

## **Entrepreneurship Development in Small-Scale Enterprises of the Rural Areas in Bangladesh: A Case Study on Some Areas of Chittagong and Rajshahi**

<sup>1</sup>Mohammed Asraf Uddin, <sup>2</sup>Shahadat Hossain and <sup>3</sup>Shaheen Ahamed

<sup>1</sup>School of Business Studies, Southeast University, Dhaka, Bangladesh

<sup>2</sup>Department of Finance and Banking, University of Chittagong, Bangladesh

<sup>3</sup>School of Business, Bangladesh Open University, Dhaka, Bangladesh

---

**Abstract:** Bangladesh is a densely populated least developed country in South Asia with 80 percent of the people living in rural areas. The country's economy is mainly agriculture oriented with a prematured industrial sector and majority of the people lives below poverty level. To develop the rural masses and to create the opportunity to employment and self-employment, mainstreaming of rural people into the process of development through entrepreneurial activity is crucial to enhance the indigenous economic base and for the economic development of the country. The entrepreneurship activity in rural areas is mainly in small and medium scale enterprises and cottage industries. The study is about entrepreneurship development in rural areas of Bangladesh. Here, the feasibility of entrepreneurship from the viewpoint of Islam is also studied. For understanding the socio-economic status of rural entrepreneurship, their age, educational level, family size and parental occupation were identified and it is found that majority of them are middle age, completed minimum level of education and their business are sole tradership and family business and financed by family, friends, relatives and from own source. In studying the potentials of their business, it is found that cheap human resources, availability of raw materials, intention to change their economic status and income level are main influential factor. Excessive loan processing system, absence of PLS based financial facilities, high interest rate and loan processing cost, unfavourable repayment policy and absence of financial institutions in rural areas are main problems in financing. The operating problems are inadequate infrastructure, inefficient marketing and information, lack of proper knowledge, training and skilled workers, lack of proper R&D facilities, outdated technology and technical know-how etc. These problems are important to solve for proper entrepreneurship development through the intervention of state, social and political institutions that will enhance future growth and development of the economy of the country.

**Key words:** Small - Scale, Enterprises, densely populated

---

### **INTRODUCTION**

The word entrepreneur is derived from the French word *entreprendre* which originally meant to designate an organizer of musical or other entertainment. In economics an entrepreneur is an economic leader who possesses the ability to recognise opportunities for successful introduction of new commodities, new techniques and new sources of supply and to assemble the necessary plant and equipment, management, labour force and organise them into a running concern<sup>[1]</sup>. This is now a focal point into the development of small and medium scale industries in business communities, various organisations and business education in developing countries like Bangladesh. It is an innovative process which entails those functions that an entrepreneur must perform to operate successfully in an environment<sup>[2]</sup>. According to Joseph A. Schumpeter<sup>[3]</sup>, entrepreneurship

essentially consists in doing things that are not generally done in the ordinary course of business routine; it is essentially a phenomenon that comes under the wide aspect of leadership.

In present day context and in case of developing countries like Bangladesh, Pakistan and India etc. an entrepreneur will be a person who may be highly educated, trained and skilled person or he may be an illiterate person possessing high business acumen which others might be lacking with having qualities of innovation, risk taking ability, energetic, resourceful, alert of new opportunities, able to adjust changing conditions; improves quality of his products; undertakes allied pursuits and reinvests his profits. He is not only self employed, but also generates employment and income of other through a combination employment of his time, effort, courage and would not accept the boundaries of a structured situation.

Small scale entrepreneurship in rural areas are important as 80% of the people in this country live in rural areas, where it is necessary to improve their income and living standard by engaging them in these rural organisations to solve unemployment problem and change the socio-economic condition of rural masses.

### **RATIONALE OF THE STUDY**

Bangladesh is a South Asian most densely populated least Developed Country with population of 1231 (GOB: BBS) million where 80 % of the population live in rural areas. The economy of the country is mostly dependent on agriculture with a small secondary sector and is sinking in some socio-economic drawbacks like low infrastructure, small per capita income (\$407 in 2002; GOB, Economic Survey, 2003); poverty, malnutrition; frequent natural calamities etc. The country has abundant natural resources and lot of cheap human resource that are most important factor for the development of its economy. But the country is still unable to attain a sustainable level of development due to the absence of proper entrepreneurship activity, integrated and comprehensive development strategy and lack of sufficient funds to organise business and inefficiency and lack of proper knowledge to reduce the gaps of the resources and their proper utilization. Though most of the country's people live in rural area, where cost of living is low and factors of production are proximate to the areas, entrepreneurship development in these areas can change the socio-economic status of the people thereby changing the economic condition of the country. To enhance the main stream of development through this process small scale entrepreneurship can play an important role and can reduce unemployment problem by increasing their efficiency and skill by giving them proper training to the rural masses in various entrepreneurial activities.

Some feasible small entrepreneurship activities in rural areas are artisan work like small and cottage industry, fishery, dairy and poultry, small trade etc. The skilled and unskilled labour forces of the rural areas can be employed by it where short or medium term finance is required. A small portion of the rural solvent are coming ahead in this activity to undertake and establish small industries and business organizations and find the way to earn and maintain an improved standard of living. But their participation is still limited in scale.

To create the scope of employment and to establish new industries and business organizations, it is necessary to identify the problem and obstacles in entrepreneurship development and forecasting a positive and suitable policy recommendation that will help in economic development of the country.

The study is undertaken to identify factors and problems in entrepreneurship development in these rural areas based on empirical study and theoretical guideline to close both study and theory in order to make fruitful the policy guideline of various agencies, researchers and potential entrepreneurs in urban areas and to contribute to the literature of entrepreneurship and business students.

### **OBJECTIVES OF THE STUDY**

The specific objectives of the study on status and problems of small entrepreneurship development in rural areas in Bangladesh are as follows:

- To study the emergence and need of entrepreneurship development in Islamic economy.
- To highlight the socio-economic status of the rural entrepreneurs and their organizational status.
- To identify the factors that influences the selection of businesses and potentialities of entrepreneurship in rural areas.
- To identify the problems faced by the sample entrepreneurs in financing and operating their businesses and suggest some remedial measures.

### **MATERIALS AND METHODS**

Small scale entrepreneurship in rural areas are labour intensive and conducted by artisanal crafts men, educated persons who have some potentials and ability to provide funds for the business or by the illiterate persons who possess high business acumen. For this study the samples selected are from the entrepreneurs engaged in fisheries, livestock, dairy and poultry, cottage industry, some artisans works like handicrafts, brick field owners, agricultural processing firms and grocery etc. from the rural areas of Chittagong and Rajshahi. The selected areas for the study are some villages of Sitakundo, Hathazai and Patiya upazila of Chittagong district and from Motihar, Boalia and Rajpara upazila of Rajshahi district. In this connection, two villages from each upazila are selected and total 60 sample entrepreneurs were selected for the study. The study conducted in this area was due to take the opportunity to collect data as these areas are the researchers' permanent residential area. Moreover, the study was conducted through own finance and so the scope of the study is limited. The duration of the study was from July to November, 2003.

In this study, both primary and secondary data were collected and used. Primary data were collected through interview method by a structured questionnaire through field survey focusing the objective of the study.

Observation method is also used for this purpose. To collect primary data, at first area of rural entrepreneurs was selected through sampling. From this area-wise list, rural entrepreneurs were selected through random sampling. The samples so chosen are typically representative to the objective and area of the study. Secondary data were collected by desk study, from government publications, statistical year book, government annual reports, books and literature etc. The data so collected have been analysed and interpreted with the aid of simple statistical averages like percentage, mean etc. to make the study more pragmatic and meaningful.

## RESULTS AND DISCUSSION

### **Emergence of entrepreneurship in Islamic Economy:**

Islam, being a comprehensive way of life, is very concerned about the welfare of humanity, which is to be achieved through the establishment of justice, application of knowledge or wisdom and showering of mercy and benevolence in all aspects of life<sup>[4]</sup>. Anything that departs from justice to oppression from mercy to harshness, from welfare to misery and from wisdom to folly, has nothing to do with the shariah, stated by Ibn-al-Qayyim<sup>[5]</sup>. Based on the holy Quran and Sunnah of Prophet (Sm.), Islam provide a detailed and well mannered guideline for every people that ensure peace and justice in every aspect of personal and social life. In business and economics, there should be an equitable distribution of income and wealth and that all transactions should be equitably undertaken so that no one suffers from any form of injustice and loss. It prohibits riba (interest); gharar (doubtful transactions); unlawful food and drink, acts of cheating, deceit etc.,<sup>[4]</sup>.

The Holy Quran is emphatic on the issue of riba and vividly expressed, those who devour usury (interest) will not stand except as stands one whom the evil one by his touch hath driven to madness. That is because they say 'trade is like usury' but Allah hath permitted trade and forbidden usury. Those who after receiving direction from their lord, desist, shall be pardoned for the past: their case is for Allah (to judge); But those who repeat (the offence) are companions of fire; they will abide there in forever. Allah will deprive usury of all blessing, but will give increase for deeds of charity, for he loveth not creatures ungrateful and wicked. The holy Prophet Muhammad (Sm.) also given some restrictions in establishing, conducting and operating business that ensures not only socio-economic justice and ethics but also make a comprehensive guideline to solve the unemployment problems, expansion of self employment, enhance of production and equitable distribution of income and wealth, improve socio-economic welfare and economic

development by taking actual risk in operating and investing in business by applying their efforts, skills and knowledge bearing the risk of financing. As entrepreneurship is a risk bearing, profit and loss sharing activity and related with the effort of the entrepreneurs this is permitted and encouraged in Islam if this business is done on the basis of shariah that is completely applicable to all Muslims.

Justice in the Islamic value system requires that the financier like the entrepreneur participate in the risks of business by sharing in the ultimate outcome of business, whether it is profit or loss. He cannot be given the right to have a predetermined positive rate of return irrespective of the net outcome of the business. It is an unflinching conviction of Muslims that putting the entire risk of business on the entrepreneurs not only vitiates the Islamic norms of justice, it also tends to promote concentration of wealth and to violate long-term commitment of funds for productive investment<sup>[6]</sup>.

The abolition of interest and its replacement by profit sharing activities according to a fair ratio between the financier and the entrepreneur should remove one of the major sources of uncertainty and injustice and be more conducive to growth. It must be appreciated that the entrepreneur is primary force behind all investment decisions and removal of the sources of uncertainty and injustice. By turning savers into entrepreneurs, the risk of business can be more equitably distributed, thereby improving the investment climate.

From the above discussion, it is clear that the emergence of entrepreneurship in Islam invincible for the economic development of a country as it prohibits unjust and unlawful distribution of income and wealth and prohibits all the injustice in economy by taking the actual business and financial risk employing the entrepreneurs' efficiency, knowledge, skill and effort directly for the purpose of production. This ensures mobilization of resources and generation of employment by consequently changing the socio-economic structure of a country in a positive way.

**Socio-economic status of rural entrepreneurs:** Some socio-economic benefit, resources and traditions influence a lot and passed from the previous generation like father and other family members to the next generation. Some socio-economic status of the sample entrepreneurs such as age, educational status, family size and their parental occupation are taken into consideration based on the objectives of the study. The entrepreneurs involved in the sample are of different age, have different educational background and genetical occupation.

Table 1: Age distribution of sample entrepreneurs

Age	No. of respondents	Percentage
20-30	10	12.50
30-40	42	52.50
40-50	22	27.50
Above 50	6	7.50
Total	80	100

Source: Field Study.

Table 2: Distribution of sample according to education level

Level of Education	No. of Respondents	Percentage
Do not know reading and writing	5	6.25
Up to Class V	12	15
Class VI-VIII	14	17.50
Class IX-S.S.C.	22	27.50
Class XI-H.S.C.	21	26.50
Graduate	6	7.50
Up to Masters	-	-
Total	80	100

Source: Field Study

Table 3: Family size of the sample respondents

Size of Family	Frequency	Percentage
Up to 2	5	6.25
3-5	18	22.50
6 - 8	36	45
9 and Above	21	26.25
Total	80	100

Source: Field Study.

Table 4: Distribution of sample according to their parental occupation

Types of Occupation	Frequency	Percentage
Agriculture	24	30
Industrial Workers	5	6.25
Business	22	27.50
Public and Private Service	6	7.50
Professional Work	11	13.75
Labourer	12	15
Total	80	100

Source: Field Study.

Table 5: Distribution of sample according to the ownership pattern of their business

Pattern of Ownership	Frequency	Percentage
Family Business	18	22.50
Sole Tradership	50	62.50
Partnership	12	15
Total	80	100

Source: Field Study.

**Age level:** As a socio-economic factor, age plays an important role in doing any activity or in taking risk in business. At the time of lower and old age, the ability, intelligence, power, innovation capacity, mental maturity and working capacity are low. But young or middle aged people can take any challenge and have innovative mentality, risk taking capacity and ability to do anything. From the study of the sample entrepreneurs, it is found that 52.50% are aged 30-40; 27.50% aged 40-50 followed by 12.50% aged 20-30 and only 7.50% are 50 years or above (Table 1). The study reveals the fact that middle aged people are more able to do entrepreneurial activity.

**Educational status:** Education is an effective strategy to mainstream the huge population of rural and urban areas into the process of development. From the study of the sample entrepreneurs in rural areas it is found that (Table 2), 27.50% are studied in secondary level followed by 26.25% to higher secondary level; 7.50% class VI-VIII; 15% up to class V and only 7.50% are graduate. There is no entrepreneur in the sample are who completed masters. Moreover, it is found that 6.25% entrepreneurs do not have any education. The study revealed that majority of the entrepreneurs completed minimum level of education but a pain is that a few do not have any literacy.

**Family size:** Size of family plays an active role in doing any income earning activity. The national policy of Bangladesh in case of family size is four members in a family. From the study on the sample it is found that (Table 3) 45% entrepreneurs have 6-8 members followed by 26.25% contained family members of 9 and above. This indicates that the entrepreneurs of the rural areas are more than to the level of national policy and this influence them to earn extra for huge expense for their family. Moreover, as they live in rural areas, they are not aware about the national policy of family planning. Also 22.50% of the sample entrepreneurs have family member of 3-5 and 6.25% are have only 2 members in their family.

**Parental occupation:** In selecting any occupation of a person, his previous tradition, culture, outlook, belief and value make inference. As per the study on the parental occupation of the sample entrepreneurs it is evident that (Table 4) 30% of the sample worked in their traditional agriculture followed by 27.50% worked in trade and business while 15% were day labourer and 13.7% were professional worker in various trades and professions. Also 7.5% of the parents worked in public and private service sector and 6.25% were industrial workers. From the study it is evident that they come from different professions of their parental inheritance.

**Status of business of rural entrepreneurs:** The study in this section include forms of the organization or business indicating ownership pattern, size of investment, source of finance; number of workers employed in their business; their pattern of skills and income from the business of the sample entrepreneurs.

**Forms of ownership:** From the analysis on the sample entrepreneurs (Table 5) in case of types of ownership of their business, it is found that 62.50% of the enterprise belonged to sole tradership; 22.50% of the

Table 6: Distribution of sample according to the sources of finance

Sources of Finance	Frequency	Percentage
Own Source	16	20
Parental Source	18	22.5
Friends and Relatives	8	10
Individual Moneylenders	19	23.75
Interest based Banks and other Govt. Institutions	8	10
Profit and Loss Sharing basis Banks	4	5
NGOs Supplying Micro Credit (Interest Basis)	7	8.75
Total	80	100

Source: Field Study.

Table 7: Distribution of sample according to the size of investment

Size of Investment (in Taka)	Frequency	Percentage
Below 20,000	8	10
20,000-50,000	12	15
50,000-100,000	15	18.75
100,000-200,000	9	11.25
200,000-300,000	10	12.5
300,000-400,000	11	13.75
400,000-500,000	9	11.25
500,000 and above	6	7.5
Total	80	100

Source: Field Study.

Table 8: Distribution of sample according to the number of employees engaged in their business

No. of Employees	Frequency	Percentage
0-2	24	30
3-5	30	37.5
6-8	15	18.75
9-12	8	10
13 and Above	3	3.75
Total	80	100

Source: Field Study

Table 9: Distribution of sample according to the skill of the entrepreneurs and workers

Skill	Frequency	Percentage
Unskilled	72	21.50
Semiskilled	178	53.13
Skilled	85	25.37
Total	335	100

Source: Field Study

Table 10: Distribution of sample according to the annual income from their business

Income Range (in Taka)	Frequency	Percentage
Less than 10,000	8	10
10,000-30,000	20	25
30,000-50,000	22	27.50
50,000-80,000	16	20
80,000-100,000	9	11.25
100,000-150,000	6	7.50
150,000-200,000	2	2.50
Total	80	100

Source: Field Study

business are owned by their family members and the rest 15% business are run in partnership. The study clears that the rural entrepreneurs are able to do their business with average in single or by their family members.

**Sources of funds:** Finance plays an important role in small entrepreneurship development. Although risk is related in all business and industry, it has special risk in case of

small scale business. From the study of the sample it is found that 23.75% of the entrepreneurs took loan from individual moneylenders followed by 22.50% from the parents and 20% from their own source. Moreover, it is found that 10% collected funds from their friends and relatives; 10% from traditional interest based banks and other financial institutions; 8.75% from NGOs and only 5% from profit and loss sharing type Islamic Banks. The study reveals that majority of the entrepreneurs have taken funds on interest basis non-institutional organizations at high cost. This is due to the absence of adequate financial institutions in rural areas like banks with PLS (Profit and loss sharing) system of finance.

**Size of investment:** Finance is indicated as the life in the organization of any business<sup>[8]</sup>. From the study on the size of investment in starting their business, it is found that 18.75% firms have fixed investment of Tk. 50,000-1,00,000; with 15% have Tk. 20,000-50,000; 13.75% have investment of Tk. 300,000-400,000 followed by 11.25% having investment of Tk. 400,000-500,000 and Tk. 100,000-200,000 each (Table 7). Also it is found that 10% have invested below Tk. 20,000 and 7.50% invested Tk. 500,000 or more. The study clearly reveals that most of the rural entrepreneurs have started their organizations with small amount of capital from their own sources or parents or from money lenders.

**Number of workers:** Both regular and irregular workers are employed in these types of business. From the study of the organizations, it is found that (Table 8) 37.50% of the organizations employed 3-5 workers followed by 30% employing 2 or less than 2 workers and 18.75% employing 6-8 workers. Also 10% employed 9-12 and only 3.75% employed more than 12 workers. The study inferred that the small farms in rural areas employ workers and contribute a lot in creating employment opportunities despite their business are small.

**Skill of the workers:** The standards of efficiency of the workers are essential to improve production. In studying the efficiency of the workers of the sample enterprise it is found that 53.13% of the workers are semi-skilled followed by 25.37% skilled and 21.50% unskilled workers (Table 9). The study reveals that there is inadequacy in the skill of the workers which play a negative role in enhancing the productivity of the organizations.

**Size of earnings of the entrepreneurs:** Elimination of poverty through planned income earning activities play a positive role in the socio-economic development of a country. It is also a motivation factor of entrepreneurship

development. The study disclosed that 27.50% of the sample entrepreneurs earn Tk. 30,000-50,000; 25% earn 10,000-30,000; while 20% earn Tk. 50,000-80,000 and 11.25% earn Tk. 80,000-100,000. Also 7.505 earn Tk. 100,000-150,000, 6.25% earn less than 10,000 and only 2.50% earn Tk. 150,000 to 200,000 (Table 10). From the study it is inferred that majority of the entrepreneurs are an average of Tk. 50,000 to maintain a satisfactory standard of living that is suitable in rural areas.

**Factors that contribute in selection of a business and potentialities of entrepreneurship:** Enormous number of factors is identified from the previous literature to measure their intensity in the promotion and development of small entrepreneurship in Bangladesh. Some factors push them to choose entrepreneurial activities and contribute a lot in the future development (Table 11). These are measured on the basis of weight and ranked them according to their magnitude. In identifying why they come into this business, it is found that they want to improve their socio-economic status and living condition (88% respondents answered it). Also cheap and available human resources in rural areas influence them significantly to become an entrepreneur (85% answered it); and availability raw materials for their products is important factor (80% answered it) in selecting the business. The other most important factors according to their priority are increase of their earnings; to establish them as boss, demand for their products in the market; earning more in ethical and productive way; generation of employment (65%), to be self employed (62%) and encouragement by family, friends and relatives etc. The less important factor that has not encouraged them is influence by government and non-government agencies (30%). From the study it is clear that some important socio-economic indicators and factors influence the potential entrepreneurs a lot into the development of entrepreneurship in rural areas as well as urban areas. The percentage and rank given in order of their priority indicates that all these factors are necessary to develop their future potentials.

**Problems faced by rural entrepreneurs:** In Bangladesh, a lot of people are unemployed and under employed who are able to work but can not proceed to self employment activities due to some problems in starting and operating any business. Based on empirical study, these problems are identified separately as problems in financing to establish any firm (Table 12) and secondly problems in operating and running the business (Table 13). The data collected in these regards have been shown in these two Tables in order of their magnitude according to their rank

Table 11: Factors indicating cause of selecting entrepreneurship and potentiality of their business

Factors	Percentage	Rank
1. Availability of raw materials	80	3
2. Demand for the products in the market	70	6
3. Cheap and available human resources	85	2
4. To establish them as boss and economically independent	72	5
5. To improve socio-economic status and living condition	88	1
6. To earn more	78	4
7. To be self-employed	62	9
8. Encouragement of family, friends and relatives	55	10
9. Encouragement of Government agencies and NGOs	30	11
10. Generation of employment	65	8
11. To earn more in ethical and productive way	68	7

Source: Field Study

Table 12: Problems faced by the sample in case of financing

Factors	Percentage	Rank
1. Absence of credit institution in rural areas	75	5
2. High interest rate and loan processing cost	80	3
3. Excessive formalities in loan arrangement	92	1
4. Absence of PLS based financing facilities	88	2
5. Inability to provide sufficient collateral	70	6
6. Do not know the system of loan processing from financial institutions	60	7
7. Unfavourable repayment policy	76	4

Source: Field Study.

Table 13: Problems faced by the sample in operating their business

Problems	Percentage	Rank
1. Lack of proper training and knowledge	75	3
2. Lack of skilled workers	62	5
3. Inefficient and outdated technology and technical know-how	58	7
4. Problems in collection of debtors (from sales proceed) from the customers	70	4
5. Absence of market facilities for their products	30	9
6. Inefficient marketing system and market information	82	2
7. Lack of sufficient infrastructural facilities	85	1
8. Lack of sufficient guideline and counseling from the government and NGOs	55	8
9. Lack of sufficient R&D facilities to improve quality of their products	60	6

Source: Field Study

**Problems in financing the business:** Finance is like the soul of an organization. This is particularly true for the business enterprises where the role played by capital is relatively more important<sup>[9]</sup>. The problems faced by the sample entrepreneurs in case of financing their enterprises are shown with their magnitude of importance (Table 12). The most important problems in financing are excessive formalities in loan arrangement (92% answered it); absence of shariah based or profit and loss sharing basis financing facilities (88% opined it) and high interest rate in taking loan from traditional financial institutions and individual money lenders (80%). These problems are considered as top most problems in obtaining credit facilities. The second most important problems are unfavourable repayment policy (76% answered it); absence of credit institutions in rural areas (75% answered it); inability of the entrepreneurs to

provide collateral in taking loan (70% responded) and 60% answered that they do not know the system of loan processing from banks and other financial institutions. From the study of the problems and according to the weight of the problems, it is clear that all factors play significantly in obtaining finance for establishment and expansion of their business.

**Operational problems:** Entrepreneurship in rural areas is inhibited due to some operational problems that are revealed in empirical data found from the study. The data collected in this regard are shown in appendix (Table 13). The problems are discussed in the following manner in order of their importance.

- Infrastructural facilities like communication, power and other facilities are essential in establishing and operating any productive or other types of venture. But in rural areas of this country, this is not available and they have to face problems in producing and marketing their commodities at low cost and in a large scale. 85% of the sample entrepreneurs pointed about this and is considered as main obstacle in entrepreneurship development in rural areas.
- Market information is necessary to share gain from the sale of the products. For this, market systems for promotion of their commodities are needed to be effective. But this is rare in far flung and rural areas of the country. In this study, 82% respondents answered it as their second major problem.
- The entrepreneurs in rural areas are facing the problem of gathering sufficient knowledge, training and skills about establishment and operation of an enterprise and how to develop their enterprises. They need proper training and knowledge about entrepreneurship. 75% of the sample entrepreneurs opined it and this is considered third problem according to the magnitude of the problems.
- All the products of their business cannot sell to the customers in cash. They have to sell some products in credit in order to maintain market share, catch the customers and to continue production. But they have to face problem of working capital in case of credit sale. So they want to collect debtors from the sale proceeds. But from the study it is found that 70% of the respondents have to face problems in collection of receivables and debtors in due time and minimum cost from their customers.
- To increase production and productivity, the skill of the workers are necessary. But majority of the workers are unskilled and semi-skilled. 62% of the sample entrepreneurs pointed out that unskilled workers are a main problem to improve production of the goods.
- To face the challenges of competitors and to continue the market share of their products improvement of quality of their products, production technologies etc. are crucial factor. But there are no research and development opportunities or counseling services to improve quality of their products in rural areas. 60% of the sample entrepreneurs mentioned this as there obstacle to development of their business.
- The enterprises or small scale industries in rural areas are indigenous with traditional production method and equipment. But during this era of automation, inefficient and outdated technology and technical know-how in the production enterprises of rural areas are found and 58% of the entrepreneurs mentioned it as their problems to stay in competition.
- The entrepreneurs in the rural areas do not take any guideline, information and counseling about entrepreneurship activity or feasibility or processes to establish any venture in these areas due to the lack of any guideline and counseling from government agencies as well as NGOs adequately.
- The last problem, the entrepreneurs pointed in development and operation of their business are absence of sufficient market facilities to sale their products in a reasonable price in various markets where the demand for their products are more.

### **POLICY RECOMMENDATION**

On the basis of the study and problems identified, some remedial measures and policy guidelines are necessary to implement that are discussed in the following manner:

- Arrangement of financial support is most important to encourage the potential entrepreneurs in stating their business and for the existing entrepreneurs to expand their business. On the basis of the study some necessary steps like the following are important to apply:
  - Establishment of financial institutions and financing arrangement on the basis of profit and loss sharing where both risk and efforts are necessary to apply.
  - Supplying them sufficient micro credit facilities to establish small scale enterprises.
  - Arrangement of finance without collateral to them who are able to start a business.
  - Reduction of loan processing cost and liberal loan arrangement system.
  - Liberal repayment policy.

- Development of infrastructure is necessary to establish any organization or industry in rural areas to supply the utilities and raw materials and to transport their product into the market and to facilitate production and living condition of rural masses. Without this, entrepreneurship in rural areas is quite impossible. To improve socio-economic condition this is necessary for our country.
- The rural mass middle class are not informed and educated enough to improve their potentials as successful entrepreneurs due to the lack of proper entrepreneurship training, education and knowledge about entrepreneurship development. To mobilize the rural masses that have potentials about it are need to provide entrepreneurship knowledge properly, government can introduce some courses about entrepreneurship in this educational institutions.
- Marketing of the products are very important for the production organizations to success their business. To make a successful marketing exposure, proper training on marketing system in essential to provide them through offering short courses on marketing to the entrepreneurs and arranging seminar and workshop for them in rural areas. Moreover, government can provide information and counseling counter for their product marketing and other related issues in the rural areas by dividing them various Jones according to their importance.
- To increase profit, to maintain sufficient production level and to take the opportunity of economy in production, government can establish some sales and collection centers in various areas and can arrange trade fair home and abroad, provide transport facilities for their products and supply them proper information about market condition price and demand for their products etc.
- To reduce to shortage of skilled workers in the rural enterprises, the workers are need to give proper training for development of their skill and efficiency that result increase in production. This may be taken by various government and non-government organisations.
- The state should need to help in evolving appropriate technology in various fields keeping in pace with the factor endowment of the country for encouragement and development of entrepreneurship in this era of globalization. The individual entrepreneurs are quite unable to improve their efficiency and technology due to the lack of cost effectiveness of research and development.
- Yet not any policy and strategy is undertaken by the government for the entrepreneurship development in

rural areas as well as urban areas in a comprehensively. The role of state is essential giving proper motivation and guideline for the entrepreneurs.

- Now the emergence of the establishment of Entrepreneurship institution in national level is vital. This can provide sufficient policy, strategy and measures necessary to the development of entrepreneurship by combining the entrepreneurs, related activities for the selection development and training of persons for entrepreneurship.

### **CONCLUSION**

The entrepreneurship, as a socio-economic phenomenon is now an emerging factor for the developing countries like Bangladesh as it has abundant manpower and resources. To utilise them properly and to change the socio-economic conditions of the country and improvement of living standards, the mass middle class family in rural areas are now coming ahead into the mainstream of economic development through this activity. So there need to eradicate and remove all the problems that will encourage them in success. To solve their problems and to improve future potentials, motivation, abilities and congenial environment all are necessary in promoting these activities. Since entrepreneurial motivations and abilities are long-run sociological phenomenon, it is wise to make the political, social and economical environment congenial for the future growth of the developing countries like Bangladesh. Based on these the authors hope, the above study on entrepreneurship in the rural areas will contribute significantly in changing the socio-economic status of the country.

### **REFERENCES**

1. Jhingan, M.L., 1996. Entrepreneurship in economic development; *The Economics of Development and Planning*; 29th Edn., Konark Publishing Pvt. Ltd., Delhi, pp: 407-413.
2. Sikder, Hussian, Zahid, 1998. Small Entrepreneurship Development in Bangladesh; *A Study of selected Enterprises in Chittagong*, The Chittagong University J. Commerce, 14: 111-134.
3. Schumpeter, Joseph A., 1959. *The Theory of Economic Development*.
4. Alhabshi, Sayed Othman, 1998. Development of Capital Market under Islamic Principles, *Journalikim*, Malaysia.



5. Al Ghazali-al-Mustafa, 1937. Islam and the economic challenge, 1: 139-40 as quoted by M. Umer Chapra (1992); The Islamic Foundation and the International Institute of Islamic Thought, pp: 1.
6. Chapra, M. Umer, 1991. Towards an islamic financial system, Essays in Islamic Economics, Islamic Research and Training Institute; Islamic Development Bank, Jeddah, pp: 129-152.
7. ILO Analysis, 1962. Role of Small Industry in Economic Development, Productivity, volume-3, 1962, Quoted in Deshpande, Monohar U. Entrepreneurship of Small Scale Industries; Concept, Growth and Management; pp: 29.
8. Ahmed, Muzaffar, 1984. Small and rural business management (in Bengali); J. Institute of Business Administration, University of Dhaka Dhaka.
9. Mannan M. Abdul, 1995. An Introduction to Financial Management, Royal Library, Dhaka.