Project Report

On

“Problems & Prospects of SME banking in Bangladesh”

Prepared for

Nusrat Jahan

Assistant Professor

Department of Business Administration

Prepared by

Name: Somaia Mahmod Sarna

ID: 2163011042

RegNumber: UU16303781

Batch- 41st

Sce: A

Major: Finance

Program: Bachelor of Business Administration

Department of Business Administration

UTTARA UNIVERSITY

Date of Submission: 29th August, 2020

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Letter of Transmittal

August 29th, 2020

Nusrat Jahan

Assistant Professor

Department of Business Administration

Uttara University

Subject: Submission of the Project report on "Problems & Prospects of SME banking in Bangladesh"

Dear Ma'am,

With due respect, I would like to submit a Project report on "**Problems & Prospects of SME banking in Bangladesh**" as a part of my BBA program. I have tried my best to fulfill the requirement of the report.

I believe that knowledge and experience I gathered during the project period will be helpful in my future professional life. I will be grateful to you if you accept the report. Your support in this regard will be highly appreciated.

With best regards

Name: Somaia Mahmod Sarna

ID: 2163011042

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Student's Declaration

I declare that the Project report on **"Problems & Prospects of SME Banking in Bangladesh"** includes the results of my own research works, pursued under the supervision of **Nusrat Jahan**, Assistant Professor, School of Business, Uttara University.

I also declare that the project report is prepared for academic purpose only. This report is not submitted by others.

Somaia Mahmod

Name: Somaia Mahmod Sarna

ID: 2163011042

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Major: Finance

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Letter of Authorization

This is to certify that, Somaia Mahmod Sarna is a student of BBA (Major in Finance) of the Department of Business Administration & ID no.2163011042 has successfully completed project program on **“Problems & Prospects of SME banking in Bangladesh”** from June 20th, 2020 to August 28th, 2020. On the basis of her successful completion of project program, she has prepared the report under my supervision.

I wish her every success.

……………………..…………

Nusrat Jahan

Assistant Professor

Department of Business Administration

Uttara University

Acknowledgements

At first, I would like to express my deepest gratitude to almighty Allah for giving me the strength and opportunity to finish the report within the schedule time.

I am also grateful to my supervisor Nusrat Jahan, Assistant Professor, School of Business, Uttara University, for her motivating inspiration, direction, suggestions and advices during my project period.

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Abstract

Small and medium-sized enterprises (SMEs) are the backbone of the national economy in Bangladesh. This sector is playing an important role to develop the economy of our country. The role of SMEs sector is immense to alleviate the poverty from the country as well. Small and Medium enterprises are particularly suitable for the densely populated countries like Bangladesh where SME sector can provide huge employment opportunity with much lower investment. They are expected to create jobs, reduce poverty, and drive a resilient national economy. This paper is, therefore, an attempt to analyze various issues, prospects and challenges and find out the ways to overcome these challenges.

Section - 1

1.1: Introduction:

The SMEs play a imperative function in improvement of an underdeveloped economic system due to the fact it eliminates the unemployment issues by using lower capital per employment, avoids extra fees for improvement of industrial infrastructure, minimizes the investment risks, ensures an equitable distributions of earnings and products, exams imbalances between one-of-a-kind pocket of economic system and maximizes the use of domestically accessible raw materials.

The world is now altering hastily and the economic system is getting the dynamic float with the change of time and technology. The technological knowledge makes the economic system extra associated to the industries. The altering world financial scenario of least developed nations (LDCs) and developing countries have been transferring to the rapid industrialization. In this age of industrialization technology small and medium industries are contributing an lousy lot increased with their own flow alternatively in this aggressive market and financial gadget it is surely difficult for these small and medium industries to survive.

Here the SME is stands for and to serve those small and medium industries to fight against the monopoly business of those giants and make the economy more fair and stable. More or less every small and medium industry is dealing their business getting financial help through SME. SME requires very few amounts of resources but they can be managed more efficiently. There are many bank and Non-banking financial institution to serve SME loan in Bangladesh. There are many opportunity to develop the business in the country through SME and it can undoubtedly flourish the economy as well as the nominal GDP of the country.

1.2: Justification:

- The main observation of the study is to see how the economic enchantment of Bangladesh SMEs can play an imperative role.
- Get idea about SME s contribution for incising of country's GDP growth rate and helps to create employments
- SME is dependent on the financing facility. This study is highlight which financial institution and bank plays a major role for the SME's start up and growth.
- Those who have interest about to know SME sector this paper provide present scenario and prospect of SME banking in Bangladesh.
- This study reviewed which measures/steps have been taken for the development of SMEs.
- In this paper included barrier of SME's development and give some recommendation, I hoped that these recommendation will help to overcome barrier of SME's.
- In BBA Program my major area is Finance and this topic is helps me to know about the SME banking and also in my carrier development.
- The future researchers will find new way specially the financial aspects and added to new knowledge.

Section-2:

2.0: Objectives of the study:

- To get idea about SME banking and its scenario in Bangladesh.
- To study the prospects of SME sector in Bangladesh.
- To identify the problems of SME sector in Bangladesh and recommend some suggestions to overcome those problems.

<u>**Section-3:**</u>

3.0: Methodology:

3.1 Data description:

My researching area is Problems & prospects of SME Banking in Bangladesh. This is basically a desk research. Due to the Corona Pandemic data has been collected from secondary sources.

3.2 Way of data collection:

This researcher's work has been based on published information and data available in any form such as books, journals, magazines, newspapers etc. devoted to SME sector. Secondary information has been collected from Ministry of Industries, SME foundation, Bangladesh Bureau of Statistics, Financial Institutions and from other SME related organizations. Relevant articles and literature in this context has also consulted.

3.3 Data processing method:

Data processing method are two types. They are inferential data processing method and Descriptive data processing method. Descriptive data, such as table, bar chart, pie chart used in report.

For completing this research work I used GOOGLE SCHOLES & MS WORD software. In this report I have analyzed the information of 10 articles which are related to SMEs of Bangladesh. For collecting information and articles I used some key words such as definition of SME, prospects and problems of SME sector, scenario of SME sector in Bangladesh. I put those key words in GOOGLE SCHOLES and found many articles which related with SME banking. From those articles I download ten necessary articles which are related with my topic. Then I am numbering those articles from 1 to 10 when preparing my appendix. In this report there are four appendixes.

Section-4:

4.0: Discussion:

4.1: Objective – 1: To get idea about SME banking and its scenario in Bangladesh.

SME-means Small & Medium Enterprise (SME). The definition of SME is differs from country to country. **The industrial policy of Bangladesh, 2010** defines Small &Medium Enterprise as : “In manufacturing ,small industry will be deemed to comprise enterprises with either the value (replacement cost) of fixed assets excluding land & building between Tk.5 million & Tk.100 million, or with between 25 & 99 workers,” and “medium industry will be deemed to comprise enterprises with either the value (replacement cost) of fixed assets excluding land & building between Tk.100 million & Tk.300 million, or with between 100& 250workers”.
According to the Pakistan SME policy, 2007, “enterprises which employ up to 250 workers or a paid up capital of Rs.25 million or lower are categorized as SME”.

The govt. of India enacted the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006, and according to that act, “A small enterprise is an enterprise where the investment in plant & machinery is more than Rs. 25 Lacks but not exceed Rs.5 crore; and a medium enterprise is an enterprise where the investment in plant and machinery is more than Rs. 5 crore but not exceed Rs. 10 crore”.

Md. Alauddin & Mustafa Manir Chowdhury(2015) Small and medium-sized enterprises (SMEs) are the backbone of the national economy in Bangladesh. This sector is playing an important role to develop the economy of our country. The role of SMEs sector is immense to alleviate the poverty from the country as well. Small and Medium enterprises are particularly suitable for the densely populated countries like Bangladesh where SME sector can provide huge employment opportunity with much lower investment. They are expected to create jobs, reduce poverty, and drive a resilient national economy. The International Monetary Fund (IMF) Country Report (2012)1indicated that SMEs in Bangladesh accounted for more than 99% of private sector industrial establishments and created job opportunities for 70%–80% of the nonagricultural labor force.

Uddin (2008) has stated that the economic efficiency and overall performance of the SMEs especially in the developing countries are considerably dependent upon macroeconomic policy environment and specific promotion policies pursued for their benefit. Chowdhury (2007) highlighted that in context of Bangladesh SME is characterized by Low capitalization and limited assets, geographical diversity and high mortality, poor credit knowledge, very limited access to formal source of credit, cash intensity in transactions, very limited record keeping habit, poor financial disclosure on account of tax issues, high risk perception has led to high borrowing costs.

Kashfia Ahmed(2009) In the context of Bangladesh, the development of Small and Medium Enterprises (SMEs) can be considered as a vital instrument for poverty alleviation and ensure the rapid industrialization. In this paper the authors have tried to identify the problems of SMEs of Bangladesh. The performance of SMEs of Bangladesh especially in terms of employee turnover rate, quality assurance, allocation of funds, marketing activities have been found significantly below the international standard. The sector gets negligible support from government.

Rashed Al Hasan & K.M. Zahidul Islam (2008) The SME sector has significant contribution in the GDP of Bangladesh. But this sector is not getting wide attention from the policy makers and mainstream financial institutions. Although the Microfinance industry of the country has reached its maturity stage, it is yet to contribute remarkably for SME development. Uplifting the Microfinance clients to SME level is a big challenge for MFIs. Various constraints especially inadequate financing hinder the growth of SMEs. The most important issue that needs to be addressed is bridging the gap between Microfinance and SME financing. Up scaling the program of MFIs and down scaling the financing process of banks and non-bank financial institutions are important to bridge the gap and to tap the microenterprise clients, who have been identified as missing middle. To strengthen the SME sector favorable government policy, smooth funding, business development services and backward and forward linkage are essential. If the SME sector could be boosted, it will contribute to the overall macroeconomic growth of the country.

SME in Bangladesh

Different countries and organizations define SME differently. The Government of Bangladesh has categorized SME into two broad classes

1. Manufacturing enterprise
2. Non Manufacturing activities

Manufacturing enterprise: Manufacturing enterprises can be divided into two categories:

- Small enterprise : An enterprise would be treated as small if, in current market prices, the replacement cost of plant, machinery and other parts/components, fixtures, support utility, and associated technical services by way of capitalized costs (of turn-key consultancy services, for example), etc, excluding land and building, were to up to Tk. 15 million;

- Medium enterprise : An enterprise would be treated as medium if, in current market prices, the replacement cost of plant, machinery and other parts/components, fixtures, support utility, and associated technical services by way of capitalized costs (of turn-key consultancy services, for example), etc, excluding land and building, were to up to Tk. 100 million;

Non-manufacturing activities (such as trading or other services): Non-manufacturing activities can be divided into two categories;

- Small enterprise: An enterprise should be treated as small if it has less than 25 workers, in full-time equivalents;

- Medium enterprise: An enterprise should be treated as small if it has between 25 and 100 employees.

According to Bangladesh Bureau of Statistics different enterprises are defined as:

S.L.	Sector	Fixed asset other than land & building (Tk.)	Employed Manpower(not above)
1	Service	50000-5000000	25
2	Business	50000-5000000	25
3	Industrial	50000-15000000	50

Table: Small Enterprise

S.L.	Sector	Fixed asset other than land & building (Tk.)	Employed Manpower(not above)
1	Service	5000000-100000000	50
2	Business	5000000-100000000	50
3	Industrial	15000000-200000000	150

Table: Medium Enterprise

SME Banking and Financing in Bangladesh

Banks under Bangladesh financial crew work for financing the SME businesses. They help the entrepreneurs to finance their enterprise employer through giving fast time duration loans, economic savings loans, financial agency overdrafts, counseling and many more. The banking purposes that are carried out with the useful resource of way of the monetary group to beneficial resource SME business enterprise are seen as SME banking.

SMEs scenario in Bangladesh

According to Bangladesh Bureau of Statistics (BBS) estimates, the contribution of the broad industry sector to GDP stood at 31.54 percent in FY2015-16 which increased to 32.42 percent in FY2016-17. Among the fifteen sectors of GDP, the broad industry sector includes four sectors namely construction mining and quarrying; manufacturing; electricity gas and water supply and construction. The contribution of the manufacturing sector is the highest in GDP. In FY2015-16 the contribution of manufacturing sector to GDP was 21.01 percent which increased to 21.74 percent in FY2016-17. The volume and growth performance of the manufacturing sector from FY2008-09 to FY2016-17 is given below:

Type of Industry	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Small and Cottage	**22569.1 (6.58)**	**24557.9 (8.81)**	**26113.1 (6.33)**	**28342.6 (8.54)**	**30909.4 (9.06)**	**33945.8 (9.82)**
Medium-Large	**97998.3 (10.76)**	**108436.2 (10.65**	**118540.3 (9.32)**	**131225.4 (10.70)**	**147313.5 (12.26)**	**163819.5 (11.20)**
Total	**120567.4 (9.96)**	**132994.1 (10.31)**	**144653.4 (8.77)**	**159568.0 (10.31)**	**178222.8 (11.69)**	**197765.3 (10.97)**

Source: Bangladesh Bureau of Statistics

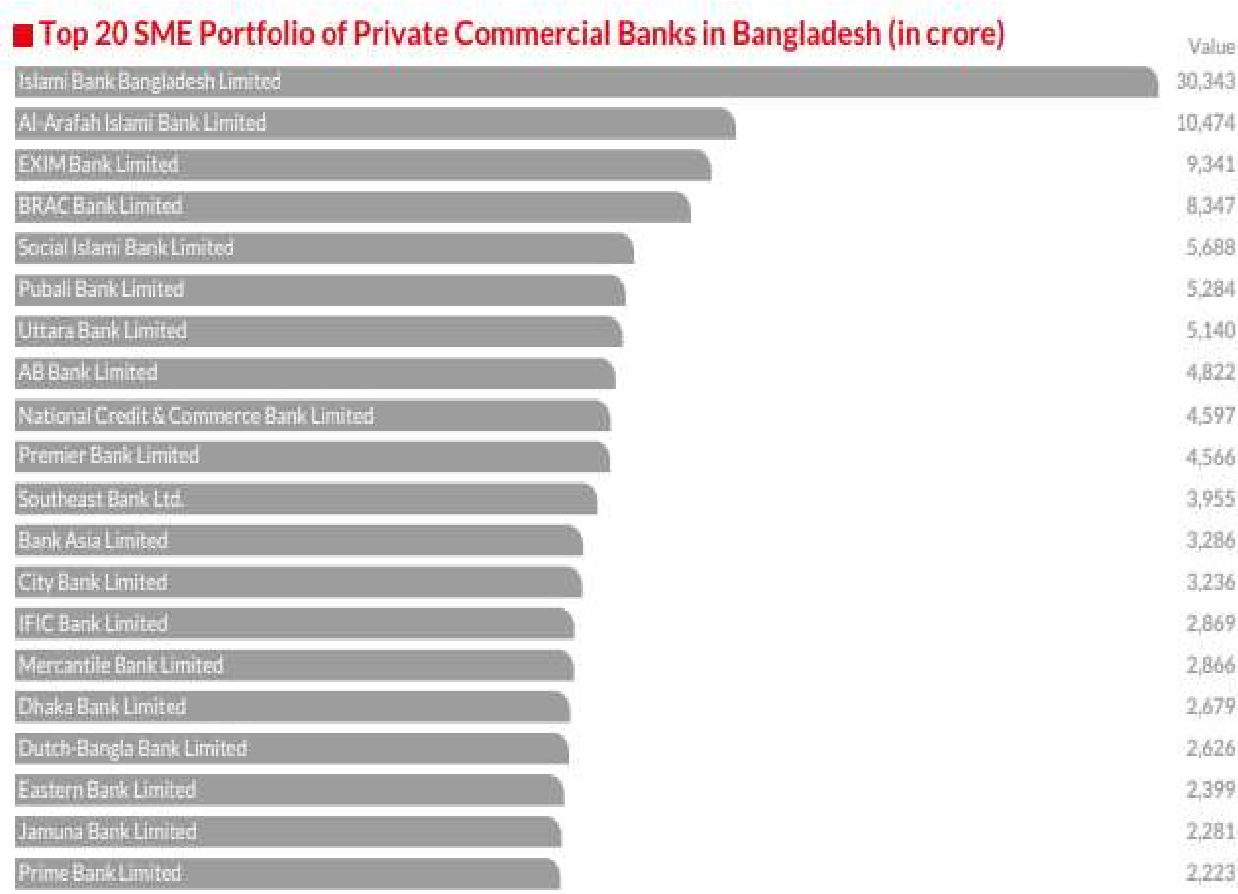
Table: Volume and Growth Rate of Manufacturing Sector

Cottage, Micro, Small and Medium Enterprises (CMSMEs) are considered as a potential sector for resolving unemployment problem. This sector has been playing a significant role for achieving economic growth and earning foreign currency by encouraging and expanding the business activities. With a view to enhancing the living standard of the mass people, to ensure women empowerment along with reducing gender discrimination for the development of this sector. Banks and Non-Bank Financial Institutions (NBFIs) have come forward for financing and development of SMEs sector under close monitoring and supervision of Bangladesh Bank. All banks and NBFIs had disbursed a total amount of Tk.1,41,935.39 crore in 2016 which was 22.49 percent higher than that of the year 2015. In 2016, an amount of Tk.5,345.66 crore has been disbursed as SME loans against 41,675 women entrepreneurs.

Banks Current Status of SME Financing in Bangladesh:

Banks are disbursing significant amount of credit under various programs like Small & Medium Enterprise, Self-help credit Program, Special Investment Program and Agro-based Supervisory Industrial Credit etc. for the of SME's promotion and development. Private sector's investment in financing, SMEs remains insignificant in Bangladesh. Banks like Pubali Bank, Standard Charted Bank, Agrani Bank, BRAC Bank, Eastern Bank Ltd. (EBL), Prime Bank Ltd, Dhaka

Bank Ltd, Mercantile Bank Ltd, Dutch-Bangla Bank Ltd, Islami Bank Bangladesh Ltd, IFIC Bank Ltd., all private banks have the leading role in SME financing. Bank of Small Industries and Commerce Bangladesh Ltd. (BASIC) and other government and private banks have the responsibility of providing medium and long-term loans for promotion and development of small-scale industries.



4.2: Objective 2: To study the prospects of SME sector in Bangladesh.

Prospects of SME's Financing:

For LDCs like Bangladesh, SMEs may be a highly cost-effective source of employment too. The current new job seekers together with millions of inactive people are still looking for employment. SMEs may surely be a very good solution to this problem. To compare what it might cost to provide employment with new jobs in the large industries in relation to SMEs, one needs only to look at some of Bangladeshi large fertilizer factories. Chittagong Urea Factory Limited (CUFL) costs BDT 14 billion ($237 million) to build, and it employs 982 people. The Jumuna Fertilizer Factory (JFF) costs BDT 12.60 billion ($213 million) and employs 1,082 people. Thus CUFL and JFF required BDT 14.26 and 11.63 million ($241,000 and $198,000) respectively for every person to be employed. But, in case of microenterprises, set or encouraged by the NGOs for self employment of the very poor, the investment required per employment is BDT 5,000 ($85) or less (SDC & BUP, 1998). The comparative scenario puts a very clear idea about the operation and potential contribution of SMEs in eradicating unemployment and reducing poverty together with yielding national economic development.

Numerous surveys have been conducted in Bangladesh on the impacts and prospects of SMEs. These surveys found that there were almost 6 million micro, small and medium enterprises (MSMEs), which included enterprises with "up to 100 workers" employing a total of 31 million people, equivalent to 40 per cent of the population of the country of age 15 years and above

The survey also found that the industrial structure of SMEs consisted of primarily wholesale and retail trade and repairs (40 per cent), production and sale of agricultural goods (22 percent), services (15 percent), and manufacturing only (14 per cent). It reflects on the very fact that the large unused potential for expansion in manufacture and production could be exploited contributing significantly to the national economy.

The find out about and different relevant observation identifies some concrete and unique aspects of SMEs that ensures us about its success in employment generation and the sector's suitability to be focused for ensuring sustainable economic improvement in the backdrop of poor international locations like Bangladesh with poor population. Starting SMEs enterprise requires a small amount of fund. So it is convenient for the humans to begin this business. Growth of SMEs may additionally have a tremendous impact on the typical financial improvement of Bangladesh. This region can be assorted in many methods and it is considered as low risk organizations.

Being an over-populated country Bangladesh needs labor-intensive companies like SMEs. This is a suitable for worldwide places like Bangladesh the place skilled labors are no longer on hand at all. SMEs can moreover create more jobs than massive companies at reduce costs. SMEs are imparting a one of a sort fluctuate of merchandise at a lower price in regional market. People are getting SME products at a lower price. Government has established an independent SME basis to aid and inspire the people to be a section of in this vicinity for the enchantment of SMEs. Recently Asian Development Bank (ADB) has provided some fund for SME quarter enchantment in Bangladesh.

It has been observed that recently many commercial banks have opened separate specialized SME branches. It has created a new arena to expand this business. Some business banks have special SME loan schemes for female entrepreneurs and it will help them to be self dependent.

Steps/Measures taken by Bangladesh Bank for SME Development:

Bangladesh Bank has already introduced several schemes and programmes to flourish and expand SME Enterprises. Refinance scheme funded by Bangladesh Bank, IDA and ADB has been facilitated for the development of SME Sector. Besides, to ensure institutional financial facilities under easy conditions Bangladesh Bank has taken diverse steps; like opening of 'Dedicated Desk' for SME and 'SME Service Centre' in the banks and special facilities for the women entrepreneurs. But reality is that expected outcome has not been achieved so far in this sector.

Reasonably, a new department namely 'SME and Special Programmes Department has been established in Bangladesh Bank recently which will be solely responsible for policy formulation, facilitating fund, monitoring and development of entrepreneurship in the SME sector.

The guidelines formulated by the newly created department for compliance of the banks and financial institutions for the development of SME sector are enumerated below:

- ❖ An indicative target for SME loan disbursement has been set from 2010 by the banks and financial institutions considering SME development as one of the most important development agenda of the country. According to the target, SME loan shall be disbursed to the small, medium and women entrepreneurs.
- ❖ Each bank/financial institution shall follow a separate business strategy in financing SME loan. And least formalities in executing documentation to ensure easy and speedy loan sanction and disbursement process.
- ❖ Priority shall be given to small entrepreneurs.
- ❖ For small entrepreneurs credit limit will be ranged from Tk. 50,000 (Fifty thousand) to Tk. 50,00,000 (Fifty lac).
- ❖ Each bank and financial institution shall establish a separate 'Women Entrepreneurs' 'Dedicated Desk' with necessary and suitable manpower, provide them training on SME financing and suitably appoint a lady officer as chief of dedicated desk. Branch wise list of 'Women Entrepreneurs' Dedicated Desk 'should be sent to SME and Special Programmes Department of Bangladesh Bank within two months from the date of declaration of this policy and programme.
- ❖ For more participation of women entrepreneurs in industrial development of the country and for conducting business activities by women entrepreneurs in large number, priority shall have to be given to potential women entrepreneurs in respect of SME credit disbursement. Banks and financial institutions may sanction up to Tk. 25,00,000 to women entrepreneurs against personal guarantee. In that case, group security/social security may be considered.
- ❖ The success in SME loan disbursement will be considered as yardstick for further approval of new branches of the concerned bank. License for New Branches will be issued for financing the priority sectors like SME and agriculture from 2010 in the name of 'SME/Agriculture Branch' instead of 'SME Service Centre; in order to involve banks in financing priority sector like SME and Agriculture'.

- Each bank/financial institution shall fix the interest rate on SME loan sector/subsector-wise. However, bank/financial institution will inform Bangladesh Bank sector/sub-sector wise rate of interest immediately and ensure disbursement of refinanced fund to the clients (women entrepreneurs) at Bank rate +5% interest.
- Banks & Financial Institutions shall put highest priority in receiving loan application from small and medium women entrepreneurs and settle the loan disbursement process within very reasonable time from the date of acceptance of the application.
- Training programs shall be arranged for the entrepreneurs.

4.3 - Objective 3: To identify the problems of SME sector in Bangladesh and recommend some suggestions to overcome those problems.

Problems of SME sector in Bangladesh:

SME in Bangladesh is an enormous zone for financial and social development that already we seen it. Now we want to see this crucial sector is facing following types of problems:

- **Resource Scarcity:** In Bangladesh shortage of raw materials avert the potential of SME to be export oriented and limits its capability to attain more advanced tiers of international business.

- **High Employee Turnover:** Due to limited growth of SME most of the skilled employees leave SMEs. SMEs are knowledge creators but poor at knowledge retention. High employee turnover is a major obstacle for the progress of this sector.

- **Absence of modern technology:** Many SMEs have failed to undertake present day technology. Handling operation of the agency will turn out to be tough without using change technology. It can't be imaging about now competing round the world with the absence of modern technology. Without the ideal use of modern technology, we will lag behind.

- **Poor physical infrastructure:** Inadequate supply of necessary utilities like electricity, water, roads and highways hinder the growth of SME sector. Moreover unfavorable geographical conditions increase the transportation cost.

- **Inability to Market SME Product:** The existing and future increase prospect of any product depends to a large extent upon advertising activity. This requires having a well-planned advertising and marketing approach including advertisement marketing campaign as nicely as assets for implementing that strategy. Unfortunately, SME entrepreneurs are at the bitter stop in this recognize as they can't make sufficient investments in marketing and additionally lack fundamental advertising and marketing skills.

- **Inability to Maintain Product Quality:** A major constraint to the sustainability of SME growth in Bangladesh is the lack of ability to maintain the fine of SME products. At existing Bangladesh produces mostly common consumer items which are labor intensive and require relatively simple technology. But due to negative fine these merchandise cannot stand competition from imported products. The challenge for Bangladesh nowadays is not in competing with high-tech products of developed international locations however to make its SME sector survive opposition from its rivals.

- **Lack of Skilled Technicians and Workers:** Lack of skilled manpower is a perennial problem in Bangladesh. This problem is particularly acute for small and medium scale export oriented enterprises. Bangladesh has made large inroads in the world's apparel market through commendable performance of RMG sector. However, the value addition of the products is low. Despite high demand, Bangladesh cannot make much entry into high value fashion wear exports due to dearth of trained workers. Supply capacity is thus constrained by non-availability of skilled workers.
- **Poor Management Skills of Entrepreneurs:** In the modern day economy, managerial abilities for undertaking planning, marketing, and cash-flow management are integral for survival of an industry, small or large. SME entrepreneurs in Bangladesh are very a good deal missing in managerial capabilities and are not used to strategic planning. It is herbal that they are unable to live to tell the tale market failures. The thought of managerial education for SME entrepreneurs is but to take root in Bangladesh.

- **Lack of access to finance:** Institutional limitations, such as an underdeveloped and inefficient prison and regulatory framework pose great obstacles to wonderful financing. Banks face a range of issues in lending to SMEs, the most suggested being statistics asymmetry and granularity, the level of detail handy on which to base business decisions. Banks do no longer have the requisite statistics and systems in place to quantify danger and differentiate between SMEs. This has resulted in tightened savings phrases and in the inefficient allocation of resources. Another component is the difficulty of moral hazard, wherein SMEs are perceived to take higher risks than large businesses with dollars borrowed from banks. Therefore government ought to work towards imposing a mechanism below which SMEs are mandated to provide accurate, reliable, and quality information to banks so that lenders can raise out particular risk assessments.

- **High Interest Rate:** Most of our SME entrepreneurs are starting business by taking loan from banks. But there is high interest rate on such loans. It is not so easy to rise fixed and working capital from banks, since banks are not so willing to provide loan of small size for high monitoring cost.

- **Lack of Research and Development Facilities:** Most of the developed nations spend a lion's share in this sector to enhance their enterprise however we do now not invest huge amount in this zone for the development of our industry.

Suggestions:

In order to overcome the above mentioned problems the following suggestions are recommended:

- Government must have to take adequate measures to ensure the uninterrupted supply of raw materials for SME.

- Government needs to take appropriate measures to fix the minimum salary/wages of the employees of SME. That will help to minimize the employee turnover.

- Government and financial institution may provide adequate finance for modernization and technological advancement.

- Development of infrastructure is essential for the optimum growth of SME. So government of Bangladesh needs to take appropriate policy strategy for the infrastructure development of Bangladesh.

- Government, financial institutions and Non Government Organizations (NGOs) may take necessary steps to ensure uninterrupted financial support to the prospective SMEs in Bangladesh.

- Due to the absence of uniform definition the policy formulation and implementations are not possible. Government should take initiative to develop a uniform definition of each category of SMEs.

- Govt. of Bangladesh should take the initiative to develop web pages exclusively for SME and an integrated SME database. It will reduce the barriers to SME access to global market.

- In order to ensure the retention of skilled workforce the government should make the entrepreneurial career attractive by minimizing the uncertainty.

- In order to encourage women entrepreneurship government may involve women entrepreneurs in policy formulation and implementation. Arrange funds for women entrepreneurs. Provide necessary training to women entrepreneurs in rural and urban area of Bangladesh.

- SME foundation may take appropriate marketing tools to popularize their products.

- Appropriate legal framework is necessary to ensure the development of SME of Bangladesh.

- In this era of intense competition continuous planning and quality improvement act as a prerequisite for the survival of SMEs. In order to improve the quality SMEs can follow the Just in Time (JIT) philosophy and use Total Quality Management (TQM) and can ensure the improvement of quality and productivity at a time.

- Research and Development (R&D) is must for the development and growth of SME. So government must have to invest in R&D for ensuring the intensification of SME of Bangladesh.

Section - 5

5.0: Future forward:

The research work focused basically the SME sectors and the importance of these sectors. The study evaluated present scenario and challenges of SME sector in Bangladesh. While preparing this report notice that finance is play a vital role in SME sector. In the beginning stage of SMEs business required small amount of fund. When entrepreneurs want to expand their business they required more money. In that situation they face various problems for collecting money like as non availability of adequate credit, complex loan granting procedure, problems of collateral requirements. So there is a scope for future research on SME financing innovation SME development in Bangladesh

From this study identifies some concrete and unique features of SMEs that ensures us about its success in employment generation and the sector's suitability to be focused for ensuring sustainable economic development in the backdrop of poor countries like Bangladesh with poor population. Starting SMEs business requires a small amount of fund. So it is easy for the people to start this business. Growth of SMEs may have a positive impact on the overall economic development of Bangladesh. This sector can be diversified in many ways and it is considered as low risk organizations.

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Appendix I
Introducing Consulted Articles

Sl	Article Title	Author(s)	Journal Name	Volume & Issue	Year	Publisher
1	Small and Medium Enterprise in Bangladesh-Prospects and Challenges	Md. Alauddin & Mustafa ManirChowdhury	Global Journal of Management and Business Research: C Finance	15(7)	2015	Global Journals Inc. (USA)
2	SME Financing Practices in Bangladesh: Scenario and Challenges Evaluation	Rabaya Bosri	World Journal of Social Sciences	6(2)	2016	
3	Financing Small and Medium Enterprises in Bangladesh – Issues and Challenges	Fuad Hasan and Gazi Mohammad Hasan Jamil	The Asian Journal of Technology Management	7(1)	2014	Unit Research and Knowledge School of Business and Management
4	Performance Evaluation of SMEs of Bangladesh	Kashfia Ahmed	International Journal of Business and Management	4(7)	2009	
5	Effect of Entrepreneur and Firm Characteristics on the Business Success of Small and Medium Enterprises (SMEs) in Bangladesh	Md. Aminul Islam	International Journal of Business and Management	6(3)	2011	Research Gate

6	Evaluation of Human Resource Management Practices in SMEs of Bangladesh	Mohammad Sarwar Hossain Islam & Mohammad Bin Amin	Canadian Journal of Researcher's Society	1(1)	2011	
7	Bridging the Gap between Microfinance and SME Financing in Bangladesh: Unlocking the Potentials	Rashed Al Hasan & K.M. Zahidul Islam	Daffodil International University Journal of Business and Economic	3(1)	2008	
8	Constraints to SMEs: A Rotated Factor Analysis Approach.	Syed Manzur Quader & MohammadNayeem Abdullah	Munich Personal RePEc Archive		2008	
9	Problems and Prospects of SME Financing in Bangladesh	Md. Shahnur Azad Chowdhury, Md Kazi Golam Azam & Serajul Islam	Asian Business Review	2(4)	2013	Research Gate
10	SMEs in Bangladesh and Their Financing : An Analysis and Some Recommendations	Md. Shamsul Alam & Md. Anwar Ullah	The Cost and Management	34(3)	2006	

Appendix II

Complication of Objectives/ Purposes/ Questions/Hypotheses Addressed by the Articles

Article	Objectives/ Purposes/ Questions/Hypotheses
1	An attempt to analyze various issues, prospects and challenges of financing this particular sector and find out the ways to overcome these challenges.
2	The main aim of the study is to evaluate the SME financing scenario and challenges in Bangladesh. At first, researcher want to see the importance of SME in Bangladesh , which sectors get SME financing, which institutions provides the SME financing then analysis the present scenario of SME financing.
3	Analyze various issues and challenges of financing this particular sector and find some worthy ways out to overcome these challenges.
4	In this paper the authors have tried to identify the problems of SMEs of Bangladesh.
5	This study examines the effect of characteristics of entrepreneur and characteristics of the firm on the business success of Small and Medium Enterprises in Bangladesh

6	The objective of this study is to explore the previous history of formal application of human resource management practices in Small and Medium Enterprises (SMEs) of Bangladesh.
7	• To explore the present scenario of SME sector in Bangladesh • To identify funding sources of SME financing • To identify the constraints of SME sectors • To bridge the gap between Microfinance and SME financing
8	• To what extent financial constraints affecting SME"s operation? • To what extent regulatory constraints affecting SME"S operation? • To what extent constraints on physical, technical, and marketing inputs affecting SME"S operation?
9	• To identify the potentiality of SME in the economy in respect of the contribution to Gross Domestic product (GDP). • To detect the problems of SME financing • To provide necessary recommendations to overcome the problems
10	This paper is an academic analysis toward policy formulation in respect of SME financing.

Appendix III

Complication of Methods

Article	Methods
1	• Data mainly gathered from 50 respondents by conducting some interviews with SME Bankers and selected SME Entrepreneurs. Data has also been collected from secondary sources. • In-depth interview technique has been used because through this approach, the deep rooted issues regarding the problems have come out plus many factors that could stimulate growth of SME were also figured out.5 points inert scale has been used in this paper.
2	The analysis of the study was conducted by using secondary data like Bangladesh Bank quarterly SME statement, Bangladesh Bank (BB) Small and Medium Enterprise (SME) Credit Policies & Programmes, MIDAS, SME foundation, BBS, newspaper, research reports, journals, books, media etc.
3	This article is mainly based on secondary materials and, therefore, all the data were mainly collected through literature survey. The data used here duly acknowledged all the sources accessed for this study.
4	This is basically a desk research. Most of the data has been collected from secondary sources. So the researchers work has been based on published information and data available in any form such as books, journals, magazines, newspapers etc. devoted to SME sector. In this article we have analyzed the data of last six years of SMEs of Bangladesh. We have tried to analyze the performances of SMEs by applying simple statistical analysis i.e., growth percentage, average etc.

5	A sample of 300 employees from SMEs located in the Dhaka, Narayangonj, Khulna and Chittagong were chosen for the purpose of this study. This geographical area has been chosen as they represent a large number of SMEs in Bangladesh. The questionnaires were distributed based on the sample ratio scale down statistics to ensure it is able to represent the sample population obtained from the BSCIC. Data collection was accomplished by mail and personal delivery. The sampled companies were contacted in advance by telephone.
6	The descriptive research method was used to conduct this study. A structured questionnaire was organized by self-designed questions for collecting demographic information of the respondents as primary data. Secondary data was collected from related books, previous studies, published articles, research papers and websites. For analyzing the impacts and relationship between variables SPSS 18.0 version was used.
7	The study has been conducted through analyzing the information and data from the secondary materials. The information has been collected from different research studies of Bangladesh Bank, Bangladesh Enterprise Institute (BEI), Centre for Policy Dialogue (CPD), International Finance Corporation (IFC), South Asia Enterprise Development Facility (SEDF), Ministry of Finance and Ministry of Planning of Government of Bangladesh.
8	The research design incorporates both qualitative and quantitative approaches. Two major phases of data collection are envisaged: Exploratory phase and Main phase. After exploratory phase research develop a questionnaire to distribute to the SME owners.
9	Qualitative data were gathered from the qualitative survey by questioning 100 SME consumers. The research process by Howard and Sharp (1983) was followed for this research which could be summarized as follows: Formation of research question, Reviewing of secondary data, Decide research approach, Collect information, Analyze data, Present findings.
10	A sample of 110 entrepreneur’ 50 Government officials in SME sector from MSEs located in Dhaka, Narayangonj, Khulna and Barisal were chosen for the sampling, especially from Dhaka and Narayanggonj for the purpose of this thesis. The questionnaires were distributed based on the sampling to ensure it is able to represent the sample population obtained from the BSCIC and SME foundation. Data collection was accomplished by E-mail and personal interviews with the selected groups. A total 160 sets of questionnaires were distributed among individual entrepreneurs and Government officials of MSE foundation.

Appendix IV

Complication of Conclusions

Article	Conclusions
1	The SME business in Bangladesh have a strong position in the to days competitive market. SME entrepreneurs are continuously upgrading themselves with a view to be competitive and to remain the best. There is critical need for putting in place a credit delivery system that evaluates the credit worthiness of borrowers, on a basis other than fixed asset ownership. The evaluation may require examining transaction records of the borrowers, assessing the value of movable assets etc. An effective SME finance policy will have to cover such enhanced cost of credit administration. Credit line also needs to be made available to non-bank institutions such as the NGOs. The financing scheme should also include special provisions for women entrepreneurs.
2	SME is crucial sector for Bangladesh. Bangladesh Bank has Small and Medium Enterprise (SME) Credit Policies & Programs. That identified lots sectors for SME financing. This study point out that bank and financial institutions does not concentrate on SME loan rather they concentrate on industrial loan. The recovery rate is very high for SME loan and economic contribution is also high. But this sector faces lots of challenges like high rate of interest, much complexity, and lack of formal sectors. By using this research stakeholders easily understand at present scenario and challenges of SME financing in Bangladesh.
3	Bangladesh is have proven capacity in overcoming many business challenges and winning the market if they are properly supported by the government and a conducive atmosphere required for it. Today's entrepreneurs are highly capable and have good exposure to the world. What they cannot do is solving problems that are beyond their capacity. The problem of arranging adequate finance and making it easily available to the entrepreneurs are the most important of those ones. Government should come forward to solve these problems with the highest priority. And, if the government can do so, the entrepreneurs will surely give their highest return for the nation.
4	Performance of SMEs in Bangladesh is significantly found below the level of international standard. Although government of Bangladesh has taken some initiative to ensure the growth of SME but those steps are not enough at all. But government shows its positive attitude towards this sector. Bangladesh government should continue to give more focuses on some areas, such as arrangement of finance, provide infrastructure facilities, frame appropriate legal framework, establish national quality policy etc.

5	Bangladeshi SMEs should ensure they have built a strong social network and good government relationship in order to ensure their business success. Business success is usually the outcome of the way of doing business and cooperation. Cooperation also may enable the small firm to improve its strategic position, focus on its core business, enter international markets, reduce transaction costs, learn new skills, and cope positively with rapid technological changes. Successful firms were likely to spend more time communicating with partners, customers, suppliers, employees. The proportion of SMEs led by an entrepreneurial team was high among successful SMEs and low among failed SMEs, so fostering the formation of entrepreneurial teams in starting up businesses is recommended. It is suggested that future researchers should increase the sample size and explore into agro-based SMEs.
6	Small-medium enterprises are important in influencing country's financial development, poverty alleviation, employment creation and speeding up of industrialization of the developing countries like Bangladesh. Thus; The Government of Bangladesh has highlighted the significance of SME in the Industrial Policy 2010 and taken a number of steps towards the expansion of SMEs. Now a day's most successful business organizations identify the bottom line influence of the emerging HR practices to lead the way on numerous strategic fronts-improvement of proper structure for creating a learning organization, effective deployment of human resources for maximum return to the company, and increasing the competencies of the workforce.
7	The Microfinance industry in Bangladesh has made a remarkable growth during the last decade with diversified products and services. Due to diversified products and services, some poor people have become very good entrepreneurs. The proper bridging between Microfinance and SME financing will ensure the sustainable growth of SME sector that will have positive impact on overall macroeconomic growth.
8	The main findings of the study have generated some important implications for alleviating or resolving various constraints facing SMEs, which may be a big challenge for Bangladesh. The findings also substantiate that there is no „SME-specific" policy in place in Bangladesh. In Bangladesh, high lending rate surfaced as the biggest constraint in the growth of SMEs. Regulatory constraints related to utility and labor comes in second position. It indicates that Policies should be consistent without surprises. Small firms in particular must be given an adequate moratorium" to let them adjust to new changes and that extra attention must be paid to safeguard SMEs against „bureaucratic discretions".
9	It is interesting to observe that the conditions for small industry development that we find today, being at the threshold of total globalization, are very much the same as observed several-decades ago. In both developed and under developed economies commercial banks play a very useful and dynamic role. Capital is the main factor of modern production and entrepreneurs are helpless without adequate funds. Banks should help them and mobilize the capital of the country for productive purposes

	responsible for economic development and government also should come forward to patronize the entrepreneurs.
10	The evaluation may require examining transaction records of the borrowers, assessing the value of movable assets etc. There will also be the need for enhanced post disbursement monitoring. An effective SME finance policy will have to cover such enhanced cost of credit administration. The financing scheme should also include special provisions for women entrepreneurs. The first step this regard is to make firm's filly aware of the competitive challenges they have to face. The next step is to help SMEs prepare to meet the challenge by understanding their strengths and weaknesses and providing the inputs they need to help them upgrade. The main inputs are finance, market information, training, infrastructure development, R&D, management tools, technology, skills and links with institutions for support services.