

SME Led Industrialization- Fixing Regulatory Challenges

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**The world as
we know it is
changing
faster than ever**

Signs of change

Emerging economies'
rising GDP share

Persistent high
inflation

Geopolitical tensions
impacting trade

Rising global debt
levels

Rapid digitalization and
AI investment

Signs of Change

Emerging economies' rising GDP share

- Emerging Market and Developing Economies (EMDEs) accounted for nearly **45% of global GDP** (at market exchange rates) in 2024, a significant rise from approximately **25% in 2000**. (World Bank, 2025)

Persistent high inflation

- **Global headline inflation** is forecast to remain elevated, at **5.9% in 2024** and **4.5% in 2025**, which is significantly higher than pre-pandemic averages. (IMF World Economic Outlook, 2025)

Geopolitical tensions impacting trade

- Trump Tariff
- Over **76% of European shippers** reported experiencing supply chain disruptions throughout 2024. (A.P. Moller-Maersk/Xeneta, 2025)
- In April 2025, China introduced new **export controls on seven heavy rare earth elements**, impacting global supply chains. (IEA, 2025)

Signs of Change

Rising global debt levels:

- **Total global debt** (public and private) stood at **237% of global GDP** in 2023, up from a pre-pandemic level of 229% in 2019. (IMF Global Debt Monitor, 2024)

Rapid digitalization and AI investment:

- **Global private AI investment** hit **\$252.3 billion** in 2024, marking a 26% growth from the previous year. (Stanford AI Index Report, 2025)
- **Generative AI** private investment alone reached **\$33.9 billion in 2024**, up from less than \$5 billion just three years prior. (Stanford AI Index Report, 2025)

What would be the drivers of future growth?

Inclusive Growth

AI Led Digital
Transformation

Managing Global
Supply Chain
Disruptions

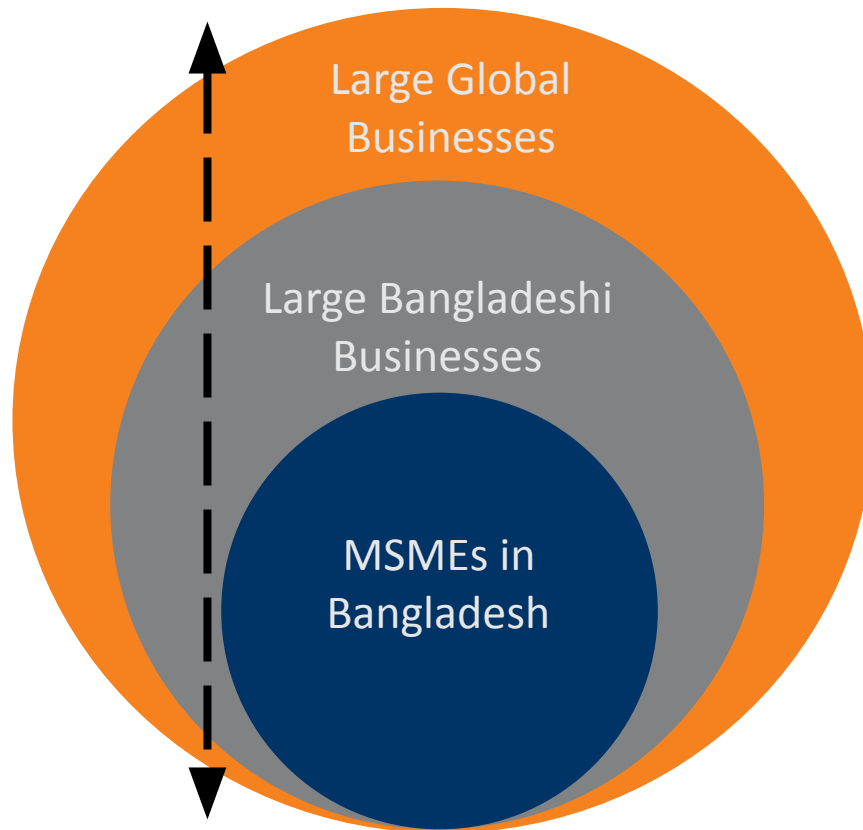
Sustainability

Green Growth and
Circularity

Cooperation,
collaboration and
partnerships

Innovation in Finance,
Technology, Knowledge
Creation, Business
Models

We must understand that our growth strategies cannot be just internally focused



There is interconnectedness between SMEs and large businesses and large global businesses

**In this integrated market SME led
growth must strive for one outcome**

Value

created by the SMEs

Data Reliability

When defining number of SMEs, Bangladesh uses economic units from the Economic Census of BBS as a proxy.

- ❑ 11.8 million economic units in Bangladesh as per Economic Census 2024.
- ❑ Number of economic units increased from 7.8 million as per Economic Census 2013.

The accounting of the number of SMEs in Bangladesh gives the chance to inflate the total number of SMEs

Value per SME

Vietnam reports that they have 870,000 SMEs which contributes to 50% of the GDP or approximately USD 196 billion.

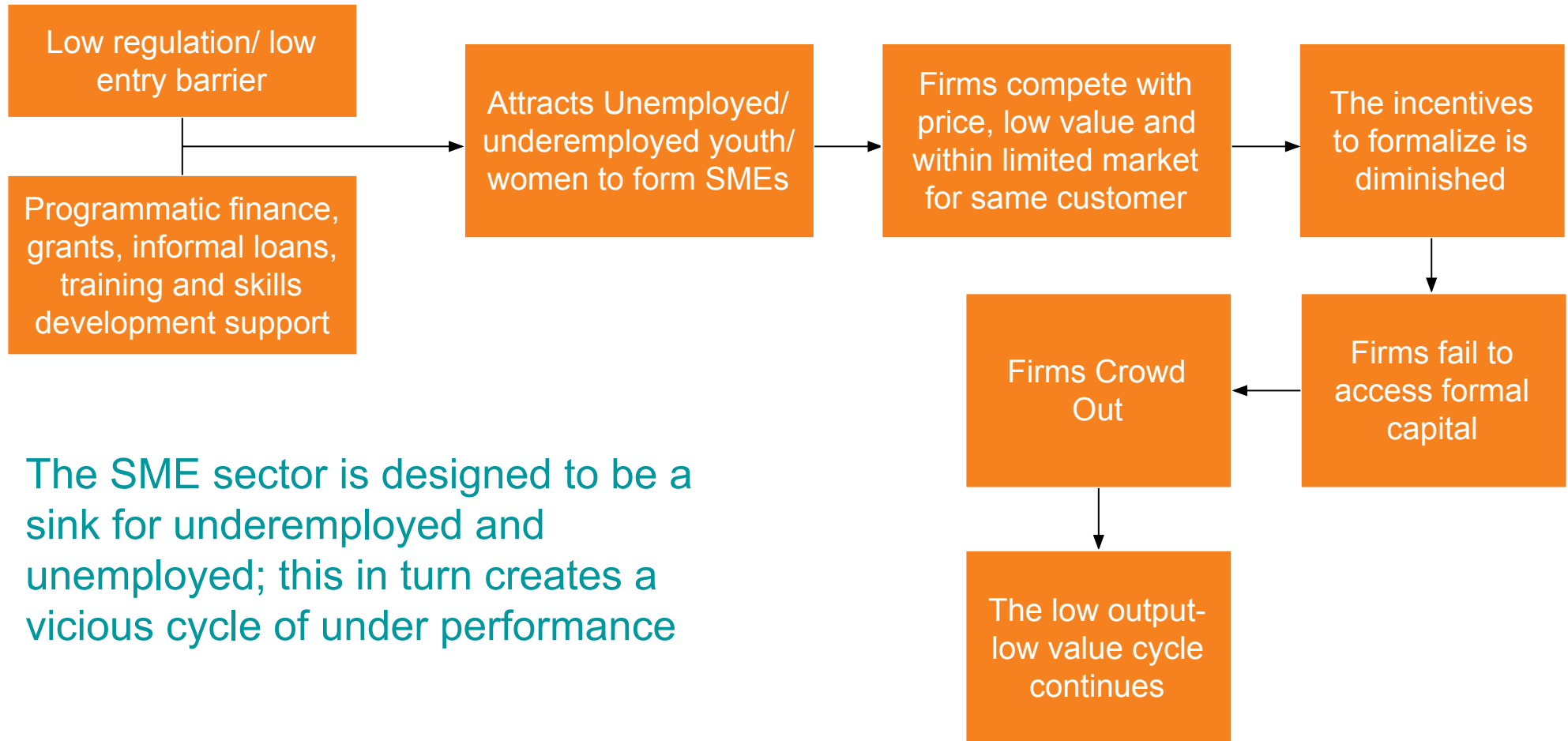
In contrast, Bangladesh reports 11.8 million SMEs which contributes to 25% of the GDP or USD 109.35 billion.

The annual output per SME in Vietnam under these accounts is USD 225,287. While the annual output per SME in Bangladesh under these accounts is USD 9266.

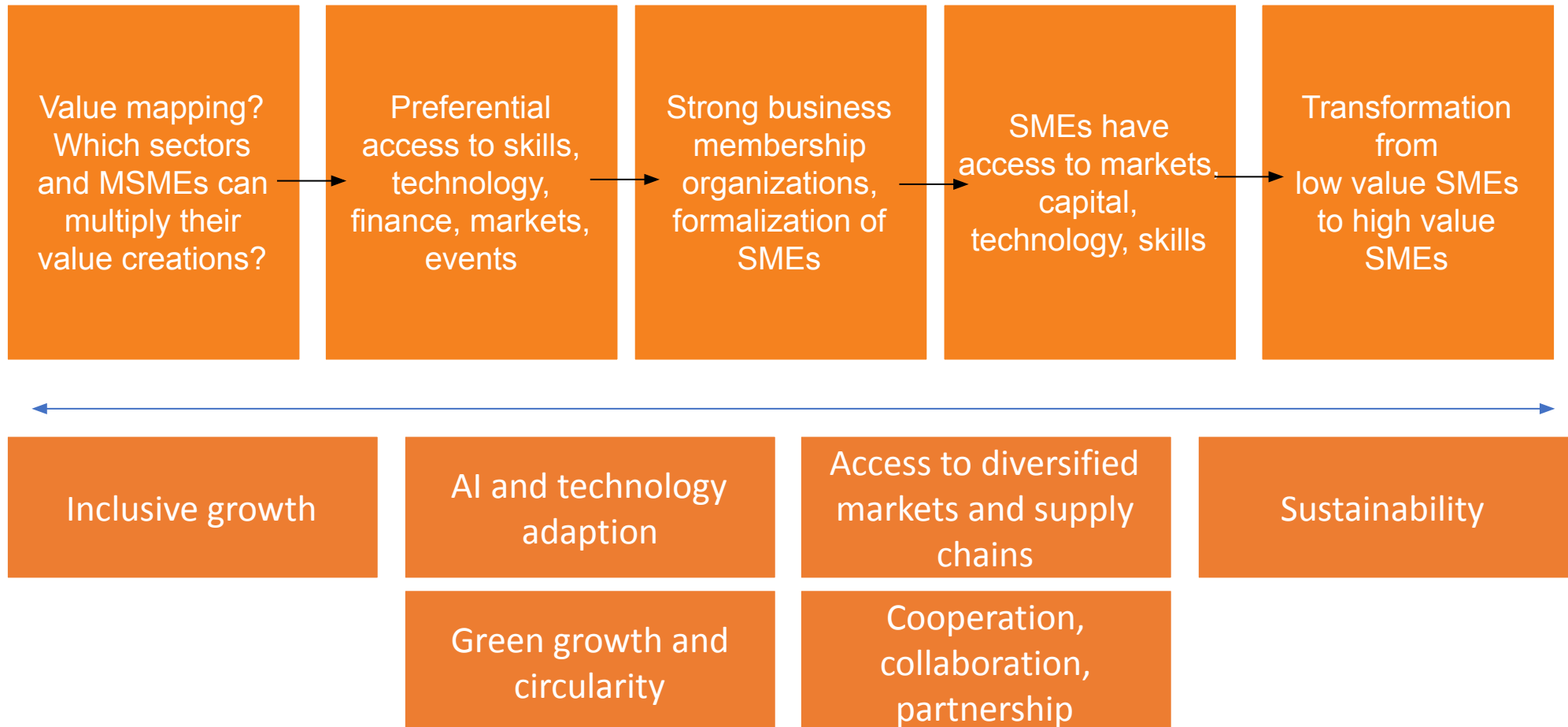
We must agree

To adapt policies that are designed to support SMEs to grow as larger business corporations that can employ millions; our goal should not be to keep SMEs as where they are; of course not all SMEs will become large; the vision to make them large is what will keep the pie grow!

The state we are in



The state we need to be



What constrains us?

Formalization

How many SMEs are informal?
Which SMEs are informal?

The Economic Census 2024 might provide some clue!

Lack of Baseline

What is the current contribution of SMEs in the GDP of Bangladesh?

- The future of SMEs (SMEF, 2019) – 24.7%
- Bangladesh Bank (2022) - 24.45%

SME Policy 2019 set the target as 32%
SME Policy 2025 set the target as 35%

What are true baselines?
What are the foundations for targeting?

Lack of Monitoring

How much of the SME Policy 2019 has been implemented?

What have been the key achievements?

What worked and what did not?

We have poor data from the previous phase!

What constrains us?

Budgeting

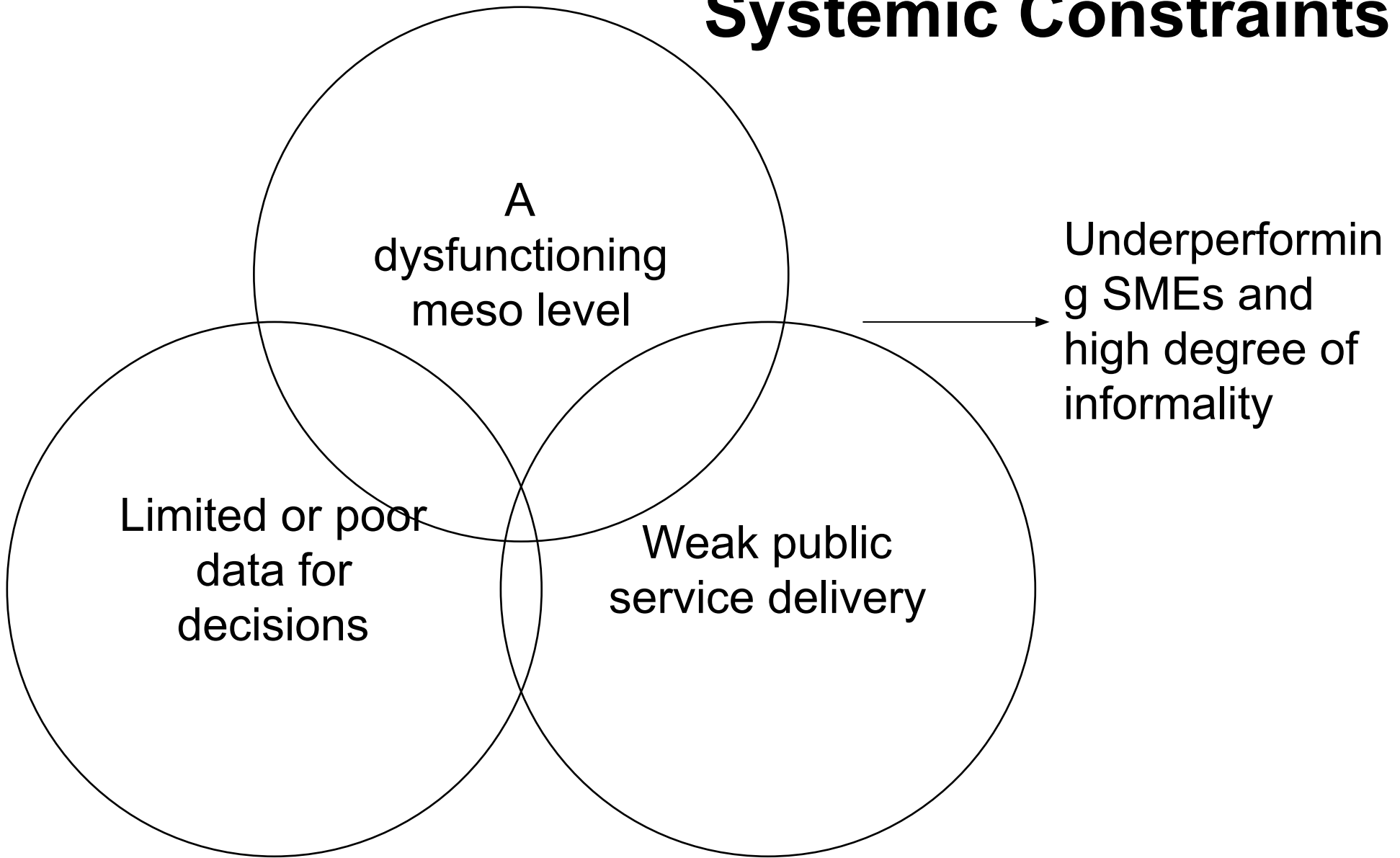
If we want accelerated growth of 7% per annum, we are talking about addition of USD7.63 billion from the SMEs in 2026. Do we have the budget to facilitate that change?

What constrains us?

The middle income is squeezed

The SMEs serve the middle income households. They are increasingly constrained with rising inflation. SMEs are further constrained to reduce margins and become unsustainable.

Systemic Constraints



The Strategic Pathway

Strategic Action	Primary Impact: SME Competitiveness & Output	Secondary Impact: Jobs for Youth, Women, Marginalized
1. Mandating Data Centralization	Enables efficient resource allocation and evidence-based policy adaptation, crucial for monitoring performance.	Supports effective targeting of resources (finance, training) to specific marginalized groups.
2. Phased Formalization Pathway	Breaks the vicious cycle of underperformance and increases access to formal capital (addressing the 'sticky problem').	Provides varied, necessary incentives (micro-credit, e-commerce access) tailored for micro-entrepreneurs and online sellers.
3. Decentralized Task Forces	Ensures policy support reaches rural and divisional levels, overcoming weak public service delivery.	Direct action mechanism for achieving inclusion target, ensuring local ownership through SME leadership rotation.
4. Accelerated Growth Corridors (Technology, Green/Export/ Circularity. Sustainability)	Drives up quality, technology investment, and production capacity, shifting competition from price to value.	Creates demand for skilled youth/women workforce, supporting increase in output per worker and investment in skilled resources.
5. Revitalizing the Meso-Level	Improves access to quality assurance, market promotion, technical advisory services, and effective policy advocacy.	Provides essential infrastructure support (training, QA) required by new and growing businesses run by marginalized groups.

How do we make it implementable?

Public-Private-Philanthropic-
Political Partnerships

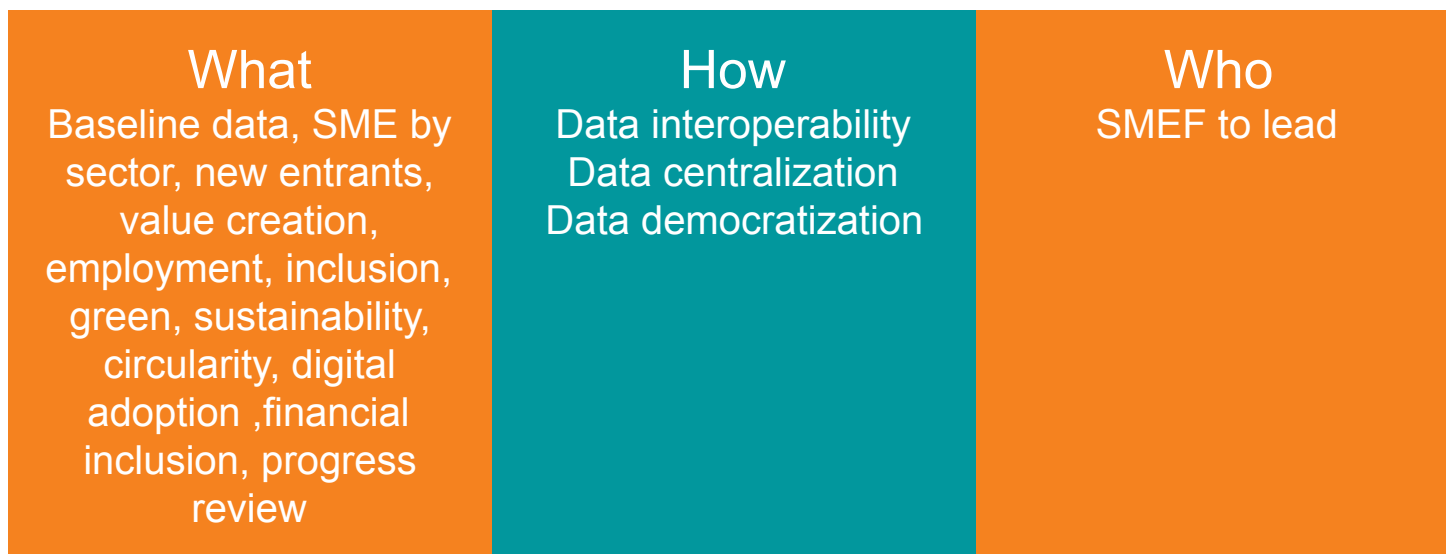
Systems Strengthening

Making data central to
decisions



Implementation Pathway

Making data central to decision making and strategy



Implementation Pathway

Systems strengthening

What

Strengthening Business Membership Organizations, strengthening SME clusters, increasing global market access, strengthening technology adaption, reducing cost of production and market access, enabling continuous learning

How

Making SMEF the technical agency for enabling SME competitiveness and growth; decentralized task forces at division level, engaging Bangladesh missions to lead export growth for SMEs; greater collaboration and role sharing between EPB, SMEF, BSCIC

Who

Under the leadership of the Ministry of Industries with coordination with MoWCA, MYA, MoF, BB and other regulatory agencies

Implementation Pathway

Partnerships

What

Strategic long term partnerships with multilateral and bi lateral agencies and philanthropies to channel fund for systems strengthening and fill in the gap in public finance, public sector and private sector partnerships, partnerships with global players like Google, TikTok, Meta, ASEAN partnership, South-South Collaboration, Africa-Bangladesh Exchange, Central Asia-Bangladesh Exchange

How

Innovations supported by Blended finance, Venture Capital, philanthropic funding, special purpose vehicles (SPVs)

Who

BIDA and BB to lead based on their jurisdiction. For example the SPVs can be under BB while BIDA works to attract both local and global capital for the innovations needed for a value based SME growth

THANK YOU

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