

A STUDY ON THE DEVELOPMENT OF ENTREPRENEURSHIP AND ITS INFLUENCE ON THE POVERTY ALLEVIATION IN BANGLADESH

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INTRODUCTION

The word 'Entrepreneur' has originated from a French word 'Entreprendre', which means to undertake, to pursue opportunities to fulfill needs and wants through innovation. A short modern definition of entrepreneurship may be 'the process of organizing, managing and assuming the risk of a business' or more simply, 'the act of starting a business' (Khan, 2007: 5). In classical economics, the entrepreneur is paid the profit as the cost of bearing the risk. Nevertheless, the other factors of production are paid their due share, because the entrepreneur takes the initiative to assemble them together to generate the production cycle. So the entrepreneur gives birth to the creative process which has a great ramification on the society.

Poverty is a pervasive problem for Bangladesh since its birth. Although over the years, she has been able to reduce poverty substantially (far from the original prediction), yet almost more than one third of the population still live at the poverty level. Therefore, poverty alleviation is a major objective of Bangladesh for obvious reason. One of the major tools of poverty alleviation is to expand the employment base through the establishment of new enterprises. Again for the new business ventures, development of entrepreneurship is a sine qua non.

A major reason identified for poverty in developing countries is the absence of good entrepreneurship. Basing on the experience of Pakistan era, entrepreneurship was discouraged during the early days after independence. During that time most of the factories were nationalized and many think that there were no better options in that situation. Experience of past decades showed entrepreneurs took advantage of capitalism to accumulate wealth which did not help Bangladesh to develop. However the situation changed gradually as the garment industry started developing in the early eighty (Quddus, Munir and Rashid, 2000: 94-96).

The prime purpose of the state is to ensure security and wellbeing of its citizens. From that point of view poverty alleviation (for developing countries) is the major focus of the state, with that is related the issue of income generation, introduction of new enterprises and the development of entrepreneurship. There had been extensive studies on poverty alleviation, but no particular study relating entrepreneurship as a tool of poverty alleviation could be found. Whereas poverty alleviation is a subject of intensive study, on the contrary, entrepreneurship seems to be a comparatively new field.

Objective and Scope

The primary objective of the study is to analyze the development of entrepreneurship with a view to finding its influence on the poverty alleviation in Bangladesh. This is to find out how effective entrepreneurship is as a tool of poverty alleviation. As a linking up process and to render the study comprehensive, some of the key characteristics and also the future perspective of entrepreneurship in Bangladesh are discussed briefly. In this paper only secondary sources are used for information and data presentation. This paper deals with the case keeping in view the Bangladesh perspective, the reference of other countries appears at places for the purpose comparison and better comprehension only.

This is both a descriptive and an exploratory research. The research is exploratory in a sense as no focused study on the relationship between poverty alleviation and entrepreneurship or entrepreneurship as a tool of poverty alleviation could be found; although, the term entrepreneur appeared sporadically at some places of poverty alleviation researches. Researchers rather have identified a wide variety of measures for poverty alleviation and very correctly so. However, this paper analyses entrepreneurship with a view to finding its effectiveness as a tool of poverty alleviation.

Theoretical and Analytical Framework

This is interesting to note that in classical economics there were only three factors of production: land, labour and capital. In 1911 Austrian economist Schumpeter introduced the fourth factor of production, namely, the entrepreneurship. However, the concept got wide circulation after his works were translated in English in 1934. He identified entrepreneurship as a distinct factor of production, separate from the other three factors recognized before. Schumpeter argued that the entrepreneur is a ‘creative destructor’, an ‘innovator’, who creates or causes a dynamic disequilibrium in the economy through introduction of new product or more efficient system of production (Bhargava, Shivganesh, 2007: 47).

The study on entrepreneurship drew attention in the developed world as late as the early nineteen fifties. For the developing world it took another twenty to thirty years to have some attention on the development of entrepreneurship. Since the nineteen eighties, an increased interest is being observed on entrepreneurial career and education in the developed world. This increased interest has been fostered by the fact that small firms play a major role in job creation and innovation. An increase in the media coverage on the enterprises also added to the focus on entrepreneurship. Entrepreneurship education is a fast growing area in colleges and universities throughout the world. (Hisrich, Robert D, 2009: 19-19).

To set the pace of the study, the parameters of poverty also need to be defined. Although there is no definite definition of these key terms, those are not abstract terms either. Perception on poverty depends on many intrinsic factors like, socio-economic environment, culture, aspiration of people etc. Thereby, it becomes a contested and complex problem. According to World Bank, poverty is pronounced deprivation in well-being, and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Poverty is usually measured as either absolute or relative (the latter being actually an index of inequality). Now the World Bank defines extreme poverty as living on less than US \$ 1.25 (purchase power parity) per day and moderate poverty as less than US \$ 2 to US \$ 5 per day. (<http://en.wikipedia.org/wiki/Poverty>, 15 March 2013).

AN ANALYSIS ON THE ENTREPRENEURSHIP DEVELOPMENT IN BANGLADESH AND THE FUTURE PERSPECTIVE

An Analysis on the Entrepreneurship Development in Bangladesh

Traditionally, Bengalis are not in the list of entrepreneur category among the nations of the greater Indian Subcontinent. Perhaps people of this area were self contained and self sufficient due to the very nature of the fertile land and abundance of resources. Then the colonial British rule was not conducive to the development of entrepreneurship. The British destroyed the high quality handloom industry of Bengal to promote their own clothing and utilized the colony for the supply of raw materials for industries back in their home land. During the Pakistan era the situation for entrepreneur activities hardly improved. The country remained basically an agrarian society. Whatever tiny educated population developed, those remained fascinated towards government job and didn't have the drive to pursue any new venture.

After the independence, initially a controlled economic policy was adopted. Because the experience of Pakistan era demonstrated that the capitalist economy didn't help Bangladesh to develop. Nevertheless, the policy makers gradually understood the need of economic liberalization. So, the policy turned to gradual decentralization in the late seventies and along with that private venture and investment also started slowly. The entrepreneurship practice in Bangladesh got the real strength and the boost with the establishment of export oriented garments industry. In 1977 Reaz Garments became the first firm to export 'made in Bangladesh' to France (Quddus and Rashid 2000). That was the beginning, thereafter except some sporadic setback and against all negative predictions; garments industry of Bangladesh had a continuous growth, which is significant in all standards. Progressive development of entrepreneurship is clearly displayed in the last economic census of Bangladesh Bureau of Statistics (BBS) in the year 2003.

Economic survey of 2003 shows that between 1986 and 2003, overall enterprises growth was 2.7%. Large enterprises grew at the highest rate (2.9%), followed by small enterprises (2.7%) and medium enterprises (1.9%). One reason of the high growth of large enterprises accrues to the tremendous growth of garments industry during the survey period. Along with the consideration of growth rate, it is relevant to know the proportion of employment generation by different category of enterprises. Employment generation is a very important factor contributing to poverty alleviation. From the economic survey 2003, it is seen that the small industry generated maximum employment, although it was second to the large industry in terms of growth. Between the large and medium enterprises, there was substantial difference in growth, but in terms of employment generation the difference was marginal. This is no surprise as the small enterprises are less automated than the large enterprises. Most of the enterprises starts as small enterprises and gradually develops to medium and large enterprises. Thereby small enterprises are the bed rock of poverty alleviation.

Now the question comes up, did the trend of entrepreneurship development continue as observed between the period of 1986 and 2003? This has been already mentioned that the current economic census is yet to be completed; therefore relevant financial data is used to assess the current development. Economic Review Ministry of Finance (2012) shows no distinct difference in the pattern of growth between small and cottage industry vis-a-vis medium and large industry, although industrial growth as a whole all through the period is evident (between 2006 to 2012 growth was 6.5% to 9.76%). However, comparable growth rate in financial terms may indicate higher growth rate for the small firms compared to medium and large firms; because the small firm entails less capital and financial support. This is interesting to note that overall growth in the three years (from 2007-2008 to 2009-2010) is comparatively lower than other three years (2006 – 2007, 2010 – 2011 and 2011 - 2012). This might be attributable to the uncertain political scenario during the period 2007 and 2008. As a whole this can be concluded that the growth of enterprises in Bangladesh continued in the period after 2003, even at a faster pace.

The Future Prospect of Entrepreneurship Development in Bangladesh

There is always a degree of uncertainty of events in the future. It is only possible to estimate the probability of a future event, but there always remains some degree of doubt, even about the best estimate. Entrepreneurship is basically an economic activity which is influenced by many factors; such measures are complex in nature and prone to be influenced by random events which are difficult to estimate. However, the study of the past along with the trend analysis provides the insight to have the calculated approximation of the future.

After independence in 1971, Bangladesh inherited a shattered economy with very high poverty and little resources. It was natural to be pessimistic about the future of

Bangladesh because of the large population compared to available land area, high population growth, devastation of the war, vulnerability to natural calamities etc. Faaland and Parkinson (1976) in their famous book titled “Bangladesh: The Test Case for Development”, concluded - “If development could be made successful in Bangladesh, there can be little doubt that it could be made to succeed anywhere else. It is in this sense that Bangladesh is the test case for development”. Faaland and Parkinson wrote another article titled “Bangladesh: the Test Case for Development Revisited (2007)” where they expressed- “At this point, with three decades and more of experience of limited and chequered progress sustained development in Bangladesh appears to be within reach though far from sustained” (Fahmida: 2013). This is interesting to note the tacit pessimism of the two economists at the backdrop is an optimistic outlook. Perhaps they are unhappy on the event of their earlier prediction proved wrong.

Bangladesh has made substantial progress in its quest for development. This has not escaped the eyes of the world renowned economic forecasting agencies. Goldman Sachs’s 2005 list included Bangladesh as the next eleven emerging economies; by 2025, Bangladesh may emerge as the 22nd largest economy in the world. JP Morgan’s list of frontier 5 economies also included Bangladesh. The global rating agency Moody’s Investment Service rated Bangladesh’s outlook as ‘Stable’ (Ba3) for the fourth consecutive year. Among the host of factors for such rating (despite the ongoing political crisis), ‘*a strong entrepreneur class*’ was a prime consideration (The Financial Express, 26 April, 2013).

From the past performance and the present outlook stated above, this can be concluded with reasonable confidence that the Bangladesh has a bright future for entrepreneurship development. The nation has come out of the culture of looking all out for petty government job, high risk aversion, combined family affiliation and too much craving for security and stability. The entrepreneur culture is blooming in Bangladesh. The ongoing natural benefit of demographic dividend (86% population below 45 years of age and 2 million new work forces is being added every year) would also help in the future entrepreneur development in Bangladesh. This is also amply justified through the increased foreign interest and investment in Bangladesh over the recent years.

However, the very optimistic scenario portrayed above is not without pitfalls. Bangladesh has serious lacking in terms of infrastructure. Shortage of energy and power supply is seriously affecting the growth of entrepreneurship. Corruption is a routine in the society of Bangladesh which increases cost of doing business, discourages both local and foreign investment and as a whole hampers the development of entrepreneurship. There is also lack of focused study on entrepreneurship; at present this is only a course (most cases optional) in the curriculum of business studies. Besides, some degree of societal motivation is also needed to encourage the young generation for new business venture.

ENTREPRENEURSHIP - A TOOL OF POVERTY ALLEVIATION

Entrepreneurship gives birth to enterprises, which in turn creates job and employment. When the rate of unemployment and underemployment reduces, people have increased income which tantamount to poverty alleviation. This is an easy and natural approach to assess the influence of entrepreneurship development on poverty alleviation. But the problem is that there are host of other factors contributing to poverty alleviation, for example, government expenditure on the social safety network, remittance from foreign employment, charity by the affluent etc. So the subject needs some critical analysis.

Poverty situation in Bangladesh has improved substantially over last three decades. Poverty has reduced from 50.1% in 1995 to 31.5% in 2010. This is definitely a remarkable achievement. In the previous chapter the significant growth of entrepreneurship in Bangladesh at the same time frame has been shown. So, are the development of entrepreneurship and poverty alleviation correlated, or it's just a coincidence is the question in view.

Models of economic development support the need of concurrent development of entrepreneurship. This may be illustrated through the analysis of Lewis model, which envisages the need for social and structural changes for economic development. In Lewis model, the underdeveloped economy consists of two sectors, a traditional overpopulated rural subsistence sector characterized by zero marginal labor productivity (i.e. surplus labour) and a high productive modern urban industrial sector into which labour from the subsistence sector is gradually transformed. The primary focus of the model is on concurrent labour transfer and the growth of output and employment in the modern sector. Ultimately when the economy takes off, the subsistence agro sector also transforms into an industry. This is evident that Lewis model needs a set of efficient aggressive entrepreneurs for the development of industries, the vehicle of development.

The economic development is taking place in Bangladesh as the GDP and the per capita income show a consistent positive trend. The structural transformation of labour force is also taking place, which is evident from the statistical data.

Table – 1: Percentage of Employment – Agriculture versus Non – Agriculture			
Sector	2002 – 03	2005 - 06	2010
Agriculture	51.7%	48.1%	47.3%
Non - agriculture	48.3%	51.9%	52.7%
Source: Bangladesh Bureau of Statistics, 2012			

From the above table, it is seen that till 2002 – 03 agriculture sector absorbed maximum labour force. But since 2005 – 06 the non-agro sector took the lead and the trend continues as demonstrated by the data of 2010. The phenomenon is further confirmed through the dynamics of changes in the sector wise contribution to GDP.

Table – 2: Sector Wise Contribution to GDP (%)					
Sector	2006 – 07	2007 – 08	2008 – 09	2009 – 10	2010 - 11
Agriculture	19.61	19.24	18.73	18.59	18.43
Industry	27.91	28.38	28.66	28.46	28.55
Services	52.48	52.38	52.61	52.96	53.01
Source: Bangladesh Bureau of Statistics, 2012					

From the above data, it is seen that the contribution of agriculture to GDP is gradually reducing, despite the fact that agriculture itself had substantial growth during the years considered. However, industrial and service sectors had even higher growth, thereby those took lead in the contribution to GDP. Over and above, this can be said that economy of Bangladesh is gradually transforming to industry and services from the traditional agro sector. This does not mean agro sector is losing its importance, rather it is also transforming into an industry as it adopts mechanization and efficient use of labour and other factors of production. The whole process of economic development of Bangladesh very well fits into Lewis theory of development. As mentioned earlier entrepreneurship plays a vital role in the said transformation process, so the development of entrepreneurship has a positive correlation with economic development of Bangladesh.

Now the question naturally arises whether economic development helps in poverty alleviation. The simple logic should point towards the affirmative answer to this question. Although economic development helps in poverty alleviation, but the relationship between the two is not straight forward; because poverty alleviation is also influenced by many other factors. Since 1990s Bangladesh had GDP growth of 5% to 6%; in the same time frame India had GDP growth of around 8% per year. Although India achieved poverty reduction, Bangladesh has achieved better poverty reduction than her. Thus the gains of Bangladesh from economic development are greater (The Economist, November 3, 2012). One major factor behind this might be the better equitable distribution of wealth in Bangladesh compared to India. The Gini Co-efficient of Bangladesh reduced from .467 in 2005 to .458 in 2010 (BBS). Achievement of Bangladesh in poverty reduction did not escape the eyes of the economists. Nobel laureate Dr. Amartya Sen highly applauded the improvement in human development index of Bangladesh several times (The Financial Express, 17 March 2013).

Thus it may be concluded that the development of entrepreneurship helps in poverty reduction through a series of intermediary process. The relationship is not simple straight forward, rather the former acts as a catalyst for the later. Development of entrepreneurship is necessary for economic development, but to get the best out of the economic development (i.e. well being of the population), government discretion and required intervention is necessary. However, the empirical evidence shows that the areas having the culture of entrepreneurship are economically better off than the

areas which are devoid of such culture. For example, Jharkhand is a mineral rich area of India; Government of India took many projects to develop it but didn't succeed much; whereas many other areas devoid of natural resources (for example Gurgaon) got developed. From a careful examination, it is observed that the existence or the non existence of entrepreneur culture made the difference (Pathak, Pramod, 2007: 81-86). However, no such study in case of Bangladesh could be found. One reason may be the geographical and cultural compactness of Bangladesh render it much more homogeneous in characteristics compared to India. Nevertheless, entrepreneurship is no panacea to development. Political stability, supporting institutions, social values etc must back up the process of entrepreneurship for success.

RECOMMENDATIONS

This study recommends the following measures for the efficient use of entrepreneurship potential in Bangladesh with a view to expediting the efforts of poverty alleviation:

- All out actions for rapid improvement of infrastructure and power, which should include the short term measures and long term solutions.
- Enhancement of administrative capacity and controlling corruption.
- Enhancement of entrepreneurship education and training.
- Societal motivation to develop more positive attitude towards entrepreneurship.

CONCLUSION

However, the relationship between economic development and poverty alleviation is not so straight forward, because poverty alleviation is also influenced by many other factors. For example, over last two decades India enjoyed a higher economic growth rate than Bangladesh, but on the contrary Bangladesh has been more successful in case of poverty alleviation in the corresponding period. This is because of the fact that Bangladesh had been more efficient in equitable distribution of wealth compared to India. Thus it may be concluded that the development of entrepreneurship helps in poverty alleviation through a series of intermediary process. So to derive the optimum benefit from economic development, government intervention and various fiscal measures are necessary.

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