

Why is Bangladesh poor and Taiwan rich?

This admittedly provocative title is intended to help us drill down into important questions: how and where we might most effectively apply resources for the extension of the Kingdom of God through business? This brief article will attempt to show that there are good reasons to understand and unleash larger numbers of genuine entrepreneurs, and create environments conducive to the development of small and medium size companies, or “SMEs”. The definition of SME varies, but most would accept that a business of moderate capitalisation requirements, employing perhaps 20 – 250 employees or so, would be a typically acceptable description; such is the case here.

It is a fact that SMEs are the backbone of economically healthy countries, be they so-called “developed” or “developing”. Most certainly, none are perfect. Agreed, there is no binding association between economic and moral development. Yet it is beyond dispute, and true anywhere in the world, across a long historical timeline, that countries with vibrant and numerous SMEs tend to experience a number of positive socio-economic changes. Apart from the relatively large number of jobs created, SMEs also help bring larger segments of the economy into the formal sector. This in turn contributes to the creation and growth of an essential tax base from which other socially desirable outcomes can be supported, such as hospitals, schools, roads and other infrastructure.

Furthermore, while the authors are not uncritically espousing any particular political system as “the way”, there is generally a desirable association between a robust taxpayer base and the development of participatory (“democratic”) institutions associated with justice and good government. Conversely, any failed or failing state (economically, socially, politically) will show unmistakable signs of the SME sector being under attack or largely absent, as at least one major contributing factor to the decline.

SMEs also seem to fare better even in times of economic crisis, as the May 21, 2009 issue of *The Economist* reports:

“In contrast to the doom and gloom coming from Europe’s biggest firms, many SMEs are cautiously optimistic. The main umbrella organisation for Germany’s more than 4m SMEs predicts that its members’ sales will contract by only 2% this year. The country’s renowned Mittelstand will therefore outperform the economy as a whole, which the government expects to shrink by 6%. A survey last month of 804 French SMEs found that just over half of them expected revenues to either stay flat or increase in 2009.”

Europe’s SMEs, defined as firms with fewer than 250 employees, collectively employ 88m people and account for two-thirds of private-sector employment. As big companies send jobs out of the country in an effort to reduce costs, smaller firms are becoming increasingly important as domestic employers. And although most SMEs are tiny mom-and-pop operations, with little capacity or desire to grow, their number also includes fast-growing, innovative firms which, if properly nourished, could become tomorrow’s champions.”

These perspectives need to be put alongside the pervasive, increasingly popular, and in the view of the authors, often unquestioning effort to promote micro-enterprise, both through NGOs and even commercial interests. Will micro-enterprise really help poor nations in the long term? How is it that Bangladesh (famous as a micro-enterprise country) is still

endemically poor and Taiwan (a country of SMEs) is rich? How might a more intentional focus on SMEs in countries like the first have a more effective impact?

Professor Milford Bateman wrote in *The Financial Times* (26 December 2008) about the danger of micro-enterprise as a big picture strategy, over the long term.

“Put simply, to the extent that local savings are intermediated through microfinance institutions, the more that country or region or locality will be left behind in a state of poverty and under-development. This is an “iron law of microfinance”. Focusing on isolated cases of micro-enterprise success simply does not add up to economic development. The reason microfinance is supported is overwhelmingly political/ideological – the economic rationale is simply not there.”

Professor Bateman contrasts Bangladesh with other relatively rich countries, also in Asia:

“The East Asian countries managed to develop brilliantly through channelling much, if not most, of their savings into serious growth-oriented sustainable business projects. This is the reason many East Asian countries may have started at similar GDP levels as Bangladesh in the 1970s, but have since then massively outpaced Bangladesh in terms of growth and development. Economics 101 shows conclusively how critical savings are to development, but only if intermediated into growth- and productivity-enhancing projects. If it all goes into rickshaws, kiosks, 30 chicken farms, traders, and so on, then that country simply will not develop and sustainably reduce poverty.”

Dr Peter Heslam, at Cambridge University comments further on the issue:

“Although the development community is becoming more willing to affirm the positive potential of business, this tends to include only micro-credit and fair trade. But of much greater long-term significance are private equity and the core activities of multinational corporations, not least in facilitating the conditions needed for small and medium-sized enterprises (SMEs) to flourish. SMEs are the world's foremost creators of new jobs, wealth and opportunity, making healthy contributions to gross domestic product in many of the developing economies that are growing.”

To this we would add the observation that the majority of micro-entrepreneurs (so called) are not in fact “wired for”, skilled, or particularly interested in the role and responsibilities of job-creation, leadership and management required of far-reaching entrepreneurial activity. While the nurture of their family is of critical significance, their calling into and suitability for broader leadership in business is another matter.

Dr. Heslam comments:

“Some may wonder whether entrepreneurship has biblical warrant. But if entrepreneurship is about innovation, judgment and risk-taking, archetypal figures such as Abraham, Jacob and David reflect, despite their faults, strong entrepreneurial traits. Yet the primary model of entrepreneurship occurs at the very start of the Hebrew Scriptures, where the curtains open on a God who overflows with innovation, wise judgment and the willingness to take risks – especially the risk of creating human beings and inviting them to join his start-up as stewards of the earth.”

Importantly, beyond socio-economic changes, SMEs particularly under the leadership of committed Christian business men and women, contribute to the spread and credibility of the gospel. In our experience, the attempt to share the gospel in hostile environments one family at a time is often stymied by social and spiritual obstacles of suspicion, pride, jealousy and fear. The advantage of SMEs in this context is significant as a missiological strategy. Potentially dozens if not hundreds of families can be represented in a non-threatening, natural work environment, in which the values and truth of the gospel can be demonstrated and articulated and “apprenticed-into” new and old followers. The crux of the matter, of course, is that the SME must be genuine in every way to be credible as a testimony.

On the basis of these reasons, we call the church and the global BAM movement to place greater emphasis on cultivating and enabling entrepreneurs and the SMEs of which they have been made stewards.

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