

**A COMPARATIVE STUDY OF SMALL AND MEDIUM
ENTERPRISE (SME) BANKING SERVICES IN
BANGLADESH AND CANADA**

DOCTOR OF PHILOSOPHY IN MARKETING



Md. Tabarak Hossain Bhuiyan

Department of Marketing
Faculty of Business Studies
University of Dhaka
Dhaka, Bangladesh

DHAKA, BANGLADESH
APRIL, 2018

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A thesis submitted for the Degree of Doctor of Philosophy in the
Department of Marketing at University of Dhaka, Bangladesh

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APRIL, 2018

DECLARATION

A COMPARATIVE STUDY OF SMALL AND MEDIUM ENTERPRISE (SME) BANKING SERVICES IN BANGLADESH AND CANADA

I would like to declare that the work presented in this thesis is original and has not been submitted to any other University or Institution for the award of any degree or diploma. I confirm that I have acknowledged all main sources of other works.

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DEDICATED

TO

*My respectful and beloved father late Md. Abul Hossain Bhuiyan. May
the almighty Allah, the most merciful and beneficent, rest the departed
soul of my father in Jannat.*

Acknowledgement

I, with deep gratitude and profound respect, acknowledge the dedicated contribution of my honorable supervisor Professor Haripada Bhattacharjee, PhD, and co-supervisor Professor Samir Kumar Sheel, PhD. They extended extensive cooperation, effective guidance, constructive criticism and necessary advices that helped successful completion of my research work. I am also indebted to Professor Md. Mizanur Rahman, PhD who provided me with additional guidance which has been immensely helpful for conducting my research and completing the thesis.

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Dhaka

Md. Tabarak Hossain Bhuiyan

April, 2018

Abstract

Economy is the key feature to measure the country's position or condition in terms of its progress and prosperity. The economy of a country is dominated significantly by its own Small and Medium-sized Enterprises (SMEs) in almost all the developed and developing countries around the world. SMEs covered more than 95 percent of enterprises across the world, accounting for around 60 percent of private sector employment. On the basis of economic structure of the countries, the SMEs contribute around 50 percent of global gross value added and from 16 percent to around 80 percent of gross domestic product (GDP). Increasing their funding efficiency and service provided by the banks or financial institutions offer considerable value for SMEs themselves as well as economies.

Worldwide the SMEs are considered as accelerated tools for economic growth. In the European Union, SMEs employ almost 90 million people, generate about 1.1 million new jobs per year and contribute almost 30 percent of GDP, worth USD 5.5 trillion.

SMEs also drive revolution. They carry out nearly more than half of R&D in some OECD countries. Great deals of R&D activities are concentrated in the services sector and Canada's activity in non-technological advance is reflected in the trademark data. SMEs also play a vital role in R&D.

This study focuses on the association and variability of small and medium sized enterprises (SMEs) in terms of deferent parameters between two countries Bangladesh and Canada. Specifically, it examines the impact of banking services on SMEs

between two deferent economies. It looks at the financial enabling environment for SMEs and provides conclusions and recommendations for change.

To improve the precision of the judgments in this research, methodological triangulation strategy, which mixes both qualitative and quantitative approaches, was employed. At the same time, data-source triangulation was applied to decrease the effect of potential biases.

The study is divided into six (06) distinct chapters. First chapter contains the economic status of the countries, SME definition and SME development policies. In second chapter, methodology of the study is explained. Literature review is placed in the third chapter. Fourth chapter explains the role of SME, problems of SME and eligibility criteria for SME loan in Bangladesh and Canada. Chapter five is the core chapter in our study. Fifth chapter is divided into two parts (Part-1 and Part-2) for two countries. Part-1 contains the deferent numerical analysis for Bangladesh and part-2 contains the numerical analysis for Canada. Discussion and conclusion are placed in the last chapter.

Keywords

Small and Medium Enterprises, Women Entrepreneur, Canadian Economy, Bangladesh Economy, Banking Performance on SME, SME Development.

Abbreviation

Abbreviation	Details
ADB	Asian Development Bank
APEC	Asia-Pacific Economic Cooperation
BASC	Business Advisory Services Centre
BASIC	Bangladesh Small Industries and Commerce Bank Limited
BAWSME	Bangladesh Association of Women in SME
BBS	Bangladesh Bureau of Statistics
BEA	Bangladesh Employers' Association
BHB	Bangladesh Handloom Board
BITAC	Bangladesh Technical Assistance Centre
BMDC	Bangladesh Management Development Centre
BMET	Bureau of Manpower, Employment and Training
BRAC	Bangladesh Rural Advancement Committee
BRDB	Bangladesh Rural Development Board
BSCIC	Bangladesh Small and Cottage Industries Corporation
BWCCCI	Bangladesh Women Chamber of Commerce and Industry
CALA program	Canadian Agricultural Loans Act program
CMSME	Cottage, Micro, Small and Medium Entrepreneur
CSBFP	Canada Small Business Financing Program
DYD	Department of Youth Development
DWA	Directorate for Women's Affairs
EPB	Export Promotion Bureau
FDI	Foreign Direct Investment

GDP	Gross Domestic Product
GK	Gonoshasthaya Kendra
HDI	Human Development Index
IMC	Integrated Marketing Communication
IMF	International Monetary Fund
ISED	Innovation, Science and Economic Development Canada
JMS	Jatiya Mohila Sangstha
MDG	Millennium Development Goal
MFI	Microfinance Institutions
MIDAS	Micro-Industries Development Assistance and Services
MRA	Microcredit Regulatory Authority
NAP	National Action Plan
NASCIB	National Association of Small and Cottage Industries of Bangladesh
NBFI	Non Bank Financial Institutions
NGO	Non Government Organization
OECD	Organization for Economic Co-operation and Development
PDB	Power Development Board
REB	Rural Electrification Board
RMG	Readymade Garment
ROA	Return on Asset
ROE	Return on Equity
SFGSME	Survey on Financing and Growth of Small and Medium Enterprises
SME	Small and Medium Entrepreneur

SMEF	SME Foundation
SMI	Survey of Manufacturing Industries
SPSS	Statistical Package for the Social Sciences
TGTD	Titas Gas Transmission and Distribution
TIN	Taxpayer identification certificate
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VAT	Value Added Tax
WASA	Water and Sewerage Authority
WEA	Women Entrepreneur Association of Bangladesh
WEDP	Women Entrepreneurship Development Programme

Table of Contents

Declaration.....	i
Dedication.....	ii
Acknowledgement.....	iii
Abstract.....	iv
Keywords.....	v
List of Abbreviation.....	vi
List of Table.....	xvii
List of Figure.....	xviii

Chapter One: Introduction 01-29

1 Introduction.....	01
1.1 A synopsis of Economic Status of Bangladesh.....	01
1.2 An Overview of the Canadian Economy.....	04
1.3 Overview of Small and Medium Enterprises.....	09
1.4 Definition of SME.....	11
1.4.1 Bangladesh.....	11
1.4.1.1 Definition of Small Enterprise.....	11
1.4.1.2 Definition of Medium Enterprise.....	12
1.4.2 India.....	13
1.4.3 European Union.....	15

1.4.4	Canada.....	16
1.5	Structural Definition of SME.....	17
1.6	Background of SME.....	18
1.7	SME Development Policies.....	20
1.7.1	Bangladesh.....	20
1.7.2	Canada.....	22
1.8	Rationale of the Study.....	25
1.9	Objectives of the Study.....	29

Chapter Two: Methodology of the Study 30- 33

2	Introduction.....	30
2.1	Rationale of the Research Method.....	30
2.2	Population.....	32
2.3	Sources of Data.....	32
2.4	Data Analysis Techniques.....	32
2.5	Limitations of the Study.....	33
2.6	Chapter Plan.....	33

Chapter Three: Literature Review 34-62

3	Introduction.....	34
3.1	Literature Review.....	34
3.2	Features of CSBFP.....	48
3.2.1	Eligibility of the Borrower.....	48
3.2.2	Ratio for Loss-Sharing.....	48
3.2.3	Eligible Expenses.....	48
3.2.4	Maximum Financing Coverage.....	49
3.3	Lending Trends of CSBFP	49
3.3.1	Services and Retail Trade for Food and Accommodation	50
3.3.2	Size of the Loan	50
3.3.3	Requesting for External Financing.....	50
3.3.4	Loan Volume.....	50
3.3.5	Claims.....	51

Chapter Four: Theoretical Framework of the Study 63-85

4	Introduction.....	63
4.1	Importance of SME in Bangladesh.....	63
4.2	Role of MSMEs Financing on the Economic Development of Bangladesh.....	64
4.3	SME for Bangladesh and Worldwide.....	67

4.4	Problems of SME Sector in Bangladesh.....	72
4.5	Problems Confronted by SMEs in Canada.....	76
4.6	Eligibility for SME Loan in Canada.....	77
4.6.1	Loan Conditions.....	77
4.6.2	Criteria for Eligibility.....	77
4.7	Key Requirements Checklist for Loan Approval in Canada.....	78
4.8	Key Requirements Checklist for Loan Approval in Bangladesh.....	81
4.8.1	Essential Papers.....	81
4.8.2	Other Papers (depending on type and size of business).....	82
4.8.3	Capital Requirement for SME Loans.....	83

Chapter Five (1): Analysis and Discussion, Bangladesh Perspective 86-123

5.1	Introduction.....	86
5.1.1	Content.....	86
5.1.2	SME Representation.....	87
5.1.3	Sales Growth.....	89
5.1.4	Advance Growth by Size of Business.....	91
5.1.5	Regression Analysis for Bangladesh.....	95
5.1.6	Disbursement of Micro Credit through MFIs-NGOs in Bangladesh..	97
5.1.7	Role towards Economic Development through SME Financing.....	100
5.1.8	Regulatory Thrust for MSME: Key Policy Incentives.....	101

5.1.9	Women Entrepreneurs in Bangladesh.....	101
5.1.9.1	Information of Women Entrepreneurs.....	103
5.1.9.2	Business Performance.....	104
5.1.9.3	The Role of Banks in Promoting WE.....	105
5.1.9.4	Obstacles to Doing Business.....	106
5.1.9.5	Special Schemes for Women Entrepreneurs.....	107
5.1.9.6	Loan Amount.....	107
5.1.9.7	Loan Types.....	107
5.1.9.8	Loan Size.....	108
5.1.9.9	Tenure of Loan.....	108
5.1.9.10	Contribution of Women entrepreneurs in Bangladesh...	109
5.1.9.11	Limitations and Confronts.....	111
5.1.9.12	Support Services.....	116
5.1.9.13	Programmes and Policies	117
5.1.9.14	Various Institutions.....	118
5.1.9.15	Policy Recommendation.....	119
5.1.9.16	Economic Policies and Plans.....	119
5.1.9.17	Monitoring and Support Services.....	120
5.1.10	Conclusion.....	122

Chapter Five (2): Analysis and Discussion, Canada Perspective 124-166

5.2 Introduction.....	124
5.2.1 Overview.....	124
5.2.2 Content.....	125
5.2.3 SME Representation.....	125
5.2.4 Sales Growth.....	127
5.2.4.1 Sales Growth by Size of Business.....	127
5.2.4.2 Sector Wise Sales Growth.....	130
5.2.5 Profitability.....	133
5.2.5.1 Net Profits on the Basis of Business Size.....	133
5.2.5.2 Sector Wise Net Profit.....	135
5.2.5.3 Net Profit Margins on the Basis of Business Size.....	138
5.2.5.4 Sector Wise Net Profit Margins.....	139
5.2.6 Efficiency.....	141
5.2.6.1 Efficiency on the Basis of Business Size.....	141
5.2.6.2 Sector Wise Efficiency.....	143
5.2.7 Capital Utilization.....	145
5.2.7.1 ROA and ROE on the Basis of Business Size.....	145
5.2.7.2 Sector Wise ROA and ROE.....	148
5.2.7.3 Sharpe Ratios on the Basis of Business Size and Sector....	151

5.2.8	Financial Strength.....	153
5.2.8.1	Debt-to-Equity and Debt Repayment Ratio of BS.....	154
5.2.8.2	Sector Wise Debt-to-Equity and Debt Repayment Ratio....	155
5.2.9	Regression Analysis for Canada.....	157
5.2.10	Conclusion.....	158
5.2.11	Women Entrepreneurs in Canada.....	160
5.2.11.1	Statistics on Canadian Women Entrepreneurs.....	160
5.2.11.2	Small Business Statistics for Canada.....	164
5.2.11.3	Status of Women Entrepreneurs of Canada.....	164
5.2.11.4	Summary of Canadian Women in Business.....	166

Chapter Six: Findings and Conclusions 167-176

6	Findings and Conclusions.....	167
6.1	Potentials of MSMEs in Bangladesh.....	167
6.2	Challenges for MSME Financing in Bangladesh.....	168
6.3	Role towards Economic Development through Micro Financing in Bangladesh.....	169
6.3.1	Poverty Reduction.....	169
6.3.1.1	Change in Income.....	169
6.3.1.2	Change in Firm and Household Assets.....	170
6.3.1.3	Change in Standard of Living.....	170

6.3.1.4	Change in Proverty Situation.....	170
6.3.2	Promoting Education.....	170
6.3.3	Creation of Awarness.....	171
6.3.4	Women Empowrment.....	171
6.4	Discusion.....	171
6.5	Limitations and Future Research.....	175

References 177-184

7	References.....	177
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List of Table

Table Heading	Page No.
Table 01: Category of Small Enterprise.....	12
Table 02: Category of Medium Enterprise.....	12
Table 03: SME Category According to EU.....	15
Table 04: Summary of BB Risk weighted Asset for CMSME and Large Financing.....	84
Table 05: Summary of BB Loan Provision Incentive towards CMSME Banking.....	84
Table 06: Regression Model Summary for Bangladesh.....	95
Table 07: Regression Coefficient with 95 percent Confidence Interval and Significance Level for Bangladesh.....	95
Table 08: Disbursement of Micro Credit through MFIs-NGOs.....	98
Table 09: Outstanding of Micro Credit.....	98
Table 10: Source of Loan Fund of MFIs.....	98
Table 11: List of SME Revenue Growth Rates by Sector.....	131
Table 12: Average Profit Growth Rate, Standard Deviation of Profit Growth, and Coefficient of Variation by Business Size.....	135
Table 13: Profit Growth Rates of SMEs by Sector (percentage).....	137
Table 14: Net Profit Margin of SMEs by Sector (percentage).....	140
Table 15: Asset Turnover Ratio of SMEs by Sector.....	144
Table 16: Yearly ROA and ROE for SMEs by Sector.....	149
Table 17: Debt-to-Equity Ratio and Debt Repayment Ratio of SMEs by Sector.....	156
Table 18: Regression Model Summary for Canada.....	157
Table 19: Regression Coefficient with 95 percent Confidence Interval and Significance Level for Canada.....	157

List of Figure

Figure Headings	Page No.
Figure 01: Sectorial Distributions by Size of Business.....	88
Figure 02: Advance Growth by Business of Size.....	91
Figure 03: SME Growth with GDP.....	91
Figure 04: Coefficient of Variation in Loan Advance Growth by Business Size.....	93
Figure 05: Sales Growth by Sector.....	93
Figure 06: Business Growth (vertical axis) of SME Industries Compared with the Type of Business (horizontal axis).....	95
Figure 07: Regression Line for Different Businesses of Bangladesh.....	96
Figure 08: Sector Distribution among Business Size and Categories.....	126
Figure 09: Revenue Growth Rate by Business Size (percentage), Nominal GDP Growth Rate (percentage).....	128
Figure 10: Comparison of coefficients of variation for Different Businesses.....	129
Figure 11: Average Revenue Growth (vertical axis) and Coefficient of Variation (horizontal axis) of SMEs by Sector.....	132
Figure 12: Income Distribution by Business Size.....	134
Figure 13: Net Profit Margin by Business Size (percentage).....	139
Figure 14: Asset Turnover Ratio by Business Size (left axis), Multifactor Productivity (right axis).....	142
Figure 15: Return on Assets by Business Size (percentage).....	146
Figure 16: Return on Equity by Business Size (percentage).....	147
Figure 17: Average Return on Equity (vertical axis) of SME Industries Compared with the Coefficient of Variation (horizontal axis)..	150

Figure 18: Variation of the Sharpe Ratios by Sector.....	152
Figure 19: Variation of the Sharpe Ratio of SectorWise SMEs.....	152
Figure 20: Debt-to-Equity Ratio by Business Size.....	155
Figure 21: Debt Repayment Ratio by Business Size.....	155
Figure 22: Regression Line for Different Businesses of Canada.....	158

Chapter One

Introduction

1. Introduction

1.1 A Synopsis of Economic Status of Bangladesh

Bangladesh came into being as an independent nation on 16 December 1971. Till then, she was the province of East Pakistan of erstwhile Pakistan and after a bloody war of liberation for nine months, which began on 26 March and ended with a glorious victory on 16 December the same year, it became a sovereign country. Bangladesh inherited a poor, un-diversified economy, characterized by an under-developed infrastructure, stagnant agriculture and a rapidly growing population. She had suffered from years of colonial exploitation and missed opportunities with weakening effects on initiative and enterprise. Moreover, the devastating effects of the liberation war, which caused serious damage to physical infrastructure, dislocation of managerial and organizational apparatus and disruption on established external trading relationships, placed Bangladesh into a gigantic economic black hole. Within an area of 56,977 square miles (147570 sq. km.), she has to accommodate a population of 14.977 crores with a population growth rate of 1.37 percent per year and a population density of 1015 per sq. km. as per census of 2011 (BBS, 2012) (Population and Housing Census, 2011). The literacy rate (7 years +) is 57.9 percent as per HIES, 2010 which is ever highest but not satisfactory.

On the basis of continued average economic growth of over 6 percent in the last ten years (2004-2014), Bangladesh now arrogantly stands as an emerging trade and investment goal in South Asia. The stable development in export business, dedicated entrepreneurs and hard-working labor force supported by the pro-business, pro-

investment policies of the Government are leading Bangladesh towards the line of global business capability. The country's unambiguous position for regional stability, cooperation, peace and harmony, economic progress through international and local trade with its growth and trade partners and a growing flow of remittance by emigrant Bangladeshis living across the world have helped the country to achieve and retain the remarkable economic status. The prediction was that the GDP will grow around 7 percent in the FY 2015-16 and the prediction became true. A strong domestic demand, high export growth and continued expansion of infrastructural amenities credited to the achievement of accelerated growth amidst the brittle pace of global economic recovery.

Bangladesh has a persistent record in the field of growth and development the economic growth rate has increased at nearly 6percent per year in the past decade. Poverty was lowered by nearly a third more than 15 million Bangladeshi have got out of their poverty (The World Bank in Bangladesh). Human development was performed simultaneously with economic progress. Increased life expectancy, literacy and per capita food consumption has become more evident. In 2015 Bangladesh has ranked as the 56th largest economy in the world in terms of nominal GDP in 2014, according to the International Monetary Fund (IMF) in its World Economic Outlook. World Bank ranking of Bangladesh in the same category is 58th, the United Nations – 57th and the World Fact Book of the CIA has placed Bangladesh in 56th position. The country recorded a gross domestic product of USD 200 billion in 2015, USD 186.6 billion in 2014, USD 106.03 billion in 2013 and USD 111.91 billion in 2012 while GDP in terms of purchasing power parity was USD 535.6 billion in 2013 more than

half of the GDP is earned through the service sector but almost half of the total populations are employed in agriculture. Garment export, the main support of Bangladesh industrial sector and 80 percent of total export crossing USD18 billion in 2014. Remittances send by Bangladeshi expatriates totaled USD 15.30 billion in 2014-2015 financial year, also build a very important pillar of the country's economy (Consulate General of the People's Republic of Bangladesh, Hong Kong).

Bangladesh experienced a satisfactory FDI in the last five years. According to the World Investment Report 2014, among 74 FDI recipient countries, Bangladesh ranked 16th with a record USD 1.59 billion FDI inflow in 2013 (World Investment Report 2014). Bangladesh's FDI exceeded the billion dollar mark for the third time in a single year. The government of Bangladesh has planned to make it a middle income country by 2021. The target is to raise the real per capita income to USD 2000, which is now at USD 1314 (in real terms).

In Bangladesh, there is a gradual emergence of a strong middle class which is close to 18 percent of the total population. Because of better income level of common people, domestic demand is growing and driving economy activity. Manufacturing has been gradually starting to take control in the country as major economies of the world are gradually losing their competitiveness. Bangladesh has now become as an important manufacturing base for textile products, pharmaceuticals, finished leather, light and medium industries IT and ship building. World trade was severely disturbed by the global discrimination in resent past with export of most countries rejecting sharply. The export of Bangladesh has shown a promising growth. Bangladesh has appeared

as the second largest exporter in the world apparel market and is also increasingly exporting finished leather and leather goods, frozen foods, jute and jute goods, pharmaceutical products, light engineering and Small Ocean going vessels. In 2014-2015 Bangladesh has earned USD 31.2 billion in export, while at the corresponding periods the country registered import bills of USD 38.5 billion. Most of the imported items are petroleum products, capital goods and industrial raw materials.

Bangladesh has attained a moderate foreign currency reserve in recent months. Until April 2015 reserve was USD 23.35 billion. The increasing export earnings and decreasing import cost played their role in boosting the reserve.

1.2 An Overview of the Canadian Economy

With a nominal GDP of approximately USD 1.53 trillion, Canada has the tenth-largest economy in the world. The country is a mixed economy where most of the businesses are privately-owned. However, the government also plays a major role in the service sectors including health-care, transportation and utilities. Having similarity to the American economy, although smaller in size, the country's economy has a diverse and highly developed financial system. In the aftermath of World War II, the nation was transformed from a rural, agriculture-based economy to an industrial, mining and urbanized one. Since 1970s, the country's economy has experienced a new shift toward service industries which is now providing the lion's share of the economic output.

The base of the Canadian economy is dependent on foreign trade and the United States is by far the nation's largest trade partner. The economic integration between these countries has developed since World War II. Foreign trade contributes about 45 percent to the nation's gross domestic product (GDP). The nations increased trade between them by eliminating tariffs through Free trade agreements in 1988. Approximately USD 1 billion worth of goods crosses the U.S.-Canadian border each day. Furthermore, to realize the scale of U.S.-Canadian trade, it is important to point out that the United States sends more products to Canada than it does to all of Latin America.

The Canadian economy is one of the most prosperous in the world regardless of the small population size of the country which stands 38th on global ranking. The country's GDP per capita was USD 23,300 in 1999, reflecting Canadian workers' high wages compared to many other countries. The Prospects of positive economic performance continued because of its highly skilled and productive workforce. In 1999, there were 15.9 million people in Canada's workforce, and the rate of jobless people was of 7.6 percent, which was almost twice the American rate.

Canadians, like America, high quality disposable income, this disposable income leads to a positive growth in the Canadian economy, so that customers enjoy their smart wages on different types of goods and services. Cost pattern creates demand for production and development of new products, making dense and better payouts. Another similarity in the US is that ads have a major impact on Canadian consumers' spending pattern. Television in Canada, the most popular source of advertising.

The country's infrastructure is excellent and most of the factories and production plants are equipped with modern technology. Furthermore, according to the global competition report of the World Economic Forum, Canada's transport network has ranked as the best in the world. Canada is home to various natural resources, which includes but not limited to petroleum and natural gas, and to various metals and minerals. For the past decade, the country has emerged as one of the leading countries among high tech and computer industries. Most of this growth occurred in Central Canada, mainly in Antwero and Quebec, and is responsible for the increased immigration of the people of this area. Today most of Canada's economic growth is inspired by small and medium-sized companies. Because Canada reserves a lot of energy, the global oil crisis started in 1999, due to the global oil crisis, its power companies have increased their output and profits, the country has a lot of natural resources where iron ore, nickel, copper, zinc, gold, lead, silver, wood, fish , Coal, petroleum, natural gas and hydroelectricity.

Regionally, the Canadian economy changed greatly. In the eastern provinces, marine art-fishing, telecommunications and energy production-are the main components of the economy. In the French-speaking area of Quebec, Montreal city has become a national center for high technology organizations. Large number of computer software corporations are included in this organizations. There is a large industry base that includes companies producing pharmaceuticals, space goods and telecommunications equipment.. Ontario's main industrial center. Almost all Canadian-produced products are produced in Ontario. The province is the second largest producer of automobiles in North America and Michigan as the largest

producer of car parts. Ottawa, the capital of the country, is located in Ontario. Other industries include chemical substances, aerospace, steel, and food processing. Plants of Alberta, Manitoba and Saskatchewan region are part of Canada's agricultural land. They are the largest producers of mining and fuel production. Alberta itself exports 90 percent of the country's power and Canada's oil and natural gas industry house. British Columbia is in the Pacific Northwest. Forest and tourism traditionally were the main elements of the region's economy, but financial services, including banking and insurance, have increased dramatically in the last decade. There is a growing high-tech sector that is affected by the proximity of a province like Microsoft in the US. The northernmost nation includes one-third of its total size, but only 100,000 people have homes. In this area the Native American Population home in Canada, many of whom continue to follow traditional lifestyle based on hunting and fishing. Mining of major industries and diamond mining and finishing tourism also provides a significant portion of the economy of the region also.

Everyone in the country's main economic sectors is highly developed. Although the agricultural sector is small, it enjoys the liberal natural resources of the country. Increasingly, agriculture and fishing are concentrated in the specific geographical region of the country, mainly west and southeast. The main market for all Canadian agriculture exports in the United States. In addition, the main destination for most Canadian timber exports is the United States. Canada is also a major supplier of power assets, including electricity and petroleum to the United States. Although the industry has deteriorated since the 1970s, it is an important component of the

country's economy. Automobile products provide one of Canada's major exports, but the nation also produces a different type of consumer products and machinery. Nevertheless, large companies like Ford and General Motors provide a significant proportion of the nation's industrial production. Services have increased dramatically in the Canadian economy for the past two decades. Besides retail and tourism, financial services and telecommunications companies, consumer-based businesses have increased dramatically. The government has given significant support to this new technology. For example, the government only helped to develop and install the only fiber-optic network that carries Internet traffic. The system, CA*Net3, will have 16 times the capability of the major U.S. system.

For the last three years, the budget surplus government has been able to suppress Canadian citizens' debt. The loan was reduced by Can\$ 19 billion and in 2000 it could be Can\$ 565 billion. It allows the government to spend more in federal programs and reduce some taxes. Bangladesh is a donor of foreign aid. In 1997, it provided international assistance to 2.1 billion US dollars.

The Canadian economy has some potential problems: Main questions continue to be on the status of Quebec. Independent Quebec will probably reduce the Canadian economy and lose its large GDP rate. The second mentionable problem is the migration of some of its best educated, trained, and experienced employees to the United States. The citizens of Canada are attracted to migrate to the United States for their lucrative offer that is lower taxes and higher wages. In the last century United

States experienced economic depression followed by Canada with parallel problems. (Canada-Overview of Economy).

1.3 Overview of Small and Medium Enterprises

To develop the overall economy the impact of Small and Medium Enterprises (SMEs) is indispensable for a country predominantly developing countries like Bangladesh. Since this sector is labor concentrated with short gestation period, it is proficient of increasing national income as well as rapid employment generation; achieving Millennium Development Goals (MDGs) especially abolition of extreme poverty and hunger, to create gender equality and establishment of women empowerment.

The key constraints confronted by SMEs include scarcity of freehold land, lacking of infrastructure and utility services, unstructured legal and regulatory framework, insufficient access to finance, lack of accomplished workforce, poor business support facilities, etc. 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. However, SMEs are expected to play an essential role in achieving the goals of poverty mitigation as envisaged in the recent development paradigm.

Small entrepreneurs, among SME enterprises/entrepreneurs in our country, have more prospects for reducing unemployment and achieving economic growth. Keeping this in view, at least 40 percent of the total disbursement target of SME credit should be reserved for small entrepreneurs and the rest will be allocated to medium entrepreneurs.

Bangladesh economy grew by 7.28 percent in FY17, up from 7.1 percent in FY16. This growth was mainly supported by MSME sectors. The SMEs has been accelerating the country's industrialization as well as economic growth around 25% in the GDP (reports BSS, October 29, 2017). However, contribution of whole SME sector in the GDP is 30%.

According to the IFC, Bangladesh is the second fastest major economy of 2016, with a rate of 7.1%. The financial sector is the second largest in the subcontinent. The market-based economy of Bangladesh is the 44th largest in the world in nominal terms, and 32nd largest by purchasing power priority; it is being placed among the Next Eleven emerging market economies and a Frontier market. In 2016, per-capita income was estimated as per IMF data at USD 3,840 (PPP) and USD 1,466 (Nominal).

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 labour force.

Since half of the population of Bangladesh is women. Therefore, women contribution in the mainstream of economy is crucial for achieving sustainable economic growth and poverty alleviation. But women participation in institutional economic sector is insufficient and the rate of women entrepreneurs is very low compared to that of male

counterparts. In fact, there exist many obstacles in women involvement in the mainstream of economy although the degree of integrity, devotion, inventiveness and expertise of women society make us surprised. Especially women participation in micro credit programmes and readymade garments industry is contributing significantly to the country's industrialization. Similarly, participation of women entrepreneurs in SME sector is vital for the prosperous of Bangladesh economy.

Industrialization in Bangladesh is mostly surrounded by the medium and large industries. Due to high competition the margin to finance in large and medium scales industries and business ventures are also thinning day by day and the pie of growth is now narrowing the part of these large industries. Thus the missing middle and small enterprises are taking the place of long cherished development of Bangladesh. Most development Experts are in favor of condescending SME for rapid growth of Bangladesh economy. Supporting the health and growth of SMEs is crucial for Bangladesh's economy; after all, they account for about more than 95 percent of Bangladesh's businesses.

1.4 Definition of Small and Medium Enterprises

1.4.1 Bangladesh

1.4.1.1 Definition of Small Enterprise

Small Enterprise refers to the firm/business which is not a public limited company and complies the following criteria:

Table 01: Category of Small Enterprise

Serial No.	Sector	Fixed Asset other than Land and Building (BDT)	Employed Manpower (not above)
01	Manufacturing	75,00,000-15,00,00,000	31-120
02	Service	1,00,000-2,00,00,000	16-50
03	Trading	1,00,000-2,00,00,000	16-50

Source: National Industrial policy (2016), SME Foundation, SME & Special Programmes Department of Bangladesh Bank.

1.4.1.2 Definition of Medium Enterprise

Medium Enterprise refers to the establishment/firm which is not a public limited company and complies the following criteria:

Table 02: Category of Medium Enterprise

Serial No.	Sector	Fixed Asset other than Land and Building (BDT)	Employed Manpower (not above)
01	Manufacturing	15,00,00,000-50,00,00,000	121-300
02	Service	2,00,00,000-30,00,00,000	51-120
03	Trading	-	-

Source: National Industrial policy (2016), SME Foundation, SME & Special Programmes Department of Bangladesh Bank.

Notes:

- If a customer falls in different segment based on different criteria, the higher segment will be entertained except readymade garments and labor intensive industry.
- Manpower limit for readymade garments and other labor intensive industry would be 1000. As per Bangladesh Bank guidelines Bank must disburse at least 20% loan to MSME in 2017 and grow it at 1% per annum to reach into 25% minimum by 2021.
- Within the total CMSME portfolio of a bank/FI, at least 50% has to be kept for Cottage, Micro and Small enterprises.

- As per Bangladesh Bank policy, overall priority should be given to lending to Small and Micro enterprises compared to Medium enterprises.
- Bangladesh Bank directed the banks to put more emphasis on Manufacturing sector as part of the agenda of sustainable economic growth and asked the banks to achieve a portfolio of at least 40% of total MSME in manufacturing by 2021. BB also directed the banks to have 25% of the MSME book in service sector and maximum 35% of the MSME book in the trading sector by the end of 2021.
- Further, as directed by BB, at least 10% of the lending will have to go to women SME entrepreneurs. This rate will have to be raised to 15% by 2021.

On the other hand, Microcredit Regulatory Authority (MRA) is the central body (regulatory authority) to monitor and supervise the Microfinance operation of Micro Finance Institutions of Bangladesh. MRA is the authority to provide or cancel the licenses of MFIs. The number of licensed institutions has increased steadily over the years. MRA has continued to adopt up-to-date and timely policies for the microfinance sector in order to ensure accountability and transparency in the activities of microfinance institutions.

1.4.2 India

Under section 7 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, the Indian government defined the size of micro, small, and medium enterprises as: (The Gazette of India, 2006)

(a) in the case of the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries

(Development and Regulation) Act, 1951, as—

(i) a micro enterprise, where the investment in plant and machinery does not exceed 2.5 million rupees;

(ii) a small enterprise, where the investment in plant and machinery is more than 2.5 million rupees but does not exceed five crore rupees; or

(iii) a medium enterprise, where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;

(b) in the case of the enterprises engaged in providing or rendering of services, as—

(i) a micro enterprise, where the investment in equipment does not exceed one million rupees;

(ii) a small enterprise, where the investment in equipment is more than one million rupees but does not exceed two crore rupees; or

(iii) a medium enterprise, where the investment in equipment is more than two crore rupees but does not exceed five crore rupees.

Businesses that are declared as MSMEs and within specific sectors and criteria can then apply for "priority sector" lending to help with business expenses; banks have annual targets set by the Prime Minister's Task Force on MSMEs for year-on-year increases of lending to various categories of MSMEs (Reserve Bank of India.

Retrieved, 2015).

1.4.3 European Union

The criteria for defining the size of a business differ from country to country, with many countries having programs of business rate reduction and financial subsidy for SMEs. According to the European Commission, (Small and medium sized enterprises (SME) - Enterprise and Industry) the SME are the enterprises that follow this definition:

Table 03: SME Category According to EU

Company category	Employees	Turnover	Balance sheet total
Medium-sized	< 250	≤ €50 million	≤ €43 million
Small	< 50	≤ €10 million	≤ €10 million
Micro	< 10	≤ €2 million	≤ €2 million

Source: European Commission, 2003

In July 2011, the European Commission said it would open a consultation on the definition of SMEs in 2012. In Europe, there are three broad parameters which define SMEs:

- Micro-enterprises have up to 10 employees
- Small enterprises have up to 50 employees
- Medium-sized enterprises have up to 250 employees (European Commission, 2003)

The European definition of SME follows: "The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro." (Enterprise and Industry Publications)

EU member states have had individual definitions of what constitutes an SME. For example, the definition in Germany had a limit of 255 employees, while in Belgium it could have been 100. The result is that while a Belgian business of 249 employees would be taxed at full rate in Belgium, it would nevertheless be eligible for SME subsidy under a European-labeled programme.

According to German economist Hans-Heinrich Bass, "empirical research on SME as well as policies to promote SME has a long tradition in [West] Germany, dating back into the 19th century. Until the mid-20th century most researchers considered SME as an impediment to further economic development and SME policies were thus designed in the framework of social policies. Only the Ordoliberalism school, the founding fathers of Germany's social market economy, discovered their strengths, considered SME as a solution to mid-20th century economic problems (mass unemployment, abuse of economic power), and laid the foundations for non-selective (functional) industrial policies to promote SMEs."(Hans-Heinrich Bass, 2006)

1.4.4 Canada

Industry Canada defines a small business as one with fewer than 100 paid employees and a medium-sized business as one with at least 100 and fewer than 500 employees. As of December 2012, there were 1,107,540 employer businesses in Canada, of which 1,087,803 were small. Small businesses make up 98.2 percent of employer businesses, medium-sized businesses make up 1.6 percent of employer businesses and large businesses make up 0.1 percent of employer businesses. In 2012, over 7.7 million employees, or 69.7 percent of the total private labour force, worked for small businesses and 2.2 million employees, or 20.2 percent of the labour force, worked for

medium-sized businesses. In total, SMEs employed about 10 million individuals, or 89.9 percent of employees. Canadian high-growth firms are present in every economic sector and are not just concentrated in knowledge-based industries. In terms of employment, the highest concentrations of high-growth firms in Canada during the 2006–2009 period were in construction (4.9 percent of all firms); business, building and other support services (4.6 percent); and professional, scientific and technical services (4.5 percent). In 2011, only 10.4 percent of SMEs exported. Nonetheless, they were responsible for USD150 billion, or about 41.0 percent, of Canada's total value of exports. (Key Small Business Statistics, 2013)

Corporations in Canada are generally taxed at 29 percent federally. Canadian Controlled private corporations receive a 17 percent reduction in the tax rate on taxable income from active businesses up to USD 500,000. This small business deduction is reduced for corporations whose taxable capital exceeding USD 10M, and is completely eliminated for corporations whose taxable capital exceeds USD 15M. (T2 Corporation - Income Tax Guide) It has been estimated that almost USD 2 trillion of Canadian SMEs will be coming up for sale over the next decade which is twice as large as the assets of the top 1,000 Canadian pension plans and approximately the same size as Canadian annual GDP (Equicapita, 2014).

1.5 Structural Definition of SME

a) SMEs in manufacturing industry will mean enterprises having investment in fixed assets other than the land and factory building upto BDT 100 million or BDT 10 crore.

b) SMEs in service industry will mean service enterprises having up to 100 workers other than the family members.

c) SMEs will mean those enterprises whose share is not listed with stock exchange.

d) SMEs shall not include those enterprises which are involved with professional activities like doctors, lawyers etc.

e) SMEs will mean those enterprises which are operating in private sector.

f) SMEs will mean those enterprises that are engaged in business operation.

It could be mentioned here that for the convenience of the discussion, small and medium enterprise, small and medium industry or small and medium business etc. terms will be used interchangeably.

1.6 Background of SME

Small and medium entrepreneurs (SMEs), especially small enterprises, are older generation businesses in our civilization. More than 4000 years ago, a small business company was exhibited in our civilization (Siropolis, 1998:04). Since then, small and medium businesses have provided services and contributed greatly to the benefit of customers and human civilization. Through small and medium enterprises, continuous use of multiple products and services, society is enriched. Almost all ancient civilizations are burgeoned through the SMEs. The Babylonians, Arabs, Greeks, Egyptians, Phoenicians, Romans, and Jews shined at small business enterprises (Siropolis, 1998:04). Sometimes customers are cheated and defrauded through the poor-quality and faulty products and services of the small and medium businesses. To

protect this fraud-forgery and save the customers the code of Hammurabi, King of Babylon in 2100 BC, proclaimed a code of 300 laws for small businesspersons against their fraud services. Yet, it was mainly through the small business that civilization was spread to all sides of the then-known world. The Roman Catholic Church did small and medium businesses and did all types of small and medium business with less respect because they recognized retailers as sinners, that they did nothing to improve any product. There was another reason for this type of stamping. The business is completely called a necessary evil in the Holy Bible. But the Protestantism stimulated the holy sanctions for the business as a whole and that improved the small and medium business activities in these civilizations. Since its very beginning, the Islamic civilization allowed the business as an authorized activity with divine mercy under strict adherence to Code of Conduct code. It, therefore, flourished and proliferated extremely during Muslim regime and extended all over the world. Individuals engaged in SMEs were considered as ambassadors of international relations among the world's civilizations. Nowadays, SMEs are considered as more esteem and prestige business than ever before. Academics, journalists and politicians alike have started to emphasize its successes and opportunities, its chances and problems. It is a vital and accelerated force in almost all kind economies of the world now.

Like in any other economy around the world, SMEs are the life blood in Bangladesh economy as well. There is a huge prospect of SMEs in Bangladesh economy. The contribution of SMEs can greatly influence the macro-economic factors like GDP, GNI, and Employment etc. It is believed that today's micro business is tomorrow's

small business and today's small business is tomorrow's medium sized business and which in turn may grow into giant corporate business.

1.7 SME Development Policies

1.7.1 Bangladesh

Bangladesh Bank has already launched a number of schemes and programs to encourage and promote SME entrepreneurs. To develop the SME sector, the refinance project managed by the central bank of Bangladesh, ADB and IDA has been assisted. Apart from this, the Bangladesh Bank has taken various steps to ensure institutional financial benefits; introducing of 'dedicated desk' for SMEs and SME service centers and special opportunities for women entrepreneurs. But the reality is that in this sector, the expected results could not be achieved so far.

In the back drop of recent global recession and changed circumstances, it has become essential to include all segments of people in the growth process through facilitating credit to the sectors where less attention has been given due to present market mechanism, specially, in agriculture and SME sector. Plausibly, a new department namely 'SME and Special Programmes Department' has been introduced in Bangladesh Bank in recent time which will be solely accountable for facilitating fund, policy formulation, monitoring and development of entrepreneurship in the sector of SME.

The guidelines laid down by the newly formed division have been listed below for the approval of banks and financial institutions for the development of SME sector.

- For the first time in Bangladesh, the target of SME loan distribution has been set, in 2010, SME development has been considered as the country's most

important development agenda by banks and financial institutions. According to the goal, loan for SME will be distributed to small, medium and women entrepreneurs.

- Following 'Area Adaptation Procedure', banks / financial institutions will try to separate their targets according to the branch, according to the region based and sector wise.
- SME loan financing will follow a separate business strategy with a little formalization in the making of documentation to ensure the smooth and fast loan approval and delivery process of each bank / financial institution.
- Priority shall be given to small entrepreneurs.
- For small entrepreneur's credit limit will be ranged from BDT 50,000 (Fifty thousand) to BDT 50,00,000 (Fifty lac).
- The potential women entrepreneurs will be given priority in distributing SME loan for greater participation of women entrepreneurs in the development of the country and the large number of women entrepreneurs.
- Banks and financial institutions will give maximum priority to accepting loan applications from small and medium female-enterprises, and the process of borrowing will very reasonable time from the date of application.
- Each bank and financial institution will setup a 'dedicated women entrepreneur' dedicated desk with the necessary and proper manpower, provide training on their SME financing and will be appointed as the head of a dedicated desk, specifically the lady officer. The 'Women Entrepreneurs' should be sent to SME and Special Programs Division of Bangladesh Bank

according to the list of 'Women Entrepreneurs' dedicated to the list of these policies and programs within two months from the date of announcement.

- Banks and financial institutions may sanction or approved up to BDT 25,00,000 to women entrepreneurs against their personal guarantee. Therefore, group security/social security may be considered.
- The success and achievement in SME loan disbursement will be considered as measure for more approval of new branches of the concerned bank. License for New Branches will be issued for financing the priority sectors such as SME and agriculture from 2010 in the name of 'SME/Agriculture Branch' instead of 'SME Service Centre; to include banks in financing priority sector like SME and Agriculture'.
- Each bank or financial institution will fix the interest rate on SME loan sector or sub-sectorwise. However, bank or financial institution will inform Bangladesh Bank sector or sub-sector wise rate of interest immediately and make sure disbursement of refinanced fund to the clients (female entrepreneurs) at Bank rate +5 percent interests.
- Training programs or SME related workshop will be arranged for the entrepreneurs.

1.7.2 Canada

Perhaps a unique characteristic of SME policy in Canada is that it is not necessarily completely developed by one Federal department but rather it is segmented and being developed at several levels: federal (primarily through Industry Canada but other Federal government departments develop policy which can have a significant effect on small business development); regional (such as programs funded through Industry

Canada but for implementation in a specific region of Canada); provincial; by sector and with respect to specific groups of peoples, i.e., Aboriginal peoples, women, youth and those with disabilities.

Industry Canada is the primary Federal government department set up to oversee policy development for Canadian industry in general and sme's but also includes technology, tourism, statistics Canada, and a variety of regional programs. "The department's mission is to work with Canadians to build a growing competitive, knowledge-based economy. Industry Canada hopes to improve conditions for investment, enhance Canada's innovation performance, help make Canada the most connected nation in the world, increase Canada's share of global trade, and build a fair, efficient and competitive marketplace." Through Strategis, the official portal for Industry Canada, the department provides business and consumer information to all Canadians without the constraints of time and geography. The site has allowed Industry Canada to shift from a paper-based information culture to a more efficient electronic one. Before Strategis, the department produced over 5,000 information products on paper. In addition to providing information to all who can access Strategis, the site makes use of new technologies to offer interactive applications such as customizable benchmarking tools, cost calculators, and online business planning. Many of Industry Canada's services (such as filing an application for patent or incorporating a company) can now be completed online.

Policy has been developed over the years with different initiatives being announced by successive governments with an emphasis for 'Government online' to urge sme's and all businesses to access all government information and filings online and thus

making a commitment to use technology even in micro businesses through websites such as Strategis.

The last overall federal government policy statement that was issued in 1994 stated the government would:

ensure that the business environment is conducive to SME growth (i.e. ensure that the tax system does not inhibit growth and job creation, reduce regulatory burden, deliver services effectively and efficiently;

target limited government resources to promote competitiveness and growth (i.e. fewer subsidies, more strategic information and advice).

Since then, much of the SME development and assistance policy has been developed with specific agendas in mind or by specific departments. For example, Heritage Canada has specific programs in place to assist arts, culture and the protection of Canadian content in broadcasting that often assists small businesses in Canada which are involved in arts, productions, publishing, exporting and protecting intellectual property and preserving Canadian identity.

The Department of Foreign Affairs and International Trade has internal departments which develop policy to assist Canadian small businesses within organizations such as the OECD and APEC and holds the mandate for the Canadian Trade Commissioner Service which promotes Canadian businesses overseas through the trade commissioner services, sector specialists and electronically through the virtual trade commissioner.

Recently Indian and Northern Affairs Canada has absorbed the Aboriginal Business Canada program from Industry Canada and is responsible for small business development policy and programs with specific reference to Aboriginal and native peoples in Canada. In addition, there are regional programs funded through Industry Canada but with a specific emphasis on western Canada (the Western Enterprise Development Initiative) or Atlantic Canada (Atlantic Canada Opportunities Agency) which were originally created to equalize opportunities for businesses across Canada and specifically in regions with high unemployment or cyclical economies.

In addition to Federal level policy, Canada is composed of 10 provinces and three territories and each has developed their own SME policies, regulations and economic development departments within their own jurisdiction. Opportunities and challenges for business can vary dramatically for a variety of reasons, but essentially Canada is geographically one of the largest countries in the world, with a relatively small population (approx. 31 million people) with most people concentrated within easy travel to the United States. This leaves vast areas of Canada sparsely populated with economic and small business challenges of their own. Governments and provinces vie for business across the Canada.

1.8 Rational of the Study

It is said internationally that Small and medium Enterprises (SMEs) account for about 50 percent of GDP and 60 percent of employment. SMEs are estimated to contribute between 25 and 35 percent of world manufactured exports. In terms of industrialization, Japan drew special attention to the professionals and policymakers in the international arena. Statistics show that Japan has achieved its industrial

development heavily based on SMEs. Some of the world's best performing economies, notably Taiwan and Hong Kong, are heavily based on small enterprises. In much of the developing world, the private sector economy almost entirely comprises of SMEs. Contribution of SMEs in some countries shows that it has provided very significant proportion of GDP and employment in their national economy.

Entrepreneurs from Hong Kong, Japan and Korea have taken advantage of Bangladesh's cheap and easily trainable labor and its infrastructure facilities to manufacture products for the export market.

The Industrial Revolution of 1760-1850 represents a good testimony of the inherent innovative spirit of SMEs, which are increasingly challenged in the present century particularly after winds of economic change cum technological innovations and industrial liberalization, have swept various economies of the world. These challenges notwithstanding, SMEs have remained as much important and relevant economic catalysts in industrialized countries as they are in the developing world. In many developed countries, more than 90 percent of all enterprises are within the SME sub-sector while 80 percent of the total industrial labor force in Japan, 50 percent in Germany and 46 percent in USA small businesses contribute nearly 39 percent of the country's national income. Comparable figures in many other developed countries are even higher.

Among many developing countries including Bangladesh, labor force is relatively plentiful. Therefore, it is important that this should be the focal point of their full and effective use of social-economic policies. In the SME sector, this country should be

emphasized for the exploitation of manpower. In fact, less capital is required for SME sector development and at the same time it generates more employment than large scale sector. Secondly, the SME unit does not require very advanced technology. Therefore, it can be useful in the backward areas where people can still be trained to face the challenges of specialized technology.

SME is most appropriate for processing the product. If we can add more quality to the product and ensure proper marketing, then there will be huge demand in the domestic and export markets. Circular machines are used for knitting of the items in RMG (knit) industries. To ultimate export of T/Polo Shirts etc. the circular machines can also be setup at household level for performing job works to feed RMG industries. This is a subcontracting system where RMG industries deliver yarns to the entrepreneurs having circular machines. In Dhaka and Narayangonj areas this system has already been introduced with increasing demand. Shoe production by small industries as job works of large shoe companies like BATA is a conspicuous example of SME product. BATA provides raw materials to lots of small factories at household level in Dhaka city and obtains the product (shoes) completed through subcontract process. SMEs are a primary part of the economic fabric in developing countries like Bangladesh, and they play a crucial role in additional growth, innovation and prosperity.

Small and medium enterprises (SMEs) play a major role in economic development in every country, including African countries. Studies indicate that in both advanced economies and developing countries SMEs contribute on an average 60 percent of

total formal employment in the manufacturing sector (Ayyagari, M., T. Beck, and A. Demirgüç-Kunt, 2007). For African economies, the contribution of the SME sector to job opportunities is even more important. Taking into account the contribution of the informal sector, SMEs account for about three-quarters of total employment in manufacturing (Ayyagari, M., T. Beck, and A. Demirgüç-Kunt, 2007).

Currently the economy of Bangladesh is witnessing transformation from an agro-based economy to an industrial one. As per the World Development Indicators Study Report published by the World Bank, the contributions of industry and agriculture to GDP were respectively 21.7 per cent and 30.4 per cent in 1991, 25.9 per cent and 24.1 per cent in 2001, 28.5 per cent and 18.6 per cent in 2010. As per recent statistics of Bangladesh Economic Review-2014 the contributions of agriculture and industry to the GDP were 13.09 per cent and 29 per cent respectively in the fiscal year 2012-13.

Small and medium enterprises (SMEs) proved their potentiality in productivity, employment generation and poverty reduction as a reliable tool. As a result, policymakers throughout the world emphasise SMEs as the engine of growth and reduction of unemployment and poverty. SMEs are generating more jobs with comparatively nominal investments (Vision-2021: The role of small and medium enterprises).

For continuous growth of business, banking must continue to search for untapped opportunities and in this regards, SMEs can be a better potential market for both Bangladesh and Canada.

As per different research findings, SMEs significantly contribute to the country's GDP and employment of both manufacturing and service industries.

Comparison of SME Banking service between one developing economy and one developed economy will not convey different aspects such as success factors and short fails (if any) existing in current ways of banking to SMEs in both countries, but also, will provide directives in fueling SME sectors of Bangladesh and Canada.

1.9 Objectives of the Study

The research is undertaken with a general objective to compare the SME performance and SME banking service between Bangladesh and Canada. To this end, the study seeks to realize the following specific objectives:

- 1) To compare the current status and procedure of SME financing between Bangladesh and Canada.
- 2) To compare the contribution of SME on country's GDP between Bangladesh and Canada.
- 3) Identifying the problems those are faced by SME sectors in Bangladesh and Canada.

This chapter embodies a brief description of the macroeconomic scenario of Bangladesh, historical viewpoint of small and medium enterprises in the world civilization, definition of SME in various countries of the world, the changing views of the concept of small industry and SME in Bangladesh over years, rationale of the study and the objectives of the study. The next chapter will have a description of the methodology of the study.

Chapter Two

Methodology of the Study

2. Introduction

This chapter describes the overall research methodology of the study. It states the choice of and arguments for selecting the research methods and strategies for the study. The chapter presents the working definition of the key terms, population, research area, and other related issues. It also presents the statistical tools and techniques that are used in the data analysis and presentation. The validity and reliability of the research method employed in the study are exhibited. The key concepts and variables used in the thesis and the measures used to operationalize these concepts and variables are discussed in detail.

2.1 Rationale of the Research Method

The research is an exploratory research. Both qualitative and quantitative techniques have been utilized to draw the conclusion about the population. Research may be of three types- descriptive, exploratory and causal researches. The descriptive study deals with who, what, when, where and how of a topic (Cooper and Schindler, 2001:141). It focuses on accurate description of the variables in the problem model. Explorative research is concerned with discovering the general nature of the problem and the variables that relate to it. The objectives of the research are to develop concepts more clearly, establish priorities, and develop operational definitions and to improve the final research design (Cooper and Schindler, 2001: 134). Exploratory research serves also when the area of investigation may be so new or so vague that needs to do an exploration just to learn something about the dilemma facing the managers (Cooper and Schindler, 2001: 134). This type of research is characterized

by a high degree of flexibility; scope to take (i) convenience or judgment samples, (ii) small scale surveys or simple experiments, (iii) case analyses, and (iv) subjective evaluation of the results. This comparison, banking service in SME and SME performance between developed economy like Canada and developing economy like Bangladesh. No study has ever been done till now in this concept. Thus, the field is totally unknown to us. Therefore, the only method that could give us the insights about the present state of affair is the exploratory research, which is intended to explore the reality of the field.

The study employed both qualitative and quantitative methods for exhibiting the facts of the performance of SME sectors in both Bangladesh and Canada. The reason for the use of this ‘dual method’ approach could be substantiated by the statement of Crompton and Jones (1988:71-73) “organization research... is not a mutually exclusive decision between quantitative and qualitative methodology. In reality, it is very difficult to study organizations without using both sorts of methods. In any event, quantitative data rest on qualitative distinctions... the issue turns on the appropriateness of methods, not with taking sides in the debate between qualitative and quantitative methodology”. Quality is the essential character or nature of something; quantity is the amount. Quality is the what; quantity the how much. Qualitative refers to the meaning, the definition or analogy or model or metaphor characterizing something, while quantitative assumes the meaning and refers to a measure of it (Maanen, Dabbs Jr., and Faulkner, 1982:32).

2.2 Population

The population of the study comprises the small and medium business enterprises operating in Bangladesh and Canada. Small and Medium Enterprises (SMEs) are categorized into two broad types: manufacturing and non-manufacturing that is service firms/businesses. Manufacturing SMEs includes chemical industries, packaging and printing industries, textile industries, poultry firms, construction industries, machine and tools industries, workshops with lath machines, bread and biscuit factories, brick fields, ceramic industries, etc. Service industries or SMEs consists of motor workshops, retailing, wholesaling, restaurants, petroleum service centers, beauty parlors, motor service centers, technical skills training institutes, etc.

2.3 Sources of Data

Information on this data is found on the SME and Special Programmes Department of the central bank of Bangladesh, Bangladesh Bureau of Statistics (BBS) and the Industry Canada's SME Research and Statistics website (www.ic.gc.ca/SMEresearch) or the Bank of Canada's periodicals. Also data are collected different authentic sources.

2.4 Data Analysis Technique

Collected data were classified on the basis of standard criteria, and then presented in suitable tabular form to provide a whole picture view. Then, data were processed and analyzed making extensive selective use of the MS Excel and SPSS (v20). In order to fit the data with the analysis, the data were transformed into a form suitable for that analysis.

2.5 Limitations of the Study

The study is conducted only one developed country like Canada and one developing country like Bangladesh. Moreover, the study of comparison might be more comprehensive and representative if it could have been done more developing countries and developed countries in the world. Non availability of secondary data was also a constraint. Data were collected over two-year period that did not reflect the impact of changed of time.

2.6 Chapter Plan

The analyzed data were presented in a standard format of thesis. It contains six chapters. The cauterization that are made is as follows:

Chapter–01: Introduction: It contains a brief description of the research topic, a description of the rationale of the study, and the objectives of the study,

Chapter–02: Methodology of the Study.

Chapter–03: Literature Review.

Chapter–04: Theoretical Framework of the Study

Chapter–05: Analysis and Discussion

Chapter–06: Findings and Conclusions

Appendices and Bibliography

This chapter embodies a description of essential elements of the methodology used for the study. This has been implemented throughout various phases of the research. We will have literature review in the next chapter.

Chapter Three

Literature Review

3. Introduction

By reviewing of literature, we can play an important role in determining our research problem because the literature reviewing process assists us to recognize the subject area precisely and thus helps us to conceptualize our research problem evidently and specifically and makes it more applicable and pertinent to our field of enquiry. With the knowledge from literature review make able to critically summarize the current status in the area under investigation, recognizing any prospect and limitation among previous works, therefore, it helps us to identify them in our own research and finally we are able to eliminate the potential weaknesses from our research and thus it's become unique research.

3.1 Literature Review

The literature survey has uncovered an astounding fact about the acute scarcity of study in the area of small and medium enterprises (SMEs)/businesses performance and banking service in Bangladesh and Canada. A meager number of studies have been found which partially addressed issues of SMEs performance and banking service in SME field. However, following is the exhaustive descriptions of the studies so far been made on small and medium business area.

SMEs (small and medium-sized enterprises) account for 60 to 70 per cent of jobs in most OECD countries, with a particularly large share in Italy and Japan, and a relatively smaller share in the United States. Throughout they also account for a disproportionately large share of new jobs, especially in those countries which have displayed a strong employment record, including the United States and the Netherlands. Some evidence points also to the importance of age, rather than size, in

job creation: young firms generate more than their share of employment. However, less than one-half of start-ups survive for more than five years and only a fraction develops into the high-growth firms which make important contributions to job creation. High job turnover poses problems for employment security; and small establishments are often exempt from giving notice to their employees. Small firms also tend to invest less in training and rely relatively more on external recruitment for raising competence. The demand for reliable, relevant and internationally comparable data on SMEs is on the rise, and statistical offices have started to expand their collection and publication of data. International comparability is still weak, however, due to divergent size-class definitions and sector classifications. To enable useful policy analysis, OECD governments need to improve their build-up of data, without creating additional obstacles for firms through the burden of excessive paper work (OECD Report, 1997).

- The CSBFP remains an important, efficient and effective program in helping small businesses access financing, in particular, smaller, younger and higher risk businesses, which might otherwise be denied.
- The CSBFP is unique in that it is the only national financing program that is accessible through a wide network of financial institutions to almost all small businesses across Canada.
- During the review period, the CSBFP registered nearly 34,000 loans with a value of USD 4.7 billion. However, usage has declined from over 48,000 loans worth more than USD 5 billion during the previous five-year review period.

- Marked as highly incremental, approximately 58 percent of loans (by value) made under the CSBFP is going to start-up firms which are less than one-year-old. Moreover, about 75 percent of the clients who apply for the CSBFP loan do not get that and whoever receives the loan get it with less favorable condition.
- The CSBFP also helped create jobs for around 9,700 employees who have been hired by the borrowers. these borrowers took loan under CSBFP during 2009-2014 period. Additionally, an estimated 6,600 indirect jobs were created because of spillover effects due to the result of CSBFP loans.
- As per cost-benefit analysis of the program it was found that net benefits prevailed over net costs by far. Net benefits surpassed net costs by USD 4.5 billion, from 2003–04 to 2011–12. As such, the benefit-cost ratio is 5:1, meaning that five dollars of benefits are contributed to Canadian economy by the cost of One dollar of the program.
- During the 2009–14 period, 6,535 claims for loss, worth USD 361 million, and USD 258 million fees were collected on all new and outstanding CSBFP loans.
- Calculated on net present value, the estimated net cost to government of CSBFP loans (over maximum 10-year life of loan) made from 2009–14 is around USD 55.3 million, as of March 31, 2014. When compared to the previous review period, the percentage of cost of total lending decreased from 2.8 percent to 1.2 percent.

- The constitutional and operational legislative and regulatory framework of CSBFP provides a steady foundation for distribution; however, some aspects of its structure create administrative problem, which reduces the program's use by creditors.
- The regulatory of CSBFP has been changed in April 2014, Industry Canada have implemented the changes of these regulatory and it geared toward improving acceptance of the program by private sector creditors that offer the program to small businesses. It is need to evaluate the impact of these regulatory changes after some period of time.
- The parameters of these program are highly appreciated by the stakeholders, but they are criticized with lower levels of satisfaction of certain parameters of the program, for instance, the USD 500,000 cap on lending for real property and the USD 5 million revenue cap for eligibility to obtain a loan through the program.
- Suitable and continuous cash flow of financing is a very essential thing for small businesses, which is not mentioned by the asset-based term loan design of the CSBFP.
- The awareness about CSBFP is very low among small businesses entrepreneurs. However, there is evidence that recommends relationship-building efforts with small business support organizations are having an influence and that there may be advance opportunities to improve the knowledge and awareness of the program regarding of small businesses.

- Almost 98 percent officers those are related to loan disbursement have knowledge regarding the CSBFP. Since 2009, 71 percent small business loan operating officers have made at least one CSBFP loan.
- Under the review period a new online loan registration system was launched and has been successful in alleviating administrative burden for creditors. In the review period of 2013–14, 65 percent of CSBFP loans were registered online (Comprehensive Review Report, 2009–2014).

Based on a sample of small and medium-sized enterprises in Canada, the authors of this report try to examine the relationship between a firm's growth and profitability during 2006 to 2011 period of time, in case of achieving high growth and high profitability they identify that a firm with a high level of profitability and a low level of growth has a greater chance of subsequently achieving high growth and high profitability than a firm with a high level of growth and a low level of profitability. They also find out that the human resource is a causal factor as it plays a vital role in a firm achieving greater performance in both growth and profitability. Another significant factor is the firm's debt that can slow progress. Finally, the authors of this report reveal that a firm's age is the independent factor for growth and profitability this means that the growth and profitability are not influenced by the age of organization (Patrice Rivard, 2014).

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. The rate of development of SME is not up to the expectation. In order to overcome the problems a few suggestions for the development of SMEs are given by the authors (Kashfia Ahmed Tanbir Ahmed Chowdhury, 2009).

Small and Medium Enterprises (SMEs) are accounting for 25 percent of GDP, 80 percent of industrial jobs, and 25 percent of the total labour force in Bangladesh even though the prospective sector gets negligible facilitation from different support service providers. There are various constraints that hinder the development of SMEs in Bangladesh, such as lack of medium to long-term credit, limited access to market opportunities, technology, and expertise and business information. Lack of suitable incentives, inefficient and limited services from relevant government agencies as well as poor capacity of entrepreneurs are other reasons for the slow growth of SMEs. Obviously, the government has many things to do to flourish the SMEs because, if they flourish, SMEs will create new entrepreneurs, generate more jobs and contribute to a great extent to the national economy. This paper is an academic analysis toward policy formulation in respect of SME financing (Md. Shamsul Alam and Md. Anwar Ullah, 2006)

A small and medium-sized enterprises (SME) growth study aimed to identify any misalignment between SME actual growth rates and SME sustainable growth rates. Summary financial statements on approximately 850000 Canadian SMEs over the 2000–10 period were gathered to facilitate the analysis, producing information on

firm profitability, asset turnover, leverage, returns on equity, retention rates and dividend payout rates. Using the “Higgins Sustainable Growth Model,” analysis revealed that, over the 2000–10 period, Canadian SMEs had the financial infrastructure in place and normal earnings capacity to support an average growth rate in sales of approximately 7.3 percent per year without the need to raise additional financing. Sustainable growth rates differed across size categories (small, medium, large) and sectors, but were only statistically significantly different across sectors. A misalignment between actual and sustainable growth rates for SMEs was discovered. Businesses whose actual growth rates were statistically aligned with sustainable growth rates were large or operated in the primary sector or the professional, scientific and technical services sector (Daniel L. Seens, 2013)

Small and medium-sized enterprises (SMEs) are significant drivers of economic growth and employment within Canada’s economy, accounting for 99.8 percent¹ of all businesses and 90.2 percent² of privately employed individuals. SMEs are also key drivers of job creation, accounting for 95.5 percent of all private jobs created from 2005 to 2015. On average, small businesses created about 100,000 new jobs each year over that period.³ One of the most significant determinants of commercial success is access to sufficient and appropriate financing. The Canada Small Business Financing Program (CSBFP) facilitates access to affordable financing for SMEs to establish, expand, modernize and improve their businesses, which ultimately stimulates economic growth and creates jobs for Canadians. The purpose of this report is to profile the general characteristics of CSBFP borrowers. Understanding the characteristics of these borrowers will provide Innovation, Science and Economic

Development Canada (ISED) with an evidence-based approach to addressing the unique challenges they face, and how the program could better meet their financing needs (Christopher Coe, 2016)

In 2014, a survey conducted on Financing and Growth of Small and Medium Enterprises (SFGSME) that was planned to determine the types of financing used by small and medium-sized enterprises (SMEs), and to accumulate information on recent challenges by SMEs to obtain new financing. Also, the survey gathers data on growth of firm, exporting, government contracting, innovation and intellectual property as they relate to SMEs, as well as business owner features. This latest questionnaire was adapted from the 2011 Survey on Financing and Growth of Small and Medium Enterprises, as well as from past questionnaires for the Survey on Financing of Small and Medium Enterprises and the Credit Conditions Survey (Government of Canada, 2015)

Survey of Manufacturing Industries (SMI) 2012 is the 28th comprehensive survey on manufacturing industries conducted by Bangladesh Bureau of Statistics (BBS). The objectives of this survey are to estimate structure, particularly ownership status, employment, intermediate consumption, value of fixed assets, gross output and gross value added etc. SMI 2012 comprises of all types of manufacturing industries (manufacturing sector) with 10 workers or more and provides reliable data at national level. To ensure the coverage of all types of manufacturing industries, the survey was conducted based on updated business register (manufacturing sector) 2012. Stratification has been done following the size class on the basis of the persons employed defined in the National Industrial Policy 2010 and number by BSIC at 4-

digit level. As a result, establishments have been stratified into four size class namely Large, Medium, Small and Micro industries. Total estimated sample size was 8,429 manufacturing establishments.

SMI 2012 data reveal that of the total number of establishments, 41% was micro type manufacturing industries, 37% small type, 14% medium type and only 8% large type. Total persons engaged were 5.4% in Micro type of industries, 14.7% in small, 20.8% in medium and 59.1% in large type of industries. The large industries constituted only 8% of the total, claimed 59.1% of the total persons engaged.

Estimates show that majority of the employees were male in micro (84%) and small (83%) industries. The female proportion was quite good in large (48%) industries followed by medium industries (35%) and small industries (17%).

Percentage distribution of production and related worker was relatively high and that was 82%. Next significant share of persons engaged was temporary labourer (8%) followed by clerical and sales workers (5%), administrative and managerial (4%) and owner/ proprietor/ partner (1%).

According to BSIC (2-digit level) major three leading manufacturing establishments were Manufacture of textiles 10,983 (25%), Manufacture of food products 8,441 (20%) and Manufacture of wearing apparel (Readymade garments) 6984 (16%) respectively. The large industries constituted only 8 percent of the total industry, claimed 61.3 percent of the wages and other benefits paid to employees. Micro industries included 40% of total industry claimed only 4.9% of the salary wage and benefit. Large industries had significant share of net fixed assets that was almost half

(48%) of total whereas 24% for both medium and small and only 4% for micro type establishments.

The highest portion (45%) of the net fixed assets accounts for the machinery and equipment's, followed by Building (residence and factory) (21%), land and land improvement (20%), other fixed assets (9%), and the rest 5% for transport and accessories and computer and software.

Local raw materials had the highest share in micro (86.8%) and small (65.4%) type establishments whereas foreign raw materials for medium (62.7%) and large (59.7%) type establishments. Large type of manufacturing industry had prevalent share of gross output (47%) though it included only 9% of total manufacturing industries. Medium had next highest share (26%) and micro had lowest share of gross output (5%) comprising highest share of manufacturing industries. Small covered 22% of total gross output.

Distribution of income from others' raw materials was BDT 148,433 million that was 67% of total value. The next highest share was for the category of bonus and premium which was BDT 34,841 million or 16%. Value of income from selling of raw materials and investment and other income were BDT 16,722 million or 7% and BDT 10,603 million or 5% respectively.

About 58% of indirect tax was paid by the large industries followed by medium (20%), small (19%) and micro type industries (3%) respectively. Percentage distribution of Indirect Tax is nearly same for small and medium type manufacturing sector. Most of the industries (59%) were using 75-100% of their capacity, followed

by (32%) who were using 50-75% of their capacities. Only few industries (5%) were using more than 100% of their capacity (Bangladesh Bureau of Statistics, 2013).

Regardless of whether a business is seeking to make it past the start-up phase, satisfy a major increase in demand for its products and services, or strengthen its competitive position, growth is a vital step in the development of a small or medium-sized enterprise (SME). How many Canadian SMEs are pursuing growth in Canada in 2015? What are the obstacles they face? And what are the most commonly used strategies for overcoming those obstacles?

To answer these questions, we spoke with entrepreneurs from a variety of backgrounds who have put various strategies into effect with conclusive results. This, in turn, led to a survey of over 1,000 SME leaders across the country to gain a better understanding of growth challenges and identify the most promising strategies.

Although every business has to chart its own path according to its size, industry and location, a number of findings were made that paint a general picture of how SMEs are positioned vis-à-vis growth.

The first finding of note: four out of 10 SMEs are successfully meeting the challenges associated with growth. In Canada, 12% of SMEs experience strong growth in terms of revenue, profit or number of employees, while 29% show sustained growth. While not all businesses are at the same stage of development, there is a broad consensus when it comes to the value of growth. The survey respondents (all categories combined) gave it an average score of 7.1 out of 10 in this regard.

Another finding: SME leaders are facing challenges on many fronts, a fact that can sometimes thwart their ambitions. Among other things, they must contend with a marked increase in operating costs along with greater pressure on managers and employees resulting from the efforts required to increase production. In some cases, debt loads and difficulty securing financing pose further obstacles.

Despite the challenges, managing an expanding business can have substantial benefits. First, when revenue and profit levels grow, leaders' personal and family financial situations also improve. Another benefit worthy of note is that the ability to handle bigger projects can make work much more stimulating for employees. And a growing business is generally on a sounder financial footing, enabling it to compete more aggressively and pursue development projects.

While the challenges vary from one business to another, there is a consensus on the strategies for growing successfully. Leaders whose businesses are experiencing marked growth identified the following four winning strategies, in this order:

1. Be a client-centric business
2. Build your talent pool
3. Stay on top of your game, innovate
4. Invest to be the best

Since SMEs are the engine of the Canadian economy, it would be in everyone's interest for more and more of them to pursue growth. And one of the objectives of

this study is just that: to give SME leaders the desire to grow by providing relevant information and examples that show that, with careful planning, success is within their reach (BDC Study, 2015)

There has been substantial research conducted on small and medium sized enterprises in tourism industries, but information regarding access to financial resources is limited. Finance being a significant resource, like in any category of business, the success and growth of SMEs depend to access to finance to a great extent. Because there is no denying the fact that the finance remains the life blood of SMEs. This report investigates the status of access to financial resources of SMEs in tourism industries to find out if this category of SMEs faces identical or unique barriers. This report examined the data from statistics Canada's Survey on Financing of Small and Medium Enterprises and found that Canadian SMEs in tourism industries were significantly less likely to have access to external financing as compared to SMEs in no-tourism industries. However, Canadian SMEs in tourism industry are less likely to seek for external financing SMEs in accommodation industry requires substantial capital. SMEs in this industry had the most difficulty, receiving on average, less than half of the debt financing they requested in 2007 (Andrea K. Pierce, 2011).

Statistics Canada 2015 reveals that SMEs significantly drive the economic growth and employment generation within Canadian economy SMEs in Canada account for 99.8 percent of all business and 90.2 percent of employment that is, 90.2 percent (Statistics, Canada 2015) of privately employed individual are in the SMEs. As SMEs significantly drive the employment generation, it accounts for 95.5 percent of

all private jobs created during the period from year 2005 to 2015. On an average, small business created about 100,000 new jobs each year over that period (Key Small Business Statistics, 2016).

Access to sufficient and appropriate financing is one of the most important determinants of success in a business enterprise. The Canada Small Business Financing Programs (CSBFP) facilitates access to affordable financing for SMEs. This is how the CSBFP helps establish, expand, modernize and improve SMEs in Canada which in turn helps stimulate economic growth and employment generation in Canada.

The aim of this report is to profile the general characteristics of the CSBF borrowers. Clear understanding of these characteristics of these borrowers is essential to provide an evidence based approach. Innovation, Science and Economic Development Canada (ISED) is provided with this evidenced based approach to addressing the challenges the borrowers face, and how the program could be better meet their financing needs (SME Profile, 2016)

The CSBFP is a statutory loan loss-sharing program. This program is governed by the Canada Small Business Financing Act. The CSBFP is administered by the ISED. Under the CSBFP, the Government of Canada and financial institutions (which include chartered banks, credit unions and Caisses populaires) share the risk of providing SMEs with term loans for acquiring real property and/or equipment and making leasehold improvements. The government is liable to pay 85 percent of eligible losses on defaulted loans registered under the program. By sharing the burden

of risk on loans, the Government of Canada and private sector lenders are able to increase the amount of financing extended to SMEs.

Under the CSBFP, a small business can apply for a loan to a financial institution of its choice. Financial institutions lend money to small business conducted in all sectors, except agriculture sector. Such lending is extended in all provinces and territories (Agriculture and Agri-Food Canada, 2017). Not for profit and religious organizations are not included within the entities receiving such financing facilities.

The responsibility of credit decisions, loan approval, loan disbursement, loan registration with the CSBFP, loan administration etc lies with the lenders.

3.2 Features of CSBFP

3.2.1 Eligibility of the Borrower

If firms operate their annual sales of USD 10 million or less than USD 10 million are eligible to use the program except the agricultural, charitable and religious organizations.

3.2.2 Ratio for Loss-Sharing

After investigation and realization on security the government will contribute the shares in eligible losses. 85 percent share of eligible losses will bare by the government and lenders will responsible for rest 15 percent.

3.2.3 Eligible Expenses

The followings are considered as eligible expanse:

Real property or immovables, equipment, leasehold improvements and program registration fees.

The maximum loan amount will be USD 1 million. While the total amount could be used for the purchase or development of real property, a maximum of USD 350,000 can be used for other permissible expenses, such as equipment, leasehold improvements and registration fees.

3.2.4 Maximum Financing Coverage

For the real property, government will coverage 15 years as maximum period of time under the CSBFP loan and 10 years for all eligible expenses.

3.3 Lending Trends of CSBFP

Among the Canadian small business total 5,067 loans are disbursed within one year (2014-15) total amount of these disbursed loans was USD 785.3 million (SME Profile, 2016). Whereas the number and value for disbursed loans in the previous year were 5,667 and USD 853.7 respectively. If we make a comparison between two fiscal years 2013-14 and 2014-15 we get that the number and value of loans made were down by 10.6 percent and 8.0 percent respectively. This downward trend by comparing with the previous year in terms of volume and value is occurred from last four consecutive fiscal years. In 2014-15, the average loan size was USD 154,975, an increase of 2.9 percent compared to 2013–14, outstripping the rate of inflation. It is anticipated that this amount will continue to increase as legislative changes made in June 2015 increased the maximum loan amount from USD 500,000 to USD 1 million.

3.3.1 Services and Retail Trade for Food and Accommodation

In recent years, more than half of CSBFP borrowers operate in the food and accommodation services or retail trade sectors, compared with 37 percent in 1999–2000.

3.3.2 Size of the Loan

Observing the last five fiscal years, it reveals that on an average approximately 4.1 percent loan size is increased, outpacing inflation. At present, the average loan size is almost USD 155,000 and expected that it will increase at an even higher rate due to recent legislative amendments that made the maximum loan amount exactly double (from USD 500,000 to USD 1 million).

3.3.3 Requests for External Financing

By comparing with all other SMEs, the percentage of CSBFP borrowers requesting external financing has been steadily growing since 2007.

3.3.4 Loan Volume

Under the CSBFP, the lending amount and number have reduced for four consecutive fiscal years. It is expected that the legislative amendments of CSBFP will accelerate the financing needs of entrepreneurs and greater diversity in the financing products of private sector.

3.3.5 Claims

It is expected that claims on loans will decline with the loan volume declines as well.

The majority loans under the CSBFP were made to small business in Ontario and Quebec, 35 percent and 29 percent respectively, of total lending by value of loans. 12 percent of loans by number and 13 percent of loans by value were made by CSBFP in Alberta and that is the third-largest user of the program.

In 2014-15, It is accounted that 37 percent of total loans in terms of value were consumed to operate the business accommodation and food services sector. The next largest sector was the Retail trade sector, at 14 percent among the total loans in terms of value.

CSBFP borrowers, as defined by revenue, are very small. About 43 percent of borrowers in 2014–15 created revenue of USD 500,000 or less, while over 90 percent created revenue of USD 2 million or less (SME Profile, 2016).

In Canada, a co-operative is a corporation seeks to serve some common purposes. The purposes include: access to goods and services, sale of goods and services, employment etc.

A co-operative is a legal entity as incorporated by law. An association of members owns this co-operative. As such, it serves the common purpose of its members.

This profile compares data on co-operatives with the data on SMEs in Canada. Co-operatives in Canada function as democratic business model. The model operates on a

principle that one member has one vote. This report particularly considers for profit co-operatives that are SMEs. This report examines various characteristics of co-operatives. That is, it examines types of financing sought, growth, exports and innovation activities. In the process it leverages the finding of the survey on Financing and Growth of Small and Medium Enterprises, 2014 (SFGSME, 2014). The SFGSME provides data on co-operatives. As the characteristics of co-operatives are rarely studied in Canada, SMEs in Canada can benefit from the SFGSME.

According to data provided by the SFGSME, it is observed that the requests for financing from the external source are higher from the co-operatives side as compared to that of SMEs in the year 2014. Such requests in the year 2014 are 51.3% from SMEs and 69.8% from co-operatives. The nature of financing requests from co-operative was debt financing, but from SMEs it was trade credit and debt financing ranked second for SMEs. However, 53.8% accounted for debt financing for co-operatives and 52.3% for trade credit for SMEs as referred above. In terms of amount, co-operatives received USD 148.7 million in debt financing. On the other hand, SMEs received USD 28.0 million in trade credit. A comparison of financing between co-operatives and SMEs revealed that trade credit accounted for 37.2% of the total financing for co-operatives and 30.5% of the total financing for SMEs. In terms of monetary figure, the amount is USD 102.6 million for co-operatives and USD 16.3 billion for SMEs.

Co-operatives substantially differ from SMEs from the debt financing point of view. A comparison in this regard shows that 73.2% of co-operatives received debt financing from credit unions. On the other hand, 71.6% of SMEs received such financing from the Canadian chartered banks.

The SFGSME surfaced specific business characteristics. A comparison in this respect shows that 78.1% of co-operatives had been conducting business for over twenty years. On the other hand, 36.6% of SMEs had been in business for the same time period. Moreover, proportionately start-up business of co-operatives are less in number as compared to that of SMEs. In percentage, in the year 2014 approximately 1.2% of co-operatives had been conducting business for two years or less; whereas, about 7.6% of SMEs had been in business during the same time period. During the year 2012-2014, the data relating to the SMEs growth revealed that 9.3% of SMEs demonstrated strong growth, that is, annual growth exceeded 20% on an average. On the other hand, co-operatives showed the average annual growth to be 5.3% which is far below as compared with the growth of SMEs. Approximately one-third of SMEs experienced zero or negative annual growth on an average; whereas, one-quarter of co-operatives experienced zero or negative growth. Half of SMEs experienced annual growth ranging from 1% to 10% on an average. On the other hand, 57.7% of co-operatives experienced growth in this ranges.

In 2014, about 11.8% of SMEs had exported goods and services, where co-operative exported 6.0% of goods and services as revealed by the SFGSME. The USA was the main destination of exports for the SMEs and co-operatives.

The SFGSME indicated that during the period from 2012 to 2014, the innovation activities of SMEs could have introduced goods and services, an improved production method, and a new way of selling of goods and services. It was revealed in the survey that 41.6% of SMEs had conducted one of the above activities as against 46.3% of co-operatives (SME Profile, 2016).

A data comparison between co-operatives and SMEs has been possible as a result of the SFGSME, 2014 (SFGSME).

The business operations of co-operatives are different from the operations of businesses in other levels or fields. One of the differences is that in a co-operative, the ownership is shared among the members using its goods or services. However, as revealed by industry Canada 2010, a co-operative may also include members not necessarily using its goods or services. For example, an investor member may be included in co-operative even if he or she does not use its goods or services. Another difference is that the principle of “one member, one vote” is applicable for governing the co-operatives. This is how a democratic process is followed in decision making in a co-operative. That is, the members of a co-operative take part in the decision making process where the shareholders cannot have a majority vote. Another

important aspect is profit sharing. In co-operatives, profits are distributed to all members as patronage dividends whether in whole or in part.

In Canada, a co-operative must incorporate under a specific co-operative Act at the provincial, territorial or federal level. While co-operatives exist in a broad array of sectors and serve a wide variety of functions, they generally fit one of the following four types: (Guide on Co-operatives, 2014)

A co-operative must be incorporated under the provisions of specific

Co-operative Act as applicable at the provincial, territorial or federal level. Though co-operatives exist in a broad array of sectors and they have wide variety of functions, but yet there are four types of co-operatives as provided by the Guide on Co-operatives, 2014. These four types of co-operatives are enumerated below:

- a) Consumer co-operatives: provide goods and services to their members;
- b) Producer co-operatives: process and market their members' goods and services;
- c) Worker co-operatives: provide their members with employment services. The employees are the members and owners of the enterprise;
- d) Multi-stakeholder co-operatives: respond to the needs of various stakeholder groups, such as employees, clients and interested persons or organizations.

According to the result of the 2010 Annual Survey of Canadian Co-operatives, (Industry Canada, 2010) not to be confused with the SFGSME, there were 7,865 co-operatives in Canada in 2010, of which 5,094 took part in this survey. The results

show that among the co-operatives, consumer co-operatives were 70.2%, which are usually involved in wholesale or retail activities. The second-largest group was producer co-operatives, measuring for 16.2% of the co-operatives in the sample.

Government is highly interested in co-operatives because of their contributions and supports to economic development and growth as well as their social impact (Annual Report, 2014-15). In the economic context, the annual surveys of Canadian Co-operatives of 2010 show that the co-operatives that completed the survey employed 87,963 and generated about USD 34 billion and earn more than USD 21 billion in real estate or equipment assets.

The United Nations emphasized the significance of co-operatives when it announced 2012 as the "International Year of Co-operatives." To review and monitoring the status of co-operatives in Canada, the government of Canada created a "Special Committee on Co-operatives" in 2012. (Status of Co-operatives in Canada, 2012). Consequently, Science and Economic Development Canada, Innovation was required to retain the policy responsibility and accountability for non-financial co-operatives. It provides analytics, advice and support for inventing and growing collaborative business in Canada.

One of the most important requisites for establishing effective policies on co-operatives is data access. Since the 1930s, every year, The Annual Survey on Canadian Co-operatives has been conducted and it has become a reliable source of information. According to surveyed data concerned with private and for-profit co-operatives having 1 to 499 employees, it was found that those co-operatives achieved

gross revenue of USD 30,000 or more. The SFGSME contains data on financing requests and business characteristics, such as age or average annual growth, along with record on co-operatives (SME Profile, 2016).

Entrepreneurship is considered as an accelerating tool for driving economic growth through innovation, job creation, and increasing the growth of productivity. Entrepreneurs generate new job opportunities; products and services; innovate by introducing new technologies and amenities; open up new market opportunities (Audretsch, 2002; Kritikos, 2014); and boost up the productivity by creating competition in the market.

Many researches have reported that majority women-owned enterprises dawdle majority male-owned enterprises in the case of employment, sales, profits, loan approvals, innovation, sales growth, exports and employment growth (Industry Canada, 2015). This inefficient performance is attributed to the industrial sectors in which female entrepreneurs operate their personal characteristics and preferences, their management strategies and institutional constraints. Especially in retail and service industries, female entrepreneurs are more likely to operate their businesses than their male counterpart (Coleman, 2002; Fairlie and Robb, 2009). They work less hours in their business and have less prior experience working (Fairlie and Robb, 2009). Additionally, they are considered to be more responsive to risk (Nissan et al., 2012; Coleman and Robb, 2009) and they face financial constraints with interest rates on bank loans, credits and charge (Cavalluzzo et al., 2002; Muravyev et al., 2009). There are also have some studies, however, that reveals that there is no significant

difference in performance between majority women-owned and majority men-owned enterprises (Robb and Wolken, 2002; Orser et al., 2006).

In terms of enterprise performance and access to financial resources, are female entrepreneurs in Canada at disadvantageous position? Is enterprise performance gender based in Canada? This study aims to respond to these questions by examining the impact of gender majority ownership on the following factors of enterprise performance: sales per employee, profit per employee, employment, innovation, ratio of authorized to requested debt financing and interest rate on debt financing. For two reasons, it is important to know gender impact on small and medium-sized enterprise (SME) performance: (1) SMEs contribute to the dynamic of the economy in terms of employment, innovation (Watson, 2006) and productivity; and (2) identification of the determinants of SME performance is crucial to financial providers, business advisers and policy-makers to make policy and business decisions.

This paper presents various contributions to the literature. First, it shows the scale adjustment issue of the measure of performance raised by Robb and Watson (2012). As they opine, the performance of majority female-owned enterprises as compared to that of male owned enterprises may be explained through the use of indicators of performance. The indicators however are not adjusted to scale or size of the firm and/or the how the owner like or dislike taking risk. Furthermore, this study uses both sales and profit per employee instead of sales and profit as performance indicator. As we understand, this is the paper that studies the impact of gender a sale per employee and profit per employee in the context of Canada.

Second, this study is also in the with that of Muravyev et al. (2009) as because, this study raises the question of access to bank loans where emphasize is given on the ratio of authorized to requested debt financing and the interest rate charged on debt financing.

Third, the analysis in this paper has gone deep in to the study. Thus, it studied the impact of majority gender ownership. The analysis was done on such ownership by industrial sector and by comparing the results of statistics Canada Survey on Financing and Growth of Small and Medium Enterprises, 2011 and survey on Financing and Growth Medium Enterprise, 2014. The analysis also took into account the administrative data from statistics Canada's Liakable File Environment.

This paper complements the empirical literature on gender impact on indicators of performance. It inspected the differences between majority female-owned and majority male-owned SMEs with respect to the following measures of enterprise performance: (i) sales per employee, (ii) profit per employee, (iii) employment, (iv) innovation, (v) ratio of authorized to requested debt financing and (vi) interest rate on debt financing. The analyses also included the impact of majority gender ownership by industrial sector and compares the results using data from the Survey on Financing and Growth of Small and Medium Enterprises, 2011 and Survey on Financing and Growth of Small and Medium Enterprises, 2014.

Analysis results show that all enterprise measures of enterprise performance were influenced by gender in 2011. On the other hand, the sales of every employee and employment are affected in 2014. The majority of the women owned SME workers

are less sold and fewer than the men owned SMEs 2011 as well as 2014. These observations are thought to be consistent with previous research in terms of both sales and employment compared to their male counterparts in women entrepreneurs workshops. This study reveals that profit per employee for majority female-owned SMEs was less than that of majority male owned SMEs in 2011. However, there was no statistical difference between the two in 2014. The study also found that majority female-owned SMEs were more likely to be innovative than majority male-owned SMEs in 2011. However, there was no difference between the two in 2014. In case of access to financial resources, results suggested that lenders found proposals for debt financing for majority female-owned SMEs to be riskier than for majority male-owned SMEs in 2011. In 2014 also the trend remains same. That is, such risk was equally same in 2014. This is supported by the fact that, in 2011, the ratio of authorized to requested debt financing was lower for majority female-owned SMEs than for majority male-owned SMEs and the interest rate on debt financing for majority female-owned SMEs was significantly higher than for majority male-owned SMEs. In 2014, no statistically significant difference was found between the two with respect to ratio of authorized to requested debt financing or interest rate on debt financing. The sectoral analysis showed the differentiating status of female and male owned organizations in terms of sale and profit per employees employment and innovation. In many industrial sectors, the performance of majority female owners SMEs was slower as compared to the performance of majority male owned SMEs. There was no difference between the two depending upon the period. However, it is significant that majority female-owned SMEs employed more employees in the

primary sector than majority male-owned SMEs in 2011. Female owned SMEs also had a higher probability in manufacturing, accommodation and food services, and retail trade in 2014.

A clear understanding of gender impact on SME performance is imperative on the part of entrepreneurs, financial providers, business advisers and policy-makers as it helps them make good policy and business decisions. However, still there will be some questions to be asked. Further analyses find out the impact of access to financial resources on SME performance; the impact of majority gender ownership on exporting and research and development; the impact of characteristics of entrepreneurs on SME performance (e.g., maternity leave, immigrant status) and the dynamics of performance indicators in terms of growth. Each of these factors could help provide a better understanding of the impact of majority gender ownership on SME performance (Julio M. Rosa and Daouda Sylla, 2016).

This chapter embodies a description and review of the literature – articles, researches etc. so far written or research done in the area of small scale industry and/or small and medium enterprise operating in Bangladesh and Canada. During the review it appeared that there has been no study made on the comparison of two countries SME performance and banking service. They are concentrated in services, finance, entrepreneurial background and motivation, policy issues, strategic planning etc. In this context, the present study would be the virgin study in this area that will obviously enrich academic world about the present scenario of small and medium enterprises of two different economies of one being emerging economy and the other

being developed economy Bangladesh and Canada. The next chapter will deal with theoretical framework of the study.

Chapter Four

Theoretical Framework of the Study

4. Introduction

Small and Medium Enterprises (SMEs) are now the great concern to develop the economy in the world. It is beyond all controversies and debates that SMEs comes to play role to make ‘positive growth’ in national economy. The factors or determinants related to the SME and banking service have described in this chapter.

4.1 Importance of SME in Bangladesh

Small and Medium Enterprises (SMEs) considered as a dominant form of business organization in all countries, naturally accounting for over 95 percent of the business population. OECD recognized that SMEs constitute an important dynamic element in all economies as they drive innovation, especially in knowledge-based industries; and play a key role in driving sustainable economic growth, employment creation and poverty reduction, especially in developing countries like Bangladesh. It also contributes to the social, cultural and environmental capital of nations.

In view of the rapid structural change in the world economy, especially in favor of increasingly weightless, paperless, knowledge-rich industries and services, to see structural change and remaining relevant as major imperatives for intervention by government and the civil society.

Acknowledging the importance of SMEs and entrepreneurship, the Government of Bangladesh reaffirming their commitment takes initiative to design a SME policies and strategies for its coherent growth.

4.2 Role of MSME financing on the Economic Development of Bangladesh

MSME is the key driving force of the economy of Bangladesh. The overall economic development of the country is closely interlinked with the development of the MSME sector. MSME is still now one of the largest employment generating sectors of Bangladesh. Besides, MSME makes the largest contribution to favorable Balance of Payment position through providing raw materials for industry, reducing imports and enhancing exports.

MSMEs are getting the highest priority from policymakers due to their already proven multidimensional contribution to the socioeconomic environment of a country. These enterprises are easy to start, require only minimum capital, employ a comparatively higher number of people, and produce goods that meet local demands as well as contribute to export earnings.

MSMEs are important for self-employment, generating employment opportunities for others, increasing GDP growth, contributing to export earnings, supplying livelihoods to stakeholders, and poverty alleviation of the country. Cluster-based MSME entrepreneurship development could be an effective tool to generate local employment. But existing challenges like creating skilled manpower as per sectoral demands, providing product-specific manufacturing skills to the youth, improving productivity and product quality by adopting new technologies, increasing investment capacity by creating and maintaining an enabling environment through harmonization of government policies, must be addressed if we are to achieve our development goals.

Bangladesh is the pioneer of conceptualizing the micro-credit program and the country is regarded as an example of achieving remarkable progress in poverty reduction and human development. Microfinance has become an increasingly popular approach that aims to alleviate poverty by providing the poor new opportunities for entrepreneurship. It also aims to promote empowerment (especially among women) while enhancing social capital in poor communities. It is generally perceived that micro-credit program helps to improve socio-economic status of the rural women in Bangladesh, for which the Banks, NBFIs, MFIs have been extending micro finance to the micro entrepreneurs.

Most of the MSMEs of Bangladesh are mainly operating their business at the subsistence level and hence lack the capacity to invest heavily in their businesses. MSMEs obtain financial support through formal and informal sources. MSME requires very few amounts of resources but they can be managed more efficiently. It is, therefore, most essential to provide necessary credit to real MSME in a timely manner. The Government has been putting much emphasis on the MSMEs and taking different measures for its development considering the sector as one of the driving force to transform the country's huge population into human resources, as the sector contributes around 30% in the GDP. Moreover, Bangladesh Bank, MRA, SME Foundation have been putting vigorous attempts towards boosting up MSME sector and MSME credit is considered as one of the vital tools for poverty alleviation as well as economic development of Bangladesh.

Bangladesh, with a total population of almost 170 M (8th largest) in just 56 k sq miles (92nd), is one of the world's most densely populated countries'. According to Human

Development Index (HDI), Bangladesh ranked 139 out of 188 countries in the world in 2017 (UNDP, 2017), which was 140 out of 177 countries in the world in 2007 (UNDP, 2007). Per capita annual income is USD 1,466 in 2017 (Socio-Economic Indicator of Bangladesh Bureau of Statistic 2017), which was USD 520 in 2006-07 (Socio-Economic Indicator of Bangladesh, 2007). About 31.5% people live in below poverty line in Bangladesh (ADB, 2016) in 2016, which was about 40% in 2007 (BBS, 2007). Bangladesh's GDP is growing at around 7% level since last few years, in which MSME sector plays a vital role.

According to UNESCAP, SMEs account for upwards of 90 percent of all firms in East and South-East Asia, as well as in Japan (Wattanapruttipaisha, 1999). It is also the biggest source of the region's employment, including three-quarters of the region's employment, in particular its women and young workers. The relative share of SMEs in total output and exports is typically much smaller, close to a third, or so. In Bangladesh, large enterprises account only for a small percentage of all business enterprises. The percentage is much smaller in other than manufacturing than in manufacturing per se.

The manufacturing industry essentially comprises small and medium scale enterprises: by some accounts, 60 percent and 25 percent, respectively, of the workforce in manufacturing happen to be hired by small and medium enterprises. It is hardly an overstatement to say that small and medium enterprises are pretty much synonymous with manufacturing industry.

4.3 SME for Bangladesh and Worldwide

The significance of SMEs can be clearly observed if we take a look at the contribution of MSMEs in some select Asian countries. For example, about 97.3 percent of enterprises in China, 97.3 percent in Malaysia, 97.5 percent in Kazakhstan, and 97.7 percent in Vietnam are MSMEs. Furthermore, about 99.4 percent of enterprises in Singapore, 99.5 percent in Sri Lanka, 99.6 percent in the Philippines, 99.7 percent in Thailand, 99.7 percent in Japan, and finally, 99.9 percent in the Republic of Korea are MSMEs.

MSMEs also play a vital role in employment in these countries. For example, MSMEs make up 87.7 percent of employment by enterprise in the Republic of Korea, 80.3 percent in Thailand, and 71.8 percent in Cambodia. Similarly, MSMEs are contributing to GDP growth and increasing export earnings of these countries. They generate 60 percent of GDP in Indonesia and China, 47.6 percent in the Republic of Korea, 45 percent in Singapore, and 43.7 percent in Japan.

In terms of export earnings, about 42.4 percent of export earnings in India come from MSMEs, 41.5 percent in China, 26.3 percent in Thailand, 20 percent in Sri Lanka, 18.8 percent in the Republic of Korea, and 15.7 percent in Indonesia.

The National Economic Census conducted by the Bangladesh Bureau of Statistics shows that there are in total 7.81 million economic entities in Bangladesh. About 88 percent of these economic entities are cottage enterprises, while 11 percent are MSMEs. But in reality, about 99 percent of Bangladeshi formal business enterprises

are MSMEs (ADB Institute, 2016). They constitute about 75 percent of non-agricultural employment and contribute about 30 percent to the national GDP.

SMEs accelerate private ownership and entrepreneurial skills and can adapt quickly to improve market situation, generate employment, help diversify economic activities, and make a significant contribution to exports and trade. Therefore, policies and initiatives to develop SMEs and to increase their competitiveness are a priority for Bangladesh. Liberalization of the economy along with rapid globalization has posed severe challenges to SMEs not only in international market but also in the domestic economy. Since SMEs are based on relatively small investment, their survival depends on eagerly available market with easy access. In this context, access to finance, market development and expansion as well as removal of other hinders are a challenging task, which requires coordinated efforts by individual business enterprises and the government.

The principal microfinance service providers in Bangladesh are usually categorized into four major groups: MFIs-NGOs, specialized institutions, commercial banks with microfinance programs and administrative ministries or divisions. Although there are thousands of MFIs-NGOs throughout the country offering micro credits, many of them are very small in loan portfolio or number of borrowers, and the majority of micro credit clients are being served by four huge MFIs.

Microcredit in Bangladesh is used for individual and group activities. Borrowers are not required to provide any collateral. There is a range of different types of loans including general loans, program loans, housing loans, etc. General loans are used for

different kind of income generating activities, such as rural trading, transport, paddy husking, food processing, small shops, and much more.

Picture of the Bangladesh's economy regarding SME based on economic census 2013.

- The number of nonfarm economic units in the country in 2013 was approximately 7.95 million against 3.71 million and 2.17 million recorded in 2001/03 and 1986 respectively.
- The inter-census yearly compound rate of growth in the number of such economic units rose sharply from 3.4 percent during 1986 – 2001/03 to 7.2 percent during 2001/2003 – 2013.
- The number of manufacturing units stood at 869 thousand in 2013 against 490 thousand recorded in the 2001/03 census indicating a yearly compound growth rate of 5.3 percent
- The share of manufacturing in the overall number of nonfarm economic units declined from 24.5 percent in 1986 to 13.2 percent in 2001/03 and further to 10.9 percent in 2013. This suggests that trade and non-manufacturing service activity, which is the dominant component of nonfarm activities, have been growing at a faster rate (7.4 percent) than manufacturing activities (5.3 percent).
- Recent growth in nonfarm activities has been more in rural areas compared to urban areas. During the last inter-census period, number of rural nonfarm economic units increased at a yearly compound growth rate of 8.4 percent

raising its share in the total number of units from 63.9 percent in 2001/03 to 72.2 percent in 2013.

There is a growing acknowledgment worldwide that small and medium enterprises (SMEs) have a significant role to play in the present context given their greater resource-use efficiency, capacity for employment generation, technological innovation, promoting inter-sectoral linkages, raising exports and developing entrepreneurial skills. Their positioning flexibility is an important advantage in reducing regional imbalances. The future of SMEs is of major policy concern given their strategic importance in any discussion of reshaping the industrial sector.

SME banking is an industry in transition. From a market that was measured too complicated to serve, it has now become a planned target of Banks around the world. Leading banks stated ROAs of 3-6 percent for their SME compared with 1-3 percent bank-wide. SMEs are estimated to account for at least 95 percent of registered firms worldwide; in Europe, this number is well over 99 percent. Defined by the employees less than 250. There are 36-44 million formal SMEs globally. Contribution towards GDP of Malaysia (70 percent), Thailand (70 percent), Korea (90 percent) Philippines (70 percent) economies are dominated by SMEs. In term of employment SMEs are contributing 50 percent, 40 percent, 50 percent, and 40 percent respectively of the mentioned countries (Sources: Kuwait Finance House).

Globally SMEs play very important role in all economies. In developed economies SMEs are working as the feeder vessels or as support to the large corporate. In developing economies, it works as the engine to ultimately create large corporate. In

UK SME lending is at its highest level since 2008. Currently it is recognized that the UK economy can only be flourished if SMEs are given the backing to succeed.

At present "Invoice finance is a fantastic way for SMEs to maintain a steady cash-flow". Japanese financial institutions and state agencies are working to promote more investment in SMEs especially in the steel, automobile, consumer electronics, and machinery and equipment industries. In USA SMEs were more export oriented than large firm. Exporting SMEs total revenue grew faster than the large exporting firm (i.e. SME 64 percent, Large 24 percent). Today, governments worldwide recognize the importance of SMEs and their contribution to economic growth, social cohesion, employment and local development. SMEs account for over 95 percent of enterprises and 60 percent-70 percent of employment, and generate a large share of new jobs in The Organization for Economic Cooperation and Development (OECD) economies. As globalization and technological change reduce the importance of economies of scale in many activities, the potential contribution of smaller firms is enhanced.

SMEs are the true backbone of the European economy and are accountable for the wealth and economic growth of the region. They also play a key role in innovation and R&D in the region. There are over 23 million SMEs representing around 99.8 percent of all the enterprises and 57 percent of them are sole proprietorships. They provide two third of the total private sector employment, represent 80 percent of total job creation and produce more than half of EU's added value (Europe-India SME Business Council, 2010).

It is evident that small and medium enterprises (SME) account for about 50 percent of GDP and 60 percent of employment worldwide. SMEs are estimated to contribute between 25-35 percent of all manufactured export. In terms of industrialization, Japan drew special attention to the professionals and policymakers in the international arena. Statistics show that Japan has achieved its industrial development heavily based on SMEs. Some of the worlds' best performing economies, notably Taiwan and Hong Kong, are heavily based on the small enterprises. In much of the developing world, the private sector economy almost entirely comprises of SMEs. Contribution of the SMEs of some selected countries shows that it has provided very significant portion of GDP and employment in their national economy.

4.4 Problems of SME sector in Bangladesh

At present SME sector is facing many problems in Bangladesh. Some major problems are as follows;

- i) Resource scarcity: In Bangladesh scarcity of raw materials hinder the ability of SME to be export oriented and limits its ability to reach more advanced stages of international business.
- ii) High employee turnover: Due to limited growth of SME most of the skilled employees leave SMEs. Levy (2003) observed that SMEs are knowledge creators but poor at knowledge retention.
- iii) Absence of modern technology

One of the main barriers for the development of SME in Bangladesh is inadequate technologies. Many SMEs have failed to adopt modern technology.

iv) 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.

v) Financial constraints

Availability of finance hinders the growth of SMEs in Bangladesh. Bangladeshi bank considers SMEs as high risk borrowers because of their inability to comply with the bank's collateral requirements. Only about 15-20 percent of the owners of SMEs own any immovable property. Bankers issue loan based on ownership of immovable property as collateral risk. As a result, it automatically excludes rest 80 percent SME's from the list of privileged clients of the banks. Whatever collateral SME's can manage gets used up in talking the term loan leaving them with no means to seek working capital loans from banks. Because of low access to institutional financing SME's, rely on inefficient financing services from informal sources.

vi) Lack of uniform definition

In Bangladesh, the definition of SME has changed overtime in different industrial policy announced by the government in different year. Absence of uniform definition makes the formulation and implementation of SME policy difficult.

vii) Lack of information

Miah (2006) has observed that SMEs have very limited use of information technology (IT). Accounting package is used by 1-2 percent of the SMEs. The use of computers is revealed by say 15 percent of the SMEs, while the use of the Internet for business purposes applies to say 8-10 percent of SMEs.

viii) Lack of entrepreneurship skills

Conservative attitude towards risk, lack of vision, ability to make plan and implementing those hinder the growth of SME in Bangladesh.

ix) Participation of women entrepreneurs

Equality of opportunity is a major problem for SME. Female entrepreneurs are treated discriminately. They are not well represented in business organization. Government does not provide adequate institutional assistance for women entrepreneurs.

x) Access to Market and lack of awareness regarding the importance of marketing tool

For SME, owing a retail space is very expensive in the major cities in Bangladesh. As a result, many customers are not interested to buy products and services from SMEs. Because they can't judge the quality until they physically examined the product. Most of the cases SMEs in Bangladesh are not able to use the Integrated Marketing Communication (IMC) tools. But these tools play the role of important stimulus to

motivate the customers and retain them. The country does not have enough marketing capability and resources to invest in marketing.

xi) Bureaucracy

Wang (1995) observed that the inadequate government supports are top ranking constraints for SMEs. Unnecessary layers of Bureaucracy and red-taps reduce the competitiveness of SME and raising the cost of transactions and operations.

xii) Absence of transparent legal system

The absence of an effective and transparent legal system discourages SMEs in exploring into risky ventures of business. There are a number of unnecessary formal requirements to start and run business that create high compliance costs and become barriers to SME development, growth and market entry.

xiii) Lack of commitment to innovation and customer satisfaction

Ernesto (2005) stated that to keep in pace with international competition, firms of all size are challenged to improve and innovate their products processes constantly. But in Bangladesh SMEs are still not relating the importance of satisfying and retaining customers by offering novel and desired benefits.

xiv) Lack of quality assurance

Govt. has failed to frame a national quality policy, provide adequate support systems and establish a national quality certification authority. As a consequence, SME of

Bangladesh has failed to ensure the quality of their products and services both in local and international market.

xv) Lack of research and development facilities

It is observed that investment in R&D is still negligible in.

xvi) Fierce competition with the cheaper foreign goods

Fierce competition with the cheaper goods of China, Taiwan, Korea, India, and Thailand also pose threat to SME in Bangladesh (Kashfia Ahmed Tanbir Ahmed Chowdhury, 2009)

4.5 Problems Confronted by SMEs in Canada

The greater variance in profitability, survival and growth of SMEs compared to larger firms accounts for special problems in financing. SMEs generally tend to be confronted with higher interest rates, as well as credit rationing due to shortage of collateral. The issues that arise in financing differ considerably between existing and new firms, as well as between those which grow slowly and those that grow rapidly. The expansion of private equity markets, including informal markets, has greatly improved the access to venture capital for start-ups and SMEs, but considerable differences remain among countries.

Regulatory burdens remain a major obstacle for SMEs as these firms tend to be poorly equipped to deal with the problems arising from regulations. Access to information about regulations should be made available to SMEs at minimum cost. Policy makers must ensure that the compliance procedures associated with, e.g. R&D and new

technologies, are not unnecessarily costly, complex or lengthy. Transparency is of particular importance to SMEs, and information technology has great potential to narrow the information gap. It would be of great help to set up a “one-stop-shop system”, where all the necessary information which affects firm strategies and decisions is made available in one place, as exists already in some countries (OECD Report, 1997)

4.6 Eligibility for SME Loan in Canada

4.6.1 Loan Conditions

The following conditions must be satisfied in respect of a loan, in addition to any further conditions that may be prescribed:

- (a) the loan must be made by and with the consent of a lender to a borrower who meets the eligibility criteria;
- (b) the loan must be in respect of a small business;
- (c) the loan must be for an expenditure or commitment that falls within the scope of one or more prescribed classes of loans; and
- (d) the portion of the cost of the expenditures and commitments to be financed by the loan must not exceed the prescribed limits.

4.6.2 Criteria for Eligibility

A borrower is eligible for a loan on application to a lender if, at the time the loan is made,

- (a) the borrower meets the prescribed eligibility criteria;

(b) in the case of a loan made before April 1, 2009, the outstanding loan amount in relation to the borrower does not exceed USD 250,000 or any prescribed lesser amount;

(c) in the case of a loan made after March 31, 2009 but before the day on which paragraph (d) comes into force, the outstanding loan amount in relation to the borrower does not exceed USD 500,000 or any prescribed lesser amount, of which a maximum of USD 350,000 or any prescribed lesser amount is for a purpose other than the purchase or improvement of real property or immovables of which the borrower is or will become the owner; and

(d) in the case of a loan made on or after the day on which this paragraph comes into force, the outstanding loan amount in relation to the borrower does not exceed USD 1,000,000 or any prescribed lesser amount, of which a maximum of USD 350,000 or any prescribed lesser amount is for a purpose other than the purchase or improvement of real property or immovables of which the borrower is or will become the owner (Canada Small Business Financing Act, 1998).

4.7 Key Requirements Checklist for Loan Approval in Canada

Requirement	Description
Due Diligence	Lenders must apply the same due diligence requirements as for a conventional loan for the same amount, conduct a credit checks on the borrower and/or shareholder(s), guarantor(s) and complete an assessment of the repayment ability of the borrower.
Eligible Borrower	Is the borrower (corporation, sole proprietor, partnership) carrying on or about to carry on a small business?

Eligible Small Business	<p>Small business must be:</p> <ul style="list-style-type: none"> • carried on in Canada • for-profit • with annual gross revenues not exceeding USD 5 million for loans approved before June 23, 2015 or USD 10 million for loans approved after June 22, 2015.
	<p>Ineligible Borrowers:</p> <ul style="list-style-type: none"> • Farming – See CALA program • Non-profit • Charitable or religious purpose
Maximum Loan Amount	<ul style="list-style-type: none"> • The maximum loan amount is USD 500,000 for loans made after March 31, 2009 and before June 23, 2015 and USD 1 million for loans made after June 22, 2015 of which no more than USD 350,000 can be used to purchase leasehold improvements or equipment. • The maximum loan amount includes amounts outstanding to related borrowers. NOTE: If an individual owns several corporations, each corporation may be eligible for a loan. See Guidelines • Is the loan amount equal to or less than the cost of eligible assets?
Loan Assets	Assets eligible for financing:
	<ul style="list-style-type: none"> • Real property
	<ul style="list-style-type: none"> • Leasehold improvements
	<ul style="list-style-type: none"> • Equipment (includes software, vehicles)
	<ul style="list-style-type: none"> • Registration fee

	<p>Common ineligible assets examples:</p> <ul style="list-style-type: none"> • Share acquisitions • Working capital / Inventory • Goodwill • Franchise Fees • Assets already financed by a term loan <p>Eligible assets purchased 180 days before loan approval date can be financed whereas eligible assets purchased more than 180 days before loan approval cannot be financed.</p>
<p>Proof of Purchase and Payment</p>	<p>Proof of purchase and payment (invoices, cancelled cheques etc.) by the borrower have been obtained for loan assets. The invoice must contain a description of the asset.</p>
<p>Appraisals Required</p>	<p>Appraisals have been obtained if:</p> <ul style="list-style-type: none"> • Purchase of asset or service from person not at arm's length • Purchase of a going concern (with an allocation of the price for each asset) • Purchase from a lender assets secured by conventional loan <p>Eligible amount of financing is the lesser of cost of purchasing and appraised value</p>
<p>Terms of the Loan</p>	<p>Do the repayment terms, interest rate, charges and fees comply?</p> <ul style="list-style-type: none"> • Maximum interest rate (including the 1.25 percent administration fee): <ul style="list-style-type: none"> ○ floating rate: lender's prime rate plus 3 percent ○ fixed rate: lender's posted single family residential mortgage rate plus 3 percent • at least one payment of interest and one payment of principal must be scheduled to be made each year

Security	<p>Has security been taken in the financed assets?</p> <ul style="list-style-type: none"> • Security must be a first charge or highest available rank • Security must be valid and enforceable. A security non-compliance section relates to loans defaulting after March 31, 2014. • Personal guarantees must be unsecured and are optional
Loan Registration	<p>The loan must be registered within 3 months from date of the first disbursement of loan funds. This 3-month registration period can be extended to 6 months if the failure to register is inadvertent and the lender provides the reason(s) for the late registration.</p>

4.8 Key Requirement Checklist for Loan Approval in Bangladesh

Among many SME entrepreneurs it has been observed that they have no sufficient knowledge regarding the preparation of the required documents and sufficient idea about the necessary precautions in getting bank loans. In order to facilitate the entrepreneurs to provide credit, the required documents which are collected from applicants by banks and non-bank financial institutions have been presented in a checklist by SME Foundation. Note that in this case, lending decision is completely taken by the concerned authorities of the banks and non-bank financial institutions through its own policy.

4.8.1 Essential Papers

1. Update license.
2. Photocopy of passport or national identity card.
3. Existing bank account in the name of the business organization.
4. Shop or house rental agreement or location document.

5. Minimum of 6 months to 3 years, the bank reports (different needs of different banks).

4.8.2 Other Papers (depending on type and size of business)

1. Taxpayer identification certificate (TIN)
2. Documents that present the list and value of fixed assets.
3. List of active stock and its present value.
4. Value Added Tax (VAT) certificate (if valid).
5. The total amount of debt and over-statement.
6. Details of official statements regarding the debt.
7. Paid telephone bills business place.
8. Paid electricity bills business place.
9. Employee name, last name and a list of monthly wages (payroll).
10. According to the Bangladesh Bank IOI report, the form of this report is provided by corresponding financial institutions to entrepreneurs and when entrepreneurs fill up the forms; these financial institutions complete the formalities to collect reports from the Bangladesh Bank.

To receive credit or loan the mentioned papers are broadly required to all banks and non-bank financial institutions. In addition, banks and non-bank financial institutions

collect other required documents and information from the applicant, if essential (SME Foundation, 2006).

4.8.3 Capital Requirement for SME Loans

The focus of Basel III, and indeed of all capital regulation so far, is not primarily a bank's balance sheet but the sum of its risk-weighted assets. Capital adequacy rules assign a risk weighting to each of a bank's assets that is meant to be proportionate to the credit and market risk that the asset in question represents.

Under Basel III, loans to SMEs are assigned a relatively lower risk weighting compared from commercial and corporate segment. Basically, a uniform risk weighting of 75% applies against financing BDT <3 million to the Unrated small enterprise, which indicate that if a bank make finance of BDT100.00 to small enterprise that is Unrated than the bank have to maintain capital of BDT7.50 [at 10% on the Risk Weighted Assets of BDT75.00 considering 75% RWA]. On the other hand, if the same amount of BDT100.00 will disburse to Large Business segment, the bank have to maintain capital of BDT12.50 [at 10% on the Risk Weighted Assets of BDT125.00 considering 125% RWA], which indicate that banks will be encouraged by capital adequacy ratio to disburse more loan to SME segment.

Thus, the Bank has to maintain lower capital considering the lower risk weight for SME Assets compared to Assets in other business segment. If a bank is able to complete risk rating for the SMEs and the bank make finance to rated SMEs than still the risk weight is lower than the Large segment loans across all rating slabs, as

depicted in the table below. This means the bank has to maintain lower capital if it lends to SMEs in comparison to large segments even if the risk rating is identical.

Table 04: Summary of BB Risk Weighted Asset for CMSME and Large Financing

Credit Rating	Risk Weight	
	MSME	Large
Rating 1	20%	20%
Rating 2	40%	50%
Rating 3	60%	100%
Rating 4	80%	100%
Rating 5	120%	150%
Rating 6	150%	150%
Unrated (small enterprise & BDT <3 million)	75%	125%
Unrated (small enterprise \geq 3 million & Medium enterprise)	100%	

Source: Bangladesh Bank

Bangladesh Bank offers lucrative policy incentives for general provision maintenance what eventually facilitate better profit in the current fiscal year of the bank.

Table 05: Summary of BB Loan Provision Incentive towards CMSME Banking

Rate of Provision:		Short Term Agri. Credit	Consumer Financing			SME Finance	All Other Credit
Particulars			Other than HF, LP	Housing Finance	LP		
UC & SMA	Standard	1%	5.00%	2.00%	2.00%	0.25%	1.00%
	SMA	-	5.00%	2.00%	2.00%	0.25%	1.00%

Source: Bangladesh Bank

In addition to guideline, policy incentive and operating guideline BB offers many low cost refinance fund and capacity development incentives to banks in order to expedite MSME banking to larger extent.

This chapter embodies an elaborate discussion of theoretical framework of small and medium enterprises performance and banking service with its various functional areas which are to be investigated into small and medium enterprises operating in Bangladesh and Canada. It also contains a conceptual framework of the policy of disbursing and its various determinants in both Bangladesh and Canada that differentiate between the developed and developing economy. The research has been made on banking service in small and medium enterprises (SMEs) of Bangladesh and Canada. The next chapter is the analysis and discussion of the SMEs performance and banking service in SME for the purpose of the thesis.

Chapter Five (1)

**Analysis and Discussion,
Bangladesh Perspective**

5.1 Introduction

In our research, Chapter 05 is the core chapter and for the clear and precise explanation we divide this chapter into two (02) parts, “Part 1” and “Part 2”. The data representation, analysis of the data and interpretation of the SMEs of Bangladesh are presented in “Part 1”.

5.1.1 Content

The objective of this report was to help and understand the banking service in SME and condition of SME performance in developing country’s economy like Bangladesh. Some interesting indicators, such as data on employment growth, export intensity, and growth obstacles, were excluded as they are widely published. The indicators in this report are organized into the following categories:

- Sales Growth
- Capital Utilization
- Financial Strength

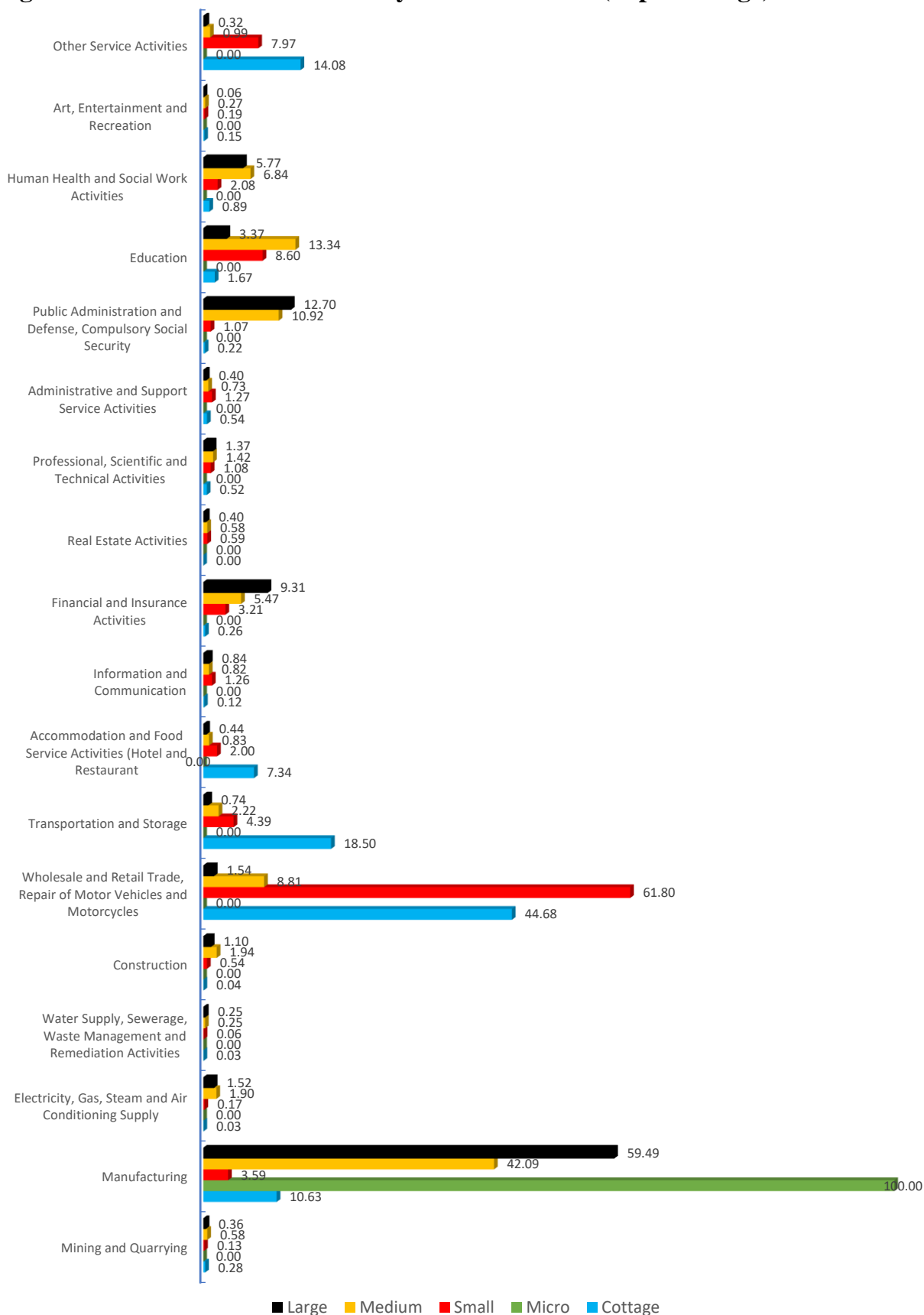
These categories encompass most of what is happening financially among SMEs, and indicators are presented for each category. Each section begins by outlining the technical definitions used in the analysis. It is necessary to understand these definitions and put them together to see the big picture. For policy makers, knowledge of financial indicators allows for a better understanding of economic fluctuations, which aides in the amendment of policy.

5.1.2 SME Representation

According to the Report on Economic Census 2013, total 78,13,315 SMEs were captured all over the country, representing about 99.9 percent of the total 78,18,565 businesses in the database. This representation has remained steady over the years and is consistent with the overall structure of the Bangladeshi economy within the selected sectors. Figure 01 compares the sectorial distributions by size of business.

Small businesses were more highly concentrated in the wholesale and retail trade sector than medium-sized and large businesses, with 61.8 percent of businesses operating in this sector followed by the cottage business 44.68 percent of cottage business operating in wholesale and retail trade sector. In contrast, only 8.81 percent of medium-sized businesses and 1.54 percent of large businesses belonged to this sector. Medium-sized and large businesses were more highly concentrated in the manufacturing sector and the Public Administration and Defense, Compulsory Social Security sector. Moving forward, these sectoral concentrations should be kept in mind in case of financial result analysis and forecasting.

Figure 01: Sectorial Distributions by Size of Business (in percentage)



Source: Bangladesh Bureau of Statistics (BBS) and author’s calculation

5.1.3 Sales Growth

Growth is an important indicator of lifecycle for all organizations. The class of Small and Medium Enterprises (SMEs) and at the same time such companies play a substantial role in the world economics (D. Popescu, O. Tomoiu, C. Andreea, 2011). The importance of SMEs companies relies in the creation of job opportunities, innovation and stimulation of private entrepreneurship. Moreover, small enterprises are more flexible and they are better able to adapt to a different environment, thus playing an important role in the time of slow economic growth.

We can mention the work of Greiner (L. E. Greiner, 1972) who acknowledged that business growth consists of five phases: (i) growth through creativity, (ii) growth through direction, (iii) growth through delegation, (iv) growth through coordination, and (v) growth through collaboration. However, it would be out of scope of this paper to deal with these theories more in detail.

Growth is a process function which happens over multiple time periods. The growth of firm can be represented by the change of some variable over time. The most frequently used measures of growth are probably profit, physical output in natural units, sales in monetary units or market share (J. Wiklund, 1998).

Sometimes, profitability is even considered to be in an adverse relationship with a firm's growth, since profitability is concentrated on short-term results and postpones investments which belong to the sources of long term growth (G. V. Milano, 2010).

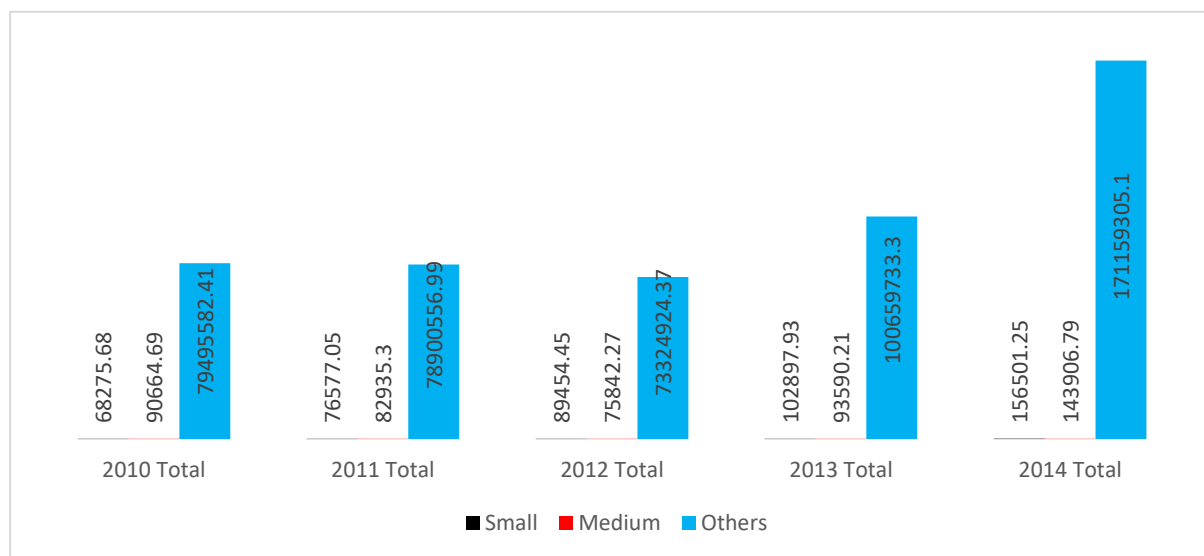
In line with the existing research, we will consider that the growth of a firm can be approximated by the growth of sales expressed in monetary units.

The benefits that SMEs provide for economic growth have long been acknowledged and are well accepted. Consequently, the economic performance of the nation is solely associated on the performance of the SME sector. SMEs are increasingly seen as playing an important role in the economies of many countries. SMEs are measured the acceleration power of economic growth in developing countries. Along the same lines as this assertion, (Muritala, T. A., Awolaja, A. M. and Bako, Y. A., 2012) concluded there is the greater possibility that SMEs will utilize labor concentrated technologies, thereby reducing unemployment, particularly in developing countries. In developed countries, SMEs have usually supported job creation, stimulating innovations and creating new products and services. This realization of the massive impact of SMEs to economic growth has forced governments throughout the world to put importance on the development of the SME sector to promote economic growth of their respect countries.

Research shows that exceptional rates of growth are difficult to sustain one year to the next as firms get larger. That is, doubling sales from USD 50 thousand to USD 100 thousand is operationally much simpler than doubling sales from USD 1 billion to USD 2 billion. Consequently, strong sales growth today does not necessarily mean strong sales growth in the future.

5.1.4 Advance Growth by Size of Business

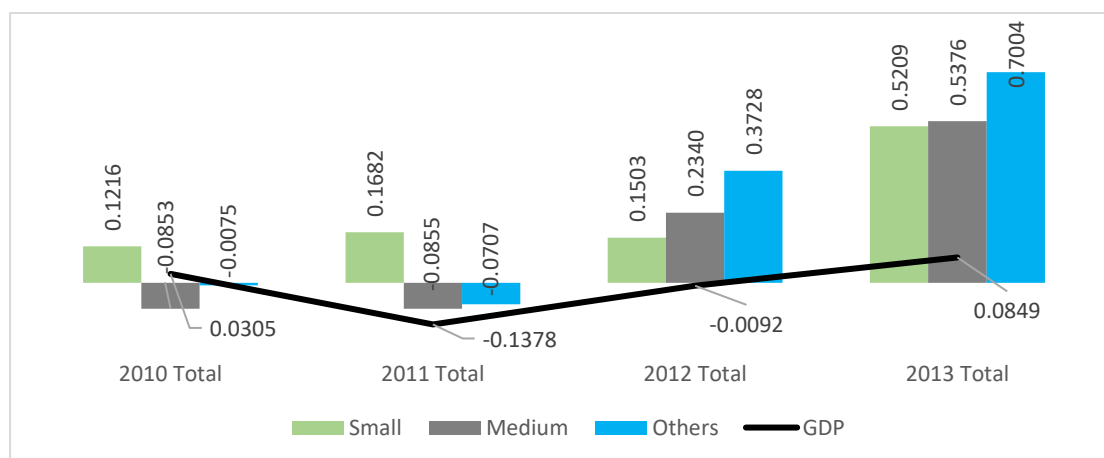
Figure 02: Advance Growth by Business of Size (BDT in corore)



Source: Bangladesh Bank and author's calculation

Loan-advance growth is one of the good indicators of business growth as well as economic movement. When consumers and businessmen confident about their future growth, they avail more loan for expanding their business and increasing their business portfolio.

Figure 03: SME Growth with GDP



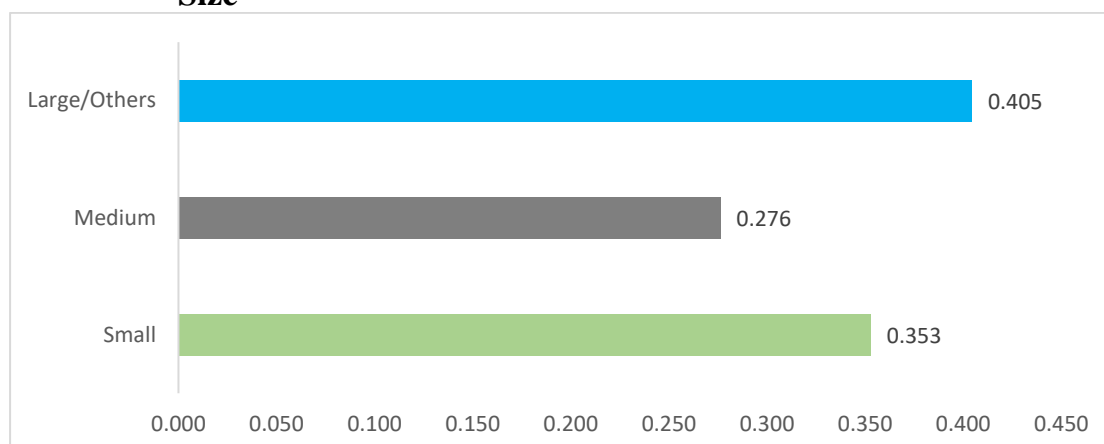
Source: Bangladesh Bank and author's calculation

From the Figure 02 we observe that the growth is sustainable in small business. Growth of loan-advance is increased in medium business after 2011 in spite of the negative growth of previous two years and same condition for the large/others business. Interestingly, growth is not steady for medium-sized and large businesses moving into the slowdown of the 2010 and 2011. The analysis also showed that the decline in medium and large/others business are more dangerous for economic growth than small business.

An important area of analysis surrounding loan-advance is the difference between loan-advance growth and GDP growth. Analyzed together, loan-advance and GDP growth can provide insights on where businesses or sectors are positioned in their operating life cycles.

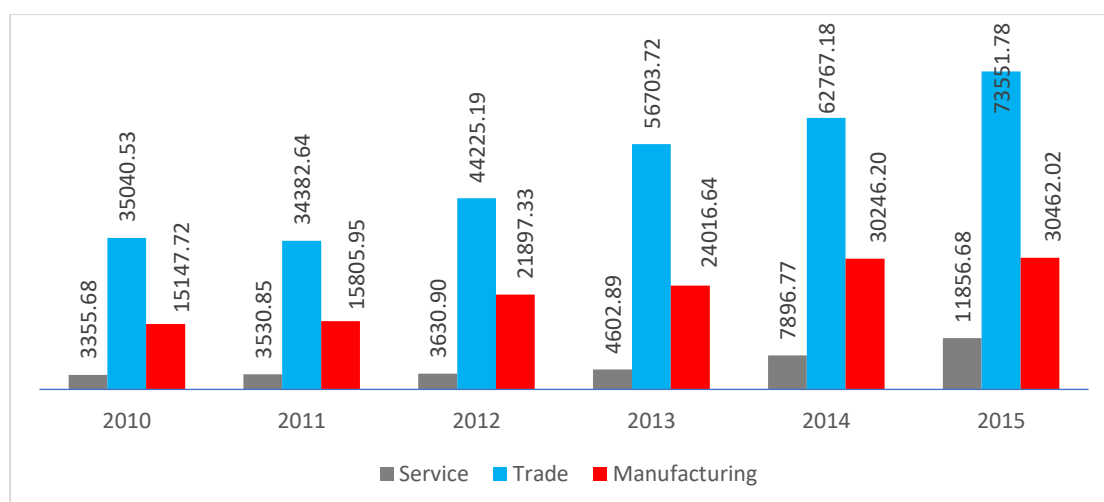
As illustrated in Figure 03 GDP is affected mainly with the large business. Maximum negative GDP growth was in 2011. GDP growth and SME growth are positively related after 2011.

Sales risk is one of another criterion for measuring the stability of business. That is, the relative stability of sales growth across businesses. Stable position of the businesses indicates to stable production, employment and a stable economy. As seen in Figure 03, sales growth for large businesses is relatively more volatile than for small businesses. This can be better seen in Figure 04, which compares coefficients of variation (CV).

Figure 04: Coefficient of Variation in Loan-Advance Growth by Business Size

Source: Bangladesh Bank and author's calculation

Large businesses had the highest CV of 0.405 on average sales growth of 24.88 percent, compared to a CV of 0.276 for medium-sized businesses and 0.353 for small businesses on average sales growth of 15.02 percent and 24.02 percent respectively. This indicates that, while on average large businesses grew at a faster rate than small and medium sized businesses over the 2010-2013 time period, their growth was less stable.

Figure 05: Sales Growth by Sector (BDT in crore)

Source: Bangladesh Bank and author's calculation

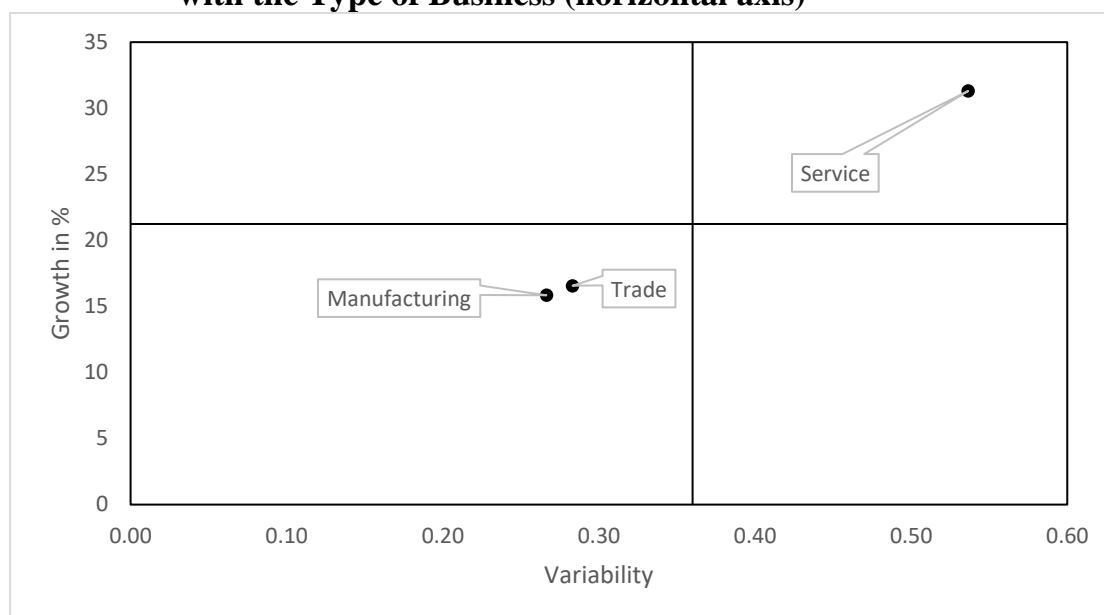
Sales Growth metrics measure the pace at which your organization's sales revenue is increasing or decreasing. This is a key metric for any organization to monitor since it is an essential part of growth projections and is instrumental in strategic decision-making. Monitor this metric over multiple time periods to gain a clear indication of growth trends and normalize your values.

At the highest level, the sales growth metric is used to provide executives and sales directors with an assessment of the sales organization's performance. However, this metric can also be broken down to show how each sales team or sales representative can contribute to achieving organizational goals. Rather than providing each sales team with a broad objective of increasing total sales by 20 percent this year, provide attainable (yet challenging) objectives that will help them effectively contribute to achieving your business objective.

In assessing sector growth, it is important to recognize that not all growth is equal. An upward growth trend that fluctuates erratically due to business churn (i.e., opening and closing of businesses) is not stable growth. Consequently, it is useful to look at growth in relation to growth volatility. Ideally, it is best to see both (1) positive and (2) stable sales growth year-over-year. Lower but more stable growth is also acceptable as it can result in stable employment.

Generally speaking, SMEs in the trade sector is higher in both volume and growth. The growth of SMEs in service sector is high compared to the manufacturing sector although the volume is small this indicate that service sector is more sustainable than manufacturing sector.

Figure 06: Business Growth (vertical axis) of SME Industries Compared with the Type of Business (horizontal axis)



Source: Bangladesh Bank and author's calculation

5.1.5 Regression Analysis for Bangladesh

Table 06: Regression Model Summary for Bangladesh

Model Summary			
Model	R	R Square	Adjusted R Square
1	.997 ^a	.995	.994

a. Predictors: (Constant), Small Business, Medium Business, Large Business

Source: Bangladesh Bank and author's calculation

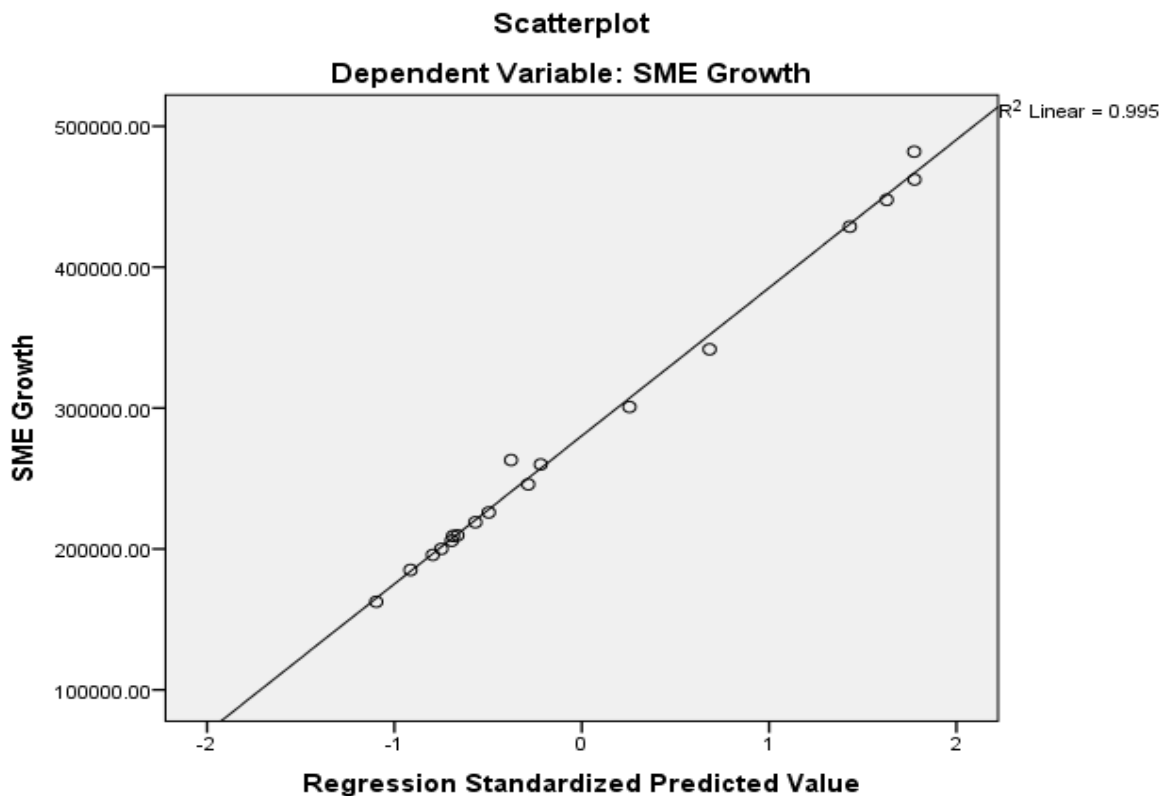
Table 07: Regression Coefficient with 95 percent Confidence Interval and Significance Level for Bangladesh

Regression						
Dimensions	Coefficients	Std. Error	t-statistics	Sig.	95.0 percent Confidence Interval for Coefficients	
					Lower Bound	Upper Bound
Small Business	1.359	0.542	2.508	0.025	0.197	2.521
Medium Business	1.162	0.951	1.222	0.242	-0.877	3.201
Large/Other Business	0.971	0.038	25.736	0.000	0.890	1.052

Source: Bangladesh Bank and author's calculation

To scrutinize the impact of different category (small, medium and large) of business on the total business growth in Bangladesh we consider the regression model. The results are given in Table 07. It is observed that the small business play most significant role for increasing the growth of total business in Bangladesh. If one unit increases the small business the total business will 1.359 times spread across the country and the effect of medium business is less than the small business but more than the large business. If the medium business increases in one unit, the growth of total business will 1.162 times higher in the country. On the other hand, large business has the negative impact on the total business growth. If the large business increases with one unit, the total business growth will 1.029 times decrease.

Figure 07: Regression Line for Different Businesses of Bangladesh



Source: Bangladesh Bank and author's calculation

The value of R^2 is 0.995 for this regression model. It reveals that the model is highly precise model, total growth of business is 99.5 percent explained by these three categories (small, medium and large) of business.

5.1.6 Disbursement of Micro Credit Through MFIs-NGOs in Bangladesh

Since the 1970s, especially during the new wave of microfinance in the 1990s, micro-credit has emerged to be seen as an important development policy and a poverty reduction tool.

The microfinance sector has been growing steadily since 1990. Effective regulation by the MRA has ensured increased entrepreneurial skills among the borrowers, and loan volume, per participant, has also increased. The microfinance sector is growing rapidly as shown in the table by the increasing trend in loans and savings.

MRA has so far provided license to more than 700 MFIs. Obtaining license from MRA is mandatory for every non-government MFI to operate microfinance activities in Bangladesh. The number of MFIs having license from MRA have been found to be 480 out of 506 MFIs in 2015 compare to 479 MFIs out of 511 in 2014.

As on December 2015, the total active numbers of microfinance member is 36.23 million. Of the total active numbers, 30.28 million members have received loans during the year 2015. Total amount loan disbursed in 2015 was BDT827,768.40 million as against BDT647,215.61 million in 2014 resulting in the increase of BDT180,552.79 million (28%). The overall loan recovery rate of the sector was 99% in 2015, which is slightly higher than that of 2014 (98%). The total loan outstanding

of MFIs-NGOs in 2015 has been found at BDT 521,829.36 million compared to BDT409,965.57 million in 2014 resulting in 27% growth. Members' net savings is considered as an important indicator of strength of microfinance program. Net savings mobilized by the members of MFIS at the end of 2015 was BDT270,689.68 million, which was BDT 227,130.70 million in 2014.

Table 08: Disbursement of Micro Credit Through MFIs-NGOs

Organization	2015	2014
MFIs-NGOs	827,768.40 (BDT in million)	647,215.61 (BDT in million)

Source: Bangladesh Bureau of Statistics (BBS)

Table 09: Outstanding of Micro Credit

Organization	2015	2014
MFIs-NGOs	521,829.36 (BDT in million)	409,965.57 (BDT in million)

Source: Bangladesh Bureau of Statistics (BBS)

Table 10: Sources of Loan Fund of MFIs

Fund in 2015			No. of MFI received fund
Sources of Fund	Amount (BDT in million)	% of total	
Members Savings	269,950.82	44.51	506
Excess Income	71,335.64	11.76	424
Reserve Fund	19,960.04	3.29	344
Emergency Fund	3,993.69	0.66	128

Insurance Fund	13,698.15	2.26	400
Loan from local Banks	77,890.19	12.84	204
Grants from donor	3,432.81	0.57	72
Loan from INGOs	1,887.91	0.31	15
Loan from PKSF	38,982.16	6.43	159
Loan fro Local MFIs-NGOs	747.42	0.14	58
Others	18,057.88	2.98	258
Total	606,543.24	100	506

Source: Bangladesh Bureau of Statistics (BBS)

In Bangladesh, government sector served about 10 million poor and NGOs sector served 20 million poor. In spite of such fact, the unmet demand of micro-credit remains enormously unattended although Bangladesh government and NGOs have disbursed huge amount of money so far.

It is a matter of concern that loan disbursement by just a few ranked institutions remained quite high in the microfinance sector. Despite the initiatives of MRA, the top 50 institutions still account for a substantial amount of loan disbursement in this sector.

One positive fact about the MFIs' sources of funds is that the MFI financing is primarily accomplished with equity financing (and sources resembling equity) rather

than extensive use of leverage. Members' savings and equity of MFIs are the prime sources of financing, indicating a higher loss absorbing capacity of the MFIs. Stable donor fund also enhances MFIs loss absorbency. Loans from PKSF and commercial banks are the primary source of borrowing of MFIs. Though the MFIs regularly utilize these sources and use a moderate level of leverage, the existing levels of leverage might not threaten the stability of the microfinance sector and it is not likely that they will experience any shock from this channel.

5.1.7 Role towards Economic Development through SME Financing

In view of present economic growth effort in Bangladesh the SME sector plays an significant role. These are reflected in the following performance /activities of this sector:

- SME accounts for around 30% of the total GDP in Bangladesh which is huge in sense of one sector contribution.
- Among the total labour force, 25% are in SME sector. As a result, this sector is a dominant sector for creating jobs.
- SME sector helps to reduce the poverty, enhance the level of income among the rural people and encourage agro-industrial linkage in Bangladesh.
- SME sector involves lower infrastructure facilities, lower energy supply and this sector imposes fewer environmental risk. They contribute towards improved utilization of local resources and skills that might otherwise remain unutilized.
- Small industries being labour oriented are capable of generating more employment.

- They are necessary to maintain and retain traditional skills and handicrafts.
- They are the only medium for diversification of rural economy and for peaceful and concurrent socio-economic development of all classes of people.

From the above discussion, we can say that SMEs are playing an important role in our economy in various ways.

- Reduction in Urban Migration & Urban-rural income: Migration has been a long livelihood strategy in Bangladesh. Nowadays, in Bangladesh, rural life is changing fast. This is because of they are far less dependent on agriculture and they are earning more. In 2007, approximately 4.5 million people have migrated initially, of which 75 % have moved within rural or urban areas.
- Creation of Entrepreneurial Class
- Growth in International Business

5.1.8 Regulatory Thrust for MSME: Key Policy Incentives

As per Basel III, if a bank extends finance to the SMEs, the Bank will get benefit for maintaining capital against the Risk Weighted Assets relative to other sectors and as per Bangladesh Bank provisioning policy banks are allowed to maintain provision at 0.25% against the Unclassified amount of SME loans, for which banks are motivated to extend finance to the MSMES more.

5.1.9 Women Entrepreneurs in Bangladesh

Among the total population of Bangladesh nearly half of these are women, and an indispensable part of nation's human resources. For this reason, bringing women to engage in income-generating activities have now become a major concern for the

policy makers. Empowering women economically is a fundamental and unavoidable part of development dialog. In recent years, like other developing countries of the world, Bangladesh has been focusing on the most underprivileged group in the society of the women.

Bangladesh Bank, the central bank of Bangladesh is contributing significantly to commercial banks to promote women entrepreneurship in Bangladesh. Various helpful policies are initiated to promote women entrepreneurship.

The number of female entrepreneurs increased by 182.43 percent and stood at 37,502 in 2013 as compared with 13,278 in 2010. The amount of loan disbursement had risen by 83.49 percent and stood at BDT 3215.60 crore in 2013, which was BDT 1,752.46 crore in 2010. Bangladesh Bank's policies, as well as initiatives by the scheduled banks, jointly contributed to a substantial growth in the number of Women Entrepreneurs (WE) for taking loans from the banking system.

The amount of loan disbursement to women entrepreneurs by private commercial banks (PCBs) stood at BDT 2865.48 crore in 2013, which was BDT 1384.22 crore in 2010. The amount of loan disbursement to WEs by specialized banks (SPBs), state-owned commercial banks (SCBs) and foreign banks (FCBs) stood at BDT 168.05 crore, 140.07 crore and BDT 42.0 crore respectively in 2013 as compared to BDT 105.09 crore, BDT 203.59 crore and BDT 59.56 crore respectively in 2010.

5.1.9.1 Information of Women Entrepreneurs

It has been observed that 54.1 percent of WEs started their business by self-motivation, as they wanted to become economically independent. About 76 percent of WEs have education level in between literacy and secondary, and 45 percent of WEs had no business experience. Most of the WEs operate the business under a single ownership, and 54.3 percent of them have own land.

It has been found that all most half portion of the women entrepreneurs received loan for micro industries followed by the cottages and small industries. About 68 percent of enterprises located in urban areas.

Most of the economic activities of women entrepreneurs remained in the service sector. The second largest area of women's business operations was in agriculture. Women's business in the industry sector accounted for about 21.4 percent of total business activities. This includes boutique, traditional garments, garments, handicrafts, paper and fabric bag production, furniture production, etc. Among our country's WEs, 43 percent women entrepreneurs were fully involved in business while 30.5 percent partially involved through family members, e.g., husband, son, father and 1.7 percent female entrepreneurs were slightly involved through hiring manager to look after their business. On the other hand, 24.8 percent women entrepreneurs did not have any involvement with the enterprise got help from the family members to run their business (Bangladesh Bank Report, 2014)

5.1.9.2 Business Performance

There is an increasing trend in the business of the women entrepreneurs. compared to 2009, capital sales, labor and profit of the enterprises in 2013, has increased notably. Capital grew by 90.4 percent, sales by 77.4 percent, labor by 53 percent and profit by 71.1 percent during these periods. Growth in business has led to structural change in capital and labor. Consequently, some enterprises have shifted from micro to small and small to medium by expanding their capital and labor base.

Women entrepreneurs promoted employment to expand their business. The number of business with labor below six persons was 70.9 percent of the total enterprise in our country in 2009 decreased to 56.5 percent in 2013 indicating that the number hired labor increased over 3-5 years.

The productivity of labor is also rising as a measure of per capita sells of women enterprises had risen to 1.56 million in 2013 compared to 1.34 million in 2009. An increasing trend in profits is seen as a consequence of sells growth. Profitability can be measured by per capita profit of women enterprises that has increased from 0.1 million in 2009 to 0.13 million in 2013. Female entrepreneurs are utilizing increasing profits to expand the capital. Consequently, their per capita capital increased from 0.33 million in 2009 to 0.42 million in 2013.

Some fraction of the profit was also used as savings, investment an expenditure for the family. Among Bangladeshi women entrepreneurs 82.7 percent utilize their profits in expanding business, 56.3 percent to create savings and 17.3 percent used

profits for investment in the real sector. Over the last five years positive environment for women entrepreneurs has significantly contributed to the expansion and development of that business. The shares of loans, capital, sales, manpower and profits of women entrepreneurs who took loans under dedicated schemes have been rising during the last five years while receiving credit under other schemes have declined.

5.1.9.3 The Role of Banks in Promoting Women Entrepreneurship

From the study of the survey it is found that the majority of the women entrepreneurs lag behind to ask for help from bank officials for business due to the lack of knowledge of how to get them and for the uncomfortable feeling to communicate with the male bank officials. Evidences show that women entrepreneurs who have takes advice from the bank are running their business positively.

There is a continuous decrease in the rate of interest on a bank loan for the women entrepreneurs. 12 percent of the total women entrepreneurs has received a rate of interest less than or equal to 10 percent in 2009 which increased to 30 percent in 2013, due to the increase of term loan through women dedicated schemes of the banks. It proves a positive response to the policy of refinancing scheme of Bangladesh Bank. Only 39 percent of the total entrepreneurs provided collaterals against loans and majority of them kept the lands as collaterals.

Most of the women entrepreneurs paid their loans on a regular basis. Irregularities were found among only 29 women entrepreneurs among 416 women entrepreneurs.

Irregularities of repayment were found in the year of 2012 and 2013 caused by political unrest and less economic activities in the domestic fronts.

The objective was to find out bank compliance with the Bangladesh Bank's rules and regulation o women entrepreneurs. Out of 150 bank branches, 144 branches have specialized desks for the women entrepreneurs. Only 29 of them had women headed desks. This is thought as an obstacle to social barriers that prevails in rural and urban areas.

Taking into account the time lag for disbursement of the loan, 54.1 percent of the total women entrepreneurs got a loan within 1 or 2 weeks after submitting a complete loan application. The reason for the delay is complicated terms of conditions for loan processing that includes mortgages, trade license, CIB reports etc. Other drawbacks include a centralized system for loan approval, delay in client and land verification, evaluation of assets of the client.

5.1.9.4 Obstacles to Doing Business

Overall women entrepreneurs in who faced obstacles in doing business are classified into seven broad categories. Most of the women entrepreneurs faced various loan related problem such as the mismatch in demand and supply followed by marketing, social, environmental, family and business related problems. Among the credit-related issues, 39.4 percent mentioned about the insufficient amount of loan against their requirement and 21.9 percent mentioned about the higher interest rate on loans, 19 percent of them complained about the delay in loan processing, extra charges out of

interest rate and insufficient documents. 20 percent mentioned other problems such as lack of refinancing facility in every branch, lack of grace period, collateral problem, and short-term loan with larger installment, harassment for getting permission from husband, etc.

5.1.9.5 Special Schemes for Women Entrepreneurs

It was found that women entrepreneurs availed loans under 24 Schemes provided by the Scheduled banks. Among these Schemes, 14 Schemes were solely dedicated to women entrepreneurs.

5.1.9.6 Loan Amount

In last five years, the loan disbursed amount to the women entrepreneurs increased. Women entrepreneurs received an amount of loan BDT 457.32 million in 2009 which increased to BDT 986.09 million (a growth of 115.62 percent) in 2013. This significant increase in loan was due to the encouragement of women entrepreneurs' loans by the Bangladesh Bank through launching refinance scheme for women and providing women entrepreneurs' loans through dedicated women projects by the scheduled banks as well.

5.1.9.7 Loan Types

The number of term/project loan increased significantly and stood at 50.7 percent in 2013 as compared to 35.5 percent in 2009 due mainly to increase of women dedicated loan both the number and amount by banks.

5.1.9.8 Loan Size

The receiving loan size is increased significantly during the last five years (from 2009 to 2013). The number of credit between BDT 0.1 million to BDT 0.5 million was 24.7 percent in 2009 which increased to 33.4 percent in 2013. On the other hand, the number of loan between BDT 1 million to BDT 2.5 million was 6 percent in 2009 which stood at 11.3 percent in 2013. The number of the loan above BDT 5 million was 3.8 percent in 2009 which increased to 7.9 percent in 2013. This upward trend of receiving loan amount indicates that women are getting opportunities to enlarge their business by taking a large number of loans from the banks.

5.1.9.9 Tenure of Loan

The overdraft or cash credit (CC) tenure was up to 1 year. It has observed that the number of loan with the tenure up to 1 year declined to 78 percent in 2013 compared to 2009 due to rising in number of credits under the term loans. The number of loans with the tenure between of 1 to 2 years and 2 to 3 years also increased significantly to 11.3 percent and 7.2 percent respectively in 2013 compared to 6.4 percent and 2.8 percent respectively in 2009 (Bangladesh Bank Report, 2014)

For any developing nation throughout the world women's empowerment is an inevitable part. It is important to involve women in different entrepreneurial activities and in social economic and cultural fields. Women constitute about 10 percent of the total number of entrepreneurs in Bangladesh. Many women have crossed their male counterparts in the small and cottage industries like handicraft sector, while many promising entrepreneurs have succeeded in small and medium enterprises. Women

have emerged in RMG, light engineering and pharmaceuticals. Despite recent progress in advancement and empowerment the majority of women still remain vulnerable to poverty and social deprivations. Women entrepreneurs have less advantage compared to men in gaining commercial credit from formal financial service providers, more lucrative markets than the traditional local ones, and technology and information to grow and establish the business.

To provide the society with different solutions for management organization and business problems, women entrepreneurs create new jobs for themselves and others. They still face gender based barriers such as, discriminatory property, matrimonial and inheritance loss and cultural practices, lack of access to formal finance mechanisms, limited mobility and access to information and networks. Women entrepreneurs can contribute strongly to the economic wellbeing if the family and communities, poverty alleviation and women's empowerment. For a developing country like Bangladesh it is an optimistic turn of events that they are now in a position to empower themselves.

5.1.9.10 Contribution of Women entrepreneurs in Bangladesh

Bangladesh has achieved progress in its economic order, educational development, social changes and living standards. Women empowerment has paved the way for educational an income earning opportunities. Women are increasingly participating as entrepreneurs in the international arena. Women have encouraged entrepreneurship both in urban and rural areas. The business performance is pleasing against the social

and cultural restrictions for women in Bangladesh, including the tremendous odds surrounding the socio economic order.

One of the most obvious reasons to promote women leaders in Bangladesh is that they control the majority of household spending so that they are more likely to understand the customer's perspective. Women are better at building long term relationships that can benefit a business tremendously by achieving trust between employees, customers, suppliers, shareholders, government. Promoting entrepreneurship is the main strategy for economic growth in many local and national governments as a driver of innovation.

Initially business was initiated by the educated upper class man. Then educated women followed and left a remarkable footprint. Many uneducated women today are conducting micro ventures to raise and re-invest in their family earning. They also inspire other women of their locality and promote entrepreneurship at the grass root level. They are breaking social stereotypes and setting an example.

The women in Bangladesh appear to be most disadvantaged portion of the population. Therefore, Bangladesh government is strongly committed to focuses on women empowerment, in an effort to involve them in every sphere of our social and economic life. To that end, the active participation of our women in entrepreneurship is a must. It is cannot afford to ignore them past bay half of our population. So, it is imperative to realize that great part of total human resources. Good news is that a significant awareness in this regards has already been created. As a result Bangladesh

government adopting national policies to facilitate a development process involving women in almost every spheres of national life. Special attention is given to involve them in entrepreneurship. Bangladesh culture, tradition tend to confine the activities of our women inside family homesteads where they are expected to remain engaged in rearing children and bear the identity as housewife. Reality of life, blended extreme with poverty, landlessness, however, push them to go outside the box of their traditions and could them to engage in outside economic activities for survival. They can no more remain caught up in between lives of tradition and family homesteads. In addition growing literacy rate, capacity building drive etc our women motivate them to take up entrepreneurship beside other professions and contribute towards the socio-political development of the country. Thereby, in modern era they aspire to emerge as leaders, in the socio-economic development of Bangladesh.

5.1.9.11 Limitations and Confronts

Women entrepreneurs commonly face many obstacles in brings their business ideas into actions through start-up. The most common obstacles that make them entrepreneurial initiatives challenging include: (i) overcoming bureaucracy, (ii) hiring talent and (iii) acquiring financing.

Entrepreneurship was once thought to be a man's domain, but there is a shift in such thought. Although more women are becoming entrepreneurs, they often face a set of challenges not typically faced by their male counterparts. Some of such challenges that they face include:

1. Defying social expectations

2. Limited access to funding
3. Owning your accomplishments
4. Building a support network
5. Balancing business and family life
6. Coping with a fear of failure

Women involved in various small and medium enterprises face a lot challenges while they in competitive and complex business environment in our male dominated society. Issues of economic problems, family problems, social constraints and other limitations make their SMEs' initiatives even challenging.

Though various initiatives exist, challenges of inadequate capital, sales promotion, permission for starting a business, gender discrimination, illiteracy, lack of business knowledge among women, non-availability of training programs and technical support, lack of managerial experience etc., continue to pose barriers. Personal qualities such as hard work, commitment and perseverance, management skills and marketing skills are helpful for their success. Moreover, supports provided by their spouses or family remains at the heart of the success of the women entrepreneurs. The degree of involvement of women in mainstream economic activities low and the percentage of women in business is still much below that of their male counterparts. This disappointed especially in rural settings. There women lack facilities in term of access to credit, provision of skill training, and access to markets.

The problems of women in industrial and economic activities hamper women's contribution towards economic growth and their empowerment. To support women's entrepreneurship development in an effort to tap their creative potentials as entrepreneurs, innovative and specialized support services are needed. Specialized funds and programmes are undertaken to facilitate credit towards small businesses, but in practice, entrepreneurs are required to offer collateral to guarantee for loan repayment, which creates serious problems. Majority of women do not possess any assets of their own and cannot formally offer the necessary securities against loans. For overcome these problems, they need to depend on their members of their families.

The challenging situation of women's entrepreneurship in Bangladesh is due to the complexities in the social environment and administrative structure. Many social and operational constraints continue to restrict women from starting and running their businesses.

Training opportunities provided by government and NGO for entrepreneurial development, are not equitably available everywhere. The majority of rural women have little knowledge and know how on entrepreneurship. Sometimes for reasons of personal requirements or the welfare of their families, or for their survival women are to undertake entrepreneurship. However, most of them have little idea about start and maintain a business, production concern, acquiring raw materials, marketing tools, book-keeping, and supply chain management.

Starting a venture is risky as acquisition of business financing is a major challenge. Women entrepreneurs overcome this obstacle by minimizing inventory and factoring

receivables since the majority of women are lone actors struggling to get small businesses off the ground.

Women are in disadvantages position due to their illiteracy, superstitious mind set, sense of insecurity, dependency on other members of their family. Their disadvantageous situation is worst in rural areas. Whereas, Bangladesh is development on.

Acquiring funds through traditional sources such as bank loans also have various problems. Most rural women have lower access to banks. They use personal or household savings, or borrow from friends, relatives, or even money lenders at high interest rates. Urban banks don't assist most women due to a lack of references. Banks require guarantees for female entrepreneurs' business loans and most husbands are not supportive in this regard. Sometimes husbands force their wives to share the loans for household requirements, creating problems regarding business finance and loan repayment.

Bangladesh Bank's circular of providing a BDT 2 million loan for women's businesses did not have many takers. Despite repeated requests, none of the entrepreneurs has obtained this loan from banks.

Restriction of business activities in Gulshan and other areas of Dhaka in 2016 had created great problems for entrepreneurs. Many women had to close down their business activities, leading to great financial loss caused due to the introduction of the new law on business operation restrictions.

The Bangladeshi women entrepreneurs want to produce or exhibit their product for sale at the international trade fairs that arranged in different countries in different times but in our country's women entrepreneurs faced a great problem regarding the expense of attending at international trade fairs. This high rate of fees set by the Export Promotion Bureau which is great hinders for our country's women entrepreneurs.

In marketing, women entrepreneurs' face problems that arise when shopkeepers or buyers delay the payment of the products sold. Sometimes this payment is denied after one month or more but the due time was three days to one week. Also, the travelling cost may incur loss in business for women entrepreneurs when they try to supply their products outside the district and find it complicated to collect payment as unnecessary travelling costs incur financial loss on their ventures.

In rural area of Bangladesh, the entrepreneurship problems are very high from different dimensions and the socioeconomic environment of Bangladesh is influenced by the impact of these problems. In view of the need rural women will have to bring under the development flows to the country, to promote entrepreneurial talent the government, NGOs and related organizations have to provide sufficient opportunities. For the emergence of entrepreneur development among rural women, income prospects, credit facilities, skill training and market opportunities are in line with great expectations. But due to lack of proper information many women are still deprived of this facility. Small, cottage and micro-home-based industries compete with women entrepreneurs. The inclusion of civil works production and construction activities

should prove and encourage their potential market growth opportunities. Women have emerged as exporters of small and cottage industries and are committed to the export-oriented entrepreneurs to further their women's participation and employment.

To increase the socio-economic environment of Bangladesh, women's contribution to the economy is very important. Without meaningful and active involvement of women in regular economic activities, it is impossible to achieve a dynamic and sustainable economy. By emphasizing on the initiative of increasing women's participation through legislation, international conventions and positive activities, Bangladesh has amended the reforms in all the departments. Today, women have come up with social and economic changes and through the participation of various socio-economic activities in Bangladesh; a new level of business has been opened.

5.1.9.12 Support Services

The importance of women entrepreneurs in national development process has been recognized. The steps to understand these objectives are as follows:

1. Legal support for receiving trade license and other trade documents
2. Financial help to reduce interest rates for women entrepreneurs ensure easy access to loans and ensure guarantor-free loans
3. To use local products, marketing support markets should be made overseas through fairs and other promotional publications

4. Technology including incessant the quality control of product or service, quality improvement through adopting new technology, tax diminution on imported new equipment, etc.

5. Suppressing business management practices, such as HR, inventory management, employee handling, record keeping, customer management, costing, strategic location etc.

5.1.9.13 Programmes and Policies

For the development of women's entrepreneurship under the National Action Plan (NAP) of Government strategies include:

1. Implementation of a wide-ranging sustainable industrial policy that will encourage equity for women and men

2. To support the women entrepreneur setup a Women Entrepreneurship Development Cell (WEDC)

3. Ensuring easy access to women in the market

4. Publication of a catalogue of women entrepreneurs

5. Identifying the women entrepreneurs

6. Women entrepreneurship development through entrepreneur development training

7. Infrastructure facilities for women entrepreneurs

8. Support services for financial and credit organizations
9. Support research, assessment and action oriented programmes
10. Organizing women entrepreneurs' conferences
11. Promotion of product development and international marketing
12. Arranging meetings to talk about troubles faced

5.1.9.14 Various Institutions

Public/government institutions that offer support services to women entrepreneurs include: Bangladesh Management Development Centre (BMDC); Bangladesh Rural Development Board (BRDB); Bangladesh Small and Cottage Industries Corporation (BSCIC); Women Entrepreneurship Development Programme (WEDP); Department of Youth Development (DYD); Power Development Board (PDB); Bureau of Manpower, Employment and Training (BMET); Directorate For Women's Affairs (DWA); Water and Sewerage Authority (WASA); Export Promotion Bureau (EPB); Bangladesh Handloom Board (BHB); Bangladesh Technical Assistance Centre (BITAC); Rural Electrification Board (REB); Titas Gas Transmission and Distribution (TGTD); and SME Foundation (SMEF)

Private institutions and agencies that do the same include: Grameen Bank; Gonoshasthaya Kendra (GK); Micro-Industries Development Assistance and Services (MIDAS); National Association of Small and Cottage Industries of Bangladesh (NASCIB); Bangladesh Rural Advancement Committee (BRAC); Bangladesh Small Industries and Commerce Bank Limited (BASIC); Women Entrepreneur Association

of Bangladesh (WEA); Business Advisory Services Centre (BASC); Bangladesh Employers' Association (BEA); Jatiya Mohila Sangstha (JMS); Bangladesh Association of Women in SME (BAWSME) and Bangladesh Women Chamber of Commerce and Industry (BWCCCI).

5.1.9.15 Policy Recommendation

Entrepreneurship is the key to creating new entrepreneurs that revive energy and economics. It works as a catalyst in the process of industrialization and economic growth. Women entrepreneurs can play a vital role to alleviate rural poverty. The emergence and development of women entrepreneurs largely depends on the conditions of support for economic, social, cultural, and psychological issues. It is necessary to provide effective measures to improve women's socio-economic condition, formulate appropriate government policies, take necessary steps and coordinate women in the mainstream development process. Government policies have drawn up some effective strategies for increasing the participation of women entrepreneurs:

5.1.9.16 Economic Policies and Plans

- Identification of feasible women entrepreneurs capable of running self-governing businesses
- Setting up particular windows or counters for women entrepreneurs in schedule banks
- Setting up a credit guarantee scheme for women entrepreneurs
- For women entrepreneurs reducing the interest rates of lending
- Pre- and post-investment counseling for women entrepreneurs

- Allocation of women's share in equity development and fund
- Giving the preferential treatment of credit for women entrepreneurs in thrust sectors
- Monitoring of credit disbursement for women entrepreneurs
- Maintaining gender-based data on credit disbursement and dissemination of information on credit opportunities
- Creation of a one-stop service at the Ministry of Commerce for women entrepreneurs
- Establishing a women's bank
- Enabling credit for women without collateral
- Special market facilities both in the domestic and international arenas
- Reserving plots for women entrepreneurs in industrial parks in all divisional towns
- Promoting female labor-intensive export-oriented production
- Encouraging women entrepreneurs in the export sector
- Arrange national and international trade fairs for women entrepreneurs
- Honoring best female entrepreneurs by awarding the Annual Export Trophy
- Fixed quota of stalls for women entrepreneurs at export fairs
- Ensuring participation of women entrepreneurs in policymaking, financing, and investment
- Arranging exclusive fairs to promote products manufactured by small and cottage based units

5.1.9.17 Monitoring and Support Services

- Linking credit programmes with entrepreneurship development training programmes

- Encouraging women to come up with new products and diversify their products
- Designing various incentive packages
- Giving pre-investment advice and assistance
- Providing financial support and, in special cases, arranging necessary capital
- Establishing a separate bank to ensure easy access to industrial credit, equity capital, venture capital, working capital, and collateral free loans
- Advocating for reducing custom and excise duties for SME women entrepreneurs
- Setting up development banks with separate consultative service cell for women
- Simplifying lending procedures with minimum documentation formalities
- Creating special provisions for female entrepreneurs
- Advocating for insurance facilities for SMEs
- Other suggestions
- Tax holidays for women entrepreneurs should be extended further and made more helpful
- Gift tax should be removed in the case of women beneficiaries
- All anomalies in custom procedures must be removed and made women friendly
- Either the registration procedure for import and export business should be simplified and made women friendly or totally dismantled
- Tariff for women entrepreneurs should be abolished
- For women entrepreneurs Value Added Tax (VAT) should be eliminated

Public and private sector interventions generally accelerate income-generating activities of men and women in both urban and rural areas. These kind of support services, policies and strategies have helped in changing the situation in Bangladesh, especially for women who barriers and enter formal workforce like entrepreneurs and workers.

Women actually love their work, are willing to work in these extra hours to succeed in business and research method to make the business even better. There is no such thing as an ideal entrepreneur. Some entrepreneurs are quiet and hard working; others are more outgoing and exciting. The key to being a successful entrepreneur is to develop an idea through the process of innovation and the process of innovation that develops it as a modern product or service. Both government agencies and private sector are the main responsibilities for the development of women entrepreneur. Without that, the progress of women will remain a distant from reality.

5.1.10 Conclusion

To remain increasing growth rate of the economy in Bangladesh the entrepreneurship development, the formation of new business idea and expansion of inter-sectoral linkages should be given extra priority. In case of developing or controlling the SME in Bangladesh the government of this country should set up a protected and pragmatic policy. In order to formulate a policy for SMEs, the basic information should be collected from the previous SME's performance. The existing policies should be modified according to the demand of current SMEs. Mainly three areas need to be considered for future development of SME these are: (a) finance sectors, (b) modern

technology, and (c) development of skill worker. For increasing the growth of SME, the concept of Public Private Partnership (PPP) may play a significant role in our country.

Chapter Five (2)

**Analysis and Discussion,
Canada Perspective**

5.2 Introduction

“Part 2” of Chapter 05 contains the data representation, analysis, interpretation and overall status of the SMEs of Canada. In this chapter we have tried to identify and represent an apparent synopsis of the SME sector of Canada from the different aspects.

5.2.1 Overview

In this section, an attempt is made to find out the financial as well as operating performance of the SMEs in Canada. Therefore, it will be briefly explained as to how the SMEs generate revenue, earn profit and protect their money. The entrepreneurs and/business owners invest their talent, idea, time, energy and money with an expectation of reasonable return and at the same time they expect to see their business is growing. As such it is imperative on their part to understand and monitor the performances of their respective SMEs they own. To that end, they need to see and examine the trend of financial and operating data. In a word, they need to do trend analysis on that data. It may be mentioned here that the trend analysis of just a few key metrics reported in media will not serve the purpose. What is essential in this regard is conducting such analysis on a whole series of metrics. Many of these metrics may be unfamiliar to economists and policy makers; it does not matter so far as they are familiar to accountants and financial analysts. The business owners must have due awareness of SME performance so that, they can bring necessary changes within their operations which would, in turn, facilitate the policy makers to formulate policies and undertake programs efficiently and effectively.

Canadian economy faced financial crisis and global recession in 2007-08. This report will be of particular interest to those who would like to examine as to how the Canadian economy in general and SMEs in particular, performed in response to that crisis. The SMEs account for about 99 percent of business in Canada. Therefore, it is important to support the SMEs growth in the economy of Canada.

5.2.2 Content

Here we have tried to explain how SMEs performed over the 1999–2012 period by congregating a list of indicators to cover significant dimensions of investigation. Some interesting indicators, such as employment growth information, export intensity and growth barriers, were dropped due to their widely published. This information is available in the information industry Canada's SME research and statistics website (www.ic.gc.ca/SMEresearch) or in the Bank of Canada publications.

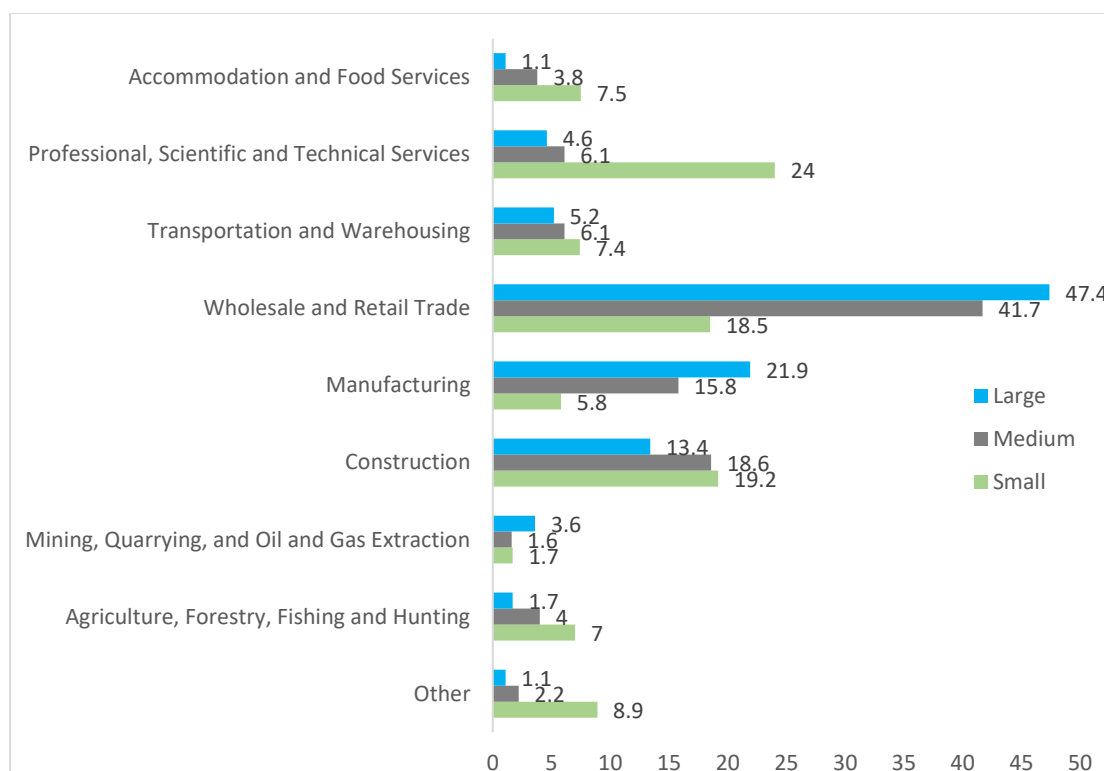
These categories incorporate most of what is happening economically among SMEs, and indicators are presented for each category. Start by outlining the technical definitions used in analyzing each category. To understand these definitions and see big pictures they need to be together. For policy makers, the knowledge of financial indicators allows for a better understanding of economic degradation, which helps in policy development (Factors of Business Growth: A Decomposition of Sales Growth into Multiple Factors)

5.2.3 SME Representation

In 2012, total 925,857 SMEs were found in the Financial and Taxation Statistics of the Enterprise Database, representing about 99 percent of the total 935,980 businesses in the database. This representation is stable for years and consistent with the overall

framework of the Canadian economy in the selected region. Figure 08 compares the sectorial distributions by size of business. Small businesses were more highly focused in the services sector than medium-sized and large businesses, with 40.4 percent of businesses operating in food services and accommodation; professional, scientific and technical services; or other services. In contrast, only 12.1 percent of medium-sized businesses and 6.8 percent of large businesses belonged to those sectors. Medium-sized and large businesses were more highly concentrated in the wholesale and retail trade sector and the manufacturing sector. Moving forward, these sectoral concentrations should be kept in mind when examining the financial results.

Figure 08: Sector Distribution among Business Size and Categories, 2012



“Sources: Statistics Canada, Financial and Taxation Statistics for Enterprises, 1999–2012; and author’s calculations.”

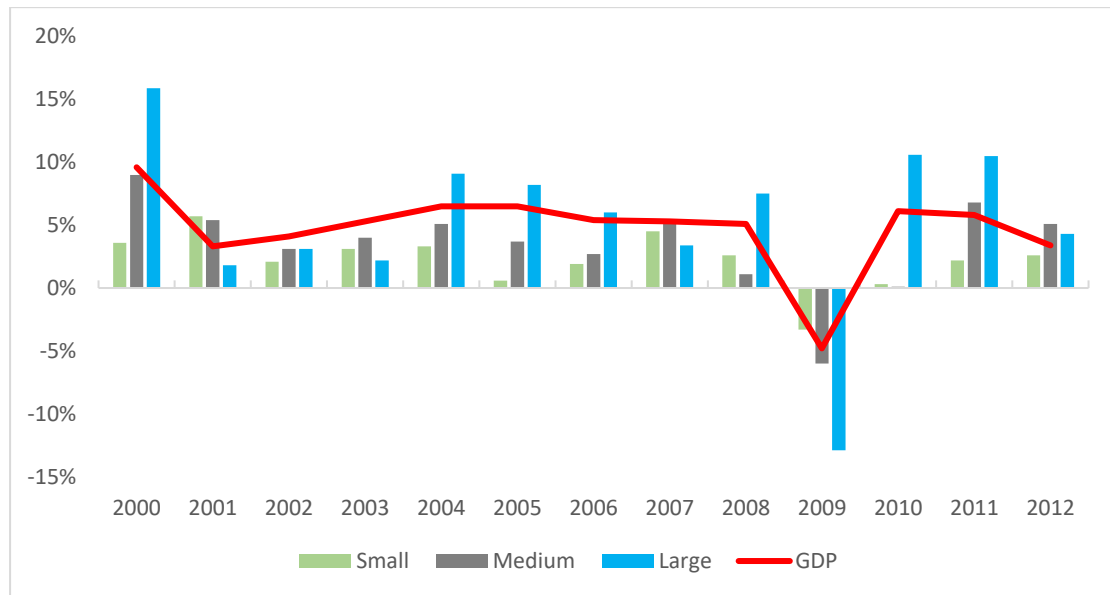
5.2.4 Sales Growth

It appeared that business growth has been monitored more closely as compared to other financial metrics. It has stood the test of time that the higher the sales growth, the higher and stronger the employment growth as well as well as earnings growth. The sales growth, employment and earnings growth have important bearing on the GDP growth. As such, it is important to follow the metric and monitor the business growth. Innovative way of selling goods and services, development of new products and services higher mark-up, etc deserve due attention, because these factors greatly contribute to high growth rate. Pursuing strategic alliance can be another option to exploit synergies to be gained by buying other business entities. Research findings show that exceptionally sustainable rates growth is not easy from year to year, as the firms become larger. That is, doubling sales from USD 50 thousand to USD 100 thousand is operationally much simpler than doubling sales from USD 1 billion to USD 2 billion. Consequently, strong sales growth today does not necessarily mean strong sales growth in the future. This section details how Canadian businesses have grown over the 1999–2012 period and gives some insight into changes in the overall health of the economy.

5.2.4.1 Sales Growth by Size of Business

Sales growth is a significant indicator of economic activity. Businesses and consumers scale back on purchases when they do not feel confident about their future job security or level of profitability and increase purchases when they do. As shown in Figure 09, sales growth slowed for businesses of all sizes at the start of the evaluation period following the dot-com crash.

Figure 09: Revenue Growth Rate by Business Size (percentage), Nominal GDP Growth Rate (percentage), 2000–12



“Sources: Statistics Canada, Financial and Taxation Statistics for Enterprises, 1999–2012; Statistics Canada, Table 384-0038; and author’s calculations.”

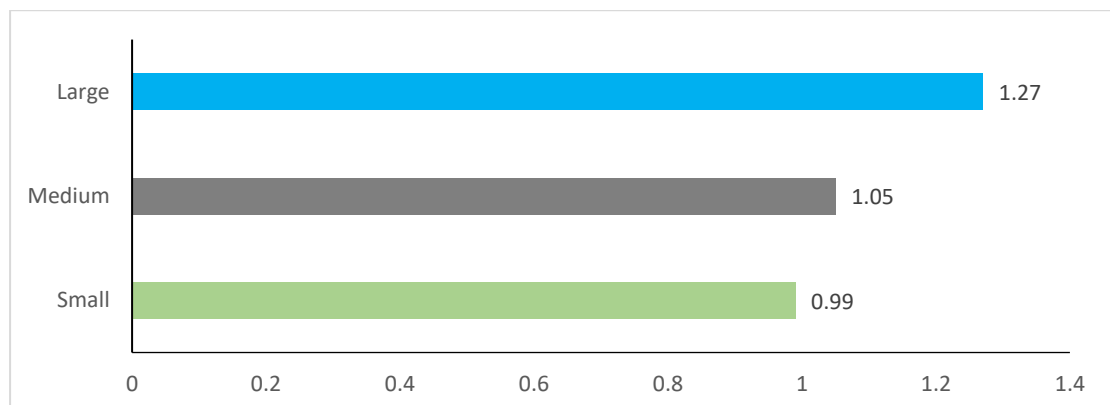
Interestingly, growth sluggished the most for medium-sized and large businesses moving into the slowdown of the early 2000s. The analysis also showed that the decline in small business growth was less severe than that of other business sizes. Overall, growth picked up before the mid-decade boom then reversed sharply during the 2009 recession. The decline in growth was again most severe for medium-sized and large businesses. Small business growth fell at a much lower rate, but has been slower to improve after the recession. An important area of analysis surrounding business sales is the difference between sales growth and GDP growth. Analyzed together, sales and GDP growth can provide insights on where businesses or sectors are positioned in their operating life cycles. For example, sales growth that falls consistently below GDP growth could signal decreasing competitiveness within that specific business segment or sector.

As illustrated in Figure 09, there is a steady negative spread between GDP growth and SME growth. This could suggest that:

- Canadian SMEs are largely at or near a state of maturity or turn down in their operating life cycles;
- SME business owners might be pursuing smaller growth opportunities;
- SMEs might be losing market share to larger businesses or are being obtained; or
- SMEs are selling increasingly smaller larger value added products or services than their larger counterparts.

Another area of analysis is relative sales risk. That is, the relative steadiness of sales growth across businesses. Stable sales associate to stable production, employment, tax revenues and a stable economy. As seen in Figure 09, sales growth for large businesses is relatively more volatile than for small businesses. This can be better seen in Figure 10, which compares coefficients of variation (CV).

Figure 10: Comparison of Coefficients of Variation for Different Businesses



“Sources: Statistics Canada, Financial and Taxation Statistics for Enterprises, 1999–2012; and author’s calculations.”

Large businesses had the highest CV of 1.27 on average sales growth of 5.4 percent, compared to a CV of 1.05 for medium-sized businesses and 0.99 for small businesses on average sales growth of 3.5 percent and 2.2 percent respectively. This indicates that, while on average large businesses grew at a faster rate than small and medium sized businesses over the 2000–12 time period, their growth was less stable.

5.2.4.2 Sector Wise Sales Growth

Assessing growth data is important from more than just a business size perspective, sector breakdowns are also revealing. When certain key sectors are underperforming (e.g., manufacturing or construction) and they are interlinked with other sectors, then sales in these others sectors are likely suffering as well.

Table 11 lists SME revenue growth rates by sector. Before the 2009 recession, the data shows that mining, quarrying, and oil and gas extraction and construction were Canada's hottest sectors, with average annual growth of 8.5 percent and 6.8 percent respectively. Growth in the manufacturing sector was consistently weak, and became negative from 2006 to 2010. In 2009, mining, transportation, and manufacturing experienced the largest year-over-year decline. Growth rates in 2012 appeared to be returning to mid-cycle levels for most sectors.

Table 11: List of SME Revenue Growth Rates by Sector

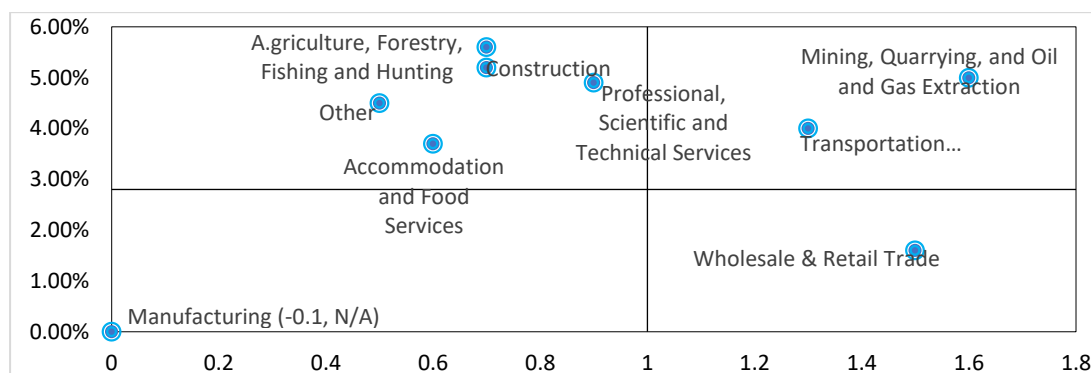
Sector	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Avg
Agriculture, Forestry, Fishing and Hunting	9.9	7.6	4.2	4.5	4.8	2.5	3.5	6.5	6.5	-2.7	1.5	13.2	10.2	5.6
Mining, Quarrying, and Oil and Gas Extraction	13.1	13.8	-1.6	8.1	12	13.8	4.1	2.6	10.3	-13.8	-0.7	-2.9	6	5
Construction	7.2	7.2	5.4	9.3	7.3	5.9	7.1	6.8	5	-5.2	1.4	5.8	4.4	5.2
Manufacturing	4.1	2	0	0.9	2.2	0.5	-0.6	-1.4	-2.3	-7.7	-2.4	2.4	1.9	-0.1
Wholesale and Retail Trade	4.5	4.2	2.6	2.5	2.5	-0.5	-0.3	5	-0.6	-2.8	-0.9	2.3	1.9	1.6
Transportation and Warehousing	9.3	7.2	2.7	5.1	7	4.5	7.1	3.6	1.9	-10.8	1.3	7.8	5.3	4
Professional, Scientific and Technical Services	11.5	10.9	2.2	2.5	6.3	5	4	10.4	5	-4.6	2	3.9	5.2	4.9
Accommodation and Food Services	4.7	8.5	2.8	1.9	3.6	0.4	2.9	5.4	4.9	-0.4	3.8	4.6	5.3	3.7
Other	5.8	7.7	3.9	2.2	5.7	4.1	4.3	5.8	5	-1.0	1.6	7.3	5.8	4.5

“Sources: Statistics Canada, Financial and Taxation Statistics for Enterprises, 1999–2012; and author’s calculations.”

In evaluating sector growth, it is important to recognize that not all growth is equal. An upward growth trend that fluctuates erratically due to business churn (i.e., opening and closing of businesses) is not stable growth. Consequently, it is useful to look at growth in relation to growth volatility. Ideally, it is best to see both (1) positive and (2) stable sales growth year-over-year. Lower but more stable growth is also acceptable as it can result in stable employment. Figure 11 compares average sector revenue growth rates with revenue growth CV.

Generally speaking, SMEs in the mining, quarrying, and oil and gas extraction sector and the transportation and warehousing sector grew on less stable but higher growth trajectories over the 2000–12 period. Manufacturing is in a category of its own—being a stable decliner with an average growth rate of -0.1 percent. SMEs in the wholesale and retail sector can be considered higher risk businesses in this period because they displayed both low and unstable growth. Canada’s top performers were all located in the upper left quadrant displaying both above average growth and relatively stable growth paths.

Figure 11: Average Revenue Growth (vertical axis) and Coefficient of Variation (horizontal axis) of SMEs by Sector, 2000–12



“Sources: Statistics Canada, *Financial and Taxation Statistics for Enterprises*, 1999–2012; and author’s calculations.”

5.2.5 Profitability

Profit margins and total profitability need to be examined to see the trend of value maximization initiatives of the companies. Because, this value maximization trend is the indicative of economic growth. There is no denying the fact that these indicators are really useful, but yet the policy analysts give a superficial look at their indicators as compared to GDP statistics. As a result, corporate profitability and a portion of GDP flowing to business owners gain attention. Mentioned that the portion of GDP that flows to business owners is calculated by deducting the share of income of the labors.

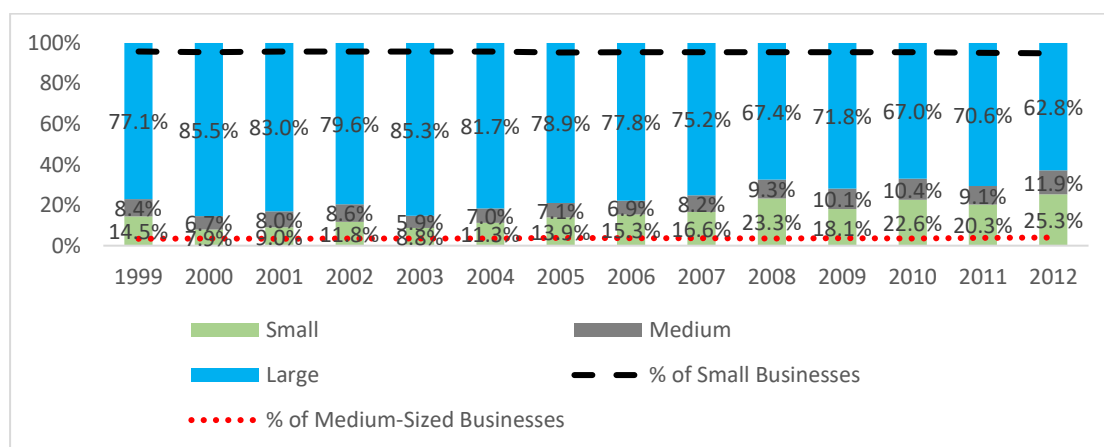
5.2.5.1 Net Profits on the Basis of Business Size

Within the period of 1999-2012, the Statistics Canada estimates that the businesses made around USD 1.25 trillion in net profits, or on average per year USD 89 billion. This profit is calculated as total profits after subtracting taxes, production and operating costs, interest expenses, depreciation/depletion charges and any other costs. In the Financial and Taxation Statistics for Enterprises database there were around 936 thousand businesses in 2012, with net profits per business of about USD 131,000 that was USD 74,000 per business in 1999, that is 77 percent growth within this period.

Through the proper monitoring the insights can be understood of the distribution of profits as well as trends of the profit volume. Is income generally distributed, with small and medium-sized businesses earning a considerable share of the income? Are profits focused in the hands of larger corporations while the rest hardly survive?

The income distribution of small, medium and large businesses each year between 1999 and 2012 shown in Figure 12. This figure also represents the percentage of small and medium-sized businesses in terms of operation. From the figure we observe that on an average, large businesses accounted for around 76 percent of profits generated each year. Whereas small and medium-sized businesses accounted for approximately 16 percent and 8 percent respectively. While the percentage of small and medium-sized businesses in operation remained steady over the period, their portion of total business profits amplified over the period from 15 percent and 8 percent in 1999 to 25 percent and 12 percent in 2012 respectively. On the other hand, share of total profits by large businesses decreased from 77 percent to 63 percent.

Figure 12: Income Distribution by Business Size, 1999–2012



“Sources: Statistics Canada, *Financial and Taxation Statistics for Enterprises*, 1999–2012; and author’s calculations.”

In addition to seeing well discrete income, it is desirable to see growing and steady income. In most of the cases, profit growth and sales growth follow the similar path, it falls during collapses and rises during expansions, though sometimes one variable turns more rapidly than the other.

The theory of economics of this is simple: businesses pushes up volumes and raise the prices through the increased demand for goods and services by consumers and during the good time of businesses, which magnifies profits. In the down times the opposite occurs, diminished demand for goods and services by consumers and businesses pushes down volumes and down the prices.

Standard deviation of profit growth, average profit growth rate, and the coefficient of variation are presented by size of business in Table 12. Average profit growth during the period was inversely related to the size of the business, and the standard deviation revealed that volatility was highest for small business. However, after controlling for size, relative growth volatility for small and medium-sized businesses was lower than that for large businesses. This recommends that the rates of profit growth achieved by SMEs over the assessment period were significantly higher than those achieved by large businesses given the amount of volatility experienced to gain their profits.

Table 12: Average Profit Growth Rate, Standard Deviation of Profit Growth, and Coefficient of Variation by Business Size, 2000–12

Business Size	Average	Standard Deviation	Coefficient of Variation
Small	15.40 percent	31.60 percent	2.1
Medium	10.60 percent	17.70 percent	1.7
Large	7.30 percent	24.20 percent	7.7

“Sources: Statistics Canada, *Financial and Taxation Statistics for Enterprises*, 1999–2012; and author’s calculations.”

5.2.5.2 Sector Wise Net Profit

As we understand, change is an accelerating constant and it will continue to be so even in unforeseeable future. This is mainly because of growing demand for quality product and services, competitive price, change in taste and preferences of the consumers and vis-à-vis profit and including powerful macroeconomic factors. It is,

therefore, imperative to understand sector wise profitability and market attractiveness. This is because, business in all sectors are not going to be equally affected by changing economic conditions. The businesses will face negative impact in case their sales and capital are such that are not in a position to handle drops in demand.

Table 13 compares rates of growth in annual net profits by sector. From 2000–12 professional, scientific and technical services and accommodation and food services had the largest average net profit growth rates of 27 and 25 percent respectively. All other industries grew between 10 and 18 percent within this time period, except for the mining, quarrying, and oil and gas extraction sector, which experienced losses in every year.

Table 13: Profit Growth Rates of SMEs by Sector (percentage), 2000–12

Sector	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Avg
Agriculture, Forestry, Fishing and Hunting	27	14	-1	-34	51	29	15	31	29	-37	54	45	8	18
Mining, Quarrying, and Oil and Gas Extraction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Construction	-32	25	23	24	32	33	25	26	4	-25	17	14	21	14
Manufacturing	-37	-45	19	-55	100	15	69	-8	30	-78	100	19	34	12
Wholesale and Retail Trade	-30	16	17	10	27	22	20	7	4	-10	35	0	13	10
Transportation and Warehousing	2	-11	-5	-2	38	31	33	-14	30	-42	57	31	12	12
Professional, Scientific and Technical Services	-28	L	P	-27	100	100	40	34	9	-9	40	32	4	27
Accommodation and Food Services	L	P	23	-43	100	54	82	23	7	-33	34	-5	31	25
Other	-24	17	36	-10	31	27	33	10	7	-11	17	22	21	14

“Sources: Statistics Canada, Financial and Taxation Statistics for Enterprises, 1999–2012; and author’s calculations.

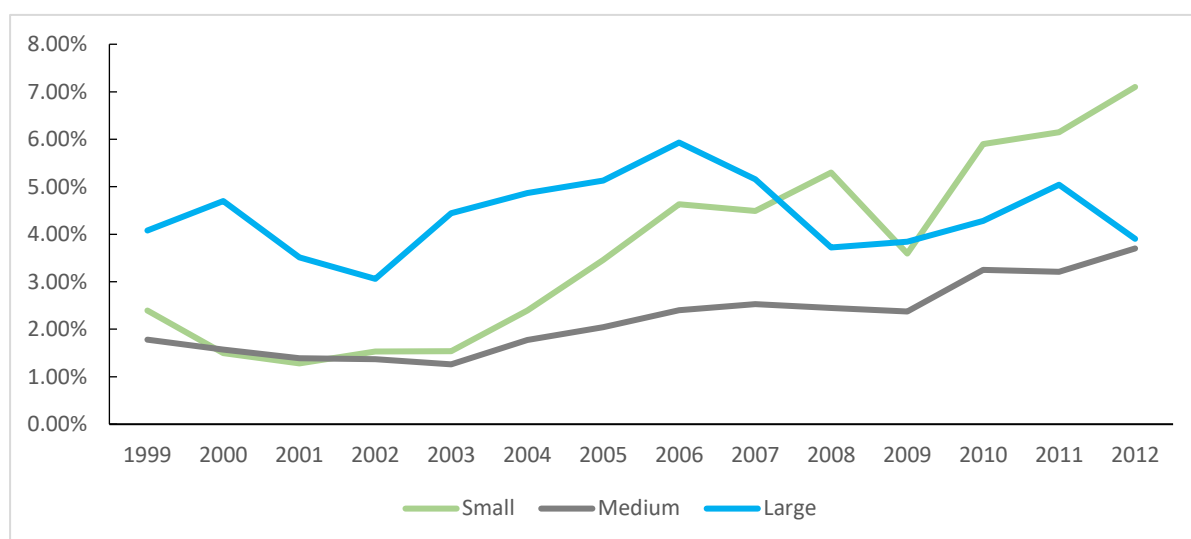
Note 1: Annual growth rates in excess of 100 percent were considered outliers and were reduced to 100 percent to avoid skewing the averages.

Note 2: Profit growth is the percentage change from one year to the next. Profit growth is not provided if either the latest period or the year-ago period contains a net loss. If a company posts a profit in the latest period against a loss in the year-ago period, the percent change is represented as a “P.” Similarly, if a company posts a loss in the latest period against a profit in the year-ago period, the percent change is represented as an “L.” Note 3: “—” indicates that the data is not meaningful as the sector posted losses in all periods.”

The manufacturing sector was hit hardest during the 2009 recession, and agriculture, construction, transportation, and accommodation had significant declines in profitability. Wholesale and retail trade; professional, scientific and technical services; and other services experienced modest declines in profitability. Following the recession, all industries recovered. Between 2010 and 2012 most sectors' net profits grew on average between 16 and 51 percent a year.

5.2.5.3 Net Profits Margins on the Basis of Business Size

Net profit margin is calculated as net profits after taxes divided by sales. It demonstrates how much of every dollar in revenue a firm keeps as profit after deducting the costs of doing business. As shown in Figure 13, large businesses operated on the highest margins at the beginning of the period. Between 1999 and 2003, the average net profit margin for large businesses was 4.0 percent, compared to 1.7 percent for small businesses and 1.5 percent for medium-sized businesses. Margins strengthened for SMEs between 2004 and 2012, rising from 2.4 percent to 7.0 percent for small businesses and 1.8 percent to 3.7 percent for medium-sized businesses. Margins for large businesses remained fairly flat over the period fluctuating between a low of 3.1 percent in 2002 and a high of 5.9 percent in 2006.

Figure 13 Net Profit Margin by Business Size (percentage), 1999–2012

“Sources: Statistics Canada, *Financial and Taxation Statistics for Enterprises, 1999–2012*; and author’s calculations.”

5.2.5.4 Sector Wise Net Profit Margins

As shown in Table 14 businesses in the agriculture, forestry, fishing and hunting sector and the professional, scientific and technical services sector, operated on the highest margins over the period, averaging 8.4 percent and 6.3 percent respectively. SMEs that operated on the lowest margins over the period include the manufacturing industries, as well as the wholesale and retail trade industries, which averaged 2.0 percent and accommodation and food services, which averaged 2.1 percent.

Businesses in the mining, quarrying, and oil and gas extraction sector lost money over the period and operated on negative margins.

Table 14: Net Profit Margin of SMEs by Sector (percentage), 1999–2012

Sector	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Avg
Agriculture, Forestry, Fishing and Hunting	5.2	6	6.3	6	3.8	5.4	6.8	7.6	9.4	11.3	7.3	11.1	14.2	13.9	8.4
Mining, Quarrying, and Oil and Gas Extraction	-27.2	-11.7	-6.4	-11.6	-2.8	-1.5	-3.3	-3.4	-29.7	-25.4	-23.6	-5.5	-47.6	-37.0	-16.9
Construction	3.1	1.9	2.3	2.6	3	3.7	4.6	5.4	6.4	6.3	4.9	5.7	6.1	7.1	4.6
Manufacturing	3.5	2.1	1.1	1.3	0.6	1.2	1.4	2.3	2.1	2.8	0.7	2.8	3.3	4.3	2
Wholesale and Retail Trade	1.4	0.9	1	1.1	1.2	1.5	1.9	2.2	2.3	2.4	2.2	3	2.9	3.2	2
Transportation and Warehousing	2.9	2.7	2.2	2.1	1.9	2.5	3.1	3.9	3.2	4.1	2.7	4.1	5	5.3	3.3
Professional, Scientific and Technical Services	3.9	2.5	-0.2	0.3	0.2	2.3	5.1	6.9	8.3	8.7	8.2	11.3	14.4	14.2	6.3
Accommodation and Food Services	1.5	-0.1	0.4	0.4	0.2	1.2	1.8	3.1	3.7	3.7	2.5	3.2	2.9	3.7	2.1
Other	2.6	1.9	2	2.7	2.4	2.9	3.6	4.6	4.7	4.8	4.4	5	5.7	6.5	3.9

“Sources: Statistics Canada, *Financial and Taxation Statistics for Enterprises*, 1999–2012; and author’s calculations.”

5.2.6 Efficiency

The productivity in any economies has been concern for politicians, the media, and economists. Similarly, the productivity in Canadian economy has been a concern for them for more than a decade. Statistics in this regard show that particularly asset turnover ratios are more impressive and give a better positive result. The Canadian companies shown efficiency in using their assets in increasing their sales income following the economic downturn. Importantly, medium sized businesses found to be more efficient and the most productive size group as indicated by a disaggregation of the data by size of the business.

5.2.6.1 Efficiency on the Basis of Business Size

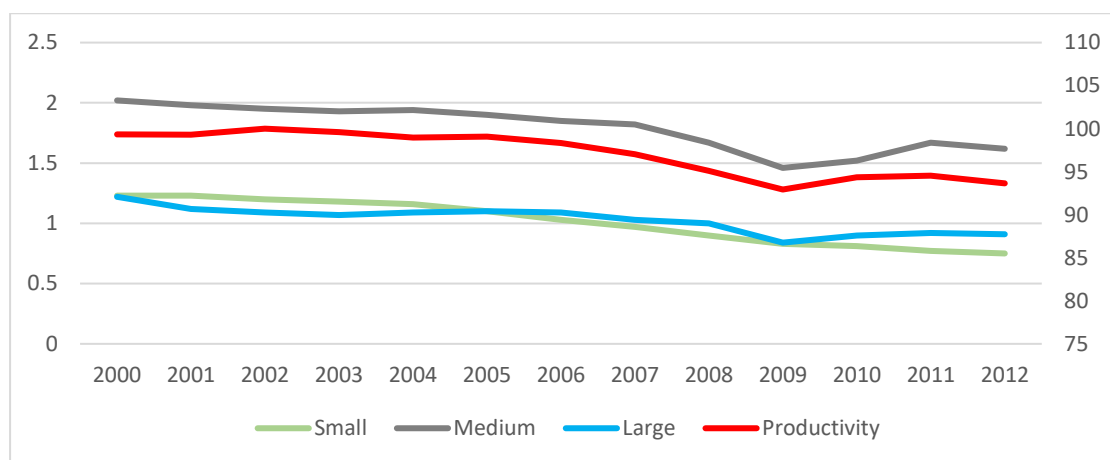
The volume of sales generated per average dollar of assets is measured by the asset turnover. The result of this measure indicates the productivity with which companies utilize their assets. The higher ratio is better for any organization: it reveals that an organization is generating more revenue against each dollar of assets. Through the changes in asset turnover over time can measure the condition of the business whether businesses are improving or worsening in their usage of assets.

The efficiency with which contributions are used in production is measured by multifactor productivity. It is the ratio of Real GDP to combined labor and capital inputs.

Asset turnover and multifactor productivity stimulated in sync over the evaluation period (Figure 14). It shows that for small businesses, the asset turnover decreased from 1.2 to 0.8 within 2000 to 2012. It decreased for medium-sized businesses from

2.0 to 1.6 and for large businesses it decreased from 1.2 to 0.9 in the same period of time. The productivity of Canadian reduced from 99.3 in 2000 to 93.6 in 2012. Multifactor productivity and asset turnover fell most abruptly during the collapse of 2009. For medium-sized and large businesses, both indicators reversed after the recession, but for small businesses still had not reversed by 2012.

Figure 14: Asset Turnover Ratio by Business Size (left axis), Multifactor Productivity (right axis), 2000–12



“Sources: Statistics Canada, *Financial and Taxation Statistics for Enterprises*, 1999–2012; Statistics Canada, Multifactor productivity, value-added, capital input and labour input in the aggregate business sector and major sub-sectors, 1999–2012; and author’s calculations.”

To better understand of relative productivity for an organization the asset turnover can also be used. Steadily higher asset turnover ratios tend to indicate higher productivity groups. Medium-sized businesses had an average asset turnover ratio of 1.8 compared to 1.0 for both small and large businesses. Therefore, understanding and using the result of this measure, medium-sized businesses seem to be generally more effective and operative at utilizing and using their production resources.

5.2.6.2 Sector Wise Efficiency

In addition to considering asset turnover by size of business, it can also be useful to look at asset turnover across sectors (Table 15). Consistent with Figure 14, the long-term trend in asset turnover for SMEs in all sectors has been usually downwards; reducing most during the recession and improving with the economy after the recession. Ratios were lowermost among SMEs in the mining, quarrying, and oil and gas extraction; agriculture, forestry, fishing and hunting; and professional, scientific and technical services sectors (0.22, 0.60 and 0.88 respectively). On an average, SMEs in the retail trade and wholesale had the maximum ratios over the period (2.19).

Table 15: Asset Turnover Ratio of SMEs by Sector, 2000–12

Sector	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Avg
Agriculture, Forestry, Fishing and Hunting	0.7	0.7	0.67	0.65	0.63	0.61	0.59	0.58	0.57	0.53	0.51	0.52	0.52	0.6
Mining, Quarrying, and Oil and Gas Extraction	0.3	0.32	0.27	0.29	0.3	0.27	0.22	0.18	0.16	0.11	0.12	0.12	0.12	0.22
Construction	1.25	1.29	1.31	1.34	1.33	1.31	1.28	1.2	1.12	1	0.98	0.98	0.95	1.18
Manufacturing	1.52	1.49	1.48	1.47	1.46	1.44	1.4	1.32	1.23	1.11	1.1	1.14	1.15	1.33
Wholesale and Retail Trade	2.45	2.43	2.41	2.38	2.34	2.27	2.19	2.17	2.06	1.97	1.94	1.92	1.9	2.19
Transportation and Warehousing	1.41	1.41	1.37	1.39	1.43	1.49	1.55	1.45	1.41	1.26	1.28	1.34	1.31	1.39
Professional, Scientific and Technical Services	1.04	1.01	0.95	0.93	0.94	0.92	0.91	0.92	0.87	0.79	0.77	0.72	0.68	0.88
Accommodation and Food Services	1.45	1.56	1.55	1.5	1.47	1.43	1.43	1.4	1.38	1.33	1.33	1.32	1.32	1.42
Other	1.61	1.63	1.59	1.54	1.49	1.42	1.38	1.36	1.32	1.24	1.21	1.23	1.21	1.4

“Sources: Statistics Canada, *Financial and Taxation Statistics for Enterprises*, 1999–2012; and author’s calculations.”

5.2.7 Capital Utilization

In this Section average profits per business, profit growth, and net profit margins were considered in assessing business profitability. These factors indicate whether the revenue generating power of the Canadian businesses in average was sufficient to cover the costs of operations. But these factors did not consider the amount of money invested in the business. Here it was considered to assess the amount of revenue generation in excess of costs per dollar of capital invested by the companies. Higher the excess revenues per dollar capital invested, the higher would be the earnings to reinvest into the business. This would, in turn, support the increasing growth. This assessment would show as to how companies are turning capital into earnings.

The key indicators used within this section are returns on assets (ROA), returns on equity (ROE), and Sharpe ratios.

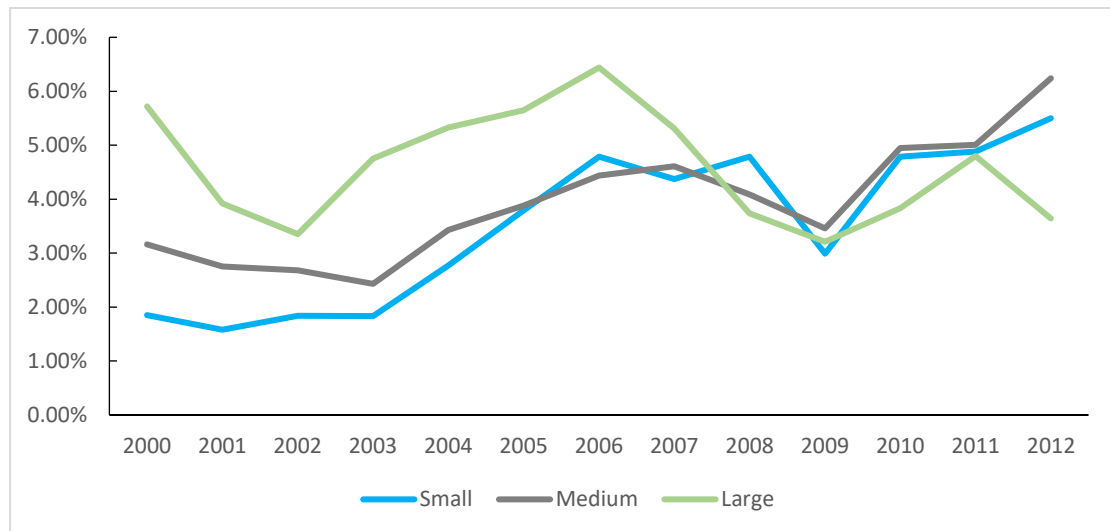
5.2.7.1 ROA and ROE on the Basis of Business Size

ROA is equal to net profit divided by average total assets. It is composed of net profit margins (net profit divided by total revenue) and asset turnover (total revenue divided by assets). Multiplying these two ratios together produces the company's ROA, which is the amount of net profit generated per dollar of assets controlled by the firm. ROA is a measure of capital utilization and higher ROAs suggest more effective conversion of assets into profits.

Figure 15 compares ROAs across size categories. As can be seen, large businesses started the period generating the highest returns, followed by medium-sized businesses and then small businesses. Specifically, in 2000, large businesses earned

5.7 percent on assets compared to 3.2 percent for medium-sized businesses and 1.9 percent for small businesses.

Figure 15: Return on Assets by Business Size (percentage), 2000–12



“Sources: *Financial and Taxation Statistics for Enterprises*, Statistics Canada, 1999–2012; and author's calculations.”

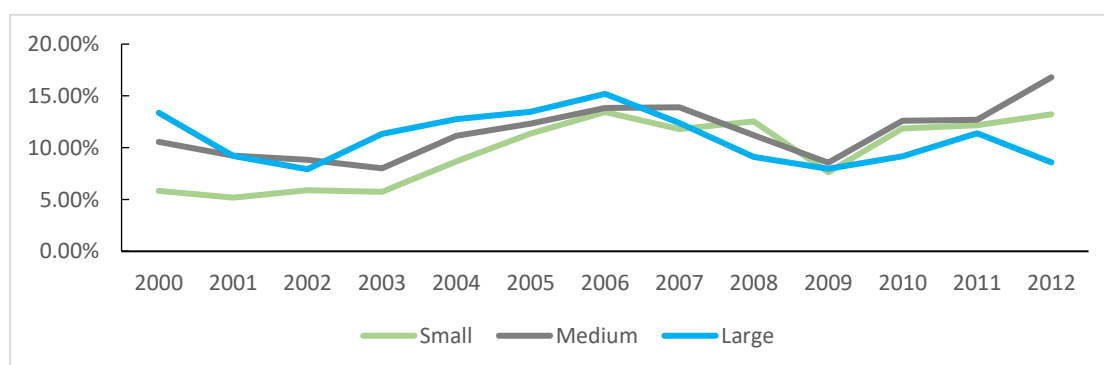
After the economic slump in 2001, the return for all business size groups, but overall, became positive. Returns strengthened over the 2004–06 development period. It is interesting to note that when evaluation of small and medium-sized businesses was being compared to large businesses at the beginning of the period, they were lagging behind big business in the second half of the period. SME's growth in the second half of the period is primarily net profit profit by gaining the primary sector growth. In particular, small and medium-sized enterprises in the professional, scientific, and technical services sectors showed net margins increased by more than 10 percent between 2000 and 2012 (see Table 15). A 4 percentage point flow in net profit margins in the construction sector, another large SME sector, also assisted pressed SME's ROA above that of large firms.

In spite of the lower performance over the second half of the period, large businesses had the robust performance across the entire 2000–12 period, earning an average ROA of 4.6 percent, compared to 3.9 percent for medium-sized businesses and 3.5 percent for small businesses.

Another measure of capital utilization is ROE. It uses the capital of the company's owner, in other words, it measures the efficiency, how effective companies are to earn income on shareholders' investment. It is measured by dividing annual net profit by average shareholder equity.

Following the same trend as ROA, described in Figure 16 of ROE. Large businesses began with the largest return of 13.4 percent in 2000, followed by 10.5 percent and 5.8 percent for medium-sized and small businesses respectively. ROE for all business sizes decreased early in the period, and then improved from 2004 to 2006.

Figure 16: Return on Equity by Business Size (percentage), 2000–12



“Sources: Statistics Canada, *Financial and Taxation Statistics for Enterprises*, 1999–2012; and author’s calculations.”

In contrast to ROA, medium-sized businesses earned the highest average ROE over the period at 11.5 percent. Large businesses had an average ROE of 10.9 percent, and

small businesses of 9.6 percent. The data since 2009 indicates that large businesses' ROE is struggling to return to pre-recessionary levels. This is likely due the large concentration of large businesses and declining trend of ROE in the agriculture, mining and manufacturing sectors.

5.2.7.2 Sector Wise ROA and ROE

Table 16 presents yearly ROA and ROE for SMEs by sector. For most sectors, returns followed a similar pattern as those presented in Figures 15 and 16. Pre-recession returns were lowest in the manufacturing sector and were highest in the construction sector. SMEs come back even after improving the recession for production and transport and warehousing sector. The scientific, professional and technical services sector generated the largest post-recession returns posting an average ROA of 9.6 percent and an average ROE of 22.2 percent over 2010–12.

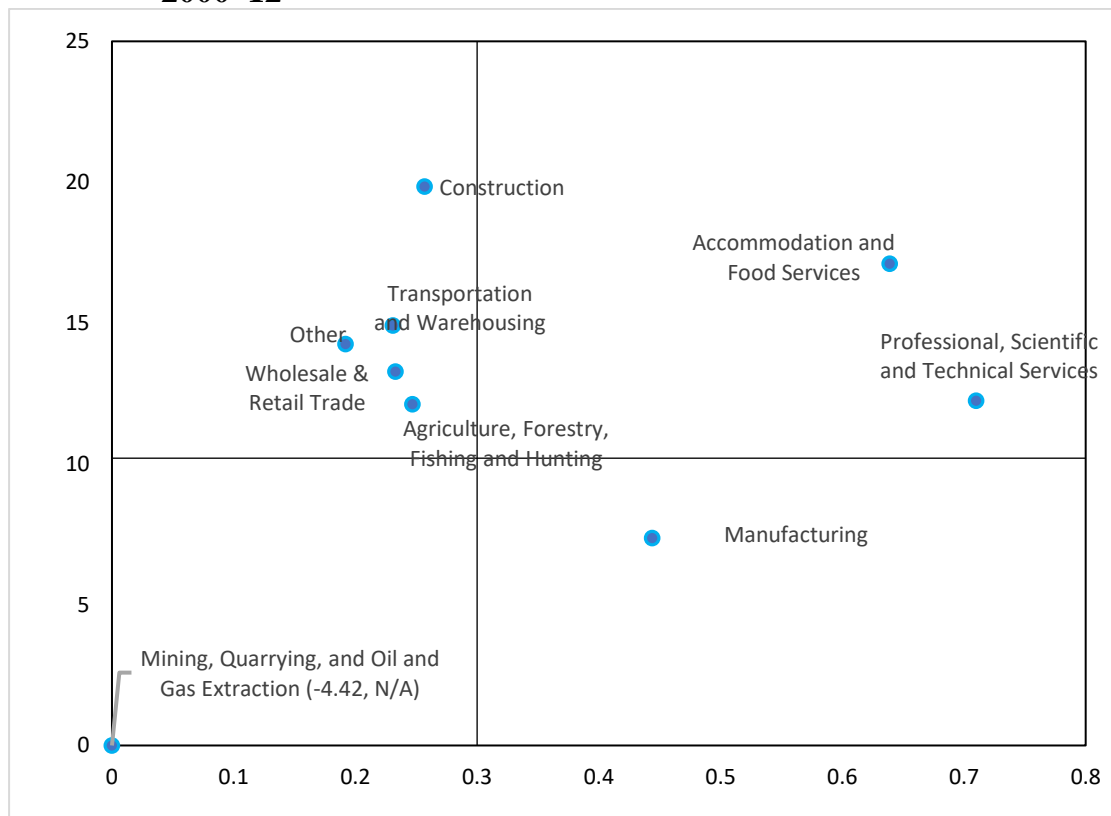
Table 16: Yearly ROA and ROE for SMEs by Sector

Sector		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Avg
Agriculture, Forestry, Fishing and Hunting	ROA	4.2	4.4	4	2.5	3.5	4.2	4.5	5.4	6.5	3.8	5.6	7.4	7.2	4.9
	ROE	11.2	11.7	10.7	6.6	9.3	11.1	11.8	13.9	15.9	9.2	13.3	16.9	15.9	12.1
Mining, Quarrying, and Oil and Gas Extraction	ROA	-3.5	-2.1	-3.2	-0.8	-0.5	-0.9	-0.8	-5.5	-3.9	-2.6	-0.7	-5.8	-4.5	-2.7
	ROE	-6.3	-3.8	-6.2	-1.6	-0.9	-1.6	-1.3	-8.9	-5.9	-3.8	-1.0	-9.2	-7.1	-4.4
Construction	ROA	2.4	2.9	3.4	4	4.9	6.1	6.9	7.6	7	4.9	5.6	6	6.8	5.3
	ROE	10.7	13.3	15.9	17.7	20.1	23.9	25.9	28.2	25.4	17.3	18.8	19.4	21.4	19.8
Manufacturing	ROA	3.2	1.7	2	0.9	1.7	2	3.2	2.8	3.5	0.8	3.1	3.7	5	2.6
	ROE	9.1	4.9	5.8	2.6	5.2	5.9	9.7	8.2	10	2.1	8.6	10.3	13.4	7.4
Wholesale and Retail Trade	ROA	2.2	2.4	2.8	2.9	3.5	4.2	4.9	5	4.9	4.3	5.8	5.6	6.1	4.2
	ROE	7.9	9.1	9.9	10.2	12.3	14.2	15.7	15.7	15.3	13	16.6	15.7	17	13.3
Transportation and Warehousing	ROA	3.8	3.2	2.8	2.7	3.6	4.7	6	4.6	5.8	3.4	5.3	6.7	6.9	4.6
	ROE	14.7	13.2	11.1	9.8	12.6	16.1	19.3	14.6	18.7	10.2	15.6	19.3	19	14.9
Professional, Scientific and Technical Services	ROA	2.7	-0.2	0.3	0.2	2.2	4.7	6.2	7.7	7.5	6.5	8.7	10.4	9.6	5.1
	ROE	6.6	-0.5	0.7	0.5	5.9	12.6	15.9	18.5	17.6	15	19.3	24.1	23.2	12.2
Accommodation and Food Services	ROA	-0.1	0.6	0.7	0.4	1.7	2.5	4.5	5.1	5.2	3.3	4.3	3.9	4.8	2.8
	ROE	-1.1	5.2	6	3	13.5	19.1	30.3	30.9	29.8	18.6	22.4	20.1	24.5	17.1
Other	ROA	3	3.3	4.3	3.6	4.4	5.1	6.3	6.5	6.4	5.4	6.1	7	7.9	5.3
	ROE	11	11.9	11.6	10.2	12.5	14.6	17.8	17.6	16.4	13.1	14.3	16.4	17.8	14.3

“Sources: Statistics Canada, *Financial and Taxation Statistics for Enterprises*, 1999–2012; and author’s calculations.”

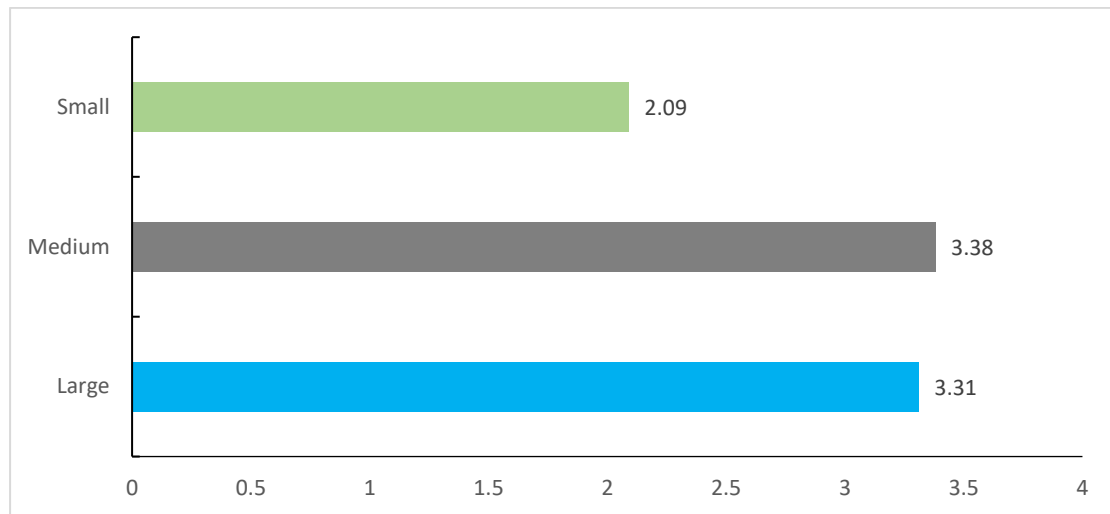
Figure 17 contrasts ROE and the corresponding CV by sector. The construction sectors were high return or low volatility also transportation and warehousing; other services; wholesale and retail trade; and agriculture, forestry, fishing and hunting shown high return. The high return or high volatility sectors were the accommodation and scientific and technical sector, food sector and the professional. Part of the reason for this volatility is that businesses in these sectors tend to use a lot of debt, which leads to obviously higher swings in performance. The manufacturing sector faced difficult situation in this period, facing higher volatility with low returns. The oil and gas, mining, quarrying and extraction sector experienced losses over the period so its coefficient of variation was not applicable.

Figure 17: Average Return on Equity (vertical axis) of SME Industries Compared with the Coefficient of Variation (horizontal axis), 2000–12



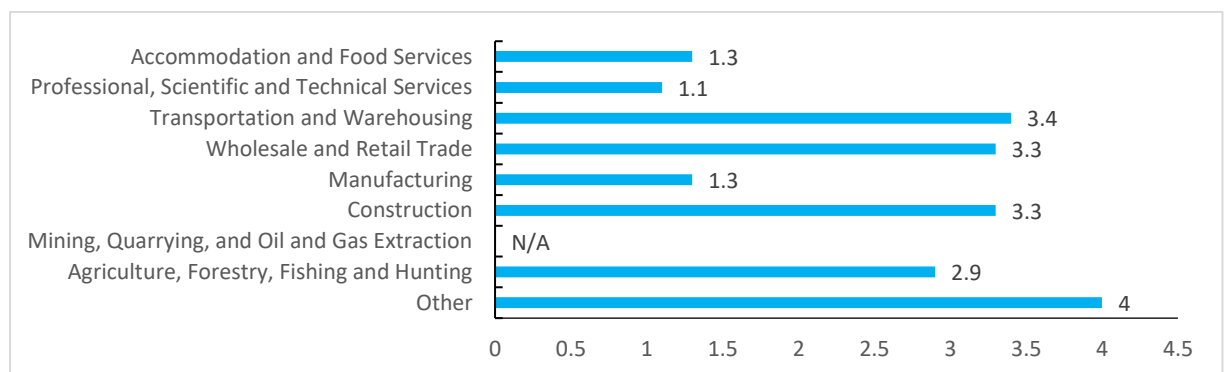
5.2.7.3 Sharpe Ratios on the Basis of Business Size and Sector

For a complete analysis of SME performance, analysis of risk-adjusted returns should be examined. In this context it means analysis excess returns in relation to performance volatility. One way this can be performed is by using a variation of the Sharpe Ratio. Developed by Nobel Laureate William F. Sharpe, the Sharpe Ratio measures the average ROE over the evaluation period in excess of the Government of Canada 10-year benchmark bond yield divided by the standard deviation of ROE. Greater risk-adjusted performance will be indicated with the Higher Sharpe Ratios. Sharpe Ratios can increase because of greater returns, greater stability in performance, or falling interest rates. When returns are shown at in isolation, a jump in ROE could wrongly indicate an increase in economic profitability when none in fact exist. It could also indicate higher economic returns when, in reality, the sources of those returns are highly unstable. Looking at excess returns per unit of risk assists guard against false reads in the ROE calculate alone. Figure 18 shows Sharpe Ratios on the basis of size of business. As can be seen, small businesses earned the lowest risk-adjusted returns with a Sharpe ratio of 2.0. Medium-sized and large businesses earned the highest risk-adjusted returns over the evaluation period, with Sharpe Ratios of 3.4 and 3.3 respectively.

Figure 18: Variation of the Sharpe Ratio by Business Size, 2000–12

“Sources: Statistics Canada, *Financial and Taxation Statistics for Enterprises*, 1999–2012; The Bank of Canada, CANSIM and author’s calculations.”

Figure 19 presents sector wise Sharpe Ratios. SMEs in other services, which includes maintenance services, repair and personal and laundry services earned the highest risk adjusted returns. It is significance noting that many of these services can be seen as necessities, and would therefore experience slighter fluctuations in demand relative to other industries. The stable performance of SMEs in other services was also indicated earlier in the report through low coefficients of variations for both revenue and return on average assets (Figure 11 and Figure 17).

Figure 19: Variation of the Sharpe Ratio of Sector wise SMEs, 2000–12

“Sources: Statistics Canada, *Financial and Taxation Statistics for Enterprises*, 1999–2012; The Bank of Canada, CANSIM and author’s calculations.”

SMEs in construction; agriculture, forestry, fishing and hunting; wholesale and retail trade; and transportation and warehousing also produced relatively high risk-adjusted returns with Sharpe Ratios all around 3.0.

Risk-adjusted returns for SMEs in the professional, scientific and technical services sector; the manufacturing sector; and the accommodation and food services sector were lowest with Sharpe Ratios all around 1.0. Losses in the mining, quarrying, and oil and gas extraction sector meant a meaningful Sharp Ratio could not be intended.

5.2.8 Financial Strength

Stable financial health condition is dependent on a solid base. Consequently, it is imperative to evaluate the financial status of the SMEs, where it is a prerequisite to better comprehend the increasing rate of SMEs and to see the business models they adopt.

Debt is a key issue that substantially influences financial health condition of SMEs. The higher the debt a company has, the higher the percentage of its fixed cost component of its total costs. It is of specific concern during economic downfall, when it becomes extremely complicated for the companies to prosecute their business. Because, during that time companies face financial constraints in making payments of their scheduled interest and principal amount of their debt.

The debt-to-equity ratio is considered as a common measure of levels of debt, or leverage. It is obtained or calculated through dividing total debt by total shareholder equity. If the result of this ratio is higher that indicates a greater proportion of debt on the company's books as well as greater risk of default. Another measure is the debt

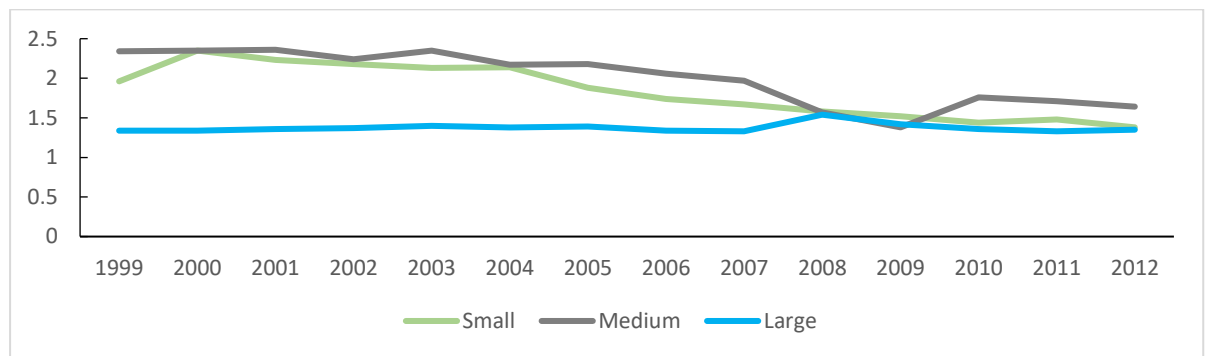
repayment ratio. This is calculated through dividing total liabilities by average annual after-tax profits. It provides a sense of how long it would take a business to pay down its debts given its normal earnings power. We have tried to examine both of these metrics are examined below.

5.2.8.1 Debt-to-Equity and Debt Repayment Ratio of Business Size

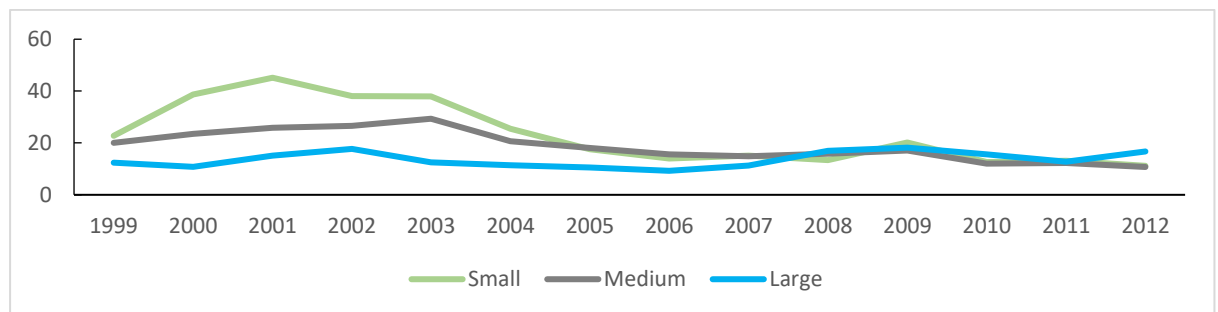
From 1999 to 2012 there was a sustained drop in the use of leverage by small and medium-sized businesses, with debt-to-equity ratios falling from 2.0 to 1.4 for small businesses and 2.3 to 1.6 for medium-sized businesses (Figure 20). Large businesses remained steady, with an average debt-to-equity ratio of 1.4.

Similarly, it is evident that small and medium-sized businesses deleveraged themselves over the 1999–2012 period since their debt repayment ratios fell from 22.8 to 11.2 and 20.0 to 10.7 respectively (Figure 21). Debt repayment ratios for large businesses stayed relatively flat throughout the time period, with an average ratio of 13.7. Large businesses ended the time period with a debt repayment ratio of 16.7, meaning that it would take an average large Canadian business about 16.7 years to pay-off their debts given their normal earnings power.

The decline in debt-to-equity ratios and debt repayment ratios is reassuring because lower debt levels can allow businesses to better handle economic shocks that can arise from increases in interest rates. Businesses that are less indebted also often have access to greater sources of equity or debt when they need it, which can help them to pursue new growth opportunities.

Figure 20: Debt-to-Equity Ratio by Business Size, 1999–2012

“Sources: Statistics Canada, *Financial and Taxation Statistics for Enterprises, 1999–2012*; and author’s calculations.”

Figure 21: Debt Repayment Ratio by Business Size, 1999–2012

“Sources: Statistics Canada, *Financial and Taxation Statistics for Enterprises, 1999–2012*; and author’s calculations.”

5.2.8.2 Sector Wise Debt-to-Equity and Debt Repayment Ratio

Deleveraging was a general trend observed across all sectors over the period (Table 17). SMEs in accommodation and food services were the most highly leveraged group of businesses for most of the period. This would have contributed to the large spread between their average ROA and average ROE. SMEs in mining, quarrying, and oil and gas extraction were the least leveraged group of businesses as measured by their debt-to-equity ratio. However, after taking into account their negative earnings, it would take them longer than any other business group to pay down their debts. The debt repayment ratio for manufacturing in 2012 was at its lowest since 1999.

Table 17: Debt-to-Equity Ratio (top row) and Debt Repayment Ratio (years) (bottom row) of SMEs by Sector, 1999–2012

Sector		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Avg
Agriculture, Forestry, Fishing and Hunting	ROA	1.6	1.7	1.7	1.7	1.7	1.7	1.6	1.6	1.5	1.4	1.4	1.3	1.2	1.2	1.5
	ROE	18.1	15.5	14.8	16.1	26.6	18.9	15.3	14.2	11.6	9.4	15.4	10.5	7.9	7.9	14.4
Mining, Quarrying, and Oil and Gas Extraction	ROA	0.9	0.7	1	1	0.9	0.9	0.7	0.7	0.6	0.4	0.4	0.5	0.6	0.5	0.7
	ROE	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Construction	ROA	3.2	3.7	3.4	3.8	3.2	3.1	2.8	2.7	2.7	2.6	2.4	2.3	2.2	2.1	2.9
	ROE	20.9	33.3	27.2	23.4	19.8	15.9	12.6	11.2	10.2	10.8	14.4	12.8	11.9	10.4	16.8
Manufacturing	ROA	1.8	1.9	1.9	1.9	2	2	2.1	1.9	1.9	1.8	1.7	1.8	1.7	1.7	1.9
	ROE	12	21.4	38.9	33.4	—	39.2	34.6	21	23.8	19.1	—	20.2	17.1	12.5	24.4
Wholesale and Retail Trade	ROA	2.4	2.8	2.7	2.5	2.5	2.5	2.2	2.2	2.2	2.1	1.9	1.8	1.8	1.8	2.2
	ROE	21.4	34.4	30.3	26.5	25	20.4	16.4	14.3	14.2	14.1	15.1	11.3	11.7	10.6	19
Transportation and Warehousing	ROA	2.5	3.3	3	2.8	2.5	2.5	2.4	2.1	2.2	2.2	1.8	2.1	1.7	1.7	2.3
	ROE	18.2	21	24.3	26.6	26.6	20.7	14.7	11.9	15.6	11.9	19.4	12.7	9.9	9.4	17.3
Professional, Scientific and Technical Services	ROA	1.3	1.7	1.7	1.6	1.7	1.7	1.6	1.5	1.3	1.3	1.3	1.1	1.5	1.3	1.5
	ROE	14.1	25.8	—	—	—	30.1	13.4	9.8	7.9	8	8.8	6.2	6.1	6.2	12.4
Accommodation and Food Services	ROA	7.2	8.1	8.8	7.5	7.3	6.8	6.3	5.3	4.8	4.8	4.4	4.1	4.3	3.9	6
	ROE	43.7	—	—	—	—	53	34	19.3	17	16.3	24.8	19.3	21.5	16.8	26.6
Other	ROA	1.7	4.5	1.7	1.8	1.9	1.9	1.8	1.8	1.7	1.5	1.4	1.3	1.3	1.2	1.8
	ROE	15.6	27.7	20	15.2	18.6	15.7	13.2	10.5	10.1	9.7	10.8	9.7	8.4	7.1	13.7

“Sources: Statistics Canada, *Financial and Taxation Statistics for Enterprises*, 1999–2012; and author’s calculations.

Note: “—” indicates that the data is not meaningful as the sector posted losses in all periods.”

5.2.9 Regression Analysis for Canada

Table 18: Regression Model Summary for Canada

Model Summary			
Model	R	R Square	Adjusted R Square
1	.998 ^a	.995	.994

a. Predictors: (Constant), Small Business, Medium Business, Large Business

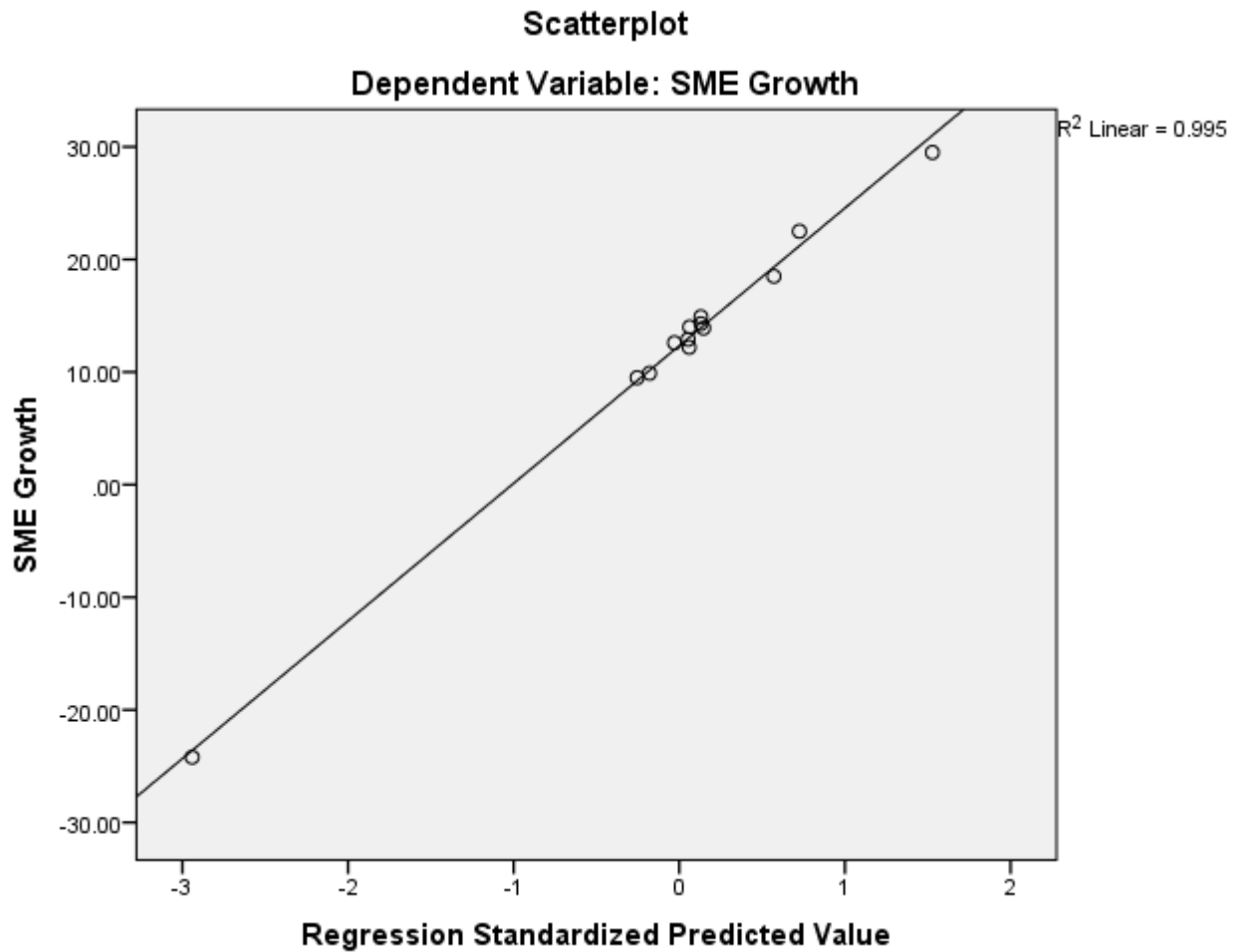
Sources: Statistics Canada and author's calculations.

Table 19: Regression Coefficient with 95 percent Confidence Interval and Significance Level for Canada

Regression						
Dimensions	Coefficients	Std. Error	t-statistics	Sig.	95 percent Confidence Interval for Coefficients	
					Lower Bound	Upper Bound
Small Business	1.146	.224	5.116	.001	0.640	1.653
Medium Business	0.901	.174	5.177	.001	0.507	1.295
Large Business	1.153	.062	18.548	.000	1.012	1.293

Sources: Statistics Canada and author's calculations.

To examine the impact of different category (small, medium and large) of business on the total business growth in Canada we consider the regression model. The results are given in Table 19. It is observed that the large business and small business play almost similar significant roles for increasing the growth of total business in Canada. If one unit increases the small business the total business growth will 1.146 times spread across the country and the effect of large business is a little bit higher than the small business. If the large business increases in one unit, the growth of total business will 1.153 times higher in the country. On the other hand, medium business has the negative impact on the total business growth. If the medium business increases with one unit, the total business growth will 1.109 times decrease.

Figure 22: Regression line for Different Businesses of Canada

Sources: Statistics Canada and author's calculations.

The value of R^2 is 0.995 for this regression model. It reveals that the model is highly precise model regarding the explanatory variable, total growth of business is 99.5 percent explained by these three categories (small, medium and large) of business.

5.2.10 Conclusion

As already mentioned that SMEs account for 99 percent of Canadian business, it is understood how important SMEs in the Canadian economy is, that is SMEs play a significant role in the Canadian economy. Primary objectives of SMEs are to sell products/services, generate higher profits in an effort to earn acceptable return on

investments and mitigate risks of bankruptcy. In addition, SMEs perform many other social and environmental responsibilities as well.

Long-term survival of business is dependent on the achievements of the objectives as mentioned above. More precisely speaking, selling products and or services, earning acceptable returns on their investment etc. are essential on the part of the businesses for their sustenance. Primarily, profits are the source of income for most of the entrepreneurs and their families. In other words, income generated from the profits made by such business render the means of livelihood for them. In order to cover the costs of production, procuring raw materials, payment of wages to the employees etc., revenue earning remains at the heart of the business operations. Sales and profits are directly proportional to expansion and growth of business. Again, the higher the productivity, the higher the revenue generation that makes the business profitable. Asset turnover ratios are also dependent on productivity which is indicative of both the operating efficiency of business and their profit generating capacity in the days ahead. The entrepreneurs invest their time, money and energy into their businesses with the ultimate expectation of reasonable return on their such investments. Therefore, returns on their investment remain their end results in the form of monetary rewards the entrepreneurs receive. This rewarding result keep the entrepreneurs motivated in undertaking risks of conducting their businesses and drive them for moving forward for even greater successes.

All important discussions like sales, revenue, profits, efficient and effective conduct of business, risks and returns in businesses need careful monitoring. Therefore,

government need to have a proper mechanism to monitor SMEs performance covering all dimensions as highlighted above. The SMEs contribution to the economic growth is tremendous. The prospect of employment generation is largely dependent upon the SMEs growth. Therefore, providing necessary supports for financial success of SMEs deserve due consideration and is a matter of policy concern.

The above information and discussion provide a historical assessment of the performance of Canadian SMEs both in terms of their operational and financial aspects. It also provides the causal relationship between variables necessary for policy and strategy formulation.

5.2.11 Women Entrepreneurs in Canada

What types of business do Canadian women entrepreneurs prefer to start and develop?
What kinds of Canadian women want to do initiative for any type of business? In Canada, how many women-owned businesses?

From the following statistics we get the answer these questions and others like them.

5.2.11.1 Statistics on Canadian Women Entrepreneurs

- i. In 2012, there were 950,000 self-employed women in Canada, the portion of this self-employed women entrepreneur were 35.6 percent of all self-employed citizens.
- ii. In 2010, the highest proportion of majority-owned female SMEs (small and medium-sized enterprise) were in Quebec that was 19 percent,

followed by Atlantic Canada, Ontario, and then the Prairies and British Columbia.

- iii. The partially owned by women in SMEs were 47 percent.
- iv. Generally, the percentage of women-owned businesses is higher than the men owned business those are decided to expand their business.
- v. Almost 51 percent of native-owned SMEs belong partially or solely to women.
- vi. From 1990s to 2012 nearly 6 percent increases the established businesses (non-start-ups), that are operated by women.
- vii. Before adjustment the tax average net profit of women-owned businesses has increased from 52 percent to 89 percent within 7 years (2000 to 2007).
- viii. Most of the female-owned organizations are significantly more active and concern with growth intentions in appointment new employees than majority male-owned organizations.
- ix. In Canada, annually more than USD 117 billion economic activity are contributed by women-owned SMEs.
- x. At present, the women entrepreneurs are more concern in some sectors such as food service, accommodation and professional service in SMEs.
- xi. The proportion of post-secondary degree or diploma has increased among the young women (25-34). That was 43 percent 1990 and it became 71 percent in 2013 (Jung, Owen, 2010)

Among the total SMEs in Canada 16 percent are female-owned small and medium-sized enterprises (SMEs) (i.e., 51 to 100 percent of the ownership of the business is held by women).

On an average, woman business owners were younger than male business owners and women were reported fewer years of management or ownership experience compared with male business owners.

Most of the female-owned organizations were more interested to operate in the tourism industry than majority male owned organizations.

In 2004 and 2007 the revenues earned by most of the male-owned firms were still significantly more than the revenues earned by most of the female-owned firms in; nevertheless, before-tax adjustment net incomes produced by majority female-owned firms were comparable to net incomes produced by majority male-owned firms.

In 2007, 17 percent request were made by majority female-owned firms that were just as likely as majority male-owned firms. In 2004, 24 percent request for financing were made by male-owned firms whereas only 15 percent were made by majority female-owned firms.

Most of the female-owned firms that wanted financing in 2007 were successful in obtaining at least some form of external financing; nevertheless, for short-term debt financing most of the female-owned firms were less likely to be approved (77 percent), such as lines of credit and credit cards, than majority male-owned firms (94 percent).

In case of successfully obtaining the loans, there was little evidence of discrepancy with regards to interest rates or requests for collateral among majority female-owned and majority male-owned organizations. whereas among SMEs that were denied debt financing, due to a poor credit history or inadequate collateral majority female-owned organizations were significantly more likely to be declined than majority male-owned organizations.

Among SMEs the intention to increase the size and opportunity of their businesses within 2 years, most of the female owned organizations were more likely to need external financing to fund their development plans than most of the male-owned organizations. Remarkably, majority male-owned firms were less likely to consider sharing equity in the business to fund their expansion plans than majority female-owned organizations.

In 2007, in case of declaring the growth intentions, majority female-owned organizations were more likely to than majority male-owned organizations.

Within four years from 2004 to 2008, organizations that announced growth intentions exhibited conspicuously stronger growth in total revenue than firms that did not declare growth intentions notwithstanding of owner gender (The Canadian Taskforce for Women's Business Growth, 2011)

- i. In case of international trade, Canadian men business owners are on average more likely to engage than the women business owners.
- ii. In Canada, 2.6 million self-employed workers among 900,000 self-employed workers were women in 2010.

5.2.11.2 Small Business Statistics for Canada

From the following information we can easily understand the present situations of small business in Canada.

- i. Food services industries and accommodation have the maximum share of businesses that are majority-owned by females, at 22 percent.
- ii. In 2008, there were 910 000 self-employed women in Canada, these are the one-third of all self-employed persons.
- iii. Between 1998 and 2008, the number of self-employed women increased by 6.4 percent compared with 11 percent growth in male self-employment.

5.2.11.3 Status of Women Entrepreneurs of Canada

- i. 84 percent of women feel their business has reached a size they are relaxed with and don't want to grow, as compared to 37 percent for men.
- ii. "The maximum of majority women-owned firms (85 percent) are micro-businesses employing fewer than 5 people (Carrington, 2006)"(p. 15).
- iii. Women are also more likely to operate businesses in the service sectors rather than in knowledge and manufacturing industries, which usually enjoy higher growth potential and profitability (Barbara Orser, 2007)
- iv. "Women are significantly higher interest to operate firms in the services sectors and lower interest to operate knowledge-based industries and manufacturing operations. The most common service sectors for women

entrepreneurs were retail or wholesale, professional services and information or culture or real estate. (Carrington, 2006)" (p. 17).

- v. "Canada is a global leader in women's entrepreneurship (GEM, 2000). The participation rates of Canadian women business owners are comparable to those in the United States and higher than those of other leading nations such as Denmark, Finland, and New Zealand (Brush, Carter, Gatewood, Greene, and Hart, 2002).
- vi. "The majority of self-employed women (62.7 percent) remain unincorporated solo workers concentrated within personal services and retail sales sectors (Hughes, 1999; 2006)" (p. 17).
- vii. 36 percent of men planning to open a business plan to do so to become wealthy, while only 23 percent of women planning to open a business do so for the same reason.
- viii. A flexible work schedule is a greater motivator for women planning to open their own business (63 percent) than for men planning to do so (51 percent).
- ix. Women are less likely than men to start a business because they want to be their own boss. Women are more likely to employ a spouse or a child and to be first-time business owners.
- x. The majority of women and men entrepreneurs (69 and 64 percent respectively) seem to be equally driven by a love for what they do or hope to do.

- xi. Virtually equal amounts of male and female entrepreneurs listed their three main challenges faced when starting up a business as finding clients; keeping a steady workload and working long hours.

5.2.11.4 Summary of Canadian Women in Business

- i. The numbers of Canadian women entrepreneurs are still growing.
- ii. On average, women business owners are younger and have fewer years of management or ownership experience compared with male business owners.
- iii. Canadian women business owners are on average less likely to engage in international trade compared to Canadian male business owners.
- iv. Women entrepreneurs are much more likely to choose to start and run small businesses in the retail and service sectors.
- v. Women entrepreneurs do not make as much money as male entrepreneurs although the gap appears to be closing.

Chapter Six

Findings and Conclusions

6. Findings and Conclusions

The discussion and analysis of study results in previous chapters have pointed out multidimensional aspects of existing Small and Medium Enterprises of both the developed and developing countries. In this chapter, we tried to find out the significant findings from our above analyses and come to overall conclusions and make recommendations for both the countries.

6.1 Potential of MSMEs in Bangladesh

The central bank has launched target-based credit activities for banks. Between 2010 and 2013, about 1.835 million SMEs got loans to the tune of BDT 262,340 crore. Loans of nearly BDT 100,000 crore are going to SMEs every year. BB has launched a number of refinancing schemes involving BDT 2,100 crore from its own fund as well as funds from development partners.

The central bank is also promoting cluster-based SME credit programs 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.

6.2 Challenges for MSME Financing in Bangladesh

Challenges of MSME Entrepreneurs	Challenges of Building MSME Banking in BD	
	Bank's/FI's-Challenges/ Perceptions	Policy Level Gaps
<p>1. Management Skills/Expertise:</p> <ul style="list-style-type: none"> • Low Management & Technical Skills • Poor financial planning • Poor information and record management 	<p>1. Information asymmetry to assess clients (Cottage /Micro/Small). Managing SME lending Risk is “perceived” to be a “daunting” task.</p>	<p>1. Mostly undifferentiated Tax regime between SME and large business. No Tax holiday for sole-proprietorship business, the common form of SME.</p>
	<p>2. Bad experiences by some early players, "burnt fingers", ‘myths’, and “early stage NPLs” leading to risk aversion later on.</p>	<p>3. No Credit Guarantee scheme</p>
	<p>4. Lack of interest by the Key Stakeholders (Board & Mgmt).</p>	<p>2. Absence of structured training for capacity building.</p>
	<p>5. "SME Bankers/Leaders” who can drive the SME agenda are not adequate in market.</p>	<p>3. Academia-Industry disjoint</p>
	<p>6. Ad-hoc basis approach, lack of synchronized strategy by the banks.</p>	<p>4. Deficient Legal &Regulatory framework.</p>
<p>2. Access to Finance</p>	<p>7. One legged approach, mainly on lending-missing out the revenue spectrum and big picture.</p>	<p>5. Inadequate Business Support Services from Govt. bodies (BSTI, BSCIC etc).</p>
<p>3. Limited & complicated Access to Finance:</p>		

<ul style="list-style-type: none"> • Lack of capital • Lack of collateral for loans requirement to avail loans • High interest rates 	<p>8. Dominance of MFIs in micro-segment due to doorstep services, lightening TAT and less regulated regime.</p>	<p>6. Well-orchestrated National Policy for SME is required.</p> <p>7. Lack of any country level governing body to administer the SME enterprises.</p>
<p>4. Operating Environment:</p> <ul style="list-style-type: none"> • Support from Govt. Authorities. • Access to market • Poor infrastructure & Energy. • Political uncertainty • Red tape in starting up business • Corruption and taxing the influential. 		

6.3 Role towards Economic Development through Micro Financing in Bangladesh

6.3.1 Poverty Reduction

About 31.5% people live in below poverty line in Bangladesh (ADB, 2016) in 2016, which was about 40% in 2007 (BBS, 2007), GDP Growth is 7%.

Impact of micro-credit program on poverty reduction was measured by considering four dimensions: change in income, change in farm and household assets, change in living standard and change in poverty situations

6.3.1.1 Change in Income

Micro-credit borrowers earned income by undertaking different Productive activities utilizing credit received from MFIs or Banks and they improved their income. Main sources of income are / were raising crops, animal, fisheries, business and other livelihood activities.

6.3.1.2 Change in Farm and Household Assets

Household assets include furniture, farm implements, poultry, livestock and electrical goods. It may be after their involvement with credit program, they invested money in different income generating activities and uplifted their economic condition. It implies that micro-credit is the essential instrument that plays a vital role for poverty reduction.

6.3.1.3 Change in Standard of Living

By using microcredit the micro enterprises able to earn more profit and able to improve the standard of living (includes sources of drinking water, toilet condition, medicare, number of clothing per year and electricity consumption level).

6.3.1.4 Change in Poverty Situation

In a study it is found that traditionally, poverty is conceptualized in terms of income and expenditure ability. The poverty situation was classified into five categories; these are: non poor, tomorrow's poor, absolute poor, hard-core poor and ultra poor. Poverty situation reveals that after involvement with micro-credit program percentage of non-poor increased from 2.2 to 13.3% and tomorrow's poor increased from 13.3 to 46.7%. Figure 5 also shows that after involvement with micro-credit program the percentage of absolute poor, hard-core poor and ultra poor were in decreasing trend.

6.3.2 Promoting Education

Microcredit plays vital role in promoting education. So micro-credit is considered as vital tool to promote the education and reduce drop out. Though Bangladesh Government provides some reading and writing materials to all level of students throughout the Bangladeshi students. But it is not sufficient, and it can't motivate

parents to send their children school. Because of the high cost of education parents are discouraged to educate their children. In such a situation some major microcredit institution provide money for their members child's education. They sometimes provide money without any condition or sometimes conditionally. Such major micro-credit organizations are GB, BRAC, ASA and etc.

6.3.3 Creation of Awareness

Maximum population are using sanitation and go to school for education. According to Human Development Index (HDI), Bangladesh ranked 139 out of 188 countries in the world in 2017 (UNDP, 2017), which was 140 out of 177 countries in the world in 2007 (UNDP, 2007)

6.3.4 Women Empowerment

It is generally perceived that micro-credit and SME Financing program helps to improve socio-economic status of the rural women in Bangladesh. As per Bangladesh Bank's guidelines, The Gender Inequality Index vale has shown great improvement was estimated at 0.520 in 2015, which places Bangladesh 119th out of 159 nations. 42% of women today have a secondary education and 43.1% are estimated to be participating in the labour market. USAID programs have helped promote more than 5,00,000 women farmers in agricultural technology. In fact, Bangladesh ranks eight in the global political empowerment of women.

6.4 Discussion

The activities of small and medium enterprises (SMEs) can be considered to be vital and these SMEs can play very important roles for the economic growth and poverty

mitigation. SMEs also act as media to make a dramatic changes toward the industrialization of the developing countries like Bangladesh. SMEs are major fundamental business segment of country's economic escalation, creation of job sources, reduction of unemployment rate and accelerated industrialization. The government of Bangladesh has highlighted the significance of SME in the Industrial Policy-2005. SME has recognized by the Ministry of Industries as a 'thrust sector'. As the SME is a labor intensive sector, it can generate more employment opportunities. Considering the above reasons, the government of Bangladesh can use SMEs, as poverty alleviation tools. SMEs also promote the enlargement of entrepreneurial skills and innovation for future business. Along with poverty alleviation, SMEs can reduce the urban migration as well as create the independent entrepreneur and increased cash flow in rural areas. As a result, it will improve the standard of living in rural areas.

SMEs' performance in Bangladesh is considerably found below the level of international standard. However, government of Bangladesh has taken some initiatives to ensure the growth of SMEs and achieving the international standard level but those steps are not sufficient to reach the destination. Bangladesh government shows its positive approach towards this sector. Bangladesh government should continue to give more focuses on some areas regarding the SMEs, such as arrangement of different trainings to produce experienced workers, ensuring the financial support, make available infrastructure facilities, establishing a suitable and appropriate legal framework, set up national quality policy etc.

From the sequence of our analysis it is observed that the role of SMEs in the development of economy of Bangladesh is very significant. We can say that if the above mentioned propositions are implemented, then the development of SME sector in Bangladesh will gain due momentum.

Considering the aforementioned aspects, Canadian SMEs enabled us to paint a very informative picture of their circumstances and the approaches they take for SMEs growth. Many of the findings are both encouraging and inspiring for businesses hesitating to pursue growth.

One of the greatest news of the Canadian SMEs is that almost 40 percent SMEs are experiencing strong or sustained growth. A mentionable proportion of them succeed in increasing their revenue and progressing with their profitability while maintaining the same number of workers. This is a brilliant approach, as it leads to greater productivity and a sounder financial footing. Prospects such as these no doubt explain why so many leaders say it is important to set their sights on growth, despite the inherent challenges.

Whether their growth is strong or sustained, SMEs adopt similar strategies to succeed. First, they acknowledge the importance of preparing a customer-centered plan of action. Understanding customers' needs and tailoring the companys' product and service offerings accordingly are essential steps. Effective human resources management is another item at the top of the list. This involves enabling employees to perfect their skills through suitable training programs and recruiting personnel with

the necessary qualifications. More precisely, it is imperative to continued an effective initiative of trying human resources into human capital in the SME sector.

Innovation is another winning strategy. SMEs enhance their chances of increasing successfully by introducing new products or services, and by implementing more efficient business processes. To improve their odds even more, they can choose to invest in their amenities and more valuable equipment, or in advanced technologies.

Another approach is to recruit competent resources and a highly skilled management team. SMEs experiencing strong growth are more likely to invest the necessary effort to this end.

This raises a question: What are the payoffs for businesses that go to the trouble of implementing a growth strategy? In fact, there are some reasons why leaders may wish to target growth. Improving their financial condition and that of their families is clearly a very important issue, but there is also the ability to offer a more attractive work environment to the employees, with more opportunities for advancement. It is also more interesting to lead a business that is more competitive and on a sounder financial balance. Leaders can take pride in saying that their business is able to have a bigger optimistic impact on the community, a fact backed up by three-quarters of leaders of rising companies.

From the above it is evident that the SMEs are the accelerating power engine of Canada's economy. The more they set their sights on growth, the stronger the Canadian economy will be. For this reason, BDC hopes to inspire as many business leaders as possible to pursue growth by providing pertinent information on talented

strategies and demonstrating the benefits of a growing company through concrete examples. (BDC Study, 2015)

6.5 Limitations and Future Research

There are a number of limitations to this study. Firstly, to measure the performance of SME sectors, we have used a cross-sectional analysis whereby it has given a snapshot scenario on the approaches and intended approaches of measuring performance. A longitudinal study would be much better to identify and supplement the usage, relevance and flaws of the measures than this cross-sectional analysis, in particular the long-term measures. Secondly, results of each case are specific and substantive to the case itself. Even the formal proposition that appeared from the cross-case analysis are related to the sites or cases, these findings cannot be comprehensive easily (Macintosh and Scapens, 1990). Thirdly, the conscious or unconscious bias may be incurred during the collection of information. In addition, we have used primary information for Bangladesh whereas secondary information have been used for Canada due to unavailability of Canada's primary information. This process may mean that certain issues may be discarded by the analysis of secondary information, but may deem important to the readers or being looked at different angles. However, the multiple data collection methods such as collecting data from the Bangladesh Bank, document inspections and further inquiries help minimize the threats to validity and reliability of information. In order to provide for the needed confidence in the coding processes and to claim for some degrees of representatives of the population, we have used the multiple case study approach in our study (Yin, 1994). Further, even though this study intends to focus on in-depth understanding of the behavior and

nature of the SMEs, the collected information may not necessarily reflect the culture and approaches adopted by the owners-managers as a whole, or more information from the different aspects of the countries and other industries. More pragmatic tests could help firm up the understanding and causes for accepting or refusing certain categories of measures. Repetitive assessments assist to provide comparative observations of measures in a diversity of settings on an industrial, national and international context. Apart from solely based on the goal approach, future research could be based on other diverse theoretical approaches including stakeholders, competitive value, covering whole countries information and system resources to offer a comprehensive viewpoint of how the measures help an organization's plans on its growth, success and successions as well as help to the banks for providing or generating different types of services (H Gin Chong, 2008).

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