (30%)	12 (19%)	63

Source: Field study from January to April 2021.

Under the capacity building program SME Foundation has arranged various types of training programs for the SME entrepreneurs through its SME stakeholders and some training institutions. The trainees are trained on different areas related to SME. But all the trainees are not satisfied with those types of training. Among all the respondents only 51% are satisfied and the numbers of average and dissatisfactory are 30% and 19%. The following chart shows the types demanded by the trainees.



Source: Field study from January to April 2021.

Among all kinds of training programs the most wanted training is cluster-based training. Almost 52% respondents give emphasize on this type of training because it is very helpful to run their business accurately. The next priority has given on the technology-based training. Without applying modern technology nobody will be able to compete with the global market with his products. The percentage of training on management development, basic courses on computer and English language of business communication are respectively 14, 10 and 8.

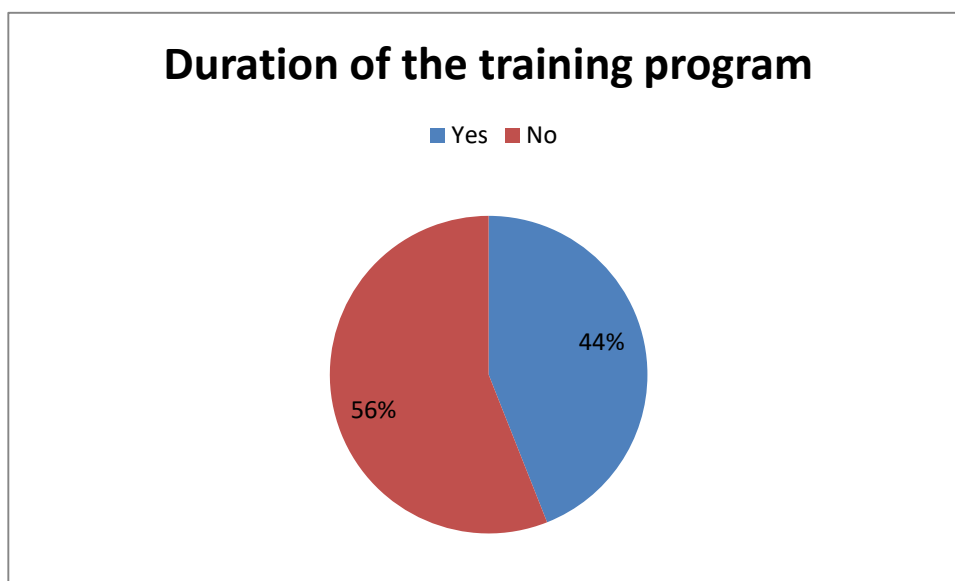
1.9.3 Duration of the training programs:

Table 4: Satisfaction on the duration of training

Appropriateness of the duration of training programs	Number of respondents	Percentage of respondents
Yes	28	44%
No	35	56%
Total	63	100%

Source: Field study from January to April 2021.

The 44% trainees prefer the duration of the training programs. They told that their business related activities would be hampered if the duration of training program were long. On the other hand, 56% respondents give their opinion on against of existing duration. According to them, they can get only the basic ideas within this short time that is not enough to serve the purpose of their business.



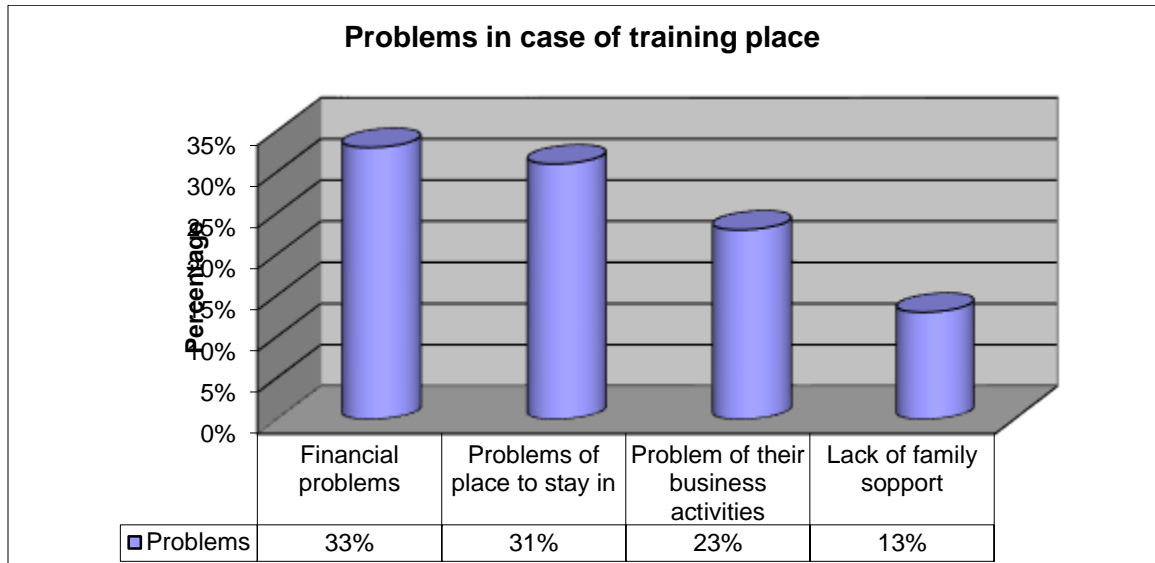
1.9.4 Places of training:

Table 5: Satisfaction on places of training

Satisfied with the training places	Number of respondents	Percentage of respondents
Satisfied	35	55.6%
Dissatisfied	28	44.4%
Total	63	100%

Source: Field study from January to April 2021.

Small and Medium Enterprise Foundation (SMEF) have arranged their training programs in the different places of the country like, Dhaka, Chittagonj, Sylleht, Bogura and so on. But although 56% trainees are satisfied for the training place, 43% are dissatisfied. The SME trainees address some problems in case of the training of places.



Almost 33% of the training participants suffer from financial crisis in the time of training because many of the come from rural areas. They have to spend enough money for conveyance and other activities related to training. Lack of secured place is another major problem faced by the people who come from the different areas of the country. The number of this problem is near about 31%. Besides 23% and 13% respondents identified other two problems; these are, hampering of their business activities and lack of family support to stay far away for a long time.

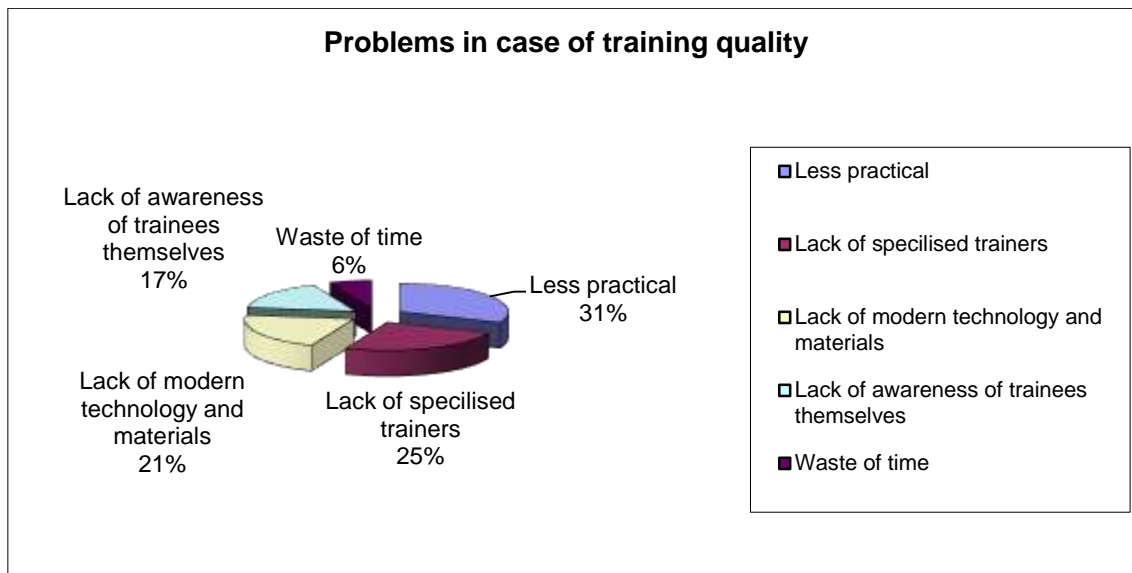
1.9.5 Quality of training:

Table 6: Satisfaction on the quality of training

Quality of training	Number of respondents	Percentage of respondents
Satisfied	30	47.6%
Average	22	34.9%
Dissatisfied	11	17.5%
Total	63	100%

Source: Field study from January to April 2021.

There are different opinions about the quality of training programs arranged by the SME Foundation. The 46% trainees are satisfied for the quality of the training programs. The numbers of average and dissatisfied respondents are 33% and 21%. The following chart presents the problems identified by the trainees:



About 31% trainees told that most of the training programs are theoretical rather than the practical. Lacks of specialized trainers are identified by the 25% of them. The numbers of trainers are too limited to give training in all over the country. The percentage of lack of modern technology and materials is 21. Some trainees are also not aware about the training program. Besides, 6% of them told that these training programs are often found nothing but the waste of time because sometimes emphasize is given on unnecessary activities than training. So, although the quantity of the training program has been increased, but the quality is still not satisfactory.

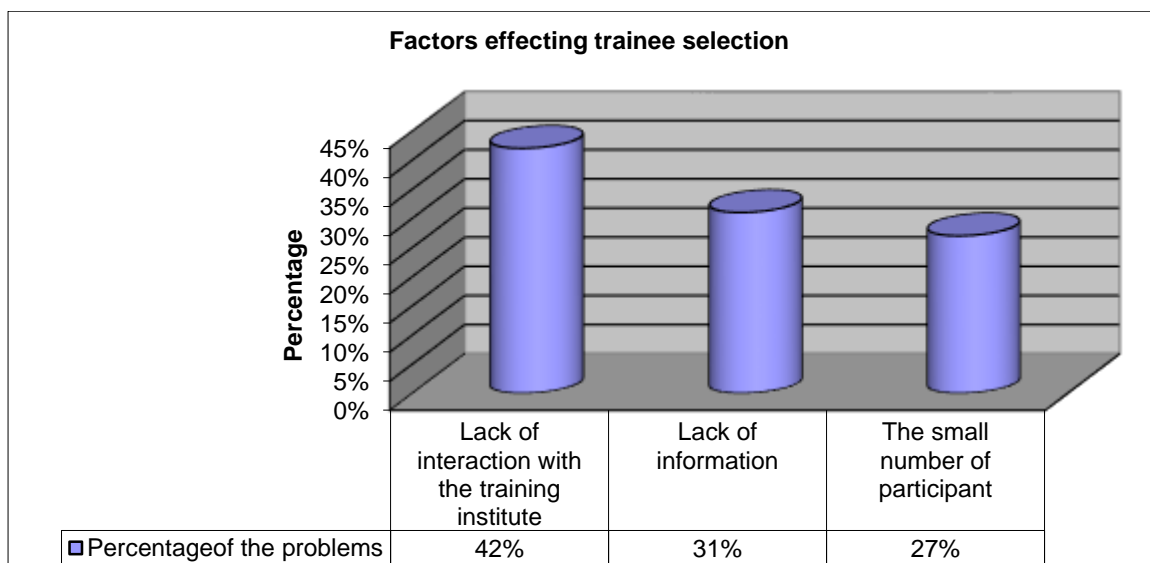
1.9.6 Selection system of the trainee:

Table 7: Level of appropriateness of trainee selection

Selection system	Number of respondents	Percentage of respondents
Appropriate	36	57.1%
Inappropriate	27	42.9%
Total	63	100%

Source: Field study from January to April 2021.

The list of the trainees is prepared by the SME stakeholders and related training institutions of the SME Foundation. Although 58% of the respondents are satisfied with the selection system of the training participant, the 42% of them are dissatisfied. They identify some drawbacks of selecting training participant.



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One of the major problems in case of selecting training participant is the lack of interaction of the SME entrepreneurs with the training institutes. Most of them do not get this opportunity because they are unknown to these institutions. The 31% respondents identify the problem of the availability of information about the program to the people who are actually in need of training. The training institute also can not select a large number of participant as the resource of these programs is limited.

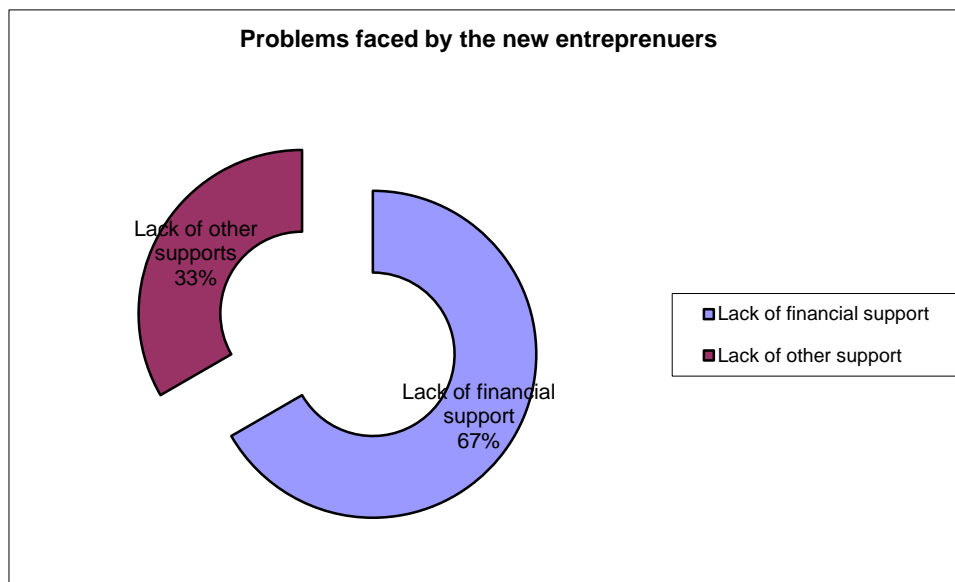
1.9.7 Benefit for the new entrepreneurs:

Table 8: Benefit for the new entrepreneurs

Benefit for the new entrepreneurs	Number of respondents	Percentage of respondents
Benefited	22	34.9%
Average	15	23.8%
Less benefited	26	41.3%
Total	63	100%

Source: Field study from January to April 2021.

Nowadays the number of SME entrepreneurs has been increased gradually. The interest of the people in the SME sector is now noticeable. People of both the urban and rural areas are somehow keeping themselves involved in this sector. But they have to face enormous problems to do so. As a result, many of them have to close their business as soon as they start it. In this study the percentage of benefited new entrepreneurs is 35 and the rest of them are in average and less benefited categories. The problems faced by the new entrepreneurs are as follows:



Being trained, most of the new entrepreneurs can not start the business for the lack of financial flow. It is the main barrier for the people of the developing country like Bangladesh. Besides, the new entrepreneurs hardly get any assistance if they are in productive, managerial, technical or such other problem. As a result, the development of new entrepreneurship in the SME sector is hampering.

1.9.8 Effectiveness of training programs:

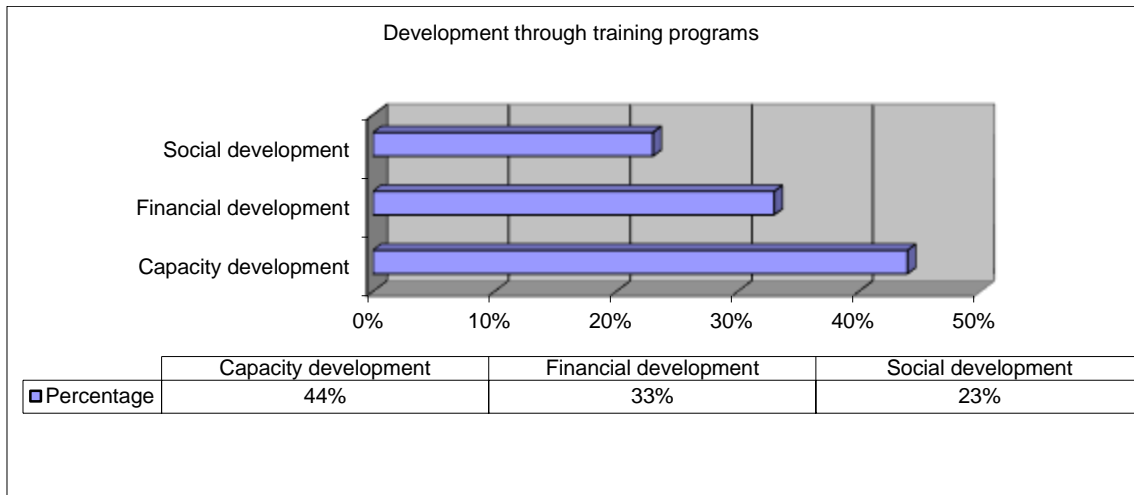
Table 9: Level of effectiveness of the program

Effectiveness of training program	Number of respondents	Percentage of respondents
Effective	28	44.4%
Average	25	39.7%
Less effective	10	15.9%
Total	63	100%

Source: Field study from January to April 2021.

Under the capacity building program SME Foundation tries to develop the capacity of the SME entrepreneurs so that they can meet all kinds of challenges. One of the main purposes of this program is to bring the positive change in the SME sector. Although the percentages of average and less effective respondents are 31 and 17, the 52% of them give the positive opinion about the training program of SME Foundation. The areas of development of the SME entrepreneurs after getting training are as follows:

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The capacity of most of the SME entrepreneurs has been developed to run their business accurately. Financial improvement has been occurred in case of near about 33% people because the training gives them knowledge to produce maximum output with minimum cost. They also acquire knowledge to minimize all other costs related to their business from these programs. Another 23% respondents are satisfied for their social development. Their social acceptability has been increased because of their contribution in the society through employee generation and so on.

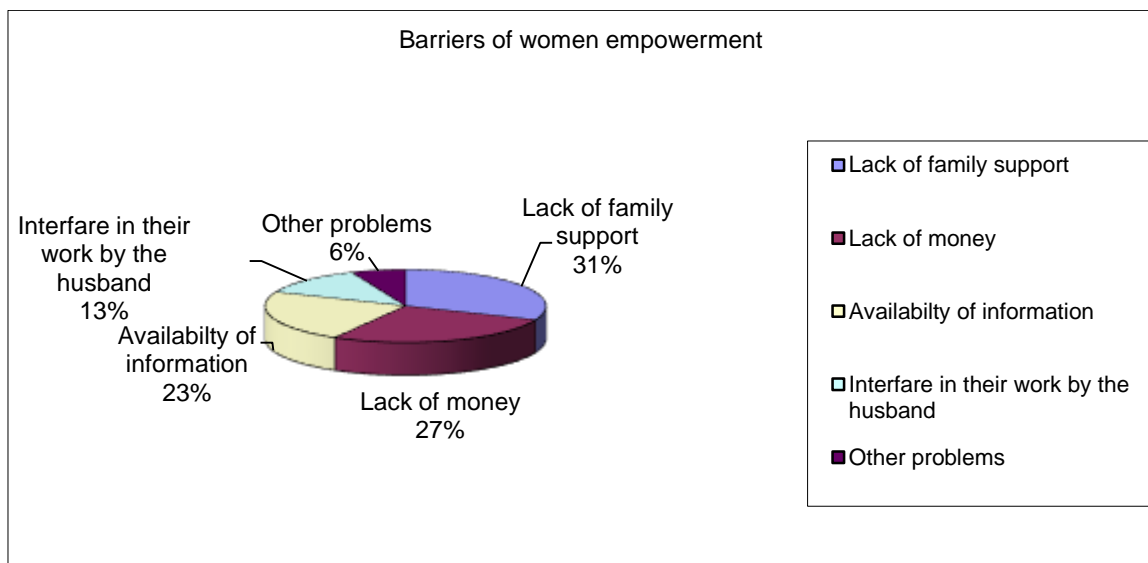
1.9.9 Women Empowerment:

Table 10: Benefit for the women entrepreneurs

Women empowerment	Number of respondents	Percentage of respondents
Yes	28	44.4%
No comments	15	23.8%
No	20	31.8%
Total	63	100%

Source: Field study from January to April 2021.

At present, the numbers of women entrepreneurs in the SME sector are noticeable. There are many women who are working in the different areas of this sector. The women are always deprived from their rights. So, they want to change their position through financial and social improvement. The capacity building program helps them to bring positive change in their life through providing training on different areas. Almost 44% respondents give their positive answer in case of women empowerment through this program. The 21% respondents did not give any answer about this matter. The percentage of people who give negative opinion on it is 31. They identified the following factors, which are great barriers of women empowerment:



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Lack of family support is one of the main problems for the women to be an entrepreneur. Most of the women in our country are involved in performing domestic work. At present, although many of them are doing different kinds of jobs in various sectors they are not allowed to do business. The 27% women can not start their business for the lack of money and resources. Besides, 23% of them do not get information about training and other facilities given by the SME Foundation and its stakeholders. Again, women can not do their work independently because they have to do only such kinds of business which are determined by their husband. Women empowerment is also disrupted because of some other problems like, barrier in marketing of the products, social negligence and so on.

1.10 RECOMMENDATION

1. The unemployment problem of our country is now unbearable. Being educated most of the people suffering from this problem. It can be solved by providing them proper training and financial as well as other assistance to be a SME entrepreneur. Types of training should be determined based on the necessity of a particular place. For example, training on light engineering is most wanted for the SME entrepreneurs in Bogura. The people of Sonargaon prefer to be trained on waving Jamdani Sari. Besides, some other training like, technology-based training, training on management improvement and so on are essential for all kinds of SME entrepreneurs.
2. Duration of the training should be determined considering all kinds of factors related to the business of SME entrepreneurs. Timing should be fixed in this way so that it can not hamper their business related work. Long-term training may be divided into two or three short-term training, which will be helpful for the entrepreneurs to acquire adequate knowledge without hampering their business. Training program should be decentralized so that all the entrepreneurs of the country can be trained gradually. It also will encourage the people of remote areas to engage themselves in this sector.
3. Modern technology and equipments should be applied for improving the quality of training. Priority should be given on the training for the trainers. Specialized trainers should be hired if there is any necessity. Training need assessment should be done by the training institutions as well as by the Foundation to determine actual types of training for the different entrepreneurs. It will help to minimize the waste of money. It will also helpful for the foundation to take further decision on training program.
4. For the new entrepreneurship development, effective steps should be taken by the SME foundation. People of different areas of the country should be motivated to show their potentiality with their limited resource. They also have to provide all kinds of assistance like, financial, technical, managerial and other to run their business accurately.
5. Although SME Foundation is playing a vital role for ensuring women empowerment, their position is still not in the satisfactory level. So, they should be given proper guideline and training not only on their business but also on different subjects, which will be helpful for them to take decision in every step of their life.

1.11 CONCLUSION

In spite of being some problems, the capacity building program plays an important role to increase the capability of the SME entrepreneurs. Most of the people of our country have no capacity to start a business. They do not know how to maximize output with limited resources. They also have no proper knowledge on technology application and risk management. The training programs of the foundation help them to handle all kinds of disasters related to their business.

The limitations identified in this study such as, problems in the types, duration, and training place disrupt the smooth activity of the training program. Besides, lack of specialized trainers, small number of training programs and lack of modern technology are also identified in this study. To achieve the positive result from this capacity building program of the foundation, it is necessary to minimize the existing drawbacks by the foundation.

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