UTTARA UNIVERSITY

Project Report

On

"Prospects and Future of SMEs in Bangladesh"

Prepared For:

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Program: MBA For BBA

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Date of Submission: 30th August 2020

Letter of Transmittal

To

Sonia Rezina

Assistant professor
Department Of Business Administration

Uttara University

Dhaka, Bangladesh

Subject: Submission of Project report on "Prospects and Future of SMEs in Bangladesh".

Dear Mam,

With due respect I, beg to inform you that I am a student of MBA, 50th Batch & Department of DBA at Uttara University. I am very glad to submit you my project report prepared on "**Prospects and Future of SMEs in Bangladesh**".

I have given my best effort to prepare the project with relevant information that I have collected from internet & from other sources during my project report program from 1st July to 15th August 2020.

I pray and hope that the mistake of the project report may have, will be kindly excused. So I cordially request to you evaluating this project report & enough kind to receive this project report.

Sincerely yours

Faisal Al Mahmud

ID: 2193061041

Dept.: DBA, Uttara University

Student Declaration

I am Faisal Al Mahmud, hereby declare that the presented project report on “Prospects and Future of SMEs in Bangladesh”. Is uniquely prepared by me after the completion of two months’ work.

I also confirm that, the report is only prepared for my academic requirement not for any other purpose. It might not be used with the opposite party of the corporation.

…………..

Faisal Al Mahmud

ID: 2193061041

Major: Finance

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Batch: 50th

Department of business administration

Uttara University

Supervisors Declaration

Dear student,

I hereby declare that the project report is entitled “Prospects and Future of SMEs in Bangladesh” submitted to Uttara University in association with the institution’s project program is a trustworthy evidence of job done by “Faisal Al Mahmud” under my supervision at the Prospects and Future of SMEs in Bangladesh via internet from 1st July to 15th August 2020.

……………

Supervisor

Sonia Rezina

Assistant Professor

Dept. Of Business Administration

Acknowledgement

This project report is the result of the assistance and truthful from different website. I could not possibly thank all of those amazing web side, this website have contributed preparing this project report successfully. It gives me enormous thank of this website for their pleasant and support.

First of all, I would like to express my gratitude to the almighty Allah.

I would like to thank my course instructor Sonia Rezina Assistant Professor Dept. Of Business Administration for her important guidance, scholarly direction, and unconditional support during my tenure of the study.

Finally, my heartiest thanks goes to all the website and their various support as they give me their valuable information and help me to collect data about this project report.

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Chapter 1

Justification of the study

“Prospects and Future of SMEs in Bangladesh”

1.1 Reasons for conducting the study

SMALL and medium enterprises (SMEs) are treated as the engines of growth and drivers of innovation worldwide. They play a significant role in driving economic growth and generating jobs. In Bangladesh, the sector is actually changing the face of the economy. SMEs are playing a vital role for the country's accelerated industrialization and economic growth, employment generation and reducing poverty. SMEs now occupy an important position in the national economy. They account for about 45 percent of manufacturing value addition, about 80 percent of industrial employment, about 90 percent of total industrial units and about 25 percent of the labor force. Their total contribution to export earnings varies from 75 percent to 80 percent. The industrial sector makes up 31 percent of the country's gross domestic product (GDP), most of which is coming from SMEs. The total number of SMEs in Bangladesh is estimated to be 79,754 establishments. Of them, 93.6 percent are small and 6.4 percent are medium. The 2003 Private Sector Survey estimated that there are about 6 million micro, small and medium enterprises, with fewer than 100 employees. About 60 to 65 percent of all SMEs are located outside the metropolitan areas of Dhaka and Chittagong.

Considering the importance of industry sector for Bangladesh economy, the Industrial Policy 2019 was formulated. Some notable features of this policy are: (i) to increase production of industrial goods to meet the increasing demand in the internal market, (ii) to identify existing and probable impediments in creating export market and to solve these problems, (iii) to reduce dependence on import of industrial products and to increase availability and use of local raw materials with an aim to sustainable industrialization and diversifying manufacturing industrial products. This policy has given emphasis on strengthening the coordinated attempt of the public and private sectors to develop small and medium enterprises in the country.

Development of small and medium enterprises (SMEs) is envisaged as a key element in this development strategy. For achieving double digit growth in manufacturing, matching development of SMEs is considered critical. Enhanced micro, small and medium enterprise

1.2. Importance of the study

Development of small and medium enterprises (SMEs) is envisaged as a key element in this development strategy. For achieving double digit growth in manufacturing, matching development of SMEs is considered critical. Enhanced micro, small and medium enterprise activities in the rural and backward regions constitute a key component of the strategy for rural development and reduction of poverty and regional disparity. Small and medium enterprises (SMEs) is easy way to recovery your unemployment problem & poverty. As a students in future this study can help me for build small or medium business and that will help me to build contender of economy fighter for this nation.

Chapter 2

Objectives of the study

2.1. Objectives

2.1.1. Broad Objective:

The purpose of the study is to assess the current situation of SMEs in Bangladesh economy and evaluate the means to integrate the SMEs as a dynamic sector in the economy by overcoming the existing constraints and by articulating proper strategy for facilitating the development of the SME as a thrust sector to contribute effectively to the objective of growth.

2.1.2. Specific Objectives:

The specific objectives of the research study on SME are:

1. To identify the present scenario of SME sector in Bangladesh.
2. To get knowledge about SME.
3. To identify the problems of SME sector in Bangladesh and Recommend some suggestions to overcome those problems.
4. To scan the present situation of SME subsector in Bangladesh as source of employment, poverty alleviation and contribution to national economy.
5. To identify the challenges of SME sector in Bangladesh and Recommend few suggestions to overcome those problems.

2.2. Scope of the Study/Survey:

The Study Education purpose shall a Survey on SME across the country, its subsector, productivity and Sectorial Investment as well as future projection on behalf of SME . The findings and outputs will help the government for evidence based policy making.

The study investigation will cover the following issues:

- Identifying different types of resources produced in various parts of the country and assessing needs to develop small and medium scale enterprises based on comparative advantages of each area.

- Making use of SME clusters identified by SME foundation in different parts of the country and gathering facts about their operation, management manpower, HR development needs, marketing of products, promotional activities and sources of finance
- Identifying entrepreneurial potentials to develop SME based entrepreneurial capacity development of women. Collecting data on needs of women entrepreneurs. The study should adequately cover the trends in involvement of women entrepreneurs in development of SME sub-sector in Bangladesh.

- ICT based entrepreneurial development potentials among young women and men.
- Mobile phone utilization based Application systems to provide services in different day to day activities.
- Agro-processing based small and medium scale industries to produce food items for household consumption.
- Reviewing the existing sources of financing of SMEs and to find out ways for widening the financing sources.
- The SMEs develop on availability of resources and skills in different locations. The Project study purpose identify the areas of comparative advantage for development of SMEs.
- The firm should formulate a stepwise strategy for development of the SME sector of the country. The first step should relate to the consolidation of the naturally developed capabilities mainly serving the domestic market, the second step focuses on making the entry of SMEs into the export market easier and the third step emphasizes the enhancement of capacities to thrive into the global market.
- The research study should give special focus on enumerating women entrepreneurs engaged in manufacturing enterprises classified as SMEs.

Chapter-3

Method

3.1 Method of the Study

The Study purpose should state its understanding of the study in relevance to the objectives and scope of work. The Study purpose should propose its own designed study methodology which include total working plan, sampling plan, the development of tools and techniques, checklists and question guides (both quantitative and qualitative if necessary), data collection and quality control plans that would be representative of the project activities. The firm will develop a proper sampling design and follow with respect to sample size, allocation and selection of samples to conduct the study/survey. The instruments must be pre-tested in a representative sample of geographically diverse sites.

The research investigation should be conducted in all districts of the country determine the comparative advantage of one district over other and one Uttara over another within a Dhaka district. The research study will involve extensive review of literature and collection of quantitative as well as qualitative data.

3.2 Data Collection:

Different data and information are collected from various sources, such as primary and secondary which is given below-

Primary sources of data:

- Personal inspection
- Questionnaire/interview to Officers and clients.
- Work experience at different kind of people.

Secondary Sources of Data :

- Financial report of SMEs.
- Internet.
- Different Journals.

Data analysis: I have analyzed and shown the collected data into tables and charts. Compared and commented based on it.

Chapter-4

Discussion

“Prospects and future of SME in Bangladesh”

Objective -1 To scan the present situation of SME subsector in Bangladesh as source of employment, poverty alleviation and contribution to national economy.

4.1 Introduction

SMALL and medium enterprises (SMEs) are treated as the engines of growth and drivers of innovation worldwide. They play a significant role in driving economic growth and generating jobs.

In Bangladesh, the sector is actually changing the face of the economy. SMEs are playing a vital role for the country's accelerated industrialization and economic growth, employment generation and reducing poverty. SMEs now occupy an important position in the national economy. They account for about 45 percent of manufacturing value addition, about 80 percent of industrial employment, about 90 percent of total industrial units and about 25 percent of the labor force. Their total contribution to export earnings varies from 75 percent to 80 percent. The industrial sector makes up 31 percent of the country's gross domestic product (GDP), most of which is coming from SMEs. The total number of SMEs in Bangladesh is estimated to be 79,754 establishments. Of them, 93.6 percent are small and 6.4 percent are medium. The 2013 Private Sector Survey estimated that there are about 6 million micro, small and medium enterprises, with fewer than 100 employees. About 60 to 65 percent of all SMEs are located outside the metropolitan areas of Dhaka and Chittagong. The country's SME sector has created 25 lakh jobs between 2009 and June 2019. Now, private and foreign banks disburse half of all farm loans and a third of these are going to SMEs.

1. Potential of SMEs

Every year about 2 million young people join the country's workforce. Half of them find jobs at home or abroad. So, it has become a challenge to create more jobs so that the rest can be employed. SMEs can be an answer to the problem. The target of achieving double-digit growth hinges largely on the performance of the small and medium enterprises. In a labor surplus country like Bangladesh, SMEs can play a substantial role in providing the impetus to the development of the modern manufacturing sector and the job creation outside the agriculture and informal sectors. In Bangladesh, people exhibit lesser ability in processing capital and machinery. SMEs are labor intensive but relatively low capital intensive. For a developing country like Bangladesh, SMEs are a cost effective way towards the reduction of unemployment. Since Bangladesh has not yet displayed adequate performance in large-scale industries that are predominantly owned and operated by public bodies, the country can solve its unemployment situation by encouraging SMEs. Seasonal and disguised unemployment can also be solved to a substantial extent by SMEs. SME can reduce the urban migration in the capital and other major cities, increase cash flow in rural areas, and thereby enhance the standard of living of the rural people. SMEs are widely distributed all over the country which means developing SMEs will play a major role in bridging the urban-rural income gap and contribute towards inclusive growth. In a way, inclusive growth can only be achieved through a vibrant SME sector in a country like Bangladesh.

2. Constraints facing SMEs

Lack of capital support, modern technology, inability to market products and maintain product quality, lack of skilled technicians and workers, high bank interest rates, inadequate supply of gas and electricity, unavailability of appropriate infrastructure facility, inadequate policy reforms, law and order situation and frequent strikes are some of the key barriers the country's SMEs are facing. It is important to understand the operational strengths and weaknesses of the SME sector for pragmatic policy making and effective implementation of these policies. Central Bank's role The central bank has been at the forefront of SME development in Bangladesh. The government has rightly identified SMEs as the priority sector for transforming Bangladesh into a middle-income country. In line with government's thrust, BB has been instrumental in designing and implementing SME sector development initiatives as part of its development financing agenda. BB has shown the world that a central bank can successfully manage its traditional role of monetary authority while playing the complementary role of development driver. BB has already become the role model in SME financing in the international arena within a span of only five years. Its initiatives are being studied by other central banks of the world. The central bank is regularly receiving delegates from other central banks who are looking at the country's success stories. In the past, a very insignificant amount of loans went to the SME sector although promises were aplenty. Ever since assuming office as the 10th central bank governor in 2009, Atiur Rahman has been spearheading SMEs financing in the country. Rahman's passion for SMEs earned him the nickname 'SME Governor'. Due to banks' serious involvement in agriculture and SMEs, domestic demand has gone up significantly, helping the country avoid the onslaught of global financial crisis. Bangladesh Bank has not only opened a new department for promoting SME financing, but has made it mandatory for all banks to open a separate department for SME clients. The banks have responded positively. Some even opened SME branches. The central bank has launched target-based credit activities for banks. Between 2010 and 2013, about 18.35 lakh SMEs got loans to the tune of BDT 262,340 core. Loans of nearly BDT 100,000 core are going to SMEs every year. BB has launched a number of refinancing schemes involving BDT 2,100 core from its own fund as well as funds from development partners. The central bank is also promoting cluster-based SME credit programmers to tap the regional economic potential. Among the clusters, there is sewing and handicraft in Jamalpur; handicraft, flower farming and processing industries in Jessore; handloom in Moulvibazar; handloom, cane and bamboo craft in Sylhet; handloom in Tangail; light engineering in Bogra; garments in Syedpur; khadi in Comilla and Chandpur; and jamdani in Narayanganj. Uniquely, SMEs are also geographically widely distributed. So they offer a good prospect for geographic diversification of the economy. In this sense, SMEs are an important driver of inclusive growth as well. Conclusion The country needs to encourage the adoption of modern technology in SMEs so that their products can compete with those of the competitors. Banks and non-banking financial institutions need to have a tailored and explicit strategy for SME banking in order to build a solid banking policy to facilitate sound growth and profitability in SME banking, as well as to have better credit evaluation mechanisms, product design, marketing skills, and knowledge of customer and product profitability. For smooth and sustainable development of SMEs all over the country, more emphasis should be given to develop SMEs at district and upazila levels to arrest the rising flow of population to cities. Regionalism in Asia led by global value chains (GVCs) and free trade agreements has increasingly put the spotlight on SMEs. Now more than ever, SMEs in Asia have the opportunity to engage in international trade given the falling barriers to trade and fragmentation of production whereby the manufacturing of final goods is spread over firms located in several countries, each one undertaking an individual task of the overall process. Firms no longer need to have the expertise to export to a modern market; instead, they can simply support the value chain as suppliers of intermediate inputs in the form of parts and components, and act as subcontractors several levels below the ultimate buyer. Increased internationalization through trade and participation in GVCs provides SMEs in Asia the opportunity to achieve economies of scale, expand market share, and increase productivity. SMEs in Bangladesh should see whether they could be part of this new phenomenon. It is worth noting that SMEs that invest in technology and those with high labor productivity are more likely to be part of the GVC. Bangladesh needs to maximize the benefits derived from the SME sector, as this sector plays a pivotal role in promoting and sustaining the industrial as well as overall economic growth. (Ahmed, M.U., Mannan, M.A., Razzaque, A., and Sinha, A. 2004).

4.2 SME (Small and Medium Enterprises)

SME business is a non-public limited companies but a business for self-employment or for social welfare.

According to the latest circular of BANGLADESH BANK (Date – 26/05/2008), the

Definition of Small & Medium Enterprise sector is given below:

Small Enterprises – Small enterprises refer to those enterprises which are not any Public

Limited Companies and which fulfill the following criteria-

1. Service Concern– Having an investment of Tk. 50,000 to Tk. 50, 00,000 excluding land & Building and / or employing up to 25 workers.

2. Business Concern – Having an investment of Tk. 50,000 to Tk. 50, 00,000 excluding land & building and / or employing up to 25 workers.

3. Manufacturing Concern – Having an investment of Tk. 50,000 to Tk. 1,50,00,000

Excluding land & building and / or employing up to 50 workers.

Medium Enterprises – Medium enterprises refer to those enterprises which are not any

Public Limited Companies and which fulfill the following criteria-

1.Service Concern– Having an investment of Tk. 50,00,000 to Tk. 10,00,00,000 excluding land & building and / or employing up to 50 workers.

2.Business Concern – Having an investment of Tk. 50,00,000 to Tk. 10,00,00,000 excluding land & building and / or employing up to 50 workers.

3. Manufacturing Concern – Having an investment of Tk. 1,50,00,000 to Tk. 20,00,00,000 excluding land & building and / or employing up to 150 workers.

4.3 SME Development in Bangladesh and Constraints faced by SMEs:

The Government is committed to develop SME as one of the main pillars of economic growth to achieve the goal of becoming a middle income country by 2021. The primary role of the Government has been delineated as that of a facilitator to aid naturally growing SMEs through removing market and policy obstacles, and secondly providing necessary promotional support. The SME Foundation was created under the Ministry of Industries as an apex institution for SME development in the country through a gazette in 2007. The major activities of the Foundation include (i) implementation of SME Policy Strategies adopted by the Bangladesh Government, (ii) policy advocacy and intervention for the growth of SMEs, (iii) facilitating financial supports for SMEs, providing skill development and capacity building training, (iv) facilitating adaptation with appropriate technologies and access to ICT, and (v) providing business support services, etc. The Foundation is intended to work as a one-stop service delivery window for SMEs.

4.3.1 Policy Issues

Trade Policy:

- Import tariffs have been lowered and quantitative restrictions virtually eliminated.
- All these have facilitated greater access of domestic producers to import raw materials.

- However, import liberalization has also exposed domestic producers to competition from foreign goods.
- To ensure a level playing field and to enable domestic SMEs to compete effectively with imports, the following policy concerns need to be addressed.

Prior Announcement of Policy Changes:

To enable domestic producers, particularly the SMEs, to prepare themselves to face external competition the government should makes prior.

Announcements of its impending trade policy changes, particularly with respect to tariff schedules, investors will be aware of the degree of competition they will be facing with the changes and will make adjustments in their investment and production plans accordingly.

Tariff Rationalization: To encourage domestic production, there should be adequate gap

Between duty on raw materials and duty on finished products.

Appropriate Tariff Valuation: To avert the problem of under-invoicing, a system of tariff value has been put in place for certain categories of imports.

4.3.2 Fiscal Policy

Value Added Tax: The main components of indirect tax in Bangladesh are Value Added Tax

(VAT), Supplementary Duty and Excise Duty. VAT is imposed on producer, manufacturer, importer, exporter or service renderer under the Value Added Tax Act,1991, on goods or specified services, at the rate of 15% at every stage of transfer and supplementary duty is imposed at variable rates on certain categories of consumption goods across all size categories. Finally, excise duty applies to a limited number of items irrespective of size classification.

Tax Holiday: The tax holiday, however, is not available to sole proprietorship enterprises which are the usual form of small and cottage industries in Bangladesh.

Wealth Tax: Wealth tax is payable by an individual if his net wealth exceeds Taka 2.5 million. As per existing law, no wealth tax is payable by a company, the usual legal form of a large industry. On the other hand, the legal form of small industries is usually sole proprietorship, and hence these enterprises have to pay wealth tax on their business capital. Thus, fiscal policy in Bangladesh is not particularly tailored to provide support to SMEs, which is pointed out by most SME entrepreneurs as a critical policy constraint hindering SME growth.

4.3.3 Legal, Regulatory, and Administrative Constraints

Trade License: Investors are required to procure trade license from local government bodies by paying statutory fees. The process involves unnecessary delays, harassment and side payments.

Registration under Factories Act: According to the Factories Act 1965, all manufacturing units employing 10 or more workers are required to be registered with the office of the Chief Inspector of Factories and Establishments. In practice, the regulation has proved to be a major source of delay, harassment and unofficial payments for the investors particularly for those in the SME sub-sector as the existing regulations do not differentiate between different size categories with respect to safety and working conditions requirements.

Registration with Sponsoring Agency: Registration with sponsoring agencies such as the

Bangladesh Small and Cottage Industries Corporation (BSCIC), Board of Investment (BOI) or Bangladesh Export Processing Zone Authority (BEPZA) is voluntary unless an enterprise wants to avail itself of government incentives.

4.3.4 Financial Constraints

Access to Finance: SMEs encounter great difficulties while raising fixed and working capital because of the reluctance of banks to provide loans to SMEs. According to eminent economist 'Professor Wahiduddin Mahmud'- " Despite exponential growth of non-firm activities in rural economy, there is still a problem of scaling up SMEs due to the lack of finance and there is missing middle both in credit market and in case of size of business or industrial units which is the are the main strength of the economy. "Financial Express, Oct.13, 2017. One of the main factors that have hampered flow of institutional finance into small and medium enterprises is banks' pre-occupation with collateral based lending.

Project Preparation and Evaluation: The first problem entrepreneur's face in seeking institutional finance is with regard to preparation of the project proposal which is lengthy and cumbersome. The entrepreneur often lacks the ability to formulate a proper project proposal and the financial institutions themselves lack adequate capability for proper project evaluation.

Collateral Requirements: One of the main factors that have hampered flow of institutional finance into SMEs is banks' pre-occupation with collateral based lending. Traditionally banks have used fixed asset ownership, particularly land ownership as the basis for judging credit-worthiness. This puts SMEs at a relative disadvantage, as large entrepreneurs are often able to get around the problem because of their influence and contacts by putting up collateral of dubious valuation.

Bureaucracy and Corruption: Because of lack of proper autonomy and accountability the public sector financial institutions are beset with inflexibility, inefficiency, political interventions and corruption. The studies reviewed reveal that SMEs have received disproportionately smaller support from the government in terms of policy or fiscal incentives. SMEs, as a group, are weak in echoing their needs and demands.

Lack of freehold land: A stumbling difficulty faced by investors in setting up new enterprises is paucity of freehold land. The existing system of maintaining records of land transactions is highly deficient and it becomes extremely difficult to ascertain the legal status of any land.

Human resource development: Deficient entrepreneurial, managerial and technical skill is a major supply-side bottleneck in Bangladesh that has constrained growth and diversification of the industrial base in general and the SME and export sector in particular. (Ahmed, M.U Mannan, M.A., Razzaque, A., and Sinha, A. 2004).

4.4 General SME Guidelines by Bangladesh Bank

Bangladeshi SME sector is guided by general SME Guideline of Bangladesh Bank.

Guidelines are as follows-

- Each bank/financial institution shall follow a separate business strategy in financing SME loan with least formalities in executing documentation to ensure easy and speedy loan sanction and disbursement process.
- Following the 'Area Approach Method' banks/financial institutions will try to attain their indicative targets separately by dividing it as branch wise, region wise & sector wise.
- Priority shall be given to small entrepreneurs and for small entrepreneurs credit limit will be ranged from Tk. 50,000 (Fifty thousand) to Tk.50,00,000 (Fifty lac).
- For more participation of women entrepreneurs, 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.
- Each bank and financial institution shall establish a separate Entrepreneurs' Dedicated Desk' and Training programs shall be arranged for the entrepreneurs.
- 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% interests. (Alam, M.S., and Ullah, M.A. 2006).

4.5 Elements of a Strategy for SME Development

This is a three-step strategy to be played to develop the SME sector of the country.

- The first step relates to the consolidation of the naturally developed capabilities mainly serving the domestic market.
- The second step relates the facilitation of their entry into the export market.
- The third step relates to the enhancement of capacities to thrive into the global market.

The SME policy 2005 identified 11 booster sectors for providing support through SME foundations.

They include:

- Electronics and electrical products,
- Light engineering and metal-working,
- Agro-processing,
- Plastics and other synthetics,
- Leather goods, and
- Fashion-rich personal effects, wear and consumption goods.

4.6 Initiatives to facilitate the SME growth in Bangladesh:

With the establishment of the SME foundation, the overall support structure for SME development in Bangladesh became a multi-institution approach. Each of them works in some specific areas although with some overlaps.

4.6.1 Ministry of Industry

In formulating the industrial policy of the country, the Ministry of Industry duly emphasized on the development of the SME in country. National Industrial Policy- 2010 is about promoting small, medium, micro and cottage industries. A SME cell has been instituted within the Ministry with the objective of providing to the SMEs the necessary promotional support of various kinds like the following:

(a) It will accentuate and sustain SME activities through motivation, loan allocation and training of the entrepreneurs.

(b) The ministry will take necessary steps will be taken to provide women entrepreneurs with pre-investment advice and assistance in drawing up and implementing projects.

(d) The ministry will work with other ministries like ministry of finance so that SME development strategies shall be embedded in other public policies like the Medium Term Budgetary Framework (MTBF).

(e) The ministry will help implement dispute settlement procedures that proactively shield small enterprises especially from high legal costs and insidious harassment, if any.

(f) The ministry will take innovative measures to create avenues of mobilizing debt without collaterals in order to assist small enterprises in dealing with their pervasive lack of access to finance.

4.6.2 BSCIC

The Small and Cottage Industries Training Institute (SCITI) was set up in 1985 under BSCIC to support the entrepreneurs in SME sector and their employees in the development of their entrepreneurial & managerial skill and arranges credit facilities under credit programs such as

(a) self-employment through small & cottage industries, and

(b) United Nations Capital Development Fund (UNCDF).

4.6.3 SME Foundation

The SME Foundation became functional with 24 staffs in 2008 following government gazette dated August 7, 2007. The number of staffs is now about 60. The Foundation is capitalized by the government of Bangladesh with a total endowment of Tk. 2 billion. The interest earning on this endowment fund is the sole source of finance for different activities undertaken by the Foundation. The Foundation works through different wings which are described below.

- Policy advocacy wing
- Credit wholesaling wing
- Capacity Building & Skill Development
- Access to Technology and Access to Information

- Women Entrepreneurship Development
- Business Support Service

Different credit wholesaling (refinancing schemes) initiatives undertaken by Bangladesh Bank are as follows:

Refinance for Small Enterprises:

46 banks and non-bank financial Institutions have signed a participation agreement with Bangladesh Bank for financing the SME sector under following schemes:

- Bangladesh Bank Fund (BB Fund)
- Enterprise Growth and Bank Modernization Program (EGBMP) Fund
- ADB Fund-1 and ADB Fund-2
- JICA Two Step Loan
- Refinance Scheme for Agro-based Product Processing Industries
- Refinance to Women Entrepreneurs
- Refinance Fund for New Entrepreneurs under Cottage, Micro and Small. (Alam, M.S., and Ullah, M.A. 2006).

Chapter -5

Future Forward

It is important to understand the operational strengths and weaknesses of the SME sector for pragmatic policy making and effective implementation of such policies. Given an excessive heterogeneity and almost a bewildering diversity in the type, composition and characteristics of the members of the SME facilities it is exceedingly difficult to have any precise diagnosis of their operational constraints. Over the years many studies have been carried out to identity the operational bottlenecks encountered by the SME entrepreneurs.

During my study and investigation on SME sector I didn't find sustainable answer on these following question.

1. In SME sector there is lack of modern technology and which action should be valuable for this lacking's?
2. How to manage adequate investments?
3. How we will get regular and adequate power supply.
4. In Bangladesh there is high interest on bank loan, is it possible to cope up with bank interest by doing SME business.
5. Is their available of raw materials
6. What are those govt. support on SME sector which give us extra facilities on SME Business.

These are very commonly perceived and also perhaps generally encountered difficulties of operation of the SMEs. However, a close scrutiny and careful interpretation tends to reveal that lack of institutional credit, non-availability of working capital, low levels of technology, low productivity, and lack of marketing facilities and market access problems are the major bottlenecks to SME growth in Bangladesh. In the recent years, domestic law and order conditions, unreliable power supply and stiff competition both in domestic and international markets seem to have been the added dimensions to the SME operational bottlenecks. However, systematic and in-depth studies based on sufficiently large samples are needed to precisely identify the operational woes of the different categories of the SMEs.

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APPENDICES

Appendix I

Introducing Consulted Articles

Sl	Article Title	Author(s)	Journal Name	Volume & Issue	Year	Publisher
1	SMEs in Bangladesh and Their Financing	Alam, M.S., and Ullah, M.A	The Cost and Management	Vol. 34, No.3	2006	The Cost and Management
2	SMEs in Bangladesh and Their Financing	Alam, M.S. and Ullah, M.A	The Cost and Management	Vol. 34(3), 57-72	2006	The Cost and Management
3	Globalization and competitiveness of Bangladesh's Small scale Industries	Ahmed, M. U.	Bangladesh facing the Challenges of Globalization	IRBD. pp, 2	2001	CPD/UPL published
4	Performance evaluation of SMEs of Bangladesh	Ahmed, K., &Chowdhury, T. A.		4(7), p126.	2009	International journal of Business and Management
5	The Small and Medium Enterprises (SME) in Bangladesh	Ahmed, M. U., & CHANCELLOR	An Overview of the Current Status	V. (4(7), p126	2006	State University of Bangladesh
6	The small and medium enterprises (SME) in Bangladesh	Ahmed, M. U., & CHANCELLOR	An overview of the current status		1999	State University of Bangladesh
7	Bridging the Gap between Microfinance and SME Financing in Bangladesh: Unlocking the Potentials	Rashed Al Hasan* K.M. Zahidul Islam	Journal of Business & Economics	3.1	2008	Academia.edu
8	Financial Distress in Small and Medium Enterprises (SMES) of Bangladesh: Determinants and Remedial Measures	Mohammad Saleh JAHUR, S. M. Nasrul QUADIR	Economic, Seria Management	15(1) 46-61	2012	Academia.edu
9	Performance evaluation of SMEs of Bangladesh	Ahmed, K., &Chowdhury, T. A.		4(7), 126-133	2009	International journal of Business and Management
10	Problems and prospects of SME financing in Bangladesh	Chowdhury, M. S. A., Azam, M. K. G., & Islam, S.		2(2), 109-116	2013	Asian Business Review

Appendix II

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

Article	Objectives/ Purposes/ Questions/Hypotheses
1	The survival strategies put in place by the Bangladeshi government has not been effective in solving the financial problem of Small and Medium Industries in Bangladesh.
2	The survival strategies put in place by the Bangladeshi government has been effective in solving the financial problem of Small and Medium Industries in Bangladesh.
3	There is no significant relationship between Small and Medium Industries and the growth in the Bangladeshi economy.
4	There is significant relationship between Small and Medium Industries and the growth in the Bangladeshi economy.
5	There is no significant relationship between the past efforts by the government to revamp SME and its performance in Bangladesh.
6	There is a significant relationship between the past efforts by the government to revamp SME and its performance in Bangladesh.

Appendix III

Complications of Methods

Article	Methods
1	This article following the mixed method formula because it has observation, data analysis, Volatility analysis, Correlation analysis and some tables.
2	This article has many models, experiments, tables etc. which indicates that it is following the survey method.
3	This article has been done based on different articles and research on internet.
4	This article have Data from reliable and authentic sources used as reference to forecast the trends of growth of SMEs for future.
5	It has mention the forecasting method to be used to forecast the situation of SMEs in Bangladesh for the years from 2018 to 2030.
6	The article is following the internet based because it has so many data and some models, scenarios to show the overall research matter.
7	Here Investigate the operation and maintenance issues of SMEs of various types. Prepare data collection instruments, training investigators, data analysis etc.

Appendix IV

Complications of Conclusions

Article	Conclusions
1	The economic arguments for SMEs should be more broad-based and include and emphasize the various special merits intrinsic and specific to their smallness per se.
2	An uniform set of definitions should be designed and used by all pertinent agencies (i.e. BBS, Ministry of Industries/ BSCIC, Planning Commission and NBR) with respect to classification of enterprises by size. In this context, a well-thought-out decision is needed to ascertain whether "SME" is the correct term to identify 'Small', 'Cottage' and 'micro' industries in Bangladesh
3	A sufficiently large sample survey should be carried out to generate a bench mark national level data base both for accurate estimation of the SME contributions to the national economy and for formulation of comprehensive policies for the sector.
4	Within the SME sector, the fast growing sub-sectors exhibiting greater dynamism and prospects for sustained future growth should be declared as 'thrust sector' and supported by adequate incentives on a priority basis.
5	The scarcity of raw materials hinder the ability of SME to be exported and limited its ability to reach more advanced stages of international business.
6	Many SMEs have failed to adopt modern technology Handling operation of the business becomes difficult It cannot be imagined now Without the proper use of modern technology, we will lag behind
7	In the modern day economy, managerial skills for undertaking planning, marketing, and cash-flow management are vital for an industry, small or large SME entrepreneurs in Bangladesh are very much lacking in managerial skills and are not used to strategic planning. It is natural that they are unable to survive market failures.