

SKILL MISMATCH AS CONSTRAINT TO ENTREPRENEURSHIP IN THE LEATHER SECTOR OF BANGLADESH: A CONCEPTUAL STUDY

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Abstract

Promoting entrepreneurship is a key approach to reducing youth unemployment and enhancing economic development. This paper aims to explore skill mismatch as a constraint to entrepreneurship in the leather sector of Bangladesh. The paper is a conceptual study and follows the worldview of critical realism. This study used one-to-one interviews and a survey based on a non-probability sampling procedure to supplement the conceptual analysis. The empirical findings were considered complementary evidence to the conceptual discussion. The study was designed to explore the issues related to skill mismatch through a conceptual analysis instead of aiming to make generalizable statistical inferences. The paper had two major findings. Firstly, the ability to develop ‘political connections’ is considered an important skill that entrepreneurs look for in their business partners and managers, especially at the early stage of business capital formation. Other forms of skills mismatch impose a high amount of cost on the entrepreneurs and function as an entry barrier to entrepreneurship. Secondly, entrepreneurs are not well incentivized to invest in training and up-skilling their workers due to the high risk associated with such investments.

Keywords: Skill Mismatch, Entrepreneurship, Leather Sector, Conceptual Study, Development

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1. Introduction

Promoting entrepreneurship is identified as a pragmatic approach to reducing youth unemployment and enhancing economic development (Powell, 2008). However, various factors restrict the growth of entrepreneurship. The factors may include various bureaucratic entry barriers, lack of access to finance and capital and lack of necessary skills entrepreneurs face some unique challenges besides the conventional challenges (Alam, Hossain, & Zaman, 2011; Uddin, Chowdhury, & Ullah, 2015) that constraint entrepreneurial development. The paper aims to explore the skill-related barriers to entrepreneurship in the leather sector of Bangladesh. The paper is a conceptual exploration, and it should be considered as such. The study is significant because the conventional understanding of the barriers to entrepreneurship does not address the structural reasons that prevent entrepreneurs from investing in upskilling and training. In this paper, we focused on the types of skill mismatches particularly relevant to Bangladesh as well as the underlying structural reasons for lower investment in upskilling and training. The paper tries to explore why entrepreneurs in a developing country like Bangladesh may remain stuck in having lower technological capacities. This idea, which tries to explain the structural and systematic reason for the low investment in upskilling and training, is ignored in the literature. The paper tries to explore this issue in a theoretical manner.

1.1. Problem Statement

'Labour' is an essential factor of production and a key factor for productivity growth and economic development. An economy must utilize the labour force productively to achieve potential economic growth (Cowen & Tabarrok, 2013). The unutilized labour force limits economic growth and productivity. This goes against the goal of the 8th Five Year Plan (8FYP) where both gross domestic product (GDP) growth and employment have been focused. That is why understanding and addressing the problem of youth unemployment is very important.

Youth unemployment is considered a key challenge in the development process of Bangladesh. The Labour Force Survey (LFS, 2017) of the Bangladesh Bureau of Statistics (BBS) indicates that the national unemployment rate is 4.2 per cent (LFS, 2017). At the same time, the youth unemployment rate in Bangladesh was found to be 10.6 per cent. Moreover, the share of unemployed youth in total unemployment is 79.6 per cent. This means a large number of unemployed people are youth. This challenge of youth unemployment can be tackled by promoting entrepreneurship (Chell, 2013).

Proper engagement of youth in productive activities is also important for taking the benefits of the demographic dividend in Bangladesh. The demographic dividend is the difference between the number of working-age-population and non-working-age-population. It is thought that if the number of the working-age population is higher than the number of the non-working-age population then the economy can achieve a demographic dividend. One of the key pathways through which demographic dividend can be achieved is to increase labour supply. It is assumed that a higher labour supply will be engaged in productive activities and thus demographic dividend can be achieved.

However, the data and evidence show that youth are not properly engaged in productive activities. For this reason, the issue of youth unemployment is very important if the government wants to reap the benefits and achieve a demographic dividend. There are various ways to understand the problem of youth unemployment. Youth unemployment has various negative consequences related to social exclusion and psychological impact (Pohlan, 2019). The socially excluded and psychologically vulnerable youth can impose a social cost upon the country by being engaged in anti-social and anti-state activities. All these reasons show that understanding the dynamics behind youth unemployment is very important. This youth unemployment is largely caused by skills mismatch (Khatun & Saadat, 2018). Sustainable Development Goal (SDG) 4 is specifically related to the skills mismatch issue. The Target 4 of SDG 4 mentions: “By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship”. Promoting entrepreneurship promotes new ventures and increases domestic private investment. Bangladesh has been struggling to increase domestic private investment and promoting entrepreneurship addresses that issue also (Alam, Hossain, & Zaman, 2011).

2. Literature Review

2.1 Conventional Skills for Entrepreneurship

Skills training in non-formal means is usually provided by various training institutes run by NGOs, government, and vocational institutes. The mainstream literature on entrepreneurship (Johnson, et al., 2015) focuses on several hard and soft skills as the skills required for individuals to become successful entrepreneurs. The skills include management skills, leadership skills and skills to find market opportunities. The entrepreneurial skill of identifying and creating market opportunities is a skill

that is highlighted in the ‘entrepreneurial skill’ based literature. The literature focusing on Bangladesh (UNDP, IsDB, & Limited, 2021) also focused on technical skills that can be formed through technical and vocational education and training (TVET). These technical skills include generating business ideas, writing business proposals and formal rules that need to follow while starting a business. These conventional skills can also be transferred through non-formal skills training. The non-formal skills training often is of short duration (1 to 6 months). The skill training can be linear or a combination of mixed skills. So, it is quite evident that the literature on entrepreneurship skills focuses on technical skills, hard skills and soft skills as the ‘entrepreneurial skillset’. The entrepreneurial skillset was identified by Chell in a more categorical way (Chell, 2013):

Idea Identification/Creation	Capitalizing on Ideas
<ul style="list-style-type: none"> • Idea generation • Opportunity recognition and means-end analysis • Ability to acquire information about a potential opportunity, domain knowledge and associated skills • Recognition of social / market need 	<ul style="list-style-type: none"> • Awareness of the environment and factors conducive to opportunity exploitation • Ability to garner the necessary material resources • Ability to convince others of the value of an opportunity • Networking and social embedding
Traits/Behaviours	Managerial/Leadership Skills
<ul style="list-style-type: none"> • Self-belief, self-awareness, trust in own judgement etc. • Ability to manage risk and shoulder responsibility • Ability to endure and cope with difficulties • Energy, motivation, persistence etc. 	<ul style="list-style-type: none"> • Ability to manage others • Ability to overcome institutional and other constraints • Ability to develop an idea as a commercial opportunity • Decision-making capability

Table 1: Based on Chell (2013) and Johnson, et al., (2015)

2.2 Skills Mismatch as Constraint to Entrepreneurship

Developing countries are largely characterized by the informal nature of their economies (Schneider, Buehn, & Montenegro, 2010). Small and medium firms in developing countries face skill mismatch-related problems (Khan, 2008). Skill mismatch in the labour market indicates the fact that the levels or kinds of skills of individuals are inadequate in line with the job requirements. However, various

forms and types of skills mismatches need to be distinguished and discussed. Skill mismatches can take a variety of forms. For example, where workers can be over-skilled or under-skilled for a job; there may be a lack of the right skills that are needed in the labour market and skills becoming outdated due to rapid technological up-gradation in the industrial sector (McGuinness, Pouliakas, & Redmond, 2017). There are different types of skills mismatches and each one has different challenges and policy implications. The skill shortage and surplus refer to the fact that certain skills have been produced higher (or lower) than society needs. The skill gap indicates that the skills which are being produced in society are in line with the market demand, but the type or level of the skills is inadequate. Also, workers can be over-skilled (under-skilled), over-educated (under-educated) or over-qualified (under-qualified). Some of the key skill mismatches that are important for our discussion are mentioned in the next paragraphs based on ILO (2013).

Firstly, ILO (2013) identifies 'skill shortage' as a major type of constraint. Here, the demand for a particular skill is higher than the supply of labour consisting of that skill. This is often the case for Bangladesh in ready-made garments (Khan, 2008) and leather sector (Barkat, Ahmed, Ahamed, & Badiuzzaman, 2018). This prevents entrepreneurs from investing in sophisticated technologies as there remains a shortage of labour who can operate the machinery.

Secondly, the 'skill gap' has been identified as a major problem in developing countries. The level of the skill is different or insufficient from that demanded to perform the job properly. Poor skill formation and quality of education often result in this skill gap problem in developing countries. The labour in the market may not be proficient enough at a certain skill despite having formal education and training in it. This problem has been identified in the context of Bangladesh (UNDP, IsDB, & Limited, 2021). This results in lower productivity for the firms because the return on technologies and machinery is not maximized.

Thirdly, ILO (2013) identifies the problem of 'horizontal mismatch'. It occurs when the field of study and type of education and skill is inappropriate for the job that is required. The government may produce skilled people in a field that may not have industrial demand for that skill. This often results in horizontal skill mismatch. This type of skill mismatch is highly prevalent in Bangladesh (BIDS, 2018). This results in high labour costs and constrains entrepreneurship.

In this paper, we focus on the types of skill mismatches particularly relevant to informal economies, developing countries and Bangladesh. Entrepreneurs in

developing countries, particularly young entrepreneurs have a low amount of capital. Access to capital and finance is a vast problem for countries like Bangladesh (UNDP, IsDB, & Limited, 2021). Entrepreneurs not being able to find appropriately skilled labour increases their initial cost. Also, investment in machinery and technology remains unviable because there may be a skill shortage or skill gap in the subsequent technological frontiers. If the labour is not able to unleash the highest productivity that can be gained through sophisticated technologies, then the entrepreneurs have no incentive to invest in them. Entrepreneurs who start their ventures with a low base of skilled labour find it difficult to remain competitive and expand their enterprises. The low skill labour results in low labour productivity and lower technological capabilities (Khan, 2019). The skills mismatch problem imposes a large amount of cost on the entrepreneurs, and this works as an entry barrier to entrepreneurship in Bangladesh.

2.3 Lack of Investment in Workers' Training and Upskilling

The skill mismatch problem act as an entry barrier to entrepreneurship in Bangladesh. To understand what sort of governance mechanism should be undertaken for skill formation, we must understand the nature of skill formation in informal economies. The formation of skills is different in largely informal economies than in those informal economies (Palmer, 2017). Both formal and informal means play a role in the skill formation process.

The formal means can involve formal education and they bring those skills to the workplace. However, the required skills for the job may not match due to the skills gap. The acquired skills may not be relevant to the skill demanded of the largely informal economy. That is why often the skill acquisition process is enacted in the informal economy itself. The labour in informal economies of South Asia (King & Palmer, 2010) usually gain their skill through informal apprenticeships. It is stated in Palmer (2017, p.12) that:

Informal apprenticeships are the primary source of technical and vocational skills development in Sub-Saharan Africa, South Asia and even Latin America, and is emerging in importance in countries in Central Asia.⁷ This is because the informal or unregistered economy is responsible for between 80% and 90% of employment in much of Sub-Saharan Africa and South Asia, and for over 50% of employment in Latin America.

In the overall context of labour surplus, skill shortage and mismatch are highly prevalent in the industrial sector of Bangladesh (Khan, 2008). It is thought in the

conventional neo-classical approach that firms and organizations have a particular incentive to invest in the training and upskilling of their workers. This is because the training would increase the productivity of the workers and the firms. The incentive for higher profitability of the firms will lead to higher investment in labour upskilling and training. The neo-classical economic approach thus postulates that there will always be an internalized market for training and upskilling. However, this market for training is subject to market failure and overcoming this problem requires proper economic governance. Even if it is viable for entrepreneurs to invest in training and upskilling their workers, they do not invest in it.

This market failure in training and upskilling happens for two reasons (Khan, 2008). Firstly, entrepreneurs find no incentive to invest in training and upskilling because other firms (who have not invested in the workers) may take them away by offering higher wages. This is likely because the other firms remain in a financially advantageous position by not investing in training. The amount saved can then be transferred to offer a competitive wage. Thus, it is rational for entrepreneurs not to invest in labour upskilling but rather wait for other entrepreneurs to do so. This can create a situation where no entrepreneurs invest in labour training and upskilling even if that may be financially viable for them. As a result, workers only get the 'on-the-job' training. The problem with on-the-job training³ is most of the work is low-skill tasks with simple technologies. The entrepreneurs thus all stay stuck in a low skill-low technological capacity stage. Overcoming this stage requires investment in sophisticated technologies and upskilling/hiring workers who can use the technology fully and unleash productivity to the fullest. However, this also does not happen because of market failure.

The second reason (Khan, 2008) for market failure in the training market is that entrepreneurs may not invest in training and up-skilling because the future return on investment is uncertain for newer technologies. The risk of investing in newer technology is high while the probability of achieving competitiveness and profitability is unknown. That is why entrepreneurs not having the period to learn and gain profitability, may not invest in training and labour upskilling. These two reasons result in market failure for training and upskilling market. Factories and firms do not internalize the training and upskilling services to increase their profitability even if it may be financially viable for them. The result is an underinvestment in training even when it is financially viable (Khan, 2008).

³ Entrepreneurs do provide 'on-the-job' training facilities to some extent. However, it does not help upgrading to newer technologies and upskilling labour productivity.

3. Research Gap

The literature regarding the barriers to entrepreneurship in Bangladesh does not address the structural reasons that prevent entrepreneurs from investing in upskilling and training. In this paper, we focused on the types of skill mismatches particularly relevant to Bangladesh as well as the underlying structural reasons for lower investment in upskilling and training. The literature (Chell 2013; Johnson 2015; UNDP 2021) propagates the idea that entrepreneurs having certain skills will organize other factors of production like land, labour and capital to engage in productive activities. However, there are perspectives (Khan, 2009; 2012, 2019) which argue that entrepreneurs find it risky and irrational to invest in newer technologies and labour upskilling. As discussed before, entrepreneurs may not have sufficient incentive to invest in training and labour upskilling. That is why entrepreneurs in a developing country like Bangladesh may remain stuck in having lower technological capacities. These entrepreneurs may keep using simple technologies, and their workers won't find any opportunities to upgrade their skills. The entrepreneurs are rational risk-takers and they do not find any viable path that can lead to higher investment in their technology and labour upskilling. This perspective, which tries to explain the structural and systematic reason for the low investment in upskilling and training, is ignored in the literature. This paper tries to address this research gap.

4. Research Questions

The research questions that are explored in this paper are:

1. Does skill mismatch constrain entrepreneurship in the leather sector of Bangladesh?
2. Why do entrepreneurs not invest in workers' training and upskilling to overcome the constraints related to skill mismatch?

5. Methodology

5.1 Worldview

The paper follows the perspective of critical realism. The critical realist (Bhaskar, 1978) perspective criticizes the positivist and mainstream empirical method that is used in neo-classical economics (Bhaskar, 1978). The criticism is based on the way through which the world is understood by positivists and empiricists. Critical realists divide reality into three different ontological domains. The domains

(Bhaskar, 1978) are - a) the empirical (aspects of reality that can be directly or indirectly experienced and observed); b) the actual (the aspects of reality that exist but cannot be directly experienced); and c) the real (structure and mechanisms that produce phenomena). Critical realists argue that positivists only focus on the empirical aspects and do not focus on the other two. Positivists often fail to unfold or address the underlying structures and unobservable reality that produce various empirical results. Also, critical realists criticize that positivists see various social relationships and elements in an isolated manner. They assume that various processes exist (Collier, 1994) in isolation and they are not influenced by the interactions of various mechanisms and systems.

Domain-Level		
Real	Actual	Empirical
Entity Level		
Structures, and mechanisms with enduring properties that have the potential to generate actual phenomena	Phenomena that occur	Phenomena that are experienced

Table 2: The Three Ontological Domains of Critical Realism

According to the critical realist perspective – one must consider all three domains to explore the dynamics behind a phenomenon. This paper explores the dynamics and constraints of entrepreneurship based on this worldview. Using the critical realist approach is also feasible to use in the context of a country like Bangladesh where the economy is largely informal, and data is insufficient. The paper reviews secondary literature and provides a theoretical analysis of the phenomena being studied. Based on already-established ideas and facts, the paper provides an informed theoretical discussion regarding the issue in question. It combines newer insights from literature and builds up a new analytical framework for newer perspectives.

5.2 Defining ‘Entrepreneurship’

‘Entrepreneurship’ can be defined in a way that is more concrete for our research purpose. There are various characteristics of entrepreneurs that could be collected and analyzed. However, the paper focused on two key characteristics that were relevant to the overall context of the paper. The first one is the starting period of the enterprise. We wanted to know when the enterprise started and how many years it had been operating. Our focus was to learn about the early-stage development of

enterprises. The second characteristic that we focused on was the number of workers who worked in that enterprise. The purposive sampling allowed us to choose small and medium enterprises (SMEs) only. However, we wanted to identify the enterprises based on the standard idea of small and medium enterprises. The definition of SMEs given in the National Industrial Policy of Bangladesh 2016 (Bangladesh Ministry of Industries, 2016) by the Ministry of Industries was considered to categorize different enterprises. According to this policy, SMEs are not public limited companies, and their classifications are given in the following table:

Sector	Sub-sector	Fixed assets excluding land & building	Employees	Loan
Small	Services	BDT 10 lakh to 2 crores	16-50	BDT 5 crores
	Trade	Less than BDT 10 lakh	0-15	BDT 25 lakh
	Manufacturing	BDT 75 lakh-15 crores	31-120	BDT 20 crores
Medium	Services	BDT (2 -30) crores	51-120	BDT 50 crores
	Trade	BDT 10lakh-2 crores	16-50	BDT 5 crores
	Manufacturing	BDT (15-50) crores	121-300	BDT 75 crores

Table 3: Bangladesh Ministry of Industries, 2016

For this study, entrepreneurs are here understood as the firms which started their operational activities within the last 20 years and employed at least 05 workers during the time of fieldwork.

5.3 Method

Following the perspective of critical realism, the study is being conducted as a mixed-method exploratory study. The paper is conceptual and thus heavily relies on secondary sources to build up arguments. The article also used some primary data to support the secondary-based conceptual analysis.

It uses a non-probability sampling procedure (purposive and convenience have been used). The study is an exploratory study that aims to explore the barriers to entrepreneurship. Shedding light on the phenomena through an exploratory study is the primary aim of the study design instead of aiming to make generalizable inferences. That is why the purposive and convenience sampling methods (Etikan, Musa, & Alkassim, 2016) are used to explore the issue. As mentioned above, the paper uses a critical realist perspective and provides a logical analysis based on already-established concepts.

The data is collected in two stages. Firstly, case studies of 12 small and medium leather enterprises in the Hazaribagh and Savar tannery estates are chosen based on purposive and convenience sampling (Etikan, Musa, & Alkassim, 2016). Purposive sampling requires that samples are chosen subjectively but based on some pre-determined criteria within a homogenous group. Two main criteria were set for selecting the firms: i) At least 05 people are employed in the firm ii) The firms should have started within the last 20 years. Following these criteria ensured that the chosen firms fall within the bracket of small and medium enterprises and have grown recently. Then, the firms were chosen based on convenience sampling. That means, the firms that met some 'practical criteria', such as easy accessibility, geographical proximity, availability at a given time, or their willingness to participate (Etikan, Musa, & Alkassim, 2016) were included.

Initial ideas and information were collected from 12 respondents who were chosen purposively and met the criteria (i) and (ii) discussed above. The preliminary information collected from the 12 respondents was based on an unstructured questionnaire. The unstructured questionnaire-based interviews were used only as a guideline for the interviewer to move on with the interview and keep the respondent on track. The data that was collected through this procedure helped us to develop the narrative and cross-evaluate it with our theoretical understanding of the issue. When we found the data was in line with the theoretical understanding – we moved on to the second stage of the data collection procedure.

In the second stage, the paper used a small-scale survey based on non-probability convenience sampling. A structured questionnaire consisting of 10 questions had been circulated among 74 small and medium leather factory owners in Hazaribagh and Savar tannery estate. Again, it should be reemphasized that these 74 participants were chosen based on 'practical criteria, such as easy accessibility, geographical proximity, availability at a given time, or their willingness to participate (Etikan, Musa, & Alkassim, 2016).

This survey is primarily done so that outliers are not chosen and can be identified if chosen. The survey gives us a general idea about the average cases that are chosen and helps us to identify whether a case is widely different from the average cases. The result of the survey should not be used to make inferences and generalizations. The primary data used in the paper should only be considered as supporting empirics. Thus, the survey does not represent the general population and inferences cannot be made to generalize based on this survey only. The empirical findings should be considered complementary evidence to the theoretically informed discussion.

The analysis shows that 93 per cent (69) of the enterprises have been working there for more than 7 years. The rest of the 7 per cent (05) has been operating for less than 7 years. This data gives us the idea that the enterprises which were chosen based on purposive sampling had sufficient experience of the market condition and were able to survive. Based on the number of employees (at least 05), 100 per cent (74) of the enterprises that were chosen can be categorized as small and medium enterprises. This shows the enterprises were small and medium in scale and survived for more than 7 years mostly. The characteristics of the enterprises show that these enterprises were appropriately chosen (through purposive and convenience sampling) for providing data regarding the constraints of entrepreneurship.

6. Conceptual Framework

The paper reviewed the literature to understand the skill mismatch-related barriers that restrain entrepreneurship in Bangladesh. The paper also explored literature that tries to explain the systematic reasons that create disincentives for private investment in workers' training and upskilling. Based on the discussion so far, we can formulate the conceptual framework for the paper:

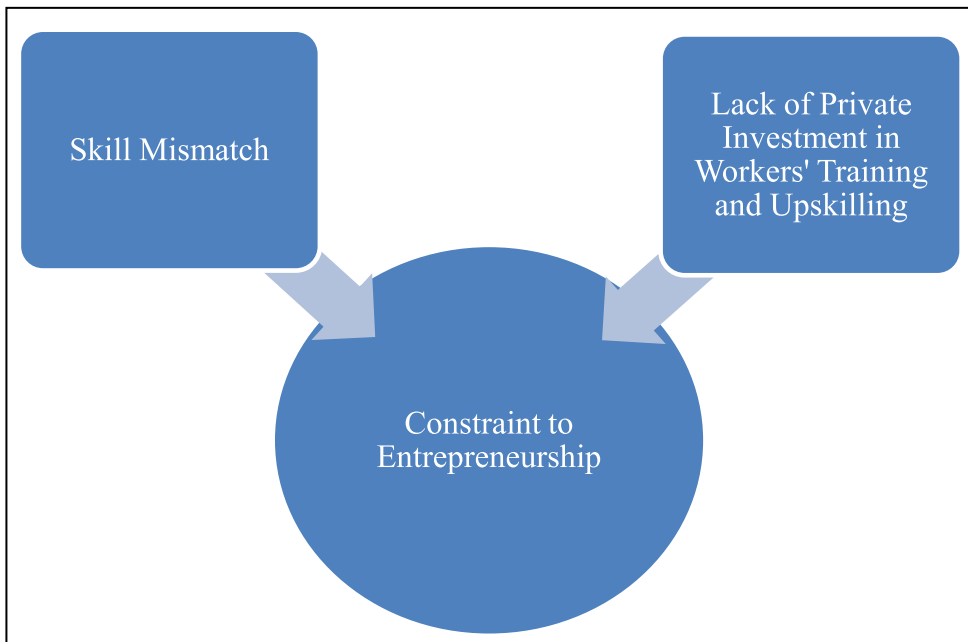


Figure 1: Skill Mismatch as a Constraint to Entrepreneurship

The conceptual framework identifies the necessary skill-related factors that inhibit entrepreneurship. The skill mismatch essentially means that labour—which is a factor of production—is of no use for the entrepreneurial firm or has very low production value. The production process of the entrepreneurs is thus severely constrained by the problem of skill mismatch. Entrepreneurs not being able to find appropriately skilled labour increases their initial cost. Moreover, investment in machinery and technology remains unviable because there may be a skill shortage or skill gap in the subsequent technological frontiers. If the labour is not able to unleash the highest productivity that can be gained through sophisticated technologies, then the entrepreneurs have no incentive to invest in them. Entrepreneurs who start their ventures with a low base of skilled labour find it difficult to remain competitive and expand their enterprises. The low skill labour results in low labour productivity and lower technological capabilities (Khan, 2019). The skills mismatch problem imposes a large amount of cost on the entrepreneurs, and this works as an entry barrier to entrepreneurship in Bangladesh. Also, according to the conventional neo-classical narrative, the free market would solve this skill-mismatch problem. The private investors would invest in the training and upskilling of the workers and solve the necessary problem. However, the literature suggested that the line of logic may not work in the context of developing countries including Bangladesh and there is a lack of private investment in workers' training and upskilling.

7. Findings

7.1 Developing a 'Political Network' is a Major Skill for Early-Stage Capital Formation

Entrepreneurs in the leather sector have a low amount of capital. Access to capital and finance is a vast problem for countries like Bangladesh (UNDP, IsDB, & Limited, 2021). The enterprises were asked about the major barrier they faced when they started their business. The current barriers to growth were distinguished from the challenges that were faced in the early stage of enterprise development. The question was structured as: "What was the major challenge while you started your business?" Among the respondents, 74 per cent (55) identified "lack of access to capital" as the key entry barrier. On the other hand, 26 per cent (19) of enterprises identified "lack of skilled workers" as their primary entry barrier during the start of their venture. This shows that accumulating and securing capital is the major barrier in the early stage of starting the business. The interviews and discussions consisted of words like 'political network' and 'political connection' while describing the process of early-stage capital development for the business.

The entrepreneurs described that they look for business partners and managers who have good social connections with politically powerful patrons. They identified this as a crucial element of early-stage asset allocation for their business. Two more questions were asked regarding the issue. It was asked – “Do your fellow entrepreneurs gain competitive advantages through their political connections and power?” The majority of the entrepreneurs 77 per cent (57) have had an experience where some of their competitors gained market privilege only because of having access to political power. It was also asked – “Do you think access to political power can provide you access to resources and financial protection?” Most of the enterprises 70 per cent (52) acknowledged the fact that access to political power may yield higher returns in future.

This finding is in line with our conceptual analysis and Khan (2008). The conventional neo-classical narrative on the entrepreneurial skillset is different in informal economies and developing countries. This is because, in the neo-classical narrative, it is assumed that developing countries have established the rule of law and institutional structures which protect equal opportunities for accessing resources. It is assumed that competition for access to resources occurs based on technological capacity and conventional skillset. However, this view has been strongly challenged by institutional economists (North, 1992; Khan, 2009; 2012; Acemoglu, et al., 2012). Law enforcement in developing countries is largely determined by the relative power held by various organizations. That is why entrepreneurs may gain access to resources based on their access to entities of political power. The access to political power may give them special privileges through which government rents in the forms of subsidies, financial protection and assistance can be ensured.

Thus, the risk of investing in labour upskilling and technology largely depends on the relative power structure in society and the relative position of the entrepreneur within that power structure. This shows (Khan 2019) that market privileges are selectively provided based on the power structure in developing countries. This dynamic is a structural feature of developing countries (Khan, 2009; 2012, 2019). This selective nature of rent provision makes developing countries distinct from developed countries. However, this fundamental difference is not considered by the mainstream literature focusing on the ‘entrepreneurial skillset’. Entrepreneurs need more than technological capabilities to survive and thrive in the informal economy. Khan (Khan 2011, pp. 37-38) mentions while describing the context of developing countries and Bangladesh:

Two dimensions of variables describing the economic organizations in a developing country are relevant to us. The first is the average technological and entrepreneurial ‘capabilities’ of the organizations in question and the second, is the holding power they can deploy to protect their interests.

Table 4 can be formulated for further discussion:

Dimensions of Entrepreneurship in the Context of Bangladesh		Technological Capacity	
		High	Low
Access to Political Power	High	Potential of becoming highly productive through further investment in labour upskilling, training and technological up-gradation	May get access to resources but will not remain profitable due to low technological capacity. May waste scarce resources that were ensured through a political network
	Low	May remain efficient in low to moderate-level productive activities. Unlikely to invest in training and technological up-gradation	May remain within the scope of low-skill and low-technology. The firms may not survive in the long run

Table 4: Prepared by the Authors Based on Khan (2011)

Based on Khan (2011), it can be argued that running a business venture successfully does not only require technological capacity but also political power in the context of Bangladesh. Access to political power ensures access to finance and reduces the risks of investing. An entrepreneur with appropriate access to power may be able to retain/retrieve their workers through informal coercion also. Also, entrepreneurs with sufficient access to power will have higher access to capital and finances. This helps them to invest in newer technologies at a much lower risk. The low risk will result in higher engagement in productive activities, the opportunity for learning by doing and increased productivity. The longer period provided by the informal risk-sharing opportunity provides them with the opportunity to learn from mistakes and to increase their technological capacity gradually.

7.2 High Amount of Risk Prevents Investment in the Upskilling and Training of Workers

In this paper, we found that various types of skill mismatches that were identified in the literature review – exist in the leather sector of Bangladesh to some extent. We asked- “What type of skill-related problem of the workers did you face while you started your business?” The entrepreneurs identified the type of skill matches that created a problem for them at the beginning of the venture. Among all the respondents, 58 per cent (43) told that they couldn’t find workers who knew how to perform the required job. This indicates that 58 per cent of the entrepreneurs found skill shortages in the leather sector. 20 per cent (15) of the respondents said that the workers who were hired didn’t have the appropriate level of skills for the existing technology. This indicates the lack of organizational skills and skill gap. The rest of the 22 per cent (16) of entrepreneurs identified that the workers lacked basic organizational skills to work in their enterprises. The result is consistent with the findings of Palmer (2017). The finding is also consistent with Alam, Hossain, & Zaman (2011) and Uddin, Chowdhury, & Ullah (2015) who identified skill constraints as one of the major concerns for entrepreneurs. The survey result and interviews confirmed that the production process of entrepreneurs is severely restricted by the problem of skill mismatch.

Following the neo-classical narrative, the free market would solve this skill-mismatch problem. The private investors would invest in the training and upskilling of the workers to enhance their productivity and solve the skill-mismatch-related problem. To find whether this happens in the leather sector or not, it was asked if the entrepreneurs invest (apart from the on-the-job training) in the upskilling and training of their workers. 91 per cent (67) of the entrepreneurs said that they do not invest in the upskilling and training of the workers. Only 9 per cent (07) of respondents said that they invest in the training and upskilling of their workers. This shows most of the entrepreneurs who have survived the rough market did survive by not investing in training and upskilling of the workers. This finding is consistent with the findings of Khan (2008) and Palmer (2017). However, we explored the underlying reasons behind this lack of investment. We found two reasons behind it and both are associated with higher risk associated with an investment in upskilling and training of the workers:

Firstly, we asked the entrepreneurs- “Do you fear that your worker may switch to another firm if he received training?” Among all the respondents, 69 per cent (51) of the respondents said “No, they don’t fear that the workers would leave the job

if they received training”. The rest of the 31 per cent (23) feared that the workers may be taken to other enterprises if they were highly trained. This result did not match our conceptual discussion of the literature review. However, the one-to-one interview that was taken in a more open-ended way shed some light on the issue. The respondents while giving their interviews said that the workers working in their factories are very loyal to them and often stay as ‘family’. The entrepreneurs did not assess the potential opportunities and benefits that come with upskilling the workers. The productivity gains of the workers may make other enterprises pay the skilled labour more. The respondents may have not considered these two issues. That is why the result is quite different from Khan (2008). This provides us with a more nuanced and complex understanding of the issue. After discussing the issue of productivity gains of the labour that may come from higher investment in training, the question was asked again to the entrepreneurs -“Do you fear that your worker may switch to another firm if he received training?” The discussion might have influenced the entrepreneurs and might have given some insight into the possible implications of investment in training and upskilling⁴. In the open-ended interviews, most of the entrepreneurs concluded that the labour might leave their organization if some other organization lures them with higher wages due to the productivity gains. The entrepreneurs said that no formal contract is made that can prevent the workers from switching their jobs after the productivity gains. The qualitative results suggested that the lack of formal contracts between owner and workers increases the risk of labour switching to other organizations after receiving training opportunities.

Secondly, we found that lack of investment in upgraded technology also prevents the labour from gaining higher skills through on-the-job training. Investment in newer technology is a way to upgrade and upskill labour. If there is a lack of investment in the upgraded technology, then the labour will be stuck working with simple technologies and can’t gain high levels of skills. The paper asked the entrepreneurs – “Do you find investing in newer technology very risky?” Most of the respondents 92 per cent (68) said “yes”. That means most enterprises found investing in newer technology a risky endeavour. The one-to-one in-depth interview result suggests that the risk is considered very high because the return on the investment is unknown and may fail to bring benefits in the future. This finding complements the conceptual analysis and the discussion of Khan (2008). This lack of investment in upgraded technology creates a vicious chain of problems. The entrepreneurs do not invest in upgraded technology – as a result, the labour doesn’t get opportunities

⁴ This can be taken as leading questions and the fieldworker influencing the respondents. That is why the researchers took this result as inconclusive and triangulated using qualitative data.

for on-the-job learning. The lack of skills in operating upgraded technology again discourages entrepreneurs from investing in upgraded technology – because there is a skill shortage for running the upgraded technology.

Finally, we searched for a probable way out of this vision of the chain of problems that were mentioned in the previous paragraph. The question was asked to the enterprise owners – “Can subsidies reduce the risk of adopting newer technologies and upskilling workers?” 69 per cent (51) of the entrepreneurs said “yes” to the question. That means most of the enterprise owners agreed to the fact that subsidies can function well as a risk-reducing policy in the leather sector. Proper distribution of targeted subsidies can reduce the risk of investing in training and technological upgradation.

8. Conclusion

The promotion of entrepreneurship is a major governance challenge worldwide. However, entrepreneurs face some unique challenges besides the usual challenges that constraint entrepreneurial development in Bangladesh and other developing countries. Various factors restrict the growth of entrepreneurship. The factors may include various bureaucratic entry barriers, lack of access to finance and capital and lack of necessary skills. The paper explored skill-related barriers to entrepreneurship in the leather sector of Bangladesh. The findings, although not generalizable to a larger population, will provide key insights for further research and policy interventions.

The conceptual analysis provided a logical analysis of the governance challenges in promoting entrepreneurship in Bangladesh. The paper has focused on certain aspects of the governance challenges and explored them further. It explored two key areas that constrain entrepreneurship in Bangladesh.

Firstly, the development of a ‘political network’ or ‘political connection’ is considered an essential skill that is required for the early stage of business capital formation. The conventional narrative does not discuss this skill as an ‘entrepreneurial skill’. However, entrepreneurs do look for this skill in their partners and business managers. The conventional literature on entrepreneurial skill sets focuses on the skill set that does not consider the realities of developing countries like Bangladesh. The context of developing countries is such that informal institutions and political networks play an essential role in providing access to resources. These resources are particularly important for capital investment and technological upgradation. Access to political power and political network can ensure financial support in form

of bank loans, subsidies and technological assistance. This assistance can correct the market failures that we discussed already. The risk-sharing mechanism can be utilized through access to political power. Access to political power then becomes the precondition for getting assistance that can reduce the risk of investment in labour upskilling and technological upgradation. However, many entrepreneurs may not have access to political power despite having a high level of technological capacity. These firms may remain stuck in the low-skill-low technology base. Other forms of skills also lack in the labour market. Skills mismatch in Bangladesh work as an entry barrier to entrepreneurship. Skills mismatch imposes a high amount of cost on entrepreneurs. The entrepreneurs in Bangladesh do not have proper access to capital and finances. Thus, the lack of workers with the appropriate skills increases the cost of engaging in production. The lack of skilled labour also reduces the incentive for investing in high-cost technology and machinery.

Secondly, neo-classical economic thought postulates that the vacuum that is created in the market for skill will be filled by the market for training. It predicts that the entrepreneurs will internalize training and upskilling opportunities for the workers so that they can increase their profitability and productivity. However, this line of thought does not consider the market failure associated with it. In the context of Bangladesh and other developing countries, entrepreneurs have little incentive to invest in the training and upskilling of the workers. They also do not have enough incentive to invest in technological upgradation. The first movers in the case of investing in training may become in a disadvantageous position when other entrepreneurs offer higher wages to the trained workers. Because contracts and rules are not well defined and strictly followed in the informal economy of Bangladesh, the workers can easily switch to another enterprise. Again, entrepreneurs find it highly risky to invest in upgraded and sophisticated technology because the return on investment is unknown. The risk-sharing mechanism for investment in higher technology is non-existent in Bangladesh. That is why labour upskilling through 'on-the-job' and 'learning-by-doing' training does not occur. The workers who work in those jobs have to work with simple technologies and they stay stuck with a low level of skills.

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